



Fiscal year 1 January – 31 December 2018

Interim Statement **1Q | 2018**

HIGHLIGHTS 1Q 2018



KEY EARNINGS FIGURES

5.2

EUR MILLION

1Q 2018 earnings as expected
FFO I (after taxes, before minorities) forecast
for EUR 16–18 million
in full-year 2018 confirmed

30.5

EUR MILLION

EBT rises sharply year-on-year
as a result of valuation gains,
reduced financial expenses and lower general
and administrative expenses



KEY FINANCIAL RATIOS

58.1

PERCENT

Net LTV declines
to below 60%

3.0

PERCENT P. A.

Average interest costs
decreased year-on-year

5.29

EUR

Strong increase of EUR 0.35
per share in EPRA NAV (diluted)



PORTFOLIO DEVELOPMENT

18.3

EUR MILLION

Rental income – Solid operating performance
compensates for decline from sale
of non-strategic properties

8.6

PERCENT

Successful 80 basis point reduction
in EPRA vacancy rate compared
to the end of 2017

Foreword of the Executive Board

Ladies and Gentlemen,

After successfully completing the 2017 financial year, we were able to seamlessly continue on the path taken with our DEMIRE 2.0 strategy in the first quarter of 2018. With the placement of a 10% capital increase with Apollo Global Management at EUR 4.35 per share, we were able to gain a new strategic anchor shareholder who, together with the Wecken Group, supports the implementation of the DEMIRE 2.0 strategy and particularly our goal to expand and become a leading listed commercial real estate platform in Germany with a portfolio size in excess of EUR 2 billion and a reduction in loan-to-value to achieve an investment grade rating.

Our focus in the current fiscal year will therefore be on the gradual expansion of the real estate portfolio and the continued optimisation of our Group structure, which we began in the 2017 financial year.

Our key operating and financial indicators in the first quarter of 2018 developed as follows:

- Funds from operations (FFO I, after taxes, before minorities) reached EUR 5.2 million as of the reporting date mainly due to lower interest expenses and a lower tax burden. Compared to the total capital expenditure planned for the 2018 financial year, funds from operations in the first quarter were also supported by a relatively low level of capital expenditure.

- Rental income reached EUR 18.3 million as planned and increased slightly by 1.6% on a like-for-like basis.
- As a result of our active portfolio management, the EPRA vacancy rate was reduced by a further 80 basis points to 8.6% as of 31 March 2018 compared to the end of 2017 and taking into account properties already sold.

For the 2018 financial year, the Executive Board confirms its forecast for FFO I (after taxes, before minorities) of EUR 16 to 18 million. Based on the current real estate portfolio, rental income of around EUR 71 to 73 million is expected.

Frankfurt am Main, 30 May 2018



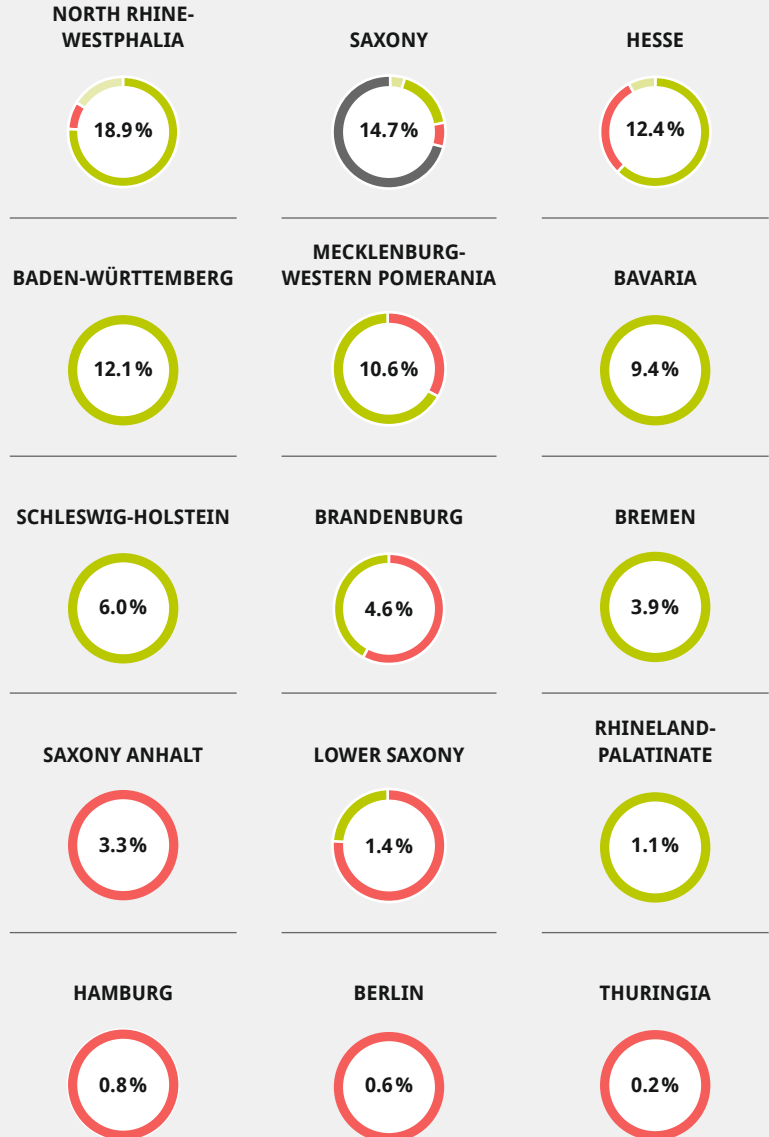
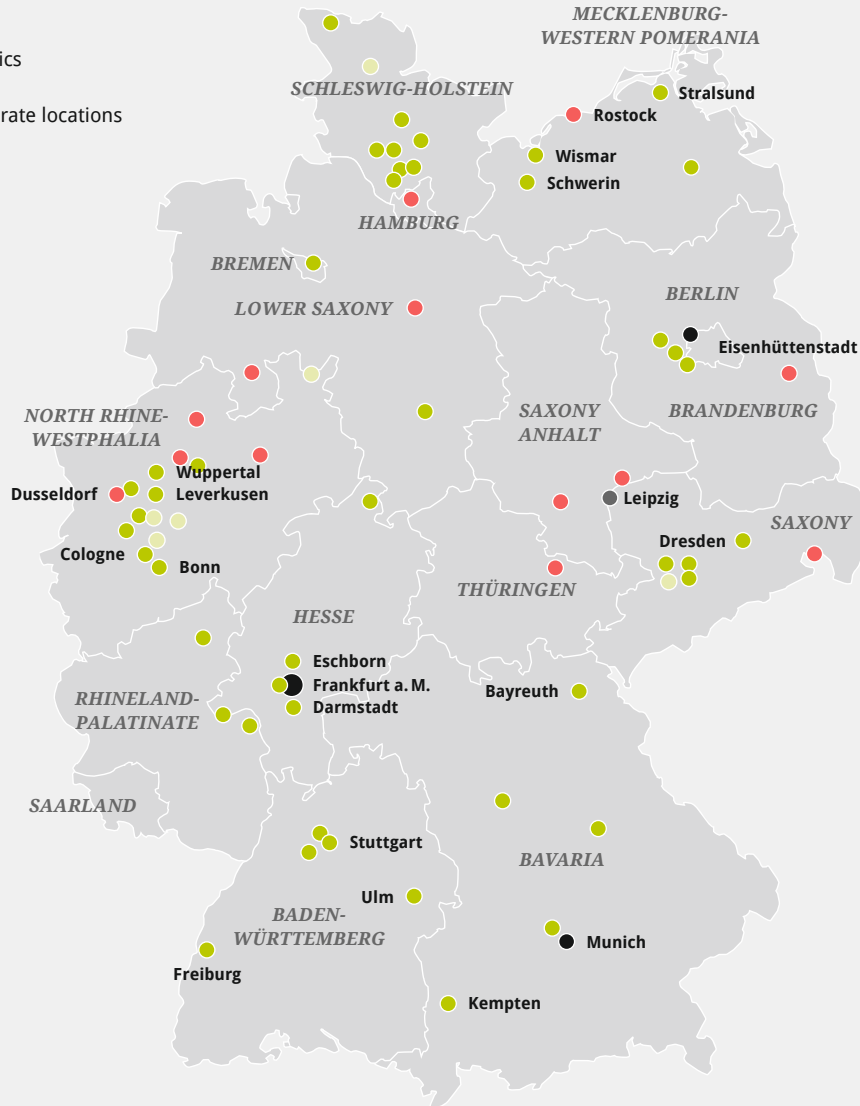
Dipl.-Betriebsw. (FH)
Ralf Kind

CEO/CFO

REAL ESTATE PORTFOLIO AND CORPORATE LOCATIONS

Share of total market value

- Office
- Retail
- Logistics
- Other
- Corporate locations



TOP 10 TENANTS (AS OF 31/03/2018)

NO.	TENANT	TYPE OF USE	CONTRACTUAL RENT P.A. ¹	
			in EUR millions	in % of total
1	GMG (Telekom)	Office	22.3	30.8
2	BImA Bundesanstalt für Immobilienaufgaben	Office	1.9	2.6
3	Sparkasse Südholstein	Office	1.8	2.5
4	RIMC	Hotel	1.5	2.1
5	HPI Germany	Office	1.4	1.9
6	Barmer BKK	Office	1.2	1.7
7	comdirect bank AG	Office	1.2	1.7
8	AXA Konzern AG	Office	1.2	1.7
9	BfA Schwerin	Office	1.2	1.7
10	Momox GmbH	Logistics	1.2	1.7
Subtotal			34.9	48.4
Other			37.5	51.6
Grand total			72.4	100.0

¹ According to annualised contractual rent, excluding service charges.

KEY PORTFOLIO INDICATORS

	OFFICE	RETAIL	LOGISTICS	OTHER	TOTAL 31/03/2018	TOTAL 31/12/2017	CHANGE
Properties (number of)	63	16	1	6	86	86	—
Gross asset value (in EUR millions)	714.2	253.3	64.3	34.5	1,066.3	1,034.1	32.2
Contractual rents p. a. (in EUR millions)	48.7	8.1	4.3	1.9	72.4	72.1	0.3
Rent per m ²	8.1	10.2	2.1	4.0	7.0	7.2	-0.2
Rental yield (in %)	6.8	6.9	6.6	5.6	6.8	7.0	-20 bps
EPRA vacancy rate (in %) ¹	8.5	6.7	20.1	0.1	8.6	9.4	-80 bps
WALT (in years)	4.4	6.3	1.7	6.4	4.8	4.9	-0.1 years

* Excluding properties held for sale.

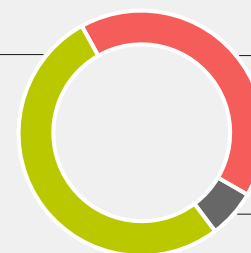
- As of the 31 March 2018 reporting date, the DEMIRE Group's real estate portfolio consisted of 86 commercial properties with total lettable floor space of roughly 970,000 m² and a total market value of EUR 1,066.3 million (31 December 2017: EUR 1,034.1 million). As of the reporting date, four properties and partial properties valued at EUR 12.7 million were held for sale.
- Annualised contractual rent rose from EUR 72.1 million as of 31 December 2017 to EUR 72.4 million as of 31 March 2018 due to successful letting performance and an associated reduction in vacancy. On a like-for-like basis, annualised contractual rent has increased by 1.6% since 31 December 2017.
- Taking into account the properties already sold, the vacancy rate dropped from 9.4% as of 31 December 2017 to 8.6% as of 31 March 2018.

FOCUS ON THREE ASSET CLASSES

in % of the portfolio market value

52.3 Core Plus

Value-Added 41.4



Redevelopment 6.3

(As of 31/03/2018)

RESULTS OF OPERATIONS

CONSOLIDATED STATEMENT OF INCOME (Selected information in EURk)	01 / 01 / 2018 - 31 / 03 / 2018	01 / 01 / 2017 - 31 / 03 / 2017	CHANGE	IN %
Rental income	18,256	18,540	-284	-1.5
Income from utility and service charges	5,742	6,210	-468	-7.5
Operating expenses to generate rental income	-10,843	-10,911	68	-0.6
Profit/loss from the rental of real estate	13,155	13,839	-684	-4.9
Profit/loss from the sale of real estate companies	0	0	0	—
Profit/loss from the sale of real estate	-2	-194	192	-99.0
Profit/loss from investments accounted for using the equity method	54	6	48	>100
Profit/loss from fair value adjustments in investment properties	32,078	155	31,923	>100
Other operating income and other effects	1,233	1,607	-375	-23.3
General and administrative expenses	-3,137	-3,565	428	-12.0
Other operating expenses	-1,191	-2,663	1,472	-55.3
Earnings before interest and taxes	42,190	9,185	33,005	>100
Financial result	-11,711	-5,466	-6,245	>100
Profit/loss before taxes	30,479	3,719	26,760	>100
Current incomes taxes	-151	-712	561	-78.7
Deferred taxes	-9,502	-2,069	-7,433	>100
Net profit/loss for the period	20,826	938	19,889	>100
Thereof attributable to parent company shareholders	18,173	126	18,047	>100
Basic earnings per share (EUR)	0.33	0.00	0.33	>100
Weighted average number of shares outstanding (in thousands)	54,277	54,256		
Diluted earnings per share (EUR)	0.27	0.00	0.27	>100
Weighted average number of shares outstanding, diluted (in thousands)	68,433	67,882		

Supported by new lettings and a reduction in vacancies, the DEMIRE Group generated rental income of EUR 18.3 million in the first three months of 2018. Rental income was 1.5% lower year-on-year (EUR 18.5 million) due to the sale of properties.

General and administrative expenses of EUR 3.1 million were EUR 0.4 million lower year-on-year mainly due to lower legal and consulting fees and fewer costs for the preparation and auditing of the annual financial statements.

Other operating expenses fell sharply by around 55% to EUR 1.2 million as a result of one-time effects in the prior-year period. Earnings before interest and taxes rose by a total of EUR 33.0 million to EUR 42.2 million and were mainly affected by the good profit from fair value adjustments in investment properties amounting to EUR 32.1 million.

DEVELOPMENT OF FFO

FFO CALCULATION (Selected information in EURk)	01/01/2018 -31/03/2018	01/01/2017 -31/03/2017	CHANGE	IN %
Profit/loss before taxes	30,479	2,907	27,572	>100
Minority interests	5,723	1,926	3,797	>100
Earnings before taxes (EBT)	36,202	4,833	31,369	>100
+/- Profit/loss from the sale of real estate companies	0	0	0	—
+/- Profit/loss from the sale of real estate	2	194	-192	-99.2
+/- Profit/loss for investments accounted for using the equity method	-54	-6	-48	>100
+/- Profit/loss from fair value adjustments in investment properties	-32,078	-155	-31,923	>100
+/- Profit/loss from the valuation of derivative financial instruments	0	-3,363	3,363	-100.0
+/- Other adjustments*	1,241	1,196	45	3.8
FFO I before taxes	5,313	2,699	2,614	96.8
+/- (Current) income taxes	-160	-712	552	-77.5
FFO I after taxes	5,153	1,987	3,166	>100
Thereof attributable to parent company shareholders	3,915	237	3,678	>100
Thereof attributable to non-controlling interests	1,238	1,750	-512	-29.2
+/- Profit/loss from the sale of real estate companies/real estate (after taxes)	-2	-163	161	-98.9
FFO II after taxes	5,151	1,824	3,327	>100
Thereof attributable to parent company shareholders	3,913	84	3,829	>100
Thereof attributable to non-controlling interests	1,238	1,740	-502	-28.8
FFO I after taxes per share				
Basic FFO I per share (EUR)	0.09	0.04	0.06	>100
Weighted average number of shares outstanding (in thousands)	54,277	54,256		
Diluted FFO I per share (EUR)	0.08	0.03	0.05	>100
Weighted diluted average number of shares outstanding (in thousands)	68,433	67,882		
FFO II after taxes per share				
Basic FFO II per share (EUR)	0.09	0.03	0.06	>100
Weighted average number of shares outstanding (in thousands)	54,277	54,256		
Diluted FFO II per share (EUR)	0.08	0.03	0.06	>100
Weighted diluted average number of shares outstanding (in thousands)	68,433	67,882		

* Other adjustments contain the following:

- One-time refinancing costs (EUR 0.8 million; previous year: EUR 0.4 million)
- One-time transaction, legal and consulting fees (EUR 0.3 million; previous year: EUR 0.1 million)
- One-time administrative costs (EUR 0.2 million; previous year: EUR 0.5 million)
- Non-period expenses/income (EUR -0.1 million; previous year: EUR 0.4 million)
- One-time other operating income (EUR 0 million; previous year: EUR -0.8 million)
- One-time maintenance costs (EUR 0 million; previous year: EUR 0.6 million)

The DEMIRE Group's operating result is measured in terms of funds from operations (FFO), which represents earnings adjusted for measurement effects, other disposal and one-off effects and non-periodic income and expenses. Funds from operations (FFO I, after taxes, before minorities) reached EUR 5.2 million as of the reporting date (1Q 2017: EUR 2.0 million) as a result of lower interest expenses and a lower tax burden. FFO I after taxes and minorities amounted to EUR 3.9 million (1Q 2017: EUR 0.2 million). Compared to the total capital expenditure planned for the 2018 financial year, funds from operations in the first quarter were also supported by a relatively low level of capital expenditure.

Taking into account the profit/loss from the sale of real estate, funds from operations (FFO II) after taxes and before minorities were EUR 5.2 million (1Q 2017: EUR 1.8 million) and EUR 3.9 million after taxes and minorities (1Q 2017: EUR 0.1 million).

NET ASSETS

As of 31 March 2018, total assets amounted to EUR 1.18 billion and rose by EUR 32.9 million compared to year-end 2017. This rise was mainly the result of the higher fair value of investment properties.

Investment properties totalled roughly EUR 1,053.6 million as of 31 March 2018, which amounted to a rise of EUR 31.8 million or 3.1% compared to 31 December 2017 following a portfolio revaluation carried out during the reporting period. Non-current assets held for sale totalling EUR 12.7 million as of 31 March 2018 included primarily properties and partial properties located in Apolda and Darmstadt.

Group equity amounted to EUR 339.8 million as of 31 March 2018 and increased by EUR 20.7 million compared to 31 December 2017 (EUR 319.1 million) due to the positive profit/loss for the period. The equity ratio was 28.8% (31 December 2017: 27.8%). It is important to note that, under IFRS, minority interests of EUR 77.6 million are reported under non-current liabilities and not under equity, which is solely in accordance with the legal form of the fund investments of Fair Value REIT as partnerships. Adjusted Group equity totalled EUR 417.4 million, or 35.4% of the Group's total assets (31 December 2017: EUR 391.0 million or 34.1%).

Basic and diluted EPRA NAV per share of EUR 6.47 (+8.5%) and EUR 5.29 (+7.0%), respectively, exceeded the levels at the end of 2017 (EUR 5.96 and EUR 4.94, respectively).

BALANCE SHEET – ASSETS (Selected information in EURk)	31 / 3 / 2018	31 / 12 / 2017	CHANGE	%
Assets				
Total non-current assets	1,064,592	1,032,897	31,695	3.1
Total current assets	102,891	101,957	933	0.9
Assets held for sales	12,662	12,262	400	3.3
TOTAL ASSETS	1,180,145	1,147,116	33,029	2.9
BALANCE SHEET – EQUITY AND LIABILITIES (Selected information in EURk)	31 / 3 / 2018	31 / 12 / 2017	CHANGE	%
Equity and liabilities				
Equity				
Equity attributable to parent company shareholders	303,576	285,417	18,159	6.4
Non-controlling interests	36,231	33,684	2,547	7.6
Total equity	339,807	319,101	20,706	6.5
Liabilities				
Total non-current liabilities	794,579	780,630	13,949	1.8
Total current liabilities	45,759	47,385	-4,509	-15.5
Total liabilities	840,338	828,015	12,323	1.5
TOTAL EQUITY AND LIABILITIES	1,180,145	1,147,116	33,029	2.9

FINANCIAL POSITION

CONSOLIDATED STATEMENT OF CASH FLOWS (Selected information in EURk)	01/01/2018 -31/03/2018	01/01/2017 -31/03/2017	CHANGE	IN %
Cash flow from operating activities	7,374	6,192	1,182	19.1
Cash flow from investing activities	-149	11,780	-11,929	>100
Cash flow from financing activities	-11,567	-5,717	-5,850	>100
Net change in cash and cash equivalents	-4,342	12,254	-16,596	>100
Cash and cash equivalents at the end of the period	69,532	43,543	25,989	59.7

The successful refinancing of existing and expensive financial liabilities during the 2017 financial year resulted in a significant year-on-year reduction in financial expenses in the first quarter of 2018. Financial income also declined compared to the prior-year period mainly due to the exercise of the redemption option of the 2014/2019 corporate bond that was repaid in November 2017.

Total financial liabilities amounted to EUR 689.2 million as of 31 March 2018 and were slightly below the level of 31 December 2017 (EUR 694.9 million). This decline resulted from the repayment of loans.

The financial result totalled EUR -11.7 million in the first quarter (1Q 2017: EUR -5.5 million). The increase resulted from the year-on-year increase in minority interests to EUR -5.7 million (1Q 2017: EUR -1.1 million). The average nominal interest rate on financial debt amounted to 3.0% p.a. as of 31 March 2018 and was unchanged compared to the end of 2017.

Compared to the end of 2017 (60.1%), DEMIRE significantly improved its net loan-to-value (net LTV) by a further 200 basis points to 58.1% as of 31 March 2018.

Cash flow from operating activities amounted to EUR 7.4 million as of 31 March 2018 (1Q 2017: EUR 6.2 million). The lower cash flow in the prior year period had mainly been due to distributions to minority shareholders in the previous year.

Cash flow from investing activities decreased year-on-year by roughly EUR 11.9 million, primarily due to higher proceeds from the sale of real estate in the prior year period (EUR 13.8 million).

Cash flow from financing activities decreased by EUR 5.9 million to EUR -11.6 million. The Group had assumed financial liabilities of EUR 11.4 million in the previous year. In the first quarter of 2018, interest and principal payments declined compared to the first quarter of 2017.

Cash and cash equivalents totalled EUR 69.5 million as of the end of the first three months of 2018 (31 March 2017: EUR 43.5 million).

INTERIM FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENT OF INCOME

For the reporting period from 1 January to 31 March 2018

EURk	01/01/2018 –31/03/2018	01/01/2017 –31/03/2017
Rental income	18,256	18,540
Income from utility and service charges	5,742	6,210
Operating expenses to generate rental income	–10,843	–10,911
Profit/loss from the rental of real estate	13,155	13,839
Revenue from the sale of real estate	3	14,239
Expenses relating to real estate sales	–5	–14,433
Profit/loss from the sale of real estate	–2	–194
Profits from investments accounted for using the equity method	54	6
Profit/loss from investments accounted for using the equity method	54	6
Profit/loss from fair value adjustments in investment properties	32,078	155
Impairment of receivables	–80	–189
Other operating income	1,313	1,796
Other operating income and other effects	33,311	1,762
General and administrative expenses	–3,137	–3,565
Other operating expenses	–1,191	–2,663
Earnings before interest and taxes	42,190	9,185
Financial income	59	3,704
Financial expenses	–6,047	–8,056
Interests of minority shareholders	–5,723	–1,114
Financial result	–11,711	–5,466
Profit/loss before taxes	30,479	3,719
Income taxes	–151	–712
Deferred taxes	–9,502	–2,069
Net profit/loss for the period	20,826	938
Thereof, attributable to:		
Non-controlling interests	2,654	812
Parent company shareholders	18,173	126
Basic earnings per share	0.33	0.00
Diluted earnings per share	0.27	0.00

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the reporting period from 1 January to 31 March 2018

EURk	01/01/2018 – 31/03/2018	01/01/2017 – 31/03/2017
Net profit/loss for the period	20,826	938
Currency translation differences	0	54
Other comprehensive income	0	54
Total comprehensive income	20,826	992
Thereof, attributable to:		
Non-controlling interests	2,654	812
Parent company shareholders	18,173	180

CONSOLIDATED BALANCE SHEET

As of 31 March 2018

ASSETS EURk	31/03/2018	31/12/2017
ASSETS		
Non-current assets		
Intangible assets	6,978	6,985
Property, plant and equipment	1,852	1,875
Investment properties	1,053,634	1,021,847
Investments accounted for using the equity method	138	200
Other financial assets	1,990	1,990
Total non-current assets	1,064,592	1,032,897
Current assets		
Real estate inventory	1,734	1,734
Trade accounts receivable and other receivables	23,456	18,577
Financial receivables and other financial assets	5,407	5,184
Tax refund claims	2,762	2,588
Cash and cash equivalents	69,532	73,874
Total current assets	102,891	101,957
Non-current assets held for sale	12,662	12,262
TOTAL ASSETS	1,180,145	1,147,116

EQUITY AND LIABILITIES	31/03/2018	31/12/2017
EURk		
EQUITY AND LIABILITIES		
EQUITY		
Subscribed capital	54,289	54,271
Reserves	249,287	231,146
Equity attributable to parent company shareholders	303,576	285,417
Non-controlling interests	36,231	33,684
TOTAL EQUITY	339,807	319,101
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	52,387	42,893
Minority interests	77,639	71,931
Financial liabilities	664,514	665,767
Other liabilities	39	39
Total non-current liabilities	794,579	780,630
Current liabilities		
Provisions	2,974	1,016
Trade payables and other liabilities	15,686	14,663
Tax liabilities	2,461	2,559
Financial liabilities	24,638	29,147
Total current liabilities	45,759	47,385
TOTAL LIABILITIES	840,338	828,015
TOTAL EQUITY AND LIABILITIES	1,180,145	1,147,116

CONSOLIDATED STATEMENT OF CASH FLOWS

For the reporting period from 1 January to 31 March 2018

EURk	01/01/2018 – 31/03/2018	01/01/2017 – 31/03/2017
Group profit/loss before taxes	30,479	3,719
Financial expenses*	6,047	8,056
Interests of minority shareholders*	5,723	1,114
Financial income	–59	–3,704
Change in trade accounts receivable and other receivables	–5,052	–2,567
Change in financial receivables and other financial assets	–225	–997
Change in provisions	1,957	–404
Change in trade payables and other liabilities	646	2,763
Profit/loss from fair value adjustments in investment properties	–32,078	–155
Gains from the sale of real estate and real estate companies	2	194
Interest proceeds	0	100
Income taxes paid	–225	–131
Change in reserves	–13	149
Depreciation and amortisation and impairment	127	189
Distributions to minority shareholders/dividends	0	–1,914
Other non-cash items*	45	–221
Cash flow from operating activities	7,374	6,192
Payments for investments in property, plant and equipment	–134	–2,059
Payments for the purchase of investment properties and interests in fully consolidated companies, less net cash equivalents acquired	–15	0
Proceeds from the sale of real estate	0	13,839
Cash flow from investing activities	–149	11,780
Proceeds from the issuance of financial liabilities*	0	11,442
Interest paid on financial liabilities	–7,873	–8,280
Payments for the redemption of financial liabilities	–3,694	–8,879
Cash flow from financing activities	–11,567	–5,717
Net change in cash and cash equivalents	–4,342	12,254
Cash and cash equivalents at the start of the period	73,874	31,289
Cash and cash equivalents at the end of the period	69,532	43,543

* Previous-year figures have been adjusted due to changes in classification.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the reporting period from 1 January to 31 March 2018

EURk	SHARE CAPITAL		RESERVES				EQUITY ATTRIBUTABLE TO PARENT COMPANY SHARE-HOLDERS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
	SUBSCRIBED CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS INCL. GROUP PROFIT/LOSS	RESERVES FOR TREASURY SHARES	CURRENCY TRANSLATION				
01/01/18	54,271	0	231,433	-310	22	285,417	33,684	319,101	
Net profit/loss for the period	0	0	18,173	0	0	18,173	2,654	20,826	
Total comprehensive income	0	0	18,173	0	0	18,173	2,654	20,826	
Capital increase (related to the conversion of convertible bonds)	18	0	0	0	0	18	0	18	
Stock option programme	0	13	0	0	0	13	0	13	
Other changes	0	0	-23	0	-22	-45	-107	-151	
31/03/18	54,289	13	249,582	-310	0	303,576	36,231	339,807	
01/01/17	54,247	132,618	85,242	-310	147	271,945	36,692	308,637	
Currency translation differences	0	0	0	0	54	54	0	54	
Total other comprehensive income	0	0	0	0	54	54	0	54	
Net profit/loss for the period	0	0	126	0	0	126	812	938	
Total comprehensive income	0	0	126	0	54	180	812	992	
Capital increase (related to the conversion of convertible bonds)	9	0	0	0	0	9	0	9	
Stock option programme	0	149	0	0	0	149	0	149	
Other changes	0	3	17	0	-4	16	-25	-9	
31/03/17	54,256	132,770	85,385	-310	197	272,299	37,479	309,778	

Notes to the consolidated financial statements for the reporting period from 1 January to 31 March 2018

A. GENERAL INFORMATION

1. BASIS OF PREPARATION

DEMIRE Deutsche Mittelstand Real Estate AG (“DEMIRE AG”) is recorded in the commercial register in Frankfurt/Main, Germany, the location of the Company’s headquarters, under the number HRB 89041. The Company’s address was changed from Lyoner Straße 32, Frankfurt/Main, to Robert-Bosch-Straße 11, Langen, with the registration in the commercial register on 23 December 2016. The subject of these condensed interim consolidated financial statements as of 31 March 2018 is DEMIRE AG and its subsidiaries (“DEMIRE”).

The DEMIRE AG shares are listed in the Prime Standard segment of the Frankfurt Stock Exchange.

DEMIRE itself has not carried out any investments in real estate or real estate projects to date. Investments are generally processed through real estate companies. Interests in these real estate companies are either directly or indirectly held by DEMIRE (through intermediate holding companies). DEMIRE AG does not have direct ownership in any real estate. DEMIRE focuses on the German commercial real estate market and is active as an investor in and portfolio manager of secondary locations. DEMIRE itself carries out the acquisition, management and leasing of commercial properties. Value appreciation is to be achieved through active real estate management. This may also include the targeted sale of properties when they are no longer a strategic fit or have exhausted their potential for value appreciation.

The condensed interim consolidated financial statements for the period 1 January through 31 March 2018 were prepared in accordance with the requirements of IAS 34 “Interim Financial Reporting” (“IAS 34”). These statements were subject to an auditor’s review. The Company waived an audit certification.

DEMIRE AG’s condensed interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) pursuant to Section 315e of the German Commercial Code (HGB). All International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations of the IFRS Interpretations Committee (IFRS IC) – formerly the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) – that were mandatory for the 2018 fiscal year have been taken into consideration. Furthermore, all statutory disclosure and explanation requirements of the German Commercial Code (HGB) above and beyond the provisions of the IASB have been fulfilled.

Under IAS 34, the condensed interim consolidated financial statements shall represent an update of the previous financial year’s financial statements and, therefore, do not contain all of the information and disclosures required for consolidated financial statements but rather concentrate on new activities, events and circumstances so as not to repeat information that has already been reported. The interim consolidated financial statements of DEMIRE AG as of 31 March 2018 should therefore be viewed in conjunction with the consolidated financial statements prepared as of 31 December 2017.

The euro (EUR) is the reporting currency of the DEMIRE AG condensed interim consolidated financial statements. Unless otherwise stated, all amounts are expressed in thousands of euros (EURk). For computational reasons, rounding differences of +/- one unit (EUR, % etc.) may occur in the information presented in these financial statements.

These DEMIRE AG condensed interim consolidated financial statements were approved for publication by a resolution of the Executive Board on 30 May 2018.

B. SCOPE AND PRINCIPLES OF CONSOLIDATION

There were no changes to the scope of consolidation in the interim reporting period.

C. ACCOUNTING POLICIES

Compared to the consolidated financial statements as of 31 December 2017, there were changes in accounting policies due to the first (early) application of IFRS 9, 15 and 16. Otherwise, the accounting and valuation methods are unchanged. The effects of the first-time application are shown below.

With regard to IFRS 15 and 16, it should be noted that the modified retrospective approach of the conversion was chosen.

In the reporting period, EURk 99,625 were reclassified from the IAS 39 classification and measurement category loans and receivables to the IFRS 9 category amortised cost. The first-time application of the expected credit loss model has no significant effects.

The first-time application of IFRS 16 results in a balance sheet extension of EURk 970.

The first-time application of IFRS 15 has no material impact on the consolidated financial statements.

D. NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

1. EARNINGS BEFORE INTEREST AND TAXES

The profit/loss from the rental of real estate in the amount of EURk 13,155 (1Q 2017: EURk 13,839) is free from seasonal influences and consists of the following:

EURk	01/01/2018 -31/03/2018	01/01/2017 -31/03/2017
Rental income	18,256	18,540
Income from utility and service charges	5,742	6,210
Rental revenue	23,998	24,750
Allocable operating expenses to generate rental income	6,106	7,126
Non-allocable operating expenses to generate rental income	4,737	3,785
Operating expenses to generate rental income	10,843	10,911
Profit/loss from the rental of real estate	13,155	13,839

Rental revenue in the interim reporting period resulted exclusively from the rental of commercial real estate. The increase in non-allocable operating expenses to generate rental income mainly resulted from maintenance work, which will lead to an improvement in vacancy rates and rental income.

Earnings before interest and taxes of EURk 42,190 (1Q 2017: EURk 9,185) is not only affected by the profit/loss from the rental of real estate but also positively influenced by the profit/loss from the fair value adjustment in investment properties amounting to EURk 32,078 (1Q 2017: EURk 155). Other operating income amounted to EURk 1,313 (1Q 2017: EURk 1,796) and mainly originated from reversals of impairment of EURk 314 (1Q 2017: EURk 0), reversals of provisions and liabilities of EURk 459 (1Q 2017: EURk 313) and income from facility management of EURk 308 (1Q 2017: EURk 103).

Earnings were reduced by both the financial result of EURk –11,711 (1Q 2017: EURk –5,446) and general and administrative expenses of EURk 3,137 (1Q 2017: EURk 3,565). These consisted mainly of staff costs of EURk 1,559 (1Q 2017: EURk 885), accounting and auditing costs of EURk 278 (1Q 2017: EURk 837) and legal and consulting fees of EURk 262 (1Q 2017: EURk 680).

Earnings before interest and taxes also include other operating expenses of EURk 1,191 (1Q 2017: EURk 2,663), which mainly resulted from depreciation/amortisation of other assets of the Eastern European portfolio (CEE/CIS) amounting to EURk 657 and non-deductible input taxes of EURk 125 (1Q 2017: EURk 309). The decline in other operating expenses resulted from one-off items included in the first quarter of 2017 such as the recognition of the subsequent settlement of operating costs of Condor Objektgesellschaft YELLOW GmbH totalling EURk 614, an impairment of EURk 588 of prepaid expenses for investment subsidies paid in prior periods and processing fees for loans of EURk 345. The increase in deferred taxes of EURk 7,433 compared to the first quarter of 2017 (EURk 2,069) mainly resulted from valuation gains in investment properties and the expiration of tax loss carryforwards following the continued increase in the shareholding of existing shareholders (see the section “Subsequent Events”).

2. FINANCIAL RESULT

EURk	01/01/2018 –31/03/2018	01/01/2017 –31/03/2017
Financial income	59	3,704
Financial expenses	–6,047	–8,056
Interests of minority shareholders	–5,723	–1,114
Financial result	–11,711	–5,446

The decrease in financial expenses mainly resulted from the refinancing operations carried out in the 2017 financial year und the related reduction in the average interest rate on debt. The high level of financial income incurred in the comparable prior-year period resulted from valuation gains from the call option for the 2014/2019 corporate bond, which was derecognised in the fourth quarter of 2017 following the early redemption.

Interests of minority shareholders of EURk 5,723 (1Q 2017: EURk 1,114) pertain to minority shareholders of Fair Value REIT-AG subsidiaries recognised as liabilities. The increase in this item resulted from valuation gains in real estate held by these subsidiaries.

3. EARNINGS PER SHARE

EURk	01/01/2018 -31/03/2018	01/01/2017 -31/03/2017
Net profit/loss	20,826	938
Net profit/loss attributable to parent company shareholders	18,173	126
Interest expenses from convertible bonds	315	199
Net profit/loss attributable to parent company shareholders (diluted)	18,488	325
Number of shares in units		
Number of shares outstanding as of the reporting date	54,289	54,256
Weighted average number of shares outstanding	54,277	54,253
Impact of conversion of convertible bonds	14,156	13,629
Weighted average number of shares (diluted)	68,433	67,882
Earnings per share (EUR)		
Basic earnings per share (EUR)	0.33	0.00
Diluted earnings per share (EUR)	0.27	0.00

As of 31 March 2018, the Company had potential ordinary shares outstanding from the 2013/2018 convertible bond, which entitle the holders of the convertible bonds to make an exchange for 10,595,823 shares (31 December 2018: 10,613,963 shares) and the holders of the 2015/2018 mandatory convertible bond to make an exchange for 3,000,000 shares or EUR 15,000,000 (31 December 2018: EUR 15,000,000).

E. NOTES TO THE CONSOLIDATED BALANCE SHEET

1. INVESTMENT PROPERTIES

Investment properties are measured at fair value.

The fair values during the reporting period developed as follows:

EURk	2018	2017
Fair value as of the beginning of the financial year	1,021,847	981,274
Additions	109	6,247
Reclassifications to non-current assets, held for sale	-400	-10,440
Unrealised gains from fair value measurement	32,288	49,005
Unrealised losses from fair value measurement	-210	-4,240
Fair value as of 31 March of the financial year	1,053,634	1,021,847

The measurement of investment properties at fair value is to be allocated to Level 3 of the valuation hierarchy according to IFRS 13 (valuation based on unobservable inputs), which is shown in Appendix 2. DEMIRE determines the fair values in the context of the IAS 40 valuation based on DCF models.

A sensitivity analysis of the key input parameters revealed the following effect on the fair value of the investment properties:

CHANGE IN VALUE	DISCOUNT RATE/ PROPERTY YIELD		MARKET RENT ¹	
	-0.5%	+0.5%	-10%	10%
in EURk	64,100	-52,900	-82,249	83,170
in %	6.09	-5.03	-7.82	7.90

¹ Taking into account rental income, vacancy rates, administration and maintenance costs.

A substantial increase in maintenance costs, vacancy rates or property yields would lead to a lower fair value of the properties if the assumptions for the remaining input parameters remained unchanged.

2. FINANCIAL LIABILITIES

Financial liabilities as of the reporting date (31 March 2018) consisted of the following:

FINANCIAL LIABILITIES EURk	FIXED INTEREST	VARIABLE INTEREST	TOTAL
2017/2022 corporate bond	392,910	0	392,910
2013/2018 convertible bond	10,506	0	10,506
2015/2018 mandatory convertible bond (Debt component)	68	0	68
Other financial liabilities	237,329	48,339	285,668
Total	640,813	48,339	689,152

Financial liabilities as of the prior-year reporting date (31 December 2017) consisted of the following:

FINANCIAL LIABILITIES EURk	FIXED INTEREST	VARIABLE INTEREST	TOTAL
2017/2022 corporate bond	392,532	0	392,532
2013/2018 convertible bond	10,493	0	10,493
2015/2018 mandatory convertible bond (Debt component)	167	0	167
Other financial liabilities	249,627	42,095	291,722
Total	652,819	42,095	694,914

The following table shows the nominal value of financial liabilities as of the reporting date:

FINANCIAL LIABILITIES EURk	FIXED INTEREST	VARIABLE INTEREST	TOTAL
2017/2022 corporate bond	400,000	0	400,000
2013/2018 convertible bond	10,596	0	10,596
2015/2018 mandatory convertible bond (Debt component)	15,000	0	15,000
Other financial liabilities	238,193	48,359	286,552
Total	663,789	48,359	712,148

Financial liabilities as of the prior-year reporting date (31 December 2017) consisted of the following:

FINANCIAL LIABILITIES EURk	FIXE VERZINSUNG	VARIABLE VERZINSUNG	GESAMT
2017/2022 corporate bond	400,000	0	400,000
2013/2018 convertible bond	10,613	0	10,613
2015/2018 mandatory convertible bond (Debt component)	15,000	0	15,000
Other financial liabilities	247,499	42,101	289,600
Total	673,112	42,101	715,213

The interest on variable interest-bearing bank loans is based on EURIBOR plus an appropriate margin.

The nominal interest rate of the 2017/2022 corporate bond is 2.875% p. a., 6% p. a. for the 2013/2018 convertible bond and 2.75% p. a. for 2015/2018 mandatory convertible bond. Other financial liabilities mainly include bank liabilities with an average interest rate on debt of 3.21% as of 31 March 2018 (31 December 2017: 3.19%). The average interest rate on all financial liabilities amounted to 3.02% as of 31 March 2018 (31 December 2017: 3.04%).

A significant portion of other financial liabilities is a promissory note loan. This loan was subject to a nominal interest rate of 5.00% p. a. until 31 December 2016 and was due on 9 September 2019. Prolongation of this note until 2022 was arranged as of 1 January 2017 and resulted in a simultaneous reduction in the nominal interest rate to 4.00% p. a.

F. CONDENSED GROUP SEGMENT REPORTING

1 JANUARY 2018 – 31 MARCH 2018 EURk	CORE PORTFOLIO	FAIR VALUE REIT	CORPORATE FUNCTIONS/ OTHERS	GROUP
Total revenues	16,554	7,448	0	24,002
Segment revenues	38,176	19,139	132	57,447
Segment expenses	-8,357	-3,803	-3,097	-15,257
Net profit/loss for the period	20,225	7,165	-6,563	20,826
Additional information				
Segment assets	792,562	336,210	51,372	1,180,144
of which investments accounted for using the equity method	138	0	0	138
of which financial receivables and other financial assets	273	0	5,134	5,407
of which tax refund claims	879	3	1,880	2,762
of which non-current assets, held for sale	12,662	0	0	12,662
Segment liabilities	611,702	204,935	23,695	840,332
of which non-current financial liabilities	555,260	109,254	0	669,514
of which current financial liabilities	16,638	8,000	0	24,638
of which tax liabilities	2,461	0	0	2,461

1 JANUARY 2017 – 31 MARCH 2017 EURk	CORE PORTFOLIO	FAIR VALUE REIT	CORPORATE FUNCTIONS/ OTHERS	GROUP
Total revenues	27,606	10,983	400	38,989
Segment revenues	28,799	11,238	909	40,949
Segment expenses	-21,050	-6,923	-3,788	-31,761
Net profit/loss for the period	2,388	2,405	-3,855	938
Additional information				
Segment assets	737,378	330,659	33,054	1,101,090
of which investments accounted for using the equity method	16	0	116	132
of which financial receivables and other financial assets	2,936	0	11,852	14,788
of which tax refund claims	80	5	723	808
of which non-current assets, held for sale	35,527	210	0	35,737
Segment liabilities	427,934	209,432	153,946	791,312
of which non-current financial liabilities	366,343	122,794	136,549	625,686
of which current financial liabilities	16,863	9,259	12,582	38,704
of which tax liabilities	5,175	0	180	5,355

The segmentation of the data in the financial statements is based on the internal alignment according to strategic business segments pursuant to IFRS 8. The segment information provided represents the information to be reported to the Executive Board.

The DEMIRE Group is divided into the two business segments “Core Portfolio” and “Fair Value REIT”.

More than 10% of total revenue was generated with one customer in the “Core Portfolio” segment in the interim reporting period amounting to EURk 5,572 (1Q 2017: EURk 5,398)

G. OTHER DISCLOSURES

1. RELATED PARTY DISCLOSURES

There have been no material changes to the related party disclosures as compared to 31 December 2017. There have been no business transactions with members in key company positions during the reporting period, except for the compensation of the Executive Board mentioned in section G.5.

2. FINANCIAL INSTRUMENTS

For the following financial instruments carried at cost or amortised cost, the carrying amounts are not close to their fair values:

	31/03/2018		31/12/2017	
	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT
EURk				
Convertible bonds	60,859	10,574	60,148	10,660
Bonds	408,620	392,910	409,374	392,532

3. RISK REPORT

With respect to the risks to future business development, please refer to the disclosures made in the risk report contained in the consolidated financial statements as of 31 December 2017. No material changes to the Group's risk structure were made during the first quarter of 2018.

The Company assumes that the probability of the Redemption Offer being partially accepted has increased slightly as a result of the increased market volatility and the moderate decrease in price performance of the 2017/2022 corporate bond since the publication of the Redemption Offer to the bondholders related to the change of control obtained by the shareholder collective consisting of the Wecken Group and AEPF III S.à r.l. The Company has hedged the risk of a partial or full redemption at the repurchase price of 101% by means of an option to draw on a bridge financing.

4. OTHER DISCLOSURES

Real estate purchase agreements concluded in previous years that were still not in effect as of the 31 March 2018 reporting date did not result in any financial obligations.

Contractual obligations mainly existed for the modification and expansion of the properties in Eschborn and Wismar. The scope of these obligations has been defined. The resulting costs amounted to EURk 3,550 as of 31 March 2018. No other contractual obligations existed to acquire, build or develop any investment properties or to carry out any repairs, maintenance or improvements.

As of the 31 March 2018 interim reporting date, there were no obligations for future lease payments under long-term leasehold agreements.

5. GOVERNING BODIES AND EMPLOYEES

In accordance with the DEMIRE AG Articles of Association, the Executive Board is responsible for managing business activities.

The sole Executive Board member as of 31 March 2018 is: Mr Ralf Kind, CEO/CFO (CFO since 1 March 2017/CEO since 16 November 2017).

For the interim reporting period, performance-based remuneration of EURk 45 (1Q 2017: EURk 50), fixed remuneration of EURk 99 (1Q 2017: 153) and share-based payments of EURk 424 (1Q 2017: EURk 121) were recognised for the DEMIRE AG Executive Board.

There were no loans or advances granted to the Executive Board member, and no contingencies were assumed for his benefit.

6. EVENTS OCCURRING AFTER THE 31 MARCH 2018 INTERIM REPORTING DATE

On 26 February 2018, with the consent of the Supervisory Board, the Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG ("Company") resolved to increase the Company's share capital from authorised capital (the "capital increase") by EUR 5,425,774.00 by issuing 5,425,774 new, no-par value bearer shares with a notional interest in the share capital of EUR 1.00 each and full dividend entitlement as of 1 January 2017 (the "new shares") against cash contribution and by excluding shareholders subscription rights.

The new shares were issued at a price of EUR 4.35 per new share. AEPF III 15 S.à r.l. ("AEPF"), Luxembourg, a holding company controlled by funds, which in turn are advised by an affiliate of Apollo Global Management, LLC (NYSE: APO), will be entitled to subscribe to all of the new shares. AEPF has entered into a subscription agreement with the Company, in which AEPF undertakes to subscribe to all new shares at an issue price of EUR 4.35. The capital increase was entered in the commercial register on 5 April 2018.

AEPF has entered into a cooperation agreement (“acting in concert”) connected to the capital increase with the Company’s main shareholder, Wecken und Cie. (“Wecken”) and a subsidiary of Wecken and members of the Wecken family (together with Wecken, the “Wecken Group”), who at the time of the announcement collectively held a stake of 29.91% of the Company’s share capital and exchangeable bonds permitting the purchase an additional 10.23% in the Company’s current share capital following the exercise of the exchange rights. As a result of its acquired control over the Company, AEPF announced the publication of a mandatory tender offer to the shareholders of the Company to acquire all shares of the Company at a price of EUR 4.35 per share. The offer document was published on 16 April 2018 and is available at www.aepf-mandatory-offer.de/en/. By way of a voting right notification dated 22 May 2018, the Company was informed that the collective consisting of Wecken and AEPF had collectively held 76.52% of the voting rights. The threshold was exceeded on 18 May 2018.

On 16 April 2018, AEPF published the offer document as defined by Section 11 WpÜG for its voluntary public takeover offer made to the shareholders of Fair Value REIT-AG according to Sections 34, 14 (2) and (3) of the WpÜG. The aim of the offer is to acquire all bearer shares of the target company (ISIN DE000A0MW975), each with a notional interest in the share capital of EUR 2.00 including all ancillary rights, and particularly the right to dividends existing as of the date of the settlement of the offer for cash consideration as defined by Section 11 (2) sentence 2, no. 4 WpÜG of EUR 8.28 per Fair Value share. In the joint opinion of the Management Board and Supervisory Board of Fair Value REIT-AG dated 26 April 2018, a recommendation was issued to Fair Value shareholders to accept the offer.

On 26 July 2017, DEMIRE issued an unsecured corporate bond at an interest rate of 2.875% p. a. and a nominal amount of EUR 270 million, which was increased by additional EUR 130 million to an overall amount of EUR 400 million on 2 October 2017 (“2017/2022 bond”). Pursuant to the bond terms, within 30 days after obtaining knowledge of the change of control, DEMIRE is obliged to offer the bondholders early redemption of the bond at a redemption price of 101% of the nominal amount plus any interest accrued and unpaid as of the

redemption date (“Redemption Offer”). In the event of a change of control, the total maximum repayment amount under the Redemption Offer would thus be EUR 404 million plus any interest accrued and unpaid.

A change of control pursuant to the bond terms occurred based on the relevant information that became available to the Company on a confirmed basis for the first time on 16 April 2018 with the publication of the offer document. DEMIRE is, therefore, obliged to issue a Redemption Offer pursuant to the bond terms. DEMIRE has published a Redemption Offer on 16 May 2018, among others, on its website. Bondholders can request redemption until 14 June 2018, 11.00 CEST.

On 22 May 2018, the 2015/2018 mandatory convertible bond was exchanged into three million bearer shares in accordance with the bond terms.

Prior to the publication of the interim statement, a total of 78,620 conversion rights from the 2013/2018 convertible bond were exercised creating 78,620 new no-par value bearer shares.

Frankfurt/Main, 30 May 2018

DEMIRE Deutsche Mittelstand Real Estate AG



Dipl.-Betriebsw. (FH)

Ralf Kind

Executive Board Member (CEO/CFO)

APPENDIX: VALUATION PARAMETERS ACCORDING TO IFRS 13 AS OF 31 MARCH 2018

	31/03/2018
Average market rent (in EUR per m ² , per year) ¹	85.52
Range of market rent (in EUR per m ²)	33.55 – 203.68
Rentable space as at balance sheet date (in m ²)	913,619
Vacant space as at balance sheet date (in m ²)	111,178
Value-based vacancy rate according to EPRA (in %)	8.03
Average vacancy rate based on the rentable space (in %)	11.89
Range of vacancy rate based on the rentable space (in %)	0.00 – 100
Weighted Average Lease Term – WALT (in years)	4.78

¹ Average market rent was calculated based on rentable space as of 31 March 2018.

The basis for rental income planning is the rental payments contractually agreed with the tenants as well as the prevailing customary local market rents for unleased space on the valuation date. The contractually agreed monthly rents per square metre on the valuation date for the various types of use are shown in the table below:

CONTRACTUAL RENTS		31/03/2018
EUR		
Office	Min.	3.32
	Max.	13.03
	Avg.	7.47
Retail	Min.	3.20
	Max.	19.28
	Avg.	8.36
Others	Min.	1.39
	Max.	5.91
	Avg.	3.24
	Min.	2.76
	Max.	19.28
Total	Avg.	7.29

	31/12/2017
Average market rent (in EUR per m ² , per year) ¹	85.21
Range of market rent (in EUR per m ²)	33.55 – 204.02
Rentable space as at balance sheet date (in m ²)	913.802
Vacant space as at balance sheet date (in m ²)	125.285
Value-based vacancy rate according to EPRA (in %)	9.40
Average vacancy rate based on the rentable space (in %)	14.30
Range of vacancy rate based on the rentable space (in %)	0.00 – 100
Weighted Average Lease Term – WALT (in years)	4.73

¹ Average market rent was calculated based on rentable space as of 31 December 2017.

The basis for rental income planning is the rental payments contractually agreed with the tenants as well as the prevailing customary local market rents for unleased space on the valuation date. The contractually agreed monthly rents per square metre on the valuation date for the various types of use are shown in the table below:

CONTRACTUAL RENTS		31/12/2017
EUR		
Office	Min.	3.32
	Max.	13.08
	Avg.	7.95
Retail	Min.	3.20
	Max.	19.26
	Avg.	10.32
Others	Min.	2.89
	Max.	5.91
	Avg.	3.08
	Min.	2.82
	Max.	19.26
Total	Avg.	7.56

Disclaimer

This interim statement contains forward-looking statements and information. Such forward-looking statements are based on our current expectations and 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, business strategy and results. These factors may result in a significant divergence in the actual results, success, 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, believed, projected or estimated results. DEMIRE accepts no obligation and does not intend to update these forward-looking statements or to correct them in the event of developments other than those expected.

Imprint

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The Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG

CONCEPT AND LAYOUT

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STATUS

As of May 2018



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