DEMIRE Deutsche Mittelstand Real Estate AG

Conference Call – Results Q1 2019

15 May 2019



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Agenda



Highlights

Results Q1 2019

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Highlights Results Q1 2019

FFO I significantly increased at very stable Business Metrics, 2019 Guidance confirmed

FFO & EPRA-NAV	 » FFO I (after taxes, before minorities) significantly increased to € 8.9m (Q1 2018: € 5.2m) » EPRA-NAV per share up at € 5.56 (diluted, +1.1% vs. 31 December 2018)
PORTFOLIO	 Stable rental income of € 18.2m (Q1 2018: € 18.3m) Solid letting performance: letting activities of c. 22,100 sqm, with average WALT of 5.1 years, WALT across portfolio at 4.3 years Like-for-like rental growth of 1.5% vs. Q1 2018, EPRA-Vacancy rate slightly up by 80 bps to 8.3% Due to stable market yields, no external valuation conducted in Q1 2019, hence no valuation effect in earnings figures Profit from rental up 30% to EUR 17.1m due to meaningful operational improvements
FINANCING	 Capital Increase in November 2018 with gross proceeds of c. € 150m earmarked for further portfolio growth Net-LTV still comfortably low at 38.6% (31 December 2018: 38.7%) Average cost of debt remain stable at 3.0% p.a.⁽¹⁾
GUIDANCE	 » 2019 Guidance confirmed after a good start into the year: » Rental income EUR 77-79m on current portfolio and announced acquisition » FFO I (after taxes, before minorities) EUR 27-29m

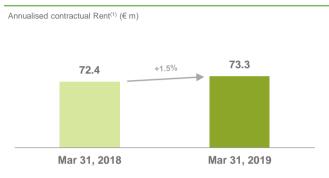
Portfolio Update



Leasing Performance Q1 2019

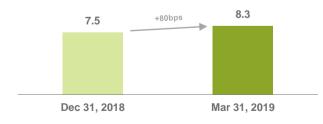
Like-for-like Rental Growth despite slightly higher Vacancy

Like-for-like Rental Growth



Vacancy slightly higher

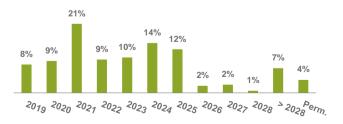
EPRA-Vacancy (in %)



- » Compared to 31 March 2018, like-for-like rental growth of 1.5%, primarily driven by indexations, step up rents and extended and new leases
- » EPRA-Vacancy rate up by 80 bps to 8.3%, mainly due to matured lease contracts at year end
- » Higher EPRA-Vacancy after closing of the recently acquired office portfolio expected

Low Level of upcoming Lease Maturities

Lease Expiry Schedule⁽²⁾



(1) Excluding service charges

(2) Over term of leases signed



Portfolio Breakdown

Unchanged Metrics since end of 2018

Development of Investment Properties €m 1.139.9 0.9 1.140.8 12.3 1.153.1 Capex⁽¹⁾ **IFRS** Investment **IFRS** Investment Assets held Book Value of Portfolio properties properties for sale 31 Dec 18 31 Mar 19 31 Mar 19

All three Clusters generate attractive Rental Yields

	No. of proper- ties	GAV (€m)	GRI p.a. (€ m) ⁽²⁾	GRI p.a. (€/m²/ p.m.) ⁽²⁾	GRI Yield (%)	EPRA- Vacancy (%)	WALT (Years)
Core+	38	618.3	39.9	9.3	6.5	2.3	5.4
Value added	40	458.8	30.4	5.7	5.7	15.5	3.1
Redevelopment	6	54.2	3.0	8.0	8.0	0.6	1.9
Total (Q1 2019)	84	1,131.3 ⁽³⁾	73.3	7.3	6.5	8.3	4.3
Total (Q1 2018)	86	1,066.3	72.4	7.0	6.8	8.6	4.8
Change	(2 units)	6.1%	1.5%	4.3%	(30 bp)	(30 bp)	(0.5)

- » Due to stable market yields, no valuation conducted in Q1 2019, hence investment properties unchanged compared to 31 December 2018
- » Average asset value at € 13.5m (Q1 2018: € 12.4m)
- » Assets held for sale: no material changes during reporting period
- » Solid GRI-Yield of 6.5% across the portfolio

Attractive Yield and WALT across Asset Classes

	No. of proper- ties	GAV (€ m)	GRI p.a. (€ m) ⁽²⁾	GRI p.a. (€/m²/ p.m.) ⁽²⁾	GRI Yield (%)	EPRA- Vacancy (%)	WALT (Years)
Office	e 61 765.8		49.7	8.2	6.5	7.8	3.9
Retail	etail 16		17.4	10.4	6.6	8.1	5.9
Logistics	1	65.6	4.2	2.3	6.5	16.0	1.4
Other	6	36.4	2.0	4.4	5.6	0.2	5.4
Total (Q1 2019)	84	1,131.3 ⁽³⁾	73.3	7.3	6.5	8.3	4.3
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(1) Capitalisation of investments

(2) Annualised contractual rent excluding service charges

(3) € 1,140.8 investment properties, less € 21.9m down-payment for acquisitions, plus € 12.3m assets held for sale

Update on

recent Acquisition



Update on recent Acquisition: attractive Office Portfolio

Four Office Buildings in lucrative Locations - Closed 30 April 2019



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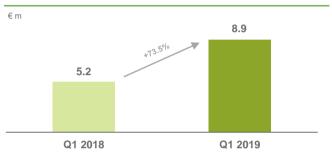




Selected P&L Positions

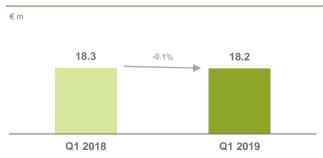
Significant Improvement of FFO I

Funds from Operations I⁽¹⁾

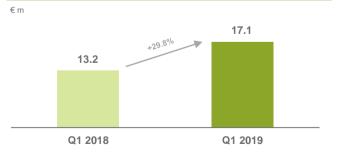


- » FFO I significantly improved due to operational performance, lower administrative expenses and slightly lower interest expenses
- » Rental income stable at € 18.2m
- » Profit from rental up 30% to EUR 17.1m due to improvement in utility and service management
- » No material changes y-o-y in financial expenses
- » Average costs of debt unchanged at 3.0%⁽²⁾
- » Profit for the period down 68.1% to EUR 6.6m, due to no external valuation; Q1 2018 profit without valuation effect EUR -1.6m

Rental Income



Profit from the Rental of Real Estate



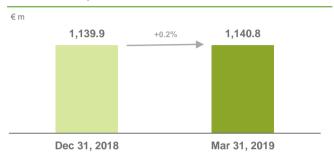
(2) Based on nominal interest rate



Selected Balance Sheet Positions

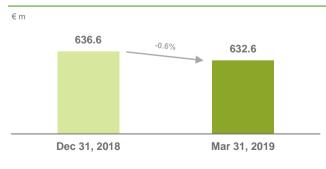
EPRA-NAV per Share up 1.1% since year end 2018

Investment Properties



- Marginal increase in investment property value due to capitalisation of capex and no revaluation in Q1 2019
 Financial debt stable given no financing activities in Q1 2019
 Net-LTV stable at 38,6%
 EPRA-NAV per share (diluted & undiluted) increased by 6 cent per
- » EPRA-NAV per share (diluted & undiluted) increased by 6 cent per share or 1.1% to EUR 5.56 and EUR 5.58 respectively

Financial Debt



EPRA-NAV per Share diluted/undiluted







Summary & Outlook

Well on Track for a successful 2019



Further support of FFO improvement

on basis of current portfolio and

announced acquisition

Capitalisation of capex

measures - when possible

Strong deal-pipeline

ahead, deploying current

solid cash position



Contact Details & Financial Calendar 2019



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Financial Calender 2019

29 May	Annual General Meeting
14 August	Half Year Results 2019
14 November	Interim Results Q3 2019

Share Information⁽¹⁾

Symbol / Ticker	DMRE
Share Price (XETRA)	€ 4.95
Market Segment	Prime Standard
ISIN	DE000A0XFSF0
Market Capitalisation	€ 533.5m
Free Float ⁽²⁾	11.43%
Shares Outstanding	107,777,324

Appendix I

Additional Financial Information

P&L Q1 2019

Operational Performance improved

P&L (in € k)	Q1 2019	Q1 2018
Rental income	18,239	18,256
Income from utility and service charges	7,217	5,742
Other operating expenses to generate rental income	-8,375	-10,843
Income from the rental of real estate	1 17,081	13,155
Profit/loss from the sale of real estate companies	-71	-2
Profit/loss form fair value adjustments in investment properties	2 0	32,078
Other operating income and other effects	-12	1,233
General and administrative expenses	3 -2,931	-3,137
Other operating expenses	-492	-1,191
Earnings before interest and taxes (EBIT)	13,575	42,190
Financial income	262	59
Financial expenses	-5,861	-6,047
Minorities	4 -849	-5,723
Earnings before taxes (EBT)	7,126	30,479
Current income taxes	-42	-151
Deferred taxes	-441	-9,502
Net profit/loss for the period	6,643	20,826
Of which attributable to		
Non-controlling shareholder	816	2,654
Parent company shareholder	5,828	18,173

 Rental income stable despite asset sales, income from utilities improved by consequent and prompt clearing

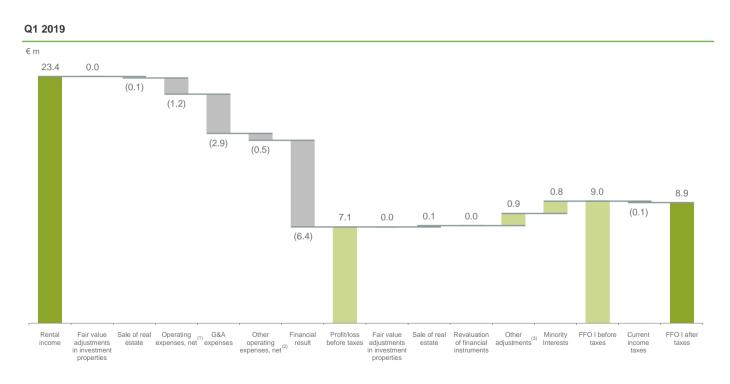
- » Maintenance down due to higher capitalisation and operational savings
- Overall increase in rental income, partly by deferral of costs
- 2 No valuation of investment properties conducted in Q1 2019
- 3 G&A expenses improved, driven mainly by lower advisory and consultancy fees
- Minorities at FVR Funds decreased, as no valuation of assets conducted in Q1 2019
- » FFO (after tax, before minorities) in Q1 2019 up to EUR 8,9m (Q1 2018: EUR 5,2m)

Balance Sheet

Solid, with a slight Increase since end of 2018

Balance Sheet (in € k)	31.03.2019	31.12.2018	
ASSETS			
Investment properties	1,140,785	1,139,869	
Properties held for sale	12,262	12,262	
Other assets	2 40,954	36,119	 Increase in investment properties driven by
Cash and cash equivalents	187,231	190,442	capitalization
Total assets	1,381,232	1,378,692	2 Increase mainly driven by
EQUITY AND LIABILITIES			accrual of property tax according to IFRS
Subscribed capital	107,777	107,777	3 Increase driven by Q1
Reserves	3 435,967	430,136	2019 result
Equity attributable to parent company shareholder's	543,745	537,913	4 Change in financial debt
Non-controlling interests	45,241	44,425	due to a reclassification of a FVR loan to short term
Total Equity	588,985	582,338	debt
Minority interest	73,909	73,085	» EPRA-NAV per Share
Non-current financial debt	4 578,129	606,404	(diluted) up by 6 Cents to EUR 5,56 from end of 2018
Current financial debt	4 54,490	30,168	
Other liabilities	85,719	86,697	
Total liabilities	792,247	796,354	
Total Equity and liabilities	1,381,232	1,378,692	

Funds From Operations (FFO) Reconciliation - Q1 2019



(1) Includes income from utility and service charges of € 7.2m and operating expenses to generate rental income of € (8.4)m

(2) Includes impairment of receivables of \in (0.1)m, other operating income of \in 0.1m and other operating expenses of \in (0.5)m

(3) Other adjustments relate to effective interest rate payments of € 0.9m

Financial Profile

Unchanged strong Capital Structure

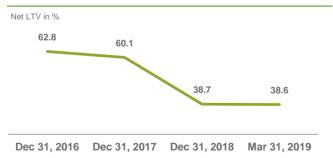
Financing KPIs as of 31 March 2019

Gross debt	€ 632.6m
Net LTV	38.6%
Average cost of debt	3.0% ⁽¹⁾
Interest rate fixed	94.0%
Unencumbered asset ratio	46.7% ⁽²⁾

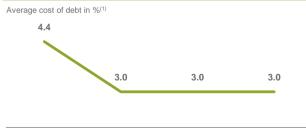
Financing Structure as of 31 March 2019

Tranche	IFRS-Amount (€ m)	Margin / Coupon
Cash and Cash Equivalents	(187.2)	
Senior Unsecured Notes	361.6	2.875%
Bank Loans	22.9	2.450% - 3.250%
Promissory Notes	135.4	4.000%
Total Fair Value REIT AG-Debt	111.1	2.1572%
Other ⁽³⁾	1.6	
Net Financial Debt	445.4	

Strong Track Record in Leverage Reduction



Successfully reduced Cost of Debt



Dec 31, 2016 Dec 31, 2017 Dec 31, 2018 Mar 31, 2019

(3) Incl. accrued interest payable

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

Appendix II

Additional Portfolio Information

Overview of the Real Estate Portfolio by Region

Property Locations as of 31 March 2019

	Number of Properties	GAV (€ m)	Total rental space (sqm)	thereof office (sqm)	thereof retail (sqm)	thereof logistics (sqm)	thereof others (sqm)	EPRA- Vacancy (%)
Baden-Wuerttemberg	4	142.8	85,148	85,148	0,000	0,000	0,000	1.8%
Bavaria	7	109.8	95,232	95,232	0,000	0,000	0,000	13.3%
Berlin	1	8.8	7,129	0,000	7,129	0,000	0,000	19.0%
Brandenburg	4	51.5	51,207	22,038	29,169	0,000	0,000	20.1%
Bremen	10	44.1	34,560	34,560	0,000	0,000	0,000	25.0%
Hamburg	1	9.3	3,989	0,000	3,989	0,000	0,000	0.0%
Hesse	6	132.1	70,343	43,297	21,508	0,000	5,538	7.7%
Mecklenburg- Western Pomerania	6	119.1	58,042	38,736	19,306	0,000	0,000	5.3%
Lower Saxony	4	15.7	21,753	5,288	16,466	0,000	0,000	2.7%
North Rhine-Westphalia	14	211.9	127,735	96,579	10,576	0,000	20,580	5.1%
Rhineland Palatinate	3	12.1	12,528	12,528	0,000	0,000	0,000	3.4%
Saxony	11	165.3	264,945	51,402	20,845	178,283 ⁽¹⁾	14,116	10.5%
Saxony-Anhalt	3	36.4	25,316	0,000	25,316	0,000	0,000	3.0%
Schleswig-Holstein	9	70.7	63,032	63,032	0,000	0,000	0,000	2.2%
Thuringa	1	1.8	5,505	0,000	5,505	0,000	0,000	0.0%
Germany	84	1,131.3	926,465	547,841	159,808	178,283	40,534	8.3%

Overview of Top 20 Assets

Top 20 Properties as of 31 March 2019

	City	Asset Class	Cluster	GAV (€ m)	Share (%)	Total rental space ('000 sqm)	EPRA- Vacancy (%)	GAV/sqm (€)	GRI p.a. ⁽¹⁾ (€ m)	GRI Yield (%)	WALT (Years)
1	Bonn	Office	Core+	89.7	7.9%	38,353	-	2,339	5.7	6.4%	5.9
2	Ulm	Office	Core+	80.3	7.1%	47,527	1.7%	1,690	4.3	5.4%	5.6
3	Rostock	Retail	Core+	70.6	6.2%	19,306	3.0%	3,657	4.4	6.2%	3.7
4	Leipzig	Logistic	Value-Add	65.6	5.8%	178,283 ⁽²⁾	16.0%	368	4.2	6.5%	1.4
5	Kassel	Retail	Core+	61.1	5.4%	21,508	4.3%	2,841	3.5	5.7%	7.3
6	Freiburg	Office	Redevelopment	41.3	3.7%	22,674	-	1,821	2.8	6.7%	1.9
7	Regensburg	Office	Value-Add	36.7	3.2%	29,219	-	1,256	2.6	7.1%	1.9
8	Düsseldorf	Office	Value-Add	34.4	3.0%	24,307	23.0%	1,415	2.0	5.8%	4.0
9	Leipzig	Office	Value-Add	32.7	2.9%	23,260	5.3%	1,406	1.8	5.5%	3.3
10	Eschborn	Office	Core+	31.0	2.7%	18,889	-	1,641	2.0	6.5%	5.8
	Top 10 Properties			543.4	48.0%	423,326	5.4%	1,284	33.5	6.2%	4.2
11	Eisenhüttenstadt	Retail	Value-Add	28.5	2.5%	29,169	29.8%	977	2.1	7.4%	6.3
12	Lutherstadt Wittenberg	Retail	Core+	23.7	2.1%	14,710	4.9%	1,611	1.7	7.1%	5.0
13	Unterschleißheim	Office	Value-Add	23.3	2.1%	15,663	38.9%	1,488	0.9	4.1%	3.1
14	Flensburg	Office	Value-Add	21.4	1.9%	23,800	-	899	1.7	8.1%	1.9
15	Zittau	Retail	Core+	21.3	1.9%	17,421	4.3%	1,223	1.3	6.3%	10.5
16	Köln	Office	Core+	17.6	1.6%	9,108	-	1,932	1.0	5.6%	0.8
17	Quickborn	Office	Core+	17.3	1.5%	10,570	0.5%	1,637	1.2	7.1%	3.1
28	Stahnsdorf	Office	Value-Add	17.3	1.5%	17,110	-	1,011	2.0	11.3%	1.9
19	Neumünster	Office	Value-Add	16.9	1.5%	11,808	1.5%	1,431	1.1	6.3%	6.7
20	Langen	Office	Value-Add	16.5	1.5%	13,681	31.5%	1,206	1.0	6.1%	2.9
	Top 20 Properties			747.2	66.0%	586.4	8.2%	1,274	47.5	6.4%	4.3
	Other Properties			383.7	34.0%	340.1	8.5%	1,127	25.8	6.7%	4.3
	Total Properties			1,131.3	100.0%	926.5	8.3%	1,220	73.3	6.5%	4.3

(2) Including other external spaces of 31,743 sqm