ESTAVIS

REAL ESTATE PERFORMANCE

ANNUAL REPORT 2010/11

ESTAVIS AG

ANNUAL REPORT 2010/11

Overview Key Financial Data

ESTAVIS AG (continued operations)	2010/11	2009/10
Revenues and earnings	**TEUR**	**TEUR**
Revenues	53,010	71,328
Total operating performance	56,622	83,155
EBIT	4,923	4,724
Pre-tax profit	703	1,317
Net profit	706	645

ESTAVIS AG	30 June 2011	30 June 2010
Structure of assets and capital	**TEUR**	**TEUR**
Non-current assets	55,730	22,537
Current assets	90,627	132,864
Equity	60,699	52,270
Equity ratio	41 %	34 %
Total assets/equity and liabilities	146,357	155,401

ESTAVIS AG

Share	
Stock exchange segment	Prime Standard
ISIN	DE000A0KFKB3
German Securities Code Number (WKN)	A0KFKB
Number of shares on 30 June 2011	14,319,352
Free float (information according to last notification from investors)	54.5 %
Share price high (1 July 2010 – 30 June 2011*)	2.37 EUR
Share price low (1 July 2010 – 30 June 2011*)	1.75 EUR
Closing price on 30 June 2011*	2.37 EUR
Market capitalisation on 30 June 2011*	EUR 34 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 2010/11 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.

Content

Reports

Illustration:
Listed property in Leipzig,
modernisation and sale by
ESTAVIS AG

Letter to the Shareholders

Dear Shareholders,
Dear Ladies and Gentlemen,

Florian Lanz,
Chief Executive Officer (CEO)

Eric Mozanowski,
Member of the Mangement Board

ESTAVIS AG achieved a positive consolidated net profit once again in the 2010/11 financial year and increased its EBIT against the previous year. In the past few months, we have driven forward the strategic expansion of activities in higher-end price segments of the property market, as well as in the area of residential privatisation. This is also reflected in our business figures.

We were therefore able to increase EBIT by 3 % to EUR 4.9 million (previous year: EUR 4.7 million), although consolidated revenues, at EUR 53.0 million, were lower than in the previous year (EUR 71.3 million). The decline in revenues is primarily due to the fact that one of our major projects for which we made extensive advance payments in the past financial year will not contribute to revenues until the 2011/12 financial year; in addition, some end customers had to undergo relatively lengthy procedures to secure financing. At the end of the period under review, notarial sales, which represent future revenues, amounted to EUR 33.6 million.

In addition to current operating activities, further contributions to income were achieved by the global sale from one of our major projects, the revenues-related significant reduction in the cost of materials, as well as substantial capital appreciation of investment properties. This capital appreciation is as a result of the value-enhancing optimisation measures we have carried out, deriving partly from structural improvements and from the rental success achieved.

Consolidated net profit was EUR 0.7 million (previous year: EUR 1.1 million). Comparing this with the consolidated net profit from continued operations in the previous year indicates a rise from EUR 0.6 million to EUR 0.7 million. Earnings per share come to 7 cents (previous year: 13 cents).

Further improvement to our financing structure is a particularly pleasing development. Owing mainly to the successful cash capital increase in April 2011, we were able to significantly strengthen our equity base and post an equity ratio of 41.5 % as of the reporting date on 30 June 2011, after a value of 33.6 % at the end of the previous financial year. We therefore consider ourselves well equipped to successfully bring to fruition our current projects and make further acquisitions.

Positive Market Environment for high-quality Properties in Metropolitan Regions

By focusing on residential property in locations within Germany with good prospects for growth, we are operating in a market that is currently extremely attractive to investors. The well-known basic demographic trend for the long term – particularly the expected increase in the number of households and the associated higher demand for properties in conurbations – remains a factor and expectations of living space and quality of the property are growing. Construction activity in the residential property segment has recovered slightly in 2010, after sinking to its lowest level since German reunification in the previous year, but still remains at a low level, dragging considerably behind the forecast development of housing need.

In addition to these influencing factors, which are particularly affecting demand among tenants and owner-occupiers, we are observing a perceptibly higher level of interest in German residential property among private and institutional investors in the general context of investors' increased focus on tangible assets. The ongoing debates surrounding the sovereign debt crisis and further economic development may have been responsible for uncertainty and increased volatility on the stock market in recent months, but in the investment property markets – and in particular the residential property market which is less sensitive to economic developments – they are likely to have been a considerable demand stimulus.

These assessments are also supported by developments in rent and purchase prices. Evidence shows that both rent and purchase prices in urban districts and conurbations have increased at a markedly greater rate than the national average and particularly when compared with rural regions. The attractiveness of the German property market for investors is also confirmed by the most recent data from the IPD Germany Annual Property Index, which compares the different property market segments for developments under the categories of capital growth, rental and total returns according to types of use. The 2010 Index shows that residential property investments generated average total returns of 5.1 %, rental returns of 4.1 % and capital growth returns of 0.9 %. In a comparison of total returns by market segment over a period of three, five and ten years, residential properties generated the best overall result of all property usage types.

Outlook for the 2011/12 Financial Year

In the 2011/12 financial year, we aim to further expand our portfolio of properties suitable for privatisation. By implementing our privatisation projects, we will in future also be able to benefit from the further development of the sales strength that we achieved in May 2011 through the acquisition of Accentro, formerly the residential privatisation division of Colonia Real Estate AG.

In addition to the planned development of our ongoing major listed projects "Kodak-Glanzfilmfabrik" and "Kastaniengärten", we are examining new possibilities for investment in these properties to enable us to realise further renovation and listed projects in the higher-end price segment.

On the basis of developments during the period under review and our assessment of the market situation, we are working on the assumption that both revenues and consolidated net income can be increased in the 2011/12 financial year against the previous financial year, provided that general economic developments do not lead to a deterioration in general conditions. This positive outlook is based in particular on the further strengthening of ESTAVIS AG's market position as well as on positive developments in the residential property markets in metropolitan regions such as Berlin. An additional factor is the significant interest of private and institutional investors in tangible assets, which has grown considerably in the past few months and is likely to grow further in the future.

The successes achieved in the 2011/12 financial year would not have been possible without the high level of commitment and professional competence of our employees. We would like to thank them very much for this. On behalf of the Management Board of ESTAVIS AG, we would like to thank the shareholders for the confidence they continue to show in the company's potential. We hope that they remain closely associated with ESTAVIS in future.

Management Board

Florian Lanz	Eric Mozanowski
Chief Executive Officer (CEO)	Member of the Management Board

Report of the Supervisory Board

Dear Shareholders,
Dear Ladies and Gentlemen,

In the 2010/11 financial year, ESTAVIS AG has continued to drive forward the focus of its corporate strategy on quality business activities less susceptible to fluctuations in the economy. At the same time, the acquisition of the residential privatisation segment of Colonia Real Estate AG as well as Colonia Residential Sales GmbH in May 2011 formed the basis for tapping new revenues and earnings potential.

Monitoring the Activities of the Management Board

In the 2010/11 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. Karl-Josef Stöhr, is a partner, acts in an advisory capacity for ESTAVIS AG.

Meetings and Committees

There were a total of four ordinary meetings of the Supervisory Board in the past financial year, in which the Supervisory Board discussed in depth the economic situation and the operative and strategic development of the company and its divisions.

At its meeting on 20 September 2010, the Supervisory Board focused on the single-entity and consolidated financial statements for the year ended 30 June 2010, the Management Board's proposal on the appropriation of net profit and corporate planning for the 2010/11 financial year. The single-entity and consolidated financial statements as well as the associated management report and Group management report were then unanimously approved by the Supervisory Board and approval was granted for the declaration of compliance with the German Corporate Governance Code.

Further meetings of the Supervisory Board took place on 13 December 2010, 2 May 2011 and 6 June 2011, in which the Management Board presented ongoing and planned projects to the Supervisory Board and discussed them. The Management Board also provided a full account of the company's situation in each case.

The members of the Supervisory Board 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 members of the Supervisory Board participated in each of these resolutions.

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

Changes in the Supervisory Board

Following the end of the period under review, Mr. Rolf Elgeti, CEO of TAG Immobilien AG, was appointed as member of the Supervisory Board of ESTAVIS AG on 18 July 2011. He succeeded Mr. John W. Cutts, who resigned from the Supervisory Board as at 1 July 2011. Mr. Elgeti is a member of further supervisory bodies in the German property sector.

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 September 2011, the bodies of company adopted the declaration of conformity based on the version of the German Corporate Governance Code dated 26 May 2010 and made it permanently available to the shareholders on the homepage of ESTAVIS AG.

Single-entity and Consolidated Financial Statements, Audit of the Annual Financial Statements

The Annual General Meeting appointed eidel & partner Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Kehl am Rhein, (eidel & partner), as the company's auditors. The Supervisory Board issued eidel & partner with the corresponding audit engagement. The Supervisory Board ensured that it was kept informed about the audit measures performed by eidel & partner with a view to ensuring audit quality and auditor independence. The single-entity financial statements of ESTAVIS AG and the consolidated financial statements for the year ended 30 June 2011, the management report of ESTAVIS AG and the Group management report were audited by eidel & partner and issued with an unqualified audit opinion in each case.

The Supervisory Board also examined the single-entity and consolidated financial statements prepared by the Management Board, as well as the management report and Group management report. The audit report was submitted to all of the members of the Supervisory Board in good time. The Supervisory Board examined these documents and discussed them in detail at its meeting on 19 September 2011. The partner responsible at the 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 2010/11 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.

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, 19 September 2011

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 2011

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. For 1 July 2010, the following declaration refers to the version of the Code dated 18 June 2009. Since 2 July 2010, the declaration refers to the requirements of the Code in the new version dated 26 May 2010, which was published in the electronic Bundesanzeiger (German Federal Gazette) on 2 July 2010. This declaration has been published in full on the company's website www.estavis.de.

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

"Since the last declaration of conformity was issued in September 2010, ESTAVIS AG has complied with the recommendations of the most recent version of the German Corporate Governance Code with the following exceptions and intends to comply with the recommendations of the Code, with the following exceptions, in the coming financial year as well:

Sections 2.3.1 and 2.3.3 (Postal vote)
The company does not currently intend to conduct postal votes before or during the Annual General Meeting in addition to proxy voting by persons authorised to act as voting representatives, particularly since the constitutional basis required for this in accordance with section 118 (2) of the Stock Corporation Act does not exist. In the opinion of the company, the introduction of postal voting in addition to the option already available of contributing indirectly to the votes taken in the Annual General Meeting in the form of a proxy vote by a representative appointed by the company would simply increase the outlay required for the Annual General Meeting without benefiting the shareholder decision-making process in any significant way. This option was not offered at the last Annual General Meeting either.

Section 3.8 (D&O insurance)
The D&O insurance taken out as a Group contract does not currently provide any deductible for members of the Supervisory Board. The company believes that a deductible of this type is not required to urge the members of the Supervisory Board to perform their monitoring duties in the proper manner.

Section 4.2.3 (Compensation)
The total compensation of the Management Board currently consists of fixed and variable components, but no long-term incentives containing risk elements. Moreover, the recommendation that negative developments should be taken into account when determining the variable components of overall remuneration was and is not complied with. According to the Supervisory Board, neither of these aspects is necessary in order to ensure the loyalty of the Management Board and its commitment to the company. A severance pay cap for former members of the Management Board has not currently been agreed, as the Supervisory Board does not consider this to be necessary.

Section 5.1.2 (Composition of the Management Board, age limit and succession planning)
Due to the age structure of the Management Board, no age limit or long-term succession planning is currently specified.

The incumbent members of the Management Board were appointed before the new recommendation in section 5.1.2 of the Code was published. The Supervisory Board and Management Board expressly welcome all endeavours to counteract gender-based as well as all other forms of discrimination and that promote diversity in an appropriate manner. When appointing members of the Management Board, the Supervisory Board places emphasis solely on the competence, qualifications and experience of the persons in question. Therefore, further characteristics such as gender and nationality were and remain of no significance when making these decisions.

Sections 5.3.1, 5.3.2 and 5.3.3 (Committees)
To date, the Supervisory Board has not formed committees, and in particular an audit committee or a nomination committee. In light of the number of three members the Supervisory Board considers efficient work to be possible in joint representation and the formation of committees, which must include at least two people or, for a quorum, at least three people, to be unreasonable given the size of the Supervisory Board.

Section 5.4.1 (Composition of the Supervisory Board)
The new recommendation added to the Code as amended on 26 May 2010 on the formulation of specific objectives regarding the composition of the Supervisory Board, which include in particular the appropriate involvement of women, is not currently complied with as, in the opinion of the Supervisory Board, such a composition is not essential for effective and successful work by the Supervisory Board. The Supervisory Board will examine the extent to which this recommendation can be complied with in future.

Section 5.4.6 (Supervisory Board remuneration)
ESTAVIS AG does not pay remuneration to the members of the Supervisory Board personally for the consultancy and agency services they perform for the company. If remuneration is paid to a law office for consultancy services by a member of the Supervisory Board or for other lawyers of the same law office, these services are not listed in the corporate governance report as, in the opinion of the Management Board and the Supervisory Board, such information is of immaterial value to the capital market.

The remuneration of the members of the Supervisory Board shall take into account the Chair and Deputy Chair positions in the Supervisory Board as well as the chair and membership in committees. The remuneration arrangement for the members of the Supervisory Board of

ESTAVIS AG currently considers only the Chair position in the Supervisory Board. Due to the fact that there are only three members, it does not differentiate between the Deputy Chair and ordinary members. Committees have not been formed.

Section 7.1.2 (Discussion of interim reports by the Supervisory Board and publication of interim reports)
At present, quarterly reports are not discussed with the Supervisory Board prior to publication. The Management Board reports to the Supervisory Board on the company's situation and the course of business each month in writing. The Supervisory Board does not consider additional quarterly reporting to be necessary."

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

Compensation Report

Compensation paid to the Management Board

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

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

In the 2010/11 financial year, the compensation paid to the Management Board totalled TEUR 512.

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
Florian Lanz	220	36	256
Eric Mozanowski	220	36	256
Summe	**440**	**72**	**512**

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 2010/11 financial year, the compensation paid to the Supervisory Board totalled TEUR 23.8. 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

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 2011 was as follows:

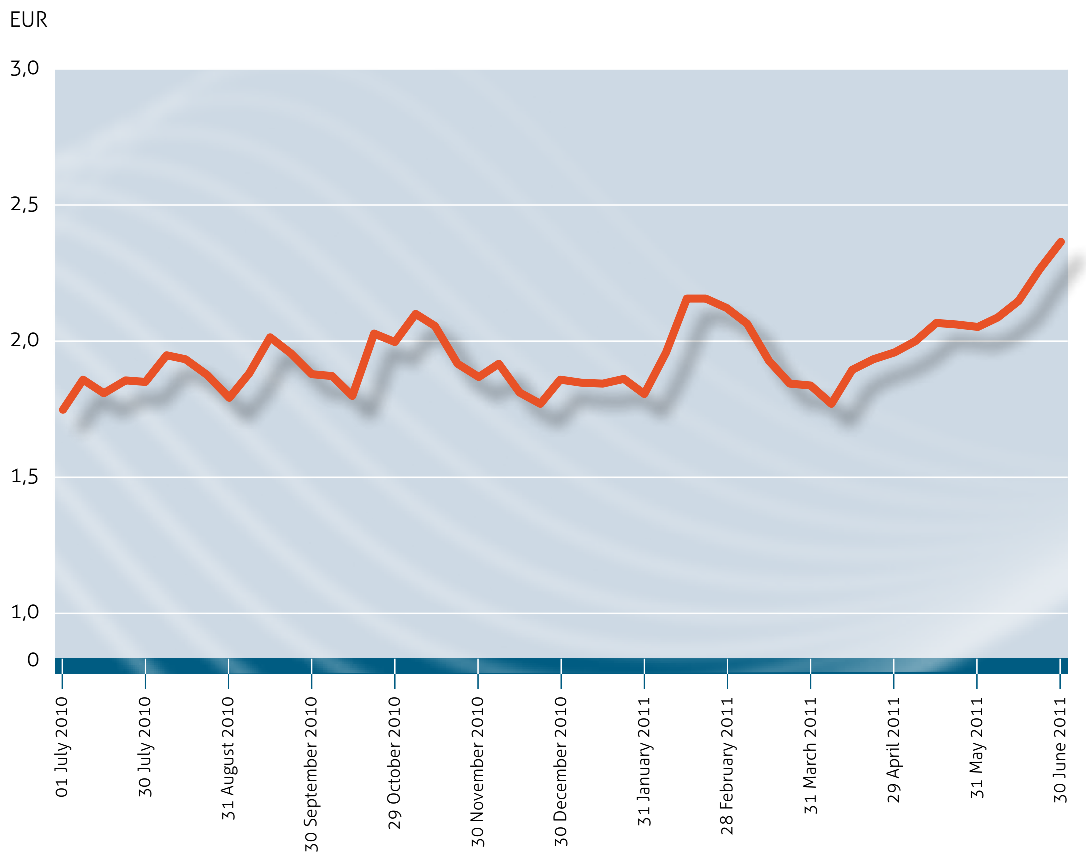
ESTAVIS AG	Anzahl Aktien
Florian Lanz (directly/indirectly via LAGO Invest GmbH, Berlin)	870,000
Eric Mozanowski	200,250

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

The ESTAVIS Share

In the first half of the financial year, the stock market climate was characterised above all by the general trends towards economic recovery; in the last weeks of 2010, the DAX, Germany's leading index, reached more than 7,000 points for the first time since June 2008. In the second half of the reporting period, good business figures provided numerous companies with positive impetus. On the other hand, the uncertainty of many investors due to the relatively weak economic growth in the USA as well as the ongoing sovereign debt crisis had a stifling effect and was one of the reasons for the relatively volatile development of the market. Despite this, the DAX improved by 5.5 % overall in the first half of 2011.

The ESTAVIS AG share gained significantly in value in the 2010/11 financial year. At the end of the financial year on 30 June 2011, the Xetra closing price was EUR 2.37, more than 35 % higher than at the start of the financial year (EUR 1.75). On the basis of the total number of 14,319,352 shares, the market capitalisation of ESTAVIS AG was around EUR 33.9 million as of 30 June 2011. The average daily trading volume (Xetra) in ESTAVIS' shares was 39,011 in the 2010/11 financial year (previous year: 54,448).

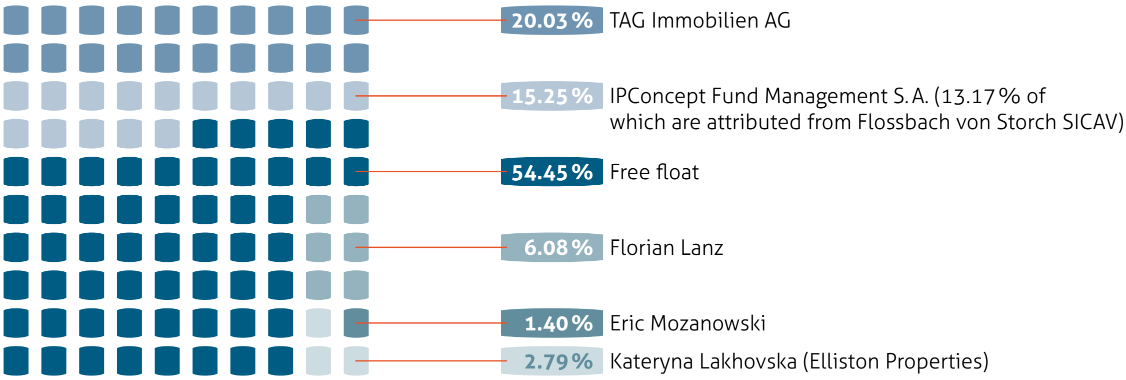


ESTAVIS' share price development in the 2010/11 financial year

Shareholder Structure

As of 30 June 2011, the issued capital (share capital) of ESTAVIS AG amounted to EUR 14,319,352 and was composed of 14,319,352 no-par value bearer shares. The issued capital increased by EUR 4,773,117 in the reporting period as part of a cash capital increase. With around 20 % of shares in ESTAVIS AG, TAG Immobilien AG (Hamburg) remains the main shareholder.

The shareholder structure is shown in the graphic below:



Shareholder structure on 30 June 2011 (information according to last notification from investors)

Investor Relations Activities

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

In the first half of the 2011/12 financial year, we will again be presenting at the Annual Conference of the Real Estate Share Initiative, of which ESTAVIS is a member. Attendance at further investor meetings and conferences is planned for the second half of the financial year.

The development of ESTAVIS AG is monitored continuously by analysts at WestLB and Warburg Research. According to current analyst reports, ESTAVIS' shares are believed to offer continued upside potential:

- WestLB, recommendation: "Add", target price EUR 2.80
- Warburg Research, recommendation: "Buy", target price EUR 2.60

ESTAVIS Shares at a Glance

ESTAVIS AG

Share	
Stock exchange segment	Prime Standard
ISIN	DE000A0KFKB3
German Securities Code Number (WKN)	A0KFKB
Number of shares on 30 June 2011	14,319,352
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Share price low (1 July 2010 – 30 June 2011*)	1.75 EUR
Closing price on 30 June 2011*	2.37 EUR
Market capitalisation on 30 June 2011*	EUR 34 million

* Closing prices in Xetra trading

Interview

with Florian Lanz, CEO of ESTAVIS AG

You are aiming to focus more strongly on listed buildings and renovation projects in the higher-end price segments of the property market. Why is this?

There are many reasons for this. On the one hand, our experience has shown that such properties offer particularly good marketing prospects. These are generally properties that, in addition to tax incentives, exude a certain charm for potential buyers and occupiers due to their distinctive, individual character and often exclusive location. Take our "Kodak-Glanzfilmfabrik" project in Berlin-Köpenick, for example. Building ensembles of this type are unique and anyone wanting to live directly by the River Spree in Berlin will find a very restricted range of options on the market. We are also focusing on this area because it provides us with a particularly good opportunity to apply our many years of experience in challenging renovation projects on listed buildings and, not least, to realise attractive margins as well.

How is this reflected in the business development figures?

In the year just gone, we generated less consolidated revenues than in the previous year as one of our major projects will not impact revenues until 2011/12. Furthermore, some end customers still need more time than before to secure the necessary financing. Nevertheless, we generated greater EBIT than in the previous year because, in addition to our current operating activities, we were also able to realise a global sale from one of our major projects, as well as increasing the value of properties through optimisation measures such as structural improvements and by generating relevant rental income. In both the global sale and the rental success achieved, which ultimately increased the value of the properties, the decisive factors were the uniqueness of the properties and their attractive locations.

This year saw you list investment properties. Why?

We made it clear in the last financial year that we wanted to expand and diversify our income base. This does not mean that we are going to extend our activities to completely new business areas, but we want to make greater use of the income potential offered by the various phases of the property value-added chain within our core market. In addition to privatisation and optimisation through appropriate construction measures, this also includes the longer-term operation of properties to generate rental income. In view of this, we have changed the intended purpose of some properties in our portfolio, which means that we are no longer looking to sell these properties within the shortest time possible. Instead, the focus will initially be on operating these properties for an indefinite period in order to generate rental income.

You touched on the subject of privatisation. What role will this play for ESTAVIS in the future?

In May 2011, we acquired Accentro GmbH, formerly the residential privatisation division of Colonia Real Estate AG. In doing so, we sent out a clear signal that not only do we intend to retain this division in future, but also want to increase our influence significantly in this area. Accentro fits into our Group very well, as it offers a comprehensive range of services from tenant-focused, socially responsible residential privatisation, to investment consulting in the field of residential property, right through to transaction-orientated asset management for larger property portfolios. It is also distinguished by its high degree of professionalism and its local presence in numerous locations within Germany. One key reason for our investment was Accentro's demonstrably positive track record; it currently manages a project volume of more than EUR 350 million.

Discussions regarding high levels of public debt, the problems in Greece, Italy and other countries and then the mounting signs of an economic slowdown – recent weeks have often seen business news broadcasts leading with headlines of this type. What does this mean for ESTAVIS AG?

We are not ignoring the fact that economic risks exist that must be taken seriously. However, growth momentum was expected to slow following strong growth at the end of 2010 and the start of 2011, so this did not come as a surprise. If the global economic development were to deteriorate considerably and, for example, the willingness of banks to provide finance were to experience another significant temporary slump, this would naturally affect the property sector as a whole and thus our company too. However, this risk is also offset by one particular opportunity. Dwindling trust in public debtors and the intermittent, pronounced nervousness on the equities markets have increased the need to invest in tangible assets. And property is right at the top of the list. Residential properties are in particular demand because, compared with commercial property, their value develops in a manner barely impacted by short-term economic fluctuations. These considerations currently make up a major proportion of investor demand for property, a fact confirmed to us again and again by other market participants. In light of this, we are very confident that we will be able to continue growing in the coming financial year.

Management Report

Illustration:
Listed ensemble "Kodak Glanzfilmfabrik" in Berlin-Köpenick, modernisation and sale by ESTAVIS AG

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).

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

1 Business and Conditions

1.1 Business Activities and Business Model

The ESTAVIS Group is one of the leading listed property dealers in Germany. Its business operations comprise domestic properties in Germany only, focusing mainly on commercially attractive locations. Its activities centre on the acquisition, optimisation/modernisation and sale of residential properties, particularly in the higher-end price segments of the property market. ESTAVIS's operations are divided into the segments of retail trading and other activities.

Retail Trading (sale of properties to private investors)
The retail trading segment comprises the sale of apartments to private investors primarily for the purposes of retirement provision and as tax-advantaged investments. Activities here focus on the acquisition, 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.

Other Activities
In the 2010/11 financial year, changes were made to the intended purpose of various properties that were acquired predominantly in connection with the former core division of portfolio trading. Instead of sales with the shortest possible turnaround time, the longer-term, indefinite operation of these properties has now become the major focus. The ESTAVIS Group generates regular rental income from these residential properties. Other activities therefore essentially include the exploitation of properties outside the indirect retail business targeting future sales. This segment also includes a low level of commercial development activity.

1.2 Corporate Structure

ESTAVIS AG acts as an operating holding company for a number of property management companies and performs the functions of corporate management, financing and administration in the ESTAVIS Group. In May 2011, the ESTAVIS Group acquired the residential privatisation division of Colonia Real Estate AG, which operates as Accentro, as well as Colonia Residential Sales GmbH, which holds various properties.

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

1.3 Economic Environment

a) Macroeconomic Development
Germany's economic upturn continued during the 2010/11 financial year, although the growth momentum slowed noticeably. According to data from the Federal Statistical Office, GDP increased by just 0.1 % (price, season and calendar adjusted) in the last quarter of the financial year (second quarter of 2011) as against the previous quarter. The price and calendar-adjusted rise was 2.8 % year-on-year. Exports, imports and capital expenditures provided positive impetus. In contrast, investment in the construction industry declined slightly in line with expectations following the sharp increase at the start of the year. Overall, domestic consumption dampened economic growth compared with the previous quarter. While government consumer spending increased slightly by 0.2 %, private consumer spending dropped for the first time since 2009, amounting to 0.7 % less than the prior quarter.

The labour market continued to develop positively. In the second quarter of 2011, Germany had around 41.0 million workers, which equates to a rise of 553,000 people, or 1.4 %, compared with the previous year. According to preliminary calculations by the Federal Statistical Office, this was the greatest employee increase in a second quarter since the reunification of Germany. In June 2011, the unemployment rate was 6.1 %, having reached 6.8 % one year earlier.

Consumer prices continued to develop at a moderate pace in the first half of the financial year, but have been rising noticeably since the end of 2010. Since February 2011, the growth of the consumer price index has exceeded 2 % every month compared with the previous year. Following a provisional annual high of 2.4 % in April 2011, the Federal Statistical Office calculated an inflation rate of 2.3 % for both May and June.

During the reporting period, the European Central Bank (ECB) adhered to its low interest rate policy, which was initially set to continue until early 2011, with the aim of stimulating economic development. Following an interest rate of 1.0 % since May 2009, the ECB increased this by another 25 basis points for the first time in April 2011, resulting in an interest rate of 1.25 % at the end of the reporting period. Shortly after the reporting date, the interest rate was increased by another 25 basis points in July 2011 to reach the current level of 1.5 %.

b) Development in the German housing market

The general conditions on the German housing market mean that demand for housing – to rent, as an investment or as owner-occupied property – is expected to continue in the coming years. According to projections by the Federal Statistical Office, the number of households – a factor with an important impact on demand for property that currently amounts to around 40 million in Germany – is expected to rise to around 41.0 million by 2030. Demand will also be stimulated by increasing expectations in terms of living space. For example, the Federal Institute for Research on Building, Urban Affairs and Spatial Development anticipates a rise in living space per capita in tenant households of around three square metres to 41 square metres in the former West German states and 38 square metres in the former East German states.

Construction activity in the residential property segment remains at a low level in Germany. In 2009, construction activity hit its lowest point since the reunification of Germany and recovered only slightly in 2010. According to the Federal Statistical Office, just under 160,000 apartments were completed overall in Germany in 2010, an increase of 845, or 0.5 %, compared with the previous year. This means that housing supply is developing is significantly slower than the forecast development of demand. According to a study by Prognos AG, demographically-based, purely quantitative housing requirements alone will amount to approximately 250,000 properties per year between 2011 and 2013 due to rising immigration and will remain at around 150,000 properties annually in subsequent years. If we consider not only quantitative, but also qualitative requirements, Prognos states that an average of 400,000 new properties will be required each year by 2025 to cover increasing demand and at the same time compensate for properties withdrawn from the market due to combinations, changes in use and demolitions.

These market trends are also reflected in the development of rents and purchase prices. According to analyses by the research institute empirica, rents advertised at the start of 2011 increased again, exceeding the level of the first quarter of 2010 by 3.1 % across Germany. At 4.9 %, the increase in urban districts was significantly greater than in administrative districts, where it amounted to just 1.9 %. The prices offered for apartments again rose considerably.

Here too, there was a particularly strong increase in urban districts, where prices were 5.9 % higher than in the first quarter of 2010. The national average increase was 3.9 %, with 2.6 % in administrative districts. The attractiveness of the German property market for investors is also supported by the development of the IPD Germany Annual Property Index, which maps the development of capital growth, rental und total returns of properties divided according to types of use. According to this, property investments generated average total returns of 5.1 % in 2010, rental returns of 4.1 % and capital growth returns of 0.9 %. In comparison with total returns over a period of three, five and ten years, they generated the best overall result of all property usage types.

In light of the general conditions presented above and the fact that new construction activity remains at a lower level than demand, the prospects for the German property market continue to be assessed positively by market participants. Investments in property remain a key element in generating private assets. In this connection, residential properties offer the advantage that the residential property market is influenced more strongly by long-term trends such as demographic development than by short-term economic fluctuations. The current market trends show that general conditions that favour demand affect conurbations and urban areas in particular.

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 one additional member.

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 Annual General Meeting. This does not apply to amendments and additions to the Articles of Association that relate solely to their wording, the responsibility for which has been transferred to the Supervisory Board in accordance with 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 Annual 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 2011, the issued capital (share capital) of ESTAVIS AG amounted to EUR 14,319,352 and was composed of 14,319,352 no-par value bearer shares. There are no different stock classes. The share capital was increased by EUR 4,773,117 by way of a cash capital increase from approved capital in the reporting period.

The Management Board is authorised, with the approval of the Supervisory Board, to acquire up to 809,942 treasury shares and sell them while excluding subscription rights up to and including 15 February 2015.

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

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

- for fractional amounts arising from pre-emption rights;
- to offer convertible and/or option bonds and/or profit participation certificates with conversion or pre-emption rights for subscription to individual investors, provided that, in accordance with section 186 (3) sentence 4 AktG mutatis mutandis, the shares issued on account of these bonds do not exceed 10 % of the existing share capital at the time of this authorisation coming into effect or at the time of the resolution to exercise this authorisation and the issue price of the bonds is not significantly less than the theoretical fair value of the bonds as calculated in line with recognised financial methods. The amount of 10 % of the share capital must include the amount relating to shares issued or disposed of on the basis of a different corresponding authorisation with pre-emption rights disapplied under direct or mutatis mutandis application of section 186 (3) sentence 4 AktG, if such inclusion is required by law;
- to offer profit participation certificates without conversion or pre-emption rights for subscription to individual investors provided that the issue price is not significantly less than the theoretical fair value of the profit participation certificates as calculated in line with recognised financial methods and provided that the profit participation certificates only have the characteristics of a debenture, i. e. if they do not constitute any shareholder rights in the company, nor any conversion or pre-emption rights, do not grant any entitlement to the liquidation proceeds and if the amount of the interest yield is not based on the net profit for the period, balance sheet profit or dividend;

- to the extent that this is necessary to grant bearers of conversion or pre-emption rights granted by the company or companies in the Group to shares of the company pre-emption rights to bonds issued under this authorisation in the amount they would be entitled to after exercising their conversion or pre-emption rights or after satisfying any conversion obligation (dilution protection), or
- if bonds are issued in exchange for non-cash contributions and the disapplication of pre-emption rights is overwhelmingly in the interests of the company.

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

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

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

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

In accordance with the resolution of the Annual General Meeting of 13 December 2010, the Management Board is also authorised, with the approval of the Supervisory Board, to issue convertible or option bonds or profit participation certificates with or without conversion or pre-emption rights (referred to collectively below as "bonds") with a total nominal amount of up to EUR 2,850,000 on one or more occasions up to and including 12 December 2015. The bearers of bonds can be granted conversion or pre-emption rights for up to 570,000 bearer shares with a pro rata share of capital of up to a total of EUR 570,000. Subject to the conditions described below, shareholders are granted statutory subscription rights.

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

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

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

In connection with the option described above to grant conversion and pre-emption rights, the share capital of ESTAVIS AG has been contingently increased by up to EUR 578,724 by issuing up to 578,724 new no-par value bearer shares with profit participation from the start of the financial year in which they are issued (Contingent Capital 2010/II). The contingent capital increase will only be implemented to the extent that

- the bearers of convertible and/or option bonds and/or profit participation certificates with conversion or pre-emption rights issued by the company or its subordinate Group companies on the basis of the authorisation resolution by the Annual General Meeting on 13 December 2010 up to and including 12 December 2015 exercise their conversion or pre-emption rights and the company decides to serve the conversion or pre-emption rights from this Contingent Capital 2010/II, or
- the bearers of convertible and/or option bonds and/or profit participation certificates with conversion or pre-emption rights with a conversion obligation issued by the company or its subordinate Group companies on the basis of the authorisation resolution by the Annual General Meeting on 13 December 2010 up to and including 12 December 2015 satisfy their obligation and the company decides to serve the conversion or pre-emption rights from this Contingent Capital 2010/II.

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

d) Transfer and Voting Right Restrictions

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

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 2011 carry full voting rights and each grant the holder one vote at the Annual General Meeting.

e) Equity Interests and Rights of Control

As at the reporting date, TAG Immobilien AG, Hamburg, held 20.03% of shares in ESTAVIS AG. In addition, Flossbach von Storch SICAV, Luxemburg-Strassen, Luxembourg, directly held 13.17% of shares in ESTAVIS AG. 15.25% of shares in the company were directly and indirectly attributable to IPConcept Fund Management S.A., Luxemburg-Strassen, Luxembourg via Flossbach von Storch SICAV. The company is not aware of any other direct or indirect interests in its share capital that exceed 10% of the voting rights.

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

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

f) Impacts of Potential Takeover Bids

A company financing arrangement for the amount of EUR 5 million expiring in the 2011/12 financial year includes an extraordinary cancellation right for the creditor in the event of a change of control at ESTAVIS AG. Otherwise, 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 closing price of ESTAVIS shares on the first trading day of the 2010/11 financial year (1 July 2010, Xetra trading) was EUR 1.75. The share closed at EUR 2.37 at the end of the financial year on 30 June 2011, which equates to an increase of more than 35 %. On the basis of the total number of ESTAVIS shares (14,319,352), this corresponds to a market capitalisation of around EUR 33.9 million on 20 June 2011.

The average daily trading volume (Xetra) in ESTAVIS' shares was 39,011 in the 2010/11 financial year (previous year: 54,448).

2 Business performance and financial position

2.1 Summary assessment of Business Performance and Comparison of Forecase and actual business performance

The performance of the business in the 2010/11 financial year was characterised on the one hand by the ongoing interest of potential investors in apartments and listed buildings as well as the generally positive development of the property market, which was reflected in good sales for the Belziger Straße and Glanzfilmfabrik properties in Berlin, although these did not impact revenues in the reporting year. On the other hand, problems experienced by end customers in procuring the necessary financing meant that revenues in the reporting period dropped below the level of the previous financial year. The trend in revenues was also affected by delays to a major refurbishment project that continued beyond the reporting date and could only be partially offset by the block sale of another large project.

However, the impact of the decline in revenues compared with the previous period on the result from continued operations was compensated for in particular by significant capital appreciation in the investment properties, a decline in uncertain obligations from formerly disputed claims as well as a considerable revenues-dependent reduction in the cost of materials.

This meant that despite revenues being lower than expected, consolidated net profit was generated of almost 10 % more that of the previous financial year on the basis of continued activities, thereby meeting expectations.

2.2 Earnings Situation

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

	2010/11	2009/10
	EUR million	EUR million
Revenues	53.0	71.3
EBIT	4.9	4.7
Net profit*	0.7	0.6

* Figures for the previous year relate to profit from continued operations.

In the 2010/11 financial year, consolidated revenues declined by 25.7 % to EUR 53.0 million. The ESTAVIS Group's revenues are broken down into the following business segments for financial reporting purposes:

- Retail trading EUR 43.4 million (previous year: EUR 56.3 million)
- Other activities EUR 9.6 million (previous year: EUR 15.1 million)

In the retail trading segment, revenues declined from EUR 56.3 million in the previous year to EUR 43.4 million. The decline in revenues is due to a lower number of residential units sold, which can in turn be attributed to considerably longer processing periods for customer finance at banks as well as the general reluctance of banks to make financing available in the retail banking segment. There were also delays in a major refurbishment project that were partially offset by the block sale of another large project. Segment EBIT amounted to EUR –1.6 million based on revenues (previous year: EUR 1.6 million).

Revenues in the other activities segment decreased to EUR 9.6 million; in the previous financial year, this segment generated revenues of EUR 15.1 million, including the sale of a property parcel worth around EUR 10.3 million. Segment EBIT increased to EUR 6.5 million (previous year: EUR 3.1 million). The increase in profit in the segment was due predominantly to changes in the value of investment properties to the amount of EUR 3.4 million, income from the reversal of provisions for rental guarantees and pending construction obligations (EUR 1.5 million) as well as income of EUR 0.5 million from statute-barred liabilities.

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

Consolidated net profit from continued activities climbed to EUR 0.7 million in the reporting period (previous year: EUR 0.6 million).

The increase in consolidated net profit compared with the prior period can be attributed mainly to changes in the value of investment properties, the reversal of provisions as well as a significant reduction in the cost of materials.

In the 2010/11 financial year, the gross margin (revenues plus changes in inventories less cost of materials/revenues) fluctuated within the usual range and amounted to 32.9 % (previous year: 34.5 %).

The decrease in other operating income of EUR 2.6 million compared with the 2009/10 financial year can be attributed predominantly to high reversals of write-downs on receivables and inventories in the previous year as well as the decline in rental income from properties held as assets.

Despite an increase in the average number of personnel from 42 to 48, staff costs remained at the previous year's level of EUR 2.7 million.

Other operating expenses fell by EUR 6.6 million from EUR 26.8 million to EUR 20.2 million. This was due in particular to lower sales costs, consulting costs and rental guarantee expenses as well as reduced outlay in connection with letting properties held as assets, which more than offset the increase in miscellaneous other operating expenses.

Interest income decreased by EUR 0.1 million year-on-year as a result of the decline in cash and cash equivalents. Interest expenses rose by EUR 0.7 million. This increase is due primarily to the fact that outside capital borrowed in the last quarter of the previous year was to be taken into account for a full financial year for the first time. The financial result of the 2010/11 financial year came to a total of EUR –4.2 million after EUR –3.4 million in the prior period.

As a consequence of the trend in revenues described above, earnings before taxes decreased to EUR 0.7 million following EUR 1.3 million in the previous year. Taking into account income taxes of EUR –0.003 million (previous year: EUR 0.7 million) yields consolidated net profit of EUR 0.7 million, which equates to an increase of almost 10 % compared with consolidated net profit from continued activities in the previous year (EUR 0.7 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 reorientation of the business activities of the ESTAVIS Group introduced in the previous year continued in the 2010/11 financial year and also impacted the financial and net assets situation as of 30 June 2010.

Total assets declined by EUR 9.0 million to EUR 146.4 million (previous year: EUR 155.4 million). This drop in mainly attributable to decreases in the trade receivables and other receivables items as well as in income tax receivables. Further significant changes to the structure of assets resulted from changes to the intended purpose of several properties acquired in the past so that instead of sales with the shortest possible turnaround time, the longer-term, indefinite operation of these properties has now become the main focus. In the case of current assets, this resulted in a significant reduction in the inventories item, while investment properties – in contrast to the previous financial year – are now listed under non-current assets.

These changes were the major reason why, as of 30 June 2011, non-current assets had increased significantly by EUR 33.2 million to EUR 55.7 million (previous year: EUR 22.5 million). The value of properties not yet included as investment properties at the end of the 2009/10 financial year amounted to EUR 32.5 million at the reporting date. Of this, EUR 29.1 million resulted from additions from inventories and EUR 3.4 million resulted from capital appreciation in the properties concerned.

During the reporting period, the ESTAVIS Group invested EUR 3.0 million in the acquisition of the residential privatisation division of Colonia Real Estate AG and Colonia Residential Sales GmbH; an additional EUR 0.2 million (previous year: EUR 0.2 million) was invested in property, plant and equipment and intangible assets. The change in financial assets (investments in associates and other financial assets) to EUR 1.8 million (previous year: EUR 0.2 million) relates to company liabilities.

The significant decline in current assets by EUR 42.3 million to EUR 90.6 million (previous year: EUR 132.9 million) is due above all to the decrease in inventories by EUR 22.3 million to EUR 61.6 million (previous year: EUR 83.9 million), which resulted from the change in the intended purpose of properties previously recorded in this item. Declines in receivables should also be mentioned here. Trade receivables, which result primarily from sales of properties, decreased by EUR 13.3 million to EUR 6.2 million (previous year: EUR 19.5 million) due to the trend in revenues. Other receivables declined by EUR 5.7 million to EUR 18.6 million (previous year: EUR 24.3 million) predominantly due to the decline in commission payments on unrealised retail sales; this item also includes short-term principal amounts to external sales service providers and receivables from investment companies for short-term loans and settlement accounts.

Cash and cash equivalents decreased slightly from EUR 4.1 million to EUR 3.6 million.

As a result of the consolidated net profit generated in the 2010/11 financial year and the capital increase in April 2011, equity rose from EUR 52.3 million in the previous year to EUR 60.7 million as of 30 June 2011. At the same time, this, combined with the decrease in total assets, meant that the equity ratio increased from 33.6 % to 41.5 % compared with the reporting date of the previous financial year. The issuing proceeds from the capital increase, which amounted to EUR 8.1 million, were mainly used to reduce debt and finance new projects, which meant that cash and cash equivalents had not increased as at the reporting date.

Non-current liabilities declined by EUR 6.1 million year-on-year to EUR 14.0 million (previous year: EUR 20.1 million). This change can be attributed on the one hand to the EUR 4.8 million decrease in non-current financial liabilities from EUR 16.4 million to EUR 11.6 million; one factor that had a significant influence here was the reclassification in the balance sheet of an originally non-current liability due to its remaining term being reduced in the meantime. In addition, deferred income tax liabilities decreased by EUR 1.2 million.

Current liabilities declined by EUR 11.4 million to EUR 71.6 million (previous year: EUR 83.0 million). The key influencing factors here were the decline in current financial liabilities as well as the reduction in (current) provisions and other liabilities.

Gearing (debt/total capital) declined from 66.4 % to 58.5 % in the reporting year. At 2.5 %, the ratio of cash and cash equivalents to total assets was slightly below the previous year's level (2.6 %). The Group's cash ratio (cash and cash equivalents/current liabilities) increased slightly from 4.9 % to 5.0 %.

Key figures from the cash flow statement

	2010/11	2009/10
	EUR million	EUR million
Cash flow from current operating activities	–5.5	–3.5
Cash flow from investing activities	–3.1	–4.6
Cash flow from financing activities	8.1	–0.5
Net change in cash and cash equivalents	–0.5	–8.6
Cash and cash equivalents at the beginning of the period	4.1	12.7
Cash and cash equivalents at the end of the period	3.6	4.1

In the 2010/11 financial year, net cash used in operating activities amounted to EUR –5.5 million (previous year: EUR –3.5 million). This was due in particular to the trend in revenues.

Net cash used in investing activities amounted to EUR –3.1 million in the reporting period (previous year: EUR –4.6 million). Key items in the reporting period were payments for the acquisition of the residential privatisation division of Colonia Real Estate AG and Colonia Residential Sales GmbH amounting to EUR 3.0 million. In contrast, the previous year saw payments incurred of EUR 4.5 million due to the disposal of the HAG Group and the outflow of cash and cash equivalents associated with this.

At EUR 8.1 million, net cash used in financing activities was significantly higher than in the previous year (EUR –0.5 million). The increase can be attributed to payments received from companies amounting to EUR 8.1 million; this refers to the inflow of capital as a result of the capital increase in April 2011.

The overall financing structure was improved further during the 2010/11 financial year, above all due to the strengthening of the equity base as a result of the capital increase, the strict cost and liquidity management and the agreement of significantly longer terms for various bank loans. With regard to the liquidity situation, there was a slight decline in cash and cash equivalents of around EUR 0.5 million, mainly due to the development of operating cash flow and the longer-term advance financing of projects.

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 6.24.

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 business relationships.

3 Opportunity and 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 potential of the Group's commercial activities in order to generate a sustained increase in enterprise value. An integral component of this system is the fact that potentially adverse developments and events are addressed in a structured manner and at an early stage, thereby allowing the Management Board to initiate countermeasures in good time before significant damage is done.

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

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

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

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

To ensure the regularity of financial reporting in the consolidated financial statements, the Group management report and the quarterly reports, ESTAVIS AG has integrated preventative and monitoring controls for the company's accounting processes in its internal control system (IKS). These measures include the separation of functions, pre-defined approval principles and computer processes for the processing of accounting data. The key organisational measures are a component of the IKS handbook, which sets out the company's core business processes. If necessary, special areas of accounting are covered by external consultants.

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

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

3.2 Individual Risks

The ESTAVIS Group is exposed to a 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. 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. While 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.

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.

Uncertainties regarding whether, when and under what constraints and/or subsidiary conditions approval for the projects is granted under public construction law may contribute to the construction risks, particularly in the case of listed buildings. This means that the company partly relies upon the individual authorities exercising discretion. Disputes with residents and neighbours may also significantly delay or negatively influence the granting of approval. Each of these circumstances may mean that projects cannot be conducted for the price assumed, within the timeframe planned or that they cannot be executed at all. These risk factors are examined in detail when the project is selected.

d) Sales Risks

In the area of residential property trading, ESTAVIS Group 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. The ESTAVIS Group 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 banks, however, and particularly with regard to properties contained in current assets, there is the risk that lenders are accelerating 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. In the reporting period, and with a view to reclassifying specific investment properties, the Group also borrowed long-term capital to further diversify its financing structure and to approximate the asset structures.

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

A change in overall interest rates could have a certain impact on the Group's cash flow and the interest income generated from its cash and cash equivalents; however, based on the volumes held at present, any such effect would 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. This also applies when the properties require renovation. 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 this respect.

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. In particular, warranty risks arise in cases in which liability exemption has not been agreed on property sales.

If ESTAVIS Group 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.

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

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.

In certain countries, legal trademark rights proceedings relating to the name ESTAVIS are pending with a different trademark owner. A risk thus exists that the company may have to refrain from using the name in future and would therefore have to change its name. Furthermore, compensation claims could be enforced for the use of the name in the past.

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, connected with an increase in unemployment rates, 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.

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.

b) Sector Risks

Deterioration in the general conditions on the German property market could have a negative influence on the business performance of ESTAVIS Group. A decline in the prices of properties would hamper the realisation of gains on the disposal of the properties held. At the same time, additions of attractively priced 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 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. However, there is no evidence of such a change in tax law at this time.

Risk Concentrations

The business success of the ESTAVIS Group is currently dependent on a relatively small number of projects in which large property complexes are developed, refurbished and converted and that constitute a significant proportion of revenues. The business involving large projects is particularly susceptible to the individual risks described, especially cost increase, project delay and non-payment risks. This means that the cancellation of a project or delays to its completion would contribute greatly to the loss or postponement of revenues and/or income. This could also have an adverse effect on the liquidity of the ESTAVIS Group, particularly if interim financing has been arranged for the project that will expire and can no longer be serviced or that will be accelerated.

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

In the reporting period, the financing structure of the ESTAVIS Group continued to improve. The capital increase initially contributed to this, leading to an inflow of EUR 8.1 million of capital (before the deduction of expenses connected with the capital increase). At the same time, longer terms were agreed for a significant volume of long-term bank loans. The strengthening of long-term financing is set to allow in particular for the partly longer-term tying-up of funds in (investment) properties held as non-current assets. In contrast to this, the development of operating cash flow and the longer-term advance financing of projects meant that the liquidity situation has not improved. Instead, cash and cash equivalents had declined slightly as at the reporting date by around EUR 0.5 million.

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

3.5 Development in Opportunities

Growing Number of Households

Despite the forecast population decline in Germany, experts believe that the number of households in Germany will continue to rise, meaning that demand for living space will persist. This prognosis is based on the trend towards decreasing household sizes as well as increasing expectations of the quality and availability of living space. It must be noted here that this trend varies greatly between regions. While economically prosperous regions and conurbations are already demonstrating noticeable excess demand, some structurally weak regions and urban areas are experiencing the exact opposite. The growing demand for living space in attractive locations is providing the ESTAVIS Group with long-term prospects for implementing its business model. Furthermore, the low ownership rate in Germany compared with the rest of Europe offers attractive prospects for the privatisation of owner-occupied living space.

Low Level of Construction Activity

The growing demand for residential space in regions experiencing positive net migration is being met by an increasingly short supply. As described in section 1.3 b), new construction activities in the residential property segment in Germany remained significantly below the requirement development forecast, despite recovering slightly in 2010.

In light of the fact that rising demand in commercially attractive locations is being met with an increasingly short supply, the ESTAVIS Group believes that, with its offering of renovated listed properties, it is excellently positioned to profit from this trend.

Economic Development and Interest Rates

The positive development of the labour market and continuingly low interest rates provide a favourable environment for private apartment acquisitions, both for own use and as an investment. It has also been noted that private investors in particular are currently responding to global economic risks, especially in terms of the potential culmination of the sovereign debt crisis, and the widespread expectation that inflation rates will rise, with a growing interest in tangible assets, particularly property.

Boosting Private Pension Provision

Given demographic developments, improving private pension provision remains a matter of growing significance in Germany. Residential property is considered the best form of investment and is also said to offer the best protection against inflation. The acquisition of private residences in order to provide a pension is supported by the state in the form of the Residential Riester subsidisation, for example.

Subsidisation of Energy Efficiency Renovation Work

The German Federal Government's ambitious climate targets and the associated intensification of the relevant legal provisions mean that (energy efficiency-related) renovation work may in future move beyond the scope for which tax incentives are currently available. Subsidies of this kind would also benefit the renovation projects of the ESTAVIS Group.

4 Forecast Report

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

4.1 Future Orientation of Business and the Company

The ESTAVIS Group is already established on the market as a provider of residential investments today. The company intends to build on what it has achieved to date and press ahead with its operative and strategic development.

In light of the expected growing significance of property as a private pension plan and the generally positive conditions on the German residential property market, the company is anticipating that its business potential will increase in future.

Sales of apartments – primarily listed properties that offer the buyer special tax benefits regarding the deductibility of redevelopment expenses – remain an essential pillar of ESTAVIS' business. In this regard, the activities of the ESTAVIS Group are focusing increasingly on the higher-end price segments of the residential property market with the aim of realising higher average sales prices and income margins in the long term.

The ESTAVIS Group also intends to increasingly acquire and optimise property portfolios before selling them on to investors by way of a wide spectrum of exit channels, thereby generating value-added potential.

At the same time, the product offering will be expanded by the sale of properties for owner-occupiers in the future. The ESTAVIS Group feels there are opportunities for organic growth in this area which can be tapped with existing organisational structures and financial conditions.

In addition to our retail business, our investment properties are set to be operated in the longer term in future. The generation of operating cash flows and increasing the value of portfolios are key in this regard.

4.2 Development of the Economy as a Whole and the Residential Market

It is currently difficult to assess how economic conditions will develop in 2011 and 2012. In its autumn 2011 forecast, the Kiel Institute for the World Economy (IfW) stated that the Germany economy is on the brink of a weak phase. The experts do not rule out the possibility of the economy heading into a recession, although they do not currently assume that this will happen. Nevertheless, they consider it possible that overall economic production will experience a slight temporary decline. In light of the economic downturn experienced by trading partners, they regard external trade as the key factor here, and are also anticipating a significant slowdown in the growth of corporate investments, while private consumption is likely to have a stimulating effect. Overall, the IfW predicts an increase in Germany's gross domestic product (GDP) of 2.8 % for 2011 due to the strong economic phase at the start of the year. They expect the economic situation to improve gradually in 2012 once the weak phase has passed. Nevertheless, they are forecasting growth in GDP of just 0.8 % for the year as a whole.

According to estimates by the IfW, the upturn in prices in Germany will diminish during the course of 2011, but will be strengthened significantly in the coming year by the domestic economy. An inflation rate of 2.3 % is forecast for 2011, with price growth of 1.9 % predicted for 2012. Despite the economic weak phase anticipated, the labour market is likely to continue its robust development, meaning that the average unemployment figures for 2011 are likely to drop below three million and then to just under 2.9 million in 2012.

Sustainable demographic and regional trends will ensure that conditions on the residential market will continue to offer a positive environment for the business activities of the ESTAVIS Group. The increasing demand for apartments in locations with rising populations combined with a continuingly short supply of properties mean that rental and sales prices are expected to rise further. However, it remains to be seen to what extent this development will be temporarily diluted or disrupted by economic influences.

According to the estimates from the IfW, no further increases in interest rates are anticipated in 2011 and 2012. Based on survey data, the experts also expect the credit markets to relax further. This means that, in terms of financing, the environment for property acquisition will remain basically favourable. However, the experiences of the last few months have shown that no general conclusions can be drawn regarding the willingness of banks to lend money to end customers.

The largely positive expectations with regard to the security and returns profile mean that, on the whole, the German residential property market remains an attractive prospect for property investments.

4.3 Market and Business Opportunities

The Management Board will continue to focus on improving earnings development in the Group and tapping growth potential in the next two financial years as well. The resources made available are set to be reinvested in further growth while maintaining a stable net assets and financial position. The stronger concentration on projects in the higher-end price segments of the property market, which has already been initiated, is set to continue and be increasingly reflected in revenues and earnings trends. Ongoing income from the operation of investment properties is also expected to have a positive impact.

The Management Board of ESTAVIS AG works on the assumption that it will be possible to increase revenues and consolidated net profit in the 2011/12 financial year provided that general economic developments do not lead to a deterioration in general conditions – particularly with regard to the financing options available to end customers. Based on current planning, the trend towards higher revenues and consolidated net profit before taxes will also continue in the 2012/13 financial year.

The Group will further consolidate its financial and liquidity position over the next two financial years. Measures such as the prolongation and restructuring of existing liabilities and the optimisation of project finance are in place for this purpose. Furthermore, the company will also strengthen its equity base further.

4.4 Overall Assessment

Germany's economic growth momentum is expected to slow in the 2011/12 financial year; although experts' current assessments suggest that a recession is unlikely, it cannot be ruled out. Furthermore, considerable uncertainties remain with regard to global economic development, the main focus being the sovereign debt crisis in the euro zone and the USA.

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

By further expanding our market position in higher-end property market segments, we intend to increase our revenues and profit and, on the basis of stable business performance and solid cost structures, we are forecasting a further improvement in our earnings and financial situation in the next two years.

5 Supplementary Report

Following the end of the 2010/11 financial year, Mr. Rolf Elgeti, CEO of TAG Immobilien AG, was appointed as member of the Supervisory Board of ESTAVIS AG on 18 July 2011. He succeeded Mr. John W. Cutts, who resigned from the Supervisory Board as of 1 July 2011 to enable the admission of a representative who, with 20.03 % of shares, is the company's biggest single shareholders. Mr. Elgeti is represented in further supervisory bodies in the German property sector.

No other events of particular significance to the business development of the ESTAVIS Group have occurred since the end of the 2010/11 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. Termination with notice during the term of the agreements has not been provided for either side. The remuneration paid to the Management Board members of ESTAVIS AG consists of fixed annual basic remuneration and a variable bonus that depends on the EBIT generated by the company. In addition, the Management Board members are granted a health insurance allowance, 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. 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 Annual 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 and in the corporate governance report. The corporate governance report also includes a breakdown of the individual remuneration paid to members of the Supervisory Board.


3

Consolidated Financial Statements

Illustration:
Listed property in Leipzig,
modernisation and sale by
ESTAVIS AG

Consolidated Balance Sheet

ESTAVIS AG

Assets	Notes	30 June 2011	30 June 2010
			TEUR
Non-current assets			
Goodwill	6.1, 6.3	17,776	17,776
Other intangible assets	6.3	95	37
Property, plant and equipment	6.2, 6.3	388	486
Investment property	6.4	32,547	–
Investments in associates	6.5	122	59
Other non-current financial assets	6.6	1,665	155
Deferred income tax receivables	6.14	3,137	4,024
Total		**55,730**	**22,537**
Current assets			
Inventories	6.7	61,642	83,958
Trade receivables	6.8	6,209	19,527
Other receivables	6.8	18,662	24,335
Current income tax receivables		516	979
Cash and cash equivalents	6.9	3,598	4,065
Total		**90,627**	**132,864**
Total assets		**146,357**	**155,401**

Consolidated Balance Sheet

ESTAVIS AG	Notes	30 June 2011	30 June 2010
Equity		TEUR	TEUR
Issued capital	6.10	14,319	9,546
Capital reserves		48,198	45,249
IAS 39 reserve		1	–
Retained earnings		–1,819	–2,525
Equity attributable to the shareholders of the parent company		60,699	52,270
Minority interests		–	0
Total equity		**60,699**	**52,270**
Liabilities			
Non-current liabilities			
Provisions	6.12	74	90
Financial liabilities	6.11	11,607	16,448
Deferred income tax liabilities	6.14	2,370	3,583
Total non-current liabilities		**14,050**	**20,120**
Current liabilities			
Provisions	6.12	2,520	3,961
Financial liabilities	6.11	50,357	59,824
Advance payments received		3,741	4,051
Current income tax liabilities		2,250	2,169
Trade payables	6.13	8,628	7,673
Other liabilities	6.13	4,112	5,333
Total current liabilities		**71,608**	**83,011**
Total equity and liabilities		**146,357**	**155,401**

Consolidated Income Statement

ESTAVIS AG	Notes	2010/11	2009/10
		TEUR	TEUR
Revenues	6.15	53,010	71,328
Change in value of investment property	6.4	3,431	–
Other operating income	6.18	7,097	9,671
Changes in inventories		–6,915	2,156
Total operating performance		**56,622**	**83,155**
Cost of materials	6.16	28,673	48,874
Staff costs	6.17	2,729	2,664
Depreciation and amortisation	6.3	125	132
Other operating expenses	6.18	20,235	26,768
Operating result		**4,860**	**4,716**
Net income from associates	**6.5**	**63**	**8**
Interest income	6.20	141	239
Interest expenses	6.19, 6.20	4,361	3,647
Financial result		**–4,220**	**–3,408**
Net profit before income taxes from continued operations		**703**	**1,317**
Income taxes	6.21	–3	672
Result from continued operations		**706**	**645**
Result from discontinued operations	6.26	–	419
Net profit		**706**	**1,064**
attributable to shareholders of the parent company		706	1,071
attributable to non-controlling interests		–	–7
Earnings per share (EUR)			
from continued operations		**0.07**	**0.08**
from discontinued operations		–	0.05
from net profit	6.23	**0.07**	**0.13**

Consolidated Statement of Comprehensive Income

ESTAVIS AG	2010/11	2009/10
	TEUR	TEUR
Net profit	**706**	**1,064**
Available-for-sale financial assets	1	–16
Changes in fair value	1	–16
Reclassification recognised in profit or loss	–	–
Income taxes	–	–
Income directly recognized in equity	**1**	**–16**
Total comprehensive income	**708**	**1,048**
attributable to shareholders of the parent company	708	1,055
attributable to minority interests	–	–7

Consolidated Cash Flow Statement

ESTAVIS AG		2010/11	2009/10
		TEUR	TEUR
Net profit		706	1,064
+	Depreciation/amortisation of non-current assets	125	132
+/–	Increase/decrease in provisions	–1,600	–901
+/–	Change in value of investment property	–3,431	–
+/–	Other non-cash expenses/income	–696	–21
–/+	Gains/losses from the disposal of non-current assets	14	–
–/+	Increase/decrease in inventories, trade receivables and other assets that are not attributable to investing or financing activities	22,295	7,027
+/–	Increase/decrease in trade payables and other liabilities that are not attributable to investing or financing activities	–22,931	–10,346
–/+	Result from the disposal of subsidiaries	–	–419
=	**Cash flow from current operating activities**	**–5,518**	**–3,464**
+	Payments received from the disposal of intangible assets	7	
+	Payments received from the disposal of property, plant and equipment	115	–
+	Payments received for the disposal of financial assets	33	–
+	Payments received from the disposal of investment property	–	–
–	Payments for investments in intangible assets	–63	–29
–	Payments for investments in property, plant and equipment	–107	–123
–	Payments for investment property	–35	–
–	Payments for investments in non-current financial assets	–48	–6
–	Payments from the disposal of fully consolidated companies	–	– 4,491
–	Payments for business acquisitions	–2,957	–
=	**Cash flow from investing activities**	**–3,056**	**–4,649**
+	Payments from shareholders	8,114	2
–	Repayment of bonds and financial loans	–6	–518
=	**Cash flow from financing activities**	**8,108**	**–517**
	Net change in cash and cash equivalents	–466	–8,629
+	Cash and cash equivalents at the beginning of the period	4,065	12,694
	attributable to cash and cash equivalents reclassified as assets held for sale	–	8,810
=	**Cash and cash equivalents at the end of the period**	**3,598**	**4,065**

Additional information in the Notes to the Consolidated Financial Statements, note 6.24.

Consolidated Statement of Changes in Equity

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

ESTAVIS AG	Issued capital	Capital reserves	IAS 39 reserve	Retained earnings	Equity attributable to the shareholders of the parent company	Minority interests	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
As of 1 July 2010	**9,546**	**45,249**	**–**	**–2,525**	**52,270**	**0**	**52,270**
Total comprehensive income	**–**	**–**	**1**	**706**	**708**	**–**	**708**
Cash capital increase	4,773	3,341	–	–	8,114	–	**8,114**
Costs of raising equity	–	–393	–	–	–393	–	**–393**
As of 30 June 2011	**14,319**	**48,198**	**1**	**–1,819**	**60,699**	**–**	**60,699**

Please see note 6.10 for information on individual items.

Consolidated Statement of Changes in Equity

for the financial year from 1 July 2009 to 30 June 2010

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 1 July 2009	**8,099**	**44,222**	**16**	**–3,597**	**48,740**	**340**	**49,080**
Total comprehensive income	**–**	**–**	**–16**	**1,071**	**1,055**	**–7**	**1,048**
Disposal of shares in subsidiaries	–	–	–	1	1	0	**2**
Change in consolidated group	–	–	–	–	–	–333	**–333**
Capital increase against non-cash contributions	1,447	1,027	–	–	2,474	–	**2,474**
As of 30 June 2010	**9,546**	**45,249**	**–**	**–2,525**	**52,270**	**0**	**52,270**

Notes to the Consolidated Financial Statements

1 Basic Information

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

As of 30 June 2011, ESTAVIS AG acts as the operating holding company for a number of special-purpose entities.

These consolidated financial statements were approved for publication by the company's Management Board in September 2011.

2 Significant Accounting Policies

The accounting policies applied in preparing the consolidated financial statements are described below.

2.1 Principles

The consolidated financial statements for the 2010/11 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 on the adoption of international accounting standards in the form of the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB) as required in the European Union for listed companies.

The IFRS requirements 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 items of the income statement and the statement of financial position are presented in aggregated form. These items are discussed in the notes. The income statement is structured in accordance with the nature of expense method.

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

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

Barring the changes described below, the accounting methods used in the consolidated financial statements are the same as those on which the consolidated financial statements as of 30 June 2010 are based.

The following new or amended accounting standards and interpretations were mandatory for the first time in the IFRS consolidated financial statements for the 2010/11 financial year:

Standard/Interpretation		New/amended
Various	IFRS Improvements 2009	amended
IFRS 2	Amendments: Group Cash-settled Share-based Payment Transactions	amended
IFRS 1	Amendment: Additional Exemptions for First-time Adopters	amended
IAS 32	Classification of Rights Issues	amended
IFRS 1	Amendment: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	amended
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	new

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

The following accounting standards that have been published or amended by the IASB and, in some cases, not yet endorsed by the European Union will only be required to be adopted in preparing future financial statements – subject to their endorsement by the European Union – and have not been adopted early by ESTAVIS AG:

Standard/Interpretation		Applicable from financial year
IAS 24	Amendment: Related Party Disclosures	2011/12
IFRIC 14	Amendment: Voluntary Prepaid Contributions under a Minimum Funding Requirement	2011/12
Diverse	IFRS Improvements 2010	2011/12
IFRS 7	Financial Instruments: Disclosures	2012/13
IFRS 1	Amendment: Severe Hyperinflation and Removal of Fixed Dates	2012/13
IAS 1	Amendment: Presentation of Individual Items of Other Comprehensive Income	2012/13
IAS 12	Amendment: Deferred Taxes: Recovery of Underlying Assets	2012/13
IAS 19	Amendment: Employee Benefits	2013/14
IFRS 10	Consolidated Financial Statements	2013/14
IFRS 11	Joint Arrangements	2013/14
IFRS 12	Disclosure of Interests in Other Entities	2013/14
IFRS 13	Fair Value Measurement	2013/14
IAS 27	Revised: Separate Financial Statements	2013/14
IAS 28	Revised: Investments in Associates and Joint Ventures	2013/14
IFRS 9	Financial Instruments	2015/16

The company does not expect the future adoption of the new accounting standards to have a significant influence on the consolidated financial statements.

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 can be found in 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 is 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 fair value at the acquisition date irrespective of any non-controlling 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 achieved are accounted for as equity transactions. The difference between the purchase price of the shares and the outgoing non-controlling interest is offset directly against retained earnings outside profit or loss.

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. If properties are acquired by way of the acquisition of a special-purpose entity, this is shown as the acquisition of a property. The costs are determined as the purchase price of the shares in the special-purpose entity plus the liabilities assumed less other assets of the special-purpose entity.

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

b) Joint Ventures

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

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

c) Associates

Associates are companies over which the Group is able to exercise a significant influence but which it is not able to control; as a rule, this generally relates to companies in which the Group holds an interest of between 20% and 50%. These investments are accounted for using the equity method. 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 cumulative impairment losses as applicable). As a result the carrying amount of the interest changes outside profit or loss 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 outside profit or loss, 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 2011, the consolidated financial statements of ESTAVIS AG included 43 subsidiaries and an associate. The following changes in the scope of consolidation have occurred as against 30 June 2010:

In the second quarter of the 2010/11 financial year the consolidated group changed due to the termination of the two joint ventures: one was sold, the other one was acquired in full. In the third quarter, five inactive special-purpose entities accrued to their general partner that was sold. In the fourth quarter, one property company was acquired (see 6.26), a further special-purpose entity was founded and an inactive special purpose entity was liquidated.

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

List of equity interests in subsidiaries

Company	Domicile	Equity interest*
ESTAVIS Beteiligungs GmbH & Co. KG	Berlin	94 %
SIAG Dritte Wohnen GmbH & Co. KG	Berlin	100 %
SIAG Fünfte Wohnen GmbH & Co. KG	Berlin	100 %
SIAG Zwölfte Wohnen GmbH & Co. KG	Berlin	94 %
SIAG Fünfundzwanzigste Wohnen GmbH & Co. KG	Berlin	100 %
SIAG Siebenundzwanzigste Wohnen GmbH & Co. KG	Berlin	100 %
SIAG Achtundzwanzigste Wohnen GmbH & Co. KG	Berlin	100 %
SIAG Neunundzwanzigste Wohnen GmbH & Co. KG	Berlin	100 %
ESTAVIS 32. Wohnen GmbH & Co. KG	Berlin	100 %
ESTAVIS Wohneigentum GmbH	Berlin	94 %
ESTAVIS Friedrichshöhe GmbH	Berlin	100 %
ESTAVIS 34. Wohnen GmbH & Co. KG	Berlin	100 %
B&V Denkmalbauten Birkenhöfe-Augsburg GmbH & Co. KG	Berlin	100 %
ESTAVIS 36. Wohnen GmbH & Co. KG	Berlin	100 %
ESTAVIS 37. Wohnen GmbH & Co. KG	Berlin	100 %
ESTAVIS 38. Wohnen GmbH & Co. KG	Berlin	100 %
ESTAVIS 39. Wohnen GmbH & Co. KG	Berlin	100 %
ESTAVIS 40. Wohnen GmbH & Co. KG	Berlin	100 %
ESTAVIS 41. Wohnen GmbH & Co. KG	Berlin	100 %
ESTAVIS Filmfabrik GmbH & Co. KG	Berlin	100 %
ESTAVIS 43. Wohnen GmbH & Co. KG	Berlin	100 %
ESTAVIS 44. Wohnen GmbH & Co. KG	Berlin	100 %
ESTAVIS 45. Wohnen GmbH & Co. KG	Berlin	100 %
ESTAVIS 46. Wohnen GmbH & Co. KG	Berlin	100 %
Erste Sachsen Wohnbauten GmbH & Co. KG	Leipzig	94.9 %
Zweite Sachsen Wohnbauten GmbH & Co. KG	Leipzig	94.9 %
Dritte Sachsen Wohnbauten GmbH & Co. KG	Leipzig	100 %
Dritte Sachsen Denkmalbauten GmbH & Co. KG	Leipzig	94.9 %
Vierte Sachsen Denkmalbauten GmbH & Co. KG	Leipzig	100 %
Fünfte Sachsen Denkmalbauten GmbH & Co. KG	Leipzig	100 %
B&V Bauträger- und Vertriebsgesellschaft für Immobilien mbH & Co. KG	Leipzig	94.8 %
B&V Dölauer Str. GmbH & Co. KG	Berlin	94 %
Erste Sachsen Denkmalbauten GmbH & Co. KG	Leipzig	100 %
Zweite Sachsen Denkmalbauten GmbH & Co. KG	Leipzig	100 %
B&V Wohnbaugesellschaft mbH	Leipzig	100 %
Erste SIBA Wohnen GmbH	Berlin	100 %
ESTAVIS Vermögensverwaltungs GmbH	Berlin	100 %
ESTAVIS 28. Property GmbH	Berlin	100 %
SPC Center Verwaltungsgesellschaft mbH & Co. KG	Berlin	50 %
SD Sachsen Denkmal GmbH	Leipzig	100 %
B&V 1. Property GmbH	Berlin	100 %
KMW Wohnbauten 4 you GmbH & Co. KG	Leipzig	100 %
Accentro GmbH (agency services)	Berlin	100 %

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

In accordance with section 264b of the German Commercial Code, the commercial partnerships 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.

List of equity interests in associates

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

2.3 Segment reporting

Segment reporting is in line with internal reporting to the ESTAVIS AG Management Board, which is the highest management body as defined by IFRS (management approach). It covers the business segments Retail Trading and Other Activities.

2.4 Foreign currency translation

a) Functional currency and reporting currency

ESTAVIS AG prepares its consolidated financial statements in euro (EUR).

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

b) Transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group company using the exchange rates applicable at the transaction date. After initial recognition, monetary foreign currency items are translated at the exchange rate as at the end of the respective reporting period.

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

2.5 Investment property

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

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

The majority of real estate held within the Group as a financial investment was measured at the time of allocation to this category by independent real estate appraisers. A smaller portion was measured internally. The fair value was essentially determined in accordance with the so-called income capitalisation approach according to the directive on the measurement of property. The net income value is derived from the sum of the land value and net value of the constructed facilities. Furthermore, other adjusting events are taken into account, in particular deviations from the normal status due to a lack of maintenance work or in the case of construction defects or damage as long as these have not already been taken into account by the reduced earnings approach or a reduced residual period of economic use.

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

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

2.6 Intangible assets

a) Goodwill

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 cumulative 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 as at the end of each reporting period 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 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 is 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 cannot 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 the end of each reporting period. 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 hedge. 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 end of the reporting period.

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 end of the reporting period; otherwise, they are reported under non-current assets. Loans and receivables are reported in the statement of financial position 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 end of the reporting period.

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 the end of subsequent reporting periods they are carried at fair value, which is their market price. The difference between this amount and the carrying amount on initial recognition is taken directly to the revaluation reserve outside profit or loss. When available-for-sale financial assets are sold or an impairment loss is recognised on such assets, any unrealised gains on fair value measurement included in other comprehensive income are reclassified and recognised in the income statement.

As at the end of each reporting period, ESTAVIS AG examines whether there is any objective evidence of impairment. If such evidence exists, any cumulative losses previously recognised outside profit or loss are reclassified and recognised in profit or loss.

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

2.11 Inventories

The inventories of the ESTAVIS Group consist of property acquired for resale. They are carried at the lower of cost and net realisable value. The cost includes the purchase price for the respective properties plus directly attributable expenses, such as brokerage fees, real property transfer taxes, notaries' fees and land register costs. Production costs are incurred if and to the extent that restoration work is performed on a property prior to its disposal. Production costs include the directly attributable cost of materials and wages, as well as the cost of purchased services. The overheads attributable to construction are also included in the cost of inventories. For construction projects that begin after 30 June 2009, interest on borrowed capital caused by cumulative production costs are capitalised as production costs. For construction projects that began before 1 July 2009, interest on borrowed capital is still not included in the cost of production. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.12 Trade receivables

Trade receivables are initially carried at 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 profit or loss. 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 profit or loss.

2.13 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purposes of the statement of cash flows, 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 an interest rate adequate to the specific risk.

2.15 Current financial liabilities

On first-time recognition, financial liabilities (not including derivatives) are carried at fair value less transaction costs. In subsequent periods, they are carried at amortised cost. Any differences between the amount disbursed (less transaction costs) and the settlement amount are recognised in profit or loss 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 profit or loss.

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 end of each reporting period.

2.16 Deferred taxes

Deferred taxes are recognised in accordance with the liability method for temporary differences between the tax base and the IFRS carrying amount of assets and liabilities and for unused tax loss carryforwards. Deferred taxes are calculated by applying the rate that is expected to be in effect when the temporary difference is reversed in accordance with the information available at the end of the respective reporting period.

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 profit or loss. Exceptions to this are the addition outside profit or loss of deferred tax items as part of the purchase price allocation of company acquisitions and deferred tax items in connection with changes in value recognised directly against reserves, which are also recognised directly against reserves.

2.17 Revenue recognition

Revenues are composed of the amounts invoiced for the sale of properties. 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 are offset against the corresponding expenses as the allocable expenses are considered to have been advanced in the interests of the tenants.

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

2.18 Brokerage commission

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

2.19 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 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 end of the reporting period 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 interest portion is recognised in the income statement as an interest expense. Items of property, plant and equipment held under finance leases are depreciated over their useful life, which may be limited by the lease term, taking into account any residual value.

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

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

2.20 Residual interests and dividend distributions

The Group holds equity interests in a few number of partnerships in which minorities also hold an interest. In accordance with IAS 32, the shareholder position in a partnership is generally required to be recognised as a liability on account of the termination rights of the limited partners. From the Group's perspective, this applies to non-controlling 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 notional claim from 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 as equity.

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

2.21 Consolidated Statement of Cash Flows

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

3 Capital and Financial Risk Management

Using its capital management, ESTAVIS AG pursues the goal of sustainably strengthening the Group's liquidity and equity basis, providing funds for the Group's equity-financed growth and generating an appropriate return on capital employed. In the context of the ESTAVIS Group's property activities, 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 cash and cash equivalents, lines of credit at banks and other facilities, the constant monitoring of forecast and actual cash flows as part of ongoing, rolling liquidity controlling and by coordinating the maturity profiles of financial assets and liabilities.

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

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 at the end of each reporting period. Inevitably, it is rare for the estimates derived on this basis to correspond precisely to the actual future circumstances.

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

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

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

5 Segment Reporting

The ESTAVIS Group is divided into the following segments:

1. Retail Trading: the purchase and sale of property for retail trading, in which individual apartments are usually sold to private investors. The apartment privatisation business acquired in the financial year is included in this segment.
2. Other Activities: this includes investment property and inventory property that cannot be sold in Retail Trading.

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 2011 as against the previous year are as follows.

	Retail Trading		Other Activities		Group	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Revenues (external)	43,399	56,251	9,611	15,077	53,010	71,328
Revenues (internal)	–	–	–	–	–	–
Segment result	**–1,602**	**1,601**	**6,472**	**3,130**	**4,870**	**4,732**
Unallocated					–10	–16
Operating result					4,860	4,716
Net income from investments carried at equity	–	–	63	8	63	8
Financial result					–4,220	–3,408
Net profit before income taxes					703	1,317

In the financial year, the segment results for Other Activities included income from the reversal of provisions for rental guarantees and pending construction obligations of TEUR 1,456 and income from statute-barred liabilities of TEUR 505. They also include income from the reversal of impairment losses on inventories of TEUR 210 (previous year: TEUR 1,590) and income from changes in the value of investment property of TEUR 3,431. In the previous year, the figure also included income from the reversal of write-downs on receivables of TEUR 2,000. In the financial year, the Retail Trading segment results include income from the negative goodwill from business acquisitions of TEUR 643 (see 6.26).

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

Financial year 2010/11

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

Financial year 2009/10

One major customer with revenues of TEUR 10,250 in the Other Activities segment

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

	Retail Trading		Other Activities		Group	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Depreciation and write-downs of property, plant and equipment	–99	–14	–11	–108	–110	–122
Amortisation and write-downs of intangible assets	–15	0	–	–10	–15	–10
Change in value of investment property	–	–	3,431	–	3,431	–

Segment assets, segment liabilities and segment investments were as follows as of 30 June 2011:

	Retail Trading	Other Activities	Unallocated	Consoli-dation	Group
	TEUR	TEUR	TEUR	TEUR	TEUR
Segment assets	70,264	67,056	35,771	–26,854	146,234
Investments carried at equity	–	122	–	–	122
Total segment assets	**70,264**	**67,178**	**35,771**	**–26,854**	**146,357**
Segment liabilities	**13,205**	**5,946**	**93,361**	**–26,854**	**85,658**
Segment investments	206	42	–	–	248

The figures for the previous year were as follows:

	Retail Trading	Other Activities	Unallocated	Consoli-dation	Group
	TEUR	TEUR	TEUR	TEUR	TEUR
Segment assets	63,535	82,454	21,292	–11,939	155,342
Investments carried at equity	–	59	–	–	59
Total segment assets	**63,535**	**82,513**	**21,292**	**–11,939**	**155,401**
Segment liabilities	**5,323**	**15,694**	**94,053**	**–11,939**	**103,131**
Segment investments	21	145	–	–	166

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 6.3) and investment property (see 6.4). In addition, a business was acquired in the Retail Trading segment towards the end of the financial year (see 6.26).

6 Supplementary Notes to the Individual Items of the Financial Statement

6.1 Intangible assets

The table under 6.3 shows the changes in intangible assets over the last two years.

Goodwill is allocated to the Retail Trading segment. The recoverable amount is determined for impairment testing by calculating the segment's value in use. The calculation is based on forecast cash flows derived from the three-year planning prepared by the Management Board.

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 goodwill.

6.2 Property, plant and equipment

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

The carrying amounts of operating and office equipment include TEUR 0 (previous year: TEUR 5) relating to assets for which the Group is the lessee under a finance lease (see 6.10 for information on lease liabilities).

The Group has concluded operating leases for office space, motor vehicles and business equipment. Lease expenses of TEUR 418 (previous year: TEUR 420) are recognised in the income statement.

6.3 Statement of changes in non-current assets

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

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

Non-current assets have changed as follows in the financial year from 1 July 2009 to 30 June 2010:

	Goodwill	Other intangible assets	Property, plant and equipment	Non-current assets held for sale (HAG)
	TEUR	TEUR	TEUR	TEUR
As of 1 July 2009				
Cost	17,776	44	852	3,472
Cumulative depreciation, amortisation and write-downs	–	26	366	3,472
Carrying amounts as of 1 July 2009	**17,776**	**18**	**485**	**–**
Disposal HAG (–)	–	–	–	–
Additions (+)	–	29	137	–
Disposals (–)	–	–	–15	–
Depreciation, amortisation and write-downs (–)	–	–10	–122	–
Carrying amounts as of 30 June 2010	**17,776**	**37**	**486**	**–**
As of 30 June 2010				
Cost	17,776	74	920	–
Cumulative depreciation, amortisation and write-downs	–	36	434	–

6.4 Investment property

Investment property developed as follows

	2010/11 TEUR	2009/10 TEUR
Start of financial year	**–**	**–**
Additions from inventories	29,082	–
Refurbishment	35	–
Appreciation	3,431	–
End of financial year	**32,547**	**–**

Investment property with a carrying amount of TEUR 32,341 is encumbered with land charges as collateral for amounts due to banks. The total fair values of investment property were calculated as TEUR 32,547 as at the end of the reporting period, based predominantly on appraisals by third-party experts and, to a smaller degree, on internal appraisals. If the interest rate on which this calculation was based had been 0.5 percentage points higher, the total fair value as at the end of the reporting period would have been TEUR 30,297. Conversely, if the interest rate had been 0.5 percentage points lower, the total fair value would have been TEUR 35,127.

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

	2010/11 TEUR	2009/10 TEUR
Rental income (revenues)	112	–
Cost of materials	–63	–
Letting commission	–76	–

TEUR 28 of expenses relate to vacant investment property.

6.5 Investments in associates

Investments in associates developed as follows:

	2010/11 TEUR	2009/10 TEUR
Start of financial year	**59**	**50**
Shares in gains and losses	63	8
End of financial year	**122**	**59**

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

	Equity interest	Assets	Liabilities	Income	Net profit
		TEUR	TEUR	TEUR	TEUR
SIAG Sechzehnte Wohnen GmbH & Co. KG	50 %	136	14	75	63

6.6 Other non-current financial assets

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

	30 June 2011	30 June 2010
	TEUR	TEUR
Available-for-sale securities	4	13
Other non-current financial assets	1,661	142
Total	**1,665**	**155**

The available for sale securities are listed shares. A write-down of TEUR 10 (previous year: TEUR 16) was recognised on share holdings in the financial year. This expense is included in other operating expenses.

6.7 Inventories

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

	30 June 2011	30 June 2010
	TEUR	TEUR
Properties	47,496	68,568
Construction work in progress	14,146	15,390
Advanced payments	–	–
Total	**61,642**	**83,958**

Properties are carried at cost, including accrued renovation costs. Write-downs of TEUR 161 were required in the period under review (previous year: TEUR 99). These write-downs are reported under cost of materials. Write-downs on inventory properties were reversed in the amount of TEUR 210 in the financial year (previous year: TEUR 1,590). The assessment of the anticipated proceeds was adjusted upwards on account of the further improvement in the potential buyer's refinancing options. This income is included in other operating income. The properties reported as inventories serve as collateral for financial liabilities.

6.8 Trade receivables and other receivables

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

	30 June 2011	30 June 2010
	TEUR	TEUR
Trade receivables	6,234	19,668
Write-down	–25	–141
Trade receivables (net)	**6,209**	**19,527**

Trade receivables serve as collateral for financial liabilities.

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

	30 June 2011	30 June 2010
	TEUR	TEUR
Trade receivables	6,209	19,527
of which neither impaired nor past due as at the end of the reporting period	4,779	18,167
of which not impaired as at the end of the reporting period and past due up to 30 days	67	90
of which not impaired as at the end of the reporting period and past due between 31 and 60 days	29	166
of which not impaired as at the end of the reporting period and past due between 61 and 90 days	188	88
of which not impaired as at the end of the reporting period and past due between 91 and 180 days	343	184
of which not impaired as at the end of the reporting period and past due between 181 and 360 days	408	141
of which not impaired as at the end of the reporting period and past due more than 360 days	396	692

Write-downs of trade receivables developed as follows:

	2010/11		2009/10	
	Total	Specific write-downs	Total	Specific write-downs
	TEUR	TEUR	TEUR	TEUR
As of 1 July	**141**	**129**	**1,413**	**1,401**
Change in consolidated group	–127	–127	–	–
Additions (write-downs)	13	10	38	38
Reversal	–2	–2	–1,310	–1,310
Derecognition	–	–	–	–
As of 30 June	**25**	**10**	**141**	**129**

Other receivables largely include receivables from advance commission payments on unrealised retail sales, short-term loans to sales companies and receivables from investment companies for short-term loans and settlement accounts. This includes receivables of TEUR 459 that have been past due for more than one year but are not impaired.

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 at the end of the reporting period, the issued capital of ESTAVIS AG was EUR 14,319,352. 14,319,352 fully paid in shares with a nominal value of EUR 1 each have been issued.

Issued capital was increased by EUR 4,773,117 as a result of the issue of new shares in the financial year. The shares were issued against a cash contribution of TEUR 8,114. The amount in excess of the change in issued capital was appropriated to the capital reserves. The costs of capital procurement of TEUR 562 adjusted for the tax saving of TEUR 170 were deducted from the capital reserves.

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

The retained earnings result from the Group's earnings up to the end of the reporting period that have not yet been distributed.

The non-controlling 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 Current financial liabilities

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

	30 June 2011	30 June 2010
	TEUR	TEUR
Non-current financial liabilities		
Other shareholder capital attributable to non-controlling interests	0	0
Liabilities to banks and other lenders	11,607	16,448
Total non-current financial liabilities	**11,607**	**16,448**
Current financial liabilities		
Current portion of liabilities to banks and other lenders	50,357	59,818
Current portion of finance lease liabilities	–	6
Total current financial liabilities	**50,357**	**59,824**

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 1,409; previous year: TEUR 16,448) and liabilities with a remaining term of more than five years (TEUR 10,198; previous year: TEUR 0).

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

All loans are denominated in euro.

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

	30 June 2011	30 June 2010
	TEUR	TEUR
Up to 1 year		
Total minimum lease payments	–	6
Interest portion	–	0
Present value of minimum lease payments	–	6

The interest rate for lease liabilities in the previous year was 8.2 %.

6.12 Provisions

Provisions developed as follows in the financial year:

	Outstanding construction work	Rental guarantees	Other	Total
	TEUR	TEUR	TEUR	TEUR
1 July 2010	**605**	**1,910**	**1,536**	**4,051**
Utilisation	–274	–497	–135	–906
Reversal	–290	–1,326	–340	–1,956
Addition	964	190	242	1,396
Change in the scope of consolidation	–	–	8	8
30 June 2011	**1,006**	**277**	**1,310**	**2,594**

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.

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

6.13 Trade payables and other liabilities

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

	30 June 2011	30 June 2010
	TEUR	TEUR
Trade payables	8,628	7,673
Liabilities to related parties (note 6.28)	500	272
Miscellaneous other liabilities	3,612	5,060
Total	**12,740**	**13,005**

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

6.14 Deferred taxes

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

	30 June 2011	30 June 2010
	TEUR	TEUR
Deferred tax assets		
expected to be realised after more than 12 months	2,094	1,737
expected to be realised within 12 months	1,043	2,287
Total	**3,137**	**4,024**
Deferred tax liabilities		
expected to be realised after more than 12 months	609	58
expected to be realised within 12 months	1,761	3,524
Total	**2,370**	**3,583**

Deferred taxes developed as follows:

	2010/11	2009/10
	TEUR	TEUR
Deferred tax liabilities	–3,583	–4,254
Deferred tax assets	4,024	3,718
Balance of deferred taxes at start of financial year	**441**	**–536**
Expense (–)/income (+) reported in income statement	314	977
Additions due to company acquisition	12	–
Balance of deferred taxes at end of financial year	**768**	**441**
Deferred tax liabilities	–2,370	–3,583
Deferred tax assets	3,137	4,024

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

	Differences relating to investment property	Differences relating to property held as inventories	Differences relating to other receivables	Differences relating to other items	Total
	TEUR	TEUR	TEUR	TEUR	TEUR
1 July 2009	**–**	**51**	**4,175**	**28**	**4,254**
Amounts recognised in profit or loss	–	461	–1,140	8	–671
30 June 2010	**–**	**511**	**3,035**	**36**	**3,583**
Amounts recognised in profit or loss	110	0	–1,312	–11	–1,213
Carryover	499	–499			0
30 June 2011	**609**	**13**	**1,723**	**25**	**2,370**

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

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

Cause	Tax loss carryforward	Other	Total
	TEUR	TEUR	TEUR
1 July 2009	**3,273**	**445**	**3,718**
Amounts recognised in profit or loss	451	–145	306
30 June 2010	**3,724**	**300**	**4,024**
Amounts recognised in profit or loss	–904	5	–899
Addition from company acquisition		12	12
30 June 2011	**2,820**	**317**	**3,137**

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 ESTAVIS AG and various subsidiaries. Based on its forecasts, the company expects to be able to utilise a portion of the available tax loss carryforwards in the next five financial years. No deferred tax assets were recognised for some existing trade tax loss carryforwards in the amount of TEUR 22,335 (previous year: TEUR 38,937) or existing corporation tax loss carryforwards in the amount of TEUR 9,862 (previous year: TEUR 15,205) as these are no longer expected to be realised.

No deferred tax liabilities were recognised on outside basis differences in the amount of TEUR 21 (previous year: TEUR 29) as the Group controls the reversal of the difference and does not intend to do this in the foreseeable future.

6.15 Revenues

	2010/11 TEUR	2009/10 TEUR
Retail Trading	52,041	70,556
Rental income from investment property	112	–
Other revenues	857	772
Summe	**53,010**	**71,328**

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. It also includes write-downs on property held as inventories in the amount of TEUR 161 (previous year: TEUR 99). Furthermore, it includes the management costs for investment property of TEUR 63.

6.17 Staff costs

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

	2010/11 TEUR	2009/10 TEUR
Salaries and other benefits	2,443	2,406
Employer contributions to statutory social insurance	286	258
Total	**2,729**	**2,664**

Employer contributions to statutory social insurance included contributions to statutory pension insurance in the amount of TEUR 163 (previous year: TEUR 130).

6.18 Other operating income and expenses

Other operating income can be broken down as follows:

	2010/11 TEUR	2009/10 TEUR
Rental income from properties held as inventories	4,839	5,569
Income from reversals of impairment losses on inventories	210	1,590
Income from reversals of bad debt allowances and write-downs charged on receivables	–	2,000
Miscellaneous other operating income	2,048	512
Total	**7,097**	**9,671**

The miscellaneous other operating income includes income from statute-barred liabilities of TEUR 505 and income from the recognition of the negative goodwill from the company acquisition of TEUR 643 (see 6.26).

Other operating expenses can be broken down as follows:

	2010/11 TEUR	2009/10 TEUR
Consulting costs	1,446	2,314
Sales costs	10,152	15,949
Costs relating to rental guarantees	717	1,054
Expenses in connection with letting properties held as assets	1.444	1,949
Miscellaneous other operating expenses	6,477	5,502
Total	**20,235**	**26,768**

Miscellaneous other operating expenses include a write-down on securities of TEUR 10 (previous year: TEUR 16) and a write-down on receivables of TEUR 1,250 (previous year: TEUR 1,013).

6.19 Capitalised interest expenses in production costs

For construction projects that begin after 30 June 2009, interest on borrowed capital in the amount of TEUR 935 (previous year: TEUR 382) was capitalised as production costs of the respective construction projects. Interest rates arise from the financial liabilities assigned to the respective project.

6.20 Minority interests

Interest income includes TEUR 0 (previous year: TEUR 0) in 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 41) of profit shares relating to other shareholder capital.

6.21 Income tax expense

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

	2010/11 TEUR	2009/10 TEUR
Current income tax expense	311	1,649
Deferred income tax expense	–314	–977
Total	**–3**	**672**

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

	2010/11 TEUR	2009/10 TEUR
Pre-tax profit	703	1,317
Taxes calculated on the basis of the parent's income tax rate	212	397
Effect of:		
Differences in tax rates	31	30
Change in tax rates	–	39
Non-deductible or partially deductible expenses	16	23
Additions and deductions for trade tax purposes	192	59
Tax-free income	–124	0
Tax loss carry forwards not recognised	937	466
Taxes for previous years		
Original taxes	–93	–340
Utilisation/reporting of previously unreported loss carry forwards	–1,623	–558
Discontinuation of previously reported loss carry forwards	421	558
Other factors	29	–2
Reported income tax expense	**–3**	**672**

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

6.22 Joint ventures

As a result of the sale of one joint venture and the acquisition of the minority interests in the other joint venture, the Group no longer holds interests in any joint ventures at the end of the reporting period. Income and expenses are only included pro rata temporis in the Group for the current financial year. The following items are therefore included in the consolidated financial statements for the proportionately consolidated joint venture:

	2010/11 TEUR	2009/10 TEUR
Non-current assets	–	12
Current assets	–	330
Non-current liabilities	–	–
Current liabilities	–	185
Income	–	115
Expenses	–11	–171

6.23 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.

	2010/11 TEUR	2009/10 TEUR
Net profit attributable to the shareholders of the parent company (TEUR)		
from continued operations	706	645
from discontinued operations	–	419
Total	**706**	**1,064**
Average number of shares outstanding (in thousands)	10,647	8,461
Basic earnings per share (in EUR)		
from continued operations	0.07	0.08
from discontinued operations	–	0.05
Total	**0.07**	**0.13**

No dividend was paid for the previous financial year in the 2010/11 financial year. In addition, no dividend will be proposed for financial year 2010/11.

6.24 Consolidated Statement of Cash Flows

The statement of cash flows distinguishes between cash flows from operating activities, investing activities and financing activities. The cash flows for discontinued operations were as follows in the previous year: cash flow from operating activities of TEUR 0, cash flow from investing activities of TEUR –4,491 and cash flow from financing activities of TEUR 0.

The net cash used in operating activities as determined in accordance with the indirect method amounted to TEUR –5,518 (previous year: TEUR –3,464). This includes income taxes paid in the amount of TEUR 759 (previous year: TEUR 768), income taxes recovered in the amount of TEUR 1,297 (previous year: TEUR 529), interest received in the amount of TEUR 34 (previous year: TEUR 95) and interest paid in the amount of TEUR 4,161 (previous year: TEUR 2,643).

The payment for the company acquisition of TEUR 3,508 was reduced by the cash and cash equivalents acquired of TEUR 550 (see note 6.26).

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

6.25 Other financial obligations and contingent liabilities

At the end of the reporting period, the company had liabilities under pending real estate purchase agreements in the amount of TEUR 0 (previous year: TEUR 245). The company has only entered into obligations for the acquisition of property, plant and equipment and intangible assets to an insignificant extent.

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

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

	30 June 2011	30 June 2010
	TEUR	TEUR
Up to 1 year	392	375
Between 1 and 5 years	175	363
More than 5 years	0	6

Via various subsidiaries, the Group is a fully liable partner in several investment companies. This resulted in a liability for their liabilities at the end of the reporting period of TEUR 66,589 (previous year: TEUR 68,360).

6.26 Company acquisition and company disposals/discontinued operations

On 20 May 2011, the ESTAVIS Group acquired the residential privatisation division of Colonia Real Estate AG against payment of a cash purchase price of TEUR 3,500. This was implemented partly through the acquisition of the division's assets and liabilities (asset deal) and partly through the acquisition of all shares in what is now Estavis Wohneigentum GmbH, Berlin. The main activities of the acquired business are brokering the sale of apartments for large portfolio holders and the sale of residential units from its own portfolio. The acquisition will strengthen the Group's retail business.

The acquisition resulted in negative goodwill that was recognised in profit or loss under other operating income

Calculation of negative goodwill

	TEUR
Cost	
Cash purchase price	3,500
Costs directly allocable to the acquisition	8
Cost	**3,508**
Fair value of the acquired net assets	**4,151**
Negative goodwill	**–643**

The acquired assets and liabilities break down as follows:

Acquired net assets

	Fair value	Carrying amount of companies acquired
	TEUR	TEUR
Cash and cash equivalents	550	550
Property, plant and equipment	50	42
Property held as inventories	9,110	9,110
Receivables	866	866
Liabilities	–6,437	–6,397
Deferred taxes	12	0
Pro rata acquired net assets	**4,151**	**4,171**

Since 20 May 2011, the newly acquired companies contributed TEUR 936 to revenues and TEUR 142 (not including the gain from the recognition of negative goodwill) to consolidated profits. If the acquisition had taken place as at 1 July 2010, consolidated revenues would have amounted to around TEUR 58,728 and consolidated profits to around TEUR 1,249.

The result from discontinued operations reported in the previous year of TEUR 419 resulted from the sale of the ESTAVIS Group's shares in the HAG subgroup agreed as at the end of the 2008/09 financial year effective from the start of the 2009/10 financial year. The selling price for the shares in the HAG Group was TEUR 3,400. The disposal related to the assets and liabilities reported as available for sale as at 30 June 2009, which included cash and cash equivalents of TEUR 8,810. The subsequent recognition of sales commission resulted in a loss on disposal of TEUR 68. Over the course of the financial year, a receivable from the sold HAG Group previously written down (discontinued operation) was sold with a gain on disposal of TEUR 487. Both amounts are shown under the result from discontinued operations in the previous year. No tax expenses have been assigned to this gain on disposal. In the previous year, these disposals resulted in a negative cash flow from investing activities of TEUR 4,491.

6.27 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 30 June 2011	of which within scope of IFRS 7	IAS 39 measurement category*	Fair value of financial instruments within scope of IFRS 7	of which calculated using stock market prices
	TEUR	TEUR		TEUR	TEUR
Other non-current financial assets	1,665	1,665		1,617	4
Investments	4	4	AfS	4	4
Securities	–	–	–	–	–
Miscellaneous financial assets	1,661	1,661	LaR	1,613	–
Trade receivables	6,209	6,209	LaR	6,209	–
Other receivables	18,662	12,326	LaR	12,326	–
Cash and cash equivalents	3,598	3,598	LaR	3,598	–
Total assets	**30,134**	**23,798**		**23,750**	**4**
Current financial liabilities	61,964	61,964		61,838	–
Lease liabilities	0	0	n/a	0	–
Other financial liabilities	61,964	61,964	AmC	61,838	–
Trade payables	8,628	8,628	AmC	8,628	–
Other liabilities	4,112	3,597	AmC	3,597	–
Total liabilities	**74,704**	**74,189**		**74,063**	**–**

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

	Carrying amount 30 June 2010	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	155	155		155	13
Investments	13	13	AfS	13	13
Securities	–	–	–	–	–
Miscellaneous financial assets	143	143	LaR	143	–
Trade receivables	19,527	19,527	LaR	19,527	–
Other receivables	24,335	13,050	LaR	13,050	–
Cash and cash equivalents	4,065	4,065	LaR	4,065	–
Total assets	**48.082**	**36.797**		**36.797**	**13**
Current financial liabilities	76,272	76,272		76.341	–
Lease liabilities	6	6	n/a	6	–
Other financial liabilities	76,266	76,266	AmC	76,335	–
Trade payables	7,673	7,673	AmC	7,673	–
Other liabilities	5,333	4,365	AmC	4,365	–
Total liabilities	**89,277**	**88,310**		**88,379**	**–**

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

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

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

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

	Loans and Receivables (LaR) 1 July to 30 June		Available-for-Sale Financial Assets (AfS) 1 July to 30 June		Financial Liabilities measured at Amortised Cost (AmC) 1 July to 30 June	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Interest income	141	239	–	–	–	–
Interest expenses	–	–	–	–	4,361	3,647
Income from currency translation	–	–	–	–	–	–
Expense of currency translation	–	–	–	–	–	–
Write-down	1,250	1,013	10	16	–	–
Appreciation	2	2,000	–	–	–	–
Gain on disposal	–	–	–	–	–	–
Loss on disposal	–	–	–	–	–	–
Net earnings	**–1,107**	**1,226**	**–10**	**–16**	**–4,361**	**–3,647**

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 note 3 and the management report (note 3.1).

Liquidity risk

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

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

	30 June 2010			
	Carrying amount	Outflow in next reporting period	Outflow in next but one reporting period	Outflow at a later date
	TEUR	TEUR	TEUR	TEUR
Finance lease liabilities	6	6	–	–
Other financial liabilities	76,266	61,788	11,663	5,877
Cash outflow for financial liabilities		**61,794**	**11,663**	**5,877**
Trade payables	7,673	7,673	–	–
Other liabilities	4,365	4,365	–	–
Cash outflow for trade payables and other liabilities		**12,038**	**–**	**–**
Cash outflow for liabilities within scope of IFRS 7		**73,832**	**11,663**	**5,877**

The interest rates at the end of the respective reporting period 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 of TEUR 3,598 (previous year: TEUR 4,065) to cover its liquidity risk. In addition, there are unutilised lines of credit to complete specific projects of TEUR 15,001 (previous year: TEUR 14,739).

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 several investment companies through a subsidiary. This resulted in a liability for their liabilities at the end of the reporting period of TEUR 66,589 (previous year: TEUR 68,360).

The following risk concentrations have been identified: As at end of the reporting period, 20 % of other receivables relate to one investment company (previous year: 17 %). At the end of the reporting period, TEUR 2,009 (32 %) of trade receivables related to one major customer (previous year: TEUR 10,250; 52 %).

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 at the end of the reporting period. It is assumed that the respective portfolio of financial instruments subject to interest rate risks at the end of each reporting period will be representative for the reporting period and the comparative period. If the market interest rate as at the end of the reporting period (end of the comparative period) had been 100 basis points higher (lower), the net interest figure as at the end of the reporting period would have been TEUR 416 (previous year: TEUR 475) worse (better).

6.28 Related party transactions

The purchase price receivable, deferred in the short term, from the sale of a real estate portfolio to a company of the associated shareholder TAG Immobilien AG in the previous year totalling TEUR 10,250 was received in the first half of the year.

Mr. Florian Lanz, CEO of ESTAVIS AG, and Mr. Eric Mozanowski, member of the Management Board of ESTAVIS AG assumed guarantees amounting to TEUR 3,500 each for various loans of the ESTAVIS Group in the course of the second quarter. Remuneration of 5 % p. a. was agreed for each of them. As a result of the loans guaranteed, this guarantee declined to TEUR 2,500 as at the end of the reporting period.

As at the end of the reporting period, one company of the Group still has a liability to Mr. Florian Lanz of TEUR 228. This results from a profit participation that was owed to a sales partner in connection with a major project that was partially sold to Mr. Lanz.

Mr. Eric Mozanowski, a member of the Management Board of ESTAVIS AG, has made commitments to provide project-related credit lines up to a total of TEUR 1,852 to several companies of the ESTAVIS Group. The amount had been utilised in full. In the third quarter a further loan of TEUR 244 was granted. These loans had been repaid by the end of the reporting period. The interest rates had been between 9.75 % and 12 %. The loans were collateralised by land charges and the assignment of purchase price receivables and profit shares. By way of agreement of 5 May 2011, Mr. Mozanowski acquired an apartment in a redevelopment property that will be completed in the next financial year and transferred to the buyers for TEUR 213.

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

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

	2010/11			2009/10		
	Fixed	Variable	Total	Fixed	Variable	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Florian Lanz (CEO, from 1 July 2009)	220	36	256	238	33	271
Eric Mozanowski	220	36	256	220	33	253
Corina Büchold (until 31 December 2009)	–	–	–	115	17	132
Hans Wittmann (until 31 December 2009)	–	–	–	117	24	140

The members of the Supervisory Board received total remuneration of TEUR 20 for the past financial year (previous year: TEUR 56).

7 Other Disclosures

The auditor performed the following services for the ESTAVIS Group:

	2010/11	2009/10
	TEUR	TEUR
Audits of financial statements	258	218
Other assurance or valuation services	64	2
Tax advisory services	–	–
Other services	–	–
Total	**322**	**220**

The amounts stated were gross amounts in the last consolidated financial statements as the Group companies are not entitled to deduct input tax. The values shown are now net amounts. The prior-year figures have been restated accordingly. Audits of financial statements include TEUR 17 relating to previous years.

The declaration on the Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act was issued on 19 September 2011 and made permanently available to the shareholders on the homepage of ESTAVIS AG (www.estavis.de).

Berlin, 19 September 2011

Florian Lanz
Chief Executive Officer (CEO)

Eric Mozanowski
Member of the Management Board

Auditors' Certificate

We have audited the consolidated financial statements, comprising the statement of financial position, the income statement, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows and the notes, as well as the Group management report prepared by ESTAVIS AG, Berlin, for the financial year from 1 July 2010 to 30 June 2011. The preparation of the consolidated financial statements and Group management report in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements of German commercial law under section 315a (1) HGB is the responsibility of the legal representatives of the company. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

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

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

Kehl am Rhein, 19 September 2011

eidel & partner
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Michael Strickmann	Andreas Eidel
Auditor	Auditor


EILMES

Other Informations

Illustration:
Listed property „Kastaniengärten" in Berlin-Schöneberg, modernisation and sale by ESTAVIS AG

Directors and Officers

Supervisory Board

Dr. Karl-Josef Stöhr (Chairman)
Member of the Supervisory Board since 2006
Lawyer and partner, Sozietät Heuking Kühn Lüer Wojtek, Berlin

Michael Kremer (Deputy Chairman)
Member of the Supervisory Board since 2006
Business Consultant
Other mandates:
Chairman of the Supervisory Board of Deutsche Operating Leasing AG, Frankfurt
Member of the Supervisory Board of Aveco Holding AG, Frankfurt;

John W. Cutts
Member of the Supervisory Board since 2007 (until 1 July 2011)
Managing Director, Pall Mall Capital Ltd, London

Rolf Elgeti
Member of the Supervisory Board since 18 Juli 2011
Chairman of the Management Board of TAG Immobilien AG, Hamburg

Management Board

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

Eric Mozanowski
First elected: 1 October 2008
Elected until: 31 December 2011
Responsibility on the Board of Management of ESTAVIS AG:
Retail business activities

Responsibility Statement

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

Berlin, 19 September 2011

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 2011/12

2011

19 October 2011	Annual conference of "Real Estate Share Initiative", Frankfurt/Main
21 November 2011	Quarterly report – 1st quarter 2011/12
9 December 2011	Annual General Meeting, Berlin

2012

13 February 2012	Quarterly report – 2nd quarter / Half year 2011/12
14 May 2012	Quarterly report – 3rd quarter / Nine months 2011/12

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

Credits

ESTAVIS
REAL ESTATE PERFORMANCE

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Management Board

Florian Lanz (Chairman)
Eric Mozanowski

Chairman of the Supervisory Board

Dr. Karl-Josef Stöhr, Berlin

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Images

Management Board: Die Hoffotografen
Illustrations: eilmes & staub Design und Visionen GmbH, Paul Heyse

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