Financial Year 1 January – 31 December 2018

Interim Statement 3Q | 2018

DEMIRE DEUTSCHE MITTELSTAND REAL ESTATE

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HIGHLIGHTS 9M 2018

KEY EARNINGS FIGURES

18.3
EUR MILLION

FFO I in 9M 2018
FFO I forecast
(after taxes, before minorities)
of approx. EUR 16 – 18 million raised
to approx. EUR 23 – 24 million
for full-year 2018

66.3
EUR MILLION

EBT rises sharply year-on-year as a result
of valuation gains and
reduced financial expenses

KEY FINANCIAL RATIOS

52.6
PERCENT

Significant reduction in
net loan-to-value ratio (net LTV)

3.0
PERCENT P. A.

Year-on-year decline
in average interest costs

5.75
EUR

Strong increase of EUR 0.81 per share
in EPRA NAV (diluted) since the end of 2017

PORTFOLIO DEVELOPMENT

55.1
EUR MILLION

Rental income – sustainable, active real estate
management compensates for the decline through
the sale of non-strategic real estate;
Full-year 2018 forecast increased from approx.
EUR 71 – 73 million to approx. EUR 74 million

7.7
PERCENT

Successful reduction in the EPRA vacancy rate
by a further 170 basis points
compared to the end of 2017

Foreword by the Executive Board

Ladies and Gentlemen,

The first nine months of the 2018 financial year show a significant improvement in our results compared to the same period of the prior year and confirm the success of the implementation of our DEMIRE 2.0 strategy thus far. The key operating and financial ratios developed as follows in the first nine months of the 2018 financial year:

- Funds from operations (FFO I, after taxes, before minorities) reached EUR 18.3 million in the reporting period (9M 2017: EUR 9.2 million), due to the improved profit/loss from the rental of real estate, lower interest expenses and a lower tax burden compared to the prior-year period.
- Rental income was also above plan at EUR 55.1 million, with annualised contractual rent up 2.5 % on a like-for-like basis.
- The EPRA vacancy rate declined versus the end of 2017 by another 170 basis points to 7.7 % as of 30 September 2018, including real estate already sold, as a result of active real estate management.

Based on this solid business development, we were very pleased that we were able to meet the first important prerequisite at the end of October 2018 for the planned growth of our real estate portfolio over the medium-term to EUR 2 billion. With the successful realisation of the capital increase amounting to roughly EUR 150 million and the planned addition of debt, we are now in a position to acquire commercial real estate with a volume of up to EUR 350 million.

In early November, shortly after the announcement of our capital increase, we were able to report the successful conclusion of a purchase agreement for the acquisition of a portfolio of four office properties in attractive locations for an investment of around EUR 167 million. We expect the completion and transfer of these properties during the first quarter of 2019. These properties currently generate net rents, excluding service charges, of around EUR 8.6 million p.a. with a planned FFO contribution of around EUR 3.5 million p.a., which, based on our planned letting performance, is expected to rise to approximately EUR 6 million p.a. in 2023.

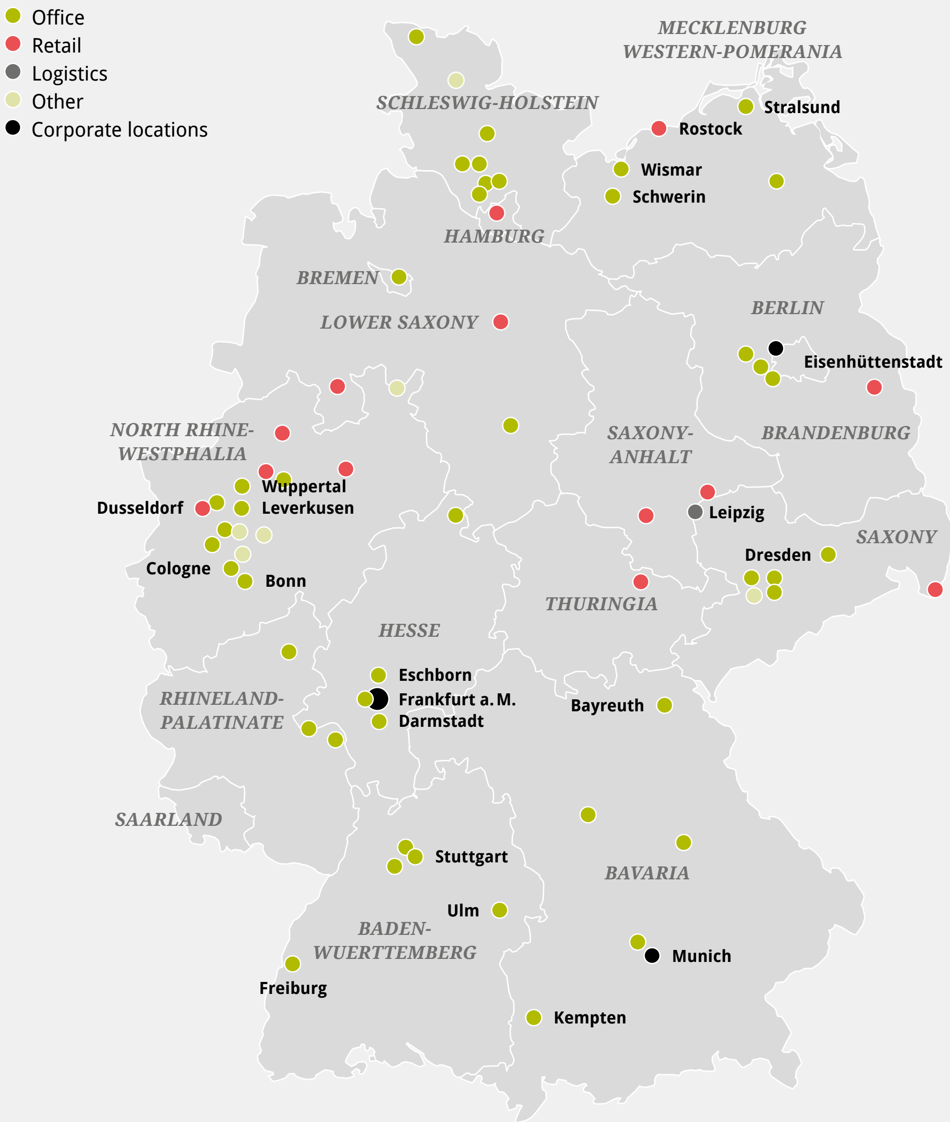
The positive business performance to date and the goals set have led us to adjust our forecast for the 2018 financial year. Based on the current real estate portfolio and better-than-planned operating performance, we expect rental income of around EUR 74 million (previously EUR 71 to 73 million) and FFO I (after taxes and before minority interests) of between EUR 23 to 24 million (previously EUR 16 to 18 million).

Frankfurt am Main, 15 November 2018

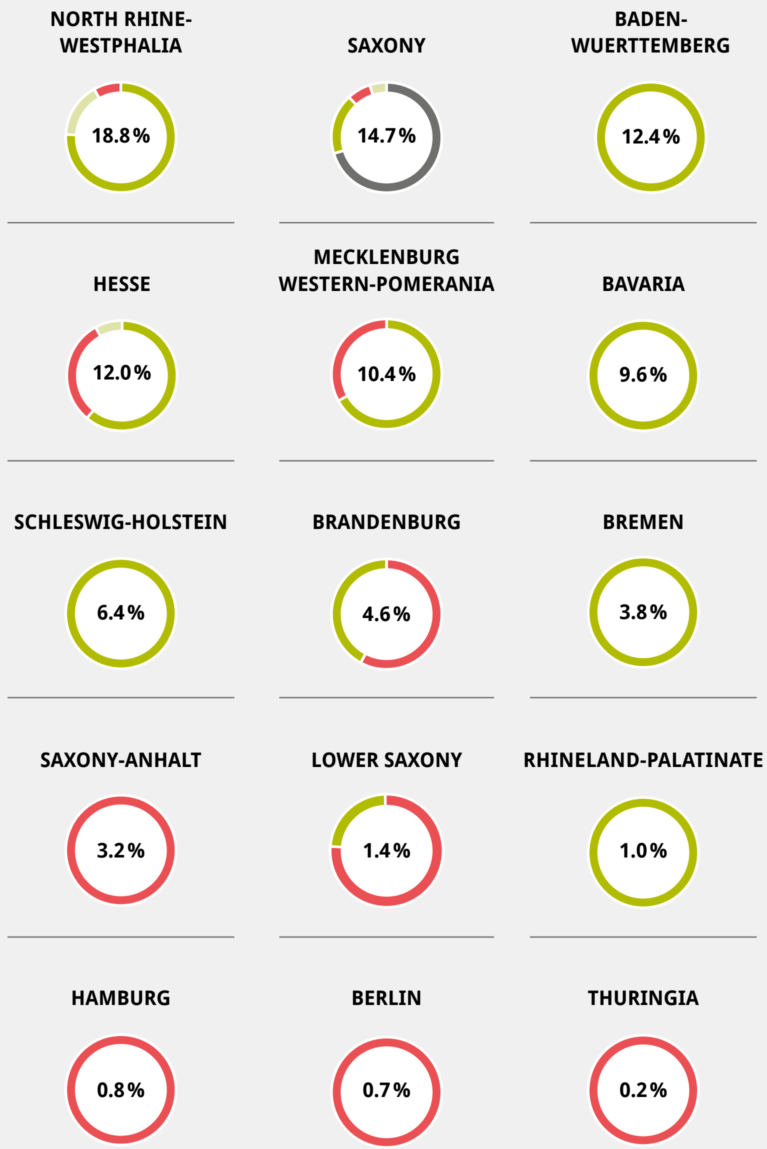
Dipl.-Betriebsw. (FH)
Ralf Kind

Member of the Executive Board (CEO/CFO)

REAL ESTATE PORTFOLIO AND CORPORATE LOCATIONS



Share of total market value



TOP 10 TENANTS (AS OF 30/09/2018)

NO.	TENANT	TYPE OF USE	CONTRACTUAL RENT P.A.[1] In EUR millions	In % of total
1	GMG (Telekom)	Office	22.3	30.5
2	BImA Bundesanstalt für Immobilienaufgaben	Office	2.0	2.7
3	Sparkasse Südholstein	Office	1.8	2.4
4	RIMC	Hotel	1.5	2.0
5	HPI Germany	Office	1.4	1.9
6	comdirect bank AG	Office	1.2	1.7
7	Barmer BKK	Office	1.2	1.7
8	AXA Konzern AG	Office	1.2	1.7
9	Momox GmbH	Logistics	1.2	1.7
10	toom Baumarkt GmbH	Retail	1.0	1.3
Sub-total			**34.7**	**47.6**
Other			38.2	52.4
Grand total			**72.9**	**100.0**

[1] According to annualised contractual rent, excluding service charges.

- As of the reporting date of 30 September 2018, the real estate portfolio of the DEMIRE Group comprised 85 commercial properties with a total lettable floor space of around 956,700 m² and a total market value of EUR 1,105.2 million (31 December 2017: EUR 1,034.1 million). As of the reporting date, four properties or partial properties valued at around EUR 12.9 million were held for sale.
- The letting performance in the first nine months of the 2018 financial year reached around 49,200 m², of which roughly 24,400 m² were new lettings.
- The annualised contractual rent increased from EUR 72.1 million as of 31 December 2017 to EUR 72.9 million as of 30 September 2018 due to successful letting performance and the related reduction in vacancies. On a like-for-like basis, annualised contractual rent rose by 2.5% since the balance sheet date of 31 December 2017.
- Taking into account real estate already sold, the vacancy rate improved again by 170 basis points from 9.4% as of 31 December 2017 to 7.7% as of 30 September 2018.

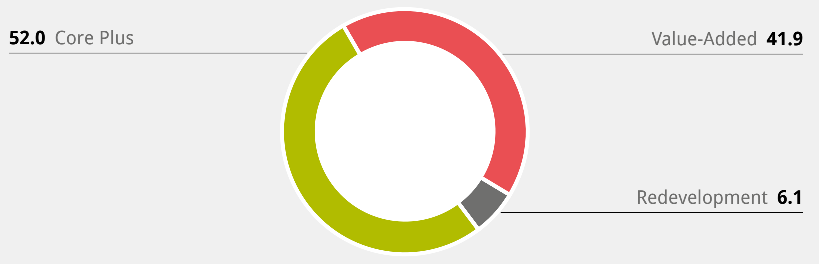
KEY PORTFOLIO INDICATORS

	OFFICE	RETAIL	LOGISTICS	OTHER	TOTAL 30/09/2018	TOTAL 31/12/2017	CHANGE
Properties (number)	62	16	1	6	85	86	–1
Gross asset value (in EUR millions)	747.9	257.0	64.5	35.8	1,105.2	1,034.1	71.1
Contractual rent p.a. (in EUR millions)	49.2	17.3	4.5	1.9	72.9	72.1	0.8
Rent per m²	8.1	10.4	2.3	4.0	7.2	7.2	–/+0
Rental yield (in %)	6.6	6.7	6.9	5.4	6.6	7.0	–40 bp
EPRA vacancy rate (in %)[1]	7.2	6.8	17.0	0.2	7.7	9.4	–170 bp
WALT (in years)	4.2	6.1	1.7	6.1	4.6	4.9	–0.3

[1] Excluding properties held for sale.

FOCUS ON THREE ASSET CLASSES

in % of portfolio market value



(As of: 30/09/2018)

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

In the first nine months of the 2018 financial year, the DEMIRE Group generated rental income of EUR 55.1 million (9M 2017: EUR 55.9 million), which declined slightly by 1.3 % year-on-year following the sale of non-strategic real estate in the preceding 12 months. A majority of the decline from these sales was offset by the successful reduction of vacant space in the real estate portfolio.

Profit/loss from the rental of real estate in the first nine months of 2018 was EUR 42.6 million (9M 2017: EUR 42.0 million), up 1.5 % year-on-year. The increase resulted from lower capital expenditures compared to the prior-year period and lower non-allocable operating costs in the first nine months of the 2018 financial year.

Other operating income and other effects amounted to EUR 70.7 million (9M 2017: EUR 28.7 million). The increase in other operating income and other effects was mainly attributable to a higher result from fair value adjustments in investment properties of EUR 70.1 million (9M 2017: EUR 26.3 million).

General and administrative expenses increased 12.2 % to EUR 12.3 million (9M 2017: EUR 11.0 million) due to higher legal and consulting fees in the first nine months of the 2018 financial year in connection with the takeover offer in April 2018 and the change in shareholder structure. Earnings before interest and taxes (EBIT) therefore came to EUR 95.6 million (9M 2017: EUR 53.7 million), mainly as a result of significantly higher fair value adjustments.

The financial result amounted to EUR –29.3 million in the first nine months of 2018 (9M 2017: EUR –42.1 million). In the first nine months of 2018, there was a significant year-on-year decline in financial expenses, which resulted from the successful refinancing of existing high-interest financial liabilities in the 2017 financial year. The year-on-year decline in financial income, on the other hand, was mainly attributable to the exercise of the redemption option of the 2014/2019 corporate bond repaid in November 2017. The year-on-year increase in minority interests to around EUR 9.6 million (9M 2017: EUR 5.5 million) was primarily the result of the proportionate increase in valuation gains from the Fair Value REIT sub-group. As of 30 September 2018, the average nominal interest on financial debt was unchanged versus the end of 2017 at 3.0 % p. a.

Profit/loss before taxes (EBT) experienced an almost six-fold increase to EUR 66.3 million (9M 2017: EUR 11.6 million) due to significantly higher fair value adjustments. Taking into account a higher tax expense compared to the same period of the previous year, which was mainly due to higher deferred taxes from positive real estate valuation effects, the net profit/loss for the period in the first nine months of the 2018 financial year was EUR 48.1 million compared to EUR 8.6 million in the same period of the prior year.

CONSOLIDATED STATEMENT OF INCOME (Selected information in EUR thousands)	**01/01/2018 – 30/09/2018**	**01/01/2017 – 30/09/2017**	**CHANGE**	**IN %**
Rental income	55,144	55,888	–744	–1.3
Income from utility and service charges	11,971	12,563	–592	–4.7
Operating expenses to generate rental income	–24,499	–26,450	1,951	–7.4
Profit/loss from the rental of real estate	**42,616**	**42,001**	**615**	**1.5**
Profit/loss from the sale of real estate	–27	–623	596	–95.7
Profit/loss from investments accounted for using the equity method	162	97	65	67.5
Profit/loss from fair value adjustments in investment properties	70,099	26,262	43,837	>100
Other operating income and other effects	626	2,424	–1,798	–74.2
General and administrative expenses	–12,291	–10,950	–1,341	12.2
Other operating expenses	–5,600	–5,476	–124	2.3
Earnings before interest and taxes	**95,586**	**53,736**	**41,851**	**77.9**
Financial result	–29,334	–42,097	12,762	–30.3
Profit/loss before taxes	**66,252**	**11,639**	**54,613**	**>100**
Current income taxes	–445	–1,032	587	–56.9
Deferred taxes	–17,727	–2,048	–15,679	>100
Net profit/loss for the period	**48,080**	**8,559**	**39,521**	**>100**
thereof attributable to parent company shareholders	42,281	4,948	37,333	>100
Basic earnings per share (in EUR)	0.66	0.09	0.57	>100
Weighted average number of shares outstanding (in thousands)	64,185	54,258		
Diluted earnings per share (in EUR)	0.65	0.08	0.57	>100
Weighted average number of shares outstanding, diluted (in thousands)	64,969	67,881		

NET ASSETS

As of 30 September 2018, total assets increased by around EUR 84.9 million compared to the end of 2017 to a total of around EUR 1.23 billion. This rise resulted primarily from the fair value adjustments in investment properties and a higher level of cash and cash equivalents following the 10% capital increase completed in April 2018.

The value of investment properties was approximately EUR 1,092.4 million as of 30 September 2018, which is equivalent to an increase of EUR 70.5 million, or 6.9%, as compared to 31 December 2017, mainly due to portfolio revaluations conducted during the year. Non-current assets held for sale totalling EUR 12.9 million as of 30 September 2018 consisted of two smaller properties in addition to a property in Apolda and a partial property in Darmstadt.

Group equity amounted to approximately EUR 404.9 million as of 30 September 2018, and rose in total by around EUR 85.8 million compared to 31 December 2017 (EUR 319.1 million) as a result of the positive net profit for the period, a higher level of subscribed capital stemming from the 10% capital increase and the conversion of convertible bonds. The equity ratio equalled 32.9% (31 December 2017: 27.8%). It should be noted that under IFRS, non-controlling minority interests in the amount of approximately EUR 78.1 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 483.0 million, or 39.2% of the Group's total assets (31 December 2017: EUR 391.0 million or 34.1%).

Total financial liabilities as of 30 September 2018 were EUR 670.4 million or EUR 24.5 million lower than as of 31 December 2017 (EUR 694.9 million). Next to repayments, the decline in financial liabilities was mainly attributable to the conversion of 2013/ 2018 convertible bonds in June 2018 by the two major shareholders and the first-time application of IFRS 9 in 2018.

BALANCE SHEET – ASSETS (Selected information in EUR thousands)	**30/09/2018**	**31/12/2017**	**CHANGE**	**IN %**
Assets				
Total non-current assets	1,103,160	1,032,897	70,262	6.8
Total current assets	116,009	101,957	14,052	13.8
Assets held for sale	12,867	12,262	605	4.9
TOTAL ASSETS	**1,232,035**	**1,147,116**	**84,919**	**7.4**

BALANCE SHEET – EQUITY AND LIABILITIES (Selected information in EUR thousands)	**30/09/2018**	**31/12/2017**	**CHANGE**	**IN %**
Equity and liabilities				
Equity				
Equity attributable to parent company shareholders	368,300	285,417	82,883	29.0
Non-controlling interests	36,611	33,684	2,927	8.7
Total equity	**404,911**	**319,101**	**85,810**	**26.9**
Liabilities				
Total non-current liabilities	746,962	780,630	–33,668	–4.3
Total current liabilities	80,162	47,385	32,776	69.2
Total liabilities	827,124	828,015	–891	–0.1
TOTAL EQUITY AND LIABILITIES	**1,232,035**	**1,147,116**	**84,919**	**7.4**

FINANCIAL POSITION

CONSOLIDATED STATEMENT OF CASH FLOWS (Selected information in EUR thousands)	01/01/2018 –30/09/2018	01/01/2017 –30/09/2017	CHANGE	IN %
Cash flow from operating activities	22,620	20,146	2,474	12.3
Cash flow from investing activities	–1,182	12,697	–13,879	>100
Cash flow from financing activities	–6,775	66,070	–72,845	>100
Net change in cash and cash equivalents	**14,663**	**98,912**	**–84,249**	**–85.2**
Cash and cash equivalents at the end of the period	**88,537**	**130,201**	**–41,664**	**–32.0**

Cash flow from operating activities amounted to EUR 22.6 million in the first nine months 2018 (9M 2017: EUR 20.1 million) and was slightly higher than in the same period of the previous year. In the first nine months of the 2018 financial year, lower distributions were made to minority shareholders compared to the same period of the previous year.

Cash flow from investing activities amounted to EUR –1.2 million in the reporting period. Cash flow from investing activities in the comparable period was EUR 12.7 million, mainly as a result of proceeds from the sale of real estate.

Cash flow from financing activities has changed by approximately EUR –72.8 million to EUR –6.8 million, which was mainly due to the higher repayment of financial liabilities. Compared with the same period of the previous year, proceeds from the assumption of liabilities also declined, primarily from the assumption of financial liabilities.

Cash and cash equivalents amounted to EUR 88.5 million at the end of the first nine months of the 2018 financial year (30 September 2017: EUR 130.2 million).

FINANCIAL PERFORMANCE INDICATORS

FFO DEVELOPMENT

The DEMIRE Group's operating result is measured In terms of funds from operations (FFO), which represents earnings adjusted for measurement effects, other disposal and one-time effects and non-periodic income and expenses. Funds from operations (FFO I, after taxes, before minorities) almost doubled versus the prior-year period. FFO I reached EUR 18.3 million as of the reporting date (9M 2017: EUR 9.2 million) due to higher profit/loss from the rental of real estate, lower interest expenses and a reduced tax burden versus the same period in the prior year. FFO I after minorities and taxes amounted to EUR 15.4 million (9M 2017: EUR 4.6 million).

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 18.3 million (9M 2017: EUR 8.7 million) and EUR 15.4 million (9M 2017: EUR 4.1 million) after taxes and after minorities.

FFO CALCULATION (Selected information in EUR thousands)	**01/01/2018 – 30/09/2018**	**01/01/2017 – 30/09/2017**	**CHANGE**	**IN %**
Profit/loss before taxes	66,252	11,639	54,613	>100
Minority interests	9,598	5,503	4,095	74.4
Earnings before taxes (EBT)	**75,850**	**17,142**	**58,708**	**>100**
+/– Profit/loss from the sale of real estate	27	623	–596	–95.7
+/– Profit/loss from investments accounted for using the equity method	–162	–97	–65	67.1
+/– Profit/loss from fair value adjustments in investment properties	–70,099	–26,262	–43,837	>100
+/– Profit/loss from the valuation of derivative financial instruments	0	2,117	–2,117	–100.0
+/– Other adjustments*	13,158	16,689	–3,531	–21.2
FFO I before taxes	**18,774**	**10,212**	**8,562**	**83.8**
+/– (Current) income taxes	–440	–1,005	565	–56.2
FFO I after taxes	**18,333**	**9,207**	**9,126**	**99.1**
thereof attributable to parent company shareholders	15,376	4,568	10,808	>100
thereof attributable to non-controlling interests	2,957	4,638	–1,681	–36.2
+/– Profit/loss from the sale of real estate (after taxes)	–27	–542	515	–95.0
FFO II after taxes	**18,306**	**8,665**	**9,641**	**>100**
thereof attributable to parent company shareholders	15,345	4,078	11,267	>100
thereof attributable to non-controlling interests	2,961	4,587	–1,626	–35.4
FFO I after taxes per share				
Basic FFO I per share (EUR)	0.29	0.17	0.12	68.3
Weighted average number of shares outstanding (in thousands)	64,185	54,258		
Diluted FFO I per share (EUR)	0.28	0.14	0.14	>100
Weighted diluted average number of shares outstanding (in thousands)	64,969	67,881		
FFO II after taxes per share				
Basic FFO II per share (EUR)	0.29	0.16	0.13	78.6
Weighted average number of shares outstanding (in thousands)	64,185	54,258		
Diluted FFO I) per share (EUR)	0.28	0.13	0.15	>100
Weighted diluted average number of shares outstanding (in thousands)	**64,969**	**67,881**		

* Other adjustments contain the following:
- One-time refinancing costs (EUR 7.9 million; previous year: EUR 12.1 million, including one-off impairments of receivables in connection with sales and other effects from refinancing)
- One-time legal and consulting fees and effects from transactions (EUR 4.4 million; previous year: EUR 1.8 million)
- One-time administrative costs (EUR 0.9 million; previous year: EUR 1.5 million)
- Non-period expenses/income (EUR –0.02 million; previous year: EUR 1.3 million)

NET ASSET VALUE (NAV)

Basic EPRA net asset value (EPRA NAV) increased significantly from EUR 323.6 million as of 31 December 2017 to EUR 424.2 million as of 30 September 2018. Basic EPRA NAV based on higher number of shares as of the balance sheet date amounted to EUR 5.80 per share (31 December 2017: EUR 5.96 per share), diluted EPRA NAV amounted to EUR 5.75 per share (31 December 2017: EUR 4.94 per share).

EPRA NET ASSET VALUE (NAV) in EUR thousands	30/09/2018	31/12/2017	CHANGE	IN %
Equity	368,300	285,417	82,883	29.0
Deferred taxes	60,612	42,893	17,719	41.3
Goodwill resulting from deferred taxes	–4,738	–4,738	0	0.0
EPRA NAV (basic)	**424,174**	**323,572**	**100,603**	**31.1**
Number of shares outstanding (in thousands) (basic)	73,086	54,271	18,815	34.7
EPRA NAV per share (EUR) (basic)	5.80	5.96	–0.16	–2.7
Effect of the exercise of convertible bonds and other equity instruments	234	12,048	–11,814	–98.1
EPRA NAV (DILUTED)	**424,408**	**335,620**	**88,789**	**26.4**
Number of shares outstanding (in thousands) (diluted)	73,870	67,885	5,985	8.8
EPRA NAV PER SHARE (EUR) (DILUTED)	**5.75**	**4.94**	**0.81**	**16.4**

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 fell sharply by 750 basis points to 52.6% as of 30 September 2018 compared to the end of 2017 (60.1%). A positive impact as of the reporting date resulted above all from the conversion of convertible bonds in the amount of approximately EUR 10.4 million, EUR 10.3 million of which was converted by DEMIRE’s major shareholders in June 2018, the positive result from the valuation of the real estate portfolio in the first nine months of 2018 and the high level of cash and cash equivalents, which included, among others, the proceeds from the 10% capital increase in April 2018.

NET LOAN-TO-VALUE (NET LTV) in EUR millions	30/09/2018	31/12/2017
Financial liabilities	670.4	694.9
Cash and cash equivalents	88.5	73.9
Net financial debt	**581.9**	**621.0**
Fair value of investment properties and non-current assets held for sale	**1,105.2**	**1,034.1**
Net LTV in %	**52.6%**	**60.1%**

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 of 31 December 2017. There were no material changes in the Group's risk structure in the first nine months of the 2018 financial year.

OUTLOOK

Due to the positive business performance and the successful implementation of the DEMIRE 2.0 strategy in the first nine months of the 2018 financial year, the Executive Board decided on 7 November 2018 to increase the previously published outlook for the 2018 financial year.

Compared with the previous planning, a stronger increase in the profit/loss from the rental of real estate is expected. This will result from higher rental income, lower non-allocable operating expenses to generate rental income and lower capital expenditures in the 2018 financial year.

The previous forecast for rental income for full-year 2018 has been increased from EUR 71 to 73 million to around EUR 74 million. The previous forecast for funds from operations (FFO I, after taxes, before minority interests) in the 2018 financial year has now been raised from EUR 16 to 18 million to EUR 23 to 24 million.

Frankfurt am Main, 15 November 2018

Dipl.-Betriebsw. (FH) Ralf Kind
Member of the Executive Board (CEO/CFO)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2018

CONSOLIDATED STATEMENT OF INCOME

For the reporting period from 1 January to 30 September 2018

in EUR thousands	01/01/2018 –30/09/2018	01/01/2017 –30/09/2017	01/07/2018 –30/09/2018	01/07/2017 –30/09/2017
Rental income	55,144	55,888	18,587	18,657
Income from utility and service charges	11,971	12,563	3,168	2,912
Operating expenses to generate rental income	–24,499	–26,450	–7,210	–6,903
Profit/loss from the rental of real estate	**42,616**	**42,001**	**14,545**	**14,666**
Revenue from the sale of real estate	427	16,767	423	701
Expenses relating to real estate sales	–453	–17,390	–439	–807
Profit/loss from the sale of real estate	**–27**	**–623**	**–16**	**–106**
Profit/loss from investments accounted for using the equity method	162	97	65	32
Profit/loss from fair value adjustments in investment properties	70,099	26,262	0	19,427
Impairment of receivables	–2,365	–849	–258	–358
Other operating income	2,991	3,273	892	496
Other operating income and other effects	**70,725**	**28,686**	**634**	**19,564**
General and administrative expenses	–12,291	–10,950	–2,791	–3,912
Other operating expenses	–5,600	–5,476	–1,238	–644
Earnings before interest and taxes	**95,586**	**53,736**	**11,199**	**29,601**
Financial income	327	730	173	–5,414
Financial expenses	–20,063	–37,323	–6,670	–21,503
Interests of minority shareholders	–9,598	–5,503	–810	–1,868
Financial result	**–29,334**	**–42,097**	**–7,306**	**–28,785**
Profit/loss before taxes	**66,252**	**11,639**	**3,893**	**815**
Current income taxes	–445	–1,032	–153	662
Deferred taxes	–17,727	–2,048	–332	1,469
Net profit/loss for the period	**48,080**	**8,559**	**3,407**	**2,945**
thereof, attributable to:				
Non-controlling interests	**5,799**	**3,611**	**633**	**1,776**
Parent company shareholders	**42,281**	**4,948**	**2,774**	**1,169**
Basic earnings per share	0.66	0.09	0.04	0.02
Diluted earnings per share	0.65	0.08	0.04	0.01

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the reporting period from 1 January to 30 September 2018

in EUR thousands	01/01/2018 –30/09/2018	01/01/2017 –30/09/2017	01/07/2018 –30/09/2018	01/07/2017 –30/09/2017
Net profit/loss for the period	**48,080**	**8,559**	**3,407**	**2,945**
Items that will be reclassified to profit and loss:				
Currency translation differences	0	–77	0	–76
Other comprehensive income	**0**	**–77**	**0**	**–76**
Total comprehensive income	**48,080**	**8,482**	**3,407**	**2,869**
thereof, attributable to:				
Non-controlling interests	**5,799**	**3,611**	**633**	**1,776**
Parent company shareholders	**42,281**	**4,871**	**2,775**	**1,093**

CONSOLIDATED BALANCE SHEET

As of 30 September 2018

ASSETS in EUR thousands	30/09/2018	31/12/2017
ASSETS		
Non-current assets		
Intangible assets	6,896	6,985
Property, plant and equipment	1,886	1,875
Investment properties	1,092,373	1,021,847
Investments accounted for using the equity method	204	200
Other financial assets	1,802	1,990
Total non-current assets	**1,103,160**	**1,032,897**
Current assets		
Real estate inventory	0	1,734
Trade accounts receivable and other receivables	18,305	18,577
Financial receivables and other financial assets	5,718	5,184
Tax refund claims	3,448	2,588
Cash and cash equivalents	88,537	73,874
Total current assets	**116,009**	**101,957**
Non-current assets held for sale	**12,867**	**12,262**
TOTAL ASSETS	**1,232,035**	**1,147,116**

EQUITY AND LIABILITIES in EUR thousands	30/09/2018	31/12/2017
EQUITY AND LIABILITIES		
EQUITY		
Subscribed capital	73,086	54,271
Reserves	295,214	231,146
Equity attributable to parent company shareholders	**368,300**	**285,417**
Non-controlling interests	36,611	33,684
TOTAL EQUITY	**404,911**	**319,101**
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	60,612	42,893
Minority interests	78,134	71,931
Financial liabilities	608,216	665,767
Other liabilities	0	39
Total non-current liabilities	**746,962**	**780,630**
Current liabilities		
Provisions	2,400	1,016
Trade payables and other liabilities	13,060	14,663
Tax liabilities	2,563	2,559
Financial liabilities	62,139	29,147
Total current liabilities	**80,162**	**47,385**
TOTAL LIABILITIES	**827,124**	**828,015**
TOTAL EQUITY AND LIABILITIES	**1,232,035**	**1,147,116**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the reporting period from 1 January to 30 September 2018

in EUR thousands	01/01/2018 –30/09/2018	01/01/2017 –30/09/2017
Group profit/loss before taxes	**66,252**	**11,639**
Financial expenses*	20,063	37,323
Interests of minority shareholders*	9,598	5,503
Financial income	–327	–730
Change in real estate inventory	1,734	0
Change in trade accounts receivable and other receivables	272	–1,164
Change in financial receivables and other financial assets	–346	–239
Change in provisions	1,384	–981
Change in trade payables and other liabilities	–4,587	–2,041
Profit/loss from fair value adjustments in investment properties	–70,099	–26,262
Gains from the sale of real estate and real estate companies	27	623
Interest proceeds	129	301
Income taxes paid	–92	–263
Change in reserves	–174	446
Depreciation and amortisation and impairment	2,504	849
Distributions to minority shareholders/dividends	–2,961	–4,569
Other non-cash items*	–757	–289
Cash flow from operating activities	**22,620**	**20,146**
Payments for investments	–1,605	–3,632
Proceeds from the sale of real estate	423	16,328
Cash flow from investing activities	**–1,182**	**12,697**
Proceeds from capital increases	23,600	0
Payments for expenses associated with raising equity	–628	0
Acquisition of further shares in a subsidiary	–3,115	0
Proceeds from the issuance of financial liabilities	34,117	273,353
Interest paid on financial liabilities	–18,908	–29,519
Payments for the redemption of financial liabilities	–41,841	–177,765
Cash flow from financing activities	**–6,775**	**66,070**
Net change in cash and cash equivalents	**14,663**	**98,912**
Cash and cash equivalents at the start of the period	73,874	31,289
Cash and cash equivalents at the end of the period (thereof restricted cash: EUR 731 thousand; 30 September 2017: EUR 634 thousand)	**88,537**	**130,201**

* 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 September 2018

in EUR thousands	SHARE CAPITAL	RESERVES						
	SUBSCRIBED CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS INCL. GROUP PROFIT / LOSS	RESERVES FOR TREASURY SHARES	CURRENCY TRANSLATION	EQUITY ATTRIBUTABLE TO PARENT COMPANY SHARE-HOLDERS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
01 / 01 / 2018	**54,271**	**0**	**231,433**	**– 310**	**22**	**285,417**	**33,684**	**319,101**
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	42,281	0	0	42,281	5,799	48,080
Other comprehensive income	0	0	0	0	0	0	0	0
Total comprehensive income	**0**	**0**	**42,281**	**0**	**0**	**42,281**	**5,799**	**48,080**
Capital increase	5,426	17,546	0	0	0	22,972	0	22,972
Stock option programme	0	174	0	0	0	174	0	174
Convertible bonds	13,389	– 3,096	0	0	0	10,292	0	10,292
Dividend payments / distributions	0	0	0	0	0	0	– 1,234	– 1,234
Other changes	0	– 20	609	0	– 22	566	– 2,059	– 1,493
30 / 09 / 2018	**73,086**	**14,604**	**280,919**	**– 310**	**0**	**368,299**	**36,611**	**404,911**
01 / 01 / 2017	**54,247**	**132,618**	**85,242**	**– 310**	**147**	**271,945**	**36,692**	**308,637**
Net profit / loss for the period	0	0	4,948	0	0	4,948	3,611	8,559
Other comprehensive income	0	0	0	0	– 77	– 77	0	– 77
Total comprehensive income	**0**	**0**	**4,948**	**0**	**– 77**	**4,871**	**3,611**	**8,482**
Capital increase	15	0	0	0	0	15	0	15
Stock option programme	0	445	0	0	0	445	0	445
Dividend payments / distributions	0	0	0	0	0	0	– 1,251	– 1,251
Other changes	0	– 1	– 768	0	0	– 769	1,056	287
30 / 09 / 2017	**54,262**	**133,062**	**89,422**	**– 310**	**70**	**276,505**	**40,108**	**316,614**

Notes to the consolidated financial statements for the reporting period from 1 January to 30 September 2018

A. GENERAL INFORMATION

1. BASIS OF PREPARATION

DEMIRE Deutsche Mittelstand Real Estate AG ("DEMIRE AG") is recorded in the commercial register in Frankfurt am Main, Germany, the location of the Company's headquarters, under the number HRB 89041. The Company's address is Robert-Bosch-Straße 11, Langen. The subject of these condensed interim consolidated financial statements as of 30 September 2018 is DEMIRE AG and its subsidiaries ("DEMIRE").

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

DEMIRE itself has not carried out any investments in real estate or real estate projects to date. Investments are generally processed through real estate companies. Interests in these real estate companies are either directly or indirectly held by DEMIRE (through intermediate holding companies). DEMIRE 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 September 2018 were prepared in accordance with the requirements of IAS 34 "Interim Financial Reporting" ("IAS 34").

DEMIRE AG's condensed interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and adopted by 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 2018 financial year have been taken into consideration. Furthermore, all of the German statutory disclosure and explanation requirements 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 last year's 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 of 30 September 2018 should therefore be viewed in conjunction with the consolidated financial statements prepared as of 31 December 2017.

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. 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 November 2018.

B. SCOPE AND PRINCIPLES OF CONSOLIDATION

In the interim reporting period, IC Fonds & Co. Gewerbeportfolio Deutschland 13. KG, Munich, was deconsolidated. The deconsolidation did not have any significant effects on the net assets, financial position or results of operations.

C. ACCOUNTING POLICIES

Compared to the consolidated financial statements as of 31 December 2017, there were changes to the accounting policies as a result of the (early) first-time application of IFRS 9, 15 and 16. Apart from these changes, the accounting policies remained the same. The effects resulting from the first-time application are discussed below.

Important to note is that the modified retrospective approach was chosen for the transition to IFRS 15 and 16. The first-time application of IFRS 15 and IFRS 16 did not have any material effect on the consolidated financial statements.

In the reporting period, a total of EUR 99,625 thousand was reclassified from the “loans and receivables” classification and measurement category under IAS 39 to the category of “amortised cost” as a result of the first-time application of IFRS 9. There was also a one-time adjustment in non-current financial liabilities in the amount of EUR –7,018 thousand and in Group equity in the amount of EUR 7,018 thousand. The first-time application of the “expected credit loss” model under IFRS 9 did not have any material effect.

D. NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

1. EARNINGS BEFORE INTEREST AND TAXES

in EUR thousands	01/01/2018 –30/09/2018	01/01/2017 –30/09/2017
Rental income	55,144	55,888
Income from utility and service charges	11,971	12,563
Rental revenue	**67,115**	**68,451**
Allocable operating expenses to generate rental income	– 15,980	– 15,286
Non-allocable operating expenses to generate rental in	– 8,519	– 11,163
Operating expenses to generate rental income	**– 24,499**	**– 26,450**
Profit/loss from the rental of real estate	**42,616**	**42,001**

Rental revenue in the interim reporting period resulted exclusively from the rental of commercial real estate and is free from seasonal effects. Operating expenses to generate rental income consisted primarily of maintenance work that was carried out and expected to lead to an improvement in vacancy rates and rental income in the future. The decline resulted largely from the sale of real estate over the last 12 months.

Earnings before interest and taxes of EUR 95,586 thousand (9M 2017: EUR 53,736 thousand) was not only affected by the profit/loss from the rental of real estate but also positively influenced by the profit/loss from the fair value adjustment in investment properties amounting to EUR 70,099 thousand (9M 2017: EUR 26,262 thousand). Other operating income amounted to EUR 2,991 thousand (9M 2017: EUR 3,273 thousand).

Earnings were reduced by both the financial result of EUR –29,334 thousand (9M 2017: EUR –42,096 thousand) and general and administrative expenses of EUR 12,291 thousand (9M 2017: EUR 10,950 thousand). These consisted mainly of legal and consulting fees of EUR 5,147 thousand (9M 2017: EUR 2,759 thousand), primarily related to the takeover offer from the new major shareholder Apollo in April 2018, staff costs of EUR 2,968 thousand (9M 2017: EUR 3,767 thousand) and accounting and auditing costs of EUR 1,259 thousand (9M 2017: EUR 908 thousand).

Earnings before interest and taxes also included other operating expenses of EUR 5,600 thousand (9M 2017: EUR 5,476 thousand) mainly consisting of depreciation/amortisation of real estate inventory and other assets contained in the Eastern European portfolio (CEE/CIS) in the amount of EUR 2,391 thousand (9M 2017: EUR 0 thousand) and non-deductible input taxes of EUR 1,232 thousand (9M 2017: EUR 930 thousand). The increase in expense of deferred tax liabilities to EUR 17,727 thousand (9M 2017: EUR 2,048 thousand) mainly resulted from valuation gains in investment properties and the expiration of tax loss carryforwards following the further increase in the shareholdings of existing shareholders.

2. FINANCIAL RESULT

in EUR thousands	01/01/2018 –30/09/2018	01/01/2017 –30/09/2017
Financial income	327	730
Financial expenses	–20,063	–37,323
Interests of minority shareholders	–9,598	–5,503
Financial result	**–29,334**	**–42,096**

The decrease in financial expenses mainly resulted from the refinancing operations carried out in the 2017 financial year and the related reduction in the average interest rate on debt.

Interests of minority shareholders of EUR 9,598 thousand (9M 2017: EUR 5,503 thousand) pertain to profits attributable to minority shareholders of Fair Value REIT-AG subsidiaries recognised as liabilities under IFRS. The increase in this item largely resulted from valuation gains in real estate held by these subsidiaries.

3. EARNINGS PER SHARE

	01/01/2018 –30/09/2018	01/01/2017 –30/09/2017
Net profit/loss for the period (in EUR thousands)	**48,080**	**8,559**
Net profit/loss for the period less non-controlling interests	42,281	4,948
Interest expenses from convertible bonds	10	959
Net profit/loss attributable to parent company shareholders (diluted)	42,291	5,907
Number of shares in units (in thousands)		
Number of shares outstanding as of the reporting date	73,086	54,262
Weighted average number of shares outstanding	64,185	54,258
Impact of conversion of convertible bonds and subscription of 2015 Stock Option Programme	784	13,629
Weighted average number of shares (diluted)	64,969	67,882
Earnings per share (in EUR)		
Basic earnings per share	0.66	0.09
Diluted earnings per share	0.65	0.08

As of 30 September 2018, the Company had potential ordinary shares outstanding from convertible bonds, which entitle the holders of the 2013/2018 convertible bonds to make an exchange for 224,181 shares (31 December 2017: 10,613,963 shares). Furthermore, the beneficiaries of the 2015 stock option programme are entitled to subscribe to a total of 560,000 shares.

The increase in the number of shares issued as of 30 September 2018 resulted primarily from conversions of the 2013/2018 convertible bond (10,389,210 shares), conversions of the 2015/2018 mandatory convertible bond (3,000,000 shares) and the cash capital increase (5,425,774 shares) during the reporting period.

E. NOTES TO THE CONSOLIDATED BALANCE SHEET

1. INVESTMENT PROPERTIES

Investment properties are measured at fair value and developed during the reporting period as follows:

in EUR thousands	01/01/2018 – 30/09/2018	01/01/2017 – 31/12/2017
Fair value as of the beginning of the reporting period	**1,021,847**	**981,274**
Additions	1,470	6,247
Reclassifications to non-current assets, held for sale	–1,043	–10,440
Unrealised gains from fair value measurement	73,448	49,005
Unrealised losses from fair value measurement	–3,349	–4,240
Fair value as of the end of the reporting period	**1,092,373**	**1,021,847**

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 032. DEMIRE determines the fair values in the context of the IAS 40 valuation. DEMIRE changed its appraiser from CBRE GmbH to Savills Immobilien Beratungs-GmbH in the second quarter, whereby the determination of fair values continued to be based on a DCF model.

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

CHANGE IN VALUE	DISCOUNT RATE		CAPITALISATION RATE		MARKET RENT	
	–0.5 %	0.5 %	–0.5 %	0.5 %	–10.0 %	10.0 %
in EUR thousands	42,100	–39,850	60,350	–51,140	–92,470	92,330
in %	3.93	–3.72	5.64	–4.78	–8.64	8.63

A substantial increase in maintenance costs, vacancy rates or property yields would lead to a lower fair value of the properties if the assumptions for the remaining input parameters remained unchanged. The sensitivity analysis is based on the parameters of the value appraisal as of 30 June 2018 since no updated valuation was made as of 30 September 2018.

2. FINANCIAL LIABILITIES

Financial liabilities as of the 30 September 2018 consisted of the following:

FINANCIAL LIABILITIES in EUR thousands	FIXED INTEREST	VARIABLE INTEREST	TOTAL
2017/2022 corporate bond	360,840	0	360,840
2013/2018 convertible bond	223	0	223
Other financial liabilities	269,430	39,862	309,292
Total	**630,493**	**39,862**	**670,355**

Financial liabilities as of 31 December 2017 consisted of the following:

FINANCIAL LIABILITIES in EUR thousands	FIXED INTEREST	VARIABLE INTEREST	TOTAL
2017/2022 corporate bond	392,532	0	392,532
2013/2018 convertible bond	10,493	0	10,493
2015/2018 mandatory convertible bond (debt component)	167	0	167
Other financial liabilities	249,627	42,095	291,722
Total	**652,819**	**42,095**	**694,914**

The following table shows the nominal value of financial liabilities as of 30 September 2018:

FINANCIAL LIABILITIES in EUR thousands	FIXED INTEREST	VARIABLE INTEREST	TOTAL
2017/2022 corporate bond	366,625	0	366,625
2013/2018 convertible bond	224	0	224
Other financial liabilities	279,451	39,862	319,313
Total	**646,300**	**39,862**	**686,162**

The following table shows the nominal value of financial liabilities as of 31 December 2017:

FINANCIAL LIABILITIES in EUR thousands	FIXED INTEREST	VARIABLE INTEREST	TOTAL
2017/2022 corporate bond	400,000	0	400,000
2013/2018 convertible bond	10,613	0	10,613
2015/2018 mandatory convertible bond (debt component)	15,000	0	15,000
Other financial liabilities	247,499	42,101	289,600
Total	**673,112**	**42,101**	**715,213**

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 was 2.875 % p.a. and 6 % p.a. for the 2013/2018 convertible bond. Other financial liabilities consisted mainly of bank liabilities and a promissory note loan. The average nominal interest rate on other financial liabilities was 3.15 % p.a. as of 30 September 2018 (31 December 2017: 3.19 % p.a.). The average nominal interest rate on all financial liabilities amounted to 3.00 % p.a. as of 30 September 2018 (31 December 2017: 3.04 % p.a.).

The decline in non-current financial liabilities was related to the redemption offer made to the holders of the 2017/2022 corporate bond due to the change of control, which was accepted in the amount of EUR 33,375 thousand. This amount was refinanced with a current loan as part of a bridge financing, which resulted in a decline in non-current and increase in current financial liabilities. This also led to adjustments as defined by IFRS 9 and resulted in one-time financial expenses of EUR 578 thousand as well as a one-time adjustment to non-current financial liabilities of EUR –7,018 thousand and to Group equity of EUR 7,018 thousand. In addition, bonds amounting to EUR 10,389 thousand from the 2013/2018 convertible bond were converted in the reporting period, resulting in an increase in subscribed capital.

F. CONDENSED GROUP SEGMENT REPORTING

01/01/2018–30/09/2018 in EUR thousands	CORE PORTFOLIO	FAIR VALUE REIT	CORPORATE FUNCTIONS/OTHERS	GROUP
Total revenues	**47,015**	**20,527**	**0**	**67,541**
Segment revenues	**100,027**	**40,250**	**517**	**140,794**
Segment expenses	**–20,868**	**–10,384**	**–13,957**	**–45,208**
Net profit/loss for the period	**54,175**	**14,285**	**–20,381**	**48,080**
30/09/2018				
Segment assets	**824,558**	**336,730**	**70,746**	**1,232,035**
thereof investments accounted for using the equity method	204	0	0	204
thereof financial receivables and other financial assets	205	15	5,498	5,718
thereof tax refund claims	586	0	2,863	3,448
thereof non-current assets, held for sale	12,262	605	0	12,867
Segment liabilities	**598,040**	**202,599**	**26,486**	**827,124**
thereof non-current financial liabilities	514,470	93,746	0	608,216
thereof current financial liabilities	41,460	20,679	0	62,139
thereof tax liabilities	2,503	0	60	2,563

01/01/2017–30/09/2017 in EUR thousands	CORE PORTFOLIO	FAIR VALUE REIT	CORPORATE FUNCTIONS/OTHERS	GROUP
Total revenues	**60,052**	**24,766**	**400**	**85,217**
Segment revenues	**81,145**	**32,463**	**1,241**	**114,849**
Segment expenses	**–37,275**	**–14,482**	**–9,357**	**–61,114**
Net profit/loss for the period	**29,632**	**9,187**	**–30,260**	**8,559**
30/09/2017				
Segment assets	**750,435**	**331,562**	**123,112**	**1,205,109**
thereof investments accounted for using the equity method	107	0	116	224
thereof financial receivables and other financial assets	1,021	0	6,374	7,395
thereof tax refund claims	246	3	1,880	2,129
thereof non-current assets, held for sale	9,275	9,240	0	18,515
Segment liabilities*	**672,668**	**208,113**	**7.715**	**888,496**
thereof non-current financial liabilities*	435,097	120,562	0	555,659
thereof current financial liabilities*	196,432	9,491	0	205,890
thereof tax liabilities	4,192	0	182	4,374

* 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 under IFRS 8. The segment information provided represents the information to be reported to the Executive Board.

DEMIRE consists of two reportable business segments: “Core Portfolio” and “Fair Value REIT”.

More than 10 % of total revenue was generated with one tenant in the “Core Portfolio” segment in the interim reporting period amounting to EUR 16,698 thousand (9M 2017: EUR 22,320 thousand).

G. OTHER DISCLOSURES

1. RELATED PARTY DISCLOSURES

There have been no material changes to the related party disclosures as compared to the 2017 consolidated financial statements. 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 did not approximate their fair values:

	30/09/2018		31/12/2017	
in EUR thousands	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT
2017/2022 corporate bond	375,526	360,840	409,374	392,532
2013/2018 convertible bond	943	223	60,148	10,660

3. RISK REPORT

Concerning the risks to future business development, please refer to the disclosures made in the risk report contained in the consolidated financial statements as of 31 December 2017. No material changes to the Group's risk structure had occurred up until the third quarter of 2018. The redemption offer to the holders of the 2017/2022 corporate bond due to the change of control expired on 14 June 2018. It was accepted in an amount of EUR 33,375 thousand.

4. OTHER DISCLOSURES

Real estate purchase agreements concluded in previous years that were still not in effect as of the 30 September 2018 reporting date did not result in any financial obligations.

Contractual obligations primarily existed for the modification and expansion of the properties in Eschborn and Wismar. The scope of these obligations has been defined. The resulting costs amounted to EUR 1,297 thousand as of 30 September 2018. No other contractual obligations existed to acquire, build or develop any investment properties or to carry out any repairs, maintenance or improvements.

As of the 30 September 2018 interim reporting date, there were no obligations for future lease payments under long-term leasehold agreements.

5. GOVERNING BODIES

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

The sole Executive Board member as of 30 September 2018 is Mr Ralf Kind, CEO/CFO.

For the interim reporting period, performance-based remuneration of EUR 135 thousand (9M 2017: EUR 667 thousand), fixed remuneration of EUR 297 thousand (9M 2017: EUR 1,042 thousand) and share-based payments of EUR 175 thousand (9M 2017: EUR 357 thousand) were recognised for the DEMIRE AG Executive Board. The expenses in the first nine months of 2017 included pro-rata remuneration for up to three members of the Executive Board.

There were no loans or advances granted to the Executive Board member, and no contingencies were assumed for his benefit.

On 27 June 2018, Prof. Dr Alexander Goepfert was newly elected to the Supervisory Board by the Annual General Meeting of DEMIRE AG. At the Board's constituent meeting, Prof. Dr Goepfert also assumed the position of chairman of the Supervisory Board from Prof. Dr Hermann Wagner, who left DEMIRE AG's Supervisory Board at the end of the Annual General Meeting.

6. EVENTS OCCURRING AFTER THE 30 SEPTEMBER 2018 INTERIM REPORTING DATE

On 25 October 2018, with the consent of the Supervisory Board, the Executive Board of DEMIRE AG resolved to increase the share capital of the Company by EUR 34,512,703.00 from EUR 73,085,728.00 to EUR 107,598,431.00 against cash contribution by issuing 34,512,703 new ordinary no-par value bearer shares, each with a notional nominal amount of EUR 1.00 and dividend entitlement as of 1 January 2018, from authorised capital with subscription rights for existing shareholders of the Company.

The new shares have been offered to the Company's existing shareholders at a price of EUR 4.35 per new share and a subscription ratio of 36:17, giving existing shareholders the right to acquire 17 new shares for 36 existing shares in the Company. AEPF III 15 S.à r.l. ("AEPF"), the Company's largest single shareholder, has undertaken to exercise its subscription rights and subscribe directly to the number of new shares attributable to its interest according to the subscription ratio. AEPF has also undertaken to acquire any new shares for which subscription rights of the Company's existing shareholders are not exercised.

On 13 November 2018, the Company announced the completion of its capital increase from authorized capital against cash contributions announced on October 25, 2018. The gross proceeds amount to approximately EUR 150.1 million. 54.83% of the subscription rights were exercised. The remaining new shares that were not subscribed by existing shareholders have been sold to AEPF III 15 S.à r.l., taking its holding of the company's share capital to approximately 64.07%.

The consummation of the capital increase was entered into the commercial register of the local court of Frankfurt am Main on November 12, 2018. The inclusion of the new shares in the existing quotation of the company's shares on the Frankfurt Stock Exchange and the sub-segment of the regulated market of the Frankfurt Stock Exchange with additional post-admission obligations (Prime Standard) begun on 13 November 2018

On 2 November 2018, DEMIRE AG concluded a purchase agreement for the acquisition of a porfolio of four office properties in Essen, Cologne, Aschheim (catchment area Munich) and Bad Vilbel (catchment area Frankfurt) for an investment volume of approximately EUR 167 million (including ancillary purchase costs). We expect the completion and transfer of these properties during the first quarter of 2019.

Prior to the publication of the interim statement, a total of 710 conversion rights from the 2013/2018 convertible bond were exercised creating 710 new no-par value bearer shares.

Frankfurt am Main, 15 November 2018

DEMIRE Deutsche Mittelstand Real Estate AG

Dipl.-Betriebsw. (FH) Ralf Kind
Executive Board Member (CEO/CFO)

APPENDIX: VALUATION PARAMETERS ACCORDING TO IFRS 13

	30/06/2018	31/12/2017
Average market rent (in EUR per m², per year)[1]	85.34	85.21
Range of market rent (in EUR per m²)	31.48–218.84	33.55–204.02
Lettable space as at balance sheet date (in m²)	944,481	913,802
Vacant space as at balance sheet date (in m²)	109,059	125,285
Value-based vacancy rate according to EPRA (in %)	7.77	9.40
Average vacancy rate based on the rentable space (in %)	11.50	14.30
Range of vacancy rate based on the rentable space (in %)	0.00–100	0.00–100
Weighted Average Lease Term – WALT (in years)	4.70	4.73

[1] Average market rent was calculated based on lettable space as of 30 June 2018 and 31 December 2017.

The valuation parameter according to IFRS 13 are based on the parameters as of 30 June 2018 as no updated valuation was conducted as of 30 September 2018.

The basis for rental income planning is the rental payments contractually agreed with the tenants as well as the 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		30/06/2018	31/12/2017
Office	Min.	3.32	3.32
	Max.	13.03	13.08
	Avg.	8.10	7.95
Retail	Min.	3.20	3.20
	Max.	19.17	19.26
	Avg.	10.39	10.32
Others	Min.	2.16	2.89
	Max.	10.97	5.91
	Avg.	2.64	3.08
Total	Min.	2.16	2.82
	Max.	19.17	19.26
	Avg.	7.21	7.56

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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