

# Interim Statement Q1

1 January – 31 March 2020



# Highlights 3M 2020



## KEY EARNINGS FIGURES

# 9.6

in EUR millions

**FFO I (after taxes, before minorities),**  
+ 7.7 % versus Q1 2019

# 8.0

in EUR millions

**EBT, + 12.0 %**  
versus Q1 2019



## KEY FINANCIAL INDICATORS

# 45.4

in per cent

**Net loan-to-value (net LTV),**  
versus 46.7 % at end of 2019,  
offers room for further growth

# 1.80

in per cent p. a.

**Average nominal interest costs –**  
decline 4 basis points versus  
year-end 2019

# 6.38

in EUR

**Net asset value**  
**(EPRA NAV, diluted),**  
increases by EUR 0.06 per share  
versus year-end 2019



## PORTFOLIO DEVELOPMENT

# 1.5

in EUR billions

**Portfolio value + 2.5 %**  
versus year-end 2019

# 22.0

in EUR millions

**Rental income, increases + 20.9 %**  
compared to EUR 18.2 million in  
same prior-year period

# 4.8

in years

**WALT, unchanged vs year-end 2019**

# 8.9

in per cent

**EPRA vacancy rate,**  
declines versus 9.4 %  
as at 31/12/2019

# 47,200

in m<sup>2</sup>

**Letting performance**  
+ 113.6 % versus Q1 2019

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## Foreword by the Executive Board

**Dear Shareholders,  
Ladies and Gentlemen,**

The developments in the first quarter of 2020 have confirmed the sustainability of our “REALIZE POTENTIAL” strategy in two respects.

For one, we were able to continue the positive performance achieved this past financial year during the reporting period and further improve our key performance indicators in all areas. Thus, the first three months of the year went on to prove once again that we are on the right track with our diversified portfolio and a management focused on value creation. The ongoing portfolio optimisation and intensive refinancing activities clearly stand out in this respect. Altogether, the positive overall development was reflected in our key figures at the end of the first quarter of 2020 as follows:

- a rise in rental income of around 21% year-on-year to EUR 22.0 million,
- an increase in funds from operations (FFO I, after taxes, before minorities) of 7.7% year-on-year to EUR 9.6 million,
- growth of 12.0% in profit/loss before taxes (EBT) to EUR 8.0 million
- a net loan-to-value ratio falling by 1.2 percentage points to 45.4%, remaining well below 50%, and
- an increase in EPRA NAV per share (diluted) of 0.9% compared to year-end 2019 to EUR 6.38 per share.

These figures show that DEMIRE has started the 2020 financial year on a strong note. The measures implemented since the introduction of the “REALIZE POTENTIAL” strategy continue to bear fruit – both in terms of their effect on the operating activities and through the continued improvements in process and procedure efficiency.


Secondly, our management approach has provided a stable framework for safety and precautionary measures in connection with the challenges posed by the global spread of the COVID-19 virus, which became increasingly apparent at the end of March. One example is the action taken by the Executive Board immediately at the beginning of the corona crisis of implementing a comprehensive package of measures aimed primarily at further improving efficiency and securing liquidity. Operational measures were also taken to protect the health of the employees and safeguard the Company’s ability to act. Still, however, it is impossible at this time for DEMIRE to conclusively assess the impact of the crisis on the overall economy and the potential for a temporary suspension in rental payments. Therefore, for reasons of commercial prudence, on 9 April, the Executive Board withdrew its original outlook for 2020.

Despite this, the positive developments in the first quarter and our initial impression of the period after 31 March 2020 give cause for cautious optimism. So far, we are seeing fewer tenants suspend their rent payments than initially expected. For the months of April and May, only 2.6% of annual contractual rents are outstanding. The

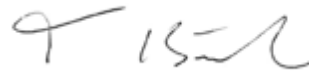
tenants affected are mainly retailers and hotels who have been impacted by official restrictions. The rental payments suspended in this context are not categorised as defaults but are in arrears. Given the reopening of rental space that has been permitted since mid-May 2020 or is foreseeable, a gradual normalisation of rental payments can be expected.

Despite the receivables resulting from the deferred rents and the uncertainty about the sustainability of the easing of the official restrictions already permitted, DEMIRE's stated objective remains to increase the value of the portfolio through active portfolio management. The Company continues to be both willing and able to do this, even in this currently challenging period.

Frankfurt am Main, 19 May 2020



**Ingo Hartlief FRICS**  
(Chief Executive Officer)



**Tim Brückner**  
(Chief Financial Officer)



The Management Board of DEMIRE Deutsche Mittelstand Real Estate AG:

**Ingo Hartlief FRICS**, Chief Executive Officer (right), and  
**Tim Brückner**, Chief Financial Officer (left)

# DEMIRE at a Glance

## KEY GROUP FIGURES

<b>KEY EARNINGS FIGURES</b> in EUR thousands	01/01/2020 –31/03/2020	01/01/2019 –31/03/2019
Rental income	22,047	18,239
Profit/loss from the rental of real estate	17,298	17,081
<b>EBIT</b>	<b>12,872</b>	<b>13,575</b>
Financial result	-4,891	-6,449
<b>EBT</b>	<b>7,981</b>	<b>7,126</b>
<b>Net profit/loss for the period</b>	<b>6,844</b>	<b>6,643</b>
<b>Net profit/loss for the period attributable to parent company shareholders</b>	<b>6,169</b>	<b>5,828</b>
<b>Net profit/loss for the period per share (basic/diluted) in EUR</b>	<b>0.06/0.06</b>	<b>0.05/0.05</b>
<b>FFO I (after taxes, before minorities)</b>	<b>9,627</b>	<b>8,942</b>
<b>FFO I per share (basic/diluted) in EUR</b>	<b>0.09/0.09</b>	<b>0.08/0.08</b>

<b>KEY PORTFOLIO INDICATORS</b>	31/03/2020	31/12/2019
Properties (number of)	87	90
Gross asset value (in EUR millions)	1,531.2	1,488.4
Contractual rents (in EUR millions)	89.9	90.0
Rental yield (in %)	5.9	6.0
EPRA vacancy rate (in %) *	8.9	9.4
WALT (in years)	4.8	4.8

\*Excluding real estate held for sale

<b>KEY BALANCE SHEET FIGURES</b> in EUR millions	31/03/2020	31/12/2019
<b>Total assets</b>	<b>1,689,062</b>	<b>1,677,416</b>
Investment properties	1,510,182	1,493,912
Non-current assets held for sale	38,082	16,305
<b>Total real estate portfolio</b>	<b>1,548,264</b>	<b>1,510,216</b>
Financial liabilities	788,956	806,969
Cash and cash equivalents	85,479	102,139
<b>Net financial liabilities</b>	<b>703,477</b>	<b>704,831</b>
<b>Net loan-to-value in % (net LTV)</b>	<b>45.4</b>	<b>46.7</b>
Equity according to Group balance sheet	667,069	660,782
Equity ratio in %	39.5	39.4
Net asset value (NAV) in the reporting period	619,064	613,351
EPRA NAV (basic/diluted)	690,185/ 690,695	684,131/ 684,641
EPRA NNNNAV (diluted)	665,763	594,151
Number of shares in thousands (basic/diluted)	107,777/ 108,287	107,777/ 108,287
<b>EPRA NAV per share (basic/diluted) in EUR</b>	<b>6.40/6.38</b>	<b>6.35/6.32</b>

## PORTFOLIO HIGHLIGHTS

As at 31 March 2020

**1.5**

Market value of real estate portfolio (in EUR billions)

**87**

Assets at 66 locations in 15 Federal States

**89.9**

Annualised contractual rents (in EUR millions)

**63.2**

Office property in proportion to overall portfolio (in %)

**7.97**

Average rent for overall portfolio (in EUR/m<sup>2</sup>)

**8.9**

Portfolio vacancy rate (in %)

**5.9**

Gross rental yield (in %)

### PROPERTY TYPE / USE



Office



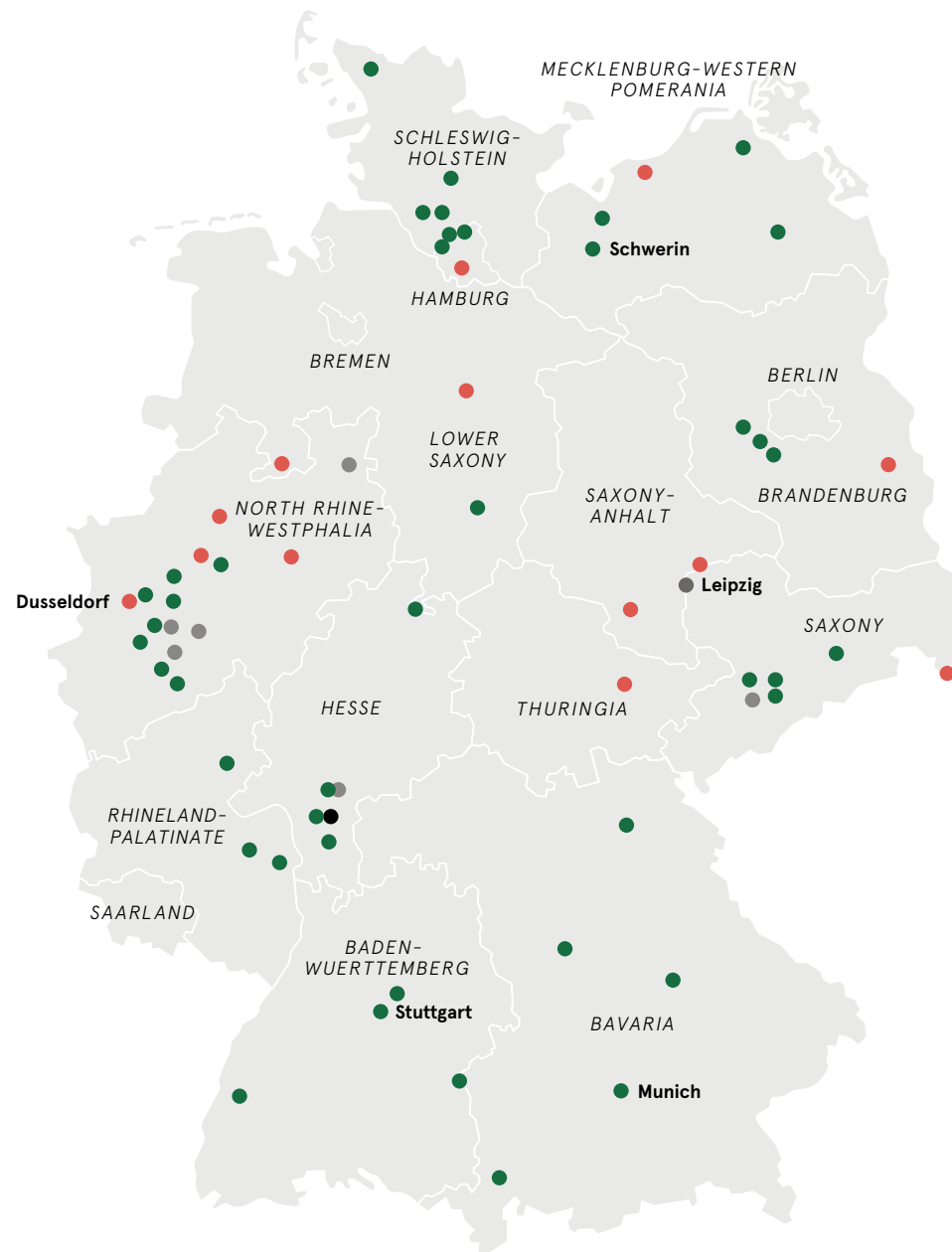
Retail



Other



Corporate locations

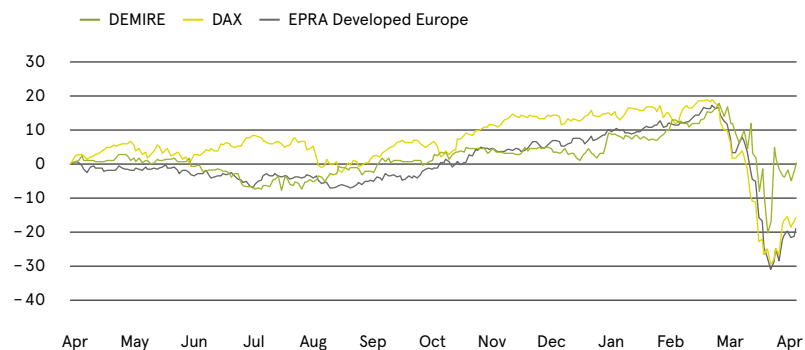


**DEMIRE ON THE CAPITAL MARKET****DEMIRE KEY SHARE DATA**

SHARE DATA	AS AT 31/03/2020
ISIN	DE000A0XFSFO
Symbol/Ticker	DMRE
Stock exchange	Frankfurt Stock Exchange (FSE); XETRA Open markets in Stuttgart, Berlin, Dusseldorf
Market segment	Regulated Market (Prime Standard)
Designated sponsors	BaaderBank, Pareto Securities AS
Share capital	EUR 107,777,324
Number of shares	107,777,324
Closing price 31/03/2020 (XETRA)	EUR 4.97
Ø daily trading volume 01/01/2020 – 31/03/2020	8,222
Market capitalisation	EUR 535.7 million
Free float < 3%	11.43%

**SHARE PRICE PERFORMANCE 01/04/2019 – 31/03/2020**

in %

**DEMIRE SHARES**

DEMIRE shares have outperformed the market since the beginning of the current year, as well as over the 12-month period. In the past 12 months ending on 31 March 2020, DEMIRE shares have performed positively, gaining 0.4 %, while at the same time the DAX 30 has lost 14.9 % and the EPRA/NAREIT Developed Europe sector index has lost 19.4 %. In the first three months of 2020, DEMIRE shares, with a loss of 7.3 %, also significantly outperformed the Dax 30 (-25.8 %) and EPRA/NAREIT Developed Europe (-27.0 %) indices.

DEMIRE's market capitalisation as at 31 March 2020 was approximately EUR 535.7 million.

During the remainder of the year, DEMIRE's management intends to maintain an active dialogue with shareholders through virtual and – to the extent possible – physical roadshows and investor conferences.

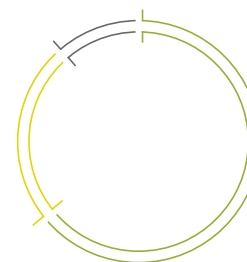
**SHAREHOLDER STRUCTURE**

DEMIRE's shareholder structure did not change in the first quarter of 2020. Apollo-managed funds and the Wecken Group continue to hold around 88.57 % of the shares; the free float is around 11.43 %.

**SHAREHOLDER STRUCTURE AS AT 31 MARCH 2020**

in %

- 64.07 Apollo (AEPF III 15 S. à r.l.)<sup>1,2</sup>
- 24.50 Wecken Group<sup>2</sup>
- 11.43 Freefloat (Shareholdings < 3%)



1 Incl. subsidiaries; 2 Acting in concert  
Source: WpHG announcements and own calculations



**DEMIRE BONDS****2019 / 2024 CORPORATE BOND**

<b>Name</b>	DEMIRE Senior Notes 2019 / 2024
<b>Issuer</b>	DEMIRE Deutsche Mittelstand Real Estate AG
<b>Rating</b>	Ba2 (Moody's), BB+ (S & P)
<b>Stock exchange listing / trading</b>	Open market of the Luxembourg Stock Exchange, Euro MTF
<b>Applicable law</b>	German law
<b>ISIN</b>	DE000A2YPAK
<b>WKN</b>	A2YPAK
<b>Nominal amount</b>	EUR 600,000,000
<b>Issue price</b>	99.407 % of nominal value
<b>Denomination</b>	EUR 100,000
<b>Coupon</b>	1.875 %
<b>Interest due dates</b>	On 15 April and 15 October, starting on 15 April 2020
<b>Maturity date</b>	15 October 2024
<b>Distribution</b>	Regulation S, excluding registration rights
<b>Redemption</b>	Non-Call Life (with three-month option for early redemption)
<b>Change of control</b>	At 101% plus accumulated and unpaid interest

**RATINGS FROM S & P AND MOODY'S**

In the summer of 2019, as part of their annual rating reviews, Standard & Poor's and Moody's rating agencies both reviewed and confirmed their assessments of DEMIRE as an issuer. These confirmations were reiterated after the issue of the 2019/2024 corporate bond in October 2019. The next routine review of the rating is scheduled for June 2020.

Rating assessments help DEMIRE increase its transparency through the independent assessment of its business activities. Over the medium term, DEMIRE aims to improve its risk profile to gain an "investment grade" rating so that it can finance its planned growth at more favourable conditions using capital market instruments.

**DEMIRE RATING – AS AT 31/03/2020**

RATING AGENCY	COMPANY		BOND
	RATING	OUTLOOK	RATING
Standard & Poor's	BB	Stable	BB+
Moody's	Ba2	Stable	Ba2

# Interim group management report for the reporting period from 1 January to 31 March 2020

## ECONOMIC REPORT

### BUSINESS PERFORMANCE

With the momentum of a very successful 2019 financial year, DEMIRE has started 2020 on a solid note and according to planning. The positive development of the key figures in all areas underscores once again the benefit of consistently implementing the “REALIZE POTENTIAL” strategy and forms a solid foundation for DEMIRE’s further medium-term growth based on a well-diversified portfolio. The purchase of a property in Frankfurt announced in December 2019 was completed in March 2020. Four smaller, non institutionalized properties were sold and transferred to the new owners at the beginning of the year.

DEMIRE was able to continue the prior-year’s positive development in the first quarter of 2020:

- Rental income increased by 20.9% year-on-year to EUR 22.0 million
- Funds from operations (FFO I, after taxes, before minorities) increased 7.7% to EUR 9.6 million
- Strong letting performance continued, reaching roughly 47,200 m<sup>2</sup>
- EPRA vacancy rate fell to 8.9%; WALT stabilised at 4.8 years
- Average property value increased to EUR 17.6 million (31 December 2019: EUR 16.5 million) from further streamlining of the portfolio
- Net loan-to-value ratio declined to 45.4%, remaining below target of 50%
- EPRA NAV per share (diluted) increased by 0.9% to EUR 6.38 per share in the first three months of 2020
- Available cash and cash equivalents amounted to EUR 85.5 million as at the reporting date, with no notable maturities until 2024

### IMPACT OF COVID-19 ON BUSINESS DEVELOPMENT

Significant effects on the business development of DEMIRE are not yet apparent in the figures for the first quarter of 2020. However, in March and following the reporting date, 68 tenants approached DEMIRE with requests for rent deferral. Due to the current uncertainty, on 9 April, DEMIRE withdrew its forecast for rental income and FFO for the 2020 financial year as a precaution. The impact of COVID-19 on the economy as a whole, and particularly the adoption at the end of March of this year of a regulation to mitigate the consequences of the corona pandemic, along with the potential for a temporary suspension in rental payments, cannot be conclusively assessed at this time.

Some of the developments occurring after the end of the reporting period, however, give us cause for cautious optimism. Numerous tenants have fulfilled their contractual obligations to pay rent despite notifying DEMIRE of the contrary. Total outstanding rental payments for April amounted to EUR 1.1 million and EUR 1.2 million for May, which amounts to EUR 2.3 million and is equivalent to roughly 2.6% of the current total annual gross rental income of EUR 89.9 million. The majority of tenants who have suspended their rental payments are retail tenants and hotels who have been affected by government-mandated business closures and business restrictions. Based on the mid-May reopening or now anticipated reopening of rental space, DEMIRE is assuming a normalisation in rental payments starting with June 2020. In addition, any unpaid rent thus far will need to be paid by June 2022. Unpaid rent is not considered a payment default, but instead a receivable. Consequently, the balance sheet item “trade receivables” increased in line with unpaid rent.

The Executive Board has also responded with a comprehensive package of internal and external measures, including measures to improve efficiency and safeguard liquidity. Liquidity amounted to EUR 85.5 million on 31 March 2020 and EUR 81.9 million on 30 April 2020, following the interest payment due on the 2019/2024 bond on 15 April. In 2020, there are no material loan maturities. Rather, the raising of further property loans from the extensive pool of currently unencumbered properties is being examined in order to actively take advantage of growth opportunities arising in this unusual situation. DEMIRE's stated goal remains to increase the value of the portfolio through active portfolio management and to grow further.

#### REAL ESTATE PORTFOLIO

As at 31 March 2020, the portfolio consisted of 87 commercial properties with lettable floor space of around 1,048 million square metres and a total market value of around EUR 1.5 billion. An external property valuation of the portfolio was not performed as at the reporting date.

The EPRA vacancy rate of the portfolio as at 31 March 2020 significantly improved again to a level of 8.9 % compared to 9.4 % as at 31 December 2019. The WALT at 31 March 2020 remained constant at 4.8 years versus yearend 2019. The WALT was maintained at a constant 4.8 years as at 31 March 2020 compared to the end of 2019. DEMIRE achieved letting performance of around 47,200 m<sup>2</sup> in the reporting period, roughly 80 % of which is attributable to new lettings and around 20 % to follow-on lettings. The letting performance includes one contract, that was signed after the reference date, but whose term started on 1 April 2020.

TOP 10 TENANTS (PER 31/03/2020)				
NO.	TENANT	TYPE OF USE	CONTRACTUAL RENT P.A.*	
			in EUR millions	in % of total
1	GMG/Dt. Telekom	Office	16.1	17.9
2	Imotex	Retail	5.4	6.0
3	GALERIA Karstadt Kaufhof	Retail	5.3	5.9
4	Bima Bundesanstalt für Immobilienaufgaben	Office	2.0	2.3
5	Roomers	Hotel	1.8	2.0
6	Sparkasse Südholstein	Office	1.7	1.9
7	ThyssenKrupp	Office	1.7	1.9
8	Momox GmbH	Logistics	1.7	1.9
9	HPI Germany	Hotel	1.5	1.6
10	Barmer	Office	1.2	1.3
<b>Sub total</b>			<b>38.5</b>	<b>42.8</b>
Other			51.5	57.2
<b>Total</b>			<b>89.9</b>	<b>100.0</b>

\*According to annualised contractual rent, excluding service charges

## PORTFOLIO BY ASSET CATEGORY

	NO. OF PROPERTIES	MARKET VALUE IN EUR MILLIONS	SHARE IN %	LETTABLE SPACE (IN THOUSAND M2)	VALUE / M2	CONTRACTUAL RENT IN EUR MILLIONS P.A.	CONTRACTUAL RENT PER M <sup>2</sup>	RENTAL YIELD IN %	EPRA VACANCY RATE IN %*	WALT IN YEARS
Office	60	968.5	63.2	610.7	1,585.9	53.9	8.43	5.6	12.1	3.7
Retail	19	404.4	26.4	243.5	1,661.2	27.6	10.13	6.8	2.1	6.3
Logistics & Other	8	158.4	10.3	193.7	817.6	8.4	4.20	5.3	7.2	7.0
<b>Total 31/03/2020</b>	<b>87</b>	<b>1,531.2</b>	<b>100</b>	<b>1,047.9</b>	<b>1,461.3</b>	<b>89.9</b>	<b>7.97</b>	<b>5.9</b>	<b>8.9</b>	<b>4.8</b>
<b>Total 31/12/2019</b>	<b>90</b>	<b>1,488.4</b>	<b>100</b>	<b>1,118.8</b>	<b>1,329</b>	<b>90.0</b>	<b>7.50</b>	<b>6.0</b>	<b>9.4</b>	<b>4.8</b>
Change in % / pp				-6.3%	+9.9%	-0.1%	+6.3%	-0.1 pp	-0.5 pp	-

\*Excluding properties held for sale

## NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

## RESULTS OF OPERATIONS

In the first three months of 2020, the DEMIRE Group generated rental income totaling EUR 22.0 million (previous year: EUR 18.2 million), an increase of 20.9% over the same prior-year period. Profit/loss from the rental of real estate increased to EUR 17.3 million (previous year: EUR 17.1 million), up 1.3% year-on-year. This increase stemmed mainly from the purchase of properties and rent increases, which were offset by the negative balance of utility and service charges compared to the previous year and the properties sold at the end of 2019 and the beginning of 2020. From the sale of these four non-strategic properties in the amount of EUR 5.7 million, DEMIRE realised a disposal loss of EUR 1.0 million, primarily attributable to costs related to the sale of the property in Eisenhüttenstadt.

General and administrative expenses fell to EUR 2.8 million in the first three months of 2020 (previous year: EUR 3.2 million), partly as a result of the efficiency measures launched in 2019 as part of the “REALIZE POTENTIAL”-strategy. Earnings before interest and taxes (EBIT) amounted to EUR 12.9 million (previous year: EUR 13.6 million) and, as in the same period in the prior year, an external valuation of the properties was not conducted as at the reporting date.

The effects of the refinancing activities carried out in 2019 were clearly reflected in the financial result, which amounted to EUR – 4.9 million in the first three months of 2020. This was equivalent to an improvement of EUR 1.6 million compared to the previous year’s figure of EUR – 6.5 million. Financial expenses fell by EUR 1.2 million from EUR – 5.9 million in the first three months of 2019 to EUR – 4.7 million in the reporting period following the issue of the 2019/2024 corporate bond, and minority interests fell to EUR – 0.4 million (previous year: EUR – 0.8 million). The average nominal interest rate on financial debt as at 31 March 2020 decreased by 4 basis points to a nominal 1.80% p.a. compared to the end of 2019.

Profit/loss before taxes (EBT) improved by 12.7% from EUR 7.1 million to EUR 8.0 million. Taking into account the year-on-year increase in tax expenses, the net profit/loss for the first quarter of 2020 was EUR 6.8 million, compared to EUR 6.6 million in the same period of the previous year.

## 011 Interim Group Management Report

## Net Assets, Financial Position and Results of Operations

<b>CONSOLIDATED STATEMENT OF INCOME</b> (Selected information in EUR thousands)	<b>01/01/2020</b> <b>- 31/03/2020</b>	<b>01/01/2019</b> <b>- 31/03/2019</b>	<b>CHANGE</b>	<b>IN %</b>
Rental income	22,047	18,239	3,808	20.9 %
Income from utility and service charges	8,458	7,217	1,241	17.2 %
Operating expenses to generate rental income	-13,207	-8,375	-4,832	57.7 %
<b>Profit/loss from the rental of real estate</b>	<b>17,298</b>	<b>17,081</b>	<b>217</b>	<b>1.3 %</b>
Income from the sale of real estate and real estate companies	5,658	0	5,658	-
Expenses relating to the sale of real estate and real estate companies	-6,691	-71	-6,619	>100 %
<b>Profit/loss from the sale of real estate and real estate companies</b>	<b>-1,033</b>	<b>-71</b>	<b>-961</b>	<b>&gt;100 %</b>
Profit/loss from fair value adjustments in investment properties	0	0	0	-
Impairment of receivables	-610	-61	-549	>100 %
Other operating income	302	48	253	>100 %
General and administrative expenses	-2,784	-3,184	400	-12.6 %
Other operating expenses	-302	-239	-63	26.5 %
<b>Earnings before interest and taxes</b>	<b>12,872</b>	<b>13,575</b>	<b>-702</b>	<b>-5.2 %</b>
Financial result	-4,891	-6,449	1,557	-24.1 %
<b>Profit/loss before taxes</b>	<b>7,981</b>	<b>7,126</b>	<b>855</b>	<b>12.0 %</b>
Current income taxes	-795	-42	-753	>100 %
Deferred taxes	-341	-441	99	-22.5 %
<b>Net profit/loss for the period</b>	<b>6,844</b>	<b>6,643</b>	<b>201</b>	<b>3.0 %</b>
-thereof attributable to parent company shareholders	6,169	5,828	341	5.9 %
Basic earnings per share (EUR)	0.06	0.05	0.01	14.5 %
Weighted average number of shares outstanding (in thousands)	107,777	107,777		
Diluted earnings per share (EUR)	0.06	0.05	0.01	13.9 %
Weighted average number of shares outstanding, diluted (in thousands)	108,287	108,287		

### NET ASSETS

As at 31 March 2020, total assets compared to the end of 2019 increased slightly by EUR 11.6 million to approximately EUR 1,689.1 million. This rise resulted mainly from the transfer of ownership of a property in Frankfurt, which was offset by the disposal of four smaller properties as well as the profit for the period. The value of investment properties amounted to EUR 1,510.2 million as at 31 March 2020, marking an increase of EUR 16.3 million, or 1.1%, compared with the value as at 31 December 2019. Non-current assets held for sale totaled EUR 38.1 million as at the reporting date and consist primarily of the three properties for which a purchase agreement was signed during the reporting period and a partial property in Darmstadt. The properties were reclassified from investment properties.

Group equity totaled approximately EUR 667.1 million as at 31 March 2020, which was higher compared to the level on 31 December 2019 (EUR 660.8 million) due to the profit for the period. Consequently, the equity ratio improved to 39.5% (31 December 2019: 39.4%). It should be noted that non-controlling minority interests in the amount of around EUR 79.0 million (31 December 2019: EUR 78.7 million) are carried as non-current liabilities and not as equity in accordance with IFRS, solely as a result of the legal form of Fair Value REIT's fund participations as partnerships. The corresponding adjusted Group equity totaled around EUR 746.1 million (31 December 2019: EUR 739.5 million).

Total financial liabilities amounted to EUR 789.0 million as at 31 March 2020 and, following the scheduled repayment of a loan, were reduced by EUR 18.0 million compared to their amount as at 31 December 2019 (EUR 807.0 million) as a result of a property sale.

## 013 Interim Group Management Report

## Net Assets, Financial Position and Results of Operations

<b>CONSOLIDATED BALANCE SHEET – ASSETS</b> (Selected information in EUR thousands)	<b>31/03/2020</b>	<b>31/12/2019</b>	<b>CHANGE</b>	<b>IN %</b>
<b>ASSETS</b>				
Total non-current assets	1,538,323	1,520,671	17,651	1.2 %
Total current assets	112,658	140,440	-27,782	-19.8 %
Assets held for sale	38,082	16,305	21,777	>100 %
<b>Total assets</b>	<b>1,689,062</b>	<b>1,677,416</b>	<b>11,646</b>	<b>0.7 %</b>
<b>CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES</b> (Selected information in EUR thousands)	<b>31/03/2020</b>	<b>31/12/2019</b>	<b>CHANGE</b>	<b>IN %</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Equity attributable to parent company shareholders	619,064	613,351	5,713	0.9 %
Non-controlling interests	48,006	47,431	574	1.2 %
<b>TOTAL EQUITY</b>	<b>667,069</b>	<b>660,782</b>	<b>6,287</b>	<b>1.0 %</b>
<b>LIABILITIES</b>				
Total non-current liabilities	911,603	911,587	16	0.0 %
Total current liabilities	110,390	105,046	5,343	5.1 %
<b>TOTAL LIABILITIES</b>	<b>1,021,993</b>	<b>1,016,633</b>	<b>5,360</b>	<b>0.5 %</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,689,062</b>	<b>1,677,416</b>	<b>11,646</b>	<b>0.7 %</b>

**FINANCIAL POSITION**

Cash flow from operating activities amounted to EUR 13.0 million in the first three months of 2020 (previous year: EUR 7.5 million). The change is due to the increase in liabilities for which provisions were recognised.

Cash flow from investing activities in the reporting period amounted to EUR –6.4 million. This was mainly the result of purchase price payments for the property in Frankfurt acquired in March, which were offset by the receipt of proceeds from the sale of the four properties.

In the first quarter of 2019, cash flow from investing activities amounted to EUR –1.1 million, as no purchases or sales were made.

Cash flow from financing activities fell to around EUR –23.2 million, compared to EUR –9.6 million in the same prior-year period, primarily due to the repayment of financial liabilities following sales.

Cash and cash equivalents amounted to EUR 85.5 million on 31 March 2020 (31 March 2019: EUR 187.2 million).

<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b> (Selected information in EUR thousands)	<b>01/01/2020 – 31/03/2020</b>	<b>01/01/2019 – 31/03/2019</b>	<b>CHANGE</b>
Cash flow from operating activities	12.985	7.500	5.485
Cash flow from investing activities	–6.410	–1.100	–5.310
Cash flow from financing activities	–23.234	–9.610	–13.624
<b>Net change in cash and cash equivalents</b>	<b>–16.659</b>	<b>–3.210</b>	<b>–13.449</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>85.479</b>	<b>187.231</b>	<b>101.752</b>

**FINANCIAL PERFORMANCE INDICATORS**

Funds from operations I (after taxes, before minorities), the key operating performance indicator, increased by 7.7% to EUR 9.6 million in the first three months of 2020, compared to EUR 8.9 million in the same period of the prior year. On a diluted basis, this corresponds to an FFO I per share of EUR 0.09, compared to EUR 0.08 in the same period of the prior year.



<b>FFO CALCULATION</b> (Selected information in EUR thousands)	<b>01/01/2020</b> <b>- 31/03/2020</b>	<b>01/01/2019</b> <b>- 31/03/2019</b>	<b>CHANGE</b>	<b>IN %</b>
Profit/loss before taxes	7,981	7,126	855	12.0%
Minority interests	413	849	- 437	- 51.4%
<b>Earnings before taxes (EBT)</b>	<b>8,394</b>	<b>7,975</b>	<b>418</b>	<b>5.2%</b>
± Profit/loss from the sale of real estate	1,033	71	961	>100%
± Profit/loss from fair value adjustment in investment properties	0	0	0	0
± Other adjustments*	996	927	69	7.4%
<b>FFO I before taxes</b>	<b>10,422</b>	<b>8,974</b>	<b>1,449</b>	<b>16.1%</b>
± (Current) income taxes	- 795	- 32	- 763	>100%
<b>FFO I after taxes</b>	<b>9,627</b>	<b>8,942</b>	<b>685</b>	<b>7.7%</b>
thereof attributable to parent company shareholders	8,537	7,274	1,263	17.4%
thereof attributable to non-controlling interests	1,090	1,668	- 578	- 34.6%
± Profit/loss from the sales of real estate companies / real estate (after taxes)	- 1,033	- 83	- 950	>100%
<b>FFO II after taxes</b>	<b>7,800</b>	<b>8,859</b>	<b>- 1,060</b>	<b>- 12.0%</b>
thereof attributable to parent company shareholders	6,314	7,187	- 873	- 12.1%
thereof attributable to non-controlling interests	1,486	1,672	- 186	- 11.1%
<b>FFO I after taxes per share</b>				
Basic FFO I per share (EUR)	0.09	0.08	0.01	7.7%
Weighted number of shares outstanding (in thousands)	107,777	107,777	0	0.0%
Diluted FFO I per share (EUR)	0.09	0.08	0.01	7.7%
Weighted number of shares outstanding (diluted; in thousands)	108,287	108,287	0	0.0%
<b>FFO II after taxes per share</b>				
Basic FFO II per share (EUR)	0.07	0.08	- 0.01	- 12.0%
Weighted number of shares outstanding (in thousands)	107,777	107,777	0	0.0%
Diluted FFO II per share (EUR)	0.07	0.08	- 0.01	- 12.0%
Weighted number of shares outstanding (diluted; in thousands)	108,287	108,287	0	0.0%

\* Other adjustments include:

- One-time refinancing costs and effective interest payments (EUR 0.7 million, prior-year: EUR 0.9 million)
- One-time transaction, legal and consulting fees (EUR 0.2 million, prior-year: EUR -0.1 million)
- One-time administrative costs (EUR 0.2 million, prior-year: EUR 0.1 million)
- Non-period expenses / income (EUR -0.1 million, prior-year: EUR 0.0 million)

**NET ASSET VALUE (NAV)**

The basic EPRA net asset value (EPRA NAV) increased by 0.9% from a level of EUR 613.4 million as at 31 December 2019 to EUR 619.1 million as at 31 March 2020. On a per share basis, basic EPRA NAV amounted to EUR 6.40 per share on the reporting date (31 December 2019: EUR 6.35 per share).

<b>EPRA NET ASSET VALUE (NAV)</b> in EUR thousands	<b>31/03/2020</b>	<b>31/12/2019</b>	<b>CHANGE</b>	<b>IN %</b>
Net asset value (NAV)	619,064	613,351	5,713	0.9%
Deferred taxes	75,860	75,518	342	0.5%
Goodwill resulting from deferred taxes	- 4,738	- 4,738	0	0.0%
<b>EPRA NAV (basic)</b>	<b>690,185</b>	<b>684,131</b>	<b>6,054</b>	<b>0.9%</b>
No. of shares outstanding (basic; in thousands)	107,777	107,777	0	0.0%
EPRA NAV per share (EUR) (basic)	6.40	6.35	0.05	0.9%
Effect of the exercise of convertible bonds and other equity instruments	510	510	0	0.0%
EPRA NAV (diluted)	690,695	684,641	6,054	0.9%
No. of shares outstanding (diluted; in thousands)	108,287	108,287	0	0.0%
<b>EPRA NAV PER SHARE (EUR) (DILUTED)</b>	<b>6.38</b>	<b>6.32</b>	<b>0.06</b>	<b>0.9%</b>

**NET LOAN-TO-VALUE RATIO**

The net loan-to-value ratio of the DEMIRE Group is defined as the ratio of net financial liabilities to the carrying amount of investment properties and non-current assets held for sale. The net loan-to-value ratio decreased slightly from 46.7% at the end of 2019 to 45.4% as at 31 March 2020 and remained below the target level of 50%.

<b>NET LOAN-TO-VALUE (NET LTV)</b> in EUR millions	<b>31/03/2020</b>	<b>31/12/2019</b>
Financial liabilities	789.0	807.0
Cash and cash equivalents	85.5	102.1
<b>Net financial debt</b>	<b>703.5</b>	<b>704.8</b>
<b>Fair value of investment properties and non-current assets held for sale</b>	<b>1,548.3</b>	<b>1,510.2</b>
<b>Net LTV in %</b>	<b>45.4%</b>	<b>46.7%</b>

**COVENANTS FOR THE 2019 / 2024 CORPORATE BOND**

Within the scope of issuing the 2019/2024 corporate bond, DEMIRE undertook to comply with and regularly report on various covenants. A description of the covenants to be reported on are listed in the offering prospectus for the 2019/2024 corporate bond.

<b>BOND COVENANTS 31/03/2020</b>	<b>NET LTV</b>	<b>NET SECURED LTV</b>	<b>ICR</b>
Covenant	max. 60 %	max. 40 %	min. 1.75*
Value	44.1 %	6.7 %	3.07

\*As from 31 March 2021: 2.00

As at 31 March 2020, DEMIRE had complied with all covenants for the 2019/2024 bond. In addition, the planning for 2020 and beyond assumes that the covenants will also be complied with at all times in the future.

## REPORT ON RISKS AND OPPORTUNITIES

With regard to the risks of future business development, reference is made to the disclosures in the risk report contained in the consolidated financial statements as at 31 December 2019. In the first quarter of 2020, there were no material changes to the Group's risk structure; nevertheless, the following additions are required in connection with COVID-19:

### GENERAL MARKET RISK

COVID-19 and the extensive measures taken as a result have led to a considerable impairment of the overall economic situation and development in Germany as well as globally. In their spring 2020 reports, leading economic research institutes are now assuming that the likely scenario will be a fall in the gross domestic product of the Federal Republic of Germany in 2020 of at least 4.2%. The resulting consequences for the real estate industry are expected to occur, above all, in the submarkets for hotel and retail properties.

### TENANT DEFAULT RISK

The aforementioned regulation to mitigate the consequences of the corona pandemic gives tenants the option to suspend their rental payments for a limited period and make these payments at a later date. Some tenants made use of this possibility in April and May and may continue to do so in the future. Depending on the duration and extent of the pandemic, it should be expected that some tenants will be unable to meet all or part of their payment obligations due to insolvency. As a result, bad debt losses in the current financial year may be higher.

### LETTING RISK

Letting risk could also increase due to the consequences of COVID-19. Depending on the economic effects, follow-on and new lettings may become a more difficult and lengthy process for submarkets, which could lead to an increase in the vacancy rate.

#### VALUATION RISK:

The consequences of COVID-19 could also have an effect on the real estate transaction market as well as on the development of interest rates. Consequently, a negative influence on the valuation of real estate cannot be ruled out from the application of higher interest rates or a change in the assumptions for market rents, vacancy periods and lease terms, among others. Reliable forecasts in terms of the amount and scope of the valuation effects are not currently possible.

The risks are reviewed on a continual basis as part of a structured process.

#### SUBSEQUENT EVENTS

No individual reportable events occurred after the reporting date. Due to the COVID-19 pandemic, some tenants exercised their right to defer rental payments due in April and May. For more information, please refer to the report on the business performance.

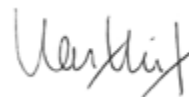
#### OUTLOOK

In light of the current developments in connection with COVID-19, DEMIRE is assuming the possibility that there may be a negative impact on the revenue and earnings situation. The Company expects some tenants in the period from April to June 2020 to partially reduce or completely suspend their rental payments if they have not already. Even if the extent of the rent losses to date appears to be low in relation to the total volume, it is not yet possible to assess with sufficient certainty the recoverability of the receivables from deferred rents or to predict the sustainability of the relaxation of official restrictions and their economic effects.

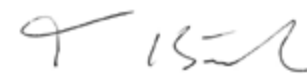
At this point in time, DEMIRE is refraining from publishing an outlook for the 2020 financial year for reasons of commercial prudence. DEMIRE will publish an outlook as soon as the impact of COVID-19 on the DEMIRE business model can be tangibly assessed and with sufficient reliability.

Frankfurt/Main, 19 May 2020

DEMIRE Deutsche Mittelstand Real Estate AG



**Ingo Hartlief FRICS**  
(Chief Executive Officer)



**Tim Brückner**  
(Chief Financial Officer)



# 9.6

**FFO I (after taxes,  
before minorities)**

in EUR millions

in the first quarter of 2020



# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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## **U03 DISCLAIMER AND IMPRINT**

**CONSOLIDATED STATEMENT OF INCOME**

For the reporting period from 1 January to 31 March 2020

in EUR thousands	NOTE	01/01/2020 -31/03/2020	01/01/2019 -31/03/2019
Rental income		22,047	18,239
Income from utility and service charges		8,458	7,217
Operating expenses to generate rental income		-13,207	-8,375
<b>Profit/loss from the rental of real estate</b>		<b>17,298</b>	<b>17,081</b>
Income from the sale of real estate and real estate companies		5,658	0
Expenses relating to the sale of real estate and real estate companies		-6,691	-71
<b>Profit/loss from the sale of real estate and real estate companies</b>		<b>-1,033</b>	<b>-71</b>
Profit/loss from fair value adjustments in investment properties		0	0
Impairment of receivables		-610	-61
Other operating income		302	48
General and administrative expenses*		-2,784	-3,184
Other operating expenses*		-302	-239
<b>Earnings before interest and taxes</b>	<b>D 1</b>	<b>12,872</b>	<b>13,575</b>
Financial income		208	262
Financial expenses		-4,686	-5,861
Interests of minority shareholders		-413	-849
<b>Financial result</b>	<b>D 2</b>	<b>-4,891</b>	<b>-6,449</b>
<b>Profit/loss before taxes</b>		<b>7,981</b>	<b>7,126</b>
Current income taxes		-795	-42
Deferred taxes		-341	-441
<b>Net profit/loss for the period</b>		<b>6,844</b>	<b>6,643</b>
thereof attributable to:			
<b>Non-controlling interests</b>		<b>676</b>	<b>816</b>
<b>Parent company shareholders</b>		<b>6,169</b>	<b>5,828</b>
Basic earnings per share	D 2	0.06	0.05
Diluted earnings per share	D 2	0.06	0.05

\*Prior-year figures have been adjusted due to changes in classification.



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the reporting period from 1 January to 31 March 2020

in EUR thousands	01/01/2020 -31/03/2020	01/01/2019 -31/03/2019
<b>Net profit/loss for the period</b>	6,844	6,643
<b>Other comprehensive income</b>	0	0
<b>Total comprehensive income</b>	6,844	6,643
thereof attributable to:		
<b>Non-controlling interests</b>	676	816
<b>Parent company shareholders</b>	6,169	5,828

**CONSOLIDATED BALANCE SHEET**

As at 31 March 2020

<b>ASSETS</b> in EUR thousands	NOTE	31/03/2020	31/12/2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets		6,881	6,881
Property, plant and equipment		447	446
Investment properties	E 1	1,510,182	1,493,912
Other assets		20,812	19,433
<b>Total non-current assets</b>		<b>1,538,323</b>	<b>1,520,671</b>
<b>Current assets</b>			
Trade accounts receivable		9,828	6,261
Other receivables		15,821	30,510
Tax refund claims		1,530	1,530
Cash and cash equivalents		85,479	102,139
<b>Total current assets</b>		<b>112,658</b>	<b>140,440</b>
<b>Non-current assets held for sale</b>		<b>38,082</b>	<b>16,305</b>
<b>TOTAL ASSETS</b>		<b>1,689,062</b>	<b>1,677,416</b>

<b>EQUITY AND LIABILITIES</b> in EUR thousands	NOTE	31/03/2020	31/12/2019
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Subscribed capital		107,777	107,777
Reserves		511,286	505,574
<b>Equity attributable to parent company shareholders</b>		<b>619,064</b>	<b>613,351</b>
Non-controlling interests		48,006	47,431
<b>TOTAL EQUITY</b>		<b>667,069</b>	<b>660,782</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities		75,860	75,518
Minority interests		79,031	78,682
Financial liabilities	E 2	737,301	737,832
Lease liabilities		18,639	18,717
Other liabilities		772	837
<b>Total non-current liabilities</b>		<b>911,603</b>	<b>911,587</b>
<b>Current liabilities</b>			
Provisions		2,263	2,204
Trade payables		12,013	10,041
Other liabilities		38,332	18,223
Tax liabilities		5,646	4,948
Financial liabilities	E 2	51,655	69,137
Lease liabilities		481	492
<b>Total current liabilities</b>		<b>110,390</b>	<b>105,046</b>
<b>TOTAL LIABILITIES</b>		<b>1,021,993</b>	<b>1,016,633</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,689,062</b>	<b>1,677,416</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the reporting period from 1 January to 31 March 2020

in EUR thousands	01/01/2020 -31/03/2020	01/01/2019 -31/03/2019
<b>Group profit/ loss before taxes</b>	<b>7,981</b>	<b>7,126</b>
Financial expenses	4,686	5,861
Financial income	-208	-262
Interests of minority shareholders	413	849
Change in trade accounts receivable	-4,176	-4,592
Change in other receivables and other assets	-2,551	-235
Change in provisions	59	498
Change in trade payables and other liabilities	5,231	-1,959
Expenses relating to the sale of real estate and real estate companies	1,033	71
Income taxes paid	-97	-36
Change in reserves	0	3
Depreciation and amortisation and impairment	657	98
Other non-cash items	-43	76
<b>Cash flow from operating activities</b>	<b>12,985</b>	<b>7,500</b>
Payments for investments in investment properties and property, plant and equipment	-52,412	-1,100
Payments for investments in investment properties and acquisition of interests in fully consolidated companies, less net cash acquired	-65	-15
Proceeds from the sale of real estate	46,067	0
<b>Cash flow from investing activities</b>	<b>-6,410</b>	<b>-1,100</b>
Proceeds from the issuance of financial liabilities	0	6,671
Interest paid on financial liabilities	-1,301	-7,443
Payments for the purchase of additional interests in subsidiaries	-25	0
Payments for the redemption of financial liabilities	-21,908	-8,838
<b>Cash flow from financing activities</b>	<b>-23,234</b>	<b>-9,610</b>
<b>Net change in cash and cash equivalents</b>	<b>-16,659</b>	<b>-3,210</b>
Cash and cash equivalents at the start of the period	102,139	190,442
<b>Cash and cash equivalents at the end of the period</b> (Thereof restricted cash: EUR 0 thousand; 31 March 2019: EUR 0 thousand)	<b>85,479</b>	<b>187,231</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the reporting period from 1 January to 31 March 2020

in EUR thousands	SHARE CAPITAL	RESERVES			NON-CON-TROLLING INTERESTS	TOTAL EQUITY
	SUBSCRIBED CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS INCL. GROUP PROFIT / LOSS	EQUITY ATTRIBUTABLE TO PARENT COMPANY SHARE-HOLDERS		
<b>01/01/2020</b>	<b>107,777</b>	<b>129,852</b>	<b>375,722</b>	<b>613,351</b>	<b>47,431</b>	<b>660,782</b>
Net profit/loss for the period	0	0	6,169	6,169	676	6,844
Other comprehensive income	0	0	0	0	0	0
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>6,169</b>	<b>6,169</b>	<b>676</b>	<b>6,844</b>
Other changes	0	0	- 456	- 456	- 102	- 558
<b>31/03/2020</b>	<b>107,777</b>	<b>129,852</b>	<b>381,435</b>	<b>619,064</b>	<b>48,006</b>	<b>667,069</b>
<b>01/01/2019</b>	<b>107,777</b>	<b>129,848</b>	<b>300,288</b>	<b>537,914</b>	<b>44,425</b>	<b>582,339</b>
Net profit/loss for the period	0	0	5,828	5,828	816	6,643
Other comprehensive income	0	0	0	0	0	0
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>5,828</b>	<b>5,828</b>	<b>816</b>	<b>6,643</b>
Stock option programme	0	4	0	4	0	4
Other changes	0	0	- 1	- 1	0	- 1
<b>31/03/2019</b>	<b>107,777</b>	<b>129,852</b>	<b>306,115</b>	<b>543,744</b>	<b>45,241</b>	<b>588,985</b>

# Notes to the consolidated financial statements for the reporting period from 1 January to 31 March 2020

## A. GENERAL INFORMATION

### 1. BASIS OF PREPARATION

DEMIRE Deutsche Mittelstand Real Estate AG (“DEMIRE AG”) is recorded in the commercial register in Frankfurt/Main, Germany, the location of the Company’s headquarters, under the number HRB 89041. The Company’s registered office is located in Frankfurt/Main and the business address is Robert-Bosch-Strasse 11, Langen, Germany. The Company’s shares are listed in the Prime Standard segment of the Frankfurt Stock Exchange. The subject of these condensed interim consolidated financial statements as at 31 March 2020 is DEMIRE AG and its subsidiaries (“DEMIRE”).

DEMIRE itself has not carried out any investments in real estate or real estate projects to date. Investments are generally processed through real estate companies. Interests in these real estate companies are either directly or indirectly held by DEMIRE (through intermediate holding companies). DEMIRE focuses on the German commercial real estate market and is active as an investor in and portfolio manager of secondary locations. DEMIRE itself carries out the acquisition, management and leasing of commercial properties. Value appreciation is to be achieved through active real estate management. This may also include the targeted sale of properties when they are no longer a strategic fit or have exhausted their potential for value appreciation.

The condensed interim consolidated financial statements for the period 1 January through 31 March 2020 were prepared in accordance with the requirements of IAS 34 “Interim Financial Reporting” (“IAS 34”). This report has not been audited and, for this reason, does not contain an auditor’s opinion.

The condensed interim consolidated financial statements of DEMIRE AG were prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), as applicable in the European Union (EU), pursuant to Section 315e of the German Commercial Code (HGB). All International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations of the IFRS Interpretations Committee (IFRS IC) – formerly the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) – that were mandatory for the 2020 fiscal year have been taken into consideration. Furthermore, all disclosure and explanation requirements under German law above and beyond the provisions of the IASB have been fulfilled.

Under IAS 34, the condensed interim consolidated financial statements shall represent an update of the last financial year financial statements and, therefore, do not contain all of the information and disclosures required for consolidated financial statements but rather concentrate on new activities, events and circumstances so as not to repeat information that has already been reported. The condensed interim consolidated financial statements of DEMIRE AG as at 31 March 2020 should therefore be viewed in conjunction with the consolidated financial statements prepared as at 31 December 2019.

The euro (EUR) is the reporting currency of the DEMIRE AG condensed interim consolidated financial statements. Unless otherwise stated, all amounts are expressed in thousands of euros (EUR thousands). For computational reasons, rounding differences of  $\pm$  one unit (EUR, % etc.) may occur in the information presented in these financial statements.

These DEMIRE AG condensed interim consolidated financial statements were approved for publication by a resolution of the Executive Board on 19 May 2020.

## B. SCOPE AND PRINCIPLES OF CONSOLIDATION

There were no changes to the scope of consolidation in the first quarter of 2020.

## C. ACCOUNTING POLICIES

The accounting policies applied to the interim consolidated financial statements presented are the same as those applied to the consolidated financial statements as at 31 December 2019. There were no material changes in estimates compared to those in the consolidated financial statements as at 31 December 2019.

The first-time application of the amendments to the framework regulations IAS 1, IAS 8, IFRS 9, IAS 39, IFRS 7 and IFRS 3 have no material effect on the consolidated financial statements of DEMIRE.

## D. NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

### 1. EARNINGS BEFORE INTEREST AND TAXES

in EUR thousands	01/01/2020 –31/03/2020	01/01/2019 –31/03/2019
Rental income	22,047	18,239
Income from utility and service charges	8,458	7,217
<b>Rental revenue from real estate</b>	<b>30,506</b>	<b>25,456</b>
Allocable operating expenses to generate rental income	-9,602	-8,240
Non-allocable operating expenses to generate rental income	-3,605	-135
<b>Operating expenses to generate rental income</b>	<b>-13,207</b>	<b>-8,375</b>
<b>Profit/ loss from the rental of real estate</b>	<b>17,298</b>	<b>17,081</b>

Rental revenue in the interim reporting period resulted exclusively from the rental of commercial real estate and is free from seasonal effects.

The increase in rental revenue from real estate to EUR 30,506 thousand (1Q 2019: EUR 25,456 thousand) is primarily due to the addition of the office portfolio acquired in the second quarter of 2019, the addition of the department stores acquired in July 2019 and the addition of the distribution centre in Neuss acquired in the fourth quarter of 2019. The EUR 1,241 thousand increase in income from utility and service charges is the result of higher cost allocations.

Operating expenses amounting to EUR 3,605 thousand (1Q 2019: EUR 135 thousand) are non-allocable. The increase in operating expenses results primarily from property maintenance costs of EUR 1,807 thousand (1Q 2019: EUR 1,256 thousand)

and non-capitalised expenses for tenant improvements of EUR 1,126 thousand (1Q 2019: 0). The rise in non-allocable operating expenses resulted from additions of new properties as of the second quarter of 2019. The additions included a non-deductible input tax of EUR 392 thousand, specifically related to the property in Bad Vilbel, as well as rental commissions of EUR 323 thousand. A further contributor to the rise in non-allocable operating expenses were lower one-off costs in the prior year for the new property manager.

Earnings before interest and taxes of EUR 12,872 thousand (1Q 2019: EUR 13,575 thousand) were lower than in the same prior-year period, primarily due to the loss of EUR 1,033 thousand from the sale of real estate (1Q 2019: EUR 71 thousand) and higher impairments of receivables of EUR 610 thousand (1Q 2019: EUR 61 thousand). The loss from the sale of real estate resulted primarily from selling expenses of EUR 823 thousand incurred in connection with the sale of the property in Eisenhüttenstadt. Impairments of receivables of EUR 610 thousand (1Q 2019: EUR 61 thousand) relate primarily to two tenants of retail properties that are subject to so-called protective shielding and insolvency proceedings.

As at the 31 March 2020 reporting date, no revaluation of investment properties was carried out, as was the case at the previous year's reporting date.

Earnings before interest and taxes were positively affected by the slight decline in general and administrative expenses to EUR 2,784 thousand (1Q 2019: EUR 3,184 thousand). The decline in general and administrative expenses over the comparable prior-year period resulted primarily from a decrease of EUR 174 thousand in legal and consulting fees.



## 2. FINANCIAL RESULT

in EUR thousands	01/01/2020 -31/03/2020	01/01/2019 -31/03/2019
Financial income	208	262
Financial expenses	-4,686	-5,861
Interests of minority shareholders	-413	-849
<b>Financial result</b>	<b>-4,891</b>	<b>-6,449</b>

The improvement in the financial result stemmed, above all, from the refinancing of the 2017/2021 corporate bond and promissory note in Q3 2019, which led to lower financial expenses.

The interests of minority shareholders amounting to EUR 413 thousand (1Q 2019: EUR 849 thousand) concerns minority shareholder's profits in the Fair Value REIT-AG subsidiaries recorded as liabilities under IFRS. The year-on-year decline resulted primarily from higher maintenance expenses for properties held by these subsidiaries, as well as from selling expenses related to the property in Eisenhüttenstadt.

	01/01/2020 -31/03/2020	01/01/2019 -31/03/2019
<b>Net profit/loss for the period (in EUR thousands)</b>	<b>6,844</b>	<b>6,643</b>
Profit/loss for the period less non-controlling interests	6,169	5,828
Net profit/loss for the period less non-controlling interests (diluted)	6,169	5,828
<b>Number of shares (in thousand units)</b>		
Number of shares outstanding as at the reporting date	107,777	107,777
Weighted average number of shares outstanding	107,777	107,777
Impact of subscription rights from the 2015 Stock Option programme	510	510
Weighted average number of shares (diluted)	108,287	108,287
<b>Earnings per share (in EUR)</b>		
Basic earnings per share	0.06	0.05
Diluted earnings per share	0.06	0.05

As at 31 March 2020, the Company had potential ordinary shares outstanding from the 2015 stock option programme that entitle the owners to subscribe to 510,000 shares.

There was no change in the number of shares outstanding in the first quarter of 2020 compared to the level as at 31 December 2019.

Earnings per share were higher compared to the same prior-year period due to the improvement in the financial result.

## E. NOTES TO THE CONSOLIDATED BALANCE SHEET

### 1. INVESTMENT PROPERTIES

Investment properties are measured at fair value. The fair values during the interim reporting period developed as follows:

in EUR thousands	2020	OFFICE	RETAIL	LOGISTICS	OTHER
<b>Fair value as at 01/01/2020</b>	<b>1,493,912</b>	<b>968,450</b>	<b>420,609</b>	<b>71,200</b>	<b>33,652</b>
Additions	43,910	771	463	3	42,674
Reclassifications to non-current assets held for sale	-27,640	-140	-27,500	0	0
<b>Fair value as at 31/03/2020</b>	<b>1,510,182</b>	<b>969,081</b>	<b>393,572</b>	<b>71,203</b>	<b>76,326</b>

Additions to investment properties consist primarily of the remaining purchase price of the hotel in Frankfurt am Main acquired in the 2019 financial year. The transfer of benefits and obligations took place in the first quarter of 2020.

During the reporting period, properties with a value of EUR 27,640 thousand were reclassified to the item "Non-current assets held for sale". This relates primarily to the transfer of benefits and obligations for a property in Eisenhüttenstadt on 1 April 2020.

The fair value measurement of investment properties is allocated to Level 3 of the valuation hierarchy in accordance with IFRS 13 (measurement based on unobservable input factors). DEMIRE determines fair values within the framework of IAS 40 accounting.

No revaluation of investment properties was performed as of the reporting date of 31 March 2020.

### 2. FINANCIAL LIABILITIES

Financial liabilities as at 31 March 2020 consisted of the following:

FINANCIAL LIABILITIES in EUR thousands	FIXED INTEREST	VARIABLE INTEREST	TOTAL
2019 / 2024 corporate bond	590,501	0	590,501
Other financial liabilities	174,295	24,160	198,455
<b>Total</b>	<b>764,796</b>	<b>24,160</b>	<b>788,956</b>

Financial liabilities as at 31 December 2019 consisted of the following:

FINANCIAL LIABILITIES in EUR thousands	FIXED INTEREST	VARIABLE INTEREST	TOTAL
2019 / 2024 corporate bond	590,024	0	590,024
Other financial liabilities	192,321	24,624	216,945
<b>Total</b>	<b>782,345</b>	<b>24,624</b>	<b>806,969</b>

The following table shows the nominal value of financial liabilities as at 31 December 2019:

FINANCIAL LIABILITIES in EUR thousands	FIXED INTEREST	VARIABLE INTEREST	TOTAL
2019 / 2024 corporate bond	600,000	0	600,000
Other financial liabilities	175,021	24,160	199,181
<b>Total</b>	<b>775,021</b>	<b>24,160</b>	<b>799,181</b>

The following table shows the nominal value of financial liabilities as at 31 December 2019:

<b>FINANCIAL LIABILITIES</b> in EUR thousands	<b>FIXED INTEREST</b>	<b>VARIABLE INTEREST</b>	<b>TOTAL</b>
2019/2024 corporate bond	600,000	0	600,000
Other financial liabilities	191,047	24,624	215,671
<b>Total</b>	<b>791,047</b>	<b>24,624</b>	<b>815,671</b>

The difference between the carrying amounts of financial liabilities and their nominal values is due to the subsequent measurement of financial liabilities at amortised cost using the effective interest method in accordance with IFRS 9.

Bank loans with variable interest rates are subject to interest on the basis of EURIBOR plus a corresponding margin.

The nominal interest rate of the 2019/2024 corporate bond is 1.875 % p.a. Other financial liabilities comprise mainly financial liabilities to banks at a weighted average nominal interest rate of 1.58 % p.a. as at 31 March 2020 (31 December 2019: 1.74 % p.a.). The average nominal interest rate on all financial liabilities was 1.80 % p.a. as of 31 March 2020 (31 December 2019: 1.84 % p.a.).

The decline in other financial liabilities in the interim reporting period is due in particular to the repayment of two loans, which were repaid from the proceeds from the sales of the property in Eisenhüttenstadt.

## F. CONDENSED GROUP SEGMENT REPORTING

<b>01/01/2020 – 31/03/2020</b> in EUR thousands	<b>CORE PORTFOLIO</b>	<b>FAIR VALUE REIT</b>	<b>CORPORATE FUNCTIONS / OTHERS</b>	<b>GROUP</b>
<b>Total revenues</b>	<b>28,398</b>	<b>7,766</b>	<b>0</b>	<b>36,164</b>
<b>Segment revenues</b>	<b>28,640</b>	<b>7,811</b>	<b>15</b>	<b>36,465</b>
<b>Segment expenses</b>	<b>-16,072</b>	<b>-5,634</b>	<b>-1,887</b>	<b>-23,593</b>
<b>Net profit/loss for the period</b>	<b>8,125</b>	<b>1,138</b>	<b>-2,418</b>	<b>6,844</b>
<b>Additional information</b>				
<b>Segment assets 31/03/2020</b>	<b>1,275,821</b>	<b>356,453</b>	<b>56,788</b>	<b>1,689,062</b>
thereof tax refund claims	97	7	1,426	1,530
thereof additions to investment properties	43,857	54	0	43,910
thereof non-current assets held for sale	10,462	27,620	0	38,082
<b>Segment liabilities 31/03/2020</b>	<b>809,799</b>	<b>206,646</b>	<b>5,548</b>	<b>1,021,993</b>
thereof non-current financial liabilities	690,792	46,509	0	737,301
thereof current financial liabilities	21,007	30,648	0	51,655
thereof lease liabilities	19,076	0	44	19,120
thereof tax liabilities	3,138	0	2,509	5,646

01/01/2019 – 31/03/2019 in EUR thousands	CORE PORTFOLIO	FAIR VALUE REIT	CORPORATE FUNCTIONS/ OTHERS	GROUP
<b>Total revenues</b>	<b>18,017</b>	<b>7,439</b>	<b>0</b>	<b>25,456</b>
<b>Segment revenues</b>	<b>18,032</b>	<b>7,453</b>	<b>20</b>	<b>25,504</b>
<b>Segment expenses</b>	<b>-6,004</b>	<b>-4,070</b>	<b>-1,856</b>	<b>-11,930</b>
<b>Net profit/loss for the period</b>	<b>6,556</b>	<b>1,787</b>	<b>-1,700</b>	<b>6,643</b>
<b>Additional information</b>				
<b>Segment assets 31/12/2019</b>	<b>1,242,695</b>	<b>356,543</b>	<b>78,178</b>	<b>1,677,416</b>
thereof tax refund claims	97	7	1,426	1,530
thereof additions to investment properties*	303,509	695	0	304,204
thereof non-current assets held for sale	15,637	668	0	16,305
<b>Segment liabilities 31/12/2019</b>	<b>811,543</b>	<b>199,429</b>	<b>5,661</b>	<b>1,016,633</b>
thereof non-current financial liabilities	691,195	46,637	0	737,832
thereof current financial liabilities	18,186	50,951	0	69,137
thereof lease liabilities	19,150	0	59	19,209
thereof tax liabilities	3,145	0	1,803	4,948

\* Prior-year figures were adjusted

The segmentation of the data in the financial statements is based on the internal alignment according to strategic business segments pursuant to IFRS 8. The segment information provided represents the information to be reported to the Executive Board.

The DEMIRE Group is divided into the two reportable business segments “Core Portfolio” and “Fair Value REIT”.

More than 10% of total revenue, or EUR 5,464 thousand (1Q 2019: EUR 5,582 thousand), was generated with one customer in the “Core Portfolio” segment in the interim reporting period.

## G. OTHER DISCLOSURES

### 1. RELATED PARTY DISCLOSURES

There have been no material changes to the related party disclosures as compared to 31 December 2019. There have been no business transactions with members in key Company positions during the reporting period, except for the compensation of the Executive Board mentioned in section G.5.

### 2. FINANCIAL INSTRUMENTS

The carrying amounts of the following financial instruments carried at cost or amortised cost do not correspond to their fair values:

in EUR thousands	31/03/2020		31/12/2019	
	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT
Bonds	518,994	590,501	611,046	590,024
Other financial liabilities	182,550	198,455	217,682	216,945

**3. RISK REPORT**

With regard to risks to future business development, please refer to the disclosures made in the risk report contained in the consolidated financial statements as at 31 December 2019. Apart from the presence of COVID-19, there were no significant changes in the Group's risk structure up to the end of the first quarter of 2020. The tenant default risk depends on the duration and extent of the pandemic; however, the expectation is that some of the tenants will not be able to meet their payment obligations in full or in part due to insolvency. As a result, bad debt losses could be higher in the current financial year.

For a general overview of the risks, please refer to the report on risks and opportunities.

**4. OTHER DISCLOSURES**

Financial obligations of EUR 5,000 thousand as at 31 March 2020 exist from purchase agreements for properties and real estate companies.

As at 31 March 2020, obligations for modification and expansion measures as well as maintenance and modernisation work on the properties totalled EUR 24,005 thousand (1Q 2019: EUR 3,247 thousand). These are predetermined in terms of their scope.

Order commitments for maintenance, modernisation, modification and extension measures commissioned amounted to EUR 5,680 thousand as at the interim reporting date (1Q 2019: EUR 517 thousand).

As at 31 March 2020, the Group had obligations for future leasehold payments, which the Group cannot avoid, in the amount of EUR 17,463 thousand (1Q 2019: EUR 0), of which EUR 353 thousand (1Q 2019: EUR 0) are attributable to the current portion of obligations due within one year.

**5. GOVERNING BODIES AND EMPLOYEES**

In accordance with the DEMIRE AG Articles of Association, the Executive Board is responsible for managing business activities.

The members of the Executive Board during the interim reporting period and in the comparable prior-year period were

- Ingo Hartlief (Chief Executive Officer since 20 December 2018)
- Tim Brückner (Chief Financial Officer since 1 February 2019)
- Ralf Kind (CEO / CFO until 3 January 2019)

For the interim reporting period, performance-based remuneration of EUR 90 thousand (1Q 2019: EUR 60 thousand), fixed remuneration of EUR 156 thousand (1Q 2019: EUR 128 thousand) and share-based payments of EUR 41 thousand (1Q 2019: EUR 33 thousand) were recognised for the DEMIRE AG Executive Board.

There were no loans or advances granted to Executive Board members, and no contingencies were assumed for their benefit.

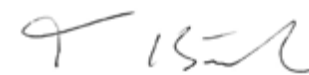
**6. EVENTS OCCURRING AFTER THE 31 MARCH 2020 INTERIM REPORTING DATE**

No events of particular significance to the net assets, financial position and results of operations of DEMIRE occurred after the interim reporting date.

Frankfurt/Main, 19 May 2020



**Ingo Hartlief FRICS**  
(CEO)



**Tim Brückner**  
(CFO)

## RESPONSIBILITY STATEMENT

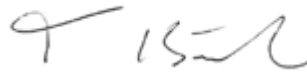
As the Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG, we affirm to the best of our knowledge that, in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the Group's net assets, financial position and results of operations and that the group management report gives a true and fair view of the Group's business performance, including the results and position of the Group, together with a description of the principal opportunities and risks associated with the Group's expected development.

Frankfurt/Main, 19 May 2020

DEMIRE Deutsche Mittelstand Real Estate AG



**Ingo Hartlief FRICS**  
(CEO)



**Tim Brückner**  
(CFO)

## Disclaimer

These interim statements contain forward-looking statements and information. Such forward-looking statements are based on our current expectations and certain assumptions. They harbour a number of risks and uncertainties as a consequence. A large number of factors, many of which lie outside the scope of DEMIRE's influence, affect DEMIRE's business activities, success, business strategy and results. These factors may result in a significant divergence in the actual results, success, and performance achieved by DEMIRE.

Should one or more of these risks or uncertainties materialise, or should the underlying assumptions prove incorrect, the actual results may significantly diverge both positively and negatively from those results that were stated in the forward-looking statements as expected, anticipated, intended, planned, believed, projected or estimated results. DEMIRE accepts no obligation and does not intend to update these forward-looking statements or to correct them in the event of developments other than those expected.

## Imprint

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### CONCEPT AND LAYOUT

Kammann Rossi GmbH

### STATUS

May 2020



Scan the QR code with a smartphone and a corresponding app to go directly to the company website of our homepage.

