DEMIRE DEUTSCHE MITTELSTAND REAL ESTATE

DEMIRE Deutsche Mittelstand Real Estate AG

# 1ST QUARTER INTERIM REPORT

Fiscal Year April 1, 2013 to March 31, 2014

# 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 for the entrepreneurial "Mittelstand" in Germany.

Going forward, the Group will pursue 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.

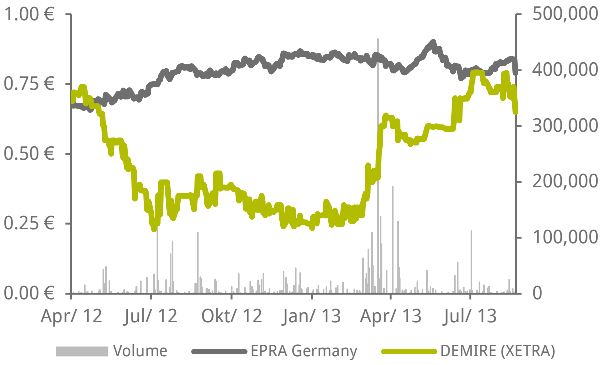
## KEY GROUP FIGURES (UNAUDITED)

| in EURk | Q1 2013/2014 | Q1 2012/2013 |
|---|---|---|
| Profit/loss on rental of real estate inventory | 91 | 86 |
| Profit/loss on sale of real estate companies | 386 | 0 |
| Profit/loss from asset management | 18 | 19 |
| Profit/loss from investments accounted for using the equity method | –238 | 163 |
| Other operating income and other effects | 445 | 467 |
| Profit/loss before interest and taxes (EBIT) | –768 | –608 |
| Profit/loss before taxes (EBT) | –894 | –675 |
| Net profit/loss for the period | –803 | –622 |
| Net profit/loss attributable to parent company shareholders | –803 | –630 |
| Basic earnings per share in EUR | –0.06 | –0.05 |
| Diluted earnings per share in EUR | –0.06 | –0.05 |

| in EURk | Q1 2013/2014 | FY 2012/2013 |
|---|---|---|
| Shareholders' equity | 13,449 | 14,252 |
| Total liabilities | 14,236 | 16,891 |
| Total assets | 27,684 | 31,143 |
| Equity ratio in percent | 48.6 | 45.8 |
| Cash and cash equivalents | 1,342 | 2,333 |

# 1ST QUARTER INTERIM REPORT

## SHARE PERFORMANCE




## KEY STOCK MARKET DATA

| | Q1 2013/14 | FY 2012/13 | FY 2011/12 |
|---|---|---|---|
| Number of shares | 13,894,651 | 13,894,651 | 13,894,651 |
| Market capitalisation in EUR | 9,698,466 | 8,753,630 | 9,031,523 |
| Earnings per share | –0.06 | –0.43 | 0.93 |
| NAV per share in EUR | 0.98 | 1.04 | 1.44 |
| Free float (shareholders <10 %) in percent | 70.49 | 70.49 | 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 | ir@demire.ag |
| Homepage | www.demire.ag |

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

| | NAV | No. of shares | NAV per share in EUR |
|---|---|---|---|
| **NAV per the financial statement of June 30, 2013** | **13.55** | **13.89** | **0.98** |
| Effect of exercise of options, convertibles and other equity interests | – | – | – |
| **Diluted NAV, after the exercise of options, convertibles and other equity interest** | **13.55** | **13.89** | **0.98** |
| 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 | 0.03 | | 0.00 |
| Goodwill as result of deferred tax | – | | – |
| **Diluted EPRA NAV** | **13.59** | | **0.98** |

## 1ST QUARTER INTERIM REPORT, FISCAL YEAR 2013/2014

- Disposals in Vienna have positive impact on results and lead to a further reduction in financial debt
- On-going operating expenses scaled back consistently
- Net result for the period in the first quarter of 2013/2014 still negative at EUR –0.8 million
- Improved equity ratio; liquidity secured
- Actively driven realignment

Frankfurt/Main, August 23, 2013 – DEMIRE Deutsche Mittelstand Real Estate AG ("DEMIRE", ISIN DE000A0XFSF0) reports on the performance of the first three months of the 2013/2014 fiscal year (April 1, 2013 to March 31, 2014). The first quarter was largely influenced by the realignment and accompanying renaming of the Company which was approved at the extraordinary General Meeting on June 27, 2013 by an overwhelming majority of 99.99 percent. At the same time, the number of Supervisory Board members was reduced from six to three members, and Prof. Dr. Wagner was unanimously elected as a new Supervisory Board member. Going forward and in line with the new strategy, DEMIRE will focus on existing real estate for entrepreneurial medium-sized companies (the "Mittelstand") in Germany.

In the first three months of the current 2013/2014 fiscal year, earnings before interest and taxes (EBIT) amounted to EUR –0.8 million after EUR –0.6 million in the previous year. The higher loss versus the previous year was mainly the result of significantly lower income from investments accounted for using the equity method. The sale of real estate companies had a positive impact on earnings. The previous year's comparable quarter, in contrast, did not contain any disposals.

In the first quarter of fiscal year 2013/2014, the profit on rental of real estate inventory amounted to EUR 0.1 million, and thus remained at the prior year's level. As a result of the disposal of the Delitzsch project in the past fiscal year, rental income as well as expenses to generate rental income both declined.

The profit/loss on sale of real estate companies of EUR 0.4 million (EUR 0 million in the previous year) included the sale of the Viennese co-proprietors' building schemes as well as the asset management for co-proprietors' building schemes which have already been placed. This transaction resulted in additional EUR 0.2 million of positive earnings effects which are reflected in other positions in the statement of income.

Profit/loss on asset management for third parties remained at the prior year's level and amounted to EUR 0.02 million. In the future, this line item will be limited to the management of the Blue Towers in Frankfurt/Main.

Profit/loss from investments accounted for using the equity method experienced a noticeable decline and fell from EUR 0.2 million in the prior year's quarter to EUR –0.2 million in the reporting quarter. This change is primarily the result of unfavourable currency effects as per the reporting date.

Other operating income and other effects include income amounting to EUR 0.2 million (EUR –0.6 million in previous year) from unrealised fair value adjustments in real estate inventory. In contrast to negative reporting-date related currency effects in the prior year, the reporting quarter recorded positive reporting-date related currency effects. Other operating income amounted to EUR 0.2 million and thus remained below the prior year's level of EUR 1.1 million. However, the comparable amount contained a large reporting-date related currency effect.

General and administrative expenses experienced a slight increase to EUR –1.1 million in comparison to EUR –1.0 million in the previous year due to a EUR 0.3 million extraordinary effect. In contrast, on-going operating expenses were cut considerably. Other operating expenses amounted to EUR –0.4 million and thus hovered around last year's level.

Overall, in the first three months of 2013/2014, the Group's EBIT, net profit/loss for the period, and net profit/loss attributable to parent company shareholders amounted to EUR –0.8 million each compared to EUR –0.6 million each in the prior year.

Following our withdrawal from Austria and the complete disposal of the asset management activities for co-proprietors' building schemes, we were again able to mitigate risks and to reduce our financial debt.

As per the June 30, 2013 reporting date, total assets decreased to EUR 27.7 million from EUR 31.1 million on March 31, 2013. This was largely due of the disposal of the Viennese co-proprietors' building schemes. This transaction resulted in a reduction of real estate inventory to EUR 8.9 million from EUR 10.2 million and a reduction of trade accounts receivables and other receivables to EUR 2.7 million from EUR 3.4 million. Cash and cash equivalents declined to EUR 1.3 million as per the end of the reporting quarter from EUR 2.3 million on March 31, 2013 primarily as a result of the loss for the period.

On the liabilities side of the balance sheet, non-current financial liabilities decreased significantly. As a result of the reclassification of liabilities which now have a term of less than one year, non-current financial liabilities amounted to EUR 6.1 million on June 30, 2013 after EUR 9.2 million. As a result of the aforementioned reclassification, current financial liabilities rose from EUR 5.0 million to EUR 5.6 million. However, excluding this effect, they were reduced significantly. Trade payables and other liabilities also decreased from EUR 1.1 million to EUR 0.9 million.

Shareholders' equity declined from EUR 14.3 million to EUR 13.4 million mainly due to the loss for the period. The equity ratio amounted to 48.6 percent and was above the level as at March 31, 2013 (45.8 percent).

The net asset value (NAV) calculated according to EPRA requirements amounted to EUR 13.55 million as at June 30, 2013. Based on 13.89 million shares outstanding, this is equivalent to a NAV of EUR 0.98 per share.

## Outlook

In the current fiscal year, the focus of activities is clearly on the disposal of the remaining investments in Eastern Europe and the Black Sea region. As a result of the difficult economic situation and bleak growth prospects in these countries, the disposal of projects at economically reasonable conditions continues to be a challenge.

The proceeds from the portfolio's disposals will be reinvested in German commercial real estate. This means existing real estate which will generate positive cash flows from the outset. Thus, the key performance indicator for the actively managed real estate portfolio is clearly 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 particularly reflected by the development of rental income.

A further focus is on securing the Group's liquidity. Realignment and sustainable investments in high-yield objects should result in a much less tense liquidity situation and bring an improvement in earnings.

Frankfurt/Main, August 23, 2013

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|---|---|
| Andreas Steyer | Jürgen Georg Faè |
| (CEO) | (CFO) |

## FINANCIAL CALENDAR

| Date | Publication/Event |
|---|---|
| 23/10/2013: | Annual General Meeting Frankfurt/Main |
| 29/11/2013 | Half-Year Report as at September 30, 2013 |
| 11/02/2014 | Q3 Interim Report as at December 31, 2013 |
| 31/07/2014 | Annual Report 2013/2014 |

## CONTACT

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Remarks: This interim report is also available in English. 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. We would be glad to send you printed information upon request: ir@demire.ag