

19

Interim Statement Q1

1 January – 31 March 2019

DEMIRE  DEUTSCHE MITTELSTAND
REAL ESTATE

Highlights Q1 2019



KEY EARNINGS FIGURES

8.9

EUR Millions

FFO I (after taxes, before minorities) in Q1 2019, + 68.9 % versus Q1 2018

Forecast for FFO I (after taxes, before minorities) of EUR 27 - 29 million for full-year 2019 confirmed

7.1

EUR Millions

EBT in Q1 2019 without valuation effect, Q1 2018 EUR 30.5 million, adjusted (excluding valuation effect) EUR -1.6 million



KEY FINANCIAL RATIOS

38.6

per cent

Net loan-to-value ratio (net LTV) stable following 38.7 % at year-end 2018

3.0

percent p. a.

Average interest costs stable compared to same period in prior year

5.56

EUR

EPRA NAV (diluted) – an increase of EUR 0.06 per share compared to the end of 2018



PORTFOLIO DEVELOPMENT

18.2

EUR Millions

Rental income – successful management of rentals more than compensates for minor rise in vacancies

8.3

percent

Slight increase of 80 basis points in EPRA vacancy rate compared to year-end 2018

4.3

years WALT

Slight decline compared to a WALT of 4.5 years at the end of 2018

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Foreword from the Executive Board

Ladies and Gentlemen,

After successfully completing the 2018 financial year, we continued to implement our strategy in the first quarter of 2019. Equipped with a comfortable liquidity position following the EUR 150 million capital increase in November 2018, we actively searched the market in the first quarter in an effort to come closer to meeting our goal of expanding DEMIRE into a leading listed commercial real estate platform in Germany with a portfolio size of more than EUR 2 billion.

We will maintain this focus in the current financial year and concentrate on expanding the real estate portfolio and optimising our Group structure. With this in mind, we completed the purchase of four office buildings after the reporting date based on agreements we had signed at the end of 2018.

In addition, we are developing DEMIRE's organisation through a number of smaller and larger measures in order to become leaner and more efficient. The initial success of these measures is already beginning to emerge and will be gradually reflected in our results.

Our key operating and financial indicators in the first quarter of 2019 developed as follows:

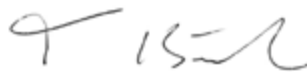
- Funds from operations (FFO I, after taxes and before minorities) increased by 73.5 % to EUR 8.9 million, above all as a result of lower administrative expenses
- Rental income reached EUR 18.2 million as planned, recording an increase of 1.5 % on a like-for-like basis compared to the first quarter of 2018
- The EPRA vacancy rate increased slightly to 8.3 % following a level of 7.5 % at the end of 2018 as a result of the expiry of lease agreements at the end of 2018
- Profit before taxes amounted to EUR 7.1 million and does not include any valuation effects, following a level of EUR 30.5 million in the same period of the prior year (EUR - 1.6 million excluding valuation effects)

We are confirming our forecast for FFO I (after taxes and minorities) of EUR 27 to 29 million for the 2019 financial year. Based on our current real estate portfolio, we anticipate rental income of around EUR 77 to 79 million.

Frankfurt am Main, 15 May 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)*

Portfolio highlights

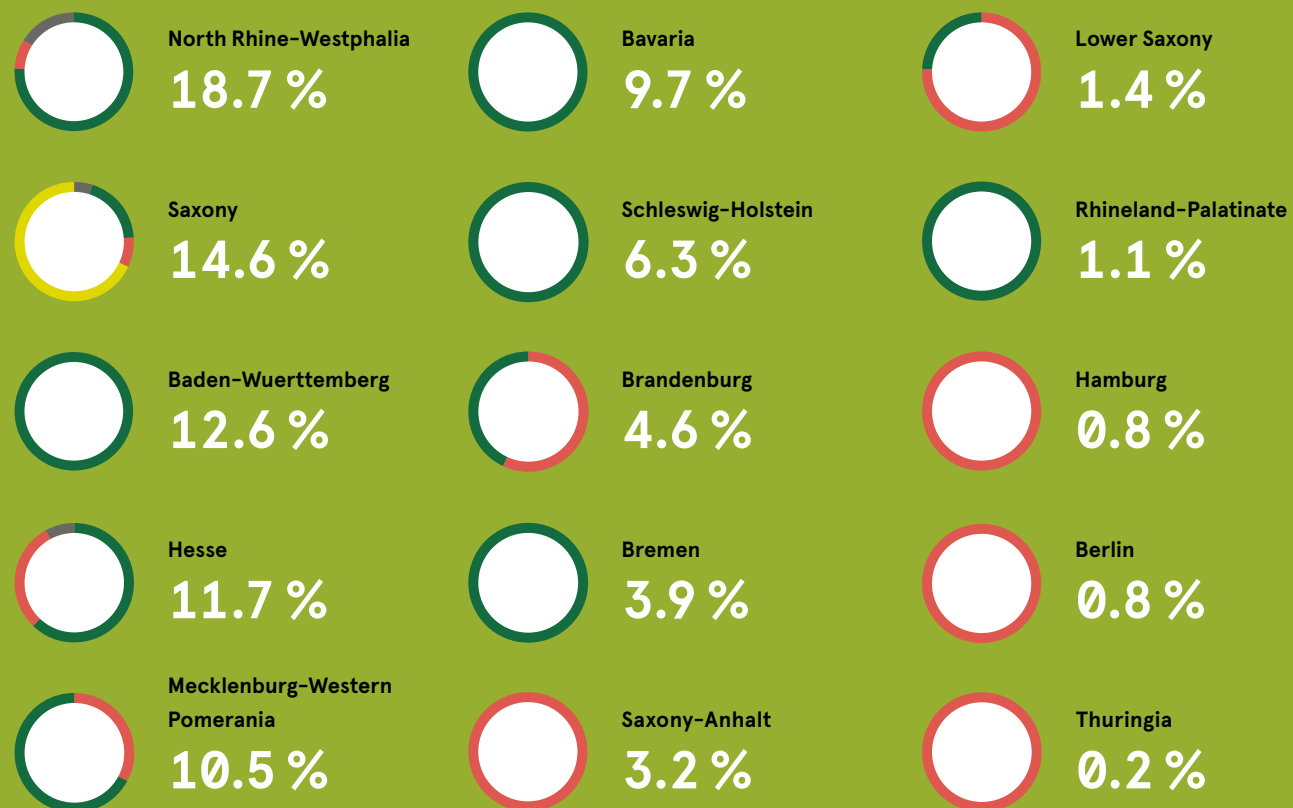
REAL ESTATE HOLDINGS AND CORPORATE LOCATIONS

DEMIRE holds commercial real estate in mid-sized cities and in up-and-coming peripheral areas of metropolitan areas throughout Germany. It focuses its investment on so-called “secondary locations”, which offer more attractive and more stable investment parameters than the Top 7 locations. DEMIRE has real estate investments in 15 of the 16 federal states.

Property type / Use



MARKET VALUE OF THE PORTFOLIO AND DISTRIBUTION OF RENTAL SPACE USE BY REGION (share in %)



The diagrams show the percentage distribution of the lettable space by use.

TOP 10 TENANTS (AS AT 31/03/2019)

| NO. | TENANT | TYPE OF USE | CONTRACTUAL RENT P. A.* | |
|--------------------|---|-------------|-------------------------|---------------|
| | | | in EUR millions | in % of total |
| 1 | GMG (Telekom) | Office | 22.5 | 30.7 |
| 2 | BImA Bundesanstalt für Immobilienaufgaben | Office | 2.0 | 2.7 |
| 3 | Sparkasse Südholstein | Office | 1.7 | 2.4 |
| 4 | RIMC | Hotel | 1.5 | 2.0 |
| 5 | HPI Germany | Hotel | 1.5 | 2.0 |
| 6 | AXA Konzern AG | Office | 1.2 | 1.7 |
| 7 | comdirect bank AG | Office | 1.2 | 1.7 |
| 8 | Barmer | Office | 1.2 | 1.7 |
| 9 | Momox GmbH | Logistics | 1.2 | 1.6 |
| 10 | BWI GmbH | Office | 1.0 | 1.4 |
| Subtotal | | | 35.1 | 48.0 |
| Other | | | 38.2 | 52.0 |
| Grand total | | | 73.3 | 100.0 |

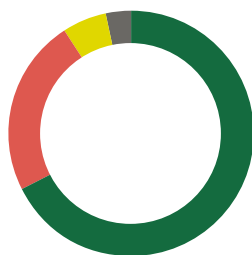
*According to annualised contractual rent, excluding service charges.

| KEY PORTFOLIO INDICATORS | OFFICE | RETAIL | LOGISTICS | OTHER | TOTAL 31/03/2019 | TOTAL 31/12/2018 | CHANGE |
|---|--------|--------|-----------|-------|---------------------|---------------------|-------------|
| Properties (number of) | 61 | 16 | 1 | 6 | 84 | 84 | – |
| Gross asset value (in EUR millions) | 785.5 | 263.3 | 65.5 | 26.6 | 1.140.8 | 1.139.9 | 0.9 |
| Contractual rents p. a. (in EUR millions) | 49.7 | 17.4 | 4.2 | 2.0 | 73.3 | 73.2 | 0.1 |
| Rent per m ² | 8.2 | 10.4 | 2.3 | 4.4 | 7.3 | 7.2 | 0.1 |
| Rental yield (in %) | 6.5 | 6.6 | 6.5 | 5.6 | 6.5 | 6.5 | – |
| EPRA vacancy rate (in %) * | 7.8 | 8.0 | 16.0 | 0.2 | 8.3 | 7.5 | – 80 bp |
| WALT (in years) | 3.9 | 5.9 | 1.4 | 5.4 | 4.3 | 4.5 | – 0.2 Jahre |

* Excluding properties held for sale.

FOCUS ON THREE ASSET CLASSESin % of portfolio market value

| | |
|-------------|---------------|
| ● Office | 67.7 % |
| ● Retail | 23.3 % |
| ● Logistics | 5.8 % |
| ● Other | 3.2 % |



(As at 31 / 03 / 2019)

- As at the 31 March 2019 reporting date, the real estate portfolio of the DEMIRE Group still comprised 84 commercial properties with total lettable floor space of around 926,000 m² and a total value of EUR 1,140.8 million (31 December 2018: EUR 1,139.9 million). As at the reporting date, three properties or partial properties valued at around EUR 12.3 million were held for sale.
- Annualised contractual rent increased slightly from EUR 73.2 million as at 31 December 2018 to EUR 73.3 million as at 31 March 2019 as a result of periodic adjustments and successful rental increases, despite a slight increase in vacancy to 8.3% as at the reporting date compared to 7.5% as at December 31, 2018. On a like-for-like basis, taking into account the sale of two properties in the course of 2018, annualised rental income increased by 1.5% over the year-on-year.

RESULTS OF OPERATIONS

| CONSOLIDATED STATEMENT OF INCOME (Selected information in EUR thousands) | 01/01/2019 – 31/03/2019 | 01/01/2018 – 31/03/2018 | CHANGE | IN % |
|--|------------------------------------|------------------------------------|-----------------|--------------------|
| Rental income | 18,239 | 18,256 | - 17 | - 0.1 % |
| Income from utility and service charges | 7,217 | 5,742 | 1,475 | 25.7 % |
| Operating expenses to generate rental income | - 8,375 | - 10,843 | 2,468 | - 22.8 % |
| Profit / loss from the rental of real estate | 17,081 | 13,155 | 3,926 | 29.8 % |
| Income from the sale of real estate and real estate companies | 0 | 3 | - 3 | - 100.0 % |
| Expenses relating to the sale of real estate and real estate companies | - 71 | - 5 | - 66 | >100.0 % |
| Profit / loss from the sale of real estate and real estate companies | - 71 | - 2 | - 69 | >100.0 % |
| Profit / loss from fair value adjustments in investment properties | 0 | 32,078 | - 32,078 | - 100.0 % |
| Impairment of receivables | - 61 | - 80 | 19 | - 24.6 % |
| Other operating income | 48 | 1,313 | - 1,265 | - 96.3 % |
| General and administrative expenses | - 2,931 | - 3,137 | 206 | - 6.6 % |
| Other operating expenses | - 492 | - 1,191 | 699 | - 58.7 % |
| Earnings before interest and taxes | 13,575 | 42,136 | - 28,561 | - 67.8 % |
| Financial result * | - 6,449 | - 11,657 | 5,208 | - 44.7 % |
| Profit / loss before taxes | 7,126 | 30,479 | - 23,353 | - 76.6 % |
| Current income taxes | - 42 | - 151 | 109 | - 72.2 % |
| Deferred taxes | - 441 | - 9,502 | 9,061 | - 95.4 % |
| Net profit / loss for the period | 6,643 | 20,826 | - 14,183 | - 68.1 % |
| Thereof attributable to parent company shareholders | 5,828 | 18,173 | - 12,345 | - 67.9 % |
| Basic earnings per share (EUR) | 0.05 | 0.33 | - 0.28 | - 84.8 % |
| Weighted number of shares outstanding (in thousands) | 107,777 | 54,277 | | |
| Diluted earnings per share (EUR) | 0.05 | 0.27 | 0.22 | - 81.5 % |
| Weighted diluted number of shares outstanding (in thousands) | 108,297 | 68,433 | | |

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

- Due to new lettings and despite the sale of two properties in 2018, the DEMIRE Group achieved rental income of EUR 18.2 million in the first quarter of 2019, which was stable compared to the level in Q1 2018 of EUR 18.3 million.
- General and administrative expenses of EUR 2.9 million were EUR 0.2 million lower year-on-year as a result of lower consulting fees.
- Other operating expenses declined significantly by around 59% to EUR 0.5 million in comparison to the same period of the previous year, which had included one-off effects.
- As no real estate valuations were required in the first quarter of 2019, earnings before interest and taxes fell by a total of EUR 28.6 million to EUR 13.6 million due to the non-recurrence of fair value adjustments in investment properties (EUR 32.1 million in the previous year).

Development of FFO

| FFO CALCULATION (Selected information in EUR thousands) | 01/01/2019 – 31/03/2019 | 01/01/2018 – 31/03/2018 | CHANGE | IN % |
|--|------------------------------------|------------------------------------|-----------------|----------------|
| Profit/loss before taxes | 7,126 | 30,479 | - 23,353 | - 76.6% |
| Minority interests | 849 | 5,723 | - 4,874 | - 85.2% |
| Earnings before taxes (EBT) | 7,975 | 36,202 | - 28,227 | - 78.0% |
| ± Profit/loss from the sale of real estate | 71 | 2 | 69 | >100.0% |
| ± Profit/loss for investments accounted for using the equity method | 0 | - 54 | 54 | - 100.0% |
| ± Profit/loss from fair value adjustments in investment properties | 0 | - 32,078 | 32,078 | - 100.0% |
| ± Other adjustments* | 927 | 1,241 | - 314 | - 25.3% |
| FFO I before taxes | 8,974 | 5,313 | 3,661 | 68.9% |
| ± (Current) income taxes | - 32 | - 160 | 128 | - 80.2% |
| FFO I after taxes | 8,942 | 5,153 | 3,789 | 73.5% |
| Thereof attributable to parent company shareholders | 7,274 | 3,915 | 3,359 | 85.8% |
| Thereof attributable to non-controlling interests | 1,668 | 1,238 | 430 | 34.7% |
| ± Profit/loss from the sale of real estate and real estate companies (after taxes) | - 83 | - 2 | - 81 | >100.0% |
| FFO II after taxes | 8,859 | 5,151 | 3,708 | 72.0% |
| Thereof attributable to parent company shareholders | 7,187 | 3,913 | 3,274 | 83.7% |
| Thereof attributable to non-controlling interests | 1,672 | 1,238 | 434 | 35.0% |
| FFO I after taxes per share | | | | |
| Basic FFO I per share (in EUR) | 0.08 | 0.09 | - 0.01 | - 7.8% |
| Weighted number of shares outstanding (in thousands) | 107,777 | 54,277 | 53,500 | 98.6% |
| Diluted FFO I per share (in EUR) | 0.08 | 0.08 | 0.00 | 3.2% |
| Weighted diluted number of shares outstanding (in thousands) | 108,287 | 68,433 | 39,854 | 58.2% |
| FFO II after taxes per share | | | | |
| Basic FFO II per share (in EUR) | 0.08 | 0.09 | - 0.01 | - 8.7% |
| Weighted number of shares outstanding (in thousands) | 107,777 | 54,277 | 53,500 | 98.6% |
| Diluted FFO II per share (in EUR) | 0.08 | 0.08 | 0.00 | 2.3% |
| Weighted diluted number of shares outstanding (in thousands) | 108,287 | 68,433 | 39,854 | 58.2% |

*Other adjustments contain the following:

- Adjusted effective interest payments (EUR 0.9 million; previous year: EUR 0.8 million)
- One-time transaction, legal and consulting fees (EUR -0.1 million; previous year: EUR 0.3 million)
- One-time administrative costs (EUR 0.1 million; previous year: EUR 0.2 million)
- Non-period expenses/income (EUR 0 million; previous year: EUR -0.1 million)

The DEMIRE Group's operating result is measured in terms of funds from operations (FFO), which is adjusted for valuation effects (if any), other disposals and one-off effects and non-periodic income and expenses. Funds from operations (FFO I, after taxes, before minorities) reached EUR 8.9 million in the period under review (Q1 2018: EUR 5.2 million) due to lower interest and administrative expenses. After minorities and taxes, FFO I amounted to EUR 7.3 million (Q1 2018: EUR 3.9 million). In accordance with the total planned capital expenditure for full-year 2019, funds from operations in the first quarter were still influenced by a low level of capital expenditure.

Taking into account the profit/loss from the sale of real estate, funds from operations (FFO II) after taxes and before minorities amounted to EUR 8.9 million (Q1 2018: EUR 5.2 million), after taxes and after minorities to EUR 7.2 million (Q1 2018: EUR 3.9 million).

Net assets

| BALANCE SHEET – ASSETS (Selected information in EUR thousands) | 31/03/2019 | 31/12/2018 | CHANGE | IN % |
|--|-------------------|-------------------|---------------|--------------|
| ASSETS | | | | |
| Total non-current assets | 1,151,991 | 1,150,944 | 1,047 | 0.1% |
| Total current assets | 216,979 | 215,487 | 1,492 | 0.7% |
| Assets held for sale | 12,262 | 12,262 | 0 | - |
| TOTAL ASSETS | 1,381,232 | 1,378,692 | 2,540 | 0.2% |
| BALANCE SHEET – EQUITY AND LIABILITIES (Selected information in EUR thousands) | 31/03/2019 | 31/12/2018 | CHANGE | IN % |
| EQUITY AND LIABILITIES | | | | |
| EQUITY | | | | |
| Equity attributable to parent company shareholders | 543,745 | 537,913 | 5,832 | 1.1% |
| Non-controlling interests | 45,241 | 44,425 | 816 | 1.8% |
| TOTAL EQUITY | 588,985 | 582,338 | 6,647 | 1.1% |
| LIABILITIES | | | | |
| Total non-current liabilities | 715,604 | 742,696 | -27,092 | -3.6% |
| Total current liabilities | 76,643 | 53,658 | 22,985 | 42.8% |
| TOTAL LIABILITIES | 792,247 | 796,354 | -4,107 | -0.5% |
| TOTAL EQUITY AND LIABILITIES | 1,381,232 | 1,378,692 | 2,540 | 0.2% |

As at 31 March 2019, total assets increased by EUR 2.5 million compared to year-end 2018 to around EUR 1.38 billion.

Investment properties in the reporting period were not subject to re-valuation as a result of only minor market changes and amounted to a value of around EUR 1,140.8 million as at 31 March 2019, which was almost unchanged compared to their level as at 31 December 2018.

Group equity amounted to EUR 589.0 million as at 31 March 2019, which was slightly higher than its level on 31 December 2018 (EUR 582.3 million). The equity ratio was 42.6 % (31 December 2018: 42.2 %). It should be noted that, under IFRS, the non-controlling minority interests in the amount of EUR 73.9 million are reported under non-current liabilities and not in equity due to the legal form of Fair Value REIT AG's fund participations as a partnership.

Basic EPRA-NAV per share as at reporting date was EUR 5.58 (+1.1%) and EUR 5.56 (+1.1%) on a diluted basis. Both were above their levels at the end of 2018 (EUR 5.52 and EUR 5.50, respectively).

Financial position

| CONSOLIDATED STATEMENT OF CASH FLOWS (Selected information in EUR thousands) | 01/01/2019 – 31/03/2019 | 01/01/2018 – 31/03/2018 | CHANGE | IN % |
|--|------------------------------------|------------------------------------|----------------|-------------------|
| Cash flow from operating activities | 7,500 | 7,374 | 126 | 1.7% |
| Cash flow from investing activities | - 1,100 | - 149 | - 951 | >100.0% |
| Cash flow from financing activities | - 9,610 | - 11,567 | 1,957 | - 16.9% |
| Net change in cash and cash equivalents | - 3,210 | - 4,342 | 1,132 | - 26.1% |
| Cash and cash equivalents at the end of the period | 187,231 | 69,532 | 117,699 | >100.0% |

Non-current financial liabilities as at 31 March 2019 amounted to EUR 578.1 million and were lower than the level as at 31 December 2018 (EUR 606.4 million).

The financial result in the first quarter of 2019 was EUR – 6.4 million (Q1 2018: EUR – 11.7 million). The sharp decline resulted mainly from the valuation effects for partnerships held as minority interests of around EUR – 0.8 million (Q1 2018: EUR – 5.7 million), while financial income and financial expenses each saw a slight improvement. The nominal interest for financial liabilities as at 31 March 2019 averaged 3.0 % and was unchanged compared to 31 December 2018.

The net loan-to-value ratio (LTV) of 38.6 % as at 31 March 2019 was slightly better than at year-end 2018 (38.7%).

Cash flow from operating activities amounted to EUR 7.5 million in the first quarter of 2019 (Q1 2018: EUR 7.4 million).

Cash flow from investing activities in the first quarter increased by around EUR 1.0 million compared to the low prior-year level, mainly as a result of investment in investment properties.

Cash flow from financing activities improved by around EUR 2.0 million to EUR – 9.6 million.

Cash and cash equivalents amounted to EUR 187.2 million as at the 31 March 2019 reporting date (31 December 2018: EUR 190.4 million).

8.9

FFO I

in EUR millions
in the first quarter of 2019



INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENT OF INCOME

For the reporting period from 1 January to 31 March 2019

| in EUR thousands | 01/01/2019 –31/03/2019 | 01/01/2018 –31/03/2018 |
|---|---------------------------|---------------------------|
| Rental income | 18,239 | 18,256 |
| Income from utility and service charges | 7,217 | 5,742 |
| Operating expenses to generate rental income | –8,375 | –10,843 |
| Profit / loss from the rental of real estate | 17,081 | 13,155 |
| Income from the sale of real estate and real estate companies | 0 | 3 |
| Expenses relating to the sale of real estate and real estate companies | –71 | –5 |
| Profit / loss from the sale of real estate and real estate companies | –71 | –2 |
| Profit/loss from fair value adjustments in investment properties | 0 | 32,078 |
| Impairment of receivables | –61 | –80 |
| Other operating income | 48 | 1,313 |
| General and administrative expenses | –2,931 | –3,137 |
| Other operating expenses | –492 | –1,191 |
| Earnings before interest and taxes | 13,575 | 42,136 |
| Financial income* | 262 | 113 |
| Financial expenses | –5,861 | –6,047 |
| Interests of minority shareholders | –849 | –5,723 |
| Financial result | –6,449 | –11,657 |
| Profit / loss before taxes | 7,126 | 30,479 |
| Current income taxes | –42 | –151 |
| Deferred taxes | –441 | –9,502 |
| Net profit / loss for the period | 6,643 | 20,826 |
| Thereof, attributable to: | | |
| Non-controlling interests | 816 | 2,654 |
| Parent company shareholders | 5,828 | 18,173 |
| Basic earnings per share | 0.05 | 0.33 |
| Diluted earnings per share | 0.05 | 0.27 |

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the reporting period from 1 January to 31 March 2019

| | 01/01/2019 – 31/03/2019 | 01/01/2018 – 31/03/2018 |
|---|----------------------------|----------------------------|
| in EUR thousands | | |
| Net profit/loss for the period | 6,643 | 20,826 |
| Items that will be reclassified to profit and loss: | | |
| Currency translation differences | 0 | 0 |
| Other comprehensive income | 0 | 0 |
| Total comprehensive income | 6,643 | 20,826 |
| Thereof, attributable to: | | |
| Non-controlling interests | 816 | 2,654 |
| Parent company shareholders | 5,828 | 18,173 |

CONSOLIDATED BALANCE SHEET

As at 31 March 2019

| ASSETS in EUR thousands | 31/03/2019 | 31/12/2018 |
|--|-------------------|-------------------|
| ASSETS | | |
| Non-current assets | | |
| Intangible assets | 6,882 | 6,884 |
| Property, plant and equipment | 477 | 465 |
| Investment properties | 1,140,785 | 1,139,869 |
| Other assets | 3,847 | 3,725 |
| Total non-current assets | 1,151,991 | 1,150,944 |
| Current assets | | |
| Trade accounts receivable and other receivables | 20,426 | 15,835 |
| Financial receivables and other financial assets | 6,440 | 6,326 |
| Tax refund claims | 2,882 | 2,884 |
| Cash and cash equivalents | 187,231 | 190,442 |
| Total current assets | 216,979 | 215,487 |
| Non-current assets held for sale | 12,262 | 12,262 |
| TOTAL ASSETS | 1,381,232 | 1,378,692 |

Consolidated balance sheet

| EQUITY AND LIABILITIES in EUR thousands | 31/03/2019 | 31/12/2018 |
|---|-------------------|-------------------|
| EQUITY AND LIABILITIES | | |
| EQUITY | | |
| Subscribed capital | 107,777 | 107,777 |
| Reserves | 435,967 | 430,136 |
| Equity attributable to parent company shareholders | 543,745 | 537,913 |
| Non-controlling interests | 45,241 | 44,425 |
| TOTAL EQUITY | 588,985 | 582,338 |
| LIABILITIES | | |
| Non-current liabilities | | |
| Deferred tax liabilities | 62,491 | 62,050 |
| Minority interests | 73,909 | 73,085 |
| Financial liabilities | 578,129 | 606,404 |
| Other liabilities | 1,075 | 1,157 |
| Total non-current liabilities | 715,604 | 742,696 |
| Current liabilities | | |
| Provisions | 1,800 | 1,302 |
| Trade payables and other liabilities | 17,867 | 19,703 |
| Tax liabilities | 2,486 | 2,486 |
| Financial liabilities | 54,490 | 30,168 |
| Total current liabilities | 76,643 | 53,658 |
| TOTAL LIABILITIES | 792,247 | 796,354 |
| TOTAL EQUITY AND LIABILITIES | 1,381,232 | 1,378,692 |

CONSOLIDATED STATEMENT OF CASH FLOWS

For the reporting period from 1 January to 31 March 2019

| in EUR thousands | 01/01/2019 -31/03/2019 | 01/01/2018 -31/03/2018 |
|---|---------------------------|---------------------------|
| Group profit/loss before taxes | 7,126 | 30,479 |
| Financial expenses | 5,861 | 6,047 |
| Financial income | - 262 | - 59 |
| Interests of minority shareholders | 849 | 5,723 |
| Change in trade accounts receivable and other receivables | - 4,592 | - 5,052 |
| Change in financial receivables and other financial assets | - 235 | - 225 |
| Change in provisions | 498 | 1,957 |
| Change in trade payables and other liabilities | - 1,959 | 646 |
| Profit/loss from fair value adjustments in investment properties | 0 | - 32,078 |
| Expenses relating to the sale of real estate and real estate companies | 71 | 2 |
| Income taxes paid | - 36 | - 225 |
| Change in reserves | 3 | - 13 |
| Depreciation and amortisation and impairment | 98 | 127 |
| Other non-cash items | 76 | 45 |
| Cash flow from operating activities | 7,500 | 7,374 |
| Payments for investments in investment properties and property, plant and equipment | - 1,100 | - 134 |
| Payments for the acquisition of investment properties and interests in fully consolidated companies, less net cash equivalents acquired | 0 | - 15 |
| Cash flow from investing activities | - 1,100 | - 149 |
| Proceeds from the issuance of financial liabilities | 6,671 | 0 |
| Interest paid on financial liabilities | - 7,443 | - 7,873 |
| Payments for the redemption of financial liabilities | - 8,838 | - 3,694 |
| Cash flow from financing activities | - 9,610 | - 11,567 |
| Net change in cash and cash equivalents | - 3,210 | - 4,342 |
| Cash and cash equivalents at the start of the period | 190,442 | 73,874 |
| Cash and cash equivalents at the end of the period Thereof restricted cash (EUR 0 thousand; 31 March 2018: EUR 594 thousand) | 187,231 | 69,532 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the reporting period from 1 January to 31 March 2019

| in EUR thousands | SHARE CAPITAL | | RESERVES | | | EQUITY AT-TRIBUTABLE TO PARENT COMPANY SHARE-HOLDERS | NON-CONTROLLING INTERESTS | TOTAL EQUITY |
|---|--------------------|------------------|---|------------------------------|----------------------|--|---------------------------|----------------|
| | SUBSCRIBED CAPITAL | CAPITAL RESERVES | RETAINED EARNINGS INCL. GROUP PROFIT/LOSS | RESERVES FOR TREASURY SHARES | CURRENCY TRANSLATION | | | |
| 01/01/2019 | 107,777 | 129,848 | 300,288 | 0 | 0 | 537,914 | 44,425 | 582,338 |
| Net profit/loss for the period | 0 | 0 | 5,828 | 0 | 0 | 5,828 | 816 | 6,643 |
| Other comprehensive income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total comprehensive income | 0 | 0 | 5,828 | 0 | 0 | 5,828 | 816 | 6,643 |
| 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 | 0 | 0 |
| Increase in shareholdings in subsidiaries | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other changes | 0 | 0 | -1 | 0 | 0 | -1 | 0 | -1 |
| 31/03/2019 | 107,777 | 129,852 | 306,115 | 0 | 0 | 543,744 | 45,241 | 588,985 |
| 01/01/2018 | 54,271 | 0 | 231,433 | -310 | 22 | 285,417 | 40,052 | 325,469 |
| 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 | 18,173 | 0 | 0 | 18,173 | 2,654 | 20,827 |
| Other comprehensive income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total comprehensive income | 0 | 0 | 18,173 | 0 | 0 | 18,173 | 2,654 | 20,827 |
| Capital increases | 18 | 0 | 0 | 0 | 0 | 18 | 0 | 18 |
| Stock option programme | 0 | 13 | 0 | 0 | 0 | 13 | 0 | 13 |
| Mandatory convertible bond | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dividend payments/distributions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other changes* | 0 | 0 | -23 | 0 | -22 | -45 | -107 | -151 |
| 31/03/2018 | 54,289 | 13 | 256,179 | -310 | 0 | 310,173 | 43,020 | 353,193 |

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

Notes to the consolidated financial statements for the reporting period from 1 January to 31 March 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 31 March 2019 is DEMIRE AG and its subsidiaries (“DEMIRE”).

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

Investments in real estate and 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 31 March 2019 were prepared in accordance with the requirements of IAS 34 “Interim Financial Reporting” (“IAS 34”).

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 fiscal year have been taken into consideration. Furthermore, all disclosure and explanation requirements under German law above and beyond the provisions of the IASB have been fulfilled.

Under IAS 34, the condensed interim consolidated financial statements shall represent an update of the last financial year financial statements and, therefore, do not contain all of the information and disclosures required for consolidated financial statements but rather concentrate on new activities, events and circumstances so as not to repeat information that has already been reported. The condensed interim consolidated financial statements of DEMIRE AG as at 31 March 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 15 May 2019.

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 mandatory first-time application of IFRIC 23, amendments 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 -31/03/2019 | 01/01/2018 -31/03/2018 |
|--|---------------------------|---------------------------|
| Net rents | 18,239 | 18,256 |
| Income from utility and service charges | 7,217 | 5,742 |
| Rental revenue | 25,456 | 23,998 |
| Allocable operating expenses to generate rental income | - 8,240 | - 6,106 |
| Non-allocable operating expenses to generate rental income | - 135 | - 4,737 |
| Operating expenses to generate rental income | - 8,375 | - 10,843 |
| Profit/loss from the rental of real estate | 17,081 | 13,155 |

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 profit/loss from the rental of real estate to EUR 17,081 thousand (Q1 2018: EUR 13,155 thousand) primarily resulted from lower operating expenses to generate rental income which resulted from lower maintenance expenses and capitalisation of construction activities in the amount of EUR 916 thousand (Q1 2018: EUR 89 thousand). Furthermore, lower one-time implementation costs for the new property manager occurred which led to a reversal of payables in the amount of EUR 321 thousand.

Earnings before interest and taxes of EUR 13,575 thousand (Q1 2018: EUR 42,190 thousand) declined substantially due to the absence of the profit/loss from fair value adjustments in investment properties. As no changes in the valuation parameters occurred during the first quarter of 2019, no re-measurement was carried out (Q1 2018: EUR 32,078 thousand).

Compared to the first quarter of 2018, both the financial result of EUR -6,449 thousand (Q1 2018: EUR -11,657 thousand) and the general and administrative expenses of EUR 2,931 thousand (Q1 2018: EUR 3,137 thousand) were lower.

Earnings before interest and taxes also include other operating expenses of EUR 492 thousand (Q1 2018: EUR 1,191 thousand) mainly consisting of incidental costs of EUR 105 thousand (Q1 2018: EUR 29 thousand) for monetary transactions, non-deductible input taxes of EUR 60 thousand (Q1 2018: EUR 125 thousand) and insurance costs of EUR 49 thousand (Q1 2018: EUR 11 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 quarter of 2018. The lower expense from deferred taxes of EUR 441 thousand (Q1 2018: EUR 9,502 thousand) resulted from the absence of valuation changes as at 31 March 2019 and, consequently, changes to the profit/loss from fair value adjustments in investment properties.

2. FINANCIAL RESULT

| in EUR thousands | 01/01/2019 – 31/03/2019 | 01/01/2018 – 31/03/2018 |
|------------------------------------|----------------------------|----------------------------|
| Financial income | 262 | 113 |
| Financial expenses | – 5,861 | – 6,047 |
| Interests of minority shareholders | – 849 | – 5,723 |
| Financial result | – 6,449 | – 11,657 |

The slight decline in financial expenses in the first quarter of 2019 mainly resulted from the reduction of financial liabilities during the 2018 financial year due to the repurchase offer to the bondholders of the 2017/2022 corporate bond and 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 849 thousand (Q1 2018: EUR 5,723 thousand) concerns minority shareholder's profits in the Fair Value REIT-AG subsidiaries recorded as liabilities under IFRS. The year-on-year decrease resulted primarily from the absence of valuation gains for the real estate held by these subsidiaries, as no re-measurement was carried out during the first quarter of 2019.

3. EARNINGS PER SHARE

| | 01/01/2019 – 31/03/2019 | 01/01/2018 – 31/03/2018 |
|--|----------------------------|----------------------------|
| Net profit/loss for the period (in EUR thousands) | 6,643 | 20,826 |
| profit/loss for the period less non-controlling interests | 5,828 | 18,173 |
| Interest expenses from convertible bonds | 0 | 315 |
| Net profit/loss for the period less non-controlling interests (diluted) | 5,828 | 18,488 |
| Number of shares (in thousand units) | | |
| Number of shares outstanding as at the reporting date | 107,777 | 54,289 |
| Weighted average number of shares outstanding | 107,777 | 54,277 |
| Impact of conversion of convertible bonds and exercise under the 2015 Stock Option programme | 510 | 14,156 |
| Weighted average number of shares (diluted) | 108,287 | 68,433 |
| Earnings per share (in EUR) | | |
| Basic earnings per share | 0.05 | 0.33 |
| Diluted earnings per share | 0.05 | 0.27 |

As at 31 March 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 quarter 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 developed as follows:

| in EUR thousands | 2019 | OFFICE | RETAIL | LOGISTICS | OTHER | 2018 | OFFICE | RETAIL | LOGISTICS | OTHER |
|---|------------------|----------------|----------------|---------------|---------------|------------------|----------------|----------------|---------------|---------------|
| Fair value at the beginning of the reporting period | 1,139,869 | 784,686 | 263,304 | 65,436 | 26,442 | 1,021,847 | 691,649 | 245,225 | 61,700 | 23,273 |
| Additions | 916 | 849 | 0 | 67 | 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 | 0 | 0 | 0 | 0 | 0 | -970 | -662 | -23 | 0 | -285 |
| Unrealised gains from fair value measurement included in item D.3 of the statement of income | 0 | 0 | 0 | 0 | 0 | 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 | 0 | 0 | 0 | 0 | 0 | -4,897 | -4,665 | -212 | 0 | -20 |
| Fair value as of the end of the reporting period | 1,140,785 | 785,535 | 263,304 | 65,503 | 26,442 | 1,139,869 | 784,686 | 263,304 | 65,436 | 26,442 |

The additions to investment properties in the amount of EUR 916 thousand resulted from subsequent acquisition and production costs.

The valuation 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 035. DEMIRE determines the fair values in the context of the IAS 40 valuation. No changes in the valuation parameters occurred during the first quarter of 2019.

A sensitivity analysis of the key input parameters revealed the following effect on the fair value of the investment properties:

TOTAL in EUR

| DISCOUNT RATE | CAPITALISATION RATE | | | | | |
|---------------|---------------------|-------|--------------|-------|---------------|------|
| | + 0.50 % | IN % | ± 0.00 % | IN % | + 0.50 % | IN % |
| + 0.50 % | - 93,230,000 | - 8 % | - 41,290,000 | - 4 % | + 20,641,000 | 2 % |
| ± 0.00 % | - 54,570,000 | - 5 % | – | 0 % | + 64,670,000 | 6 % |
| - 0.50 % | - 13,840,000 | - 1 % | + 43,490,000 | 4 % | + 111,380,000 | 10 % |

OFFICE in EUR

| DISCOUNT RATE | CAPITALISATION RATE | | | | | |
|---------------|---------------------|-------|--------------|-------|--------------|------|
| | + 0.50 % | IN % | ± 0.00 % | IN % | + 0.50 % | IN % |
| + 0.50 % | - 64,980,000 | - 8 % | - 28,480,000 | - 4 % | + 15,080,000 | 2 % |
| ± 0.00 % | - 38,400,000 | - 5 % | – | 0 % | + 45,610,000 | 6 % |
| - 0.50 % | - 10,130,000 | - 1 % | + 29,970,000 | 4 % | + 77,820,000 | 10 % |

RETAIL in EUR

| DISCOUNT RATE | CAPITALISATION RATE | | | | | |
|---------------|---------------------|-------|--------------|-------|--------------|------|
| | + 0.50 % | IN % | ± 0.00 % | IN % | + 0.50 % | IN % |
| + 0.50 % | - 21,070,000 | - 8 % | - 9,350,000 | - 4 % | + 4,700,000 | 2 % |
| ± 0.00 % | - 12,150,000 | - 5 % | – | 0 % | + 14,630,000 | 6 % |
| - 0.50 % | - 3,060,000 | - 1 % | + 10,020,000 | 4 % | + 25,310,000 | 10 % |

LOGISTICS in EUR

| DISCOUNT RATE | CAPITALISATION RATE | | | | | |
|---------------|---------------------|-------|-------------|-------|-------------|------|
| | + 0.50 % | IN % | ± 0.00 % | IN % | + 0.50 % | IN % |
| + 0.50 % | - 5,400,000 | - 8 % | - 2,500,000 | - 4 % | + 700,000 | 1 % |
| ± 0.00 % | - 3,000,000 | - 5 % | — | 0 % | + 3,400,000 | 5 % |
| - 0.50 % | - 500,000 | - 1 % | + 2,600,000 | 4 % | + 6,200,000 | 9 % |

OTHER in EUR

| DISCOUNT RATE | CAPITALISATION RATE | | | | | |
|---------------|---------------------|-------|-----------|-------|-------------|------|
| | + 0.50 % | IN % | ± 0.00 % | IN % | + 0.50 % | IN % |
| + 0.50 % | - 1,770,000 | - 7 % | - 960,000 | - 4 % | + 130,000 | 1 % |
| ± 0.00 % | - 1,020,000 | - 4 % | — | 0 % | + 1,030,000 | 4 % |
| - 0.50 % | - 150,000 | - 1 % | + 900,000 | 3 % | + 2,050,000 | 8 % |

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

TOTAL in EUR

| MARKET RENT | VALUE | ABSOLUTE DELTA | DELTA IN % |
|-------------|-------|----------------|------------|
| -10 % | 1,165 | - 104 | - 8 % |
| -5 % | 1,217 | - 52 | - 4 % |
| ± 0 % | 1,269 | – | – |
| + 5 % | 1,322 | + 53 | + 4 % |
| + 10 % | 1,374 | + 105 | + 8 % |

OFFICE in EUR

| MARKET RENT | VALUE | ABSOLUTE DELTA | DELTA IN % |
|-------------|-------|----------------|------------|
| -10 % | 1,281 | - 116 | - 8 % |
| -5 % | 1,338 | - 58 | - 4 % |
| ± 0 % | 1,396 | – | – |
| + 5 % | 1,454 | + 58 | + 4 % |
| + 10 % | 1,513 | + 116 | + 8 % |

RETAIL in EUR

| MARKET RENT | VALUE | ABSOLUTE DELTA | DELTA IN % |
|-------------|-------|----------------|------------|
| -10 % | 1,570 | - 126 | - 7 % |
| -5 % | 1,633 | - 63 | - 4 % |
| ± 0 % | 1,696 | – | – |
| + 5 % | 1,761 | + 65 | + 4 % |
| + 10 % | 1,824 | + 128 | + 8 % |

LOGISTICS in EUR

| MARKET RENT | VALUE | ABSOLUTE DELTA | DELTA IN % |
|-------------|-------|----------------|------------|
| -10 % | 397 | - 50 | - 11 % |
| -5 % | 422 | - 25 | - 5 % |
| ± 0 % | 447 | – | – |
| + 5 % | 472 | + 25 | + 5 % |
| + 10 % | 496 | + 49 | + 11 % |

OTHER in EUR

| MARKET RENT | VALUE | ABSOLUTE DELTA | DELTA IN % |
|-------------|-------|----------------|------------|
| -10 % | 743 | - 57 | - 7 % |
| -5 % | 770 | - 30 | - 4 % |
| ± 0 % | 800 | – | – |
| + 5 % | 828 | + 27 | + 3 % |
| + 10 % | 855 | + 55 | + 7 % |

A substantial increase in maintenance costs, vacancy rates or property yields would lead to a lower fair value for the properties if the assumptions for the remaining input parameters remained unchanged. The sensitivity analysis is based on the parameters of the appraisal reports as at 31 December 2018, as no changes in the valuation parameters have occurred as at 31 March 2019.

2. Financial liabilities

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

| FINANCIAL LIABILITIES in EUR thousands | FIXED INTEREST | VARIABLE INTEREST | TOTAL |
|---|-------------------|----------------------|----------------|
| 2017/2022 corporate bond | 361,558 | 0 | 361,558 |
| Other financial liabilities | 226,360 | 44,701 | 271,061 |
| Total | 587,918 | 44,701 | 632,619 |

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 |
| Total | 590,956 | 45,616 | 636,572 |

* Prior-year figures have been adjusted

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

| FINANCIAL LIABILITIES in EUR thousands | FIXED INTEREST | VARIABLE INTEREST | TOTAL |
|---|-------------------|----------------------|----------------|
| 2017/2022 corporate bond | 366,625 | 0 | 366,625 |
| Other financial liabilities | 234,004 | 44,701 | 278,705 |
| Total | 600,629 | 44,701 | 645,330 |

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

| FINANCIAL LIABILITIES 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 |
| Total | 604,884 | 45,616 | 650,500 |

* Prior-year figures have been adjusted

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

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 3.16% p.a. as at 31 March 2019 (31 December 2018: 3.16% p.a.). The average interest rate on all financial liabilities amounted to 3.00% p.a. as at 31 March 2019 (31 December 2018: 3.00% p.a.).

F. Condensed group segment reporting

| 1 JANUARY 2019 – 31 MARCH 2019 in EUR thousands | CORE PORTFOLIO | FAIR VALUE REIT | CORPORATE FUNCTIONS/ OTHERS | GROUP |
|---|-------------------|-----------------------|-----------------------------------|------------------|
| Total revenues | 18,017 | 7,439 | 0 | 25,456 |
| Segment revenues | 18,032 | 7,453 | 20 | 25,504 |
| Segment expenses | - 6,004 | - 4,070 | - 1,856 | - 11,930 |
| Net profit/ loss for the period | 9,512 | 1,787 | - 4,656 | 6,643 |
| Additional information | | | | |
| Segment assets | 871,136 | 338,587 | 171,509 | 1,381,232 |
| thereof current financial receivables and other financial assets | 114 | 6 | 6,320 | 6,440 |
| thereof tax refund claims | 12 | 7 | 2,863 | 2,882 |
| thereof non-current assets, held for sale | 12,262 | 0 | 0 | 12,262 |
| Segment liabilities | 583,253 | 204,818 | 4,177 | 792,247 |
| thereof non-current financial liabilities | 515,015 | 63,115 | 0 | 578,129 |
| thereof current financial liabilities | 7,001 | 47,489 | 0 | 54,490 |
| thereof tax liabilities | 2,283 | 0 | 203 | 2,486 |

| 1 JANUARY 2018 – 31 MARCH 2018 in EUR thousands | CORE PORTFOLIO | FAIR VALUE REIT | CORPORATE FUNCTIONS/ OTHERS | GROUP |
|---|-------------------|-----------------------|-----------------------------------|------------------|
| Total revenues | 16,554 | 7,448 | 0 | 24,002 |
| Segment revenues | 38,176 | 19,139 | 132 | 57,447 |
| Segment expenses | - 8,357 | - 3,803 | - 3,097 | - 15,257 |
| Net profit/ loss for the period | 20,225 | 7,165 | - 6,563 | 20,826 |
| Additional information | | | | |
| Segment assets | 792,562 | 336,210 | 51,372 | 1,180,144 |
| thereof current financial receivables and other financial assets | 273 | 0 | 5,134 | 5,407 |
| thereof tax refund claims | 879 | 3 | 1,880 | 2,762 |
| thereof non-current assets, held for sale | 12,662 | 0 | 0 | 12,662 |
| Segment liabilities | 611,702 | 204,935 | 23,695 | 840,332 |
| thereof non-current financial liabilities | 555,260 | 109,254 | 0 | 669,514 |
| thereof current financial liabilities | 16,638 | 8,000 | 0 | 24,638 |
| thereof tax liabilities | 2,461 | 0 | 0 | 2,461 |

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

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

More than 10 % of total revenue, or EUR 5,582 thousand (Q1 2018: EUR 5,572 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 have been no business transactions with members in key Company positions during the reporting period, except for the compensation of the Executive Board mentioned in section G.5.

2. FINANCIAL INSTRUMENTS

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

| | 31/03/2019 | | 31/12/2018 | |
|---|------------|-----------------|------------|-----------------|
| | FAIR VALUE | CARRYING AMOUNT | FAIR VALUE | CARRYING AMOUNT |
| in EUR thousands | | | | |
| Bond | 374,385 | 361,558 | 358,156 | 361,208 |
| Other non-current financial liabilities | 226,360 | 218,046 | 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 quarter of 2019.

4. OTHER DISCLOSURES

Real estate purchase agreements concluded in previous years that were still not in effect as at the 31 March 2019 reporting date, resulted in financial obligations of EUR 147,435 thousand. These financial obligations relate to the purchase of the portfolio of office properties in Cologne, Aschheim-Dornach, Bad Vilbel and Essen.

Contractual obligations mainly existed for the modification and expansion of the properties in Eschborn, Kempten, the Gutenberg-Galerie and Logistikpark Leipzig. The scope of these obligations has been defined. The resulting costs amounted to EUR 3,247 thousand as at 31 March 2019.

The purchase order commitment from commissioned maintenance amounted to EUR 517 thousand as at the interim reporting date.

As at the 31 March 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 reporting quarter were

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

For the interim reporting period, performance-based remuneration of EUR 60 thousand (Q1 2018: EUR 45 thousand), fixed remuneration of EUR 128 thousand (Q1 2018: EUR 99 thousand) and share-based payments of EUR 33 thousand (Q1 2018: EUR 424 thousand) were recognised for the DEMIRE AG Executive Board. In the first quarter of 2018, one Executive Board member had been appointed. The remuneration amount that Mr Ralf Kind may still be entitled to continues to be outstanding as this issue is currently subject to pending legal proceedings.

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

6. EVENTS OCCURRING AFTER THE 31 MARCH 2019 INTERIM REPORTING DATE

After the reporting date, the purchase of four office buildings based on agreements signed at the end of 2018 were contracted.

DEMIRE Deutsche Mittelstand Real Estate AG

Frankfurt am Main, 15 May 2019



Ingo Hartlief FRICS
Member of the Executive Board (CEO)



Tim Brückner
Member of the Executive Board (CFO)

APPENDIX: VALUATION PARAMETERS ACCORDING TO IFRS AS AT 31 MARCH 2019

| | 31/12/2018 |
|--|----------------|
| Average market rent (in EUR per m ² per year) | 87.04 |
| Range of market rents (in EUR per m ²) | 33.20 – 220.43 |
| Total lettable space as at reporting date (in m ²) | 894,718 |
| Vacant space as at reporting date (in m ²) | 84,974 |
| Value-based vacancy rate according to EPRA (in %) | 7.47 |
| Average vacancy rate based on lettable space (in %) | 9.50 |
| Range of vacancy rates based on lettable space (in %) | 0.00 – 100 |
| Weighted average lease term – WALT (in years) | 4.59 |

The valuation parameters according to IFRS 13 are based on those as at 31 December 2018 as they have not changed as at 31 March 2019 and an updated valuation has not been carried out.

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 m² on the valuation date for the various types of use are shown in the table below:

| CONTRACTUAL RENTS in EUR | | 31/12/2018 |
|-----------------------------|------|------------|
| Office | Min. | 3.32 |
| | Max. | 13.22 |
| | Avg. | 8.14 |
| Retail | Min. | 3.20 |
| | Max. | 19.77 |
| | Avg. | 10.49 |
| Others | Min. | 2.89 |
| | Max. | 10.05 |
| | Avg. | 3.35 |
| Total | Min. | 2.32 |
| | Max. | 19.35 |
| | Avg. | 7.27 |

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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RESPONSIBLE PUBLISHER

The Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG

CONCEPT AND LAYOUT

FIRST RABBIT GmbH

STATUS

As at May 2019



Scan the QR code with your smartphone to access the corresponding app and receive a direct link to our Company website.

