

Half-Year Financial Report

1 January – 30 June 2020



Highlights H1 2020



KEY EARNINGS FIGURES

16.9

in EUR millions

FFO I (after taxes, before minorities),
+ 5.9 % compared to H1 2019

43.8

in EUR millions

Rental income, + 14.7 %
compared to H1 2019



KEY FINANCIAL INDICATORS

46.2

in per cent

Net loan-to-value ratio (net LTV),
compared to 46.7 % at year-end 2019,
offers room to manoeuvre for further
growth

1.78

in per cent p.a.

Average nominal interest costs –
declined 6 basis points compared
to year-end 2019

6.41

in EUR

Net asset value
(EPRA NAV diluted),
increased by EUR 0.09 per share
compared to year-end 2019



PORTFOLIO DEVELOPMENT

1.5

in EUR billions

Portfolio value + 1.0 %
compared to year-end 2019

89.0

in EUR millions

Annualised rental income,
increases 1.9 % year-on-year

4.8

in years

WALT, unchanged compared to
year-end 2019

8.5

in per cent

EPRA vacancy rate,
drops compared to 9.4 %
as at 31 December 2019

70,000

in m²

Letting performance
+ 48.4 % compared to Q1 2020

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Foreword by the Executive Board

**Dear Shareholders,
Ladies and Gentlemen,**

The first half of 2020 was marked by extraordinary events. Particularly in the second quarter, numerous sectors of the economy in Germany, as in many other countries, were severely affected by the COVID-19 pandemic. The real estate industry must also contend with a new environment as well as new challenges. Once booming asset classes are now facing challenges that are still not entirely foreseeable at this point in time.

Although the further course of the pandemic and the potential impact on the real estate markets and our Company cannot yet be conclusively assessed, our portfolio has so far proven to be robust overall. DEMIRE's business activities did not suffer any major impact in the first quarter of the year, and during the entire second quarter only 4.1 per cent of the contractually agreed annual rents were not paid by tenants. Amid the challenging situation of an interim lockdown and continuing restrictions, we are pleased to see that our "REALIZE POTENTIAL" strategy is proving its sustainability, even in more economically turbulent waters. Despite the adverse effects of the COVID-19 pandemic, we were able to increase our rental income by roughly 14.7 per cent to EUR 43.8 million in the first half of 2020. In the same period, funds from operations (FFO I, after taxes, before minorities) increased by around 5.9 per cent to EUR 16.9 million. The key property-specific

portfolio indicators are also performing within our original expectations as a result of the continued strong letting performance and the strategic streamlining of the core portfolio: The EPRA vacancy rate fell to 8.5 per cent and the WALT remained at a constant 4.8 years compared to the end of 2019.

Particularly in light of the current uncertainties but also with a view to the potential growth opportunities in the current market environment, we have continued to move forward with a variety of efficiency and liquidity securing efforts with a comprehensive group of measures and recently signed two additional loans for EUR 62.5 million in total. These loans were concluded at very favourable conditions and can be drawn on short notice. Refinancing activities that had already been completed are also contributing to lower nominal interest expenses at a rate of now 1.78 per cent, along with a net loan-to-value ratio (net LTV) of 46.2 per cent. It remains our goal to increase the portfolio's value in the medium term from its current level of around EUR 1.5 billion. The aforementioned measures, together with a continued good liquidity situation, will give us further headroom to manoeuvre.

As part of the annual review of the issuer ratings, the rating agencies Standard & Poor's and Moody's have confirmed DEMIRE's creditworthiness at the previous levels of Ba2 and BB, respectively. We also see this as recognition of the fundamental robustness of our business model and continue to aim for an "investment grade"

rating in the medium term so that we can further improve the financing conditions for our continued growth.

A glance at the positive development of rental payments in July and August (we received 97 per cent and 96 per cent of the target rents, as of 12 August 2020) also gives us confidence about our development during the remainder of the financial year. Now, DEMIRE plans rental income of between EUR 85 and 87 million (2019: EUR 81.8 million) for the 2020 financial year, and FFO I (after taxes, before minorities) is expected to be between EUR 36 and 38 million (2019: EUR 34.5 million). This guidance is based on the assumption that there will be no further lockdown in Germany and does not take into consideration possible acquisitions or disposals of DEMIRE in the second half of 2020.

Frankfurt am Main, 19 August 2020



Ingo Hartlief FRICS
CEO



Tim Brückner
CFO



The Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG:

Ingo Hartlief FRICS, CEO (right), and
Tim Brückner, CFO (left)

DEMIRE at a glance

KEY GROUP FIGURES

KEY EARNINGS FIGURES in EUR thousands	01/01/2020 –30/06/2020	01/01/2019 –30/06/2019
Rental income	43,843	38,226
Profit/loss from the rental of real estate	32,979	31,985
EBIT	21,845	54,908
Financial result	-9,926	-14,033
EBT	11,981	40,874
Net profit/loss for the period	9,260	34,156
Net profit/loss for the period attributable to parent company shareholders	8,275	31,775
Net profit/loss for the period per share (basic/diluted) in EUR	0.08/0.08	0.29/0.29
FFO I (after taxes, before minorities)	16,852	15,908
FFO I per share (basic/diluted) in EUR	0.16/0.16	0.15/0.15
KEY PORTFOLIO INDICATORS	30/06/2020	31/12/2019
Properties (number of)	84	90
Market value (in EUR millions)	1,503.5	1,488.4
Contractual rents (in EUR millions)	89.0	90.0
Rental yield (in %)	5.9	6.0
EPRA vacancy rate (in %)	8.5	9.4
WALT (in years)	4.8	4.8

KEY BALANCE SHEET FIGURES in EUR thousands	30/06/2020	31/12/2019
Total assets	1,657,604	1,677,416
Investment properties	1,511,756	1,493,912
Non-current assets held for sale	10,400	16,305
Total real estate portfolio	1,522,156	1,510,216
Financial liabilities	784,471	806,969
Cash and cash equivalents	81,006	102,139
Net financial liabilities	703,465	704,831
Net loan-to-value in % (net LTV)	46.2	46.7
Equity according to Group balance sheet	669,217	660,782
Equity ratio in %	40.4%	39.4
Net asset value (NAV) in the reporting period	621,395	613,351
EPRA NAV (basic/diluted)	693,356/ 693,866	684,131/ 684,641
EPRA NNNNAV (diluted)	633,035	594,151
Number of shares in thousands (basic/diluted)	107,777/ 108,282	107,777/ 108,287
EPRA NAV per share (basic/diluted) in EUR	6.43/6.41	6.35/6.32

PORTFOLIO HIGHLIGHTS

As at 30 June 2020

1.5

Market value of the real estate portfolio
(in EUR billions)

84

Assets at 63 locations
in 15 federal states

89.0

Annualised contractual rents
(in EUR millions)

64.4

Office share of the total portfolio
by market value (in %)

8.09

Average rent across the portfolio
(in EUR/m²)

8.5

EPRA vacancy rate
across the portfolio (in %)

5.9

Gross rental yield (in %)

PROPERTY TYPE / USE



Office



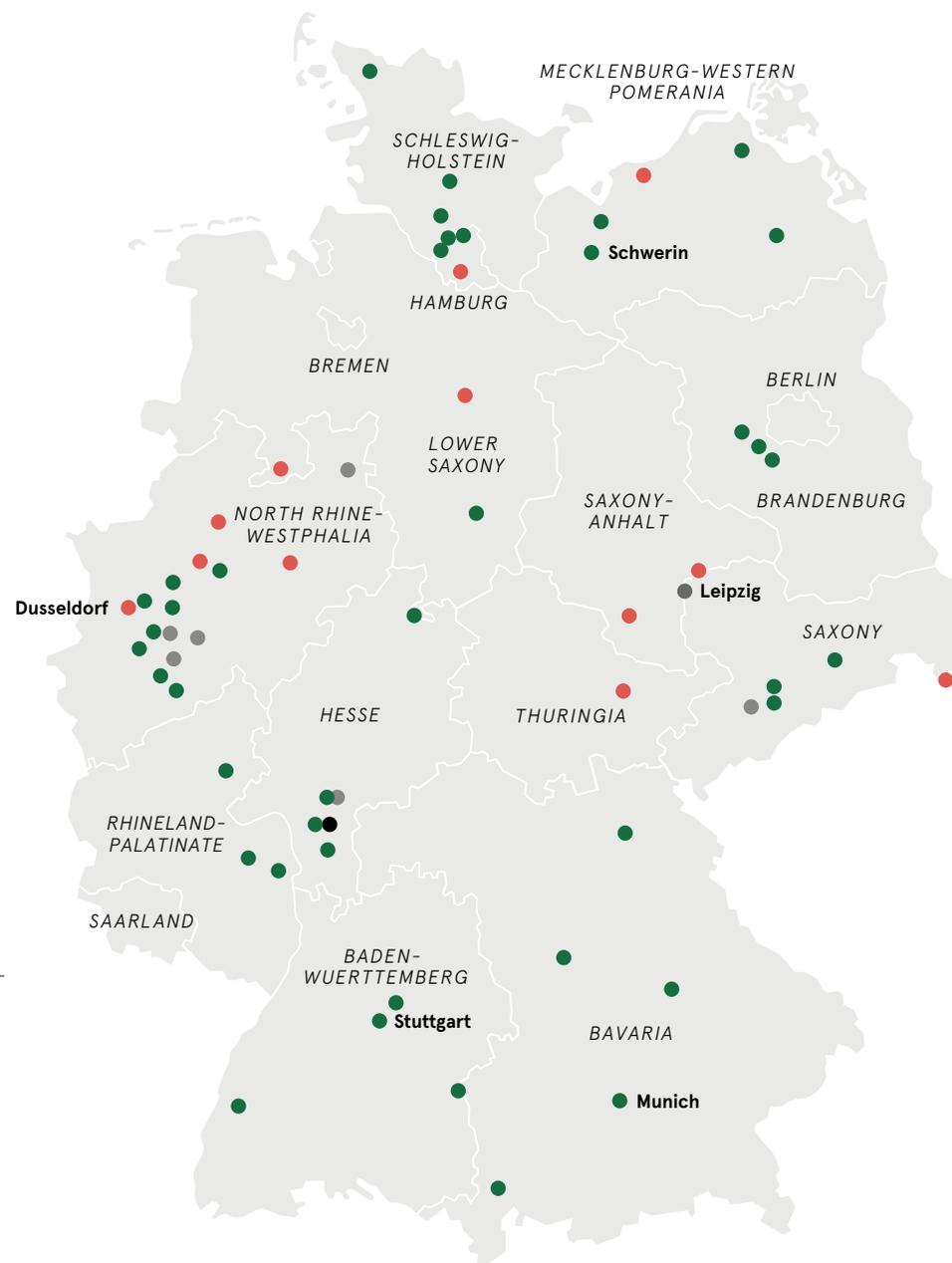
Retail



Logistics
and Others



Corporate
locations



DEMIRE ON THE CAPITAL MARKET

DEMIRE KEY SHARE DATA

SHARE	AS AT 30/06/2020
ISIN	DE000A0XFSFO
Symbol/ticker	DMRE
Stock exchange	Frankfurt Stock Exchange (FSE); Xetra Open markets in Stuttgart, Berlin, Dusseldorf
Market segment	Regulated Market (Prime Standard)
Designated sponsors	BaaderBank, Pareto Securities AS
Share capital	EUR 107,777,324
Number of shares	107,777,324
Closing price 30/06/2020 (Xetra)	EUR 4.40
Average daily trading volume 01/01 – 30/06/2020	8,470
Market capitalisation	EUR 474.2 million
Free float < 3%	11.43%

DEMIRE SHARES

Since the beginning of the year and over a period of 12 months, DEMIRE shares have slightly underperformed the DAX but have outperformed the EPRA/NAREIT Developed Europe real estate index. Over the last 12 months ending on 30 June 2020, DEMIRE shares have declined slightly by – 5.2%, while the DAX 30 lost 1.7% and the EPRA/NAREIT Developed Europe sector index lost 10.4%. In the first six months of 2020, DEMIRE shares registered a decline of 17.9% and performed weaker than the DAX 30 (– 7.1%) but better than the EPRA/NAREIT Developed Europe, which over the same period lost 21.3%.

DEMIRE's market capitalisation as at 30 June 2020 was approximately EUR 474.2 million.

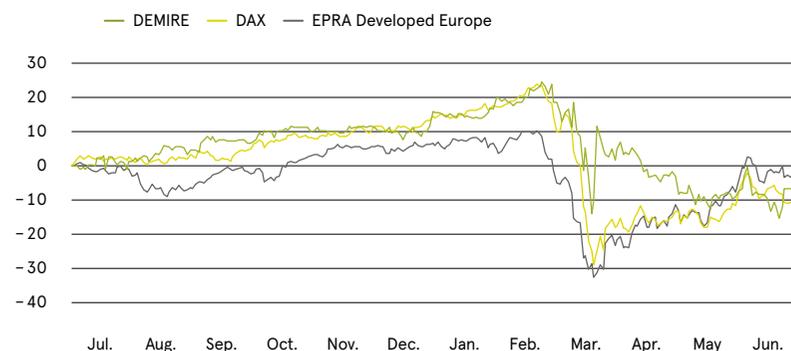
During the remainder of the year, DEMIRE's management intends to maintain an active dialogue with shareholders through virtual as well as physical roadshows and investor conferences to the extent possible.

SHAREHOLDER STRUCTURE

DEMIRE's shareholder structure remained unchanged in the first half of 2020. Apollo-managed funds and the Wecken Group still hold around 88.57% of the shares; the free float is around 11.43%. After the reporting date, DEMIRE completed a public share buy-back for 2.0 million shares. The Company now holds 1.86% of the shares, and the free float is 9.57%.

SHARE PRICE PERFORMANCE FROM 01/07/2019 – 30/06/2020

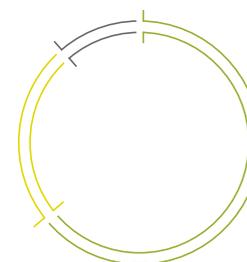
in %



SHAREHOLDER STRUCTURE AS AT 30 JUNE 2020

in %

- 64.07 Apollo (AEPF III 15 S. à r.l.)^{1,2}
- 24.50 Wecken Group²
- 11.43 Free float (Shareholding < 3%)



¹ Incl. subsidiaries; ² Acting in concert
 Sources: WpHG notifications and own calculations

DEMIRE BONDS**2019 / 2024 CORPORATE BOND**

Name	DEMIRE Senior Notes 2019 / 2024
Issuer	DEMIRE Deutsche Mittelstand Real Estate AG
Rating	Ba2 (Moody's), BB+ (S & P)
Stock exchange listing / trading	Open market of the Luxembourg Stock Exchange, Euro MTF
Applicable law	German law
ISIN	DE000A2YPAK
WKN	A2YPAK
Total nominal amount	EUR 600,000,000
Issue price	99.407 % of nominal value
Denomination	EUR 100,000
Coupon	1.875 %
Interest payment dates	On 15 April and 15 October, starting on 15 April 2020
Maturity date	15 October 2024
Yield-to-maturity	2.00 %
Distribution	Regulation S, excl. registration rights
Redemption	Non-call life (with three-month option for early redemption)
Change of control	At 101%, plus accumulated and unpaid interest

RATINGS FROM S & P AND MOODY'S

In June 2020, the Standard & Poor's and Moody's rating agencies reviewed and confirmed their assessment of DEMIRE as an issuer as part of their annual rating reviews. The next regularly scheduled rating review is in June 2021.

Rating assessments help DEMIRE increase its transparency through the independent assessment of its business activities. Over the medium term, DEMIRE aims to improve its risk profile to gain an "investment grade" rating to enable it to finance its planned growth at more favourable conditions using capital market instruments.

DEMIRE RATING – AS AT 30 / 06 / 2020

RATING AGENCY	COMPANY		BOND
	RATING	OUTLOOK	RATING
Standard & Poor's	BB	Stable	BB+
Moody's	Ba2	Stable	Ba2

Interim group management report for the reporting period from 1 January to 30 June 2020

ECONOMIC REPORT

BUSINESS PERFORMANCE

Following its successful development in 2019, DEMIRE started the 2020 financial year on strong footing. Since March, the corona pandemic has been affecting developments on the real estate markets. Overall, the effects of the pandemic on DEMIRE that have been visible until now are tolerable as well as manageable. The consistent implementation of the “REALIZE POTENTIAL” strategy together with the diversity of the portfolio form a good basis for DEMIRE’s medium-term growth target and have helped to effectively limit the negative impact of the pandemic on the business development in the first half of 2020. In addition, the optimisation of the portfolio continued through the implementation of operational measures and the sale of seven non-strategic properties.

DEMIRE’s key performance indicators in the first half of 2020 developed positively overall:

- Rental income rose 14.7% to EUR 43.8 million
- Funds from operations (FFO I, after taxes, before minorities) increased 5.9% to EUR 16.9 million
- Strong letting performance continued, reaching roughly 70,000 m² in the first half of 2020 after averaging approximately 80,000 m² per full year in the past
- The EPRA vacancy rate continued to fall to 8.5%; WALT remained stable at 4.8 years
- Average property value increased to EUR 17.9 million (31 December 2019: EUR 16.5 million) from streamlining of the portfolio
- The net loan-to-value ratio, at 46.2%, remained below the target of 50%
- EPRA NAV per share (diluted) increased in the first six months of 2020 by 1.4% to EUR 6.41 per share

- Liquidity as at the reporting date was EUR 81.0 million, and additional committed credit lines in excess of EUR 60 million are in place with no significant maturities arising before 2024

IMPACT OF COVID-19 ON BUSINESS DEVELOPMENT

While the figures for the first quarter of 2020 do not yet show any significant impact on DEMIRE’s business development from the corona pandemic, a number of tenants during the second quarter have made use of the option to defer their rental payments. As a result, a total of EUR 1.1 million was unpaid in April, EUR 1.2 million in May and EUR 1.4 million in June, mainly by retail and hotel tenants.

The situation largely returned to normal after the reporting date. In July, 97% of the monthly contractual rent was collected and 96% in August (as of 12 August 2020). Moreover, under the Corona Act, the unpaid rents are not deemed as defaulted but must be paid in arrears until June 2022 and are, therefore, considered a receivable. Consequently, the balance sheet item “Trade accounts receivable” increased as of the reporting date, with EUR 0.8 million of the deferred rent already paid after the reporting date. Individual payment plans were agreed to with the respective tenants, but no rent waivers. Receivables in the amount of EUR 2.2 million were impaired through profit or loss for those tenants who are either involved in insolvency proceedings or on the verge of insolvency.

Meanwhile, the programme of measures adopted by the Executive Board back in March, which specifically includes efficiency measures and liquidity protection, continues to be implemented. For example, secured mortgage loan agreements totalling EUR 62.5 million were signed at favourable terms after the reporting date and can be drawn at any time. Together with the freely available liquidity, DEMIRE is in a posi-

tion to proactively take advantage of any growth opportunities arising in this special situation. DEMIRE's declared objective continues to be to increase the value of the portfolio and to grow further through active portfolio management.

Given this background, DEMIRE expects the robust development to continue over the course of the current financial year and publishes a new guidance. Rental income is expected to be between EUR 85 and 87 million (2019: EUR 81.8 million) for the 2020 financial year, and FFO I (after taxes, before minorities) is expected to reach between EUR 36 and 38 million (2019: EUR 34.5 million).

This guidance is based on the assumption that there will be no further lockdown in Germany and does not take into consideration possible acquisitions and/or disposals of DEMIRE in the second half of 2020.

REAL ESTATE PORTFOLIO

As at 30 June 2020, the portfolio consists of 84 commercial properties with lettable floor space of around 1.023 million m² and a total market value of around EUR 1.5 billion. An external property valuation of the portfolio was last performed on 31 December 2019.

The EPRA vacancy rate of the portfolio as at 30 June 2020 further improved to 8.5% compared to 9.4% as at 31 December 2019. The WALT amounted to 4.8 years as at 30 June 2020 and remained constant compared to the end of 2019 due to strong letting activity. In the reporting period, DEMIRE's letting performance reached roughly 70,000 m². New lettings contributed around 78.9% of letting performance and follow-on lettings made up around 21.1%.

TOP 10 TENANTS (AS AT 30 / 06 / 2020)				
NO.	TENANT	TYPE OF USE	CONTRACTUAL RENT P. A.*	
			in EUR millions	in % of total
1	GMG / Deutsche Telekom	Office	14.9	16.8
2	Imotex	Retail	5.4	6.1
3	GALERIA Karstadt Kaufhof	Retail	5.3	6.0
4	BlmA – Bundesanstalt für Immobilienaufgaben	Office	2.0	2.3
5	Roomers	Hotel	1.8	2.1
6	Sparkasse Südholstein	Office	1.7	1.9
7	ThyssenKrupp	Office	1.7	1.9
8	Momox GmbH	Logistics	1.7	1.9
9	HPI Germany	Hotel	1.5	1.6
10	comdirect bank AG	Office	1.2	1.3
Sub-total			37.3	41.9
Other			51.7	58.1
Total			89.0	100.0

* According to annualised contractual rent, excl. service charges

PORTFOLIO BY ASSET CATEGORY

	NUMBER OF PROPERTIES	MARKET VALUE IN EUR MILLIONS	SHARE IN %	LETTABLE SPACE IN THOUSAND M ²	VALUE / M ²	CONTRACTUAL RENT IN EUR MILLIONS P. A.	CONTRACTUAL RENT PER M ²	RENTAL YIELD IN %	EPRA VACANCY RATE IN %*	WALT IN YEARS
Office	59	968.3	64.4	610.7	1,585.4	54.8	8.53	5.7	11.4	3.8
Retail	18	376.9	25.1	221.2	1,704.4	25.4	9.88	6.8	2.1	6.1
Logistics & Others	7	158.3	10.5	191.1	828.2	8.7	4.37	5.5	7.2	6.6
Total 30/06/2020	84	1,503.5	100.0	1,023.0	1,469.7	89.0	8.09	5.9	8.5	4.8
Total 31/12/2019	90	1,488.4	100.0	1,118.8	1,329.3	90.0	7.50	6.0	9.4	4.8
Change in %/pp	- 6.7 %	+ 1.0 %	-	- 8.6 %	+ 10.6 %	- 1.1 %	+ 7.9 %	- 0.1 pp	- 0.9 pp	0.0 years

* Excl. properties held for sale

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS**RESULTS OF OPERATIONS**

In the first half of 2020, the DEMIRE Group generated rental income totalling EUR 43.8 million (previous year: EUR 38.2 million), for an increase of 14.7% over the same prior-year period. The profit/loss from the rental of real estate rose to EUR 33.0 million. This increase was primarily a result of property purchases and rent increases, while property sales had an offsetting effect. Sales proceeds of EUR 33.3 million were realised from the sale of seven non-strategic properties. The profit/loss from the sale of real estate of EUR -1.8 million was dominated by transferred construction obligations of EUR 0.8 million for the property in Eisenhüttenstadt, as well as sales commissions. This was offset by a debtor warrant, which did not take effect until after the reporting date in July 2020. A valuation of the portfolio will be carried out in the second half of 2020. Consequently, the profit/loss from fair value adjustments in investment properties to date has totalled EUR 0 (previous year: EUR 29.1 million).

Impairments of receivables were primarily due to tenant insolvencies (EUR -2.2 million) and the reversal of capitalised rent-free periods for the department store

in Trier (EUR -1.5 million). After the reporting date, a contract adjustment with a retail tenant took effect with slightly modified conditions, which has been honoured so far according to the contract. General and administrative expenses in the first half of 2020 declined to EUR 5.7 million (previous year: EUR 5.8 million). As a result, earnings before interest and taxes (EBIT) amounted to EUR 21.8 million (previous year: EUR 54.9 million).

The effects of the refinancing activities carried out in 2019 were clearly reflected in the financial result, which amounted to EUR -9.9 million in the first six months of 2020. This was equivalent to an improvement of EUR 4.1 million compared to the previous year's figure of EUR -14.0 million. Financial expenses fell by EUR 2.6 million from EUR -11.8 million in the first six months of 2019 to EUR -9.1 million in the reporting period following the issue of the 2019/2024 corporate bond and the redemption of the 17/22 bond and the promissory note. Furthermore, the profit attributable to minority interests also fell to EUR -1.2 million (previous year: EUR -2.7 million). The average nominal interest rate on financial debt as at 30 June 2020 improved by 6 basis points compared to the end of 2019 to a nominal 1.78% p. a.

Earnings before taxes (EBT) amounted to EUR 11.9 million in the reporting period, compared to EUR 40.9 million in the previous year. The profit for the period for the first half of 2020 was EUR 9.3 million, compared to EUR 34.2 million in the same period of the previous year. The prior-year figure includes a valuation effect of EUR 29.1 million.

CONSOLIDATED STATEMENT OF INCOME (Selected information in EUR thousands)	01/01/2020 - 30/06/2020	01/01/2019 - 30/06/2019	CHANGE	IN %
Rental income	43,843	38,226	5,617	14.7 %
Income from utility and service charges	12,386	11,278	1,108	9.8 %
Operating expenses to generate rental income	- 23,250	- 17,519	- 5,731	32.7 %
Profit/loss from the rental of real estate	32,979	31,985	994	3.1 %
Income from the sale of real estate and real estate companies	33,340	1,195	32,145	>100 %
Expenses relating to the sale of real estate and real estate companies	- 35,159	- 1,330	- 33,828	>100 %
Profit/loss from the sale of real estate and real estate companies	- 1,819	- 135	- 1,684	>100 %
Profit/loss from fair value adjustments in investment properties	0	29,135	- 29,135	- 100.0 %
Impairment of receivables	- 3,747	- 548	- 3,199	>100 %
Other operating income	965	550	415	75.5 %
General and administrative expenses	- 5,654	- 5,797	143	- 2.5 %
Other operating expenses	- 880	- 281	- 598	>100 %
Earnings before interest and taxes	21,845	54,908	- 33,063	- 60.2 %
Financial result	- 9,926	- 14,033	4,107	- 29.3 %
Profit/loss before taxes	11,918	40,874	- 28,956	- 70.8 %
Current income taxes	- 1,477	- 1,028	- 449	43.7 %
Deferred taxes	- 1,181	- 5,691	4,510	- 79.3 %
Net profit/loss for the period	9,260	34,156	- 24,895	- 72.9 %
Thereof attributable to parent company shareholders	8,275	31,775	- 23,500	- 74.0 %
Basic earnings per share (EUR)	0.08	0.29	- 0.21	- 73.5 %
Weighted average number of shares outstanding (in thousands)	107,777	107,777	0	0 %
Diluted earnings per share (EUR)	0.08	0.29	- 0.21	- 73.6 %
Weighted average number of shares outstanding, diluted (in thousands)	108,287	108,287	0	0 %

NET ASSETS

As at 30 June 2020, total assets decreased slightly by EUR 19.8 million compared to the end of 2019 to approximately EUR 1,657.6 million. This decline was primarily a result of the disposal of seven properties, which was offset by the addition of one property in the reporting period. The value of investment property amounted to EUR 1,511.8 million as at 30 June 2020, representing an increase of EUR 17.8 million or 1.2% over the value as at 31 December 2019. Non-current assets held for sale totalled EUR 10.4 million and include a partial property in Darmstadt, the sale of which was finalised after the reporting date.

Group equity as at 30 June 2020 totalled approximately EUR 669.2 million, which was higher compared to the level on 31 December 2019 (EUR 660.8 million) due to the profit for the period. Consequently, the equity ratio improved to 40.4% (31 December 2019: 39.4%). It should be noted that non-controlling minority interests in the amount of around EUR 77.8 million (31 December 2019: EUR 78.7 million) are carried as non-current liabilities and not as equity in accordance with IFRS, solely as a result of the legal form of Fair Value REIT's fund participations as partnerships. The corresponding adjusted Group equity totalled around EUR 747.0 million (31 December 2019: EUR 739.5 million).

Total financial liabilities as at 30 June 2020 amounted to EUR 784.5 million and, as a result of the scheduled repayment of a loan, were reduced by EUR 22.5 million compared to the level as at 31 December 2019 (EUR 807.0 million).

013 Interim group management report

Net assets, financial position and results of operations

CONSOLIDATED BALANCE SHEET – ASSETS (Selected information in EUR thousands)	30/06/2020	31/12/2019	CHANGE	IN %
ASSETS				
Total non-current assets	1,539,983	1,520,671	19,312	1.3 %
Total current assets	107,221	140,440	- 33,220	- 23.7 %
Assets held for sale	10,400	16,305	- 5,905	- 36.2 %
TOTAL ASSETS	1,657,604	1,677,416	- 19,812	- 1.2 %
CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES (Selected information in EUR thousands)	30/06/2020	31/12/2019	CHANGE	IN %
EQUITY AND LIABILITIES				
EQUITY				
Equity attributable to parent company shareholders	621,395	613,351	8,044	1.3 %
Non-controlling interests	47,822	47,431	391	0.8 %
TOTAL EQUITY	669,217	660,782	8,435	1.3 %
LIABILITIES				
Total non-current liabilities	909,796	911,587	- 1,791	- 0.2 %
Total current liabilities	78,590	105,046	- 26,456	- 25.2 %
TOTAL LIABILITIES	988,386	1,016,633	- 28,247	- 2.8 %
TOTAL EQUITY AND LIABILITIES	1,657,604	1,677,416	- 19,812	- 1.2 %

FINANCIAL POSITION

Cash flow from operating activities in the first half of 2020 amounted to EUR 23.7 million (previous year: EUR 15.4 million).

Cash flow from investing activities in the reporting period amounted to EUR –12.7 million, compared to EUR –146.8 million in the same prior-year period. The purchase price payments for the property acquired in March were offset by proceeds from the sale of seven properties. In the same prior-year period, one portfolio was purchased, and no properties were sold.

Cash flow from financing activities totalled EUR –32.2 million, compared with EUR 71.7 million in the same prior-year period, primarily due to the repayment of financial liabilities following sales. In the previous year, there had been a loan disbursement of EUR 97 million.

Cash and cash equivalents amounted to EUR 81.0 million on 30 June 2020 (30 June 2019: EUR 130.8 million).

CONSOLIDATED STATEMENT OF CASH FLOWS (Selected information in EUR thousands)	01/01/2020 – 30/06/2020	01/01/2019 – 30/06/2019	CHANGE
Cash flow from operating activities	23,728	15,381	8,347
Cash flow from investing activities	-12,707	-146,779	134,072
Cash flow from financing activities	-32,154	71,748	-103,902
Net change in cash and cash equivalents	-21,133	-59,650	38,517
Cash and cash equivalents at the end of the period	81,006	130,791	-49,786

FINANCIAL PERFORMANCE INDICATORS

Funds from Operations I (after taxes, before minorities), the key operating performance indicator, increased by 5.9% to EUR 16.9 million in the first six months of 2020, compared to EUR 15.9 million in the same period of the prior year. On a diluted basis, this corresponds to an FFO I per share of EUR 0.16, compared to EUR 0.15 in the same period of the prior year.

FFO CALCULATION (Selected information in EUR thousands)	01/01/2020 - 30/06/2020	01/01/2019 - 30/06/2019	CHANGE	IN %
Profit/loss before taxes	11,918	40,874	- 28,956	- 70.8 %
Minority interests	1,263	2,734	- 1,471	- 53.8 %
Earnings before taxes (EBT)	13,182	43,608	- 30,426	- 69.8 %
± Profit/loss from the sale of real estate	1,819	135	1,684	> 100.0 %
± Profit/loss from fair value adjustment in investment properties	0	- 29,135	29,135	- 100.0 %
± Other adjustments*	3,342	1,329	2,013	> 100.0 %
FFO I before taxes	18,343	15,938	2,405	15.1 %
± (Current) income taxes	- 1,491	- 29	- 1,462	> 100.0 %
FFO I after taxes	16,852	15,908	944	5.9 %
Thereof attributable to parent company shareholders	14,473	13,071	1,402	10.7 %
Thereof attributable to non-controlling interests	2,379	2,838	- 459	- 16.2 %
± Profit/loss from the sales of real estate companies / real estate (after taxes)	- 1,816	- 156	- 1,660	> 100.0 %
FFO II after taxes	13,559	15,752	- 2,193	- 13.9 %
Thereof attributable to parent company shareholders	10,418	12,906	- 2,488	- 19.3 %
Thereof attributable to non-controlling interests	3,140	2,847	293	10.3 %
FFO I after taxes per share				
Basic FFO I per share (EUR)	0.16	0.15	0.01	4.2 %
Weighted number of shares outstanding (in thousands)	107,777	107,777	0	0.0 %
Diluted FFO I per share (EUR)	0.16	0.15	0.01	3.7 %
Weighted number of shares outstanding (diluted; in thousands)	108,287	108,287	0	0.0 %
FFO II after taxes per share				
Basic FFO II per share (EUR)	0.13	0.15	- 0.02	- 16.1 %
Weighted number of shares outstanding (in thousands)	107,777	107,777	0	0.0 %
Diluted FFO II per share (EUR)	0.13	0.15	- 0.02	- 16.5 %
Weighted number of shares outstanding (diluted; in thousands)	108,287	108,287	0	0.0 %

* Other adjustments include:

- One-time refinancing costs and effective interest payments (EUR 1.4 million; previous year: EUR 1.8 million)
- One-time transaction, legal and consulting fees (EUR 0.2 million; previous year: EUR -0.6 million)
- One-time administrative costs (EUR 1.4 million; previous year: EUR 0.1 million)
- Non-period expenses / income (EUR 0.4 million; previous year: EUR 0.0 million)

NET ASSET VALUE (NAV)

The basic EPRA net asset value (EPRA NAV) increased by 1.3% from a level of EUR 684.1 million as at 31 December 2019 to EUR 693.4 million as at 30 June 2020. On a per-share basis, basic EPRA NAV amounted to EUR 6.43 per share on the reporting date (31 December 2019: EUR 6.35 per share).

EPRA NET ASSET VALUE (NAV) in EUR thousands	30/06/2020	31/12/2019	CHANGE	IN %
Net asset value (NAV)	621,395	613,351	8,044	1.3%
Deferred taxes	76,699	75,518	1,181	1.6%
Goodwill resulting from deferred taxes	- 4,738	- 4,738	0	0.0%
EPRA NAV (basic)	693,356	684,131	9,225	1.3%
Number of shares outstanding (in thousands) (basic)	107,777	107,777	0	0.0%
EPRA NAV per share (EUR) (basic)	6.43	6.35	0.08	1.3%
Effect of the exercise of convertible bonds and other equity instruments	510	510	0	0.0%
EPRA NAV (diluted)	693,866	684,641	9,225	1.3%
Number of shares outstanding (in thousands) (diluted)	108,287	108,287	0	0.0%
EPRA NAV per share (EUR) (diluted)	6.41	6.32	0.09	1.4%

NET LOAN-TO-VALUE RATIO

The net loan-to-value ratio of the DEMIRE Group is defined as the ratio of net financial liabilities to the carrying amount of investment properties and assets held for sale. The net loan-to-value ratio decreased slightly from 46.7% at the end of 2019 to 46.2% as at 30 June 2020 and remained below the target level of 50 %.

	30/06/2020	31/12/2019
NET LOAN-TO-VALUE (NET LTV) in EUR thousands		
Financial liabilities	784,471	806,969
Cash and cash equivalents	81,006	102,139
Net financial debt	703,465	704,831
Fair value of investment properties and non-current assets held for sale	1,522,156	1,510,216
Net LTV in %	46.2%	46.7%

COVENANTS FOR THE 2019 / 2024 CORPORATE BOND

Within the scope of issuing the 2019/2024 corporate bond, DEMIRE undertook to comply with and regularly report on various covenants. A description of the covenants to be reported on are listed in the offering prospectus for the 2019/2024 corporate bond.

BOND COVENANTS 30/06/2020	NET LTV	NET SECURED LTV	ICR
Covenant	max. 60 %	max. 40 %	min. 1.75*
Value	44.8 %	7.0 %	3.18

*As from 31 March 2021: 2.00

As at 30 June 2020, DEMIRE had complied with all covenants for the 2019/2024 corporate bond. In addition, the planning for 2020 and beyond assumes that the covenants will also be complied with at all times in the future.

REPORT ON RISKS AND OPPORTUNITIES

With regard to the risks of future business development, reference is made to the disclosures in the risk report contained in the consolidated financial statements as at 31 December 2019. In the first half of 2020, there were no material changes to the Group's risk structure; nevertheless, the following additions are required in connection with COVID-19:

GENERAL MARKET RISK

COVID-19 and the extensive measures taken as a result have led to a considerable impairment of the overall economic situation and development in Germany as well as globally. Leading economic research institutes are now assuming that the gross domestic product of the Federal Republic of Germany will decline by a range of 5.0% to 9.4% in 2020. The resulting consequences for the real estate industry are expected to occur, above all, in the sub-markets for hotel and retail properties. DEMIRE is also subject to these market risks.

TENANT DEFAULT RISK

The act to mitigate the consequences of the corona pandemic gives tenants the option to suspend their rental payments for a limited period and make these payments at a later date. Some tenants made use of this possibility in the second quarter. Depending on the duration and extent of the pandemic, it should be expected that some tenants will be unable to meet all or part of their payment obligations due to insolvency. As a result, bad debt losses in the current financial year may be higher.

LETTING RISK

Letting risk could also increase due to the consequences of COVID-19. Depending on the economic effects, follow-on and new lettings may become a more difficult and lengthy process for sub-markets, which could lead to an increase in the vacancy rate.

VALUATION RISK

The consequences of COVID-19 could also have an effect on the real estate transaction market as well as on the development of interest rates. Consequently, a negative influence on the valuation of real estate cannot be ruled out from the application of higher interest rates or a change in the assumptions for market rents, vacancy periods and lease terms, among others. Reliable forecasts in terms of the amount and scope of the valuation effects are not currently possible.

The risks are reviewed on a continual basis as part of a structured process. From today's perspective, there are no discernible risks that could jeopardise the Company.

SUBSEQUENT EVENTS

On 14 August 2020, the Executive Board of DEMIRE received a letter from the majority shareholder, in which the majority shareholder proposed the distribution of a dividend for 2019 in amount of the balance sheet profit as at 31 December 2019. The Executive Board and the Supervisory Board discussed this on 17 August 2020 and will propose a dividend of EUR 0.54 per dividend-bearing share to the Annual General Meeting, which is planned to take place on 22 September 2020 virtually and without the physical presence of shareholders.

On 20 July 2020, DEMIRE acquired 700,000 shares of Fair Value REIT-AG significantly below NAV, thus increasing its interest to 84.35%. This further reduces the minority interests in DEMIRE's balance sheet and statement of income.

Also after the balance sheet date, DEMIRE successfully concluded the public share buy-back programme announced on 24 June 2020 and acquired around 2.0 million shares at a price of EUR 4.45. As the price is more than 30% below NAV as of 30 June 2020, this transaction strengthens the Company's own balance sheet structure. DEMIRE now holds 1.86% of its own shares.

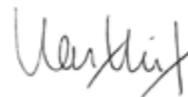
OUTLOOK

After the robust results of the first half of 2020, DEMIRE expects the positive development to further continue in the current fiscal year and is publishing a new guidance. Rental income is expected to be between EUR 85 and 87 million (2019: EUR 81.8 million) and FFO I (after taxes, before minorities) is expected to be between EUR 36 and 38 million (2019: EUR 34.5 million).

This guidance is based on the assumption that there will be no further lockdown in Germany and does not take into consideration possible acquisitions or disposals of DEMIRE in the second half of 2020.

Frankfurt am Main, 19 August 2020

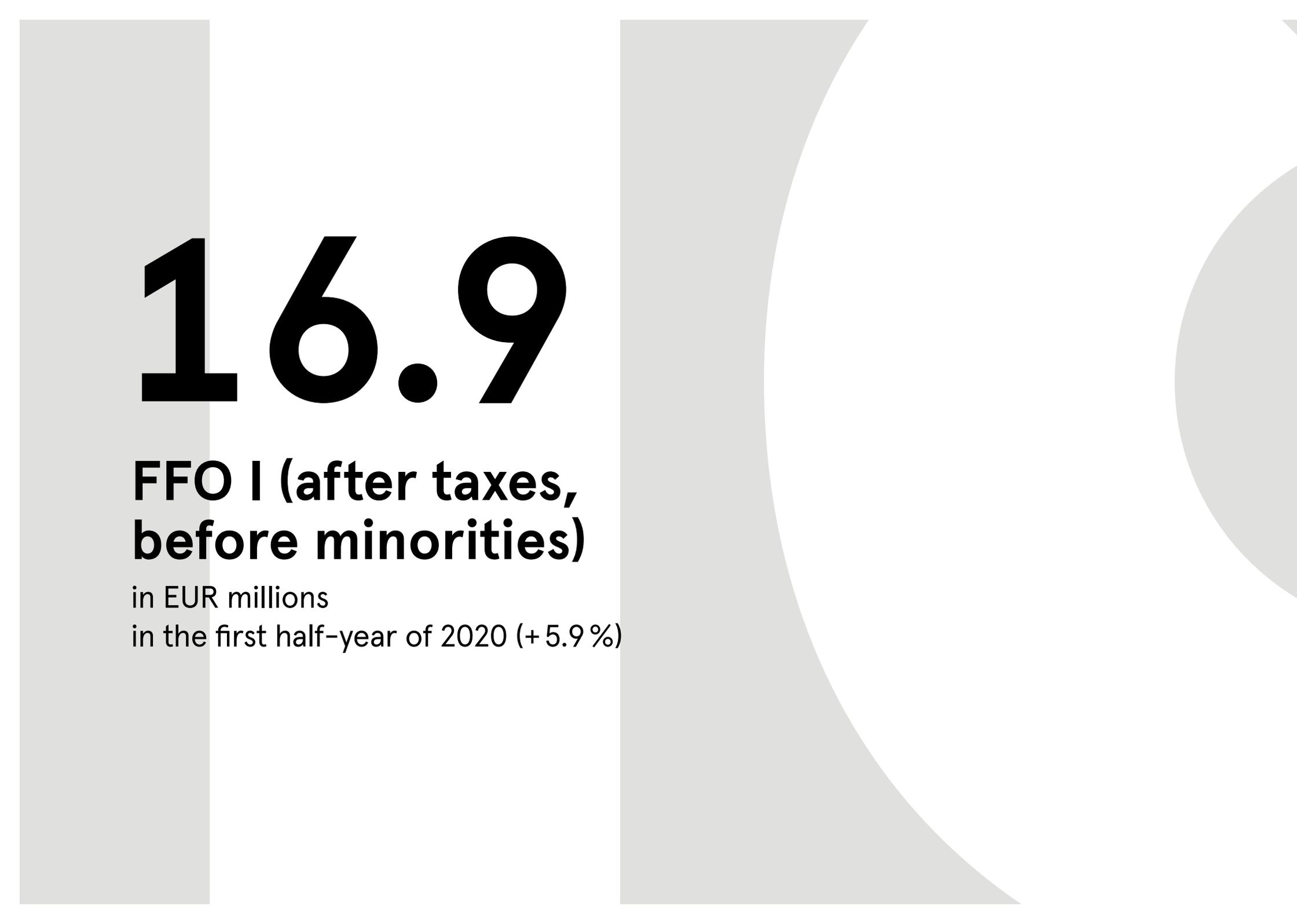
DEMIRE Deutsche Mittelstand Real Estate AG



Ingo Hartlief FRICS
CEO



Tim Brückner
CFO



16.9

**FFO I (after taxes,
before minorities)**

in EUR millions

in the first half-year of 2020 (+ 5.9 %)



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CONSOLIDATED STATEMENT OF INCOME

For the reporting period from 1 January to 30 June 2020

in EUR thousands	NOTE	01/01/2020 -30/06/2020	01/01/2019 -30/06/2019	01/04/2020 -30/06/2020	01/04/2019 -30/06/2019
Rental income		43,843	38,226	21,796	19,987
Income from utility and service charges		12,386	11,278	3,928	4,061
Operating expenses to generate rental income		-23,250	-17,519	-10,043	-9,144
Profit/ loss from the rental of real estate		32,979	31,985	15,681	14,904
Income from the sale of real estate and real estate companies		33,340	1,195	27,682	1,195
Expenses relating to the sale of real estate and real estate companies		-35,159	-1,330	-28,468	-1,259
Profit/ loss from the sale of real estate and real estate companies		-1,819	-135	-786	-64
Profit/ loss from fair value adjustments in investment properties		0	29,135	0	29,135
Impairment of receivables		-3,747	-548	-3,137	-487
Other operating income		965	550	663	501
General and administrative expenses		-5,654	-5,797	-2,871	-2,867
Other operating expenses		-880	-281	-578	211
Earnings before interest and taxes	D 1	21,845	54,908	8,973	41,333
Financial income		466	475	258	213
Financial expenses		-9,129	-11,774	-4,443	-5,913
Interests of minority shareholders		-1,263	-2,734	-850	-1,885
Financial result	D 2	-9,926	-14,033	-5,035	-7,585
Profit/ loss before taxes		11,918	40,874	3,937	33,748
Current income taxes		-1,477	-1,028	-682	-986
Deferred taxes		-1,181	-5,691	-839	-5,250
Net profit/ loss for the period		9,260	34,156	2,416	27,512
Thereof attributable to:					
Non-controlling interests		985	2,380	309	1,565
Parent company shareholders		8,275	31,775	2,106	25,948
Basic earnings per share	D 2	0.08	0.29		
Diluted earnings per share	D 2	0.08	0.29		

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the reporting period from 1 January to 30 June 2020

in EUR thousands	01/01/2020 -30/06/2020	01/01/2019 -30/06/2019	01/04/2020 -30/06/2020	01/04/2019 -30/06/2019
Net profit/loss for the period	9,260	34,156	2,416	27,512
Other comprehensive income	0	0	0	0
Total comprehensive income	9,260	34,156	2,416	27,512
Thereof attributable to:				
Non-controlling interests	985	2,380	309	1,565
Parent company shareholders	8,275	31,775	2,106	25,948

CONSOLIDATED BALANCE SHEET

As at 30 June 2020

ASSETS in EUR thousands	NOTE	30/06/2020	31/12/2019
ASSETS			
Non-current assets			
Intangible assets		6,880	6,881
Property, plant and equipment		409	446
Investment properties	E 1	1,511,756	1,493,912
Other assets		20,938	19,433
Total non-current assets		1,539,983	1,520,671
Current assets			
Trade accounts receivable		8,613	6,261
Other receivables		15,313	30,510
Tax refund claims		2,289	1,530
Cash and cash equivalents		81,006	102,139
Total current assets		107,221	140,440
Non-current assets held for sale		10,400	16,305
TOTAL ASSETS		1,657,604	1,677,416

Consolidated balance sheet

EQUITY AND LIABILITIES in EUR thousands	NOTE	30/06/2020	31/12/2019
EQUITY AND LIABILITIES			
EQUITY			
Subscribed capital		107,777	107,777
Reserves		513,618	505,574
Equity attributable to parent company shareholders		621,395	613,351
Non-controlling interests		47,822	47,431
TOTAL EQUITY		669,217	660,782
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		76,699	75,518
Minority interests		77,796	78,682
Financial liabilities	E 2	736,041	737,832
Lease liabilities		18,562	18,717
Other liabilities		698	837
Total non-current liabilities		909,796	911,587
Current liabilities			
Provisions		1,609	2,204
Trade payables		9,994	10,041
Other liabilities		11,732	18,223
Tax liabilities		6,352	4,948
Financial liabilities	E 2	48,430	69,137
Lease liabilities		473	492
Total current liabilities		78,590	105,046
TOTAL LIABILITIES		988,386	1,016,633
TOTAL EQUITY AND LIABILITIES		1,657,604	1,677,416

CONSOLIDATED STATEMENT OF CASH FLOWS

For the reporting period from 1 January to 30 June 2020

in EUR thousands	01/01/2020 -30/06/2020	01/01/2019 -30/06/2019
Group profit/ loss before taxes	11,918	40,874
Financial expenses	9,129	11,774
Financial income	- 466	- 475
Interests of minority shareholders	1,263	2,734
Change in trade accounts receivable	- 4,678	- 7,252
Change in other receivables and other assets	- 106	208
Change in provisions	- 595	125
Change in trade payables and other liabilities	4,878	- 2,398
Profit/loss from fair value adjustments in investment properties	0	- 29,135
Expenses/ gains relating to the sale of real estate and real estate companies	1,819	135
Interest proceeds	99	0
Income taxes paid	- 833	- 36
Change in reserves	0	3
Depreciation and amortisation and impairment	3,866	625
Distributions to minority shareholders/ dividends	- 2,797	- 1,737
Other non-cash items	230	- 65
Cash flow from operating activities	23,728	15,381
Payments for the acquisition of/ investments in investment properties, incl. prepayments, refurbishment measures and prepayments for property, plant and equipment	- 58,891	- 147,052
Payments for the acquisition of interests in fully consolidated companies, less net cash equivalents acquired	- 65	0
Proceeds from the sale of real estate	46,248	273
Cash flow from investing activities	- 12,707	- 146,779
Proceeds from the issuance of financial liabilities	0	105,113
Interest paid on financial liabilities	- 7,902	- 9,929
Payments for the purchase of additional interests in subsidiaries	- 54	0
Payments for the redemption of financial liabilities	- 24,198	- 23,436
Cash flow from financing activities	- 32,154	71,748
Net change in cash and cash equivalents	- 21,133	- 59,650
Cash and cash equivalents at the start of the period	102,139	190,442
Cash and cash equivalents at the end of the period	81,006	130,791

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the reporting period from 1 January to 30 June 2020

in EUR thousands	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				
01/01/2020	107,777	129,852	375,722	613,351	47,431	660,782	
Net profit/loss for the period	0	0	8,275	8,275	985	9,260	
Other comprehensive income	0	0	0	0	0	0	
Total comprehensive income	0	0	0	0	0	0	
Stock option programme	0	0	0	0	0	0	
Dividend payments/distributions	0	0	0	0	-737	-737	
Other changes	0	-22	-209	-231	143	-88	
30/06/2020	107,777	129,830	383,788	621,395	47,822	669,217	
01/01/2019	107,777	129,848	300,288	537,914	44,425	582,338	
Net profit/loss for the period	0	0	31,775	31,775	2,380	34,156	
Other comprehensive income	0	0	0	0	0	0	
Total comprehensive income	0	0	31,775	31,775	2,380	34,156	
Stock option programme	0	4	0	0	0	0	
Dividend payments/distributions	0	0	0	0	-417	-417	
Other changes	0	0	0	0	0	0	
30/06/2019	107,777	129,852	332,063	569,693	46,388	616,081	

Notes to the consolidated financial statements for the reporting period from 1 January to 30 June 2020

A. GENERAL INFORMATION

1. BASIS OF PREPARATION

DEMIRE Deutsche Mittelstand Real Estate AG (“DEMIRE AG”) is recorded in the commercial register in Frankfurt am Main, Germany, the location of the Company’s headquarters, under the number HRB 89041. The Company’s registered office is located in Frankfurt am Main, and the business address is Robert-Bosch-Straße 11, Langen, Germany. The Company’s shares are listed in the Prime Standard segment of the Frankfurt Stock Exchange. The subject of these condensed interim consolidated financial statements as at 30 June 2020 is DEMIRE AG and its subsidiaries (“DEMIRE”).

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 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 30 June 2020 were prepared in accordance with the requirements of IAS 34 “Interim Financial Reporting” (“IAS 34”). This report has not been audited and, for this reason, does not contain an auditor’s opinion.

The condensed interim consolidated financial statements of DEMIRE AG were prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), as applicable in 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 2020 financial year have been taken into consideration. Furthermore, all disclosure and explanation requirements under German law 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 last 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 condensed interim consolidated financial statements of DEMIRE AG as at 30 June 2020 should therefore be viewed in conjunction with the consolidated financial statements prepared as at 31 December 2019.

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

These condensed interim consolidated financial statements of DEMIRE AG were approved for publication by a resolution of the Executive Board on 19 August 2020.

B. SCOPE AND PRINCIPLES OF CONSOLIDATION

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

C. ACCOUNTING POLICIES

The accounting policies applied to the interim consolidated financial statements presented are the same as those applied to the consolidated financial statements as at 31 December 2019. There were no material changes in estimates compared to those in the consolidated financial statements as at 31 December 2019.

The first-time application of the amendments to the framework regulations IAS 1, IAS 8, IFRS 9, IAS 39, IFRS 7 and IFRS 3 have no material effect on the consolidated financial statements of DEMIRE.

D. NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

1. EARNINGS BEFORE INTEREST AND TAXES

in EUR thousands	01/01/2020 –30/06/2020	01/01/2019 –30/06/2019
Rental income	43,843	38,226
Income from utility and service charges	12,386	11,278
Rental revenue from real estate	56,230	49,504
Allocable operating expenses to generate rental income	-15,565	-13,846
Non-allocable operating expenses to generate rental income	-7,685	-3,673
Operating expenses to generate rental income	-23,250	-17,519
Profit/ loss from the rental of real estate	32,979	31,985

Rental revenue in the interim reporting period resulted exclusively from the rental of commercial real estate and is free from seasonal effects.

The increase in the profit/loss from the rental of real estate to EUR 32,979 thousand (H1 2019: EUR 31,985 thousand) is primarily due to the addition of the office portfolio acquired in the second quarter of 2019, the addition of the department stores acquired in July 2019 and the addition of the distribution centre in Neuss acquired in the fourth quarter of 2019.

Operating expenses amounting to EUR 7,685 thousand (H1 2019: EUR 3,673 thousand) are non-allocable. The increase in non-allocable operating expenses results primarily from non-capitalised expenses for tenant improvements of EUR 2,483 thousand (H1 2019: EUR 617 thousand) and non-allocable input taxes of EUR 837 thousand (H1 2019: EUR 555 thousand). The rise in non-allocable operating expenses resulted from additions of new properties as of the second quarter of 2019 and lower one-off implementation costs for the new property manager in the comparative period of the previous year.

Earnings before interest and taxes of EUR 21,845 thousand (H1 2019: EUR 54,908 thousand) was sharply lower year-on-year, particularly due to the absence of profit/loss from fair value adjustments in investment properties (H1 2019: EUR 29,135 thousand).

A negative impact on earnings before interest and taxes stemmed from higher impairments of receivables of EUR 3,747 thousand (1H 2019: EUR 548 thousand) and the profit / loss from the sale of real estate of EUR 1,819 thousand (1H 2019: EUR 135 thousand). Impairment of receivables relates mainly to two retail property tenants (EUR 3,125 thousand) who are subject to so-called protective shield proceedings or insolvency proceedings. The loss from the sale of real estate resulted, above all, from selling expenses of EUR 1,593 thousand that were incurred in connection with the sale of the property in Eisenhüttenstadt.

A positive impact on earnings before interest and taxes originated from an increase in other operating income to EUR 965 thousand (H1 2019: EUR 550 thousand) and a slight decline in general and administrative expenses to EUR 5,654 thousand (H1 2019: EUR 5,797 thousand). The increase in other operating income was primarily a result of income from the reversal of an impairment of receivables in the amount of EUR 496 thousand (H1 2019: EUR 0 thousand) in the legacy portfolio. The decline in general and administrative expenses versus the previous year's same period was due, in particular, to a reduction in legal and consulting fees of EUR 137 thousand.

2. FINANCIAL RESULT

in EUR thousands	01/01/2020 -30/06/2020	01/01/2019 -30/06/2019
Financial income	466	475
Financial expenses	-9,129	-11,774
Interests of minority shareholders	-1,263	-2,734
Financial result	-9,926	-14,033

The improvement in the financial result stemmed, above all, from the refinancing of the 2017/2022 corporate bond and promissory note in the third quarter of 2019, which led to lower financial expenses.

The interests of minority shareholders totalling EUR 1,263 thousand (H1 2019: EUR 2,734 thousand) relate to the share of profits of minority shareholders in Fair Value REIT-AG's subsidiaries, which are carried as liabilities under IFRS. The year-on-year decline was largely due to the lack of valuation gains on the real estate of these subsidiaries, as no revaluation took place in the second quarter of 2020. High selling expenses for the property in Eisenhüttenstadt also had a negative impact on the interests of minority shareholders.

3. EARNINGS PER SHARE

	01/01/2020 -30/06/2020	01/01/2019 -30/06/2019
Net profit/loss for the period (in EUR thousands)	9,260	34,156
Profit/loss for the period less non-controlling interests	8,275	31,775
Net profit/loss for the period less non-controlling interests (diluted)	8,275	31,775
Number of shares (in thousand units)		
Number of shares outstanding as at the reporting date	107,772	107,777
Weighted average number of shares outstanding	107,772	107,777
Impact of subscription rights from the 2015 Stock Option Programme	510	510
Weighted average number of shares (diluted)	108,282	108,287
Earnings per share (in EUR)		
Basic earnings per share	0.08	0.29
Diluted earnings per share	0.08	0.29

In the second quarter of 2020, the Executive Board decided to repurchase up to 2,000,000 shares of the Company (corresponding to up to approximately 1.86% of the Company's share capital) as part of a public share buy-back offer to all Company shareholders against the payment of an offer price of EUR 4.45 per share. The acceptance period began on 26 June 2020 and will presumably end on 13 July 2020. No shares had been repurchased as at the 30 June 2020 reporting date.

As at 30 June 2020, the Company had potential ordinary shares outstanding from the 2015 Stock Option Programme entitling the owners to subscribe to 510,000 shares.

Earnings per share were lower compared to the same period of the previous year, mainly due to the lack of profit/loss from fair value adjustments in investment properties.

E. NOTES TO THE CONSOLIDATED BALANCE SHEET

1. INVESTMENT PROPERTIES

Investment properties are measured at fair value. The fair values during the interim reporting period developed as follows:

in EUR thousands	2020	OFFICE	RETAIL	LOGISTICS	OTHERS
Fair value as at 01/01/2020	1,493,912	968,450	420,609	71,200	33,652
Additions	45,485	1,651	562	162	43,109
Disposals	27,640	140	27,500	0	0
Fair value as at 30/06/2020	1,511,756	969,961	393,671	71,362	76,761

Additions to investment properties consisted primarily of the remaining purchase price of the hotel in Frankfurt am Main acquired in the 2019 financial year. The transfer of benefits and obligations took place in the first quarter of 2020.

Properties with a value of EUR 27,640 thousand were sold during the reporting period. These relate primarily to the property in Eisenhüttenstadt.

The fair value measurement of investment properties is allocated to Level 3 of the valuation hierarchy in accordance with IFRS 13 (measurement based on unobservable input factors). DEMIRE determines fair values within the framework of IAS 40 accounting.

No revaluation of investment properties was performed as at the 30 June 2020 reporting date.

2. FINANCIAL LIABILITIES

Financial liabilities as at 30 June 2020 consisted of the following:

FINANCIAL LIABILITIES in EUR thousands	FIXED INTEREST	VARIABLE INTEREST	TOTAL
2019 / 2024 corporate bond	590,991	0	590,991
Other financial liabilities	169,717	23,762	193,480
Total	760,708	23,762	784,471

Financial liabilities as at 31 December 2019 consisted of the following:

FINANCIAL LIABILITIES in EUR thousands	FIXED INTEREST	VARIABLE INTEREST	TOTAL
2019 / 2024 corporate bond	590,024	0	590,024
Other financial liabilities	192,321	24,624	216,945
Total	782,345	24,624	806,969

The following table shows the nominal value of financial liabilities as at 30 June 2020:

FINANCIAL LIABILITIES in EUR thousands	FIXED INTEREST	VARIABLE INTEREST	TOTAL
2019 / 2024 corporate bond	600,000	0	600,000
Other financial liabilities	170,399	23,762	194,162
Total	770,399	23,762	794,162

The following table shows the nominal value of financial liabilities as at 31 December 2019:

FINANCIAL LIABILITIES in EUR thousands	FIXED INTEREST	VARIABLE INTEREST	TOTAL
2019/2024 corporate bond	600,000	0	600,000
Other financial liabilities	191,047	24,624	215,671
Total	791,047	24,624	815,671

The difference between the carrying amounts of the financial liabilities and the nominal amounts is due to the subsequent measurement of the financial liabilities at amortised cost using the effective interest method according to IFRS 9.

Bank loans with variable interest rates are subject to interest on the basis of Euribor plus a corresponding margin.

The nominal interest rate of the 2019/2024 corporate bond is 1.875%. Other financial liabilities mainly include bank liabilities with a weighted average nominal interest rate of 1.50% p.a. as at 30 June 2020 (31 December 2019: 1.74% p.a.). The average nominal interest rate on financial debt across all financial liabilities amounted to 1.78% p.a. as at 30 June 2020 (31 December 2019: 1.84% p.a.).

The decrease in other financial liabilities in the interim reporting period was due in particular to the repayment of two loans using the proceeds from the sales of the property in Eisenhüttenstadt.

F. CONDENSED GROUP SEGMENT REPORTING

01/01/2020 – 30/06/2020 in EUR thousands	CORE PORTFOLIO	FAIR VALUE REIT	CORPORATE FUNCTIONS/ OTHERS	GROUP
Total revenues	48,813	40,756	0	89,569
Segment revenues	49,061	40,938	535	90,534
Segment expenses	- 28,315	- 36,309	- 4,065	- 68,689
Net profit/loss for the period	11,996	2,110	- 4,846	9,260
Additional information				
Segment assets 30/06/2020	1,265,911	326,421	65,272	1,657,604
Thereof tax refund claims	88	7	2,195	2,289
Thereof additions to investment properties	45,485	0	0	45,485
Thereof non-current assets held for sale	10,400	0	0	10,400
Segment liabilities 30/06/2020	803,994	177,325	7,068	988,386
Thereof non-current financial liabilities	690,399	45,642	0	736,041
Thereof current financial liabilities	17,979	30,451	0	48,430
Thereof lease liabilities	19,001	0	35	19,036
Thereof tax liabilities	3,138	0	3,214	6,352

01/01/2019 – 30/06/2019 in EUR thousands	CORE PORTFOLIO	FAIR VALUE REIT	CORPORATE FUNCTIONS/ OTHERS	GROUP
Total revenues	35,734	14,965	0	50,699
Segment revenues	61,314	19,024	45	80,384
Segment expenses	-13,208	-8,479	-3,789	-25,476
Net profit/loss for the period	39,096	5,910	-10,851	34,156
Additional information				
Segment assets 31/12/2019	1,242,695	356,543	78,178	1,677,416
Thereof tax refund claims	97	7	1,426	1,530
Thereof additions to investment properties*	298,053	695	0	298,749
Thereof non-current assets held for sale	15,637	668	0	16,305
Segment liabilities 31/12/2019	811,543	199,429	5,661	1,016,633
Thereof non-current financial liabilities	691,195	46,637	0	737,832
Thereof current financial liabilities	18,186	50,951	0	69,137
Thereof lease liabilities	19,150	0	59	19,209
Thereof tax liabilities	3,145	0	1,803	4,948

* Prior-year figures were adjusted.

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 reportable business segments “Core Portfolio” and “Fair Value REIT”.

More than 10 % of total revenue, or EUR 8,613 thousand (H1 2019: EUR 11,183 thousand), was generated with one customer in the “Core Portfolio” segment in the interim reporting period.

G. OTHER DISCLOSURES

1. RELATED PARTY DISCLOSURES

There have been no material changes to the related party disclosures as compared to 31 December 2019. There were 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

The carrying amounts of the following financial instruments carried at cost or amortised cost do not correspond to their fair values:

in EUR thousands	30/06/2020		31/12/2019	
	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT
Bonds	571,854	590,991	611,046	590,024
Other financial liabilities	192,361	193,480	217,682	216,945

3. RISK REPORT

With regard to the risks to future business development, please refer to the disclosures made in the risk report in the consolidated financial statements as at 31 December 2019. Apart from COVID-19, there were no significant changes in the Group’s risk structure up to the end of the first half year of 2020. The risk of loss of rent will depend on the duration and extent of the pandemic. It should be expected that some of the tenants will not be able to meet their payment obligations in full or in part, due to insolvency. As a result, there may be a higher level of bad debt losses in the current financial year.

For a general overview of the risks, please refer to the report on risks and opportunities.

4. OTHER DISCLOSURES

As at 30 June 2020, there were financial obligations in the amount of EUR 4,250 thousand stemming from purchase agreements for properties and real estate companies.

As at 30 June 2020, obligations for modification and expansion measures, as well as maintenance and modernisation work on the properties totalled EUR 17,543 thousand (H1 2019: EUR 3,187 thousand). These obligations are fixed in terms of their scope.

Purchase order commitments for maintenance and modernisation, as well as modification and expansion measures, totalled EUR 6,840 thousand as at the interim reporting date (H1 2019: EUR 2,216 thousand).

As at 30 June 2020, the Group had unavoidable obligations for future leasehold payments in the amount of EUR 17,376 thousand (H1 2019: EUR 0 thousand), of which EUR 355 thousand (H1 2019: EUR 0 thousand) are attributable to the current portion of obligations due within one year.

5. GOVERNING BODIES AND EMPLOYEES

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

The following were members of the Executive Board during the interim reporting period and comparable prior-year period:

- Mr Ingo Hartlief (Chief Executive Officer since 20 December 2018)
- Mr Tim Brückner (Chief Financial Officer since 1 February 2019)
- Mr Ralf Kind (CEO / CFO until 3 January 2019)

For the interim reporting period, performance-based remuneration of EUR 166 thousand (H1 2019: EUR 120 thousand), fixed remuneration of EUR 352 thousand (H1 2019: EUR 274 thousand) and share-based payments of EUR 77 thousand (H1 2019: EUR 69 thousand) were recognised for DEMIRE AG's Executive Board.

There were no loans or advances granted to Executive Board members, and no contingencies were assumed for their benefit.

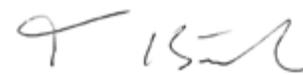
6. EVENTS OCCURRING AFTER THE INTERIM REPORTING DATE OF 30 JUNE 2020

No events occurred after the interim reporting date that are of particular significance for DEMIRE's net asset, financial position and results of operations.

Frankfurt am Main, 19 August 2020



Ingo Hartlief FRICS
(CEO)



Tim Brückner
(CFO)

RESPONSIBILITY STATEMENT

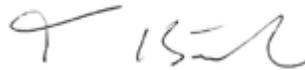
As the Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG, we hereby confirm to the best of our knowledge and in accordance with the applicable reporting principles, that the consolidated financial statements give a true and fair view of the net assets, financial position, and results of operations of the Group, and 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.

Frankfurt am Main, 19 August 2020

DEMIRE Deutsche Mittelstand Real Estate AG



Ingo Hartlief FRICS
(CEO)



Tim Brückner
(CFO)

Disclaimer

These interim statements contain 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

August 2020



Scan the QR code with a smartphone and a corresponding app to go directly to the company website of our homepage.

