ESTAVIS AG

Close Brothers Seydler Research AG

Recommendation:	Risk:	Price Target:
BUY (Initiating Coverage)	HIGH (-)	EUR 2.20 (-)

21 December 2011

ESTAVIS – the exit professionals…

…entering into a niche market

- ESTAVIS AG, headquartered in Berlin, is a holding company that is active in trading exit-oriented residential real estate in attractive locations within Germany with a certain focus on the Berlin and Potsdam region. The company´s business concept centres on the acquisition, optimisation / modernisation and sale of residential real estate.

- After the restructuring process 2008/09 ESTAVIS has shifted its focus from property portfolio trading towards selling retail properties to private and institutional investors. Its distribution network reaches throughout Germany. Furthermore, ESTAVIS is newly focussing on the high priced segment especially on listed buildings using tax advantages. In this promising market and with the increasing demand for apartments in general, ESTAVIS could early establish itself as supplier of this asset class and profit from further growth in this segment. It also offers institutional as well as private investors opportunities for more diversification within their portfolio.

- On the equity & liabilities side of the balance sheet the conducted capital increase in April 2011 led to a significant strengthening of the equity ratio to 41.47% in FY 2010/11 from 33.64%. 4.77m shares were placed at a price of EUR 1.70 per share, thereby increasing the total number of shares to 14.32m from 9.55m.

- In our forecast scenario we assume that ESTAVIS´s privatisation business will steadily grow as residential property in Germany has become an attractive investment market.

- With operational costs increasing at similar percentage rates to the growing sales volume we expect net income to climb at higher percentage rates due to the operational leverage.

- Based on a peer group model and a NAV market model we derive a fair value of EUR 2.22 per share. Given that the residential property in Germany has become an attractive investment market and the positive momentum of Berlin we recommend to BUY and set a price target of EUR 2.20 per share.

Key data

FY 12/31, EUR m	2009/10	2009/10	2010/11	2011/12E	2012/13E	2013/14E
Sales	71.3	71.3	53.0	69.7	73.7	79.6
EBIT	4.7	4.7	4.9	5.3	6.1	7.1
Net result	1.1	1.1	0.7	1.0	1.4	1.8
EPS	0.13	0.13	0.07	0.07	0.10	0.13
DPS	0.00	0.00	0.00	0.00	0.00	0.00
Gross margin	41.2%	41.2%	49.4%	42.0%	41.9%	41.6%
EBIT margin	5.7%	5.7%	8.6%	6.9%	7.5%	8.2%
ROE	2.1%	1.3%	1.6%	1.6%	2.3%	2.8%
ROA	2.6%	3.2%	3.6%	3.6%	4.0%	4.6%
P/B	0.00	0.00	0.41	0.41	0.40	0.39
EV/EBIT	15.3	17.0	15.5	15.5	13.6	11.6
P/E	0.0	0.0	24.8	24.8	17.5	13.7

Source: ESTAVIS AG, CBS Research AG

Share price (dark) vs. CDAX

Source: CBS Research AG, Bloomberg, ESTAVIS AG

Change	2011/12E		2012/13E		2013/14E	
	new	old	new	old	new	old
Sales	69.7	-	73.7	-	79.6	-
EBIT	5.33	-	6.1	-	7.1	-
EPS	0.07	-	0.10	-	0.13	-

www.estavis.de
Sector: Real Estate
WKN: A0KFKB
ISIN: DE000A0KFKB3
Reuters: E7SG
Bloomberg: E7S GY

Short company profile:

ESTAVIS AG is a Germany-based holding company that is active in the real estate sector. The company´s business concept centres on the acquisition, optimisation / modernisation and sale of residential real estate and newly focussing on listed buildings.

Share data:

Share price (EUR, latest closing price):	**1.75**
Shares outstanding (m):	14.3
Market capitalisation (EUR m):	25.0
Enterprise value (EUR m):	82.5
Ø daily trading volume (3 m., no. of shares):	14,799

Performance data:

High 52 weeks (EUR):	2.54
Low 52 weeks (EUR):	1.60
Absolute performance (12 months):	-4.3%
Relative performance vs. CDAX:	
1 month	-10.1%
3 months	-20.5%
6 months	-0.6%
12 months	14.6%

Shareholders:

TAG Immobilien AG	20.0%
IPConcept Fund Management S.A.	15.3%
Management	7.5%
Elliston Properties, Kateryna Lakhovska	2.8%
Free Float	54.5%

Financial calendar:

2Q 2011/12 figures — 13 February 2012

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Investment thesis

ESTAVIS has shifted its focus from property portfolio trading towards selling retail properties

ESTAVIS AG, headquartered in Berlin, is a holding company that is active in trading exit-oriented residential real estate. The company is only operating in attractive locations within Germany with a certain focus on the Berlin and Potsdam region. Its distribution network reaches throughout Germany. ESTAVIS has been in a complete restructuring process since 2008/09 and has shifted its focus from property portfolio trading towards selling retail properties to private and institutional investors.

ESTAVIS is focussing on the high priced segment and listed buildings

The company´s business concept centers on the acquisition, optimisation / modernisation and sale of residential real estate. Furthermore, ESTAVIS is newly focussing on the high priced segment especially on listed buildings using the tax advantages. To strengthen its expertise in that field, ESTAVIS fully acquired the B&V Group. Further acquisition´s were made in 2011 with Accentro GmbH and Colonia Residential Sales GmbH.

Entering the niche asset class of listed buildings; B&V is an expert in that field

After the restructuring process, ESTAVIS focuses the niche asset class listed buildings. It has also won an expert in its distribution network for the sale and optimisation of listed buildings with the B&V Group. In this promising market and with the increasing demand for apartments in general, ESTAVIS could early establish itself as expert and supplier of this asset class and profit from further growth in this segment. It also offers institutional as well as private investors opportunities for more diversification within their portfolio.

ESTAVIS also manages an optimisation portfolio with a market value of EUR 64.4m

A remainder after the restructuring is the optimisation portfolio that is a heterogeneous portfolio with commercial and residential properties. Currently it totals in a market value of EUR 64.4m by 724 units and a vacancy rate of ~24%. However, it generates a positive annual income and it leaves the option to generate cash by certain disposals.

Sales declined in FY 2010/11 and 1Q 2011/12

In 1Q 2011/12, sales decreased to EUR 8.02m (PY 10.66m, -24.8%), thereof EUR 3.2m stemmed from the listed property project "Glanzfilmfabrik". Although it is common to see sales and earnings volatility in the financials of project development companies it seems that the difficulties of clients to get access to financing still continue like in FY 2010/11.

Significant strengthening of the equity ratio

On the equity & liabilities side of the balance sheet the conducted capital increase in April 2011 led to a significant strengthening of the equity ratio to 41.47% in FY 2010/11 from 33.64%. 4.77m shares were placed at a price of EUR 1.70 per share, thereby increasing the total number of shares to 14.32m from 9.55m.

Steadily growing privatisation business

In our forecast scenario we assume that ESTAVIS´s privatisation business will steadily grow as residential property in Germany has become an attractive investment market.

Positive operational leverage effects expected

With operational costs increasing at similar percentage rates to the growing sales volume we expect net income to climb at higher percentage rates due to the operational leverage.

BUY recommendation with a price target of EUR 2.20 per share

Based on a peer group model and a NAV market model we derive a fair value of EUR 2.22 per share. Given that the residential property in Germany has become an attractive investment market and the positive momentum of Berlin we recommend to BUY and set a price target of EUR 2.20 per share.

SWOT Analysis

Strengths

- Wide distribution network throughout Germany
- Focus on listed buildings with tax advantages; high priced segment
- Allocation of preferred properties are in top locations in Berlin and Potsdam
- Successful track record in listed buildings since 2001 – one of the biggest player regarding the amount of renovated buildings (~7,000); ESTAVIS further strengthened that position by acquiring B&V Group
- Residential real estate market is less cyclical than office and retail real estate
- High equity ratio of 41%

Weaknesses

- Remaining residential portfolio of the legacy business with high vacancy rate of 35%, commercial portfolio 17%
- Optimisation portfolio is spread unsystematically throughout Germany
- No prime locations of the properties within the optimisation portfolio
- Dependency from the demand for listed buildings

Opportunities

- Focus on high priced segment
- Demand for apartments is high and continues to increase
- TAG Immobilien AG is invested in the company with 20%; that could open market opportunities and co-operations with TAG
- Investors are looking for stable investments after the financial crisis
- The market for listed buildings is a very attractive market and offers great opportunities
- Promising residential real estate market in Berlin; compared to major German cities Berlin real estate is cheap; good investment opportunity
- New business segment that focuses on new buildings

Threats

- In some point, saturation of the listed building market will appear
- The appearance of other players in the listed segment is possible
- Possibility that the optimisation portfolio will negatively affect the result
- TAG could someday liquidate its share in ESTAVIS

Valuation

Valuation on the basis of peer group and NAV market model

We estimate the fair value of ESTAVIS on the basis of two different valuation methods. The peer group model gives us a valuation that is derived from a comparison with similar companies and is therefore close to the market and the NAV valuation allows for an assessment of the asset value of the company.

Consolidation of valuation methods results in fair value of EUR 2.22 per share

We weighted the peer group model and the NAV market model equally with 50%. The market oriented peer group model is influenced by the market turmoil and represents the lower part of the valuation range with EUR 1.78 per share. The asset based NAV market model calculates a fair value of EUR 2.65 per share. The combination of the two models results in a fair value of EUR 2.22 per share for ESTAVIS.

Consolidation of valuation methods

	Weighting factor	Fair value per share (EUR)
Peer group model	50.0%	1.78
NAV market model	50.0%	2.65
Price target per share (EUR)		**2.22**

Source: CBS Research AG

Multiples based on fair value and on current market price

On the basis of our derived fair enterprise value (EV) we calculated an EV/EBIT multiple of 16.7 for 2011/12E, 14.7 for 2012/13E and 12.5 for 2013/14E. The P/Es for 2011/12E until 2013/14E are 31.5, 22.2 and 17.4 and mirror the growth scenario. Furthermore, we calculated the multiples based on the current stock market price, which are stated in the last row of the table below.

Multiples of ESTAVIS AG on basis of our fair value per share

EURm, except EPS (EUR)			EBIT 2011/12E	EBIT 2012/13E	EBIT 2013/14E	EPS 2011/12E	EPS 2012/13E	EPS 2013/14E
Financial estimates for ESTAVIS by CBS Research AG:			5.3	6.1	7.1	0.07	0.10	0.13
	Fair value	**Market price**	**EV / EBIT 2011/12E**	**EV / EBIT 2012/13E**	**EV / EBIT 2013/14E**	**P / E 2011/12E**	**P / E 2012/13E**	**P / E 2013/14E**
Value per share (EUR)	2.22	1.75						
Market capitalisation (EURm)	31.7	25.0						
Enterprise value EV (EURm)	89.2	82.5						
Implied multiples of ESTAVIS								
- on basis of our fair value			16.7	14.7	12.5	31.5	22.2	17.4
- on basis of the current market price			15.5	13.6	11.6	24.8	17.5	13.7

Source: CBS Research AG; Bloomberg

Peer group analysis

Our peer group consists of:

ESTAVIS is a holding company that is active in trading exit-oriented residential real estate. The company has been in a complete restructuring process since 2008/09 and has shifted its focus from property portfolio trading towards selling retail properties to private and institutional investors. A special focus is set on the development of listed buildings using their tax advantages in the Berlin and Potsdam region. We have chosen for our peer group companies with a similar or partially similar business model. The companies are active in the field of developing and asset managing residential real estate.

Peer group: Company data in EURm

Company name	Market cap.	EV	EBIT 2011/12E	EBIT 2012/13E	EBIT 2013/14E	EPS (EUR) 2011/12E	EPS (EUR) 2012/13E	EPS (EUR) 2013/14E
DEUTSCHE WOHNEN AG-BR	1,013	2,790	150	155	159	0.45	0.52	0.57
GAGFAH SA	880	6,246	358	358	356	0.45	0.46	0.43
GSW IMMOBILIEN AG	880	2,294	136	141	150	1.59	1.66	1.85
PATRIZIA IMMOBILIEN AG	171	900	57	60	61	0.20	0.25	0.32
Average	**736**	**3,057**	**175**	**178**	**181**	**n/m**	**n/m**	**n/m**
Median	**880**	**2,542**	**143**	**148**	**154**	**n/m**	**n/m**	**n/m**

Source: CBS Research AG; Bloomberg

Deutsche Wohnen AG

Deutsche Wohnen AG is one of the leading listed housing companies in Germany. Its operational focus is on managing and developing its residential property portfolio. Deutsche Wohnen is based in Frankfurt/Main with a head office in Berlin and manages currently a portfolio that comprises 50,112 units in total, of which 49,664 are residential units and 448 are commercial properties. It focuses on attractive residential properties located in the commercially important Berlin, Frankfurt and Rhine-Main regions.

GAGFAH SA

GAGFAH SA is a residential property company that operates as owner and manager of residential real estate properties in Germany. The Dresden-based company is involved in the management of own and third-party real estate properties, development and sale of real estate properties, and leasing of investment properties. GAGFAH owns a geographically diversified and well-maintained residential property portfolio located throughout Germany, comprising approx. 155,000 apartments.

GSW Immobilien AG

GSW Immobilien AG is a real estate company in Berlin with a portfolio of approximately 53,000 residential units and a total residential space of 3.3m square meters exclusively in the Greater Berlin area. A subsidiary of GSW also manages approximately 17,500 residential- and commercial units for third parties. GSW's corporate strategy is focused on the long-term rental management of residential property, using a systematic approach intended to enhance both customer satisfaction and operational efficiency. As at December 31, 2010, the Company's property portfolio was valued at approximately EUR 2.6 bn.

PATRIZIA Immobilien AG

PATRIZIA Immobilien AG located in Munich, is an integrated real estate group that has been operating in the German market for over 25 years. PATRIZIA covers every step of the real estate value chain including the purchase, value optimisation and placement of residential and commercial real estate. Around 80% of the portfolio is situated at Germany´s top five locations – in Berlin, Frankfurt/Main, Hamburg, Cologne/Düsseldorf and Munich. PATRIZIA has approx. 8,500 units in its portfolio. Almost half of its portfolio is located in Munich. Investment properties and properties for resale make up half of the asset portfolio each.

Peer Group: Multiples

Company name	EV / EBIT 2011/12E	EV / EBIT 2012/13E	EV / EBIT 2013/14E	P / E 2011/12E	P / E 2012/13E	P / E 2013/14E
DEUTSCHE WOHNEN AG-BR	18.4	17.8	17.4	22.0	19.0	17.5
GAGFAH SA	17.4	17.4	17.5	8.8	8.6	9.3
GSW IMMOBILIEN AG	16.7	16.1	15.2	13.5	13.0	11.6
PATRIZIA IMMOBILIEN AG	15.6	15.0	14.8	16.3	12.9	10.4
Average	**17.0**	**16.6**	**16.2**	**15.2**	**13.4**	**12.2**
Median	**17.1**	**16.8**	**16.3**	**14.9**	**12.9**	**11.0**

EURm, except EPS (EUR)		EBIT 2011/12E	EBIT 2012/13E	EBIT 2013/14E	EPS 2011/12E	EPS 2012/13E	EPS 2013/14E
ESTAVIS AG: Financial estimates CBS Research		5.3	6.1	7.1	0.07	0.10	0.13
Applied multiples: Peer group average		17.0	16.6	16.2	15.2	13.4	12.2
Enterprise value (derived)		**90.8**	**100.9**	**115.6**	-	-	-
+ Excess cash and marketable securities	2.4						
- Financial debt and minority interest	-59.9						
Market capitalisation (derived)		**33.4**	**43.4**	**58.1**	**15.3**	**19.2**	**22.2**
Average	**31.9**						
Premium (discount) vs. Peer Group	-20%						
Fair market capitalisation (after discount)	**25.6**						
Number of shares (m)	14.3						
Fair value per share (EUR)	**1.78**						

Source: CBS Research AG; Bloomberg

Peer group model results in a fair value of EUR 1.78 per share

The peer group model results in a market cap of EUR 31.9m. After applying a 20% discount to consider the small market cap and free float of ESTAVIS, the peer group model results in a fair market cap of EUR 25.6m or EUR 1.78 per share.

NAV market model

We use IFRS book value as proxy for NAV

In our NAV calculation we use the equity book value as a realistic proxy for NAV aiming for a straight forward valuation. Of course this can differ in some cases from reported NAVs where specific management assumptions are included.

Calculating current NAV peer group discounts

First, we calculate the current average and median discount to NAV of our peer group, which we will serve as guidance in our NAV market model. The average discount is 33.5% and the median discount is 33.3%.

Peer Group: current NAV premium / discount

Company name	NAV per share (EUR)	Share price (EUR)	Premium / Discount to NAV (in %)
DEUTSCHE WOHNEN AG-BR	10.73	9.90	-7.7%
GAGFAH SA	9.83	3.97	-59.6%
GSW IMMOBILIEN AG	28.21	21.44	-24.0%
PATRIZIA IMMOBILIEN AG	5.72	3.28	-42.6%
Average			**-33.5%**
Median			**-33.3%**
ESTAVIS AG	4.24	1.75	-58.8%

Source: CBS Research AG, Bloomberg, company data

NAV 2011/12E before market discount: EUR 4.31 per share

Our NAV market model shows a steady increase of the NAV. We estimate a NAV of EUR 61.7m in 2011/12E before market discount or EUR 4.31 per share. This would mean that ESTAVIS currently trades at a discount of almost 60% on the basis of a current share price of EUR 1.75.

NAV market model

EURm, except NAV per share (EUR)		NAV 2011/12E	2012/13E	2013/14E
ESTAVIS AG: Financial estimates CBS Research				
Investment property		33.9	35.3	36.8
Inventories		62.9	64.1	65.4
Cash and cash equivalents		3.9	4.2	4.9
Other assets		49.0	49.4	49.9
Financial liabilities		-63.9	-65.7	-67.5
Other liabilities		-24.0	-24.3	-24.6
NAV before market discount		61.7	63.1	65.0
NAV per share before market discount (EUR)		**4.31**	**4.41**	**4.54**
Market discount		-40%	-40%	-40%
NAV after market discount		37.0	37.9	39.0
NAV per share after market discount (EUR)		**2.59**	**2.65**	**2.72**
Ø NAV before market discount	**63.3**			
Shares outstanding (in millions)	14.3			
Ø NAV per share before mkt discount (EUR)	**4.42**			
Market discount	-40%			
Fair value per share (EUR)	**2.65**			

Source: CBS Research AG

NAV market model results in fair value of EUR 2.65 per share

We apply a discount of 40% on the average NAV per share before market discount from 2011/12E to 2013/14E to consider the smaller market cap and free float of ESTAVIS in comparison to its peers. The calculation gives us a fair value of EUR 2.65 per share for ESTAVIS.

The company

Short profile

Shift from portfolio trader to selling properties

ESTAVIS AG, headquartered in Berlin, is a holding company that is active in trading exit-oriented residential real estate. The company has been in a complete restructuring process since 2008/09 and has shifted its focus from property portfolio trading towards selling retail properties to private and institutional investors.

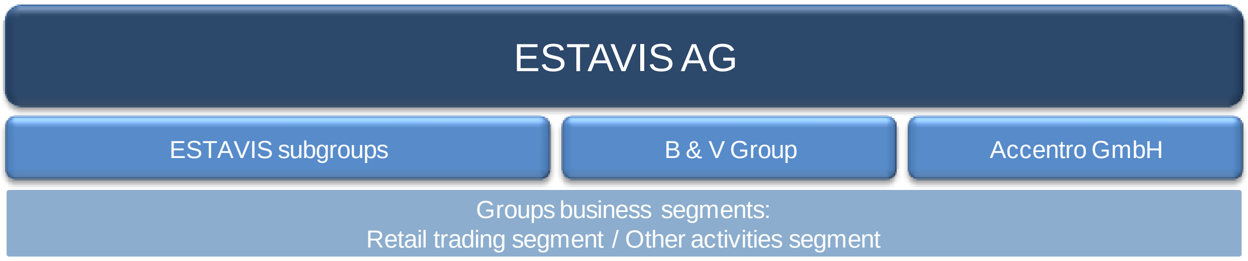
Focussing on listed buildings in Berlin and Potsdam region

The company´s business concept centers on the acquisition, optimisation / modernisation and sale of residential real estate and newly focussing on listed buildings using the tax advantages. The company is only operating in attractive locations within Germany with a certain focus on the Berlin and Potsdam region. Its distribution network reaches throughout Germany.

ESTAVIS operates in 1) Retail Trading Segment and 2) Other Activities Segment

The company´s business model is now essentially based on sales of residential properties and offers solutions for institutional and private investors. ESTAVIS´s operations are divided into two segments, 1) The Retail Trading Segment and 2) Other Activities Segment.

Corporate structure



Source: ESTAVIS AG, CBS Research AG

ESTAVIS AG acts as an operating holding company

ESTAVIS AG acts as an operating holding company for a number of property management companies and subsidiaries. The company performs the functions of corporate and strategic management, financing and administration in the ESTAVIS Group.

Full control over B & V that added a wide network and high expertise in listed buildings

The full (100%) takeover of B & V Bauträger- und Vertriebsgesellschaft für Immobilien mbH in Berlin in Oct. 2007 was an important acquisition (now operating under B & V GmbH & Co. KG in Leipzig). B & V, mainly operating in the new federal states of Germany, is specialised in the renovation and sale of listed buildings, which can be used for attractive tax depreciation purposes. The company has also brought a large distribution network and expertise in listed building renovation into the ESTAVIS Group. The former partner of B & V, Eric Mozanowski, became managing director of B&V and CSO of ESTAVIS.

Accentro and Colonia Residential Sales GmbH

In 2011, ESTAVIS acquired the property privatisation division of Colonia Real Estate AG along with its subsidiary Colonia Residential Sales GmbH that holds various properties. The acquired division operates from Stuttgart under the name Accentro which was acquired by an asset deal. Accentro is also active as a service provider for GSW Immobilien AG and SüdWERT.

Company milestones

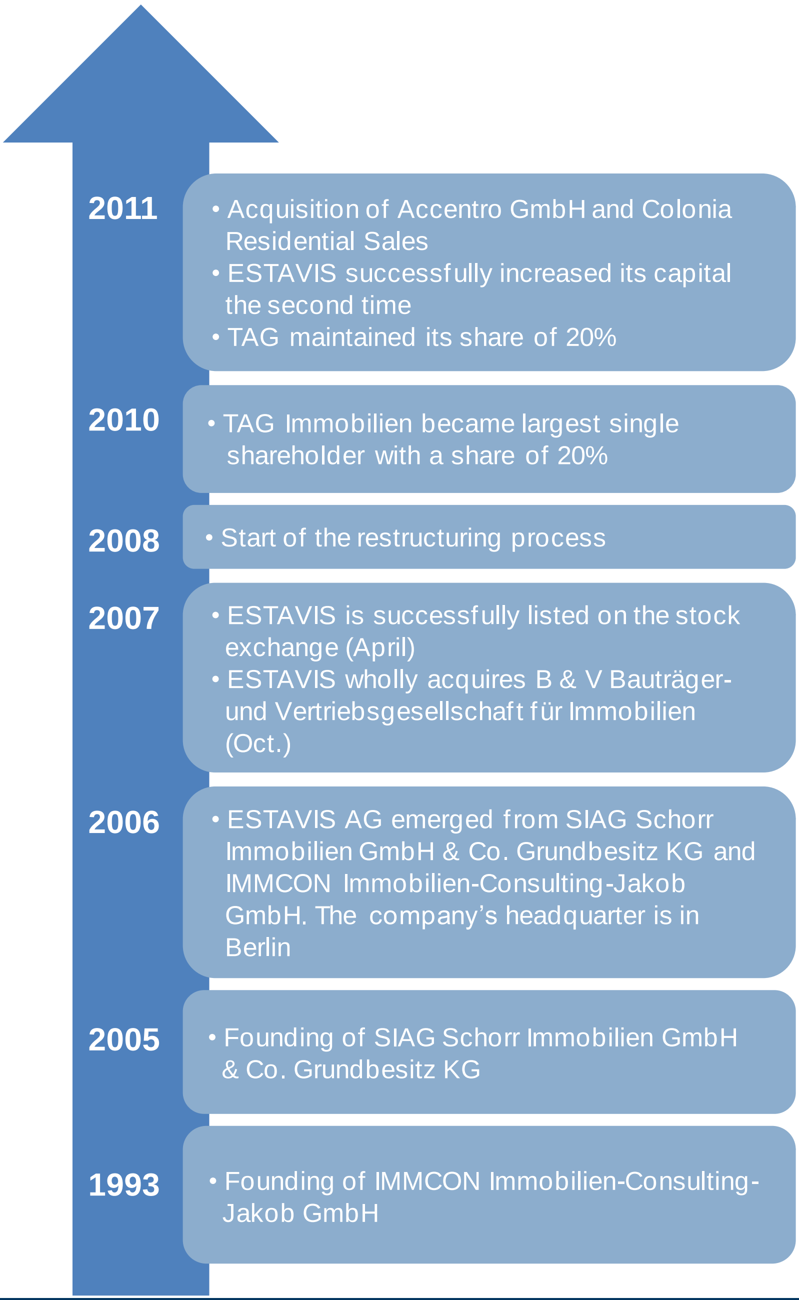
Since its foundation as IMMCON Immobilien-Consulting-Jakob GmbH in 1993, the company has grown and experienced a lot of changes. In 2006, ESTAVIS AG emerged from SIAG Schorr Immobilien GmbH & Co. Grundbesitz KG and IMMCON Immobilien-Consulting-Jakob GmbH. In April 2007, ESTAVIS was successfully listed on the stock exchange.

In 2007 ESTAVIS floated on the stock exchange

To set up the focus on listed buildings, ESTAVIS fully acquired the B & V Group in 2007. Further acquisitions were made in 2011 when ESTAVIS bought Accentro GmbH and Colonia Residential Sales GmbH.

Acquisition of B&V, Accentro and Colonia Residential Sales

Company milestones



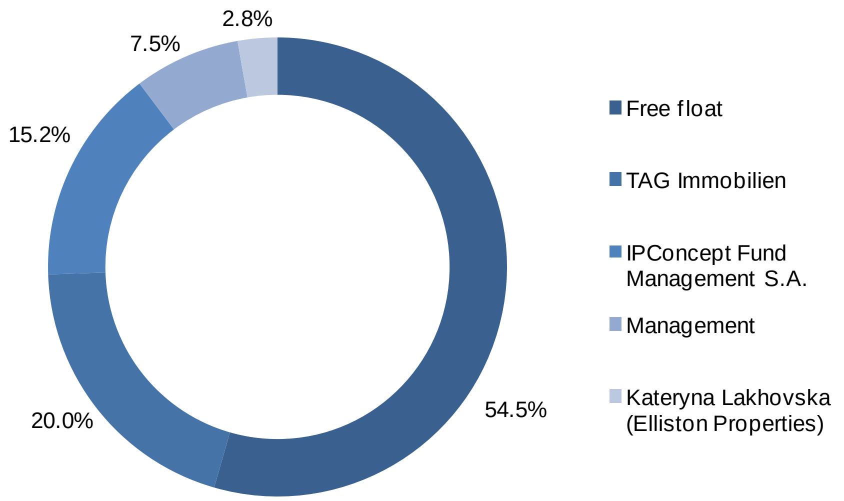
Source: ESTAVIS AG, CBS Research AG

Shareholder structure

TAG owns a share of 20%, free float amounts to 54.5%

The biggest shareholder of ESTAVIS is TAG Immobilien AG with 20.0%. IPConcept Fund Management S.A. owns a stake of 15.25% (thereof approx. 13.2% are attributed from Flossbach von Storch SICAV) and Elliston Properties in person of Kateryna Lakhovska holds 2.8% of the shares. The management of ESTAVIS, Florian Lanz (6.1%) and Eric Mozanowski (1.4%), are invested with a stake of 7.5%. The free float amounts to 54.5%.

Business segments



Source: ESTAVIS AG, CBS Research AG

TAG holds a 20% stack and became the largest single shareholder

With an interest of around 20%, TAG Immobilien AG became the largest single shareholder in ESTAVIS AG in May 2010. TAG acquired its interest by way of capital increase against non-cash contributions and by buying shares on the equities market. TAG seems committed what the company showed when ESTAVIS increased its capital the second time in the end of April 2011 and by not getting diluted. TAG maintained its stake of 20% in ESTAVIS.

Management Board

The executive board of ESTAVIS AG currently consists of two members:

Florian Lanz

Florian Lanz (CEO) (born 1974) holds a business degree from University St. Gallen. Following his studies, he started his professional career at Altium Capital (prev. Apax Partners Corporate Finance). In 2002, he founded the real estate companies LAGO invest and LAGO service. Between 2004 and 2008, Florian Lanz was managing partner of a nationwide German property company that he had founded as a joint venture with a group of renowned international investors (GOAL service GmbH). From 2008 on, Lanz was managing director of Deutsche Wohnimmobilien und Anlagegesellschaft mbH (DEUWA). As of 1 July 2009, he was appointed Chief Executive Officer, responsible for the areas of strategy, communication and key accounting.

Eric Mozanowski

Eric Mozanowski (CSO) (*1966) holds a business degree as specialist in the real estate and housing sectors. From 1987 onwards, he was managing partner of several real estate companies. Between 2002 and 2007 Eric Mozanowski was partner of B&V Bauträger- und Vertriebsgesellschaft für Immobilien mbH, Berlin (B&V). Following the takeover of B&V by ESTAVIS AG in October 2007, Eric Mozanowski became managing director of B&V. Eric Mozanowski was appointed as board member as of October 1, 2008 and is responsible for the retail business activities.

Supervisory Board

The Supervisory Board of ESTAVIS AG is headed by **Dr. Karl-Josef Stöhr**. He has worked as a lawyer since 1990. Since 2006, he has worked at Sozietät Heuking Kühn Lüer Wojtek in Berlin as a partner.

Michael Kremer (born 1951), Vice-Chairman of the Supervisory Board, worked at Deutsche Bank during his business administration studies. He later worked at BFG Bank, Aareal Bank, DB Real Estate and London & Regional Properties GmbH and Strategic Value Partners (Germany). Currently, Michael Kremer acts as a freelance consultant. He has been a member of the Supervisory Board since the establishment of ESTAVIS AG.

Rolf Elgeti (born 1976) leads the Management Board of TAG Immobilien AG since July 2009 which is the largest single shareholder of ESTAVIS AG. Mr. Elgeti holds a Masters degree in business administration, worked as an analyst in the UK, including ABN Amro and Commerzbank Securities among others, and is a member of other controlling bodies within the German real estate sector.

Business model and strategy

Restructuring of business activities

Diversifying its service range and intensifying its retail activities

The company has been in a complete restructuring process since 2008/09 and has shifted its focus from property portfolio trading towards selling retail properties to private and institutional investors. As a result, ESTAVIS was diversifying the service range and intensifying on the retail activities. ESTAVIS is an exit-oriented real estate trader. However, ESTAVIS also operates a portfolio that holds properties to generate cash flows through rental income. It is called the optimisation portfolio.

Disposal of subsidiaries / loss making investments and reduction of business segments

The scope of the Group structure of ESTAVIS was reduced significantly by the disposal of subsidiaries and loss making investments. As part of its reorientation in the 2008/09 financial year, the ESTAVIS Group disposed of some of its business activities. The number of segments was reduced from five (Portfolio Trading, Development, Property sale to private investors, Property asset management and Property management) to two (Retail Trading and Other Activities) segments.

New business model and strategy

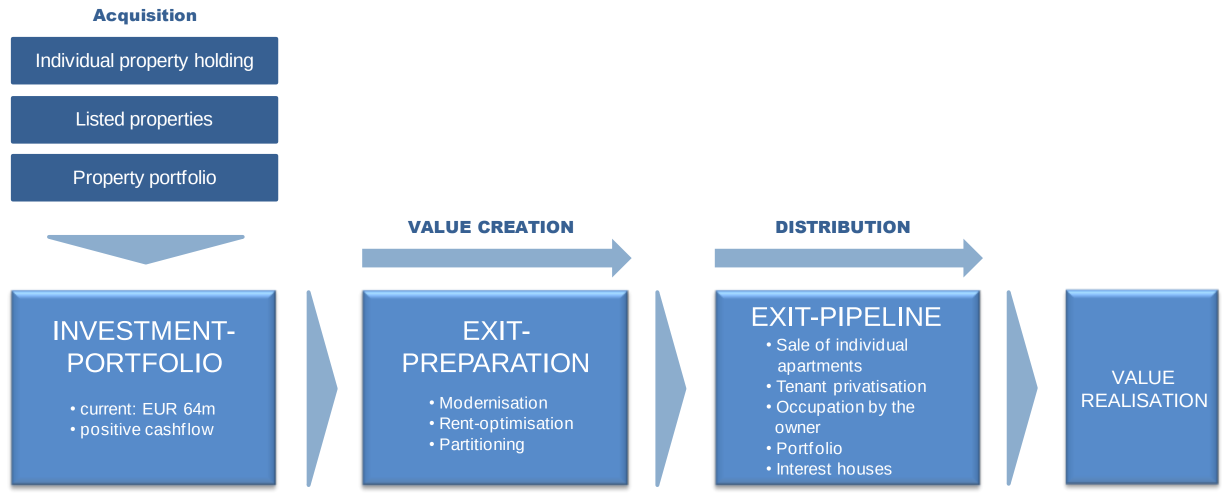
Retail Trading and Other Activities Segment

The company´s business model is now essentially based on sales of residential properties and offers solutions for institutional and private investors. ESTAVIS´s operations are divided into two segments. **The Retail Trading Segment**, which comprises the sale of apartments to private as well as institutional investors primarily for the purposes of retirement provision and as tax-advantaged investments, and **Other Activities Segment**, which includes the exploitation of properties held as inventories that do not belong to the retail business. It includes the optimisation portfolio that generates regular rental income from residential property holdings held for future disposal. It also includes a low level of commercial properties.

Strong distribution partners in Retail Trading Segment

Within the **Retail Trading Segment**, ESTAVIS purchases, renovates and distributes around 600-800 apartments per annum according to the company. The company has a strong distribution network available throughout Germany, which helps a fast exit. Distribution partners are spread across Germany and by the acquisition of B & V, ESTAVIS added a strong distribution partner to its network and at the same time an expert in the field of listed buildings. The recent acquisition of Accentro Gmbh was made to broaden the product portfolio of ESTAVIS and to strengthen the sale of units to private persons or tenants.

Exit oriented value chain

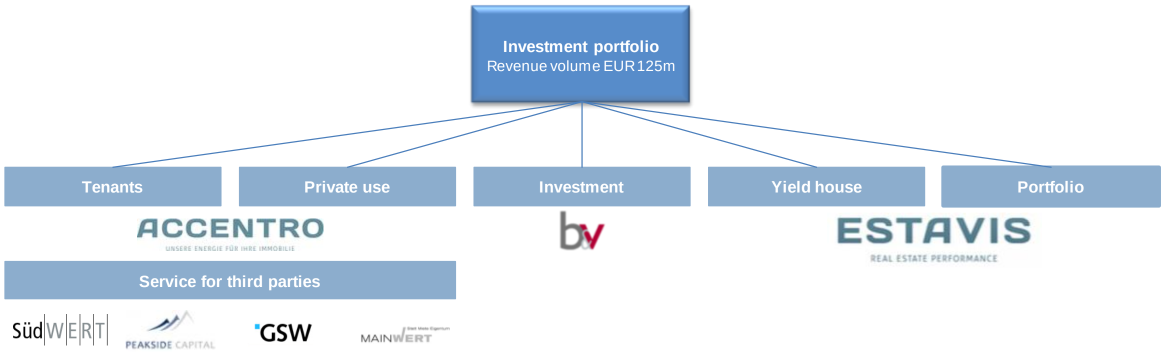


Source: ESTAVIS AG, CBS Research AG

The business strategy primarily focuses on value adding through optimisation and a rapid sale. The first step, as you can see on the illustration above, is the acquisition of a property and the integration into the investment portfolio. ESTAVIS is seeking for properties and buildings with high potential for value enhancement through targeted optimisation, listed buildings or property portfolios. Through modernisation, optimisation or new partitioning (typical project development activities), the properties will be prepared for the exit. The exit pipeline includes many distribution opportunities and finally realises the value of the complete process.

Business strategy focuses on value adding through optimisation and a rapid sale

Distribution network



Source: ESTAVIS AG, CBS Research AG

The distribution channel of ESTAVIS significantly improved through the acquisition of B & V and Accentro. Accentro is responsible for sale to tenants and private person, B & V to investors and ESTAVIS covers the fields of interest / yield houses as well as portfolio sale. Furthermore, Accentro has distribution cooperation`s with some leading real estate companies such as GSW, SüdWERT, Peakside Capital and MainWert. These partnerships comprise the sale to tenants and privates.

Distribution channel significantly improved

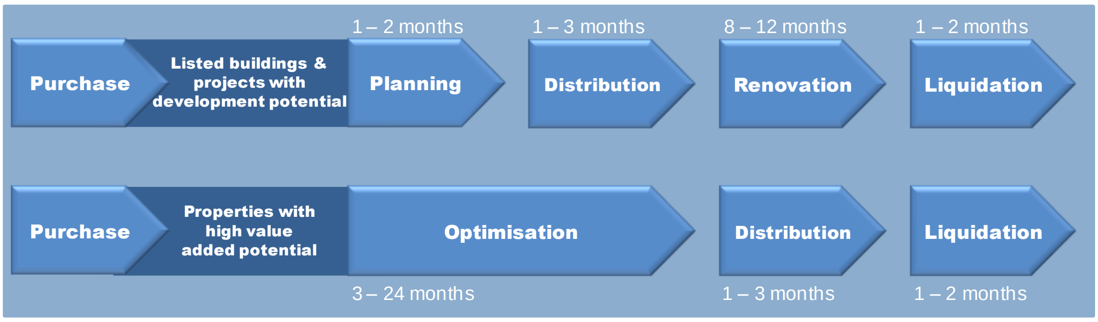
Another important component of ESTAVIS new business strategy is the focus on the high priced segment, especially listed buildings that offer tax advantages. ESTAVIS, with its subsidiary B & V, is leading in the optimisation and sale of the asset class listed buildings in Germany, according to the company. Since 2001, the company already sold about 7,000 listed units to private investors.

Focus on high priced segment: listed buildings with tax advantages

Value chain...

Below you see the project value chain. Two possible ways are shown: either ESTAVIS purchases 1) listed properties or 2) properties with high development potential (cash flow optimisation potential).

Value chain of listed buildings and value-added properties



Source: ESTAVIS AG, CBS Research AG

...with optimisation period up to 24 months

Compared to value added properties, the distribution process of listed buildings starts after the planning. The optimisation work will not begin until the distribution has been completed. Depending on the current state of the building, the time for optimisation varies up to 24 months or more. The exit or sale of the optimised property always finishes the value chain.

Management of optimisation portfolio

ESTAVIS also manages an optimisation portfolio belonging to **Other Activities Segment**. It is mostly arising out of the historical stock. ESTAVIS purchases, optimises and either rents or sells the properties as a classical property manager. The portfolio could also serves to generate cash for focussing on the new core business and acquiring new properties.

New business segment: Construction of new buildings

Recently ESTAVIS announced its broadening engagement in the field of new construction. The exit oriented new business segment comprises new buildings in middle-priced segment constructed in wood panelling building method using cellulose insulation. However, the activities are still in early stages of development. The project “Schokostücke” in Berlin is the first project in that field.

Conclusively we can say that the Retail Trading Segment with the focus on listed buildings is seen as the core business activity after the restructuring process and the key driver for the company´s sales figure (~85% of total sales in FY 2010/11). The strategy is clearly defined and the acquisitions that were made could further improve strategy and portfolio.

Tax advantages with listed buildings

Tax advantage for property investors

Under sections 7h and 7i of the German Income Tax Act, investors can claim higher depreciation on listed buildings and properties in redevelopment areas. This advantage is used by ESTAVIS to create an interesting investment for private or institutional investors. About 70% of total costs of renovation can be amortised corresponding to §7 (EStG) of German Income Tax act alternatively §10f (EStG). This is one of the last tax advantages and makes these properties highly attractive to many investors.

Property Portfolio

ESTAVIS´s property portfolio consists of an **investment portfolio** and an **optimisation portfolio.** The investment portfolio belongs to the Retail Trading Segment and is an exit-oriented portfolio. It holds the properties that are meant for optimisation and sale afterwards. The optimisation portfolio holds properties that create cash flows of renting activities and which can be sold after optimisation.

Investment- and optimisation portfolio

Investment portfolio

The investment portfolio comprises exclusively residential properties with a focus on listed buildings. Listed buildings offer a tax advantage for several different investor groups like private and institutional. Listed buildings also have a truly unique charm and have a certain exclusivity that is not available in new buildings. However, the living space in old buildings mostly is not as efficient as in new constructions. Two significant projects, located in Berlin, are shown below. Both showed a great distribution success. The demand for this special type of building is high.

Exclusively residential properties and a focus on listed buildings

Kastaniengärten

"Kastaniengärten" is a listed building located in Berlin-Schöneberg, with 41 high-quality, loft-like apartments that are being created in an industrial area dating back to 1910. Schöneberg is located in the centre of Berlin and counts to one of the hot spot quarters within Berlin. The living space varies from 59.4 – 109.8 m². The units are already completely sold. Construction work started in December 2010 and the estimated date of completion is dated to end of 2011.

Listed building in the heart of Berlin

Kastaniengärten	
Location	Berlin-Schöneberg
Type of building	Residential
Units	41
Price per square meter	EUR ~3,000
Revenue volume	EUR ~11.0m
Current status of sale	100%
Date of completion	2011
Description	Landmark industrial area

Source: ESTAVIS AG, CBS Research AG

Kodak-Glanzfilmfabrik

The former industrial area Kodak-Glanzfilmfabrik is a listed ensemble with 37,600 m² and offers 230 attractive apartments and town houses in immediate vicinity of the Spree River. The development offers two- to five-bedroom apartments with a living space from 45 – 225 m².

Listed ensemble with 230 apartments close to the Spree

Glanzfilmfabrik	
Location	Berlin-Köpenick
Type of building	Residential
Units	230
Price per square meter	EUR ~3,000
Revenue volume	EUR ~65.0m
Current status of sale	text below
Date of completion	2013
Description	Landmark ensemble

Source: ESTAVIS AG, CBS Research AG

The historical monuments were erected in 1922 and are located in Berlin-Köpenick. The area includes a landing stage, underground car parking and elevators in the buildings. It runs by an ecological energy concept on biogas and a block heating station. The development is divided into six construction stages. The first, second and fourth construction stages are completely sold whilst the third construction stage is sold by ~78%, as of Oktober 2011. The fifth construction stage is completely sold. The date of completion is set for 2013.

New project: Friedrichshöhe

The project underlines the presence in Berlin

Recently, ESTAVIS acquired another listed monument in Berlin. The acquisition of this project underlines ESTAVISs presence in the Berlin region and the ability to acquire well-located properties.

Well located and expected total revenues of approx. EUR 43m

Located in the popular borough Friedrichshain, the former brewery should offer a total of 149 apartments and additionally nine commercial units. Further 5,200 m² of new construction space should be added to the existing building on the listed site comprising approx. 8,400 m². According to the company, it expects total revenues of around EUR 43m.

New construction project: Berlin Alt Hohenschönhausen

With the new project "Schokostücke" in Berlin Alt-Hohenschönhausen, ESTAVIS enters the field of new construction. ESTAVIS will develop the last construction stage of the old sugar-factory that includes 126 condominiums (freehold flats) or rented apartments (rented flats). The total net living space amounts to approx. 10,000 m². The units will either be sold to private users or investors or globally to institutional investors. According to the company, the average price per m² is ca. EUR 2,430 and total revenue could reach around EUR 24m.

Schokostücke	
Location	Berlin, Alt-Hohenschönhausen
Type of building	Residential
Units	126
Price per square meter	EUR ~2,430
Revenue volume	EUR ~24.0m
Current status of sale	pre-planning
Date of completion	-
Description	Old factory area

Source: Estavis AG, CBS Research AG

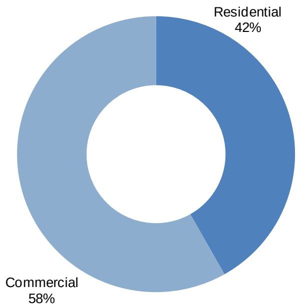
Optimisation portfolio

Optimisation portfolio comprises 56% commercial and 44% residential properties

The optimisation portfolio, mostly arising out of historical stock, is a heterogeneous portfolio with commercial as well as residential properties. It consists of 56% commercial and 44% residential properties. It currently shows a high vacancy rate of 26% within the residential and 19% within the commercial properties as of August 2011.

Optimisation portfolio and share of total floor space in % (as of 31 October 2011)

Real estate figures	
Property asset value	EUR 71.9m
Renting units	875
Total floor space	94,237 m²
Living space	39,400 m²
Commercial space	54,837 m²
Vacancy living	22.0%
Vacancy commercial	17.6%



Source: ESTAVIS AG, CBS Research AG

High vacancy rate is due to the acquisition of a Leipzig portfolio

The high vacancy rate is due to the 45% vacancy of the acquired residential portfolio in Leipzig. 214 apartments that add up to a total space of 12,443 m² and a volume of EUR 6.9m. The acquisition is used for expanding the portfolio geared towards optimisation and subsequent disposal. After completion of the renovation work and significantly reducing the vacancy rate, the apartments will be sold individually or as part of a global sale. This shows the strategy for the residential properties of the portfolio: Acquisition of improvable property portfolios, optimisation within 12 months and a subsequent sale.

Overview of optimisation portfolio (as of 31 October 2011)

Residential key data		Commercial key data	
Renting units	644	Renting units	219
Living space	39,400 m²	Commercial space	54,837 m²
Vacancy	22.0%	Vacancy	17.6%
Regional allocation		Utilisation	retail, office, stor.
- Saxony	46%	Regional allocation	
- Lower Saxony	11%	- Stralsund	24%
- Bavaria	9%	- Berlin	14%
- Baden-Württemberg	8%	- Saxony	14%

Source: ESTAVIS AG, CBS Research AG

Hold and Sell strategy for the commercial properties

Regarding the commercial properties within the optimisation portfolio, ESTAVIS is focusing a “Hold & Sell” strategy. The vacancy rate of 19% should be reduced. However, ESTAVIS has long lasting contracts with credible partners that will secure renting income.

Disposal of commercial properties in the first and the third quarter

ESTAVIS has made further progress in the restructuring and the optimisation of the portfolio. In 1Q 2010/11 ESTAVIS sold a newly built commercial centre in Pforzheim with long-term letting agreements at a profit for EUR 3.6m and in 3Q, it sold a commercial property in Stuttgart also at a profit for EUR 3.4m.

High vacancy rate of 22.5% but positive cash flow effects

The optimisation portfolio hardly matches to the other business segments of ESTAVIS. Furthermore, it has a high vacancy rate of 22.5% (26% residential; 19% commercial). However it creates a positive cash flow p. a. and it offers opportunities to liquidate part of it financing further projects that could go into investment portfolio. It seems as a burden but with hidden potential and chances for ESTAVIS.

Pipeline

Pipeline filled with EUR 90m in listed buildings

According to the company, there is a revenue pipeline existing with about EUR 90.0m in listed buildings. The key activity is in Berlin and Saxony. The Berlin region is an attractive market for real estate investments, where the rent as well as the price for real estate is comparably low versus the other German major cities. Both Glanzfilmfabrik and Kastaniengärten were great successes in the track record of ESTAVIS and could open further doors for developments and properties that kind. Chances are given that ESTAVIS further establishes itself on the market.

Market environment

The major business activity is seen in the residential real estate and not in commercial real estate. The main location of ESTAVIS´s activities is Berlin, Potsdam and the Saxony region.

Residential real estate in Germany

Germany has the largest housing market in Europe but a different owner structure

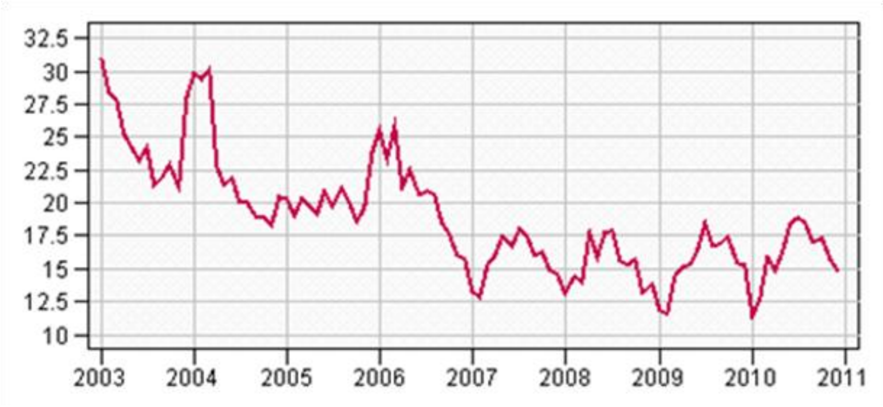
With around 40.2m residential units, Germany has the largest housing market in Europe, but is different from other European countries in terms of its ownership structure and price development. At around 43%, Germany has a relatively low level of owners compared to the rest of Europe, according to ESTAVIS. In contrast to other major markets such as the US, Spain or France, the price performance of German residential property remained stable for many years. In the crisis years between 2007 and 2009, these foreign markets, unlike the German market, experienced considerable price declines.

Demand for residential real estate is increasing

Households are increasing in Germany

Despite a shrinking number of inhabitants in Germany, from 82.6m in 2005 to 78.9m in 2020, the number of households is increasing from 39.77m to 40.49m in 2025 (Source: Statistisches Bundesamt Deutschland). Consequently the demand for apartments will increase. Additionally, through further urbanisation of the big cities the demand grows, too.

Permits granted in building construction, Residential and non-residential buildings, original values, 1,000



Source: DESTATIS, CBS Research AG

Building permission activity in Germany

The illustration above shows the permission activity in Germany. The building permits for dwellings in Germany rose from 174.595 in 2008 up to 187.667 in 2010 by 7.5%. By comparison, in 2004 there were 268.123 permits given, according to the Statistisches Bundesamt Deutschland.

New construction activity is very low

The housing market in Germany is characterised by a low level of new construction activity compared to the rest of Europe. The number of apartments completed declined by around 10% yoy to 140,000 units in 2009. Thus, only 17 new apartments were built per 10,000 inhabitants.

Number of residential units not in accordance with the number of households

There are some cities in Germany where the number of residential units has risen faster than the number of households. According to a report by the Eduard Pestel Institute for Applied Systems Research, more than 400,000 apartments would have to be built per year until 2014 to keep up with the market demand.

Berlin housing market

Major focus on Berlin

ESTAVIS primarily focuses on Berlin, Europe´s second largest and Germany´s largest city with a dozen districts and well connected by an efficient public transport system. Berlin´s average real estate prices are low compared to other German prime locations like Munich, Dusseldorf, Frankfurt and it is below German average.

Households and inhabitants are increasing in Berlin

According to a report of Investitionsbank Berlin (IBB), through the highly attractive location of Berlin, especially the inner city centre, the number of inhabitants increased in 2009 since ten years. The quarters Pankow and Friedrichshain-Kreuzberg showed the strongest increase by 8.5% and 7.5% over the last years. The number of households grew by 9.1% from 1.82m to 1.98m over the last ten years. The share of single households grew from 47% up to 54% since 2000, according to IBB. But the number of apartments did not increase by the same measure.

Increasing demand let the prices rise in the future

According to IBB, the amount of new constructions remained static over the last years in Berlin. The biggest part of the residential property within the city is represented by apartments. Since hitting the rock bottom in 2007, the net cold rent increased and amounted to EUR 6.17 per m² (median) in 3Q 2010. The IBB forecasts a further increase in the net cold rent. The price of apartments became 14% higher since 2006. The average price is EUR 1,745 per m² and reaches to EUR 2,399 in Berlin-Mitte. Because of increasing demand and slowly growing offer, the IBB reckons with further rise in the prices for apartments.

Listed buildings as asset class

Attractive tax saving options in listed buildings

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

Gains on property sales are completely tax-free

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

Residential real estate as an attractive investment

An attractive and stable investment for the investors

For many investors an apartment has become, after the financial crisis, an attractive investment. In terms of value retention and appreciation, yield, tax deductibility, inflation protection and pension provision, property investments are excellently suited for wealth accumulation. Residential properties are a relatively safe haven in the sea of investment options. As a crisis-proof investment it is less dependent on economic cycles than office or hotel properties. People always need to live somewhere.

Financials

Historic operating and financial development

FY 2010/11

25.7% lower sales in FY 2010/11

Amongst others, the difficulties of clients to get access to financing lead to 25.7% lower sales of EUR 53.01m (PY: EUR 71.33m).

Drop in sales was offset by fewer expenses

The drop in sales was mainly offset by 41.3% lower COGS (EUR 28.67m vs. EUR 48.87m), which was due to lower sales activities, EUR 6.5m lower other operating expenses and investment property valuation gains of EUR 3.43m.

Increasing interest expenses

Personnel expenses of EUR 2.73m and depreciation were almost unchanged in comparison to last year. The financial result decreased to EUR -4.16m vs. EUR -3.40m as the average interest rate in the company increased from 5% to 7%.

Net income -34% but result from continued operations +9.6%

Net income slid to EUR 0.71m (PY: EUR 1.07m, -34%) but the result from continued operations increased by 9.6% to EUR 0.71m from EUR 0.65m.

ESTAVIS AG

Profit and loss account (FY 06/30)

IFRS EURm	2009/10	2010/11	Change	% change
Sales	**71.33**	**53.01**	**-18.3**	**-25.7%**
IAS 40 fair value valuation of investment property	0.00	3.43	3.4	n.m.
Other operating income	9.67	7.10	-2.6	-26.6%
Change in inventories	2.16	-6.92	-9.1	-420.7%
Total revenues	**83.16**	**56.62**	**-26.5**	**-31.9%**
COGS	-48.87	-28.67	20.2	41.3%
in % of total revenues	-58.8%	-50.6%		
Gross income	**34.28**	**27.95**	**-6.3**	**-18.5%**
in % of total revenues	41.2%	49.4%		
Personnel expenses	-2.66	-2.73	-0.1	-2.4%
Other operating expenses	-26.77	-20.24	6.5	24.4%
EBITDA	**4.85**	**4.99**	**0.1**	**2.8%**
in % of total revenues	5.8%	8.8%		
Depreciation and amortisation	-0.13	-0.13	0.0	5.3%
EBIT	**4.72**	**4.86**	**0.1**	**3.1%**
in % of total revenues	5.7%	8.6%		
Financial result	-3.40	-4.16	-0.8	-22.3%
EBT	**1.32**	**0.70**	**-0.6**	**-46.5%**
in % of total revenues	1.6%	1.2%		
Taxes	-0.67	0.00	0.7	100.4%
Result from continued operations	0.65	0.71	0.1	9.6%
Result from discontinued operations	0.42	0.00	-0.4	-100.0%
Net income including minorities	**1.06**	**0.71**	**-0.4**	**-33.6%**
Minority interests	0.01	0.00	0.0	-100.0%
Net income attributable to shareholders	**1.07**	**0.71**	**-0.4**	**-34.0%**
in % of total revenues	1.3%	1.2%		
Shares outstanding (in millions)	8.46	10.65	2.2	25.8%
Earnings per share (EUR)	**0.13**	**0.07**	**-0.1**	**-47.5%**
EPS from continued activities	0.08	0.07	0.0	-12.9%
EPS from discontinued activities	0.05	0.00	0.0	-100.0%

Source: CBS Research AG, ESTAVIS AG

The change in the business model towards benefiting from the different stages of the real estate value chain has been reflected in the balance sheet as well. While in FY 2009/10 current assets amounted to 85.5% and noncurrent assets were 14.5% of total assets the relationship changed to 61.92% current assets and 38.08% noncurrent assets in FY 2010/11. EUR 29.08m of inventories were reclassified as investment properties.

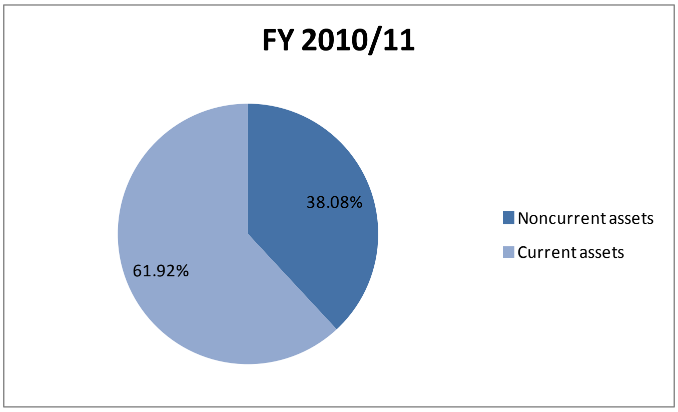
Increase in noncurrent assets and decrease in current assets

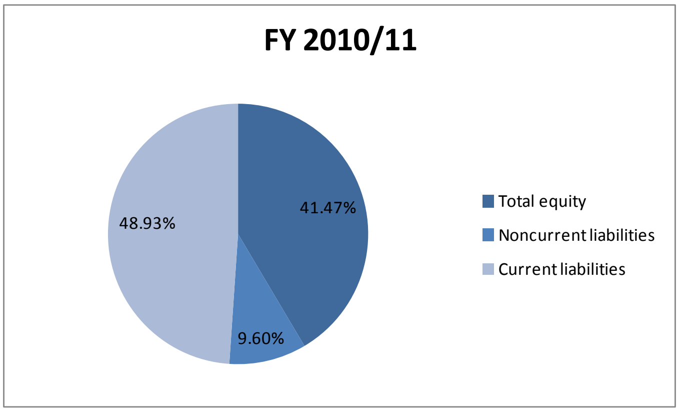
On the equity & liabilities side of the balance sheet the capital increase conducted in April 2011 led to a significant strengthening of the equity ratio to 41.47% in FY 2010/11 from 33.64%. 4.77m shares were placed at a price of EUR 1.70 per share, thereby increasing the total number of shares to 14.32m from 9.55m.

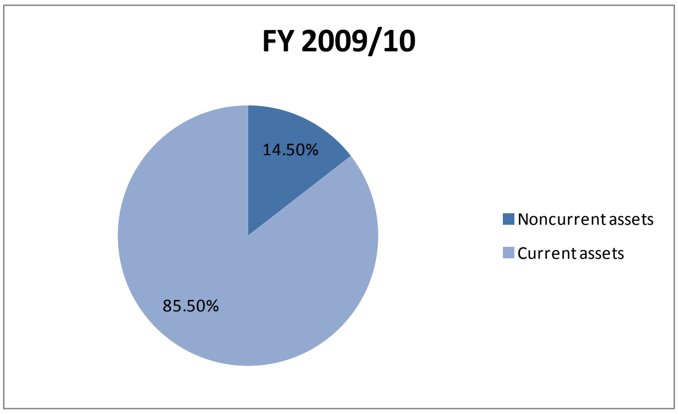
Significant strengthening of the equity ratio

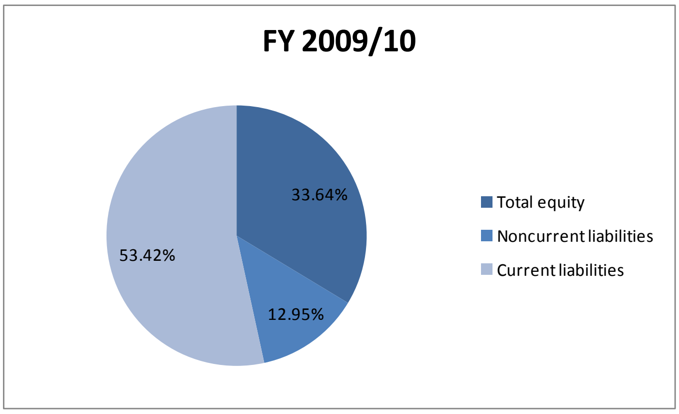
Assets

Equity & Liabilities









Source: Estavis AG, CBS Research AG

1Q 2011/12

24.8% decrease in sales

Sales decreased to EUR 8.02m (PY 10.66m, -24.8%), thereof EUR 3.2m stemmed from the listed property project “Glanzfilmfabrik”. Although it is common to see sales and earnings volatility in the financials of project development companies it seems that the difficulties of clients to get access to financing still continue.

Lower COGS

COGS amounted to EUR -5.44m (PY -8.77m, 37.9%) which is due to lower sales and presumably lower construction activity in 1Q 2011/12.

Small net income

The drop in net income to EUR 0.03m (PY EUR 0.13m, -80.5%) has been distorted by a positive tax result of EUR 0.08m in last year´s period while the tax result amounted to EUR -0.04m in 1Q 2011/12.

ESTAVIS AG

Profit and loss account (FY 06/30)

IFRS EURm	1Q 2010/11	1Q 2011/12	Change	% change
Sales	**10.66**	**8.02**	**-2.6**	**-24.8%**
IAS 40 fair value valuation of investment property	0.00	0.00	0.0	n.m.
Other operating income	1.49	0.76	-0.7	-48.9%
Change in inventories	0.99	1.16	0.2	16.9%
Total revenues	**13.14**	**9.94**	**-3.2**	**-24.4%**
COGS	-8.77	-5.44	3.3	37.9%
in % of total revenues	-66.7%	-54.8%		
Gross income	**4.38**	**4.50**	**0.1**	**2.7%**
in % of total revenues	33.3%	45.2%		
Personnel expenses	-0.62	-0.80	-0.2	-29.3%
Other operating expenses	-2.69	-2.57	0.1	4.2%
EBITDA	**1.07**	**1.12**	**0.0**	**4.6%**
in % of total revenues	8.2%	11.3%		
Depreciation and amortisation	-0.03	-0.03	0.0	-10.3%
EBIT	**1.05**	**1.09**	**0.0**	**4.4%**
in % of total revenues	8.0%	11.0%		
Financial result	-0.99	-1.02	0.0	-3.4%
EBT	**0.06**	**0.07**	**0.0**	**21.4%**
in % of total revenues	0.4%	0.7%		
Taxes	0.08	-0.04	-0.1	-154.5%
Net income including minorities	**0.13**	**0.03**	**-0.1**	**-80.5%**
Minority interests	0.00	0.00	0.0	n.m.
Net income attributable to shareholders	**0.13**	**0.03**	**-0.1**	**-80.5%**
in % of total revenues	1.0%	0.3%		
Shares outstanding (in millions)	9.55	14.32	4.8	50.0%
Earnings per share (EUR)	**0.01**	**0.00**	**0.0**	**-87.0%**

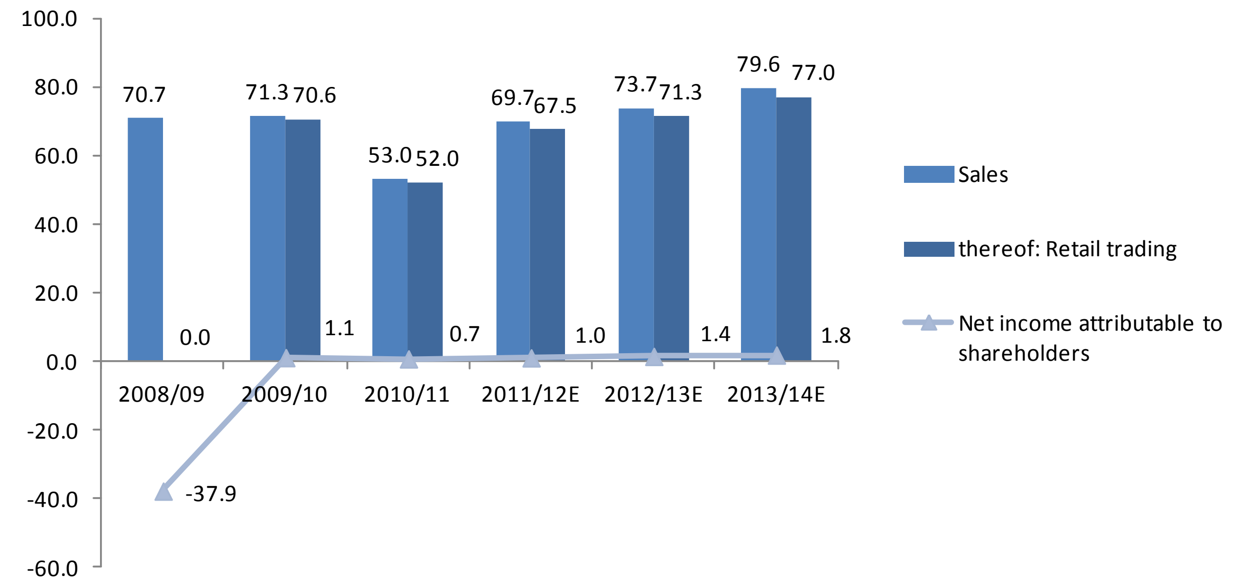
Source: CBS Research AG, ESTAVIS AG

Financial forecast

Retail trading is most important revenue source

The most important source of revenues is retail trading which consists mainly of revenues from privatisation of residential properties and selling of listed properties. Retail trading accounts for almost the entire sales revenues. The pipeline of potential projects that is currently screened amounts to a volume of approx. EUR 90m and notarised sales volume amounts to EUR 38m as at 1Q 2011/12.

Sales & thereof retail trading revenues and net income in EURm



Source: Estavis AG, CBS Research AG

Steadily growing privatisation business

In our scenario we assume that ESTAVIS´s privatisation business will steadily grow as residential property in Germany has become an attractive investment market.

Growing sales supported by listed property projects

We expect sales to grow from EUR 53.0m in FY 2010/11 to EUR 79.6m in FY 2013/14E with yearly revenue shares of the listed properties projects ("Kodak Glanzfilmfabrik", "Kastaniengärten", "Friedrichshöhe" and "Schokostücke") of roughly 30% in FY 2011/12E, 15% in FY 2012/13E and 30% in FY 2013/14E.

Positive operational leverage effects expected

With operational costs increasing at similar percentage rates to the growing sales volume we expect net income to climb at higher percentage rates due to the operational leverage.

Net income estimates based on assumed normalisation of income tax rate

We estimate net income to rise from EUR 0.7m in FY 2010/11 to EUR 1.8m in FY 2013/14E. This also depends on the tax result where we assume a normalisation of the income tax rate to 30% until FY 2013/14E. The negative net income of EUR -37.9m in FY 2008/09 was mainly due to EUR -15.1m impairment of properties in inventories.

Appendix

ESTAVIS AG

Profit and loss account (FY 06/30)

IFRS EURm	2008/09	2009/10	2010/11	2011/12E	2012/13E	2013/14E
Sales	**70.71**	**71.33**	**53.01**	**69.74**	**73.68**	**79.57**
YoY growth	-41.2%	0.9%	-25.7%	31.6%	5.7%	8.0%
IAS 40 fair value valuation of investment property	0.00	0.00	3.43	0.33	0.34	0.35
Other operating income	6.99	9.67	7.10	5.94	6.04	6.14
Change in inventories	1.45	2.16	-6.92	1.23	1.26	1.28
Total revenues	**79.15**	**83.16**	**56.62**	**77.24**	**81.31**	**87.34**
COGS	-64.78	-48.87	-28.67	-44.77	-47.25	-50.97
in % of total revenues	-81.8%	-58.8%	-50.6%	-58.0%	-58.1%	-58.4%
Gross income	**14.37**	**34.28**	**27.95**	**32.46**	**34.07**	**36.37**
in % of total revenues	18.2%	41.2%	49.4%	42.0%	41.9%	41.6%
Personnel expenses	-3.20	-2.66	-2.73	-3.40	-3.50	-3.60
Other operating expenses	-34.47	-26.77	-20.24	-23.61	-24.37	-25.52
EBITDA	**-23.29**	**4.85**	**4.99**	**5.46**	**6.20**	**7.25**
in % of total revenues	-29.4%	5.8%	8.8%	7.1%	7.6%	8.3%
Depreciation and amortisation	-0.14	-0.13	-0.13	-0.13	-0.13	-0.13
EBIT	**-23.43**	**4.72**	**4.86**	**5.33**	**6.08**	**7.13**
in % of total revenues	-29.6%	5.7%	8.6%	6.9%	7.5%	8.2%
Financial result	-4.86	-3.40	-4.16	-4.27	-4.39	-4.52
EBT	**-28.29**	**1.32**	**0.70**	**1.07**	**1.68**	**2.61**
in % of total revenues	-35.7%	1.6%	1.2%	1.4%	2.1%	3.0%
Taxes	0.36	-0.67	0.00	-0.06	-0.25	-0.78
as % of EBT	-1.3%	-51.0%	0.4%	-5.4%	-15.0%	-30.0%
Result from continued operations	-27.93	0.65	0.71	1.01	1.43	1.83
Result from discontinued operations	-18.31	0.42	0.00	0.00	0.00	0.00
Net income including minorities	**-46.24**	**1.06**	**0.71**	**1.01**	**1.43**	**1.83**
Minority interests	8.39	0.01	0.00	0.00	0.00	0.00
Net income attributable to shareholders	**-37.86**	**1.07**	**0.71**	**1.01**	**1.43**	**1.83**
in % of total revenues	-47.8%	1.3%	1.2%	1.3%	1.8%	2.1%
Shares outstanding (in millions)	8.10	8.46	10.65	14.32	14.32	14.32
Earnings per share (EUR)	**-4.67**	**0.13**	**0.07**	**0.07**	**0.10**	**0.13**
EPS from continued activities	-3.45	0.08	0.07	0.07	0.10	0.13
EPS from discontinued activities	-1.23	0.05	0.00	0.00	0.00	0.00

Source: CBS Research AG, ESTAVIS AG

ESTAVIS AG

Balance Sheet (FY 06/30)

IFRS EURm	2008/09	2009/10	2010/11	2011/12E	2012/13E	2013/14E
Assets						
Noncurrent assets	**22.24**	**22.54**	**55.73**	**57.16**	**58.65**	**60.19**
as % of total assets	10.7%	14.5%	38.1%	38.2%	38.3%	38.3%
Goodwill	17.78	17.78	17.78	17.78	17.78	17.78
Other intangible assets	0.02	0.04	0.10	0.10	0.10	0.10
Property, plant and equipment	0.49	0.49	0.39	0.39	0.39	0.39
Investment property	0.00	0.00	32.55	33.91	35.34	36.82
Financial assets	0.24	0.21	1.79	1.85	1.91	1.98
Deferred tax assets	3.72	4.02	3.14	3.14	3.14	3.14
Current assets	**185.05**	**132.86**	**90.63**	**92.44**	**94.46**	**96.86**
as % of total assets	89.3%	85.5%	61.9%	61.8%	61.7%	61.7%
Inventories	80.73	83.96	61.64	62.87	64.13	65.41
Trade receivables	1.96	19.53	6.21	6.40	6.60	6.80
Other receivables	49.42	24.34	18.66	18.80	19.00	19.20
Current income tax receivables	2.03	0.98	0.52	0.52	0.52	0.52
Assets held for sale	47.03	0.00	0.00	0.00	0.00	0.00
Cash and cash equivalents	3.88	4.07	3.60	3.85	4.21	4.93
Total Assets	**207.29**	**155.40**	**146.36**	**149.60**	**153.10**	**157.05**
Total equity and liabilities						
Total equity	**49.08**	**52.27**	**60.70**	**61.71**	**63.14**	**64.96**
as % of total equity and liabilities	23.7%	33.6%	41.5%	41.2%	41.2%	41.4%
Issued capital	8.10	9.55	14.32	14.32	14.32	14.32
Capital reserves	44.22	45.25	48.20	48.20	48.20	48.20
IAS 39 reserve	0.02	0.00	0.00	0.00	0.00	0.00
Retained earnings	-3.60	-2.53	-1.82	-0.81	0.62	2.45
Minorities	0.34	0.00	0.00	0.00	0.00	0.00
Noncurrent liabilities	**4.94**	**20.12**	**14.05**	**14.41**	**14.74**	**15.08**
as % of total equity and liabilities	2.4%	12.9%	9.6%	9.6%	9.6%	9.6%
Provisions	0.10	0.09	0.07	0.07	0.07	0.07
Financial liabilities	0.59	16.45	11.61	11.97	12.30	12.64
Deferred taxes	4.25	3.58	2.37	2.37	2.37	2.37
Current liabilities	**153.27**	**83.01**	**71.61**	**73.48**	**75.22**	**77.01**
as % of total equity and liabilities	73.9%	53.4%	48.9%	49.1%	49.1%	49.0%
Provisions	4.86	3.96	2.52	2.52	2.52	2.52
Current financial liabilities	67.92	59.82	50.36	51.91	53.35	54.84
Advance payments received	4.10	4.05	3.74	3.90	4.00	4.10
Current income tax liabilities	1.16	2.17	2.25	2.25	2.25	2.25
Trade payables	6.21	7.67	8.63	8.70	8.80	8.90
Other liabilities	25.59	5.33	4.11	4.20	4.30	4.40
Liabilities held for sale	43.44	0.00	0.00	0.00	0.00	0.00
Total equity and liabilities	**207.29**	**155.40**	**146.36**	**149.60**	**153.10**	**157.05**

Source: CBS Research AG, ESTAVIS AG

ESTAVIS AG

Cash flow statement (FY 06/30)

IFRS EURm	2008/09	2009/10	2010/11	2011/12E	2012/13E	2013/14E
Net income before minorities	-46.24	1.06	0.71	1.01	1.43	1.83
Depreciation and amortisation of non-current assets	0.28	0.13	0.13	0.13	0.13	0.13
Increase/decrease in provisions	0.30	-0.90	-1.60	0.00	0.00	0.00
Change in value in investment property	1.25	0.00	-3.43	-0.33	-0.34	-0.35
Other non-cash expenses/income	0.07	-0.02	-0.70	-0.06	-0.06	-0.06
Gains/losses from the disposal of non-current assets	0.06	0.00	0.01	0.00	0.00	0.00
Change in inventories, receivables and other assets	15.47	7.03	22.30	-1.56	-1.66	-1.68
Change in trade payables and other liabilities	4.50	-10.35	-22.93	0.32	0.30	0.30
Result from the disposal of consolidated companies	0.68	-0.42	0.00	0.00	0.00	0.00
Cash flow from operating activities	**-12.16**	**-3.46**	**-5.52**	**-0.50**	**-0.20**	**0.15**
Payments received from the disposal of intangible assets	0.00	0.00	0.01	0.00	0.00	0.00
Payments received from the disposal of tangible assets	0.05	0.00	0.12	0.00	0.00	0.00
Payments received for the disposal of financial assets	0.02	0.00	0.03	0.00	0.00	0.00
Payments received from the disposal of investment property	0.14	0.00	0.00	0.00	0.00	0.00
Expenses for investment in intangible assets	-0.04	-0.03	-0.06	-0.06	-0.06	-0.06
Expenses for investments in tangible assets	-0.39	-0.12	-0.11	-0.06	-0.06	-0.06
Expenses for investment property	-0.77	0.00	-0.04	-1.04	-1.09	-1.13
Expenses for investments in non-current financial assets	0.00	-0.01	-0.05	0.00	0.00	0.00
Payments from the disposal of fully consolidated companies	0.29	0.00	-0.05	0.00	0.00	0.00
Payments from the additions of fully consolidated companies	0.00	-4.49	-2.96	0.00	0.00	0.00
Cash flow from investing activities	**-0.71**	**-4.65**	**-3.06**	**-1.17**	**-1.21**	**-1.26**
Payments made by shareholders	0.00	0.00	8.11	0.00	0.00	0.00
Payments to shareholders	-0.08	0.00	0.00	0.00	0.00	0.00
Net borrowings/retirements of financial debt	-0.10	-0.52	-0.01	1.92	1.77	1.83
Cash flow from financing activities	**-0.18**	**-0.52**	**8.11**	**1.92**	**1.77**	**1.83**
Total change in cash and cash equivalents	**-13.04**	**-8.63**	**-0.46**	**0.25**	**0.36**	**0.72**
Cash and cash equivalents at the start of the period	25.73	12.69	4.07	3.60	3.85	4.21
Cash and cash equivalents at the end of the period	**12.69**	**4.07**	**3.60**	**3.85**	**4.21**	**4.93**

Source: CBS Research AG, ESTAVIS AG

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