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CREDIT OPINION
10 July 2019

Update

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RATINGS

**DEMIRE Deutsche Mittelstand Real Estate AG**

| | |
|---|---|
| Domicile | Germany |
| Long Term Rating | Ba2 |
| Type | LT Corporate Family Ratings |
| Outlook | Stable |

*Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.*


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# DEMIRE Deutsche Mittelstand Real Estate AG

Update to credit analysis

## Summary


DEMIRE Deutsche Mittelstand Real Estate AG's (DEMIRE) Ba2 corporate family rating reflects (1) the company's relatively small but well-diversified portfolio of commercial real estate assets in secondary locations in Germany, which is focused on office properties but also includes retail and logistics properties; (2) the strong fundamentals of the German commercial real estate market; and (3) the company's strategy of actively managing its property portfolio, supported by an integrated business model.

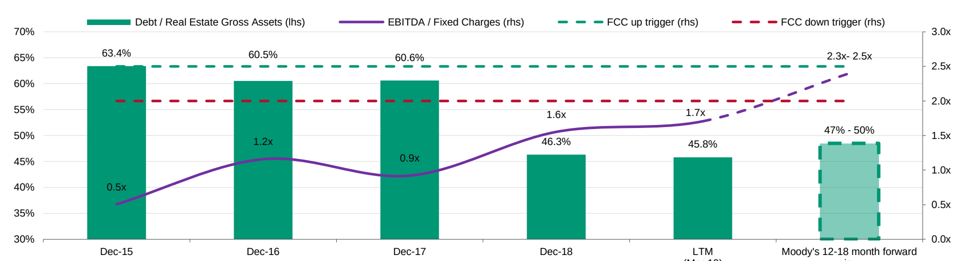
DEMIRE's main credit challenges are (1) the somewhat opportunistic business model with respect to the relatively low-quality asset portfolio, compared with its higher-rated peers; (2) reduced financial leverage but still weak fixed-charge coverage (FCC), expected to gradually improve; and (3) the company's limited track record of strategy execution, driven by recent strong growth, management changes and still relatively high overhead cost, which constrains profitability.

Overall, we expect the company to continue delivering on its growth strategy while maintaining its balanced financial policies.


Exhibit 1

**We expect improving interest coverage and a relatively stable leverage in the next 18 months**

**DEMIRE's Moody's-adjusted leverage ratio and FCC**




*Source: Moody's Investor's Service*

## Credit strengths

» Relatively small but well-diversified commercial real estate portfolio in secondary locations in Germany

» Exposure to the robust German office market fundamentals and favourable macroeconomic environment

» Integrated business model, with strategy of actively managing the portfolio and improving asset quality

## Credit challenges

» Somewhat opportunistic business model with respect to the relatively low-quality asset portfolio, compared with that of its higher-rated peers, partly with value-added characteristics

» Reduced financial leverage, but weak fixed charge coverage expected to gradually improve

» Limited track record of strategy execution, driven by recent strong growth, management changes and still relatively high overhead cost

## Rating outlook

DEMIRE has reduced its financial leverage to a comfortable level in the current rating category, so that the stable outlook reflects our expectation that the company will build track record in maintaining balanced financial policies coupled with a higher cash flow generation that strengthens the FCC to a commensurate level for its current rating.

The outlook also incorporates our positive view of the German commercial real estate market and the favourable bank lending environment in Germany.

## Factors that could lead to an upgrade

While DEMIRE still has to strengthen its positioning in the current rating category, a rating upgrade could result from:

» A successful increase in occupancy rate in its value-added portfolio

» An expansion of the asset portfolio if substantially funded with equity, resulting in an overall decline in leverage

» Moody's-adjusted gross debt/total assets sustained around 50%, with the development of a further track record operating with the current portfolio

» A Moody's-adjusted FCC above 2.5x on a sustained basis

## Factors that could lead to a downgrade

DEMIRE's rating could come under pressure if:

» The company reverts to leverage levels of around 60% Moody's-adjusted gross debt/total assets

» FCC remains below 2.0x on a sustained basis

» There is a material deterioration in the commercial real estate market fundamentals in Germany or a sharp weakening in the currently very accommodating bank lending market in Germany

» The asset quality within the portfolio deteriorates or the vacancy rate in the existing portfolio increases

## Key indicators

Exhibit 2

DEMIRE Deutsche Mittelstand Real Estate AG

| US Millions | Dec-15 | Dec-16 | Dec-17 | Dec-18 | LTM (Mar-19) | Moody's 12-18 month forward view |
|---|---|---|---|---|---|---|
| Real Estate Gross Assets | 1,122.7 | 1,154.7 | 1,379.3 | 1,576.0 | 1,550.9 | $1,700 - $1,800 |
| Amount of Unencumbered Assets | | | | 51% | 55% | 44% - 46% |
| Debt / Real Estate Gross Assets | 63.4% | 60.5% | 60.6% | 46.3% | 45.8% | 47% - 50% |
| Net Debt / EBITDA | 44.4x | 13.9x | 14.8x | 10.9x | 9.9x | 12.5x - 13.5x |
| Secured Debt / Real Estate Gross Assets | 52.8% | 50.6% | 25.4% | 20.0% | 20.0% | 23% - 25% |
| EBITDA / Fixed Charges | 0.5x | 1.2x | 0.9x | 1.6x | 1.7x | 2.3x - 2.5x |

All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
*Source: Moody's Financial Metrics™*

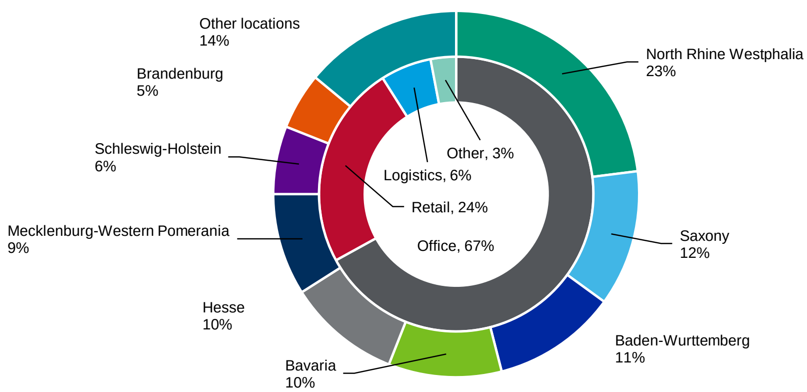
## Profile

Headquartered in Langen, Germany, DEMIRE Deutsche Mittelstand Real Estate AG (DEMIRE) is a public listed commercial real estate company with focus on offices in secondary locations across Germany. Considering the recent acquisitions, the company's portfolio comprises 93 single properties, with a total lettable floor space of around 1.1 million sqm and an aggregated portfolio value of circa €1.4 billion. The company's gross rental income amounts to €87.3 million, with a 4.7 year weighted average lease term (WALT).

DEMIRE holds a 79.4% stake in Fair Value REIT-AG, which is fully consolidated and accounts for €314 million in portfolio value, or around 23% of DEMIRE's property portfolio.

DEMIRE is listed on the Frankfurt stock exchange and had a market capitalization of €495.8 million as of 10 July 2019. Apollo-managed funds and Wecken Group together hold around 89% of DEMIRE's shares.

Exhibit 3
**DEMIRE's portfolio**
**By location and asset class**




As of 31 March 2019.
*Source: Company information*

## Detailed credit considerations

### Relatively small but well-diversified commercial real estate portfolio in secondary locations in Germany

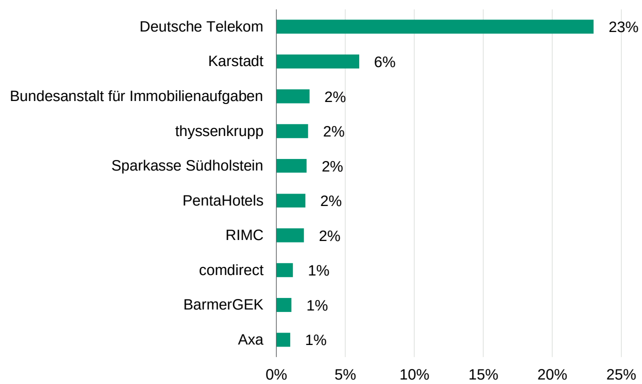
DEMIRE's portfolio is spread across several key regions in Germany (see Exhibit 3). The top 20 properties represent around two-thirds of the total investment portfolio, with less than 10% of them being located in the Big 7 German cities and the remainder located in secondary locations.

During the last few months, DEMIRE has continued to grow its operating scale. As of 30 April 2019, the company closed the acquisition of four office buildings in Ascheim, Essen, Cologne and Bad Vilbel at a total value of €169.2 million. The total lettable area is 88,930 square metres (sqm), with an initial gross rental income of €8.7 million and WALT of 2.6 years. Recently, DEMIRE also announced the acquisition of five Karstadt department stores valued at €71 million. The total lettable area is 71,227 sqm, with an initial gross rental income of €5.3 million and WALT of 14.6 years.

Following the recent acquisitions, the portfolio's annual gross rental income (GRI) amounts to €87.3 million, generated from more than 800 individual tenants across diverse business sectors. Deutsche Telekom AG (Deutsche Telekom, Baa1 negative) remains the largest tenant and accounts for around 26% of DEMIRE's GRI, followed by the German retailer Karstadt with 6%. All other tenants account for 2% or less of DEMIRE's GRI.

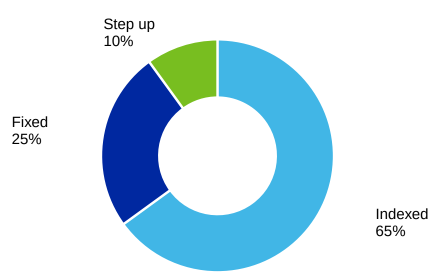
Rental income concentration in Deutsche Telekom is one of the highest among the company's peers that we rate. However, this is mitigated by the strong credit standing of Deutsche Telekom, the solid weighted average lease maturity of 3.7 years and the breakdown into 17 properties. Furthermore, Deutsche Telekom has subleased spaces which represent around 40% of GRI, so these agreements will not be renewed by Deutsche Telekom upon expiry, thereby contributing to a gradual reduction in tenancy concentration. However, this could lead to higher vacancy rates.

Exhibit 4
**Top 10 tenants**
**By total GRI €87.3 million**




Pro forma of office and Karstadt's portfolio acquisitions.
*Source: Company information*

Exhibit 5
**Lease types**
**By number of contracts**




*Source: Company information*

### Robust office market fundamentals and favourable macroeconomic environment in Germany

Germany's (Aaa stable) solid macroeconomic environment is supported by (1) its advanced, diversified and highly competitive economy; (2) its track record of social and political stability; (3) its tradition of prudent fiscal policies; and (4) ready market access because of its safe-haven status. The main credit challenges are the impact of unfavourable demographic trends on the German economy and social security systems, its exposure to the global business cycle, and trade tensions and harsher environmental standards affecting the automotive industry in particular.

The German real estate market is a very liquid market, with investment volumes consistently comparable with Central London and Paris. According to Jones Lang LaSalle (JLL), investment interest remains intact, with the expected total annual volume moving towards €70 billion for the full year 2019 from nearly €80 billion in 2018. Investors continue to focus on the major economic hubs; for example, Berlin represented 46% of the total transaction volume for all the Big 7 cities in the first quarter of 2019. With respect to asset classes, office property remains the preferred one, accounting for 38% of the investments in Q1 2019.

The prime office yield in the Big 7 cities is around 2.9%-3.2%, with Berlin reporting the lowest yield among all. Top properties in submarkets outside the prime location have also experienced a similar development, with an aggregate yield falling to its lowest level in 10 years at 3.41%, according to JLL. We expect the German office investment market to continue benefiting from a positive momentum, with increasing rental income supporting higher property values.

During the past 10 years, secondary locations have exhibited trends similar to those of the top seven cities. Secondary locations offer a higher gross initial yield, which has also compressed in the past eight years, supported by growing investment volumes and positive momentum of the occupier markets. In 2018, the average gross initial yield for secondary locations stood at 6.4%, according to Bulwiengesa.

We expect the strong demand for German offices to continue for at least the next 12-18 months, driven by healthy economic growth that fuels the creation of white-collar jobs in Germany. The strong demand for offices has resulted in the lowest vacancy levels in Germany's office market since 2005, according to Bulwiengesa. As of year-end 2018, the vacancy rate in secondary locations was 4.4%, only slightly higher than the 3.4% in the top seven cities; however vacancies have been less volatile in secondary locations. The increasing conversion of existing office space into residential or hotel properties and the redevelopment of office properties as mixed-use buildings are two trends that are further reducing the net available office space across the country, thereby supporting falling vacancy rates and growing rents. This is specially true for secondary locations, which are generally characterized by little speculative building activity and higher tenant retention.

Overall, the fundamentals of the German office property market remain strong with continued positive net absorption, declining vacancies and strong investment demand from international investors. We believe that these trends will support DEMIRE's strategy.

### Integrated business model, with strategy of actively managing the portfolio and improving asset quality

DEMIRE benefits from an integrated business model, comprising portfolio and asset management. With this approach, the company is able to actively monitor properties' operating performance and keep a close relationship with tenants, which allows for proactive management of rental contracts and early marketing of expiring leases.

The company has successfully managed to reduce its European Public Real Estate Association (EPRA) vacancy rate based on rental value to 8.3% as per March 31, 2019 from the high level of 14.7% in 2014. However, pro forma for the recent acquisitions, vacancy rate will go up to 9.6% (see Exhibit 6). DEMIRE has managed to keep the WALT of its investment portfolio at good levels of around 4 to 5 years (see Exhibit 8).

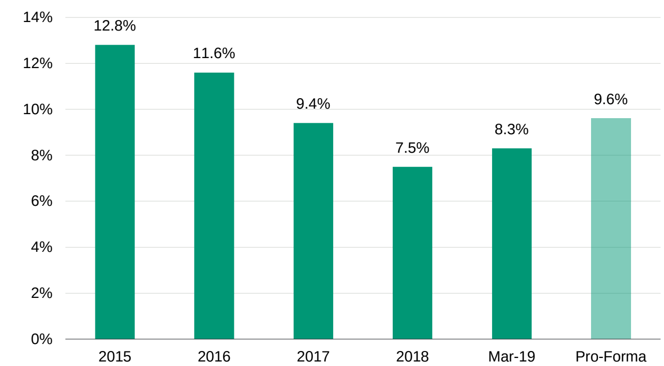
Exhibit 6

**Pro-forma portfolio overview**

| | No. of properties | GAV (€ m) | GRI p.a. (€ m) | EPRA Vacancy (in %) | WALT (years) |
|---|---|---|---|---|---|
| Office | 65 | 934.2 | 58.4 | 10.8% | 3.9 |
| Retail | 21 | 335.9 | 22.7 | 5.8% | 9.3 |
| Logistics | 1 | 65.6 | 4.2 | 16.0% | 1.4 |
| Other | 6 | 36.4 | 2 | 0.2% | 5.4 |
| **Total (Pro-Forma)** | **93** | **1,372.1** | **87.3** | **9.6%** | **4.7** |

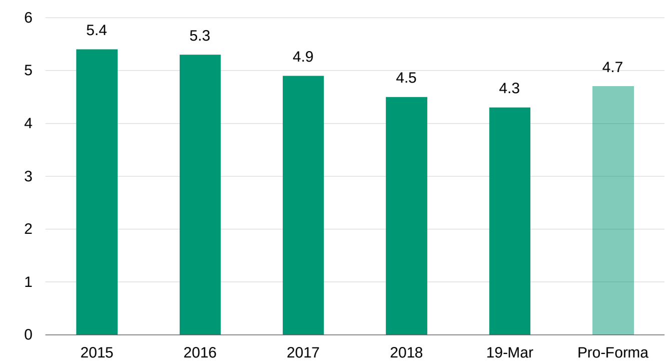
*Source: Company information*

Exhibit 7
**Development of vacancy**




Pro forma includes the office portfolio closed as of 30 April 2019 and the Karstadt portfolio that is likely to close in Q3 2019.
*Source: Company information*

Exhibit 8
**Development of WALT**
**In years**




Pro forma includes the office portfolio closed as of 30 April 2019 and the Karstadt portfolio that is likely to close in Q3 2019.
*Source: Company information*

### Reduced financial leverage, but weak fixed charge coverage expected to gradually improve

Following DEMIRE's capital increase in October 2018, leverage, as measured by Moody's-adjusted gross debt/total assets, stood at 45.8% as of 31 March 2019. Considering the recent acquisitions, we expect this ratio to increase towards 47%-50% within the next 12-18 months. The company's financial policy states a net leverage of less than 50%, and as of 31 March 2019, the company reported a net loan-to-value (LTV) ratio of 38.6%. Furthermore, we understand that any sizeable acquisition of property would be funded in line with the company's medium-term LTV target.

DEMIRE's FCC remained rather weak at 1.7x as of LTM 31 March 2019. As a result of new operational set-up and projected like-for-like rental growth, we expect this ratio to continue to strengthen towards 2.3x-2.5x over the next 12-18 months, additionally supported by the recent reduction in financing cost.

DEMIRE's pool of unencumbered property assets is likely to remain at around 44%-46%. We consider unencumbered assets as an important source of alternative liquidity for real estate companies. This includes a medium-term targeted funding mix that allows around 50% of the assets to be unencumbered.

Overall, its anchor shareholder Apollo has shown its support for the company's strategic objectives (DEMIRE 2.0) of reducing its leverage and raising its credit strength to an investment-grade level in the medium term.

### Somewhat opportunistic business model with relatively low-quality asset portfolio, compared to higher-rated peers

DEMIRE has divided its asset portfolio into three clusters:

» Assets with secure income and long-term visibility (Core+, 52% of gross asset value "GAV")

» Assets that need to be actively managed to capture growth upside (value-add, 44% of GAV)

» Redevelopments where extensions, refurbishments and selective developments are undertaken (4% of GAV)

The Core+ assets have a low vacancy rate of 2% and a WALT of 6.4 years, which provides for a relatively secure and visible rental income stream. By contrast, the vacancy rate of the value-add portfolio is significantly higher at 18% and also exhibits a shorter WALT of three years. This is an important credit challenge, because it represents execution risks and additional operative costs for an important part of DEMIRE's portfolio. More positively, the latter suggests upside rental income potential amid the currently favourable market environment.

At the portfolio level, WALT has remained fairly stable at a good level of between four and five years over the last few years. Accordingly, we expect DEMIRE to continue to build a successful track record of strategy execution, which will translate into higher occupancy rates and rental income growth across the entire portfolio. As of 31 March 2019, the company signed new leases for around 18,000 sqm at an average net rent of €7.95 per sqm per month.

We consider the quality of DEMIRE's asset portfolio as relatively low compared with that of its higher-rated peers, which mostly focus on primary locations. This is reflected in the higher-yielding nature of its properties portfolio with a GRI yield of 6.4%, broken down to 6.5% for the Core+ assets, 6.3% for the value-add assets and 5.6% for redevelopments.

These high returns are, however, partially offset by the relatively high overhead cost and somewhat high financing cost, which translate into relatively low FCC. In the medium term, the company expects to continue to increase its GRI through a reduction in the vacancy rate and with low-single-digit rental price increases as some of the existing contracts expire.

As part of DEMIRE's strategic plan, in November 2018, STRABAG SE was appointed as the new property and facility manager for around 80% of the portfolio. The remaining 20% of the real estate portfolio is indirectly owned by DEMIRE through its investment company Fair Value REIT-AG and is already managed externally by IC Property Management GmbH. Cost savings of around €1 million per annum are likely under this new operational set-up.

### Limited track record of strategy execution, despite recent strong growth, management changes and still relatively high overhead cost

Over the last few years, DEMIRE has grown its asset base significantly to €1,372 million pro forma for the recently acquired offices and retail portfolios from €333 million (book value of investment properties as of December 2014). While DEMIRE's scale remains smaller than that of its higher-rated peers, we believe that the company will continue to successfully increase its portfolio size organically through an active portfolio management, further supported by some acquisition activity. We positively note DEMIRE's commitment to maintain a growth strategy commensurate with a balanced financial policy.

As of 31 March 2019, DEMIRE's executive board was completely renewed. Ingo Hartlief, who has over 20 years of experience in the real estate industry, joined the company as CEO in December 2018. Tim Brückner, who has a long-standing experience in both banking and real estate investment sectors, was appointed as CFO in February 2019. We expect to see stability in the corporate governance bodies, considering that the company is undergoing a growth phase that requires consistency in terms of business and financial policies.

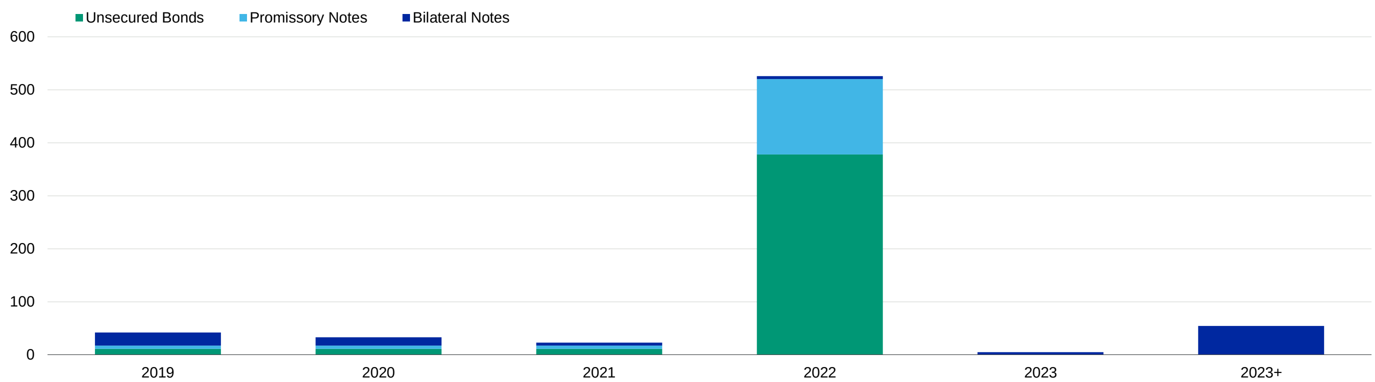
## Liquidity analysis

We view DEMIRE's liquidity as adequate. As of 31 March 2019, its sources of liquidity included (1) €185 million of cash and cash equivalents; (2) €9 million undrawn committed facilities; (3) around €30 million in funds from operations and (4) a €538 million pool of currently unencumbered properties that provide an alternative source of liquidity. DEMIRE's internal cash sources are sufficient to cover the cash requirements (acquisitions, capital spending and debt service) for the next 18 months.

Under the bond documentation, the company is subject to the fulfillment of three financial incurrence covenants: (1) minimum interest coverage of 1.75x, (2) a net LTV of maximum 60%, and (3) a maximum net secured LTV of 40%. As of 31 March 2019, DEMIRE was compliant with all the above with sufficient headroom.

DEMIRE has no significant debt maturities until 2022 when the €367 million outstanding bond an €135 million promissory notes mature (see Exhibit 9). With maturities concentrated in 2022, we expect the company to address them in a timely manner.

Exhibit 9
**No major refinancing needs until 2022 when the company faces a refinance wall**
**DEMIRE's debt maturity in € million**




as of 31 March 2019
*Source: Company information*

## Structural considerations

The current Ba2 rating of the senior unsecured bond, in line with the long-term corporate family rating, reflects a fairly balanced borrowing base between secured and unsecured funding. Senior unsecured creditors are adequately covered with a ratio of unencumbered investment properties to unsecured liabilities at 1.5x. Bondholders are subordinated to secured debt of around €370 million.

We expect DEMIRE to keep at least an equal weight between the unsecured and secured debt and an adequate unencumbered asset coverage.

## Rating methodology and scorecard factors

The principal methodology we used was our Global Rating Methodology for REITs and Other Commercial Property Firms, published September 2018. DEMIRE maps to Ba2 for the 12 months ended March 2019 on a forward-looking basis, in line with the actual issuer rating assigned.

Exhibit 10

### Rating factors

**DEMIRE Deutsche Mittelstand Real Estate AG**

| Real Estate / REIT Industry Grid [1][2] | Current LTM 3/31/2019 | | Moody's 12-18 Month Forward View As of 7/5/2019 [3] | |
|---|---|---|---|---|
| **Factor 1 : Scale (5%)** | **Measure** | **Score** | **Measure** | **Score** |
| a) Gross Assets (USD Billion) | $1.6 | Ba | $1.7 - $1.8 | Ba |
| **Factor 2 : Business Profile (25%)** | | | | |
| a) Market Positioning and Asset Quality | Ba | Ba | Ba | Ba |
| b) Operating Environment | Baa | Baa | Baa | Baa |
| **Factor 3 : Liquidity and Access To Capital (25%)** | | | | |
| a) Liquidity and Access to Capital | Ba | Ba | Ba | Ba |
| b) Unencumbered Assets / Gross Assets | 55.0% | Ba | 44% - 46% | Ba |
| **Factor 4 : Leverage and Coverage (45%)** | | | | |
| a) Total Debt + Preferred Stock / Gross Assets | 45.8% | Baa | 47% - 50% | Baa |
| b) Net Debt / EBITDA | 10.0x | B | 12.5x - 13.5x | Caa |
| c) Secured Debt / Gross Assets | 20.0% | Baa | 23% - 25% | Ba |
| d) Fixed Charge Coverage | 1.7x | Ba | 2.3x - 2.5x | Ba |
| **Rating:** | | | | |
| a) Indicated Outcome from Scorecard | | Ba2 | | Ba2 |
| b) Actual Rating Assigned | | | | Ba2 |

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] As of 3/31/2019(L). [3] This represents Moody's forward view, not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestitures.
*Source: Moody's Financial Metrics™*

# Appendix

Exhibit 11

## Peer comparison

| | DEMIRE Deutsche Mittelstand Ba2 Stable | | | Kungsleden AB Baa3 Stable | | | Summit Properties Limited Ba1 Stable | | | FastPartner AB Ba2 Positive | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (in US millions) | FYE Dec-17 | FYE Dec-18 | LTM Mar-19 | FYE Dec-17 | FYE Dec-18 | LTM Mar-19 | FYE Dec-17 | FYE Dec-18 | LTM Dec-18 | FYE Dec-17 | FYE Dec-18 | LTM Mar-19 |
| Gross Assets | $1,379 | $1,576 | $1,551 | $3,871 | $4,018 | $3,980 | $1,269 | $1,790 | $1,790 | $2,579 | $2,669 | $2,907 |
| Total Debt + Preferred Stock / Gross Assets | 60.6% | 46.3% | 45.8% | 48.3% | 48.0% | 47.9% | 38.7% | 38.5% | 38.5% | 53.6% | 51.9% | 55.2% |
| Net Debt / EBITDA | 14.8x | 10.9x | 9.9x | 10.4x | 11.0x | 11.2x | 6.5x | 10.0x | 10.0x | 11.7x | 11.8x | 14.3x |
| Secured Debt / Gross Assets | 25.4% | 20.0% | 20.0% | 38.6% | 29.1% | 28.3% | 38.7% | 38.5% | 38.5% | 34.3% | 30.0% | 32.8% |
| Fixed Charge Coverage | 0.9x | 1.6x | 1.7x | 3.3x | 4.0x | 4.2x | 5.0x | 5.1x | 5.1x | 3.4x | 3.5x | 3.4x |

*Source: Moody's Financial Metrics™*

Exhibit 12

## Moody's-adjusted debt breakdown

### DEMIRE Deutsche Mittelstand Real Estate AG

| (in EUR millions) | FYE Dec-15 | FYE Dec-16 | FYE Dec-17 | FYE Dec-18 | LTM Ending Mar-19 |
|---|---|---|---|---|---|
| **As Reported Debt** | **655.2** | **662.6** | **694.9** | **638.3** | **632.6** |
| Operating Leases | 0.6 | 0.8 | 1.5 | 0.0 | 0.0 |
| Hybrid Securities | -0.9 | -0.5 | -0.2 | 0.0 | 0.0 |
| **Moody's-Adjusted Debt** | **654.9** | **662.9** | **696.3** | **638.3** | **632.6** |

*Source: Moody's Financial Metrics™*

Exhibit 13

## Moody's-adjusted EBITDA breakdown

### DEMIRE Deutsche Mittelstand Real Estate AG

| (in EUR millions) | FYE Dec-15 | FYE Dec-16 | FYE Dec-17 | FYE Dec-18 | LTM Ending Mar-19 |
|---|---|---|---|---|---|
| **As Reported EBITDA** | **63.7** | **81.2** | **80.3** | **117.3** | **93.7** |
| Operating Leases | 0.1 | 0.2 | 0.4 | 0.0 | 0.0 |
| Unusual | -50.3 | -41.5 | -46.7 | -88.5 | -56.4 |
| Non-Standard Adjustments | 0.5 | 5.6 | 8.2 | 12.3 | 7.5 |
| **Moody's-Adjusted EBITDA** | **14.1** | **45.4** | **42.1** | **41.0** | **44.8** |

*Source: Moody's Financial Metrics™*

Exhibit 14
**Overview of Moody's-adjusted financial data**
DEMIRE Deutsche Mittelstand Real Estate AG

| (in EUR millions) | FYE 2015 | FYE 2016 | FYE 2017 | FYE 2018 | LTM Mar-19 |
|---|---|---|---|---|---|
| INCOME STATEMENT | | | | | |
| Revenue | 33.3 | 76.4 | 73.7 | 73.7 | 73.7 |
| EBITDA | 14.1 | 45.4 | 42.1 | 41.0 | 44.8 |
| Interest Expense | 27.9 | 39.2 | 45.8 | 26.4 | 26.2 |
| BALANCE SHEET | | | | | |
| Real Estate Gross Assets | 1,033.5 | 1,094.8 | 1,148.7 | 1,378.7 | 1,381.2 |
| Cash & Cash Equivalents | 28.5 | 31.3 | 73.9 | 190.4 | 187.2 |
| Total Debt | 654.9 | 662.9 | 696.3 | 638.3 | 632.6 |
| Net Debt | 626.5 | 631.6 | 622.4 | 447.9 | 445.4 |
| CASH FLOW | | | | | |
| Funds from Operations | -15.0 | 2.6 | -14.6 | 12.4 | 15.0 |
| CASH FLOW FROM OPERATIONS | -10.3 | 7.9 | -3.7 | 19.0 | 19.6 |
| Capex = Capital Expenditures | 11.4 | 12.0 | 6.8 | 24.7 | 25.6 |
| Dividends | | 5.9 | 6.8 | 3.0 | 3.0 |
| Retained Cash Flow | -15.0 | -3.3 | -21.4 | 9.5 | 12.0 |
| RCF / Debt | -2.3% | -0.5% | -3.1% | 1.5% | 1.9% |
| Free Cash Flow (FCF) | -21.7 | -10.0 | -17.2 | -8.6 | -9.0 |
| FCF / Debt | -3.3% | -1.5% | -2.5% | -1.4% | -1.4% |
| PROFITABILITY | | | | | |
| % Change in Sales (YoY) | | 129.2% | -3.5% | 0.0% | 0.4% |
| EBITDA Margin % | 42.4% | 59.4% | 57.1% | 55.7% | 60.7% |
| INTEREST COVERAGE | | | | | |
| EBITDA / Fixed Charges | 0.5x | 1.2x | 0.9x | 1.6x | 1.7x |
| LEVERAGE | | | | | |
| Debt / Real Estate Gross Assets | 63.4% | 60.5% | 60.6% | 46.3% | 45.8% |
| Secured Debt / Real Estate Gross Assets | 52.8% | 50.6% | 25.4% | 20.0% | 20.0% |
| Net Debt / EBITDA | 44.4x | 13.9x | 14.8x | 10.9x | 9.9x |

All figures and ratios are calculated using Moody's estimates and standard adjustments. FYE = Financial year-end. LTM = Last 12 months.
*Source: Moody's Financial Metrics™*

## Ratings

Exhibit 15

| Category | Moody's Rating |
|---|---|
| **DEMIRE DEUTSCHE MITTELSTAND REAL ESTATE AG** | |
| Outlook | Stable |
| Corporate Family Rating | Ba2 |
| Senior Unsecured -Dom Curr | Ba2 |

*Source: Moody's Investors Service*

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CLIENT SERVICES

| | |
|---|---|
| Americas | 1-212-553-1653 |
| Asia Pacific | 852-3551-3077 |
| Japan | 81-3-5408-4100 |
| EMEA | 44-20-7772-5454 |