

DEMIRE Deutsche Mittelstand Real Estate AG

## ANNUAL REPORT 2012/2013

April 1, 2012 – March 31, 2013



## Key data at a glance

	2012/2013	2011/2012
<b>Group key figures in EURk</b>		
Profit/loss on rental of real estate inventory	276	2,372
Profit/loss on sale of real estate companies	2,290	439
Profit/loss on sale of real estate	302	15,724
Profit/loss on asset management	67	516
Profit/loss from investments accounted for using the equity method	-1,288	3,678
Other operating income and other effects	-1,944	-816
Profit/loss before interest and taxes	-4,943	14,788
Profit/loss before taxes	-5,651	13,032
Net profit/loss attributable to parent company shareholders	-5,927	12,933
Shareholders' equity	14,252	20,229
Total assets	31,143	44,267
Equity ratio	45,8%	45,7%
Cash flow from operating activities	-1,181	24,885
Cash flow from investing activities	1,327	-1,205
Cash flow from financing activities	-1,394	-25,416
Cash and cash equivalents at the end of the period	2,333	3,589
<b>Key stock market data as at March 31</b>		
Number of shares	13,894,651	13,894,651
Share price at fiscal year-end (XETRA)	0.63	0.65
Market capitalisation in EUR	8,753,630	9,031,523
Earnings per share	-0.43	0.93
Net asset value (NAV) per share in EUR	1.04	1.44
Free float (shareholders <10 percent)	70.5%	55.3%

## Other information

Name	
ISIN	DE000A0XFSF0
WKN	A0XFSF
Ticker symbol	DMRE
Market segment	General Standard
Open market	Berlin, Düsseldorf and Stuttgart
General Standard (Regulated Market)	Frankfurt Stock Exchange (Frankfurt and Xetra)

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(formerly MAGNAT Real Estate AG) for fiscal year 2012/2013  
from April 1, 2012 to March 31, 2013

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## Foreword of the Executive Board

### Dear Shareholders, Ladies and Gentlemen,

Fiscal year 2012/2013 was a year dedicated to our strategy's focus on diminishing our risk positions, reducing liabilities, and securing liquidity. The latter also benefited from a further and distinct reduction in our operating expenses.

In light of the weak economic development in the Group's previous target regions, the respective real estate markets were characterised by continued vulnerability and a level of prices that remained at extremely low levels. Disposing of projects at economically reasonable terms was nearly impossible. As a result, further non-cash portfolio devaluation had to be recognised in the financial statements of the reporting year.

The successfully completed sales included among were, among others, one project in Romania and one in Germany. Both transactions positively contributed to our results and considerably lowered the level of liabilities. Moreover, additional successful disposals were initiated in the reporting year. Nevertheless, on balance, the Group still reported a loss for the 2012/2013 fiscal year.

Due to this continued very unsatisfactory development and to the lack of market opportunities over the longer term in the previous target regions, the course for the Group's future strategic direction was completely reset in the first months of the current fiscal year. This far-reaching measure should also be viewed against the backdrop of the material change in the shareholder structure which occurred in March 2013. The entirely fresh start of your Company also documents the major changes in the composition of the Executive Board and the Supervisory Board.

Dear Shareholders, the strategic realignment of your Company, clearly evident by its new name, was presented to you at the Extraordinary General Meeting on June 27, 2013 and was approved by you with an overwhelming majority. The Executive Board would like to give our special thanks to all of the shareholders for this approval!

With the new name of the Company, "DEMIRE Deutsche Mittelstand Real Estate AG", we are making a clear statement: namely, that already the name alone expresses everything about the Company's new business direction. In the future, a clear "Buy & Hold" strategy will be pursued and the real estate portfolio will be actively managed. We will concentrate particularly on real estate investments in the future which, from the very start, have positive rental yields and hence generate positive cash flows for the

Group. By systematically planning, managing, and controlling the real estate investments, we want to increase their potential for success and achieve a sustainable performance. The clear objective: Over the longer term, shareholders of DEMIRE Deutsche Mittelstand Real Estate AG should take part in the Company's success through an attractive dividend policy.

As an investor and portfolio manager, we will solely focus on the German real estate market. Thus, the Group's activities will be consolidated at the location in Frankfurt. In the future, and surely over the longer term, DEMIRE Deutsche Mittelstand Real Estate AG will operate solely from the Group's headquarters in Frankfurt.

It is our firm conviction that the German real estate market is currently attractive and will continue to remain attractive in the future. Due to the German Mittelstand's domestic and international economic strength as the backbone of the German economy, this optimism is particularly warranted for investments targeted at this sector. Therefore, we will focus our investments on commercial properties of mid-sized clientele and on the areas of logistic and office space. We will also direct our attention to investments where the target tenants have a good to excellent level of creditworthiness. The regional focus will be on existing and leased real estate in metropolitan and A-locations, the surrounding areas, and in up and coming secondary locations. The holding period of the real estate will be generally directed towards the long term. Hence, DEMIRE Deutsche Mittelstand Real Estate AG will focus on clearly defined asset classes.

Regardless of the strategic and operational realignment of the Group, the fundamental mid to long-term challenges remain unchanged. In particular, the utmost priority continues to be securing liquidity in order to stabilise the Company. This currently includes focussing on adjustments in the Company's level of staff. By selling previously key areas of activity, such as the commitment in co-proprietor's building schemes in Vienna and the related asset management activities, the number of personnel has already been greatly reduced.

To secure liquidity and stabilise the operating cash flows, the existing investments in the Company's previous target regions will also be dismantled as quickly as possible. A considerable simplification of the Group's structure will simultaneously accompany the sale of the previous commitments. Most of the currently existing Group companies will then no longer be needed and will be dissolved. These measures will also have a quick and positive impact on our liquidity and resources to a marked extent.

**DEMIRE at a glance**

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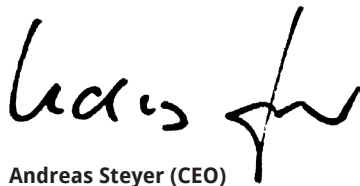
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Furthermore, at an early stage, the proceeds from disposals will naturally flow consistently into new investments along the lines of the strategy presented. The Executive Board reviews investment possibilities on an on-going basis and is currently taking part in numerous discussions in order to generate cash flow as quickly as possible.

The Executive Board is deeply confident that with this strategic and operational realignment and its immediate implementation, the Board will have set the stage soon for a better future for the Group!

Frankfurt/Main, August 2013



Andreas Steyer (CEO)



Jürgen Georg Faè (CFO)

## Report of the Supervisory Board

### Dear Shareholders,

In the 2012/2013 fiscal year, the Supervisory Board performed the tasks and exercised the responsibilities incumbent upon it, pursuant to the law, DEMIRE Deutsche Mittelstand Real Estate AG's Articles of Association, and its internal rules and business procedures.

The Supervisory Board and Executive Board engaged in continuous cooperation and intense dialogue. Along with the explicit topics mentioned in this report, this included all further significant questions relating to the Company and the Group. The Supervisory Board consulted regularly with the Executive Board. It supervised the carrying out of business on the basis of legality, effectiveness, and economic efficiency. The Executive Board directly involved the Supervisory Board in decisions of fundamental significance for the Company or the Group.

The Executive Board kept the Supervisory Board informed in a timely and comprehensive manner on the basis of detailed verbal and written Executive Board reports. This included a detailed discussion of all significant questions relating to the development of the Company and the Group's relevant markets, short- and long-term corporate planning, and current business progress. The current state of the Company and the Group, including the liquidity and risk positions, the group-wide risk management system, as well as current development projects and the further strategic development of the Group were also part of these discussions. The information provided by the Executive Board was critically reviewed by the Supervisory Board for plausibility. Here, the subjects and the scope of the Executive Board's reporting were fully in accordance with the requirements of the Supervisory Board at all times.

The Executive Board submitted detailed clarifications, which were reviewed by the Supervisory Board, when the course of business diverged from previously approved plans and targets, and on the appropriate measures to counter these divergences. After a thorough examination and discussion, the Supervisory Board has approved the reports and proposals of the Executive Board, to the extent required by the legal and statutory provisions.

Between meetings, the Executive Board comprehensively informed the Supervisory Board Chairman in a timely manner by way of written and verbal reports about particular business transactions which were of key significance in the assessment of the situation and the development and management of the Company and the Group. Matters requiring the Supervisory Board's approval were submitted in a timely manner for resolution by the Executive Board.

There were no further events in fiscal 2012/2013 which could be classified as extraordinary. At the end of the fiscal year there were personnel changes in the Executive Board and the Supervisory Board. In the first quarter of the current fiscal year, a fundamental strategic realignment of the Company and the Group was decided. Specific details will be further explained below in a special chapter of this report ("Strategic Realignment").



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The Supervisory Board Chairman was in regular and intensive contact with the Executive Board and was informed regularly of current business progress and significant business transactions. He also informed the other Supervisory Board members outside of meetings and discussed developments with them.

In the year under review, there were no conflicts of interest on the part of the Executive Board and Supervisory Board members which would require immediate disclosure to the Supervisory Board and at the Annual General Meeting.

#### **MEMBERS OF THE SUPERVISORY BOARD IN FISCAL YEAR 2012/2013**

Prof. Dr. Werner Schaffer, Urbar (Chairman)  
 Dr. Carsten Strohdeicher, Frankfurt/Main (Deputy Chairman)  
 Dr. Christoph Jeannée, Vienna, Austria (until March 31, 2013)  
 Friedrich Lind, Vienna, Austria (until March 31, 2013)  
 Wolfgang Quirchmayr, Wien Vienna, Austria (until March 31, 2013)  
 Stefan Schütze, Frankfurt/Main (until March 31, 2013)

Messieurs Dr. Jeannée, Lind, Quirchmayr, and Schütze retired from the Supervisory Board at the end of the fiscal year. The Supervisory Board would like to thank them for their service, in some cases over many years of, and wishes them well in their future endeavours.

After the end of the fiscal year, at the Executive Board's request, the District Court of Frankfurt/Main appointed Prof. Dr. Hermann Anton Wagner as a new member of the Supervisory Board on April 17, 2013. The Extraordinary General Meeting on June 27, 2013 appointed Dr. Wagner until the end of the Annual General Meeting resolving on the formal discharge for the fiscal year ending on March 31, 2016. Furthermore, the Extraordinary General Meeting decided to reduce the number of Supervisory Board members from six to three. Hence, following the conclusion of the Extraordinary General Meeting, the Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG comprised Prof. Dr. Werner Schaffer (Chairman), Dr. Carsten Strohdeicher (Deputy Chairman), and Prof. Dr. Hermann Anton Wagner.

#### **SUPERVISORY BOARD COMMITTEES**

In the 2012/2013 fiscal year, the Supervisory Board was composed of six members and had formed no committees. Were an even smaller committee to be formed from this body, the Supervisory Board believes that the risk would exist that, in the case of particularly important or complex matters, the expertise of all Supervisory Board members would not be available. Therefore, the handling of matters by the Supervisory Board as a whole appears to be preferable.

#### **WORK IN THE REPORTING YEAR CONDUCTED BY THE PLENARY**

The Supervisory Board met on three occasions in the 2012/2013 fiscal year. The meetings were held on June 5, 2012, July 26, 2012, and on October 29, 2012. The Supervisory Board was present in full at all meetings with three exceptions.

At all of these meetings, the Supervisory Board concerned itself in detail with the reports of the Executive Board on the current economic and operational situation of the Company and the Group. The Supervisory Board also dealt with the situation in the Group's relevant markets and the status of current developments projects and investments. In all meetings of the Supervisory Board the relevant current financial situation and liquidity position of the Group was also on the agenda. Furthermore, the Supervisory Board discussed the budget for fiscal year 2012/2013, the development of the co-proprietors' building schemes, and dealt with questions regarding risk management.

In June 2012, the Supervisory Board together with the Executive Board discussed DEMIRE Deutsche Mittelstand Real Estate AG's Declaration of Compliance under Section 161 of the German Stock Corporation Act for the 2012/2013 fiscal year. Thereafter, the Declaration of Compliance was published on the website ([www.demire.ag](http://www.demire.ag)).

At its meeting in July 2012, and subsequently on August 23, 2012 in a conference call, the Supervisory Board discussed the financial statements, the management report, the consolidated financial statements, and the Group management report for fiscal year 2011/2012 as well as the results of the audit conducted by the auditor. After its own review, the Supervisory Board adopted the financial statements and the management report and approved the consolidated financial statements and the Group management report. The subject of corporate governance in the Group was also dealt with at this meeting.

#### **WORK OF THE PLENUM AFTER THE FISCAL YEAR'S CLOSE**

In the context a significant change in the shareholder structure, the fundamental strategic realignment of the Company and the Group, and in preparation for the Extraordinary General Meeting on June 27, 2013, the Supervisory Board met repeatedly after the end of the 2012/2013 fiscal year in short succession: namely, on April 9, 2013, May 16, 2013, June 26, 2013, and on August 13, 2013.

On June 26, 2013, the Supervisory Board together with the Executive Board discussed DEMIRE Deutsche Mittelstand Real Estate AG's Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act for fiscal year 2013/2014 relating to the recommendations of the "German Corporate Governance Government Commission" published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette in the version of May 13, 2013 as well as any divergences from these recommendations. Thereafter, the Declaration of Compliance was published on the website ([www.demire.ag](http://www.demire.ag)). The Corporate Governance Report including the Corporate Governance Statement pursuant to Section 289a of the German Commercial Code reproduced in the 2012/2013 Annual Report of DEMIRE Deutsche Mittelstand Real Estate AG contain further information on corporate governance.

At the meeting on August 13, the Supervisory Board dealt extensively with the financial statements and the consolidated financial statements for the 2013/2013 fiscal year and the management report for the Company and the Group. DEMIRE Deutsche Mittelstand Real Estate AG's annual financial statements and management report were prepared in accordance with the provisions of the German Commercial Code (HGB). The consolidated financial statement and Group management report were prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS), as applicable in the EU and the supplementary German commercial law provisions, applicable pursuant to Section 315a para. 1 HGB.

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The auditor took part in the discussions on the aforementioned date of August 13, 2013 and presented the key results of his audit. KPMG Deutsche Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin, Frankfurt/Main branch, was elected as auditor by the Annual General Meeting and was mandated by the Supervisory Board. DEMIRE Deutsche Mittelstand Real Estate AG's financial statements and management report, and the consolidated financial statements and Group management report were audited and furnished with unqualified audit opinions by the auditor.

The Supervisory Board subjected the financial statements, the consolidated financial statements, and the management reports for both the Company and the Group to its own review, and approved the results of the audit conducted by the auditor. No objections were raised following issuance of the final audit report on the financial statements, the consolidated financial statements, the management report for the Company and the Group, and the auditors audit reports.

The Supervisory Board approved the financial statements, the management report, the consolidated financial statements, and the Group management report by written circulation procedure on August 16, 2013 and thus adopted the Company's financial statements.

#### CHANGES IN THE EXECUTIVE BOARD

After the end of the reporting year, effective April 19, 2013, Dr. Marc-Milo Lube resigned by mutual agreement in order to pursue new professional challenges after many successful years in his roles in the Executive Board and the Supervisory Board. The Supervisory Board thanks Dr. Lube for his long-standing commitment to the Company and wished him success in his future endeavours.

At the Supervisory Board meeting on May 16, 2013, Hon.-Prof. Andreas Steyer was appointed as the new Speaker of the Executive Board with immediate effect.

#### STRATEGIC REALIGNMENT

The Executive Board and the Supervisory Board arrived at the conviction that the previous strategic objectives and the Group's focus on the target markets surrounding the Black Sea and in Eastern Europe did not offer sufficient opportunities over the longer term. Therefore, the Executive Board and Supervisory Board decided to fully realign the Group. This is also apparent in the Company's new name "DEMIRE Deutsche Mittelstand Real Estate AG" which was approved by the Extraordinary General Meeting in June 2013. The new name was registered in the commercial register of the District Court of Frankfurt/Main on July 30, 2013.

In contrast to the Company's previous business model, DEMIRE Deutsche Mittelstand Real Estate AG will pursue a clear "Buy & Hold" strategy in the future and conduct active portfolio management. As an investor and portfolio manager, the Group concentrates solely on the German real estate market and on real estate investments which generate positive cash flows from the start. By systematically planning, managing, and controlling, the potential of the real estate investments should be increased and a sustainable performance should be achieved. It is the Executive Board's and Supervisory Board's firm conviction that the German real estate market is currently attractive and will continue to remain

attractive in the future. Due to the German Mittelstand's domestic and international economic strength as the backbone of the German economy, this optimism is particularly warranted for investments targeted at this sector. Therefore, the Group will focus its investments on commercial properties of mid-sized clientele and on the areas of logistic and office space.

It is the Group's long-term strategic objective to pursue an attractive dividend policy so that its shareholders may participate in the success of the Company.

#### **A WORD OF THANKS FROM THE SUPERVISORY BOARD**

The Supervisory Board would like to thank all of the Group's staff and both Executive Board members, Dr. Lube and Mr. Faè, for their commitment and constructive cooperation in fiscal year 2012/2013.

This report was prepared and discussed in detail by the Supervisory Board at its meeting on August 13, 2013.

Frankfurt/Main, August 2013

A handwritten signature in black ink, appearing to read 'Prof. Dr. Werner Schaffer', written in a cursive style.

**Prof. Dr. Werner Schaffer**  
(Chairman)

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## Corporate Governance

DEMIRE Deutsche Mittelstand Real Estate AG is committed to managing and supervising the Company and the Group in a manner that is responsible and creates value. The transparency of the Group's management principles and the traceability of its development should be maintained in order to build, maintain, and strengthen the trust of the shareholders, business partners, customers, capital market participants, and employees. The Executive Board and the Supervisory Board work closely together for the benefit of the Company in order to ensure that the Company is responsibly managed and controlled through good corporate governance.

### ORGANISATION AND MANAGEMENT

DEMIRE Deutsche Mittelstand Real Estate AG is headquartered in Germany. The headquarters of the subsidiaries, associated companies, and joint ventures are located in the countries in which they are predominantly active.

In fiscal year 2012/2013, the Group was split into two segments in line with its two core business activities: "Investments" and "Asset Management". Initially, this segmentation was maintained in the current fiscal year 2013/2014. Through the disposal of the co-proprietor's building schemes activities subsequent to the end of the fiscal year, the related asset management for co-proprietor's building schemes was also sold. In the future, DEMIRE will no longer provide asset management services with regard to co-proprietor's building schemes, neither internally nor to third parties. In the course of implementing the Group's new focus as an asset manager of commercial real estate in Germany, the "Investments" segment will also be dismantled step by step through the disposal of real estate projects in the former target markets. Previously, the "Investments" segment had pursued real estate development in nine selected countries. In the future, DEMIRE will solely focus on the "German commercial real estate" segment.

As in the past, the Executive Board will continue to steer the Group and the individual real estate investments according to cash flows and in the realm of clearly defined individual budgets.

The development of the individual budgets on the basis of budget targets is part of the regular strategy and reporting discussions carried out by the Executive Board with the respective individuals responsible for the operations.

### SHAREHOLDERS AND ANNUAL GENERAL MEETING

The shareholders of DEMIRE Deutsche Mittelstand Real Estate AG exercise their management and control rights at the Annual General Meeting. The ordinary Annual General Meeting exercises all of the tasks and responsibilities that are incumbent upon it according to the law. It is held within the first eight months of every fiscal year. DEMIRE Deutsche Mittelstand Real Estate AG's fiscal year end is March 31. The Chairman of the Supervisory Board chairs the Annual General Meeting. Every shareholder has the right to take part in the Annual General Meeting, to speak about the respective agenda items, and to demand information about Company matters when such information is necessary in order to make an objective assessment of the shareholders' meeting agenda.

All of the issued shares of DEMIRE Deutsche Mittelstand Real Estate AG are ordinary bearer shares with identical rights and obligations. Each share carries one vote at the Annual General Meeting and there is no maximum limit to the shareholder's voting rights and no special voting rights. Resolutions generally require a simple majority. A three-quarters majority of the capital represented is required in certain statutorily regulated instances (including for proposed resolutions relating to capital changes and amendments to the Articles of Association).

#### **SHARES OF DEMIRE DEUTSCHE MITTELSTAND REAL ESTATE AG HELD BY MEMBERS OF THE GOVERNING BODIES AND MAJOR SHAREHOLDERS**

**Shares held by members of the governing bodies at the end of fiscal year 2012/2013:** Dr. Marc-Milo Lube held 570,856 shares of the Company, representing 4.10% of the total of the Company's shares outstanding. The Chairman of the Supervisory Board, Prof. Dr. rer. pol. Werner Schaffer, held 1,642 shares of the Company, representing 0.0118% of the total shares outstanding.

**Shares held by major shareholders at the end of fiscal year 2012/2013:** DeGeLog Deutsche Gewerbe-Logistik Holding GmbH held 4,100,000 shares, representing 29.51% of the Company's shares outstanding. The remaining 70.49% of shares are held by institutional and private investors. None of these shareholders holds a share of more or equal to 10%. Thus, this also represents the Company's free float according to the definition of Deutsche Börse AG. This information is based on voting right notifications made by shareholders pursuant to the WpHG, and information submitted by members of the governing bodies of the Company.

#### **ACCOUNTING AND AUDITING**

The consolidated financial statements are prepared according to International Financial Reporting Standards (IFRS).

The Executive Board is required to prepare the financial statements (the balance sheet, income statement, and notes to the financial statement) and the Company's management report within the first three months of the fiscal year. It should be presented to the Supervisory Board immediately following the auditor's audit and include the auditor's report and the Board's proposal for the use of the unappropriated retained earnings. The Supervisory Board reviews the financial statements, the management report, and the Executive Board's proposal for the use of unappropriated retained earnings. The Supervisory Board then forwards its related report to the Executive Board within one month from having received the Executive Board's drafts and the auditor's report about the audit of the financial statements.

The following agreements with the auditor exist:

1. The Supervisory Board Chairman is to be informed immediately if potential reasons arise for exclusion or disqualification during the audit that cannot be immediately excluded.

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2. The auditor is to report on all findings and events that arise during the audit that are of significance to the tasks of the Supervisory Board.
3. If the auditor establishes facts during the audit that contradict the Declaration of Compliance according to the German Corporate Governance Code that is issued by the Executive Board and Supervisory Board, the auditor is required to note this in its audit report and to notify the Supervisory Board Chairman immediately.

#### TRANSPARENCY

DEMIRE places a high priority on information being timely, consistent, and comprehensive. Reporting on the Group's situation and development and especially the business results occur in the annual report and the interim reports for the three and nine month periods, and in the half year financial report. The Group also provides information to the public through press releases and ad hoc announcements pursuant to Section 15 of the German Securities Trading Act (WpHG). Additionally, the Executive Board communicates intensely with the relevant participants in the capital markets domestically and internationally. All financial publications, announcements, and presentations that are prepared for financial communication are available on the Company's website. The financial calendar is also available on the website and provides early information on regular reporting dates.

DEMIRE Deutsche Mittelstand Real Estate AG has set up an insider list pursuant to Section 15b WpHG. The individuals concerned are informed of statutory duties and sanctions.

#### STATEMENT ON CORPORATE GOVERNANCE PURSUANT TO SECTION 289a HGB

DEMIRE Deutsche Mittelstand Real Estate AG issues a Statement on Corporate Governance pursuant to item 3.10 of the German Corporate Governance Code and pursuant to Section 289a HGB. The Declaration of Compliance regarding the German Corporate Governance Code pursuant to Section 161 AktG that this statement contains is also available on the Company's website ([www.demire.ag](http://www.demire.ag)) under the section "Company" section.

#### COMPOSITION AND OPERATION OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

As a listed German public stock corporation, the management of the Company is determined by the German Stock Corporation Act, the further statutory provisions of commercial and corporate law, and the requirements of the German Corporate Governance Code ("DCGK") in its respective current version. German law requires that public stock corporations operate a dual management system. There is a strict separation of personnel between the Executive Board as the management body and the Supervisory Board as a supervisory body, whereby the Executive Board and Supervisory Board work closely together in the Company's interest.

The **Executive Board** manages the Company under its own responsibility and represents the Company when entering into transactions with third parties. It determines the strategy in coordination with the Supervisory Board and implements this strategy with the aim of creating sustainable value. The members of the Executive Board are responsible for individual areas independently of their joint responsibility for the Group. The members work congenially and keep each other continually informed of important events and measures within their areas of responsibility. In legally-specified instances, the Executive Board is required to obtain the approval of the Supervisory Board. In addition, DEMIRE's Articles of Association also list extraordinary transactions which require the agreement of the Supervisory Board. The Executive Board has set out no rules of business procedure for itself, nor has the Supervisory Board issued the Executive Board with such rules of business procedure.

The Executive Board informs and reports to the Supervisory Board regularly, timely, and comprehensively on all company-relevant planning, business development, and questions of risk. The Executive Board is required to report other important matters to the Supervisory Board Chairperson. The Supervisory Board Chairperson is also informed regularly and continually of business progress. In the context of this reporting, the Executive Board refers back to the valid risk management system found throughout the entire DEMIRE Group.

The Executive Board is comprised of two members and has a speaker. The Executive Board has formed no committees.

The **Supervisory Board** appoints Executive Board members, determines their respective overall compensation, and supervises their management of the Company. The Supervisory Board also consults with the Executive Board concerning the management of the Company. The Supervisory Board adopts the financial statements and approves the consolidated financial statements. Important Executive Board decisions require the agreement of the Supervisory Board. Additionally, the Supervisory Board has issued itself rules of business procedure.

The Supervisory Board currently consists of 3 members to be elected by DEMIRE's Annual General Meeting. The Supervisory Board Chairperson coordinates the work of the Supervisory Board. The Supervisory Board has formed no committees.

Further details on the specific work of the Supervisory Board can be found in the Supervisory Board Report that forms part of this Annual Report.

#### **WORDING OF THE LAST DECLARATION OF COMPLIANCE REGARDING THE GERMAN CORPORATE GOVERNANCE CODE PURSUANT TO SECTION 161 AKTG**

"The Executive Board and Supervisory Board of MAGNAT Real Estate AG ("the Company") oversee the compliance with the German Corporate Governance Code. They hereby declare that they have complied and will comply with the recommendations of the "German Corporate Governance Code Government Commission" as published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette dated May 13, 2013 with the following exceptions:



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- » Item 2.3.1: In the currently valid version of the Company's Articles of Association, the possibility of a postal vote by the shareholders and the corresponding authorisation of the Management Board are provided. However, it is currently not intended to introduce such a postal ballot.
- » Item 3.8: Regarding the D&O insurance, a deductible for the Executive Board has been in agreement since April 1, 2010. However, a deductible for the Supervisory Board is not intended. It is the opinion of the Company that an agreement on such a deductible for Supervisory Board members would significantly reduce the attractiveness of a position within the Supervisory Board and thereby have a negative impact on the chances of winning adequate candidates for a position within the Supervisory Board at the Company.
- » Item 4.2.1: The Executive Board has not issued Rules of Procedure since the Board consists of two persons and the Company does not deem Rules of Procedure to be necessary. This assessment is not altered by the fact that Prof. Steyer has sole power of representation since, on the one hand, both members of the Executive Board are responsible for self-contained fields of functions defined in the service contracts and, on the other hand, they work together in close cooperation. For a company of this size, compliance with the provisions set out in the Rules of Procedure would lead to an unnecessary formalistic effort which would rather impede than support the work of the members of the Executive Board in a meaningful way. Measures that require the consent of the Supervisory Board are regulated in the Company's Articles of Association.
- » Item 4.2.3: The service contracts of the members of the Executive Board each include variable remuneration components with a one-year and a multiple-year basis for assessment. Through this approach, the Company balances the interests of a sustainable development of the Company and the interests of the members of the Executive Board of a performance-related remuneration.
- » Item 5.1.2: No age limit has been established for Executive Board members. In the Company's view, age is not an appropriate criterion to be used in appointing Executive Board members. Furthermore, there is currently no female member of the Executive Board. Should the Executive Board need to expand, even more effort will be given than in the past to find female candidates. In addition, the key position of "Head of the Legal Department" in the Company is held by a woman.
- » Item 5.3: The Supervisory Board does not form committees. It is composed of six members. Should an even smaller committee be formed, the danger would arise that in particularly important or complex issues, the expertise of all of the Supervisory Board members would not be available. Therefore, consideration of the entire Supervisory Board seems preferable. Additionally, it is proposed to the Company's Extraordinary General Meeting, which will take place on June 27, 2013, to reduce the number of Supervisory Board members from six to three. Four of the previous six Supervisory Board members have resigned from their posts in the run-up to the Extraordinary General Meeting. In view of the proposed reduction of the Supervisory Board, the formation of committees appears neither efficient nor effective.

- » Item 5.4.1: No age limit has been established for Supervisory Board members. It is the opinion of the Company that age is not an appropriate criterion to be used for in the election of Supervisory Board members. In the composition of the Supervisory Board, diversity in particular is currently being taken into account. In future elections, women will be increasingly sought as Supervisory Board candidates.
- » Item 5.4.6: In order to further strengthen their independence, the Supervisory Board members do not receive performance-based compensation.
- » Item 7.1.2: The Company will continue to comply with the publication deadlines required by law until further notice. Nevertheless, the Company will strive through the continuous improvement in processes and reporting to meet the shorter periods for deadlines of the Corporate Governance Code.

This declaration has been made available to shareholders by its direct reproduction on the homepage at [www.magnat.ag](http://www.magnat.ag).

Frankfurt/Main, June 2013  
MAGNAT Real Estate AG

For the Supervisory Board  
**Prof. Dr. Werner Schaffer**

For the Executive Board  
**Hon.-Prof. Andreas Steyer, Jürgen Georg Faè"**

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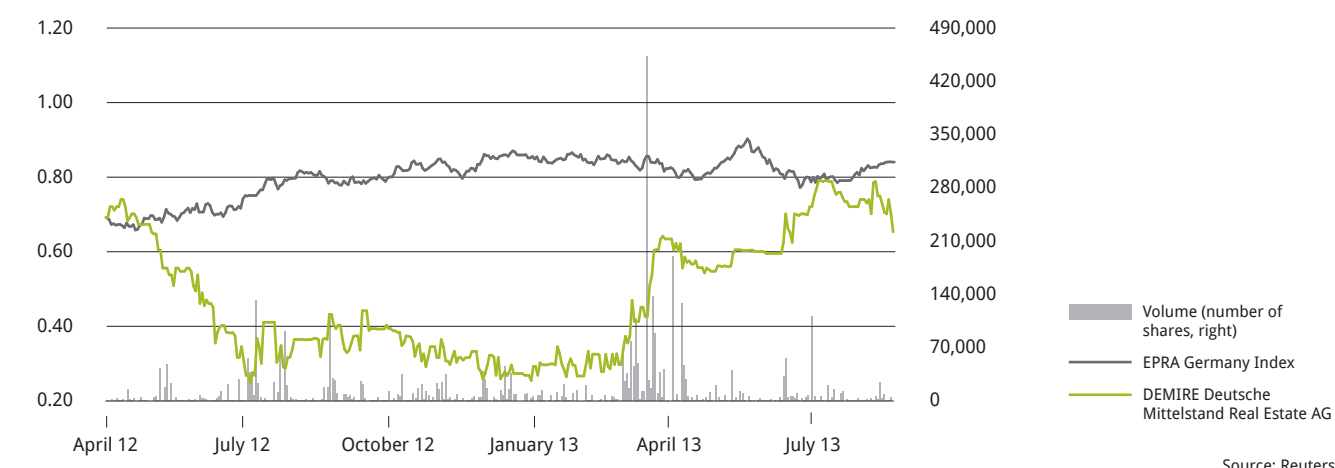
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## DEMIRE on the capital market

Shareholders and other interested parties may find comprehensive information on DEMIRE shares and a current overview of the most important conferences and financial dates under the section titled "Investor Relations" on our website ([www.demire.ag](http://www.demire.ag)).

### DEMIRE's share price development



### Shareholder structure



Name	<b>DEMIRE Deutsche Mittelstand Real Estate AG</b>
Number of shares	13,894,651
Ticker symbol / ISIN / WKN	DMRE / DE00A0XFSF0 / A0XFSF
Bloomberg / Reuters	DMRE
Level of transparency	General Standard
Market segment	Regulated Market
Stock exchanges	<b>Regulated Market</b> Frankfurt Stock Exchange (Xetra and Frankfurt) <b>Open Market</b> Berlin, Düsseldorf, Stuttgart
Indices	DIMAX / C-DAX / DAXsector All Financial Services DAXsubsector All Real Estate / General Standard Index
Free Float (shareholders <10 Prozent) *	70.5%

\* based on the Company's knowledge,  
based on voting rights notifications

	2012/2013	2011/2012
Number of shares as of March 31	13,894,651	13,894,651
Share price at start of fiscal year (Xetra)	0.69	1.73
Share price at end of fiscal year (Xetra)	0.63	0.65
Year high	0.74	2.00
Year low	0.23	0.65
Market capitalisation as of March 31	8,753,630	9,031,523
Average daily turnover (number of shares)	11,439	8,208
Earnings per share	-0.43	0.93

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## Net Asset Value (EPRA)

in EURk	31/03/2013	31/03/2012	31/03/2011
<b>NAV per the financial statements</b>	<b>14,361</b>	<b>20,326</b>	<b>12,697</b>
Effect of exercise of options, convertibles and other equity interests	-	-	-
<b>Diluted NAV, after the exercise of options, convertibles and other equity interests</b>	<b>14,361</b>	<b>20,326</b>	<b>12,697</b>
Revaluations	-	-	-
Development properties held for investment	-	-	-
Revaluation of other non current investments	-	-	-
Fair value of tenant leases held as finance leases	-	-	-
Fair value of trading properties	-	-	-
Fair value of financial instruments	-	-	-
Deferred tax	46	(321)	108
Goodwill as result of deferred tax	-	-	-
<b>Diluted EPRA NAV</b>	<b>14,407</b>	<b>20,005</b>	<b>12,805</b>
<b>Shares in Mil.</b>	<b>13.89</b>	<b>13.89</b>	<b>13.89</b>
<b>Diluted EPRA NAV EUR per share</b>	<b>1.04</b>	<b>1.44</b>	<b>0.92</b>

## Group Management Report

for the April 1, 2012 to March 31, 2013 fiscal year

In the following, DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, (hereinafter referred to as "DEMIRE" or the "DEMIRE" Group) presents its Group Management Report for the April 1, 2012 to March 31, 2013 fiscal year. The Group's accounting is in accordance with the International Financial Reporting Standards as applicable in the European Union. The scope of consolidation is presented in detail in the Notes under Item B.1.

At the conclusion of the fiscal year, there were various personnel changes in DEMIRE's Executive Board and Supervisory Board. As part of these changes, a decision was also made in favour of a fundamental strategic realignment of the Group. In the future, DEMIRE will focus exclusively on the German real estate market and will act as an investor and holder of commercial real estate. The previous engagements in Eastern Europe and the Black Sea region will be promptly liquidated.

The implementation of the new strategy commenced shortly after its approval. Therefore, the Company's previous strategy and the previously relevant real estate markets are only reported on briefly in this management report. DEMIRE's future strategic direction and its perspectives will be presented in the section of this report titled "Outlook".

### 1. Company profile

#### 1.1. LEGAL FORM

DEMIRE Deutsche Mittelstand Real Estate AG is a public stock corporation according to German law and is headquartered in Frankfurt/Main. The Company stems from MAGNAT Real Estate Opportunities GmbH & Co. KGaA which was established on April 6, 2006. The legal form of the Company was changed with an entry in the commercial register on September 17, 2010 and since that time has operated as a stock corporation under the name "MAGNAT Real Estate AG". With regard to the Company's name change from MAGNAT to "DEMIRE Deutsche Mittelstand Real Estate AG", we would like to refer you to Item 9.

The shares of DEMIRE Deutsche Mittelstand Real Estate AG are traded on the regulated market (General Standard) of the Frankfurt Stock Exchange and on XETRA.

## 1.2. LEGAL GROUP STRUCTURE

Investments	Asset Management
<p><b>99.6% interest in MAGNAT Investment I B.V., NL</b></p> <p>Directly or indirectly holds 100% in the following projects in</p> <ul style="list-style-type: none"> <li>Germany (A&amp;T)</li> <li>Romania (Vacaresti)</li> <li>Bulgaria (Pancharevo)</li> <li>Ukraine (Alexander Land, Koncha Zaspa)</li> </ul> <p>and the following interests in</p> <ul style="list-style-type: none"> <li>Georgia (50% in Vake, 75% in Digomi)</li> <li>Ukraine (60% in Peremogi)</li> </ul> <p><b>100% interest in MAGNAT Investment II B.V., NL</b></p> <p>Indirectly holds the following projects in</p> <ul style="list-style-type: none"> <li>Ukraine (66.7% in Chmelnitzky, 50% in Vitaly)</li> </ul> <p><b>Direct interests</b></p> <p>DEMIRE holds the following interests in</p> <ul style="list-style-type: none"> <li>Turkey (32.4% in the YKB portfolio)</li> <li>Ukraine (33.3% in Chmelnitzky)</li> <li>Germany (16.1% in SQUADRA)</li> <li>Poland (50.0% in Nasze Katy)</li> <li>Russia (40.3% in Russian Land)</li> </ul>	<p><b>100% interest in MAGNAT Asset Management GmbH, Austria</b></p> <p>Directly holds 100% in each of the branches in</p> <ul style="list-style-type: none"> <li>Germany (MAGNAT Asset Management Deutschland)</li> <li>Ukraine (MAGNAT Asset Management Ukraine)</li> </ul> <p>and in connection with co-proprietor's building schemes and investment models</p> <ul style="list-style-type: none"> <li>100% in 3 project companies (Schumannngasse, Kastnergasse, Brünner Strasse)*</li> <li>100% in MAGNAT Capital Markets GmbH / Vienna</li> </ul>

\*) The Schumannngasse and Kastnergasse project companies were sold following the end of the reporting year.

## 1.3. BUSINESS ACTIVITIES AND STRATEGY

DEMIRE Deutsche Mittelstand Real Estate AG is the chief operating unit of the DEMIRE Group: Previously, DEMIRE was positioned as an integrated real estate group covering the entire value-chain from acquisition through development, up to the disposal of real estate and land. Fundamentally, the Group followed a "develop and sell" and "buy and sell" strategy with regard to real estate and land. The concept of holding real estate and land was not part of the Company's strategy.

Until the end of the reporting year, DEMIRE's activities were combined into two business segments: Investments and Asset Management.

The Investments segment included the Group's own real estate portfolio and thus the entire real estate and property of the Group. This involved direct and indirect holdings in local project companies which carried out the development of real estate projects locally. Here DEMIRE focused on investments in office and residential real estate and properties which allowed for the development for an appropriate use. In fiscal year 2012/2013, DEMIRE's portfolio was spread across the following countries: Bulgaria, Germany, Georgia, Poland, Romania, Russia, Turkey, and the Ukraine.

In the Asset Management segment, DEMIRE supplies real estate and property management services particularly for the analysis, acquisition, financing, construction, and sale of real estate. The services are primarily carried out for the benefit of DEMIRE's own Investments segment (internal asset management) and, to a limited extent, for third parties (external asset management). Furthermore, DEMIRE conceptualised and sold the co-proprietors' building schemes in Vienna, Austria which were included in the asset management segment in the past.

#### 1.4. CORPORATE MANAGEMENT

DEMIRE's corporate management is cash-flow oriented and thus takes into account the risk of highly fluctuating cash flows which are inherent in the business model. Integrated cash flow planning links the business segments to each other as well as to the individual projects.

Not only the projects but also the responsible employees are managed within a defined project budget and cash flow plan and are continuously monitored and adjustments are made if necessary.

## 2. Economic conditions

In the course of the 2012/2013 fiscal year, the global economy deteriorated overall. While the environment improved slightly in the USA and Japan, the continuation of sovereign debt problems in Europe and the on-going latent banking crisis in numerous countries which had developed as a result – particularly in the eurozone – led to continued and somewhat even increased recessive tendencies. The German economy was still benefiting from robust domestic demand but was not able to entirely avoid this development over time. Accordingly, growth showed a tendency to slowdown, especially in the 2012/2013 winter season. China and the emerging countries were particularly impacted by the lack of demand in Europe. Their exports of raw materials and finished products suffered and thus had a weakening effect on their own domestic markets.

According to the European Commission, the economy of the EU27 declined 0.3% in real terms in 2012 after still growing 1.6% in 2011. The eurozone's economy contracted 0.6 % in 2012 after growing 1.4% in 2011. Due to persistently weak growth, especially in the course of the first half year, a further decline of 0.1% is expected in 2013 for the EU27 and a decline of 0.4% is anticipated for the eurozone. The US economy grew 2.2% in 2012 after 1.8% in the prior year and the Japanese economy rose 2.0% (2011: -0.6 %). Growth in China fell from 9.3% in 2011 to 7.8% in 2012 and global economic growth declined from 4.2% to 3.0%.

The economic development of the countries in DEMIRE Deutsche Mittelstand Real Estate AG's former target region around the Black Sea did not remain unscathed from this development in the reporting period. This was the conclusion made by the International Monetary Fund (IMF). Aside from respective



regional traits, these countries also showed declines in growth. The decline in Turkey's growth rate was exceptionally pronounced and its economy achieved a growth rate for the year of just 2.2% in 2012 after growth had boomed in the previous year and increased 8.8%. In view of the sharp acceleration in inflation (consumer prices rose 9.0% in 2012 after 6.5% in 2011) the Turkish domestic economy had cooled considerably. Signs of a slowdown still dominated the first quarter of 2013.

Exports from Georgia and the Ukraine were negatively affected by the slowdown in the global economy. Nevertheless, the impact was limited. Accordingly, the economic growth of these countries had a comparably minor decline. In Georgia, growth declined from 7.0% in 2011 to 6.5% in 2012 and in the Ukraine it declined from 5.2% to 0.2%. The stronger decline in the growth of the Ukraine resulted mainly from the marked increase in interest rates in order to defend the currency in 2012. Particularly in the second half of 2012, uncertainties in connection with the October elections and the overall political situation had an additional dampening effect on the economy in Georgia.

The trade deficit rose in both Georgia and the Ukraine in 2012. Net capital inflows into the CIS states, to which Georgia is included statistically by the IMF, were negative in 2011 and 2012. Given the weaker economic activity and the noticeable reluctance of foreign investment capital which can be observed in the capital flows, the respective regional real estate markets of the former target regions were not showing any signs of recovery in contrast to earlier expectations.

In the context of weaker economic developments in DEMIRE Deutsche Mittelstand Real Estate AG's former target regions, the local real estate markets of that area were also characterised by continued weakness. Not only the number of transactions but also the price level remained at an extremely low level in these countries making the disposal of projects at economically reasonable conditions almost impossible.

The conditions described had a considerable impact on the Company in this past fiscal year once again. The risk aversion of investors and financial institutions led to an extremely limited market for transactions and a sole focus on Western European real estate in prime locations. Financing was only limitedly available. This greatly narrowed the search for potential buyers – particularly in Eastern Europe. The absence of a market for transactions led in turn to devaluations especially in Eastern Europe which DEMIRE could also not avoid.

Overall, continued market stagnation in the countries of the Black Sea region, excluding Turkey, and the lack of a mid-term perspective for a sustainable recovery in these markets, led DEMIRE to fundamentally revise its strategic direction. Thus, the developments in these markets did not meet expectations. Due to largely stable development, the investment focus in the future will be on the real estate market in Germany.

### 3. Summary of the 2012/2013 fiscal year

In view of Eastern Europe's bleak economic perspective and that of the countries bordering the Black Sea, and the continued high uncertainty in terms of project disposals at acceptable prices, a further non-cash devaluation of the investment portfolio of around EUR –2.7 million has been carried out in these financial statements.

DEMIRE's "focus strategy" was consistently followed with the portfolio's restructuring. Along with a reduction in risk positions, securing liquidity and a reduction in existing liabilities count among our primary objectives. A further significant 35% reduction in operating expenses had made a great contribution to this.

The Mogosoia project in Romania as well as the Delitzsch project in Germany count among the successful disposals made in the reporting year. Both transactions were carried out in the form of a share deal which led to a positive impact on earnings and also reduced DEMIRE's debt to a large extent.

Additional successful disposals were initiated in the reporting year which, due to the reporting date, will only have an impact in fiscal year 2013/2014. Further details will be presented in the section titled "Significant events subsequent to the end of the fiscal year".

With the change in the investor base in March 2013, a completely new course was set for the future strategic direction of the Group. The majority of large shareholders with an ownership of over three percent sold their holdings in DEMIRE to DeGeLog Deutsche Gewerbe-Logistik Holding GmbH, Berlin. To promote the future direction of the Group, Hon. Prof. Andreas Steyer was appointed as the third member of the Executive Board on March 5, 2013. On March 7, 2013, a total of four Supervisory Board members resigned from office at their own request and for personal reasons. These resignations took effect on March 31, 2013.

Further details on changes in the Company's management after the conclusion of the reporting year are presented in the section titled "Significant events subsequent to the end of the fiscal year". For detailed information on the future strategy, please refer to Item 13 of the section of this report titled "Outlook".

## 4. Net assets, financial position, and results of operations

### 4.1. RESULTS OF OPERATIONS

in EURk	2012/2013	2011/2012
Profit/loss on rental of real estate inventory	276	2,372
Profit/loss on sale of real estate companies	2,290	439
Profit/loss on sale of real estate	302	15,724
Profit/loss on asset management	67	516
Profit/loss from investments accounted for using the equity method	-1,288	3,678
Other operating income and other effects	-1,944	-816
General and administrative expenses	-3,809	-5,656
Other operating expenses	-837	-1,469
<b>Profit/loss before interest and taxes</b>	<b>-4,943</b>	<b>14,788</b>
Financial result	-708	-1,757
<b>Profit/loss before taxes</b>	<b>-5,651</b>	<b>13,032</b>
<b>Net profit/loss for the period</b>	<b>-5,930</b>	<b>12,964</b>
<b>Net profit/loss for the period attributable to parent company shareholders</b>	<b>-5,927</b>	<b>12,933</b>
Basic and diluted earnings per share	-0.43	0.93

The earnings development in fiscal year 2012/2013 was largely influenced by the following factors:

- » general disposal activities,
- » non-cash impairments of the investment portfolio,
- » non-cash impairments of receivables, and
- » a very significant reduction in cost basis.

**Profit/loss on rental of real estate inventory** declined 88.4% in the reporting year from EUR 2.4 million to EUR 0.3 million. This was mainly based on a decline in income but also the result of operating expenses to generate rental income due to disposals of the German residential portfolio carried out in fiscal year 2011/2012.

**Profit/loss on sale of real estate companies** reached EUR 2.3 million in the 2012/2013 reporting year. This resulted from the sale of one Romanian subsidiary (the Mogosoia project) and a German subsidiary (Delitzsch project), as well as the sale of an Austrian real estate company. The results of the previous year were largely determined by the sale of a co-proprietors' building scheme located on Rennweg in Vienna.

**Profit/loss on the sale of real estate** amounted to a EUR 0.3 million profit after profits of EUR 15.7 million in the previous year. The profit in the reporting year chiefly reflects a Viennese real estate disposal. Profits in the prior year represent the liquidation of the German residential real estate portfolio.

**Profit/loss on asset management** only includes the income and expenses which arise from services to third parties. The profit/loss from asset management in the reporting year amounted to EUR 0.1 million, whereby both the asset management's income and expenses declined due to the reduction in the volume of assets under management.

**Profit/loss from investments accounted for using the equity method** amounted to EUR –1.3 million in the reporting year after EUR 3.7 million in the previous year. This item is comprised of the following:

in EURk	2012/2013	2011/2012
Profits from investments accounted for using the equity method	420	8,896
Losses from investments accounted for using the equity method	–566	–2,277
Unrealised fair value adjustments in equity investments	–1,142	–2,940
<b>Profit/loss from investments accounted for using the equity method</b>	<b>–1,288</b>	<b>3,678</b>

Profits of EUR 0.3 million are mainly the result of the Georgian project Vake 28/2.

This was contrasted with losses from various sources: from unrealised value adjustments in equity investments amounting to EUR –1.1 million resulting from value adjustments in the Peremogi project (Ukraine) and in Irao MAGNAT Gudiashvili LLC. Also included were on-going operating losses of EUR –0.6 million primarily from German (SQUADRA), Georgian (Gudiashvili), and Ukrainian (Peremogi project) companies.

The balance of other operating income and other effects amounted to EUR –1.9 million after EUR –0.8 million in the previous year.

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in EURk	2012/2013	2011/2012
Unrealised fair value adjustments in real estate inventory	-1,520	-3,517
Impairment of goodwill and receivables	-1,484	-975
Other operating income	1,060	3,676
<b>Other operating income and other effects</b>	<b>-1,944</b>	<b>-816</b>

The previously mentioned reduction in the recognised carrying amounts of the real estate portfolio led to a negative result of EUR -1.5 million from unrealised fair value adjustments in real estate inventory. The necessary impairment was mainly related to the Ukrainian projects with EUR -0.9 million and the Vacaresti project with EUR -0.3 million. Impairment of goodwill and receivables amounted to EUR -1.5 million in the reporting year after EUR -1.0 million in the prior year.

The decline in other operating income from EUR 3.7 million in the previous year to EUR 1.1 million in the reporting year can be explained by the absence of the following factors in the prior year: The prior year included income from the reversal of impairment losses of receivables as well as the realisation of previously earnings-neutral currency translation differences, among others. The reporting period mainly includes gains from currency translation differences.

**General and administrative expenses** declined 32.6% to EUR 3.8 million in the reporting year after amounting to EUR 5.7 million in the previous year. This favourable development can be traced back to our on-going efforts at limiting costs.

**Other operating expenses** in the reporting year fell 43.0% to EUR 0.8 million after EUR 1.5 million in the prior year. The majority of other operating expenses can be attributed to non-deductible VAT amounts.

On balance, **earnings before interest and taxes** (EBIT) amounted to EUR -4.9 million after EUR 14.8 million in the prior year.

The **financial result** for the reporting year was EUR -0.7 million after EUR -1.8 million in the prior year. It consists mainly of financial income from loans granted to investments accounted for using the equity method in the amount of EUR 0.7 million and of financial expenses from financing in the amount of EUR 1.2 million. The rise in the financial result is mainly due to the absence of project financing as a result of disposals.

In the reporting year, the **profit/loss before taxes** was EUR –5.7 million after EUR 13.0 million in the prior year. After taxes, the Group's net profit/loss for the period amounted to EUR –5.9 million after EUR 13.0 million in the prior year. After consideration of the net income attributable to non-controlling interests, the **net profit/loss for the period** attributable to DEMIRE Deutsche Mittelstand Real Estate AG shareholders amounted to EUR –5.9 million after EUR 12.9 million in the prior year.

Based on the average number of 13,889,651 shares outstanding in the reporting year (previous year: 13,889,651), basic and diluted earnings per share amounted to EUR –0.43 in the reporting year and EUR 0.93 in the previous year, respectively.

## 4.2. SEGMENT REPORTING

In accordance with the management approach and reporting lines, the Group is divided into the business segments: Investments, Asset Management, and Central Functions. The Investments segment comprises the business activities related to the real estate included in non-current tangible assets and real estate which is part of the real estate inventory under current assets. The Asset Management segment includes asset management services for third parties and the co-proprietors' building schemes in Austria. The Central Functions segment contains Group services provided by DEMIRE Deutsche Mittelstand Real Estate AG in its function as the Group holding company.

### 4.2.1 Investments segment

in EURk	2012/2013	2011/2012	Delta
Segment revenues	3,948	49,187	–45,239
Segment expenses	–6,871	–31,740	24,869
<b>Segment profit/loss before interest and taxes</b>	<b>–2,923</b>	<b>17,447</b>	<b>–20,370</b>
<b>Impairment losses included in net profit/loss for the period</b>	<b>4,105</b>	<b>6,344</b>	
<b>Total assets</b>	<b>24,415</b>	<b>33,922</b>	<b>–9,507</b>
As a percentage of the Group	78%	77%	
<b>Total liabilities</b>	<b>9,538</b>	<b>13,516</b>	<b>–3,978</b>
As a percentage of the Group	56%	56%	

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### An overview of the DEMIRE portfolio

In this past fiscal year, the Company and the respective project companies have commissioned expert opinions once again to determine the market values of the relevant part of DEMIRE's Eastern European portfolio. However, with the exception of the market value adjustments described in the results of operations, the values determined in the expert opinions covered the carrying amounts of the individual projects and investments.

Project	Country	DEMIRE's share	Carrying amount 2012 (in EURk)	Carrying amount 2013 (in EURk)	Change in carrying amount (in %)
A&T	D	99.6%	2,957	2,657	-10.15
Delitzsch	D	99.6%	2,754	n/a	
Nasze Katy	PL	50.0%	0	0	0.00
Peremogi	UA	59.8%	6,272	5,292	-15.62
Chmelnitzkij	UA	100.0%	1,734	1,500	-13.50
Koncha Zaspa	UA	99.6%	2,014	1,914	-4.97
Alexanderland	UA	99.6%	568	481	-15.32
Vitaly	UA	100.0%	270	270	0.00
Vacaresti	RO	99.6%	1,556	1,200	-22.88
Mogosoia	RO	99.6%	1,344	n/a	
Pancharevo	BG	99.6%	360	350	-2.78
Digomi	GEO	74.7%	821	821	0.00
YKB	TR	32.4%	3,536	3,533	-0.09
Russian Land	RUS	40.3%	369	367	-0.61
SQUADRA	D	16.1%	1,433	741	-48.30

The segment revenues of the Investments segment amounted to EUR 3.9 million in the reporting year after EUR 49.2 million in the prior year. This represents around 51% of the Group's revenues. Aside from rental income (EUR 0.8 million), most of the revenues stemmed from the disposal of real estate companies totalling EUR 2.0 million (previous year EUR 0.0 million). Profits from investments accounted for using the equity method added a further EUR 0.4 million (previous year: EUR 9.7 million). The previous year also included income from real estate disposals from the German residential portfolio (EUR 32.9 million).

Segment expenses declined from EUR 31.7 million to EUR 6.9 million. This reduction was mainly the result of the disposal of the German residential portfolio in the prior year and the corresponding decline in operating expenses to generate rental income. Segment expenses primarily include impair-

ment losses on real estate inventories amounting to EUR 1.5 million and impairments of receivables of (EUR 1.4 million). Furthermore, EUR 1.7 million in losses occurred from investments accounted for using the equity method (previous year's loss: EUR 5.2 million). Other segment expenses amounted to EUR 1.3 million and consisted of allocated administrative expenses, other operating expenses, and operating expenses to generate rental income. Management fees charged by the Central Functions segment (EUR 0.8 million) are also included and are consolidated in the Group as a whole.

The segment result (EBIT) for the reporting year totalled EUR –2.9 million after EUR 17.4 million in the prior year. Total impairment losses in the Investments segment were EUR –4.1 million. In the prior year, impairments amounted to EUR –6.3 million and reversals of impairments amounted to EUR 0.1 million.

The interest income of the Investments segment in the reporting year was EUR –0.3 million after EUR –1.5 million. The segment's net income for the period in the reporting year was EUR –3.5 million after EUR 16.0 million.

#### 4.2.2. Asset Management segment

in EURk	2012/2013	2011/2012	Delta
Segment revenues	2,909	3,770	–861
Segment expenses	–2,834	–4,401	1,567
<b>Segment profit/loss before interest and taxes</b>	<b>75</b>	<b>–631</b>	<b>706</b>
<b>Impairment losses included in net profit/loss for the period</b>	<b>41</b>	<b>593</b>	
<b>Total assets</b>	<b>5,024</b>	<b>7,459</b>	<b>–2,435</b>
As a percentage of the Group	16%	17%	
<b>Total liabilities</b>	<b>4,428</b>	<b>5,308</b>	<b>–880</b>
As a percentage of the Group	26%	22%	

The segment revenues of the Asset Management segment amounted to EUR 2.9 million in the reporting year after EUR 3.8 million in the prior year. This represents around 37 % of the Group's revenues.

In line with revenues, there was also a marked decline in the segment expenses in the reporting year from EUR 4.4 million to EUR 2.8 million. Other expenses noticeably declined from EUR 4.1 million to EUR 2.3 million as a result of our continued measures for minimising costs.

The segment result (EBIT) for the reporting year totalled EUR 0.1 million after EUR –0.6 million in the prior year. The earnings impact of impairments in the reporting year was EUR 0.0 million (previous year: EUR –0.6 million).

Net income for the period improved and amounted to EUR –0.1 million after EUR –0.9 million.



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#### 4.2.3. Central Functions

in EURk	2012/2013	2011/2012	Delta
Segment revenues	946	2,902	-1,956
Segment expenses	-2,859	-4,730	1,871
<b>Segment profit/loss before interest and taxes</b>	<b>-1,912</b>	<b>-1,827</b>	<b>-85</b>
<b>Impairment losses included in net profit/loss for the period</b>	<b>0</b>	<b>295</b>	
<b>Total assets</b>	<b>1,703</b>	<b>2,886</b>	<b>-1,183</b>
As a percentage of the Group	5%	7%	
<b>Total liabilities</b>	<b>2,925</b>	<b>5,214</b>	<b>-2,289</b>
As a percentage of the Group	17%	22%	

The Central Functions segment only contains Group services provided by DEMIRE Deutsche Mittelstand Real Estate AG in its function as the Group holding company. Hence, only a limited amount of revenues accrue in this segment. As a result, segment revenues are principally related to other income and the management fees charged to the Investments segment. Segment revenues declined in the reporting year to EUR 1.0 million from EUR 2.9 million in the prior year.

Segment expenses declined to EUR 2.9 million in the reporting year after EUR 4.7 million in the prior year. In both periods, these amounts were solely related to other expenses. In total, the segment result (EBIT) in the reporting year amounted to EUR -1.9 million after EUR -1.8 million in the prior year. The previous year included EUR 0.7 million in impairment reversals. In the reporting year, impairment losses were EUR 0.0 million after EUR 0.3 million in the prior year.

The segment's net loss for the period amounted to EUR -2.2 million after EUR -2.0 million in the prior year.

#### 4.3. FINANCIAL POSITION

The financial management of the DEMIRE Group is carried out in accordance with the guidelines set out by the Executive Board. This applies to the management of funds as well as to financing. The centralised liquidity analysis contributes to optimising the flow of funds. The chief aim is to secure liquidity for the entire Group. Routinely providing information to the Supervisory Board regarding the financial position is a key component of the DEMIRE risk management system.

#### 4.3.1. Capital structure

in EURk	2012/2013	2011/2012
<b>Net profit/loss for the period attributable to parent company shareholders</b>	<b>14,361</b>	<b>20,326</b>
Non-controlling interests	-109	-98
<b>Total equity</b>	<b>14,252</b>	<b>20,229</b>
Group equity ratio	45,8%	45,7%
Total non-current liabilities	9,205	15,094
Total current liabilities	7,685	8,945
<b>Total liabilities</b>	<b>16,891</b>	<b>24,039</b>
<b>Total equity and liabilities</b>	<b>31,143</b>	<b>44,267</b>

As at March 31, 2013, DEMIRE's total assets were EUR 31.1 million (previous year: EUR 44.3 million). Thereby, shareholders' equity amounted to EUR 14.3 million in comparison to EUR 20.2 million in the previous year. The equity ratio remained close to the prior year's level and changed to 45.8% as of the reporting date from 45.7% in the prior year.

Provisions declined from EUR 1.8 million in the prior year to EUR 1.3 million as at March 31, 2013. This change was mainly due to the use of provisions accrued in the prior year for severance payments in connection with the departure of a former member of the Executive Board in the year 2010. Provisions of EUR 0.2 million for invoices outstanding in the prior year were largely exhausted and were newly accrued to a small extent.

The solid equity ratio is largely the result of a reduction in debt from the disposal of a commercial portfolio in Germany. Overall, liabilities declined by EUR 7.1 million from EUR 24.0 million to EUR 16.9 million as at the reporting date. The decline in financial debt totalling EUR 6.0 million was even more pronounced. Here, non-current financial debt declined EUR 5.7 million to EUR 9.2 million and current financial debt fell from EUR 5.4 million to EUR 5.0 million.

Non-current liabilities, including deferred taxes, declined around 39% and amounted to EUR 9.2 million. Current liabilities also declined 14% to EUR 7.7 million. This includes a decline in trade payables and other liabilities of around EUR 0.4 million to EUR 1.1 million.

Net debt (financial debt less cash and cash equivalents) amounted to EUR 11.9 million in the reporting year after EUR 16.6 million in the prior year. Financial debt is primarily denominated in euros and EUR 10.6 million of the total is due in the 2014 calendar year. A large portion of financial debt concerns fixed-interest amounts.

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#### 4.3.2. Liquidity analysis

Cash flow from operating activities declined from EUR 26.5 million in the prior year to EUR –1.2 million in the reporting year. Real estate inventory recorded a change of EUR 0.7 million. Trade accounts receivables and other receivables showed a change of EUR 0.5 million and financial receivables and other financial assets showed a change of EUR 0.2 million. The changes in trade payables and other liabilities and the change in provisions resulted in a net effect of EUR –0.9 million. Non-cash income and expenses amounted to EUR 2.7 million and resulted primarily from impairments (EUR 3.1 million) and the result of investments accounted for using the equity method (EUR 1.3 million) as well as changes in connection with disposals (EUR –2.0 million).

A substantial portion of the cash flow in the prior year resulted from the sale of the German residential portfolio.

Cash flow from investing activities amounted to EUR 1.3 million after EUR –1.2 million in the prior year. The positive cash flow was mainly influenced by the proceeds from the sale of investments accounted for using the equity method amounting to a total of EUR 0.6 million, proceeds from loans to investments accounted for using the equity method and other investments of EUR 0.5 million, as well as proceeds from the purchase of net assets amounting to EUR 0.4 million.

Cash flow from financing activities was recorded at EUR –1.4 million in the reporting year (previous year: EUR –27.0 million). This arose from the repayment of financial debt.

Cash and cash equivalents were EUR 2.3 million as at the end of the reporting year compared to EUR 3.6 million as at the start of year. Thus, the net change in cash and cash equivalents amounted to EUR –1.3 million.

DEMIRE was in a position to meet its payment obligations at all times.

#### 4.4. NET ASSETS

in EURk	2012/2013	2011/2012
Total non-current assets	9,155	10,358
Total current assets	18,185	30,103
Investments accounted for using the equity method available for sale	3,803	3,806
<b>Total assets</b>	<b>31,143</b>	<b>44,267</b>

Due to the disposal of real estate companies and real estate and as a result of impairments, total assets as at March 31, 2013 fell to EUR 31.1 million from EUR 44.3 million in the prior year. Real estate inventory declined overall due to disposals and amounted to EUR 10.2 million after EUR 16.1 million.

Loans to investments accounted for using the equity method of EUR 2.1 million mainly refer to a loan to the Peremogi project. In total, the carrying amount of non-current assets in the reporting year declined from EUR 10.4 million to EUR 9.2 million.

In the reporting year, non-current asset declined from EUR 30.1 million to EUR 18.2 million. This can largely be traced back to the development of real estate inventory which declined from EUR 16.1 million to EUR 10.2 million. Overall in the Group, disposals due to sales totalled EUR 5.5 million. In addition, EUR –1.5 million in unrealised fair value adjustments in real estate inventory were taken into consideration.

The liquidity position as at the 2012/2013 reporting date totalled EUR 2.3 million after EUR 3.6 million.

After March 31, 2013, the last residential units of the remaining co-proprietor's building schemes in Vienna and the asset management of co-proprietor's building schemes that were already placed on the market in Vienna were sold en bloc. The DEMIRE Group achieved a significant amount of debt relief in connection with this disposal. The transactions mentioned had a positive impact overall on the economic position of the Group.

At this point, we would also like to refer you to the explanations which can be found in the section titled "Significant events subsequent to the end of the fiscal year".

## 5. Employees

In the reporting year, the DEMIRE Group engaged 17 employees (previous year: 27 employees).

## 6. Additional information

### 6.1. RESEARCH AND DEVELOPMENT

DEMIRE does not carry out any research and development activities.

### 6.2. REMUNERATION REPORT

The following remuneration report summarises the basic principles of the Executive Board and Supervisory Board remuneration systems:

#### 6.2.1. Remuneration of the Executive Board

The Supervisory Board determines the appropriate remuneration for the Executive Board. The criteria for the appropriateness of the total remuneration are based on the responsibilities and performance

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of the Executive Board member, the condition of the Company, as well as the sustainability of the Company's development. Overall remuneration may not exceed the usual remuneration without specific reasons. Here, the Supervisory Board takes into consideration the relationship between the remuneration of Executive Board members and the remuneration of senior management and the overall workforce, and also the development over time. The Supervisory Board establishes the definition of who is to be included in the categories of senior management and relevant workforce. The total remuneration of Executive Board members consists primarily of a fixed level of remuneration as well as a variable remuneration component with a short-term incentive component (performance bonus). The variable remuneration of Executive Board members is divided into a bonus for the past fiscal year as well as a bonus measured on multi-year factors.

### Existing employment contracts

The fixed component of remuneration is paid out monthly in the form of a basic salary. Executive Board members have fixed-term employment contracts.

Mag. Jürgen Georg Faè is entitled to the customary contractual benefits in kind and fringe benefits. These include the provision of a company vehicle, the reimbursement of expenses, other costs, travel costs, the conclusion of a directors' and officers' liability insurance policy (D&O insurance), an annual medical check-up, accident insurance, and well as supplementation of health and long-term care insurance policies.

Hon. Prof. Andreas Steyer is entitled to the customary contractual benefits in kind and fringe benefits. These include the provision of a company vehicle, the reimbursement of expenses and travel costs, the conclusion of a directors' and officers' liability insurance policy (D&O insurance), and continued payments in the case of illness or an accident, and death benefits.

If the employment contract of Jürgen Georg Faè is ended prematurely through a proper cancellation on the part of DEMIRE Deutsche Mittelstand Real Estate AG, the Executive Board member is entitled to a severance payment equal to 50 % of the sum of his outstanding monthly remuneration until the end of the actual term of the employment contract. The amount of the remuneration is based on the fixed salary without giving consideration to a performance bonus, benefits in kind, or other benefits.

Hon.-Prof. Andreas Steyer has a time-based pro rata entitlement to a multi-year bonus if the performance period for the determination of the multi-year bonus has persisted for twenty-four months.

The variable and fixed components of the remuneration of Executive Board members have maximum limits in terms of absolute value. A higher compensation than the amount of remuneration expected for the remaining term of the employment contract will not be granted.

### **Employment contract of Dr. Lube**

Dr. Marc-Milo Lube resigned as a member of the Executive Board effective April 19, 2013. According to his employment contract, Dr. Lube was entitled to the customary benefits in kind/fringe benefits. These benefits included the provision of a company vehicle, the conclusion of a directors' and officers' liability insurance policy (D&O insurance), accident insurance, reimbursement of expenses and other costs as well as travel costs, and supplementation of health and long-term care insurance policies. The variable and fixed remuneration of the employment contract has maximum limits in terms of absolute value.

### **6.2.2. Compensation of the Supervisory Board**

The amount of remuneration received by the Supervisory Board is determined by the Annual General Meeting and is regulated in Section 16 ("Remuneration") of the Articles of Association. The most recent resolution on remuneration remains valid until the Annual General Meeting resolves a change in remuneration. Each member of the Supervisory Board receives fixed remuneration which is payable annually. The Chairman of the Supervisory Board receives three times the amount of base salary and the Deputy Chairman receives twice the amount of base salary. Supervisory Board members, who were not members of the Supervisory Board for the entire fiscal year, receive remuneration in accordance with the duration of their membership in the Supervisory Board. In addition, the Company shall reimburse the Supervisory Board members who had incurred expenses in the exercise of their Supervisory Board mandate as well the VAT payable on their remuneration and expenses as long as this was billed separately.

At this point, we would like to refer you to the corresponding explanations to be found in the Notes to the Consolidated Financial Statements.

## **6.3. STATEMENT ON CORPORATE GOVERNANCE**

DEMIRE Deutsche Mittelstand Real Estate AG issues a Statement on Corporate Governance pursuant to Item 3.10 of the German Corporate Governance Code and pursuant to Section 289a HGB. The Declaration of Compliance regarding the German Corporate Governance Code pursuant to Section 161 AktG that this statement contains is also available on the Company's website ([www.demire.ag](http://www.demire.ag)) under the section "Company".

## **6.4. DISCLOSURES PURSUANT TO SECTION 289 PARA. 4 HGB AND SECTION 315 PARA. 4 HGB**

### **6.4.1. Composition of subscribed capital**

The shares of DEMIRE Deutsche Mittelstand Real Estate AG are registered on the regulated market (General Standard) of the Frankfurt Stock Exchange. As at March 31, 2013, the Company had fully paid-in subscribed capital of EUR 13,894,651.00 which was divided into 13,894,651 no-par value bearer shares with a notional par value of EUR 1.00. Thereof, 5,000 shares are held by the Group.

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#### 6.4.2. Restrictions regarding voting rights or the transfer of shares

There are no restrictions concerning voting rights or the transfer of shares.

#### 6.4.3. Direct or indirect interests in the Company's share capital exceeding 10% of the voting rights

As at March 31, 2013 the following DEMIRE Deutsche Mittelstand Real Estate AG shareholders held more than a 10% share of the voting rights of the Company:

- » DeGeLog Deutsche Gewerbe-Logistik Holding GmbH, Berlin, 29.51 %

As at March 31, 2013, the Company had no further notifications with regard to direct or indirect interests exceeding 10% of the voting rights.

#### 6.4.4. Holders of shares endowed with special rights conferring powers of control

No such shares have been issued.

#### 6.4.5. Type of voting right control when employees hold an interest in share capital and do not directly exercise their controlling rights

No such interests exist.

#### 6.4.6. Statutory regulations and provisions of the Articles of Association concerning the appointment and removal from the office of the Executive Board, and amendments to the Articles of Association

##### 6.4.6.1. Executive Board appointments and dismissals

According to Section 84 AktG, members of the Executive Board are appointed by the Supervisory Board for a term of no longer than five years. Reappointment is permitted. The Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG consists of one or more persons. The number of Executive Board members is determined by the Supervisory Board. The Supervisory Board decides on the appointment of Executive Board members, the revocation of their appointment, as well as the conclusion, modification, and termination of the employment contracts concluded with Executive Board members.

The Supervisory Board may appoint a chairman and deputy chairman of the Executive Board, and also appoint Deputy Executive Board members.

##### 6.4.6.2. Changes in the Articles of Association

In accordance with Section 179, para. 1 AktG, changes to the Articles of Association require a resolution of the Annual General Meeting which requires a three-quarters majority of the share capital represented at the vote pursuant to Section 179, para. 2 AktG, unless the Articles of Association provide for another majority. To the extent that the change of corporate purpose is effected, the Articles of Association may only specify a larger majority. In Section 20 para. 1, DEMIRE Deutsche Mittelstand Real Estate AG's Articles of Association utilise the option to deviate in accordance with Section 179 para. 2 AktG and provide that, in principle, decisions may be taken on the basis of a simple majority of votes,

or on the basis of a simple capital majority to the extent that a capital majority is necessary, unless mandatory legal regulations require a greater majority. The Supervisory Board is authorised to resolve amendments to the Articles of Association which only relate to their wording.

Furthermore, the Supervisory Board is authorised to amend the wording of Section 5 of the Articles of Association which defines, among others, the amount and division of the share capital, in order to adjust the wording to the scope of the capital increases from authorised capital.

#### **6.4.7. Executive Board's authorisation to issue and repurchase shares**

##### *6.4.7.1. Authorised Capital*

The Executive Board is authorised, with the assent of the Supervisory Board, to increase the share capital until October 28, 2014 through the issuance of up to 6,947,325 new ordinary bearer shares, each with a notional par value of EUR 1.00 per share against contribution or contribution in kind, once or on several occasions in partial amounts up to EUR 6,947,325 (Authorised Capital 2009). Shareholders are generally entitled to subscription rights. Nevertheless, the Executive Board is authorised, with the assent of the Supervisory Board, to exclude shareholder subscription rights in the following instances:

- » for fractional shares,
- » if the capital increase is against cash contribution and the proportional amount of the share capital attributed to the new shares for which the subscription right is excluded does not exceed 10% of the share capital existing at the time the new shares are issued, and the issue price of the new shares is not significantly less than the stock market prices of the shares of the same class and entitlements already listed at the time of the final determination by the Executive Board according to Section 203 para. 1 and 2 and Section 186 para. 3 Sentence 4 AktG,
- » in the case of capital increases against contribution in kind.

##### *6.4.7.2. Contingent Capital*

The Company's share capital is conditionally increased up to EUR 6,947,325, divided into up to 6,947,325 ordinary bearer shares each with a notional par value of EUR 1.00 per share. The conditional capital increase serves to grant subscription and/or conversion rights to the holders of bonds with warrants and/or convertible bonds that are issued according to the respective resolutions of the Annual General Meeting of August 30, 2007. The authorisation resolved by the Annual General Meeting on August 30, 2007 for the issue of warrants and/or convertible bonds expired on June 30, 2012. This authorisation was not utilised during the period.

##### *6.4.7.3. Authorisation to repurchase shares*

On the basis of the resolution of the Annual General Meeting of October 29, 2009, the Company is authorised until October 28, 2014 to acquire up to a total of 10% of the share capital existing at the time



of the passing of the resolution. The shares acquired on the basis of this authorisation and any other treasury shares that the Company has already acquired, or already owns, may not comprise more than 10% of the Company's existing share capital. This authorisation can be exercised in whole or in partial amounts on either one or several occasions.

Purchases are to be executed on the stock market or as part of a public share repurchase offer, or in the form of a public solicitation addressed to Company's shareholders to issue selling offers:

If the purchase is executed on the stock market, the consideration paid by the Company (in each case excluding ancillary purchase costs) may neither be 10% more or 10% less than the average closing price of the Company's shares in XETRA trading on the Frankfurt Stock Exchange (or a comparable successor system) on the last three stock exchange trading days before the purchase. If the Company is listed on several stock exchanges, the respective last three closing prices of the Company's shares on the Frankfurt Stock Exchange before the publication of the offer are decisive.

If the purchase is performed by way of a public purchase offer to Company shareholders, or by way of a solicitation addressed to the Company's shareholders to issue selling offers, the offered purchase or selling price or the limits of the offered purchase or selling price range per share, excluding ancillary purchase costs, may be neither 10% more nor 10% less than the average closing price of the Company's share in XETRA trading on the Frankfurt Stock Exchange (or a comparable successor system) on the last five stock exchange trading days before the date the offer is published, or the solicitation to issue selling offers is published. If the Company is listed on several stock exchanges, the respective last five closing prices of the Company's shares on the Frankfurt Stock Exchange before the publication of the offer are decisive.

If, after the publication of a purchase offer, or the publication of a solicitation to issue selling offers, there are significant price deviations from the offered purchase or selling price, or from the limits of the offered purchase or selling price range, the offer or solicitation to issue selling offers can be adjusted. In such instances, the relevant amount is determined according to the corresponding price before the publication of the adjustment; the 10% limit for exceeding or falling below is applied to this amount.

The volume of the offer can be restricted. If the total subscription to the offering exceeds this volume, acceptance must be according to quotas. A provision may be made for preferential acceptance of unit numbers of tendered shares of less than up to 100 shares.

Apart from disposal through the stock market, the Executive Board is authorised to utilise the shares acquired on the basis of this authorisation as follows:

With the assent of the Supervisory Board, the Executive Board may cancel the shares while at the same time reduce the share capital, without such cancellation, or its performance, requiring a further resolution of the Annual General Meeting. It may also correspondingly adjust the stated number of shares in the Articles of Association. The Executive Board may diverge from the above stipulations and determine

that the share capital is not reduced, but that the share of the remaining shares in the share capital is increased pursuant to Section 8 para. 3 AktG. In such an instance, the Executive Board is authorised to adjust the stated number of shares in the Articles of Association.

The Executive Board may offer and transfer shares to third parties as consideration as part of business combinations, or when purchasing companies, or interest in companies, or parts of companies. Shareholders' subscription rights to the Company's shares are excluded to such an extent.

The Executive Board may offer shares for purchase or transfer to Company staff or employees of associated companies in accordance with Section 15 ff. AktG. Shareholders' subscription rights for the Company's shares are excluded to such an extent.

The Executive Board may utilise shares to service bonds with options or conversion rights issued by the Company or dependent companies associated with it. Shareholders' subscription rights for the Company's shares are excluded to such an extent.

With the assent of the Supervisory Board, the Executive Board may sell shares in a manner other than through the stock market or through the unofficial market, or through an offer to all shareholders, if these shares are sold at a price, or transferred for consideration, that is not significantly less than the stock market price of the Company's shares. This authorisation is valid to the extent that the number of shares to be sold, together with the new shares which have been issued under the exclusion of subscription rights pursuant to Section 186 para. 3 Sentence 4 AktG since the issuing of this authorisation, do not total more than 10% of the share capital existing at the time of the resolution of the Annual General Meeting concerning this authorisation, or at the time when this authorisation is exercised, if the latter is lower. Shareholders' subscription rights for the Company's shares are excluded to such an extent.

The authorisation relating to the resale of the Company's repurchased shares can be exercised once or on several occasions either wholly or in partial amounts and in the pursuit of one or several purposes.

No utilisation was made of this authorisation in the past fiscal year.

#### **6.4.8. Material Company agreements subject to a change in control following a takeover offer, and resultant effects**

The Company has refrained from making these disclosures since the respective disclosures may result in considerable disadvantages to the Company.

#### **6.4.9. Company compensation agreements that have been made with the Executive Board or employees in the case of a takeover offer**

According to the employment agreement of Jürgen Georg Faè, in the instance of a termination of employment as part of a change in control or acquisition of control, he is to receive 100% of the total monthly compensation outstanding until the end of the actual term of his employment contract. The level of monthly compensation is determined according to the fixed salary excluding the performance bonus, benefits in kind, and other benefits.

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In the instance of a termination of employment as part of a change in control or acquisition of control, Andreas Steyer is to receive the existing contractual entitlements of the remainder of his term as an appointed Executive Board member in the form of a one-time payment which will be due at the time of his departure. The amount of this payment will be based on the fixed salary and the target bonus in the last full calendar year prior to the departure of Professor Steyer and shall not exceed two years' remuneration.

## 7. General statement concerning the Group's economic position

DEMIRE's economic situation is still being dominated by the need to carry out disposals in a timely manner in order to meet the on-going operating expenses of the Group. This is the result of the previous focus of the business model on a "develop & sell" and "buy & sell" strategy. Therefore, securing the Group's liquidity remains the permanent focus of the Executive Board. Through the reduction in the complexity of the Group, the cost reduction measures, and the most recently completed disposals, significant measures to improve the economic position of the Group have already been carried out.

In the future, the Group will concentrate on Germany and will act as an investor and portfolio manager. This will fundamentally change the economic position of the Group and improve it. The primary aim in the course of the Group's realignment is first and foremost the stabilisation of the Group's present situation. On this basis, new opportunities should present themselves. As demonstrated by the investment of a new major shareholder in DEMIRE and personnel changes in the Executive Board and Supervisory Board, significant steps have already been taken in this direction. Current liquidity planning assumes that DEMIRE's ability to pay within the next 12 months will be secured at all times.

## 8. Changes in the composition of the governing bodies

Effective on March 5, 2013, Hon. Prof. Andreas Steyer was appointed by the Supervisory Board as the third member of the Executive Board.

On March 7, 2013, Supervisory Board members Friedrich Lind, Dr. Christoph Jeannée LL.M., Mag Wolfgang Quirchmayr, and Stefan Schütze announced to the Chairman of the Supervisory Board that they would be ending their mandates and resigning from the Supervisory Board at their own request and for personal reasons. These resignations took effect on March 31, 2013.

## 9. Significant events subsequent to the end of the fiscal year

On April 17, 2013, the Frankfurt/Main District Court appointed Prof. Dr. Hermann Anton Wagner as a new Supervisory Board member at the Executive Board's request.

After many successful years as a member of the Executive Board of DEMIRE, Dr. Marc-Milo Lube resigned from his position at the Company by mutual agreement in order to pursue new professional challenges. His resignation took effect on April 19, 2013.

At the Supervisory Board meeting on May 16, 2013, Hon. Prof. Andreas Steyer was appointed as the new Speaker of the Management Board (CEO) with immediate effect.

On June 13, 2013, the last residential units of its remaining co-proprietor's building schemes in Vienna and the asset management of co-proprietor's building schemes that were already placed on the market were sold en bloc in Vienna. The total transaction resulted in a significant reduction in the Group's liabilities and thus in the level of indebtedness. The sale also resulted in the realisation of hidden reserves which led to a positive effect on earnings.

The Extraordinary General Meeting of June 27, 2013 passed the resolution to change the Company's name to "DEMIRE Deutsche Mittelstand Real Estate AG". The name change was recorded in the commercial register on July 30, 2013. The new name is intended to reflect the change in the focus of the Company which will geographically focus on Germany in the future.

In addition, the Extraordinary General Meeting's agenda called for a resolution on the proposals to reduce the number of members of the Supervisory Board from six to three and on the appointment of Prof. Dr. Hermann Anton Wagner to the Company's Supervisory Board until the end of the Annual General Meeting resolving on the formal discharge for the fiscal year ending on March 31, 2016. All proposals were adopted by the Extraordinary General Meeting by a large majority.

On August 12, 2013, DEMIRE received an irrevocable loan offer from DeGeLog Deutsche Gewerbe-Logistik Holding GmbH, Berlin, in order to secure the appropriate liquidity. Under this agreement, DEMIRE may draw down a one-time exploitable credit facility in the amount of EUR 2 million from DeGeLog until August 8, 2014.

## 10. Opportunities and risks

### 10.1. INTRODUCTION

The fundamental risk profile of the Group should change with the targeted realignment. While previously any investments within the Investments segment were undertaken in project companies located primarily in Eastern Europe and the Black Sea region, the future focus will be directed at logistic and office real estate in Germany. In order to build an attractive, value-enhancing real estate portfolio in Germany, it is necessary to first dispose of the existing investments. As a result of the depressed economic environment in the previous target regions surrounding the Black Sea and in Eastern Europe, as well as the on-going reluctance of foreign investors, an overall high level of uncertainty on the respective real estate markets significantly impedes the disposal of real estate projects at adequate prices.

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In the reporting year as well as during the period of this report's preparation, DEMIRE continues to consistently follow its focussed strategy as part of its strategic retreat from individual countries where this has been completed or has at least begun. This will allow a significant minimisation of the Group's risks profile, scale down the liabilities, and reduce costs.

The risk profile in the future will be less impacted by the economic and political risks of single countries, but rather mainly be impacted by the economic conditions found in Germany. Further single, local risk, particularly legal risks and those related to the Company's structure, or of a tax nature, will also have a more limited impact on DEMIRE in the future.

By implementing the newly defined strategy, the Company will be exposed to fewer risks overall in the future. The risks related to the Company to date will continue until the complete disposal of the real estate projects still in existence.

## 10.2. PRINCIPLES AND STRUCTURE OF RISK AND OPPORTUNITY MANAGEMENT

DEMIRE's risk management is currently focussed on safeguarding the realignment of the Group. This includes the key overall task of first securing the Company's liquidity in order to assure its on-going solvency. At the moment, risk management is particularly concentrated on the precise identification and reduction of the risks related to the disposal process of the previous project portfolio. Risk management is also aiming at recognising and exploiting the opportunities found in this process. Identifying future investments in Germany and providing the necessary liquidity for these investments is also successively becoming the focus.

Risk identification is a permanent task of the Company's management. Routine Jours Fixes, controlling meetings, project discussions, and individual discussions are taking place in order to ascertain risk. The entire risk management process is documented in a risk management handbook. Risk management is applied throughout the entire DEMIRE Group. A critical review and, if necessary, a revision takes place annually.

Owing to DEMIRE Group's flat organisational structure, the Executive Board is directly involved in all material decisions. This flat hierarchy allows the risk management system to have a comparably simple and less complex structure.

The Supervisory Board is regularly informed of business developments, the development of projects/ investments, as well as the status of the risk management system and its further development. Thus, the supervisory activities of the Supervisory Board form an essential element of DEMIRE's risk management system.

### **10.3. DESCRIPTION AND EXPLANATION OF THE KEY CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM WITH REGARDS TO THE ACCOUNTING AND GROUP ACCOUNTING PROCESSES**

As the legal parent company, DEMIRE Deutsche Mittelstand Real Estate AG undertakes the preparation of the consolidated financial statements. Before this process, the financial accounting and the preparation of the financial statements of the Group companies, which are included in the consolidated financial statements, is performed by specialised external service providers.

The required monthly assessments and the prepared financial statements are completely forwarded on a timely basis and monitored internally. As a component of risk management, the plausibility, accuracy, and completeness of the entries are monitored and reviewed by the Company's own employees.

The key instruments for this purpose are:

- » Uniform accounting principles through the selection of an external service provider for a large portion of the Group's companies.
- » A clear separation of tasks and allocation of responsibility between the internal and external areas concerned with the accounting process.
- » The involvement of external specialists, when necessary for example, in the valuation of properties.

The Group's internal audit is implemented within a Group company's legal department. The management determines whether and which structures and processes are subjected to auditing.

### **10.4. RISKS**

#### **10.4.1. Overall economic risks**

Overall, macroeconomic risks have increased. This is despite the reassurance that occurred in the financial markets in the wake of the on-going European debt crisis and the continuation and even intensification of recessionary trends in many Western European countries. Many European countries continue to suffer from high and often rising unemployment accompanied by the corresponding negative effects on investment and consumer spending. In some countries, social peace is at risk. From the perspective of the IMF and the European Union, the eurozone will remain in a recession throughout the year 2013. Even though a slight economic improvement is expected in 2014, this is strongly dependent upon the numerous financial and economic imponderables.

#### **10.4.2. Market and sector risks**

After the termination of the co-proprietors' building scheme activities in Vienna and the sale of the remaining projects completed after the reporting period, the risks of these businesses no longer exist. The Group will not operate any further activities in Austria in the future. The risks associated with the

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general developments in Austria will also cease to exist. Despite some strong internal dynamics in the remaining countries of the former target regions around the Black Sea and in Eastern Europe (where the DEMIRE Group still has invested capital) the economic development of these regions is likely to remain restrained in the face of the continuing overall growth risks in Europe. Rising capital flows from abroad are almost essential for stimulating the local real estate markets but hardly to be expected in view of the general economic situation and the resulting risk aversion of investors.

In contrast to previous expectations, transactions in these countries will continue to be extremely difficult in the near future. Thus, the local market risks for the business of the DEMIRE Group are still considered to be significant. The disposal of projects in the portfolio remains challenging. The prices achievable could fall short of the respective carrying amounts at the time they are sold. According to current knowledge, the risks have already been considered when the objects' valuations were assessed.

However, the typical market business risks of the Group in this area will decline as a result of the Group's future strategic direction on the German market for logistics and office properties, and its concentration on the buy-and-hold approach and the focus on achieving positive net cash flows.

Hence, the main risks will be Germany's general economic development, the German real estate market in general, and the market for logistics and office real estate in particular. Further risks include the solvency of the individual tenants and their ability to pay rent and ancillary expenses in a timely manner as well as the development potential of the respective investments and their locations or regions.

### 10.4.3. Financial risks

#### 10.4.3.1. Currency risks

Thus far, DEMIRE has been predominantly active in markets outside of the eurozone and therefore has been also exposed to exchange rate risks. Where it is possible and feasible, projects are processed in local currencies (e.g. local currency financing of construction costs).

The remaining exchange rate risk, which was mostly limited to invested equity and the potential profit, was only partially hedged since appropriate hedging instruments were often not available at economically reasonable prices, if offered at all. Generally, preference was given to hedging on an aggregated basis rather than on the basis of individual project-related risks. Here, hedging was only considered when certain fluctuation ranges were exceeded and only for certain currencies and were limited to the equity invested (and not for the potential profit). In summary, the management of foreign exchange rate risks was geared toward accepting currency risk within a certain range. The foreign currency hedging strategy was and is determined in close coordination with the Supervisory Board.

These risks have already been considerably curtailed as a result of disposals in the reporting year and in the weeks thereafter which resulted in DEMIRE's complete withdrawal from various countries. The risks mentioned continue however for those DEMIRE investments which still exist.

#### *10.4.3.2. Interest rate risks*

The DEMIRE Group utilises debt to finance real estate projects. As at the reporting date, this is particularly true for projects in Germany and Austria. Financing facilities of around EUR 2.3 million carry a variable interest rate. Thus, an increase in the level of interest rates would place a burden on the Company. Fixed interest rate agreements have been concluded for loan agreements totalling around EUR 3.3 million.

In contrast, a large part of DEMIRE's investments in Eastern European countries and in the Black Sea region is financed using equity. Here, the assumption of debt plays a lesser role due to the lack of financing opportunities.

Basically, financing takes place at the project level. However, borrowing has also been taken up in the past at the holding company level in the case of a mezzanine loan and the financing of the acquisition of the assets belonging to R-Quadrat Capital Beta GmbH, Vienna, Austria in the form of an interest-free deferral of purchase price. The mezzanine loan has a fixed interest rate so that a change in interest rate levels has no impact on the Group.

An evaluation of the interest rate policy takes place at regular intervals and in close coordination with the Supervisory Board.

#### **10.4.4. Operating risks**

Customary project risks may arise with projects under development. These risks can include budget overruns, time delays, delays due to faulty performance, and/or the insolvency of service providers. As a result, higher liquidity at project companies may be required.

If loan financing at the project level cannot be realised or cannot be realised as planned, or if changes to the development plans are necessary which require further financing, then additional risks may arise such as a delay in the project time line, more equity for the project being necessary, or the cost of financing exceeding the original plan. This could result in the project's shareholders being obliged to contribute additional capital. Not all co-investors may be able to meet this obligation.

#### **10.4.5. Liquidity risks**

DEMIRE deploys detailed fine tuning for managing its liquidity in order to ensure that payments can be made at all times. To this end, and under conservative assumptions, the funds required for the operational management of the Group are budgeted and dispersed.

Additional liquidity requirements may arise from events outside of DEMIRE's operational influence, especially from the project risks which were previously mentioned. Time delays in planned disposals should be mentioned here in particular.

Transactions which were carried out in the fiscal year and shortly thereafter, despite the very difficult market situation primarily in Eastern Europe and the Black Sea region, underscore DEMIRE's ability to achieve disposals at commercially reasonable terms even in economically difficult times and at the same time do this within the self-imposed narrow time frame.



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#### 10.4.6. IT risks

The loss of the database or a lengthy disruption to the systems DEMIRE utilises, may result in interruptions to business operations. Therefore, DEMIRE has implemented appropriate data security strategies as well as preventative security measures.

#### 10.4.7. Personnel risks

Currently, any personnel risks relate mainly to the complete realignment of DEMIRE's business model, which is presently being carried out, and the accompanying transition at the operating level. Accordingly, the first half of the current fiscal year was also principally impacted by an adjustment in employee numbers in line with the change in the organisation of operations.

Specifically, current personnel risks lie in the ability to motivate those people still involved in projects in the former target regions to the extent necessary that they remain committed to DEMIRE and accompany it during this transitional phase. Furthermore, it is important to promptly attract new employees and / or external service providers who possess the necessary knowledge of the German market so that the new business model can be established as soon as possible and that it can be made a success from the very start.

#### 10.4.8. Legal risks

Previously, the DEMIRE Group has operated predominantly in countries having less developed and less stable legal systems compared with those of Western Europe. This is true with regard to jurisdiction in general as well as with regard to de facto circumstances and business practices prevalent in property and land register law in particular. This particularly gives rise to risks in relation to the application and implementation of existing laws and official decisions. These risks are basically unavoidable and could impede the Group's successive withdrawal from various countries.

Through the Company's realignment to the German commercial real estate market, the legal risks will decline in the future.

#### 10.4.9. DEMIRE's risks related to the insolvency of co-investors

Reorganisation proceedings were initiated according to the Austrian insolvency directive and amended in December 2011 into a bankruptcy proceeding regarding the assets of the co-investor R-QUADRAT Capital Alpha GmbH ("RQCA"). This has given rise to the following risks, among others, for the DEMIRE Group:

##### *10.4.9.1. Risks arising from interests in joint real estate projects*

DEMIRE Deutsche Mittelstand Real Estate AG and R-QUADRAT Capital Alpha GmbH hold interests in one joint real estate project. The operational processing of measures for which the project companies require shareholder approval may become more difficult or delayed.

DEMIRE does not hold a majority in its joint project with RQCA. Therefore, decisions on strategic orientation may become more difficult or impeded.

#### *10.4.9.2. Risks arising from contractual or other receivables relationships*

A partial or complete default of receivables owed by RQCA to the DEMIRE Group could result. The DEMIRE Group has already accounted for this in the form of impairments in the consolidated financial statement as of March 31, 2011.

The joint project companies could also be jeopardised at the present time if RQCA were to demand the payment of existing receivables in joint project companies. Due to the common interest of RQCA and DEMIRE in the optimisation of short-term project returns, the risk of endangering the project company is assessed as low.

The management as well as employees may need to take out considerable time in the case of lengthy procedures associated with the enforcement or defence of claims. DEMIRE counteracts this risk by giving the operating business priority over such litigations.

#### *10.4.9.3. Risk related to the integration of the asset management*

The DEMIRE Group took over the existing asset management contract with RQCA through the (indirect) acquisition of MAGNAT Asset Management GmbH by way of a capital increase through a contribution in kind in 2009. In the 2011/2012 fiscal year, this asset management contract was dissolved. Following a thorough analysis, DEMIRE was unable to find any evidence of MAGNAT Asset Management GmbH not having properly carried out their services. Ultimately however, claims which may stem from or are in connection with the asset management contract, such as the reimbursement of paid management fees, cannot be ruled out.

#### **10.4.10 Image risk**

DEMIRE is exposed to risks to its image. In media reports on the insolvency of co-investors, and in some cases former co-investors, reference was also made to DEMIRE which could potentially damage DEMIRE's reputation. DEMIRE tries to pre-empt this risk by being as transparent to third parties as possible.

## **11. Opportunities report**

DEMIRE's realignment to the German market for commercial real estate focused on medium-sized users, offers the opportunity for a balanced real estate portfolio with sustainable positive cash flows. Consequently, this will provide the shareholders of DEMIRE Deutsche Mittelstand Real Estate AG the long-term perspective of being the owners of a Company that pays regular dividends.

At the same time, not only will DEMIRE's risk profile change considerably, but the risk's entirety will also decline and non-controllable external risks will decline in particular.

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The future risk profile – despite all of Germany's dependence on the global economy – will be primarily influenced by the development of the German economy and from the tendencies of the real estate market from the sector for commercial real estate used by mid-sized companies.

The German commercial real estate market is characterised by its maturity and professionalism, as well as by its liquidity. For decades it has been a well-established and functioning market. The German "Mittelstand" also enjoys the highest reputation around the world when it comes to business success, respectable business practices, and solid, long-term oriented business strategies. This outstanding respectability is what characterises the commercial real estate market for mid-sized tenants in particular.

The Company's opportunity to capitalise on this market largely depends on its ability to generate the necessary funds to put together a balanced property portfolio with good development potential and stable cash flows in a relatively short period of time.

## 12. General assessment of the Group's risk position

The risk position of the DEMIRE Group managed to improve as a result of the various measures initiated and implemented during the reporting year and thereafter. The retreat from various countries and the preparation of further disposals have reduced the Group's complexity and the risks which had previously resulted. In this respect, a further successful reduction in debt made a particular contribution. Further substantial cost reductions also relieved the liquidity position.

Nevertheless, the Group is still exposed to significant risks which are closely controlled by the Executive Board as part of the strategic realignment of the Group. In particular, this includes the most timely and at the same time economically meaningful disposal of previous investments as possible, thereby safeguarding the Group's liquidity situation.

The realignment will result in a fundamentally positive change in the Group's risk situation, thereby improving it. Parallel to the retreat from Eastern Europe and the Black Sea region, the first projects in Germany are currently being examined and the reinvestment of the released funds is being prepared so that the Group can carry out a rapid realignment.

## 13. Outlook

### 13.1. GROUP'S ORIENTATION IN THE NEXT TWO FISCAL YEARS

The previous strategic objectives and the previous focus of the Group on the target markets surrounding the Black Sea and Eastern Europe did not offer sufficient opportunities over the long term. This conclusion is also underscored by DEMIRE's limited financial possibilities and the extremely unfavourable risk/opportunity ratio on these markets in contrast to initial expectations. Therefore, the Executive Board and Supervisory Board have decided to completely realign the Group. This is also reflected in the Company's new name "DEMIRE Deutsche Mittelstand Real Estate AG".

The reorientation of the Company's policy will bring about several significant changes compared to the previous positioning of the Company. In the future, DEMIRE Deutsche Mittelstand Real Estate AG will follow a discernible "buy & hold" strategy, along with active portfolio management. The previous "develop & sell" strategy which had been followed by DEMIRE will no longer be pursued. In the future, the Group will focus on real estate investments that generate positive cash flows from the start. Thus, the performance indicator for the actively managed real estate portfolio is undoubtedly the rental yields. By systematically planning, managing, and controlling the real estate investments, their potential for success should increase and a sustainable increase in their value should be achieved. The performance will be reflected particularly by the development of rental income.

It is the Group's long-term strategic aim to have shareholders take part in the Company's success via an attractive dividend policy.

DEMIRE Deutsche Mittelstand Real Estate AG will be active as an investor and portfolio manager exclusively within the scope of the German real estate market. It is the firm belief of the Executive Board and the Supervisory Board that the German real estate market is currently attractive and will remain so in the future. Due to the German Mittelstand's domestic and international economic strength as the backbone of the German economy, this optimism is particularly warranted for investments targeted at this sector. Therefore, the Group will focus its investments on commercial properties for mid-sized company clientele in the areas of logistics and office space.

Furthermore, the focus will be placed on investments that appeal to those target group tenants having a good to very good credit rating. Regionally, we will address existing and leased properties in urban areas and prime locations, and in the peripheral areas and emerging secondary locations. DEMIRE Deutsche Mittelstand Real Estate AG will thus concentrate on clearly defined asset classes.

DEMIRE Deutsche Mittelstand Real Estate AG's investment strategy will pursue the principles of "value-added" approach and, to a smaller extent, of the "core-plus" approach. The value-added approach focuses on investments in currently undervalued locations or objects. This type of real estate should be repositioned following renovation or revitalisation and, with a change in tenants, achieve higher rental income. A sustainable rise in value is strived for by successively generating increasing cash flows. This could then be realised through disposals. With regard to value-added investments, the aim is for a

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comparably higher level of debt for a leverage effect, however limiting risk according to clearly defined criteria remains essential. The selection of objects with future development potential is at the forefront of the core-plus approach. Accordingly, the leverage is lower here than in the value-added approach. Here, the aim is to achieve an increase in rental income through new tenancies for expiring contracts and thus generate added value.

A mix of value-added and core-plus investments in a ratio of about two to one ensures that the Company has a balanced risk/return ratio. This ratio is not diluted by excessively risky and / or opportunistic investment strategies. The Company's risk management is particularly vigilant in this area. The holding period of real estate with both approaches is generally long-term oriented.

In contrast to the past, DEMIRE Deutsche Mittelstand Real Estate AG will purchase its need for operational asset management services with a lean organisation. The strategic tasks of asset management will naturally remain a core competency of the Company.

### 13.2. ECONOMIC ENVIRONMENT

According to the IMF, the economic conditions in DEMIRE's former target regions surrounding the Black Sea and in Eastern Europe are only expected to change slightly in the current year. This should cause the conditions on the local real estate markets to remain tense. Nevertheless, the Group will carry on streamlining the portfolio with great consistency.

The economic conditions in Germany, the Group's new target market, can be classified as favourable, particularly in the real estate sector. The economic prosperity of the German Mittelstand is intact and demand for commercial real estate, with all of its regional differences, is quite stable.

### 13.3. EXPECTED EARNINGS SITUATION

Regardless of the strategic and operational restructuring of the Group, the significant short to medium-term challenges will remain initially unchanged. Especially during the transition phase, assuring liquidity and the Group's stabilisation will continue to be a higher priority than earnings from new investments in line with the new corporate strategy. Thus, in the course of the current 2013/2014 fiscal year, the further reduction of on-going expenses remains at the forefront. Currently, the adjustment in personnel is being pursued.

A further reduction in costs will result from the prompt consolidation of the Group's activities at the Frankfurt/Main location. Additionally, along with the planned disposal of investments in the previous target regions surrounding the Black Sea and in Eastern Europe, there will be a significant simplification in the Group's structure. These measures will also have an immediate and significant impact on liquidity and resource efficiency. By repositioning the Company, the aim is to achieve better results contingent upon the realisation of new investments. Nevertheless, a negative result for the period is expected for the 2013/2014 fiscal year. A positive result is expected for the 2014/2015 fiscal year.

#### 13.4. EXPECTED FINANCIAL POSITION

In addition, management aims to reduce the existing investments in the Company's previous target regions as quickly as possible in order to ensure liquidity and to stabilise the operating cash flows. Although the expert reports concluded that the carrying amounts do reflect the situation on the relevant real estate markets, disposals might nevertheless be carried out at levels below the carrying amounts, if unavoidable, even while avoiding fire sales and under the aspect of possibly lengthy disposal horizons. The rapid restructuring of the Group and the liquidity generated through the disposals are clearly of primary importance.

In addition to ensuring liquidity, the proceeds from these sales are to consistently flow into new engagements at an early stage and along the lines of the strategy presented. The liquidity plan also takes into account financing measures which are currently being negotiated. A portion thereof has already been completed. We would like to refer you to the discussion in the section titled "Significant events subsequent to the end of the fiscal year".

#### 13.5. OVERALL STATEMENT ON THE GROUP'S PROSPECTIVE DEVELOPMENT

In the current 2013/2014 fiscal year as well as in the year thereafter, the Group's development will largely depend on the speed and success of implementing the new corporate strategy. Here, the rapid disposal of previous investments and the use of the resulting funds for new investments in German commercial real estate are the distinct focus of the Executive Board's activities. At the same time, the potential for additional funding through the capital markets for external financing of such commitments are intensely explored. Thereby, funding from external sources will mainly depend on the attractiveness, i.e. the strength of the cash flow of the real estate concerned. The Group's capitalisation, which is currently characterised by very low debt, would allow for a higher leveraging under the "value-added" and "core-plus" investment strategies.

The Supervisory Board and Executive Board are convinced that the conditions for securing the future of the Group will be created through the strategic and operational realignment and its immediate implementation in the upcoming fiscal year.

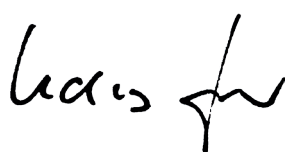
This management report contains forward-looking statements and information. Such forward-looking statements are based on expectations that we have today and on certain assumptions. As a consequence, they harbour a number of risks and uncertainties. A large number of factors, many of which lie outside the scope of DEMIRE's influence, affect DEMIRE's business activities, its success, its business strategy, and its results. These factors may result in a significant divergence in the actual results, successes, and performance achieved by DEMIRE.

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Should one or more of these risks or uncertainties materialise, or should it prove that the underlying assumptions were incorrect, then the actual results may significantly diverge both positively and negatively from those results that were stated in the forward-looking statements as expected, anticipated, intended, planned, believed, projected, or estimated. DEMIRE accepts no obligation and does not intend to update these forward-looking statements or to correct them given a development other than the one expected.

Frankfurt/Main, August 13, 2013

DEMIRE Deutsche Mittelstand Real Estate AG



**Hon.-Prof. Andreas Steyer**  
Speaker of the Executive Board



**Jürgen Georg Faè**  
Executive Board member

## Consolidated financial statements

### Consolidated statement of income

in EUR	Note	01/04/2012 – 31/03/2013	01/04/2011 – 31/03/2012
Rental income	D.1	783,688	5,505,915
Operating expenses to generate rental income	D.2	-507,429	-3,133,619
<b>Profit/loss on rental of real estate inventory</b>		<b>276,259</b>	<b>2,372,296</b>
Revenue on sale of real estate companies		2,233,251	849,698
Net assets from sold real estate companies		56,415	-410,555
<b>Profit/loss on sale of real estate companies</b>	<b>D.3</b>	<b>2,289,666</b>	<b>439,143</b>
Revenue on sale of real estate		1,045,620	32,722,778
Expenses on real estate sales		-743,445	-16,998,663
<b>Profit/loss on sale of real estate</b>	<b>D.4</b>	<b>302,175</b>	<b>15,724,115</b>
Revenue on asset management		193,676	715,957
Expenses for asset management		-127,026	-200,115
<b>Profit/loss on asset management</b>	<b>D.5</b>	<b>66,650</b>	<b>515,842</b>
Profits from investments accounted for using the equity method		420,328	8,895,763
Losses from investments accounted for using the equity method		-566,312	-2,277,457
Unrealised fair value adjustments in equity investments		-1,142,263	-2,940,362
<b>Profit/loss from investments accounted for using the equity method</b>	<b>D.6</b>	<b>-1,288,248</b>	<b>3,677,944</b>
Unrealised fair value adjustments in real estate inventory	D.7	-1,519,980	-3,516,484
Impairment of goodwill and receivables	D.8	-1,483,898	-975,394
Other operating income	D.9	1,060,330	3,675,540
<b>Other operating income and other effects</b>		<b>-1,943,548</b>	<b>-816,338</b>
General and administrative expenses	D.10	-3,809,327	-5,655,770
Other operating expenses	D.11	-836,959	-1,468,905
<b>Profit/loss before interest and taxes</b>		<b>-4,943,332</b>	<b>14,788,326</b>
Financial income		844,762	832,732
Financial expenses		-1,552,499	-2,589,364
<b>Financial result</b>	<b>D.12</b>	<b>-707,738</b>	<b>-1,756,632</b>
<b>Profit/loss before taxes</b>		<b>-5,651,070</b>	<b>13,031,694</b>
Income taxes	D.13	-278,486	-67,688
<b>Net profit/loss for the period</b>		<b>-5,929,556</b>	<b>12,964,006</b>
Of which, attributable to:			
<b>Non-controlling interests</b>	<b>D.15</b>	<b>-2,896</b>	<b>30,714</b>
<b>Parent company shareholders</b>		<b>-5,926,660</b>	<b>12,933,292</b>
Basic earnings per share / diluted earnings per share	D.16	-0.43	0.93



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## Statement of comprehensive income

in EUR		01/04/2012 – 31/03/2013	01/04/2011 – 31/03/2012
<b>Net profit/loss for the period</b>		<b>-5,929,556</b>	<b>12,964,006</b>
<b>Other comprehensive income</b>			
Currency translation effects		37,583	-605,973
Equity changes arising from financial assets recognised according to the equity method		12,696	-1,522,664
<b>Other comprehensive income before taxes</b>		<b>50,280</b>	<b>-2,128,637</b>
Taxes relating to other comprehensive income	D.13	-99,002	-44,481
<b>Other comprehensive income after taxes</b>	<b>G.1/G.2</b>	<b>-48,722</b>	<b>-2,173,118</b>
<b>Total comprehensive income</b>		<b>-5,978,278</b>	<b>10,790,888</b>
Of which, attributable to:			
<b>Non-controlling interests</b>		<b>-12,546</b>	<b>-57,342</b>
<b>Parent company shareholders</b>		<b>-5,965,732</b>	<b>10,848,231</b>

## Consolidated balance sheet

in EUR	Note	31/03/2013	31/03/2012
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant, and equipment	E.1.2	40,989	58,340
Intangible assets	E.1.1	19,920	29,440
Investments accounted for using the equity method	E.1.3	6,643,764	8,074,182
Other financial assets	E.1.4	49,318	49,318
Loans to investments accounted for using the equity method	E.1.5	2,058,981	1,020,351
Other loans	E.1.6	342,498	541,309
Deferred tax assets	E.5.1	0	585,509
<b>Total non-current assets</b>		<b>9,155,472</b>	<b>10,358,449</b>
<b>Current assets</b>			
Real estate inventory	E.2.1	10,173,832	16,134,196
Trade accounts receivables and other receivables	E.2.2	3,419,974	5,577,777
Financial receivables and other financial assets	E.2.3	2,184,970	3,995,646
Tax refund claims		72,400	806,233
Cash and cash equivalents	E.2.4	2,333,381	3,589,108
<b>Total current assets</b>		<b>18,184,556</b>	<b>30,102,960</b>
<b>Investments accounted for using the equity method available for sale</b>	<b>E.3</b>	<b>3,802,647</b>	<b>3,805,981</b>
<b>Total assets</b>		<b>31,142,675</b>	<b>44,267,390</b>

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in EUR	Note	31/03/2013	31/03/2012
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Subscribed capital		13,894,651	13,894,651
Reserves		466,012	6,431,744
<b>Equity attributable to parent company shareholders</b>		<b>14,360,663</b>	<b>20,326,395</b>
Interest of non-controlling shareholders		-108,550	-97,786
<b>Total shareholders' equity</b>	<b>E.4</b>	<b>14,252,113</b>	<b>20,228,609</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	E.5.1	46,249	265,034
Non-current financial debt	E.5.2	9,158,883	14,829,263
<b>Total non-current liabilities</b>		<b>9,205,132</b>	<b>15,094,297</b>
<b>Current liabilities</b>			
Provisions	E.6.1	1,314,561	1,760,010
Trade payables and other liabilities	E.6.2	1,095,677	1,512,903
Tax liabilities	E.6.3	234,088	283,960
Current financial debt	E.6.4	5,041,104	5,387,611
<b>Total current liabilities</b>		<b>7,685,430</b>	<b>8,944,484</b>
<b>Total liabilities</b>		<b>16,890,562</b>	<b>24,038,781</b>
<b>Total equity and liabilities</b>		<b>31,142,675</b>	<b>44,267,390</b>

## Consolidated statement of cash flows

in EURk	Note	01/04/2012 – 31/03/2013	01/04/2011 – 31/03/2012
<b>Group profit/loss before taxes</b>		<b>-5,651</b>	<b>13,032</b>
Interest expenses paid for financial debt		423	1,624
Change in real estate inventory		728	16,849
Change in trade accounts receivable and other receivables		535	1,813
Change in income tax receivables		741	-507
Change in financial receivables and other financial assets		183	-3,715
Change in intangible assets		0	7
Change in provisions		-507	11
Change in trade payables and other liabilities		-374	-1,126
Other non-cash items		2,740	-1,478
<b>Cash flow from operating activities</b>	<b>F</b>	<b>-1,181</b>	<b>26,509</b>
Payments for investments in property, plant, and equipment		-34	-11
Proceeds from the disposal of property, plant, and equipment		0	28
Proceeds from the capital reduction at investments accounted for using the equity method and other interests		565	0
Proceeds from the disposal of investments accounted for using the equity method and from other investments		0	2,650
Payments for granting loans to investments accounted for using the equity method and to other investments		-92	-973
Proceeds from the repayment of loans from investments accounted for using the equity method and from other investments		460	0
Proceeds from the acquisition of subsidiaries and from the acquisition of net assets (net of cash acquired)		448	-3,641
Payments for the disposal of subsidiaries (net of cash sold)		-20	743
<b>Cash flow from investing activities</b>	<b>F</b>	<b>1,327</b>	<b>-1,205</b>
Proceeds from the increase of financial debt		46	7,395
Interest paid on financial debt		-428	-1,624
Payments for the redemption of financial debt		-1,011	-32,812
<b>Cash flow from financing activities</b>	<b>F</b>	<b>-1,394</b>	<b>-27,040</b>
<b>Net change in cash and cash equivalents</b>		<b>-1,247</b>	<b>-1,736</b>
Change due to currency translation		-8	5
Cash and cash equivalents at the start of the period		3,589	5,320
<b>Cash and cash equivalents at the end of the period</b>	<b>F</b>	<b>2,333</b>	<b>3,589</b>
<b>Supplementary information concerning the statement of cash flows:</b>			
Income taxes received (+) / paid (-)		745	533
Interest received		33	69
Interest paid		437	1,644

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## Consolidated statement of changes in equity

in EURk		Share capital	Reserves							
	Note	Subscribed capital	Capital reserves	Retained earnings including Group profit/loss	Reserves for treasury shares	Currency translation	Other reserves	Equity attributable to parent company shareholders	Interests of non-controlling shareholders	Total equity
<b>01/04/2012</b>	<b>G</b>	<b>13,895</b>	<b>7,455</b>	<b>4,660</b>	<b>-310</b>	<b>-2,174</b>	<b>-3,200</b>	<b>20,326</b>	<b>-98</b>	<b>20,228</b>
Change in scope of consolidation	G	0	0	0	0	0	0	0	2	2
Change in deferred taxes recognised directly in equity	G	0	0	0	0	0	-99	-99	0	-99
Proportional transfer of earnings-neutral changes in equity in investments accounted for using the equity method	G	0	0	0	0	13	0	13	0	13
Currency translation differences	G	0	0	0	0	47	0	47	-10	37
<b>Total other comprehensive income</b>	<b>G</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>60</b>	<b>-99</b>	<b>-39</b>	<b>-10</b>	<b>-49</b>
Net profit/loss for the period	G	0	0	-5,927	0	0	0	-5,927	-3	-5,930
Total comprehensive income	G	0	0	-5,927	0	60	-99	-5,966	-12	-5,978
<b>31/03/2013</b>	<b>G</b>	<b>13,895</b>	<b>7,455</b>	<b>-1,266</b>	<b>-310</b>	<b>-2,115</b>	<b>-3,299</b>	<b>14,361</b>	<b>-109</b>	<b>14,252</b>
<b>01/04/2011</b>	<b>G</b>	<b>13,895</b>	<b>7,455</b>	<b>-8,273</b>	<b>-310</b>	<b>-136</b>	<b>66</b>	<b>12,697</b>	<b>-122</b>	<b>12,575</b>
Changes in ownership interests in subsidiaries that do not result in a loss of control	G	0	0	0	0	0	-3,219	-3,219	82	-3,137
Change in deferred taxes recognised directly in equity	G	0	0	0	0	0	-44	-44	0	-44
Proportional transfer of earnings-neutral changes in equity in investments accounted for using the equity method	G	0	0	0	0	-1,499	-3	-1,502	-21	-1,523
Currency translation differences	G	0	0	0	0	-539	0	-539	-67	-606
<b>Total other comprehensive income</b>	<b>G</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-2,038</b>	<b>-47</b>	<b>-2,085</b>	<b>-88</b>	<b>-2,173</b>
Net profit/loss for the period	G	0	0	12,933	0	0	0	12,933	31	12,964
Total comprehensive income	G	0	0	12,933	0	-2,038	-47	10,848	-57	10,791
<b>31/03/2012</b>	<b>G</b>	<b>13,895</b>	<b>7,455</b>	<b>4,660</b>	<b>-310</b>	<b>-2,174</b>	<b>-3,200</b>	<b>20,326</b>	<b>-98</b>	<b>20,228</b>

## Notes to the consolidated financial statements

for the fiscal year from April 1, 2012 to March 31, 2013

### A. General information

#### 1. CORPORATE INFORMATION

DEMIRE Deutsche Mittelstand Real Estate AG (hereinafter also referred to as the "Company" or "DEMIRE") is recorded in the commercial register in Frankfurt/Main, Germany which is the location of the Company's headquarters. On September 17, 2010 the Company's legal form was changed from that of a GmbH & Co. KGaA to a public stock corporation ("Aktiengesellschaft") and was recorded in the commercial register (HRB 89041). MAGNAT Real Estate Opportunities GmbH & Co. KGaA was formed on April 6, 2006 and recorded in the commercial register in Frankfurt/Main, Germany on May 31, 2006. The Extraordinary General Meeting of June 27, 2013 passed the resolution to change the Company's name to "DEMIRE Deutsche Mittelstand Real Estate AG". The registration of the name change was recorded in the Company's commercial register on July 30, 2013. The Company's headquarters are located at Lyoner Strasse 32 in Frankfurt/Main. All of the Company's fiscal years end on March 31.

The Company was originally listed on the open market in July 2006. On October 30, 2007 the Company switched stock exchange segments. Since this time, the Company's shares have been listed in the General Standard segment of the Frankfurt Stock Exchange. As a result of this segment change, MAGNAT is subject to the stringent EU-wide transparency requirements of the regulated market.

To date, DEMIRE Deutsche Mittelstand Real Estate AG itself has not carried out any investments in real estate or real estate projects. Generally, investments are processed through project companies. Interests in these project companies are either directly or indirectly held (through intermediate holding companies) by DEMIRE Deutsche Mittelstand Real Estate AG.

These consolidated financial statements prepared in the name of the legal parent company, DEMIRE Deutsche Mittelstand Real Estate AG, are to be attributed economically to the economic acquirer identified as MAGNAT Asset Management GmbH, Vienna, Austria (formerly: R-QUADRAT Immobilien GmbH), within the context of a reverse acquisition in fiscal year 2009/2010 (see A.5). The total of the consolidated subsidiaries and the joint ventures and associated companies accounted for using the equity method will be referred to hereinafter as the "DEMIRE Group".

MAGNAT Asset Management GmbH, Vienna, Austria carries out the real estate asset management within the Group, and also for third parties to a limited extent.

As a result of the strategic realignment towards a clear focus on commercial real estate in Germany, in the future DEMIRE's business model is changing from a "develop & sell" to a "buy & hold" strategy with active portfolio management.

Today, DEMIRE's investment portfolio is distributed among nine countries. Based on the new focus on Germany, DEMIRE is pursuing an accelerated withdrawal from the remaining regions.

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## 2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

DEMIRE prepares its consolidated financial statements according to International Financial Reporting Standards (IFRS) in line with Article 4 of the EC Directive number 1606/2002 of the European Parliament and Council from July 19, 2002 regarding the application of international financial reporting standards. The consolidated financial statements of the DEMIRE Group, which are prepared for DEMIRE Deutsche Mittelstand Real Estate AG as the legal parent company, are prepared according to uniform accounting principles. This takes into account all IFRS standards that require mandatory application as of the reporting period ending on March 31, 2013 – including currently valid International Accounting Standards (IAS) – and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) – including the currently valid interpretations of the former Standing Interpretations Committee (SIC) – as applicable in the EU. The consolidated financial statements prepared by DEMIRE Deutsche Mittelstand Real Estate AG fully comply with the IFRS guidelines in their currently valid version as far as they were adopted by the European Union according to Article 6 para. 2 IAS VO 1606/2002 by comitology procedure in accordance with European Union regulations. They also give consideration to the supplementary German commercial law provisions, applicable in accordance with Section 315a para. 1 of the German Commercial Code (HGB).

## 3. NEW ACCOUNTING STANDARDS THAT REQUIRE MANDATORY APPLICATION

The applied accounting methods generally correspond to the methods applied in the previous year with the following exceptions:

The International Accounting Standards Board (IASB) and the International Financial Reporting Standards Committee (IFRIC) have approved standards and interpretations (which have already passed the EU recognition procedure) and require mandatory first-time application in the reporting period.

### **IFRS 7 "Amendments: Financial Instruments – Disclosure Requirements for the Transfer of Financial Assets"**

The amendments to IFRS 7 expand the disclosure requirements in the notes when derecognising financial assets. This requires general disclosures relating to financial assets that have been transferred, but which have not (or not yet fully) been derecognised, and concern their relationship with liabilities that have newly arisen as a consequence. To the extent that the transferred financial assets were also fully derecognised, detailed qualitative and quantitative information related to any retained rights and obligations, and to any rights and obligations that were assumed as part of the transaction must be disclosed in the future. The amendments are applicable to fiscal years commencing on or after July 1, 2011. The amendments to IFRS 7 were adopted by the EU on November 22, 2011 and published on November 23, 2011. The related amendments have no effect on the disclosures in the notes of these consolidated financial statements.

#### 4. FUTURE CHANGES TO ACCOUNTING POLICIES

The IASB and the IFRIC have approved standards and interpretations that did not yet require mandatory application in the reporting period. Voluntary prior application generally presupposes that the current and partially still outstanding recognition by the EU has occurred. The Company has not utilised the option to make voluntary prior application.

	Adopted by the EU	
	YES	NO
IAS 1 "Amendment: Presentation of Other Comprehensive Income"	x	
IAS 12 "Amendments: Deferred Taxes – Recovery of Underlying Assets"	x	
IAS 19 "Amendments: Employee Benefits"	x	
IAS 27 "Separate Financial Statements"	x	
IAS 28 "Investments in Associated Companies and Joint Ventures"	x	
IAS 32 "Amendments: Offsetting Financial Assets and Financial Liabilities"	x	
IFRS 1 "Amendments: Severe Hyperinflation and Removal of Fixed Dates"	x	
IFRS 1 "Amendments: Government Grants"	x	
IFRS 7 "Amendments: Offsetting Financial Assets and Financial Liabilities"	x	
IFRS 9 "Financial Instruments"		x
IFRS 9 and IFRS 7 "Mandatory Effective Date and Transition Disclosures"		x
IFRS 10 "Consolidated Financial Statements"	x	
IFRS 11 "Joint Arrangements"	x	
IFRS 12 "Disclosures of Interests in Other Entities"	x	
Transitional Provision (Amendments to IFRS 10, IFRS 11, and IFRS 12)	x	
IFRS 10, IFRS 11, and IAS 27 Amendments: Investment Entities		x
IFRS 13 "Measurement at Fair Value"	x	
IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"	x	
Improvements to IFRS (2009-2011)	x	

##### IAS 1 "Amendment: Presentation of Other Comprehensive Income"

According to the amendment, companies must present items in the other comprehensive income according to two categories dependent upon whether or not a future recognition through profit or loss is expected (known as recycling). Components which are not recycled must be presented separately from the components which will be recycled in the future e.g., differences resulting from currency translations from subsidiaries, joint ventures, and associated companies. If the components of other comprehensive income are shown before tax, then the companies must identify the corresponding tax amount separately and according to the two categories. The amendments are applicable retrospectively



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for the first time for fiscal years commencing on or after July 1, 2012. Early application is permitted. The amendment to IAS 1 was adopted by the EU on June 5, 2012 and was published on June 6, 2012. The amendment to IAS 1 will lead to a corresponding reclassification in DEMIRE's consolidated financial statements.

#### **IAS 12 "Amendments: Deferred Taxes – Recovery of Underlying Assets"**

The amendment includes a partial clarification of the treatment of temporary tax differences in connection with the application of the fair value model of IAS 40. As a result of this amendment, a refutable presumption is introduced that the recovery of the carrying amount of an asset in the case of real estate measured at fair value and held as a financial investment will normally occur through the sale of the asset. With real estate that is held as a financial investment, it is often difficult to judge whether existing differences will reverse through continued use or through sale. The amendment is applicable retrospectively to fiscal years beginning on or after January 1, 2013. The amendment was adopted by the EU on December 11, 2012 and was published on December 29, 2012. These changes are to be considered in the area of real estate held as a financial investment by investments accounted for using the equity method.

#### **IAS 19 "Amendments: Employee Benefits"**

The key amendment is that future unexpected fluctuations in pension obligations and any plan assets (actuarial gains and losses) must be immediately recognised in other comprehensive income. The option of recognising actuarial gains and losses in profit or loss will be abolished and any changes in the value of defined benefit obligations are to be recognised in the current reporting period. A further amendment states that the return on plan assets is no longer aligned according to the composition of the asset portfolio but according to the income resulting from the expected return on the plan assets based on the level of the discount rate. The amendments mentioned will lead to comprehensive disclosures in the notes. Among other requirements, the average time to maturity of the pension obligations must be specified in the future. The amendments are applicable as of January 1, 2013. The amendment was adopted by the EU on June 5, 2012 and published on June 6, 2012. Currently, DEMIRE does not disclose any pension obligations and has no obligation to do so, therefore, the amendments to IAS 19 will not have an impact on future consolidated financial statements.

#### **IAS 27 "Separate Financial Statements"**

In the future, the new interpretation of IAS 27 will only govern the accounting of investments in subsidiaries, joint ventures, and associated companies in separate IFRS financial statements. The interpretations are to be applied to fiscal years beginning on or after January 1, 2013 whereby for IFRS adopters in the EU, the mandatory effective date is delayed by one year. The amendments were adopted by the EU on December 11, 2012 and published on December 29, 2012.

#### **IAS 28 "Investments in Associated Companies and Joint Ventures"**

The objective of IAS 28 (revised in 2011) is to define the accounting of interests in associated companies and to issue provisions as to the application of the equity method when interests in associated companies and joint ventures are to be accounted for. The revised version of IAS 28 is to be applied for fiscal

years beginning on or after January 1, 2013. For IFRS adopters in the EU, the effective date is January 1, 2014. IAS 28 was adopted by the EU on December 11, 2012 and published on December 29, 2012. The impact of IAS 28 (revised 2011) on the future consolidated financial statements of DEMIRE is currently being assessed.

**IAS 32 "Amendments: Offsetting Financial Assets and Financial Liabilities"**

Offsetting in accordance with IAS 32 continues to be possible only if a legal right exists at that time which allows the recognised amounts to be offset and offsetting is intended to be carried out on a net basis or to offset the realised financial assets with the corresponding financial liabilities at the same time. The amendments relate to the clarification of the terms "current time" and "at the same time". For the assessment of the current time, today's circumstances are to be drawn upon. In order to consider performance and disposal as being at the same time, certain conditions must be met. The clarifications described are to be applied from January 1, 2014. The amendments were adopted by the EU on December 13, 2012 and published on December 29, 2012. The impact of these amendments on DEMIRE's future consolidated financial statements is currently being assessed.

**IFRS 1 "Amendments: Severe Hyperinflation and Removal of Fixed Dates"**

This amendment provides application guidelines for procedures when presenting financial statements complying with IFRS in cases where the company was unable to comply with IFRS regulations for a period of time because its functional currency was exposed to severe hyperinflation. Accordingly, a company subject to severe hyperinflation is permitted to measure its assets and liabilities at fair value and to apply these figures as assumed acquisition costs in its opening balance sheet. A further amendment replaces the references to the fixed transition date of "January 1, 2004" with "time of transition to IFRS". The amendments require mandatory application to reporting periods ending on or after January 1, 2013. Earlier application is permissible. The amendments were adopted by the EU on December 11, 2012 and published on December 29, 2012. The respective amendments will not have an effect on the consolidated financial statements of DEMIRE.

**IFRS 1 "Amendments: Government Grants"**

This amendment relates to the accounting of a granted government loan at a below-market interest rate by a first-time IFRS adopter. For government loans existing at the time of transition to IFRS, the measurement according to the previous accounting policies can be maintained. Thus, the valuation provisions of IAS 20.10A in connection with IAS 39 only apply to government loans granted after the date of transition.

Subject to the outstanding adoption into EU legislation, the amendments are to be applied for the first time for fiscal years beginning on or after January 1, 2013. The amendment was adopted by the EU on March 4, 2013 and published on March 5, 2013.

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#### **IFRS 7 "Amendments: Offsetting Financial Assets and Financial Liabilities"**

The new information which was incorporated into IFRS 7 should provide a reconciliation of the gross to net risk exposure of financial instruments. Reconciliation should be used in order to provide information on the effect or potential effect of netting agreements. The gross amount of the financial assets which have not been offset will be compared with the corresponding financial liabilities. This will yield the net amount which is presented on the balance sheet. The information should be presented according to the nature of the financial instruments. The amendments to IFRS 7 are effective for fiscal years beginning on or after January 1, 2013. The amendments were adopted by the EU on December 13, 2012 and published on December 29, 2012. The application must be made retrospectively. These rules will be applied accordingly in the consolidated financial statements of DEMIRE for any possible future netting agreements.

#### **IFRS 9 "Financial Instruments"**

The IASB published IFRS 9 on November 12, 2009. This new standard represents the first of three phases (Classification and Measurement, Impairment, Hedging Relationships) that will completely replace IAS 39 "Financial Instruments: Recognition and Measurement". As each of the phases is completed, the relevant portions of IAS 39 will be deleted, and the new provisions will be inserted into IFRS 9. This standard introduces fundamental changes to the existing regulations for the classification and measurement of financial instruments, whereby IFRS 9 limited itself initially and exclusively to financial assets. Originally, the application of IFRS 9 was mandatory for fiscal years beginning on or after January 1, 2013. Effective as of December 16, 2011, the date of the mandatory first application has been postponed until January 1, 2015. Additional disclosures in the notes were determined in accordance with IFRS 7 and will also take effect on the same date. Earlier application is permissible. From today's perspective, the new IFRS 9 standard will have no significant effect on DEMIRE's consolidated financial statements.

#### **IFRS 7 and 9 "Mandatory Effective Date and Transition Disclosures"**

With the amendments, the restatement of comparative period figures upon initial adoption of IFRS 9 is no longer required. Initially, this simplification was only possible under early application of IFRS 9 before January 1, 2012. The simplification will lead to additional disclosures in the notes as of the transition date according to IFRS. As the regulations of IFRS 9, this amendment is applicable for the first time to fiscal years beginning on or after January 1, 2015 – subject to the outstanding adoption into EU legislation.

#### **IFRS 10 "Consolidated Financial Statements"**

IFRS 10 replaces the existing provisions of IAS 27 for consolidated financial statements and the provisions of SIC 12 for the consolidation of special purpose entities. The provisions of IFRS 10 establish a unified consolidation concept under IAS 27 and SIC 12. IFRS sets out a new definition of the point at which a parent company assumes control of an investee. The term control combines the power to direct the relevant activities of the investee with the right to variable returns from its involvement with the investee; i.e. to receive or to be exposed to variable returns from the investee and to have the ability to determine those returns. In addition, IFRS 10 includes provisions relating to potential voting rights, protective rights of third parties, and power without a majority of voting rights ("de facto control").

The new definition of the term control may change the scope of consolidation, particularly due to the discretion when assessing the parent company's economic influence over the investee. IFRS 10 is to be applied for fiscal years beginning on or after January 1, 2013 whereby for IFRS adopters in the EU the mandatory effective date is delayed by one year. IFRS 10 was adopted by the EU on December 11, 2012 and published on December 29, 2012. DEMIRE is currently assessing the impact of the new standard to its future consolidated financial statements.

#### **IFRS 11 "Joint Arrangements"**

IFRS 11 governs the accounting in situations where several companies control a joint venture or joint operation. The contract partners should account for the respective contractual rights and obligations of the joint arrangement depending upon whether the corresponding agreement is to be considered a joint venture or joint operation. IFRS 11 eliminates the previous option of recognising joint ventures according to proportionate consolidation; application of the equity method is mandatory. The distinction between joint operation and the classification of as a joint venture is specified. In the case of a joint operation, the partners have immediate rights and obligations with respect to the assets, liabilities, expenses, and income. In the case of a joint venture, the partners have rights to the net assets of the joint venture. IFRS 11 is applicable in fiscal years beginning on or after January 1, 2013 whereby for IFRS adopters in the EU the mandatory effective date is delayed by one year to January 1, 2014. IFRS 11 was adopted by the EU on December 11, 2012 and published on December 29, 2012. The impact of these new standard on DEMIRE's future consolidated financial statements is currently being assessed.

#### **IFRS 12 "Disclosures of Interests in Other Entities"**

IFRS 12 defines the required disclosures for companies which carry out their accounting in accordance with both of the new standards, IFRS 10 "Consolidated Financial Statements" and IFRS 11 "Joint Arrangements". In accordance with IFRS 12, companies must disclose information which allows the assessment as to the nature, risk, and financial impact related to investments in subsidiaries, associated companies, joint arrangements, or special purpose entities. Among others, the disclosures particularly include discretionary decisions and assumptions in determining the scope of consolidation. The new standard is to be applied for fiscal years beginning on or after January 1, 2013 whereby for IFRS adopters in the EU the mandatory effective date is January 1, 2014. IFRS 12 was adopted by the EU on December 11, 2012 and published on December 29, 2012. The impact of IFRS 12 on DEMIRE's future consolidated financial statements is currently being assessed.

#### **Transitional Provision (Amendments to IFRS 10, IFRS 11, and IFRS 12)**

The IASB has issued a supplement to the transitional provisions in IFRS 10, IFRS 11 and IFRS 12. This supplement clarifies the date of the first application of the new standards. It specifies that when there are differing results when consolidating companies according to IFRS 10 and according to IAS 27/SIC 12, the immediately preceding comparable period must be restated. In addition, there are provisions as to differences in carrying amounts, to disclosures in the notes, and to companies which should or should not be consolidated according to IFRS 10 as well as IAS 12/SIC 12. According to the IASB, the transitional provision enters into force on January 1, 2013 whereby for IFRS adopters in the EU the mandatory effective date is January 1, 2014. The guideline was adopted by the EU on April 4, 2013 and published on April 5, 2013.

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#### **IFRS 10, IFRS 11, and IAS 27 Amendments: Investment Entities**

In October 2012, the IASB published amendments to IFRS 10, IFRS 11, and IAS 27 relating to investment entities. The amendments include a definition of investment entities as well as provisions relating to the consolidation of subsidiaries of these investment entities. Investment entities include investment funds, among others. Such companies measure the investment in subsidiaries at fair value through profit or loss according to IFRS 9 "Financial Instruments" and according to IAS 39 "Financial Instruments: Recognition and Measurement" rather than consolidating these subsidiaries. In addition, the provisions specify the disclosure requirements in the notes and requirements for separate financial statements of investment entities. The amendments are to be applied for fiscal years beginning on or after January 1, 2014. Early application is permitted. The amendments will have no effect on DEMIRE's future consolidated financial statements.

#### **IFRS 13 "Measurement at Fair Value"**

In IFRS 13 the term fair value is defined, a framework for measuring fair value in a single IFRS is ascertained, and disclosures for the measurement at fair value are determined. IFRS 13 is applied when another IFRS requires or permits a measurement at fair value or requires disclosures as to the measurement at fair value, whereby exceptions are provided (e.g., IFRS 2 or IFRS 17). Fair value is defined as the price that would be achieved in the course of an orderly transaction between market participants on the day of an asset's sale or of a payment for the transfer of a liability. IFRS 13 standardises a so-called "Fair Value Hierarchy" which states that the input factors used in a valuation process are divided into three levels, describes valuation methods, and also standardises and expands the necessary disclosures in the notes. IFRS 13 is applicable for fiscal years beginning on or after January 1, 2013. The standard is to be applied prospectively. The standard was adopted by the EU on December 11, 2012 and published on December 29, 2012. The impact of this new standard on DEMIRE's future consolidated financial statements is currently being assessed.

#### **IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"**

IFRIC 20 regulates the accounting for stripping disposal costs which occur in the process of opencast mining of ore and minerals. The material won through the stripping activities can contain low concentrations of ore or minerals which are to be considered as generated inventory. In addition, the stripping disposal activities can provide better access to further raw material deposits which can be mined in the future. In any case, inventories or a long term assets are achieved through stripping disposal activities. The classification as a tangible or intangible asset is based on the existing asset to which this new long-term asset will be allocated to. The interpretation takes effect for fiscal years beginning on or after January 1, 2013. Early adoption is permissible. IFRIC 20 was adopted by the EU on December 11, 2012 and published on December 29, 2012. This new interpretation will have no impact on DEMIRE's consolidated financial statements.

### Improvements to IFRS (2009-2011)

As part of its annual "Improvements Project", the IASB has implemented a large number of minor content-related and editorial amendments to various standards:

IFRS 1 First-time Adoption of International Financial Reporting Standards

IAS 1 Presentation of Financial Statements

IAS 16 Property, Plant, and Equipment

IAS 32 Financial Instruments: Presentation

IAS 34 Interim Financial Reporting

These provisions are applicable retrospectively for all fiscal years commencing after December 31, 2012. Early adoption is permissible in each case. The amendments were adopted by the EU on March 27, 2013 and published on March 28, 2013.

### 5. REVERSE ACQUISITION

On October 29, 2009, the Annual General Meeting of DEMIRE Deutsche Mittelstand Real Estate AG (at that time MAGNAT Real Estate Opportunities GmbH & Co. KGaA) resolved the contribution of the interest in R-QUADRAT Immobilien GmbH (now known as MAGNAT Asset Management GmbH), Vienna, Austria, and its subsidiaries (to be referred to in future as "R-QUADRAT Group") by way of a capital increase in kind. The first-time consolidation of R-QUADRAT Group in DEMIRE's consolidated financial statements as of March 31, 2010, became effective on August 31, 2009.

In the consolidated financial statements of 2009/2010, the legal acquirer, DEMIRE Deutsche Mittelstand Real Estate AG (formerly named MAGNAT Real Estate Opportunities GmbH & Co. KGaA), was also classified as the economic acquirer. However, from an economic standpoint, R-QUADRAT Immobilien GmbH (now named MAGNAT Asset Management GmbH), Vienna, Austria, must be regarded as the economic acquirer according to IFRS 3.21 (2004). Therefore, the consolidated financial statements must be prepared from the standpoint of the economic acquirer ("reverse acquisition"). In the context of the purchase price allocation, hidden reserves and hidden liabilities must be disclosed at the economically acquired company and not at the legally acquiring company. In fiscal year 2011/2012, the following adjustments according to IAS 8.42 were retroactively made:

- » The consolidated financial statements are formally prepared under the name of the legal parent company DEMIRE Deutsche Mittelstand Real Estate AG but are in fact a continuation of the consolidated financial statements of R-QUADRAT Immobilien GmbH (now named MAGNAT Asset Management GmbH).
- » The goodwill of the R-QUADRAT Group, which had arisen from the initial transaction, had to be eliminated.
- » The initial hidden reserves and liabilities which were disclosed at the level of the R-QUADRAT Group were to be corrected. The assets and liabilities of the R-QUADRAT Group were recognised at their carrying amounts according to IFRS.

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- » For the interests in MAGNAT AM GmbH, Vienna, Austria, and Altira ImmoFinanz GmbH, Frankfurt/Main, the legal holders of the economic acquirer, which are held by DEMIRE Deutsche Mittelstand Real Estate AG, an offsetting of capital was carried out. As a result, an amount of EUR 310k was recorded as a reserve for treasury shares.
- » The date of the Annual General Meeting (October 29, 2009) was determined as the date of the acquisition. As per this date, hidden reserves and liabilities were disclosed at the economically acquired company.
- » The stock market price of DEMIRE Deutsche Mittelstand Real Estate AG on the date of the acquisition was used in order to determine the acquisition costs of the net assets of DEMIRE Deutsche Mittelstand Real Estate AG. This revealed acquisition costs of EUR 21,160k.
- » DEMIRE Deutsche Mittelstand Real Estate AG's subscribed capital in the amount of EUR 13,895k was unchanged and was reported as such. The capital reserves increased by the difference of DEMIRE Deutsche Mittelstand Real Estate AG's subscribed capital and the sum of the subscribed capital of R-QUADRAT Immobilien GmbH in an amount of EUR 160k and the revealed acquisition costs for the acquisition of DEMIRE Deutsche Mittelstand Real Estate AG in an amount of EUR 21,160k at the date of the acquisition.
- » Since the former carrying amounts of DEMIRE's assets exceeded the acquisition costs of these assets, the assets were to be recognised as to the maximum amount of the total purchase price. This was carried out using a method in accordance with IAS 36.
- » Due to the purchase price allocation at the economically acquired company, the existing interests of non-controlling shareholders were also restated.

## 6. KEY DISCRETIONARY DECISIONS, JUDGMENTS, AND ESTIMATES

### Discretionary decisions

When applying the accounting methods, the Company's management has made the following discretionary decisions. This applies in particular to the following items:

- » For assets to be sold, it must be determined as to whether they can be sold in their current condition and if a sale is highly probable. If this is the case, the assets, and where applicable the corresponding liabilities, are to be disclosed and measured as assets and liabilities available for sale.
- » For real estate, it must be determined whether these assets are to be allocated to real estate inventory or to investment properties. The classification is based on the following assessment:
  - » Real estate inventory: The primary goal with regard to these properties is either a "buy & sell" or "develop & sell" strategy. Thus, these properties are held in the course of ordinary business.

- » Investment properties: The primary goal with regard to these properties is sustainable management. Thus, these properties are held with the intention of generating rental income and/or for capital appreciation.
- » Upon assuming control of a subsidiary or upon the acquisition of assets, it must be determined as to whether this transaction should be classified as a business combination according to IFRS 3, or as an acquisition of a group of assets or net assets.

#### **Estimates and assumptions**

For the preparation of the consolidated financial statements according to IFRS, various items require making forward-looking assumptions. These assumptions may have a material impact on the carrying amounts of the assets and the liabilities as at the balance sheet date as well as the level of income and expenses in the reporting year. The most important forward-looking assumptions and other material sources of estimate uncertainty as of the closing date that could result in a considerable risk of significant adjustments to the carrying amounts of assets and liabilities in the next fiscal year are discussed below.

##### *Investment properties*

In fiscal year 2007/2008, the Company had recognised investment properties within the Group at fair value for the first time. Within the Group, investment properties are only held by the investment accounted for using the equity method, SQUADRA Immobilien GmbH & Co. KGaA, Frankfurt/Main, as well as by Hekuba S.à.r.l., Luxemburg, Luxemburg, (see Note I.5), which is accounted for as available for sale. The carrying amounts of the investment properties are based on valuation reports of renowned external independent experts and have been ascertained in accordance with international valuation standards. A valuation is made on the basis of discounted future free cash flows using the DCF method or on the basis of comparable prices or market prices, if available. When calculating fair values, assumptions are made concerning rental trends, vacancies, sales reductions, maintenance costs, and discount rates. Due to their long-term nature, these assumptions are subject to uncertainties that can lead to both positive and negative valuation changes in the future.

##### *Real estate inventory*

Estimates of the net realisable value of the real estate inventory are based on the most reliable substantial indicators at the time when the estimates are made and take into consideration the amount expected to be received for the inventory. These estimates also take into account price or cost changes directly related to transactions after the reporting period insofar as these transactions shed light on circumstances that already existed at the end of the reporting period. Estimates of net realisable value take into account the purpose for which the real estate inventory is held. The determination of the net realisable value is based either on the comparative value method in the context of valuation reports by renowned external independent experts in accordance with international valuation standards or on internal estimates regarding the market value. The carrying amount of the respective real estate inventory amounts to EUR 8,923k (previous year: EUR 14,108k). Of this amount, a total of EUR 6,528k of real estate inventory has been valued using internal estimates regarding the market value. The remaining EUR 2,395k are based on valuation reports using the comparative value method. Regarding the result of the valuations, we refer to Note D.7.



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#### *Deferred tax assets on tax-loss carryforwards*

Deferred tax assets are recognised for all unutilised tax-loss carryforwards to the extent that it is likely that taxable income will be available so that the tax-loss carryforwards can actually be utilised. Deferred tax assets for tax-loss carryforwards were recognised in the amount of EUR 0k (previous year: EUR 205k). The determination of the amounts of the deferred tax assets depends mainly on the management's assessment, the amount and expected timing of future taxable income, and future tax structuring options. Based on these estimates, the amount of deferred tax assets recognised for the tax-loss carryforwards is reviewed annually to conform to the current conditions. For further explanations, please see Note D.13.

#### *Obligations from operating leases – The Group as lessor*

The Group has entered into commercial property lease agreements for its real estate inventory. Hereby, it was agreed that the Group should retain all the significant risks and opportunities connected with the ownership of these properties which are rented on the basis of an operating lease. Consequently, the Group accounts for these properties as operating leases. A material assumption was made with regard to the evaluation of the recoverability of outstanding receivables arising from lease agreements from commercial rentals.

## B. Scope of consolidation and consolidation methods

### 1. SCOPE OF CONSOLIDATION

In addition to the Group's economic parent company, MAGNAT Asset Management GmbH (see explanations under A.5.), the consolidated financial statements generally include all German and foreign subsidiaries. The subsidiaries, joint ventures, and associated companies which are accounted for using the equity method and included in the consolidated financial statements, are listed below:

Group Company			Group share	Formation/ Acquisition date	Acquisition on costs EURk
<b>Directly held interests:</b>					
<b>Germany</b>					
DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main	Subsidiary	acquired	100.00%	29/10/2009	21,160
MAGNAT Asset Management Deutschland GmbH, Frankfurt/Main	Subsidiary	acquired	100.00%	21/10/2008	25
<b>Foreign countries</b>					
MAGNAT Capital Markets GmbH, Vienna, Austria	Subsidiary	acquired	100.00%	05/05/2009	35
MAGNAT Immobilien GmbH & Co. Schumannsgasse 16 KG, Vienna, Austria	Subsidiary	acquired	100.00%	06/08/2009	0
MAGNAT Asset Management GmbH & Co. Kastnergasse 16 KG, Vienna, Austria	Subsidiary	formed	100.00%	22/12/2009	3
MAGNAT Immobilien GmbH & Co. Brünner Straße 261-263 KG, Vienna, Austria	Subsidiary	formed	100.00%	02/11/2011	1
MAGNAT Immobilien GmbH, Vienna, Austria	Subsidiary	formed	100.00%	23/02/2011	35
MAGNAT Asset Management Ukraine LLC., Kiev, Ukraine	Subsidiary	formed	100.00%	05/05/2010	453

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Group Company			Group share	Formation/ Acquisition date	Acquisition on costs EURk
<b>Indirectly held interests:</b>					
<b>Germany</b>					
Erste MAGNAT Immobiliengesellschaft mbH, Frankfurt/Main	Subsidiary	acquired	99.64% <sup>2)</sup>	29/10/2009	N/A <sup>4)</sup>
Zweite MAGNAT Immobiliengesellschaft mbH, Frankfurt/Main	Subsidiary	acquired	99.64% <sup>2)</sup>	29/10/2009	N/A <sup>4)</sup>
Dritte MAGNAT Immobiliengesellschaft mbH, Frankfurt/Main	Subsidiary	acquired	99.64% <sup>2)</sup>	29/10/2009	N/A <sup>4)</sup>
Vierte MAGNAT Immobiliengesellschaft mbH, Frankfurt/Main	Subsidiary	acquired	99.64% <sup>2)</sup>	29/10/2009	N/A <sup>4)</sup>
SQUADRA Immobilien GmbH & Co. KGaA, Frankfurt/Main	Associated company	acquired	16.13% <sup>1)</sup>	29/10/2009	N/A <sup>4)</sup>
<b>Foreign countries</b>					
MAGNAT Investment I B.V., Hardinxveld Giessendam, The Netherlands	Subsidiary	acquired	99.64% <sup>1)</sup>	29/10/2009	N/A <sup>4)</sup>
MAGNAT Investment IV B.V., Hardinxveld Giessendam, The Netherlands	Subsidiary	acquired	100.00% <sup>1)</sup>	29/10/2009	N/A <sup>4)</sup>
R-QUADRAT Polska Alpha Sp. z o.o., Warsaw, Poland	Joint venture	acquired	50.00% <sup>1)</sup>	29/10/2009	N/A <sup>4)</sup>
Hekuba S.à.r.l., Luxemburg, Luxemburg	Joint venture	acquired	32.44% <sup>1)</sup>	29/10/2009	N/A <sup>4)</sup>
Russian Land AG, Vienna, Austria	Associated company	acquired	40.34% <sup>1)</sup>	29/10/2009	N/A <sup>4)</sup>
Lumpsum Eastern European Participations C.V., Osterhout, The Netherlands	Subsidiary	formed	94.00% <sup>1)</sup>	29/01/2012	N/A <sup>4)</sup>
MAGNAT Real Estate UA III B.V., Hardinxveld Giessendam, The Netherlands	Subsidiary	acquired	99.64% <sup>2)</sup>	29/10/2009	N/A <sup>4)</sup>
MAGNAT Real Estate UA VI B.V., Hardinxveld Giessendam, The Netherlands	Subsidiary	acquired	99.64% <sup>2)</sup>	29/10/2009	N/A <sup>4)</sup>
MAGNAT Real Estate UA X B.V., Hardinxveld Giessendam, The Netherlands	Subsidiary	acquired	99.64% <sup>2)</sup>	29/10/2009	N/A <sup>4)</sup>
MAGNAT Real Estate UA XI B.V., Hardinxveld Giessendam, The Netherlands	Subsidiary	acquired	99.64% <sup>2)</sup>	29/10/2009	N/A <sup>4)</sup>
SC VICTORY Consulting International s.r.l., Bucharest, Romania	Subsidiary	acquired	99.64% <sup>2)</sup>	29/10/2009	N/A <sup>4)</sup>
R-Quadrat Bulgaria EOOD, Sofia, Bulgaria	Subsidiary	acquired	99.64% <sup>2)</sup>	29/10/2009	N/A <sup>4)</sup>
OXELTON ENTERPRISES Limited, Limassol, Cyprus	Joint venture	acquired	59.78% <sup>2)</sup>	29/10/2009	N/A <sup>4)</sup>
Irao MAGNAT Digomi LLC, Tbilisi, Georgia	Subsidiary	acquired	74.73% <sup>2)</sup>	29/10/2009	N/A <sup>4)</sup>

Group Company			Group share	Formation/ Acquisition date	Acquisition on costs EURk
Irao MAGNAT 28/2 LLC, Tbilisi, Georgia	Joint venture	acquired	49.82% <sup>2)</sup>	29/10/2009	N/A <sup>4)</sup>
MAGNAT Tbilisi Office 1 LLC, Tbilisi, Georgia	Subsidiary	acquired	99.64% <sup>2)</sup>	29/10/2009	N/A <sup>4)</sup>
IRAo Magnat Gudiashvili LLC, Tbilisi, Georgia	Joint venture	formed	50.00% <sup>3)</sup>	04/04/2011	N/A <sup>4)</sup>
Forum-2000 Ltd., Kiev, Ukraine	Joint venture	acquired	50.00%	29/02/2012	N/A <sup>4)</sup>
Kappatrade Ltd., Kiev, Ukraine	Subsidiary	acquired	99.64% <sup>2)</sup>	19/10/2010	N/A <sup>4)</sup>
Polartrade Ltd., Kiev, Ukraine	Subsidiary	acquired	99.64% <sup>2)</sup>	19/10/2010	N/A <sup>4)</sup>

1) Interests are held indirectly through DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main.

2) Interests are held indirectly through MAGNAT Investment I B.V., Hardinxveld Giessendam, The Netherlands, and the Lumpsum Eastern European Participations C.V., Osterhout, The Netherlands.

3) Interests are held indirectly through MAGNAT Investment IV B.V., Hardinxveld Giessendam, The Netherlands.

4) No disclosure was made because the relevant companies were acquired indirectly as part of the reverse acquisition.

Despite an interest of less than 20%, SQUADRA Immobilien GmbH & Co. KGaA was classified as an associated company in the DEMIRE Group since the management bodies, as well as, in part, the Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG and of SQUADRA Immobilien GmbH & Co. KGaA were composed of the same individuals during the reporting period.

Hekuba S.à.r.l., Luxemburg, Luxemburg and OXELTON ENTERPRISES Limited, Cyprus, were classified as joint ventures because strategic financial and business policies connected with business activities can be determined only by all partner companies jointly according to the agreements under the Articles of Association.

In the reporting period, the interests in MAGNAT Development GmbH and MAGNAT First Development GmbH & Co. KG were increased to 100% each. The interests in both companies formerly recorded under the line item financial receivables developed as follows: The interest in MAGNAT Development GmbH was increased from 74.8% to 100.0% and the interest in MAGNAT First Development GmbH & Co. KG was increased from 5.5% to 100.0%. Since the acquisition of the interests in both companies did not constitute operations as defined by IFRS 3, these transactions were not classified as business combinations according to IFRS 3. The individually identifiable assets and liabilities were identified and recognised on the date of the acquisition.

MAGNAT Investment II B.V. and its subsidiaries which hold the Chmelnitzky and Vitaly projects were also included in the consolidated financial statements with their assets and liabilities since the acquisition of these interests in fiscal year 2011/2012 did not constitute operations as defined by IFRS 3.

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As at the acquisition date of January 31, 2013, the assets and liabilities of MAGNAT Development GmbH and MAGNAT First Development GmbH & Co. KG were recognised as follows:

in EURk	Amounts recognised as at the acquisition date
<b>ASSETS</b>	
<b>Current assets</b>	
Trade accounts receivables and other receivables	11
Financial receivables and other financial assets	150
Cash and cash equivalents	505
	<b>666</b>
<b>Total assets</b>	<b>666</b>
<b>Liabilities</b>	
Provisions	75
Trade payables and other liabilities	22
Tax liabilities	23
Financial debt	15
	<b>135</b>
<b>Total liabilities</b>	<b>135</b>

The fair value of the acquired receivables amounts to EUR 11k. The gross amounts of the acquired receivables were equivalent to the carrying amounts as at the acquisition date. The receivables were recognised as collectable in full as at the acquisition date.

The following companies were disposed of in the course of the fiscal year:

	Date of disposal	Proceeds from disposal in EURk
R-QUADRAT Immobilien Management GmbH & Co. Grazer Straße 59-61 KG, Vienna, Austria	11/07/2012	277
SC Teo Impex Consulting International s.r.l., Bucharest, Romania	01/03/2013	2,025
Fünfte MAGNAT Immobiliengesellschaft mbH, Frankfurt/Main	18/03/2013	3

Summarised financial information on the disposed companies (amounts in EURk):

	R-QUADRAT Immobilien Management GmbH & Co. Grazer Straße 59-61 KG	SC Teo Impex Consulting International s.r.l.	Fünfte MAGNAT Immo- biliengesellschaft mbH
Aggregated assets	685	1,372	3,022
Of which cash and cash equivalents	6	0	2
Aggregated liabilities	863	5	5,327

## 2. CONSOLIDATION METHODS

### Consolidation methods

The consolidated financial statements comprise the financial statements of MAGNAT Asset Management GmbH and its subsidiaries as of March 31 of each fiscal year. The financial statements and interim financial statements of the subsidiaries are prepared by applying uniform accounting methods on the same balance sheet date as that of the parent company.

Capital is consolidated applying the purchase method by offsetting the acquisition costs of the interests with the proportional revalued equity of the subsidiaries at the acquisition date. Upon first-time consolidation, the conditions prevailing on the date when the interests in the consolidated subsidiary are acquired are generally taken into consideration. Any resulting differences are allocated to the assets and liabilities insofar as their fair values differ from the carrying amounts shown in the financial statements. In subsequent periods, identified hidden reserves are carried in line with the corresponding assets and liabilities. Where non-controlling shareholders hold an interest in the subsidiary's equity on the balance sheet date, this item is allocated to non-controlling interests.

Transactions through which the share of interest in a subsidiary changes without giving up control over the subsidiary are recorded directly in equity as equity transactions not affecting profit or loss.

Intragroup revenues, expenses and income, and all receivables and liabilities between consolidated companies are eliminated.

Associated companies and joint ventures are consolidated in the Group using the equity method.

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### Currency translation

The reporting currency is the euro. Where figures have been rounded to EURk, this has been stated. When rounding to EURk, discrepancies may occur.

The functional currency concept is applied for consolidated companies whose financial statements are prepared in foreign currencies. Pursuant to IAS 21 (The Effects of Changes in Foreign Exchange Rates), assets and liabilities denominated in foreign currencies are translated into the euro reporting currency at the rate prevailing on the balance sheet date, and expenses and income are translated on the basis of year-average exchange rates.

For subsidiaries and companies accounted for using the equity method that prepare their financial statements in foreign currencies, the functional currency is determined on the basis of the economic environment in which the respective company operates.

In the Ukraine, for example, transactions are generally only permitted in the national currency. The currency in which most of the revenues and costs are processed is the national currency. The companies mainly operate independently on the local market.

In the period under review, the financial statements of some companies accounted for using the equity method were not prepared in the reporting currency of the euro. Insofar as these companies were included in the consolidated financial statements using the equity method, the proportional equity was translated into the reporting currency applying the functional currency concept. Proportional profits/losses were translated at year-average rates.

Currency translation differences throughout the periods are recognised in other comprehensive income and amounted to EUR –2,136k (previous year: EUR –2,186k), of which EUR –21k (previous year: EUR –12k) were attributable to non-controlling interests.

## C. Accounting policies

The consolidated financial statements were prepared on the assumption of a going concern. In the opinion of the Executive Board, there is no intention or need to discontinue the business activity. The following assumptions were discussed in detail by the Company's governing bodies:

- » The profitability largely depends on the economic situation of the countries in which DEMIRE is engaged.
- » Based on the new focus and realignment of the business model towards a classical "buy & hold" strategy with active portfolio management, continuous and stable cash inflow should contribute to strengthen the liquidity following the respective execution of future investments.
- » The Company's liquidity depends on disposals due to DEMIRE's former business model.
- » For this reason, the establishment and monitoring of liquidity management is a key focal point of the Company's governing bodies
- » The budgeted figures applied are based on management's assumptions and measures initiated by the management.
- » Alternative measures are planned and initiated in order to ensure that the budget is achieved.
- » A key component of this, are the measures currently being implemented for further cost containment.
- » A further significant deterioration in the economic situation in Eastern Europe will require a new assessment of the assumptions with regard to accelerated disposals.

Assets and liabilities are presented according to their terms (due in more than/less than one year). Deferred taxes are generally reported as non-current.

The statement of income was structured according to the recommendations of the European Public Real Estate Association (EPRA) as of August 2011 and January 2013.

Assets are generally measured at the cost of acquisition or production. The assets and liabilities identified at MAGNAT Development GmbH, MAGNAT First Development GmbH & Co. KG, and MAGNAT Investment II B.V., as well as their subsidiaries, were recognised at fair value as at the acquisition date. The subsequent measurement of these assets and liabilities will be carried out according to the following accounting policies.



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## INTANGIBLE ASSETS

Intangible assets include goodwill in an amount of EUR 10k (previous year: EUR 10k).

Goodwill arises from business combinations or acquisitions. It represents the difference between the acquisition costs and the proportional and corresponding net present value of the identifiable assets, liabilities, and certain contingent liabilities. Pursuant to IAS 36, scheduled amortisation is not applied to goodwill.

Other intangible assets include acquired software and other purchased intangible assets, which are amortised on a straight-line basis over a period of three to four years according to their useful economic life.

## PROPERTY, PLANT, AND EQUIPMENT

All property, plant, and equipment are recognised at cost less scheduled straight-line depreciation. Property, plant, and equipment is depreciated over a period of three to fifteen years according to their useful economic life.

## IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets within the meaning of IAS 36.1 are tested for impairment if circumstances or changes to circumstances suggest that their carrying amounts may no longer be recoverable. An impairment loss is recognised in profit or loss if the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of either the asset's net realisable value or its value in use. Net realisable value is the amount achievable when an asset is sold on normal market terms less selling costs. Value in use is the present value of estimated future cash flows expected from the continued utilisation of an asset and its disposal at the end of its useful life. The recoverable amount is calculated for each asset individually, or, if this not possible, for the cash-generating unit to which the asset belongs.

A reversal of impairment loss of previously impaired assets is mandatory if the reason for the impairment loss no longer exists. The only exception to this regulation is an impairment loss applied to goodwill, where reversals of impairment losses are expressly prohibited.

## FINANCIAL ASSETS

Financial assets and financial liabilities are classified upon initial recognition and in line with the categories of IAS 39. The Company primarily holds financial instruments at amortised costs under the categories of loans and receivables and financial liabilities categories. Financial assets and financial liabilities are initially recognised in the balance sheet when a Group company becomes a party to the contractual provisions of the instrument. The initial recognition of a financial instrument is carried out at fair value, including possible transaction costs.

"Loans and receivables" contain non-derivative financial assets with fixed or determinable payments that are not listed on an active market. Subsequent measurement is at amortised cost. If there is objective evidence that such an asset is impaired, an impairment loss is directly recognised in profit or loss. Subsequent reversals of impairment losses are recognised in profit or loss up to the level of the assets amortised would have resulted without impairment. Non- and low-interest-bearing non-current receivables are carried at present value. At DEMIRE, this category contains loans to investments accounted for using the equity method, trade accounts receivables and other receivables, as well as financial receivables. Certain trade accounts receivables and other receivables (taxes) do not constitute financial instruments.

"Financial assets and financial liabilities measured at fair value through profit or loss" may constitute both primary and derivative financial instruments. Items in this category are subsequently measured at fair value. Gains and losses on financial instruments in this measurement category are to be recognised directly in profit or loss. The allocation to the measurement category "held for trading" only contains derivatives, which are currently not held by the DEMIRE Group.

"Other financial liabilities" are non-derivative financial liabilities that are subsequently measured at amortised cost. Differences between the amount received and the expected repayment amount are recorded over the term in profit or loss. DEMIRE allocates financial debt, trade payables and other liabilities to this category.

Loans to investments accounted for using the equity method, loans, trade accounts receivables and other receivables (with the exception of receivables arising from income tax and value added tax), as well as financial receivables are allocated to the "loans and receivables" category. These are initially measured at fair value including possible transaction costs. Subsequently, they are measured at amortised cost applying the effective interest method. Default risks are reflected through impairments. Non-interest-bearing and low-interest receivables are recognised at their present value.

Interests in affiliated companies and associated companies, which are neither fully consolidated nor consolidated using the equity method due to their minor significance, are recognised pursuant to IAS 27, IAS 28, and IAS 31.

Hedge accounting is currently not applied since the IAS 39 preconditions do not apply. The Company does not utilise the option to designate financial assets or liabilities upon initial recognition as at fair value through profit or loss.

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The Company derecognises a financial asset if it has expired due to payment or the payment is no longer anticipated. If a financial asset is transferred, the asset is derecognised when the contractual right to receive the cash flows of this asset is transferred. Financial liabilities are derecognised if these are redeemed, i.e. if the contractual obligations have been settled, waived, or have expired.

### IMPAIRMENT OF FINANCIAL ASSETS

On each balance sheet date, the Group determines whether a financial asset or a group of financial assets is impaired.

If there are objective indications that an impairment of loans and receivables recognised at amortised cost has occurred, the amount of the impairment is assessed as the difference between the carrying amount of the asset and the present value of the expected future cash flows (with the exception of expected future loan defaults that have not yet occurred), discounted applying the original effective interest rate of the financial assets (in other words, the effective interest rate calculated upon initial recognition).

The asset's carrying amount is reduced utilising the valuation adjustment account. The impairment loss is recognised in profit and loss.

It is first determined whether there is an objective indication of impairment to financial assets which are considered to be significant individually, and to financial assets which are not considered to be significant, individually or collectively. If the Group determines that no objective indication of impairment exists for an individually tested financial asset, whether significant or not, it assigns the assets to a group of financial assets with similar default risk characteristics and collectively tests them for impairment. Assets that are tested individually for impairment and for which an impairment loss is reported are not included in the collective impairment assessment.

If the amount of impairment loss decreases in one of the subsequent reporting periods and the decrease can be related objectively to a circumstance arising after the impairment was recognised, the previously recorded impairment loss is reversed. The amount of the reversal is limited to the amortised cost at the date of the reversal. The reversal is recognised through profit and loss in the loans and receivables category. If for trade accounts receivables there are objective indications (such as probability of insolvency or significant financial difficulties on the part of the debtor) that not all amounts due under the original payment terms will be collected, an impairment loss is applied using a valuation adjustment account. The amounts in the valuation adjustment account are derecognised against the carrying amounts of the impaired financial asset if they are classified as uncollectible.

### THE CLASSIFICATION OF NET GAINS AND LOSSES

Net gains and losses from loans and receivables primarily comprise interest income. In addition, they also comprise the corresponding impairments and impairment reversals on these financial assets as well as gains and losses from currency translation. Net gains and losses from financial liabilities include gains and losses from currency translation next to interest expenses.

### Investments accounted for using the equity method

Interests in companies in which DEMIRE can exert significant influence, but does not possess control, are recognised applying the equity method pursuant to IAS 28. Interests in joint ventures are also recognised applying the equity method pursuant to IAS 31. Interests in investments accounted for using the equity method are initially recognised at cost. The difference between the acquisition costs and the proportionate share of equity represents goodwill. The carrying amount of the interest subsequently increases or decreases in line with the owner's interest in the net profit for the period (including currency translation) of the investments accounted for using the equity method. The equity method is no longer applied when the significant influence ends, or if the company is no longer classified as an associated company or joint venture. If at the same time, assets exist against investments accounted for using the equity method for which settlement is neither planned nor likely, then these assets are allocated, in substance, to the net investment in the investments accounted for using the equity method.

After applying the equity method, the Group determines whether an additional impairment is required for the Group's interest in the investments accounted for using the equity method. On each balance sheet date, the Group determines the extent to which there are objective indications that an interest in an investment accounted for using the equity method has been impaired. If this is the case, a positive difference between the carrying amount and the recoverable amount (the higher of either value in use and fair value less costs to sell) is reported through profit and loss as an impairment loss. If the reasons for a previously recognised impairment loss no longer exist, such an impairment loss is reversed accordingly.

### INVESTMENT PROPERTIES

In fiscal year 2007/2008, the Company had recognised investment properties within the Group at fair value for the first time. Investment properties are held by the investment accounted for using the equity method, SQUADRA Immobilien GmbH & Co. KGaA, Frankfurt/Main, as well as by Hekuba S.à.r.l., Luxembourg, Luxembourg, which is accounted for as available for sale. The carrying amounts were calculated on the basis of a valuation report by an independent external expert. When calculating fair values, assumptions are made concerning rental trends, vacancies, sales reductions, maintenance costs, and discount rates. Due to their long-term nature, these valuation assumptions are subject to uncertainties that can lead to both positive and negative valuation changes in the future.

### REAL ESTATE INVENTORY

Real estate inventory is recognised pursuant to IAS 2 (see note A.6). Real estate inventory is recognised at the lower of acquisition or production cost and net realisable value. Net realisable value is the estimated sales proceeds achievable in the normal course of business, less the estimated costs until completion, and estimated sales costs. Acquisition or production costs include general overhead costs attributable to the production process along with directly attributable specific costs.

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The net realisable value is newly determined in each subsequent period. If the circumstances no longer exist which had previously led to an impairment of the inventory's value to a level below its acquisition or production cost, or if there is a substantive indication of an increase in the net realisable value due to a change in economic circumstances, then the amount of the impairment is reversed insofar as the new carrying amount equals the lower of acquisition or production cost or adjusted net realisable value (in other words, the reversal is limited to the amount of the original impairment). For example, this would be the case if the real estate inventory which is recognised at net realisable value due to a decline in its selling price would remain in the portfolio and in subsequent periods its selling price would rise again.

## TAXES

Actual tax assets and liabilities for the past period are measured as the amount expected to be recovered from or paid to the taxation authorities. The amounts are calculated on the basis of the tax rate and tax laws applicable on the balance sheet date.

## DEFERRED TAXES

Deferred taxes are recognised using the liability method for temporary differences between the carrying amount of an asset or liability in the consolidated balance sheet and its tax valuation as of the balance sheet date. Deferred tax liabilities are recognised for all taxable temporary differences with the exception of deferred tax liabilities arising from taxable temporary differences connected with interests in subsidiaries, associated companies, and joint ventures, if the timing of the reversal of the temporary differences can be controlled, and it is likely that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, as yet unutilised tax-loss carryforwards, and unutilised tax credits, to the extent that it is likely that taxable income will be available against which the deductible temporary differences, unutilised tax-loss carryforwards, and unutilised tax credits can be offset, with the exception of:

- » Deferred tax assets relating to deductible temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination, and which, at the time of the transaction, affects neither the profit/loss for the period under commercial law, nor the taxable profit/loss, and
- » Deferred tax assets arising from taxable temporary differences connected with interests in subsidiaries, associated companies, and joint ventures, if it is likely that the temporary differences will not be reversed in the foreseeable future, and that there will be insufficient taxable income available against which the temporary differences can be applied.

The carrying amount of deferred tax assets is reviewed at each balance sheet date, and reduced insofar as it is no longer likely that sufficient taxable income will be available against which at least part of the deferred tax asset can be offset. Unrecognised deferred tax assets are reviewed at each balance sheet date, and recognised insofar as it has become likely that future taxable income will allow the deferred tax assets to be realised.

Deferred tax assets and liabilities are measured applying the tax rates expected to be valid in the period in which the asset is realised or the liability is satisfied. The amounts are calculated on the basis of the tax rates (and tax laws) applicable on the balance sheet date. The subsidiaries' deferred tax assets and liabilities are calculated using the tax rates of the respective country.

Deferred taxes relating to items that are recognised in other comprehensive income are not recognised through profit or loss but instead in the statement of comprehensive income. Deferred tax assets and liabilities are offset against each other if the Group has an enforceable right to offset current tax assets against current tax liabilities, and these assets and liabilities relate to income taxes levied by the same taxation authority against the same taxable entity.

#### VALUE ADDED TAX

Revenues, expenses, and asset are reported after deducting the value added tax with the exception of the following instances:

- » If the value added tax incurred on the purchase of assets or services cannot be recovered from the taxation authorities, the value added tax is recognised as part of the asset's acquisition or production cost, or as part of the expense item.
- » Receivables and liabilities are recognised with the value added tax included.

The amount of value added tax recovered from, or paid to, the taxation authority is recognised in the consolidated balance sheet under receivables and liabilities respectively.

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and demand deposits and are recognised at their nominal amount. Cash and cash equivalents denominated in foreign currencies are translated at the rate prevailing on the reporting date.

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## INVESTMENTS AVAILABLE FOR SALE ACCOUNTED FOR USING THE EQUITY METHOD

Interests in investments accounted for using the equity method are classified as available for sale if the carrying amount can be largely realised by a sale and if the sale is highly probable. These are measured at the lower of their carrying amounts and fair values less selling costs. The disposal costs have not been recognised at their present value due to the assumption that the disposal will take place within one year. Impairments from subsequent measurements will be recognised in profit or loss. A subsequent rise in the fair value will be recognised as a gain to the maximum extent of the previous impairment.

## TRADE PAYABLES AND OTHER LIABILITIES

Following initial recognition, liabilities are measured at amortised cost.

## FINANCIAL DEBT

Upon initial recognition, financial debt is recognised at fair value taking into account all transaction costs directly incurred and attributable in this connection, as well as any discounts. Transaction costs and discounts are amortised in subsequent periods applying the effective interest rate method. Financial debt is then recognised at amortised cost. Financial debt is derecognised if it has been redeemed or has reached final expiration.

## PROVISIONS

During the fiscal year, provisions are recognised for obligations to third parties for which it is likely that there will be an outflow of resources in future periods. Provisions for obligations that will likely not result in a burden on assets in the subsequent year are recognised in the amount of the present value of the expected outflow of assets. The valuation of provisions is reviewed on each balance sheet date.

## INTEREST OF NON-CONTROLLING SHAREHOLDERS

The interests in net assets of non-controlling shareholders were recognised and are reported separately from the parent company shareholders' interests in the Group equity. The interests in net assets of non-controlling shareholders are composed of the amount of the interests of non-controlling shareholders as of the balance sheet date of the previous year, and the interests of non-controlling shareholders in the equity changes in the year under review.

## LEASING

### a) Determining whether an agreement contains a lease

Determining whether an agreement constitutes a lease, or contains a lease, is performed on the basis of the economic contents of the agreements at their start based on an assessment as to whether the satisfaction of the agreement depends on the utilisation of a particular asset, and whether the agreement transfers a right to utilise the asset.

A further assessment as to whether an agreement contains a lease is performed after the start of a lease and only if one of the following conditions has been satisfied:

- » Contractual terms are changed to the extent that the amendment relates not only to the renewal or extension of the agreement,
- » A renewal option is exercised, or an extension is granted, unless the renewal or extension terms were originally taken into consideration in the term of the lease,
- » A change occurs to the determination as to whether satisfaction depends on the specific asset, or,
- » The asset undergoes a significant change.

### b) The Group as lessor

Leases, through which not all of the opportunities and risks connected with ownership are essentially transferred by the Group to the lessee, are classified as operating leases. Initial direct costs incurred in negotiating and entering into an operating lease are added to the carrying amount of the leased asset, and recognised as an expense over the lease term in line with the rental income. Contingent rental payments are recognised as income in the period in which they are generated.

Rental agreements concluded by the Group in connection with the residential properties disposed of in the prior year and reported as real estate inventory until disposal, do not represent leases within the meaning of IAS 17 because these lease agreements have usually not covered a fixed term, but have been concluded for an indefinite period. Until the disposal of the residential real estate portfolio in fiscal year 2011/2012, lessees could terminate their agreement within the legal notice periods. Please also refer to the remarks under E.7.2 and those concerning revenue recognition. In the reporting year, an amount of EUR –5k (previous year: EUR 2,917k) was generated as net rent, and an amount of EUR –17k (previous year: EUR 1,579k) was generated as income from ancillary rental costs. The respective considerations are reported in the statement of income under the line item rental income and are reported as revenue on a periodic basis in line with the terms of the underlying rental agreements.

### c) The Group as lessee

Lease payments for operating leases are expensed through the statement of income on a straight-line basis over the term of the lease agreement.



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## REVENUE RECOGNITION

Revenues comprise proceeds from the sale of real estate companies, proceeds from the sale of real estate, proceeds from asset management services, net rents, and ancillary rental costs. Net rents and ancillary rental costs are reported as rental income in the consolidated statement of income. Revenues are reported on an accrual basis in accordance with the terms of the underlying contract and when it is likely that the Company will receive the economic benefit from the transaction. However, if there is doubt concerning the collectability of an amount that has already been recognised as revenues, the uncollectible or doubtful amount is expensed, and is not offset against revenues.

Revenue is recognised on sales transactions when

- » all significant opportunities and risks connected with the ownership have transferred to the acquirer,
- » the Group retains neither rights of disposition nor effective control over the object of sale,
- » the amount of revenue and the costs arising in connection with the sale can be determined reliably,
- » it is sufficiently likely that the Group will receive an economic benefit from the sale, and
- » expenses incurred, or to be incurred, in connection with the sale can be determined reliably.

## PROFIT/LOSS FROM ASSET MANAGEMENT

The profit/loss from asset management includes revenues from asset management mandates from non-Group companies. The corresponding expenses are allocated accordingly. The costs related to inter-company asset management mandates are included under general administrative expenses.

## D. Notes to the consolidated statement of income

### 1. RENTAL INCOME

The Group's rental income is composed as follows:

in EURk	01/04/2012 – 31/03/2013	01/04/2011 – 31/03/2012
Net rents	730	3,710
Income from ancillary rental costs	54	1,796
	<b>784</b>	<b>5,506</b>

Rental income arises from the rental of land with commercial and residential buildings.

### 2. OPERATING EXPENSES TO GENERATE RENTAL INCOME

In the reporting year, operating expenses to generate rental income amounted to EUR 507k (previous year: EUR 3,134k). Operating expenses of EUR 54k (previous year: EUR 1,796k) are allocable, and can be passed on to tenants. Operating expenses of EUR 453k (previous year: EUR 1,338k) are not allocable.

### 3. PROFIT/LOSS ON SALE OF REAL ESTATE COMPANIES

In the reporting period, the Group had disposed of Fünfte MAGNAT Immobiliengesellschaft mbH, SC Teo Impex International Consulting s.r.l., and R-QUADRAT Immobilien Management GmbH & Co. Grazer Straße 59-61 KG (see Note B.1).

### 4. PROFIT/LOSS ON SALE OF REAL ESTATE

In the reporting period, the Group sold properties located in Austria. The revenues amounted to EUR 1,046k (previous year: EUR 32,723k mainly from the sale of German residential portfolio). The expenses related to disposals were EUR 743k (previous year: EUR 16,999k). The result was primarily influenced by the contribution (EUR 302k) of the MAGNAT Immobilien GmbH & Co. Brünner Straße 261-263 KG subsidiary.

### 5. PROFIT/LOSS ON ASSET MANAGEMENT

During the reporting period, the Group had achieved revenues of EUR 194k (previous year: EUR 716k) from the asset management of real estate for third parties. The expenses allocated to this segment were mainly comprised of staff costs and other expenses (of the group companies MAGNAT Asset Management GmbH and MAGNAT Asset Management Germany GmbH) amounting to EUR 127k (previous year: EUR 200k).

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## 6. PROFIT/LOSS FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Profits from investments accounted for using the equity method in an amount of EUR 420k (previous year: EUR 8,896k) include the profits of Irao MAGNAT 28/2 LLC (EUR 296k, previous year: EUR 0k) and of R-Quadrat Polska Alpha Sp. z o.o. (EUR 124k, previous year: EUR 0k). The previous year primarily consisted of profits realised from Hekuba S.à.r.l. and from JJW Hotel Palais Schwarzenberg Betriebs-gesellschaft mbH.

Losses from investments accounted for using the equity method in an amount of EUR 566k (previous year: EUR 2,277k) primarily include the results of SQUADRA Immobilien GmbH & Co. KGaA (EUR 128k, previous year: EUR 0k), Irao MAGNAT Gudiashvili LLC (EUR 191k, previous year: EUR 28k), and OXELTON ENTERPRISES Limited (EUR 241k, previous year EUR 196k). The previous year also comprised the results of MAGNAT Investment II B.V. (EUR 1,395k) and R-QUADRAT Polska Alpha Sp. z o.o. (EUR 360k).

Unrealised fair value adjustments in equity investments comprises recognised impairment losses on the carrying amounts of investments accounted for using the equity method as well as the proportionate results of these companies based on the market value changes of their real estate inventory. This includes impairment losses of EUR 771k (previous year: EUR 2,491k) on OXELTON ENTERPRISES Limited and impairment losses of EUR 372k (previous year: EUR 0k) on Irao MAGNAT Gudiashvili LLC. The recoverable amount underlying these impairment losses reflects the higher of fair value less selling costs, and value in use. The impairment loss applied to OXELTON ENTERPRISES Limited is the result of fair value less selling costs. In order to calculate the fair value, a value assessment was performed on the Peremogi project which is held by a subsidiary of OXELTON ENTERPRISES. The estimation of the market value of this project is based on the residual value method. As part of the residual value method, the property's market value after completion was first calculated using the discounted earnings method. Subsequently, all costs required for the realisation of the construction measures, and other costs arising in connection with the project development, were deducted. A net initial discount rate of 10% was applied for determining the discounted earnings value. Irao MAGNAT Gudiashvili LLC was measured on the basis of the corrected fair value since an impairment loss regarding the net investment was taken into account. In addition to the impairment losses, the prior year also included negative fair value adjustments on real estate inventory of EUR 301k.

DEMIRE's share in the transferred profit or loss in investments accounted for using the equity method is listed under E.1.3.

R-QUADRAT Polska Alpha Sp. z o.o. is accounted for using the equity method. Proportionate accumulated losses at R-QUADRAT Polska Alpha Sp. z o.o. of EUR 3,108k (previous year: EUR 2,453k) were not recognised. EUR 655k of these losses had occurred in the reporting period. At this company, the share of losses exceeded the value of the investment and therefore no further losses were recognised. In addition, proportionate accumulated losses of EUR 529k (previous year: EUR 0k) at the associated company Russian Land AG were also not recognised, whereby this amount represents the proportionate loss of the reporting period.

**7. UNREALISED FAIR VALUE ADJUSTMENTS IN REAL ESTATE INVENTORY**

in EURk	01/04/2012 – 31/03/2013	01/04/2011 – 31/03/2012
Profits from unrealised fair value adjustments in real estate inventory	0	101
Losses from unrealised fair value adjustments in real estate inventory	-1,520	-3,617
	<b>-1,520</b>	<b>-3,516</b>

Profits and losses from unrealised fair value adjustments in real estate inventory include effects from the valuation being based on the assessment of market values. We refer to Note E.2.1.

**8. IMPAIRMENT OF GOODWILL AND RECEIVABLES**

in EURk	01/04/2012 – 31/03/2013	01/04/2011 – 31/03/2012
Impairment of goodwill	24	391
Impairment of receivables	1,460	584
	<b>1,484</b>	<b>975</b>

Impairment of receivables is composed as follows:

in EURk	01/04/2012 – 31/03/2013	01/04/2011 – 31/03/2012
Trade accounts receivables and other receivables	1,460	539
Financial receivables and other financial assets	0	45
	<b>1,460</b>	<b>584</b>

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## 9. OTHER OPERATING INCOME

in EURk	01/04/2012 – 31/03/2013	01/04/2011 – 31/03/2012
Gains from foreign currency differences	618	595
Income from expenses passed on	284	409
Derecognition of liabilities	16	0
Insurance compensation	5	41
Other rental income	4	42
Realisation of currency exchange rate differences previously recognised directly in equity	0	838
Reversal of impairment losses on receivables	0	745
Gains arising from the consolidation of liabilities	0	553
Management fees	0	106
Others	133	347
	<b>1,060</b>	<b>3,676</b>

In the prior year, the realisation of currency exchange rate differences of EUR 838k previously recognised directly in equity resulted from the disposal of MAGNAT Investment II B.V.

The income from expenses passed on is related to the offsetting of other operating expenses to third parties, among others.

In the previous year, the income from management fees included compensation for assuming the activities as a general partner of a subsidiary for companies accounted for using the equity method.

## 10. GENERAL AND ADMINISTRATIVE EXPENSES

in EURk	01/04/2012 – 31/03/2013	01/04/2011 – 31/03/2012
Expenses for asset management	2,017	2,953
Legal and consulting fees	741	1,275
Staff costs	677	1,029
Advertising and travel expenses	226	256
Supervisory Board compensation	57	56
Others	91	87
	<b>3,809</b>	<b>5,656</b>

**11. OTHER OPERATING EXPENSES**

in EURk	01/04/2012 – 31/03/2013	01/04/2011 – 31/03/2012
Non-deductible input taxes	222	581
Fees and incidental costs of monetary transactions	138	74
Expenses for Annual General Meeting and investor relations	59	60
Occupancy costs	57	34
Insurance fees	36	35
Legal and consulting fees	30	106
Third-party services	23	126
Losses from foreign currency differences	11	67
Others	261	386
	<b>837</b>	<b>1,469</b>

**12. FINANCIAL RESULT**

in EURk	01/04/2012 – 31/03/2013	01/04/2011 – 31/03/2012
Financial income	845	833
Financial expenses	-1,552	-2,589
	<b>-708</b>	<b>-1,757</b>

Financial income stems mainly from loans granted to companies accounted for using the equity method.

Detailed information regarding net gains and losses from loans and receivables and financial debt are to be found in Section I.1.

Financial expenses primarily include the interest expense paid to banks and other lenders resulting from the Group's investment activity. This is referred to in I.1.

**13. INCOME TAXES**

in EURk	01/04/2012 – 31/03/2013	01/04/2011 – 31/03/2012
Current income taxes	-7	8
Deferred income taxes	286	60
Total income taxes (- = income / + = expense)	<b>278</b>	<b>68</b>

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The current tax expenses include corporate and trade taxes of domestic companies and the asset management companies based in Austria.

The current income tax benefit of EUR 7k does not include adjustments for actual taxes of prior periods. Deferred tax expenses of EUR 286k are the cumulative difference from the origination and reversal of temporary differences.

Income taxes are distributed among domestic and foreign companies as follows:

in EURk	01/04/2012 – 31/03/2013	01/04/2011 – 31/03/2012
Germany	-204	76
Foreign countries	483	-8
	<b>278</b>	<b>68</b>

As at the balance sheet date, there were unutilised tax-loss carryforwards from consolidated companies totalling EUR 26,323k (previous year: EUR 29,822k). Of this amount, EUR 23,829k were non-lapsable tax-loss carryforwards. Of the remaining tax-loss carryforwards, EUR 1,574k will lapse next year and EUR 919k will lapse in different annual portions by the year 2019. Deferred tax assets are capitalised for these loss carryforwards only when it is likely that they will be offset with earnings achieved within the foreseeable future. In the DEMIRE Group, deferred tax assets on tax-loss carryforwards are only capitalised to the extent that deferred tax liabilities were recognised.

Deferred taxes in the amount of EUR -99k (previous year: EUR -44k) are recognised in other comprehensive income. They are to be allocated to equity changes at companies accounted for using the equity method which are recognised in other comprehensive income.

For losses amounting to EUR 7,759k, no deferred tax assets were capitalised.

Distributions to shareholder by DEMIRE Deutsche Mittelstand Real Estate AG have neither a corporate nor a trade tax effect on the Company. Nevertheless, the Company is generally liable for German capital gains tax plus the Solidarity Surcharge (withholding tax), which the Company is required to withhold from the distribution approved and transfer to the relevant German tax office.

The distributions generally require that shareholders pay income and corporate taxes unless the distributions are not subject to taxation due to the shareholders' tax status or other circumstances. Withholding tax that the Company withholds and transfers can generally be offset with its income and corporate tax liability, independently of the shareholders' tax status, and is reimbursable.

#### 14. TAX RECONCILIATION STATEMENT

The tax reconciliation statement between the theoretical and actual tax expense is presented on the basis of the Group tax rate of 31.93% (previous year: 31.93%). The Group tax rate of 31.93% includes a 15% corporate tax rate valid from January 1, 2008, a 5.5% solidarity surcharge, and a 16.1% trade tax. The calculation of deferred taxes for the German companies is based on the tax rate of 31.93%. Country-specific tax rates were applied to each of the calculations when calculating deferred tax for the foreign companies.

in EURk	01/04/2012 – 31/03/2013	01/04/2011 – 31/03/2012
<b>Profit/loss before taxes</b>	<b>-5,651</b>	<b>13,032</b>
<b>Group tax rate</b>	<b>31,93%</b>	<b>31,93%</b>
<b>Expected tax income (previous year: tax expense)</b>	<b>-1,804</b>	<b>4,161</b>
Tax differences among foreign subsidiaries	9	-18
Tax effect arising from non-deductible operating expenses	581	1,822
Tax effect of tax-free income	-1,260	-8,313
Tax effects arising from non-utilised losses for which no deferred tax assets were capitalised	2,478	2,429
Release due to impairment on deferred taxes	302	0
Others	-27	-14
<b>Effective income taxes</b>	<b>278</b>	<b>68</b>

Tax-free income resulted primarily from the profits of companies accounted for using the equity method and the positive result from the sales of real estate companies. Income from companies accounted for using the equity method is included in profit/loss from investments accounted for using the equity method in the statement of income. The tax effect arising from non-deductible operating expenses mainly results from a loss from the investments accounted for using the equity.

#### 15. NET PROFIT/LOSS FOR THE PERIOD – OF WHICH ATTRIBUTABLE TO NON-CONTROLLING SHAREHOLDERS

Net profit/loss for the period attributable to non-controlling shareholders of EUR -3k (previous year: EUR 31k) primarily relates to non-controlling interests in MAGNAT Investment I B.V., the Netherlands.



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## 16. EARNINGS PER SHARE

Basic earnings per share is computed by dividing the net profit/loss for the period attributable to the parent company shareholders by the weighted average number of shares outstanding.

	01/04/2012 – 31/03/2013	01/04/2011 – 31/03/2012
Net profit/loss for the period attributable to the parent company shareholders (in EURk)	-5,927	12,933
Weighted average number of shares outstanding	13,889,651	13,889,651
<b>Basic earnings per share (EUR)</b>	<b>-0.43</b>	<b>0.93</b>
<b>Diluted earnings per share (EUR)</b>	<b>-0.43</b>	<b>0.93</b>

Since no dilution has occurred, basic earnings per share and diluted earnings per share are identical.

## 17. STAFF COSTS

in EURk	01/04/2012 – 31/03/2013	01/04/2011 – 31/03/2012
Salaries	1,741	2,375
Statutory social expenses	300	368
	<b>2,041</b>	<b>2,743</b>

Of the total amount, EUR 2,041k (previous year: EUR 2,740k) are included in general and administrative expenses and EUR 0k (previous year: EUR 3k) are included in other operating expenses.

## 18. SCHEDULED DEPRECIATION AND AMORTISATION

in EURk	01/04/2012 – 31/03/2013	01/04/2011 – 31/03/2012
of other intangible assets	9	12
of property, plant, and equipment	25	26
	<b>34</b>	<b>38</b>

Scheduled depreciation and amortisation are included in their entirety under other operating expenses.

## E. Notes to the consolidated balance sheet

### 1. NON-CURRENT ASSETS

#### 1.1 Intangible assets

##### 1.1.1 Goodwill

This includes goodwill recognised as part of the capital consolidation of the MAGNAT Asset Management GmbH and MAGNAT Investment I B.V. subsidiaries.

in EURk	2012/2013	2011/2012
Acquisition costs as at April 1 of the fiscal year	1,015	991
Cumulative impairment charges as at April 1 of the fiscal year	1,005	614
<b>Carrying amounts as at April 1 of the fiscal year</b>	<b>10</b>	<b>377</b>
Additions	24	25
Acquisition costs as at March 31 of the fiscal year	1,039	1,015
Cumulative impairment charges as at March 31 of the fiscal year	1,029	1,005
<b>Carrying amounts as at March 31 of the fiscal year</b>	<b>10</b>	<b>10</b>
in EURk	2012/2013	2011/2012
Additions to impairment charges	24	391

Impairment losses are reported in the statement of income in the line item impairment of goodwill and receivables. The change to the carrying amount of goodwill during the reporting period resulted from additions. In testing goodwill of a subsidiary in the asset management segment for impairment, it was determined that the carrying amount of the respective goodwill exceeded the recoverable amount. The recoverable amount is derived from the respective market value.

##### 1.1.2 Sonstige immaterielle Vermögenswerte

A useful life of three to four years is applied to other intangible assets. This primarily includes computer software. The amortisation charges are reported in the statement of income in the line items "general and administrative expenses" (EUR 9k; previous year: EUR 12k) and "other operating expenses" (EUR 0k; previous year: EUR 0k).

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in EURk	2012/2013	2011/2012
Acquisition costs as at April 1 of the fiscal year	51	45
Cumulative impairment charges as at April 1 of the fiscal year	32	19
<b>Carrying amounts as at April 1 of the fiscal year</b>	<b>19</b>	<b>26</b>
Additions	0	6
Amortisation	9	12
Acquisition costs as at March 31 of the fiscal year	51	51
Cumulative impairment charges as at March 31 of the fiscal year	41	32
<b>Carrying amounts as at March 31 of the fiscal year</b>	<b>10</b>	<b>19</b>

### 1.2 Property, plant, and equipment

Property, plant, and equipment include office and operating equipment. A useful life of 3 to 15 years is applied for their depreciation. The depreciation charges are reported in the statement of income in the in the line items "general and administrative expenses" (EUR 18k; previous year: EUR 20k) and "other operating expenses" (EUR 7k; previous year: EUR 6k).

in EURk	2012/2013	2011/2012
Acquisition costs as at April 1 of the fiscal year	137	164
Cumulative depreciation as at April 1 of the fiscal year	79	65
<b>Carrying amounts as at April 1 of the fiscal year</b>	<b>58</b>	<b>99</b>
Additions	34	14
Disposals	26	28
Depreciation	25	26
Acquisition costs as at March 31 of the fiscal year	145	137
Cumulative depreciation as at March 31 of the fiscal year	104	79
<b>Carrying amounts as at March 31 of the fiscal year</b>	<b>41</b>	<b>58</b>

### 1.3 Investments accounted for using the equity method

Interests in investments accounted for using the equity method (EUR 6,644k; previous year: EUR 8,074k) include interests in associated companies (EUR 1,104k; previous year: EUR 1,803k) and joint ventures (EUR 5,540k; previous year: EUR 6,272k).

## 1.3.1 Investments in associated companies

in EURk	Carrying amount as at 31/03/2013	Carrying amount as at 31/03/2012
<b>Company</b>		
SQUADRA Immobilien GmbH & Co. KGaA	741	1,434
Russian Land AG	363	369
<b>Total</b>	<b>1,104</b>	<b>1,803</b>

DEMIRE's interest in the transferred profit or loss according to the annual or interim financial statements of the associated companies is as follows:

in EURk	Profit/loss per 31/03/2013	Profit/loss per 31/03/2012
<b>Company</b>		
SQUADRA Immobilien GmbH & Co. KGaA	-128	-413
Russian Land AG	-369	-299
<b>Total</b>	<b>-497</b>	<b>-712</b>

The following table provides a summary of the associated companies' assets, liabilities, revenues, and profit or loss for the period.

Summarised financial information of the associated companies:

in EURk	31/03/2013	31/03/2012
Aggregated assets	15,661	27,262
Aggregated liabilities	1,408	5,579
Aggregated revenues	492	1,362
Aggregated profit/loss for the period	-3,019	-3,302

The Russian Land AG has a balance sheet date which differs from the Group's balance sheet date. DEMIRE exercises significant influence over the associated company together with other shareholders. Therefore, it cannot be DEMIRE Deutsche Mittelstand Real Estate AG's fiscal year. For the preparation of the consolidated financial statements, this company prepares interim financial statements as per the Group's balance sheet date.

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### 1.3.2 Investments in joint ventures

in EURk	Carrying amount as at 31/03/2013	Carrying amount as at 31/03/2012
<b>Company</b>		
OXELTON ENTERPRISES Limited	5,292	6,272
R-QUADRAT Polska Alpha Sp. z o.o.	0	0
Irao MAGNAT 28/2 LLC	248	0
Irao MAGNAT Gudiashvili LLC	0	0
<b>Total</b>	<b>5,540</b>	<b>6,272</b>

A subsidiary of DEMIRE holds 60% of OXELTON ENTERPRISES Limited (interest of the DEMIRE Group: 59.78%). The underlying project includes the building rights to a corresponding property in Kiev with an existing permission for the construction of an office building and commercial property. Construction work has not yet started.

DEMIRE holds a 50% interest in R-QUADRAT Polska Alpha Sp. z o.o. The underlying project is located in the centre of Katy Wrocławskie. Initially planned was the construction of residential dwellings and commercial areas in three construction steps with a total of around 77,700 m<sup>2</sup> of usable residential area. Two of the three construction sections have been completed.

A subsidiary of DEMIRE holds a 50% interest in Irao MAGNAT 28/2 LLC (interest of the DEMIRE Group: 49.82%). A building comprising apartments, a penthouse, and commercial units, was constructed together with a local partner.

DEMIRE has a 50% interest in Irao MAGNAT Gudiashvili LLC. The intention was to develop the "Gudiashvili Square" project in Tbilisi together with a local partner. For this purpose, the project company acquired the existing building and started with the revitalisation. In the reporting period, DEMIRE and the local partner jointly decided to exit the project.

DEMIRE's interest in the transferred profit or loss according to the annual or interim financial statements of the joint ventures is as follows:

in EURk	Profit/loss per 31/03/2013	Profit/loss per 31/03/2012
<b>Company</b>		
R-QUADRAT Polska Alpha Sp. z o.o.	0	-360
Irao MAGNAT 28/2 LLC	296	0
Irao MAGNAT Gudiashvili LLC	-191	-28
MAGNAT Investment II B.V.	0	-1,395
Hekuba S.à.r.l.	0	-93
OXELTON ENTERPRISES Limited	-241	-196
<b>Total</b>	<b>-136</b>	<b>-2,072</b>

At the joint venture R-QUADRAT Polska Alpha Sp. z o.o., an amount of EUR 124k was recognised as income from the release of the net investment according to IAS 28.29 and was recorded in the line item "profits from investments accounted for using the equity method".

In the past fiscal year, impairment losses were recognised amounting to EUR 771k (previous year: EUR 2,491k) on the interest in OXELTON ENTERPRISES Limited and in Irao MAGNAT Gudiashvili LLC in an amount of EUR 372k (previous year: EUR 0k) (see Note D.6). The previous year also included impairment in the interest in MAGNAT Investment II B.V. amounting to EUR 149k.

Since the end of the prior year, Hekuba S.à.r.l. is included in the line item "investments accounted for using the equity method available for sale". In the prior year, the interest in MAGNAT Investment II B.V., recognised at equity, was replaced by the assets included in MAGNAT Investment II B.V. in the course of the acquisition of the assets of the former co-investor R-QUADRAT Capital Beta GmbH.

Summary financial information on the joint ventures (proportional amounts for subgroups as of the balance sheet date):

in EURk	31/03/2013	31/03/2012
Aggregated non-current assets	124	120
Aggregated current assets	6,890	10,305
Aggregated non-current liabilities	5,707	6,119
Aggregated current liabilities	5,226	8,073
Aggregated income	4,319	4,204
Aggregated expenses	-4,519	-10,649

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The following joint ventures and subgroups apply a balance sheet date that differs from the Group balance sheet date: R-QUADRAT Polska Alpha Sp. z o.o., Irao MAGNAT 28/2 LLC, Irao MAGNAT Gudiashvili LLC, and OXELTON ENTERPRISES Limited. For the preparation of the consolidated financial statements, these companies prepare interim financial statements as per the Group's balance sheet date.

The projects of the Irao MAGNAT 28/2 LLC and the R-QUADRAT Polska Alpha Sp. z o.o. joint ventures are nearly completed. As a result, it is not expected that the DEMIRE Group will be obliged to provide further funds.

Currently, OXELTON ENTERPRISES Limited is not generating operating cash flows from which the operating expenses can be paid. As a result, the Group is providing an adequate amount of funds in proportion to its interest in the joint venture in order to cover the operating expenses which occur. As a result of Irao MAGNAT Gudiashvili LLC's withdrawal from the "Gudiashvili Square" project, this company is not generating operating cash flows from which the operating expenses can be paid. The Group is providing this joint venture company an adequate amount of funds in order to cover the operating expenses which occur. In the reporting year, no further loans were granted.

#### 1.4 Other financial assets

The fair value of other financial assets amounted to EUR 49k (previous year: EUR 49k). In the previous year, impairments totalling EUR 2k were recognised under financial expenses in the statement of income.

#### 1.5 Loans to investments accounted for using the equity method

Loans to companies accounted for using the equity method amounted to EUR 2,059k (previous year: EUR 1,020k) and relate primarily to loans to OXELTON ENTERPRISES Limited (EUR 2,053k). The due date of a large portion of the loan (EUR 1,965k) to OXELTON ENTERPRISES Limited is based upon the occurrence of certain future conditions and yields interest of 10 percent p.a. The loan is to be repaid by December 31, 2014 at the latest. As at March 31, 2012, loans to companies accounted for using the equity method comprised primarily loans to Irao MAGNAT Gudiashvili LLC, Georgia, amounting to EUR 926k.

In the 2012/2013 reporting period, a loan of EUR 86k (previous year: EUR 75k) was granted in the proportionate amount to OXELTON ENTERPRISES Limited.

#### 1.6 Other loans

A significant portion of other loans are due at the end of 2021 and consist of receivables from the partial sale of a property.

## 2. CURRENT ASSETS

### 2.1 Real estate inventory

The reported real estate inventory amounted to EUR 10,174k (previous year: EUR 16,134k) and concerns developed and undeveloped properties which are destined for resale. In the reporting period, impairments of EUR 1,520k (previous year: EUR 3,617k) were recognised which are included under "unrealised fair value adjustments in real estate inventory" in the statement of income. In the previous year, reversals of impairments were recognised in the amount of EUR 101k which was reported under "unrealised fair value adjustments in real estate inventory" in the statement of income. Real estate inventory in the amount of EUR 3,397k is intended to be realised through disposals within twelve months. Real estate inventory in the amount of EUR 6,776k is intended to be realised following this twelve month period. In the reporting period, real estate inventory amounting to EUR 5,491k (previous year: EUR 18,060k) were recognised as an expense due to their disposal. The expenses are included in the line items "expenses on real estate sales" and "net assets from sold real estate companies".

The impairments in real estate inventory are based on the results of the underlying valuations. Of the EUR 1,520k in impairments, EUR 850k can be attributed to Ukrainian properties and EUR 301k can be attributed to a Romanian property. The Ukrainian and Romanian real estate sectors are still in the midst of a crisis; this has also had an impact on the market values of the respective properties.

The following real estate inventory has been pledged as collateral for liabilities:

in EURk	Carrying amount 31/03/2013	Carrying amount 31/03/2012	Property
<b>Company</b>			
Erste MAGNAT Immobiliengesellschaft mbH	2,657	2,957	Worms, Parchim, Halle Peissen
Fünfte MAGNAT Immobiliengesellschaft mbH	0	2,754	Delitzsch
MAGNAT Immobilien GmbH & Co. Brünner Straße 261-263 KG	0	733	Vienna, Austria
MAGNAT Asset Management GmbH & Co. Kastnergasse 16 KG	981	476	Vienna, Austria
MAGNAT Immobilien GmbH & Co. Schumannsgasse 16 KG	269	0	Vienna, Austria
R-QUADRAT Immobilien Management GmbH & Co. Grazer Straße 59-61 KG	0	661	Wiener Neustadt, Austria
	<b>3,907</b>	<b>7,581</b>	



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## 2.2 Trade accounts receivables and other receivables

in EURk	31/03/2013	31/03/2012
Receivables from processing value added tax	1,065	1,255
Purchase price receivables	584	1,503
Trade accounts receivables against third parties	488	1,454
Receivables from the invoice of building projects	428	393
Administrator accounts	104	92
Others	751	881
	<b>3,420</b>	<b>5,578</b>

All receivables are due on a short-term basis. Impairment charges of EUR 2,528k (previous year: EUR 1,707k) were recognised. Their development is presented in the following table. None of the receivables are significantly overdue. Expenses for additions to impairment charges are included in "impairment of goodwill and receivables" in the statement of income.

in EURk	2012/2013	2011/2012
Balance as at the start of the fiscal year	1,707	1,402
Disposal of companies	-67	0
Impairments	1,310	305
Realisation of impairments	-423	0
	<b>2,527</b>	<b>1,707</b>

## 2.3 Financial receivables and other financial assets

Financial receivables and other financial assets mainly include short-term loans to R-QUADRAT Polska Alpha Sp. z o.o. in the amount of EUR 759k (previous year: EUR 789k). Additionally, the item also includes other receivables from R-QUADRAT Polska Alpha Sp. z o.o. in the amount of EUR 1,185k (previous year: EUR 1,161k). The prior year also included receivables from OXELTON ENTERPRISES Limited totalling EUR 1,678k which were reclassified as loans due to a prolongation in the reporting year.

Within financial receivables and other financial assets and taking into account the respective impairments, there are no receivables significantly overdue. The impairment charges are included in "impairment of goodwill and receivables" in the statement of income.

in EURk	2012/2013	2011/2012
Balance as at the start of the fiscal year	0	2,958
Reclassifications	2,127	0
Impairments	0	0
Realisation of impairments	0	-2,213
Reversal of impairment charges	0	-745
	<b>2,127</b>	<b>0</b>

#### 2.4 Cash and cash equivalents

Cash and cash equivalents of EUR 2,333k (previous year: EUR 3,589k) are related to cash in hand and bank accounts.

### 3. INVESTMENTS AVAILABLE FOR SALE ACCOUNTED FOR USING THE EQUITY METHOD

This item includes the interests held in investments available for sales accounted for using the equity method in the following joint ventures.

in EURk	Carrying amount as at 31/03/2013	Carrying amount as at 31/03/2012
<b>Company</b>		
Hekuba S.à.r.l.	3,533	3,536
"Forum-2000" LLC	270	270
<b>Total</b>	<b>3,803</b>	<b>3,806</b>

At the end of the previous fiscal year, the interest in Hekuba S.à.r.l. was classified as available for sale due to its intended sale.

DEMIRE holds a stake of 32.44% in Hekuba S.à.r.l. DEMIRE was originally in a consortium with its project partners, Adama Holding Public Ltd. (lead manager), Bucharest, Romania, and Immoeast AG, Vienna, Austria, and had acquired one of the most extensive real estate portfolios of the Turkish bank Yapı Kredi Bankası A.S. ("YKB"). This portfolio consisted of around 400 individual interests in properties having various uses and a regional focus on the greater metropolitan region of Istanbul. The development and resale of the individual properties progressed favourably overall and as a result only a small portion of the properties remained.

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As of February 29, 2012, the 50% interest in the "Forum-2000" LLC joint venture was classified as available for sale due to its intended termination of the joint venture. The Ukrainian Vitaly project is a property with single-family homes in Kryachy in the Vasylykivskyi district in the region of Kiev. As a result of delays in the sales negotiations and the economic situation in the Ukraine the interest has not yet been sold within one year. The interest continues to be held as available for sale.

The interests available for sales in investments accounted for using the equity method are allocated to the "Investments" segment (see section H).

#### 4. Shareholders' equity

In reference to the explanations in section A.5, the subscribed capital amounting to EUR 13,895k remains unchanged. The capital reserves contain a EUR 7,425k difference in the subscribed capital of EUR 13,895k and the sum of the subscribed capital of MAGNAT Asset Management GmbH in an amount of EUR 160k as the economic parent company. It also includes the acquisition costs for the acquisition of DEMIRE Deutsche Mittelstand Real Estate AG in an amount of EUR 21,160k following the reverse acquisition. A description of the other reserves can be found in Note G.1.

As in the previous year, the subscribed capital of the legal parent company, DEMIRE Deutsche Mittelstand Real Estate AG, amounted to EUR 13,894,651.00. It is divided into 13,894,651 non-par value bearer shares with a notional par value of EUR 1.00. All shares are fully paid-in.

If there is a capital increase, the profit participation of new shares may deviate from Section 60 para. 2 of the German Stock Corporation Act (AktG).

Shareholders are not entitled to share certificates to the extent this is permitted by law.

Reconciliation to the number of shares outstanding:	31/03/2013	31/03/2012
Number of non-par bearer shares issued	13,894,651	13,894,651
of which fully paid in	13,894,651	13,894,651

With the assent of the Supervisory Board, the Executive Board was given authorisation to increase the Company's share capital by October 28, 2014 through issuing up to 6,947,325 new ordinary bearer shares in the form of non-par shares, each with a notional value of EUR 1.00 against cash contribution or contribution in kind, once or on several occasions, in partial amounts up to a total of EUR 6,947,325 (Authorised Capital 2009). Shareholders are generally entitled to subscription rights; the Company may exclude subscription rights in certain circumstances.

The Company's share capital is conditionally increased by up to EUR 6,947,325, divided in up to 6,947,325 ordinary bearer shares, each with a notional value of EUR 1.00. The conditional capital increase serves to grant subscription and/or conversion rights to the holders of bonds with warrants and/or convertible bonds that are issued according to the respective resolutions of the Annual General Meeting of August 30, 2007.

The Company is authorised to purchase up to a total of 10% of the existing share capital until October 28, 2014. In this context, the shares acquired on the basis of this authorisation, together with other treasury shares that the Company has already acquired or already holds, may not comprise more than 10% of the Company's existing share capital in each case.

## 5. NON-CURRENT LIABILITIES

### 5.1 Deferred tax assets and liabilities

The deferred tax assets and liabilities are composed of temporary differences in the following balance sheet items:

in EURk	31/03/2013	31/03/2012
Investments accounted for using the equity method	0	110
Tax-loss carryforwards	0	205
Real estate inventory	0	476
<b>Deferred tax assets</b>	<b>0</b>	<b>791</b>
Investments accounted for using the equity method	0	81
Real estate inventory	0	379
Others	46	11
<b>Deferred tax liabilities</b>	<b>46</b>	<b>470</b>

The requirements pursuant IAS 12.74 have been fulfilled with regard to EUR 0k (previous year: EUR 205k). Following the offsetting of deferred tax assets with deferred tax liabilities, the following deferred tax assets and deferred tax liabilities remain:

in EURk	31/03/2013	31/03/2012
Investments accounted for using the equity method	0	110
Real estate inventory	0	476
<b>Deferred tax assets</b>	<b>0</b>	<b>586</b>
Investments accounted for using the equity method	0	81
Real estate inventory	0	173
Others	46	11
<b>Deferred tax liabilities</b>	<b>46</b>	<b>265</b>

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The changes in deferred taxes and their recognition can be represented as follows:

in EURk	31/03/2012	Statement of income	Other comprehensive income	Disposals	31/03/2013
Real estate inventory	97	-283	0	185	0
Tax-loss carryforwards	205	-20	0	-185	0
Investments accounted for using the equity method	99	0	-99	0	0
Others	-81	17	0	18	-46
	<b>320</b>	<b>-286</b>	<b>-99</b>	<b>18</b>	<b>-46</b>

## 5.2 Non-current financial debt

The following table summarises the financial debt. The nominal interest rate nearly corresponds with the effective interest rate as only minimal transaction costs were incurred.

	Nominal interest rate %	Due	31/03/2013 EURk	31/03/2012 EURk
<b>Non-current portion of financial debt</b>				
Mezzanine loan	12.00	06/07/2014	5,401	4,791
Financial liabilities to R-QUADRAT Capital Beta GmbH	interest free	07/02/2014	0	1,812
DKB annuity loan for 1. MAGNAT Immobilienges. mbH	4.57	30/06/2014	3,218	3,329
DKB annuity loan for 5. MAGNAT Immobilienges. mbH	4.57	30/06/2014	0	3,635
Loan for R-QUADRAT Immobilien Management GmbH & Co. Grazer Straße 59-61 KG	Average of "Bund" secondary market yield + 1.5 and 3M EURIBOR + 1.5	01/04/2022	0	329
Loan for R-QUADRAT Immobilien Management GmbH & Co. Grazer Straße 59-61 KG	4.50	30/06/2022	0	37
Loan for R-QUADRAT Immobilien Management GmbH & Co. Grazer Straße 59-61 KG	4.50	30/06/2022	0	17
Credit for MAGNAT Asset Management GmbH & Co. Kastnergasse 16 KG	3M-EURIBOR + 2.00	01/02/2023	0	368
Loan from holders of profit participation certificates for MAGNAT Capital Markets GmbH	interest free	31/12/2022	483	483
Profit participation certificates for MAGNAT Capital Markets GmbH	interest free	31/12/2021	22	26
Other financial debt	interest free	various	35	2
			<b>9,159</b>	<b>14,829</b>

In the previous fiscal year, the subsidiary, MAGNAT Capital Markets GmbH, had issued profit participation certificates. These profit participation certificates are composite financial instruments pursuant to IAS 32.28 and include an equity component as well as a debt component. Due to the existing redemption clause available to the holders of these profit participation certificates, the profit participation capital

has been classified as a component of debt. However, the entitlement to net profits is classified as an equity component or dividend.

Of the non-current financial debt, EUR 8,618k (previous year: EUR 14,318k) is collateralised by assets. These assets comprise real estate inventory (please refer to E.2.1) and interests in investments accounted for using the equity method (carrying amount of EUR 5,292k). Concerning the significant financial debt to Deutsche Kreditbank AG, the bank is entitled to liquidate the collateral if the liabilities have not been paid by the due date despite reminders with a reasonable grace period and the threat of liquidation according to Section 1234 para. 1 BGB.

Concerning the liabilities stemming from mezzanine loans, if they are overdue, the collateral can be liquidated through an agreed repayment in arrears with DEMIRE which will be the case on July 5, 2014 at the latest.

## 6. CURRENT LIABILITIES

### 6.1 Provisions

in EURk	31/03/2013	31/03/2012
Staff costs	346	518
Accounting and audit costs	340	436
Invoices outstanding	64	179
Legal and consulting fees	42	83
Supervisory Board compensation	32	39
Expert's valuation reports	27	39
Others	464	466
	<b>1,315</b>	<b>1,760</b>

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in EURk	31/03/2012	Acquisitions	Utilisation	Release	Additions	Disposals	31/03/2013
Staff costs	518	0	351	19	199	0	346
Accounting and audit costs	436	9	374	33	309	8	340
Invoices outstanding	179	0	175	2	68	5	64
Legal and consulting fees	83	0	50	0	10	0	42
Supervisory Board compensation	39	0	14	0	8	0	32
Expert's valuation reports	39	0	39	0	27	0	27
Others	466	66	117	30	80	1	464
	<b>1,760</b>	<b>75</b>	<b>1,121</b>	<b>84</b>	<b>700</b>	<b>14</b>	<b>1,315</b>

The Company assumes that provisions will be utilised in the following 2013/2014 fiscal year.

The provisions for staff costs include provisions for services from unconsumed vacations and gratuities, as well as a provision for outstanding salaries to a former Executive Board member.

The provisions for accounting and audit costs include the costs for the preparation, audit, and publication of the financial statements and the consolidated financial statements.

The provisions for invoices outstanding are recognised for various costs. As at March 31, 2013, the primary portion of the provisions included follow-up costs related to a German residential property which has already been sold.

Other provisions primarily include a provision related to asset management services provided and a warranty provision for a German property which has already been sold.

**6.2 Trade accounts payable and other liabilities**

in EURk	31/03/2013	31/03/2012
Trade accounts payable	487	752
Liabilities from the invoice of building projects	241	0
Liabilities from value added taxes	105	273
Personnel-related liabilities	44	86
Liabilities to administrators	0	22
Liabilities from accruals and deferred income	0	10
Others	219	370
	<b>1,096</b>	<b>1,513</b>

Trade accounts payable amounting to EUR 487k (EUR 752k) are entirely to third parties and are short-term in nature.

In the prior year, liabilities to administrators mainly consisted of fees payable to the property managers of rented properties. The liabilities were short-term in nature.

**6.3 Tax liabilities**

Current income tax liabilities in the amount of EUR 234k (previous year: EUR 284k) relate to trade taxes (EUR 24k; previous year EUR 4k), corporate taxes (EUR 1k; previous year: EUR 70k), and withholding taxes (EUR 210k; previous year: EUR 210k).

**6.4 Current financial debt**

Current financial debt is comprised of bank borrowings amounting to EUR 915k (previous year: EUR 800k), liabilities to companies in which participating interests are held and to companies recognised at cost, as well as other liabilities amounting to a total of EUR 4,126k (previous year: EUR 4,588k). Of the EUR 4,126k (previous year: EUR 4,588k), EUR 0k (previous year: EUR 2,191k) are loans.

Of the total amount of EUR 5,041k (previous year: EUR 5,388k), current loans amounted to EUR 915k (previous year: EUR 800k).

Bank borrowings include interest liabilities of EUR 0k (previous year: EUR 5k).

Liabilities to companies in which participating interests are held are short-term in nature and primarily relate to liabilities to investments accounted for using the equity method.



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Current financial debt contains EUR 1,843k (previous year: EUR 1,799k) relating to dividend liabilities on the part of MAGNAT Asset Management GmbH to former shareholders. In addition, this item also includes financials debt to the former co-investor R-QUADRAT Capital Beta GmbH totalling EUR 1,912k (previous year: EUR 0k). This financial debt is collateralised by assets. These assets comprise investments in affiliated companies and receivables from affiliated companies. If overdue, the collateral can be liquidated. The debt matures upon expiry of February 14, 2014.

	Nominal interest rate %	Due	31/03/2013 EURk	31/03/2012 EURk
<b>Current portion of bank borrowings</b>				
Interest liabilities for non-current and current loans	n/a	n/a	0	5
DKB loan for 1. MAGNAT Immobilienges. mbH	4,57	01/04/2013 to 31/03/2014	112	107
DKB loan for 5. MAGNAT Immobilienges. mbH	4,57	01/04/2012 to 31/03/2013	0	117
Loan for MAGNAT Immobilien GmbH & Co. Brünner Straße 261-263 KG	4,75	30/09/2012	0	567
Loan for MAGNAT Asset Management GmbH & Co. Kastnergasse 16 KG	n/a	n/a	637	0
Loan for MAGNAT Immobilien GmbH & Co. Schumannsgasse 16 KG	n/a	n/a	164	0
Loan for R-QUADRAT Immobilien Management GmbH & Co. Grazer Straße 59-61 KG	4,90	30/06/2012 and 31/12/2012	0	4
Current account overdraft 1. MAGNAT Immobilienges. mbH	n/a	n/a	2	0
			<b>915</b>	<b>800</b>

Regarding the loans for MAGNAT Immobilien GmbH & Co. Schumannsgasse 16 KG and MAGNAT Asset Management GmbH & Co. Kastnergasse 16 KG, we refer to the discussions on the events subsequent to the balance sheet date.

	Nominal interest rate %	Due	31/03/2013 EURk	31/03/2012 EURk
<b>Current portion of other borrowings</b>				
Loan R-Quadrat Capital Gamma GmbH for MAGNAT RE AG	11.00	25/06/2012	0	173
Loan AURAGUS GmbH for MAGNAT Real Estate AG	3M-Euribor + 4.50	30/09/2012	0	2,018
			<b>0</b>	<b>2,191</b>

The nominal interest rate nearly corresponds to the effective interest rate since only minimal transaction costs were incurred.

## 7. LEASES

### 7.1 Operating leases – The Group as lessee

As at the balance sheet date, lease agreements for vehicles resulted in future minimum lease payments of EUR 45k (up to one year) and EUR 23k for the period of one to five years. In addition, there were leases for office premises from which future minimum lease payments will result in the amount of EUR 170k (up to one year) and EUR 681k (between one and five years). In the reporting period, the following amounts were recorded as lease expenses:

in EURk	01/04/2012 – 31/03/2013	01/04/2011 – 31/03/2012
Vehicles	48	41
Office premises	206	184

### 7.2 Operating leases – The Group as lessor

Through the purchase of real estate the Group has acquired certain real estate leasing contracts for commercial rentals which are up for sale. The real estate held includes office space which is not being occupied by the Group.

As at the balance sheet date, the following leases existed:

As at the balance sheet date, the rental agreement of the "Arbeitsamt Parchim" property was terminated as per July 30, 2013.

Concerning the "Arbeitsamt Worms" a perpetual rental agreement exists with a notice period of six months to the month's end.

The rental agreement regarding the "Halle-Peißen" property (mobile phone antennas) expires on November 30, 2014.

As explained under item C, rental agreements concluded by the Group in connection with residential properties do not constitute a rental agreement in accordance with IAS 17.

The following receivables exist for future minimum lease payments based on non-cancellable operating leases:

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in EURk	31/03/2013	31/03/2012
Up to 1 year	242	673
1 to 5 years	3	820
More than 5 years	0	187
	<b>245</b>	<b>1,679</b>

In the reporting period, the following amounts were recognised as lease income:

in EURk	01/04/2012 – 31/03/2013	01/04/2011 – 31/03/2012
Rental income	735	792

## F. Notes to the consolidated statement of cash flows

Cash flow from operating activities is calculated using the indirect method. Cash flows from investing and financing activities are calculated on a payment-related basis.

Cash flow includes interest received in an amount of EUR 33k (previous year: EUR 69k) and interest paid in the amount of EUR 437k (previous year: EUR 1,644k). Interest paid and received is allocated as follows:

in EURk	31/03/2013	31/03/2012
<b>Interest received</b>		
Cash flow from operating activities	33	69
Cash flow from investing activities	0	0
Cash flow from financing activities	0	0
	<b>33</b>	<b>69</b>

in EURk	31/03/2013	31/03/2012
<b>Interest paid</b>		
Cash flow from operating activities	14	16
Cash flow from investing activities	0	3
Cash flow from financing activities	423	1,625
	<b>437</b>	<b>1,644</b>

Cash flow from operating activities includes both, income tax payments and reimbursements. The net balance of income tax payments and reimbursements amounted to EUR 738k in the reporting period (previous year: EUR 523k).

#### **CASH FLOW FROM OPERATING ACTIVITIES**

Cash flow from operating activities totalled EUR –1,181k. This amount includes a change in real estate inventory of EUR 728k, in trade accounts receivables and other receivables of EUR 535k, and in financial receivables and other financial assets of EUR 183k. The change in trade payables and other liabilities as well as the change in provisions, amount to a total of EUR –881k. Non-cash income and expenses were EUR 2,740k. A split of the significant items is presented separately and can be found in the section "non-cash items".

#### **CASH FLOW FROM INVESTING ACTIVITIES**

Cash flow of EUR 565k resulted from the proceeds of the capital reduction of investments accounted for using the equity method and other interests. The granting of loans to investments accounted for using the equity method and other interests resulted in cash outflows of EUR 92k. In turn, repayments of loans to investments accounted for using the equity method and other interests resulted in cash inflows of EUR 460k. Cash flow includes cash inflows of EUR 448k for the acquisition of subsidiaries as well as for the purchase of net assets pursuant to IFRS 3.2 (b) and cash outflows of EUR 20k from the sale of subsidiaries.

#### **CASH FLOW FROM FINANCING ACTIVITIES**

The cash outflow from financing activities amounting to EUR 1,394k and is related to the repayment of financial debt totalling EUR 1,011k and proceeds from borrowings of EUR 46k.

#### **NON-CASH ITEMS**

Non-cash items resulted primarily from impairment losses (EUR 3,051), the result of investments accounted for using the equity method (EUR 1,288k), and changes related to disposals (EUR –1,975k). Non-cash items resulting from impairment losses include impairments of real estate inventory of EUR 1,520k and impairments of trade accounts receivables and other receivables of EUR 1,460k. The changes related to disposals result from the sales of real estate companies (see Note D.3).

#### **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents of EUR 2,333k (previous year: EUR 3,589k) are equal to those reported in the consolidated balance sheet. This item of the consolidated balance sheet comprises cash in hand and current accounts at banks.

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## G. Notes to the consolidated statement of changes in equity

### 1. NOTES TO THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM APRIL 1, 2012 TO MARCH 31, 2013

**Capital reserves** represent the amount that was received through a capital increase in kind and the difference in subscribed capital to the sum of the share capital of the economic parent company and the acquisition costs for the acquisition of DEMIRE Deutsche Mittelstand Real Estate AG (see A.5).

**Retained earnings including consolidated net profit/loss for the period** contain the accumulated results. The **currency translation reserves** include currency differences from fully consolidated companies and of companies accounted for using the equity method whose functional currency is not the euro. The **reserves for treasury shares** resulted from the reverse acquisition (see A.5). **Other reserves** include those other equity components that are included proportionally from companies accounted for using the equity method. In addition, they also include the earnings neutral impact from the increase in the share of interest in the subsidiary MAGNAT Investment I B.V in the prior period.

#### Capital transactions with shareholders

There were no distributions to shareholders either in the year under review or in the subsequent year until the date when these financial statements were prepared.

#### Changes in equity recognised in other comprehensive income

Additional changes in other comprehensive income of EUR –49k arise from positive currency translation differences, the transfer of earnings-neutral changes in equity from investments accounted for using the equity method, and from taxes on other comprehensive income.

#### Net profit/loss for the period

The net loss for the period attributable to parent company shareholders amounted to EUR 5,927k. A negative amount of EUR 3k is attributable to non-controlling shareholders.

### 2. NOTES TO THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM APRIL 1, 2011 TO MARCH 31, 2012

**Capital reserves** represent the amount that was received through a capital increase in kind and the difference in subscribed capital to the sum of the share capital of the economic parent company and the acquisition costs for the acquisition of DEMIRE Deutsche Mittelstand Real Estate AG (see A.5).

**Retained earnings including consolidated net profit/loss for the period** contain the accumulated results. The **currency translation reserves** include currency differences from fully consolidated companies and of companies accounted for using the equity method, whose functional currency is not the euro. The **reserves for treasury shares** resulted from the reverse acquisition (see A.5). **Other reserves** include those other equity components that are included proportionally from companies accounted for using the equity method. In addition, they also include the earnings neutral impact from the increase in the interest in the MAGNAT Investment I B.V. subsidiary.

**Capital transactions with shareholders**

There were no distributions to shareholders either in the year under review or in the subsequent year by the date of the preparation of these financial statements.

**Changes in equity recognised in other comprehensive income**

Additional changes in other comprehensive income of EUR 2,129k result from a negative currency translation difference.

**Changes recognised directly in equity**

The main change occurred as a result of an increase in the interest in MAGNAT Investment I B.V.

**Net profit/loss for the period**

The net profit for the period attributable to parent company shareholders amounted EUR 12,933k. A positive amount of EUR 31k is attributable to non-controlling shareholders.

## H. Group segment reporting

The segmentation of the data of the annual financial statements is based on the internal alignment according to strategic business segments and geographic considerations pursuant to IFRS 8. In accordance with the management approach, the segment information provided represents the information to be reported to the Executive Board. The reportable information was subject to a change in fiscal year 2012/2013. The project holdings in the Investments segment were allocated to the respective projects. This change leads to a structural simplification in the segments described below. The restatement of the previous year's figures resulted in the following effects in the individual segments: The net profit/loss for the period of the Investments segment was reduced by EUR 1,437k. The net profit/loss for the period of the Asset Management segment was reduced from EUR –846k to EUR –852k. In contrast, there was a positive earnings effect of EUR 1,443k in Central Functions.

The Group is split into the business segments: Investments and Asset Management. The Investments segment contains all information relating to non-current assets as well as the business areas of revitalisation, project development, and land banking. The Investments segment also includes the activities of the respective project holdings. The Asset Management segment represents the asset management activities including the co-proprietor's building schemes and participation schemes. The Central Functions segment mainly contains DEMIRE Deutsche Mittelstand Real Estate AG's activities in its function as the Group holding which does not represent an independent segment.

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in EURk	Segments by business areas				
	Investments	Asset Management	Central Functions	Consolidation effects	Group
Revenues	2,812	2,389	799	-1,744	4,256
of which intra-group revenues	0	945	799	-1,744	
Other income	716	520	147	-322	1,060
Profits from investments accounted for using the equity method	420	0	0	0	420
<b>Segment revenues</b>	<b>3,948</b>	<b>2,909</b>	<b>946</b>	<b>-2,066</b>	<b>5,737</b>
Net assets from sold real estate companies	-120	176	0	0	56
Expenses on real estate sales	0	-743	0	0	-743
Other expenses	-5,042	-2,267	-2,859	1,883	-8,285
Losses from investments accounted for using the equity method	-1,709	0	0	0	-1,709
<b>Segment expenses</b>	<b>-6,871</b>	<b>-2,834</b>	<b>-2,859</b>	<b>1,883</b>	<b>-10,680</b>
<b>EBIT</b>	<b>-2,923</b>	<b>75</b>	<b>-1,912</b>	<b>-183</b>	<b>-4,943</b>
Financial income	768	74	124	-122	845
Financial expenses	-1,037	-221	-417	122	-1,553
Income taxes	-294	-8	23	0	-278
<b>Net profit/loss for the period</b>	<b>-3,486</b>	<b>-79</b>	<b>-2,182</b>	<b>-183</b>	<b>-5,930</b>
<b>Significant non-cash items</b>	<b>2,632</b>	<b>-206</b>	<b>315</b>		<b>2,740</b>
<b>Impairment losses in net profit/loss for the period</b>	<b>4,105</b>	<b>41</b>	<b>0</b>		<b>4,146</b>
<b>Additional information</b>					
<b>Segment assets</b>	<b>24,415</b>	<b>5,024</b>	<b>1,703</b>		<b>31,143</b>
of which investments accounted for using the equity method	6,644	0	0		6,644
of which loans to investments accounted for using the equity method	2,059	0	0		2,059
of which financial receivables and other financial assets	866	460	859		2,185
of which tax refund claims	3	21	49		72
of which assets available for sales in investments accounted for using the equity method	3,803	0	0		3,803
<b>Segment liabilities</b>	<b>9,538</b>	<b>4,428</b>	<b>2,925</b>		<b>16,891</b>
of which non-current financial debt	8,634	525	0		9,159
of which current financial debt	166	2,649	2,225		5,041
of which tax liabilities	0	211	23		234

April 1, 2012 – March 31, 2013	Geographic segments			
	D / A / NL <sup>1)</sup>	CEE/SEE <sup>1)</sup>	CIS <sup>1)</sup>	Group
in EURk				
Revenues	2,231	2,025	0	4,256
Other income	1,020	17	23	1,060
Profits from investments accounted for using the equity method	0	124	296	420
<b>Segment revenues</b>	<b>3,252</b>	<b>2,166</b>	<b>319</b>	<b>5,737</b>
<b>Additional information</b>				
<b>Segment assets</b>	<b>11,252</b>	<b>5,941</b>	<b>13,950</b>	<b>31,143</b>
of which investments accounted for using the equity method	741	0	5,903	6,644
of which loans to investments accounted for using the equity method	6	0	2,053	2,059
of which financial receivables and other financial assets	1,335	759	90	2,185
of which tax refund claims	72	0	0	72
of which assets available for sales in investments accounted for using the equity method	0	3,533	270	3,803
<b>Total liabilities</b>	<b>16,405</b>	<b>12</b>	<b>474</b>	<b>16,891</b>
of which non-current financial debt	9,124	0	35	9,159

<sup>1)</sup> CEE = Central & Eastern Europe; SEE = South - Eastern Europe; CIS = Commonwealth of Independent States  
D / A / NL = Germany, Austria, and the Netherlands



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in EURk	Segments by business areas				
	Investments	Asset Management	Central Functions	Consolidation effects	Group
Revenues	38,406	2,990	1,471	-3,073	39,794
of which intra-group revenues	0	1,602	1,471	-3,073	
Other income	1,885	780	1,431	-421	3,676
Profits from investments accounted for using the equity method	8,896	0	0	0	8,896
<b>Segment revenues</b>	<b>49,187</b>	<b>3,770</b>	<b>2,902</b>	<b>-3,494</b>	<b>52,366</b>
Net assets from sold real estate companies	0	-411	0	0	-411
Expenses on real estate sales	-17,085	86	0	0	-16,999
Other expenses	-9,437	-4,077	-4,730	3,293	-14,950
Losses from investments accounted for using the equity method	-5,218	0	0	0	-5,218
<b>Segment expenses</b>	<b>-31,740</b>	<b>-4,401</b>	<b>-4,730</b>	<b>3,293</b>	<b>-37,577</b>
<b>EBIT</b>	<b>17,447</b>	<b>-631</b>	<b>-1,827</b>	<b>-201</b>	<b>14,788</b>
Financial income	682	74	298	-222	833
Financial expenses	-2,147	-221	-443	222	-2,589
Income taxes	2	-75	5	0	-68
<b>Net profit/loss for the period</b>	<b>15,983</b>	<b>-852</b>	<b>-1,967</b>	<b>-201</b>	<b>12,964</b>
<b>Significant non-cash items</b>	<b>-2,018</b>	<b>573</b>	<b>-32</b>		<b>-1,478</b>
<b>Impairment losses in net profit/loss for the period</b>	<b>6,344</b>	<b>593</b>	<b>295</b>		<b>7,233</b>
<b>Reversal of impairment losses in net profit/loss for the period</b>	<b>101</b>	<b>0</b>	<b>745</b>		<b>846</b>
<b>Additional information</b>					
<b>Segment assets</b>	<b>33,922</b>	<b>7,459</b>	<b>2,886</b>		<b>44,267</b>
of which investments accounted for using the equity method	8,074	0	0		8,074
of which loans to investments accounted for using the equity method	1,020	0	0		1,020
of which financial receivables and other financial assets	1,689	435	1,872		3,996
of which tax refund claims	5	762	39		806
of which assets available for sales in investments accounted for using the equity method	3,806	0	0		3,806
<b>Segment liabilities</b>	<b>13,516</b>	<b>5,308</b>	<b>5,214</b>		<b>24,039</b>
of which non-current financial debt	11,757	1,260	1,812		14,829
of which current financial debt	260	2,796	2,332		5,388
of which tax liabilities	66	218	0		284

April 1, 2011 – March 31, 2012	Geographic segments			
	D / A / NL <sup>1)</sup>	CEE/SEE <sup>1)</sup>	CIS <sup>1)</sup>	Group
in EURk				
Revenues	39,794	0	0	39,794
Other income	2,558	77	1,041	3,676
Profits from investments accounted for using the equity method	2,884	6,012	0	8,896
<b>Segment revenues</b>	<b>45,236</b>	<b>6,089</b>	<b>1,041</b>	<b>52,366</b>
<b>Additional information</b>				
<b>Segment assets</b>	<b>21,002</b>	<b>7,021</b>	<b>16,245</b>	<b>44,267</b>
of which investments accounted for using the equity method	1,433	0	6,641	8,074
of which loans to investments accounted for using the equity method	13	0	1,008	1,020
of which financial receivables and other financial assets	2,318	0	1,678	3,996
of which tax refund claims	806	0	0	806
of which assets available for sales in investments accounted for using the equity method	0	3,536	270	3,806
<b>Total liabilities</b>	<b>23,521</b>	<b>37</b>	<b>482</b>	<b>24,039</b>
of which non-current financial debt	14,827	0	2	14,829

<sup>1)</sup> CEE = Central & Eastern Europe; SEE = South - Eastern Europe; CIS = Commonwealth of Independent States  
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April 1, 2012 – March 31 2013	Geographic segments – additional information about Germany
in EURk	D
Revenues	791
Other income	185
Profits from investments accounted for using the equity method	0
<b>Segment revenues</b>	<b>976</b>
<b>Additional information</b>	
<b>Segment assets</b>	<b>5,506</b>
of which investments accounted for using the equity method	741
of which loans to investments accounted for using the equity method	0
of which financial receivables and other financial assets	859
of which tax refund claims	56
<b>Total liabilities</b>	<b>6,553</b>
of which non-current financial debt	3,218
<b>April 1, 2011 – March 31 2012</b>	<b>Geographic segments – additional information about Germany</b>
in EURk	D
Revenues	38,440
Other income	1,636
Profits from investments accounted for using the equity method	56
<b>Segment revenues</b>	<b>40,132</b>
<b>Additional information</b>	
<b>Segment assets</b>	<b>10,099</b>
of which investments accounted for using the equity method	1,433
of which loans to investments accounted for using the equity method	0
of which financial receivables and other financial assets	1,872
of which tax refund claims	45
<b>Total liabilities</b>	<b>13,300</b>
of which non-current financial debt	8,776

Revenues for the fiscal year resulted from the rental of real estate which was generated in the **Investments** segment. Revenue was also generated from the sale of real estate companies which occurred in the **Investments** and in the **Asset Management** segments, the sale of real estate in the **Investments** and **Asset Management** segments, and **revenues on asset management**. In the previous year, revenues of EUR 32,900k stemmed from one significant customer in the geographical segment of Germany.

The activities of the companies in the non-operating areas and within the primary segment **Central Functions** are largely limited to the activities of DEMIRE Deutsche Mittelstand Real Estate AG.

The carrying amounts of the companies accounted for using the equity method (EUR 6,644k; previous year: EUR 8,074k) are allocated in their entirety to the Investments segment.

The carrying amounts of the companies accounted for using the equity method of EUR 6,644k (previous year: EUR 8,074k) are divided into the following regional segments: Germany/Austria/Netherlands: EUR 741k (previous year: EUR 1,433k); the CIS region: EUR 5,903k (previous year: EUR 6,641k).

The investments available for sale accounted for using the equity method are allocated to the Investments segment in their entirety and are divided into the following regional segments: the CEE/SEE region: EUR 3,533k (previous year: EUR 3,536k); the CIS region: EUR 270k (previous year: EUR 270k).

Scheduled depreciation and amortisation of property, plant, and equipment and of other intangible assets are divided among the Investments segment with EUR 7k (previous year: EUR 7k), the Asset Management segment with EUR 24k (previous year: EUR 26k), and Central Functions with EUR 4k (previous year EUR 6k).

Non-cash items mainly include impairment losses (Investments segment with EUR 2,963k and Asset Management segment with EUR 89k), the operating results of companies accounted for using the equity method (Investments segment with EUR 1,288k), as well as effects from disposals (Investments segment with EUR -1,521k and Asset Management segment with EUR -454k).

The impairment losses of EUR 4,105k in the Investments segment are comprised of EUR 1,520k from real estate inventory, EUR 1,142k from companies accounted for using the equity method, EUR 1,443k from trade accounts receivables and other receivables, and EUR 593k from loans to companies accounted for using the equity method. The impairment losses of EUR 41k in the Asset Management segment are comprised of EUR 24k from goodwill and EUR 17k from trade accounts receivables and other receivables. No impairment losses were recorded in Central Functions.

Real estate inventory in the Investments and Asset Management segments decreased due to the sale of real estate companies, real estate, and impairment losses. At the Group level, disposals through sales amounted to EUR 5,491k (of which EUR 4,097k in Investments segment and EUR 1,393 in the Asset Management segment).

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Of total Group revenues (EUR 4,256k), an amount of EUR 791k is attributable to Germany. These revenues primarily result from rental income (EUR 784k). An amount of EUR 1,440k is attributable to Austria and is mainly the result of disposals of real estate and real estate companies (EUR 1,251k) and asset management services (EUR 189k).

The geographical allocation of revenues is based on the location of the rented property for rental income, on the location of the object sold for the sale of real estate, and on the location where the services were performed for asset management services.

Transactions among segments are carried out on the basis comparable external conditions.

## I. Other notes

### 1. FINANCIAL INSTRUMENTS

Interest-rate risk to cash flow relates to cash held in deposit accounts and also relates to variable interest rates on debt. The Company does not anticipate significant negative interest rate effects over the long term since the level of liquid funds on the balance sheet date are only available until investments are made and will be subsequently tied up in projects according to plan. For the amount of EUR 2,333k (previous year: EUR 3,589k) deposited as at the balance sheet date, a decline in the interest rate of 0.5% p.a. would result in a decrease in the yearly interest income of EUR 12k (previous year: EUR 18k). This is equivalent to EUR 1k (rounded) per month.

Generally, a reference is made to the risk report in the Group management report.

#### Financial risk management

The Group's financial assets consist of loans to companies accounted for using the equity method, other loans, trade accounts receivables and other receivables, financial receivables and other financial assets, as well as bank deposits. A large proportion of trade accounts receivables consists of receivables from rent and asset management. Potential defaults in this context are taken into consideration.

The Group's financial debt is comprised mainly of bank loans, overdrafts, trade payables, and loans granted. The main purpose of this financial debt is to finance the Group's business activities.

The Group is exposed to various financial risks as a result of its business activities: foreign currency risk, interest-rate risk, credit risk, and liquidity risk. The overlying risk management system concentrates on the on-going identification of typical business risks and their active management. Risks within a certain range are accepted if they are offset by corresponding return opportunities. The goal is to limit the exposure to peak risks so that the continuance of the Company is not jeopardised.

The Executive Board identifies, evaluates, and hedges financial risks in close collaboration with the asset manager and in coordination with the Group's Supervisory Board.

### Foreign currency risk

DEMIRE is predominantly active on markets outside of the eurozone, and is consequently also exposed to corresponding currency exchange rate risks. Where possible and practicable, projects are processed in the local currency (e.g., local currency debt financing of construction costs). The change in the project's existing assets and liabilities has its effects within the currency translation reserve of other comprehensive income found in the statement of comprehensive income. When the Group's liabilities or receivables are held in a foreign currency, this in turn has an effect on the consolidated statement of income. Generally, there are no material concentrations of foreign currency risk.

In the previous year, the Group had granted loans in USD in an amount equivalent to EUR 926k to companies accounted for using the equity method.

The remaining exchange rate risk, which is mostly limited to invested equity and the potential profit, is only partially hedged. Generally, preference is given to hedging on an aggregated basis rather than individual project-related risks. Here, hedging is only considered when certain fluctuation ranges are exceeded and only for certain currencies and are limited to the equity invested (and not for the potential profit). This approach is based on a cost-benefit analysis in the knowledge that foreign exchange rate risk as a whole cannot be isolated entirely but rather many additional interdependencies beyond pure exchange-rate fluctuations play a role. In summary, the management of foreign exchange rate risks is geared toward accepting currency risk within a certain range. Hedging is only used to cap peak risks on an aggregated basis and is only sought for certain currencies in order to counteract developments that could jeopardise the continuance of the Company. The foreign currency hedging strategy is determined in close coordination with the Supervisory Board.

The risk relating to the employment of equity can be quantified as follows, whereby DEMIRE has approximately 47% of its equity invested in the Ukraine (previous year: approximately 44%).

in EURk	Functional currency	31/03/2013	31/03/2012
Ukraine	UAH	28,028	27,935
Turkey	YTL	675	675
Romania	RON	6,544	9,394
Poland	PLN	6,113	6,670
Russia	EUR	2,562	2,562
Georgia	GEL	2,073	1,481
Bulgaria	BGN	1,472	1,472
Germany and Austria	EUR	12,120	13,791
<b>Total</b>		<b>59,587</b>	<b>63,979</b>

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Until and including fiscal year 2011/2012, the figures listed above are based on the historical values of DEMIRE Deutsche Mittelstand Real Estate AG's employed equity. In fiscal year 2011/2012, the non-controlling interests of the former co-investor R- QUADRAT Capital Beta GmbH were acquired by DEMIRE Deutsche Mittelstand Real Estate AG.

The following table shows a breakdown of assets and liabilities by currency (in EURk):

	EUR	Others	Total
Investments accounted for using the equity method	6,644	0	6,644
Loans to investments accounted for using the equity method	2,059	0	2,059
Trade accounts receivables and other receivables	2,397	1,023	3,420
Financial receivables and other financial assets	2,185	0	2,185
Cash and cash equivalents	2,283	50	2,333
Investments available for sale accounted for using the equity method	3,533	270	3,803
Other assets	4,489	6,310	10,799
	<b>23,590</b>	<b>7,653</b>	<b>31,242</b>
Non-current financial debt	9,124	35	9,159
Current financial debt	5,000	41	5,041
Other liabilities	2,277	414	2,691
	<b>16,401</b>	<b>490</b>	<b>16,891</b>

A change in the exchange rate of +/- 10 percent has the following impact on the value of the assets and liabilities:

in EURk	+10%	-10%
Assets	-696	850
Liabilities	-45	54

#### Interest-rate risk

The DEMIRE Group utilises debt to finance its real estate projects. Some of its debt has variable interest rates. As a consequence, the DEMIRE Group is exposed to interest-rate risk since increases in the interest-rate level increases its financing costs. An increase in the interest-rate level of +/-100 basis points would result in a respective increase or decrease in the Company's interest expenses of around EUR 23k per year assuming all other parameters remained unchanged.

This policy is evaluated at regular intervals and in close coordination with the Supervisory Board.

**Credit risk**

The reported financial instruments simultaneously represent the maximum credit and default risk. In the context of uniform risk management standards across the Group, the counterparty risk is assessed and supervised on a uniform basis. The aim is to minimise default risk. No insurance is taken out for counterparty risk. There is generally no significant concentration of credit risk within the Group. An analysis of the impaired receivables is provided in the following table:

in EURk	Gross receivables	Impairment	Total
<b>31/03/2013</b>			
Trade accounts receivables and other receivables	2,950	-2,528	422
Financial receivables and other financial assets	2,886	-2,127	759
	<b>5,836</b>	<b>-4,655</b>	<b>1,181</b>
<b>31/03/2012</b>			
Trade accounts receivables and other receivables	3,107	-1,707	1,400
Financial receivables and other financial assets	0	0	0
	<b>3,107</b>	<b>-1,707</b>	<b>1,400</b>

**Liquidity risk**

In the Company's initial phase, liquidity risk was primarily managed through holding liquidity reserves in the form of bank deposits available at all times and, to a limited degree, credit lines that could be drawn down. Today, the liquidity position is significantly more dependent upon proceeds from disposals and the planned prolongation of loans as they come due. The liquidity position is also affected by additional contributions for the continued financing of projects. Generally, there are no significant concentrations of liquidity risk.

Further information on risk management and on financial risks are provided in the risk report of the Management Report.

**Capital management**

The overriding objective of the Group's capital management is to secure the capability of future debt repayment and to preserve the Group's financial net worth. The intention of the Executive Board is to obtain a sufficiently strong equity base, and to maintain the confidence of investors and the market. The Company also aims to strengthen its equity through profit retention. Whereas the equity commitment in Germany and Austria stands at 20 to 30% of the investment volume, significantly higher equity commitments must be allowed for in the CEE/SEE/CIS countries, especially in the early stages.



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The Group monitors its capital through its equity ratio. Components of this ratio are the total assets in the consolidated balance sheet, and the shareholders' equity reported in the consolidated balance sheet that is attributable to both the parent company shareholders and non-controlling shareholders. DEMIRE intends to utilise the available equity as a means of possible leverage but will continue to maintain a solid equity ratio. As of March 31, 2013 the equity ratio stood at 45.8% (previous year: 45.7%). DEMIRE intends to maintain an equity ratio of more than 30%. The achievement of this goal will be accompanied by different processes. Disposals should be carried out at least at the higher of the carrying amount and market value. Strict cost control and cost reduction measures should lead to an optimised cost structure.

#### Additional information about financial instruments

March 31, 2013	IAS 39 measurement					Value
in EURk	Measurement category	Carrying amount	Fair value through profit/loss	Fair value directly in equity	Amortised cost	Fair value
Other financial assets	n.a.	49	0	0	49	49
Loans to investments accounted for using the equity method	L&R	2,059	0	0	2,059	3,252
Other loans	L&R	342	0	0	342	490
Trade accounts receivables and other receivables	L&R	2,353	0	0	2,353	2,353
Financial receivables and other financial assets	L&R	2,185	0	0	2,185	2,510
Cash and cash equivalents	L&R	2,333	0	0	2,333	2,333
Non-current financial debt	o.L.	9,159	0	0	9,159	8,271
Trade payables	o.L.	990	0	0	990	990
Current financial debt	o.L.	5,041	0	0	5,041	5,041
<b>Value per measurement category</b>	<b>L&amp;R</b>				<b>9,272</b>	
	<b>o.L.</b>				<b>15,190</b>	

March 31, 2012	IAS 39 measurement					Value
in EURk	Measurement category	Carrying amount	Fair value through profit/loss	Fair value directly in equity	Amortised cost	Fair value
Other financial assets	n.a.	49	0	0	49	49
Loans to investments accounted for using the equity method	L&R	1,020	0	0	1,020	1,020
Other loans	L&R	541	0	0	541	541
Trade accounts receivables and other receivables	L&R	4,287	0	0	4,287	4,287
Financial receivables and other financial assets	L&R	3,996	0	0	3,996	5,547
Cash and cash equivalents	L&R	3,589	0	0	3,589	3,589
Non-current financial debt	o.L.	14,829	0	0	14,829	13,068
Trade payables	o.L.	1,240	0	0	1,240	1,240
Current financial debt	o.L.	5,388	0	0	5,388	5,388
<b>Value per measurement category</b>	<b>L&amp;R</b>				<b>13,433</b>	
	<b>o.L.</b>				<b>21,457</b>	

Meaning of abbreviations:  
L&R: Loans and Receivables  
n.a. not applicable  
o.L. Other Liabilities

The carrying amount is assumed to be equal to the fair value of trade accounts receivables and other receivables, other current financial assets and liabilities, and cash and cash equivalents due to their short-term maturities. The fair value of non-current financial debt and financial receivables is derived from the present value of expected future cash flows. The discount rate is based on the prevailing interest rates at the reporting date. Bei den Forderungen aus Lieferungen und Leistungen und sonstigen

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The carrying amounts of the financial instruments represent the maximum default risk:

in EURk	31/03/2013	31/03/2012
Loans and receivables	6,939	9,844
Cash and cash equivalents	2,333	3,589
Other financial assets	49	49
<b>Total</b>	<b>9,321</b>	<b>13,482</b>

The maximum default risk of loans and receivables is divided according to regional considerations as follows:

in EURk	31/03/2013	31/03/2012
Germany, Austria, and the Netherlands	2,568	5,009
Poland	1,944	1,950
Ukraine	113	77
Georgia	55	938
Other countries	2,259	1,871
<b>Total</b>	<b>6,939</b>	<b>9,844</b>

The Group's cash and cash equivalents are divided according to regional considerations as follows:

in EURk	31/03/2013	31/03/2012
Cash and cash equivalents in euro countries	2,283	3,329
Cash and cash equivalents in other countries	50	260
<b>Total</b>	<b>2,333</b>	<b>3,589</b>

As at March 31, 2013, there were no overdue loans and receivables taking impairments into consideration. In the prior year, there were no overdue loans and receivables.

Net gains and losses 01/04/2012 – 31/03/2013		From subsequent measurement				
in EURk	from interest	at fair value	Currency difference	Impairment	Reversal of impairment	Net gain/ loss
Loans and receivables	770	-128	34	-1,460		-784
Other financial assets						0
Other liabilities	-1,168					-1,168
<b>Total</b>	<b>-398</b>	<b>-128</b>	<b>34</b>	<b>-1,460</b>	<b>0</b>	<b>-1,952</b>

Net gains and losses 01/04/2012 – 31/03/2013		From subsequent measurement				
in EURk	from interest	at fair value	Currency difference	Impairment	Reversal of impairment	Net gain/ loss
Loans and receivables	810		-1	-584	745	970
Other financial assets	0	-2				-2
Other liabilities	-2,587		45			-2,542
<b>Total</b>	<b>-1,777</b>	<b>-2</b>	<b>44</b>	<b>-584</b>	<b>745</b>	<b>-1,574</b>

For receivables from the rental of commercial and residential property in Germany, proportionate impairments recognised in the Investments segment and based on the assessment of the tenants' credit-worthiness amounted to EUR 606k (previous year: EUR 87k).

Based on the status of information available, it is assumed that those receivables that are not overdue or impaired have retained their value, and are consequently collectable. This assumption is subject to constant monitoring.

Impairment losses during the reporting period are distributed among the classes of financial instruments as follows:

in EURk	31/03/2013	31/03/2012
Trade accounts receivables and other receivables	1,460	539
Financial receivables	0	45
<b>Total</b>	<b>1,460</b>	<b>584</b>

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Future outgoing payments related to financial debt are presented in the following table:

in EURk	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	after March 31, 2018
<b>DKB loan for 1.MAGNAT Immobilienges. mbH</b>						
Interest	150	37				
Repayment	112	3,217				
<b>Mezzanine loan</b>						
Interest		3,885				
Repayment		2,400				
<b>Financial debt to R-QUADRAT Capital Beta GmbH</b>						
Repayment	2,000					
<b>Loan to MAGNAT Capital Markets GmbH</b>						
Repayment						483
<b>Profit participation certificates MAGNAT Capital Markets GmbH</b>						
Repayment						22
<b>Other financial debt</b>	551		5			84
<b>Trade payables and other liabilities</b>	1,096					
<b>Total</b>	<b>3,909</b>	<b>9,539</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>589</b>

## 2. CONTINGENT ASSETS AND LIABILITIES

In fiscal year 2011/2012, DEMIRE Deutsche Mittelstand Real Estate AG assumed the non-controlling interests and receivables of the former co-investor R-QUADRAT Capital Beta GmbH. As part of this agreement, the acquired assets were pledged in favour of R-QUADRAT Capital Beta GmbH in order to secure the existing financial debt (in the amount of the nominal value of EUR 2,000k) (see section E 6.4).

## 3. RELATED PARTY DISCLOSURES

### Business transactions with members of management having key positions within the Company

In the year under review, the law firm of Supervisory Board member Dr. Christoph Jeannée, rendered consultancy services to DEMIRE in an amount of EUR 17k (previous year: EUR 315k) plus VAT. As at March 31, 2013 liabilities due to the law firm amounted to EUR 0k (previous year: EUR 97k).

In the prior year, there were consultancy relationships between DEMIRE (especially MAGNAT Asset Management GmbH) and the company of the Supervisory Board member Friedrich Lind. In the prior fiscal year, an amount of EUR 55k plus VAT was invoiced by Mr. Lind for the services provided. This amount did not include any outstanding Group liabilities as at March 31, 2013.

The Supervisory Board granted its assent to all contractual relationships.

In the 2011/2012 fiscal year, AURAGUS GmbH, Vienna, Austria granted DEMIRE a loan in the amount of EUR 2,000k for which no collateral was provided. AURAGUS GmbH is a company attributed to the Supervisory Board member Friedrich Lind. Interest payments for this loan amounted to EUR 116k in the reporting period (previous year: EUR 18k). As part of the disposal of SC Teo Impex Consulting International s.r.l., this loan was redeemed in the reporting period.

With regard to Executive Board remuneration, please refer to I.6.

**The following balances exist with respect to associated companies:**

in EURk	31/03/2013	31/03/2012
Trade accounts receivables and other receivables	0	52
Financial receivables and other financial assets	134	65
Trade payables and other liabilities	98	69
Current financial debt	177	0

The balance of trade accounts receivables and other receivables is based on the offsetting of asset management services. Regarding financial receivables and other financial assets, reference is made to E.2.3. Trade payables and other liabilities are related to the leasing of office space. Current financial debt is based on other financial liabilities.

**The following balances exist with respect to joint ventures:**

in EURk	31/03/2013	31/03/2012
Loans to investments accounted for using the equity method	2,059	1,020
Financial receivables and other financial assets	2,034	3,639
Current financial debt	171	164

Regarding loans to investments accounted for using the equity method, reference is made to E.1.5. Regarding financial receivables and other financial assets, reference is made to E.2.3. The balance of current financial debt is based on other financial liabilities.

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#### Volume of business transactions with associated companies:

in EURk	01/04/2012 – 31/03/2013	01/04/2011 – 31/03/2012
Trade accounts receivables and other receivables	186	667
Financial receivables and other financial assets	284	60
Trade payables and other liabilities	46	58
Current financial debt	142	0

#### Volume of business transactions with joint ventures:

in EURk	01/04/2012 – 31/03/2013	01/04/2011 – 31/03/2012
Loans to investments accounted for using the equity method	588	1,001
Financial receivables and other financial assets	372	66
Current financial debt	26	4

There is no collaterals for receivables due from associated companies and joint ventures.

#### Business transactions with other related parties

In addition, there were consultancy relationships between DEMIRE (especially MAGNAT Asset Management GmbH) and the company of Supervisory Board member Dr. Falko Müller-Tyl. In the reporting period, Dr. Falko Müller-Tyl held an indirect interest in DEMIRE. In the fiscal year under review, these consultancy relationships resulted in payments of EUR 46k (previous year: EUR 114k) plus VAT. As of March 31, 2013, there was no debt outstanding in the Group relating to this amount.

DEMIRE Deutsche Mittelstand Real Estate AG's Supervisory Board granted its assent to this consulting relationship.

#### 4. AUDITOR'S FEE

The auditor's fee reported as expenses in the fiscal year under review can be divided as follows (amounts including value-added taxes):

in EURk	2012/2013	2011/2012
Auditing services	200	263
Other assurance services	0	169
	<b>200</b>	<b>432</b>

## 5. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

On April 17, 2013, the Frankfurt/Main District Court appointed Prof. Dr. Hermann Anton Wagner as a new Supervisory Board member at the Executive Board's request.

After many successful years as a member of the Executive Board of DEMIRE, Dr. Marc-Milo Lube resigned from his position at the Company by mutual agreement in order to pursue new professional challenges. His resignation took effect on April 19, 2013.

At the Supervisory Board meeting of May 16, 2013, Hon. Prof. Andreas Steyer was appointed as the new Speaker of the Management Board (CEO) with immediate effect.

On June 13, 2013, the last residential units of the remaining co-proprietor's building schemes in Vienna and the asset management of co-proprietor's building schemes that were already placed on the market were sold en bloc in Vienna. The total transaction resulted in a significant reduction in the Group's liabilities and thus in the level of indebtedness. The sale also resulted in the realisation of hidden reserves which led to a positive effect on earnings.

The Extraordinary General Meeting of June 27, 2013 passed a resolution to change the Company's name to "DEMIRE Deutsche Mittelstand Real Estate AG". The name change was recorded in the commercial register on July 30, 2013. The Company's headquarters are located at Lyoner Strasse 32 in Frankfurt/Main. All of the Company's fiscal years end on March 31. The new name should reflect the change in the focus of the Company which will geographically focus on Germany in the future.

In addition, the Extraordinary General Meeting's agenda called for a resolution on the proposals to reduce the number of members of the Supervisory Board from six to three and on the appointment of Prof. Dr. Hermann Anton Wagner to the Company's Supervisory Board until the end of the Annual General Meeting resolving on the formal discharge for the fiscal year ending on March 31, 2016. All proposals were adopted by the Extraordinary General Meeting by a large majority.

On August 12, 2013, DEMIRE received an irrevocable loan offer from DeGeLog Deutsche Gewerbe-Logistik Holding GmbH, Berlin, in order to secure the appropriate liquidity. Under this agreement, DEMIRE may draw down a one-time utilisable credit facility from DeGeLog amounting to EUR 2 million until August 8, 2014.

There were no other events of significant importance to the Group between the end of the fiscal year on March 31, 2013 and the completion of this report on August 13, 2013.



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## 6. EXECUTIVE BOARD, SUPERVISORY BOARD, AND EMPLOYEES

### a. Executive Board

In accordance with the Articles of Association, the Executive Board conducts business under its own responsibility.

In the year under review, the Executive Board consisted of the following members:

- » Dr. Marc-Milo Lube, Speaker of the Executive Board, until April 19, 2013
- » Hon.-Prof. Andreas Steyer, from March 5, 2013 and Speaker of the Executive Board from May 16, 2013
- » Jürgen Georg Faè

In fiscal year 2012/2013, the Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG received fixed remuneration (short-term benefits) totalling EUR 430k (previous year: EUR 413k) which is divided as follows (amounts in EURk):

in EURk	2012/2013	2011/2012
Dr. Marc-Milo Lube	223	223
Hon.-Prof. Andreas Steyer	17	0
Jürgen Georg Faè	190	190
	<b>430</b>	<b>413</b>

If the employment contract of Jürgen Georg Faè ends prematurely through a proper cancellation on the part of DEMIRE, the Executive Board member is entitled to a severance payment equal to 50 % of the sum of his outstanding monthly remuneration until the end of the actual term of the employment contract. The amount of the remuneration is based on the fixed salary.

Hon.-Prof. Andreas Steyer receives a time-proportionate entitlement to a multi-year bonus if the performance period for the determination of the multi-year bonus has persisted for twenty-four months.

**b. Supervisory Board**

The following table provides the names and professions of the Supervisory Board members.

Name	Function	Profession	Term	Remuneration (in EURk) 2012/2013 <sup>*)</sup>	Remuneration (in EURk) 2011/2012 <sup>*)</sup>
Prof. Dr. Werner Schaffer	Chairman	Tax Consultant	since July 7, 2006	19	19
Dr. Carsten Strohdeicher	Deputy Chairman	Independent Management Consultant	since July 7, 2006	13	13
Prof. Dr. Hermann Anton Wagner		Tax Consultant and Auditor in his own practice	since April 17, 2013	0	N/A
Dr. Christoph Jeannée		Lawyer	until March 31, 2013	6	6
Mag. Wolfgang Quirchmayr		Tax Consultant	until March 31, 2013	6	3
Friedrich Lind		Merchant	until March 31, 2013	6	6
Andreas Lange		Management Board member of Altira AG	until August 5, 2011	N/A	2
Dr. Stefan Schütze LL.M.		Lawyer	until March 31, 2013	6	6
				<b>56</b>	<b>55</b>

<sup>\*)</sup> Remuneration excluding reimbursement of expenses and value-added tax

In addition, Supervisory Board members were reimbursed for travel costs amounting to EUR 10k (previous year: EUR 12k).

**c. Employees**

In addition to the three Executive Board members, the number of employees was as follows:

	31/03/2013	31/03/2012
Permanent employees	17	27
	<b>17</b>	<b>27</b>

The average number of employees in fiscal year 2012/2013 was 22 (fiscal year 2011/2012: 28).

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## 7. STATEMENT REGARDING THE "GERMAN CORPORATE GOVERNANCE CODE"

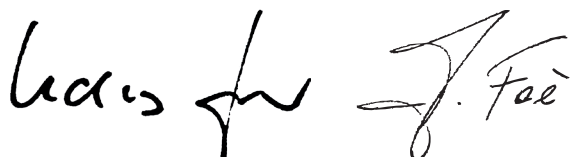
The statement required under Section 161 AktG on the German Corporate Governance Code was submitted. The Declaration of Compliance with the German Corporate Governance Code was made permanently available to the public on DEMIRE Deutsche Mittelstand Real Estate AG's website under the section titled "Company" (<http://www.demire.ag/de/company/governance.php>).

## 8. RELEASE FOR PUBLICATION

These consolidated financial statements were prepared by the Executive Board on August 13, 2013 and have been released for publication.

Frankfurt/Main, August 13, 2013

DEMIRE Deutsche Mittelstand Real Estate AG



**Hon.-Prof. Andreas Steyer**  
Speaker of the Executive Board

**Jürgen Georg Faè**  
Executive Board member

## List of shareholdings pursuant to section 313 para.2 HGB

Company	Type	Head Office
DEMIRE Deutsche Mittelstand Real Estate AG	Group parent company	Germany, Frankfurt/Main
Lumpsum Eastern European Participations C.V.	Subsidiary	The Netherlands, Osterhout
MAGNAT Investment I B.V.	Subsidiary	The Netherlands, Hardinxveld Giessendam
Erste MAGNAT Immobiliengesellschaft mbH	Subsidiary	Germany, Frankfurt/Main
Zweite MAGNAT Immobiliengesellschaft mbH	Subsidiary	Germany, Frankfurt/Main
Dritte MAGNAT Immobiliengesellschaft mbH	Subsidiary	Germany, Frankfurt/Main
Vierte MAGNAT Immobiliengesellschaft mbH	Subsidiary	Germany, Frankfurt/Main
MAGNAT Real Estate UA III B.V.	Subsidiary	The Netherlands, Hardinxveld Giessendam
MAGNAT Real Estate UA VI B.V.	Subsidiary	The Netherlands, Hardinxveld Giessendam
MAGNAT Real Estate UA VII B.V.	<sup>2)</sup>	The Netherlands, Hardinxveld Giessendam
MAGNAT Real Estate UA VIII B.V.	<sup>2)</sup>	The Netherlands, Hardinxveld Giessendam
MAGNAT Real Estate UA X B.V.	Subsidiary	The Netherlands, Hardinxveld Giessendam
MAGNAT Real Estate UA XI B.V.	Subsidiary	The Netherlands, Hardinxveld Giessendam
R Quadrat Bulgaria EOOD	Subsidiary	Bulgaria, Sofia
SC Victory International Consulting S.r.l.	Subsidiary	Romania, Bucharest
OXELTON ENTERPRISES LIMITED	Joint venture <sup>4)</sup>	Cyprus, Limassol
Carmen Trading Ltd.	Joint venture <sup>8)</sup>	Ukraine, Kiev
Irao Magnat Digomi LLC	Subsidiary	Georgia, Tbilisi
Irao Magnat 28/2 LLC	Joint venture	Georgia, Tbilisi
Magnat Tbilisi Office 1 LLC	Subsidiary	Georgia, Tbilisi
Magnat Tbilisi Residential 1 LLC	<sup>2)</sup>	Georgia, Tbilisi
Vlemegona Holdings Ltd.	Joint venture <sup>3) 5)</sup>	Cyprus, Limassol
R-QUADRAT Ukraine VII Ltd.	<sup>2)</sup>	Ukraine, Kiev
R-QUADRAT Ukraine VIII Ltd.	<sup>2)</sup>	Ukraine, Kiev
R-QUADRAT Ukraine X Ltd.	<sup>2)</sup>	Ukraine, Kiev
Kappatrade Ltd.	Subsidiary	Ukraine, Kiev
R-QUADRAT Ukraine XI Ltd.	<sup>2)</sup>	Ukraine, Kiev
Polartrade Ltd.	Subsidiary	Ukraine, Kiev
MAGNAT Investment II B.V.	<sup>9)</sup>	The Netherlands, Hardinxveld Giessendam
MAGNAT Real Estate Project Sadko B.V.	<sup>9)</sup>	The Netherlands, Hardinxveld Giessendam
MAGNAT Real Estate UA IV B.V.	<sup>9)</sup>	The Netherlands, Hardinxveld Giessendam
MAGNAT Real Estate UA V B.V.	<sup>9)</sup>	The Netherlands, Hardinxveld Giessendam
MAGNAT Real Estate New Project Sadko B.V.	<sup>9)</sup>	The Netherlands, Hardinxveld Giessendam
MAGNAT Real Estate UA I B.V.	<sup>9)</sup>	The Netherlands, Hardinxveld Giessendam
MAGNAT Real Estate UA XII B.V.	<sup>9)</sup>	The Netherlands, Hardinxveld Giessendam
OOO Sadko Holding	<sup>9)</sup>	Russia, Moscow
R-QUADRAT Ukraine Gamma Ltd.	<sup>9)</sup>	Ukraine, Kiev

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Equity in EURk as at 31/03/2013	Interest in equity % <sup>1)</sup>	Profit/loss for last fiscal year
-2	94.00	
53,116	99.64	
-1,245	100.00	
3,659	100.00	
-68	100.00	
-170	100.00	
3,058	100.00	
4,251	100.00	
14	100.00	0
14	100.00	0
-74	100.00	
7	100.00	
287	100.00	
760	100.00	
1,198	60.00	
7)	60.00	
-1,582	75.00	
312	50.00	
55	100.00	
0	100.00	0
-23	60.00	-4
3	100.00	0
4	100.00	-1
5	100.00	-1
-2,322	100.00	
4	100.00	0
-2,551	100.00	
5,229	100.00	
46	100.00	
1,478	100.00	
1,433	100.00	
468	100.00	
2,620	100.00	
-156	100.00	
66	100.00	
176	100.00	

- 1) The share in the equity corresponds to the control relationship before taking into account any non-controlling interests within the Group.
- 2) Subsidiary, not included in the consolidated financial statements.
- 3) Joint venture, not accounted for using the equity method.
- 4) Based on internal subgroup financial statements underlying these consolidated financial statements.
- 5) Stated amounts are based on the financial statements as of 31/12/2011.
- 6) Respective Companies are direct or indirect subsidiaries of Hekuba S.à.r.l.
- 7) No information provided for the respective companies as they are already included in the consolidated subgroup financial statements of the corresponding parent company.
- 8) Subsidiary of OXELTON ENTERPRISES Limited.
- 9) Acquisition of net assets.

Company	Type	Head Office
OOO New Sadko Holding	<sup>9)</sup>	Russia, Moscow
Zetatrade Ltd.	<sup>9)</sup>	Ukraine, Kiev
MAGNAT Investment III B.V.	<sup>3)</sup>	The Netherlands, Hardinxveld Giessendam
MAGNAT Investment IV B.V.	Subsidiary	The Netherlands, Hardinxveld Giessendam
IRAO Magnat Gudiasvili LLC	Joint venture	Georgia, Tbilisi
R-Quadrat Polska Alpha Sp. z o.o.	Joint venture	Poland, Warsaw
MAGNAT First Development GmbH	<sup>9)</sup>	Germany, Frankfurt/Main
MAGNAT Development GmbH	<sup>9)</sup>	Germany, Frankfurt/Main
Hekuba S.à.r.l.	Joint venture <sup>4)</sup>	Luxemburg, Luxemburg
Anadolu Gayrimenkul Yatirimciligi ve Ticaret A.S	Joint venture <sup>6)</sup>	Turkey, Istanbul
Bersan Gayrimenkul Yatirim A.S.	Joint venture <sup>6)</sup>	Turkey, Istanbul
Manisa Cidersan Gayrimenkul Yatirim A.S.	Joint venture <sup>6)</sup>	Turkey, Istanbul
Sehitler Gayrimenkul Yatirim A.S.	Joint venture <sup>6)</sup>	Turkey, Istanbul
Ephesus Gayrimenkul Yatirim A.S.	Joint venture <sup>6)</sup>	Turkey, Istanbul
Kilyos Gayrimenkul Yatirim A.S.	Joint venture <sup>6)</sup>	Turkey, Istanbul
Hadimkoy Gayrimenkul Yatirim A.S.	Joint venture <sup>6)</sup>	Turkey, Istanbul
Russian Land AG	Associated company	Austria, Vienna
SQUADRA Immobilien GmbH & Co. KGaA	Associated company <sup>4)</sup>	Germany, Frankfurt/Main
MAGNAT AM GmbH	Subsidiary	Austria, Vienna
MAGNAT Asset Management GmbH	Subsidiary	Austria, Vienna
MAGNAT Capital Markets GmbH	Subsidiary	Austria, Vienna
MAGNAT Asset Management Deutschland GmbH	Subsidiary	Germany, Frankfurt/Main
MAGNAT Immobilien GmbH & Co. Schumanngasse 16 KG	Subsidiary	Austria, Vienna
MAGNAT Asset Management GmbH & Co. Kastnergasse 16 KG	Subsidiary	Austria, Vienna
Prunus Sp. z o.o. i.L.	Joint venture <sup>3)</sup>	Poland, Warsaw
Lygos Sp. z o.o. i.L.	Joint venture <sup>3)</sup>	Poland, Warsaw
MAGNAT Asset Management Ukraine Ltd.	Subsidiary	Ukraine, Kiev
MAGNAT Immobilien GmbH	Subsidiary	Austria, Vienna
MAGNAT Immobilien GmbH & Co Brünner Straße 261-263 KG	Subsidiary	Austria, Vienna

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Equity in EURk as at 31/03/2013	Interest in equity % <sup>1)</sup>	Profit/loss for last fiscal year
29	100.00	
-2,896	100.00	
-3	50.00	-4
383	100.00	
151	50.00	
-9,739	50.00	
544	100.00	
-16	100.00	
23,047	32.44	
7)	32.44	
7)	32.44	
7)	32.44	
7)	32.44	
7)	32.44	
7)	32.44	
7)	32.44	
69	40.34	
14,185	16.13	
22,996	100.00	
16,868	100.00	
292	100.00	
81	100.00	
430	100.00	
669	100.00	
N/A	50.00	
N/A	50.00	
-50	100.00	
29	100.00	
263	100.00	

- 1) The share in the equity corresponds to the control relationship before taking into account any non-controlling interests within the Group.
- 2) Subsidiary, not included in the consolidated financial statements.
- 3) Joint venture, not accounted for using the equity method.
- 4) Based on internal subgroup financial statements underlying these consolidated financial statements.
- 5) Stated amounts are based on the financial statements as of 31/12/2011.
- 6) Respective Companies are direct or indirect subsidiaries of Hekuba S.à.r.l.
- 7) No information provided for the respective companies as they are already included in the consolidated subgroup financial statements of the corresponding parent company.
- 8) Subsidiary of OXELTON ENTERPRISES Limited.
- 9) Acquisition of net assets.

## Responsibility Statement

As the Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG, we hereby confirm to the best of our knowledge, and in accordance with the applicable reporting principles, that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and results of operations of the Group, and furthermore that the Group management report includes a fair review of the development of the business including the results and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Frankfurt/Main, August 13, 2013

DEMIRE Deutsche Mittelstand Real Estate AG

**Hon.-Prof. Andreas Steyer**

**Jürgen Georg Faè**



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## Audit opinion

We have audited the consolidated financial statements prepared by DEMIRE Deutsche Mittelstand Real Estate AG (until July 30, 2013: MAGNAT Real Estate AG), Frankfurt/Main, comprising the consolidated balance sheet, consolidated statement of income, statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows, and the notes to the consolidated financial statements as well as the Group management report for the fiscal year from April 1, 2012 to March 31, 2013. It is the responsibility of the Executive Board of the Company to prepare the consolidated financial statements and the Group management report in accordance with IFRS as applicable in the EU and with the supplementary provisions of the German commercial law applicable pursuant to Section 315a para. 1 HGB. Our task is to deliver a judgment on the consolidated financial statements and the Group management report on the basis of the audit we have undertaken.

We have conducted our audit of the consolidated financial statements in accordance with Section 317 HGB in consideration of the German auditing standards defined by the Institut der Wirtschaftsprüfer (IDW). These require the audit to be planned and conducted in such a manner as to detect, with adequate certainty, any inaccuracies or infringements which may have a significant impact on the impression of the assets, financial and earnings situation, as conveyed by the consolidated financial statements in consideration of the applicable accounting standards, and by the consolidated management report. In determining the actions to be taken as part of the auditing procedure, consideration was given to the knowledge of the business activities of the Group and its economic and legal environment, as well as to the possible errors likely to be encountered. In the course of the audit, the effectiveness of the internal accounting control system and proof of the information contained in the consolidated financial statements and Group management report, were assessed on the basis of random samples. The audit encompasses an appraisal of the annual financial statements of the companies integrated into the consolidated accounts, the demarcation of the group of consolidated companies, the accounting and consolidation principles applied, and the principal assessments made by the Executive Board, as well as an evaluation of the overall presentation of the consolidated financial statements and Group management report. We are of the opinion that our audit forms an adequately secure foundation on which to base our judgment.

Our audit has caused us to raise no objections.

In our judgment based on the findings of our audit, the consolidated financial statements comply with IFRS as applicable in the EU and with the supplementary provisions of German commercial law applicable pursuant to Section 315a para. 1 HGB and in consideration of these standards convey an image of the assets, financial and earnings position of the Group which concurs with the true circumstances. The Group management report is consistent with the consolidated financial statements and overall presents an accurate image of the position of the Group and the opportunities and risks of future development.

Frankfurt/Main, August 14, 2013

KPMG AG Wirtschaftsprüfungsgesellschaft

Möller  
Auditor

Klein  
Auditor

## Financial calendar 2013/2014

Event	Date
Annual General Meeting / Frankfurt/Main	23/10/2013
Half-Year Report as at September 30, 2013	29/11/2013
Q3 Interim Report as at December 31, 2013	11/02/2014
Annual Report 2013/2014	31/07/2014

**This report is also available in German.  
The German version of this report is authoritative.**

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