

2020

**Conference Call | Results Q3 2020**

*17 November 2020*

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# Agenda

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A graphic representing an agenda. It consists of four horizontal rounded rectangular boxes stacked vertically. The top box is dark green and contains the text 'Executive Summary'. The three boxes below it are light green and contain 'Portfolio Highlights', 'Financial Highlights', and 'Corona Update / Outlook' respectively. The graphic is flanked by two vertical bars: a dark green one on the left and a grey one on the right, both with a top-right corner cut-off.

**Executive Summary**

**Portfolio Highlights**

**Financial Highlights**

**Corona Update / Outlook**

# Executive Summary

## REALize Potential

### Asset Management

- » **New and prolonged lettings** of almost 110,000sqm
- » **EPRA-Vacancy** trending further down to 8.4%
- » Acquisitions and re-letting **stabilizing WALT** at 4.7 years
- » **Annualized contractual rent** due to disposals slightly lower at € 89.0m

### Acquisitions

- » **Portfolio dynamization:**
  - » **Closing of disposals** of 9 non-strategic assets with **€ 45.7m proceeds** (c. 2% premium to market value)
  - » **Signing of 13 further disposals** with **€ 73.1m proceeds** (2% above market value)

### Financials

- » **Substantial increase of 9M rental income** from € 60.1m to € 65.8m y-o-y
- » **9M FFO I<sup>(1)</sup> significantly improved** from € 24.5m to € 30.1m y-o-y
- » **Guidance confirmed:** € 85-87m rental income and € 36-38m FFO I<sup>(1)</sup>
- » **First dividend payout** (€ 0.54 per share) in DEMIRE's history

### Processes

- » **Redomiciling of 3 affiliates and liquidation/merger/sale of 10 subsidiaries** reduces administration costs and simplifies workstreams
- » **Early adaption of the internal risk management system to new legal and regulatory requirements**

### Corona-Update

- » As of 16 November 2020, DEMIRE has **outstanding rental charges** from its tenants of € 3.6m<sup>(3)</sup>, representing c. 4.0% of annualized contractual rent
- » While monthly rental collections in Q2 were on average at 89%, they increased to 97% from July 2020 onwards and are almost on a pre-crisis level again

(1) After taxes, before minorities  
 (2) Based on nominal interest  
 (3) Year-to-Date (incl. October and November)

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**Executive Summary**

**Portfolio Highlights**

**Financial Highlights**

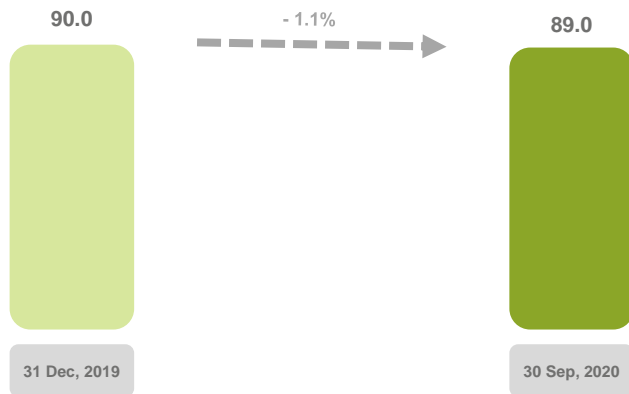
**Corona Update / Outlook**

## Leasing Performance 9M 2020

Again strong letting Performance after Record in 2019, annualized Rent stable despite Disposals

### Annualized Rent almost unchanged

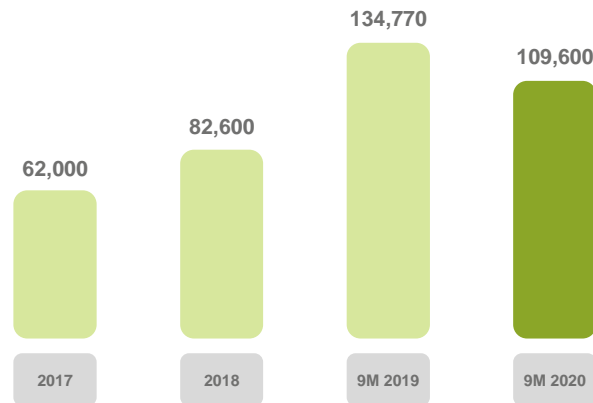
Annualized contractual rent excl. service charges (€ m)



- » Main factors, that influence the annualized contractual rent development: **strong letting performance and rent increases** along with **portfolio addition of an asset in Frankfurt** increase this figure, offsetting the disposal of nine non-strategic assets

### Letting Result on track to reach last Years record Level

New lettings and prolongations (sqm)



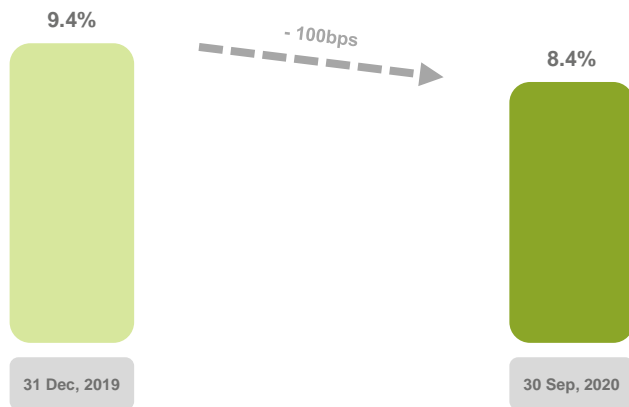
- » Despite Corona-influenced market environment, **strong letting result** exceeds again perennial average
- » Letting activities in 9M 2020 secure **€ 10.7m rental income** per year with a **WALT of almost 8 years**
- » New lettings account for roughly 58% of leased space, 42% renewals

# EPRA-Vacancy & WALT

EPRA-Vacancy further improved, WALT remains stable

## Lower EPRA-Vacancy

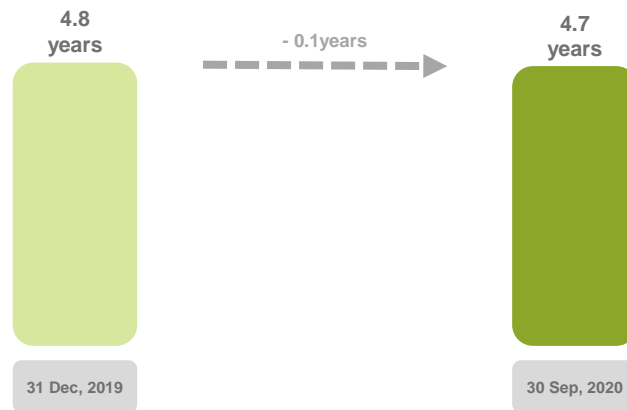
EPRA-Vacancy (%)



- » **EPRA-vacancy improved** mainly due to **strong operational performance and smart portfolio optimization**: adding a fully occupied asset in Frankfurt and disposal of a portfolio with higher vacancy
- » Already signed new lettings will further improve EPRA-vacancy over the course of the next months

## WALT keeps trending Sideways

WALT (years)



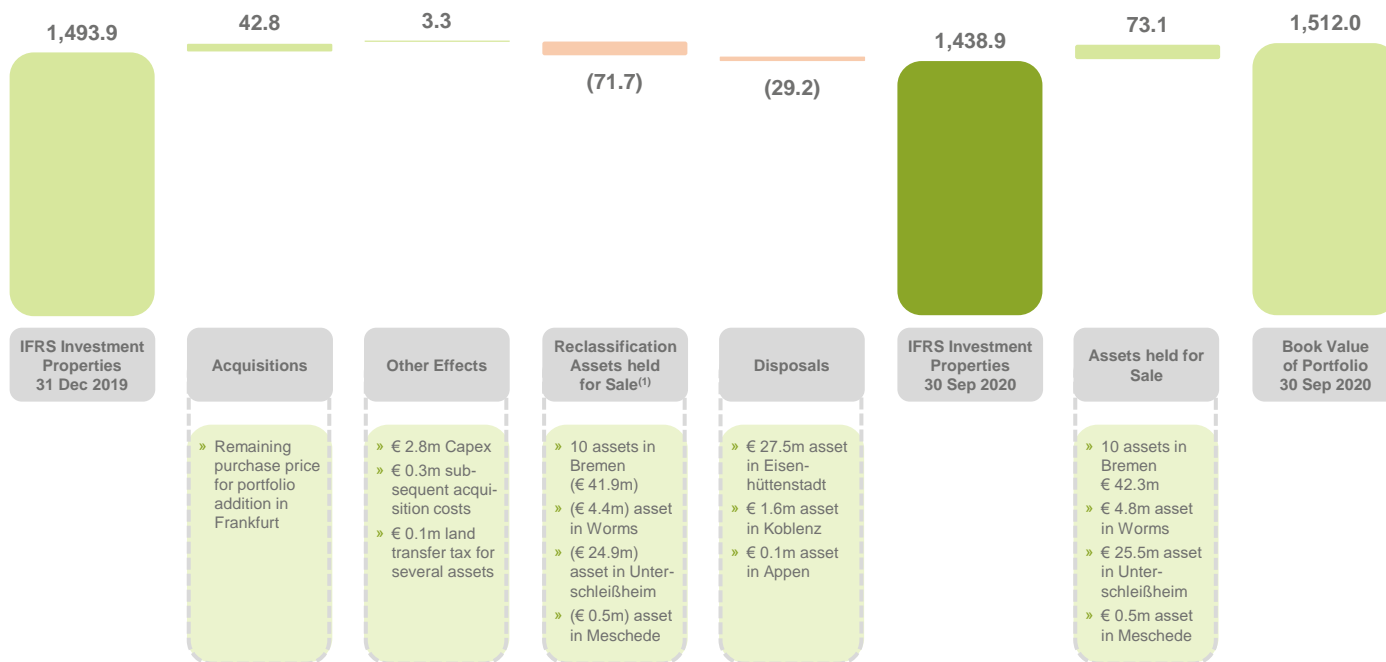
- » The strong letting performance and portfolio optimization lead to a **stable WALT**
- » **WALT** of new and prolonged lease contracts signed in 9M 2020 sums up to **almost 8 years**

# Portfolio Growth

Portfolio Value stable while Sale of non-strategic Assets continues

## Development of Investment Properties

€ m



(1) Excl. € 1.4m valuation gains overall due to sale above market value



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**Executive Summary**

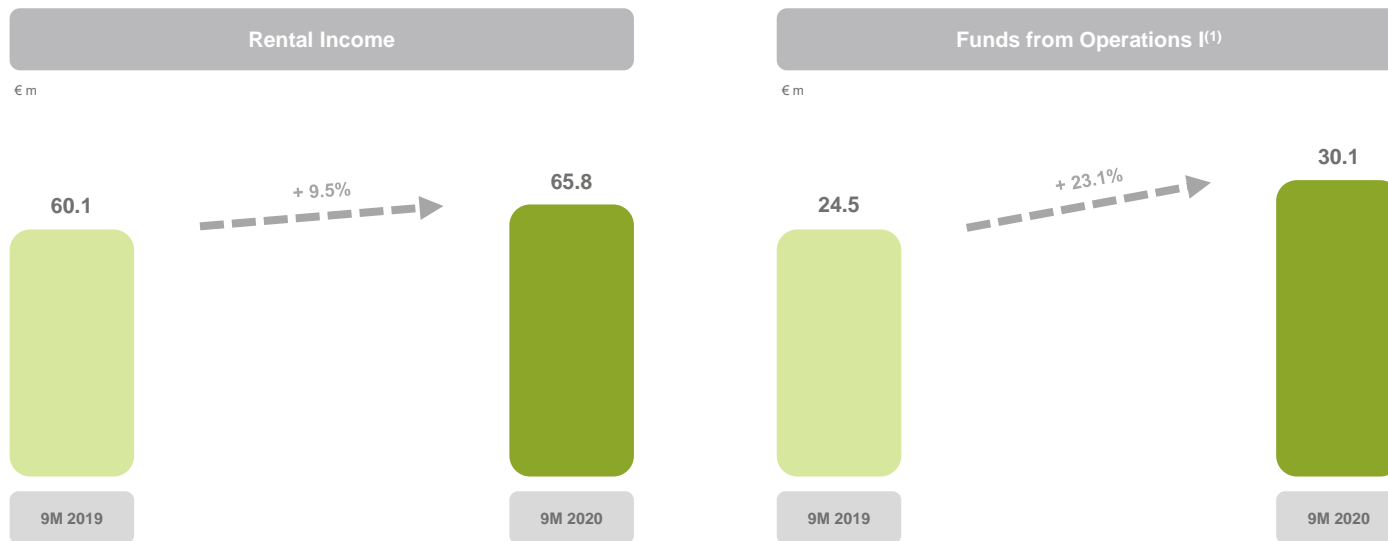
**Portfolio Highlights**

**Financial Highlights**

**Corona Update / Outlook**

## Selected P&L Positions

Substantial Improvement of Rental Income and FFO prove resilient Cash Flow Profile



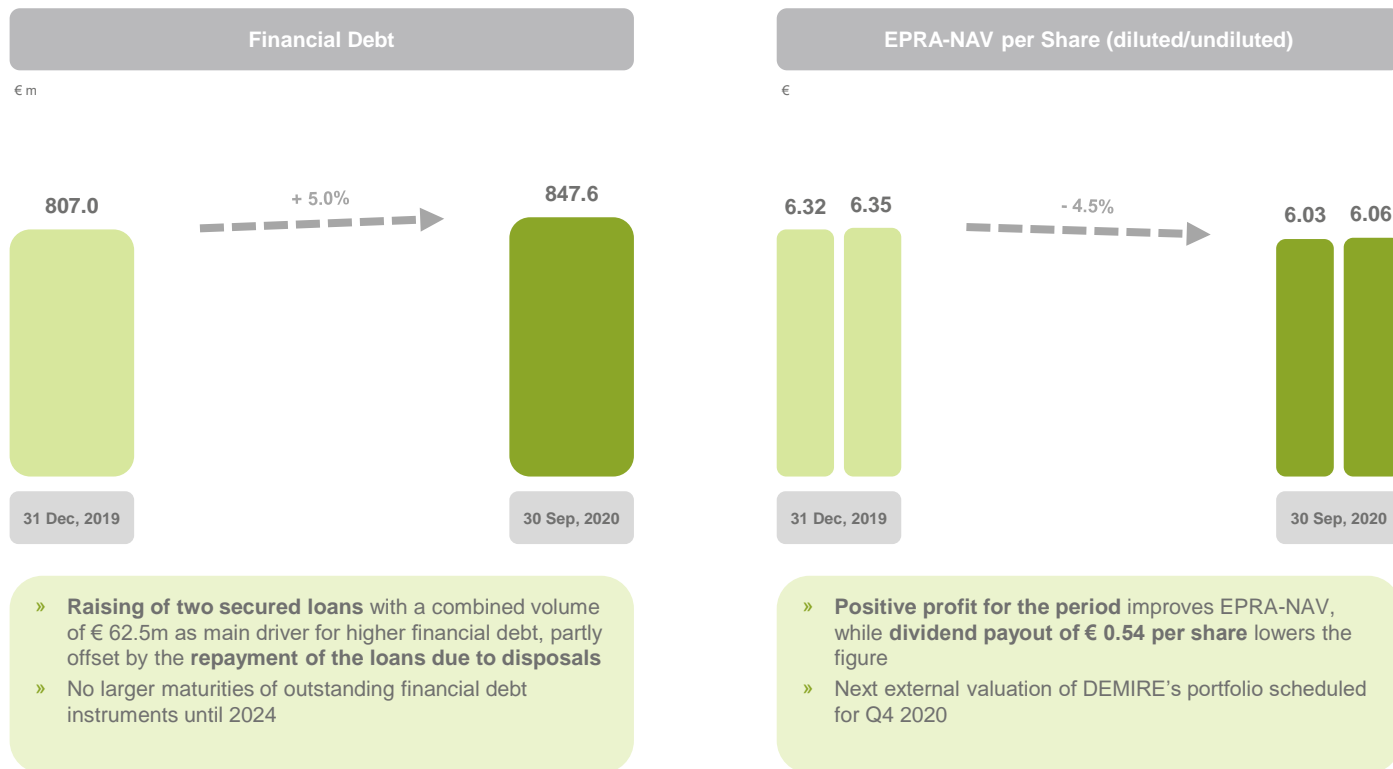
- » **Increased rental income** primarily driven by comprehensive asset management activities and supported by active portfolio management:
  - » **Successful acquisitions in 2019 and 2020**, marginally mitigated by smaller non-strategic divestments

- » C. 20% lower nominal interest expenses, mainly related to the bond refinancing in October 2019, along with active asset management are main drivers for **improved FFO I<sup>(1)</sup>**
- » Offsetting factors are impaired rent receivables due to the Corona crisis and a higher tax burden

(1) After taxes, before minorities

## Selected Balance Sheet Positions

Financial Debt Volume moderately higher, EPRA-NAV lowered by Dividend Distribution

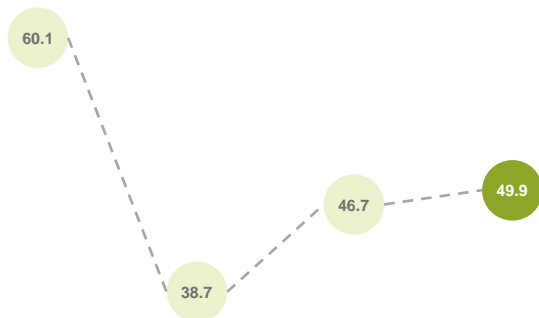


## Key financial KPI's

### Solid Net-LTV Ratio and average Cost of Debt Level

#### Leverage around Target of 50%

Net-LTV (in %)



31 Dec, 2017

31 Dec, 2018

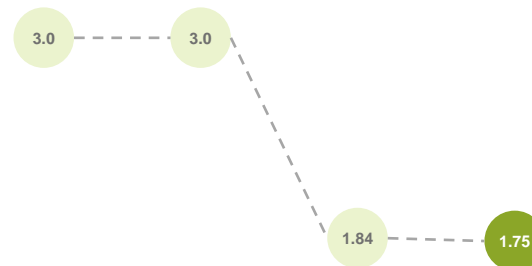
31 Dec, 2019

30 Sep, 2020<sup>(1)</sup>

- » Primarily due to the dividend payout, **Net-LTV approaches the target level of 50%**
- » Proceeds from the sale of assets signed in Q3 will improve Net-LTV in Q4 again

#### Average Cost of Debt improved

Average cost of debt (in %)<sup>(2)</sup>



31 Dec, 2017

31 Dec, 2018

31 Dec, 2019

30 Sep, 2020

- » After significantly lowering the average cost of debt in the context of comprehensive refinancing measures in 2019, the average cost of debt **improved further in 2020**, mainly due to raising of two secured loans at favorable conditions
- » Average maturity of outstanding debt is at 4.0 years

(1) Net-LTV according to bond definition at 49.5%  
 (2) Based on nominal interest rate

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**Executive Summary**

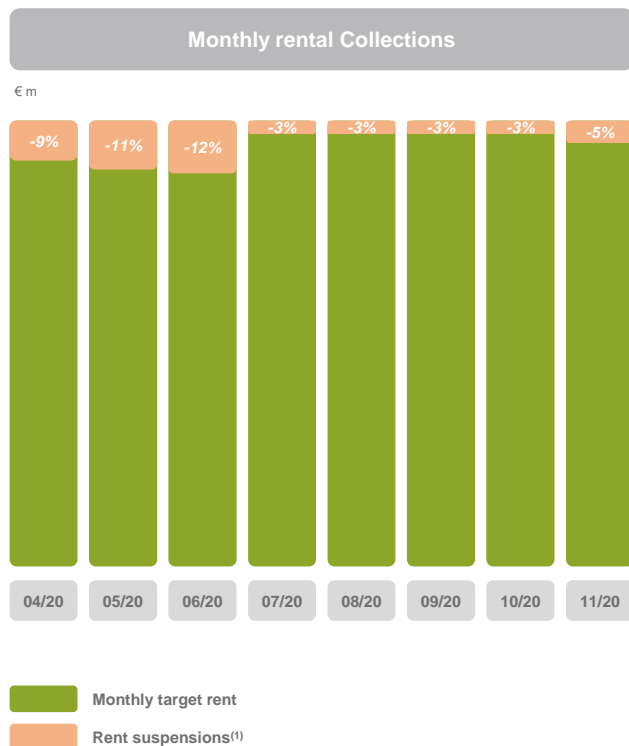
**Portfolio Highlights**

**Financial Highlights**

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## Corona-Effect on DEMIRE's Portfolio

Moderate Impact in Q2, significant recovery ever since

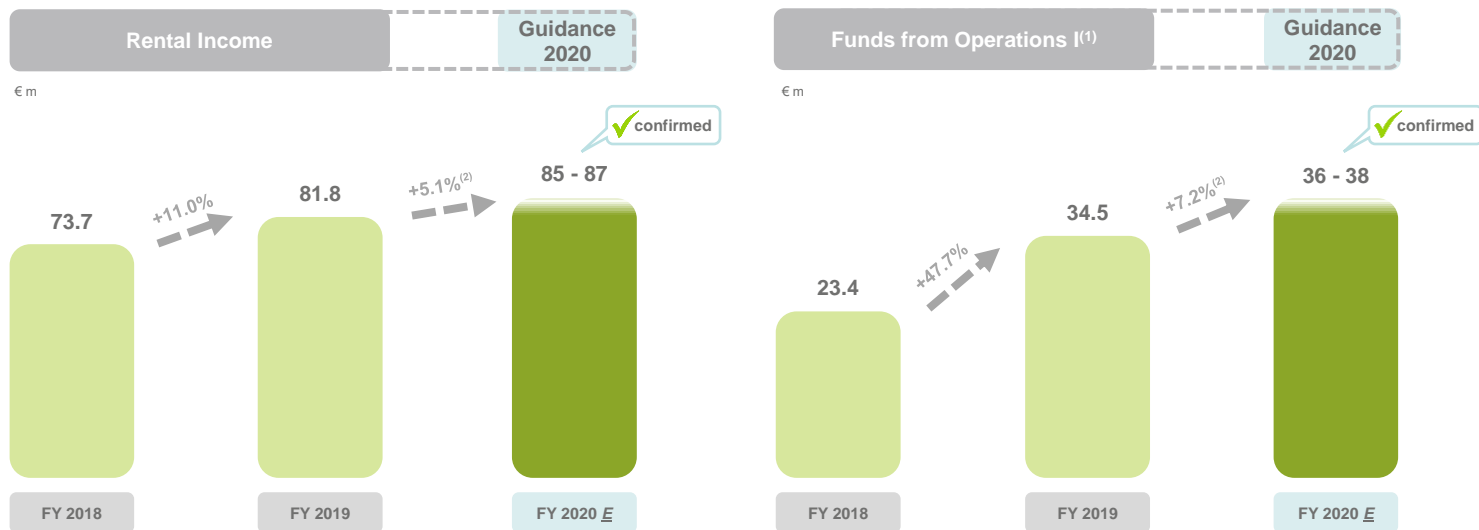


- » As of 16 November, rent suspensions from DEMIRE's tenants in context with the Corona crisis amount to € 3.6m for Q2, Q3, October and November 2020
- » After rent suspensions amounted to 11% (on average) of monthly rents in Q2, in Q3 only 3% of rent were suspended
- » In 9M 2020, about € 2.8m were classified as irrecoverable receivables and therefore impact the P&L
- » We assume to collect the outstanding rent suspensions in arrears and do not expect further large effects on the P&L
- » The majority among the affected tenants belong to the asset classes retail (47%) and hotel (36%), while office tenants only account for 4%

(1) As of 16 November 2020

## Guidance 2020

### Rental Income & FFO I<sup>(1)</sup>: Growth mitigated only moderately by Corona-Effects



- » **Guidance for rental income 2020 at € 85-87m confirmed**, representing another c. 5% uplift y-o-y
- » **€ 3-5m increase compared to FY 2019** mainly based on full year effect of acquisitions 2019 and strong operational performance, slightly mitigated by selective disposals and Corona-effects

- » **Guidance for FFO I<sup>(1)</sup> 2020 at € 36-38m confirmed**, which marks an improvement of over 7% compared to FY 2019, despite a challenging market environment
- » Besides growth of rental income, another important accretive factor are **lower interest expenses**

(1) After taxes, before minorities  
 (2) Increase to mid-point of new guidance

## Contact Details & Share Information

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### Financial Calendar 2021

*To be published*

### Share Information<sup>(1)</sup>

Symbol / Ticker	DMRE
Share Price (XETRA)	€ 3.86
Market Segment	Prime Standard
ISIN	DE000A0XFSF0
Market Capitalisation	€ 416.0m
Free Float <sup>(2)</sup>	7.39%
Shares outstanding	107,777,324

(1) As of 13 November 2020

(2) Holdings < 3%



## Appendix I | Additional Financial Information

## Profit & Loss Statement 9M 2020

### Acquisitions boost Rental Income, Bond Refinancing lowers Interest Expenses

	9M 2020 (in € m)	9M 2019 (in € m)
Rental Income	65.8	60.1
Income from utility and service charges	17.8	15.9
Other operating expenses to generate rental income	(29.6)	(27.0)
<b>Income from the rental of real estate</b> <sup>1</sup>	<b>54.0</b>	<b>48.9</b>
Profit/loss from the sale of real estate/-companies	(0.7)	7.0
Profit/loss from fair value adjustments in investment properties	1.2	29.6
Other operating income and impairments of receivables <sup>2</sup>	(3.2)	0.0
General and administrative expenses <sup>(1)</sup>	(9.1)	(8.9)
Other operating expenses <sup>(1)</sup>	(2.5)	(0.4)
<b>Earning before interest and taxes (EBIT)</b>	<b>39.7</b>	<b>76.3</b>
Financial income <sup>(1)</sup>	0.7	0.8
Financial expenses <sup>3</sup>	(13.5)	(27.7)
Minorities	(2.8)	(3.7)
<b>Earnings before taxes (EBT)</b>	<b>24.1</b>	<b>45.7</b>
Current income taxes	(1.6)	(2.9)
Deferred taxes	(4.4)	(5.3)
<b>Net profit/loss for the period</b>	<b>18.1</b>	<b>37.5</b>
Of which attributable to:		
Non controlling shareholder	1.6	3.3
Parent company shareholder	16.5	34.2

**1** Higher income from the rental of real estate, primarily driven by acquisitions in 2019, somewhat mitigated by higher tenant improvement expenditures in order to attract new tenants and achieve prolongations of rental contracts

**2** Decrease mainly related to impairments of rent receivables in context with the Corona crisis

**3** Significant lower financial expenses due to the bond refinancing measure in October 2019

» **FFO (after taxes, before minorities) in 9M 2020 up 23.1% to € 30.1m (9M 2019: € 24.5m)**

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

## Balance Sheet 30 September 2020

### Balance Sheet effected by Sale of Real Estate, Dividend Payout and issuance of new Debt

	30 Sep, 2020 (in € m)	31 Dec, 2019 (in € m)
<b>ASSETS</b>		
Investment properties	1,438.9	1,493.9
Properties held for sale	73.1	16.3
Other assets	58.6	65.1
Cash and cash equivalents	92.6	102.1
<b>TOTAL ASSETS</b>	<b>1,663.1</b>	<b>1,677.4</b>
<b>EQUITY &amp; LIABILITIES</b>		
Subscribed capital	105.8	107.8
Reserves	459.9	505.6
<b>Equity attributable to parent company shareholders</b>	<b>565.7</b>	<b>613.4</b>
Non-controlling interests	41.5	47.4
<b>Total equity</b>	<b>607.2</b>	<b>660.8</b>
Minority interest	78.9	78.7
Non-current financial debt	794.5	737.8
Current financial debt	53.2	69.1
Other liabilities	129.3	131.0
<b>Total liabilities</b>	<b>1,055.8</b>	<b>1,016.6</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>1,663.1</b>	<b>1,677.4</b>

- 1 Reclassification of € 73.1m from investment properties to properties held for sale due to signed purchase agreement (closing in Q4 2020)
  - 2 Reduction due to buyback of two million shares
  - 3 Lower reserves related to the dividend payout
  - 4 Raising of two secured loans totaling € 62.5m
- » EPRA-NAV per share (diluted) down by 29 Cents to € 6.03 from end of 2019

## Financing Structure

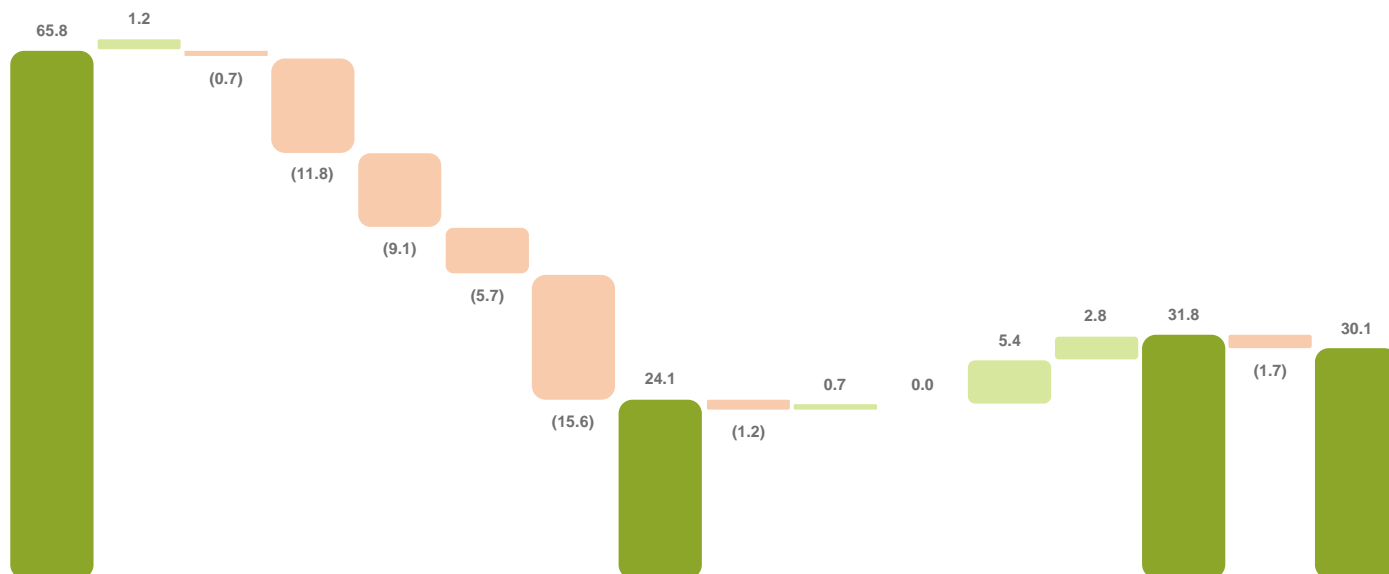
Senior Notes represent 70% of gross financial Debt

Financing Structure (30 Sep, 2020)		
Tranche	IFRS Amount (€ m)	Margin / Coupon <sup>(1)</sup>
Senior unsecured notes	591.5	1.875%
Bank loans on DEMIRE level	175.8	1.150% - 3.250%
Fair Value REIT-AG debt	75.0	1.5595% <sup>(2)</sup>
Other <sup>(3)</sup>	5.3	
<b>Gross financial debt</b>	<b>847.6</b>	
<b>Cash &amp; cash equivalents</b>	<b>92.6</b>	
<b>Net financial debt</b>	<b>755.1</b>	
<b>Net-LTV</b>	<b>49.9%</b>	

(1) Based on nominal interest rate  
 (2) Average across all Fair Value REIT-AG debt  
 (3) Accrued interest for the repaid bond 17/22

# Funds From Operations I Reconciliation

9M 2020



Rental Income	Fair Value adjustments in investment properties	Sale of real estate	Operating expenses, net <sup>(1)</sup>	G&A expenses	Other operating expenses, net <sup>(2)</sup>	Financial result	Profit/loss before taxes	Fair Value adjustments in investment properties	Sale of real estate	Re-valuation of financial instruments	Other adjustments <sup>(3)</sup>	Minority interest	FFO I before taxes	Current income taxes	FFO I after taxes
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(1) Includes income from utility and service charges of € 17.8m and operating expenses to generate rental income of € (29.6)m

17 November 2020

(2) Includes impairment of receivables of € (4.4)m, other op. income of € 1.3m and other op. expenses of € (2.5)m

(3) Other adjustments relate to effective interest rate payments of € 1.5m, impairments of receivables of € 1.6m and other effects of € 2.3m

## Appendix II | Additional Portfolio Information

# Overview of the Real Estate Portfolio

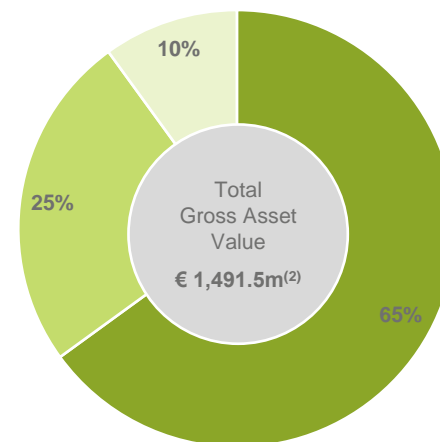
## Split by Region and Asset Class

Property Locations<sup>(1)</sup>

	# of Properties	GAV <sup>(2)</sup> (€ m)	EPRA-Vacancy (%)	Total rental space (k sqm)
Baden-Wuerttemberg	5	163.1	4.7	93.6
Bavaria	9	157.0	15.2	114.9
Brandenburg	1	5.5	7.8	3.8
Bremen	9	44.9	22.7	32.8
Hamburg	1	9.7	0.0	4.0
Hesse	7	217.6	8.3	96.6
Mecklenburg-Western Pom.	6	123.0	4.6	58.0
Lower Saxony	6	51.5	0.7	39.8
North Rhine-Westphalia	17	413.7	7.5	234.4
Rhineland Palatinate	3	18.9	9.4	21.4
Saxony	9	180.3	7.9	227.9
Saxony-Anhalt	2	36.3	4.0	24.0
Schleswig-Holstein	6	68.1	8.8	57.7
Thuringia	1	1.9	55.0	5.6
<b>Germany</b>	<b>82</b>	<b>1,491.5</b>	<b>8.4</b>	<b>1,014.6</b>

Portfolio Split by Asset Class<sup>(1)</sup>

GAV (€ m)



■ Office ■ Retail ■ Logistics & Others

(1) As of 30 September 2020

(2) Excl. capitalised leases and valuation gains in context with the signing of purchase agreements for 13 assets

# Overview of the Real Estate Portfolio

## Top 20 Assets

### Property Locations<sup>(1)</sup>

	Asset Class	GAV (€ m) <sup>(2)</sup>	Share (%)	EPRA-Vacancy (%)	Total rental space (k sqm)	GAV/sqm (€ k)	GRI p.a. (€ m) <sup>(3)</sup>	WALT (Years)
Essen	Office	97.6	6.5	9.1	45.5	2.1	5.5	3.0
Bonn	Office	91.6	6.1	0.0	38.4	2.4	4.5	4.4
Ulm	Office	83.2	5.6	1.7	47.6	1.7	4.3	4.2
Neuss	Retail	74.2	5.0	0.0	56.1	1.3	5.4	2.3
Rostock	Retail	72.8	4.9	1.6	19.3	3.8	4.4	2.7
Leipzig (LogPark)	Logistics	71.2	4.8	10.5	147.0	0.5	5.0	2.6
Kassel	Retail	63.3	4.2	4.6	21.5	2.9	3.6	5.9
Frankfurt	Other (Hotel)	48.0	3.2	0.0	6.1	7.9	1.8	19.3
Bad Vilbel	Office	44.2	3.0	17.9	25.7	1.7	2.9	6.8
Freiburg	Office	39.9	2.7	12.8	22.7	1.8	2.1	6.9
<b>Top 10 Properties</b>		<b>686.0</b>	<b>46.0</b>	<b>5.5</b>	<b>429.7</b>	<b>1.6</b>	<b>39.5</b>	<b>4.6</b>
Leipzig (Gutenberg-Galerie)	Office	37.6	2.5	5.5	23.4	1.6	1.9	3.3
Regensburg	Office	37.1	2.5	0.0	29.2	1.3	2.7	0.4
Düsseldorf	Office	35.4	2.4	17.0	24.3	1.5	2.2	3.2
Aschheim	Office	31.2	2.1	21.9	12.0	2.6	1.1	3.1
Eschborn	Office	30.2	2.0	0.0	18.9	1.6	2.1	4.3
Unterschleißheim	Office	24.8	1.7	38.8	15.7	1.6	1.0	2.8
Lutherstadt-Wittenberg	Retail	23.8	1.6	6.3	14.7	1.6	1.7	3.8
Köln (Max-Glomsda-Straße)	Office	23.1	1.5	0.4	5.2	4.5	1.2	4.7
Flensburg	Office	21.6	1.4	21.6	23.9	0.9	1.6	6.6
Zittau	Retail	21.6	1.4	3.5	17.4	1.2	1.3	8.7
<b>Top 20 Properties</b>		<b>972.4</b>	<b>65.2</b>	<b>7.3</b>	<b>614.3</b>	<b>1.6</b>	<b>56.3</b>	<b>4.4</b>
<b>Other Properties</b>		<b>519.1</b>	<b>34.8</b>	<b>10.3</b>	<b>400.3</b>	<b>1.3</b>	<b>32.7</b>	<b>5.2</b>
<b>Total Properties</b>		<b>1,491.5</b>	<b>100.0</b>	<b>8.4</b>	<b>1,014.6</b>	<b>1.5</b>	<b>89.0</b>	<b>4.7</b>

(1) As of 30 September 2020

(2) Excl. capitalised leases and valuation gains in context with the signing of purchase agreements for 13 assets

(3) Annualized contractual rent excluding service charge