

19

DEMIRE Deutsche Mittelstand Real Estate AG

Conference Call – Results 9M 2019

14 November 2019



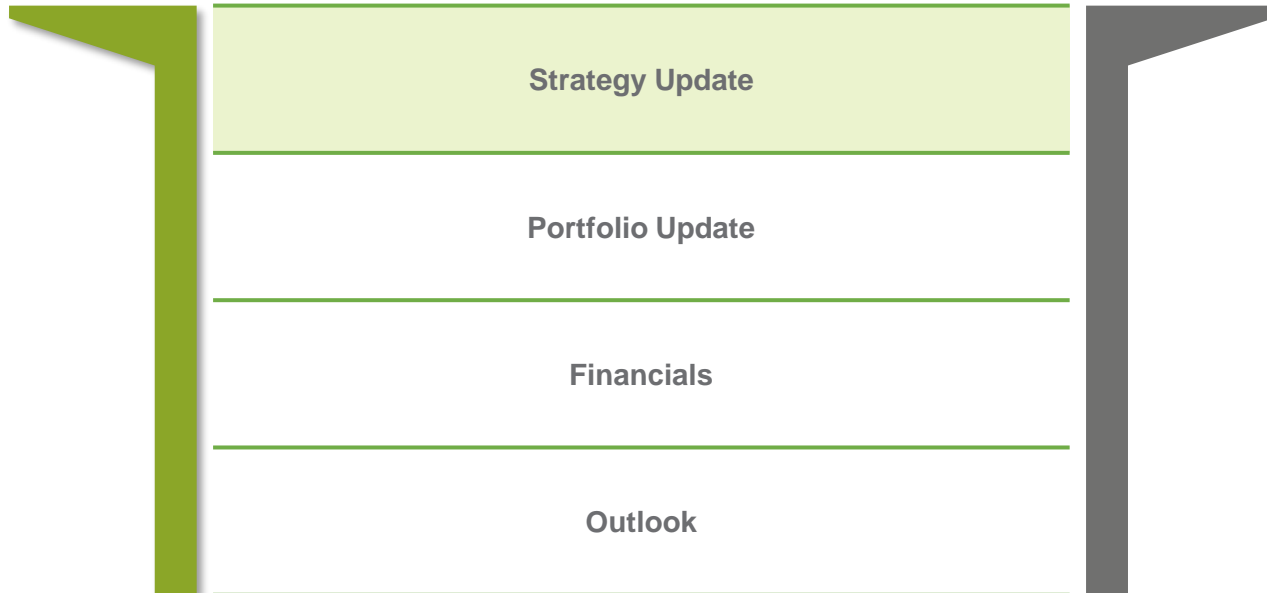
Disclaimer

This document is for informational purposes only. This document is not intended to form the basis of any investment decision and should not be considered as a recommendation by DEMIRE Deutsche Mittelstand Real Estate AG (the "Company") or any other person in relation to the Company. This document does not constitute an offer to sell, a solicitation of an offer of the sale or purchase of securities or an invitation to purchase or tender for the Company. Securities of the Company shall not be offered or sold, in any jurisdiction in which such an offer, solicitation or sale would be unlawful.

Certain information in this document is based on management estimates. Such estimates have been made in good faith and represent the current beliefs of management. Management believes that such estimates are founded on reasonable grounds. However, by their nature, estimates may not be correct or complete. Accordingly, no representation or warranty (express or implied) is given that such estimates are correct or complete.

This document includes 'forward-looking statements'. Forward-looking statements are all statements which do not describe facts of the past but contain the words "believe", "estimate", "expect", "anticipate", "assume", "plan", "intend", "could", and words of similar meaning. These forward-looking statements are subject to inherent risks and uncertainties since they relate to future events and are based on current assumptions and estimates of the Company, which might not occur at all or occur not as assumed. They therefore do not constitute a guarantee for the occurrence of future results or performances of the Company. The actual financial position and the actual results of the Company as well as the overall economic development and the regulatory environment may differ materially from the expectations which are assumed explicitly or implicitly in the forward-looking statements and do not comply to them. Therefore, investors are warned to base their investment decisions with respect to the Company on the forward-looking statements mentioned in this document.

Agenda



Strategy Update
Portfolio Update
Financials
Outlook

Strategy Update

Consequent Execution of DEMIRE's REALize Potential Agenda

REALize Potential Goals	FFO & NAV 9M 2019	Achievements in Detail 9M 2019
<p>1</p> <p>Acquisitions</p>	<p><u>FFO⁽¹⁾</u></p>	<ul style="list-style-type: none"> » € 0.3bn growth to overall € 1.4bn during the current year » Selective disposals with a premium to last valuation of c. 30%
<p>2</p> <p>Asset- Management</p>	<p>€ 24.5m</p> <p>9M 2018: € 18.3m +33.4%</p>	<ul style="list-style-type: none"> » Letting performance with c. 134,770 sqm » Increased rental income of € 60.1m (9M 2018: € 55.1m) » WALT across portfolio up to 4.7 years, EPRA-Vacancy at 10.9% » External portfolio valuation end of H1 2019 led to revaluation gains of c. € 29.1m » Profit from rental up 14.7% to € 48.9m as result of meaningful operational improvements and acquisitions
<p>3</p> <p>Financing</p>	<p><u>EPRA NAV⁽²⁾</u></p>	<ul style="list-style-type: none"> » After reporting date, new 5yrs-senior notes issued at highly attractive coupon of 1.875% and redemption of the bond 17/22
<p>4</p> <p>Processes</p>	<p>€ 5.87m</p> <p>31 Dec 2019: € 5.52 +6.7%</p>	<ul style="list-style-type: none"> » Refinancing activities will significantly lower average cost of debt to below 1,9%⁽³⁾ and extend maturity profile » Net-LTV at 48.5% (31 December 2018: 38.7%) approaching direction of target of 50% » Remaining proceeds from notes issuance and current cash amount to ca. EUR 150m firepower for acquisitions

(1) After taxes, before minorities

(2) Per share, diluted

(3) Based on nominal interest, after repayment of outstanding Schuldscheindarlehen

Strategy Update

Value-add office Building in Bad Vilbel exemplary for Execution of REALize-Potential Strategy



Konrad Adenauer Allee 1-11, Bad Vilbel

REALize Potential Measures

- » Transformation from a single tenant property to a multi tenant asset
- » Establishing a tenant related asset- and property management approach
- » Optimisation of the stacking plan
- » Starting with marketing initiatives

Achievements 2019

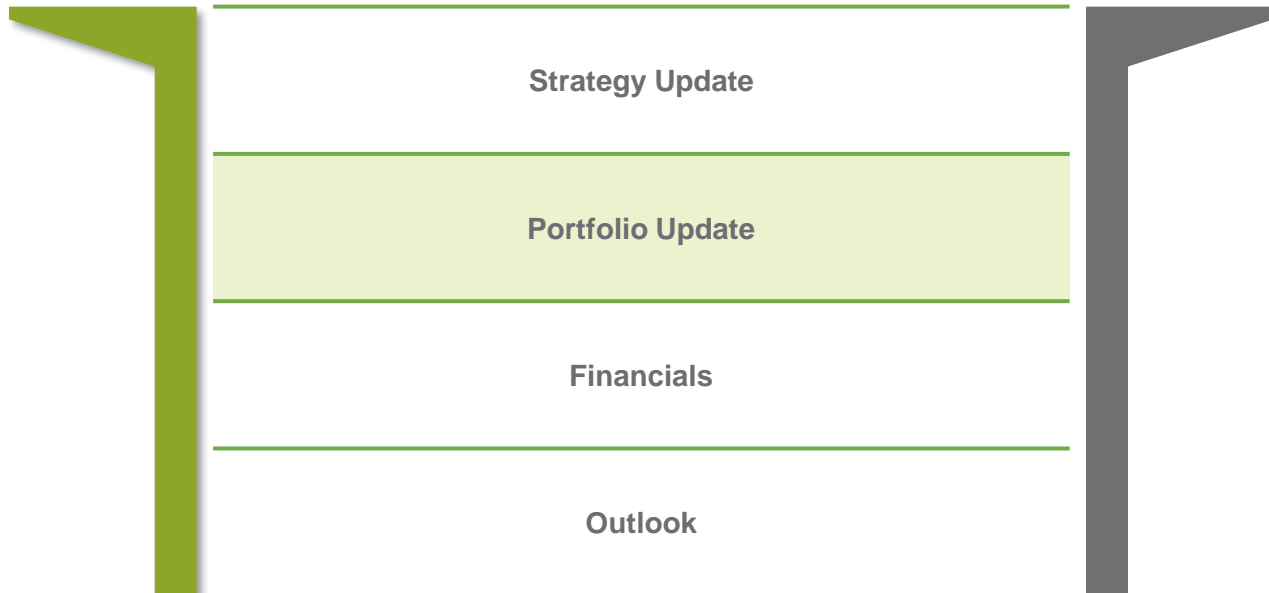
	Closing Date ⁽¹⁾	Today ⁽³⁾
Purchase Price / Market Value	€ 31.0m	€ 41.8m
Vacancy	69%	35%
GRI ⁽²⁾	€ 1.1m	€ 2.3m
WALT	4.6 years	7.1 years

(1) 1 May 2019

(2) Annualised

(3) As of 30 September 2019, pro-forma new letting to Federal State of Hesse

Agenda

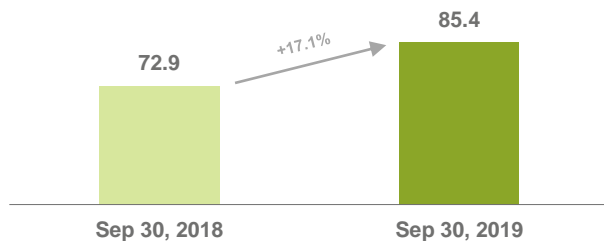


Leasing Performance 9M 2019

Rental Income boosted by Acquisitions

Strong Growth of Annualised Rent

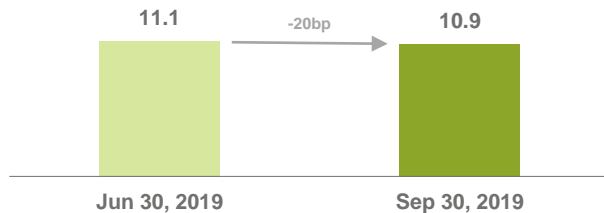
Annualised contractual Rent⁽¹⁾ (€ m)



- » Closing of the two portfolio acquisitions in 2019 and sale of two assets leads to **annualised rental income** amounting to € 85.4m
- » **EPRA-Vacancy rate** down by 20 bps to 10.9%, mainly due to the recent acquisition of the retail portfolio, partly offset by the sale of the fully leased office building in Stahnsdorf
- » Signed rental contracts lead way to further decrease of vacancy in near term

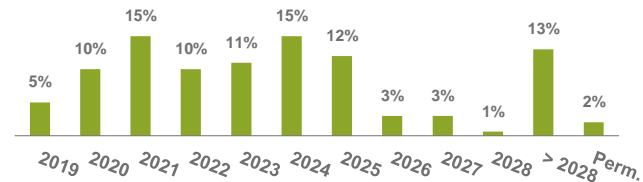
Vacancy tends downward

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

Portfolio KPI's with strong development, driven by Operational Improvements and Acquisitions

Attractive Yield and WALT across Asset Classes

	No. of properties	GAV (€ m)	GRI p.a. (€ m) ⁽¹⁾	GRI p.a. (€/p.m.) ⁽¹⁾	GRI Yield (%)	EPRA-Vacancy (%)	WALT (Years)
Office	63	937.0	56.4	8.6	6.0	12.0	3.7
Retail	21	350.6	22.8	9.1	6.5	6.5	7.4
Logistics	1	68.6	4.1	2.2	6.0	21.3	3.7
Other	6	38.1	2.0	4.4	5.3	0.2	5.2
Total (Q3 2019)	91	1,394.3	85.4	7.5	6.1	10.9	4.7
Total (Q3 2018)	85	1,105.2	72.9	7.2	6.6	7.7	4.6
<i>Change</i>	<i>6 units</i>	<i>26.2%</i>	<i>17.1%</i>	<i>4.2%</i>	<i>(50 bp)</i>	<i>320 bp</i>	<i>0.1</i>

» Compared to 31 Dec 2018, value of **investment properties** increased by 26.2% to € 1.4m – driven by acquisitions and revaluation gains

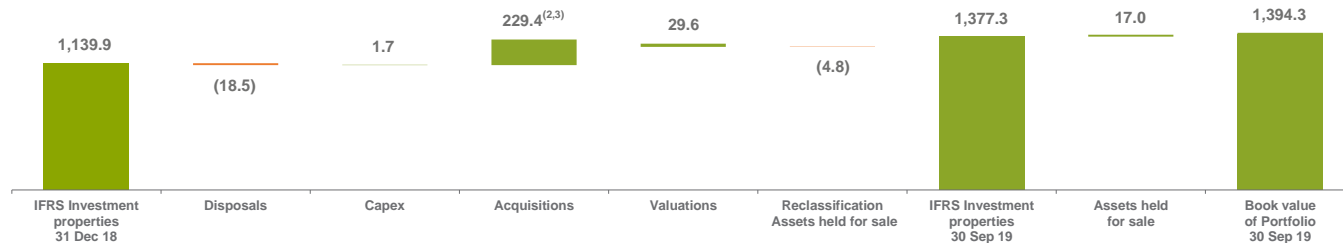
» **Average asset value up to € 15.3m** (Q3 2018: € 13.0m)

» **Assets held for sale:** two disposals closed in 9M 2019, further divestments of non-strategical assets to follow until year end

» Solid **GRI-Yield** of 6.1% across the portfolio

Development of Investment Properties

€ m



(1) Annualised contractual rent excl. service charges

(2) € 21.8m down payment for acquisitions included in IFRS Investment properties 31 Dec 18

(3) Incl. capitalisation of leaseholds amounting to € 14.6m (Celle and Offenburg)

Agenda



Strategy Update

Portfolio Update

Financials

Outlook

Refinancing of outstanding Bond 17/22

Successful Placement of € 600m Senior Notes @ 1.875% Coupon

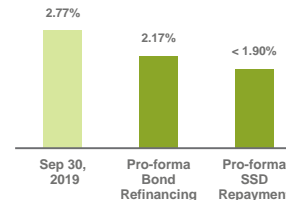
- » In October 2019, DEMIRE successfully placed an **unsecured, rated bond of € 600m** with a **coupon of 1.875%** and a **maturity of five years**
- » **Orderbook was well oversubscribed**, giving evidence to **high demand from institutional investors**
- » Utilisation of strong **market fundamentals and solid company performance** over the recent years led to a highly attractive **coupon of 1.875%**
- » Rating of the bond by S&P and Moody's **BB+/Ba2** while company rating remains unchanged
- » Net proceeds have been used to call the outstanding bond 17/22 and **pay back the amount of c. € 370m**
- » Remaining balance of c. € 230m will be used to **refund the outstanding promissory notes due 2022 (c. € 150m)** and for general corporate purposes
- » Upsides from the refinancing measure: **significant future interest savings, extension of the maturity profile and broadening of unencumbered asset pool**

Termsheet

Issue Date	11 October 2019
Nominal Amount	€ 600m
Issue Price	99.407% of nominal amount
Denomination	€ 100k
Coupon	1.875%
Maturity	15 October 2024
Rating	Ba2 (Moody's) / BB+ (S&P)
Distribution	RegS

Key Benefits of the Refinancing Measure

Significant decrease in average nominal financing costs



Prolongation of the average duration of liabilities (+ 1.4 years)

Unsecured debt ratio improves to c. 63%

Meaningful FFO accretion going forward

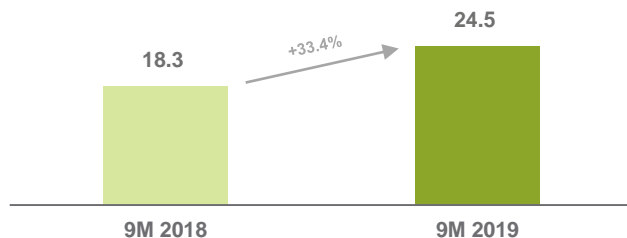
c. € 80m firepower for potential acquisitions

Selected P&L Positions

Strong operational Performance and recent Acquisitions strengthening P&L

Funds from Operations ⁽¹⁾

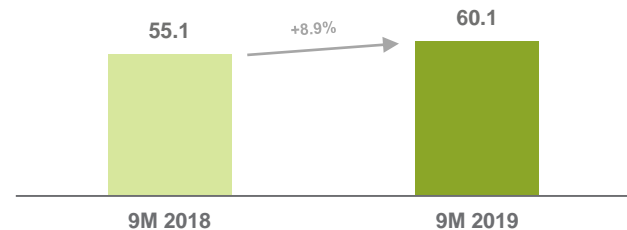
€ m



- » **FFO I** significantly improved due to operational performance, new acquisitions, lower interest expenses and improved tax burden
- » **Rental income** up to € 60.1m, mainly driven by recent acquisitions and "catch-up"-indexations
- » **Profit from rental** up 15% to € 48.9m due to improvement in utility costs and service charges management and new acquisitions
- » Profit for the period excl. revaluation gains turned positive

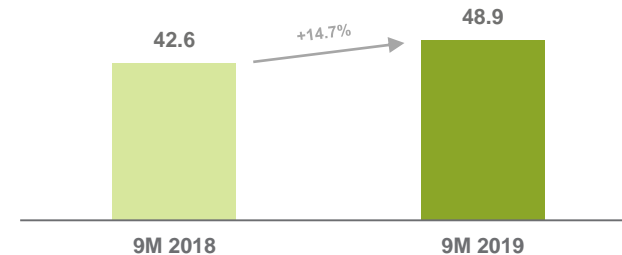
Rental Income

€ m



Profit from the Rental of Real Estate

€ m



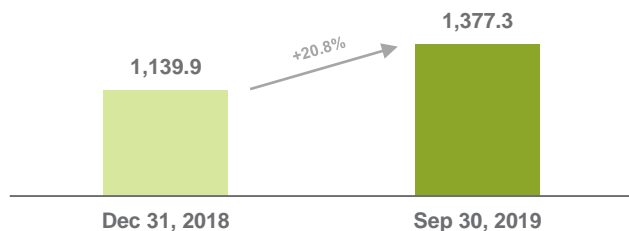
(1) After taxes, before minorities

Selected Balance Sheet Positions

Investment Property Value up by more than 20% due to Acquisitions and Revaluation Gains

Investment Properties

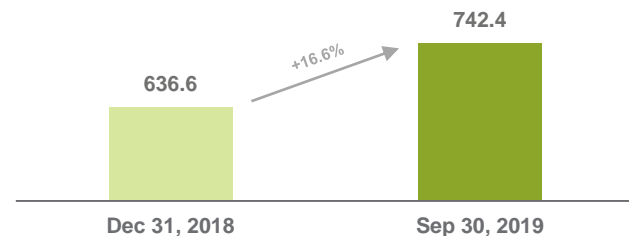
€ m



- » Increase in **investment property value** mainly due to acquisitions in 2019
- » Secured loan issued end of Q2 2019 increases **financial debt**
- » Driving **Net LTV to 48.5%**, close to the target of 50%
- » **EPRA-NAV per share** (diluted) increased by 37 cent per share or 6.7% to € 5.87

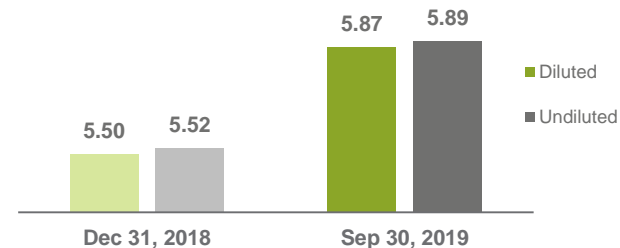
Financial Debt

€ m



EPRA-NAV per Share diluted/undiluted

€



Financial Profile

Solid Capital Structure further improved

Financing KPIs as of 30 September 2019

Gross debt € 742.4m

Net LTV 48.5%

Average cost of debt 2.77%⁽¹⁾

Interest rate fixed 95.8%

Leverage approaching Target of 50%

Net LTV in %

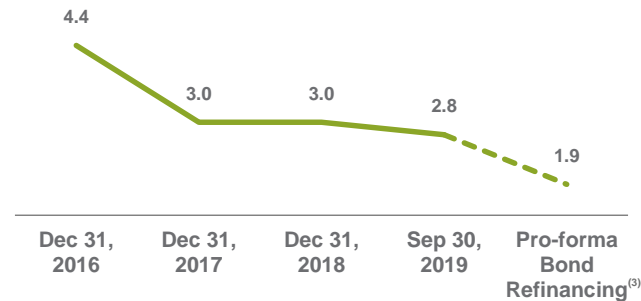


Financing Structure as of 30 September 2019

Tranche	IFRS-Amount (€ m)	Margin / Coupon	IFRS-Amount pro-forma Bond Refinancing (€ m) ⁽³⁾
Cash & Cash Equivalents	(65.5)		(147.5)
Senior Unsecured Notes	371.9	2.875%	590.0
Bank Loans	132.7	1.150% - 3.250%	132.7
Promissory Notes	136.1	4.000%	-
Fair Value REIT AG-Debt	99.5	2.2174%	99.5
Other ⁽²⁾	2.2		2.2
Net Financial Debt	676.9		676.9

Bond Refinancing will substantially lower average Cost of Debt

Average cost of debt in %⁽¹⁾



(1) Based on nominal interest rate

(2) Incl. accrued interest payable

(3) After the redemption of 17/22 notes and the Schuldscheindarlehen

Agenda



Strategy Update

Portfolio Update

Financials

Outlook

Summary & Outlook

Guidance confirmed

Rental Income

€ 80.5 - € 82.5m

Funds from Operations I⁽¹⁾

€ 30.0 - € 32.0m

Contact Details & Financial Calendar 2019



Michael Tegeder - Head of Investor Relations & Corporate Finance

Phone: + 49 (0) 61 03 372 49 44

Fax: + 49 (0) 61 03 372 49 11

Email: ir@demire.ag

Web: www.demire.ag/en/investor-relations

Financial Calendar 2019

26 November 2019	Deutsches Eigenkapitalforum 2019, Frankfurt
18 March 2020	Annual Report 2020
20 May 2020	Interim Results Q1 2020
19 August 2020	Half Year Results 2020
17 November 2020	Interim Results Q3 2020

Share Information⁽¹⁾

Symbol / Ticker	DMRE
Share Price (XETRA)	€ 5.18
Market Segment	Prime Standard
ISIN	DE000A0XFSF0
Market Capitalisation	€ 558.3m
Free Float ⁽²⁾	11.43%
Shares Outstanding	107,777,324

(1) As of 13 November 2019

(2) Holdings < 3%



Appendix I

Additional Financial Information

P&L 9M 2019

Acquisitions boost Rental Income

P&L (in € k)	9M 2019	9M 2018
Rental income	60,077	55,144
Income from utility and service charges	15,864	11,971
Other operating expenses to generate rental income	-27,044	-24,499
Income from the rental of real estate	1 48,896	42,616
Profit/loss from the sale of real estate/-companies	2 6,967	-27
Profit/loss from fair value adjustments in investment properties	29,645	70,099
Other operating income and other effects	10	626
General and administrative expenses ⁽¹⁾	3 -8,881	-15,997
Other operating expenses ⁽¹⁾	-364	-1,893
Earnings before interest and taxes (EBIT)	76,273	95,424
Financial income ⁽¹⁾	779	489
Financial expenses	4 -27,681	-20,063
Minorities	-3,665	-9,598
Earnings before taxes (EBT)	45,706	66,252
Current income taxes	5 -2,859	-445
Deferred taxes	-5,314	-17,727
Net profit/loss for the period	37,532	48,080
Of which attributable to		
Non-controlling shareholder	3,307	5,799
Parent company shareholder	34,225	42,281

- 1 Higher income from the rental of real estate, driven by acquisitions in 2019 and improved income from utilities
- 2 Sale of non-strategic asset in Stahnsdorf at a significant premium to market value
- 3 G&A expenses improved, driven mainly by lower advisory and consultancy fees
- 4 C. € 9.6m expenses related to the bond refinancing (early repayment fees and amortisation of effective interest)
- 5 Related to the sale of the asset in Stahnsdorf (eliminated in FFO calculation)
 - » FFO (after taxes, before minorities) in 9M 2019 up 33.4% to € 24.5m (9M 2018: € 18.3m)

(1) Previous years figures have been adjusted due to amendments in the classification

Balance Sheet

Recent Acquisitions lead to increased Investment Property Value

Balance Sheet (in € k)	30.09.2019	31.12.2018
ASSETS		
Investment properties	① 1,377,288	1,139,869
Properties held for sale	② 17,042	12,262
Other assets	③ 59,081	36,119
Cash and cash equivalents	65,614	190,442
Total assets	1,525,906	1,378,692
EQUITY AND LIABILITIES		
Subscribed capital	107,777	107,777
Reserves	464,316	430,136
Equity attributable to parent company shareholder's	572,093	537,913
Non-controlling interests	46,035	44,425
Total Equity	618,128	582,338
Minority interest	74,921	73,085
Non-current financial debt	④ 328,531	606,404
Current financial debt	④ 413,860	30,168
Other liabilities	90,466	86,697
Total liabilities	907,777	796,354
Total Equity and liabilities	1,525,906	1,378,692

① Increase in investment properties mainly driven by acquisitions in 2019 and revaluation gains, partly offset by disposals of non-strategic assets

② Reclassification of three smaller assets

③ Purchase price claim for the sale of the asset in Stahnsdorf

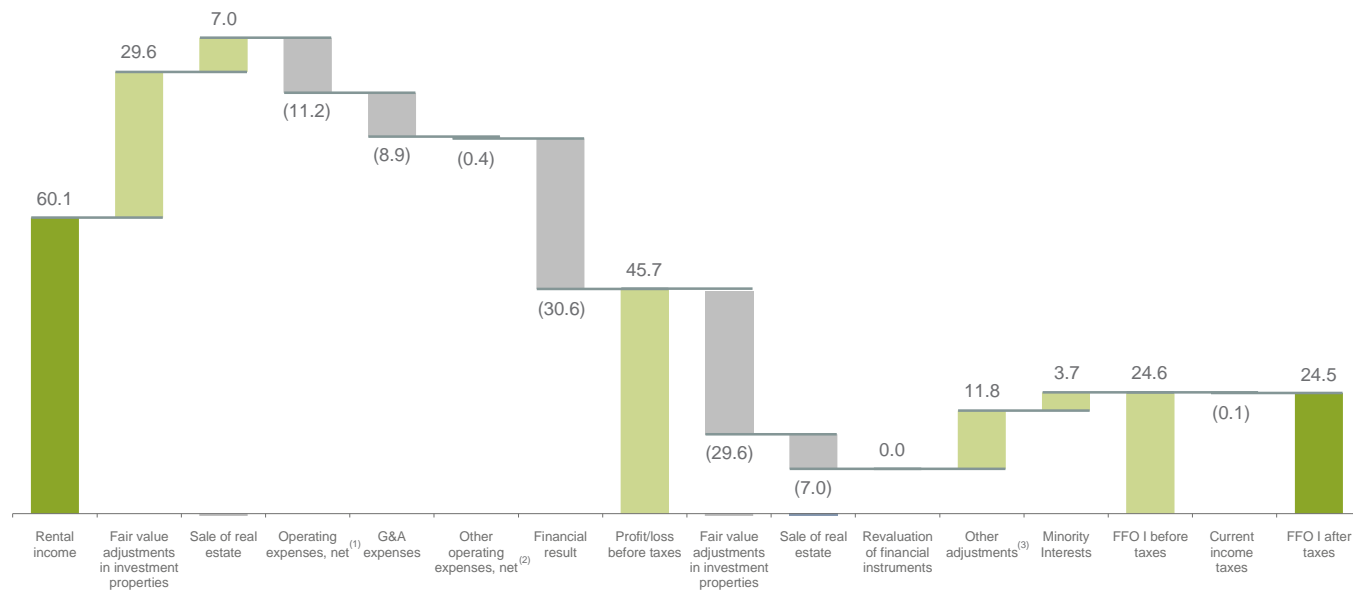
④ Reclassification of called bond 17/22 from non-current financial debt to current financial debt

» EPRA-NAV per Share (diluted) up by 37 Cents to € 5.87 from end of 2018

Funds From Operations (FFO) Reconciliation – 9M 2019

9M 2019

€ m



(1) Includes income from utility and service charges of € 15.9m and operating expenses to generate rental income of € (27.0)m

(2) Includes impairment of receivables of € (0.8)m, other operating income of € 0.8m and other operating expenses of € (0.4)m

(3) Other adjustments relate to effective interest rate payments of € (7.2)m, prepayment fee of the bond amounting to € (5.3)m and one time transaction costs of € 0.7m

The background is a solid green color with several areas of diagonal stripes in a darker shade of green. A large white shape, resembling a document page with a folded corner, is positioned on the left side of the page. The text is centered within this white shape.

Appendix II

Additional Portfolio Information

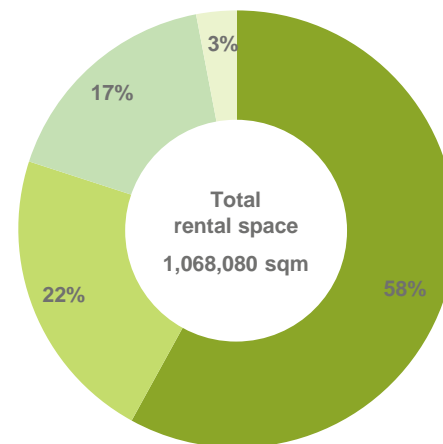
Overview of the Real Estate Portfolio by Region

Property Locations as of 30 September 2019

	Number of Properties	GAV (€ m)	Total rental space (sqm)	EPRA-Vacancy (%)
Baden-Wuerttemberg	5	160.7	98,449	2.0%
Bavaria	9	150.9	119,993	12.8%
Berlin	1	9.3	7,125	22.3%
Brandenburg	3	34.2	34,096	27.0%
Bremen	10	45.4	34,560	28.3%
Hamburg	1	9.4	3,989	0.0%
Hesse	7	174.2	96,416	22.3%
Mecklenburg-Western Pomerania	6	119.8	58,036	5.1%
Lower Saxony	6	65.5	48,662	0.9%
North Rhine-Westphalia	16	324.7	178,383	7.5%
Rhineland Palatinate	4	20.3	30,961	7.5%
Saxony	11	171.7	264,903 ⁽¹⁾	13.1%
Saxony-Anhalt	3	36.6	25,316	3.9%
Schleswig-Holstein	8	69.8	61,686	1.6%
Thuringa	1	1.8	5,504	54.6%
Germany	91	1,394.3	1,068,080	10.9%

Portfolio split by asset class

sqm



■ Office ■ Retail ■ Logistics ■ Others

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

Overview of Top 20 Assets

Top 20 Properties as of 30 September 2019

	City	Asset Class	GAV (€ m)	Share (%)	Total rental space ('000 sqm)	EPRA- Vacancy (%)	GAV/sqm (€)	GRI p.a. ⁽¹⁾ (€ m)	GRI Yield (%)	WALT (Years)
1	Essen	Office	89.8	6.4%	45,464	14.2%	1,975	5.0	5.6%	3.0
2	Bonn	Office	89.1	6.4%	38,353	0.0%	2,323	5.7	6.4%	5.4
3	Ulm	Office	80.9	5.8%	47,581	1.6%	1,700	4.3	5.3%	5.2
4	Rostock	Retail	70.7	5.1%	19,306	2.4%	3,662	4.4	6.3%	3.2
5	Leipzig	Logistic	68.6	4.9%	178,283 ⁽²⁾	21.2%	385	4.1	6.0%	3.7
6	Kassel	Retail	62.2	4.5%	21,508	3.7%	2,892	3.6	6.0%	6.7
7	Bad Vilbel	Office	41.8	3.0%	26,033	60.1%	1,606	1.4	3.3%	3.9
8	Freiburg	Office	41.3	3.0%	22,674	0.0%	1,821	2.8	6.7%	0.3
9	Celle	Retail	37.4	2.7%	17,715	0.0%	2,109	1.5	4.0%	13.6
10	Regensburg	Office	36.8	2.6%	29,219	0.0%	1,259	2.6	7.1%	1.4
Top 10 Properties			618.6	44.4%	446,094	10.8%	1,387	35.6	5.8%	4.3
11	Düsseldorf	Office	34.8	2.5%	24,307	22.0%	1,432	2.0	5.9%	3.5
12	Leipzig	Office	34.7	2.5%	23,260	6.3%	1,492	1.8	5.2%	3.4
13	Aschheim	Office	29.6	2.1%	12,151	12.7%	2,438	1.2	4.2%	2.4
14	Eschborn	Office	29.4	2.1%	18,889	0.0%	1,556	2.0	6.9%	5.3
15	Eisenhüttenstadt	Retail	28.5	2.0%	29,168	29.9%	977	2.1	7.4%	5.9
16	Lutherstadt Wittenberg	Retail	23.8	1.7%	14,710	6.3%	1,618	1.7	7.0%	4.6
17	Unterschleißheim	Office	23.2	1.7%	15,663	38.7%	1,481	1.0	4.1%	3.5
18	Zittau	Retail	21.4	1.5%	17,421	4.3%	1,228	1.3	6.1%	9.5
19	Flensburg	Office	21.4	1.5%	23,800	0.0%	899	1.7	8.1%	1.4
20	Cologne	Office	21.3	1.5%	5,184	0.4%	4,109	1.2	5.7%	5.5
Top 20 Properties			886.7	63.6%	630.6	11.8%	1,406	51.7	5.8%	4.3
Other Properties			507.6	36.4%	437,4	8.1%	1,160	33.7	6.6%	5.3
Total Properties			1,394.3	100.0%	1,068.1	10.9%	1,305	85.4	6.1%	4.7

(1) Annualised contractual rent excl. service charges

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