

ESTAVIS

REAL ESTATE PERFORMANCE

ANNUAL REPORT 2012/13

ESTAVIS AG
ANNUAL REPORT 2012/13

Overview Key Financial Data

ESTAVIS AG	2012/13	2011/12
Revenues and earnings	TEUR	TEUR
Revenues	118,883	51,251
Total operating performance	111,101	52,938
EBIT	11,406	1,363
Pre-tax profit	6,236	-2,937
Net profit	1,499	-2,950

ESTAVIS AG	30 June 2013	30 June 2012
Structure of assets and capital	TEUR	TEUR
Non-current assets	157,612	80,859
Current assets	45,080	96,406
Equity	66,632	59,048
Equity ratio	32.9%	33.3%
Total assets/equity and liabilities	202,692	177,264

ESTAVIS AG	
Share	
Stock exchange segment	Prime Standard
ISIN	DE000A0KFKB3
German Securities Code Number (WKN)	A0KFKB
Number of shares on 30 June 2013	18,058,938
Free float (information according to last notification from investors)	36%
Share price high (1 July 2012 – 28 June 2013*)	2.10 EUR
Share price low (1 July 2012 – 28 June 2013*)	1.62 EUR
Closing price on 28 June 2013*	2.01 EUR
Market capitalisation on 30 June 2013*	EUR 36.3 million

* Closing prices in Xetra trading

This Annual Report comprises the consolidated financial statements of ESTAVIS AG and the management report of the Group on the 2012/13 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 obtained free of charge by writing to:

ESTAVIS AG, Umlandstr. 165, 10719 Berlin, Germany.

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■ Letter to the Shareholders

Dear Shareholders,
Dear Ladies and Gentlemen,



Torsten Cejka



Jacopo Mingazzini

During the 2012/13 financial year, the ESTAVIS Group successfully implemented its new corporate strategy while largely winding up its discontinued business activities. In our strategic core business areas of portfolio management and housing privatisation, we achieved substantial growth and with it a successful development of our operative business. As far as the net profit goes, we accomplished the turnaround and moved back into the positive range after a negative performance last year.

Several acquisitions have helped us to expand our proprietary portfolio noticeably during the financial year concluded, considerably improving our basis for positive income growth both in the ongoing financial year and in terms of future developments in this area. On the whole, the proprietary portfolio of the ESTAVIS Group grew to nearly 2,100 flats during the 2012/13 financial year, not least through the acquisition of nearly 1,400 flats within the framework of portfolio transactions in Bernau near Berlin and in Berlin's Hohenschönhausen district. The recently acquired residential stock is characterised by sustainably positive cash flows, low vacancy rates, and good to excellent repair. Indeed, these properties have generated positive contributions to operating income for us from the start.

We are currently making an intense effort to finalise further significant increases to our proprietary portfolios in the coming months. With the publication of this report just days away, we decided to acquire an 80-percent majority interest in the Chemnitz-based housing company J2P Real Estate AG. For us, it marks just one step in our ongoing expansion into a regional German housing market that we consider one of the most interesting ones in Germany.

Parallel to the effort of setting up and expanding our "Portfolio" segment, we also saw our privatisation business perform rather handsomely. Not least, the fact reflects a high degree of appreciation for the superior competence and lead position that our subsidiary Accentro GmbH acquired in this market in years past. Just as felicitous has been the privatisation of the Group's proprietary portfolio by ESTAVIS Wohneigentum GmbH, which more than doubled the number of condominiums sold, and whose privatisation portfolio we expanded as planned by acquiring additional residential units.

Parallel to all this, we made good progress with the ongoing wind-up of the discontinued business activities in the areas of project development and marketing listed properties. Once more, our earnings were substantially impacted in this context. With the activities wound up, though, we will now be able to devote our entire energy to the continued expansion of our strategic business lines.

The financing structure of the ESTAVIS Group has continued to improve. Factors that contributed to the situation included the capital increases conducted during the year under review and the issuance of a corporate bond in February 2013, as well as our strict cost regimen and liquidity management. At the end of the 2012/13 financial year, our equity ratio had nearly regained the level of last year at 32.9%, and this even though our total assets have considerably increased since.

Market environment remains positive

Germany's residential property market has continued to show a positive performance during the past year. Turnover on the investment market more or less matched that of the previous year. Investors showed particularly keen interest in the greater Berlin area – which happens to be the key market for the business of ESTAVIS Group, too. By the end of the first semester of 2013, the market's turnover had pulled almost level with the sales volume of 2012 as a whole. The strain experienced by occupier markets and condominium markets in many economic growth regions and conurbations has not eased yet, because completion volumes continue to lag behind the housing demand trend. Berlin's housing market, for instance, has registered the steepest rent and price hikes in more than 20 years. This has lately prompted demand, which initially concentrated on particularly interesting downtown locations, to shift increasingly to simpler locations and properties, so that rent rates and purchase price even in these market segments are subject to a noticeably brisker dynamic than they used to be.

The definitive influencing factors responsible for these market trends – namely the rising demand for residential floor area, the interest in tangible fixed assets, the growing importance of private pension plans, as well as the relative safety of Germany's real estate market in the eyes of many foreign investors – none of these will lose in relevance in the foreseeable future. In the years to come, we therefore expect the market environment of the ESTAVIS Group to remain positive, both in the portfolio segment and in the privatisation business.

Outlook for the 2013/14 financial year

Looking forward, we believe that the consolidated income will keep improving in the course of the 2013/14 financial year. We assume that our two strategic business lines will continue to prosper, and that we will succeed – in addition to the continued dynamic performance of our privatisation business – to make significant progress with the massive expansion of our proprietary portfolio, and with the associable broadening of our income basis in the portfolio segment. The plans for our privatisation business envision not just a sizeable expansion of our third-party privatisation services but of the privatisation of proprietary stock, too. Given the fact that we need no longer worry about impact from the discontinued business areas involving listed properties and property project development, the positive operative trends in our two strategic business lines will be much more favourably reflected in our consolidated income than was heretofore possible due to said legacy liabilities.

It would have been quite impossible to cope with the demanding task of strategic realignment of the ESTAVIS Group and of turning around the Group's consolidated income in the concluded 2012/13 financial year without the dedicated effort shown by the employees of ESTAVIS. We should very much like to seize the opportunity to express our gratitude. We should also like to thank the shareholders of ESTAVIS AG for remaining loyal to the company even in a phase marked by major challenges. Nothing would please us more than to see you stay aboard and accompany us on the way that ESTAVIS has chosen and whose prospects we deem very bright indeed.

The Management Board



Torsten Cejka



Jacopo Mingazzini

■ Report of the Supervisory Board

Dear Shareholders,
Dear Ladies and Gentlemen,

During the 2012/13 financial year, ESTAVIS AG completed the strategic realignment initiated the previous year and simultaneously accomplished the turnaround in terms of income. In the future, the company and its group subsidiaries will focus on buying and managing residential properties as well as on retailing residential units within the framework of housing privatisation. The activities in the areas of project development and of trading refurbishment properties were suspended during the year under review, and have largely been wound up. This puts the company on solid footing for a steady business and income performance looking forward

Monitoring the activities of the Management Board

In the 2012/13 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 the process, it regularly advised the Management Board on the company's management and monitored the activities of the Management Board on a continuous basis.

The Supervisory Board was kept fully informed of all issues concerning the company's development and the course of business at all times and in a timely manner, including written monthly reports on the commercial, financial and technical development of the company. In addition, the Management Board informed the Chairman of the Supervisory Board of any significant events promptly and in good time. The Supervisory Board also addressed the topic of the company's business policy, and discussed aspects of its medium-term strategic planning with the Management Board. Whenever the Management Board sought the approval of the Supervisory Board for its decisions, the members of the Supervisory Board examined the respective documents with due care, discussed them in a plenary session, and passed their resolutions accordingly. In addition to the intensive work within the Supervisory Board, the Supervisory Board members were also in regular contact with members of the Management Board outside meetings to receive information on the current business performance and major transactions and to assist the Management Board in an advisory capacity. In addition, individual discussions with the Management Board were used to discuss prospects and the future orientation of business activities as well as of the companies in the ESTAVIS Group. The Supervisory Board also addressed the potential conflicts of interest arising from the fact that the law firm Heuking Kühn Lüer Wojtek, of which the Chairman of the Supervisory Board, Dr. Karl-Josef Stöhr, is a partner, acts in an advisory capacity for ESTAVIS AG, and from the fact that Supervisory Board Member Rolf Elgeti is CEO of TAG Immobilien AG while also serving on the bodies of other real estate companies.

Changes in the Management Board

As of 25 March 2013, Andreas Lewandowski, left the Management Board of ESTAVIS AG. As of 26 March 2013, Torsten Cejka, attorney at law, was appointed as Member of the Management Board of ESTAVIS AG by the Supervisory Board.

Meetings and committees

There were a total of 5 regular meetings of the Supervisory Board in the past financial year, in which the Supervisory Board discussed the economic situation and the operative and strategic development of the company and its divisions in detail. The members of the Supervisory Board of ESTAVIS AG also consulted with each other outside meetings and passed a total of 13 resolutions by voting via telephone, in writing or in text form. All members of the Supervisory Board participated in each of these resolutions.

At its meeting on 17 September 2013, with the lead auditor in attendance, the Supervisory Board focused on the annual and consolidated financial statements for the year ended 30 June 2013, on the Management Board's proposal on the appropriation of net profit, and on the corporate planning for the 2013/14 financial year. The annual and consolidated financial statements were then unanimously approved by the Supervisory Board.

The meeting of the Supervisory Board on 17 September 2013 convened together with the Management Board. The meeting discussed and passed the declaration of compliance with the German Corporate Governance Code.

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

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

Changes in the Supervisory Board

During the year under review, Rolf Elgeti, Chairman of the Board of TAG Immobilien AG, assumed the position of the Deputy Chairman of the Supervisory Board of ESTAVIS AG after Michael Kremer, who previously held the position, left the committee as of 22 October 2012. Torsten Ceijka was appointed to the Supervisory Board of ESTAVIS AG as of 23 October 2012 to take the place of Michael Kremer. Torsten Ceijka in turn left the company's Supervisory Board as at 25 March 2013, and Dr. Philipp K. Wagner was appointed to the Supervisory Board of ESTAVIS AG to take his place.

Corporate governance

The Management Board and Supervisory Board of ESTAVIS AG identify with the objectives of the German Corporate Governance Code, which aims to promote responsible and transparent company management and control with a view to generating a sustainable increase in enterprise value. In accordance with Section 161, German Stock Corporation Act (AktG), 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 2013, the bodies of company adopted the declaration of conformity based on the version of the German Corporate Governance Code dated 13 May 2013, 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 company's shareholder meeting elected KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as auditor for the company's annual financial statements. Accordingly, the Supervisory Board assigned the corresponding audit engagement to KPMG AG Wirtschaftsprüfungsgesellschaft. The Supervisory Board ensured that it was kept informed about the audit measures performed by KPMG AG Wirtschaftsprüfungsgesellschaft 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 2013, the management report of ESTAVIS AG and the Group management report were audited by KPMG AG Wirtschaftsprüfungsgesellschaft 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 members of the Supervisory Board in good time. The Supervisory Board examined these documents and discussed them in detail at its meeting on 17 September 2013. The lead auditor attended this meeting and elaborated the key results of the audit. The Supervisory Board raised questions with the Management Board on individual aspects.

The examination of the single-entity financial statements of ESTAVIS AG, the consolidated financial statements, the management report and the Group management report by the Supervisory Board did not give rise to any objections. Based on the final results of its own examination, the Supervisory Board concurred with the results of the audit. The Supervisory Board approved the single-entity and consolidated financial statements for the 2012/13 financial year and the accompanying management report and Group management report. The financial statements are therefore adopted in accordance with Section 172, German Stock Corporation Act (AktG).

On behalf of the Supervisory Board, I should like to thank the Management Board and the entire staff of ESTAVIS AG for the good work done in the 2012/13 financial year, as well as for their loyalty and high sense of commitment.

Berlin, 17 September 2013

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 2013

In accordance with Section 161, German Stock Corporation Act (AktG), the Management Board and Supervisory Board of a listed company are required to issue a statement each year in which they provide information on the extent to which the recommendations of the Government Commission on the German Corporate Governance Code have been complied with in the past and are currently being complied with. The subsequent Declaration refers to the requirements of the Code in the version dated 13 May 2013, which was published in the electronic Bundesanzeiger ("Electronic Federal Gazette") on 10 June 2013. The full-length version of the Declaration has been published on the company's homepage at www.estavis.de.

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

"Since the last declaration of conformity was issued in September 2012, ESTAVIS AG has complied with the recommendations of the most recent version of the German Corporate Governance Code with the following exceptions, and intends to comply with the recommendations of the Code, with the following exceptions, in the coming financial year, too:

Code Sections 2.3.1 and 2.3.2 (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 pursuant to Section 118 (2), German Stock Corporation Act, does not exist. In the company's opinion, the introduction of postal voting in addition to the option already available of contributing indirectly to the votes taken in the Annual General Meeting in the form of a proxy vote by a representative appointed by the company would simply increase the outlay required for the Annual General Meeting without benefiting the shareholder decision-making process in any significant way. This option was not offered at the last Annual General Meeting either.

Code Section 3.8 (D&O insurance)

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

Code Section 4.2.1 (composition of the Supervisory Board)

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

Code Section 4.2.3 (compensation)

The total compensation of the Management Board currently consists of fixed and variable components, but no long-term incentives containing risk elements. Moreover, the recommendation that negative developments should be taken into account when determining the variable components of total compensation was and is not complied with. According to the Supervisory Board, neither of these aspects is necessary to ensure the loyalty of the Management Board and its commitment to the company. Neither a cap on the amount of compensation nor a severance pay cap for former members of the Management Board have currently been agreed, as the Supervisory Board does not deem these necessary.

Code Section 5.1.2 (composition of the Management Board, age limit, and succession planning)

Due to the age structure of the Management Board, no age limit or long-term succession planning is currently specified.

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

Code Sections 5.3.1, 5.3.2 and 5.3.3 (committees)

The Supervisory Board has formed no committees to date, specifically no audit committee and no nomination committee. Given the fact that it consists of three members, the Supervisory Board considers itself perfectly capable of conducting its affairs of joint representation in effective ways, whereas the formation of committees, which should include at least two people or, for a quorum, should include at least three people, would seem unreasonable given the size of the Supervisory Board.

Code Section 5.4.1 (composition of the Supervisory Board)

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

Code Section 5.4.2 (composition of the Supervisory Board)

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

Code Section 5.4.6 (compensation of Supervisory Board)

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

If Supervisory Board members are promised a success-based compensation, it should be paced by a sustainable corporate performance, according to the Code. The Code fails to specify what sort of requirements ought to apply to this form of success-based compensation. The compensation of the Supervisory Board members includes a variable component that is based on the company's performance, specifically whether the company stock outperforms the stock of a peer group competitor. From the perspective of ESTAVIS AG, this constitutes a sustainable compensation model.

Code Section 7.1.2 (discussion of interim reports by the Supervisory Board and publication of interim reports)

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

ESTAVIS AG publishes its interim reports 45 days after the end of the reporting period. In exceptional circumstances there may be a slight delay due to special organisational processes. The legal requirements set out in section 37w of the Securities Trading Act (WpHG) 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 compensation 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 2012/13 financial year, the compensation paid to the Management Board totalled TEUR 698.

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

	Fixed compensation	Other compensation	Total compensation
	TEUR	TEUR	TEUR
Torsten Cejka (since 26 March 2013)	63	44	107
Andreas Lewandowski (until 25 March 2013)	184	0	184
Jacopo Mingazzini (since 16 March 2012)	231	177	407
Total	477	221	698

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-based 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 remunerations in the amount of TEUR 30 for regular members, of TEUR 40 for the Deputy Chairman of the Supervisory Board, and of TEUR 50 for the Chairman of the Supervisory Board, each with statutory VAT to be added insofar as remittance of VAT is required; these amounts being 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, Franconfurt AG, and Vivacon AG. Variable compensation is limited to 200% of the fixed compensation of the respective member plus statutory VAT insofar as remittance of VAT is required.

In the 2012/13 financial year, the compensation paid to the Supervisory Board totalled TEUR 136. The following table contains a detailed overview of the individual compensation paid:

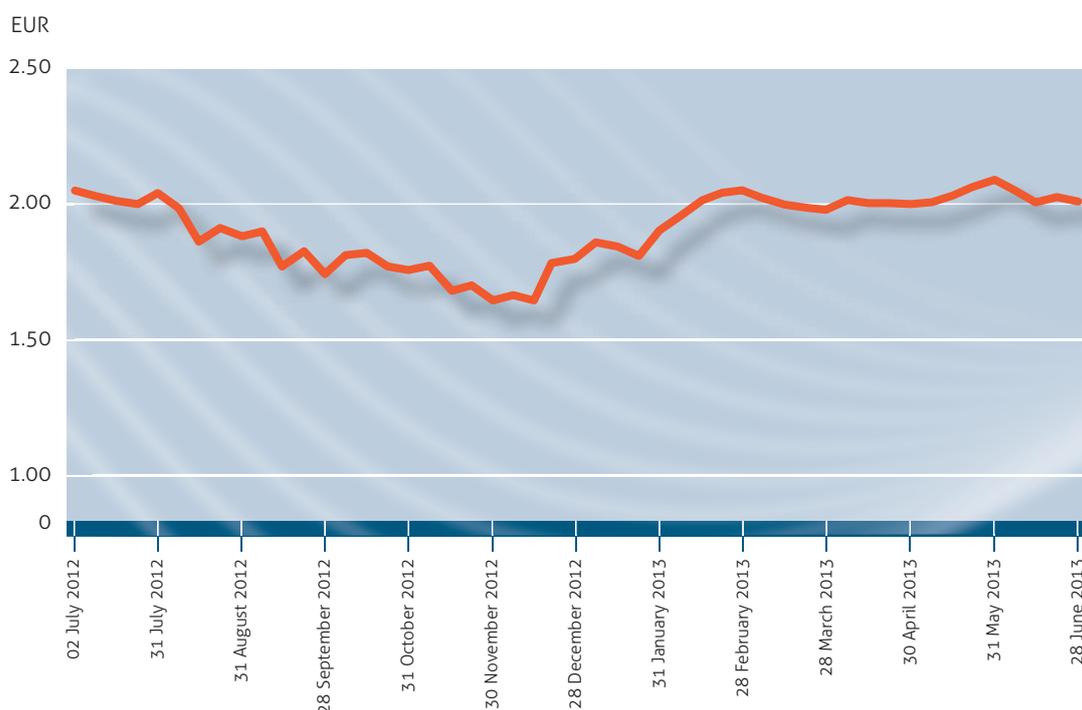
	Fixed compensation	Variable compensation	Total compensation
	TEUR	TEUR	TEUR
Dr. Karl-Josef Stöhr (Chairman)	60	–	60
Rolf Elgeti (Deputy Chairman)	38	–	38
Michael Kremer (until 22 October 2012)	15	–	15
Torsten Cejka (23 October 2012 to 25 March 2013)	18	–	18
Dr. Philipp K. Wagner (since 23 April 2013)	7	–	7
Total	136	–	136

Also, Rolf Elgeti, the Deputy Chairman of the Supervisory Board, was paid a compensation at the gross amount of TEUR 60 during the 2012/13 financial year in return for consultancy services.

■ The ESTAVIS Share

In the course of the 2012/13 financial year, the financial markets regained some of their confidence. The European sovereign debt crisis gradually receded into the background after the European Central Bank (ECB) announced in mid-2012 that it would support the crisis-ridden countries of Southern Europe by buying up their government bonds. As this made a collapse of the eurozone much less likely, the stock market climate improved considerably. Even the slow economic growth in the European Union and in Germany during the first three quarters of the reporting period did little to check the brightening outlook. The German DAX stock index gained more than 1,500 points during the year under review, and actually achieved a new all-time high of 8,530 points in May 2013.

The ESTAVIS share did not immediately benefit from the trend. Rather, the price dipped noticeably during the first half of the year under review, bottoming out at EUR 1.62. It recovered during the second semester, however, almost completely compensating the losses of the first six months. The highest price during the reporting period was achieved at EUR 2.10 on 22 May 2013. On 28 June 2013, the last trading day of the 2012/13 financial year, the Xetra closing share price equalled EUR 2.01, which equates to a markdown by around 2.4% compared to the share price at the beginning of the financial year on 1 July 2012 (EUR 2.06). The market capitalisation of ESTAVIS AG amounted to nearly EUR 36.3 million as of 30 June 2013. The average daily trading volume (Xetra) in ESTAVIS' shares was 17,388 units during the 2012/13 financial year (previous year: 24,205 units).

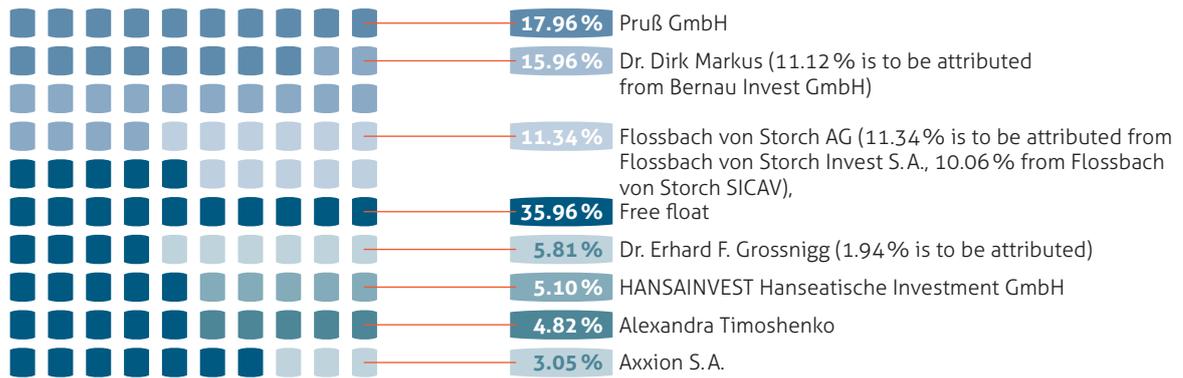


ESTAVIS' share price development in the 2012/13 financial year

Shareholder structure

The subscribed capital (share capital) of ESTAVIS AG totalled EUR 18,058,938 by the balance sheet date (30 June 2013). It was composed of 18,058,938 no-par value bearer shares. The year-on-year changes result from the capital increases undertaken during the reporting period.

The shareholder structure is shown in the graphic below:



Shareholder structure on 30 June 2013 (information according to last notification from investors)

ESTAVIS shares at a glance

ESTAVIS AG	
Share	
Stock exchange segment	Prime Standard
ISIN	DE000A0KFKB3
German Securities Code Number (WKN)	A0KFKB
Number of shares on 30 June 2013	18,058,938
Free float (information according to last notification from investors)	36 %
Share price high (1 July 2012 – 28 June 2013*)	2.10 EUR
Share price low (1 July 2012 – 28 June 2013*)	1.62 EUR
Closing price on 28 June 2013*	2.01 EUR
Market capitalisation on 30 June 2013*	EUR 36.3 million

* Closing prices in Xetra trading

Investor relations activities

Transparent communications with private and institutional investors are a matter of great concern to ESTAVIS AG. This includes in particular our attendance of leading investor conferences.

As in years past, ESTAVIS AG attended the 2012 specialist conference hosted by the Real Estate Share Initiative (IIA), a non-profit organisation of which ESTAVIS AG is a member. It is organised by IIA in close cooperation with the European Public Real Estate Association (EPRA) and the German Property Federation (ZIA). The 12th IIA Specialist Conference convened in Berlin on 05 September 2012.

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

- LFG Kronos, recommendation: "Buy", target price EUR 2.40
- Close Brothers Seydler Research AG, recommendation: "Buy", target price EUR 2.50

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■ Preliminary Remarks

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

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

■ 1 Business and Conditions

1.1 Business activities and business model

ESTAVIS AG is a listed property company focusing on residential properties in Germany. Its business operations comprise domestic properties in Germany only, focusing mainly on commercially attractive locations. The business activities of ESTAVIS focus, on the one hand, on the acquisition and management of residential real estate holdings, and, on the other hand, on trading residential real estate within the framework of apartment retailing. The dual focus is reflected in the division of the Group's business into the two segments of "Portfolio" and "Trading."

Portfolio

In the Portfolio segment, the ESTAVIS Group identifies housing stock with sustainable positive cash flow and high value-added potential, and exploits its management know-how to raise this potential efficiently and to ensure regular cash-flows from the management of the acquired portfolios. The ESTAVIS Group intends to widen its income basis successively by continuously expanding its proprietary portfolio.

Trading

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

The activities in the areas of project developments and trading in listed property, previously handled by the Trading division, were suspended in the course of the 2012/13 financial year as a result of the strategic realignment initiated the year before, and were wound up by selling five subsidiaries and the last remaining properties in the project development segment.

1.2 Corporate structure

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

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

1.3 Economic environment

a) Macroeconomic development

During the 2012/13 financial year, the pace of Germany's economy growth slowed slightly year on year. That being said, the German economy proved to be relatively resilient compared to other countries in Europe. In the concluding quarter of the financial year (Q2 2013), figures released by the Federal Statistical Office showed a quarter-on-quarter GDP growth of 0.7%

adjusted for seasonal variation and calendar effects. Growth impulses during Q2 2013 were generated mainly by private consumption and public sector consumption. Building investments soared as well. The external contribution had a slightly negative impact on growth because imports increased faster than exports.

The German labour market remained robust. For one thing, the economic output during Q2 2013 was generated by a total of 41.8 million gainfully employed persons in Germany, according to calculations by the Federal Statistical Office. This implies an increase by 242,000 persons or 0.6% since the previous year. According to the findings of the labour force survey, the unemployment figure for June 2013 showed 56,000 more persons than in June 2012. The adjusted unemployment rate for June 2013 was quoted as 6.6%.

In July 2012, at the beginning of the reporting period, the inflation rate was 1.7%. During the subsequent months up to and including December 2012, it lingered on an increased level between 1.9% and 2.2%. Inflation slowed steadily thereafter, hitting its lowest one-year level since August 2010 in April 2013 at 1.2%. In May and June 2013, the inflation rate perked up again rising to 1.5% and 1.8%, respectively.

The interest level dropped further, and substantially so, in the course of the financial year. The European Central Bank (ECB) lowered its key lending rate by 25 basis points, bringing the main refinancing interest rate down to 0.75%. On 8 May 2013, the key lending rate was lowered by another 25 basis points to 0.5%, as the ECB sought to enhance corporate financing conditions. As a result, the main refinancing interest rate dropped to an all-time low in the eurozone.

b) Development in the German housing market

According to Jones Lang LaSalle (JLL), the turnover on the German investment market for residential real estate added up to approximately EUR 7.05 billion during the first semester 2013, more or less unchanged year over year. Berlin and its metro region proved the most important investment destination, attracting a transaction volume of EUR 1.7 billion during the first six months of the year and thus almost matching the year-end turnover volume of the previous year (EUR 1.9 billion). By the end of 2013 analysts expect to see sales to have topped approximately EUR 10 billion nationwide, which would more or less be equivalent to the previous year-end total.

The undiminished appeal of Germany's residential property market for both institutional and private investors is reflected by the IPD's German Property Index (DIX) for 2012, which maps the trend of capital growth, rental yield, and total return for real estate, breaking it down by use type. The index suggests that the total return for residential property investments in 2012 on a one-year basis came to 7.4% on average (previous year: 7.8%). The rental yield equalled 4.7% (4.5%), and capital growth was 2.6% (3.2%). This implies that residential real estate outperformed all other use types covered by the index, not just for 2012, but over periods of three, five, and ten years, too.

Demand for flats in Germany is likely to maintain its high level in the years to come, especially in the country's conurbations. An important influencing factor for housing demand is the number of households. In 2012, it stood at nearly 40.66 million, thereby exceeding the 2011 total by 0.22 million. Forecasts by the Federal Statistical Office suggest that the figure will have risen to around 41 million by the year 2030. Housing demand is also stimulated by the rising expectations of residents in the size of the residential floor area available to them. The floor-area-per-capita ratio, for instance, has risen from 39 square metres in 1998 to 45 square metres today.

According to figures published by the Federal Statistical Office, around 200,500 apartments were completed in Germany in 2012. This is an increase by 17,400 or 9.5 % year on year. Then again, the construction volume remains too low to keep up with the housing demand. The fact has prompted the Federal Ministry of Transport, Building and Urban Development to call for the construction of no less than 250,000 flats per year in order to address the housing shortage. The figure quoted by the Ministry is based on the latest housing market forecast released by the BBSR Federal Institute for Research on Building, Urban Affairs and Spatial Development.

The housing market parameters outlined in the forecast also impact condominium prices and residential rent rates: BBSR figures suggest that asking rents for flats rose by 3.3 % on average nationwide in 2012. It is the steepest increase since 2005. Two out of three counties and corporate cities in Germany reported rent hikes. According to the calculations of the empirica research institute, the asking rents in Q2 2013 registered a year-on-year increase by 3.3 %. In corporate cities, rental growth was even steeper at 4.1 %. During the same period, quoted prices for condominiums rose by 5.1 % nationwide, and by 6.7 % in corporate cities.

The most important regional residential property market for the business of ESTAVIS Group is currently Berlin and its metro region. At the moment, the housing market in Berlin is experiencing its fastest rental and price growth in more than 20 years. The dynamic of the development manifests itself, for instance, in the fact that rents for flats on the open market exceeded mid-year rates of the year before by more than 13 % in 2012. The lively demand for rental flats, which initially concentrated on attractive downtown locations above all, has shifted increasingly to other parts of the city. Analogously, interest in the segment of available-for-sale condominiums and multi-family residential buildings has reoriented itself more and more to include simpler locations and properties, too.

With a view to the parameters elaborated above and the construction activity, which lags behind demand then as now, market players and analysts continue to diagnose bright prospects for the German residential property market. Investments in property remain a key element in the plans of many Germans for generating private wealth. Against the background of the increasing importance of private pension plans, the significance of property investments and owner-occupied homes is likely to increase as well in the years to come. In this connection, residential properties offer the advantage that the housing market is more susceptible to long-term trends such as demographic development than to short-term economic fluctuations. Add to this that the homeownership rate in Germany is considerably lower than in many other countries, suggesting inversely that Germany has a relatively large apartment retailing potential. Recent market developments – specifically price and rental trends – signal that demand-driving parameters impact conurbations and urban areas in general more than other regions.

1.4 Legal conditions

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

a) Managing body

The legal managing and representative body of ESTAVIS AG is the Management Board. The composition of the Management Board and the appointment of its members are based on Sections 76, 84 and 85, German Stock Corporation Act (AktG), in conjunction with Section 6 of

the company's Articles of Association. In accordance with these provisions, the Management Board is composed of one or several members. The Supervisory Board determines the number of members of the Management Board. The Supervisory Board may appoint up to five Management Board members and specify a Management Board member to act as chairman. At the moment, the company's Management Board consists of two members.

In accordance with Section 84, German Stock Corporation Act, the members of the Management Board are appointed by the Supervisory Board for a maximum term of five years. They may be reappointed or their term be extended for a maximum of five years in each case. At the moment, the contracts signed with the two Members of the Management Board specify terms of three years each. The appointment and reappointment of members requires a corresponding resolution by the Supervisory Board to be principally passed pursuant to the provisions of Section 84, German Stock Corporation Act. The Supervisory Board may revoke the appointment of a Management Board member prior to the expiration of his or her term for good cause.

b) Amendment of the articles of association

In accordance with Section 179, German Stock Corporation Act, any amendment to the Articles of Association requires a resolution by the General Meeting. This does not apply to amendments and additions to the Articles of Association that relate solely to their wording, the responsibility for which has been transferred to the Supervisory Board in accordance with Section 11 (2) of the Articles of Association..

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

c) Capital structure

Share capital

As of 30 June 2013, the issued capital (share capital) of ESTAVIS AG amounted to EUR 18,058,938. It was composed of 18,058,938 no-par value bearer shares. There are no different stock classes. At the start of the 2012/13 financial year, the share capital amounted to EUR 14,319,352. It increased during the reporting period as a result of capital from authorised capital both in return for cash and non-cash contributions.

Authorisation to acquire treasury shares

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. The authorisation was to some extent exercised for the first time in July 2012 as the Management Board resolved to go ahead with a stock buy-back program on the grounds of the corresponding authorisation granted by the General Meeting on 16 February 2010. Under this program, up to 500,000 units of ESTAVIS AG stock (up to around 3.5% of the share capital) were to be bought up for a maximum purchase price total of EUR 1.025 million during a period ending 31 December 2012. Up to and including 31 December 2012, a total of EUR 436,642.94 was spent to purchase 235,175 no-par-value shares within the framework of this stock buy-back program. All of the shares acquired for a time, however, were resold before the end of the reporting period on 30 June 2013.

Authorisation to issue bonds

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

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

- for fractional amounts arising from pre-emption rights;
- to offer convertible and/or option bonds and/or profit participation certificates with conversion or pre-emption rights for subscription to individual investors, provided that, in accordance with Section 186 (3), Sentence 4, German Stock Corporation Act (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, German Stock Corporation Act, if such inclusion is required by law;
- to offer profit participation certificates without conversion or pre-emption rights for Subscription to individual investors provided that the issue price is not significantly less than the theoretical fair value of the profit participation certificates as calculated in line with recognised financial methods and provided that the profit participation certificates only have the characteristics of a debenture, i. e. if they do not constitute any shareholder rights in the company, nor any conversion or pre-emption rights, do not grant any entitlement to the liquidation proceeds and if the amount of the interest yield is not based on the net profit for the period, balance sheet profit or dividend, to the extent that this is necessary;
- to grant bearers of conversion or pre-emption rights granted by the company or companies in the Group to shares of the company pre-emption rights to bonds issued under this authorisation in the amount they would be entitled to after exercising their conversion or pre-emption rights or after satisfying any conversion obligation (dilution protection), or
- if bonds are issued in exchange for non-cash contributions and the disapplication of pre-emption rights is overwhelmingly in the interests of the company.

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

Authorisation to launch a stock option program

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

Contingent capital

Contingent capital 2013/I (Redemption of convertible bonds)

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

- 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 27 February 2013 up to and including 26 February 2018 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 27 February 2013 up to and including 26 February 2018 satisfy their obligation and the company decides to serve the conversion or pre-emption rights from this contingent capital.

The shares issued shall be issued in line with the provisions of the authorisation resolution of the Annual General Meeting of 27 February 2013, i.e. in particular at least 80% of the average stock market price of company's shares in the opening auction in Xetra trading (or a successor system) on the last ten (10) trading days before the resolution by the Management Board to issue the respective bonds, taking into account adjustments as per the dilution protection regulations of the resolution of the Annual General Meeting on 27 February 2013.

The Management Board has not taken advantage of the aforesaid authorisation yet.

Contingent capital 2013/II (Conversion of stock options)

For the purpose of settling stock options that were issued on the basis of the authorisation by the General Meeting on 27 February 2013 for the period ending on 26 February 2016, the Contingent Capital 2013/II was created. Accordingly, the share capital of the company is con-

ditionally increased by up to EUR 1,400,000.00 against the issue of up to 1,400,000 no-par-value bearer shares (Contingent Capital 2013/II). The conditional capital increase will go ahead only to the extent that bearers of the issued options exercise their right to subscribe shares of the company, and the company draws on the Contingent Capital 2013/II to settle these options. Shares from the Contingent Capital 2013/II are issued at their issue price, as defined in the authorisation. So far, the Management Board has not taken advantage of the aforesaid authorisation.

Contingent capital 2010 (Conversion of convertible bonds)

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

Authorised capital

Authorised capital 2011

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

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

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

d) Transfer and voting right restrictions

The shares of ESTAVIS AG were not subject to any voting right restrictions in accordance with statutory provisions or the Articles of Association as of the balance sheet date. All shares issued as of 30 June 2013 carry full voting rights and each grant the holder one vote at the Annual General Meeting.

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

e) Equity interests and rights of control

By the balance sheet date, Nemat Farrokhnia held 17.96% of the shares in ESTAVIS AG via the Imfarr Beteiligungs GmbH and via the Pruss GmbH. In addition, Dr. Dirk Markus held 15.96% of the shares of ESTAVIS AG, with 11.12% of the shares being attributable to him via Bernau Invest GmbH. Another 11.34% of the shares of ESTAVIS AG were held by Flossbach von Storch AG, which in turn held to 11.34% via Flossbach von Storch Invest S.A., to which 10.06% of the company's shares were attributable 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 over the amount of EUR 7 million expiring in the 2013/14 financial year includes an extraordinary cancellation right for the creditor in the event of a change of control at ESTAVIS AG. Notice for this financing arrangement was given as of 15 July 2012. The convertible debenture over EUR 8.6 million issued in June 2012 and maturing in June 2017 provides for a premature cancellation right in the event of a change of control – this event being defined as the acquisition of more than 30% of the voting rights of ESTAVIS AG. Other than that, there are no material agreements between ESTAVIS AG and other parties that would come into force, change or be terminated in the event of a change of control in the company as the result of a takeover bid.

ESTAVIS AG has not concluded any agreement that provides 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 2012/13 financial year (2 July 2012, Xetra trading) was EUR 2.06. On 28 June 2013, the last trading day before the reporting date, the share closed at EUR 2.01, which equates to a mark-down by around 2.4%. On the basis of the total number of ESTAVIS shares (18,058,938), the market capitalisation approximated EUR 36.3 million as of 28 June 2013.

The average daily trading volume (Xetra) in ESTAVIS' shares was 17,388 units during the 2012/13 financial year (previous year: 24,205 units).

■ 2 Business Performance and Financial Position

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

Despite highly negative effects on earnings, the ESTAVIS Group concluded the 2012/13 financial year with a positive consolidated income, having concluded the previous year at a loss. The business performance of the ESTAVIS Group during the 2012/13 financial year must be seen against the background of an altogether favourable development of the real estate market and the persistently lively demand on the buyer side in the housing privatisation segment.

In addition to the positive performance of our two strategic business lines "Portfolio" and "Privatisation" in the operative sector, the corporate performance was significantly influenced by the sales turnover and valuation results generated by a single major property transaction in Berlin's Hohenschönhausen district. Then again, considerable encumbrances were incurred in conjunction with the wind-up of the discontinued activities in the areas of project developments and listed property marketing.

The business performance in the **Portfolio segment** during the reporting period was clearly defined by the acquisitions in Bernau (175 units) and Berlin-Hohenschönhausen (3,100 units). In addition to the positive effects these have had for the operating business performance, which will not be fully reflected in the books until next year, the on-placement of around 1,900 units out of the Berlin-Hohenschönhausen deal returned a result of EUR 10.1 million.

By the balance sheet date, the Portfolio segment had grown to a volume of nearly 2,100 units, of which 80% represent recent additions in good to excellent repair, marked by a positive cash flow and low vacancy rates. Possible risks among the legacy holdings were recognised through devaluations. Despite these allowances on the residual optimisation portfolio in an amount of EUR 0.7 million, the ESTAVIS Group achieved a positive valuation result totalling EUR 11.1 million due to recent property acquisitions worth EUR 11.8 million.

Both the portfolio build-up and the disposition of 193 units of the optimisation portfolio during the concluded financial year bolstered the ongoing stabilisation of the proprietary portfolio segment as planned.

In the **Trading segment**, the privatisation business performed handsomely for our two subsidiaries Accentro GmbH and ESTAVIS Wohneigentum GmbH. Accentro GmbH, which delivers housing privatisations as a third-party service, reported stable growth during the period under review, which was helped not least by the fact that all of the privatisation mandates were renewed.

The number of flats sold by Accentro either from the Group's inventory or on behalf of third parties during the reporting period was with just over 1,100 units at last year's level. At the same time, the share of the flats sold on behalf of ESTAVIS Wohneigentum GmbH in the context of privatising the proprietary holdings rose substantially from 67 to 136.

The planned expansion of the proprietary privatisation portfolio went ahead as planned during the reporting period, with 58 units added, and contributed to the stable earnings performance of the segment. Especially against the background of the current level of interest rates, new acquisitions were prepared for the next financial year during the reporting period.

The wind-up of the discontinued business lines of project developments and listed properties were expedited considerably through the sale of five member companies and the disposition of all structural measures either initiated or in planning. Nonetheless, we had to set aside approx. EUR 2.0 million to cover anticipated follow-up costs.

The revenues of the 2012/13 financial year in a total amount of EUR 118.9 million (previous year: EUR 51.3 million) were to a high degree defined by the sales proceeds (EUR 63.0 million) of resold sub-portfolios in connection with the residential portfolio acquired in Berlin-Hohenschönhausen. The same deal also factored in the steep increase in investment properties by EUR 79.8 million to a total of EUR 137.3 million as it accounted for EUR 65.6 million.

In the Trading segment, the turnover from continued activities in the area of housing privatisations rose to EUR 15.7 million, up from EUR 13.3 million the previous year. The disposition of the final project development about to be wound up in the discontinued areas of project developments and the marketing of listed properties contributed the amount of EUR 32.7 million to sales, as recognised in "Other trade."

The operative segment performance and effects from the property transactions in Berlin-Hohenschönhausen are offset by expected losses of receivables, valuation allowances, and project losses in an aggregate amount of EUR 7.5 million.

The measures undertaken during the financial year to cut staff costs and other operating expenses failed to compensate for the one-off costs caused by the redundancies, on the one hand. On the other hand, the cost-cutting measures were compromised by the costs of provision for losses toward the discontinued business lines and written-off receivables from the same.

As a result of the outlines developments and influencing factors, the ESTAVIS Group achieved the substantial growth in sales predicted at the end of the previous financial year while also accomplishing the turnaround for the consolidated income.

2.2 Earnings situation

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

	2012/13	2011/12
	EUR million	EUR million
Revenues	118.9	51.3
EBIT	11.4	1.4
Net profit	1.5	-2.9

In the 2012/13 financial year, consolidated revenues rose by 132.0% to EUR 118.9 million. The ESTAVIS Group's revenues are broken down into the following business segments for financial reporting purposes:

- Portfolio: EUR 70.5 million (prior-year period: EUR 8.6 million)
 - Trading: EUR 48.4 million (prior-year period: EUR 42.7 million)
- thereof
- Other trade: EUR 32.7 million (prior-year period: EUR 29.4 million)
 - Privatisation: EUR 15.7 million (prior-year period: EUR 13.3 million)

The disproportionate increase in consolidated revenues results from the sales performance in the portfolio segment, which will be discussed in more detail below.

The turnover in the **Portfolio segment** came to EUR 70.5 million (previous year: EUR 8.6 million), and was decisively influenced by the sales proceeds of a major portfolio transaction in the amount of EUR 63.0 million, paired with a carrying value decrease in the amount of EUR 52.9 million. The rise in rental revenues to EUR 5.8 million in this segment is already attributable to turnover increases from the recently added portfolio properties despite the consistent inventory sales from the optimisation portfolio.

The operating result (EBIT) of the Portfolio segment rose to EUR 15.9 million (previous year: 2.8 million), and was based essentially on:

- revenues from capital growth of investment property in an amount of EUR 11.1 million (previous year: EUR 1.8 million),
- profit on property disposals in an amount of EUR 10.2 million, and
- expenses for financings, administration, and write-downs on receivables.

In the **Trading segment**, revenues climbed both in the privatisation segment (EUR 15.7 million) and in the area of "Other trade" (EUR 32.7 million). An essential factor defining the trend in privatisation revenues (+18%), in addition to the general price hike on the German real estate market, is the increased share of proprietary holdings in the overall sales volume. The increase in sales in the area of Other trade by EUR 3.3 million is attributable both to the planned selling off of all units completed at building sites the company started to develop, and the sales of all remaining building sites of the last remaining development project, and is moreover attributable to other listed property and project development measures that were ongoing at the start of the financial year.

The operating result (EBIT) of the Trading segment amounted to EUR –4.5 million (previous year: EUR –1.4 million), and is impaired in the year under review by negative contributions to operating income from the discontinued business lines in “Other trade” in the amount of EUR –8.0 million. This is matched – again, as in previous years – by the positive result in the privatisation business in the Trading segment in an amount of EUR 3.5 million.

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

The consolidated net profit equalled EUR 1.5 million in the reporting period (previous year: EUR –2.9 million).

During the 2011/12 financial year, the gross margin (revenues plus changes in inventories less cost of materials/revenues) was 17.4 % (previous year: 28.6 %).

The other operating income came to a total of EUR 1.7 million after EUR 2.8 million in the prior period.

The staff expenses during the reporting period added up to EUR 3.1 million, matching the prior year's figure (EUR 3.1 million). The cost cuts from redundancies were offset by one-off encumbrances from the resizing of the Group to match the requirements of the corporate strategy.

The other operating expenses increased from EUR 14.7 million to EUR 18.8 million, and included, inter alia, write-downs on receivables in the amount of EUR 7.3 million.

The financial result of the 2012/13 financial year equalled EUR –5.2 million after EUR –4.3 million in the prior period.

The earnings before taxes rose to a total of EUR 6.2 million, up from EUR –2.9 million the year before. Taking into account income taxes of EUR 4.7 million (previous year: EUR 0.01 million), this results in a consolidated profit of EUR 1.5 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 assets position

The net assets and financial position of the ESTAVIS Group by the reporting date of 30 June 2013 mirrors to some extent the strategic reorientation of the Group that has now been concluded.

Total assets increased by EUR 25.4 million to EUR 202.7 million (previous year: EUR 177.3 million). The rise is essentially explained by the increase in investment property by EUR 79.8 million, offset by the decrease in inventories by EUR 56.4 million down to EUR 20.9 million and a decline of other receivables from EUR 19.9 million down to EUR 10.6 million, among other items.

The non-current assets had increased substantially as of 30 June 2013, rising by EUR 76.7 million to EUR 157.6 million (previous year: EUR 80.9 million). The value of the investment property, which amounted to EUR 57.5 million by the end of the previous financial year, equalled EUR 137.3 million as of the balance sheet date. The increase includes reclassifications from

inventories in the amount of EUR 2.8 million as well as net effect in the amount of EUR 66.0 million from properties bought and sold as well as valuation effects in the amount of EUR 11.1 million.

Current assets decreased by EUR 51.3 million to EUR 45.1 million (previous year: EUR 96.4 million). The decline is explained specifically by the decrease in inventories due to disposals, reclassifications of properties as non-current assets, and the decrease in other receivables due to valuation allowances.

Total assets declined by EUR 35.5 million to EUR 20.9 million (previous year: EUR 56.4 million), caused essentially through the disposition of properties in connection with winding up the discontinued activities. The other receivables declined by EUR 9.3 million to EUR 10.6 million (previous year: EUR 19.9 million), which was to blame specifically on the write-downs on receivables, again in the context of the discontinued activities. Cash and cash equivalents declined slightly from EUR 10.9 million to EUR 9.3 million.

The shareholders' equity rose from EUR 59.1 million the previous year to EUR 66.6 million during the year under review ending 30 June 2013. The increase is based, on the one hand, on the cash capital increase (EUR 2.3 million) and non-cash contributions (EUR 3.8 million) as well as on the profit/loss for the year (EUR 1.5 million). This results in a equity ratio of 32.9%, more or less matching last year's level (33.3%) again despite the increased total assets.

Non-current liabilities increased by EUR 54.8 million year-on-year, rising to EUR 88.3 million (previous year: EUR 33.5 million). This surge must be attributed mainly to the increase in long-term financial liabilities from EUR 31.0 million to EUR 86.1 million, which essentially represent debt financing in the amount of EUR 47.5 million for the investment property in conjunction with the expansion of the proprietary portfolio.

Fresh loans for the purpose of long-term finance were taken out at interest rates of 2.65%, while the interest rates for loans taken over in conjunction with the acquisitions as well as for existing loans range from 2.55% to 4.65%. The loan maturities run from 5 to 22 years, with EUR 40.7 million worth of loans having maturities of 5 years. Another EUR 14.0 million represent acquisition loans within the framework of privatisation measures at interest rates of 2.8% to 6.0%. The convertible debenture over EUR 8.6 million was issued at 7.75% and will mature in 2017.

Current liabilities declined by EUR 37.0 million to EUR 47.7 million (previous year: 84.7 million), which is primarily the result of settling down-payments received toward the purchase prices of properties sold in conjunction with the suspension of discontinued activities while also resulting from the repayment of short-term loans for these properties and the reconciliation of current liabilities, especially from project development activities.

Out of the mortgage-secured loans taken out for the optimisation portfolio in a total amount of EUR 22.9 million, loans worth EUR 14.7 million have near-term maturities of less than a year, and are to be rolled-over or redeemed in conjunction with ongoing property sales by the end of 2013. The bond over EUR 10.0 million issued at 11% in early 2013 has a one-year maturity.

The debt-to-equity ratio (debt capital/total capital) stood at 67.1% at the end of the year under review, nearly matching the previous year-end ratio of 66.7%. At 4.6%, the ratio of cash and cash equivalents to total assets undercut the previous year's level (6.2%). The

Group's cash ratio (cash and cash equivalents/current liabilities) increased from 12.9% to 19.5%. There were no approved lines of credit during the reporting period. The Group was able to meet its financial obligations at all times. A rolling cash plan enables us to recognised liquidity bottlenecks well ahead of time, and to size the necessary countermeasures, as the case may be.

Key figures from the cash flow statement

	2012/13	2011/12
	EUR million	EUR million
Cash flow from current operating activities	3.7	1.1
Cash flow from investing activities	-61.9	0.4
Cash flow from financing activities	56.5	5.9
Net change in cash and cash equivalents	-1.7	7.3
Cash and cash equivalents at the beginning of the period	10.9	3.6
Cash and cash equivalents at the end of the period	9.3	10.9

In the 2012/13 financial year, the cash-flow from operating activities amounted to EUR 3.7 million (previous year: EUR 1.1 million). The net cash used in operating activities breaks down into the cash profit for the period and cash-effective changes in current working capital. A positive impact on the net cash used in operating activities was generated by rent payments and the amounts deposited in return for inventory properties sold, especially the properties acquired in Berlin-Hohenschönhausen and subsequently resold. The operating cash-flow is impaired by all operating expenditures, including interest and tax payments. Redemption of loans taken out to refinance inventory properties also reduced the operating cash flow. The decrease in current working capital (EUR 10.3 million on balance) reflects the realignment of the business model, which involves a reduction of the inventory properties and the corresponding refinancing.

The cash flow from investment activities amounted to EUR -61.9 million during the period under review (previous year: EUR 0.4 million). More than anything else, it is the result of two major cash-effective facts: the acquisition of investment property in Berlin-Hohenschönhausen held by the respective property vehicle in a volume of EUR 55 million, and the payment made for the investment property acquired in Itzehoe in the amount of EUR 10 million. In sum, this adds up to EUR 65 million in expenditures for the acquisition of investment property. In addition, the cash flow from investment activities includes an expenditure in connection with the formation of a joint venture (Wohneigentum Berlin GbR) in the amount of EUR 0.7 million as well as a deposit in the amount of EUR 3.9 million in proceeds from the sale of investment property in Leipzig.

The cash flow from financing activities amounted to EUR 56.5 million in the reporting period (previous year: EUR 5.9 million) and breaks down into the cash inflow from debt financing taken out for the acquired portfolio in Berlin-Hohenschönhausen and the cash inflow from the issuing proceeds of the corporate bond, which amounts are offset by the cash outflow for the repayment of loans. On top of that, the item includes incoming payments from the refinancing of the investment property in Itzehoe. The payments-in by shareholders included a cash capital increase in the amount of EUR 2.3 million and payments-in from sales of proprietary shares in the amount of EUR 0.4 million, which amounts are offset by payments-out for the acquisition of company stock in an identical amount of EUR 0.4 million. The payments-out represent the repayment of loans not used to refinance inventory properties.

The financing structure was kept stable throughout the 2012/13 financial year particularly through capital increases and the issuance of a bond in February 2013, as well as the company's strict cost and liquidity management. The increase in non-current financial liabilities is attributable mainly to the financing arrangement for the Berlin-Hohenschönhausen portfolio in a volume of EUR 41.0 million.

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

2.4 Other non-financial performance factors

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

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

Another key success factor for ESTAVIS AG, especially in the area of trading and privatisation, is the company's reputation, most notably the reputation of its subsidiary Accentro GmbH. By cultivating partnership-like relations to property buyers, sellers and independent brokers, Accentro GmbH does everything it can to avert any damage to its reputation. The Condominium Report published by Accentro GmbH is the perfect vehicle to communicate a high level of market transparency, and it is instrumental in bolstering the awareness and image of the company on the market.

■ 3 Opportunity and Risk Report

3.1 Risk management

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

With the function of detecting and communicating significant risk factors in a prompt manner, and particularly those that are highly relevant in terms of income and liquidity and that could therefore jeopardise the Group's continued existence, the ESTAVIS Group's risk management system is integrated within the 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, which is currently in the process of being revised and realigned with the ongoing developments of the business model, 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.

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

To ensure the regularity of financial reporting in the consolidated financial statements, the Group management report and the quarterly reports, ESTAVIS AG has integrated preventative and monitoring controls for the company's accounting processes in its internal control system (IKS). These measures include 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 deploying external consultants. Due to the necessary adjustment to the changed business model, the IKS manual is in the process of being revised.

The consistency of accounting processes of the subsidiaries included in the consolidated financial statements is guaranteed by a central coordination of the 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 necessary data are made available to them by the ESTAVIS Group. They process the data in close coordination with the accounting department of the parent company, which also supervises and coordinates the activities of the external advisers and service providers. The incoming accounts of the companies, reconciled to IFRS, that are included in the consolidation, and their combination for the consolidated accounting, is audited by the parent company, and adopted in the Group's financial accounting. The accounting of the group subsidiaries Accentro GmbH and ESTAVIS Wohneigentum GmbH, is also monitored in close coordination with external consultants, and concentrates largely on the purely technical processing of accounting operations.

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

3.2 Individual risks

The ESTAVIS Group is exposed to a wide variety of risks which, individually or collectively, could adversely affect the net asset, financial and income situation of the company and its continued economic development. It should be taken into account at this point that the type and significance of each risk relevant to the ESTAVIS Group during the 2012/13 financial year have changed in conjunction with the Group's strategic realignment, which was initiated during the second half of the previous financial year, to the extent that the risks associable with the project development business and the investor-oriented apartment retailing in the listed property segment have successively lost in importance, whereas the risks involved in the company's set-up and management of a property portfolio intended for letting have gradually moved into the foreground. These inverse trends will progress apace with the ongoing reduction or expansion of the respective Group activities, as the case may be. In the eyes of the Management Board of ESTAVIS AG, the subsequently identified company- and market-specific individual risks should specifically be taken into account.

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

Company-specific risks

a) Risks arising from the property selection

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

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

b) Real estate inventory risks and valuation risks

The ESTAVIS Group acquires and holds property portfolios in order to realise a stable cash flow from managing these portfolio properties over an extended period of time. As long as the company portfolio includes real properties, these are exposed to the risk of devaluation due to deterioration in the social structure of the respective locations, excessive levels of wear and tear, unexpectedly high refurbishment needs, elevated vacancy rates, or similar factors. These risks gain in significance in proportion to the pace at which the Group-held real estate portfolio expands. Property portfolio risks and valuation risks will be countered by the measures described in section 3.2 a.

c) Letting risks

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

d) Construction risks

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

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

e) Sales risks

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

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

f) Financing, liquidity and interest rate risks

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

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. This risk is addressed by observing and analysing the financing market. For instance, ESTAVIS AG diversifies the Group's financing risks by exploiting financing alternatives in addition to classic loan financing, e. g. by issuing corporate bonds or convertible bonds.

On 1 March 2013, ESTAVIS AG issued a bond over EUR 10 million that will be due for repayments on 1 March 2014. In order to bolster its financial situation, ESTAVIS Group is planning to issue additional long-term bonds and convertible bonds during the 2013/14 financial year. The idea is not only to redeem costly short-term loans, but to use the paid-in funds to strengthen the residential portfolio both in the "Portfolio" segment and in the "Trading" segment and to finance the ongoing portfolio build-up. The Management Board of ESTAVIS AG assumes that the company's share price will exceed the conversion price at maturity of the convertible bonds issued in 2012, and that bondholders will exercise their conversion privilege. In the event that the conversion privilege is not exercised or exercised only to a limited extent, the corresponding redemption amount will have to be kept on hand.

In order to put the ESTAVIS Group on a broader refinancing basis overall, the company is conducting talks with institutional investors concerning the option to used capital increases to attract an inflow of equity funds from authorised capital. If the company fails to fundraise additional equity or debt capital for the contemplated expansion of the proprietary portfolio, it will become impossible to pursue the planned growth trajectory further.

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

Against the background of the banks' persistently restrictive lending policy in regard to the targeted clientele, however, and particularly with a view to the properties held as current assets, there is the risk that lenders will accelerate property financing loans before the properties are actually sold. Depending on the extent of the accelerated loan, this could expose the ESTAVIS Group to a solvency risk. This aspect is another reason why the ESTAVIS Group signed loan agreements with more than one bank, so as to counter the associated risks. In addition, the Group is continuously seeking to raise its long-term debt to keep diversifying the financing structure and to align it with the asset structures.

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

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

Interest rate risks exist for the liabilities intended for prolongation or refinancing and the planned loans to finance property portfolios. In order to protect itself from the adverse effects of interest rate changes, the ESTAVIS Group relies on fixed interest rates for financing arrangements in the portfolio segment, though always with a view to the market situation and to the market forecasts. Depending on the market situation, it may also use derivatives for interest rate hedging purposes. In the privatisation segment, by contrast, sensitivity analyses are conducted both in the context of drafting the business plans and in line with the continuous risk monitoring, so as to be able to predict the possible ramifications of interest rate changes for the economic performance of the Group.

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

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

g) Bad debt risks

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

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

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

h) Legal risks

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

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

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

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 were pending with a different trademark owner. A risk thus existed that the company would have had to refrain from using the name in future and would therefore have had to change its name. Furthermore, compensation claims could have been enforced concerning the past use of the company name. This risk was eliminated after the end of the reporting period by concluding a settlement agreement (for details, see the elaborations on this subject in the Supplementary Report).

Adequate provisions in the amount of approx. EUR 2.0 million have been recognised for the legal risks to which the Group is currently exposed. There are no other legal risks at this time, particularly no risks arising from legal disputes that could have a significant adverse effect on the financial position of the ESTAVIS Group.

Market-specific risks

a) Economic risks

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

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

b) Sector risks

Deterioration in the general conditions on the German property market could have a negative influence on the business performance of the ESTAVIS Group. A decline in the prices of properties would hamper the realisation of gains on the disposal of the properties held. At the same time, additions of attractively priced (portfolio) properties could be limited as potential sellers might be unwilling to sell on account of the low price level.

Moreover, the development of the property sector is largely determined by the availability of finance instruments. A persistently restrictive lending policy could negatively impact the demand for property as a whole.

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

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

c) Legal conditions

As the business activities of the ESTAVIS Group are regulated by the specific legal parameters that apply to property, they may be adversely affected by amendments to national and/or European legislation or the changed interpretation or application of existing legislation, including tenancy laws, public construction laws, conservation laws, and tax laws.

Risk concentrations

The business success of the ESTAVIS Group is in some ways disproportionately dependent on a small number of projects and portfolios that account for a major share of its revenues. In the apartment retailing segment, the company is currently realising a high proportion of its revenues through privatisation services performed on behalf of two clients. Aside from the client dependence that is generally associable with the fact, there is a risk that possible delays or issues arising in the context of the privatisation of this portfolio would disproportionately impact the business success of the ESTAVIS Group.

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

3.3 Other influencing factors

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

3.4 Assessment of the overall risk

During the period under review, the financing structure of the ESTAVIS Group improved, specifically because long-term financial liabilities increased apace with a decline in short-term financial liabilities. This trend goes hand in glove with the strategy shift to become a long-term property asset holder. The company used the proceeds from the issued bond over EUR 10.0 million for investment and funding purposes. How well the chosen growth trajectory can be boosted depends essentially on the company's ability to expand the financial latitude by strengthening the equity base through capital increases or through bonds or bank loans. The Management Board assumes that the corporate actions planned for the first semester 2013/14 will be successfully implemented. The Management Board expects that the Group will start realising operative cash flows and profits again now that the strategic realignment has been concluded.

Boosting the long-term portion of the financing structure is intended specifically to take into account the fact that some of the funds tied up in the set-up of a property portfolio earmarked for long-term ownership will in turn be tied up for an extended period of time.

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

3.5 Development in opportunities

Growing number of households

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

Low level of construction activity

The growing demand for residential space in regions experiencing positive net migration coincides with an increasingly short supply. As described in section 1.3 b, the number of flats completed in Germany has gone up lately, yet the construction activity in the residential real estate sector are not nearly sufficient to match the predicted demand trend and to alleviate pent-up demand.

In light of the fact that rising demand in commercially attractive locations confronts a fast-dwindling supply, the ESTAVIS Group believes that it is superbly positioned to exploit the trend, given its supply of rental apartment in its proprietary portfolio and with the apartments earmarked for retailing. This is especially true for the city of Berlin, currently the hot spot for the activities of the ESTAVIS Group both in its portfolio segment and for its privatisation business.

Economic trend in Germany and interest level

The sustained robust development of Germany's labour market and the very low level of interest rates provide a favourable environment for private apartment acquisitions, both for owner occupation and as an investment. It is also worth noting that specifically private investors have responded to global economic risks, especially to the hazard of a resurgence of the sovereign debt crisis, and to the generally dreaded threat of rising inflation, with a growing interest in tangible fixed assets, and particularly in property.

Boosting private pension plans

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

■ 4 Forecast Report

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

4.1 Future orientation of business and the Group

During the year under review, the ESTAVIS Group continued to pursue the strategic reorientation initiated during the previous year, and will concentrate henceforth on the set-up and management of a residential property portfolio marked by high revenue, as well as on the continuation of activities in the apartment retailing sector. These latter activities include, in addition to apartment sales to owner-occupiers and private investors, specifically the provision of privatisation services on behalf of third parties. In addition to regular cash-flow from property portfolio holdings, the Group generates revenues from property sales and from the remuneration for privatisation services provided.

Corporate strategy and operative activities will centre on the Portfolio and Trading divisions both during the 2013/14 financial year and in subsequent years. Looking forward, activities in the Trading segment will focus exclusively on housing privatisation, and involve the retailing of proprietary and, as service provider, of third-party portfolios both. The Portfolio segment will gain in prominence as more residential portfolios in highly profitable locations with development potential will be acquired, while legacy stock in the optimisation portfolio will continue to be sold off. To this end, in-house resources will be amplified at the same time that external specialists are brought in on a case-to-case basis, e. g. in asset management.

With a view to the anticipated trend of housing demand in Germany, the persistently low interest rates, and the paucity of investment alternatives with a comparable risk-return profile, the company assumes that the parameters on Germany's residential property market will remain favourable overall, and assumes moreover that its business potential in either segment will continue to grow. This assessment is backed by the lively interest that owner-occupiers and private investors in property – particularly in condominiums – that it acquired as investment or (in the case of owner-occupiers) as an integral component of private pension plans, this being an aspect that is bound to gain in significance, and substantially so. Foreigners account for roughly one third of the demand, while the share of private investors compared to owner-occupiers is around 71 %.

4.2 Macro-economic development and housing market trend

Economists estimate that the development of the economic conditions in the years 2013 and 2014 will initially be defined by stabilising tendencies and later on by the gathering momentum of economic growth in Europe. In its 2013 summer forecast, the Institute for the World Economy (IfW) at Kiel University described the development of the global economy during the opening months of 2013 as persistently sluggish, but added that the economy has stabilised. Especially in the advanced economies, the situation was said to be improved, while the strain on the financial markets has continued to ease, and the stock markets have noticeably recovered. In contradistinction to the brisk economic recovery tendencies in Japan and the United States, the recession has lingered in the eurozone, but has lost its bite.

For the global economy as a whole, 2013 is expected to bring a GDP growth to the tune of 2.6%, with the momentum likely to accelerate to 3.3% in 2014. Also, 2014 is likely to see the European economy return to its growth trajectory and grow – after a projected decline in GDP by 0.6% this year – by a total of 0.8% in the next.

The German economy takes positive exception to the trend, and is aiming for a 1.8% GDP growth next year after a projected 0.5% in 2013. That being said, the IfW concedes that the general uncertainty of the forecast is complemented by the persistent high risk of another economic down-trend that arises from the crisis in the eurozone more than from anything else. The inflation rate in Germany is expected to go up to 2.1%, slightly higher than elsewhere in the eurozone. This is explained by the sustained cost pressure and the rising capacity utilisation. The unemployment figure is expected to experience a slight year-on-year increase in 2014, but the gathering momentum of the economy should have a positive impact on the labour market and translate into a moderate increase in employment.

As far as the level of interest rates is concerned, the IfW expects the persistently low interest rates to stimulate demand for residential buildings. Looking forward, however, the Institute also pointed out that the approach taken by the central banks has reached a point where serious doubts are emerging as to the effectiveness of the current accommodative monetary policy in stimulating the economy in any meaningful way. These doubts are paired with concerns that investor expectations might shift and that inflationary risks move back into focus for policymakers, which would cause interest rates in many countries to soar and adversely affect the economic situation. In terms of financing, the environment for property acquisition will accordingly remain basically favourable for the time being. However, this observation does not permit general inferences regarding the banks' willingness to lend, because their policies, too, are subject to the economic development and the corresponding risk assessments. In the long term, the probability of a rise in key lending rates is increasing, and this, too, should be factored in.

All things considered, the sustained demographic and regional trends in Germany will ensure that the housing industry parameters continue to provide an auspicious environment for the business activities of the ESTAVIS Group, so the Management Board believes, and that Germany's residential property market will generally be rated as a then-as-now attractive destination for property investments and property acquisitions for owner-occupation. The increasing demand for apartments in locations with rising populations combined with a persistently short supply of properties mean that rental and sales prices are expected to rise further. That said, it remains to be seen to what extent economic influences will slow or disrupt the trend. The Management Board, however, assumes that the basic trends on the property market as detailed in section 1.3 b, above, will define the market development in the years to come.

4.3 Market and business opportunities

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

To secure an adequate property stock for privatisation purposes, the Group entered into a cooperation with two partners in order to pursue a joint effort in the procurement of properties in Berlin. As a result of the approach, more than EUR 11 million worth of real estate was secured through notarised deeds for the Group's sales inventory as of the balance sheet date.

The Management Board of ESTAVIS AG assumes that the Group will keep improving its performance in the 2013/14 financial year, as long as the macro-economic development cause no deterioration of the parameters. The consolidated revenues are likely to decline, however, because the revenues reported for the year under review were defined by the partial re-sale of a large portfolio. On the basis of the current planning state, there is reason to believe that consolidated revenues will start climbing again the year after, in the 2014/15 financial year, and with them the result.

In order to boost the take-up for the legacy property holdings of ESTAVIS AG, a variety of inventory optimisation measures were initiated during the financial year concluded. Comprehensive redevelopments and modernisations will enhance the appeal of retail centres in the short and medium term. To this end, a revitalisation and redevelopment plan was drafted whose implementation is to start in the 2013/14 financial year. The Management Board expects this plan to translate into substantially improved fungibility of the properties.

The residential portfolio earmarked for permanent letting is to be augmented by adding new assets. Here, the focus will be on attractive mid-sized cities in Eastern and Northern Germany. The main focus, though, will remain on greater Berlin. Notwithstanding the rising price level, the Management Board continues to see opportunities, given the high number of market players and market quotes, to acquire residential portfolios at reasonable prices. On the seller side, the Management Board of ESTAVIS AG expects to see mainly foreign investors who often feel unable to fully realise their return requirements on Germany's rental housing market. Management optimisation and long-term rental growth upsides make it reasonable to expect stable returns in the portfolio segment over an extended period of time.

At the same time, the Management Board expects no further negative impact on future results from the discontinued areas of listed properties and property development projects. The business with listed properties was sold during the financial year wound up, except for a few ancillary areas (parking spaces). The Glanzfilmfabrik development project will be completed during the 2013/14 financial year. Provisions and write-downs on receivables have been recognised to meet possible risks that may arise from the project yet.

4.4 Overall assessment

We have reason to expect the 2013/14 financial year to see an improvement in the macro-economic growth dynamic in Germany and in Europe as a whole, even if uncertainty factors remain concerning the global economic trend, especially in the context of the sovereign debt crisis in the eurozone.

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

The ESTAVIS Group intends to keep pursuing the expansion of its proprietary stock of residential real estate, and expects this approach as well as the activities in the housing privatisation sector to keep raising the revenues in the two strategic business lines of Portfolio and Trading. At the same time, the Group seek to increase its results continuously. On the basis of the anticipated stable business performance and sustainable cost income ratios, the Groups expects the next two years to see a continued improved in the income and financial situation.

■ 5 Supplementary Report

A lawsuit over the use of the company name in certain countries was concluded after the end of the year under review through a settlement agreement.

In September 2013, ESTAVIS intends to acquire 80% of the shares of J2P Real Estate AG in Chemnitz, a property company with a proprietary stock of 160 residential units. These are managed through its subsidiary J2P Services GmbH, which also has third-party assets under management. The intention is to settle the purchase price to 30% by issuing another 139,200 shares at a nominal value of EUR 1.00 each.

No other events of major significance for the business development of the ESTAVIS Group have occurred since the end of the 2012/13 financial year.

■ 6 Key Features of the Remuneration System for Board Members

The contracts of the members of the Management Board of ESTAVIS AG were signed for a period of three years. No option to terminate by giving notice during the term of the agreements has been provided for either side. The remuneration paid to the Management Board members of ESTAVIS AG consists of fixed annual basic remuneration and a variable bonus that depends on the EBIT generated by the company. In addition, Management Board members are granted a health insurance allowance as well as the use of a company car, and ESTAVIS AG has taken out D&O and accident insurance policies on their behalf.

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 compensation for each full financial year of their membership of the Supervisory Board. They are also granted variable compensation, which is currently limited to a maximum of 200 % of the respective fixed remuneration per year and is dependent on ESTAVIS' share price performance relative to the share prices of a specific peer group of property companies to be determined by the General Meeting. ESTAVIS AG has also taken out D&O insurance for the members of the Supervisory Board.

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

■ Responsibility Statement

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

Berlin, 16 September 2013

Torsten Cejka
Management Board

Jacopo Mingazzini
Management Board

Consolidated Financial Statements

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■ Consolidated Balance Sheet

ESTAVIS AG	Notes	30 June 2013	30 June 2012
Assets		TEUR	TEUR
Non-current assets			
Goodwill	6.1, 6.3	17,776	17,776
Other intangible assets	6.3	76	85
Property, plant and equipment	6.2, 6.3	195	298
Investment property	6.4	137,328	57,490
Equity interests accounted for using the equity method	6.5	831	122
Other non-current financial assets	6.6	29	1,737
Deferred income tax receivables	6.15	1,377	3,352
Total		157,612	80,859
Current assets			
Inventories	6.7	20,867	56,411
Trade receivables	6.8	4,232	4,520
Other receivables	6.8	10,547	19,909
Current income tax receivables		177	800
Cash and cash equivalents	6.9	9,258	10,915
Assets held for sale	6.10	–	3,850
Total		45,080	96,406
Total assets		202,692	177,264

■ Consolidated Balance Sheet

ESTAVIS AG	Notes	30 June 2013	30 June 2012
Equity		TEUR	TEUR
Issued capital	6.11	18,059	14,319
Capital reserves	6.11	44,308	41,963*
Retained earnings	6.11	4,265	2,766
Total equity		66,632	59,048
Liabilities			
Non-current liabilities			
Provisions	6.13	106	64
Financial liabilities	6.12	86,118	30,956
Deferred income tax liabilities	6.15	2,098	2,463
Total non-current liabilities		88,321	33,482
Current liabilities			
Provisions	6.13	2,901	2,319
Financial liabilities	6.12	28,842	46,871
Advance payments received		6,422	15,196
Current income tax liabilities		2,196	1,491
Trade payables		3,318	13,246
Other liabilities	6.14	4,059	5,612
Total current liabilities		47,739	84,734
Total equity and liabilities		202,692	177,264

* includes special reserves from non-cash contributions as reported in note 6.11.

■ Consolidated Income Statement

ESTAVIS AG	Notes	2012/13	2011/12
		TEUR	TEUR
Revenues	6.16	118,883	51,251
Change in value of investment property	6.4	11,073	1,774
Other operating income	6.19	1,734	2,843
Changes in inventories		-20,589	-2,930
Total operating performance		111,101	52,938
Cost of materials	6.17	77,641	33,657
Staff costs	6.18	3,140	3,105
Depreciation and amortisation	6.3	127	138
Other operating expenses	6.19	18,787	14,675
Operating result		11,406	1,363
Result from the equity interests accounted for using the equity method		0	0
Interest income		153	195
Interest expenses	6.20	5,322	4,494
Financial result		-5,169	-4,299
Net profit before income taxes		6,236	-2,937
Income taxes	6.21	4,737	13
Net profit		1,499	-2,950
Earnings per share (EUR)	6.22	0.09	-0.21

■ Consolidated Statement of Comprehensive Income

ESTAVIS AG	2012/13	2011/12
	TEUR	TEUR
Net profit	1,499	-2,950
Available-for-sale financial assets	-	-1
Changes in fair value	-	-1
Reclassification recognised in profit or loss	-	-
Income taxes	-	0
Other comprehensive income	-	-1
Total comprehensive income	1,499	-2,951

■ Consolidated Cash Flow Statement

ESTAVIS AG	2012/13	2011/12
	TEUR	TEUR
Net profit	1,499	-2,950
+ Depreciation/amortisation of non-current assets	127	138
+/- Increase/decrease in provisions	2,796	-211
+/- Change in value of investment property	-11,073	-1,774
+/- Other non-cash expenses/income	-10	1
-/+ Gains/losses from the disposal of non-current assets	0	0
-/+ Increase/decrease in inventories, trade receivables and other assets that are not attributable to investing or financing activities	42,432	-22,323
+/- Increase/decrease in trade payables and other liabilities that are not attributable to investing or financing activities	-32,068	28,188
-/+ Gains/losses from the disposal of consolidated companies	7	0
= Cash flow from current operating activities	3,711	1,070
+ Payments received from the disposal of property, plant and equipment	45	0
+ Payments received from the disposal of investment property	3,850	1,000
+ Payments received for the disposal of financial assets	0	9
- Payments for investments in intangible assets	-19	-14
- Payments for investments in property, plant and equipment	-36	-24
- Payments for investment property	-65,056	-613
- Payments for investments in non-current financial assets	-710	0
+ Payments from the disposal of fully consolidated companies	64	0
= Cash flow from investing activities	-61,862	358
+ Payments from shareholders	2,707	0
- Payments to shareholders	-437	0
+ Payments from issuing convertible bonds	-	8,248*
+ Payments from the issuing bonds and raising (financial) loans	59,042	0
- Repayment of bonds and (financial) loans	-4,818	-2,359
= Cash flow from financing activities	56,493	5,889
Net change in cash and cash equivalents	-1,657	7,316
+ Cash and cash equivalents at the beginning of the period	10,915	3,598
= Cash and cash equivalents at the end of the period	9,258	10,915

* Shows the payments-in from the issuance of the convertible bond, which was separately itemised as payments-in by shareholders (TEUR 254) and payments-in from the issuance of bonds (TEUR 7,994) the previous year.

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

■ Consolidated Statement of Changes in Equity

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

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

* includes special reserves from non-cash contributions as of 30 June 2012 and 1 July 2012 as reported in note 6.11.
Please see note 6.11 for information on individual items.

■ Consolidated Statement of Changes in Equity

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

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

* includes special reserves from non-cash contributions as of 30 June 2012 and 1 July 2012 as reported in note 6.11.
Please see note 6.11 for information on individual items.

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■ 1 Basic Information

ESTAVIS AG and its subsidiaries are active both as property portfolio holders and property traders. The company is based in Berlin, Germany. The company's shares are listed on the Frankfurt Stock Exchange for trading on the Regulated Market (Prime Standard).

As of 30 June 2013, 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 on 16 September 2013, and by the company's Supervisory Board on 17 September 2013.

■ 2 Significant Accounting Policies

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

2.1 Principles

The consolidated financial statements for the 2012/13 financial year of ESTAVIS AG were prepared in accordance with the provisions of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council dated 19 July 2002 concerning the application of international accounting standards in the form of the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB) as required in the European Union for companies with an orientation to the capital market.

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

As a matter of principle, the consolidated financial statements were prepared using the historical cost approach. Available-for-sale financial assets and investment property are carried at fair value.

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

The accounting methods employed in the consolidated financial statement are the same as those on which the consolidated financial statement as of 30 June 2012 are based, except for certain changes as explained below.

The 2012/13 financial year marked the first year in which application of the following new or amended accounting standards and interpretations became mandatory in IFRS consolidated financial statements:

Standard/Interpretation	New/amended
IAS 1 Amendment: Presentation of Individual Items of Other Comprehensive Income	amended

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. These have neither been adopted early by ESTAVIS AG nor is it planned to do so in the future.

Standard/interpretation (until 30 June 2013)	Application mandatory for ESTAVIS AG	Adoption by the EU (by 30 June 2013)	Prospective ramifications
IFRS 7 Financial Instruments: Disclosures – Offsetting of Financial Assets and Financial Liabilities	1 July 2013	Yes	No material effects
IFRS 9 Financial Instruments: Classification and Valuation	1 July 2015	No	No material effects
IFRS 10 Consolidated Financial Statements	1 July 2014	Yes	No material effects
IFRS 11 Joint Arrangements	1 July 2014	Yes	No material effects
IFRS 12 Disclosure of Interests in Other Entities	1 July 2014	Yes	Expanded disclosures of interests in other entities
Various Transition Guidance Amendments for IFRS 10, IFRS 11, IFRS 12	1 July 2013	Yes	No material effects
Various Investment Entities (Amendments to IFRS 10, IFRS 12, IAS 27)	1 July 2014	No	None
IFRS 13 Determination of Fair Value	1 July 2013	Yes	Expanded disclosure requirements for the Notes regarding the determination or fair value
IAS 12 Deferred Taxes: Recovery of Underlying Assets	1 July 2013	Yes	No material changes
IAS 19 Employee Benefits	1 July 2013	Yes	None
IAS 27 Separate Financial Statements	1 July 2014	Yes	None
IAS 28 Investments in Associates and Joint Ventures	1 July 2014	Yes	No material changes
IAS 32 Financial Instruments: Presentation – Offsetting of Financial Assets and Financial Liabilities	1 July 2014	Yes	No material changes
Various Improvements to the International Financial Reporting Standards 2011	1 July 2013	Yes	No material changes
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	1 July 2013	Yes	None

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

2.2 Consolidation

a) Subsidiaries

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

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

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

The sale of special-purpose entities (share deal) is reported in the same way as a comparable direct sale of real estate (asset deal), if these transactions are an integral component of the primary business activities of the ESTAVIS Group. This ensures a true and fair presentation of the Group's net assets, financial position and results of operations. This means: The selling price of the shares in the special-purpose entities being sold, plus its liabilities and less its receivables, is reported as the proceeds of the sale in the case of inventory properties, while the carrying amount of the real estate being sold is recognised under cost of materials. In the case of investment property, the sales proceeds are posted as change in value for the investment property. If properties are acquired by way of the acquisition of a property management company, this is shown as the acquisition of a property. The costs are determined as the purchase price of the shares in the property management company plus the liabilities assumed less other assets of the property management company.

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

b) Joint ventures

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

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

c) Associates

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 using the equity method can be found in section 2.2 d.

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

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

d) Consolidated group

As of 30 June 2013, the consolidated financial statements of ESTAVIS AG included 38 (previous year: 42) subsidiaries, one new joint venture, and, like last year, one associate. The consolidated group changed as follows as against 30 June 2012:

During the third quarter of the financial year, a property vehicle was acquired by way of a non-cash contribution. During the fourth quarter, a property vehicle was acquired, while 6 property vehicles were sold.

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 property vehicles.

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 Achtundzwanzigste Wohnen GmbH & Co. KG	Berlin	100 %
SIAG Neunundzwanzigste Wohnen GmbH & Co. KG	Berlin	100 %
ESTAVIS 32. Wohnen GmbH & Co. KG	Berlin	100 %
ESTAVIS Wohneigentum GmbH	Berlin	100 %
ESTAVIS Friedrichshöhe GmbH	Berlin	100 %
ESTAVIS 34. Wohnen GmbH & Co. KG	Berlin	100 %
ESTAVIS 35. Wohnen GmbH & Co. KG	Berlin	100 %
ESTAVIS 36. Wohnen GmbH & Co. KG	Berlin	100 %
ESTAVIS 37. Wohnen GmbH & Co. KG	Berlin	100 %
ESTAVIS 38. Wohnen GmbH & Co. KG	Berlin	100 %
ESTAVIS 39. Wohnen GmbH & Co. KG	Berlin	100 %
ESTAVIS 40. Wohnen GmbH & Co. KG	Berlin	100 %
ESTAVIS 41. Wohnen GmbH & Co. KG	Berlin	100 %
ESTAVIS 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	100 %
Zweite Sachsen Wohnbauten GmbH & Co. KG	Leipzig	100 %
Dritte Sachsen Wohnbauten GmbH & Co. KG	Leipzig	100 %
Vierte Sachsen Denkmalebauten GmbH & Co. KG	Leipzig	100 %
Fünfte Sachsen Denkmalebauten GmbH & Co. KG	Leipzig	100 %
Estavis Grundstücksgesellschaft GmbH	Berlin	100 %
Erste SIBA Wohnen GmbH	Berlin	100 %
ESTAVIS Vermögensverwaltungs GmbH	Berlin	100 %
ESTAVIS 28. Property GmbH	Berlin	100 %
SP Center Verwaltungsgesellschaft mbH & Co. KG	Berlin	100 %
B&V 1. Property GmbH	Berlin	100 %
RealEstate4U GmbH & Co. KG	Leipzig	100 %
Accentro GmbH (agency services)	Berlin	100 %
ESTAVIS Bernau Wohnen GmbH & Co. KG (erworben im 3. Quartal)	Berlin	94 %
ESTAVIS Berlin Hohenschönhausen GmbH (erworben im 4. Quartal)	Berlin	100 %
Companies removed during the financial year		
SIAG Siebenundzwanzigste Wohnen GmbH & Co. KG	Berlin	100 %
Dritte Sachsen Denkmalebauten GmbH & Co. KG	Leipzig	100 %
Leipziger Wohnen GmbH & Co. KG	Leipzig	100 %
B&V Dölauer Str. GmbH & Co. KG	Berlin	94 %
B&V Wohnbaugesellschaft mbH	Leipzig	100 %
SD Sachsen Denkmal GmbH	Leipzig	100 %

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

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

List of equity interest accounted for using the equity method

Company	Domicile	Equity interest
Wohneigentum Berlin GbR (joint venture; formed during Q4)	Berlin	33,33 %
SIAG Sechzehnte Wohnen GmbH & Co. KG (associate)	Berlin	50 %

2.3 Segment reporting

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

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

2.4 Foreign currency translation

a) Functional currency and reporting currency

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

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

b) Transactions and balances

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

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

2.5 Investment property

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

The fair value of 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 investment property held by the Group was appraised by independent surveyors at the time of allocation to this category and in time for the balance sheet dates. The fair value was essentially determined using the discounted cash flow method (DCF). The cash flow to be considered in this context includes, on the one hand, the sustainably realised net rents, with possible vacancies and risk of rent loss duly taken into account, and, on the other hand, the accruing management costs for maintenance, vacancy costs, and overhead. The resulting net cash flow is discounted using a risk-adequate interest rate (benchmark returns for comparable properties). The resulting cash value represents the appraised values for the recognised fair value of the 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. In such cases the intended sale is abandoned, and instead it is expected that it will be held in the proprietary portfolio for a longer phase of development (renovation, re-letting).

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

2.6 Intangible assets

a) Goodwill

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

b) Other intangible assets

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

2.7 Property, plant and equipment

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

- Computer hardware 3 years
- Other office equipment 8–13 years
- Motor vehicles 2–3 years

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

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

If the carrying amount of an asset exceeds its estimated recoverable amount, it is written down to the latter (see also section 2.8 on the subject).

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

2.8 Impairment of assets

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

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

2.9 Financial assets

Acquisitions and dispositions of financial assets are aggregated as of the settlement date. Financial assets are recognised at their fair value at the time added while taking transactions costs into account, and are divided into the following measurement categories: financial assets recognised at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and financial assets available for sale. The classification of financial assets depends on the purpose for which they were acquired. The company's management is responsible for determining the classification of financial assets on initial recognition and reviewing their classification at each reporting date. During the period under review and the prior period, the Group only had financial assets in the categories loans and receivables and available-for-sale financial assets to report.

a) Loans and receivables

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

financial assets, trade receivables and other receivables. Within the framework of subsequent valuations, they are carried at amortised cost. Identifiable individual risks are subject to valuation allowances that are recognised in the respective net book value. If default of a certain portion of the receivables portfolio is likely, valuation allowances are effected in proportion to the anticipated loss. Objective indications of the impairment of receivables exist whenever debts are in default or in arrears, signs suggest a impending bankruptcy or economic conditions that positively correlate with defaults.

b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that have been allocated to this category or that cannot be allocated to any of the other categories. These are reported under "Non-current assets" if the company's management does not intend to dispose of them within twelve months of the balance sheet date.

2.10 Available-for-sale financial assets

On initial recognition, available-for-sale financial assets are carried at fair value plus the transaction costs incurred. At subsequent reporting dates, they are carried at the recognised fair value, which corresponds to their market price. The resulting unrealised gains and losses are recognised, with the deferred taxes deducted, as equity component (under "Other Comprehensive Income") until they are realised. If sold or an impairment loss is recognised on such assets, any unrealised gain or loss recognised in the equity position must be derecognised in equity and recognised as income in the income statement.

At each balance sheet date, ESTAVIS AG examines whether there is any objective evidence of impairment. If such evidence exists, any accumulated losses previously recognised directly in equity must be derecognised from equity and recognised as an expense in the income statement. To this end, all available information, including market conditions, duration and scale of the impairment must be taken into account. An objective indication regarding an impairment is assumed whenever the fair value of an equity instrument earmarked for sale falls short of its historic costs by 20% or more, or whenever the fair value has undercut the historic cost by 10% or more on average for more than a year. The reversal of an impairment concerning equity instruments earmarked for sales are exclusively recognised directly on equity. If there is no active market for an available-for-sale financial asset, and if no recognised fair value can be determined with any amount of certainty, particularly in the case of investments in property companies, the asset is appraised at the lower of cost or fair value in the event of impairment. Impairment is recognised in income. Reversals of impairment are not recognised for equity instruments valued at costs and available for disposal.

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, interest on borrowed capital caused by cumulative production costs are capitalised as production costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.12 Trade receivables

Trade receivables are initially carried at their fair value. Subsequent to initial measurement, they are carried at amortised cost calculated in accordance with the effective interest method, less any write-downs. Trade receivables are written down if there is objective evidence that the amounts due may not be collectable in full. The amount of the write-down recognised is the difference between the carrying amount of the receivable and the present value of the estimated future cash flows from the receivable discounted using the effective interest method. Write-downs are recognised in income. If the reasons for a write-down no longer apply, either in full or in part, the write-down is reversed up to a maximum of the amortised cost of the receivable and the amount of the reversal is recognised in income.

2.13 Cash and cash equivalents

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

2.14 Provisions

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

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

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

2.15 Financial liabilities

On first-time recognition, financial liabilities (not including derivatives) are carried at fair value less transaction costs. In subsequent periods, they are carried at amortised cost. Any differences between the amount disbursed (less transaction costs) and the settlement amount are recognised in income over the term of the respective liability in accordance with the effective interest method.

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

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

2.16 Deferred taxes

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

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

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

2.17 Revenue recognition

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

If renovation work is still in progress at the date on which the property is sold and this 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.

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

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

2.18 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 fair value and the present value of the minimum lease payments. At the same time, a lease liability in the same amount

is recognised under non-current financial liabilities. The portion of the lease liability that is due within twelve months of the balance sheet date is reported under current financial liabilities. Each lease instalment is then divided into the finance charge and the reduction of the outstanding liability in order to ensure a constant periodic return on the outstanding lease liability. The finance charge is recognised in the income statement as interest expense. Items of property, plant and equipment held under finance leases are depreciated over their useful life, which may be limited by the lease term, taking into account any residual value.

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

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

2.20 Residual interests and dividend distributions

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

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

2.21 Cash flow statement

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

■ 3 Capital and Financial Risk Management

Using its capital management, ESTAVIS AG pursues the goal of sustainably strengthening the Group's liquidity and equity basis, providing funds for the Group's equity-financed growth and generating an appropriate return on capital employed. In the context of the ESTAVIS Group's property activities, purchasing volumes are financed as much as possible by debt capital in line with tax consideration as the refinancing situation remains relatively favourable. The Group's accounting equity acts as a passive control criterion. The active control variables are revenues, gross margin and EBIT. The risk management reviews the Group's capital structure on a monthly basis. To this end, the cost of capital and the threat associated with each class of capital is taken into account. In order to satisfy the banking industry standards of the external capital requirements, the accounting ratios are subject to updates and forecasts. These include principal repayment ratios for each asset, loan-to-value ratios, as well as contractually agreed balance relations and success relations.

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

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

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

■ 4 Estimates and Accounting Decisions at the Company's Discretion

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

- Estimates are required to be made 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 the assumptions or future changes in the 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 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.
- The fair values of the income-producing properties are largely based on the valuation reports of external valuers. These use the discounted cash flow method (DCF) to determine the fair value on the basis of projected net receipts. The procedure specifically involves estimates regarding the expected rental income and the discount interest rate.

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

- Whenever real estate packages are added to the company's assets, it must be decided whether this involves the acquisition of an operation. It was not the case when the property companies ESTAVIS Berlin Hohenschönhausen GmbH and ESTAVIS Bernau Wohnen GmbH & Co. KG were acquired during the reporting period.
- By each balance sheet date, the company must decide whether a given property held by the Group is reported as investment property or as inventory property.

■ 5 Segment Reporting

The ESTAVIS Group is divided into the following segments:

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

With a view to the increasing significance of the privatisation business and, conversely, the declining significance of the trade in listed real estate which is being wound up, the "Trade" segment, which covers both business lines, was restructured as the sub-segments "Privatisation" and "Other trade." The breakdown was not retrospectively applied to previous year's figures.

The segment results for the financial year ended 30 June 2013 as against the previous year are as follows.

				Trading	Portfolio		Group	
	Total	Privatisation	Other trade					
	2012/13	2012/13	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Revenues (external)	48,374	15,700	32,674	42,676	70,508	8,575	118,883	51,251
thereof letting	1,398	960	438	1,462	5,732	3,946	7,130	5,408
thereof privatisation								
Sales	8,533	8,533	–	5,397	–	–	8,533	5,397
Brokerage	6,208	6,208	–	7,137	–	–	6,208	7,137
thereof other sales	32,236	–	32,236	28,680	64,776	4,629	97,012	33,310
Revenues (internal)	–	–	–	–	–	–	–	–
Operating result	–4,490	3,506	–7,996	–1,441	15,896	2,804	11,406	1,363
Net income from investments carried at-equity	0	0	–	–	0	0	0	0
Financial result	–3,059	–810	–2,249	–2,530	–2,110	–1,769	–5,169	–4,299
Net profit before income taxes	–7,549	2,696	–10,245	–3,971	13,786	1,034	6,236	–2,937

The result of the sub-segment "Other trade" in the "Trade" segment is defined by the fact that project development and listed real estate activities are being wound up. It was impacted by bad-debt losses or write-downs in the amount of TEUR 3,477 (previous year: TEUR 1,399). The financial result of the first quarter is impacted by an early termination fee of TEUR 535 for the premature repayment of a mezzanine financing.

The result of the "Portfolio" segment was essentially defined by the acquisition of the special purpose entity ESTAVIS Berlin Hohenschönhausen GmbH during Q4 of the financial year, and the associated on-placement of parts of the property portfolio of this company among other investors. The on-placement resulted in a contribution to sales in the amount of TEUR 63,000. Moreover, the segment result includes income from changes in the value of investment property in the amount of TEUR 11,073 (previous year: TEUR 1,774). The previous year, this item also included income from statute-barred liabilities in the amount of TEUR 999, and from reversals of inventory impairments in the amount of TEUR 165. The segment result was impacted during the financial year by write-downs on inventories in the amount of TEUR 693 (previous year: TEUR 923) and debt loss and bad debt allowances in the amount of TEUR 3,868 (previous year: TEUR 1,658).

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

Financial year 2012/13

Two major customers accounted for transactions totalling TEUR 63,000 in the Portfolio segment, which total breaks down into TEUR 34,000 for one customers and TEUR 29,000 for the other.

Financial year 2011/12

Two major customers accounted for transactions totalling TEUR 12,925 in the Trading segment, which total breaks down into TEUR 6,875 for one customers and TEUR 6,050 for the other.

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

	Trading		Portfolio		Group	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Depreciation and write-downs of property, plant and equipment	-94	-108	-6	-6	-100	-114
Depreciation and write-downs of intangible assets	-27	-25	-	-	-27	-25
Change in value of investment property	-	-	11,073	1,774	11,073	1,774

Segment assets, segment liabilities and segment investments were as follows as of 30 June 2013:

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

The figures for the previous year were as follows:

	Trading	Portfolio	Unallocated	Consolidation	Group
	TEUR	TEUR	TEUR	TEUR	TEUR
Segment assets	108,657	75,325	16,803	-27,492	173,292
Non-current assets held for sale	-	3,850	-	-	3,850
Equity interests accounted for using the equity method	-	122	-	-	122
Total segment assets	108,657	79,297	16,803	-27,492	177,264
Segment liabilities	75,109	66,646	3,954	-27,492	118,217
Segment investments	44	13,111	-	-	13,155

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

The segment liabilities include financial liabilities, operating liabilities, and the liabilities vis-à-vis the other segment. Not allocated are the tax liabilities.

Segment investments include additions to property, plant and equipment and intangible assets (see section 6.3) and investment property (see section 6.4).

■ 6 Supplementary Notes to the Individual Items of the Financial Statement

6.1 Intangible assets

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

Goodwill is allocated to the Trading segment. The recoverable amount is determined for impairment testing by calculating the segment's value in use. The calculation is based on forecast cash flows derived from the three-year planning approved by the Management Board. 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. It is based on a projected trend of residential units sold or brokers, assuming a fixed contribution to operating income for each residential unit that is derived from historical values.

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

The discount rate of 14.75 % (previous year: 13.5 %) is a pre-tax interest rate that reflects the specific risks to which the segment is exposed. Impairment testing showed that no impairment losses were required for the goodwill.

6.2 Property, plant and equipment

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

The Group has signed operating leases for office space, motor vehicles and business equipment. Lease expenses of TEUR 357 (previous year: TEUR 435) 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 2012 to 30 June 2013:

	Goodwill	Other intangible assets	Property, plant and equipment
	TEUR	TEUR	TEUR
Cost	17,776	153	834
Cumulative depreciation, amortisation and write-downs	–	68	536
Carrying amounts as of 1 July 2012	17,776	85	298
Additions (+)	–	19	40
Disposals (–)	–	0	–43
Depreciation, amortisation and write-downs (–)	–	–27	–100
Carrying amounts as of 30 June 2013	17,776	76	195
Cost	17,776	170	603
Cumulative depreciation, amortisation and write-downs	–	94	408

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

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

6.4 Investment property

Investment property developed as follows:

	2012/13	2011/12
	TEUR	TEUR
Start of financial year	57,490	32,547
Additions from inventories	2,777	14,753
Additions	66,038	12,963
Refurbishment	–	303
Disposals	–50	–1,000
Reclassification as assets held for sale	–	–3,850
Appreciation	11,863	2,694
Impairment	–790	–920
End of financial year	137,328	57,490

Investment property with a carrying amount of TEUR 137,328 (previous year: TEUR 57,440) is encumbered with land charges as collateral for amounts due to banks.

The total fair values of investment property were determined as a total of TEUR 137,328 (previous year: TEUR 57,440) by third-party experts as of the balance sheet date. The previous year, a few smaller properties were appraised on the basis of in-house valuations.

The investment property includes 9 (previous year: 8) commercial properties, 19 (previous year: 6) residential properties, and 4 (previous year: 5) mixed-use properties, which break down into 221 (previous year: 179) commercial units with a total floor area of 52,604 m² (previous year: 46,400 m²) and 1,869 (previous year: 463) flats with a total floor area of 116,998 m² (previous year: 24,200 m²). The spectrum of square-metre rents for commercial units ranged from EUR 3.10 to EUR 14.10 (previous year: EUR 1.00 to EUR 48.00), and for residential units ranged from EUR 1.10 to EUR 13.90 (previous year: EUR 1.00 to EUR 10.50). The ratio of management costs to rent revenues ranges from 24 % to 35 % (previous year: 20 % to 33 %) for commercial properties, and from 16.5 % to 47 % (previous year: 14 % to 35 %) for residential and mixed-use properties. The nominal rate of interest for the valuation of commercial properties moves in a bracket from 6.5 % to 8.5 % (previous year: 6.25 % to 7.5 %), for the valuation of mixed-use properties in a bracket from 6.5 % to 8 % (previous year: 5.25 % to 7.5 %), and for the valuation of residential properties in a bracket from 2.75 % to 6 % (previous year: 5.25 % and 7.5 %).

If the interest rate on which the calculation of the properties' fair value is based had been 0.5 percentage points higher, the total fair value as at the end of the reporting period would have been TEUR 126,145 (TEUR 53,010). Conversely, if the interest rate had been 0.5 percentage points lower, the total fair value would have been TEUR 150,825 (previous year: TEUR 63,440).

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

	2012/13	2011/12
	TEUR	TEUR
Rental income (revenues)	5,170	2,487
Cost of materials	-1,105	-534
Maintenance costs (material costs)	-433	-109

Out of the expenses, vacant investment property account for TEUR 397 (previous year: TEUR 147).

The housing stock (1,200 housing units) in Berlin-Hohenschönhausen is included in the rental income with the sum of TEUR 702 and TEUR 54 in costs of material. The additions from inventories became effective by the end of the financial year, so that rental income and cost of materials from these inventory properties are therefore not included in the table above.

6.5 Equity interests accounted for using the equity method

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

	2012/13	2011/12
	TEUR	TEUR
Start of financial year	122	122
Additions	710	-
Shares in gains and losses	0	0
End of financial year	831	122

The interest that ESTAVIS Group holds in the non-listed associated company SIAG Sechzehnte Wohnen GmbH & Co. KG, which has since served its principal business purpose and is in the process of being wound up, as well as the interest that the Group holds in the Wohneigentum Berlin GbR that was formed during the reporting period, break down as follows:

	Share	Assets	Liabilities	Revenues	Expenses	Result
		TEUR	TEUR	TEUR	TEUR	TEUR
SIAG Sechzehnte Wohnen GmbH & Co. KG	50%	136	14	1	1	0
Wohneigentum Berlin GbR	33.33%	2,625	1,915	50	50	0

All assets and liabilities of the Wohneigentum Berlin GbR joint venture are of short-term character.

6.6 Other non-current financial assets

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

	30 June 2013	30 June 2012
	TEUR	TEUR
Available-for-sale securities	0	1
Other non-current financial assets	29	1,736
Total	29	1,737

The available-for-sale securities are listed shares. A write-down of TEUR 1 (previous year: TEUR 1) was recognised on share holdings in the financial year. This expense is included in other operating expenses. The other non-current financial assets are subject to write-downs in the amount of TEUR 1,572 (previous year: TEUR 642). These concern long-term loans granted to the former sales partners.

6.7 Inventories

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

	30 June 2013	30 June 2012
	TEUR	TEUR
Ready-for-sale properties	20,867	35,077
Construction work in progress	–	19,429
Advanced payments	–	1,905
Total	20,867	56,411

Properties are carried at cost, including accrued renovation costs. Write-downs of TEUR 693 were required in the period under review (previous year: TEUR 1,035). These write-downs are reported under "Cost of materials." There was no income from reversals of impairments for properties held as inventory assets (previous year: TEUR 172). Last year, this income was included in other operating income. The properties reported as inventories serve as collateral for financial liabilities.

Inventory properties with a carrying value of TEUR 8,613 are expected to be sold after more than twelve months.

6.8 Trade receivables and other receivables

Trade receivables relate essentially to property sales and agency services. The development of trade receivables is shown in the following table:

	30 June 2013	30 June 2012
	TEUR	TEUR
Trade receivables	5,463	4,600
Valuation allowance	–1,230	–80
Trade receivables (net)	4,232	4,520

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 2013	30 June 2012
	TEUR	TEUR
Trade receivables	4,232	4,520
of which neither impaired nor past due as at the end of the reporting period	1,471	3,235
of which not impaired as at the end of the reporting period and past due up to 30 days	776	140
of which not impaired as at the end of the reporting period and past due between 31 and 60 days	828	12
of which not impaired as at the end of the reporting period and past due between 61 and 90 days	507	43
of which not impaired as at the end of the reporting period and past due between 91 and 180 days	129	117
of which not impaired as at the end of the reporting period and past due between 181 and 360 days	23	353
of which not impaired as at the end of the reporting period and past due more than 360 days	163	620
Net value of impaired trade receivables	335	0

Write-downs of trade receivables developed as follows:

	2012/13		2011/12	
	Total	thereof OOA*	Total	thereof OOA*
	TEUR	TEUR	TEUR	TEUR
As of 1 July	80	69	25	10
Change in consolidated group	290	301	–	–
Additions (write-downs)	870	870	59	59
Reversal	–10	–10	–4	–
Derecognition	–	–	–	–
As of 30 June	1,230	1230	80	69

* OOA: One-off allowances

The other accounts receivable include:

	30 June 2013	30 June 2012
	TEUR	TEUR
Receivables from advance commission payments	148	3,850
Receivables from investment companies	0	3,661
Rent receivables	6,528	3,945
Restricted-use cash in banks	1,410	6,060
Miscellaneous other receivables	2,461	2,393
Total	10,547	19,909

The receivables from advance commission payments result from commission payments on unrealised retail sales. The previous year's receivables from investment companies resulted from settled claims from expenses. The rent receivables regard claims arising from recoverable, but not yet invoiced, service charges. The cash in banks subject to restricted use may only be drawn upon to repay certain short-term financial debt. The miscellaneous other receivables include, while not limited to, short-term loans to sales companies. The other receivables include financial assets in an amount of TEUR 2,143 (previous year: TEUR 1,895). Other receivables are subject to write-downs in the amount of TEUR 3,427 (previous year: TEUR 770).

6.9 Cash and cash equivalents

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

6.10 Non-current assets held for sale

Last year, the statement concerned several investment properties for which a deed existed by the balance sheet date that was signed during the first quarters of the 2012/13 financial year. The disposal involved a loss of TEUR 765 that was recognised in the change in value of the investment properties the previous year. This transaction concerns the "Portfolio" segment.

6.11 Equity

The subscribed capital of ESTAVIS AG totalled EUR 18,058,938 by the balance sheet date. It takes the form of 18,058,938 fully paid-in no-par-value shares issued at a nominal value of EUR 1.00 each.

Issued capital was increased by EUR 3,739,586 as a result of the issue of new shares in the financial year. The 440,000 shares were issued against a contribution in kind that was already made the previous year in a value of TEUR 1,053 and posted among the equity as special reserves from non-cash contributions. Once the shares had been issued, the special reserves were transferred to issued capital in the amount of TEUR 440 and to the capital reserves in an amount of TEUR 613. Moreover, the financial year saw the issuance of 2,007,919 shares within the framework of another increase in kind and of 1,291,667 shares within the framework of a cash capital increase. The quid-pro-quo of the contribution in kind was valued at TEUR 3,815, the value of the cash contribution equalled TEUR 2,325. The amount in excess of the change in issued capital was appropriated to the capital reserves. The costs of capital procurement of TEUR 84 adjusted for the tax saving of TEUR 25 were deducted from the capital reserves.

ESTAVIS AG bought back 235,175 treasury shares worth TEUR 437 while selling treasury shares worth TEUR 440. This resulted in an inflow of TEUR 4 for the capital reserves.

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

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

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

6.12 Financial liabilities

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

	30 June 2013	30 June 2012
	TEUR	TEUR
Non-current financial liabilities		
Convertible debenture	8,313	7,995
Liabilities to banks and other lenders	77,805	22,961
Total non-current financial liabilities	86,118	30,956
Current financial liabilities		
Current portion of liabilities to banks and other lenders	28,842	46,871

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 63,295; previous year: TEUR 18,198) and liabilities with a remaining term of more than five years (TEUR 14,510, previous year: TEUR 4,763). The convertible debenture has a remaining lifetime of nearly 4 years.

The short-term financial liabilities include a listed bond with a carrying value of TEUR 10,200.

Liabilities to banks are secured by the property stock (carrying amount: TEUR 158,194, previous year: TEUR 113,851) for which they were incurred, and by the rent and sale receivables resulting from them.

All loans are denominated in euro.

6.13 Provisions

Provisions developed as follows in the financial year:

	Outstanding construction work	Rental guarantees	Other	Total
	TEUR	TEUR	TEUR	TEUR
1 July 2012	517	462	1,404	2,382
Utilisation	-495	-392	-118	-1,005
Release	-	-33	-70	-103
Addition	1,779	126	598	2,503
Special-purpose entities bought and sold	-	-96	-675	-771
30 June 2013	1,801	67	1,139	3,007

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

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

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

Provisions with an carrying amount of TEUR 2,901 (previous year: TEUR 2,319) are expected to result in cash outflow during the coming twelve months.

The other provisions are appraised in an amount that would have to be paid, according to reasonable assumptions, to settle the obligation by the balance sheet date or would have to be paid at the time of transfer if the obligation is transferred to a third-party. Risks and uncertainties are taken into account by applying adequate appraisal methods while also considering the probability of occurrence. If the interest effect is significant, long-term provisions with a remaining life time of more than a year will be discounted to the present value of the estimated cash outflow.

6.14 Other liabilities

The other liabilities include, inter alia, accounts payable for a short-term loan taken out from an associate, accounts payable to staff, and account payable in the form of VAT yet to be remitted.

6.15 Deferred taxes

The balance sheet contains the following deferred tax items:

	30 June 2013	30 June 2012
	TEUR	TEUR
Deferred tax assets	1,377	3,352
Deferred tax liabilities	2,098	2,463

Deferred taxes developed as follows:

	2012/13	2011/12
	TEUR	TEUR
Deferred tax liabilities	-2,463	-2,370
Deferred tax assets	3,352	3,137
Balance of deferred taxes at start of financial year	889	768
Expense (-)/income (+) reported in income statement	-3,496	121
Additions from the acquisition of special-purpose entities	1,967	-
Disposals from the sale of special-purpose entities (included in other operating expenses)	-82	-
Balance of deferred taxes at end of financial year	-722	889
Deferred tax liabilities	-2,098	-2,463
Deferred tax assets	1,377	3,352

The deferred tax liabilities involve the following balance sheet items:

	Differences relating to investment property	Differences relating to property held as inventories	Differences relating to other receivables	Differences relating to other items	Total
	TEUR	TEUR	TEUR	TEUR	TEUR
1 July 2012	1,118	13	1,176	156	2,463
Amounts recognised in profit or loss	2,076	0	-1,003	82	1,155
Disposal from the sale of special-purpose entities (recognised among other operating expenses)	-	-11	-127	-	-138
30 June 2013 (prior to closing)	3,194	2	46	238	3,480
Amounts recognised in profit or loss					-1,382
30 June 2013 (after closing)					2,098

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

The deferred tax assets were due to the following factors:

Cause	Tax loss carryforward	Other	Total
	TEUR	TEUR	TEUR
1 July 2012	3,073	279	3,352
Amounts recognised under tax expense	-2,234	-106	-2,340
Addition from the acquisition of special-purpose entities	1,967	-	1,967
Disposal from the sale of special-purpose entities (posted among other operating expenses)	-49	-171	-220
30 June 2013 (prior to closing)	2,756	3	2,759
Closing of deferred tax liabilities			-1,382
30 June 2013 (after closing)			1,377

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 almost exclusively to ESTAVIS AG. 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. For companies that suffered tax losses in the ongoing year or in the previous year, deferred tax assets from losses carried forward were recognised in the amount of TEUR 1,253 (previous year: TEUR 1,184) that are not covered by deferred tax liabilities from temporary differences. The fair value of these deferred tax assets results solely from taxable profits. No deferred tax assets were recognised for some existing trade tax loss carryforwards in the amount of TEUR 19,633 (previous year: TEUR 15,212) or existing corporation tax loss carryforwards in the amount of TEUR 15,694 (previous year: TEUR 7,900), as well as for deductible temporary difference in the amount of TEUR 8,427 (previous year: TEUR 2,219), as these are no longer expected to be realised with a sufficient degree of certainty.

No deferred tax liabilities were recognised on outside basis differences in the amount of TEUR 848 (previous year: TEUR 35) as the Group controls the reversal of the difference and no reversal is to be expected in the foreseeable future.

6.16 Revenues

	2012/13	2011/12
	TEUR	TEUR
Property trade	105,545	38,626
Revenues from transactions fees	6,208	7,137
Rental income from investment property	5,170	2,487
Rental income from properties held as inventories	1,959	2,921
Other revenues	–	81
Total	118,883	51,251

The revenues from property trading include an amount of TEUR 63,000 resulting from property stock of the special purpose entity ESTAVIS Berlin Hohenschönhausen GmbH passed on to another investor.

6.17 Cost of materials

	2012/13	2011/12
	TEUR	TEUR
Acquisition costs for properties sold and construction costs	71,819	26,651
Services contracted for brokerage transactions	2,953	4,169
Management costs of investment property	1,538	643
Management costs of inventory properties	638	1,159
Write-downs on inventories	693	1,035
Total	77,641	33,657

6.18 Staff costs

The Group employed an average of 33 people over the year (previous year: 48). Out of this workforce, 3 staff (previous year: 6 staff) were in marginal employment, while all other were permanently employed. The staff costs incurred by the Group are composed as follows:

	2012/13	2011/12
	TEUR	TEUR
Salaries and other benefits	2,878	2,824
Employer contributions to statutory social insurance	262	281
Total	3,140	3,105

Employer contributions to statutory social insurance included contributions to statutory pension insurance in the amount of TEUR 152 (previous year: TEUR 163).

6.19 Other operating income and expenses

Other operating income can be broken down as follows:

	2012/13	2011/12
	TEUR	TEUR
Income from reversals of impairment losses on inventories	–	172
Miscellaneous other operating income	1,734	2,671
Total	1,734	2,843

The other operating income includes an income item from a repayment claim for a historic property-related profit-sharing remuneration. The previous year, they included an income item from statute-barred liabilities in the amount of TEUR 999.

Other operating expenses can be broken down as follows:

	2012/13	2011/12
	TEUR	TEUR
Consulting costs	2,474	1,508
Sales costs	4,037	4,272
Costs relating to rental guarantees	119	314
Miscellaneous other operating expenses	12,157	8,581
Total	18,787	14,675

Miscellaneous other operating expenses include a write-down on receivables in the amount of TEUR 7,345 (previous year: TEUR 3,058). The sum includes, inter alia, rental expenses for the company's offices and expenditures for compiling and auditing the statements of account.

6.20 Capitalised interest expenses in production costs

For construction projects that began after 30 June 2009, interest on borrowed capital in the amount of TEUR 123 (previous year: TEUR 458) was capitalised as production costs of the respective construction projects. Interest rates arise from the bank debt associated with the respective construction project.

6.21 Income tax expense

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

	2012/13	2011/12
	TEUR	TEUR
Current income tax expense	1,242	135
Deferred income tax expense	3,496	–121
Total	4,737	13

The current tax expense includes TEUR 400 in provisions set aside toward tax audit risks. For the composition of the deferred tax expense, please see the table on the development of deferred tax assets and tax liabilities (cf. section 6.15).

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		
	2012/13	2011/12
	TEUR	TEUR
Pre-tax profit	6,236	-2,937
Taxes calculated on the basis of the parent's income tax rate	1,882	-886
Effect of:		
Differences in tax rates	-	7
Non-deductible or partially deductible expenses	48	35
Additions and deductions for trade tax purposes	153	164
Settlement of initial differences	955	-
Tax-free income	-3,230	-264
Tax loss carry forwards not recognised/deductible temporary differences	4,008	1,861
Taxes for previous years		
Original taxes	239	138
Utilisation/reporting of previously unreported loss carry forwards	-155	-1,400
Discontinuation of previously reported loss carry forwards	468	337
Other factors	370	23
Reported income tax expense	4,737	13

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

6.22 Earnings per share

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

	2012/13	2011/12
Net profit attributable to the shareholders of the parent company (TEUR)	1,499	-2,950
Average number of shares in circulation (in thousands)	15,965	14,319
Basic earnings per share (in EUR)	0.09	-0.21

As a result of the convertible debenture issued before the end of the prior financial year, there exist 3,578,838 conversion privileges entitling to 1 share each of ESTAVIS AG, which might dilute the earnings per share. The conversion privileges will expire in June 2017. As in the previous financial year, there was no demonstrable dilution effect during the 2012/13 financial year.

In the 2012/13 financial year, no dividend was paid for the 2011/12 financial year. Neither will a dividend be proposed to the general meeting for the financial year 2012/13.

6.23 Cash flow statement

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

The net cash used in operating activities was determined in accordance with the indirect method. It amounted to TEUR 3,711 (previous year: TEUR 1,070). This includes income taxes paid in the amount of TEUR 679 (previous year: TEUR 996), income taxes recovered in the amount of TEUR 135 (previous year: TEUR 30), interest received in the amount of TEUR 58 (previous year: TEUR 72) and interest paid in the amount of TEUR 6,091 (previous year: TEUR 5,151). The non-cash expense from the impairment of receivables in the amount of TEUR 7,345 (previous year: TEUR 3,058) are recognised in the line "Increase/decrease in inventories, trade receivables and other assets that are not attributable to investing or financing activities".

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

One special- purpose entity was acquired by issuing new shares during the reporting period. This resulted in the non-cash addition of investment properties in the amount of TEUR 10,982.

6.24 Other financial obligations and contingent liabilities

By the balance sheet date, the company had no liabilities under pending purchase agreements involving inventory properties. By the balance sheet date of the reference period, the liabilities amounted to TEUR 900. 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 2013	30 June 2012
	TEUR	TEUR
Up to 1 year	279	340
Between 1 and 5 years	356	165
More than 5 years	12	0

Through a subsidiary, the Group is a fully liable partner of the joint venture formed during the financial year. The fact implies a liability equal to TEUR 10,288 for the debt of the joint venture. Through one subsidiary that was sold during the financial year, the Group was fully liable partner of several investment companies. By the balance sheet date of the reference period, this implied in a liability for the debt of these companies equal to TEUR 59,831.

6.25 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 2013	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	29	29		29	0
Investments	0	0	AfS	0	0
Miscellaneous financial assets	29	29	LaR	29	–
Trade receivables	4,232	4,232	LaR	4,232	–
Other receivables	10,547	10,081	LaR	10,081	–
Cash and cash equivalents	9,258	9,258	LaR	9,258	–
Total assets	24,066	23,600		23,600	0
Financial liabilities	114,960	114,960		115,728	10,392
Listed bonds	18,513	18,513	AmC	18,832	10,392
Other financial liabilities	96,446	96,466	AmC	96,896	–
Trade payables	3,318	3,318	AmC	3,318	–
Other liabilities	4,059	3,781	AmC	3,781	–
Total liabilities	122,337	122,058		122,826	10,392

* AFS: Available-for-sale financial assets; L&R: loans and receivables; AmC: amortised cost (financial liabilities recognised at amortised cost)

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

* AFS: Available-for-sale financial assets; L&R: loans and receivables; AmC: amortised cost (financial liabilities recognised at amortised cost)

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 current 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)		Available-for-Sale Financial Assets (AfS)		Financial Liabilities measured at Amortised Cost (AmC)	
	1 July to 30 June		1 July to 30 June		1 July to 30 June	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Interest income	153	195	–	–	–	–
Interest expenses	–	–	–	–	5,322	4,494
Income from currency translation	–	–	–	–	–	–
Expense of currency translation	–	–	–	–	–	–
Write-down	7,345	3,058	1	1	–	–
Appreciation	10	7	–	–	–	–
Gain on disposal	–	–	–	–	–	–
Loss on disposal	–	–	–	–	–	–
Net earnings	-7,182	-2,855	-1	-1	-5,322	-4,494

The interest income and interest expenses are shown in the corresponding positions of the consolidated income statement. All other expenses and income are included in the items "Other operating expenses" and "Other operating income," respectively. The impairment charge is accounted for with TEUR 879 (previous year: TEUR 781) by the "Trade receivables," and with TEUR 6,466 (previous year: TEUR 2,277) by the "Other receivables."

b) Financial risks

The Group's business activities expose it to a variety of risks. These include particularly liquidity, default and interest rate risks. Targeted financial risk management is intended to minimise the negative effects of these risks on the Group's net asset, financial and earnings situation and cash flows. For a description of the risk management system, please see section 3 and the management report (section 3.1).

Liquidity risk

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

	30 June 2013			
	Carrying amount	Outflow in next reporting period	Outflow in next but one reporting period	Outflow at a later date
	TEUR	TEUR	TEUR	TEUR
Cash outflow for financial liabilities	114,960	34,046	8,794	92,919
Trade payables	3,318	3,318	–	–
Other liabilities	3,781	3,781	–	–
Cash outflow for trade payables and other liabilities		7,098	–	–
Cash outflow for liabilities within scope of IFRS 7		41,144	8,794	92,919

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

The planned property sales and the special redemptions in the privatisation segment that these sales will necessitate may cause cash outflow in an amount of approx. TEUR 700 from later periods to be carried over into the next reporting period.

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

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

The ESTAVIS Group has cash and cash equivalents of TEUR 9,258 (previous year: TEUR 10,915) to cover its liquidity risk. The unutilised lines of credit earmarked for completing specific projects amount to TEUR 0 (previous year: TEUR 4,535).

Default risk

The maximum default risk of the ESTAVIS Group is determined by the carrying amounts of its financial assets. It is higher as the Group is a fully liable partner in several investment companies through a subsidiary. This resulted in a liability for their liabilities of TEUR 10,288 by the balance sheet date. By the balance sheet date of the reference period, the Group was still full liable partner of several private equity partnerships that were subsequently sold during the reporting period. As of the balance sheet date of the reference period, the fact resulted in a liability for debt in the amount of TEUR accrued for these companies.

As of the balance sheet date of the prior period, one private equity partnership accounted for 18.3% of the other receivables. There were no corresponding risk concentrations by the balance sheet date of the reporting period.

Interest rate risk

The interest rate risk is incurred by concluding floating rate credit facilities. These are predominantly short-term. To a limited extent, changes in interest rates can therefore lead to higher interest payments for the financial liabilities entered into. In the context of interest rate risks, a sensitivity analysis is used to calculate the effects of changes in interest rates on net profit as of the balance sheet date. It is assumed that the respective portfolio of financial instruments subject to interest rate risks on the balance sheet date will be representative for

the reporting period and the comparative period. If the market interest rate as of the balance sheet date (reporting date of the comparative period) had been 100 basis points higher (lower), the net interest figure as of the balance sheet date would have been TEUR 301 (previous year: TEUR 323) worse (better).

6.26 Related party transactions

Rolf Elgeti, Member of the Supervisory Board of ESTAVIS AG, was paid a compensation at the gross amount of TEUR 60 for advisory services during the financial year.

At the time ESTAVIS AG acquired the company later renamed ESTAVIS Bernau Wohnen GmbH & Co. KG, Rolf Elgeti was a personally liable partner without capital share of that company. In the wake of the acquisition, he left the company in his role as partner liable to unlimited extent.

Dr. Karl-Josef Stöhr is a partner of the law firm Heuking Kühn Lüer Wojtek domiciled in Berlin. ESTAVIS AG has maintained business relations with this law firms, and contracted legal consulting and notarial services as well as capital market law services from it during the financial year.

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

One subsidiary of ESTAVIS Group is a fully liable partner of the Wohneigentum Berlin GbR joint venture This results in a warranty for the liabilities of this civil-law partnership in the amount of TEUR 10,288.

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

	2012/13			2011/12		
	Fixed TEUR	Variable TEUR	Total TEUR	Fixed TEUR	Variable TEUR	Total TEUR
Jacopo Mingazzini (since 16 March 2012)	231	177	407	67	14	81
Torsten Cejka (since 26 March 2013)	63	44	107	–	–	–
Andreas Lewandowski (3 May 2012 to 25 March 2013)	184	–	184	39	8	47
Florian Lanz (CEO until 17 April 2012)	–	–	–	175	18	193
Eric Mozanowski (until 31 December 2011)	–	–	–	110	11	121

The amount of the severance payment for Andreas Lewandowski, who has left the Executive Management Board, is subject to dispute. Adequate provisions were recognised in the accounts.

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

	2012/13			2011/12		
	Fixed	Variable	Total	Fixed	Variable	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Dr. Karl-Josef Stöhr (Chairman)	60	–	60	10	–	10
Rolf Elgeti (Deputy Chairman)	38	–	38	5	–	5
Dr. Philipp K. Wagner (since 23 April 2013)	7	–	7	–	–	–
Michael Kremer (Deputy Chairman until 22 October 2012)	15	–	15	5	–	5
Torsten Cejka (23 October 2012 to 25 March 2013)	18	–	18	–	–	–

7 Other Disclosures

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

	2012/13	2011/12
	TEUR	TEUR
Audits of financial statements	210	293
Other assurance services	–	15
Tax advisory services	–	–
Other services	–	–
Total	210	308

The declaration on the Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act was issued on 16 September 2013 and made permanently available to the shareholders on the homepage of ESTAVIS AG (www.estavis.de).

Berlin, 16 September 2013

Torsten Cejka
Management Board

Jacopo Mingazzini
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 cash flows, the statement of changes in equity, and the notes, as well as the Group Management Report prepared by ESTAVIS AG, Berlin, for the financial year starting 01 July 2012 and ending 30 June 2013. The preparation of the consolidated financial statements and Group management report in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU and the additional requirements of German commercial law under Section 315a (1), German Commercial Code (HGB), is the responsibility of the legal representatives of the company. Our responsibility is to express an opinion on the consolidated financial statements and the Group Management Report based on our audit.

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

Our audit has not led to any reservations.

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

Berlin, this 16 September 2013

KPMG AG
Wirtschaftsprüfungsgesellschaft

Graf von Hardenberg
Wirtschaftsprüfer

Drotleff
Wirtschaftsprüfer

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■ 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

Rolf Elgeti (Deputy Chairman)

Member of the Supervisory Board since 18 Juli 2011

Trading

Other mandates:

Chairman of the Management Board of TAG Immobilien AG, Hamburg

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

Dr. Philipp K. Wagner

Member of the Supervisory Board since 23 April 2013

Lawyer

Other mandate:

Member of the Supervisory Board of TAG Immobilien AG, Hamburg

Michael Kremer (Deputy Chairman until 22 October 2012)

Business Consultant

Other mandate:

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

Torsten Cejka

(23 October 2012 to 25 March 2013)

Lawyer

Other mandate:

Member of the Supervisory Board of Colonia Real Estate AG, Hamburg (until 2 April 2013)

Management Board

Jacopo Mingazzini

First elected: 16 March 2012

Elected until: 15 March 2015

Businessman

Torsten Cejka

First elected: 26 March 2013

Elected until: 25 March 2016

Lawyer

Andreas Lewandowski (until 25 March 2013)

Businessman

■ 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 2013/14

2013

29 November 2013 Quarterly report – 1st quarter 2013/14

2014

24 February 2014 Quarterly report – 2nd quarter / Half year 2013/14

19 May 2014 Quarterly report – 3rd quarter / Nine months 2013/14

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

■ Credits

ESTAVIS

REAL ESTATE PERFORMANCE

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Management Board

Torsten Cejka, Jacopo Mingazzini

Chairman of the Supervisory Board

Dr. Karl-Josef Stöhr, Berlin

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www.derthing.de

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