



## DEMIRE Deutsche Mittelstand Real Estate AG Conference Call – 9M Results 2017

30 November 2017

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# Agenda

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Highlights 9M Results 2017

Portfolio Update

Financials

Outlook 2017



# Highlights 9M Results 2017



# Highlights 9M 2017

## First milestones reached in implementing DEMIRE 2.0 strategy

Portfolio	<ul style="list-style-type: none"> <li>» <b>Successful letting activities</b> of c. 51.600 sqm, thereof new lettings (c. 49%), average lease term of 5.3 years overall</li> <li>» <b>EPRA vacancy rate</b> down by 170 bps to 9.9% excluding properties already sold</li> <li>» <b>Like-for-like rental growth</b> of c. 2.6% in the 9M of 2017</li> <li>» <b>Rental income</b> slightly decreased to € 55.9m (9M 2016: € 56.7m) due to the sale of non-strategic real estate in the last 12 months</li> <li>» <b>Valuation result</b> of € 26.3m in 9M 2017 due to improved portfolio KPI's and strong real estate fundamentals in the "Secondaries"</li> </ul>
Liability Management	<ul style="list-style-type: none"> <li>» <b>Tap of rated and unsecured senior notes with € 130m</b> in September at an implied yield of 2.6% following inaugural bond placement of € 270m in July 2017</li> <li>» Proceeds from tap to be used for refinancing of expensive debt and for future acquisitions</li> </ul>
Cost & Tax optimisation	<ul style="list-style-type: none"> <li>» <b>EGM on 15th of November:</b> full approval to conclusion of several profit transfer and domination agreements, pre-condition for tax pooling, cross-border change of legal form of selected subsidiaries well advanced</li> </ul>
Financials	<ul style="list-style-type: none"> <li>» <b>Net-LTV</b> decreased by 80 bps to 62.0% (31.12.2016: 62.8%)</li> <li>» <b>Reduction of avg. annual financing costs</b> by 60 bps to 3.8% p.a. (31.12.2016: 4.4% p.a.), pro forma at 3.0% p.a., taking into account refinancing from issue and tap of senior notes in July/September 2017</li> </ul>
FFO & EPRA NAV	<ul style="list-style-type: none"> <li>» <b>FFO I</b> (after taxes, before minorities) reached € 9.2m (9M 2016: € 7.0m)</li> <li>» <b>EPRA NAV per share</b> increased to € 4.72 (diluted) and to € 5.69 (undiluted)</li> </ul>

Note: Performance of metrics derived from profit and loss statement measured on y-o-y basis, changes of balance sheet items measured since fiscal year end 2016



# Portfolio Update

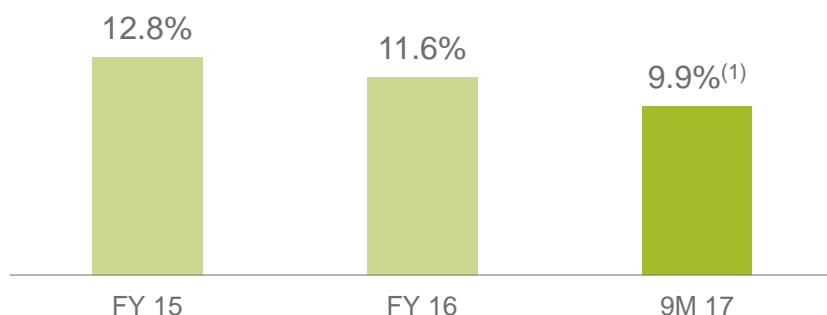


# Leasing Performance 9M 2017

## Further vacancy reduction...

### Portfolio Optimisation by Vacancy Reduction...

EPRA Vacancy (%)

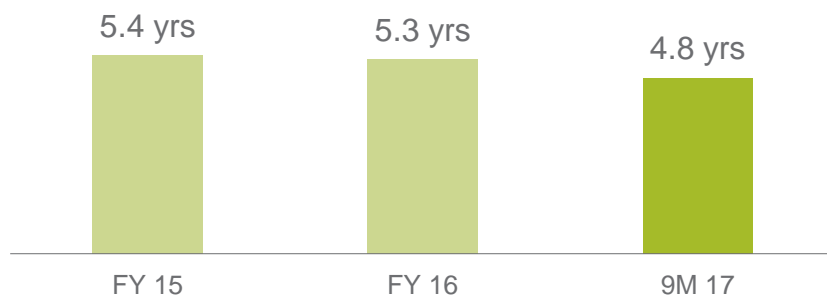


### Comments

- » EPRA vacancy rate down by 170 bps to 9.9%<sup>(1)</sup>
- » Successful letting activities of c. 51.600 sqm, thereof c. 25,300 sqm of new lettings and c. 26,300 sqm of renewals
- » New lease contracts with average WALT of 6.1 years
- » Retention rate: 78% of rental contracts expiring in 9M 2017 have been renewed in 9M 2017
- » Like-for-like rental growth of 2.6%

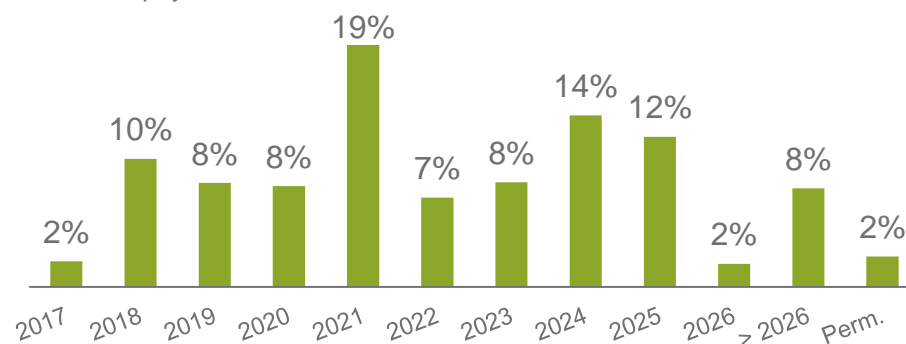
### ...While Maintaining a Stable Lease Profile

WALT (years)



### Low Level of Upcoming Lease Maturities

Lease Expiry Schedule<sup>(2)</sup>



(1) As of 30<sup>th</sup> September 2017, excluding properties sold (signed but not closed); calculation as defined by EPRA BPR standards

(2) Over term of leases signed

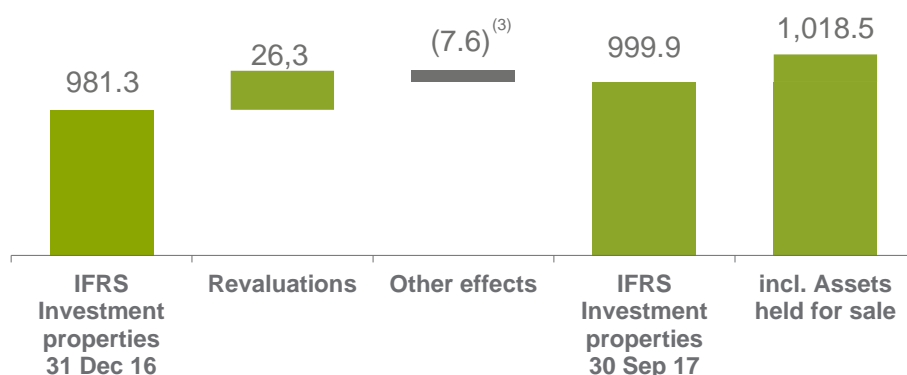


# Secondary Locations Gaining Momentum

....starting to drive revaluation of properties

## Development of Investment Properties

in € m



## Comments

- » # of real estate assets at 90 commercial properties vs. FY 2016 due to sale of non strategic assets, thereof 7 assets held for sale
- » **Total valuation uplift** of € 26.3m in the first 9M 2017, hence average value per sqm raised by 2.1% to 1,037 €/sqm, still way below replacement costs for German commercial real estate
- » **GRI Yield** of 7.1% for the total portfolio (FY 2016: 7.4%)

## All Three Clusters Generate Attractive Rental Yields

	No. properties	GAV (€m)	GRI p.a. (€m) <sup>(1)</sup>	GRI p.a. (€/m <sup>2</sup> /p.m.) <sup>(1)</sup>	GRI Yield (%)	EPRA Vacancy (%) <sup>(2)</sup>	WALT (Years)
Core+	38	542	37.8	8.9	7.0%	2.7%	5.9
Value add	42	415	30.5	5.5	7.4%	18.1%	3.8
Redevelopment	10	62	4.0	9.5	6.5%	0.5%	2.7
<b>Total (9M-17)</b>	<b>90</b>	<b>1,018</b>	<b>72.3</b>	<b>7.1</b>	<b>7.1%</b>	<b>9.9%</b>	<b>4.8</b>
<b>Total (FY 2016)</b>	<b>174</b>	<b>1,006</b>	<b>74.1</b>	<b>7.0</b>	<b>7.4%</b>	<b>11.6%</b>	<b>5.3</b>
<b>% / ppt change</b>	(84 units)	1.2%	(2.4%)	1.4%	(0.3ppt.)	(1.7ppt.)	(0.5yrs.)

(1) Annualised contractual rent excluding service charges

(2) As of 30<sup>th</sup> September 2017, excluding properties sold (signed but not closed); calculation as defined by EPRA BPR standards

(3) Other effects include changes in/reclassification of assets held for sale and capitalization of investments

## Attractive Yield and WALT Across Asset Classes

	No. properties	GAV (€m)	GRI p.a. (€m) <sup>(1)</sup>	GRI p.a. (€/m <sup>2</sup> /p.m.) <sup>(1)</sup>	GRI Yield (%)	EPRA Vacancy (%) <sup>(2)</sup>	WALT (Years)
Office	64	689	48.9	7.9	7.1%	7.7%	4.5
Retail	16	242	17.6	10.2	7.3%	8.6%	6.3
Logistics	1	58	3.8	2.1	6.6%	35.9%	1.5
Other	9	30	2.0	5.0	6.6%	-	6.8
<b>Total (H1-17)</b>	<b>90</b>	<b>1,018</b>	<b>72.3</b>	<b>7.1</b>	<b>7.1%</b>	<b>9.9%</b>	<b>4.8</b>
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<b>% / ppt change</b>	(84 units)	1.2%	(2.4%)	1.4%	(0.3ppt.)	(1.7ppt.)	(0.5yrs.)



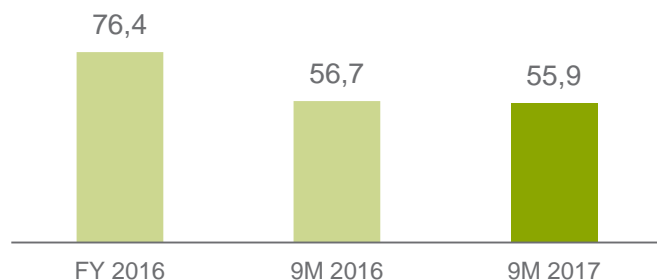
# Financials



# Selected P&L Positions

## Rental Income

€m

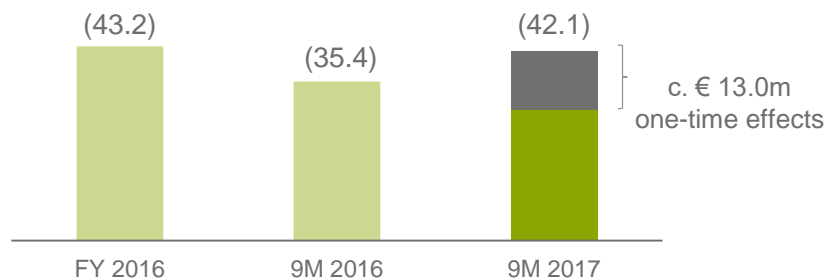


### Comments

- » Rental income slightly decreased to € 55.9m due to the sale of non-strategic real estate in the last 12 months
- » Financial result increased by 19%, mainly due to € -13.0m one-time costs from refinancing activities, recurring financial expenses already lowered compared to 9M 2016
- » FFO I increased y-o-y due to lower average recurring financing costs and lower tax burden

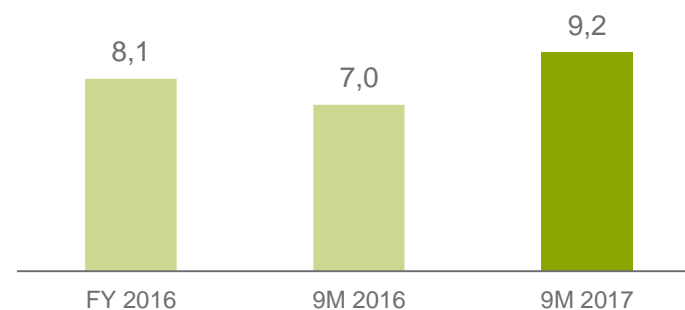
## Financial result

€m



## Funds from operations I<sup>(1)</sup>

€m

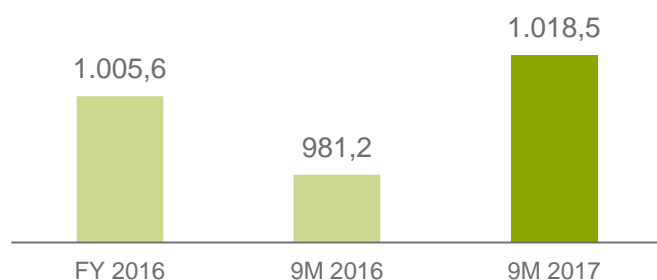


(1) After tax, before minorities

# Selected Balance Sheet Positions

## GAV

€m

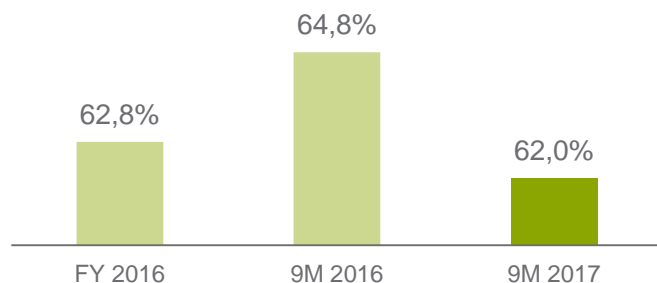


### Comments

- » Growing asset base despite disposal of non-core assets
- » Continued trajectory of de-leveraging and reducing average annual financing costs
- » Net-LTV decreased to 62.0% mainly due to positive effects from revaluation gains by end of 9M 2017

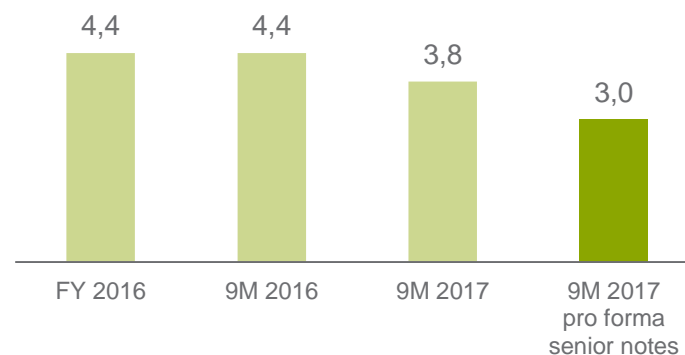
## Net LTV

€m



## Average annual financing costs

in %





# Refinancing of € 400m to Further Lower Cost of Debt

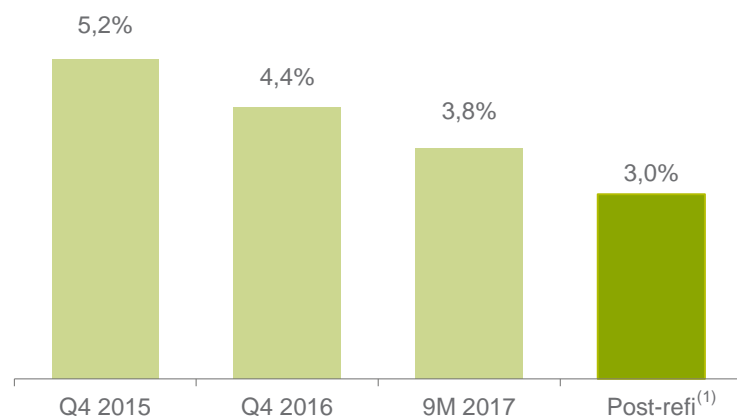
Contributing € 18m of annual free cash flow

- » In July 2017, DEMIRE successfully placed its inaugural unsecured, rated bond of € 270m with coupon of 2.875%
- » Tap in September 2017 with € 130m at an issue price of 101.25 percent above par value (Yield to maturity 2.6%)
- » Strong demand from institutional investors
- » Bond/Corporate ratings from S&P and Moody's with BB+/Ba2 and BB/Ba2 (with stable outlook) for DEMIRE
- » Net proceeds have been used for the early refinancing of existing debt with average cost of debt of 4.9% and high amortization rate of 3.4%
- » Additional € 35m from tap to fund further acquisitions

## Financing structure pre/post Refinancing July/September

Tranche	Amount (€m)		Margin/Coupon
	30/9/2017	PF Refinancing <sup>(1)</sup>	
Cash and Cash Equivalents	(130.7)	(59.7)	
New Senior Unsecured Notes	262.5	392.5	2.875%
Corporate Bond 14/19	98.2	-	7.500%
Bank Loans	24.4	24.4	1.500% - 5.000%
A/B Notes	92.5 <sup>(3)</sup>	-	3.910% - 5.250%
Promissory Notes	141.8	141.8	4.000%
Total Fair Value REIT-AG Debt	130.0	130.0	2.380%
Convertible Bond	10.5	10.5	6.00%
Mandatory 2018 Notes	0.3	0.3	2.750%
Other	1.9	1.9	
Net Total Financial Liabilities	631.3	641.7	

## Decreasing Average Cost of Debt and Improving FFO I



## Total Upside from Refinancings in July/September

Metric	Effects
Annual cash flow / FFO	» ca. €18.0m <sup>(2)</sup> cash flow p.a.
Unencumbered assets	» Increase from €3m (0.3% of GAV) to ca. €400m (41% of GAV) post bond and refinancing of A/B Notes
Tax efficiencies	» Benefit from moving underlying propco into tax pooling with DEMIRE AG

(1) Post July 2017 bond issuance and bond tap in September 2017

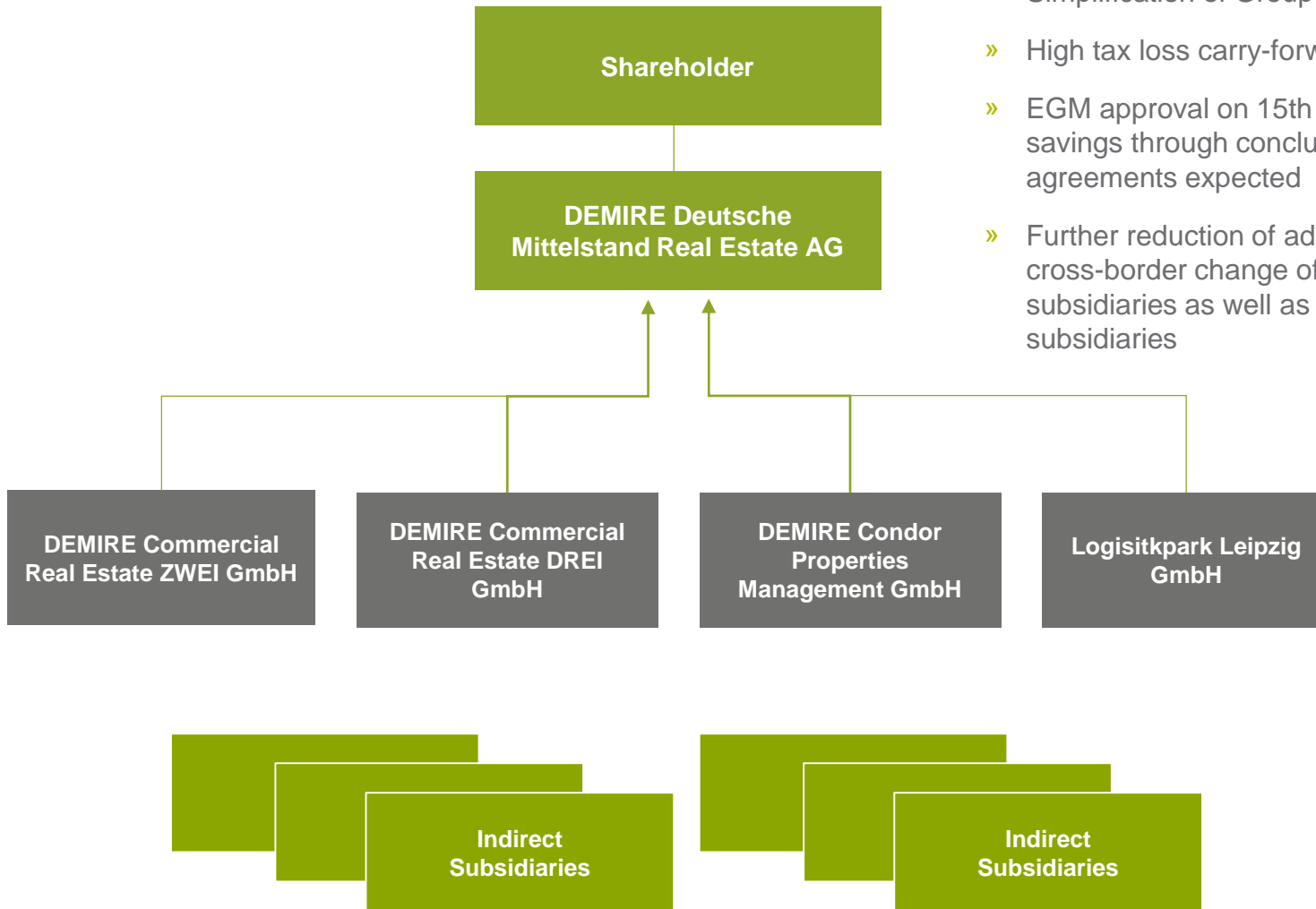
(2) Due to reduced interest and amortization expense

# Simplification of Group Structure

## Another step towards higher Funds From Operations

### Targets

- » Simplification of Group Structure
- » High tax loss carry-forwards at DEMIRE AG level
- » EGM approval on 15th of November: 7-digit tax savings through conclusion of several profit transfer agreements expected
- » Further reduction of administrative costs due to cross-border change of legal form of foreign subsidiaries as well as selected merger of subsidiaries



# Outlook 2017





## Revised Guidance 2017

Positive development lead to expected higher FFO and Rental Income

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

c. € 11-12m



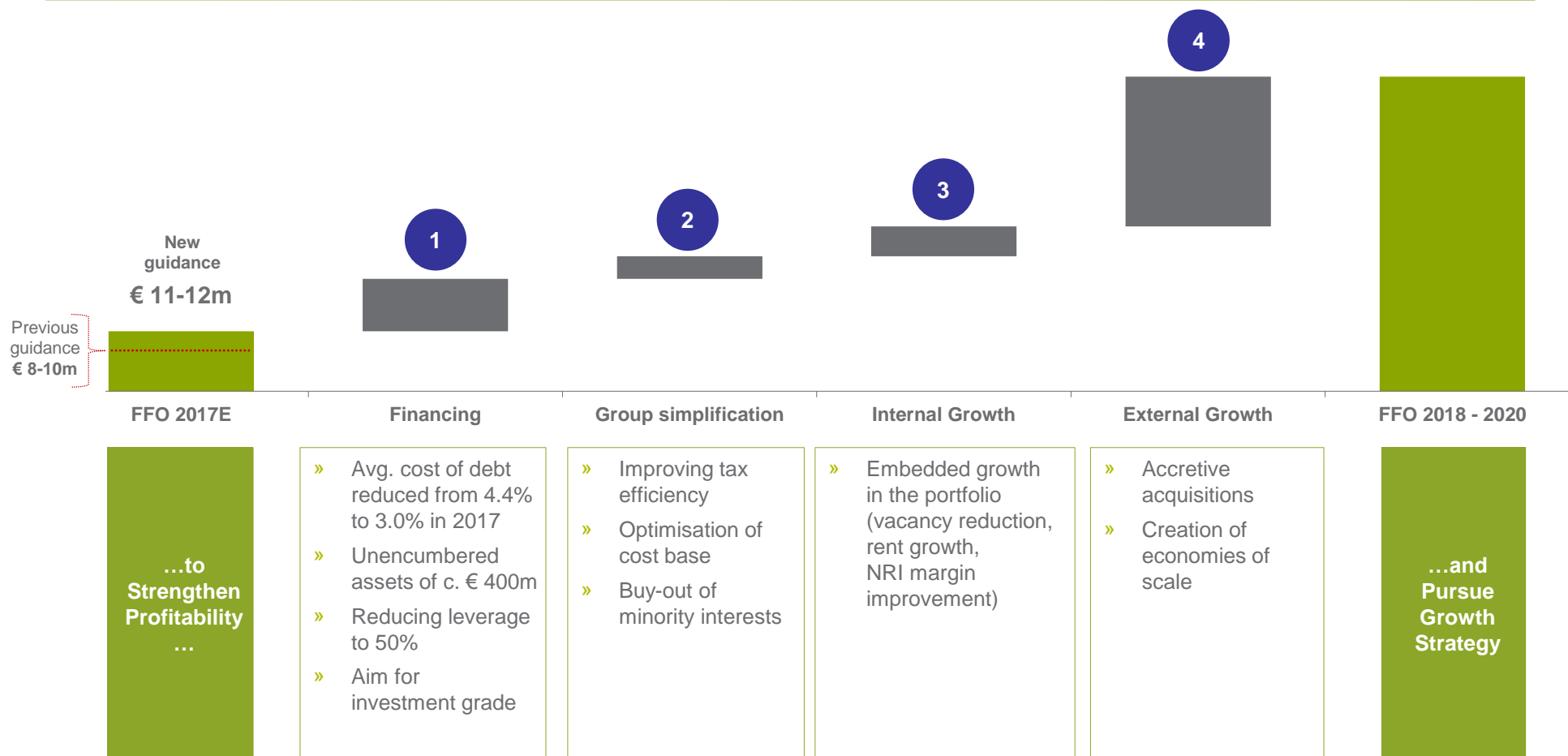
**Rental income**

c. € 74m

# Multiple Internal and External Levers to Drive FFO

Strong FFO growth in 2018 from internal and external growth

## Measures 2018-2020...



Note: chart for illustrative purposes only; column heights do not correspond to any particular values

# Contact Details/Financial Calendar 2017



## Peer Schlinkmann - Head of Investor Relations & Corporate Communications

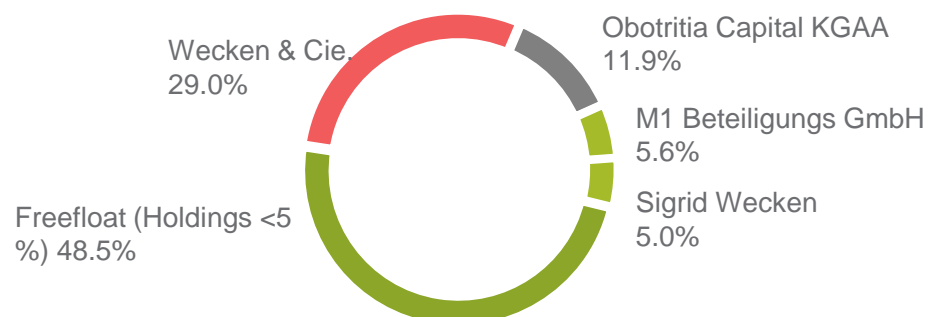
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### Shareholder structure <sup>(1)</sup>



### Financial Calendar 2017

Date	Event
November 2017	Roadshows London, Helsinki, Zürich, Vienna
28 November 2017	Participation in Analyst Conference German Equity Forum in Frankfurt
30 November 2017	Publication Nine-Month Report 2017

### Share information (as of 30 September 2017)

Symbol / Ticker	DMRE
Share price (XETRA)	€ 3.70
Market Segment	Prime Standard
ISIN	DE000A0XFSF0
Market cap	€ 201m
Free Float <sup>(1)</sup>	48.57%
Shares outstanding	54,261,744

(1) As of September 2017