

Interim Statement Q3

1 January – 30 September 2020



Highlights 9M 2020



KEY EARNINGS FIGURES

30.1

in EUR millions

FFO I (after taxes, before minorities),
+23.1 % compared to 9M 2019

65.8

in EUR millions

Rental income, +9.5 %
compared to 9M 2019



KEY FINANCIAL INDICATORS

49.9

in per cent

Net loan-to-value ratio (net LTV),
compared to 46.7 % at year-end 2019

1.75

in per cent p.a.

Average nominal interest costs,
declined by 9 basis points compared
to year-end 2019

6.06

in EUR

**Net asset value (EPRA NAV per share
undiluted),** after dividend distribution
in September 2020



PORTFOLIO DEVELOPMENT

1.5

in EUR billions

Portfolio value, +0.1 %
compared to year-end 2019

89.0

in EUR millions

Annualised rental income,
increases 4.3% year-on-year

4.7

in years

WALT, practically unchanged
compared to year-end 2019

8.4

in per cent

EPRA vacancy rate,
drops compared to 9.4 %
as at year-end 2019

109,600

in m²

Letting performance,
exceeding the long-
standing annual average
of 80,000 m² by far

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Foreword by the Executive Board

**Dear Shareholders,
Ladies and Gentlemen,**

There is no doubt that 2020 will be remembered as an exceptional time in history. After the COVID-19 pandemic seemed to have temporarily abated during the summer months, infection rates have been rising again since early autumn. Even if the restrictions are somewhat softer than in spring, the so-called “lockdown light” is again placing considerable burdens on various sectors. Therefore, uncertainty remains in the markets and the concrete effects on the real estate industry are still remain to be seen.

In such economically turbulent phases, stability is more important than ever. With our entrepreneurial focus on ABBA locations and the consistent implementation of our “REALIZE POTENTIAL” strategy, we have succeeded in keeping DEMIRE on course. As of 31 October, 2020, the pandemic-related outstanding rents amounted to 3.9% of the annualised contractual rent. This is based on almost normalised rental collections since July, which up to and including October amount to about 97% of the contractually agreed rents.

Despite corona, we were able to further improve key figures in the first nine months of this year compared to the same period of the previous year. Rental income rose by 9.5% to EUR 65.8 million, while funds from operations (FFO I, after taxes, before minorities) increased by 23.1% to EUR 30.1 million. Not least due to a letting performance of almost 110,000 m², which is again exceeding our former annual average, the EPRA-vacancy rate continues to fall and is currently at 8.4%, while the WALT remains almost stable at 4.7 years.

The measures already adopted and implemented to secure efficiency and liquidity are also having a positive effect on the financial result: for example, we were able to improve the financial result by 50% compared to the previous year. Following the dividend payment in September, the net loan-to-value of 49.9% is now within the target corridor and the drawing of two mortgage loans reduces financing costs to 1.75% as of the reporting date.

At our Company’s first virtual Annual General Meeting, shareholders confirmed the course taken by the Executive Board and, for the first time, approved the payment of

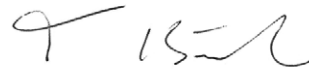
a dividend. We also moved forward with the sale of non-strategic assets in the period under review. In this context, we expect further cash inflows of EUR 73.1 million in the near future and are exceeding the latest valuations of the properties sold. We are thus further expanding our liquidity position and securing additional room for manoeuvre – also with a view to future investment opportunities.

On the basis of the positive development and assuming that the “lockdown light” will not be further tightened, we confirm the guidance for 2020 with results above the previous year’s figures as published on 18 August 2020. We expect rental income between EUR 85 and 87 million and FFO I between EUR 36 and 38 million.

Frankfurt am Main, 17 November 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 –30/09/2020	01/01/2019 –30/09/2019
Rental income	65,793	60,077
Profit/loss from the rental of real estate	53,975	48,896
EBIT	39,738	76,273
Financial result	-15,591	-30,567
EBT	24,147	45,706
Net profit/loss for the period	18,125	37,532
Net profit/loss for the period attributable to parent company shareholders	16,503	34,225
Net profit/loss for the period per share (undiluted/diluted) in EUR	0.15 / 0.15	0.32 / 0.32
FFO I (after taxes, before minorities)	30,090	24,452
FFO I per share (undiluted/diluted) in EUR	0.28 / 0.28	0.23 / 0.23
KEY PORTFOLIO INDICATORS	30/09/2020	31/12/2019
Properties (number of)	82	90
Market value (in EUR millions)	1,491.5	1,488.4
Contractual rents (in EUR millions)	89.0	90.0
Rental yield (in %)	6.0	6.0
EPRA vacancy rate (in %)	8.4	9.4
WALT (in years)	4.7	4.8

KEY BALANCE SHEET FIGURES in EUR thousands	30/09/2020	31/12/2019
Total assets	1,663,058	1,677,416
Investment properties	1,438,863	1,493,912
Non-current assets held for sale	73,075	16,305
Total real estate portfolio	1,511,938	1,510,216
Financial liabilities	847,641	806,969
Cash and cash equivalents	92,554	102,139
Net financial liabilities	755,087	704,831
Net loan-to-value in % (net LTV)	49.9	46.7
Equity according to Group balance sheet	607,237	660,782
Equity ratio in %	36.5	39.4
Net asset value (NAV) in the reporting period	565,713	613,351
EPRA NAV (undiluted/ diluted)	640,870 / 641,380	684,131 / 684,641
EPRA NNNNAV (diluted)	586,382	594,151
Number of shares in thousands (undiluted/ diluted)	105,772/ 106,282	107,777/ 108,287
EPRA NAV per share (undiluted/diluted) in EUR	6.06 / 6.03	6.35 / 6.32

PORTFOLIO HIGHLIGHTS

As at 30 September 2020

1.492

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

82

Assets in 62 locations in 15 federal states

89.0

Annualised contractual rents (in EUR millions)

64.8

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

8.11

Average rent across the portfolio (in EUR/m²)

8.4

EPRA vacancy rate across the portfolio (in %)

6.0

Gross rental yield (in %)

PROPERTY TYPE / USE



Office



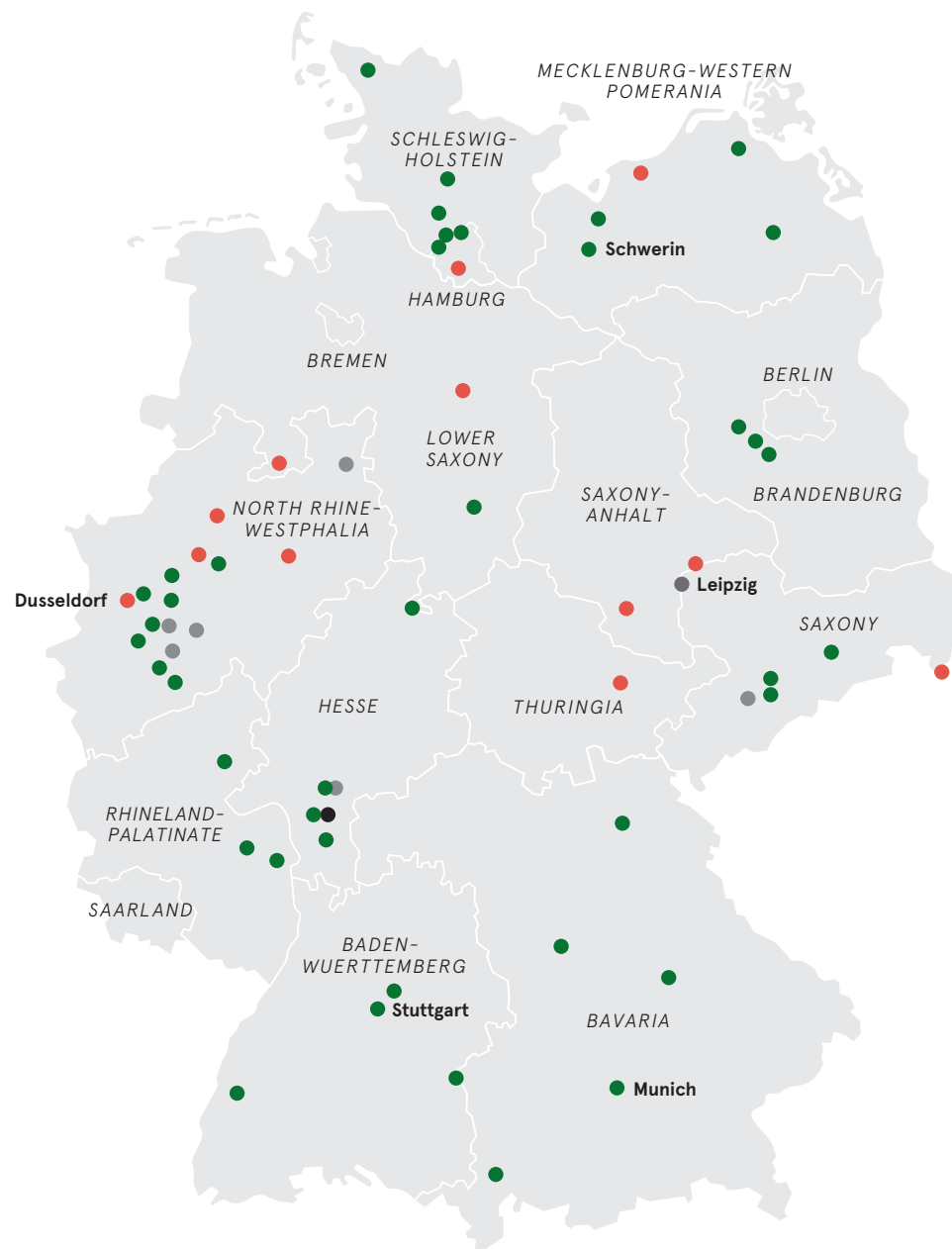
Retail



Logistics and Others



Corporate locations



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

ECONOMIC REPORT

BUSINESS PERFORMANCE

DEMIRE's business has developed well in the first nine months of 2020. Despite the corona pandemic, all of the Group's key figures are better than in the same period of the previous year. Overall, the effects of the pandemic on DEMIRE, which have become apparent to date, are proving to be manageable and controllable. The effects of the consistent implementation of the "REALIZE POTENTIAL" strategy and the contribution to earnings made by the acquisitions form a stable basis for the medium-term growth target of DEMIRE. They have made a decisive contribution to effectively limiting the negative impact of the pandemic on business development in the first nine months of 2020. In addition, portfolio optimisation continued with operational measures and the sale of 13 non-strategic properties.

DEMIRE's key figures developed positively overall in the first nine months of 2020:

- Rental income rises by 9.5 % to EUR 65.8 million
- Funds from operations (FFO I, after taxes, before minorities) grow by 23.1 % to EUR 30.1 million
- The letting performance remains strong with around 110,000 m² in the first nine months of 2020 – after an average of around 80,000 m² per full year in the past
- EPRA vacancy rate continues to fall and is currently at 8.4 %, WALT remains constant at 4.7 years
- Average property size increases further to EUR 18.2 million (31 December 2019: EUR 16.5 million) thanks to active portfolio management
- The EPRA NAV per share (undiluted) after the dividend payment is EUR 6.06
- The net loan to value (net LTV) is 49.9 %, liquidity as at the reporting date is very solid at EUR 92.6 million
- The drawing of two mortgage loans further reduces the average nominal cost of financing to 1.75 %, no significant maturities until 2024

IMPACT OF COVID-19 ON BUSINESS DEVELOPMENT

Following the noticeable impact of the corona pandemic on DEMIRE's business development in the second quarter in the form of deferred rents, the situation eased in the third quarter. While the collection rate in the second quarter was still at an average of 87% of the target rents per month, the figure rose to an average of 97% in the third quarter, thus almost normalising. In addition, many tenants have started to repay the rent deferred in the second quarter.

The normalisation continues after the reporting date. In October, 97% of the target rents were collected. As of 31 October 2020, corona-related outstanding rents totalled 3.9% of annualised annual rents.

In accounting terms, unpaid rent is considered as a receivable. The receivables from tenants as of 30 September 2020 comprises EUR 3.2 million, whereby EUR

1.75 million of the initial deferred rent had already been paid until 31 October 2020. Individual payment schedules were drawn up with the relevant tenants. For individual tenants, who are involved in insolvency proceedings or who are threatened with insolvency, receivables in the amount of EUR 4.4 million were written down with effect on income.

Meanwhile, the set of measures adopted by the Executive Board immediately after the outbreak of the pandemic in March, which includes in particular efficiency measures and safeguarding liquidity, continues to be executed. In the third quarter, for example, mortgage loans totalling EUR 62.5 million were drawn at favourable conditions. Despite the payment of a dividend of EUR 57.1 million in September 2020, DEMIRE's liquidity as of 30 September 2020 amounted to EUR 92.6 million. In addition, an inflow of funds of EUR 73.1 million is expected shortly from the sale of non-strategic assets.

In addition to the disposal of smaller assets with limited remaining potential, DEMIRE considers the acquisition of further assets. Currently, DEMIRE negotiates a rather complex transaction which would suit DEMIRE's asset profile very well. It includes a bigger office property within an ABBA location, which might be acquired on the basis of a participation or option structure. DEMIRE is therefore well equipped to take advantage of growth opportunities arising in this special situation and to further increase the value of the portfolio through active portfolio management.

Given this positive development and in the expectation that the lockdown in Germany will not be extended any further, the Executive Board confirms the forecast for the 2020 financial year published on 18 August with results that exceed those of the previous year. 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).

REAL ESTATE PORTFOLIO

As of 30 September 2020, the portfolio consists of 82 commercial properties with a lettable space of around 1.015 million m² and a total market value of around EUR 1.5 billion. This includes eight properties for which a disposal agreement has been concluded and which will be handed over at the end of the current or the beginning of the next financial year. The last external property valuation of the portfolio was carried out on 31 December 2019, and the portfolio will be externally appraised again as of 31 December 2020.

The EPRA vacancy rate of the portfolio as of 30 September 2020 continues to improve to 8.4% compared to 9.4% as of 31 December 2019. The WALT amounts to 4.7 years as of 30 September 2020 and remains almost constant compared to the end of 2019 due to the strong letting activity. In the reporting period, DEMIRE achieved a letting performance of around 110,000 m², of which around 57.8% is accounted for by new lettings and around 42.2% by follow-up lettings.

Through active portfolio management and successful repositioning of numerous properties, dependence on the tenant GMG/Deutsche Telekom was reduced and the tenant base further diversified. After 30.4% of contractual rents were still attributable to GMG at the end of 2018, this figure has now been halved to 14.8%.

PORTFOLIO BY ASSET CATEGORY

	NUMBER OF PROPERTIES	MARKET VALUE IN EUR MILLIONS	SHARE IN %	LETTABLE SPACE IN THOUSAND M ²	MARKET 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	58	966.7	64.8	607.8	1,590.4	55.9	8.65	5.8	10.5	4.0
Retail	18	376.9	25.3	221.2	1,704.4	24.9	9.66	6.6	2.2	5.4
Logistics & Others	6	147.9	9.9	185.6	797.0	8.2	4.27	5.6	12.8	6.9
Total 30 / 09 / 2020	82	1,491.5	100.0	1,014.6	1,470.1	89.0	8.11	6.0	8.4	4.7
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	-8.9%	+0.2%	–	-9.3%	+10.6%	-1.1%	+8.2%	–	-1.0 pp	-0.1 years

TOP 10 TENANTS (AS AT 30 / 09 / 2020)

NO.	TENANT	TYPE OF USE	CONTRACTUAL RENT P.A.*	
			in EUR millions	in % of total
1	GMG / Deutsche Telekom	Office	13.2	14.8
2	Imotex	Retail	5.4	6.1
3	GALERIA Karstadt Kaufhof	Retail	5.0	5.5
4	BlmA – Bundesanstalt für Immobilienaufgaben	Office	2.0	2.3
5	Roomers	Hotel	1.8	2.0
6	Momox GmbH	Logistics	1.7	1.9
7	Sparkasse Südholstein	Office	1.7	1.9
8	ThyssenKrupp	Office	1.7	1.9
9	HPI Germany	Hotel	1.5	1.6
10	comdirect bank AG	Office	1.2	1.3
Sub-total			35.2	39.5
Other			53.9	60.5
Total			89.0	100.0

* According to annualised contractual rent, excl. service charges

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

In the first nine months of 2020, the DEMIRE Group generates rental income totaling EUR 65.8 million (previous year: EUR 60.1 million), which is 9.5% higher than in the same period of the previous year; the result from the letting of properties increases to EUR 54.0 million. The increase is mainly due to the purchase of properties and rent increases, while property sales have a contrary effect. Sales proceeds of EUR 46.2 million were realised from the sale of 13 strategically non-relevant properties. The disposal result of EUR -0.7 million is driven by construction obligations of EUR 0.6 million for the property in Eisenhüttenstadt and sales commissions. An opposing effect is the result of fair value adjustments to investment property of EUR 1.2 million (previous year: EUR 29.6 million), which, unlike in the previous year, is not the result of the external valuation of the property portfolio but rather arises from the difference between the contractually agreed purchase prices and the carrying amounts of the properties sold.

Impairment losses on receivables, at EUR -4.4 million (previous year: EUR -0.8 million), are primarily attributable to tenant insolvencies. This includes the dissolution of capitalised rent-free time for a department store in Trier, amounting to EUR -1.6 million. General administrative expenses in the first three quarters of 2020

amount to EUR 9.1 million (previous year: EUR 8.9 million). Earnings before interest and taxes (EBIT) amount to EUR 39.7 million (previous year: EUR 76.3 million).

The financial result clearly shows the effects of the refinancing activities conducted in 2019. It amounts to EUR -15.6 million in the first nine months of 2020, which is half the previous year's figure of EUR -30.6 million. Financial expenses themselves fall by EUR 14.2 million from EUR -27.7 million in the first nine months of 2019 to EUR -13.5 million in the period under review, primarily due to the issue of the 2019/2024 corporate bond and the redemption of the 2017/2022 corporate bond as well as the promissory note loan. In addition, the profit attributable to minority interests falls to EUR -2.8 million (previous year: EUR -3.7 million). The average nominal interest rate on financial debt improves by 9 basis points to a nominal 1.75% p.a. as of 30 September 2020, compared to the end of 2019.

Earnings before taxes (EBT) amount to EUR 24.1 million in the reporting period, compared to EUR 45.7 million in the previous year. The result for the first three quarters of 2020 is EUR 18.1 million, compared to EUR 37.5 million in the same period of the previous year. The prior-year figure includes a valuation effect of EUR 29.6 million.

011 Interim group management report

Net assets, financial position and results of operations

CONSOLIDATED STATEMENT OF INCOME (Selected information in EUR thousands)	01/01/2020 - 30/09/2020	01/01/2019 - 30/09/2019	CHANGE	IN %
Rental income	65,793	60,077	5,717	9.5 %
Income from utility and service charges	17,793	15,864	1,929	12.2 %
Operating expenses to generate rental income	-29,611	-27,044	-2,568	9.5 %
Profit / loss from the rental of real estate	53,975	48,896	5,078	10.4 %
Income from the sale of real estate and real estate companies	46,155	25,635	20,520	80.0 %
Expenses relating to the sale of real estate and real estate companies	-46,873	-18,668	-28,206	>100
Profit / loss from the sale of real estate and real estate companies	-718	6,967	-7,685	>100
Profit / loss from fair value adjustments in investment properties	1,187	29,645	-28,458	-96.0 %
Impairment of receivables	-4,427	-818	-3,609	>100
Other operating income	1,268	828	440	53.1 %
General and administrative expenses	-9,079	-8,881	-198	2.2 %
Other operating expenses	-2,468	-364	-2,103	>100
Earnings before interest and taxes	39,738	76,273	-36,535	-47.9 %
Financial result	-15,591	-30,567	14,976	-49.0 %
Profit / loss before taxes	24,147	45,706	-21,559	-47.2 %
Current income taxes	-1,645	-2,859	1,214	-42.5 %
Deferred taxes	-4,377	-5,314	937	-17.6 %
Net profit / loss for the period	18,125	37,532	-19,407	-51.7 %
Thereof attributable to parent company shareholders	16,503	34,225	-17,724	-51.8 %
Undiluted earnings per share (EUR)	0.15	0.32	-0.17	-51.5 %
Weighted average number of shares outstanding (in thousands)	107,109	107,777	-668	-0.6 %
Diluted earnings per share (EUR)	0.15	0.32	-0.17	-51.5 %
Weighted average number of shares outstanding, diluted (in thousands)	107,619	108,287	-668	-0.6 %

NET ASSETS

As of 30 September 2020, total assets decreased slightly by EUR 14.4 million to around EUR 1,663.1 million compared to the end of 2019. This is mainly the result of the disposal of nine properties, which is offset by the addition of one property in the reporting period, and the dividend payment in September 2020. The value of investment property amounts to EUR 1,438.9 million as of 30 September 2020, down EUR 55.0 million or 3.7% compared with the value as of 31 December 2019. Non-current assets held for sale increase to EUR 73.1 million following the signing of a disposal agreement for a portfolio of non-strategic properties, compared to EUR 16.3 million as of 31 December 2019.

As of 30 September 2020, Group equity amounts to EUR 607.2 million and has fallen compared to 31 December 2019 (EUR 660.8 million) due to the dividend payment in

September 2020. The positive net result for the current financial year has a reverse effect. The equity ratio changes to 36.5% (31 December 2019: 39.4%). It should be considered that the non-controlling minority interests of around EUR 78.9 million (31 December 2019: EUR 78.7 million) shown in the consolidated debt capital are shown as non-current liabilities and not as equity, solely due to the legal form of the fund investments of Fair Value REIT as partnerships according to IFRS. The corresponding adjusted consolidated equity totals around EUR 686.2 million (31 December, 2019: EUR 739.5 million).

As of 30 September 2020, total financial liabilities amount to EUR 847.6 million and increased compared to 31 December 2019 (EUR 807.0 million) due to the drawing of two mortgage loans totalling EUR 62.5 million and scheduled amortisations.

CONSOLIDATED BALANCE SHEET – ASSETS (Selected information in EUR thousands)	30/09/2020	31/12/2019	CHANGE	IN %
ASSETS				
Total non-current assets	1,471,118	1,520,671	-49,553	-3.3%
Total current assets	118,865	140,440	-21,575	-15.4%
Assets held for sale	73,075	16,305	56,770	>100
TOTAL ASSETS	1,663,058	1,677,416	-14,357	-0.9%

CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES (Selected information in EUR thousands)	30/09/2020	31/12/2019	CHANGE	IN %
EQUITY AND LIABILITIES				
EQUITY				
Equity attributable to parent company shareholders	565,713	613,351	-47,638	-7.8%
Non-controlling interests	41,524	47,431	-5,908	-12.5%
TOTAL EQUITY	607,237	660,782	-53,546	-8.1%
LIABILITIES				
Total non-current liabilities	972,360	911,587	60,772	6.7%
Total current liabilities	83,462	105,046	-21,584	-20.5%
TOTAL LIABILITIES	1,054,822	1,016,633	39,189	3.9%
TOTAL EQUITY AND LIABILITIES	1,663,058	1,677,416	-14,357	-0.9%

FINANCIAL POSITION

Cash flow from operating activities amounts to EUR –19.1 million in the first nine months of 2020 (previous year: EUR 25.7 million), including the dividend payment of EUR 57.1 million in September 2020.

Cash flow from investing activities amounts to EUR –3.1 million in the reporting period, compared with EUR –216.0 million in the previous year. The purchase price payment for the property acquired in March is balanced by the proceeds from the properties sold. Last year, a portfolio was purchased and no property was sold.

Cash flow from financing activities amounts to EUR 12.6 million, compared with EUR 65.4 million in the same period of the previous year. During the reporting period, loans of EUR 62.5 million were drawn and redemptions of EUR 26.5 million were made. In addition, treasury shares were acquired for EUR 9.0 million and shares in the subsidiary Fair Value REIT-AG for EUR 5.0 million. In the previous year, a loan in the amount of EUR 97.0 million was drawn and impacted this on the key figure significantly.

Cash and cash equivalents total EUR 92.6 million on 30 September, 2020 (30 September, 2019: EUR 65.6 million).

CONSOLIDATED STATEMENT OF CASH FLOWS (Selected information in EUR thousands)	01/01/2020 – 30/09/2020	01/01/2019 – 30/09/2019	CHANGE
Cash flow from operating activities	-19,094	25,718	-44,812
Cash flow from investing activities	-3,070	-215,977	212,906
Cash flow from financing activities	12,579	65,431	-52,852
Net change in cash and cash equivalents	-9,585	-124,828	115,243
Cash and cash equivalents at the end of the period	92,554	65,614	26,940

FINANCIAL PERFORMANCE INDICATORS

Funds from Operations I (after taxes, before minorities), the key operating performance indicator, increase by 23.1% to EUR 30.1 million in the first nine months of 2020, compared to EUR 24.5 million in the same period of the previous year. On a diluted basis, this corresponds to an FFO I per share of EUR 0.28, compared to EUR 0.23 in the same period of the previous year.

Other adjustments of the FFO amount to EUR 5.4 million in the reporting period. EUR 1.6 million of this amount relates to the dissolution of linearised rent-free periods with an effect on income due to the insolvency of a tenant and the related ter-

mination of a rental agreement. As it is no longer possible to realise the deferred item over the term of the lease agreement, a corresponding impairment loss was applied and adjusted accordingly as a one-off effect. Further on, an adjustment of EUR 1.5 million was made for one-time litigations. In addition, EUR 0.5 million of other operating expenses relating to other periods were adjusted as a one-off effect. This is due to the write-off of valuation effects as part of Fair Value REIT-AG's PPA (Purchase Price Allocation). As part of initial consolidation, liabilities were carried at fair value, which led to the difference. As the liabilities expired on 31 March 2020, the difference was dissolved. Finally, EUR 1.6 million is attributable to refinancing costs and effective interest.

FFO CALCULATION (Selected information in EUR millions)	01/01/2020 - 30/09/2020	01/01/2019 - 30/09/2019	CHANGE	IN %
Profit/loss before taxes	24,147	45,706	- 21,559	- 47.2 %
Minority interests	2,794	3,665	- 870	- 23.7 %
Earnings before taxes (EBT)	26,942	49,371	- 22,429	- 45.4 %
± Profit/loss from the sale of real estate	718	- 6,967	7,685	-
± Profit/loss from fair value adjustment in investment properties	- 1,187	- 29,645	28,458	- 96.0 %
± Other adjustments*	5,357	11,800	- 6,442	- 54.6 %
FFO I before taxes	31,830	24,559	7,272	29.6 %
± (Current) income taxes	- 1,740	- 107	- 1,633	> 100 %
FFO I after taxes	30,090	24,452	5,638	23.1 %
Thereof attributable to parent company shareholders	25,564	19,807	5,758	29.1 %
Thereof attributable to non-controlling interests	4,526	4,645	- 120	- 2.6 %
± Profit/loss from the sales of real estate companies / real estate (after taxes)	- 693	5,194	- 5,886	-
FFO II after taxes	29,397	29,646	- 248	- 0.8 %
Thereof attributable to parent company shareholders	24,522	25,353	- 831	- 3.3 %
Thereof attributable to non-controlling interests	4,875	4,292	583	13.6 %
FFO I after taxes per share				
Basic FFO I per share (EUR)	0.28	0.23	0.05	23.8 %
Weighted number of shares outstanding (in thousands)	107,109	107,777	- 668	- 0.6 %
Diluted FFO I per share (EUR)	0.28	0.23	0.05	23.8 %
Weighted number of shares outstanding (diluted; in thousands)	107,619	108,287	- 668	- 0.6 %
FFO II after taxes per share				
Basic FFO II per share (EUR)	0.27	0.28	- 0.00	- 0.2 %
Weighted number of shares outstanding (in thousands)	107,109	107,777	- 668	- 0.6 %
Diluted FFO II per share (EUR)	0.27	0.27	- 0.00	- 0.2 %
Weighted number of shares outstanding (diluted; in thousands)	107,619	108,287	- 668	- 0.6 %

* Other adjustments include:

- One-time refinancing costs and effective interest payments (EUR 1.6 million; previous year: EUR 12.5 million)
- One-time transaction, legal and consulting fees (EUR 1.8 million; previous year: EUR - 0.7 million)
- One-time administrative costs (EUR 1.5 million; previous year: EUR 0.1 million)
- Non-period expenses / income (EUR 0.4 million; previous year: EUR - 0.1 million)

NET ASSET VALUE (NAV)

The undiluted net asset value according to EPRA (EPRA NAV) decreases due to the dividend payment from EUR 684.1 million as of 31 December 2019 to EUR 640.9

million as of 30 September 2020. On an undiluted basis and taking into account the shares bought back in July 2020, the EPRA NAV amounts to EUR 6.06 per share at the reporting date (31 December 2019: EUR 6.35 per share).

EPRA NET ASSET VALUE (NAV) in EUR thousands	30/09/2020	31/12/2019	CHANGE	IN %
Net asset value (NAV)	565,713	613,351	-47,638	-7.8
Deferred taxes	79,895	75,518	4,377	5.8
Goodwill resulting from deferred taxes	-4,738	-4,738	0	0.0
EPRA NAV (basic)	640,870	684,131	-43,261	-6.3
Number of shares outstanding (in thousands) (basic)	105,772	107,777	-2,005	-1.9
EPRA NAV per share (EUR) (basic)	6.06	6.35	-0.29	-4.6
Effect of the exercise of convertible bonds and other equity instruments	510	510	0	0.0
EPRA NAV (diluted)	641,380	684,641	-43,261	-6.3
Number of shares outstanding (in thousands) (diluted)	106,282	108,287	-2,005	-1.9
EPRA NAV per share (EUR) (diluted)	6.03	6.32	-0.29	-4.5

NET LOAN-TO-VALUE RATIO

The net loan-to-value ratio of the DEMIRE Group is defined as the ratio of net financial debt to the book value of investment property and property held for sale. The net loan-to-value ratio increases from 46.7% at the end of 2019 to 49.9% at 30 September 2020, thus practically reaching the target of 50%.

NET LOAN-TO-VALUE (NET LTV) in EUR thousands	30/09/2020	31/12/2019
Financial liabilities	847,641	806,969
Cash and cash equivalents	92,554	102,139
Net financial debt	755,087	704,831
Fair value of investment properties and non-current assets held for sale	1,511,938	1,510,216
Net LTV in %	49.9%	46.7%

COVENANTS FOR THE 2019 / 2024 CORPORATE BOND

In the course of the issue of the 2019/2024 corporate bond, DEMIRE committed itself to comply with various covenants and to report on them regularly. The definition of the covenants to be reported is defined in the issue prospectus of the 2019/2024 corporate bond

BOND COVENANTS 30/09/2020	NET LTV	NET SECURED LTV	ICR
Covenant	max. 60 %	max. 40 %	min. 1.75*
Value	49.5 %	10.1 %	3.49

*As of 31 March 2021: 2.00

As of 30 September 2020, DEMIRE had complied with all covenants of 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 nine months 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 and the world. The leading economic research institutes now assume that the gross domestic product of the Federal Republic of Germany in 2020 will be significantly lower than in the previous year. The resulting consequences for the real estate industry are to be expected above all in the sub-markets for hotel and retail properties. DEMIRE is also exposed to these general market risks.

TENANT DEFAULT RISK

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

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 impact on the transaction market for real estate and the development of interest rates. Therefore, negative effects on the valuation of real estate cannot be ruled out, i.a. due to the application of higher interest rates and changed assumptions on market rents, vacancy periods and lease terms.

The risks are reviewed on an ongoing basis and in a structured process; from today's perspective, there are no discernible risks that could endanger the Company.

SUBSEQUENT EVENTS

On 14 October 2020, the disposal contract for a portfolio of eight properties at a sales price of EUR 65.4 million was signed. The properties have already been reclassified as non-current assets held for sale as of 30 September 2020.

OUTLOOK

Given the positive development in the first nine months of 2020 and in the expectation that the lockdown in Germany will not be extended any further, the Executive Board confirms the forecast for the 2020 financial year published on 18 August, which anticipates an increase in key figures compared with the 2019 financial year. Rental income will 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).

Frankfurt am Main, 17 November 2020

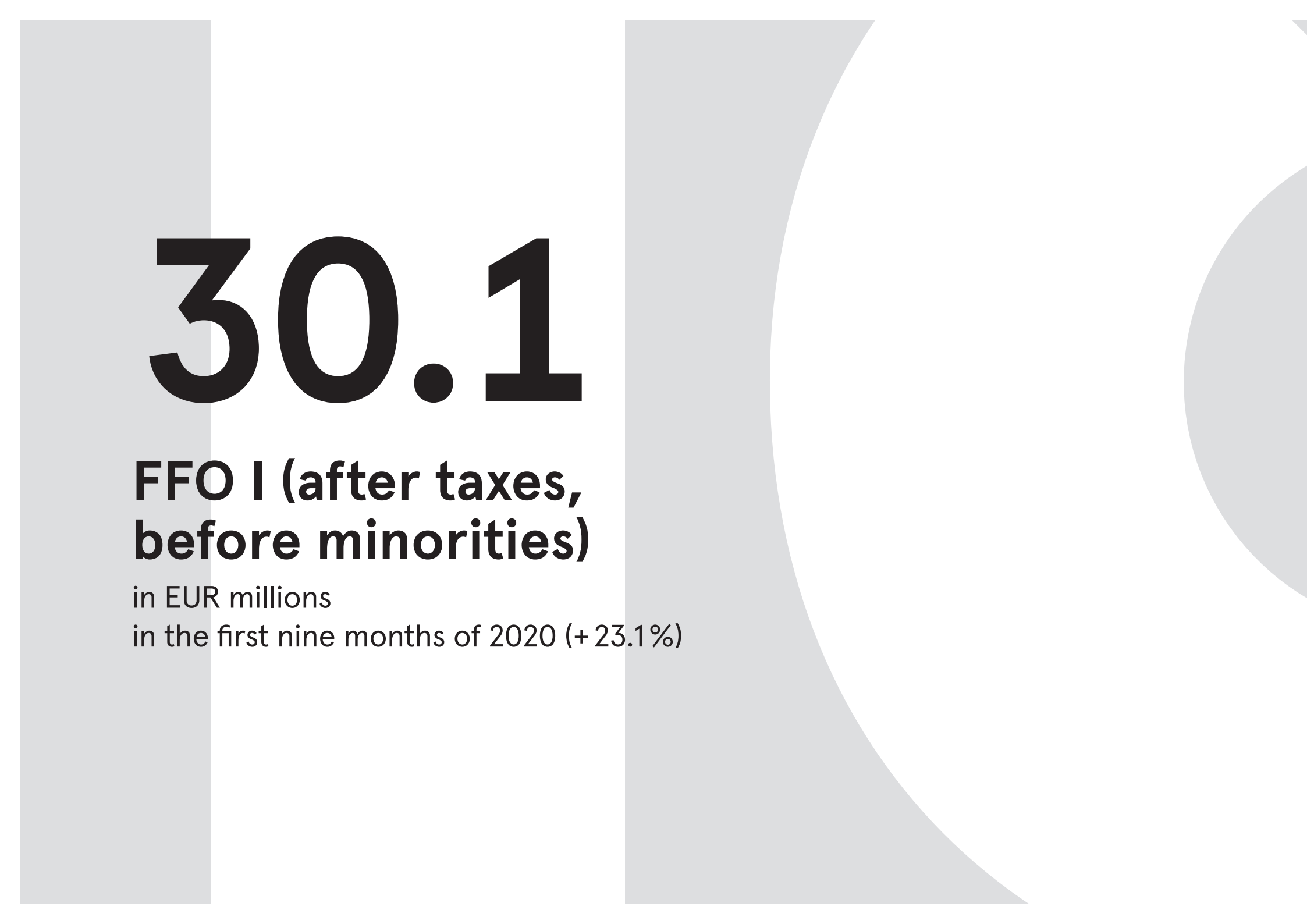
DEMIRE Deutsche Mittelstand Real Estate AG



Ingo Hartlief FRICS
(CEO)



Tim Brückner
(CFO)



30.1

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

in EUR millions

in the first nine months of 2020 (+ 23.1%)



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CONSOLIDATED STATEMENT OF INCOME

For the reporting period from 1 January to 30 September 2020

in EUR thousands	NOTE	01/01/2020 –30/09/2020	01/01/2019 –30/09/2019	01/07/2020 –30/09/2020	01/07/2019 –30/09/2019
Rental income		65,793	60,077	21,950	21,851
Income from utility and service charges		17,793	15,864	5,406	4,585
Operating expenses to generate rental income		–29,611	–27,044	–6,361	–9,525
Profit/ loss from the rental of real estate		53,975	48,896	20,995	16,911
Income from the sale of real estate and real estate companies		46,155	25,635	12,815	24,440
Expenses relating to the sale of real estate and real estate companies		–46,873	–18,668	–11,715	–17,337
Profit/ loss from the sale of real estate and real estate companies		–718	6,967	1,101	7,103
Profit/ loss from fair value adjustments in investment properties		1,187	29,645	1,187	510
Impairment of receivables		–4,427	–818	–681	–270
Other operating income		1,268	828	303	278
General and administrative expenses		–9,079	–8,881	–3,424	–3,084
Other operating expenses		–2,469	–364	–1,588	–83
Earnings before interest and taxes	D 1	39,738	76,273	17,893	21,365
Financial income		684	779	218	305
Financial expenses		–13,480	–27,681	–4,351	–15,907
Interests of minority shareholders		–2,794	–3,665	–1,531	–931
Financial result	D 2	–15,591	–30,567	–5,664	–16,533
Profit/ loss before taxes		24,147	45,706	12,229	4,832
Current income taxes		–1,645	–2,859	–168	–1,831
Deferred taxes		–4,377	–5,314	–3,197	376
Net profit/ loss for the period		18,125	37,532	8,864	3,377
Thereof attributable to:					
Non-controlling interests		1,622	3,307	637	927
Parent company shareholders		16,503	34,225	8,227	2,450
Basic earnings per share	D 3	0.15	0.32		
Diluted earnings per share	D 3	0.15	0.32		

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the reporting period from 1 January to 30 September 2020

in EUR thousands	01/01/2020 – 30/09/2020	01/01/2019 – 30/09/2019	01/07/2020 – 30/09/2020	01/07/2019 – 30/09/2019
Net profit/loss for the period	18,125	37,532	8,864	3,377
Other comprehensive income	0	0	0	0
Total comprehensive income	18,125	37,532	8,864	3,377
Thereof attributable to:				
Non-controlling interests	1,622	3,307	637	927
Parent company shareholders	16,503	34,225	8,227	2,450

CONSOLIDATED BALANCE SHEET

As at 30 September 2020

ASSETS in EUR thousands	NOTE	30/09/2020	31/12/2019
ASSETS			
Non-current assets			
Intangible assets		6,880	6,881
Property, plant and equipment		355	446
Investment properties	E 1	1,438,863	1,493,912
Other assets		25,019	19,433
Total non-current assets		1,471,118	1,520,671
Current assets			
Trade accounts receivable		9,228	6,261
Other receivables		14,839	30,510
Tax refund claims		2,244	1,530
Cash and cash equivalents		92,554	102,139
Total current assets		118,865	140,440
Non-current assets held for sale		73,075	16,305
TOTAL ASSETS		1,663,058	1,677,416

Consolidated balance sheet

EQUITY AND LIABILITIES in EUR thousands	NOTE	30/09/2020	31/12/2019
EQUITY AND LIABILITIES			
EQUITY			
Subscribed capital		105,772	107,777
Reserves		459,940	505,574
Equity attributable to parent company shareholders		565,713	613,351
Non-controlling interests		41,524	47,431
TOTAL EQUITY	E 2	607,237	660,782
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		79,895	75,518
Minority interests		78,918	78,682
Financial liabilities	E 3	794,474	737,832
Lease liabilities		18,447	18,717
Other liabilities		625	837
Total non-current liabilities		972,360	911,587
Current liabilities			
Provisions		3,350	2,204
Trade payables		10,611	10,041
Other liabilities		9,631	18,223
Tax liabilities		6,323	4,948
Financial liabilities	E 3	53,167	69,137
Lease liabilities		379	492
Total current liabilities		83,462	105,046
TOTAL LIABILITIES		1,055,822	1,016,633
TOTAL EQUITY AND LIABILITIES		1,663,058	1,677,416

CONSOLIDATED STATEMENT OF CASH FLOWS

For the reporting period from 1 January to 30 September 2020

in EUR thousands	01/01/2020 -30/09/2020	01/01/2019 -30/09/2019
Group profit / loss before taxes	24,147	45,706
Financial expenses	13,480	27,681
Financial income	- 684	- 779
Interests of minority shareholders	2,794	3,665
Change in real estate inventory	0	- 4,780
Change in trade accounts receivable	- 7,394	- 5,892
Change in other receivables and other assets	1,124	- 461
Change in provisions	1,146	462
Change in trade payables and other liabilities	2,781	- 304
Profit / loss from fair value adjustments in investment properties	- 1,187	- 29,645
Profit / loss from the sale of real estate and real estate companies	718	- 6,967
Interest proceeds	36	92
Income taxes paid	- 751	- 2,602
Change in reserves	0	4
Depreciation and amortisation and impairment	4,882	921
Distributions to minority shareholders / dividends	- 60,125	- 1,729
Other non-cash items	- 63	347
Cash flow from operating activities	- 19,094	25,718
Payments for the acquisition of / investments in investment properties, incl. prepayments, refurbishment measures and prepayments for property, plant and equipment	- 61,454	- 146,948
Payments for the acquisition of investment properties and interests in fully consolidated companies, less net cash equivalents acquired	- 65	- 69,301
Proceeds from the sale of real estate	58,448	273
Cash flow from investing activities	- 3,070	- 215,977
Proceeds from the issuance of financial liabilities	62,500	105,113
Interest paid on financial liabilities	- 8,839	- 12,679
Payments for expenses associated with raising financial liabilities	- 640	0
Payments for the purchase of additional interests in subsidiaries	- 5,034	- 525
Share buyback	- 8,956	0
Payments for the redemption of financial liabilities	- 26,452	- 26,478
Cash flow from financing activities	12,579	65,431
Net change in cash and cash equivalents	- 9,585	- 124,828
Cash and cash equivalents at the start of the period	102,139	190,442
Cash and cash equivalents at the end of the period	92,554	65,614

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the reporting period from 1 January to 30 September 2020

in EUR thousands	SHARE CAPITAL		RESERVES			NON-CONTROLLING INTERESTS	TOTAL EQUITY
	SUBSCRIBED CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS INCL. GROUP PROFIT / LOSS	EQUITY ATTRIBUTABLE TO PARENT COMPANY SHARE-HOLDERS			
01/01/2020	107,777	129,852	375,722	613,351	47,431	660,782	
Net profit / loss for the period	0	0	16,503	16,503	1,622	18,125	
Other comprehensive income	0	0	0	0	0	0	
Total comprehensive income	0	0	16,503	16,503	1,622	18,125	
Dividend payments / distributions	0	0	-57,117	-57,117	-735	-57,852	
Increase in shareholdings in subsidiaries	0	2,270	0	2,270	-7,170	-4,900	
Share buyback	-2,005	-6,978	0	-8,983	0	-8,983	
Other changes	0	0	-311	-311	375	64	
30/09/2020	105,772	125,144	334,797	565,713	41,524	607,237	
01/01/2019	107,777	129,848	300,288	537,914	44,425	582,338	
Net profit / loss for the period	0	0	34,225	34,225	3,307	37,532	
Other comprehensive income	0	0	0	0	0	0	
Total comprehensive income	0	0	34,225	34,225	3,307	37,532	
Stock option programme	0	4	0	4	0	4	
Dividend payments / distributions	0	0	0	0	-417	-417	
Increase in shareholdings in subsidiaries	0	0	81	81	-1,410	-1,329	
Other changes	0	0	-130	-130	129	-1	
30/09/2019	107,777	129,852	334,464	572,093	46,035	618,128	

Notes to the consolidated financial statements for the reporting period from 1 January to 30 September 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 September 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 September 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 September 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 ± 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 17 November 2020.

B. SCOPE AND PRINCIPLES OF CONSOLIDATION

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

In the third quarter of 2020, DEMIRE AG acquired 700,000 Fair Value REIT-AG shares at a price of EUR 7.00 per share. This led to a 4.96 % reduction of non-controlling interests of Fair Value REIT-AG minorities. The difference of EUR 2,270 thousand between the purchase price for the acquired shares in the amount of EUR 4,900 thousand and the corresponding net assets of EUR 7,170 thousand allocated to the interests of non-controlling shareholders was offset against the capital reserves.

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 AG.

D. NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

1. EARNINGS BEFORE INTEREST AND TAXES

in EUR thousands	01/01/2020 – 30/09/2020	01/01/2019 – 30/09/2019
Rental income	65,793	60,077
Income from utility and service charges	17,793	15,864
Rental revenue from real estate	83,586	75,940
Allocable operating expenses to generate rental income	- 21,874	- 18,096
Non-allocable operating expenses to generate rental income	- 7,737	- 8,948
Operating expenses to generate rental income	- 29,611	- 27,044
Profit / loss from the rental of real estate	53,975	48,896

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 from the rental of real estate to EUR 53,975 thousand (9M 2019: EUR 48,896 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, the addition of the distribution centre in Neuss acquired in the fourth quarter of 2019 and the addition of the hotel in Frankfurt am Main in the first quarter of 2020.

Operating expenses amounting to EUR 7,737 thousand (9M 2019: EUR 8,948 thousand) are non-allocable. The decline is primarily due to the higher capitalisation of expenses for tenant improvements and letting commissions.

The main reason for the increase in allocable operating expenses are the additions of the new properties in financial years 2019 and 2020.

In the reporting period from 1 January to 30 September 2020, there was no revaluation of investment properties. The profit from fair value adjustments in investment properties amounting to EUR 1,187 thousand in the reporting period relates to changes in the value of properties reclassified as non-current assets held for sale. In the comparative period, changes in the value of properties held for sale totalled EUR 510 thousand, the remaining EUR 29,135 thousand resulted from the revaluation of investment properties.

Furthermore, higher impairments of receivables of EUR 4,427 thousand (9M 2019: EUR 818 thousand), the negative result from the sale of real estate of EUR -718 thousand (9M 2019: EUR 6,967 thousand) and the increase in other operating expenses by EUR 2,103 (mainly due to ongoing legal disputes) had a negative impact on earnings before interest and taxes. Impairment of receivables relates mainly to retail property tenants (EUR 3,454 thousand) who were subject to so-called protective shield proceedings or insolvency proceedings. EUR 718 thousand of the negative result from the sale of real estate is mainly due to the selling expenses from the sale of the property in Eisenhüttenstadt.

A positive impact on earnings before interest and taxes originates from an increase in other operating income to EUR 1,268 thousand (9M 2019: EUR 828 thousand). The increase in other operating income is primarily a result of income from the reversal of an impairment of receivables in the amount of EUR 496 thousand (9M 2019: EUR 0 thousand) in the legacy portfolio (disposal of MAGNAT AM GmbH, Vienna, Austria).

2. FINANCIAL RESULT

in EUR thousands	01/01/2020 -30/09/2020	01/01/2019 -30/09/2019
Financial income	684	779
Financial expenses	-13,480	-27,681
Interests of minority shareholders	-2,794	-3,665
Financial result	-15,591	-30,567

The improvement in the financial result stems, above all, from the refinancing of the 2017/2022 corporate bond and promissory note in the fourth quarter of 2019, which led to lower financial expenses. In addition, one-time effects in connection with the early repayment of the 2017/2022 corporate bond led to higher financial expenses in the comparable period.

The interests of minority shareholders totalling EUR 2,794 thousand (9M 2019: EUR 3,665 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 is largely due to the lack of valuation gains on the real estate of these subsidiaries, as no revaluation took place in the first nine months of 2020. High selling expenses for the property in Eisenhüttenstadt also have a negative impact on the interests of minority shareholders.

3. EARNINGS PER SHARE

	01/01/2020 –30/09/2020	01/01/2019 –30/09/2019
Net profit/loss for the period (in EUR thousands)	18,125	37,532
Profit/loss for the period less non-controlling interests	16,503	34,225
Net profit/loss for the period less non-controlling interests (diluted)	16,503	34,225
Number of shares (in thousand units)		
Number of shares outstanding as at the reporting date	105,772	107,777
Weighted average number of shares outstanding	107,109	107,777
Impact of subscription rights from the 2015 Stock Option Programme	510	510
Weighted average number of shares (diluted)	107,619	108,287
Earnings per share (in EUR)		
Basic earnings per share	0.15	0.32
Diluted earnings per share	0.15	0.32

As at 30 September 2020, 1,999,999 shares were repurchased as part of a public share buy-back offer (see Section E.2).

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

Earnings per share are 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	45,888	2,534	573	8	42,774
Disposals	-29,253	-1,753	-27,500	0	0
Reclassifications to non-current assets held for sale	-71,683	-71,213	-470	0	0
Fair value as at 30/09/2020	1,438,863	898,018	393,212	71,208	76,426

Additions to investment properties consist 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 29,253 thousand were sold during the reporting period. These relate primarily to a property in Eisenhüttenstadt and one in Koblenz. The reclassifications to non-current assets held for sale amounting to EUR 71,683 thousand relate to commercial real estates in Bremen, Unterschleißheim, Meschede and Worms.

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 AG determines fair values within the framework of IAS 40 accounting. No revaluation of investment properties was performed as at the 30 September 2020 reporting date.

2. EQUITY

On 24 June 2020, the Executive Board decided to repurchase up to 2,000,000 shares of the Company (corresponding to up to approx. 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 ended on 13 July 2020. 1,999,999 shares were repurchased at a purchase price of EUR 8,900 thousand as of 30 September 2020. The related transaction costs amounted to EUR 56 thousand and are included under capital reserves.

In addition, 5,000 shares were acquired for a purchase price of EUR 27 thousand from MAGNAT AM GmbH, Vienna (Austria), which was not consolidated in the Group due to immateriality.

The Company held 2,004,999 treasury shares as of 30 September 2020 (31 December 2019: 0 shares).

The Annual General Meeting on 22 September 2020 approved to revoke the authorisation to acquire treasury shares granted by the Annual General Meeting on 29 May 2019 and to grant the Company a new authorisation to acquire and use treasury shares. The Company was thus authorised until 21 September 2025, within the legal limits, to acquire treasury shares up to a total of 10% of the share capital existing at the time of the resolution or – if this value is lower – at the time the authorisation is exercised. Together with other treasury shares acquired by the Company and held by or attributable to the Company, the treasury shares acquired under this authorisation may at no time exceed 10% of the share capital of the Company existing at the time of the resolution or – if this value is lower – at the time the authorisation is exercised. Acquisition for the purpose of trading in own shares is excluded.

In addition, the Annual General Meeting on 22 September 2020, in line with the proposal of the Executive Board and the Supervisory Board, approved to distribute

a dividend of EUR 0.54 (2019: EUR 0) per share entitled to dividend and to carry forward the remaining net profit for the year to 31 December 2019. The amount distributed amounts to EUR 57,117 thousand; EUR 459 thousand will be carried forward to new account.

The Annual General Meeting on 22 September 2020 also resolved to Conditional Capital I/2019 and to create new Conditional Capital I/2020. The Executive Board was authorised to increase the share capital by up to EUR 53,329 thousand through the issue of up to 53,328,662 new no-par value bearer shares.

3. FINANCIAL LIABILITIES

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

FINANCIAL LIABILITIES in EUR thousands	FIXED INTEREST	VARIABLE INTEREST	TOTAL
2019/2024 corporate bond	591,500	0	591,500
Other financial liabilities	232,905	23,236	256,141
Total	824,405	23,236	847,641

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 September 2020:

FINANCIAL LIABILITIES in EUR thousands	FIXED INTEREST	VARIABLE INTEREST	TOTAL
2019/2024 corporate bond	600,000	0	600,000
Other financial liabilities	234,193	23,236	257,429
Total	834,193	23,236	857,429

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 1.47% p.a. as at 30 September 2020 (31 December 2019: 1.74% p.a.). The average nominal interest rate on financial debt across all financial liabilities amounted to 1.75% p.a. as at 30 September 2020 (31 December 2019: 1.84% p.a.).

In addition to the current repayments, the change in other financial liabilities in the interim reporting period is due in particular to the taking up of two new loans totalling EUR 62,500 thousand and the repayment of loans totalling EUR 19,521 thousand, using the proceeds from the sales of the property in Eisenhüttenstadt.

F. CONDENSED GROUP SEGMENT REPORTING

01/01/2020 – 30/09/2020 in EUR thousands	CORE PORTFOLIO	FAIR VALUE REIT	CORPORATE FUNCTIONS/ OTHERS	GROUP
Total revenues	82,225	47,516	0	129,741
Segment revenues	83,803	47,840	553	132,196
Segment expenses	-45,237	-37,791	-9,430	-92,458
Net profit/loss for the period	24,594	4,192	-10,661	18,125
Additional information				
Segment assets 30/09/2020	1,290,533	325,604	46,922	1,663,058
Thereof tax refund claims	49	0	2,195	2,244
Thereof additions to investment properties	45,794	94	0	45,888
Thereof non-current assets held for sale	72,590	485	0	73,075
Segment liabilities 30/09/2020	868,870	178,193	8,758	1,055,822
Thereof non-current financial liabilities	749,570	44,903	0	794,474
Thereof current financial liabilities	23,030	30,137	0	53,167
Thereof lease liabilities	18,804	0	23	18,827
Thereof tax liabilities	2,915	0	3,407	6,323

01/01/2019 – 30/09/2019 in EUR thousands	CORE PORTFOLIO	FAIR VALUE REIT	CORPORATE FUNCTIONS/ OTHERS	GROUP
Total revenues	80,058	21,517	0	101,575
Segment revenues	106,326	25,656	66	132,048
Segment expenses	- 38,056	- 8,922	- 8,797	- 55,775
Net profit / loss for the period	54,207	10,307	- 26,982	37,532
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*	303,509	695	0	304,204
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 12,275 thousand (9M 2019: EUR 21,347 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	30/09/2020		31/12/2019	
	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT
Bonds	556,542	591,500	611,046	590,024
Other financial liabilities	253,411	256,141	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 in the first nine months 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 September 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 September 2020, obligations for modification and expansion measures, as well as maintenance and modernisation work on the properties totalled EUR 19,364 thousand (9M 2019: EUR 2,098 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 7,493 thousand as at the interim reporting date (9M 2019: EUR 2,008 thousand).

As at 30 September 2020, the Group had unavoidable obligations for future leasehold payments in the amount of EUR 17,289 thousand (9M 2019: EUR 15.182 thousand), of which EUR 358 thousand (9M 2019: EUR 516 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 249 thousand (9M 2019: EUR 278 thousand), fixed remuneration of EUR 529 thousand (9M 2019: EUR 420 thousand) and share-based payments of EUR 195 thousand (9M 2019: EUR 113 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.

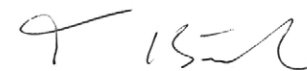
6. EVENTS OCCURRING AFTER THE INTERIM REPORTING DATE OF 30 SEPTEMBER 2020

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

Frankfurt am Main, 17 November 2020



Ingo Hartlief FRICS
(CEO)



Tim Brückner
(CFO)

RESPONSIBILITY STATEMENT

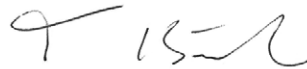
As the Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG, we hereby confirm to the best of our knowledge and in accordance with the applicable reporting principles, that the consolidated financial statements give a true and fair view of the net assets, financial position, and results of operations 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, 17 November 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

Kammann Rossi GmbH

STATUS

November 2020



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

