

# 19

Interim Statement Q3

1 January – 30 September 2019

  
DEMIRE | DEUTSCHE MITTELSTAND  
REAL ESTATE

# Highlights 9M 2019



## KEY EARNINGS FIGURES

24.5

in EUR millions

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

in 9M 2019 +33.4 % versus 9M 2018

45.7

in EUR millions

**EBT**, including valuation effect of EUR 29.6 million; 9M 2018: EUR 66.3 million, including valuation effect of EUR 70.1 million



## KEY FINANCIAL RATIOS

48.5

in percent

**Net loan-to-value ratio**

(net LTV), higher than the level 38.7 % at year-end 2018, remaining below the target level of 50 %

2.78

in percent p. a.

**Average nominal interest costs**

as at the 30 September 2019 reporting date - 22 basis points lower versus level at year-end 2018

5.87

in EUR

**Net asset value (EPRA NAV diluted)**

increases by 6.7 %, or EUR 0.37 per share versus level at year-end 2018



## PORTFOLIO DEVELOPMENT

1.4

in EUR billions

**Portfolio value**

increases as a result of EUR 245 million in acquisitions and value appreciation

60.1

in EUR millions

**Rental income**, increases +8.9 %

compared to level of EUR 55.1 million in same prior-year period

10.9

in percent

**EPRA vacancy rate**

declines versus level of 11.1 % as at 30 June 2019

8.0

in EUR millions

**Profit from the sale**

of five non-strategic properties for more than EUR 33 million

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## Foreword from the Executive Board

*Dear Shareholders,  
Ladies and Gentlemen,*

The third quarter of 2019 went very well for us and continued the positive performance achieved in 2019. The consistent implementation of our “REALize Potential” strategy is coming to fruition in DEMIRE’s daily operations and its medium-term perspective.

The key indicators in the first three quarters of 2019 reflect our operational success:

- Funds from operations (FFO I, after taxes and before minority interests) increase by 33.4 % to EUR 24.5 million.
- Rental income expands by 8.9 % to EUR 60.1 million.
- Letting performance, at 134,770 m<sup>2</sup>, is more than 63 % higher than the performance in full-year 2018.
- LTV increases to a solid 48.5 %, remaining below our target level of 50 %.
- Profit/loss before taxes amounts to EUR 37.5 million compared to EUR 48.1 million in the same prior-year period; profit for the period excluding fair value adjustments amounts to EUR 7.9 million compared to EUR – 22.0 million in the prior-year period.

We are also confident about DEMIRE’s development going forward. During the third quarter just completed, we prepared a corporate bond issue and carried out this issue in early October at favourable terms. The proceeds will enable us to repay our higher-interest liabilities ahead of schedule and significantly reduce our financing costs. As a result, our FFO is projected to increase as of 2020 onwards. We also successfully completed our second portfolio acquisition this year and have integrated the properties into our operational structure. Since these acquisitions

will be included in our profit/loss for only a portion of 2019, we expect them to result in higher FFO next year as well when the acquisitions are included for the entire financial year. Another focal point in the third quarter was to boost our portfolio activity. We sold five properties who had either already exhausted their potential or were not of an institutional size, and we were able to achieve proceeds with a premium of more than 30 % compared to the properties’ last assessed valuation. The profit from these sales amounted to a total of around EUR 8 million.

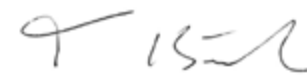
We plan to invest this liquidity in DEMIRE’s further growth based on a full acquisition pipeline. We intend to promptly acquire attractive properties, which will serve to further optimise DEMIRE’s portfolio structure and its key indicators.

Based on the performance described above, and turning our attention to the remainder of 2019, we remain optimistic and confirm our forecast for our key indicators, which was raised in August, and expect to achieve rental income in the range of EUR 80.5 to 82.5 million and FFO I (after taxes and before minority interests) of EUR 30 to 32 million in the current financial year.

Frankfurt am Main, 14 November 2019



**Ingo Hartlief FRICS**  
(Chief Executive Officer)



**Tim Brückner**  
(Chief Financial Officer)

# DEMIRE at a Glance

## KEY GROUP FIGURES

<b>KEY EARNINGS FIGURES</b> in EUR thousands	<b>01/01/2019</b> <b>-30/09/2019</b>	<b>01/01/2018</b> <b>-30/09/2018</b>
Rental income	60,077	55,144
Profit/loss from the rental of real estate	48,896	42,616
<b>EBIT *</b>	<b>76,273</b>	<b>95,424</b>
Financial result *	-30,567	-29,172
<b>EBT</b>	<b>45,706</b>	<b>66,252</b>
<b>Net profit/loss for the period</b>	<b>37,532</b>	<b>48,080</b>
<b>Net profit/loss for the period attributable to parent company shareholders</b>	<b>34,225</b>	<b>42,281</b>
<b>Net profit/loss for the period per share (basic/diluted) in EUR</b>	<b>0.32/0.32</b>	<b>0.66/0.65</b>
<b>FFO I (after taxes, before minorities)</b>	<b>24,452</b>	<b>18,333</b>
<b>FFO I per share (basic/diluted) in EUR</b>	<b>0.23/0.23</b>	<b>0.29/0.28</b>

\*Prior-year figures have been adjusted due to changes in classification

<b>KEY PORTFOLIO INDICATORS</b>	<b>30/09/2019</b>	<b>31/12/2018</b>
Properties (number of)	91	84
Gross asset value (in EUR millions)	1,394.3	1,152.1
Contractual rents (in EUR millions)	85.4	73.2
Rental yield (in %)	6.1	6.5
EPRA vacancy rate (in %)*	10.9	7.5
WALT (in years)	4.7	4.5

\*Excluding properties held for sale

<b>KEY BALANCE SHEET RATIOS</b> in EUR thousands	<b>30/09/2019</b>	<b>31/12/2018</b>
<b>Total assets</b>	<b>1,525,906</b>	<b>1,378,692</b>
Investment properties	1,377,288	1,139,869
Non-current assets held for sale	17,042	12,262
<b>Total real estate portfolio</b>	<b>1,394,329</b>	<b>1,152,131</b>
Financial liabilities	742,391	636,572
Cash and cash equivalents	65,614	190,442
<b>Net financial liabilities</b>	<b>676,777</b>	<b>446,130</b>
<b>Net loan-to-value in % (net LTV)</b>	<b>48.5</b>	<b>38.7</b>
Equity according to Group balance sheet	618,128	582,338
Equity ratio in %	40.5	42.2
Net asset value (NAV) in the reporting period	572,093	537,913
EPRA NAV (basic/diluted)	634,720/ 635,230	595,225/ 595,745
EPRA NNNNAV (diluted)	565,411	535,869
Number of shares in thousands (basic/diluted)	107,777/ 108,287	107,777/ 108,297
<b>EPRA NAV per share (basic/diluted) in EUR</b>	<b>5.89/5.87</b>	<b>5.52/5.50</b>

**PORTFOLIO HIGHLIGHTS**

As at 30 September 2019

**1.4**

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

**91**

**Assets at 69 locations in**  
**15 federal states**

**80.5 – 82.5**

**Expected rental income in 2019**  
(in EUR millions)

**87.4**

**Annualised contractual rent\***  
(in EUR millions)

\* following the sale of the Stahnsdorf property:  
EUR 85.4 million

**68.2**

**Office property as a share**  
**of total portfolio (in %)**

**7.50**

**Average rent**  
**of portfolio (in EUR/m<sup>2</sup>)**

**10.9**

**Vacancy rate of portfolio**  
(in %)

**6.1**

**Gross rental yield**  
**as at 30 September 2019 (in %)**

**PROPERTY TYPE / USE**



Office



Retail



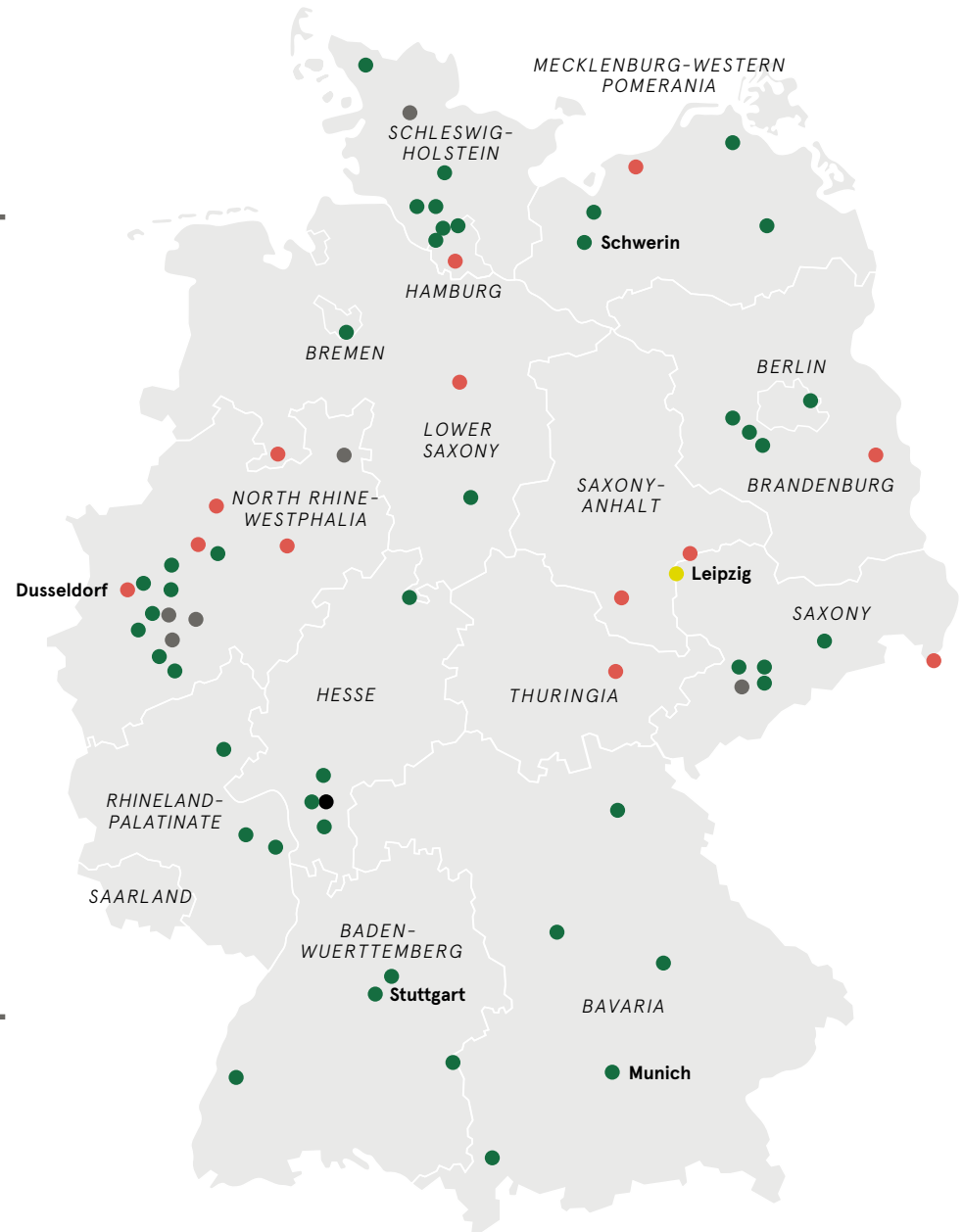
Logistics



Other



Corporate locations



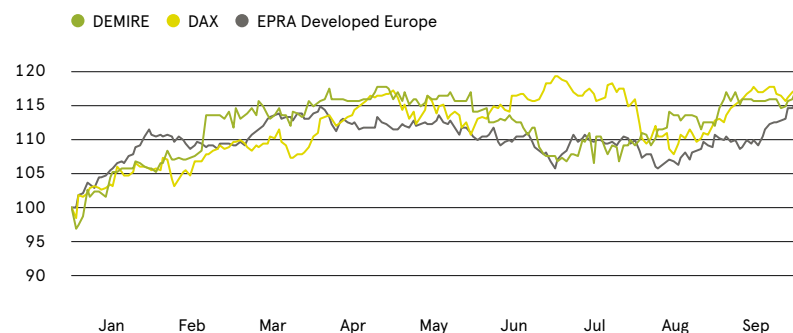
## DEMIRE ON THE CAPITAL MARKET

### DEMIRE KEY SHARE DATA

SHARE DATA	AS AT 30 / 09 / 2019
ISIN	DE000A0XFSFO
Symbol/ticker	DMRE
Stock exchange	Frankfurt Stock Exchange (FSE); XETRA Open market 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 / 09 / 2019 (XETRA)	EUR 5.08
Average daily trading volume 01 / 01 – 30 / 09 / 2019	11,771
Market capitalisation	EUR 547.5 million
Free float < 3%	11.43%

### OUTPERFORMANCE OF DEMIRE SHARES VERSUS INDICES IN 2019

in %



### DEMIRE SHARES

DEMIRE shares have performed positively since the beginning of the year. At EUR 5.08, the shares closed the first nine months of 2019 with a gain of 17.9%, which also marks their high so far in 2019. The shares hit their lowest level of EUR 4.18 on 3 January 2019. The DAX 30 and EPRA Developed Europe benchmark indices also performed well, closing the reporting period with gains of 17.5% and 15.6%, respectively.

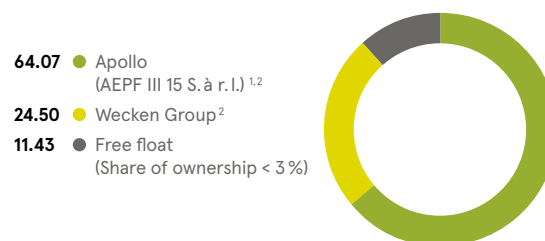
DEMIRE's market capitalisation as at 30 September 2019 was approximately EUR 547.5 million.

### SHAREHOLDER STRUCTURE

There was no change in DEMIRE's shareholder structure in the first nine months of 2019. Apollo-managed funds and the Wecken Group still hold around 88.57% of the shares; the free float is roughly 11.43%.

### SHAREHOLDER STRUCTURE AS AT 30 SEPTEMBER 2019

in %



<sup>1</sup> Including subsidiaries. <sup>2</sup> Acting in concert.  
 Source: WpHG announcements and own calculations

## DEMIRE BONDS

### 2017 / 2022 CORPORATE BOND

<b>Name</b>	DEMIRE 2017 / 2022 Corporate Bond
<b>Issuer</b>	DEMIRE Deutsche Mittelstand Real Estate AG
<b>Rating</b>	Ba2 (Moody's), BB+ (S&P)
<b>Stock market listing</b>	Open market of the Luxembourg Stock Exchange; Euro MTF
<b>Applicable law</b>	New York Law
<b>ISIN Code</b>	Sale under Regulation S: XS1647824173; Sale under Rule 144A: XS1647824686
<b>WKN</b>	Sale under Regulation S: A2GSC5; Sale under Rule 144A: A2GSC6
<b>Issue volume</b>	EUR 400,000,000
<b>Issue price</b>	100 %
<b>Denomination</b>	EUR 100,000
<b>Coupon</b>	2.875 %
<b>Interest payments</b>	On 15 January and 15 July, beginning with 15 January 2018
<b>Maturity date</b>	15 July 2022
<b>Early repayment</b>	NC2 at 101.438 % for the first time on 15 July 2019; 100.719 % on 15 July 2020; 100 % on 15 July 2021 and thereafter
<b>Closing price 31 / 12 / 2018</b>	100.75 %

### RATINGS FROM S & P AND MOODY'S

In the summer of 2019, as part of their annual rating reviews, the rating agencies Standard & Poor's and Moody's reviewed and confirmed their assessments of the 2017 / 2022 bond and DEMIRE as an issuer. As a result, DEMIRE's rating remains stable.

With these rating assessments, DEMIRE strengthens its transparency through an independent assessment of its business activities. DEMIRE is striving to position its risk profile in the medium term at the level of "investment grade" in order to facilitate the financing of its planned growth at more favourable conditions using capital market instruments.

Against this background, DEMIRE issued a new bond at very favourable conditions at the beginning of the fourth quarter of 2019 in order to early redeem the existing 2017 / 2022 bond on 11 October 2019, as well as other higher-interest financing. As a result, the financing costs will be significantly lower going forward.



**2019 / 2024 Corporate Bond**

<b>Name</b>	DEMIRE Senior Notes 2019 / 2024
<b>Issuer</b>	DEMIRE Deutsche Mittelstand Real Estate AG
<b>Rating</b>	Ba2 (Moody's); BB+ (S & P)
<b>Stock market listing</b>	Open market of the Luxembourg Stock Exchange; Euro MTF
<b>Applicable law</b>	German Law
<b>ISIN</b>	DE000A2YPAK
<b>WKN</b>	A2YPA
<b>Total nominal volume</b>	EUR 600,000,000
<b>Issue price</b>	99.407 % of par value
<b>Denomination</b>	EUR 100,000
<b>Coupon</b>	1.875 %
<b>Interest payments</b>	On 15 April and 15 October, beginning on 15 April 2020
<b>Maturity date</b>	15 October 2024
<b>Yield to maturity</b>	2.00 %
<b>Distribution</b>	Regulation S, excluding registration rights
<b>Repayment</b>	Non call life (with three-month option for early repayment)
<b>Change of control</b>	At 101% plus accrued and unpaid interest

Following the issue of the new bond, the rating agencies confirmed their credit ratings for both DEMIRE and the bond.

**DEMIRE'S RATINGS- AS AT 30 / 09 / 2019**

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

**ANNUAL GENERAL MEETING**

On 11 February 2019, an Extraordinary General Meeting took place during which an extensive level of authorised capital was approved. This authorised capital is intended to be used to further grow the real estate portfolio.

The ordinary Annual General Meeting of DEMIRE Deutsche Mittelstand Real Estate AG was held on 29 May 2019 and approved the resolution proposals of the management with significant majorities. Prof Dr Kerstin Hennig was newly elected to the Supervisory Board, replacing Dr Thomas Wetzel, who left the Supervisory Board as at the end of the Annual General Meeting.

# Interim Group Management Report for the 1 January through 30 September 2019 reporting period

## ECONOMIC REPORT

### BUSINESS PERFORMANCE

The results of the consistent implementation of the “REALize Potential” strategy are evident in all facets of DEMIRE’s business development in the first nine months of 2019 and form a solid basis for the company’s continued growth. The purchase of an office portfolio announced in November 2018 was completed in May 2019.

The purchase of a department store portfolio was completed in early July, followed by the completion of the sale of a property in Stahnsdorf that had exhausted its value-add potential for roughly EUR 24 million in September. Sales agreements were signed in the third quarter for three other properties, each with a value of under EUR 5 million, and therefore not within the institutional spectrum. In addition to the successful financing of the office portfolio, preparations were made for a new bond issue that is expected to lead to significantly lower financing costs in the future, and the issue was completed in early October at favourable conditions.

Overall, DEMIRE was able to continue its positive development and achieve significant improvements. The following results stand out in particular:

- An increase in funds from operations (FFO I, after taxes, before minorities) of 33.4 % to EUR 24.5 million.
- A rise in rental income of 8.9% to EUR 60.1million
- A reduction in the EPRA vacancy rate to 10.9 % (compared to 11.1 % as at 30 June 2019), reflecting the initial successes of strong letting performance.
- A rise in the level of net loan-to-value to 48.5% and in the direction of the target level of 50%.
- A 6.7 % increase in EPRA NAV per share (diluted) in the first three quarters of 2019 to EUR 5.87 per share.

**REAL ESTATE PORTFOLIO**

As at 30 September 2019, the real estate portfolio consisted of 91 commercial properties featuring lettable floor space of more than 1 million m<sup>2</sup> and a total market value of around EUR 1.4 billion. At the end of June 2019, an independent and comprehensive valuation of the entire real estate portfolio was carried out by the appraiser Savills that resulted in a valuation gain of EUR 29.1 million.

The portfolio's EPRA vacancy rate reached a level of 10.9% as at 30 September 2019, which was 0.2 percentage points lower than the level of 11.1% on 30 June 2019 but higher than the level of 7.5% as at 31 December 2018. This rise resulted primarily from the purchase of the office portfolio in May 2019, which had significantly higher vacancies, and was offset by the acquisition in July 2019 of the long-term, fully leased department store portfolio and successful letting activities. As several lettings will commence at the beginning of the new quarter or at the start of the new year, a further reduction in the vacancy rate is to be expected in the medium term accompanied by a rise in the WALT. DEMIRE's letting performance in the reporting period equalled roughly 134,800 m<sup>2</sup>, of which around 19% represents new lettings and around 81% follow-on lettings. The weighted average lease term (WALT) in the portfolio increased as at the 30 September 2019 reporting date to 4.7 years, which amounts to a rise of 0.2 years compared to year-end 2018.

**TOP 10 TENANTS (AS AT 30 / 09 / 2019)**

NO.	TENANT	TYPE OF USE	CONTRACTUAL RENTS P.A.*	
			in EUR millions	in % of total
1	GMG (Telekom)	Office	20.2	23.6
2	Karstadt	Retail	5.3	6.2
3	BImA Bundesanstalt für Immobilienaufgaben	Office	2.0	2.4
4	Sparkasse Südholstein	Office	1.7	2.0
5	ThyssenKrupp	Office	1.7	2.0
6	RIMC	Hotel	1.5	1.7
7	HPI Germany	Hotel	1.5	1.7
8	AXA Konzern AG	Office	1.2	1.5
9	Momox GmbH	Logistics	1.2	1.4
10	Barmer	Office	1.2	1.4
<b>Sub-total</b>			<b>37.5</b>	<b>43.9</b>
Other			47.9	56.1
<b>Grand total</b>			<b>85.4</b>	<b>100.0</b>

\* According to annualised contractual rent, excluding service charges.

## PORTFOLIO BY ASSET CATEGORY

	NO. OF PROPERTIES	MARKET VALUE IN EUR MILLIONS	SHARE IN %	LETTABLE SPACE (IN THOUSAND M <sup>2</sup> )	VALUE / M <sup>2</sup>	CONTRACTUAL RENT IN EUR MILLIONS P.A.	CONTRACTUAL RENT PER M <sup>2</sup>	RENTAL YIELD IN %	EPRA VACANCY RATE IN %*	WALT IN YEARS
Office	63	937.0	66.1	618.3	1,515	56.4	8.64	6.0	12.0	3.7
Retail	21	350.6	26.7	231.0	1,459	22.8	9.05	6.5	6.6	7.4
Logistics	1	68.6	4.8	178.2	385	4.1	2.23	6.0	21.3	3.7
Other	6	38.1	2.4	40.5	940	2.0	4.42	5.3	0.2	5.2
<b>Total as at 30 / 09 / 2019</b>	<b>91</b>	<b>1,394.3</b>	<b>100</b>	<b>1,068.0</b>	<b>1,292</b>	<b>85.4</b>	<b>7.52</b>	<b>6.1</b>	<b>10.9</b>	<b>4.7</b>
<b>Total as at 31 / 12 / 2018</b>	<b>84</b>	<b>1,130.4</b>	<b>100</b>	<b>926.5</b>	<b>1,220</b>	<b>73.2</b>	<b>7.20</b>	<b>6.5</b>	<b>7.5</b>	<b>4.5</b>
Change in % / pp	+7	+ 23.4%		+ 15.3%	+ 5.9%	+ 16.6%	+ 3.1%	- 40 bp	+ 340 bp	+ 0.2 years

\*Excluding real estate held for sale

## NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

## RESULTS OF OPERATIONS

In the first nine months of 2019, the DEMIRE Group generated rental income totaling EUR 60.1 million (previous year: EUR 55.1 million) which, after a rise in rents (like-for-like rent growth was 0.5%) and purchases of the office and department store portfolios, represents a total increase of 8.9%. Profit/loss from the rental of real estate rose to EUR 48.9 million (previous year: EUR 42.6 million), which is equivalent to a year-on-year increase of 14.7%. The increase is mainly attributable to the purchase of real estate, rent increases and the year-on-year improvement in the net balance of utility and service charges.

DEMIRE generated proceeds of EUR 24.4 million from the sale of the property in Stahnsdorf. This sale and others contributed a total of EUR 8.0 million to earnings.

General and administrative expenses fell to EUR 8.9 million in the first nine months of 2019 (previous year: EUR 16.0 million) as a result of lower legal and consulting fees, among others. As a result, earnings before interest and taxes (EBIT) amounted to EUR 76.3 million, which contains EUR 29.6 million of fair value adjustments (previous year: EUR 95.4 million, including EUR 70.1 million of fair value adjustments).

The financial result amounted to EUR - 30.6 million in the first nine months of 2019 (previous year: EUR - 29.2 million). Whereas financial expenses increased from EUR - 20.1 million in the first nine months of 2018 to EUR - 27.7 million in the reporting period due to expenses related to the new bond issue, minority interests declined to EUR - 3.7 million (previous year: EUR - 9.6 million) mainly as a result of lower valuation gains. The average nominal interest on financial debt decreased by 22 basis points to 2.78% p. a. as at 30 September 2019 compared to year-end 2018 and will continue to decline significantly until the end of 2019 due to the issue of the new bond and the repayment of higher-interest financing.

011 Management Report

Net assets, financial position and results of operations

Profit/loss before taxes (EBT) decreased by 31.0 % to EUR 45.7 million (previous year: EUR 66.3 million) as a result of lower fair value adjustments. Based on the lower year-on-year tax expense that resulted primarily from a lower level of deferred taxes from positive valuation effects on real estate, the net profit/loss for

the first nine months of 2019 was EUR 37.5 million after EUR 48.1 million in the same prior-year period. Adjusted for valuation effects from fair value adjustments, the profit/loss for the period increased to EUR 7.9 million as at 30 September 2019 compared to EUR –22.0 million in the prior-year period.

<b>CONSOLIDATED STATEMENT OF INCOME</b> (Selected information in EUR thousands)	<b>01/01/2019 – 30/09/2019</b>	<b>01/01/2018 – 30/09/2018</b>	<b>CHANGE</b>	<b>IN %</b>
Rental income	60,077	55,144	4,933	8.9 %
Income from utility and service charges	15,864	11,971	3,893	32.5 %
Operating expenses to generate rental income	- 27,044	- 24,499	- 2,545	10.4 %
<b>Profit/loss from the rental of real estate</b>	<b>48,896</b>	<b>42,616</b>	<b>6,280</b>	<b>14.7 %</b>
Income from the sale of real estate and real estate companies	25,635	427	25,209	>100
Expenses relating to the sale of real estate and real estate companies	- 18,668	- 453	- 18,214	>100
<b>Profit/loss from the sale of real estate and real estate companies</b>	<b>6,967</b>	<b>- 27</b>	<b>6,994</b>	<b>&gt;100</b>
Profit/loss from fair value adjustments in investment properties	29,645	70,099	- 40,454	- 57.7 %
Impairment of receivables	- 818	- 2,365	1,547	- 65.4 %
Other operating income	828	2,991	- 2,163	- 72.3 %
General and administrative expenses	- 8,881	- 15,997	7,116	- 44.5 %
Other operating expenses	- 364	- 1,893	1,529	- 80.7 %
<b>Earnings before interest and taxes</b>	<b>76,273</b>	<b>95,424</b>	<b>- 19,151</b>	<b>- 20.1 %</b>
Financial result	- 30,567	- 29,172	- 1,395	4.8 %
<b>Profit/loss before taxes</b>	<b>45,706</b>	<b>66,252</b>	<b>- 20,546</b>	<b>- 31.0 %</b>
Current income taxes	- 2,859	- 445	- 2,414	>100
Deferred taxes	- 5,314	- 17,727	12,412	- 70.0 %
<b>Net profit/loss for the period</b>	<b>37,532</b>	<b>48,080</b>	<b>- 10,548</b>	<b>- 21.9 %</b>
Thereof, attributable to parent company shareholders	34,225	42,281	- 8,056	- 19.1 %
Basic earnings per share (EUR)	0.32	0.66	- 0.34	- 51.8 %
Weighted number of shares outstanding (in thousands)	107,777	64,185		
Diluted earnings per share (EUR)	0.32	0.65	- 0.33	- 51.4 %
Weighted number of shares outstanding (diluted) (in thousands)	108,287	64,969		

**NET ASSETS**

As at 30 September 2019, total assets increased by EUR 147.2 million compared to year-end 2018 to around EUR 1,526.9 million. This rise mainly resulted from two portfolio purchases and the corresponding financing and fair value adjustments to investment properties. The value of investment properties amounts to approximately EUR 1,377.3 million as at 30 September 2019, representing an increase of EUR 237.4 million or 20.8% compared to the value as at 31 December 2018. The rise is a result of the acquisition of the two portfolios and the portfolio revaluation during the year. Non-current assets held for sale totalling EUR 17.0 million as at 30 September 2019 consist mainly of the three properties for which a purchase agreement was signed in the reporting period, as well as a partial property in Darmstadt.

Group equity increased to approximately EUR 618.1 million as at 30 September 2019 compared to its level as at 31 December 2018 (EUR 582.3 million) due to the positive net profit/loss for the period. Consequently the equity ratio equalled 40.5% (31 December 2018: 42.2%). It is important to note that, under IFRS, non-controlling minority interests in the amount of approximately EUR 74.9 million (31 December 2018: EUR 73.1 million) are recorded under the Group's non-current liabilities and not in equity because of the legal form of Fair Value-REIT's fund investments as partnerships. Adjusted Group equity totalled around EUR 693.0 million (31 December 2018: EUR 655.4 million).

Total financial liabilities as at 30 September 2019 were EUR 742.4 million, which was EUR 105.8 million higher than their level as at 31 December 2018 (EUR 636.6 million). The increase in current financial liabilities to EUR 413.9 million (31 December 2018: EUR 30.2 million) was a result of the reclassification to current liabilities of the 2017/2022 bond following the repayment announcement on 22 September 2019 and the issue of the new 2019/2024 bond. The increase in financial liabilities also resulted from the assumption of liabilities to finance the purchased office portfolio.

## 013 Management Report

## Net assets, financial position and results of operations

<b>CONSOLIDATED BALANCE SHEET – ASSETS</b> (Selected information in EUR thousands)	<b>30/09/2019</b>	<b>31/12/2018</b>	<b>CHANGE</b>	<b>IN %</b>
<b>ASSETS</b>				
Total non-current assets	1,388,530	1,150,944	237,586	20.6 %
Total current assets	120,334	215,487	-95,152	-44.2 %
Assets held for sale	17,042	12,262	4,780	39.0 %
<b>TOTAL ASSETS</b>	<b>1,526,906</b>	<b>1,378,692</b>	<b>147,214</b>	<b>10.7 %</b>
<b>CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES</b> (Selected information in EUR thousands)	<b>30/09/2019</b>	<b>31/12/2018</b>	<b>CHANGE</b>	<b>IN %</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Equity attributable to parent company shareholders	572,093	537,913	34,180	6.4 %
Non-controlling interests	46,035	44,425	1,610	3.6 %
<b>TOTAL EQUITY</b>	<b>618,128</b>	<b>582,338</b>	<b>35,790</b>	<b>6.1 %</b>
<b>LIABILITIES</b>				
Total non-current liabilities	471,736	742,696	-270,961	-36.5 %
Total current liabilities	436,042	53,658	382,384	>100 %
<b>TOTAL LIABILITIES</b>	<b>907,777</b>	<b>796,354</b>	<b>111,423</b>	<b>14.0 %</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,525,906</b>	<b>1,378,692</b>	<b>147,214</b>	<b>10.7 %</b>

**FINANCIAL POSITION**

Cash flow from operating activities in the first nine months of 2019 amounted to EUR 25.7 million (previous year: EUR 22.6 million). In the first half of 2019, lower distributions were made to minority shareholders than in the same prior-year period.

Cash flow from investing activities in the reporting period amounted to EUR –216.0 million and was largely a result of the purchase price payments for the office portfolio acquired in May and the department store portfolio acquired in July.

Cash flow from investing activities in the comparative period of 2018 was EUR –1.2 million as no purchases or sales took place in that period.

Cash flow from financing activities increased to roughly EUR 65.4 million, primarily as a result of the assumption of liabilities for the office portfolio. This amount compares with the level of EUR –6.8 million in the same period of the previous year.

Cash and cash equivalents as at 30 September 2019 amounted to EUR 65.6 million (30 September 2018: EUR 88.5 million).

<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b> (Selected information in EUR thousands)	<b>01/01/2019 – 30/09/2019</b>	<b>01/01/2018 – 30/09/2018</b>	<b>CHANGE</b>	<b>IN %</b>
Cash flow from operating activities	25,718	22,620	3,098	13.7 %
Cash flow from investing activities	215,977	–1,182	214,795	–
Cash flow from financing activities	65,431	–6,775	72,206	–
<b>Net change in cash and cash equivalents</b>	<b>–124,828</b>	<b>14,663</b>	<b>–139,491</b>	<b>–</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>65,614</b>	<b>88,537</b>	<b>–22,923</b>	<b>–25.9 %</b>

**FINANCIAL PERFORMANCE INDICATORS**

Total assets as at 30 September 2019 increased in comparison to year-end 2018 by EUR 147.2 million and amounted to roughly EUR 1,525.9 million.

Investment properties were revalued in June 2019, resulting in a valuation gain of EUR 29.1 million. Together with the acquisition of an office portfolio and department

store portfolio and the sale of five non-strategic properties, this led to an increase in investment properties as at 30 September 2019 to around EUR 1,377.3 million, compared to EUR 1,139.9 million as at 31 December 2018.



<b>FFO CALCULATION</b> (Selected information in EUR thousands)	<b>01/01/2019 - 30/09/2019</b>	<b>01/01/2018 - 30/09/2018</b>	<b>CHANGE</b>	<b>IN %</b>
Profit/loss before taxes	45,706	66,252	-20,546	-31.0%
Minority interests	3,665	9,598	-5,933	-61.8%
<b>Earnings before taxes (EBT)</b>	<b>49,371</b>	<b>75,850</b>	<b>-26,479</b>	<b>-34.9%</b>
± Profit/loss from the sale of real estate	-6,967	27	-6,994	-
± Profit/loss from investments accounted for using the equity method	0	-162	162	0.0%
± Profit/loss from fair value adjustments in investment properties	-29,645	-70,099	40,454	-57.7%
± Other adjustments *	11,800	13,158	-1,356	-10.3%
<b>FFO I before taxes</b>	<b>24,559</b>	<b>18,774</b>	<b>5,785</b>	<b>30.8%</b>
± (Current) income taxes	-107	-440	334	-75.8%
<b>FFO I after taxes</b>	<b>24,452</b>	<b>18,333</b>	<b>6,118</b>	<b>33.4%</b>
Thereof attributable to parent company shareholders	19,807	15,376	4,431	28.8%
Thereof attributable to non-controlling interests	4,645	2,957	1,688	57.1%
± Profit/loss from the sale of real estate companies/ real estate (after taxes)	5,194	-27	5,221	-
<b>FFO II after taxes</b>	<b>29,646</b>	<b>18,306</b>	<b>11,339</b>	<b>61.9%</b>
Thereof attributable to parent company shareholders	25,353	15,345	10,008	65.2%
Thereof attributable to non-controlling interests	4,292	2,961	1,331	44.9%
<b>FFO I after taxes per share</b>				
Basic FFO I per share (EUR)	0.23	0.29	-0.06	-20.6%
Weighted number of shares outstanding (in thousands)	107,777	64,185	43,592	-
Diluted FFO I per share (EUR)	0.23	0.28	-0.06	-20.0%
Weighted number of shares outstanding (diluted) (in thousands)	108,287	64,969	43,318	-
<b>FFO II after taxes per share</b>				
Basic FFO II per share (EUR)	0.28	0.29	-0.01	-3.6%
Weighted number of shares outstanding (in thousands)	107,777	64,185	43,592	-
Diluted FFO II per share (EUR)	0.27	0.28	-0.01	-2.8%
Weighted number of shares outstanding (diluted) (in thousands)	108,287	64,969	43,318	-

\*Other adjustments include:

- One-time refinancing costs and adjusted effective interest payments (EUR 12.5 million; previous year: EUR 7.9 million)
- One-time transaction, legal and consulting fees (EUR -0.7 million; previous year: EUR 4.4 million)
- One-time administrative costs (EUR 0.1 million; previous year: EUR 0.9 million)
- Non-period expenses/income (EUR -0.1 million; previous year: EUR 0.0 million)

**NET ASSET VALUE (NAV)**

Basic EPRA NAV increased 6.6% from EUR 595.2 million as at 31 December 2018 to EUR 634.7 million as at 30 September 2019. Basic EPRA NAV per share based

on 107.7 million shares as at the reporting date amounted to EUR 5.89 (31 December 2018: EUR 5.52 per share), diluted EPRA NAV per share as at the reporting date amounted to EUR 5.87 (31 December 2018: EUR 5.50 per share).

<b>EPRA NET ASSET VALUE (NAV)</b> in EUR thousands	<b>30/09/2019</b>	<b>31/12/2018</b>	<b>CHANGE</b>	<b>IN %</b>
Net asset value (NAV)	572,093	537,913	34,180	6.4
Deferred taxes	67,365	62,050	5,315	8.6
Goodwill resulting from deferred taxes	- 4,738	- 4,738	0	0.0
<b>EPRA NAV (basic)</b>	<b>634,720</b>	<b>595,225</b>	<b>39,495</b>	<b>6.6</b>
Number of shares outstanding (in thousands) (basic)	107,777	107,777	0	0.0
EPRA NAV per share (EUR) (basic)	5.89	5.52	0.37	6.6
Effect of the exercise of convertible bonds and other equity instruments	510	520	- 10	- 1.9
EPRA NAV (diluted)	635,230	595,745	39,485	6.6
Number of shares outstanding (in thousands) (diluted)	108,287	108,297	- 10	0.0
<b>EPRA NAV PER SHARE (EUR) (DILUTED)</b>	<b>5.87</b>	<b>5.50</b>	<b>0.37</b>	<b>6.7</b>

## 017 Management Report

Financial Performance Indicators  
Report on Risks and Opportunities  
Subsequent Events  
Outlook

### NET LOAN-TO-VALUE RATIO

The DEMIRE Group's loan-to-value ratio is defined as the ratio of net financial liabilities to the carrying amount of investment properties and non-current assets held for sale. The net loan-to-value ratio surpassed its low level at the end of 2018 (38.7%) and as at 30 September 2019 moved towards the 50% target and reached 48.5%. This rise reflects the purchase of the two portfolios and the assumption of financing.

<b>NET LOAN-TO-VALUE (NET LTV)</b> in EUR millions	<b>30/09/2019</b>	<b>31/12/2018</b>
Financial liabilities	742.4	636.6
Cash and cash equivalents	65.6	190.4
<b>Net financial debt</b>	<b>676.8</b>	<b>446.1</b>
<b>Fair value of investment properties and non-current assets held for sale</b>	<b>1,394.3</b>	<b>1,152.1</b>
<b>Net LTV in %</b>	<b>48.5%</b>	<b>38.7%</b>

### REPORT ON RISKS AND OPPORTUNITIES

Concerning the risks to future business development, please refer to the disclosures made in the risk report contained in the consolidated financial statements as at 31 December 2018. There were no material changes in the Group's risk structure in the first nine months of 2019.

### SUBSEQUENT EVENTS

After the reporting date, a new 2019/2024 bond was issued whose proceeds are to be used primarily to repay the 2017/2022 bond, which was still outstanding as at the reporting date, and to repay other higher-interest financial liabilities.

### OUTLOOK

The Executive Board confirms the forecast for the current financial year, which had been raised on 7 August 2019. Rental income is expected to range between EUR 80.5 million and EUR 82.5 million and FFO I (after taxes, before minorities) between EUR 30 million and EUR 32 million

Frankfurt am Main, 14 November 2019  
DEMIRE Deutsche Mittelstand Real Estate AG

**Ingo Hartlief FRICS**  
(Chief Executive Officer)

**Tim Brückner**  
(Chief Financial Officer)

**FFO I**  
**24.5**

**Rental income**  
**60.1**

in EUR millions  
in the first nine months of 2019



# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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## **026 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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## **U03 DISCLAIMER AND IMPRINT**

**CONSOLIDATED STATEMENT OF INCOME**

For the reporting period from 1 January to 30 September 2019

in EUR thousands	01/01/2019 -30/09/2019	01/01/2018 -30/09/2018	01/07/2019 -30/09/2019	01/07/2018 -30/09/2018
Rental income	60,077	55,144	21,851	18,587
Income from utility and service charges	15,864	11,971	4,585	3,168
Operating expenses to generate rental income	-27,044	-24,499	-9,525	-7,210
<b>Profit/loss from the rental of real estate</b>	<b>48,896</b>	<b>42,616</b>	<b>16,911</b>	<b>14,545</b>
Income from the sale of real estate and real estate companies	25,635	427	24,440	423
Expenses relating to the sale of real estate and real estate companies	-18,668	-453	-17,337	-439
<b>Profit/loss from the sale of real estate and real estate companies</b>	<b>6,967</b>	<b>-27</b>	<b>7,103</b>	<b>-16</b>
Profit/loss from fair value adjustments to investment properties	29,645	70,099	510	0
Impairment of receivables	-818	-2,365	-270	-258
Other operating income	828	2,991	278	892
General and administrative expenses*	-8,881	-15,997	-3,084	-2,791
Other operating expenses*	-364	-1,893	-83	-1,238
<b>Earnings before interest and taxes</b>	<b>76,273</b>	<b>95,424</b>	<b>21,365</b>	<b>11,134</b>
Financial income*	779	489	305	238
Financial expenses	-27,681	-20,063	-15,907	-6,670
Interests of minority shareholders	-3,665	-9,598	-931	-810
<b>Financial result</b>	<b>-30,567</b>	<b>-29,172</b>	<b>-16,533</b>	<b>-7,242</b>
<b>Profit/loss before taxes</b>	<b>45,706</b>	<b>66,252</b>	<b>4,832</b>	<b>3,893</b>
Current income taxes	-2,859	-445	-1,831	-153
Deferred taxes	-5,314	-17,727	376	-332
<b>Net profit/loss for the period</b>	<b>37,532</b>	<b>48,080</b>	<b>3,377</b>	<b>3,407</b>
Thereof, attributable to:				
<b>Non-controlling interests</b>	<b>3,307</b>	<b>5,799</b>	<b>927</b>	<b>633</b>
<b>Parent company shareholders</b>	<b>34,225</b>	<b>42,281</b>	<b>2,450</b>	<b>2,774</b>
Basic earnings per share	0.32	0.66		
Diluted earnings per share	0.32	0.65		

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the reporting period from 1 January to 30 September 2019

in EUR thousands	01/01/2019 –30/09/2019	01/01/2018 –30/09/2018	01/07/2019 –30/09/2019	01/07/2018 –30/09/2018
<b>Net profit/loss for the period</b>	<b>37,532</b>	<b>48,080</b>	<b>3,376</b>	<b>3,407</b>
Items that will be reclassified to profit and loss:				
Currency translation differences	0	0	0	0
<b>Other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income</b>	<b>37,532</b>	<b>48,080</b>	<b>3,376</b>	<b>3,407</b>
Thereof, attributable to:				
<b>Non-controlling interests</b>	<b>3,307</b>	<b>5,799</b>	<b>927</b>	<b>633</b>
<b>Parent company shareholders</b>	<b>34,225</b>	<b>42,281</b>	<b>2,450</b>	<b>2,775</b>

**CONSOLIDATED BALANCE SHEET**

As at 30 September 2019

<b>ASSETS</b> in EUR thousands	<b>30/09/2019</b>	<b>31/12/2018</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	6,881	6,884
Property, plant and equipment	414	465
Investment properties	1,377,288	1,139,869
Other assets	3,947	3,725
<b>Total non-current assets</b>	<b>1,388,530</b>	<b>1,150,944</b>
<b>Current assets</b>		
Trade accounts receivable and other receivables	46,692	15,835
Financial receivables and other financial assets	6,583	6,326
Tax refund claims	1,445	2,884
Cash and cash equivalents	65,614	190,442
<b>Total current assets</b>	<b>120,334</b>	<b>215,487</b>
<b>Non-current assets held for sale</b>	<b>17,042</b>	<b>12,262</b>
<b>Total assets</b>	<b>1,525,906</b>	<b>1,378,692</b>



<b>EQUITY AND LIABILITIES</b> in EUR thousands	<b>30 / 09 / 2019</b>	<b>31 / 12 / 2018</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Subscribed capital	107,777	107,777
Reserves	464,316	430,136
<b>Equity attributable to parent company shareholders</b>	<b>572,093</b>	<b>537,913</b>
Non-controlling interests	46,035	44,425
<b>TOTAL EQUITY</b>	<b>618,128</b>	<b>582,338</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Deferred tax liabilities	67,365	62,050
Minority interests	74,921	73,085
Financial liabilities	328,531	606,404
Other liabilities	919	1,157
<b>Total non-current liabilities</b>	<b>471,736</b>	<b>742,696</b>
<b>Current liabilities</b>		
Provisions	1,764	1,302
Trade payables and other liabilities	17,128	19,703
Tax liabilities	3,289	2,486
Financial liabilities	413,860	30,168
<b>Total current liabilities</b>	<b>436,042</b>	<b>53,658</b>
<b>TOTAL LIABILITIES</b>	<b>907,777</b>	<b>796,354</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,525,906</b>	<b>1,378,692</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the reporting period from 1 January to 30 September 2019

in EUR thousands	01/01/2019 –30/09/2019	01/01/2018 –30/09/2018
<b>Group profit/loss before taxes</b>	<b>45,706</b>	<b>66,252</b>
Financial expenses	27,681	20,063
Financial income*	- 779	- 327
Interests of minority shareholders	3,665	9,598
Change in real estate inventory	- 4,780	1,734
Change in trade accounts receivable and other receivables	- 5,892	272
Change in financial receivables and other financial assets	- 461	- 346
Change in provisions	462	1,384
Change in trade payables and other liabilities	- 304	- 4,587
Profit/loss from fair value adjustments in investment properties	- 29,645	- 70,099
Expenses relating to the sale of real estate and real estate companies	- 6,967	27
Interest proceeds	92	129
Income taxes paid	- 2,602	- 92
Change in reserves	4	- 174
Depreciation and amortisation and impairment	921	2,504
Distributions to minority shareholders/dividends	- 1,729	- 2,961
Other non-cash items*	347	- 757
<b>Cash flow from operating activities</b>	<b>25,718</b>	<b>22,620</b>
Payments for investments in property, plant and equipment	- 146,948	- 1,605
Payments for the acquisition of investment properties and interests in fully consolidated companies, less net cash equivalents acquired	- 69,301	0
Proceeds from the sale of real estate	273	423
<b>Cash flow from investing activities</b>	<b>- 215,977</b>	<b>- 1,182</b>
Proceeds from capital increases	0	23,600
Payments for expenses associated with raising equity	0	- 628
Proceeds from the issuance of financial liabilities	105,113	34,117
Interest paid on financial liabilities	- 12,679	- 18,908
Acquisition of additional interests in subsidiaries	- 525	- 3,115
Payments for the redemption of financial liabilities	- 26,478	- 41,841
<b>Cash flow from financing activities</b>	<b>65,431</b>	<b>- 6,775</b>
<b>Net change in cash and cash equivalents</b>	<b>- 124,828</b>	<b>14,663</b>
Cash and cash equivalents at the start of the period	190,442	73,874
<b>Cash and cash equivalents at the end of the period</b> (Thereof restricted cash: EUR 0 thousand; 30 September 2018: EUR 731 thousand)	<b>65,614</b>	<b>88,537</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the reporting period from 1 January to 30 September 2019

in EUR thousands	SHARE CAPITAL			RESERVES			NON-CON- TROLLING INTERESTS	TOTAL EQUITY
	SUBSCRIBED CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS INCL. GROUP PROFIT / LOSS	RESERVES FOR TREASURY SHARES	CURRENCY TRANSLATION	EQUITY ATTRIBUTABLE TO PARENT COMPANY SHARE- HOLDERS		
<b>01/01/2019</b>	<b>107,777</b>	<b>129,848</b>	<b>300,288</b>	<b>0</b>	<b>0</b>	<b>537,914</b>	<b>44,425</b>	<b>582,338</b>
Net profit / loss for the period	0	0	34,225	0	0	34,225	3,307	37,532
Other comprehensive income	0	0	0	0	0	0	0	0
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>34,225</b>	<b>0</b>	<b>0</b>	<b>34,225</b>	<b>3,307</b>	<b>37,532</b>
Capital increases	0	0	0	0	0	0	0	0
Stock option programme	0	4	0	0	0	4	0	4
Convertible bonds	0	0	0	0	0	0	0	0
Dividend payments / distributions	0	0	0	0	0	0	-417	-417
Increase in shareholdings in subsidiaries	0	0	81	0	0	81	-1,410	-1,329
Other changes	0	0	-130	0	0	-130	129	-1
<b>30/09/2019</b>	<b>107,777</b>	<b>129,852</b>	<b>334,464</b>	<b>0</b>	<b>0</b>	<b>572,093</b>	<b>46,035</b>	<b>618,128</b>
<b>01/01/2018</b>	<b>54,271</b>	<b>0</b>	<b>231,433</b>	<b>-310</b>	<b>22</b>	<b>285,417</b>	<b>33,684</b>	<b>319,101</b>
First-time application of IFRS 9	0	0	6,597	0	0	6,597	421	7,018
Net profit / loss for the period	0	0	42,281	0	0	42,281	5,799	48,080
Other comprehensive income	0	0	0	0	0	0	0	0
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>42,281</b>	<b>0</b>	<b>0</b>	<b>42,281</b>	<b>5,799</b>	<b>48,080</b>
Capital increases	5,426	17,546	0	0	0	22,972	0	22,972
Stock option programme	0	174	0	0	0	174	0	174
Mandatory convertible bond	13,389	-3,096	0	0	0	10,292	0	10,292
Dividend payments / distributions	0	0	0	0	0	0	-1,234	-1,234
Other changes	0	-20	609	0	-22	566	-2,059	-1,493
<b>30/09/2018</b>	<b>73,086</b>	<b>14,604</b>	<b>280,919</b>	<b>-310</b>	<b>0</b>	<b>368,299</b>	<b>36,611</b>	<b>404,911</b>

# Notes to the consolidated financial statements for the reporting period from 1 January to 30 September 2019

## 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 business address is Robert-Bosch-Straße 11, Langen, Germany. The subject of these condensed interim consolidated financial statements as at 30 September 2019 is DEMIRE AG and its subsidiaries (“DEMIRE”).

The DEMIRE AG shares are listed on the regulated market of the Frankfurt Stock Exchange (Prime Standard segment).

Investments in real estate or real estate projects 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 30 September 2019 were prepared in accordance with the requirements of IAS 34 “Interim Financial Reporting” (“IAS 34”). This report has not been audited and therefore does not contain an auditor’s report.

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 2019 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 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 September 2019 should therefore be viewed in conjunction with the consolidated financial statements prepared as at 31 December 2018.

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 (EUR thousands). For computational reasons, rounding differences of  $\pm$  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 14 November 2019.

## B. SCOPE AND PRINCIPLES OF CONSOLIDATION

With effect from 1 July 2019, four property companies were acquired for a total purchase price of EUR 69.7 million. This transaction is presented in these interim consolidated financial statements as the acquisition of a group of assets as defined by IFRS 3.2 (b).

## 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 2018. There were no material changes in estimates compared to those in the consolidated financial statements as at 31 December 2018.

The first-time application of IFRIC 23 and the changes to IFRS 9 and IAS 28 have no material impact on the consolidated financial statements of DEMIRE.

## D. NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

### 1. EARNINGS BEFORE INTEREST AND TAXES

in EUR thousands	01/01/2019 –30/09/2019	01/01/2018 –30/09/2018
Rental income	60,077	55,144
Income from utility and service charges	15,864	11,971
<b>Rental revenue</b>	<b>75,940</b>	<b>67,115</b>
Allocable operating expenses to generate rental income	–18,096	–15,980
Non-allocable operating expenses to generate rental income	–8,948	–8,519
<b>Operating expenses to generate rental income</b>	<b>–27,044</b>	<b>–24,499</b>
<b>Profit/loss from the rental of real estate</b>	<b>48,896</b>	<b>42,616</b>

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 48,896 thousand (9M 2018: EUR 42,616 thousand) resulted first and foremost from the addition of the office property portfolio acquired in the second quarter of 2019, as well as the acquisition of the five department stores acquired in July 2019 as part of a share deal. These acquisitions led to an increase in rental income of EUR 4,555 thousand. Rent increases of EUR 378 thousand were also realised. The higher income from utility and service charges of EUR 3,893 thousand mainly resulted from higher allocable expenses, as well as EUR 1,151 thousand from the acquisitions of the office property portfolio and the five department stores.

Earnings before interest and taxes of EUR 76,273 thousand (9M 2018: EUR 95,586 thousand) declined year-on-year due to lower profit/loss from fair value adjustments to investment properties which, at EUR 29,645 thousand, was EUR 40,454 thousand lower (9M 2018: EUR 70,099 thousand).

A positive effect on earnings before interest and taxes resulted from the decline in general administrative expenses to EUR 8,881 thousand (9M 2018: EUR 15,997 thousand). This year-on-year decline in general administrative expenses was mainly attributable to EUR 4,050 thousand lower legal and consulting costs and EUR 983 thousand lower non-deductible input taxes, which were related primarily to the takeover bid in April 2018 by the major shareholder Apollo.

Earnings before interest and taxes also include other operating expenses of EUR 364 thousand (9M 2018: EUR 1,893 thousand). The decline in other operating expenses resulted mainly from impairments of EUR 657 thousand on other assets included in the Eastern Europe portfolio (CEE/CIS) recognised in the first nine months of 2018.

The lower expense from deferred taxes of EUR 5,314 thousand (9M 2018: EUR 17,727 thousand) resulted from lower profit/loss from fair value adjustments to investment properties, as well as from the sale of the Stahnsdorf property by the Germavest GmbH property company.

## 2. FINANCIAL RESULT

in EUR thousands	01/01/2019 –30/09/2019	01/01/2018 –30/09/2018
Financial income	779	489
Financial expenses	– 27,681	– 20,063
Interests of minority shareholders	– 3,665	– 9,598
<b>Financial result</b>	<b>– 30,567</b>	<b>– 29.172</b>

The increase in financial expenses of roughly 38% in the first nine months of 2019 was mainly due to one-time effects related to the planned early redemption of the 2017/2022 corporate bond, which was refinanced by a corporate bond with a volume of EUR 600 million successfully placed with institutional investors on 30 September 2019.

The share of profit/loss of minority shareholders amounting to EUR 3,665 thousand (9M 2018: EUR 9,598 thousand) concerns minority shareholder's profits in the Fair Value REIT-AG subsidiaries recorded as liabilities under IFRS. The decrease resulted primarily from lower valuation gains in the real estate held by these subsidiaries compared to the same prior-year period.

## 3. EARNINGS PER SHARE

	01/01/2019 –30/09/2019	01/01/2018 –30/09/2018
<b>Net profit/loss for the period (in EUR thousands)</b>	<b>37,532</b>	<b>48,080</b>
Profit/loss for the period less non-controlling interests	34,225	42,281
Interest expenses from convertible bonds	0	10
Net profit/loss for the period less non-controlling interests (diluted)	34,225	42,291
<b>Number of shares (in thousands)</b>		
Number of shares outstanding as at the reporting date	107,777	73,086
Weighted average number of shares outstanding	107,777	64,185
Impact of conversion of convertible bonds and exercise under the 2015 Stock Option programme	510	784
Weighted average number of shares (diluted)	108,287	64,969
<b>Earnings per share (in EUR)</b>		
Basic earnings per share	0.32	0.66
Diluted earnings per share	0.32	0.65

As at 30 September 2019, the Company had potential ordinary shares outstanding from the 2015 stock option programme entitling the owners to subscribe to 510,000 shares.

There was no change in the number of shares outstanding in the first nine months of 2019 compared to the level as at 31 December 2018.

**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 compared to their level as at 31 December 2018:

in EUR thousands	2019	OFFICE	RETAIL	LOGISTICS	OTHER	2018	OFFICE	RETAIL	LOGISTICS	OTHER
<b>Fair value at the beginning of the reporting period</b>	<b>1,139,869</b>	<b>784,686</b>	<b>263,304</b>	<b>65,436</b>	<b>26,442</b>	<b>1,021,847</b>	<b>691,649</b>	<b>245,225</b>	<b>61,700</b>	<b>23,273</b>
Additions	231,034	146,284	84,666	83	0	24,341	23,926	391	24	0
Reclassifications under IFRS 16	0	0	0	0	0	1,592	1,592	0	0	0
Disposals / Reclassifications	-22,750	-22,750	0	0	0	-970	-662	-23	0	-285
Unrealised gains from fair value measurement included in item D.3 of the statement of income	32,033	26,868	897	3,081	1,178	97,956	72,846	17,923	3,713	3,475
Unrealised losses from fair value measurement included in item D.3 of the statement of income	-2,888	-2,888	0	0	0	-4,897	-4,665	-212	0	-20
<b>Fair value at the end of the reporting period</b>	<b>1,377,288</b>	<b>932,200</b>	<b>348,867</b>	<b>68,600</b>	<b>27,620</b>	<b>1,139,869</b>	<b>784,686</b>	<b>263,304</b>	<b>65,436</b>	<b>26,442</b>



The additions to investment properties consisted primarily from the office real estate portfolio acquired in the second quarter with properties in Cologne, Aschheim-Dornach, Bad Vilbel and Essen (EUR 144,849 thousand), the completion of the portfolio purchase of five department stores in the third quarter (EUR 84,548 thousand) and the related capitalisation of rights-of-use from leasehold contracts (EUR 15,344 thousand) pursuant to IFRS 16.

Disposals in the amount of EUR 18,580 thousand were completed in the reporting period and included a property sold by Fair Value REIT-AG and the Stahnsdorf property sold by the Germavest GmbH property company. Properties valued at EUR 4,170 thousand were reclassified to the item "Non-current assets held for sale".

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). DEMIRE determines the fair values in the context of IAS 40 accounting.

A renewed sensitivity analysis of the key input parameters was not carried out as at 30 September 2019. As a result, there were no new effects on the fair value of the investment properties.

**1. FINANCIAL LIABILITIES**

Financial liabilities as at 30 September 2019 consisted of the following:

<b>FINANCIAL LIABILITIES</b> in EUR thousands	<b>FIXED INTEREST</b>	<b>VARIABLE INTEREST</b>	<b>TOTAL</b>
2017/2022 corporate bond	371,897	0	371,897
Other financial liabilities	322,494	48,000	370,494
<b>Total</b>	<b>694,391</b>	<b>48,000</b>	<b>742,391</b>

Financial liabilities as at 31 December 2018 consisted of the following:

<b>FINANCIAL LIABILITIES</b> in EUR thousands	<b>FIXED INTEREST</b>	<b>VARIABLE INTEREST</b>	<b>TOTAL</b>
2017/2022 corporate bond	361,208	0	361,208
Other financial liabilities*	229,748	45,616	275,857
<b>Total</b>	<b>590,956</b>	<b>45,616</b>	<b>636,572</b>

\* Prior-year figures have been adjusted.

The following table shows the nominal value of financial liabilities as at 30 September 2019:

<b>FINANCIAL LIABILITIES</b> in EUR thousands	<b>FIXED INTEREST</b>	<b>VARIABLE INTEREST</b>	<b>TOTAL</b>
2017/2022 corporate bond	366,625	0	366,625
Other financial liabilities	315,026	48,000	363,026
<b>Total</b>	<b>681,651</b>	<b>48,000</b>	<b>729,651</b>

The following table shows the nominal value of financial liabilities as at 31 December 2018:

<b>FINANCIAL LIABILITIES</b> in EUR thousands	<b>FIXED INTEREST</b>	<b>VARIABLE INTEREST</b>	<b>TOTAL</b>
2017/2022 corporate bond	366,625	0	366,625
Other financial liabilities*	238,259	45,616	283,875
<b>Total</b>	<b>604,884</b>	<b>45,616</b>	<b>650,500</b>

\* Prior-year figures have been adjusted.

Subsequent measurement of financial liabilities is carried out at amortised cost using the effective interest method, which leads to differences between book values and nominal amounts.

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

During the interim reporting period, a loan was concluded with a large German mortgage bank for a nominal amount of EUR 97,000 thousand. The payment was made in June 2019. The increase in financial liabilities also resulted from financial liabilities in the amount of EUR 14,666 thousand related to the acquired portfolio of five department stores.

The nominal interest rate of the 2017/2022 corporate bond is 2.875%. Other financial liabilities mainly include bank liabilities with an average interest rate on financial debt of 2.69% p. a. as at 30 September 2019 (31 December 2018: 3.16% p. a.). The average interest rate on all financial liabilities amounted to 2.78% p. a. as at 30 September 2019 (31 December 2018: 3.00% p. a.).

## F. CONDENSED GROUP SEGMENT REPORTING

01/01/2019 – 30/09/2019 in EUR thousands	CORE PORTFOLIO	FAIR VALUE REIT	CORPORATE FUNCTIONS/ OTHERS	GROUP
<b>Total revenues</b>	<b>80,058</b>	<b>21,517</b>	<b>0</b>	<b>101,575</b>
<b>Segment revenues</b>	<b>106,326</b>	<b>25,656</b>	<b>66</b>	<b>132,048</b>
<b>Segment expenses</b>	<b>- 38,056</b>	<b>- 8,922</b>	<b>- 8,797</b>	<b>- 55,775</b>
<b>Net profit/ loss for the period</b>	<b>54,207</b>	<b>10,307</b>	<b>- 26,982</b>	<b>37,532</b>
<b>Additional information</b>				
<b>Segment assets</b>	<b>1,142,527</b>	<b>346,734</b>	<b>36,645</b>	<b>1,525,906</b>
thereof current financial receivables and other financial assets	1,745	36	4,803	6,583
thereof tax refund claims	11	7	1,426	1,445
thereof non-current assets, held for sale	17,042	0	0	17,042
<b>Segment liabilities</b>	<b>340,395</b>	<b>194,847</b>	<b>372,536</b>	<b>907,777</b>
thereof non-current financial liabilities	261,609	66,922	0	328,531
thereof current financial liabilities	13,534	32,556	367,769	413,860
thereof tax liabilities	3,087	0	203	3,289

01/01/2018 – 30/09/2018 in EUR thousands	CORE PORTFOLIO	FAIR VALUE REIT	CORPORATE FUNCTIONS/ OTHERS	GROUP
<b>Total revenues</b>	<b>31,436</b>	<b>13,927</b>	<b>0</b>	<b>45,363</b>
<b>Segment revenues*</b>	<b>84,233</b>	<b>32,913</b>	<b>415</b>	<b>117,561</b>
<b>Segment expenses</b>	<b>- 14,211</b>	<b>- 6,792</b>	<b>- 12,268</b>	<b>- 33,271</b>
<b>Net profit/ loss for the period</b>	<b>51,362</b>	<b>12,223</b>	<b>- 18,912</b>	<b>44,673</b>
<b>Additional information</b>				
<b>Segment assets</b>	<b>824,558</b>	<b>336,730</b>	<b>70,746</b>	<b>1,232,035</b>
thereof current financial receivables and other financial assets	205	15	5,498	5,718
thereof tax refund claims	586	0	2,863	3,448
thereof non-current assets, held for sale	12,262	605	0	12,867
<b>Segment liabilities</b>	<b>598,040</b>	<b>202,599</b>	<b>26,486</b>	<b>827,124</b>
thereof non-current financial liabilities	514,470	93,746	0	608,216
thereof current financial liabilities	41,460	20,679	0	62,139
thereof tax liabilities	2,503	0	60	2,563

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

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 21,347 thousand (9M 2018: EUR 16,698 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 2018. 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:

	30/09/2019		31/12/2018	
	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT
in EUR thousands				
Bonds	375,334	371,897	358,156	361,208
Other financial liabilities	312,715	328,531	248,393	246,656

### 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 at 31 December 2018. No material changes to the Group's risk structure occurred before the end of the third quarter of 2019.

### 4. OTHER DISCLOSURES

As at 30 September 2019, there were no financial obligations from purchase agreements for real estate or real estate companies.

Contractual obligations existed mainly for the modification and expansion of the properties in Eschborn, Kempten and the Gutenberg-Galerie in Leipzig. The scope of these obligations has been defined. The resulting costs amounted to EUR 2,098 thousand as at 30 September 2019.

The purchase order commitment from commissioned maintenance amounted to EUR 2,008 thousand as at the interim reporting date.

As at the 30 September 2019 interim reporting date, obligations for future lease payments under long-term leasehold agreements existed in the amount of EUR 15,182 thousand from the purchase of five department stores acquired in the context of a portfolio purchase.

## 5. GOVERNING BODIES AND EMPLOYEES

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

The members of the Executive Board during the interim reporting period were:

- Mr Ingo Hartlief (since 20 December 2018)
- Mr Tim Brückner (since 1 February 2019)
- Mr Ralf Kind (until 3 January 2019)

For the interim reporting period, performance-based remuneration of EUR 278 thousand (9M 2018: EUR 135 thousand), fixed remuneration of EUR 420 thousand (9M 2018: EUR 297 thousand) and share-based payments of EUR 113 thousand (9M 2018: EUR 175 thousand) were recognised for the DEMIRE AG Executive Board. In the first nine months of 2018, one Executive Board member had been appointed. Any remaining remuneration amount to be paid to Mr Ralf Kind is currently unclear, as this issue is presently being addressed in a pending legal proceeding. Nevertheless, an amount of EUR 420 thousand was recognised as a provision in accordance with IAS 19.

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

## 6. EVENTS OCCURRING AFTER THE 30 SEPTEMBER 2019 INTERIM REPORTING DATE

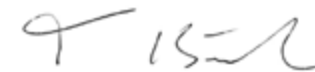
After the reporting date, the five-year corporate bond with a volume of EUR 600 million and a fixed coupon of 1.875% placed with institutional investors in Europe during the reporting period was successfully completed.

The net proceeds from the bond will be used for the early refinancing of the bond maturing in 2022 (outstanding volume: EUR 366.6 million, coupon 2.875%, ISIN XS1647824173 / ISIN XS1647824686) and a promissory note also due in 2022 (outstanding volume: EUR 142.1 million, coupon 4.0%), as well as for general corporate purposes.

DEMIRE Deutsche Mittelstand Real Estate AG  
Frankfurt am Main, 14 November 2019



**Ingo Hartlief FRICS**  
(CEO)



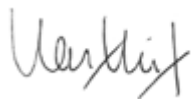
**Tim Brückner**  
(CFO)

## RESPONSIBILITY STATEMENT

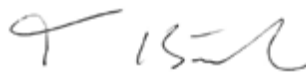
As the Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG, we hereby confirm to the best of our knowledge and in accordance with the applicable reporting principles, that the consolidated financial statements give a true and fair view of the net assets, financial position, and results of operations 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, 14 November 2019

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

### COMPANY CONTACT

DEMIRE Deutsche Mittelstand Real Estate AG  
Robert-Bosch-Straße 11  
D-63225 Langen  
T + 49 (0) 6103 – 372 49 – 0  
F + 49 (0) 6103 – 372 49 – 11  
ir@demire.ag  
www.demire.ag

### RESPONSIBLE PUBLISHER

The Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG

### CONCEPT AND LAYOUT

Kammann Rossi GmbH

### STATUS

November 2019



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

