

DEMIRE Deutsche Mittelstand Real Estate AG

**HALF-YEAR FINANCIAL REPORT**

FY April 1, 2013 to March 31, 2014



## HALF-YEAR FINANCIAL REPORT 2013/2014

### KEY GROUP FIGURES

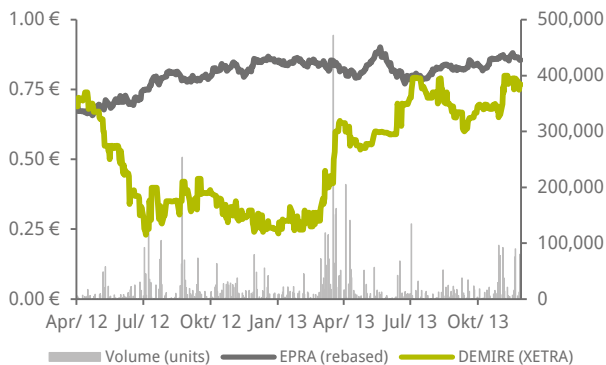
in EURk	01/04/2013 to 30/09/2013	01/04/2012 to 30/09/2012
Profit/loss on rental of real estate inventory	157	283
Profit/loss on sale of real estate companies	386	89
Profit/loss on sale of real estate	0	302
Profit/loss from asset management	37	39
Profit/loss from investments accounted for using the equity method	-816	234
Other operating income and other effects	1,096	601
Profit/loss before interest and taxes (EBIT)	-1,758	-1,006
Profit/loss before taxes (EBT)	-1,973	-1,218
Net profit/loss for the period	-1,963	-1,198
Net profit/loss attributable to parent company shareholders	-1,950	-1,199
Basic earnings per share in EUR	-0.14	-0.09
Diluted earnings per share in EUR	-0.14	-0.09

in EURk	30/09/2013	31/03/2013
Shareholders' equity	12,104	14,252
Total liabilities	14,338	16,891
Total assets	26,443	31,143
Equity ratio in percent	45.8	45.8
Cash and cash equivalents	909	2,333

in EURk	01/04/2013 to 30/09/2013	01/04/2012 to 30/09/2012
Cash flow from operating activities	1,475	-800
Cash flow from investing activities	-300	-82
Cash flow from financing activities	-2,401	-1,223
Net change in cash and cash equivalents	-1,226	-2,105

## HALF-YEAR FINANCIAL REPORT 2013/2014

### SHARE PERFORMANCE



### KEY STOCK MARKET DATA

	30/09/2013	31/03/2013	31/03/2012
Number of shares	13,894,651	13,894,651	13,894,651
Market capitalisation in EUR as at 30/09/2013	9,309,416	8,753,630	9,031,523
Earnings per share	-0.14	-0.43	0.93
Net asset value (NAV) per share in EUR	0.88	1.04	1.44
Free float (shareholders <10 %) in percent	70.5	70.5	55.3
Share capital in EUR	13,894,651	13,894,651	13,894,651

### OTHER INFORMATION

Name	DEMIRE Deutsche Mittelstand Real Estate AG
ISIN	DE000A0XFSF0
Ticker Symbol	DMRE (Bloomberg, Reuters)
Number of shares	13,894,651
General Standard	FWB and XETRA
Open Market	Berlin, Düsseldorf, and Stuttgart
Index	C-DAX, DIMAX
Email	<a href="mailto:ir@demire.ag">ir@demire.ag</a>
Homepage	<a href="http://www.demire.ag">www.demire.ag</a>

### CALCULATION OF NET ASSET VALUE (NAV, IN MILLIONS)

	NAV	No. of shares	NAV per share in EUR
<b>NAV per the financial statement of September 30, 2013</b>	12.21	13.89	<b>0.88</b>
Effect of exercise of options, convertibles and other equity interests	-	-	-
<b>Diluted NAV, after the exercise of options, convertibles and other equity interest</b>	12.21	13.89	<b>0.88</b>
Revaluations	-	-	-
Development of properties held for investments	-	-	-
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	0.04	-	<b>0.00</b>
Goodwill as result of deferred tax	-	-	-
<b>Diluted EPRA NAV</b>	12.25	-	<b>0.88</b>

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## HALF-YEAR FINANCIAL REPORT 2013/2014

### FOREWORD OF THE EXECUTIVE BOARD

Dear Shareholders, Ladies and Gentlemen,

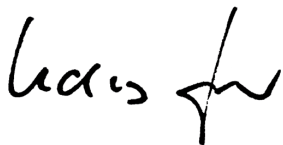
For DEMIRE Deutsche Mittelstand Real Estate AG, the first half-year was marked by significant changes. After an extensive change in our investor base at the end of fiscal year 2012/2013 as well as personnel changes in the Executive Board and Supervisory Board, the strategic course of the Group was changed completely. The realignment of your Company was documented, in particular, by the change in the Company name, which was resolved with an overwhelming majority of 99.99 percent at the Extraordinary General Meeting on June 27, 2013.

The distinct focus of our activities is the disposal of the existing portfolio combined with the rapid reinvestment of the proceeds in German commercial real estate along the lines of our new strategic realignment. With the sale of the Viennese co-proprietors' building schemes in June, we are a decisive step further. We continue to work diligently on disposing of the remaining investments in Eastern Europe and in the Black Sea region at reasonably economic conditions, even though the current state of the local markets continues to make this very challenging.

Nevertheless, we are presently in advanced negotiations with potential buyers for individual projects and are therefore thoroughly convinced that we will be able to successively dispose of large portions of the remaining portfolio in the foreseeable future.

Naturally, and above all, we do not want to lose any time in implementing our new strategy. Therefore, we are currently examining whether, and if so how, we can utilise our authorisation to increase capital and to issue bonds with warrants and/or convertible bonds. To secure the Company's liquidity over the short-term, we not only have access to our existing cash balance but also a credit line in the amount EUR 2.0 million. As of the reporting date, this line had not yet been utilised.

Sincerely,



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



Jürgen Georg Faè  
Member of the Executive Board

## HALF-YEAR FINANCIAL REPORT 2013/2014

### INTERIM GROUP MANAGEMENT REPORT

FOR THE PERIOD APRIL 1, 2013 TO SEPTEMBER 30, 2013

#### 1. DEMIRE at a glance

DEMIRE Deutsche Mittelstand Real Estate AG is a Frankfurt/Main headquartered real estate Group with a clear focus on commercial real estate for the entrepreneurial "Mittelstand" in Germany.

The Group pursues a buy and hold strategy combined with active portfolio management. The Group is concentrated on both the value-added and core-plus investment approaches. The combination of these two approaches offers a balanced risk-return ratio and attractive opportunities.

#### 2. Economic conditions

A gleam of light in the eurozone's business climate came in the third quarter of the current calendar year. Germany remained the growth engine within the monetary union. In the third quarter, Germany's gross domestic product rose 0.3 percent over the preceding quarter when adjusted for price, seasonal, and calendar effects. The largest contribution to this rise was the boost in the domestic economy: Not only consumer spending grew considerably, but also investment in equipment and construction. Contrarily, exports showed little momentum causing net exports to have a dampening effect on growth. For the final quarter of 2013, experts are expecting the economy to continue to stabilise and for 2014 they are even expecting growth to accelerate.

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

##### Development of revenues and earnings

In the current phase of our strategic and operating realignment, it has been possible to make progress with the disposal of the existing portfolio and to systematically reduce on-going operating expenses and the Group's indebtedness. Still, profit/loss before interest and taxes amounted to EUR -1.8 million in the first half of the reporting year after EUR -1.0 million in the prior year. The main cause of this result was a considerably negative result from investments accounted for using the equity method, which was still positive in the prior year. Additionally, results were affected by one-time effects which primarily concerned general and administrative expenses.

Accompanying the disposal of the Viennese co-proprietors' building schemes as well as the asset management for already placed co-proprietors' building schemes in June, the profit/loss on rental of real estate inventory declined to EUR 0.2 million after EUR 0.3 million in the previous year. At the same time, the profit/loss on sale of real estate companies rose to EUR 0.4 million (previous year: EUR 0.1 million). No real estate was disposed of in the half-year reporting period while in the prior year property disposals had contributed EUR 0.3 million to income.

Profit/loss from investments accounted for using the equity method declined from EUR 0.2 million in the prior year to EUR -0.8 million in the half-year reporting period. Here, losses from investments accounted for using the equity method declined to EUR 0.4 million after EUR 0.5 million in the prior year as a result of the cost saving measures of the companies. Unrealised fair value adjustments, however, resulted in a loss of EUR 0.5 million primarily due to currency effects following a profit of EUR 0.7 million in the prior year.

## HALF-YEAR FINANCIAL REPORT 2013/2014

Other operating income and other effects had a noticeable increase to EUR 1.1 million after EUR 0.6 million for the first half of the previous year. This increase was mainly the result of currency-related unrealised fair value adjustments in real estate inventory.

As already mentioned, general and administrative expenses were lowered successfully. Due to a one-time effect of EUR 0.3 million, the decline in general and administrative expenses had not yet been fully reflected in the reported amount of EUR 1.8 million after EUR 1.9 million. Other operating expenses amounted to EUR 0.8 million and were above the prior year's level of EUR 0.6 million. This was primarily caused by currency-related expenses. The financial result amounted to EUR 0.2 million and thus hovered around last year's level.

Profit/loss before taxes and the net profit/loss for the period both amounted to EUR –2.0 million at the end of the first half after EUR –1.2 million in the previous year. This corresponds to earnings per share (basic and diluted) of EUR –0.14 after EUR –0.09.

Since the second quarter and the first-half of the fiscal year were both largely marked by restructuring activities, there were no material changes in the trends seen in the quarter when compared to the half-year. Since the real estate companies named above were disposed of in the first quarter, their contribution to earnings did not appear in the subsequent quarter. Nonetheless, the reduction in general and administrative expenses has become more evident than in the first half of the reporting year.

EBIT in the second quarter amounted to a total of EUR –1.0 million after EUR –0.4 million in the previous year. The decline was mainly due to disposals of rented real estate in fiscal year 2012/2013, the corresponding reduction in results from the rental of real estate inventory, and the disposal of real estate carried out in the current fiscal year. A further burden resulted from the aforementioned exchange rate fluctuations in unrealised fair value adjustments in equity investments.

### **Segment reporting**

The Investments segment achieved revenues of EUR 0.2 million in the half-year reporting period after EUR 0.5 million in the prior year. This decline mainly resulted from disposals of co-proprietors' building schemes in Vienna and corresponds to the rental income reported in the statement of income. The net profit/loss for the period in this segment amounted to EUR –1.1 million after EUR –0.1 million.

In light of the transaction mentioned above and the related disposal of the asset management activities of the co-proprietors' building schemes which had already been placed, revenues in the Asset Management segment also declined and amounted to EUR 0.4 million after EUR 2.0 million. The services provided by this segment focus on the management of a property in Frankfurt/Main. Net profit/loss for the period amounted to EUR –0.1 million after EUR 0.1 million in the prior year.

Central Functions did not generate any revenues in the half-year reporting period after achieving EUR 0.7 million in the comparable period of the prior year. Net profit/loss for the period amounted to EUR –0.8 million after EUR –1.1 million.

## HALF-YEAR FINANCIAL REPORT 2013/2014

### Statement of cash flows

Despite the Group's loss before taxes of EUR –2.0 million, a positive cash flow from operating activities of EUR 1.5 million could be generated in the first half of the reporting year after EUR –0.8 million in the prior year. The positive cash flow in the current fiscal year primarily originated from changes in the real estate inventory of EUR 1.3 million, changes in trade accounts receivables and other receivables of EUR 1.2 million that were related to the previously mentioned disposals in Vienna, as well as from changes in financial receivables and other financial assets of EUR 1.1 million. The latter pertains mainly to changes in the carrying amounts of investments accounted for using the equity method.

Cash flow from investment activities in the half-year reporting period amounted to EUR –0.3 million after EUR –0.1 million in the previous year's period. The cash outflow related primarily to a payment from the granting of loans to investments accounted for using the equity method and other investments.

Cash flow from financing activities was largely impacted by the decline in financial debt. On a net basis, it amounted to EUR –2.4 million after EUR –1.2 million in the prior year.

In total, the net change in cash and cash equivalents in the first half of the current fiscal year amounted to EUR –1.2 million after EUR –2.1 million in the previous year.

### Net assets

Total assets declined by EUR 4.7 million compared to the end of fiscal year 2012/2013 (reporting date: March 31, 2013). As at the reporting date, total assets amounted to EUR 26.4 million after EUR 31.1 million as at March 31, 2013.

This decline was mainly the result of a EUR 3.8 million decrease in current assets. On the one hand, this was related to the disposal of the Viennese co-proprietors' building schemes in June. This transaction was a large factor for the EUR 1.3 million decline in real estate inventory and the EUR 1.2 million decline in trade accounts receivables and other receivables. On the other hand, cash and cash equivalents declined by EUR 1.4 million. The total decline in non-current assets amounted to EUR 0.9 million and largely resulted from the item investments in companies accounted for using the equity method which declined by EUR 1.2 million after being adjusted for a EUR 0.7 million reclassification to other financial assets. Contrarily, loans to companies accounted for using the equity method rose by EUR 0.3 million.

### Financial position

As a result of the net loss for the period, shareholders' equity declined by EUR 2.2 million to EUR 12.1 million as of the reporting date after amounting to EUR 14.3 million at the end of fiscal year 2012/2013. The equity ratio remained unchanged at 45.8 percent and thus continues to be at a high level.

In the course of the first half-year, liabilities declined by EUR 2.6 million. Non-current and current financial debt decreased by EUR 2.4 million. As a result of the reclassification of liabilities, which now have a term of less than one year, non-current financial debt declined significantly to EUR 6.2 million as at the September 30, 2013 reporting date after EUR 9.2 million. At the same time, current financial debt reported a slight increase from EUR 5.0 million to EUR 5.6 million.

Trade payables and other liabilities in turn grew by EUR 0.3 million to EUR 1.4 million as a result of higher liabilities from project activities.



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### Net Asset Value

The net asset value (NAV), calculated according to EPRA requirements, amounted to EUR 12.25 million as at September 30, 2013. Based on 13.89 million shares outstanding, this is equivalent to a NAV of EUR 0.88 per share.

### 4. Employees

As at September 30, 2013, the Group engaged 13 employees excluding the two members of the Executive Board (September 30, 2012: 24 employees). This considerable reduction was largely the result of the Group's strategic and operating realignment and the advanced consolidation of the Group's activities at its location in Frankfurt.

### 5. Subsequent events

With the conclusion of the Annual General Meeting on October 23, 2013, Prof. Dr. Werner Schaffer and Dr. Carsten Strohdeicher resigned from their Supervisory Board mandates for personal reasons. As their successors, the Annual General Meeting elected Mr. Günther Walcher and Dr. Dirk Hoffmann as new members of the Board. At the constituent meeting of the Supervisory Board, which was held following the Annual General Meeting, Prof. Dr. Hermann Anton Wagner was elected as Chairman of the Supervisory Board and Dr. Dirk Hoffmann was elected Deputy Chairman of the Supervisory Board.

In addition, the Annual General Meeting approved the proposal of the Executive Board and the Supervisory Board for the cancellation of the Authorised Capital 2009 and for the creation of the new Authorised Capital I/2013. Furthermore, the authorisation was given to issue bonds with warrants and/or convertible bonds and to create Conditional Capital for this purpose.

For the purchase of commercial real estate in Germany along its strategic orientation and for the expansion of financial leeway, the Company is currently exploring different means of utilising the authorised capital.

### 6. Condensed risk report

In the 2012/2013 Annual Report, DEMIRE's risk policy and the principles of the management of risks and opportunities was discussed in detail. The following remarks to the half-year are to be read in conjunction with this report. They pertain to both the Group as well as its segments.

#### Risks arising from the Group's realignment

With the Group's realignment, both the Group's business model as well as its risk profile have fundamentally changed. Despite this, the previous risks will continue to remain largely unchanged until the complete disposal of the remaining portfolio. While thus far the Investments segment was focused on investments in project companies mainly in Eastern Europe and the Black Sea region, the focus going forward will be on commercial real estate for entrepreneurial mid-sized companies in Germany.

The disposal of the remaining investments in Eastern Europe and the countries surrounding the Black Sea will mainly hinge on the economic conditions of the respective countries. Given the tense economic situation in those countries, it is extremely challenging to perform disposals at economically reasonable conditions.

## HALF-YEAR FINANCIAL REPORT 2013/2014

The Executive Board's top priorities remain the stabilisation of the Group, securing liquidity, and the implementation of a successful realignment. In addition to cash on hand, DEMIRE has access to a one-time utilisable credit line of EUR 2.0 million in order to ensure liquidity. As of the reporting date, this credit line has not yet been utilised.

### 7. Outlook

The global economy is still characterised by a high degree of uncertainty despite the advanced stabilisation of the euro-zone. Also in our previous target regions, there are currently no expectations that over the near term the real estate markets will recover. The reason for this is first and foremost the limited availability of financing options, which in turn results in insufficient transaction volumes and a strong downward pressure on prices.

Since the funds generated from the disposal of the portfolio are to be reinvested in German commercial real estate – and thus have a direct connection to the realignment of the Group – we are continuing to work hard to execute disposals. At the same time, we are examining how to utilise our authorised capital and are in negotiations for the acquisition of German commercial real estate, in order to be able to act quickly once the necessary funds are available.

A further focus continues to be on securing the Group's liquidity. By means of the realignment and through sustainable investments in high-return objects, a significant easing in liquidity and an improvement in the earnings situation should be generated over the medium term.

*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. They harbour a number of risks and uncertainties as a consequence. A large number of factors, many of which lie outside the scope of DEMIRE's influence, affect DEMIRE's business activities, 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.*

*Should one or more of these risks or uncertainties materialise, or should the underlying assumptions prove incorrect, 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, projected, or estimated results. DEMIRE accepts no obligation, and does also not intend to update these forward-looking statements or to correct them given a development that is other than the one expected.*

## HALF-YEAR FINANCIAL REPORT 2013/2014

### INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2013

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## HALF-YEAR FINANCIAL REPORT 2013/2014

### Consolidated Balance Sheet as at September 30, 2013

in EUR	30/09/2013	31/03/2013
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	21,273	19,920
Property, plant, and equipment	49,686	40,989
Investments accounted for using the equity method	4,671,725	6,643,764
Other financial assets	789,702	49,318
Loans to investments accounted for using the equity method	2,348,450	2,058,981
Other loans	404,833	342,498
<b>Total non-current assets</b>	<b>8,285,669</b>	<b>9,155,472</b>
<b>Current assets</b>		
Real estate inventory	8,898,087	10,173,832
Trade accounts receivables and other receivables	2,261,524	3,419,974
Financial receivables and other financial assets	2,233,268	2,184,970
Tax refund claims	52,763	72,400
Cash and cash equivalents	908,990	2,333,381
<b>Total current assets</b>	<b>14,354,633</b>	<b>18,184,556</b>
<b>Investments accounted for using the equity method available for sale</b>	<b>3,802,647</b>	<b>3,802,647</b>
<b>Total assets</b>	<b>26,442,949</b>	<b>31,142,675</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity</b>		
Subscribed capital	13,894,651	13,894,651
Reserves	-1,683,017	466,012
<b>Equity attributable to parent company shareholders</b>	<b>12,211,634</b>	<b>14,360,663</b>
Interest of non-controlling shareholders	-107,149	-108,550
<b>Total shareholders' equity</b>	<b>12,104,484</b>	<b>14,252,113</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Deferred tax liabilities	35,379	46,249
Non-current financial debt	6,240,762	9,158,883
<b>Total non-current liabilities</b>	<b>6,276,141</b>	<b>9,205,132</b>
<b>Current liabilities</b>		
Provisions	1,032,224	1,314,561
Trade payables and other liabilities	1,436,240	1,095,677
Tax liabilities	35,409	234,088
Current financial debt	5,558,451	5,041,104
<b>Total current liabilities</b>	<b>8,062,324</b>	<b>7,685,430</b>
<b>Total liabilities</b>	<b>14,338,465</b>	<b>16,890,562</b>
<b>Total equity and liabilities</b>	<b>26,442,949</b>	<b>31,142,675</b>

## HALF-YEAR FINANCIAL REPORT 2013/2014

### Consolidated Statement of Income as of September 30, 2013

in EUR	01/04/2013 to 30/09/2013	01/04/2012 to 30/09/2012	01/07/2013 to 30/09/2013	01/07/2012 to 30/09/2012
Rental income	193,426	478,245	79,337	224,920
Operating expenses to generate rental income	-36,812	-195,644	-13,741	-28,326
<b>Profit/loss on rental of real estate inventory</b>	<b>156,614</b>	<b>282,601</b>	<b>65,596</b>	<b>196,593</b>
Revenue on sale of real estate companies	402,989	277,200	0	277,200
Net assets from sold real estate companies	-16,606	-188,303	0	-188,303
<b>Profit/loss on sale of real estate companies</b>	<b>386,383</b>	<b>88,897</b>	<b>0</b>	<b>88,897</b>
Revenue on sale of real estate	0	1,045,620	0	1,100,000
Expenses on real estate sales	0	-743,445	0	-797,825
<b>Profit/loss on sales of real estate</b>	<b>0</b>	<b>302,175</b>	<b>0</b>	<b>302,175</b>
Revenue on asset management	80,835	112,352	40,173	55,686
Expenses for asset management	-43,720	-73,786	-21,073	-35,851
<b>Profit/loss on asset management</b>	<b>37,115</b>	<b>38,566</b>	<b>19,100</b>	<b>19,835</b>
Profits from investments accounted for using the equity method	0	0	-5,109	-86,217
Losses from investments accounted for using the equity method	-356,849	-469,409	-193,521	-209,671
Unrealised fair value adjustments in equity investments	-458,982	703,564	-379,287	366,885
<b>Profit/loss from investments accounted for using the equity method</b>	<b>-815,831</b>	<b>234,155</b>	<b>-577,917</b>	<b>70,997</b>
Unrealised fair value adjustments in real estate inventory	759,136	-84,373	546,124	530,833
Impairment of goodwill and receivables	-18,000	-411,990	-13,500	-384,656
Other operating income	354,697	1,096,880	117,850	-13,077
<b>Other operating income and other effects</b>	<b>1,095,833</b>	<b>600,518</b>	<b>650,474</b>	<b>133,100</b>
General and administrative expenses	-1,821,718	-1,915,409	-767,675	-923,419
Other operating expenses	-796,214	-637,736	-378,905	-286,264
<b>Profit/loss before interest and taxes</b>	<b>-1,757,818</b>	<b>-1,006,233</b>	<b>-989,327</b>	<b>-398,086</b>
Financial income	368,590	387,709	194,183	175,075
Financial expenses	-583,625	-599,285	-284,111	-320,064
<b>Financial result</b>	<b>-215,035</b>	<b>-211,576</b>	<b>-89,928</b>	<b>-144,988</b>
<b>Profit/loss before taxes</b>	<b>-1,972,853</b>	<b>-1,217,810</b>	<b>-1,079,254</b>	<b>-543,074</b>
Income taxes	10,349	19,871	-79,867	-32,999
<b>Net profit/loss for the period</b>	<b>-1,962,504</b>	<b>-1,197,938</b>	<b>-1,159,121</b>	<b>-576,073</b>
Of which, attributable to:				
<b>Non-controlling interests</b>	<b>-12,279</b>	<b>1,068</b>	<b>-11,424</b>	<b>-7,453</b>
<b>Parent company shareholders</b>	<b>-1,950,225</b>	<b>-1,199,006</b>	<b>-1,147,696</b>	<b>-568,620</b>
Basic and diluted earnings per share	-0.14	-0.09	-0.08	-0.04

## HALF-YEAR FINANCIAL REPORT 2013/2014

### Statement of Comprehensive Income from April 1, 2013 to September 30, 2013

in EUR	01/04/2013 to 30/09/2013	01/04/2012 to 30/09/2012	01/07/2013 to 30/09/2013	01/07/2012 to 30/09/2012
<b>Net profit/loss for the period</b>	-1,962,504	-1,197,938	-1,159,121	-576,073
<b>Other comprehensive income</b>				
Currency translation effects	-132,928	-303,862	17,785	-153,149
Equity changes arising from financial assets recognised according to the equity method	-64,882	-27,637	-213,280	-176,035
<b>Other comprehensive income before taxes</b>	-197,810	-331,499	-195,495	-329,184
Taxes relating to other comprehensive income	0	0	0	0
<b>Other comprehensive income after taxes</b>	-197,810	-331,499	-195,495	-329,184
<b>Total comprehensive income</b>	-2,160,314	-1,529,437	-1,354,616	-905,256
Of which, attributable to:				
<b>Non-controlling interests</b>	-20,881	-21,120	-36,742	-32,771
<b>Parent company shareholders</b>	-2,139,433	-1,508,317	-1,317,874	-872,485

## HALF-YEAR FINANCIAL REPORT 2013/2014

### Consolidated Statement of Changes in Equity as at September 30, 2013

in EURk	Share capital	Reserves					Equity attributable to parent company shareholders	Interests of non-controlling shareholders	Total equity
	Subscribed capital	Capital reserves	Retained earnings including Group profit/loss	Reserves for treasury shares	Currency translation	Other reserves			
<b>01/04/2013</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>
Change in deferred taxes recognised directly in equity	0	0	0	0	0	0	0	0	0
Proportional transfer of earnings-neutral changes in equity in investments accounted for using the equity method	0	0	0	0	-65	0	-65	0	-65
Currency translation differences	0	0	0	0	-133	0	-133	14	-119
Total other comprehensive income	0	0	0	0	-198	0	-198	13	-185
Net profit/loss for the period	0	0	-1,950	0	0	0	-1,950	-13	-1,963
Total comprehensive income	0	0	-1,950	0	-198	0	-2,148	0	-2,147
<b>30/09/2013</b>	<b>13,895</b>	<b>7,455</b>	<b>-3,216</b>	<b>-310</b>	<b>-2,314</b>	<b>-3,299</b>	<b>12,212</b>	<b>-108</b>	<b>12,105</b>
<b>01/04/2012</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 deferred taxes recognised directly in equity	0	0	0	0	0	0	0	0	0
Proportional transfer of earnings-neutral changes in equity in investments accounted for using the equity method	0	0	0	0	-28	0	-28	0	-28
Currency translation differences	0	0	0	0	-295	0	-295	-8	-303
Total other comprehensive income	0	0	0	0	-323	0	-323	-9	-332
Net profit/loss for the period	0	0	-1,199	0	0	0	-1,199	1	-1,198
Total comprehensive income	0	0	-1,199	0	-323	0	-1,522	-8	-1,529
<b>30/09/2012</b>	<b>13,895</b>	<b>7,455</b>	<b>3,461</b>	<b>-310</b>	<b>-2,498</b>	<b>-3,200</b>	<b>18,804</b>	<b>-105</b>	<b>18,700</b>

## HALF-YEAR FINANCIAL REPORT 2013/2014

### Consolidated Statement of Cash Flows from April 1, 2013 to September 30, 2013

in EURk	01/04/2013 to 30/09/2013	01/04/2012 to 30/09/2012
<b>Group profit/loss before taxes</b>	-1,973	-1,218
Change in real estate inventory	1,276	1,275
Change in trade accounts receivable and other receivables	1,158	-638
Change in income tax receivables	20	274
Change in financial receivables and other financial assets	1,121	286
Change in intangible assets	-1	5
Change in provisions	-282	-553
Change in trade payables and other liabilities	142	-355
Other non-cash items	14	123
<b>Cash flow from operating activities</b>	<b>1,475</b>	<b>-800</b>
Payments for investments in property, plant, and equipment	-9	-9
Payments for granting loans to investments accounted for using the equity method and to other investments	-291	-73
<b>Cash flow from investing activities</b>	<b>-300</b>	<b>-82</b>
Proceeds from the increase of financial debt	517	0
Payments for the redemption of financial debt	-2,918	-1,223
<b>Cash flow from financing activities</b>	<b>-2,401</b>	<b>-1,223</b>
<b>Net change in cash and cash equivalents</b>	<b>-1,226</b>	<b>-2,105</b>
Change due to currency translation	-199	-5
Cash and cash equivalents at the start of the period	2,333	3,589
Cash and cash equivalents at the end of the period	909	1,479
<b>Supplementary information concerning the statement of cash flows</b>		
Income taxes received (+) / paid (-)	8	266
Interest received	7	27
Interest paid	78	247



## HALF-YEAR FINANCIAL REPORT 2013/2014

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE PERIOD FROM APRIL 1, 2013 TO SEPTEMBER 30, 2013*

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## HALF-YEAR FINANCIAL REPORT 2013/2014

### A. General 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. The Company's headquarters are located at Lyoner Strasse 32 in Frankfurt/Main. All of the Company's fiscal years end on March 31.

Initially, the Company was formed under the name MAGNAT Real Estate Opportunities GmbH & Co. KGaA on April 6, 2006 and recorded in the commercial register at the Company's headquarters in Frankfurt/Main, Germany on May 31, 2006. 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). 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 shares were 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, DEMIRE 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 economically attributed 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.

### B. Accounting Policies

The interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) for interim financial reporting, as applicable in the EU. The interim Group Management Report was prepared in accordance with the provisions set forth under the German Securities Trading Act (WpHG). The interim consolidated financial statements were not subject to a review by an auditor.

The interim consolidated financial statements as of September 30, 2013 were prepared in accordance with the provisions set forth under International Accounting Standards (IAS) 34. As is permitted by IAS 34, it has been decided to publish a condensed version compared to the consolidated financial statements as of March 31, 2013.

## HALF-YEAR FINANCIAL REPORT 2013/2014

The International Accounting Standards Board (IASB) and the national Financial Reporting Interpretations Committee (IFRIC) have approved standards and interpretations that have not yet required mandatory application in the reporting period. The application of these standards presupposes that the current and partially still outstanding recognition by the EU will occur. The Group has not utilised the option to make voluntary prior application of the relevant standards and interpretations.

The consolidated financial statements were prepared on the assumption of a going concern. The reporting currency is the euro. Where figures have been rounded to EURk, this has been stated. Rounding discrepancies may occur as a result of rounding.

The interim consolidated financial statements of the DEMIRE Group were prepared according to uniform accounting and valuation policies. This takes into account all IFRS standards that require mandatory application as of the reporting date (September 30, 2013) and that were adopted by the European Union. The accounting and valuation policies and the estimation methods have not changed compared to the consolidated financial statements as of March 31, 2013. We refer to our Annual Report as of March 31, 2013.

These interim consolidated financial statements do not contain all of the information required for consolidated financial statements and should therefore be read in conjunction with the published consolidated financial statements as of March 31, 2013.

### C. Selected notes to the consolidated statement of income

The Group's net profit/loss for the period of EUR –1,963k was largely impacted by negative unrealised fair value adjustments in equity investments (EUR 459k) and other operating expenses (EUR 796k). This was partly compensated by a profit on the rental of real estate inventory (EUR 157k) and a profit on the sale of real estate companies (EUR 386k).

General and administrative expenses amounted to EUR 1,822k in the reporting period.

#### 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.

	01/04/2013 to 30/09/2013	01/04/2012 to 30/09/2012
Net loss for the period attributable to the parent company shareholders (in EURk)	-1,950	-1,199
Weighted average number of shares outstanding	13,889,651	13,889,651
<b>Basic earnings per share (EUR)</b>	<b>-0.14</b>	<b>-0.09</b>
<b>Diluted earnings per share (EUR)</b>	<b>-0.14</b>	<b>-0.09</b>

## HALF-YEAR FINANCIAL REPORT 2013/2014

### **D. Selected notes to the consolidated balance sheet and consolidated statement of changes in equity**

In the reporting period, the carrying amount of real estate inventory declined by EUR 1,276k primarily as the result of disposals. The change in investments accounted for using the equity method was due to the result of investments accounted for using the equity method and the proportional transfer of earnings-neutral changes in equity. In the reporting period, the carrying amount of provisions declined by EUR 282k.

The net loss for the period attributable to the parent company shareholders amounted to EUR 1,950k. The net profit attributable to non-controlling interests amounted to EUR 12k.

Further earnings-neutral changes in equity were primarily the result of a negative effect on currency translation reserves in the amount of EUR 133k and the proportionate change in other reserves for investments accounted for using the equity method in an amount of EUR -65k.

For the development of shareholders' equity, please refer to the statement of changes in equity.

### **E. Selected 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 the amount of EUR 7k (resulted entirely from operating activities) and interest paid in the amount of EUR 78k (EUR 2k from operating activities and EUR 76k from financing activities). Cash flow from income taxes resulted in a cash inflow of EUR 8k within cash flow from operating activities.

#### **Cash Flow from operating activities**

Cash flow from operating activities of EUR 1,475k was largely impacted by the change in real estate inventory (EUR 1,276k), the change in trade accounts receivables and other receivables (EUR 1,158k), and the change in financial receivables and other financial assets (EUR 1,121k). The change in trade payables and other liabilities amount to EUR 142k and the change in provisions amounts to EUR -282k. The change in income tax receivables was EUR 20k.

#### **Cash Flow from investing activities**

Cash flow from investing activities of EUR -300k was primarily the result of payments in the amount of EUR -291k related to the granting of loans to companies accounted for using the equity method.

#### **Cash Flow from financing activities**

Cash flow from financing activities of EUR -2,401k was marked by the repayment of financial debt totalling EUR 2,401k.

## HALF-YEAR FINANCIAL REPORT 2013/2014

### Cash and cash equivalents

Cash and cash equivalents correspond to the amount of EUR 909k reported in the consolidated balance sheet. This item of the consolidated balance sheet comprises cash in hand and current accounts with banks with a maturity of less than three months.

### F. Notes to the segment reporting

(EURk)	Segments by business areas			Consolidation effects	Group
	Investments	Asset Management	Corporate Functions		
Revenue	193	402	0	0	595
Net profit/loss for the period	-1,135	-60	-767	0	-1,962

(EURk)	Segments by business areas			Consolidation effects	Group
	Investments	Asset Management	Corporate Functions		
Revenue	478	1,972	690	-1,227	1,913
Net profit/loss for the period	-137	92	-1,058	-95	-1,198

#### Additional information

Segment assets (EURk)	Investments	Asset Management	Corporate Functions	Group
<b>September 30, 2013</b>	19,400	1,568	212	21,180
<b>March 31, 2013</b>	24,415	5,024	1,703	31,142
Segment assets (EURk)	Investments	Asset Management	Corporate Functions	Group
<b>September 30, 2012</b>	31,373	4,761	4,473	40,607
<b>March 31, 2012</b>	32,302	6,475	5,490	44,268

The segmentation of the financial statement data 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 Group is split into the business segments of Investments and Asset Management. The Investments segment contains all of the information relating to real estate held as non-current property, plant, and equipment.

Material changes to the Group's assets and liabilities are discussed in section D.

The allocation of group companies to business segments has not changed since the consolidated financial statements as of March 31, 2013.

## HALF-YEAR FINANCIAL REPORT 2013/2014

### G. Other notes

#### 1. Related party disclosures

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

In the reporting period, no business transactions with members of management having key positions within the Company have occurred.

The following balances exist with respect to associated companies:

in EURk	30/09/2013	30/09/2012
Trade accounts receivables and other receivables	0	52
Financial receivables and other financial assets	0	2

The following balances exist with respect to joint ventures:

in EURk	30/09/2013	30/09/2012
Loans to investments accounted for using the equity method	1,429	1,150
Financial receivables and other financial assets	3,991	3,740
Current financial debt	0	159

Volume of business transactions with companies accounted for using the equity method:

in EURk	01/04/2013 to 30/09/2013
Loans to investments accounted for using the equity method	630
Trade accounts receivables and other receivables	0
Financial receivables and other financial assets	1,957
Current financial debt	171

##### Business transactions with other related parties

No business transactions with other related parties have occurred in the reporting period.

## HALF-YEAR FINANCIAL REPORT 2013/2014

### 2. Executive Board

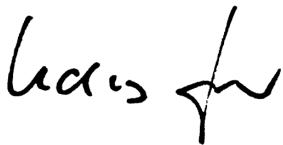
In the reporting period, fixed remuneration (short-term benefits) totalling EUR 549k were recorded for the Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG which is divided as follows (amounts in EURk):

in EURk	01/04/2013 to 30/09/2013
Dr. Marc-Milo Lube (until April 19, 2013)	308
Andreas Steyer (from March 05, 2013)	127
Jürgen Georg Faè	114
	<b>549</b>

### 3. Events subsequent to the balance sheet date

There were no events of significant importance subsequent to the balance sheet date which had a material impact on the Group's net assets, financial position, or results of operations.

Frankfurt/Main, November 29, 2013  
DEMIRE Deutsche Mittelstand Real Estate AG



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



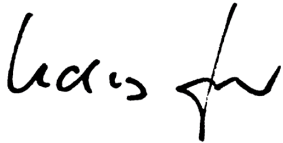
Jürgen Georg Faè  
Member of the Executive Board

## HALF-YEAR FINANCIAL REPORT 2013/2014

### 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 for interim financial reporting, that the interim 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 in the remainder of the fiscal year.

Frankfurt/Main, November 29, 2013  
DEMIRE Deutsche Mittelstand Real Estate AG



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



Jürgen Georg Faè  
Member of the Executive Board



## FINANCIAL CALENDAR

<b>Date</b>	<b>Publication / event</b>
11/02/2014	Interim report for Q3 as of December 31, 2013
31/07/2014	Annual Report 2013/2014

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Notice: This interim report is also available in German. The German version of this report is authoritative. Additional information about the Company and the online financial report is available on the internet at [www.demire.ag](http://www.demire.ag). We would be pleased to send you printed information on request: [ir@demire.ag](mailto:ir@demire.ag)