ESTAVIS

REAL ESTATE PERFORMANCE

ANNUAL REPORT 2011/12



ESTAVIS AG ANNUAL REPORT 2011/12

Overview Key Financial Data

| | 2011/12 | 2010/11* |
|--|---------|----------|
| ESTAVIS AG | | |
| Revenues and earnings | TEUR | TEUR |
| Revenues | 51,251 | 57,849 |
| Total operating performance | 52,938 | 56,622 |
| EBIT | 1,363 | 4,923 |
| Pre-tax profit | -2,937 | 703 |
| Net profit | -2,950 | 706 |
| *adapted to the changed posting of the items | | |

| | 30 June 2011 | 30 June 2010 |
|------------|--------------|--------------|
| ESTAVIS AG | | |

| Structure of assets and capital | TEUR | TEUR |
|-------------------------------------|---------|---------|
| Non-current assets | 80,859 | 55,730 |
| Current assets | 96,406 | 90,627 |
| Equity | 59,048 | 60,699 |
| Equity ratio | 33.3% | 41% |
| Total assets/equity and liabilities | 177,264 | 146,357 |

ESTAVIS AG

| Share | |
|--|------------------|
| Stock exchange segment | Prime Standard |
| ISIN | DE000A0KFKB3 |
| German Securities Code Number (WKN) | AOKFKB |
| Number of shares on 30 June 2012 | 14,319,352 |
| Free float (information according to last notification from investors) | 42.4% |
| Share price high (1 July 2011 – 29 June 2012*) | 2.50 EUR |
| Share price low (1 July 2011 – 29 June 2012*) | 1.68 EUR |
| Closing price on 29 June 2012* | 2.04 EUR |
| Market capitalisation on 30 June 2012* | EUR 29.2 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 2011/12 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, Uhlandstraße 165, 10719 Berlin, Germany.



REPORTS

- 6 Letter to the Shareholders
- 8 Report of the Supervisory Board
- 11 Corporate Governance Report
- 15 The ESTAVIS Share

MANAGEMENT REPORT

- 20 Preliminary Remarks
- 21 Business and Conditions
- 30 Business Performance and Financial Position
- 35 Opportunity and Risk Report
- 42 Forecast Report
- **44** Supplementary Report
- 45 Key Features of the Remuneration System for Board Members

CONSOLIDATED FINANCIAL STATEMENTS

- 48 Consolidated Balance Sheet
- 50 Consolidated Income Statement
- 51 Consolidated Statement of Comprehensive Income
- 52 Consolidated Cash Flow Statement
- 53 Consolidated Statement of Changes in Equity
- 54 Notes
- **91** Auditors' Certificate

OTHER INFORMATIONS

- 95 Directors and Officers
- 96 Responsibility Statement
- 96 Forward-looking Statements
- 97 Financial Calendar
- 98 Credits



Reports

- 6 Letter to the Shareholders
- 8 Report of the Supervisory Board
- 11 Corporate Governance Report
- 15 The ESTAVIS Share

Letter to the Shareholders

Dear Shareholders. Dear Ladies and Gentlemen,



Andreas Lewandowski

Jacopo Mingazzini

The performance of ESTAVIS AG during the 2011/12 financial year was defined by a persistently auspicious development in the area of apartment retailing, and by a decidedly positive market environment in those residential property markets that matter to us. We have also used this year to realign our corporate strategy and to cleanse our balance sheets of legacy debt, which has translated into certain oneoff encumbrances for the result. In the interest of a speedy implementation of the new business model, we swiftly divested ourselves of any property development project that promised no positive cash flow in the near future. In the process, we willingly accepted some unrealised losses.

The result was moreover impacted by legacy receivables that had to be written off. Having changed the company's business model, we are now putting structures in place that will substantially enhance the company's ability to benefit from the clearly positive parameters of the German housing market more than it used to.

We believe that the strategic reorientation of the ESTAVIS Group will enable us to seriously optimise the risk structure and to achieve a much higher continuity of income than would have been feasible in the project development business. We are creating the underlying basis through a consistent and systematic expansion of our proprietary real estate portfolio. Acquiring and managing proprietary residential assets characterised by a positive cash flow will constitute one of the core business areas of the ESTAVIS Group. In a parallel effort, we will continue to pursue our historic activities in the apartment retailing sector - both in our own right and as service provider on behalf of third parties. Accordingly, we see the encumbrances that impact the result of the 2011/12 financial year as a necessary transitional stage on our way toward a fundamental re-orientation of the ESTAVIS Group that will substantially enhance the Group's competitiveness and its attractiveness for its shareholders.

The revision of our business model was matched by changes in the financing structure. Aside from our strict cost and liquidity management, the issuance of a convertible debenture in June 2012 played a key role here. At the same time, our first property acquisitions have significantly increased our total assets. One of the consequences has been the return of our equity ratio to 33.3%, which is more or less the level of previous financial years.

Positive market environment for Germany's residential property market

The development of Germany's residential property market during the year under review was paced by a sustained high demand for apartments intended for owner-occupation or as private investment, as well as by rental growth and price hikes across the board. These trends reflect the upward tendency in Germany's housing demand, which in many places is qualified by a dwindling housing supply. They also mirror a pronounced preference among many private and institutional investors for tangible fixed assets, particularly for property. Owner-occupied homes can be instrumental for private pension plans too, which are growing ever more important. Beyond that, the German property marked currently benefits from the massive inflow of capital from abroad, as foreign investors consider Germany a relatively safe market within the international context.

Against this background, we find it safe to say that the markets of relevance for out "Trading" and "Portfolio" segments manifest a great potential for the years to come, and that our assessment is backed not least by past experience. Residential property has proven to be much less susceptible to economic cycles than other investment-grade property. Indeed, surveys clearly show that housing has outperformed other types of use in terms of the total return over a number of years.

Outlook for the 2012/13 financial year

We assume that the ESTAVIS Group will see a significant increase in revenues during the 2012/2013 financial year, including the income from development activities yet to be wound up. We expect moreover to return to a positive consolidated income. Positive cash flows generated in the financial years after 2013/14 will seriously boost our earnings from the portfolio we are in the process of setting up. Simultaneously, we have reason to believe that the favourable parameters in the apartment retailing sector will also keep contributing to a positive performance.

That being said, it should be added that the auspicious developments in the 2011/12 financial year have brought the employees of ESTAVIS face to face with huge challenges, too. Their high level of commitment has been instrumental in making the implementation of our new strategy a demonstrable success in a matter of mere months. The Management Board would like to take the opportunity to thank them for their efforts. At the same time, we would like to thank the shareholders of ESTAVIS AG for their loyalty to the company. It would certainly be a pleasure and a privilege to keep you aboard during the years to come.

Management Board

Andreas Lewandowski

Member of the Management Board

Jacopo Mingazzini

Member of the Management Board

Report of the Supervisory Board

Dear Shareholders. Dear Ladies and Gentlemen,

In the course of the 2011/12 financial year, ESTAVIS AG initiated a strategic reorientation in order to focus henceforth on the acquisition and management of residential real estate holdings as well as on trading residential real estate within the framework of apartment retailing. In conjunction with this shift, historic activities in the areas of project development and trading refurbishment properties were suspended and wound up. In effect, the company thus laid the basis for a continuous future development of its business, and especially of its earnings.

Monitoring the activities of the management board

In the 2011/12 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 monitored the activities of the Management Board on a continuous basis.

The Supervisory Board was kept fully informed of all issues concerning the company's development and the course of business at all times and in a timely manner, including written monthly reports on 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 receive information on the current business performance and major transactions and to assist the Management Board in an advisory capacity. In addition, individual discussions with the Management Board were used to discuss prospects and the future orientation of business activities as well as of the companies in 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.

Changes in the management board

Eric Mozanowski left the Management Board of ESTAVIS AG with the expiration of his appointment as of 31 December 2011. Effective 16 March 2012, Jacopo Mingazzini, Managing Director of Accentro GmbH, was appointed as Member of the Management Board of ESTAVIS AG by the Supervisory Board. Florian Lanz resigned his office of Chairman of the Management Board as of 17 April 2012, and left the Board at that time. In response, the Supervisory Board appoints Andreas Lewandowski as Member of the Management Board of ESTAVIS AG as of 3 May 2012. Both of the new Board members bring extensive experience in the real estate business to the job.

Meetings and committees

There were a total of four ordinary meetings of the Supervisory Board in the past financial year, in which the Supervisory Board discussed the economic situation and the operative and strategic development of the company and its divisions in depth. The members of the Supervisory Board of ESTAVIS AG also consulted with each other outside meetings and passed resolutions by voting via telephone, in writing or in text form. All members of the Supervisory Board participated in each of these resolutions.

At its meeting on 19 September 2011, with the lead auditor in attendance, the Supervisory Board focused on the annual and consolidated financial statements for the year ended 30 June 2011, the Management Board's proposal on the appropriation of net profit and corporate planning for the 2011/12 financial year. The annual and consolidated financial statements were then unanimously approved by the Supervisory Board.

The meeting of the Supervisory Board on 19 September 2011 convened together with the Management Board. The meeting discussed and passed the declaration of compliance with the German Corporate Governance Code.

The Supervisory Board also studied the financing need arising from the operative business in depth. Most notably, the Supervisory Board approved, through its resolution dated 25 May 2012, the issuance of a convertible bond with subscription rights for the shareholders as proposed by the Management Board, having review the measure in detail.

A key topic addressed by the work of the Supervisory Board involved the changes in the Management Board. The Supervisory Board studied these human resource issues in detail, conducted interviews with potential candidates for the Management Board, and initiated the corresponding resolutions governing the personnel changes. In doing so, the Supervisory Board considered, for instance, the size of the company along with its strategic orientation, and discussed the qualifications of the various candidates, remuneration structure and amount, as well as the retirement modalities for the outgoing Board members.

Due to the fact that it comprises just three members, the Supervisory Board has not formed any committees as it believes that it can work efficiently as a whole. As committees must have at least two members or at least three members in order to be quorate, they are not deemed necessary for a Supervisory Board of this size.

Changes in the supervisory board

During the year under review, Rolf Elgeti, CEO of TAG Immobilien AG, was appointed as Member of the Supervisory Board of ESTAVIS AG on 18 July 2011, succeeding John W. Cutts to this job who resigned from the body as of 1 July 2011. Rolf Elgeti is also member of other supervisory bodies in the German real estate industry. The General Meeting on 9 December 2011 elected Rolf Elgeti as Member of the Supervisory Board until the end of the 2012/13 financial year.

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. In accordance with Section 161, German Stock Corporation Act, the management board and supervisory board of a listed company are required to issue a statement each year in which they provide information on the extent to which the recommendations of the Government Commission on the German Corporate Governance Code have been complied with in the past and are currently being complied with. In September 2012, the bodies of company adopted the declaration of conformity based on the version of the German Corporate Governance Code dated 15 May 2012, and made it permanently available to the shareholders on the homepage of ESTAVIS AG.

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

The Annual General Meeting appointed eidel & partner Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Kehl am Rhein (eidel & partner), as the company's auditors. The Supervisory Board issued eidel & partner with the corresponding audit engagement, including specifying the focuses of the audit. The Supervisory Board ensured that it was kept informed about the audit measures performed by eidel & partner with a view to ensuring audit quality and auditor independence. The single-entity financial statements of ESTAVIS AG and the consolidated financial statements for the year ended 30 June 2012, the management report of ESTAVIS AG and the Group management report were audited by eidel & partner and issued with an unqualified audit opinion in each case.

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 24 September 2012. 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 2011/12 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.

In the name of the members of the Supervisory Board, I would like to thank the Management Board and the employees of ESTAVIS AG for the work they have achieved and their remarkable commitment and loyalty.

Berlin, 24 September 2012

For the Supervisory Board Dr. Karl-Josef Stöhr Chairman

Corporate Governance Report

In accordance with section 3.10 of the German Corporate Governance Code, the Management Board and Supervisory Board of ESTAVIS AG report on the company's corporate governance activities each year.

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.

Corporate Governance at ESTAVIS AG is intended to increase the confidence of investors, business partners, employees and the wider public in the management and monitoring of the company.

Declaration of conformity 2012

In accordance with Section 161, German Stock Corporation Act, the management board and supervisory board of a listed company are required to issue a statement each year in which they provide information on the extent to which the recommendations of the Government Commission on the German Corporate Governance Code have been complied with in the past and are currently being complied with. The subsequent declaration refers to the requirements of the Code in the version dated 15 May 2012, which was published in the electronic Bundesanzeiger (German Federal Gazette) on 15 June 2012. The full-length version of the declaration has been published on the company's website at www.estavis.de.

The Management Board and Supervisory Board of ESTAVIS AG hereby issue the following declaration:

"Since the last declaration of conformity was issued in September 2011, ESTAVIS AG has complied with the recommendations of the most recent version of the German Corporate Governance Code with the following exceptions, and intends to comply with the recommendations of the Code, with the following exceptions, in the coming financial year, too:

Code sections 2.3.1 and 2.3.3 (Postal vote)

The company does not currently intend to conduct postal votes before or during the Annual General Meeting in addition to proxy voting by persons authorised to act as voting representatives, particularly since the constitutional basis required for this in accordance with section 118 (2) of the Stock Corporation Act does not exist. In the opinion of the company, 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. This option was not offered at the last Annual General Meeting either.

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 urge the members of the Supervisory Board to perform their monitoring duties in the proper manner.

Code section 4.2.1 (Composition of the Supervisory Board)

While the Management Board of ESTAVIS AG consists of two members, it has no chairman or chief executive officer at the moment, because such an arrangement is considered less than sensible given the structure of the Board's spheres of ownership.

Code section 4.2.3 (Compensation)

The total compensation of the Management Board currently consists of fixed and variable components, but no long-term incentives containing risk elements. Moreover, the recommendation that negative developments should be taken into account when determining the variable components of overall remuneration was and is not complied with. According to the Supervisory Board, neither of these aspects is necessary in order to ensure the loyalty of the Management Board and its commitment to the company. A severance pay cap for former members of the Management Board has not currently been agreed, as the Supervisory Board does not consider this to be 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 as well as any other form of discrimination, and that promote diversity in appropriate ways. When appointing members of the Management Board, the Supervisory Board places emphasis solely on the competence, qualifications and experience of eligible candidates. Accordingly, other characteristics such as gender and nationality have been, and continue to be, without any significance for this type of decision.

Code sections 5.3.1, 5.3.2 and 5.3.3 (Committees)

To date, the Supervisory Board has not formed committees, and in particular an audit committee or a nomination committee. In light of the number of three members the Supervisory Board considers efficient work to be possible in joint representation and the formation of committees, which must include at least two people or, for a quorum, at least three people, to be unreasonable given the size of the Supervisory Board.

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, also serves as member of the board of TAG Immobilien AG. Since mid-2012, the Supervisory Board is supposed to exclude members who serve in supervisory bodies of key competitors. This could be the case with Rolf Elgeti. So far, the work of Rolf Elgeti has not been adversely affected by significant conflicts of interest. The Supervisory Board will continue to monitor the situation. The Supervisory Board will also take this new Code recommendation into account during upcoming elections of new Supervisory Board members.

Code section 5.4.6 (Supervisory Board remuneration)

ESTAVIS AG does not pay remuneration to the members of the Supervisory Board personally for the consultancy and agency services they perform for the company. 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.

The remuneration of the members of the Supervisory Board shall take into account the Chair and Deputy Chair positions in the Supervisory Board as well as the chair and membership in committees. The remuneration arrangement for the members of the Supervisory Board of ESTAVIS AG currently considers only the Chair position in the Supervisory Board. Due to the fact that there are only three members, it does not differentiate between the Deputy Chair and ordinary members. No committees have been formed.

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 whether company stock outperforms the stock of a peer group competitor. From the perspective of ESTAVIS AG, this constitutes a sustainable remuneration.

Code section 7.1.2 (Discussion of interim reports by the Supervisory Board and publication of interim reports)

At present, quarterly reports are not discussed with the Supervisory Board prior to publication. Each month, the Management Board reports back in writing to the Supervisory Board on the company's situation and the course of business. The Supervisory Board does not consider additional quarterly reporting necessary."

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, German Securities Trading Act, are complied with in all cases.

Compensation report

Compensation paid to the Management Board

The Supervisory Board stipulates the structure and amount of the compensation paid to the members of the Management Board and reviews these factors on a regular basis. The total remuneration of the Management Board is composed of fixed and variable components and other compensation.

Fixed compensation is paid in the form of a monthly salary, while the variable component is paid as an annual management bonus. The management bonus depends on the operating result (EBIT) generated by the company. Other variable compensation components, such as stock options or similar instruments, are currently not used. Other compensation consists of non-cash benefits in the form of the use of a company car and a health insurance allowance.

In the 2011/12 financial year, the compensation paid to the Management Board totalled TEUR 442.

The following table shows the individual components of the compensation paid to the members of the Management Board:

| ESTAVIS AG | Fixed compensation | Other compensation | Total compensation |
|--|--------------------|--------------------|--------------------|
| | TEUR | TEUR | TEUR |
| Andreas Lewandowski (since 3 May 2012) | 39 | 8 | 47 |
| Jacopo Mingazzini (since 16 March 2012) | 67 | 14 | 81 |
| Florian Lanz (CEO, until 17 April 2012) | 175 | 18 | 193 |
| Eric Mozanowski (until 31 December 2011) | 110 | 11 | 121 |
| Total | 391 | 51 | 442 |

The Board members who have left the Group remain associated with it via consultancy agreements. For consultancy services provided after vacating their board positions, Florian Lanz and Eric Mozanowski were paid remunerations totalling TEUR 22 and TEUR 60, respectively, during the 2011/12 financial year.

ESTAVIS AG has also taken out D&O and accident insurance policies for the members of the Management Board.

The Group has no pension commitments to members of the Management Board.

Compensation paid to the Supervisory Board

The compensation paid to the Supervisory Board consists of fixed and performance-related compensation. In addition, the members of the Supervisory Board are reimbursed for any expenses incurred in exercising their function.

The members of the Supervisory Board receive fixed annual remuneration of TEUR 5 and the Chairman of the Supervisory Board receives fixed annual remuneration of TEUR 10 plus statutory VAT in each case, to the extent that this is required to be paid; these amounts are payable after the end of the financial year.

In addition, the members of the Supervisory Board receive variable compensation based on the development of the company's share price compared with the share price performance of its peer group, which is composed of Colonia Real Estate AG, Deutsche Wohnen AG, Franconofurt AG and Vivacon AG. Variable compensation is limited to 200% of the fixed compensation of the respective member plus statutory VAT, to the extent that this is required to be paid.

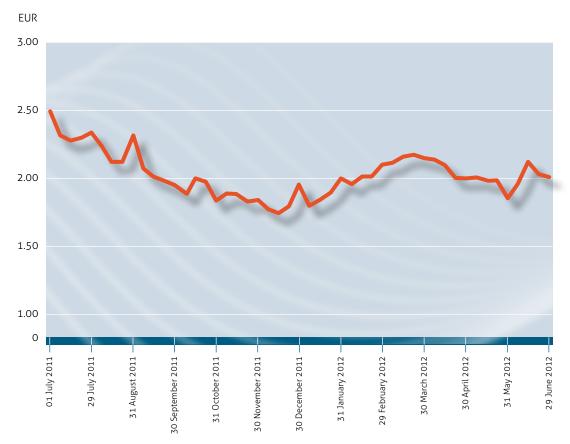
In the 2011/12 financial year, the compensation paid to the Supervisory Board totalled TEUR 20. The following table contains a detailed overview of the individual compensation paid:

| ESTAVIS AG | Fixed compensation | Variable compensation | Total compensation |
|----------------------------------|--------------------|-----------------------|-----------------------|
| | TEUR | TEUR | TEUR |
| Dr. Karl-Josef Stöhr | 10 | - | 10 |
| Michael Kremer | 5 | - | 5 |
| Rolf Elgeti (since 18 July 2011) | 5 | - | 5 |
| Total | 20 | - | 20 |

The ESTAVIS Share

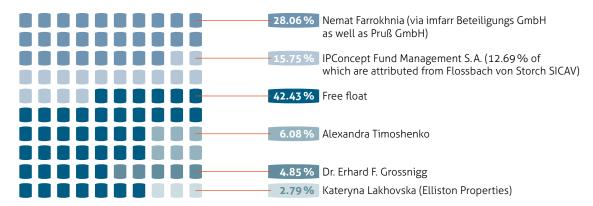
The stock market climate during the 2011/12 financial year was to a high degree dominated by the sovereign debt crisis in several Eurozone member states, and the attendant debate regarding its ramifications for the growth of the global economy. The threat of a serious slowdown of the economy, or of an actual recession, that is increasingly discussed by economists, generated a profound sense of unease, and triggered - sometimes substantial - markdowns on the stock markets during the second half of 2011. During the first half of 2012, the persistent sovereign debt crisis and the recession affecting large parts of the Eurozone as well as the slowing growth momentum in Germany continued to impact stock market sentiment, especially close to the end of the first semester, and did so despite signs for a temporary recovery.

The ESTAVIS share was not spared by this development, and suffered markdowns specifically during the first half of the year under review, though these were compensated to some extent during the second semester. On 29 June 2012, the last trading day of the 2011/12 financial year, the XETRA closing price of the ESTAVIS AG share equalled EUR 2.04, which implies a markdown by around 18 % compared to the share price at the beginning of the financial year on 1 July 2011 (EUR 2.50). On the basis of the total number of 14,319,352 shares, the market capitalisation of ESTAVIS AG equalled approximately EUR 29.2 million as of 30 June 2012. The average daily trading volume (XETRA) in ESTAVIS' shares was 24,205 units during the 2011/12 financial year (previous year: 39,011).



ESTAVIS' share price development in the 2011/12 financial year

The shareholder structure is shown in the graphic below:



Shareholder structure on 30 June 2012 (information according to last notification from investors)

Shareholder structure

As of 30 June 2012, the issued capital (share capital) of ESTAVIS AG amounted to EUR 14,319,352. It broke down into 14,319,352 no-par value bearer shares. There was no change in the issued capital during the period under review. Main shareholder is Nemat Farrokhnia who holds 28.06% of shares in ESTAVIS AG via the Imfarr Beteiligungs GmbH and via the Pruß GmbH.

ESTAVIS shares at a glance

ESTAVIS AG

| Share | |
|--|------------------|
| Stock exchange segment | Prime Standard |
| ISIN | DE000A0KFKB3 |
| German Securities Code Number (WKN) | AOKFKB |
| Number of shares on 30 June 2012 | 14,319,352 |
| Free float (information according to last notification from investors) | 42.4% |
| Share price high (1 July 2011 – 29 June 2012*) | 2.50 EUR |
| Share price low (1 July 2011 – 29 June 2012*) | 1.68 EUR |
| Closing price on 29 June 2012* | 2.04 EUR |
| Market capitalisation on 30 June 2012* | EUR 29.2 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.

As in years past, ESTAVIS AG attended the 2011 specialist conference hosted by the Real Estate Share Initiative (IIA), a non-profit organisation of which ESTAVIS AG is a member. In addition to its agenda of expert talks, panel discussions and workshops, the IIA conference presents the perfect opportunity as a public event to meet with real estate companies, analysts, investors, service providers and journalists from inside and outside Germany. It is organised by IIA in close cooperation with the European Public Real Estate Association (EPRA) and the German Property Federation (ZIA). The 11th IIA Specialist Conference convened in Frankfurt am Main on 19 October 2011. Florian Lanz, at the time still CEO of ESTAVIS AG, seized the opportunity to brief attendees on the company's business model and business performance, to profile ongoing real estate projects, in a corporate presentation and several one-to-one meetings during the event.

On 1 February 2012, Florian Lanz moreover attended the Small & Mid Cap Conference, which was organised by Close Brothers Seydler Bank AG, and which took place in the Chamber of Industry and Commerce in Frankfurt am Main. It was yet another opportunity for the company to present itself, and to conduct a number of one-to-one meetings.

The corporate performance of ESTAVIS AG is continuously monitored by the analysts of several institutes. The latest analyst reports resulted in the following estimates for ESTAVIS shares:

- Close Brothers Seydler Research AG, recommendation: "Buy", target price EUR 2.50
- Warburg Research, recommendation: "Hold", target price EUR 2.20
- WestLB, recommendation: "Buy", target price EUR 2.40



Management Report

- 20 Preliminary Remarks
- 21 Business and Conditions
- 30 Business Performance and Financial Position
- 35 Opportunity and Risk Report
- **42** Forecast Report
- 44 Supplementary Report
- 45 Key Features of the Remuneration System for Board Members

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).

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 with the sum totals presented.

1 Business and Conditions

1.1 Business activities and business model

ESTAVIS AG is a listed property company focusing on residential properties in Germany. Its business operations are limited to domestic real estate, the focus being mainly in commercially attractive locations. In the course of the 2011/12 financial year, the ESTAVIS Group undertook a strategic realignment. Henceforth, the Group's activities will focus, on the one hand, on the acquisition and management of residential portfolios and, on the other hand, on the trade with residential real estate. Accordingly, the business of the ESTAVIS Group divides into the "Trade" segment previously referred to as "Retail Trading" and the "Portfolio" segment previously referred to as "Other Activities." The activities formerly associated with the Trade segment in the areas project development and listed property trading will be suspended in line with the aforesaid reorientation, and relevant holdings that remain in the Group's possession will be liquidated.

Portfolio

In the Portfolio segment, the ESTAVIS Group takes advantage of its nationwide acquisition network to identify housing portfolios with 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. This involves both the privatisation of apartments from proprietary holdings of the ESTAVIS Group and privatisation drives on behalf of third parties.

1.2 Corporate structure

ESTAVIS AG acts as an operating holding company for a number of property management companies and moreover as a service provider focusing on the area of apartment retailing, while also performing the functions of corporate management, financing and administration in the ESTAVIS Group.

A presentation of the current corporate structure and a list of the individual subsidiaries and associates of ESTAVIS AG can be found in the notes to the consolidated financial statements.

1.3 Economic environment

a) Macroeconomic development

During the 2011/12 financial year, the growth of Germany's economy slightly slowed its pace year on year. That being said, the German economy proved to be relatively resilient. In the concluding quarter of the financial year (Q2 2012), figures released by the Federal Statistical Office showed a quarter-on-quarter GDP growth of 0.3% adjusted for seasonal variation and calendar effects. Year on year, the inflation-adjusted growth was 0.5%, while the seasonally adjusted GDP growth was 1.0%. Positive impulses were mainly reported from the areas of exports (+2.5%) but also from the area of private consumer spending (+0.8%) and government spending (+1.1%). These aspects sufficed to largely offset the simultaneous decline in investments. Investments in new equipment dropped by 3.1% year on year, whereas the

decline in building investments was somewhat more moderate at -1.2 %. The latter is due in particular to the hefty cuts in public-sector construction, while investments in housing construction perked up year on year.

The German labour market remained robust. For one thing, the economic output during the second quarter 2012 was generated by a total of 41.6 million gainfully employed persons in Germany, according to calculations by the Federal Statistical Office. This implies an increase by 514,000 persons or 1.3% since the previous year. According to the findings of the labour force survey, the unemployment figure for June 2012 was 12.9% lower than the one of June 2011. The adjusted unemployment rate for June 2012 was quoted as 5.4%.

Inflation has generally levelled out in the course of the financial year. While consumer prices of the months of July 2011 up to and including April 2012 rose by more than 2% year on year, the consumer price index for the months of May and June 2012 rose by merely 1.9% and 1.7%, respectively. The last time, the inflation rate dropped below two percent was in December 2010.

The interest level has noticeably softened during the reporting period. The European Central Bank (ECB), which had raised the fixed rate for main refinancing deals shortly after the start of the new financial year in July 2011 to 1.5%, lowered it again just a few months later, on 9 November 2011 and again on 14 December 2011 by 25 basis points each time, bringing it down to the current rate of 1.0%. Shortly after the balance sheet date for the 2011/12 financial year, the key lending rate was lowered once more by another 25 basis points, causing the main refinancing interest rate to hit an all-time low of 0.75%.

b) Development in the German housing market

The parameters governing the German housing market make it reasonable to expect the housing demand – to rent, as an investment or as owner-occupied homes – to remain high in the coming years. According to projections by the Federal Statistical Office, the number of households – a serious influencing factor for housing demand – currently stands at around 40.2 million in Germany while being expected to rise to around 41.0 million by 2030. Demand is also stimulated by rising expectations in regard to the personal living space. The BBSR Federal Institute for Research on Building, Urban Affairs and Spatial Development, for one, anticipates a rise in living space per capita in tenant households by around three square metres to 41 square metres in the West German states and to 38 square metres in the East German states. Simultaneously, owner-occupied households are predicted to see an increase in per-capita living space to around 52 square metres in the West German states and to 47 square metres in the East German states. That said, it is safe to assume that the growth momentum will slow in the long run, especially given the trend toward living in rather pricy conurbations and rising energy prices.

Then as now, the residential construction activity in Germany falls short of the volume that would be required to meet the forecast demand. According to figures released by the Federal Statistical Office, a total of 183,000 apartments were completed in 2011, which implies an increase by 23,000 apartments or 14.6% year on year. According to a study conducted by Prognos AG, however, the demographically-based, purely quantitative housing demand alone will equal roughly 250,000 properties per year between 2011 and 2013 due to the rise in incoming migration and will remain at around 150,000 properties annually in subsequent years. If we consider not only the quantitative, but also the qualitative demand, Prognos states that an average of 400,000 new properties will be required annually between now and 2025 to cover increasing demand and at the same time to compensate for properties withdrawn from the market due to apartment mergers, changes in use, and demolitions.

All things considered, these market tendencies continue to have a stimulating effect on rent rates and purchase prices. According to analyses conducted by the research institute empirica, rents advertised at the start of 2012 increased again, exceeding the level of the first quarter of 2010 by 5.0% across Germany. At 7.1%, the increase in corporate cities was significantly greater than in rural counties, where it amounted to just 3.6%. Quoted condominium prices continued to surge, with heftier price hikes reported again from the corporate cities, where prices rose by 6.1% year on year. This compares to increases by 3.9% nationwide and by 2.3% in rural areas. These trends have persists throughout 2012 so far. The attractiveness of Germany's residential property market for various types of investors was documented again by the IPD Germany Annual Property Index, whose trend maps the development of capital growth, rental und total returns of properties, broken down by type of use. It suggests that residential property investments achieved a one-year total return of 7.8%, a rental yield of 4.5%, and a capital growth of 3.2%, which implies a significant increase year on year, especially in regard to capital growth. Comparing total returns over a period of three, five and ten years across types of use reveals that housing generated the best overall result of all property usage types.

In light of the aforesaid parameters, and given the fact that the construction activity continues to lag behind demand, the outlook for the German property market remains positive in the eyes of market players. Investments in property remain a key element in the plans of many Germans for generating private wealth. Against the background of the mounting importance of private pension plans, the significance of property investments and owner-occupied homes is likely to increase in the years to come. Add to this that the homeownership rate in Germany remains considerably lower than in many other countries, suggesting inversely that Germany has a relatively large apartment retailing potential compared to other countries. In this context, residential properties offer the advantage that the residential property market is influenced more strongly by long-term trends, such as demographic growth, than by shortterm economic fluctuations. The current market trends show that demand-stimulating parameters impact conurbations and urban areas more than other areas.

1.4 Legal conditions

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).

a) Managing body

The legal managing and representative body of ESTAVIS AG is the Management Board. The composition of the Management Board and the appointment of its members are based on sections 76, 84 and 85, German Stock Corporation Act (AktG), in conjunction with section 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. At the moment, the company's Management Board consists of two members.

In accordance with Section 84, German Stock Corporation Act, 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 extended for a maximum of five years in each case. The appointment and reappointment of members requires a corresponding resolution by the

Supervisory Board to be passed no more than one year before the expiration of the respective member's term. The Supervisory Board may revoke the appointment of a Management Board member prior to the expiration of his or her term for good cause.

b) Amendment of the articles of association

In accordance with Section 179, German Stock Corporation Act, any amendment to the Articles of Association requires a resolution by the 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, German Stock Corporation Act, 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 an individual case.

c) Capital structure

As of 30 June 2012, the issued capital (share capital) of ESTAVIS AG amounted to EUR 14,319,352 and was composed of 14,319,352 no-par value bearer shares. There are no different stock classes. During the reporting period, there were no changes in the share capital.

The Management Board is authorised, with the approval of the Supervisory Board, to acquire up to 809,942 treasury shares and sell them while excluding subscription rights up to and including 15 February 2015. This authorisation was to some extent exploited for the first time after the end of the financial year (see section 5).

In accordance with the resolution of the Annual General Meeting of 16 February 2010, the Management Board is also authorised, with the approval of the Supervisory Board, to issue convertible or option bonds or profit participation certificates with or without conversion or pre-emption rights (referred to collectively below as "bonds") with a total nominal amount of up to EUR 200,000,000 on one or more occasions up to and including 15 February 2015. The bearers of bonds can be granted conversion or pre-emption rights for up to 20,000,000 bearer shares with a pro rata share of capital of up to a total of EUR 20,000,000. Subject to the conditions described below, shareholders are granted statutory subscription rights.

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

- for fractional amounts arising from pre-emption rights;
- to offer convertible and/or option bonds and/or profit participation certificates with conversion or pre-emption rights for subscription to individual investors, provided that, in accordance with Section 186 (3), Sentence 4, German Stock Corporation Act, mutatis mutandis, the shares issued on account of these bonds do not exceed 10% of the existing share capital at the time of this authorisation coming into effect or at the time of the resolution to exercise this authorisation and the issue price of the bonds is not significantly less than the theoretical fair value of the bonds as calculated in line with recognised financial 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-emption rights disapplied under direct or mutatis mutandis application of Section 186 (3), Sentence 4, German Stock Corporation Act, if such inclusion is required by law;

- to offer profit participation certificates without conversion or pre-emption rights for subscription to individual investors provided that the issue price is not significantly less than the theoretical fair value of the profit participation certificates as calculated in line with recognised financial methods and provided that the profit participation certificates 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-emption 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;
- to the extent that this is necessary to grant bearers of conversion or pre-emption rights granted by the company or companies in the Group to shares of the company pre-emption rights to bonds issued under this authorisation in the amount they would be entitled to after exercising their conversion or pre-emption rights or after satisfying any conversion obligation (dilution protection), or
- if bonds are issued in exchange for non-cash contributions and the disapplication of pre-emption 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.

In connection with the option described above to grant conversion and pre-emption rights, the share capital of ESTAVIS AG has been contingently increased by up to EUR 3,239,770 by issuing up to 3,239,770 new no-par value bearer shares with profit participation from the start of the financial year in which they are issued (Contingent Capital 2010/I). The contingent capital increase will only be implemented to the extent that

- the bearers of convertible and/or option bonds and/or profit participation certificates with conversion or pre-emption rights issued by the company or its subordinate Group companies on the basis of the authorisation resolution by the Annual General Meeting on 16 February 2010 up to and including 15 February 2015 exercise their conversion or pre-emption rights and the company decides to serve the conversion or pre-emption rights from this contingent capital, or
- the bearers of convertible and/or option bonds and/or profit participation certificates with conversion or pre-emption rights with a conversion obligation issued by the company or its subordinate Group companies on the basis of the authorisation resolution by the Annual General Meeting on 16 February 2010 up to and including 15 February 2015 satisfy their obligation and the company decides to serve the conversion or pre-emption rights from this contingent capital.

The shares issued under utilisation of the Contingent Capital shall be issued in line with the provisions of the authorisation resolution of the Annual General Meeting of 16 February 2010, i.e. in particular at least 80% of the average stock market price of ESTAVIS shares in the opening auction in XETRA® trading on the last ten trading days before the resolution by the Management Board to issue the respective bonds, taking into account adjustments as per the dilution protection regulations of the resolution of the Annual General Meeting on 16 February 2010.

With the approval of the Supervisory Board, the Management Board made limited use of the aforesaid authorisation to issue a convertible bond over a nominal value of EUR 8,591,611.20 during the financial year concluded.

Moreover, the Management Board has been authorised by the resolutions of the Annual General Meetings of 13 December 2010 and 9 December 2011, to issue once or more than once, and subject to the approval of the Supervisory Board, convertible or option bonds or profit participation certificates with or without conversion or pre-emption rights (referred to collectively below as "bonds") with a total nominal amount of up to EUR 200,000,000 on one or more occasions up to and including 8 December 2016. The bearers of bonds can be granted conversion or pre-emption rights for up to 3,910,000 bearer shares with a pro rata share of capital of up to a total of EUR 3,910,000. Subject to the conditions described below, shareholders are granted statutory subscription rights.

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

- for fractional amounts arising from pre-emption rights;
- to offer convertible and/or option bonds and/or profit participation certificates with conversion or pre-emption rights for subscription to individual investors, provided that, in accordance with Section 186 (3), Sentence 4, German Stock Corporation Act, mutatis mutandis, the shares issued on account of these bonds do not exceed 10% of the existing share capital at the time of this authorisation coming into effect or at the time of the resolution to exercise this authorisation and the issue price of the bonds is not significantly less than the theoretical fair value of the bonds as calculated in line with recognised financial 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-emption rights disapplied under direct or mutatis mutandis application of Section 186 (3), Sentence 4, German Stock Corporation Act, if such inclusion is required by law;
- to offer profit participation certificates without conversion or pre-emption rights for subscription to individual investors provided that the issue price is not significantly less than the theoretical fair value of the profit participation certificates as calculated in line with recognised financial methods and provided that the profit participation certificates 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-emption 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;
- to the extent that this is necessary to grant bearers of conversion or pre-emption rights granted by the company or companies in the Group to shares of the company pre-emption rights to bonds issued under this authorisation in the amount they would be entitled to after exercising their conversion or pre-emption rights or after satisfying any conversion obligation (dilution protection), or
- if bonds are issued in exchange for non-cash contributions, particularly for the acquisition of companies, parts of companies and investments in companies, industrial property rights, such as patents, brands or licences to these, or other product rights or other noncash contributions or bonds, convertible bonds and other financial instruments, and the disapplication of pre-emption 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.

In connection with the option described above to grant conversion and pre-emption rights, the share capital of ESTAVIS AG has been contingently increased by up to EUR 3,919,906 by issuing up to 3,919,906 new no-par value bearer shares with profit participation from the start of the financial year in which they are issued (Contingent Capital 2010/II). The contingent capital increase will only be implemented to the extent that

- the bearers of convertible and/or option bonds and/or profit participation certificates with conversion or pre-emption rights issued by the company or its subordinate Group companies on the basis of the authorisation resolution passed by the Annual General Meeting on 13 December 2010, and modified by the Annual General Meeting of 9 December 2011, up to and including 8 December 2016 exercise their conversion or pre-emption rights and the company decides to serve the conversion or pre-emption rights from this Contingent Capital 2010/II, or
- the bearers of convertible and/or option bonds and/or profit participation certificates with conversion or pre-emption rights with a conversion obligation issued by the company or its subordinate Group companies on the basis of the authorisation resolution passed by the Annual General Meeting on 13 December 2010, and modified by the Annual General Meeting of 9 December 2011, up to and including 8 December 2016 satisfy their obligation and the company decides to serve the conversion or pre-emption rights from this Contingent Capital 2010/II.

The shares issued under utilisation of the Contingent Capital shall be issued in line with the provisions of the authorisation resolution passed by the Annual General Meeting of 13 December 2010, and modified by the Annual General Meeting of 9 December 2011, i.e. in particular at least 80% of the average stock market price of ESTAVIS shares in the opening auction in XETRA® trading on the last ten trading days before the resolution by the Management Board to issue the respective bonds, taking into account adjustments as per the dilution protection regulations of the resolution passed by the Annual General Meeting on 13 December 2010, and modified by the Annual General Meeting of 9 December 2011.

Moreover, the Management Board has been authorised by the resolution of the Annual General Meetings of 9 December 2011, to increase, subject to the approval by the Supervisory Board, the share capital of the company by a maximum of EUR 7,159,676 by issuing once or more than once new no-par value bearer shares in exchange for non-cash or cash contributions on one or more occasions up to and including 8 December 2016 (Authorised Capital 2011). Subject to the conditions described below, shareholders are granted statutory subscription rights.

The Management Board is authorised, with the approval of the Supervisory Board, to exclude shareholders' statutory subscription rights wholly or in part in the following cases:

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, German Stock Corporation Act, be it as at 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-emption rights disapplied under direct or mutatis mutandis application of Section 186 (3), Sentence 4, German Stock Corporation Act, 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 parties;

- 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:
- to the extent required in order to grant holders or creditors of the debenture bonds with option or conversion privileges 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 option or conversion obligations, or
- for fractional amounts arising from subscriptions 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, and to determine that the new shares in accordance with Section 186 (5), German Stock Corporation Act, 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. The Supervisory Board is authorised to amend the Articles of Association in their effective version to reflect the respective scope of the share capital increase through the Authorised Capital 2011.

On 30 May 2012, having received the approval by the Supervisory Board, the Management Board of ESTAVIS AG decided on the basis of the authorisation granted it by the Annual General Meeting of ESTAVIS AG on 16 February 2010 to issue a convertible debenture, divided into 7,159,676 convertible bonds over a nominal amount of EUR 2.40 each and over a total nominal amount of EUR 17,183,222.40. The shareholders of ESTAVIS AG were granted an indirect subscription right by Close Brother Seydler Bank AG in Frankfurt am Main on these debenture bonds subject to the privilege to have these converted into bearer common shares of the company without face value (no par value shares) with a pro-rata share capital amount of EUR 1.00 per share and a full entitlement to a share in the profits as at the beginning of that financial year in which they were issued.

In this context the shareholders were granted the right to subscribe, for every two company shares held, one debenture bond with conversion privilege for initially one share per debenture bond, subject to the bond terms at the specified conditions stated therein, at the set subscription price, with the subscription price and the face value of each debenture bond matching the initial conversion price. No so-called "over-subscriptions" or "additional subscriptions" of debenture bonds were permitted. Neither did shareholders have the option to subscribe debenture bonds for the non-convertible fractions that the subscription ratio of 2:1 would have seemed to entitle them to, hypothetically speaking. Instead, they were only permitted to acquire full debenture bonds or integer multiples thereof. Definitive for calculating the number of the subscription rights to which a given shareholder was entitled were the respective end-of-day share holdings on 1 June 2012 at 24:00 CET. On 19 June 2012, ESTAVIS AG announced that the convertible debenture had been placed in a total nominal amount of EUR 8.6 million.

d) 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 2012 carry full voting rights and each grant the holder one vote at the Annual General Meeting.

In conjunction with the acquisition of a property during the reporting period, it was agreed to pay part of the purchase price in (proprietary) shares of ESTAVIS AG. The corresponding deed provisions provide that these 440,000 shares in the company are subject to a lock-up period ending 31 December 2012.

Due to a corresponding contractual provision in connection with the non-cash capital increase executed in the previous year, the shares held by TAG Immobilien AG, Hamburg (TAG) in ESTAVIS AG were subject to a lock-up until 16 September 2011, which means that up to that point, TAG was neither permitted to sell nor to offer shares in ESTAVIS AG, market them or conduct other business transactions with the same economic effect as a sale.

e) Equity interests and rights of control

As at the reporting date, Nemat Farrokhnia held 28.06% of shares in ESTAVIS AG via the Imfarr Beteiligungs GmbH and via the Pruß GmbH. In addition, the Flossbach von Storch SICAV in Luxembourg directly held 12.69% of the shares in ESTAVIS AG while 15.75% of the shares in the company were directly and indirectly attributable to IPConcept Fund Management S. A., Luxembourg, via the Flossbach von Storch SICAV. The company is not aware of any other direct or indirect interests in its share capital that exceed 10% of the voting rights.

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.

f) Impacts of potential takeover bids

A company financing arrangement over the amount of EUR 7 million expiring in the 2013/14 financial year includes an extraordinary cancellation right for the creditor in the event of a change of control at ESTAVIS AG. Notice for this financing arrangement was given as of 15 July 2012, after the end of the reporting period. The convertible debenture over EUR 8.6 million issued in June 2012 and maturing in June 2017 provides for a premature cancellation right in the event of a change of control – this event being defined as the acquisition of more than 30% of the voting rights of ESTAVIS AG. In addition, the employment contract of one member of the Management Board includes a special termination right by the end of a given month, and subject to a six-month notice period, in the event of a change of control. Other than that, there are no material agreements between ESTAVIS AG and other parties that would come into force, change or be terminated in the event of a change of control in the company as the result of a takeover bid.

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

1.5 ESTAVIS share price performance

Since 2 April 2007 (date of initial listing), ESTAVIS' shares have been traded on the Regulated Market of the Frankfurt Stock Exchange (Prime Standard). The company's shares are also traded on the Regulated Market of the Berlin Stock Exchange and the OTC markets of the stock exchanges in Hamburg, Munich, Stuttgart and Düsseldorf.

The closing price of ESTAVIS shares on the first trading day of the 2011/12 financial year (1 July 2011, XETRA trading) was EUR 2.50. On 29 June 2012, the last trading day before the reporting date, the share closed at EUR 2.04, which equates to a mark-down by more than 18 %. On the basis of the total number of ESTAVIS shares (14,319,352), the market capitalisation approximated EUR 29.2 million as of 29 July 2012.

The average daily trading volume (Xetra) in ESTAVIS' shares was 24,205 units during the 2011/12 financial year (previous year: 39,011 units).

7 Business Performance and Financial Position

2.1 Summary assessment of business performance and comparison of forecast and actual business performance

The business performance during the 2011/12 financial year was, on the one hand, defined by an altogether positive development of the property market as well as by a very brisk development of the apartment retailing business, and, on the other hand, by the strategic reorientation of the ESTAVIS Group initiated in spring 2012. Especially in the context of suspending legacy activities in the areas of listed property development and marketing, this move resulted in substantial unrealised losses in connection with sales of planned property developments and with the need to write off accounts receivable from sales partners. Moreover, the final construction stage of the "Glanzfilmfabrik" development project was not completed until 30 June 2012, so that it was not credited to earnings during the year under review.

With a view to the shifted focus on the ongoing acquisition and management of apartment holdings in the Portfolio segment, the investment property holdings of the ESTAVIS Group increased substantially year on year.

It was particularly due to said influencing factors that the ESTAVIS Group missed its originally forecast revenues increase beyond the mark of EUR 53.0 million and failed to raise the previous year's result (EUR 0.7 million), ending the financial year instead with a consolidated loss of EUR 2.95 million and revenues of EUR 51.3 million.

2.2 Earnings situation

The ESTAVIS Group's key revenues and earnings figures developed as follows in the period under review:

| | 2011/12 | 2010/11* |
|------------|-------------|-------------|
| | EUR million | EUR million |
| Revenues | 51.3 | 57.8 |
| EBIT | 1.4 | 4.9 |
| Net profit | -2.95 | 0.7 |

^{*} adapted to the changed posting of the items elaborated in the Group Notes, sections 2.1., 6.16., 6.17, and 6.19.

In the 2011/12 financial year, the ESTAVIS Group's consolidated revenues rose by 11.4% to EUR 51.3 million, broken down into the following business segments for financial reporting purposes:

(previous year: EUR 44.1 million) Trading EUR 42.7 million

Portfolio EUR 8.6 million (previous year: EUR 13.7 million)

In the Trading segment, revenues declined from EUR 44.1 million in the previous year down to EUR 42.7 million. The decline in revenues is primarily explained by the delayed completion of the final construction stage of the "Glanzfilmfabrik" development project, which could only to some extent be compensated by the trend in revenues in the apartment retailing segment. The operating result (EBIT) of the Trading segment amounted to EUR -1.4 million based on revenues (previous year: EUR -1.6 million). Key reasons for the once again negative result included, in addition to the lower revenues, encumbrances in the segment, such as debt losses and impairments in the amount of EUR 1.4 million, as well as EUR 0.6 million in income from a negative goodwill due to business acquisitions.

In the Portfolio segment, revenues declined to EUR 8.6 million, down from EUR 13.7 million the previous financial year. The earnings before interest and taxes (EBIT) dropped to EUR 2.8 million (previous year: EUR 6.5 million). They include income from changes in the value of investment properties in the amount of EUR 1.8 million, income from statute-barred liabilities in the amount of EUR 1.0 million, as well as income from reversals of inventory impairments in the amount of EUR 0.2 million. While the contribution of the letting activities to the earnings of the Portfolio segment showed a relatively stable performance, the earnings of the year under review was impacted by reduced revenues from trading activities in the Portfolio segment, by inventory impairments in the amount of EUR 0.9 million, as well as debt losses and write-downs on receivables in the amount of EUR 1.7 million. During the previous year, positive one-off items such as income from appreciation of investment properties and income from the reversal of provisions for rental guarantees and pending construction obligations also contributed to the segment earnings.

When comparing the revenues of the year under review with the prior period, it needs to be borne in mind that in the context of the reorientation of the corporate strategy, and unlike in previous financial years, the rental income of the inventory properties is now recognised as revenue. The previous year's figures were adjusted accordingly. For a detailed presentation of the segment performance, refer to the Group Notes, section 5.

The consolidated net profit equalled EUR -2.95 million in the reporting period (previous year: EUR 0.7 million)

The key reasons underlying the drop in consolidated income since the prior period include, on the one hand, the unrealised losses from sales of originally planned property developments as well as from receivables from sales partners written off in the context of the Group's strategic reorientation, as well as, on the other hand, the fact that the completion of the final construction stage of the "Glanzfilmfabrik" development project in Berlin-Köpenick was delayed beyond the balance sheet date and will not be recognised as income until the 2012/13 financial year as a result.

During the 2011/12 financial year, the gross margin (revenues plus changes in inventories less cost of materials/ revenues) was 28.6% (previous year: 36.0%). The decline is explained primarily by inventories written off. The gross margin determined for activities in the property trading and property brokering areas during the year under review equalled 24.0% (previous year: 32.6%), whereas the gross margin for letting activities came to 66.7% (previous year: 69.6%). The former margin concerns primarily the Trading segment, whereas the latter margin refers primarily to the Portfolio segment, although the activities captured in these margin figures do not fully correspond to the respective segments.

The other operating income added up to EUR 2.8 million, after EUR 2.3 million in the prior period, and included, in addition to reversals of inventory impairments in the amount of EUR 0.2 million (previous year: EUR 0.2 million), miscellaneous other operating income in the amount of EUR 2.7 million (previous year: EUR 2.0 million). The latter included an income item from statute-barred liabilities in the amount of EUR 1.0 million (previous year: EUR 0.5 million). The year before, this item included the gain from the recognition of negative goodwill in the amount of EUR 0.6 million that arose at the time from a corporate acquisition.

Staff costs in the reporting period amounted to EUR 3.1 million (previous year: EUR 2.7 million).

The other operating expenses declined by EUR 4.1 million, from EUR 18.8 million down to EUR 14.7 million. The reason for the decline was primarily the lower expenditures for sales costs, whose reduction more than compensated the increase in other operating expenses, especially the depreciations and write-downs on receivables.

At EUR -4.3 million, the financial result of the 2011/12 financial year more or less matched the level of the prior period (EUR -4.2 million).

As a consequence of the aforesaid reasons, earnings before taxes decreased to EUR –2.95 million following EUR 0.7 million in the previous year. Taking into account income taxes of EUR –0.01 million (previous year: EUR –0.003 million), this results in a consolidated loss of EUR 2.95 million.

Further detailed information on the composition and amount of the Group's income and expenses can be found in the Group Notes to the consolidated financial statements.

2.3 Financial and assets position

The net assets and financial position of the ESTAVIS Group by the reporting date of 30 June 2012 mirrors to some extent the strategic reorientation of the Group that was initiated as early as spring 2012.

Total assets increased by EUR 30.9 million to EUR 177.3 million (previous year: EUR 146.4 million). The increase is essentially due to portfolio property growth by EUR 23.7 million and an increase in cash and cash equivalents by EUR 7.3 million.

The non-current assets increased substantially by 30 June 2012, rising by EUR 25.1 million to EUR 80.9 million (previous year: EUR 55.7 million). The value of the investment property, which amounted to EUR 32.5 million by the end of the previous financial year, equalled EUR 57.5 million as of the balance sheet date. The figure includes additions from inventories worth EUR 14.8 million, as well as additions from property acquisitions worth EUR 13.0 million.

The rise in current assets by EUR 5.8 million to EUR 96.4 million (previous year: EUR 90.6 million) is explained above all by the increase in cash and cash equivalents as a result of regrouping the investment properties and allocating them as non-current assets held for sale. This change more than compensated the decline in inventories and in trade receivables. The increase in cash and cash equivalents by the balance sheet date is essentially due to the inflow of issuing proceeds from the convertible debenture issued in June 2012.

Inventories decreased by EUR 5.2 million to EUR 56.4 million (previous year: EUR 61.6 million). Additions to inventories in the context of the construction progress made with the "Glanzfilmfabrik" development project were more than compensated by the decrease of EUR 14.8 million that was caused by the regrouping of inventories and their reallocation as investment property. Trade receivables, which result primarily from property sales, decreased - in sync with the trend in revenues - by EUR 1.7 million to EUR 4.5 million (previous year: EUR 6.2 million). The other receivables increased by EUR 1.2 million to EUR 19.9 million (previous year: EUR 18.7 million). This sum does not include the receivables from restricted-use cash in banks, commission payments on unrealised retail sales, short-term loan principals to external sales service providers and receivables from investment companies for short-term loans and settlement accounts.

Cash and cash equivalents surged from EUR 3.6 million to EUR 10.9 million, the EUR 7.3 million increase being essentially attributable to the inflow of issuing proceeds from the convertible debenture issued in June 2012.

The shareholders' equity declined slightly from EUR 60.7 million the previous year to EUR 59.0 million by 30 June 2012 as a result of the consolidated loss experienced during the 2011/12 financial year. At the same time, the equity ratio, which had surged to 41.5 % during the previous year as a result of a capital increase in combination with a decline in total assets, dropped back to 33.3% by the balance sheet date.

Non-current liabilities increased by EUR 19.5 million year-on-year, rising to EUR 33.5 million (previous year: EUR 14.1 million). The change is primarily explained by the increase in noncurrent financial liabilities, which rose by EUR 19.3 million from EUR 11.6 million to EUR 31.0 million. This increase is essentially the result of having reclassified originally current liabilities in the balance sheet after their rollovers had been negotiated, and of the issuance of the convertible debenture. In addition, deferred income tax liabilities increased by EUR 0.1 million.

Current liabilities rose by EUR 13.1 million to EUR 84.7 million (previous year: EUR 71.6 million), which is explained primarily by the increase in down-payments by EUR 11.5 million that were collected in conjunction with the final stage of the "Glanzfilmfabrik" development project whose completion is imminent, as well as by an increase in trade payables to EUR 4.6 million.

The gearing ratio (debt/total capital) increased from 58.5 % to 66.7 % during the year under review. At 6.2 %, the ratio of cash and cash equivalents to total assets considerably exceeded the previous year's level (2.5%). The Group's cash ratio (cash and cash equivalents/current liabilities) increased substantially from 5.0% to 12.9%.

| Kev figures | from | tho | cach | flow | ctato | mont |
|-------------|------|-----|------|------|-------|------|
| Kev figures | Trom | tne | casn | TLOW | state | ment |

| | 2011/12 | 2010/11 |
|--|-------------|-------------|
| | EUR million | EUR million |
| Cash flow from current operating activities | 1.1 | -5.5 |
| Cash flow from investing activities | 0.4 | -3.1 |
| Cash flow from financing activities | 5.9 | 8.1 |
| Net change in cash and cash equivalents | 7.3 | -0.5 |
| Cash and cash equivalents at the beginning of the period | 3.6 | 4.1 |
| Cash and cash equivalents at the end of the period | 10.9 | 3.6 |

In the 2011/12 financial year, the cash-flow from operating activities amounted to EUR 1.1 million (previous year: EUR -5.5 million). The figures reflect, for instance, the increase in down-payments received compared to the prior period, and the inflow of capital in connection with the drop in trade receivables by EUR 1.7 million.

The cash flow from investment activities amounted to EUR 0.4 million during the period under review (previous year: EUR -3.1 million). Last year, this item was dominated by disbursements toward the acquisition of the apartment retailing division of Colonia Real Estate AG and Colonia Residential Sales GmbH in the amount of EUR 3.0 million.

The cash flow from financing activities amounted to EUR 5.9 million during the period under review (previous year: EUR 8.1 million). Last year's figure was dominated by the inflow of cash funds from the capital increase performed at the time, whereas the inflow of capital in connection with the convertible debenture issued during the year under review was offset by capital outflows toward the repayment of loans.

During the 2011/12 financial year, the financing structure was altogether improved, especially issuing the convertible debenture in June 2012, and the strict cost and liquidity management. The liquidity situation reflected a substantial increase in liquid funds by approximately EUR 7.3 million as of the balance sheet date, which is primarily explained by the inflow of the issuing proceeds from the convertible debenture issued the month before.

For more details on the amount and composition of the Group's cash flows, see the cash flow statement and the Group Notes, section 6.23.

2.4 Other non-financial performance factors

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. In particular, these include a competitive remuneration and training system which is continuously monitored and adapted to reflect changes in the labour market as appropriate. In addition, we constantly make observations on employee satisfaction on the basis of changes in fluctuation rates and sickness levels. Both variables have shown low figures in the past. With respect to senior management, too, we aim to engender a long-term commitment to the company in order to allow us to maintain our longstanding business relationships.

Opportunity and Risk Report 3

3.1 Risk management

The ESTAVIS Group's risk management system is geared towards identifying, securing and utilising the existing and future success potential of the Group's commercial activities in order to generate a sustained increase in enterprise 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 Group's planning, reporting and controlling processes 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 structured and standardised controlling and reporting system that is capable of identifying adverse business developments at an early stage and communicating them to the company's management;
- the documentation of relevant risks for the purposes of informing the company's management on a regular or case-by-case basis;
- the frequent and regular 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 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 continuous, rolling liquidity control.

To date, derivative financial instruments have not been recognised separately in the ESTAVIS Group's risk management system, as they are only used to a negligible extent. With regard to the individual risks arising from primary financial instruments, we refer in particular to the statements below on the Group's debt loss and financing risks and the information contained in the notes to the consolidated financial statements.

The appropriateness and functionality 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 the separation of functions, pre-defined approval principles and computer processes 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 external consultants.

The consistency of accounting processes of the subsidiaries included in the consolidated financial statements is guaranteed by central accounting at the parent company. The reliability of the reconciliation of the incoming accounts of the companies included in consolidation to IFRS and their combination to form consolidated accounting is essentially safeguarded by external consultants.

The presentation of specific risks and opportunities below is based on a planning horizon of two financial years.

3.2 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 should be taken into account at this point that the type and significance of each risk relevant to the ESTAVIS Group are subject to change in conjunction with the strategic reorientation initiated in the second half of the 2011/12 financial year. Accordingly, the risks associable with the project development business and the apartment retailing in the listed property segment, which primarily targets investors, will successively lose in importance, whereas the risks involved in the company's set-up and management of a property portfolio intended for letting will move centre stage. These inverse trends will progress apace with the ongoing reduction or expansion of the respective Group activities, as the case may be. In the eyes of the Management Board of ESTAVIS AG, the following companyand market-specific individual risks should specifically be taken into account.

Additional risks of which the company is not currently aware or whose significance is not yet known could also have a significant adverse effect on the business development of the ESTAVIS Group.

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, standard banking benchmarks are used to review factors such as expected renovation, maintenance and modernisation requirements and the earnings power and debt service coverage ratio.

b) Property portfolio risks

The ESTAVIS Group acquires and 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 portfolio includes real properties, these are exposed to the risk of devaluation due to deterioration in the social structure of the respective locations, excessive levels of wear and tear, unexpectedly high refurbishment needs, or similar factors. Property portfolio risks will be countered by the measures described in section 3.2 a.

c) Construction risks

To the extent that construction measures are required for the properties traded 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 upon the individual authorities exercising discretion. Disputes with residents and neighbours may also significantly delay or negatively influence the granting of approval. Each of these circumstances may mean that planned construction measures cannot be conducted for the price assumed, within the timeframe planned or that they cannot be executed at all. These risk factors are thoroughly examined as early as the time of the property acquisition or in the run-up to a given construction measure.

d) 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. A portion of the remuneration for external sales partners is normally payable upon conclusion of the notarised agreement. There is a risk that the buyer backs out of the sales transaction before the end of the agreed rescission period. While the partial remuneration for the external sales partner can certainly be reclaimed in such cases, there is a risk that these receivables may not be collectable.

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.

The primary risk for the Group's property rentals is that the properties offered may fail to meet tenants' expectations, resulting in vacancies, or that excess supply on the local housing markets may precipitate vacancies. The ESTAVIS Group seeks to reduce these risks through continuous intensive monitoring of the rental market, which includes analysing the tenant requirements. On top of that, the risk is addressed by undertaking modernisation measures designed to enhance the attractiveness of a given property, where required.

e) Financing, liquidity and interest rate risks

In relation to the existing loans for financing the properties held by the Group 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.

Against the background of the banks' persistently restrictive lending policy in regard to the targeted clientele, however, and particularly with a view to the properties held as current assets, there is the risk that lenders will accelerate property financing loans before the properties are actually sold. Depending on the extent of the accelerated loan, this could expose the ESTAVIS Group to a solvency risk. To limit this exposure, the ESTAVIS Group has signed loan agreements with several banks. 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.

Interest rate risks exist for the liabilities intended for prolongation or refinancing and the planned loans to finance properties.

A change in overall interest rates could have a certain impact on the Group's cash flow and the interest income generated from its cash and cash equivalents. However, based on the volumes held at present, any such effect would probably be negligible. Far more important is the potential indirect effect of changes in overall interest rates on property demand (see the corresponding information on economic risks).

No other significant risks relating to the financial instruments held by the Group exist at this time.

f) 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 renovation. Given the broad customer structure especially in apartment retailing, bad debt risks 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.

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.

g) 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.

Whenever the ESTAVIS Group is committed to carrying out renovation and modernisation measures, it usually assumes a guarantee for these measures at the time the property is sold, unless such a guarantee has already been signed into effect. Moreover, whenever such measures have not been properly executed, the agreed selling price may have to be discounted. Significant extra costs may also arise from possible delays to the renovation and modernisation measures.

Short- to medium-term rental guarantees that could lead to corresponding equalisation obligations were issued in connection with numerous property sale contracts.

Within the framework of apartment retailing, ESTAVIS Group companies and their external sales partners also provide consultancy services that could potentially give rise to third-party compensation claims.

In certain countries, legal trademark rights proceedings relating to the name ESTAVIS are pending with a different trademark owner. Accordingly, there is a risk that the company may have to refrain from using its current name in the future and rename itself instead. Beyond that, compensation claims could be filed for the previous use of the name.

Adequate provisions have been recognised 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. A decline in the prices of properties would hamper the realisation of gains on the disposal of the properties held. 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.

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.

Finally, demand for residential properties could also be negatively impacted by the expected decline in the German population and the resulting potential downturn in housing space requirements.

c) Legal conditions

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, conservation laws, and tax laws.

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 the revenues. The business involving large projects is particularly susceptible to the individual risks described, most notably cost overrun, project delay and delinquency risks. This means that the cancellation of a project or delays to its completion would contribute greatly to the loss or postponement of revenues and/or income. The same is true for possible construction measures at property portfolios acquired by the ESTAVIS Group, for instance in conjunction with modernisations. This could also have an adverse effect on the liquidity of the ESTAVIS Group, particularly if interim financing has been arranged for the project that will expire and can no longer be serviced or that will be accelerated. In the apartment retailing segment, the company is currently realising a high proportion of its revenues through privatisation services performed on behalf of one client. 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.

3.3 Other influencing factors

In addition to the risks described above, the Group is subject to general influences that are not foreseeable and that are difficult to counteract, including political changes, social influences, and risk factors such as natural disasters and 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.

3.4 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 shortterm financial liabilities. This process was facilitated in particular by the issuance of a convertible debenture in June 2012. Boosting the long-term portion of the financing structure

is intended specifically to take into account the fact that some of the funds tied up in the set-up of a property portfolio earmarked for long-term ownership will in turn be tied up for an extended period of time. The liquidity situation also improved by the balance sheet date, especially through the increase in cash and cash equivalents by approximately EUR 7.3 million, and this amount, too, relates to the convertible debenture issued. Some of these liquid funds were used shortly after the balance sheet date for investment and financing purposes. The Management Board expects that the company will start realising operative cash flows and profits again once the strategic realignment has been concluded.

On the basis of this information, the Management Board of ESTAVIS AG feels there are currently no specific risks that, individually or cumulatively, could endanger the Group as a going concern or significantly impair its net asset, financial and earnings situation.

3.5 Development in opportunities

Growing number of households

Despite the predicted long-term demographic decline in Germany, experts believe that the number of households in Germany will continue to rise, and with it the sustained demand for residential space. This forecast is based on the down-trend in the number of persons per household as well as increasing expectations in terms of quality and available living space. It must be noted here that this trend varies greatly between regions. While economically prosperous regions and conurbations are already registering a noticeable demand backlog, some of the structurally weaker regions and rural areas are experiencing inverse trends. The growing demand for residential space in attractive locations implies long-term opportunities for the ESTAVIS Group to implement its business model. This applies to the Portfolio segment, which benefits from the rising demand for rental apartments and from the rental growth this demand has stimulated, as much as to the Trading segment, which is boosted by the lively interest on the part of investors and owner-occupiers to acquire residential property. On top of that, there is reason to consider the low homeownership rate in Germany, which continues to undercut that of other countries, as an added opportunity for apartment retailing.

Low level of construction activity

The growing demand for residential space in regions experiencing positive net migration coincides with an increasingly short supply. As described in section 1.3 b), above, housing construction in Germany has lagged far behind the predicted trend in demand.

In light of the fact that rising demand in commercially attractive locations confronts a fast dwindling supply, the ESTAVIS Group believes that, with its supply of rental apartment in its proprietary portfolio and with the apartments earmarked for retailing, it is well positioned to exploit the trend.

Economic development in Germany and interest rates

The positive development of the labour market and persistently low interest rates have created a favourable environment for private homeownership, be it for owner-occupation or as an investment. It is also worth noting that specifically private investors have responded to global economic risks, especially to the hazard of an escalating sovereign debt crisis, and to the generally dreaded threat of rising inflation, with a growing interest in tangible fixed assets, and particularly in property.

Boosting private pension plans

Given the country's demographic developments, bolstering private pension plans remains an issue of growing significance in Germany. Residential property is considered the best form of investment, and is also said to offer the best protection against inflation. The acquisition of private residences in order to be taken care of in old age is subsidised by the Federal Government in the form of the "Wohn-Riester" homeownership pension scheme, for example.

4 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.

4.1 Future orientation of business and the group

During the year under review, the ESTAVIS Group implemented its strategic reorientation, and has concentrated since on the set-up and management of a residential property portfolio marked by positive cash-flow, as well as on the continuation of activities in the apartment retailing sector. These latter activities include, in addition to apartment sales to owner-occupiers and private investors, specifically the provision of privatisation services on behalf of third parties. To implement its strategy, the ESTAVIS Group takes advantage of its nationwide acquisition network to identify property portfolios with great value-added potential, and of its management know-how to raise this potential in efficient ways. In addition to regular cashflow from property portfolio holdings, the Group generates revenues from property sales and from the remuneration for privatisation services provided.

Corporate strategy and operative activities will centre on the Portfolio and Trading divisions both during the 2012/13 financial year and in subsequent years. In the process, the activity spectrum in the Trading segment will be downscaled compared to previous financial years insofar as the commitment of the ESTAVIS Group in the areas of development and marketing of listed property is being abandoned, whereas future activities will concentrate on the area of apartment retailing.

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 that owner-occupiers and private investors in property – particularly in condominiums – that is acquired as investment or – in the case of owner-occupiers – as an integral component of private pension plans, this being an aspect that is bound to gain in significance, and substantially so.

4.2 Macro-economic development and housing market trend

The development of the economic parameters in the years 2012 and 2013 will be largely determined by the degree to which the efforts to cope with the sovereign debt crisis meet with success. In its fall 2012 forecast, the Kiel Institute for the World Economy (IfW) noted that the pace of the global economy's expansion has drastically slowed, and therefore revised

its growth prediction for the global economy downward to a mere 3.3 % for 2012. While the Institute continues to expect the growth to accelerate in 2013, it corrected its growth forecast from 3.9% down to 3.6%. The IfW takes a much more sceptical view of the situation in the Eurozone, predicting a decline of the gross domestic product (GDP) by 0.4% for 2012 due to the persistent recession, and a GDP growth of just 0.3 % for 2013. Regarding Germany, however, the IfW believes that the country's GDP will grow by 0.8 % in 2012 and by 1.1 % in 2013. The downward revision of the forecast for 2013, down by 0.6 percentage points compared to the summer 2012 forecast, is explained by arguing that the investment activity will rebound later than assumed, so that the onset of the boom cycle is not to be expected before 2014.

Given the fact that the downtrend of energy prices has either been checked or reversed, the IfW expects consumer prices in Germany to rise by 2.0% in 2012 as a whole. The inflation rate is likely to rise to 2.1% in 2013, according to the experts. The Institute also noted that the increase in domestic economy price drivers that are expected to kick in during 2013 implies that the future development will be subject to substantially higher inflation rates. With a view to the slowing economic trend, the IfW assumes that the number of redundancies will rebound slightly, leaving unemployment just short of the 3-million mark by the end of 2013.

All things considered, however, sustainable demographic and regional trends will ensure that conditions on the residential market will continue to present a positive environment for the business activities of the ESTAVIS Group. The increasing demand for apartments in locations with positive demographics, combined with a persistently short supply of properties, make it safe to expect further rental and price growth. That said, it remains to be seen to what extent economic influences will slow or disrupt the trend. The Management Board, however, assumes that the basic trends on the property market as detailed in section 1.3 b), above, will define the market development in the years to come.

The level of interest rates is unlikely to see any short-terms changes, or so the IfW experts believe. Instead, the seriously under-utilised production capacities in the Eurozone, as well as the moderate long-term inflation forecasts, make it rather likely that the main refinancing interest rate will remain on its all-time low of 0.75%. Accordingly, the financing environment for property acquisitions will also remain favourable, principally speaking. However, this observation does not permit general inferences regarding the banks' willingness to lend, because their policies, too, are subject to the economic development and the corresponding risk assessments.

The largely positive expectations regarding the security and returns profile imply that the German residential property market remains a generally attractive location for property investments and property acquisitions for owner-occupation.

Market and business opportunities

During the next two financial years, the Management Board will continue to focus on the positive growth of revenues and earnings of the ESTAVIS Group and on the exploitation of growth potential. Resources expected to be released are earmarked for reinvestment toward future growth, while a stable net assets and financial position is to be maintained at the same time. Here, the focus is primarily on investments into the ongoing set-up of the proprietary residential portfolio, but also on the acquisition of properties for apartment retailing purposes, and the expansion of the service business.

During the 2012/13 financial year, the Management Board of ESTAVIS AG expects the ESTAVIS Group to see a substantial increase in revenues compared to the period under review, which will include the accruing revenues from development activities yet to be wound up, provided no adverse macro-economic developments cause a deterioration of the parameters. Based on the current planning state, the group revenues will temporarily plummet during the subsequent 2013/14 financial year, as the development activities cease to factor in and the strategic reorientation is completed. At the same time, the result will be significantly boosted by the associable cost cuts and the disappearance of encumbrances connected to the development activities. In the years thereafter, the growing income contributions from the Portfolio segment will help to raise the Group's total revenues, while the result will continue to improve. Contributions to operating income and economic value added are expected to come from the current cash-flows generated by the portfolio properties and by the possible appreciation of the property values and rental growth.

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.

4.4 Overall assessment

There is little reason to expect anything beyond a moderate improvement in the economic growth dynamics in Germany during the 2012/13 financial year. Then as now, serious uncertainty factors continue to impact the global economic development, the main cause of concern being the sovereign debt crisis in the Eurozone.

At the same time, the medium- and long-term parameters for the German residential property market remain positive. To an extent, economic risks and uncertainties can actually stimulate the interest of private investors and owner-occupiers in residential properties as these are considered valuable tangible assets.

The ESTAVIS Group intends to boost its revenues in these two areas through the ongoing expansion of its proprietary residential holdings and through its apartment-retailing activities. Assuming a stable course of business and sustainable cost structures during the coming two years, the Group expects to see an improvement of its income and financial situation.

Supplementary Report

Repayment of mezzanine loan

In order to lower its current financing costs, the ESTAVIS Group repaid a mezzanine loan over EUR 7.0 million prematurely in July 2012. The funds used toward this end consisted essentially of proceeds from the placement of the convertible debenture issued in June 2012.

Stock buy-back program

Based on the authorisation granted by the resolution of the Annual General Meeting of ESTAVIS AG on 16 February 2010, the company decided to launch a stock buy-back program. Under this program, up to 500,000 units of ESTAVIS AG stock (up to around 3.5 % of the share capital) are to be bought up for a maximum purchase price total of EUR 1.025 million during a period

ending 31 December 2012. Up to and including 7 September 2012, a total of EUR 328,384.93 was spent to purchase 172,617 no-par-value shares within the framework of this stock buyback program.

Capital increase from authorised capital against non-cash contributions

In September 2012, the Management Board and Supervisory Board of ESTAVIS AG decided to go ahead with an increase in kind from authorised capital under exclusion of the subscription rights of existing shareholders. According to this plan, the company's share capital will be stocked up by the amount of EUR 440,000.00 by issuing 440,000 no-par-value bearer shares at an issue price of EUR 1.00 per share. The capital increase will be used to fulfil a corresponding performance obligation arising from the acquisition of a portfolio property.

No other events of major significance for the business development of the ESTAVIS Group have occurred since the end of the 2011/12 financial year.

Key Features of the Remuneration System for 6 **Board Members**

The contracts of the members of the Management Board of ESTAVIS AG were signed for a period of three years. Termination with notice during the term of the agreements has not been provided for either side. The remuneration paid to the Management Board members of ESTAVIS AG consists of fixed annual basic remuneration and a variable bonus that depends on the EBIT generated by the company. In addition, Management Board members are 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 members at this time. The Management Board members have been granted no pension commitments or other retirement benefits. No arrangements for benefits upon early termination have been agreed with the Management Board members, except for a provision entitling the company to release Management Board members out of their duties during their statutory notice period and in the event of their dismissal, subject to the continued payment of their salary, and except for the right to demand immediate disbursement of the remuneration for their residual term in this case. The employment contracts of the Management Board members also prescribe a subsequent restraint on competition.

In addition to the reimbursement of their expenses, the members of the Supervisory Board receive fixed annual remuneration for each full financial year of their membership of the Supervisory Board. They are also granted variable remuneration, 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 General Meeting. ESTAVIS AG has also taken out D&O insurance for the members of the Supervisory Board.

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



Consolidated Financial Statements

- 48 Consolidated Balance Sheet
- 50 Consolidated Income Statement
- 51 Consolidated Statement of Comprehensive Income
- 52 Consolidated Cash Flow Statement
- 53 Consolidated Statement of Changes in Equity
- 54 Notes
- 91 Auditors' Certificate

■ Consolidated Balance Sheet

| | Notes | 30 June 2012 | 30 June 2011 |
|------------------------------------|----------|--------------|--------------|
| Assets | | | TEUR |
| Non-current assets | | | TEOR |
| Goodwill | 6.1, 6.3 | 17,776 | 17,776 |
| Other intangible assets | 6.3 | 85 | 95 |
| Property, plant and equipment | 6.2, 6.3 | 298 | 388 |
| Investment property | 6.4 | 57,490 | 32,547 |
| Investments in associates | 6.5 | 122 | 122 |
| Other non-current financial assets | 6.6 | 1,737 | 1,665 |
| Deferred income tax receivables | 6.15 | 3,249 | 3,137 |
| Total | | 80,859 | 55,730 |
| | | | |
| Current assets | | | |
| Inventories | 6.7 | 56,411 | 61,642 |
| Trade receivables | 6.8 | 4,520 | 6,209 |
| Other receivables | 6.8 | 19,909 | 18,662 |
| Current income tax receivables | | 800 | 516 |
| Cash and cash equivalents | 6.9 | 10,915 | 3,598 |
| Assets held for sale | 6.10 | 3,850 | - |
| Total | | 96,406 | 90,627 |
| Total assets | | 177,264 | 146,357 |

■ Consolidated Balance Sheet

| ESTAVIS AG | Notes | 30 June 2012 | 30 June 2011 |
|--|-------|--------------|--------------|
| Equity | | TEUR | TEUR |
| Issued capital | 6.11 | 14,319 | 14,319 |
| Capital reserves | 6.11 | 40,909 | 48,198 |
| Special reserves from non-cash contributions | 6.11 | 1,053 | - |
| IAS 39 reserve | | - | 1 |
| Retained earnings | 6.11 | 2,766 | -1,819 |
| Total equity | | 59,048 | 60,699 |
| | | | |
| Liabilities | | | |
| Non-current liabilities | | | |
| Provisions | 6.13 | 64 | 74 |
| Financial liabilities | 6.12 | 30,956 | 11,607 |
| Deferred income tax liabilities | 6.15 | 2,463 | 2,370 |
| Total non-current liabilities | | 33,482 | 14,050 |
| | | | |
| Current liabilities | | | |
| Provisions | 6.13 | 2,319 | 2,520 |
| Financial liabilities | 6.12 | 46,871 | 50,357 |
| Advance payments received | | 15,196 | 3,741 |
| Current income tax liabilities | | 1,491 | 2,250 |
| Trade payables | 6.14 | 13,246 | 8,628 |
| Other liabilities | 6.14 | 5,612 | 4,112 |
| Total current liabilities | | 84,734 | 71,608 |
| Total equity and liabilities | | 177,264 | 146,357 |

■ Consolidated Income Statement

| ESTAVIS AG | Notes | 2011/12 | 2010/11* |
|--|-------|---------|----------|
| | | TEUR | TEUR |
| Revenues | 6.16 | 51,251 | 57,849 |
| Change in value of investment property | 6.4 | 1,774 | 3,431 |
| Other operating income | 6.19 | 2,843 | 2,258 |
| Changes in inventories | | -2,930 | -6,915 |
| Total operating performance | | 52,938 | 56,622 |
| Cost of materials | 6.17 | 33,657 | 30,117 |
| Staff costs | 6.18 | 3,105 | 2,729 |
| Depreciation and amortisation | 6.3 | 138 | 125 |
| Other operating expenses | 6.19 | 14,675 | 18,791 |
| Operating result | | 1,363 | 4,860 |
| Net income from associates | | 0 | 63 |
| Interest income | | 195 | 141 |
| Interest expenses | 6.20 | 4,494 | 4,361 |
| Financial result | | -4,299 | -4,220 |
| Net profit before income taxes | | -2,937 | 703 |
| Income taxes | 6.21 | 13 | -3 |
| Net profit | | -2,950 | 706 |
| Earnings per share (EUR) | 6.22 | -0.21 | 0.07 |

 $^{^{*}}$ adapted to change in reporting, see sections 2.1, 6.16, 6.17, 6.19

Consolidated Statement of Comprehensive Income

| ESTAVIS AG | 2011/12 | 2010/11 |
|---|---------|---------|
| | TEUR | TEUR |
| Net profit | -2,950 | 706 |
| Available-for-sale financial assets | -1 | 1 |
| Changes in fair value | -1 | 1 |
| Reclassification recognised in profit or loss | 0 | 0 |
| Income taxes | 0 | 0 |
| Income directly recognized in equity | -1 | 1 |
| Total comprehensive income | -2,951 | 708 |
| | | |

■ Consolidated Cash Flow Statement

| ESTAVIS AG | 2011/12 | 2010/11 |
|--|---------|---------|
| ESTAVIS AU | TEUR | TEUR |
| Net profit | -2,950 | 706 |
| + Depreciation/amortisation of non-current assets | 138 | 125 |
| +/- Increase/decrease in provisions | -211 | -1,600 |
| +/- Change in value of investment property | -1,774 | -3,431 |
| +/- Other non-cash expenses/income | 1 | -696 |
| -/+ Gains/losses from the disposal of non-current assets | 0 | 14 |
| -/+ Increase/decrease in inventories, trade receivables and other assets that are not attributable to investing or financing activities | -22,323 | 22,295 |
| +/- Increase/decrease in trade payables and other liabilities that are not attributable to investing or financing activities | 28,188 | -22,931 |
| = Cash flow from current operating activities | 1,070 | -5,518 |
| + Payments received from the disposal of intangible assets | - | 7 |
| + Payments received from the disposal of property, plant and equipment | 0 | 115 |
| + Payments received from the disposal of investment property | 1,000 | 0 |
| + Payments received for the disposal of financial assets | 9 | 33 |
| Payments for investments in intangible assets | -14 | -63 |
| Payments for investments in property, plant and equipment | -24 | -107 |
| Payments for investment property | -613 | -35 |
| Payments for investments in non-current financial assets | 0 | -48 |
| Payments from the disposal of fully consolidated companies | _ | -2,957 |
| = Cash flow from investing activities | 358 | -3,056 |
| + Payments from shareholders | 254 | 8,114 |
| + Payments from the issuance of bonds and financial loans | 7,994 | 0 |
| Repayment of bonds and financial loans | -2,359 | -6 |
| = Cash flow from financing activities | 5,889 | 8,108 |
| Net change in cash and cash equivalents | 7,316 | -466 |
| + Cash and cash equivalents at the beginning of the period | 3,598 | 4,065 |
| = Cash and cash equivalents at the end of the period | 10,915 | 3,598 |

Additional information in the Notes to the Consolidated Financial Statements, note 6.23.

Consolidated Statement of Changes in Equity

for the financial year from 1 July 2011 to 30 June 2012

| | Issued capital | Capital reserves* | IAS 39 reserve | Retained earnings | Total |
|---|-------------------|-------------------|-------------------|-------------------|--------|
| STAVIS AG | | | | | |
| | TEUR | TEUR | TEUR | TEUR | TEUR |
| As of 1 July 2011 | 14,319 | 48,198 | 1 | -1,819 | 60,699 |
| Total comprehensive income | - | - | -1 | -2,950 | -2,951 |
| Issuance of bonds | - | 254 | - | - | 254 |
| Costs of raising equity | - | -7 | - | - | -7 |
| Contribution in kind | - | 1,053 | _ | - | 1,053 |
| Withdrawal from capital reserves of ESTAVIS AG for coverage of losses | - | -7,535 | _ | 7,535 | _ |
| As of 30 June 2012 | 14,319 | 41,963 | _ | 2,766 | 59,048 |

^{*}including special reserves from non-cash contributions as reported in the balance sheet. Please see note 6.11 for information on individual items.

Consolidated Statement of Changes in Equity

for the financial year from 1 July 2010 to 30 June 2011

| ESTAVIS AG | Issued capital | Capital reserves | IAS 39 reserve | Retained earnings | Total |
|----------------------------|-------------------|---------------------|-------------------|----------------------|--------|
| | TEUR | TEUR | TEUR | TEUR | TEUR |
| As of 1 July 2010 | 9,546 | 45,249 | - | -2,525 | 52,270 |
| Total comprehensive income | - | _ | 1 | 706 | 708 |
| Cash capital increase | 4,773 | 3,341 | _ | - | 8,114 |
| Costs of raising equity | - | -393 | _ | - | -393 |
| As of 30 June 2011 | 14,319 | 48,198 | 1 | -1,819 | 60,699 |

Notes to the Consolidated Financial Statements

- 55 1 Basic Information
- 55 2 Significant Accounting Policies
- 67 3 Capital and Financial Risk Management
- 67 4 Critical Accounting Estimates and Assumptions
- 68 5 Segment Reporting
- 70 6 Supplementary Notes to the Individual Items of the Financial Statements
- 90 7 Other Disclosures

Basic Information 1

ESTAVIS AG and its subsidiaries are active both as property portfolio holders and property traders. The company is based in 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 2012, ESTAVIS AG acts as the operating holding company for a number of specialpurpose entities.

These consolidated financial statements were approved for publication by the company's Management Board in September 2012.

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 2011/12 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 listed companies.

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 individual income statement and 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.

As a matter of principle, the consolidated financial statements were prepared using a 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 2011 are based, except for certain changes as explained below.

The 2011/12 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 24 | Related Party Disclosures | amended |
| IFRIC 14 | Voluntary Prepaid Contributions under a Minimum Funding Requirement | amended |
| Various | IFRS Improvements 2009 | amended |

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

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 – and have not been adopted early by ESTAVIS AG:

| Standard <i>i</i> | 'Interpretation | Applicable from financial year |
|-------------------|---|--------------------------------|
| IFRS 7 | Financial Instruments: Disclosures | 2012/13 |
| IFRS 1 | Amendment: Severe Hyperinflation and Removal of Fixed Dates | 2012/13 |
| IAS 1 | Amendment: Presentation of Individual Items of Other Comprehensive Income | 2012/13 |
| IAS 12 | Amendment: Deferred Taxes: Recovery of Underlying Assets | 2012/13 |
| IAS 19 | Amendment: Employee Benefits | 2013/14 |
| IFRS 10 | Consolidated Financial Statements | 2013/14 |
| IFRS 11 | Joint Arrangements | 2013/14 |
| IFRS 12 | Disclosure of Interests in Other Entities | 2013/14 |
| IFRS 13 | Fair Value Measurement | 2013/14 |
| IAS 27 | Revised: Separate Financial Statements | 2013/14 |
| IAS 28 | Revised: Investments in Associates and Joint Ventures | 2013/14 |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine | 2013/14 |
| IFRS 1 | Amendment: First-Time Adoption of IFRS on Government Loans | 2013/14 |
| Various | IFRS Improvements (May 2012) | 2013/14 |
| Various | Amendments to IFRS 10, 11, 12: Temporary Arrangements | 2013/14 |
| IAS 32 | Amendment: Financial Instruments: Presentation – Offsetting of Financial Assets and Financial Liabilities | 2014/15 |
| IFRS 9 | Financial Instruments | 2015/16 |

The company does not expect the future application of the new accounting standards to have a significant impact on the consolidated financial statement.

In deviation from the procedure used in the past, the present consolidated financial statement recognises rental income from inventory properties among the revenues (previously listed among "Other operating income") and the corresponding operating costs among the material costs (previously listed among the "Other operating expenses") and has thus been adapted to the treatment of the corresponding income and expenses from investment property. The recognition model used so far was chosen because the idea was to generally keep the inventory properties in the Group portfolio for a very short period only (up to the end of the redevelopment, where applicable), and because the rent revenues were therefore expected to be low. For a major portion of the inventory property, some of which were reassigned from inventory

to investment properties as of 30 June 2012, the actual holding period has turned out to be much longer, so that the rental income has attained considerable significance. On top of that, the planned average holding period of the inventory properties that are now earmarked for the apartment retailing business, which has been stepped up, is 2–3 years, so that these rent revenues, too, have attained considerable significance. Against this background, the equal treatment of rent revenues/operating costs of inventory properties, on the one hand, and investment properties, on the other hand, make the income statement more meaningful. The recognition of the previous year's figure has been adjusted accordingly.

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 with 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 under 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 subsidiaries 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 irrespective of any minority interests. The excess of 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. 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.

Any sale of special-purpose entities (share deal) is reported in the same way as a comparable direct sale of real estate (asset deal), as these transactions are an integral component of the primary business activities of the ESTAVIS Group. This serves to ensure the presentation of a true and fair view of the Group's net assets, financial position and results of operations. This means: The selling price of the shares in the special-purpose entities being sold, plus its liabilities and less its receivables, is reported as the proceeds of the sale, while the carrying amount of the real estate being sold is recognised under cost of materials. For any residual interests, the cost of acquisition is taken as the net total of the pro rata Group carrying amounts in the assets and liabilities leaving the Group as a result of the sale. If properties are acquired by way of the acquisition of a property management company, this is shown as the acquisition of a property. The costs are determined as the purchase price of the shares in the property management company plus the liabilities assumed less other assets of the property management company.

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. Where necessary, the accounting policies of subsidiaries have been changed in order to ensure uniform Group-wide accounting.

b) Joint ventures

All of the joint ventures of ESTAVIS AG are included in the consolidated financial statements on the basis of proportionate consolidation. This relates to companies whose financial and business policy the Group is able to control, either directly or indirectly, in conjunction with a third party.

The information on the accounting treatment of subsidiaries also applies to the accounting treatment of joint ventures, with the difference that it only relates to the interest held by the Group; the interest attributable to the joint venture partner is not recognised.

c) Associates

Associates are companies over which the Group is able to exercise a significant influence but which it is not able to control; as a rule, this generally relates to companies in which the Group holds an interest of between 20 % and 50 %. These investments are accounted for using the equity method. For a list of the associates consolidated at equity, see section 2.2 d.

Investments in associates are initially carried at cost. The Group's interest in associates contains the goodwill arising on acquisition (adjusted for accumulated impairment losses as applicable). As a result the carrying amount of the interest changes in equity in line with the capital contributions and withdrawals of the Group and through profit and loss according to the Group's share in the profit or loss of associates or, for earnings of associates recognised directly in equity, directly against the Group's equity. Once the Group's interest in the net loss of an associated company reduces the carrying amount of the Group in this company, including other unsecured receivables from the associate, the Group does not recognise any additional losses unless it has assumed obligations or made payments on behalf of the associated company. Earnings are only recognised again when the adjustment of the carrying amount results in a positive investment value.

Unrealised capital gains from transactions between Group companies and associates are eliminated in accordance with the Group's interest in the associate. The same applies to unrealised losses, unless the transaction indicates the impairment of the transferred asset. Where necessary, the accounting policies of associates have been changed in order to ensure uniform Group-wide accounting.

d) Consolidated group

As of 30 June 2012, the consolidated financial statements of ESTAVIS AG included 42 subsidiaries and one associate. The consolidated group changed as follows as against 30 June 2011:

During the third quarter of the financial year, two property management companies expired by accruing to another property management company owned by the Group. An inactive property management company was acquired.

The following list shows the companies included in the consolidated group in addition to ESTAVIS AG. The disclosures in parentheses provide information on the business activities of the respective company. Companies without any such information are special-purpose entities.

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 Zwölfte Wohnen GmbH & Co. KG | Berlin | 94 % |
| SIAG Fünfundzwanzigste Wohnen GmbH & Co. KG | Berlin | 100 % |
| SIAG Siebenundzwanzigste 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 | 94 % |
| ESTAVIS Friedrichshöhe GmbH | Berlin | 100 % |
| ESTAVIS 34. Wohnen GmbH & Co. KG | Berlin | 100 % |
| B&V Denkmalbauten Birkenhöfe-Augsburg 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 40. Wohnen GmbH & Co. KG | Berlin | 100 % |
| ESTAVIS 41. Wohnen GmbH & Co. KG | Berlin | 100 % |
| ESTAVIS Filmfabrik GmbH & Co. KG | Berlin | 100 % |
| ESTAVIS 43. Wohnen GmbH & Co. KG | Berlin | 100 % |
| ESTAVIS 44. Wohnen GmbH & Co. KG | Berlin | 100 % |
| ESTAVIS 45. Wohnen GmbH & Co. KG | Berlin | 100 % |
| ESTAVIS 46. Wohnen GmbH & Co. KG | Berlin | 100 % |
| Erste Sachsen Wohnbauten GmbH & Co. KG | Leipzig | 94.9 % |
| Zweite Sachsen Wohnbauten GmbH & Co. KG | Leipzig | 94.9 % |
| Dritte Sachsen Wohnbauten GmbH & Co. KG | Leipzig | 100 % |
| Dritte Sachsen Denkmalbauten GmbH & Co. KG | Leipzig | 94.9 % |
| Vierte Sachsen Denkmalbauten GmbH & Co. KG | Leipzig | 100 % |
| Fünfte Sachsen Denkmalbauten GmbH & Co. KG | Leipzig | 100 % |
| Leipziger Wohnen GmbH & Co. KG | Leipzig | 94.8 % |
| B&V Dölauer Str. GmbH & Co. KG | Berlin | 94 % |
| Estavis Grundstücksgesellschaft GmbH | Berlin | 100% |
| B&V Wohnbaugesellschaft mbH | Leipzig | 100 % |
| Erste SIBA Wohnen GmbH | Berlin | 100 % |
| ESTAVIS Vermögensverwaltungs GmbH | Berlin | 100 % |
| ESTAVIS 28. Property GmbH | Berlin | 100 % |
| SP Center Verwaltungsgesellschaft mbH & Co. KG | Berlin | 50 % |
| SD Sachsen Denkmal GmbH | Leipzig | 100 % |
| B&V 1. Property GmbH | Berlin | 100 % |
| RealEstate4U GmbH & Co. KG | Leipzig | 100 % |
| Accentro GmbH (agency services) | Berlin | 100 % |

^{*} The equity interest describes the percentage interest held by the immediate parent company in each case. The remaining shares are held by other Group companies with the exception of ESTAVIS Beteiligungs KG, 12. SIAG KG and B&V Dölauer Str. KG.

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 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 ed | uity | interests | in | associates |
|------------|------|-----------|----|------------|
|------------|------|-----------|----|------------|

| Company | Domicile | Equity interest |
|--------------------------------------|----------|-----------------|
| SIAG Sechzehnte Wohnen GmbH & Co. KG | Berlin | 50% |

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.

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 Investment property

The real estate held as a financial investment comprises real estate held in the long term to earn rentals or for capital appreciation. Unlike real estate contained in inventory assets, active resale activities for these properties are generally only developed 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 real estate is the price at which it could be exchanged between knowledgeable willing parties in an arm's length transaction. Fair value specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements or special considerations or concessions granted by anyone associated with the sale.

The great majority of the investment property held by the Group was appraised at the time of allocation to this category by independent surveyors. A smaller portion was appraised internally. The fair value was essentially determined using the so-called income capitalisation approach pursuant to the German Valuation Ordinance (WertV). The net income value is derived from the sum of the land value and net value of the constructed facilities. Furthermore, other adjusting events are taken into account, in particular deviations from the normal status due to a lack of maintenance work or in the case of construction defects or damage as long as these have not already been taken into account by the reduced earnings approach or a reduced residual period of economic use.

The earnings value of the constructed facilities is calculated by multiplying the rentable land area with the basic rent achievable over the long term minus the operating expenses for maintenance, administration and taking into account a contingency for risk of loss of rent. The net annual earnings calculated in this way are divided by a so-called property return calculated under consideration of risk-adequate benchmark returns and the estimated remaining service life of the building, thereby arriving at the fair value in accordance with IAS 40 for the respective property.

If real estate is initially acquired for trading purposes and accordingly assigned to inventories, it is reclassified to investment property if there are indications that an immediate sale is not possible and instead it is expected that it will be held for a longer phase of development (renovation, re-letting).

2.6 Intangible assets

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 tested annually for impairment, 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.

2.7 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 2-3 years

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 2.8 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 among the "Other operating result."

2.8 Impairment of assets

Goodwill is tested for impairment annually. Property, plant and equipment and intangible assets that are subject to depreciation or amortisation are tested for impairment 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 of the net selling price of the asset 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.

2.9 Financial assets

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 available-for-sale financial assets. The classification of financial assets depends on the purpose for which they were acquired. The company's management is responsible for determining the classification of financial assets on initial recognition and reviewing their classification at each reporting date. In 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) Financial assets recognised at fair value through profit or loss

This category breaks down into two sub-categories: financial assets held for trading, and financial assets that were voluntarily designated as "at fair value through profit or loss" at the time of their acquisition. A financial asset is classified as held for trading if it was primarily acquired for the purpose of being sold in the short term, it forms part of a clearly identifiable portfolio of managed financial instruments that has been used to generate short-term gains in the past, or it is a derivative not included in a hedging relationship. The company's management may choose to designate other financial assets as "at fair value through profit or loss" if certain conditions are met. Assets belonging to this category are reported under current assets if they are held for trading or they are expected to be disposed of within twelve months of the balance sheet date.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on 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 reported in the balance sheet under other financial assets, trade receivables and other receivables.

c) Available-for-sale financial assets

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.

2.10 Available-for-sale financial assets

On initial recognition, available-for-sale financial assets are carried at fair value plus the transaction costs incurred. At subsequent reporting dates, they are carried at fair value, which corresponds to their market price. The difference between this amount and the carrying amount on initial recognition is taken directly to the revaluation reserve in equity. When availablefor-sale financial assets are sold or an impairment loss is recognised on such assets, any unrealised gains on fair value measurement contained in equity are reclassified and recognised 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 are reclassified and recognised as an expense in the income statement.

If there is no active market for an available-for-sale financial asset, particularly in the case of investments in property companies, they are measured at the lower of cost or fair value in the event of impairment. Impairment is recognised in income. Reversals of impairment are not recognised.

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. Production costs are incurred if and to the extent that restoration work is performed on a property prior to its disposal. Production costs include the directly attributable cost of materials and wages, as well as the cost of purchased services. The overheads attributable to construction are also included in the cost of inventories. For construction projects begun after 30 June 2009, interest on borrowed capital caused by cumulative production costs are capitalised as production costs. For construction projects begun before 1 July 2009, interest on borrowed capital is still not included in the cost of production. 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 Trade receivables

Trade receivables are initially carried at their fair value. Subsequent to initial measurement, they are carried at amortised cost calculated in accordance with the effective interest method, less any write-downs. Trade receivables are written down if there is objective evidence that the amounts due may not be collectable in full. The amount of the write-down recognised is the difference between the carrying amount of the receivable and the present value of the estimated future cash flows from the receivable discounted using the effective interest method. Write-downs are recognised 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.

2.13 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, demand deposits held at banks, and other short-term, highly liquid investments with an original term of no more than three months.

2.14 Provisions

Provisions are recognised when the company has a current legal or constructive obligation based on events in the past, it is probable that an outflow of resources will be required to settle the obligation, and 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 using a risk-adequate interest rate.

2.15 Current financial liabilities

On first-time recognition, financial liabilities (not including derivatives) are carried at fair value less transaction costs. In subsequent periods, they are carried at amortised cost. 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.

In both first-time and subsequent measurement, derivatives are carried at fair value. Changes in value are recognised in income.

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

2.16 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 at the current 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 are 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 directly against reserves, which are also recognised directly against reserves.

2.17 Revenue recognition

Revenues are composed of the amounts invoiced for the sale of properties. 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 the 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 renovation 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. In the case of more comprehensive renovation work, the portion of revenue attributable to renovation is recognised as construction progresses. In the case of renovation work before transferring property to the buyer, the entire proceeds are only recognised once the property has been transferred.

Components of the consideration that depend on the fulfilment of agreed minimum rental income from the sold properties are recognised only when these conditions are met in full.

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 is 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.

2.18 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.

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.

2.20 Residual interests and dividend distributions

The Group holds equity interests in a few number of partnerships in which minorities also hold an interest. In accordance with IAS 32, the shareholder position in a partnership is generally required to be recognised as a liability on account of the termination rights of the limited partners. From the Group's perspective, this applies to minority interests in subsidiaries with the legal form of a partnership. 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. Only residual values resulting from a negative shareholder position or a reserve for available-for-sale securities are recognised in equity.

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.

2.21 Consolidated cash flow statement

Cash flows from the borrowing and repayment of loans to refinance inventory properties are assigned to cash flows from operating activities in the statement of cash flows. This improves the information content of the statement of cash flows as, independently of whether refinancing is also transferred on the purchase or sale of real estate, a positive or negative cash flow from operating activities is shown over time depending on whether the proceeds from the sale were above or below the purchase price.

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, gross margin and EBIT.

Financial risk management 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 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. To 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.

Critical Accounting Estimates and Assumptions

In preparing the consolidated financial statements, the company uses estimates and assumptions about expected future developments on the basis of conditions on the balance sheet date. Inevitably, it is rare for the estimates derived on this basis to correspond precisely to the actual future circumstances.

Estimates are required to be made in particular for the recognition of current and deferred taxes. There is a degree of uncertainty regarding the interpretation of complex tax legislation. Accordingly, differences between actual results and our assumptions or future changes in our estimates may lead to changes in tax results in future periods. The Group has taken account of the potential effects of external tax audits by the taxation authorities to a reasonable extent.

In estimating the net selling prices of properties held as inventories, there is a particular degree of uncertainty with regard to the assessment of a realistic selling price.

Impairment testing for the goodwill that is allocated to the Retail trading segment requires the use of estimate ranges in respect of future revenues and trading margins in particular.

There are a range of estimates as to possible future expenses to the Group in the context of the recognition of provisions for litigation risks in particular.

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.

In the previous year, the "Trading" segment was labelled "Retail Trading," whereas the "Portfolio" segment was called "Other Activities." The segments were simply renamed. The name change did not coincide with any redefinition of the spheres of activity. Unlike the previous year, the segmentation of results was done as a drilldown down to earnings before taxes this year. Accordingly, the segmentation of assets and liabilities includes the segment allocation of financial debt and internal receivables and payables among the segments this year. The previous year's figures have been adjusted accordingly.

The Group only deals in property located in Germany. There is therefore no need for any geographical segmentation.

The segment results for the financial year ended 30 June 2012 as against the previous year - with the previous year's revenues adapted to take the rents from inventory properties into account - are as follows:

| | | Trading | Portfolio | | Group | |
|--|---------|---------|-----------|---------|---------|---------|
| | 2011/12 | 2010/11 | 2011/12 | 2010/11 | 2011/12 | 2010/11 |
| | TEUR | TEUR | TEUR | TEUR | TEUR | TEUR |
| Revenues (external) | 42,676 | 44,091 | 8,575 | 13,758 | 51,251 | 57,849 |
| Revenues (internal) | _ | - | _ | - | - | - |
| Operating result | -1,441 | -1,602 | 2,804 | 6,462 | 1,363 | 4,860 |
| Net income from invest- ments carried at equity | - | - | 0 | 63 | 0 | 63 |
| Financial result | -2,530 | -2,138 | -1,769 | -2,082 | -4,299 | -4,220 |
| Net profit before income | | | | | | |

The result of the "Trade" segment was burdened with debt losses and write-downs in a total amount of TEUR 1,399 (previous year: TEUR 235) during the financial year. In the previous financial year, the Retail Trading segment results included income from the negative goodwill due to business acquisitions of TEUR 643.

The result for the "Portfolio" segment included revenues from statute-barred liabilities in the amount of TEUR 999 (previous year: TEUR 505), from reversals of inventory impairments in the amount of TEUR 165 (previous year: TEUR 210), and from changes in value of the investment properties in the amount of TEUR 1,774 (previous year: TEUR 3,431). During the previous year, this item also included revenues from the reversal of provisions for rental guarantees and pending construction obligations in the amount of TEUR 1,456. The segment result was burdened during the financial year by write-downs on inventories in the amount of TEUR 923 and debt loss and bad debt allowances in the amount of TEUR 1,658 (previous year: TEUR 1,013).

Transactions with major customers that account for more than 10% of total consolidated revenues generated the following revenues for the company:

Financial year 2011/12

Two major customers with revenues of overall TEUR 12,925 in the Trading segment

Financial year 2010/11

One major customer with revenues of TEUR 5,500 in the Trading segment

Depreciation and write-downs of property, plant and equipment and amortisation and writedowns 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 | |
|--|---------|---------|-----------------|-------|-----------------|-------|
| | 2011/12 | 2010/11 | 2011/12 2010/11 | | 2011/12 2010/13 | |
| | TEUR | TEUR | TEUR | TEUR | TEUR | TEUR |
| Depreciation and write- downs of property, plant and equipment | -108 | -99 | -6 | -11 | -114 | -110 |
| Depreciation and write- downs of intangible assets | -25 | -15 | - | - | -25 | -15 |
| Change in value of investment property | _ | _ | 1,774 | 3,431 | 1,774 | 3,431 |

Segment assets, segment liabilities and segment investments were as follows as of 30 June 2012:

| | Trading | Portfolio | Unallocated | Consoli- dation | Group |
|-------------------------------|---------|-----------|-------------|--------------------|---------|
| | TEUR | TEUR | TEUR | TEUR | TEUR |
| Segment assets | 108,657 | 75,325 | 16,803 | -27,492 | 173,292 |
| Cash and cash equivalents | | 3,850 | | | 3,850 |
| Investments carried at equity | - | 122 | - | - | 122 |
| Total segment assets | 108,657 | 79,297 | 16,803 | -27,492 | 177,264 |
| Segment liabilities | 75,109 | 66,646 | 3,954 | -27,492 | 118,217 |
| Segment investments | 44 | 13,111 | - | - | 13,155 |

The figures for the previous year were as follows:

| | Trading | Portfolio | Unallocated | Consoli- dation | Group |
|-------------------------------|---------|-----------|-------------|--------------------|---------|
| | TEUR | TEUR | TEUR | TEUR | TEUR |
| Segment assets | 97,118 | 67,056 | 8,916 | -26,854 | 146,234 |
| Investments carried at equity | - | 122 | - | - | 122 |
| Total segment assets | 97,118 | 67,178 | 8,916 | -26,854 | 146,357 |
| Segment liabilities | 49,523 | 58,447 | 4,542 | -26,854 | 85,658 |
| Segment investments | 206 | 42 | - | - | 248 |

Segment assets primarily relate to property, plant and equipment, investment property, inventories, receivables, and receivables from the other segment. Goodwill is allocated to the Trading segment. The non-current assets held for sale represent investment property. Not allocated to the segments are cash or cash equivalents, tax assets and financial assets.

The segment liabilities relate to financial liabilities, operating liabilities and the liabilities visà-vis the other segment. Not allocated are the tax liabilities.

Segment investments include additions to property, plant and equipment and intangible assets (see section 6.3) and investment property (see section 6.4). In addition, a business was acquired and earmarked for the Trading segment at the end of the 2010/11 financial year.

6 Supplementary Notes to the Individual Items of the Financial Statement

6.1 Intangible assets

The table under section 6.3 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 three-year planning prepared by the Management Board.

Cash-flows following this three-year period are assumed to be subject to a growth equivalent to a general long-term inflation of 1.5%.

The company's management board determined the budgeted cash flow for the detailed planning phase on the basis of past events and expectations of future market developments.

The discount rate of 13.5 % (previous year: 10.3 %) is a pre-tax interest rate that reflects the specific risks to which the segment is exposed. Impairment testing showed that no impairment losses were required for the goodwill.

6.2 Property, plant and equipment

The chart under section 6.3 shows the changes in non-current assets over the last two years.

The Group has signed operating leases for office space, motor vehicles and business equipment. Lease expenses of TEUR 435 (previous year: TEUR 418) are recognised in the income statement.

6.3 Statement of changes in non-current assets

Non-current assets have changed as follows in the financial year from 1 July 2011 to 30 June 2012:

| | Goodwill | Other intangible assets | Property, plant and equipment |
|---|----------|-------------------------|-------------------------------|
| | TEUR | TEUR | TEUR |
| Cost | 17,776 | 141 | 833 |
| Cumulative depreciation, amortisation and write-downs | + | 45 | 445 |
| Carrying amounts as of 1 July 2011 | 17,776 | 95 | 388 |
| Additions (+) | - | 14 | 31 |
| Business acquisition (+) | - | - | |
| Disposals (–) | - | - | -7 |
| Depreciation, amortisation and write-downs (–) | - | -25 | -114 |
| Carrying amounts as of 30 June 2012 | 17,776 | 85 | 298 |
| Cost | 17,776 | 153 | 834 |
| Cumulative depreciation, amortisation and write-downs | - | 68 | 536 |

Non-current assets have changed as follows in the financial year from 1 July 2010 to 30 June 2011:

| | Goodwill Other intangible assets | | |
|---|----------------------------------|------|------|
| | TEUR | TEUR | TEUR |
| Cost | 17,776 | 74 | 920 |
| Cumulative depreciation, amortisation and write-downs | 17 | 36 | 434 |
| Carrying amounts as of 1 July 2010 | 17,776 | 37 | 486 |
| Additions (+) | - | 73 | 90 |
| Business acquisition (+) | - | - | 50 |
| Disposals (–) | - | - | -128 |
| Depreciation, amortisation and write-downs (–) | - | -15 | -110 |
| Carrying amounts as of 30 June 2011 | 17,776 | 95 | 388 |
| Cost | 17,776 | 141 | 833 |
| Cumulative depreciation, amortisation and write-downs | - | 45 | 445 |

6.4 Investment property

Investment property developed as follows:

| End of financial year | 57,490 | 32,547 |
|--|---------|---------|
| Impairment | -920 | - |
| Appreciation | 2,694 | 3,431 |
| Reclassification as assets held for sale | -3,850 | - |
| Disposals | -1,000 | - |
| Refurbishment | 303 | 35 |
| Additions | 12,963 | - |
| Additions from inventories | 14,753 | 29,082 |
| Start of financial year | 32,547 | - |
| | TEUR | TEUR |
| | 2011/12 | 2010/11 |

Investment property with a carrying amount of TEUR 57,440 (previous year: TEUR 32,341) is encumbered with land charges as collateral for amounts due to banks.

The total fair values of investment property were calculated as TEUR 57,490 (previous year: TEUR 32,547) as at the end of the reporting period, based predominantly on appraisals by third-party experts and, to a smaller degree, on internal appraisals.

The investment properties include 8 commercial properties, 6 residential properties, and 5 mixed-use properties, which include a total of 179 commercial units (46,400 m²) and 463 apartments (24,200 m²). The spectrum of rent rates per square metre ranges from Euro 1.00 to Euro 48.00 for the commercial units, and from Euro 1 to Euro 10.50 for residential units. The ratio of management costs to rent revenues ranges between 20% and 33% for the commercial properties, and between 14% and 35% for the residential and mixed-use properties. The nominal rate of interest for the valuation of the commercial properties covers a bracket of 6.25% to 7.5%, whereas the bracket for residential and mixed-use properties extends from 5.25% to 7.5%.

If the interest rate on which this calculation of the properties' fair value is based had been 0.5 percentage points higher, the total fair value as at the end of the reporting period would have been TEUR 53,010 (TEUR 30,297). Conversely, if the interest rate had been 0.5 percentage points lower, the total fair value would have been TEUR 63,440 (previous year: TEUR 35,127).

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:

| | 2011/12 | 2010/11 |
|------------------------------------|---------|---------|
| | TEUR | TEUR |
| Rental income (revenues) | 2,487 | 112 |
| Cost of materials | -534 | -63 |
| Maintenance costs (material costs) | -109 | - |

Out of the expenses, vacant investment property TEUR 147 (previous year: TEUR 28).

Since additions, and additions from inventories, were transacted before the end of the financial year, these income statement figures refer to the investment property portfolio at the start of the financial year.

6.5 Investments in associates

Investments in associates developed as follows:

| | 2011/12 | 2010/11 |
|----------------------------|---------|---------|
| | TEUR | TEUR |
| Start of financial year | 122 | 59 |
| Shares in gains and losses | 0 | 63 |
| End of financial year | 122 | 122 |

The shares of the ESTAVIS Group in the associated company that is not listed and that has since fulfilled its essential business purpose and is now being wound down are as follows:

| | Share | Assets | Liabilities | Revenues | Result |
|---|-------|--------|-------------|----------|--------|
| | | TEUR | TEUR | TEUR | TEUR |
| SIAG Sechzehnte Wohnen GmbH & Co. KG | 50% | 136 | 14 | 1 | 0 |

6.6 Other non-current financial assets

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

| | 30 June 2012 | 30 June 2011 |
|------------------------------------|--------------|--------------|
| | TEUR | TEUR |
| Available-for-sale securities | 1 | 4 |
| Other non-current financial assets | 1,736 | 1,661 |
| Total | 1,737 | 1,665 |

The available for sale securities are listed shares. A write-down of TEUR 1 (previous year: TEUR 10) was recognised on share holdings in the financial year. This expense is included in other operating expenses. The other non-current financial assets are subject to writedowns in the amount of TEUR 642 (previous year: TEUR 0).

6.7 Inventories

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

| | 30 June 2012 | 30 June 2011 |
|-------------------------------|--------------|--------------|
| | TEUR | TEUR |
| Properties | 35,077 | 47,496 |
| Construction work in progress | 19,429 | 14,146 |
| Advanced payments | 1,905 | _ |
| Total | 56,411 | 61,642 |

Properties are carried at cost, including accrued renovation costs. Write-downs of TEUR 1,035 were required in the period under review (previous year: TEUR 161). These write-downs are reported under "Cost of materials." Impairments of inventory properties were reversed in the amount of TEUR 172 during the financial year (previous year: TEUR 210). The assessment of the anticipated proceeds was adjusted upwards on account of the further improvement in the potential buyer's refinancing options. This income is included in other operating income. The properties reported as inventories serve as collateral for financial liabilities.

6.8 Trade receivables and other receivables

Trade receivables essentially reflect property sales. The development of trade receivables is shown in the following table:

| | 30 June 2012 | 30 June 2011 |
|-------------------------|--------------|--------------|
| | TEUR | TEUR |
| Trade receivables | 4,600 | 6,234 |
| Valuation allowance | -80 | -25 |
| Trade receivables (net) | 4,520 | 6,209 |

Trade receivables serve as collateral for financial liabilities.

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

| | 30 June 2012 | 30 June 2011 |
|---|--------------|--------------|
| | TEUR | TEUR |
| Trade receivables | 4,520 | 6,209 |
| of which neither impaired nor past due as at the end of the reporting period | 3,235 | 4,779 |
| of which not impaired as at the end of the reporting period and past due up to 30 days | 140 | 67 |
| of which not impaired as at the end of the reporting period and past due between 31 and 60 days | 12 | 29 |
| of which not impaired as at the end of the reporting period and past due between 61 and 90 days | 43 | 188 |
| of which not impaired as at the end of the reporting period and past due between 91 and 180 days | 117 | 343 |
| of which not impaired as at the end of the reporting period and past due between 181 and 360 days | 353 | 408 |
| of which not impaired as at the end of the reporting period and past due more than 360 days | 620 | 396 |

Write-downs of trade receivables developed as follows:

| | | 2011/12 | | 2010/11 |
|------------------------------|-------|----------------------|-------|----------------------|
| | Total | Specific allowances* | Total | Specific allowances* |
| | TEUR | TEUR | TEUR | TEUR |
| As of 1 July | 25 | 10 | 141 | 129 |
| Change in consolidated group | - | _ | -127 | -127 |
| Additions (write-downs) | 59 | 59 | 13 | 10 |
| Reversal | -4 | _ | -2 | -2 |
| Derecognition | - | - | - | - |
| As of 30 June | 80 | 69 | 25 | 10 |

^{*} One-off allowances

The other accounts receivable include:

| | 30 June 2012 | 30 June 2011 |
|--|--------------|--------------|
| | TEUR | TEUR |
| Receivables from advance commission payments | 3,850 | 5,611 |
| Receivables from investment companies | 3,661 | 3,756 |
| Rent receivables | 3,945 | 2,710 |
| Restricted-use cash in banks | 6,060 | 2,217 |
| Miscellaneous other receivables | 2,393 | 4,368 |
| Total | 19,909 | 18,662 |

The receivables from advance commission payments result from commission payments on unrealised retail sales. The receivables from investment companies result from settlement accounts. The rent receivables regard claims 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 miscellaneous other receivables include, while not limited to, short-term loans to sales companies. Other receivables are subject to write-downs in the amount of TEUR 770 (previous year: TEUR 526).

6.9 Cash and cash equivalents

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

6.10 Non-current assets held for sale

The statement regards several investment properties for which a deed existed by the balance sheet date that will most likely be signed during the first quarters of the 2012/13 financial year. The disposal involves a loss of TEUR 765, recognised in the change in value of the investment properties. This transaction concerns the "Portfolio" segment.

6.11 Equity

As of the balance sheet date, the issued capital of ESTAVIS AG was EUR 14,319,352, with 14,319,352 fully paid in shares with a nominal value of EUR 1 each have been issued.

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 addition to the capital reserves in this financial year in the amount of TEUR 246 results from the issuance of a convertible debenture over a nominal amount of TEUR 8,592. The associated 3,578,838 conversion privilege (over a five-year term) into shares of ESTAVIS AG at a share price of Euros 2.40 generated a consideration in the amount of TEUR 254. The pro-rata capital-raising costs equalled TEUR 10. The associable tax savings equalled TEUR 3. To cover the balance sheet deficit of ESTAVIS AG that would otherwise have resulted, TEUR 7,535 were taken from the capital reserves. This amount raised the retained earnings.

The special reserves from non-cash contributions reflect the fact that property acquisitions are subject to the arrangement to pay part of the purchase price in ESTAVIS AG shares. The fair value of the non-cash contribution was determined by an external expert using the income capitalisation method. The property has already been transferred to ESTAVIS AG, whereas ESTAVIS AG's obligation to deliver the shares was not yet fulfilled by the balance sheet date. According to a resolution dating 6 September 2012, the obligation will be met through an increase in kind from the authorised capital of ESTAVIS AG.

The retained earnings result from the Group's earnings up to the balance sheet date that have not yet been distributed, plus the funds taken from the capital reserves to cover the balance sheet deficit of ESTAVIS AG.

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

6.12 Financial liabilities

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

| | 30 June 2012 | 30 June 2011 |
|---|--------------|--------------|
| | TEUR | TEUR |
| Non-current financial liabilities | | |
| Other shareholder capital attributable to non-controlling interests | 7,995 | - |
| Liabilities to banks and other lenders | 22,961 | 11,607 |
| Total non-current financial liabilities | 30,956 | 11,607 |
| Current financial liabilities | | |
| Current portion of liabilities to banks and other lenders | 46,871 | 50,357 |
| | | |

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 18,198; previous year: TEUR 1,409) and liabilities with a remaining term of more than five years (TEUR 4,763, previous year: TEUR 10,198). The convertible debenture has a remaining lifetime of nearly 5 years.

Liabilities to banks are secured by the properties for which they were incurred, and by the rent and sale receivables resulting from them.

All loans are denominated in euro.

6.13 Provisions

Provisions developed as follows in the financial year:

| | Outstanding construction work | Rental guarantees | Other | Total |
|--------------|-------------------------------|----------------------|-------|--------|
| | TEUR | TEUR | TEUR | TEUR |
| 1 July 2011 | 1,006 | 277 | 1,310 | 2,594 |
| Utilisation | -1,329 | -198 | -228 | -1,755 |
| Reversal | - | -1 | -14 | -15 |
| Addition | 840 | 383 | 335 | 1,558 |
| 30 June 2012 | 517 | 462 | 1,404 | 2,382 |

The provision for outstanding construction work covers the expected cost of the construction work that is to be performed once the ownership, benefits, costs and risks incident to ownership of the respective property are transferred to the buyer, to the extent that these costs are not balanced by additional proceeds. The provision is short-term.

The provision for rent guarantees covers obligations of the Group for minimum rental income promised to the purchasers of property for specific periods.

The other provisions mainly include provisions for warrantees, litigation risks and archiving costs (long-term).

6.14 Trade payables and other liabilities

The company had the following liabilities at the end of the respective reporting periods:

| | 30 June 2012 | 30 June 2011 |
|---|--------------|--------------|
| | TEUR | TEUR |
| Trade payables | 13,246 | 8,628 |
| Liabilities to related parties (section 6.27) | 272 | 500 |
| Miscellaneous other liabilities | 5,340 | 3,612 |
| Total | 18,858 | 12,740 |

Miscellaneous other liabilities include liabilities from advance payments by tenants for operating costs, liabilities to investment companies for short-term loans and settlement accounts and sales tax liabilities.

6.15 Deferred taxes

The deferred tax assets and liabilities recognised by the company have the following expected realisation dates:

| | 30 June 2012 | 30 June 2011 |
|---|--------------|--------------|
| | TEUR | TEUR |
| Deferred tax assets | | |
| expected to be realised after more than 12 months | 2,621 | 2,094 |
| expected to be realised within 12 months | 731 | 1,043 |
| Total | 3,352 | 3,137 |
| Deferred tax liabilities | | |
| expected to be realised after more than 12 months | 1,221 | 609 |
| expected to be realised within 12 months | 1,242 | 1,761 |
| Total | 2,463 | 2,370 |

Deferred taxes developed as follows:

| | 2011/12 | 2010/11 |
|--|---------|---------|
| | TEUR | TEUR |
| Deferred tax liabilities | -2,370 | -3,583 |
| Deferred tax assets | 3,137 | 4,024 |
| Balance of deferred taxes at start of financial year | 768 | 441 |
| Expense (–)/income (+) reported in income statement | 121 | 314 |
| Additions due to company acquisition | - | 12 |
| Balance of deferred taxes at end of financial year | 889 | 768 |
| Deferred tax liabilities | -2,463 | -2,370 |
| Deferred tax assets | 3,352 | 3,137 |

The changes in deferred tax liabilities in the past two years were due to the following factors:

| | Differences relating to investment property | Differences relating to property held as inventories | Differences relating to other receivables | Differences relating to other items | Total |
|--------------------------------------|--|---|--|---|--------|
| | TEUR | TEUR | TEUR | TEUR | TEUR |
| 1 July 2010 | - | 511 | 3,035 | 36 | 3,583 |
| Amounts recognised in profit or loss | 110 | 0 | -1,312 | -11 | -1,213 |
| Carryover | 499 | -499 | | | 0 |
| 30 June 2011 | 609 | 13 | 1,723 | 25 | 2,370 |
| Amounts recognised in profit or loss | 509 | 0 | -546 | 131 | 93 |
| 30 June 2012 | 1,118 | 13 | 1,176 | 156 | 2,463 |

Deferred taxes from differences in other receivables result from the capitalisation of pre-paid brokerage commissions for trading revenues not yet realized.

The changes in deferred tax assets were due to the following factors:

| | Tax loss carryforward | Other | Total |
|--------------------------------------|--------------------------|-------|-------|
| | TEUR | TEUR | TEUR |
| 1 July 2010 | 3,724 | 300 | 4,024 |
| Amounts recognised in profit or loss | -904 | 5 | -899 |
| Addition from company acquisition | | 12 | 12 |
| 30 June 2011 | 2,820 | 317 | 3,137 |
| Amounts recognised in profit or loss | 253 | -38 | 215 |
| 30 June 2012 | 3,073 | 279 | 3,352 |

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 to the parent company ESTAVIS AG and a number of subsidiaries. Based on its forecasts, the company expects to be able to utilise a portion of the available tax loss carryforwards in the next five financial years. From the deferred tax assets from tax loss carryforwards, TEUR 1,184 (previous year: TEUR 770) are not covered by deferred tax liabilities from temporary differences, but merely projected on the basis of the taxable profits expected. No deferred tax assets were recognised for some existing trade tax loss carryforwards in the amount of TEUR 15,212 (previous year: TEUR 22,335) or existing corporation tax loss carryforwards in the amount of TEUR 7,900 (previous year: TEUR 9,862) as these are no longer expected to be realised with any degree of certainty.

No deferred tax liabilities were recognised on outside basis differences in the amount of TEUR 35 (previous year: TEUR 21) as the Group controls the reversal of the difference and no reversal is to be expected in the foreseeable future.

6.16 Revenues

| | 2011/12 | 2010/11 |
|---|---------|---------|
| | TEUR | TEUR |
| Retail Trading | 38,626 | 52,041 |
| Revenues from transactions fees | 7,137 | 653 |
| Rental income from investment property | 2,487 | 112 |
| Rental income from properties held as inventories | 2,921 | 4,839 |
| Other revenues | 81 | 204 |
| Total | 51,251 | 57,849 |

Unlike for the previous year, the revenue statement includes rental income from properties held as inventories, too. The previous year's figures have been adjusted accordingly.

6.17 Cost of materials

| | 2011/12 | 2010/11 |
|--|---------|---------|
| | TEUR | TEUR |
| Acquisition costs for properties sold and construction costs | 26,651 | 28,153 |
| Services contracted for brokerage transactions | 4,169 | 296 |
| Management costs of investment property | 643 | 63 |
| Management costs of inventory properties | 1,159 | 1,444 |
| Write-downs on inventories | 1,035 | 161 |
| Total | 33,657 | 30,177 |

The cost of materials primarily relates to the carrying amounts of the properties sold in the respective periods and the cost of construction work.

Unlike for the previous year, the management costs of the inventory properties are recognized in the material costs, too. The previous year's figures have been adjusted accordingly.

6.18 Staff costs

The Group employed an average of 42 people over the year (previous year: 48). The staff costs incurred by the Group are composed as follows:

| | 2011/12 | 2010/11 |
|--|---------|---------|
| | TEUR | TEUR |
| Salaries and other benefits | 2,824 | 2,443 |
| Employer contributions to statutory social insurance | 281 | 286 |
| Total | 3,105 | 2,729 |

Employer contributions to statutory social insurance included contributions to statutory pension insurance in the amount of TEUR 163 (previous year: TEUR 163).

6.19 Other operating income and expenses

Other operating income can be broken down as follows:

| | 2011/12 | 2010/11 |
|---|---------|---------|
| | TEUR | TEUR |
| Income from reversals of impairment losses on inventories | 172 | 210 |
| Miscellaneous other operating income | 2,671 | 2,048 |
| Total | 2,843 | 2,258 |

The miscellaneous other operating income includes income from statute-barred liabilities of TEUR 999 (previous year: TEUR 505) and income from the recognition of the negative goodwill from the company acquisition of TEUR 643 the year before.

Unlike for the previous year, the revenue statement posts rental income from properties held as inventories no longer among the other operating income, but among the revenues. The previous year's figures were adjusted by TEUR 4,839 accordingly.

Other operating expenses can be broken down as follows:

| Total | 14,675 | 18,791 |
|--|---------|---------|
| Miscellaneous other operating expenses | 8,581 | 6,477 |
| Costs relating to rental guarantees | 314 | 717 |
| Sales costs | 4,272 | 10,152 |
| Consulting costs | 1,508 | 1,446 |
| | TEUR | TEUR |
| | 2011/12 | 2010/11 |

Miscellaneous other operating expenses include a write-down on securities of TEUR 1 (previous year: TEUR 10) and a write-down on receivables of TEUR 3,058 (previous year: TEUR 1,250).

Unlike for the previous year, the revenue statement posts management costs from inventory properties no longer among the other operating expenses, but among the material costs. The previous year's figures were adjusted by TEUR 1,444 accordingly.

6.20 Capitalised interest expenses in production costs

For construction projects that began after 30 June 2009, interest on borrowed capital in the amount of TEUR 458 (previous year: TEUR 935) was capitalised as production costs of the respective construction projects. Interest rates arise from the bank debt associated with the respective construction project.

6.21 Income tax expense

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

| | 2011/12 | 2010/11 |
|-----------------------------|---------|---------|
| | TEUR | TEUR |
| Current income tax expense | 135 | 311 |
| Deferred income tax expense | -121 | -314 |
| Total | 13 | -3 |

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 | | |
|--|---------|---------|
| | 2011/12 | 2010/11 |
| | TEUR | TEUR |
| Pre-tax profit | -2,937 | 703 |
| Taxes calculated on the basis of the parent's income tax rate | -886 | 212 |
| Effect of: | | |
| Differences in tax rates | 7 | 31 |
| Non-deductible or partially deductible expenses | 35 | 16 |
| Additions and deductions for trade tax purposes | 164 | 192 |
| Tax-free income | -264 | -124 |
| Tax loss carry forwards not recognised | 1,861 | 937 |
| Taxes for previous years | | |
| Original taxes | 138 | -93 |
| Utilisation/reporting of previously unreported loss carry forwards | -1,400 | -1,623 |
| Discontinuation of previously reported loss carry forwards | 337 | 421 |
| Other factors | 23 | 29 |
| Reported income tax expense | 13 | -3 |

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

6.22 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.

| | 2011/12 | 2010/11 |
|--|---------|---------|
| | TEUR | TEUR |
| Net profit attributable to the shareholders of the parent company (TEUR) | -2,950 | 706 |
| Average number of shares in circulation (in thousands) | 14,319 | 10,647 |
| Basic earnings per share (in EUR) | -0.21 | 0.07 |

As a result of the convertible debenture issued before the end of the financial year, there exist 3,578,838 conversion privileges entitling to 1 share each of ESTAVIS AG, which might dilute the earnings per share at some point in the future. The conversion privileges will expire in June 2017. There was no demonstrable dilution effect in the 2011/12 financial year.

In the 2011/12 financial year, no dividend was paid for the previous financial year. In addition, no dividend will be proposed for the financial year 2011/12.

6.23 Consolidated cash flow statement

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

The net cash used in operating activities as determined in accordance with the indirect method amounted to TEUR 1,070 (previous year: TEUR -5,518). This includes income taxes paid in the amount of TEUR 996 (previous year: TEUR 759), income taxes recovered in the amount of TEUR 30 (previous year: TEUR 1,297), interest received in the amount of TEUR 72 (previous year: TEUR 34) and interest paid in the amount of TEUR 5,151 (previous year: TEUR 4,161).

The payment for the company acquisition of TEUR 3,508 in the previous year was reduced by the cash and cash equivalents acquired of TEUR 550.

The liquidity reported under cash and cash equivalents consists of cash-in-hand and bank balances.

6.24 Other financial obligations and contingent liabilities

At the balance sheet date, the company had liabilities under pending purchase agreements involving inventory properties in the amount of TEUR 900 (previous year: TEUR 0). The company has only entered into obligations for the acquisition of property, plant and equipment and intangible assets to an insignificant extent.

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 2012 | 30 June 2011 |
|-----------------------|--------------|--------------|
| | TEUR | TEUR |
| Up to 1 year | 340 | 392 |
| Between 1 and 5 years | 165 | 175 |
| More than 5 years | 0 | 0 |

Via various subsidiaries, the Group is a fully liable partner in several investment companies. This resulted in a liability for their liabilities of TEUR 59,831 (previous year: TEUR 66,589) by the balance sheet date.

6.25 Company acquisition

Last year, on 20 May 2011, the ESTAVIS Group acquired the apartment retailing division of Colonia Real Estate AG against payment of a cash purchase price of TEUR 3,500. This was implemented partly in conjunction with the acquisition of the division's assets and liabilities (asset deal) and partly by acquiring all shares in what is now Estavis Wohneigentum GmbH, Berlin. The main activities of the acquired business include the brokerage of apartment sales for large portfolio holders and the sale of apartments from its proprietary portfolio. The acquisition is expected to boost the Group's "Trade" segment.

The acquisition resulted in negative goodwill in the amount of TEUR 643 that was recognised in profit or loss under the previous year's other operating income.

Since 20 May 2011, the newly acquired companies contributed TEUR 936 to the previous year's revenues and TEUR 142 (not including the gain from the recognition of negative goodwill) to the previous year's consolidated profits. If the acquisition had taken place as early as 1 July 2010, the previous year's consolidated revenues would have amounted to around TEUR 63,567 and the previous year's consolidated profits to around TEUR 1,249.

6.26 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:

| Total liabilities | 96,685 | 94,751 | | 95,124 | |
|------------------------------------|------------------------------------|---------------------------------------|------------------------------------|--|--|
| Other liabilities | 5,612 | 3,678 | AmC | 3,678 | - |
| Trade payables | 13,246 | 13,246 | AmC | 13,246 | - |
| Non-current financial liabilities | 77,827 | 77,827 | AmC | 78,200 | - |
| Total assets | 37,080 | 32,723 | | 32,684 | 1 |
| Cash and cash equivalents | 10,915 | 10,915 | LaR | 10,915 | - |
| Other receivables | 19,909 | 15,552 | LaR | 15,552 | - |
| Trade receivables | 4,520 | 4,520 | LaR | 4,520 | - |
| Miscellaneous financial assets | 1,735 | 1,735 | LaR | 1,696 | - |
| Investments | 1 | 1 | AfS | 1 | 1 |
| Other non-current financial assets | 1,737 | 1,737 | | 1,697 | 1 |
| | TEUR | TEUR | | TEUR | TEUR |
| | Carrying amount 30 June 2012 | of which within scope of IFRS 7 | IAS 39 measurement category* | Fair value of financial instruments within scope of IFRS 7 | of which calculated using stock market prices |

^{*} AFS: Available-for-sale financial assets; L&R: loans and receivables; AmC: amortised cost (financial liabilities recognised at amortised cost); n/a: not applicable

| 18,662 3,598 30,134 61,964 8,628 4,112 | 12,326 3,598 23,798 61,964 8,628 3,597 | LaR LaR AmC AmC AmC | 12,326 3,598 23,750 61,838 8,628 3,597 | - - 4 |
|--|---|--|--|--|
| 3,598 30,134 61,964 | 3,598 23,798 61,964 | LaR | 3,598 23,750 61,838 | - - 4 |
| 3,598 30,134 | 3,598 23,798 | LaR | 3,598 23,750 | - 4 |
| 3,598 | 3,598 | | 3,598 | - - 4 |
| | | | | - |
| 18,662 | 12,326 | LaR | 12,326 | - |
| | | | | |
| 6,209 | 6,209 | LaR | 6,209 | - |
| 1,661 | 1,661 | LaR | 1,613 | - |
| 4 | 4 | AfS | 4 | 4 |
| 1,665 | 1,665 | | 1,617 | 4 |
| TEUR | TEUR | | TEUR | TEUR |
| Carrying amount 30 June 2011 | of which within scope of IFRS 7 | IAS 39 measurement category* | Fair value of financial instruments within scope of IFRS 7 | of which calculated using stock market prices |
| | amount 30 June 2011 TEUR 1,665 | amount 30 June 2011 within scope of IFRS 7 | amount 30 June 2011 within scope of IFRS 7 measurement category* TEUR TEUR 1,665 1,665 | amount 30 June 2011 within scope of IFRS 7 measurement category* of financial instruments within scope of IFRS 7 TEUR TEUR TEUR TEUR 1,665 1,665 1,617 |

^{*} AFS: Available-for-sale financial assets; L&R: loans and receivables; AmC: amortised cost (financial liabilities recognised at amortised cost); n/a: not applicable

Cash and cash equivalents, trade receivables and other receivables predominantly have short remaining terms. Their carrying amounts as of the reporting date are therefore approximately their fair values. The same applies to financial liabilities, trade payables and other liabilities. If the other financial investments are listed on an active market, their market price is the fair value. The fair value of non-current papers not actively traded is also calculated by discounting future cash flows.

Discounting is based on a matched maturity market interest rate. The individual features of the financial instruments being measured are taken into account using standard credit and liquidity spreads.

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 | | n Amortised | l Liabilities neasured at Cost (AmC) to 30 June |
|----------------------------------|---|---------|--|---------|----------------|--|
| | 2011/12 | 2010/11 | 2011/12 | 2010/11 | 2011/12 | 2010/11 |
| | TEUR | TEUR | TEUR | TEUR | TEUR | TEUR |
| Interest income | 195 | 141 | _ | _ | - | - |
| Interest expenses | _ | _ | _ | _ | 4,494 | 4,361 |
| Income from currency translation | _ | _ | - | - | - | _ |
| Expense of currency translation | - | - | - | - | - | - |
| Write-down | 3,058 | 1,250 | 1 | 10 | - | - |
| Appreciation | 7 | 2 | - | - | - | - |
| Gain on disposal | - | - | - | - | - | _ |
| Loss on disposal | - | - | - | - | - | - |
| Net earnings | -2,855 | -1,107 | -1 | -10 | -4,494 | -4,361 |

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 income respectively.

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 cash flows. For a description of the risk management system, please see section 3 and the management report (section 3.1).

Liquidity risk

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

| | 30 June 2012 | | | | | |
|---|--------------------|----------------------------------|--|----------------------------|--|--|
| | Carrying amount | Outflow in next reporting period | Outflow in next but one reporting period | Outflow at a later date | | |
| | TEUR | TEUR | TEUR | TEUR | | |
| Cash outflow for financial liabilities | 77,827 | 50,026 | 6,872 | 27,092 | | |
| Trade payables | 13,246 | 13,246 | - | - | | |
| Other liabilities | 3,678 | 3,678 | - | - | | |
| Cash outflow for trade payables and other liabilities | | 16,924 | _ | - | | |
| Cash outflow for liabilities within scope of IFRS 7 | | 66,950 | 6,872 | 27,092 | | |

| | 30 June 2011 | | | | | |
|---|--------------------|----------------------------------|--|----------------------------|--|--|
| _ | Carrying amount | Outflow in next reporting period | Outflow in next but one reporting period | Outflow at a later date | | |
| | TEUR | TEUR | TEUR | TEUR | | |
| Cash outflow for financial liabilities | 61,964 | 52,884 | 651 | 19,527 | | |
| Trade payables | 8,628 | 8,628 | - | _ | | |
| Other liabilities | 3,597 | 3,597 | - | _ | | |
| Cash outflow for trade payables and other liabilities | | 12,225 | _ | _ | | |
| Cash outflow for liabilities within scope of IFRS 7 | | 65,109 | 651 | 19,527 | | |
| | | | | | | |

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.

The convertible debenture includes a clause pursuant to which a convertible debenture holder has the right to prematurely call the convertible debenture if more than 30% of the shares of ESTAVIS AG are acquired by an investor or a group of investors. This creates a potential liquidity risk for the Group.

The ESTAVIS Group has cash and cash equivalents of TEUR 10,915 (previous year: TEUR 3,598) to cover its liquidity risk. In addition, there are unutilised lines of credit to complete specific projects of TEUR 4,535 (previous year: TEUR 15,001).

Default risk

The maximum default risk of the ESTAVIS Group is determined by the carrying amounts of its financial assets. It is higher as the Group is a fully liable partner in several investment companies through a subsidiary. This resulted in a liability for their liabilities of TEUR 59,831 (previous year: TEUR 66,589) by the balance sheet date.

The following risk concentrations have been identified: As of the balance sheet date, 18.3 % of other receivables relate to one investment company (previous year: 20.1%). On the balance sheet date of the comparative period, TEUR 2,009 (32%) of trade receivables also related to one major customer.

Interest rate risk

The interest rate risk is incurred by concluding floating rate credit facilities. These are predominantly short-term. To a limited extent, changes in interest rates can therefore lead to higher interest payments for the financial liabilities entered into. In the context of interest rate risks, a sensitivity analysis is used to calculate the effects of changes in interest rates on net profit as of the balance sheet date. It is assumed that the respective portfolio of financial instruments subject to interest rate risks on the balance sheet date will be representative for the reporting period and the comparative period. If the market interest rate as of the balance sheet date (reporting date of the comparative period) had been 100 basis points higher (lower), the net interest figure as of the balance sheet date would have been TEUR 323 (previous year: TEUR 416) worse (better).

6.27 Related party transactions

During the 2010/11 financial year, Mr. Florian Lanz, CEO of ESTAVIS AG (until 17 April 2012), and Mr. Eric Mozanowski, member of the Management Board of ESTAVIS AG (until 31 December 2011), assumed guarantees amounting to TEUR 3,500 each for various loans granted to ESTAVIS Group. A remuneration of 5 % p.a. was agreed for each of them. As a result of the loans guaranteed, this guarantee declined to TEUR 1,000 as of the end of the reporting period. During the third quarter of the 2011/12 financial year, another guarantee for a new loan of ESTAVIS Group was granted in an amount of TEUR 1,000 subject to the same conditions.

Mr. Mozanowski acquired four apartments from several member companies at a price of TEUR 388.

The ESTAVIS Group had a current liability of TEUR 272 to its associate SIAG Sechzehnte Wohnen GmbH & Co. KG as of the reporting date. This amount resulted from settlement transactions between the two companies.

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

| | | | 2011/12 | | | 2010/11 |
|--|-------|----------|---------|-------|----------|---------|
| | Fixed | Variable | Total | Fixed | Variable | Total |
| | TEUR | TEUR | TEUR | TEUR | TEUR | TEUR |
| Andreas Lewandowski (since 3 Mai 2012) | 39 | 8 | 47 | - | - | - |
| Jacopo Mingazzini (since 16 March 2012) | 67 | 14 | 81 | - | - | - |
| Florian Lanz (CEO, until 17 April 2012) | 175 | 18 | 193 | 220 | 36 | 256 |
| Eric Mozanowski (until 31 December 2011) | 110 | 11 | 121 | 220 | 36 | 256 |

The Board members who have left the Group remain associated with it via consultancy agreements. For consultancy services provided after vacating their board positions, Florian Lanz and Eric Mozanowski were paid remunerations totalling TEUR 22 and TEUR 60, respectively, during the 2011/2012 financial year.

The member of the Supervisory Board received the following remuneration during the financial year:

| | | | 2011/12 | | | 2010/11 |
|--------------------------------------|-------|----------|---------|-------|----------|---------|
| | Fixed | Variable | Total | Fixed | Variable | Total |
| | TEUR | TEUR | TEUR | TEUR | TEUR | TEUR |
| Dr. Karl-Josef Stöhr (Chairman) | 10 | - | 10 | 10 | _ | 10 |
| Michael Kremer | 5 | - | 5 | 5 | - | 5 |
| Rolf Elgeti (since 18 July 2011) | 5 | - | 5 | - | - | - |
| John W. Cutts (until 1 July 2011) | - | - | _ | 5 | - | 5 |

6.28 Events after the reporting date

In July 2012, ESTAVIS AG prematurely repaid a mezzanine financing in the amount of TEUR 7,000 to reduce the future interest expenditures. This will cause the first quarter of the next financial year to be burdened with an early termination fee of TEUR 535.

Other Disclosures

The auditor performed the following services for the ESTAVIS Group:

| | 2011/12 | 2010/11 |
|--------------------------------|---------|---------|
| | TEUR | TEUR |
| Audits of financial statements | 293 | 258 |
| Other assurance services | 15 | 64 |
| Tax advisory services | _ | _ |
| Other services | _ | _ |
| Total | 308 | 322 |

"Audits of financial statements" include TEUR 1 (previous year: TEUR 17) and the "Other assurance services" TEUR 6 relating to previous years.

The declaration on the Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act was issued on 24 September 2012 and made permanently available to the shareholders on the homepage of ESTAVIS AG (www.estavis.de).

Berlin, 24 September 2012

Andreas Lewandowski

Member of the Management Board

Jacopo Mingazzini

Member of the Management Board

Auditors' Certificate

We have audited the consolidated financial statements, comprising the statement of financial position, the income statement, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows and the notes, as well as the Group management report prepared by ESTAVIS AG, Berlin, for the financial year from 1 July 2011 to 30 June 2012. The preparation of the consolidated financial statements and Group management report in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements of German commercial law under section 315a (1) 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 German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to 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 a test basis 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 reasonable basis for our opinion.

Our audit has not led to any reservations regarding the Group accounting of the company.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to section 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Kehl am Rhein, 24 September 2012 eidel & partner Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Dr. Michael Strickmann Andreas Eidel Auditor Auditor



Other Informations

- 95 Directors and Officers
- 96 Responsibility Statement
- **96** Forward-looking Statements
- 97 Financial Calendar
- 98 Credits

Directors and Officers

Supervisory Board

Dr. Karl-Josef Stöhr (Chairman)

Member of the Supervisory Board since 2006 Lawyer and partner, Sozietät Heuking Kühn Lüer Wojtek, Berlin

Michael Kremer (Deputy Chairman)

Member of the Supervisory Board since 2006

Business Consultant

Other mandates:

Chairman of the Supervisory Board of Deutsche Operating Leasing AG, Frankfurt

Member of the Supervisory Board of Aveco Holding AG, Frankfurt

(Resigned as of 25 August 2011)

Rolf Elgeti

Member of the Supervisory Board since 18 Juli 2011

Chairman of the Management Board of TAG Immobilien AG, Hamburg

Other mandate:

Member of the Supervisory Board of Sirius Real Estate Limited, Guernsey

Management Board

Andreas Lewandowski

First elected: 3 May 2012 Elected until: 30 April 2015

Responsibility on the Board of Management of ESTAVIS AG:

Portfolio

Jacopo Mingazzini

First elected: 16 March 2012 Elected until: 15 March 2015

Responsibility on the Board of Management of ESTAVIS AG:

Trading

Florian Lanz left the company's Management Board with effect from the end of 17 April 2012, as did Eric Mozanowski with effect from the end of 31 December 2011.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Berlin, 24 September 2012

ESTAVIS AG The Executive Board

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 forwardlooking statement, estimate or prediction to become inaccurate.

Financial Calendar 2012/13

2012

| 19 November 2012 | Quarterly report – 1st quarter 2012/13 |
|------------------|---|
| | • , , , , , , , , , , , , , , , , , , , |

2013

11 February 2013 Quarterly report – 2nd quarter / Half year 2012/13

13 May 2013 Quarterly report – 3rd quarter / Nine months 2012/13

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

Credits



ESTAVIS AG Uhlandstraße 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

Management Board

Andreas Lewandowski, Jacopo Mingazzini

Chairman of the Supervisory Board

Dr. Karl-Josef Stöhr, Berlin

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, editing

Goldmund Kommunikation, Berlin www.goldmund.biz

Layout and design

Power-DesignThing GmbH www.derthing.de

Photo

Management Board: Marco Urban

This page is intentionally left blank.

This page is intentionally left blank.



ESTAVIS

REAL ESTATE PERFORMANCE