



# 2020 MANAGEMENT REPORT AND ANNUAL FINANCIAL STATEMENTS





Key for navigating the report:



Reference to table of contents

# CONTENT

---

## **3 COMBINED MANAGEMENT REPORT**

- 3 Group principles
- 13 Economic report
- 32 Further legal information
- 42 Opportunities and risks
- 52 Outlook

---

## **54 BALANCE SHEET**

---

## **56 STATEMENT OF INCOME**

---

## **57 NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS**

- 57 General information and basis of presentation  
of the annual financial statements
- 58 Accounting and valuation principles
- 60 Notes to the balance sheet
- 69 Notes to the statement of income
- 71 Other disclosures

---

## **75 INDEPENDENT AUDITOR'S REPORT**

---

## **82 STATEMENT OF FIXED ASSETS**

---

## **84 SCHEDULE OF SHAREHOLDINGS**

---

## **89 IMPRINT**



## COMBINED

### MANAGEMENT REPORT 3

#### Company principles 3

Economic report 13

Further legal information 32

Opportunities and risks 42

Outlook 52

### BALANCE SHEET 54

### STATEMENT OF INCOME 56

### NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS 57

## INDEPENDENT

### AUDITOR'S REPORT 75

### STATEMENT OF FIXED ASSETS 82

### SCHEDULE OF

### SHAREHOLDINGS 84

### IMPRINT 89

# COMPANY PRINCIPLES

This combined management report reports on business development at DEMIRE Deutsche Mittelstand Real Estate AG ("the Company"), Frankfurt am Main, and the Group ("DEMIRE" or "the DEMIRE Group") for the financial year from 1 January to 31 December 2020. The Company prepares its financial statements according to the provisions of the German Commercial Code (HGB) and the special provisions of the German Stock Corporation Act (AktG). The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the EU pursuant to Section 315e of the German Commercial Code (HGB). The composition of the scope of consolidation, which forms an integral part of the consolidated financial statements, is shown in the chapter entitled Information on page 166 of the Annual Report.

## Set-up and orientation

### Business activities

#### ACQUISITION AND VALUE-ORIENTED DEVELOPMENT OF COMMERCIAL REAL ESTATE

DEMIRE acquires and holds commercial real estate in regional centres, medium-sized cities and up-and-coming regions bordering metropolitan areas across Germany. This focus is described as the ABBA strategy – DEMIRE concentrates on "A" locations in "B" cities and on "B" locations in "A" cities. The Company's particular strength lies in realising the potential of the properties while focusing on a range of properties that appeals to both regional and international tenants.

Because efficient property management requires a special understanding of the respective local markets, as well as a local network in those markets, international investors usually avoid these markets. The absence of opportunistic investors and the stability of a region's medium-sized companies give these markets added price stability.

The company focuses its portfolio on a mix of office, retail, hotel and logistics properties. With a current surplus in office properties, DEMIRE considers the return/risk

structure for the commercial real estate business segment to be appropriate. The Company attaches great importance to signing contracts with solvent tenants and realising a property's potential and therefore continues to expect steady and sustainable rental income and solid valuations.

The business approach is fundamentally geared towards portfolio growth, and the Company disposes of any properties that are not consistent with its strategy.

DEMIRE is taking several steps to further the development of its operations and processes. Alongside cost discipline, operating performance should be improved by means of directing external property managers and other service providers in a targeted manner, as well as by expanding the internal asset and portfolio management structures.

#### LISTING ON THE STOCK MARKET ALLOWS SHAREHOLDERS TO PARTICIPATE IN GROWTH

DEMIRE shares are listed on the regulated market (Prime Standard segment) of the Frankfurt Stock Exchange.

DEMIRE's shareholders are at the centre of the Company's further development. DEMIRE plans to continue growing its portfolio. When expanding its portfolio, DEMIRE focuses on assets with strong funds from operations (FFO) that offer potential. In this regard, DEMIRE has taken advantage of a favourable financing environment to reduce its interest expenses. DEMIRE also aims to make regular dividend payments following the first dividend payout for the 2019 financial year.

Following the acquisition of a hotel property with a long-term lease in Frankfurt am Main and the profitable sale of smaller, non-core properties, DEMIRE now has a real estate portfolio of 75 properties with lettable space of around 1.0 million m<sup>2</sup> and a market valuation of approximately EUR 1.4 billion.



## COMBINED

### MANAGEMENT REPORT 3

#### Company principles 3

Economic report 13

Further legal information 32

Opportunities and risks 42

Outlook 52

### BALANCE SHEET 54

### STATEMENT OF INCOME 56

### NOTES TO THE 2020 ANNUAL

### FINANCIAL STATEMENTS 57

### INDEPENDENT

### AUDITOR'S REPORT 75

### STATEMENT OF FIXED ASSETS 82

### SCHEDULE OF

### SHAREHOLDINGS 84

### IMPRINT 89

## DIVISION OF THE BUSINESS INTO THREE SEGMENTS

DEMIRE divides its business into three segments: “Core Portfolio”, “Fair Value REIT” and “Corporate Functions/Others”. The strategically important “Core Portfolio” segment comprises the assets and activities of DEMIRE’s subsidiaries and sub-subsidiaries that are not allocated to the Fair Value REIT-AG subsidiary. The “Fair Value REIT” segment comprises the investment activities in direct and indirect real estate holdings of this listed subsidiary with REIT status in a Group context. The “Corporate Functions/Others” segment comprises the Group’s administrative and cross-segment tasks such as risk management, finance, controlling, investor relations, legal, IT and compliance.

## Strategy and Objectives

### REALIZE POTENTIAL

DEMIRE established a strategic medium-term plan for its further development back in 2019 summarised under the ambition “REALize Potential”; this strategy was pursued further in a targeted manner during the reporting period. The plan consists of the following objectives:

1. Increase the portfolio volume to more than EUR 2 billion.
2. Ensure the Company’s ability to pay dividends in the long run
3. Achieve an investment grade rating

In order to achieve these objectives, the Company pursues four central approaches or strategic levers:

1. **Acquisition** – Realising economies of scale through the continued purchase of properties in ABBA locations (“A” locations in “B” cities and “B” locations in “A” cities)
2. **Management** – Realising real estate potential through active and value-oriented property management
3. **Financials** – Realising cost savings potential
4. **Processes** – Realising optimisation potential in processes and structures

In detail, these levers can be described as follows:

### ACQUISITION

DEMIRE is aiming to establish a portfolio worth more than EUR 2 billion over the next few years. The Company’s focus in this regard is on regional centres, medium-sized cities and up-and-coming regions bordering metropolitan areas across Germany. Given the continuing high demand for real estate, returns can be achieved in locations strategic for DEMIRE that have an appropriate risk ratio and at the same time offer potential for optimisation.

To further improve the risk/return ratio, DEMIRE is diversifying the portfolio according to a mix of office, retail, logistics and other (incl. hotel) uses appropriate for the German commercial property market. The focus is currently on office properties.

Expanding the portfolio allows the Company to exploit economies of scale, with a positive impact on the cost structure, for example, by reducing administrative, financing and service costs.



## COMBINED

### MANAGEMENT REPORT 3

#### Company principles 3

Economic report 13

Further legal information 32

Opportunities and risks 42

Outlook 52

### BALANCE SHEET 54

### STATEMENT OF INCOME 56

### NOTES TO THE 2020 ANNUAL

### FINANCIAL STATEMENTS 57

## INDEPENDENT

### AUDITOR'S REPORT 75

### STATEMENT OF FIXED ASSETS 82

### SCHEDULE OF

### SHAREHOLDINGS 84

### IMPRINT 89

## MANAGEMENT

Based on its existing real estate portfolio, DEMIRE is expanding its real estate management with the aim of optimising it further by leveraging potential. This includes the expansion of the Company's in-house portfolio and asset management capacities. These steps enable the portfolio and asset management activities to create dedicated individual property strategies, maintain a high level of management attention on existing tenant support and new lettings, and help to optimise the cost structures at the individual property level through the close control of property and facility management. The Company is actively working on optimising its portfolio structure and the consistent implementation of the ABBA strategy. As part of this, small, low-yield properties in non-strategic areas are sold and properties consistent with the strategy are acquired. Properties that require restructuring due to changes in market conditions are repositioned using DEMIRE's active asset management approach.

DEMIRE is also expanding its regional network of administrations, trade associations, estate agents and other regional real estate players.

Profit/loss from the rental of real estate increased to EUR 70.2 million (2019: EUR 65.5 million), for a year-on-year increase of 7.2%. In addition to the annualisation effect from the purchase of properties, this increase resulted from rent increases and a better net balance of utility and service charges versus the prior year. Despite the announced growth target, the portfolio management team is continuing to systematically sell properties that are not in line with the strategy and boost the real estate portfolio by focusing on properties with strong FFO. Eighteen properties were successfully sold in 2020, notarised sales contracts were concluded for four additional properties with the transfer of ownership expected to take place in the second quarter of 2021.

## FINANCIALS

DEMIRE's financial performance indicators are reviewed on an ongoing basis and further improved wherever possible. In these endeavours, the Company pays

special attention to cost structures. In addition to monitoring the performance indicators, DEMIRE regularly reviews and benchmarks non-operating costs in particular.

In the favourable interest and financing environment, DEMIRE is also focusing on the continuous optimisation of its financing structure. Optimisation can be achieved primarily by refinancing existing loans. The average nominal interest rate on debt was reduced by 13 basis points from 1.84% at the end of 2019 to 1.71% p.a. The reduction is due to various refinancing and restructuring measures carried out in the 2020 financial year. In particular, the repayment of a loan amounting to EUR 19.5 million and an interest rate of 3.9% p.a. as well as two new loans totalling EUR 62.5 million with a weighted interest rate of 1.36% p.a. contributed to this.

Current administrative costs were reduced again in 2020, and the financial result reflects the full effect of the extensive refinancing measures taken in the autumn of 2019. Despite the positive result for the period and due to the payout of a dividend for the first time, the net loan-to-value ratio increased to 50% compared to the end of 2019 (46.7%).

## PROCESSES

DEMIRE's corporate culture includes the continuous improvement of existing processes, procedures and structures. Most recently, the focus was on the optimisation of investment structures and the digitalisation of processes and control instruments.

In 2020, cost savings in real estate management processes and better service charge management started to bear fruit. As part of this effort, we expect to achieve even further efficiency gains in 2021.



## COMBINED

### MANAGEMENT REPORT 3

#### Company principles 3

Economic report 13

Further legal information 32

Opportunities and risks 42

Outlook 52

### BALANCE SHEET 54

### STATEMENT OF INCOME 56

### NOTES TO THE 2020 ANNUAL

### FINANCIAL STATEMENTS 57

### INDEPENDENT

### AUDITOR'S REPORT 75

### STATEMENT OF FIXED ASSETS 82

### SCHEDULE OF

### SHAREHOLDINGS 84

### IMPRINT 89

## Corporate management

### MANAGEMENT: KEY PERFORMANCE INDICATORS ARE GEARED TOWARDS EARNINGS AND VALUE DEVELOPMENT

In order to achieve the targets set within the framework of the strategy outlined above, DEMIRE uses rental income and operating cash flow (funds from operations before minority interests, after taxes [FFO I]) as a key management indicator for the portfolio and for the Company. In order to grow FFO I, management is tasked with improving the cash flow of the existing portfolio over time and through active portfolio management. To achieve this, the development of the occupancy rate, the actual net rent per m<sup>2</sup>, excluding service charges, ongoing maintenance and operating costs, allocable service charges, rent losses and the net operating income of the properties (NOI) are monitored and actively controlled at the operating level by means of regular target/actual comparisons. Integrated cash flow planning links both the business segments and the individual properties together.

Alongside these performance indicators, liquidity is monitored particularly closely on a continuous basis.

Revenue and cash flows are aggregated and evaluated at the level of DEMIRE AG. The annual result is the key performance indicator for DEMIRE AG. The main performance indicator for measuring added value is the change in net asset value (NAV) in accordance with the specifications of the European Public Real Estate Association (EPRA), adjusted for dividend payouts.

A second key performance indicator for the Group is the ratio of net financial liabilities to the sum total of the real estate portfolio (net loan-to-value [net LTV]).

Interest expenses are also of major importance because they have a significant impact on the financial result and thus also on the profit/loss for the period and the development of cash flow. The active and ongoing management of the debt financing portfolio, combined with continuous market observation and evaluation, aims to steadily improve the financial result.

### CORPORATE GOVERNANCE: EXECUTIVE BOARD AND SUPERVISORY BOARD

As the parent company of the Group, DEMIRE AG is managed by the Executive Board. The Executive Board manages the Company's business on its own responsibility and determines its strategic direction. The strategy is implemented in close coordination with the Supervisory Board. The Supervisory Board monitors the activities of the Executive Board and receives regular information from the latter regarding business developments, strategy and potential opportunities and risks. In the financial year under review, the Executive Board consisted of two members: the Chairman of the Executive Board (CEO), Ingo Hartlief (FRICS), and Tim Brückner as Chief Financial Officer (CFO).

The Executive Board is monitored by the Supervisory Board. In the financial year under review, the Supervisory Board consisted of three members and was chaired by Prof. Dr Alexander Goepfert. Other members were the Deputy Chairman, Frank Hölzle, and Prof. Dr Kerstin Hennig.

The Executive Board and Supervisory Board are committed to the responsible management and monitoring of the Company in line with the principles of good corporate governance. The principles are a prerequisite for sustainable corporate success and a central guideline for conduct in DEMIRE AG's day-to-day business. The Executive Board and the Supervisory Board are convinced that good corporate governance strengthens trust in the Company among business partners and employees, as well as the general public. It enhances the Company's competitive standing and secures the trust of financial partners in DEMIRE AG.



## COMBINED

### MANAGEMENT REPORT 3

#### Company principles 3

Economic report 13

Further legal information 32

Opportunities and risks 42

Outlook 52

### BALANCE SHEET 54

### STATEMENT OF INCOME 56

### NOTES TO THE 2020 ANNUAL

### FINANCIAL STATEMENTS 57

### INDEPENDENT

### AUDITOR'S REPORT 75

### STATEMENT OF FIXED ASSETS 82

### SCHEDULE OF

### SHAREHOLDINGS 84

### IMPRINT 89

## Portfolio

### DIVERSIFIED PORTFOLIO WITH A FOCUS ON OFFICE PROPERTIES

As at 31 December 2020, the existing portfolio comprised 75 commercial properties (previous year: 90) with total lettable floor space of around 989,050 m<sup>2</sup> (previous year: 1,118,789 m<sup>2</sup>).

The **market value** of the properties totalled EUR 1,441.5 million (previous year: EUR 1,488.4 million). Office properties accounted for the largest share of this portfolio in terms of market value, at around 65% (31 December 2019: 65%). Retail properties account for approximately 25% (31 December 2019: 27%). Around 10% of the portfolio is made up of logistics and other properties (including hotels) (31 December 2019: 8%). The market value per square metre averages EUR 1,457 and is below the replacement cost, i.e. the cost of constructing a comparable new building, across all property classes.

### PORTFOLIO BY ASSET CLASS

	No. of Properties	Market Value in EUR million	Share in %	Lettable Space in thousand m <sup>2</sup>	Value/m <sup>2</sup>	Contractual Rent in EUR million p. a.	Contractual Rent per m <sup>2</sup>	Rental Yield in %	EPRA Vacancy Rate in % <sup>1</sup>	WALT in Years
Office	52	933.8	64.8	583.4	1,601	54.3	8.7	5.8	8.2	3.9
Retail	17	360.7	25.0	220.1	1,639	23.0	9.0	6.4	2.4	6.4
Logistics and Others	6	147.0	10.2	185.6	792	8.3	4.3	5.7	11.5	6.6
<b>Total 31 December 2020</b>	<b>75</b>	<b>1,441.5</b>	<b>100</b>	<b>989.1</b>	<b>1,457</b>	<b>85.6</b>	<b>8.0</b>	<b>5.9</b>	<b>6.9</b>	<b>4.8</b>
<b>Total 31 December 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>7.5</b>	<b>6.0</b>	<b>9.4</b>	<b>4.8</b>
Change in units/%/bp	- 15	-3.2%		-11.6%	+9.6%	-4.9%	+6.7%	- 10 bp	- 250 bp	-

<sup>1</sup> Excl. real estate held for sale

<sup>2</sup> Difference to balance sheet value of EUR 1,457.3 million due to leaseholds



## COMBINED

### MANAGEMENT REPORT 3

#### Company principles 3

Economic report 13

Further legal information 32

Opportunities and risks 42

Outlook 52

### BALANCE SHEET 54

### STATEMENT OF INCOME 56

### NOTES TO THE 2020 ANNUAL

### FINANCIAL STATEMENTS 57

## INDEPENDENT

### AUDITOR'S REPORT 75

### STATEMENT OF FIXED ASSETS 82

## SCHEDULE OF

### SHAREHOLDINGS 84

### IMPRINT 89

## PORTFOLIO AND ASSET MANAGEMENT

DEMIRE defines proactive asset management as a key factor in achieving positive portfolio development in the long run. This requires regular contact with all stakeholders, especially tenants. This strategy also played a key role in allowing us to achieve yet another increase in the record letting performance reported in the previous year.

Active portfolio management is also part of our comprehensive asset management approach and is aimed at keeping the real estate portfolio attractive and competitive in the long term. As part of these endeavours, DEMIRE is continuously refining its portfolio and taking advantage of attractive acquisition opportunities, as well as selling in a targeted manner properties that are no longer consistent with its strategy.

The last valuation of the entire portfolio was carried out by the independent real estate appraiser Savills Immobilien Beratungs-GmbH as at the reporting date, 31 December 2020. The change in value compared to the previous year from EUR 1,488.4 million to EUR 1,441.5 million is due to sales (EUR 85.4 million) and a net valuation result (EUR -22.0 million). This is offset by a purchase (residual purchase price payment of EUR 42.7 million) and various smaller effects, primarily value-enhancing expansion measures, in a total amount of EUR 17.8 million.

## LETTING PERFORMANCE

At 177,247 m<sup>2</sup>, letting performance in 2020 rivalled the record level achieved in the previous year. 172,700 m<sup>2</sup> had been let in 2019. DEMIRE's long-term average has historically come to around 80,000 m<sup>2</sup> a year. 64.4% of the letting performance in 2020 is attributable to new lettings and around 35.6% to follow-on lettings.

The EPRA vacancy rate for the existing portfolio, excluding properties held for sale, was 6.9% as at the reporting date, which is approximately 2.5 percentage points lower than on 31 December 2019. The weighted average lease term (WALT) of the entire portfolio remained stable at 4.8 years – the same figure reported as at 31 December 2019.

The annualised rental income generated from the real estate portfolio fell by 1.9% in like-for-like terms in the financial year. If, however, we take a more differentiated look at rental growth by asset class, the following picture emerges:

## DEVELOPMENT OF RENTAL INCOME IN 2020

Asset class	Lfl rental growth
Office	1.3%
Retail	-9.3%
Logistics & Other	0.1%
<b>Total</b>	<b>-1.9%</b>

The pronounced negative rental growth in the retail segment is largely due to the insolvency of a major retailer and the resulting amendments to the lease agreements.

## ACTIVE PORTFOLIO MANAGEMENT

The purchase of a property with a volume of EUR 45.0 million was completed in the 2020 financial year. 18 properties were sold for a total of EUR 87.8 million, which corresponds to a premium on the cumulative market value of almost 3%. Further sales contracts with a volume of EUR 31.0 million were also signed in the reporting period and will be closed in the course of the first half of 2021.





COMBINED

MANAGEMENT REPORT 3

Company principles 3

Economic report 13

Further legal information 32

Opportunities and risks 42

Outlook 52

BALANCE SHEET 54

STATEMENT OF INCOME 56

NOTES TO THE 2020 ANNUAL  
FINANCIAL STATEMENTS 57

INDEPENDENT  
AUDITOR'S REPORT 75

STATEMENT OF FIXED ASSETS 82

SCHEDULE OF  
SHAREHOLDINGS 84

IMPRINT 89

DISPOSALS IN 2020

Closed	Asset class	Last market value (31/12/19) (EUR)	Sale price (EUR)
Limbach-Oberfrohna	Retail	70,000	61,635
Wurzen	Retail	1,480,000	1,500,000
Bremen, Otto-Lilienthalstr. 18	Office	2,590,000	3,200,000
Darmstadt	Land	10,400,000	10,400,000
Genthin	Retail	580,000	668,000
Herzberg	Office	470,000	490,000
Eisenhüttenstadt	Retail	27,500,000	27,500,000
Appen	Retail	140,000	120,000
Koblenz	Office	1,610,000	1,800,000
Bremen, Große Johannesstraße 146, 148	Office	1,340,000	1,630,000
Worms	Office	4,400,000	4,750,000
Meschede	Retail	470,000	485,000
Unterschleißheim	Office	24,800,000	25,500,000
Bremen, Herman-Köhl-Str. 1a	Office	3,600,000	3,600,000
Bremen, OLS 23	Office	2,440,000	2,500,000
Bremen, OLS 22	Office	1,950,000	1,950,000
Bremen, OLS 16a	Office	1,530,000	1,550,000
Bremen, OLS 23a	Office	100,000	110,000
		<b>85,470,000</b>	<b>87,814,635</b>
<b>Signed (Closing Completion in the second quarter of 2021)</b>			
Bremen, Flughafenallee 3/OLS 19	Office	10,400,000	10,400,000
Bremen, OLS 25	Office	7,100,000	7,100,000
Bremen, OLS 27	Office	6,780,000	6,800,000
Bremen, OLS 29	Office	6,680,000	6,700,000
		<b>30,960,000</b>	<b>31,000,000</b>



## COMBINED

### MANAGEMENT REPORT 3

#### Company principles 3

Economic report 13

Further legal information 32

Opportunities and risks 42

Outlook 52

### BALANCE SHEET 54

### STATEMENT OF INCOME 56

### NOTES TO THE 2020 ANNUAL

### FINANCIAL STATEMENTS 57

### INDEPENDENT

### AUDITOR'S REPORT 75

### STATEMENT OF FIXED ASSETS 82

### SCHEDULE OF

### SHAREHOLDINGS 84

### IMPRINT 89

## NON-FINANCIAL PERFORMANCE INDICATORS

Non-financial performance indicators are non-quantifiable values that are not used to directly control the Company but rather play a fundamental role in the success of the Company's development and the appreciation in DEMIRE's value. The non-financial performance indicators are based on competencies, competitive advantages and qualifications that have accumulated through the Company's history in the context of current business activities and the people involved. We consider our employees, as well as the maintenance of our network of actual and potential tenants and the comprehensive topic of sustainability, to be key performance indicators.

## PERSONNEL

### KEY SPECIALISTS AND CENTRAL DEVELOPMENT DRIVERS

The Group employed a total of 34 people (31 full-time equivalents), excluding the Executive Board, at its consolidated and non-consolidated entities as at 31 December 2020 (31 December 2019: 41 employees). DEMIRE embraces and promotes diversity throughout the Company. The proportion of female employees is 50% (previous year: 48%). The age structure of our employees is widely distributed. Around 12% of our employees are younger than 30 years of age, around 68% are between 30 and 50 years old, and another 20% are over 50.

DEMIRE's corporate structure is based on flat hierarchies. Motivated and committed employees are offered a variety of responsibilities and areas of activity. Lean decision-making processes and direct open communication between all levels also promote constructive cooperation. DEMIRE is aware that the employees are at the heart of the Company's success, as well as an essential component in achieving its medium- to long-term corporate goals.

By applying a market- and performance-oriented remuneration system, DEMIRE encourages the management's and employees' focus on achieving corporate and departmental goals. Remuneration is reviewed regularly within the Company and adjusted to the Company-wide operational and personal targets. Employees are offered the opportunity to develop their professional qualifications internally and

externally, thus ensuring that personal skills are promoted in line with the requirements of corporate development.

In order to make the workplace more attractive, DEMIRE provides sufficient working space along with modern and spacious recreational areas to foster team building. This supports the targeted exchange of knowledge within the workforce and promotes cooperation between the various working areas and project groups.

Flat hierarchies and the formation of cross-divisional project groups encourage the exchange between departments and employees with different professional experiences. To support the health and fitness of the employees, subsidies are paid towards the costs of gym contracts. Offers such as mobile working and the possibility of working part-time take into account the individual life circumstances of our employees.

## DEMIRE WELCOMES DIVERSITY AND VARIETY

The Executive Board and Supervisory Board are convinced that diversity promotes the Company's culture and commercial success. DEMIRE AG embraces an inclusive work environment and an open work culture in which individual differences are respected, valued and encouraged. We are committed to having a diverse team in which each and every individual can fully develop and utilise his or her individual potential and strengths.

As a listed company that is not subject to co-determination, DEMIRE AG is legally obliged to set targets for the proportion of women on the Supervisory Board, the Executive Board and – if applicable – the two management levels below the Executive Board. At the end of June 2017, the target figures for the proportion of women on the Supervisory Board and the Executive Board for the period from 1 July 2017 to 30 June 2022 were set at zero. The target for the first management level below the Executive Board had been set at 25% for the same period, in accordance with the percentage share of female managers at that time. Due to the size of the organisation and the flat hierarchies in the Company, a target figure was not set for the second management level below the Executive Board.



## COMBINED

### MANAGEMENT REPORT

<b>Company principles</b>	<b>3</b>
Economic report	13
Further legal information	32
Opportunities and risks	42
Outlook	52

### BALANCE SHEET

54

### STATEMENT OF INCOME

56

### NOTES TO THE 2020 ANNUAL

### FINANCIAL STATEMENTS

57

### INDEPENDENT

### AUDITOR'S REPORT

75

### STATEMENT OF FIXED ASSETS

82

### SCHEDULE OF

### SHAREHOLDINGS

84

### IMPRINT

89

As at the reporting date, the proportion of women on the Supervisory Board was 33%. The proportion of women on the two-member Executive Board was zero, and the proportion of women at the first level of management below the Executive Board came to 37.5%. This means that the target figures for the proportion of internal women were once again met as at 31 December 2020. The Company expects that the targets will also be met in 2021.

## TENANT RELATIONSHIP MANAGEMENT AND NETWORK MAINTENANCE

DEMIRE's commercial success is directly linked to the Company's ability to maintain and, where appropriate, further expand its relationships with the environment around it. Regular dialogue with tenants in the spirit of partnership ensures that our Company can pick up on any potential need for action to secure the tenancy in the long term early on – not only, but especially, in times dominated by the pandemic. On the acquisition side, DEMIRE involves numerous partners in constructive cooperation depending on its requirements and the project cycle. These partners include experts (e.g. lawyers, architects, building specialists) and partners with special local knowledge (e.g. estate agents, local authorities).

### CLOSE TENANT SUPPORT

DEMIRE relies on a high level of tenant loyalty based on a lasting, direct relationship and mutual trust. To this end, our employees are in regular contact with our tenants – by telephone, but also by providing regular direct support on location.

DEMIRE generally aims for long-term tenancies when drafting its lease agreements. This involves a careful review and discussion of the requirements and overall conditions by both sides at the beginning of a tenancy, making it easier for both parties to plan and minimising the default risks for DEMIRE.

Close tenant support proves particularly effective in phases of crisis, as was the case last year with the COVID-19 pandemic. Constructive dialogue allowed individual solutions to be found in the vast majority of cases, keeping default risks to a minimum (cf. p. 35 of the Annual Report).

## NETWORKING

DEMIRE's business model is also based on identifying potential market opportunities on the transaction market at an early stage. This means seeking out properties that are undervalued in terms of their potential. Long-term partnerships with relevant service providers and other institutional market participants in the real estate market are maintained.

DEMIRE also actively supports numerous associations within and outside the real estate industry through its memberships. As an active member of the Zentraler Immobilien Ausschuss e.V. (ZIA), the German real estate association and voice of the German real estate industry, DEMIRE supports its work, especially as a representative of its members' interests in the public and the political sphere.

In 2019, DEMIRE entered into a partnership with the EBS Universität für Wirtschaft und Recht. The aim of this cooperation is to conduct practical and scientific studies and research in the field of real estate economics.

## TRANSPARENCY

DEMIRE is a member of the European Public Real Estate Association (EPRA), the representative body of listed European real estate companies. DEMIRE supports the EPRA's best practice recommendations promoting the transparent presentation of key performance indicators for listed real estate companies.

DEMIRE is also a member of DIRK e.V., the German Investor Relations Association. The association represents the interests of German listed companies on the capital market and provides them with professional support, access to networks and hands-on capital market knowledge so as to optimise dialogue between capital market participants.



## COMBINED

### MANAGEMENT REPORT 3

#### Company principles 3

Economic report 13

Further legal information 32

Opportunities and risks 42

Outlook 52

### BALANCE SHEET 54

### STATEMENT OF INCOME 56

### NOTES TO THE 2020 ANNUAL

### FINANCIAL STATEMENTS 57

### INDEPENDENT

### AUDITOR'S REPORT 75

### STATEMENT OF FIXED ASSETS 82

### SCHEDULE OF

### SHAREHOLDINGS 84

### IMPRINT 89

## SUSTAINABILITY

### PREPARING OUR FIRST SUSTAINABILITY REPORT

In recent years, social and environmental factors have become much more important alongside economic aspects. This has prompted DEMIRE to address this topic in greater depth, and the Company is preparing to publish its first sustainability report. This will be an exercise designed to take stock of the status quo, the idea being for further activities to be included later on.

### ESG – ENVIRONMENTAL, SOCIAL & GOVERNANCE

DEMIRE strives to act responsibly and sustainably in every situation. In doing so, DEMIRE observes ecological and social aspects in its business activities and acts in accordance with the principles of good corporate governance. DEMIRE supports measures that help to save energy and reduce emissions. In the future, DEMIRE will continue to pay attention to the sustainable use of environmental resources and consider the impact of its entrepreneurial activities on them. Treating employees, customers, business partners and the public fairly and responsibly is also a top priority.

DEMIRE strives to further anchor sustainability in the Group by implementing guidelines. In 2020, DEMIRE underwent an external audit to document and apply the principles of good corporate governance based on the standards of the Institute for Corporate Governance (ICG) and was admitted as a member following successful certification.





## COMBINED

### MANAGEMENT REPORT 3

Company principles 3

### Economic report 13

Further legal information 32

Opportunities and risks 42

Outlook 52

### BALANCE SHEET 54

### STATEMENT OF INCOME 56

### NOTES TO THE 2020 ANNUAL

### FINANCIAL STATEMENTS 57

### INDEPENDENT

### AUDITOR'S REPORT 75

### STATEMENT OF FIXED ASSETS 82

### SCHEDULE OF

### SHAREHOLDINGS 84

### IMPRINT 89

# ECONOMIC REPORT

## Economic environment

### Macroeconomic situation

Compared to the previous year, the overall economic outlook in Germany has been defined by the COVID-19 pandemic. The SARS-CoV-2 virus has affected the German economy like no other event in recent German history. The economic restrictions were particularly stringent during the “lockdown” phases from March to June and from November 2020 onwards. Figures released by the German Federal Statistical Office (destatis) show that the most prolonged growth phase witnessed since reunification has come to an abrupt end. Price-adjusted gross domestic product (GDP) in 2020 was 5% lower than in the previous year. The drop in economic output is pronounced both in industry (-10.4%) and in the retail, transport and hospitality sectors (-6.3%). Despite the significant drop in economic output, the contraction in the labour market was more moderate, partly due to the government's aid measures as part of Germany's “Kurzarbeit” furlough programme. On average, around 2.7 million people were unemployed in 2020 – a good 480,000 more than in the previous year. The unemployment rate came in at 5.9%.

### Development of the real estate and construction sectors

After a record year in 2019, the real estate investment market was more subdued in 2020. According to the Investment Market Overview by international brokerage Jones Lang Lasalle (JLL), properties with a transaction volume of EUR 81.6 billion were traded in the reporting period, down by 11.0% on 2019. Transaction activity picked up again in the fourth quarter, indicating a possible catch-up effect from the comparatively weak second and third quarters. High levels of liquidity and the associated capital pressure among many investors contributed to the sustained solid result, despite the considerable uncertainty triggered by the pandemic. Institutional investors, in particular, have increased their share of real estate investments overall.

The construction industry has escaped the pandemic largely unscathed. The industry associations BAU INDUSTRIE and DAS DEUTSCHE BAUGEWERBE expect to see revenue growth of 5.5% compared to 2019. The positive development is bolstered, among other things, by the ongoing stable development in the residential construction segment.

The section below outlines developments in those sub-markets that are the most relevant to DEMIRE in 2020.

### OFFICE REAL ESTATE MARKET

The office letting market in Germany has been hit hard by the impact of the COVID-19 pandemic and the associated economic uncertainty in a large number of sectors. Colliers International, a brokerage house with international operations, recorded a 35.3% drop in office space turnover to around 2.55 million m<sup>2</sup> in what are known as “A” cities (Berlin, Düsseldorf, Frankfurt am Main, Hamburg, Cologne, Munich and Stuttgart). The vacancy rate in the cities analysed rose moderately by 60 basis points to 3.5%, meaning that Colliers still considers it to be low. The development in average rents varied between the markets analysed. Whereas Berlin, Frankfurt and Munich once again saw an increase of 9%, 8% and 7% respectively, average rents in Düsseldorf dropped by 6%.

The office investment market would appear to have reacted to the changes in the overall conditions. Looking at Germany's nationwide transaction volume, figures from the international brokerage house BNP Paribas Real Estate show a decline of 36% to EUR 24.6 billion. This still, however, puts the result well ahead of the average for the decade, with office transactions accounting for around 41% of all commercial real estate investments. EUR 15.6 billion was invested in “A” cities in 2020, with a further EUR 2.7 billion being ploughed into “B” locations, i.e. large German cities that are not classed as “A” locations. The transaction volume remained stable in this segment and even increased in relative terms. In terms of prime yields, “A” cities recorded slight declines of between 5 and 15 basis points, meaning that yields remained at a low level of between 2.55% and 2.95%.



## COMBINED

### MANAGEMENT REPORT 3

Company principles 3

### Economic report 13

Further legal information 32

Opportunities and risks 42

Outlook 52

### BALANCE SHEET 54

### STATEMENT OF INCOME 56

### NOTES TO THE 2020 ANNUAL

### FINANCIAL STATEMENTS 57

### INDEPENDENT

### AUDITOR'S REPORT 75

### STATEMENT OF FIXED ASSETS 82

### SCHEDULE OF

### SHAREHOLDINGS 84

### IMPRINT 89

## LOGISTICS REAL ESTATE MARKET

According to surveys conducted by the international brokerage firm CBRE, momentum on the industrial and logistics real estate market picked up where it had left off in 2018 and 2019. Market activity is dominated by high demand, low levels of space and product availability, and ongoing yield compression. Space turnover in 2020 came to around 6.9 million m<sup>2</sup>, around 1% less than in the previous year. The high demand translated into declining net initial yields, which fell by 0.2 percentage points to 3.4%. Prime rents, on the other hand, increased by 1% to EUR 6.35/m<sup>2</sup>. The prime rent for secondary centres rose at a more dynamic rate of 4% to EUR 5.16/m<sup>2</sup>.

One reason behind the continued high demand for industrial and logistics space is the COVID-19 pandemic itself. Demand for shipping services has been boosted by the strong growth in online retail sparked by the pandemic. Online retail accounted for around 52% of space turnover, compared with only 40% in the previous year.

## RETAIL REAL ESTATE MARKET

In spite of the pandemic, German retail sales are expected to have risen to EUR 557.4 billion in 2020, according to the data portal statista. Whereas the textile industry is predicted to see a sharp decline in sales due to the lockdown measures, chemists and grocery stores are likely to have witnessed increasing sales. The forecast also expects e-commerce to continue the same growth trend that emerged in previous years and ultimately to account for around 12.2% of total sales.

Retail real estate remained a sought-after asset class in 2020. Colliers reported a transaction volume of around EUR 11.4 billion in the German market, up by around 12% higher year-on-year. In terms of demand, there are major differences between the individual types of use. Speciality stores and speciality shopping centres were in strong demand, accounting for 50% of the transaction volume. Discount stores, supermarkets and hypermarkets, in particular, are proving extremely popular and were able to increase their share of total retail investments to 18%.

High-quality retail properties and commercial buildings located on central shopping streets account for around 35% of the total transaction volume. Shopping centres make up a share of around 15%. Both segments lost significant ground compared to the previous year.

Yields also varied depending on the type of use and the location, but overall remained stable or increased/decreased only moderately. They range between 2.8% for commercial buildings in Munich to under 5.0% for free-standing specialty stores.

## HOTEL REAL ESTATE MARKET

The pandemic has had a significant impact on the market environment for hotel properties in 2020. The collapse of national and international travel has posed major challenges for hotel operators and left the hotel investment market, which was previously an area of dynamic growth, facing significant uncertainty.

According to analyses conducted by CBRE, the hotel investment volume fell accordingly by 60% year-on-year to EUR 1.95 billion, with a large part of the transaction activity taking place before the outbreak of the pandemic. Prime yields rose by 50 basis points to 4.25% in the same period. CBRE observed that the slightly lower prices have already been exploited by some investors, who have invested in core locations. The market share of the core segment or the core+ segment in proportion to the market as a whole increased from 83% to 87%.

With a market share of 57%, four-star hotels were the most frequently purchased properties. The second-largest, and fastest-growing segment, is made up of three-star hotels, which upped their share from 21% to 36%. The remaining transaction volume is mainly attributable to the two and five-star segment.



## COMBINED

### MANAGEMENT REPORT 3

Company principles 3

### Economic report 13

Further legal information 32

Opportunities and risks 42

Outlook 52

### BALANCE SHEET 54

### STATEMENT OF INCOME 56

### NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS 57

### INDEPENDENT AUDITOR'S REPORT 75

### STATEMENT OF FIXED ASSETS 82

### SCHEDULE OF SHAREHOLDINGS 84

### IMPRINT 89

## Implications for DEMIRE

The macroeconomic and property market environment was challenging in 2020. Even in this phase, however, DEMIRE benefited from the portfolio focus on economically strong German secondary locations and a balanced portfolio mix of different asset classes. Secondary locations were not exposed to any excessive market volatility and were less affected than “A” locations by the ongoing yield compression witnessed in many asset classes.

## General assessment of the Executive Board

### General Statement on the business performance and position of the Group

DEMIRE once again ended the 2020 financial year very successfully, especially given the adverse circumstances. Rental income and FFO as key management indicators, as well as numerous other key figures, showed positive development in line with, or even outstripping, our expectations. Even though the pandemic has not had any dramatic impact on the 2020 figures, the situation has tied up extensive management capacities. This will remain the case in 2021, too. Our intensive contact with tenants is, however, not only due to the prevailing situation, but rather has been an integral part of our strategy since 2019, and has also made a significant contribution to our strong letting performance. We also made decisive progress in 2020 in another key strategic area, namely our efforts to make our portfolio more dynamic, and we were able to sell 18 properties that were no longer consistent with our strategy. Although this slightly reduced the value of the portfolio to EUR 1,441.4 million as at the reporting date, numerous other key portfolio figures improved as a result. This provides us with an excellent basis on which we can continue to persistently pursue our strategic objectives, primarily portfolio growth, in 2021, taking advantage of opportunities as and when they arise.

### TARGET/ACTUAL COMPARISON

Key figure/date in EUR million	2019 actual	Forecast 18 March 2020	Forecast 19 August 2020	Forecast 3 December 2020	2020 actual
Rental income	81.8	90.0-92.0	85.0-87.0	85.0-87.0	87.5
FFO I (after taxes, before minorities)	34.5	40.0-42.0	36.0-38.0	at least 38.0	39.2

The 2020 results reflect the success achieved with the “REALize Potential” strategy in numerous respects. The strategy, which was developed back in early 2019 and was then put into practice, has proven to be the right approach, and an efficient one, in an environment characterised by unusual circumstances. This strategic orientation and the focus on a diversified portfolio with a balanced risk/opportunity profile is a key factor differentiating DEMIRE from competitors. The active management approach will continue to help us leverage valuation potential, generate increasing rental income and reduce our costs in the future. It is also easy to add any future acquisitions to this effective platform with low marginal costs. The resulting improved profitability forms the basis for DEMIRE’s ability to pay sustainable dividends.

Following the extensive refinancing activities performed in the previous year, the Company reaped significant benefits from much lower financing costs in 2020. In addition, further financing arrangements were concluded based on attractive conditions, meaning that DEMIRE still has financial leeway available to it with a comfortable liquidity position and that it was able to reduce its financing costs once again.



## COMBINED

### MANAGEMENT REPORT 3

Company principles 3

### Economic report 13

Further legal information 32

Opportunities and risks 42

Outlook 52

### BALANCE SHEET 54

### STATEMENT OF INCOME 56

### NOTES TO THE 2020 ANNUAL

### FINANCIAL STATEMENTS 57

### INDEPENDENT

### AUDITOR'S REPORT 75

### STATEMENT OF FIXED ASSETS 82

### SCHEDULE OF

### SHAREHOLDINGS 84

### IMPRINT 89

Measures were taken to actively shape the real estate portfolio in the financial year under review. Numerous properties that were no longer consistent with the Company's strategy were sold, as a whole, at slightly above the latest market value. Annualised contract rents fell by 4.9%. On a like-for-like basis, i.e. excluding purchases and sales, it fell by 1.9%, mainly due to the insolvency of a single tenant and the associated far-reaching consequences. The EPRA vacancy rate fell by 250 basis points to 6.9% as at the reporting date thanks to positive letting performance. The WALT remained constant compared to the end of 2019 at 4.8 years.

In summary, DEMIRE performed successfully in the 2020 financial year and achieved very positive development, particularly in view of the exceptional situation. As part of the ongoing and consistent implementation of the "REALize Potential" strategy, the focus is on making the portfolio even more dynamic and allowing it to grow further, the aim being to achieve a market valuation in excess of EUR 2 billion. Due to the numerous sales and the difficult economic environment, the Company expects a moderate decline in rental income and FFO I (after tax, before minorities) for the 2021 financial year. Acquisition and growth opportunities are to be exploited as and when they arise and are likely to have a positive impact on rental income and FFO. In the medium term, DEMIRE's objective is still to achieve an investment grade rating and to continue to pay an attractive and sustainable dividend to its shareholders.

## Results of operations, net assets and financial position

### Results of operations

Rental income and profit/loss from the rental of real estate increased significantly in a year-on-year comparison due to what was again very successful letting performance, as well as the annualisation effect of numerous acquisitions, and more than compensated for the drop resulting from the sale of 18 properties. The income from the sale of real estate almost balances out the expenses relating to the sale. This demonstrates that, despite the challenging market environment, the properties could at least be sold at market value. Following substantial increases in previous years, the profit/loss from fair value adjustments in investment properties reflects the circumstances associated with the pandemic and its temporary impact on the retail and hotel asset classes. On the other hand, there were positive valuation effects for logistics and office properties. The impairment of receivables totalled EUR 6.1 million as against EUR 0.6 million in the previous year. EUR 4.2 million of this amount is attributable to actual effects of the COVID-19 crisis, while the rest relates to one-off effects or impairments of other receivables. While general current administrative expenses fell again compared to the previous year due to various cost-cutting measures, the positive effects of the comprehensive refinancing measures taken in 2019 and 2020 are impressively reflected in the financial result.





COMBINED

MANAGEMENT REPORT

Company principles	3
<b>Economic report</b>	<b>13</b>
Further legal information	32
Opportunities and risks	42
Outlook	52

BALANCE SHEET

54

STATEMENT OF INCOME

56

NOTES TO THE 2020 ANNUAL  
FINANCIAL STATEMENTS

57

INDEPENDENT

AUDITOR'S REPORT

75

STATEMENT OF FIXED ASSETS

82

SCHEDULE OF

SHAREHOLDINGS

84

IMPRINT

89

CONSOLIDATED STATEMENT OF INCOME

in EUR thousand	2019	2020	Change	in %
Rental income	81,799	87,509	5,710	7.0 %
Income from utility and service charges	19,625	21,327	1,701	8.7 %
Operating expenses to generate rental income	- 35,886	- 38,608	- 2,722	7.6 %
<b>Profit/loss from the rental of real estate</b>	<b>65,538</b>	<b>70,228</b>	<b>4,690</b>	<b>7.2 %</b>
Income from the sale of real estate and real estate companies	46,130	88,887	42,757	92.7 %
Expenses relating to the sale of real estate and real estate companies	- 29,327	- 89,932	- 60,605	>100 %
<b>Profit/loss from the sale of real estate and real estate companies</b>	<b>16,803</b>	<b>- 1,046</b>	<b>- 17,848</b>	<b>-</b>
Profit/loss from fair value adjustments in investment properties	83,022	- 22,134	- 105,157	-
Impairment of receivables	- 629	- 6,150	- 5,521	>100 %
Other operating income	4,327	1,490	- 2,836	- 65.6 %
General and administrative expenses *	- 13,017	- 13,368	- 351	2.7 %
Other operating expenses *	- 874	- 1,366	- 492	56.3 %
<b>Earnings before interest and taxes</b>	<b>155,170</b>	<b>27,654</b>	<b>- 127,516</b>	<b>- 82.2 %</b>
Financial result	- 57,315	- 21,172	36,143	- 63.1 %
<b>Profit/loss before taxes</b>	<b>97,855</b>	<b>6,482</b>	<b>- 91,373</b>	<b>- 93.4 %</b>
Current incomes taxes	- 4,651	- 712	3,939	- 84.7 %
Deferred taxes	- 13,466	3,397	16,863	-
<b>Net profit/loss for the period</b>	<b>79,538</b>	<b>9,166</b>	<b>- 70,572</b>	<b>- 88.5 %</b>
Thereof attributable to parent company shareholders	75,539	8,503	- 67,036	- 88.7 %
Basic earnings per share (EUR)	0.70	0.08	- 0.62	- 88.6 %
Weighted average number of shares outstanding (in thousands)	107,777	106,775	- 1,002	- 0.9 %
Diluted earnings per share (EUR)	0.70	0.08	- 0.62	- 88.6 %
Weighted average number of shares outstanding, diluted (in thousands)	108,287	107,285	- 1,002	- 0.9 %

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



## COMBINED

### MANAGEMENT REPORT 3

Company principles 3

### Economic report 13

Further legal information 32

Opportunities and risks 42

Outlook 52

### BALANCE SHEET 54

### STATEMENT OF INCOME 56

### NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS 57

### INDEPENDENT

### AUDITOR'S REPORT 75

### STATEMENT OF FIXED ASSETS 82

### SCHEDULE OF

### SHAREHOLDINGS 84

### IMPRINT 89

## DEVELOPMENT OF THE MAIN ITEMS OF THE INCOME STATEMENT

In the 2020 financial year, the DEMIRE Group generated **rental income** totalling EUR 87.5 million (2019: EUR 81.8 million). The increase is primarily due to the annualisation effect of the purchases made in 2019 (EUR 12.6 million) and the strong letting result in 2020, partially offset by the effects from the sale of properties from the “Core Portfolio” (EUR 4.4 million). Rental income thus overshot the upper end of the forecast range, which was published as EUR 85.0 million to EUR 87.0 million in August 2020, by 0.6%.

**Income from utility and service charge** allocations of EUR 21.3 million (2019: EUR 19.6 million) includes tenant payments for utilities. Utility and service charges were recorded as expenses to generate rental income and measures to preserve the value of the property and amounted to EUR 38.6 million in the reporting year (2019: EUR 35.9 million). The increased level of income and expenses is due to the additional properties purchased in 2019, as well as to the lower vacancy rate in the portfolio. Overall, the total profit/loss from the rental of real estate increased 7.2% to EUR 70.2 million in the reporting year (2019: EUR 65.5 million).

The **profit/loss from the sale** of real estate amounted to EUR -1.0 million in the 2020 financial year (2019: EUR 16.8 million), resulting from the sale of 18 properties with a volume of EUR 88.9 million. The main drivers behind the proceeds from these sales were the properties in Eisenhüttenstadt (EUR 27.5 million) and Unterschleissheim (EUR 25.5 million). In addition, numerous small units that were not consistent with the Company's strategy were sold. The carrying amounts of the properties were usually achieved or exceeded. The slightly negative balance results primarily from the necessary expenses for brokers and consultants associated with the sales.

The **profit/loss from fair value adjustments** in investment properties amounted to EUR -22.1 million or 1.5% of the portfolio value (2019: EUR 83.0 million). While the value of some properties in the portfolio increased, assets in the retail and hotel sectors in particular lost value compared to the previous year due to the pandemic.

**Impairments** on receivables amounted to EUR 6.1 million in the reporting period (previous year: EUR 0.6 million). EUR 1.9 million of this amount relates to tenants of retail properties that are involved in so-called protective shield proceedings or insolvency proceedings in the wake of the COVID-19 pandemic. EUR 1.5 million is attributable to two hotel tenants who are also either insolvent, or at risk of insolvency, as a result of the pandemic. Furthermore, the amount includes a reversal of capitalised rent-free periods for a department store in Trier amounting to EUR 1.6 million (previous year: EUR 0).

**Other operating income** fell by EUR 2.8 million year-on-year to EUR 1.5 million (2019: EUR 4.3 million). This figure includes insurance compensation and the repayment of a loan granted that had already been written off.

**General administrative expenses** remained stable in 2020 at EUR 13.4 million due to a one-off effect (2019: EUR 13.0 million). This highlights the Company's earnings potential and its ability to improve its operating results despite exercising cost discipline.

At EUR 1.4 million, **other operating expenses** increased year-on-year due to provisions for litigation (2019: EUR 0.9 million).

As a result of all of the factors referred to above, **earnings before interest and taxes** (EBIT) came to EUR 27.7 million, as against EUR 155.2 million in the previous year.

The **financial result** improved by EUR 36.1 million in 2020 and amounted to EUR -21.2 million (2019: EUR -57.3 million). In the previous year, financial expenses included one-off costs relating to refinancing activities and early repayment penalties of EUR 31.7 million, which play a decisive role in a significant decrease in financial expenses in 2020 and beyond. Interests of minority shareholders in the Fair Value REIT-AG's subsidiaries fell from EUR 7.7 million to EUR 3.4 million, primarily due to a lack of positive fair value changes in properties held by the Fair Value REIT funds.



COMBINED

MANAGEMENT REPORT 3

Company principles 3

Economic report 13

Further legal information 32

Opportunities and risks 42

Outlook 52

BALANCE SHEET 54

STATEMENT OF INCOME 56

NOTES TO THE 2020 ANNUAL  
FINANCIAL STATEMENTS 57

INDEPENDENT  
AUDITOR'S REPORT 75

STATEMENT OF FIXED ASSETS 82

SCHEDULE OF  
SHAREHOLDINGS 84

IMPRINT 89

The **net profit/loss for the period** (earnings after taxes) came to EUR 9.2 million in the 2020 financial year compared with EUR 79.7 million in the previous year.

**FUNDS FROM OPERATIONS (FFO)**

Funds from operations (FFO) measure the operating result of the DEMIRE Group that has an impact on its liquidity. It corresponds to the earnings before taxes, which are adjusted for valuation results, other sales and one-off effects and non-periodic income and expenses.



COMBINED

MANAGEMENT REPORT 3

Company principles 3

Economic report 13

Further legal information 32

Opportunities and risks 42

Outlook 52

BALANCE SHEET 54

STATEMENT OF INCOME 56

NOTES TO THE 2020 ANNUAL  
FINANCIAL STATEMENTS 57

INDEPENDENT  
AUDITOR'S REPORT 75

STATEMENT OF FIXED ASSETS 82

SCHEDULE OF  
SHAREHOLDINGS 84

IMPRINT 89

FFO CALCULATION

in EUR thousand	2019	2020	Change	in %
Profit/loss before taxes	97,855	6,482	-91,373	-93.4 %
Interests of minority shareholders	7,743	3,371	-4,371	-56.5 %
<b>Earnings before taxes (EBT)</b>	<b>105,598</b>	<b>9,853</b>	<b>-95,745</b>	<b>-90.7 %</b>
± Profit/loss from the sale of real estate	-16,803	1,046	17,848	-
± Profit/loss from fair value adjustments in investment properties	-83,022	22,134	105,157	-
± Profit/loss from the valuation of derivative financial instruments	0	0	0	0.0 %
± Other adjustments *	29,205	8,052	-21,153	-72.4 %
<b>FFO I before taxes</b>	<b>34,977</b>	<b>41,085</b>	<b>6,108</b>	<b>17.5 %</b>
± (Current) income taxes	-472	-1,919	-1,447	>100 %
<b>FFO I after taxes</b>	<b>34,506</b>	<b>39,166</b>	<b>4,660</b>	<b>13.5 %</b>
Thereof attributable to parent company shareholders	30,467	33,805	3,338	11.0 %
Thereof attributable to non-controlling interests	4,039	5,361	1,322	32.7 %
± Profit/loss from the sale of real estate companies/real estate (after taxes)	15,730	-1,738	-17,468	-
<b>FFO II after taxes</b>	<b>45,658</b>	<b>37,428</b>	<b>-8,230</b>	<b>-18.0 %</b>
Thereof attributable to parent company shareholders	42,059	31,698	-10,360	-24.6 %
Thereof attributable to non-controlling interests	3,599	5,730	2,131	59.2 %
<b>FFO I after taxes per share</b>				
Basic earnings per share (EUR)	0.32	0.37	0.05	14.6 %
Weighted average number of shares outstanding (in thousands)	107,777	106,775	-1,002	-0.9 %
Diluted earnings per share (EUR)	0.32	0.37	0.05	14.6 %
Weighted average number of shares outstanding, diluted (in thousands)	108,287	107,285	-1,002	-0.9 %
<b>FFO II after taxes per share</b>				
Basic earnings per share (EUR)	0.42	0.35	-0.07	-17.3 %
Weighted average number of shares outstanding (in thousands)	107,777	106,775	-1,002	-0.9 %
Diluted earnings per share (EUR)	0.42	0.35	-0.07	-17.3 %
Weighted average number of shares outstanding, diluted (in thousands)	108,287	107,285	-1,002	-0.9 %

\* Other adjustments include:  
— One-time refinancing costs (EUR 3.8 million, previous year: EUR 31.7 million including other effects from refinancing)  
— One-time transaction, legal and consulting fees (EUR 0.6 million, previous year: EUR - 3.3 million)  
— One-time administrative costs (EUR 2.0 million, previous year: EUR - 0.3 million)  
— Expenses related to other periods (EUR 1.7 million, previous year: EUR 0.1 million)





## COMBINED

### MANAGEMENT REPORT 3

Company principles 3

### Economic report 13

Further legal information 32

Opportunities and risks 42

Outlook 52

### BALANCE SHEET 54

### STATEMENT OF INCOME 56

### NOTES TO THE 2020 ANNUAL

### FINANCIAL STATEMENTS 57

### INDEPENDENT

### AUDITOR'S REPORT 75

### STATEMENT OF FIXED ASSETS 82

### SCHEDULE OF

### SHAREHOLDINGS 84

### IMPRINT 89

FFO I (after taxes, before minorities) increased again in the 2020 financial year and amounted to EUR 39.2 million (2019: EUR 34.5 million); after taxes and after minorities, FFO I amounted to EUR 33.8 million (2019 financial year: EUR 30.5 million). Taking into account the result from the sale of real estate, funds from operations (FFO II) amounted to EUR 37.4 million after taxes and before minorities (2019: EUR 45.7 million), and EUR 31.7 million (2019: EUR 42.1 million) after taxes and after minorities. The increase in FFO is due primarily to the annualisation effect of the properties acquired in the previous year, the purchase in March 2020 and reduced financial expenses. Other adjustments of FFOs amounted to EUR 8.1 million in the reporting period. Of this amount, EUR 1.6 million relates to the reversal of linearised rent-free periods through profit or loss due to the insolvency proceedings of a tenant and the related termination of a lease agreement. As the realisation of the deferred item is no longer possible over the term of the contract, a related impairment loss was recognised and adjusted accordingly as a one-off effect.

Overall, the increase in FFO is due primarily to the annualisation effect of the properties acquired in the previous year, the purchase in March 2020 and reduced financial expenses. The FFO I income taxes include the adjustment of a tax effect from the distribution of a subsidiary of DEMIRE in the amount of EUR 0.7 million. The distribution is due to the sale of a property; therefore the tax expense from this is allocated to FFO II.

#### NET ASSET VALUE (NAV)

in EUR thousand	31/12/2019	31/12/2020	Change	in %
Net asset value (NAV)	613,351	557,956	-55,395	-9.0 %
Deferred taxes	75,518	72,122	-3,396	-4.5 %
Goodwill resulting from deferred taxes	-4,738	-4,738	0	0.0 %
<b>NAV (basic)</b>	<b>684,131</b>	<b>625,340</b>	<b>-58,791</b>	<b>-8.6 %</b>
Number of shares outstanding (in thousands) (basic)	107,777	105,772	-2,005	-1.9 %
NAV per share (EUR) (basic)	6.35	5.91	-0.44	-6.9 %
Effect of the conversion of convertible bonds and other equity instruments	510	510	0	0.0 %
NAV (dilution)	684,641	625,850	-58,791	-8.6 %
Number of shares outstanding (in thousands) (diluted)	108,287	106,282	-2,005	-1.9 %
<b>NAV per share (EUR) (dilution)</b>	<b>6.32</b>	<b>5.89</b>	<b>-0.43</b>	<b>-6.8 %</b>



## COMBINED

### MANAGEMENT REPORT 3

Company principles 3

### Economic report 13

Further legal information 32

Opportunities and risks 42

Outlook 52

### BALANCE SHEET 54

### STATEMENT OF INCOME 56

### NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS 57

### INDEPENDENT

### AUDITOR'S REPORT 75

### STATEMENT OF FIXED ASSETS 82

### SCHEDULE OF SHAREHOLDINGS 84

### IMPRINT 89

## SEGMENT DEVELOPMENT

The segment reporting in the consolidated financial statements is in accordance with IFRS 8 “Operating Segments” and is based on the internal alignment of the strategic business segments. The segment information presented represents the information to be reported to DEMIRE’s Executive Board. Segment information is presented on a net basis, minus consolidation entries.

The key segment data developed as follows during the 2020 financial year:

### SELECTED INFORMATION FROM THE CONSOLIDATED BALANCE SHEET

in EUR thousand	Core Portfolio		Fair Value REIT		Corporate Functions/ Others		Group	
	2019	2020	2019	2020	2019	2020	2019	2020
External revenue	118,286	144,340	28,268	53,382	1,000	0	147,554	197,722
Total revenue	119,286	144,340	28,268	53,382	0	0	147,554	197,722
Profit/loss from fair value adjustments in investment properties	70,500	-19,900	12,523	-2,234	0	0	83,022	-22,134
Other income	3,836	486	323	412	167	592	4,327	1,490
<b>Segment revenue</b>	<b>193,622</b>	<b>124,926</b>	<b>41,114</b>	<b>51,560</b>	<b>167</b>	<b>592</b>	<b>234,903</b>	<b>177,078</b>
Expenses relating to the sale of real estate	-28,127	-59,775	-1,200	-30,157	0	0	-29,327	-89,932
Other expenses	-27,452	-37,677	-14,949	-13,750	-8,005	-8,065	-50,407	-59,492
<b>Segment expenses</b>	<b>-55,579</b>	<b>-97,452</b>	<b>-16,149</b>	<b>-43,907</b>	<b>-8,005</b>	<b>-8,065</b>	<b>-79,734</b>	<b>-149,424</b>
<b>EBIT</b>	<b>137,043</b>	<b>27,474</b>	<b>24,965</b>	<b>7,652</b>	<b>-6,838</b>	<b>-7,473</b>	<b>155,170</b>	<b>27,654</b>
Financial income	183	260	6	4	1,100	1,022	1,288	1,286
Financial expenses	-48,140	-17,118	-2,351	-1,618	-369	-340	-50,860	-19,086
Interests of minority shareholders	0	0	-7,743	-3,371	0	0	-7,743	-3,371
Income taxes	-12,031	5,347	-2,327	-1,628	-3,759	-1,034	-18,117	2,685
<b>Net profit/loss for the period</b>	<b>99,017</b>	<b>15,963</b>	<b>12,549</b>	<b>1,028</b>	<b>-31,829</b>	<b>-7,824</b>	<b>79,738</b>	<b>9,166</b>
<b>Significant non-cash items</b>	<b>-74,311</b>	<b>14,743</b>	<b>-10,190</b>	<b>4,638</b>	<b>3,759</b>	<b>1,160</b>	<b>-80,742</b>	<b>20,541</b>
<b>Impairment losses in net profit/loss for the period</b>	<b>159</b>	<b>4,564</b>	<b>224</b>	<b>1,127</b>	<b>246</b>	<b>459</b>	<b>629</b>	<b>6,150</b>



## COMBINED

### MANAGEMENT REPORT

Company principles	3
<b>Economic report</b>	<b>13</b>
Further legal information	32
Opportunities and risks	42
Outlook	52

### BALANCE SHEET

### STATEMENT OF INCOME

### NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS

### INDEPENDENT AUDITOR'S REPORT

### STATEMENT OF FIXED ASSETS

### SCHEDULE OF SHAREHOLDINGS

### IMPRINT

The two business segments “Core Portfolio” and “Fair Value REIT” each represent sub-areas of the real estate portfolio that are held for the purpose of generating rental income and achieving value appreciation. The segment “Corporate Functions/Others” mainly contains the activities of DEMIRE AG in its function as the Group holding.

Revenue in the “Core Portfolio” segment amounted to EUR 144.3 million in 2020 compared to EUR 118.3 million in the previous year. Net profit/loss for the period totalled EUR 16.0 million in 2020 (previous year: EUR 99.0 million).

Revenue in the “Fair Value REIT” segment amounted to EUR 53.4 million in 2020 compared to EUR 28.3 million in the previous year. Net profit/loss for the period totalled EUR 1.0 million in 2020 (2019: EUR 12.5 million).

The “Corporate Functions/Others” segment did not generate any revenue in 2020, after reporting revenue of EUR 1.0 million in the previous year. Net profit/loss for the period totalled EUR -7.8 million in 2020, compared to EUR -31.8 million in the previous year.

At Group level, revenue increased from EUR 147.6 million in the previous year to EUR 197.7 million in the 2020 financial year. The Group's net profit/loss for the period amounted to EUR 9.2 million in 2020 (2019: EUR 79.7 million).

Further information on segment reporting can be found in the Notes to the consolidated financial statements from page 142 onwards.

## Net assets

### NET ASSET VALUE (NAV)

NAV, previously known as EPRA NAV, is the value of all tangible and intangible assets of the Company minus liabilities and adjusted for the fair values of derivative financial instruments, deferred taxes and goodwill from deferred taxes.

In 2020, NAV decreased by 8.6% to EUR 625.3 million, down from EUR 684.6 million at the end of 2019. This is due to the payout of a dividend that is not offset by the positive result for the period under review. Based on the number of shares outstanding (EUR 106.3 million), diluted NAV per share equalled EUR 5.89, compared to EUR 6.32 at the end of 2019. The number of underlying shares has decreased by 2.0 million compared to the previous year, as the shares repurchased during the year are deducted pro rata temporis. The drop in NAV per share is also due primarily to the payout of dividends, while the positive result for the period and the reduced number of shares have the opposite effect.

### TOTAL ASSETS DOWN SLIGHTLY BY 3.1%

Total assets of the DEMIRE Group as at 31 December 2020 amounted to EUR 1,625.3 million (31 December 2019: EUR 1,677.4 million), down by 3.1% in a year-on-year comparison.

For the real estate portfolio (investment properties), the external real estate appraiser Savills Immobilien Beratungs-GmbH determined a total market value of EUR 1,441.5 million as at the balance sheet date (31 December 2019: EUR 1,488.4 million). The difference compared with the property value shown in the balance sheet is due to accounting accruals, deferrals and capitalisations.



## COMBINED

### MANAGEMENT REPORT 3

Company principles 3

### Economic report 13

Further legal information 32

Opportunities and risks 42

Outlook 52

### BALANCE SHEET 54

### STATEMENT OF INCOME 56

### NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS 57

### INDEPENDENT

### AUDITOR'S REPORT 75

### STATEMENT OF FIXED ASSETS 82

### SCHEDULE OF SHAREHOLDINGS 84

### IMPRINT 89

## SELECTED INFORMATION FROM THE CONSOLIDATED BALANCE SHEET

### CONSOLIDATED BALANCE SHEET – ASSETS

in EUR thousand	31/12/2019	31/12/2020	Change	in %
<b>Assets</b>				
Total non-current assets	1,520,155	1,451,125	-69,030	-4.5%
Total current assets	140,956	143,186	2,229	1.6%
Non-current assets held for sale	16,305	31,000	14,695	90.1%
<b>Total assets</b>	<b>1,677,416</b>	<b>1,625,311</b>	<b>-52,105</b>	<b>-3.1%</b>

As at 31 December 2020, non-current assets fell by EUR 69.0 million to EUR 1,451.1 million (31 December 2019: EUR 1,520.2 million). Investment property accounted for the lion's share of this development, with a decrease of EUR 67.6 million. This decrease can be attributed primarily to the portfolio reduction due to sales (EUR -70.0 million), the reclassification of assets to non-current assets held for sale (EUR -31.0 million) and net portfolio valuation losses (EUR -22.5 million). The purchase of a property in March 2020 (EUR 42.7 million) as well as capitalised, value-enhancing expansion measures and rental incentives (EUR 13.3 million) increased non-current assets.

As at 31 December 2020, the DEMIRE Group's current assets rose slightly by EUR 2.2 million to EUR 143.2 million (31 December 2019: EUR 141.0 million) due, in particular, to higher tax refund claims.

The assets held for sale as at 31 December 2020 in the amount of EUR 31.0 million (31 December 2019: EUR 16.3 million) relate to four properties in Bremen.

### CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

in EUR thousand	31/12/2019	31/12/2020	Change	in %
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Equity attributable to parent company shareholders	613,351	557,956	-55,395	-9.0%
Non-controlling interests	47,431	40,085	-7,347	-15.5%
<b>TOTAL EQUITY</b>	<b>660,782</b>	<b>598,041</b>	<b>-62,741</b>	<b>-9.5%</b>
<b>LIABILITIES</b>				
Total non-current liabilities	911,587	987,235	75,648	8.3%
Total current liabilities	105,046	40,035	-65,011	-61.9%
<b>TOTAL LIABILITIES</b>	<b>1,016,633</b>	<b>1,027,270</b>	<b>10,636</b>	<b>1.0%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,677,416</b>	<b>1,625,311</b>	<b>-52,105</b>	<b>-3.1%</b>

### EQUITY RATIO REMAINS STRONG AT 36.8%

Group equity fell to EUR 598.0 million in the 2020 financial year (31 December 2019: EUR 660.8 million), primarily due to the dividend payout, with the positive consolidated net profit for the period having the opposite effect. The equity ratio came to 36.8%, compared to 39.4% at the end of 2019. Non-controlling minority interests of EUR 78.9 million are reported in non-current liabilities and not under equity in





## COMBINED

### MANAGEMENT REPORT

Company principles	3
<b>Economic report</b>	<b>13</b>
Further legal information	32
Opportunities and risks	42
Outlook	52

### BALANCE SHEET

54

### STATEMENT OF INCOME

56

### NOTES TO THE 2020 ANNUAL

### FINANCIAL STATEMENTS

57

### INDEPENDENT

### AUDITOR'S REPORT

75

### STATEMENT OF FIXED ASSETS

82

### SCHEDULE OF

### SHAREHOLDINGS

84

### IMPRINT

89

accordance with IFRS, primarily due to the legal form of a partnership. The corresponding adjusted Group equity totalled EUR 676.9 million or 41.6% of total equity and liabilities (31 December 2019: EUR 739.5 million or 44.1%).

Non-current liabilities amounted to EUR 987.2 million at the end of 2020 (31 December 2019: EUR 911.6 million) and current liabilities came to EUR 40.0 million (31 December 2019: EUR 105.0 million). As a result, the total liabilities of the DEMIRE Group increased slightly to EUR 1,027.3 million as at 31 December 2020 (31 December 2019: EUR 1,016.6 million).

Total financial liabilities of EUR 829.7 million (31 December 2019: EUR 807.0 million) include the EUR 600 million bond issued in 2019, which is reported with a market value of EUR 592.0 million as at the reporting date, and liabilities to banks and third parties of around EUR 237.7 million (31 December 2019: EUR 216.9 million). The proportion of unsecured properties as at 31 December 2020 came to 61.5% (31 December 2019: 45.6%). There were no variable interest rate agreements as at the reporting date. The average nominal interest rate on financial liabilities decreased by 13 basis points to 1.71% p.a. as at the 31 December 2020 reporting date due to successful financing activities in the reporting period. This compares with 1.84% p.a. at the end of 2019. The average remaining term of the liabilities fell from 4.4 years at the end of 2019 to 3.7 years at the end of 2020.

As at 31 December 2020, trade payables and other liabilities dropped to EUR 20.8 million (31 December 2019: EUR 29.1 million). In the previous year, this item included the residual purchase price and the land transfer tax for a property transferred at the end of 2019 (EUR 9.2 million).

## FINANCIAL POSITION

### FINANCIAL MANAGEMENT

The financial management of the DEMIRE Group ensures liquidity control and financing, and contributes to the optimisation of cash flows within the Group through central liquidity analysis. The primary objective is to secure liquidity for the entire Group and maintain financial independence. The focus is on maintaining a long-term, stable and cost-optimised financing mix that supports the development of the operating business in a positive and sustainable manner.

Providing regular information on the financial position to the Supervisory Board is an essential part of DEMIRE's risk management system. The principles and objectives of capital management and control are presented in the Notes to the consolidated financial statements.

## SELECTED INFORMATION FROM

### THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR thousand	2019	2020	Change	in %
Cash flow from operating activities	45,844	- 24,101	- 69,945	-
Cash flow from investing activities	- 253,212	34,983	288,195	-
Cash flow from financing activities	119,065	- 11,401	- 130,466	-
<b>Net change in cash and cash equivalents</b>	<b>- 88,303</b>	<b>- 519</b>	<b>87,784</b>	<b>- 99.4</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>102,139</b>	<b>101,620</b>	<b>- 519</b>	<b>- 0.5</b>



## COMBINED

### MANAGEMENT REPORT 3

Company principles 3

### Economic report 13

Further legal information 32

Opportunities and risks 42

Outlook 52

### BALANCE SHEET 54

### STATEMENT OF INCOME 56

### NOTES TO THE 2020 ANNUAL

### FINANCIAL STATEMENTS 57

### INDEPENDENT

### AUDITOR'S REPORT 75

### STATEMENT OF FIXED ASSETS 82

### SCHEDULE OF

### SHAREHOLDINGS 84

### IMPRINT 89

## LIQUIDITY HEADROOM REMAINS COMFORTABLE

Cash flow development in the 2020 financial year is balanced overall. Whereas cash flow from operating activities is influenced in particular by the dividend payment, the impact of the property sales is reflected in the cash flow from investing activities. The detailed consolidated cash flow statement precedes the Notes to the consolidated financial statements.

Cash flow from operating activities amounted to EUR -24.1 million at the end of the 2020 financial year (2019: EUR 45.8 million) and, in addition to significantly reduced financial expenses (EUR 19.1 million, compared to EUR 50.9 million in the previous year), primarily includes the dividend payout of EUR 60.1 million (2019: EUR 2.2 million).

Cash flow from investing activities amounted to EUR 35.0 million in 2020, compared to EUR -253.2 million in 2019. This includes payments for acquisitions of EUR -65.5 million (previous year: EUR -282.6 million) and sales proceeds totalling EUR 100.5 million (previous year: EUR 31.4 million).

Cash flow from financing activities amounted to EUR -11.4 million (2019: EUR 119.1 million). This includes proceeds from borrowed capital of EUR 89.9 million (2019: EUR 704.9 million) in connection with two secured mortgage financing transactions. This is offset by the payments for the redemption of financial liabilities in the amount of EUR 69.9 million (2019: EUR 540.9 million). The net change in cash and cash equivalents amounted to EUR -0.5 million at the end of the 2020 financial year (2019: EUR 88.3 million). Total cash and cash equivalents at the end of the reporting period amounted to EUR 101.6 million (2019: EUR 102.1 million).

The DEMIRE Group was able to meet its payment obligations in full at all times throughout the reporting period.

## SLIGHT INCREASE IN NET LOAN-TO-VALUE RATIO

The DEMIRE Group's net loan-to-value ratio (net LTV) 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 LTV as at the reporting date was as follows:

### NET LOAN-TO-VALUE (NET LTV)

in EUR million	31/12/2019	31/12/2020
Financial liabilities	807.0	829.7
Cash and cash equivalents	102.1	101.6
<b>Net financial debt</b>	<b>704.8</b>	<b>728.1</b>
<b>Fair value of investment properties and non-current assets held for sale</b>	<b>1,510.2</b>	<b>1,457.3</b>
<b>Net LTV in %</b>	<b>46.7 %</b>	<b>50.0 %</b>

As expected, net loan-to-value rose from 46.7% to 50.0% year-on-year, mainly as a result of the payout of the dividend, which had an impact on liquidity. Financial liabilities themselves increased moderately year-on-year by EUR 22.7 million to EUR 829.7 million, although there was a shift from current to non-current liabilities due to refinancing activities.



## COMBINED

### MANAGEMENT REPORT 3

Company principles 3

### Economic report 13

Further legal information 32

Opportunities and risks 42

Outlook 52

### BALANCE SHEET 54

### STATEMENT OF INCOME 56

### NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS 57

### INDEPENDENT

### AUDITOR'S REPORT 75

### STATEMENT OF FIXED ASSETS 82

### SCHEDULE OF

### SHAREHOLDINGS 84

### IMPRINT 89

The maturities of the existing loan agreements are broadly staggered. While there will be no follow-up financing over the next four years and only scheduled repayments will have to be made, refinancing requirements of EUR 731.5 million will emerge in 2024. The liquidity requirements for follow-up financing and repayments over the next few years are as follows:

#### MATURITIES

in EUR million	2021	2022	2023	2024	2025	as of 2026
	8.1	8.3	8.4	731.5	55.5	19.1

#### COVENANTS COMPLIED WITH

As part of the 2019/2024 corporate bond issue, DEMIRE undertook to comply with various covenants and to report regularly. The definitions of the covenants to be reported are listed in the issue prospectus of the 2019/2024 corporate bond.

#### BOND COVENANTS 31/12/2020

	NET LTV	NET SECURED LTV	ICR
Covenant	max. 60 %	max. 40 %	min. 1.75
Value	49.2 %	8.8 %	3.77x

\*As at 31 March 2021: 2.00x

As at 31 December 2020, DEMIRE had complied with all covenants of the 2019/2024 corporate bond. The planning for the 2021 financial year and beyond assumes that all covenants will be complied with at all times.

## Economic development of DEMIRE AG

The section below explains the development of the Company. The basic statements on the market, strategy and management as well as on the opportunities and risks of the business activities presented in the group management report also apply equally to the Company.

The Company is the operational management unit of the DEMIRE Group and does not hold any of its own properties. In the 2020 financial year, it generated revenue from management services rendered for the project companies. The number of employees, excluding Executive Board members, remained constant in the reporting year at an average of 30.

DEMIRE's financial statements as at 31 December 2020 were prepared in accordance with the provisions of the German Commercial Code (HGB) and the supplementary provisions of the German Stock Corporation Act (AktG). Supplementary provisions from the Articles of Association did not arise.

## Results of operations, net assets and financial position

The Company expected to achieve a much better annual result in the 2020 financial year than it did in 2019. This forecast was achieved. As planned, the financial result in particular was down in a year-on-year comparison for two reasons: the issue of the 2019/2024 corporate bond was associated with one-off, unscheduled financing expenses in the previous year, meaning that interest costs started to fall considerably, as expected, in 2020. In addition, a withdrawal was made from the free capital reserve, which had a positive effect on DEMIRE AG's accumulated profit.



## COMBINED

### MANAGEMENT REPORT 3

Company principles 3

### Economic report 13

Further legal information 32

Opportunities and risks 42

Outlook 52

### BALANCE SHEET 54

### STATEMENT OF INCOME 56

### NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS 57

### INDEPENDENT AUDITOR'S REPORT 75

### STATEMENT OF FIXED ASSETS 82

### SCHEDULE OF SHAREHOLDINGS 84

### IMPRINT 89

## RESULTS OF OPERATIONS

### STATEMENT OF INCOME (EXCERPT)

In EUR thousand	2019	2020	Change	in %
Revenue	3,483	4,024	540	15.5
Other operating income	2,695	1,095	-1,600	-59.4
Staff costs	-4,886	-5,561	675	13.8
Other operating expenses, depreciation and amortisation	-12,520	-5,015	-7,504	-59.9
Income from investments	1,179	22,198	21,019	> 100.0
Income from profit transfer agreements	20,023	7,620	-12,403	-61.9
Expenses from the assumption of losses	-2,531	-1,044	-1,487	-58.8
Income from loans of financial assets	15,859	18,709	1,670	9.8
Impairment of financial assets	-120	-448	328	> 100.0
Financial expenses	-20,786	-12,320	-8,465	-40.7
Earnings after taxes	2,697	29,168	26,472	> 100.0
Withdrawal from the capital reserve	0	36,740	36,740	> 100.0
Accumulated profit	2,697	65,909	63,201	> 100.0

The Company's **revenue** results mainly from management fees related to the provision of internal Group services to the subsidiaries and sub-subsidiaries of DEMIRE. As a result of the annualisation effect of newly concluded agency agreements in the course of 2019, including for Fair Value REIT-AG, and due to the acquisitions made, there was a year-on-year increase of EUR 0.5 million to EUR 4.0 million.

**Other operating expenses** fell by EUR 1.6 million to EUR 1.1 million. In the previous year, provisions amounting to EUR 1.6 million were reversed as a one-off effect.

**Staff costs** increased as planned to EUR 5.6 million (2019: EUR 4.9 million).

**Other operating expenses** fell considerably by EUR 7.5 million to EUR 5.0 million. Whereas the previous year included expenses relating to the issue of the 2019/2024 bond, the reporting period includes operating costs on a normalised basis.

In the 2020 financial year, a total net profit of EUR 7.6 million (2019: EUR 20.0 million) was transferred and a loss of EUR 1.0 million (2019: EUR 2.5 million) was assumed on the basis of existing control and profit transfer agreements. In the previous year, a very lucrative property sale in a company belonging to the tax group of consolidated companies resulted in substantial income.

**Income from investments** increased considerably, primarily due to the sale of a property significantly above its carrying amount at a DEMIRE AG subsidiary.



<b>COMBINED MANAGEMENT REPORT</b>	<b>3</b>
Company principles	3
<b>Economic report</b>	<b>13</b>
Further legal information	32
Opportunities and risks	42
Outlook	52
<b>BALANCE SHEET</b>	<b>54</b>
<b>STATEMENT OF INCOME</b>	<b>56</b>
<b>NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS</b>	<b>57</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>75</b>
<b>STATEMENT OF FIXED ASSETS</b>	<b>82</b>
<b>SCHEDULE OF SHAREHOLDINGS</b>	<b>84</b>
<b>IMPRINT</b>	<b>89</b>

Income from loans of financial fixed assets of EUR 18.7 million (previous year: EUR 17.0 million) resulted primarily from loans granted to affiliated companies to finance the acquisition of real estate companies and properties by subsidiaries and sub-subsidiaries of the Company.

Financial expenses came to EUR -12.3 million in the 2020 financial year (2019: EUR -20.8 million). The figure for the previous year included costs associated with the issue of bonds. Impairment on financial assets in the 2020 financial year equalled EUR 0.4 million (2019: EUR 0.1 million).

**Earnings after taxes** amounted to EUR 29.9 million in 2020 (2019 financial year: EUR 2.7 million). In 2020, EUR 36.7 million was withdrawn from the free capital reserve and transferred to the net profit. (2019: EUR 0 million). The Company's accumulated profit amounted to EUR 65.9 million (previous year: EUR 63.2 million).

## NET ASSETS (EXCERPT)

### BALANCE SHEET – ASSETS

In EUR thousand	31/12/2019	31/12/2020	Change	in %
<b>Assets</b>				
Fixed assets	878,932	864,581	- 14,351	-1.6
Current assets/prepaid expenses	123,811	119,382	- 4,429	- 1.9
<b>Total assets</b>	<b>1,002,743</b>	<b>983,963</b>	<b>- 18,780</b>	<b>- 1.9</b>

### BALANCE SHEET – EQUITY AND LIABILITIES

In EUR thousand	31/12/2019	31/12/2020	Change	in %
<b>Equity and liabilities</b>				
Equity	368,896	332,020	- 36,875	-10.0
Provisions	4,872	6,291	1,418	29.1
Liabilities/deferred tax liabilities	628,975	645,652	16,677	2.7
<b>Total equity and liabilities</b>	<b>1,002,743</b>	<b>983,963</b>	<b>- 18,780</b>	<b>- 1.9</b>



## COMBINED

### MANAGEMENT REPORT

Company principles	3
<b>Economic report</b>	<b>13</b>
Further legal information	32
Opportunities and risks	42
Outlook	52

### BALANCE SHEET

54

### STATEMENT OF INCOME

56

### NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS

57

### INDEPENDENT

### AUDITOR'S REPORT

75

### STATEMENT OF FIXED ASSETS

82

### SCHEDULE OF

### SHAREHOLDINGS

84

### IMPRINT

89

The Company's total assets as at the 31 December 2020 reporting date amounted to EUR 984.0 million. This represents a moderate drop of 1.9% compared to the previous year's total of EUR 1,002.7 million.

Fixed assets also remained largely constant in a year-on-year comparison in the financial year under review at EUR 864.6 million (2019: EUR 878.9 million). Current assets including prepaid expenses decreased slightly by 1.9% to EUR 119.4 million compared to EUR 123.8 million on the previous year's reporting date. The largest item was cash and cash equivalents, amounting to EUR 54.3 million (2019: EUR 61.3 million).

On the liabilities side of the balance sheet, the Company's equity fell from EUR 368.9 million as at 31 December 2019 to EUR 332.0 million as at 31 December 2020 as a result of the dividend payout on the one hand, and the net profit for 2020 on the other.

The equity ratio declined accordingly from 36.8% as at 31 December 2019 to 33.7% as at 31 December 2020.

Provisions of EUR 6.3 million as at 31 December 2020 (31 December 2019: EUR 4.9 million) primarily relate to other staff costs, legal and consulting fees, as well as costs for the preparation and audit of the annual and consolidated financial statements.

The Company's liabilities increased moderately from EUR 629.0 million as at 31 December 2019 to EUR 645.7 million as at 31 December 2020.

## FINANCIAL POSITION

The Company's financial management is carried out in accordance with the guidelines adopted by the Executive Board. The primary objectives are to ensure liquidity and maintain financial independence. All financial obligations and credit clauses (financial covenants) were upheld at all times during the financial year and as at the reporting date.

Regularly providing information on the financial position to the Supervisory Board is an integral part of the risk management system of DEMIRE AG.

## STATEMENT OF CASH FLOWS (EXCERPT)

in EUR thousand	2019	2020	Change	in %
Cash flow from operating activities	- 15,748	29,458	45,206	-
Cash flow from investing activities	- 300,006	13,864	313,870	-
Cash flow from financing activities	234,752	- 50,274	-285,027	-
<b>Net change in cash and cash equivalents</b>	<b>- 81,002</b>	<b>- 6,952</b>	<b>74,049</b>	<b>- 91.4</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>61,267</b>	<b>54,315</b>	<b>-6,952</b>	<b>- 11.3</b>

Operating activities resulted in a cash inflow of EUR 29.5 million in 2020, after a cash outflow of EUR 15.8 million in the previous year.

Cash flow from investing activities amounted to EUR 13.9 million, compared to EUR 300.0 million in 2019. The previous year includes purchases made through subsidiaries.





## COMBINED

### MANAGEMENT REPORT 3

Company principles 3

### Economic report 13

Further legal information 32

Opportunities and risks 42

Outlook 52

### BALANCE SHEET 54

### STATEMENT OF INCOME 56

### NOTES TO THE 2020 ANNUAL

### FINANCIAL STATEMENTS 57

### INDEPENDENT

### AUDITOR'S REPORT 75

### STATEMENT OF FIXED ASSETS 82

### SCHEDULE OF

### SHAREHOLDINGS 84

### IMPRINT 89

DEMIRE AG's cash flow from financing activities amounted to EUR -50.3 million in the 2020 financial year, compared with EUR 234.8 million in 2019. While the reporting period includes the payment of the dividend, the prior-year value includes the net effect of the issue of the 2019/2024 corporate bond and the repayment of the 2017/2022.

During the 2020 financial year, DEMIRE was able to meet all of its payment obligations at all times.

## OUTLOOK

The forecast reduction in financing expenditure in 2020 has occurred. Looking ahead to the 2021 financial year and following a weak start to the year as a result of the lockdown, an increasing recovery in the economic environment and a positive annual result slightly up on 2020 are expected.

## SUBSEQUENT EVENTS

As part of the share buy-back programme that was announced on 08 December 2020, DEMIRE was offered 259,729 shares within the acceptance period. DEMIRE acquired these 259,729 shares on 4 January 2021 and now holds 2,264,728 treasury shares, which corresponds to 2.1% of the share capital.

On 26 February 2021, DEMIRE acquired a stake in the office building on Frankfurt's Theodor-Heuss-Allee and became an equal partner with RFR. DEMIRE secured a right of first refusal through the transaction. The value of the entire transaction comes to over EUR 270 million. The parties to the transaction expect it to be finalised during the second quarter of 2021.

On 4 March 2021, the majority shareholders sent a letter to the Company asking that it consider distributing a substantial dividend in the amount of the retained earnings for the year 2020 as well. The Executive Board and Supervisory Board reviewed this request and will propose a dividend of EUR 0.62 per share at the Annual General Meeting.

## CONCLUDING STATEMENT TO THE DEPENDENCY REPORT PURSUANT TO SECTION 312 AKTG

In accordance with Section 312 AktG, the Executive Board issues the following concluding statement: "In the legal transactions listed in the report on relations with affiliated companies, our Company received appropriate consideration for each legal transaction according to the circumstances known to us at the time when the legal transactions were carried out. No reportable measures by our Company as defined by Section 312 AktG were either taken or omitted in the year under review."

## Dividends

In the reporting period, DEMIRE distributed a dividend of EUR 0.54 per share for the first time for the 2019 financial year. Based on a suggestion made by the Company's major shareholders, the Executive Board and Supervisory Board will propose the distribution of a dividend of EUR 0.62 per share to the 2021 Annual General Meeting.



## COMBINED

### MANAGEMENT REPORT 3

Company principles 3

Economic report 13

### Further legal information 32

Opportunities and risks 42

Outlook 52

### BALANCE SHEET 54

### STATEMENT OF INCOME 56

### NOTES TO THE 2020 ANNUAL

### FINANCIAL STATEMENTS 57

### INDEPENDENT

### AUDITOR'S REPORT 75

### STATEMENT OF FIXED ASSETS 82

### SCHEDULE OF

### SHAREHOLDINGS 84

### IMPRINT 89

# FURTHER LEGAL INFORMATION

## Disclosures pursuant to Section 289a/315a HGB

### COMPOSITION OF SUBSCRIBED CAPITAL

#### A) AS AT 31 DECEMBER 2020

As at 31 December 2020, the Company had fully paid-up subscribed capital in the amount of EUR 107,777,324.00 divided into 107,777,324 no-par value bearer shares with a notional interest in share capital of EUR 1.00; DEMIRE AG itself held 2,004,999 of these shares as at the reporting date. DEMIRE shares have been admitted for trading in the Prime Standard of the Frankfurt Stock Exchange.

#### B) DEVELOPMENT AFTER 31 DECEMBER 2020

On 8 December 2020, the Company announced an offer to repurchase up to 1,000,000 treasury shares by 4 January 2021. The Company acquired 259,729 additional shares as a result of this offer and now holds 2,264,728 treasury shares, which corresponds to approximately 2.1% of the share capital.

### RESTRICTIONS ON VOTING RIGHTS AND TRANSFER OF SHARES

There are no restrictions on voting rights or the transfer of shares.

### DIRECT OR INDIRECT CAPITAL INTERESTS THAT EXCEED 3% OF THE VOTING RIGHTS

#### A) AS AT 31 DECEMBER 2020

In 2020, the Company received two voting rights notifications from Mr Klaus Wecken, which are published on DEMIRE's website. As at 31 December 2020, the following shareholders held interests in the Company, representing more than 3%, 5% or 10% of the voting rights:

- AEPF III 15 S. à r. l. held a total of 58.61% of the shares.
- The Wecken Group of Mr Klaus Wecken, Basel, Switzerland held a total of 32.14% of the shares through various subsidiaries.

#### B) DEVELOPMENT AFTER 31 DECEMBER 2020

The Company did not receive additional voting right notifications with regard to direct or indirect interests that exceeded 3%, 5% or 10% of the voting rights, up to the date of this Annual Report's publication.

### HOLDERS OF SHARES ENDOWED WITH SPECIAL RIGHTS CONFERRING POWER OF CONTROL

Such shares do not exist.

### TYPE OF VOTING RIGHT CONTROL WHEN EMPLOYEES HOLD AN INTEREST IN SHARE CAPITAL AND DO NOT EXERCISE THEIR CONTROL RIGHTS DIRECTLY

Such interests do not exist.

### LEGAL REGULATIONS AND PROVISIONS OF THE ARTICLES OF ASSOCIATION GOVERNING THE APPOINTMENT AND REPLACEMENT OF MEMBERS OF THE EXECUTIVE BOARD AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION

#### APPOINTMENT AND REPLACEMENT OF EXECUTIVE BOARD MEMBERS

Pursuant to Section 84 AktG, Executive Board members are appointed by the Supervisory Board for a term of no more than five years. Repeat appointments are permissible. The Executive Board of the Company consists of one or more persons. The number of Executive Board members is stipulated by the Supervisory Board. The Supervisory Board decides on the appointment, revocation of appointment and the conclusion, modification and termination of employment contracts to be concluded with Executive Board members. The Supervisory Board is authorised to appoint chairpersons and vice chairpersons and deputy members to the Executive Board.

#### AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Changes to the Articles of Association require a resolution of the Annual General Meeting pursuant to Section 179 (1) AktG, which requires a majority of three-fourths



## COMBINED

### MANAGEMENT REPORT 3

Company principles 3

Economic report 13

### Further legal information 32

Opportunities and risks 42

Outlook 52

### BALANCE SHEET 54

### STATEMENT OF INCOME 56

### NOTES TO THE 2020 ANNUAL

### FINANCIAL STATEMENTS 57

### INDEPENDENT

### AUDITOR'S REPORT 75

### STATEMENT OF FIXED ASSETS 82

### SCHEDULE OF

### SHAREHOLDINGS 84

### IMPRINT 89

of the capital represented in the voting pursuant to Section 179 (2) AktG, unless specified otherwise in the Articles of Association. However, where an amendment relates to a change in the purpose of the Company, the Articles of Association may only specify a larger majority. Section 20 (1) of DEMIRE's Articles of Association makes use of the option to deviate therefrom pursuant to Section 179 (2) AktG and provides that resolutions can generally be passed by a simple majority vote and, if a capital majority is required, by a simple capital majority, unless mandatory provisions require otherwise. The Supervisory Board is authorised to resolve amendments to the Articles of Association that relate to their wording only. The Supervisory Board is also authorised to amend the wording of Section 5 of the Articles of Association with respect to the amount and composition of the share capital in correspondence to the scope of capital increases from authorised capital.

## AUTHORISATION OF THE EXECUTIVE BOARD TO ISSUE AND REPURCHASE SHARES

### AUTHORISED CAPITAL

#### A) AS AT 31 DECEMBER 2020

By resolution of the Extraordinary General Meeting on 11 February 2019, the Authorised Capital I/2018 was cancelled and the Executive Board was authorised, with the consent of the Supervisory Board, to increase the share capital of the Company on one or more occasions on or before 10 February 2024 by up to a total of EUR 53,888,662.00 by issuing up to a total of 53,888,662 new no-par value bearer shares against cash contributions and/or contributions in kind (Authorised Capital I/2019). Shareholders are generally entitled to subscription rights. The new shares may also be underwritten by one or more banks, or companies treated as such, in accordance with Section 186 (5) Sentence 1 AktG, with the obligation to offer these to the shareholders for subscription. The Executive Board is however authorised, with the consent of the Supervisory Board, to exclude the subscription rights of shareholders for fractional amounts, cash capital increases of up to 10% of the share capital at an issue price that is not significantly lower than the stock market price, as well as to service option or conversion rights and in the case of capital increases against contributions in kind.

Authorised Capital I/2019 had not yet been utilised by 31 December 2020.

### B) DEVELOPMENT AFTER 31 DECEMBER 2020

There were no changes compared with 31 December 2020 up to the publication of this Annual Report.

## CONDITIONAL CAPITAL

### A) AS AT 31 DECEMBER 2020

By resolution of the ordinary Annual General Meeting of 22 September 2020, Conditional Capital I/2019 was cancelled and the Executive Board was authorised, with the consent of the Supervisory Board, to conditionally increase the share capital of the Company by up to EUR 53,328,662.00 by issuing up to 53,328,662 no-par value bearer shares (Conditional Capital I/2020). The conditional capital increase serves to grant no-par value bearer shares to the holders or creditors of convertible bonds and/or bonds with warrants, profit participation rights and/or profit participation bonds (or combinations of these instruments), which are or will be issued (i) on the basis of the authorisation resolved by the Annual General Meeting of 11 February 2019 under Agenda Item 2 to issue convertible bonds and/or bonds with warrants, profit participation rights and/or profit participation bonds (or combinations of these instruments) and/or (ii) on the basis of the authorisation resolved by the Annual General Meeting of 11 June 2019 under Agenda Item 2 to issue convertible bonds and/or bonds with warrants, profit participation rights and/or profit participation bonds (or combinations of these instruments) issued or to be issued by the Company or its direct or indirect subsidiaries, and granting a conversion or option right to new no-par value bearer shares of the Company or establishing a conversion or option obligations. The new shares shall be issued at the exercise or conversion price to be determined in each case in accordance with the respective authorisation resolution of the Annual General Meeting. The conditional capital increase will only be carried out to the extent that the holders or creditors of conversion or option rights exercise these rights or the holders with conversion or option obligations fulfil their conversion or option obligations, unless cash compensation is granted or treasury shares or shares created from authorised capital are used to service this obligation. The Executive Board is authorised, with the consent of the



## COMBINED

### MANAGEMENT REPORT

Company principles	3
Economic report	13
<b>Further legal information</b>	<b>32</b>
Opportunities and risks	42
Outlook	52

### BALANCE SHEET

54

### STATEMENT OF INCOME

56

### NOTES TO THE 2020 ANNUAL

### FINANCIAL STATEMENTS

57

### INDEPENDENT

### AUDITOR'S REPORT

75

### STATEMENT OF FIXED ASSETS

82

### SCHEDULE OF

### SHAREHOLDINGS

84

### IMPRINT

89

Supervisory Board, to determine the further details of the implementation of a conditional capital increase.

Conditional Capital I/2020 had not yet been utilised by 31 December 2020.

#### B) DEVELOPMENT AFTER 31 DECEMBER 2020

There were no changes compared with 31 December 2020 up to the publication of this Annual Report.

#### AUTHORISATION TO ISSUE CONVERTIBLE BONDS OR BONDS WITH WARRANTS

##### A) AS AT 31 DECEMBER 2020

The authorisation granted by resolution of the Annual General Meeting of 27 June 2018 under Agenda Item 8 to issue convertible bonds and/or bonds with warrants, profit participation rights and/or profit participation bonds with a total nominal value of up to EUR 125,000,000.00 was cancelled by resolution of the Annual General Meeting of 11 February 2019 and the Executive Board was authorised, with the consent of the Supervisory Board, to issue subordinated or non-subordinated bearer or registered convertible bonds and/or bonds with warrants, profit participation rights and/or profit participation bonds (or combinations of these instruments; collectively "bonds") with or without a limited term to maturity in the total nominal amount of up to EUR 325,000,000.00 on one or more occasions up to 10 February 2024, and to grant or impose conversion or option rights and conversion or option obligations to holders or creditors of bonds for a total of up to 53,328,662 no-par value bearer shares of the Company with a notional interest in the share capital totalling up to EUR 53,328,662.00 in accordance with the more detailed provisions of the bond conditions.

The option and conversion rights can be serviced from existing or future conditional or authorised capital, from existing shares or treasury shares, or from the shares of a shareholder. The rights may be issued by Group companies or issued against contributions in kind. The shareholders have subscription rights that can be excluded for fractional amounts, in the case of an issue against cash, whose options or conversion rights do not exceed 10% of the share capital if the issue price is not significantly lower than the market value of the bonds, and to grant subscription rights to the holders of option or conversion rights, in the case of an issue against contribution in kind.

This authorisation had not been used by the reporting date.

#### AUTHORISATION TO PURCHASE TREASURY SHARES

On the basis of the resolution of the Annual General Meeting of 22 September 2020, the Company is authorised until 21 September 2025 to acquire up to a total of 10% of the share capital existing at the time of the resolution or, if lower, the share capital existing at the time the authorisation is exercised. Together with other own shares acquired and owned by the Company or attributable to the Company, the own shares acquired on the basis of this authorisation may at no time exceed 10% of the Company's share capital existing at the time of the resolution or, if this value is lower, at the time the authorisation is exercised. Acquisition for the purpose of trading in own shares is excluded. The authorisation may be exercised in whole or in part, once or several times, in pursuit of one or several objectives by the Company or its Group companies or by third parties for its or their account.

The shares may be acquired on the stock exchange or by way of a public repurchase offer or a public invitation to the Company's shareholders to submit offers for sale:



## COMBINED

### MANAGEMENT REPORT

Company principles	3
Economic report	13

### Further legal information

Opportunities and risks	42
Outlook	52

### BALANCE SHEET

### STATEMENT OF INCOME

### NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS

### INDEPENDENT

### AUDITOR'S REPORT

### STATEMENT OF FIXED ASSETS

### SCHEDULE OF SHAREHOLDINGS

### IMPRINT

If the shares are acquired on the stock exchange, the consideration per share paid by the Company (in each case without consideration of ancillary acquisition costs) may not exceed the average closing price of the Company's shares in Xetra trading on the Frankfurt Stock Exchange (or a comparable successor system) on the last three trading days prior to the acquisition by more than 10% or fall below this price by more than 10%. If the Company is listed on several stock exchanges, the respective last ten closing prices of the Company on the Frankfurt Stock Exchange are decisive.

At the Executive Board's discretion, Company shares may be acquired on the stock exchange or by means of a public purchase offer to all shareholders or public invitation to submit an offer to sell. If purchased on the stock exchange, the consideration paid per share (excluding ancillary acquisition costs) may not be more than 10% higher or 20% lower than the average closing price of the Company's shares of the same class in Xetra trading (or a comparable successor system) on the last five trading days of the Frankfurt Stock Exchange prior to entering into the obligation to purchase.

In the event of a public offer to buy or a public invitation to submit an offer to sell, the purchase price offered or the limits of the purchase price range per share (excl. incidental acquisition costs) may not be more than 10% higher or 20% lower than the average closing price of the Company's shares of the same class in Xetra trading (or a comparable successor system) on the last five trading days on the Frankfurt Stock Exchange before the date of publication of the offer or the public invitation to submit an offer to sell.

The volume of the offer or the invitation to submit offers may be limited. If the total acceptance of the offer or the offers made by shareholders in response to an invitation to submit offers exceeds this volume, the acquisition or acceptance must be effected in proportion to the shares offered, partially excluding any tender rights of shareholders. Preferential acquisition or preferential acceptance of smaller quantities of up to 100 shares of the Company offered for acquisition per shareholder of

the Company may be provided for, to the extent that the shareholders' right to tender may be partially excluded.

In addition to selling the purchased shares of the Company on the stock exchange, the Executive Board is authorised to retire the acquired treasury shares of the Company and, reducing the share capital, to transfer them to third parties as consideration in business combinations or the acquisition of companies or equity interests, or to offer them to employees for purchase, use them to service option or conversion rights or to sell them in a way other than on the stock exchange, provided that the selling price is not significantly lower than the stock exchange price.

The purchase offer or the invitation to submit an offer to sell may stipulate further conditions. The authorisation to purchase own shares was used in July 2020 and in December 2020.

### MATERIAL AGREEMENTS OF THE COMPANY THAT ARE CONDITIONAL UPON A CHANGE OF CONTROL FOLLOWING A TAKEOVER BID AND THE RESULTING EFFECTS

The majority of the existing debt financing agreements (including the 2019/2024 bond) provide for an extraordinary termination right for the creditors of Group companies concerned in the event of a change of control.

### COMPANY COMPENSATION AGREEMENTS WITH THE EXECUTIVE BOARD AND EMPLOYEES IN THE EVENT OF A TAKEOVER BID

None of the Executive Board members or employees have an extraordinary special right of termination in the event of the direct or indirect acquisition of control of the voting rights of the Company of at least 50% of the voting rights or a comparable situation that restricts the power of management of the Executive Board of the Company.



## COMBINED

### MANAGEMENT REPORT 3

Company principles 3

Economic report 13

### Further legal information 32

Opportunities and risks 42

Outlook 52

### BALANCE SHEET 54

### STATEMENT OF INCOME 56

### NOTES TO THE 2020 ANNUAL

### FINANCIAL STATEMENTS 57

## INDEPENDENT

### AUDITOR'S REPORT 75

### STATEMENT OF FIXED ASSETS 82

## SCHEDULE OF

### SHAREHOLDINGS 84

### IMPRINT 89

## Corporate Governance Statement

On 4 March 2021, the Executive Board of the Company issued its Corporate Governance Statement in accordance with Sections 315d and 289f of the German Commercial Code (HGB) and made it generally and permanently accessible on the Company's website [www.demire.ag](http://www.demire.ag) in the "Company" section under Corporate Governance.

## Remuneration paid to the Executive Board and the Supervisory Board

The following report summarises the basic principles of the Executive and Supervisory Boards' remuneration systems:

### Remuneration of the Executive Board

The Supervisory Board determines the appropriate level of remuneration for the members of the Executive Board. The criteria for the appropriateness of the total remuneration package are the responsibilities and performance of the respective Executive Board member, the Company's situation and the sustainability of its development. Total remuneration may not exceed the customary remuneration without specific reasons. In this context, the Supervisory Board takes into account the relationship between the remuneration of the Executive Board and the remuneration of the senior management and the workforce as a whole and over time, whereby the Supervisory Board determines how the senior management and the relevant workforce are to be defined for comparison purposes. The total remuneration of the Executive Board members is essentially composed of fixed remuneration and a variable remuneration component with short-term and long-term incentive components (performance bonus). The remuneration can be adjusted with effect from 1 January of each calendar year.

The employment contracts contain a non-competition clause that prohibits the Executive Board from founding, acquiring or directly or indirectly participating in or working for a competitor of the Company or one of its affiliated companies during

the term of the agreement, unless the Supervisory Board provides for an exemption. The service agreement also contains an obligation to maintain secrecy about all confidential information, not to grant third parties access to business documents and not to use this information for the Executive Board member's own benefit or the benefit of others.

The variable and fixed remuneration of the Executive Board members are subject to a cap. In principle, no higher remuneration is granted than the remuneration provided for the remaining term of the employment contracts.

The remuneration of the Executive Board also covers the functions of executive boards and managing directors in the subsidiaries and sub-subsidiaries of the DEMIRE Group.

## EXISTING EMPLOYMENT CONTRACTS

### MR INGO HARTLIEF (FRICS)


On 20 December 2018, the Supervisory Board of the Company concluded a contract with Mr Ingo Hartlief (FRICS) as Chief Executive Officer until 31 December 2021. This means that one member of the Executive Board has a fixed-term employment contract.

Under this contract and addendum no. 1 dated 14 April 2020, Mr Hartlief (FRICS) receives a basic annual salary of EUR 400,000. This fixed component is paid monthly as a basic salary and paid pro rata temporis if the contract begins or ends during the year.

In addition, Mr Hartlief (FRICS) receives, pursuant to addendum no. 1 dated 14 April 2020, a performance- and success-based bonus of EUR 190,000.00 per year. The gross target bonus is reduced or increased up to a maximum of EUR 380,000.00 in accordance with achievement of the target. The amount is based on the achievement of certain targets set by the Supervisory Board at its reasonable discretion (in particular operational and financial KPIs). If the employment contract of the Executive Board member ends during the year, the bonus is reduced on a pro rata basis.



---



<b>COMBINED</b>	
<b>MANAGEMENT REPORT</b>	<b>3</b>
Company principles	3
Economic report	13
<b>Further legal information</b>	<b>32</b>
Opportunities and risks	42
Outlook	52
<b>BALANCE SHEET</b>	<b>54</b>
<b>STATEMENT OF INCOME</b>	<b>56</b>
<b>NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS</b>	<b>57</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>75</b>
<b>STATEMENT OF FIXED ASSETS</b>	<b>82</b>
<b>SCHEDULE OF SHAREHOLDINGS</b>	<b>84</b>
<b>IMPRINT</b>	<b>89</b>

---

The bonus is due at the end of the month, one year after the annual financial statements of the Company were adopted.

Mr Hartlief (FRICS) also receives, pursuant to addendum no. 1 dated 14 April 2020, a variable success-based remuneration on a multi-year basis (Long-Term Incentive) at the reasonable discretion of the Supervisory Board in accordance with the Long-Term Incentive Programme. This is still calculated in line with the requirements set out in the Executive Board employment contract dated 18/20 December 2018. The annual performance-related variable remuneration on a multi-year basis is set at EUR 310,000.00 gross (pro rata in the event of departure during the year) and depends on achievement of the respective targets. The details are based on the Long-Term Incentive Programme as amended and determined at the reasonable discretion of the Supervisory Board. If the employment contract of the Executive Board member ends during the year, the bonus is reduced on a pro rata basis. The provision set up in this regard amounted to EUR 144,606.89 as at 31 December 2020, and EUR 19 thousand was used for this purpose in the reporting period.

Mr Hartlief (FRICS) is entitled to the usual contractual (non-cash) fringe benefits. These include the provision of a company car, the reimbursement of expenses and travel costs, participation in contributions to statutory health insurance or suitable private health insurance, nursing care insurance with the statutory employer's contribution, the payment of contributions to a pension contract, if any, continuation of the existing pecuniary damage liability insurance (D&O insurance), conclusion of an accident and invalidity insurance policy within the framework of a group accident insurance policy, as well as continued payment of remuneration in the event of illness or accident and a death benefit. In addition, Mr Hartlief (FRICS) is granted a payment of EUR 500,000 in 2019 for waiving a special right of termination (disbursed in financial year 2020).

#### MR TIM BRÜCKNER

On 17 January 2019, the Supervisory Board of the Company concluded a contract with Mr Tim Brückner to join the Executive Board from 1 February 2019 until 31

December 2021. As a result, one member of the Executive Board has a fixed-term employment contract.

Effective 1 January 2020, the remuneration paid to Mr Brückner was adjusted in accordance with the supplementary agreement dated 14 January 2020 and 25 April 2020. His basic annual salary is EUR 230,000.00. In addition, Mr Brückner receives a performance and success-based bonus of up to EUR 115,000.00 per year. The gross target bonus is reduced or increased up to a maximum of EUR 240,000.00 in accordance with achievement of the target. The amount is based on the achievement of certain targets set by the Supervisory Board at its reasonable discretion (in particular operational and financial KPIs). If the employment contract of the Executive Board member ends during the year, the bonus is reduced on a pro rata basis. The bonus is due at the end of the month, one year after the annual financial statements of the Company were adopted. The performance-related variable success-based remuneration on a multi-year basis in the form of virtual shares was set at EUR 185,000.00 gross. The provision in respect of the stock option programme amounted to EUR 81,142.10 as at 31 December 2020, and EUR 48 thousand was used for this purpose in the reporting period.

The Company and Mr Brückner have agreed to a one-off special bonus in the form of virtual shares to the value of a further EUR 250,000.00 if certain capital-market-related targets are achieved.

Mr Brückner is entitled to the usual contractual (non-cash) fringe benefits. These include the provision of a company car, the reimbursement of expenses and travel costs, participation in contributions to statutory health insurance or suitable private health insurance, nursing care insurance with the statutory employer's contribution, the assumption of any voluntary payments towards the statutory pension insurance scheme, if applicable, continuation of the existing pecuniary damage liability insurance (D&O insurance), conclusion of an accident and invalidity insurance policy within the framework of a group accident insurance policy, as well as continued payment of remuneration in the event of illness or accident and a death benefit.



## COMBINED

### MANAGEMENT REPORT 3

Company principles 3

Economic report 13

### Further legal information 32

Opportunities and risks 42

Outlook 52

### BALANCE SHEET 54

### STATEMENT OF INCOME 56

### NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS 57

## INDEPENDENT

### AUDITOR'S REPORT 75

### STATEMENT OF FIXED ASSETS 82

### SCHEDULE OF SHAREHOLDINGS 84

### IMPRINT 89

## FORMER EXECUTIVE BOARD MEMBERS

A former Executive Board member received a gross basic salary of EUR 2,903.23 in 2019 under an Executive Board contract that was prematurely terminated with effect from 3 January 2019. The amount of any remaining compensation to which this Executive Board member may still be entitled is open, as these issues are currently the subject of pending legal proceedings; however, a provision amounting to EUR 1,920 thousand has been recognised.

## TABLE ACCORDING TO GAS 17

In EUR thousands	2020				2019
	Fixed components	Performance-based components	Component with long-term incentive effect	Total remuneration	Total remuneration
Ingo Hartlief (FRICS)	414	190	145	749	1,151
Tim Brückner	289	143	81	513	451
Executive Board member who has left	0	0	0	0	3
<b>Total:</b>	<b>703</b>	<b>333</b>	<b>226</b>	<b>1,262</b>	<b>1,482</b>



## COMBINED

### MANAGEMENT REPORT 3

Company principles 3

Economic report 13

### Further legal information 32

Opportunities and risks 42

Outlook 52

### BALANCE SHEET 54

### STATEMENT OF INCOME 56

### NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS 57

### INDEPENDENT

### AUDITOR'S REPORT 75

### STATEMENT OF FIXED ASSETS 82

### SCHEDULE OF SHAREHOLDINGS 84

### IMPRINT 89

## VALUE OF BENEFITS DURING THE REPORTING YEAR

INGO HARTLIEF (FRICS),  
CHAIRMAN OF THE EXECUTIVE BOARD  
SINCE 20 DECEMBER 2018

In EUR thousands	FY 2020	FY 2020 (MIN)	FY 2020 (MAX)	FY 2019
Fixed remuneration	400	400	400	320
Fringe benefits	9	9	9	10
One-time payment	0	0	0	500
<b>Total</b>	<b>409</b>	<b>409</b>	<b>409</b>	<b>830</b>
Variable remuneration (one-year)	190	0	380	190
Long-Term Incentive	310	0	310	190
<b>Total</b>	<b>909</b>	<b>409</b>	<b>1,099</b>	<b>1,710</b>
Pension expenses	5	5	5	5
<b>Total remuneration</b>	<b>914</b>	<b>414</b>	<b>1,104</b>	<b>1,715</b>

TIM BRÜCKNER,  
CHIEF FINANCIAL OFFICER  
SINCE 1 FEBRUARY 2019

In EUR thousands	FY 2020	FY 2020 (MIN)	FY 2020 (MAX)	FY 2019
Fixed remuneration	240	240	240	200
Fringe benefits	18	18	18	17
<b>Total</b>	<b>258</b>	<b>258</b>	<b>258</b>	<b>217</b>
Variable remuneration (one-year)	115	0	230	50
Long-Term Incentive	185	0	185	300
<b>Total</b>	<b>558</b>	<b>258</b>	<b>673</b>	<b>567</b>
Pension expenses	31	31	31	28
<b>Total remuneration</b>	<b>589</b>	<b>289</b>	<b>704</b>	<b>595</b>



## COMBINED

### MANAGEMENT REPORT 3

Company principles 3

Economic report 13

### Further legal information 32

Opportunities and risks 42

Outlook 52

### BALANCE SHEET 54

### STATEMENT OF INCOME 56

### NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS 57

### INDEPENDENT

### AUDITOR'S REPORT 75

### STATEMENT OF FIXED ASSETS 82

### SCHEDULE OF SHAREHOLDINGS 84

### IMPRINT 89

## BENEFITS RECEIVED DURING THE REPORTING YEAR

INGO HARTLIEF (FRICS),  
CHAIRMAN OF THE EXECUTIVE BOARD  
SINCE 20 DECEMBER 2018

In EUR thousands	FY 2020	FY 2019
Fixed remuneration	400	320
Fringe benefits	9	10
One-time payment	500	—
<b>Total</b>	<b>909</b>	<b>330</b>
Variable remuneration (one-year)	190	—
Variable remuneration (multi-year)	—	—
Stock options	—	—
<b>Total</b>	<b>1099</b>	<b>330</b>
Pension expenses	5	5
<b>Total remuneration</b>	<b>1,104</b>	<b>335</b>

TIM BRÜCKNER,  
CHIEF FINANCIAL OFFICER  
SINCE 1 FEBRUARY 2019

In EUR thousands	FY 2020	FY 2019
Fixed remuneration	240	183
Fringe benefits	18	17
<b>Total</b>	<b>258</b>	<b>200</b>
Variable remuneration (one-year)	50	—
Variable remuneration (multi-year)	—	—
Stock options	—	—
<b>Total</b>	<b>308</b>	<b>200</b>
Pension expenses	31	28
<b>Total remuneration</b>	<b>339</b>	<b>228</b>



**COMBINED**

**MANAGEMENT REPORT 3**

Company principles 3

Economic report 13

**Further legal information 32**

Opportunities and risks 42

Outlook 52

**BALANCE SHEET 54**

**STATEMENT OF INCOME 56**

**NOTES TO THE 2020 ANNUAL  
FINANCIAL STATEMENTS 57**

**INDEPENDENT**

**AUDITOR'S REPORT 75**

**STATEMENT OF FIXED ASSETS 82**

**SCHEDULE OF  
SHAREHOLDINGS 84**

**IMPRINT 89**

## Remuneration of the Supervisory Board

The amount of remuneration for the Supervisory Board is determined by the Annual General Meeting and governed by Article 16 (“Remuneration”) of the Articles of Association. The most recently resolved remuneration remains valid until the Annual General Meeting resolves on amended remuneration. The fixed, annually payable remuneration starting in the 2017 financial year was adjusted to EUR 30,000.00 in the year under review by resolution of the Annual General Meeting on 30 June 2016. The Chairman of the Supervisory Board receives triple the basic remuneration and the Vice Chairman receives double the basic remuneration. Supervisory Board members who have not been members of the Supervisory Board for a full financial year receive remuneration in accordance with the length of their membership on the Supervisory Board.

In addition, the Company reimburses the members of the Supervisory Board for the expenses they incur in the exercise of their Supervisory Board mandates as well as the value-added tax payable on their remuneration and expenses, insofar as this is charged separately.

For more information, please refer to the corresponding explanations in the Notes to the consolidated financial statements.



#### COMBINED

#### MANAGEMENT REPORT 3

Company principles 3

Economic report 13

Further legal information 32

#### Opportunities and risks 42

Outlook 52

#### BALANCE SHEET 54

#### STATEMENT OF INCOME 56

#### NOTES TO THE 2020 ANNUAL

FINANCIAL STATEMENTS 57

#### INDEPENDENT

#### AUDITOR'S REPORT 75

#### STATEMENT OF FIXED ASSETS 82

#### SCHEDULE OF

SHAREHOLDINGS 84

#### IMPRINT 89

# OPPORTUNITIES AND RISKS

## Risk report

### Risk management system

The objectives of the risk management system are to ensure the lasting viability of DEMIRE, to recognise risks at an early stage, monitor compliance with the risk strategy derived from the corporate strategy, control risks through appropriate actions, and to monitor and optimise the performance-risk ratio. Risk management covers all organisational rules and activities and the periodic and Group-wide implementation of the risk strategy. The Group-wide risk management system covers all of the DEMIRE Group's affiliated companies included in the consolidated financial statements, especially Fair Value REIT-AG.

### EARLY RISK WARNING SYSTEM

DEMIRE AG's early warning system is intended to detect all relevant risks and their causes, as well as to quantify and communicate them, thereby ensuring that any necessary countermeasures can be initiated at an early stage. The early risk warning system is audited and assessed annually by the auditor as part of the audit of the annual financial statements with regard to its compliance with the requirements set forth in the German Stock Corporation Act in accordance with Section 317 (4) HGB. In addition, an internal audit was carried out in 2020 with the help of an external service provider, and will take place at regular intervals in the future.

The early risk warning system is being developed on an ongoing basis. In 2020, this further development was carried out in cooperation with the audit firm Deloitte. In this project, the risk assessment methodology in particular was completely revised in order to improve the comprehensibility and quality of the risk quantification.

### RISK IDENTIFICATION AND EVALUATION

Risk identification forms the basis for the appropriate and effective handling of risks. Our employees are called upon to consciously and responsibly deal with risks and opportunities within their scope of responsibility. The risks are assigned to the respective business areas according to responsibility. They are assessed in terms of their probability of occurring and evaluated in terms of the potential extent of loss.

### RISK MANAGEMENT

The risk officers determine the appropriate risk management approach by developing suitable control measures and monitoring them regularly. If necessary, this can also be carried out together with the Executive Board.

### RISK REPORTING

The reports of the risk officers are aggregated centrally in order to be able to assess the overall risk position of the DEMIRE Group. The Executive Board is informed quarterly and also ad hoc if necessary. This is how DEMIRE ensures the complete and timely communication of information on material risks.

The Supervisory Board is regularly informed in detail of the development of the business, the performance of investments and the status and further development of the risk management system. New risks that pose a major risk and any sharply negative changes in existing risks are reported to the Supervisory Board on an ad hoc basis.

### Internal control and risk management system

### IT SYSTEMS

At DEMIRE AG, the IT systems are controlled and monitored centrally. To guarantee high availability of all necessary systems and components at all times, the programs and interfaces we use are monitored regularly to ensure they are operating correctly. The results of this monitoring are utilised for the ongoing optimisation of the processes. DEMIRE's entire IT system is secured against unauthorised access and malicious programmes, such as viruses and Trojans, based on a multi-level concept. The DEMIRE Group's internal network is protected from outside access using firewalls.





## COMBINED

### MANAGEMENT REPORT 3

Company principles 3

Economic report 13

Further legal information 32

### Opportunities and risks 42

Outlook 52

### BALANCE SHEET 54

### STATEMENT OF INCOME 56

### NOTES TO THE 2020 ANNUAL

### FINANCIAL STATEMENTS 57

## INDEPENDENT

### AUDITOR'S REPORT 75

### STATEMENT OF FIXED ASSETS 82

### SCHEDULE OF

### SHAREHOLDINGS 84

### IMPRINT 89

## FINANCIAL REPORTING PROCESS

The internal control and risk management system used in the financial reporting and consolidation processes represents one of the cornerstones of the Group's risk management. This system comprises all accounting-related processes and all risks and controls with respect to accounting.

The financial reporting processes are structured to achieve the following objectives:

- Safeguarding the efficiency of operations and protecting assets
- Guaranteeing the accuracy and reliability of internal and external accounting
- Ensuring compliance with applicable legal provisions, in particular the compliance of the consolidated financial statements and the combined management report with current standards

As the legal parent company, DEMIRE Deutsche Mittelstand Real Estate AG also prepares the consolidated financial statements. Impairment tests carried out centrally, particularly the market valuation of all properties by independent external experts, ensure the uniform and standardised application of the valuation criteria. The aggregation and preparation of required data for the Notes to the consolidated financial statements and the combined management report are also carried out at the Group level. These processes are preceded by the bookkeeping, the preparation of the annual financial statements and the gathering of additional information from the Group companies included in the consolidated financial statements in accordance with uniform requirements, partly by external property management and partly, via agency agreements, by the employees of DEMIRE AG.

The required reports and the preparation of the quarterly, interim and annual financial statements are fully and promptly communicated and internally monitored. For risk management purposes, the plausibility, accuracy and completeness of postings are monitored and reviewed by the Group's own employees. The employees involved in this process meet the qualitative requirements and are trained regularly. The two-man rule is an important control instrument in this process.

Other essential tools include:

- The clear separation of duties and assignment of responsibilities between the internal and external departments involved in the accounting process
- The use of external specialists to the extent necessary to provide an expert opinion e.g. on the market value of real estate

Together with our external consultants and service providers, new laws, accounting standards and other official pronouncements are continuously analysed for their relevance and their impact on the annual and consolidated financial statements and the combined management report. The Group makes adjustments to Group accounting policies when necessary.

The following measures and controls are regularly implemented, evaluated and further developed in a structured process with our service providers to ensure the appropriateness of the accounting and the correct overall presentation of the consolidated and annual financial statements and the combined management report:

- Identification and analysis of the main risk areas and control areas
- Monitoring and plausibility checks to monitor processes and their results at the level of the Executive Board and operating units
- Preventive control measures in finance and accounting as well as in the operational corporate processes essential for accounting
- Measures to ensure the proper, complete and timely computer-aided processing of accounting-related facts and data



## COMBINED

### MANAGEMENT REPORT 3

Company principles 3

Economic report 13

Further legal information 32

### Opportunities and risks 42

Outlook 52

### BALANCE SHEET 54

### STATEMENT OF INCOME 56

### NOTES TO THE 2020 ANNUAL

### FINANCIAL STATEMENTS 57

## INDEPENDENT

### AUDITOR'S REPORT 75

### STATEMENT OF FIXED ASSETS 82

## SCHEDULE OF

### SHAREHOLDINGS 84

### IMPRINT 89

— Measures to monitor the accounting-related internal control and risk management system and measures to eliminate any control weaknesses

## General risk situation

During the 2020 financial year, DEMIRE benefited from the continued positive development of the real estate market in Germany, despite the coronavirus pandemic. This, together with the measures initiated by the Company's Executive Board, contributed significantly to the improvement in the financial and operating figures. The Company's rental income was sustainably increased through acquisitions and successful letting. At the same time, raising new financing and replacing existing financing contributed to a lasting reduction in average financing costs. This will lead to significantly better performance indicators in 2020 and the following years.

Nevertheless, the coronavirus pandemic is leaving a lasting mark on the Group's financial and operating figures. For example, the lockdown periods contributed to an increased number of open payment items. In addition, increased individual value adjustments had to be recognised due to insolvencies. Income from the valuation of real estate holdings also failed to match the level of previous years.

## Individual risks

The following gives an overview of the major risks for the DEMIRE Group. For the quantification of risk, particularly with respect to the impact of changes in interest rates, please see the sensitivity analysis contained in the Notes to the consolidated financial statements under the sections "Investment properties" and "Financial instruments".

The individual risks are assessed on the basis of the amount of loss ("very low", "low", "medium", "high", "very high") and the probability of occurrence ("very unlikely", "unlikely", "possible", "likely", "very likely").

## MACROECONOMIC, MARKET-RELATED AND SECTOR RISKS

Macroeconomic changes can have positive or negative effects on our net assets, financial position and results of operations. In 2020, the coronavirus pandemic resulted in losses in rental income and made the conditions for new lettings more difficult. For 2021, the forecast from the economic experts is cautiously positive, despite the ongoing coronavirus pandemic. Economic recovery would have a stabilising effect on demand for space in the office and retail sectors. While the availability of vaccines makes it more likely that the coronavirus pandemic will be overcome, economic development remains subject to considerable uncertainty for the time being – at least until the autumn.

DEMIRE's economic performance is directly related to the development of the German real estate market. The future development of rental income represents a risk that may also indirectly affect the valuation of the portfolio. Risks from negative development of the real estate market and other environmental and industry risks with indirect effects on the net assets, financial position and results of operations are currently classified as low. However, it is particularly difficult to predict the effects on the retail sector, which is underweighted in DEMIRE's portfolio.

In spite of everything, there is continued strong competition in the commercial real estate sector, which entails the risk that the Company might not be able to assert itself sufficiently.



## COMBINED

### MANAGEMENT REPORT 3

Company principles 3

Economic report 13

Further legal information 32

### Opportunities and risks 42

Outlook 52

### BALANCE SHEET 54

### STATEMENT OF INCOME 56

### NOTES TO THE 2020 ANNUAL

### FINANCIAL STATEMENTS 57

### INDEPENDENT

### AUDITOR'S REPORT 75

### STATEMENT OF FIXED ASSETS 82

### SCHEDULE OF

### SHAREHOLDINGS 84

### IMPRINT 89

## FINANCIAL RISKS

### FINANCING AND LIQUIDITY RISKS

Liquidity management serves the purpose of ensuring the Group's solvency at all times. Under conservative assumptions, the funds required for the operational management of the Group in particular are budgeted and scheduled at the level of the Group companies and the Company. Liquidity is derived from current income from properties, minus management, administrative and financing costs at the respective property holding level and at the level of the Company, as well as from inflows from Group companies in the form of dividends, profit distributions, profit transfers and withdrawals.

In principle, there is the risk that the Company may not have sufficient liquidity at all times during the year to meet its current obligations. There is also a risk that follow-up financing of expiring financial liabilities may not be obtained or may only be obtained at less favourable conditions than planned. Additional liquidity requirements from events beyond DEMIRE's control may also result, first and foremost, from the operating and other risks listed below.

The funds available at the reporting date and the planned cash flows in 2021 are sufficient for the current needs of the operating activities. In addition, there are no final maturities of financial liabilities in 2021 and 2022, so there is no risk from follow-up financing in this period.

### RISKS FROM COVENANT OBLIGATIONS

There is a risk of a decline in the income and market values of real estate. This could cause a deterioration in the ratio of financial liabilities to market value (loan-to-value ratio – LTV –), the debt service coverage ratio (– DSCR –), the interest service coverage rate (– ISCR –) or the ability to service debt, which could ultimately result in a violation of the covenant obligations arising from debt financing. As a result, DEMIRE may be obliged to provide further collateral, make additional redemption payments or increase deposits in pledged deposit accounts to provide more collateral or, ultimately, be confronted with the extraordinary termination of individual

financing arrangements or an increase in extraordinary terminations. This could lead to a significant negative effect on DEMIRE's liquidity.

As at the reporting date, the LTVs of all of the Group's financial liabilities were clearly below the levels stipulated in the respective financing agreements. The 2019/2024 corporate bond stipulates the following covenants: LTV (net loan-to-value ratio) based on financial and leasing liabilities minus cash and cash equivalents as a ratio to total assets minus goodwill and cash or cash equivalents; ICR (interest-coverage ratio) based on Group EBITDA as a ratio to net cash interest (interest expenses to third parties minus interest income from third parties, net of one-time financing costs and early repayment penalties). Please refer to page 134 onwards of the Annual Report for the individual covenants, as well as the status as at 31 December 2020 for the new corporate bond. The internationally renowned rating agencies Standard & Poor's and Moody's confirmed their BB+ and Ba2 ratings for the corporate bond in July 2020 and maintained this rating for the 2019/2024 corporate bond. DEMIRE is required to comply with the conditions necessary to maintain the credit rating of the rating agencies. Compliance with the relevant covenants and rating conditions is monitored and reported to the Executive Board on an ongoing basis. The Executive Board estimates the risk from the deterioration of the covenants and the rating and the resulting effects on net assets, financial position and results of operations to be low.



## COMBINED

### MANAGEMENT REPORT 3

Company principles 3

Economic report 13

Further legal information 32

### Opportunities and risks 42

Outlook 52

### BALANCE SHEET 54

### STATEMENT OF INCOME 56

### NOTES TO THE 2020 ANNUAL

### FINANCIAL STATEMENTS 57

### INDEPENDENT

### AUDITOR'S REPORT 75

### STATEMENT OF FIXED ASSETS 82

### SCHEDULE OF

### SHAREHOLDINGS 84

### IMPRINT 89

## INTEREST RATE RISK

The DEMIRE Group uses outside capital to finance German commercial real estate. This involves loans with exclusively fixed interest rates and tradable instruments such as corporate bonds. The interest rate policy is evaluated at regular intervals in close coordination with the Supervisory Board. Due to the fixed interest rate agreements, no derivatives are used. The interest rate level also has an impact on the purchase prices of newly acquired properties. The Executive Board estimates the Group's interest rate risk to be low.

## CURRENCY RISK

There is very low currency risk for the existing portfolio of commercial properties in Germany, as all major business transactions are conducted in EUR. The Executive Board estimates the currency risks and the resulting effects on the net assets, financial position and results of operations to be very low.

## OPERATING RISK

Commercial properties in particular demonstrate the classic risks associated with letting. In view of the current market situation in Germany, there are also valuation risks.

## RENTAL AND PROPERTY MANAGEMENT RISKS

When renting and managing real estate, there is the risk of rent reductions, loss of rent or vacant space. Index-related rent increases may not always be implemented in full, immediately or at all. In addition to loss of income, letting-related costs (e.g. tenant incentives, expansion costs, assumption of relocation costs, rent-free periods) may arise. Generally, we strive to secure long-term rental agreements and take early action to ensure follow-up rentals and new rentals. Should DEMIRE not succeed in letting its properties under attractive conditions, or should rental agreements be deficient in form and therefore unenforceable, this may have a negative effect on the Company's net assets, financial position and results of operations.

There is the risk that unexpected costs for maintenance and repair measures or for adapting the properties to modern requirements may also be incurred as a result of delays in implementation, such as a later issue of the building permit, which could result in a corresponding change in the rental date and, in turn, the inflow of rental income and profitability.

Based on the Group's tenant structure, at the time of this report's preparation there was no significant rental risk that would have a direct impact on the Group's earnings situation. Default risks from rent receivables are taken into account by recognising impairments. We also generally try to avoid depending on large tenants. In the financial year 2020, the ten largest tenants accounted for 39.05% (31 December 2019: 43.2%; 31 December 2018: 47.6%) of contractual leases. These are reputable tenants, especially from the public sector, telecommunications and retail. However, there is a dependency on a few tenants who account for a significant share of rental income. The largest tenant, with a cumulative share of 15.3% (31 December 2019: 19.1%; 31 December 2018: 30.8%) of total contractual rents in the real estate portfolio across several leases and real estate locations, is Deutsche Telekom (GMG Generalmietgesellschaft GmbH). Should it not be possible to find subsequent tenants for this property or other key tenants from the ten largest tenants after the end of the contract or extraordinary termination of the contract, this would lead to a considerable decline in rental income and, consequently, to a material negative effect on the Company's net assets, financial position, and results of operations.



## COMBINED

### MANAGEMENT REPORT

Company principles	3
Economic report	13
Further legal information	32
<b>Opportunities and risks</b>	<b>42</b>
Outlook	52

### BALANCE SHEET

54

### STATEMENT OF INCOME

56

### NOTES TO THE 2020 ANNUAL

### FINANCIAL STATEMENTS

57

### INDEPENDENT

### AUDITOR'S REPORT

75

### STATEMENT OF FIXED ASSETS

82

### SCHEDULE OF

### SHAREHOLDINGS

84

### IMPRINT

89

Thanks to our own well-executed asset and portfolio management, we are positioned close to our tenants and maintain long-term tenant loyalty. Through the change from single-tenant properties for Telekom to multi-tenant properties, we have been able to significantly reduce our dependence on our main tenant. Subsequent lettings were mainly to tenants from the public sector.

The Executive Board therefore estimates the rental and property management risk and the resulting effects on the net assets, financial position and results of operations to be low.

#### VALUATION RISKS

In the subsequent valuation, the investment properties in the consolidated financial statements are carried at fair value in accordance with IFRS 13. The fair values are based on appraisals that are prepared at least once a year by independent appraisers. Various factors play a role here, for example circumstances such as the development of the rental period, rent level and vacancies. Qualitative factors such as the location and condition of the property are also parameters that influence the valuation.

In the course of the subsequent measurement of investment properties in the quarterly, half-year or annual financial statements, negative changes in the fair value of the respective properties may occur due to a possible change in the internal and external parameters included in the valuation reports. This then leads to impairments, which may also have a significant negative impact on consolidated earnings under certain circumstances. This would not, however, have a direct impact on the Group's funds from operations (FFO) or liquidity.

The Executive Board considers the risk from the valuation and the resulting effects on the net assets, financial position and results of operations to be low.

#### CORONAVIRUS PANDEMIC

The COVID-19 pandemic arrived in Germany in early 2020 and led to the first lockdown from 18 March 2020 to 10 May 2020. By government order, a large number of shops, hotels, leisure facilities etc. were required to close. Tenants either did not pay their rent or paid it late. The second lockdown was initiated on 20 December 2020 and has been extended beyond 31 December 2020. When the closed shops will be able to reopen and when a "certain" normality can be achieved again is unknown at the time of writing this report.

The pandemic is having a lasting impact on the German economy and individual businesses. There is a threat of rent losses, insolvencies and risks in the re-letting of space. This is especially true for retail and hotel space. This situation is unprecedented in Germany, so all market participants are challenged to deal with these increased impairments in business life.

The Executive Board estimates the risk from the coronavirus pandemic as high.

#### SALES RISKS

We are using property sales from the existing portfolio to reduce cluster risk in the sectoral and regional portfolio structure, achieve profit and reduce debt, thereby lowering financial risks. Following the sale of properties, the buyer could assert warranty claims if the properties do not have the features promised, e.g. state of modernisation, no contamination, occupancy rate. These could have a negative impact on the Company's net assets, financial position and results of operations.

Due to the low volume of divestments – in terms of the absolute value of the properties sold – at DEMIRE in recent financial years, the Executive Board estimates the selling risk and the resulting effects on the net assets, financial position and results of operations to be low.



## COMBINED

### MANAGEMENT REPORT

Company principles	3
Economic report	13
Further legal information	32
<b>Opportunities and risks</b>	<b>42</b>
Outlook	52

### BALANCE SHEET

54

### STATEMENT OF INCOME

56

### NOTES TO THE 2020 ANNUAL

### FINANCIAL STATEMENTS

57

### INDEPENDENT

### AUDITOR'S REPORT

75

### STATEMENT OF FIXED ASSETS

82

### SCHEDULE OF

### SHAREHOLDINGS

84

### IMPRINT

89

## LEGAL RISK

Concerning DEMIRE's business model, risks can arise from changes in the legal framework and regulations in particular. DEMIRE may also need to pay for contaminated sites, environmental pollution and harmful building substances that are currently unrecognised, or be held liable for non-compliance with building law requirements in accordance with the applicable legal situation.

Other legal risks can generally result from various types of dispute, such as in rental or personnel matters. Rental disputes are part of the unavoidable everyday business of real estate companies and are handled accordingly. Due to newly introduced legislation as well as a change in case law, the COVID-19 pandemic may lead to landlords having to accept a rent reduction, particularly during periods of an officially ordered closure ("disturbance of contract"). There are currently no pending or foreseeable major legal disputes that could pose a significant risk. Adequate provisions have been made for current legal disputes. Overall, the Executive Board estimates the legal risk and the financial effect on the Company's net assets, financial position and results of operations to be low.

## COMPLIANCE RISKS

Responsible and sustainable management is part of DEMIRE's corporate culture and everyday business. We are therefore continuing to develop our Compliance Programme with the aim of supporting employees in complying with relevant legal regulations and standards of conduct. DEMIRE's Compliance Programme includes a code of conduct and regular staff training, among other things. In 2020, DEMIRE successfully underwent an external audit and was registered as a certified company of the Institute for Corporate Governance (Institut für Corporate Governance in der deutschen Immobilienwirtschaft e.V.).

A Compliance Officer is the contact person for questions regarding compliance and for information on non-compliance. However, our existing compliance processes and controls may not be sufficient to prevent deliberate unlawful conduct by DEMIRE Group employees, which could damage DEMIRE's reputation and the trust in our business. In addition, if DEMIRE is unable to detect illegal conduct and take appropriate organisational and disciplinary action, it could face sanctions and fines that could adversely affect the Company's business, financial position and results of operations.

The Executive Board estimates compliance risks and the resulting effects on net assets, financial position and results of operations to be low.



## COMBINED

### MANAGEMENT REPORT 3

Company principles 3

Economic report 13

Further legal information 32

### Opportunities and risks 42

Outlook 52

### BALANCE SHEET 54

### STATEMENT OF INCOME 56

### NOTES TO THE 2020 ANNUAL

### FINANCIAL STATEMENTS 57

## INDEPENDENT

### AUDITOR'S REPORT 75

### STATEMENT OF FIXED ASSETS 82

### SCHEDULE OF

### SHAREHOLDINGS 84

### IMPRINT 89

## TAX RISKS

DEMIRE's tax structure is complex because of the different taxable entities (tax groups and taxation at the level of individual companies) and various legal forms existing within the Group. Restrictions that are relevant to DEMIRE include restrictions on what is referred to as the interest barrier as well as those for minimum taxation and extended trade tax deductions for property holdings. In addition, changes in the tax regulations, particularly the (intragroup) use of losses carried forward, could lead to higher tax expenses and payments. In the Company's opinion, there are currently no significant tax risks that would need to be taken into account by provisions other than those recognised. Tax risks may arise in connection with external tax audits and routine changes to the existing portfolio or in connection with the portfolio's expansion primarily through the acquisition of shares in the companies holding the properties.

## RISKS RELATED TO THE REIT STATUS OF FAIR VALUE REIT-AG

In its capacity as a German real estate investment trust corporation (REIT), Fair Value REIT-AG must fulfil certain statutory requirements in order to benefit from exemptions from corporate income and trade tax. If it fails to fulfil the requirements, it could be subject to penalties and – if repeated several times – the loss of its tax exemption and withdrawal of its status as a German REIT. This could result in additional tax payments and a substantial outflow of liquidity under certain circumstances, and in the event that Fair Value REIT-AG loses its REIT status, this could also result in Fair Value REIT-AG's shareholders possibly having claims for compensation. These events could have a material negative impact on the Company's net assets, financial position and results of operations.

The Executive Board estimates tax risk and the resulting effects on net assets, financial position and results of operations as moderate.

## PERSONNEL RISKS

Competent, committed and motivated employees are an essential prerequisite for DEMIRE's successful development. The DEMIRE Group may lose members of the Executive Board or other key personnel, or may not be able to replace them in a timely manner, nor with sufficiently qualified personnel. In 2019, there was a relatively high fluctuation of employees in addition to the new appointments to the Executive Board. All vacant positions were filled promptly. The Executive Board is convinced that the current personnel structure also means that the positions will be filled on a longer-term basis. This was confirmed in the financial year 2020, when there were significantly fewer changes in personnel. However, since the demand for well-qualified personnel is very high, the Executive Board considers the risk associated with the loss of employees and the resulting effects on the net assets, financial position and results of operations to be moderate.

## IT RISKS

The IT systems of DEMIRE, its subsidiaries and its service providers could irretrievably lose important data or experience unauthorised access to data from outside. Both could cause disruptions in business operations and costs and ultimately lead to financial losses. DEMIRE protects itself against IT risks with its own dedicated network, modern hardware and software solutions and measures against external attacks. Furthermore, all data is backed up. Detailed access rights regulations ensure that employees only have access to the systems and documents necessary for their work. The Executive Board considers the risk from IT risks and the resulting effects on the net assets, financial position and results of operations to be low.





## COMBINED

### MANAGEMENT REPORT 3

Company principles 3

Economic report 13

Further legal information 32

**Opportunities and risks 42**

Outlook 52

### BALANCE SHEET 54

### STATEMENT OF INCOME 56

### NOTES TO THE 2020 ANNUAL

### FINANCIAL STATEMENTS 57

## INDEPENDENT

### AUDITOR'S REPORT 75

### STATEMENT OF FIXED ASSETS 82

### SCHEDULE OF

### SHAREHOLDINGS 84

### IMPRINT 89

## Overall assessment of the risk situation

The risk situation of the DEMIRE Group and the Company deteriorated during the reporting period due to the coronavirus pandemic. However, the operational successes, the sustained improvement in corresponding key figures, and the refinancing in 2019 and 2020 are contributing to DEMIRE being better equipped to withstand external shocks than in the past. This is clearly shown by the earnings of the financial year 2020. In addition, the Executive Board monitors the risks described individually and in combined form, and regularly assesses the likelihood of their occurrence. With regard to risks from a negative development of the real estate market and other risks, we currently assume a higher probability of occurrence and estimate the probability of occurrence and estimate the risk of a negative influence on the financial position and results of operations as medium. In particular, the short, medium and long-term effects on the retail sector play a significant role.

Based on the current assessment, the Executive Board is not aware of any risks that could endanger the Company's existence. The Company is convinced that it will be able to continue to take advantage of the opportunities and challenges that arise in future without having to subject itself to unjustifiably high risk.

## Description of major individual opportunities

### Opportunities arising from the current market situation

#### MACROECONOMIC AND SECTOR OPPORTUNITIES

DEMIRE considers the macroeconomic and sector-specific environment to be ambiguous for the 2021 financial year as well. On the one hand, the further impact of the pandemic and the resulting lockdown is shaping the development of the macroeconomic situation as well as the real estate industry, in some cases considerably so. On the other, particularly as vaccines become increasingly available, an end to the restrictions appears to be in sight, and catch-up effects can be expected in numerous areas and sectors.

DEMIRE is cautiously optimistic as it looks ahead to 2021. Internally, the Company's strategy and structure survived their baptism of fire in 2020 and, with regard to the German real estate market, opportunities for acquisitions could well arise. The DEMIRE Group intends to use this environment to further increase its enterprise value by carefully and professionally selecting additional properties and continuing to actively manage the existing portfolio.

Although it is still impossible to definitively predict the effects of the coronavirus more than a year after the outbreak of the pandemic, DEMIRE nonetheless expects demand for good properties in decent locations to remain stable, even outside the country's top 7 locations.

### Business Opportunities

During the reporting period, the insourcing of Group functions and the associated harmonisation of processes and IT structures were largely completed. In addition, the in-house asset and portfolio management team was strengthened in terms of expertise and personnel resources, and was adapted to reflect the size of the portfolio and the planned growth. Property and facility management, which was largely



## COMBINED

### MANAGEMENT REPORT

Company principles	3
Economic report	13
Further legal information	32
<b>Opportunities and risks</b>	<b>42</b>
Outlook	52

### BALANCE SHEET

54

### STATEMENT OF INCOME

56

### NOTES TO THE 2020 ANNUAL

### FINANCIAL STATEMENTS

57

## INDEPENDENT

### AUDITOR'S REPORT

75

### STATEMENT OF FIXED ASSETS

82

### SCHEDULE OF

### SHAREHOLDINGS

84

### IMPRINT

89

outsourced to a renowned service provider at the end of 2018, is positioned well to deal with the planned portfolio growth. These measures have resulted in greater efficiency and economic benefits which are reflected in the renewed drop in property-specific and current administrative expenses. DEMIRE now expects to achieve only minor further savings in 2021. It is, however, expected that the professional and committed support that the Company provides will result in longer lease terms and better chances of follow-on lettings, while tenant fluctuation and vacancy rates will remain at least on a par with the reporting date.

At the same time, the purchase of properties offering potential to leverage their added value is highly attractive for DEMIRE's business model, as the Company's active property management approach will allow DEMIRE to increase the cash flows of these properties and the value of its portfolio.

## FINANCIAL OPPORTUNITIES

DEMIRE plans to use the current interest rate level to further reduce its average interest rate on borrowed capital. Since, however, there are no final maturities of financial liabilities in 2021 and numerous liabilities were comprehensively refinanced in 2019 and 2020, DEMIRE aims to use a balanced financing mix of secured and unsecured financing to further optimise the DEMIRE Group's financial structure, particularly in the context of its planned growth.

The financing possibilities for future property acquisitions remain positive and, in the Company's opinion, will continue to be so for the foreseeable future.

## Overall assessment of DEMIRE's opportunities

Over the past two years, DEMIRE has laid the essential foundation for its long-term success as one of the leading listed portfolio owners of German commercial real estate with a balanced risk/reward profile and attractive cash flows. As a result, DEMIRE intends to offer its shareholders not only the prospect of an increase in value in the medium term, but also regular dividend payments. The Executive Board considers DEMIRE's opportunities favourable enough to further increase its portfolio's size and profitability in the years ahead through planned growth and the optimisation of the property management platform.



<b>COMBINED</b>	
<b>MANAGEMENT REPORT</b>	<b>3</b>
Company principles	3
Economic report	13
Further legal information	32
Opportunities and risks	42
<b>Outlook</b>	<b>52</b>
<b>BALANCE SHEET</b>	
	<b>54</b>
<b>STATEMENT OF INCOME</b>	
	<b>56</b>
<b>NOTES TO THE 2020 ANNUAL</b>	
<b>FINANCIAL STATEMENTS</b>	<b>57</b>
<b>INDEPENDENT</b>	
<b>AUDITOR'S REPORT</b>	<b>75</b>
<b>STATEMENT OF FIXED ASSETS</b>	
	<b>82</b>
<b>SCHEDULE OF</b>	
<b>SHAREHOLDINGS</b>	<b>84</b>
<b>IMPRINT</b>	
	<b>89</b>

# OUTLOOK

## Expected development of the overall environment and sector

### ECONOMIC ENVIRONMENT AND SECTOR OUTLOOK

The German economy will make a relatively slow recovery from the COVID-19 pandemic, according to forecasts released by the International Monetary Fund (IMF). The experts expect to see growth of 3.5% in 2021, with a return to pre-crisis levels expected in 2022 at the earliest. The industry association DAS DEUTSCHE BAUGEWERBE expects revenue in the construction sector to fall by around one percentage point. The transaction volume on the commercial investment market will most likely continue to be influenced by high levels of liquidity and ongoing investment pressure in 2021. In this sort of environment, the international brokerage house CUSHMAN & WAKEFIELD is predicting a transaction volume on par with the 2020 level.

### Anticipated development of the overall environment

#### MACROECONOMIC ENVIRONMENT

The IMF expects the euro area to achieve a slight increase in gross domestic product of 4.2%. The UN is predicting growth of 3.5% for Germany. The forecasts for individual sectors of the economy will depend to a considerable degree on how the pandemic develops going forward. The IMF puts the average inflation rate for the world's developed economies, which include the Federal Republic of Germany, at 1.5% for 2021. The ifo Institute for Economic Research expects to see around 2.7 million people out of work in Germany, as in the previous year.

The continuation of extremely favourable financing conditions is having a positive effect on the construction industry. The Institute for the World Economy estimates that construction investments will increase by 2.5% in 2020.

### Anticipated development of the sector

#### TRANSACTION MARKET FOR COMMERCIAL REAL ESTATE

CUSHMAN & WAKEFIELD predicts a transaction volume of between EUR 55 million and EUR 60 billion for the commercial real estate market, roughly on a par with the previous year. The international brokerage house JLL also expects liquidity levels to remain high, with associated pressure to invest in commercial real estate, too. There is considerably greater uncertainty with regard to the individual types of use. Whereas demand for logistics properties is expected to remain high, also due to the booming e-commerce sector, developments for office, retail and hotel properties will depend to a considerable degree on the further course of the pandemic and any associated restrictions on economic life. Analysts see themselves confronted with considerable uncertainty when it comes to forecasting further market developments, especially for office properties. For example, it is not yet possible to predict in detail how working from home during the pandemic will affect demand for office space in the medium to long term.

#### RENTAL MARKET

The marked uncertainty, even among experts, is also reflected in the forecasts for the rental market. JLL believes that the office rental market has reached a turning point in the cycle, but cannot forecast how strong this turnaround will be. Looking at Germany's top 7 office markets, the Company expects rental space turnover of 2.9 million m<sup>2</sup>, which would equate to an increase of 11%. Despite a trend towards slightly rising vacancy rates, rents are expected to remain largely stable. On the logistics rental market, a shortage of space remains the determining factor. Specialists at Colliers International expect demand to remain high, rents to increase in general and yields to fall as a result.

The analysts expect decreasing rental income in the hotel and retail asset classes due to the considerable uncertainty.



## COMBINED

### MANAGEMENT REPORT 3

Company principles 3

Economic report 13

Further legal information 32

Opportunities and risks 42

**Outlook 52**

### BALANCE SHEET 54

### STATEMENT OF INCOME 56

### NOTES TO THE 2020 ANNUAL

### FINANCIAL STATEMENTS 57

### INDEPENDENT

### AUDITOR'S REPORT 75

### STATEMENT OF FIXED ASSETS 82

### SCHEDULE OF

### SHAREHOLDINGS 84

### IMPRINT 89

## Expected development of the Group

### Overall assessment

#### GENERAL STATEMENT ON THE EXPECTED DEVELOPMENT OF THE DEMIRE GROUP

After a mixed start to the year due to the lockdown imposed in December 2020, DEMIRE expects to see stable economic conditions overall for the 2021 financial year and a revival in public life from the second quarter onwards.

### Expected development in operating business

The focus will be on further portfolio growth and measures to make the portfolio more dynamic, alongside continued positive development in the key operating figures. DEMIRE is planning further acquisitions in order to achieve its medium-term goal of a portfolio worth over EUR 2 billion. DEMIRE intends to continue to optimise the current real estate portfolio through actively managing properties, reducing vacancies, realising value creation potential and continuing to selectively sell non-strategic properties. DEMIRE anticipates a further gradual increase in the earnings base in 2021 through further acquisitions, efficiency gains from continued optimisation of property management and cost structures, and by making use of synergies and economies of scale. Ultimately, however, the effects of the lockdown and the further course of the pandemic are impossible to predict.

### Anticipated development of the key economic indicators

#### EXPECTED DEVELOPMENT OF DEMIRE'S KEY PERFORMANCE INDICATORS

Within the context of the positive developments in 2020 and the successful streamlining of our portfolio, the Company expects to see rental income of between EUR 80.0 million and EUR 82.0 million and FFO I (after taxes, before minorities) of between EUR 34.5 million and EUR 36.5 million for 2021. This means that the values will be down slightly on the previous year due to the numerous disposals in 2020 and despite the successful letting performance. The forecast values do not include

positive acquisition effects, over and above those relating to Cielo, from the portfolio growth that is planned for 2021, or possible further sales of non-strategic properties. As soon as corresponding transactions have been contractually agreed, the forecast will be adjusted accordingly.

With regard to non-financial performance indicators, DEMIRE's primary objective is to keep staff turnover stable at a low level, to stabilise vacancy rates and outstanding rents at a low level by engaging in targeted network maintenance activities, and to publish a sustainability report for the first time.

### OUTLOOK

in EUR million	FORECAST 18/03/2020	FORECAST 19/08/2020	FORECAST 03/12/2020	RESULT 2020	FORECAST 2021
Rental income	90.0–92.0	85.0–87.0	85.0–87.0	87.5	80.0–82.0
FFO I (after taxes, before minorities)	40.0–42.0	36.0–38.0	at least 38.0	39.2	34.5–36.5

Frankfurt am Main, 16 March 2021  
DEMIRE Deutsche Mittelstand Real Estate AG

Ingo Hartlief  
(CEO)

Tim Brückner  
(CFO)



COMBINED MANAGEMENT REPORT	3
BALANCE SHEET	54
STATEMENT OF INCOME	56
NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS	57
INDEPENDENT AUDITOR'S REPORT	75
STATEMENT OF FIXED ASSETS	82
SCHEDULE OF SHAREHOLDINGS	84
IMPRINT	89

# BALANCE SHEET

as at 31 December 2020

## ASSETS

in EUR	2020	2019
<b>A. FIXED ASSETS</b>		
<b>I. Intangible assets</b>		
Paid concessions, commercial property rights and similar rights and assets, as well as licences to such rights and assets	4.00	532.00
	<b>4.00</b>	<b>532.00</b>
<b>II. Property, plant and equipment</b>		
1. Land, leasehold rights and buildings, including buildings on third-party property	49,103.00	91,201.00
2. Other equipment, operating and office equipment on third-party property	117,823.00	148,134.00
	<b>166,926.00</b>	<b>239,335.00</b>
<b>III. Financial assets</b>		
1. Investments in affiliated companies	239,151,688.79	239,417,583.09
2. Loans to affiliated companies	619,814,052.03	633,309,386.12
3. Other loans	5,448,308.29	5,964,994.09
	<b>864,414,049.11</b>	<b>878,691,963.30</b>
	<b>864,580,979.11</b>	<b>878,931,830.30</b>
<b>B. CURRENT ASSETS</b>		
<b>I. Receivables and other assets</b>		
1. Trade accounts receivable	2,957,820.00	3,594,226.85
2. Receivables from affiliated companies	27,636,414.19	27,504,448.65
3. Other assets	31,739,235.68	28,022,782.86
	<b>62,333,469.87</b>	<b>59,121,458.36</b>
<b>II. Cash on hand and bank balances</b>	<b>54,314,556.13</b>	<b>61,267,016.44</b>
	<b>116,648,026.00</b>	<b>120,388,474.80</b>
<b>C. PREPAID EXPENSES</b>	<b>2,734,207.84</b>	<b>3,422,940.00</b>
	<b>983,963,212.95</b>	<b>1,002,743,245.10</b>



COMBINED MANAGEMENT REPORT	3
BALANCE SHEET	54
STATEMENT OF INCOME	56
NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS	57
INDEPENDENT AUDITOR'S REPORT	75
STATEMENT OF FIXED ASSETS	82
SCHEDULE OF SHAREHOLDINGS	84
IMPRINT	89

# BALANCE SHEET

as at 31 December 2020

## EQUITY AND LIABILITIES

in EUR	2020	2019
<b>A. EQUITY</b>		
<b>I. Subscribed capital</b>	<b>107,777,324.00</b>	<b>107,777,324.00</b>
Treasury shares	- 2,004,999.00	0.00
Issued capital	105,772,325.00	107,777,324.00
<b>II. Capital reserves</b>	<b>159,880,547.45</b>	<b>203,542,539.24</b>
<b>III. Accumulated profit</b>	<b>66,367,632.83</b>	<b>57,576,002.99</b>
	<b>332,020,505.28</b>	<b>368,895,866.23</b>
<b>B. PROVISIONS</b>		
1. Tax provisions	2,001,438.16	1,802,825.86
2. Other provisions	4,289,222.87	3,069,427.76
	<b>6,290,661.03</b>	<b>4,872,253.62</b>
<b>C. LIABILITIES</b>		
1. Bonds	600,000,000.00	600,000,000.00
2. Trade payables	108,659.54	672,706.61
3. Liabilities due to affiliated companies	40,040,335.76	24,222,702.59
4. Other liabilities	5,503,051.34	3,013,606.76
of which taxes EUR 2,450,462.34 (previous year: EUR 59,279.13)		
of which social security EUR 47,335.19 (previous year: EUR 2,226.10)		
	<b>645,652,046.64</b>	<b>627,909,015.96</b>
<b>D. DEFERRED TAX LIABILITIES</b>	<b>0.00</b>	<b>1,066,109.29</b>
	<b>983,963,212.95</b>	<b>1,002,743,245.10</b>



COMBINED MANAGEMENT REPORT	3
-------------------------------	---

BALANCE SHEET	54
---------------	----

STATEMENT OF INCOME	56
---------------------	----

NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS	57
--	----

INDEPENDENT AUDITOR'S REPORT	75
---------------------------------	----

STATEMENT OF FIXED ASSETS	82
---------------------------	----

SCHEDULE OF SHAREHOLDINGS	84
------------------------------	----

IMPRINT	89
---------	----

# STATEMENT OF INCOME

For the financial year 1 January to 31 December 2020

in EUR	2020	2019
1. Revenue	4,023,800.00	3,483,391.67
2. Other operating income	1,095,172.11	2,695,433.10
	<b>5,118,972.11</b>	<b>6,178,824.77</b>
3. Staff costs		
a) Wages and salaries	5,169,041.44	4,509,292.53
b) Social security contributions and expenses for pension schemes and related benefits of which pension expenses EUR 30,969.47 (previous year: EUR 142.12)	391,921.99	376,577.85
	<b>5,560,963.43</b>	<b>4,885,870.38</b>
4. Depreciation and amortisation of intangible fixed assets and property, plant and equipment	87,044.24	88,922.92
5. Other operating expenses	4,928,372.35	12,430,988.58
of which expenses from currency translation EUR 0.00 (previous year: EUR 10.00)		
6. Income from investments	22,197,796.08	1,179,230.75
7. Profits transferred due to profit transfer agreements	7,620,331.11	20,023,332.53
8. Income from loans of financial assets	18,709,149.88	15,859,436.94
9. Other interest and similar income	646,569.00	738,563.00
10. Impairment of financial assets	447,809.00	120,000.00
11. Expenses from the assumption of losses	1,043,579.07	2,530,549.61
12. Interest and similar expenses	12,320,079.44	20,785,530.07
13 Expenses from compensation payments to minority shareholders	141,968.04	141,968.00
14. Income taxes	594,512.51	298,793.86
of which income from the reversal of deferred taxes EUR 1,066,109.29 (previous year: EUR 1,281,194.03)		
15. Earnings after taxes	29,168,490.10	2,696,764.37
<b>16. Net profit</b>	<b>29,168,490.10</b>	<b>2,696,764.37</b>
17. Profit carried forward from the previous year (previous year: loss carried forward)	458,947.49	54,879,238.62
18. Withdrawal from the capital reserve	36,740,195.24	0.00
<b>19. Accumulated profit</b>	<b>66,367,632.83</b>	<b>57,576,002.99</b>



COMBINED MANAGEMENT REPORT	3
-------------------------------	---

BALANCE SHEET	54
---------------	----

STATEMENT OF INCOME	56
---------------------	----

NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS	57
--	----

General information and basis of presentation of the annual financial statements	57
--	----

Accounting and valuation principles	58
Notes to the balance sheet	60
Notes to the statement of income	69
Other disclosures	71

INDEPENDENT AUDITOR'S REPORT	75
---------------------------------	----

STATEMENT OF FIXED ASSETS	82
---------------------------	----

SCHEDULE OF SHAREHOLDINGS	84
------------------------------	----

IMPRINT	89
---------	----

# NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS

## General information and basis of presentation of the annual financial statements

The annual financial statements of DEMIRE Deutsche Mittelstand Real Estate AG (“DEMIRE AG” or “the Company”) as at 31 December 2020 were prepared in accordance with the provisions of the German Commercial Code (HGB) concerning the accounting of corporations and the supplementary regulations of the German Stock Corporation Act (AktG). There were no additional provisions regarding accounting arising from the Company’s Articles of Association. The balance sheet as well as the statement of income were prepared according to the classification requirements of Sections 266 and 275 HGB. The annual financial statements were prepared in EUR. The financial year corresponds to the calendar year.

DEMIRE AG is the parent company of the DEMIRE Group. In its function as the Group management holding company, DEMIRE AG is responsible for determining the overall strategy and implementing corporate objectives. The Company assumes financing, service and coordination tasks for the Group entities and is also responsible for the Group’s management, control and risk management systems.

As at the reporting date, the Company met the size criteria for small corporations pursuant to Section 267 (1) HGB. Because the Company makes use of an organised market as defined by Section 264d HGB in conjunction with Section 2 (11) WpHG through securities issued, the Company is considered a large corporation pursuant to Section 267 (3) sentence 2 HGB. Therefore, the Company is subject to the regulations for large corporations under commercial law.

The balance sheet categories comply with the category format under commercial law in accordance with Section 266 HGB, while the statement of income has been prepared in a single-column format using the total cost method in accordance with Section 275 (2) HGB.

The Company is headquartered in Frankfurt am Main. The Company’s business address and head management office is located in Langen (state of Hesse, Germany). The Company is recorded under HRB 89041 in the commercial register in Frankfurt am Main.

DEMIRE AG’s shares are listed in the Prime Standard segment of the regulated market of the Frankfurt Stock Exchange.


As the ultimate parent company, DEMIRE AG has prepared consolidated financial statements as at 31 December 2020 according to International Financial Reporting Standards (IFRS), as applicable in the European Union, and the supplementary provisions of the German Commercial Code pursuant to Section 315e (1) HGB. The consolidated financial statements can also be viewed on the company’s website.

The Company’s management report was combined with the Group management report by applying the provisions of Section 315 (5) HGB in conjunction with Section 298 (2) HGB.

The Company’s annual financial statements were prepared under the going-concern assumption.

Control and profit and loss transfer agreements have been concluded between DEMIRE AG and its subsidiaries DEMIRE Leipzig Am alten Flughafen 2 GmbH, Leipzig, DEMIRE Holding III GmbH, Frankfurt am Main, DEMIRE Holding IV GmbH, Frankfurt am Main, DEMIRE Holding X GmbH, Frankfurt am Main, und DEMIRE Holding XI GmbH, Frankfurt am Main. The Company is also the parent company of the value-added tax group with some of the subsidiaries.



	
<b>COMBINED MANAGEMENT REPORT</b>	<b>3</b>
<b>BALANCE SHEET</b>	<b>54</b>
<b>STATEMENT OF INCOME</b>	<b>56</b>
<b>NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS</b>	<b>57</b>
General information and basis of presentation of the annual financial statements	57
<b>Accounting and valuation principles</b>	<b>58</b>
Notes to the balance sheet	60
Notes to the statement of income	69
Other disclosures	71
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>75</b>
<b>STATEMENT OF FIXED ASSETS</b>	<b>82</b>
<b>SCHEDULE OF SHAREHOLDINGS</b>	<b>84</b>
<b>IMPRINT</b>	<b>89</b>

## Accounting and valuation principles

The accounting and valuation principles applied and presented below are unchanged compared to the previous year:

### Fixed assets

#### INTANGIBLE ASSETS

Acquired intangible assets are measured at acquisition cost and amortised on a straight-line basis over their estimated useful economic life of three years. Internally generated intangible assets are not capitalised. If intangible assets are expected to be permanently impaired, their carrying amount is reduced to the fair value while recognising an impairment loss.

#### PROPERTY, PLANT AND EQUIPMENT

Tangible assets are carried at acquisition cost pursuant to Section 255 (1) HGB, including incidental costs, less straight-line depreciation over their expected useful lives pursuant to Section 253 (1) HGB. The depreciation of the individual groups of tangible assets is based on their useful lives ranging from 3 to 13 years. Additions to tangible assets during the year are depreciated on a pro rata basis.

#### LOW-VALUE ASSETS

Movable fixed assets with finite useful lives that can be used independently and have an acquisition cost of up to EUR 800 are fully depreciated in the year of acquisition. Fixed assets with an acquisition cost of more than EUR 800 are depreciated over their expected useful lives.

#### FINANCIAL ASSETS

Investments in affiliated companies are carried at acquisition cost. The cost of raising equity in the context of a capital increase that is related to the acquisition of subsidiaries is not capitalised as an incidental acquisition cost of the interests in affiliated companies in accordance with Section 248 (1) No. 2 HGB. If companies are

acquired in the context of capital increases against a mixed contribution in kind, the incidental acquisition cost for the cash component is capitalised on a pro rata basis of the total expenses of the capital increase.

Loans to affiliated companies and other loans are generally carried at their nominal values.

If financial assets are expected to be permanently impaired, their carrying amount is reduced to the fair value recognising an impairment loss. These are recorded under "Impairment of financial assets" in the statement of income. If the reasons for the expected permanent impairment no longer exist, the impairment loss is reversed and recorded under "Other operating income" in the statement of income.

### Current assets


#### RECEIVABLES AND OTHER ASSETS

Trade accounts receivable, receivables due from affiliated companies, and other assets are carried at their nominal values. All identified risks are taken into account based on a corresponding impairment charge to the lower fair value. The amount of the impairment charge is based on the expected default risk.

#### CASH ON HAND AND BANK BALANCES

Cash on hand and bank deposits are carried at their nominal values as at the reporting date.

---



<b>COMBINED MANAGEMENT REPORT</b>	<b>3</b>
<b>BALANCE SHEET</b>	<b>54</b>
<b>STATEMENT OF INCOME</b>	<b>56</b>
<b>NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS</b>	<b>57</b>
General information and basis of presentation of the annual financial statements	57
<b>Accounting and valuation principles</b>	<b>58</b>
Notes to the balance sheet	60
Notes to the statement of income	69
Other disclosures	71
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>75</b>
<b>STATEMENT OF FIXED ASSETS</b>	<b>82</b>
<b>SCHEDULE OF SHAREHOLDINGS</b>	<b>84</b>
<b>IMPRINT</b>	<b>89</b>

---

## PREPAID EXPENSES

Payments prior to the reporting date that relate to expenses that will occur at a certain point after the reporting date and discounts related to the issue of financial liabilities are capitalised as prepaid expenses in accordance with Section 250 (1) HGB and Section 250 (3) HGB, respectively. Discounts are amortised on an annual basis over the total term of the financial liabilities.

## DEFERRED TAXES

The amount of deferred taxes arising from temporary differences between the carrying amounts of assets, liabilities as well as prepaid expenses and deferred income in the commercial accounts and the tax carrying amounts or as a result of tax loss carryforwards is determined by applying the Company's individual tax rate at the time of the elimination of the difference. The resulting tax expenses or tax benefits are not discounted. In addition, temporary differences between the carrying amounts of assets and liabilities, prepaid expenses and deferred income in the commercial accounts and the tax carrying amounts of entities included in the tax group are recognised to the extent that the reversal of temporary differences is expected to result in future tax expenses or tax benefits at the Company as the tax group's parent company.

Any resulting net tax expenses are recognised on the balance sheet as deferred tax liabilities. Any resulting net tax benefits are not recognised under the respective capitalisation option. In the prior year, the Company had deferred tax liabilities.

Deferred taxes are calculated based on the Company's combined income tax rate of 28.78% (31 December 2019: 28.78%) expected to be applicable at the time the differences will be reversed. The combined income tax rate includes corporate taxes, trade taxes and the solidarity surcharge. Income and expenses from the change in deferred taxes is recognised separately in the statement of income under the item "Income taxes" as a separate "of which" sub-item.

## SHAREHOLDERS' EQUITY

Subscribed capital is carried at its nominal value and is fully paid in.

Capital reserves result from various capital increases and are recognised at their nominal amount.

## PROVISIONS

Provisions take into account all identifiable risks and uncertain obligations. They are carried at amounts deemed necessary to settle the future payment obligation based on a reasonable commercial assessment, including future cost and price increases, provided there is sufficient objective evidence that they will occur.

Provisions with a term of more than one year are initially recognised by applying the net method. Their measurement is based on the average market interest rate of the German Central Bank of the previous seven financial years in accordance with their maturity. For subsequent measurement, non-current provisions are to be reassessed, and the accrued interest is recorded under "Interest and similar expenses".

## LIABILITIES

Liabilities are recognised at their repayment amount. When a liability's repayment amount is higher than its issuance amount, the difference is recognised as prepaid expenses and written down over the term of the liability.

## CONTINGENT LIABILITIES

The carrying amount of contingent liabilities corresponds to the liability's scope as at the reporting date. For more information, please refer to the presentation of the contingencies.



<b>COMBINED MANAGEMENT REPORT</b>	<b>3</b>
<b>BALANCE SHEET</b>	<b>54</b>
<b>STATEMENT OF INCOME</b>	<b>56</b>
<b>NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS</b>	<b>57</b>
General information and basis of presentation of the annual financial statements	57
Accounting and valuation principles	58
<b>Notes to the balance sheet</b>	<b>60</b>
Notes to the statement of income	69
Other disclosures	71
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>75</b>
<b>STATEMENT OF FIXED ASSETS</b>	<b>82</b>
<b>SCHEDULE OF SHAREHOLDINGS</b>	<b>84</b>
<b>IMPRINT</b>	<b>89</b>

## Notes to the balance sheet

### Fixed assets

The classification and development of fixed assets, including depreciation and amortisation, during the financial year from 1 January to 31 December 2020 is covered on page 83 of the attached statement of fixed assets.

### FINANCIAL ASSETS

Investments in affiliated companies amounted to EUR 239,152 thousand (31 December 2019: EUR 239,418 thousand). The minor decrease primarily resulted in the write-down on shares in affiliated companies.

Impairments in the amount of EUR 488 thousand (2019 financial year: EUR 120 thousand) were recognised on financial assets in order to reflect an adjustment to the fair value. No reversals were recognised in the reporting year.

Loans to affiliated companies of EUR 619,814 thousand (31 December 2019: EUR 633,309 thousand) relate to loans granted to the Company's subsidiaries and sub-subsidiaries to finance the acquisition of real estate companies and properties. These loan agreements are concluded within the Group and include a management premium on the interest rate.

The decrease in loans to affiliated companies in the amount of EUR 13,495 thousand is mainly due to repayments resulting from the sales revenue of affiliated companies (including for DEMIRE Apolda Wurzen GmbH in the amount of EUR 1,057 thousand and DEMIRE HB HZ B HAST GmbH in the amount of EUR 10,809 thousand), as well as repayments by affiliated companies (primarily by DEMIRE Bad Vilbel Konrad Adenauer Allee 1-11 GmbH in the amount of EUR 19,328 thousand, DEMIRE Holding IV GmbH in the amount of EUR 14,757 thousand and DEMIRE Ulm Bahnhofplatz Olgastr. Zeitblomstr. GmbH in the amount of EUR 12,558 thousand). By contrast, loans to affiliated companies increased as a result of the acquisition of property or the purchase of additional interests in affiliated companies (DEMIRE

Frankfurt Gutleutstraße 85 GmbH in the amount of EUR 44,560 thousand and FVR Beteiligungsgesellschaft Neunte mbH & Co. KG in the amount of EUR 4,900 thousand).


For information on shareholdings, please refer to page 84 of the attached schedule of shareholdings as at 31 December 2020 in accordance with Section 285 Nos. 11, 11a and 11b HGB.

Other loans include loans to minority shareholders of affiliated companies.

### CURRENT ASSETS

Current assets consisting of receivables and other assets, as well as cash on hand and bank deposits, totalled EUR 116,648 thousand as at the reporting date (31 December 2019: EUR 120,388 thousand).

Impairments on receivables due from affiliated companies were recognised in the amount of EUR 141 thousand (31 December 2019: EUR 173 thousand), to align the carrying amounts to their lower fair values.

	
<b>COMBINED MANAGEMENT REPORT</b>	<b>3</b>
<b>BALANCE SHEET</b>	<b>54</b>
<b>STATEMENT OF INCOME</b>	<b>56</b>
<b>NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS</b>	<b>57</b>
General information and basis of presentation of the annual financial statements	57
Accounting and valuation principles	58
<b>Notes to the balance sheet</b>	<b>60</b>
Notes to the statement of income	69
Other disclosures	71
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>75</b>
<b>STATEMENT OF FIXED ASSETS</b>	<b>82</b>
<b>SCHEDULE OF SHAREHOLDINGS</b>	<b>84</b>
<b>IMPRINT</b>	<b>89</b>

## RECEIVABLES AND OTHER ASSETS

Trade accounts receivable of EUR 2,958 thousand (31 December 2019: EUR 3,594 thousand) concern claims from service agreements and receivables due from affiliated companies.

Receivables due from affiliated companies of EUR 27,636 thousand (31 December 2019: EUR 27,505 thousand) mainly relate to receivables from profit and loss transfer agreements, settlement transactions, passed-on expenses as well as to current loans. There were no material changes as compared to the previous year.

Other assets in the amount of EUR 31,739 thousand (31 December 2019: EUR 28,023 thousand) increased by EUR 3,716 thousand year-on-year. The increase resulted from tax receivables (+ EUR 2,654 thousand) and interest receivables from affiliated companies and minority shareholders (+ EUR 660 thousand).

As in the prior year, all receivables and other assets are due within one year.

Other assets include interest receivables from affiliated companies in the amount of EUR 18,162 thousand.

## CASH AND CASH EQUIVALENTS

Cash and cash equivalents of EUR 54,315 thousand (31 December 2019: EUR 61,267 thousand) include cash on hand and current bank deposits.

## Prepaid expenses

Prepaid expenses in the amount of EUR 2,734 thousand (31 December 2019: EUR 3,423 thousand) primarily include a discount of EUR 2,669 thousand from the issue of the 2018/2024 corporate bond (31 December 2019: EUR 3,380 thousand), which is amortised over the remaining term of the bond.

## Equity

### SUBSCRIBED CAPITAL

On 31 December 2020, the Company had fully paid in subscribed capital in the amount of EUR 107,777,324 divided into 107,777,324 no-par value bearer shares with a notional interest of EUR 1.00. The shares of DEMIRE AG have been admitted for trading in the Prime Standard segment of the Frankfurt Stock Exchange.

Subscribed capital remained unchanged at EUR 107,777 thousand in the reporting period. There were also no changes in the same period last year. Treasury shares in the amount of EUR 2,005 thousand were acquired in 2020 (2,004,999 no-par-value shares). These comprise the share buy-back in July 2020 of 1,999,999 shares and 5,000 from a subsidiary taken over by DEMIRE as part of the disposal of this subsidiary.

From the accumulated profit, a dividend of EUR 0.54 per share, or a total of EUR 57,117.1 thousand, was paid out during the reporting period.



<b>COMBINED MANAGEMENT REPORT</b>	<b>3</b>
<b>BALANCE SHEET</b>	<b>54</b>
<b>STATEMENT OF INCOME</b>	<b>56</b>
<b>NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS</b>	<b>57</b>
General information and basis of presentation of the annual financial statements	57
Accounting and valuation principles	58
<b>Notes to the balance sheet</b>	<b>60</b>
Notes to the statement of income	69
Other disclosures	71
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>75</b>
<b>STATEMENT OF FIXED ASSETS</b>	<b>82</b>
<b>SCHEDULE OF SHAREHOLDINGS</b>	<b>84</b>
<b>IMPRINT</b>	<b>89</b>

## AUTHORISED CAPITAL

The authorised capital for 2019/I developed as follows during the reporting period:

in EUR	2020	2019
As at 1 January	53,888.66	36,532.42
Cancellation resolution of the AGM on 11 February 2019	–	– 36,532.42
Resolution of the AGM on 11 February 2019 (authorisation for Executive Board to increase share capital until 10 February 2024)	–	53,888.66
Utilisation of authorised capital	0	0
<b>As at 31 December</b>	<b>53,888.66</b>	53,888.66

The shareholders are generally entitled to subscription rights. The Executive Board is authorised, with the approval of the Supervisory Board, to exclude shareholders' subscription rights for fractional amounts, for cash capital increases of up to 10% of the share capital at an issue price that is not significantly lower than the market price, to meet the obligations of option or conversion rights, and to execute capital increases against contribution in kind. The Authorised Capital I/2019 had not been utilised by the reporting date.

## CONDITIONAL CAPITAL I/2020

At the ordinary Annual General Meeting of 22 September 2020, Conditional Capital I/2019 was cancelled and Conditional Capital I/2020 was created in the amount of up to EUR 53,328,662.00, divided into up to 53,328,662 new no-par value bearer shares with a corresponding amendment to the Articles of Association. The conditional capital increase serves to grant no-par value bearer shares to the holders or creditors of convertible bonds and/or bonds with warrants, profit participation

rights or profit participation bonds (or combinations of these instruments) which were issued or will be issued on the basis of the authorisation resolved by the Annual General Meeting on 11 February 2019 under Agenda Item 2 to issue convertible bonds and/or bonds with warrants, profit participation rights and/or profit participation bonds (or combinations of these instruments) by the Company or its direct or indirect subsidiaries and grant a conversion or option right to new no-par value bearer shares of the Company or establish a conversion or option obligation. The new shares shall be issued at the exercise or conversion price to be determined in each case in accordance with the respective authorisation resolution of the Annual General Meeting. The conditional capital increase will only be carried out to the extent that the holders or creditors of conversion or option rights exercise these rights or the holders with conversion or option obligations fulfil their conversion or option obligations, unless cash compensation is granted or treasury shares or shares created from authorised capital are used to service this obligation. The new shares participate in the profit from the beginning of the financial year in which they are issued, and for all subsequent financial years. Provided it is legally permissible, and with the approval of the Supervisory Board, the Executive Board may decide to amend the profit entitlement schedule for the new shares, particularly, that the new shares may participate in the profit from the start of a past financial year for which no resolutions on the appropriation of profits had been made by the Annual General Meeting at the time at which the new shares were issued. The Executive Board is authorised, with the consent of the Supervisory Board, to determine the further details of the implementation of a conditional capital increase. The Conditional Capital I/2020 had not been utilised by the reporting date.

## AUTHORISATION TO PURCHASE TREASURY SHARES

The Company was authorised, for a period of five years from the date of the resolution on 29 May 2019, to acquire its own shares up to 10% of the share capital existing on the date of the resolution or – if lower – up to 10% of the share capital existing at the time the authorisation is exercised. The authorisation may be exercised in whole or in part, once or several times. In July 2020, the Company bought back a total of 1,999,999 shares at a price of EUR 4.45 per share as part of a public share buy-back offer.



<b>COMBINED MANAGEMENT REPORT</b>	<b>3</b>
<b>BALANCE SHEET</b>	<b>54</b>
<b>STATEMENT OF INCOME</b>	<b>56</b>
<b>NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS</b>	<b>57</b>
General information and basis of presentation of the annual financial statements	57
Accounting and valuation principles	58
<b>Notes to the balance sheet</b>	<b>60</b>
Notes to the statement of income	69
Other disclosures	71
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>75</b>
<b>STATEMENT OF FIXED ASSETS</b>	<b>82</b>
<b>SCHEDULE OF SHAREHOLDINGS</b>	<b>84</b>
<b>IMPRINT</b>	<b>89</b>

The Company's Annual General Meeting on 22 September 2020 cancelled the existing resolution of 29 May 2019 to authorise the purchase of treasury shares and made a new resolution to authorise the purchase of treasury shares. According to this resolution and where legally permissible, the Company is authorised to acquire, by 21 September 2025, own shares up to 10% of the share capital existing on the date of the resolution or – if lower – up to 10% of the share capital existing at the time the authorisation is exercised. Together with other treasury shares acquired and owned by the Company or attributable to the Company, the treasury shares acquired on the basis of this authorisation may at no time exceed 10% of the Company's share capital existing at the time of the resolution or, if this value is lower, at the time the authorisation is exercised. Acquisition for the purpose of trading in treasury shares is excluded. On 8 December 2020, the Company announced that it intended to buy back a total of 1,000,000 shares at a price of EUR 4.39 per share, as part of another public share buy-back offer. The deadline for shareholders to offer the Company their shares extends beyond the reporting date until 4 January 2021.

## Stock option programme

### 2015 STOCK OPTION PROGRAMME

In the 2015 financial year, share-based payments were issued in the form of subscription rights (stock options) to the Executive Board of DEMIRE AG as well as to a selected group of persons within the DEMIRE Group. The stock option programme is an option plan, which is settled with equity instruments (equity-settled share option plan). The option plan only provides for the possibility of settling the stock option programme in shares of DEMIRE AG. Accounting for the share-based payments issued is in accordance with IFRS 2.

Subscription rights resulting from the 2015 stock option programme as defined by Section 192 (2) No. 3 AktG are not accounted for upon issuance. When options are exercised from conditional capital, subscribed capital is increased by the number of exercised shares multiplied by the shares' nominal value. The premium paid is allocated to capital reserves.

The dilutive effect of the outstanding stock options is taken into account as an additional dilution in the calculation of earnings per share, provided that the stock options and the underlying conditions result in a calculated dilution for the existing shareholders.

The exercise of subscription rights is subject to the Company's share price in XETRA trading on the Frankfurt Stock Exchange (or a comparable successor system) being at least 10% higher than the basic price on the trading day preceding the exercise of the subscription rights.

A total of 1,000,000 share options were allocated. A total of 1,000,000 stock options were granted, of which 800,000 were granted in the first tranche to members of the Executive Board and 200,000 to selected DEMIRE AG and Group employees. The fair value of each option from the first tranche was EUR 2.74. In a second tranche, adjusted for those share options returned by employees who left (90,000 share options), a total of 60,000 new options were issued. The fair value of each option from the second tranche was EUR 1.99. As at the reporting date, the first tranche still contains an entitlement to 400,000 stock options for one former member of the Executive Board and to 110,000 stock options for selected employees. In the reporting period, there were no changes in the number of shares issued in comparison to the previous period.

In the reporting period, no further expenses arose from this stock option programme. In the previous year, these expenses amounted to EUR 4 thousand.



<b>COMBINED MANAGEMENT REPORT</b>	<b>3</b>
<b>BALANCE SHEET</b>	<b>54</b>
<b>STATEMENT OF INCOME</b>	<b>56</b>
<b>NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS</b>	<b>57</b>
General information and basis of presentation of the annual financial statements	57
Accounting and valuation principles	58
<b>Notes to the balance sheet</b>	<b>60</b>
Notes to the statement of income	69
Other disclosures	71
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>75</b>
<b>STATEMENT OF FIXED ASSETS</b>	<b>82</b>
<b>SCHEDULE OF SHAREHOLDINGS</b>	<b>84</b>
<b>IMPRINT</b>	<b>89</b>

## 2017 AND 2018 VIRTUAL STOCK OPTION PROGRAMMES

The 2017 and 2018 Virtual Stock Option Programmes concerned the former Executive Board member Mr Ralf Kind. The amount of any remaining compensation to which a former member of the Executive Board may still be entitled is open, as this issue is currently the subject of pending legal proceedings; however, a provision amounting to EUR 1,920 thousand has been recognised.

## 2019 VIRTUAL STOCK OPTION PROGRAMME

This stock option programme was issued to Mr Ingo Hartlief (FRICS) with effect from 1 January 2019 and to Mr Tim Brückner with effect from 1 February 2019. Under this share programme, each member of the Executive Board is annually granted performance share units (PSUs) with an allocation amount of EUR 310 thousand for Mr Ingo Hartlief (FRICS) and EUR 185 thousand for Mr Tim Brückner. The number of PSUs granted is determined based on the allocation amount divided by the average share price of DEMIRE AG 60 trading days prior to the grant date. The grant is made annually, with the first grant made on the date mentioned above.

The PSUs are paid out after a performance period of four years from the grant date, depending on whether performance targets are reached. The performance targets consist of 50% annual stock price increases and 50% relative total shareholder return (TSR). The relative TSR compares the development of DEMIRE's TSR with the return of the EPRA/NAREIT Developed Europe Index UK over the four-year performance period. The entitlement is forfeited if the respective member of the Executive Board resigns from office during the performance period.

As at 31 December 2020, the provision for the virtual stock option programme, which has applied since 2019, amounts to EUR 226 thousand (previous year: EUR 158 thousand). This corresponds to the expenses for the 2019 and 2020 financial years. In addition to the 2019 tranche, the 2020 and 2021 tranches were also taken into account. The 60-day average price before granting the 2019 tranche is EUR 4.21 for Mr Ingo Hartlief (FRICS) and EUR 4.33 for Mr Tim Brückner. With regard to the 2020 and 2021 tranches, a 60-day average of EUR 5.08 was used, which corresponds to the price on the last reporting date.

## CAPITAL RESERVES

As at 31 December 2020, capital reserves amounted to EUR 159,881 thousand (31 December 2019: EUR 203,543 thousand). The reduction in capital reserves was as follows:

in EUR thousands	Capital reserves Section 272 (2) no. 1 HGB	Capital reserves Section 272 (2) no. 4 HGB	Total
<b>1 January 2020</b>	159,903	43,640	203,543
Acquisition of treasury shares from the sale of Magnat AM GmbH	-22		-22
Acquisition of treasury sales in 2020		-6,900	-6,900
Release of capital reserves		-36,740	-36,740
<b>31 December 2020</b>	<b>159,881</b>	<b>0</b>	<b>159,881</b>

As at the reporting date, capital reserves include full amounts as per Section 272 (2) no. 1 HGB.



<b>COMBINED MANAGEMENT REPORT</b>	<b>3</b>
<b>BALANCE SHEET</b>	<b>54</b>
<b>STATEMENT OF INCOME</b>	<b>56</b>
<b>NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS</b>	<b>57</b>
General information and basis of presentation of the annual financial statements	57
Accounting and valuation principles	58
<b>Notes to the balance sheet</b>	<b>60</b>
Notes to the statement of income	69
Other disclosures	71
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>75</b>
<b>STATEMENT OF FIXED ASSETS</b>	<b>82</b>
<b>SCHEDULE OF SHAREHOLDINGS</b>	<b>84</b>
<b>IMPRINT</b>	<b>89</b>

## ACCUMULATED PROFIT

The Company's accumulated profit as at the reporting date is as follows:

in EUR thousands	2020	2019
Accumulated profit carried forward from the previous year	57,576	54,879
Dividend payments	-57,117	0
Net profit/loss for the period	29,168	2,697
Release of capital reserves	36,740	0
<b>Accumulated profit as at 31 December</b>	<b>66,367</b>	<b>57,576</b>

## CHANGES IN EQUITY

The individual components of equity developed as follows during the reporting year:

in EUR thousands	Subscribed capital	Treasury shares	Capital reserves	Accumulated profit
<b>As at 1 January 2020</b>	107,777	0	203,543	57,576
Distribution in 2020				-57,117
Acquisition of treasury shares (with Magnat AM GmbH)		-2,005	-6,922	
Release of capital reserves			-36,740	36,740
2020 net profit			0	29,168
<b>As at 31 December 2020</b>	<b>107,777</b>	<b>-2,005</b>	<b>159,881</b>	<b>66,367</b>

## PROVISIONS

Tax provisions include the tax burden determined for the taxable income of DEMIRE as at 31 December 2020. For the 2020 financial year, there were additions to a trade tax provision in the amount of EUR 199 thousand.

Other provisions amount to EUR 4,289 thousand (31 December 2019: EUR 3,069 thousand) and mainly include obligations for outstanding invoices, accounting and audit, legal and consulting fees and staff costs.

## LIABILITIES


### 2019/2024 CORPORATE BOND

As at the reporting date of 31 December 2020, the 2019/2024 unsecured corporate bond issued in October 2019 is pending for the full nominal amount of EUR 600,000 thousand.

If new financial liabilities are assumed in accordance with the terms and conditions of the 2019/2024 corporate bond, DEMIRE AG is obliged to comply with the requirements of the financial covenants. If these covenants are not complied with, this would lead to extraordinary terminations by the bond creditors and consequently repayment obligations on the part of the Company. It would also result in additional restrictions on the distribution of dividends. The financial covenants include, specifically, the net loan-to-value (net LTV), which may not exceed 60% during the term of the bond. A further key ratio is the net secured LTV, which may not exceed 40% during the term of the bond. Finally, the interest coverage ratio, which may be no less than 175% during the period from the placement of the corporate bond until 31 March 2021 and no less than 200% as from 1 April 2021, must also be observed. The obligation to review and calculate the financial covenants only applies in the course of further borrowings. The monitoring, compliance and reporting of the financial covenants was carried out by DEMIRE's Corporate Finance, Treasury and Asset Management departments. No financial covenants were breached for 2020 as a whole or as at the reporting date of 31 December 2020. The medium-term planning also indicates that compliance with these ratios will be maintained.



---



<b>COMBINED</b>	
<b>MANAGEMENT REPORT</b>	<b>3</b>
<b>BALANCE SHEET</b>	<b>54</b>
<b>STATEMENT OF INCOME</b>	<b>56</b>
<b>NOTES TO THE 2020 ANNUAL</b>	
<b>FINANCIAL STATEMENTS</b>	<b>57</b>
General information and basis of presentation of the annual financial statements	57
Accounting and valuation principles	58
<b>Notes to the balance sheet</b>	<b>60</b>
Notes to the statement of income	69
Other disclosures	71
<b>INDEPENDENT</b>	
<b>AUDITOR'S REPORT</b>	<b>75</b>
<b>STATEMENT OF FIXED ASSETS</b>	<b>82</b>
<b>SCHEDULE OF</b>	
<b>SHAREHOLDINGS</b>	<b>84</b>
<b>IMPRINT</b>	<b>89</b>

---

## LIABILITIES DUE TO AFFILIATED COMPANIES

As at the reporting date, liabilities due to affiliated companies came to EUR 40,040 thousand (31 December 2019: EUR 24,223 thousand). The year-on-year increase primarily results from a loan to an affiliated company amounting to EUR 29,450 thousand. This also includes liabilities of EUR 9,595 thousand from profit transfers.

## OTHER LIABILITIES

Other liabilities amounting to EUR 5,503 thousand (31 December 2019: EUR 3,014 thousand) mainly include interest liabilities from the 2019/2024 bond in the amount of EUR 2,508 thousand (31 December 2019 from the 2017/2022 bond: EUR 2,497 thousand), liabilities from value-added taxes in the amount of EUR 2,393 thousand (31 December 2019: EUR 0 thousand) as well as liabilities due to minority shareholders from affiliated companies in the amount of EUR 142 thousand (31 December 2019: EUR 381 thousand). Other liabilities include liabilities to affiliated companies in the amount of EUR 346 thousand (31 December 2019: EUR 126 thousand).

The structure and the remaining term of the liabilities and details on collateralisation are shown in the schedule of liabilities below.



**COMBINED  
MANAGEMENT REPORT** 3

**BALANCE SHEET** 54

**STATEMENT OF INCOME** 56

**NOTES TO THE 2020 ANNUAL  
FINANCIAL STATEMENTS** 57

General information and basis  
of presentation of the annual  
financial statements 57

Accounting and valuation  
principles 58

**Notes to the balance sheet** 60

Notes to the statement of income 69

Other disclosures 71

**INDEPENDENT  
AUDITOR'S REPORT** 75

**STATEMENT OF FIXED ASSETS** 82

**SCHEDULE OF  
SHAREHOLDINGS** 84

**IMPRINT** 89

<b>31 December 2020 (31 December 2019) in EUR</b>		up to 1 year	over 1 year	of which more than 5 years	<b>Total</b>
		0.00	600,000,000.00	0.00	<b>600,000,000.00</b>
1. Bonds	(0.00)	(0.00)	(600,000,000.00)	(0.00)	(600,000,000.00)
2. Trade payables	108,659.54	(672,706.61)	0.00	0.00	<b>108,659.54</b>
3. Liabilities due to affiliated companies	(22,500,826.92)	(1,721,875.67)	0.00	0.00	(24,222,702.59)
4. Other liabilities	5,503,051.34	(3,013,606.76)	0.00	0.00	<b>40,040,335.76</b>
	45,652,046.64	(26,187,140.29)	600,000,000.00	0.00	<b>5,503,051.34</b>
<b>Total</b>			(601,721,875.67)	(0.00)	(3,013,606.76)
					<b>645,652,046.64</b>
					(627,909,015.96)

**CONTINGENCIES**

Through the conclusion of credit and loan agreements, DEMIRE AG has pledged liens and other guarantees of EUR 940 thousand (31 December 2019: EUR 940 thousand) to affiliated companies:

As at the reporting date, the following contingent liabilities existed from the provision of collateral for third-party liabilities with a value of EUR 940 thousand (31 December 2019: EUR 940 thousand) to affiliated companies.

The risk of the above contingent liabilities being used is categorised as low. The net assets and earnings position of the affiliated companies is stable, and the companies can manage their liabilities independently.

**OTHER FINANCIAL OBLIGATIONS AND OFF-BALANCE-SHEET TRANSACTIONS**

As at the reporting date, other financial obligations according to Section 285 No. 3a HGB totalling EUR 186 thousand (31 December 2019: EUR 337 thousand) consist of rental and lease contracts, each with the following maturities:

<b>in EUR thousands</b>	<b>Total</b>	up to 1 year	over 1 year	of which more than 5 years
Rental and lease contracts	<b>186</b>	160	26	0
of which from affiliated companies	<b>127</b>	127	0	0



**COMBINED  
MANAGEMENT REPORT** 3

**BALANCE SHEET** 54

**STATEMENT OF INCOME** 56

**NOTES TO THE 2020 ANNUAL  
FINANCIAL STATEMENTS** 57

General information and basis  
of presentation of the annual  
financial statements 57

Accounting and valuation  
principles 58

**Notes to the balance sheet** 60  
Notes to the statement of income 69  
Other disclosures 71

**INDEPENDENT  
AUDITOR'S REPORT** 75

**STATEMENT OF FIXED ASSETS** 82

**SCHEDULE OF  
SHAREHOLDINGS** 84

**IMPRINT** 89

Rental and lease contracts concern an office building at the Company's headquarters rented from a subsidiary, leased tangible assets, and operating and office equipment.

Off-balance-sheet transactions represent the rental and lease contracts described. Because the Company is not obliged to purchase the assets, such transactions help optimise the balance sheet ratios. The future financial effects of the rental and lease contracts concluded are not material in assessing the Company's financial position.

**DEFERRED TAXES**

There was a surplus of deferred tax assets as at the reporting date.

Deferred taxes are measured at a tax rate of 28.78%, as in the prior year. This tax rate includes corporate taxes, trade taxes and a solidarity surcharge. For different valuations of financial assets, a tax rate of only 1.44% (5% of 28.78%) is applied due to the prohibition on making deductions to reduce taxable income. The surplus of deferred tax assets is not recognised in accordance with Section 274 (1) No. 2 HGB (negative figures represent deferred tax liabilities):

**BALANCE SHEET ITEMS**

in EUR thousands	Deferred taxes
Investments in affiliated companies	- 1,719
Loans to affiliated companies	67
Fixed assets of affiliated companies (profit and loss transfer agreement)	7,586
Receivables and other assets	17
<b>Surplus of deferred tax assets</b>	<b>5,951</b>

The year-on-year change in deferred tax liabilities consists of the following:

**BALANCE SHEET ITEMS**

in EUR thousands	Deferred taxes
Deferred tax liabilities as at 1 January 2020	- 1,066
Investments in affiliated companies	- 583
Loans to affiliated companies	- 1
Fixed assets of affiliated companies	7,586
Receivables and other assets	15
<b>Deferred tax assets as at 31 December 2020</b>	<b>5,951</b>

Deferred tax assets primarily result from differences in fixed assets between the commercial and tax balance sheets of companies with which a profit and loss transfer agreement exists.



<b>COMBINED MANAGEMENT REPORT</b>	<b>3</b>
<b>BALANCE SHEET</b>	<b>54</b>
<b>STATEMENT OF INCOME</b>	<b>56</b>
<b>NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS</b>	<b>57</b>
General information and basis of presentation of the annual financial statements	57
Accounting and valuation principles	58
Notes to the balance sheet	60
<b>Notes to the statement of income</b>	<b>69</b>
Other disclosures	71
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>75</b>
<b>STATEMENT OF FIXED ASSETS</b>	<b>82</b>
<b>SCHEDULE OF SHAREHOLDINGS</b>	<b>84</b>
<b>IMPRINT</b>	<b>89</b>

## Notes to the statement of income

### Revenue

Revenues of EUR 4,024 thousand (2019 financial year: EUR 3,483 thousand) relate to services in the amount of EUR 3,946 thousand (2019 financial year: EUR 3,419 thousand) to German companies and EUR 78 thousand (2019 financial year: EUR 64 thousand) to foreign companies, insofar as the place of management is located abroad. Revenues mainly include income from agency agreements with affiliated companies.

### Other operating income

Other operating income of EUR 1,095 thousand (2019 financial year: EUR 2,695 thousand) mainly comprises reversal of impairments on receivables from affiliated companies of EUR 496 thousand (2019 financial year: EUR 1,000 thousand) and income from the reversal of provisions of EUR 455 thousand (2019 financial year: EUR 1,617 thousand).

Other operating income includes non-periodic income of EUR 951 thousand (2019 financial year: EUR 2,617 thousand). This primarily includes income from impaired provisions (EUR 496 thousand) and income from the reversal of provisions (EUR 455 thousand).

### Other operating expenses

Other operating expenses totalling EUR 4,928 thousand (2019 financial year: EUR 12,431 thousand) comprise mainly legal and consulting fees of EUR 1,489 thousand (2019 financial year: EUR 8,350 thousand), expenses for accounting, preparation and audit of the annual and consolidated financial statements of EUR 577 thousand (2019 financial year: EUR 545 thousand), incidental costs from monetary transactions of EUR 438 thousand (2019 financial year: EUR 473 thousand), third-party

services of EUR 332 thousand (2019 financial year: EUR 793 thousand) and expenses for the preparation of real estate appraisals of EUR 121 thousand (2019 financial year: EUR 476 thousand).

### Income from investments

Income from investments of EUR 22,198 (2019 financial year: EUR 1,179 thousand) in the financial year relates to distributions by DEMIRE HB HZ B HST GmbH in the amount of EUR 7,118 thousand, DEMIRE Holding III GmbH in the amount of EUR 12,500 thousand and the allocation of earnings of FVR Beteiligungsgesellschaft Erste bis Achte mbH & Co. KG and affiliated companies.

### Income from profit and loss transfer agreements

Income from profit and loss transfer agreements in the amount of EUR 7,620 thousand (2019 financial year: EUR 20,023 thousand) results from the profit and loss transfer agreements with DEMIRE Leipzig Am alten Flughafen 1 GmbH, Leipzig, of EUR 2,485 thousand (2019 financial year: EUR 2,815 thousand), DEMIRE Holding III GmbH, Frankfurt, in the amount of EUR 2,237 thousand and DEMIRE Holding X GmbH, Frankfurt am Main, in the amount of EUR 2,898 thousand (2019 financial year: EUR 17,209 thousand).

### Income from loans of financial fixed assets

Income from loans of financial fixed assets of EUR 18,709 thousand (2019 financial year: EUR 15,859 thousand) relates to income from loans granted to affiliated companies to finance the acquisition of real estate companies and properties by subsidiaries and sub-subsidiaries (EUR 18,526 thousand) and income from loans to minority shareholders of affiliated companies (EUR 183 thousand).



<b>COMBINED MANAGEMENT REPORT</b>	<b>3</b>
<b>BALANCE SHEET</b>	<b>54</b>
<b>STATEMENT OF INCOME</b>	<b>56</b>
<b>NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS</b>	<b>57</b>
General information and basis of presentation of the annual financial statements	57
Accounting and valuation principles	58
Notes to the balance sheet	60
<b>Notes to the statement of income</b>	<b>69</b>
Other disclosures	71
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>75</b>
<b>STATEMENT OF FIXED ASSETS</b>	<b>82</b>
<b>SCHEDULE OF SHAREHOLDINGS</b>	<b>84</b>
<b>IMPRINT</b>	<b>89</b>

### Interest result

Interest income resulted from financing arrangements between DEMIRE AG and third parties in the amount of EUR 647 thousand (2019 financial year: EUR 739 thousand) from Taurecon RE Consulting GmbH and Taurecon Beteiligungs GmbH (both based in Berlin).

Interest and similar expenses of EUR 12,320 thousand (2019 financial year: EUR 20,786 thousand) concern mainly the interest payments from the existing 2019/2024 corporate bond.

Interest and similar expenses due to affiliated companies amounted to EUR 346 thousand (2019 financial year: EUR 62 thousand).

### Impairment of financial assets

Impairment of financial assets relates to impairment losses in the amount of EUR 448 thousand (2019 financial year: EUR 120 thousand) on investments in affiliated companies, as well as on loans to affiliated companies.

### Expenses from the assumption of losses

Expenses incurred from the assumption of losses amounting to EUR 1,044 thousand (2019 financial year: EUR 2,531 thousand) relate to the assumption of losses from existing control and profit and loss transfer agreements with subsidiaries, with DEMIRE Holding IV GmbH, Frankfurt am Main, accounting for EUR 199 thousand (2019 financial year: EUR 1,959 thousand) and DEMIRE Holding XI GmbH, Frankfurt am Main, accounting for EUR 845 thousand (2019 financial year: EUR 509 thousand).

### Income taxes

As the parent company of the tax group, the Company is also subject to taxation for subsidiaries included in the income tax group of consolidated companies through control and profit and loss transfer agreements. Income taxes include income from the reversal of deferred tax liabilities in the amount of EUR 1,066 thousand.



<b>COMBINED MANAGEMENT REPORT</b>	<b>3</b>
<b>BALANCE SHEET</b>	<b>54</b>
<b>STATEMENT OF INCOME</b>	<b>56</b>
<b>NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS</b>	<b>57</b>
General information and basis of presentation of the annual financial statements	57
Accounting and valuation principles	58
Notes to the balance sheet	60
Notes to the statement of income	69
<b>Other disclosures</b>	<b>71</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>75</b>
<b>STATEMENT OF FIXED ASSETS</b>	<b>82</b>
<b>SCHEDULE OF SHAREHOLDINGS</b>	<b>84</b>
<b>IMPRINT</b>	<b>89</b>

## Other disclosures

### Governing bodies

#### EXECUTIVE BOARD MEMBERS AND REMUNERATION

The Executive Board members are:

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

Since 20 May 2019, Ingo Hartlief (FRICS) has been a member of the Supervisory Board/Vice Chair of Fair Value REIT-AG (Frankfurt am Main District Court, 120099), which has been listed on the stock exchange since 16 November 2007. In the reporting year, Tim Brückner was not a member of any statutory supervisory boards or comparable controlling bodies or of any comparable domestic or foreign controlling bodies of commercial enterprises.

In the 2020 financial year, DEMIRE AG recognised variable remuneration in the amount of EUR 333 thousand (previous year: EUR 240 thousand), fixed remuneration of EUR 703 thousand (previous year: EUR 1,083 thousand) and share-based payments of EUR 67 thousand (previous year: EUR 159 thousand) for the members of the Executive Board. As at the reporting date, EUR 226 thousand (previous year: EUR 461 thousand) of share-based payments and EUR 333 thousand (previous year: EUR 920 thousand) of bonus payments were still outstanding.

The remuneration of the Executive Board members in office during the financial year is listed in the table below:

in EUR thousands	Fixed remuner- ation	Perfor- mance- based remuner- ation	Share- based remuner- ation	<b>Total 2020</b>	Total 2019
Ingo Hartlief (FRICS)	414	190	19	623	1,151
Tim Brückner	289	143	48	480	328
Ralf Kind	0	0	0	0	3
<b>Total</b>	<b>703</b>	<b>333</b>	<b>67</b>	<b>1,103</b>	<b>1,482</b>

The Executive Board's fixed remuneration consists of fixed salary and fringe benefits. The fringe benefits consist of benefits in kind, most notably the use of company cars. The performance-based remuneration consists of a special remuneration relating to the business development of the reporting year.

Pension obligations and post-employment benefits for active or former members of the Executive Board did not exist or were not granted during the reporting year.

Remaining compensation for a former member of the Executive Board is still outstanding, as these issues are currently the subject of pending legal proceedings; however, a provision amounting to EUR 1,920 thousand has been recognised.

The members of the Executive Board were not granted any loans or advances, and no contingencies were assumed for their benefit.



<b>COMBINED MANAGEMENT REPORT</b>	<b>3</b>
<b>BALANCE SHEET</b>	<b>54</b>
<b>STATEMENT OF INCOME</b>	<b>56</b>
<b>NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS</b>	<b>57</b>
General information and basis of presentation of the annual financial statements	57
Accounting and valuation principles	58
Notes to the balance sheet	60
Notes to the statement of income	69
<b>Other disclosures</b>	<b>71</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>75</b>
<b>STATEMENT OF FIXED ASSETS</b>	<b>82</b>
<b>SCHEDULE OF SHAREHOLDINGS</b>	<b>84</b>
<b>IMPRINT</b>	<b>89</b>


## Supervisory board members and remuneration

The names and professions of the Company's Supervisory Board members are shown in the table below.

The Supervisory Board's total remuneration for the financial year amounted to EUR 180 thousand (2019 financial year: EUR 180 thousand). In addition, Supervisory Board members were reimbursed by the Company for travel expenses incurred of EUR 1 thousand (2019 financial year: EUR 14 thousand) in the context of Supervisory Board meetings.

The following members of the Company's Supervisory Board held positions on other supervisory boards or in other supervisory bodies as defined by Section 125 (1) sentence 5 AktG:

NAME	COMPANY	POSITION
Prof. Dr Alexander Goepfert (Chairman of the Supervisory Board) Attorney-at-law (since 27 June 2018)	AGROB Immobilien AG, Munich	Chairman of the Supervisory Board
	PROXIMUS Real Estate AG, Cologne	Ordinary Member of the Supervisory Board
	shareDnC GmbH, Cologne	Ordinary Member of the Advisory Board
	EBS Real Estate Management Institute, Wiesbaden	Chairman of the Board of Trustees
	iddiw Institut der Deutschen Immobilienwirtschaft e.V., Frankfurt	Vice President
Frank Hölzle (Vice Chairman of the Supervisory Board), Managing director (since 14 February 2017)	GreySky Properties AG, Basel/Switzerland	Member of the Board of Directors
	clickworker GmbH, Essen	Chairman of the Advisory Board
	Mindlab Solutions GmbH, Stuttgart	Chairman of the Advisory Board
	mobileObjects AG, Büren	Chairman of the Supervisory Board
	rankingCoach GmbH, Cologne	Chairman of the Advisory Board
	SIC invent AG, Basel/Switzerland	Member of the Board of Directors
	reBuy reCommerce GmbH, Berlin	Member of the Advisory Board
	sevDesk GmbH, Offenburg	Member of the Advisory Board
	Fair Value REIT-AG, Frankfurt	Chairman of the Supervisory Board
Prof. Dr Kerstin Hennig, Honorary professor (since 29 May 2019)	DWS Grundbesitz GmbH, Frankfurt	Ordinary Member of the Supervisory Board
	Urban Land Institute (ULI), Berlin	Member of the Executive Committee
	Real Estate Brand Club	Member of the Management
	Institutionelle Investoren Hotel	Member of the Advisory Board
	iddiw Institut der Deutschen Immobilienwirtschaft e.V., Frankfurt	Member of the Executive Committee

	
<b>COMBINED MANAGEMENT REPORT</b>	<b>3</b>
<b>BALANCE SHEET</b>	<b>54</b>
<b>STATEMENT OF INCOME</b>	<b>56</b>
<b>NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS</b>	<b>57</b>
General information and basis of presentation of the annual financial statements	57
Accounting and valuation principles	58
Notes to the balance sheet	60
Notes to the statement of income	69
<b>Other disclosures</b>	<b>71</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>75</b>
<b>STATEMENT OF FIXED ASSETS</b>	<b>82</b>
<b>SCHEDULE OF SHAREHOLDINGS</b>	<b>84</b>
<b>IMPRINT</b>	<b>89</b>

The Company employed an average of 30 (previous year: 31) employees in the 2020 financial year. All of them were working in administration.

## Related party transactions

Related parties are legal or natural persons that can exercise influence over the Company or are subject to control or significant influence exercised by the Company.

Parties related to DEMIRE AG include the members of the Executive and Supervisory Boards, shareholders and governing bodies of subsidiaries, including their closely associated family members, and such entities over which the members of the Company's Executive and Supervisory Boards and their closely associated family members can exert significant influence or entities in which they hold significant voting rights. Related parties also include entities in which the Company holds an interest that allows it to significantly influence the investee's operating policies. Finally, the Company's major shareholders are also considered related parties.

Transactions with related parties are carried out mainly with subsidiaries. All transactions with related parties conducted during the reporting year were based on market standard terms.

## Statement with regard to the German Corporate Governance Code

The Supervisory Board and the Executive Board of DEMIRE AG are committed to the responsible and transparent management and control of the Company, geared to long-term value creation. The statement with regard to the German Corporate Governance Code that the Company has to make pursuant to Section 161 AktG is made available to shareholders on the company's website. The Declaration of Conformity with the German Corporate Governance Code has been made permanently available to shareholders on the website of DEMIRE Deutsche Mittelstand Real Estate AG in the "Company" section.

## Auditor's fee

The disclosure of the total fee paid to the auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, in accordance with Section 285 No. 17 HGB is provided in the Notes to the Company's consolidated financial statements, which are published in the electronic Federal Gazette.

## Disclosures on the parent company

As the parent company, the Company prepares consolidated financial statements according to the International Financial Reporting Standards (IFRS), as applicable in the EU, and the supplementary provisions of the German Commercial Code pursuant to Section 315e (1) HGB, which are published in the electronic Federal Gazette. The consolidated financial statements of DEMIRE are the largest and the smallest scope of consolidation in which DEMIRE AG is included.

## Disclosure pursuant to Section 160 (1) no. 8 AktG

Under Section 160 (1) No. 8 AktG, the Company must disclose existing shareholdings that were notified to the Company in accordance with Section 33 (1) or (2) WpHG during the reporting period, as well as those published under Section 40 (1) WpHG. In addition, further shareholdings that were notified to the Company after the end of the reporting period and until the preparation of the annual financial statements, and that were disclosed under Section 40 (1) WpHG, were considered. In the reporting period and up to the preparation of the annual financial statements, the Company received no such notifications. For the current status of notifications, please refer to the Company's homepage.





**COMBINED  
MANAGEMENT REPORT 3**

**BALANCE SHEET 54**

**STATEMENT OF INCOME 56**

**NOTES TO THE 2020 ANNUAL  
FINANCIAL STATEMENTS 57**

General information and basis of presentation of the annual financial statements	57
Accounting and valuation principles	58
Notes to the balance sheet	60
Notes to the statement of income	69
<b>Other disclosures</b>	<b>71</b>

**INDEPENDENT  
AUDITOR'S REPORT 75**

**STATEMENT OF FIXED ASSETS 82**

**SCHEDULE OF  
SHAREHOLDINGS 84**

**IMPRINT 89**

## Executive Board's proposal for the appropriation of profits/losses

On 4 March 2021, the majority shareholders sent a letter to the Company asking that it consider distributing a substantial dividend in the amount of the retained earnings for the year 2020 as well. The Executive Board and Supervisory Board reviewed this request and will propose a dividend of EUR 0.62 per share at the Annual General Meeting.

## Responsibility statement under Section 264 (2) sentence 3 HGB

As the governing body of DEMIRE AG, the Executive Board hereby assures to the best of its knowledge that the financial statements give a true and fair view of the Company's net assets, financial position and results of operations in accordance with the applicable reporting principles.

## Subsequent events

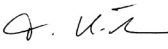
On 8 December 2020, the Company announced that it intended to buy back a total of 1,000,000 shares at a price of EUR 4.39 per share, as part of another public share buy-back offer. The deadline for shareholders to offer the Company their shares ended on 4 January 2021.

Beyond this, no significant events occurred after the end of the financial year.

Frankfurt am Main, 16 March 2021

DEMIRE Deutsche Mittelstand Real Estate AG

  
Ingo Hartlief (PRICS)  
(CEO)

  
Tim Brückner  
(CFO)



<b>COMBINED</b>	
<b>MANAGEMENT REPORT</b>	<b>3</b>
<b>BALANCE SHEET</b>	<b>54</b>
<b>STATEMENT OF INCOME</b>	<b>56</b>
<b>NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS</b>	<b>57</b>
<b>INDEPENDENT</b>	
<b>AUDITOR'S REPORT</b>	<b>75</b>
<b>STATEMENT OF FIXED ASSETS</b>	<b>82</b>
<b>SCHEDULE OF SHAREHOLDINGS</b>	<b>84</b>
<b>IMPRINT</b>	<b>89</b>

# INDEPENDENT AUDITOR'S REPORT

To DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt am Main

## REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

### AUDIT OPINION

We have audited the annual financial statements of DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt am Main, which comprise the balance sheet as at 31 December 2020, and the statement of income for the financial year from 1 January to 31 December 2020 and notes to the financial statements, including the presentation of the accounting and measurement policies. In addition, we have audited the management report of DEMIRE Deutsche Mittelstand Real Estate AG, which is combined with the group management report, for the financial year from 1 January to 31 December 2020. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to Sections 289f and 315d HGB.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2020 and of its financial performance for the financial year from 1 January to 31 December 2020 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

### BASIS FOR THE AUDIT OPINION

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537 / 2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany – IDW). Our responsibilities under those requirements and principles are further described



<b>COMBINED MANAGEMENT REPORT</b>	<b>3</b>
<b>BALANCE SHEET</b>	<b>54</b>
<b>STATEMENT OF INCOME</b>	<b>56</b>
<b>NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS</b>	<b>57</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>75</b>
<b>STATEMENT OF FIXED ASSETS</b>	<b>82</b>
<b>SCHEDULE OF SHAREHOLDINGS</b>	<b>84</b>
<b>IMPRINT</b>	<b>89</b>

in the “Auditor’s responsibilities for the audit of the annual financial statements and of the management report” section of our auditor’s report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) letter (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

#### **KEY AUDIT MATTERS IN THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

##### **1. Measurement of investments in and loans to affiliated companies**

Our presentation of this key audit matter has been structured as follows:

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

Hereinafter, we present the key audit matter:

##### **1. Measurement of investments in and loans to affiliated companies**

1. In the annual financial statements of the Company, investments in affiliated companies amounting to EUR 239,152 thousand (24.3% of total assets) and loans to affiliated companies amounting to EUR 619,814 thousand (63.0% of total assets) are reported under the “Financial assets” balance sheet item.

Investments in and loans to affiliated companies are measured in accordance with German commercial law at the lower of cost and fair value. The fair values of investments in and loans to affiliated companies are materially based on the fair values of the investment properties, which are owned by the affiliated companies in question. The fair values of properties held by affiliated companies are calculated using discounted cash flow models as the present values of the expected future cash flows according to the planning projections prepared by the executive directors with support by an external advisory firm. Expectations relating to future market developments and assumptions about the development of macro-economic factors are also taken into account. The discount rate used is the individually determined cost of capital for the relevant financial investment. The other assets and the liabilities due to affiliated companies are included by addition into the fair value calculation of the investments in and loans to affiliated companies. On the basis of the values determined and supplementary documentation, impairment losses relating to investments in and loans to affiliated companies amounting in total to EUR 448 thousand were required for the financial year. No reversal of impairment was recognised.

The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors of the future cash flows, and on the respective discount rates and rates of growth used. The valuation is therefore subject to material uncertainties and discretionary scope. Against this background and due to the highly complex nature of the valuation and its material significance for the Company’s assets, liabilities and financial performance, this matter was of particular significance in the context of our audit.



<b>COMBINED MANAGEMENT REPORT</b>	<b>3</b>
<b>BALANCE SHEET</b>	<b>54</b>
<b>STATEMENT OF INCOME</b>	<b>56</b>
<b>NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS</b>	<b>57</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>75</b>
<b>STATEMENT OF FIXED ASSETS</b>	<b>82</b>
<b>SCHEDULE OF SHAREHOLDINGS</b>	<b>84</b>
<b>IMPRINT</b>	<b>89</b>

2. As part of our audit, we assessed the methodology used by the Company for the purposes of the valuation of investments in and loans to affiliated companies, among other things. In particular, we assessed whether the fair values of the investment properties had been appropriately determined using discounted cash flow models in compliance with the relevant measurement standards. We based our assessment, among other things, on a comparison with general and sector-specific market expectations as well as on the detailed explanations of the executive directors and the staff of the external advisory firm used regarding the key value drivers underlying the expected cash flows. In the knowledge that even relatively small changes in the discount rate and the growth rate applied can have a material impact on the fair value calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate and the growth rate applied, and assessed the calculation model. Finally, we assessed whether, for each affiliated company, the values of properties calculated on this basis, taking into account other assets and liabilities, were appropriately assigned to the related carrying amounts of the financial assets, in order to determine a possible requirement for impairment or reversal of impairment on the investments in or loans to affiliated companies.

In our view, taking into consideration the information available, the valuation parameters and underlying assumptions used by the executive directors are appropriate overall for the purpose of appropriately measuring the investments in and loans to affiliated companies.

3. The Company's disclosures relating to investments in and loans to affiliated companies are contained in the section "Accounting and valuation principles" within "Financial assets" and in the section "Notes to the balance sheet" within "Financial assets" of the Notes to the financial statements.

### OTHER INFORMATION

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to Sections 289f and 315d HGB.

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.


In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information


- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

### RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined

		
COMBINED MANAGEMENT REPORT	3	necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.
BALANCE SHEET	54	In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going-concern basis of accounting, provided no actual or legal circumstances conflict therewith.
STATEMENT OF INCOME	56	
NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS	57	
INDEPENDENT AUDITOR'S REPORT	75	Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.
STATEMENT OF FIXED ASSETS	82	
SCHEDULE OF SHAREHOLDINGS	84	
IMPRINT	89	
		The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.
		<p><b>AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT</b></p> <p>Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.</p> <p>Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report</p> <p>We exercise professional judgement and maintain professional scepticism throughout the audit. We also:</p> <ul style="list-style-type: none"> <li>– Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.</li> </ul>

		
<b>COMBINED MANAGEMENT REPORT</b>	<b>3</b>	<ul style="list-style-type: none"> <li>– Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.</li> </ul>
<b>BALANCE SHEET</b>	<b>54</b>	
<b>STATEMENT OF INCOME</b>	<b>56</b>	<ul style="list-style-type: none"> <li>– Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.</li> </ul>
<b>NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS</b>	<b>57</b>	
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>75</b>	<ul style="list-style-type: none"> <li>– Conclude on the appropriateness of the executive directors' use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.</li> </ul>
<b>STATEMENT OF FIXED ASSETS</b>	<b>82</b>	
<b>SCHEDULE OF SHAREHOLDINGS</b>	<b>84</b>	
<b>IMPRINT</b>	<b>89</b>	<ul style="list-style-type: none"> <li>– Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.</li> <li>– Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.</li> </ul>
		<ul style="list-style-type: none"> <li>– Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.</li> </ul> <p>We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.</p> <p>We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, the related safeguards.</p> <p>From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.</p>

	
	
COMBINED MANAGEMENT REPORT	3
BALANCE SHEET	54
STATEMENT OF INCOME	56
NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS	57
INDEPENDENT AUDITOR'S REPORT	75
STATEMENT OF FIXED ASSETS	82
SCHEDULE OF SHAREHOLDINGS	84
IMPRINT	89

## OTHER LEGAL AND REGULATORY REQUIREMENTS

### Report on the audit of the electronic versions of the annual financial statements and the management report pursuant to Section 317 (3b) HGB created for the purposes of disclosure

#### AUDIT OPINION

We carried out an audit pursuant to Section 317 (3b) HGB to determine with reasonable assurance whether the versions of the annual financial statements and the management report created for the purposes of disclosure in the attached file DEMIRE Deutsche Mittelstand Real Estate\_AG\_JA+LB\_ESEF-2020-12-31.zip (hereinafter referred to as “ESEF documents”) comply with the requirements of Section 328 (1) HGB in all material respects with regard to the electronic reporting format (“ESEF format”). In accordance with German legal requirements, this audit only covers the transfer of information from the annual financial statements and the management report into the ESEF format, and therefore does not include the information included in these versions or other information in the above-mentioned file.

In our opinion, the versions of the annual financial statements and the management report created for disclosure purposes in the above-named file comply in all material respects with the requirements of Section 328 (1) HGB relating to electronic reporting. We cannot issue any audit opinion on the information included in these versions or on the information included in the above-named file that goes beyond this audit opinion and the audit opinions included in the above “Report on the audit of the annual financial statements and of the management report” for the accompanying annual financial statements and management report for the financial year from 1 January to 31 December 2020.

#### BASIS FOR THE AUDIT OPINION

We carried out our audit of the versions of the annual financial statements and the management report included in the above-named file in compliance with Section 317 (3b) HGB, taking into consideration the draft of the IDW auditing standard: Auditing electronic versions of financial statements and management reports pursuant to Section 317 (3b) HGB created for the purposes of disclosure (IDW EPS 410) and the draft of the International Standard on Assurance Engagements 3000 (Revised). Our responsibilities according to these standards are described in further detail in the section “Responsibilities of the auditor for auditing ESEF documents”. Our auditing firm applied the requirements of the quality assurance system of the IDW quality assurance standard: Quality assurance requirements for auditing firms (IDW QS 1).

#### RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD REGARDING ESEF DOCUMENTS

The Company's executive directors are responsible for issuing ESEF documents with the electronic versions of the annual financial statements and the management report in accordance with Section 328 (1) sentence 4, item 1 HGB.

Furthermore, the Company's executive directors are responsible for the internal controls deemed necessary in order to facilitate the preparation of ESEF documents free from material infringements, whether due to fraud or error, of the requirements pursuant to Section 328 (1) HGB in terms of the electronic reporting format.

The Company's executive directors are also responsible for submitting to the publishers of the Federal Gazette the ESEF documents together with the auditor's report and the accompanying audited annual financial statements and audited management report, as well as other documents requiring disclosure.

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the accounting process.



<b>COMBINED MANAGEMENT REPORT</b>	<b>3</b>
<b>BALANCE SHEET</b>	<b>54</b>
<b>STATEMENT OF INCOME</b>	<b>56</b>
<b>NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS</b>	<b>57</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>75</b>
<b>STATEMENT OF FIXED ASSETS</b>	<b>82</b>
<b>SCHEDULE OF SHAREHOLDINGS</b>	<b>84</b>
<b>IMPRINT</b>	<b>89</b>

## RESPONSIBILITIES OF THE AUDITOR FOR AUDITING THE ESEF DOCUMENTS

We aim to obtain sufficient assurances as to whether the ESEF documents are free from material infringements, whether due to fraud or error, of the requirements pursuant to Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material infringements, whether due to fraud or error, of the requirements pursuant to Section 328 (1) HGB, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- Obtain an understanding of internal controls relevant to the audit of ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents fulfils the technical specifications for this file as outlined in the requirements of the Delegated Regulation (EU) 2019/815 in the version valid as at the reporting date.
- Assess whether the ESEF documents enable the reproduction of the content of the audited annual financial statements and the audited management report as an XHTML file.

## Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as the auditor by the Annual General Meeting on 22 September 2020. We were engaged by the Supervisory Board on 16 November 2020. We have been the auditor of DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt am Main, without interruption since the 2018 financial year.

We declare that the audit opinions expressed in this auditor's report, along with the additional report to the audit committee, are consistent with Article 11 of the EU Audit Regulation (long-form audit report).

## RESPONSIBLE AUDITOR

The German Public Auditor responsible for the engagement is Dr Frederik Mielke.

Berlin, 16 March 2021

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

Dr Frederik Mielke  
Auditor

pp Patrick Franke  
Auditor





COMBINED  
MANAGEMENT REPORT 3

BALANCE SHEET 54

STATEMENT OF INCOME 56

NOTES TO THE 2020 ANNUAL  
FINANCIAL STATEMENTS 57

INDEPENDENT  
AUDITOR'S REPORT 75

STATEMENT OF FIXED ASSETS 82

SCHEDULE OF  
SHAREHOLDINGS 84

IMPRINT 89

# STATEMENT OF FIXED ASSETS

in the financial year from 1 January to 31 December 2020

ACQUISITION COSTS					
in EUR thousands	1 January 2020	Additions	Disposals	Reclassifications	31 December 2020
<b>I. Intangible assets</b>					
Paid concessions, commercial property rights and similar rights and assets, as well as licences to such rights and assets	31,973.20	0.00	0.00	0.00	31,973.20
	<b>31,973.20</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>31,973.20</b>
<b>II. Property, plant and equipment</b>					
1. Land, leasehold rights and buildings, including buildings on third-party property	149,712.11	0.00	0.00	0.00	149,712.11
2. Other equipment, operating and office equipment on third-party property	360,981.87	14,107.24	0.00	0.00	375,089.11
	<b>510,693.98</b>	<b>14,107.24</b>	<b>0.00</b>	<b>0.00</b>	<b>524,801.22</b>
<b>III. Financial assets</b>					
1. Investments in affiliated companies	314,082,628.49	0.00	50,223,124.38	0.00	263,859,504.11
2. Loans to affiliated companies	640,393,420.79	141,744,174.43	155,026,499.32	-11,844.98	627,099,250.92
3. Other loans	5,964,994.09	0.00	528,530.78	11,844.98	5,448,308.29
	<b>960,441,043.37</b>	<b>141,744,174.43</b>	<b>205,778,154.48</b>	<b>0.00</b>	<b>896,407,063.32</b>
	<b>960,983,710.55</b>	<b>141,758,281.67</b>	<b>205,778,154.48</b>	<b>0.00</b>	<b>896,963,837.74</b>



COMBINED  
MANAGEMENT REPORT 3

BALANCE SHEET 54

STATEMENT OF INCOME 56

NOTES TO THE 2020 ANNUAL  
FINANCIAL STATEMENTS 57

INDEPENDENT  
AUDITOR'S REPORT 75

STATEMENT OF FIXED ASSETS 82

SCHEDULE OF  
SHAREHOLDINGS 84

IMPRINT 89

# STATEMENT OF FIXED ASSETS

in the financial year from 1 January to 31 December 2020

		ACCUMULATED DEPRECIATION AND AMORTISATION			CARRYING AMOUNTS	
in EUR thousands	1 January 2020	Depreciation/ Amortisation	Disposals	31 December 2020	31 December 2020	31 December 2019
<b>I. Intangible assets</b>						
Paid concessions, commercial property rights and similar rights and assets, as well as licences to such rights and assets	31,441.20	528.00	0.00	31,969.20	4.00	532.00
	<b>31,441.20</b>	<b>528.00</b>	<b>0.00</b>	<b>31,969.20</b>	<b>4.00</b>	<b>532.00</b>
<b>II. Property, plant and equipment</b>						
1. Land, leasehold rights and buildings, including buildings on third-party property	58,511.11	42,098.00	0.00	100,609.11	49,103.00	91,201.00
2. Other equipment, operating and office equipment on third-party property	212,847.87	44,418.24	0.00	257,266.11	117,823.00	148,134.00
	<b>271,358.98</b>	<b>86,516.24</b>	<b>0.00</b>	<b>357,875.22</b>	<b>166,926.00</b>	<b>239,335.00</b>
<b>III. Financial assets</b>						
1. Investments in affiliated companies	74,665,045.40	265,893.30	50,223,123.38	24,707,815.32	239,151,688.79	239,417,583.09
2. Loans to affiliated companies	7,084,034.67	211,164.22	10,000.00	7,285,198.89	619,814,052.03	633,309,386.12
3. Other loans	0.00	0.00	0.00	0.00	5,448,308.38	5,964,994.09
	<b>81,749,080.07</b>	<b>477,057.52</b>	<b>50,233,123.38</b>	<b>31,993,014.21</b>	<b>864,414,049.11</b>	<b>878,691,963.30</b>
	<b>82,051,880.25</b>	<b>564,101.76</b>	<b>50,233,123.38</b>	<b>32,382,858.63</b>	<b>864,580,979.11</b>	<b>878,931,830.30</b>



COMBINED  
MANAGEMENT REPORT 3

BALANCE SHEET 54

STATEMENT OF INCOME 56

NOTES TO THE 2020 ANNUAL  
FINANCIAL STATEMENTS 57

INDEPENDENT  
AUDITOR'S REPORT 75

STATEMENT OF FIXED ASSETS 82

SCHEDULE OF  
SHAREHOLDINGS 84

IMPRINT 89

# SCHEDULE OF SHAREHOLDINGS

Pursuant to Section 285 Nos. 11, 11A and 11B HGB

## GERMANY

COMPANY in EUR thousands	Share in capital %	Equity 31 December 2020	Net profit/loss 2020
DEMIRE Apolda Wurzen GmbH, Berlin	94.9	2,089,022.24	- 882,123.57
DEMIRE HB HZ B HST GmbH, Berlin	94.9	11,854,720.56	- 1,601,205.33
DEMIRE Leipzig Am alten Flughafen 1 GmbH, Leipzig	94.9	3,282,959.28	0.00
DEMIRE Immobilien Management GmbH i. L., Berlin <sup>3</sup>	100	- 164,835.83	- 403,518.83
Panacea Property GmbH, Berlin <sup>1</sup>	51	6,971.07	- 7,352.87
Fair Value REIT-AG, Frankfurt am Main	84.35	85,128,804.43	4,159,518.85
IC Fonds & Co. SchmidtBank-Passage KG, Munich <sup>2</sup>	45.78	6,570,099.09	- 388,183.16
IC Fonds & Co. Büropark Teltow KG i. L., Munich	65.93	0.00	- 75,884.12
BBV Immobilien-Fonds Nr. 14 GmbH & Co. KG, Munich <sup>2</sup>	43.24	12,474,916.05	1,521,190.58
BBV Immobilien-Fonds Nr. 8 GmbH & Co. KG, Munich <sup>2</sup>	50.56	6,843,143.54	1,145,595.06
GP Value Management GmbH, Munich	84.35	204,114.36	21,658.40
BBV 6 Geschäftsführungs-GmbH & Co. KG, Munich	84.35	25,000.00	0.00
BBV 10 Geschäftsführungs-GmbH & Co. KG, Munich	84.35	25,000.00	0.00
BBV 14 Geschäftsführungs-GmbH & Co. KG, Munich	84.35	25,000.00	0.00
BBV Immobilien-Fonds Nr. 10 GmbH & Co. KG, Munich <sup>2</sup>	44.76	6,884,364.87	634,226.02
IC Fonds & Co. Gewerbeobjekte Deutschland 15. KG, Munich <sup>2</sup>	40.78	13,824,665.07	1,016,621.74
FVR Beteiligungsgesellschaft Erste mbH & Co. KG, Frankfurt am Main	100	10,627,433.43	0.00
FVR Beteiligungsgesellschaft Zweite mbH & Co. KG, Frankfurt am Main	100	10,627,433.43	0.00
FVR Beteiligungsgesellschaft Dritte mbH & Co. KG, Frankfurt am Main	100	10,627,433.43	0.00
FVR Beteiligungsgesellschaft Vierte mbH & Co. KG, Frankfurt am Main	100	10,627,433.43	0.00
FVR Beteiligungsgesellschaft Fünfte mbH & Co. KG, Frankfurt am Main	100	10,627,433.43	0.00
FVR Beteiligungsgesellschaft Sechste mbH & Co. KG, Frankfurt am Main	100	10,627,433.43	0.00
FVR Beteiligungsgesellschaft Siebente mbH Co. KG, Frankfurt am Main	100	10,627,433.43	0.00
FVR Beteiligungsgesellschaft Achte mbH & Co. KG, Frankfurt am Main	100	8,750,356.15	0.00



COMBINED  
MANAGEMENT REPORT 3

BALANCE SHEET 54

STATEMENT OF INCOME 56

NOTES TO THE 2020 ANNUAL  
FINANCIAL STATEMENTS 57

INDEPENDENT  
AUDITOR'S REPORT 75

STATEMENT OF FIXED ASSETS 82

SCHEDULE OF  
SHAREHOLDINGS 84

IMPRINT 89

# SCHEDULE OF SHAREHOLDINGS

Pursuant to Section 285 Nos. 11, 11A and 11B HGB

## GERMANY

COMPANY in EUR thousands	Share in capital %	Equity 31 December 2020	Net profit/loss 2020
FVR Beteiligungsgesellschaft Neunte mbH & Co. KG, Frankfurt am Main	100	100.00	0.00
DEMIRE Holding II GmbH, Frankfurt am Main	100	42,874,212.91	11,119,284.28
DEMIRE Unterschleißheim Ohmstraße 1 GmbH, Frankfurt am Main	100	- 341,875.12	11,988,707.30
DEMIRE Meckenheim Merl GmbH, Frankfurt am Main	100	10,171,667.71	0.00
Schwerin Margaretenhof 18 GmbH, Frankfurt am Main	94.9	- 58,597.05	170,631.99
DEMIRE Holding III GmbH, Frankfurt am Main	100	25,000.00	0.00
DEMIRE Worms Liebenauer Straße GmbH, Frankfurt am Main	94	311,144.45	2,500,827.10
DEMIRE Schwerin Am Margaretenhof 22- 24, Berlin	94	332,392.18	146,825.47
DEMIRE Holding IV GmbH, Frankfurt am Main	100	- 7,974,993.70	0.00
DEMIRE Holding V GmbH, Frankfurt am Main	100	- 5,456,202.83	0.00
DEMIRE Holding VI GmbH, Frankfurt am Main	100	25,000.00	0.00
DEMIRE Holding VII GmbH, Frankfurt am Main	100	25,000.00	0.00
DEMIRE Holding VIII GmbH, Frankfurt am Main	100	25,000.00	0.00
DEMIRE Eschborn Frankfurter Straße GmbH, Frankfurt am Main	94	174,124.26	149,124.26
DEMIRE Bad Kreuznach Brückes Hochstr. GmbH, Frankfurt am Main	94	75,376.69	0.00
DEMIRE Holding IX GmbH, Frankfurt am Main	100	25,000.00	0.00
DEMIRE Düsseldorf Wiesenstraße 70 GmbH, Frankfurt am Main	94	178,616.70	160,720.70
DEMIRE Bad Oeynhausen Dr. Neuhäuser Straße 4 GmbH, Frankfurt am Main	94	37,528.89	0.00
DEMIRE Lichtenfels Bamberger Straße 20 GmbH, Frankfurt am Main	94	206,863.96	0.00
DEMIRE Holding I GmbH, Frankfurt am Main	100	179,729.60	71,187.60
DEMIRE Assekuranzmakler GmbH & Co. KG, Düsseldorf	47.5	1,050.00	0.00
G+Q Effizienz GmbH, Berlin	49	704,765.96	312,922.79
DEMIRE Kassel Kölnische Str. Mauerstr. Spohrstr. GmbH, Leipzig	94.9	829,739.13	0.00
DEMIRE Betriebsvorrichtungen Nr. 2 GmbH, Düsseldorf	100	73,640.19	148,763.89



COMBINED  
MANAGEMENT REPORT 3

BALANCE SHEET 54

STATEMENT OF INCOME 56

NOTES TO THE 2020 ANNUAL  
FINANCIAL STATEMENTS 57

INDEPENDENT  
AUDITOR'S REPORT 75

STATEMENT OF FIXED ASSETS 82

SCHEDULE OF  
SHAREHOLDINGS 84

IMPRINT 89

# SCHEDULE OF SHAREHOLDINGS

Pursuant to Section 285 Nos. 11, 11A and 11B HGB

## GERMANY

COMPANY in EUR thousands	Share in capital %	Equity 31 December 2020	Net profit/loss 2020
DEMIRE Limbach Oberfrohn Moritzstraße 13 GmbH, Frankfurt am Main	94	25,000.00	0.00
DEMIRE Betriebsvorrichtungen Nr. 1 GmbH, Frankfurt am Main	100	- 193,830.40	- 46,198.72
DEMIRE Holding XI GmbH, Frankfurt am Main	100	18,980.41	0.00
DEMIRE Holding X GmbH, Frankfurt am Main	100	25,000.00	0.00
DEMIRE Holding XII GmbH, Frankfurt am Main	100	- 6,382,107.68	- 1,077,377.27
DEMIRE Holding XIII GmbH, Frankfurt am Main	100	- 106,926.83	- 13,227.06
DEMIRE AN BN R PM FR FL GmbH, Frankfurt am Main	94.9	39,395,085.67	0.00
DEMIRE Ulm Bahnhofplatz Olgastr. Zeitblomstr. GmbH, Frankfurt am Main	94	- 18,593,744.98	- 321,434.22
DEMIRE Kempten Bahnhofstr. Hirschstr. Alpenstr. GmbH, Frankfurt am Main	94	- 3,733,460.83	101,302.20
DEMIRE Köln Max-Glomsda-Straße 4 GmbH, Frankfurt am Main	100	- 81,504.66	261,034.92
DEMIRE Bad Vilbel Konrad Adenauer Allee 1 – 11 GmbH, Frankfurt am Main	100	- 2,824,479.35	- 860,484.23
DEMIRE Essen Hatzper Str. Theodor-Althoff-Str. GmbH, Frankfurt am Main	100	- 288,924.58	603,031.34
DEMIRE Aschheim Max-Planckstraße GmbH, Frankfurt am Main	100	- 703,405.18	- 264,855.37
DEMIRE Neuss Breslauer Straße GmbH (previously DEMIRE Ankauf 5 GmbH), Frankfurt am Main	100	770,681.40	824,425.03
DEMIRE Frankfurt Gutleutstraße 85 GmbH (previously DEMIRE Ankauf 6 GmbH), Frankfurt am Main	100	- 651,673.87	- 651,165.35
DEMIRE Ankauf 7 GmbH, Frankfurt am Main	100	- 10,956.94	- 14,972.19
DEMIRE Ankauf 8 GmbH, Frankfurt am Main	100	- 10,956.94	- 14,972.19
DEMIRE Ankauf 9 GmbH, Frankfurt am Main	100	- 10,927.17	- 14,540.66
DEMIRE Ankauf 10 GmbH, Frankfurt am Main	100	- 10,926.81	- 14,982.00
DEMIRE Trier Celle GmbH, Frankfurt am Main	94.9	- 5,373,323.58	- 2,584,119.32
DEMIRE Goslar, Rosentorstraße 1 GmbH, Frankfurt am Main	94.9	- 63,363.32	142,023.07
DEMIRE Memmingen, Königsgraben 3 GmbH, Frankfurt am Main	94.9	- 401,167.55	76,554.10
DEMIRE Offenburg Lindenplatz 3 GmbH, Frankfurt am Main	94.9	- 408,194.11	161,137.36
DEMIRE BT HB DO HCLZ KS KO GmbH (previously: Reubescens S. à r. l., Luxembourg) Frankfurt am Main	94	- 3,175,703.32	1,765,788.02



COMBINED MANAGEMENT REPORT	3
BALANCE SHEET	54
STATEMENT OF INCOME	56
NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS	57
INDEPENDENT AUDITOR'S REPORT	75
STATEMENT OF FIXED ASSETS	82
SCHEDULE OF SHAREHOLDINGS	84
IMPRINT	89

# SCHEDULE OF SHAREHOLDINGS

Pursuant to Section 285 Nos. 11, 11A and 11B HGB

## GERMANY

COMPANY in EUR thousands	Share in capital %	Equity 31 December 2020	Net profit/loss 2020
DEMIRE Darmstadt Artillerie Str. 9 GmbH (previously Blue Ringed S. à r. l., Luxembourg), Frankfurt am Main	94	- 241,368.27	3,482,703.96
DEMIRE Leonberg Neue Ramtelstraße GmbH (previously GO Leonberg ApS, Copenhagen), Frankfurt am Main	94	- 1,604,050.64	38,230.47
DEMIRE Ludwigsburg Uhlandstraße 21 GmbH (previously GO Ludwigsburg ApS, Copenhagen), Frankfurt am Main	94	- 3,055,903.57	- 236,577.05

## DENMARK

COMPANY in EUR thousands	Share in capital %	Equity 31 December 2020	Net profit/loss 2020
GO Bremen ApS, Copenhagen	94	- 14,660,489.65	236,020.22

## SWITZERLAND

COMPANY in EUR thousands	Share in capital %	Equity 31 December 2020	Net profit/loss 2020
Sihlegg Investments Holding GmbH, Wollerau	94	- 2,422,133.26	- 270,138.62

## CYPRUS

COMPANY in EUR thousands	Share in capital %	Equity 31 December 2020	Net profit/loss 2020
Denston Investments Ltd., Nikosia	94	- 1,847,684.03	- 573,907.69



COMBINED MANAGEMENT REPORT	3
BALANCE SHEET	54
STATEMENT OF INCOME	56
NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS	57
INDEPENDENT AUDITOR'S REPORT	75
STATEMENT OF FIXED ASSETS	82
SCHEDULE OF SHAREHOLDINGS	84
IMPRINT	89

# SCHEDULE OF SHAREHOLDINGS

Pursuant to Section 285 Nos. 11, 11A and 11B HGB

## NETHERLANDS

COMPANY in EUR thousands	Share in capital %	Equity 31 December 2020	Net profit/loss 2020
MAGNAT Investment I B.V., Hardinxveld Giessendam <sup>1, 3</sup>	100	2,329,986.00	168,242.00

## ROMANIA

COMPANY in EUR thousands	Share in capital %	Equity 31 December 2020	Net profit/loss 2020
SC Victory International Consulting s.r.l., Bucharest <sup>1, 3</sup>	100	911,512.00	-25,891.50

- 1 Not fully consolidated due to its insignificance for the Group  
2 Fully consolidated because factual control is exercised through quorum majority at the shareholder meeting  
3 Equity and net profit / loss as at 31 December 2018



<b>COMBINED MANAGEMENT REPORT</b>	<b>3</b>
<b>BALANCE SHEET</b>	<b>54</b>
<b>STATEMENT OF INCOME</b>	<b>56</b>
<b>NOTES TO THE 2020 ANNUAL FINANCIAL STATEMENTS</b>	<b>57</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>75</b>
<b>STATEMENT OF FIXED ASSETS</b>	<b>82</b>
<b>SCHEDULE OF SHAREHOLDINGS</b>	<b>84</b>
<b>IMPRINT</b>	<b>89</b>

# IMPRINT

## COMPANY CONTACT

DEMIRE Deutsche Mittelstand Real Estate AG  
Robert-Bosch-Straße 11  
63225 Langen  
Germany  
T + 49 (0) 6103 – 372 49 – 0  
F + 49 (0) 6103 – 372 49 – 11  
ir@demire.ag  
www.demire.ag



## PUBLISHER

The Executive Board of  
DEMIRE Deutsche Mittelstand Real Estate AG

## CONCEPT AND LAYOUT

Berichtsmanufaktur, Hamburg

Publication date  
17 March 2021