

Bulletin:

DEMIRE Ratings Not Immediately Affected By New Shareholder Apollo

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FRANKFURT (S&P Global Ratings) March 1, 2018--S&P Global Ratings said today that its ratings and outlook on DEMIRE Deutsche Mittelstand Real Estate AG (BB/Stable/--), a Germany-based commercial real estate company, are not immediately affected by DEMIRE's announcement that AEPF III 26 S.a.r.l., an affiliate of Apollo Global Management LLC, has subscribed to a 10% stake in the company's shareholding capital through a capital increase.

Due to the strategic agreement between Apollo and DEMIRE's current majority shareholder, Wecken Group (29.91%), we view the risk of a major change in the company's strategic direction as limited.

Furthermore, Apollo announced a mandatory takeover offer to the shareholders of DEMIRE, as well as a voluntary takeover offer to the shareholders of Fair Value REIT-AG (FVR), a 77.7% owned and fully consolidated subsidiary of DEMIRE, with intention to tender FVR shares into DEMIRE in exchange for DEMIRE shares. As a result, Apollo's ownership stake in DEMIRE is likely to increase further. We note that this will depend on multiple factors, including final acceptance by the relevant shareholders. We will monitor the situation and, depending on DEMIRE's final shareholder structure, update our analysis accordingly. However, at this stage, we do not anticipate the change in ownership will have an impact on our current rating on DEMIRE.

Only a rating committee may determine a rating action and this report does not constitute a rating action.

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