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DEMIRE Deutsche Mittelstand Real Estate AG

Conference Call – Results Q1 2019

15 May 2019



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Agenda



Highlights Results Q1 2019

Portfolio Update

Update on recent Acquisition

Financials

Outlook

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Highlights

Results Q1 2019

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**

(1) Based on nominal interest

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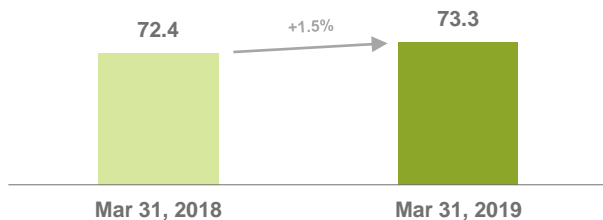
Portfolio Update

Leasing Performance Q1 2019

Like-for-like Rental Growth despite slightly higher Vacancy

Like-for-like Rental Growth

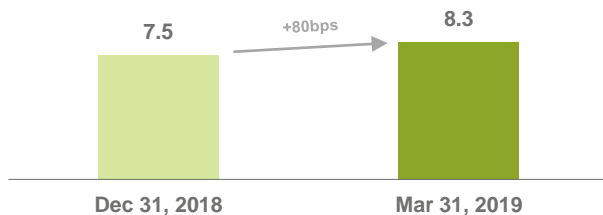
Annualised contractual Rent⁽¹⁾ (€ m)



- » 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

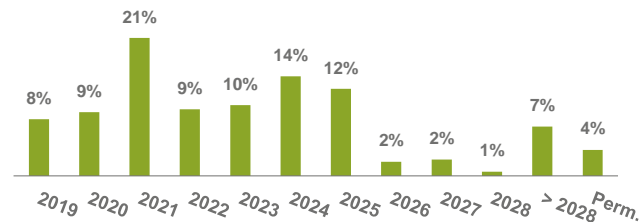
Vacancy slightly higher

EPRA-Vacancy (in %)



Low Level of upcoming Lease Maturities

Lease Expiry Schedule⁽²⁾

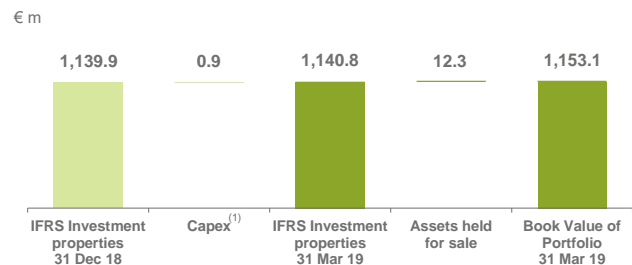


(1) Excluding service charges
 (2) Over term of leases signed

Portfolio Breakdown

Unchanged Metrics since end of 2018

Development of Investment Properties



- » 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

All three Clusters generate attractive Rental Yields

| | No. of properties | GAV (€ m) | GRI p.a. (€ m) ⁽²⁾ | GRI p.a. (€/m ² /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 | <i>(2 units)</i> | <i>6.1%</i> | <i>1.5%</i> | <i>4.3%</i> | <i>(30 bp)</i> | <i>(30 bp)</i> | <i>(0.5)</i> |

Attractive Yield and WALT across Asset Classes

| | No. of properties | GAV (€ m) | GRI p.a. (€ m) ⁽²⁾ | GRI p.a. (€/m ² /p.m.) ⁽²⁾ | GRI Yield (%) | EPRA-Vacancy (%) | WALT (Years) |
|------------------------|-------------------|------------------------------|-------------------------------|--|----------------|------------------|--------------|
| Office | 61 | 765.8 | 49.7 | 8.2 | 6.5 | 7.8 | 3.9 |
| Retail | 16 | 263.5 | 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 |
| Total (Q1 2018) | 86 | 1,066.3 | 72.4 | 7.0 | 6.8 | 8.6 | 4.8 |
| Change | <i>(2 units)</i> | <i>6.1%</i> | <i>1.5%</i> | <i>4.3%</i> | <i>(30 bp)</i> | <i>(30 bp)</i> | <i>(0.5)</i> |

(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

The background features a pattern of diagonal stripes in various shades of green and yellow. A white, document-like shape with a folded corner is positioned on the left side of the image.

**Update on
recent Acquisition**

Update on recent Acquisition: attractive Office Portfolio

Four Office Buildings in Lucrative Locations – Closed 30 April 2019



Total investment
volume of € 167m

Closed
30 April 2019



Already seven new lease agreements signed with a combined letting volume of 4,000 sqm, which decreases the portfolio vacancy rate by 4.5% to 23.8%

Attractive indicative financing terms,
well below current average cost of debt



Initial rental
income:
c. € 8m

Initial FFO
contribution:
c. € 3m





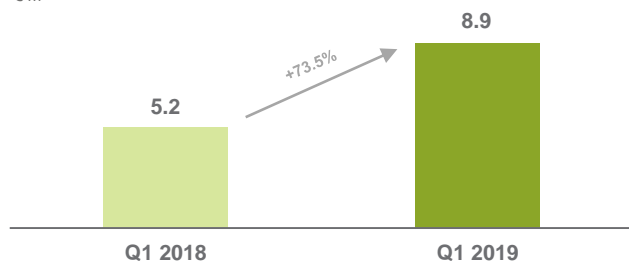
Financials

Selected P&L Positions

Significant Improvement of FFO I

Funds from Operations I⁽¹⁾

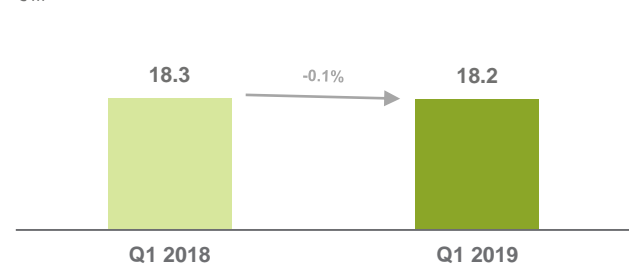
€ m



- » **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

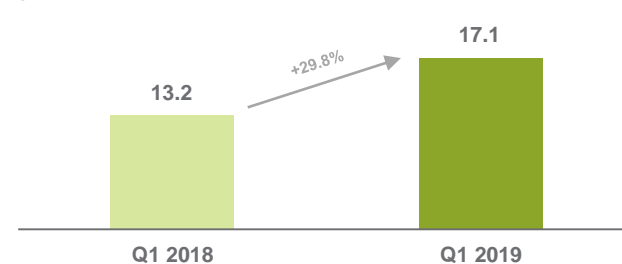
Rental Income

€ m



Profit from the Rental of Real Estate

€ m



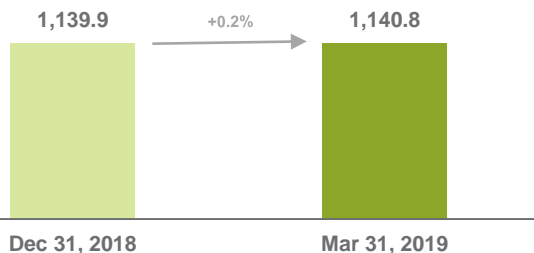
(1) After taxes, before minorities
 (2) Based on nominal interest rate

Selected Balance Sheet Positions

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

Investment Properties

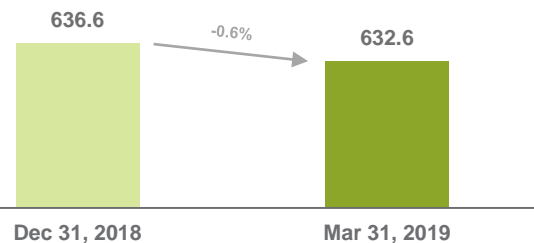
€ m



- » 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 share or 1.1% to EUR 5.56 and EUR 5.58 respectively

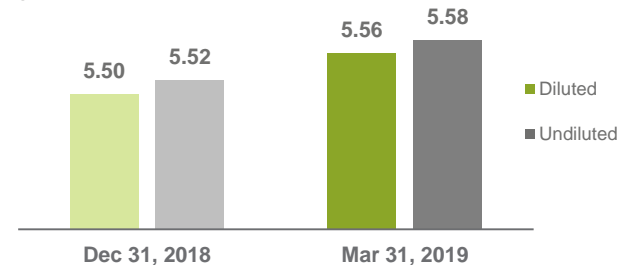
Financial Debt

€ m



EPRA-NAV per Share diluted/undiluted

€



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Outlook

Summary & Outlook

Well on Track for a successful 2019



(1) After taxes, before minorities

Contact Details & Financial Calendar 2019



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Financial Calendar 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 |

(1) As of 14 May 2019

(2) Holdings < 3%

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 from 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 |

- 1 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
- 4 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

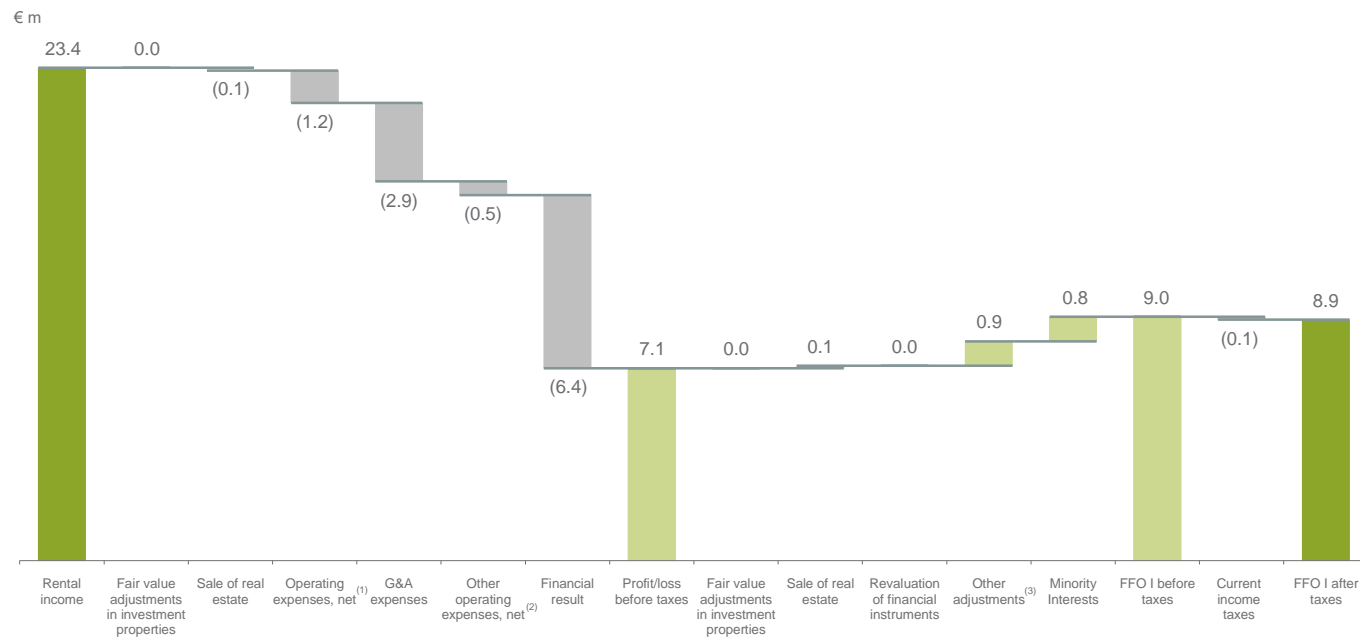
Solid, with a slight Increase since end of 2018

| Balance Sheet (in € k) | 31.03.2019 | 31.12.2018 |
|---|------------------|------------------|
| ASSETS | | |
| Investment properties | ① 1,140,785 | 1,139,869 |
| Properties held for sale | 12,262 | 12,262 |
| Other assets | ② 40,954 | 36,119 |
| Cash and cash equivalents | 187,231 | 190,442 |
| Total assets | 1,381,232 | 1,378,692 |
| EQUITY AND LIABILITIES | | |
| Subscribed capital | 107,777 | 107,777 |
| Reserves | ③ 435,967 | 430,136 |
| Equity attributable to parent company shareholder's | 543,745 | 537,913 |
| Non-controlling interests | 45,241 | 44,425 |
| Total Equity | 588,985 | 582,338 |
| Minority interest | 73,909 | 73,085 |
| Non-current financial debt | ④ 578,129 | 606,404 |
| 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 |

- ① Increase in investment properties driven by capitalization
 - ② Increase mainly driven by accrual of property tax according to IFRS
 - ③ Increase driven by Q1 2019 result
 - ④ Change in financial debt due to a reclassification of a FVR loan to short term debt
- » EPRA-NAV per Share (diluted) up by 6 Cents to EUR 5,56 from end of 2018

Funds From Operations (FFO) Reconciliation – Q1 2019

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 € (0.1)m, other operating income of € 0.1m and other operating expenses of € (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 | |

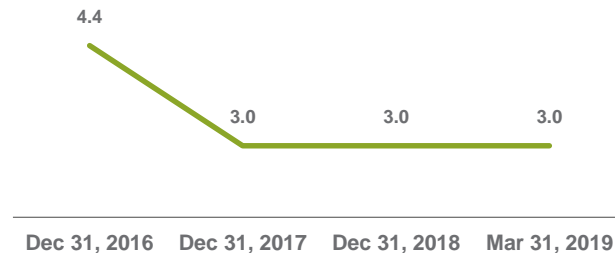
Strong Track Record in Leverage Reduction

Net LTV in %



Successfully reduced Cost of Debt

Average cost of debt in %⁽¹⁾



(1) Based on nominal interest
 (2) Calculated as share of unencumbered assets divided by total real estate assets
 (3) Incl. accrued interest payable



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% |

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

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 |

(1) Annualised contractual rent excl. service charges

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