

Ad hoc announcement according to section § 15 WpHG

THIS ANNOUNCEMENT AND THE INFORMATION CONTAINED HEREIN IS NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, EITHER IN WHOLE OR IN PART, IN THE USA, CANADA, AUSTRALIA, JAPAN OR OTHER JURISDICTIONS WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OF SUCH JURISDICTION

Exchange offer and capital increase in connection with the announced voluntary public takeover offer by DEMIRE Deutsche Mittelstand Real Estate AG for all outstanding shares in Fair Value REIT-AG

Frankfurt/Main, 31 July 2015 – Today, the Executive Board and the Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG decided to offer the shareholders of Fair Value REIT-AG the acquisition of their no-par value bearer shares by way of a voluntary public takeover offer in the form of an exchange offer (the "Takeover Offer"). In addition, DEMIRE Deutsche Mittelstand Real Estate AG and Fair Value REIT-AG today also signed a basic agreement (so-called "Business Combination Agreement"). Further, DEMIRE Deutsche Mittelstand Real Estate AG entered into various tender agreements with certain shareholders of Fair Value REIT-AG, in which these shareholders undertake to accept the Takeover Offer for their Fair Value shares (so-called "Tender Commitments"). The successful completion of the Takeover Offer would create a real estate group with a commercial real estate portfolio totalling around EUR 1 bn.

PUBLIC TAKEOVER OFFER BY DEMIRE DEUTSCHE MITTELSTAND REAL ESTATE AG FOR ALL OUTSTANDING SHARES OF FAIR VALUE REIT-AG

DEMIRE Deutsche Mittelstand Real Estate AG intends to offer the shareholders of Fair Value REIT-AG two (2) new no-par value bearer shares of DEMIRE Deutsche Mittelstand Real Estate AG, each representing a pro rata amount of the registered share capital of EUR 1.00 each and a right to dividends as of 1 January 2015 (the "DEMIRE Shares") from the capital increase in kind (the "Capital Increase"), still to be resolved by the General Meeting, in exchange for one (1) Fair Value share tendered to DEMIRE Deutsche Mittelstand Real Estate AG in the context of the Takeover Offer, subject to the final determination of a minimum offer price and the final terms in the offer document. This Takeover Offer provides Fair Value shareholders with an 11.00 percent premium compared to the valuation of both companies based on the refined EPRA NAV per share (adjusted, diluted) (status as of 27 July 2015).

DEMIRE Deutsche Mittelstand Real Estate AG's Takeover Offer will presumably be made subject to, inter alia, a minimum acceptance ratio of 50.1% of the outstanding Fair Value shares, the absence of material transactions, material adverse effects, or material compliance violations, as well as the registration of the implementation of the capital increase. Otherwise, the Takeover Offer will be made in accordance with the terms and conditions set out in the offer document to be approved by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin*). Insofar as legally permissible, DEMIRE Deutsche Mittelstand Real Estate AG reserves the right to deviate in the final terms and conditions of the Takeover Offer from the basic information described herein.

The offer document will be published on the internet following clearance by the German Federal Financial Supervisory Authority at: <http://www.demire.ag> under the section "Investors Relations".

DETAILS ON THE EXECUTION OF THE TAKEOVER OFFER

The new DEMIRE Shares to be offered shall be created by way of a capital increase in kind still to be resolved and excluding DEMIRE Deutsche Mittelstand Real Estate AG shareholders subscription rights. For the purpose of resolving the capital increase, DEMIRE Deutsche Mittelstand Real Estate AG will convene an Extraordinary General Meeting at short notice, presumably on 14 September 2015. At the Extraordinary General Meeting, DEMIRE Deutsche Mittelstand Real Estate AG's share capital shall be increased by up to EUR 30,761,646.00 against contribution in kind by issuing up to 30,761,646 no-par value bearer shares each representing a pro rata amount of the registered share capital of EUR 1.00 per share. DEMIRE Deutsche Mittelstand Real Estate AG will appoint a trustee who will subscribe to the new DEMIRE Shares for the benefit of the Fair Value REIT-AG shareholders and transfer the new DEMIRE Shares to those Fair Value REIT-AG shareholders that have tendered their Fair Value shares in connection with the Takeover Offer.

BUSINESS COMBINATION AGREEMENT BETWEEN DEMIRE DEUTSCHE MITTELSTAND REAL ESTATE AG AND FAIR VALUE REIT-AG

In relation to the Takeover Offer, DEMIRE Deutsche Mittelstand Real Estate AG and Fair Value REIT-AG have today entered into a Business Combination Agreement in which both companies have stipulated their current understanding in terms of the execution of the Takeover Offer and the general support of the Takeover Offer by the Management Board of Fair Value REIT-AG. The objective of the acquisition is to create a sizable player in the German stock market-listed real estate sector with a stable rental profile and to establish a leading holder of office, retail and logistics properties in German secondary locations. Subject to a review of the offer document including a final valuation analysis of the adequacy of the offer consideration, the Management Board and the Supervisory Board of Fair Value REIT-AG intend to support the Takeover Offer and to recommend to the Fair Value REIT-AG shareholders to accept the Takeover Offer.

DEMIRE Deutsche Mittelstand Real Estate AG and Fair Value REIT-AG have also agreed that Mr. Frank Schaich will remain a member of the Management Board of Fair Value REIT-AG. DEMIRE Deutsche Mittelstand Real Estate AG and Fair Value REIT-AG also plan to keep their respective corporate seats in Frankfurt/Main and Munich. DEMIRE Deutsche Mittelstand Real Estate AG will make their best effort not to jeopardise Fair Value REIT-AG's REIT status as long as Fair Value REIT-AG is organised as a REIT according under its Articles of Association. It is also intended to continue Fair Value REIT-AG's current dividend policy.

TENDER COMMITMENT WITH MAJOR SHAREHOLDERS

Today, DEMIRE Deutsche Mittelstand Real Estate AG entered into Tender Commitments with Obotritia Beteiligungs GmbH, Försterweg Beteiligungs GmbH, Jägersteig Beteiligungs GmbH and Kienzle Vermögensverwaltungs GmbH (together referred to as the "Package Shareholders"), who own in total approx. 23.21% of the shares and voting rights of Fair Value REIT-AG. In this agreement, the Package Shareholders irrevocably undertake to tender their Fair Value shares in connection with the Takeover Offer. Simultaneously, the Package Shareholders have already declared their withdrawal from their acceptance of the Takeover Offer pursuant to the Tender Commitments if and to the extent that the number of Fair Value shares tendered in connection with the Takeover Offer would lead to DEMIRE Deutsche Mittelstand Real Estate AG holding more than 94.9% of the share capital and voting rights of Fair Value REIT-AG.

Frankfurt/Main, 31 July 2015

DEMIRE Deutsche Mittelstand Real Estate AG

The Executive Board

Disclaimer

This announcement is neither an offer to exchange nor a solicitation of an offer to exchange Fair Value shares. Moreover, this announcement is neither an offer to purchase nor a solicitation to purchase any DEMIRE Deutsche Mittelstand Real Estate AG shares. The final terms and further provisions regarding the public Takeover Offer will be disclosed in the offer document after the publication has been approved by the German Federal Financial Supervisory Authority. DEMIRE Deutsche Mittelstand Real Estate AG reserves the right to deviate in the final terms and conditions of the public Takeover Offer from the basic information described herein. Investors and holders of Fair Value shares are strongly recommended to read the offer document and all other documents in connection with the Takeover Offer as soon as they are published because they contain important information.

Subject to the exceptions described in the offer document, as well as any exemptions that may be granted by the relevant regulators, a takeover offer will not be made, neither directly nor indirectly, in any jurisdiction where to do so would constitute a violation of the national laws of such jurisdiction.

Shares of DEMIRE Deutsche Mittelstand Real Estate AG have not been nor will they be registered under the U.S. Securities Act of 1933, as amended, or with any securities regulatory authority of a state or any other jurisdiction in the USA or any other foreign jurisdiction. Therefore, subject to certain exceptions, DEMIRE Deutsche Mittelstand Real Estate AG shares must not be offered or sold within the USA or any other jurisdiction where to do so would constitute a violation of the national laws of such jurisdiction. There will be no registration of the DEMIRE Deutsche Mittelstand Real Estate AG shares mentioned in this announcement pursuant to the relevant laws in the USA or any other foreign legal system.

To the extent this announcement contains forward-looking statements, also with respect to the Takeover Offer, such statements do not represent facts and are characterised by the words "will", "expect", "believe", "estimate", "intend", "aim", "assume" or similar expressions. Such forward-looking statements express the intentions, opinions or current expectations and assumptions of DEMIRE Deutsche Mittelstand Real Estate AG and the persons acting in concert with DEMIRE Deutsche Mittelstand Real Estate AG. Such forward-looking statements are based on current plans, estimates and forecasts which DEMIRE Deutsche Mittelstand Real Estate AG and the persons acting in concert with DEMIRE Deutsche Mittelstand Real Estate AG have made to the best of their knowledge, but which do not claim to be correct in the future. Forward-looking statements are subject to risks, uncertainties and changes in the accompanying circumstances that for the most part are difficult to predict and usually cannot be influenced by DEMIRE Deutsche Mittelstand Real Estate AG or the persons acting in concert with DEMIRE Deutsche Mittelstand Real Estate AG. These expectations and forward-looking statements can prove to be incorrect and the actual events may differ materially from those contained in such forward-looking statements. DEMIRE Deutsche Mittelstand Real Estate AG and the persons acting in concert with DEMIRE Deutsche Mittelstand Real Estate AG do not assume an obligation to update the forward-looking statements with respect to actual developments, events, basic conditions, assumptions or other factors.

Contact

DEMIRE Deutsche Mittelstand Real Estate AG
Investor Relations
Lyoner Straße 32
60528 Frankfurt am Main
Phone: +49 (0) 69-719 189 79 0
Fax: +49 (0) 69-719 189 79 11

ir@demire.ag
www.demire.ag

Investor Relations

GFEI Aktiengesellschaft
Lars Kuhnke
Phone: +49 (0) 511 4740 2310
ir@demire.ag