

DEMIRE Deutsche Mittelstand Real Estate AG

**1ST QUARTER INTERIM REPORT**

Fiscal Year April 1, 2014 to March 31, 2015



## 1ST QUARTER INTERIM REPORT

### DEMIRE DEUTSCHE MITTELSTAND REAL ESTATE IN BRIEF

DEMIRE Deutsche Mittelstand Real Estate AG is a Frankfurt/Main headquartered real estate group with a clear focus on commercial real estate in Germany.

The Group pursues a buy and hold strategy combined with active portfolio management. The Group concentrates 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.

### KEY GROUP FIGURES (UNAUDITED)

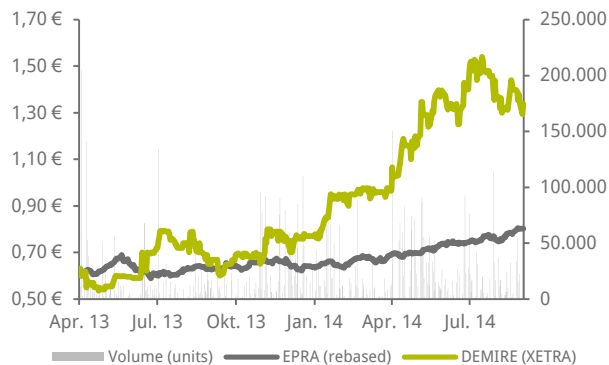
EURk	Q1 2014/2015	Q1 2013/2014
Profit/loss on rental of real estate	642	91
Profit/loss on sale of real estate companies	0	386
Profit/loss on sale of real estate	0	0
Profit/loss from asset management	0	18
Profit/loss from investments accounted for using the equity method	-53	-238
Other operating income and other effects	71	445
Profit/loss before interest and taxes (EBIT)	-528	-768
Financial income*	-4,202	-125
Profit/loss before taxes (EBT)*	-4,730	-894
Net profit/loss for the period*	-4,784	-803
Net profit/loss attributable to parent company shareholders*	-4,743	-803
Basic earnings per share in EUR*	-0.34	-0.06
Diluted earnings per share in EUR*	-0.34	-0.06

\* including the measurement effect from the non-cash effective fair value adjustment of the 2013/2018 convertible bond pursuant to IAS 39

EURk	30/06/2014	31/03/2014
Shareholders' equity	3,061	7,702
Total liabilities	42,754	40,698
Total assets	45,814	48,400
Equity ratio in percent	6.7	15.9
Cash and cash equivalents	1,035	3,955

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### SHARE PRICE PERFORMANCE



### KEY STOCK MARKET DATA

	30/06/2014	31/03/2014	31/03/2013
Number of shares	14,078,651	13,894,651	13,894,651
Market capitalisation in EUR	19,710,111	13,394,444	8,753,630
Basic earnings per share	-0.34	-0.43	-0.43
NAV per share in EUR	0.48	0.56	1.04
Free float (shareholders <3 %) in percent	60.2	60.2	70.5
Share capital in EUR	14,078,651	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	14,128,651
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 June 30, 2014</b>	<b>3.23</b>	<b>14.07</b>	<b>0.23</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>	<b>3.23</b>	<b>14.07</b>	<b>0.23</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	3.59	14.07	0.25
Deferred tax	-0.12	14.07	-0.01
Goodwill as result of deferred tax	-	-	-
<b>Diluted EPRA NAV</b>	<b>6.70</b>	<b>14.07</b>	<b>0.48</b>

## 1ST QUARTER INTERIM REPORT

### 1ST QUARTER INTERIM REPORT FISCAL YEAR 2014/2015

- » Group's realignment at an advanced stage
- » Current operating expenses clearly reduced
- » Operating result improved despite negative effects from Ukrainian investments
- » Net loss for the period largely affected by temporary measurement effects related to the reporting date
- » Continued expansion actively pursued

Frankfurt/Main, September 3, 2014 – DEMIRE Deutsche Mittelstand Real Estate AG („DEMIRE“, ISIN DE000A0XFSF0) reports on the performance of the first quarter of the 2014/2015 fiscal year (April 1, 2014 to March 31, 2015).

The first quarter continued to be marked by the Group's comprehensive and ongoing realignment. On the one hand, income from the rental of the German commercial real estate portfolio and a clear reduction in current operating expenses had a considerable positive impact on Group earnings. On the other hand, the proportionate results from Ukrainian project companies accounted for using the equity method and other expenses relating to our Ukrainian investments had an adverse earnings effect.

In the reporting quarter, we were successful in terminating some of our previous investments with the sale of the 32.44% interest in the Luxembourg investment company that held the Turkish properties. As communicated in June 2014, we will receive the cash proceeds from the transaction in the second quarter (July to September).

In the first three months of fiscal year 2014/2015, the DEMIRE Group achieved an improvement in earnings before interest and taxes (EBIT) of EUR –0.5 million after reporting EUR –0.8 million in the previous year's quarter despite several expenses relating to the ongoing Group realignment.

Profit on the rental of real estate inventory rose strongly from EUR 0.1 million in the prior year to EUR 0.6 million. This increase largely stemmed from two commercial properties in Munich, which were acquired in the previous year. Both properties were included in the full three-month period for the first time. In the reporting quarter, no real estate companies or real estate was sold. Thus, the corresponding results were at the breakeven point (previous year: EUR 0.4 million). The same was true for the profit/loss on asset management since these activities largely related to a single property and were discontinued in the reporting quarter.

Profit/loss from investments accounted for using the equity method improved slightly from EUR –0.2 million in the previous year to EUR –0.1 million in the quarter under review. This mainly resulted from lower losses from investments accounted for using the equity method. Other operating income and other effects amounted to EUR 0.1 million after EUR 0.4 million in the prior year. Whereas unrealised fair value adjustments had resulted in a positive EUR 0.2 million earnings contribution in the previous year, the reporting quarter was burdened by an impairment on sales tax receivables in the Ukraine of EUR 0.3 million (previous year: EUR 0.0 million). The increase in other operating income from EUR 0.2 million to EUR 0.3 million relates primarily to the derecognition of liabilities in Georgia affecting profit or loss.

General and administrative expenses experienced a significant improvement in the reporting quarter totalling EUR –0.6 million after EUR –1.1 million in the previous year. This was mainly the result of numerous measures employed to adjust the Group's cost structure. The success of these measures is successively becoming visible. Other operating expenses rose from EUR –0.4 million in the prior year to EUR –0.6 million, mainly as a result of currency losses (Ukraine).

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The financial result of EUR –4.2 million after EUR –0.1 million in the prior year was largely impacted by non-cash, temporary effects relating to the reporting date resulting from the fair value measurement of the 2013/2018 convertible bond. This fair value measurement reflects the strong increase in the price of the bond from EUR 0.96 as of March 31, 2014 to EUR 1.30 as of June 30, 2014. Accordingly, the Group's net profit/loss for the period amounted to EUR –4.8 million after EUR –0.8 million in the previous year. Excluding the IFRS related valuation effect mentioned above, the net financial result, consisting of interest expenses and interest income, and the net profit/loss for the period amounted to EUR –0.6 million and EUR –1.2 million respectively in the reporting quarter.

As per the June 30, 2014 reporting date, total assets of the DEMIRE Group amounted to EUR 45.8 million after EUR 48.4 million as of the end of the previous fiscal year. On the assets side of the balance sheet, this development was mainly reflected in a decline of cash and cash equivalents. As of the reporting date, they declined from EUR 4.0 million to EUR 1.0 million due to reporting date-related effects. This was in contrast to the growth in property, plant, and equipment from EUR 0.2 million to EUR 1.2 million resulting from a prepayment for the announced acquisition of a real estate portfolio in the second quarter of the current 2014/2015 fiscal year.

The fair value adjustment mentioned above is also reflected on the equity and liabilities side of the balance sheet: Shareholders' equity declined from EUR 7.7 million as of March 31, 2014 to EUR 3.1 million due to the loss for the period. Non-current financial liabilities rose from EUR 24.6 million as of the end of the previous fiscal year to EUR 29.5 million mainly due to the valuation effect. Trade payables and other liabilities were reduced significantly. As of the reporting date, these amounted to EUR 2.8 million after EUR 4.3 million on March 31, 2014.

The net asset value (NAV) calculated according to EPRA requirements amounted to EUR 6.7 million as at June 30, 2014. Based on 14.1 million shares outstanding, this is equivalent to a NAV of EUR 0.48 per share.

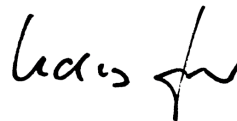
### Significant events subsequent to the end of the reporting period and the outlook

The current 2014/2015 fiscal year will continue to be marked by the Group's realignment. We want to take advantage of the current favourable market environment to rapidly build an attractive and value-generating portfolio of commercial real estate. This includes the purchase of a portfolio consisting of seven commercial properties in several German metropolitan areas, which we had previously announced. This transaction is expected to be completed in the second quarter of the current 2014/2015 fiscal year.

To finance our growth strategy and to strengthen the financial position of DEMIRE, we are currently considering various options, including the issuance of a bond. The Company aims to establish a large core portfolio generating attractive cash flows from the very start which should contribute to the Group's successful development by way of ongoing revenues and long-term value appreciation.

We are confident that in a matter of a few years we will have established a clearly focussed and highly profitable core portfolio of German commercial real estate with an attractive risk-return ratio and well-balanced cash flows.

Frankfurt/Main, September 3, 2014



Hon.-Prof. Andreas Steyer  
Speaker of the Executive Board (CEO)

## FINANCIAL CALENDAR

<u>Date</u>	<u>Publication/Event</u>
15/10/2014	Annual General Meeting, Frankfurt
01/12/2014	Half-Year Report 2014/2015
17/02/2015	Q3 Interim Report 2014/2015

## CONTACT

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Remarks: This interim report is also available in German. The German version of this report is authoritative. Further information on the Company and the online interim report is available on the internet under [www.demire.ag](http://www.demire.ag). We would be glad to send you printed information upon request: [ir@demire.ag](mailto:ir@demire.ag)