

# 19

Half-Year Financial Report

1 January – 30 June 2019

  
DEMIRE | DEUTSCHE MITTELSTAND  
REAL ESTATE

# Highlights 1H 2019



## KEY EARNINGS FIGURES

# 15.9

in EUR millions

**FFO I (after taxes, before minorities)**  
in 1H 2019 +40.0 % compared to 1H 2018  
Forecast for FFO I for full-year 2019  
increases to EUR 30 – 32 million

# 40.9

in EUR millions

**EBT** in 1H 2019 including valuation  
effect of EUR 29.1 million; 1H 2018:  
EBT of EUR 62.4 million including  
valuation effect of EUR 70.1 million



## KEY FINANCIAL RATIOS

# 44.3

in percent

**Net loan-to-value ratio** (net LTV),  
higher than level of 38.7 % at year-end  
2018, remaining below the target level  
of 50 %

# 2.78

in percent p.a.

**Average nominal interest costs**  
as at 30 June 2019 –22 basis points  
compared to level at year-end 2018

# 5.85

in EUR

**Net asset value (EPRA NAV diluted)**  
increases by 6.3 %, or EUR 0.35  
per share, compared to end of 2018



## PORTFOLIO DEVELOPMENT

# 1.4

in EUR billions, including department store portfolio

**Portfolio value**, increases as a result  
of EUR 245 million in acquisitions and  
value appreciation

# 38.2

in EUR millions

**Rental income**, increases +4.6 %  
from EUR 36.6 million in the same prior-  
year period

# 11.1

in percent

**EPRA vacancy rate**, increases com-  
pared to 7.5 % at the end of 2018 as a  
result of portfolio purchase featuring  
potential for vacancy reduction

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## Foreword from the Executive Board

*Dear Shareholders,  
Ladies and Gentlemen,*

We have successfully completed the first half of the 2019 financial year. The pleasing development in the first half of 2019 can be attributed to the consistent implementation of our “REALize Potential” strategy, which is presented in more detail on pages 05 – 07.

The effects are reflected in the key ratios for the first half-year:

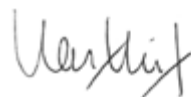
- The portfolio was expanded to EUR 1.4 billion.
- Funds from operations (FFO I, after taxes and before minority interests) increased by 40.0 % compared to the first half of 2018 to a total of EUR 15.9 million.
- Rental income increased by 4.6 % to EUR 38.2 million.
- Letting performance, at 126,935 m<sup>2</sup> in the first half-year, was already higher than the value for full-year 2018 (82,559 m<sup>2</sup>).
- Profit/loss before taxes amounted to EUR 40.9 million (excluding valuation effects: EUR 11.7 million).
- The value of the existing portfolio appreciates by EUR 29.1 million.
- Financing costs decreased by 22 basis points to an average of 2.78 % as at 30 June 2019.

As a result, we are more optimistic about the development of the key ratios and are thus raising our guidance for rental income from around EUR 77 to 79 million to EUR 80.5 to 82.5 million and our forecast for FFO I (after taxes and before minority interests) from EUR 27 to 29 million to EUR 30 to 32 million for the current financial year.

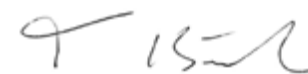
In concrete terms, we have returned to our growth path through portfolio purchases. Four office properties have been added to our real estate portfolio at the beginning of May. We also completed the purchase of five department stores in early July 2019, bringing the portfolio's value from EUR 1.1 billion at the end of 2018 to EUR 1.4 billion. We continue to explore the market for value-adding portfolio additions with the clear aim of making DEMIRE a leading listed commercial real estate platform in Germany, possessing a portfolio of more than EUR 2 billion.

Based on these positive developments, we continue to move forward with the implementation of our “REALize Potential” measures. This programme also includes organisational and procedural improvements to become more effective and more efficient and increase our operating performance through cost discipline, property management outsourcing and the expansion of our asset and portfolio management structures. When expanding our portfolio, we concentrate on FFO-strong assets and divest ourselves of properties that no longer conform to our strategy. We continue to improve our financing structure targeting an LTV of 50 % and the achievement of an investment grade rating in the medium term.

Frankfurt am Main, 14 August 2019



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



**Tim Brückner**  
Chief Financial Officer (CFO)



*The Executive Board of DEMIRE  
Deutsche Mittelstand Real Estate AG:  
Ingo Hartlief FRICS, CEO (right), and  
Tim Brückner, CFO (left)*

# DEMIRE at a Glance

## KEY GROUP FIGURES

<b>KEY EARNINGS FIGURES</b> in EUR thousands	<b>01/01/2019</b> <b>-30/06/2019</b>	<b>01/01/2018</b> <b>-30/06/2018</b>
Rental income	38,226	36,557
Profit/loss from the rental of real estate	31,985	28,071
<b>EBIT*</b>	<b>54,908</b>	<b>84,290</b>
Financial result*	-14,033	-21,931
<b>EBT</b>	<b>40,874</b>	<b>62,359</b>
<b>Net profit/loss for the period</b>	<b>34,156</b>	<b>44,673</b>
<b>Net profit/loss for the period attributable to parent company shareholders</b>	<b>31,775</b>	<b>39,507</b>
<b>Net profit/loss for the period per share (basic/diluted) in EUR</b>	<b>0.29 / 0.29</b>	<b>0.66 / 0.65</b>
<b>FFO I (after taxes, before minorities)</b>	<b>15,908</b>	<b>11,361</b>
<b>FFO I per share (basic/diluted) in EUR</b>	<b>0.15 / 0.15</b>	<b>0.19 / 0.19</b>

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

<b>KEY PORTFOLIO INDICATORS</b>	<b>30/06/2019</b>	<b>31/12/2018</b>
Properties (number of)	87	84
Gross asset value (in EUR millions)	1,326.5	1,152.1
Contractual rents (in EUR millions)	82.1	73.2
Rental yield (in %)	6.2	6.5
EPRA - vacancy rate (in %)*	11.1	7.5
WALT (in years)	4.2	4.5

\*Excluding properties held for sale

<b>KEY BALANCE SHEET RATIOS</b> in EUR thousands	<b>01/01/2019</b> <b>-30/06/2019</b>	<b>01/01/2018</b> <b>-30/06/2018</b>
<b>Total assets</b>	<b>1,501,320</b>	<b>1,378,692</b>
Investment properties	1,314,270	1,139,869
Non-current assets held for sale	12,262	12,262
<b>Total real estate portfolio</b>	<b>1,326,532</b>	<b>1,152,131</b>
Financial liabilities	719,060	636,572
Cash and cash equivalents	130,791	190,442
<b>Net financial liabilities</b>	<b>588,269</b>	<b>446,130</b>
<b>Net loan-to-value in % (net LTV)</b>	<b>44.3</b>	<b>38.7</b>
Equity according to Group balance sheet*	616,081	582,338
Equity ratio in %*	41.0	42.2
Net asset value (NAV) in the reporting period	569,692	537,913
EPRA NAV (basic/diluted)	632,695/ 633,205	595,225/ 595,745
EPRA NNAV (diluted)	555,645	535,869
Number of shares in thousands (basic/diluted)	107,777/ 108,287	107,777/ 108,297
<b>EPRA NAV per share (basic/diluted) in EUR</b>	<b>5.87 / 5.85</b>	<b>5.52 / 5.50</b>
<b>EPRA NNAV per share (diluted) in EUR</b>	<b>5.13</b>	<b>4.95</b>

## REALize POTENTIAL

DEMIRE Deutsche Mittelstand Real Estate AG has commercial real estate holdings in mid-sized cities and up-and-coming regions bordering metropolitan areas across Germany. The Company's special strength lies in realising the potential of these locations and focusing on offering properties that are appealing to both internationally operating and local tenants. After the purchase of an office portfolio and department store portfolio in the first half-year, DEMIRE now holds 92 properties with lettable space of more than 1 million square metres, comprising a market value of around EUR 1.4 billion.

The portfolio's focus on office properties with a blend of retail, hotel and logistics properties results in a return/risk structure that is appropriate for the commercial real estate segment. The Company places importance on contracts with solvent tenants and the realisation of the properties' potential and anticipates continued stable and sustainable rental income and solid results.

DEMIRE's portfolio is expected to grow to more than EUR 2 billion in the medium term. In achieving this, the Company intends to make use of favourable financing conditions and maintain an LTV of roughly 50%. Achieving an investment grade rating is also a medium-term target.

DEMIRE's operational and procedural development is being enhanced by a number of measures. Operating performance is being increased through cost control, outsourcing property management and expanding the internal asset and portfolio management structures. In expanding the portfolio, DEMIRE focuses on assets with strong FFO and potential, and intends to divest from properties that no longer conform to its strategy.

DEMIRE Deutsche Mittelstand Real Estate AG shares are listed on the regulated market (Prime Standard segment) of the Frankfurt Stock Exchange.

## REALize POTENTIAL

DEMIRE pursues a strategy based on four central pillars that are summarised under the phrase “*REALize potential*”:

1. *Acquisitions* – realising economies of scale through the ongoing purchase of real estate in ABBA locations
2. *Management* – realising real estate potential through active and value-oriented real estate management
3. *Financing* – realising enhancement potential in our financing structure
4. *Processes* – realising optimisation of processes and structures

## ACQUISITIONS

DEMIRE is aiming to grow its portfolio to exceeding EUR 2 billion within the next few years. The Company pursues an “ABBA strategy”, which includes the purchase of real estate in A cities & B locations and B cities & A locations.

With the persistently high level of real estate demand, returns can be achieved in these locations when they have an appropriate risk ratio and, at the same time, offer the potential for optimisation. To further enhance the risk-return ratio, DEMIRE diversifies the portfolio based on a ratio that is appropriate for the German commercial real estate market for office, logistics, retail and hotel use with a focus on office properties. The portfolio’s expansion also results in economies of scale, which have a positive impact on the cost structure, reducing administrative, financing and service costs.

In the first half of 2019, a retail portfolio with five properties and an office portfolio with four properties were acquired in the pursuit of this goal.



## MANAGEMENT

DEMIRE has expanded, optimised and focused its real estate management in recent months based on the existing real estate portfolio. Among others, this included the expansion of internal portfolio and asset management capacities and the outsourcing of property management.

This enables the portfolio and asset management to develop dedicated strategies for individual properties, give increased attention to existing tenants and new lettings and optimise the cost structures of individual properties by closely controlling property and facility management.

Profit/loss from the rental of real estate increased to EUR 32.0 million (1H 2018: EUR 28.1 million) for a year-on-year increase of 13.9%. Next to the purchase of real estate, this increase resulted from rent increases as well as a better net balance of utility and service charges compared to the prior-year period.

In spite of the announced growth target, portfolio management is making the real estate portfolio more dynamic by focusing on real estate with strong FFO and, consequently, the sale of non-strategic properties. In the first half of 2019, the property in Wahlstedt was successfully sold. Further properties are in the sales pipeline.

## FINANCING

In the continued favourable interest rate and financing environment, DEMIRE is focused on the ongoing optimisation of its financing structure. Optimisations can be achieved by refinancing existing loans and through additional real estate purchases and the associated financing. In the course of expanding the portfolio to EUR 1.4 billion, the net loan-to-value ratio has moved from 38.7% at the end of 2018 to 44.3% and towards our target of 50%.

The average nominal interest on financial debt was 22 basis points lower than at the end of 2018, dropping from 3.0% to 2.78% p.a. A strategic goal is to further reduce financing costs.

## PROCESSES

An inherent part of DEMIRE's corporate culture is continuous improvement and includes the scrutinising of existing processes, procedures and structures. In the months ahead, the focus will be on optimising investment structures as well as digitising processes and control instruments. In the first half of 2019, a significant acceleration in real estate management processes could already be implemented, leading to cost savings and better management of utility and service charges.

The combined measures of "REALize POTENTIAL" are aimed at achieving an investment grade rating in the medium term.

# Portfolio Highlights

Including the department store portfolio as of 1 July

**1.4**

**Fair value of real estate portfolio**  
(in EUR billions)

**92**

**Assets at 70 locations**  
in 15 federal states

**80.5 – 82.5**

**Expected rental income in 2019**  
(in EUR millions)

**87.4**

**Annualised contractual rent**  
(in EUR millions)

**68.2**

**Office property as a share**  
of total portfolio (in %)

**7.52**

**Average rent of portfolio**  
(in EUR/m<sup>2</sup>)

**10.3**

**Vacancy rate of portfolio**  
(in %)

**6.3**

**Gross rental yield**  
as at 30 June 2019 (in %)

## PROPERTY TYPE / USE



Office



Retail



Logistics



Other



Corporate  
locations



# REALize Potential

- To grow to become the leading German commercial real estate platform; raise potential
- To focus acquisitions on ABBA locations and properties with potential
- To continually improve real estate management and processes
- To maintain a solid financing structure with low financing costs
- To pursue an investment grade rating

## Strategic goals



### ACQUISITIONS

- Growth of EUR 0.3 billion to EUR 1.4 billion in the current year
- Office and department store portfolios acquired with a total of 9 properties
- Increase in the value of the core portfolio



### MANAGEMENT

- Profit/loss from the rental of real estate in the first half of 2019 increased to EUR 32.0 million
- Forecast for FFO raised by EUR 3 million and for rental income by EUR 3.5 million



### FINANCING

- LTV of 44.3% below target of 50%
- Improvement in nominal average interest cost on financial debt to 2.78%



### PROCESSES

- Acceleration of real estate processes
- Streamlining the organisation
- Completion of the outsourcing of property and facility management

## Results

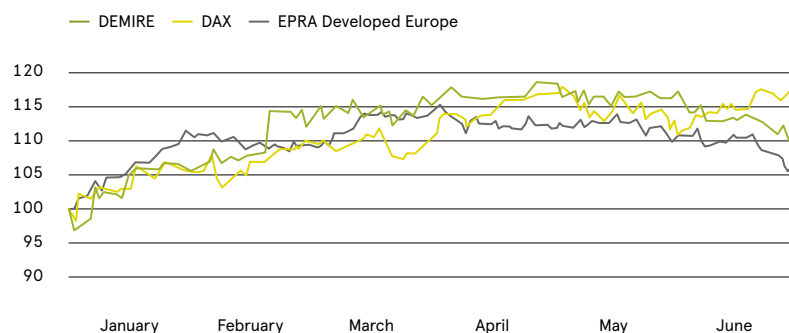
## DEMIRE ON THE CAPITAL MARKET

### DEMIRE KEY SHARE DATA

SHARE DATA	AS AT 30 / 06 / 2019
ISIN	DE000A0XFSFO
Symbol/ticker	DMRE
Stock exchange	Frankfurt Stock Exchange (FSE); XETRA Open market in Stuttgart, Berlin, Dusseldorf
Market segment	Regulated Market (Prime Standard)
Designated sponsors	BaaderBank, Pareto Securities AS
Share capital	EUR 107,777,324
Number of shares	107,777,324
Closing price 30 / 06 / 2019 (XETRA)	EUR 4.65
Average daily trading volume 01 / 01 – 30 / 06 / 2019	12,875
Market capitalisation	EUR 500.8 million
Free float < 3%	11.43%

### SIGNIFICANT OUTPERFORMANCE OF DEMIRE SHARES IN 2019 COMPARED TO THE INDICES

in %



### DEMIRE SHARES

DEMIRE shares have performed positively since the start of the year and closed the half-year at EUR 4.65 for an increase of 7.9%. The share price reached a year-to-date low of EUR 4.18 on 3 January 2019; the year-to-date high of EUR 5.08 was reached on 26 April 2019. The DAX 30 and EPRA Developed Europe benchmark indices also performed well and were up 17.2% and 6.8%, respectively, at the end of the half-year period.

As at 30 June 2019, DEMIRE had a market capitalisation of roughly EUR 500 million.

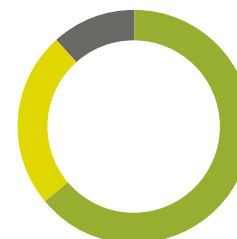
### SHAREHOLDER STRUCTURE

DEMIRE's shareholder structure did not change in the first half of 2019. Apollo managed funds and the Wecken Group continue to hold roughly 88.57% of the shares, leaving a free float of approximately 11.43%.

### SHAREHOLDER STRUCTURE AS AT 30 / 06 / 2019

in %

- 64.07** ● Apollo (AEPF III 15 S. à r.l.)<sup>1,2</sup>
- 24.50** ● Wecken Group<sup>2</sup>
- 11.43** ● Free float (Share of ownership < 3%)



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

## DEMIRE BONDS

## 2017 / 2022 CORPORATE BOND

<b>Name</b>	DEMIRE 2017 / 2022 Corporate Bond
<b>Issuer</b>	DEMIRE Deutsche Mittelstand Real Estate AG
<b>Rating</b>	Ba2 (Moody's), BB+ (S & P)
<b>Stock market listing</b>	Open market of the Luxembourg Stock Exchange, Euro MTF
<b>Applicable law</b>	New York Law
<b>ISIN Code</b>	Sale under Regulation S: XS1647824173; Sale under Rule 144A: XS1647824686
<b>WKN</b>	Sale under Regulation S: A2GSC5; Sale under Rule 144A: A2GSC6
<b>Issue volume</b>	EUR 400,000,000
<b>Issue price</b>	100 %
<b>Denomination</b>	EUR 100,000
<b>Coupon</b>	2.875 %
<b>Interest payments</b>	On 15 January and 15 July, beginning with 15 January 2018
<b>Maturity date</b>	15 July 2022
<b>Early repayment</b>	NC2 at 101.438 % for the first time on 15 July 2019; 100.719 % on 15 July 2020; 100 % on 15 July 2021 and thereafter
<b>Closing price 31/12/2018</b>	100,75%

## RATINGS VON S &amp; P UND MOODY'S

In the first half of 2019, as part of their annual rating reviews, the rating agencies Standard & Poor's and Moody's reviewed and confirmed the assessment of the existing bond and DEMIRE as an issuer, resulting in a stable rating for DEMIRE.

DEMIRE promotes the transparency and unbiased assessment of its business activities with the rating assessments. In the medium term, DEMIRE seeks to position its risk profile in the "investment grade" area in order to facilitate the financing of its planned growth using capital market instruments at more favourable terms.

## DEMIRE'S RATING – 30 / 06 / 2019

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

## ANNUAL GENERAL MEETING

On 11 February 2019, an Extraordinary General Meeting took place during which an extensive level of authorised capital was approved. This authorised capital is intended to be used to further grow the real estate portfolio.

The ordinary Annual General Meeting of DEMIRE Deutsche Mittelstand Real Estate AG was held on 29 May 2019 and approved the resolution proposals of the management with significant majorities. Prof Dr Kerstin Hennig was newly elected to the Supervisory Board, replacing Dr Thomas Wetzels, who left the Supervisory Board as at the end of the Annual General Meeting.

# Interim Group management report for the first half of the 2019 financial year from 1 January until 30 June 2019


## ECONOMIC REPORT

### LOCATIONS WITH POTENTIAL – HIGHER YIELDS AND LESS RISK THAN IN “A” CITIES

DEMIRE’s real estate portfolio spans across Germany in 15 out of 16 federal states and concentrates on locations with potential. DEMIRE is convinced that these locations – where it possesses extensive real estate know-how – offer higher and, at the same time, more stable yields than the real estate markets in the top 7 locations.

DEMIRE, in cooperation with bulwiengesa, one of the largest independent analysis companies in the real estate industry, regularly publishes market studies focusing on investment opportunities in German office real estate in locations with potential.

In their latest study, published by DEMIRE in April 2019, an analysis of 31 cities showed that the development of secondary locations in recent years has been predominantly positive, making these locations an interesting investment alternative compared to the top 7 locations. The top 7 locations achieved net initial yields of 3.0 % on average compared to secondary sites, which achieved net initial yields of between 4.0 % and 6.7 %. The yield spread between A markets and secondary locations remains attractive, while, at the same time, volatility in rents and vacancy rates in secondary locations is much lower than in A locations.

The complete study published by DEMIRE and bulwiengesa is available on DEMIRE’s [website](#). 

### BUSINESS PERFORMANCE

The effects of the consistent implementation of the strategy can be seen in all facets of business development in the first half of 2019. The purchase of an office portfolio, announced in November 2018, was completed in May 2019 and financed at favourable terms. Overall, DEMIRE was able to achieve significant year-on-year improvements in its operating and financial key ratios leading to an increase in its forecast for rental income and funds from operations. The highlights in the first half of 2019 included the following:

- Funds from operations (FFO I, after taxes, before minorities) increased by 40.0% to EUR 15.9 million.
- Rental income increased by 4.6% to EUR 38.2 million.
- The real estate portfolio grew from EUR 1.1 billion at the end of 2018 to a future EUR 1.4 billion
- Profit /loss from fair value adjustments in the first half of 2019 amounted to EUR 29.1 million
- The EPRA vacancy rate rose, as expected, to 11.1% as a result of the purchase of a value-adding office property portfolio
- Net loan-to-value trended in the direction of the 50% target level and increased to a solid 44.3%
- The EPRA NAV per share (diluted) increased by 6.3% to EUR 5.85 per share

**REAL ESTATE PORTFOLIO**

As at 30 June 2019, the real estate portfolio consisted of 87 commercial properties with a lettable floor space of more than 1 million m<sup>2</sup> and a total market value of around EUR 1.3 billion. At the end of the first half of 2019, an independent and comprehensive valuation of the entire real estate portfolio was carried out by the appraiser Savills that resulted in a revaluation gain of EUR 29.1 million. Whereas in 2018, valuation gains were mainly driven by market effects, this year's valuation result can be largely attributable to the effects of the management of the portfolio. As at 1 July 2019, five department stores were acquired, bringing the portfolio value up to EUR 1.4 billion.

The EPRA vacancy rate of the portfolio reached a level of 11.1% as at 30 June 2019, which is above the level of 7.5% as at 31 December 2018. This increase was mainly a result of the purchase of the office portfolio, which had significantly higher vacancies. As a result of the acquisition of a department store portfolio in July 2019 that is fully leased on a long-term basis and the successful letting performance in the further course of the year, the vacancy rate is expected to decline again, while WALT is anticipated to rise. In the first half-year, DEMIRE achieved a letting performance of around 127,000 m<sup>2</sup>, of which roughly 16% was attributable to new lettings and around 84% to follow-on lettings. The portfolio's weighted average lease term (WALT) as at 30 June 2019 was 4.2 years.

**TOP 10 TENANTS (AS AT 30 / 06 / 2019)**

NO.	TENANT	TYPE OF USE	CONTRACTUAL RENTS P. A.*	
			In EUR millions	In % of total
1	GMG (Telekom)	Office	22.4	27.3
2	BlmA Bundesanstalt für Immobilienaufgaben	Office	2.0	2.4
3	Sparkasse Südholstein	Office	1.8	2.2
4	ThyssenKrupp	Office	1.7	2.1
5	RIMC	Hotel	1.5	1.8
6	HPI Germany	Hotel	1.5	1.8
7	AXA Konzern AG	Office	1.2	1.5
8	comdirect bank AG	Office	1.2	1.5
9	Barmer	Büro	1.2	1.5
10	Momox GmbH	Logistics	1.2	1.5
<b>Subtotal</b>			<b>35.7</b>	<b>43.4</b>
Other			46.4	56.6
<b>Grand total</b>			<b>82.1</b>	<b>100.0</b>

\* According to annualised contractual rent, excluding service charges.

## PORTFOLIO BY ASSET CATEGORY

	NO. OF PROPERTIES	MARKET VALUE IN EUR MILLIONS	SHARE IN %	LETTABLE SPACE (IN THOUSAND M <sup>2</sup> )	VALUE/M <sup>2</sup>	CONTRACTUAL RENT IN EUR MILLIONS P.A.	CONTRACTUAL RENT PER M <sup>2</sup>	RENTAL YIELD IN %	EPRA VALUATION RATE IN %*	WALT IN YEARS
Office	64	953.8	71.9	635.4	1,501	58.3	8.58	6.1	11.7	3.8
Retail	16	266.1	20.1	159.8	1,665	17.4	10.53	6.5	8.9	5.8
Logistics	1	68.6	5.2	178.3	385	4.4	2.33	6.4	14.4	2.2
Other	6	38.1	2.9	40.5	940	2.0	4.42	5.3	0.2	5.4
<b>Total as at 30/06/2019</b>	<b>87</b>	<b>1,326.5</b>	<b>100</b>	<b>1,014.0</b>	<b>1,308</b>	<b>82.1</b>	<b>7.63</b>	<b>6.2</b>	<b>11.1</b>	<b>4.2</b>
<b>Total as at 31/12/2018</b>	<b>84</b>	<b>1,130.4</b>	<b>100</b>	<b>926.5</b>	<b>1,220</b>	<b>73.2</b>	<b>7.2</b>	<b>6.5</b>	<b>7.5</b>	<b>4.5</b>
Change in %/pp	+3	+17.4%		+9.4%	+7.2%	+12.2%	+6.0%	-30bps	+360bps	-0.3 years

\*Excluding real estate held for sale

## NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

## RESULTS OF OPERATIONS

In the first half of 2019, the DEMIRE Group generated rental income of EUR 38.2 million (1H 2018: EUR 36.6 million), which increased by 4.6 % year-on-year as a result of rent increases and the purchase of an office portfolio. Profit/loss from the rental of real estate was up 13.9 % year-on-year in the first half of 2019 to EUR 32.0 million (1H 2018: EUR 28.1 million). This rise resulted from rent increases, the real estate purchases in the first half-year, as well as a better net balance of utility and service charges compared to the same prior-year period.

General and administrative expenses as at the end of the first half of 2019 halved to EUR 5.8 million (1H 2018: EUR 12.7 million) due to lower legal and consulting fees, among other things. In the first half of 2018, this item had been affected by costs which had arisen as a result of the takeover offer from Apollo managed funds. Earnings before interest and taxes (EBIT) at the end of the first half of 2019 came to EUR 54.9 million (1H 2018: EUR 84.3 million), as a result of a lower level of fair value adjustments.

The financial result amounted to EUR -14.0 million in the first half of 2019 (1H 2018: EUR -21.9 million). This year-on-year change is mainly attributable to the year-on-year decrease in minority interests to around EUR 2.7 million (1H 2018: EUR 8.8 million), which resulted, above all, from lower valuation gains attributable to minorities. As at 30 June 2019, the average nominal interest on financial debt versus the end of 2018 had declined by 22 basis points to 2.78 % p.a.

Profit/loss before taxes (EBT) declined by 34.5 % to EUR 40.9 million (1H 2018: EUR 62.4 million) as a result of lower fair value adjustments. Taking into account the lower year-on-year tax expense, which was mainly the result of lower deferred taxes from positive valuation effects on properties, net profit/loss for the period for the first half of 2019 was EUR 34.2 million compared to EUR 44.7 million in the same period last year. Adjusted for valuation effects from fair value adjustments, the profit/loss for the period before taxes increases from EUR -7.7 million to EUR 11.7 million.



<b>CONSOLIDATED STATEMENT OF INCOME</b> (Selected information in EUR thousands)	<b>01/01/2019</b> <b>- 30/06/2019</b>	<b>01/01/2018</b> <b>- 30/06/2018</b>	<b>CHANGE</b>	<b>IN %</b>
Rental income	38,226	36,557	1,669	4.6 %
Income from utility and service charges	11,278	8,803	2,476	28.1 %
Operating expenses to generate rental income	-17,519	-17,289	-231	1.3 %
<b>Profit/loss from the rental of real estate</b>	<b>31,985</b>	<b>28,071</b>	<b>3,915</b>	<b>13.9 %</b>
Income from the sale of real estate and real estate companies	1,195	3	1,192	>100
Expenses relating to the sale of real estate and real estate companies	-1,330	-14	-1,316	>100
<b>Profit/loss from the sale of real estate and real estate companies</b>	<b>-135</b>	<b>-11</b>	<b>-124</b>	<b>&gt;100</b>
Profit/loss from fair value adjustments in investment properties	29,135	70,099	-40,964	-58.4 %
Impairment of receivables	-548	-2,107	1,559	-74.0 %
Other operating income	550	2,099	-1,549	-73.8 %
General and administrative expenses	-5,797	-12,771	6,973	-54.6 %
Other operating expenses	-281	-1,090	809	-74.2 %
<b>Earnings before interest and taxes</b>	<b>54,908</b>	<b>84,290</b>	<b>-29,382</b>	<b>-34.9 %</b>
Financial result	-14,033	-21,931	7,897	-36.0 %
<b>Profit/loss before taxes</b>	<b>40,874</b>	<b>62,359</b>	<b>-21,485</b>	<b>-34.5 %</b>
Current income taxes	-1,028	-292	-736	>100
Deferred taxes	-5,691	-17,394	11,704	-67.3 %
<b>Net profit/loss for the period</b>	<b>34,156</b>	<b>44,673</b>	<b>-10,517</b>	<b>-23.5 %</b>
Thereof, attributable to parent company shareholders	31,775	39,507	-7,731	-19.6 %
Basic earnings per share (EUR)	0.29	0.66	-0.37	-
Weighted number of shares outstanding (in thousands)	107,777	59,736		
Diluted earnings per share (EUR)	0.29	0.65	-0.36	-
Weighted number of shares outstanding (diluted) (in thousands)	108,287	60,541		

**NET ASSETS**

As at 30 June 2019, total assets increased by EUR 122.6 million compared to the end of 2018 to a total of around EUR 1.5 billion. This rise resulted primarily from the purchase of an office portfolio and the related financing as well as fair value adjustments in investment properties. Following the purchase of an office portfolio and portfolio revaluations during the half-year period, the value of investment properties increased by EUR 174.4 million, or 15.3%, compared to its level on 31 December 2018 and equalled approximately EUR 1,314.3 million as at 30 June 2019. Non-current assets held for sale totalling EUR 12.3 million as at 30 June 2019 mainly consist of a property in Apolda and a partial property in Darmstadt, following the sale of a property in Wahlstedt held directly by the subsidiary of Fair Value-REIT.

Group equity rose to approximately EUR 616.1 million as at 30 June 2019 compared to a level of EUR 582.3 million on 31 December 2018 as a result of the positive net profit for the period. The equity ratio equalled 41.0% (31 December 2018: 42.2%). It should be noted that, under IFRS, non-controlling minority interests in the amount of approximately EUR 74.1 million are recorded under the Group's non-current liabilities and not in equity, primarily because of the legal form of Fair Value-REIT's fund investments as partnerships. Adjusted Group equity totalled around EUR 690.1 million, or 46.0% of the Group's total assets (31 December 2018: EUR 655.4 million or 47.5%).

Total financial liabilities as at 30 June 2019 were EUR 719.1 million or EUR 82.5 million higher than as at 31 December 2018 (EUR 636.6 million). The rise in financial liabilities is attributable to the issuance of liabilities to finance the purchased office portfolio.

<b>CONSOLIDATED BALANCE SHEET – ASSETS</b> (Selected information in EUR thousands)	<b>30/06/2019</b>	<b>31/12/2018</b>	<b>CHANGE</b>	<b>IN %</b>
<b>ASSETS</b>				
Total non-current assets	1,325,424	1,150,944	174,480	15.2 %
Total current assets	163,634	215,487	- 51,853	- 24.1 %
Assets held for sale	12,262	12,262	0	0.0 %
<b>TOTAL ASSETS</b>	<b>1,501,320</b>	<b>1,378,692</b>	<b>122,627</b>	<b>8.9 %</b>
<b>CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES</b> (Selected information in EUR thousands)	<b>30/06/2019</b>	<b>31/12/2018</b>	<b>CHANGE</b>	<b>IN %</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Equity attributable to parent company shareholders	569,692	537,913	31,779	7.4 %
Non-controlling interests	46,388	44,425	1,964	4.4 %
<b>TOTAL EQUITY</b>	<b>616,081</b>	<b>582,338</b>	<b>33,743</b>	<b>5.8 %</b>
<b>LIABILITIES</b>				
Total non-current liabilities	818,936	742,696	76,240	+ 10.3 %
Total current liabilities	66,303	53,658	12,645	23.6 %
<b>TOTAL LIABILITIES</b>	<b>885,239</b>	<b>796,354</b>	<b>88,885</b>	<b>11.2 %</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,501,320</b>	<b>1,378,692</b>	<b>122,627</b>	<b>8.9 %</b>

**FINANCIAL POSITION**

Cash flow from operating activities amounted to EUR 15.4 million as at 30 June 2019 (1H 2018: EUR 14.4 million) and was slightly higher than in the same period of the previous year. Lower distributions were made to minority shareholders in the first half of 2019 compared to the same period of the previous year.

Cash flow from investing activities amounted to EUR –146.8 million at the end of the first half of 2019. This amount was largely a result of the purchase price payment for the office portfolio acquired in May. Cash flow from investing activities in the comparative period of 2018 was EUR –0.6 million.

Cash flow from financing activities increased by EUR 65.5 million to around EUR 71.7 million primarily due to the issuance of liabilities for the office portfolio. This compares with a level of EUR 6.2 million in the same period of the previous year.

Cash and cash equivalents amounted to EUR 130.8 million at the end of the first half of 2019 (30 June 2018: EUR 93.9 million).

<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b> (Selected information in EUR thousands)	<b>01/01/2019 – 30/06/2019</b>	<b>01/01/2018 – 30/06/2018</b>	<b>CHANGE</b>	<b>IN %</b>
Cash flow from operating activities	15,381	14,371	1,010	7.0%
Cash flow from investing activities	– 146,779	– 606	– 146,173	> 100.0%
Cash flow from financing activities	71,748	6,197	65,551	> 100.0%
<b>Net change in cash and cash equivalents</b>	<b>– 59,650</b>	<b>19,963</b>	<b>– 79,613</b>	<b>–</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>130,791</b>	<b>93,837</b>	<b>36,954</b>	<b>39.4%</b>

### FINANCIAL PERFORMANCE INDICATORS

Total assets as at 30 June 2019 increased in comparison to the end of 2018 by EUR 122.6 million and amounted to roughly EUR 1.5 billion.

Investment properties were revalued during the period, resulting in a valuation gain of EUR 29.1 million. Together with the acquisition of an office portfolio, this gain led to an increase in investment properties as at 30 June 2019 to around EUR 1,314.3 million, compared to EUR 1,139.9 million as at 31 December 2018.

Group equity rose by 5.8% to EUR 616.1 million as at 30 June 2019 compared to a level of EUR 582.3 million on 31 December 2018. The equity ratio equalled 41.0% (31 December 2018: 42.2%) and was still below the target of 50%. It should be noted that, under IFRS, non-controlling minority interests in the amount of approximately EUR 74.1 million are recorded under the Group's non-current liabilities and not in equity, primarily because of the legal form of Fair Value-REIT's fund investments as partnerships.

Basic EPRA NAV per share as at the reporting date amounted to EUR 5.87 (+6.3%) and diluted EPRA NAV per share was EUR 5.85 (+6.3%) and were above their levels at the end of 2018 (EUR 5.52 and EUR 5.50, respectively).

<b>FFO CALCULATION</b> (Selected information in EUR thousands)	<b>01/01/2019</b> <b>- 30/06/2019</b>	<b>01/01/2018</b> <b>- 30/06/2018</b>	<b>CHANGE</b>	<b>IN %</b>
Profit/loss before taxes	40,874	62,359	- 21,485	- 34.5%
Minority interests	2,734	8,788	- 6,054	- 68.9%
<b>Earnings before taxes (EBT)</b>	<b>43,608</b>	<b>71,147</b>	<b>- 27,539</b>	<b>- 38.7%</b>
± Profit/loss from the sale of real estate	135	11	124	>100%
± Profit/loss from investments accounted for using the equity method	0	- 97	97	- 100.0%
± Profit/loss from fair value adjustments in investment properties	- 29,135	- 70,099	40,964	- 58.4%
± Other adjustments *	1,329	10,685	- 9,356	- 87.6%
<b>FFO I before taxes</b>	<b>15,938</b>	<b>11,647</b>	<b>4,291</b>	<b>36.8%</b>
± (Current) income taxes	- 29	- 286	256	- 89.7%
<b>FFO I after taxes</b>	<b>15,908</b>	<b>11,361</b>	<b>4,547</b>	<b>40.0%</b>
Thereof attributable to parent company shareholders	13,071	9,108	3,962	43.5%
Thereof attributable to non-controlling interests	2,838	2,253	584	25.9%
± Profit/loss from the sale of real estate companies / real estate (after taxes)	- 156	13	- 169	-
<b>FFO II after taxes</b>	<b>15,752</b>	<b>11,374</b>	<b>4,378</b>	<b>38.5%</b>
Thereof attributable to parent company shareholders	12,906	9,120	3,786	41.5%
Thereof attributable to non-controlling interests	2,847	2,254	593	26.3%
<b>FFO I after taxes per share</b>				
Basic FFO I per share (EUR)	0.15	0.19	- 0.04	- 22.4%
Weighted number of shares outstanding (in thousands)	107,777	59,736	48,041	80.4%
Diluted FFO I per share (EUR)	0.15	0.19	- 0.04	- 21.7%
Weighted number of shares outstanding (diluted) (in thousands)	108,287	60,541	47,746	78.9%
<b>FFO II after taxes per share</b>				
Basic FFO II per share (EUR)	0.15	0.19	- 0.04	- 23.2%
Weighted number of shares outstanding (in thousands)	107,777	59,736	48,041	80.4%
Diluted FFO II per share (EUR)	0.15	0.19	- 0.04	- 21.7%
Weighted number of shares outstanding (diluted) (in thousands)	108,287	60,541	47,746	78.9%

\* Other adjustments include:

- Adjusted effective interest payments (EUR 1.8 million; previous year: EUR 5.59 million)
- One-time transaction, legal and consulting fees (EUR - 0.6 million; previous year: EUR 4.9 million)
- One-time administrative costs (EUR 0.1 million; previous year: EUR 0.3 million)
- Non-period expenses / income (EUR 0.0 million; previous year: EUR 0 million)

**NET ASSET VALUE (NAV)**

Basic EPRA NAV increased by 6.3 % from EUR 595.2 million as at 31 December 2018 to EUR 632.7 million as at 30 June 2019. Basic EPRA NAV per share based on 107.7 million shares as at the reporting date amounted to EUR 5.87 (31 December 2018: EUR 5.52), and diluted EPRA NAV per share as at the reporting date amounted to EUR 5.85 (31 December 2018: EUR 5.50).

<b>EPRA NET ASSET VALUE (NAV)</b> in EUR thousands	<b>30/06/2019</b>	<b>31/12/2018</b>	<b>CHANGE</b>	<b>IN %</b>
Net asset value (NAV)	569,692	537,913	31,779	5.9
Fair value of derivative financial instruments	0	0	0	–
Deferred taxes	67,741	62,050	5,691	9.2
Goodwill resulting from deferred taxes	- 4,738	- 4,738	0	0.0
<b>EPRA NAV (basic)</b>	<b>632,695</b>	<b>595,225</b>	<b>37,470</b>	<b>6.3</b>
Number of shares outstanding (in thousands) (basic)	107,777	107,777	0	0.0
EPRA NAV per share (EUR) (basic)	5.87	5.52	0.35	6.3
Effect of the exercise of convertible bonds and other equity instruments	510	520	- 10	- 1.9
EPRA NAV (diluted)	633,205	595,745	37,460	6.3
Number of shares outstanding (in thousands) (diluted)	108,287	108,297	- 10	0.0
<b>EPRA NAV PER SHARE (EUR) (diluted)</b>	<b>5.85</b>	<b>5.50</b>	<b>0.35</b>	<b>6.3</b>
Fair value of derivative financial instruments	0	0	0	–
Adjustments in fair value of liabilities	- 13,787	3,052	- 16,839	- 551.7
<b>Deferred taxes</b>	<b>- 63,773</b>	<b>- 62,928</b>	<b>- 845</b>	<b>1.3</b>
<b>EPRA NNNAV (diluted)</b>	<b>555,645</b>	<b>535,869</b>	<b>19,776</b>	<b>3.7</b>
<b>EPRA NNNAV per share (EUR) (diluted)</b>	<b>5.13</b>	<b>4.95</b>	<b>0.18</b>	<b>3.7</b>

**NET LOAN-TO-VALUE RATIO**

The DEMIRE Group's loan-to-value ratio is defined as the ratio of net financial liabilities to the carrying amount of investment properties and non-current assets held for sale. The net loan-to-value ratio surpassed its low level at the end of 2018 (38.7 %) and as at 30 June 2019 moved towards the 50 % target, reaching 44.3%. This rise reflects the purchase and financing of the office portfolio.

<b>NET LOAN-TO-VALUE (NET LTV)</b> in EUR Millionen	<b>30/06/2019</b>	<b>31/12/2018</b>
Financial liabilities	719.1	636.6
Cash and cash equivalents	130.8	190.4
<b>Net financial debt</b>	<b>588.3</b>	<b>446.1</b>
<b>Fair value of investment properties and non-current assets held for sale</b>	<b>1,326.5</b>	<b>1,152.1</b>
<b>Net LTV in %</b>	<b>44.3 %</b>	<b>38.7 %</b>

**REPORT ON RISKS AND OPPORTUNITIES**

Concerning the risks to future business development, please refer to the disclosures made in the risk report contained in the consolidated financial statements as at 31 December 2018. There were no material changes in the Group's risk structure in the first half-year of 2019.

**SUBSEQUENT EVENTS**

After the reporting date, the purchase of a portfolio of five department stores announced during the reporting period was completed.



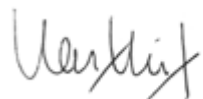
**OUTLOOK**

As a result of the favourable business performance in the first half of the year, the Executive Board is raising its 2019 forecast for rental income from EUR 77 to 79 million to EUR 80.5 to 82.5 million and for FFO I (after taxes, before minorities) from EUR 27 to 29 million to EUR 30 to 32 million.

<b>AN OVERVIEW OF THE CHANGE IN THE OUTLOOK:</b> Key ratio	<b>PREVIOUS FORECAST</b>	<b>NEW FORECAST</b>
Rental income	EUR 77 – 79 million	EUR 80.5 – 82.5 million
FFO I (after taxes, before minorities)	EUR 27 – 29 million	EUR 30 – 32 million

Frankfurt am Main, 14. August 2019

DEMIRE Deutsche Mittelstand Real Estate AG



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



**Tim Brückner**  
(Chief Financial Officer)

**FFO I**  
**15.9**

**Rental income**  
**38.2**

in EUR millions  
in the first half-year of 2019



# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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**CONSOLIDATED STATEMENT OF INCOME**

For the reporting period from 1 January to 30 June 2019

in EUR thousands	01/01/2019 -30/06/2019	01/01/2018 -30/06/2018	01/04/2019 -30/06/2019	01/04/2018 -30/06/2018
Rental income	38,226	36,557	19,987	18,300
Income from utility and service charges	11,278	8,803	4,061	3,061
Operating expenses to generate rental income	-17,519	-17,289	-9,144	-6,446
<b>Profit/loss from the rental of real estate</b>	<b>31,985</b>	<b>28,071</b>	<b>14,904</b>	<b>14,916</b>
Income from the sale of real estate and real estate companies	1,195	3	1,195	0
Expenses relating to the sale of real estate and real estate companies	-1,330	-14	-1,259	-9
<b>Profit/loss from the sale of real estate and real estate companies</b>	<b>-135</b>	<b>-11</b>	<b>-64</b>	<b>-9</b>
Profit/loss from fair value adjustments in investment properties	29,135	70,099	29,135	38,021
Impairment of receivables	-548	-2,107	-487	-2,027
Other operating income	550	2,099	501	786
General and administrative expenses	-5,797	-12,771	-2,867	-6,362
Other operating expenses	-281	-1,090	211	-3,171
<b>Earnings before interest and taxes</b>	<b>54,908</b>	<b>84,290</b>	<b>41,333</b>	<b>42,197</b>
Financial income*	475	251	213	94
Financial expenses	-11,774	-13,394	-5,913	-7,347
Interests of minority shareholders	-2,734	-8,788	-1,885	-3,065
<b>Financial result</b>	<b>-14,033</b>	<b>-21,931</b>	<b>-7,585</b>	<b>-10,317</b>
<b>Profit/loss before taxes</b>	<b>40,874</b>	<b>62,359</b>	<b>33,748</b>	<b>31,880</b>
Current income taxes	-1,028	-292	-986	-140
Deferred taxes	-5,691	-17,394	-5,250	-7,893
<b>Net profit/loss for the period</b>	<b>34,156</b>	<b>44,673</b>	<b>27,512</b>	<b>23,847</b>
Thereof, attributable to:				
<b>Non-controlling interests</b>	<b>2,380</b>	<b>5,166</b>	<b>1,565</b>	<b>2,513</b>
<b>Parent company shareholders</b>	<b>31,775</b>	<b>39,507</b>	<b>25,948</b>	<b>21,334</b>
Basic earnings per share	0.29	0.66		
Diluted earnings per share	0.29	0.65		

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the reporting period from 1 January to 30 June 2019

in EUR thousands	01/01/2019 – 30/06/2019	01/01/2018 – 30/06/2018	01/04/2019 – 30/06/2019	01/04/2018 – 30/06/2018
<b>Net profit/loss for the period</b>	<b>34,156</b>	<b>44,673</b>	<b>27,512</b>	<b>23,847</b>
Items that will be reclassified to profit and loss:				
Currency translation differences	0	0	0	0
<b>Other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income</b>	<b>34,156</b>	<b>44,673</b>	<b>27,512</b>	<b>23,847</b>
Thereof, attributable to:				
<b>Non-controlling interests</b>	<b>2,380</b>	<b>5,166</b>	<b>1,565</b>	<b>2,513</b>
<b>Parent company shareholders</b>	<b>31,775</b>	<b>39,507</b>	<b>25,948</b>	<b>21,334</b>

**CONSOLIDATED BALANCE SHEET**

As at 30 June 2019

<b>ASSETS</b> in EUR thousands	<b>30/06/2019</b>	<b>31/12/2018</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	6,882	6,884
Property, plant and equipment	441	465
Investment properties	1,314,270	1,139,869
Other assets	3,831	3,725
<b>Total non-current assets</b>	<b>1,325,424</b>	<b>1,150,944</b>
<b>Current assets</b>		
Trade accounts receivable and other receivables	23,506	15,835
Financial receivables and other financial assets	6,012	6,326
Tax refund claims	3,325	2,884
Cash and cash equivalents	130,791	190,442
<b>Total current assets</b>	<b>163,634</b>	<b>215,487</b>
<b>Non-current assets held for sale</b>	<b>12,262</b>	<b>12,262</b>
<b>TOTAL ASSETS</b>	<b>1,501,320</b>	<b>1,378,692</b>

## Consolidated balance sheet

<b>EQUITY AND LIABILITIES</b> in EUR thousands	<b>30/06/2019</b>	<b>31/12/2018</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Subscribed capital	107,777	107,777
Reserves	461,915	430,136
<b>Equity attributable to parent company shareholders</b>	<b>569,692</b>	<b>537,913</b>
Non-controlling interests	46,388	44,425
<b>TOTAL EQUITY</b>	<b>616,081</b>	<b>582,338</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Deferred tax liabilities	67,741	62,050
Minority interests	74,057	73,085
Financial liabilities	676,145	606,404
Other liabilities	993	1,157
<b>Total non-current liabilities</b>	<b>818,936</b>	<b>742,696</b>
<b>Current liabilities</b>		
Provisions	1,427	1,302
Trade payables and other liabilities	18,496	19,703
Tax liabilities	3,465	2,486
Financial liabilities	42,915	30,168
<b>Total current liabilities</b>	<b>66,303</b>	<b>53,658</b>
<b>TOTAL LIABILITIES</b>	<b>885,239</b>	<b>796,354</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,501,320</b>	<b>1,378,692</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the reporting period from 1 January to 30 June 2019

in EUR thousands	01/01/2019 – 30/06/2019	01/01/2018 – 30/06/2018
<b>Group profit/loss before taxes</b>	<b>40,874</b>	<b>62,359</b>
Financial expenses	11,774	13,394
Financial income*	– 475	– 251
Interests of minority shareholders	2,734	8,788
Change in real estate inventory	0	1,734
Change in trade accounts receivable and other receivables	– 7,252	– 599
Change in financial receivables and other financial assets	208	– 245
Change in provisions	125	414
Change in trade payables and other liabilities	– 2,398	1,134
Profit/loss from fair value adjustments in investment properties	– 29,135	– 70,099
Expenses relating to the sale of real estate and real estate companies	135	11
Interest proceeds	0	37
Income taxes paid	– 36	– 1,044
Change in reserves	3	– 94
Depreciation and amortisation and impairment	625	2,197
Distributions to minority shareholders/dividends	– 1,737	– 2,925
Other non-cash items*	– 65	– 441
<b>Cash flow from operating activities</b>	<b>15,381</b>	<b>14,371</b>
Payments for investments in property, plant and equipment	– 147,052	– 565
Payments for the acquisition of investment properties and interests in fully consolidated companies, less net cash equivalents acquired	0	– 41
Proceeds from the sale of real estate	273	0
<b>Cash flow from investing activities</b>	<b>– 146,779</b>	<b>– 606</b>
Proceeds from capital increases	0	23,600
Payments for expenses associated with raising equity	0	– 628
Proceeds from the issuance of financial liabilities	105,113	34,117
Interest paid on financial liabilities	– 9,929	– 11,298
Payments for the redemption of financial liabilities	– 23,436	– 39,594
<b>Cash flow from financing activities</b>	<b>71,748</b>	<b>6,197</b>
<b>Net change in cash and cash equivalents</b>	<b>– 59,650</b>	<b>19,963</b>
Cash and cash equivalents at the start of the period	190,442	73,874
<b>Cash and cash equivalents at the end of the period</b> (Thereof restricted cash: EUR 0 thousand; 30 June 2018: EUR 673 thousand)	<b>130,791</b>	<b>93,837</b>

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



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the reporting period from 1 January to 30 June 2019

in EUR thousands	SHARE CAPITAL			RESERVES			EQUITY ATTRIBUTABLE TO PARENT COMPANY SHARE-HOLDERS	NON-CON-TROLLING INTERESTS	TOTAL EQUITY
	SUBSCRIBED CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS INCL. GROUP PROFIT/LOSS	RESERVES FOR TREASURY SHARES	CURRENCY TRANSLATION				
<b>01/01/2019</b>	<b>107,777</b>	<b>129,848</b>	<b>300,288</b>	<b>0</b>	<b>0</b>	<b>537,914</b>	<b>44,425</b>	<b>582,338</b>	
Net profit/loss for the period	0	0	31,775	0	0	31,775	2,380	34,156	
Other comprehensive income	0	0	0	0	0	0	0	0	
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>31,775</b>	<b>0</b>	<b>0</b>	<b>31,775</b>	<b>2,380</b>	<b>34,156</b>	
Capital increases	0	0	0	0	0	0	0	0	
Stock option programme	0	4	0	0	0	4	0	4	
Convertible bonds	0	0	0	0	0	0	0	0	
Dividend payments / distributions	0	0	0	0	0	0	-417	-417	
Increase in shareholdings in subsidiaries	0	0	0	0	0	0	0	0	
Other changes	0	0	0	0	0	0	0	0	
<b>30/06/2019</b>	<b>107,777</b>	<b>129,852</b>	<b>332,063</b>	<b>0</b>	<b>0</b>	<b>569,693</b>	<b>46,388</b>	<b>616,081</b>	
<b>01/01/2018</b>	<b>54,271</b>	<b>0</b>	<b>231,433</b>	<b>-310</b>	<b>22</b>	<b>285,417</b>	<b>40,052</b>	<b>325,469</b>	
First-time application of IFRS 9	0	0	6,597	0	0	6,597	421	7,018	
Net profit/loss for the period	0	0	39,507	0	0	39,507	5,166	44,673	
Other comprehensive income	0	0	0	0	0	0	0	0	
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>39,507</b>	<b>0</b>	<b>0</b>	<b>39,507</b>	<b>5,166</b>	<b>44,673</b>	
Capital increases	5,426	17,546	0	0	0	22,972	0	22,972	
Stock option programme	0	94	0	0	0	94	0	94	
Mandatory convertible bond	13,368	-3,096	0	0	0	10,272	0	10,272	
Dividend payments / distributions	0	0	0	0	0	0	-1,226	-1,226	
Other changes	0	0	-23	0	-22	-45	-107	-151	
<b>30/06/2018</b>	<b>73,065</b>	<b>14,543</b>	<b>277,514</b>	<b>-310</b>	<b>0</b>	<b>364,814</b>	<b>44,306</b>	<b>409,120</b>	

# Notes to the consolidated financial statements for the reporting period from 1 January to 30 June 2019

## A. GENERAL INFORMATION

### 1. BASIS OF PREPARATION

DEMIRE Deutsche Mittelstand Real Estate AG (“DEMIRE AG”) is recorded in the commercial register in Frankfurt/Main, Germany, the location of the Company’s headquarters, under the number HRB 89041. The Company’s business address is Robert-Bosch-Straße 11, Langen, Germany. The subject of these condensed interim consolidated financial statements as at 30 June 2019 is DEMIRE AG and its subsidiaries (“DEMIRE”).

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

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

The condensed interim consolidated financial statements for the period 1 January through 30 June 2019 were prepared in accordance with the requirements of IAS 34 “Interim Financial Reporting” (“IAS 34”). This report has not been audited and therefore does not contain an auditor’s report.

The condensed interim consolidated financial statements of DEMIRE AG were prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), as applicable in the European Union (EU), pursuant to Section 315e of the German Commercial Code (HGB). All International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations of the IFRS Interpretations Committee (IFRS IC) – formerly the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) – that were mandatory for the 2019 financial year have been taken into consideration. Furthermore, all disclosure and explanation requirements under German law above and beyond the provisions of the IASB have been fulfilled.

Under IAS 34, the condensed interim consolidated financial statements shall represent an update of the last financial year financial statements and, therefore, do not contain all of the information and disclosures required for consolidated financial statements but rather concentrate on new activities, events and circumstances so as not to repeat information that has already been reported. The condensed interim consolidated financial statements of DEMIRE AG as at 30 June 2019 should therefore be viewed in conjunction with the consolidated financial statements prepared as at 31 December 2018.

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

These DEMIRE AG condensed interim consolidated financial statements were approved for publication by a resolution of the Executive Board on 14 August 2019.

Scope and principles of consolidation

Accounting policies

Notes to the consolidated statement of income

## B. SCOPE AND PRINCIPLES OF CONSOLIDATION

There were no changes to the scope of consolidation in the interim reporting period.

## C. ACCOUNTING POLICIES

The accounting policies applied to the interim consolidated financial statements presented are the same as those applied to the consolidated financial statements as at 31 December 2018. There were no material changes in estimates compared to those in the consolidated financial statements as at 31 December 2018.

The first-time application of IFRIC 23 and the changes to IFRS 9 and IAS 28 have no material impact on the consolidated financial statements of DEMIRE.

## D. NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

### 1. EARNINGS BEFORE INTEREST AND TAXES

in EUR thousands	01/01/2019 – 30/06/2019	01/01/2018 – 30/06/2018
Rental income	38,226	36,557
Income from utility and service charges	11,278	8,803
<b>Rental revenue</b>	<b>49,504</b>	<b>45,360</b>
Allocable operating expenses to generate rental income	-13,846	-9,802
Non-allocable operating expenses to generate rental income	-3,673	-7,486
<b>Operating expenses to generate rental income</b>	<b>-17,519</b>	<b>-17,289</b>
<b>Profit/loss from the rental of real estate</b>	<b>31,985</b>	<b>28,071</b>

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

The increase in the profit/loss from the rental of real estate to EUR 31,985 thousand (1H 2018: EUR 28,071 thousand) was primarily a result of the addition of the office portfolio purchased in the second quarter of 2019, leading to a rise in rental income of EUR 1,426 thousand. In addition, the Company was able to realise an increase in rents of EUR 243 thousand. Higher income of EUR 2,475 thousand from utility and service charges resulted mainly from higher allocable costs. This item also includes EUR 685 thousand from the addition of the office portfolio purchased in the second quarter of 2019.

Earnings before interest and taxes of EUR 54,908 thousand (1H 2018: EUR 84,290 thousand) declined year-on-year due to a lower profit/loss from fair value adjustments in investment properties, which fell by EUR 40,964 thousand to EUR 29,135 thousand (1H 2018: EUR 70,099 thousand).

A positive effect on earnings before interest and taxes resulted from the decline in general administrative expenses to EUR 5,797 thousand (1H 2018: EUR 12,771 thousand). This year-on-year decline in general administrative expenses was mainly attributable to a drop in legal and consulting costs of EUR 3,684 thousand and related non-deductible input taxes of EUR 897 thousand. The legal and consulting fees and non-deductible input taxes were related above all to the takeover bid by major shareholder Apollo in April 2018.

Earnings before interest and taxes also include other operating expenses of EUR 281 thousand (1H 2018: EUR 1,090 thousand). The decline in other operating expenses resulted mainly from impairments of EUR 657 thousand on other assets included in the Eastern Europe portfolio (CEE/CIS) recognised in the first half of 2018.

The lower expense from deferred taxes of EUR 5,691 thousand (1H 2018: EUR 17,394 thousand) resulted from a lower profit/loss from fair value adjustments in investment properties.

## 2. FINANCIAL RESULT

in EUR thousands	01/01/2019 – 30/06/2019	01/01/2018 – 30/06/2018
Financial income	475	251
Financial expenses	- 11,774	- 13,394
Interests of minority shareholders	- 2,734	- 8,788
<b>Financial result</b>	<b>- 14,033</b>	<b>- 21,931</b>

The roughly 12 % decline in financial expenses in the first half of 2019 mainly resulted from the reduction of non-current financial liabilities during the 2018 financial year following the acceptance of the repurchase offer by the bondholders of the 2017/2022 corporate bond, as well as the redemption of the 2013/2018 convertible bond and 2015/2018 mandatory convertible bond.

The share of profit/loss of minority shareholders amounting to EUR 2,734 thousand (1H 2018: EUR 8,788 thousand) concerns minority shareholder's profits in the Fair Value REIT-AG subsidiaries recorded as liabilities under IFRS. The decrease resulted primarily from lower valuation gains in the real estate held by these subsidiaries compared to the prior-year period.

## 3. EARNINGS PER SHARE

	01/01/2019 – 30/06/2019	01/01/2018 – 30/06/2018
<b>Net profit/loss for the period (in EUR thousands)</b>	<b>34,156</b>	<b>44,673</b>
Profit/loss for the period less non-controlling interests	31,775	39,507
Interest expenses from convertible bonds	0	7
Net profit/loss for the period less non-controlling interests (diluted)	31,775	39,514
<b>Number of shares (in thousands)</b>		
Number of shares outstanding as at the reporting date	107,777	73,065
Weighted average number of shares outstanding	107,777	59,736
Effect of the conversions of convertible bonds and the subscription rights under the 2015 stock option programme	510	805
Weighted average number of shares (diluted)	108,287	60,541
<b>Earnings per share (in EUR)</b>		
Basic earnings per share	0.29	0.66
Diluted earnings per share	0.29	0.65

As at 30 June 2019, the Company had potential ordinary shares outstanding from the 2015 stock option programme that entitle the owners to subscribe to 510,000 shares.

There was no change in the number of shares outstanding in the first half of 2019 compared to the level as at 31 December 2018.

## E. NOTES TO THE CONSOLIDATED BALANCE SHEET

### 1. INVESTMENT PROPERTIES

Investment properties are measured at fair value. The fair values during the interim reporting period compared to 31 December 2018 developed as follows:

in EUR thousands	2019	OFFICE	RETAIL	LOGISTICS	OTHER	2018	OFFICE	RETAIL	LOGISTICS	OTHER
<b>Fair value at the beginning of the reporting period</b>	<b>1,139,869</b>	<b>784,686</b>	<b>263,304</b>	<b>65,436</b>	<b>26,442</b>	<b>1,021,847</b>	<b>691,649</b>	<b>245,225</b>	<b>61,700</b>	<b>23,273</b>
Additions	146,446	146,284	79	83	0	24,341	23,926	391	24	0
Reclassifications under IFRS 16	0	0	0	0	0	1,592	1,592	0	0	0
Disposals	- 1,180	- 1,180	0	0	0	- 970	- 662	- 23	0	- 285
Unrealised gains from fair value measurement included in item D.3 of the statement of income	32,023	26,868	897	3,081	1,178	97,956	72,846	17,923	3,713	3,475
Unrealised losses from fair value measurement included in item D.3 of the statement of income	- 2,888	- 2,888	0	0	0	- 4,897	- 4,665	- 212	0	- 20
<b>Fair value at the end of the reporting period</b>	<b>1,314,270</b>	<b>953,770</b>	<b>264,280</b>	<b>68,600</b>	<b>27,620</b>	<b>1,139,869</b>	<b>784,686</b>	<b>263,304</b>	<b>65,436</b>	<b>26,442</b>

The additions to investment properties result mainly from the addition of the office property portfolio purchased in the second quarter containing properties in Cologne, Aschheim-Dornach, Bad Vilbel and Essen (EUR 144,809 thousand). The disposal of EUR 1,180 thousand concerns a divested property of Fair Value REIT-AG.

The measurement of investment properties at fair value is to be allocated to Level 3 of the valuation hierarchy according to IFRS 13 (valuation based on unobservable inputs), which is shown in the Appendix on page 043. DEMIRE determines the fair values in accordance with IAS 40 accounting.

A sensitivity analysis of the key input parameters revealed the following effect on the fair value of the investment properties as at 30 June 2019:

## Notes to the consolidated balance sheet

**TOTAL** in EUR

DISCOUNT RATE	CAPITALISATION RATE					
	+ 0.50 %	IN %	± 0.00 %	IN %	- 0.50 %	IN %
+ 0.50 %	- 114,080,000	- 9 %	- 49,280,000	- 4 %	+ 27,920,000	+ 2 %
± 0.00 %	- 67,770,000	- 5 %	–	0 %	+ 80,740,000	+ 6 %
- 0.50 %	- 19,180,000	- 1 %	+ 51,450,000	+ 4 %	+ 136,760,000	+ 10 %

**OFFICE** in EUR

DISCOUNT RATE	CAPITALISATION RATE					
	+ 0.50 %	IN %	± 0.00 %	IN %	- 0.50 %	IN %
+ 0.50 %	- 85,500,000	- 9 %	- 36,470,000	- 4 %	+ 22,270,000	+ 2 %
± 0.00 %	- 51,410,000	- 5 %	–	0 %	+ 61,300,000	+ 6 %
- 0.50 %	- 15,560,000	- 2 %	+ 37,770,000	+ 4 %	+ 102,660,000	+ 11 %

**RETAIL** in EUR

DISCOUNT RATE	CAPITALISATION RATE					
	+ 0.50 %	IN %	± 0.00 %	IN %	- 0.50 %	IN %
+ 0.50 %	- 21,310,000	- 8 %	- 9,410,000	- 4 %	+ 4,590,000	+ 2 %
± 0.00 %	- 12,360,000	- 5 %	–	0 %	+ 14,640,000	+ 6 %
- 0.50 %	- 3,040,000	- 1 %	+ 9,940,000	+ 4 %	+ 25,420,000	+ 10 %

**LOGISTICS** in EUR

DISCOUNT RATE	CAPITALISATION RATE					
	+ 0.50 %	IN %	± 0.00 %	IN %	- 0.50 %	IN %
+ 0.50 %	- 5,300,000	- 8 %	- 2,500,000	- 4 %	+ 800,000	+ 1 %
± 0.00 %	- 2,900,000	- 4 %	—	0 %	+ 3,500,000	+ 5 %
- 0.50 %	- 400,000	- 1 %	+ 2,700,000	+ 4 %	+ 6,300,000	+ 9 %

**OTHER** in EUR

DISCOUNT RATE	CAPITALISATION RATE					
	+ 0.50 %	IN %	± 0.00 %	IN %	- 0.50 %	IN %
+ 0.50 %	- 1,970,000	- 7 %	- 900,000	- 3 %	+ 260,000	+ 1 %
± 0.00 %	- 1,100,000	- 4 %	—	0 %	+ 1,300,000	+ 5 %
- 0.50 %	- 180,000	- 1 %	+ 1,040,000	+ 4 %	+ 2,380,000	+ 9 %

A change in market rent per square metre results in the following changes:

**TOTAL** in EUR

MARKET RENT	VALUE	ABSOLUTE DELTA	DELTA IN %
-10 %	1,236	- 121	- 9 %
-5 %	1,297	- 60	- 4 %
± 0 %	1,357	–	–
+ 5 %	1,417	+ 60	+ 4 %
+ 10 %	1,477	+ 120	+ 9 %

**OFFICE** in EUR

MARKET RENT	VALUE	ABSOLUTE DELTA	DELTA IN %
-10 %	1,365	- 136	- 9 %
-5 %	1,433	- 68	- 5 %
± 0 %	1,501	–	–
+ 5 %	1,569	+ 68	+ 5 %
+ 10 %	1,637	+ 136	+ 9 %

**RETAIL** in EUR

MARKET RENT	VALUE	ABSOLUTE DELTA	DELTA IN %
-10 %	1,577	- 136	- 8 %
-5 %	1,645	- 67	- 4 %
± 0 %	1,713	–	–
+ 5 %	1,780	+ 67	+ 4 %
+ 10 %	1,847	+ 135	+ 8 %

**LOGISTICS** in EUR

MARKET RENT	VALUE	ABSOLUTE DELTA	DELTA IN %
-10 %	420	- 48	- 10 %
-5 %	444	- 24	- 5 %
± 0 %	468	–	–
+ 5 %	493	+ 25	+ 5 %
+ 10 %	517	+ 49	+ 10 %

**OTHER** in EUR

MARKET RENT	VALUE	ABSOLUTE DELTA	DELTA IN %
-10 %	787	- 65	- 8 %
-5 %	819	- 32	- 4 %
± 0 %	852	–	–
+ 5 %	884	+ 33	+ 4 %
+ 10 %	917	+ 65	+ 8 %



## 2. Financial liabilities

Financial liabilities as at 30 June 2019 consisted of the following:

FINANCIAL LIABILITIES in EUR thousands	FIXED INTEREST	VARIABLE INTEREST	TOTAL
2017/2022 corporate bond	361,921	0	361,921
Other financial liabilities	317,608	39,530	357,138
<b>Total</b>	<b>679,530</b>	<b>39,530</b>	<b>719,060</b>

Financial liabilities as at 31 December 2018 consisted of the following:

FINANCIAL LIABILITIES in EUR thousands	FIXED INTEREST	VARIABLE INTEREST	TOTAL
2017/2022 corporate bond	361,208	0	361,208
Other financial liabilities*	229,748	45,616	275,857
<b>Total</b>	<b>590,956</b>	<b>45,616</b>	<b>636,572</b>

\*Prior-year figures have been adjusted

The following table shows the nominal value of financial liabilities as at 30 June 2019:

IN EUR THOUSANDS in EUR thousands	FIXED INTEREST	VARIABLE INTEREST	TOTAL
2017/2022 corporate bond	366,625	0	366,625
Other financial liabilities	325,019	39,530	364,550
<b>Total</b>	<b>691,644</b>	<b>39,530</b>	<b>731,175</b>

The following table shows the nominal value of financial liabilities as at 31 December 2018:

IN EUR THOUSANDS in EUR thousands	FIXED INTEREST	VARIABLE INTEREST	TOTAL
2017/2022 corporate bond	366,625	0	366,625
Other financial liabilities*	238,259	45,616	283,875
<b>Total</b>	<b>604,884</b>	<b>45,616</b>	<b>650,500</b>

\*Prior-year figures have been adjusted.

The interest on variable interest-bearing bank loans is based on EURIBOR plus an appropriate margin.

During the interim reporting period, a loan was concluded with a large German mortgage bank for a nominal amount of EUR 97,000 thousand. The payout was made in June 2019.

The nominal interest rate of the 2017/2022 corporate bond is 2.875%. Other financial liabilities mainly include bank liabilities with an average interest rate on financial debt of 2.66% p.a. as at 30 June 2019 (31 December 2018: 3.16% p.a.). The average interest rate on all financial liabilities amounted to 2.78% p.a. as at 30 June 2019 (31 December 2018: 3.00% p.a.).

## F. CONDENSED GROUP SEGMENT REPORTING

01/01/2019 – 30/06/2019 in EUR thousands	CORE PORTFOLIO	FAIR VALUE REIT	CORPORATE FUNCTIONS/ OTHERS	GROUP
<b>Total revenues</b>	<b>35,734</b>	<b>14,965</b>	<b>0</b>	<b>50,699</b>
<b>Segment revenues</b>	<b>61,314</b>	<b>19,024</b>	<b>45</b>	<b>80,384</b>
<b>Segment expenses</b>	<b>-13,208</b>	<b>-8,479</b>	<b>-3,789</b>	<b>-25,476</b>
<b>Net profit/loss for the period</b>	<b>39,096</b>	<b>5,910</b>	<b>-10,851</b>	<b>34,156</b>
<b>Additional information</b>				
<b>Segment assets</b>	<b>1,135,788</b>	<b>343,583</b>	<b>21,949</b>	<b>1,501,320</b>
thereof current financial receivables and other financial assets	36	8	5,968	6,012
thereof tax refund claims	12	7	3,306	3,325
thereof non-current assets, held for sale	12,262	0	0	12,262
<b>Segment liabilities</b>	<b>688,643</b>	<b>193,215</b>	<b>3,381</b>	<b>885,239</b>
thereof non-current financial liabilities	611,669	64,476	0	676,145
thereof current financial liabilities	9,696	33,219	0	42,915
thereof tax liabilities	3,262	0	203	3,465

01/01/2018 – 30/06/2018 in EUR thousands	CORE PORTFOLIO	FAIR VALUE REIT	CORPORATE FUNCTIONS/ OTHERS	GROUP
<b>Total revenues</b>	<b>31,436</b>	<b>13,927</b>	<b>0</b>	<b>45,363</b>
<b>Segment revenues</b>	<b>84,233</b>	<b>32,913</b>	<b>415</b>	<b>117,561</b>
<b>Segment expenses</b>	<b>-14,211</b>	<b>-6,792</b>	<b>-12,268</b>	<b>-33,271</b>
<b>Net profit/loss for the period</b>	<b>51,362</b>	<b>12,223</b>	<b>-18,912</b>	<b>44,673</b>
<b>Additional information</b>				
<b>Segment assets</b>	<b>822,817</b>	<b>337,032</b>	<b>77,802</b>	<b>1,237,651</b>
thereof current financial receivables and other financial assets	248	0	5,367	5,615
thereof tax refund claims	637	0	2,863	3,503
thereof non-current assets, held for sale	12,685	0	0	12,685
<b>Segment liabilities</b>	<b>599,015</b>	<b>205,441</b>	<b>30,443</b>	<b>834,899</b>
thereof non-current financial liabilities	514,308	107,626	0	621,934
thereof current financial liabilities	43,610	8,057	0	51,667
thereof tax liabilities	2,472	0	0	2,472

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

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

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

More than 10 % of total revenue, or EUR 11,183 thousand (1H 2018: EUR 11,143 thousand), was generated with one customer in the “Core Portfolio” segment in the interim reporting period.

**G. OTHER DISCLOSURES****1. RELATED PARTY DISCLOSURES**

There have been no material changes to the related party disclosures as compared to 31 December 2018. There were no business transactions with members in key Company positions during the reporting period, except for the compensation of the Executive Board mentioned in section G.5.

**2. FINANCIAL INSTRUMENTS**

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

	30/06/2019		31/12/2018	
	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT
in EUR thousands				
Bond	375,708	361,921	358,156	361,208
Other non-current financial liabilities	320,364	315,713	248,393	246,656

**3. RISK REPORT**

With respect to the risks to future business development, please refer to the disclosures made in the risk report contained in the consolidated financial statements as at 31 December 2018. No material changes to the Group's risk structure were made during the first half of 2019.

**4. OTHER DISCLOSURES**

Purchase agreements for real estate and real estate companies still not in effect as at the 30 June 2019 reporting date resulted in financial obligations of EUR 71,103 thousand and concerned financial obligations from the purchase of a portfolio of five department stores, which was completed in early July 2019.

Contractual obligations mainly existed for the modification and expansion of the properties in Eschborn, Kempten, Essen, the Gutenberg-Galerie and Logistik-park Leipzig. The scope of these obligations has been defined. The resulting costs amounted to EUR 3,187 thousand as at 30 June 2019.

The purchase order commitment from commissioned maintenance amounted to EUR 1,212 thousand as at the interim reporting date.

As at the 30 June 2019 interim reporting date, there were no obligations for future lease payments under long-term leasehold agreements.

## 5. GOVERNING BODIES AND EMPLOYEES

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

The members of the Executive Board during the interim reporting period were:

- Mr Ingo Hartlief (since 20 December 2018)
- Mr Tim Brückner (since 1 February 2019)
- Mr Ralf Kind (until 3 January 2019)

For the interim reporting period, performance-based remuneration of EUR 120 thousand (1H 2018: EUR 90 thousand), fixed remuneration of EUR 274 thousand (1H 2018: EUR 198 thousand) and share-based payments of EUR 69 thousand (1H 2018: EUR 150 thousand) were recognised for the DEMIRE AG Executive Board. In the first half of 2018, one Executive Board member had been appointed. Any remaining remuneration amount to be paid to Mr Ralf Kind is currently unclear, as this issue is presently being addressed in a pending legal proceeding. Nevertheless, an amount of EUR 420 thousand was recognised as a provision in accordance with IAS 19.

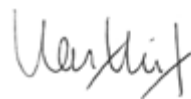
There were no loans or advances granted to Executive Board members, and no contingencies were assumed for their benefit.

## 6. EVENTS OCCURRING AFTER THE 30 JUNE 2019 INTERIM REPORTING DATE

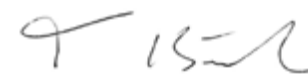
After the reporting date, the purchase of a portfolio of five department stores announced during the reporting period was completed.

DEMIRE Deutsche Mittelstand Real Estate AG

Frankfurt am Main, 14 August 2019



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



**Tim Brückner**  
(Chief Financial Officer)

## APPENDIX: VALUATION PARAMETERS ACCORDING TO IFRS AS AT 30 JUNE 2019

	30/06/2019	31/12/2018
Average market rent (in EUR per m <sup>2</sup> per year)	90.48	87.04
Range of market rents (in EUR per m <sup>2</sup> )	31.00 – 220.43	33.20 – 220.43
Total lettable space as at reporting date (in m <sup>2</sup> )	1,00,358	894,718
Vacant space as at reporting date (in m <sup>2</sup> )	112,168	84,974
Value-based vacancy rate according to EPRA (in %)	11.08	7.47
Average vacancy rate based on lettable space (in %)	11.21	9.50
Range of vacancy rates based on lettable space (in %)	0.00 – 100	0.00 – 100
Average discount rate based on lettable space (in %)	5.59	5.62
Range of discount rate based on lettable space (in %)	3.00 – 8.00	3.00 – 8.00
Average exit discount rate based on lettable space (in %)	5.90	6.03
Range of exit discount rate based on lettable space (in %)	4.50 – 9.00	4.75 – 9.00
Weighted average lease term – WALT (in years)	4.15	4.59

The basis for rental income planning is the rental payments contractually agreed with the tenants as well as prevailing customary local market rents for unleased space on the valuation date. The contractually agreed monthly rents per m<sup>2</sup> on the valuation date for the various types of use are shown in the table below:

CONTRACTUAL RENTS in EUR per m <sup>2</sup> , per year		30/06/2019	31/12/2018
Office	Min.	3.51	3.32
	Max.	19.67	13.22
	Avg.	8.63	8.14
Retail	Min.	3.20	3.20
	Max.	20.02	19.77
	Avg.	10.64	10.49
Others	Min.	2.33	2.89
	Max.	10.05	10.05
	Avg.	2.81	3.35
Total	Min.	2.33	2.32
	Max.	20.02	19.35
	<b>Avg.</b>	<b>7.69</b>	<b>7.27</b>

## RESPONSIBILITY STATEMENT

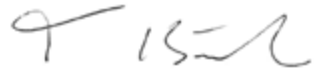
As the Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG, we hereby confirm to the best of our knowledge and in accordance with the applicable reporting principles, that the consolidated financial statements give a true and fair view of the net assets, financial position, and results of operations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

Frankfurt am Main, 14 August 2019

DEMIRE Deutsche Mittelstand Real Estate AG



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



**Tim Brückner**  
(Chief Financial Officer)

## Disclaimer

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

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

## Imprint

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### STATUS

August 2019



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

