ESTAVIS

REAL ESTATE PERFORMANCE

ANNUAL REPORT 2013/14

ESTAVIS AG
ANNUAL REPORT 2013/14

Overview Key Financial Data

ESTAVIS AG	2013/14	2012/13
Revenues and earnings	**TEUR**	**TEUR**
Revenues	28,170	118,883
Total operating performance	37,813	111,101
EBIT	7,670	11,406
Pre-tax profit	864	6,236
Net profit	–3,169	1,499

ESTAVIS AG	30 June 2014	30 June 2013
Structure of assets and capital	**TEUR**	**TEUR**
Non-current assets	191,098	157,582
Current assets	49,762	45,110
Equity	76,476	66,632
Equity ratio	31.8 %	32.9 %
Total assets/equity and liabilities	240,860	202,692

* Last year's figures were adjusted for reasons of comparability. See note 6.1.5.

ESTAVIS AG

Share	
Stock exchange segment	Prime Standard
ISIN	DE000A0KFKB3
German Securities Code Number (WKN)	A0KFKB
Number of shares on 30 June 2014	23,338,817
Free float (information according to last notification from investors)	12 %
Share price high (1 July 2013 – 30 June 2014*)	3.05 EUR
Share price low (1 July 2013 – 30 June 2014*)	1.86 EUR
Closing price on 30 June 2014*	2.41 EUR
Market capitalisation on 30 June 2014*	EUR 56.3 million

* Closing prices in Xetra trading

This Annual Report comprises the consolidated financial statements of ESTAVIS AG and the management report of the Group on the 2013/14 financial year as well as additional voluntary information.

This translation of the original German version of the Annual Report has been prepared for the convenience of our English-speaking shareholders.
The German version is authoritative.

The above-mentioned versions of the Annual Report can be found at www.estavis.de or can be optained free of charge by writing to:
ESTAVIS AG, Uhlandstr. 165, 10719 Berlin, Germany.

Content

Reports

Letter to the Shareholders

Dear Shareholders,
Dear Ladies and Gentlemen,

Jacopo Mingazzini

Germany's housing market, and specifically Berlin's housing market that is so important for ESTAVIS, are defined by a steady increase in demand, rent rates, and purchase prices. Condominium prices, too, continued to push up in the year concluded. For the first time, Berlin outpaced the previous top-performer, Munich, not just in regard to the number of sales, but also in terms of turnover volume. While the sales total in Berlin grew by more than 18 % to EUR 4.3 billion, it declined by nearly one percentage point to EUR 3.8 billion in Munich.

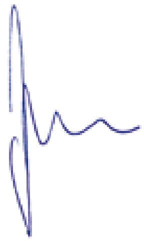
The favourable market environment helped us to conclude the year with a positive consolidated income before taxes. Our two business lines, Trading and Portfolio, performed quite handsomely. In the privatisation business, we once again raised the total revenue from sales and transaction fees year on year. In the Portfolio business line, the continued expansion of the property stock almost doubled the letting take-up compared to the previous financial year. In terms of business operation, we have once again reason to be content with the year's results. Not least, the positive growth made ESTAVIS more attractive on the capital market, and ultimately brought about the acquisition by ADLER Real Estate AG.

However, the takeover necessitated extensive tax reassessments in the areas of actual and deferred taxes that subsequently wiped out substantial tax loss carryforwards, among other things. As a result of the tax reassessments, the Group's post-tax income turned out to be negative – contrary to our original forecast.

That being said, we expect the 2014/15 financial year to return a noticeably improved consolidated income. We assume that our two strategic business lines will continue to prosper. Particularly in the privatisation business we anticipate a dynamic development and a further expansion of activities. Above all, we are planning to massively expand the retailing of our proprietary residential stock in the privatisation business. At the same time, we intend to boost our portfolio management in collaboration with ADLER Real Estate AG by introducing new growth impulses. The acquisitions we undertook, which will begin to contribute to earnings in the ongoing year, will also play a key role in expanding the scope of our business, and will deliver clearly positive contributions to operating income.

The things ESTAVIS achieved in the concluded 2013/14 financial year would have been quite impossible without the dedicated commitment of our staff. So I would like to take the opportunity to thank everyone. I am also deeply grateful to my fellow board member, Torsten Ceijka, for the invaluable support he provided during the past financial year before leaving the company in September. At the same time, I should like to thank the shareholders of ESTAVIS who have shown unwavering faith in the company. Nothing would please me more than to keep having you aboard and to count on your support for ESTAVIS going forward.

The Management Board



Jacopo Mingazzini

Report of the Supervisory Board

Dear Shareholders,
Dear Ladies and Gentlemen,

Parts of the 2013/14 financial year stood under the sign of the takeover by ADLER Real Estate AG. The Supervisory Board welcomed the takeover as a sensible endeavour. From our point of view, it will help to strengthen ESTAVIS AG in the long run. The synergy effects will have a positive effect on the profitability of the company. Following the successful realignment with its strategic business lines "Privatisation" and "Portfolio," ESTAVIS AG intends to grow especially in the privatisation segment going forward. The Supervisory Board considers this the right approach to take. Since the wind-up of the business lines "Project Development" and "Trade with Redevelopment Property" was largely concluded during the year under review, the Management Board will now focus its undivided attention on growth in the privatisation business.

Monitoring the activities of the Management Board

In the 2013/14 financial year, the Supervisory Board of ESTAVIS AG took great care in performing the duties assigned to it by law and the Articles of Association. In doing so, it regularly advised the Management Board on the company's management, and continuously monitored the activities of the Management Board. The Supervisory Board was always briefed comprehensively and in good time about principal issues in the company's development and in the general business performance. This included regular monthly reports in written form, covering the commercial, financial and technical development of the company. In addition, the Management Board informed the Chairman of the Supervisory Board of any significant events promptly and in good time. The Supervisory Board also addressed the topic of the company's business policy, and discussed aspects of its medium-term strategic planning with the Management Board. Whenever the Management Board sought the approval of the Supervisory Board for its decisions, the members of the Supervisory Board examined the respective documents with due care, discussed them in a plenary session, and passed their resolutions accordingly. In addition to the intensive work within the Supervisory Board, the Supervisory Board members were also in regular contact with members of the Management Board outside meetings to get updates on the current business performance and major transactions and to assist the Management Board in an advisory capacity. In addition, one-off discussions with the Management Board were scheduled to discuss the company's prospects and the future orientation of its business activities as well as those of the member companies of the ESTAVIS Group. The Supervisory Board also addressed the potential conflicts of interest arising from the fact that the law firm Heuking Kühn Lüer Wojtek, of which the Chairman of the Supervisory Board, Dr. Karl-Josef Stöhr, is a partner, acts in an advisory capacity for ESTAVIS AG, and from the fact that Supervisory Board Member Rolf Elgeti is CEO of TAG Immobilien AG while also serving on the bodies of other real estate companies while also serving on bodies in other property companies, and moreover from the fact that Dr. Hoffmann, currently Deputy Chairman of the Supervisory Board, is also Chairman of the Supervisory Board of ADLER Real Estate AG in Frankfurt am Main, Chairman of the Supervisory Board of SQUADRA Immobilien GmbH & Co. KGaA, Frankfurt am Main, Deputy Chairman of the Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt am Main, and Member of the Supervisory Board of Dexia Kommunalbank Deutschland AG, Berlin.

Changes in the Management Board

Torsten Cejka left the Management Board of ESTAVIS AG as at 1 September 2014. Jacopo Mingazzini has been sole Member of the Board of ESTAVIS AG since 1 September 2014.

Meetings and committees

The Supervisory Board convened for altogether five ordinary meetings during the past financial year for the purpose of discussing in detail the economic situation and the operative and strategic development of the company and its business lines. The members of the Supervisory Board of ESTAVIS AG also consulted with each other outside meetings and passed 18 resolutions by voting via telephone or in writing. All members of the Supervisory Board participated in each of these resolutions. In addition, two constitutive meetings of the Supervisory Board were convened.

At its meeting on 29 September 2014, with the lead auditor in attendance, the Supervisory Board focused on the single-entity and consolidated financial statements for the year ended 30 June 2014, as well as on the Management Board's proposal concerning the appropriation of net profits and the company's plans for the 2014/15 financial year. Next, the Supervisory Board unanimously approved the single-entity financial statements and consolidated financial statements, and unanimously adopted the single-entity financial statements.

The meeting of the Supervisory Board on 29 September 2014 convened together with the Management Board. The meeting discussed and passed the declaration of conformity with the German Corporate Governance Code.

Another key topic addressed by the Supervisory Board regarded the changes in the Management Board. The Supervisory Board discussed the staff issues at great length and concluded that Jacopo Mingazzini will remain sole member of the Management Board of ESTAVIS AG until further notice.

The Supervisory Board has refrained from forming committees, as it considers three supervisory board members a sufficient number to function effectively in joint representation. Given the size of the Supervisory Board, it would moreover seem unreasonable to form committees, which must include at least two people or, for a quorum, at least three people.

Changes in the Supervisory Board

As of 10 January 2014, the incumbent Supervisory Board consisting of Dr. Karl-Josef Stöhr (Chairman), Rolf Elgeti (Deputy Chairman) and Dr. Philipp K. Wagner disbanded. As of the same day, Thomas Bergander, André Pernhold, and Alexandra Timoshenko were appointed to the new Supervisory Board. Thomas Bergander was appointed Chairman of the Supervisory Board during the constitutive meeting on 10 January 2014.

Thomas Bergander, André Pernhold and Alexandra Timoshenko jointly resigned from the Supervisory Board of ESTAVIS AG as of 31 August 2014. As of 1 September 2014, Axel Harloff, Dr. Dirk Hoffmann and Carsten Wolff were appointed to the new Supervisory Board pursuant to section 104, German Stock Corporation Act (AktG). At the constitutive meeting on 1 September 2014, Axel Harloff was appointed Chairman of the Supervisory Board of ESTAVIS AG.

Corporate governance

The Management Board and Supervisory Board of ESTAVIS AG identify with the objectives of the German Corporate Governance Code, which aims to promote responsible and transparent company management and control with a view to generating a sustainable increase in enterprise value.

Pursuant to section 161, German Stock Corporation Act (AktG), the management board and supervisory board of a public company are required to issue an annual statement concerning the extent to which the company has been, and continues to be, in compliance with the recommendations issued by the Government Commission on the German Corporate Governance Code. In September 2014, the bodies of ESTAVIS AG passed the declaration of conformity on the basis of the Code as amended on 13 May 2013. The declaration is permanently accessible to shareholders on the homepage of ESTAVIS AG.

Single-entity and consolidated financial statements, audit of the annual financial statements

The Annual General Meeting of the company elected the KPMG AG auditing firm in Berlin as its auditor. Accordingly, the Supervisory Board granted the audit assignment to KPMG AG. The Supervisory Board ensured that it was briefed on the audit measures performed by the KPMG AG auditing firm with a view to quality assurance and auditor independence. KPMG AG audited the single-entity financial statements of ESTAVIS AG and the consolidated financial statements for the year ended 30 June 2014, along with the Management Report of ESTAVIS AG and the Group Management Report, and issued an unqualified audit certificate for each.

The Supervisory Board also examined the single-entity and consolidated financial statements prepared by the Management Board, as well as the Management Report and Group Management Report. The audit report was submitted to all of the members of the Supervisory Board in good time. The Supervisory Board examined these documents and discussed them in detail at its meeting on 29 September 2014. The lead auditor attended this meeting and elaborated the key results of the audit. The Supervisory Board raised questions with the Management Board on individual aspects.

The examination of the single-entity financial statements of ESTAVIS AG, the consolidated financial statements, the Management Report and the Group Management Report by the Supervisory Board did not give rise to any objections. Based on the final results of its own examination, the Supervisory Board concurred with the results of the audit. The Supervisory Board approved the single-entity and consolidated financial statements for the 2013/14 financial year and the accompanying Management Report and Group Management Report. The financial statements are therefore adopted in accordance with section 172, German Stock Corporation Act (AktG).

The Supervisory Board should like to thank the Management Board and all employees of ESTAVIS AG for the good work done in the 2013/14 financial year, for their loyalty, and for their high level of commitment.

Berlin, 29 September 2014

For the Supervisory Board
Axel Harloff
Chairman

Corporate Governance Report

Declaration of conformity 2014

Pursuant to section 161, German Stock Corporation Act (AktG), the Management Board and Supervisory Board of a public company are required to issue an annual statement concerning the extent to which the company has been, and continues to be, in compliance with the recommendations issued by the Government Commission on the German Corporate Governance Code. The subsequent Declaration refers to the Code of 13 May 2013 as amended, and as published in the electronic Federal Gazette (Bundesanzeiger) on 10 June 2013. For the full-length version of the Declaration, please go to the company's homepage at www.estavis.de.

The Management Board and Supervisory Board of ESTAVIS AG hereby declare:

"Since the last declaration of conformity was issued in September 2013, ESTAVIS AG has complied with the recommendations of the German Corporate Governance Code as amended, with exceptions detailed below, and intends to continue to comply with the Code recommendations in the coming year, with exceptions detailed below:

Code sections 2.3.1 and 2.3.2 (postal vote)
The company does not currently intend to conduct postal votes before or during its annual general meeting in addition to proxy voting by persons authorised to act as voting representatives, particularly since the company's Articles of Association do not provide for this as required by section 118 (2), AktG. In the company's opinion, the introduction of postal voting in addition to the option already available of contributing indirectly to the votes taken in the annual general meeting in the form of a proxy vote by a representative appointed by the company would simply increase the outlay required for the annual general meeting without benefiting the shareholder decision-making process in any significant way. Neither was this option offered at the previous annual general meeting.

Code section 3.8 (D&O insurance)
The D&O insurance taken out as a group contract does not currently provide any deductible for members of the Supervisory Board. The company believes that a deductible of this type is not required to motivate the members of the Supervisory Board to properly perform their monitoring duties.

Code section 4.2.1 (composition of the supervisory board)
The D&O insurance taken out as a group contract does not currently provide any deductible for members of the Supervisory Board. The company believes that a deductible of this type is not required to motivate the members of the Supervisory Board to properly perform their monitoring duties.

Code section 4.2.3 (compensation)
The total compensation of the Management Board currently consists of fixed and variable components, but no remuneration components marked by long-term incentives and risk elements. Moreover, the recommendation that negative developments should be taken into account when determining the variable components of total compensation was and is not complied with. According to the Supervisory Board, neither of these aspects is necessary to ensure the loyalty of the Management Board and its commitment to the company. Neither a

cap on the amount of compensation nor a severance pay cap for former members of the Management Board have currently been agreed, as the Supervisory Board does not deem these necessary.

Code section 5.1.2 (composition of the management board, age limit, and succession planning)
Due to the age structure of the Management Board, no age limit or long-term succession planning is currently specified.

The Supervisory Board and Management Board expressly welcome all endeavours to counteract gender-based or any other form of discrimination, and to promote diversity in appropriate ways. When appointing members to the Management Board, the Supervisory Board places emphasis solely on the competence, qualifications and experience of eligible candidates, while other characteristics such as gender and nationality have been, and continue to be, without any significance for this kind of decision.

Code sections 5.3.1, 5.3.2 and 5.3.3 (committees)
The Supervisory Board has refrained from forming committees so far. Specifically, it has not formed, nor will it form, an audit committee or a nomination committee as it considers three Supervisory Board members a sufficient number to function effectively in joint representation. Given the size of the Supervisory Board, it would moreover seem unreasonable to form committees, which must include at least two people or, for a quorum, at least three people.

Code section 5.4.1 (composition of the supervisory board)
The code's recommendation on the formulation of specific objectives regarding the composition of the Supervisory Board and the publication in the Corporate Governance Report, which specifically includes the proportionate integration of women, is not currently complied with, because in the opinion of the Supervisory Board targeting such a composition is not essential to ensure the effectiveness and success of the Supervisory Board's efforts. The Supervisory Board will seek to determine to what extent this recommendation may be complied with in the future.

Code section 5.4.2 (composition of the supervisory board)
Rolf Elgeti, Member of the Supervisory Board, who left the board, is a member of the Management Board of TAG Immobilien AG.

Dr. Hoffmann, currently a Member of the Supervisory Board, is also Chairman of the Supervisory Board of ADLER Real Estate AG in Hamburg, Chairman of the Supervisory Board of SQUADRA Immobilien GmbH & Co. KGaA, Frankfurt am Main, Deputy Chairman of the Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt am Main, and Member of the Supervisory Board of Dexia Kommunalbank Deutschland AG, Berlin.

Since mid-2012, the Supervisory Board is supposed to exclude members who serve in supervisory bodies of key competitors. This could have been the case both for Mr. Elgeti and for Dr. Hoffmann. In neither case did any material conflicts of interest occur.

The other two members of the Supervisory Board are not members of other legally required supervisory boards or comparable controlling bodies of commercial enterprises inside or outside Germany.

Code section 5.4.6 (remuneration of supervisory board)
If remuneration is paid to a law office for consultancy services by a member of the Supervisory Board or for other lawyers of the same law office, these services are not listed in the corporate governance report as, in the opinion of the Management Board and the Supervisory Board, such information is of immaterial value to the capital market.

If Supervisory Board members are promised a success-based remuneration, it should be paced by a sustainable corporate performance, according to the Code. The Code fails to specify what sort of requirements ought to apply to such a form of success-based remuneration. The remuneration of the Supervisory Board members includes a variable component that is based on the company's performance, specifically on whether or not the company stock outperforms the stock of a peer group. From the perspective of ESTAVIS AG, this constitutes a sustainable remuneration model.

Code section 7.1.2 (discussion of interim reports by the supervisory board and publication of interim reports)
At present, the company's quarterly reports are not discussed with the Supervisory Board prior to publication. The Management Board briefs the Supervisory Board about the company's state of affairs and the course of its business each month. The Supervisory Board does not consider additional quarterly reporting necessary."

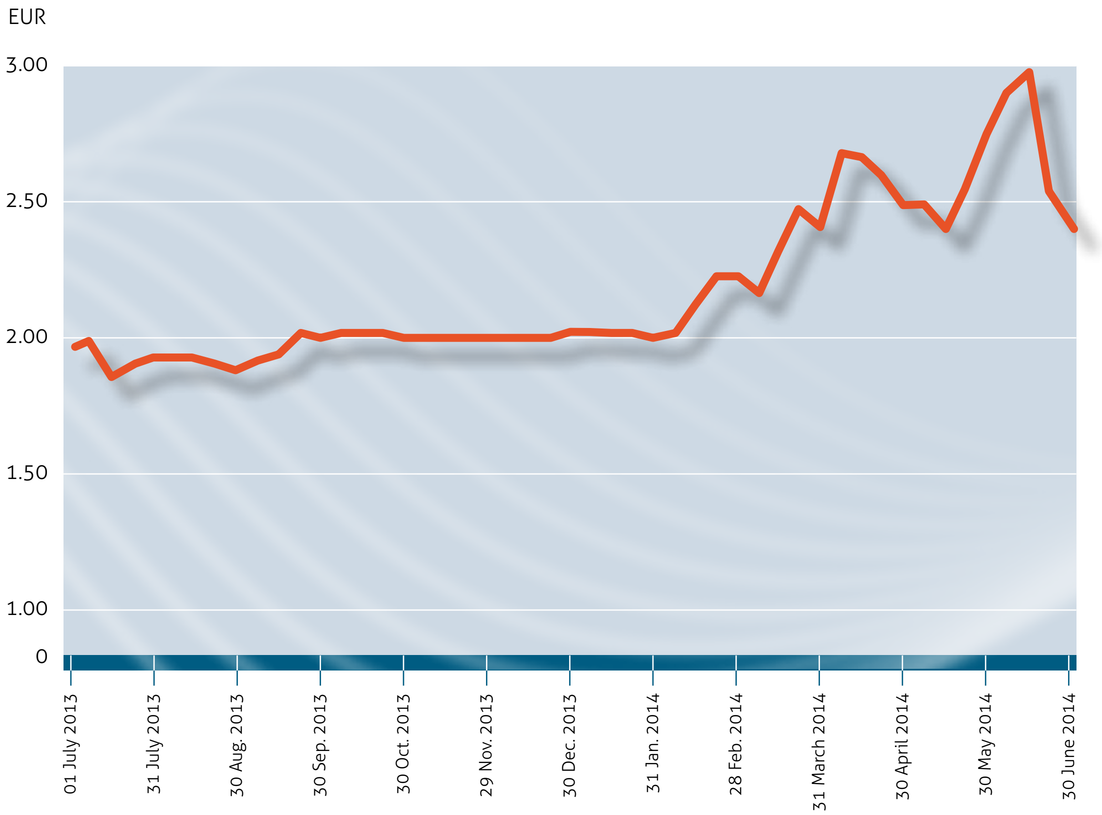
In principle, ESTAVIS AG publishes its interim reports 45 days after the end of the reporting period. In exceptional circumstances there may be a slight delay due to special organisational processes. The legal requirements set out in section 37w, Securities Trading Act (WpHG), are complied with in all cases.

The ESTAVIS Share

The financial markets developed very favourably for equity investors during the 2013/14 financial year. For one thing, Germany's blue-chip index DAX 30 has continued its upward trend: It gained more than 1,800 points or 23 % during the year under review. Indeed, the DAX crossed the 10,000-point mark for the first time in its history on 9 June 2014, rising as high as 10,028.8 points.

The ESTAVIS stock remained initially unable to benefit from the rally. Instead, it flatlined for the first seven months of the year under review, fluctuating minimally between EUR 1.86 and EUR 2.13. It was not until ADLER Real Estate AG submitted its takeover bid that the share price of ESTAVIS AG began to soar, climbing to EUR 3.05 on 11 June 2014, and thus achieving the highest price during the entire reporting period.

The closing price of ESTAVIS shares on the first trading day of the 2013/14 financial year (1 July 2013, XETRA trading) was EUR 1.98. On 30 June 2014, the last trading day before the reporting date, the share closed at EUR 2.41, which equals a mark-up by around 21.7 %. On the basis of the total number of ESTAVIS shares (23,338,817), the market capitalisation equalled approximately EUR 56.3 million as of 30 June 2014. The average daily trading volume (Xetra) in ESTAVIS shares was 25,495 units during the 2013/14 financial year (previous year: 17,388 units).



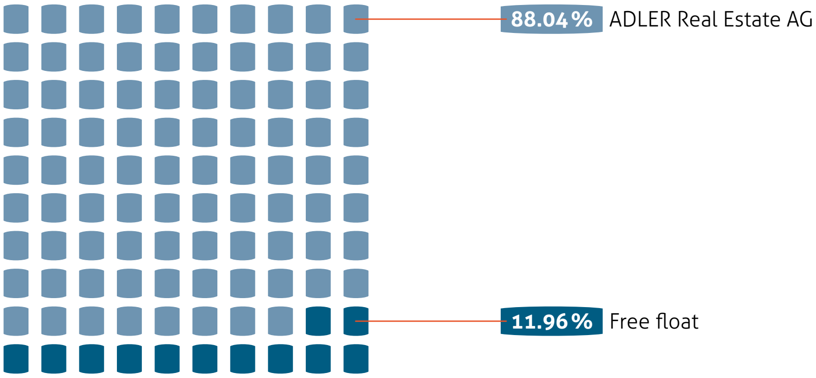
ESTAVIS' share price development in the 2013/14 financial year

Shareholder structure

As of 30 June 2014, the issued capital (share capital) of ESTAVIS AG amounted to EUR 23,338,817. It consists of 23,338,817 no-par value bearer shares. There are no different stock classes. At the beginning of the 2013/14 financial year, the share capital amounted to EUR 18,058,938.

ESTAVIS AG further increased its share capital during the year under review by way of capital increase from authorised capital, which capital increases took the form of capital increases for cash and non-cash contributions, or else resulted from the exercise of conversion rights arising from an ESTAVIS convertible bond.

The shareholder structure is shown in the graphic below:



Shareholder structure on 30 June 2014 (information according to last notification from investors)

ESTAVIS shares at a glance

ESTAVIS AG

Share	
Stock exchange segment	Prime Standard
ISIN	DE000A0KFKB3
German Securities Code Number (WKN)	A0KFKB
Number of shares on 30 June 2014	23,338,817
Free float (information according to last notification from investors)	12 %
Highest price (1 July 2013 – 30 June 2014*)	3.05 EUR
Lowest price (1 July 2013 – 30 June 2014*)	1.86 EUR
Closing price on 30 June 2014*	2.41 EUR
Market capitalisation on 30 June 2014*	EUR 56.3 million

* Closing prices in Xetra trading

Investor relations activities

Transparent communications with private and institutional investors are a matter of great concern to ESTAVIS AG. This includes in particular our attendance of leading investor conferences. One of the most important conferences is the German Equity Forum (Deutsches Eigenkapitalforum). On 11 November 2013, ESTAVIS AG had the opportunity to present itself to the capital market with a lecture and in one-to-one meetings. Several road shows were moreover hosted in conjunction with the corporate actions. The corporate performance of ESTAVIS AG is continuously monitored by analysts of several institutes. The latest analyst reports resulted in the following estimates for ESTAVIS shares:

- 14 March 2014: SMC Research, recommendation:
  "Buy", target price EUR 3.80
- 3 December 2013: Close Brothers Seydler Research AG, recommendation:
  "Buy", target price EUR 2.60

Management Report

Preliminary Remarks

The consolidated financial statements of ESTAVIS AG (hereinafter also referred to as ESTAVIS) on which this report is based have been prepared in accordance with the International Financial Reporting Standards (IFRS), the way they are to be applied in the European Union.

All monetary figures in this report are stated in euros (EUR). Both individual and total figures represent the value with the smallest rounding difference. Accordingly, adding the values of the individual line items may result in slight differences compared to the sum totals presented.

1 Basic Structure of the Group

1.1 Group business model, objectives and strategies

ESTAVIS AG is a listed property company focusing on residential properties in Germany. Its business activities are limited, geographically speaking, to real property in Germany, particularly in economically attractive locations, which mainly includes so-called Class B and Class C cities and Berlin. The business activities of ESTAVIS focus, on the one hand, on the management of residential real estate holdings, and, on the other hand, on trading residential properties within the framework of apartment retailing. The dual focus is reflected in the division of the ESTAVIS Group business into the two segments of "Portfolio" and "Trading."

Portfolio
In the Portfolio segment, the ESTAVIS Group identifies housing stock with sustainable positive cash flow and high value-added potential, and exploits its management know-how to raise this potential efficiently and to ensure regular cash flows from the management of the acquired portfolios.

Trading
The Trading segment of the ESTAVIS Group includes the buying and selling of residential properties and individual apartments, especially the retailing of apartments to owner occupiers and investors within the framework of retail privatisations of housing portfolios. The circle of potential clients includes, in addition to domestic buyers, a considerable share of private foreign investors who seek to acquire condominiums in Germany, either for owner-occupation or as private investments let to third-party tenants. The privatisation services provided by the ESTAVIS Group involve both the retailing of apartments from proprietary property stock of the ESTAVIS Group and the provision of privatisation services on behalf of third parties.

Going forward, ESTAVIS AG will intensify its focus on the privatisation of apartments from its proprietary stock as well as on behalf of third parties. ESTAVIS AG also intends to limit its further acquisitions of housing stock to its apartment retailing business line (privatisations).

1.2 Group structure and control system

ESTAVIS AG acts as an operationally active holding company for a number of member companies including two service arms that focus on the business areas of housing privatisation and property management. For companies in which it holds a controlling interest, ESTAVIS AG assumes the top-down responsibilities of corporate controlling, funding, and administration within the ESTAVIS Group. The sphere of ownership of ESTAVIS AG includes core divisions such as Legal, Accounting, Controlling, Risk Management, Funding, and IT.

The ESTAVIS AG Group includes the subgroup J2P Real Estate AG acquired during the year under review, and several property vehicles that serve as outright owners of the property stock of ESTAVIS Group. The subgroup and all of the property vehicles are consolidated in the consolidated financial statements of ESTAVIS AG. For a list of the individual subsidiaries and associates of ESTAVIS AG, please see the notes to the consolidated financial statements.

The ESTAVIS Group subdivides into two divisions, "Trading" and "Portfolio." There are no other subdivisions. The segment reporting follows the same division structure. To control the Group, ESTAVIS AG uses control variables that are fine-tuned to meet the specificities of each Group segment and of the Group as a whole. These have not been adjusted during the year under review, and are the same as last year.

The **Portfolio segment** uses EBIT as financial performance indicator for corporate controlling purposes. A key control variable is the operating result of the properties, which is defined by factors such as vacancy rate, new rentals and leases terminated, net rents, and loan debt burden.

The **Trading segment** also uses EBIT as financial performance indicator for corporate controlling purposes. Here, the key control variable is the sales performance of the properties, with definitive factors including the number of condominium reservations placed by potential buyers, among others, and the actual sales prices realised. The latter is aggregated both as number of flats involved and as sales total. Among the other factors that the control system takes into account are the operating results of each sub-portfolio or of each property.

Factors aggregated on the level of the parent group include prompt and regular updates on the liquidity position, while the liquidity planning for the next twelve months is just as regular and prompt. This centrally controlled responsibility helps to monitor the financial stability of the corporate group. Periodic stocktaking of liquidity flows on the level of the member companies as well as on the level of the business units and of the parent group represent key components of this control system.

1.3 Research and development

With its activities concentrated in the areas of residential and commercial property letting and of property trading, the ESTAVIS Group has no need to conduct research and development activities, nor is it dependent on licenses and patents.

2 Economic Report

2.1 Macro-economic development

Germany's economic growth regained momentum during the 2013/14 financial year, but appeared to be slowing again by mid-year 2014. The level of interest rates in the eurozone continued to drop in the course of the 2013/14 financial year, hitting a new all-time low. On 13 November 2013, the European Central Bank (ECB) lowered its key lending rate by another 25 basis points, bringing the main refinancing interest rate down to 0.25 %. On 11 June 2014, the key lending rate was lowered even further by 10 basis points to now 0.15 %. For real estate companies like ESTAVIS AG that use substantial leverage to finance their acquisitions, this ensured that the favourable parameters of investment funding remain principally in place.

2.2 Development of the German housing market

Sales on the German investment market for residential real estate added up to EUR 6.9 billion during the first semester of 2014. This equals a year-on-year increase by 3 %. Yet after a sales total of EUR 4.7 billion between January and the end of March, the transaction volume dropped to approximately EUR 2.2 billion between April and the end of June. Jones Lang LaSalle Incorporated (JLL), a consultancy firm specialising in real estate, blames the noticeably lower investment volume of Q2 on the shrinking supply in large-scale portfolios on the market. Berlin and its greater metro area remained the most important regional markets during H1 2014. Nearly EUR 450 million were committed in residential real estate in Berlin during the semester. JLL expects the transaction volume across Germany to exceed the mark of EUR 11 billion by the end of the year, which would more or less match the prior-year level.

The DIX German Property Index compiled by the IPD Investment Property Database has confirmed the attractiveness of Germany's residential property market for investors. The index maps the development of total return, rental yield and capital growth of real estate by type of use. For residential investments, it identified an average total return of 8.3 % on a one-year basis at the end of 2013 (previous year: 7.4 %). The rental yield equalled 4.7 % (previous year: 4.7 %), and capital growth was 3.5 % (previous year: 2.6 %). This implies that residential real estate outperformed all other use types covered by the index, not just for 2013, but over periods of three, five, and ten years, too.

According to the Federal Statistical Office (Destatis), around 214,800 new apartments were completed in Germany in 2013. Year on year, this implies an increase by almost 14,400 units or 7.2%. However, the nascent boom in housing construction still lags behind the increased housing demand. It is further compounded by the pent-up demand of previous years. The BBSR Federal Institute for Research on Building, Urban Affairs and Spatial Development estimates that around 250,000 new residential units annually would be needed to get on top of the housing shortage.

The robust demand for housing has driven up rent rates. Asking rents for first-time lettings or re-lettings rose at an average of 3.5 % nationwide in 2013, according to the BBSR, and by as much as 5 % in the metro regions. According to the calculations of the empirica research institute, the asking rents in Q2 2014 registered a year-on-year increase by 3.0 %. During the same period, quoted prices for condominiums rose by 5.7 % nationwide.

Rising demand along with the concomitant increases of rents and prices have continued to set the pace on Berlin's housing market lately. Between June 2012 and June 2013, Berlin's population increased by nearly 50,000 new residents. More than 20,000 new households were set up. According to the Housing Market Report published by GSW Immobilien AG, asking rents for apartment kept pushing up on Berlin's residential property market in 2013. Rental flats are quoted at an average rent of EUR 8.02 per square metre, which equals a one-year increase by EUR 0.52 or nearly 7 %. Rents in the top and bottom price brackets experienced a slower growth at 5.0 % and 4.0 %, respectively, than the average price bracket. Condominium prices, too, continued to go up in the year concluded. Condominiums were offered with an average price tag of EUR 2,474 per square metre, which equals a growth rate of 9.6 %.

The condominium market in Berlin has seen particularly brisk growth. For the first time, the German capital outpaced Munich not just in regard to the number of units sold, but also in terms of turnover volume. According to the Accentro Condominium Report 2014, about 23,100 apartments changed hands in Berlin in 2013, adding up to a sales volume of EUR 4.3 billion. This compares to a transaction volume of EUR 3.8 billion for 11,520 condominiums sold in Munich.

For the business activities of the ESTAVIS Group, the market environment as a whole continued to develop auspiciously, and this goes in particular for the housing market in Berlin which counts among the most relevant market for the group, both in the Trading segment and in the Portfolio segment.

2.3 Business performance

During the 2013/14 financial year, the business performance of the ESTAVIS Group reflects the altogether positive market environment on the residential property markets of relevance for ESTAVIS, meaning both in regard to the tenant demand in the Portfolio segment and in regard to the demand for condominiums for owner occupation or as private investment in the Trading segment. Once again, the ESTAVIS Group achieved positive earnings before taxes, whereas the post-tax consolidated income, contrary to our forecast, was negative. The negative consolidated income is explained by tax effects in connection with the change of control in favour of ADLER Real Estate AG, on the one hand, and by the increase in deferred tax assets from the reappraisal of the real assets, on the other hand.

Group revenues plummeted year on year, which is essentially attributable to two influencing factors. For one thing, sales in the "Other trade" sub-segment of the Trading segment declined drastically year on year, as the segment was defined by the wind-up of the project development and listed property activities, whereas the strategic business line of the segment – apartment retailing – registered stable growth. On the other hand, revenues in the Portfolio segment were substantially lower after having been strongly defined the previous year by a one-off item representing the revenues of a large-scale property transaction in Berlin's Hohenschönhausen district. The rent revenues in the Portfolio segment reported fast growth year on year, just as planned.

During the first nine months of the 2013/14 financial year, the ESTAVIS Group focused primarily on the implementation of its corporate strategy. In September 2013, ESTAVIS acquired a portfolio of 160 residential units in the Saxon town of Chemnitz while also acquiring an 80 % interest in the housing company J2P Real Estate AG based in Chemnitz which owns a proprietary stock of another 160 residential units.

In November 2013, ESTAVIS AG placed a corporate bond with a five-year maturity and a volume of EUR 10 million. In December, the Management Board of ESTAVIS AG resolved with the approval of the Supervisory Board to increase the company's share capital by 10 % from authorised capital within the framework of a cash capital increase. In the context of the capital increase, around 1.8 million shares were placed at a price of EUR 2.00 each while excluding the shareholders' subscription rights; the entire capital increase was subscribed by Wecken & Cie. KG. The company collected approximately EUR 3.6 million in issuing proceeds from the placement.

The company's share capital increased to EUR 20,038,831.00 as of 8 January 2014, the registration date for the cash capital increase by 10 % that took advantage of the authorised capital and excluded subscription rights as resolved by the Management Board and approved by the Supervisory Board in December 2013.

On 10 February 2014, ADLER Real Estate AG announced its intention to submit a takeover bid to the shareholders of ESTAVIS AG, and to offer as quid-pro-quo in exchange for the relinquished ESTAVIS shares new no-par-value bearer shares of ADLER Real Estate AG with an imputed share in the share capital of ADLER Real Estate AG equal to EUR 1.00 and entitling former ESTAVIS shareholders to a share in the profits as of 1 January 2014. The takeover bid was approved by the BaFin Federal Financial Supervisory Authority, and accepted by ESTAVIS AG shareholders representing about 92.7 % of the share capital of ESTAVIS; the exchange of shares was completed in June 2014. The interest in ESTAVIS AG held by ADLER Real Estate AG was slightly lower by the balance sheet date because of new shares issued since.

Certain personnel changes in the Supervisory Board of ESTAVIS AG occurred during the reporting period. With the incumbent Supervisory Board members Dr. Karl-Josef Stöhr (Chairman), Rolf Elgeti and Dr. Philipp K. Wagner having notified the company of their intention to resign their offices as Chairman of the Supervisory Board, Deputy Chairman of the Supervisory Board, and Member of the Supervisory Board, respectively, as of the next annual general meeting of ESTAVIS AG and to leave the company's Supervisory Board at the same time, the annual general meeting elected Thomas Bergander, André Pernhold, and Alexandra Timoschenko as new members of the Supervisory Board of ESTAVIS AG on 10 January 2014. In the subsequent constitutive meeting of the newly elected Supervisory Board that same day, Thomas Bergander was elected as Chairman of the Supervisory Board.

Further acquisitions were transacted in March 2014, expanding both the privatisation business and the proprietary portfolio. For instance, the ESTAVIS Group acquired four properties with a total of 76 residential units earmarked for its own privatisation business, and a total of 186 residential units in the towns of Neubrandenburg and Chemnitz that were earmarked for the Portfolio segment.

However, in the wake of the corporate merger of Deutsche Wohnen AG and GSW AG, the service agreement between Accentro GmbH and GSW AG was renegotiated and the sales volume reduced as of March 2014. The reduced sales volume in the third-party service sector is offset by past and present growth of sales in proprietary trading. Moreover, several new service mandates were acquired. The reduced volume in the third-party service sector lowered the net income of Accentro GmbH by the considerable amount of EUR 1.2 million, and the fact is reflected in the net income of ESTAVIS AG because of the existing profit transfer agreement.

Moreover, a residential property portfolio including around 4,300 units across Germany – specifically in Bavaria, Berlin, North Rhine-Westphalia, Saxony and Saxony-Anhalt – was acquired in March 2014 that will be added in the second half of 2014. The total floor area of the portfolio comes to around 284,000 square metres, while the purchase price approximates EUR 160.0 million. The annual net rent of the portfolio currently adds up to approximately EUR 13.6 million. The long-term objective of ESTAVIS AG is to keep around 3,300 units in its portfolio, with another 1,000 units, give or take, to be resold through the privatisation business unit.

In connection with the aforementioned acquisitions, ESTAVIS issued a five-year convertible debenture with an interest coupon of 6.25 % p.a. – also in March 2014. Having a volume of EUR 15 million, it was fully subscribed before the end of the subscription period on 24 March 2014.

2.4 Earnings, financial position and assets

Earnings

The ESTAVIS Group's key revenue and earnings figures developed as follows during the 2013/14 financial year:

	2013/14	2012/13
	million EUR	million EUR
Revenues	28.2	118.9
EBIT	7.7	11.4
Net profit	–3.2	1.5

In the 2013/14 financial year, consolidated revenues declined by 76.3 % to EUR 28.2 million. It breaks down into the following three segments:

- Portfolio: EUR 10.2 million (prior-year period: EUR 70.5 million)
- Trading: EUR 18.0 million (prior-year period: EUR 48.4 million)

  thereof
- Other trade: EUR 2.3 million (prior-year period: EUR 32.7 million)
- Privatisation: EUR 15.7 million (prior-year period: EUR 15.7 million)

The massive drop in consolidated revenues, which had been predicted just as it had been the previous year, is essentially explained by a one-off item of EUR 63.0 million picked up after directly reselling certain properties in conjunction with the property portfolio acquired in Berlin-Hohenschönhausen.

In the Trading segment, revenues in the "Privatisation" sub-segment were stable, more or less matching the prior-year level at EUR 15.7 million. Revenues in the sub-segment "Other trade" plummeted from EUR 32.7 million the previous year to EUR 2.3 million this year for the obvious reason that the project development and listed property activities were wound up.

The operating income (EBIT) of the Trading segment was positive by the end of the reporting year with EUR 2.5 million (previous year: EUR –4.5 million). It should be added that the positive income of the privatisation sub-segment in the amount of EUR 2.7 million compensated for the negative income of the "Other trade" sub-segment in the amount of EUR –0.2 million. During the reporting year, the latter was characterised mainly by expenditures in connection with the wind-up of the project development and listed property activities. The Glanzfilmfabrik development project was concluded with a modestly negative result during the year under review.

The Trading segment achieved a one-year EBIT growth by EUR 7.0 million. The exit from the project development business last year had a positive effect, as no major impact on the EBIT is to be expected. The Trading segment proved unable to increase its EBIT during the reporting period when compared to the prior-year figure as adjusted by the "Other trade" result, which is essentially attributable to the fact that one of Accentro GmbH's clients reduced their volume of available-for-sale assets. While the downscaled third-party service business on behalf of this key account was compensated by marketing agreement signed with new clients and by the expansion of the retailing portfolio by ESTAVIS Wohneigentum GmbH, these countermeasure will not be recognised in income until after the end of the reporting period. It is therefore safe to expect noticeably increased EBIT in the Trading segment in the upcoming reporting period.

Sales in the Portfolio segment amounted to EUR 10.2 million (previous year: EUR 70.5 million) during the 2013/14 financial year. It consisted exclusively of rent revenues whereas last year's revenues had been predominantly defined by sales proceeds in an amount of EUR 64.8 million, the overwhelming share of which were attributable to a large portfolio transaction that had no parallel in the year under review. The increase in rent revenues to EUR 10.2 million – up from EUR 5.7 million the previous year – is essentially due to top-line growth in rents from properties acquired and added to the portfolio. The acquisitions added to the portfolio during the reporting period focused, as predicted, on attractive mid-size cities in Eastern Germany, especially in the region of Saxony. The contemplated refurbishment and revitalisation program was launched during the reporting period as planned. Noticeably improved cash flows from the properties is not to be expected, though, until the measures have been completed.

The operating result (EBIT) of the Portfolio segment equalled EUR 5.2 million (previous year: EUR 15.9 million), and was based essentially on:

- revenues from letting investment property in the amount of EUR 10.2 million.
- revenues from capital growth of investment property in an amount of EUR 3.6 million (previous year: EUR 11.1 million),
- expenses for administration and write-downs on receivables.

Owing to the first-time full-year contribution to operating income of the recently acquires housing stock, which has had a positive impact on the earnings position, the EBIT increased , while adjusted for one-off items, from EUR –4.8 million last year to EUR 5.2 million at the end of the reporting period. This increase by EUR 10 million and the persistently sound tenancy situation in the new housing stock acquired will permanently stabilise the rental income in the Portfolio segment.

For a detailed presentation of the segment result, refer to the Group Notes, section 5.

The consolidated net profit equalled EUR –3.2 million in the reporting period (previous year: EUR 1.5 million), deviating from the prior-year forecast. The negative consolidated income is essentially explained by tax effects in connection with the change of control in favour of ADLER Real Estate AG, as well as by tax and interest payments in connection with a company audit concluded during the year under review. The change of control eliminated the loss carryforwards for which net deferred tax assets had been created, while also triggering change-of-control periods for one convertible bond and for the corporate bond. These effects were not foreseeable at the time the prior-year forecast was compiled.

The other operating income came to a total of EUR 6.1 million, after EUR 1.7 million in the prior period. They include an income item in the amount of approx. EUR 3.1 million in recognition of a sales tax receivable from the inland revenue office in the amount of EUR 3.1 million (previous year: EUR 0), representing a tax reclaim in connection with the latest tax law rulings concerning developer projects and the area of governance subject to section 13b, Turnover Tax Act (UStG). Also posted in this context were expenses in the amount of EUR 3.1 million. These expenses correspond to the revenue from the sales tax receivable pursuant to section 13b, Turnover Tax Act (UStG) from the inland revenue office in the amount of EUR 3.1 million. With a view to the provisions of the German Annual Tax Act 2014, ESTAVIS AG assumes that the inland revenue authorities will request corrected invoices from former suppliers. These facts and circumstances have been properly recognised in the balance sheet of ESTAVIS AG. Moreover, the other operating expenses include, inter alia, write-downs on receivables as well as advisory costs for general advisory services, specifically concerning taxes, legal, and general strategic issues. Other items in this position include rental expenses for the company's business premises.

The total payroll and benefit costs came to EUR 3.2 million, and were thus slightly higher than the previous year (EUR 3.1 million).

The financial result of the 2013/14 financial year equalled EUR –6.9 million, after EUR –5.2 million in the prior period. The increased interest expenses are explained, on the one hand, by the interest charges of loans taken out for the property holdings acquired last year just before the balance sheet date, which were fully recognised for the first time during the reporting year, and by loans taken out in the context of the acquisition of the company J2P Real Estate AG, which was added during the reporting year. On the other hand, the interest expense arising from the convertible bonds and corporate bonds grew in sync with the increased stock.

The earnings before taxes equalled EUR 0.9 million, down from EUR 6.2 million the year before. When taking into account income taxes of EUR 4.0 million (previous year: EUR 4.7 million), this implies a consolidated loss of EUR 3.2 million.

For more details on the composition and amount of the Group's income and expenses, please see the notes to the consolidated financial statements.

Financial position

Key figures from the cash flow statement

	2013/14	2012/13
	million EUR	million EUR
Cash flow from current operating activities	–0.3	3.7
Cash flow from investment activities	–20.7	–61.9
Cash flow from financing activities	18.1	56.5
Net change in cash and cash equivalents	–2.9	–1.7
Cash and cash equivalents at the beginning of the period	9.3	10.9
Cash and cash equivalents at the end of the period	6.4	9.3

In the 2013/14 financial year, the cash flow from operating activities amounted to EUR –0.3 million (previous year: EUR 3.7 million). The slightly negative cash flow in business operations is directly related to property acquisitions, which will have a positive impact on the cash flow of the next financial year because the transfer of costs and benefits will take place in the second semester of 2014. The net cash used in operating activities breaks down into the cash profit for the period and cash-effective changes in current working capital. A positive impact on the net cash used in operating activities was generated by rent payments and the amounts deposited in return for inventory properties sold. The operating cash flow is impaired by all operating expenditures, including interest payments and income tax payments. Redemption of loans taken out to refinance inventory properties also reduced the operating cash flow.

The cash flow from investment activities amounted to EUR –20.7 million during the period under review (previous year: EUR –61.9 million). It reflects the acquisition of real properties and the down-payment for a real estate portfolio to be acquired after the balance sheet date in an amount of EUR 14.8 million, as well as the addition of new companies.

The cash flow from financing activities amounted to EUR 18.1 million in the reporting period (previous year: EUR 56.5 million), and breaks down into the shareholder loan paid in by ADLER Real Estate AG, the cash capital increase, the issuing proceeds of the 2013/18 bond and of the 2014/19 convertible bond, new loans taken out toward the expansion of the property stock, and payment outflows for the principal repayment of bonds and financial liabilities.

The debt-to-equity ratio (debt capital/total capital) equalled 68.2 % at the end of the year under review, nearly matching the previous year-end ratio (67.1 %). At 2.7 %, the ratio of cash and cash equivalents to total assets undercut the previous year's level (4.6 %). The Group's cash ratio (cash and cash equivalents/short-term payables) decreased from 19.4 % to 8.5 %. The Group was able to meet its financial obligations at all times. A rolling cash plan enables us to recognised liquidity bottlenecks well ahead of time, and to seize the necessary countermeasures, as the case may be.

The financing structure was once again kept stable throughout the 2013/14 financial year particularly through capital increases and the issuance of a bond and a convertible bond, as well as by the company's strict cost and liquidity management. The increase in non-current financial liabilities is primarily attributable to the financing arrangements made for the acquisition of new property assets in the course of the year under review.

The financing schemes of ESTAVIS AG rest on several mainstays. In addition to bank loans collateralised by land charges, the company employed capital-market-based financing arrangements in the form of convertible bonds and other bonds. In addition, the ESTAVIS Group may draw down lines of credit made available by its majority shareholder. Several lines of credit in a total amount of EUR 6.0 million (previous year: EUR 0.0) had been granted by the majority shareholder but not been drawn down by the company as of the balance sheet date.

The non-current liabilities to banks and non-bank lenders dropped from EUR 77.8 million (nominal) down to EUR 71.1 million (nominal) in the course of the financial year. The decline was caused by special redemption payments that overcompensated for the refinancing loans taken out for the property acquisitions during the year under review, and the addition of loans taken out by J2P Real Estate AG. Liabilities to banks and non-bank lenders with a remaining lifetime of less than a year totalled EUR 28.2 million as of 30 June 2014, compared to EUR 28.8 million the previous year.

ESTAVIS AG issued new convertible bonds in 2012 and 2014 to secure additional funding. In 2013, ESTAVIS AG issued a non-collateralised corporate bond in the amount of EUR 10 million with a coupon of 9.25 % p.a. The cash funds from the bond were used to repay a corporate bond in a total amount of EUR 10 million in March 2014. All of the interest rates of convertible bonds and corporate bonds range in a bracket between 6.25 % and 9.25 %.

Liquid assets amounted to EUR 6.4 million by 30 June 2014, compared to EUR 9.3 million by 30 June 2013. ESTAVIS AG assumes that all of the loans to be renegotiated during the 2014/15 financial year will be renewed in turn. No financing arrangements in foreign currencies were taken out by ESTAVIS AG. With market interest rates expected to remain low, the company assumes that its interest expense total will continue to decline in the long run.

The shareholders' equity of ESTAVIS AG rose from EUR 66.6 million the previous year to EUR 76.5 million during the year under review ending 30 June 2014. The increase is essentially based on the increase in subscribed capital by EUR 5.3 million as a result of capital increases against cash and non-cash contributions as well as of the conversion of bonds into shares during the reporting period, and is based moreover on the increase in capital reserves as those amounts were added that, while accruing for the company in conjunction with the capital increases, exceeded the recognised change in subscribed capital. This results in an equity ratio of 31.8 %, more or less matching last year's level (32.9 %) by the balance sheet date, again despite the continued increase in total assets.

Further details on the amount and composition of the Group's cash flows can be found in the cash flow statement and also in the Group Notes, section 6.16.

Asset position

Total assets increased by EUR 38.2 million to EUR 240.9 million (previous year: EUR 202.7 million). The growth is essentially explained by the increase in investment property by EUR 18.8 million, in miscellaneous receivables and other assets by EUR 12.2 million, and in down-payments and incidental acquisition costs paid in for the investment property in the amount of EUR 14.8 million, which items are offset, inter alia, by reductions in deferred income tax receivables, inventories, trade receivables, and liquid assets.

The non-current assets had increased as of 30 June 2014, rising by EUR 33.5 million to EUR 191.1 million (previous year: EUR 157.6 million). The value of the investment property, which amounted to EUR 137.3 million by the end of the previous financial year, equalled EUR 156.2 million as of the balance sheet date. The increase includes the net effect in the amount of EUR 15.3 million from properties bought and sold as well as valuation effects in the amount of EUR 3.6 million. The increase is moreover attributable to the recognition of down-payments made and incidental acquisition costs paid in for a property portfolio in the amount of EUR 14.8 million, and the acquisition of equity interests in the amount of EUR 1.2 million, which is recognised under equity investments.

The reduction in active deferred taxes had a converse effect on the loss carryforwards, which were largely forfeited due to the changed ownership of ESTAVIS AG. This resulted in a deferred income tax expense in the amount of EUR 4.1 million. The previous year, the same item was reconciled with deferred tax liabilities and recognised at EUR 1.4 million.

Current assets increased by EUR 4.7 million to EUR 49.8 million (previous year: EUR 45.1 million). The growth is mainly driven by the increase in miscellaneous receivables and other assets that clearly overcompensated for the decline in inventories, trade receivables and liquid assets.

The increase in miscellaneous receivables and other assets is essentially the result of down-payments made for inventory properties earmarked for sales in the amount of EUR 5.8 million (previous year: EUR 0.0) and the recognition of a sales tax receivable from the inland revenue office in the amount of EUR 3.1 million (previous year: EUR 0.0) that represents a tax reclaim in connection with new tax law rulings on developer projects and the area of governance of section 13b, Turnover Tax Act (UStG).

The property portfolio acquisition signed into effect in March 2014 while the actual properties were not added to the portfolio until after the balance sheet date are reflected in down-payments on the purchase price and incidental acquisition costs such as the real estate transfer tax in the amount of EUR 14.8 million (previous year: EUR 0.0). The change in inventories in the amount of EUR 3.8 million had a converse effect. The item includes inventory properties added in the amount of EUR 6.2 million, matched by disposals through sales in the amount of EUR 10.0 million.

Non-current liabilities were unchanged at EUR 87.8 million (previous year: EUR 88.3 million) as of the balance sheet date. The non-current financial liabilities declined to EUR 82.6 million (previous year: EUR 86.1 million). By contrast, the current financial liabilities increased by EUR 12.1 million to EUR 41.0 million (previous year: EUR 28.9 million). A deferral effect in the amount of EUR 12.3 million being shifted from non-current to current financial liabilities is the result of the takeover by ADLER Real Estate AG prior to the balance sheet date, and of the concomitant change of control periods it triggered for a convertible bond and for the corporate bond, which periods extended beyond the reporting date.

Current liabilities increased by EUR 28.9 million to EUR 76.6 million (previous year: EUR 47.7 million). They include an increase in current financial liabilities by EUR 12.1 million, an increase in down-payments received, in trade payables, and in other accounts payable. The short-term payables are subject to a one-off item created in conjunction with the takeover of

ESTAVIS AG by ADLER Real Estate AG. The terms of the 2012/17 convertible bond and of the 2013/18 corporate bond issued by ESTAVIS included call provisions in the event of a change of control. The call period extended beyond the reporting date, necessitating the recognition of the 2012/17 convertible bond and of the 2013/18 corporate bond as short-term payables by that date. At the end of the subscription period in July 2014, these financial instruments reverted to long-term payables.

The other liabilities increased by EUR 5.7 million. One change in the amount of EUR 3.1 million corresponded to sales tax receivables pursuant to section 13b, Turnover Tax Act (UStG), from the inland revenue office in the amount of EUR 31. million, which is posted among the other assets. With a view to the provisions of the German Annual Tax Act 2014, ESTAVIS AG assumes that the inland revenue authorities will request corrected invoices from former suppliers. These facts and circumstances have been properly recognised in the balance sheet of ESTAVIS AG.

The increase in trade payables from EUR 3.3 million to EUR 16.1 million is associated with the addition of the Germany-One portfolio, whose purchase price in the amount of EUR 9.1 million became due for payment shortly after the balance sheet date.

General statement on the Group's business situation

The earnings position of the ESTAVIS Group is modestly positive as a result of recent acquisitions for the property portfolio, and of the stable growth in the Trading segment. The negative profit/loss for the year was defined by one-off tax effects. The ground for an improved financial performance has already been laid by the expansion of the housing stock and by the acquisitions recently added to the Trading portfolio.

The equity ratio equals 31.8 %, on a level with the prior-year figure. The affiliation with ADLER Real Estate AG has opened up new funding sources that will permanently secure the company's liquidity.

2.5 Other financial and non-financial performance indicators

The technical expertise and commitment of our employees and executives are essential requirements for the ESTAVIS Group’s business performance.

To help retain employee knowledge and skills, the ESTAVIS Group places a strong emphasis on attractive working conditions. These include in particular a competitive compensation system which is continuously monitored and adapted to reflect changes in the labour market as required. Group employees also benefit from options for continued professional development as needed or whenever the opportunity presents itself.

An important non-financial success factor for ESTAVIS AG, especially in the area of trading and privatisation, is the company's reputation, most notably the reputation of its subsidiary Accentro GmbH. Accentro has been active in the privatisation business since 1999, and is Germany's market leader in this field today. In recent years, Accentro has concentrated on the booming market of Berlin, exploiting the highly auspicious development on that market.

In a bid to widen its circle of buyers beyond the German-speaking clientele, Accentro GmbH has lately made an ongoing effort to expand its international footprint that taps into new groups of leads who are interested in German real estate but do not seek to buy entire portfolios.

3 Supplementary Report

After the end of the reporting period, ESTAVIS AG resumed the expansion of its housing stock earmarked for privatisation through its subsidiary Accentro GmbH by acquiring a 94 % interest in a company holding 294 residential units in the Borough of Lichtenberg in Berlin at a cost of approximately EUR 15 million. The total residential area of the apartments acquired adds up to around 17,400 square metres.

On 15 July 2014, a condition precedent took effect, concerning the effective transfer of rights, benefits and obligations for four properties in Berlin and another two in Brandenburg, whose deed had been signed during the year under review. In line with this transaction, three properties were directly resold at a profit.

On 1 September 2014, ESTAVIS AG published a communiqué for immediate release stating that the company will intensify its focus on the privatisation of apartments from its proprietary stock as well as on behalf of third parties, and that it would pursue acquisitions toward this end in the future. The same communiqué announced changes in the Management Board and in the Supervisory Board.

Torsten Cejka left the Management Board of ESTAVIS AG. Jacopo Mingazzini, who is Managing Director both of ESTAVIS AG and of its privatisation arm Accentro GmbH, has headed the company as its sole board member ever since.

There were also changes in the Supervisory Board of ESTAVIS AG: Axel Harloff, member of the board of ADLER Real Estate AG, Carsten Wolff, Head of Accounting and Finance at ADLER Real Estate AG, and Dr. Dirk Hoffmann, JD, attorney at law, have been appointed as the new members of the company's Supervisory Board as of 1 September 2014 after the incumbent members of the supervisory board, including the chairman, resigned their mandates as of 31 August 2014.

In September, ESTAVIS AG acquired a majority interest in the Uhlandstr. 79 GmbH. The company represents a property vehicle that holds the residential building at Uhlandstr. 79 in Berlin, whose units are being retailed by Accentro GmbH within the framework of a housing privatisation drive.

In September 2014, the Supervisory Board of ESTAVIS AG redrafted the share capital section of the company's Articles of Association. With convertible bonds in a nominal amount of EUR 1,914,646 having been converted into 2,202,582 no par value shares by 30 June 2014, and with 956,210 bond units having been converted into 1,097,647 shares between 1 July 2014 and 17 September 2014, the company's share capital equalled 24,436,464 no par value shares at EUR 1.00 each by 17 September 2014. The conversions reduced the interest that ADLER Real Estate AG holds in ESTAVIS AG to 87.84 %.

The change of control due to the takeover of ESTAVIS AG by ADLER Real Estate AG triggered the application of section 8 of the bond terms of the 2013/18 bond. Pursuant to the section, noteholders were entitled to request premature repayment of their debenture bonds in whole or in part within a 30-day put period beginning on 30 June 2014. This is why the carrying amount of the 2013/18 bonds in the amount of TEUR 9,391 was posted among the current financial liabilities. Since none of the noteholders exercised the put option within the put period, the 2013/18 bond will be posted among the non-current financial liabilities again after the end of said put period.

The change of control due to the takeover of ESTAVIS AG by ADLER Real Estate AG triggered the application of section 14 of the bond terms of the 2012/17 convertible bond. Pursuant to the section, noteholders were entitled to demand repayment of their partial debentures either in whole or in part at their face value plus accrued interest by filing a repayment request by the effective date, which was set for 8 July 2014. This is why the carrying amount of the partial debentures after conversion in the amount of TEUR 2,935 as of 30 June 2014 was posted among the current financial liabilities. Since none of the noteholders submitted a repayment request within the effective period, the 2012/17 convertible bond will be posted among the non-current financial liabilities again after the end of said effective period.

No other events of material significance for the business development of the ESTAVIS Group have occurred since the end of the 2013/14 financial year.

4 Forecast, Opportunity and Risk Report

Forecast Report

The following statements on the future business performance of ESTAVIS Group and the factors considered to be crucial in terms of the development of the market, the sector and the company are based on the estimates made by the Management Board of ESTAVIS AG. Based on the available information, the assumptions made are currently considered to be realistic. All forecasts involve the risk that the developments predicted will not actually occur, either in terms of their extent or the general trend. The material risks to which ESTAVIS Group believes it is exposed are explained in the Opportunity and Risk Report.

The business divisions Trading and Portfolio will continue to take centre stage in the corporate strategy and in the company's operating activities in the 2014/15 financial year – or in a short financial year ending on 31 December 2014 and in the 2015 financial year if the Management Board moves ahead with its plans to change the financial year to the calendar year – as well as in subsequent years. Following the takeover by ADLER Real Estate AG, ESTAVIS AG will align its further expansion and its acquisitions even more closely to the business objective of privatising apartments from its own portfolio and on behalf on behalf of third parties.

The Management Board of ESTAVIS AG believes that, once the effects caused by the tax reassessment in conjunction with the acquisition of ESTAVIS AG by ADLER Real Estate AG are taken out of the equation, the company will achieve a modest positive consolidated income in the 2014/15 financial year – or in a short financial year ending on 31 December 2014 and in the 2015 financial year if the Management Board moves ahead with its plans to change the financial year to the calendar year. This forecast is based on the stable performance of the privatisation business and on the expansion of the income basis in the Portfolio segment that has already been achieved.

The Management Board will continue to focus on improving earnings development in the group and tapping growth potential in the next two financial years as well. The Group will also continue to consolidate its financial and liquidity position over the next two financial years. Contemplated measures toward this end include the rollover and refinancing of legacy debt, the idea being to set up a financing structure that complements the long-term character of the investments in the expansion of group-owned property holdings. Finally, the company will keep strengthening its equity base.

Against the background of new marketing agreements already signed, and with a view to the expansion of the available-for-sale portfolio by ESTAVIS Wohneigentum GmbH, the Management Board expects the Trading segment to see a noticeably increase in EBIT in the next reporting period. With a view to the sound tenancy situation in the new property holdings, the Management Board assumes that the rental income in Portfolio segment will show a sustained stable development.

Opportunity and Risk Report

Risk management

The ESTAVIS Group's risk management system is geared towards securing existing and future success potential of the Group's commercial activities and to permit their exploitation in such a way as to generate a sustained increase in going concern value. An integral component of this system is the fact that potentially adverse developments and events are addressed in a structured manner and at an early stage, thereby allowing the Management Board to initiate countermeasures in good time before significant damage is done.

With the function of detecting and communicating significant risk factors in a prompt manner, and particularly those that are highly relevant in terms of income and liquidity and that could therefore jeopardise the Group's continued existence, the ESTAVIS Group's risk management system is integrated within the planning, reporting and controlling processes of ESTAVIS AG at an organisational level. The system is managed on a centralised basis by ESTAVIS AG and comprises the systematic identification, analysis, assessment and monitoring of material risks by the company's Management Board. In light of the group's clearly defined corporate structures and business processes, the level of formalisation has been kept comparatively low to date for reasons of efficiency. The close involvement of the Management Board in the main business transactions and projects serves to ensure that any risks arising are monitored on an ongoing basis.

The risk management system employed by ESTAVIS AG contains the following key elements:

- a controlling and reporting system that is capable of identifying adverse business developments at an early stage and communicating them to the company's management;
- periodic or event-related risk stock-taking;
- the documentation of relevant risks for the purposes of informing the company's management on a regular or case-by-case basis;
- the periodic assessment of the identified risks and the resolution of decisions on any countermeasures or the conscious acceptance of transparent risks by the Management Board of ESTAVIS AG.

The key elements of the risk management system are itemised in the subsequent overview of the risk management process:

1. Definition of specifications: The Management Board defines the methodological and thematic prescriptions for the risk management system, with the company's expectations having been pinpointed and the risk awareness enhanced.
2. Risk identification and risk analysis: All entrepreneurial risks are fully captured, analysed in regard to causes and effects, evaluated, and classified in five different risk categories. In addition, appropriate countermeasures are identified.

3. Reporting: The Management Board is regularly and promptly briefed about extant threats and possible countermeasures. Within the framework of the reporting cycles, these briefings are scheduled spontaneously, weekly, monthly or quarterly, depending on the case at hand and the respective threat analysis.
4. Risk management: The company will proactively respond to identified, analysed and rated threats on the basis of executive decisions regarding controlling measures.
5. Risk controlling: The purpose of risk controlling is the methodological and thematic planning, monitoring and controlling of the risk management system of ESTAVIS AG. Risk controlling covers all stages of the risk management process, and enables the Management Board to update the methodological and thematic prescriptions for the risk management system on a regular basis.

Representation of individual risks

The ESTAVIS Group is exposed to a wide variety of risks which, individually or collectively, could adversely affect the net asset, financial and income situation of the company and its continued economic development. It needs to be remembered that the changes resulting from the composition of the various threats that were relevant for the ESTAVIS Group during the 2012/13 financial year continued to be relevant in the 2013/14 financial year. The risks associated with the discontinued project development business and the also discontinued apartment retailing in the listed property sector continued to lose in significance, whereas the risks associable with the set-up and management of a property portfolio for letting and with the housing privatisation business have increased in significance for the company.

Company-specific risks

a) Risks arising from the property selection

The economic success of the ESTAVIS Group depends definitively on the selection and acquisition of properties suitable for the proprietary portfolio of let housing, or for the sale of apartments to owner-occupiers and private investors. This involves a certain risk of incorrectly appraising, or failing to detect, any negative structural, legal, commercial and other defects a property about to be purchased may have. Moreover, assumptions made in relation to the income potential of a given property could subsequently prove to be partially or wholly incorrect. In particular, the management of the respective property could fall short of the expected results, or apartments earmarked for sale could prove impossible to sell in the planned quantity, on the planned terms, and/or within the planned time frame, as a result of an incorrect assessment of the attractiveness of the property's location and other factors that investors deem crucial for their decision whether or not to buy.

These property-specific risks are countered by a thorough examination of the relevant properties. As part of the property assessment, factors such as expected renovation, maintenance and modernisation requirements and the earnings power and debt service coverage ratio are examined using standard banking benchmarks.

b) Real estate inventory risks and valuation risks

The ESTAVIS Group holds property portfolios in order to realise a stable cash flow from managing these portfolio properties over an extended period of time. As long as the company's assets include real property, a variety of portfolio risks and valuation risks may manifest themselves that could precipitate impairments for the company. For instance, the social structures of a given location could deteriorate at some point after the acquisition of the property by ESTAVIS, and could subsequently negatively impact the letting activities and the realisable rental income.

Moreover, property holdings of ESTAVIS could experience accelerated wear and tear that would necessitate maintenance or revitalisation work earlier or on a more extensive scale than originally planned. It could moreover turn out that the structural facilities are subject to refurbishment needs that were initially not expected, which would incur added costs for the company that are not directly off-set by a corresponding increase in revenues.

In the context of these threats, but also because of other influencing factors such as the unexpected intrusion of competitors in the immediate environment of the location, could increase vacancies and reduce rental income while necessitating higher letting expenditures. Aside from negative impacts on the current operating income and expenses of ESTAVIS, the threats could also negatively impact the properties held by ESTAVIS and thus the net income of ESTAVIS.

These risks gain in significance in proportion to the pace at which the group-held real estate portfolio expands. Property portfolio risks and valuation risks will be countered by the measures described in section 4.

c) Letting risks

There is a risk that changes in supply and demand on the occupier market, and a deterioration of the competitiveness of any given property within its market environment will have a direct negative impact on the rental income realised by companies of the ESTAVIS Group, as well as on the vacancy rate of the Group's property portfolio. Moreover, additional costs could be generated that may or may not recoverable from the tenants. Risks of this type are addressed through an active asset management and property management. These include a continuous intense monitoring of the occupier market and analyses of tenant requirements, as well as the company's letting management and measures taken to ensure the company's competitiveness on the respective local occupier market. Such measures include specifically the continued upkeep along with refurbishments and modernisation measures necessary to preserve or enhance the attractiveness of the properties for the incumbent tenants.

d) Construction risks

To the extent that construction measures are required for let properties or properties acquired for privatisation or leased by the Group, there is a risk that the resulting construction costs could significantly exceed forecasts. This risk is countered through detailed construction cost planning and strict monitoring of these costs.

Uncertainties regarding whether, when and under what constraints and/or subsidiary conditions approval for the projects is granted under public construction law may contribute to the construction risks. This means that the company partly relies on the individual authorities exercising discretion. It also means that disputes with residents and neighbours may significantly delay or negatively influence the granting of approvals. Each of these circumstances may mean that planned construction measures cannot be executed for the price assumed, within the timeline planned or not at all. These risk factors are thoroughly examined in the run-up to a given construction measure.

e) Sales risks

To the extent that the ESTAVIS Group relies on external sales partners in its trading and apartment retailing activities, the commercial success of such sales depends to a high degree on the Group’s ability to recruit qualified estate agents and to retain them long-term. This is achieved in particular through attractive remuneration conditions.

Moreover, the business success of the ESTAVIS Group in the apartment retailing sector definitively hinges on the willingness of owner-occupiers and investors to purchase the apartments offered for sale. The willingness to buy may be influenced, on the one hand, by developments within the sphere of the respective properties, such as a deterioration of the location's social environment or structural issues, but also by general developments, such as the economic situation and employment trends, on the other hand. There is a risk that developments such as these may impair a client's willingness to buy, so that apartments earmarked for sale could prove impossible to sell in the planned quantity, on the planned terms, and/or within the planned time frame.

f) Financing, liquidity and interest rate risks

Within the framework of its business activities, the ESTAVIS AG Group is exposed to a number of financing, liquidity, and interest rate risks that are addressed by the monitoring and controlling measures outlined below.

Extensive liquidity planning instruments both in the short- and medium-term sector are used to match ongoing business processes with the planning data on the level of the parent group, of the business units, and of key subsidiaries. The Management Board is regularly and exhaustively briefed on about the current liquidity and the latest liquidity forecast.

In relation to the existing loans for financing the properties held by the Group, the refinancing of the ongoing business activities, and the new borrowing required to acquire additional properties, there is a risk that company-specific and market-specific developments may make it harder to borrow funds and/or make such borrowing possible only on less favourable terms. If this was to create issues for the repayment of current loans, creditors could initiate coercive realisations of mortgage collateral, and such fire sales would create serious financial issues for ESTAVIS AG. This risk is addressed, for one thing, by observing and analysing the financing market. For instance, ESTAVIS AG diversifies the group's financing risks by exploiting financing alternatives in addition to classic loan financing, e. g. by issuing corporate bonds or convertible bonds. At the same time, ESTAVIS AG exploits the current market environment to hedge this risk by securing long-term restructuring for major loans.

The current business activity of the ESTAVIS Group is to a large degree influenced by the availability of financing options. The restrictive lending policy of banks over extended periods of time could negatively impact the business performance and the growth of ESTAVIS Group. In order to address this risk, the ESTAVIS Group collaborates with various banks, and closely monitors financing market trends. In addition, alternative funding options through the capital market are exploited in addition to bank financing, including the issuance of bonds, for instance.

The privatisation segment is exposed to the risk that a measure may not have been completed at maturity and that a loan rollover is either impossible altogether or possible only on unfavourable terms and/or at increased costs. This risk is countered by repaying a disproportionally high amount through partial sales and by negotiating longer loan terms. The ESTAVIS Group also signed loan agreements with more than one bank, so as to counter the associated risks. In addition, the Group is continuously seeking to raise its long-term debt to keep diversifying the financing structure and to align it with the asset structures.

Moreover, the Group uses appropriate monitoring methods to detect any early signs of a risk that covenants might be breached, and strives to prevent the breach through adequate countermeasures. Covenant breaches may entitle the bank to call parts of loans, which means that the company has to brace itself for unplanned cash outflows.

The consolidated group has taken out loans in a total amount of approximately EUR 52.5 million (previous year: EUR 14.7 million) that are subject to covenants agreed with the banks in regard to debt service coverage ratios or debt-to-equity ratios (financial covenants). Breaches of these covenants could trigger early repayment obligations or payments into blocked accounts. By the key date of 30 June 2014, not all of the Group's financial covenants were upheld. During the 2013/14 financial year, the debt service coverage ratio (DSCR) was slightly undercut in the case of one loan in the amount of TEUR 3,884 as of the value date. The breach was remedied immediately, so that the debt remains intact. Analogously, the convertible bonds and the corporate bond issued are subject to credit terms that, were they to eventuate, could cause a liquidity risk. If certain credit terms eventuated, e. g. in case of a change of control, these convertible bonds and the corporate bond could be prematurely called for redemption.

Two portfolio sales contracts already signed during the 2013/14 financial year concerning properties whose property law execution is scheduled for H2 2014, are responsible for a substantial cash outflow for the purchase prices in an approximate amount of EUR 144 million for which no financing arrangement have yet been made. If the yet to be negotiated financing arrangements are not in place by the purchase price due date, the purchase price payment due will be in arrears, subject to interest on the purchase price due in an amount equal to 8 % above the base rate and in addition to the actual purchase price. The funds required for the refinancing are currently being raised, with a capital market financing structure in preparation and loan facilities with several banks almost signature-ready. In the event that the refinancing funds cannot be contracted in good time, the majority shareholder has already granted the funds from a master loan agreement in an amount of up to EUR 23 million as might be needed to pay for late interest.

On top of that, liquidity risks may arise as a result of possible rent losses. In order to minimise these risks as much as possible, regular credit checks are run on tenant prospects ahead of any lease signed.

Interest rate risks exist for debt coming up for rollover financing or refinancing as well as for loans the company planned to take out to finance properties. In order to protect itself from the adverse effects of interest rate changes, the ESTAVIS Group relies on fixed interest rates for financing arrangements in the Portfolio segment, though always with a view to the market situation and to the market forecasts. Depending on the market situation, it may also use derivatives for interest rate hedging purposes. In the privatisation segment, by contrast, sensitivity analyses are conducted both in the context of drafting the business plans and in line with the continuous risk monitoring, so as to be able to predict the possible ramifications of interest rate changes for the Group's economic performance. The ongoing disproportionate repayments from properties sold rarely make long fixed-interest periods a sensible proposition.

The direct impact of changes in the general interest rate level on the company's performance through changes in cash flow pose a small risk compared to the conceivable indirect impact of changes in the general interest rate level on real estate demand (for more details on this, see the elaboration on economic risks).

g) Bad debt risks

In the Trading segment, this risk is reduced by not handing over the property until the purchase price has been paid in full. This also applies whenever properties require refurbishment work. Given the broad customer structure especially in apartment retailing, bad debt risks in regard to the purchase price payment for retailed apartments and the influence on the company's financial situation play but a secondary role in this context. The same is true for the default risk associable with rental claims vis-à-vis individual tenants in the apartment letting segment. Receivables written off during the year under review related neither to purchase price receivables in the apartment retailing context, nor to rental claims.

The company also bears the credit risk in the event that it enforces rights of rescission or warranty against the seller of a property and the seller defaults on the repayment of the purchase price or the fulfilment of the warranty rights.

Finally, property purchases are subject to a certain credit risk, as rent payments frequently continue to be paid to the seller even after the respective rights, entitlements and obligations have been transferred, meaning that the seller is then required to pass these payments on to the ESTAVIS Group. However, this concerns only those tenant shares that are not paid via direct debiting, and amount to less than 10 % of the net rents of the acquired properties.

h) Legal risks

In the context of their business activities, ESTAVIS Group companies may, in particular, become involved in legal disputes and be confronted by (potential) warranty and compensation claims without being able to enforce claims against third parties in their own right. Warranty risks arise specifically from cases in which liability exemption has not been agreed in conjunction with property sales.

When selling individual apartments, ESTAVIS Group companies and their external sales partners also perform consultancy services that could lead to compensation claims from third parties.

Adequate provisions have been set aside for the legal risks to which the Group is currently exposed. There are no other legal risks at this time, particularly no risks arising from legal disputes that could have a significant adverse effect on the financial position of the ESTAVIS Group.

Market-specific risks

a) Economic risks

To date, the ESTAVIS Group has generated revenues exclusively within Germany. As such, a deterioration of the domestic economic parameters, combined with a rise in unemployment, could bring about a (significant) drop in demand for property investments, negatively impact rent and price levels, and impair the credit rating of potential property tenants and buyers. Moreover, the market environment in Germany is indirectly affected by global economic trends, too.

The development of interest rates in Germany is particularly important to domestic real estate demand. An increase in interest rates would make property investments more difficult due to rising interest payments. This scenario would also drive up the borrowing costs for the loans taken out by the companies of the ESTAVIS Group, with a corresponding negative impact on earnings.

b) Sector risks
Deterioration in the general conditions on the German property market could have a negative influence on the business performance of the ESTAVIS Group. Softening property prices would make it harder to realise sales profits from portfolio properties, and diminish the earnings in the privatisation sector. At the same time, additions of attractively priced (portfolio) properties could be limited as potential sellers are unwilling to sell on account of the low price level.

Moreover, the development of the property sector is largely determined by the availability of finance instruments. A persistently restrictive lending policy could negatively impact the demand for property as a whole, and thus result in impairments for the portfolio property of ESTAVIS and in lower privatisation proceeds.

The property sector is characterised by intense competition among numerous providers. So there is the obvious danger that mounting competition will intensify the price pressure and push down margins. This risk is particularly relevant for Accentro's line of business whenever margin arrangements are signed.

Finally, demand for residential properties could also be negatively impacted by the anticipated negative demographic growth in Germany and the potential downturn in housing space requirements associable with it.

c) Legal parameters
As the business activities of the ESTAVIS Group are regulated by the specific legal parameters that apply to property, they may be adversely affected by amendments to national and/or European legislation or the changed interpretation or application of existing legislation, including tenancy laws, public construction laws, and tax laws. This include, without being limited to, rental law, public building law, and fiscal law.

Risk concentrations

The business success of the ESTAVIS Group is in some ways disproportionately dependent on a small number of projects and portfolios that account for a major share of its revenues. Aside from the client dependence that is generally associable with the fact, there is a risk that possible delays or issues arising in the context of the privatisation of this portfolio would disproportionately impact the business success of the ESTAVIS Group.

Moreover, specific one-off risks keep arising in connection with construction work, especially the threats of cost overruns, project delays, delinquency, which can arise in connection with building measure that involve portfolios acquired by the ESTAVIS Group, for instance within the framework of modernisations.

Other influencing factors

In addition to the risks identified above, there are general influences that are unforeseeable, and that can therefore not be pre-empted. These include political changes, social influences, and force major such as natural disasters or terrorist attacks. These factors could have an adverse effect on the economic environment and hence indirectly impair the further business development of the ESTAVIS Group.

Assessment of the overall risk

During the period under review, the financing structure of the ESTAVIS Group improved, specifically because long-term financial liabilities increased apace with a decline in short-term financial liabilities. The company used the proceeds from a convertible bond and a corporate bond it issued in a total amount of EUR 25.0 million for investment and funding purposes.

Whether the property acquisitions already contracted can be implemented and whether the liquidity level can be maintained depends essentially on the company's ability to expand the financial latitude by strengthening the equity base through capital increases or by borrowing on the capital market, or by taking out bank facilities or shareholder loans. The Management Board assumes that the corporate actions planned for the first semester 2014/15 will be successfully implemented.

Opportunities created by future developments

ESTAVIS AG continued to bolster and expand its market position during the financial year concluded. Both the senior management and the staff of the company gained valuable experience from the various growth processes that will be instrumental in devising future acquisition strategies with a view to optimal appreciation. Meanwhile, the property volume and the rent revenues have increased in proportion to the risen number of units.

The portfolio of ESTAVIS AG is geographically spread across various locations in Berlin, Brandenburg and Saxony, all of which continue to show growth upside that could yet be realised. Having a sound mix of apartment sizes and micro-locations within each region, and offering close state-of-the-art tenant support, is instrumental for generating continuous returns and cash flows from the proprietary portfolio. In the years to come, the elimination of vacancies and the realisation of potential rental growth upsides within the portfolio will provide the basis for continued organic appreciation of the properties. With its takeover by ADLER Real Estate AG, the ESTAVIS Group has become part of a residential property group with a much larger portfolio overall. This means that synergy effects could potentially be exploited, e.g. in portfolio management.

Due to the activities of its privatisation arm Accentro GmbH, apartment retailing represents a core competency of ESTAVIS AG. Accentro GmbH has become of Germany's market leaders in this field. Accordingly, this sector presents an opportunity for ESTAVIS to expand faster than the competition and simultaneously to have easier access to new properties earmarked for privatisation. The robust market position in connection with the demonstrable track record in apartment retailing also harbours the chance to acquire new third-party contracts for privatisation services.

When combined, the above factors form the basis for a successful implementation of the corporate strategy, and will facilitate future fundraising efforts both on the capital markets and among banks.

Overall assessment

In light of the anticipated developed of Germany's housing demand and the altogether positive parameters of the country's residential property market, the company projects a growing business potential looking forward. This assessment is backed by the lively interest of owner-occupiers and private investors in property – particularly in condominiums – that is acquired either as investment or (in the case of owner-occupiers) as an integral component of a private pension plan. The latter aspect, by the way, is bound to gain in significance, and substantially so.

The ESTAVIS Group intends in particular to boost its revenues by stepping up its activities in the housing privatisation sector. On the basis of a stable business performance and viable cost income ratios, the company expects to see a sustained improvement of its income and financial position during the next two years. The Group is planning to realise a modest positive net income in the coming year.

5 Internal Control System and Risk Management in regard to the Group Accounting Process

The financial risk management of the ESTAVIS Group is geared towards managing and limiting the financial risks arising from operating activities. In particular, this is intended to counter significant bad debt losses that could jeopardise the company's economic development. Another objective of financial risk management is to ensure optimised Group financing. The availability of sufficient funds for the company is monitored by a rolling liquidity control.

The appropriateness of the risk early warning system implemented by the Group is examined by the auditor in the course of the annual audit of ESTAVIS AG's external financial reporting. Potential improvements identified as a result are subsequently incorporated into the system.

To ensure the regularity of financial reporting in the consolidated financial statements, the Group management report and the quarterly reports, ESTAVIS AG has integrated preventative and monitoring controls for the company's accounting processes in its internal control system (IKS). These measures include, inter alia, the separation of functions, pre-defined approval principles and computer-assisted methods for the processing of accounting data. The key organisational measures are a component of the IKS handbook, which sets out the company's core business processes. If necessary, special areas of accounting are covered by deploying external consultants. As it becomes part of the group structure of ADLER Real Estate AG, ESTAVIS AG will also be integrated into the parent group's risk management and early risk warning system. This will result in a further enhancement of the internal control and risk management processes.

The consistency of accounting processes of the subsidiaries included in the consolidated financial statements is guaranteed by a central coordination and execution of the accounting at the parent company. The reliability of the IFRS accounting records of the consolidated companies and their consolidation in the group accounting process is principally ensured by the centralised group accounting done by the parent company. The separate IFRS accounts of the companies included in the consolidation for the group accounting process is reviewed by various experts at the parent company before being reconciled with the group's financial statements.

6 Disclosures pursuant to sec. 289 (4), sec. 315 (4), German Commercial Code (HGB)

ESTAVIS AG is a stock corporation (Aktiengesellschaft) based in Germany and has issued voting shares that are listed on an organised market as defined by section 2 (7), German Securities Acquisition and Takeover Act (WpÜG), namely the Regulated Market of the Frankfurt Stock Exchange (Prime Standard).

Managing body

The legal managing and representative body of ESTAVIS AG is its Management Board. The composition of the Management Board and the appointment of its members are based on sections 76, 84 and 85 of the German Stock Corporation Act (AktG) in conjunction with Article 6 of the company's Articles of Association. In accordance with these provisions, the Management Board is composed of one or several members. The Supervisory Board determines the number of members of the Management Board. The Supervisory Board may appoint up to five Management Board members and specify a Management Board member to act as chairman. By the balance sheet date, the company's Management Board included two members. At the moment, the company's Management Board consists of one member.

In accordance with section 84, AktG, the members of the Management Board are appointed by the Supervisory Board for a maximum term of five years. They may be reappointed or their term be extended for a maximum of five years in each case. At the moment, the contract signed with the sole member of the Management Board specifies a term of three years. The appointment and reappointment of members requires a corresponding resolution by the Supervisory Board to be principally passed pursuant to the provisions of section 84, AktG. The Supervisory Board may revoke the appointment of a Management Board member prior to the expiration of his or her term for good cause.

In accordance with Section 179, AktG, any amendment to the Articles of Association requires a resolution by the annual general meeting. This does not apply to amendments and additions to the Articles of Association that relate solely to their wording, the responsibility for which has been transferred to the Supervisory Board in accordance with section 11 (2) of the Articles of Association.

In accordance with Sections 133 and 179, AktG, in conjunction with section 13 (3) of the Articles of Association, resolutions by the general meeting on amendments to the Articles of Association require a simple majority of the votes cast and a simple majority of the share capital represented when the resolution is adopted, unless a larger majority is prescribed by law or the Articles of Association in a given case.

Capital structure

Share capital

As of 30 June 2014, the issued capital (share capital) of ESTAVIS AG amounted to EUR 23,338,817. It was composed of 23,338,817 no-par value bearer shares. There are no different stock classes. At the start of the 2013/14 financial year, the share capital amounted to EUR 18,058,938. It increased during the reporting period as a result of capital from authorised capital both in return for cash and non-cash contributions, as well as by the exercise of the conversion rights for a convertible bond issued by ESTAVIS AG.

Authorisation to acquire treasury shares

The Management Board was authorised through a resolution by the general meeting of the ESTAVIS AG on 16 February 2010 to acquire up to 809,942 treasury shares and sell or recall them subject to the Supervisory Board's approval and excluding subscription rights, up to and including 15 February 2015. During the reporting period, the Management Board did not take advantage of this authorisation.

Authorisation to issue bonds

In accordance with the resolution of the annual general meeting of 27 February 2013, the Management Board is also authorised, with the approval of the Supervisory Board, to issue convertible or warrant bonds or participation rights with or without conversion or pre-emptive rights (also referred to collectively below as "bonds") with a total nominal amount of up to EUR 200 million on one or more occasions up to and including 26 February 2018. The bearers of bonds can be granted conversion or pre-emptive rights for up to 25,000,000 bearer shares of the company with a proportionate share of the share capital in the amount of up to a total of EUR 25,000,000. Subject to the conditions described below, shareholders are granted pre-emptive rights. Subject to the conditions described below, shareholders are granted pre-emptive rights.

The Management Board is authorised, with the approval of the Supervisory Board, to exclude shareholders' pre-emptive rights in the following cases:

I. for fractional amounts arising from pre-emptive rights;
II. to offer convertible and/or warrant bonds and/or participation rights with conversion or pre-emptive rights for subscription to individual investors, provided that, in accordance with section 186 (3) sentence 4, AktG, mutatis mutandis, the shares issued on account of these bonds do not exceed 10 % of the existing share capital at the time this authorisation comes into effect or at the time of the resolution to exercise this authorisation, and provided further that the issue price of the bonds is not significantly less than the theoretical fair value of the bonds as calculated in line with recognised actuarial methods. The amount of 10% of the share capital must include the amount relating to shares issued or disposed of on the basis of a different corresponding authorisation with pre-emptive rights disapplied under direct or implicit application of section 186 (3), sentence 4, AktG, if such inclusion is required by law;
III. to offer profit participation certificates without conversion or pre-emptive rights for subscription to individual investors provided that the issue price is not significantly less than the theoretical fair value of the participation rights as calculated in line with recognised actuarial methods, and provided further that the participation rights only have the characteristics of a debenture, i.e. if they do not constitute any shareholder rights in the company, nor any conversion or pre-emptive rights, do not grant any entitlement to the liquidation proceeds and if the amount of the interest yield is not based on the net profit for the period, balance sheet profit or dividend;
IV. to grant, to the extent necessary, bearers of conversion or pre-emptive rights that were
V. granted by the company or group companies shares of the company, pre-emptive rights to bonds issued under this authorisation in the amount they would be entitled to after exercising their conversion or pre-emptive rights or after meeting a possible conversion obligation (dilution protection), or
VI. if bonds are issued in exchange for non-cash contributions and the disapplication of pre-emptive rights is overwhelmingly in the interests of the company.

The Management Board is also responsible, with the approval of the Supervisory Board, for determining the further details of the issue and features of the bonds, including in particular the term, issue and exercise periods, termination, issue price, interest rate, denomination, adjustment of the subscription price and grounds for a conversion obligation.

Authorisation of 2013 to launch a stock option program

Moreover, the Management Board was authorised through a resolution passed by the annual general meeting on 27 February 2013 to issue, subject to the approval by the Supervisory Board, on one or more occasions before 26 February 2016 up to 1,400,000 options to current or new members of the board and the top tier management, which options entitle their bearers, subject to the options terms, to acquire new shares in ESTAVIS AG (2013 stock option program). To the extent that options are to be issued to members of the company's Management Board, only the Supervisory Board is entitled to issue the options. The Management Board of ESTAVIS AG was authorised, subject to the approval by the Supervisory Board – and the Supervisory Board being exclusively authorised to do so whenever the Management Board itself is concerned – to define all further structuring details for the 2013 stock option program, specifically to fix the number of individuals or groups entitled to the issued options, the rules governing the handling of options in special cases, the rules governing other reasons for expiration, exemptions from the reasons for expiration, as well as the detailed expiration modalities, and the adjustment of the share subscriptions in conjunction with possible corporate actions and the conversion of ESTAVIS AG itself.

Contingent capital

Contingent capital 2014 (Redemption of convertible bonds)

A resolution passed by the annual general meeting on 27 February 2013 authorised the Management Board, subject to the Supervisory Board's approval, to issue up to and including 26 February 2018 one or more convertible bonds and/or warrant bonds with or without conversion or pre-emptive rights in an aggregate minimal amount of up to EUR 200,000,000.00 with a maximum maturity of 20 years, and to grant the bearers of these debenture bonds conversion or pre-emptive rights for up to 25,000,000 no-par-value bearer shares in the company, equal to a proportionate share in the share capital in a total amount of EUR 25,000,000.00. The authorisation by the annual general meeting of 13 December 2010, as amended by the resolution of the annual general meeting on 9 December 2011, the authorisation by the annual general meeting of 16 February 2010, as well as the authorisation by the annual general meeting of 20 February 2009, concerning the issuance of convertible bonds, warrant bonds and/or participation rights were repealed, to the extent that these had not been exercised yet, through a resolution by the annual general meeting on 27 February 2013. Pursuant to a resolution passed by the annual general meeting on 10 January 2014, the share capital was conditionally increased by up to EUR 4,136,631 through the issue of up to 4,136,631 new no-par-value bearer shares in order to redeem the conversion and pre-emptive rights arising from these debenture bonds ("Contingent Capital 2014").

In March 2014, the company issued convertible bonds in a nominal volume of EUR 6,000,000. The exercise period for the conversion right commenced on 1 July 2014.

Contingent capital 2013/I (Redemption of convertible bonds)

In connection with the option described above to grant conversion and pre-emptive rights when issuing corporate bonds, the share capital of ESTAVIS AG has been contingently increased on the basis of the authorisation resolution by the annual general meeting of 27 February 2013 by up to EUR 2,399,838 by issuing up to 2,399,838 new no-par value bearer shares with profit participation from the start of the financial year in which they are issued (Contingent Capital 2013/I). The contingent capital increase will only be implemented to the extent that

I. the bearers of convertible and/or warrant bonds and/or participation rights with conversion or pre-emptive rights that were issued by the company or its subordinate group companies on the basis of the authorisation resolution by the annual general meeting of 27 February 2013 up to and including 26 February 2018 exercise their conversion or pre-emptive rights and the company decides to redeem the conversion or pre-emptive rights from this contingent capital, or
II. the bearers of convertible and/or warrant bonds and/or participation rights with conversion or pre-emptive rights with a conversion obligation that were issued by the company or its subordinate group companies on the basis of the authorisation resolution by the annual general meeting on 27 February 2013 up to and including 26 February 2018 satisfy their obligation and the company decides to redeem the conversion or pre-emptive rights from this contingent capital.

The share issuance shall proceed in line with the provisions of the authorisation resolution by the annual general meeting of 27 February 2013, i.e. in particular at a price equal to no less than 80% of the average stock market price of the company shares in the opening auction in Xetra trading (or a successor system) on the last ten (10) trading days before the resolution by the Management Board to issue the respective bonds, taking into account adjustments pursuant to the dilution protection regulations of the resolution by the annual general meeting of 27 February 2013.

A resolution by the annual general meeting on 10 January 2014 dissolved the Contingent Capital 2013/I created on 27 February 2013. There are no outstanding conversion or pre-emptive rights that would have to be redeemed using this contingent capital.

Contingent capital 2013/II (Redemption of stock options)
The Contingent Capital 2013/II was created for the purpose of settling stock options that were issued on the basis of the authorisation by the annual general meeting on 27 February 2013 for the period ending on 26 February 2016. Accordingly, the company's share capital was conditionally increased on the basis of the authorisation resolution by the annual general meeting of 27 February 2013 by up to EUR 1,400,000.00 against the issue of up to 1,400,000 no-par-value bearer shares (Contingent Capital 2013/II). The conditional capital increase will go ahead only to the extent that bearers of the issued options exercise their right to subscribe shares of the company, and provided the company draws on the Contingent Capital 2013/II to settle these options. Shares from the Contingent Capital 2013/II are issued at their issue price, as defined in the authorisation. So far, the Management Board has not taken advantage of the aforesaid authorisation.

Contingent capital 2010 (Redemption of convertible bonds)
Moreover, the share capital is conditionally increased by up to EUR 3,579,838.00 against the issue of up to 3,579,838 no-par-value bearer shares (Contingent Capital 2010). The purpose of the capital increase is the conversion of the convertible bond issued on 30 May 2012. The shares are issued in accordance with the requirements defined in the Management Board's resolution of 30 May 2012, i.e. specifically at an issue price of EUR 2.40 with the adjustments according to the requirements of said board resolution taken into account for the sake of dilution protection.

Exercised conversion rights in the convertible bond reduced the contingent capital 2010 by EUR 2,202,582 down to EUR 1,377,256 during the 2013/14 financial year.

Authorised capital

Authorised capital 2011/II

Finally, the Management Board has been authorised to increase, subject to the approval by the Supervisory Board, the company's share capital by a maximum of EUR 7,379,676 by issuing 7,379,676 new no-par value bearer shares in exchange for non-cash or cash contributions on one or more occasions up to and including 26 February 2018 (Authorised Capital 2011). Subject to the conditions described below, shareholders are granted pre-emptive rights. The Management Board is authorised, with the approval of the Supervisory Board, to exclude shareholders' pre-emptive rights wholly or in part in the following cases:

I. for capital increases against cash contributions if shares in the company are traded on a stock market (regulated market or OTC or the successors to these segments), the capital increase does not exceed 10 % of the share capital and the issue price of the new shares does not significantly undercut the market price of shares in the company of the same class and features already traded on the stock market within the meaning of sections 203 (1) and (2), 186 (3), sentence 4, AktG, be it on the effective date or at the time the authorisation is exercised. The amount of 10 % of the share capital must include the amount relating to shares issued or disposed of on the basis of a different corresponding authorisation with pre-emptive rights disapplied under direct or implicit application of section 186 (3), sentence 4, AktG, if such inclusion is required by law. For the purposes of this authorisation, the issue price for the purchase of new shares by an intermediary with the simultaneous obligation of such intermediary to offer the new shares for purchase by one or more third parties designated by the company is deemed to be the amount that must be paid by the third party or third parties;

II. for capital increases against non-cash contributions, particularly for the acquisition of companies, parts of companies and investments in companies, industrial property rights, such as e.g. patents, brands or licences to these, or other product rights or other non-cash contributions, including debenture bonds, convertible bonds and other financial instruments;

III. to the extent required in order to grant holders or creditors of the debenture bonds with warrant or conversion rights or obligations issued by the company or group companies subscription rights to new shares to extent to which they would be entitled to these after exercising their option or conversion privileges or after having fulfilled their warrant or conversion obligations, or

IV. for fractional amounts arising from subscription ratios.

The Management Board is authorised, with the approval of the Supervisory Board, to determine the further content of share rights and the other details of the capital increase and its implementation. The Management Board is authorised to determine that, pursuant to section 186 (5), AktG, the new shares must be assumed by a bank or a company operating in accordance with section 53 (1), sentence 1, or section 53b (1), sentence 1 or (7), German Banking Act (KWG), with the obligation of offering them for subscription by shareholders.

Following partial use of the authorisation, the Contingent Capital 2011/II was reduced to EUR 5,399,783.00 by 8 January 2014.

A resolution by the annual general meeting on 10 January 2014 dissolved the Authorised Capital 2011/II created on 27 February 2013.

Authorised Capital 2014
Finally, the Management Board has been authorised to increase, subject to the approval by the Supervisory Board, the company's share capital by a maximum of EUR 9,116,469 by issuing 9,116,469 new no-par value bearer shares in exchange for non-cash or cash contributions on one or more occasions up to and including 9 January 2019 (Authorised Capital 2014). Subject to the conditions described below, shareholders are granted pre-emptive rights. The Management Board is authorised, with the approval of the Supervisory Board, to exclude shareholders' pre-emptive rights wholly or in part in the following cases:

I. for capital increases against cash contributions if shares in the company are traded on a stock market (regulated market or OTC or the successors to these segments), the capital increase does not exceed 10 % of the share capital and the issue price of the new shares does not significantly undercut the market price of shares in the company of the same class and features already traded on the stock market within the meaning of sections 203 (1) and (2), 186 (3), sentence 4, AktG, be it on the effective date or at the time the authorisation is exercised. The amount of 10 % of the share capital must include the amount relating to shares issued or disposed of on the basis of a different corresponding authorisation with pre-emptive rights disapplied under direct or implicit application of section 186 (3), sentence 4, AktG, if such inclusion is required by law. For the purposes of this authorisation, the issue price for the purchase of new shares by an intermediary with the simultaneous obligation of such intermediary to offer the new shares for purchase by one or more third parties designated by the company is deemed to be the amount that must be paid by the third party or third parties;
II. for capital increases against non-cash contributions, particularly for the acquisition of companies, parts of companies and investments in companies, industrial property rights, such as e. g. patents, brands or licences to these, or other product rights or other non-cash contributions, including debenture bonds, convertible bonds and other financial instruments;
III. to the extent required in order to grant holders or creditors of the debenture bonds with warrant or conversion rights or obligations issued by the company or group companies subscription rights to new shares to extent to which they would be entitled to these after exercising their option or conversion privileges or after having fulfilled their warrant or conversion obligations, or
IV. for fractional amounts arising from subscription ratios.
V. in other cases in which the exclusion of subscription rights is understood to be in the company's best interest.

Transfer and voting right restrictions

The shares of ESTAVIS AG were not subject to any voting right restrictions in accordance with statutory provisions or the Articles of Association as of the balance sheet date. All shares issued as of 30 June 2014 carry full voting rights and each grant the holder one vote at the annual general meeting.

Equity interests and rights of control

Exercised conversion rights in a convertible bond of ESTAVIS AG further increased the company's share capital. As of 30 June 2014, ADLER Real Estate AG held an equity interest of 91.97 % in ESTAVIS AG.

The change of control was announced by ADLER Real Estate AG on 26 May 2014.

None of the shares issued by ESTAVIS AG carry rights that grant the holders special rights of control.

There is no information on voting right controls for employees holding equity interests in the company who do not directly exercise their rights of control.

Impacts of potential takeover bids

The company is subject to the following significant agreements that include provisions governing a change of control as could be brought about, for instance, by a takeover bid:

Financing agreements

The ESTAVIS Group signed financing agreements that include change-of-control provisions that could come into play in the event of a successful takeover bid. These provisions stipulate that the borrower is obliged to notify the lender whenever a change of control has transpired. The lender may cite the change of control as good cause for terminating the credit relationship. By the reporting date, loans in an aggregate volume of EUR 69.0 million were subject to change-of-control provisions. ESTAVIS AG did notify its lenders of the takeover by ADLER Real Estate AG. None of the lenders interpreted the takeover by ADLER Real Estate AG as good cause for terminating the credit relationship.

Convertible bonds and corporate bond

Aside from the financing agreements, change-of-control provisions are also included in the bond terms of the 2012/17 convertible bond (outstanding nominal value: EUR 2,958,825.60) and of the 2014/19 convertible bond (outstanding nominal value: EUR 13,500,000.00) issued by ESTAVIS AG. In case of an intervention, the noteholders may request, at their discretion, (I) the early repayment of the convertible partial debenture at its nominal amount plus the interest accrued on the nominal amount, or (II) the conversion in ESTAVIS shares at an adjusted conversion price. The bond terms of the 2014/19 convertible bond specify in this context, however, that no change of control as defined in the bond terms exists if ADLER Real Estate AG becomes the legal or beneficial owner of more than 50 % of the voting rights of ESTAVIS AG.

The 2013/18 bond (outstanding nominal value: EUR 10,000,000.00) also contains a change-of-control provision, which entitles each noteholder in the event of a change of control to request redemption or, at the discretion of ESTAVIS AG, the buy-back of the noteholder's bond units at the early redemption amount, either whole or in part (Put Option). An exercise of the Put Option shall, however, only become valid if during the put period noteholders of notes with a principal amount of at least 30 % of the aggregate principal amount of the notes then outstanding have exercised the Put Option.

ESTAVIS AG has not concluded any agreement that provides for the compensation of members of the Management Board or employees in the event of a takeover bid.

7 Corporate Governance Statement pursuant to section 289a, German Commercial Code (HGB)

The Corporate Governance Statement pursuant to section 289a, German Commercial Code (HGB) is published annually on the company's homepage, and may be accessed (in German) via this URL: http://www.estavis.de/investor-relations/corporate-governance/erklaerung-gem-289-a-hgb/

8 Key Features of the Remuneration System for Board Members

The remuneration paid to the Management Board of ESTAVIS AG consists of a fixed annual basic remuneration and a variable bonus that depends on the EBIT generated by the company. In addition, the Management Board is granted a health insurance allowance as well as the use of a company car, and ESTAVIS AG has taken out D&O and accident insurance policies on their behalf.

No other remuneration components with a long-term incentive effect have been agreed with the Management Board at this time. The Management Board has been granted neither pension commitments nor other retirement benefits. No arrangements for benefits upon early termination have been agreed with the Management Board, except for a provision entitling the company to release the Management Board out of its duties during the statutory notice period and in the event of dismissal, subject to the continued payment of salary, and except for the right to demand immediate disbursement of the remuneration for the residual term in this case. The employment contracts of the Management Board also prescribe a subsequent restraint on competition.

The contract with board member Torsten Ceijka was concluded for a four-year term. Mr Torsten Ceijka resigned his position on the Management Board of ESTAVIS AG as of 1 September 2014, that is, before the end of his contractual term. The contract of Mr Jacopo Mingazzini does not provide for an ordinary termination during the contract term. The contract with board member Jacopo Mingazzini was concluded for a three-year term.

In addition to the reimbursement of their expenses, the members of the Supervisory Board receive fixed annual compensation for each full financial year they have served on the Supervisory Board. They are also granted variable compensation, which is currently limited to a maximum of 200 % of the respective fixed remuneration per year and is dependent on ESTAVIS' share price performance relative to the share prices of a specific peer group of property companies to be determined by the annual general meeting.

For a detailed account of the total remuneration of the Management Board and Supervisory Board members and the individual compensation paid to the Management Board members, see the Group Notes to the consolidated financial statements and the Corporate Governance Report.

Berlin, 29 September 2014

Jacopo Mingazzini
Management Board

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the Management Report of the Group includes a fair review of the development and performance of the Group's business and state of affairs, together with a description of the principal opportunities and risks associated with the Group's prospective development.

Berlin, 29 September 2014

Jacopo Mingazzini
Management Board

Consolidated Financial Statements

Consolidated Balance Sheet

ESTAVIS AG	30 June 2014	30 June 2013
Assets	**TEUR**	**TEUR**
Non-current assets		
Goodwill	17,776	17,776
Other intangible assets	52	76
Property, plant and equipment	204	195
Investment property	156,168	137,328
Advance payments and related costs of investment property	14,776	0
Investments	1,175	0
Equity interests accounted for using the equity method	947	831
Other non-current financial assets	0	0
Deferred income tax receivables	0	1,377
Total	**191,098**	**157,582**
Current assets		
Inventories	17,101	20,867
Trade receivables	3,033	4,232
Other receivables and assets	22,816	10,576
Current income tax receivables	373	177
Cash and cash equivalents	6,439	9,258
Assets held for sale	0	0
Total	**49,762**	**45,110**
Total assets	**240,860**	**202,692**

* Last year's figures were adjusted for reasons of comparability. See note 6.1.5.

Consolidated Balance Sheet

ESTAVIS AG	30 June 2014	30 June 2013
Equity	TEUR	TEUR
Issued capital	23,339	18,059
Capital reserves	51,627	44,308
Revenue reserve	0	0
Retained earnings	1,092	4,265
Attributable to parent company shareholders	76,058	66,632
Attributable to minority interests	418	
Total equity	**76,476**	**66,632**

Liabilities		
Non-current liabilities		
Provisions	75	106
Financial liabilities	82,628	86,118
Deferred income tax liabilities	5,058	2,098
Total non-current liabilities	**87,761**	**88,321**
Current liabilities		
Provisions	1,254	2,901
Financial liabilities	41,002	28,842
Advance payments received	7,008	6,422
Current income tax liabilities	1,533	2,196
Trade payables	16,116	3,318
Other liabilities	9,710	4,059
Total current liabilities	**76,623**	**47,739**
Total equity and liabilities	**240,860**	**202,692**

Consolidated Income Statement

ESTAVIS AG	2013/14 TEUR	2012/13 TEUR
Revenues	28,170	118,883
Change in value of investment property	3,570	11,073
Other operating income	6,073	1,734
Changes in inventories	0	–20,589
Total operating performance	**37,813**	**111,101**
Cost of materials*	16,925	81,485
Staff costs	3,247	3,140
Depreciation and amortisation	100	127
Other operating expenses*	9,871	14,943
Operating result	**7,670**	**11,406**
Result from the equity interests accounted for using the equity method	**104**	**0**
Interest income	68	153
Interest expenses	6,978	5,322
Financial result	**–6,910**	**–5,169**
Net profit before income taxes	**864**	**6,236**
Income taxes	4,033	4,737
Net profit	**–3,169**	**1,499**
Attributable to minority interests	4	0
Attributable to parent company shareholders	3,173	1,499
Earnings per share (EUR) – undiluted	**–0.14**	**0.09**
Earnings per share (EUR) – diluted	**–0.09**	

* Last year's figures were adjusted for reasons of comparability. See notes 6.11 and 6.13.

Consolidated Statement of Comprehensive Income

ESTAVIS AG	2013/14 TEUR	2012/13 TEUR
Net profit	**–3,169**	**1,499**
Positions which were or will be reclassified in profit/loss		
Available-for-sale financial assets	0	0
Changes in fair value	0	0
Reclassification recognised in profit or loss	0	0
Income taxes	0	0
Positions never to be reclassified in profit/loss		
Reevaluation of property, plant and equipment	0	0
Tax effect	0	0
Other comprehensive income	**0**	**0**
Total comprehensive income	**–3,169**	**1,499**

Consolidated Cash Flow Statement

ESTAVIS AG		2013/14	2012/13
		TEUR	TEUR
Net profit		–3,169	1,499
+	Depreciation/amortisation of non-current assets	100	127
+/–	Increase/decrease in provisions	–1,678	2,796
+/–	Change in value of investment property	–3,570	–11,073
+/–	Other non-cash expenses/income	4,886	–10
–/+	Gains/losses from the disposal of non-current assets	1	0
–/+	Increase/decrease in inventories, trade receivables and other assets that are not attributable to investing or financing activities	–7,275	42,432
+/–	Increase/decrease in trade payables and other liabilities that are not attributable to investing or financing activities	10,380	–31,524
–/+	Gains/losses from the disposal of consolidated companies	43	7
+/–	Tax payments	–56	–544
=	**Cash flow from current operating activities**	**–338**	**3,711**
+	Payments received from the disposal of property, plant and equipment	0	45
+	Payments received from the disposal of investment property	12	0
+	Payments received for the disposal of financial assets	400	3,850
+	Payments received for the disposal of financial assets	0	0
+	Payments for the disposal of fully consolidated companies	87	64
+	Payments from interest	0	0
–	Payments for investments in intangible assets	–2	–19
–	Payments for investments in property, plant and equipment	–94	–36
–	Payments for investment property	–18,766	–65,056
–	Payments for investments in non-current financial assets	–1,188	–710
–	Payments for the disposal of fully consolidated companies	–1,180	0
=	**Cash flow from investing activities**	**–20,731**	**–61,862**

Continued on page 57

ESTAVIS AG		2013/14	2012/13
		TEUR	TEUR
Continued from page 56			
+	Payments from shareholders	3,612	2,707
–	Payments to shareholders	0	–437
+	Payments from the issuing bonds and raising (financial) loans	30,215	59,042
–	Repayment of bonds and (financial) loans	–11,339	–2,998
–	Interest paid	–4,379	–1,820
=	**Cash flow from financing activities**	**18,109**	**56,493**
	Net change in cash and cash equivalents	–2,960	–1,657
+	Increase of net current assets from the acquisition of fully consolidated companies	179	0
–	Decrease of net current assets from the acquisition of fully consolidated companies	–38	0
+	Cash and cash equivalents at the beginning of the period	9,258	10,915
=	**Cash and cash equivalents at the end of the period**	**6,439**	**9,258**

Consolidated Statement of Changes in Equity

for the financial year from 1 July 2013 to 30 June 2014

ESTAVIS AG	Issued capital	Capital reserves	IAS 39 reserve	Revenue reserve	Retained earnings	Minority interests	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
As of 1 July 2013	**18,059**	**44,308**	**0**	**–**	**4,265**	**0**	**66,632**
Net profit	–	–	–	–	–3,173	4	–3,169
Other comprehensive income	–	–	0	–	0	–	0
Total comprehensive income	–	–	0	–	–3,173	4	–3,169
Non-cash contribution made	1,271	1,778	–	–	–	414	3,463
Non-cash capital increase	1,806	1,806	–	–	–	–	3,612
Cash capital increase	–	1,739	–	–	–	–	1,739
Costs of raising equity	–	–236	–	–	–	–	–236
Repurchase of company shares	–	–	–	–	–	–	0
Disposal of company shares	2,203	2,232	–	–	–	–	4,435
As of 30 June 2014	**23,339**	**51,627**	**0**	**0**	**1,092**	**418**	**76,476**

Consolidated Statement of Changes in Equity

for the financial year from 1 July 2012 to 30 June 2013

ESTAVIS AG	Issued capital	Capital reserves*	IAS 39 reserve	Retained earnings	Minority interests	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
As of 1 July 2012	**14,319**	**41,963**	**–**	**2,766**	**0**	**59,048**
Net profit	–	–	–	1,499	0	1,499
Other comprehensive income	–	–	0	–	–	0
Total comprehensive income	–	–	–	1,499	–	1,499
Non-cash contribution made	440	–440	–	–	–	0
Non-cash capital increase	2,008	1,807	–	–	–	3,815
Cash capital increase	1,292	1,033	–	–	–	2,325
Costs of raising equity	–	–58	–	–	–	–58
Repurchase of company shares	–235	0	–	–201	0	–437
Disposal of company shares	235	3	–	201	–	440
As of 30 June 2013	**18,059**	**44,308**	**–**	**4,265**	**0**	**66,632**

* includes special reserves from non-cash contributions as of 1 July 2012.

Notes to the Consolidated Financial Statements

1 Basic Information

ESTAVIS AG with its subsidiaries is active both as property portfolio holder and property trader. The company's headquarters are located at Uhlandstr. 165, 10719 Berlin, Germany. The company's shares are listed on the Frankfurt Stock Exchange for trading on the Regulated Market (Prime Standard).

As of 30 June 2014, ESTAVIS AG acts as the operating holding company for a number of property management companies.

These consolidated financial statements were approved for publication by the company's Management Board on 29 September 2014, and by the company's Supervisory Board on 29 September 2014.

2 Significant Accounting Policies

The following section describes the accounting policies applied in preparing the consolidated financial statements.

2.1 Principles

The consolidated financial statements for the 2013/14 financial year of ESTAVIS AG were prepared in accordance with the provisions of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council dated 19 July 2002 concerning the application of international accounting standards in the form of the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB) as required in the European Union for companies with an orientation to the capital market.

The requirements of the IFRSs were met in full and provide a true and fair view of the net assets, financial position and results of operations of the ESTAVIS Group. In order to improve the clarity of presentation, some balance sheet items are presented in aggregated form. These items are discussed in the notes. The income statement is structured in accordance with the nature of expense method.

The financial statements were prepared using the historical cost approach. Available-for-sale financial assets and investment property are carried at fair value.

The estimates and assumptions applied in preparing the IFRS financial statements affect the measurement of assets and liabilities, the disclosure of contingent assets and liabilities at the respective balance sheet dates, and the amount of income and expenses during the period under review. Although these assumptions and estimates are made in accordance with the best knowledge of the company's management and on the basis of current events and measures, actual results may ultimately differ from these estimates.

The accounting methods employed in the consolidated financial statement are the same as those on which the consolidated financial statement as of 30 June 2013 are based, except for certain changes as explained below.

The 2013/14 financial year marked the first year in which application of the following new or amended accounting standards and interpretations became mandatory in IFRS consolidated financial statements:

Standard/interpretation		New/amended
IAS 1	Amendment: Presentation of Individual Items of Other Comprehensive Income	Amended
IAS 12	Deferred Taxes: Recovery of Underlying Assets	Amended
IAS 19	Employee Benefits	Amended
IFRS 7	Financial Instruments: Disclosures – Offsetting of Financial Assets and Financial Liabilities	Amended
IFRS 13	Determination of Fair Value	New
Various	Improvements to the International Financial Reporting Standards 2011	Amended

This did not result in any changes to the financial reporting for the ESTAVIS AG consolidated financial statements. No regulations were applied early.

IFRS 13 – Fair value measurement

This standard provides a single framework governing fair value measurement in IFRS accounting. IFRS 13 replaces the fair value measurement guidance contained in all other IFRSs, with the exception of IAS 17 and IFRS 2, which continue to provide their own guidance. Moreover, the standard simultaneously supersedes and expands the disclosure requirements in the context of fair value measurement in other IFRS.

IFRS 13 defines fair value as exit price, that is, as the price that would be received to sell a given asset or the price paid to transfer a liability. The standard re-introduces a three-tier hierarchy already familiar in fair value measurement whose levels are tiered depending on the quoted market prices.

In keeping with the transitional provisions of IFRS 13, the Group applied the new fair value measurement provisions prospectively and without making comparative information from previous financial years available for new disclosures. Notwithstanding the above, the changes have had no material effects on the measurement of the Group's assets and liabilities.

Amendments to IAS 1 – Presentation of items of other comprehensive income

This amendment has brought changes for the presentation of other comprehensive income in the statement of comprehensive income. The items of the other comprehensive income, which will later by recycled under certain circumstances into the income statement, are now shown separately from items of other comprehensive income that are never recycled. If the items are shown gross, i.e. without being offset against the effects of deferred taxes, deferred taxes must no longer be presented as a single total, but must instead be allocated to the two groups of items of other comprehensive income.

The ESTAVIS Group has complied with the changed disclosure requirements. Comparative information was adjusted accordingly.

Amendments to IAS 12 – Deferred taxes: Recovery of underlying assets

With investment property, it is often difficult to assess whether existing temporary tax differences will reverse within the scope of continued use or in connection with a sale. The amendment to IAS 12 now clarifies that measurement of the deferred tax assets and liabilities must be made on the basis of a rebuttable presumption that the reversal will be effected through sale.

The amendment has no material effects for the consolidated financial statements of ESTAVIS AG.

The following accounting standards that have been published or amended by the IASB and, in some cases, not yet endorsed by the European Union will only be required to be adopted in preparing future financial statements – subject to their endorsement by the European Union. These have neither been adopted early by ESTAVIS AG nor is it planned to do so in the future. Unless stated otherwise, the ramifications for the ESTAVIS consolidated financial statements are currently under review.

Standard/interpretation (until 30 June 2014)		Application mandatory for ESTAVIS AG	Adoption by the EU (by 30 June 2014)	Prospective ramifications
IFRS 10	Consolidated Financial Statements	1 January 2014	Yes	No material effects
IFRS 11	Joint Arrangements	1 January 2014	Yes	No material effects
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014	Yes	No material effects
IFRS 9	Financial Instruments: Classification and Valuation	1 January 2018	No	No material effects
IFRS 11	Joint arrangements	1 January 2016	No	No material effects
IFRS 14	Regulatory deferral accounts for first-time adopters of IFRS	1 January 2016	No	No material effects
IFRS 15	Revenue from contracts with customers	1 January 2017	No	The effects for the Group are currently being examined
IFRIC 21	Levies	1 July 2014	Yes	No material effects
IAS 16/ IAS 38	Methods of Depreciation and Amortisation for Property, Plant and Equipment and Intangible Assets	1 January 2016	No	No material effects
IAS 19	Employee Benefits	1 July 2014	No	No material effects
IAS 16/ IAS 41	Bearer Plants: Accounting in Analogy to Property, Plant and Equipment	1 January 2016	No	No material effects
IAS 27	Separate Financial Statements	1 January 2014	Yes	No material effects
IAS 28	Investments in Associates and Joint Ventures	1 January 2014	Yes	No material effects
IAS 32	Financial Instruments: Presentation – Offsetting of Financial Assets and Financial Liabilities	1 January 2014	Yes	No material effects
IASB 2010–2012	Improvements project 2012	1 July 2014	No	No material effects
IASB 2011–2013	Improvements project 2013	1 July 2014	No	No material effects

IFRS 10 – Consolidated financial statements

This standard comprehensively redefines the concept of "control." Whenever one entity controls another entity, the parent should consolidate the subsidiary. The new concept states that control is given whenever the potential parent company possesses decision-making power over the potential subsidiary based on voting or other rights, participates in positive or negative variable returns from the subsidiary, and can influence these returns through its decision-making powers.

The new standard must be applied for the first time in financial years that begin on 1 January 2014 or thereafter. IFRS 10 must – apart from certain exceptions – be applied retrospectively.

The ESTAVIS Group is in the process of identifying the effects resulting from the amendment of this standard. At the moment, we assume that no changes to the basis of consolidation will be required as this marks the Group's first-time adoption of IFRS 10.

IFRS 11 – Joint arrangements
IFRS 11 redefines the rules that govern the accounting for joint arrangements. Under the new concept, a distinction must be made as to whether the case in question represents a joint operation or a joint venture. A joint operation is given whenever the jointly controlling parties possess rights to the assets and obligations for the liabilities. The individual rights and duties are accounted for proportionately in the consolidated financial statements. In a joint venture, by contrast, the jointly controlling parties possess rights to the net assets. This right is presented through the application of the equity method in the consolidated financial statements, so that the option of pro-rata inclusion in the consolidated financial statements no longer applies.

Application of the new standard is mandatory for financial years beginning on 1 January 2014 or thereafter. Specific transitional provisions govern the transition from proportionate consolidation to the equity method, for instance.

Since the ESTAVIS Group currently includes no joint ventures pro rata in its consolidated financial statements, application of the IFRS 11 standard in combination of the amended IAS 28 standard precipitates no changes in the Group's accounting.

IFRS 12 – Disclosure of interests in other entities
This standard governs the disclosure requirements in regard to interest held in other entities. The scope of the required disclosures has significantly increased compared to the disclosures that used to be required under IAS 27, IAS 28 and IAS 31.

Application of the new standard is mandatory for financial years beginning on 1 January 2014 or thereafter.

Amendments to IAS 28 – Investments in associates and joint ventures
Passage of the IFRS 11 standard for joint arrangement coincided with adjustments to IAS 28. As before, IAS 28 governs the use of the equity method. However, the scope of applicability has been significantly broadened through the adoption of IFRS 11, as not just investments in associates should be measured using the equity method in the future, but investments in joint ventures as well (see IFRS 11). Accordingly, the proportionate consolidation for joint ventures no longer applies.

Another amendment concerns accounting under IFRS 5 in the event that only part of an interest in an associate or a joint venture is earmarked for sale: IFRS 5 should be applied to the interest to be sold, whereas the remaining (retained) interest should be remain subject to equity-method accounting until the interest first mentioned is sold.

Application of the amendment is mandatory for financial years beginning on 1 January 2014 or thereafter.

Amendment of IAS 36 – Recoverable amount disclosures for non-financial assets
In line with a consequential amendment of IFRS 13 Fair Value Measurement, a new required disclosure concerning the goodwill-impairment test under IAS 36 was introduced: the recoverable amount of the cash-generating units (CGU) should be disclosed regardless of whether or not an impairment was recognised. As its introduction was inadvertent, this notes disclosure was omitted again in this amendment from May 2013.

Then again, the amendment specifies additional disclosures in the event that an impairment was actually recognised, and the recoverable amount was identified on a fair value basis.

Application of the amendments is mandatory for financial years beginning on 1 January 2014 or thereafter.

All amounts contained in the notes and tables are disclosed in thousands of euro (TEUR) unless stated otherwise. Both individual and total figures represent the value with the smallest rounding difference. Accordingly, adding the values of the individual line items may result in slight differences compared to the sum totals presented.

2.2 Consolidation

a) Subsidiaries

All the subsidiaries of ESTAVIS AG are included in the consolidated financial statements. This relates to companies whose financial and business policy the group is able to control, either directly or indirectly. A list of the companies included in consolidation can be found in section 2.2 d.

Subsidiaries are fully consolidated as of the date on which the Group obtains control over the respective company. They are deconsolidated as of the date on which such control ends.

Acquired companies are recognised in accordance with the purchase method. The cost of acquisition corresponds to the fair value of the assets given up, equity instruments issued and liabilities created or incurred at the date of exchange, plus any costs directly attributable to the acquisition. On initial consolidation, any assets, liabilities and contingent liabilities identified in the course of the business combination are recognised at their fair value at the acquisition date. An excess in the cost of acquisition over the Group's interest in the fair value of the net assets of the company acquired is recognised as goodwill. If the acquisition costs are lower than the fair value of the (proportionate) net assets of the company acquired, the difference is directly captured in the income statement following a re-examination. Acquisitions of shares in subsidiaries after control has been established are posted as equity transactions. The difference between the purchase price of the shares and the outgoing minority interest is directly offset against retained earnings in equity.

Intra-group transactions, balances and unrealised profits from transactions between Group companies are eliminated. The same applies to unrealised losses, unless the transaction indicates the impairment of the transferred asset. The accounting policies of subsidiaries are applied to ensure uniform Group-wide accounting.

b) Joint ventures

The term "joint ventures" refers to companies whose financial and business policy the Group is able to control, either directly or indirectly, in conjunction with a third party. Equity investments in joint ventures are accounted for using the equity method.

The information on the accounting treatment of associates applies also to the accounting treatment of joint ventures.

c) Associates

The term "joint ventures" refers to companies whose financial and business policy the Group is able to control, either directly or indirectly, in conjunction with a third party. Equity investments in joint ventures are accounted for using the equity method.

The information on the accounting treatment of associates applies also to the accounting treatment of joint ventures.

d) Consolidated group

As of 30 June 2014, the consolidated financial statements of ESTAVIS AG included 34 (previous year: 38) subsidiaries, one new joint venture, and three associates. The consolidated group changed as follows as against 30 June 2013:

The status quo of the consolidated group as at 30 June 2013 expanded during the first quarter of the ongoing financial year via the acquisition of two property vehicles. Moreover, a 50 % interest was acquired in the property company Malplaquetstr. 23 Grundstücksverwaltungs-gesellschaft mbH.

During Q2, an 80 % interest in the stock corporation J2P Real Estate AG was acquired. J2P Real Estate AG fully owns its subsidiary J2P Service GmbH as well as a 50 % interest in the joint venture GG Erlabrunn Verwaltungs UG. This addition marks the first time that ESTAVIS AG has had to post a minority stake in the shareholders' equity and the profit in the Group accounts.

During the third quarter, the basis of consolidation was expanded by the acquisition of five companies.

During the fourth quarter, 13 companies were sold.

The following list shows the companies included in the consolidated group in addition to ESTAVIS AG.

List of equity interests in subsidiaries

Company	Domicile	Equity interest*
ESTAVIS Beteiligungs GmbH & Co. KG	Berlin	94 %
SIAG Dritte Wohnen GmbH & Co. KG	Berlin	100 %
SIAG Fünfte Wohnen GmbH & Co. KG	Berlin	100 %
SIAG Fünfundzwanzigste Wohnen GmbH & Co. KG	Berlin	100 %
SIAG Achtundzwanzigste Wohnen GmbH & Co. KG	Berlin	100 %
SIAG Neunundzwanzigste Wohnen GmbH & Co. KG	Berlin	100 %
ESTAVIS 32. Wohnen GmbH & Co. KG	Berlin	100 %
ESTAVIS Wohneigentum GmbH	Berlin	100 %
ESTAVIS Friedrichshöhe GmbH	Berlin	100 %
ESTAVIS 35. Wohnen GmbH & Co. KG	Berlin	100 %
ESTAVIS 36. Wohnen GmbH & Co. KG	Berlin	100 %
ESTAVIS 37. Wohnen GmbH & Co. KG	Berlin	100 %
ESTAVIS 38. Wohnen GmbH & Co. KG	Berlin	100 %
ESTAVIS 39. Wohnen GmbH & Co. KG	Berlin	100 %
ESTAVIS Filmfabrik GmbH & Co. KG	Berlin	100 %
ESTAVIS 43. Wohnen GmbH & Co. KG	Berlin	100 %
ESTAVIS 45. Wohnen GmbH & Co. KG	Berlin	100 %
ESTAVIS 46. Wohnen GmbH & Co. KG	Berlin	100 %
Zweite Sachsen Wohnbauten GmbH & Co. KG	Leipzig	100 %
Estavis Grundstücksgesellschaft GmbH	Berlin	100 %
Erste SIBA Wohnen GmbH	Berlin	100 %
ESTAVIS Vermögensverwaltungs GmbH	Berlin	100 %
Accentro GmbH (agency services)	Berlin	100 %
ESTAVIS Bernau Wohnen GmbH & Co. KG	Berlin	94 %
ESTAVIS Berlin Hohenschönhausen GmbH	Berlin	100 %
J2P Real Estate AG (acquired in Q2)	Aue	80 %

List of equity interests in subsidiaries

Company	Domicile	Equity interest*
J2P Service GmbH (acquired in Q2)	Aue	100 %
ESTAVIS 5. Wohnen GmbH (acquired in Q3)	Berlin	100 %
ESTAVIS 6. Wohnen GmbH (acquired in Q3)	Berlin	100 %
ESTAVIS 7. Wohnen GmbH (acquired in Q3)	Berlin	100 %
ESTAVIS 8. Wohnen GmbH (acquired in Q3)	Berlin	100 %
ESTAVIS 9. Wohnen GmbH (acquired in Q3)	Berlin	100 %
Estavis Sachsen Verwaltungsgesellschaft mbH (acquired in Q1)	Berlin	100 %
Estavis Zweite Sachsen Wohnen GmbH & Co. KG (acquired in Q1)	Berlin	100 %
Companies removed during the financial year		
ESTAVIS 34. Wohnen GmbH & Co. KG (sold in Q4)	Berlin	100 %
ESTAVIS 40. Wohnen GmbH & Co. KG (sold in Q4)	Berlin	100 %
ESTAVIS 41. Wohnen GmbH & Co. KG (sold in Q4)	Berlin	100 %
ESTAVIS 44. Wohnen GmbH & Co. KG (sold in Q4)	Berlin	100 %
ESTAVIS 28. Property GmbH (sold in Q4)	Berlin	100 %
B&V 1. Property GmbH (sold in Q4)	Berlin	100 %
Erste Sachsen Wohnbauten GmbH & Co. KG (sold in Q4)	Leipzig	100 %
Dritte Sachsen Wohnbauten GmbH & Co. KG (sold in Q4)	Leipzig	100 %
Vierte Sachsen Denkmalbauten GmbH & Co. KG (sold in Q4)	Leipzig	100 %
Fünfte Sachsen Denkmalbauten GmbH & Co. KG (sold in Q4)	Leipzig	100 %
SP Center Verwaltungsgesellschaft mbH & Co. KG (sold in Q4)	Berlin	100 %
RealEstate4U GmbH & Co. KG (sold in Q4)	Leipzig	100 %
SIAG Zwölfte Wohnen GmbH & Co. KG (sold in Q4)	Berlin	94 %

* The disclosures in this table comply with the provisions of the German Commercial Code (HGB).

The commercial partnerships included in the above list of subsidiaries are exempt from the reporting, audit, and disclosure requirements for annual accounts and management reports that apply to corporations pursuant to section 264b, German Commercial Code. Accentro GmbH, too, is exempt from the reporting, audit, and disclosure requirements for annual accounts and management reports that apply to corporations pursuant to section 264 (3), German Commercial Code.

List of equity interests accounted for using the equity method

Company	Domicile	Equity interest
Wohneigentum Berlin GbR (Joint Venture)	Berlin	33.33 %
SIAG Sechzehnte Wohnen GmbH & Co. KG (associate)	Berlin	50 %
GG Erlabrunn Verwaltungs UG (associate, added in Q2)	Aue	50 %
Malplaquetstr. 23 Grundstücksverwaltungsgesellschaft mbH (associate, added in Q1)	Berlin	50 %

Corporate mergers during the year under review

To optimise its real estate inventory, the Management Board of ESTAVIS AG resolved with the Supervisory Board's consent to accept the selling offer submitted by the owners of J2P Real Estate AG, and to acquire an 80 % interest within the framework of a cooperation. At the moment, the Chemnitz-based property company holds a portfolio of 160 residential units located in Chemnitz and surrounding areas, and is expanding its holdings at a steady rate. The purchase price of TEUR 1,354 breaks down into a a cash component in the amount of TEUR 1,015 and the issuance of 174,000 shares of ESTAVIS, rated at the current share price quoted at the time of acquisition. ESTAVIS AG accounts for TEUR 1,160 out of the subscribed capital of J2P Real Estate AG. The negative goodwill in the amount of TEUR 303 that markets the difference between the purchase price and the pro-rata net assets in the amount TEUR 1,658 that were acquired is explained by the attractive purchase offer, and is recognised in other operating income.

The assets and liabilities posted in the consolidated accounts for the first time were recognised at the following fair values :

Assets and liabilities

	EUR
Real assets IAS 40	6,895,000.00
Other intangible assets	80,542.29
Cash on hand/cash in banks	28,730.57
Total assets	**7,004,272.86**
Liabilities (banks)	–4,271,408.88
Other liabilities	–635,429.58
Total debt	**–4,906,838.46**
Net assets	**2,072,192.92**
Pro rata net assets (80%)	1,657,754.33
Non-controlling interests	414,438.58

The measurement period for reporting this corporate merger is not yet concluded because the tax assessment notices for the prior years are not completely on record yet, so that the figures quoted has provisional character.

Between the date of first-time consolidation and 30 June 2014, J2P Real Estate AG was added to the consolidated income with a net income of TEUR 58 and revenues of TEUR 360.

Companies removed during the financial year

During Q4 of the reporting period, 13 companies were sold. These companies represent former project companies no longer carrying out any business activity. The companies were sold for TEUR 109. The sale has taken assets and liabilities in the amount of TEUR 152 out of the basis of consolidation. The purpose of selling these companies was to streamline the Group structure. Write-downs on receivables from the sold companies in the amount of TEUR 300 were undertaken in this context.

Group affiliation

ESTAVIS Group will be included in the consolidated financial statements of ADLER Real Estate AG, Hamburg, as its top-tier parent company.

2.3 Segment reporting

Segment reporting is in line with internal reporting to the ESTAVIS AG Management Board, which is the highest management body as defined by IFRS (management approach). It covers the business segments "Trading" and "Portfolio." The Group only deals in property located in Germany. Accordingly, no geographical segmentation has been undertaken.

Given the negligible significance of the interest income, the company's senior management controls the segments on the basis of the financial results that represent the balance of interest income and interest expenses.

2.4 Foreign currency translation

a) Functional currency and reporting currency
ESTAVIS AG prepares its consolidated financial statements in euro (EUR).

The euro is the currency of the primary business environment in which ESTAVIS AG and its subsidiaries operate, and is therefore also their functional currency. Transactions in other currencies are thus foreign currency transactions.

b) Transactions and balances
Foreign currency transactions are translated into the functional currency of the respective Group company using the exchange rates applicable at the transaction date. After initial recognition, monetary foreign currency items are translated at the exchange rate at the respective balance sheet date.

Currency translation differences resulting from the fulfilment of foreign currency transactions or the translation of monetary foreign currency items at the balance sheet date exchange rate are recognised in the income statement as foreign currency gains or losses.

2.5 Fair value

Under IFRS 13, fair value is defined as the price at which an asset could be exchanged within the framework of an orderly transaction between knowledgeable, willing and independent market participants under current market conditions at the measurement date. The fair value may be determined using either the market-based approach, the cost-based approach, or the income-based approach. The fair value measurement maximises the use of definitive observable market-based inputs while minimising the use of unobservable inputs.

The measurement hierarchy divides into the following levels of inputs:

- Level 1: Quoted (unadjusted) prices on active markets for identical assets and liabilities, assuming the entity has access to these active markets at the measurement date (IFRS 13 – Appendix A, IFRS 13.76)
- Level 2: Directly or indirectly observable inputs not included within Level 1 (IFRS 13 – Appendix A, IFRS 13.81)
- Level 3: Unobservable inputs (IFRS 13 – Appendix A, IFRS 13.86)

If the various inputs are categorised into different levels of the fair value hierarchy, they are broken up into significant and insignificant inputs in the first step of the measurement process. Next, the fair value measurement is categorised in its entirety in the level of the lowest level input that is significant to the entire measurement (IFRS 13.73 ff.).

2.6 Investment property

The real estate held as a financial investment comprises real estate held in the long term to earn rental income or for capital appreciation. Unlike real estate contained in inventory assets, active resale activities for these properties are generally developed only after a prolonged holding period within the scope of portfolio reallocations. They are initially measured at cost and thereafter at fair value. Changes to the fair value are recognised in the income statement and reported separately.

The fair value of property is defined by IFRS 13 as the price at which a given property could be exchanged within the framework of a regular transaction between knowledgeable, willing and independent market participants at the measurement date, subject to current market conditions. A discounted cash flow model is used to measure the fair value in an income-oriented approach.

The cash value of investment property held by the Group is appraised by an independent surveyor at the time of allocation to this category and in time for the balance sheet dates. The future cash inflow and outflow to be expected and to be duly considered for the purpose of determining the fair value include, on the one hand, the sustainably realisable net rents, with possible vacancies and risk of rent loss duly taken into account, and, on the other hand, the accruing management costs for maintenance, vacancy costs, and administration. The resulting net cash flows are discounted using a risk-adequate interest rate (benchmark returns for comparable properties). The cash value returned represents the appraised values for the recognised fair value of the property.

If property is initially acquired for trading purposes and accordingly assigned to inventories, it is reclassified to investment property if there are indications that the company has reconsidered its intention to sell the property and is planning to keep it in the proprietary portfolio instead and to develop it over an extended period of time (redevelopment, reletting) for the purpose of long-term rental income and appreciation.

Whenever an investment property is sold, the property is appraised at its sales price as of the effective date of the disposal, while any difference from the previous carrying amount is posted in the income statement in the item "Change in value of investment property".

2.7 Intangible assets and goodwill

a) Goodwill

The term "goodwill" as it is used here refers to the intangible value of the Group's interest in an acquired company in excess of the fair value of that company's net assets at the acquisition date. It is recognised in the balance sheet as an intangible asset. The goodwill resulting from the acquisition of an associate is included in the carrying amount of the interest in the respective associate. Goodwill is subjected at least once a year, and moreover whenever an impairment event has occurred, to an impairment test, and carried at original cost less accumulated impairment losses. Goodwill is not amortised.

b) Other intangible assets

This includes purchased software, which is carried at cost and amortised on a straight-line basis over its useful life. The useful life for purchased software is three to five years.

2.8 Property, plant and equipment

Property, plant and equipment primarily consist of computer hardware, other office equipment and motor vehicles, and are carried at cost less cumulative depreciation and impairment. Depreciation is recognised on a straight-line basis, taking into account the residual value and applying the following useful lives:

- Computer hardware 3 years
- Other office equipment 8–13 years
- Motor vehicles 6 years

The useful life of motor vehicles was adjusted to the useful life for tax purposes, which is 6 years (2 – 3 years in prior years), in order to avoid tax deferrals.

The residual values and remaining useful lives are reviewed at each balance sheet date and adjusted as necessary.

Subsequent expenditure is only capitalised if it is probable that the company will receive an economic benefit from the respective expenditure in the future. All other repair and maintenance measures are posted as expenses in the financial year in which they are incurred.

If the carrying amount of an asset exceeds its estimated recoverable amount, it is written down to the latter (see also section 2.9 on the subject).

Gains and losses from the disposal of property, plant and equipment are determined by comparing the sales proceeds with the carrying amount, and are listed with the "Other operating result".

2.9 Impairment of assets

The goodwill is reviewed at least once a year, and moreover whenever events or indicators suggest a possible impairment event. Property, plant and equipment and intangible assets that are subject to depreciation or amortisation are tested for impairments whenever events or indicators suggest that their carrying value may not be recoverable. Impairment losses are recognised in the amount by which the carrying value of an asset exceeds its recoverable amount. The latter corresponds to the higher amount, derived from the fair value of the asset less the costs of disposal, and the discounted net cash flow from its continued use (value in use). In order to determine impairment, assets are combined at the lowest level to form cash-generating units for which cash flows can be identified largely independently from the rest of the company. Goodwill impairment is determined at the level of the segment to which the respective goodwill is allocated.

If the reasons for impairment no longer apply, impairment losses can be reversed up to a maximum of the amortised cost of the respective asset. Goodwill impairment losses may not be reversed.

2.10 Financial instruments

2.10.1 Financial assets

Acquisitions and dispositions of financial assets are aggregated as of the settlement date. They are recognised at fair value at the time of acquisition while taking directly attributable transaction costs into account, unless they are posted at fair value through profit or loss. In this context, the financial assets are divided into the following measurement categories: financial assets recognised at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and financial assets available for sale. The classification of financial assets depends on the purpose for which they were acquired. The company's management is responsible for determining the categorisation of financial assets on initial recognition and reviewing it periodically. Under IFRIC 9, the allocation may be changed after contractual amendments or whenever special conditions pursuant to IAS 39.50 ff. pertain. During the period under review and the prior period, the Group only had financial assets in the categories loans and receivables and available-for-sale financial assets to report.

a) Loans and receivables (LaR)
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise whenever the Group directly provides a debtor with money, goods or services without intending to use the corresponding receivables for trading purposes. Loans and receivables are classified as current assets if they have a maturity of twelve months or less from the balance sheet date. Otherwise, they are reported under non-current assets. Loans and receivables are posted in the balance sheet under other financial assets, trade receivables and other receivables. Within the framework of subsequent valuations, they are carried at amortised cost.

Trade receivables are initially carried at their fair value, and subsequently at amortised costs, unless they are short-term in nature. Trade receivables are written down if there is objective evidence that the amounts due may not be collectable in full.

Identifiable individual risks are subject to valuation allowances that are recognised in the respective net book value. If the default of a certain portion of the receivables portfolio is likely, valuation allowances are effected in proportion to the anticipated loss. Objective indications of the impairment of receivables exist whenever debts are in default or in arrears, signs suggest a impending bankruptcy or economic conditions that positively correlate with defaults. Write-downs are recognised in income.

In the case of rent receivables older than three months, their carrying amount is adjusted by the following allowances:

- 3 to 6 months: 25 %
- 6 to 9 months: 50 %
- 9 to 12 months: 75 %
- above 12 months: 100 %

As soon as it becomes evident that a rental claim may not be recovered, the full amount is derecognised in income.

If the reasons for a write-down no longer apply, either in full or in part, the write-down is reversed up to a maximum of the amortised cost of the receivable and the amount of the reversal is recognised in income.

b) Available-for-sale financial assets (AfS)
Available-for-sale financial assets are non-derivative financial assets that have been allocated to this category or that cannot be allocated to any of the other categories. These are reported under "Non-current assets" if the company's management does not intend to dispose of them within twelve months of the balance sheet date. Available-for-sale financial assets include equity interests, securities held as fixed assets, and other long-term investments.

On initial recognition, available-for-sale financial assets are carried at fair value, with the transaction costs incurred duly taken into account. The unrealised gains and losses resulting from the fair value appraisal are recognised, with the deferred taxes deducted, as equity component (under "Other comprehensive income") until they are realised. If sold or if an impairment loss is recognised on such assets, any unrealised gain or loss recognised in the equity position must be recognised as income in the income statement.

At each balance sheet date, ESTAVIS AG examines whether there is any objective evidence of impairment. If such evidence exists, any accumulated losses previously recognised directly in equity must be derecognised from equity and recognised as an expense in the income statement. To this end, all available information, including market conditions or the duration and scale of the impairment, must be taken into account. An objective indication regarding an impairment is assumed whenever the fair value of an equity instrument earmarked for sale falls short of its historic costs by 20 % or more, or whenever the fair value has undercut the historic cost by 10 % or more on average for longer than a year. Reversals of impairments concerning equity instruments earmarked for sales are exclusively recognised directly on equity.

2.10.2 Financial liabilities

On first-time recognition, financial liabilities other than derivatives are carried at fair value less transaction costs. In subsequent periods, they are carried at amortised cost (AmC). Any differences between the amount disbursed (less transaction costs) and the settlement amount are recognised in income over the term of the respective liability in accordance with the effective interest method.

Financial liabilities are classified as current if the Group does not have the unconditional right to settle the liability at a date at least twelve months after the balance sheet date.

For the purpose of calculating the fair value, the cash flow expected for the future is discounted on the basis of a maturity-matched market interest rate. The individual features of the financial instruments being measured are taken into account using standard credit and liquidity spreads.

The fair value of the ESTAVIS Group's financial assets and liabilities is determined on the basis of the input factors of Levels 1, 2 and 3.

2.11 Inventories

The inventories of the ESTAVIS Group consist of property acquired for resale. They are carried at the lower of cost and net realisable value. The cost includes the purchase price for the respective properties plus directly attributable expenses, such as brokerage fees, real property transfer taxes, notaries' fees and land register costs. Refurbishment costs that result in a material improvement of the respective property are capitalised. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.12 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purposes of the cash flow statement, cash and cash equivalents are composed of cash on hand, demand deposits placed with banks, and other short-term, highly liquid investments with a remaining term of no more than three months at the time of acquisition.

2.13 Provisions

Provisions are recognised if the company has a current legal or constructive obligation based on events in the past, if settlement of the obligation is likely to require an outflow of resources, and if the amount of the obligation can be reliably estimated. If the company expects the reimbursement of an amount for which a provision has been recognised (e. g. under an insurance policy), it must record the right to reimbursement as a separate asset providing that reimbursement is effectively guaranteed in the event of a claim being asserted on the respective obligation.

The company recognises provisions for onerous contracts if the unavoidable costs of meeting the obligation under the respective contract are greater than the expected benefits from the contractual claim.

Provisions are measured at the amount of the probable outflow of resources. The measurement of non-current provisions includes discounting at a risk-adequate interest rate.

2.14 IFRS 5

Non-current assets or a group of available-for-sale financial assets are categorised "as held-for-sale" if the associated carrying amount is to be realised mainly through a sale transaction rather than through continued use, or else if the asset is immediately available for sale and it is safe to assume that the asset will find a buyer. The measurement will adopt either the most recent carrying amount or the fair value, whichever is lower, minus the costs of disposal. Within the balance sheet, these assets or groups of assets and the associable liabilities will be posted separately.

Whenever ESTAVIS AG resolves to sell investment properties, the properties at issue are categorised as held for sale, assuming the properties are immediately marketable, and assuming further that the intended sale will go ahead within one year of the resolution to sell. The measurement will continue to adopt the fair value.

If the decision to sell involves an entire business unit, all assets and liabilities of that business unit will be categorised as "discontinued operation." The measurement will adopt either the most recent carrying amount or the fair value, whichever is lower, minus the costs of disposal. Within the balance sheet, these assets and the associable liabilities will be posted separately. Within the income statement, the cash flow statement, and the comprehensive income, the discontinued operation represents a separate component. The prior year comparative figures are adjusted accordingly.

2.15 Deferred taxes

Deferred taxes are recognised in accordance with the liability method for temporary differences between the tax base and the IFRS carrying amount of assets and liabilities, as well as for unused tax loss carryforwards. As a matter of principle, deferred taxes are calculated by applying the tax base that is expected to be in place when the temporary difference is reversed in accordance with the information available by the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which temporary differences or tax loss carryforwards can be utilised.

Changes in deferred tax items are recognised in income. Exceptions to this include the addition in equity of deferred tax items as part of the purchase price allocation of company acquisitions and deferred tax items in connection with changes in value recognised as other comprehensive income, which are also recognised as other comprehensive income.

2.16 Revenue recognition

Revenues are composed of the amounts invoiced for the sale of properties held as inventory assets. Proceeds from the sale of a property are recognised when substantially all the risks and rewards incident to ownership of the respective property are transferred to the buyer. This is generally the case when possession, benefits, duties and risks associated with the property are transferred. In the case of the sale of special-purpose entities, this date is generally the date on which the transfer of the shares in the respective entity is completed.

If renovation work is still in progress at the date on which the property is sold and this refurbishment work is negligible compared to the volume of the transaction as a whole, the company recognises a provision for the additional costs that are expected to be incurred.

Rental income is recognised on an accrual basis in accordance with the terms of the underlying contracts. Rental income is recognised as revenue. The incidental expenses invoiced to tenants are offset against the corresponding expenses as the allocable expenses are considered to have been advanced in the interests of the tenants.

Interest income is recognised on a time proportion basis that takes into account the outstanding liability and the effective yield over the remaining term.

2.17 Brokerage commission

Commission for brokering an actual business contract is recognised by the Group as an expense when the brokered transaction is fulfilled. Any commission paid before this time is reported under other receivables.

2.18 Leases

The group acts as a lessee.

Leases under which the Group companies bear the substantial risks and rewards of ownership of the leased property are classified as finance leases. Assets held under finance leases are capitalised at the start of the lease term at the lower of their fair value and the present value of the minimum lease payments. At the same time, a lease liability in the same amount is recognised under non-current financial liabilities. The portion of the lease liability that is due within twelve months of the balance sheet date is reported under current financial liabilities. Each lease instalment is then divided into the finance charge and the reduction of the outstanding liability in order to ensure a constant periodic return on the outstanding lease liability. The finance charge is recognised in the income statement as interest expense. Items of property, plant and equipment held under finance leases are depreciated over their useful life, which may be limited by the lease term, taking into account any residual value.

Leases not classified as finance leases are classified as operating leases. The company has entered into operating leases for motor vehicles, some of its office equipment, and business premises. These leases do not contain purchase options. Leases for office space contain extension options at standard market conditions. Payments made in connection with operating leases (less incentive payments by the lessor) are recognised in the income statement on a straight-line basis over the term of the lease.

The Group acts as a lessor in connection with the leasing of properties. These agreements are classified as operating leases. See 2.17 for information on accounting for rental income.

2.19 Residual interests and dividend distributions

ESTAVIS AG includes subsidiaries in the legal form of partnerships in which it holds minority interests in his Group accounts. The partner position the Group holds through these interests must be recognised in the Group accounts pursuant to IAS 32 as debt due to their statutory right to termination that cannot be contracted away. When these liabilities arise, they are measured at the present value of the partner's compensation claim. This is generally the amount of the partner's capital contribution. Subsequent to initial recognition, the liability is adjusted depending on the company's results prior to the recognition of the change in the respective liability. The change in the liability is recognised in the income statement unless it is based on capital contributions and withdrawals. If the adjustment results in a theoretical claim on behalf of the partner, it must be suspended until it turns into in a liability against the partner again.

For corporations within the Group, liabilities for distributions to shareholders are only recognised in the period in which the corresponding resolution on the appropriation of net retained profits is adopted by the shareholders' meeting.

2.20 Cash flow statement

The cash flow statement shows the development of the Group's cash flows during the financial year. The consolidated financial statement uses the indirect method for a breakdown of the cash flow, with non-cash items deducted and cash items added to the consolidated income. The cash flow statement represents the cash flows from the operational activities, from the investing activities, and from the funding activities.

3 Capital and Financial Risk Management

Using its capital management, ESTAVIS AG pursues the goal of sustainably strengthening the Group's liquidity and equity basis, providing funds for the Group's equity-financed growth and generating an appropriate return on capital employed. In the context of the ESTAVIS Group's property activities, purchasing volumes are financed as much as possible by debt capital in line with tax consideration as the refinancing situation remains relatively favourable. The Group's accounting equity acts as a passive control criterion. The active control variables are revenues and EBIT.

Once a quarter, and ahead of large-scale transactions, the risk management reviews the Group's capital structure. To this end, the cost of capital and the threat associated with each class of capital is taken into account. In order to satisfy the banking industry standards of the external capital requirements, the accounting ratios are regularly updated. These include principal repayment ratios for each asset, loan-to-value ratios, as well as contractually agreed balance relations and success relations.

Financial risk management (see also the elaborations in the Group Management Report) describes the management and limitation of the financial risks resulting from the Group's operating activities. Particular risks include the liquidity risk (avoiding disruptions to solvency) and risk of default (risk of a loss if one contractual party fails to meet its contractual obligations).

Responsibility for the liquidity risk management lies with the Management Board, which has established an appropriate system for controlling short, medium and long-term finance and liquidity requirements. The Group controls liquidity risks by maintaining appropriate liquid funds, lines of credit at banks and other facilities as well as constant monitoring of forecast and actual cash flows as part of ongoing, rolling liquidity controlling and by coordinating the maturity profiles of financial assets and liabilities.

In order to avoid risks of default, the Group only enters into sales relationships with parties of good credit standing. In order too further limit default risk, ownership of sold properties is only transferred to the buyer after the purchase price has been paid into a notary trust account.

4 Estimates and Accounting Decisions at the Company's Discretion

In preparing the consolidated financial statements, the company uses forward-looking estimates and assumptions based on the conditions prevailing by the balance sheet date. The estimates thus obtained may deviate from the actual events going forward.

The following estimates were used within the framework of measuring the balance sheet items:

- Impairment testing for the goodwill that is allocated to the Trading segment requires the use of estimate ranges in respect to future revenues and trading margins in particular. The sales prices and sold quantities underlying these figures are used for a planning period of five years based on market development forecasts and past empirical evidence. The cash operating surplus determined in the process are discounted, taking market-consistent costs of equity and debt as well as a market-consistent risk interest on its cash value into account. For the annual accounts, that measurement from a variety of scenarios is chosen which most adequately reflect the fair market value when all known inputs are taken into account.
- The fair values of the investment properties are based on valuation reports of independent external valuers. The latter determine the fair value of the property assets by applying the discounted cashflow method (DCF method). The appraisal takes estimates of future rent revenues, vacancies, and possible refurbishment measures into account. Uncertainties concerning the development of the market conditions as well as the nature and use of the properties are reflected in a market-consistent discount interest rate that includes a risk premium.
- In estimating the net selling prices of properties held for trading, the calculation of realistic selling prices is subject to considerable uncertainty. Selling prices are estimated on the basis of the assessed attractiveness of micro-environments and the expected development of the spending power. The range of sales prices obviously depends on the location of a given trading property. The adequacy of a certain price and thus of the amount posted in the balance sheet are periodically reviewed and adjusted as needed.

- Estimates define particularly the appraisal of the intrinsic value of the rent receivables. Assumptions regarding the collectability of an outstanding receivable are based on the age structure of that receivable. Based on empirical evidence, the probability of default for accounts receivable older than three months is imputed to be somewhere between 25 % and 100 %, which is reflected in a valuation allowance over a corresponding amount.
- There are a range of estimates as to possible future expenses to the Group in the context of the recognition of provisions.
- Current and deferred taxes are necessarily recognised on the basis of estimates. Since the proper interpretation of complex tax issues is far from clear, differences between actual results and the assumptions or future changes in the estimates may lead to changes in tax results in future periods. The Group takes the potential effects of external tax audits by the revenue authorities duly into account.

Concerning the financial reporting and valuation rules, ESTAVIS AG made discretionary decisions:

- Whenever real estate packages are added to its assets, it is up to the company to decide whether this involves the acquisition of a business operation.
- By each balance sheet date, the company must decide whether a given property held by the Group is reported as financial investment or as inventory property.
- When recognising financial instruments for the first time, you need to choose one of four measurement categories to allocate it to: financial assets recognised at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets.

5 Segment Reporting

The ESTAVIS Group is divided into the following segments:

1. **Trading:** the buying and selling of property, with apartments usually sold to private investors. The estate agency business within the framework of apartment retailing is also included in this segment.
2. **Portfolio:** This segment includes investment property and portfolio property that is not intended for apartment retailing.

As in the previous year, the "Trade" segment was posted in the sub-segments "Privatisation" and "Other Trade." The "Other Trade" segment comprises the residual elements of the former trading business with listed properties, which is going through the final stages of its wind-up.

The segment results for the financial year ended 30 June 2014 are shown below.

					Trading			Portfolio		Group
		Total		Total		Other trade				
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Revenues (external)	17,988	48,374	15,681	15,700	2,306	32,674	10,182	70,508	28,170	118,882
thereof										
Letting	741	1,398	716	960	25	438	10,182	5,732	10,923	7,130
Disposals	11,753	40,769	9,471	8,533	2,281	32,236		64,776	11,753	105,545
Brokerage	5,494	6,208	5,494	6,208					5,494	6,208
Changes in the value of investment property							3,570	11,073	3,570	11,073
Operating income	**2,462**	**–4,490**	**2,722**	**3,506**	**–260**	**–7,996**	**5,209**	**15,896**	**7,671**	**11,406**
Result from the equity interests accounted for, using the equity method	104		104						104	
Financial results	–2,062	–3,059	–1,420	–810	–642	–2,249	–4,848	–2,110	–6,910	–5,169
Income before income taxes	**504**	**–7,549**	**1,406**	**2,696**	**–902**	**–10,245**	**360**	**13,786**	**864**	**6,236**

The result of the sub-segment "Other trade" in the "Trade" segment is defined by the fact that project development and listed real estate activities are being wound up. During the 2013/14 financial year, it was defined by legal consulting costs and write-downs on non-recoverable receivables.

The result of the "Portfolio" segment was essentially defined by revaluation of investment properties of the property company ESTAVIS Berlin Hohenschönhausen GmbH in the amount of TEUR 3,800. The prior-year statement also included income from the on-placement of a part of the property stock of ESTAVIS Berlin Hohenschönhausen GmbH (in the amount of TEUR 63,000).

Depreciation and write-downs of property, plant and equipment and amortisation and write-downs of intangible assets and the changes in the value of investment property were attributable to the segments as follows in the financial year:

		Trading		Portfolio		Group
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Depreciation and write-downs of property, plant and equipment	–38	–94	–36	–6	–74	–100
Depreciation and write-downs of intangible assets	–16	–27	–10	–	–26	–27
Change in value of investment property	–	–	3,570	11,073	3,570	11,073

Segment assets, segment liabilities and segment investments were as follows as of 30 June 2014:

	Trading	Portfolio	Unallocated	Consolidation	Group
	TEUR	TEUR	TEUR	TEUR	TEUR
Segment assets	60,242	273,031	34,735	−128,096	239,913
Equity interests accounted for using the equity method	823	124	–	–	947
Total segment assets	**61,065**	**273,155**	**34,735**	**−128,096**	**240,860**
Segment liabilities	**42,442**	**192,329**	**36,157**	**−106,545**	**164,384**
Segment investments	30	3,192	1,532	–	4,754

The figures for the previous year were as follows:

	Trading	Portfolio	Unallocated	Consolidation	Group
	TEUR	TEUR	TEUR	TEUR	TEUR
Segment assets	78,616	146,344	10,841	−33,940	201,861
Equity interests accounted for using the equity method	710	122	–	–	831
Total segment assets	**79,326**	**146,466**	**10,841**	**−33,940**	**202,692**
Segment liabilities	**52,235**	**113,490**	**4,275**	**−33,940**	**136,060**
Segment investments	58	66,039	–	–	66,097

Segment assets primarily relate to property, plant and equipment, investment property, inventories, receivables, and receivables from third parties and from the other segment. Goodwill is allocated to the Trading segment. Not allocated are equity interests, furniture, fixtures and equipment, as well as licences and concessions.

The segment liabilities include financial liabilities, operating liabilities, and the liabilities vis-à-vis the respectively other segment. Not allocated are accounts payable from bonds, payables vis-à-vis ADLER Real Estate AG, trade payables, and other payables.

Segment investments include additions to property, plant and equipment and intangible assets (see section 6.1.1 and 6.1.2) and investment property (see section 6.1.3).

6 Supplementary Notes to the Individual Items of the Financial Statements

6.1 Statement of changes in non-current assets

Non-current assets have changed as follows in the financial year beginning 1 July 2013 and ending 30 June 2014:

	Other intangible assets	Property, plant and equipment
	TEUR	TEUR
Acquisition costs/costs of goods sold	170	603
Cumulative depreciation, amortisation and write-downs	94	408
Carrying amount as of 1 July 2013	**76**	**195**
Additions (+)	2	84
Disposals (–)	0	1
Depreciation, amortisation and write-downs (–)	–26	–74
Carrying amount as of 30 June 2014	**52**	**204**
Acquisition costs/costs of goods sold	172	686
Cumulative depreciation, amortisation and write-downs	120	482

Non-current assets have changed as follows in the financial year from 1 July 2012 to 30 June 2013:

	Other intangible assets	Property, plant and equipment
	TEUR	TEUR
Acquisition costs/costs of goods sold	153	834
Cumulative depreciation, amortisation and write-downs	68	536
Carrying amount as of 1 July 2012	**85**	**298**
Additions (+)	19	40
Disposals (–)	0	–43
Depreciation, amortisation and write-downs (–)	–27	–100
Carrying amount as of 30 June 2013	**76**	**195**
Acquisition costs/costs of goods sold	170	603
Cumulative depreciation, amortisation and write-downs	94	408

6.1.1 Intangible assets and goodwill

The table under section 6.1 shows the changes in intangible assets over the last two years.

Goodwill is allocated to the Trading segment. The recoverable amount is determined for impairment testing by calculating the segment's value in use. The calculation is based on forecast cash flows derived from the five-year plan approved by the Management Board. The company's Management Board determined the budgeted cash flow for the detailed planning phase on the basis of favourable past events in the privatisation business and positive expectations regarding future market developments. These are based on the predicted development of sold or brokered residential units, the assumption being that – presupposing an upward learning curve – the contribution to operating income per residential units will increase.

Fair values discounted by 9.09 %

	TEUR
Carrying amount, CGU	31,107
Value in use, CGU	40,212
Surplus	**9,105**

The budgeted cash flow of the five-year plan was discounted using a weighted average cost of capital rate of 9.09 %. This post-tax discount rate (pre-tax discount rate: 13.02 %, previous year: 14.75 %) reflects the specific risks of the Trading segment compared to the market portfolio. Given the positive expectations in regard to the future market development, it is assumed that the cash flows within the five-year period will increase by 1.3 %.

The sum total of the discounted cash flow results in a value in use worth TEUR 40,212, and thus in a surplus on the carrying amount in an amount of TEUR 9,105. Even the application of a discount interest rate of 9.25 %, which exceeds the maximum cost of debt currently agreed, would not cause any material drop in surplus. Impairment testing thus showed that no impairment losses were required for the goodwill of TEUR 17,776.

Intangible assets include EDP software and licences. No investments in intangible assets were undertaken in the 2013/14 financial year, so that the carrying amounts by the balance sheet date were carried forward with only the amortisation taken into account. The addition of intangible assets in the amount of TEUR 2 is attributable to the consolidation of J2P Real Estate AG.

6.1.2 Property, plant and equipment

Property, plant and equipment primarily consist of computer hardware, other office equipment and motor vehicles, and are carried at cost less cumulative depreciation and impairment. Depreciation is recognised on a straight-line basis, taking into account the residual value and applying the following useful lives:

- Computer hardware 3 years
- Other office equipment 8–13 years
- Motor vehicles 6 years

Property, plant and equipment acquired during the 2013/14 financial year included computer hardware and other office equipment at a cost of TEUR 53. Additions in the amount of TEUR 31 are explained by the consolidation of J2P Real Estate AG during Q2 of the financial year. The values of the other property, plant and equipment represent the amortised costs carried forward.

6.1.3 Investment property

Investment property developed as follows:

	2013/14	2012/13
	TEUR	TEUR
Start of financial year	**137,328**	**57,490**
Additions from inventories		2,777
Additions	15,670	66,038
Refurbishment	289	–
Disposals	–400	–50
Appreciation	4,650	11,863
Impairment	–1,369	–790
End of financial year	**156,168**	**137,328**

The total fair values of investment property were determined as a total of TEUR 156,168 (previous year: TEUR 57,440) by third-party experts as of the balance sheet date. These carrying amounts are encumbered with land charges as collateral for amounts due to banks.

The investment property includes 10 commercial properties (previous year: 9), 31 residential properties (previous year: 19), and 13 mixed-use properties (previous year: 4), which break down into 174 commercial units (previous year: 221) with a total floor area of 27,518 m² (previous year: 52,604 m²) and 2,425 flats (previous year: 1,869) with a total floor area of 154,473 m² (previous year: 116,998 m²). The spectrum of the annual net rents per square-metre for commercial units ranged from EUR 2.65 to EUR 7.60 (previous year: EUR 3.10 to EUR 14.10), and for residential units ranged from EUR 3.70 to EUR 13.90 (previous year: EUR 1.10 to EUR 13.90). The ratio of management costs to rent revenues ranges from 22.9 % to 58.3 % (previous year: 24.0 % to 35.0 %) for commercial properties, and from 14.6 % to 44.5 % (previous year: 16.5 % to 47.0 %) for residential and mixed-use properties. The discount interest rate for the valuation of the commercial properties covers a bracket of 7.0 % to 8.5 % (previous year: 6.5 % to 8.5 %), whereas the bracket for residential and mixed-use properties extends from 2.8 % to 8.0 %.

In addition to the change in value due to the re-measurement at fair value as at the end of the reporting period, the income statement also includes the following items relating to investment property:

	2013/14	2012/13
	TEUR	TEUR
Rental income (revenues)	10,169	5,170
Cost of materials	–3,834	–1,105
Maintenance costs (material costs)	–1,749	–433

Out of the expenses, vacant investment property account for TEUR 729 (previous year: TEUR 397).

The key factor explaining the increased rental income and the increased expenses is the rise in the number of properties, that was essentially defined by the first-time full-year consolidation of the property holdings in Hohenschönhausen and Berlin acquired the previous year, and by the acquisition of J2P Real Estate AG. The 160 residential units of J2P Real Estate AG have been posted with the contribution in the above tables since 1 October 2013.

Measurement approach

The calculation of the fair value of the investment property in the amount of TEUR 156,168 (previous year: TEUR 137,328) is based on the discounted cashflow method (DCF). Under this method, a property's cash operating surplus that is expected for a detailed planning period of ten years going forward is discounted using a market-consistent, property-specific capitalisation rate (discount rate) as of the measurement date of 1 April 2014. The cash operating surplus is in turn determined by juxtaposing the net rents likely to be collected with the management costs likely to be expended continuously by the owner, and with capital expenditures and void cost.

At the end of the forecast detailed planning period, the cash operating surplus discounted as of the measurement date for the eleventh year are used to calculate the residual value (terminal value) of the property asset. This latter value represents the price at which the property could most likely be disposed of within the framework of an orderly transaction among market participants at the end of a 10-year lifetime (at market conditions on the measurement date). In this context, the discounted net cash flows received for the tenth year are capitalized at the so-called capitalisation rate (exit rate) as a perpetual annuity. The sum total of the cash operating surplus and the discounted residual value equals the fair market value of the subject property.

The present value calculation is based on the following assumptions:

Residential and commercial buildings	2013/14*	
Current net rental income (in TEUR)	8,828	
Current vacancy rate	10.0 %	
	Average	Spread
Net rental income to market rent	74.5 %	5.2 %–104.1 %
Management costs	22.7 %	14.6 %–44.5 %
Maintenance costs, EUR/m²	9.3	7.50–77.14
Administrative overhead, EUR/m²	4.8	0.99–38.57
Discount interest rate	6.5 %	2.8 %–8.5 %

* The requirement to post prior-year figures is waived for the first-time adoption of IFRS 13.

Commercial real estate	2013/14*	
Current net rental income (in TEUR)	2,111	
Current vacancy rate	28.6 %	
	Durchschnitt	Spanne
Net rental income to market rent	86.3 %	43.1 %–180.9 %
Management costs	30.5 %	22.9 %–58.3 %
Maintenance costs, EUR/m²	7.1	7.50–10.25
Administrative overhead, EUR/m²	2.0	1.44–3.25
Discount interest rate	7.5 %	7.0 %–8.5 %

* The requirement to post prior-year figures is waived for the first-time adoption of IFRS 13.

Several parameters were applied to determine the discount interest rate: The discount interest rate is composed of a base rate and a risk premium. One and the same base rate was applied to all subject properties. The risk premium represents an interest rates reflecting the relevant sub-market, the type of use, and the quality. These assessments were made on the basis of information sourced from current market data and official documents as well as from information provided by the property valuation committee. The risk premium varies from one property to the next.

The assumptions used to appraise the portfolio properties were defined by the independent surveyor on the strength of the surveyor's own professional experience of many years. Additional information not yet available by the measurement date could cause the risk premium assessments to be higher or lower, as the case may be. If the capitalisation rate on which the calculation of the fair value is based had been increased by 0.5 percentage points, the market value as of the end of the reporting period would have been TEUR 143,035. Conversely, if the interest rate had been lowered by 0.5 percentage points, the market value would have been TEUR 171,385.

The assumptions concerning the net rental income expected for the entire detailed planning period are also subject to uncertainties because both the macro-environment and the micro-environment of the real property appraised is subject to change going forward. If the headline rent underlying the measurement of the fair value had been 10 % lower, this would have resulted in a total market value of TEUR 138,585 by the measurement date. If inversely the headline rent had been raised by 10 %, it would have resulted in t total market value of TEUR 173,350.

Reconciliation accounts

The reconciliation accounts below list the development of the portfolio properties that were recognised at fair value and belong in the Level 3 of the fair value hierarchy:

Reconciliation accounts	1 July 2013	Addition	Disposal	Valuation result*	30 June 2014
	TEUR	TEUR	TEUR	TEUR	TEUR
Residential and commercial buildings	109,268	15,670		4,837	129,775
Commercial real estate	28,060	0	–400	–1,267	26,393
Sum total	**137,328**	**15,670**	**–400**	**3,570**	**156,168**

* The valuation result including refurbishment measures for the property Leonhardstr. in the amount of TEUR 289.

During the 2013/14 financial year, the real properties were not reclassified among the measurement levels. Accordingly, no investment property was added to, or withdrawn from, Level 3.

The changes in fair value recognised in income are attributable to the revaluation of the investment properties, all of which were still part of the portfolio by 30 June 2014.

6.1.4 Equity interests accounted for using the equity method

The equity interests accounted for using the equity method performed as follows:

	2013/14	2012/13
	TEUR	TEUR
Start of financial year	**831**	**121**
Additions	15	710
Shares in gains and losses	101	0
End of financial year	**947**	**831**

The interests that the ESTAVIS Group holds in associates, and the latter's financial information, present themselves as follows:

	Interest	Assets	Liabilities	Income	Expenses	Net profit
		TEUR	TEUR	TEUR	TEUR	TEUR
GG Erlabrunn UG (2012)*	50 %	7	1	8	7	1
Malplaquetstr. 23 Grundstücksverwaltungsgesellschaft mbH	50 %	2,609	2,811	271	397	–126
SIAG Sechzehnte Wohnen GmbH & Co. KG (2012/2013)*	50 %	158	158	0	2	–2
Wohneigentum Berlin GbR	33.33 %	15,379	11,247	1,131	866	265

* Disclosures taken from the last financial statement published

6.1.5 Other non-current financial assets

The other financial assets reported by the company can be broken down as follows:

	30 June 2014	30 June 2013
	TEUR	TEUR
Equity investments	1,175	0
Available-for-sale securities	0	0
Other non-current financial assets*	0	0
Total	**1,175**	**0**

* The prior-year figure was adjusted due to the reclassification of the other long-term financial assets during the 2013/14 financial year.

The available-for-sale securities from the 2012/13 financial year were diminished in value, whereas the other non-current assets in a total value of TEUR 29 were reclassified with the other assets during the 2013/14 financial year in order to convey a picture that more closely resembles the actual situation. During the same period, company acquired an interest of 5.1 % in CITEC Immo Deutschland GmbH, which was added under equity interests.

6.2 Inventories

The company's inventory includes properties and advanced payments for properties. It breaks down as follows:

	30 June 2014	30 June 2013
	TEUR	TEUR
Ready-for-sale properties	17,100	20,867
Construction work in progress	–	–
Advanced payments	1	–
Total	**17,101**	**20,867**

Properties are carried at cost, including accrued renovation costs. There was no income from reversals of impairments for properties held as inventory assets. The properties reported as inventories serve as collateral for financial liabilities.

Inventory properties with a carrying value of TEUR 5,725 (previous year: TEUR 8,613) are expected to be sold after more than twelve months.

6.3 Trade receivables and other receivables

Trade receivables essentially break down into rent receivables, residual purchase prices from the project development business that was discontinued, and agency services. The development of trade receivables is shown in the following table:

	30 June 2014	30 June 2013
	TEUR	TEUR
Trade receivables	4,838	5,463
Valuation allowance	–1,805	–1,230
Trade receivables (net)	**3,033**	**4,232**

The following trade receivables were past due as of the end of the reporting period:

	30 June 2014	30 June 2013
	TEUR	TEUR
Trade receivables	3,033	4,232
thereof neither impaired as of the reporting date nor overdue	126	1,471
of which not impaired as at the end of the reporting period and past due up to 30 days	280	776
of which not impaired as at the end of the reporting period and past due between 31 and 60 days	86	828
of which not impaired as at the end of the reporting period and past due between 61 and 90 days	1,059	507
of which not impaired as at the end of the reporting period and past due between 91 and 180 days	77	129
of which not impaired as at the end of the reporting period and past due between 181 and 360 days	162	23
of which not impaired as at the end of the reporting period and past due more than 360 days	1,030	163
Net value of written-down trade receivables	213	335

Write-downs of trade receivables have developed as follows:

	2013/14		2012/13	
	Total	thereof OOA*	Total	thereof OOA*
	TEUR	TEUR	TEUR	TEUR
As of 1 July	**1,230**	**1,230**	**80**	**69**
Change in consolidated group	–49	–49	290	301
Additions (write-downs)	721	721	870	870
Reversals	–97	–97	–10	–10
Derecognition		–	–	–
As of 30 June	**1,805**	**1,805**	**1,230**	**1,230**

* OOA: one-off allowance

The miscellaneous receivables and other assets include:

	30 June 2014	30 June 2013
	TEUR	TEUR
Receivables from advance commission payments	96	148
Receivables from investment companies	449	0
Receivables from operating costs not yet invoiced	7,978	6,528
Restricted-use cash in banks	3,732	1,410
Miscellaneous other receivables*	10,570	2,490
Total	**22,816**	**10,576**

* The prior-year figure was adjusted due to the reclassification of the other financial assets with the other miscellaneous receivables during the 2013/14 financial year.

The receivables from advance commission payments result from commission payments on unrealised retail sales. The receivables from investment companies result from a loan granted to the Malplaquetstr. 23 Grundstücksverwaltungsgesellschaft mbH. The rent receivables regard claims from utility companies arising from recoverable, but not yet invoiced, service charges. The cash in banks subject to restricted use may only be drawn upon to repay certain short-term financial debt.

The other miscellaneous receivables add up to TEUR 10,570 (previous year: TEUR 2,490). They include a sales tax receivable from the inland revenue office in the amount of TEUR 3,102 (previous year: TEUR 0), representing a tax reclaim in connection with the latest tax law rulings concerning developer projects and the area of governance subject to section 13b, Turnover Tax Act (UStG). At the same time, they are matched by accounts payable in the amount of TEUR 3,102. With a view to the provisions of the German Annual Tax Act 2014, ESTAVIS AG assumes that the inland revenue authorities will request corrected invoices from former suppliers.

The other miscellaneous receivables also include short-term loans to sales companies as well as financial assets in the amount of TEUR 1,474 (previous year: TEUR 2,143). Other receivables are subject to allowances in the amount of TEUR 389. The write-downs undertaken the previous year in an amount of TEUR 3,427 were derecognised.

All of the items under miscellaneous receivables are short-term because they predominantly arise from contractual relationships that will be settled within a year. There are no other financial assets over and above the overdues and impairments posted.

6.4 Cash and cash equivalents

Cash and cash equivalents are primarily composed of demand deposits with banks and a small amount of cash.

6.5 Equity capital

The subscribed capital of ESTAVIS AG totalled TEUR 23,339 by the balance sheet date. It takes the form of 23,338,817 fully paid-in no-par-value shares issued at a nominal value of EUR 1.00 each.

Issued capital was increased by TEUR 5,280 as a result of the issue of new shares in the financial year. In conjunction with the capital increase against contribution in kind, 174,000 shares were issued against the contribution in kind. Within the framework of a cash capital increase, 1,805,893 shares were issued. The cash contribution equalled TEUR 3,612. Exercise of the conversion privileges of a convertible bond resulted in the issuance of 2,202,582 shares. The amount in excess of the change in issued capital was appropriated to the capital reserves.

Moreover, 600,000 shares were created out of the buy-back of an equal number of shares of the 2014/19 convertible bond, and 497,404 shares out of the buy-back of 432,348 shares of the 2012/17 convertible bond, in both cases against shares within the framework of capital increases against contributions in kind. In this context, the bonds were measured at fair value, and an amount of TEUR 972 and TEUR 846 added to the additional paid-in capital. The shareholders' equity was reduced by the amount of TEUR 21 spent on the buy-back, which were also credited to the additional paid-in capital.

ESTAVIS AG bought no shares in its own stock during the financial year.

The capital reserves result from amounts paid in the past in capital increases exceeding the amount of issued capital less the capital-raising costs after taxes.

The retained earnings result from the Group's earnings up to the balance sheet date that have not yet been distributed.

The composition of and changes in equity are shown in the statement of changes in equity.

6.6 Financial liabilities

The following table shows the company's current and non-current financial liabilities:

	30 June 2014	30 June 2013
	TEUR	TEUR
Non-current financial liabilities		
Liabilities to banks and other lenders	71,478	77,805
Bond liabilities	11,150	8,313
Total non-current financial liabilities	**82,628**	**86,118**
Current financial liabilities		
Liabilities to banks and other lenders	41,002	28,842
Total current financial liabilities	**41,002**	**28,842**
Total financial liabilities	**123,630**	**114,960**

The carrying amount of non-current financial liabilities to banks and other lenders can be broken down into liabilities with a remaining term of between one and five years (TEUR 59,781; previous year: TEUR 63,295) and liabilities with a remaining term of more than five years (TEUR 14,117, previous year: TEUR 14,510). Out of the carrying amount of the bond liabilities, the 2014/19 convertible bond with a remaining term of five years accounts for TEUR 11,150. The current financial liabilities include outstanding interest on bonds in the amount of TEUR 597.

The change of control occasioned by the acquisition of ESTAVIS AG by ADLER Real Estate AG triggered the application of section 8, Bond Terms, of the 2013/18 bond. Pursuant to the section, noteholders were entitled to request premature repayment of their debenture bonds in whole or in part within a 30-day put period beginning on 30 June 2014. This is why the carrying amount of the 2013/18 bonds in the amount of TEUR 9,391 was posted among the current financial liabilities. Since none of the noteholders exercised the put option within the put period, the 2013/18 bond will be posted among the non-current financial liabilities again after the end of said put period.

The change of control occasioned by the acquisition of ESTAVIS AG by ADLER Real Estate AG triggered the application of section 14, Bond Terms, of the 2012/17 convertible bond. Pursuant to the section, noteholders were entitled to demand repayment of their partial debentures either in whole of in part at their face value plus accrued interest by filing a repayment request by the effective date, which was set for 8 July 2014. This is why the carrying amount of the partial debentures after conversion in the amount of TEUR 2,935 as of 30 June 2014 was posted among the current financial liabilities. Since none of the noteholders submitted a repayment request within the effective period, the 2012/17 convertible bond will be posted among the non-current financial liabilities again after the end of said effective period.

Liabilities to banks are secured by the property stock in a carrying amount of TEUR 156,168 (previous year: TEUR 137,328) for which they were incurred, and by the rent and sale receivables resulting from them. There also exist contractual covenants to maintain certain financial benchmarks for financial liabilities vis-à-vis banks in an amount of TEUR 52,501 in order to continue to qualify for the loans. Depending on the sort of real property asset, a debt service coverage ratio (DSCR) between 105 % and 130 % as well as a loan-to-value ratio (LtV) between 65 % and 80 % has to be maintained.

During the 2013/14 financial year, the debt service coverage ratio (DSCR) was lightly undercut in the case of one loan in the amount of TEUR 3,884. The breach was remedied immediately, to that the debt remains intact.

For payables to banks and non-bank lenders, interest expenses recognised in income and other expenses in a total amount of TEUR 4,635 were incurred, with another TEUR 2,333 in interest expenses recognised in comes and other expenses generated by the bonds.

Within the framework of two capital increases against contributions in kind, 600,000 units of the 2014/19 convertible bond and 432,348 units of the 2012/17 convertible bond were bought back at the current market price against shares. The difference between the fair value and the carrying amount at amortised costs of the partial debentures bought back in the amount of TEUR 356, measured by using the effective interest method, was recognised among expenses in the income statement.

6.7 Provisions

Provisions developed as follows in the financial year:

Provisions	1 July 2013	Consumed	Dissolved	Added	30 June 2014
	TEUR	TEUR	TEUR	TEUR	TEUR
Provision for outstanding construction work	1,801	1,108	693	0	0
Provision for rental guarantees	67	67	0	0	0
Provision for warranty obligations	13	0	3	0	10
Provisions for payroll costs	558	525	19	578	592
Provision for miscellaneous costs	462	444	18	651	651
Provision for record-keeping obligations	106	0	34	3	75
Total	**3,007**	**2,144**	**767**	**1,232**	**1,328**

The provisions for outstanding construction work in the amount of TEUR 1,801 as of 30 June 2013 and the provisions for rental guarantees in the amounts of TEUR 67 were either consumed or dissolved. Earmarked funds for miscellaneous costs include provisions against legal costs in the amount of TEUR 94 as well as provisions for the compensation yet to be paid to Mr Lewandowski in the amount of TEUR 240.

Other provisions with an carrying amount of TEUR 1,328 (previous year: TEUR 2,901) are expected to result in a cash outflow during the coming twelve months.

The other provisions are appraised in an amount that would have to be paid, according to reasonable assumptions, to settle the obligation by the balance sheet date or would have to be paid at the time of transfer if the obligation is transferred to a third-party. Risks and uncertainties are taken into account by applying adequate appraisal methods while also considering the probability of occurrence.

6.8 Trade payables and liabilities

The development of trade payables as well as of other liabilities is listed in the following table:

	30 June 2014	30 June 2013
	TEUR	TEUR
Trade payables	16,116	3,318
Liabilities to related parties	273	110
Miscellaneous other liabilities	9,437	3,949
Total	**25,826**	**7,377**

The increase in trade payables during the reporting period is attributable to the addition of the Germany-One portfolio. The purchase price in a total amount of TEUR 9,450 will be due for payment shortly after the balance sheet date.

The miscellaneous other liabilities add up to TEUR 9,710. They include, inter alia, accounts payable from the accounting and auditing costs in the amount of TEUR 520, along with liabilities in the amount of TEUR 3,102 associable with the recognition of a sales tax receivable from the inland revenue office in the same amount of TEUR 3,102 (previous year: TEUR 0), representing a tax reclaim in connection with the latest tax law rulings concerning developer projects and the area of governance subject to section 13b, Turnover Tax Act (UStG). With a view to the provisions of the German Annual Tax Act 2014, ESTAVIS AG assumes that the inland revenue authorities will request corrected invoices from former suppliers.

6.9 Deferred taxes

The balance sheet contains the following deferred tax items:

	30 June 2014	30 June 2013
	TEUR	TEUR
Deferred tax assets	0	1,377
Deferred tax liabilities	5,058	2,098

Deferred taxes developed as follows:

	2013/14	2012/13
	TEUR	TEUR
Deferred tax liabilities	–2,098	–2,463
Deferred tax assets	1,377	3,352
Balance of deferred taxes at start of financial year	**–722**	**889**
Expense (–)/income (+) reported under tax expense	–4,054	–3,496
Additions from the acquisition of property vehicles	–282	1,967
Disposals from the sale of property vehicles (included in other operating expenses)	0	–82
Balance of deferred taxes at end of financial year	**–5,058**	**–722**
Deferred tax liabilities	5,058	–2,098
Deferred tax assets	0	1,377

The deferred tax liabilities involve the following balance sheet items:

	Differences relating to investment property	Differences relating to property held as inventories	Differences relating to other receivables	Differences relating to other item	Total
	TEUR	TEUR	TEUR	TEUR	TEUR
1 July 2013	**3,194**	**2**	**46**	**238**	**3,480**
Amounts recognised under tax expense	1,145	0	–17	181	1,309
Amounts recognised under shareholders' equity	282			37	319
Disposal from the sale of property vehicles (recognised among other operating expenses)	–	0	0	–	–
30 June 2014 (prior to closing)	**4,621**	**2**	**29**	**456**	**5,108**
Closing of deferred tax assets					50
30 June 2014 (after closing)					**5,058**

Deferred taxes from differences in other receivables result from the capitalisation of brokerage commission prepaid for trading revenues not yet realised.

Deferred taxes from differences in other receivables result from the convertible bonds issued.

The deferred tax assets involve the following balance sheet items:

Cause	Tax loss carryforward	Miscellaneous	Total
	TEUR	TEUR	TEUR
1 July 2013	**2,756**	**3**	**2,759**
Amounts recognised under tax expense	–2,756	–3	–2,759
Addition from the acquisition of property vehicles	50	–	50
Disposal from the sale of property vehicles (posted among other operating expenses)	0	0	0
30 June 2014 (prior to closing)	**50**	**0**	**50**
Closing of deferred tax liabilities			–50
30 June 2014 (after closing)			**0**

Deferred tax assets from tax loss carryforwards are carried at the amount of future taxable profit that is expected to be required to realise the corresponding tax benefits. The deferred tax assets from tax loss carryforwards relate exclusively to J2P Real Estate AG. The tax assets from tax loss carryforwards that ESTAVIS AG posted in the previous year were forfeited by the acquisition of ESTAVIS AG by ADLER Real Estate AG. According to its plans, the J2P Real Estate AG expects to utilise a portion of the available tax loss carryforwards in the next five financial years. The loss carryforward is protected against forfeiture through the change of control at ESTAVIS AG by hidden reserves over a sufficient amount.

No deferred tax liabilities were recognised on outside basis differences in the amount of TEUR 1,524 (previous year: TEUR 848) as the Group controls the reversal of the difference and does not intend to do this in the foreseeable future.

6.10 Revenues

	2013/14	2012/13
	TEUR	TEUR
Property trading	11,753	105,545
Revenues from transactions fees	5,494	6,208
Rental income from investment property	10,169	5,170
Rental income from properties held as inventories	754	1,959
Other revenues	–	–
Total	**28,170**	**118,883**

The high property trading turnover in the 2012/13 financial year in the amount of TEUR 63,0000 resulted from property holdings acquired together with the ESTAVIS Berlin Hohenschönhausen GmbH property company and subsequently passed on to other investors. The decline in rental income from properties held as inventory assets is related to the turnover of the sales units.

In addition, a material share of the revenue in the 2012/13 financial year is attributable to the disposal of the inventory properties that were posted in the Trading segment in "Other trade" and that date back to the discontinued business line of listed property trading. Since the discontinued business line of trading with listed property is now moving through the final stage of its wind-up, no revenues of comparable scale are to be expected for the 2013/14 financial year.

6.11 Cost of materials

	2013/14	2012/13
	TEUR	TEUR
Acquisition costs for properties sold and construction costs	9,663	71,819
Services contracted for brokerage transactions *	3,023	6,797
Management costs of investment property	4,063	1,538
Management costs of inventory properties	176	638
Write-downs on inventories	–	693
Sum total	**16,925**	**81,485**

* The prior-year figure was adjusted due to the reclassification of the costs of goods sold during the 2013/14 financial year.

The drop in cost of materials during the 2013/14 financial year also reflects the wind-up of the discontinued business line of listed property trading. The substantial decrease in acquisition costs of property sold and construction costs is also explained by the discontinuation and disposal of the project development business. The development was also influenced by single large-scale transactions.

The prior-year figure representing services contracted for brokerage transactions includes sales commissions for properties held by the Group in the amount of TEUR 3,844 that were posted under other operating expenses the previous year. These have bee restructures in order to convey a clearer picture of the actual situation.

The rise in management costs for the investment property to new total of TEUR 4,063 reflects the prominence of the portfolio segment. The expansion of the proprietary property stock through the acquisition of the portfolios in Hohenschönhausen and Bernau during the 2012/13 financial year was continued in the 2013/14 financial year by acquiring the J2P Real Estate AG and its property stock. The 160 residential units of J2P Real Estate AG have been posted with the contribution in the above tables since 1 October 2013.

6.12 Staff costs

The Group employed an average of 40 people over the year (previous year: 33). Out of this workforce, 4 staff (previous year: 3 staff) were in marginal employment, while all other were permanently employed. The total payroll and benefit costs break down as follows:

	2013/14	2012/13
	TEUR	TEUR
Salaries and other benefits	2,992	2,878
Employer contributions to statutory social insurance	255	262
Total	**3,247**	**3,140**

Employer contributions to statutory social insurance included contributions to statutory pension insurance in the amount of TEUR 131 (previous year: TEUR 152).

6.13 Other operating income and expenses

Other operating income can be broken down as follows:

	2013/14	2012/13
	TEUR	TEUR
Income from reversals of impairment losses on inventories	–	–
Miscellaneous other operating income	6,073	1,734
Total	**6,073**	**1,734**

The other operating income adds up to TEUR 6,073 (previous year: TEUR 1,734). They include an income item in the amount of TEUR 3,102 in recognition of a sales tax receivable from the inland revenue office in the amount of TEUR 3,102 (previous year: TEUR 0), representing a tax reclaim in connection with the latest tax law rulings concerning developer projects and the area of governance subject to section 13b, Turnover Tax Act (UStG). Also posted in this context were expenses in the amount of TEUR 3,102. These expenses correspond with the revenue from the sales tax receivable pursuant to section 13b, Turnover Tax Act (UStG) from the inland revenue office in the amount of TEUR 3,102. With a view to the provisions of the German Annual Tax Act 2014, ESTAVIS AG assumes that the inland revenue authorities will request corrected invoices from former suppliers.

Other operating expenses can be broken down as follows:

	2013/14	2012/13
	TEUR	TEUR
Consulting costs	1,525	2,474
Costs of goods sold*	–	193
Costs relating to rental guarantees	–	119
Miscellaneous other operating expenses	8,346	12,157
Total	**9,871**	**14,943**

* The prior-year figure was adjusted due to the reclassification of the costs of goods sold during the 2013/14 financial year.

The other operating expenses in the amount of TEUR 9,871 include advisory costs for general advisory services in the amount of TEUR 1,525. The break down essentially into advisory services concerning taxes, capital market transactions, legal, and general strategic issues.

Moreover, miscellaneous other expenses in the amount of TEUR 3,102 are associable with the aforesaid sales tax receivable from the inland revenue office, which represents a tax reclaim in connection with the latest tax law rulings concerning developer projects and the area of governance subject to section 13b, Turnover Tax Act (UStG). In addition these expenses include write-downs on receivables of TEUR 1,899 (previous year: TEUR 7,345) along with rental expenses in the amount of TEUR 294 (previous year: TEUR 258) for the business premises of the company, expenses for compiling and auditing the financial statements in the amount of TEUR 536 (previous year: TEUR 588), and expenses for information, advertising and entertaining expenses in the amount of TEUR 571 (previous year: TEUR 556).

In order to convey a picture that more closely resembles the actual situation, the sales commissions of the previous year were adjusted, as a result of which sales commissions in the amount of TEUR 193 (previous year: TEUR 4,037) were recognised in the 2012/13 financial year. For the previous financial year, the difference to the prior-year figures was recognised in the services contracted for brokerage transactions among the cost of materials.

6.14 Income tax expense

The income tax expense reported in the income statement consists of current and deferred taxes as follows:

	2013/14	2012/13
	TEUR	TEUR
Current income tax expense	4	1,242
Deferred income tax expense	4,029	3,496
Total	**4,033**	**4,737**

The current tax expense includes TEUR 897 in income from the dissolution of a provision set aside toward tax audit risks. The completed company audit resulted in an additional payment of TEUR 582. For the composition of the deferred tax expense, please see the table below on the development of deferred tax assets and tax liabilities.

The reported tax expense differs from the theoretical amount calculated by applying the company's average income tax rate to its earnings before taxes:

Tax reconciliation

	2013/14	2012/13
	TEUR	TEUR
Pre-tax profit	864	6,236
Taxes calculated on the basis of the parent's income tax rate	261	1,882
Effect of:		
differences in tax rates	–	–
non-deductible or partially deductible expenses	19	48
additions and deductions for trade tax purposes	149	153
settlement of initial differences		955
tax-free income		–3,230
tax loss carry forwards not recognised/deductible temporary differences	1,635	4,008
taxes for previous years		
original taxes	–315	239
utilisation/reporting of previously unreported loss carryforwards	0	–155
discontinuation of previously reported loss carryforwards	2,284	468
other factors		370
Reported income tax expense	**4,033**	**4,737**

A tax rate of 30.175 % (previous year: 30.175 %) was used for the parent company.

6.15 Earnings per share

Basic earnings per share are calculated as the ratio of the net profit attributable to the shareholders of the parent company to the average number of shares in circulation during the financial year, not including treasury shares held by the company.

	2013/14
Consolidated income	TEUR
Net profit before minority interests – basic	–3,169
Interest expenses for bonds	1,058
Consolidated income before minority interests – diluted	–2,090
Number of shares	in thousands
Unweighted number of shares outstanding	23,339
Weighted number of shares outstanding – basic	19,205
Effect of the conversion of convertible bonds	4,935
Weighted number of shares – diluted	24,140
Earnings per share (EPS)	EUR
unweighted – basic	–0.14
weighted – basic	–0.17
weighted – diluted	–0.09

The convertible bond issued before the end of the 2011/12 financial year created 3,579,838 conversion privileges entitling to one share each of ESTAVIS AG, which could have diluted the earnings per share. However, no dilution effect occurred. The conversion privileges will expire in June 2017. During the 2013/14 financial year, 1,914,646 units of the 2012/17 convertible bond were converted and 432,348 units bought back. The 2,346,994 convertible bonds, quoted at EUR 2.40 per unit at issue, were exchanged for 2,699,986 shares at a price of EUR 2.0861 each. This means that the unfavourable exchange ratio did precipitate a dilution effect during the reporting period.

In the course of the 2013/14 financial year, the newly issued 2014/19 convertible bond created 6,000,000 conversion rights entitling to one share each of ESTAVIS AG. Out of the total, 600,000 units were bought back before the end of the financial year, with 5,400,000 conversion privileges entitling to one share each of ESTAVIS AG remaining that will mature in March 2019.

In the 2013/14 financial year, no dividend was paid for the 2012/13 financial year. Neither will a dividend be proposed to the shareholder meeting for the financial year 2013/14.

6.16 Cash flow statement

The cash flow statement distinguishes between cash flows from operating activities, from investing activities, and from financing activities.

The net cash used in operating activities was determined in accordance with the indirect method. It amounted to TEUR –338 (previous year: TEUR 3,711). This includes income taxes paid in the amount of TEUR 56 (previous year: TEUR 679), interest received in the amount of TEUR 59 (previous year: TEUR 58), as well as interest payments and repayments in connection with the inventory properties in the amount of TEUR 5,525 (previous year: TEUR 6,091). The increase in inventories and accounts receivable resulted in a cash outflow in the amount of TEUR 7,275. This is matched by an increase in accounts payable in the amount of TEUR 10,380. The expected cash outflows from provisions decreased by TEUR 1,678 after the end of the reporting period. Non-cash earnings and expenses in the amount of TEUR 1,317 from the valuation result of the investment property were corrected, as were other non-cash items.

The cash flow from investing activities adds up to TEUR –20,731 (previous year: TEUR –61,862). It is explained by the acquisition of real properties and the down-payment for a real estate portfolio to be acquired after the balance sheet date in an amount of TEUR 14,776, as well as the addition of new companies in a total amount of TEUR 2,368.

The cash flow from funding activities adds up to TEUR 18,109 (previous year: TEUR 56,493) and includes: the shareholder loan in the amount of TEUR 5,000 paid in by ADLER Real Estate AG, the cash capital increase in the amount of TEUR 3,612, the issuance of the 2013/18 bond and of the 2014/19 convertible bond in a total amount of TEUR 18,254, other loans taken out toward the expansion of the real estate inventory in the amount of TEUR 6,961, and payment outflows for the principal repayment of bonds and financial liabilities in the amount of TEUR 11,339.

The expansion of the basis of consolidation to include the stock corporation J2P Real Estate AG, the property portfolio companies ESTAVIS 5.–9. Wohnen GmbH and Estavis Zweite Sachsen Wohnen GmbH & Co. KG along with the associate Malplaquetstr. 23 Grundstücksverwaltungsgesellschaft mbH resulted in a cash outflow in an amount of TEUR 2,368. Integration of these companies pushed the Group's cash position up to TEUR 179.

During Q4 of the 2013/14 financial year, 13 companies were sold for a total sales price of TEUR 109. The disposal brought the liquidity up to TEUR 87. The receipt of a payment over another TEUR 22 is expected for the subsequent period. In connection with this disposal, the Group's cash funds dropped by TEUR 38 while the consolidated income was diminished by TEUR 43.

With the addition of the property company ESTAVIS 5.–9. Wohnen GmbH, additional major cash inflows are to be expected after the end of the reporting period, these funds being earmarked for the acquisition of a large property portfolio.

The shareholder loan in the amount of TEUR 5,000 that was taken out from ADLER Real Estate AG was used to make a down-payment for portfolio properties and properties held as inventory assets. Interest payments at a rate of 9.25% p.a. will become due for this loan after the end of the reporting period. Moreover, the loan will have to be repaid in the near future.

6.17 Other financial obligations and contingent liabilities

Pursuant to IAS 17, the company has entered into non-cancellable operating leases relating to business premises, office equipment and motor vehicles.

The future cumulative minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2014	30 June 2013
	TEUR	TEUR
Up to 1 year	10	279
Between 1 and 5 years	294	356
More than 5 years	36	12

Through a subsidiary, the Group is one of the partners in a joint venture. The fact implies a liability equal to TEUR 11,247 for the debt of the joint venture by the balance sheet date.

Moreover, there is a contingent liability resulting from a comfort letter by an affiliated company in the amount of TEUR 8,321 vis-à-vis Landesbank Baden-Württemberg. It arises from the 94% interest held in the former Kristensen Real Estate Berlin GmbH (since renamed “ESTAVIS Berlin Hohenschönhausen GmbH”).

ESTAVIS AG, in the context of a marketing agreement between its subsidiary Accentro GmbH and its business partner that was revised to include a notarised contract of sale, issued a comfort letter vis-à-vis the business partner. This liability remains in effect through 2016, guaranteeing that Accentro GmbH will be sufficiently staffed and funded to fulfil the marketing agreement throughout the lifetime of the agreement. The business partner was also guaranteed a sale of 500 residential and commercial units by Accentro GmbH and the sales of no less than 100 residential and/or commercial units during each sales year. In case the agreed sales target is not met, the business partner is entitled to demand that ESTAVIS AG pay a lump-sum damages over an amount of TEUR 8 for each residential and/or commercial unit by which actual sales fell short of the sales target (meaning TEUR 750 p.a. maximum). At the present time, ESTAVIS AG is not aware of any threat that the damages will be claimed, because it was mutually agreed to rescind the agreement when the sales agreement of 17 February 2014 was signed.

ESTAVIS AG is also liable vis-à-vis its subsidiary Estavis Grundstücks GmbH, having issued to it an unrestricted and open-ended comfort letter.

The subsidiary J2P Real Estate AG is liable vis-à-vis its own subsidiary J2P Service GmbH, having also issued to it an unrestricted and open-ended comfort letter.

6.18 Additional information on financial instruments

a) Classes and measurement categories

The following tables show the reconciliation of the carrying amounts of financial instruments to the IAS 39 measurement categories and the fair values of the financial instruments with the source of measurement for each class:

Financial year 2013/14	Book value	IAS 39 category	Fair value	Measurement hierarchy
	TEUR		TEUR	
Assets				
Other non-current financial assets*	1,175		1,175	
Equity investments	1,175	AfS	1,175	
Miscellaneous other financial investments	0	LaR	0	Level 3
Trade receivables	3,033	LaR	3,033	Level 3
Miscellaneous receivables and capital assets	13,720	LaR	13,720	Level 3
Cash and cash equivalents	6,439	LaR	6,439	Level 2
Total financial assets	**24,367**		**24,367**	
Liabilities				
Long-term payables to banks and other lenders	71,478	AmC	71,579	Level 3
Bond liabilities	11,150	AmC	13,014	Level 1
Short-term payables to banks and other lenders	41,002	AmC	41,634	Level 3
Trade payables	16,116	AmC	16,116	Level 3
Other short-term payables	9,710	AmC	9,710	Level 3
Total financial liabilities	**149,456**		**152,053**	

* Since no range can be identified for the fair value measurement of the other non-current financial assets, these are not categorised in the measurement hierarchy according to IAS 39 and the "at cost" valuation method, because the fair value cannot be determined with certainty and because they are not earmarked for sale.

Financial year 2012/13	Book value	IAS 39 category	Fair value	Measurement hierarchy
	TEUR		TEUR	
Assets				
Other non-current financial assets*	0		0	
Equity investments	0	AfS	0	
Miscellaneous other financial investments	0	LaR	0	Level 3
Trade receivables	4,232	LaR	4,232	Level 3
Miscellaneous receivables and capital assets	10,576	LaR	10,110	Level 3
Cash and cash equivalents	9,258	LaR	9,258	Level 2
Total financial assets	**24,066**		**23,600**	
Liabilities				
Long-term payables to banks and other lenders	114,960	AmC	115,728	Level 3
Bond liabilities	18,513	AmC	18,832	Level 1
Short-term payables to banks and other lenders	96,446	AmC	96,896	Level 3
Trade payables	3,318	AmC	3,318	Level 3
Other short-term payables	4,059	AmC	3,781	Level 3
Total financial liabilities	**122,337**		**122,826**	

* Since no range can be identified for the fair value measurement of the other non-current financial assets, these are not categorised in the measurement hierarchy according to IAS 39 and the "at cost" valuation method, because the fair value cannot be determined with certainty and because they are not earmarked for sale.

Cash and cash equivalents, trade receivables and other receivables predominantly have remaining terms of short-term character. Accordingly, their carrying amounts equalled their fair value by the balance sheet date. The same applies to the trade payables and the other current liabilities.

The ESTAVIS Group's long and short-term payables vis-à-vis banks were posted at fair value on initial recognition, minus the transaction costs, these values always matching the initial costs. The accounts payable of recently acquired companies vis-à-vis banks were measured at fair value on initial recognition. Going forward, the carrying amount of all long-term and short-term payables vis-à-vis banks as of the balance sheet date equals the amount that application of the effective interest method would return as amortised costs. At the same time, the carrying amount of the accounts payable owed to banks is matched with its fair value.

The valuation of the bond without conversion rights was at fair value minus transaction costs on initial recognition, with the value matching the initial costs with transaction costs taken into account, and, after the balance sheet date, at amortised costs using the effective interest method. The bonds with conversion rights were measured at fair value on initial recognition, with a market-consistent comparative interest rate taken into account and with transaction costs deducted. This present value represents the debt component of the bonds, which is posted in the bond liabilities. Their carrying amount represents a revaluation using the effective interest method.

Net earnings in line with IAS 39 measurement categories are therefore as follows:

	Loans and Receivables (LaR) 1 July to 30 June		Available-for-Sale Financial Assets (AfS) 1 July to 30 June		Financial Liabilities measured at Amortised Cost (AmC) 1 July to 30 June	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Interest income	10	153	–	–	–	–
Interest expenses	–	–	–	–	–6,438	–5,322
Valuation allowance	–1,899	–7,345	0	1	–	–
Appreciation		10	–	–	–	–
Gain on disposal	–	–	–	–	–	–
Loss on disposal	–	–	–	–	356	–
Net earnings	**–1,889**	**–7,192**	**0**	**–1**	**–6,794**	**–5,322**

The interest income and interest expenses are shown in the corresponding positions of the consolidated income statement. All other expenses and income are included in the items "Other operating expenses" and "Other operating income," respectively. The impairment charge is accounted for with TEUR 411 (previous year: TEUR 879) by the "Trade receivables," and with TEUR 1,488 (previous year: TEUR 6,466) by the "Other receivables." Among the financial liabilities, the loss on disposal is attributable to the buy-back of the partial debentures of the 2012/17 and 2014/19 convertible bonds.

b) Financial risks

The Group's business activities expose it to a variety of risks. These include particularly liquidity, default and interest rate risks. Targeted financial risk management is intended to minimise the negative effects of these risks on the Group's net asset, financial and earnings situation and cashflows. For a description of the risk management system, please see section 4 in the management report.

Liquidity risk

The following tables show the undiscounted, contractually agreed interest and principal payments of the financial liabilities covered by IFRS 7:

	30 June 2014					
	Carrying amount	Total cash outflow	Cash outflow up to 1 year	Cash outflow 1 to 3 years	Cash outflow 3 to 5 years	Cash outflow after 5 years
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Cash outflow for financial liabilities	**123,248**	**135,830**	**41,194**	**25,341**	**57,027**	**12,268**
Trade payables	16,116	16,116	16,116	–	–	–
Other liabilities	9,710	9,710	9,710	–	–	–
Cash outflow for trade payables and other liabilities	**25,826**	**25,826**	**25,826**	**–**	**–**	**–**
Cash outflow for liabilities within the scope of IFRS 7	**149,074**	**161,656**	**67,011**	**25,341**	**57,027**	**12,268**

	30 June 2013					
	Carrying amount	Total cash outflow	Cash outflow up to 1 year	Cash outflow 1 to 3 years	Cash outflow 3 to 5 years	Cash outflow after 5 years
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Cash outflow for financial liabilities	**114,960**	**135,759**	**34,046**	**8,794**	**92,919**	**n/a**
Trade payables	3,318	3,318	3,318	–	–	
Other liabilities	3,781	3,781	3,781	–	–	
Cash outflow for trade payables and other liabilities	**7,098**	**7,098**	**7,098**	**–**	**–**	
Cash outflow for liabilities within the scope of IFRS 7	**122,058**	**142,857**	**41,144**	**8,794**	**92,919**	**n/a**

The interest rates at the respective balance sheet date were used to determine interest payments for interest-bearing loans with variable interest rates in future reporting periods.

A liquidity risk in the amount of TEUR 41,194 for short-term cash-outflows from accounts payable to banks and other lenders, as well as from restructured long-term bonds and convertible bonds that had to be posted as short-term because of the termination options that existed until July 2014. Moreover, there exists a liquidity risk in the amount of TEUR 16,116 from trade payables, and in the amount of TEUR 9,710 from other payables would be generated of the Group's earnings position deteriorated considerably and to such an extent that repayments would not longer be possible or if refinancing proved impossible to obtain at loan maturity. These risks are rated as negligible because the earnings position is subject to a regular monitoring of revenues and collection of outstanding receivables, and because the financial covenants were upheld with a view to a possible need for refinancing. Possible breaches of contract concerning the financial covenants are remedied directly with the banks by remaining in close contact.

Moreover, the Group uses appropriate monitoring methods to detect any early signs of a risk that covenants might be breached, and strives to prevent the breach through adequate countermeasures. Covenant breaches may entitle the bank to call parts of loans, so that the company has to brace itself for unplanned cash outflows. In this connection, a liquidity risk vis-à-vis banks in the amount of TEUR 52,501 arose from permanent loans. This risk, too, is addressed by complying with the financial covenants and by remaining in close contact with the banks.

During the 2013/14 financial year, the debt service coverage ratio (DSCR) was slightly undercut in the case of one loan in the amount of TEUR 3,884 as of the value date. The breach was remedied immediately, to that the debt remains intact.

The current cash flows include the value of the 2013/17 convertible bond in the amount of TEUR 10,000 that was posted among the current cash flows because of put option that existed at the balance sheet date. Since no noteholders exercised their put option during the put period, the cash outflow associable with the bond will be posted among the long-term cash outflows after the end of the put period, so that the liquidity risk posed by current cash flows is likely to be lower going forward.

The current cash flows also include the value of the 2012/17 convertible bond in the amount of TEUR 2,935 that was posted among the current cash flows because of potential repayment requests. Since no noteholders submitted a repayment request during the effective period, the cash outflow associable with the 2012/17 convertible bond will be posted among the long-term cash outflows after the end of the effective date, so that the liquidity risk posed by current cash flows is likely to be lower in this context, too.

Within the framework of the change of control for the company J2P Real Estate AG during Q2 of the 2013/14 financial year, and the change of control for the ESTAVIS Group itself by the end of the 2013/14 financial year, an additional liquidity risk in the amount of the long- and short-term payables vis-à-vis banks arose, because the bank could have withheld their consent and called the loans. Instead, however, the banks consented to the change of control in either case, and extended maturing loans.

The ESTAVIS Group has cash and cash equivalents of TEUR 6,439 (previous year: TEUR 9,258) to cover its liquidity risk. An addition TEUR 3,033 in trade receivables and TEUR 11,375 in inventories can be liquidated within one year. Short-term payables from operating costs not yet settled in the amount of TEUR 7,008 are matched by short-term receivables in the amount of TEUR 7,978.

Bad debt risk

The carrying amounts of the financial assets represent the maximum default risk of the ESTAVIS Group. For more details on this point, please see the relevant section.

Interest rate risk

Interest rate risks are created by signing loan facilities with variable interest rates, through possible follow-up financing, or whenever the conditions on the capital market undergo drastic changes. Most of the variable-interest loan facilities taken out by the Group are short-term, so that the threat of increased interest payments for the incurred financial debt is rather limited.

Within the framework of the change of control for the company J2P Real Estate AG during Q2 of the 2013/14 financial year, and the change of control for the ESTAVIS Group itself by the end of the 2013/14 financial year, another interest rate risk presented itself in the sense that a premature call of the loan debt would have resulted in follow-up financing at higher interest rates. Instead, however, the banks consented to the change of control in either case, and extended maturing loans, thereby eliminating the interest rate risk.

All of the Group's current and non-current financial liabilities were subjected to a sensitivity analysis in order to determine the interest rate risk, with fixed-interest periods duly taken into account. In analogy to the interest rate scenarios for the valuation of the investment property, two interest rate scenarios for the loans were studied: An increase in loan interest by 0.5 % would have lowered the carrying amount of the financial loan debt by TEUR 704 and negatively impacted net income with TEUR 13. A decrease in loan interest by 0.5 % would have raised the carrying amount of the financial loan debt by TEUR 583 and positively impacted net income with TEUR 12.

With a view to the present interest rate sensitivities, we rate the interest rate risk as low because of the negligible impact on carrying amount and net income as well as because of the current conditions on the capital market, which are persistently favourable.

6.19 Related party transactions

Dr. Karl-Josef Stöhr, Chairman of the Supervisory Board of ESTAVIS AG until 10 January 2014, is one of the partners of the law firm Heuking Kühn Lüer Wojtek in Berlin. ESTAVIS AG has maintained business relations with this law firms, and contracted legal consulting and notarial services as well as capital market law services from it during the financial year.

The ESTAVIS Group has a current liability of TEUR 273 to its associate SIAG Sechzehnte Wohnen GmbH & Co. KG. This amount resulted from settlement transactions between the two companies.

One subsidiary of ESTAVIS Group is a fully liable partner of the Wohneigentum Berlin GbR joint venture This results in a warranty for the loan debt of this civil-law partnership in the amount of TEUR 11,247.

The ESTAVIS Group has a claim vis-à-vis its associate, the property company Malplaquetstr. 23 Grundstücksverwaltungsgesellschaft mbH. The claim is based on the loan over TEUR 430 plus accrued interest.

The ESTAVIS Group has a current liability in the amount of TEUR 5,006 vis-à-vis the parent company. This liability arises from a shareholder loan granted by ADLER Real Estate AG at the interest rate of 9.25 %.

The members of the Management Board of ESTAVIS AG received the following compensation:

	2013/14			2012/13		
	Fixed	Variable	Total	Fixed	Variable	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Jacopo Mingazzini (since 16 March 2012)	231	166	397	231	177	407
Torsten Cejka (26 March 2013 to 1 September 2014)	249	106	355	63	44	107
Andreas Lewandowski (3 May 2012 to 25 March 2013)	–	–	–	184	–	184

A decision by the regional court of 12 August 2014 awarded Mr Lewandowski a compensation in the amount of TEUR 240 for the 2013/14 financial year. Moreover, Mr Lewandowski was awarded a monthly sum of TEUR 20 for the period between July 2014 and April 2015. A provision of this amount was set aside.

The member of the supervisory board received the following compensation during the financial year:

	2013/14			2012/13		
	Fixed	Variable	Total	Fixed	Variable	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Dr. Karl-Josef Stöhr (Chairman until 10 January 2014)	8	–	8	60	–	60
Michael Kremer (Deputy Chairman until 10 January 2014)	4	–	4	38	–	38
Dr. Philipp K. Wagner (23 April 2013 to 10 January 2014)	4	–	4	7	–	7
Torsten Cejka (23 October 2012 to 25 March 2013)	0	–	0	18	–	18
Thomas Bergander (Chairman from 10 January 2014 to 31 August 2014)	8	–	8	15	–	15
Alexandra Timoschenko (from 10 January 2014 to 31 August 2014)	4	–	4	18	–	18
Andre Pernhold (Dep. Chairman from 10 January 2014 to 31 August 2014)	4	–	4	–	–	–

7 Events after the Reporting Date

After the end of the reporting period, ESTAVIS AG resumed the expansion of its housing stock earmarked for privatisation through its subsidiary Accentro GmbH by acquiring a 94 % interest in a company holding 294 residential units in the Borough of Lichtenberg in Berlin at a cost of approximately EUR 15 million. The total residential area of the apartments acquired adds up to around 17,400 square metres.

On 15 July 2014, a condition precedent concerning the effective transfer of rights, benefits and obligations for four properties in Berlin and another two in Brandenburg, whose deed has been signed during the year under review, became effective. In line with this transaction, three properties were directly resold at a profit.

On 1 September 2014, ESTAVIS AG published a communiqué for immediate release stating that the company will intensify its focus on the privatisation of apartments from its proprietary stock as well as on behalf of third parties, and that it would pursue acquisitions toward this end in the future. The same communiqué announced changes in the Management Board and in the Supervisory Board.

Torsten Cejka left the Management Board of ESTAVIS AG. Jacopo Mingazzini, who is Managing Director both of ESTAVIS AG and of its privatisation arm Accentro GmbH, has headed the company as its sole board member ever since.

There were also changes in the Supervisory Board of ESTAVIS AG: Axel Harloff, member of the board of ADLER Real Estate AG, Carsten Wolff, Head of Accounting and Finance at ADLER Real Estate AG, and Dr. Dirk Hoffmann, JD, attorney at law, have been appointed as the new members of the company's Supervisory Board as of 1 September 2014 after the incumbent members of the Supervisory Board, including the chairman, resigned their mandates as of 31 August 2014.

In September 2014, ESTAVIS AG acquired a majority interest in the Uhlandstr. 79 GmbH. The company represents a property vehicle that holds the residential building at Uhlandstr. 79 in Berlin, whose units are being retailed by Accentro GmbH within the framework of a housing privatisation drive.

In September 2014, the Supervisory Board of ESTAVIS AG redrafted the share capital section of the company's articles of association. With convertible bonds in a nominal amount of EUR 1,914,646 having been converted into 2,202,582 no par value shares by 30 June 2014, and with 956,210 bond units having been converted into 1,097,647 shares between 1 July 2014 and 17 September 2014, the company's share capital equalled 24,436,464 no par value shares at EUR 1.00 each by 17 September 2014. The conversions lowered the interest that ADLER Real Estate AG holds in ESTAVIS AG down to 87.84 %.

The change of control occasioned by the acquisition of ESTAVIS AG by ADLER Real Estate AG triggered the application of section 8, Bond Terms, of the 2013/18 bond. Pursuant to the section, noteholders were entitled to request premature repayment of their debenture bonds in whole or in part within a 30-day put period beginning on 30 June 2014. This is why the carrying amount of the 2013/18 bonds in the amount of TEUR 9,391 was posted among the current financial liabilities. Since none of the noteholders exercised the put option within the put period, the 2013/18 bond will be posted among the non-current financial liabilities again after the end of said put period.

The change of control occasioned by the acquisition of ESTAVIS AG by ADLER Real Estate AG triggered the application of section 14, Bond Terms, of the 2012/17 convertible bond. Pursuant to the section, noteholders were entitled to demand repayment of their partial debentures either in whole of in part at their face value plus accrued interest by filing a repayment request by the effective date, which was set for 8 July 2014. This is why the carrying amount of the partial debentures after conversion in the amount of TEUR 2,935 as of 30 June 2014 was posted among the current financial liabilities. Since none of the noteholders submitted a repayment request within the effective period, the 2012/17 convertible bond will be posted among the non-current financial liabilities again after the end of said effective period.

No other events of material significance for the business development of the ESTAVIS Group have occurred since the end of the 2013/14 financial year.

8 Other Disclosures

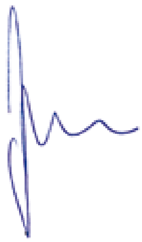
The auditor was paid the following remuneration for services provided to the ESTAVIS Group:

	2013/14	2012/13
	TEUR	TEUR
Audits of financial statements*	297	210
Other assurance services	0	–
Tax advisory services	–	–
Other services	118	–
Total	**415**	**210**

* The 2013/14 financial year includes TEUR 10 from the previous year.

The declaration on the Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act was issued on 25 September 2014 and made permanently available to the shareholders on the homepage of ESTAVIS AG (www.estavis.de).

Berlin, 29 September 2014



Jacopo Mingazzini
Management Board

Auditors' Certificate

We have audited the consolidated financial statements, comprising the Group statement of financial position, the Group income statement, the Group statement of comprehensive income, the Group cash flow statement, the Group statement of changes in equity, and the Group notes as well as the Group management report prepared by ESTAVIS AG, Berlin, for the financial year starting 1 July 2013 and ending 30 June 2014. The preparation of the consolidated financial statements and Group management report in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU and the additional requirements of German commercial law under section 315a (1), German Commercial Code (HGB), is the responsibility of the legal representatives of the company. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317, HGB, and generally accepted standards for the audit of financial statements in Germany promulgated by the IDW Institute of Public Auditors. These standards require that we plan and perform the audit in such a way that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with [German] principles of proper accounting and in the Group management report are detected with reasonable certainty. Knowledge of the business activities and the economic and legal environment of the group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on the basis of samples within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a sufficiently safe basis for our assessment.

Our audit has not led to any reservations.

In our opinion, based on the conclusions of our audit, the consolidated financial statements comply with the International Financial Reporting Standards (IFRS) as adopted by the EU and the supplementary commercial law provisions under section 315a (1), HGB, as well as the supplementary provisions in the articles of incorporation, and give a true and fair view of the net assets, financial position and earnings position of the Group in accordance with these principles of proper accounting. The Group management report is consistent with the consolidated financial statements and on the whole provides an accurate account of the Group's position and accurately represents the opportunities and risks of future development.

Berlin, 29 September 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft
Auditing firm

Graf von Hardenberg	Drotleff
Wirtschaftsprüfer	Wirtschaftsprüfer
Auditor	Auditor

Further Information

Directors and Officers

Supervisory Board

Axel Harloff (Chairman)
Member of the Supervisory Board since 1 September 2014
CEO of ADLER Real Estate AG

Dr. Dirk Hoffmann (Deputy Chairman)
Member of the Supervisory Board since 1 September 2014
Attorney at law
Other mandates:
Chairman of the Supervisory Board of ADLER Real Estate AG, Frankfurt am Main
Chairman of the Supervisory Board of SQUADRA Immobilien GmbH & Co. KGaA, Frankfurt am Main
Deputy Chairman of the Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt am Main
Member of the Supervisory Board of Dexia Kommunalbank Deutschland AG, Berlin

Carsten Wolff
Member of the Supervisory Board since 1 September 2014
Head of Accounting and Finance at ADLER Real Estate AG

Thomas Bergander (Chairman from 10 January 2014 until 31 August 2014)
Managing Director of Taurus Real Estate Consulting GmbH
Managing Director of Uhlandstraße Investments GmbH

André Pernhold (from 10 January 2014 until 31 August 2014)
Managing Director of City Asset Management GmbH
Other mandate:
Member of the Board of Directors of Swiss Areal Holding AG

Alexandra Timoshenko (from 10 January 2014 until 31 August 2014)
Managing Director of Lada Holding GmbH

Dr. Karl-Josef Stöhr (Chairman until 10 January 2014)
Lawyer and partner, law firm of Heuking Kühn Lüer Wojtek, Berlin

Rolf Elgeti (Deputy Chairman until 10 January 2014)
Member of the Supervisory Board since 18 July 2011
Merchant
Other mandates:
CEO of TAG Immobilien AG, Hamburg
Member of the Supervisory Board of Sirius Real Estate Limited, Guernsey

Dr. Philipp K. Wagner (until 10 January 2014)
Member of the Supervisory Board since 23 April 2013
Attorney at law
Additional mandate:
Member of the Supervisory Board of TAG Immobilien AG, Hamburg

Management Board

Jacopo Mingazzini
Initial appointment: 16 March 2012
Current appointment ends: 15 March 2015
Merchant

Torsten Cejka
Initial appointment: 26 March 2013
Appointment ended: 1 September 2014
Attorney at law

Forward-looking Statements

This annual report contains specific forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events. This applies, in particular, to statements relating to future financial earning capacity, plans and expectations with respect to the business and management of ESTAVIS, growth, profitability and the general economic and regulatory conditions and other factors to which ESTAVIS is exposed.

Forward-looking statements are based on current estimates and assumptions made by the company to the best of its knowledge. Such forward-looking statements are based on assumptions and are subject to risks, uncertainties and other factors that may cause the actual results including the net asset, financial and earnings situation of ESTAVIS to differ materially from or disappoint expectations expressed or implied by these statements. The operating activities of ESTAVIS are subject to a number of risks and uncertainties that may also cause a forward-looking statement, estimate or prediction to become inaccurate.

Financial Calendar 2014/15

2014

14 November 2014	Quarterly report – 1st quarter 2014/15
27 November 2014	Annual General Meeting

2015

30 March 2015	Financial statements as of 31 December 2014 (subject to approval by the Annual General Meeting of 27 November 2014 concerning the short financial year)
18 May 2015	Quarterly report – 1st quarter 2015

All dates are provisional. Please check our website www.estavis.de for confirmation.

Credits

ESTAVIS AG
Uhlandstr. 165
10719 Berlin
Phone: +49 (0)30 887 181 - 0
Telefax: +49 (0)30 887 181 - 11
E-Mail: mail@estavis.de
Home: www.estavis.de

REAL ESTATE PERFORMANCE

Management Board

Jacopo Mingazzini

Chairman of the Supervisory Board

Axel Harloff, Hamburg

Contact

ESTAVIS AG
Investor & Public Relations
Phone: +49 (0)30 887 181 - 799
Telefax: +49 (0)30 887 181 - 779
E-Mail: ir@estavis.de

Concept and editing

Goldmund Kommunikation, Berlin
www.goldmund-kommunikation.de

Layout and design

Power-DesignThing GmbH
www.derthing.de

Photo

Management Board: Art & Photo Urbschat, Marco Urban

ESTAVIS

REAL ESTATE PERFORMANCE