



DEMIRE Deutsche Mittelstand Real Estate AG Conference Call – 9M 2018 Results

15 November 2018

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Agenda



Highlights 9M 2018

Portfolio Update

Financials

Post Closing Events

Outlook



Highlights 9M 2018



Office Building, DEMIRE Headquarters, Robert-Bosch-Str. 11, Langen

Highlights 9M 2018

Strong Operational Performance leads to Guidance Increase

PORTFOLIO	<ul style="list-style-type: none"> » Strong letting performance: Letting activities of c. 49,200 sqm, thereof new lettings approx. 50%, average WALT on new/extended leases of 4.9 years, WALT across portfolio at 4.6 years » EPRA vacancy rate down by 170 bps to 7.7%⁽¹⁾, Like-for-like rental growth of approx. 2.5 % in 9M 2018 » Rental income outperformed business plan for FY 2018 due to good leasing momentum » After reporting date, acquisition of portfolio of four office properties with a combined investment volume (incl. ancillary purchase costs) of around € 167m, closing is expected in Q1 2019
FINANCING	<ul style="list-style-type: none"> » Net-LTV strongly decreased by 750 bps to 52.6% (Year end 2017: 60.1%) » Average cost of debt remains stable at 3.0% p.a.⁽²⁾ » After reporting date, rights issue of approx. € 150m (47% of share capital pre capital increase) at € 4.35 per share, 58.83% of the subscription rights were exercised
FFO & EPRA NAV	<ul style="list-style-type: none"> » FFO I (after taxes, before minorities) reached € 18.3m (9M 2017: € 9.2m) driven by lower interest expenses, lower recurring SG&A's, improved tax burden and lower capex spending as planned » EPRA NAV per share increased to € 5.75 (diluted, +16.4% vs. FY 2017)
STRATEGY	<ul style="list-style-type: none"> » Guidance increase for FY 2018 (based on current portfolio excl. acquisitions), expected rental income of approx. € 74m and FFO I of € 23 – 24m » Using proceeds of capital increase plus debt to execute on acquisition pipeline for further growth » Active asset management, optimisation of cost base and operational units

(1) Excluding assets held for sale (2) based on nominal interest

Portfolio Update

Office Building, Ohmstraße 1, Unterschleißheim

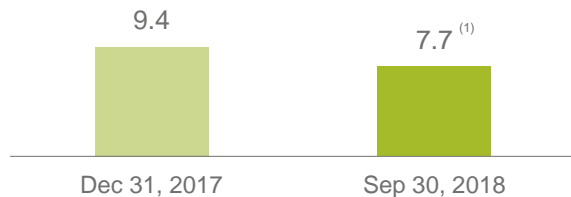


Leasing Performance 9M 2018

Positive Market Environment and Strong Operational Performance

Portfolio Optimisation by Vacancy Reduction

EPRA Vacancy (in %)

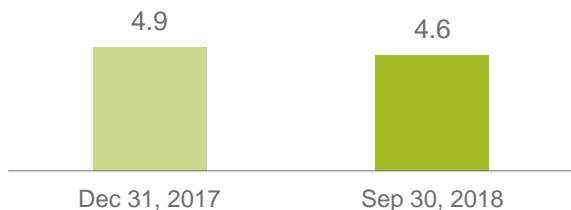


Comments

- » **EPRA vacancy rate** down by 170 bps to 7.7%⁽¹⁾
- » **Successful letting activities** of c. 49,200 sqm (c. 5.0% of TLA), thereof c. 24,400 sqm of new lettings and c. 24,800 sqm of renewals, average WALT on new/extended leases of 4.9 years
- » **Like-for-like rental growth** of 2.5%, driven by c. 20% from indexations and step up rents, c. 67% due to vacancy reduction and c. 13% from increase of in-place rent

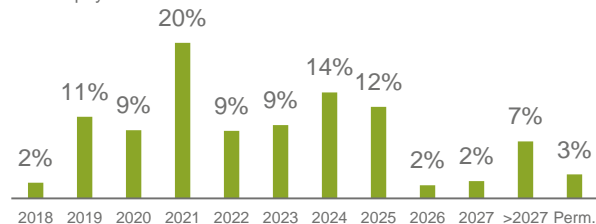
WALT reduction almost stopped

WALT (years)



Low Level of Upcoming Lease Maturities

Lease Expiry Schedule⁽²⁾



(1) As of 30 September 2018, excluding assets held for sale; calculation as defined by EPRA BPR standards

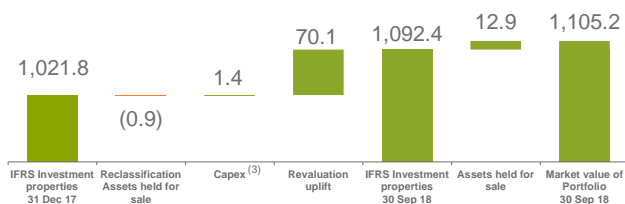
(2) Over term of leases signed

Portfolio Breakdown

Broadly Unchanged Compared to Q2 2018

Development of Investment Properties

€m



All Three Clusters Generate Attractive Rental Yields

	No. properties	GAV (€m)	GRI p.a. (€m) ⁽¹⁾	GRI p.a. (€/m ² /p.m.) ⁽¹⁾	GRI Yield (%)	EPRA Vacancy (%) ⁽²⁾	WALT (Years)
Core+	37	575.0	37.2	9.2	6.5	2.8	5.8
Value added	41	463.1	31.8	5.7	6.9	13.5	3.5
Redevelopment	7	67.1	4.0	7.9	6.0	0.4	2.8
Total (3Q 2018)	85	1,105.2	72.9	7.2	6.6	7.7	4.6
Total (FY 2017)	86	1,034.1	72.1	7.2	7.0	9.4	4.9
Change	-1 unit	6.9%	0.8	0	(40 bp)	(170 bp)	(0.3)

(1) Annualised contractual rent excluding service charges

(2) As of 30 September 2018, excluding properties sold (signed but not closed); calculation as defined by EPRA BPR standards

(3) Capitalisation of investments

Comments

- » **Market value of investment properties** increased by € 70.6m (6.9%) since end of 2017, next valuation update for year-end 2018
- » **Average asset value** at € 12.7m (FY 2017: € 12.0m), increased due to valuation uplifts (GRI Yield of 6.6%, average value per sqm of € 1.152)
- » **Assets held for sale:** no material changes during 3Q 2018

Attractive Yield and WALT Across Asset Classes

	No. properties	GAV (€m)	GRI p.a. (€m) ⁽¹⁾	GRI p.a. (€/m ² /p.m.) ⁽¹⁾	GRI Yield (%)	EPRA Vacancy (%) ⁽²⁾	WALT (Years)
Office	62	747.9	49.2	8.1	6.6	7.2	4.3
Retail	16	257.0	17.3	10.4	6.7	6.8	6.1
Logistics	1	64.5	4.5	2.3	6.9	17.0	1.7
Other	6	35.8	2.0	4.1	5.5	0.2	6.0
Total (3Q 2018)	85	1,105.2	72.9	7.2	6.6	7.7	4.6
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Change	-1 unit	6.9%	0.8	0	(40 bp)	(170 bp)	(0.3)

Financials

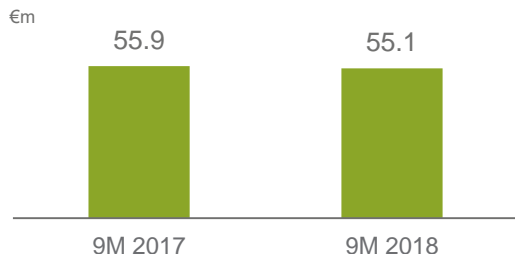


Office Building, Colonia-Allee 11, Cologne

Selected P&L Positions

Significant Improvement of FFO I

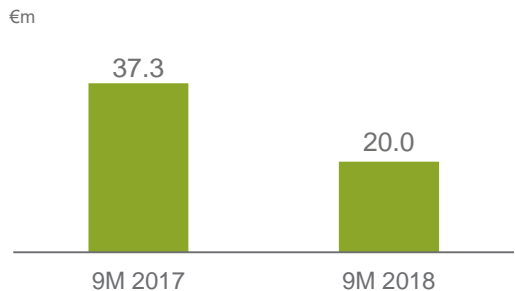
Rental Income



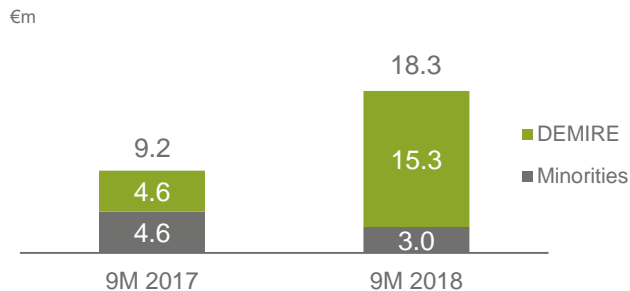
Comments

- » **Rental income** slightly decreased to € 55.1m due to the sale of non-strategic real estate in the last 12 months, but outperformed budget
- » **Financial expenses** significantly decreased to € 20.0m, y-o-y lowered by € 17.3m due to successful refinancing activities in 2017
- » **FFO I** increased y-o-y due to lower interest expenses, lower recurring SG&A's, improved tax burden and lower capex spending as planned

Financial Expenses



Funds from operations I⁽¹⁾



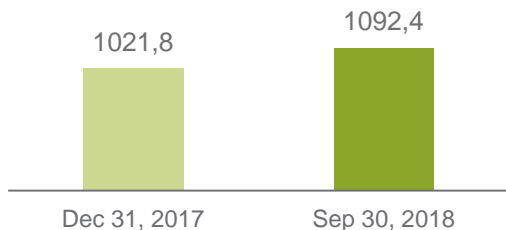
(1) After tax, before and after minorities

Selected Balance Sheet Positions

EPRA-NAVps (diluted) increased by +16% since end of 2017

Investment Properties

€m

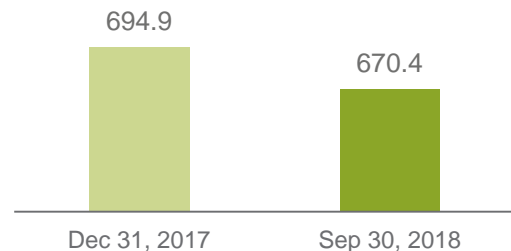


Comments

- » **Gross Asset Value** fairly unchanged following revaluation during first six months of 2018
- » Significant increase in **equity** driven by positive profit for the period, 10% capital increase and conversion of convertible bonds
- » **Financial debt** decreased by € 24.5m mainly due to conversion of convertible bonds into equity and first time application of IFRS 9
- » **Cash at hand** at € 88.5m mainly increased through 10% capital increase (effective since April)
- » **EPRA-NAV per share** (diluted) increased by 81 cent per share (+16.4%)

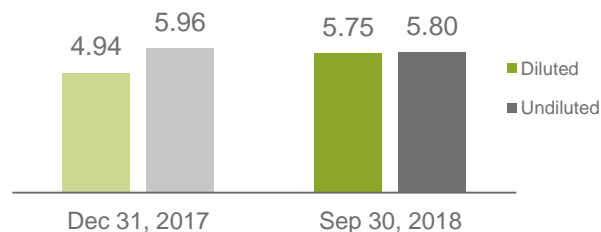
Financial Debt

€m



EPRA-NAV per Share diluted/undiluted

€



Financial Profile

Improved Credit Profile

Financing KPI's as of 30/09/2018

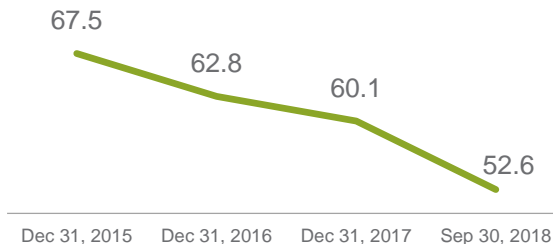
Gross debt (€m)	670.4
Net LTV (%)	52.6
Avg. cost of debt (%)	3.0 ⁽¹⁾
Interest rate fixed (%)	94
Unencumbered asset ratio (%) ⁽²⁾	45

Financing structure

Tranche ⁽³⁾	IFRS-Amount (€m)	Margin/Coupon
	30/09/2018	
Cash and Cash Equivalents	(88.5)	
Senior Unsecured Notes	360.8	2.875%
Bank Loans	23.3	2.450% - 3.250%
Promissory Notes	134.7	4.000%
Total Fair Value REIT-AG Debt	114.9	2.090%
Bridge Facility	33.8	2.250% - 2.750%
Convertible Bonds	0.2	6.000%
Accrued interest	2.7	
Net Total Financial Liabilities	581.9	

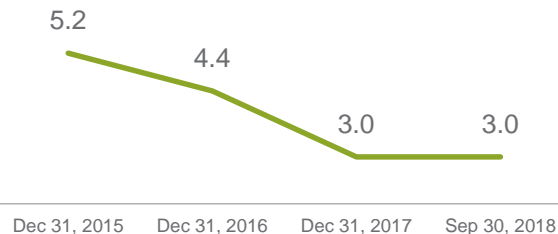
Strong Track Record in Leverage Reduction

Net LTV in %



Successfully reduced Cost of Debt

Avg. cost of debt in %⁽¹⁾



(1) Based on nominal interest

(2) Calculated as share of unencumbered assets divided by total real estate assets

Post Closing Events

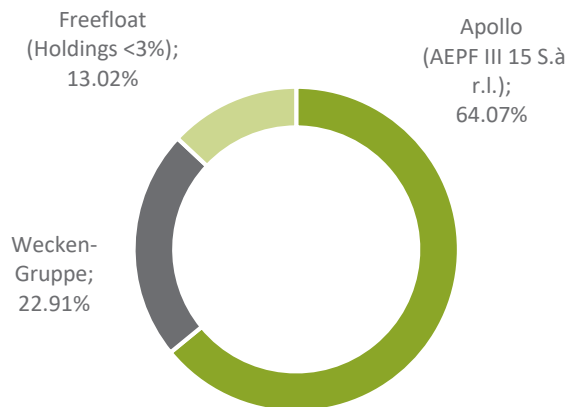


Office Building, Wiesenstraße 70, Düsseldorf

Rights Issue

Gross Proceeds of c. € 150m

Shareholder Structure (pre voting rights notifications)



Key Facts

- » **Issuance of c. 34.5m new ordinary bearer shares**, representing approx. 47% of the share capital beforehand
- » **New Shares** were offered at € 4.35 per share
- » 54.83% of the subscription rights were exercised
- » Backstop provided by Apollo (AEPF III 15 S.à r.l.)
- » **Subscription period** started on October 30th and ended on November 12th
- » **Gross Proceeds of c. € 150m to finance, in part, potential acquisitions** with estimated aggregate gross purchase price of up to € 350m

Continued commitment of the anchor shareholder to implement DEMIRE 2.0 strategy

Enables the company to realise a first significant growth step in real estate of up to € 350m, of which c. € 167m already committed

Strong acquisition pipeline gives confidence to achieve mid-term portfolio target of € 2bn

Recent Acquisitions (I)

Portfolio of Four Office Properties in Attractive Locations – Closing expected in Q1 2019

Aschheim, Max-Planck-Straße 3



» Gross Purchase price:	€ 26.3m
» Rental space:	12,200 m ²
» EPRA Vacancy rate:	11.3%
» GRI (€ m):	1.3
» WALT:	2.4 years
» Key tenant:	Future Electronics

Essen, Theodor-Althoff-Straße 39-47



» Gross Purchase price:	€ 88.3m
» Rental space:	45,600 m ²
» EPRA Vacancy rate:	11.4%
» GRI (€ m):	5.2
» WALT:	3.3 years
» Key tenant:	ThyssenKrupp

Recent Acquisitions (II)

Portfolio of Four Office Properties in Attractive Locations – Closing expected in Q1 2019

Cologne, Max-Glomsda-Straße 4



- » Gross Purchase price: € 18.7m
- » Rental space: 5,200 m²
- » EPRA Vacancy rate: 2.8%
- » GRI (€ m): 1.1
- » WALT: 4.3 years
- » Key tenant: Stadt Köln

Bad Vilbel, Konrad-Adenauer Allee 1-11



- » Gross Purchase price: € 33.4m
- » Rental space: 26,000 m²
- » EPRA Vacancy rate: 66.8%
- » GRI (€ m): 1.1
- » WALT: 5.0 years
- » Key tenant: Bad Homburger Inkasso



Office Building, DEMIRE Headquarters, Robert-Bosch-Str. 11, Langen

Guidance 2018

Upward Revision of Previous Guidance – Based on Current Portfolio excl. Acquisitions

Previous Guidance	Increasing Effects	New Guidance FY 2018
<p>Rental Income</p> <p>€ 71m - 73m</p>	<p>» Higher expected rental income of approx. € 2m</p> <p>» Lower expected operating expenses of approx. € 2m</p> <p>» Lower (expensed) Capex of approx. € 1m</p>	<p>Rental Income</p> <p>approx. € 74m</p>
<p>FFO I (after taxes, before minorities)</p> <p>€ 16m - 18m</p>		<p>FFO I (after taxes, before minorities)</p> <p>€ 23m - 24m</p>

Contact Details & Financial Calendar 2018/2019



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Financial Calendar 2018/2019

Date	Event
26 November 2018	Analyst Conference German Equity Forum
20 March 2019	Publication Annual Report 2018

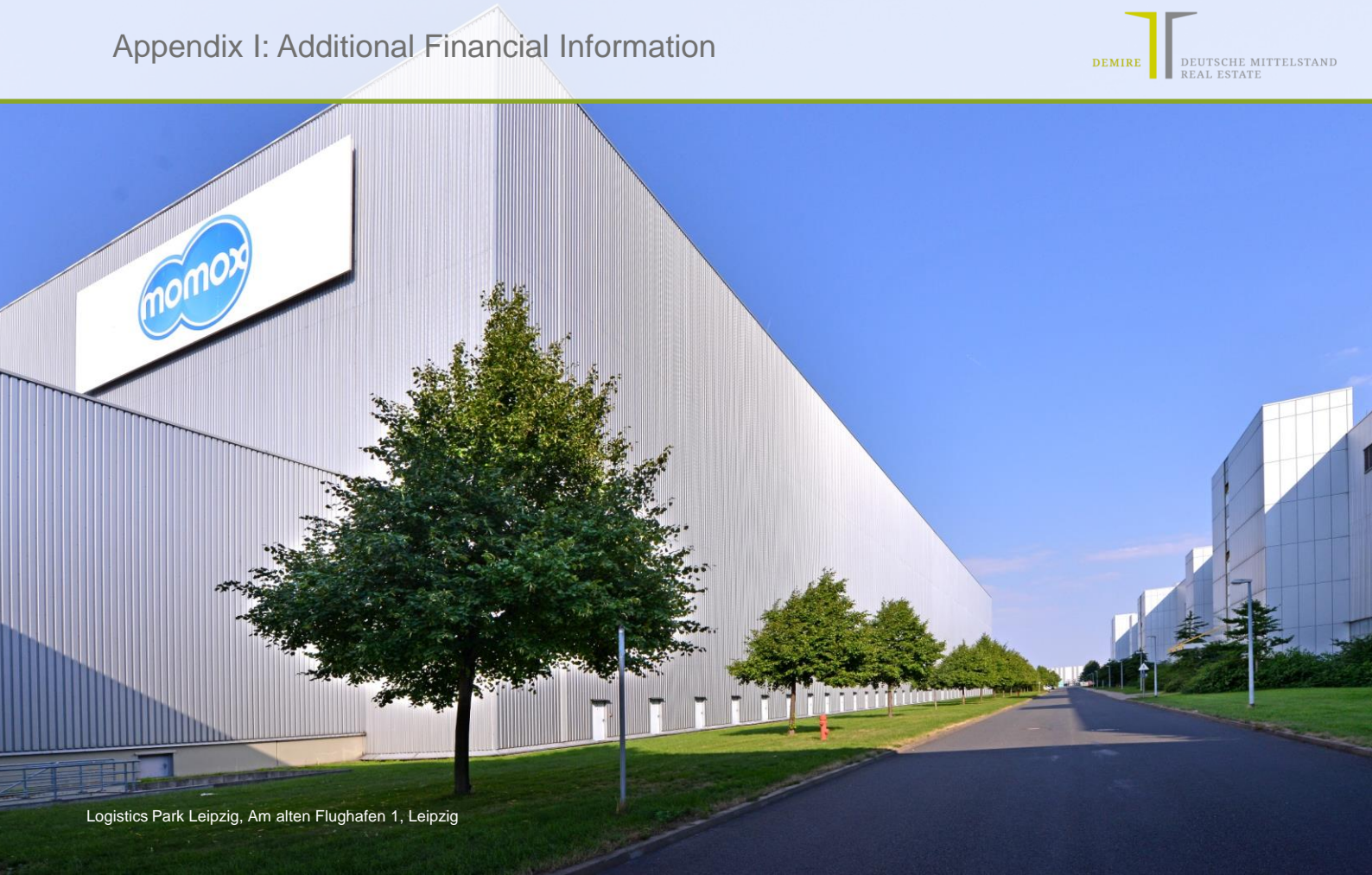
Share information⁽²⁾

Symbol / Ticker	DMRE
Share price (XETRA)	€ 4.30
Market Segment	Prime Standard
ISIN	DE000A0XFSF0
Market cap	€ 466m
Free Float ⁽¹⁾	13.0%
Shares outstanding	107.598.431

(1) Holdings <3%

(2) As of 14 November 2018

Appendix I: Additional Financial Information



Logistics Park Leipzig, Am alten Flughafen 1, Leipzig

Income Statement

Income Statement (€m)	9M 2017	9M 2018
Rental income	55.9	1 55.1
Income from utility and service charges	12.6	12.0
Operating expenses to generate rental income	(26.5)	(24.5)
Profit/loss from the rental of real estate	42.0	42.6
Profit/loss from the sale of real estate companies	0.0	0.0
Profit/loss from the sale of real estate	(0.6)	0.0
Profit/loss from investments accounted for using the equity method	0.1	0.2
Profit/loss from fair value adjustments in investment properties	26.3	2 70.1
Other operating income and other effects	2.4	0.6
General and administrative expenses	(11.0)	3 (12.3)
Other operating expenses	(5.5)	(5.6)
Earnings before interest and taxes (EBIT)	53.7	95.6
Financial result	(42.1)	4 (29.3)
Profit/loss before taxes (EBT)	11.6	66.3
Deferred taxes	(2.0)	(17.7)
Current income taxes	(1.0)	(0.5)
Net profit/loss for the period	8.6	48.1
Of which attributable to:		
Non-controlling interests	3.6	5.8
Parent company shareholders	4.9	42.3

Comments

- 1** Rental income, due to solid operative performance and new lettings, only slightly decreased compared to previous year's level, despite effective sales
- 2** Valuation gains according to H1 2018 appraisal
- 3** General administrative costs in 9M negatively impacted by non-FFO relevant one-off costs amounting to approx. € 4m (mainly legal/advisory fees)
- 4** Financial result includes profit shares of minority interest amounting to € 9.6m, thereof € 6.5m accounting for valuation results. Last year's period includes interest gain of € 6m from call option revaluation for Bond 14/19

Balance Sheet

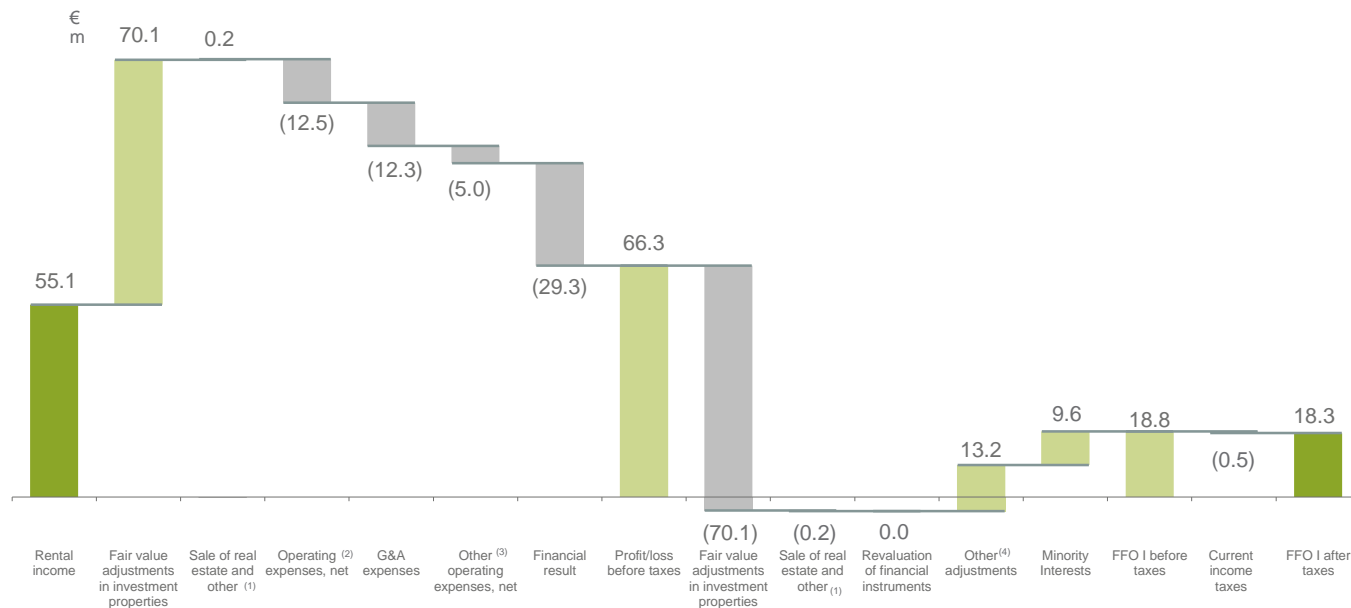
Balance Sheet (€m)	Dec 31, 2017	Sep 30, 2018
ASSETS		
Investment properties	1,022	1,092
Properties held for sale	12	13
Other assets	39	38
Cash and cash equivalents	74	89
Total assets	1,147	1,232 ¹
EQUITY AND LIABILITIES		
Subscribed capital	54	73
Reserves	231	295
Equity attributable to parent company shareholders	285	368
Non-controlling interests	34	37
Total equity	319	405 ²
Minority interests	72	78
Non-current financial debt	666	608
Current financial debt	29	62
Other liabilities	61	79
Total liabilities	828	827
Total equity and liabilities	1,147	1,232 ³

Comments

- 1 Increase of total assets driven by higher market value of investment properties and higher cash (settlement of the 10% capital increase in April 2018)
- 2 Significant increase of equity primarily driven by positive period result, 10% capital increase, conversion of convertible bonds and first time application of IFRS 9
- 3 € 24.5m reduction of financial debt relates to conversion of convertible bonds in equity and adjustment of the „Schuldscheindarlehen“ amounting to € 7.0m (first time application of IFRS 9)

Funds From Operations (FFO) Reconciliation – 9M 2018

9M 2018



(1) Other includes (i) Profit/loss from the sale of real estate of € (0.03)m and (ii) Profit/loss from investments accounted for using the equity method of € 0.16m

(2) Includes income from utility and service changes of € 12.0m and operating expenses to generate rental income of € (24.5)m

(3) Includes impairment of receivables of € (2.4)m (including write-down of € 1m receivable on sale of Ukrainian asset in 2016), other operating income of € 3.6m and other operating expenses of € (5.6)m

(4) Other adjustments relate to, among others, one-time refinancing and write-down costs of € 7.9m, one-time legal and transaction costs of € 4.4m, one-time administrative costs of € 0.9m and net other operating expenses/income relating to prior periods of € (0.02)m in the half year ended September 30, 2018

Appendix II: Additional Portfolio Information



Office Building, DEMIRE Headquarters, Robert-Bosch-Str. 11, Langen

Overview of the Real Estate Portfolio by Region

Property Locations

Status as at: 30/06/2018	Properties	Book value	Total rental space	EPRA Vacancy rate				
	Number	(€m)	(m ²)	thereof office (m ²)	thereof retail (m ²)	thereof logistics (m ²)	thereof others (m ²)	(%)
Baden-Wuerttemberg	4	137.1	85,078	85,078	0,000	0,000	0,000	0.6%
Bavaria	7	105.7	95,866	95,866	0,000	0,000	0,000	10.7%
Berlin	1	8.0	7,154	0,000	7,154	0,000	0,000	19.0%
Brandenburg	4	50.4	52,556	22,038	30,519	0,000	0,000	14.1%
Bremen	10	42.5	34,560	34,560	0,000	0,000	0,000	26.7%
Hamburg	1	9.0	3,989	0,000	3,989	0,000	0,000	0.0%
Hesse	6	132.2	71,215	43,182	21,495	0,000	5,538	7.8%
Mecklenburg- Western Pomerania	6	114.6	58,043	38,736	19,307	0,000	0,000	6.4%
Lower Saxony	4	15.1	20,106	5,288	14,818	0,000	0,000	1.2%
North Rhine-Westphalia	14	208.2	127,723	96,567	10,576	0,000	20,580	4.9%
Rhineland Palatinate	3	11.6	12,528	12,528	0,000	0,000	0,000	3.2%
Saxony	11	162.7	294,236	51,537	20,845	207,439	14,416	11.1%
Saxony-Anhalt	3	35.7	25,316	0,000	25,316	0,000	0,000	2.8%
Schleswig-Holstein	10	70.8	63,819	63,819	0,000	0,000	0,000	1.3%
Thuringa	1	1.8	5,505	0,000	5,505	0,000	0,000	0.0%
Germany	85	1,105.2	956,695	549,199	159,523	207,439	40,534	7.7%⁽¹⁾

(1) As of 30 September 2018, excluding properties sold (signed but not closed); calculation as defined by EPRA BPR standards

Overview of Top 20 Assets

Top 20 Properties (as of 30/09/2018)

City	Asset Class	Cluster		GAV (€ m)	Share (%)	Space (¹ 000 sqm)	EPRA Vacancy (%) ⁽¹⁾	GAV/sqm (€)	GRI p.a. ⁽²⁾ (€ m)	GRI Yield (%)	WALT (Years)
1	Bonn	Office	Core+	87.9	8.0%	38,353	-	2,292	5.6	6.4%	6.4
2	Ulm	Office	Core+	77.6	7.0%	47,527	0.8%	1,633	4.3	5.6%	6.1
3	Rostock	Retail	Core+	68.9	6.2%	19,307	3.0%	3,569	4.3	6.2%	4.0
4	Leipzig	Logistic	Value-Add	64.5	5.8%	207,439 ⁽³⁾	17.0%	311	4.5	6.9%	1.7
5	Kassel	Retail	Core+	59.0	5.3%	21,495	5.9%	2,745	3.5	5.9%	7.4
6	Freiburg	Office	Redevelopment	39.4	3.6%	22,674	-	1,738	2.7	7.0%	2.4
7	Regensburg	Office	Value-Add	34.8	3.1%	29,219	-	1,191	2.6	7.4%	2.4
8	Düsseldorf	Office	Value-Add	34.2	3.1%	24,307	23.0%	1,407	2.0	5.9%	3.9
9	Eschborn	Office	Core+	33.3	3.0%	18,774	-	1,771	2.0	6.1%	6.3
10	Leipzig	Office	Value-Add	31.7	2.9%	23,220	4.8%	1,365	1.8	5.6%	3.2
Top 10 Properties				531.3	48.1%	452,315	5.7%	1,175	33.4	6.3%	4.6
11	Eisenhüttenstadt	Retail	Value-Add	28.5	2.6%	30,519	21.2%	934	2.3	8.2%	5.6
12	Lutherstadt Wittenberg	Retail	Core+	23.0	2.1%	14,710	4.5%	1,564	1.7	7.3%	5.1
13	Unterschleißheim	Office	Value-Add	22.0	2.0%	15,663	31.7%	1,405	1.0	4.7%	2.8
14	Flensburg	Office	Value-Add	21.4	1.9%	23,800	-	899	1.7	8.0%	2.4
15	Zittau	Retail	Value-Add	21.2	1.9%	17,421	4.3%	1,217	1.3	6.2%	10.7
16	Köln	Office	Core+	17.5	1.6%	9,108	-	1,921	1.0	5.6%	2.8
17	Quickborn	Office	Core+	17.0	1.5%	10,570	0.5%	1,608	1.2	7.2%	3.6
18	Neumünster	Office	Value-Add	16.9	1.5%	11,808	1.5%	1,431	1.0	6.2%	7.2
19	Langen	Office	Value-Add	16.6	1.5%	13,681	28.4%	1,213	1.0	6.3%	3.2
20	Stahnsdorf	Office	Value-Add	16.3	1.5%	17,110	-	953	1.9	11.8%	2.4
Top 20 Properties				731.7	66.2%	616,706	7.5%	1,186	47.7	6.5%	4.6
Other Properties				373.5	33.8%	339,989	8.0%	1,099	25.3	6.8%	4.6
Total Properties				1,105.2	100.0%	956,695	7.7%	1,155	72.9	6.6%	4.6

(1) As of 30 September 2018, excluding properties sold (signed but not closed), calculation as defined by EPRA BPR standards

2) Annualised contractual rent excl. service charges
3) including other external spaces of 31,743 sqm