ESTAVIS AG

THE REAL ESTATE INVESTMENT GROUP

# INTERIM REPORT

## Third Quarter 2007/2008

# OVERVIEW KEY FINANCIAL DATA

| ESTAVIS AG | 3rd quarter 07/08<br>Jan. 1, 2008 – March 31, 2008 | 3rd quarter 06/07<br>Jan. 1, 2007 – March 31, 2007 | 9 months 07/08<br>July 1, 2007 – March 31, 2008 | 9 months 06/07<br>July 1, 2006 – March 31, 2007 |
|---|---|---|---|---|
| Revenues and earnings | EUR m | EUR m | EUR m | EUR m |
| Revenues | 17.8 | 31.0 | 122.5 | 110.7 |
| Total operating performance | 24.6 | 31.6 | 119.2 | 111.4 |
| EBIT | –4.8 | 2.0 | –0.4 | 11.5 |
| Pre-tax profit | –5.6 | 1.6 | –2.6 | 10.2 |
| Net profit | –4.2 | 1.1 | –1.5 | 6.3 |

| ESTAVIS AG | March 31, 2008 | June 30, 2007 |
|---|---|---|
| Structure of assets and capital | EUR m | EUR m |
| Non-current assets | 40.0 | 32.6 |
| Current assets | 220.2 | 144.8 |
| Equity | 100.7 | 96.2 |
| Equity ratio | 39 % | 54 % |
| Total assets/equity and liabilities | 260.3 | 177.3 |

ESTAVIS AG

| Share | |
|---|---|
| ISIN | DE000A0KFKB3 |
| German Securities Code Number (WKN) | A0KFKB |
| Trading symbol | E7S |
| Number of shares on March 31, 2008 | 8,099,427 |
| Free float | 33 % |
| Issue date | April 2, 2007 |
| Issue price | EUR 28.00 |
| Share price high (July 2, 2007 – March 31, 2008*) | EUR 29.40 |
| Share price low (July 2, 2007 – March 31, 2008*) | EUR 6.80 |
| Closing price on March 31, 2008* | EUR 7.17 |
| Market capitalisation on March 31, 2008* | EUR 58 million |

* Closing prices in Xetra trading

# CONTENT

# LETTER TO THE SHAREHOLDERS

Dear Shareholders,
dear Ladies and Gentlemen,

ESTAVIS‘ share price performance over recent weeks and months has been very disappointing. In our opinion, the current share price in no way reflects the value of our company and its positive outlook. Instead, it is the result of a massive withdrawal of institutional investors from the real estate sector in the wake of the global financial crisis. As these investors make up a large proportion of ESTAVIS’ shareholders, our share price has been significantly impacted by this development.

In our opinion the current share price represents an attractive opportunity for investors to participate in our future business development.

Operating activities developed in line with our expectations in the first nine months of 2007/2008. While revenue from portfolio trading declined to EUR 72 million as a result of the difficult financing conditions for institutional investors, sales of apartments to private investors rose to an encouraging EUR 49 million.

Total revenues for the first nine months increased by 11 % year-on-year from EUR 111 million to EUR 122 million. Furthermore, a transaction volume of around EUR 50 million was notarised as of March 31, 2008.

Adjusted for non-recurring effects, earnings before interest and taxes (EBIT) amounted to EUR 5.7 million. Non-recurring effects in the amount of EUR –6.1 million are primarily attributable to the purchase price allocation according to IFRS for the acquisition of the HAG Group and B&V GmbH, and did not affect the company’s cash flow. The income generated by these companies will contribute to ESTAVIS AG’s EBIT from the start of the 2008/2009 financial year (July 1, 2008).

These non-recurring effects mean that net profit for the first nine months (EUR – 1,5 million) and earnings per share (EUR –0.13) are only comparable with the prior-period amounts to a limited extent and do not allow a meaningful assessment of the real earnings power of ESTAVIS AG.

### Leading postion for the sale of apartments to private investors

With the sale of 639 apartments to private investors by the end of the third quarter, the ESTAVIS Group has established itself among the German market leaders benefiting from the high level of interest in tailored real estate solutions for pension provision and tax-optimised investment purposes.

B&V Bauträger- und Vertriebsgesellschaft für Immobilien mbH, Berlin (B&V GmbH) is a wholly-owned subsidiary of ESTAVIS AG specialising in the renovation and sale of listed properties. The applicable tax depreciation allowances and attractive rental yields offered by such properties means that they are used for asset accumulation and post-retirement capital protection alike. With a portfolio of renovation properties comprising several thousand square metres of rental space and a heightened sales presence as a result of its membership of the ESTAVIS Group, the conditions for B&V’s sustained dynamic growth are in place.

### Expansion of property development activities

In particular, the development of commercial properties in Germany offers a high level of growth potential. Accordingly, we are expanding our activities in the area of property development in a targeted manner as part of the strategic diversification of our business model. We have formed a joint venture with an established property developer with a view to developing and marketing a number of retail and commercial centres in Stuttgart, Pforzheim and Limburg, Germany, with a total investment volume of around EUR 14 million. The properties are scheduled to be completed in the 2008/2009 financial year. The first contributions to earnings from the joint venture are expected to be recorded in the current financial year.

### ESTAVIS Property Management: break-even ahead of schedule

ESTAVIS Property Management GmbH, a subsidiary of ESTAVIS AG, has substantially expanded the number of property assets under its management. By taking over an extensive management mandate, the company is about to expand its managed portfolio from currently 4,000 to roughly 9,000 units by mid-2008. This means it will reach its break-even point ahead of schedule. Beyond that, the company has an option to take over another 5,000 to 6,000 units, beginning in early 2009.

### Attractiveness of German real estate market offers growth potential for ESTAVIS

According to a number of recent surveys, institutional investors in Germany and abroad still consider the German real estate market to offer highly attractive investment conditions due to the relatively low level of real estate prices compared with other European countries and the prospects for rental growth. Accordingly, around 70% of the investors surveyed are planning to increase their investments in the German market.

Financially and strategically, ESTAVIS AG is in an excellent position to benefit from the potential offered by the German real estate market on a sustainable basis.

We are confident that our company's excellent business prospects and stable financial base will be reflected in its share price in future.

| | | |
|---|---|---|
| Rainer Schorr<br>*Chief Executive Officer (CEO)* | Corina Büchold<br>*Member of the Management Board* | Hans Wittmann<br>*Member of the Management Board* |

# THE ESTAVIS SHARE

ESTAVIS' share price has fallen significantly over recent weeks and months. The global financial crisis has seen a withdrawal of institutional investors from the real estate sector in particular. As these investors make up a large proportion of ESTAVIS' shareholders, our share price has been impacted to an above-average extent by this development.

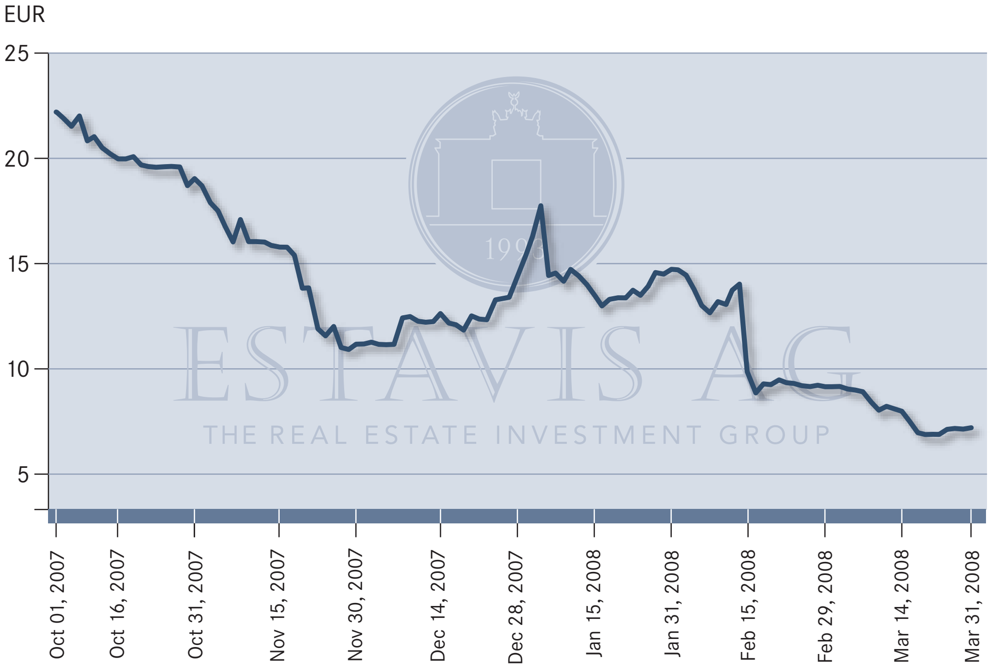
In the opinion of the Management Board, the company's current share price does not reflect its healthy asset situation and positive future prospects.

The Management Board of ESTAVIS AG is confident that the current share price represents an attractive opportunity for investors to participate in the company's future business development. Based on a share price of EUR 5.50 (as of May 3, 2008), the company's market capitalisation amounts to roughly EUR 44 million, meaning that it is trading at a significant discount to equity (around EUR 100 million).

According to most of the latest analyst valuations, ESTAVIS' shares currently offer a substantial degree of upside potential:

- WestLB, "Buy", target price EUR 13
- SES Research, "Buy", target price EUR 15
- SRC Research, "Buy", target price EUR 15
- Cazenove, "Underperform", no target price

**ESTAVIS share price development from October 1, 2007 to March 31, 2008**



# INTERIM MANAGEMENT REPORT

### Preliminary Remarks

The latest external growth measures implemented by ESTAVIS AG mean that the figures for the period under review are only comparable with the prior-period amounts to a limited extent. The consolidated financial statements for the first nine months of the 2007/2008 financial year include the figures of Hamburgische Immobilien Invest SUCV AG (HAG Group), which was acquired with effect from March 31, 2007. Also, starting with the second quarter of the current financial year, figures of the newly acquired B&V Bauträger und Vertriebsgesellschaft für Immobilien mbH, Berlin, and the affiliated company Protect Vermittlungsgesellschaft für Kapitalanlagen mbH, Stuttgart (B&V Group), have been comprised.

## 1 BUSINESS PERFORMANCE AND FINANCIAL POSITION

### 1.1 Important business occurrences and events

The crisis on the global real estate and financial markets intensified in the third quarter. The ESTAVIS Group was unable to escape the far-reaching consequences of this crisis, and in particular the negative sentiment among institutional investors. This had a corresponding impact on its business development, especially in the volatile core segment of portfolio trading. However, sales of apartments to private investors were subject only to the normal seasonal fluctuations and generally developed in line with expectations.

ESTAVIS' strategic focus on reducing its dependence on its main revenue driver – portfolio trading – by diversifying its product and service range led to the acquisition of the B&V Group in the second quarter. Following the implementation of this strategic measure, the sale of apartments to private investors made a key contribution to the stabilisation of the Group's economic development as expected.

As part of its growth and diversification strategy, the ESTAVIS Group is expanding its activities in the area of property development. To this end, a joint venture was formed with an established property developer in the third quarter with the aim of developing and marketing a number of retail and commercial centres in the Stuttgart, Pforzheim and Limburg areas. The total volume of the planned investments is around EUR 14 million. The properties are expected to be completed and marketing measures initiated in the 2008/2009 financial year.

The expansion of the company's service range for closed-end property funds is currently in the design phase, the aim being to create attractive alternatives for private investors. ESTAVIS expects to be able to leverage significant synergy effects from the Group's current sales activities.

### 1.2 Earnings situation

The reluctance of institutional buyers to invest in property as a result of the crisis on the real estate and financial markets meant that the muted business development in the 2007/2008 financial year continued in the third quarter. Portfolio revenues in the third quarter fell by EUR 19.8 million as against the comparison period, while the figure for the first nine months of 2007/2008 financial year was around EUR 38.1 million lower than in the same period of the previous year. Despite the unfavorable economic conditions, ESTAVIS Group succeeded in continuing on its growth path due to the revenue expansion in the sale of apartments as a result of external growth measures taken in the second quarter of the financial year. The company generated total revenues of EUR 122.5 million in the first nine months of the financial year, compared with EUR 110.7 million in the corresponding prior-year period. Revenues were attributable to the company's business segments as follows:

- Property trading EUR 121.7m (previous year: EUR 110.7m)
- Property asset management EUR 0.8m (previous year: EUR 0.0m)

The revenues generated in the first nine months of 2007/2008 are based on a business volume of 2,026 sold units (previous year: 2,653) with a total residential and useful area of 129,046 m² (previous year: 147,780 m²).

With regard to the ESTAVIS Group's revenue development, it should be noted that a significant transaction and sales volume was not yet been recognised in income at the balance sheet date. These transactions related to 516 units with a total residential and useful area of 27,554 m² and a total sales value of around EUR 50.0 million. This meant that the provisional revenue potential was significantly higher than at the end of the same period of the previous year, when unrecognised transactions consisted of 33 units with a total residential and useful area of 2,626 m² and a total sales value of around EUR 2.3 million.

Adjusted for changes in inventories, the gross margin (gross profit/revenues) for the first nine months declined from 17.0 % year-on-year to 14.7 %. The revenue development presented above meant that earnings before interest and taxes (EBIT) were slightly negative at EUR –0.4 million, compared with the positive figure of EUR 11.5 million recorded in the prior-year period. Accordingly, the Group recorded a net loss of EUR 1.5 million in the first nine months of the 2007/2008 financial year after a net profit of EUR 6.3 million in the previous year. The EBIT margin (EBIT/revenues) declined from 10.4 % to –0.4 % year-on-year, while the return on sales (net profit/revenues) fell from 5.7 % to -1.2 %.

The development of the Group's earnings and profitability was impacted by the following factors: The contribution to earnings from the HAG Group and the B&V Group in the period under review related primarily to revenues that were already contractually agreed when the respective companies were acquired. The corresponding property portfolios were revalued in the course of purchase price allocation, impacting EBIT to the tune of EUR 5.3 million in the first nine months of 2007/2008. The effect of purchase price allocation described above serves to underline the significant future earnings potential offered by the Group's expansion.

EBIT also included substantial start-up costs for ESTAVIS' property and asset management activities, which totalled around TEUR 800. The company now has 26 employees. The aim of this expansion of the Group's activities is to supplement the range of services offered to buyers of property portfolios in particular. Initial operations in this area have been successful. At 4,000 units, the property volume under management is higher than originally expected, with further increases already contractually agreed.

Net profit for the current financial year was positively impacted in the amount of TEUR 583 as a result of one-time effects in deferred tax receivables and liabilities as a result of the changes arising from the 2008 German corporation tax reform.

### 1.3 Financial and assets position

The increase in total assets from EUR 177.3 million at June 30, 2007 to EUR 260.3 million is primarily attributable to the effects of the expansion of the ESTAVIS Group's business activities, and in particular the acquisition of the B&V Group in the second quarter. This resulted in a sharp increase in goodwill, inventories and other receivables in the amount of EUR 114.4 million. As a result of the lower transaction volume in the third quarter, trade receivables declined by EUR 22.0 million to EUR 28.2 million as of March 31, 2008.

The growth measures implemented by the Group resulted in an increase in financial liabilities of EUR 60.8 million. This primarily relates to liabilities to banks. Other current liabilities also increased by EUR 14.8 million.

The ESTAVIS Group's equity ratio declined from 54.2 % at June 30, 2007 to 38.7 % at March 31, 2008, largely as a result of the sharp increase in total equity and liabilities. Despite the effects of its expansion, the Group's financial situation and liquidity position remain stable. Cash and cash equivalents and working capital (current assets less current liabilities) remained essentially unchanged at a high level of EUR 28.3 million (June 30, 2007: EUR 36.0 million) and EUR 82.6 million (June 30, 2007: EUR 80.9 million) respectively. Cash and cash equivalents continue to account for a large proportion of total assets (10.9 %; June 30, 2007: 20.3 %), albeit that this relation has declined as a result of the growth measures implemented by the ESTAVIS Group in the second quarter and its economic development in the third quarter.

## 2 RISK REPORT

The ESTAVIS Group has implemented a risk management system that is designed to allow the early recognition and appropriate communication of significant risk factors arising from its business activities that could be of relevance to its earnings situation or its continued existence. The risk management system allows action to be taken against potentially unfavourable developments and events in a timely manner and, where required, facilitates the implementation of countermeasures before any significant damages are incurred.

Based on the available information, the Management Board of ESTAVIS AG currently sees no specific risks that could either individually or cumulatively endanger the continued existence of the company or have a significant negative impact on its asset, finance and earnings position. The risks presented in the risk report in the Group Management Report for the 2006/2007 financial year generally still apply; accordingly, reference should be made to the information contained therein.

It should also be noted that the turbulence on the global property and financial markets arising from the mortgage crisis in the USA and the resulting macroeconomic uncertainty has intensified further. Although the current recession in the USA is not expected to carry over to the German economy, growth forecasts for Germany have been reduced slightly, which could have a negative effect on the real estate market.

Although the ESTAVIS Group is not directly affected by the property and financial crisis, the resulting uncertainty on the domestic and global financial markets has had a detrimental effect on the financing conditions of institutional investors in particular. Despite the appeal of the German property market in terms of potential yields, investments in German property are suffering from a certain degree of restraint at present; however, the Management Board believes that this development will be only temporary. While this has had a negative impact on the Group's portfolio business, no corresponding effect has yet been observed in the area of residential sales to private investors. However, the possibility that this business area will also be affected in the event of a sustained property and financial crisis cannot be excluded.

## 3 FORECAST REPORT

The insecurity on the international financial markets continues to have detrimental effects on the financing conditions for portfolio transactions. Against the backdrop of the current business performance and the status of the portfolio transactions under negotiation, the Management Board believes that the outlook for the current financial year communicated in February 2008 is still within ESTAVIS AG's reach.

We expect sales to grow slightly compared to last year (EUR 198 million). With regard to yield development, we expect to record an EBIT margin before non-recurring effects of around 10 % of total revenue in the 2007/2008 financial year. The B&V Group is expected to make a significant contribution to achieving these targets.

On the basis of the available information, we currently regard as realistic the forecast statements for the future course of business and the influencing factors judged decisive. However, they naturally involve the risk that the expected developments will not actually occur either in terms of their trend or their extent.

## 4 SUPPLEMENTARY REPORT

No further events occurred after the end of the reporting period which are of particular significance to the commercial development of the ESTAVIS Group.

## CONSOLIDATED INTERIM BALANCE SHEET – ASSETS

ESTAVIS AG

| Assets | March 31, 2008<br>TEUR | June 30, 2007<br>TEUR |
|---|---|---|
| **Non-current assets** | | |
| Goodwill | 20,606 | 11,492 |
| Other intangible assets | 90 | 50 |
| Property, plant and equipment | 953 | 775 |
| Investment property | 13,788 | 16,939 |
| Investments in associates | 0 | 917 |
| Other non-current financial assets | 226 | 721 |
| Deferred income tax receivables | 4,372 | 1,668 |
| **Total** | **40,035** | **32,563** |
| | | |
| **Current assets** | | |
| Inventories | 110,768 | 23,057 |
| Trade receivables | 28,164 | 50,139 |
| Other receivables | 52,865 | 35,323 |
| Current income tax receivables | 124 | 185 |
| Cash and cash equivalents | 28,309 | 36,048 |
| **Total** | **220,229** | **144,753** |
| **Total assets** | **260,264** | **177,316** |

# CONSOLIDATED INTERIM BALANCE SHEET – EQUITY AND LIABILITIES

ESTAVIS AG

| | March 31, 2008 | June 30, 2007 |
|---|---|---|
| **Equity** | TEUR | TEUR |
| Issued capital | 8,099 | 7,724 |
| Capital reserves | 77,065 | 70,577 |
| IAS 39 reserve | 0 | 73 |
| Retained earnings | 5,843 | 7,280 |
| Equity attributable to the shareholders of the parent company | 91,007 | 85,654 |
| Minority interests | 9,728 | 10,514 |
| **Total equity** | **100,735** | **96,168** |
| | | |
| **Liabilities** | | |
| **Non-current liabilities** | | |
| Provisions | 416 | 341 |
| Non-current financial liabilities | 15,427 | 14,243 |
| Deferred income tax liabilities | 6,019 | 2,666 |
| **Total non-current liabilities** | **21,862** | **17,250** |
| | | |
| **Current liabilities** | | |
| Provisions | 4,799 | 5,506 |
| Current financial liabilities | 92,680 | 33,022 |
| Advance payments received | 8,037 | 768 |
| Current income tax liabilities | 8,094 | 5,553 |
| Trade payables | 5,090 | 3,443 |
| Other liabilities | 18,965 | 15,606 |
| **Total current liabilities** | **137,667** | **63,898** |
| **Total equity and liabilities** | **260,264** | **177,316** |

# CONSOLIDATED INTERIM INCOME STATEMENT

| ESTAVIS AG | 3rd quarter 07/08<br>Jan. 1, 2008 –<br>Mar. 31, 2008 | 3rd quarter 06/07<br>Jan. 1, 2007 –<br>Mar. 31, 2007 | 9 months 07/08<br>July 1, 2007 –<br>Mar. 31, 2008 | 9 months 06/07<br>July 1, 2006 –<br>Mar. 31, 2007 |
|---|---|---|---|---|
| | TEUR | TEUR | TEUR | TEUR |
| Revenues | 17,812 | 30,967 | 122,463 | 110,706 |
| Change in investment property | 0 | 0 | –170 | 0 |
| Other operating income | 1,555 | 344 | 3,109 | 531 |
| Changes in inventories | 5,203 | 304 | –6,228 | 170 |
| **Total operating performance** | **24,570** | **31,616** | **119,174** | **111,407** |
| Cost of materials | 22,315 | 25,902 | 98,179 | 92,109 |
| Staff costs | 1,247 | 495 | 4,480 | 1,526 |
| Depreciation and amortisation | 100 | 37 | 226 | 78 |
| Other operating expenses | 5,685 | 4,157 | 16,615 | 7,146 |
| **Operating profit** | **–4,776** | **1,024** | **-326** | **10,548** |
| **Net income from associates** | **–48** | **926** | **–106** | **926** |
| Interest income | 875 | 67 | 2,301 | 254 |
| Interest expenses | 1,689 | 380 | 4,513 | 1,550 |
| **Financial result** | **–814** | **–312** | **–2,211** | **–1,295** |
| **Pre-tax profit** | **–5,638** | **1,638** | **–2,644** | **10,179** |
| Income taxes | –1,475 | 545 | –1,163 | 3,835 |
| **Net profit** | **–4,163** | **1,093** | **–1,481** | **6,344** |
| attributable to parent company shareholders | –3,787 | 1,098 | –1,051 | 6,301 |
| attributable to minority interests | –375 | –4 | –430 | 43 |
| **Earnings per share (EUR)** | **–0.48** | **0.22** | **–0.13** | **1.26** |

# CONSOLIDATED INTERIM CASH FLOW STATEMENT

ESTAVIS AG

| | | 9 months 07/08<br>July 1, 2007 – March 31, 2008<br>TEUR | 9 months 06/07<br>July 1, 2006 – March 31, 2007<br>TEUR |
|---|---|---|---|
| | Net profit | –1,481 | 6,344 |
| + | Depreciation/amortisation of non-current assets | 226 | 78 |
| +/– | Increase/decrease in provisions | –4,714 | 4,297 |
| +/– | Change in investment property | 170 | 0 |
| +/– | Other non-cash expenses/income | 386 | –299 |
| –/+ | Gains/losses from the disposal of non-current assets | –22 | 4 |
| –/+ | Increase/decrease in inventories, trade receivables and other assets that are not attributable to investing or financing activities | –36,179 | –44,087 |
| +/– | Increase/decrease in trade payables and other liabilities that are not attributable to investing or financing activities | 39,308 | 24,799 |
| **=** | **Cash flow from current operating activities** | **–2,304** | **–8,864** |
| | Payments received from the disposal of property, plant and equipment | 23 | 5 |
| + | Payments received for the disposal of financial assets | 322 | 0 |
| + | Payments received from the disposal of investment property | 3,020 | 0 |
| – | Payments for investments in intangible assets | –55 | –24 |
| – | Payments for investment property | –1 | 0 |
| – | Payments for investments in property, plant and equipment | –364 | –155 |
| – | Payments for investments in non-current financial assets | –2 | –65 |
| + | Payments from the additions of fully consolidated companies | 0 | 3,057 |
| + | Payments from the disposal of fully consolidated companies | 0 | 5 |
| – | Payments from the additions of fully consolidated companies | –8,048 | 0 |
| **=** | **Cash flow from investing activities** | **–5,105** | **2,823** |
| | Payments made by shareholders | 25 | 0 |
| – | Payments to shareholders | –767 | 0 |
| + | Payments from issuing bonds and raising (financial) loans | 2,589 | 0 |
| – | Repayment of bonds and financial loans | –2,176 | –16 |
| **=** | **Cash flow from financing activities** | **–330** | **–16** |
| | Net change in cash and cash equivalents | –7,739 | –6,057 |
| + | Cash and cash equivalents at the beginning of the period | 36,048 | 13,807 |
| **=** | **Cash and cash equivalents at the end of the period** | **28,309** | **7,750** |

# CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

## for the period from July 1, 2007 to March 31, 2008

| ESTAVIS AG | Issued capital | Capital reserves | IAS 39 reserve | Retained earnings | Equity attributable to the shareholders of the parent company | Minority interests | Total |
|---|---|---|---|---|---|---|---|
| | TEUR | TEUR | TEUR | TEUR | TEUR | TEUR | TEUR |
| **As of July 1, 2007** | **7,724** | **70,577** | **73** | **7,280** | **85,654** | **10,514** | **96,168** |
| Changes in the value of available-for-sale financial assets | – | – | –73 | – | –73 | – | **–73** |
| Net profit for the period July 1, 2007 – March 31, 2008 | – | – | – | –1,051 | –1,051 | –430 | **–1,481** |
| **Total recognised income and expenses** | – | – | **–73** | **–1,051** | **–1,123** | **–430** | **–1,553** |
| Capital increase | – | – | – | – | 0 | 25 | **25** |
| Capital increase against contributions in kind (acquisition of B&V Group) | 375 | 6,488 | – | – | 6,863 | – | **6,863** |
| Acquisition of shares of consolidated companies | – | – | – | –386 | –386 | –382 | **–767** |
| **As of March 31, 2008** | **8,099** | **77,065** | **0** | **5,843** | **91,007** | **9,728** | **100,735** |

## for the period from July 1, 2006 to March 31, 2007

| ESTAVIS AG | Issued capital | Capital reserves | IAS 39 reserve | Retained earnings | Equity attributable to the shareholders of the parent company | Minority interests | Total |
|---|---|---|---|---|---|---|---|
| | TEUR | TEUR | TEUR | TEUR | TEUR | TEUR | TEUR |
| **As of July 1, 2006** | **3,451** | **0** | **–55** | **62** | **3,458** | **2** | **3,461** |
| Changes in the value of available-for-sale financial assets | – | – | 74 | – | 74 | 4 | **77** |
| Net profit for the period July 1, 2006 – March 31, 2007 | – | – | – | 6,301 | 6,301 | 43 | **6,344** |
| **Total recognised income and expenses** | **–** | **–** | **74** | **6,301** | **6,374** | **47** | **6,421** |
| Capital increase from retained earnings | 1,549 | 0 | 0 | –1,549 | 0 | 0 | **0** |
| Capital increase in kind | 724 | 19,560 | – | – | 20,284 | 0 | **20,284** |
| Capital increase for cash | 2,000 | 54,000 | – | – | 56,000 | 0 | **56,000** |
| Equity raising costs (after tax) | – | –2,982 | – | – | –2,982 | 0 | **–2,982** |
| Change in consolidated group | – | – | – | – | 0 | 10,034 | **10,034** |
| **As of March 31, 2007** | **7,724** | **70,577** | **19** | **4,814** | **83,134** | **10,083** | **93,217** |

# SELECTED DISCLOSURES ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1 BASIC INFORMATION

ESTAVIS AG and its subsidiaries trade in property upon which they undertake maintenance work partly for the purpose of resale. Furthermore, property is held as financial investments. The company is domiciled in Berlin, Germany. The company's shares are listed on the Frankfurt Stock Exchange for trading on the Regulated Market (Prime Standard).

On March 31, 2008, ESTAVIS AG acted as operating holding company of numerous special purpose entities. Its major operating investments are the 80.36 % stake in Hamburgische Immobilien Invest SUCV AG, Hamburg (HAG Group), which itself holds 54.76 % in the operating CWI Real Estate AG, Bayreuth, as well as a direct 2.0 % stake in CWI Real Estate AG itself. It also has a 100 % stake in the operating B&V Bauträger- und Vertriebsgesellschaft für Immobilien mbH, Berlin (B&V).

The figures in the reporting period are comparable only to a limited extent with those of the previous year's period in view of the expansion of the consolidated group following the addition of the HAG Group and B&V Group as well as the significantly strengthened equity base due to the IPO of the company.

These condensed consolidated interim financial statements were approved for publication by the company's Management Board in May 2008. The condensed consolidated interim financial statements were not checked by an auditor and subjected to review.

## 2 SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements for the third quarter of the 2007/2008 financial year ended March 31, 2008, were compiled in accordance with the regulations of IAS 34, 'Interim Reporting' included in the directives of European law. The condensed consolidated interim financial statements should be read in connection with the most recent consolidated financial statements of ESTAVIS AG as at June 30, 2007.

The accounting methods employed in the condensed consolidated interim financial statements are equivalent to those on which the consolidated financial statements as at June 30, 2007 are based, with the exception of two changes in reporting and presentation.

In the consolidated financial statements for the 2007/2008 financial year, the following new and/or amended accounting standards and interpretations must be applied:

| Standard/Interpretation | | amended/new |
|---|---|---|
| IAS 1 | Presentation of Financial Statements | amended |
| IAS 32 | Financial Instruments: Presentation | amended |
| IFRS 7 | Financial Instruments: Disclosures | new |
| IFRIC 10 | Interim Financial Reporting and Impairment | new |
| IFRIC 11 | IFRS 2: Group and Treasury Share Transactions | new |

The first-time application of the new accounting regulations did not impact the IFRS interim financial statements of ESTAVIS AG and will have no effect on the IFRS consolidated financial statements for the 2007/2008 financial year, with the exception of several additional statements in the notes. None of the regulations have been applied early.

The changes in reporting as against the most recent consolidated financial statements concern, on the one hand, reporting of minority interests in subsidiaries with the legal form of partnerships. Up until now, these minority interests were reported separately in the Group's liabilities and the change to these liability items reported separately in the income statement. Due to the materially reduced significance of these items for the Group, they will be reported in the balance sheet under the items financial liabilities and the corresponding expenses and income reported in the income statement under the items interest income and interest expenses.

The second change concerns the allocation of cash flows from raising and repayment of credit for refinancing inventory property. These cash flows were previously reported in the cash flow statement from financing activities. In cases where property was sold partly against the assumption of credit in connection with their refinancing (typical of share deals), this led to transactions with a negative cash flow from operating activities and a positive financing cash flow being shown in the cash flow statement. To avoid this separated presentation, cash flows from raising and repayment of credit for refinancing inventory property are allocated to cash flow from operating activities. Regardless of whether a property purchase takes place in part against the assumption of credit liabilities, a positive cash flow from ordinary operations is now shown if the sales price exceeds the costs of the property and a negative cash flow is shown if the sales price is below the costs of the property. The meaningfulness of the cash flow statement will thereby be improved.

In view of both changes in reporting and presentation, the values for the comparable period were also adjusted.

All amounts in the balance sheet, income statement, statement of changes in equity and cash flow statement as well as in the notes and tabular overviews are given in thousands of euros (TEUR), unless otherwise noted. Both individual and total figures represent the value with the smallest rounding difference. Small differences can therefore occur between the sum of the individual values represented and the reported totals.

## 3 CONSOLIDATED GROUP

As at March 31, 2008, ESTAVIS AG included 62 subsidiaries in the condensed consolidated interim financial statements. Since the most recent consolidated financial statements as at June 30, 2007, the consolidated group has grown with the acquisition of two special-purpose entities founded in the first quarter of the current financial year. The Group's stake in ESTAVIS Property Management GmbH declined from 100 % to 50.1 % as a result of other shareholders being taken up. In the second quarter of the current financial year the consolidated group grew with the acquisition of B&V and its affiliate Protect (see under 4.6 Corporate acquisitions for further details). In addition, four further new special-purpose entities were included in the consolidated financial statements. One special-purpose entity was partially disposed of to leave a residual stake of 5.5 % as part of a share deal. A further three special-purpose entities were included in consolidation in the third quarter of the current financial year. A new joint venture was also proportionately consolidated for the first time.

## 4 SUPPLEMENTARY NOTES TO THE INDIVIDUAL ITEMS OF THE INTERIM FINANCIAL STATEMENTS

### 4.1 Segment information

The segment results for the first nine months and the third quarter of the 2007/2008 financial year are as follows. During the first nine months of the previous year, the whole of the Group's activities related to the property trading segment.

**Segment data for the period from July 1, 2007 to March 31, 2008**

| | Trading | Investment property | Unallocated | Group |
|---|---|---|---|---|
| | TEUR | TEUR | TEUR | TEUR |
| Revenues (external only) | 121,659 | 804 | – | 122,463 |
| **Segment result** | **–519** | **177** | **–** | **–342** |
| Currency gains | | | | 16 |
| Operating result | | | | –326 |
| Net income from investments consolidated valued at-equity | –106 | – | – | –106 |
| Financial result | | | | –2,211 |
| Net profit before income taxes | | | | –2,644 |

**Segment data for the period from January 1, 2008 to March 31, 2008 (third quarter)**

| | Trading | Investment property | Unallocated | Group |
|---|---|---|---|---|
| | TEUR | TEUR | TEUR | TEUR |
| Revenues (external only) | 17,573 | 239 | – | 17,812 |
| **Segment result** | **–4,888** | **112** | **–** | **–4,776** |
| Currency gains | | | | 0 |
| Operating result | | | | –4,776 |
| Net income from investments consolidated valued at-equity | –48 | – | – | –48 |
| Financial result | | | | –814 |
| Net profit before income taxes | | | | –5,638 |

### 4.2 Other non-current financial assets

An impairment loss of TEUR 191 was recognised on a share portfolio reported in other non-current financial assets as its market value had fallen significantly below its original cost. The corresponding expense is reported in other operating expenses.

### 4.3 Equity

The subscribed capital of ESTAVIS AG on the interim reporting date amounts to EUR 8,099,427, with an equivalent number of shares issued. It has been boosted by a capital increase against contribution in kind of TEUR 375 which was carried out on October 31, 2007 and entered in the commercial register on December 27, 2007. The contribution in kind comprised investments in the companies of B&V Group (see under 4.6 Corporate acquisitions for further details).

### 4.4 Income tax expense

Due to the changes arising from the 2008 German corporation tax reform, different tax rates are to be applied to deferred tax receivables and liabilities. The parent company's tax rate has decreased from 39 % to 30.175 %. The discontinuation of partial tax relief at a subsidiary has a counter effect. In net terms, a tax benefit of TEUR 353 arises as a result of the amended tax rates.

### 4.5 Related party transactions

In the first nine months, neither significant new transactions with related parties have occurred, nor were transactions which were reported in the Notes to the Consolidated Financial Statements for the financial year 2006/2007, changed or discontinued in the reporting period.

### 4.6 Corporate acquisitions

On October 31, 2007, against the issue of 375,000 shares with a value of EUR 18.30 each and a cash purchase price of TEUR 11,825, the ESTAVIS Group acquired 100 % of interest in B&V Bauträger und Vertriebsgesellschaft für Immobilien mbH, Berlin, and in its affiliate Protect Vermittlungsgesellschaft für Kapitalanlagen mbH Grundstücksvermittlung, Stuttgart (hereinafter referred to collectively as B&V). The companies of the B&V Group operate in property trading, primarily in the marketing of listed residential property in need of renovation.

The following purchase price allocation is still temporary.

The goodwill acquired can (for the time being) be calculated as follows:

**Calculation of goodwill**

| | TEUR |
|---|---|
| Value of shares issued | 6,863 |
| Cash purchase price | 11,825 |
| Costs directly attributable to the acquisitions | 473 |
| **Total cost** | **19,161** |
| **Fair value of net assets acquired** | **10,048** |
| **Goodwill** | **9,113** |

The goodwill resulting from the acquisitions is due to the good market position of the companies acquired and their expected growth rates as well as their anticipated synergies with the business of the ESTAVIS Group to date.

The assets and liabilities of the two companies acquired are composed as follows:

**Net assets acquired**

| | Fair value | Carrying amount at companies acquired |
|---|---|---|
| | TEUR | TEUR |
| Cash and cash equivalents | 4,250 | 4,250 |
| Property, plant and equipment | 145 | 145 |
| Properties held as inventories | 38,435 | 20,555 |
| Receivables | 9,569 | 9,569 |
| Provisions | –1,652 | –1,652 |
| Liabilities | –36,387 | –36,387 |
| Deferred taxes | –4,312 | 224 |
| **Net assets acquired** | **10,048** | **–3,297** |

The definitive purchase price will depend especially on the results of the tax audit of the companies acquired for the financial years ending prior to January 1, 2007. If deviations from the tax debt assumed to date should result, these will give rise to corresponding adjustments of the purchase price.

Since November 1, 2007, the newly acquired companies have contributed some EUR 24.5 million to revenues and TEUR –803 to net profit.

### 4.7 Employees

The ESTAVIS Group employed 108 staff at the end of the quarter. The figure was 48 on March 31, 2007. On average, 34 employees were operating in the Group during the last financial year. The increased number was primarily the result of the take-over of the HAG Group and B&V and the founding of ESTAVIS Property Management GmbH.

## FINANCIAL CALENDAR 2008

### 2008

| | |
|---|---|
| **May 16** | Commerzbank Real Estate Conference 2008, Frankfurt |
| **September 26** | Publication of Full Year Results 2007/2008 |
| **October 20–21** | 8th Conference of "Real Estate Share Initiative", Frankfurt |
| **November 10–12** | German Equity Forum, Frankfurt |

## FORWARD-LOOKING STATEMENTS

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

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

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

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