ESTAVIS AG

THE REAL ESTATE INVESTMENT GROUP

ANNUAL REPORT 2008/2009

ESTAVIS AG

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Overview
Key Financial Data

ESTAVIS AG (continued activities)

Revenues and earnings	2008/2009 TEUR	2007/2008 TEUR
Revenues	70,710	120,209
Total operating performance	79,148	109,230
EBIT	–23,408	–4,434
Pre-tax profit	–28,289	–6,256
Net profit	–27,928	–3,608

ESTAVIS AG

Structure of assets and capital	June 30, 2009 TEUR	June 30, 2008 TEUR
Non-current assets	22,241	38,644
Current assets	185,047	211,127
Equity	49,080	95,336
Equity ratio	24 %	38 %
Total assets/equity and liabilities	207,287	249,772

ESTAVIS AG

Share	
Stock exchange segment	Prime Standard
ISIN	DE000A0KFKB3
German Securities Code Number (WKN)	A0KFKB
Number of shares on June 30, 2009	8,099,427
Free float	44.6 %
Share price high (July 1, 2008 – June 30, 2009*)	EUR 6.07
Share price low (July 1, 2008 – June 30, 2009*)	EUR 1.20
Closing price on June 30, 2009*	EUR 1.45
Market capitalisation on June 30, 2009*	EUR 12 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 2008/2009 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.

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LETTER TO THE SHAREHOLDERS

The Management Board of ESTAVIS AG (from left to right): Hans Wittmann, Florian Lanz, Corina Büchold and Eric Mozanowski.

Dear Shareholders,
Ladies and Gentlemen,

The past financial year was at once a challenging and crucial year for ESTAVIS AG. The global financial and economic crisis left deep scars on the German property sector. Above all the financing activities of banks, which are a key requirement for property investments, were greatly restricted by the credit crisis. Our business performance was also affected by this.

In light of the recessive market environment, we underwent considerable operative and strategic adjustments and reorientations in the past financial year to safeguard the company against the crisis and to enhance its business profile. We deliberately reduced the degree of diversification in our business activities – in favour of sustainably strengthening our future earnings power.

The shake-out process was concluded by the sale of our interest in the loss-making Hamburgische Immobilien Invest SUCV AG at the end of the past financial year.

By focussing on core business we have significantly enhanced our performance. Our financial resources can now be used more extensively for profitable growth.

Key figures impaired by business performance and reorientation

Our revenues and income performance was unsatisfactory in the past financial year due to the difficult general conditions in the German property sector. While we recorded a sharp rise in the number of apartments sold as against the previous year from 857 to 934 units, institutional portfolio business almost ground to a complete halt.

In the residential property sales segment we recorded a surge in revenues of around 40%. We generated total revenues from continued operations of EUR 70.7 million – a drop of 41% as against the previous year. By comparison, the institutional transaction market in Germany plummeted much more sharply by more than 90%.

The non-recurring, non-cash effects of the revaluation of assets in the amount of around EUR 18 million squeezed earnings and were largely responsible for the negative EBIT of EUR 23.4 million. These effects mainly related to Portfolio trading, which reported highly negative segment earnings. However, the residential property sales segment posted a profit of around EUR 2.5 million.

In addition to a challenging business performance, our key figures were also hurt considerably by the structural measures implemented in the past financial year. However, these same measures created the foundations for a reorientation of the company so that it will be able to operate profitably again in future.

Investments in German residential property highly promising

The German residential property market offers good investment opportunities for both private and institutional investors. Demographic development trends, a low level of new construction activity and the growing need for private pension provision are creating a positive environment for the acquisition of residential property in Germany. Living space is already becoming scarce in structured conurbations in particular. This trend has been confirmed by rising apartment prices and rents in major cities. Nevertheless, German residential property is low-priced by international and historical standards. Institutional investors in the country and abroad are therefore planning to increase their exposure in Germany. Pension funds and insurance companies in particular are rediscovering direct investment opportunities in residential property.

Private investors especially are profiting from the strong market position of ESTAVIS in listed apartments. People investing in these high-quality, renovated properties can take advantage of attractive, long-term write-down options and thereby lower their tax expenses (further information on property investments with tax benefits can be found in the Special Feature from page 20).

ESTAVIS is an important point of contact for institutional investors interested in direct or indirect property investments in Germany. We will gradually be extending our range in this area in the new financial year to offer our customers additional investment options. Whichever form of property investment our customers opt for – our investment philosophy always maintains a systematic exit orientation. This means that property investments are geared towards value appreciation and a successful sale from the very beginning.

With 934 apartments sold, ESTAVIS is already one of the largest providers in Germany. Our comprehensive market expertise in conjunction with our powerful and effective sales base has made this possible and, at the same time, guarantees investment success for our customers.

Our long-term goal is to become the leading provider of exit solutions for property investors in Germany.

Outlook for the 2009/2010 financial year

The market environment for property investments has improved in recent months. German banks have increased their mortgage business for private property investors. In light of the severe turbulence on the financial markets, property is gaining in significance as a long-term and stable investment for private and institutional investors. We are anticipating that this development will continue – also being driven in part by the growing need for private pension provision. The Management Board is therefore anticipating attractive overall business potential on the German property market.

Assuming stable revenues development, we are forecasting a tangible year-on-year improvement in our earnings situation (from continued operations) in the 2009/2010 financial year. The changes already implemented in our corporate and cost structures will make a key contribution towards this.

In institutional transaction business we are currently assuming that the market will recover only slowly and that revenues will therefore remain low in the 2009/2010 financial year.

Dear shareholders, with our strategic and operative reorientation in the past financial year, we have laid the foundation for a successful performance of ESTAVIS AG. Nonetheless, we are still facing the enormous challenges presented to us by the market environment. As the Management Board, we will do everything possible for the good of ESTAVIS and its shareholders, customers and employees and seize the opportunities that arise for positive corporate development.

Florian Lanz *Chief Executive Officer (CEO)*	Corina Büchold *Member of the Management Board*	Eric Mozanowski *Member of the Management Board*	Hans Wittmann *Member of the Management Board*

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,
Ladies and Gentlemen,

The effects of the global financial and economic crisis have severely impaired the business environment of ESTAVIS AG in the past year.

In order to limit the effects on the company's net assets, financial position and results of operations, the Management Board resolved and implemented a series of measures in the 2008/2009 financial year. As a result of these measures, some of which required the approval of the Supervisory Board, the ESTAVIS Group's corporate structures have been adapted and geared towards future activities with intrinsic value.

In light of the financial crisis, the Supervisory Board also dealt intensively with measures to refinance the company in addition to advising and assisting the Management Board in its activities.

Monitoring the activities of the Management Board

In the 2008/2009 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 immediately and in a timely manner. 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. Where decisions by the Management Board required the approval of the Supervisory Board, the members of the latter examined the corresponding documents with due care, discussed them in a plenary session and passed 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 current business development 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. Stöhr, is a partner, acts in an advisory capacity for ESTAVIS AG.

Meetings and committees

A total of three regular meetings of the Supervisory Board were held in the past financial year. All of the members of the Supervisory Board participated in every meeting, in some cases by telephone. The meetings focused on the economic situation and the operating and strategic development of the company and its segments.

At its meeting on 24 September 2008, the Supervisory Board focused on the single-entity and consolidated financial statements for the year ended 30 June 2008, the Management Board's proposal on the appropriation of net profit and corporate planning for the 2008/2009 financial year. The single-entity and consolidated financial statements were then unanimously approved by the Supervisory Board. Another main topic addressed at this meeting was the composition of the Management Board. In line with this and due to her successful work, the Supervisory Board resolved to extend the appointment of Ms. Corina Büchold as a Management Board member until 31 December 2011, while extending her employment contract for the same period of time on improved terms. In addition, to supplement the existing members of the Board, Mr. Eric Mozanowski was appointed as a new Management Board member also until 31 December 2011. Mr. Mozanowski was the Managing Director of the development company B&V Bauträger- und Vertriebsgesellschaft für Immobilien mbH, which was acquired in October 2007. He is assuming the previously unfilled position of Chief Sales Officer (CSO). In addition, the Supervisory Board discussed the conclusion of ESTAVIS AG's various transactions (project agreements, loan agreements and guarantees) and approved them. The appointment of various members to Supervisory Boards of companies in the ESTAVIS Group was also approved.

The Supervisory Board meeting of 20 November 2008 took place jointly with the Management Board, which gave the Supervisory Board a report on the position of the company. In the meeting, the Management Board informed the Supervisory Board on the economic situation and development of ESTAVIS AG and illustrated in concrete terms how the financial crisis has affected and will affect ESTAVIS AG and the measures it has taken to minimise these negative effects as much as possible. The statements of the Management Board were discussed by the members of the Supervisory Board and then the members of both executive bodies discussed necessary measures for the continued successful development of ESTAVIS AG.

Appointing a member of the Management Board was again on the agenda of the Supervisory Board meeting on 22 June 2009. Mr. Florian Lanz was appointed as CEO of ESTAVIS AG until 30 June 2012 as the successor to Mr. Rainer Schorr, who did not renew his mandate on ESTAVIS AG's Management Board ending on 30 June 2009 for personal reasons. The Supervisory Board also approved the disposal of shares held by ESTAVIS in Hamburgische Immobilien Invest SUCV AG and CWI Real Estate AG. In addition, the Supervisory Board adopted the amended Rules of Procedure for the Management Board of ESTAVIS AG at this meeting, in which amendments to management measures requiring approval were made to give the Management Board a freer hand in managing the company. Lastly, the Supervisory Board agreed on the establishment of an ESTAVIS AG branch in Stuttgart and approved a number of guarantees and loan agreements relating to ESTAVIS AG and other companies in the ESTAVIS Group.

The Supervisory Board members of ESTAVIS AG also consulted with each other outside meetings and passed resolutions by way of votes held by telephone, in writing, or in text form. All of the members of the Supervisory Board participated in each resolution.

The Supervisory Board has not yet formed any committees. Especially in light of the fact that there is a planned reduction of the size of the Supervisory Board to three members after the next Annual General Meeting, the Supervisory Board believes it can work efficiently also as a whole. Forming committees that must have at least two members and at least three members for a quorum is not deemed necessary for a Supervisory Board of this size.

Disposals of shares

Following discussions by the Management Board and Supervisory Board, ESTAVIS AG disposed of its entire shareholding in Hamburgische Immobilien Invest SUCV AG, in which it recently had a stake of around 80%, to VPE VARIO Private Equity AG, Hamburg by means of a purchase agreement dated 22 June 2009. In this agreement ESTAVIS AG also sold its entire stake in CWI Real Estate AG, in which it only had a holding of about 2.3%. The disposal of these holdings is a major component of the package of measures to optimise corporate structures and improve the earnings strength of ESTAVIS AG. The Management Board of the company resolved this package in close collaboration with the Supervisory Board. Previously, the negative earnings contributions from the interest in Hamburgische Immobilien Invest SUCV AG had led to a deficit of approximately EUR 3.3 million in Estavis AG's consolidated financial statements. The Management Board and Supervisory Board of ESTAVIS AG have agreed to use the liquid assets resulting from the deconsolidation for the future expansion of business with private investors.

Change on the Board of Management of ESTAVIS AG

Effective 30 June 2009, the existing CEO of ESTAVIS AG, Mr. Rainer Schorr, allowed his term in office to expire for personal reasons at the normal end of his appointment period. Mr. Schorr was the founder of ESTAVIS AG and also its largest shareholder. In his function as CEO, Mr. Schorr successfully built up and expanded ESTAVIS AG and launched it on the stock exchange in March 2007. The Supervisory Board would like to thank Mr. Schorr for his contributions to ESTAVIS AG and his constructive contributions based on trust.

Effective 1 July 2009, the Supervisory Board appointed Mr. Florian Lanz as the new CEO of ESTAVIS AG to succeed Mr. Schorr. In this role, Mr. Lanz will strengthen the strategic orientation on business with institutional and private investors. Mr. Lanz has extensive experience in the real estate business thanks to his many years as Managing Director of various real estate companies

Economic development

In the past financial year, ESTAVIS AG felt the negative effects of the global real estate and financial crisis directly. This led to a collapse of ESTAVIS AG's portfolio business, which is its most important pillar of business operations aside from sales of residential property. For this reason, a lack of demand led to a repayment of EUR 16,500,000.00 for a portfolio transaction entered into on 30 June 2008. The transaction was carried out at the beginning of the 2009/2010 financial year in agreement with the institutional investor. To contain the adverse effects on the company's financial and earning situation, the Management Board resolved a package of measures that also includes expanding business with private investors. Regular coordination between the CEO and the Chairman of the Supervisory Board also took place on this topic in particular. In reaction to ESTAVIS AG's economic situation, the members of the Management Board had resolved to make a personal contribution and waive part of their remuneration. The Supervisory Board had agreed to this and approved a corresponding change in the employment contracts of the Management Board members. At the same time, Management Board members Hans Wittmann and Eric Mozanowski were appointed until 31 December 2010.

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 of the 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 August 2009, the bodies of company adopted the declaration of conformity based on the version of the German Corporate Governance Code dated 6 June 2008 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, dependent company report

The Annual General Meeting appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin (PwC), as the company's auditors. The Supervisory Board issued PwC 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 PwC 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 2009, the management report of ESTAVIS AG and the Group management report were audited by PwC 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 13 November 2009. The lead auditor attended this meeting and reported on 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 2008/2009 financial year and the accompanying management report and Group management report. The financial statements are therefore adopted in accordance with section 172 of the German Stock Corporation Act.

PricewaterhouseCoopers also audited the dependent company report prepared by the Management Board of the company in accordance with section 312 of the German Stock Corporation Act and issued the following audit opinion in its report:

“On completion of our audit in accordance with professional standards, we confirm that the factual statements made in the report are correct, the company’s compensation with respect to the transactions listed in the report was not inappropriately high or disadvantages were offset, and there are no circumstances which would justify, in relation to the measures specified in the report, a materially different opinion than that held by the Management Board.”

The dependent company report prepared by the Management Board and the audit report prepared by PricewaterhouseCoopers were made available to all of the members of the Supervisory Board in a timely manner. The Supervisory Board examined these documents and discussed the relationships with the controlling parent companies. The documents were discussed in detail at the Supervisory Board meeting on 13 November 2009. The lead auditor attended this meeting and reported on the key results of the audit. Based on the final results of its own examination, the Supervisory Board did not raise any objections.

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, 13 November 2009

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 2009

In accordance with section 161 of the 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.

Based on the version of the German Corporate Governance Code dated 6 June 2008, the Management Board and Supervisory Board issued a declaration of conformity in September 2008. This declaration has been published in full on the company's website www.estavis.de.

"Joint declaration of conformity with the German Corporate Governance Code by the Management Board and Supervisory Board of ESTAVIS AG in accordance with section 161 of the German Stock Corporation Act

In accordance with section 161 of the German Stock Corporation Act, the Management Board and Supervisory Board of ESTAVIS AG hereby issue the following declaration:

ESTAVIS AG has complied with and continues to comply with the recommendations of the German Corporate Governance Code in the current version dated 6 June 2008 with the following exceptions:

Section 3.8 (D&O insurance)
The company has taken out a D&O insurance policy for the Management Board and the Supervisory Board that does not include a deductible. In the opinion of the Management Board and the Supervisory Board, the agreement of a deductible would have no effect on the sense of responsibility and loyalty of the members of the executive bodies.

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.

No severance payment cap for Management Board members has been agreed.

Section 5.1.2 (Age limit)
Due to the age structure of the Management Board, no age limit is currently specified.

Sections 5.3.1, 5.3.2 and 5.3.3 (Committees)
The Supervisory Board has not yet formed any committees, and in particular has not established an Audit Committee or a Nomination Committee. In light of the planned reduction of the Supervisory Board to three members, no committees will be established in future.

Section 7.1.2 (Discussion of interim reports by the Supervisory Board)
Quarterly reports are not currently discussed by the Supervisory Board prior to publication."

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 2008/2009 financial year, the compensation paid to the Management Board totalled TEUR 1,263.

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
Rainer Schorr	391	36	427
Corina Büchold	287	20	307
Hans Wittmann	287	23	310
Eric Mozanowski (since 1 October 2008)	212	7	219
Total	**1,176**	**88**	**1,263**

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 2008/2009 financial year, the compensation paid to the Supervisory Board totalled TEUR 36. The following table contains a detailed overview of the individual compensation paid:

ESTAVIS AG	Fixed compensation	Variable compensation	Total compensation
	EUR	EUR	EUR
Dr. Karl-Josef Stöhr	11,900	0	11,900
Michael Kremer	5,950	0	5,950
John W. Cutts	5,950	0	5,950
Denham Eke	5,950	0	5,950
Ulrich Wogart	5,950	0	5,950

Shareholdings of the Management Board and Supervisory Board

The number of ESTAVIS shares held by the members of the Management Board as of 30 June 2009 was as follows:

ESTAVIS AG

	Number of shares
Rainer Schorr (directly/indirectly via R. Schorr Beteiligungsgesellschaft mbH)	2,872,264
Corina Büchold	230,937
Hans Wittmann	233,012
Eric Mozanowski	187,500

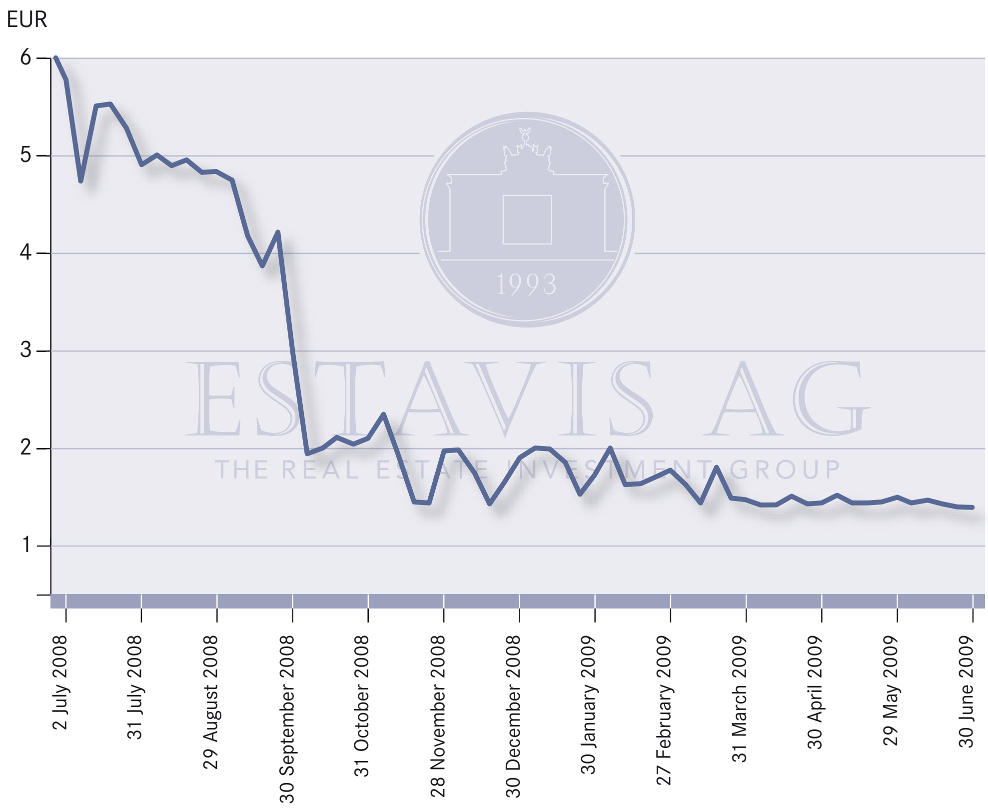
Florian Lanz, CEO of ESTAVIS AG since 1 July 2009, held a total of 460,000 shares per 21 July 2009.

No members of the Supervisory Board held ESTAVIS shares at the reporting date.

THE ESTAVIS SHARE

Stock market performance in the past financial year was dominated by high levels of uncertainty and volatility. Following the heightening of the financial crisis in October 2008 – triggered by the insolvency of Lehman Brothers in the US – all major stock market indices have suffered considerable losses. Shares in the finance and property industries were hit more than most by the loss of investor confidence as it was thought that the global financial system could collapse. After the main international and national indices reached their lowest points in March 2009, a significant recovery got under way in spring. The foundations for this were the initial indications of an economic recovery, the stabilisation of the financial system and the expected positive effects of massive government stimulus packages.

Owing to the lingering poor conditions for the property sector, property shares counted among the overall losers on the stock market. ESTAVIS' shares were also affected by developments on the capital markets, resulting in a significant fall in our share price. On 30 June 2009, the last trading day of the 2008/2009 financial year, ESTAVIS' shares closed at EUR 1.45 – down from EUR 6.00 at the start of the financial year.



ESTAVIS' share price development in the 2008/2009 financial year

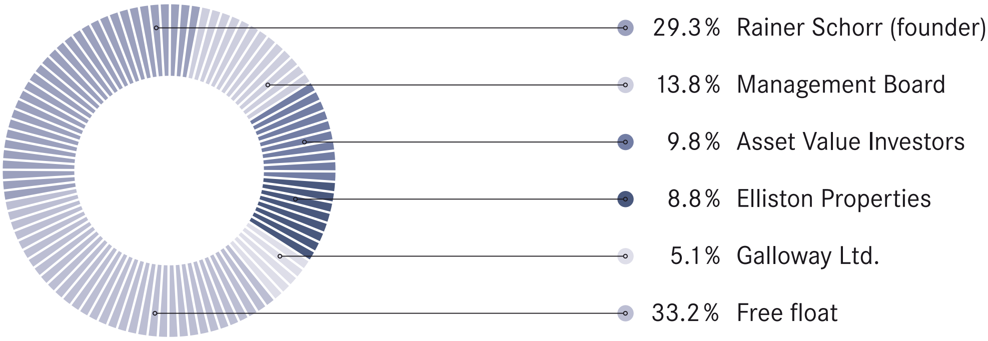
According to the majority of recent analyst reports, however, ESTAVIS' shares are believed to offer significant upside potential:

- SES Research, "Buy", target price EUR 3.30
- SRC Research, "Buy", target price EUR 6.00
- WestLB, "Neutral"

Shareholder structure

As of 30 June 2009, the issued capital (share capital) of ESTAVIS AG amounted to EUR 8,099,427 and was composed of 8,099,427 no-par value bearer shares.

The shareholder structure is shown in the following graph:



Shareholder structure on July 30, 2009

Investor relations activities

Transparent communications with private and institutional investors are a matter of great concern to us. This also means our participation in key investor conferences.

In the first half of the 2009/2010 financial year, we will be represented at the conference of the “Real Estate Share Initiative”, of which ESTAVIS is a member, and the German Equity Forum organised by Deutsche Börse (see Financial Calendar, page 103).

ESTAVIS shares at a glance

ESTAVIS AG

Share	
Stock exchange segment	Prime Standard
ISIN	DE000A0KFKB3
German Securities Code Number (WKN)	A0KFKB
Number of shares on June 30, 2009	8,099,427
Free float	44.6 %
Share price high (July 1, 2008 – June 30, 2009*)	EUR 6.07
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Closing price on June 30, 2009*	EUR 1.45
Market capitalisation on June 30, 2009*	EUR 12 million

* Closing prices in Xetra trading

AN APARTMENT AS AN INVESTMENT

What are the pros?

The financial crisis reminded many investors of the iron principle of investment legend Warren Buffett: “Never invest in something you don’t understand”. Complex finance products such as derivatives have brought heavy losses for investors and ultimately almost toppled the international financial markets. A lot of investors have learnt from this experience. In future they will seek out stable, simply structured investment opportunities. For many people, an apartment is an attractive investment. In terms of value retention and appreciation, yield, tax deductibility, inflation protection and pension provision, property investments are excellently suited for wealth accumulation.

Value retention and appreciation – residential property as an investment option

Residential property is undergoing a renaissance with both private and institutional investors. Previously thought of as a boring investment, today it is the height of fashion. The reason: residential property is a relatively safe haven in the sea of investment options. As a crisis-proof investment it is less dependent on economic cycles than, for example, office or hotel properties – people will always need to live somewhere. According to a 2009 survey by Ernst & Young Real Estate, 80% of German insurance companies asked want to buy residential property. The year before this figure had been only 55%.

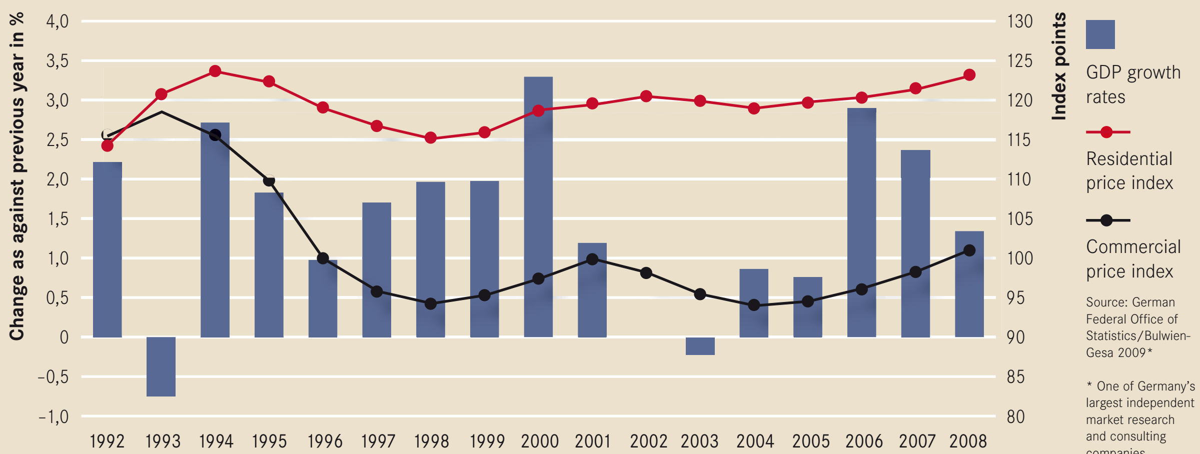
Demand rising – supply falling: don’t miss the boat

Whether a large investor or a small investor – everyone clearly understands that the differential between supply and demand is growing more divergent. This makes an investment in an apartment even more attractive. According to a recent report by the Eduard Pestel Institute for Applied Systems Research, Germany, on “Changes in residential demand and the reaction of residential supply” more than 400,000 apartments would have to be built per year until 2014 to keep up with market demand. However, less than 200,000 apartments were completed in 2008 and the trend is falling.

Demand for apartments will continue to rise in the coming years, even though population figures in Germany will fall in the long term. The reason for this is the growing number of households. This will continue to rise tangibly for at least ten to fifteen years. Based on 2005, the Federal Office of Statistics is forecasting that the number of households in Germany will rise by 3% by 2020. There are several factors driving this development. The number of persons per household has been falling for years and this trend will continue in the years to come. This is because a lifestyle shift is leading to more single-person households in younger and middle age groups. On the other hand, the number of small households is rising as there is a growing number of senior citizens living alone.

Rising demand combined with falling supply mean that residential space in some major cities is growing short. Rents are rising in many conurbations, which in turn is causing property prices to climb. At locations such as these, an apartment as an investment can not only maintain its value but increase it as well.

Residential market significantly more crisis-proof than the commercial property market



Source: German Federal Office of Statistics/Bulwien-Gesa 2009*

* One of Germany’s largest independent market research and consulting companies

Tax deductibility – listed buildings offer attractive options

The general taxation conditions for property have deteriorated in recent years. However, there are still attractive tax savings options in connection with building, renovating and financing property. The tax benefits are particularly good for buying listed properties or properties in redevelopment areas. Under section 7i and 7h of the German Income Tax Act, the cost of construction activities, depending on their type and extent, required to maintain a building as a listed building or for its intended use can be deducted by up to 9 % in the year of construction and the following seven years – and then by up to 7 % per year annually for four years. This is one of Germany's last remaining tax oases.

In addition to this special regulation, income from letting and leasing property can always be deducted by write-downs on construction work as expenses or permanently by offsetting them against loan interest. Gains on property sales are also completely tax-free after the ten-year speculation period.

Property: inflation protection in turbulent (stock market) times

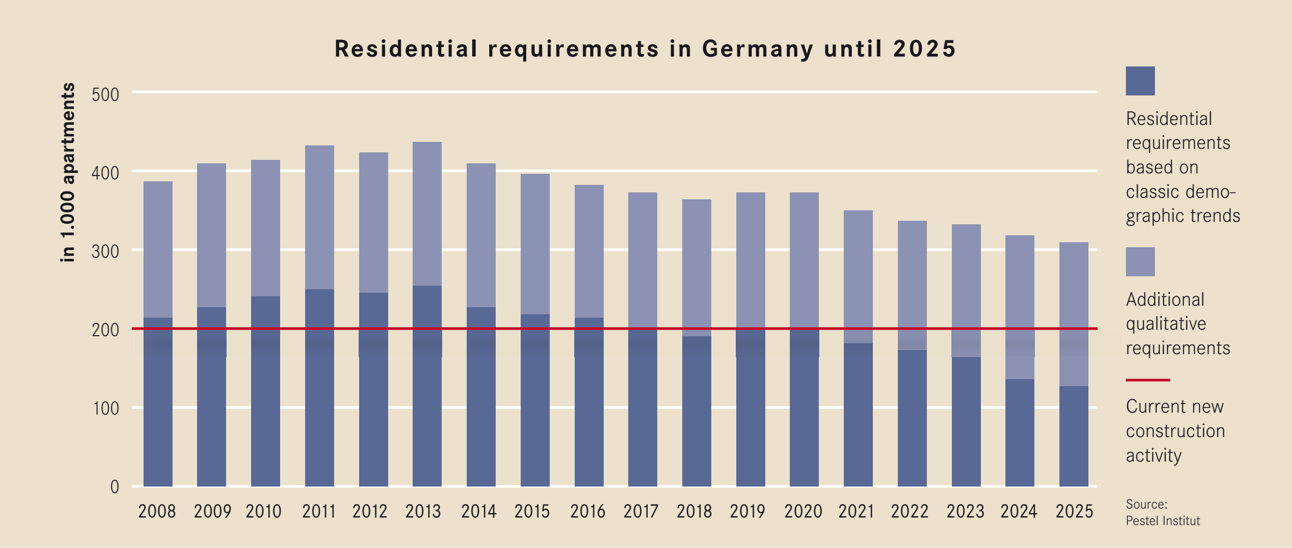
While the rate of inflation declined by 0.5 % year-on-year in July 2009, concerns about high inflation rates are still on the table. The issue is polarising analysts. Thomas Straubhaar, Director of the Hamburg Institute of International Economics, is assuming that energy prices will rise in the second half of 2009 and thinks it likely that the price of oil will double to up to 80 dollars per barrel. For the years after 2010 he is forecasting inflation rates of between 5 % and 10 % per year. The rate of inflation in Germany last reached around 5 % in the early 1990s. His theory is that above all the spiralling public debt in the US, Japan and Europe will exacerbate inflation concerns. The economic programmes correspond to around 13 % the world's gross domestic product. A growing number of governments are falling prey to the temptation to eliminate their debts with the money press.

So as not to be at the mercy of inflation, investors have sought refuge in tangible assets such as property, not least since the bankruptcy of the US investment bank Lehman Brothers. Apartments are excellently suited to offer protection against inflation. This was confirmed by a study published at the start of the year by the German Institute for Economic Research. And it makes no difference whether properties are owner-occupied or rented out: investors protect their capital against depreciation in both scenarios. Property owners in particular rank among the winners in times of high inflation.

On the one hand, the value of their property tends to rise with inflation. Meanwhile, monetary assets bear the full brunt of depreciation. A further advantage is the usual borrowing for a property investment. Inflation "repays" a portion of liabilities, so to say, that lose value as inflation advances.

Apartment sales by ESTAVIS

At 934 units, the ESTAVIS Group sold more apartments to investors in the 2008/2009 financial year than ever before. Listed apartments sold by ESTAVIS' subsidiary B&V Bauträger- und Vertriebsgesellschaft für Immobilien mbH account for most of these. These tax-optimised products are being especially well received by investors. Regionally, these properties focused in particular on highly structured cities such a Chemnitz and Leipzig.



Management Report

PRELIMINARY REMARKS

The consolidated financial statements of ESTAVIS AG (hereinafter also referred to as ESTAVIS) on which this report is based have been prepared in line with the International Financial Reporting Standards (IFRS).

The figures for the reporting period can only be compared with those for the prior-year period to a limited extent on account of the different period of inclusion (previous year: eight months) of B&V Bauträger- und Vertriebsgesellschaft für Immobilien mbH, Berlin, and its affiliate, Protect Vermittlungsgesellschaft für Kapitalanlagen mbH (now B&V Wohnbau GmbH), Stuttgart (referred to below collectively as the B&V Group) and the reclassification of the assets and liabilities of the Hamburgische Immobilien Invest SUCV AG Group (HAG Group) to assets/liabilities held for sale.

All monetary figures in this report are stated in euros (EUR).

1 BUSINESS AND CONDITIONS

1.1 BUSINESS ACTIVITIES AND BUSINESS MODEL

The ESTAVIS Group is one of the leading listed property dealers in Germany. In geographical terms, its business activities are confined to German properties, primarily in various conurbations in east and northern Germany. Its activities focus mainly on trading residential property. The ESTAVIS Group's business activities are divided into the following areas:

Property sale to private investors
These retail trading operations comprise the sale of individual properties (mainly apartments) to private investors primarily for the purposes of retirement provision and as tax-advantaged investments. Activities here focus on the modernisation and sale of listed properties that private investors can utilise for tax benefits in particular. Properties are sold throughout Germany through external sales partners.

Portfolio trading
In portfolio trading ESTAVIS operates as a market maker between property providers and property portfolio users. The company purchases individual properties in accordance with precisely defined criteria, bundles them to form structured portfolios and sells them to institutional investors in Germany and abroad. If necessary, the properties are renovated and/or modernised as part of the resale process.

Development
ESTAVIS operates in the area of development to the extent that a property acquisition entails the opportunity to purchase suitable properties at favourable conditions or with a view to making them viable for project development, e.g. in the case of portfolio acquisitions or realisations of bank security. Project development is only performed if it is certain that the respective project can be incorporated into a portfolio and the lease of most of the building or its resale is guaranteed prior to the start of construction.

1.2 CORPORATE STRUCTURE

ESTAVIS AG is the parent company of 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.

The scope of the Group structure of ESTAVIS AG was reduced significantly by the disposal of loss-making investments in the 2008/2009 financial year and the number of segments was also reduced from five to three (see diagram). The Property management and Property asset management segments are not being continued. Some of the Retail trading segment is also being discontinued.

The discontinued operations comprise the majority investments in ESTAVIS Property Management GmbH, Berlin, and in Hamburgische Immobilien Investment SUCV AG, Hamburg.

As part of a management buy-out, ESTAVIS AG sold its 50.1 % majority interest in ESTAVIS Property Management GmbH, Berlin, to a minority shareholder. The disposal took effect as of the end of December 2008.

The majority stake (80.4 %) in Hamburgische Immobilien Investment SUCV AG was sold to VPE VARIO Private Equity AG, Hamburg, for EUR 3.4 million on 22 June 2009.

The diagram below illustrates the breakdown of continued operations within the Group. The Portfolio trading and Development segments are managed by the operative units of the ESTAVIS subgroup. The B&V Group focuses on the sale of properties to private investors.

ESTAVIS AG, Berlin		
ESTAVIS subgroup		B&V Group
Portfolio trading	Development	Property sale to private investors

Breakdown of continued operating activities in the ESTAVIS Group.

1.3 ECONOMIC ENVIRONMENT

a) Macroeconomic development

The 2008/2009 financial year was dominated by a significant downturn in global economic activity. While the German economy posted overall growth of 1.3 % in 2008, recessive trends had already been sighted in the second half of the year. Gross domestic product was down significantly year-on-year in the first half of 2009. The German government is forecasting a decline in gross domestic product of around 6 % in 2009 as a whole. Thus, the Federal Republic of Germany is experiencing its worst recession since it was founded. Economic experts are not expecting to see a turnaround before 2010.

The downturn in the economy as a whole in the 2008/2009 financial year went hand-in-hand with a significant drop in investment activity. In addition to uncertain future forecasts, corporate investment behaviour was also impaired by deteriorating financing conditions. The global finance sector was exposed to severe turbulence as a consequence of the subprime crisis in the US. Following the insolvency of the US investment bank Lehman Brothers, major banks and insurance companies around the world were rescued or received massive support through state intervention. The loss of confidence within the finance sector thus entailed had a strong negative effect on the refinancing of banks and thereby lending to companies.

To stimulate the economy, the Federal Reserve Bank in the US and the European Central Bank lowered their key interest rates step-by-step to historically low levels. Over the course of 2009, the inflation rate in Germany was significantly below the stability level of 2 %. The inflation rate in 2008 had been 2.6 %.

b) Development in the German housing market

With around 39.9 million residential units, Germany has the largest housing market in Europe, but is different from other European countries in terms of its ownership structure and price development. At 42 %, the German market has a relatively low level of owners. In contrast to other major markets such as Spain or France, the price performance of residential property remained stable for many years. However, the price level has been in decline since the start of the financial and economic crisis in 2007. Compared to many Western European countries and the US, German residential property prices are relatively attractive. This applies in particular to resale properties. By contrast, rents have increased by an average of 0.5 % per year. The German property market has diverged from its western European counterparts in this respect, with domestic rental yields continuing to outperform the international average.

The German residential market also has a low level on construction activity compared to the rest of Europe. The number of building permits for apartments declined by around 4 % in 2008 to 176,000 units. Thus, only 21 new apartments were built per 10,000 inhabitants. With a new building ratio (number of new apartments to total apartments) of around 0.4 %, construction activity is at a historically low level and is continuing the trend of recent years. New construction work in Western Germany has largely stagnated and is even in decline in Eastern Germany. Housing demand is primarily driven by the energetic redevelopment of portfolio properties.

As a result of favourable economic conditions, institutional investment activity on the German property market increased substantially between 2003 and 2007 – particularly among foreign investors, who have accounted for 80 % of transaction volumes. In 2007, property investment reached a new high with an estimated total volume of around EUR 60 billion. Since the international property and financial market crisis erupted, institutional investors have shown massive restraint in terms of activity on the German property market. According to industry estimates, transaction volumes slumped by more than half in 2008. The slump continued in the first half of 2009 with a transaction volume of only around EUR 3 billion. This development is not indicative of deterioration in the attractiveness of the German property market, but rather can be attributed to the negative impact of the crisis on financing conditions, which is posing a barrier to heavily debt-financed investments in particular.

Nonetheless, the prospects for the German residential property market are still considered positive. The market is defined by long-term trends and is therefore less susceptible to economic fluctuations. The number of households will continue to rise driven by a growing trend towards smaller households. In light of the low level of new construction activity in Germany, this will lead to rising demand for residential space and thereby to rising prices and rents – particularly in conurbations.

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) of the 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 of the German Stock Corporation Act (AktG) in conjunction with Article 6 of the company's Articles of Association. In accordance with these provisions, the Management Board is composed of one or several members. The Supervisory Board determines the number of members of the Management Board. The Supervisory Board may appoint up to five Management Board members and specify a Management Board member to act as Chairman. At present, the company's Management Board consists of the Chairman and three additional members.

In accordance with section 84 of the AktG, the members of the Management Board are appointed by the Supervisory Board for a maximum term of five years. They may be reappointed or their term 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 of the AktG, 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 Article 11 (2) of the Articles of Association.

In accordance with sections 133 and 179 of the AktG in conjunction with Article 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 2009, the issued capital (share capital) of ESTAVIS AG amounted to EUR 8,099,427 and was composed of 8,099,427 no-par value bearer shares. There are no different stock classes.

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 19 August 2010.

The Management Board is also authorised, with the approval of the Supervisory Board, to increase the share capital of the company by a maximum of EUR 2,125,000 by issuing new no-par value bearer shares in exchange for non-cash or cash contributions on one or more occasions up to and including 22 February 2012 (Authorised Capital I). 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:

- to adjust for fractional amounts;
- in the case of capital increases in exchange for cash contributions if the respective capital increase does not exceed 10% of the company's share capital and the issue price does not materially fall below the relevant stock market price. 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 the purpose of acquiring companies, interests in companies, parts of companies, intellectual property rights such as patents or trademarks or licenses thereto, or other product rights or other contributions in kind;
- for the issuance of employee shares to employees of the company or its affiliates; or
- in other cases that are considered to be in the interests of the company.

The Management Board is also responsible, with the approval of the Supervisory Board, for determining the further content of the stock rights and the other details of the implementation of capital increases from authorised capital.

The Management Board is also authorised, with the approval of the Supervisory Board, to further increase the share capital of the company by a maximum of EUR 1,362,213 by issuing new no-par value bearer shares in exchange for non-cash or cash contributions on one or more occasions up to and including 22 February 2012 (Authorised Capital II). Authorised Capital II is subject to the same provisions on the exclusion of shareholders' statutory subscription rights and the other conditions as described for Authorised Capital I above.

The Management Board is also authorised, with the approval of the Supervisory Board, to increase the share capital of the company by issuing up to 562,500 new no-par value bearer shares in exchange for non-cash or cash contributions up to and including 19 February 2014 (Authorised Capital III). Authorised Capital III is subject to the same provisions on the exclusion of shareholders' statutory subscription rights and the other conditions as described for Authorised Capital I above.

The Management Board is 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 100,000,000 on one or more occasions up to and including 19 February 2014. Subject to the conditions described below, shareholders are granted subscription rights.

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

- to adjust for fractional amounts;
- to issue convertible and/or option bonds and/or profit participation certificates with conversion or pre-emption rights for subscription to individual investors, provided that the shares issued on account of these bonds does not exceed 10% of the existing share capital in accordance with section 186 (3) sentence 4 AktG;
- 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.

By way of resolution of the Annual General Meeting on 20 February 2009, the share capital 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 2009). 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 20 February 2009 up to and including 19 February 2014 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 20 February 2009 up to and including 19 February 2014 satisfy their obligation and the company decides to serve the conversion or pre-emption rights from this contingent capital.

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 2009 carry full voting rights and each grant the holder one vote at the Annual General Meeting.

e) Equity interests and rights of control

As of the balance sheet date, Rainer Schorr Beteiligungsgesellschaft mbH, Berlin, directly held 31.9 % (previous year: 38.5 %) of the shares of ESTAVIS AG. A total of 35.5 % (previous year: 43.6 %) of the shares of the company were attributable to Mr. Rainer Schorr directly and indirectly through Rainer Schorr Beteiligungsgesellschaft mbH. 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

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 Hamburg, Munich, Stuttgart and Düsseldorf Stock Exchanges.

The opening price of ESTAVIS shares in the 2008/2009 financial year (Xetra trading) was EUR 5.90. As the year progressed, ESTAVIS' shares were not immune to the severe declines in financial and property shares. At the end of the financial year on 30 June 2009, the shares were listed at EUR 1.45. On the basis of the total number of ESTAVIS shares (8,099,427), this corresponds to a market capitalisation of around EUR 12 million.

The average daily trading volume (Xetra) in ESTAVIS' shares was 9,168 in the 2008/2009 financial year (previous year: 11,760).

2 BUSINESS PERFORMANCE AND FINANCIAL POSITION

2.1 SUMMARY ASSESSMENT AND COMPARISON OF FORECAST AND ACTUAL BUSINESS PERFORMANCE

The economic development of the ESTAVIS Group in the 2008/2009 financial year was impacted to a large extent by the crisis affecting the global property and financial markets. Investments in the German property market by institutional investors again dropped sharply as against the previous year. In particular, this related to the volatile Portfolio trading segment. After the sale of two property portfolios with a total amount of around EUR 61 million was agreed at the end of the 2007/2008 financial year, these transactions were then not implemented. No further property portfolios were sold in the 2008/2009 financial year on account of the adverse market conditions.

However, the performance in Retail trading was encouraging. Overall, 660 units were sold to private investors in continued operations in the 2008/2009 financial year. This corresponds to an increase of 47 % as against the previous year's figure. This positive performance confirms ESTAVIS AG's stronger focus on the attractive market segment of property sales to private investors.

However, Retail trading did not compensate for the slump in Portfolio trading, with the result that total revenues for the 2008/2009 financial year fell by around 41 % from EUR 120.2 million to EUR 70.7 million.

The development in key earnings figures was characterised by the downturn in revenues and total operating performance (EUR 79.1 million as against EUR 109.2 million in the previous year). Given the downward price trends on the German property market, write-downs were also recognised on some inventory assets. This led to a one-off, non-cash expense of EUR 15.1 million. As a result of these effects, the consolidated net loss from continued operations fell to EUR –27.9 million (previous year: EUR –3.6 million).

Taking account of the net loss of the period from discontinued activities of EUR –18.3 million, the total consolidated net loss for the period was EUR –46.3 million.

Considerable operating adjustments were made in the 2008/2009 financial year in order to substantially improve the company's earnings situation. With an equity ratio of 23.7 % (previous year: 38.2 %) ESTAVIS AG still enjoys a solid equity base.

As one of Germany's biggest providers of apartments for private investors, ESTAVIS is strategically very well positioned. Despite a challenging business environment, the Retail segment developed in a pleasing fashion over the last financial year. The Retail segment remains the core area for business activities in the ESTAVIS Group.

In light of the disposal of material investments in the 2008/2009 financial year, the presentation below is based on the figures for continued operations. The comparison of the actual and forecast business performance is not very informative on account of the substantial changes in the Group's structure. The figures for the previous year have been restated for purposes of comparability. For a detailed presentation of the key figures relating to discontinued activities, refer to the Group Notes, section 6.25.

2.2 EARNINGS SITUATION

The ESTAVIS Group's key revenue and earnings figures for continued operations developed as follows in the period under review:

	2008/2009	2007/2008	Change
	TEUR	TEUR	in %
Revenues (from continued activities)	70.7	120.2	–41.2
EBIT (from continued activities)	–23.4	–4.4	427.9
Net profit (from continued activities)	–27.9	–3.6	674.1

In the 2008/2009 financial year, consolidated revenue from continued operations fell by 41.2% to EUR 70.7 million. This decline was due to a slump in revenue from Portfolio trading. Meanwhile, the residential property segment recorded a significant rise in revenues:

The ESTAVIS Group's revenues from continued operations are broken down into the following business segments for financial reporting purposes:

- Retail trading EUR 62.1m (previous year: EUR 44.6m)
- Portfolio trading EUR 8.2m (previous year: EUR 75.6m)
- Other business activities EUR 0.4m (previous year: EUR 0.0m)

660 units (previous year: 448) with a total residential and usable space of 33,941 m² (previous year: 24,521 m²) were sold in the Retail trading segment. In the reporting period, the Portfolio trading segment sold zero units (previous year: 1,402).

As a result of falling revenues and one-off effects, earnings before interest and taxes from continued operations (EBIT; operating result plus net income from associates) fell by EUR 19.0 million in the 2008/2009 financial year as compared with the prior year period. This meant that ESTAVIS recorded a consolidated net loss from continued operations of EUR –27.9 million, down EUR 24.3 million on the consolidated net loss generated in the previous year.

The biggest loss driver was portfolio trading, which recorded segment sales of EUR 8.2 million (previous year: EUR 75.6 million) and a segment result of EUR –25.9 million (previous year: EUR –4.1 million). Key factors driving the result in the Portfolio trading segment were the lack of portfolio sales and considerable changes in the market value of real estate inventories (EUR –15.0 million).

In the Retail segment, revenue increased from EUR 44.6 million in the previous year to the current figure of EUR 62.1 million. The number of units sold increased from 448 in the previous year to 660 in the 2008/2009 financial year. Due to the pleasing revenue trend, the segment result rose to EUR 2.5 million (previous year: EUR 40,000).

The Development segment generated a result of EUR 0.1 million from rental revenue (previous year: EUR –0.2 million).

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

In the 2007/2008 financial year, the gross margin on continued operations (revenues plus changes in inventories less cost of materials/revenues) was 10.4 % (previous year: 9.0 %). However, these values cannot be compared. On the one hand, the cost of materials in the previous year suffered much more from the settlement of the effects of purchase price allocation (particularly from the acquisition of B&V) than the cost of materials in the reporting period. On the other hand, the cost of materials in the reporting period includes write-downs on inventory properties of EUR 15.1 million. If one includes selling expenses in the gross margin and adjusts the costs of materials for write-downs, the margin for the 2008/2009 financial year amounts to 9.7 % (previous year: 7.9 %).

The rise in other operating income (from continued operations) of EUR 3.0 million is essentially due to the increase in rental income from inventory property of EUR 3.1 million. In particular, this relates to the longer holding period of a larger amount of inventory property in the Portfolio trading segment.

Staff costs (from continued operations) were steady year-on-year at EUR 3.2 million.

However, other operating expenses (from continued operations) rose by EUR 18.6 million. This increase is mainly due to higher selling costs (EUR 14.3 million), particular in retail trading of. In the previous year these costs were mostly included in the cost of materials as a result of the acquisition of the B&V Group, which means that there is little informative value to a comparison of this cost position with the figure for the previous year.

Miscellaneous other operating expenses climbed by EUR 4.0 million. The main reasons for this increase were the rise in write-downs on receivables of EUR 2.8 million and the rise in the cost of rental guarantees of EUR 0.5 million.

Interest income fell by EUR 1.8 million as against the previous year, while at the same time interest expenses rose by EUR 1.2 million. This is essentially due to the longer holding periods for inventory properties in portfolio trading. The financial result (from continued operations) declined from EUR –1.8 million in the previous year to EUR –4.9 million.

As a result of the consolidated net loss for the period and the recognition of deferred tax assets from tax loss carryforwards, ESTAVIS recorded tax income of EUR 0.4 million in the period under review (previous year: EUR 2.6 million).

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

2.3 FINANCIAL AND NET ASSET SITUATION

The development of the ESTAVIS Group's financial and net asset situation as of 30 June 2009 reflects the more difficult general economic conditions in the 2008/2009 financial year. A comparison of balance sheet items with those for the previous year is only possible to a limited extent as the assets and liabilities of the HAG Group held for sale have been reclassified and are now reported separately in the balance sheet. A detailed presentation of the asset and liability items held for sale can be found in the notes to the consolidated financial statements, section 6.25.

Total assets as of 30 June 2009 declined by EUR 42.5 million from EUR 249.8 million in the previous year to EUR 207.3 million.

The change in non-current assets (EUR –16.4 million) is essentially due to the reclassification of the non-current assets of the HAG Group to assets held for sale.

In the period under review, the Group invested EUR 0.4 million (previous year: EUR 0.7 million) in property, plant and equipment and intangible assets. Financial assets (not including investment property) decreased from EUR 0.3 million in the previous year to EUR 0.2 million.

Current assets (including the reclassification of assets held for sale) were down as a result of the reduction in trade receivables (EUR –25.6 million) and the decline in the liquidity position (EUR –21.9 million). As of the end of the reporting period, current assets were composed of the retail property portfolio (EUR 80.7 million; previous year: EUR 103.7 million), current receivables (EUR 53.4 million; previous year: EUR 81.7 million) and cash and cash equivalents (EUR 3.9 million; previous year: EUR 25.7 million) plus the assets of the HAG Group held for sale (EUR 47.0 million).

As a result of the consolidated net loss in the 2008/2009 financial year, the Group's equity ratio fell from 38.2 % in the previous year to 23.7 %. In contrast, its gearing (debt/total capital) rose from 61.8 % to 76.3 %. The negative cash flow situation and the reclassification of cash and cash equivalents to assets held for sale also meant that the ratio of cash and cash equivalents to total assets fell from 10.3 % to 1.9 % in the period under review. This was accompanied by a reduction in the Group's liquidity ratio (cash and cash equivalents/current liabilities not including liabilities held for sale) from 19.5 % in the previous year to 2.5 % in the 2008/2009 financial year.

As a result of the reclassification of liabilities held for sale, financial liabilities declined EUR 32.3 million to EUR 68.5 million and essentially include liabilities to banks. EUR 67.9 million of this relates to current liabilities with non-current liabilities accounting for EUR 0.6 million. Other changes arose in advance payments received, which were EUR 7.0 million lower year-on-year taking into account the reclassification to liabilities held for sale. Other current liabilities, which rose by EUR 2.8 million as against the previous year to EUR 25.6 million, primarily consist of liabilities from investment companies for short-term loans and settlement accounts.

In the reporting period, cash and cash equivalents decreased significantly by EUR 21.9 million to EUR 3.9 million. This decline is due to the reclassification of EUR 8.8 million as assets held for sale as well as a negative cash flow of EUR 13.0 million.

Key figures from the cash flow statement	2008/2009	2007/2008
	Mio. EUR	Mio. EUR
Cash flow from operating activities	–12.2	–3.5
Cash flow from investing activities	–0.7	–5.7
Cash flow from financing activities	–0.2	–1.2
Change in cash and cash equivalents	–13.0	–10.3
Cash and cash equivalents at the start of the period	25.7	36.0
Cash and cash equivalents at the end of the period	12.7	25.7
of which cash and cash equivalents reclassified as held for sale	8.8	–

In 2008/2009 financial year, cash flow from operating activities at EUR –12.2 million was down considerably against the previous year (EUR –3.5 million). The main factor here was the considerably negative operating results trend in the Group during the reporting period.

In the reporting period, cash flow from investing activities totalled EUR –0.7 million (previous year: EUR –5.7 million). In the previous year, cash flow from investing activities was impacted negatively, primarily as a result of acquiring the B&V Group at EUR 8.0 million.

In the reporting period, cash flow from financing activities was slightly negative at EUR –0.2 million (previous year: EUR –1.2 million).

Further details on the amount and composition of the Group's cash flows can be found in the cash flow statement and also in the Group Notes, section 6.23.

The significant decrease in cash and cash equivalents and a large portion of current liabilities have had a significant negative impact on ESTAVIS AG's financial position and results of operations and led to liquidity bottlenecks. These bottlenecks were bridged in the short term by the issuing of loans from a member of the Management Board and a related party of a member of the Management Board, respectively (additional explanations in the notes to the consolidated financial statements, Section 6.27).

At the same time, the Management Board has introduced and implemented measures to improve the company's future earnings and liquidity situation. The most important measures included the disposal of loss-making investments, reducing headcount in continuing business segments and the significant reduction of overall cost levels.

In addition, negotiations with creditors were begun regarding the prolongation and refinancing of a significant portion of current liabilities. After the balance sheet date, a short-term loan liability of approximately EUR 12 million was prolonged until the end of JulyJune 2010. The company is also in advanced negotiations regarding the refinancing of further current liabilities amounting to approximately EUR 11 million (see 3. Risk Report and 5. Supplementary Report for additional explanations).

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, this includes 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 long-standing customer relationships.

3 RISK REPORT

3.1 RISK MANAGEMENT

The ESTAVIS Group's risk management system is geared towards identifying, securing and utilising the existing and future success and risk 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. To this end, appropriate credit line agreements concluded by the parent company are used for the centralised financing of the operating Group units. The availability of sufficient funds for the company is monitored by a 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 bad debt 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.

3.2 INDIVIDUAL RISKS

The ESTAVIS Group is exposed to a large number of different risks which, individually or collectively, could adversely affect the net asset, financial and earnings situation of the company and its further economic development. According to the Management Board of ESTAVIS AG, the following company- and market-specific individual risks should be taken into account in particular.

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) Project selection risks

The economic success of the ESTAVIS Group depends to a large extent on the selection and acquisition of suitable properties. This gives rise to the risk of incorrectly estimating or failing to identify the negative structural, legal, commercial and other encumbrances of the properties to be purchased. Furthermore, the assumptions made in relation to the income potential of the properties could subsequently prove to be partially or entirely incorrect. In particular, incorrect estimates relating to the attractiveness of property locations and other factors that investors consider to be crucial to decisions to buy could result in properties not being sold at the planned terms and conditions or within the forecast timeframe.

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

b) Property portfolio risks

The ESTAVIS Group primarily holds its property portfolios on a short-term basis, but some properties are held for longer periods. As long as properties are held by the company, there is a risk of devaluation due to a deterioration in the social structures of the respective locations, excessive levels of wear and tear, unexpectedly high renovation requirements or similar factors.

Property portfolio risks will be countered by the measures described in section 3.2 a. In addition, in order to protect against the risk, that a sale cannot be realised on a short-term basis, rights of cancellation are sometimes included in the purchase agreement. In such cases, the risk is generally restricted to downpayments that are primarily payable at a high level and that cannot be reimbursed in the event of withdrawal from the purchase agreement.

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.

d) Sales risks

A key factor in the ESTAVIS Group's corporate development is the long-standing, established business relationships and personal contacts between its management and existing and potential investors. This applies in particular to the Portfolio trading segment, where transactions are conducted with a relatively transparent group of investors. In order to protect the existing customer base and ensure its continuous expansion, the members of the Management Board are granted an interest in the company's share capital with a view to retaining their personal expertise and guaranteeing their commitment on a long-term basis. Risk limitation through the reduction of dependence on individual investors also forms part of the Group's continuous risk controlling activities.

In the area of residential property trading, ESTAVIS draws upon an extensive network of experienced external sales partners. This means that its commercial success is dependent to a large extent on recruiting qualified brokers and retaining their services on a long-term basis. This is achieved in particular through attractive remuneration conditions.

A portion of the remuneration for external sales partners is normally payable on conclusion of the notarised agreement. The risk exists that the buyer pulls out of the purchase agreement within the permitted cancellation period. While the partial remuneration for the external sales partner can be claimed back in such cases, there is the risk that these receivables will not be collectable.

The primary risk to the Group's property rentals is that the properties offered will fail to meet tenants' expectations, resulting in vacancies. ESTAVIS strives to reduce this risk by intensively monitoring the rental market on an ongoing basis, including analysing tenant requirements, as well as improving the attractiveness of its properties by performing modernisation work as appropriate.

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.

In light of an ongoing restrictive lending policy at German and international banks, however, there is the risk that lenders accelerate the loans extended to finance properties before they are sold. Depending on the extent of the accelerated loan, the ESTAVIS Group could be exposed to a risk in terms of its solvency. The ESTAVIS Group has concluded loan agreements with several banks in order to counter this risk.

As of the time of the consolidated financial statements being prepared, the ESTAVIS Group is in advanced talks with lenders to prolong and refinance a significant portion of its current liabilities.

After the balance sheet date, the prolongation of a short-term loan liability of approximately EUR 12 million was agreed until the end of June 2010. The company is also in advanced negotiations regarding the refinancing of current liabilities amounting to approximately EUR 11 million (see 5. Supplementary Report).

Nevertheless, the risk still exists that the planned prolongation and refinancing cannot be implemented.

In addition, there is the risk that acquiring company VPE VARIO Private Equity AG will not fulfil its payment obligations from the purchase of shares in the HAG Group on schedule. As of the deadline for the preparation of the consolidated financial statements for the 2008/2009 financial year, around 52 % of the HAG shares were transferred successively to VPE VARIO Private Equity AG and corresponding payments were made.

Interest rate risks exists 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 likely be minimal. Far more important is the potential indirect effect of changes in overall interest rates on property demand (see the corresponding information on economic risks).

There are no other significant risks relating to the financial instruments held by the Group at present.

f) Bad debt risks

In Retail trading this risk is reduced by not handing over the property until after the full purchase price has been paid. Given the broad customer structure in Retail trading, bad debt risks and the influence on the company's financial situation are only of minor significance.

In portfolio business the Group primarily sells its properties to customers who form special-purpose entities for acquisition purposes, and not directly to corporations or individuals. As such, recourse to the shareholders of the buyer is only possible to a limited extent in the event of the buyer's insolvency. To reduce this risk, the ownership of properties is not generally transferred to the buyer until the purchase price has been paid into an escrow account.

To the extent that renovation measures are required, it is generally agreed that certain purchase price components will only be due after the completion of such measures. These purchase price components could be at risk of default if a customer were to file for insolvency prior to the completion of renovation. 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 themselves being able to enforce claims against third parties.

Warranty risks primarily arise if properties are sold individually or in portfolios in the context of asset deals, as the exclusion of liability is generally not agreed in such cases. By contrast, this risk is either reduced or eliminated when special-purpose entities themselves are sold (share deals), as the exclusion of liability for the properties held by the special-purpose entity is generally agreed in such cases.

If ESTAVIS is committed to carrying out renovation and modernisation measures, it usually assumes a guarantee for these measures when the property is sold, unless such a guarantee has already been concluded. In addition, if such measures have not been performed properly, a portion of the agreed selling price may be given up. Significant additional costs may also arise in the event of delays to the renovation and modernisation work.

A number of property sale contracts contain contractual commitments on the amount of rent payable. If it is not possible to furnish evidence of such commitments, either in general or at a specific point in time, certain purchase price components may be due at a later date or may even be waived. Short- to medium-term rental guarantees that could lead to corresponding equalisation obligations are also issued in individual cases.

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

Adequate provisions have been recognised for the legal risks to which the Group is currently exposed. At present, there are no legal risks, particularly 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 in the domestic economic climate could lead to a (significant) decline in demand for property investments, have a negative impact on rent and price levels and impair the credit rating of potential tenants and buyers of properties.

Furthermore, the market environment in Germany is indirectly affected by global economic trends. Consequently, a cooling of the economic climate in Europe could have an adverse effect on the purchasing behaviour of foreign investors.

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

Given the fact that the majority of institutional property investments in Germany are made by investors from Anglo-Saxon countries, the development of the currency markets could also have a sustained impact on the German property market. In the event of a turnaround on the currency markets resulting in the sustained appreciation of the U.S. dollar and the pound sterling in conjunction with a deterioration in forecast yields on the German property market, foreign investors could choose to withdraw from Germany. This would have a corresponding adverse effect on selling prices.

b) Sector risks

A deterioration in the general conditions on the German property market could have a negative influence on the business performance of ESTAVIS AG. A further 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 properties could be limited as potential sellers are unwilling to sell on account of the low price level.

The development in the property sector is also largely determined by the availability of finance instruments. Persistent restrictive lending in Germany and abroad could have a negative impact on demand for property overall.

The property sector is characterised by intense competition among numerous providers. As such, there is a risk that the competition will adopt the competitive advantages of the ESTAVIS Group. This could lead to increased price pressure and lower 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 living space requirements.

c) Legal conditions

As the business activities of the ESTAVIS Group are regulated by the specific legal conditions applying 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 law, public construction law, preservation law and tax law.

Any changes in tax law regarding the deductibility of redevelopment expenses for property buyers can pose risks to the business development of the Retail Trading segment. However, there is no evidence of such a change in tax law at this time.

3.3 OTHER INFLUENCES

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

Given the ongoing restrictions on national and international credit markets, the assessment of financing risks has changed since the previous year. Due to the restricted lending policies, financing necessary for ESTAVIS Group's business model is currently impeded . Financial planning for the coming years explicitly takes into account the changed financing situation.

As of the time of the consolidated financial statements being prepared, the ESTAVIS Group is in advanced talks with lenders to prolong and refinance a significant portion of its current liabilities. This could result in a threat to the Company as a going concern only if, contrary to expectations, the debt cannot be prolonged and refinanced.

In addition, a threat to the Company as a going concern can result if the planned sales volume as well as measures to improve the financing situation cannot be implemented to a significant extent.

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 the company. 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 believes it is exposed are explained in the Risk Report.

4.1 FUTURE ORIENTATION OF BUSINESS AND THE COMPANY

In the 2009/2010 financial year, ESTAVIS Group will continue and enhance its strategic and operative orientation towards attractive segments in the German property market. Its business activities will continue to focus on the sale of residential property to private investors. In light of the growing significance of property as a private pension plan and the generally positive conditions on the German property market, the company is anticipating that the business potential in this segment will increase in future.

A recovery in business activities in Portfolio trading is largely dependent on the normalisation of conditions of the international financial markets. Given the current jitters on the international financial market, the conclusion of successful portfolio transactions for the 2009/2010 financial year is unpredictable. In the Development segment ESTAVIS will be involved in promising projects if a later sale or rental is ensured. There are no such projects at the current time.

ESTAVIS AG will continue to pursue its chosen path of business consolidation in the 2008/2009 financial year.

4.2 DEVELOPMENT OF THE ECONOMY AS A WHOLE AND THE RESIDENTIAL MARKET

According to current forecasts by leading economic research institutes and the German government, 2009 will offer a challenging overall economic environment with a forecast decline in gross domestic product of around 6 %. Most analysts are currently assuming that economic output in 2010 will either stagnate or rise only slightly.

Following the significant lowering of interest rates by the central banks in Europe and the US, the scope for further interest cuts as a tool for stimulating the economy is slight. In spite of the current low inflation rate of less than 1 %, it is expected that key interest rates will have to be raised in the medium term. The reason for this is the sharp rise in the amount of money as result of the intervention by the key central banks around the world to stimulate the economy. Raising interest rates would limit major inflation but also slow any recovery.

The financial market crisis has led to restrictive lending policies at banks, which is hampering investments in the German property market. This is mainly affecting institutional investors, who now have to finance projects with greater equity shares and bank margins. In light of the difficult financing conditions, institutional investment activities are not expected to recover in the near future.

In our opinion, the financial market crisis will continue to have no significant negative effect on the financing of private property investments. For investors with largely low income especially, however, access to private property finance has been greatly impeded by the withdrawal of several German and international banks from this business segment. At the same time though, German banks have extended their activities in private customer business. The current low interest rates are also helping some private investors to decide to invest in property.

We are assuming that developments on the German residential property market will continue to remain stable. Long-term demographic trends (population decline, shift in age structure) could have a diminishing effect on demand for residential property. However, these effects will at least be partially compensated by certain positive factors (increase in one and two-person households, decline in average household size, rise in per capital living space), which means that the German property sector will essentially remain an attractive market.

Given the extremely low level of new residential construction activity in recent years, Germany is expected to see a shortage of living space in the medium term. This is likely to help gradually change the long-standing stagnation of German property prices into an upward trend in the foreseeable future. With the apparent market shortage, an increase in rent levels is also expected.

4.3 MARKET AND BUSINESS OPPORTUNITIES

Demographic and social trends in Germany present considerable opportunities for the domestic property market. The number of households and the average per capita space requirements are expected to continue to grow in future. According to experts, Germany has an annual requirement of 330,000 to 400,000 new apartments. In contrast, the new building rate has been significantly less than half of total requirements in recent years. According to the Federal Office of Statistics, building permits were issued for around 170,000 apartments in 2008. With a new building ratio of 0.4 %, Germany has very little construction work compared to other European countries.

In structured conurbations in particular, this trend – in conjunction with a rise in immigration from rural areas – is driving up prices and rents. In turn, this development is leading to attractive business prospects for ESTAVIS AG through the sale of residential property to private investors or of property portfolios to institutional investors.

Historically low mortgage rates, a stronger focus on tangible assets due to the financial crisis and a growing need for private pension provision are offering positive general conditions for the Retail trading segment. ESTAVIS AG feels there are still good business prospects in this business segment. The 2008 residential market report by CRE Accentro is forecasting a transaction volume of more than 100,000 apartments sold with a total value of around EUR 14 billion for 2007 in Germany's biggest cities alone (over 100,000 inhabitants).

Additional sales opportunities, primarily in portfolio trading, could also arise if the existing price differential between the German and international property markets remains in place. The low level of prices compared with the rest of the world makes the German property market highly attractive to foreign investors in terms of yield considerations. However, the finance market will have to normalise before a recovery in institutional portfolio trading can occur, and this is not expected to happen in the foreseeable future.

4.4 CORPORATE DEVELOPMENT

a) Overall assessment

The 2009/2010 financial year will continue to be characterised by strained overall economic developments. Any forecast of an economic recovery beyond 2010 is fraught with uncertainty. The development of institutional demand for German residential property is dependent on the financing activities of banks returning to normal. At the same time, we feel that there are growth prospects in business with private investors. Strategically, ESTAVIS Group is very well positioned with its greater focus on this market segment.

Sales of apartments – primarily listed properties that offer the buyer special tax benefits regarding the deductibility of redevelopment expenses – are characterised by a comparatively high level of stability and scalability. With the operating B&V Group, the ESTAVIS Group has an extremely experienced and successful product provider.

There are plans to strengthen the company's positioning in terms of property sales. In the next two years, the product offering will be expanded further by the sale of properties for owner-occupiers. The ESTAVIS Group sees opportunities for organic growth in this area which can be tapped with existing organisational structures and financial conditions. Expanding the external sales network should also increase the company's effectiveness in selling apartments.

b) Forecast development in the earnings and financial position

For the 2009/2010 financial year, the ESTAVIS AG Management Board is expecting Group revenue with the range of EUR 75.0 million and EUR 85.0 million, corresponding to a moderate upturn against the comparative figures of the previous year (EUR 70.7 million). A return to profitability at net consolidated result level is expected for the 2009/2010 financial year. The assessment of the expected revenue and profit trend for the 2009/2010 financial year is based largely on the volume of apartment sales notarised as of the reporting date and to the end of the first quarter of 2009/2010. Notarised apartment sales have a high probability of generating revenue and earnings in the 2009/2010 financial year.

Furthermore, on the basis of the forecast revenue and earnings trend, the Mangement Board expects cash inflows. According to the Management Board, this will result in the financial and liquidity situation stabilising – in connection with measures to improve the financing structure of the ESTAVIS Group which have already been implemented or are planned.

The guidance for revenue and earnings is based on the planned development of the ESTAVIS Group, without taking into major, unexpected events.

For the following financial year, 2010/2011, the Management Board expects consolidated revenue and earnings to rise. Due to the current general economic situation, any forecast for this period must be regarded as having a high level of uncertainty.

The revenue and earnings performance of ESTAVIS Group in the 2009/2010 and 2010/2011 financial years will be heavily influenced by the steady sale of apartments to private investors.

However, revenue and earnings performance in the Portfolio trading and Development segments is hard to predict. An improvement in the business performance of these segments is not expected in the short term.

In the 2009/2010 and 2010/2011 financial years, the Management Board will be focusing much more on an improved earnings performance by the company. The path of business consolidation begun in the 2008/2009 financial year will be continued and cost structures will be enhanced. The resources made available will be invested in further growth in the Retail trading segment in particular while maintaining a stabile net assets and financial position. In addition to its low volatility, this segment also offers an attractive, stable profit margin.

On the one hand, the company's financial and liquidity situation is expected to improve due to the prolongation or refinancing of large portions of the current liabilities (also see 5. Supplementary Report). In this respect, efforts will be made for a significant extension of the terms (3-5 years) for large portions of existing current liabilities. At the same time, positive operating cash flow expected in the future are expected to contribute to the financial strengthening of the financial and liquidity situation.

c) Headcount development

The Management Board of ESTAVIS AG is assuming only a minor change in the number of employees in the 2009/2010 financial year following a significant headcount reduction in the 2008/2009 financial year. As of the balance sheet date, ESTAVIS Group employed 40 people in its continued operations.

5 SUPPLEMENTARY REPORT

The majority stake (80.4 %) in Hamburgische Immobilien Investment SUCV AG was sold to VPE VARIO Private Equity AG, Hamburg, for EUR 3.4 million on 22 June 2009. The economic transfer of shares to the buyer and the payment of the purchase price occur gradually after the balance sheet date. As the consolidated financial statements were being prepared, considerations of approximately EUR 1.1 million were outstanding.

Florian Lanz was named as the new Chief Executive Officer as of 1 July 2009. The previous Chief Executive Officer Rainer Schorr did not extend his employment agreement that ended on 30 June 2009 for personal reasons.

Rainer Schorr Beteiligungsgesellschaft mbH, Berlin and the Chief Executive Officer of ESTAVIS AG, Mr, Florian Lanz, made binding commitments in the total amount of EUR 2.5 million in October 2009 regarding bridging of potential liquidity bottlenecks at the company.

In addition, the company and a creditor agreed on the prolongation of a short-term loan liability of approximately EUR 12 million until the end of June 2010. The company is also in advanced negotiations regarding the refinancing of current liabilities amounting to approximately EUR 11 million.

In October 2009, the Management Board of ESTAVIS AG resolved to withdraw EUR 32.8 million from capital reserves.

No other events of particular significance to the business development of the ESTAVIS Group have occurred since the end of the 2008/2009 financial year.

6 KEY FEATURES OF THE REMUNERATION SYSTEM FOR BOARD MEMBERS

The contracts of the members of the Management Board of ESTAVIS AG have been concluded for a period of between two and three years and may not be terminated by either party during this period other than for good cause. 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, the Management Board members are granted the use of a company car, and ESTAVIS AG has taken out D&O and accident insurance policies on their behalf.

The interest of the Management Board members in the long-term positive growth of the ESTAVIS Group is guaranteed by way of the shares in ESTAVIS AG that they hold. No other remuneration components with a long-term incentive effect have been agreed with the Management Board members at present. A stock option program authorised by the General Meeting 2007 has not been implemented. The Management Board members have not been granted any pension commitments or other retirement benefits. No arrangements for benefits upon early termination have been agreed with the Management Board members with the exception of a provision entitling the company to release Management Board members from their duties during their statutory notice period and in the event of their dismissal, subject to the continued payment of their salary. 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.

The total remuneration of the Management Board and Supervisory Board members and the individual remuneration paid to the Management Board members can be found in the notes to the consolidated financial statements.

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

ESTAVIS AG

Assets	Section	June 30, 2009 TEUR	June 30, 2008 TEUR
Non-current assets			
Goodwill	6.1, 6.3	17,776	20,581
Other intangible assets	6.1, 6.3	18	141
Property, plant and equipment	6.2	485	1,113
Investment property	6.4	–	12,840
Investments in associates	6.5	50	32
Other non-current financial assets	6.6	193	252
Deferred income tax receivables	6.14	3,718	3,684
Total		**22,241**	**38,644**
Current assets			
Inventories	6.7	80,727	103,703
Trade receivables	6.8	1,955	27,604
Other receivables	6.8	49,424	52,328
Current income tax receivables		2,028	1,759
Cash and cash equivalents	6.9	3,884	25,733
Assets held for sale	6.25	47,029	–
Total		**185,047**	**211,127**
Total assets		**207,287**	**249,772**

CONSOLIDATED BALANCE SHEET

ESTAVIS AG	Section	June 30, 2009	June 30, 2008
Equity		TEUR	TEUR
Issued capital	6.10	8,099	8,099
Capital reserves		44,222	77,065
IAS 39 reserve		16	16
Retained earnings		–3,597	1,413
Equity attributable to the shareholders of the parent company		48,740	86,594
Minority interests		340	8,742
Total equity		**49,080**	**95,336**
Liabilities			
Non-current liabilities			
Provisions	6.12	97	429
Non-current financial liabilities	6.11	588	16,517
Deferred income tax liabilities	6.14	4,254	5,238
Total non-current liabilities		**4,938**	**22,184**
Current liabilities			
Provisions	6.12	4,855	4,416
Current financial liabilities	6.11	67,918	84,281
Advance payments received		4,101	11,055
Current income tax liabilities		1,158	4,430
Trade payables	6.13	6,214	5,297
Other liabilities	6.13	25,586	22,774
Liabilities held for sale	6.25	43,437	–
Total current liabilities		**153,269**	**132,252**
Total equity and liabilities		**207,287**	**249,772**

CONSOLIDATED INCOME STATEMENT

ESTAVIS AG

	Section	2008/2009	2007/2008
		TEUR	TEUR
Revenues	6.15	70,710	120,209
Change in value of investment property	6.4	0	0
Other operating income	6.18	6,989	3,984
Changes in inventories		1,450	–14,962
Total operating performance		**79,148**	**109,230**
Cost of materials	6.16	64,776	94,464
Staff costs	6.17	3,196	3,250
Depreciation and amortisation	6.3	135	139
Other operating expenses	6.18	34,468	15,839
Operating result		**–23,427**	**–4,463**
Net income from associates	6.5	**19**	**29**
Interest income	6.19	894	2,708
Interest expenses	6.19	5,776	4,530
Financial result		**–4,882**	**–1,822**
Pre-tax profit from continued activities		**–28,289**	**–6,256**
Income taxes	6.20	–361	–2,648
Result from continued activities		**–27,928**	**–3,608**
Result from discontinued activities	6.25	–18,310	–3,067
Net profit		**–46,237**	**–6,675**
attributable to parent company shareholders		–37,853	–5,435
attributable to minority interests		–8,385	–1,240
Earnings per share (EUR)			
from continued activities		**–3.45**	**–0.45**
from discontinued activities		–1.23	–0.23
from net profit	6.22	**–4.67**	**–0.68**

CONSOLIDATED CASH FLOW STATEMENT

ESTAVIS AG

		2008/2009	2007/2008
		TEUR	TEUR
	Net profit	–46,237	–6,675
+	Depreciation/amortisation of non-current assets	284	312
+/–	Increase/decrease in provisions	300	–2,715
+	Impairment on assets held for sale	11,468	–
+/–	Change in value of investment property	1,249	1,345
+/–	Other non-cash expenses/income	66	345
–/+	Gains/losses from the disposal of non-current assets	63	–22
–/+	Increase/decrease in inventories, trade receivables and other assets that are not attributable to investing or financing activities	15,473	–28,738
+/–	Increase/decrease in trade payables and other liabilities that are not attributable to investing or financing activities	4,499	32,678
–/+	Result from the disposal of consolidated companies	680	–
=	**Cash flow from current operating activities**	**–12,154**	**–3,469**
+	Payments received from the disposal of property, plant and equipment	46	0
+	Payments received for the disposal of financial assets	18	259
+	Payments received from the disposal of investment property	135	3,020
–	Payments for investments in intangible assets	–38	–118
–	Payments for investment property	–768	–229
–	Payments for investments in property, plant and equipment	–394	–576
–	Payments for investments in non-current financial assets	–	–2
+	Payments from the disposal of fully consolidated companies	293	
–	Payments from the additions of fully consolidated companies	–	–8,048
=	**Cash flow from investing activities**	**–708**	**–5,693**
	Payments made by shareholders	–	25
–	Payments to shareholders	–78	–931
+	Payments from issuing bonds and raising (financial) loans	1,008	2,842
–	Repayment of bonds and financial loans	–1,108	–3,089
=	**Cash flow from financing activities**	**–178**	**–1,152**
	Net change in cash and cash equivalents	–13,040	–10,315
+	Cash and cash equivalents at the beginning of the period	25,733	36,048
=	**Cash and cash equivalents at the end of the period**	**12,694**	**25,733**
	attributable to cash and cash equivalents reclassified as assets held for sale	8,810	–

Explanations on individual positions can be found in the Notes to the Consolidated Financial Statements, sec. 6.23.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year from July 1, 2008 to June 30, 2009

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, 2008	**8,099**	**77,065**	**16**	**1,413**	**86,594**	**8,742**	**95,336**
Changes in the value of available-for-sale financial assets	–	–	0	–	0	–	**0**
Net profit for the period July 1, 2008 – June 30, 2009	–	–	–	–37,853	–37,853	–8,385	**–46,237**
Total recognised income and expenses	**–**	**–**	**0**	**–37,853**	**–37,853**	**–8,385**	**–46,237**
Acquistion of shares of consolidated companies	–	–	–	– 1	– 1	– 19	**–20**
Change in consolidated group	–	–	–	–	–	2	**2**
Withdrawal for covering of losses from the capital reserve of ESTAVIS AG	–	–32,843	–	32,843	0	–	**0**
As of June 30, 2009	**8,099**	**44,222**	**16**	**–3,597**	**48,740**	**340**	**49,080**

Explanations on individual positions can be found in the Notes to the Consolidated Financial Statements, sec. 6.10.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year from July 1, 2007 to June 30, 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	–	–	–57	–	–57	–	**–57**
Net profit for the period July 1, 2007 – June 30, 2008	–	–	–	–5,435	–5,435	–1,240	**–6,675**
Total recognised income and expenses	–	–	**–57**	**–5,435**	**–5,491**	**–1,240**	**–6,732**
Capital increase in consolidated companies	–	–	–	–	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	–	–	–	–431	–431	–557	**–988**
As of June 30, 2008	**8,099**	**77,065**	**16**	**1,413**	**86,594**	**8,742**	**95,336**

Explanations on individual positions can be found in the Notes to the Consolidated Financial Statements, sec. 6.10.

NOTES TO THE CONSOLIDATED 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).

As of 30 June 2009, ESTAVIS AG acts as the operating holding company for a number of special-purpose entities. Its major operating subsidiaries are Hamburgische Immobilien Invest SUCV AG, Hamburg, CWI Real Estate AG, Bayreuth (together: the HAG Group) and B&V Bauträger- und Vertriebsgesellschaft für Immobilien mbH, Berlin (B&V Group). The companies of the HAG Group were sold by way of agreement dated 22 June 2009 effective from the start of the 2009/2010 financial year.

The figures in the reporting period are comparable only to a limited extent with those of the prior-year period in respect of the different period of inclusion in the B&V Group (previous year: eight months) and the reclassification of the assets and liabilities of the HAG Group to assets/liabilities held for sale.

These consolidated financial statements were approved for publication by the company's Management Board in November 2009.

2 SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Principles

The consolidated financial statements for the 2008/2009 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 with an orientation to the capital market.

The requirements of the IFRSs were met in full and provide a true and fair view of the net assets, financial position and results of operations of the ESTAVIS Group. In order to improve the clarity of presentation, some 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, derivative financial instruments 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 of 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 statements are the same as those on which the consolidated financial statements as at 30 June 2008 are based. In addition, the rules for the presentation of discontinued operations were applied.

The following new and amended accounting standards and interpretations were required to be applied for the first time in preparing the IFRS consolidated financial statements for the 2008/2009 financial year:

Standard/Interpretation		amended/new
IAS 39 + IFRS 7	Permitted reclassification of financial assets	amended

The first-time adoption of the new accounting standards did not affect the IFRS consolidated financial statements of ESTAVIS AG. In addition, IFRS 8 "Operating Segments" has been applied early since the previous year.

In addition, the revised IAS 27 "Consolidated and Separate IFRS Financial Statements" and the revised IFRS 3 "Business Combinations" were applied early. IAS 27 prescribes the treatment of acquisitions and disposals of shares after achieving and retaining control. In derogation from the previous treatment, losses relating to minorities that exceed their carrying amount must be reported as negative carrying amounts in consolidated equity. The new IFRS 3 includes provisions on its scope, purchase price components, the treatment of minority interests and goodwill and the scope of the recognised assets, liabilities and contingent liabilities. The standard also contains provisions on the recognition of loss carryforwards and the classification of agreements of the acquired company.

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/Interpretation		applicable from financial year
IAS 1	Presentation of Financial Statements (amendments)	2009/2010
IAS 23	Borrowing Costs (amendments)	2009/2010
IAS 27	Consolidated and Separate Financial Statements under IFRS (amendments)	2009/2010
IAS 32 + IAS 1	Amendments: Puttable Financial Instruments and Obligations Arising on Liquidation	2009/2010
IAS 39	Amendments: Eligible Hedged Items	2009/2010
IFRS 1 + IAS 27	Amendments: Cost of Subsidiaries, Joint Ventures and Associates	2009/2010
IAS 39	Amendments: Reclassification of Financial Assets: Effective Date and Transition	2009/2010
IAS 39 + IFRIC 9	Amendments: Embedded Derivatives	2009/2010
IFRS 2	Amendments: Vesting Conditions and Cancellation	2009/2010
IFRS 3	Business Combinations (revised 2008)	2009/2010
IFRS 7	Amendments: Enhancing Disclosures on Financial Instruments	2009/2010
IFRIC 12	Service Concession Arrangements	2009/2010
IFRIC 13	Customer Loyalty Programmes	2009/2010

Standard/Interpretation		applicable from financial year
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	2009/2010
IFRIC 15	Agreements on the Construction of Real Estate	2009/2010
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	2009/2010
IFRIC 17	Distributions of Non-cash Assets to Owners	2009/2010
IFRIC 18	Transfers of Assets from Customers	2009/2010
Various	IFRS Improvements 2008	2009/2010
Various	IFRS Improvements 2009	2010/2011
IFRS 2	Amendments: Group Cash-settled Share-based Payment Transactions	2010/2011
IFRS 1	Change: Additional exemptions for first-time adopters	2010/2011
IFRS 32	Classification of Rights Issues	2010/2011

With the exception of the revised IAS 23, the company does not expect the future application of the new accounting standards to have a significant impact on the consolidated financial statements. IAS 23 prescribes the capitalization of borrowing costs in the construction phase of qualifying assets from the 2009/2010 financial year. Particularly for properties which are renovated before being transferred to customers this is likely to result in a capitalization of borrowing costs and to higher balance sheet earnings during the introduction phase.

Revision of IFRS 1, First-Time Adoption of IFRS (not yet recognised by the EU): The amendments were published on 27 November 2008 and are scheduled to apply for financial years beginning on or after 1 January 2010. The amendments relate solely to the formal structure of IFRS 1; the content of the standard remains unchanged.

Amendments to IFRS 1 and IAS 27, Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate: The amendments were adopted in May 2008 and apply for the first time for financial years beginning on or after 1 January 2009. The amendments relate in particular to the first-time application of IFRS. Due to a lack of relevance, these amendments will not affect the Company's net assets, financial position and results of operations or its cash flows.

Amendments to IFRS 2, Share-Based Payment: Vesting Conditions and Cancellations. The revised standard applies for financial years beginning on or after 1 January 2009. IFRS 2 provides clarifications and a more precise definition of vesting conditions for share-based payment agreements. At present, it does not appear that the amendments will affect the Company's net assets, financial position and results of operations or its cash flows.

Amendments to IAS 1, Presentation of Financial Statements – A Revised Presentation: The revised IAS 1 was published on 6 September 2007 and applies for the first time for financial years beginning on or after 1 January 2009. The amendments relate in particular to the presentation of the annual financial statements and comparative information. At present, it does not appear that the amendments will affect the Company's net assets, financial position and results of operations or its cash flows.

Amendments to IAS 32, Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements. The revised standard applies for financial years beginning on or after 1 January 2009. IAS 32 prescribes whether an issuer should recognise a financial instrument as equity or a liability. Under certain conditions, the revised version of IAS 32 allows for puttable instruments to be classified as equity. At present, it does not appear that the amendments will affect the Company's net assets, financial position and results of operations or its cash flows.

Amendments to IAS 39, Financial Instruments: Recognition and Measurement: Eligible Hedged Items (not yet recognised by the EU): The revised IAS 39 was published in July 2008 and applies for the first time for financial years beginning on or after 1 July 2009. It clarifies the application of the basic principles of hedge accounting in two specific situations – the designation of inflation risk as a hedged item and the designation of a unilateral risk in a hedged item. Due to a lack of relevance at present, this interpretation will not affect the Company's net assets, financial position and results of operations or its cash flows.

Annual Improvements to IFRSs: In May 2008, the IASB issued a collection of Improvements to IFRSs as part of its annual update with the aim of streamlining and improving the understanding of the International Financial Reporting Standards. These improvements consisted of 35 amendments and apply for the first time for financial years beginning on or after 1 January 2009 or 1 July 2009 respectively.

IFRIC 13, Customer Loyalty Programmes: IFRIC 13 was published in June 2007 and applies for the first time for financial years beginning on or after 1 July 2008. IFRIC 13 addresses accounting by entities that grant loyalty award credits (such as "points" or travel miles) to customers who buy other goods or services. As the Company does not grant such loyalty award credits, this interpretation will not affect its net assets, financial position and results of operations or its cash flows.

IFRIC 15, Agreements for the Construction of Real Estate: IFRIC 15 was published in July 2008 and applies for the first time for financial years beginning on or after 1 January 2009. IFRIC 15 addresses the accounting treatment of sales of real estate where the contract is concluded with the buyer before construction is complete. The new provision will not lead to a change in the existing accounting treatment.

IFRIC 16, Hedges of a Net Investment in A Foreign Operation: IFRIC 16 was published in July 2008 and applies for the first time for financial years beginning on or after 1 July 2009. IFRIC 16 clarifies how to meet the requirements of IAS 21 and IAS 39 in cases where entities hedge the foreign currency risk arising from a net investment in a foreign operation. As the Company does not currently have any investments in foreign operations, this will not affect its net assets, financial position and results of operations or its cash flows.

IFRIC 17, Distributions of Non-Cash Assets to Owners (not yet recognised by the EU): IFRIC 17 was published in November 2008 and applies for the first time for financial years beginning on or after 1 July 2009. According to IFRIC 17, a non-cash dividend payable must be recognised as soon as the dividend is resolved. The non-cash dividend payable is measured at the fair value of the net assets to be distributed. When the dividend is paid (i.e. the assets are derecognised), the difference between the carrying amount of the assets and the fair value at which the payable was measured is recognised in profit or loss. To date, it was possible to measure non-cash dividend payables at either the fair value or the carrying amount of the corresponding assets. Accordingly, IFRIC 17 eliminates this option. Due to a lack of relevance at present, this interpretation will not affect the Company's net assets, financial position and results of operations or its cash flows.

IFRIC 18, Transfers of Assets from Customers (not yet recognised by the EU): IFRIC 18 was published in January 2009 and applies for the first time for financial years beginning on or after 1 July 2009. IFRIC 18 is particularly relevant for entities in the utility sector and addresses agreements in which an entity receives from a customer an item of property, plant and equipment or cash for the acquisition or construction of a corresponding item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. Due to a lack of relevance, these interpretations will not affect the Company's net assets, financial position and results of operations or its cash flows.

The amendments (2008) to IAS 39 and IFRS 7 "Reclassification of Financial Assets – Effective Date and Transition" contain transitional provisions and a clarification of the application date of the option introduced in 2008 to measure at amortised cost those non-derivative financial instruments that were previously measured at fair value. The IASB prescribed the mandatory application of these amendments for financial years beginning on or after 1 July 2008. First-time application is not expected to have a material effect on the financial statements of ESTAVIS AG.

The amendments to IFRIC 9 and IAS 39 "Embedded Derivatives" clarify the provisions under which, when a financial instrument previously measured at fair value through profit or loss is reclassified to the "measured at amortised cost" category, it must be examined whether any embedded derivatives contained in the financial instrument are required to be separated. The IASB prescribed the mandatory application of these amendments for financial years ending on or after 30 June 2009. First-time application is not expected to affect the financial statements of ESTAVIS AG.

The amendments to IFRS 7 (2009) "Improving Disclosures about Financial Instruments" provide for additional disclosures about financial instruments. In particular, they introduce the presentation of a fair value hierarchy that details the extent to which the fair values of financial instruments have been determined on the basis of quoted prices or internal company data that cannot be observed. Disclosures about the liquidity risk arising from financial instruments have also been expanded. The IASB prescribed the mandatory application of these amendments for financial years beginning on or after 1 January 2009. First-time application is not expected to lead to any additional disclosures in the financial statements of ESTAVIS AG.

All amounts contained in the notes and tables are disclosed in thousands of euro 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 from the date on which the Group obtains control over the respective company. They are deconsolidated from 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 cost of acquisition is less than the fair value of the (proportionate) net assets of the company acquired, the difference is recognised directly in the income statement. Acquisitions of shares in subsidiaries after control has been established are accounted for as equity transactions. The difference between the purchase price of the shares and the outgoing minority interest is offset directly against retained earnings in equity.

The sale of special-purpose entities (share deals) is reported in the same way as a comparable direct sale of real estate (asset deals), 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. 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 reported 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.

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. A list of the companies included in the consolidation on the basis of proportionate consolidation over which joint management is exercised with other companies can be found under 2.2 d.

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. A list of the associates consolidated at equity can be found under 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. As soon as 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 profits 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 2009, the consolidated financial statements of ESTAVIS AG included 81 subsidiaries, a joint venture and an associate. The consolidated group changed as follows as against 30 June 2008:

In the financial year a further 18 property management companies were added to the consolidated group. In addition, a property management company that was included as an associate until the end of the first quarter has been fully consolidated since the start of the second quarter on account of the acquisition of further shares. One property management company was disposed of and therefore left the consolidated group.

The 50.1 % investment in ESTAVIS Property Management GmbH was disposed of as of the end of the second quarter (see also the information on discontinued operations in section 6.25).

The 80.36 % interest in Hamburgische Immobilien Invest SUCV AG was disposed of effective from the start of the 2009/2010 financial year in June 2009. Thus, the 23 companies of the HAG Group will leave the consolidated group as of the start of the next financial year. The assets and liabilities of these companies are reported in these consolidated financial statements as held for sale. The expenses and income contributed by these companies in this financial year and the loss arising on disposal are reported as the result of discontinued operations (see also the information in section 6.25).

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 (interim holding company)	Berlin	94 %
Dritte CRSR Wohnen GmbH & Co. KG	Berlin	94 %
ESTAVIS Construction GmbH & Co. KG (construction)	Berlin	100 %
SIAG Erste Wohnen GmbH & Co. KG	Berlin	100 %
SIAG Zweite Wohnen GmbH & Co. KG	Berlin	100 %
SIAG Dritte Wohnen GmbH & Co. KG	Berlin	100 %
SIAG Fünfte Wohnen GmbH & Co. KG	Berlin	100 %
SIAG Sechste Wohnen GmbH & Co. KG	Berlin	100 %
SIAG Siebente Wohnen GmbH & Co. KG	Berlin	100 %
SIAG Achte Wohnen GmbH & Co. KG	Berlin	94 %
SIAG Neunte Wohnen GmbH & Co. KG	Berlin	100 %
SIAG Elfte Wohnen GmbH & Co. KG	Berlin	94 %
SIAG Zwölfte Wohnen GmbH & Co. KG	Berlin	94 %
SIAG Vierzehnte Wohnen GmbH & Co. KG	Berlin	94 %
SIAG Fünfzehnte Wohnen GmbH & Co. KG	Berlin	94 %
SIAG Siebzehnte Wohnen GmbH & Co. KG	Berlin	100 %
SIAG Achtzehnte Wohnen GmbH & Co. KG	Berlin	100 %
SIAG Neunzehnte Wohnen GmbH & Co. KG	Berlin	100 %
SIAG Zwanzigste Wohnen GmbH & Co. KG	Berlin	100 %
SIAG Einundzwanzigste Wohnen GmbH & Co. KG	Berlin	100 %
SIAG Siebenundzwanzigste Wohnen GmbH & Co. KG	Berlin	100 %
SIAG Fünfundzwanzigste Wohnen GmbH & Co. KG	Berlin	100 %
Estavis Immobilienverwaltungs GmbH (general partner)	Berlin	94 %
SIAG Dritte Wohnen Beteiligungsgesellschaft mbH	Berlin	100 %
Erste SIBA Wohnen GmbH	Berlin	100 %
SIAG 28. Wohnen GmbH & Co. KG	Berlin	100 %
SIAG 29. Wohnen GmbH & Co. KG	Berlin	100 %
Estavis 30. Wohnen GmbH & Co. KG	Berlin	100 %
Estavis 31. Wohnen GmbH & Co. KG	Berlin	100 %
Estavis 26. Property GmbH	Berlin	100 %
Until 31 December 2008: Estavis Property Management GmbH (property management)	Berlin	50.1 %
Estavis 28. Property GmbH	Berlin	100 %
Estavis 29. Property GmbH	Berlin	100 %
Estavis 30. Property GmbH	Berlin	100 %
Estavis 32. Wohnen GmbH & Co. KG	Berlin	100 %
Estavis 33. Wohnen GmbH & Co. KG	Berlin	100 %
Estavis 34. Wohnen GmbH & Co. KG	Berlin	100 %
Estavis 35. Wohnen GmbH & Co. KG	Berlin	100 %
Estavis 36. Wohnen GmbH & Co. KG	Berlin	100 %
Estavis 37. Wohnen GmbH & Co. KG	Berlin	100 %
Estavis 38. Wohnen GmbH & Co. KG	Berlin	100 %
Estavis 39. Wohnen GmbH & Co. KG	Berlin	100 %
Estavis 40. Wohnen GmbH & Co. KG	Berlin	100 %
Estavis 41. Wohnen GmbH & Co. KG	Berlin	100 %
Estavis 42. Wohnen GmbH & Co. KG	Berlin	100 %
Estavis 43. Wohnen GmbH & Co. KG	Berlin	100 %
B&V 1. Property GmbH	Berlin	100 %

List of equity interests in subsidiaries (continued from previous page)

Company	Domicile	Equity interest*
B&V Bauträger- und Vertriebsgesellschaft für Immobilien mbH (retail)	Berlin	94.8 %
B&V Dölauer Str. GmbH & Co. KG	Berlin	94 %
Estavis 31. Property GmbH	Berlin	100 %
B&V 1. Immobilien GmbH & Co. KG	Berlin	100 %
B&V 2. Immobilien GmbH & Co. KG	Berlin	100 %
B&V 3. Immobilien GmbH & Co. KG	Berlin	100 %
B&V 1. Denkmalschutz GmbH & Co. KG	Berlin	100 %
B&V 2. Denkmalschutz GmbH & Co. KG	Berlin	100 %
B&V 3. Denkmalschutz GmbH & Co. KG	Berlin	100 %
B&V 4. Denkmalschutz GmbH & Co. KG	Berlin	100 %
B&V 5. Denkmalschutz GmbH & Co. KG	Berlin	100 %
B&V Wohnbaugesellschaft mbH	Berlin	100 %
Hamburgische Immobilien Invest SUCV AG (retail)	Hamburg	80.36 %
Hanseatische Immobilienbörse HIB GmbH (broker)	Hamburg	100 %
CWI Real Estate AG (retail)	Bayreuth	54.76 %
CWI Immobilien AG (investment property)	Berlin	90.95 %
CWI Wohnen AG & Co. KG	Berlin	94 %
2. CWI Wohnen AG & Co. KG	Berlin	94 %
3. CWI Wohnen AG & Co. KG	Berlin	94 %
4. CWI Wohnen AG & Co. KG	Bayreuth	94.5 %
5. CWI Wohnen AG & Co. KG	Bayreuth	94.5 %
8. CWI Wohnen GmbH	Bayreuth	94 %
9. CWI Wohnen GmbH	Bayreuth	100 %
10. CWI Wohnen GmbH	Bayreuth	100 %
Zemaitat & Partner 11. Immobilien GbR	Berlin	94 %
Zemaitat & Partner 12. Immobilien GbR	Berlin	94 %
Zemaitat & Partner 13. Immobilien GbR	Berlin	94 %
11. CWI Wohnen GmbH	Bayreuth	100 %
12. CWI Wohnen GmbH & Co. KG	Bayreuth	100 %
14. CWI Wohnen GmbH	Bayreuth	100 %
15. CWI Wohnen GmbH & Co. KG	Bayreuth	100 %
16. CWI Wohnen GmbH & Co. KG	Bayreuth	100 %
Objektges. Leipzig-Taucha, Richard-Bogue-Str. 160 – 166 GmbH	Jena	94 %
CWI Consult GmbH	Bayreuth	100 %
CWI Bau und Boden AG (financial property)	Chemnitz	100 %

* The equity interest describes the percentage interest held by the immediate parent company in each case. The remaining shares in B&V Bauträger- und Vertriebsgesellschaft, 4. CWI, 5. CWI and 8. CWI are held by other Group companies. ESTAVIS AG directly holds an additional 2,33 % interest in CWI Real Estate AG.

In accordance with section 264b of the German Commercial Code, the commercial partnerships/unincorporated civil law associations listed as subsidiaries above are exempted from the preparation, audit and disclosure requirements for corporations with regard to the annual financial statements and the management report.

Interests in joint ventures

Company	Domicile	Equity interest*
SP Center Verwaltungsgesellschaft mbH	Stuttgart	50 %

List of equity interests in associates

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

* The equity interest describes the percentage interest held by the immediate parent company in each case.

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 8 (Management Approach). It covers the business segments Portfolio trading, Retail trading, Development, Property management and Investment property.

2.4 Foreign currency translation

a) Functional currency and reporting currency

ESTAVIS AG prepares its consolidated financial statements in euros (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

Investment property primarily relates to residential property held on a long-term basis to earn rentals or for capital appreciation. In contrast to properties held as inventories, active resale activities for these properties generally occur only after a longer holding period in the context of portfolio realignments. They are recognized at cost at the time of acquisition and subsequently at fair value. Changes in fair value are reported separately in the income statement.

The fair value of the property is the price at which the property could be exchanged between knowledgeable willing parties in an arm‘s length transaction. The fair value specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale.

All investment property in the Group is measured as at the reporting date by independent property appraisers. The valuation as of 30 June 2009 was determined by the property appraisers based primarily on the expert reports for the previous year. The fair value is determined by the property appraisers largely in accordance with the income capitalisation approach on the basis of the principles of the Valuation Ordinance. The net value is calculated as the total of the land value and the net value of any construction. In addition, other adjusting items must be taken into account, particularly deviations from normal circumstances as a result of omitted maintenance work or for construction defects or damages, if these have not already been taken into consideration by recognising reduced income or a shorter remaining term.

The net value of construction is calculated by multiplying the lettable space by the long-term net basic rent less any management costs incurred for maintenance, administration and taking into account the risk of loss of rent. The net annual income calculated thus is divided by a “property yield”, which is calculated taking into account risk-adequate comparative rents and the estimated remaining useful life of the building, to produces the IAS 40 fair value for the respective property.

2.6 Intangible assets

a) Goodwill

Goodwill is the excess of the cost of an acquisition over the Group’s interest in the fair value of the net assets of the company being acquired at the acquisition date. It is reported as an intangible asset. Any goodwill resulting from the acquisition of an associate is contained in the carrying amount of the interest in the respective associate. Goodwill is tested for impairment annually 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 is 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 future. All other repair and maintenance measures are recognised 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).

Gains and losses from the disposal of property, plant and equipment are determined by comparing the sales proceeds with the carrying amount, and are reported in the 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 if events or indicators suggest that their carrying amount may not be recoverable. Impairment losses are recognised in the amount by which the carrying amount 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.

a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and financial assets that were voluntarily designated as "at fair value through profit or loss" on 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 when 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. They 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 available-for-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. Interest on debt capital is not included in the cost. 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 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 Pension obligations

One Group company has a defined benefit pension plan, the performance risk for which ultimately lies with that Group company. The plan is reinsured by way of payments to insurance companies.

The provision recognised in the balance sheet corresponds to the present value of the obligation at the balance sheet date less the fair value of the reinsurance claim. The obligation is calculated annually by an independent actuary in accordance with the projected unit credit method using biometric principles and taking into account future forecast pension increases. The present value of the obligation is calculated by discounting the expected future cash outflows at the discount rate for high-quality corporate bonds with the same term as the obligation.

Actuarial gains and losses relating to adjustments and changes to actuarial assumptions are recognised immediately in the income statement.

2.17 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.

2.18 Revenue recognition

Revenues are composed of the amounts invoiced for the sale of properties. Revenue from the sale of a property is 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, burdens 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 from investment property is recognised as revenue, while rental income from properties carried in the trading portfolio is reported under other operating income. 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.

2.19 Brokerage commission

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

2.20 Leases

The Group acts as a lessee.

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

Some of the finance leases entered into by the ESTAVIS Group for office furniture and IT equipment contain residual value guarantees. No purchase or lease extension options have been agreed.

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 held as inventories or investment property. These agreements are classified as operating leases. For information on the accounting treatment of rental income, see section 2.18.

2.21 Residual interests and dividend distributions

The Group holds equity interests in a large 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 would result 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.

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, as far as possible purchasing volumes are financed by debt capital in line with tax consideration on account of the continuing relatively favourable refinancing situation. 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 are the liquidity risk (avoiding disruptions to solvency) and risk of default (risk of a loss when a contractual party does not 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. The Group also reduces its liquidity risks including a right to rescind for the Group in purchase agreements for inventory property in the event that the purchase cannot be refinanced.

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.

Interest rate risks do not play a significant role on account of the overwhelmingly short-term nature of borrowing (generally one to two years). The Group only held a limited volume of derivative financial instruments for interest rate hedging purposes during the financial year.

4 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.

The income capitalisation approach used in estimating the fair value of investment property requires the use of estimate ranges for expected rental income and the necessary maintenance expenses in particular, as well as for the risk-bearing market interest rates to be applied to the respective properties.

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

Ranges of estimates are also used when assessing the relative values of the discontinued and continuing elements of the retail trading segment, and hence the amount of goodwill derecognised and still recognised by the Company.

5 SEGMENT REPORTING

The ESTAVIS Group is divided into the following segments:

1. Portfolio trading: The purchase and sale of property in the context of portfolio trading, in which generally large portfolios of property are sold to investors. This includes the Group's construction activities, which merely constitute a secondary function of this segment.
2. Sale of properties to private investors: The purchase and sale of property for retail trading, in which generally individual apartments are sold to investors. Some of this segment will be discontinued at the start of the next financial year on account of the sale of shares in the HAG Group (see also section 6.25).
3. Development: This segment develops properties with the intention of selling them at a later date.
4. Property management: This segment offers property management services for portfolio customers in particular and third parties. This segment was discontinued in the course of the year by way of disposal.
5. Investment property: Holding properties for investment purposes. This segment will be discontinued at the start of the next financial year on account of the sale of shares in the HAG Group.

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 2009 are shown below.

	continued operations					discontinued operations			
	Portfolio trading	Retail trading	Develop-ment	Consoli-dation	Group	Retail trading (HAG)	Invest-ment property	Property manage-ment	Group
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Revenues (external only)	8,203	62,124	–	–	70,372	9,527	762	522	10,811
Revenues (internal only)	396	–	–	–14	382	452	–	145	597
Segment result	**–25,908**	**2,498**	**63**	**–**	**–23,347**	**–3,337**	**–1,191**	**–1,306**	**–5,834**
Unallocated				–	–80				–
Impairment loss from assets held for sale				–	–				–11,915
Operating result				–	–23,427				–17,749
Net income from investments carried at-equity	19	–	–	–	19	8			8
Financial result				–	–4,882				–1,748
Pre-tax profit				–	–28,289				–19,489

At TEUR 15,031, the segment result in Portfolio trading was reduced by write-downs on property held as inventories.

Taking into account the differences between continued and discontinued operations, the segment results of the previous year are as follows:

	continued operations					discontinued operations			
	Portfolio-trading	Retail-trading	Develop-ment	Consoli-dation	Group	Retail-trading (HAG)	Invest-ment property	Property manage-ment	Group
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Revenues (external only)	75,589	44,619	–	–	120,208	25,721	948	574	27,243
Revenues (internal only)	–	–	–	–	–	–	–	97	97
Segment result	**–4,111**	**40**	**–201**	**–**	**–4,272**	**–25**	**–985**	**–1,244**	**–2,254**
Unallocated				–	–191	–			–
Currency gains				–	–	–			16
Operating result				–	–4,463	–			–2,238
Net income from investments carried at-equity	29	–	–	–	29	–82			–82
Financial result				–	–1,822				–1,908
Pre-tax profit				–	–6,256				–4,228

The unallocated costs relate to the write-down on a portfolio of securities in the financial year and the previous year.

The company has generated the revenues as shown below with major customers accounting for more than 10% of total consolidated revenues:

Financial year 2008/2009
None

Financial year 2006/2007
Major customer (1) with revenues of TEUR 74,132

The revenues related to the Portfolio trading segment and, to a smaller extent, to the Retail trading segment.

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

	continued operations				**discontinued operations**			
	Portfolio trading	Retail trading	Develop-ment	Group	Retail trading (HAG)	Investment property	Property manage-ment	Group
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Depreciation and write-downs of property, plant and equipment	108	13	–	121	64	–	58	122
Depreciation and write-downs of intangible assets	14	0	–	14	16	–	11	27
Changes in value of investment property	–	–	–	–	–	–1,249	–	–

The segment breakdown for the previous year was as follows:

	continued operations				**discontinued operations**			
	Portfolio trading	Retail trading	Develop-ment	Group	Retail trading (HAG)	Investment property	Property manage-ment	Group
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Depreciation and write-downs of property, plant and equipment	120	9	–	129	72	–	85	157
Depreciation and write-downs of intangible assets	11	0	–	11	8	–	7	15
Changes in value of investment property	–	–	–	–	–	–1,345	–	–

Segment assets, segment liabilities and segment investments were as follows as of 30 June 2009:

	Portfolio trading	Retail trading	Property management	Investment property	Development	Unallocated	Consolidation	Group
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Segment assets	84,063	62,331	0	0	3,197	17,700	−7,083	160,208
Segment assets held for sale (HAG)	–	27,847	0	9,555	–	9,724	−97	47,029
Investments carried at equity	50	0	–	–	–	–	–	50
Total segment assets	**84,113**	**90,178**	**0**	**9,555**	**3,197**	**27,424**	**−7,180**	**207,287**
Segment liabilities	**30,831**	**11,408**	**0**	**0**	**7**	**79,675**	**−7,151**	**114,770**
Segment liabilities held for sale (HAG)	–	2,731	–	120	–	40,616	−29	43,437
Segment liabilities	**30,831**	**14,138**	**0**	**120**	**7**	**120,291**	**−7,180**	**158,207**
Segment investments	61	42	329	768	–	–	–	1,200

The figures for the previous year are as follows:

	Portfolio trading	Retail trading	Property management	Investment property	Development	Unallocated	Consolidation	Group
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Segment assets	97,541	105,986	781	13,327	691	31,428	−14	249,740
Investments carried at equity	32	0	–	–	–	–	–	32
Total segment assets	97,573	105,989	781	13,327	691	31,428	−14	249,772
Segment liabilities	36,378	7,028	438	127	14	110,465	−14	154,436
Segment investments	312	9,305	365	227	–	–	–	10,209

Segment assets primarily relate to property, plant and equipment, investment property, inventories and receivables. Goodwill is allocated to the Retail trading segment. This does not include cash and cash equivalents, tax receivables or financial assets.

Segment liabilities relate to operating liabilities. This does not include tax liabilities or financial liabilities.

Segment investments include additions to property, plant and equipment and intangible assets (see section 6.3) and investment property, in each case including items resulting from company acquisitions. The investment in goodwill in the acquisition of the B&V Group amounted to TEUR 9,089 in the previous year.

6 SUPPLEMENTARY NOTES TO THE INDIVIDUAL ITEMS OF THE FINANCIAL STATEMENTS

6.1 Intangible assets

The table under section 6.3 shows the changes in intangible assets over the last two years. In connection with the forthcoming sale of shares in the HAG Group, some goodwill was reclassified to assets held for sale and written down in full (see section 6.25).

The remaining goodwill has been assigned to the Retail trading segment for the purposes of impairment testing. The recoverable amount is determined 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.

For reasons of simplification, no growth in cash flows is assumed after this three-year period.

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 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 remaining goodwill.

6.2 Property, plant and equipment

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

The carrying amounts of operating and office equipment include TEUR 14 (previous year: TEUR 28) relating to assets for which the Group is the lessee under a finance lease (for information on lease liabilities, see section 6.11). These assets are legally owned by the lessor.

The Group has concluded operating leases for office space, motor vehicles and business equipment. Lease expenses for continuing operations are recognised in the income statement in the amount of TEUR 546 (previous year: TEUR 400).

6.3 Statement of changes in non-current assets

for the financial year from 1 July 2008 to 30 June 2009:

	Goodwill	Other intangible assets	Property, plant and equipment	Non-current assets held for sale (HAG)
	TEUR	TEUR	TEUR	TEUR
As of 1 July 2008				
Cost	20,581	178	1,792	–
Cumulative depreciation, amortisation and write-downs	–	36	679	–
Carrying amounts as of 1 July 2008	**20,581**	**141**	**1,113**	–
Disposal Property management (-)	–	–95	–438	–
Additions (+)	–	38	394	–
Disposals (–)	–	–	–46	–
Depreciation, amortisation and write-downs (–)		–42	–243	–3,125
Reclassification as assets held for sale	–2,806	–25	–294	3,125
Carrying amounts of 30 June 2009	**17,776**	**18**	**485**	**0**
As of 30 June 2009				
Cost	17,776	44	852	3,472
Cumulative depreciation, amortisation and write-downs	–	26	366	3,472

for the financial year from 1 July 2007 to 30 June 2008:

	Goodwill	Other intangible assets	Property, plant and equipment
	TEUR	TEUR	TEUR
As of 1 July 2007			
Cost	11,492	56	893
Cumulative depreciation, amortisation and write-downs	–	6	119
Carrying amounts as of 1 July 2007	**11,492**	**50**	**775**
Addition for acquisition of B&V-Group (+)	9,089	–	145
Additions (+)	–	118	630
Disposals (–)	–	–	–152
Depreciation, amortisation and write-downs (–)	–	–27	–285
Carrying amounts of 30 June 2008	**20,581**	**141**	**1,113**
As of 30 June 2008			
Cost	20,581	178	1,792
Cumulative depreciation, amortisation and write-downs	–	36	679

6.4 Investment property

Investment property developed as follows:

	2008/2009	2007/2008
	TEUR	TEUR
Start of financial year	**12,840**	**16,939**
Additions	–	–
Restructuring	768	227
Disposals	–593	– 2,981
Reversals of write-downs	136	117
Write-downs	– 1,385	– 1,462
Reclassification as asset held for sale	– 11,767	–
End of financial year	**0**	**12,840**

The entire Investment property segment will be sold under the forthcoming disposal of the Group's shares in the HAG Group. Investment property is therefore included in assets held for sale. As part of the allocation of the write-down required for the total assets being lost, investment property was written down by TEUR 2,242 to TEUR 9,525 (see section 6.25).

Carrying amounts of TEUR 9,525 of investment property are encumbered with land charges as collateral for liabilities to banks. The fair values of the investment property were calculated by the property appraiser as totalling TEUR 11,767 as of the balance sheet date based mainly on the expert opinions for the previous year. If the underlying interest rate for this calculation had been 0.5 percentage points higher, the total fair value at the balance sheet date would have been TEUR 10,936. By contrast, if the interest rate had been 0.5 percentage points lower, the total fair value would have been TEUR 12,772.

In addition to changes due to fair value measurement at the balance sheet date, the income statement contains the following items relating to investment property:

Income and expenses from investment property

	2008/2009	2007/2008
	TEUR	TEUR
Rental income (revenues)	762	948
Cost of materials	– 116	– 162
Administrative expenses	–623	–481

TEUR 40 of these expenses (previous year: TEUR 42) relate to vacancies in investment property.

6.5 Investments in associates

Investments in associates developed as follows:

	2008/2009	2007/2008
	TEUR	TEUR
Start of financial year	**32**	**917**
Disposals	–8	–
Distributions		–850
Shares in gains and losses	26	–53
Loss offsetting with receivable		18
End of financial year	**50**	**32**

A company previously included as an associate became a subsidiary by way of the purchase of a majority (purchase price 81 TEUR). The shares of the ESTAVIS Group in the remaining associated company that is not listed and that has since fulfilled its essential business purpose and is now being wound down are as follows:

	Equity interest	Assets	Liabilities	Income	Net profit
		TEUR	TEUR	TEUR	TEUR
SIAG Sechzehnte Wohnen GmbH & Co. KG	50%	4,893	4,843	19	19

6.6 Other non-current financial assets

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

	June 30, 2009	June 30, 2008
	TEUR	TEUR
Available-for-sale securities	44	155
Other non-current financial assets	149	97
Total	**193**	**252**

The available for sale securities are listed shares. A write-down of TEUR 80 (previous year: TEUR 191) was recognised on share holdings in the financial year. This expense is included in other operating expenses. A subsequent reversal of TEUR 16 was recognised directly in equity via a reserve.

The other non-current financial assets essentially include other investments. As their fair value cannot be reliably estimated these investments are carried at cost. The purchase price for an investment sold that has been deferred for an extended period is also included here.

6.7 Inventories

The company's inventories include properties and advanced payments for properties. They developed as follows in the past financial year:

	June 30, 2009	June 30, 2008
	TEUR	TEUR
Properties	62,345	81,737
Construction work in progress	18,380	19,496
Advanced payments	1	2,470
Total	**80,727**	**103,703**

Properties are carried at cost, including accrued renovation costs. Write-downs of TEUR 15,139 were required in the period under review (previous year: none). These write-downs are reported under cost of materials. The properties reported as inventories serve as collateral for financial liabilities.

6.8 Trade receivables and other receivables

Trade receivables primarily relate to the sale of properties. The development of trade receivables is shown in the following table:

	June 30, 2009	June 30, 2008
	TEUR	TEUR
Trade receivables	3,368	27,611
Write-downs/derecognition	–1,413	–7
Trade receivables (net)	**1,955**	**27,604**

The following trade receivables were overdue as at 30 June 2009:

	June 30, 2009	June 30, 2008
	TEUR	TEUR
Trade receivables	1,955	27,604
Of which neither impaired as of the reporting date nor overdue	1,104	27,121
Of which not impaired as of the reporting date and overdue by up to 30 days	67	0
Of which not impaired as of the reporting date and overdue by between 31 and 60 days	183	0
Of which not impaired as of the reporting date and overdue by between 61 and 90 days	263	108
Of which not impaired as of the reporting date and overdue by between 91 and 180 days	136	224
Of which not impaired as of the reporting date and overdue by between 181 and 360 days	63	125
Of which not impaired as of the reporting date and overdue by more than 360 days	139	25

Write-downs of trade receivables have developed as follows:

	2008/2009		2007/2008	
	Total	Specific allowances	Total	Specific allowances
	TEUR	TEUR	TEUR	TEUR
As of 1 July	**7**	**0**	**0**	**0**
Change in consolidated group	0	–	7	–
Additions (write-downs)	1,406	1,401	–	–
Reversal	–	–	–	–
Derecognition	0	0	–	–
As of 30 June	**1,413**	**1,401**	**7**	**0**

Other receivables largely include receivables from advance commission payments on unrealised retail sales and receivables from investment companies for short-term loans and settlement accounts. This item also includes receivables from related parties (see section 6.27) of TEUR 489 (previous year: TEUR 1,310).

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 Equity

As of the balance sheet date, the issued capital of ESTAVIS AG was EUR 8,099,427. 8,099,427 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. TEUR 32,843 was withdrawn from the capital reserves to cover the cumulative loss that ESTVIS AG would otherwise have incurred. This amount increases the retained earnings.

The capital reserves result from amounts paid in the past in capital increases exceeding the amount of issued capital.

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

The minority interests reflect the net assets of the Group relating to the other shareholders in subsidiaries.

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

6.11 Financial liabilities

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

	June 30, 2009	June 30, 2008
	TEUR	TEUR
Non-current financial liabilities		
Other shareholder capital attributable to minority interests	16	99
Liabilities to banks and other lenders	566	16,402
Finance lease liabilities	6	16
Total non-current financial liabilities	**588**	**16,517**
Current financial liabilities		
Current portion of liabilities to banks and other lenders	67,908	84,265
Current portion of finance lease liabilities	10	16
Total current financial liabilities	**67,918**	**84,281**

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 566; previous year: TEUR 10,176) and liabilities with a remaining term of more than five years (TEUR 0; previous year: TEUR 6,341).

Liabilities to banks are secured by the properties for which they were incurred.

The interest rates for non-current liabilities to banks with a fixed interest rate amounted to between 4.9 % and 8.3 % (previous year: between 4.9 % and 9.0 %). In addition, the company entered into short-term financing arrangements under master agreements with interest rates of between 1.25 % and 2.5 %, corresponding to short-term Euribor or Eonia plus margins. This resulted in interest rates of between 2.8 % and 7.1 % (previous year: between 5.64 % and 6.77 %).

All loans are denominated in euro.

The company's total liabilities from finance leases are based on the following minimum lease payments:

	June 30, 2009	June 30, 2008
	TEUR	TEUR
Up to 1 year		
Total minimum lease payments	11	17
Finance charge	1	1
Present value of minimum lease payments	10	17
Between 1 and 5 years		
Total minimum lease payments	6	17
Finance charge	1	2
Present value of minimum lease payments	6	15
Total		
Total minimum lease payments	17	34
Finance charge	1	3
Present value of minimum lease payments	16	31

As in the previous year, the interest rate for lease liabilities was between 8.2 % and 10.1 %.

6.12 Provisions

Provisions developed as follows in the financial year:

	Outstanding construction work	Rental guarantees	Other	Total
	TEUR	TEUR	TEUR	TEUR
July 1, 2008	**1,087**	**2,629**	**1,128**	**4,844**
Utilisation	–740	–2,342	–44	–3,126
Reversal	–2	–68	–188	–258
Addition	378	2,559	702	3,639
Reclassification as liabilities held for sale			–147	–147
June 30, 2009	**724**	**2,778**	**1,451**	**4,952**

The provision for outstanding construction work includes the expected cost of the construction work to be performed after the possession, benefits, expenses and risks incident to ownership of the respective property are transferred to the buyer provided that this is not offset by any further proceeds. The provision is current.

The provision for rent guarantees covers obligations of the Group for minimum rental income promised to the purchasers of property for specific periods. Some of this provision in the previous year was non-current (TEUR 224).

The other provisions include a provision for uncertain obligations of TEUR 179 for ESTAVIS AG arising from profit transfer agreements by its legal predecessor (IMMCON GmbH) with its former subsidiaries. The time at which this will be transferred is uncertain. It has been reported as current.

In the previous year, other provisions also included a (non-current) provision for a pension obligation of TEUR 131. As of the balance sheet date, this is included in liabilities held for sale in the amount of TEUR 89. The pension provision relates to a retirement benefit obligation to the Management Board of a subsidiary. The obligation consists of a monthly pension from the age of 65 onwards, an invalidity pension and a surviving dependents' pension. The obligation will increase by 3 % p. a. until the pension is claimed for the first time. The company has concluded a reinsurance policy for the corresponding claims. The expected return of the plan assets amounts to 4.0 %.

The pension provision developed as follows in the past financial year:

	June 30, 2009	June 30, 2008
	TEUR	TEUR
Present value of pension obligation	314	339
Fair value of reinsurance claim	225	208
Pension provision	89	131

As of June 30, 2007 the present value of pension obligation was TEUR 350 and the fair value of the reinsurance claim was TEUR 191.

The present value of the obligation developed as follows:

	2008/2009	2007/2008
	TEUR	TEUR
Start of financial year	**339**	**350**
Pension expense	24	26
Interest cost	20	19
Payments made	–	–
Actuarial gains	–69	–56
End of financial year	**314**	**339**

The fair value of the reinsurance claim developed as follows:

	2008/2009	2007/2008
	TEUR	TEUR
Start of financial year	**208**	**191**
Contribution to insurance policy	8	9
Income from insurance policy	9	8
Payments made	–	–
End of financial year	**225**	**208**

The following amounts are reported in the income statement (result from discontinued activities; previous year under staff costs):

	2008/2009	2007/2008
	TEUR	TEUR
Current service cost	–24	–26
Interest cost	–20	–18
Income from insurance policy	9	8
Actuarial gains	69	56
Pension expense (income)	**33**	**20**

The following actuarial assumptions were applied:

	June 30, 2009	June 30, 2008
Discount rate	7.0 %	6.0 %
Projected pension increase	1.5 %	1.5 %

Biometric probabilities were based on the 2005G mortality tables published by Dr. Klaus Heubeck.

6.13 Trade payables and other liabilities

The company had the following liabilities at the respective reporting dates:

	June 30, 2009	June 30, 2008
	TEUR	TEUR
Trade payables	6,214	5,297
Liabilities to related parties (sec. 6.27)	3,742	1,342
Miscellaneous other liabilities	21,844	21,432
Total	**31,800**	**28,071**

The miscellaneous other liabilities primarily include liabilities to investment companies for short-term loans and settlement accounts.

6.14 Deferred taxes

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

	June 30, 2009	June 30, 2008
	TEUR	TEUR
Deferred tax assets		
expected to be realised after more than 12 months	2,909	1,797
expected to be realised within 12 months	809	1,887
Total	**3,718**	**3,684**
Deferred tax liabilities		
expected to be realised after more than 12 months	**4,179**	3,782
expected to be realised within 12 months	74	1,456
Total	**4,254**	**5,238**

Deferred taxes developed as follows:

	2008/2009	2007/2008
	TEUR	TEUR
Deferred tax liabilities	–5,238	–2,666
Deferred tax assets	3,684	1,668
Balance of deferred taxes at start of financial year	**–1,554**	**–998**
Expense (–)/income (+) reported in income statement	1,063	3,334
Expense (–)/income (+) reported in income statement due to changes in tax rates	0	522
Other amounts recognised directly in equity	0	2
Additions due to acquisition of B&V Group (previous year)	–	–4,415
Disposals due to change in consolidated group	–491	–
Reclassification as assets/liabilities held for sale	447	–
Balance of deferred taxes at end of financial year	**–536**	**–1,554**
Deferred tax liabilities	–4,254	–5,238
Deferred tax assets	3,718	3,684

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
July 1, 2007	**1,303**	**1,140**	–	**223**	**2,666**
Amounts recognised in income	–458	–5,942	2,764	73	–3,563
Addition due to acquisition of B&V Group	–	6,137	–	–	6,137
Disposal for deferred taxes on available-for-sale securities recognised directly in equity	–	–	–	–2	–2
June 30, 2008	**845**	**1,335**	**2,764**	**294**	**5,238**
Amounts recognised in income	–353	–1,159	1,411	–102	–203
Disposal for deferred taxes on available-for-sale securities recognised directly in equity	–	–	–	0	–
Reclassification as liabilities held for sale	–492	–125	–	–164	–781
June 30, 2009	**0**	**51**	**4,175**	**28**	**4,254**

The deferred taxes from differences in inventory assets essentially result from the initial measurement of inventories from the acquisition of the HAG Group in the 2006/2007 financial year and the acquisition of the B&V in the previous year. Deferred taxes from differences in other receivables result from the capitalization of brokerage commission 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
July 1, 2007	**1,383**	**285**	**1,668**
Amounts recognised in income	425	–131	294
Addition due to acquisition of B&V Group	1,480	242	1,722
Disposal due to change in consolidated group	–	–	–
June 30, 2008	**3,288**	**396**	**3,684**
Amounts recognised in income	693	168	861
Disposal due to change in consolidated group	–491	–	–491
Reclassification as assets held for sale	–216	–119	–335
June 30, 2009	**3,273**	**445**	**3,718**

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 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 2009/2010/2011 financial years. No deferred tax assets were recognised for some existing trade tax loss carryforwards in the amount of TEUR 33,684 (previous year: TEUR 4,935) or existing corporation tax loss carryforwards in the amount of TEUR 21,353 (previous year: TEUR 128) as these are no longer expected to be realised.

No deferred tax liabilities were recognised on outside basis differences in the amount of TEUR 323 (previous year: TEUR 1,235) as the Group controls the reversal of the difference and does not intend to do this in the foreseeable future.

6.15 Revenues

	2008/2009	2007/2008
	TEUR	TEUR
Property trading	70,310	119,636
Rental income from investment property	–	–
Other revenues	400	572
Total	**70,710**	**120,209**

The figures for all items of the income statement relate to continuing operations. Please see section 6.25 for the results of discontinued operations.

6.16 Cost of materials

The cost of materials primarily relates to the carrying amounts of the properties sold in the respective periods and the cost of construction work. This also includes purchased services. In this period it also includes write-downs on property held as inventories in the amount of TEUR 15,139.

6.17 Staff costs

The Group employed an average of 69 people over the year (previous year: 88). 42 of these employees work in continuing operations (previous year: 47). The staff costs incurred by the Group are composed as follows:

	2008/2009	2007/2008
	TEUR	TEUR
Salaries and other benefits	2,906	2,884
Employer contributions to statutory social insurance	291	366
Total	**3,196**	**3,250**

Employer contributions to statutory social insurance included contributions to statutory pension insurance in the amount of TEUR 144 (previous year: TEUR 160).

6.18 Other operating income and expenses

Other operating income can be broken down as follows:

	2008/2009	2007/2008
	TEUR	TEUR
Rental income from properties held as inventories	5,613	2,471
Miscellaneous other operating income	1,376	1,513
Total	**6,989**	**3,984**

Other operating expenses can be broken down as follows:

	2008/2009	2007/2008
	TEUR	TEUR
Consulting costs	2,439	2,595
Sales costs	15,640	1,314
Costs relating to rental guarantees	5,185	4,689
Miscellaneous other operating expenses	11,205	7,241
Total	**34,468**	**15,839**

Miscellaneous other operating expenses include a write-down on securities of TEUR 80 (previous year: TEUR 191) and a write-down on receivables of TEUR 2,919 (previous year: TEUR 132).

6.19 Minority interests

Interest income includes TEUR 66 (previous year: TEUR 57) of losses relating to other shareholder capital (minority interests in subsidiaries with the legal form of limited partnerships). Interest expenses include TEUR 0 (previous year: TEUR 0) of profit shares relating to other shareholder capital.

6.20 Income tax expense

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

	2008/2009	2007/2008
	TEUR	TEUR
Current income tax expense	54	–520
Deferred income tax expense	–415	–2,128
Total	**–361**	**–2,648**

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

	2008/2009	2007/2008
	TEUR	TEUR
Pre-tax profit	–28,289	–6,256
Taxes calculated on the basis of the parent's income tax rate	–8,536	–1,888
Effect of:		
Differences in tax rates	2	–25
Change in tax rates	26	–533
Non-deductible or partially deductible expenses	19	108
Additions and deductions for trade tax purposes	259	118
Tax loss carry forwards not recognised	5,986	91
Taxes for previous years		
Original taxes	–91	–828
Utilisation/reporting of previously unreported loss carry forwards	–36	–110
Discontinuation of previously reported loss carry forwards	1,971	330
Other factors	39	90
Reported income tax expense	**–361**	**–2,648**

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

6.21 Joint venture

The following items are included in the consolidated financial statements for the proportionately consolidated joint venture:

	2008/2009	2007/2008
	TEUR	TEUR
Non-current assets	–	–
Current assets	3,271	712
Non-current liabilities	–	–
Current liabilities	3,484	747
Income	209	17
Expenses	–306	–214

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.

	2008/2009	2007/2008
Net profit attributable to the shareholders of the parent company (in TEUR)		
from continued operations	–27,928	–3,611
from discontinued operations	–9,926	–1,824
Total	**–37,853**	**–5,435**
Average number of shares in circulation (in thousands)	8,099	7,973
Basic earnings per share (in EUR)		
from continued operations	–3.45	–0.45
from discontinued operations	–1.23	–0.23
Total	**–4.67**	**–0.68**

In the 2008/2009 financial year, no dividend was paid for the previous financial year. In addition, no dividend will be proposed for financial year 2008/2009.

6.23 Cash flow statement

The cash flow statement distinguishes between cash flows from operating activities, investing activities and financing activities. The cash flows for discontinued operations were as follows: cash flow from operating activities of TEUR 3,527 (previous year: TEUR –5,435), cash flow from investing activities of TEUR –960 (previous year: TEUR 2,356) and cash flow from financing activities of TEUR –162 (previous year: TEUR –259).

The net cash used in operating activities as determined in accordance with the indirect method amounted to TEUR –12,154 (previous year: TEUR –3,469). This includes income taxes paid in the amount of TEUR 3,218 (previous year: TEUR 2,845), income taxes recovered in the amount of TEUR 313 (previous year: TEUR 103), interest received in the amount of TEUR 595 (previous year: TEUR 2,008) and interest paid in the amount of TEUR 6,474 (previous year: TEUR 5,871). Discontinued operations account for the following amounts: income taxes paid in the amount of TEUR 1,761 (previous year: TEUR 1,783), income taxes recovered in the amount of TEUR 249 (previous year: TEUR 96), interest received in the amount of TEUR 290 (previous year: TEUR 359) and interest paid in the amount of TEUR 1,761 (previous year: TEUR 1,783). The cash flow from operating activities declined as against the previous year on account of the increase in working capital.

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 zero liabilities under pending real estate purchase agreements (previous year: TEUR 26,281). 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:

	June 30, 2009	June 30, 2008
	TEUR	TEUR
Up to 1 year	304	689
Between 1 and 5 years	450	1,177
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 on the balance sheet date of TEUR 67,650 (previous year: TEUR 70,746).

6.25 Company disposals

The 50.1 % investment in ESTAVIS Property Management GmbH was disposed of as of the end of the second quarter. The purchase price was TEUR 387 and is payable in varying instalments by 2011. The sale relates to software and other operating and office equipment with a carrying amount of TEUR 533, receivables with a carrying amount of TEUR 777 and deferred tax assets of TEUR 491. These were offset by liabilities being lost of TEUR 740. Cash and cash equivalents of TEUR 5 were transferred as part of the sale. This resulted in a loss on disposal of TEUR 680.

As of the end of the financial year, the Group's shares in the HAG Group were disposed of effective from the start of the 2009/2010 financial year. The assets and liabilities held by the HAG Group are now reported separately as held for sale and are as follows:

	TEUR
Goodwill	0
Investment property	9,525
Other non-current assets	39
Property held as inventories	18,150
Receivables and other assets	10,505
Cash and cash equivalents	8,810
Assets held for sale	**47,029**
Provisions	147
Financial liabilities	39,514
Other liabilities	3,776
Liabilities held for sale	**43,437**

The disposal price for the shares in the HAG Group was TEUR 3,400. This resulted in a write-down requirement on the assets held for sale of TEUR 11,915. The write-down related to the goodwill relating to the discontinued operations in the amount of TEUR 2,806 and other non-financial non-current assets in the amount of TEUR 319. The remaining write-down requirement of TEUR 8,791 was distributed pro rata over the other assets with the exception of cash and cash equivalents. The share of goodwill relating to the discontinued operation was calculated on the basis of the relative value of the share of the Retail trading segment being lost to the remaining share of this segment.

The sale of the HAG Group also means the disposal of a material share of the Retail trading segment and the complete discontinuation of the Investment property segment. The Property management segment was discontinued by way of the disposal of the interest in ESTAVIS Property Management GmbH. The result of discontinued operations breaks down as follows:

	2008/2009	2007/2008
	TEUR	TEUR
Revenues/other income (including revenues with continued operations)	13,305	28,784
Expenses	18,459	31,022
Operating result	–5,154	–2,238
Net income from associates	8	–82
Net interest income	–1,748	–1,908
Earnings before taxes of discontinued operations	–6,893	–4,228
Tax expenses	–732	–1,161
Earnings after taxes of discontinued operations	–6,161	–3,067
Loss on disposal	–680	–
Impairment loss on assets held for sale	–11,915	–
Tax expenses	–447	–
Loss on disposal/impairment loss after taxes	–12,149	–
Result of discontinued operations	**–18,310**	**–3,067**
Cash flow from operating activities	3,527	–5,435
Cash flow from investing activities	–960	2,356
Cash flow from financing activities	–162	–259
Total cash flow from discontinued operations	**2,405**	**–3,338**

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:

	Carrying amount June 30, 2009	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
	TEUR	TEUR		TEUR	TEUR
Other non-current financial assets	193	193		193	44
Investments	69	69	AfS	69	44
Securities	0	0	AfS	0	0
Miscellaneous financial assets	124	124	LaR	124	0
Trade receivables	1,955	1,955	LaR	1,955	0
Other receivables	49,424	31,682	LaR	31,682	0
Cash and cash equivalents	3,884	3,884	LaR	3,884	0
Total assets	**55,456**	**37,715**		**37,715**	**44**

Non-current financial liabilities	68,506	68,506		68,506	0
Lease liabilities	16	16	n/a	16	0
Other financial liabilities	68,490	68,490	AmC	68,490	0
Trade payables	6,214	6,214	AmC	6,214	0
Other liabilities	25,586	19,897	AmC	19,897	0
Total liabilities	**100,306**	**94,616**		**94,616**	**0**

* AfS: available-for-sale financial assets; LaR: loans and receivables; AmC: amortised cost (financial assets carried at cost); n/a: not applicable

	Carrying amount June 30, 2008	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
	TEUR	TEUR		TEUR	TEUR
Other non-current financial assets	252	252		252	150
Investments	187	187	AfS	187	125
Securities	30	30	AfS	30	25
Miscellaneous financial assets	35	35	LaR	35	0
Trade receivables	27,604	27,604	LaR	27,604	0
Other receivables	52,328	40,590	LaR	40,590	3
Cash and cash equivalents	25,733	25,733	LaR	25,733	0
Total assets	**105,917**	**94,179**		**94,179**	**153**
Non-current financial liabilities	100,798	100,798		100,756	0
Lease liabilities	31	31	n/a	31	0
Other financial liabilities	100,767	100,767	AmC	100,725	0
Trade payables	5,297	5,297	AmC	5,297	0
Other liabilities	22,774	21,016	AmC	21,016	0
Total liabilities	**128,869**	**127,112**		**127,070**	**0**

* AfS: available-for-sale financial assets; LaR: loans and receivables; AmC: amortised cost (financial assets carried at 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. Investments in the amount of TEUR 25 (previous year: TEUR 62) for which there is not active market were not measured at fair value as the cash flows could not be reliably measured. Similarly, it was not possible to derive the fair value from comparable transactions. These are measured at amortised cost. At present there are no specific intentions to sell these investments.

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

	Loans and Receivables (LaR) July 1 to June 30		Available-for-Sale Financial Assets (AfS) July 1 to June 30		Financial Liabilities measured at Amortised Cost (AmC) July 1 to June 30	
	08/09	07/08	08/09	07/08	08/09	07/08
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Interest income	894	2,708	–	–	–	–
Interest expenses	–	–	–	–	5,774	4,527
Income from currency translation	–	–	–	–		
Expense of currency translation	–	–	–	–		
Valuation allowance	2,249	132	80	191	–	–
Gain on disposal	–	–			–	–
Loss on disposal	–	0			–	–
Net earnings	**–1,356**	**2,577**	**–80**	**–191**	**–5,774**	**–4,527**

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. In particular, these include 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:

	June 30, 2009			
	Carrying amount	Outflow in next reporting period	Outflow in next but one reporting period	Later outflow
	TEUR	TEUR	TEUR	TEUR
Finance lease liabilities	16	11	6	0
Other financial liabilities	68,490	69,874	37	671
Cash outflow for financial liabilities	–	**69,885**	**43**	**671**
Trade payables	6,214	6,214	0	0
Other liabilities	19,897	19,897	0	0
Cash outflow for trade payables and other liabilities	–	**26,111**	–	–
Cash outflow for liabilities within scope of IFRS 7	–	**95,996**	**43**	**671**

	June 30, 2008			
	Carrying amount	Outflow in next reporting period	Outflow in next but one reporting period	Later outflow
	TEUR	TEUR	TEUR	TEUR
Finance lease liabilities	31	17	11	6
Other financial liabilities	100,767	88,392	8,440	12,209
Cash outflow for financial liabilities	–	**88,409**	**8,451**	**12,215**
Trade payables	5,297	5,297	0	0
Other liabilities	22,774	22,774	0	0
Cash outflow for trade payables and other liabilities	–	**28,071**	–	–
Cash outflow for liabilities within scope of IFRS 7	–	**116,480**	**8,451**	**12,215**

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 ESTAVIS Group has cash and cash equivalents from continuing activities of TEUR 3,884 (previous year: TEUR 25,733) to cover its liquidity risk. There were no open lines of credit for buying inventory property on the balance sheet date (previous year: TEUR 107,000; of which unutilised: TEUR 78,000). In addition, there are unutilised lines of credit to complete specific projects of TEUR 27,280 (previous year: TEUR 48,000).

Risk of default

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 an associate and several investment companies. This resulted in a liability for their liabilities on the balance sheet date of TEUR 67,650 (previous year: TEUR 70,746).

The following risk concentrations have been identified: As of the balance sheet date, 33% of other receivables relate to one investment company (previous year: 29% and 17% to one other investment company). In the reporting period, other receivables from the investment company and trade receivables were written down in the amounts of TEUR 610 and TEUR 1,310 respectively. On the balance sheet date of the comparative period, 55% of trade receivables also related to major customer (1).

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 329 (previous year: 304) worse (better).

6.27 Related party transactions

Until 30 March 2007, ESTAVIS AG was controlled by its indirect majority shareholder, Mr. Rainer Schorr. Since this date, Mr. Schorr remains an indirect major shareholder of ESTAVIS AG, but is no longer the majority shareholder. At the balance sheet date, Mr. Rainer Schorr was the Chief Executive Officer of ESTAVIS AG with power of sole representation. Mr. Schorr and his wife hold minority interests in the following ESTAVIS Group companies:

Company	Domicile	Equity interest
ESTAVIS Beteiligungs GmbH & Co. KG (interim holding)	Berlin	6%
Dritte CRSR Wohnen GmbH & Co. KG	Berlin	6%
SIAG Achte Wohnen GmbH & Co. KG	Berlin	6%
SIAG Zehnte Wohnen GmbH & Co. KG	Berlin	6%
SIAG Elfte Wohnen GmbH & Co. KG	Berlin	6%
SIAG Zwölfte Wohnen GmbH & Co. KG	Berlin	6%
SIAG Vierzehnte Wohnen GmbH & Co. KG	Berlin	6%
SIAG Fünfzehnte Wohnen GmbH & Co. KG	Berlin	6%
Estavis Immobilienverwaltungs GmbH (general partner)	Berlin	6%

Following the formation of ESTAVIS KG, which was incorporated into ESTAVIS AG by way of a non-cash contribution effective 30 June 2006, Mr. Rainer Schorr made a number of disbursements for expenses incurred by ESTAVIS KG and, in turn, ESTAVIS KG made a number of disbursements for expenses incurred by other companies controlled by Mr. Rainer Schorr. As of the reporting date, the residual balances of these transactions and the construction work performed by the ESTAVIS Group for companies of the Schorr Group in the financial year in the amount of TEUR 200 in the previous year and those performed by the companies of the Schorr Group for the Group in the amount of TEUR 284 resulted in receivables of TEUR 489 (previous year: TEUR 700) and liabilities of TEUR 594 (previous year: TEUR 829). The liabilities also include the profits from the minority investments held by Mr. Schorr in the financial year 2006/2007. Interest is charged on these balances at a rate of 6 %.

Rainer Schorr Unternehmensberatung had entered into lease arrangements for office equipment and motor vehicles that are used by the ESTAVIS Group. As of the start of this financial year, these leases were transferred to ESTAVIS AG and are now relate directly to the lease companies.

Mr. Rainer Schorr has taken out a loan on behalf of ESTAVIS AG in 2006, under which ESTAVIS AG declared itself to be the debtor also in 2006. Within the internal relationship between ESTAVIS AG and Mr. Rainer Schorr, ESTAVIS AG has assumed the liability. Mr. Schorr has remained the economic guarantor towards the bank extending the loan. At the balance sheet date, the loan had a carrying amount of TEUR 18.

The company and Mr. Rainer Schorr have entered into an agreement under which Mr. Schorr has agreed to offset any losses incurred by the company in the event that interest is not charged on intra-group settlement accounts with the result that an excessive profit entitlement is attributed to the minority interests held by Mr. Schorr. An interest rate of 6 % is applied in calculating potential losses. This resulted in a receivable on the part of the company of TEUR 0 (previous year: TEUR 7).

A company related to Mr. Schorr granted ESTAVIS AG a loan of TEUR 2,564 at an interest rate of 12.5 % in the financial year. This is repayable in several instalments by 31 December 2009 and amounts to TEUR 2,591 as of the balance sheet date. Its collateral is land charges and the assignment of purchase price receivables.

A company related to Mr. Schorr sold developed property to a property management company of the Group at a price of TEUR 100.

In the financial year, Eric Mozanowski, member of the Management Board of ESTAVIS AG, granted five short-term loans of between TEUR 40 and TEUR 500 to a Group company at interest rates of between 8.5 % and 10.5 %. With the exception of TEUR 300, these loans were repaid by the end of the financial year. The loans were collateralised by the assignment of receivables. Mr. Mozanowski also acquired developed property from a Group company at a price of TEUR 350. The agreement had not been executed as of the reporting date.

The ESTAVIS Group had a current liability of TEUR 258 as of the reporting date in respect of the associate SIAG Sechzehnte Wohnen GmbH & Co. KG. This amount resulted from the settlement transactions between the two companies.

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

	2008/2009			2007/2008		
	Fixed	Variable	Total	Fixed	Variable	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Rainer Schorr (CEO)	427	–	427	454	–	454
Corina Büchold	307	–	307	190	–	190
Eric Mozanowski	219	–	219	–	–	–
Hans Wittmann	310	–	310	193	–	193

The members of the Supervisory Board received total compensation of TEUR 36 for the past financial year (previous year: TEUR 39).

6.28 Events after the balance sheet date

The sale of the ESTAVIS Group's participation in the HAG Group as discussed in section 6.25 was partly realized.

7 OTHER DISCLOSURES

The auditor performed the following services for the ESTAVIS Group:

	2008/2009	2007/2008
		TEUR
Audits of financial statements	754	538
Other audits or valuation services	–	–
Tax advisory services	–	–
Other services	13	49
Total	**767**	**586**

All values in the table above are gross figures as the Group is not entitled to the deduction of input tax.

The declaration on the Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act was issued on 26 August 2009 and made permanently available to the shareholders on the homepage of ESTAVIS AG (*www.estavis.de*).

Berlin, 30 October 2009

Florian Lanz	Corina Büchold	Eric Mozanowski	Hans Wittmann
Chief Executive Officer (CEO)	*Member of the Management Board*	*Member of the Management Board*	*Member of the Management Board*

AUDITORS' CERTIFICATE

We have audited the consolidated financial statements, comprising the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, as well as the group management report, prepared by ESTAVIS AG, for the business year from 1 July 2008 to 30 June 2009. The preparation of the consolidated financial statements and group management report in accordance with International Financial Reporting Standards (IFRS) as to be applied in the EU and the supplementary commercial law provisions under Section 315a (1) HGB, as well as the supplementary provisions in the articles of incorporation, is the responsibility of the company's management board. 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 [Handelsgesetzbuch – German Commercial Code] 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 [German] principles of proper accounting 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 evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the management board, 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.

In our opinion, based on the conclusions of our audit, the consolidated financial statements comply with the International Financial Reporting Standards (IFRS) as to be applied in the EU and the supplementary commercial law provisions under Section 315a (1) HGB, as well as the supplementary provisions in the articles of incorporation, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with [German] principles of proper accounting. 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.

In line with our obligations, we indicate that the continuation of the parent and group companies on a going concern basis is impinged by risks described in the Risk Report of the Group Management Report. Key credit lines for Group financing expire in the near future. The continuation of the companies on an ongoing concern basis depends on the negotiations on loan extensions and rescheduling being concluded successfully. In addition, to retain solvency, it is necessary that the planned revenues from portfolio sales are generated.

Berlin, 12 November 2009

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Hartman)	(ppa. Schultz)
Auditor	*Auditor*

Other Informations

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
Deputy Chairman of the Supervisory Board of Hamburgische Immobilien
Invest SUCV AG, Hamburg (resigned as of 10 September 2009);
Member of the Supervisory Board of Aveco Holding AG, Frankfurt;

John W. Cutts
Member of the Supervisory Board since 2007
Managing Director, Pall Mall Capital Ltd., London

Denham Eke
Member of the Supervisory Board since 2007
Managing Director, Jimsam Trust, Isle of Man

Ulrich Wogart
Member of the Supervisory Board since 2007
Banker, Member of the Management Board of Sparelog AG, Knesebeck

Management Board

Dipl.-Ing. Rainer Schorr (Chairman until 30 June 2009)
First elected: 30 June 2006
Elected until: 30 June 2009
Responsibility on the Board of Management of ESTAVIS AG:
Strategy, Communication, Key accounting
Other mandates:
Chairman of the Supervisory Board of Hamburgische Immobilien Invest SUCV AG, Hamburg (resigned as of 10 September 2009)
Chairman of the Supervisory Board of CWI Real Estate AG, Bayreuth (resigned as of 10 September 2009)

Florian Lanz (Chairman since 1 Juli 2009)
First elected: 1 July 2009
Elected until: 30 June 2012
Responsibility on the Board of Management of ESTAVIS AG:
Strategy, Communication, Key accounting

Corina Büchold
First elected: 30 June 2006
Elected until: 31 December 2011
Responsibility on the Board of Management of ESTAVIS AG:
Personnel, Coordination, Property acquisition and Asset management

Eric Mozanowski
First elected: 1 October 2008
Elected until: 31 December 2010
Responsibility on the Board of Management of ESTAVIS AG:
Retail business activities

Hans Wittmann
First elected: 30 June 2006
Elected until: 31 December 2010
Responsibility on the Board of Management of ESTAVIS AG:
Finance, Accounting, Controlling, Construction and Development
Other mandates:
Deputy Chairman of the Supervisory Board of CWI Real Estate AG, Bayreuth (resigned as of 10 September 2009)

RESPONSIBILITY STATEMENT

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

Berlin, 30 October 2009

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 forward-looking statement, estimate or prediction to become inaccurate.

FINANCIAL CALENDAR 2009/2010

2009

25 November	Quarterly Report – 1st Quarter 2009/2010

2010

12 February	Quarterly Report – 2nd Quarter 2009/2010
12 May	Quarterly Report – 3rd Quarter 2009/2010
24 September	Full Year Results 2009/2010

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

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Management Board

Florian Lanz (Chairman)
Corina Büchold
Eric Mozanowski
Hans Wittmann

Chairman of the Supervisory Board

Dr. Karl-Josef Stöhr, Berlin

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ESTAVIS AG
THE REAL ESTATE INVESTMENT GROUP

1993

ESTAVIS AG

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