DEMIRE

ANNUAL REPORT 2023

78.5

RENTAL INCOME in EUR million – sales-related fall of 3.2% from EUR 81.1 million in 2022

36.7

in EUR million
FFO I (after taxes, before minority interests), – 12.0% compared to EUR 41.8 million in 2022

57.7

in %
NET LOAN-TO-VALUE RATIO (LTV) as defined in the 2019/24 corporate bond

PROFILE

DEMIRE Deutsche Mittelstand Real Estate AG acquires and holds commercial real estate in medium-sized cities and up-and-coming regions bordering metropolitan areas across Germany. We focus on office properties, with retail, hotel and logistics properties also featured in our portfolio. As at 31 December, we managed 59 properties with lettable floor space of around 860,000 m^2 and a total market value of around EUR 1.1 billion. The Cielo property in Frankfurt is accounted for using the equity method, so is not included in the property-specific figures.

We offer our international and regional tenants state-of-the-art, functional properties for long-term use. Sustainability is part of DEMIRE's corporate strategy. The Company is committed to the climate goals of the Paris Agreement and is endeavouring to reduce the carbon emissions of its business activities as part of the Company's sustainable transformation.

KEY INDICATORS

in EUR million	2023	2022
Key earnings figures		
Rental income	78.5	81.1
Profit/loss from the rental of real estate	59.5	62.3
Profit/loss from the sale of real estate	–14.3	–8.2
Profit/loss from fair-value adjustments of investment properties	–146.3	–61.2
Profit/loss from fair-value adjustments of assets held for sale	–30.5	–37.7
EBIT	–187.9	–72.9
FFO I (after taxes, before minorities)	36.7	41.8
Key balance sheet figures (31 Dec.)		
Total assets	1,328	1,537
Equity ratio (in %)	25.1	31.7
Net-LTV (in %)	57.7	54.0
Average nominal interest costs, p.a. (in %)	1.74	1.67
Key portfolio indicators (31 Dec.)		
Market value of the portfolio[1]	1,075.6	1,329.8
Annualised contractual rents	76.7	85.1
Rental yield (in %)	7.1	6.4
WALT (in years)	4.6	4.8
EPRA vacancy rate[2] (in %)	13.1	9.5
Further indicators (31 Dec.)		
NAV (basic)	341.5	526.3
NAV per share (basic)	3.24	4.99

[1] The market value (in EUR million) represents the total fair value of DEMIRE's property portfolio as at the reporting date. In contrast to the balance sheet item "Total Core Portfolio", no heritable building rights or operating facilities are recognised.
[2] Excluding properties classified as a project development

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COMPANY AND SHAREHOLDERS

FOREWORD BY THE EXECUTIVE BOARD

Dear Readers,

The year 2023 was full of challenges. Persistently high inflation weighed on the economy and led to further rises in key interest rates from central banks over the course of the year. Contrary to government predictions, Germany's economic output shrank in 2023. In addition, the ongoing war in Ukraine and, from the autumn, the armed conflict in Gaza, as well as rising geopolitical tensions with cost and supply chain risks, weighed on economic sentiment.

With regard to the refinancing of the 2019/24 bond, which matures in October 2024, our structured, targeted approach has proven its worth. In April 2023, we bought back another nominal amount of EUR 51 million of the bond under par, following a nominal amount of EUR 50 million in November 2022. We successfully met the liquidity target we had set ourselves in the summer of 2022, taking into account the market conditions, and more than doubled our cash and cash equivalents to EUR 120 million (+109%) over the course of the year. Following the cash inflow from the sale of LogPark at the end of March 2024, liquidity rose further and came to around EUR 180 million at the end of August 2024.

“In 2023, DEMIRE achieved its targets for rental income and FFO I, which were adjusted upwards during the year despite a difficult economic environment.”

FRANK NICKEL, CEO

The Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG: Tim Brückner, Chief Financial Officer (left), Frank Nickel, Chief Executive Officer (centre) and Ralf Bongers (right)

At the beginning of September 2024, we received the official approval of the creditors, who represent more than 90% of the outstanding bond. This means that the new bond conditions and an extension of the bond until the end of 2027 can be put into effect. DEMIRE's refinancing is thus on the verge of formal completion, which is an extremely encouraging outcome.

High inflation in the past year and rising interest rates have impacted DEMIRE in several ways. We feel the effects of higher financing costs very directly when taking out and renewing property loans. At the same time, indexing the majority of rental agreements helps us to secure our rental income and mitigate cost inflation.

On top of this, the real estate transaction market almost came to a standstill, with rising interest rates and resulting higher returns expected. As a result, property prices came under pressure in 2023, meaning that DEMIRE's portfolio ultimately also had to be written down over the course of the year to an extent that was in line with the market and comparable to competitors.

> **"With the decision to refinance, we have achieved our key target. DEMIRE has solid financing for the coming years, giving the Company room to manoeuvre for planned investments."**
>
> **TIM BRÜCKNER,** CFO

Despite the difficult market environment, we were able to sell four properties. These included two non-strategic properties as part of the streamlining of the portfolio of smaller properties, a property with development potential in Ulm and the successfully repositioned logistics property LogPark in Leipzig. In total, we thus generated over EUR 70 million in liquidity from asset sales in 2023, and with LogPark we again generated more than EUR 103 million in liquidity for refinancing and investments in the portfolio in 2024.

With the rental market in Germany weak in 2023, DEMIRE achieved a solid letting performance of around 74,400 m². The EPRA vacancy rate rose to 13.1% (+3.6 percentage points on the previous year), due in particular to the departure of our main tenant in Düsseldorf and the vacancy rate following the departure of Galeria Karstadt Kaufhof in Celle. The like-for-like contractual rent fell by 3.5%, primarily due to the increase in vacancies. This was offset by our largely index-linked rental agreements. At the same time, DEMIRE is benefiting from a project development market that is at a standstill.

Completed new-build projects are coming onto the market less and less frequently and new projects are being initiated much less frequently. As a result, we have already received an increasing number of extension requests from our tenants, which we have been able to accommodate. As a portfolio manager, we expect demand for our rental space to increase again in the future, even with the economy slowly recovering. We were also able to further increase the proportion of tenants from the public sector with new tenancy agreements in 2023, for example in our property in Freiburg. These particularly solvent and often long-term tenants already accounted for around 17% of DEMIRE's tenant mix by the end of the 2023 financial year.

In 2023's challenging macroeconomic environment, DEMIRE achieved a result in line with its budget and was able to raise its forecast during the year. Rental income of EUR 78.5 million and funds from operations I (FFO I) of EUR 36.7 million were both within the forecast range, which was adjusted upwards in November.

> **“Despite the extremely challenging market conditions, DEMIRE managed to successfully conclude a significant amount of sales transactions. On the rental side of things, we further increased the volume and length of contracts with tenants from the public sector. These contracts now make up around 17% of DEMIRE’s total portfolio and are on the rise.”**

RALF BONGERS, Member of the Executive Board

We further refined our sustainability strategy in 2023. We would like to take this opportunity to highlight the fact that our sustainability report was honoured with the EPRA Gold Award for the first time. In light of this, we have further increased the scope and quality of our sustainability reporting and, for the first time, have recorded all of our company’s own carbon emissions and had the report audited externally.

We have also analysed our real estate portfolio comprehensively with regard to its sustainability and systematically started to develop action plans for the assets that can be derived from this. As part of the EU Corporate Sustainability Reporting Directive (CSRD), we will analyse sustainability aspects throughout the Company and incorporate them into a new non-financial sustainability reporting system from 2025. In addition to reporting, it is important for us to understand the path to becoming a sustainable real estate company as an integral part of our corporate actions.

DEMIRE is optimistic about the final quarter of 2024. Positive market signals, such as an expected easing of the interest rate environment and a slight increase in demand for space could give additional impetus with regards to rental agreements and financing over the next few months. In addition, our decision to refinance our bond has given us a high level of financial planning security. The DEMIRE team will once again be devoting all its energy into achieving its goals in 2024, and for this we would like to express our sincere thanks to all employees.

We hope you enjoy reading our annual report and look forward to exchanging ideas with you.

Frankfurt am Main, 30 September 2024

The DEMIRE AG Executive Board

Frank Nickel (CEO)	Tim Brückner (CFO)	Ralf Bongers (Member of the Executive Board)

EXECUTIVE BOARD AND SUPERVISORY BOARD

EXECUTIVE BOARD

Frank Nickel (Chief Executive Officer)
CEO since 3 April 2024
Appointment until 31 March 2026

Frank Nickel (born 1959) has been the Chief Financial Officer of DEMIRE Deutsche Mittelstand Real Estate AG in Langen since 3 April 2024. Mr Nickel has been serving as a Senior Advisor since September 2022. From 2016 to 2019, Frank Nickel was Chair of the Executive Board of CA Immobilien Anlagen AG (CA Immo) in Vienna. Before that, he was Chair of the Executive Board of Cushman & Wakefield Germany in Frankfurt from 2013 to 2015, and was Chair of the Corporate Finance Business Unit of EMEA Cushman & Wakefield. Both of these positions gave him extensive experience in the strategic realignment of real estate companies. Mr Nickel served as Managing Director at Deutsche Bank in Frankfurt from 2006 to 2012. Prior to that, he worked at various companies including Fortress Investment Group Germany and Commerzbank.

Prof. Dr Alexander Goepfert (CEO)
CEO since 1 January 2023
Stepped down on 3 April 2024

Prof. Dr Alexander Goepfert (born 1956) was CEO of DEMIRE Deutsche Mittelstand Real Estate AG in Langen from 1 January 2023 to 3 April 2024. He was previously Chair of the Supervisory Board from 2018 until the end of 2022. He has been a member of the Supervisory Board of Fair Value REIT-AG since the beginning of 2023. Prof. Dr Alexander Goepfert is an honorary professor at the EBS University of Business and Law in Wiesbaden/Oestrich-Winkel and heads the Competence Center for Real Estate Law there. Until the end of 2020, he was a Senior Advisor at Apollo Global Management, one of the world's leading private equity investors. Between 2011 and 2018, Prof. Dr Alexander Goepfert was a partner at the law firm Noerr Partnerschaftsgesellschaft mbB, where he set up and headed the international Noerr Real Estate Investment Group. Prior to that, Prof. Dr Alexander Goepfert worked for many years as a partner at Freshfields Bruckhaus Deringer LLP and its predecessor firm Bruckhaus Westrick Stegemann.

Tim Brückner (CFO)
CFO since 1 February 2019
Appointment until 31 December 2024

Tim Brückner (born 1977) has been the Chief Financial Officer of DEMIRE Deutsche Mittelstand Real Estate AG in Langen since 1 February 2019. He was also appointed as the CEO of Fair Value REIT-AG with effect from 20 May 2019. From 2012 until 2019, the trained banker held various positions at Corpus Sireo Real Estate, including Managing Director of the subsidiary in Luxembourg and Head of Portfolio Management. From 2007 until 2012, Mr Brückner worked at Rothschild GmbH, his last position there being that of Vice President. From 2005 until 2007, he worked in the Global Advisory Division at HSBC in London. In 2005, Mr Brückner completed a bachelor's degree in Business Administration, Banking and Finance, and a master's degree in Banking and Finance, at the Hochschule für Bankwirtschaft (today's Frankfurt School of Finance & Management). During his studies, he worked as an analyst at BHF Bank AG and NG Investment Banking.

Ralf Bongers (Member of the Executive Board)
Member of the Executive Board since 1 April 2023
Appointment until 31 March 2026

Ralf Bongers (born 1966) has been the Chief Investment Officer of DEMIRE Deutsche Mittelstand Real Estate AG in Langen since 1 April 2023. Mr Bongers brings with him more than 30 years of experience in the real estate industry, including more than 20 years as an advisor to international financial investors and institutional real estate companies. From 2013 to 2015, he worked as a consultant for AXA Investment Managers Germany. In 2016, he took on a permanent management position in Asset Management at AXA IM. From 2017 until March 2023, he was Head of Asset Management Germany at AXA IM and in this role was operationally responsible for a total portfolio of over EUR 10 billion and sales transactions of over EUR 3.5 billion.

SUPERVISORY BOARD

Markus Hofmann (Chair of the Supervisory Board)
Member of the Supervisory Board since 1 January 2023
Chair of the Supervisory Board since 25 January 2023

Markus Hofmann (born 1969) holds a degree in business administration and is a real estate economist at EBS, Oestrich-Winkel, where he also worked as a lecturer for over ten years. Since 2009, Mr Hofmann has been managing director of Renocle GmbH in Frankfurt. From 2017 to 2022, he was also a senior advisor at the Arminius Group, based in Frankfurt, and from 2014 to 2017, he was a partner at Oceans & Company GmbH in Frankfurt. Over the past 26 years, Markus Hofmann has successfully completed numerous German and European real estate transactions, asset management activities and financing projects. Other professional positions include managing director of Feldberg Capital GmbH in Frankfurt, head of the German and Central European business of Citi Property Investors in Frankfurt and London as well as activities in private equity at The Carlyle Group, in real estate investment banking at Deutsche Bank and in real estate project financing at Bayerische Landesbank.

Frank Hölzle (Vice Chair of the Supervisory Board)
Vice Chair of the Supervisory Board since 14 February 2017

Frank Hölzle (born 1968) holds a degree in economics and has been the CEO of Care4 AG, a single family office located in Basel, Switzerland, since 2015. From 2003 until 2010, Mr Hölzle was a member of the Executive Board and partner of eCapital entrepreneurial Partners AG, a venture capital company located in Münster. Since 2010, he has worked at Care4 AG, a single family office located in Basel, and has been the Company's CEO since 2015. Mr Hölzle also sits on the supervisory boards of Fair Value REIT-AG and Evana AG as well as on the boards of directors of SIC Invent AG based in Basel and Ferrina AG in Liechtenstein. Mr Hölzle is a trained coach for managing directors, board members and executives.

Ernö Theuer (Member of the Supervisory Board)
Member of the Supervisory Board since 7 May 2024

Ernö Theuer (born 1962) has been a managing partner of the CRESPI Group in Frankfurt am Main since 2006. The company specialises in initiating, holding and managing investments. He has also been a managing partner of CK Holding GmbH since 2021, and managing director of SC Finance Four GmbH since the beginning of 2024. Mr Theuer also held several managing positions prior to this, for example at T&P Management Consultants AG, PE Verlag für Wirtschaftsinformationen GmbH and HEGRA GmbH & Co. KG, after working as an assistant to the Executive Board and sales manager in the consumer goods industry. Ernö Theuer is a senior advisor at a German listed private equity company and is accredited as a start-up and financing advisor at two globally recognised credit institutions for reconstruction and the World Bank.

Prof. Dr Kerstin Hennig (Member of the Supervisory Board)
Member of the Supervisory Board since 29 May 2019
Resignation from the Supervisory Board as of 1 May 2024

Prof. Dr Kerstin Hennig (born 1964) holds the title of Dr rer. pol. She is a professor of real estate management and headed the EBS Real Estate Management Institute (REMI) at the EBS University of Business and Law until 2023. She is now a professor at the Frankfurt School of Finance & Management and teaches and researches in the field of property economics with a focus on impact investment, innovation, and entrepreneurship and leadership, as well as sustainability. In recent years, Prof. Dr Kerstin Hennig has also been involved in the real estate sector, focusing on the areas of real estate management and investment. The companies where she previously held positions include debis Immobilienmanagement, Tishman Speyer Properties, UBS AG, IVG Immobilien AG and Groß & Partner. At the same time, Prof. Dr Kerstin Hennig has regularly held positions as a lecturer and assistant lecturer at various universities and institutes.

REPORT OF THE SUPERVISORY BOARD

Dear Readers,
Dear Shareholders,

In the 2023 financial year, the Supervisory Board continued to perform the tasks and exercise the responsibilities incumbent upon it pursuant to the law, DEMIRE Deutsche Mittelstand Real Estate AG's Articles of Association and its Rules of Procedure.

The Supervisory Board and the Executive Board continuously worked together and communicated intensively and constructively throughout the entire financial year. In addition to the topics explicitly mentioned in this report, the work and communication of the boards extended to all other material issues concerning the Company and the Group. The Supervisory Board consulted regularly with the Executive Board and supervised the conducting of business in consideration of legality, effectiveness and economic efficiency. The Executive Board directly involved the Supervisory Board in decisions of fundamental significance for the Company and the Group.

As in previous years, the Executive Board kept the Supervisory Board informed by means of regular written and verbal Executive Board reports. These reports included a detailed discussion of important issues related to the development of the markets relevant for the Company and the Group, current and potential real estate transactions, short- and long-term corporate planning and current business performance. The position of the Company and the Group, the liquidity, financing and risk situation, the Group-wide risk management system, current real estate projects and the further strategic development of the Group were also part of these discussions. In this context, the Supervisory Board intensified its monitoring activities, particularly with regard to the upcoming refinancing of the 2019/24 corporate bond issued by the Company. The Supervisory Board critically reviewed the information provided by the Executive Board, checking its plausibility.

The Executive Board explained in detail deviations in business from the previously adopted plans and targets, as well as appropriate measures to counteract these deviations or to communicate them to the capital market. This was then checked by the Supervisory Board. After careful examination and consultation, the Supervisory Board members approved the reports and resolution proposals of the Executive Board to the extent required by the provisions of the law, the Articles of Association and the Rules of Procedure.

The Chair of the Supervisory Board was informed by the Executive Board by way of written and verbal reports – also outside of Supervisory Board meetings – of particular business transactions that, in the opinion of the Executive Board, were of key significance in assessing the position and development of the Company and the Group, and for their management. With regard to the ongoing restructuring and refinancing process, the Executive Board and Supervisory Board established a joint forum in which the Executive Board regularly informed the Supervisory Board in writing about the status of the process and the liquidity situation. Matters requiring approval were promptly submitted by the Executive Board for resolution. The Chair of the Supervisory Board was in personal contact with the Executive Board and kept himself regularly informed of current business developments and significant business transactions. He also kept the other Supervisory Board members informed outside of the scheduled meetings and discussed developments with them.

There were no consulting or other service relationships between members of the Supervisory Board and the Company in 2023. A grant agreement for promoting academic research has been in place with the non-profit EBS Universität für Wirtschaft und Recht GmbH since 2019; this ended on 31 December 2023. Prof. Dr Kerstin Hennig was Head of the EBS Real Estate Management Institute until 2023. There has been a grant agreement with the Frankfurt School of Finance & Management since 2024 to promote academic research. Prof. Dr Kerstin Hennig has been a professor at the Frankfurt School since 2023 and heads the Real Estate Institute, of which the Company is a founding member. Conflicts of interest on the part of the members of the Executive Board or Supervisory Board that would require immediate disclosure to the Supervisory Board and notification to the Annual General Meeting did not exist in the reporting year.

Composition of the Supervisory Board

MEMBERS OF THE SUPERVISORY BOARD IN THE 2023 FINANCIAL YEAR

Markus Hofmann (Chair)
Frank Hölzle (Vice Chair)
Prof. Dr Kerstin Hennig (Member)

SUPERVISORY BOARD COMMITTEES

An Audit Committee was constituted in November 2021, with Frank Hölzle as its Chair. Other members of the Audit Committee in the reporting year include Markus Hofmann and Prof. Dr Kerstin Hennig.

Work of the plenum in the reporting year

In the 2023 financial year, the Supervisory Board held three face-to-face meetings on 25 January 2023, a constituent meeting on 17 May 2023 following the Annual General Meeting, and on 15 August 2023. The Supervisory Board also discussed current topics in 13 telephone and video conference calls, particularly in connection with holding the Annual General Meeting, the sale of properties, the strategic alignment of the Company, and financial planning. All of the Supervisory Board members participated in each one of the 16 face-to-face and virtual Supervisory Board meetings, i.e. 100% of them.

FIRST QUARTER OF 2023

In the first quarter of 2023, the Supervisory Board held one meeting in person and four meetings in the form of videoconferences.

On 25 January 2023, the Supervisory Board dedicated its meeting to the election of a new chairperson. Jointly with the Executive Board, the Supervisory Board approved the adoption of the annual and consolidated financial statements of DEMIRE Deutsche Mittelstand Real Estate AG for the 2022 financial year on 15 March 2023.

In the subsequent meetings, the Supervisory Board adopted the Corporate Governance Report as well as the combined management report for the Company and the Group, which was thus approved. In addition, separate meetings were held to report on the current business performance, discuss corporate planning for 2023 and deliberate on DEMIRE AG's risk management. Furthermore, the Supervisory Board addressed various purchase and sales transactions presented by the Executive Board. In addition, the Supervisory Board resolved with the Executive Board that the 2023 Annual General Meeting of DEMIRE AG should be held once again as a purely virtual Annual General Meeting on 17 May 2023 without the physical presence of the shareholders or their authorised representatives.

SECOND QUARTER OF 2023

On 17 May 2023, the Annual General Meeting of DEMIRE AG was once again held in virtual form without the physical presence of the shareholders. The agenda items proposed by the management, including not distributing a dividend this year and the re-election of the Supervisory Board members, were all approved by the shareholders by a large majority.

The Supervisory Board convened in the face-to-face meeting immediately following the Annual General Meeting. In three further videoconferences, the Supervisory Board dealt in detail with the sale of various properties and financing matters. Together with the Executive Board, it also discussed possible measures for refinancing the 2019/24 corporate bond.

THIRD QUARTER OF 2023

In the third quarter, the future strategic alignment of DEMIRE AG was discussed at one face-to-face meeting and three virtual meetings. In addition, the Supervisory Board was informed in detail by the Executive Board about various new letting matters and significant business transactions. The Supervisory Board also dealt in detail with the transaction process for the logistics park in Leipzig and the financing of the construction measures at the Bredeney office park in Essen, as well as the current valuation of the portfolio properties. At the same time, it intensified its dialogue with the Executive Board with regard to the planned refinancing measures.

FOURTH QUARTER OF 2023

In the fourth quarter, the Supervisory Board convened again for three video-conferences. The Supervisory Board focused once again on the Company's further strategic orientation, in particular with regard to the refinancing of the 2019/24 corporate bond, the sale of the logistics park in Leipzig and the sale of other properties. In addition to the refinancing process, the Supervisory Board continuously reviewed the information and estimates regarding the Company's financial position provided at regular intervals by the Executive Board. The Supervisory Board also examined the possible development of DEMIRE AG in 2024 as well as staffing matters.

Dependency report pursuant to Section 312 (1) AktG

In the 2023 financial year, DEMIRE Deutsche Mittelstand Real Estate AG was a dependent company of Apollo Global Management Inc. and members of the Wecken Group, as defined by Section 312 AktG. AEPF III 15 and the Wecken Group (Wecken & Cie., Mr Klaus Wecken, Mr Ferry Wecken and Ms Ina Wecken) are bound by a voting agreement. On this basis, the company is jointly controlled by AEPF III 15 and thus ultimately by Apollo Global Management Inc. and the members of the Wecken Group by way of a multi-parent company structure in accordance with Section 17 (1) AktG.

The Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG has therefore prepared an Executive Board report on the relationships with affiliated companies ("Dependency Report") in accordance with Section 312 (1) AktG that contains the following concluding declaration:

"Our Company received appropriate consideration for each legal transaction according to the circumstances known to us at the time the legal transactions were carried out. No measures as defined by Section 312 AktG were either taken or omitted by our Company in the year under review."

Following the final result of the examination by the Supervisory Board, the latter raised no objections to the declaration of the Executive Board on the report on relationships with affiliated companies.

A WORD OF THANKS FROM THE SUPERVISORY BOARD

The Supervisory Board would like to thank the Group's staff for their tremendous dedication, particularly within the scope of preparing the financial statements, managing assets, undertaking transactional and financing activities and for their valuable cooperation in the 2023 financial year.

This report was discussed in detail and adopted by the Supervisory Board in its conference call on 30 September 2024.

Frankfurt am Main, 30 September 2024

Markus Hofmann
(Chair of the Supervisory Board)

DEMIRE ON THE CAPITAL MARKET

An overview of DEMIRE shares

The share capital of DEMIRE Deutsche Mittelstand Real Estate AG consists of 107.78 million no-par value bearer shares that are admitted for trading on the Frankfurt Stock Exchange and the XETRA electronic trading platform.

DEMIRE KEY SHARE DATA

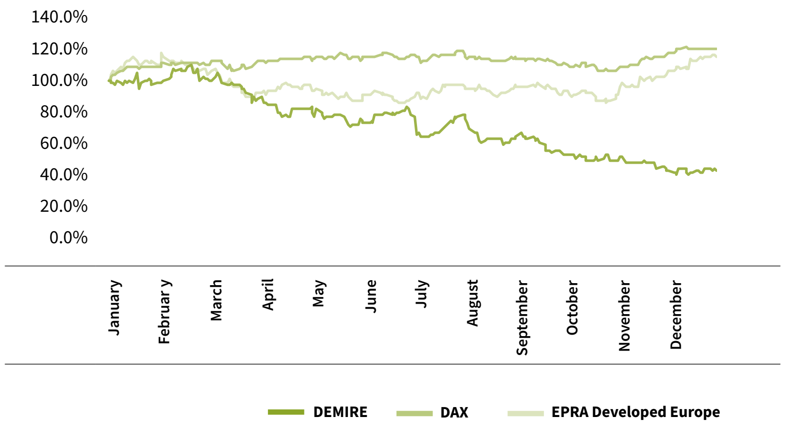
Share	31/12/2023	31/12/2022
ISIN	DE000A0XFSF0	DE000A0XFSF0
Symbol/ticker	DMRE	DMRE
Stock exchange	Frankfurt Stock Exchange (FSE); XETRA Open markets in Suttgart, Berlin, Düsseldorf	Frankfurt Stock Exchange (FSE); XETRA Open markets in Suttgart, Berlin, Düsseldorf
Market segment	Regulated Market (Prime Standard)	Regulated Market (Prime Standard)
Designated sponsors	BaaderBank, Pareto Securities AS	BaaderBank, Pareto Securities AS
Share capital	TEUR 107,777	TEUR 107,777
Number of shares	107,777,324	107,777,324
Closing 31 December (XETRA)	EUR 1.08	EUR 2.50
Ø daily trading volume 1 January to 31 December	9,760	7,585
Market capitalisation	EUR 116 million	EUR 269 million
Free float < 3% (in %)	7.15	7.15

Development of the stock market and DEMIRE shares

Capital markets recovered during the 2023 stock market year. After an initial strong rise at the beginning of the year, the DAX stagnated for much of the year. Since a setback at the end of October, the German share index has performed very well and closed the year up 20%. In particular, weakening inflation over the course of the year and a foreseeable end to central banks' interest rate hikes revitalised the DAX at the end of the year.

Characterised by the generally weak economic environment for commercial real estate companies and uncertainty about the effects of refinancing the 2019/24 corporate bond, DEMIRE's share price fell by 57% over the course of the year to EUR 1.08. DEMIRE shares therefore moved in the opposite direction to the EPRA Developed Europe index of European property shares, which rose by 14% over the course of the year. From the beginning of 2024, the share price showed a slightly negative trend up to mid-September 2024, after reaching an interim high in the summer, and closed at EUR 0.80 on 16 September 2024.

SHARE PRICE DEVELOPMENT 2023



Dividend

Taking into account the strategy adjusted in summer 2022 to create a liquidity reserve for refinancing purposes, DEMIRE waived the distribution of a dividend for the 2022 financial year. The Executive Board is not expecting a dividend distribution for the 2023 financial year either, in order to reduce the loan-to-value (LTV) debt ratio.

Development of DEMIRE bonds

In view of the cycle of rising key interest rates from central banks, the European bond markets were characterised by falling prices until autumn 2023. Sentiment on the bond markets recovered towards the end of the quarter in view of the foreseeable peak of the interest rate cycle. In this environment, the DEMIRE bond was trading at 69.78 at the beginning of 2023. Following the May bond buyback of a nominal EUR 51 million, the price recovered into the summer. The approaching maturity date in October 2024 and the uncertainty surrounding what the refinancing of the bond will look like led to a low of 56.25 on 28 November 2023. At the end of the year, the DEMIRE bond recovered slightly to 61.5. From the time the first details of the agreement with the bondholders to extend the bond were announced in mid-April 2024, the share price rose significantly and has been hovering slightly below 85 since mid-June 2024.

2019/2024 CORPORATE BOND

Name	DEMIRE Senior Notes 2019/24
Issuer	DEMIRE Deutsche Mittelstand Real Estate AG
Rating	Caa3 (Moody's)
Stock exchange listing/trading	Open market of the Luxemboug Stock Exchange (Euro MTF)
Applicable law	German law
ISIN	DE000A2YPAK1
WKN	A2YPA
Issue volume	EUR 600,000,000
Outstanding nominal value	EUR 499,000,000
Denomination	EUR 100,000
Coupon	1.875%
Interest payments	On 15 April and 15 October, starting on 15 April 2020
Maturity date	15 Oktober 2024
Repayment	Non Call Life (including 3-month option for early repayment)
Distribution	Regulation S, excluding registration rights
Change of control	101% plus accrued and not yet paid interest
Closing price 31 December 2023	61.5

Ratings from Moody’s

With the rating assessments, DEMIRE strengthens transparency and supports the independent assessment of its business activities.

The rating agency Moody’s lowered the rating for the 2023 corporate bond several times, giving the Company a Caa2 rating and the bond a Caa3 rating at the end of the year. This was done in particular in view of the upcoming refinancing of the corporate bond in October 2024 and rising interest costs as well as a generally weaker economic environment, but not because of DEMIRE’s operating performance. DEMIRE was in regular contact with the rating agency throughout the year and reported promptly on its business development.

The detailed rating of the bond is available on the Moody’s website at www.moodys.com and on DEMIRE’s website.

DEMIRE RATING – AS AT 31 DECEMBER 2023

	Company		Bonds
Rating agency	Rating	Outlook	Rating
Moody’s	Caa2	negative	Caa3

Annual General Meeting

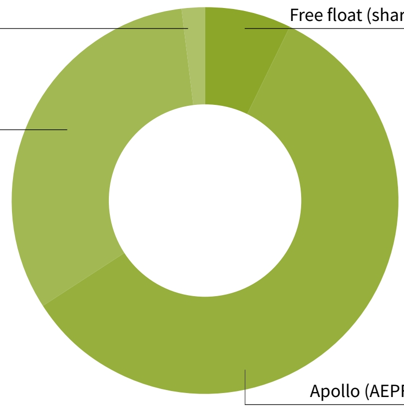
The DEMIRE Annual General Meeting was held online on 17 May 2023. All agenda items proposed by the management, including not distributing a dividend this year and the re-election of the Supervisory Board members, were approved by the shareholders by a large majority.

Shareholder structure

The DEMIRE shareholder structure did not change in the 2023 financial year. Apollo and the Wecken Group remain the Company’s major shareholders and still hold around 90.7% of the shares in the Company between them.

SHAREHOLDER STRUCTURE AS AT 31 DECEMBER 2023

in %



[1] Including subsidiaries
[2] Acting in concert
Source: Notifications from WpHG (German Securities Trading Act) and own calculations

IR activities

The Investor Relations department is responsible for approaching investors and analysts in a professional manner and communicating with debt specialists. The department thus handles communication for all capital market activities and is responsible for the reporting requirements for equity and bond investors as well as for the rating agencies.

DEMIRE once again took part in German and international equity and debt capital market conferences in the 2023 financial year. It also regularly presented the Company's current development to existing and potential equity and bond investors and the rating agency Moody's.

DEMIRE regularly and comprehensively informs its stakeholders of the Company's latest developments. This includes publishing its results as at the reporting date and organising telephone conferences for interested investors, analysts and the media, and reporting in detail on the results.

On the capital market, DEMIRE relies on active and transparent dialogue with all current and potential investors. With the support of existing shareholders and further growth that the Company is aiming to achieve in the long run, DEMIRE's market capitalisation and visibility on the capital market are expected to continue to rise in the future.

In the Investor Relations section on the website, all investors, analysts and media representatives have access to a wide range of documents, such as all published annual reports, half-year reports and quarterly statements. There are also summary presentations of these, as well as recordings of conference calls, the latest company presentations and further information, such as reports from equity analysts. DEMIRE is committed to the equal treatment of bond investors and analysts, as well as equity investors and analysts.

Analyst coverage

DEMIRE's shares are currently covered and valued by three financial analysts.

DEMIRE RATING – AS AT JUNE 2024

Bank/broker	Analyst	Current rating	Current target price EUR
Hauck & Aufhäuser	Philipp Sennewald	Hold	1.20
Pareto Securities	Dr Philipp Häßler	Hold	1.30
Baader Bank	Andre Remke	Reduce	1.25

CORPORATE GOVERNANCE

2023 Corporate Governance Statement pursuant to Sections 315d and 289f of the German Commercial Code (HGB) including the Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG)

DEMIRE Deutsche Mittelstand Real Estate AG submits a Corporate Governance Statement pursuant to Sections 315d and 289f HGB. The Declaration of Conformity with the German Corporate Governance Code pursuant to Section 161 AktG, which is contained in this statement, is also available to shareholders on the Company's website under the section entitled "Company" > "Governance".

This section of the website also includes the documents to be published on the remuneration report for the previous financial year as well as the auditor's report pursuant to Section 162 AktG, the applicable remuneration system pursuant to Section 87a (1) and (2) (1) AktG and the latest resolution on remuneration pursuant to Section 113 (3) AktG.

Commitment

The governing bodies of DEMIRE Deutsche Mittelstand Real Estate AG are committed to the responsible and value-enhancing management and monitoring of the Company and the Group. Ensuring that the Company's corporate governance principles and development are transparent is intended to build, maintain and strengthen the trust of the shareholders, business partners, customers, capital market participants and employees. The Executive Board and the Supervisory Board work closely and faithfully together for the Company's benefit and to ensure that the Company is managed and controlled responsibly through good corporate governance.

Organisation and management

DEMIRE Deutsche Mittelstand Real Estate AG (together with its subsidiaries and associates the "DEMIRE Group") is headquartered in Germany. The registered offices of the subsidiaries and associated companies correspond to the location of their real estate holdings in Germany or other countries in which they conduct a majority of their activities.

The management of the Core Portfolio is the responsibility of the Group's internal asset and portfolio management team, which also manages and controls external property and facility management. Administrative duties are also undertaken by the Risk Management and Compliance, Accounting/Investment Management/Treasury, Corporate Finance/Investor Relations, Legal/Human Resources/IT, Transactions and Portfolio Controlling divisions.

The Executive Board manages the individual real estate investments based on defined, individual cash-flow-oriented budgets and steers the Group according to an overall plan derived from the individual budgets of the portfolio and property companies and other Group subsidiaries. The development of the individual budgets versus their budget targets is a component of the Executive Board's routine strategy and reporting discussions with the relevant operating managers.

Composition and working practices of the Executive Board and Supervisory Board

As a listed German stock corporation, the Company's management is governed by the German Stock Corporation Act, other legal provisions of corporate and commercial law, and the requirements of the German Corporate Governance Code in its current version. German stock corporations are required by law to employ a dual management system. This creates a strict separation of the Executive Board as the managing body of the Company and the Supervisory Board as the oversight body, whereby the Executive Board and Supervisory Board work together closely, and in a spirit of trust, in the Company's best interest.

Management and control structure

EXECUTIVE BOARD

The Executive Board is solely responsible for managing the Company and represents the Company in dealings with third parties. It defines the strategy in coordination with the Supervisory Board and implements this strategy, keeping the goal of sustainable value creation in mind. Executive Board members are responsible for individual areas independent of their joint responsibility for the Group. In 2023, the Executive Board gained another member. The members of the Executive Board work together as colleagues and inform each other of important events and activities in their areas of responsibility. The Executive Board has adopted Rules of Procedure with the approval of the Supervisory Board. The Executive Board must obtain the Supervisory Board's approval in cases specified by law. In addition, DEMIRE Deutsche Mittelstand Real Estate AG's Articles of Association and the Executive Board's Rules of Procedure set out extraordinary transactions that also require Supervisory Board approval.

The Executive Board informs and reports to the Supervisory Board regularly, promptly and comprehensively on all Company-relevant strategy, planning, business developments and issues concerning risk. Other important events must be reported by the Executive Board to the Chair of the Supervisory Board, who is also routinely and continually informed of business developments. The Executive Board relies on the risk management system applicable throughout the DEMIRE Group to provide these reports.

MANDATES OF EXECUTIVE BOARD MEMBERS IN SUPERVISORY BOARDS OF OTHER COMPANIES OR COMPARABLE SUPERVISORY BODIES

Mr Frank Nickel holds the following mandates:

— Member of the Supervisory Board of PROXIMUS Real Estate AG (Cologne)

Prof. Dr Alexander Goepfert holds the following mandates:

— Deputy Chair of the Supervisory Board of Fair Value REIT-AG (Langen)
— Ordinary Member of the Advisory Board of shareDnC GmbH (Cologne)
— Chair of the Board of Trustees of the EBS Real Estate Management Institute (Wiesbaden)
— Member of the Supervisory Board of PROXIMUS Real Estate AG (Cologne)
— Vice President of Institut der Deutschen Immobilienwirtschaft e. V. (iddiw) (Frankfurt)

Mr Tim Brückner and Mr Ralf Bongers do not hold any offices in any statutory supervisory boards or comparable supervisory bodies or in any comparable domestic or foreign supervisory bodies of commercial enterprises.

The remuneration of the members of the Executive Board is explained in the Remuneration Report section of the combined group management report and management report of DEMIRE Deutsche Mittelstand Real Estate AG.

SUPERVISORY BOARD

The Supervisory Board appoints the members of the Executive Board, determines their total compensation and oversees their management activities. It also advises the Executive Board on the management of the Company. The Supervisory Board adopts the financial statements and approves the consolidated financial statements. Material decisions of the Executive Board require the approval of the Supervisory Board. In addition, the Supervisory Board has adopted Rules of Procedure.

The Supervisory Board currently consists of three members to be elected by the Annual General Meeting of DEMIRE Deutsche Mittelstand Real Estate AG. The Supervisory Board does not include any former members of the Executive Board.

All members of the Supervisory Board have the necessary knowledge, skills and professional experience to perform their duties properly. According to recommendation C.1 of the German Corporate Governance Code (GCGC), the Supervisory Board is to draw up a profile of skills and expertise for the entire Board. Accordingly, the Supervisory Board must be composed in such a way that its members have the knowledge, skills and professional experience required to properly fulfil their supervisory duties properly. Against this background, the Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG has defined a professional skills profile with the following elements:

- Industry knowledge
- Strategy and management experience
- Accounting and auditing of financial statements
- Controlling
- Financing
- Financial and capital markets
- Portfolio and asset management
- Legal/compliance/corporate governance
- Risk management
- Sustainability/ESG
- IT
- Internationality

The Supervisory Board should cover the aforementioned areas of expertise, although it is not necessary for all members of the Supervisory Board to have all areas of expertise, but rather for the individual members to complement each other in their individual areas of expertise.

Even when new appointments are made, the aim is to fulfil the competence profile for the entire Board. In addition, the principle of diversity should be applied to the composition of the Board and various aspects, such as cultural/ethical background, gender, age, nationality or professional and educational background, should be given appropriate consideration.

Against this background, the individual skills profile of the Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG is as follows:

Name	Markus Hofmann	Frank Hölzle	Prof. Dr Kerstin Hennig
Industry knowledge	X	X	X
Strategy and management experience	X	X	X
Accounting and auditing of financial statements	X	X	
Controlling	X	X	
Financing	X	X	X
Financial and capital markets	X	X	
Portfolio and asset management	X		X
Legal/compliance/corporate governance			X
Risk management			X
Sustainability/ESG		X	X
IT		X	X
Internationalism	X	X	X

The Supervisory Board has formed an Audit Committee, which – due to the small number of members – includes all members of the Supervisory Board. This committee is chaired by Frank Hölzle.

The Supervisory Board reports on its activities during the 2023 financial year in its report to shareholders. The remuneration of the members of the Supervisory Board is explained in the Remuneration Report of the combined group management report and management report of DEMIRE Deutsche Mittelstand Real Estate AG.

The Supervisory Board did not conduct a self-assessment in 2023. Due to the small number of members and the regular exchange of information between the members, a self-assessment is not expected to provide any significant additional knowledge. The Supervisory Board considers the organisation of its work to be very effective.

Mr Markus Hofmann has been a member of the Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG since 1 January 2023; he has held the position of Chair of the Supervisory Board since 25 January 2023. Prof. Dr Alexander Goepfert stepped down from the Supervisory Board after assuming the position of CEO of DEMIRE Deutsche Mittelstand Real Estate AG.

MANDATES OF SUPERVISORY BOARD, MEMBERSHIP OF SUPERVISORY BOARDS OF OTHER COMPANIES OR COMPARABLE SUPERVISORY BODIES

Name	Company	Position
Markus Hofmann Chair of the Supervisory Board since 1 January 2023 Managing Director	Renocle GmbH, Frankfurt	Managing partner
	EVAMA Vermögensverwaltung GmbH & Co. KG, Munich	Managing partner
Frank Hölzle Vice Chair of the Supervisory Board since 14 February 2017 CEO	Fair Value REIT-AG, Langen	Chair of the Supervisory Board
	Care4 AG, Basel/Switzerland	Executive Board
	clickworker GmbH, Essen	Chair of the Advisory Board
	rankingCoach international GmbH, Cologne	Chair of the Advisory Board
	SIC Invent AG, Basel, Switzerland	Member of the Board of Directors
	SevDesk GmbH, Offenburg	Member of the Advisory Board
	GreySky Properties AG, Basel, Switzerland	Member of the Board of Directors
	Evana AG, Saarbrücken	Member of the Supervisory Board
	KUGU Home GmbH, Berlin	Member of the Advisory Board
	FERRINA AG, Vaduz/Liechtenstein	Member of the Board of Directors
Ernö Theuer since 7 May 2024 Managing Director	CRESPI Group, Frankfurt am Main	Managing Partner
	SC Finance Four GmbH (Soravia Group), Neu-Isenburg	Managing Director (CRO)
	CK Holding GmbH, Frankfurt am Main	Managing Partner
	PRO Flughafen e.V., Frankfurt am Main	CEO
Prof. Dr Kerstin Hennig since 29 May 2019 stepped down on 1 May 2024 Professor of Practice in Real Estate Management, Frankfurt School of Finance	DWS Grundbesitz GmbH, Frankfurt	Member of the Supervisory Board
	Urban Land Institute (ULI), Washington D.C.	Member of the Executive Committee
	pbb Deutsche Pfandbriefbank AG, Munich	Member of the Supervisory Board
	Ehret & Klein GmbH, Starnberg	Member of the Advisory Board
	Kingstone Investment Management GmbH, Munich	Member of the Advisory Board
	Institut der Deutschen Immobilienwirtschaft e. V. (iddiw), Frankfurt	Member of the Executive Committee
	ZIA Deutschland Mitte, Frankfurt	Member of the Executive Board

SHARES OF DEMIRE DEUTSCHE MITTELSTAND REAL ESTATE AG OWNED BY MEMBERS OF GOVERNING BODIES AND MAJOR SHAREHOLDERS

DEMIRE Deutsche Mittelstand Real Estate AG had 107,777,324 shares outstanding as at 31 December 2023.

Mr Frank Hölzle holds 1,400 shares in the Company, which is equivalent to an interest of 0.002% of the Company's outstanding shares.

Members of the Executive Board and Supervisory Board are legally obliged under Article 19 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on Market Abuse (Market Abuse Regulation) to disclose any manager's transactions in shares or debt instruments of DEMIRE Deutsche Mittelstand Real Estate AG or related derivatives or other related financial instruments to the extent that the total amount of transactions effected by the member and persons closely associated with them reaches or exceeds the sum of EUR 5,000 within a calendar year. DEMIRE Deutsche Mittelstand Real Estate AG's business dealings of the previous year were published on time on the Company's website.

Shares owned by major shareholders at the end of the 2023 financial year: Based on the information available to the Company, Apollo (AEPF III 15 S.à r.l.) held 58.61% of the Company's outstanding shares and the Wecken Group held 32.14% of the Company's outstanding shares.

Of the remaining 9.25%, 2.10% were held by the Company as treasury shares and 7.15% were held by institutional and private investors. None of these shareholders held an interest over or equal to 3%.

SHAREHOLDERS AND THE ANNUAL GENERAL MEETING

The shareholders of DEMIRE Deutsche Mittelstand Real Estate AG exercise their administrative and control rights at the Annual General Meeting. The Annual General Meeting executes all of its duties assigned by law in its meeting, which takes place in the first eight months of each financial year. Since the realignment in 2014, DEMIRE Deutsche Mittelstand Real Estate AG's financial year ends on 31 December. The Chair of the Supervisory Board presides over the Annual General Meeting. Each shareholder is entitled to attend the Annual General Meeting, address the agenda items and request information about Company matters to the extent necessary for a proper assessment of any agenda item of the Annual General Meeting.

All of the outstanding shares of DEMIRE Deutsche Mittelstand Real Estate AG are no-par value bearer shares with identical rights and obligations. Each share grants one vote at the Annual General Meeting, and there are no special voting rights or limits on the number of voting rights per shareholder. A voting agreement exists between the major shareholders. Resolutions of the Annual General Meeting usually require a simple majority of the votes cast. To the extent that the law prescribes a majority of the capital represented for resolutions, the Articles of Association provide for a simple majority of the capital represented as long as a larger majority is not required by law.

ACCOUNTING AND AUDITING OF FINANCIAL STATEMENTS

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the EU. DEMIRE Deutsche Mittelstand Real Estate AG regularly provides shareholders and third parties with information during the financial year through its publication of the consolidated financial statements, the half-year financial report and the interim statements for the first and third quarters.

The Executive Board must prepare the financial statements (balance sheet, statement of income and notes) and the Company's management report within the first four months of each financial year and immediately provide these to the auditor. After the auditor has performed the audit, the Executive Board shall submit the financial statements including the audit report along with the Board's proposal for the appropriation of retained earnings to the Supervisory Board.

The Annual General Meeting elects the auditor for DEMIRE Deutsche Mittelstand Real Estate AG and the Group as well as for the audit review of interim financial reports and statements. The Supervisory Board awards the mandate for the audit following the election by the Annual General Meeting and concludes the fee agreement with the auditor. The auditing firm PricewaterhouseCoopers GmbH, Frankfurt am Main, was elected as the auditor and Group auditor of DEMIRE Deutsche Mittelstand Real Estate AG for the 2023 financial year, as well as the auditor for a possible audit review of condensed financial statements and interim statements. The declaration on independence required under the German Corporate Governance Code was obtained from this auditing firm.

The following arrangements have been agreed with the auditor:

— The Chair of the Supervisory Board shall be notified immediately when potential grounds for exclusion or bias arise during the audit and these issues cannot be resolved immediately.

— The auditor shall report on all findings and occurrences that arise during the audit, and which are of importance for the tasks of the Supervisory Board.

— If, during the audit, the auditor discovers inaccuracies in the Declaration of Conformity with the German Corporate Governance Code that was submitted by the Executive Board and the Supervisory Board, then the auditor shall make a note of this in the audit report and inform the Chair of the Supervisory Board.

COMMUNICATION AND TRANSPARENCY

At DEMIRE Deutsche Mittelstand Real Estate AG, timely, consistent and comprehensive information is a top priority. Transparent corporate governance and good communication with shareholders and the public contribute to strengthening the confidence of investors and of the public. When disclosing information to the public, the Executive Board takes the principles of transparency, promptness, openness, clarity and the equal treatment of shareholders into account. DEMIRE Deutsche Mittelstand Real Estate AG therefore provides comprehensive information on the Company's development as part of its investor relations activities. Reports on the Group's situation, development and especially its financial results are included in the annual report, three-month and nine-month interim statements and half-year financial report. The Group also informs the public through press releases and ad hoc announcements pursuant to Article 17 (1) of the Market Abuse Regulation (MAR). In addition, the Executive Board communicates extensively on financial issues with the relevant capital market participants in Germany and abroad. All financial publications, announcements, and presentations that are created for reporting purposes are available on DEMIRE's website. The Company's financial calendar is also available on the website and provides timely financial information on key publication dates and the date for the Annual General Meeting. The Articles of Association, all declarations of conformity, and documentation for corporate governance are also available on DEMIRE Deutsche Mittelstand Real Estate AG's website.

DEMIRE Deutsche Mittelstand Real Estate AG maintains an insider list pursuant to the provisions of Article 18 MAR. Persons affected are informed of their statutory duties and penalties.

INFORMATION ON CORPORATE PRACTICES

Good corporate governance is a top priority at DEMIRE Deutsche Mittelstand Real Estate AG and also includes the application of corporate practices that extend beyond the statutory requirements and allow for the hands-on implementation of the German Corporate Governance Code. Good corporate governance also includes taking a responsible approach to risks so as not to jeopardise the Company as a going concern. The Executive Board has therefore established an appropriate risk management system that is constantly evolving in line with the performance of the DEMIRE Group. Further information on this can be found in the “Risk report” section.

Responsible and sustainable management is part of DEMIRE Deutsche Mittelstand Real Estate AG’s corporate culture and everyday business. Living up to our ethical and legal responsibilities as a company is a top priority for us. This is the only way in which we can be seen as a partner that stands for integrity and reliability in the real estate industry, by tenants, business partners, authorities and the general public. Consequently, we have put a compliance programme in place within our Company and have prepared a Code of Conduct that all employees commit to when they start working for us.

The fact that corporate governance is a top priority at DEMIRE Deutsche Mittelstand Real Estate AG is demonstrated by its membership of the Institute of Corporate Governance (ICG), for which it was successfully certified for the first time in 2019 and subsequently recertified.

Information on corporate governance at DEMIRE Deutsche Mittelstand Real Estate AG is also publicly available on the Company’s website under “Company” > “Governance”.

TARGETS FOR THE PROPORTION OF WOMEN ON THE SUPERVISORY BOARD, ON THE EXECUTIVE BOARD AND IN THE TWO MANAGEMENT LEVELS BELOW THE EXECUTIVE BOARD

The Act on Equal Participation of Men and Women in Executive Positions in the Public and Private Sectors (Erstes Führungspositionen-Gesetz – FüPoG), which came into force on 1 May 2015, obliges DEMIRE’s Supervisory Board to itself determine a target for the proportion of women on the Supervisory Board and the Executive Board. It also obliges the Executive Board to set a target for the proportion of women in the two management levels below the Executive Board. The Act to Supplement and Amend the Regulations for the Equal Participation of Women and Men in Executive Positions in the Public and Private Sectors (Zweites Führungspositionen-Gesetz – FüPoG II) of 2021 is intended to improve the effectiveness of the FüPoG and to close any gaps. No further requirements arise for DEMIRE Deutsche Mittelstand Real Estate AG from FüPoG II, however.

In June 2022, the targets for the proportion of women on the Executive Board and in the first level of management below the Executive Board were set for the period from 1 July 2022 to 31 December 2024. The target for the Executive Board is zero. This is because, at the time the resolution was passed, the two male members of the Executive Board still had current contracts and no changes in the composition of the Executive Board was planned or foreseeable. For the first management level below the Executive Board, a target of 25% was set. The proportion of women in the first management level below the Executive Board was 16.67% as at 31 December 2023. The target was therefore not achieved for the first time in the reporting period. The background to this is the departure of a female manager and the merger of two specialist departments with a male manager. Due to the flat hierarchies in the Company, a target figure was not set for the second management level below the Executive Board.

The target for the proportion of women on the Supervisory Board was last set at 20% in December 2022. In 2023, the proportion of women was 33.3%, meaning the target was met.

DIVERSITY

DEMIRE Deutsche Mittelstand Real Estate AG does not have a written diversity policy. Nevertheless, the Supervisory Board and the Executive Board pay attention to the issue of diversity within the Company and consider it a matter of course. This is also expressed in DEMIRE Deutsche Mittelstand Real Estate AG's Code of Conduct, which enshrines both protection against discrimination and the fundamental principle of mutual respect. The Company believes that providing extensive protection against discrimination is an appropriate way of sufficiently promoting diversity within the Company.

DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE PURSUANT TO SECTION 161 AKTG

The Executive Board and Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG ("Company") monitor compliance with the German Corporate Governance Code. They hereby declare that DEMIRE Deutsche Mittelstand Real Estate AG has been complying with and will continue to comply with the recommendations of the "Government Commission German Corporate Governance Code" in the version dated 28 April 2022. The following exceptions apply:

A. I. Principle 3: "The Executive Board stipulates target values for the share of women in the two management levels below the Executive Board."

Due to the flat hierarchies in the Company, there is no second management level below the Executive Board. As a result, no target figure could be set here.

B. B. 2: "Together with the Executive Board, the Supervisory Board shall ensure that there is long-term succession planning. The approach shall be described in the Corporate Governance Statement."

There is currently no written policy for succession planning. Discussions on an extension are held between the Executive Board and the Supervisory Board in good time before the Executive Board employment contract concerned ends. If the talks do not result in further cooperation, the Supervisory Board is of the view that it will be able to ensure succession with sufficient advance notice without the need for a written policy.

B. B. 5: "An age limit shall be specified for members of the Executive Board and disclosed in the Corporate Governance Statement."

DEMIRE currently has no age limit for members of the Executive Board. It is the Company's view that age alone is not an appropriate exclusion criterion for appointing members to the Executive Board. The Supervisory Board is of the opinion that it serves the Company's interest better in certain cases when it can rely on the long-standing expertise of individual members of the Executive Board.

C. I. C. 2: "An age limit shall be specified for members of the Supervisory Board and disclosed in the Corporate Governance Statement."

No age limit has been set for members of the Supervisory Board of DEMIRE. In the opinion of the Company, age is not an appropriate criterion for electing a member of the Supervisory Board. The Supervisory Board is of the opinion that it serves the Company's interest better in certain cases when it can rely on the long-standing expertise of individual members of the Supervisory Board.

D. I. D. 1: "The Supervisory Board shall adopt its own Rules of Procedure and shall publish these on the Company's website."

The Supervisory Board of DEMIRE has established Rules of Procedure. However, they are not published on the Company's website. The Company does not believe that publication of the Rules of Procedure for the Supervisory Board will give shareholders any additional information.

D. II. 2. D. 4: "The Supervisory Board shall form a Nomination Committee, composed exclusively of shareholder representatives, which names suitable candidates to the Supervisory Board for its proposals to the General Meeting."

The Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG has not formed a Nomination Committee due to the fact it has a small number of members.

D. IV. D. 11: "The Company shall support Supervisory Board members sufficiently upon their appointment and during training and professional development measures, and shall disclose such measures in the report of the Supervisory Board."

The members of the Company's Supervisory Board already undergo a great deal of training as a result of their full-time professional activities. The Company provides sufficient support in this regard. As it is not always possible to clearly assign the activities, they are not listed in the report of the Supervisory Board.

D. IV. D. 12: "The Supervisory Board shall regularly assess how effectively the Supervisory Board as a whole and its committees perform their duties. In the Corporate Governance Statement, the Supervisory Board shall report whether and how a self-assessment has been carried out."

DEMIRE's Supervisory Board comprises only three members and therefore also simultaneously constitutes the Audit Committee. Due to this small number of members and the regular dialogue between the members of the Supervisory Board – including on questions of efficiency in the fulfilment of tasks – regular self-assessment generally takes place informally. A formal self-assessment did not take place in 2023, but it is planned for 2024.

F. 2: "The consolidated financial statements and the Group management report should be made publicly available within 90 days of the end of the financial year and the mandatory interim financial information should be published within 45 days after the end of the reporting period."

The prompt publication of the legally stipulated reports is monitored by the Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG and is of the highest priority. In exceptional cases, however, extraordinary circumstances may mean that publication is not possible within the specified period. Such a situation exists at DEMIRE Deutsche Mittelstand Real Estate AG for the consolidated financial statements and the 2023 group management report, which is why publication will take place after the 90-day period has expired. The Supervisory Board sees this as a one-off situation, however, and only expects this to affect the 2023 financial year. The publication of interim financial information has also been affected by the same circumstances, and the interim report for the first quarter of 2024 will therefore be delayed. Due to internal organisational processes, publication of the half-year report will take place shortly after the 45-day window.

G. I. 2. G. 3: "In order to assess whether the specific total remuneration of Executive Board members is in line with usual levels compared to other enterprises, the Supervisory Board shall use an appropriate peer group of other third-party entities, and shall disclose the composition of such group. The peer-group comparison shall be applied with a sense of perspective, in order to prevent an automatic upward trend."

The Supervisory Board made use of a peer group when determining the remuneration of the Executive Board. However, the Supervisory Board has refrained from disclosing the specific benchmark companies involved as it does not believe this gives shareholders and stakeholders any additional information.

This declaration was published immediately and made available to shareholders on the website. The Declaration of Conformity with the Code from Fair Value REIT-AG, which is included in the consolidated financial statements, dated 31 January 2024, is published on Fair Value REIT-AG's website.

Frankfurt am Main, 30 September 2024

The Executive Board of DEMIRE
Deutsche Mittelstand Real Estate AG

Frank Nickel
(CEO)

Tim Brückner
(CFO)

Ralf Bongers
(Member of the Executive Board)

On behalf of the Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG

Markus Hofmann
(Chair of the Supervisory Board)

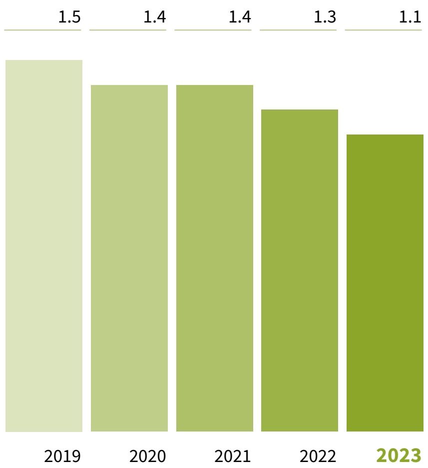
OVERVIEW OF OUR PORTFOLIO

We focus on commercial properties that are suitable for holding in our portfolio for the long term. Our top priority is location. In addition to the micro and macro location, we also look very closely at the long-term prospects of the location. When making our investment decisions, we also rely on support from external experts in local and regional real estate markets.

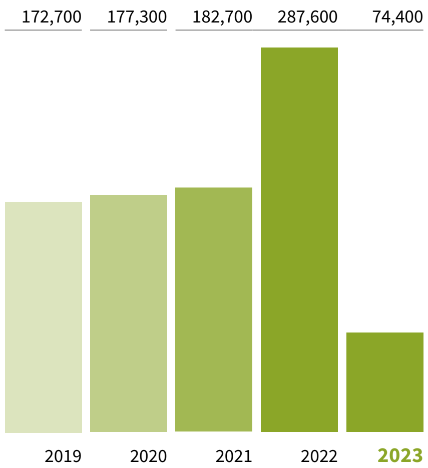
The fact that we align our portfolio in the best possible way for the long term is also reflected in our ABBA strategy, which guides us in selecting our locations. ABBA stands for A locations in B cities and B locations in A cities. We also add a small number of properties in prime locations to our portfolio. The fact that we are positioning ourselves correctly with our focus on B locations is proven, for example, by the analyses prepared together with bulwiengesa in the "Office Real Estate Market Study – Investment Opportunities in Secondary Locations". According to this study, office properties in secondary locations in particular boast comparatively high potential returns and are subject to lower volatility than A cities.

This alignment of our portfolio sends an important message to both our investors and our tenants: DEMIRE provides them with a stable foundation for the development of their interests, on which good prospects can be built.

MARKET VALUE (IN EUR BILLION)[1]

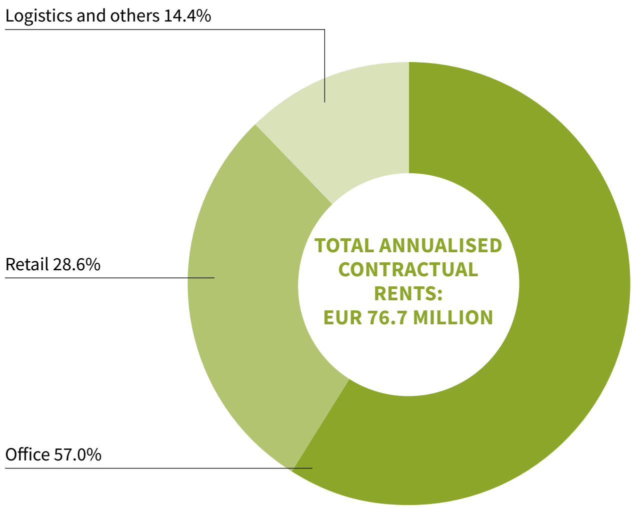


LETTING PERFORMANCE(IN M²)



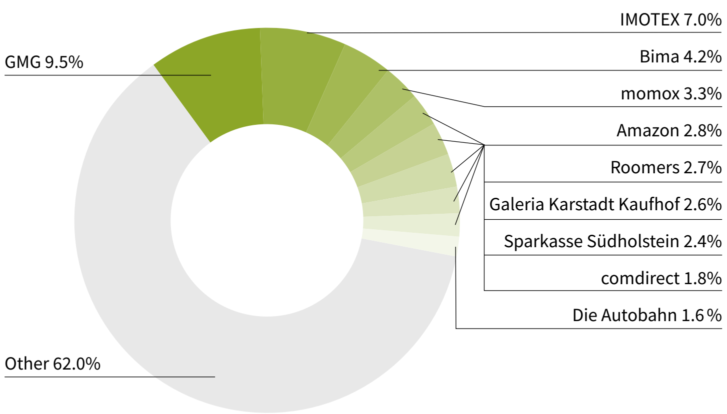
[1] The market value (in EUR million) represents the total fair value of DEMIRE's property portfolio as of the reporting date. In contrast to the balance sheet total of the "Total portfolio", no leaseholds or operating facilities are recognised.

ANNUALISED CONTRACTUAL RENTS BY ASSET CLASS



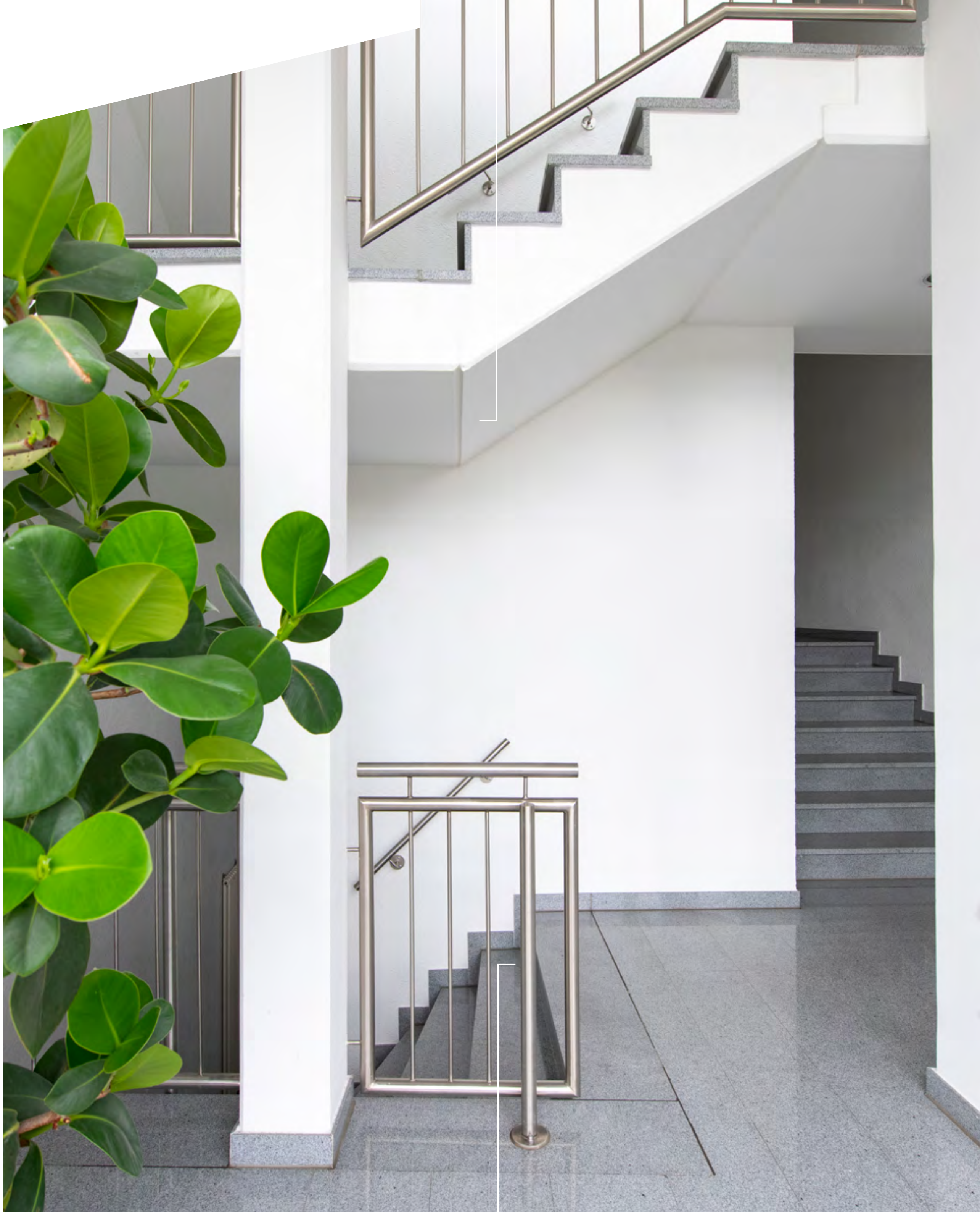
This broad expertise in real estate allows us to cover a wide range of asset classes in our search for suitable properties. We embrace diversification in geographical terms, too. Investment candidates can be located in all German regions, allowing us to take advantage of regional real estate cycles. With a few exceptions, such as the current situation with Galeria Karstadt Kaufhof, our properties are used by solvent tenants with good reputations and stable business prospects. Of our entire rental income, 38.0% comes from our ten biggest tenants. The mix of a small number of large tenants and a large number of medium-sized tenants allows us to strike a good balance between management expenses and the resulting benefits.

BREAKDOWN OF ANNUALISED CONTRACTUAL RENTS BY TENANT



PORTFOLIO BREAKDOWN BY REGION

COMBINED MANAGEMENT REPORT



GROUP PRINCIPLES

The combined management report reports on business development at DEMIRE Deutsche Mittelstand Real Estate AG ("the Company"), Frankfurt am Main, and the Group ("DEMIRE" or "the DEMIRE Group") for the financial year from 1 January to 31 December 2023. The Company prepares its financial statements according to the provisions of the German Commercial Code (HGB) and the provisions of the German Stock Corporation Act (AktG). The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB. The composition of the scope of consolidation, which forms an integral part of the consolidated financial statements, is shown in the Notes to the consolidated financial statements starting on page 105.

Set-up and orientation

Business activities

Acquisition and value-oriented development of commercial real estate
DEMIRE acquires and holds commercial real estate in regional centres, medium-sized cities and up-and-coming regions bordering metropolitan areas across Germany. In focusing on this, the Company has come up with the ABBA approach: This approach states that DEMIRE will focus its investments on A locations in B cities and B locations in A cities. The portfolio has potential for real estate investments and is attractive both to international and regional tenants.

At the same time, these markets show particular price resilience due to what tends to be the high stability of medium-sized companies based in the region (cf. bulwiengesa – "Office Real Estate Market Study – Investment Opportunities in Secondary Locations" – 2021_Demire_Sekundärstandorte.pdf). Efficient real estate management in such regions requires a specific understanding of the regional markets along with an excellent network – DEMIRE has both to a particular degree.

In principle, the Company focuses its portfolio on a mix of office, retail and hotel properties. With a current surplus in office properties, DEMIRE considers the return/risk structure for the commercial real estate business segment to be appropriate.

The Company attaches great importance to signing contracts with solvent tenants and the realisation of the potential inherent in real estate. The Executive Board considers this to be the case. DEMIRE therefore continues to expect stable and sustainable rental income and solid values in line with the market trend.

The business approach is fundamentally geared towards portfolio growth, and the Company disposes of any properties that are not consistent with its strategy. To prepare for the upcoming refinancing in 2024, in particular for the 2019/24 corporate bond, the Company has been striving since the summer of 2022 to improve the liquidity situation and the loan-to-value ratio with the help of property sales and active liability management. Therefore, in 2023, the only remaining logistics property and the Telekom property in Ulm, as well as two other small properties, were sold and the nominal amount of EUR 51 million of the 2019/24 corporate bond was bought back.

DEMIRE continues to advance the organisation from an operational and procedural perspective by implementing all kinds of different measures. Alongside cost discipline, operating performance is improved by means of directing external property managers and other service providers in a targeted manner, as well as by expanding the internal asset and portfolio management structures.

Listing on the stock market allows shareholders to participate in growth
DEMIRE's securities are listed on the regulated market (Prime Standard segment) of the Frankfurt Stock Exchange.

Satisfying the interests of shareholders is at the heart of DEMIRE's work to advance the business. The aim is to increase the value of the Company's portfolio in their interests. At the same time, the Company aims to generate stable income.

When it comes to possible acquisitions, the Company focuses on assets with development potential. Economically mature assets and smaller properties that are not part of the Core Portfolio will continue to be sold. As at the reporting date, there were purchase offers for properties with a market value of EUR 149.1 million, meaning that they are classified as held for sale. The purchase offers are subject to further review and may not lead to the conclusion of a sale. As at the reporting date, DEMIRE has a real estate portfolio of 59 properties with lettable space of around 860,000 m^2 and a market valuation of around EUR 1.1 billion (including properties held for sale). The Cielo office property in Frankfurt am Main is not included in these figures as it is held within a joint venture and accounted for using the equity method.

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

Strategy and objectives

The strategic medium-term plan "REALize Potential", which was drawn up in 2019 and focuses on the further development of DEMIRE, continues to set the general direction, but was adjusted due to market conditions and the refinancing due in 2024. DEMIRE is pursuing the following long-term goals:

1. Expanding the portfolio volume

2. Ensuring the Company's ability to pay dividends in the long run

3. Achieving an investment grade rating

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

1. **Transactions** – Continued optimisation of the portfolio structure and creation of additional liquidity for refinancing; medium-term goal of portfolio growth in ABBA locations (A locations in B cities and B locations in A cities)

2. **Management** – Exhausting real estate potential through active and value-oriented property management

3. **Financials** – Refinancing of liabilities maturing in 2024 and long-term stabilisation of the financing structure

4. **Processes** – Realising optimisation potential in processes and structures

These levers are described in detail as follows:

Transactions
The medium-term goal of increasing the portfolio value is overridden by the goal of creating liquidity for the refinancing of the 2019/24 bond and reducing DEMIRE's loan-to-value ratio. To achieve this, properties are to be sold; this will probably reduce the real estate portfolio for the time being over the next few years. The additional liquidity will also be used to invest in potential in the portfolio in order to further develop the portfolio in a value-creating and sustainable manner.

After completing the refinancing and stabilising the financing structure, the Company will, from a strategic perspective, continue to focus its acquisitions on regional centres, medium-sized cities and up-and-coming regions bordering metropolitan areas throughout Germany. To optimise the risk structure, DEMIRE diversifies the portfolio according to a mix of uses appropriate to the German commercial real estate market. These are office, retail and other (including hotel).

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

Management

The Company's aim is to further leverage real estate potential by continuing to improve its real estate management with a value-based approach. This includes the expansion of the Company's in-house portfolio and asset management capacities. This strengthening of capacity enables the portfolio and asset management team to develop dedicated individual property strategies, for example, while also taking into account increasing sustainability requirements, maintains a strong management focus on managing existing tenants and new lettings, and enables the optimisation of cost structures at individual property level through the intensive control of property and facility management.

In terms of portfolio management, the Company is actively working on optimising its portfolio structure and the consistent implementation of the ABBA strategy. As part of this, small, less profitable properties in non-strategic areas are sold and properties consistent with the strategy are acquired. Properties that require restructuring due to changes in market conditions are repositioned using DEMIRE's active asset management approach. Another focus of portfolio management is the ongoing development of the properties, especially whilst also taking sustainability criteria into account.

DEMIRE also maintains its regional network of administrations, trade associations, estate agents and other regional real estate players, and expands this when opportunities arise.

Financials

DEMIRE continuously reviews its financial performance indicators with the aim of optimising them. In these endeavours, the Company pays special attention to cost structures. In addition to monitoring the performance indicators, DEMIRE regularly reviews and benchmarks non-operating costs in particular.

With proactive liquidity management, financial reserves were gradually built up in 2023 to provide financial headroom for the repayment of the 2019/24 corporate bond (nominal value EUR 499 million). Cash and cash equivalents increased to EUR 120 million since the end of 2022 (EUR 57 million), due in part to the property sales. Overall, financial liabilities fell to EUR 791 million compared to the end of 2022 (EUR 829 million).

In 2023, administrative expenses rose slightly (+8.8% on the previous year), largely due to inflation-related cost increases. The positive development of the financial result reflects the income from repurchased bonds under par in particular. The net loan-to-value ratio increased to 57.7% compared to the end of 2022 (54.0%) primarily due to the devaluation of the properties. Due to the sale of LogPark in Leipzig, the net loan-to-value ratio fell to 53.9% at the end of the first quarter of 2024 as a result of the cash inflow. At the end of the second quarter, the net loan-to-value ratio was 54.7%.

Processes

DEMIRE's corporate culture includes the continuous improvement of existing processes, procedures and structures. The DEMIRE Group continued to optimise and standardise its processes in 2023. In 2023, we once again received the EPRA Gold Award for reporting key figures in accordance with the transparency requirements of the EPRA (European Public Real Estate Association). Our sustainability report was awarded gold for the first time in 2023, following silver in the previous year, meaning that we also demonstrably meet the highest transparency requirements in this area.

Corporate management

Management: key performance indicators are geared towards earnings and value development

We make use of a range of financial indicators to manage our Company. They relate to income and liquidity on the one hand, whilst also looking at value on the balance sheet.

On the income side, DEMIRE uses rental income and operating cash flow (funds from operations after taxes and before minority interests [FFO I]) as key indicators. In order to grow FFO I, management is tasked with improving the cash flow of the real estate portfolio over time and through active portfolio management. To achieve this, the development of the occupancy rate, the actual net rent per m², excluding service charges, ongoing maintenance and operating costs, allocable service charges, rent losses and the net operating income of the properties (NOI) are monitored and actively controlled at the operating level by means of regular target/actual comparisons. Integrated cash flow planning links both the business segments and the individual properties together.

In addition to the earnings position, we also continuously monitor the liquidity situation. Revenue and cash flows are aggregated and evaluated at the level of DEMIRE AG. The annual result determined in accordance with commercial law is a key performance indicator for DEMIRE AG.

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

The key performance indicator related to the balance sheet for measuring added value is the change in net asset value (NAV), adjusted for dividend payouts.

Another key figure for the Group is the net loan-to-value (net LTV) ratio, which, according to the definition of the 2019/24 corporate bond, is calculated as financial and leasing liabilities minus cash and cash equivalents as a ratio to total assets minus goodwill and cash or cash equivalents (see page 51).

Corporate governance: Executive Board and Supervisory Board

The Group's parent company is DEMIRE AG. It is controlled by the Executive Board, which assumes responsibility for managing the business and determining the Company's strategic direction. The strategy is implemented in close coordination with the Supervisory Board. The Supervisory Board monitors the activities of the Executive Board and receives regular information from the latter regarding business developments, strategy and potential opportunities and risks. In the first quarter of 2023, the Executive Board consisted of CEO Prof. Dr Alexander Goepfert and CFO Tim Brückner. Ralf Bongers joined the Executive Board team in April 2023 as the Executive Board member responsible for Transactions and Asset Management. In April 2024 Prof. Dr Goepfert was dismissed by the Supervisory Board and Mr Frank Nickel was appointed as the new CEO by the Supervisory Board.

The Executive Board is monitored by the Supervisory Board. In the 2023 financial year, the latter consisted of three members, who were confirmed in office or appointed at the 2023 Annual General Meeting. Markus Hofmann assumed the role of Chair, with Frank Hölzle as Vice Chair and Prof. Dr Kerstin Hennig as the other member. Prof. Dr Hennig stepped down in May 2024. Ernö Theuer was then appointed as a member of the Supervisory Board by court order in May 2024.

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

Portfolio

Diversified portfolio with a focus on office properties

As at 31 December 2023, the Core Portfolio comprised 59 commercial properties (previous year: 62) with total lettable floor space of 858,392 m² (previous year: 912,704 m²).

The **market value of the properties** totalled EUR 1,075.6 million (previous year: EUR 1,329.8 million). Office properties accounted for the largest share of this portfolio in terms of market value, at around 59% (31 December 2022: 62%). Retail properties account for approximately 26% (31 December 2022: 24%). Around 15% of the portfolio is made up of other properties (including hotels and logistics) (31 December 2022: 14%). The market value per square metre averages EUR 1,253 and is significantly below the replacement cost, i.e. the cost of constructing a comparable new building, across all property classes.

TOP 10 TENANTS (AS AT 31 DECEMBER 2023)

No.	Tenant	Type of use	Contractual rents p. a.[1] in EUR million	in % of total
1	GMG/Dt. Telekom	Office	7.3	9.5
2	IMOTEX	Retail	5.4	7.0
3	Bima Bundesanstalt für Immobilienaufgaben	Office	3.2	4.2
4	momox Services GmbH	Logistics	2.5	3.3
5	Amazon	Logistics	2.2	2.8
6	Roomers	Hotel	2.1	2.7
7	Galeria Karstadt Kaufhof	Retail	2.0	2.6
8	Sparkasse Südholstein	Office	1.8	2.4
9	comdirect bank AG	Office	1.4	1.8
10	Die Autobahn GmbH des Bundes	Office	1.3	1.6
Total			**29.1**	**38.0**
Other			47.6	62.0
Total			**76.7**	**100.0**

[1] Based on annualised contractual rents, excluding ancillary costs

PORTFOLIO BY ASSET CLASS

	Number of properties	Market value[1] in EUR million	Share by market value in %	Lettable space in thousand m²	Market value per m²	Contractual rent in EUR million p. a.	Contractual rent[2] per m²	Rental returns in %	EPRA Vacancy Rate[3] in %	WALT in years
Office	38	629.0	58.5	454.1	1,385	43.7	10.00	7.0	13.3	3.4
Retail	16	281.6	26.2	214.5	1,313	21.9	10.40	7.8	14.1	4.8
Logistics & Other	5	165.1	15.3	189.8	870	11.0	5.42	6.7	10.3	8.7
Total 31 December 2023	**59**	**1,075.6**	**100.0**	**858.4**	**1,253**	**76.7**	**9.00**	**7.1**	**13.1**	**4.6**
Total 31 December 2022	**62**	**1,329.8**	**100.0**	**912.7**	**1,457**	**85.1**	**8.72**	**6.4**	**9.5**	**4.8**
Change (in %/pp)	– 3	– 19.1%	0	– 6.0%	– 14.0%	– 9.9%	3.3%	0.7	3.6	– 0.2

[1] The market value (in EUR million) represents the total fair value of DEMIRE's property portfolio as at the reporting date. In contrast to the balance sheet item "Total Core Portfolio", no heritable building rights or operating facilities are recognised.
[2] Adjusted calculation method: Since 2023, vacant space in properties under development has been deducted when determining the leased space.
[3] Excluding properties classified as a project development

Portfolio and asset management

DEMIRE defines active asset management as a key factor in achieving positive portfolio development in the long run. This requires regular contact with all stakeholders, especially tenants. This strategy also played a key role last year in the successful letting of properties despite the difficult economic conditions.

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

The valuation of the entire portfolio was carried out by the independent real estate appraiser Savills as at the reporting date, 31 December 2023. The change in value compared to the previous year, from EUR 1,329.8 million to EUR 1,075.6 million is due to the completed sales of three properties with a total market value of EUR 90.3 million as at 31 December 2022, and a change in property value of EUR – 163.9 million at the end of 2023.

Letting performance

At around 74,400 m², the letting performance in 2023 was significantly below the previous year's level (around 287,600 m²). This was primarily due to the high letting performance in the previous year and the weak economic environment in the reporting year. 24.4% of the letting performance in 2023 was attributable to new lettings and 75.6% to follow-on lettings. Rental income fell slightly to EUR 78.5 million, in particular due to property sales, while rental indexation had the opposite effect (previous year: EUR 81.1 million).

The EPRA Vacancy Rate for the Core Portfolio – excluding properties classified as a project development – was 13.1% as at the reporting date, which was below the previous year's value of 9.5%. One of the main reasons for the increase in vacancies is the expiry of rental agreements without re-letting, particularly in Düsseldorf, Kassel, and the property in Celle vacated by Galeria Karstadt Kaufhof. The weighted average lease term (WALT) of the entire portfolio remained more or less stable at 4.6 years, following on from 4.8 years reported as at 31 December 2022.

The annualised contractual rents generated from the real estate portfolio fell by 3.5% in like-for-like terms in the financial year mainly due to the higher vacancy rate. The indexing of rental agreements had the opposite effect. If we take a more differentiated look at rental growth by asset class, the following picture emerges:

DEVELOPMENT OF ANNUALISED CONTRACTUAL RENTS IN 2023

Asset class	Like-for-like rental growth
Office	–2.5%
Retail	–9.8%
Logistics and others	6.5%
Total	**–3.5%**

Active portfolio management

In the 2023 financial year, four properties in Ulm, Apolda, Bad Oeynhausen and the LogPark Leipzig logistics building were sold for a total of EUR 173.7 million. This corresponds to a cumulative reduction of 17.8% on the market value of 31 December 2022, which reflects the externally validated market value at the time of sale. The sales contract for the LogPark logistics property in Leipzig was signed for EUR 103.3 million at the end of December 2023 (market value as at 31 December 2022: EUR 121.0 million). The benefits and encumbrances were transferred at the end of March 2024.

DISPOSALS 2023

Location	Asset class	Market value (31/12/2022) in EUR	Selling price in EUR
Ulm	Office	87,000,000	68,500,000
Apolda	Retail	1,480,000	600,000
Bad Oeynhausen	Office	1,840,000	1,350,000
LogPark - Leipzig[1]	Logistics	121,000,000	103,250,000
Total		**211,320,000**	**173,700,000**

[1] The contract was concluded in 2023, and the benefits and encumbrances were transferred at the end of the first quarter of 2024

Non-financial performance indicators

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

Personnel

KEY SPECIALISTS AND CENTRAL DEVELOPMENT DRIVERS

The Group employed a total of 34 employees, excluding the Executive Board, as at 31 December 2023 (31 December 2022: 34 employees). These figures include all consolidated and non-consolidated entities.

DEMIRE embraces and promotes diversity throughout the Company. The age structure of our employees is widely distributed. Around 12% of our employees are younger than 30 years of age, around 35% are between 30 and 40 years old, and around 32% are aged between 40 and 50. Just under 11% of our employees are between 50 and 60 years of age, and just under 9% are over 60.

DEMIRE's corporate structure is based on flat hierarchies. We offer motivated and committed employees a variety of responsibilities and areas of activity. Lean decision-making processes and direct, open communication between all levels provide ideal conditions for constructive cooperation. The Company creates the framework for this, recognising the fact that employees are at the heart of the Company's success, as well as being an essential component in allowing it to achieve its medium to long-term corporate goals.

A market- and performance-oriented remuneration system encourages the management's and employees' focus on achieving corporate and departmental goals. Remuneration is reviewed regularly within the Company and adjusted to the Company-wide operational and personnel targets.

Our employees have opportunities to undertake internal and external training, thus helping to advance their personal and professional skills. This ensures the areas they can be deployed in are in line with the Company's performance requirements.

Our employees benefit from a contemporary working environment, with modern workplaces and generously sized recreational areas to help foster team building. This supports the targeted exchange of knowledge within the workforce and promotes cooperation between the various working areas and project groups.

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

DEMIRE WELCOMES DIVERSITY AND VARIETY

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

Tenant relationship management and network maintenance

DEMIRE's commercial success plays a significant role in the Company's ability to maintain and further expand its relationships with the environment around it. Maintaining regular dialogue and encouraging partnerships with our tenants ensures that we can identify potential need for action at an early stage in order to secure a lease for the long term.

On the operational side, we are regularly in constructive dialogue with all of our many cooperation partners. We integrate them into our processes, depending on the requirements and project cycle in question. These partners include experts (such as lawyers, architects or building specialists) and partners with special local knowledge (such as estate agents or local authorities).

CLOSE TENANT SUPPORT

Our Company relies on maintaining trust in our relationships with tenants. Our employees responsible for ensuring this are in regular contact with our tenants by telephone, but also by providing regular direct support on location.

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

Close tenant support also paid off in the past year. Constructive dialogue allowed individual solutions to be found in the vast majority of cases, keeping rent default risks to a minimum.

NETWORKING

DEMIRE is a member of the European Public Real Estate Association (EPRA), the representative body of listed European real estate companies. As part of this, we support the EPRA best practice recommendations promoting the transparent presentation of key performance indicators for listed real estate companies. We have presented detailed performance indicators as defined by EPRA since the 2020 financial year. EPRA awarded DEMIRE a Gold Award for the implementation of the Best Practice Recommendations for this reporting. In summer 2023, we published our second EPRA sustainability report, which, after Silver in the previous year, has now been honoured with the Gold Award and demonstrates our increased efforts to improve sustainability.

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

Sustainability

EPRA GOLD AWARD FOR THE SUSTAINABILITY REPORT

In recent years, social and environmental factors have, alongside economic aspects, become much more important. For this reason, DEMIRE is currently exploring the topic in greater depth and in 2023 prepared its second EPRA sustainability report. Following the Silver Award in the previous year, EPRA has now recognised our increased transparency efforts in sustainability reporting with the Gold Award. We aim to further improve ESG reporting and continually increase transparency on the ESG impacts of our business.

ESG – ENVIRONMENTAL, SOCIAL & GOVERNANCE

Our Company strives to act responsibly and sustainably in every situation. In doing so, we observe ecological and social aspects in our business activities and act in accordance with the principles of good corporate governance. We support measures that help to save energy and reduce emissions. In the future, our Company will continue to pay attention to the sustainable use of environmental resources and consider the impact of our entrepreneurial activities on them. Dealing with our employees, customers, business partners and the general public in a responsible and fair way is a matter of course for us. This comes from the high demands we place on implementing a responsible corporate culture.

Our Company strives to further anchor sustainability by implementing guidelines in the Group. Among other things, a cross-departmental working group has been formed for this purpose in order to integrate a sustainability strategy as an integral part of the Company's actions. Initial goals identified include a noticeable reduction in the Company's own CO_2 emissions (Scope 1 and 2), the recording of CO_2 emissions and the energy consumption of our properties as well as savings through optimised building technology. The revitalisation of older existing buildings to meet the latest energy standards is likewise becoming increasingly important for DEMIRE. The largest new lease in the Company's history in Essen is based, for example, on a comprehensive sustainability concept for the revitalisation of an office property from the existing portfolio, which in comparison to a new building creates new rental space in a resource-saving manner. Furthermore, we will prepare a materiality analysis in line with the requirements of the European CSRD 2024 and use this as the basis for CSRD-compliant reporting. From the 2025 reporting year, we will publish the key results of this ESG reporting annually in our Annual Report.

In 2019, our Company underwent an external audit to document and apply the principles of good corporate governance based on the standards of the Institute for Corporate Governance (ICG) and was admitted as a member following successful certification in 2020. The re-certifications and self-audits required by the ICG regulations have since been completed at the specified intervals and have so far confirmed compliance with the standards.

ECONOMIC REPORT

Economic environment

Macroeconomic situation

The overall economic situation in Germany in 2023 was largely subject to high inflation, rising interest rates and a weak global economy. Inflation weighed on consumption and caused demand to fall. In addition, the unfavourable financing landscape with higher interest rates and low demand from abroad dampened economic development. The German Federal Statistical Office (destatis) reported a decrease in price, season and calendar-adjusted gross domestic product (GDP) of 0.1% for 2023 compared to the previous year (2022: + 1.9%). With economic development set to pick up, the labour market will be robust in 2023. At 5.7%, the average unemployment rate for the year was 0.4 percentage points above the previous year's figure.

The high inflation rate in a long-term comparison is striking, although it will weaken over the course of 2023. In 2023, there was an increase of 5.9% compared to the previous year (2022: 6.9%), based on the consumer price index. According to the German Federal Statistical Office, this development is primarily due to significant food price increases.

As a countermeasure to the persistently high inflation rate, the European Central Bank (ECB) raised its key interest rate in several steps from 2.5% at the beginning of the year to 4.5% in September 2023, also making the financing of real estate investments much more expensive.

DEVELOPMENT OF THE REAL ESTATE AND CONSTRUCTION SECTORS

The year 2023 will be the weakest year for the German real estate investment market since 2011. According to the Investment Market Overview by international brokerage house Jones Lang Lasalle (JLL), properties with transaction volumes of EUR 31.7 billion were traded in the reporting period, down by 52% year-on-year. The reasons for the restrained investor activity are seen both in the ECB's increased key interest rates, which are making investment alternatives such as German government bonds more attractive again, and in the difficult macroeconomic environment in Germany. With an end to the interest rate hike cycle in sight, JLL expects the investment market to have bottomed out by the turn of 2023/2024 and anticipates a trend reversal in 2024.

The industry association BAUINDUSTRIE predicts a real decline in revenue of 5.5% in 2023 compared to 2022. The association expects revenue to fall by a further 3.5% in 2024, primarily due to falling construction prices.

The section below outlines developments in the sub-markets that are the most relevant to DEMIRE in 2023.

OFFICE REAL ESTATE MARKET

In 2023, the office rental market recorded its weakest revenue results since 2009. JLL calculates office space take-up in "A cities" (Berlin, Düsseldorf, Frankfurt am Main, Hamburg, Cologne, Munich and Stuttgart) at 2.5 million m², which is 28% less than in the previous year when demand was very strong. Vacancies at these top locations totalled 5.8%, which was 90 base points above the previous year's value. According to JLL, both the rising vacancy rates and the decline in revenue in the rental market are due to the difficult economic situation across all sectors. As in previous years, prime rents rose by a total of 6.8% year-on-year, which is due in particular to the continued high demand for high-quality space on the part of tenants.

The office investment market also cooled as against the previous year. As far as transaction volumes across Germany are concerned, the figures from the international real estate agency CBRE show revenue of EUR 5.3 billion for 2023, which is 77% below the previous year's level and the lowest in the last ten years. Office transactions accounted for 19% of all commercial real estate investments in the reporting year and are therefore no longer the asset class with the highest revenue. In terms of prime yields, A cities recorded an average year-on-year increase of 40 basis points to a yield of 5.0%.

RETAIL REAL ESTATE MARKET

Due to the significant increase in consumer prices for energy and food, among other products, German retail sales fell by 3.1% in real terms in 2023, as reported by the German Federal Statistical Office. While above-average declines in revenue were recorded for food and furnishings, household appliances and building supplies, for example, retail trade involving textiles, clothing, shoes and leather goods recorded revenue growth. After peaking in 2021 due to the pandemic, e-commerce saw sales fall yet again in 2023. According to statista, online retail revenue declined by around 12% in the reporting year compared to 2022.

The transaction volume for retail real estate fell significantly in 2023. CBRE recorded a year-on-year decline of around 43% in the transaction volume on the German market to approximately EUR 5.4 billion. Specialist stores and specialist retail parks remained the most traded sub-asset class with a share of 59% (previous year: 48%), followed by 1A retail properties at 31% (previous year: 15%) and shopping centres at 5% (previous year: 29%).

The gross initial yields varied depending on the type of use and location at the end of 2023. They ranged from around 4.8% (+95 basis points year-on-year) for retail properties in 1A locations within top cities to 4.7% to 5.0% (+40–70 basis points year-on-year) for food stores and specialist retail parks, to 7.2% (+70 basis points year-on-year) for shopping centres in B locations.

HOTEL REAL ESTATE MARKET

According to analyses conducted by BNP Paribas Real Estate, in 2023 transaction volumes in the hotel real estate market were down by around 29% year-on-year to EUR 1.3 billion. This means that the investment volume was around 60% lower than the ten-year average. Portfolio transactions, in particular, were missing in the market. Transaction activity picked up noticeably in the fourth quarter of 2023 and, according to BNP Paribas Real Estate, revenue is expected to rise in 2024 as conditions brighten.

LOGISTICS REAL ESTATE MARKET

The industrial and logistics real estate market shrank significantly compared to previous years, according to surveys by the international real estate company Savills. On the one hand, the difficult development on the financial markets in the face of rising interest rates had a negative impact on transaction volumes and prices. On the other hand, the weak economic environment was responsible for the fall in take-up on the rental markets. Nevertheless, according to Savills, the vacancy rate remains low at less than 3% and the rent level continued to rise in 2023. The transaction volume fell by 46% year-on-year to around EUR 5.2 billion in 2023, the lowest transaction result since 2016. The turnaround in interest rates led to rising net initial yields, albeit to a lesser extent than in the previous year (+90 basis points). The prime yield rose by 40 basis points to 4.3% over the course of 2023. Savills expects good prospects for logistics space in the medium term and is cautiously optimistic about the logistics real estate market in 2024, particularly in comparison with the rest of the real estate market.

Implications for DEMIRE

The macroeconomic and real estate market environment was challenging once again in 2023. Even in this period, however, DEMIRE benefited from the portfolio focus on economically strong German secondary locations. Secondary locations were not exposed to excessive market fluctuations and were less affected by yield fluctuations than A locations, as joint studies by DEMIRE and bulwiengesa have shown in the past. Nevertheless, market-related impairment losses had to be recognised in the real estate portfolio in the 2023 financial year, although these were within the normal market range.

General assessment of the Executive Board

General statement on the business performance and position of the Group

DEMIRE once again closed the 2023 financial year successfully, particularly in view of the continued adverse circumstances with regard to the key performance indicators of rental income and FFO I, but had to report a negative result for the year due to market factors such as devaluations of the real estate portfolio and property sales below the market value of the previous period. Rental income and FFO as key management indicators showed positive development in line with, or even outstripping, our expectations. Following the successful streamlining of the portfolio in recent years, two further properties that were no longer in line with the strategy were sold in 2023, as well as two larger properties (change of use of LogPark in Leipzig in March 2024). The sales are part of our efforts announced in summer 2022 to create further liquidity to refinance liabilities that are due in 2024. As a result of this, and due to the write-downs on the real estate portfolio amounting to EUR 176.8 million, the value of the portfolio decreased to EUR 947.3 million as at the reporting date (previous year: EUR 1,231.1 million). The sale of LogPark, which was finalised at the end of the year, is no longer included in the portfolio value as a property classified as held for sale, but is recognised as a property held for sale.

TARGET/ACTUAL COMPARISON

Indicator/date in EUR million	2022 actual	Forecast 16/03/2023	Forecast 23/11/2023	2023 actual
Rental income	81.1	74.5–76.5	78.0–80.0	78.5
FFO I (after taxes, before minority interests)	41.8	33.0–35.0	35.0–37.0	36.7

Despite the successful achievement of the key performance indicators, the results for 2023 reflect the challenges presented by the difficult macroeconomic and real estate market environment. Our proven active management approach also helped us to achieve the best possible results in this environment. It is also easy to add any future acquisitions to this effective platform with low marginal costs.

Following the extensive refinancing activities performed in previous years, in 2023 the Company continued to reap significant benefits from lower financing costs. In view of the rise in interest rates and the maturities in 2024, however, significantly higher financing costs can be expected in future.

Measures were taken to actively shape the real estate portfolio in the financial year under review, even though the development of the transaction market for real estate triggered weak demand for real estate investments in 2023 in view of the rising interest rates. Two properties no longer in line with the strategy were sold for a total of EUR 2.0 million and two larger properties were sold for a total of EUR 171.8 million (transfer of benefits and encumbrances of LogPark in Leipzig on 30 March 2024). Despite predominantly index-linked tenancies, the annualised like-for-like contractual rent, i.e. excluding acquisitions and sales, fell by –3.5% (previous year: 10.2%), mainly due to increased vacancy rates. The EPRA Vacancy Rate, which excludes properties classified as a development project, rose by 360 basis points to 13.1% compared to the reporting date. The WALT fell slightly compared to the end of 2022 to 4.6 years (previous year: 4.8 years).

In summary, DEMIRE achieved positive operating development in the 2023 financial year in terms of its key performance indicators and in view of the challenging economic environment, even though the write-downs on the real estate portfolio lead to a negative annual result. Following the successful agreement with the bondholders on the refinancing of the 2019/24 bond, the focus for the remainder of the 2024 financial year will be on implementing this, refinancing bank loans, opportunistic sales and efforts to strengthen asset management. Due to the sales and the significant increase in financing costs, the Company expects to see a decline in rental income and FFO I (after tax, before minority interests) for the 2024 financial year.

Results of operations, net assets and financial position

Results of operations

In 2023, rental income (EUR 78.5 million; previous year: EUR 81.1 million) and the profit/loss from the rental of real estate (EUR 59.5 million; previous year: EUR 62.3 million) decreased slightly compared to the previous year, mainly due to the sales in 2022 and 2023, as was to be expected. The profit/loss from the sale of real estate (EUR – 14.3 million; previous year: EUR – 8.2 million) was negative, as the properties were sold below the valuations of the last reporting date. Due primarily to the market situation, the profit/loss from the fair value adjustment of investment properties (EUR – 146.3 million; previous year: EUR – 61.2 million) is in negative territory and exceeds the profit/loss from the rental of real estate. In addition, there is a negative contribution from the fair value adjustment of properties held for sale (EUR – 30.5 million; previous year: EUR – 37.7 million), to which the sale of the LogPark logistics property in Leipzig agreed in December contributed. Furthermore, a provision was recognised for a penalty in connection with an option to acquire joint venture shares (EUR 24.1 million; previous year: EUR 0 million). This results in negative earnings before interest and taxes (EUR – 187.9 million; previous year: EUR – 72.9 million). By contrast, the financial result (EUR 10.5 million; previous year: EUR – 0.4 million) improved significantly, mainly due to income from the bond buyback under par and higher loss transfers from minority shareholders of Fair Value REIT-AG's investments.

CONSOLIDATED INCOME STATEMENT

(selected information in EUR thousand)	2023	2022	Change	in %
Rental income	78,519	81,079	–2,560	–3.2
Income from utility and service charges	23,004	28,065	–5,061	–18.0
Operating expenses to generate rental income	–41,999	–46,832	4,833	–10.3
Profit/loss from the rental of real estate	**59,524**	**62,312**	**–2,788**	**–4.5**
Income from the sale of real estate and real estate companies	70,450	12,743	57,707	>100
Expenses related to the sale of real estate and real estate companies	–84,784	–20,907	–63,877	>100
Profit/loss from the sale of real estate and real estate companies	**–14,334**	**–8,164**	**–6,170**	**75.6**
Profit/loss from fair value adjustments of investment properties	–146,280	–61,228	–85,052	>100
Result from the fair value adjustment of assets held for sale [1]	–30,527	–37,650	7,123	–18.9
Impairment of receivables	–18,906	–1,501	–17,405	>100
Other operating income	1,043	800	243	30.4
General and administrative expenses	–11,641	–10,699	–942	8.8
Other operating expenses	–26,826	–16,795	–10,031	59.7
Earnings before interest and taxes	**–187,947**	**–72,925**	**–115,022**	**>100**
Financial result	10,486	–381	10,867	>100
Earnings before taxes	**–177,461**	**–73,306**	**–104,155**	**>100**
Current income taxes	–12,638	–6,841	–5,797	84.7
Deferred taxes	38,133	8,644	29,489	>100
Net profit/loss for the period	**–151,966**	**–71,503**	**–80,463**	**>100**
Therof attributable to parent company shareholders	–147,190	–65,745	–81,445	>100
Basic earnings per share (in EUR)	–1.40	–0.62	–0.77	>100
Weighted average number of shares outstanding	105,513	105,513	0	0.0
Diluted earnings per share (in EUR)	–1.40	–0.62	–0.78	>100
Weighted average number of shares outstanding (diluted)	106,023	106,023	0	0.0

[1] The prior-year figures have been adjusted due to a change in presentation in the reporting period.

DEVELOPMENT OF THE MAIN ITEMS OF THE STATEMENT OF INCOME

In the 2023 financial year, the DEMIRE Group generated **rental income** totalling EUR 78.5 million (previous year: EUR 81.1 million). As expected, the decline is attributable to the sales in the previous year, with offsetting effects from rent indexations and new lettings. Rental income is within the range of the adjusted forecast of EUR 78.0 million to EUR 80.0 million published in November 2023.

Income from utility and service charges of EUR 23.0 million (previous year: EUR 28.1 million) includes tenant prepayments for operating costs. Expenses to generate rental income include utility and service charges, maintenance expenses and amortisation of rent incentives, and amounted to EUR 42.0 million in the reporting year (previous year: EUR 46.8 million). Overall, the result from the rental of real estate fell by 4.5% to EUR 59.5 million in the financial year (previous year: EUR 62.3 million), which is due in particular to property sales and higher maintenance expenses.

The **profit/loss from the sale** of real estate amounted to EUR – 14.3 million in the 2023 financial year (previous year: EUR – 8.2 million), resulting from the sale of three properties in Ulm, Apolda and Bad Oeynhausen. Due to market conditions, the properties were sold at an average discount of 22.0% as at 31 December 2022.

The **profit/loss from fair value adjustments** of investment properties (valuation result) amounted to EUR – 146.3 million or – 13.2% like-for-like (previous year: EUR – 61.2 million). As a result of falling multipliers across all property asset classes and markets, almost all properties in the portfolio recorded a devaluation. Profit/loss from fair value adjustments of assets held for sale amounted to EUR –30.5 million (previous year: EUR – 37.7 million) due to expected market-related discounts on sales.

Impairments on receivables amounted to EUR 18.9 million in the reporting period (previous year: EUR 1.5 million) and relate primarily to impairments on the loan granted to RFR. The loan was granted in connection with the Cielo transaction.

Other operating income remained almost unchanged compared to the previous year (EUR 0.8 million) at EUR 1.0 million.

General administrative expenses rose slightly to EUR 11.6 million in 2023 (previous year: EUR 10.7 million), in particular due to higher legal and consulting fees as well as staff costs.

Other operating expenses rose to EUR 26.8 million (previous year: EUR 16.8 million). While the expenses in the previous year were largely influenced by the one-off impairment of the goodwill of the shares in Fair Value REIT-AG, expenses of EUR 24.1 million were incurred in the reporting year for the valuation of options on the reporting date in connection with the Cielo property, which is accounted for using the equity method.

As a result of all of the factors referred to above, **earnings before interest and taxes** (EBIT) came to EUR – 187.9 million, as against EUR – 72.9 million in the previous year.

The **financial result** improved significantly to EUR 10.5 million in 2023 (previous year: EUR – 0.4 million). Financial income increased from plus EUR 18.4 million in the previous year to EUR 21.5 million in the reporting year, mainly due to the bond buyback under par. The share of losses assumed from minority shareholders rose to EUR 5.1 million (previous year: EUR 0.8 million), in particular due to the higher market-related devaluation of properties than in the previous year. Financial expenses also fell to EUR 17.1 million (previous year: EUR 19.8 million) due to lower interest expenses following the partial buyback of the 2019/24 bond.

Deferred taxes led to a clearly positive contribution to earnings (EUR 38.1 million; previous year: EUR 8.6 million), which was brought about as a result of the reversal of deferred tax liabilities primarily due to the negative fair value adjustments of the real estate portfolio.

The **net profit/loss for the period** (earnings after taxes) came to EUR – 152.0 million in the 2023 financial year compared with EUR – 71.5 million in the previous year.

FUNDS FROM OPERATIONS (FFO)

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

FFO CALCULATION

in EUR thousand	2023	2022	Change	in %
Earnings before taxes	–177,461	–73,305	–104,156	>100
Interests of minority shareholders	–5,086	–770	–4,315	>100
Earnings before taxes (EBT)	**–182,547**	**–74,075**	**–108,471**	**>100**
± Profit/loss from the sale of real estate	14,334	8,164	6,170	75.6
± Profit/loss from the valuation of investment properties and the valuation of assets held for sale	176,807	98,878	77,929	78.8
± Other adjustments [1]	32,868	11,636	21,232	>100
FFO I before taxes	**41,461**	**44,603**	**–3,141**	**–7.0**
± Current income taxes	–4,720	–2,842	–1,879	66.1
FFO I after taxes	**36,741**	**41,761**	**–5,020**	**–12.0**
of which attributable to parent company shareholders	31,446	36,510	–5,065	–13.9
of which attributable to non-controlling interests	5,295	5,251	45	0.9
± Profit/loss from the sale of real estate and real estate companies (after taxes)	–18,954	–7,083	–11,871	>100

FFO CALCULATION

in EUR thousand	2023	2022	Change	in %
FFO II after taxes	**17,787**	**34,678**	**–16,891**	**–48.7**
of which attributable to parent company shareholders	9,867	29,187	–19,320	–66.2
of which attributable to non-controlling interests	7,920	5,491	2,429	44.2
FFO I after taxes and minority interests				
Basic earnings per share (in EUR)	0.30	0.35	–0.05	–13.9
Weighted average number of shares outstanding (in thousands)	105,513	105,513	0	0.0
Diluted earnings per share (in EUR)	0.30	0.34	–0.05	–13.9
Weighted average number of shares outstanding (diluted) (in thousands)	106,023	106,023	0	0.0
FFO II after taxes and minority interests				
Basic earnings per share (in EUR)	0.09	0.28	–0.18	–66.2
Weighted average number of shares outstanding (in thousands)	105,513	105,513	0	0.0
Diluted earnings per share (in EUR)	0.09	0.28	–0.18	–66.2
Weighted average number of shares outstanding (diluted) (in thousands)	106,023	106,023	0	0.0

[1] Other adjustments include:
- One-time refinancing costs (EUR 2.6 million; previous year: EUR 3.1 million)
- Legal and consulting fees (EUR 1.1 million; previous year: EUR 0.4 million)
- One-time administrative costs (EUR 0.0 million; previous year: EUR 0.6 million)
- Expenses/income not related to the accounting period (EUR –11.7 million; previous year: EUR 0.7 million)
- Expenses from impairment of goodwill, impairment of loan receivables and other extraordinary amortisation (EUR 16.7 million; previous year: EUR 6.8 million)
- Non-cash expenses from the valuation of options (EUR 24.1 million; previous year: EUR 0 million)

FFO I (after taxes, before minority interests) decreased to EUR 36.7 million in the 2023 financial year (previous year: EUR 41.8 million), primarily due to lower rental income and higher FFO-relevant income taxes. After minority interests and taxes, FFO I totalled EUR 31.4 million (previous year: EUR 36.5 million). Taking into account the result from the sale of real estate, funds from operations (FFO II) amounted to EUR 17.8 million after taxes and before minority interests (previous year: EUR 34.7 million), and to EUR 9.9 million (previous year: EUR 29.2 million) after taxes and after minority interests. Other adjustments to FFO during the period under review amounted to EUR 32.9 million compared to EUR 11.6 million in the previous year. The adjustments in the reporting year are mainly due to one-off refinancing costs (EUR 2.6 million, previous year: EUR 3.1 million), impairment, in particular on loans totalling EUR 16.7 million (previous year: EUR 6.8 million), expenses not related to the accounting period from the valuation of options (net EUR 11.7 million; previous year: EUR 0.7 million) and non-cash expenses from financial instruments (EUR 24.1 million; previous year: EUR 0 million).

SEGMENT DEVELOPMENT

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

The key segment data developed as follows during the 2023 financial year:

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

Revenue in the Core Portfolio segment amounted to EUR 148.0 million in 2023 (previous year: EUR 97.6 million). Net profit/loss for the period totalled EUR – 117.3 million in 2023 (previous year: EUR – 76.1 million).

SELECTED DISCLOSURES FROM THE CONSOLIDATED INCOME STATEMENT

	Core Portfolio		Fair Value REIT		Corporate Functions/Others		Group	
in EUR thousand	2023	2022	2023	2022	2023	2022	2023	2022
External revenue	147,967	97,577	24,006	23,256	0	1,053	171,973	121,887
Total revenue	**147,967**	**97,577**	**24,006**	**23,256**	**0**	**1,053**	**171,973**	**121,887**
Profit/loss from fair value adjustments of investment properties	–151,872	–88,813	–24,935	– 10.066	0	–	–176,807	–98,878
Other income	372	375	440	201	230	224	1,043	800
Segment revenue	**–3,533**	**9,140**	**–488**	**13,391**	**230**	**1,277**	**–3,791**	**23,808**
Expenses relating to the sale of real estate	–84,743	–20,907	0	–	–41	–	–84,784	–20,907
Other expenses	–39,006	– 41.235	–10,320	– 25.689	–50,044	– 8.902	–99,371	– 75.826
Segment expenses	**–123,749**	**–62,142**	**–10,320**	**– 25.689**	**–50,085**	**– 8.902**	**–184,154**	**–96,733**
EBIT	**–127,282**	**– 53.001**	**–10,808**	**– 12.297**	**–49,856**	**– 7.626**	**–187,946**	**– 72.925**
Financial income	883	70	297	26	20,362	18,315	21,542	18,411
Financial expenses	–4,377	–18,068	–1,173	– 1.228	–11,600	0	–17,150	–19,296
Profit/loss from companies accounted for using the equity method	1,007	–266	0	–	0	–	1,007	–266
Interests of minority shareholders	0	–	5,086	770	0	–	5,086	770
Income taxes	12,438	–4,864	2,743	1,212	10,314	5,455	25,495	1,803
Net profit/loss for the period	**–117,331**	**–76,128**	**–3,855**	**– 11.517**	**–30,780**	**16,144**	**–151,966**	**–71,502**
Significant non-cash items	**153,435**	**102,669**	**22,195**	**8,859**	**–10,209**	**– 6.433**	**165,422**	**105,095**
Impairment losses in net profit/loss for the period	**1,522**	**595**	**639**	**186**	**16,745**	**720**	**18,906**	**1,501**

Revenue in the Fair Value REIT segment amounted to EUR 24.0 million in 2023 (previous year: EUR 23.3 million). Net profit/loss for the period totalled EUR –3.9 million in 2023 (previous year: EUR – 11.5 million).

The Corporate Functions/Others segment generated revenue of EUR 0 million in 2023 (previous year: EUR 1.1 million). Net profit/loss for the period totalled EUR – 30.8 million in 2023 (previous year: EUR 16.1 million).

At Group level, revenue came to EUR 172.0 million in 2023 compared with EUR 121.9 million in the previous year. The Group's net profit/loss for the period amounted to EUR – 152.0 million in 2023, compared to EUR – 71.5 million in the previous year.

Further information on segment reporting can be found in the Notes to the consolidated financial statements starting on page 107.

Net assets

NET ASSET VALUE (NAV)

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

NET ASSET VALUE (NAV/NNNAV)

in EUR thousand	31/12/2023	31/12/2022	Change	in %
Net asset value (NAV)	303,589	450,226	–146,637	–32.6
Deferred taxes	37,915	76,047	–38,133	–50.1
Goodwill resulting from deferred taxes	0	0	0	0.0
NAV (basic)	**341,504**	**526,273**	**–184,769**	**–35.1**
Number of outstanding shares (basic) (in thousands)	105,513	105,513	0	0.0
NAV per share (basic) (in EUR)	**3.24**	**4.99**	**–1.75**	**–35.1**
Effect of the conversion of convertible bonds and other equity instruments	510	510	0	0.0
NAV (diluted)	**342,014**	**526,783**	**–184,769**	**–35.1**
Number of outstanding shares (diluted) (in thousands)	106,023	106,023	0	0.0
NAV per share (diluted) (in EUR)	**3.23**	**4.97**	**–1.74**	**–35.1**

In 2023, diluted NAV decreased by 35.1% to EUR 342.0 million, down from EUR 526.8 million at the end of 2022, due primarily to the lower value of the real estate portfolio. Based on the number of shares outstanding equalling EUR 106.0 million, diluted NAV per share equalled EUR 3.23, compared to EUR 4.97 at the end of 2022. The number of underlying shares remained unchanged compared to the previous year.

Total assets down by 13.6%

Total assets of the DEMIRE Group as at 31 December 2023 amounted to EUR 1,327.5 million (31 December 2022: EUR 1,536.9 million), down by 13.6% in a year-on-year comparison.

For the real estate portfolio (investment properties), the external real estate appraiser Savills determined a total market value of EUR 1,075.6 million as at the reporting date (31 December 2022: EUR 1,208.8 million). The difference compared to the property value shown in the balance sheet is due to accounting accruals, deferrals and capitalisations. This is explained in the Notes to the consolidated financial statements (Section E.1.3).

SELECTED DISCLOSURES FROM THE CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET – ASSETS

in EUR thousand	31/12/2023	31/12/2022	Change	in %
Assets				
Total non-current assets	1,029,555	1,325,808	–296,253	–22.3
Total current assets	148,877	90,043	58,834	65.3
Non-current assets held for sale	149,100	121,000	28,100	0.2
Total assets	**1,327,532**	**1,536,851**	**–209,319**	**–13.6**

As at 31 December 2023, non-current assets decreased by EUR 296.3 million to EUR 1,029.6 million (31 December 2022: EUR 1,325.8 million). Investment properties accounted for the largest share of the decline with minus EUR 283.8 million, which is mainly due to the negative valuation result (EUR –146.3 million), property sales (market value as at 31 December 2022: EUR 90.3 million) and the reclassification of properties as non-current assets held for sale (EUR –59.2 million). Capitalised, value-enhancing expansion measures and rent incentives (EUR 11.4 million) have the opposite effect.

Loans to companies accounted for using the equity method were reported at EUR 25.2 million (previous year: EUR 24.8 million). This relates to an interest-bearing shareholder loan to the joint venture in conjunction with the purchase of the Cielo property. Borrowings and financial assets fell to EUR 48.4 million (previous year: EUR 62.8 million), in particular due to impairments on loans, also in connection with Cielo.

As at 31 December 2023, the DEMIRE Group's current assets rose by EUR 58.8 million to EUR 148.9 million (31 December 2022: EUR 90.0 million). This increase resulted primarily from the increase in cash and cash equivalents, which now total EUR 120.0 million after property sales and operating income (previous year: EUR 57.4 million).

As at 31 December 2023, several properties (EUR 149.1 million), including in particular LogPark in Leipzig, were held as assets held for sale (31 December 2022: EUR 121.0 million).

CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

in EUR thousand	31/12/2023	31/12/2022	Change	in %
Equity and liabilities				
Equity				
Equity attributable to parent company shareholders	303,589	450,226	–146,637	–32.6
Non-controlling interests	29,696	36,465	–6,769	–18.6
Total equity	**333,285**	**486,691**	**–153,406**	**–31.5**
Liabilities				
Total non-current liabilities	279,982	996,049	–716,067	–71.9
Total current liabilities	714,265	54,111	660,154	>100,0
Total liabilities	**994,247**	**1,050,160**	**–55,913**	**–5.3**
Total equity and liabilities	**1,327,532**	**1,536,851**	**–209,319**	**–13.6**

Equity ratio remains solid at 25.1%

Group equity fell to EUR 333.3 million in 2023 (previous year: EUR 486.7 million). The decline is attributable to the negative result for the period of EUR 152.0 million. Due to the lower equity, the equity ratio came to 25.1% as against 31.7% at the end of 2022. Non-controlling minority interests in the amount of EUR 72.0 million (31 December 2022: EUR 80.4 million) are reported in non-current liabilities and not under equity in accordance with IFRS, primarily due to the legal form of a partnership. The corresponding adjusted Group equity totalled EUR 405.3 million or 30.5% of total equity and liabilities (31 December 2022: EUR 567.1 million or 36.9%).

Non-current liabilities amounted to EUR 280.0 million at the end of 2023 (31 December 2022: EUR 996.0 million) and current liabilities came to EUR 714.3 million (31 December 2022: EUR 54.1 million). The increase in current liabilities is mainly due to the 2019/24 bond with a nominal value of EUR 499 million, which matures in October 2024. The total liabilities of the DEMIRE Group fell to EUR 994.2 million as at 31 December 2023 (31 December 2022: EUR 1,050.2 million).

Total financial liabilities of EUR 791.1 million (31 December 2022: EUR 829.1 million) include the EUR 600 million bond issued in 2019, which, following the buyback of a nominal amount of EUR 50 million in November 2022 and EUR 51 million in April 2023, is reported with a carrying amount of EUR 497.6 million as at the reporting date. There are also liabilities to banks and third parties amounting to around EUR 291.2 million (31 December 2022: EUR 282.7 million). The proportion of unsecured properties as at 31 December 2023 came to 38.3% (31 December 2022: 47.5%). There was a variable interest rate agreement for EUR 4.3 million as at the reporting date. The average nominal interest rate on financial liabilities increased slightly by seven basis points to 1.74% per annum as at the reporting date of 31 December 2023, after 1.67% per annum at the end of 2022, mainly due to an increase in the base interest rate on which the variable interest rate loan is based. The average remaining term of the liabilities fell from 2.0 years at the end of 2022 to 1.1 years at the end of 2023. The plan is to extend the 2019/24 bond, which is expected to amount to around EUR 250 million, by 5% per annum until the end of 2027 (see “Outlook”, “Expected development of the Group”).

As at 31 December 2023, trade payables and other liabilities fell to EUR 10.0 million (31 December 2022: EUR 16.6 million). In addition, a negative market value of options totalling EUR 24.1 million was recognised as at the reporting date, which relates to the Cielo joint venture.

Deferred tax liabilities decreased by EUR 38.1 million. This is mainly due to the devaluation of the real estate portfolio and the sale of properties. The increase in tax liabilities totalling EUR 11.1 million is mainly due to the sale of properties in the reporting period, in particular the sale of the property in Ulm. The liabilities side of the balance sheet is also affected by the recognition of the market values of options totalling EUR 24.1 million. These are related to the Cielo transaction from 2021, in which DEMIRE was granted options to acquire this investment in full or to sell the shares held as part of the acquisition of the investment in JV Theodor-Heuss Allee GmbH (see notes to the consolidated financial statements, Section B).

Contingencies

As at the reporting date, the following contingent liabilities existed for matters for which DEMIRE AG or its subsidiaries have pledged guarantees in favour of third parties:

The contingent liabilities as at the end of the period under review consist of mortgages under Section 1191 of the German Civil Code (BGB) in the amount of EUR 358.4 million (previous year: EUR 346.9 million). The maximum liability for these properties is limited to the carrying amount as at the reporting date of EUR 358.4 million (previous year: EUR 346.9 million).

FINANCIAL POSITION

Financial management

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

Providing regular information on the financial position to the Supervisory Board is an essential part of DEMIRE's risk management system. The principles and objectives of capital management and control are presented in the Notes to the consolidated financial statements. Cash and cash equivalents in the amount of EUR 120.0 million (previous year: EUR 57.4 million) include cash in hand and bank balances carried at their nominal value.

SELECTED DISCLOSURES FROM THE CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR thousand	2023	2022	Change	in %
Cash flow from operating activities[1]	40,709	48,002	–7,292	–15.2
Cash flow from investing activities	65,421	–26,265	91,686	–349.1
Cash flow from financing activities[1]	–43,556	–103,940	60,384	–58.1
Net change in cash and cash equivalents	**62,574**	**–82,204**	**144,778**	**–176.1**
Cash and cash equivalents at the end of the period	**119,989**	**57,415**	**62,574**	**109.0**

[1] The previous year's figures were adjusted based on reporting changes during the period under review (for more information, see notes to the consolidated financial statements, Section A.1 "Adjustment of previous year's figures").

Successful build-up of liquidity

Cash flow development in the 2023 financial year is positive overall. In addition to operating cash flow, cash flow from investing activities will also be positive in 2023 due to property sales. The cash flow from financing activities includes the bond buyback, repayments and borrowings as its main items.

Cash flow from operating activities amounted to EUR 40.7 million at the end of the 2023 financial year (previous year: EUR 48.0 million).

Cash flow from investing activities amounted to EUR 65.4 million in 2023, compared to EUR – 26.3 million in 2022. Payments for modernisation measures (EUR – 12.9 million, previous year: EUR – 32.4 million) were positively offset by proceeds from sales of EUR 78.3 million (previous year: EUR 4.5 million).

Cash flow from financing activities amounted to EUR – 43.6 million (previous year: EUR – 103.9 million). This mainly includes payments for the repayment of financial liabilities totalling EUR – 48.1 million (previous year: EUR – 51.2 million) and interest paid on financial liabilities (EUR 14.8 million, previous year: EUR 17.0 million) as well as proceeds from the raising of financial liabilities of EUR 23.3 million (previous year: EUR 0 million). In addition, distributions totalling EUR 3.4 million were made to minority shareholders. In the previous year, DEMIRE distributed a dividend for the 2021 financial year, meaning that distributions to minority shareholders and dividends totalling EUR 35.4 million were cash-effective.

The net change in cash and cash equivalents amounted to EUR 62.6 million at the end of the 2023 financial year (previous year: EUR – 82.2 million). Total cash and cash equivalents at the end of the period under review amounted to EUR 120.0 million (previous year: EUR 57.4 million).

The DEMIRE Group was able to meet its payment obligations in full at all times throughout the 2023 reporting period. In 2024, an agreement was reached with the bondholders to extend the bond due in October 2024 (see “Outlook”, “Expected development of the Group”). At the same time, the bank financing of the Limes portfolio, consisting of the four properties in Essen, Kassel, Aschheim and Cologne (Max-Glomsda-Straße), which expires on 30 June 2024, could not be extended with the financing bank, meaning that the properties were in preliminary insolvency proceedings at the time of publication of this report.

The detailed consolidated statement of cash flows precedes the Notes to the consolidated financial statements.

Slight increase in net loan-to-value ratio

The DEMIRE Group’s net loan-to-value ratio (LTV) is defined as the ratio of net financial liabilities to total assets less goodwill and cash and cash equivalents. The net LTV as at the reporting date was as follows:

NET LOAN-TO VALUE (NET LTV)

in EUR thousand	31/12/2023	31/12/2022
Financial liabilities and lease liabilities	816,992	855,655
Cash and cash equivalents	119,989	57,415
Net financial debt	**697,003**	**798,240**
Total assets	1,327,532	1,536,851
Intangible assets	0	0
Cash and cash equivalents	–119,989	–57,415
Total assets less intangible assets and cash and cash equivalents	**1,207,543**	**1,479,436**
Net LTV (in %)	**57.7**	**54.0**

Net loan-to-value rose to 57.7% compared with the prior-year figure of 54.0% mainly due to lower assets. Due to the sale of LogPark in Leipzig, the net loan-to-value ratio fell to 53.9% at the end of the first quarter of 2024 as a result of the cash inflow. At the end of the second quarter, the net loan-to-value ratio was 54.7%. At the same time, financial liabilities and lease liabilities fell year-on-year by EUR 38.7 million to EUR 817.0 million.

At EUR 669.5 million, the maturities of the existing loan agreements are scheduled for the 2024 financial year. As at 31 December 2023, the liquidity requirements for follow-up financing and repayments in the coming years are as follows:

MATURITIES

in EUR million	2024	2025	2026	2027	2028	from 2029
	669.5	39.7	33.9	3.1	3.2	39.8

As part of the intended extension of the 2019/24 bond until the end of 2027, the EUR 499 million due in 2024 as shown here is expected to be reduced to around EUR 250 million and deferred to 2027.

Covenants for the corporate bond adhered to
Within the scope of issuing the 2019/24 corporate bond, DEMIRE undertook to comply with and regularly report on various covenants. The definitions of the covenants to be reported on are listed in the offering prospectus for the 2019/24 corporate bond.

BOND COVENANTS 31/12/2023

	NET LTV	NET SECURED LTV	ICR
Covenant	max. 60%	max. 40%	min. 2.00
Value	57.7%	14.2%	4.80

As at 31 December 2023, DEMIRE had complied with all covenants of the 2019/24 corporate bond. The planning for the 2024 financial year and beyond assumes that all covenants will be complied with at all times.

Other financial obligations and contingent liabilities

The real estate purchase agreements concluded in the 2023 financial year that were not still in effect as at the reporting date resulted in no financial obligations as at 31 December 2023. There were no financial obligations arising from purchase agreements as at the reporting date in the previous year either.

Obligations for modification and expansion measures, as well as maintenance and modernisation work on the properties, totalled EUR 144.8 million (previous year: EUR 113.1 million). These obligations are fixed in terms of their scope. The purchase order commitment from commissioned maintenance amounted to EUR 8.5 million (previous year: EUR 5.3 million) as at the reporting date.

As at 31 December 2023, there is a credit line of EUR 6.0 million, as in the previous year.

Economic development of DEMIRE AG

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

The Company is the operational management unit of the DEMIRE Group. It does not hold any of its own properties. In the 2023 financial year, it generated revenue from management services rendered for the project companies. The number of employees, excluding Executive Board members, remained unchanged with an average of 27 in the year under review (2022 financial year: 27 employees).

DEMIRE's financial statements as at 31 December 2023 were prepared in accordance with the provisions of the German Commercial Code (HGB) and the supplementary provisions of the German Stock Corporation Act (AktG). Supplementary provisions from the Articles of Association did not arise.

Results of operations, net assets and financial position

In the financial year, the main drivers of the net loss for the year were the impairments recognised on financial assets due to lower market values and expenses from loss absorption as a result of devaluations of shares and loans to affiliated companies at subsidiaries. This was offset, but not fully compensated, by other operating income from the bond buyback.

RESULTS OF OPERATIONS

STATEMENT OF INCOME (EXCERPT)

in EUR thousand	2023	2022	Change	in %
Revenue	4,972	3,940	1,032	26.2
Other operating income	21,591	16,414	5,177	31.5
Personnel expenses	–4,730	–5,354	624	–11.7
Other operating expenses, depreciation und amortisation	–10,017	–5,046	–4,971	98.5
Income from long-term equity investments	3,719	4,049	–330	–8.2
Income from profit transfer agreements	9,712	3,630	6,082	>100
Income from loans of financial assets	17,623	20,983	–3,360	–16.0
Other interest and similar income	508	56	452	>100
Impairment of financial assets	–57,140	–15,061	–42,079	>100
Expenses from the assumption of losses	–19,967	–30,070	10,103	–33.6
Interest and similar expenses	–11,031	–13,998	2,967	–21.2
Expenses from compensation payments to minority shareholders	–142	–142	0	0.0
Result from ordinary activities	**–44,903**	**–20,599**	**–24,304**	**>100**
Income taxes	–7,474	–5,365	–2,109	39.3
Net loss	**–52,377**	**–25,964**	**–26,413**	**>100**
Loss carried forward (Prev. year: Profit carried forward)	–25,761	204	–25,965	>100
Accumulated loss	**–78,138**	**–25,761**	**–52,377**	**>100**

The Company's **revenue** results mainly from management fees related to the provision of internal Group services to the subsidiaries and sub-subsidiaries of DEMIRE. DEMIRE's sales revenues increased by EUR 1.0 million to EUR 5.0 million, mainly due to higher allocable expenses.

Other operating income rose significantly by EUR 5.2 million from EUR 16.4 million in 2022 to EUR 21.6 million and mainly comprises income from the below-par repayment of parts of the 2019/24 corporate bond in the amount of EUR 16.0 million (previous year: EUR 13.8 million), income from write-ups of financial assets in the amount of EUR 5.4 million (previous year: EUR 0 million) and the reversal of provisions in the amount of EUR 0 million (previous year: EUR 0.9 million).

Staff costs decreased to EUR 4.7 million (previous year: EUR 5.4 million), mainly due to lower Executive Board salaries.

Other operating expenses totalling EUR 10.0 million (previous year: EUR 5.0 million) mainly consist of legal and consulting costs of EUR 3.7 million (previous year: EUR 1.2 million), amortisation of interest receivables of EUR 3.0 million (previous year: EUR 0), expenses for accounting, preparation and auditing of the annual and consolidated financial statements of EUR 0.7 million (previous year: EUR 0.6 million) and third-party services and work of EUR 0.5 million (previous year: EUR 0.5 million).

In the 2023 financial year, income totalling EUR 9.7 million was collected on the basis of the existing **control and profit transfer agreements** (2022 financial year: EUR 3.6 million). The increased income in the 2023 financial year is attributable to the reversal of provisions from the sale of LogPark, which were recognised in 2022.

Income from investments came to EUR 3.7 million as against EUR 4.0 million in the previous year.

Income from loans of financial assets in the amount of EUR 17.6 million (previous year: EUR 21.0 million) relates predominantly to loans granted to affiliated companies to finance the acquisition of real estate companies and properties by subsidiaries and sub-subsidiaries (EUR 13.4 million) and income from other loans (EUR 4.2 million).

Financial expenses in the 2023 financial year came to EUR –11.0 million (previous year: EUR –14.0 million). Write-downs on financial assets amounted to EUR 57.1 million in the 2023 financial year (previous year: EUR 15.1 million) and mainly comprised impairment losses on loans and shares in affiliated companies as well as other loans. Expenses from compensation payments to minority shareholders amounted to EUR –0.1 million, as was the case the previous year.

The **result from ordinary activities** amounted to EUR –44.9 million in the 2023 financial year, compared to EUR –20.6 million in 2022.

Earnings after taxes amounted to EUR –52.4 million in the 2023 financial year (previous year: EUR –26.0 million). The accumulated loss from the previous year was carried forward to new account. Consequently, the Company's accumulated loss amounted to EUR –78.1 million (previous year: EUR –25.8 million).

NET ASSETS

BALANCE SHEET – ASSETS (EXCERPT)

in EUR thousand	31/12/2023	31/12/2022	Change	in %
Assets				
Fixed assets	694,290	812,776	–118,486	–14.6
Current assets/ prepaid assets	59,033	38,822	20,210	52.1
Total assets	**753,322**	**851,598**	**–98,276**	**–11.5**

BALANCE SHEET – EQUITY AND LIABILITIES (EXCERPT)

in EUR thousand	31/12/2023	31/12/2022	Change	in %
Equity and liabilities				
Equity	187,255	239,632	–52,377	–21.9
Provisions	19,924	13,418	6,506	48.5
Liabilities	546,144	598,547	–52,403	–8.8
Total equity and liabilities	**753,322**	**851,598**	**–98,276**	**–11.5**

The Company's total assets as at the 31 December 2023 reporting date amounted to EUR 753.3 million. This represents a drop of 11.5% compared to the previous year (31 December 2022: EUR 851.6 million).

Fixed assets decreased in the financial year under review compared to the previous year by EUR 118.5 million to EUR 694.3 million (previous year: EUR 812.8 million), due in particular to lower loans to affiliated companies and impairments. Current assets including prepaid expenses rose by 52.1% to EUR 59.0 million compared to EUR 38.8 million on the previous year's reporting date. Cash and cash equivalents amounted to EUR 29.6 million (previous year: EUR 3.3 million).

On the liabilities side of the statement of financial position, the Company's equity fell from EUR 239.6 million as at 31 December 2022 to EUR 187.3 million as at 31 December 2023. This was due to the net loss for 2023.

The equity ratio declined accordingly from 28.1% as at 31 December 2022 to 24.9% as at 31 December 2023.

Provisions of EUR 19.9 million as at 31 December 2023 (31 December 2022: EUR 13.4 million) primarily relate to tax provisions and other staff costs, legal and consulting fees, as well as costs for the preparation and audit of the annual and consolidated financial statements.

The Company's liabilities fell, mainly as a result of the partial buyback of the 2019/24 corporate bond, from EUR 598.5 million as at 31 December 2022 to EUR 546.1 million as at 31 December 2023.

FINANCIAL POSITION

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

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

STATEMENT OF CASH FLOWS (EXCERPT)

in EUR thousand	2023	2022	Change	in %
Cash flow from operating activities[1]	–2,583	10,444	–13,027	>100
Cash flow from investing activities[1]	80,354	81,658	–1,304	–1.6
Cash flow from financing activities	–51,453	–96,093	44,640	–46.5
Net change in cash and cash equivalents	**26,318**	**–3,992**	**30,310**	**>100**
Cash and cash equivalents at the end of the period	**29,626**	**3,308**	**26,318**	**>100**

[1] From 2023, cash changes from profit and loss transfer agreements will be reported under cash flow from investing activities. The previous year's comparative figures have been adjusted accordingly.

Operating activities resulted in a cash outflow of EUR –2.6 million in 2023, after a cash inflow of EUR 10.4 million in the previous year. The significant change in cash flow from operating activities resulted from project-driven legal and consulting fees in the reporting period.

Cash flow from investing activities amounted to EUR 80.4 million, compared to EUR 81.7 million in 2022.

DEMIRE AG's cash flow from financing activities amounted to EUR –51.5 million in the 2023 financial year, compared to EUR –96.9 million in 2022. The deviation from the previous year is mainly due to lower loan repayments.

During the 2023 financial year, DEMIRE was able to meet all of its payment obligations at all times.

OUTLOOK

The annual result forecast for 2023 has fallen more sharply than expected due to higher write-downs on financial assets at DEMIRE AG and subsidiaries with profit and loss transfer agreements and the proceeds from the sale of the LogPark property in Leipzig, which contrary to expectations were not realised. For the 2024 financial year, the annual result is expected to increase significantly year-on-year thanks in particular to the proceeds now expected from the sale of the LogPark property in Leipzig, without taking into account possible valuation effects from the implementation of the restructuring of the 2019/24 corporate bond. The proceeds from the sale will flow to DEMIRE AG via a profit and loss transfer agreement.

SUBSEQUENT EVENTS

The Supervisory Board dismissed CEO Prof. Dr Alexander Goepfert with immediate effect on 3 April 2024. At the same time, Frank Nickel was appointed as the new Chief Executive Officer on 3 April 2024 until 31 March 2026. As at the publication date of this report, the Executive Board consists of three members: Frank Nickel, Tim Brückner and Ralf Bongers.

For information on the refinancing of the 2019/24 bond and the insolvency of the Limes portfolio, please refer to the section "Outlook", "Expected development of the Group", as well as the notes and information on the going concern.

CONCLUDING STATEMENT TO THE DEPENDENCY REPORT PURSUANT TO SECTION 312 AKTG

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

Dividend

DEMIRE did not distribute a dividend in the reporting period due to the lack of retained earnings in the 2022 financial year. No dividend will be distributed for the 2023 financial year either due to the lack of retained earnings.

FURTHER LEGAL INFORMATION

Disclosures pursuant to Section 289a/315a HGB

COMPOSITION OF SUBSCRIBED CAPITAL

a) As at 31 December 2023

As at 31 December 2023, the Company had fully paid-up subscribed capital in the amount of EUR 107,777,324.00 divided into 107,777,324 no-par value bearer shares with a notional interest in share capital of EUR 1.00; DEMIRE AG itself held 2,264,728 of these shares as at the reporting date. DEMIRE shares have been admitted for trading in the Prime Standard of the Frankfurt Stock Exchange.

b) Development after 31 December 2023

There were no changes after the reporting date.

RESTRICTIONS ON VOTING RIGHTS AND TRANSFER OF SHARES

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

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

a) As at 31 December 2023

In 2023, the Company did not receive any voting rights notifications with regard to direct or indirect shareholdings exceeding 3%, 5% or 10% of the voting rights.

b) Development after 31 December 2023

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

HOLDERS OF SHARES ENDOWED WITH SPECIAL RIGHTS CONFERRING POWER OF CONTROL

Such shares do not exist.

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

Such interests do not exist.

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

Appointment and replacement of Executive Board members

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

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

AUTHORISATION OF THE EXECUTIVE BOARD TO ISSUE AND REPURCHASE SHARES

Authorised Capital

a) As at 31 December 2023

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

Authorised Capital 2019/I had not yet been utilised by 31 December 2023.

b) Development after 31 December 2023

There were no changes compared with 31 December 2023 up to the publication of this Annual Report.

Conditional Capital

a) As at 31 December 2023

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

Conditional Capital 2020/I had not yet been utilised by 31 December 2023.

b) Development after 31 December 2023
There were no changes compared with 31 December 2023 up to the publication of this Annual Report.

Authorisation to issue convertible bonds or bonds with warrants as at 31 December 2023
With the authorisation granted by resolution of the Annual General Meeting of 11 February 2019, the Executive Board was authorised, with the consent of the Supervisory Board, to issue subordinated or non-subordinated bearer or registered convertible bonds and/or bonds with warrants, profit participation rights and/or profit participation bonds (or combinations of these instruments; collectively "bonds") with or without a limited term to maturity in the total nominal amount of up to EUR 325,000,000.00 on one or more occasions, also simultaneously in different tranches, up to 10 February 2024, and to grant or impose conversion or option rights and conversion or option obligations to/on holders or creditors of bonds for a total of up to 53,328,662 no-par value bearer shares of the Company with a notional interest in the share capital totalling up to EUR 53,328,662.00 in accordance with the more detailed provisions of the bond conditions.

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

This authorisation had not been used by the reporting date.

Authorisation to purchase treasury shares
On the basis of the resolution of the Annual General Meeting of 28 April 2021, the Company is authorised until 27 April 2026 to acquire up to a total of 10% of the share capital existing at the time of the resolution or, if lower, the share capital existing at the time the authorisation is exercised. Together with other treasury shares acquired and owned by the Company or attributable to the Company, the treasury shares acquired on the basis of this authorisation may at no time exceed 10% of the Company's share capital existing at the time of the resolution or, if this value is lower, at the time the authorisation is exercised. Acquisition for the purpose of trading in treasury shares is excluded. The authorisation may be exercised in whole or in part, once or several times, in pursuit of one or several objectives by the Company or its Group companies or by third parties for its or their account.

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

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

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

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

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

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

The purchase offer or the invitation to submit an offer to sell may stipulate further conditions.

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

The majority of the existing debt financing agreements (including the 2019/24 corporate bond) provide for an extraordinary termination right for the creditors of Group companies concerned in the event of a change of control.

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

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

Corporate Governance Statement

On 22 May 2024, the Executive Board of the Company issued its Corporate Governance Statement in accordance with Sections 315d and 289f of the German Commercial Code (HGB) and made it generally and permanently accessible on the Company's website at www.demire.ag in the "Company" section under the heading "Corporate Governance".

CONCLUDING STATEMENT TO THE DEPENDENCY REPORT PURSUANT TO SECTION 312 AKTG

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

Remuneration Report 2023

The Remuneration Report, pursuant to Section 162 of the German Stock Corporation Act (AktG), provides details regarding the individual remuneration of current and former Executive Board and Supervisory Board members of DEMIRE Deutsche Mittelstand Real Estate AG ("DEMIRE AG") during the 2023 financial year.

The Remuneration Report contains detailed information on the remuneration system, which is necessary for providing clarity with regard to the disclosures, on the remuneration of benefits provided to members of the Executive Board and the remuneration paid to the members of the Supervisory Board, as well as details of how the remuneration promotes the long-term development of DEMIRE AG. Pursuant to Section 162 AktG, the Executive Board and Supervisory Board are responsible for preparing the Remuneration Report.

Overview of the 2023 financial year

RESOLUTION ON THE APPROVAL OF THE REMUNERATION REPORT FOR THE PREVIOUS FINANCIAL YEAR 2022

The Remuneration Report prepared by DEMIRE in accordance with the requirements of Section 162 AktG regarding the remuneration granted and owed to the current and former members of the Executive Board and Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG in the previous financial year 2022 was approved by the Annual General Meeting on 17 May 2023 with a majority of 98.72% of the capital represented pursuant to Section 120a (4) AktG. Due to the approval, there was no reason to adjust the reporting.

REMUNERATION SYSTEM FOR THE EXECUTIVE BOARD MEMBERS IN THE 2023 FINANCIAL YEAR

At the Annual General Meeting held on 28 April 2021, a new remuneration system ("**New remuneration system**") for the members of the Executive Board of DEMIRE AG was approved by a majority of 99.71% of the capital represented (www.demire.ag/en/annual-general-meeting).

The contracts of employment for the Executive Board members Ingo Hartlief and Tim Brückner were extended until 31 December 2024 by way of extension agreements concluded on 26 May 2021.

Since Mr Ingo Hartlief stepped down from the Executive Board on 31 December 2022, the following information on the "Old remuneration system" only relates to Mr Brückner. The Executive Board service contracts for Prof. Dr Alexander Goepfert (CEO since 1 January 2023) and Mr Ralf Bongers (since 1 April 2023) now only include the "New remuneration system".

Given that the agreed changes to the remuneration of the Executive Board in accordance with the extension agreements dated 26 May 2021, as well as the agreements themselves, came into effect as at **1 January 2022**, the active Executive Board members were granted remuneration as at the 2022 financial year in accordance with the requirements of the new remuneration system ("**New remuneration system**"). Accordingly, the "New remuneration system" is presented below.

In contrast, components of the remuneration that relate to the performance period prior to 1 January 2022 – such as the short-term incentive (STI) earned in the 2021 financial year – are based on the previous remuneration system (referred to here as the "**Old remuneration system**"). For this reason, the relevant key points of the "Old remuneration system" are presented at the appropriate place in this remuneration report (see below).

The remuneration of the Executive Board is reviewed on a regular basis by the Supervisory Board.

From the 2022 financial year, the basic remuneration, the annual allocation amount of the long-term incentive (LTI) and the contractually defined target amount of the STI of Ingo Hartlief and Tim Brückner were increased on the basis of the extension agreements of 26 May 2021. The basic remuneration of Mr Tim Brückner was increased from EUR 240,000.00 gross (in FY 2021) to EUR 252,000.00 gross (from FY 2022). The annual allocation for the LTI was increased for Mr Brückner at the beginning of 2022 from EUR 185,000.00 gross (in FY 2021) to EUR 192,000.00 gross (in FY 2022). Furthermore, the contractually agreed target amount of the bonus was increased to EUR 132,000.00 for Mr Brückner from the 2022 financial year.

Furthermore, the Supervisory Board laid down the performance criteria with regard to performance-related variable remuneration elements for the 2023 financial year.

The Chair of the Executive Board Mr Ingo Hartlief left the Company with effect from the end of 31 December 2022. More details on the amount of his severance payment are given below.

REMUNERATION SYSTEM FOR THE SUPERVISORY BOARD MEMBERS IN THE 2023 FINANCIAL YEAR

The remuneration system for the Supervisory Board, as laid down in Section 16 of the Articles of Association, was also approved at the Annual General Meeting held on 28 April 2021. This was passed with a majority of 99.99% of the capital represented. A resolution was passed at the Annual General Meeting held on 28 April 2021 to increase the remuneration of Supervisory Board members from EUR 30,000 to EUR 40,000.00 for each regular Supervisory Board member, with effect from the start of the 2021 financial year. The Chair of the Supervisory Board receives triple the aforementioned amount and the Vice Chair receives double the aforementioned amount. Any VAT accruing on these amounts, where applicable, shall also be remunerated.

The remuneration system for the Supervisory Board – as laid down in Section 16 of the Articles of Association (version dated 22 September 2020, amended 17 May 2023) – was applied in full.

Detailed breakdown of Executive Board remuneration during the 2023 financial year

OVERVIEW OF "NEW REMUNERATION SYSTEM"

The "New remuneration system" for Executive Board members is aligned with the Company's sustainable corporate performance in the long term and is therefore set up as a relevant element for implementing DEMIRE AG's corporate strategy.

With this in mind, the "New remuneration system" is divided into variable and fixed remuneration elements. The remuneration for the Executive Board consists of the basic remuneration, pension expenses, fringe benefits, a one-year variable remuneration amount (short-term incentive [STI] = bonus) and a multi-year variable remuneration amount (long-term incentive [LTI] = virtual stock option programme).

The amount of variable remuneration is therefore based on the achievement of specific targets laid down in advance.

In order to provide better insight, there is a corresponding table below that summarises the key features of the "New remuneration system".

Key elements of the remuneration system from 1 January 2022 ("New remuneration system")

REMUNERATION ELEMENT

Fixed remuneration	Basis for calculation/parameter
Basic remuneration	Contractually agreed fixed remuneration paid in twelve monthly instalments.
Fringe benefits	Provision of a company car, continued cover under the existing directors' and officers' liability insurance policy (D&O insurance), taking out of accident and disability insurance within the framework of a Group accident insurance policy, continued remuneration in the event of illness or accident, and payment of death benefits.
Pension expenses	Payment of contributions to statutory or appropriate private health insurance and nursing care insurance schemes subject to corresponding application of Section 257 of Volume V of the German Social Code (SGB V) and Section 61 of Volume XI of the German Social Code (SGB XI).

REMUNERATION ELEMENT

Variable remuneration	Basis for calculation/parameter
Bonus (short-term incentive)	Cap: Double the target amount
	Performance criteria: – 25–50% Key performance indicators for the Company – 25–50% Operational performance criteria – 10–30% Non-financial performance criteria (strategic targets for the Company; environmental, social and governance policy targets)
	Payment: At the end of the month in which the Company's annual financial statements for the previous year are adopted.
Virtual stock option programme (long-term incentive)	Cap: Capped by way of an annual allocation defined in the contract. There is no provision for vesting of more than 100% of the granted PSUs. Regardless of the target achievement or number of vested PSUs, the maximum payment per PSU is capped at 250% of the price when granted. The maximum value and the threshold for the share price increase are determined in advance by the Supervisory Board. Likewise, the maximum value and the threshold for the relative total shareholder return performance are also defined in advance by the Supervisory Board.
	Performance criteria: – 50% Annual share price increase – 50% Relative total shareholder return
	Payment: On 31 March of the year following vesting (vesting takes place four years after the grant date, depending on the achievement of pre-defined performance targets)

REMUNERATION ELEMENT

Other remuneration provisions	Basis for calculation/parameter
Maximum remuneration	Capping of total remuneration granted for a given financial year in accordance with Section 87a (1) (2) No. 1 AktG: • Chief Executive Officer: EUR 1,580,000.00 gross p. a. • Regular Executive Board members: EUR 960,000.00 gross p. a.
Severance payment cap	The severance payment must not exceed an amount equating to two years' annual salary and must not provide remuneration for more than the remaining term of the contract ("severance payment cap"). The severance payment cap is calculated based on the total remuneration for the past financial year and, where applicable, the expected total remuneration for the current financial year.
Malus and clawback provision	Possible to partially or fully reduce or claw back variable remuneration.
Remuneration for other mandates both within and external to the DEMIRE Group	Any remuneration benefits paid to undertake intra-Group Supervisory Board mandates are accounted for against the remuneration in accordance with this remuneration system. The same applies to the assumption of intra-Group Executive Board mandates. With regard to the assumption of supervisory board mandates external to the Group, the Supervisory Board is responsible for deciding whether and to what extent remuneration paid for these mandates is to be accounted for.

DETAILED BREAKDOWN OF FIXED REMUNERATION ELEMENTS IN THE 2023 FINANCIAL YEAR

Basic remuneration in 2023 financial year

The basic remuneration for the Executive Board members is paid in twelve equal partial amounts at the end of each calendar month, representing a fixed income for Executive Board members. The annual basic remuneration for 2023 was EUR 420,000.00 gross per annum for the CEO Prof. Dr Alexander Goepfert (from 1 January 2023), EUR 252,000.00 gross per annum for the CFO Tim Brückner and EUR 235,000.00 gross per annum for the CIO Ralf Bongers (from 1 April 2023) (corresponding to EUR 176,250.00 gross for 2023).

Fringe benefits in 2023 financial year

In addition to the basic remuneration, Executive Board members are also entitled to fringe benefits. Notable items in this context are the provision of a company car, continued cover under the existing directors' and officers' liability insurance policy (D&O insurance), taking out of accident and disability insurance within the framework of a Group accident insurance policy, continued remuneration in the event of illness or accident, and payment of death benefits.

The D&O insurance includes the minimum deductible, as stipulated by law, of 10% of the loss up to the annual amount of one-and-a-half times the fixed annual remuneration pursuant to Section 93 (2) (3) AktG.

The Company also has an accident insurance policy in place as part of a Group accident insurance policy, including payment of insured benefits in the amount of EUR 500,000 in the event of death and EUR 500,000 in the event of disability. The insurance premiums are paid by the Company. In the event of death, the insured benefits under the terms and conditions of insurance shall be due to a person nominated by the Executive Board or to the heirs.

In addition, the Company made a contractual commitment to Executive Board member Tim Brückner to assume the costs of a private pension plan up to the value of the maximum voluntary monthly contribution to the statutory pension insurance scheme. Furthermore, Executive Board member Tim Brückner was granted the right to waive the provision of a company car and instead receive a car allowance as an additional salary component totalling EUR 1,500 gross per month. This salary component also covers all travel expenses of the Executive Board member (for example, business trips with a private car, taxi rides, trips with a rental car or on public transport) to the extent that a company car would have been used, had it been provided.

In more detailed formulation of the regulations of the remuneration system, it is regulated in the Executive Board employment contracts that in the case of a temporary incapacity to work owing to illness, accident or other reason for which the Executive Board member is not responsible, the fixed annual salary shall continue to be paid for a period of up to six months from the date said incapacity to work commenced, but not beyond the termination of the Executive Board employment contract in question. The Executive Board member must offset any sickness allowance or pensions they received from health insurance funds, pension funds or other insurers or pension funds against these payments, unless the benefits are based exclusively on the contributions made by the Executive Board member in question.

If the Executive Board member dies during the term of the Executive Board employment contract, then their spouse or civil partner within the meaning of Section 1 of the German Act on Registered Life Partnerships (Lebenspartnerschaftsgesetz – LPartG) – or dependent children as joint creditors – shall be entitled to receive the full fixed annual salary for the month in which the Executive Board members dies and for the following three months, although not longer than until the end of the regular term of the Executive Board employment contract.

Pension expenses in 2023 financial year
Pension expenses consist of payment of contributions to voluntary statutory or private health insurance and nursing care insurance schemes subject to corresponding application of Section 257 SGB V and Section 61 SGB XI.

DETAILED BREAKDOWN OF VARIABLE REMUNERATION ELEMENTS IN THE 2023 FINANCIAL YEAR

The variable remuneration is composed of a one-year performance-based bonus (short-term incentive) and a multi-year performance-based bonus (long-term incentive).

One-year performance-based remuneration paid out in the 2023 financial year (2022 bonus in accordance with the "New remuneration system")

Basic structure ("New remuneration system" to be applied here)
The amount of the bonus is based on the achievement of certain targets set by the Supervisory Board at its reasonable discretion for the financial year in question. The Supervisory Board sets the targets for the financial year in advance by the end of January of the year in question. Each target can have a target achievement of between 0% and 200%, whereby the individual target value corresponds to a target achievement of 100% (target value); a target achievement value of less than 100% represents a target underachievement and a target achievement value of more than 100% represents a target overachievement. The upper limit for exceeding the target is set at twice the target value (i.e. the value if 200% of the target is achieved). When setting the targets, the Supervisory Board selects targets, of which 25% to 50% must be corporate key figures, 25% to 50% operational performance criteria and 10% to 30% non-financial performance criteria.

Financial performance criteria
Financial performance criteria include the key performance indicators and operational performance criteria. The Company key figures include the key figures published in the Company's forecast report (for example, rental income or funds from operations) as well as other key figures that are suitable for assessing the Company's financial development. The operational performance criteria mainly focus on property-specific key figures, such as key figures relating to rents and the rental environment. In addition, key operating figures are used to assess the Company's performance. These include, for example, specific targets from the human resources department or the Company's investment management team. The Supervisory Board is free to select individual or all performance criteria from the aforementioned management criteria at its reasonable discretion when determining the specific catalogue of criteria for a financial year, provided that, when setting the targets, the Supervisory Board selects targets of which 25% to 50% are corporate key figures and 25% to 50% are operational performance criteria.

Non-financial performance criteria
These non-financial performance criteria include strategic targets for the Company in addition to ESG targets relating to areas such as health, compliance, employee health and safety, energy and the environment, and corporate culture. Here, too, the Supervisory Board is free to select individual or all performance criteria from the aforementioned management criteria at its reasonable discretion when determining the specific catalogue of criteria for a financial year, provided that the Supervisory Board selects targets of which 10% to 30% are non-financial performance criteria when setting the targets.

Accordingly, the contractually agreed target bonus, i.e. the bonus for 100% target achievement, was EUR 132,000 gross for Mr Brückner.

FOR MR INGO HARTLIEF:

Financial performance criteria/non-financial performance criteria
With regard to the achievement of the financial and non-financial performance criteria, the severance agreement stipulates that 142% of the basic bonus is to be paid out.

FOR MR TIM BRÜCKNER:

Financial performance criteria
The quantitative targets related to the achievement of the corporate targets communicated to the capital market, the level of rental income (forecast from 17 March 2022: EUR 78 million to EUR 80 million) and funds from operations (FFO I) (forecast from 17 March 2022: EUR 38.5 million to EUR 40.5 million).

Non-financial performance criteria
The qualitative objectives related in particular to internal and external reporting, compliance and risk management, the ESG system and the sustainability report, the service provider structure and the shareholder structures of the subsidiaries, and the improvement of the activities of the fund participations.

With regard to Mr Brückner, the Supervisory Board unanimously came to the conclusion that the targets had been partly achieved, but also partly clearly exceeded. The planned sales were not realised in full due to the difficult market, meaning that the targets were only partially achieved. In particular, the targets for the preparation and realisation of the buyback of parts of the bond were significantly exceeded. The quantitative targets were also significantly exceeded, and the Company's key figures such as rental income and FFO were also exceeded in the difficult rental market, meaning that the targets were comfortably met.

The corporate structures in the subsidiaries were further optimised and the targets were significantly exceeded. A further significant reduction in complexity was achieved here, which is also reflected in a corresponding reduction in administrative expenses, with the result that the Supervisory Board came to the conclusion that Mr Tim Brückner should be entitled to a bonus of 150% of the basic bonus.

VIRTUAL STOCK OPTION PROGRAMME (LONG-TERM INCENTIVE) IN THE 2023 FINANCIAL YEAR

Payment of 2019/2023 tranche
The 2019 tranche for Mr Brückner was paid out in 2023. The performance targets for the virtual stock option programme comprise 50% for the annual share price increase and 50% for the relative total shareholder return (relative TSR), each measured over the four-year performance period.

In relation to the share price increase component, the target achievement was 0%, while the target achievement for the relative TSR component was 88%, corresponding to an overall target achievement of 44%. The maximum number of performance share units (PSUs) for the 2019 tranche for Mr Brückner was 11,877, meaning that a total of 5,240.31 PSUs were vested. The payment amount is calculated by multiplying the number of vested PSUs by the average share price of DEMIRE AG 60 trading days prior to vesting ("date of any vesting", also referred to as "vesting"). This amounted to EUR 2.15, resulting in a payout amount of EUR 11,267.

CALCULATION OF 2019 TRANCHE

as of 31 December 2022	Tim Brückner
Allotment	EUR 50,000
Average share price	EUR 4.21
Number of PSUs	11,876.48
Target achievement – share performance	0%
Target achievement – relative TSR	88%
Target achievement – total	44%
Vested PSUs	5,240.31
60-day average price per share	EUR 2.15
Payment amount	EUR 11,267

Basic structure (2023/2027 tranche)
Executive Board members of DEMIRE AG are to be granted annual virtual stock options (PSUs) as part of a long-term, share-based variable remuneration package in the form of a virtual stock plan (performance share plan). Provision is made here for the tranches of the virtual stock options to be granted on 1 January of a given year. The number of PSUs granted each year is calculated using an annual allocation contractually agreed in advance that is divided by the average share price of DEMIRE AG 60 trading days prior to 1 January of a given year (“**grant date**”).

The number of granted PSUs is shared by the Supervisory Board in a grant letter written to the Executive Board members within four weeks of the grant date.

The granted PSUs are also vested after a performance period of four years after the grant date, depending on the achievement of performance targets laid down in advance. As a result, the number of PSUs originally granted may fit within a range of between 0% and 100% depending on the performance level achieved. If the performance level is below a defined threshold in the respective targets as described, 0% of the granted PSUs will be vested. Upon reaching the respective threshold, 50%–100% of the granted PSUs will then be vested.

The vested PSUs are paid out in cash in euros on 31 March of the year after vesting. The payment amount is calculated by multiplying the number of vested PSUs by the average share price of DEMIRE AG 60 trading days prior to vesting. This long-term variable remuneration in the form of the performance share plan aims to align the interests of the Executive Board members and the shareholders even more closely with each other so as to achieve sustainable growth in the Company’s value. The performance share plan also ensures that the Executive Board is committed to the Company in the long term and increases its motivation level.

Performance criteria for performance share plan for the 2023/2027 tranche
The performance targets for the virtual stock option programme comprise 50% for the annual share price increase and 50% for the relative total shareholder return (relative TSR), each measured over the four-year performance period.

Once the four-year performance period has ended, the Supervisory Board shall then review the extent to which the targets have been achieved. The individual target achievement is then measured in terms of whether and indeed how many virtual shares were actually vested. The maximum possible number of PSUs (100% of granted PSUs) are vested if the maximum value of the share price increase target and the maximum value of the relative TSR target, as defined in advance by the Supervisory Board for each tranche, are achieved. At least 50% of granted PSUs are vested if the share price increase threshold and the relative TSR threshold, as defined in advance by the Supervisory Board for each tranche, are achieved.

Each plan tranche is subject to a performance period of four years. The annual share price increase is calculated as a compound annual growth rate over the four-year performance period. The relative TSR compares the development of DEMIRE's total shareholder return with the performance of the return of the EPRA/NAREIT Developed Europe ex UK Index over the four-year period.

At the start of a given year, i.e. the grant date (see above), the maximum value and the threshold for the annual DEMIRE AG share price increase are defined by the Supervisory Board. With regard to the 2023 tranche, the maximum value is 14% per annum and the corresponding threshold is 7% per annum.

Likewise, the maximum value and the threshold for the relative TSR performance are also defined in advance by the Supervisory Board. With regard to the 2023 tranche, the maximum value for the relative TSR is 10 percentage points and the corresponding threshold is minus 10 percentage points.

Achievement of the maximum value of both the share price increase target and the TSR target will result in 100% of the granted PSUs being vested. Achievement of the threshold for both the share price increase target and the TSR target will result in 50% of the granted PSUs being vested.

Within the range between the threshold and maximum value within the respective target, 50%–100% of the granted PSUs will be vested in a linear manner. If the performance level falls below the threshold in the respective targets, the respective granted PSUs will lapse.

There is no provision for vesting of more than 100% of the granted PSUs.

Regardless of the target achievement or number of vested PSUs, the maximum payment per PSU is capped at 250% of the price when granted.

In the more detailed formulation of the LTI regulation, the Supervisory Board has included explanations on dilution protection in the LTI programme. Accordingly, if, during the LTI term, DEMIRE AG undertakes corporate actions that impact the value of its real shares, the Executive Board member shall be treated in the same way as the owner of real shares in relation to the PSUs granted to them. If shares are split or consolidated during the LTI term, the number of PSUs shall be increased or reduced in accordance with the respective rules for the share split or share consolidation. If, during the LTI term, shareholders are granted shares out of the Company's own funds ("bonus shares"), the number of PSUs shall be increased in accordance with the acquisition rules for the real bonus shares.

The inclusion of a remuneration element linked to the share price harmonises the goals and interests of senior management and shareholders.

The incentive given here to Executive Board members to increase the Company's value in a robust and sustainable way, including in their own interests, will therefore benefit everyone.

In addition, use of the relative total shareholder return ensures greater objectivity as this performance criterion is linked to the capital markets and also allows comparisons to be made with peers.

PSUs granted in the 2022 financial year (2022/2026 tranche)

In total, 294,288 PSUs were provisionally granted to the Executive Board members in the 2023 financial year (contractually agreed annual allocation divided by the average share price 60 trading days prior to the grant date (for more information see the explanation of "grant date" above)):

DETAILED BREAKDOWN OF PSUS GRANTED

	Contractually agreed annual allotment	Allotment price (Average DEMIRE share price 60 trading days prior to the grant date)	Number of provisionally allotted PSUs
Prof. Dr. Alexander Goepfert	EUR 325,000 gross	EUR 2.147	151,374
Tim Brückner	EUR 192,000 gross	EUR 2.147	89,427
Ralf Bongers	EUR 135,000 gross	2,524[1]	53,487

[1] As Mr Bongers joined the Company during the year on 1 April 2023, the allocation rate is different.

Certain circumstances surrounding an individual's departure may result in the forfeiture of PSUs whose performance period has not yet concluded ("bad leaver").

OTHER REMUNERATION PROVISIONS IN THE 2023 FINANCIAL YEAR

Details regarding the defined maximum remuneration amounts for Executive Board members and compliance with said amounts in the 2023 financial year

The remuneration for Executive Board members is capped by value. The variable remuneration elements are subject to upper limits.

A maximum limit of 200% of the target amount is therefore stipulated for the STI (bonus).

The LTI (virtual stock option programme) also stipulates various capping provisions.

With regard to the 2019/2023 tranche, a cap is in place by way of an annual allocation stipulated in the contract. Furthermore, the actual payment amount depends on the long-term performance of the Company's share price and is capped at a maximum amount determined on an individual basis for the respective Executive Board member (a maximum amount of EUR 220,000 gross for Mr Ingo Hartlief and a maximum amount of EUR 75,000 gross for Mr Tim Brückner).

With regard to the 2022/2026 tranche, it is not just the allocation that is capped by way of an annual amount stipulated in the contract. There is also no provision for vesting of more than 100% of the granted PSUs. Thirdly, the maximum payment per PSU is capped at 250% of the share price as at the grant date, regardless of the target achievement or number of vested PSUs.

The following illustration shows that these maximum limits were all complied with in relation to the variable remuneration granted and owed in the 2023 financial year:

COMPLIANCE WITH THE STIPULATED MAXIMUM AMOUNTS WITH REGARD TO THE VARIABLE REMUNERATION ELEMENTS IN THE 2023 FINANCIAL YEAR

PROF. DR. ALEXANDER GOEPFERT – CHAIRMAN OF THE EXECUTIVE BOARD SINCE 1 JANUARY 2023

in EUR (gross)		Target (for the business year 2022) remuneration	Maximum (for the business year 2022)	Payment (for the business year 2022)
One-year variable remuneration	Bonus for 2023 (short-term incentive)	n/a	n/a	n/a
Multi-year variable remuneration	LTI (2023/2027 tranche) Value of granted PSUs (2023/2027 tranche) = 325,000	325,000	812,500 (Cap of 2.5x upon payment)	no payment in 2023

TIM BRÜCKNER – CHIEF FINANCIAL OFFICER SINCE 1 FEBRUARY 2019

in EUR (gross)		Target (for business year 2022) remuneration	Maximum (for business year 2022)	Payment (for business year 2022)
One-year variable remuneration	Bonus for 2023 (short-term incentive)	132,000	264,000	198,000 (for FY 2022, see above)
Multi-year variable remuneration	LTI (2023/2027 tranche) Value of granted PSUs (2023/2027 tranche) = 192,000	192,000	480,000 (Cap of 2.5x upon payment)	Payment of 2019/2023 tranche in the amount of 11,267

RALF BONGERS – CHIEF INVESTMENT OFFICER SINCE 1 APRIL 2023

in EUR (gross)		Target (for business year 2022) remuneration	Maximum (for business year 2022)	Payment (for business year 2022)
One-year variable remuneration	Bonus for 2023 (short-term incentive)	n/a	n/a	n/a
Multi-year variable remuneration	LTI (2023/2027 tranche) Value of granted PSUs (2023/2027 tranche) = 135,000	135,000	337,500 (Cap of 2.5x upon payment)	no payment in 2023

Furthermore, the Supervisory Board has set a maximum remuneration in accordance with Section 87a (1) (2) No. 1 AktG. The maximum remuneration (sum of basic remuneration, fringe benefits, including pension expenses, as well as short-term and long-term variables) is as follows:

— Chief Executive Officer: EUR 1,580,000.00 gross per annum
— Regular Executive Board members: EUR 960,000.00 gross per annum

The maximum remuneration refers to the sum of all payments resulting from the remuneration regulations in a financial year. This maximum remuneration can only be reviewed retrospectively when the payment from the LTI tranche issued for the respective financial year has been determined.

The term of the 2019/2023 LTI tranche ended in the 2023 financial year. Mr Brückner received a payment of EUR 11,267.00. With total remuneration of EUR 513,716.76, the maximum remuneration was complied with.

Otherwise, no conclusive assessment of compliance with the maximum remuneration can be made in this remuneration report.

REMUNERATION ON TERMINATION OF CONTRACT

Severance payment provisions

In the event that the appointment of an individual as an Executive Board member is effectively revoked pursuant to Section 84 (3) AktG without there being a compelling reason for the Company to effect extraordinary termination within the meaning of Section 626 (1) of the German Civil Code (BGB) or without such revocation being based on a gross dereliction of duties or inability to properly manage the Company's affairs within the meaning of Section 84 (3) AktG, the employment contracts of the Executive Board member may provide for a severance payment to compensate for the residual remuneration claims for the period up to the regular end of the respective employment contract of the Executive Board member. A maximum remaining contractual term of two years shall be considered for this purpose. The severance payment must not exceed an amount equating to two years' annual salary and must not provide remuneration for more than the remaining term ("severance payment cap"). The severance payment cap is calculated based on the total remuneration for the past financial year and, where applicable, the expected total remuneration for the current financial year. Only the following elements are taken into account for the calculation here:

— The fixed annual basic salary
— 100% of the bonus (STI)
— 100% of the allotment of the virtual stock option programme (LTI)

If the respective Executive Board member has resigned for "good cause", has not received an extension of their Executive Board employment contract or ends their activity as an Executive Board member owing to disability (invalidity), retirement or death (also known as a "good leaver"), the performance share plan will differ as follows:

In the event of disability (invalidity) or death, all granted and vested PSUs shall be paid out immediately at the DEMIRE AG share price valid at that time, regardless of the extent of any target achievement. In all other instances constituting a good leaver, provision is in place for an accelerated pro-rata vesting of outstanding and/or granted PSUs. No further amounts shall be granted from other tranches. Payment shall be made at the date originally specified and regardless of the extent of any target achievement. The Supervisory Board may deviate from these provisions in justified individual circumstances.

The Chair of the Executive Board Mr Ingo Hartlief left the Company with effect from the end of 31 December 2022. In this context, Mr Hartlief was promised a gross severance payment of EUR 1,080,000.00. This severance payment was due to be paid with the usual salary payment in January 2023. In addition, it was agreed that Mr Hartlief would receive a bonus for the past 2022 financial year in the gross amount of EUR 270,000, which was due with the usual salary payment in January 2023. The agreement on a specific amount for the bonus was made in the interest of an overall settlement and mutual legal certainty. In addition, the severance payment covers all currently existing and/or future claims, including any claims from the LTI. The specifications of the severance payment cap described above were complied with accordingly. The severance payment does not exceed two years' remuneration (total remuneration for the past financial year and, if applicable, the expected total remuneration for the current financial year).

Post-contractual non-competition clause
There are no post-contractual non-competition clauses. As a result, there is no provision in place in the remuneration system for payment of compensation for restrictions on competition.

Change of control
In the event of (a) the direct or indirect acquisition of control of at least 50% of the voting rights of the Company or (b) a comparable situation that would similarly restrict the Executive Board's managerial authority over the Company, the Supervisory Board may decide to continue or bring about early termination of the virtual stock plan and settle any such early termination at its own discretion. If the Supervisory Board decides in favour of paying out the PSUs early as part of a change of control, this must be completed, where possible, either immediately or, at the very latest, three months after notification of the change of control or comparable situation is received. If, within twelve months of a change of control and in the case of the continuation of the virtual stock plan, the managerial authority of an Executive Board member is restricted or the benefits contractually assured to the Executive Board member are reduced, the Executive Board member in question will be treated as a good leaver in the event of termination within twelve months of the change of control with regard to the severance payment for instruments already granted and yet to be vested (for more information see Severance payment provisions).

There is no provision in place for additional assurances of benefits arising from the early termination of the employment contract by the Executive Board member as a result of a change of control.

Malus/clawback
The Supervisory Board has the option under Section 87 (2) AktG to reduce the payments or other benefits.

Furthermore, according to the "New remuneration system", the Supervisory Board may exert its reasonable discretion (Section 315 BGB) in the event of a clear and unequivocal gross breach by the Executive Board member. In such cases, it may reduce the bonus granted for the financial year in which the breach occurred and the PSUs granted for the financial year in question, either in part or in full to zero.

The employment contracts of the Executive Board in the version of these valid until 31 December 2022 provided for a corresponding regulation, but relating to clear and unequivocal gross breaches of essential obligations. Within the framework of extending the Executive Board employment contracts, the previous regulations have been retained. This tightening of the wording of the remuneration system was necessary in order to increase the likelihood that the corresponding clauses would withstand a review of their content according to the standard of Section 305 et seq. BGB and thus actually be enforceable in the event of a dispute.

In further detailing the malus/clawback provision of the “New remuneration system”, the Supervisory Board has made additional provisions within the scope of the Executive Board employment contracts regarding its discretionary decision. Accordingly, the decision to be made at the Supervisory Board’s discretion must take into account the severity of the breach, its consequences for the Company (including in particular financial and reputation damage) and the degree of fault on the part of the Executive Board member. The Supervisory Board must also ensure it observes the principle of proportionality in making its discretionary decision. Furthermore, the Supervisory Board must also consult the Executive Board member prior to a corresponding decision being taken and give them the opportunity to give their opinion subject to granting a reasonable deadline (hearing period). The variable remuneration may only be reduced by more than 50% if the Executive Board member acts with gross intent or a substantial loss is incurred. The Supervisory Board may only make a decision on reducing remuneration within three months of the date on which the Chair of the Supervisory Board becomes aware of the facts relevant to making the decision on reducing remuneration (the start date of the period is similarly in accordance with Section 626 (2) (2) BGB). However, a decision may not be taken any later than three years after the gross breach occurs. In the case of ongoing breaches, the start date of said breaches must be taken into account. The periods laid down above are suspended during the hearing period (similar to Section 209 BGB).

If the bonus or the PSUs had already been paid out by the date the decision on reducing remuneration was taken, the Executive Board member must return any overpayments that they received. This repayment obligation is limited to the net amount paid to the Executive Board member.

The Company is also entitled in such cases to offset these amounts against the Executive Board member’s other remuneration claims. A plea of impoverishment within the meaning of Section 818 (3) BGB is excluded in this regard.

In further detailing the malus/clawback provision of the remuneration system, the Supervisory Board clarified within the scope of the Executive Board employment contracts that any claims for damages by the Company against the Executive Board member, in particular under Section 93(2) AktG, as well as the Company’s right to give notice of termination for cause within the meaning of Section 626(1) BGB, shall remain unaffected by the corresponding provisions.

In 2023, the Supervisory Board was not aware of any case that would have given cause to make use of the clawback options. Therefore, no clawback has been made.

In the event that the Executive Board member is unable to work for more than 90 calendar days in total in the respective financial year (“threshold”), the bonus and PSUs for the respective financial year shall be reduced by 1/365th for each day of the respective financial year that the inability to work continues beyond the threshold or increases. If the employment contract was not in force for the entire financial year, the 90-day threshold will be reduced accordingly on a pro-rata basis.

Third-party benefits

During the 2023 financial year, no Executive Board member was promised or granted benefits from a third party regarding their activity as an Executive Board member.

Remuneration for Executive Board and/or Supervisory Board mandates both within and external to the DEMIRE Group

Any remuneration benefits paid to undertake intra-Group Supervisory Board mandates are accounted for against the remuneration in accordance with the remuneration system. The same applies to the assumption of intra-Group Executive Board mandates.

Mr Tim Brückner was appointed CEO of Fair Value REIT-AG on 20 May 2019.

Prof. Dr Alexander Goepfert has been a member of the Supervisory Board of Fair Value REIT-AG since 1 January 2023.

As part of a reclassification agreement with Fair Value REIT-AG, it was agreed that salary expenses (fixed remuneration) for Mr Tim Brückner, including incidental personnel expenses and additional remuneration such as a company car, are to be passed on to Fair Value REIT-AG on a pro-rata basis. A reallocation was charged at a ratio of 30%. Executive Board member Tim Brückner did not receive separate remuneration for his activities as a member of the Executive Board of Fair Value REIT-AG.

In accordance with the remuneration system, Prof. Dr Alexander Goepfert did not receive separate remuneration for his position as Chair of the Supervisory Board of Fair Value REIT-AG.

Prof. Dr Goepfert is a member of the Supervisory Board of PROXIMUS Real Estate AG, Cologne.

Prof. Dr Alexander Goepfert, Tim Brückner and Ralf Bongers did not observe any other Executive Board and/or Supervisory Board mandates external to the Group during the 2023 financial year.

Detailed breakdown of Executive Board member remuneration during the 2023 financial year

Illustration of remuneration (including respective relative proportion) granted or owed to Executive Board members Prof. Dr Alexander Goepfert, Tim Brückner and Ralf Bongers for the 2023 financial year pursuant to Section 162 AktG

The following tables show the fixed and variable remuneration elements granted and owed to the Executive Board members Prof. Dr Alexander Goepfert, Tim Brückner and Ralf Bongers for the 2023 financial year. This illustration also includes the respective relevant proportion pursuant to Section 162 AktG. This includes the basic remuneration paid during the financial year, the fringe benefits incurred, the pension expenses paid out and the bonus paid out in the 2023 financial year, which was vested in the 2022 financial year.

Payments under the virtual share option programme are also presented.

REMUNERATION GRANTED AND OWED PURSUANT TO SECTION 162 AKTG FOR FY 2023

Prof. Dr. Alexander Goepfert – Chairman of the Executive Board since 1 January 2023

		in EUR (gross)	in %
Fixed remuneration components			
	Basic remuneration 2023	420,000	94.6
	Fringe benefits 2023	18,343	4.1
Fixed remuneration	Pension expenses 2023	5,578	1.3
Total		**443,921**	**100.0**
Variable remuneration components			
One-year variable remuneration	2022 bonus (payment in March 2023)	–	–
Multi-year variable remuneration	LTI 2023/2027	–	–
Total		**–**	**–**
Total			
Total remuneration		**443,921**	**100.0**

REMUNERATION GRANTED AND OWED PURSUANT TO SECTION 162 AKTG FOR FY 2023

Tim Brückner – Chief Financial Officer since 1 February 2019

		in EUR (gross)	in %
Fixed remuneration components			
	Basic remuneration 2023	252,000	49.1
	Fringe benefits 2023	18,343	3.6
Fixed remuneration	Pension expenses 2023	34,107	6.6
Total		**304,450**	**59.3**
Variable remuneration components			
One-year variable remuneration	2022 bonus (payment in March 2023)	198,000	38.5
	LTI 2019/2023	11,267	2.2
	LTI 2020/2024	–	–
	LTI 2021/2025	–	–
	LTI 2022/2026	–	–
Multi-year variable remuneration	LTI 2023/2027	–	–
Total		**209,267**	**40.7**
Total			
Total remuneration		**513,717**	**100.0**

REMUNERATION GRANTED AND OWED PURSUANT TO SECTION 162 AKTG FOR FY 2023

Ralf Bongers – Chief Investment Officer since 1 April 2023

		in EUR (gross)	in %
Fixed remuneration components			
	Basic remuneration 2023	176,250	87.1
	Fringe benefits 2023	13,843	6.9
Fixed remuneration	Pension expenses 2023	12,220	6.0
Total		**202,313**	**100.0**
Variable remuneration components			
One-year variable remuneration	2022 bonus (payment in March 2023)	–	–
Multi-year variable remuneration	LTI 2023/2027	–	–
Total		**–**	**–**
Total			
Total remuneration		**202,313**	**100.0**

Remuneration granted and owed to former Executive Board members during the 2023 financial year

REMUNERATION GRANTED AND OWED PURSUANT TO SECTION 162 AKTG FOR FY 2023

Ingo Hartlief – Chief Executive Officer until 31 December 2022

		in EUR (gross)	in %
Fixed remuneration components			
	Severance pay (Payment in January 2023)	1,080,000	80.0
	Fringe benefits 2023	–	–
Fixed remuneration	Pension expenses 2023	–	–
Total		**1,080,000**	**80.0**
Variable remuneration components			
One-year variable remuneration	2022 bonus (payment in January 2023)	270,000	20.0
Multi-year variable remuneration	LTI 2023/2027	–	–
Total		**270,000**	**20.0**
Total			
Total remuneration		**1,350,000**	**100.0**

The CEO Ingo Hartlief left the Company with effect from the end of 31 December 2022. In this context, Mr Hartlief was promised a gross severance payment of EUR 1,080,000.00. This severance payment was due to be paid with the usual salary payment in January 2023. In addition, it was agreed that Mr Hartlief would receive a bonus for the past 2022 financial year in the gross amount of EUR 270,000, which was due with the usual salary payment in January 2023. The agreement on a specific amount for the bonus was made in the interest of an overall settlement and mutual legal certainty. In addition, the severance payment covers all currently existing and/or future claims, including any claims from the LTI. The specifications of the severance payment cap described above were complied with accordingly. The severance payment does not exceed two years' remuneration (total remuneration for the past financial year and, if applicable, the expected total remuneration for the current financial year).

At the present time, a long-term incentive remains in place for the former Executive Board member Andreas Steyer in the form of a stock option plan. The long-term incentive arising from the 2015 stock option plan is owed to Mr Steyer. In the 2015 financial year, share-based payments were issued for this purpose in the form of subscription rights (stock options) to the Executive Board of DEMIRE AG and to a selected group of persons within the DEMIRE Group. The stock option programme is an option plan that is settled with equity instruments (equity-settled stock option plan). The option plan only provides for the possibility of settling the stock option programme in shares of DEMIRE AG. Accounting for the share-based payments issued is in accordance with IFRS 2. The exercise of subscription rights is subject to the Company's share price through trading using XETRA (or a comparable successor system) on the Frankfurt Stock Exchange being at least 10% higher than the basic price on the trading day preceding the exercise of the subscription rights. 400,000 stock options were issued to Mr Steyer. The fair value of each option from the first tranche was EUR 2.74. In the period under review, there were no changes in the number of shares issued in comparison to the previous period. The option term is nine years from the issue date. The first four years constitute a vesting period. In the reporting period, no further expenses arose from this stock option programme. This was also the case the previous year.

SUPERVISORY BOARD REMUNERATION FOR THE 2023 FINANCIAL YEAR

Basic structure of the Supervisory Board remuneration

The remuneration system for the Supervisory Board is laid down in Section 16 of the Articles of Association. This ensures that the remuneration for Supervisory Board members is always in line with the remuneration system approved at the Annual General Meeting. Pursuant to Section 16 of the Articles of Association, Supervisory Board members are entitled either to a fixed remuneration element or an attendance fee. A remuneration amount payable annually may be stipulated for Supervisory Board members. The value of said remuneration is to be decided at the Annual General Meeting. The most recently resolved remuneration will remain valid until the Annual General Meeting resolves on amended remuneration. In the case of committee members, an attendance fee may be stipulated alongside the remuneration amount payable annually. The value of said attendance fee is to be decided at the Annual General Meeting. The Chair receives triple the remuneration amount payable annually to a regular Supervisory Board member, while the Vice Chair receives double said remuneration. Supervisory Board members who were only part of the Supervisory Board for a portion of a given financial year shall receive their remuneration on a pro-rata basis.

The remuneration is payable within one month of the end of the respective financial year. Supervisory Board members also receive compensation for all expenses they incur as a result of exercising their official duties, along with compensation for any VAT to be paid on their remuneration and expenses. Where such a policy exists, Supervisory Board members are covered by a directors' and officers' liability insurance policy taken out by the Company in its own interest, and featuring appropriate cover for members of executive bodies. The premiums for this policy are paid by the Company. A resolution was passed at the Annual General Meeting held on 28 April 2021 to increase the Supervisory Board remuneration from EUR 30,000.00 to EUR 40,000.00 for each regular Supervisory Board member, with effect from the start of the 2021 financial year, as a result of the significantly increased workload of the Supervisory Board members, due in particular to the complex regulatory requirements and the large amount of time associated with this. The Chair of the Supervisory Board receives triple the aforementioned amount here, and the Vice Chair receives double the aforementioned amount. Any VAT accruing on these amounts, where applicable, shall also be paid.

Details regarding the specific Supervisory Board remuneration for the 2023 financial year

The table below shows the remuneration granted to the current and former Supervisory Board members for the 2023 financial year, including the respective relative proportion pursuant to Section 162 AktG. Pursuant to Section 16 (3) of the Company's Articles of Association, the Supervisory Board remuneration is due within one month of the end of the financial year in question. The presentation below includes the fixed annual remuneration for Supervisory Board activities during the 2022 financial year, which was paid out in the 2023 financial year. The payment of an attendance fee in line with the remuneration alternative selected herein is provided solely for committee members. No attendance fees were accrued in either the 2022 financial year or the 2023 financial year.

REMUNERATION GRANTED TO SUPERVISORY BOARD MEMBER IN THE 2023 FINANCIAL YEAR

	Fixed remuneration		Total remuneration	
	in EUR	in %	in EUR	in %
Current Supervisory Board members				
Prof. Dr. Alexander Goepfert (Chairman until 31 Dec 2022)	120,000	100	120,000	100
Frank Hölzle	80,000	100	80,000	100
Dr. Kerstin Hennig	40,000	100	40,000	100
Total	**240,000**	**100**	**240,000**	**100**

Markus Hofmann (Chair since 1 January 2023) will receive remuneration of EUR 120,000.00 for his activities in 2023 in the 2024 financial year.

Comparative presentation pursuant to Section 162 (1) No. 2 AktG

The following table illustrates the annual change in remuneration granted and owed to current and former Executive Board and Supervisory Board members, the Company's earnings performance and the remuneration of employees on a full-time equivalent basis, whereby the latter is based on the average wages and salaries earned by employees of DEMIRE AG in the respective financial year, namely including any benefits in kind, bonuses, cars, social security contributions, maternity allowances, housing allowances and so on. For comparative purposes, an average salary was calculated from the salaries of all DEMIRE AG employees (excluding the members of the Executive Board).

COMPARATIVE ILLUSTRATION PURSUANT TO SECTION 162 (1) NO. 2 AKTG FOR EXECUTIVE BOARD MEMBERS

	Remuneration granted and owed for 2023	Remuneration granted and owed for 2022	Change in 2023 compared to 2022		Change in 2022 compared to 2021		Change in 2021 compared to 2020		Change in 2020 compared to 2019	
	in EUR	in EUR	in EUR	in %	in EUR	in %	in EUR	in %	in EUR	in %
Current Executive Board members										
Prof. Dr. Alexander Goepfert (since 01/01/2023)	443,921	0	443,921	100	–	–	–	–	–	–
Tim Brückner	513,717	473,406	40,311	8	45,498	53	179,762	49	111,213	49
Ralf Bongers	202,313	0	202,313	100	–	–	–	–	–	–
Former Executive Board members										
Ingo Hartlief	1,350,000	714,619	635,380	89	–74,970	–9	–314,622	–28	770,027	230
Ralf Kind	0	1,700,000	–1,700,000	–[1]	–	–	–	–	–3,418	–100
Employees										
Employee average	97,398	95,480	1,918	2	–11,222	–11	11,046	12	–10,662	–10
Development of earnings										
Net loss for the financial year – DEMIRE Group (in EUR thousand)	–151,966	–71,502	–80,464	113	–133,089	–216	52,420	572	–70,571	–89
Net loss for the financial year – DEMIRE AG (in EUR thousand)	–52,377	–25,964	–26,413	102	–58,807	–179	3,675	13	26,472	982

[1] As no remuneration was paid in the 2023 financial year, the percentage change cannot be shown mathematically.

COMPARATIVE ILLUSTRATION PURSUANT TO SECTION 162 (1) NO. 2 AKTG FOR SUPERVISORY BOARD MEMBERS[1]

	Remuneration granted and owed for 2023	Remuneration granted and owed for 2022	Change in 2023 compared to 2022		Change in 2022 compared to 2021		Change in 2021 compared to 2020		Change in 2020 compared to 2019	
	in EUR	in EUR	in EUR	in %	in EUR	in %	in EUR	in %	in EUR	in %
Current Supervisory Board members										
Prof. Dr. Alexander Goepfert (until 31 Dec 2022)	120,000	120,000	0	0	30,000	33	0	0	45,000	100[2]
Frank Hölzle	80,000	80,000	0	0	20,000	33	0	0	0	0
Prof. Dr. Kerstin Hennig	40,000	40,000	0	0	10,000	33	12,500	71[3]	17,500	–[4]
Former Supervisory Board member										
Thomas Wetzel	–	–	–	–	–	–	–	–[5]	30,000	0
Employees										
Employee average	97,398	95,480	1,918	2	–11,222	–11	11,046	12	–10,662	–10
Development of earnings										
Net loss for the financial year – DEMIRE Group (in EUR thousand)	–151,966	–71,502	–80,464	113	–133,089	–216	52,420	572	–70,571	–89
Net loss for the financial year – DEMIRE AG (in EUR thousand)	–52,377	–25,964	–26,413	102	–58,807	–179	3,675	13	26,472	982

[1] The remuneration of the Supervisory Board shown below relates to the remuneration paid in the financial year that was earned in the previous year.
[2] In the 2019 financial year, only 6/12 of the remuneration was paid out pro rata, as the activity was not performed for the entire year.
[3] In the 2020 financial year, only 7/12 of the remuneration was paid out pro rata, as the activity was not performed for the entire year.
[4] The activity was not carried out in the 2019 financial year; the percentage change cannot be shown mathematically.
[5] The change was not presented in the previous remuneration report, as there was no actual change in the amount of remuneration owed up to the time of the Supervisory Board member's departure (in the 2019 financial year). It would therefore only be possible to present a deviation due to a prorated payment due to departure during the year. However, the former Supervisory Board member did not claim pro rata remuneration for the 2019 financial year in 2020. The remuneration paid in 2019 related to the 2018 financial year. As outlined above, there was no change in the level of remuneration between 2017 and 2019. In the interests of completeness, the reduction in remuneration to EUR 0.00 in the 2020 financial year as a result of the departure is now included in the presentation.

OPPORTUNITIES AND RISKS

Risk report

Basic principles of DEMIRE risk management

DEMIRE's risk policy principally involves striking an appropriate balance between growth ambitions and increasing the value of the Company while taking into account the associated risk. The intention is to avoid inappropriate risks. DEMIRE's risk management system is an integral part of the corporate strategy, with the risk policy being set by the Executive Board.

Risk management system

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

EARLY RISK WARNING SYSTEM

DEMIRE AG's early warning system is intended to detect all relevant risks and their causes, as well as to quantify and communicate them, thereby ensuring that any necessary countermeasures can be initiated at an early stage. The early risk warning system is audited and assessed annually by the auditor as part of the audit of the annual financial statements with regard to its compliance with the requirements set forth in the German Stock Corporation Act (AktG) in accordance with Section 317 (4) of the German Commercial Code (HGB). In addition, an audit of the risk management system was carried out for the first time in 2020 with the help of an external service provider and was carried out again in 2023.

The early risk warning system is being developed on an ongoing basis.

RISK IDENTIFICATION AND EVALUATION

Risk identification forms the basis for the appropriate and effective handling of risks. Our employees are called upon to consciously and responsibly deal with risks and opportunities within their scope of responsibility. The risks are assigned to the respective business areas according to responsibility. They are assessed in terms of their percentage probability of occurring and evaluated in terms of the potential extent of loss. The best, expected, and worst-case scenarios are reported on a gross basis to begin with, and then on a net basis once the risk management process is completed.

RISK MANAGEMENT

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

Risk-bearing capacity

Based on the identified and assessed risks, the risk-bearing capacity is determined. The Monte Carlo method is used for risk aggregation. This means extremely detailed results regarding the actual bearing capacity of risks by the Company can now be obtained, including in extreme scenarios.

RISK REPORTING

The reports of the risk officers are aggregated centrally in order to be able to assess the overall risk position of the DEMIRE Group. The Executive Board is provided with quarterly information – including on the reporting date and, if necessary, on an ad hoc basis. This is how DEMIRE ensures that all information on material risks is communicated in full and in a timely manner.

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

Internal control and risk management system

IT SYSTEMS

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

KEY FEATURES OF THE ACCOUNTING-RELATED INTERNAL CONTROL SYSTEM (ICS)

The overarching objective of DEMIRE's accounting-related ICS is to ensure the accuracy of financial reporting in addition to asset protection and risk minimisation.

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

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

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

The (interim) consolidated financial statements are prepared in accordance with the statutory requirements (in accordance with the single-entity principle pursuant to Section 297 (3) HGB), the main features of which are the consolidation of expenses and income, the consolidation of debt and capital and, if necessary, the elimination of inter-Company results.

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

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

Other essential tools include:

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

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

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

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

The Executive Board assesses the adequacy and effectiveness of the ICS at the end of each financial year. As at 31 December 2023, there are no indications that DEMIRE's ICS in its entirety was inadequate or ineffective.[1]

General risk situation

In the 2023 financial year, due to what was largely a stable real estate rental market in Germany, DEMIRE achieved good operating performance despite the ongoing war in Ukraine, the difficult market environment caused by the economic conditions and the sharp rise in interest rates due to inflation. This, together with the measures initiated by the Company's Executive Board, contributed significantly to the improvement in the financial and operating figures. Successful letting stabilised the Group's rental income in spite of the property sales that were completed. Consistent cost management at a property and Company level also contributed to stability in the key figures. In addition to the continued stable financing costs, this led to a solid earnings situation.

The valuation result arising from property valuations reflects the changed market conditions, in particular the rise in interest rates. The partially increased cash flows from the properties had the opposite effect. Nevertheless, the macroeconomic environment has left its mark on the Group's key financial and operating figures, meaning that average financing costs are likely to rise in the future.

At the time of publication of this report, the refinancing of the 2019/24 bond maturing in October 2024 is highly likely with more than 90% of bondholders approving an extension. Nevertheless, a high to very high risk is still to be assumed for DEMIRE until the new bond terms and conditions are incorporated into the system, which is expected to take place in the next few weeks.

There is a material uncertainty related to the events and circumstances surrounding the bond refinancing that may cast significant doubt upon the Company's ability to continue as a going concern. The Company may not be able to realise its assets or settle its liabilities in the ordinary course of business.

1 This paragraph has not been audited.

Individual risks

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

The individual risks are assessed on the basis of the amount of loss (“very low” = EUR 0.2 to 1 million, “low” = EUR 1 to 2.5 million, “medium” = EUR 2.5 to 5 million, “high” = EUR 5 to 10 million, “very high” = over EUR 10 million) and the probability of occurrence (“very unlikely” = 0% to 5%, “unlikely” = 5% to 25%, “possible” = 25% to 50%, “likely” = 50% to 75%, “very likely” = 75% to 100%). The following allocation of the risk category reports the net risk whilst taking into account the probability of occurrence (i.e. the net expected loss).

The observation period for the risk assessment is five years from the reporting date.

VALUE LIMITS

from	to	Probability of occurrence					
75%	100%	very likely	low	medium	high	high	very high
50%	75%	likely	low	medium	medium	high	high
25%	50%	possible	low	low	medium	medium	high
5%	25%	unlikely	low	low	low	medium	medium
0%	5%	very unlikely	very low	low	low	low	medium
		Amount of loss (from) in EUR million	0.2 (very low)	1.0 (low)	2.5 (medium)	5.0 (high)	10.0 (very high)

Note: Determination of the value limits for the extent of loss classes is based on the FFO results of previous years

MACROECONOMIC, MARKET-RELATED AND SECTOR RISKS

Macroeconomic changes can have positive or negative effects on the Group's net assets, financial position and results of operations. In 2023, the weak economic situation and the sharp rise in interest rates due to high inflation had a negative impact on economic conditions. In spite of this, the annual targets were achieved and, in some cases, exceeded. For 2024, the economic experts are giving a cautious forecast. Due to the expected continued weak economic development, demand for space in the office, retail and hotel sectors is likely to remain weak for the time being.

DEMIRE's economic performance is directly related to the development of the German real estate market. The future development of rental income represents a risk that may also indirectly affect the valuation of the portfolio. In addition, there is strong competition in the commercial real estate sector, which entails the risk of the Company not being able to assert itself sufficiently.

Risks of macroeconomic changes and those from the negative development of the real estate market and other environmental and sector risks with indirect effects on the net assets, financial position and results of operations are currently – as in the previous year – classified as **medium** on average.

FINANCIAL RISKS

Risks from the refinancing of the 2019/24 corporate bond

In order to refinance the 2019/24 corporate bond with a final maturity in October 2024, the Company has been seeking to build up a liquidity reserve since mid-2022. Numerous properties have been sold for this purpose. At the same time, financing for previously unencumbered properties and revaluations of existing loans were realised. In view of the difficult macroeconomic and real estate market environment, these measures together have led to a significant increase in liquidity of EUR 180 million (including LogPark) as at 31 August 2024, which, however, will not be sufficient for full repayment of the bond in the 2024 financial year in view of the outstanding nominal amount of EUR 499 million. To address this, the Company entered into discussions with bondholders in the fourth quarter of 2023 with a view to extending the bond with revised terms and conditions. At the beginning of September 2024, bondholders holding more than 90% of the bond gave their formal consent for the extension of the bond to the end of 2027 in accordance with the German Bond Act. There is still a significant degree of uncertainty in this regard ahead of the technical implementation of the new bond terms and conditions, which is expected to take place at the end of October or beginning of November. However, due to the high approval rate of over 90% among bondholders, DEMIRE is confident that the implementation will prove successful.

In addition to a base interest rate that has been increased to 5% per annum, the bond extension agreement includes repayment options that, if not met, are subject to additional interest payments and thus indirectly entail the risk of higher costs. From 1 January 2026, an additional 3% will be due if less than EUR 50 million of the bond has been repaid by the end of 2025. From 1 January 2027, an additional 2% will be charged if a further EUR 50 million of the bond has not been repaid by the end of 2026. In addition, payment-in-kind interest (PIK) of 3% per annum will be charged on the outstanding bond amount from 2027. All additional interest payments are to be made together with the remaining outstanding bond amount by 31 December 2027 at the latest.

Until the new bond terms and conditions have been technically and officially implemented, the Executive Board continues to assess the risk associated with refinancing the corporate bond as **high to very high** due to the high outstanding bond amount of EUR 499 million.

Risks from covenant obligations

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

As at the reporting date, the LTVs of all of the Group's financial liabilities were below the levels stipulated in the respective financing agreements. The 2019/24 corporate bond stipulates the following covenants: LTV (net loan-to-value ratio) based on financial and leasing liabilities minus cash and cash equivalents as a ratio to total assets minus goodwill and cash or cash equivalents; ICR (interest coverage ratio) based on Group EBITDA as a ratio to net cash interest (interest expenses to third parties minus interest income from third parties, net of one-time financing costs and early repayment penalties). For information on the amount of the individual covenants, including their status as at 31 December 2023 for the corporate bond, please refer to the "Financial position" section in the economic report. From today's perspective, the new covenants agreed as part of the bond extension are currently being met and will be met until further notice (LTV <70%, ICR 1.5x).

The international rating agency Moody's lowered the rating for the corporate bond to Caa1 at the end of March 2023, to Caa2 at the beginning of July 2023 and then again in November 2023 to Caa3 with a negative outlook. This was done in particular in view of the upcoming refinancing of the corporate bond in October 2024 and rising interest rates as well as a generally weaker economic environment. DEMIRE is required to comply with the conditions necessary to maintain the credit rating of the rating agencies.

Compliance with the relevant covenants and rating conditions is monitored and reported to the Executive Board on an ongoing basis. The Executive Board estimates the risk from the deterioration of the covenants and the rating and the resulting effects on net assets, financial position and results of operations to be **very low**.

Financing risks from bank loans

The Company has proactively addressed the final maturities of financial liabilities in 2024 and has been working to build up its liquidity position since summer 2022. Since then, property sales with a total volume of over EUR 185 million have been successfully registered (the LogPark Leipzig change of use took place in March 2024). The Company continues to proactively implement the strategy it has embarked upon as a top priority. The changes in the overall conditions on the credit markets for financing are reflected in the corporate planning. In the meantime, the bank financing of the Limes portfolio, consisting of the four properties in Essen, Kassel, Aschheim and Cologne (Max-Glomsda-Straße), which expires on 30 June 2024, could not be extended with the financing bank, meaning that the properties were in preliminary insolvency proceedings at the time of publication of this report (see also "Outlook", "Expected development of the Group"). The Executive Board currently classifies the financing risk from bank loans as **medium**.

Interest rate risk from bank loans

The DEMIRE Group uses outside capital to finance German commercial real estate. In addition to the corporate bond described above, this comprises bank loans secured by real estate with fixed interest loans (a low-value loan that was extended in 2022 has a variable interest rate). The interest rate policy is evaluated at regular intervals in close coordination with the Supervisory Board. Due to the fixed interest rate agreements, no derivatives are used. Rising interest rates are expected for future financing, while inflation and the current/probable interest rate trend are already reflected in corporate planning. The Executive Board estimates any further interest rate risk to be very low, partly in view of the first interest rate cuts by the European Central Bank.

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

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

The funds available at the reporting date and the planned cash flows in 2024 and 2025 are sufficient for the current needs of the operating activities. The Executive Board therefore considers operational liquidity risk to be **very low**, subject to the successful refinancing.

Risks from investments
DEMIRE holds the Cielo property in Frankfurt, which is accounted for using the equity method, via a joint venture with RFR Immobilien 5 GmbH, Frankfurt am Main. As part of the structure, a loan totalling EUR 60 million was granted to RFR Immobilien. Due to the default on interest payments by RFR Immobilien in 2023, there is a risk of partial default on the loan of EUR 60 million. As a precaution, impairments of EUR 18.2 million were recognised in the balance sheet as of the reporting date for this loan and the interest accruing on it. In addition, the market value of the property in the investment JV Theodor-Heuss-Allee GmbH has fallen significantly, which may result in a penalty of EUR 43.5 million becoming due in 2026 in order to reverse the transaction (put option). The significantly increased probability of a reversal compared to the previous year is reflected in the balance sheet as at the reporting date with the recognition of negative market values of the existing options in the amount of EUR 24.1 million. The Executive Board considers the risk from the investment to be **medium** overall.

OPERATING RISK

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

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

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

Based on the Group's tenant structure, at the time of this report's preparation there was no significant rental risk that would have a direct impact on the Group's earnings situation. Default risks from rent receivables are taken into account by recognising impairments. We also generally try to avoid depending on large tenants. In the 2023 financial year, the ten largest tenants accounted for 38.0% (31 December 2022: 40.4%; 31 December 2021: 40.0%) of contractual leases. These are reputable tenants that are active in the public sector, telecommunications and retail in particular. However, there is a dependency on a few tenants who account for a significant share of rental income. The largest tenant, with a cumulative share of 9.5% (31 December 2022: 14.2%; 31 December 2021: 14.5%) of total contractual rents in the real estate portfolio across several leases and real estate locations, is Deutsche Telekom (GMG Generalmietgesellschaft GmbH), although the dependence on this major tenant has been more than halved in recent years. Should it not be possible to find subsequent tenants for this property or other key tenants from the ten largest tenants after the end of the contract or extraordinary termination of the contract, this would lead to a considerable decline in rental income and, consequently, to a material negative effect on the Company's net assets, financial position, and results of operations. Thanks to our own well-executed asset and portfolio management, we are positioned close to our tenants and maintain long-term tenant loyalty. Through the change from single-tenant properties for Telekom to multi-tenant properties, we have been able to significantly reduce our dependence on our main tenant. Subsequent lettings were mainly to tenants from the public sector.

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

Valuation risks
In the subsequent valuation, the investment properties in the consolidated financial statements are carried at fair value in accordance with IFRS 13. The fair values are based on appraisals that are prepared at least once a year by independent appraisers. Various factors play a role here: circumstances such as the development of lease terms, rent levels and vacancies as well as qualitative factors such as the location and condition of the property are included as parameters in the valuation.

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

The current market development also has an impact on the valuation of real estate, resulting in the risk of devaluations. In the past, DEMIRE was able to partly avoid this development through good operating results.

In the previous year, the Executive Board considered the risk from the valuation and the resulting effects on the net assets, financial position and results of operations to be **very high**.

Sales risks
DEMIRE is using property sales from the Core Portfolio to reduce cluster risk in the sectoral and regional portfolio structure, achieve profit and drive debt reduction, thereby lowering financial risks, in particular refinancing risks. Following the sale of properties, the buyer could assert warranty claims if the properties do not have the features promised – for example, the level of modernisation, freedom from contamination and occupancy rate. These could have a negative impact on the Company's net assets, financial position and results of operations.

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

Legal risks

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

Other legal risks can generally result from various types of disputes, for example in rental or personnel matters. Rental disputes are part of the unavoidable everyday business of real estate companies and are handled accordingly. There are currently no pending or foreseeable major legal disputes that could pose a significant risk. Adequate provisions have been made for current legal disputes.

Overall, the Executive Board estimates the legal risk and the financial effect on the Company's net assets, financial position and results of operations to be **low**.

Compliance risks

Responsible and sustainable management is part of DEMIRE's corporate culture and everyday business. We are therefore continuing to develop our Compliance Programme with the aim of supporting employees in complying with relevant legal regulations and standards of conduct. DEMIRE's Compliance Programme includes a code of conduct as well as regular staff training, among other things. In 2020, DEMIRE successfully underwent an external audit and was registered as a certified company of the Institute for Corporate Governance (Institut für Corporate Governance in der deutschen Immobilienwirtschaft e.V.). Another audit in 2021 was also successful and is valid for three years.

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

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

Tax risks

DEMIRE's tax structure is complex because of the different taxable entities (tax groups and taxation at the level of individual companies) and various legal forms existing within the Group. In addition, changes in the tax regulations, particularly the (intra-Group) use of losses carried forward, could lead to higher tax expenses and payments. In the Company's opinion, there are currently no significant tax risks that would need to be recognised in addition to those previously recognised. However, tax risks may arise in connection with external tax audits and routine changes to the existing portfolio or in connection with the portfolio's expansion primarily through the acquisition of shares in the companies holding the properties.

The Executive Board estimates the tax risks and the resulting effects on net assets, financial position and results of operations as **very low**.

Risks related to the REIT status of Fair Value REIT-AG

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

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

Personnel risks
Competent, committed and motivated employees are an essential prerequisite for DEMIRE's successful development. The DEMIRE Group may lose members of the Executive Board or other key personnel, or may not be able to replace them in a timely manner, nor with sufficiently qualified personnel. The Executive Board is convinced that the current personnel structure also means that the positions will be filled on a longer-term basis. The staff departures that nevertheless occurred in 2023 were compensated for successfully by hiring new staff in a timely manner.

Although the demand for well-qualified personnel is very high, the Executive Board nevertheless considers the risk associated with the loss of employees and the resulting effects on the net assets, financial position and results of operations to be low, based on its experiences gained in the past few years.

IT risks
The IT systems of DEMIRE, its subsidiaries and its service providers could irretrievably lose important data or experience unauthorised access to data from outside. Both could cause disruptions in business operations and incur costs, and ultimately lead to financial losses. DEMIRE has protected itself against IT risks with its own network, modern hardware and software solutions and measures against external attacks; data will continue to be additionally secured. Detailed access rights regulations ensure that employees only have access to the systems and documents necessary for their work.

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

Risks arising from the sale of shares by Apollo and Wecken & Cie.
In addition to the risks as stated above, Apollo and Wecken & Cie.'s strategic review of its stake in DEMIRE, which was initiated in November 2021, also represents an additional risk. Specific risks could perhaps arise in the aforementioned areas of financing and liquidity risks, interest rate risks, tax risks, risks in conjunction with the REIT status of Fair Value REIT-AG and personnel risks.

Given the backdrop that the Company is in a strong position overall, the Executive Board considers the risks and the potential resulting effects on the net assets, financial position and results of operations to be **low**.

Overall assessment of the risk situation

The risk situation of the DEMIRE Group and the Company worsened in the reporting period due to the war in Ukraine the sharp rise in interest rates due to inflation and the generally difficult economic situation. The operational successes, the sustained improvement in corresponding key figures, and the refinancing of the past years are helping DEMIRE to successfully counter the increased risks described above. The Executive Board also monitors the risks as described on an individual and combined basis and regularly assesses the resulting probability of occurrence. The process for determining the risk-bearing capacity also supports the Executive Board in conducting a comprehensive assessment of DEMIRE's risk situation.

Based on the current assessment and following the extension of the term of the corporate bond until the end of 2027, the Executive Board is not aware of any further risks that, either individually or collectively, could endanger the Company's existence. The Company is convinced that it will be able to continue to take advantage of the opportunities and challenges that arise in future without having to subject itself to unjustifiably high risk.

The Executive Board assesses the adequacy and effectiveness of the risk management system at the end of each financial year. As at 31 December 2023, there are no indications that DEMIRE's risk management system in its entirety was inadequate or ineffective.[2]

Description of major individual opportunities

Risks can also present opportunities. Accordingly, DEMIRE derives opportunities for the Company from the risk inventory as at the reporting date, among other things. It also examines the business plan and the operating areas for any opportunities that may arise as at the reporting date. As in the risk report, the observation period is five years from the reporting date. In our opinion, the opportunities described below could be derived in particular.

Opportunities arising from the current market situation

MACROECONOMIC AND SECTOR OPPORTUNITIES

DEMIRE considers the macroeconomic and sector-specific environment to be slightly negative for the 2024 financial year following an equally slightly negative assessment in the previous year. In the course of 2024, the German Council of Economic Experts expects slight economic growth driven by private consumption, while the export-driven economy and thus a large part of the economy and our tenants are still not expected to grow. DEMIRE will not be able to completely escape the weakened demand for office and retail space that is expected as a result. Historically, however, DEMIRE's rental markets in secondary markets have proven to be comparatively resilient in phases of economic downturn compared to primary markets. Opportunities could arise from higher demand for rental space, contrary to expectations.

With regard to the German real estate market, opportunities could arise for sales in particular. The DEMIRE Group intends to use this environment in particular to successively reduce its leverage through property sales in view of the bond which is in the process of being refinanced. Opportunities could arise here from sales proceeds that exceed the carrying amounts of the properties and thus create additional liquidity.

At the same time, property prices on the German commercial real estate market may stabilise earlier than expected, which in our view depends largely on the development of key interest rates and the economy, meaning that the valuation result in 2024 could be better than expected.

In addition, the successful active property management of the existing portfolio will be continued. As evidenced by the macroeconomic slowdown in 2023, DEMIRE can achieve operational success even in a difficult environment.

As in the previous year, DEMIRE is therefore cautiously optimistic as it looks ahead to 2024. The strategy and structure proved their worth again in 2023, even under the continuing challenging economic conditions.

Business opportunities

In the reporting period, the solid positioning of portfolio management and partially externalised asset management proved its worth in terms of expertise and personnel. The renowned property and facility management service providers also contribute to greater efficiency and economic benefits, although these are unlikely to be reflected in major further savings in 2024 in view of the inflationary effects of the previous year. The internalisation of fund and asset management for partial portfolios of the Fair Value REIT-AG Group also contributes further to improved earnings. The expectation for 2024 is that the professional and committed support that the Company provides will result in longer lease terms and better chances of

2 This paragraph has not been audited.

follow-on lettings, while tenant fluctuation and vacancy rates could improve compared to the level as at the reporting date.

FINANCIAL OPPORTUNITIES

As at 31 December 2023, DEMIRE had bank financing with a total nominal value of EUR 164.7 million and the 2019/24 bond with a nominal value of EUR 499 million, which were subject to a scheduled final maturity in 2024. At the time of publication, bank loans totalling EUR 35.8 million are due to be refinanced in the 2024 financial year (excluding LIMES portfolio loans). In view of the staggered maturities of the bank liabilities (2024: EUR 36.5 million, 2025: EUR 40.1 million, 2026: EUR 34.3 million, 2027: EUR 3.5 million, 2028: EUR 3.6 million, from 2029: EUR 8.6 million), a large number of financing options are still available for properties and will remain available for the foreseeable future from the Company's perspective. Opportunities could arise in 2024 from falling key interest rates and, as a result, refinancing costs that are lower again. Furthermore, opportunities could arise from the early repayment of the bond due to higher liquidity inflows, for example from the sale of property, and consequently lower financing costs than planned.

Overall assessment of DEMIRE's opportunities

Since 2019, DEMIRE has laid the essential foundations for its long-term success as a portfolio holder of German commercial real estate with a predictable cash flow. The Executive Board believes that DEMIRE has a good chance of increasing the operational performance of the property management platform and of achieving the Group's medium-term targets.

OUTLOOK

Expected development of the overall environment and sector

ECONOMIC ENVIRONMENT AND SECTOR OUTLOOK

According to forecasts by the German Council of Economic Experts, there will be a slight recovery in the German economy in 2024. The anticipated economic growth is expected to be positive compared to the previous year and the gross domestic product is expected to rise by 0.2%.

The industry association BAUINDUSTRIE expects revenue in the construction sector to fall by around 3.5% in 2024. As a result of the economic upturn, the real estate consultancy firm JLL expects the office real estate market to see an increase in rentals of around 10% in 2024. JLL expects the investment market to bottom out in 2024 and possibly to start recovering, depending on factors such as interest rate trends and geopolitical challenges.

Anticipated development of the overall environment

Macroeconomic environment

According to the German Council of Economic Experts, private consumer spending should recover again in 2024 in view of rising real incomes, although the sluggish recovery of the global economy will continue to weigh on German exports and a negative external contribution is therefore expected. Overall, the German Council of Economic Experts expects GDP to increase by a total of 0.2% over the course of 2024.

Anticipated development of the sector

Transaction market for commercial real estate

CBRE expects a transaction volume of a good EUR 35 billion (previous year: EUR 29 billion) for the commercial real estate market in 2024. Savills expects revenue to be between EUR 25 billion and EUR 30 billion (previous year: EUR 29 billion). JLL expects property yields to move sideways in 2024, meaning that there could be selective entry opportunities for investors in real estate investments. Savills also expects transaction activity to gradually pick up in 2024. CBRE still expects yields to rise slightly at the beginning of 2024. The estate agent believes that the lower property prices will lead to a recovery in real estate investments in Germany over the course of the year.

Rental market

BNP PARIBAS REAL ESTATE believes that the office rental market will still face challenges in the first half of 2024. Following the expected economic upturn from the middle of the year, a positive letting dynamic is to be expected after something of a delay. Take-up is expected to be close to the long-term average for 2024 as a whole. At the same time, the vacancy rate should stabilise. Prime rents are expected to rise further due to the high demand for high-quality space.

Expected development of the Group

Overall assessment

GENERAL STATEMENT ON THE EXPECTED DEVELOPMENT OF THE DEMIRE GROUP

DEMIRE expects lower rental income and funds from operations (FFO I) for the 2024 financial year compared to the previous year due to the challenging economic conditions and the rise in interest rates as well as the completed and planned property sales.

Expected development in operating business

In view of the persistently challenging economic conditions at the start of 2024, DEMIRE expects demand for space to be similarly moderate compared to the previous year. As in the previous year, DEMIRE remains focussed on the positive development of its key operating figures. The real estate portfolio will continue to be optimised through active property management, the reduction of vacancies and the realisation of value creation potential.

The increased interest rate level, which has only been falling slightly again since June 2024, combined with the refinancing of the 2019/24 bond maturing in October 2024, will significantly increase the Company's financing costs from 2024. At the same time, DEMIRE intends to sell more properties in order to reduce its debt ratio.

Refinancing the 2019/24 bond

As part of a comprehensive transaction, DEMIRE plans to extend its 2019/24 bond with an outstanding total nominal amount of EUR 499 million to the end of 2027 with revised conditions. The bond restructuring was approved by the bondholders at the beginning of September 2024, with more than 90% voting in favour of the restructuring in a vote without an assembly in accordance with Section 18 of the German Bond Act (SchVG). This was followed by the publication of the tender offer described below. The anticipated deadline for tenders is scheduled for 25 October 2024. Following this, the partial early repayment of the bond (see below) will be carried out, and the tender offer will then be settled. The technical implementation of the amendment to the bond conditions is expected to take place at the end of October/beginning of November 2024. Individual provisions of the new bond conditions, in particular new covenants (LTV <70% and interest coverage ratio (ICR) >1.5), will be effectively brought forward to the date of publication of the notice convening the bondholders' meeting due to the need to obtain advance approval from DEMIRE, which is a prerequisite for the amendment of the bond conditions to be implemented. There is no risk of insolvency as a result of the technical interim maturity of the bond from 15 October 2024 until the expected entry into force of the new bond conditions, as bondholders with a volume of more than 90% of the total nominal amount of the bond have declared a non-serious demand. In addition, bondholders representing more than 90% of the total nominal amount of the bond have passed a resolution in accordance with the German Bond Act (SchVG), whereby a joint representative can declare a non-serious demand for repayment on behalf of all bondholders from 15 October 2024.

In addition to the extension of the 2019/24 bond, the transaction includes other elements. This includes a partial early repayment of the 2019/24 bond at total nominal value of EUR 49.9 million.

Subsequently, DEMIRE is offering to buy back bonds at a maximum price of 76.25% as part of a tender offer. Liquidity of up to EUR 159.6 million is available for the buyback. The Company's largest shareholder has agreed to grant DEMIRE a shareholder loan of up to EUR 100 million to support this. The shareholder loan will bear interest of 22% per annum. Interest payments can be made at maturity, i.e. 31 December 2028, taking into account compound interest accrued in the meantime, or during the term. The shareholder loan is scheduled to run until the end of 2028. No dividends can be paid until the extended corporate bond has been repaid in full. The bond buyback is already secured by a backstop agreement or commitment from the largest bondholders at the above price for a nominal amount of EUR 194 million. Participation in the backstop will be remunerated by DEMIRE with a fee of 5% on the allocated backstop amount. Assuming a price of 76.25%, and taking into account the partial repayment of the bond at par that has already been carried out, if the amount available for acquisitions is used up in full, the remaining outstanding amount of the bond is expected to be around EUR 240 million.

The comprehensive amendments to the bond conditions include an extension of the term until 31 December 2027, a cash interest rate of 5.00% and an updated catalogue of credit obligations, in particular the collateralisation of the bond with DEMIRE's material assets. For this collateralisation, a large part of the DEMIRE real estate companies will be transferred to a LuxCo structure. Furthermore, the Company is expected to pay an additional fee of 3% to the bondholders if it fails to reduce the outstanding principal amount of the bond by EUR 50 million of the nominal amount by the end of 2025. An additional fee of 2% is provided for in the event that the Company does not succeed in reducing the outstanding principal amount of the bond by a further EUR 50 million of the nominal amount by the end of 2026. In addition, payment-in-kind interest (PIK) of 3% will be charged on the outstanding bond amount from 2027. All additional interest payments are to be made at maturity, i.e. at the end of 2028 at the latest, taking into account compound interest accrued in the meantime. If the refinancing cannot be carried out as planned, this will jeopardise the Company's ability to continue as a going concern.

On the whole, DEMIRE expects its earnings base to contract significantly in the 2024 financial year due to the challenging economic environment, increased financing costs and the completed and planned sales.

Limes subsidiaries

In assessing the Company's ability to continue as a going concern, the Executive Board also takes into account the performance of the subsidiaries DEMIRE Aschheim Max-Planckstraße GmbH, DEMIRE Essen Hatzper Str. Theodor-Althoff-Str. GmbH, DEMIRE Kassel Kölnische Str. Mauerstr. Spohrstr. GmbH and DEMIRE Köln Max-Glomsda-Straße 4 GmbH (collectively: "Limes subsidiaries" or "Limes portfolio"). The Executive Board and the management of the Limes subsidiaries were in very promising negotiations for a long time regarding the extension of the loan agreement between the Limes subsidiaries and DZ HYP AG ("DZ HYP") for an outstanding loan amount of approximately EUR 82.89 million ("DZ HYP Loan"), which expired on 30 June 2024. However, the offers that had been exchanged in the past could not be accepted due to the outcome of the negotiations with the bondholders, resulting in the insolvency of the Limes subsidiaries at the end of 30 June 2024.

Despite further negotiations with DZ HYP regarding an extension to the DZ HYP loan beyond 30 June 2024, including the involvement of DEMIRE's main shareholder, no agreement was reached. As a result, the Limes subsidiaries had to file for the opening of insolvency proceedings in the form of self-administration over their assets on 22 July 2024. It is expected that the self-administration insolvency proceedings will be opened as proposed at the beginning of October 2024.

The Executive Board has examined these developments at the Limes subsidiaries in terms of their impact on DEMIRE as a going concern and has come to the conclusion that the insolvency proceedings against the assets of the Limes subsidiaries will not trigger an increase in the Group's liabilities. In particular, DEMIRE is not liable for the repayment of the DZ HYP loan. In particular, the Executive Board has investigated whether the insolvency of the Limes subsidiaries and the resulting insolvency proceedings would lead to a right of termination for the bondholders or other contractual partners of DEMIRE ("cross default"). Two external law firms that have been commissioned to carry out this task have come to the conclusion that this is not the case for the bond and for the existing rental contracts in the Group. Furthermore, an internal investigation of all bilateral loan agreements and other relevant contractual relationships did not reveal any such cancellation rights. DEMIRE is not subject to any compensation obligations arising from control and profit transfer agreements. However, the opening of insolvency proceedings against the assets of the Limes subsidiaries will have a disadvantageous effect in relation to the significant proportion of DEMIRE's claims for repayment of the subordinated shareholder loans granted, totalling approximately EUR 91.20 million. In view of the considerable value of the properties held by the Limes subsidiaries and the resulting over-collateralisation of DZ HYP, the Executive Board assumes at the time of preparation that a partial amount of EUR 54.7 million is recoverable.

In view of the fact that the effects on the Group cannot be predicted, the Executive Board considers the risk of any insolvency proceedings against the assets of the Limes subsidiaries to be very low.

Anticipated development of the key economic indicators

EXPECTED DEVELOPMENT OF DEMIRE'S KEY PERFORMANCE INDICATORS

In light of the completed and planned property sales, the Company expects rental income of between EUR 64.0 million and EUR 66.0 million in 2024. This means that a markedly lower figure than in the previous year is expected. As there is no set date for the official implementation of the new bond conditions as yet, it is not possible to make a meaningful forecast regarding FFO I (after taxes, before minority interests) at this time.

With regard to non-financial performance indicators, DEMIRE's primary objectives are to keep staff turnover stable at a low level, to reduce vacancy rates through active asset management and by engaging in targeted network maintenance activities, and to keep outstanding rents at a low level. DEMIRE is also intending to expand its sustainability strategy and reduce its own emissions.

FORECAST

in EUR million	Forecast 16/03/2023	Forecast 03/07/23	Forecast 23/11/23	Result for 2023	Forecast for 2024
Rental income	71.0–73.0	74.5–76.5	78–80	78.5	64–66
FFO I (after taxes, before minority interests)	30.0–32.0	33–35	35–37	36.7	-[1]

[1] Significantly lower

Frankfurt am Main, 30 September 2024
DEMIRE Deutsche Mittelstand Real Estate AG

Frank Nickel
(CEO)

Tim Brückner
(CFO)

Ralf Bongers
(Member of the Executive Board)

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

for the financial year 1 January 2023 to 31 December 2023

In EUR thousand	NOTE	2023	2022
Rental income		78,519	81,079
Income from utility and service charges		23,004	28,065
Operating expenses to generate rental income		–41,999	–46,832
Profit/loss from the rental of real estate	**D 1**	**59,524**	**62,312**
Income from the sale of real estate and real estate companies		70,450	12,743
Expenses related to the sale of real estate and real estate companies		–84,784	–20,907
Profit/loss from the sale of real estate and real estate companies	**D 2**	**–14,334**	**–8,164**
Profit/loss from fair value adjustments of investment properties	D 3	–146,280	–61,228
Profit/loss from fair value adjustments of non-current assets held for sale	D3	–30,527	–37,650
Impairment of receivables	D 4	–18,906	–1,501
Other operating income	D 5	1,043	800
General and administrative expenses	D 6	–11,641	–10,699
Other operating expenses	D 7	–26,826	–16,793
Earnings before interest and taxes		**–187,947**	**–72,925**
Financial income		21,542	18,411
Financial expenses		–17,149	–19,296
Profit/loss from companies accounted for using the equity method		1,007	–266
Minority interests		5,086	770
Financial result	**D 8**	**10,486**	**–381**
Earnings before taxes		**–177,461**	**–73,306**
Current income taxes	D 9	–12,638	–6,841
Deferred taxes	D 9	38,133	8,644
Net profit/loss for the period		**–151,966**	**–71,502**
of which attributable to:			
Non-controlling interests		**–4,776**	**–5,758**
Parent company shareholders		**–147,190**	**–65,745**
Basic earnings per share (in EUR)	D 10	–1.39	–0.62
Diluted earnings per share (in EUR)	D 10	–1.39	–0.62

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year 1 January 2023 to 31 December 2023

In EUR thousand	2023	2022
Net profit/loss for the period	**–151,966**	**–71,502**
Other comprehensive income	0	0
Total comprehensive income	**–151,966**	**–71,502**
thereof attributable to:		
Non-controlling interests	**–4,776**	**–5,758**
Parent company shareholders	**–147,190**	**–65,745**

CONSOLIDATED BALANCE SHEET

as at 31 December 2023

ASSETS

In EUR thousand	NOTE	31.12.2023	31.12.2022
Assets			
Non-current assets			
Property, plant and equipment	E 1.2	153	164
Investment propert	E 1.3	947,276	1,231,072
Shares in companies accounted for using the equity method	E 1.4	351	385
Loans to companies accounted for using the equity method	E 1.5	25,150	24,752
Loans and financial assets	E 1.6	48,365	62,750
Other assets	E 1.7	8,260	6,685
Total non-current assets		**1,029,555**	**1,325,808**
Current assets			
Trade accounts receivable	E 2.1	14,176	13,845
Financial assets	E 2.2	9,735	9,584
Other assets	E 2.1	3,920	2,658
Tax refund claims	E 2.3	1,057	6,541
Cash and cash equivalents	E 2.4	119,989	57,415
Total current assets		**148,877**	**90,043**
Non-current assets held for sale	**E 3**	**149,100**	**121,000**
Total assets		**1,327,532**	**1,536,851**

CONSOLIDATED BALANCE SHEET

as at 31 December 2023

EQUITY AND LIABILITIES

In EUR thousand	NOTE	31.12.2023	31.12.2022
Equity and liabilities			
Equity			
Subscribed capital	E 4	105,513	105,513
Reserves	E 4	198,076	344,713
Equity attributable to parent company shareholders		**303,589**	**450,226**
Non-controlling interests		29,696	36,465
Total equity		**333,285**	**486,691**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	E 5.1	37,915	76,047
Minority interests	E 5.2	72,021	80,364
Financial liabilities	E 5.3	120,341	813,429
Lease liabilities	E 7.2	25,605	26,209
Market values of options		24,100	0
Total non-current liabilities		**279,982**	**996,049**
Current liabilities			
Provisions	E 6.1	2,639	3,011
Trade payables	E 6.2	10,016	16,611
Other liabilities	E 6.2	6,312	5,356
Tax liabilities	E 6.3	24,252	13,116
Financial liabilitie	E 5.3	670,729	15,626
Lease liabilities	E 7.2	317	391
Total current liabilities		**714,265**	**54,111**
Total liabilities		**994,247**	**1,050,160**
Total equity and liabilities		**1,327,532**	**1,536,851**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year 1 January 2023 to 31 December 2023

In EUR thousand	NOTE	2023	2022
Earnings before taxes		**–177,461**	**–73,306**
Financial expenses	D 8	17,149	19,296
Financial income		–22,550	–18,655
Minority interests	D 8	–5,086	–770
Change in trade accounts receivable		–19,237	–6,675
Change in other receivables and other assets		7,015	4,377
Change in provisions		–907	–1,001
Change in trade payables and other liabilities		22,369	4,892
Profit/loss from fair value adjustments of investment properties	D 3	176,807	98,878
Profit/loss from the sale of real estate and real estate companies	D 2	14,334	8,164
Interest proceeds from loans and receivables		1,116	3,799
Interest received from loans to companies accounted for using the equity method		1,048	1,061
Income tax payments		4,230	–2,568
Change in reserves		1,401	0
Depreciation and amortisation and impairment		19,893	10,271
Distributions from companies accounted for using the equity method		691	90
Other non-cash items		–102	147
Cash flow from operating activities		**40,709**	**48,001**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year 1 January 2023 to 31 December 2023

In EUR thousand	NOTE	2023	2022
Payments for the acquisition of/investments in investment properties, incl. prepayments, refurbishment measures and prepayments for property, plant and equipment [1]		–12,882	–32,350
Payments for the acquisition of interests in fully consolidated companies, less net cash equivalents acquired		0	0
Payments for investments in/loans to companies accounted for using the equity method		0	–600
Proceeds from loans to companies accounted for using the equity method		32	2,142
Proceeds from the sale of real estate		78,271	4,543
Cash flow from investing activities		**65,421**	**–26,265**
Proceeds from borrowings	E 5.3	23,300	0
Distributions to minority shareholders/dividends		–3,424	–35,437
Interest paid on financial liabilities		–14,761	–17,026
Payments for the purchase of additional shares in a subsidiary		–231	–67
Payments for the redemption of financial liabilities		–48,095	–51,224
Payment for the redemption of lease liabilities		–345	–186
Cash flow from financing activities		**–43,556**	**–103,940**
Net change in cash and cash equivalents		**62,574**	**–82,204**
Cash and cash equivalents at the start of the period	E 2.4	57,415	139,619
Cash and cash equivalents at the end of the period	**E 2.4**	**119,989**	**57,415**

[1] In the reporting period, investment and financing transactions totalling EUR 162 thousand (previous year: EUR 152 thousand) were carried out, which are classified as non-cash in accordance with IAS 7.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year 1 January 2023 to 31 December 2023

	Share capital	Reserves				
In EUR thousand	Subscribed capital	Capital reserves	Retained earnings incl. Group profit/loss	Equity attributable to parent company shareholders	Non-controlling interests	Total equity
01.01.2023	**105,513**	**88,366**	**256,347**	**450,226**	**36,465**	**486,691**
Net profit/loss for the period	0	0	–147,190	–147,190	–4,776	–151,966
Total comprehensive income	**0**	**0**	**–147,190**	**–147,190**	**–4,776**	**–151,966**
Dividend payments/distributions	0	0	0	0	–798	–798
Acquisition of treasury shares	0	1,401	0	1,401	0	1,401
Other changes	0	0	–848	–848	–1,195	–2,043
31.12.2023	**105,513**	**89,767**	**108,309**	**303,589**	**29,696**	**333,285**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year 1 January 2022 to 31 December 2022

	Share capital	Reserves				
In EUR thousand	Subscribed capital	Capital reserves	Retained earnings incl. Group profit/loss	Equity attributable to parent company shareholders	Non-controlling interests	Total equity
01.01.2022	**105,513**	**88,366**	**355,144**	**549,023**	**43,339**	**592,362**
Net profit/loss for the period	0	0	–65,745	–65,745	–5,758	–71,502
Total comprehensive income	**0**	**0**	**–65,745**	**–65,745**	**–5,758**	**–71,502**
Dividend payments/distributions	0	0	–32,709	–32,709	–830	–33,539
Other changes	0	0	–343	–343	–285	–628
31.12.2022	**105,513**	**88,366**	**256,347**	**450,226**	**36,465**	**486,691**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year 1 January 2023 to 31 December 2023

A. General information

1. Basis of preparation

DEMIRE Deutsche Mittelstand Real Estate AG (hereafter "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. As at 31 December 2023, the Company's scope of consolidation pursuant to Section 313 (2) of the German Commercial Code (HGB) includes DEMIRE AG as the parent company and the companies listed in the Schedule of shareholdings ("DEMIRE" or "the DEMIRE Group"). The Company's registered office is located in Frankfurt am Main, Germany, and the Company's business address is Robert-Bosch-Straße 11, Langen, Germany. The Company's shares are listed in the Prime Standard segment of the Frankfurt Stock Exchange.

DEMIRE AG 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 property companies are held by DEMIRE AG either directly or indirectly (through intermediate holding companies). DEMIRE focuses on the German commercial real estate market, where it is an active investor and portfolio manager. 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. Other fundamental Company data can be found in Appendix 4.

The euro (EUR) is the presentation currency of DEMIRE AG's consolidated financial statements. Unless otherwise stated, all amounts are expressed in thousands of euros (EUR thousand). For computational reasons, rounding differences of ± one unit (EUR, %, etc.) may occur in the information presented in these financial statements. The financial year corresponds to the normal calendar year. The consolidated statement of income has been prepared according to the cost-of-sales method.

The consolidated financial statements of DEMIRE AG for the financial year ending 31 December 2023 were prepared in accordance with International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), as 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) and 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 2023 financial year have been taken into consideration. Furthermore, all statutory disclosure and explanation requirements of the German Commercial Code (HGB) that are in addition to the provisions of the IASB have been fulfilled, particularly those for the preparation of a group management report, which is contained with the management report of the separate financial statements.

These consolidated financial statements were prepared by the Executive Board. These were made available to and approved by the Supervisory Board at the Supervisory Board meeting on 30 September 2024.

2. Going concern

The measurement used in the consolidated financial statements is based on the assumption that the Company will continue its business activities, as there are no actual or legal circumstances to indicate the contrary. There is a material uncertainty related to the events and circumstances surrounding the bond refinancing that may cast significant doubt upon the Company's ability to continue as a going concern. The Company may not be able to realise its assets or settle its liabilities in the ordinary course of business.

However, in the opinion of the Executive Board as at 30 September 2024, the continuation of business activities is highly likely.

2.1 LIQUIDITY

The Executive Board's (positive) liquidity forecast for the period up to 2027 has been validated by the specialist restructuring planning consultancy firm FTI Andersch AG ("FTI"). The long-term liquidity planning up to December 2027 validated by FTI assumes significantly positive development under the assumption of a restructuring of the bond ("2024 bond restructuring"). The conditions negotiated with over 90% of the bondholders as part of the 2024 bond restructuring are taken into account in FTI's forecast. The key points relevant to liquidity primarily concern a significant interest rate increase, an unscheduled repayment of the bond totalling EUR 49.9 million and a bond buyback totalling up to EUR 159.6 million at 76.25% of the nominal amount, which will be partially financed by a shareholder loan of up to EUR 100 million from the Company's main shareholder ("main shareholder"). In the estimation of the Executive Board, the necessary financing for a period of more than twelve months can be assumed for the positive going-concern forecast, even when taking these key points into account.

2.2 BOND RESTRUCTURING

On 15 October 2024, the 2019/24 bond will be due for repayment at a total of EUR 499 million. This amount will not be covered by the Company's planned cash and cash equivalents available up to that point. Nevertheless, the Executive Board assumes that the going-concern forecast is still valid, as the Company is in advanced negotiations for the refinancing or extension of the bond at a reduced amount and with revised conditions ("bond restructuring"). On 5 June 2024, the Company entered into a lock-up agreement with its main shareholder and a small majority of bondholders (collectively, the "ad-hoc group"). On 1 July 2024, two other significant bondholders, holding a total of over 40% of the bond volume, declared their binding willingness to support the bond restructuring, subject to certain amendments to the lock-up agreement. On 9 August 2024, the lock-up agreement was amended so that more than 90% of the bondholders have now bindingly committed to supporting the refinancing of the bond.

The bond restructuring concept underlying the lock-up agreement provides for the early redemption of the bond at par in the aggregate amount of EUR 49.90 million and a comprehensive revision of the bond conditions, including, without limitation, an extension of the maturity date to 31 December 2027. In addition, an offer is to be made to all bondholders to repurchase bonds at a maximum total purchase price of approximately EUR 159.6 million at 76.25% of the nominal amount, which should be financed to a large extent by a shareholder loan from the main shareholder.

Since the supporting bondholders collectively hold more than 90% of the bond, it can be implemented in accordance with the German Bond Act (SchVG) even against the will of the other bondholders, as the legally required 75% majority has been met. The vote took place between 2 and 4 September and resulted in an approval rate of over 90%. However, as a precaution, the bond restructuring provides for the appointment of a joint representative who, in the event of a delay in implementation beyond the original maturity date of 15 October 2024, can declare that repayment will not be seriously demanded on that date until the bond restructuring and thus the extension of the bond maturity has been implemented with binding effect on all bondholders.

For the reasons stated above, the Executive Board considers the risk of insolvency due to the inability to repay the bond in full on 15 October 2024 to be very low. Nevertheless, the Company's continued existence would be at risk if the loan refinancing could not be successfully implemented and a shareholder loan with the main shareholder could not be agreed.

2.3 LIMES SUBSIDIARIES

In assessing the Company's ability to continue as a going concern, the Executive Board also takes into account the performance of the subsidiaries DEMIRE Aschheim Max-Planckstraße GmbH, DEMIRE Essen Hatzper Str. Theodor-Althoff-Str. GmbH, DEMIRE Kassel Kölnische Str. Mauerstr. Spohrstr. GmbH and DEMIRE Köln Max-Glomsda-Straße 4 GmbH (collectively: "Limes subsidiaries" or "Limes portfolio"). The Executive Board and the management of the Limes subsidiaries were in very promising negotiations for a long time regarding the extension of the loan agreement between the Limes subsidiaries and DZ HYP AG ("DZ HYP") for an outstanding loan amount of approximately EUR 82.89 million ("DZ HYP Loan"), which expired on 30 June 2024. However, the offers that had been exchanged in the past could not be accepted due to the outcome of the negotiations with the bondholders, resulting in the insolvency of the Limes subsidiaries at the end of 30 June 2024.

Despite further negotiations with DZ HYP regarding an extension to the DZ HYP loan beyond 30 June 2024, including the involvement of DEMIRE's main shareholder, no agreement was reached. As a result, the Limes subsidiaries had to file for the opening of insolvency proceedings in the form of self-administration over their assets on 22 July 2024. It is expected that the self-administration insolvency proceedings will be opened as proposed at the beginning of October 2024.

The Executive Board has examined these developments at the Limes subsidiaries in terms of their impact on DEMIRE as a going concern and has come to the conclusion that the insolvency proceedings against the assets of the Limes subsidiaries will not trigger an increase in the Group's liabilities. In particular, DEMIRE is not liable for the repayment of the DZ HYP loan. In particular, the Executive Board has investigated whether the insolvency of the Limes subsidiaries and the resulting insolvency proceedings would lead to a right of termination for the bondholders or other contractual partners of DEMIRE ("cross default"). Two external law firms that have been commissioned to carry out this task have come to the conclusion that this is not the case for the bond and for the existing rental contracts in the Group. Furthermore, an internal investigation of all bilateral loan agreements and other relevant contractual relationships did not reveal any such cancellation rights. DEMIRE is not subject to any compensation obligations arising from control and profit transfer agreements. However, the opening of insolvency proceedings against the assets of the Limes subsidiaries will have a disadvantageous effect in relation to the significant proportion of DEMIRE's claims for repayment of the subordinated shareholder loans granted, totalling approximately EUR 91.20 million. In view of the considerable value of the properties held by the Limes subsidiaries and the resulting over-collateralisation of DZ HYP, the Executive Board assumes at the time of preparation that a partial amount of EUR 54.7 million will be recoverable.

In view of the fact that the effects on the Group cannot be predicted, the Executive Board considers the risk of any insolvency proceedings against the assets of the Limes subsidiaries to be very low.

2.4 CONCLUSION AND ASSESSMENT

As at the reporting date, there is a material uncertainty regarding the continuation of business activities in view of the ongoing restructuring of the 2019/24 bond. In light of the above observations and considerations, however, the Executive Board assumes that, even taking into account the insolvency proceedings regarding the assets of the Limes subsidiaries, there is a high probability that the Company will continue its operations, although this continuation depends on the successful implementation of the planned bond restructuring. In view of the agreement with the ad-hoc group, the more than 90% approval and the major bondholders (together representing approx. 90% of the bond volume), the Executive Board expects that the planned bond restructuring will very probably be successful. Until the legally binding implementation of the bond restructuring, the Executive Board will, as a highly precautionary measure, continue to perform the solvency and over-indebtedness test under insolvency law, which has been carried out every two weeks since October 2023, in order to be able to counteract in good time any adverse developments of the aforementioned risks, as well as any further risks to the Company's existence that have not yet been identified.

3. New and amended standards and interpretations

3.1 FIRST-TIME APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS IN THE 2023 FINANCIAL YEAR

The following new accounting policies and amended standards and interpretations were applied to the consolidated financial statements for the first time in the 2023 financial year.

FIRST-TIME APPLICATION OF STANDARDS AND INTERPRETATIONS IN THE 2023 FINANCIAL YEAR

		Approved on	Mandatory application for financial years beginning on or after	Effect on DEMIRE AG's consolidated financial statements
Amendments to IAS 12	Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	11 August 2022	1 January 2023	No effect
Amendments to IAS 12	International Tax Reform – Pillar 2 Model Rules	8 November 2023	1 January 2023	No effect
Amendments to IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	2 March 2022	1 January 2023	No effect
Amendments to IAS 1	Disclosure of Accounting Policies	2 March 2022	1 January 2023	No effect
IFRS 17	Insurance Contracts	19 November 2021	1 January 2023	No effect
Amendments to IFRS 17 and IFRS 9	Initial Application of IFRS 17 and IFRS 9 – Comparative Information	8 September 2022	1 January 2023	No effect

The amendment to IAS 12 Income Tax from a Single Transaction clarifies that companies are required to recognise deferred taxes for transactions that give rise to taxable and deductible temporary differences of the same amount on initial recognition. These amendments do not have any effect on the consolidated financial statements.

Amendments to IAS 12 International Tax Reform – Pillar 2 Model Rules apply a temporary exemption/relief in the recognition of deferred taxes from global minimum taxation, which may result from the forthcoming implementation of the rules on global minimum taxation published by the OECD. The amendments do not have any effect on the consolidated financial statements as the Group does not generate any international sales.

The amendments to IAS 8 have expanded the definition of estimates and clarified that changes in accounting estimates due to the emergence of new information are not errors. These amendments do not have any effect on the consolidated financial statements.

The amendments to IAS 1 replace all places where the term "significant accounting policies" was used with "material accounting policy information". Information is material if, together with other information contained in the financial statements, it can reasonably be expected to influence decisions. It is also clarified that information on accounting policies relating to immaterial transactions, other events or conditions is immaterial and therefore not subject to disclosure. These amendments do not have any effect on the consolidated financial statements.

The entry into force of IFRS 17 and amendments to IFRS 9 on comparative information for insurance contracts also have no impact on DEMIRE's consolidated financial statements, as no corresponding insurance contracts are held.

3.2 STANDARDS AND INTERPRETATIONS FOR FUTURE MANDATORY APPLICATION

The following IASB standards have been endorsed by the EU but are only mandatory after 31 December 2023:

STANDARDS AND INTERPRETATIONS FOR FUTURE MANDATORY APPLICATION

		Approved on	Mandatory application for financial years beginning on or after	Effect on DEMIRE AG's consolidated financial statements
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	20 December 2023	1 January 2024	No material effect
Amendments to IAS 1	Non-current Liabilities with Covenants	20 December 2023	1 January 2024	No effect
Amendments to IFRS 16	Lease Liabilities in a Sale and Leaseback	20 November 2023	1 January 2024	No effect

DEMIRE has not made use of the early application option.

The EU has not yet transposed the following pronouncements adopted by the IASB or IFRS IC into European law:

STANDARDS AND INTERPRETATIONS FOR FUTURE MANDATORY APPLICATION

		Approved on	Mandatory application for financial years beginning on or after	Effect on DEMIRE AG's consolidated financial statements
Amendments to IFRS 7 and IAS 7	Supplier Finance Arrangements (issued on 25 May 2023)	Pending	1 January 2024	No effect
IFRS S1	General Requirements for Disclosure of Sustainability-related Financial Information (issued on 26 June 2023)	Pending	1 January 2024	No effect
IFRS S2	Climate-related Disclosures (issued on 26 June 2023)	Pending	1 January 2024	No effect
Amendments to IAS 21	Lack of Exchangeability (issued on 15 August 2023)	Pending	1 January 2025	No effect
IFRS 18	Primary components of the annual financial statements	Pending	1 January 2027	Effects on the statement of income
IFRS 19	Lease Liabilities in a Sale and Leaseback (issued 22 September 2022)	Pending	1 January 2027	No effect
Amendments to IFRS 10 and IAS 28	Sales or contributions of assets between an investor and its associate/joint venture	Pending	Date of first-time application postponed indefinitely	No effect

DEMIRE plans to apply the new standards mentioned above when they take effect in the EU. The IASB and/or IFRS IC standards will be implemented into European law through their endorsement by the EU. Early adoption is impossible due to the pending endorsement. Based on our current knowledge, there is likely to be only an immaterial effect on the presentation of DEMIRE's net assets, financial position and results of operations from the standards not yet adopted into European law.

4. Key judgements, estimates and assumptions

In DEMIRE's consolidated financial statements, estimates, judgements and assumptions were made that affect the amount and recognition of the assets and liabilities, income and expenses and contingent liabilities. The estimation of future business development takes into account the future economic environment that, at the time of preparing the consolidated financial statements, is deemed realistic in the sectors and regions in which DEMIRE AG and its subsidiaries operate. All knowledge currently available is taken into account. The estimates are based on past experience and other assumptions that are considered appropriate for the circumstances. The estimates, judgements and assumptions made by DEMIRE AG are reviewed on an ongoing basis but may differ from the actual amounts.

When applying the accounting policies, the Company's management must make judgements. This applies to the following matters in particular:

When valuing investment properties, the key valuation parameters are, in particular, expected cash flows, assumed vacancy rates, and discount and capitalisation rates. Valuation is performed using the discounted cash flow method, in which future cash flows are discounted back to the reporting date. These estimates contain assumptions about the future. The valuation parameters used in the valuation model reflect normal market expectations and represent forecasts based on analysed market information and past values of the properties to be valued or comparable properties.

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If DEMIRE AG obtains direct or indirect control over an acquired entity or acquires assets, it must be determined whether the transaction should be classified as a business combination according to IFRS 3 or as an acquisition of a group of assets or net assets (aggregated assets). This involves carrying out a concentration test that evaluates whether the full fair value of the acquired gross assets is concentrated in one asset or in a group of similar assets. If this is the case, they do not constitute business operations and are thus not deemed a business combination as defined by IFRS 3. If a business operation defined as an integrated group of activities is acquired in addition to assets and liabilities, this constitutes a business combination that must be accounted for according to IFRS 3. Business processes in the areas of property management, credit management and accounting, for example, would be defined as an integrated group of activities. Additionally, the fact that staff is employed at the acquired real estate company is another indication that a business operation has been acquired.

The inclusion method (equity consolidation/full consolidation) of JV Theodor-Heuss Allee GmbH in the consolidated financial statements of DEMIRE AG is determined taking into account future opportunities and risks and the associated fluctuations in the value of the investment. The type of inclusion is determined by the assessment of the rights to which the Group is entitled from a purchase option for the property within the joint venture. Insofar as these rights are considered insubstantial and thus a future exercise of the land purchase option on the part of DEMIRE, as well as the subsequent acquisition of the minority interests by DEMIRE is always to be assumed, there are no further relevant activities within the meaning of IFRS 10.

However, DEMIRE estimates the rights to be substantial as at 31 December 2023. The decision to exercise the land purchase option constitutes a relevant activity. This is also jointly managed. Accordingly, this constitutes a joint arrangement within the meaning of IFRS 11.3 f. and therefore JV Theodor-Heuss-Allee GmbH is included in the consolidated financial statements as a joint venture. See also Section B (IFRS 12 Disclosures).

The inclusion method for JV Theodor-Heuss-Allee GmbH takes into account future risks and the associated fluctuations in the value of the investment. It is necessary for DEMIRE to make regular assumptions regarding the type of inclusion (equity consolidation/full consolidation). Insofar as the rights from a purchase option of the land within the joint venture are considered insubstantial and thus an exercise of the land purchase option as well as the subsequent acquisition of the minority interests by DEMIRE is always to be assumed, there are no further relevant activities within the meaning of IFRS 10. Since DEMIRE is exposed to variable returns as defined by IFRS 10.7(b) and can also influence these by exercising its control as defined by IFRS 10.7(c), DEMIRE would therefore exercise control over the joint venture as defined by IFRS 10.

For the purposes of the valuation of the included optionalities in connection with the Company JV Theodor-Heuss-Allee Cielo, fair value is measured using the established valuation model, taking into account observable market data (Monte Carlo method). The valuation is subject to the scope of judgement, in particular due to the choice of input factors. The input factors used here include the risk-free interest rate, the volatility of the base value and ultimately the value of the base value itself. The base value itself is significantly influenced by the market value of the property and is also subject to a judgement-based or assumption-based valuation model. Key valuation indicators are the future expected cash flows, the assumed vacancy rate and the discount and capitalisation rates. Valuation is performed using the discounted cash flow method, in which future cash flows are discounted back to the reporting date. The valuation parameters used in the valuation model (Monte Carlo method) reflect normal market expectations and represent forecasts based on analysed market information and past values of the factors used.

The fair value of financial instruments that are not traded in active markets is determined based on valuation methods. The Group makes judgements when selecting relevant methods and assumptions, which are primarily based on the market conditions existing at the end of each period under review.

When accounting for leases in accordance with IFRS 16, the assessment of the exercise or non-exercise of unilaterally granted termination or renewal options as well as the determination of the interest rate underlying the lease may involve discretionary judgement. Generally speaking, lease payments are discounted using the implicit interest rate in the lease, if determinable. Otherwise they are discounted using the incremental borrowing rate.

The need to include information concerning the future in the valuation of expected defaults (expected credit loss) results in judgements regarding the impact that changes in economic factors will have on the expected defaults.

An explanation of the estimates and assumptions made with respect to individual items in the consolidated balance sheet, consolidated statement of income or consolidated statement of comprehensive income is given in the following items in the Notes to the consolidated financial statements together with the respective relevant Note disclosures.

Income taxes	Note D. 9
Goodwill impairment test	Note E. 1.1.1
Investment properties	Note E. 1.3
Impairment of receivables	Note C/D.4
Deferred tax assets and liabilities	Note E. 5.1
Accounting using the equity method/call option	Note E. 1.4/B
Leases	Note E. 7

B. Scope and principles of consolidation

The consolidated financial statements include DEMIRE AG and all its controlled subsidiaries. The scope of consolidation can be found in the "Shareholdings" section.

As in the previous year, Panacea Property GmbH, Berlin, was not included in the consolidated financial statements due to its insignificance for the Group.

As at the reporting date, the consolidated financial statements comprise the DEMIRE subgroup and the subsidiaries of the Fair Value REIT subgroup. The subgroup DEMIRE comprises the consolidated financial statements of DEMIRE AG and its subsidiaries as at the acquisition date, i.e. from the date on which control was acquired. The Fair Value REIT subgroup comprises the consolidated financial statements of Fair Value REIT-AG and its subsidiaries. Fair Value REIT-AG is the parent company of the Fair Value REIT subgroup and a subsidiary of the DEMIRE subgroup.

The financial statements of DEMIRE AG's subsidiaries are prepared using uniform accounting policies on the same reporting date as the parent company's financial statements.

DEMIRE AG's direct and indirect interests in the subsidiaries also correspond to the share of voting rights. The contributions of the non-consolidated companies to the Group's revenue, net income and total assets were not considered to be significant. These companies were therefore not included in the consolidated financial statements.

DEMIRE only controls an investee when all of the following characteristics have been met:

— the power of control over the investee (i.e. based on its existing rights, DEMIRE has the option of controlling those activities of the investee that have a material influence on the investee's return),
— risk exposure from or rights to variable returns from its involvement with the investee, and
— the ability to use its power of control over the investee to influence the return on the investee.

Generally, the ownership of a majority of the voting rights is assumed to result in control. If DEMIRE does not hold a majority of the voting rights or comparable rights in an investee, then all facts and circumstances are taken into account when assessing whether DEMIRE has the power of control over this investee. Factors to consider include:

— contractual agreements with others exercising voting rights,
— rights resulting from other contractual agreements, and
— voting rights and potential voting rights of the Group.

The consolidation of a subsidiary begins on the day on which DEMIRE acquires control over the subsidiary. It ends when DEMIRE loses control over the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or sold during the period under review are recognised in the consolidated financial statements as at the date on which DEMIRE acquires control over the subsidiary until the date on which control ceases.

In the case of company acquisitions, DEMIRE assesses whether a business combination according to IFRS 3 or acquisition of a group of assets and liabilities exists as aggregated assets. This involves carrying out a concentration test that evaluates whether the full fair value of the acquired gross assets is concentrated in one asset or in a group of similar assets. If this is the case, they do not constitute business operations and are thus not deemed a business combination as defined by IFRS 3.

Business combinations are accounted for using the acquisition method when the Group obtains control. In the course of the necessary revaluation, all hidden reserves and liabilities of the acquired company are released. Any positive difference remaining after the release of hidden reserves and liabilities is capitalised as goodwill in the balance sheet. The consideration transferred upon acquisition and the identifiable net assets acquired are generally measured at fair value. Transaction costs are recognised as an expense immediately, unless they are costs for raising capital or issuing liabilities.

Acquisitions of real estate companies that do not constitute business operations as defined by IFRS 3 are recognised as the direct purchase of properties. The acquisition cost of the property company is allocated to individually identifiable assets and liabilities based on their relative fair values.

Interests in the net assets of subsidiaries that are not partnerships and not attributable to DEMIRE (non-controlling interests) are recorded under the item "Non-controlling interests" within the Group's equity, but separately from the DEMIRE AG shareholders' equity.

Interests in the net assets of subsidiaries that are in the legal form of a partnership and not attributable to DEMIRE are recorded in the Group's liabilities, since the minority shareholders have the right to terminate their investments. In accordance with IAS 32, the interests of these minority shareholders are assessed as potential compensation claims and reported as liabilities. Upon initial recognition, they are measured at fair value, which corresponds to the minority shareholders' interests in the net assets of the respective company. The liability reported corresponds to the notional share of minority shareholders in the net assets of the respective subsidiary at their carrying amounts.

DEMIRE's interests in associates are measured and accounted for using the equity method in accordance with IAS 28. Associates are all companies over which the Group exercises significant influence but not control or joint control. This is generally the case when the Group holds between 20 % and 50 % of the voting rights.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised on a straight-line basis nor subject to a separate impairment test. The financial statements of the associate or joint venture are prepared subject to the same accounting rules as the Group. The reporting dates also match those applicable for the DEMIRE Group.

CHANGES TO THE SCOPE OF CONSOLIDATION AND STRUCTURAL CHANGES IN THE PERIOD UNDER REVIEW

In the reporting period, a merger between the companies DEMIRE Ulm Bahnhofplatz Olgastr. Zeitblomstr. GmbH and DEMIRE Ankauf 8 GmbH was carried out. This did not have any significant impact on the consolidated financial statements.

CHANGES TO THE SCOPE OF CONSOLIDATION IN THE PREVIOUS YEAR

In the previous year, an accrual of the Company BBV 6 Geschäftsführungs-GmbH & Co. KG, Langen (Hesse), "FV06" took place to Fair Value REIT-AG, Frankfurt am Main. This did not have any significant impact on the consolidated financial statements.

Disclosures according to IFRS 12

A) DISCLOSURES RELATING TO FULLY CONSOLIDATED SUBSIDIARIES

In the period under review, dividend distributions of EUR 798 thousand were allocated to the non-controlling shareholders of Fair Value REIT-AG (previous year: EUR 830 thousand).

The carrying amount of the non-controlling interests of Fair Value REIT-AG minority interests, which are reported within DEMIRE's equity, amounted to EUR 19,314 thousand as at 31 December 2023 (previous year: EUR 20,593 thousand). In addition, DEMIRE recognises the minority interests within the Fair Value REIT-AG subgroup – the minority interests in the funds (subsidiaries of Fair Value REIT-AG) – under the item "Non-current financial liabilities" (in accordance with IAS 32). These amounted to EUR 72,021 thousand (previous year: EUR 80,364 thousand) as at the reporting date. A share in the Group loss for the period in the amount of EUR –742 thousand was attributable to non-controlling shareholders for the 2023 financial year pursuant to the IFRS consolidated financial statements (previous year: loss of EUR –1,884 thousand).

Information on Fair Value REIT's financial ratios can be found in the table below.

FAIR VALUE REIT-AG SUBGROUP FINANCIAL STATEMENTS

in EUR thousand	31/12/2023	31/12/2022
Non-current assets	264,446	287,804
Current assets	25,756	26,634
Of which cash and cash equivalents	22,797	23,095
Non-current borrowing	130,977	151,188
Of which non-controlling interests	72,021	80,364
Current borrowing	14,907	5,843
Of which financial liabilities	10,958	2,560
Net assets	**144,318**	**157,407**
Statement of income		
Revenue	24,222	23,466
Financial income	292	27
Financial expenses	–1,173	–1,224
Net profit/loss for the period/ total comprehensive income	**-7.520/-7.520**	**-6.474/-6.474**
Cash flow information		
Cash flow from operating activities	**12,277**	**9,448**
Cash flow from investing activities	**–1,287**	**–3,719**
Cash flow from financing activities	**–11,287**	**–12,641**
Net change in cash and cash equivalents	**–298**	**–6,910**
Cash and cash equivalents at the end of the period	**22,797**	**23,095**

Through its REIT status, Fair Value REIT-AG is exempt from corporation tax and trade tax. The prerequisite for this tax exemption is compliance with specific requirements relating to capital and company law. The majority of these requirements are stipulated in the REIT Act (Real Estate Investment Trust Act). The REIT Act stipulates standardised specifications in terms of free float, asset requirements, income requirements, distribution to shareholders (dividend), exclusion of real estate trading and minimum equity. The regulations aim to achieve the sustainable management of a predominantly commercial real estate portfolio and to facilitate ongoing dividend payments to the shareholders.

Please refer to the Schedule of shareholdings for more information on the fully consolidated subsidiaries.

B) DISCLOSURES ON ASSOCIATES AND JOINT VENTURES

Joint ventures:

In the 2021 financial year, the joint venture JV Theodor-Heuss-Allee GmbH, Frankfurt am Main, Germany, was formed with share capital of EUR 25 thousand. The Group holds a 49.5% stake in the joint venture and reports this interest using the equity method. JV Theodor-Heuss-Allee GmbH was first included using the equity method in DEMIRE AG's consolidated financial statements on 1 July 2021.

The following table provides information on the key financial figures of JV Theodor-Heuss-Allee GmbH in accordance with IFRS accounting standards as applicable in the EU:

ANNUAL FINANCIAL STATEMENTS OF JV THEODOR-HEUSS-ALLEE GMBH

in EUR thousand	31/12/2023	31/12/2022
Non-current assets	209,353	265,392
Current assets	5,819	3,251
Cash and cash equivalents	4,888	2,975
Current liabilities	2,327	2,231
Current financial liabilities included under current liabilities	2,037	1,955
Non-current liabilities	278,168	279,290
Non-current financial liabilities included under non-current liabilities	157,583	159,570
Net assets	**–65,323**	**–12,878**
Revenue	15,002	12,726
Interest income	52	0
Interest expenses	–9,791	–6,805
Income tax expenditure or revenue	–64	–460
Net profit/loss for the period	**–50,549**	**–13,959**
Other comprehensive income	**0**	**0**
Total comprehensive income	**–50,549**	**–13,959**
Reconciliation of carrying amount of investment		
Equity of JV Theodor-Heuss-Allee GmbH	–65,323	–12,878
of which 49.5%	–32,335	–6,375
Carrying amount of investment in the DEMIRE Group	0	0
Value adjustment of the equity method	0	510

JV Theodor-Heuss-Allee GmbH is accounted for using the equity method due to the fact that DEMIRE exercises joint control with RFR Group over the joint venture. The shareholders' agreement includes purchase options on both the land used by the joint venture and the remaining shares in the joint venture, which may have an impact on the accounting method. However, further regulations are laid down in the shareholders' agreement that allow both parties different courses of action, which in turn also have an impact on the accounting method chosen. The management's assessment of whether the accounting method applied to the shares is appropriate is made at each reporting date with reference to the following four possible scenarios:

A: High increase in the market value of properties held by the joint venture
In the event of a high increase in the market value of the property or land, DEMIRE has an incentive to exercise both the purchase option on the land and the purchase option on the remaining shares in the joint venture. It is necessary, however, to obtain the consent of the equal co-partner of the joint venture in order to exercise the option to purchase the land. However, the co-partner may have an incentive to disagree under certain circumstances. In this case, it is contractually regulated that DEMIRE is entitled to a put option and the co-partner RFR Immobilien 4 GmbH (RFR 4) is entitled to a call option for the land or DEMIRE's shares in the JV. The purchase price for the shares held by DEMIRE is calculated in both cases from DEMIRE's capital contributions (including shareholder loans) and a penalty for RFR 4 in the amount of EUR 45,000 thousand. Furthermore, RFR 5 Immobilien GmbH (RFR 5) must pay back the loan granted to it by DEMIRE. For more information, see Section E. 1.6 (Loans and financial assets). If RFR 4 is unable or unwilling to raise the purchase price or RFR 5 the loan repayment, DEMIRE has the option to acquire the remaining shares in the joint venture for EUR 1 and subsequently exercise the land option. From RFR 4's perspective, the threshold value for an increase in property value that would argue against exercising the option would be at least EUR 45,000 thousand, i.e. an amount exceeding the above-mentioned penalty.

B: Significant decline in the market value of properties held by the joint venture
In the event of a significant decline in the market value of the property held by the JV, DEMIRE has no incentive to exercise the above-mentioned purchase option on the land. In this case, RFR 4 receives a call option and DEMIRE receives a put option for the JV shares held by DEMIRE. The purchase price for the JV shares held by DEMIRE is calculated in both cases from DEMIRE's capital contributions (including shareholder loans) less a penalty for DEMIRE in the amount of EUR 43,500 thousand. In addition, the loan previously granted by DEMIRE to RFR 5 must be repaid. DEMIRE thus bears the risk of a significant decline in the market value of the property, limited to EUR 43,500 thousand.

C: Moderate development in the market value of properties held by the joint venture
This scenario occurs if there is no or only a moderate change in the value of the property in the period between the acquisition of the JV in 2021 and 2026 – within the limits set by the above-mentioned penalties. In this configuration, the land purchase option of the joint venture is exercised at an exercise price of EUR 122,813 thousand after a unanimous resolution by the shareholders of DEMIRE and RFR 4. Upon the joint venture exercising the land purchase option, DEMIRE acquires the right to purchase RFR 4's shares in the joint venture at a purchase price of EUR 5,000 thousand.

In the event that DEMIRE waives this option, the minority shareholder acquires the rights to the call option of DEMIRE and can subsequently acquire the remaining shares in the joint venture under the predetermined conditions. However, if the minority shareholder also assigns its right, DEMIRE is obliged to acquire RFR 4's shares under the conditions stated.

D: Continuation of the JV irrespective of the market value development of the property held by the JV
Irrespective of the market value development of the property held by the JV, it is possible that the shareholder benefiting from the market value development under scenarios A to C will not be able to guarantee the financing required for the

transaction at the time the options are exercised. In this case, DEMIRE and RFR 4 could mutually decide against exercising the property purchase option and continue to maintain the existing JV unchanged.

Assessment regarding consolidation

Due to the current market situation, DEMIRE expects a significant reduction in the market value of the property held by the JV as at 31 December 2023 with a high degree of probability at the time the option is exercised. This assessment is also reflected in the distinctly negative option value of EUR –24.1 million as at the reporting date. The Company therefore recognises the JV using the equity method as at the reporting date.

Key basic assumptions for the calculation of options and the sensitivity analysis of the assumptions made

The options constitute a financial instrument that was split into two components for valuation purposes: The Black–Scholes model was used to determine the fair value of the land purchase option. The option values on the investment are determined on the basis of an established valuation model, taking into account observable market data (Monte Carlo method). The material valuation factors for this purpose are the basic price, volatility, the risk-free interest rate and the remaining term.

Observable inputs are inputs derived from market data that are observable and publicly available, derived from actual events or transactions and reflect the assumptions that market participants would use when pricing the asset or liability.

Unobservable inputs are inputs derived from information about the assumptions that market participants would use when pricing the asset or liability.

The basic price (underlying = property value) is an unobservable factor because there is no market for this particular property (it is unique) and there is no market value for similar properties with the same parameters (city, location, floor, amenities, etc.). Instead, there is general market data on the rental value of similar properties.

A basic value calculation was carried out on the basis of the rental value assumption.

When valuing the basic price, the key valuation parameters and estimates are, in particular, expected cash flows, assumed vacancy rates, their changes over the planning period, and discount and capitalisation rates. The valuation is carried out by an external, independent reviewer.

The fair value of the basic price is determined using the discounted cash flow method.

After identifying all value-relevant factors, the expected and partially projectable future cash flows are totalled for each period. The result of the cash inflows and outflows is discounted up to a fixed point in time (valuation date) using the discount rate.

The valuation parameters are assessed in the context of determining the market value at the discretion of the appraiser and can be divided into two groups:

The property-specific valuation parameters include, for example, rental revenue for initial and subsequent rentals, extension probabilities for the existing rental agreements, vacancy periods and vacancy costs, non-allocable ancillary costs, expected capital expenditures by the owner, and expansion and rental costs for initial and subsequent rentals.

Macroeconomic factors include, in particular, the development of market and rental prices during the detailed observation period and the inflation expectations assumed in the calculation model.

Volatility is also an unobservable factor, as the assumption of price changes is used. The volatility figure is calculated using the standard deviation formula.

As at the reporting date, the option valuation resulted in a negative figure of EUR 24.1 million, which was recognised as a liability and represents the probability-weighted value from the scenarios described above.

A 10% increase in rental cash flow would result in an option market value of EUR –22,600 thousand as at 31 December 2023 (previous year: EUR 2,100 thousand). In the event of a corresponding decrease in rental cash flow of 10%, the market value of the options would be EUR ––25,500 thousand (previous year: EUR –14,400 thousand). The effects of the other valuation factors as at the reporting date are immaterial.

All other things being equal, a 10% increase in volatility would result in an option market value (call and put options) of EUR –23,400 thousand as at 31 December 2023 (previous year: EUR –4,000 thousand). All other things being equal, in the event of a corresponding decrease in volatility of 10%, the market value of the options would be EUR –24,900 thousand (previous year: EUR –3,500 thousand).

Associates

In addition to the interests in joint ventures listed above, the Group holds interests in several individually immaterial associates accounted for using the equity method. These include DEMIRE Assekuranzmakler GmbH & Co. KG, based in Düsseldorf, and G+Q Effizienz GmbH, based in Berlin.

The table below provides an aggregated breakdown of the carrying amount and share of profit and other comprehensive income of these associates.

in EUR thousand	31/12/2023	31/12/2022
Total carrying amounts of individually immaterial associates	351	385
Total Group share in:		
Profit or loss from continuing operations	69	108
Profit or loss after taxes from discontinued operations	0	0
Other comprehensive income	0	0
Total comprehensive income	**69**	**108**

C. Accounting policies

The consolidated financial statements were prepared based on the assumption of a going concern. In the opinion of the Executive Board, there is no intention or need to discontinue business activities. Please refer to Section A.2 for details on the going concern.

Assets and liabilities are presented according to their terms (due in more than/up to one year). Deferred taxes are generally reported as non-current.

Assets are generally measured at amortised acquisition or production costs, except for the fair value measurement of investment properties pursuant to IAS 40. According to IFRS 5.5(d), real estate held for sale is carried at fair value. The fair value in this case is the expected selling price.

Assets, equity and debt instruments, excluding share-based payments under IFRS 2, that are measured at fair value based on other standards are valued uniformly according to the provisions of IFRS 13. Within this context, financial assets and financial liabilities are classified and recognised in accordance with the categories of IFRS 9. Accordingly, financial assets are classified in the categories "at amortised cost", "at fair value through other comprehensive income" or "at fair value through profit or loss".

Financial instruments are classified as "at amortised cost" if they are held as part of a business model and the objective is to hold them to collect the contractual cash flows, and if the contractual terms and conditions of the financial asset result in cash flows at specified dates, which represent exclusively principal and interest payments on the outstanding principal.

Financial instruments classified as "measured at fair value" relate to derivative financial instruments. These are measured at fair value both when accounted for initially as well as during subsequent periods. The measurement of fair value is based on established valuation models that take into account observable market data, such as the Black Scholes model or the Monte Carlo method. The valuation factors for this purpose are the basic price and its volatility, the risk-free interest rate and the remaining term.

If fair value is determined using a valuation method, the fair value should be assigned to one of the following three levels of the fair value hierarchy, depending on the available observable parameters and the respective importance of these parameters for the overall measurement:

Level 1: Input factors are quoted prices in active markets for identical assets or liabilities that are available as at the valuation date.

Level 2: Other input factors than the quoted prices in Level 1 and factors which are either directly observable or can be indirectly derived for the asset or liability.

Level 3: Input factors for the asset or liability are not observable.

As at the reporting date, the Group only holds financial instruments in the categories "at amortised cost" and "at fair value through profit or loss".

The following table shows the measurement hierarchy, measurement methods and significant input factors for determining the fair values of the various measurement categories of financial assets and liabilities. A special feature results from the fact that the fair value of the 2019/24 corporate bond was determined on the basis of the stock exchange price on 31 December 2023 and was thus determined using the Level 1 measurement method.

Type	Hierarchy	Measurement methods and significant input factors
Financial receivables and other financial assets	Level 3	Discounted cash flows based on risk-free interest rates observable on the market at the valuation date, risk premiums of counterparties not observable on the market
Non-current financial liabilities and options	Level 3	Discounted cash flows based on risk-free interest rates observable on the market at the valuation date, DEMIRE-specific risk premium

No transfers took place between the different levels of the measurement hierarchy during the period under review or comparative periods.

Financial assets and financial liabilities are recognised in the consolidated balance sheet for the first time when a Group company becomes a party to a financial instrument. The initial recognition of a financial instrument is at fair value including any transaction costs.

The maximum default risk is reflected by the amortised carrying amounts of the receivables and other financial assets recognised in the balance sheet. Credit risk and default risk are the risk that counterparties – essentially the tenants of the properties held by DEMIRE – will not be able to meet their contractual payment obligations, which could result in a loss for the Company. In order to mitigate and manage default risks as much as possible, DEMIRE reviews the creditworthiness of tenants for new lettings.

DEMIRE mainly has receivables from letting and purchase price receivables from properties located in Germany, as well as loans to third parties and companies accounted for using the equity method. The credit risk is classified at the level of each counterparty, as some of them have different default rates and require different methods for determining the need for impairment.

Default risks exist for all classes of financial instruments, but especially for trade accounts receivable and purchase price receivables as well as loan receivables from JV partners.

Impairment of trade accounts receivable, contractual assets and lease payments receivable according to the simplified model

DEMIRE states valuation allowances for expected credit losses (“ECL” in accordance with IFRS 9) for financial assets measured at amortised cost.

In accordance with the general impairment model of IFRS 9, impairments are based on the expected twelve-month credit loss, provided that the default risk (e.g. the credit default risk over the expected term) has not increased significantly since initial recognition. The Group applies the simplified approach according to IFRS 9.5.5.15. to determine impairment losses on trade receivables. The credit loss is determined over the entire term.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers appropriate and reliable information that is relevant and available without undue time and cost. This includes both quantitative and qualitative information and analyses based on the Group’s past experience and sound estimates, including forward-looking information.

DEMIRE’s trade receivables are almost entirely lease receivables and receivables from operating costs. DEMIRE assumes that the default risk of a financial asset that is not a trade receivable and is measured at the amount of the expected credit loss over the term, using the simplified approach, has increased significantly if it is more than 30 days past due. In the case of trade receivables, the number of days overdue can be significantly higher, as the tenant will generally carry out checks on the items in ancillary costs statements, which regularly results in a delay that DEMIRE accepts until consent is obtained. The same applies to rent receivables that are not paid by tenants at the time due to other disputes in connection with the tenancy.

Financial assets with impaired credit ratings

The Group assesses at each reporting date whether financial assets at amortised cost are credit-impaired. A financial asset is credit-impaired if one or more events occur that have an adverse effect on the expected future cash flows of the financial asset.

Indicators that a financial asset is credit-impaired include the following observable data:

— Significant financial difficulties of the issuer or borrower
— A breach of contract, such as a payment default or overdue payment
— It is likely that the borrower will enter bankruptcy or other restructuring process

Measurement of expected credit losses

Expected credit losses are the probability-weighted estimates of credit losses. Credit losses are measured as the present value of payment defaults (i.e. the difference between the payments owed to an entity under the contract and the payments the entity expects to collect). DEMIRE uses a commission matrix to measure expected credit losses on trade receivables. For the exact structure and/or the parameters used, see Section E. 2.1.

Amortisation

The gross carrying amount of a financial asset is amortised if the Group does not have a reasonable expectation that the financial asset will be recovered in full or in part. In the case of tenants, the Group makes an individual assessment of the timing and amount of the amortisation based on whether there is a reasonable expectation of recovery.

In cases involving a write-off, the Group does not expect any significant recovery of the amortised amount. Amortised financial assets may nevertheless be subject to enforcement actions to recover overdue receivables.

Impairments of loans to third parties and companies accounted for using the equity method, and other financial assets according to the three-stage model
With regard to impairments of loans to third parties and companies accounted for using the equity method, the three-stage model of expected credit losses is applied in accordance with the requirements laid down by IFRS 9.5. The basic principle behind this model is to map progress of the deterioration or improvement in the credit quality of financial instruments, whereby losses that are already expected are taken into account. The approach used in IFRS 9 includes the following measurement levels:

Stage 1: Twelve-month credit defaults: Applicable to all items (since initial recognition) provided that the credit quality has not deteriorated significantly. The future expected credit loss is determined by taking into account any prospective information regarding the probability of default and the loss ratio. Given there is no rating information at a counterparty level, the probabilities of default and loss ratios are derived from the statistical data from unsecured bonds with an adequate default risk so as to measure expected credit losses. The corresponding (historical) recovery rates are also taken into account. From the Group's perspective, a financial asset poses a low default risk if its credit risk rating is "Investment Grade", based on the global definition. The Group considers this to be the case for a BBB rating or higher from Moody's Corporation, New York, USA.

Stage 2: Credit defaults over the lifetime: Applicable if the credit risk for individual financial instruments or a group of financial instruments has increased significantly. A transfer from Stage 1 to Stage 2 is made if the contractual payments are more than 30 days past due. If an item has been past due for more than 90 days, there is a rebuttable presumption that there is objective evidence of a credit default and the financial instrument must therefore be transferred to Stage 3.

Stage 3: Credit losses over the lifetime when considered on an individual basis: Where there is objective evidence (e.g. contractual payments are overdue, signs of insolvency, etc.) that an asset would be impaired when considered on an individual basis, consideration of the lifetime of the financial instrument is decisive here.

D. Notes to the consolidated statement of income

DEMIRE has entered into commercial property lease agreements for its investment properties. These agreements stipulate that DEMIRE shall retain all the significant risks and opportunities connected with the ownership of properties rented and therefore classifies these lease contracts as operating leases. The income from these contracts is recognised as rental income and is generally free from seasonality. However, the sale and/or acquisition of one or several properties can have a significant influence on the net rental income. Revenue from ancillary rental costs is allocable ancillary costs that are passed on to tenants.

Revenues include rental income, income from ancillary rental costs and revenue from the sale of real estate and real estate companies. Pure rental income is accounted for according to IFRS 16, with income from utility and service charges and the sale of real estate accounted for according to IFRS 15.

1. Profit/loss from the rental of real estate

Rental income is generated in connection with leases classified as operating leases and is recognised as rental income over time. The average monthly rent per square metre as at the reporting date was EUR 10.04 (previous year: EUR 9.78). This figure is calculated by dividing the monthly net rent, excluding service charges, by the floor space. Properties and project developments already registered as being for sale are not included in this calculation. The property taxes and insurance settled as part of service charges do not constitute a separate performance obligation and are allocated to the rents accordingly. They are accounted for as other lease components in accordance with IFRS 16. In the case of other costs (gas, electricity, water, etc.), the Company has come to the conclusion that it is acting in the role as principal and continues to bear significant risks. Accordingly, revenues and related costs continue to be presented on a gross basis. Revenue and other operating costs are accounted for according to IFRS 15. Under this standard, prepayments made by tenants for allocable operating costs are recognised as income from utility and service charges in the year in which they are incurred and in the amount that is included in the allocable operating costs.

The profit/loss from the rental of real estate in the amount of EUR 59,524 thousand (previous year: EUR 62,312 thousand) consists of the following:

in EUR thousand	2023	2022
Net rent	78,519	81,079
Income from utility and service charges	23,004	28,065
Revenue from the rental of real estate	**101,523**	**109,144**
Allocable operating expenses to generate rental income	– 31,934	– 35,636
Non-allocable operating expenses to generate rental income	– 10,065	– 11,196
Operating expenses to generate rental income	**– 41,999**	**– 46,832**
Profit/loss from the rental of real estate	**59,524**	**62,312**

The decrease in the result from the rental of real estate to EUR 59,524 thousand (previous year: EUR 62,312 thousand) is mainly the result of lower rental income in the amount of EUR 78,519 thousand (previous year: EUR 81,079 thousand) due in particular to the properties sold in the reporting period in Ulm, Apolda and Bad Oeynhausen. The change in non-allocable operating expenses in the amount of EUR – 10,065 thousand (previous year: EUR – 11,196 thousand) is due to the absence of one-off expenses of EUR – 2,514 thousand associated with the conclusion of a rental agreement for the property in Essen and higher maintenance expenses of EUR – 5,560 thousand (previous year: EUR – 4,429 thousand). Of the operating expenses, an amount of EUR – 31,934 thousand (previous year: EUR – 35,636 thousand) is generally allocable and can be charged to tenants. The decline is due partly to the disposal of properties sold in the reporting period and partly to lower energy costs compared to the previous period as a result of the introduction of the German government's energy price brake. The decrease in non-allocable expenses is also shown in the decrease in income from the allocation of utility and service charges.

Assets and liabilities from contracts with customers were as follows:

ASSETS AND LIABILITIES FROM CONTRACTS WITH CUSTOMERS

in EUR thousand	31/12/2023	31/12/2022
Current contract assets from operating costs	3,902	6,468
Total contract assets	**3,902**	**6,468**
Current contract liabilities from operating costs	496	505
Total contract liabilities	**496**	**505**

Contract assets include service charge payments by the DEMIRE Group to the tenant, while contract liabilities include payments already made by the tenant for outstanding service charges. The decrease in current contract assets from operating costs is due to the sale of properties and, in particular, the fall in energy costs in the reporting period. As in the previous year, no impairment losses were recognised on contract assets for operating costs in the reporting period.

In accordance with IFRS 15, DEMIRE generates revenue both based on a point in time and over a period of time in the following areas:

2023

in EUR thousand	Income from utility and service charges	Revenue from sale of IAS 40 real estate
Point in time	0	70,450
Period	23,004	0
Total	**23,004**	**70,450**

2022

in EUR thousand	Income from utility and service charges	Revenue from sale of IAS 40 real estate
Point in time	0	12,743
Period	28,065	0
Total	**28,065**	**12,743**

When real estate companies and real estate are sold, income is realised when

- the risks and rewards (ownership, benefits and encumbrances) associated with ownership have been transferred to the buyer;
- DEMIRE does not retain any right of disposal or effective power of disposal over the object of sale;
- the amount of revenue and the costs incurred or to be incurred in connection with the sale can be measured reliably;
- it is sufficiently probable that an economic benefit will flow to DEMIRE from the sale.

2. Profit/loss from the sale of real estate and real estate companies

In the financial year, the Group generated profit/loss of EUR –14,334 thousand (previous year: EUR – 8,164 thousand) from the sale of real estate. The negative result is mainly due to the sale of the property in Ulm. Please refer to Sections E.1.3 and E 3 for more information about the properties that were sold.

3. Result from the fair value adjustment of investment properties and assets held for sale

The profit/loss from the fair value adjustment of investment properties (Core Portfolio) amounted to EUR – 146,280 thousand as at 31 December 2023 (previous year: EUR – 61,228 thousand).

The valuation result of assets held for sale of EUR – 30,527 thousand (previous year: EUR – 37,650 thousand) is mainly due to the pending sale of LogPark Leipzig and the resulting impairment.

The devaluation of the Core Portfolio in the 2023 reporting year is mainly due to two factors: firstly, the current market developments are taken into account; and, secondly, significantly higher CapEx measures that serve the future, sustainable development of the portfolio are recognised.

The conclusion of a five-year lease extension with Bundesanstalt für Immobilienaufgaben (BImA) in Eschborn (approximately 18,900 m²) and the extension and partial re-letting of over 9,000 m² to a state tenant in Freiburg, as well as numerous other letting activities, had the opposite effect to the aforementioned situation. The properties in the portfolio are thus stabilised in the long term. Furthermore, the aforementioned rental agreements will serve to reduce vacancies, increase the rent level and lead to a higher WALT. The current market environment is generally conducive to positive, value-influencing rent indexations. In principle, successful lettings lead to an increase in actual rents, while a reduction in vacancies stabilises the cash flows of the valuation properties; these, however, do not increase in value due to the higher discount rates, but in some cases only have a stabilising effect as at the reporting date.

Changes in interest rates and new market conditions have a direct impact on the property valuation. In the 2023 reporting year, the higher interest rates in particular led to a significant reduction in transaction volumes on the real estate markets. The risks resulting from the aforementioned situation, such as devaluations of tenant credit ratings and reductions in rental applications, have already been taken into account in the valuation. This was counteracted across the portfolio by letting to government institutions and proactively retaining existing tenants.

The changed market environment continues to affect global economies and real estate markets. Still, there is sufficient data and information available as at the valuation date to produce valid appraisals that reflect the ordinary course of business according to the legal circumstances and actual characteristics.

The fair value of real estate is based on the valuation report of the external independent expert Savills Advisory Services Germany GmbH & Co. KG, a company with its registered office based in Frankfurt am Main. Please refer to Section E.1.3 for details on the valuation method applied.

4. Impairment of trade accounts receivable and loans

Impairment of trade accounts receivable and loans amounted to EUR – 18,906 thousand in the period under review (previous year: EUR – 1,501 thousand).

The significant increase in impairments results from an impairment of EUR – 16,745 thousand for loans in accordance with IFRS 9.5 for the expected credit loss according to the three-stage model. In total, the impairments for loans and the accrued interest totalled EUR 18,200 thousand as at the reporting date (previous year: EUR 1,455 thousand), which is allocated to risk level 3. Please refer to Section C "Accounting policies" for more information on accounting principles and the expected credit loss model.

5. Other operating income

in EUR thousand	2023	2022
Derecognition of liabilities	450	352
Income from the cancellation of a maintenance and repair contract	234	0
Income from agency agreements with companies accounted for using the equity method	75	75
Cost reimbursements	16	37
Benefits in kind	15	33
Deconsolidation effects	0	86
Other	253	217
Total	**1,043**	**800**

Liabilities in the amount of EUR 450 thousand were written off in the year under review, primarily owing to the fact they were time-barred (previous year: EUR 352 thousand).

Income from agency agreements in the amount of EUR 75 thousand (previous year: EUR 75 thousand) relates to JV Theodor-Heuss-Allee-GmbH.

The income from the termination of contracts for maintenance and repairs in the amount of EUR 234 thousand results from an agreement arising from the termination of a tenancy.

6. General administrative expenses

in EUR thousand	2023	2022
Legal and consulting fees	– 2,417	– 1,578
Staff costs	– 4,844	– 4,764
Accounting and audit costs	– 1,239	– 1,163
Non-deductible input taxes	– 505	– 352
Expenses for real estate expert opinions	– 196	– 153
IT costs	– 285	– 391
Supervisory Board remuneration	– 270	– 276
Custodial compensation	– 256	– 246
Fees and incidental costs from monetary transactions	– 207	– 304
Advertising and travel expenses	– 200	– 177
Investor relations expenses	– 179	– 172
Fund administration costs	– 137	– 179
Insurance	– 108	– 160
Annual General Meeting and shareholder advisory expenses	– 102	– 140
Other	– 696	– 644
Total	**– 11,641**	**– 10,699**

Staff costs for the staff employed at the level of the ultimate parent company and Fair Value REIT-AG are included in general and administrative expenses only.

The increase in legal and consulting fees is due to the activities in relation to the extension of the corporate bond. Legal and consulting fees mainly relate to tax consulting fees, consulting fees for financing and transactions, and legal and consulting fees.

The commissioning of an additional valuation during the year resulted in an increase in the costs for property appraisals.

7. Other operating expenses

in EUR thousand	2023	2022
Fair value adjustment Option JV Theodor Heuss-Allee	– 24,100	0
Write-downs on rent incentives/ rent-free periods/FF&E subsidies	– 1,822	– 8,471
Addition to provision for legal disputes	– 618	– 122
Write-off of receivables	– 95	– 379
Depreciation/amortisation	– 58	– 62
Write-down on goodwill of Fair Value REIT-AG	0	– 6,783
Other	– 133	– 976
Total	**– 26,826**	**– 16,793**

As at 31 December 2023, the option valuation in connection with JV Theodor Heuss-Allee (see Section B for details) resulted in an expense of EUR 24,100 thousand.

Deferred items pursuant to IFRS 16 (rent incentives, rent-free periods and FF&E grants) were reversed in the amount of EUR 1,822 thousand (previous year: EUR – 8,471 thousand). This is mainly due to the insolvency of a tenant in the retail sector. In the previous period, the amount of EUR – 8,471 thousand resulted from impairments within the Fair Value REIT subgroup, as the recoverable amount of these assets was zero.

The increase in provisions for legal disputes is related to the LogPark property in Leipzig.

8. Financial result

in EUR thousand	2023	2022
Financial income	21,542	18,411
Financial expenses	– 17,149	– 19,296
Profit/loss from companies accounted for using the equity method	1,007	– 266
Minority interests	5,086	770
Financial result	**10,486**	**– 381**

Financial income of EUR 21,542 thousand (previous year: EUR 18,411 thousand) increased mainly due to the partial buyback of the 2019/24 corporate bond below its nominal value, which resulted in one-off income of EUR 15,683 thousand. The item also includes income from loans and interest from fixed-term deposits totalling EUR 5,858 thousand.

Profits from companies accounted for using the equity method in the amount of EUR 1,007 thousand (previous year net loss: EUR – 266 thousand) relate mainly to the distribution of JV Theodor-Heuss-Allee GmbH, Frankfurt am Main, in the amount of EUR 938 thousand.

Financial expenses include a nominal interest expense of EUR 14,541 thousand (previous year: EUR 16,102 thousand). The effective interest method resulted in expenses of EUR 2,608 thousand (previous year: EUR 3,194 thousand).

The profit shares of minority shareholders relate to profit shares of the minority shareholders of the subsidiaries of Fair Value REIT-AG, which are recognised as debt according to IAS 32. These posted a loss in the reporting period as well as in the previous period. The increase in the share of losses compared to the previous year is mainly due to valuation losses on properties. As a result, the share of minority interests in these losses increased and totalled EUR 5,086 thousand in the reporting period (previous year: EUR 770 thousand).

9. Income taxes

The reported income tax expense (–) and income (+) can be broken down as follows:

in EUR thousand	2023	2022
Actual income taxes	– 12,638	– 6,841
Deferred tax expense (tax income)	38,133	8,644
Total income taxes	**25,495**	**1,803**

Actual income taxes of EUR – 12,638 thousand (previous year: EUR – 6,841 thousand) include corporation tax and trade tax and arose entirely in Germany. The increase results from the gains on disposal in the reporting period, which arose from the difference between the sales prices realised and the tax statement of financial position values of the properties.

Deferred tax income of EUR 38,133 thousand (previous year: EUR 8,644 thousand) comprise deferred tax expenses of EUR – 315 thousand (previous year: EUR – 2,265 thousand) and deferred tax income of EUR 38,448 thousand (previous year: EUR 10,909 thousand). Deferred tax expenses result primarily from temporary differences in connection with the valuation of investment properties pursuant to IAS 40 and IFRS 13. The income from deferred taxes is mainly due to the lower value of properties and the associated reversal of deferred tax liabilities, and from the option valuation in connection with JV Theodor Heuss-Allee. As at the reporting date, there were total unused corporate income tax loss carryforwards of EUR 65,757 thousand (previous year: EUR 60,133 thousand) for the companies included in the consolidated financial statements. In the DEMIRE Group, deferred taxes on loss carry-forwards were capitalised only at the level of the same taxable entities to the extent that deferred tax liabilities existed.

TAX RECONCILIATION

The tax reconciliation between the theoretical and actual tax expense is presented on the basis of the Group tax rate of 29.125% (previous year: 29.125%). The Group tax rate includes the 15% corporation tax rate, 5.5% solidarity surcharge and 13.3% trade tax (municipal rate for Langen: 380%; basic federal rate 3.5%). The calculation of the deferred taxes of domestic real estate companies is based on a tax rate of 15.83 %. These companies generate income exclusively from managing their own real estate. Only the corporation tax rate and the solidarity surcharge apply to these companies because of the option to deduct the profit from the management of own real estate from the profit under trade tax law.

in EUR thousand	2023	2022
Earnings before taxes	**– 177,461**	**– 73,305**
Group tax rate (in %)	**29.125**	**29.125**
Expected income taxes	**– 51,686**	**– 21,350**
Trade tax effects	26,438	11,839
Tax effects from non-deductible operating expenses and similar items	30	4,527
Initial difference	– 1,898	0
Tax effects from changes in the value of loss carryforwards	3,148	2,114
Tax effects of tax-free income	– 141	0
Other	– 1,387	1,067
Total tax expense (+)/tax income (–) in the reporting period	**– 25,495**	**– 1,803**

According to IAS 12, deferred tax liabilities are also to be recognised on the difference between the proportionate share in equity of a subsidiary in the consolidated statement of income and the carrying amount of the subsidiary in the parent company's balance sheet under tax law ("outside basis differences"), if realisation is to be expected. These differences mainly resulted from retained earnings from foreign and domestic subsidiaries.

DEMIRE did not recognise deferred tax liabilities for the accumulated results of subsidiaries amounting to EUR 5,038 thousand (previous year: EUR 11,741 thousand), since these profits are intended to be reinvested indefinitely.

Recognising deferred taxes on outside basis differences as temporary differences means that future tax effects must be reported at the time profits originate, even if a distribution of profits to the parent company and the corresponding taxation of the parent company will occur only in future periods. The Company may determine for itself the timing of distributions from subsidiaries or reinvestments, with the exception of JV Theodor-Heuss-Allee GmbH, Frankfurt am Main. Except for the mandatory distributions from Fair Value REIT-AG, dividend distributions from subsidiaries are neither planned nor foreseeable. Therefore, deferred taxes on outside basis differences are not recognised, with the exception of Fair Value REIT, JV Theodor-Heuss-Allee GmbH, Frankfurt am Main, and G+Q Effizienz GmbH, Berlin. The recognition of deferred taxes for outside basis differences at the level of Fair Value REIT amounted to EUR 17,145 thousand as at 31 December 2023 (previous year: EUR 19,919 thousand).

For other disclosures relating to deferred tax assets and liabilities, please refer to Section E.5.1.

10. Earnings per share

EARNINGS PER SHARE

Basic earnings per share are computed by dividing the net profit/loss for the period attributable to DEMIRE AG shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share are computed by adjusting net profit/loss for the period and the number of shares outstanding based on the assumption that convertible instruments are converted and options in connection with share-based payments are exercised.

in EUR thousand	2023	2022
Net profit/loss for the period (in EUR thousand)	**–151,966**	**–71,503**
Profit/loss for the period less non-controlling interests	–147,190	–65,745
Number of shares (in thousands)		
Number of shares outstanding as at the reporting date	105,513	105,513
Weighted average number of shares outstanding	105,513	105,513
Impact of conversion of convertible bonds and the subscription under the 2015 Stock Option Programme	510	510
Weighted average number of shares (diluted)	106,023	106,023
Earnings per share (in EUR)		
Basic earnings per share	–1.39	–0.62
Diluted earnings per share	–1.39	–0.62

Participants in the 2015 Stock Option Programme are entitled to subscribe to 510,000 shares (previous year: 510,000 shares). This programme has a limited term and ends in the course of the 2024 financial year.

Earnings per share decreased compared to the previous year, mainly due to the fair value adjustment of investment properties.

11. Staff costs

in EUR thousand	2023	2022
Salaries	– 4,346	– 4,328
Statutory social expenses	– 498	– 436
Total	**– 4,844**	**– 4,764**

Staff costs of EUR 4,844 thousand (previous year: EUR 4,764 thousand) are generally recognised in general and administrative expenses and relate to DEMIRE AG (EUR 4,730 thousand; previous year: EUR 4,564 thousand) and Fair Value REIT-AG (EUR 114 thousand; previous year: EUR 200 thousand). Of the statutory social expenses, about half are attributable to contributions to statutory pension insurance.

Income (from the reversal of provisions) from the 2019 Virtual Stock Option Programme in the amount of EUR 66 thousand (previous year: expenses of EUR 401 thousand) are also included under staff costs. More information about the stock option programmes can be found in Section G.3.B.

E. Notes to the consolidated balance sheet

1. Non-current assets

The development of the individual items can be found in the statement of fixed assets (Appendix 3).

1.1 INTANGIBLE ASSETS

Upon initial recognition, individually acquired intangible assets are measured at their acquisition cost. Subsequently, intangible assets with a limited period of use are amortised on a straight-line basis usually over a period of three to five years based on their estimated useful economic life and are tested for possible impairment when there are any relevant indications thereof. Impairment of intangible assets is recognised in profit or loss.

1.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment totalling EUR 153 thousand (previous year: EUR 164 thousand) includes operating and office equipment. This is carried at historical acquisition cost less depreciation. Historical acquisition cost includes expenses that can be directly allocated to the acquisition of operating and office equipment. Straight-line depreciation is based on a useful life of three to fifteen years. The depreciation figures in the amount of EUR – 93 thousand (previous year: EUR 46 thousand) are reported in the statement of income as depreciation of rights-of-use, as well as under other operating expenses.

1.3 INVESTMENT PROPERTIES

The Group's investment properties include those properties that are held for rental income generation and value appreciation and not for their proprietary use or sale in the ordinary course of business, as well as rights-of-use for ground leases and general permanent rights-of-use. Investment properties are carried at acquisition cost plus incidental acquisition costs at the time of acquisition. In accordance with the option provided for in IAS 40, these properties are subsequently measured at fair value, whereby changes in the fair value are generally recognised in profit or loss. Prepayments for real estate purchases are recognised as advance payments within item "Properties held as investment properties".

Valuation of properties and sensitivity analysis

When valuing investment properties, the key valuation parameters and estimates are, in particular, expected cash flows, assumed vacancy rates, their changes over the planning period, and discount and capitalisation rates. The valuation is carried out by an external, independent reviewer in accordance with International Financial Reporting Standards (IFRS), International Standards of Valuation of Real Estate for Investment Purposes ("International Valuation Standards") and the RICS Valuation Global Standards 2022 ("Red Book" dated January 2022) of the Royal Institution of Chartered Surveyors.

The fair value of DEMIRE's investment properties is determined using the discounted cash flow method.

The discounted cash flow method provides the basis for the dynamic investment calculation and is used to calculate the present value of future expected, time-staggered and varying levels of cash flows. After identifying all value-relevant factors, the expected and partially projectable future cash flows are totalled for each period. The result of the cash inflows and outflows is discounted up to a fixed point in time (valuation date) using the discount rate. In contrast to the German discounted earnings model of the German Property Valuation Regulation (Immobilienwertermittlungsverordnung – ImmoWertV), however, the cash flows during the period under consideration are explicitly quantified and not shown as annuity payments. Since the importance of future cash flows decreases as a result of discounting and the forecast uncertainty increases over the observation period, the stabilised net income of a property is usually capitalised (capitalisation rate) following a ten-year period (detailed observation period) and discounted to the valuation date when assessing investment decisions in real estate.

These valuation parameters reflect the customary market expectations as well as the extrapolation of analysed past values of the property to be valued or of one or more comparable properties.

The valuation parameters are assessed in the context of determining the market value at the discretion of the appraiser and can be divided into two groups:

The property-specific valuation parameters include, for example, rental revenue for initial and subsequent rentals, extension probabilities for the existing rental agreements, vacancy periods and vacancy costs, non-allocable ancillary costs, expected capital expenditures by the owner, and expansion and rental costs for initial and subsequent rentals.

Macroeconomic factors include, in particular, the development of market and rental prices during the detailed observation period and the inflation expectations assumed in the calculation model.

The Group's management team is closely involved in and oversees the process of evaluating investment properties, which takes place at least once per financial year. In doing so, the results made available by independent experts are checked for plausibility and compared with values in previous years. The evaluation results are also compared to the management's own assumptions made in the framework of early risk detection and any deviations are discussed with the expert. The portfolio's performance is also discussed in regular meetings with the Supervisory Board, which ensures that the development of the real estate portfolio's value is continuously monitored.

The determination of fair values depends on the underlying key, non-observable input factors (Level 3), which are specified in Appendix 1.

The resulting changes in value (valuation gains and losses) result not only from the adjustment in capitalisation and discount rates but also from increased investment obligations, particularly for the property in Essen.

A sensitivity analysis of the key unobservable input parameters showed the following effect on the fair value of investment properties. A substantial increase in maintenance costs or vacancy rates would lead to a lower fair value for the properties if the assumptions for the remaining input parameters remained unchanged. The sensitivity analysis can be found in Appendix 2.

Fair value development during the reporting period:

in EUR thousand	2023	Office	Retail	Logistics	Other
Fair value at the beginning of the financial year	**1,231,072**	**821,356**	**342,176**	**0**	**67,540**
Additions of properties	11,616	7,891	3,289	0	436
Disposals	–90,320	–88,840	–1,480	0	0
Reclassifications to non-current assets held for sale	–58,627	–46,597	–12,030	0	0
Unrealised losses from fair value measurement	–146,465	–100,994	–39,315	0	–6,156
Fair value at the end of the financial year	**947,276**	**592,816**	**292,640**	**0**	**61,820**

in EUR thousand	2022	Office	Retail	Logistics	Other
Fair value at the beginning of the financial year	**1,433,096**	**843,956**	**377,559**	**141,600**	**69,980**
Additions of properties	31,864	7,448	4,954	17,050	2,411
Disposals	–13,817	–13,817	0	0	0
Reclassifications to non-current assets held for sale	–158,650	0	0	–158,650	0
Unrealised gains from fair value measurement	10,792	10,360	275	0	156
Unrealised losses from fair value measurement	–72,211	–26,591	–40,613	0	–5,008
Fair value at the end of the financial year	**1,231,072**	**821,356**	**342,176**	**0**	**67,540**

The additions to investment properties totalling EUR 11,616 thousand consist of capitalisations for current investments (CapEx).

Disposals with a carrying amount of EUR –90,320 thousand were made during the period under review. These relate to the properties in Ulm, Bad Oeyenhausen and Apolda. The transfer of benefits and encumbrances took place in the reporting period.

Disposals of EUR –13,817 thousand were made during the comparative period. These related to the properties in Bremen and Ludwigsburg.

Information about unrealised losses from measurement at fair value is provided in Section D.3.

The fair value of the capitalised leaseholds and rights-of-use, which are reported under investment properties, developed as follows:

in EUR thousand	Retail	2023
Fair value at the beginning of the financial year	**22,056**	**22,056**
Additions arising from extension of the contractual term (term, interest)	843	843
Unrealised losses from fair value measurement	–2,319	–2,319
Fair value at the end of the financial year	**20,580**	**20,580**

in EUR thousand	Retail	2022
Fair value at the beginning of the financial year	**20,419**	**20,419**
Additions arising from extension of the contractual term (term, interest)	2,149	2,149
Unrealised losses from fair value measurement	–512	–512
Fair value at the end of the financial year	**22,056**	**22,056**

Please refer to Section 7.2 for further information in conjunction with the accounting of leaseholds and rights-of-use.

1.4 SHARES IN COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

Shares in companies accounted for using the equity method amounted to EUR 351 thousand (previous year: EUR 385 thousand). This includes the investment in the joint venture JV Theodor-Heuss-Allee GmbH in the amount of EUR 0 thousand (previous year: EUR 0 thousand), the investment in G+Q Effizienz GmbH, Berlin, in the amount of EUR 344 thousand (previous year: EUR 281 thousand), with the assumption of profit of EUR 62 thousand (previous year: EUR 114 thousand), and DEMIRE Assekuranz GmbH & Co. KG, Düsseldorf, in the amount of EUR 7 thousand (previous year: EUR 104 thousand), with the assumption of annual profit of EUR 6 thousand (previous year: EUR 104 thousand).

1.5 LOANS TO COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

Loans to companies accounted for using the equity method of EUR 25,150 thousand (previous year: EUR 24,752 thousand) include a loan not secured by real estate granted by DEMIRE AG to JV Theodor-Heuss-Allee GmbH.

The following table shows the development of impairments on loans to companies accounted for using the equity method:

in EUR thousand	2023	2022
As at 1 January	**430**	**187**
Additions	0	243
Use	0	0
Reversal	–430	0
As at 31 December	**0**	**430**

1.6. LOANS AND FINANCIAL ASSETS

Loans and financial assets amounted to EUR 48,365 thousand (previous year: EUR 62,750 thousand).

The carrying amount of loans totals EUR 43,493 thousand (previous year: EUR 57,605 thousand) and includes a loan in the amount of the nominal value of EUR 60 million to RFR Immobilien 5 GmbH. This is an affiliate of RFR Immobilien 4 GmbH, the joint venture partner of JV Theodor-Heuss-Allee-GmbH. The difference between the carrying amount and the nominal value results from the recognised expected credit losses according to the three-stage model in the amount of EUR 15,195 thousand (previous year: EUR 1,025 thousand). This is offset by an accrued amount of EUR 1,312 thousand (previous year: EUR 1,370 thousand) resulting from the effective interest calculation in accordance with IFRS 9. The impairment was calculated over the entire term when analysed individually in accordance with risk level 3 of the risk level model, as a default on interest payments occurred in the reporting period.

Non-current financial assets in the amount of EUR 4,871 thousand (previous year: EUR 5,144 thousand) include non-current loan receivables from Taurecon GmbH, Berlin, in the amount of EUR 1,708 thousand (previous year: EUR 1,793 thousand), from Taurecon Beteiligungs GmbH in the amount of EUR 1,781 thousand (previous year: EUR 1,969 thousand) and from LKS Beteiligungsgesellschaft mbH in the amount of EUR 1,382 thousand (previous year: EUR 1,382 thousand).

The following table shows the development of impairments on loans to third parties:

in EUR thousand	2023	2022
As at 1 January	**1,025**	**446**
Additions	14,170	579
Use	0	0
Reversal	0	0
As at 31 December	**15,195**	**1,025**

1.7 OTHER ASSETS

Other non-current assets total EUR 8,260 thousand (previous year: EUR 6,685 thousand) and include, among other things, the capitalised rent incentives in the amount of EUR 1,983 thousand (previous year: EUR 1,903 thousand) as well as the deferral of rent-free periods arising from the store portfolio leases in the amount of EUR 2,838 thousand (previous year: EUR 4,343 thousand). Other assets also include furniture, fixtures and equipment (FF&E) grants in the amount of EUR 1,054 thousand (previous year: EUR 439 thousand). Refinancing costs totalling EUR 2,385 thousand were also incurred.

As movable property, FF&E generally have no permanent connection to the property.

2. Current assets

2.1 TRADE ACCOUNTS RECEIVABLE AND OTHER ASSETS

The following table shows the composition of trade accounts receivable and other assets as at 31 December 2023:

in EUR thousand	31/12/2023 Gross	Impairment	31/12/2023 Net	31/12/2022 Gross	Impairment	31/12/2022 Net
Trade accounts receivable	15,630	5,357	10,274	10,733	3,357	7,376
Receivables from operating costs	3,902	0	3,902	6,468	0	6,468
Subtotal of trade accounts receivable	**19,533**	**5,357**	**14,176**	**17,201**	**3,357**	**13,845**
Rent incentives [1]	1,540	0	1,540	9,916	8,471	1,445
Receivables from processing value-added taxes	168	0	168	420	0	420
Other assets	2,211	0	2,211	793	0	793
Subtotal of other assets	**3,919**	**0**	**3,919**	**11,129**	**8,471**	**2,658**
Total	**23,452**	**5,357**	**18,095**	**28,331**	**11,828**	**16,503**

[1] The rent incentives of the previous year are now shown as gross amounts and the value adjustment on these is recognised separately.

Impairments of financial assets are presented using a provision matrix. DEMIRE uses this matrix to determine the required risk provision depending on the maturity or overdue payment of the individual receivables. The provision matrix is based on historical experience and current expectations and is updated at each reporting date.

On this basis, the following change in value rates apply to DEMIRE:

in %	0–90 days past due	91–180 days past due	181–360 days past due	more than 360 days past due
Default rate	5%	11%	24%	39%

Trade receivables, other receivables due from DEMIRE's tenants and loans are measured as follows:

in Days / in EUR thousand	Gross carrying amount [1]	Risk provisions for credit losses expected over the total term	Net carrying amounts
0–90 days	1,373	65	1,308
91–180 days	583	65	518
181–360 days	1,758	428	1,330
more than 360 days	2,713	1,047	1,666
Total	**6,427**	**1,605**	**4,822**

[1] The values include balances of EUR 577 thousand that do not result in impairment. Furthermore, the values do not include receivables that have been individually impaired separately.

In addition to the value adjustments shown in the provision matrix, the portfolio of individual value adjustments amounts to EUR 3,751 thousand (previous year: EUR 2,073 thousand). Individual value adjustments are made, for example, in the case of legal disputes with tenants or in insolvency cases. These related to gross carrying amounts of EUR 5,630 thousand (previous year: EUR 3,759 thousand).

In the previous year, a large proportion of the impairment losses related to a former hotel operator (EUR 1,069 thousand). The gross receivables from this hotel operator amount to EUR 1,590 thousand as at the reporting date (previous year: EUR 1,590 thousand). Impairments totalling EUR 693 thousand (previous year: EUR 330 thousand) are attributable to the tenant Galeria Karstadt Kaufhof, which is again subject to insolvency proceedings. Gross receivables from Galeria Karstadt Kaufhof amounted to EUR 842 thousand as at the reporting date (previous year: EUR 413 thousand).

Gross rent receivables of EUR 3,573 thousand (previous year: EUR 2,019 thousand) were not yet due. No value adjustments were made on these receivables. No value adjustments were made on the operating cost receivables of EUR 3,902 thousand, as these were not yet due as at the balance sheet date.

The trade receivables from the previous period and other receivables from DEMIRE's tenants and loans were measured as follows:

in Days / in EUR thousand	Gross carrying amount	Risk provisions for credit losses expected over the total term	Net carrying amounts
0–90 days	1,071	52	1,019
91–180 days	689	65	624
181–360 days	949	211	738
more than 360 days	2,246	955	1,291
Total	**4,955**	**1,283**	**3,672**

The value adjustment of trade receivables developed as follows:

RECONCILIATION OF IMPAIRMENTS

in EUR thousand	
Impairments pursuant to IFRS 9 as at 31 Dezember 2022	**3,357**
Increase in impairments through profit or loss in the financial year	2,232
Utilisation of impairments in the financial year	–69
Decrease in impairments through profit or loss in the financial year	–162
Impairments pursuant to IFRS 9 as at 31 Dezember 2023	**5,357**

RECONCILIATION OF IMPAIRMENTS FROM THE PREVIOUS YEAR

in EUR thousand	
Impairments pursuant to IFRS 9 as at 01 Januar 2022	**5,589**
Increase in impairments through profit or loss in the financial year [1]	2,028
Utilisation of impairments in the financial year	–2,718
Decrease in impairments through profit or loss in the financial year	–1,542
Impairments pursuant to IFRS 9 as at 31 Dezember 2022	**3,357**

[1] The previous year's figure was adjusted for the purpose of transparency. The amount of EUR 1,015 thousand previously included here was eliminated.
This related to the impairment of loans, which are now shown and explained in more detail separately in Section 1.6 Loans and financial assets as at the reporting date of 31 December 2023 due to their materiality.

As in the previous year, all trade accounts receivable are current in nature and usually due within a period of less than three months.

The calculation of impairments on trade accounts receivable is presented within the scope of the accounting policies in Section C.

2.2 CURRENT FINANCIAL ASSETS

Financial assets in the amount of EUR 12,740 thousand (previous year: EUR 9,584 thousand) consist of the following:

in EUR thousand	31/12/2023 Gross	Impairment	31/12/2023 Net	31/12/2022 Gross	Impairment	31/12/2022 Net
Other purchase price receivables	0	0	0	8,552	0	8,552
Debtor warrant for Eisenhüttenstadt	0	0	0	614	0	614
Interest receivable on loans	3,114	3,005	109	231	0	231
Other financial assets	9,626	0	9,626	187	0	187
Total	**12,740**	**3,005**	**9,735**	**9,584**	**0**	**9,584**

Other financial assets include cash and cash equivalents totalling EUR 9,462 thousand, which are restricted due to a breach of covenant (see Section 5.3) and must therefore be recognised as other assets. The impairment of interest receivable is based on the default on the loan to RFR Immobilien 5 GmbH; see Section E.1.6.

2.3 TAX ASSETS

During the period under review, the tax assets in the amount of EUR 1,057 thousand (previous year: EUR 6,541 thousand) primarily related to refund claims from retained capital gains tax in the amount of EUR 819 thousand including the solidarity surcharge for distributions (previous year: EUR 6,070 thousand).

2.4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the amount of EUR 119,989 thousand (previous year: EUR 57,415 thousand) include cash on hand and bank balances carried at their nominal value. Of this amount, EUR 289 thousand is earmarked for maintenance costs as at 31 December 2023 (previous year: EUR 198 thousand). A further amount of EUR 2,827 thousand is subject to a restriction and is conditional on the extension and revaluation of the loan for CapEx financing in the Wittenberg property (previous year: EUR 1,529 thousand). In addition, an amount of EUR 9,462 thousand (previous year: EUR 3,153 thousand) has been pledged and is subject to a restriction. There is no need to write down cash and cash equivalents. Due to restrictions on the disposal of cash and cash equivalents in the amount of EUR 9,462 thousand in connection with the DZ Hyp loan, the corresponding amount is reported under current financial assets as at 31 December 2023.

3. Non-current assets held for sale

For assets held for sale, it must be determined whether they can be sold in their present state and whether their disposal is highly probable. If this is the case, assets held for sale are recognised and measured in accordance with the relevant regulations of IFRS 5. Non-current assets held for sale are generally carried at the lower of the carrying amount and the fair value less costs to sell. In accordance with the exceptions of IFRS 5.5(d), real estate that is measured using the fair value model continues to be carried at fair value. The fair value of non-current assets held for sale is equal to their selling price less disposal costs, which are assigned to Level 1.

As at the reporting date of 31 December 2023, the LogPark properties in Leipzig and the office properties in Flensburg, Hamburg, Kempten and Trier were classified as properties held for sale in the total amount of EUR 149,100 thousand. The valuation loss here amounts to EUR 30,527 thousand. The transfer of benefits and encumbrances for these properties is scheduled for the 2024 financial year.

In the previous year, the LogPark property in Leipzig was recognised as held for sale at EUR 121,000 thousand.

4. Equity

SUBSCRIBED CAPITAL

On 31 December 2023, the Company had fully paid in subscribed capital in the amount of EUR 107,777,324 divided into 107,777,324 no-par value bearer shares with a notional interest of EUR 1.00. The shares of DEMIRE AG have been admitted for trading in the Prime Standard segment of the Frankfurt Stock Exchange.

Subscribed capital remained unchanged in the reporting period. There were also no changes in the same period last year. No treasury shares were acquired in 2023. Overall, DEMIRE holds a total of 2,264,728 treasury shares with a nominal value of EUR 2,265 thousand as at the reporting date.

CAPITAL RESERVES

As at 31 December 2023, capital reserves amounted to EUR 89,767 thousand (previous year: EUR 88,366 thousand). The increase is due to the gain from the acquisition at below market value of the remaining 6% minority interest in DEMIRE Ulm Bahnhofplatz, Olgastr. Zeitblomstr. GmbH.

RETAINED EARNINGS

Retained earnings amounted to EUR 108,309 thousand as at 31 December 2023 (previous year: EUR 256,347 thousand). The change was mainly due to the net result for the reporting year of EUR –147,190 thousand (previous year: EUR –65,745 thousand).

AUTHORISED CAPITAL

in EUR thousand	2023	2022
As at 1 January	53,889	53,889
Utilisation of authorised capital	0	0
As at 31 DECEMBER	**53,889**	**53,889**

The shareholders are generally entitled to subscription rights. The Executive Board is empowered, with approval of the Supervisory Board, to exclude the subscription rights of shareholders. This applies for cash capital increases of up to 10% of the share capital at an issue price that is not significantly lower than the market price, as well as to service option or conversion rights and in the case of capital increases against contributions in kind.

CONDITIONAL CAPITAL 2020/I

At the ordinary Annual General Meeting of 22 September 2020, Conditional Capital 2020/I was created in the amount of up to EUR 53,328,662.00 divided into up to 53,328,662 new no-par value bearer shares, with a corresponding amendment to the Articles of Association. The conditional capital increase served to grant no-par value bearer shares to the holders or creditors of convertible bonds and/or bonds with warrants, profit participation rights and/or profit participation bonds (or combinations of these instruments) which were issued or will be issued on the basis of the authorisation resolved by the Annual General Meeting on 11 February 2019 under Agenda Item 2 to issue convertible bonds and/or bonds with warrants, profit participation rights and/or profit participation bonds (or combinations of these instruments) by the Company or its direct or indirect subsidiaries and grant a conversion or option right to new no-par value bearer shares of the Company or establish a conversion or option obligation. The new shares shall be issued at the exercise or conversion price to be determined in each case in accordance with the respective authorisation resolution of the Annual General Meeting. The conditional capital increase will only be carried out to the extent that the holders or creditors of conversion or option rights exercise these rights or the holders with conversion or option obligations fulfil their conversion or option obligations, unless cash compensation is granted or treasury shares or shares created from authorised capital are used to service this obligation. The new shares participate in the profit from the beginning of the financial year in which they are issued, and for all subsequent financial years. Provided it is legally permissible, and with the approval of the Supervisory Board, the Executive Board may decide to amend the profit entitlement schedule for the new shares, particularly, that the new shares may participate in the profit from the start of a past financial year for which no resolutions on the appropriation of profits had been made by the Annual General Meeting at the time at which the new shares were issued. The Executive Board is authorised, with the consent of the Supervisory Board, to determine the further details of the implementation of a conditional capital increase. The Conditional Capital 2020/I had not been utilised by the reporting date.

AUTHORISATION TO PURCHASE TREASURY SHARES

On 28 April 2021, the ordinary Annual General Meeting of the Company resolved that, where legally permissible, the Company is authorised to acquire, by 27 April 2026, treasury shares up to 10% of the share capital existing on the date of the resolution or – if lower – up to 10% of the share capital existing at the time the authorisation is exercised. Together with other treasury shares acquired and owned by the Company or attributable to the Company, the treasury shares acquired on the basis of this authorisation may at no time exceed 10% of the Company's share capital existing at the time of the resolution or, if this value is lower, at the time the authorisation is exercised. Acquisition for the purpose of trading in treasury shares is excluded.

The number of treasury shares did not change during the year under review:

Reconciliation of number of shares (in thousands)	2023	2022
Total number of shares as at 1 January	105,513	105,513
Acquisition of treasury shares	0	0
Total number of shares less treasury shares as at 31 December	**105,513**	**105,513**

The "Non-controlling interests" item refers to the interests of shareholders outside of the Group in the equity and the net profit of fully consolidated subsidiaries. Non-controlling interests concerns the interests of third-party shareholders in the equity and net profit/loss of fully consolidated subsidiaries.

5. Non-current liabilities

5.1 DEFERRED TAX ASSETS AND LIABILITIES

In accordance with IAS 12, deferred tax assets and deferred tax liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities in the consolidated balance sheet and the tax statement of financial position or for unused tax loss carry-forwards (liability method). In accounting for deferred tax assets, DEMIRE considers whether it is more likely or less likely that deferred taxes can be realised. The realisability of deferred tax assets depends on whether sufficient taxable income is generated at the time of the reversal of temporary differences between the consolidated balance sheet and the tax statement from which the temporary differences can be deducted. The basis for this assessment is the tax planning of DEMIRE. Deferred tax assets for tax loss carry-forwards were recognised in the amount of EUR 1,311 thousand (previous year: EUR 4,657 thousand). The assessment of the recoverability of the loss carry-forwards and the resulting recognition of deferred tax assets is based on a planning horizon of ten years.

Deferred taxes are measured using the local tax rates expected to apply when the asset is realised or the liability is settled. The tax rates applicable on the reporting date are used as a basis. The effects of changes in tax law are recognised in profit or loss in the year in which the changes take effect. Deferred taxes relating to items recognised directly in equity are not recognised in the statement of income but directly in equity. Deferred tax assets are impaired if it becomes unlikely that the future tax benefits will be realised. Deferred tax assets and liabilities are offset against each other if the claims and obligations relate to the same tax authority.

DEMIRE recognised deferred taxes for temporary differences of Fair Value REIT-AG by applying the Company-specific tax rate as at the reporting date. As Fair Value REIT-AG is generally exempt from taxes, no taxes are incurred at its level, as long as the status as a tax-exempt REIT is maintained. Nevertheless, deferred taxes were recognised for Fair Value REIT-AG according to the "tax-transparent entity" approach. This approach assumes a deemed disposal of all properties directly held by Fair Value REIT-AG and indirectly held through trusts.

Deferred tax assets and liabilities consist of temporary differences in the following items in the balance sheet:

in EUR thousand	31/12/2023	31/12/2022
Deferred tax assets on loss carryforwards	1,311	4,657
Deferred tax liabilities on financial liabilitie / assets	11,317	0
Deferred tax assets on lease liabilities	3,257	4,207
Deferred tax assets before offsetting	**15,884**	**8,864**
Deferred tax liabilities on investment properties and right-of-use assets	53,799	84,799
Deferred tax liabilities on financial liabilitie / assets	0	112
Deferred tax liabilities before offsetting	**53,799**	**84,911**
Offsetting of deferred tax assets with liabilities	–15,884	–8,864
Deferred tax liabilities	**37,915**	**76,047**
Deferred tax assets before offsetting	**0**	**0**

Pursuant to IAS 12.74, deferred tax assets on loss carry-forwards are only recognised to the extent to which deferred tax liabilities exist for the same taxable entity to the same tax authorities and for the same tax type. Regarding the deferred tax assets recognised on tax loss carry-forwards before offsetting in the amount of EUR 1,311 thousand (previous year: EUR 4,657 thousand), the requirements of IAS 12.74 have been met. Tax loss carry-forwards and deductible temporary differences that were not considered when calculating deferred taxes and that generally do not expire, amounted to EUR 56,915 thousand (previous year: EUR 27,452 thousand). In the year under review, there are unrecognised deferred tax assets in the amount of EUR 9,007 thousand (previous year: EUR 3,278 thousand).

The following table shows the change in deferred taxes in the period under review:

in EUR thousand	01/01/2023	Statement of income	31/12/2023
Investment properties and right-of-use assets	–84,799	31,000	–53,799
Lease liabilities	4,207	–950	3,257
Tax loss carryforwards	4,657	–3,346	1,311
Financial liabilities	–112	11,429	11,317
Total	**–76,047**	**38,132**	**–37,915**

The "Financial liabilities" item refers primarily to deferred taxes related to the 2019/24 corporate bond.

The change in deferred taxes in the previous year and its structure can be broken down as follows:

in EUR thousand	01/01/2022	Statement of income	31/12/2022
Investment properties and right-of-use assets	–93,127	8,328	–84,799
Lease liabilities	3,453	754	4,207
Tax loss carryforwards	6,930	–2,273	4,657
Financial liabilities	–1,948	1,836	–112
Total	**–84,692**	**8,645**	**–76,047**

5.2 MINORITY INTERESTS

Minority interests reported under the Group's liabilities concern the capital of limited partners, who are mainly natural persons, in real estate funds in the legal form of a GmbH & Co. KG, totalling EUR 72,021 thousand as at the reporting date (previous year: EUR 80,364 thousand). Please refer to Section B for information about the consolidation principle used for minority interests.

5.3 FINANCIAL LIABILITIES

Financial liabilities are measured at their fair value on the date of assumption less directly attributable transaction costs and discounts. The fair value at the time of incurring the financial liabilities corresponds to the present value of the future payment obligations based on a maturity- and risk-congruent market rate. Subsequent measurement is carried out at amortised cost using the effective interest method. The effective interest rate is determined at the time of the initial recognition of the financial liabilities. Changes to the conditions relating to the amount or timing of interest and repayments result in a recalculation of the carrying amount of the financial liabilities at their present value and based on the originally determined effective interest rate. Any differences to the previously recognised carrying amounts of the financial liabilities are recognised through profit or loss.

Financial liabilities as at 31 December 2023 consisted of the following:

FINANCIAL LIABILITIES

in EUR thousand	Fixed interest	Variable interest	Total
2019/2024 corporate bond	497,564	0	497,564
Other financial liabilities	289,112	4,393	293,505
Total	**786,676**	**4,393**	**791,069**

Financial liabilities as at 31 December 2022 consisted of the following:

FINANCIAL LIABILITIES FOR THE PREVIOUS YEAR

in EUR thousand	Fixed interest	Variable interest	Total
2019/2024 corporate bond	546,394	0	546,394
Other financial liabilities	276,991	5,670	282,661
Total	**823,385**	**5,670**	**829,055**

The following table shows the nominal value of financial liabilities as at 31 December 2023:

FINANCIAL LIABILITIES

in EUR thousand	Fixed interest	Variable interest	Total
2019/2024 corporate bond	499,000	0	499,000
Other financial liabilities	286,510	4,342	290,853
Total	**785,510**	**4,342**	**789,853**

The following table shows the nominal value of financial liabilities as at 31 December 2022:

FINANCIAL LIABILITIES FOR THE PREVIOUS YEAR

in EUR thousand	Fixed interest	Variable interest	Total
2019/2024 corporate bond	550,000	0	550,000
Other financial liabilities	275,334	5,670	281,004
Total	**825,334**	**5,670**	**831,004**

The difference between the carrying amounts of financial liabilities and their nominal values is due to the subsequent measurement of financial liabilities at amortised cost using the effective interest method in accordance with IFRS 9.

In June 2023, DEMIRE Meckenheim Merl GmbH took out a loan of EUR 15,000 thousand with an interest rate of 4.25%. In the course of the reporting year, a further loan of EUR 8,300 thousand was taken out for Bad Vilbel Konrad Adenauer Allee 1–11 GmbH with an interest rate of 4.35%. On 22 May 2023, the existing agreement for this company was extended until 30 June 2028 with an interest rate of 4.34%.

Other financial liabilities mainly comprise financial liabilities to credit institutions at a weighted average nominal interest rate of 1.51% (previous year: 1.26%). The weighted average nominal interest rate on all financial liabilities amounted to 1.74% per annum as at 31 December 2023 (31 December 2022: 1.67% per annum).

The corporate bond represents a significant portion of financial liabilities. The bond has a nominal interest rate of 1.875% and matures in October 2024.

As at the reporting date, financial liabilities were collateralised by assets in the amount of EUR 358,400 thousand (previous year: EUR 346,890 thousand). As in the previous year, no assets of DEMIRE had been encumbered with a mortgage as a guarantee for third-party liabilities.

Generally, all loan agreements for the properties financed stipulate information requirements that DEMIRE’s subsidiaries as debtors must fulfil with respect to the banks or investors as creditors. Depending on the type and scope of the loan, the information requirements range from providing key financial ratios (such as financial statements) to reporting on the compliance with covenants.

The monitoring, compliance and reporting of the covenants specified in the loan agreements for the properties financed are carried out by DEMIRE’s Management, Treasury and Asset Management areas and other external service providers. Depending on the specific credit agreement, the appropriate reporting on the covenants as well as the basis for the underlying business ratios are to be submitted to the creditors quarterly, semi-annually or annually. If DEMIRE fails to comply with the stipulated values in the covenants, the creditors are entitled to demand additional collateral from DEMIRE. The loans are then in default. If the default persists for a longer period of time and cannot be permanently remedied, the creditors typically have a special right of termination.

One of the contractually agreed covenants had not been observed for an element of financing within the DEMIRE subgroup as at the reporting date of 31 December 2023, with an outstanding value of EUR 83.6 million. The financing has been and is being serviced as planned, and the Company has reached an agreement with the financing bank to cure the covenant breach, which provides for a cash trap. This totalled EUR 9,462 thousand as at the reporting date.

CORPORATE BOND (2019/24)

As at the reporting date of 31 December 2023, the 2019/24 unsecured corporate bond issued in October 2019 is pending for the full nominal amount of EUR 499,000 thousand. In April 2023, DEMIRE AG repurchased a nominal EUR 51,000 thousand of the bond for EUR 35,235 thousand, after which the shares in question were cancelled.

If new financial liabilities are assumed in accordance with the terms and conditions of the 2019/24 corporate bond, DEMIRE AG is obliged to comply with the requirements of the financial covenants. If these covenants are not complied with, this would lead to extraordinary terminations by the bondholders and consequently repayment obligations on the part of the Company. It would also result in additional restrictions on the distribution of dividends. The financial covenants include, specifically, the net loan-to-value (net LTV), which may not exceed 60% during the term of the bond. A further key ratio is the net secured LTV, which may not exceed 40% during the term of the bond. In addition, the interest coverage ratio, which may be no less than 175% during the period from the placement of the corporate bond until 31 March 2021 and no less than 200% since 1 April 2021, must also be observed. The obligation to review and calculate the financial covenants only applies in the course of further borrowings. The monitoring, compliance and reporting of the financial covenants were carried out by DEMIRE's Corporate Finance, Treasury and Asset Management departments. No financial covenants of the 2019/24 corporate bond were breached for 2023 as a whole or as at the reporting date of 31 December 2023. The planning for DEMIRE also indicates that compliance with these ratios will be maintained. Further information on the refinancing can be found in Section A.2 Going concern.

CHANGES TO LIABILITIES ARISING FROM FINANCING ACTIVITY

The table below displays the development of Group liabilities arising from financing activity, including any net and non-cash changes.

in EUR thousand	Financial liabilities	Lease liabilities
01/01/2023	**829,055**	**26,599**
Net changes		
Proceeds from borrowings	23,300	0
Repayments of financial liabilities	–50,036	0
Repayment of lease liabilities	0	–353
Non-cash changes		
Valuation effects from the calculation of effective interest rates	2,608	0
Accrued interest	1,942	0
Other valuation effects	–15,798	0
Disposal Leasing liabilities		–1,262
Admission of lease liabilities	0	94
Adjustment of lease liabilities owing to contractual adjustment	0	843
31/12/2023	**791,070**	**25,922**

in EUR thousand	Financial liabilities	Lease liabilities
31/12/2022	**890,514**	**24,472**
Net changes		
Repayments of financial liabilities	–53,728	0
Repayment of lease liabilities	0	–224
Non-cash changes		
Valuation effects from the calculation of effective interest rates	3,194	0
Accrued interest	2,191	0
Other valuation effects	–13,116	0
Adjustment of lease liabilities owing to contractual adjustment	0	2,351
31/12/2022	**829,055**	**26,599**

In addition to the 2019/24 corporate bond, there are financial liabilities totalling EUR 290,852 thousand (previous year: EUR 282,661 thousand), of which EUR 170,527 thousand (previous year: EUR 13,603 thousand) are classified as current as at the reporting date. This results from the expected maturities of these financial liabilities.

5.4 MARKET VALUES OF OPTIONS

Key basic assumptions for the calculation of options and the sensitivity analysis of the assumptions made

The fair value of the options is measured using the established valuation model, taking into account observable and non-observable market data.

The increase in the market values of options is mainly due to the changed market conditions which affect the scenarios described in Section B.B. As at the measurement date of 31 December 2023, the option valuation resulted in a negative amount of EUR 24.1 million, which was recognised as a liability. This probability-weighted value was recognised at fair value through profit or loss. The options are measured using the fair value hierarchy level 3.

In EUR thousand	Market values of options
31 December 2022	**0**
Non-cash changes	
Valuation effects after modelling	24,100
31 December 2023	**24,100**

A change in cash flows would result in a different value for the options, which can be seen in the sensitivity analysis in Section B.

6. Current liabilities

6.1 PROVISIONS

Provisions have been recognised as liabilities in the period under review for obligations to third parties that are likely to result in a future outflow of resources. The value of the provisions is reviewed at each reporting date.

DEMIRE assumes that the provisions will be fully utilised in the following financial year.

Provisions developed as follows during the period under review:

in EUR thousand	31/12/2022	Utilisation	Reversal	Additions	31/12/2023
Staff costs	2,060	–1,941	0	915	1,034
Other provisions	951	922	–596	328	1,605
Total	**3,011**	**–1,019**	**–596**	**1,243**	**2,639**

Provisions developed as follows during the previous year:

in EUR thousand	31/12/2022	Utilisation	Reversal	Additions	31/12/2022
Staff costs	3,561	–2,633	–809	1,941	2,060
Other provisions	452	0	0	499	951
Total	**4,012**	**–2,633**	**–809**	**2,440**	**3,011**

Staff provisions mainly contain obligations for the variable performance-related remuneration of the Executive Board and employees (see Section G. 2).

Other provisions in the amount of EUR 1,604 thousand include provisions for potential legal disputes (previous year: EUR 951 thousand). The provisions recognised represent the best possible estimate with regard to the outcome of the legal disputes. It is expected that a settlement regarding the legal dispute will be reached in the current reporting period.

6.2 TRADE PAYABLES AND OTHER LIABILITIES

Liabilities are recognised at amortised cost after their initial recognition.

As at the reporting date, trade payables and other liabilities were as follows:

in EUR thousand	31/12/2023	31/12/2022
Trade payables	9,421	15,807
Accounting and audit costs	596	805
Subtotal of other trade payables	**10,016**	**16,612**
Accounts receivable with credit balances	887	791
Liabilities arising from retained collateral	770	600
PRAP	745	494
Purchase price liabilities	500	500
Operating costs	496	541
Compensation payments	337	836
Advance payments received	70	89
Building obligations resulting from purchase agreements	0	744
interest expenses	0	237
Minority shareholders departing the Company	0	166
Liabilities arising from liquidation costs	0	32
Liability from distribution	0	42
Other	1,349	90
Subtotal of financial liabilities	**5,154**	**5,162**
Liabilities from value-added taxe	1,158	195
Total other non-financial liabilities	**1,158**	**195**
Total	**16,328**	**21,967**

Trade payables relate primarily to current liabilities incurred as part of property management activities and/or in conjunction with the maintenance and repair of properties. As was the case in the previous year, all liabilities are due for payment within one year. As was the case on 31 December 2023, all trade payables amounting to EUR 10,016 thousand (previous year: EUR 16,612 thousand) are current in nature.

Compensation payments concern guaranteed dividends to non-controlling shareholders under profit and loss transfer agreements within the framework of a tax group created for income tax purposes. The decrease in compensation payments results from offsetting for the current period. The amount in the reporting period consists of the remaining term totalling EUR 337 thousand.

6.3 TAX LIABILITIES

Current income tax liabilities of EUR 24,252 thousand (previous year: EUR 13,116 thousand) are divided into corporation taxes of EUR 18,795 thousand (previous year: EUR 10,417 thousand) and trade taxes of EUR 5,457 thousand (previous year: EUR 2,699 thousand).

7. Leases

7.1 OPERATING LEASES – DEMIRE AS LESSOR

The leases concluded by DEMIRE as lessor constitute operating leases within the meaning of IFRS 16.

The minimum lease payments as shown in the overview include net rents to be collected over the term of the lease in accordance with the currently applicable rental agreements. Rent agreements are usually concluded over fixed minimum terms of up to ten years. In some cases, tenants are entitled to extension options. In these cases, contractual rent escalation clauses effectively reduce the market risk of a long-term commitment. In the case of unlimited tenancies extended on a recurring basis with a remaining term of under one year as well as generally unlimited tenancies, an appropriate remaining term of the rental period of three years from the reporting date was recognised.

When renting and managing real estate, there is the risk of rent reductions, loss of rent or vacant space. Index-related rent increases may not always be implemented in full, immediately or at all. In addition to loss of income, letting-related costs (for example, broker's fees or rent incentives such as expansion costs, assumption of relocation costs, rent-free periods, etc.) may arise.

in EUR thousand	31/12/2023	31/12/2022
Due within 1 year	72,788	81,928
Due within 2 years	61,143	72,863
Due within 3 years	49,029	54,305
Due within 4 years	42,887	42,274
Due within 5 years	35,410	35,798
Due after more than 5 years	236,407	255,187
Total future rental income	**497,664**	**542,355**

7.2 DEMIRE AS LESSEE

Leases are accounted for at the time the lease asset is made available. According to IFRS 16, the lessee reports a lease liability for all leases in the balance sheet in the amount of the present value of the future lease payments and simultaneously capitalises a corresponding right of use to the underlying asset plus directly attributable costs. The lease instalment is divided into an interest component and a repayment component during the lease term.

DEMIRE measures the present value of the outstanding lease payments at the time the lease is provided. The payments are discounted using the effective interest rate.

— Rights-of-use of assets that are not regarded as investment properties are depreciated on a straight-line basis over their expected useful lives. This relates to leases of vehicles. The rights-of-use for vehicles are reported under property, plant and equipment.

— Rights-of-use of investment properties, which are measured at fair value in accordance with IAS 40, are measured in line with the standard accounting policies laid down by IAS 40 and also reported under this item. This applies to leaseholds and permanent rights-of-use of an underground car park. The measurement is therefore based on the report of the external independent expert Savills Advisory Services Germany GmbH & Co. KG, a company with its registered office based in Frankfurt am Main. Depreciation of the right-of-use on a straight-line basis over its useful life is therefore not effected. Please refer to Section E.1.3 for details on the valuation method applied.

Payments for short-term leases and low-value leases are recognised as an expense in the statement of income in accordance with IFRS 16.6. Short-term leases are all agreements with a term of less than twelve months. Such expenses were only incurred to an immaterial extent during the period under review and in the previous year.

The following amounts related to leases are shown in the balance sheet:

RIGHTS-OF-USE

in EUR thousand	31/12/2023	31/12/2022
Leasehold contracts	20,580	22,056
Rights-of-use for rented underground car park in Ulm	0	1,308
Vehicles	68	28
Total	**20,648**	**23,392**

Please refer to Section 1.3 "Investment properties" for information on profit derived from the valuation of rights-of-use.

LEASE LIABILITIES

in EUR thousand	31/12/2023	31/12/2022
Non-current	25,605	26,209
Current	317	391
Total	**25,922**	**26,600**

Lease liabilities comprise the obligations from the leasehold contracts of the Galeria Karstadt Kaufhof portfolio acquired in 2020 in the amount of EUR 25,605 thousand (previous year: EUR 26,209 thousand). The slight decrease in non-current lease liabilities is due to the adjustment of the conditions for leaseholds in Trier and Celle.

The leasehold contracts generally have long terms and expire in March 2083 at the latest. When determining the present values of the lease liabilities upon initial recognition, the financing structure of the respective companies in terms of IFRS 16 was considered in determining the incremental borrowing rate. The following lease-related amounts are shown in the consolidated statement of income:

AMORTISATION EXPENSES FOR RIGHTS-OF-USE

in EUR thousand	2023	2022
Vehicles	40	28
Total	**40**	**28**

OTHER LEASE INTEREST EXPENSES

in EUR thousand	2023	2022
Interest expense (included in financial expense)	905	860

Of the lease interest expenses of EUR 905 thousand (previous year: EUR 860 thousand), EUR 887 thousand (previous year: EUR 806 thousand) is attributable to interest expenses from leasehold contracts.

The cash outflows for leases in 2023 came to a total of EUR 1,193 thousand (previous year: EUR 1,045 thousand), of which EUR 1,152 thousand (previous year: EUR 907 thousand) is attributable to leasehold payments.

8. Contingencies

The contingent liabilities as at the reporting date consist of mortgages under Section 1191 of the German Civil Code (BGB) in the amount of EUR 358,400 thousand (previous year: EUR 346,890 thousand). The maximum liability for these properties is limited to the market value as at the reporting date of EUR 358,400 thousand (previous year: EUR 346,890 thousand).

9. Other financial obligations and contingent liabilities

Obligations for modification and expansion measures, as well as maintenance and modernisation work on the properties, totalled EUR 144,827 thousand (previous year: EUR 113,132 thousand). These obligations are fixed in terms of their scope. The year-on-year increase is primarily due to higher construction costs in connection with the conversion of the property in Essen into a police headquarters.

The purchase order commitment from commissioned maintenance amounted to EUR 8,502 thousand (previous year: EUR 5,348 thousand) as at the reporting date.

As in the previous year, there is also a credit line totalling EUR 6,000 thousand.

The amounts were determined on the basis of contractual agreements with tenants, agreed contract amounts and cost estimates from contractors such as architects, manual workers and general contractors. There is uncertainty surrounding the timing of cash outflows as construction activities can be delayed due to disruptions in supply chains or the availability of staff and materials. There is also uncertainty about the required amounts as price fluctuations may occur to a certain extent for services that have not yet been contractually agreed. It is currently assumed that around 25% of the funds required for contractual obligations will be incurred within one year and around 75% within a period of one to five years.

F. Group segment reporting

The segmentation of the data in the consolidated 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 DEMIRE AG's Executive Board.

The Group is divided into the two reportable business segments Core Portfolio and Fair Value REIT. The focus is on the sustainable management of the respective properties. These properties are held for the purpose of generating rental income and value appreciation.

The Core Portfolio segment contains the commercial properties that are held by the subsidiaries of DEMIRE AG, with the exception of the properties of Fair Value REIT. Due to their similar economic characteristics, internal reporting is performed on an aggregated basis.

Fair Value REIT is listed in the General Standard and, due to its status as a REIT company, is subject to the requirements of the REIT Act. When making management decisions, these requirements must be considered. As a result, a distinction is made between the Core Portfolio segment and the Fair Value REIT segment. Due to their similar economic characteristics, internal reporting is performed on an aggregated basis.

2023

in EUR thousand	Core Portfolio	Fair Value REIT	Corporate Functions/Others	Group
External revenue	147,967	24,006	0	171,973
Total revenue	**147,967**	**24,006**	**0**	**171,973**
Result from the fair value adjustment of investment properties and assets held for sale	– 151,872	– 24,935	0	– 176,807
Other income	372	440	230	1,043
Segment revenue	**– 3,533**	**– 488**	**230**	**– 3,791**
Expenses from the sale of real estate	– 84,743	0	– 41	– 84,784
Other expenses	– 39,006	– 10,320	– 50,044	– 99,371
Segment expenses	**– 123,749**	**– 10,320**	**– 50,085**	**– 184,154**
EBIT	**– 127,282**	**– 10,808**	**– 49,856**	**– 187,946**
Financial income	883	297	20,362	21,542
Financial expenses	– 4,377	– 1,173	– 11,600	– 17,150
Profit/loss from companies accounted for using the equity method	1,007	0	0	1,007
Minority interests	0	5,086	0	5,086
Income taxes	12,438	2,743	10,314	25,495
Net profit/loss for the period	**– 117,331**	**– 3,855**	**– 30,780**	**– 151,966**
Significant non-cash items	**153,435**	**22,195**	**– 10,209**	**165,422**
Impairment losses in net profit/loss for the period	**1,522**	**639**	**16,745**	**18,906**

31 DECEMBER 2023

in EUR thousand	Core Portfolio	Fair Value REIT	Corporate Functions/Others	Group
Segment assets	**927,566**	**293,986**	**105,980**	**1,327,532**
of which tax assets	965	92	0	1,057
of which additions to investment properties	10,416	1,015	0	11,431
of which non-current assets held for sale	149,100	0	0	149,100
Segment liabilities	**781,254**	**162,721**	**50,272**	**994,247**
of which non-current financial liabilities	61,384	58,956	0	120,341
of which lease liabilities	25,854	0	69	25,922
of which current financial liabilities	659,771	10,958	0	670,729
of which tax liabilities	6,537	0	17,715	24,252

The “Corporate Functions/Others” column mainly contains the activities of DEMIRE AG for its subsidiaries in its function as the Group holding company in areas such as risk management, finance and controlling, financing, legal, IT and compliance. The activities as the Group holding company do not constitute a separate segment but rather reconcile items that cannot be allocated to the other segments.

More than 10% of total revenue (income from tenancies) was generated from one customer in the Core Portfolio segment. This corresponds to a total of EUR 9,908 thousand (previous year: EUR 12,708 thousand) during the financial year.

In the Core Portfolio segment, non-cash items mainly comprise fair value adjustments in investment properties in the amount of EUR 121,345 thousand (previous year: EUR 88,812 thousand), income taxes in the amount of EUR 5,129 thousand (previous year: EUR 5,954 thousand), deferred taxes in the amount of EUR – 17,567 thousand (previous year: EUR – 1,091 thousand) and the profit/loss from companies accounted for using the equity method in the amount of EUR – 316 thousand (previous year: EUR – 244 thousand).

Business transactions between the segments are processed based on terms and conditions at arm's length.

2022

in EUR thousand	Core Portfolio	Fair Value REIT	Corporate Functions/Others	Group
External revenue	97,577	23,256	1,053	121,887
Total revenue	**97,577**	**23,256**	**1,053**	**121,887**
Profit/loss from fair value adjustments of investment properties	–88,813	–10,066	0	–98,878
Other income	375	201	224	800
Segment revenue	**9,140**	**13,391**	**1,277**	**23,808**
Expenses from the sale of real estate	–20,907	0	0	–20,907
Other expenses	–41,235	–25,689	–8,902	–75,826
Segment expenses	**–62,142**	**–25,689**	**–8,902**	**–96,733**
EBIT	**–53,001**	**–12,297**	**–7,626**	**–72,925**
Financial income	70	26	18,315	18,411
Financial expenses	–18,068	–1,228	–0	–19,296
Profit/loss from companies accounted for using the equity method	–266	0	0	–266
Minority interests	0	770	0	770
Income taxes	–4,864	1,212	5,455	1,803
Net profit/loss for the period	**–76,128**	**–11,517**	**16,144**	**–71,502**
Significant non-cash items	**102,669**	**8,859**	**–6,433**	**105,095**
Impairment losses in net profit/loss for the period	**595**	**186**	**720**	**1,501**

31 DECEMBER 2022

in EUR thousand	Core Portfolio	Fair Value REIT	Corporate Functions/Others	Group
Segment assets	**1,125,247**	**315,483**	**96,121**	**1,536,851**
of which tax assets	1,565	50	4,926	6,541
of which additions to investment properties	28,328	3,536	0	31,864
of which non-current assets held for sale	121,000	0	0	121,000
Segment liabilities	**861,712**	**176,920**	**11,527**	**1,050,160**
of which non-current financial liabilities	742,605	70,824	0	813,429
of which lease liabilities	26,584	0	15	26,599
of which current financial liabilities	13,065	2,560	0	15,626
of which tax liabilities	4,351	0	8,764	13,116

G. Other disclosures

1. Financial instruments

For further details and information, please also refer to the risk report section of the management report.

FINANCIAL RISK MANAGEMENT

The credit risk arising for DEMIRE as part of its operating activities as well as risk arising from financing activities are continuously monitored and actively managed by the Executive Board. As a result of these measures, the consolidated financial statements were prepared under the assumption of a going concern.

DEMIRE's financial assets mainly consist of loans to companies accounted for using the equity method, other loans, trade accounts receivable and other receivables, financial receivables, other financial assets and bank balances. The majority of trade accounts receivable consists of rent receivables. Potential defaults in this context are taken into consideration.

DEMIRE's financial liabilities mainly comprise bonds, bank loans, other loans, lease liabilities and trade payables. The main purpose of these financial liabilities is to finance DEMIRE's operations.

DEMIRE is exposed to various financial risks as a result of its business activities: interest rate risk, credit risk and liquidity risk. The overarching risk management system concentrates on the continual identification and active management of typical business risks. This system accepts risks within a certain range if they offer the opportunity for commensurate returns. The goal is to limit the exposure to peak risks so that DEMIRE's continuance is not jeopardised.

The Executive Board identifies, evaluates and hedges financial risk in close collaboration with the risk officer and in coordination with DEMIRE AG's Supervisory Board.

Loan agreements exist in the Group that contain certain financial covenants stipulated by the creditors. Non-compliance with these financial covenants could lead to extraordinary terminations of these agreements by the creditors. The financial covenants concern financial ratios of the respective real estate portfolio, particularly the debt service coverage ratio (DSCR), the interest coverage ratio (ICR) and the loan-to-value (LTV) debt ratio. The calculations are based on the specifications set by the creditors in the loan agreement. The monitoring, compliance and reporting of the financial covenants specified in the loan agreements for the properties financed are carried out by DEMIRE's Management, Treasury and Portfolio Management areas and by external service providers. Depending on the type of financing, the financial covenants are reported to the creditors on a quarterly, semi-annual or annual basis, or the creditors are provided with the underlying economic ratios. Should DEMIRE fail to comply with the financial covenants, the creditors would be entitled to demand additional collateral from DEMIRE. The loans are then in default. If the default persists for a longer period of time and cannot be permanently remedied, the creditors have a special right of termination.

INTEREST RATE RISK

To finance its German commercial real estate, the DEMIRE Group uses liabilities with fixed interest loans to a degree customary for the industry. This involves both loans with fixed and variable interest rates and tradable instruments.

Interest rate risks relating to cash flows exist with respect to liquid funds placed in Company accounts. The Company does not anticipate significant negative effects from interest rate changes over the long term because the liquid funds on the reporting date are only available until investments and repayments are made and will subsequently be tied up in projects according to plan.

In January 2022, a variable-rate loan in the amount of EUR 5,916 thousand in the Fair Value REIT-AG subgroup was extended for another two years. A minimum interest rate of 1.5% and a variable interest rate based on the three-month EURIBOR were agreed. This loan was converted into a fixed-interest loan in 2023. An interest rate of 4.85% was set, which came into force in April 2024. All other loans totalling EUR 784,835 thousand have a fixed interest rate.

Since transaction prices for real estate increase when interest rates are low and fall when interest rates are high, the level of interest rates also has an impact on the purchase prices of newly acquired real estate. In addition, interest rates play an important role in the valuation of investment properties.

The interest rate policy is evaluated at regular intervals and in close consultation with the Supervisory Board of DEMIRE AG.

RISKS FROM THE REFINANCING OF THE 2019/24 CORPORATE BOND

In order to refinance the 2019/24 corporate bond with a final maturity in October 2024, the Company has been seeking to build up a liquidity reserve since mid-2022. Numerous properties have been sold for this purpose. At the same time, financing for previously unencumbered properties and revaluations of existing loans were realised. In view of the difficult macroeconomic and real estate market environment, these measures together have led to a significant increase in liquidity of EUR 180 million (including LogPark) as at 31 August 2024, which, however, will not be sufficient for full repayment of the bond in the 2024 financial year in view of the outstanding nominal amount of EUR 499 million. To address this, the Company entered into discussions with bondholders in the fourth quarter of 2023 with a view to extending the bond with revised terms and conditions. At the beginning of September 2024, bondholders holding more than 90% of the bond gave their formal consent for the extension of the bond to the end of 2027 in accordance with the German Bond Act. There is still a significant degree of uncertainty in this regard ahead of the technical implementation of the new bond terms and conditions, which is expected to take place at the end of October or beginning of November. However, due to the high approval rate of over 90% among bondholders, DEMIRE is confident that the implementation will prove successful.

In addition to a base interest rate that has been increased to 5% per annum, the bond extension agreement includes repayment options that, if not met, are subject to additional interest payments and thus indirectly entail the risk of higher costs. From 1 January 2026, an additional 3% will be due if less than EUR 50 million of the bond has been repaid by the end of 2025. From 1 January 2027, an additional 2% will be charged if a further EUR 50 million of the bond has not been repaid by the end of 2026. In addition, payment-in-kind interest (PIK) of 3% per annum will be charged on the outstanding bond amount from 2027. All additional interest payments are to be made together with the remaining outstanding bond amount by 31 December 2027 at the latest.

Until the new bond terms and conditions have been technically and officially implemented, the Executive Board continues to assess the risk associated with refinancing the corporate bond as high to very high in terms of a threat to the Company's existence due to the high outstanding bond amount of EUR 499 million.

CREDIT RISK

The reported financial instruments represent the maximum credit risk and default risk. Counterparty risk is uniformly assessed and monitored within the framework of Group-wide risk management. The aim is to minimise the risk of defaults. Counterparty risk is not insured. Possible risks are taken into account as part of the expected credit loss model. For more information, see Section E.1.5 and Section C "Accounting policies".

Rental deposits amounting to EUR 2,751 thousand (previous year: EUR 4,571 thousand) are available as security in the event a tenant defaults. For an analysis of the impaired receivables, please refer to Section E.2.1.

LIQUIDITY RISK

Liquidity management serves the purpose of ensuring the Group's solvency at all times. In principle, there is the risk that the Company may not have sufficient liquidity at all times during the year to meet its current obligations, and that the refinancing of expiring financial liabilities may not be obtained or may only be obtained at less favourable conditions than planned. Additional liquidity requirements from events beyond DEMIRE's control may also result, first and foremost, from the operating risks and other risks listed below. The funds available at the reporting date and the planned cash flows in 2024 are sufficient for the current needs of the operating activities, provided that the refinancing of the 2019/24 corporate bond is successfully implemented.

CAPITAL MANAGEMENT AND CONTROL

The primary objective of the Group's capital management is to ensure that DEMIRE's debt eligibility and its financial substance are maintained in the future. The capital structure is managed according to economic and regulatory requirements. DEMIRE strives for a capital structure that is appropriate for the business risk and in doing so is also subject to the minimum capital requirements of the German Stock Corporation Act, the compliance of which is monitored by DEMIRE AG's Executive Board. The requirements were met both in the reporting year and in the previous year.

DEMIRE monitors its capital using the equity ratio, which is also an important indicator for investors, analysts and banks.

The equity ratio as at 31 December 2023 was 25.1% after 31.7% at the end of 2022. Non-controlling minority interests in the amount of EUR 72 million (previous year: EUR 80.4 million) are reported in non-current liabilities and not under equity in accordance with IFRS, primarily due to the legal form of a partnership. The corresponding adjusted Group equity totalled EUR 405,306 million or 30.5% of total equity and liabilities (31 December 2022: EUR 567.1 million or 36.9%).

As part of the refinancing of the 2019/24 bond, the largest shareholder Apollo has agreed to provide the Company with a shareholder loan of up to EUR 100 million. The shareholder loan will bear interest of 22% per annum. Interest payments can be made either at the half-yearly calculation dates or – taking into account compound interest accrued – at the end of the loan term. The shareholder loan is scheduled to run until the end of 2028. No dividend payments are permitted until the 2019/24 corporate bond has been repaid in full.

OTHER DISCLOSURES ON FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are classified and accounted for at the date of acquisition according to the categories of IFRS 9. The accounting policies are presented in Section C.

The classification of financial instruments required by IFRS 7 is in line with the respective items in the consolidated balance sheet. The tables below present the carrying amounts, valuations and fair values of the financial assets and liabilities for each individual category of financial instruments and reconcile these values to the measurement categories. Under IFRS 9, the relevant measurement category for DEMIRE is "at amortised cost".

Other financial liabilities (other liabilities) are non-derivative financial liabilities that are subsequently measured at amortised cost. Differences between the amount received and the expected repayment amount are spread over the term through profit or loss. DEMIRE allocates financial liabilities and other liabilities to this category.

31/12/2023

in EUR thousand	Measurement category	Carrying amount under IFRS 9	Fair Value
Assets			
Trade accounts receivable	At amortised cost	14,176	14,176
Loans to companies accounted for using the equity method	At amortised cost	25,150	23,531
Loans and financial assets	At amortised cost	58,100	53,291
Cash and cash equivalents	At amortised cost	119,989	119,989
Equity and liabilities			
Bonds	At amortised cost	497,564	303,093
Other non-current financial liabilities	At amortised cost	120,341	96,635
Minority interests	At amortised cost	72,021	72,021
Trade payables	At amortised cost	10,016	10,016
Other financial liabilities	At amortised cost	4,818	4,818
Current financial liabilities	At amortised cost	173,164	173,164
Compensation payments to minority shareholders	At amortised cost	24,437	24,437

31/12/2022

in EUR thousand	Measurement category	Carrying amount under IFRS 9	Fair Value
Assets			
Trade accounts receivable	At amortised cost	13,845	13,845
Loans to companies accounted for using the equity method	At amortised cost	24,752	20,566
Loans and financial assets	At amortised cost	72,335	61,701
Cash and cash equivalents	At amortised cost	57,415	57,415
Equity and liabilities			
Bonds	At amortised cost	546,394	383,911
Other non-current financial liabilities	At amortised cost	269,058	235,383
Minority interests	At amortised cost	80,364	80,364
Trade payables	At amortised cost	16,611	16,611
Other financial liabilities	At amortised cost	4,327	4,327
Current financial liabilities	At amortised cost	13,603	13,603
Compensation payments to minority shareholders	At amortised cost	836	836

Fair value is the amount at which financial assets and liabilities could be exchanged between independent business partners on the valuation date. For the purpose of determining the fair value of the bond and other non-current financial liabilities, please refer to Section C.

Due to the short maturity of cash and cash equivalents, trade accounts receivable and trade payables and other current receivables and liabilities, it is assumed that the respective fair value corresponds to the carrying amount. The lease liabilities of EUR 25,922 thousand (previous year: EUR 26,600 thousand) are recognised in accordance with IFRS 16.

NET GAINS/LOSSES ON FINANCIAL INSTRUMENTS IN 2023

in EUR thousand	Net gains/losses	Of which from interest
Assets		
At amortised cost	–13,048	5,858
Equity and liabilities		
At amortised cost	–824	–16,301

NET GAINS/LOSSES ON FINANCIAL INSTRUMENTS IN 2022

in EUR thousand	Net gains/losses	Of which from interest
Assets		
At amortised cost	3,062	4,563
Equity and liabilities		
At amortised cost	–5,403	–18,436

The following table shows the future maturities in accordance with IFRS 7.B11(a) for interest and repayments of liabilities at the reporting date as well as liabilities to minority interests:

AS AT 31/12/2023

in EUR thousand	2024	2025	2026	2027	2028	after 31.12.2028
2019/2024 corporate bond	508,356	0	0	0	0	0
Bank liabilities	174,150	42,232	36,208	4,614	4,595	47,274
Minority interests[1]	0	72,021	0	0	0	0
Lease liabilities	1,152	1,150	1,125	1,120	1,120	42,770
Trade payables	10,016	0	0	0	0	0
Other liabilities	8,951	24,100	0	0	0	0
Total	**702,626**	**139,503**	**37,333**	**5,734**	**5,715**	**90,044**

[1] The disclosure of the maturities of liabilities to minority shareholders was based on the earliest possible termination date and thus the earliest possible payment obligation, which must be disclosed in accordance with IFRS 7.B11 (a). This is not based on the actual due date, but it takes into account a possible due date derived from the earliest possible termination date. By way of derogation from the rules laid down in IFRS 7.B11 (a), the Group's internal liquidity planning makes provision for a due date after five years.

AS AT 31/12/2022

in EUR thousand	2023	2024	2025	2026	2027	after 31.12.2027
2019/2024 corporate bond	10,354	560,313	0	0	0	0
Bank liabilities	15,293	176,759	56,787	20,355	1,796	18,705
Minority interests[1]	0	80,364	0	0	0	0
Lease liabilities	1,231	1,226	1,215	1,215	1,151	41,143
Other liabilities	8,370	0	0	0	0	0
Total	**35,249**	**818,661**	**58,002**	**21,570**	**2,947**	**59,849**

[1] The disclosure of the maturities of liabilities to minority shareholders was based on the earliest possible termination date and thus the earliest possible payment obligation, which must be disclosed in accordance with IFRS 7.B11 (a). This is not based on the actual due date, but it takes into account a possible due date derived from the earliest possible termination date. By way of derogation from the rules laid down in IFRS 7.B11 (a), the Group's internal liquidity planning makes provision for a due date after five years.

The Company's liquidity management considers these liabilities to minority shareholders to be due after five years, provided the minority shareholders have not given notice of termination. This is a result of a long history spanning several years, which shows only a small number of terminations.

Liabilities from minority interests are reported as non-current at the reporting date from ongoing limited partnership contributions as settlement is neither expected nor can be demanded within twelve months after the reporting date (IAS 1.69). If the minority shareholder has not given effective notice of termination by the reporting date, such notice can only be given on the following reporting date. In turn, the settlement balance is only due for payment six months after its binding agreement (on the termination date). Thus, in the case of limited partnership contributions that are still ongoing as at the reporting date, a payout is due no earlier than 18 months after the reporting date.

2. Related party disclosures

RELATED PARTIES

Companies and persons are considered to be related if they have the ability to control DEMIRE and its subsidiaries or exercise significant influence over their financial and operating policies. The existing control relationships were taken into account to determine the degree of significant influence that related companies and persons have on the Company's financial and operating policies. As at the reporting date, AEPF III 15 S. à r. l. Luxembourg, Luxembourg, held a share of 58.6% in DEMIRE AG. The ultimate parent company is Apollo Global Management, Inc. (Delaware NYSE listed). Together with the shareholders of the Wecken Group, who hold a 32.14% stake in DEMIRE AG, there is a multi-parent company structure between the two main shareholders. The consolidated financial statements of DEMIRE AG are the largest and the smallest scope of consolidation in which DEMIRE AG is included.

Alongside the fully consolidated subsidiaries, the group of related companies also includes joint ventures and associated companies accounted for using the equity method. As at 31 December 2023, these include JV Theodor-Heuss-Allee GmbH, DEMIRE Assekuranzmakler GmbH & Co. KG and G+Q Effizienz GmbH.

Due to their significant influence, the following key personnel of the parent company are considered to be related persons as defined by IAS 24:

— Members of the Executive Board of DEMIRE AG and their close relatives and
— Members of the Supervisory Board of DEMIRE AG and their close relatives.

Legal transactions with related parties

In the financial year under review, transactions with related parties were exclusively carried out at customary market conditions.

The transactions, revenues and rendering of services between DEMIRE AG and its subsidiaries were settled in the same manner as those between unrelated parties and eliminated in the context of consolidation. Therefore, they are not explained in the Notes to the consolidated financial statements.

COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD:

During the 2023 reporting period, the following business relationships existed with companies accounted for using the equity method:

The purchasing company, JV Theodor-Heuss-Allee GmbH, Frankfurt am Main, was established in the first half of 2021. The former CEO, Prof. Dr Alexander Goepfert, is a minority shareholder with a 1% stake in JV Theodor-Heuss-Allee GmbH (Cielo). The majority shareholders are DEMIRE Holding XIII GmbH with a 49.5% stake and RFR Immobilien 4 GmbH. As part of the Cielo transaction, the shareholders have various options regarding the land purchase of Theodor-Heuss-Allee 100, Frankfurt am Main, and the remaining shares in JV Theodor-Heuss-Allee GmbH. Furthermore, in the event of non-exercise of the share purchase option by DEMIRE, Prof. Dr Goepfert has the right to purchase RFR 4's shares. For more information, see Disclosures according to IFRS 12 B) Disclosures on associates and joint ventures.

Furthermore, DEMIRE AG has issued an unsecured loan in the amount of EUR 25,000 thousand to JV Theodor-Heuss-Allee GmbH (Cielo), which bears interest at 4.135% per annum. The interest income from this loan in the reporting period amounted to EUR 1,039 thousand.

Since 12 August 2021, there has been an agreement with JV Theodor-Heuss-Allee GmbH for the provision of asset management services by DEMIRE AG in the amount of EUR 50 thousand per annum. For the 2023 financial year, this resulted in income of EUR 50 thousand plus VAT (previous year: EUR 50 thousand). The contract runs for an indefinite period and can be cancelled with three months' notice to the end of the quarter.

In addition, there has been a contract with JV Theodor-Heuss-Allee GmbH for treasury, controlling, financial accounting and investment management in the amount of EUR 25 thousand per annum since 12 August 2021. For the 2023 financial year, this resulted in income of EUR 25 thousand (previous year: EUR 25 thousand). The contract runs for an indefinite period and can be cancelled with three months' notice to the end of the quarter.

As at 31 December 2023, there were receivables of EUR 14 thousand from these two contracts.

In the 2023 reporting period, DEMIRE Holding XIII GmbH received a disbursement from JV Theodor-Heuss-Allee GmbH in the amount of EUR 938 thousand.

In the year under review, DEMIRE also received distributions of EUR 63 thousand from the associate G+Q Effizienz GmbH.

THE EXECUTIVE BOARD

The following were members of the Executive Board during the period under review and comparable prior-year period:

Prof. Dr Alexander Goepfert (Chief Executive Officer since 1 January 2023, stepped down on 3 April 2024)

Mr Tim Brückner (Chief Financial Officer since 1 February 2019, contract term until 31 December 2024)

Mr Ralf Bongers (Chief Investment Officer since 1 April 2023, contract term until 31 March 2026)

Mr Ingo Hartlief (Chair of the Executive Board from 20 December 2018 to 31 December 2022)

At the Annual General Meeting held on 28 April 2021, a new remuneration system ("New remuneration system") for the members of the Executive Board of DEMIRE AG was approved by a majority of 99.71% of the capital represented (www.demire.ag/en/annual-general-meeting).

Given that the agreed changes to the remuneration of the Executive Board in accordance with the extension agreements dated 26 May 2021, as well as the agreements themselves, came into effect as at 1 January 2022, the Executive Board members were granted remuneration as at the 2022 financial year in accordance with the requirements of the new remuneration system ("New remuneration system"). Accordingly, the "New remuneration system" is presented below.

In contrast, components of the remuneration that relate to the performance period prior to 1 January 2022 – such as the short-term incentive earned in the 2021 financial year – are based on the previous remuneration system (referred to here as the "Old remuneration system"). For this reason, the relevant key points of the "Old remuneration system" are presented at the appropriate place in this remuneration report (see below). The remuneration of the Executive Board is reviewed on a regular basis by the Supervisory Board. Adjustments made to the target remuneration of the Executive Board members in the 2023 financial year in comparison to the previous year are presented below.

Furthermore, the Supervisory Board laid down the performance criteria with regard to performance-related variable remuneration elements for the 2023 financial year. Details on the Executive Board members' bonuses that were vested in the 2023 financial year are reserved for the remuneration report for the 2024 financial year.

The performance-related variable remuneration for the Executive Board consists of one-year variable remuneration (short-term incentive [STI] = bonus) and multi-year variable remuneration (long-term incentive [LTI] = virtual stock option programme). The amount of variable remuneration is therefore based on the achievement of specific targets laid down in advance.

The following performance criteria are used to assess whether and to what extent a bonus is granted:

— 25%–50% Key performance indicators: forecast figures (rental income & FFO)
— 25%–50% Operational performance criteria: transaction and letting targets
— 10%–30% Non-financial performance criteria: strategic targets for the Company; environmental, social and governance targets

The bonus is limited to twice the target amount.

The STI for the 2023 financial year amounts to EUR 104 thousand for Tim Brückner and EUR 95 thousand for Ralf Bongers. This was approved by the Supervisory Board in September 2024 and will be paid out in 2024. The resolution for the former CEO Prof. Dr Alexander Goepfert is still pending at the time of writing.

2019 Virtual Stock Option Programme (long-term incentive)
In addition to the bonus, annual virtual stock options ("PSUs") are granted as part of a long-term, share-based variable remuneration package in the form of a virtual stock plan (performance share plan). The virtual stock option programme is capped by way of an annual allocation defined in the contract. There is no provision for vesting of more than 100% of the granted PSUs. Regardless of the target achievement or number of vested PSUs, the maximum payment per PSU is capped at 250% of the price when granted.

Accounting for the share-based payments issued within the Group is in accordance with IFRS 2 Share-based Payment. The virtual stock options are share-based remuneration transactions that are settled using cash and are measured at the fair value as at the reporting date. The remuneration expense is aggregated in instalments under consideration of the work performance completed on a pro-rata basis during the vesting period and is recognised in profit and loss as a provision until vesting.

This stock option programme was issued to Mr Ingo Hartlief (who has since stepped down, see below) with effect from 1 January 2019, to Mr Tim Brückner with effect from 1 February 2019, to Prof. Dr Alexander Goepfert with effect from 1 January 2023, and to Mr Ralf Bongers with effect from 1 April 2023. Under this stock option programme, each member of the Executive Board is granted PSUs every year. The number of PSUs granted per year is determined based on the allocation amount divided by the average share price of DEMIRE AG 60 trading days prior to the grant date. The grant is made annually, with the first grant made on the date mentioned above.

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

The maximum value and the threshold for the share price increase are determined in advance by the Supervisory Board. The same applies to the maximum value and the threshold for relative total shareholder return performance.

The liabilities arising from cash-settled share-based payment transactions are recognised as provisions and measured at fair value once again on each reporting date. The expenditure is also recognised as personnel expenses over the vesting period. As at 31 December 2023, the provision for the virtual stock option programme valid as at 2019 amounts to EUR 36 thousand (previous year: EUR 259 thousand).

In addition to the 2020 tranche, the 2021, 2022 and 2023 tranches were also taken into account. The 60-day average price before granting is EUR 5.13 for the 2020 tranche, EUR 4.09 for the 2021 tranche, EUR 4.29 for the 2022 tranche, and EUR 2.14 or EUR 2.52 respectively for the 2023 tranche (Mr Bongers joined the Company on 1 April 2023).

In 2023, the PSUs vested from the 2019 tranche for Mr Brückner were paid out, resulting in a gross payment of EUR 11,267.

The CEO Ingo Hartlief left the Company with effect from the end of 31 December 2022. In this context, Mr Hartlief was promised a gross severance payment of EUR 1,080,000.00. This severance payment was due to be paid with the usual salary payment in January 2023. In addition, it was agreed that Mr Hartlief would receive a bonus for the past 2022 financial year in the gross amount of EUR 270,000, which was due with the usual salary payment in January 2023. The agreement on a specific amount for the bonus was made in the interest of an overall settlement and mutual legal certainty. In addition, the severance payment covers all currently existing and/or future claims, including any claims from the LTI. The specifications of the severance payment cap described above were complied with accordingly. The severance payment does not exceed two years' remuneration (total remuneration for the past financial year and, if applicable, the expected total remuneration for the current financial year).

For the 2023 financial year, fixed remuneration (excluding severance payments) of EUR 950 thousand (previous year: EUR 731 thousand), performance-related remuneration of EUR 199 thousand (previous year: EUR 457 thousand) and share-based payments of EUR -66 thousand (previous year: EUR -526 thousand) were recognised for the Executive Board of DEMIRE AG.

in EUR thousand	2023	2022
Short-term benefits	1,308	1,188
Benefits related to termination of employment	0	1,080
Share-based remuneration	–66	–526
Total	**1,242**	**1,742**

This table shows share-based payments according to IFRS 2.

As at the reporting date, EUR 36 thousand (previous year: EUR 259 thousand) of share-based payments and EUR 199 thousand (previous year: EUR 457 thousand) of bonus payments were still outstanding.

The remuneration of the Executive Board members in office during the financial year is as follows:

in EUR thousand	Fixed remuneration	Variable remuneration	Share-based remuneration	Total 2023
Ingo Hartlief	1,350	0	0	1,350
Prof. Dr. Alexander Goepfert	444	0	243	687
Tim Brückner	304	104	146	554
Ralf Bongers	202	95	86	383
Total	**2,300**	**199**	**474**	**2,973**

[1] Severance payment

This table shows the remuneration of Executive Board members in accordance with Section 314 (1) No. 6a of the German Commercial Code (HGB); this results in a difference to IFRS for share-based payments. Under HGB rules, the fair value at the grant date must be disclosed.

The remuneration of the Executive Board members in office in the prior year was as follows:

in EUR thousand	Fixed remuneration	Variable remuneration	Share-based remuneration	Total 2022
Ingo Hartlief (FRICS)	430	285	0	715
Tim Brückner	301	172	13	486
Total	**731**	**457**	**13**	**1,201**

No loans or advances were granted to members of the Executive Board and no contingencies were assumed for the benefit of Executive Board members. The Company was still in dispute with a former Executive Board member regarding the amount of residual remuneration to which they may still be entitled. An agreement was made between the parties in the 2022 financial year. With the payment of an amount of EUR 1,700 thousand in the 2022 financial year, all of the disputed and any further remuneration claims of the former Executive Board member have now been settled.

THE SUPERVISORY BOARD

The members of DEMIRE AG's Supervisory Board, their professions and Supervisory Board remuneration received during the past financial year are listed in the table below.

in EUR thousand	Position	Profession	Period	2023	2022
Markus Hofmann	Chair	Managing director	since 01 January 2023	120	0
Prof. Dr Alexander Goepfert	Chair	Attorney-at-law	since 27 June 2018 - till 31 December 2022	0	120
Frank Hölzle	Vice Chair	Managing director	since 14 February 2017	80	80
Prof. Dr Kerstin Hennig	Member	Professor	since 29 May 2019 - till 7 May 2024	40	40
Total				**240**	**240**

Furthermore, Supervisory Board members were reimbursed for travel expenses incurred of EUR 1 thousand in total (previous year: EUR 1 thousand).

No loans or advances were granted to members of the Supervisory Board and no contingencies were assumed for the benefit of members of the Supervisory Board either.

3. Employees and share-based remuneration

A. EMPLOYEES

The number of employees is listed in the following table:

	31/12/2023	31/12/2022
Executive Board members	3	2
Permanent employees	34	34
Total	**37**	**36**

The average total number of employees (including the Executive Board) in the 2023 financial year was 33.00 (previous year: 35.71).

B. SHARE-BASED PAYMENT

2015 Stock Option Programme

In the 2015 financial year, share-based payments were issued in the form of subscription rights (stock options) to the Executive Board of DEMIRE AG as well as to a selected group of persons within the DEMIRE Group. The stock option programme is an option plan that is settled with equity instruments (equity-settled stock option plan). The option plan only provides for the possibility of settling the stock option programme in shares of DEMIRE AG. Accounting for the share-based payments issued is in accordance with IFRS 2. In this case, the total staff costs arising from the stock options are to be distributed over the four-year vesting period starting from the grant date. In the case of DEMIRE AG, the grant date is the day the approval is given by the Executive Board and/or Supervisory Board. These obligations are recognised at the fair value of the equity instruments vested up until that point at the time of granting. The fair value was therefore recognised as personnel expenses over the vesting period and offset directly against the capital reserves.

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

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

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

The option term is nine years from the issue date. The first four years constitute a vesting period and the programme will end in the course of the 2024 financial year.

In the year under review, no more expenses arose from this share option programme (previous year: also EUR 0 thousand), as the Executive Board member left the Company in 2019.

A summary of the 2015 Stock Option Programme can be found in the following table:

2015 STOCK OPTION PROGRAMME

	2023	2022
Outstanding options at the start of the financial year	510,000	510,000
Outstanding options during the financial year	0	0
Outstanding options at the end of the financial year	510,000	510,000
Exercisable options at the end of the financial year	510,000	510,000
Exercise price for options exercised	**0**	**0**

4. Auditor's fee

The total fee charged in the reporting period by the Group auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, in relation to DEMIRE (including the Fair Value REIT-AG subgroup) breaks down as follows:

in EUR thousand	2023	2022
Auditing services of which for the previous years: EUR 25 thousand (previous year: EUR 32 thousand) of which for affiliated companies EUR 289 thousand (previous year: EUR 257 thousand)	890	807
Total	**890**	**807**

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, has been appointed as the auditor starting in the 2018 financial year.

5. Subsequent events

Changes to Executive Board

At its meeting on 3 April 2024, the Supervisory Board dismissed Prof. Dr Goepfert as a member of the Executive Board with immediate effect and appointed Mr Frank Nickel to the Executive Board as CEO.

On 10 April 2024, Prof. Dr Hennig informed the Supervisory Board and the Executive Board that she would be resigning her mandate and stepping down from the Supervisory Board with effect from 15 May 2024. After shortening her resignation period, Prof. Dr Hennig then left the Supervisory Board at the end of 1 May 2024. The resulting vacancy on the Supervisory Board was filled by the appointment of Mr Ernö Theuer by court order with effect from 7 May 2024.

Refinancing the 2019/24 corporate bond

For information on the refinancing of the 2019/24 corporate bond, see Section A.2 Going concern.

Limes subsidiaries

The Executive Board and the management of the Limes subsidiaries were in very promising negotiations for a long time regarding the extension of the loan agreement between the four Limes subsidiaries (DEMIRE Aschheim Max-Planckstraße GmbH, DEMIRE Essen Hatzper Str. Theodor-Althoff-Str. GmbH, DEMIRE Kassel Kölnische Str. Mauerstr. Spohrstr. GmbH and DEMIRE Köln Max-Glomsda-Straße 4 GmbH) and DZ HYP AG for an outstanding loan amount of approximately EUR 83 million, which expired on 30 June 2024. However, the offers that had been exchanged in the past could not be accepted due to the outcome of the negotiations with the bondholders, resulting in the insolvency of the Limes subsidiaries at the end of 30 June 2024. After further unsuccessful negotiations, the management was forced to file for insolvency for these four companies on 22 July 2024. Since then, these companies have been under their own management. The opening of the insolvency proceedings is expected to take place in early October 2024. As a result, these companies are no longer controlled in accordance with IAS 10.21 and were deconsolidated in the third quarter of 2024. This resulted in a deconsolidation loss of EUR 5.1 million. In addition, due to developments during the year in the leasing and contractual situation of the affected properties, a revaluation of the LIMES properties was carried out as at 30 June 2024 and a write-down of EUR 18 million was recognised.

6. Declaration of Conformity with the German Corporate Governance Code Pursuant to Section 161 AktG

On 22 May 2024, the Executive Board and Supervisory Board issued the latest Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG). The Declaration was made permanently accessible to shareholders on the Company's website.

Frankfurt am Main, 30 September 2024
DEMIRE Deutsche Mittelstand Real Estate AG

Frank Nickel (CEO)	Tim Brückner (CFO)	Ralf Bongers (Member of the Executive Board)

DECLARATION BY THE EXECUTIVE DIRECTORS

As a member of the Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG, I hereby affirm that, to the best of my knowledge, the consolidated financial statements and the annual financial statements give a true and fair view of the Group and the Company's net assets, financial position and results of operation in accordance with the applicable accounting principles and that the Group management report, which is combined with the Company's management report, gives a true and fair view of the development and performance of the business, including the business results and the position of the Group and the Company, together with a description of the principal opportunities and risks associated with the expected development of the Group and the Company.

Frankfurt am Main, 30 September 2024

Frank Nickel (CEO)	Tim Brückner (CFO)	Ralf Bongers (Member of the Executive Board)

Translation - the German text is authoritative

INDEPENDENT AUDITOR'S REPORT

To DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt am Main

Report on the audit of the consolidated financial statements and of the group management report

AUDIT OPINIONS

We have audited the consolidated financial statements of DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt am Main, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2023, and notes to the consolidated financial statements, including material accounting policy information. In addition, we have audited the group management report of DEMIRE Deutsche Mittelstand Real Estate AG, which is combined with the Company's management report, including the remuneration report pursuant to § [Article] 162 AktG [Aktiengesetz: German Stock Corporation Act], including the related disclosures, included in section „Remuneration Report 2023" for the financial year from 1 January to 31 December 2023. In accordance with the German legal requirements, we have not audited the content of the disclosures marked as unaudited contained in section "Opportunities and Risks" of the group management report.

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

— the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2023, and of its financial performance for the financial year from 1 January to 31 December 2023, and

— the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the disclosures in section "Opportunities and Risks" of the group management report referred to above.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to the disclosures in section "A.2. Going Concern" of the notes to the consolidated financial statements as well as the disclosures in sections "Opportunities and Risks", subsection "Risk report", and "Outlook", subsection "Expected development of the Group" of the group management report, where the executive directors describe that the group's ability to continue as a going concern is dependent on the successful implementation at short notice of the restructuring of the bond agreed with the bondholders and the receipt of the shareholder loan. As stated in section "A.2. Going Concern" and sections "Opportunities and Risks", subsection "Risk report", and "Outlook", subsection "Expected development of the Group", these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and that represents a risk that the Group's ability to continue as a going concern is threatened pursuant to § 322 Abs. 2 Satz 3 HGB.

Pursuant to Article 10 (2) point (f) (ii) of the EU Audit Regulation, we summarize our audit response to this risk as follows:

As part of our audit, we assessed, among other things , the Group-wide corporate and financial planning prepared by the Company and its underlying assumptions, and verified whether the corporate and financial planning was appropriately derived on the basis of these assumptions. In addition, we assessed the possible measures for the timely procurement of additional funds through inquiry with the executive directors and inspection of the underlying documents.

Our audit opinions on the consolidated financial statements and on the Group management report are not modified in respect of this matter.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters. In addition to the matter described in section "Material Uncertainty Related to Going Concern", we have determined the matters described below to be the key audit matters to be communicated in our independent auditor's report.

1. Recoverability of investment properties
2. Accounting treatment of the joint venture JV Theodor-Heuss-Allee-GmbH, Frankfurt am Main, with land purchase option and recoverability of a loan in connection with the joint venture

Our presentation of these key audit matters has been structured in each case as follows:

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

Hereinafter we present the key audit matters:

1. Recoverability of investment properties

1. Investment properties amounting to € 947.3 million (70.4% of total assets) are reported in the Company's consolidated financial statements as of December 31, 2023. The Company exercises the option set out in IAS 40.30 to account for investment properties using the fair value model in accordance with IFRS 13. Accordingly, changes in market value realized when properties are sold, as well as unrealized changes in market value, are recognized at fair value through profit or loss. In the financial year ended, € –146.3 million in unrealized changes in market value were recognized through profit or loss in the consolidated income statement.

When determining the fair value of investment property, it is assumed that the current use corresponds to the highest and best use of the property. Fair values are determined using a measurement model developed by the executive directors with assistance from an external consulting firm, based on projections of net cash inflows from the management of the properties which are derived using the discounted cash flow method. A market value is determined for properties with no positive net cash inflows (usually vacant buildings) using a liquidation valuation method. Undeveloped land is usually measured based on an indirect comparison of indicative land values. To the extent possible, the valuation uses data directly observable on the market (sources include expert committees and public and subscriptions-based market databases). The measurement of investment properties is based on a large number of relevant parameters that are generally subject to specific uncertainties with regard to estimates and judgments. Significant measurement parameters include in particular expected cash flows, the assumed vacancy rate and the discount and capitalization rate. Even small changes in the measurement parameters can result in material changes in fair value. In our view, this matter was of particular significance in the context of our audit because the measurement of investment properties is generally subject to substantial judgments and estimation uncertainties, and there is the risk that the changes in fair value recognized through profit or loss do not fall within an appropriate range.

2. As part of our audit, and with the assistance of internal specialists, we assessed the valuation model used to measure investment properties as regards its conformity with IAS 40 in conjunction with IFRS 13, the correctness and completeness of the property portfolio data used, and the appropriateness of the measurement parameters used, such as the expected cash flows (market rent per m², planned maintenance per m²), the assumed vacancy rate and the discount and capitalization rate. We also carried out analytical audit procedures and tests of details with respect to the material parameters having an influence on value. Furthermore, we checked the results at the level of the individual properties and the portfolio for plausibility by comparing them against our expectations as regards changes in value. As part of our audit, we prepared a property-specific comparison calculation on a test basis using the discounted cash flow method. The valuation technique used to measure investment properties is appropriately designed and suitable for calculating fair values in accordance with the IFRSs. The underlying assumptions reflect the current market level.

3. The Company's disclosures relating to investment properties are contained in sections C. and E.1.3 of the notes to the consolidated financial statements.

2. Accounting treatment of the joint venture JV Theodor-Heuss-Allee-GmbH, Frankfurt am Main, with land purchase option and recoverability of a loan in connection with the joint venture

1. In the financial year 2021, the joint venture JV Theodor-Heuss-Allee-GmbH was founded by a Group company of DEMIRE Deutsche Mittelstand Real Estate AG (DEMIRE AG). The shareholding in the joint venture as at the balance sheet date amounts to 49.5%. Inclusion in the consolidated financial statements is compliant with IFRS 11.24 based on the equity method in accordance with IAS 28. In the financial year 2021, the joint venture entered into a leasehold contract with a term of 99 years. The price for ordering the leasehold amounted to € 152.9 million. The joint venture has a contractual purchase option to acquire the land in the period between the end of the 57th and 60th months of the leasehold at a fixed purchase price of € 122.8 million (land purchase option). The shareholders of the joint venture jointly decide whether or not to exercise this land purchase option. The decision to not exercise this option can be made unilaterally by one of the two shareholders or by mutual agreement and will, where applicable, result in the payment of contractual penalties. If the land purchase option is exercised or is not exercised, further options will become exercisable by the shareholders. In the present structure, the substance and thus the valuation of the options is of decisive importance for the degree to which the joint venture is included in the consolidated financial statements of DEMIRE AG. Whether the values are substantial or not depends heavily on the development in value of the property, including the land. The fair value of the options (€ –24.1 million) is recognised in the balance sheet under "Market values of options".

In the course of setting up the joint venture, DEMIRE AG granted a loan to RFR Immobilien 5 GmbH with a nominal value of € 60.0 million and a term until June 2026. RFR Immobilien 5 GmbH is an affiliate of RFR Immobilien 4 GmbH, which, together with the DEMIRE Group company DEMIRE Holding XIII GmbH, holds the shares in JV Theodor-Heuss-Allee-GmbH.

The loan is recognised in the Company's consolidated financial statements under the balance sheet item "Loans and financial assets" (€ 44.8 million). The loan is measured at amortised cost, taking into account the three-stage model of expected credit losses. RFR Immobilien 5 GmbH has not paid the interest due on the loan of € 3.0 million in the reporting year. Against this background, the Company recognised a further impairment on the loan of € 14.2 million in the financial year, following an impairment of e 1.0 million in the previous year.

Due to the complex structure of the options and the uncertainty of future cash flows from the loan, this matter involves considerable scopes of judgement. Against this background and due to its material significance for the Group's net assets, financial position and financial performance, this matter was of particular significance in the context of our audit.

2. In order to assess the appropriate accounting for the joint venture and the valuation of the loan awarded to RFR Immobilien 5 GmbH, as part of our audit we examined the principles of company law and the provisions of the underlying agreement, among other matters. In connection with this, we have examined and assessed the fulfilment of the requirements of a joint venture in accordance with IFRS 11, the resulting effects on the consolidated financial statements and the valuation based on the equity method in accordance with IAS 28. Furthermore, with the support of internal specialists, we assessed the valuation model used to assess the options regarding conformity with IFRS 13 as well as the appropriateness of the valuation parameters used, in particular their volatility, the underlying performance of the property and the risk-free interest rate. As part of our audit procedures, we prepared a comparison calculation. The valuation method for options is appropriately designed and is generally suitable for calculating fair values of options in accordance with IFRS and reflecting the current market level with regard to the underlying assumptions. Furthermore, as part of our audit, we conducted interviews with the executive directors and inspected the underlying documents to verify the executive directors' assessment of the need for impairment of the loan. We were able to satisfy ourselves that the presentation and accounting of the joint venture, the mutual options and the loan receivable were documented in a comprehensible manner and that the recognised effects were determined appropriately.

3. The information provided by the Company on the joint venture and the land purchase options held by this Company, as well as on the loan issued to RFR Immobilien 5 GmbH, are contained in Sections B., C., E.1.6, E.5.4 and G.2 of the notes to the consolidated financial statements.

OTHER INFORMATION

The executive directors are responsible for the other information. The other information comprises the disclosures marked as unaudited in the section "Report on opportunities and risks " section of the group management report that are marked as an unaudited and constitute a part of the group management report not subject to a substantive audit.

The other information further comprises

— the statement on corporate governance pursuant to § 289f HGB and § 315d HGB

— all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report

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

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

— is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or

— otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group’s financial reporting process for the preparation of the consolidated financial statements and of the group management report.

The executive directors and the supervisory board are further responsible for the preparation of the remuneration report, including the related disclosures, which is included in a separate section of the group management report and complies with the requirements of § 162 AktG. They are also responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group’s position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor’s report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

— Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

— Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

— Conclude on the appropriateness of the executive directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor’s report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

— Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

— Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

ASSURANCE OPINION

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file DEMIRE _AG_KAuLB_ESEF-2023-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2023 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

BASIS FOR THE ASSURANCE OPINION

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09.2022)).

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE ESEF DOCUMENTS

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

GROUP AUDITOR'S RESPONSIBILITIES FOR THE ASSURANCE WORK ON THE ESEF DOCUMENTS

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

— Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

— Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

— Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.

— Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.

— Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the annual general meeting on 17 May 2023. We were engaged by the supervisory board on 25 August 2023. We have been the group auditor of the DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt am Main, without interruption since the financial year 2018.

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

Reference to an other matter– use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Christiane Lawrenz.

Berlin, 30 September 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Christiane Lawrenz	Julian Fersch
Auditor	Auditor

SHAREHOLDINGS

Schedule of shareholdings pursuant to Section 313 (2) HGB

Company	Share in capital in %	Equity in accordance with HGB 31 Dec. 2023 in EUR	Net profit in accordance with HGB 2023 in EUR
GERMANY			
Fully consolidated subsidiaries			
DEMIRE Apolda Wurzen GmbH, Frankfurt am Main	94.90	281,344.87	– 1,432,017.23
DEMIRE HB HZ B HST GmbH, Frankfurt am Main	94.90	13,680,478.61	129,074.66
FVR Beteiligungsgesellschaft Erste mbH & Co. KG, Frankfurt am Main	100.00	10,627,433.43	0.00
FVR Beteiligungsgesellschaft Zweite mbH & Co. KG, Frankfurt am Main	100.00	10,627,433.43	0.00
FVR Beteiligungsgesellschaft Dritte mbH & Co. KG, Frankfurt am Main	100.00	10,627,433.43	0.00
FVR Beteiligungsgesellschaft Vierte mbH & Co. KG, Frankfurt am Main	100.00	10,627,433.43	0.00
FVR Beteiligungsgesellschaft Fünfte mbH & Co. KG, Frankfurt am Main	100.00	10,627,433.43	0.00
FVR Beteiligungsgesellschaft Sechste mbH & Co. KG, Frankfurt am Main	100.00	10,627,433.43	0.00
FVR Beteiligungsgesellschaft Siebente mbH Co. KG, Frankfurt am Main	100.00	10,627,433.43	0.00
FVR Beteiligungsgesellschaft Achte mbH & Co. KG, Frankfurt am Main	100.00	8,750,356.15	0.00
FVR Beteiligungsgesellschaft Neunte mbH & Co. KG, Frankfurt am Main	100.00	100.00	0.00
DEMIRE Holding XI GmbH, Frankfurt am Main	100.00	18,980.41	0.00
DEMIRE Köln Max-Glomsda-Straße 4 GmbH, Frankfurt am Main	100.00	382,879.54	89,975.05
DEMIRE Bad Vilbel Konrad Adenauer Allee 1–11 GmbH, Frankfurt am Main	100.00	– 1,327,692.49	969,051.35
DEMIRE Essen Hatzper Str. Theodor-Althoff-Str. GmbH, Frankfurt am Main	100.00	– 18,743,465.21	– 15,610,551.81
DEMIRE Aschheim Max-Planckstraße GmbH, Frankfurt am Main	100.00	– 2,473,562.61	– 614,448.21
DEMIRE Neuss Breslauer Straße GmbH, Frankfurt am Main	100.00	1,999,879.14	– 40,706.32
DEMIRE Frankfurt Gutleutstraße 85 GmbH, Frankfurt am Main	100.00	– 10,532,204.66	– 4,633,960.76
DEMIRE Trier Simeonstraße 46 GmbH, Frankfurt am Main	89.90	– 5,250,297.77	– 1,415,701.44
DEMIRE Ankauf 9 GmbH, Frankfurt am Main	100.00	– 56,873.31	– 18,314.61
DEMIRE Ankauf 10 GmbH, Frankfurt am Main	100.00	– 54,972.43	– 18,007.09
DEMIRE Trier Celle GmbH, Frankfurt am Main	94.90	– 13,777,008.84	– 2,392,679.35
DEMIRE Goslar, Rosentorstraße 1 GmbH, Frankfurt am Main	94.90	619,829.87	240,609.60
DEMIRE Memmingen, Königsgraben 3 GmbH, Frankfurt am Main	94.90	163,819.46	109,340.47
DEMIRE Offenburg Lindenplatz 3 GmbH, Frankfurt am Main	94.90	667,899.45	270,006.20
DEMIRE Holding II GmbH, Frankfurt am Main	100.00	43,603,898.37	98,284.54

Company	Share in capital in %	Equity in accordance with HGB 31 Dec. 2023 in EUR	Net profit in accordance with HGB 2023 in EUR
GERMANY			
DEMIRE Meckenheim Merl GmbH, Frankfurt am Main	100.00	10,171,667.71	0.00
DEMIRE Schwerin Margaretenhof 18 GmbH, Frankfurt am Main	94.90	590,921.49	169,858.61
DEMIRE Leipzig Am alten Flughafen 1 GmbH, Frankfurt am Main	94.90	3,282,959.28	0.00
DEMIRE Holding X GmbH, Frankfurt am Main	100.00	25,000.00	0.00
DEMIRE AN BN R PM FR FL GmbH, Frankfurt am Main	94.90	39,400,967.78	0.00
DEMIRE Holding IV GmbH, Frankfurt am Main	100.00	78,301.00	0.00
DEMIRE Holding V GmbH, Frankfurt am Main	100.00	53,300.00	0.00
DEMIRE Holding VI GmbH, Frankfurt am Main	100.00	25,000.00	0.00
DEMIRE Leonberg Neue Ramtelstraße GmbH, Frankfurt am Main	94.00	–1,671,477.34	93,825.02
DEMIRE GO HB GmbH, Frankfurt am Main	94.00	481,510.53	–152,569.73
DEMIRE Ludwigsburg Uhlandstraße 21 GmbH, Frankfurt am Main	94.00	–1,673,372.76	–204,288.27
DEMIRE Holding VII GmbH, Frankfurt am Main	100.00	25,000.00	0.00
DEMIRE Darmstadt Artillerie Str. 9 GmbH, Frankfurt am Main	94.00	297,339.27	189,810.42
DEMIRE Kempten Bahnhofstr. Hirschstr. Alpenstr. GmbH, Frankfurt am Main	94.00	–3,252,974.73	233,887.95
DEMIRE BT HB DO H CLZ KS KO GmbH, Frankfurt am Main	94.00	–2,415,853.71	105,893.36
DEMIRE Ankauf 8 GmbH, Frankfurt am Main	100.00	7,169,410.64	7,205,053.04
DEMIRE Holding VIII GmbH, Frankfurt am Main	100.00	25,000.00	0.00
DEMIRE Bayreuth Nürnberger Straße 38 GmbH, Frankfurt am Main (formerly: DENSTON INVESTMENTS LIMITED, Nikosia)	94.00	–549,648.61	2,247,624.11
DEMIRE Eschborn Frankfurter Straße GmbH, Frankfurt am Main	94.00	1,936,143.21	371,663.55
DEMIRE Bad Kreuznach Brückes Hochstr. GmbH, Frankfurt am Main	94.00	75,376.69	0.00
DEMIRE Holding IX GmbH, Frankfurt am Main	100.00	25,000.00	0.00
DEMIRE Düsseldorf Wiesenstraße 70 GmbH, Frankfurt am Main	94.00	1,112,964.74	–158,574.59
DEMIRE Bad Oeynhausen Dr. Neuhäußer Straße 4 GmbH, Frankfurt am Main	94.00	37,528.89	0.00
DEMIRE Lichtenfels Bamberger Straße 20 GmbH, Frankfurt am Main	94.00	206,863.96	0.00
DEMIRE Limbach Oberfrohna Moritzstraße 13 GmbH, Frankfurt am Main	94.00	25,000.00	0.00
DEMIRE Betriebsvorrichtungen Nr. 1 GmbH, Frankfurt am Main	100.00	–326,795.81	–26,153.65
DEMIRE Holding III GmbH, Frankfurt am Main	100.00	25,000.00	0.00

Company	Share in capital in %	Equity in accordance with HGB 31 Dec. 2023 in EUR	Net profit in accordance with HGB 2023 in EUR
GERMANY			
DEMIRE Worms Liebenauer Straße GmbH, Frankfurt am Main	100.00	331,425.67	–422.10
DEMIRE Schwerin Am Margaretenhof 22–24, Frankfurt am Main	94.00	790,896.83	134,622.86
DEMIRE Holding XII GmbH, Frankfurt am Main	100.00	–11,388,830.83	–2,778,473.75
DEMIRE Kassel Kölnische Str. Mauerstr. Spohrstr. GmbH, Frankfurt am Main	94.90	881,052.09	0.00
DEMIRE Betriebsvorrichtungen Nr. 2 GmbH, Frankfurt am Main	100.00	–284,692.88	–556,973.61
Cielo BVO GmbH, Frankfurt am Main	100.00	144,335.15	5,456.97
DEMIRE Holding XIII GmbH, Frankfurt am Main	100.00	–23,246,836.61	–23,226,169.95
DEMIRE Holding I GmbH, Frankfurt am Main	100.00	462,363.19	–12,128.64
Fair Value REIT-AG, Frankfurt am Main	84.35	85,518,932.44	3,597,789.85
GP Value Management GmbH, Frankfurt am Main	84.35	87,120.84	17,992.12
BBV 10 Geschäftsführungs-GmbH & Co. KG, Langen	84.35	25,000.00	0.00
BBV 14 Geschäftsführungs-GmbH & Co. KG, Langen	84.35	25,000.00	0.00
BBV Immobilien-Fonds Nr. 8 GmbH & Co. KG, Munich [2]	50.87	6,356,078.35	1,201,819.58
BBV Immobilien-Fonds Nr. 10 GmbH & Co. KG, Munich [2]	45.38	10,560,871.93	1,950,658.26
BBV Immobilien-Fonds Nr. 14 GmbH & Co. KG, Munich [2]	44.62	15,246,650.22	2,458,989.75
IC Fonds & Co. Gewerbeobjekte Deutschland 15. KG, Munich [2]	41.10	13,313,320.50	653,641.74
IC Fonds & Co. SchmidtBank-Passage KG, Munich [2]	47.99	6,455,216.37	–132,355.21
Interests in joint ventures and associates			
Panacea Property GmbH, Berlin [1]	51.00	2,778.77	–3,342.37
DEMIRE Assekuranzmakler GmbH & Co. KG, Düsseldorf	47.50	2,000.00	0.00
G+Q Effizienz GmbH, Berlin	49.00	535,992.81	55,835.90
JV Theodor-Heuss-Allee GmbH, Frankfurt am Main	49.50	–40,703,725.05	–40,728,725.05
SWITZERLAND			
Sihlegg Investments Holding GmbH, Zug	94.0	–1,592,127.97	509,210.00

[1] Not fully consolidated due to its insignificance for the Group
[2] Fully consolidated because de facto control is exercised through quorum majority at the shareholder meeting

DISCLOSURES ON REAL ESTATE VALUATION

Appendix 1 to the consolidated financial statements

	31/12/2023	31/12/2022
Average market rent (in EUR per m² per year)	116.91	111.55
Range of market rents (in EUR per m² per year)	51.22–342.00	47.87–301.61
Lettable space as at reporting date (in m²)[1]	858,392	912,704
Vacant space as at reporting date (in m²)[1]	108,333.69	88,373.72
Value-based vacancy rate according to EPRA (in %)[1]	13.14%	9.51%
Average vacancy rate based on lettable space (in %)[1]	13.67%	9.90%
Range of vacancy rates based on lettable space (in %)[1]	0.00–100	0.00–71.1
Weighted average lease term – WALT (in years)	4.58	4.79

1 The definition of vacancy was changed in Q1 2023. Assets held for sale are included in the calculation of vacancy, while project developments continue to be excluded. For this reason, the previous year's figure has also been adjusted. The total lettable space includes the total area of all properties, including assets held for sale and project developments.

The year-on-year reduction in total lettable space resulted from the disposal of the properties in Ulm (47,581 m²), Apolda (5,571 m²) and Bad Oeynhausen (3,052 m²). There was a small increase in floor space in individual properties due to new floor space measurements.

In addition, the three project development properties in Trier (vacant space of 11,267 m²), Cologne, Colonia Allee 11 (vacant space of 9,108 m²) and Essen (vacant space of 19,700 m²) were not included in the vacant space analysis.

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 following table:

CONTRACTUAL RENTS

in EUR per m² per year		2023	2022
	Min.	5.90	5.29
	Max.	22.71	21.76
Office	Avg.	9.98	9.57
	Min.	4.56	4.68
	Max.	24.61	19.61
Retail	Avg.	10.34	10.11
	Min.	5.22	4.58
	Max.	28.58	26.72
Other	Avg.	11.14	11.11
	Min.	**4.56**	**4.58**
	Max.	**28.58**	**26.72**
Total	**Avg.**	**10.16**	**9.78**

Capitalisation and discount rate ranges

The following capitalisation and discount rate ranges were used in the valuation of investment properties:

2023

Portfolio	Lettable space in m²	Number of properties	Fair value as at 31 Dec. 2023 in EUR thousand	Calculation method	Unobservable inputs	Range min.	Range max.	Weighted average[1]
Office	412,684	36	592,600	DCF	Discount rate	4.90%	7.75%	5.94%
					Exit cap rate	4.75%	7.50%	5.75%
Retail	199,234	14	272,060	DCF	Discount rate	4.50%	8.50%	6.48%
					Exit cap rate	5.50%	8.00%	6.19%
Logistics	–	–	–	DCF	Discount rate	–	–	–
					Exit cap rate	–	–	–
Others	28,544	3	59,250	DCF	Discount rate	4.50%	7.75%	5.41%
					Exit cap rate	4.90%	6.75%	5.16%

[1] Weighting after fair value

2022

Portfolio	Lettable space in m²	Number of properties	Fair value as at 31 Dec. 2023 in EUR thousand	Calculation method	Unobservable inputs	Range min.	Range max.	Weighted average[1]
Office	504,422	40	821,140	DCF	Discount rate	4.50%	7.15%	5.54%
					Exit cap rate	4.15%	7.00%	5.21%
Retail	220,061	17	320,120	DCF	Discount rate	4.00%	9.25%	5.76%
					Exit cap rate	5.00%	9.00%	5.72%
Logistics	–	–	–	DCF	Discount rate	–	–	–
					Exit cap rate	–	–	–
Others	28,544	3	64,860	DCF	Discount rate	4.00%	7.00%	5.31%
					Exit cap rate	4.35%	6.50%	4.65%

[1] Weighting after fair value

SENSITIVITY ANALYSIS OF REAL ESTATE VALUATION AS AT 31 DECEMBER 2023

Appendix 2 to the consolidated financial statements

in EUR

Discount rate						Capitalisation rate
	+ 0.50%	in %	± 0.00%	in %	– 0.50%	in %
TOTAL						
+ 0.50%	– 95,790	– 10%	– 41,240	– 4%	23,520	3%
± 0.00%	– 57,390	– 6%	0	0%	67,820	7%
– 0.50%	– 17,070	– 2%	42,610	5%	114,090	12%
OFFICE						
+ 0.50%	– 63,560	– 11%	– 26,860	– 5%	16,790	3%
± 0.00%	– 38,530	– 7%	0	0%	45,740	8%
– 0.50%	– 12,250	– 2%	27,700	5%	75,800	13%
RETAIL						
+ 0.50%	– 26,270	– 10%	– 11,780	– 4%	5,130	2%
± 0.00%	– 15,190	– 6%	0	0%	17,650	6%
– 0.50%	– 3,570	– 1%	12,280	4%	31,010	11%

in EUR

Discount rate						Capitalisation rate
	+ 0.50%	in %	± 0.00%	in %	– 0.50%	in %
LOGISTICS						
+ 0.50%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
± 0.00%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
– 0.50%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
OTHER						
+ 0.50%	– 5,960	– 10%	– 2,600	– 4%	1,600	3%
± 0.00%	– 3,670	– 6%	0	0%	4,430	7%
– 0.50%	– 1,250	– 2%	2,630	4%	7,280	12%

[1] The logistics asset class was not measured as at 31 December 2022.
In the previous year, this asset class included the LogPark property in Leipzig, which was reclassified as held for sale (IFRS 5) as at the reporting date.

A difference in the market rent led to the following changes:

in EUR

Market rent	Value	Absolute delta	Relative delta
TOTAL			
– 10%	825,030,000	– 102,510,000	– 11%
– 5%	876,040,000	– 51,500,000	– 6%
± 0%	927,540,000	0	0%
+ 5%	978,320,000	50,780,000	5%
+ 10%	1,029,360,000	101,820,000	11%
OFFICE			
– 10%	527,890,000	– 64,710,000	– 11%
– 5%	560,050,000	– 32,550,000	– 5%
± 0%	592,600,000	0	0%
+ 5%	624,670,000	32,070,000	5%
+ 10%	657,000,000	64,400,000	11%
RETAIL			
– 10%	240,370,000	– 32,750,000	– 12%
– 5%	256,690,000	– 16,430,000	– 6%
± 0%	273,120,000	0	0%
+ 5%	289,400,000	16,280,000	6%
+ 10%	305,690,000	32,570,000	12%

in EUR

Market rent	Value	Absolute delta	Relative delta
LOGISTICS			
– 10%	n.a.	n.a.	n.a.
– 5%	n.a.	n.a.	n.a.
± 0%	n.a.	n.a.	n.a.
+ 5%	n.a.	n.a.	n.a.
+ 10%	n.a.	n.a.	n.a.
OTHER			
– 10%	56,770,000	– 5,050,000	– 8%
– 5%	59,300,000	– 2,520,000	– 4%
± 0%	61,820,000	0	0%
+ 5%	64,250,000	2,430,000	4%
+ 10%	66,670,000	4,850,000	8%

AS AT 31 DECEMBER 2022

in EUR

Discount rate	Capitalisation rate					
	+ 0.50%	in %	± 0.00%	in %	– 0.50%	in %
TOTAL						
+ 0.50%	– 125,320,000	– 10%	– 50,240,000	– 4%	41,590,000	3%
± 0.00%	– 78,660,000	– 7%	0	0%	96,400,000	8%
– 0.50%	– 29,760,000	– 2%	53,110,000	4%	154,000,000	13%
OFFICE						
+ 0.50%	– 87,090,000	– 11%	– 34,420,000	– 4%	30,220,000	4%
± 0.00%	– 55,050,000	– 7%	0	0%	68,050,000	8%
– 0.50%	– 21,430,000	– 3%	36,680,000	4%	107,940,000	13%
RETAIL						
+ 0.50%	– 31,790,000	– 10%	– 13,180,000	– 4%	9,140,000	3%
± 0.00%	– 19,490,000	– 6%	0	0%	23,360,000	7%
– 0.50%	– 6,770,000	– 2%	13,660,000	4%	38,080,000	12%
LOGISTICS						
+ 0.50%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
± 0.00%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
– 0.50%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
OTHER						
+ 0.50%	– 6,440,000	– 10%	– 2,640,000	– 4%	2,230,000	3%
± 0.00%	– 4,120,000	– 6%	0	0%	4,990,000	7%
– 0.50%	– 1,560,000	– 2%	2,770,000	4%	7,980,000	12%

in EUR

Market rent	Value	Absolute delta	Relative delta
TOTAL			
– 10%	1,082,730,000	– 126,070,000	– 10%
– 5%	1,146,090,000	– 62,710,000	– 5%
± 0%	1,208,800,000	0	0%
+ 5%	1,272,300,000	63,500,000	5%
+ 10%	1,335,380,000	126,580,000	10%
OFFICE			
– 10%	736,260,000	– 84,880,000	– 10%
– 5%	778,920,000	– 42,220,000	– 5%
± 0%	821,140,000	0	0%
+ 5%	864,000,000	42,860,000	5%
+ 10%	906,740,000	85,600,000	10%
RETAIL			
– 10%	284,030,000	– 36,090,000	– 11%
– 5%	302,180,000	– 17,940,000	– 6%
± 0%	320,120,000	0	0%
+ 5%	338,210,000	18,090,000	6%
+ 10%	356,100,000	35,980,000	11%

in EUR

Market rent	Value	Absolute delta	Relative delta
LOGISTICS			
– 10%	n.a.	n.a.	n.a.
– 5%	n.a.	n.a.	n.a.
± 0%	n.a.	n.a.	n.a.
+ 5%	n.a.	n.a.	n.a.
+ 10%	n.a.	n.a.	n.a.
OTHER			
– 10%	62,440,000	– 5,100,000	– 8%
– 5%	64,990,000	– 2,550,000	– 4%
± 0%	67,540,000	0	0%
+ 5%	70,090,000	2,550,000	4%
+ 10%	72,540,000	5,000,000	7%

STATEMENT OF FIXED ASSETS

Appendix 3 to the consolidated financial statements

	Goodwill		Other intangible assets		Operating and office equipment		Technical equipment		Prepayments	
in EUR thousand	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Acquisition costs at the beginning of the financial year	0	7,246	0	126	1,196	1,214	1	1	0	0
Accumulated depreciation/amortisation/impairment as at the beginning of the financial year	0	463	0	126	1,032	986	1	1	0	0
Carrying amounts as at the beginning of the financial year	0	6,783	0	0	164	228	0	0	0	0
Additions	0	0	0	0	79	33	0	0	0	0
Reclassifications	0	0	0	0	– 116	0	0	0	0	0
Disposals	0	0	0	0	151	51	1	0	0	0
Depreciation/amortisation	0	6,783	0	0	– 177	46	– 1	0	0	0
Acquisition costs at the end of the financial year	0	7,246	0	126	1,008	1,196	0	1	0	0
Accumulated depreciation/amortisation/impairment as at the end of the financial year	0	7,246	0	126	855	1,032	0	1	0	0
Carrying amounts as at the end of the financial year	0	0	0	0	153	164	0	0	0	0

FUNDAMENTAL COMPANY DATA

Appendix 4 to the consolidated financial statements

Name of the reporting company	DEMIRE Deutsche Mittelstand Real Estate AG
Company's registered office	Frankfurt am Main
Company's legal form	German stock corporation (AG)
Country in which the Company is registered as a legal entity	Germany
Address of the registered office	Robert-Bosch-Strasse 11, Langen
Headquarters	Germany
Description of nature of business activity	Real estate portfolio holder and investor focused on acquiring and managing commercial real estate in secondary locations
Name of the parent company	AEPF III 15 S. à r. l. Luxembourg
Name of the ultimate parent company of the group of companies	Apollo Global Management, Inc. (Delaware NYSE Listed)

FURTHER DISCLOSURES

EPRA DISCLOSURES

General overview

DEMIRE AG supplements its reporting in accordance with International Financial Reporting Standards (IFRS) with the best practice recommendations of the European Public Real Estate Association (EPRA).

We report on the following key figures: EPRA Net Reinstatement Value (EPRA NRV), EPRA Net Tangible Assets (EPRA NTA), EPRA Net Disposals Value (EPRA NDV), EPRA Net Initial Yield (EPRA NIY or "Topped-Up" NIY), EPRA Cost Ratios, EPRA Earnings and EPRA LTV. We also supplement the key figures with a breakdown of capital expenditure and a detailed overview of like-for-like rental growth in the DEMIRE portfolio.

OVERVIEW OF EPRA KEY FIGURES

in EUR thousand	31/12/2023	31/12/2022
EPRA Net Asset Value (EPRA NAV)	342,014	526,783
EPRA Triple Net Asset Value (EPRA NNNAV)	442,601	566,456
EPRA Net Reinstatement Value (EPRA NRV)	443,561	607,221
EPRA Net Tangible Assets (EPRA NTA)	331,409	484,794
EPRA Net Disposal Value (EPRA NDV)	442,091	541,090
EPRA Net Initial Yield (in %)	5.9	5.3
EPRA "Topped-Up" Net Initial Yield (in %)	5.9	5.4
EPRA Vacancy Rate[1] (in %)	13.1	9.5
EPRA Loan-to-Value (EPRA LTV) (in %)	70.7	65.9

	2023	2022
EPRA Earnings	– 598	26,014
EPRA Cost Ratio including direct vacancy costs (in %)	37.7	36.0
EPRA Cost Ratio excluding direct vacancy costs (in %)	32.8	31.6

[1] Excluding properties held for sale and project developments

EPRA NAV & EPRA NNNAV

The **EPRA Net Asset Value** (EPRA NAV) indicates the intrinsic value of a real estate company. The value is calculated on the basis of the Group equity (before minority interests) adjusted for effects from the exercise of options, convertible bonds and other rights to equity as well as the market values of derivative financial instruments and deferred taxes, i.e. adjusted for items that have no influence on the long-term development of the Group.

EPRA NET ASSET VALUE (NAV/EPRA NNNAV)

in EUR thousand	31/12/2023	31/12/2022	Change	in %
Net Asset Value (NAV)	303,589	450,226	– 146,637	– 32.6
Deferred taxes	37,915	76,047	– 38,133	– 50.1
Goodwill resulting from deferred taxes	0	0	0	0.0
EPRA NAV (basic)	**341,504**	**526,273**	**– 184,769**	**– 35.1**
Number of shares outstanding (basic) (in thousands)	105,513	105,513	0	0.0
EPRA NAV per share (basic) (in EUR)	**3.24**	**4.99**	**– 1.75**	**– 35.1**
Effect of the conversion of convertible bonds and other equity instruments	510	510	0	0.0
EPRA NAV (diluted)	342,014	526,783	– 184,769	– 35.1
Number of shares outstanding (diluted) (in thousands)	106,023	106,023	0	0.0
EPRA NAV per share (diluted) (in EUR)	**3.23**	**4.97**	**– 1.74**	**– 35.1**
Market value adjustments in liabilities (bonds)	194,471	162,483	31,988	19.7
Deferred taxes	– 93,884	– 122,810	28,926	– 23.6
EPRA NNNAV (diluted)	**442,601**	**566,456**	**– 123,855**	**– 21.9**
EPRA NNNAV per share (basic) (in EUR)	**4.17**	**5.34**	**– 1.17**	**– 21.8**

EPRA NRV, EPRA NTA, EPRA NDV

The **EPRA Net Tangible Assets** (EPRA NTA) indicator represents the intrinsic value of a company adjusted by the pro-rata deferred taxes on fair value adjustments of investment properties, the fair value of financial instruments and all intangible assets.

The **EPRA Net Disposal Value** (EPRA NDV) indicator represents the intrinsic value of a company adjusted by the full deferred taxes on fair value adjustments, the recognised goodwill and the market value adjustment of fixed-interest liabilities.

The **EPRA Net Reinstatement Value** (EPRA NRV) indicator represents the intrinsic value of a company adjusted for fair value adjustments and the fair value of financial instruments.

NEW REPORTING STANDARD (EPRA NAV)

	31/12/2023			31/12/2022		
in EUR thousand	EPRA NRV	EPRA NTA	EPRA NDV	EPRA NRV	EPRA NTA	EPRA NDV
IFRS shareholders' equity	303,589	303,589	303,589	452,701	452,701	452,701
Plus:						
I. Hybrid financial instruments	0	0	0	0	0	0
Diluted NAV	**303,589**	**303,589**	**303,589**	**450,226**	**450,226**	**450,226**
Plus:[1]						
II. a) Revaluation of IP (when applying the IAS 40 cost option)	0	0	0	0	0	0
II. b) Revaluation of IPUC (when applying the IAS 40 cost option)	0	0	0	0	0	0
II. c) Revaluation of other assets	0	0	0	0	0	0
III. Revaluation of leases held as finance leases	0	0	0	0	0	0
IV. Revaluation of real estate inventory	0	0	0	0	0	0

NEW REPORTING STANDARD (EPRA NAV)

	31/12/2023			31/12/2022		
in EUR thousand	EPRA NRV	EPRA NTA	EPRA NDV	EPRA NRV	EPRA NTA	EPRA NDV
Diluted NAV at market value	**303,589**	**303,589**	**303,589**	**452,701**	**452,701**	**452,701**
Less: [1]						
V. Deferred taxes on valuation gains from investment properties	55,640	27,820	x	84,797	42,399	x
VI. Market value of derivative financial instruments	0	0	x	–7,830	–7,830	x
VII. Goodwill as a result of deferred taxes	0	0	0	0	0	0
VIII. a) Goodwill according to IFRS balance sheet	x	0	0	x	0	0
VIII. b) Intangible assets according to IFRS balance sheet	x	–0	x	x	–0	x
Plus: [2]						
IX. Market value of fixed-interest liabilities (bonds)	x	x	138,502	x	x	90,864
X. Revaluation of intangible assets at fair value (optional)	0	x	x	0	x	x
XI. Land transfer tax/ acquisition costs	84,332	0	x	80,028	0	x
NAV	**443,561**	**331,409**	**442,091**	**607,221**	**484,794**	**541,090**
Number of shares (fully diluted)	106,023	106,023	106,023	106,023	106,023	106,023
NAV per share	**4.18**	**3.13**	**4.17**	**5.73**	**4.57**	**5.10**

[1] Plus = assets (+) liabilities (–), whether on or off the balance sheet
[2] Less = assets (–); liabilities (+) (part of balance sheet)

EPRA Net Initial Yield

The **EPRA Net Initial Yield** (EPRA NIY) indicator is the annualised contractual rent in relation to the fair value of the completed real estate portfolio plus an investor's estimated ancillary acquisition costs.

The EPRA Net Initial Yield compares the annualised rental income (excluding non-allocable property expenses) with the market value of the real estate portfolio as at the reporting date. The "topped-up" calculation includes hypothetical rents for expiring rent-free periods.

EPRA NET INITIAL YIELD/TOPPED-UP (EPRA NIY)

in EUR thousand	31/12/2023	31/12/2022	Change	in %
Investment properties	947,276	1,231,072	–283,796	–23.1
Shares in companies accounted for using the equity method	351	385	–34	–8.8
Real estate held for sale	149,100	121,000	28,100	–
Real estate portfolio (net)	**1,096,727**	**1,352,457**	**–255,730**	**–18.9**
Estimated ancillary acquisition costs	54,836	67,623	–12,787	–18.9
Real estate portfolio (gross)	**1,151,563**	**1,420,080**	**–268,517**	**–18.9**
Annualised cash rental income	76,142	84,120	–7,979	–9.5
Non-allocable real estate operating costs[1]	–8,342	–8,412	70	–0.8
Annualised net cash rental income	**67,800**	**75,709**	**–7,909**	**–10.4**
Rent-free periods	567	1,026	–459	–44.7
Annualised "topped-up" net rental income	**68,367**	**76,735**	**–8,368**	**–10.9**
EPRA Net Initial Yield (in %)	**5.9**	**5.3**	**60 bp**	**11.3**
EPRA "Topped-Up" Net Initial Yield (in %)	**5.9**	**5.4**	**50 bp**	**9.3**

1 2023: Adjusted for a one-off special effect from a provision for a lawsuit by a real estate agency (EUR 548 thousand); 2022: Adjusted for a one-off special effect from penalties in connection with the termination of leases (EUR 2,514 thousand)

EPRA Earnings

The **EPRA Earnings** indicator reflects the recurring earnings from the core operating business. The EPRA Earnings indicator is adjusted in particular for valuation effects, deferred taxes and the sales earnings from the consolidated result.

In addition, two adjustments were made for one-off effects for the 2023 financial year. Firstly, a loan receivable was partially written off due to a deterioration in the borrower's credit rating (see Section D. 4. of the notes to the consolidated financial statements) and secondly, the market value of an option to sell shares in a joint venture was reduced (see Section D. 7. of the notes to the consolidated financial statements). The effect of these adjustments on deferred taxes was also recognised in the adjusted EPRA result.

EPRA EARNINGS

in EUR thousand	2023	2022	Change	in %
Net profit/loss for the period	– 151,966	– 71,503	– 80,463	<100
Profit/loss from fair value adjustments of investment properties	176,807	98,878	77,929	78.8
Profit/loss from the sale of real estate and real estate companies	14,334	8,164	6,170	75.6
Profit/loss from companies accounted for using the equity method	– 1,007	2,948	– 3,955	<100
Profit/loss from the sale of real estate inventory	0	0	0	0.0
Taxes on sales earnings	4,620	1,081	3,539	<100
Goodwill impairment	0	6,783	– 6,783	0.0
Valuation result of financial instruments	0	0	0	0.0
Acquisition costs for share deals and for shares in non-controlling joint ventures	0	0	0	0.0
Deferred taxes on EPRA adjustments	– 38,133	– 8,644	– 29,489	<100
Non-controlling interests	– 5,253	– 11,693	6,440	– 55.1
EPRA Earnings	**– 598**	**26,014**	**– 26,612**	**<100**
Number of outstanding shares (basic)	105,513	105,513	0	0.0
EPRA Earnings Per Share (EPS basic)	– 0.01	0.25	– 0.25	<100
Number of outstanding shares (diluted)	106,023	106,023	0	0.0
EPRA Earnings Per Share (EPS diluted)	– 0.01	0.25	– 0.25	<100
Entity-specific adjustments	**29,980**	**0**	**– 0**	**0.0**
Change in market value options	24,100	0	24,100	0.0
Extraordinary impairment	18,200	0	18,200	0.0
Deferred taxes	– 12,320	0	– 12,320	0.0
Adjusted EPRA earnings	**29,382**	**32,224**	**– 2,842**	**– 8.8**
Adjusted EPRA Earnings Per Share (EPS basic)	0.28	0.31	– 0.03	– 8.8
Adjusted EPRA Earnings Per Share (EPS diluted)	0.28	0.30	– 0.03	– 8.8

EPRA Cost Ratio

As a ratio of EPRA costs to gross rental income, the **EPRA Cost Ratio** provides a statement on the cost efficiency of a real estate company – once including and once excluding direct vacancy costs.

General administrative costs (overhead costs), maintenance costs and operating costs are generally not capitalised. In the reporting period, EUR 0.3 million in letting commissions and EUR 1.9 million in rent incentives were capitalised (previous year: EUR 0.8 million and EUR 3.4 million respectively).

EPRA COST RATIO

in EUR thousand	2023	2022	Change	in %
Administrative and operational costs according to IFRS	**31,523**	**30,911**	**612**	**2.0**
General administrative expenses	11,663	10,772	891	8.3
Other operating expenses	846	1,210	–364	–30.1
Operating expenses to generate rental income	44,079	48,221	–4,142	–8.6
Income from utility and service charges	–25,065	–29,291	4,226	–14.4
Amortisation and depreciation	93	99	–7	–6.7
EPRA costs (including vacancy costs)	**31,616**	**31,010**	**606**	**2.0**
Direct vacancy costs	–4,069	–3,817	–252	6.6
EPRA costs (excluding vacancy costs)	**27,547**	**27,193**	**354**	**1.3**
Rental income	83,885	86,153	–2,268	–2.6
EPRA Cost Ratio (including vacancy costs) (in %)	**37.7**	**36.0**	**3,040 bp**	**4.7**
EPRA Cost Ratio (excluding vacancy costs) (in %)	**32.8**	**31.6**	**3,200 bp**	**3.8**

EPRA Capital Expenditure

The investments under Core Portfolio 2022 and 2023 mainly relate to value-enhancing conversion and expansion measures at various properties in our portfolios. Interest is generally not capitalised.

EPRA CAPITAL EXPENDITURE ANALYSIS

	2023		
in EUR thousand	DEMIRE portfolio	Joint venture	Total
Acquisitions	0	0	0
Development portfolio[1]	0	0	0
Core portfolio[2]	10,046	0	10,046
Additional lettable space	3,137	0	3,137
Without additional lettable space	6,909	0	6,909
Building lease incentives/construction cost subsidies	1,855	0	1,855

	2022		
in EUR thousand	DEMIRE portfolio	Joint venture	Total
Acquisitions	0	0	0
Development portfolio[1]	0	0	0
Core portfolio[2]	28,965	0	28,965
Additional lettable space	17,102	0	17,102
Without additional lettable space	11,863	0	11,863
Building lease incentives/construction cost subsidies	3,376	0	3,376

[1] DEMIRE AG does not engage in real estate development
[2] No interest was capitalised

EPRA Vacancy Rate

The **EPRA Vacancy Rate** is the ratio of market rent for vacant space to the market rent for the total space in the portfolio (as at the reporting date).

EPRA VACANCY RATE[1]

in EUR thousand	31/12/2023	31/12/2022	Change	in %
Estimated market rent for vacancies	10,470	8,012	2,457	30.7
Estimated market rent for total portfolio	79,697	84,317	– 4,620	– 5.5
EPRA Vacancy Rate (in %)	13.1	9.5	360 bp	37.2

[1] Excluding project developments

The increase in the EPRA vacancy rate as at 31 December 2023 compared to the previous year is due in particular to vacancies at the properties in Düsseldorf and Kassel as well as the vacant Karstadt property in Celle.

EPRA Like-for-Like Rental Growth

Like-for-like rental income is rental income from properties in a portfolio that have been held continuously within two comparison periods. Changes from portfolio additions and disposals are therefore not included. In a comparison of the periods, the organic component of the change in rental income from letting activities becomes particularly clear.

LIKE-FOR-LIKE DEVELOPMENT 31 DECEMBER 2023

	Total portfolio [1]		Like-for-like portfolio				
			31/12/2023		31/12/2022	in EUR million	in %
in EUR thousand	Market value [2]	Annualised contractual rents	Market value [2]	Annualised contractual rents	Annualised contractual rents	LFL growth	LFL growth
Office	629.0	43.7	629.0	43.7	44.9	– 1.1	– 2.5
Retail	281.6	21.9	281.6	21.9	24.3	– 2.4	– 9.8
Logistics & Other	165.1	11.0	165.1	11.0	10.4	0.7	6.5
Total	**1,075.6**	**76.7**	**1,075.6**	**76.7**	**79.5**	**– 2.8**	**– 3.5**

[1] As at the reporting date, the overall portfolio consisted of 59 properties that were part of the like-for-like analysis. Three properties were sold during the reporting year. As at the previous year's reporting date, the overall portfolio consisted of 62 properties.
[2] The market value (in EUR million) represents the total fair value of DEMIRE's property portfolio as at the reporting date. In contrast to the balance sheet item "Total Core Portfolio", no heritable building rights or operating facilities are recognised.

LIKE-FOR-LIKE DEVELOPMENT 31 DECEMBER 2022

	Total portfolio [1]		Like-for-like portfolio				
			31/12/2022		31/12/2021	in EUR million	in %
in EUR thousand	Market value [2]	Annualised contractual rents	Market value [2]	Annualised contractual rents	Annualised contractual rents	LFL growth	LFL growth
Office	821.1	50.3	821.1	50.3	46.4	3.9	8.4
Retail	320.1	24.5	320.1	24.5	22.8	1.7	7.3
Logistics & Other	188.5	10.4	188.5	10.4	8.0	2.3	28.9
Total	**1,329.8**	**85.1**	**1,329.8**	**85.1**	**77.3**	**7.9**	**10.2**

[1] As at the reporting date, the overall portfolio consisted of 62 properties.
[2] The market value (in EUR million) represents the total fair value of DEMIRE's property portfolio as at the reporting date. In contrast to the balance sheet item "Total Core Portfolio", no heritable building rights or operating facilities are recognised.

EPRA Loan-to-Value

The **EPRA Loan-to-Value** (EPRA LTV) is the ratio of net financial liabilities to the value of the assets, as defined by EPRA.

EPRA LOAN-TO-VALUE (EPRA LTV) 31 DECEMBER 2023

in EUR thousand	Group EPRA LTV before proportionate consolidation	Proportionate consolidation: Interests in joint ventures	Proportionate consolidation: Share of material associated companies	Proportionate consolidation: Non-controlling interests (NCI)	Total
Net financial debt					
Including:					
Borrowings from financial institutions	293,506	78,971	0	0	372,477
Commercial papers	0	0	0	0	0
Hybrids (including convertible bonds, preference shares, bonds, options, perpetual bonds)	0	0	0	0	0
Bonds	497,564	0	0	0	497,564
Foreign currency derivatives (futures, swaps, options and forwards)	0	0	0	0	0
Net liabilities	91,003	59,298	0	0	150,301
Owner-occupied property	0	0	0	0	0
Current accounts (with equity characteristics)	0	0	0	0	0
Excluding:					
Cash and cash equivalents	– 119,989	– 2,419	0	0	– 122,408
Net financial debt (a)	**762,084**	**135,850**	**0**	**0**	**897,934**

EPRA LOAN-TO-VALUE (EPRA LTV) 31 DECEMBER 2023

		Proportionate consolidation			
in EUR thousand	Group EPRA LTV before proportionate consolidation	Interests in joint ventures	Share of material associated companies	Non-controlling interests (NCI)	Total
Investment properties and other assets					
Owner-occupied property	0	0	0	0	0
Investment properties at fair value	947,276	102,861	0	0	1,050,137
Properties held for sale	149,100	0	0	0	149,100
Properties under development	0	0	0	0	0
Intangible assets	0	0	0	0	0
Net receivables	0	0	0	0	0
Financial assets	70,510	0	0	0	70,510
Loans to companies accounted for using the equity method	25,150	0	0	0	0
Loans and financial assets	45,360	0	0	0	0
Total property portfolio and other assets (b)	**1,166,886**	**102,861**	**0**	**0**	**1,269,747**
LTV (a/b) (in %)	**65.3**	**132.1**	**0.0**	**0.0**	**70.7**

EPRA LOAN-TO-VALUE (EPRA LTV) 31 DECEMBER 2022

in EUR thousand	Group EPRA LTV before proportionate consolidation	Proportionate consolidation Share of joint ventures	 Share of material associates	 Non-controlling interests (NCI)	Combined
Net financial debt					
Including:					
Borrowings from financial institutions	282,661	79,954	0	–11,485	351,131
Commercial papers	0	0	0	0	0
Hybrids (including convertible bonds, preference shares, bonds, options, perpetual bonds)	0	0	0	0	0
Bonds	546,394	0	0	0	546,394
Foreign currency derivatives (futures, swaps, options and forwards)	0	0	0	0	0
Net liabilities	101,428	59,204	0	0	160,632
Owner-occupied property	0	0	0	0	0
Current accounts (with equity characteristics)	0	0	0	0	0
Excluding:					
Cash and cash equivalents	–57,415	–1,472	0	3,606	–55,282
Net financial debt (a)	**873,068**	**137,686**	**0**	**–7,879**	**1,002,875**

EPRA LOAN-TO-VALUE (EPRA LTV) 31 DECEMBER 2022

in EUR thousand	Group EPRA LTV before proportionate consolidation	Proportionate consolidation Share of joint ventures	Share of material associates	Non-controlling interests (NCI)	Combined
Investment properties and other assets					
Owner-occupied property	0	0	0	0	0
Investment properties at fair value	1,231,072	128,296	0	– 45,036	1,314,332
Properties held for sale	121,000	0	0	0	121,000
Properties under development	0	0	0	0	0
Intangible assets	0	0	0	0	0
Net receivables	0	0	0	– 54	– 54
Financial assets	87,502	0	0	0	87,502
Loans to companies accounted for using the equity method	24,752	0	0	0	0
Loans and financial assets	62,750	0	0	0	0
Total property portfolio and other assets (b)	**1,439,574**	**128,296**	**0**	**– 45,090**	**1,522,779**
LTV (a/b) (in %)	**60.6**	**107.3**	**0.0**	**17.5**	**65.9**

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