

# Management Presentation

12/2021



# DEMIRE AG

DEMIRE platform offers value accretion potential across various dimensions...

---

...which we will present to you today



**Ingo Hartlief**  
CEO  
Management  
Board Member

- » CEO of DEMIRE since December 2018
- » Prior to this role, Ingo was Vice CEO & COO at Corpus Sireo Holding (2010-2017) and Managing Director at Union Investment Real Estate (2002-2010) as well as Viterro Commercial Real Estate (1999-2002)
- » Further, he has worked for Viterro AG (today known as Vonovia SE) (1996-1999) and VEBA AG (today known as E.ON. SE) (1991-1996)
- » Study of Business Administration at the University of Cologne and University of New York




**Tim Brückner**  
CFO  
Management  
Board Member

- » CFO of DEMIRE since February 2019
- » Prior to this role, Tim was Managing Director at Corpus Sireo (2012-2019) in Germany and Luxembourg as well as Vice President M&A Advisory at Rothschild (2007-2012)
- » Until 2007, he worked in the M&A team of BHF-BANK/ ING Investment Banking in Frankfurt and HSBC in London
- » Master and bachelor's degree in Banking and Finance at the Frankfurt School of Finance and Management and Simon Fraser University, Vancouver

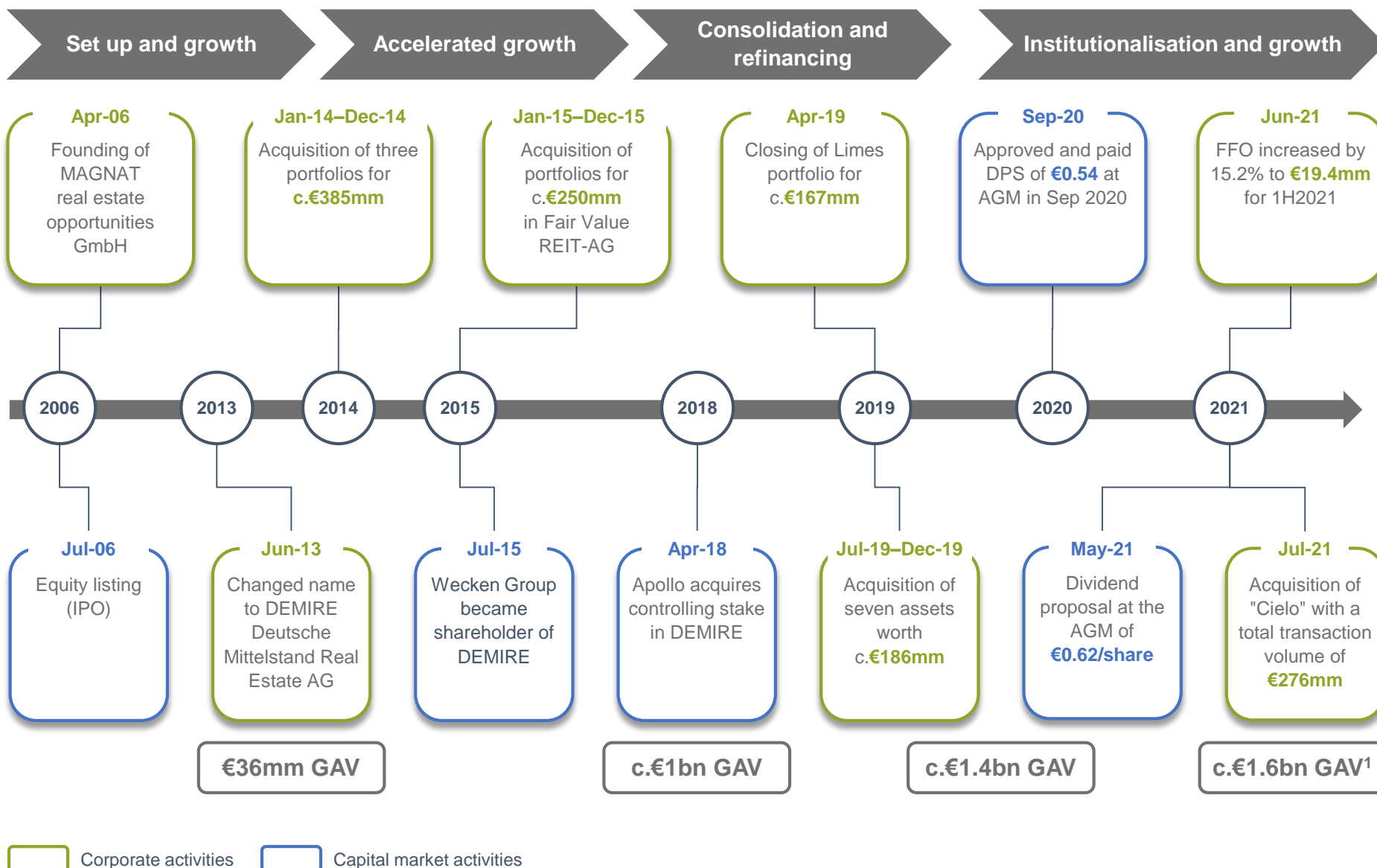
# Equity story highlights

An attractive and rare opportunity to invest into a "well-oiled" pan-German office platform

- 
- 1 A platform with strong management track record, 33 FTEs<sup>1</sup> and sourcing team with pan German reach
  - 2 €1.6bn income generating portfolio (67 assets), with capability to enable significant future growth
  - 3 High yielding assets providing stable cash flow generation, with good visibility
  - 4 Embedded NAV growth, rental growth and (re)development and extension opportunities
  - 5 Opportune timing to gain exposure to high yielding commercial assets in resilient German secondary locations
  - 6 Streamlined ownership or higher leverage financing structure, offering further upside through rating upgrade post acquisition

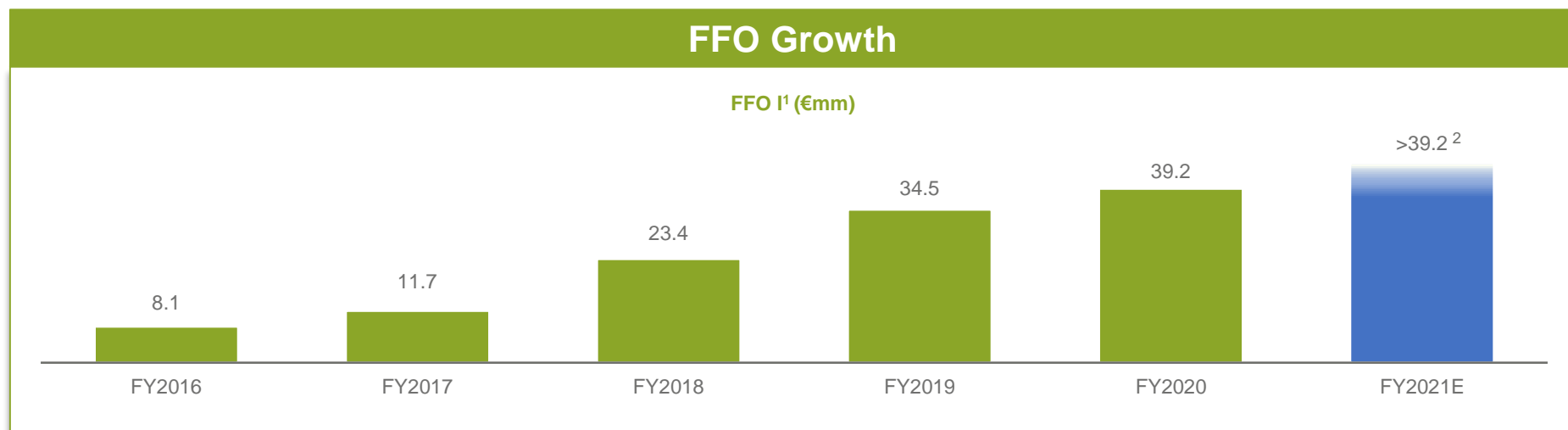
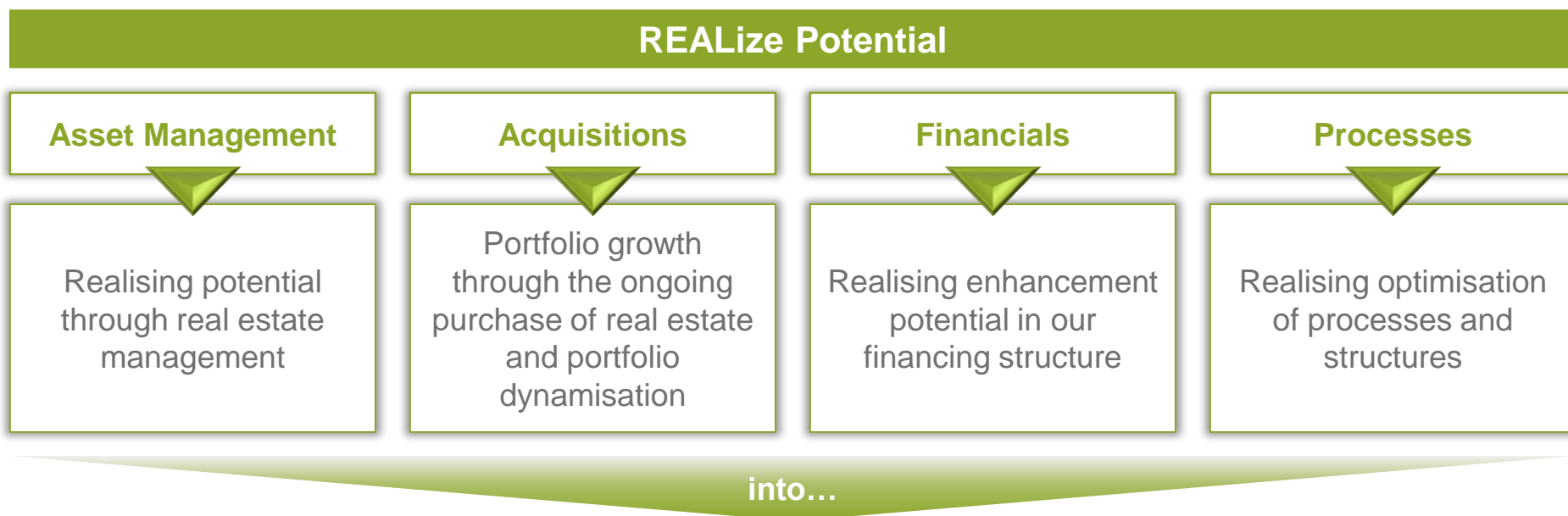
# History

## Creation of a leading commercial real estate platform in Germany



## DEMIRE's strategic approach

"REALize Potential" results: a streamlined portfolio & operational excellence



# REALize Potential

## Asset Management

### Asset management achievements

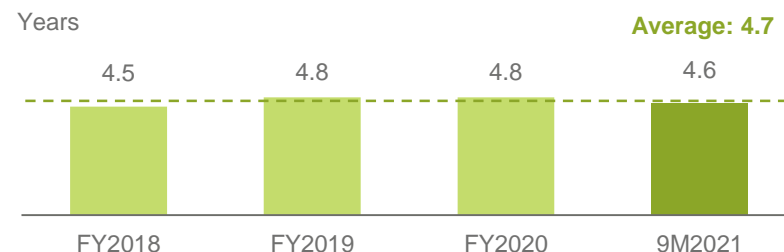
- » Externalisation of Property and Facility Management
- » Introduction of asset and portfolio controlling, hired a valuation expert
- » Implementation of a portfolio cockpit and a portfolio management system
- » Implementation of strategy-, planning-, AM-meetings including service providers
- » Review of maintenance efficiency, cost optimisation



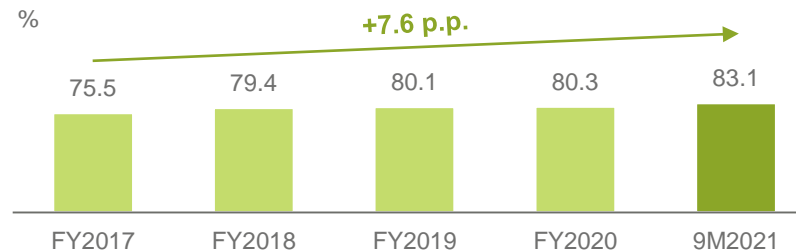
Net valuation gains of €154m since 2018

550,000 sqm rented since 2018

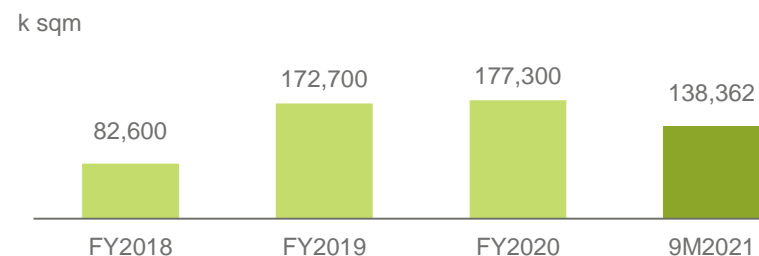
### WALT stable at around 5 years



### NOI margin



### Letting performance



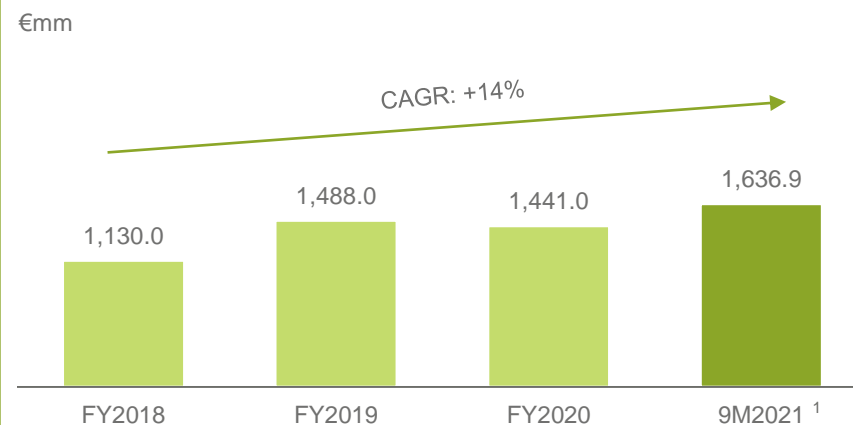
# REALize Potential

## Transactions

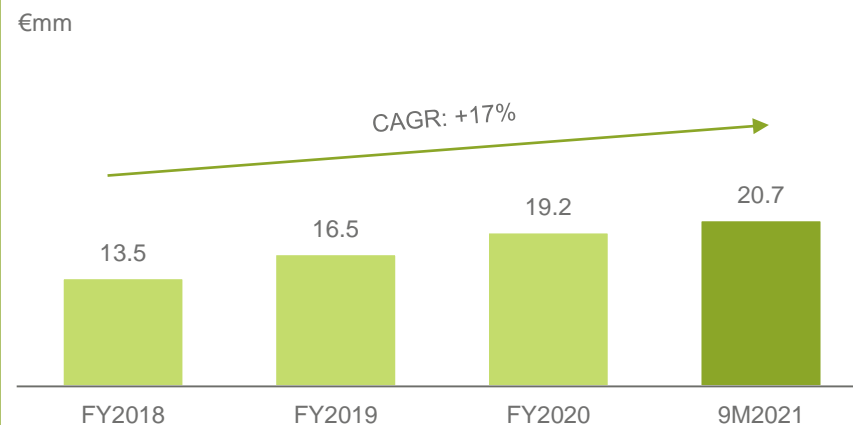
### Transaction Achievements

- » Dynamisation of the portfolio with buy and sell, overall increase of the average property size
- » Expansion of the acquisition pipeline via strategic broadening of network (owners, brokers, lawyers etc.)
  - » €16.6bn in the long list and €746mm under NDA/LOI/due diligence (12 months)
  - » Acquisition of 12 assets worth c.€ 631mm completed since 2019
- » 30 assets were sold above market value (average premium of 14.9% achieved since 2019)
- » Implementation of a clean and quick transaction process, simplified approval process for small properties
- » Introduction of standardised documents (NDA, broker contracts, KYC, purchase agreements, sales proposals for Board members / Supervisory Board)
- » Setting-up of full DCF Model which can operate on asset, company and corporate level including financing
- » Preparation of up-to-date and comprehensive property VDRs

### Market value of real estate portfolio



### Average GAV per property



# REALize Potential

## Processes

### Key Achievements

- » ICG certification (Institut für Corporate Governance der Immobilienwirtschaft)
- » Up-to-date IT landscape, focus on process automation and digitalisation
- » Best practice asset & portfolio management software bison.box enabling bottom-up planning and “live” budget reviews
- » EPRA BPR (Best Practices Recommendations) Gold & Most Improved Award
- » Up-to-date Risk Management – continuously improved and adjusted to latest IDW PS 340 requirements
- » Internal Audit with external service provider – started in 2020 with no critical findings
- » People focused HR management, sponsor of EBS business school





# REALize Potential

## Financials

### Key Achievements

- » Comprehensive restructuring of the financing structure drive down financial expenses at Fund, FVR and DEMIRE group level

Higher debt volume, significantly lower interest expenses, longer duration and improved unencumbered asset ratio

- » Improved transparency due to monthly IFRS reporting and budget reviews for DEMIRE and FVR – enabled by scalable, cost efficient IT systems
- » Simplification of corporate structure and insourcing reduce complexity and costs
- » Bottom-up Zero-Base-Budgeting improves G&A

### Debt Book before Bond-Refinancing (30 Sep 2019)

	Notional amount <sup>2</sup>	Interest rate p.a.	Remaining term
Bond 17/22	€367mm	2.875%	2.8 years
Promissory Notes	€142mm	4.000%	2.5 years
4 loans on DEMIRE-Level	€119mm	1.480% <sup>3</sup>	4.7 years <sup>3</sup>
12 loans on FVR-Level	€100mm	2.211% <sup>4</sup>	1.6 years <sup>4</sup>
<b>Overall/average</b>	<b>€728mm</b>	<b>2.775%</b>	<b>2.9 years</b>

**Bond-Refinancing**  
**New secured loans**  
**Refinancings on FVR-level**  
**Redemption of high-yielding loans**

### Debt Book as of today (30 Sep 2021)

	Notional amount <sup>2</sup>	Interest rate p.a.	Remaining term
Bond 19/24	€600mm	1.875%	3.0 years
6 loans on DEMIRE-Level	€219mm	1.181% <sup>3</sup>	3.2 years <sup>3</sup>
10 loans on FVR-Level	€79mm	1.377% <sup>4</sup>	4.6 years <sup>4</sup>
<b>Overall/average</b>	<b>€898mm</b>	<b>1.662%</b>	<b>3.2 years</b>

G&A Exp.  
(€mm)

20.6

13.0

13.4

11.1<sup>1</sup>

G&A / NOI (%)

35%

20%

19%

16%

FY2018

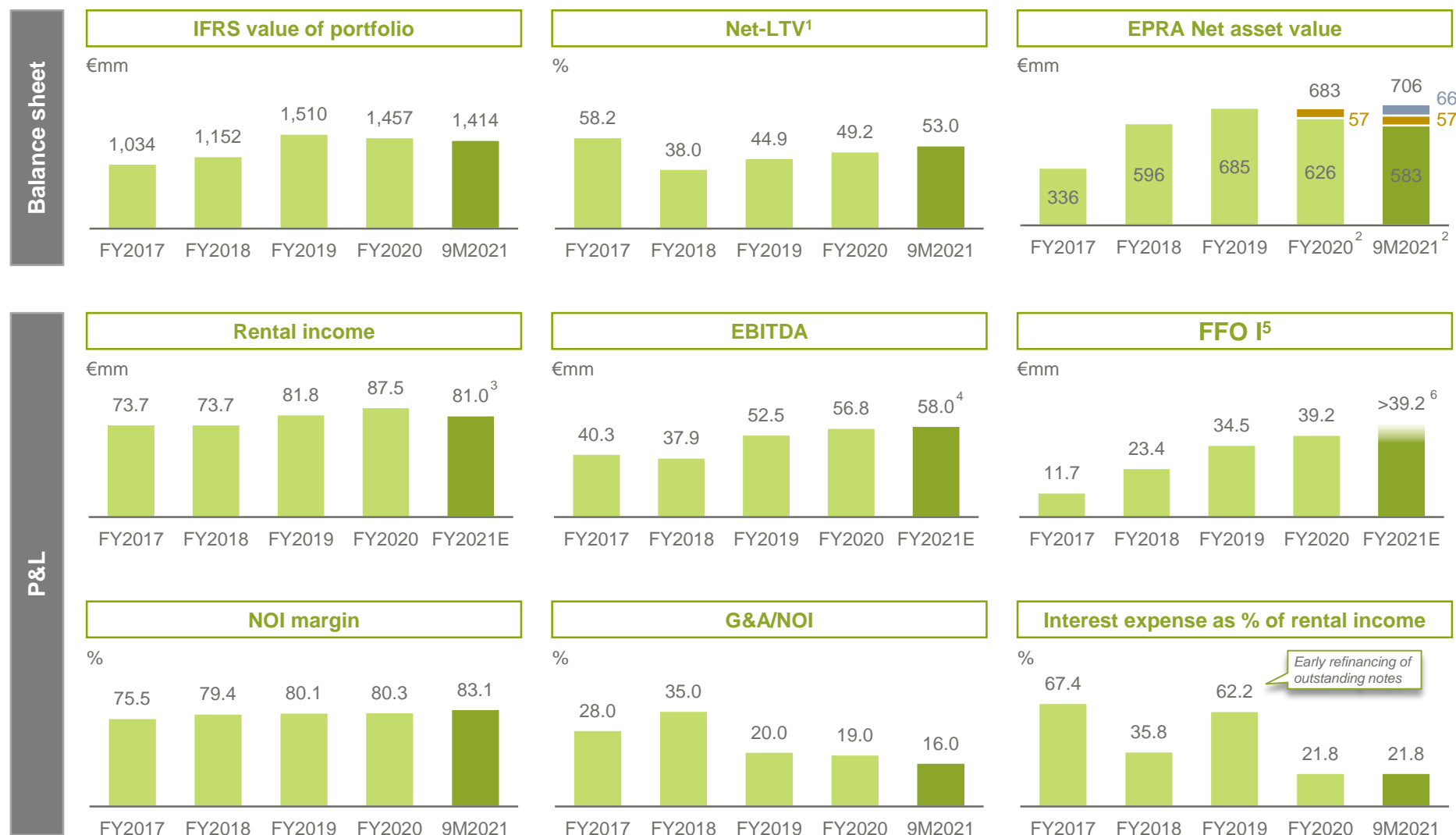
FY2019

FY2020

9M2021

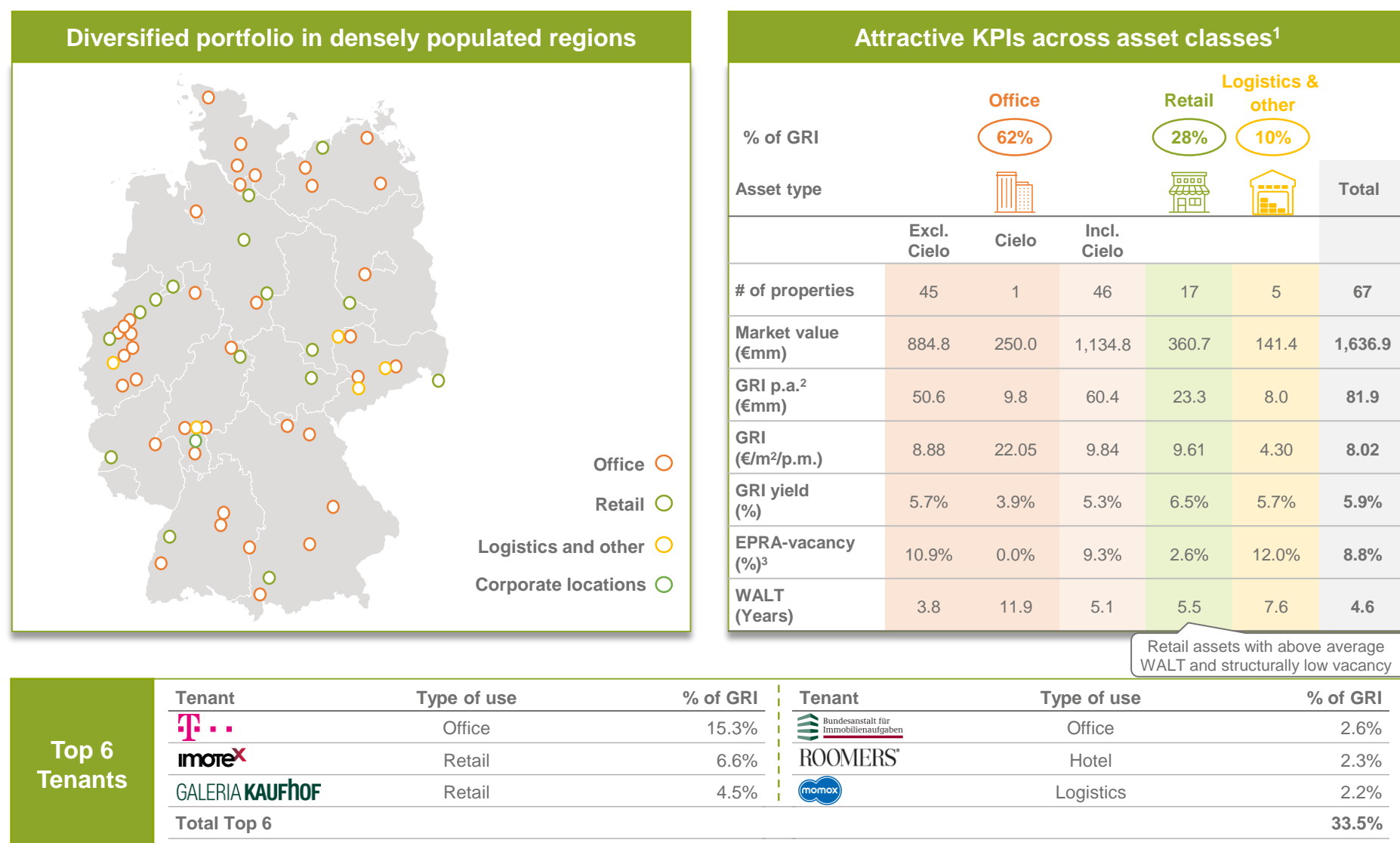
# Key metrics' historical evolution

Significant increase in portfolio value and profitability since 2018



# €1.6bn yielding portfolio of 67 strategically located assets

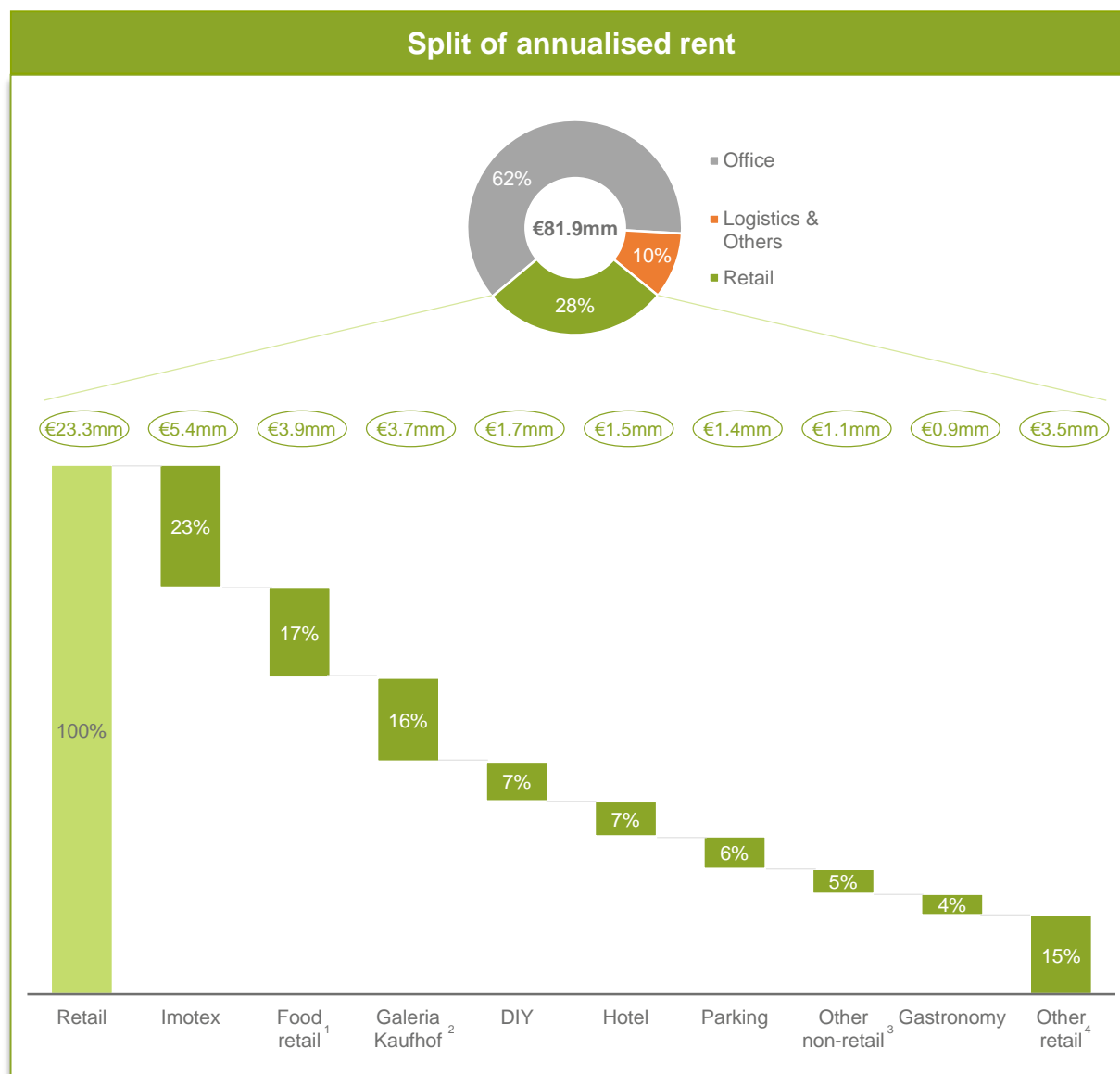
High yielding assets strategically located across strong German secondary locations



**Sizeable €1.6bn portfolio of quality assets in strategic, high growth secondary locations, offering superior yield spread as well as yield compression potential**

# Overview of retail exposure

Retail exposure is widely spread over solid sub-asset classes



Commentary
<ul style="list-style-type: none"> <li>» 28% of annualised rent of DEMIREs portfolio from assets classified as “Retail”</li> <li>» C.23% of retail exposure related to the fashion distribution centre in Neuss (Imotex)</li> <li>» About 17% of rent is generated by food retailers (largest part from four assets with 50-100% of food retail share with WALT of 4.5 years)</li> <li>» Almost 16% of rent from the four assets which are let to Galeria Kaufhof</li> <li>» DIY stores generate c.7% of rent, mainly driven by four assets with a WALT of 6.3 years</li> <li>» Hotel operators and operators of car parks each contribute further 6-7%</li> <li>» Share of other retail around 15% of retail rent or c.4% of portfolio rent</li> <li>» High collection rates of target rent during the pandemic</li> </ul>

# „Cielo“ Frankfurt | Theodor-Heuss-Allee 100

## Asset Overview

### Fact Sheet

» Year of constr.:	2003 / 2018-20
» Use type:	Office
» Lettable area:	37,030 sqm
» Current rent:	€9.8mm
» Vacancy:	0.0%
» WALT:	11.8 years
» Market value:	€276.0mm

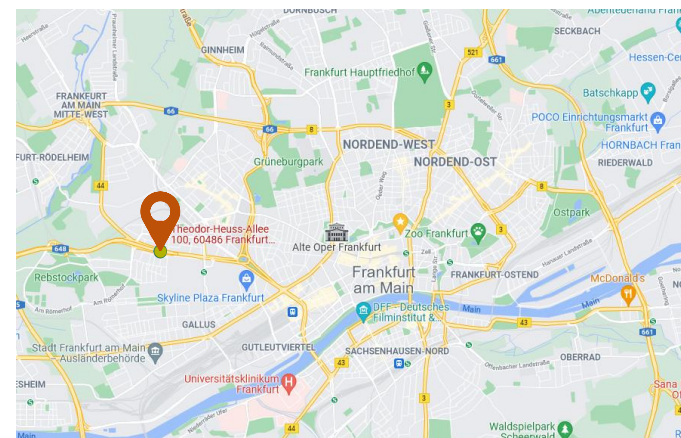
### Pictures



### Highlights

- » Renovated office building suitable for third party use in an attractive office location in Frankfurt-City-West
- » Fully let with a long-term double-net lease agreement

### Map





# Essen | Theodor-Althoff-Str. 39-47, Hatzper Str. 30-36

## Asset Overview

### Fact Sheet

» Year of constr.:	1996
» Use type:	Office
» Lettable area:	45,561 sqm
» Current rent:	€5.8mm
» Vacancy:	11.0%
» WALT:	3.8 years
» Market value:	€98.0mm

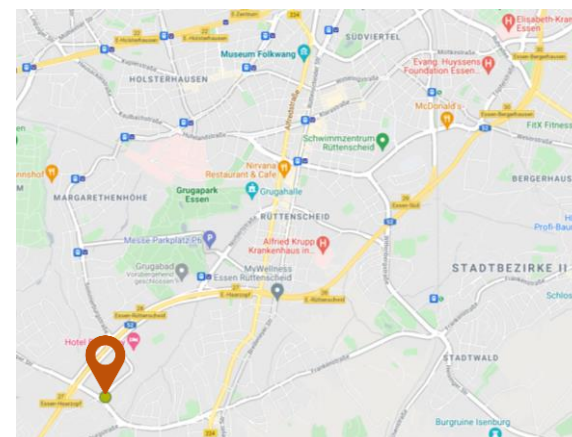
### Pictures



### Highlights

- » Modern office building in the southern part of Essen
- » Quick access to motorways and well accessible by public transport
- » Flexible office spaces combined with a public restaurant and nursery school

### Map



# Bonn | Bonner Talweg 100

## Asset Overview

### Fact Sheet

- » Year of constr.: 1950-1993 (continuous expansion of property at site)
- » Use type: Office
- » Lettable area: 38,353 sqm
- » Current rent: €4.6mm
- » Vacancy: 0.0%
- » WALT: 3.4 years
- » Market value: €89.0mm

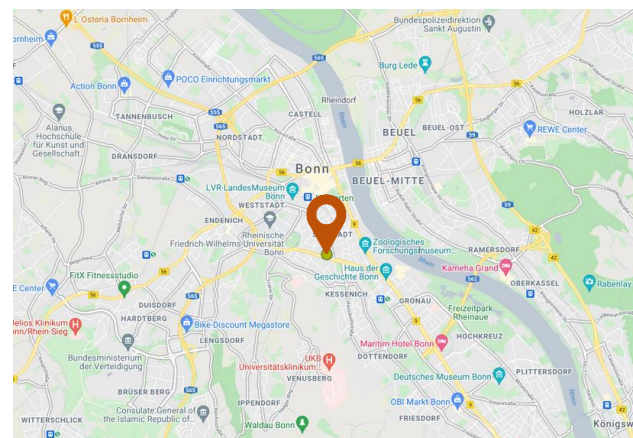
### Pictures



### Highlights

- » Very attractive micro location
- » Fully let to Deutsche Telekom with annual rent indexation
- » Flexible spaces offer different uses for tenants
- » Solid building quality

### Map





# Ulm | Zeitblomstr. 8, 8/1, Olgastr. 63, 67, Bahnhofplatz 2

## Asset Overview

### Fact Sheet

- » Year of constr.: 1922, 1955, 1957, 1976, 1988
- » Use type: Office
- » Lettable area: 47,581 sqm
- » Current rent: €4.7mm
- » Vacancy: 2.6%
- » WALT: 3.2 years
- » Market value: €85.1mm

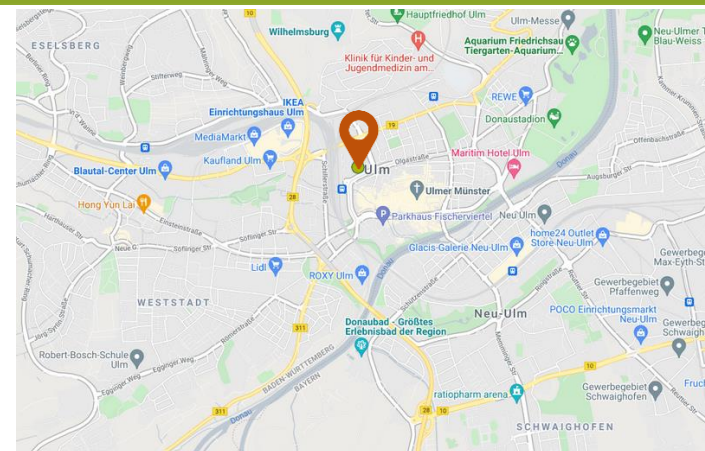
### Pictures



### Highlights

- » Macro location with stable population and high purchasing power
- » A-rated anchor tenants (Telekom and Postbank)
- » Real estate developments in the neighborhood (Masterplan Citybahnhof Ulm)
- » Project development potential from building and land plot

### Map





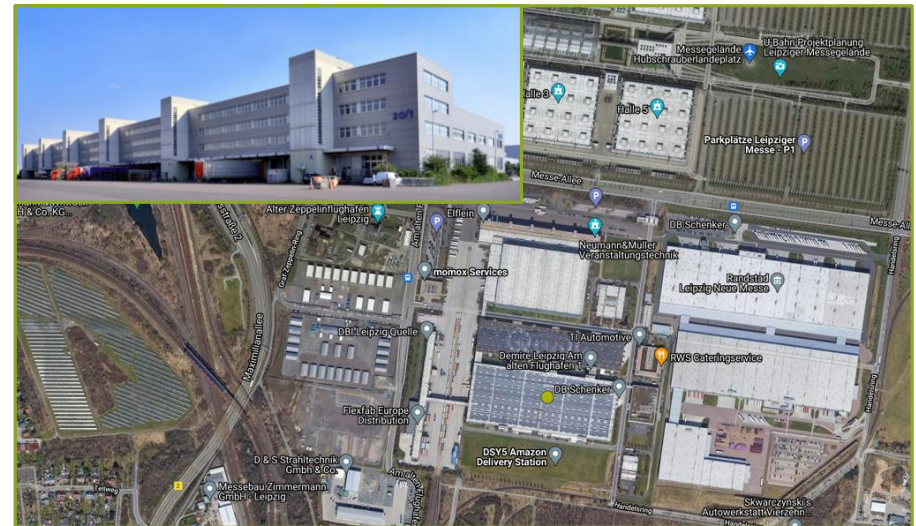
# „LogPark“ Leipzig | Am alten Flughafen 1

## Asset Overview

### Fact Sheet

» Year of constr.:	1994
» Use type:	Logistics/Light Ind.
» Lettable area:	147,124 sqm
» Current rent:	€5.2mm
» Vacancy:	11.4%
» WALT:	2.2 years
» Market value:	€76.0mm

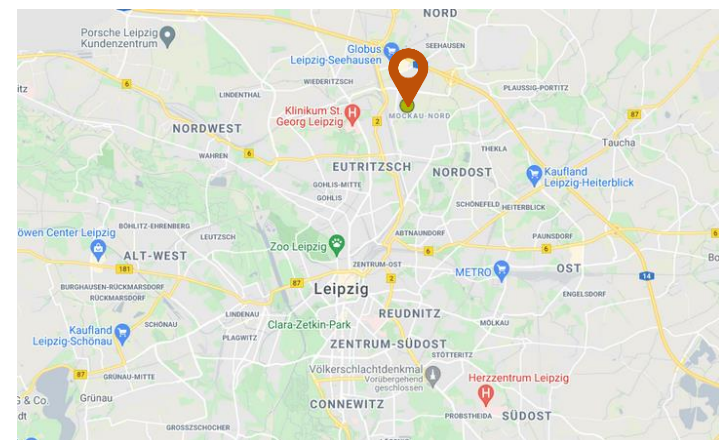
### Pictures



### Highlights

- » Light industrial/logistics property in a strategic location
- » Repositioned and repurposed from single-tenant to multi-tenant
- » Technical property management on site
- » Strong and diversified tenant mix
- » Development with Amazon on site

### Map



# Neuss | Breslauer Str. 8

## Asset Overview

### Fact Sheet

» Year of constr.:	1977
» Use type:	Retail
» Lettable area:	56,094 sqm
» Current rent:	€5.4mm
» Vacancy:	0.0%
» WALT:	1.3 years
» Market value:	€72.1mm

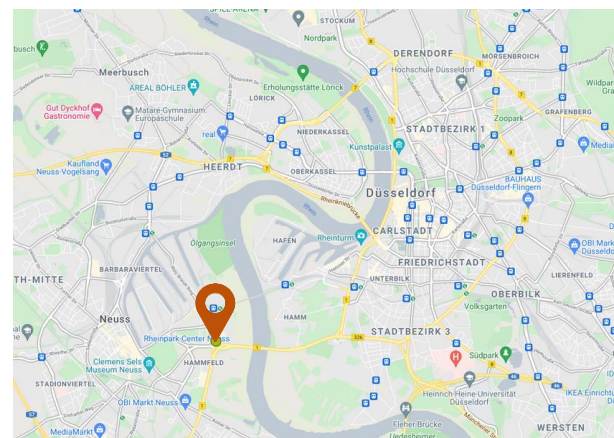
### Pictures



### Highlights

- » Location with increasing population, high purchasing power and high centrality index
- » „Imotex“ is well-known fashion brand in Europe
- » Single tenant, experienced on-site management with 150 diversified sub-lettings
- » Refurbishment of the center will be completed in the next month

### Map





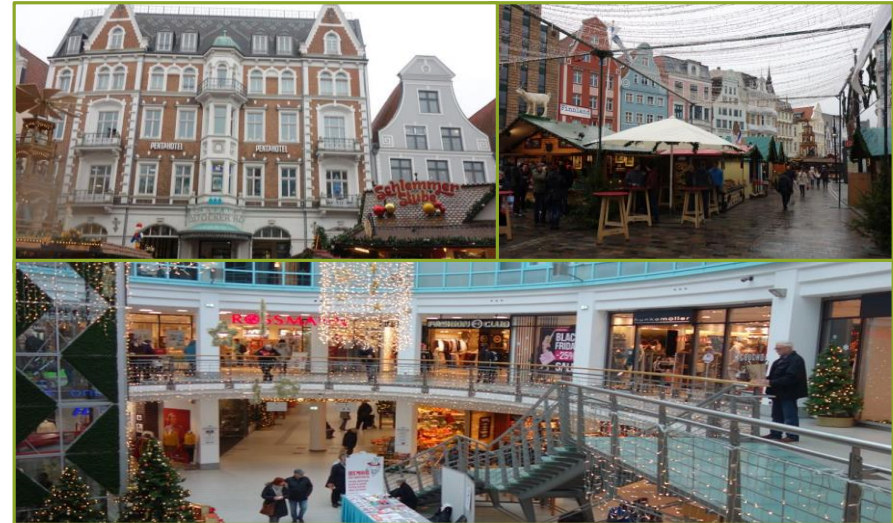
# Rostock | Kröpeliner Straße 26-28

## Asset Overview

### Fact Sheet

» Year of constr.:	1880/1996
» Use type:	Mixed-use property (Retail/Hotel)
» Lettable area:	19,307 sqm
» Current rent:	€4.0mm
» Vacancy:	0.0%
» WALT:	7.8 years
» Market value:	€71.6mm

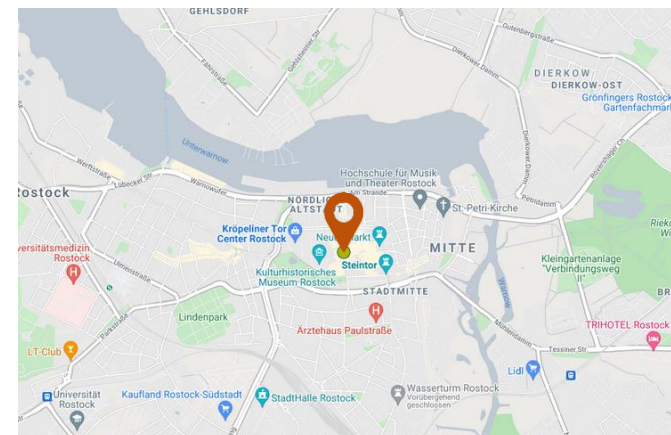
### Pictures



### Highlights

- » USP Mix of retailer and regional smaller retail and gastronomy tenants
- » Well known and occupied Hotel (Penta hotels)
- » Strong letting situation, with upside potential after Covid-19 (Retail, Parking)
- » Stabile cash flow, especially during Covid-19 pandemic

### Map



# Kassel | Kölnische Str. 6, Mauerstr. 11, Spohrstr. 2,4

## Asset Overview

### Fact Sheet

» Year of constr.:	1991
» Use type:	Retail (mix-use)
» Lettable area:	21,502 sqm
» Current rent:	€3.6mm
» Vacancy:	6.6%
» WALT:	2.4 years
» Market value:	€60.5mm

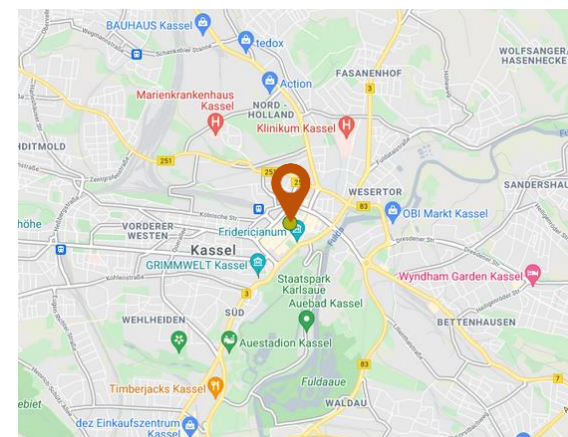
### Pictures



### Highlights

- » Hybrid City Center (shopping, parking, hotel, offices and apartments) in the pedestrian zone
- » Building offers largest underground parking in the City
- » Sparkasse Kassel is building its new head office in the immediate vicinity of our property which upgrades the micro location
- » Negotiating of re-letting the hotel

### Map



# Bad Vilbel | Konrad-Adenauer-Allee 1-11

## Asset Overview

### Fact Sheet

» Year of constr.:	1999/2000
» Use type:	Office
» Lettable area:	26,484 sqm
» Current rent:	€3.0mm
» Vacancy:	15.4%
» WALT:	5.9 years
» Market value:	€47.3mm

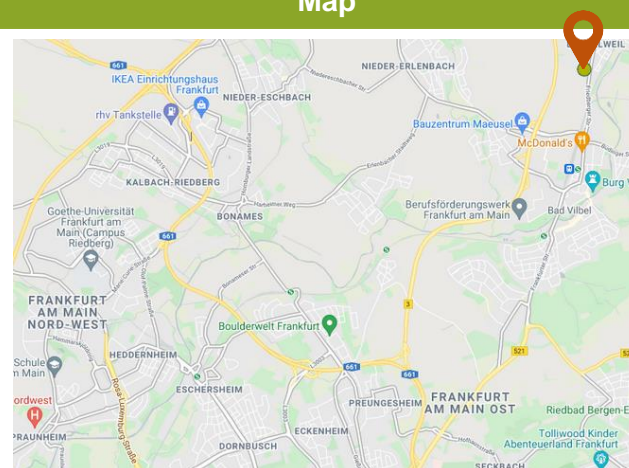
### Pictures



### Highlights

- » Strong tenant structure with top ratings
- » Representative building
- » Newest fire protection technology
- » High satisfaction of the tenants

### Map





# Frankfurt am Main | Gutleutstraße 85

## Asset Overview

### Fact Sheet

» Year of constr.:	1985/2013
» Use type:	Hotel
» Lettable area:	6,050 sqm
» Current rent:	€1.9mm
» Vacancy:	0.0%
» WALT:	18.3 years
» Market value:	€43.7mm

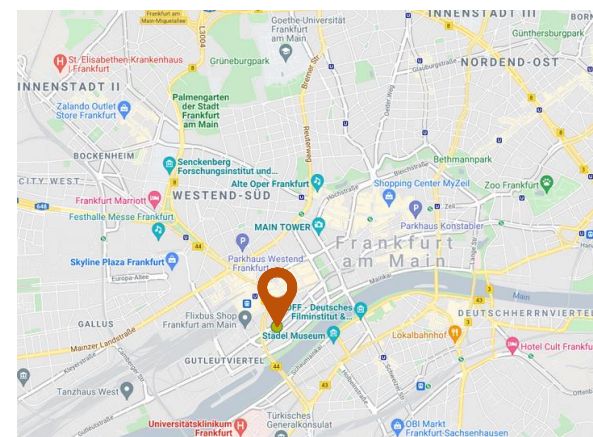
### Pictures



### Highlights

- » Leading design hotel in Frankfurt
- » High occupancy rates
- » Long lease term
- » Creditworthy tenant
- » Award winning bar

### Map



# Köln | Colonia-Allee 11

## Asset Overview

### Fact Sheet

» Year of constr.:	1993
» Use type:	Office
» Lettable area:	9,108 sqm
» Current rent:	€0.0mm
» Vacancy:	0.0%
» WALT:	0.0 years
» Market value:	€17.8mm

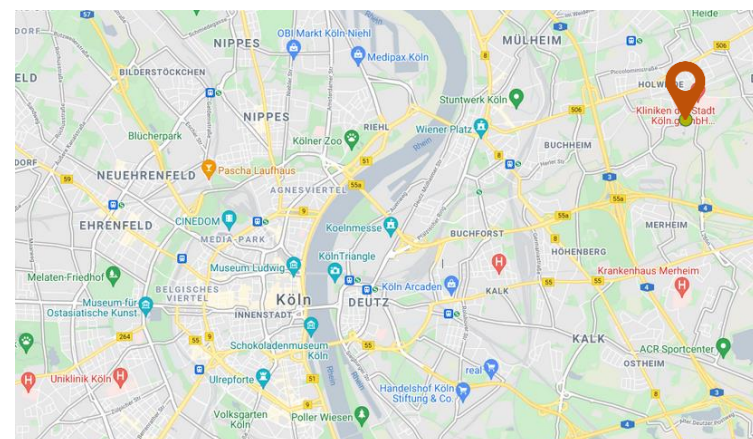
### Pictures



### Highlights

- » Currently office building with a good building quality
- » Development and refurbishment potential
- » Interesting for different types of use
- » Pipeline of possible tenants
- » Discussions with the city of Cologne

### Map

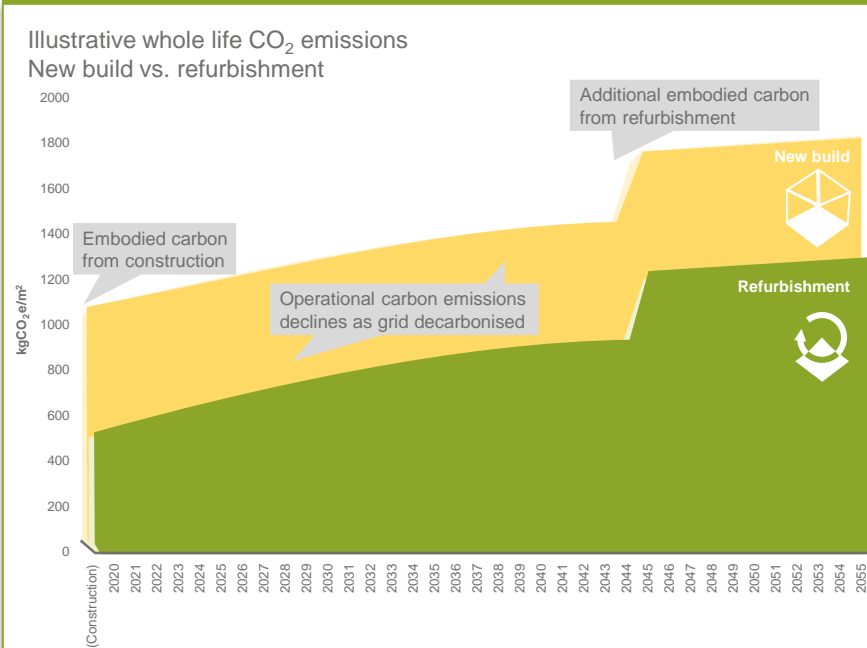


# Sustainability - ESG

## DEMIRE portfolio with significant CO<sub>2</sub> improvement potential

2022/23

### Emission breakdown of a building's life cycle<sup>1</sup>



**Sustainability is an opportunity  
for DEMIRE AG.**  
**Refurbishment of existing  
building with significant less  
emissions than new building**

### DEMIRE ESG efforts until 2022/23

ESG offers  
additional  
potential for  
positioning  
DEMIRE AG

REALize  
ESG  
Potential

Digitalisation

#### We contribute to mitigating climate change

- » Lower CO<sub>2</sub> emissions by working on existing assets instead of building new premises
- » No extremely large capex measures to be undertaken to make portfolio CO<sub>2</sub> ready
- » Hired dedicated head of sustainability and ESG
- » Smart metering

E

#### Business from and for people

- » Actively welcoming tenants of social sectors like nursing services, kindergartens or schools
- » Equal opportunity employer
- » Lifelong learning of the employees
- » 360° Feedback culture introduced
- » Pro-bono initiative selected by staff executed

S

#### Reliable and transparent business activities

- » Certification of the Institute for Corporate Governance in the German real estate industry
- » EPRA Gold rating
- » Up-to-date risk management system

G



# Further Potential to REALize

## Portfolio Level

### Further portfolio/property optimisation



- » Realisation of refurbishment and underrent potential
- » Realisation of reletting potential
- » Realisation of prolongation potential

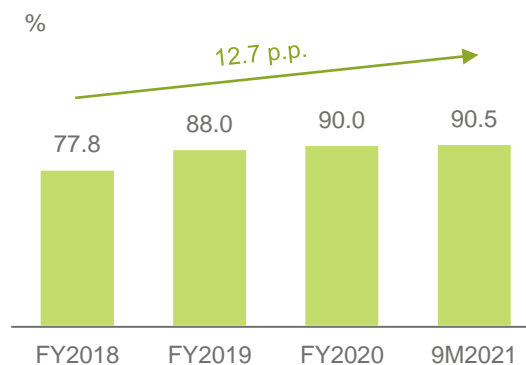
### Valuation gains



- » Disposals of various assets out of the DEMIRE portfolio were completed with significant premium to market values
- » With a GRI yield of almost 6%, DEMIRE ranks above its peers
- » Both facts indicate that DEMIRE's portfolio could be undervalued and that there is room for value enhancement

### Ancillary cost optimisation

#### Ancillary costs ratio allocated to tenants



- » Improvement of ancillary cost ratio allocated to tenants already in recent years, but further optimisation potential available
- » Further work could lead to increase of the NOI-Margin
- » Examples: LogPark Leipzig, Gutenbergalerie Leipzig

# Further Potential to REALize

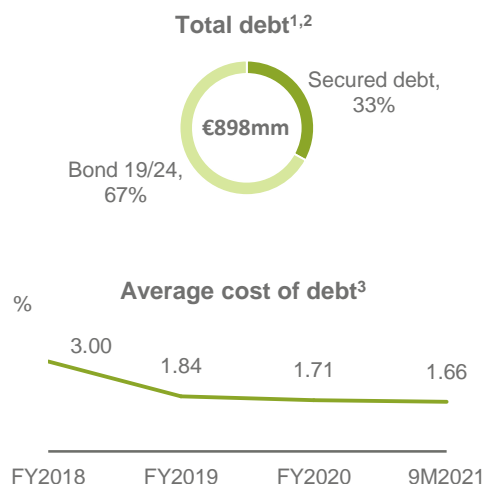
## Company Level

### SG&A saving measures



- » Various measures could potentially be implemented to further reduce corporate overhead costs:
  - » Further integration of FVR-AG
  - » Reduction and re-domiciliation of remaining international SPVs
  - » Cost reduction by digitalisation of processes

### Higher share of mortgage debt



- » Current debt book of DEMIRE composed of only 1/3 of mortgage funding
- » A shift of the financing strategy more towards mortgage loans with cheap German lending terms would lower DEMIRE's average cost of debt and finance expenses

### Gain investment grade rating

AAA	Highest Credit Quality
AA	Very High Credit Quality
A	High Credit Quality
BBB	Good Credit Quality
BB	Speculative

- » Rating of DEMIRE currently in non-investment grade territory
- » Potential to gain an investment grade rating driven by a fresh equity injection combined with portfolio upscaling towards €2bn
- » An investment grade rating would enable cheaper financing

# Potential REALized & more to go

DEMIRE is on track for further profitable growth

*Consolidation  
and refinancing*

*Institutionalisation and growth*

*History to be written...*

2022

Potential REALized



Value accretion potential across  
various dimensions

