DEMIRE DEUTSCHE MITTELSTAND REAL ESTATE

DEMIRE Deutsche Mittelstand Real Estate AG

ANNUAL REPORT 2015

Financial year January 1 – December 31, 2015

Portrait

FIRST IN SECONDARY LOCATIONS

DEMIRE Deutsche Mittelstand Real Estate AG has commercial real estate holdings in mid-sized cities and upcoming areas bordering metropolitan areas across Germany. The Company has its special strength in these secondary locations – first in secondary locations – and focuses on properties which that are particularly attractive for medium-sized companies. DEMIRE has grown rapidly in recent years as a result of aquisitions of individual properties and company shares alike. At the end of the 2015 fiscal year, DEMIRE's portfolio contained rental space of 1.1 million sqm with a market value of almost EUR 1 billion.

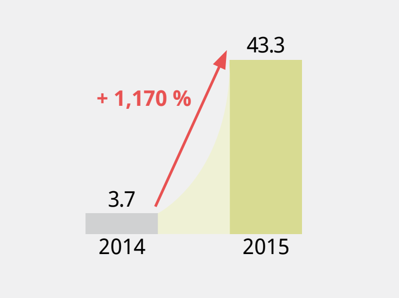
The portfolio's focus on office, retail and logistic properties results in a risk structure that DEMIRE believes is reasonable for the commercial real estate segment. The Company places importance on long-term contracts with solvent tenants and, therefore, anticipates stable and sustainable rental income.

DEMIRE intends to maintain its corporate organisation as lean as possible, although it believes that economies of scale and portfolio optimisation are best achieved by having its own in-house asset, property and facility management. This safeguards the Company's business expertise and, equally important, allows the Company to maintain direct contact with the customer.

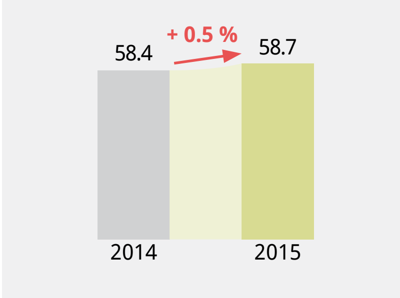
The shares of DEMIRE Deutsche Mittelstand Real Estate AG are listed on the regulated market (General Standard Segment) of the Frankfurt Stock Exchange.

DEMIRE at a glance

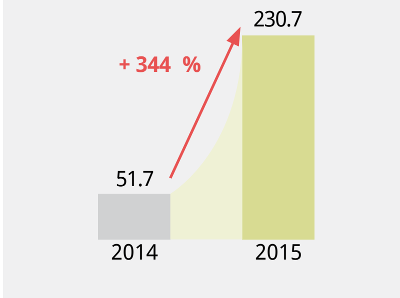
RENTAL REVENUE



EBIT

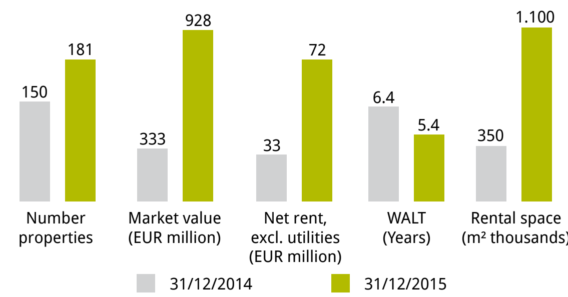


NAV

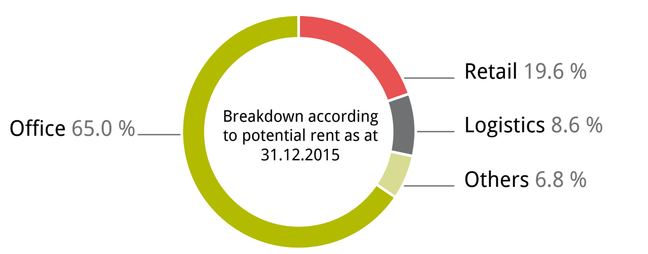


in EUR millions

PROPERTY PORTFOLIO



FOCUS ON THREE ASSET CLASSES



GROUP KEY FIGURES

EURK

CONSOLIDATED INCOME STATEMENT	01/01/2015–31/12/2015	01/04/2014–31/12/2014
Rental revenue	43,344	3,749
Net rental income	23,680	2,290
EBIT	**58,740**	**58,434**
Financial result	-25,728	-2,938
EBT	**33,012**	**55,496**
Net profit/loss for the period	**28,873**	**45,707**
Net profit/loss for the period per share (undiluted / diluted, in EUR)	**1.09 / 0.71**	**3.03 / 1.74**

CONSOLIDATED BALANCE SHEET	31/12/2015	31/12/2014
Total assets	1,032,945	373,012
Investment properties	915,089	333,070
Non-current assets held for sale	13,005	0
Total portfolio	928,094	333,070
Financial liabilities	655,239	295,665
Cash and cash equivalents	28,467	4,397
Net financial liabilities	626,772	291,268
% of total portfolio (LTV)	67,5	87,4
Equity according to the consolidated balance sheet	264,902	54,629
Equity ratio in %	25.6	14.6
Equity attributable to equity holders of the parent company (NAV)	230,697	51,684
EPRA NAV (undiluted / diluted)	256,267 / 271,585	60,996 / 71,420
EPRA NAV per share (undiluted / diluted, in EUR)	5.20 / 4.25	4.26 / 2.84

Competitive strengths

Focus

- Clear investment strategy
- Focus on commercial real estate holdings in secondary locations in Germany
- Value appreciation through favourable purchase prices

Combined approach

- Value-Added strategy with a Core Plus approach
  - Stable cash flows generated by Core Plus strategy
  - Appreciation potential through Value-Added

Value chain

- Fully integrated real estate group
- Coverage of the entire value chain from purchase and management to sale, when strategically feasible
- Group in-house asset, property and facility management

Flexibility

- Flat hierarchies
- Short and quick decision-making process

Expertise and commitment

- Long-standing experience and extensive expertise in the real estate industry
- Efficient processes

Capital market

- Increasing market capitalisation
- Active in equity and debt capital markets
- Aimed at long-term oriented dividend policy

Long-term approach

- DEMIRE strives for long-term value appreciation of the core portfolio
- Not interested in temporary profit increases

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Disclaimer:

The report is published in German and as an English translation. In the event of any conflict or inconsistency between the English and the German versions, the German original shall prevail.

Foreword of the Executive Board

Ladies and Gentlemen,

For DEMIRE Deutsche Mittelstand Real Estate AG, the year 2015 represented a year of tremendous growth – partly due to direct investments, but mainly as a result of the acquisition of a majority interest in Fair Value REIT-AG at the end of the fiscal year. These investments more than tripled the value of our real estate portfolio bringing it to a total of almost one billion euros.

Since the Fair Value acquisition took place shortly before the year's end, this quantum jump in growth is reflected in our balance sheet but not yet evident in our income statement. At the end of 2015, the sum of the contracted annual net rent, excluding utilities, of DEMIRE's real estate holdings amounted to EUR 72 million or around eighteen times higher than DEMIRE's total net rent in 2014. There is no better illustration of the new dimension our company has grown into in 2015. We are now one of the leading listed companies in our industry measured in terms of revenue and portfolio value.

Naturally, this rise was due in large part to our takeover of Fair Value REIT-AG, whose former shareholders we would like to welcome at this point as new DEMIRE shareholders. Holders of a total of 77.7 % of the shares accepted our voluntary public takeover offer to exchange one Fair Value share into two DEMIRE shares. These shareholders clearly saw the benefits that we believe accompany the acquisition: similar business models with very different acquisition channels, the potential for economies of scale from the joint management of properties through the Group's own asset, property and facility management operations and a significantly stronger foundation for further growth.

We not only grew rapidly in 2015 but for the first time we also diversified our portfolio through targeted direct investments in new rental segments resulting in the introduction of new asset classes. The acquisition of Logistikpark Leipzig marked our entry into the logistic property segment, and the acquisition of Gutenberg-Galerie in Leipzig our entry into the retail property segment – a step that was substantially reinforced by our takeover of Fair Value REIT-AG at the end of the year. Our purchase of Kurfürsten-Galerie in Kassel represented a further investment in this asset class but had no influence on the 2015 financial statements because it was transferred to us only at the beginning of the current fiscal year. These purchases make us less dependent on the office segment. We are diversifying our risks.

A natural consequence of the property portfolio's tremendous expansion was a few personnel changes. The second-tier management of important areas such as asset, property and facility management as well as real estate acquisition, have been reinforced with seasoned industry and professional experts. The same is true for central functions such as accounting and controlling. In 2015, the number of employees increased from eight to a total of 54. Nevertheless, the DEMIRE Group's corporate structure remains lean.

From left to right: Dipl.-Kfm. (FH) Markus Drews, Executive Board Member (COO), Hon.-Prof. Andreas Steyer MRICS, Speaker of the Eecutive Board (CEO), Frank Schaich, Executive Board Member (CFO)

In addition, the Executive Director of Fair Value REIT-AG, Frank Schaich, was appointed in early February 2016 to DEMIRE's Executive Board, bringing the number of Board members to a total of three. This expansion reflects the wider range of tasks within the Group. At the same time, Mr. Schaich remains responsible for the destiny of Fair Value REIT-AG.

While taking various steps to accelerate our growth in 2015, we improved our operating business at the same time. This becomes evident from the key figures in our income statement, which do not or do not yet fully reflect the effect of the acquisitions. We were also able to improve our Company's financial stability during the reporting year. Investments made in ten portfolio and individual properties in cities such as Berlin, Bremen, Leipzig and Stralsund and the Fair Value acquisition were predominantly financed by the issue of new shares. This had a positive effect on the equity ratio, increased the net asset value per share and reduced the Group's net debt ratio – all factors that should benefit the interests of shareholders.

The Company's tremendous appreciation in value was accompanied by a sharp increase in DEMIRE's market capitalisation, which saw more than an eightfold increase during 2015 and amounted to more than EUR 200 million at the year's end. This raises the Company's visibility, improves share liquidity and increases the interest in our company of capital market participants. Thus, in 2015, we were able to lay the foundation for even more success on the capital market going forward.

This is an important factor when it comes to financing our targeted future growth, for which we believe we are well equipped. We can use our integrated property management approach to raise our value appreciation potential. By concentrating on secondary locations, we have distinguished ourselves on the market in a manner that can be summed up by our slogan „First in secondary locations". Moreover, our takeover of Fair Value has proven that we can complete even major acquisitions successfully.

We welcome you, our shareholders and business partners, to continue to accompany us on this journey and embark on the next chapter in the Company's history, which we hope will prove to be just as successful as in the previous fiscal year.

Finally, we would like to thank all of the DEMIRE Group's employees for their unwavering commitment. Without their exceptional efforts, this performance would not have been possible. They have earned our full appreciation.

Frankfurt/Main, May 2016

Hon.-Prof. Andreas Steyer
Speaker of the Executive Board
(CEO)

Dipl.-Kfm. (FH) Markus Drews
Executive Board Member
(COO)

Frank Schaich
Executive Board Member
(CFO)

▼ Logistikpark, Leipzig

Report of the Supervisory Board

Dear Shareholders,

In the 2015 fiscal year, the Supervisory Board performed the tasks and exercised the responsibilities incumbent upon it pursuant to the law, DEMIRE Deutsche Mittelstand Real Estate AG's Articles of Association and its rules of business procedure.

The Supervisory Board and the Executive Board continuously worked together and communicated regularly. Along with 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 conduction of business under the aspects 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 the previous years, the Executive Board kept the Supervisory Board informed in a timely and comprehensive manner on the basis of detailed written and verbal Executive Board reports. These reports included a detailed discussion on all important issues related to the development of the markets relevant for the Company and the Group, short- and long-term corporate planning and current business performance. The position of the Company and the Group, the liquidity 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. The information provided by the Executive Board was critically reviewed by the Supervisory Board for plausibility. The subject matter and the scope of the Executive Board's reporting fully met our requirements at all times.

The Supervisory Board reviewed the detailed clarifications submitted by the Executive Board when business development diverged from the previously approved plans and targets as well as information on measures necessary to counter any divergence. After careful examination and consultation, the Supervisory Board members approved the reports and proposals of the Executive Board to the extent required by the provisions of the law and the Articles of Association.

The chairman of the Supervisory Board was comprehensively informed by the Executive Board in a timely manner by way of written and verbal reports – also outside of scheduled Supervisory Board meetings – of particular business transactions that were of key significance in assessing the position and the development and for the management of the Company and the Group. Matters requiring approval were promptly submitted by the Executive Board for resolution.

The chairman of the Supervisory Board was regularly in personal and close 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.

During the reporting year, there were no 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 information to the Annual General Meeting.

The Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG with the Chairman
Prof. Dr. Hermann Anton Wagner (middle), Günther Walcher (left) and the Deputy Chairman Dr. Peter Maser (right).

Changes in the Supervisory Board

After the resignation of Dr. Dirk Hoffmann as a member of the Supervisory Board as at December 31, 2014, DEMIRE welcomed Dr. Peter Maser, Attorney at Deloitte Legal Rechtsanwaltsgesellschaft mbH, Stuttgart, as a new member of the Supervisory Board. By resolution of the district court of Frankfurt/Main, Dr. Maser was appointed as a member of the Supervisory Board on January 12, 2015. The Extraordinary General Meeting on March 6, 2015 resolved to appoint Dr. Peter Maser as a member of the Supervisory Board until the close of the Annual General Meeting that will resolve the discharge of the members of the Supervisory Board for the fiscal year ending December 31, 2015. In the subsequent constituent meeting of the Supervisory Board, Dr. Peter Maser was elected deputy chairman.

Members of the Supervisory Board in the 2015 Fiscal Year

- Prof. Dr. Hermann Anton Wagner (from April 17, 2013; chairman from October 23, 2013)
- Dr. Peter Maser (from January 12, 2015; deputy chairman from March 6, 2015)
- Günther Walcher (from October 23, 2013)

Supervisory Board Committees

The Supervisory Board consisted of three members in the 2015 fiscal year. The Supervisory Board did not form any committees since this is impractical with only three members.

Work of the plenum during the Reporting Year

The Supervisory Board held four meetings during the 2015 fiscal year on April 28, 2015, June 5, 2015, July 29, 2015, and December 2, 2015. The Supervisory Board also discussed and resolved current issued in numerous telephone conferences.

On June 5, 2015, the Supervisory Board together with the Executive Board discussed DEMIRE Deutsche Mittelstand Real Estate AG's Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act for the 2015 fiscal year. This discussion related to the recommendations of the „Government Commission German Corporate Governance Code" published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette in the version of June 24, 2014, as well as any divergences from these recommendations. The Declaration of Conformity was subsequently published on the Company's website (www.demire.ag/en/company/corporate-governance).

At the meeting on June 5, 2015, the Supervisory Board dealt extensively with the financial statements and consolidated financial statements for the 2014 rump fiscal year, including the combined management report for the Company and the Group, adopted the annual financial statements and approved the consolidated financial statements.

The auditor participated in this meeting and presented the key findings of the audit. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart was chosen as the auditor by the Annual General Meeting and was mandated by the Supervisory Board. The financial statements, including the combined management reports for the Company and the Group, were reviewed by the auditor and furnished with unqualified audit opinions.

Work of the plenum after the Fiscal Year's Close

At the meeting on March 1, 2016, the Supervisory Board dealt in depth with the Company's business performance and the plans for the current fiscal year.

On April 29, 2016, the Supervisory Board together with the Executive Board discussed DEMIRE Deutsche Mittelstand Real Estate AG's Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act for the 2015 fiscal year. This discussion related to the recommendations of the „Government Commission German Corporate Governance Code" published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette in the version of May 5, 2015, the Corporate Governance Report and the Statement on Corporate Governance pursuant to Section 289a of the German Commercial Code. The Declaration of Conformity was subsequently published on the Company's website (www.demire.ag/en/company/corporate-governance).

At the meeting on April 29, 2016, the Supervisory Board also dealt extensively with the preliminary financial statements and consolidated financial statements for the 2015 fiscal year, including the combined management report for the Company and the Group. The auditor took part in this meeting and presented the key findings of his audit to date. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart was appointed as the auditor by the Annual General Meeting and was mandated by the Supervisory Board.

In a further meeting on May 13, 2016, the auditor confirmed that following his audit of the financial statements, including the combined management report for the Company and the Group, they were furnished with unqualified audit opinions.

The Supervisory Board subjected the financial statements, the consolidated financial statements, and the combined management report for the Company and the Group to its own review and approved the results of the audit conducted by the auditor. No objections were raised following the issue of the final audit report on the annual financial statements, the consolidated financial statements, the combined management report for the Company and the Group, and the auditors audit reports. The Supervisory Board approved the financial statements, the consolidated financial statements and the combined management report on May 13, 2016, thus adopting the Company's financial statements.

Matters of the Executive Board

On December 2, 2015, the Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG extended the contract of CEO Hon.-Prof. Andreas Steyer by an additional three years, thereby prematurely amending and extending his Executive Board contract, which expired at the end of February 2016, through February 2019.

Effective February 1, 2016, Mr. Frank Schaich was appointed as a member of the Company's Executive Board for a term of three years.

Continued Implementation of the Buy & Hold Strategy

In the 2015 fiscal year, DEMIRE Deutsche Mittelstand Real Estate AG continued to apply its „buy and hold“ strategy resolved in June 2013 by acquiring several real estate portfolios, properties and the majority of voting rights in Fair Value REIT-AG. The Company also tripled its business volume compared to the prior year creating a real estate group with a portfolio of commercial property of around EUR 1 billion.

With the consent of the Supervisory Board, DEMIRE relied mainly on capital increases to finance the steps in the Company's growth.

This has brought the Group closer to its long-term strategic goal of giving shareholders the opportunity to participate in the Company's success through an attractive dividend policy.

A word of thanks from the Supervisory Board

The Supervisory Board would like to thank the Group's employees and the Executive Board members Hon.-Prof. Andreas Steyer and Mr. Markus Drews for their extraordinary commitment and constructive collaboration in this very eventful 2015 fiscal year.

This report was discussed in detail at the Supervisory Board meeting on April 29, 2016 and adopted by the Supervisory Board at its meeting on May 13, 2016.

Frankfurt/Main, May 2016

Prof. Dr. Hermann Anton Wagner
(Chairman)

▼ Gutenberggalerie, Leipzig

First in Secondary Locations

January
Alpine Real Estate GmbH becomes a DEMIRE shareholder by subscribing to capital increase against contribution in kind

March
Increase of 2014/2019 corporate bond in the amount of EUR 50 million bringing the total to EUR 100 million

May
Issue and placement of mandatory convertible bond with a volume of EUR 15 million

Ketom AG becomes a DEMIRE shareholder by subscribing to capital increase against contribution in kind

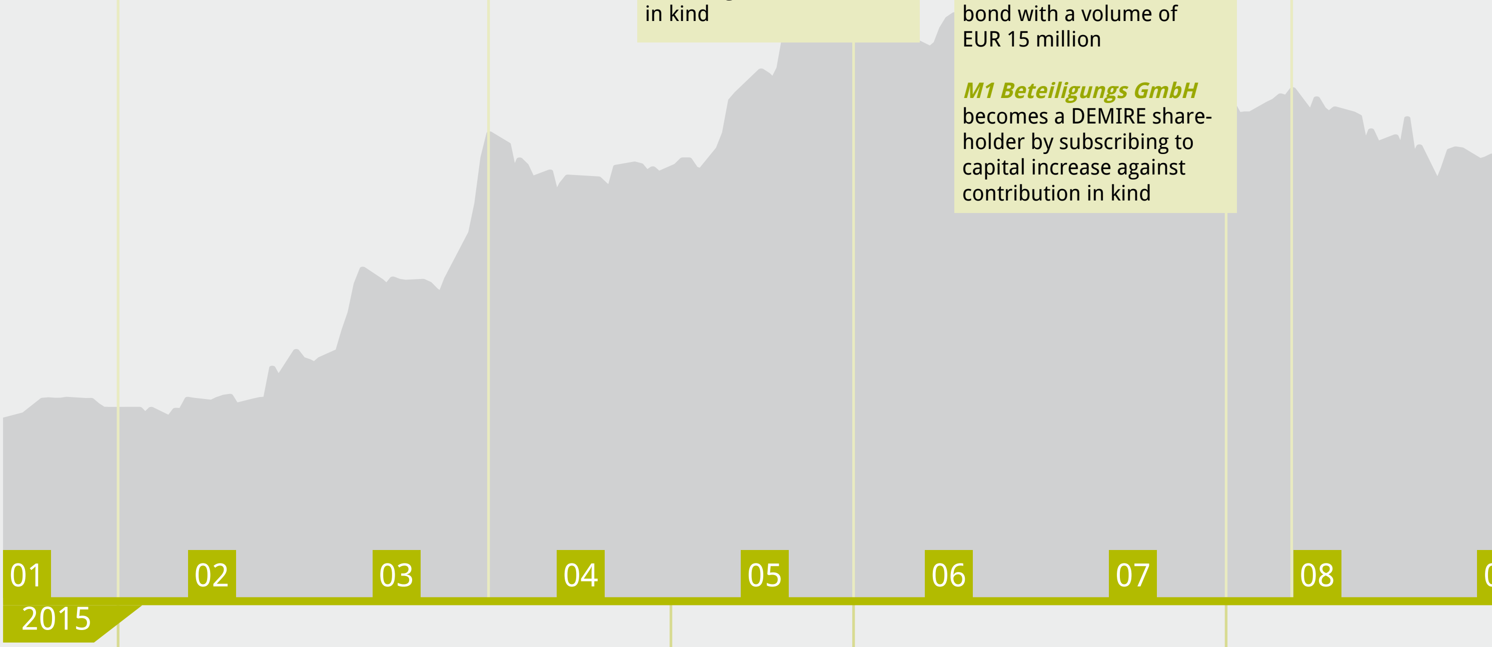
July
Successful placement of a 10 % cash capital increase

Wecken & Cie. becomes a DEMIRE shareholder by subscribing to a cash capital increase

Placement of a convertible bond with a volume of EUR 15 million

M1 Beteiligungs GmbH becomes a DEMIRE shareholder by subscribing to capital increase against contribution in kind

July
Announcement of voluntary public takeover offer to the shareholders of Fair Value REIT-AG



January
Completion of purchase of commercial real estate portfolio with rental space of 42,000 m² upon the recording in the commercial register of a capital increase against contribution in kind

PROPERTY COMPANIES HANSE-CENTER AND GLOCKENHOFCENTER Bremen, Berlin, Stralsund, among others

Use: Office property
Rental space: 42,000 m²

April
Purchase of another property in Schwerin

MARGARETENHOF, Schwerin

Use: Office property
Rental space: 5,240 m²
GRI: EUR 0.55 million

May
Completion of acquisition of Gutenberg Galerie, Leipzig

GUTENBERG GALERIE, Leipzig

Use: Office/retail property
Rental space: 20,750 m²
GRI: EUR 1.3 million

July
Completion of purchase of Logistikpark Leipzig, Leipzig

LOGISTIKPARK LEIPZIG, Leipzig

Use: Logistic/office property
Rental space: 218,000 m²
GRI: EUR 4.1 million

July
Purchase of Kurfürsten-Galerie, Kassel

KURFÜRSTEN-GALERIE, Kassel

Use: Retail property
Rental space: 21,000 m²
GRI: EUR 3.9 million

October
Publishment of offer document for shareholders of the Faire Value REIT-AG

November
Exceedance of minimum acceptance ratio of takeover offer made to shareholders of Fair Value REIT-AG

December
Successful completion of Fair Value REIT-AG takeover

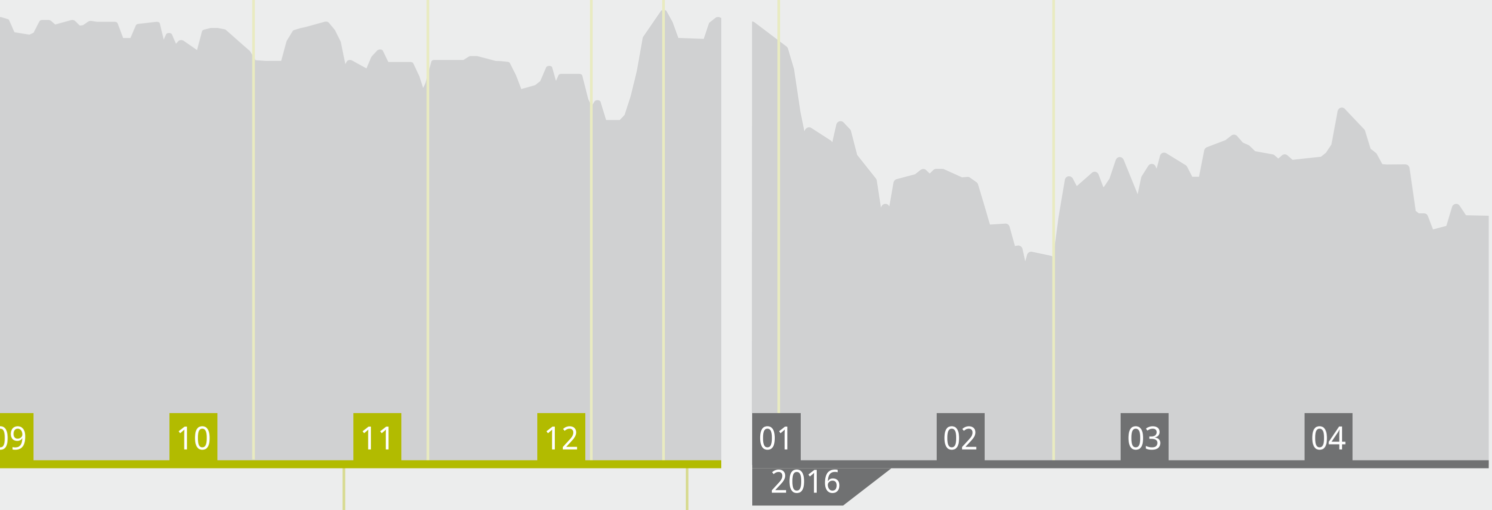
Obotritia Capital KGaA becomes a DEMIRE shareholder through a share exchange as part of the Fair Value REIT-AG takeover

Contract extension for CEO, Hon.-Prof. Andreas Steyer

January
All acquisitions made in 2015 successfully completed

February
DEMIRE strengthens in-house property management by undertaking an acquisition

Appointment of Frank Schaich to DEMIRE Executive Board



October
Completion of purchase of Telekom portfolio

T6-PORTFOLIO (TELEKOM), 6 properties, Ansbach, Bonn, Flensburg, Freiburg, Regensburg and Stahnsdorf

Use: Office property
Rental space: 144,000 m²
GRI: EUR 15.1 million

December 2015
Majority interest in Fair Value REIT-AG

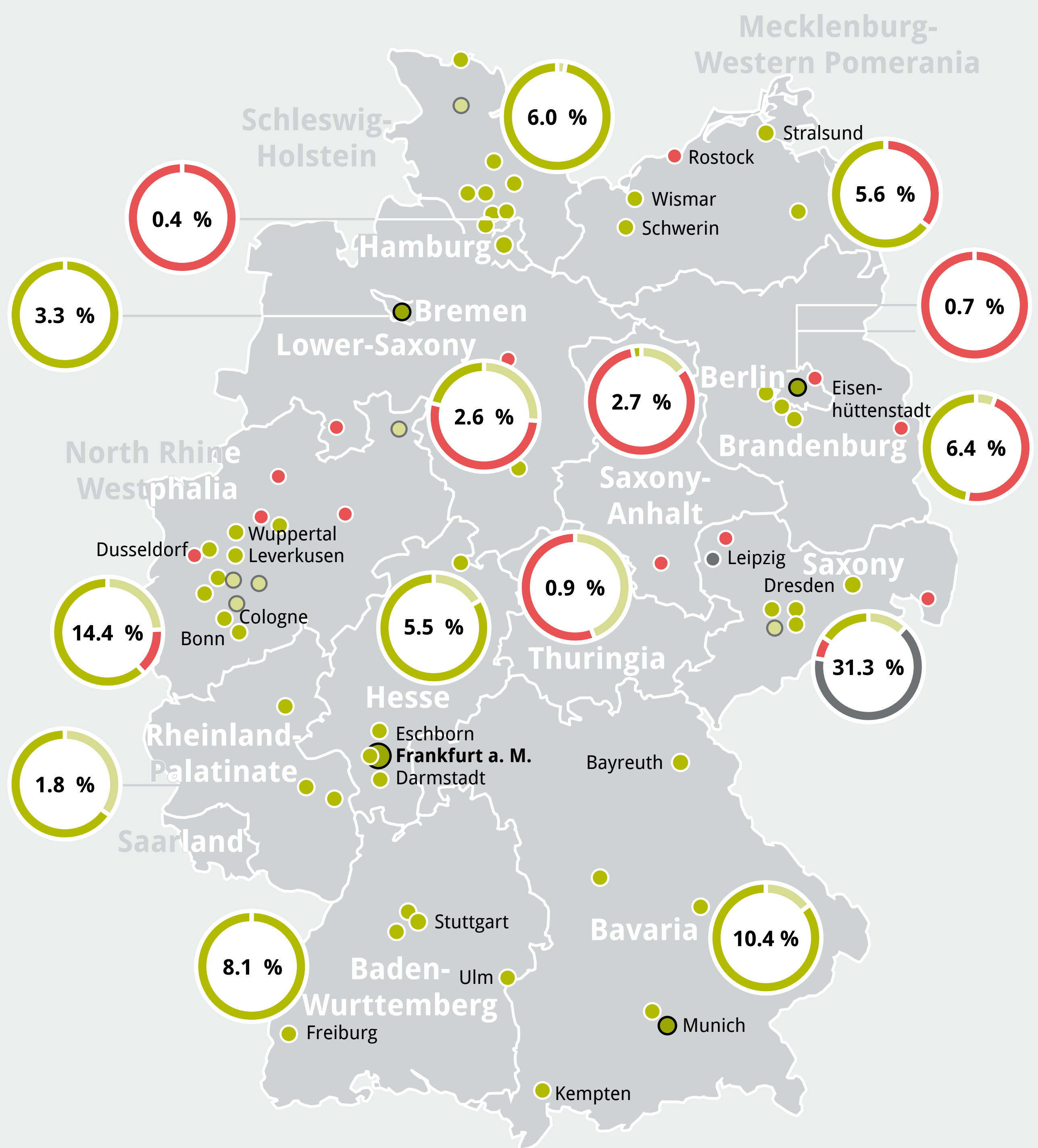
fair value REIT

- Commercial property portfolio with 40 properties and 272,000 m² of rental space
- Market value EUR 300 million
- Rental income: EUR 24 million
- NAV: EUR 117 Millionen
- Consolidated profit/loss: EUR 6.6 million

Status as of year-end 2015

BROADLY DIVERSIFIED PORTFOLIO

REAL ESTATE HOLDINGS AND COMPANY LOCATIONS (SELECTED EXAMPLES)



Office Retail Logistics Other Business Locations 32 % percentage of total rental space

OVERVIEW OF CORE REAL ESTATE PORTFOLIO

Status as at: Year-end 2015	Proper-ties	Market value	Total rental space	thereof office	thereof retail	thereof logistics	thereof others	Net rent, excl. utilities	EPRA Vacan-cy rate
	Num-ber	in EUR million	in m²	in m²	in m²	in m²	in m²	in EURk	in %
Baden-Wuerttemberg	5	114	85,851	85,017	0	0	833	8,279	7.2
Bavaria	24	95	110,235	93,886	0	0	16,349	7,731	7.7
Berlin	1	4	7,136	0	7,136	0	0	348	35.3
Brandenburg	12	50	67,813	31,857	31,818	0	4,138	4,928	21.5
Bremen	10	39	34,750	34,750	0	0	0	2,707	15.7
Hamburg	1	7	3,973	0	3,973	0	0	536	0.0
Hesse	12	62	58,154	48,622	0	0	9,532	4,529	14.3
Mecklenburg-Western Pomerania	8	108	59,717	38,537	20,886	0	294	7,591	7.1
Lower Saxony	15	17	28,210	5,887	14,818	0	7,505	1,596	1.0
North Rhine-Westphalia	31	196	153,706	94,408	22,010	0	37,289	14,954	5.5
Rhineland Palatinate	6	12	19,016	12,406	0	0	6,610	1,100	5.7
Saxony	30	127	333,583	52,730	21,939	218,697	40,217	9,795	32.4
Saxony-Anhalt	5	34	29,169	800	24,041	0	4,327	2,766	2.6
Schleswig-Holstein	15	60	63,789	62,132	0	0	1,657	5,038	0.9
Thuringa	6	3	9,888	0	5,504	0	4,384	270	36.7
Germany	**181**	**928**	**1,064,990**	**561,033**	**152,125**	**218,697**	**133,135**	**72,168**	**12.8**
TOP 20 properties	**20**	**570**	**624,200**	**322,428**	**83,075**	**218,697**	**0**	**42,847**	**15.3**

Expansion of real estate portfolio

In the course of its rapid growth, DEMIRE's real estate portfolio nearly tripled in the 2015 fiscal year. At the end of the reporting period, the Group held 181 commercial properties with rentable building space totalling almost 1.1 million m². DEMIRE is among the leading listed commercial real estate holders in Germany. The properties are located exclusively in Germany, mostly in larger cities and mainly in the catchment areas of economically strong metropolitan regions. Real estate experts assessed the market value of the German real estate holdings (investment properties and non-current assets held for sale) at EUR 928.1 million as at the reporting date.

In 2015, DEMIRE began to expand the portfolio – which previously consisted almost exclusively of office properties – to include retail and logistic properties in order to diversify its risk. This shift of focus was reinforced through the initial consolidation of Fair Value REIT-AG, whose sub-portfolio properties' primary use is retail.

Measured by potential rent at full occupancy, office properties, at 65.0 %, made up the largest share of the portfolio at the end of 2015. A total of 19.6 % of the potential rent can be achieved with retail use, 8.6 % with logistic properties and 6.8 % can be achieved through other uses.

DEMIRE reports the occupancy rate as a ratio of the contractual rents (EUR 72.2 million at the reporting date) to potential rent, in other words, the rent that could be achieved at full occupancy based on prevailing market rents. These amounted to EUR 82.8 million on the same date, which results in a yield-weighted occupancy rate of 87.2 % of potential rent.

DEMIRE holds commercial properties in almost all federal states in Germany, but with different emphases. The properties' distribution, their rental space, market values and net annual rents are provided in the following table.

BROAD BASE OF HIGH CREDIT QUALITY TENANTS WITH LONG-LEASE CINTRACTS IN PLACE

Lidl Kaufland Deutsche Post DHL Group

ZAPF COMMERZBANK Bundesanstalt für Immobilienaufgaben

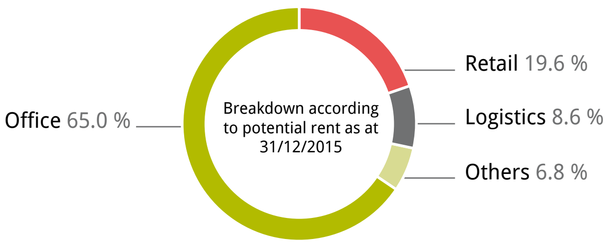
METRO GROUP PENTA HOTELS Sparkasse Südholstein

The weighted average lease term (WALT) at the end of 2015 was 5.4 years. The portfolio's strong expansion makes a comparison to the previous year (abbreviated 2014 fiscal year: 6.4 years) of little significance.

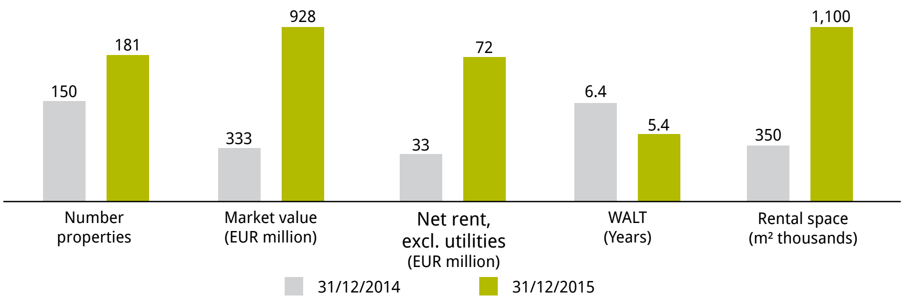
Legacy portfolio

The legacy portfolio, which contains the properties in Eastern Europe and the Black Sea Region purchased prior to the Company's realignment, is being divested in a step by step process. The carrying amount of the legacy portfolio's real estate inventory as at the balance sheet date was EUR 2.3 million (December 31, 2014: EUR 7.4 million).

FOCUS ON THREE ASSET CLASSES



REAL ESTATE PORTFOLIO



TOP 20 PROPERTIES - SHORT PORTRAIT

OFFICE BUILDING

Federal state:	North Rhine-Westfalia
Location:	Bonn
Use:	Office
Market value:	approx. EUR 72.6 million
Rental space:	aprox. 38,500 m²
Net rent:	approx. EURk 5,401
Vacancy rate:	0.0 %

ROSTOCKER HOF (RETAIL PROPERTY)

Federal state:	Mecklenburg-Western Pomerania
Location:	Rostock
Use:	Retail
Market value:	approx. EUR 65.0 million
Rental space:	approx. 19,300 m²
Net rent:	approx. EURk 4,373
Vacancy rate:	approx. 2.1 %

OFFICE BUILDING

Federal state:	Baden-Wuerttemberg
Location:	Ulm
Use:	Office
Market value:	approx. EUR 61.1 million
Rental space:	approx. 47,500 m²
Net rent:	approx. EURk 4,245
Vacancy rate:	approx. 1.9 %

KURFÜRSTENGALERIE (RETAIL PROPERTY)

Federal state:	Hesse
Location:	Kassel
Use:	Retail, Office
Market value:	approx. EUR 55.1 million
Rental space:	approx. 21,500 m²
Net rent:	approx. EURk 3,896
Vacancy rate:	approx. 6.4 %

LOGISTICS PARK LEIPZIG

Federal state:	Saxony
Location:	Leipzig
Use:	Logistics, Office
Market value:	approx. EUR 52.0 million
Rental space:	approx. 218,000 m²
Net rent:	approx. EURk 3,956
Vacancy rate:	approx. 29.0 %

OFFICE BUILDING

Federal state: Baden-Wuerttemberg
Location: Freiburg
Use: Office
Market value: approx. EUR 35.3 million
Rental space: approx. 22,600 m²
Net rent: approx. EURk 2,621
Vacancy rate: 0.0 %

OFFICE BUILDING

Federal state: Bavaria
Location: Regensburg
Use: Office
Market value: approx. EUR 29.9 million
Rental space: approx. 29,000 m²
Net rent: approx. EURk 2,467
Vacancy rate: 0.0 %

OFFICE BUILDING

Federal state: North Rhine-Westfalia
Location: Düsseldorf
Use: Office
Market value: approx. EUR 29.0 million
Rental space: approx. 24,000 m²
Net rent: approx. EURk 1,837
Vacancy rate: approx. 32.1 %

OFFICE BUILDING

Federal state: Hesse
Location: Eschborn
Use: Office
Market value: approx. EUR 24.8 million
Rental space: approx. 18,700 m²
Net rent: approx. EURk 1,957
Vacancy rate: 0.0 %

GUTENBERGGALERIE (RETAIL PROPERTY)

Federal state: Saxony
Location: Leipzig
Use: Retail, Office
Market value: approx. EUR 23.6 million
Rental space: approx. 20,700 m²
Net rent: approx. EURk 1,361
Vacancy rate: approx. 19.7 %

LERCHENBERG CENTER (RETAIL PROPERTY)

Federal state:	Saxony-Anhalt
Location:	Wittenberg
Use:	Retail
Market value:	approx. EUR 21.7 million
Rental space:	approx. 14,700 m²
Net rent:	approx. EURk 1,646
Vacancy rate:	approx. 3.9 %

CITY CENTER (RETAIL PROPERTY)

Federal state:	Brandenburg
Location:	Eisenhüttenstadt
Use:	Retail
Market value:	approx. EUR 20.9 million
Rental space:	approx. 30,500 m²
Net rent:	approx. EURk 1,793
Vacancy rate:	approx. 40.0 %

OFFICE BUILDING

Federal state:	Hesse
Location:	Darmstadt
Use:	Office
Market value:	approx. EUR 19.2 million
Rental space:	approx. 14,300 m²
Net rent:	approx. EURk 1,330
Vacancy rate:	0.0 %

OFFICE BUILDING

Federal state:	Schleswig-Holstein
Location:	Flensburg
Use:	Office
Market value:	approx. EUR 16.2 million
Rental space:	approx. 23,800 m²
Net rent:	approx. EURk 1,642
Vacancy rate:	0.0 %

OFFICE BUILDING

Federal state:	Bavaria
Location:	Unterschleißheim
Use:	Office
Market value:	approx. EUR 16.1 million
Rental space:	approx. 15,600 m²
Net rent:	approx. EURk 1,098
Vacancy rate:	approx. 27.0 %

OFFICE BUILDING

Federal state: Schleswig-Holstein
Location: Neumünster
Use: Office
Market value: approx. EUR 15.2 million
Rental space: approx. 11,800 m²
Net rent: approx. EURk 1,038
Vacancy rate: 0.0 %

OFFICE BUILDING

Federal state: Brandenburg
Location: Stahnsdorf (Berlin)
Use: Office
Market value: approx. EUR 15.2 million
Rental space: approx. 17,100 m²
Net rent: approx. EURk 1,845
Vacancy rate: 0.0 %

OFFICE BUILDING

Federal state: Bavaria
Location: Kempten
Use: Office
Market value: approx. EUR 14.9 million
Rental space: approx. 16,700 m²
Net rent: approx. EURk 1,044
Vacancy rate: approx. 1.8 %

HUMBOLD CENTER (RETAIL PROPERTY)

Federal state: Saxonia
Location: Zittau
Use: Retail
Market value: approx. EUR 14.8 million
Rental space: approx. 18,500 m²
Net rent: approx. EURk 1,400
Vacancy rate: approx. 1.0 %

OFFICE BUILDING

Federal state: Hesse
Location: Langen
Use: Office
Market value: approx. EUR 13.8 million
Rental space: approx. 13,600 m²
Net rent: approx. EURk 851
Vacancy rate: approx. 39.8 %

DEMIRE ON THE CAPITAL MARKET

DEMIRE shares outperform

The German stock market developed positively overall in 2015. The DAX 30 index, which contains the 30 largest listed companies in Germany, ended the 2015 fiscal year roughly 10 % higher after fluctuating strongly throughout the year. The General Standard Index, of which DEMIRE is a constituent, improved by just over 3 % in 2015. This is in sharp contrast to the strong rise in the EPRA Germany sector index, which is the sector index for listed German real estate companies and includes the key companies in the German real estate sector. This index ended the year over 19 % higher than its level at the year's start.

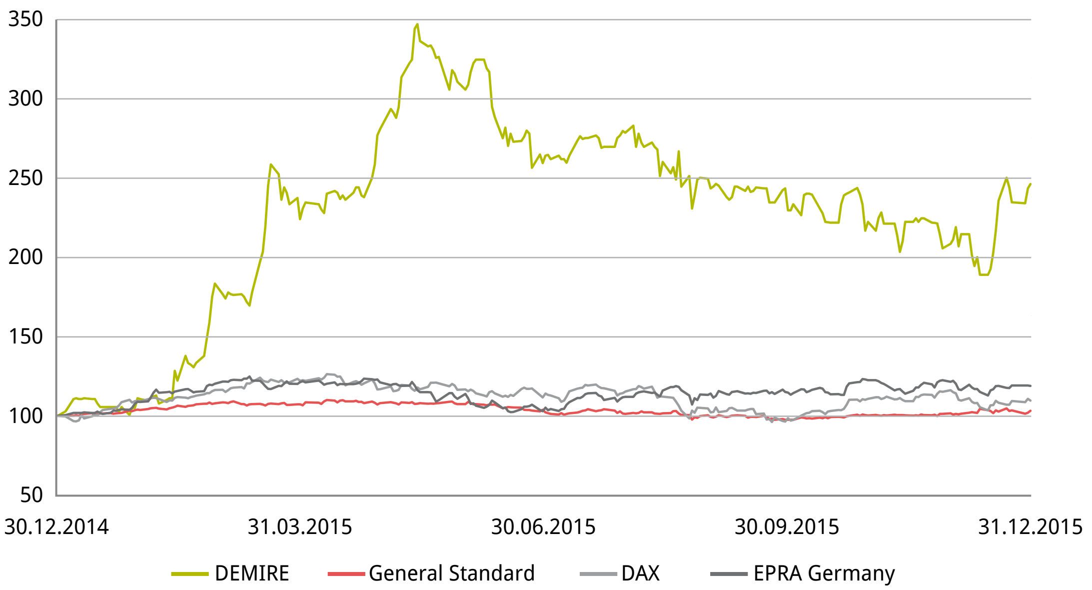
DEMIRE's shares managed to outperform all these indices by rising from EUR 1.80 on the last trading day of 2014 to EUR 4.43 on the last trading day of 2015 for an increase of roughly 46 %. Despite this performance, the shares still traded below their net asset value, which – when calculated using the EPRA method – amounted to EUR 5.08 per share at the year's end.

Market capitalisation rises substantially

At the end of 2015, DEMIRE's market capitalisation reached almost EUR 220 million. This level corresponds to an eightfold increase in market value compared to the prior year and places DEMIRE among the leading listed commercial real estate companies in Germany.

The share's average daily trading volume increased nearly 70 % from approx. 16,600 shares in 2014 to approx. 28,300 in 2015. This gave DEMIRE considerably more visibility on the stock market in 2015 and made it an eligible investment for a growing number of domestic and foreign investors.

PERFORMANCE OF DEMIRE SHARES VS. INDICES 2015



Source: German Stock Exchange

Share capital more than triples

The increase in market capitalisation corresponds largely to the increasing share capital which more than tripled in the course of 2015 and as at the balance sheet date amounted to EUR 49.3 million. Several capital increases against contribution in kind and one cash capital increase initially caused the share capital to double. The number of shares increased sharply once more following the acquisition of Fair Value REIT-AG because the acquisition was based on a share exchange for new shares in DEMIRE.

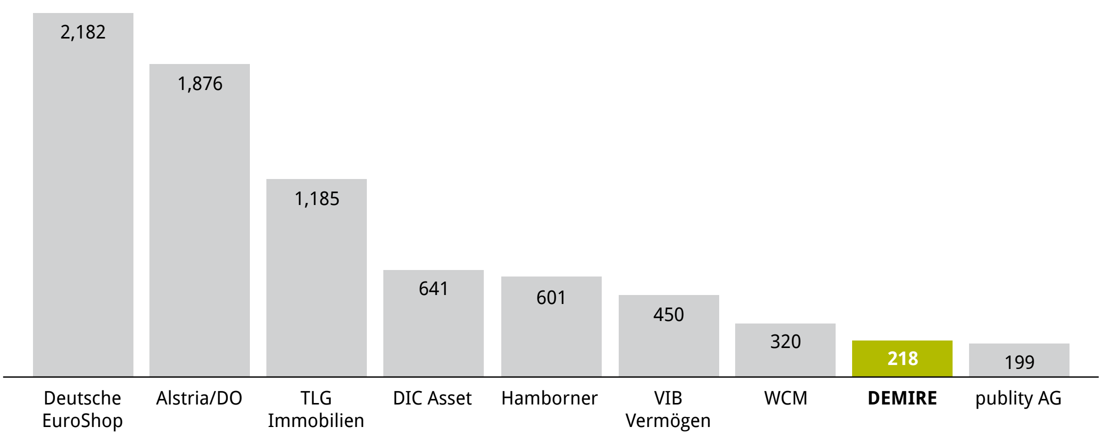
The following capital increases were recorded in the commercial register.

- In January 2015, new capital was created from a capital increase against contribution in kind from authorised capital in the amount of EUR 5,633,710 to refinance a portfolio containing eight commercial properties with total usable space of 42,000 m² in the cities of Berlin, Bremen and Stralsund, among others.

- In May 2015, another capital increase against contribution in kind in the amount of EUR 2,182,567 was executed for the purchase of the Gutenberg-Galerie in Leipzig The property contains rentable space of almost 21,000 m², approximately 11,900 m² of which is office space.

- In July 2015, an increase in the Company's share capital from authorised capital in the amount of EUR 2,541,149.00 against a mixed contribution in kind with the exclusion of shareholders' subscription rights was executed for the purchase of a logistic property in Leipzig with approximately 184,000 m².

MARKET CAPITALISATION OF PEER GROUP (IN EUR MILLION, YEAR-END 2015)



Source: German Sock Exchange, own analysis

- Also in July 2015, a cash capital increase creating 2,474,152 new shares was subscribed to by Wecken & Cie., Basel, Switzerland, at a price of EUR 4.51 per share. The gross proceeds of EUR 11.2 million were used for the further expansion of the commercial real estate portfolio and to strengthen the Company's financial position.

- On December 21, 2015, a capital increase against contribution in kind was executed for the takeover of Fair Value REIT-AG. This transaction raised DEMIRE's share capital by EUR 21,927,756.00 to EUR 49,292,285.00 divided into 49,292,285 no-par value shares.

Share capital was also increased in 2015 by the exercise of conversion right from the 2013/2018 convertible bonds into 226,800 shares. As of the December 31, 2015 reporting date, a total of 10,661,700 convertible bonds were still pending conversion. Additionally, 15,000,000 shares can be converted from the 2015/2018 mandatory convertible bonds during their remaining term.

Shareholder structure: 50 % of shares in free float

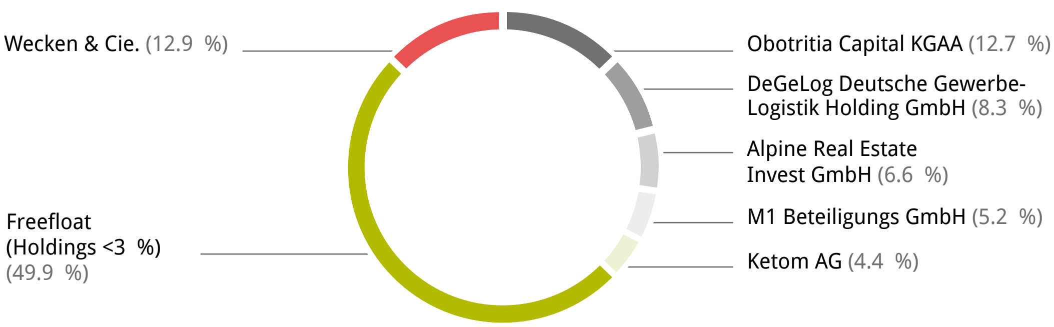
Through the expansion of the capital base, DEMIRE's shareholder structure has seen significant changes in 2015. At the end of 2015, 49.9 % of DEMIRE's shares were in free float. No single shareholder is able to decide a vote at the Annual General Meeting based on his or her shareholding. The largest single shareholders are:

- Wecken & Cie. with 12.9 %, which became a shareholder by subscribing to the cash capital increase in July 2015;

- Obotritia Capital KGaA, including investment vehicles, with 12.7 %, who, as a former shareholder of Fair Value REIT-AG, became a shareholder by accepting the exchange offer;

- DeGeLog Deutsche Gewerbe-Logistik Holding GmbH with 8.3 %, who was already a shareholder in the prior year;

DEMIRE SHARHOLDER STRUCTURE AS OF DECEMBER 31, 2015



Source: German Securities Trading Act messages, own anlaysis

- Alpine Real Estate Invest GmbH with 6.6 %, who was also a DEMIRE shareholder in the prior year;
- M1 Beteiligungs GmbH with 5.2 %, who contributed a 94.0 % interest in Logistikpark Leipzig GmbH in July 2015 as a contribution in kind; and
- Ketom AG with 4.4 %, who sold the Gutenberg-Galerie in Leipzig to DEMIRE in May 2015 and became a DEMIRE shareholder through a capital increase against contribution in kind.

Net asset value (NAV)

The „best practice recommendations" of the European Public Real Estate Association (EPRA) represent generally accepted recommendations to supplement the IFRS reporting of real estate companies by providing a transparent calculation of the net asset value.

The EPRA NAV (undiluted) developed as illustrated in the following table. In the reporting year, the EPRA NAV (undiluted) rose about 20 % from EUR 4.26 per share to EUR 5.20 per share despite the significantly higher number of shares outstanding as at the balance sheet date.

Renewed authorised and conditional capital

To be able to continue growing in the future and take advantage of available acquisition opportunities quickly and flexibly, it is in the interest of all stakeholders that the Company has access to sufficient authorised and conditional capital. Therefore, this has been a recurring topic at all of DEMIRE's General Meetings during the 2015 fiscal year.

At the year's end, DEMIRE had access to authorised capital totalling EUR 20.7 million and conditional capital of EUR 13.7 million.

NET ASSET VALUE (NAV) IN EURK	31/12/2015	31/12/2014
NAV for the period	**230,697**	**51,684**
Deferred Taxes	25,570	9,312
Undiluted EPRA NAV	**256,267**	**60,996**
Shares in millions	**49.29**	**14.31**
Undiluted EPRA NAV per share EUR	**5.20**	**4.26**
Diluted EPRA NAV	**271,585**	**71,420**
Shares in millions	**63.95**	**25.19**
Diluted EPRA NAV per share EUR	**4.25**	**2.84**

Limited use of debt financing

DEMIRE intends to strengthen its equity ratio, lower its Loan-to-Value and reduce the average interest on total borrowings. Accordingly, the Company made it a top priority to expand its equity base and was cautious in its assumption of debt in 2015. Although the non-current financial debt increased by EUR 355.7 million, EUR 262.5 million of this amount is attributed to the takeover of Fair Value REIT-AG and other acquisitions. The average interest on total borrowings decreased to 5.2 % p.a. in the course of the initial consolidation of Fair Value REIT-AG.

DEMIRE continued to rely on different forms of exchange-listed bonds. In March 2015, the volume of the 2014/2019 corporate bond issued in the prior year was increased by EUR 50 million to a total of EUR 100 million based on the same terms. The bond has a five-year maturity and an interest coupon of 7.5 %. The net proceeds of the corporate bond were used to finance further portfolio acquisitions and boost the Company's financial position.

In mid-May 2015, the 2015/2018 mandatory convertible bond was issued with a volume of EUR 15 million against a contribution in kind and excluding shareholders' subscription rights. As part of this transaction, one investor subscribed to the mandatory convertible bond by contributing fractional bonds from the 2014/2019 corporate bond. The convertible bond has a three-year maturity until 2018 and can be converted as of September 1, 2015.

Conversions

In the 2015 fiscal year, a total of 226,800 shares were issued based on conversion rights. This is the equivalent of a 0.46 % interest in the Company's share capital at the end of 2015. As of the December 31, 2015 reporting date, a total of 10,661,700 convertible bonds from the 2013/2018 bond were still pending conversion. Additionally, 15,000,000 shares can be converted from the 2015/2018 mandatory convertible bonds during their remaining term.

SHARE	31/12/2015	31/12/2014
ISIN	DE000A0XFSF0	DE000A0XFSF0
Symbol / Ticker	DMRE	DMRE
Stock Exchange	Frankfurt Stock Exchange (FSE); XETRA	Frankfurt Stock Exchange (FSE); XETRA
Market segment	General Standard	General Standard
Share capital	EUR 49,292,285.00	EUR 14,306,151.00
Number of shares	49,292,285	14,306,151
Ø daily trading volume 01/01/2015–31/12/2015	28,278	16,656
Market capitalisation	EUR 218.32 million	EUR 25.75 million
Freefloat	49.90 %	61.36 %

MANDATORY CONVERTIBLE BOND 2015/2018	
Name	DEMIRE Pflicht-Wandelanleihe 2015/2018
Issuer	DEMIRE Deutsche Mittelstand Real Estate AG
Type of security	Convertible bond
Volume	EUR 15,000,000
Interest rate (coupon)	2.75 %
Interest payments	quarterly on March 22, June 22, September 22, December 22
Repayment	May 22, 2018
Redemption rate	100 %
Denomination	EUR 100,000
Paying Agent	Bankhaus Gebr. Martin Aktiengesellschaft, Göppingen
ISIN	DE000A13R863
Market segment	Frankfurt Stock Exchange

CORPORATE BOND 2014/2019	
Name	DEMIRE BOND 2014/2019
Issuer	DEMIRE Deutsche Mittelstand Real Estate AG
Type of security	Bearer bond
Volume	EUR 100,000,000
Interest rate (coupon)	7.5 %
Interest payments	half-yearly March 16 and September 16
Repayment	September 16, 2019
Redemption rate	100 %
Denomination	EUR 1,000
Paying Agent	Bankhaus Gebr. Martin Aktiengesellschaft, Göppingen
ISIN	DE000A12T135
Market segment	Frankfurt Stock Exchange

CONVERTIBLE BOND 2013/2018	
Name	DEMIRE DT.MTS.RE WDL13/18
Issuer	DEMIRE Deutsche Mittelstand Real Estate AG
Type of security	Convertible bond
Volume	EUR 11,300,000
Interest rate (coupon)	6 %
Interest payments	quarterly in arrears
Repayment	December 30, 2018
Redemption rate	100 %
Denomination	EUR 1
Conversion rate	EUR 1
Paying Agent	Bankhaus Gebr. Martin Aktiengesellschaft, Göppingen
ISIN	DE000A1YDDY4
Market segment	Frankfurt Stock Exchange

INTERVIEW WITH THE EXECUTIVE BOARD

From left to right: Frank Schaich, Executive Board Member (CFO), Hon.-Prof. Andreas Steyer MRICS, Speaker of the Eecutive Board (CEO), Dipl.-Kfm. (FH) Markus Drews, Executive Board Member (COO)

DEMIRE's real estate holdings have grown substantially in the past few years. What are your plans for this year and the following year?

Andreas Steyer: We have set ourselves three targets for the year 2016 that we believe take priority: The integration of Fair Value REIT-AG into the DEMIRE Group, the improvement of our operating performance and a reduction in our interest burden by refinancing our existing liabilities. Naturally, we are keeping an eye out for potential acquisitions. At the very least, we need to do this in the interest of our shareholders. Before we consider an acquisition, we need to make sure it is attractive and, above all, fits into our strategy. Growth, however, will not be the utmost priority in 2016. We would rather take this year to stabilise our cash flow and improve our profits. What will play a large part in attaining this will be our in-house asset, property and facility management activities

Why are these activities so important?

Markus Drews: Most important, of course, is strong operating management. We have this. Our employees have extensive experience in the real estate sector and do an excellent job. We can be proud of who we have on board. Therefore: quality is the most important prerequisite. Managing real estate in-house offers the key advantage of being very close to the customer. You can speak directly with the customer and find out what he or she wants and needs. There is no filter standing between you. Similar to what people prefer in their personal life: they would rather speak directly with their contract partner than some middleman. And, our tenants reward us for this by paying fair rents, accepting lengthy rental periods and establishing an overall mutually amicable relationship. Experience pays

Will joint operating management also play a role in the integration of Fair Value REIT-AG and DEMIRE AG?

Frank Schaich: Yes, and a central role at that. We want the portfolios of DEMIRE AG and Fair Value REIT-AG to be managed going forward by our in-house asset, property and facility management operations. At the same time, this will integrate the entire IT systems and all services related to real estate management. Of course this will take time because there are already contracts for various services that must be met. We expect these efforts to generate synergy effects of up to two million euros – not immediately, but over the medium term.

And, in terms of staff integration, my appointment to the DEMIRE Executive Board was an important step and I continue to retain the full responsibility for Fair Value REIT-AG.

Is your asset, property and facility management personnel even sufficiently prepared for the kind of growth momentum that will emerge from Fair Value REIT-AG's integration?

Markus Drews: Naturally not, otherwise this would have meant that the staff had been underutilised until now. To bring the staff up to the level necessary for the new challenges, we acquired the real estate management company F. Krüger Immobilien GmbH in Bremen in early 2016. Through this acquisition, we now have sufficient personnel and are able to offer real estate management services and meet all of our needs internally. This is more cost-efficient than working with several different external service providers by the mere fact that we keep complexity low, require just one IT system, do not need to establish interfaces and have all holdings managed under one roof.

At this point, I would also like to mention that we continue to have a lean staff organisation at our Group's central offices.

How is all of this expected to be reflected in profits?

Markus Drews: It It is difficult to be specific at the moment because it takes time for the positive effects to be reflected on the cost side. The Group as a whole was already very successful in terms of revenues, however. In the first three months of 2016, we were able to close new rental contracts for more than 10,000 m² of rental space at five locations. We were particularly pleased with the fact that we were able to gain several new anchor tenants for the Eisenhuettenstadt shopping centre owned by the Fair Value Group. The new contracts secure the lasting repositioning of the entire property for many years to come. What is also important is that we have been able to win over well-known names from both the private and public sector, which naturally reduces the delinquency risk. This, by the way, also shows the solid quality of our portfolio.

Frank Schaich: The success we have had in rentals already in the first three months of the current fiscal year represents a positive impact of slightly more than one million euros in annual net rental income, excluding utilities, on an annual basis. This impact, however, will not be fully visible until fiscal year 2017. This is also the manner in which we are improving and stabilising our cash flow and funds from operations – two indicators that our industry considers to be key for operational success.

You mentioned a third priority in 2016 – refinancing. How will you approach this?

Frank Schaich: The interest DEMIRE pays on a weighted average for debt is comparatively high. This is a result of comparably expensive financing instruments, which were necessary to make the strong growth of the past two years even possible. The fact is, we are not yet at the level of our competitors in terms of our interest burden. We now want to and can change this but only step by step. We have already taken the first step by partially refinancing a high-yield mezzanine loan bearing 20 percent interest through operating loans with a weighted interest rate of below 5 percent p.a. This action alone will significantly reduce our interest expense in 2016. And, I believe there are several more million euros in potential savings still to come and am confident we will make significant progress towards realising these savings in the next 12 months.

2015 proved to be a record year for the German real estate market. The outlook for the global economy, however, is somewhat subdued. Will this have implications for DEMIRE's business performance?

Andreas Steyer: As you know, DEMIRE's operates exclusively in the German commercial real estate market. According to the majority of economic analysts, the German economy appears quite robust. Businesses are employing an increasing number of people – which is surely good news for a supplier of office and logistics properties such as ourselves. In addition, private consumption is expected to remain a key driver of overall economic growth in 2016. Accordingly, retail properties, such as those we offer, continue to be in demand – despite the competition retailers face from online vendors. This gives us confidence that we will be able to further increase our portfolio's occupancy rate and, in turn, keep rents stable or slightly increase them.

Furthermore, interest rates are likely to remain low, which is always positive for the real estate industry. So all in all, we expect 2016 to be a successful year in which we can turn our newly achieved size into economic success.

▼ Office building, Eschborn

Combined group management report and management report of DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, for the fiscal year of January 1, 2015 to December 31, 2015

The following presents the combined Management Report for DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, („the Company") and the Group („DEMIRE" or the „DEMIRE" Group) for the 2015 fiscal year from January 1 to December 31, 2015. The Company prepares its ¬financial statements according to the provisions of the German Commercial Code (HGB) and the special provisions of the German Stock Corporation Act (AktG). The consolidated financial statements are prepared according to the principles of International Financial Reporting Standards (IFRS), as applicable in the European Union. The scope of consolidation is presented in detail in the notes under Item B (1).

I. GROUP PRINCIPLES

1. Business model

DEMIRE Deutsche Mittelstand Real Estate AG is a public stock corporation under German law, headquartered in Frankfurt/Main, with no other branch offices. The shares of DEMIRE Deutsche Mittelstand Real Estate AG (ISIN DE000A0XFSF0) are listed on the regulated market (General Standard Segment) of the Frankfurt Stock Exchange and on the regulated unofficial market of the Stuttgart, Berlin and Dusseldorf stock exchanges.

Since its strategic realignment in 2013, DEMIRE concentrates exclusively on the German commercial real estate market and is active as an investor and property holder in the segment for secondary locations where its activities include the acquisition, management and the rental of commercial properties. Value appreciation should be achieved through active asset, property and facility management; which in some cases includes the sale of individual properties when they no longer align with the business model.

Following the takeover of Fair Value REIT-AG, DEMIRE classified its business activities and organised its segment reporting under four segments: Core Portfolio, Fair Value REIT, Corporate Functions/ Others and Investments. The first three segments reflect the Company's current strategic direction whereas the Investment segment contains only the remaining properties in Eastern Europe and the Black Sea Region from its business activities prior to the realignment. DEMIRE has already divested itself of many of the original commitments and is actively pursuing the sale of the remaining properties. The aim is to discontinue this business segment entirely.

The strategically important segment „Core Portfolio" includes the assets and activities of DEMIRE's subsidiaries and sub- subsidiaries that were part of the Group prior to the takeover of Fair Value REIT-AG. The main assets are the commercial properties in Germany. This segment also includes the in-house asset, property and facility management activities established and expanded in 2015 that is intended to ensure that existing properties generate the best possible returns. Another strategically important segment is the „Fair Value REIT" segment which comprises the activities of the acquired company. The segment „Corporate Functions/Others" contains the Group's administrative and general tasks such as risk management, finance, controlling, financing, legal, IT and compliance.

2. Strategy and Objectives

Strategy

Since the Company's realignment in 2013, DEMIRE's aim has been to become one of the leading holders of commercial real estate in Germany. On the road to becoming „first in secondary locations", in its own assessment, the Company has made considerable progress in just two years, not only through the acquisition of individual commercial properties and real estate portfolios but primarily through its acquisition of a majority interest in Fair Value REIT-AG at the end of 2015. The steps made in the Company's growth in 2015 alone led to almost a tripling of total rental space and annual net rents, excluding utilities.

The Company's investment strategy is based on a balanced risk-opportunity profile, which is reflected in the fact that DEMIRE intends to hold or acquire only those properties that generate positive cash flow from the outset and have several financially sound tenants, especially when they permit the alternative use of property. The Company prefers prime locations in medium-sized cities and up-and-coming areas bordering metropolitan centres throughout Germany. This is also designed to take regional differentiation into account. Moreover, in order to not be solely dependent on one business segment, DEMIRE seeks to build a total portfolio, structured exclusively around office, retail and logistics properties. A very marketable volume of EUR 10 million to EUR 50 million is envisioned for each investment.

DEMIRE believes it can best achieve a balanced risk-opportunity ratio through a combination of investment strategies known as value-added and core-plus. The value-added strategy focuses on acquiring undervalued properties that are then repositioned after their development and, if necessary, renovation or revitalisation. When this leads to a gradual improvement in cash flows, the value of the property enjoys a sustained appreciation in value. A relatively high proportion of debt is considered with this type of investment strategy to improve the leverage effect. The assets, however, must already generate positive cash flow in order to be considered for investment.

The aim of the core-plus approach is to select properties with good to very good tenant structures, with the expectation that these properties typically can achieve relatively high positive cash flow from the outset. Appreciation in value is often achieved with these types of properties only when the existing leases expire, and the landlord can rerent the property at more advantageous conditions. Usually, acquisitions made under the core-plus approach are financed with a comparatively low proportion of debt. The properties' holding period is generally long-term for both approaches.

Objectives

Along the lines of the strategic direction already described, DEMIRE's target over the next three years is to expand the existing portfolio to a level of EUR 2 billion in carrying amount. In this process, DEMIRE is aiming to achieve a ratio of net debt to the sum of the existing real estate (Loan-to-Value or LTV) of 50 %, which implies an equity ratio in future investments that is above this value.

By achieving these operational objectives, the Company is in a position to give shareholders an opportunity to participate in the Company's success through dividends.

3. Control system

To achieve the targets DEMIRE has set itself in line with the strategic direction described, the Company has designated operating cash flow (FFO) as its key performance indicator. Properties are acquired only when they can generate positive cash flow from the start. The task of the Company's in-house asset, property and facility management is to improve this cash flow over time. On an operating level, the trend in occupancy rates, actual net rents per square meter excluding utilities, ongoing maintenance and operating costs, delinquent rents and marketing costs are all observed and monitored using periodic target-performance comparisons. Integrated cash flow planning links the business segments to the individual properties. Continuous monitoring of the occupancy rate is carried out in addition to the use of the financial performance indicators already described. For more information, we refer to the comments in the notes under „Investment Properties".

Income and cash flows are aggregated and assessed quarterly at the level of the holding company. The key indicator for measuring added value is the change in net asset value („NAV") as defined by the European Public Real Estate Association (EPRA). The ratio of net debt to the sum of the existing real estate (Loan-to-Value (LTV) represents an additional performance indicator used by the Group. Interest expenses are another key factor because they place a significant burden on the financial result and thus the net profit/loss for the period as well as the cash flow. The active and ongoing management of the debt financing portfolio combined with the continuous market monitoring is carried out to achieve an ongoing improvement in the financial result.

4. Research and development

Given the focus of DEMIRE's business activities on holding and managing real estate, the Company does not conduct any research and development activities.

II. ECONOMIC REPORT

1. Macroeconomic and industry environment

1.1. Macroeconomic environment

According to information published by the Federal Statistics Office (Statistisches Bundesamt), the German economy grew 1.7 % in 2015. Private Consumption – probably the most important economic aggregate for real estate companies – was indicated as a key driver of this growth, increasing 1.9 % slightly outpacing the rise in gross domestic product. Aside from the generally favourable economic conditions, German employment, which is more than 43 million strong and persistently low oil prices were presumed to be the main factors stimulating private consumption. In addition to the macroeconomic environment, the European Central Bank's monetary policy continued to nurture a low interest rate environment and favourable conditions for financing.

1.2. Industry environment

Low interest rates not only create favourable conditions for financing, they also make it relatively unattractive to hold cash assets. The real estate sector profits from this sentiment because it increasingly forces domestic and foreign investors in Germany to search for assets that sustain their value. Another factor supporting the sector is the limited supply of German commercial real estate seen over the past several years.

1.2.1. Commercial real estate transaction market

In 2015, German commercial real estate continued to be an attractive segment for investors. According to several institutions, transaction volumes in 2015 were a solid 40 % higher year-on-year reaching a level of roughly EUR 55 billion. This marked another consecutive year of growth in the commercial real estate transaction market as of 2009.

The weightings of the various asset classes have changed slightly compared to the previous year with office property now accounting for 42 % of the total commercial real estate transaction market versus 44 % in the prior year and retail properties now accounting for 31 % of the market after 22 % in the prior year. To DEMIRE's knowledge, there have been no German-wide studies published on the transaction data for the logistic property market.

1.2.2. The market for office property

The strong economy and high employment created a positive environment in Germany for office property. According to an analysis by the real estate consulting firm Jones Lang LaSalle (JLL), the office property vacancies declined 16 % in 2015. In what JLL defines as the „Big Seven" locations consisting of Berlin, Dusseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart, the average vacancy rate at the end of 2015 even stood at a mere 6.4 %. Therefore, according to the experts at JLL, companies from the telecommunications, IT and industrial branches are specifically looking for suitable properties in secondary locations for cost reasons. Strong demand also forced a rise in rents of an average 4 %. The increasing attraction of secondary locations is also supported by a study carried out by DIP-Deutsche Immobilien-Partner which concluded that floor space turnover in such locations is increasing, and the vacancy rates are falling.

1.2.3. The market for retail property

Retail sales rose nearly 3 % in Germany in 2015. This relatively robust growth in a long-term comparison prompted a significant rise in retail property transactions to a record level of EUR 18 billion – an almost twofold increase compared to the prior year. Foreign investors played a major role and were responsible for more than half of the investments made.

According to JLL estimates, new rents in Germany totalled around 525,000 m² in 2015, or about 10 % less than in the prior year. Rental prices, however, remained at the prior year's level according to an analysis published by BNP Paribas Real Estate. The reasons given for this consolidation included stronger competition from online retailers and the growth of retail chain operators. According to the German Realtor's Association (IVD – Immobilienverband Deutschland), retail properties in B locations experienced up to double-digit increases in rents in 2015. These increases were, however, extremely varied depending on the specific city and location.

1.2.4. The market for logistics property

The market for warehouse and logistics space in Germany is small in comparison to the market for office and retail properties. According to the bulwiengesa research institute, warehouse and logistics properties make up about 7 % of the total transaction market for commercial real estate. Transactions in this segment also grew in 2015. A survey by JLL showed that the volume of transactions based on the space sold grew 5 %. Growth was mainly generated outside of the large metropolitan areas. To DEMIRE's knowledge, there have been no German-wide studies published on the rent development of warehouse and logistic properties.

1.2.5. Effects of commercial real estate market developments on DEMIRE

The general economic and market conditions in 2015 proved to be very advantageous for DEMIRE Deutsche Mittelstand Real Estate AG's business model. The takeover of Fair Value REIT-AG strengthened the Company's market position in retail properties. At the same time, DEMIRE used the favourable market conditions to its advantage and made investments in logistics and retail properties to further diversify its real estate portfolio. DEMIRE also profited from its focus on secondary locations following the encouraging development in these locations and regions.

2. Business performance

During the reporting year, the DEMIRE Group was able to nearly triple its real estate portfolio as a result of a number of portfolio and individual purchases of commercial real estate in secondary locations in Germany and the takeover of 77.7 % of the voting rights in Fair Value REIT-AG. Furthermore, the Group's total assets and annual contractual rents from the German commercial real estate portfolio as at the balance sheet date nearly tripled. At the same time, a significant portion was divested from the legacy portfolio, which has holdings in Eastern Europe and was formed prior to the Company's realignment and adoption of a business model focussed on holdings in German commercial real estate.

New acquisitions were financed partially through the assumption of existing loans of the target companies holding the properties, partially through cash payments but mainly made possible by the issue of shares of DEMIRE AG. A corporate bond initially issued in September 2014 was increased by EUR 50 million to a level of EUR 100 million and further medium-term loans were taken up to refinance the cash portion of the acquisitions. Also, a 10 % cash capital increase was executed that brought proceeds of around EUR 11 million. At the end of the year, the acquisition of 77.7 % of the voting rights of Fair Value REIT-AG was completed based on an exchange offer to all Fair Value REIT-AG shareholders that did not include a cash component.

Chronological business development

December 2014/January 2015

In December 2014, the Executive Board and Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG resolved to increase the Company's share capital from authorised capital once from EUR 14,306,151 to EUR 19,939,861 against contribution in kind excluding shareholders' subscription rights. In January 2015, Alpine Real Estate GmbH was admitted to subscribe to the new shares in return for a contribution in kind to DEMIRE consisting of 94.9 % of the interests in Hanse-Center Objektgesellschaft mbH, 94.9 % of the interests in Glockenhofcenter Objektgesellschaft mbH and a receivable against Hanse-Center Objektgesellschaft amounting to EUR 9.0 million. Hanse-Center Objektgesellschaft mbH and Glockenhofcenter Objektgesellschaft mbH hold a commercial real estate portfolio comprising a total of nearly 42,000 m² with properties in Bremen, Berlin and Stralsund. The purchase of the commercial real estate portfolio in return for the issued shares strengthened both DEMIRE's equity base and cash flow.

March 2015

At DEMIRE's Extraordinary General Meeting on March 6, 2015, several resolutions on capital increases were made, which paved the way for continued growth. Specifically, the Extraordinary General Meeting resolved an increase in authorised capital through the issue of up to 8,552,290 shares against a cash and/or contribution in kind once or in partial amounts of up to EUR 8,552,290.00 (Authorised Capital I/2015). Authorised capital was also increased by EUR 2,434,105.00 in order to grant subscription and/or conversion rights. The Extraordinary General Meeting also resolved a stock option programme with conditional capital of EUR 1,000,000.00 for members of the Executive Board, selected Company employees and directors and employees of group companies. In the 2015 fiscal year, the maximum of 800,000 stock options was granted to Executive Board members and the maximum of 200,000 stock options to employees.

On March 24, 2015, a resolution was made to increase the 2014/2019 corporate bond issued in September 2014 by an additional EUR 50 million to a total of EUR 100 million through a private placement. The net proceeds were used to finance further portfolio acquisitions and to strengthen the Company's financial position. The transaction was recognised as an increase of EUR 35.6 million to EUR 85.6 million due to the partial placement of the newly created bonds.

April 2015

Based on a contribution agreement dated April 13, 2015, Ketom AG, headquartered in Wollerau, Switzerland, contributed a 94 % interest in the property company Sihlegg Investments Holding GmbH, also headquartered in Wollerau, Switzerland, as well as all claims resulting from a shareholder loan granted to Sihlegg Investments Holding GmbH valued at EUR 4,775,366.67, including interest, as at April 1, 2015 as a contribution in kind against the issue of 2,182,567 new shares of DEMIRE at EUR 4.028 each by utilising DEMIRE's authorised capital in accordance with the Company's Articles of Association.

Sihlegg Investment Holding GmbH is the owner of the office and retail property Gutenberg Galerie in Leipzig. This property, built in 1994, is close to the city centre and contains around 20,750 m² of rentable space, 11,900 m² of which is office space. The building complex also contains a 4-star hotel with 122 rooms. The acquisition of the Gutenberg-Galerie retail property in Leipzig increased the share of retail assets in DEMIRE's portfolio in the first half of 2015.

In addition, the property in Bielefeld contained in the Alpine portfolio was sold at its carrying amount of EUR 1.65 million for strategic reasons. The transfer of benefits and obligations took place on April 7, 2015 in accordance with the contract.

May 2015

In May 2015, with the Supervisory Board's consent, the Executive Board resolved to increase the Company's share capital from authorised capital once in the amount of EUR 2,541,149.00 against a mixed contribution in kind excluding shareholder subscription rights. M1 Beteiligungs GmbH, Berlin, was admitted to subscribe to the new shares in return for a contribution in kind consisting of a 94 %

interest in Logistikpark Leipzig GmbH. Logistikpark Leipzig GmbH is the sole owner of a logistics property in Leipzig known as „Logistikpark Leipzig“. The acquisition of Logistikpark Leipzig marked the Company’s entry into the logistics asset class.

The former logistics complex, which belonged to Quelle (constructed in 1994), contains total rental space of around 184,000 m² on property of roughly 330,000 m² situated approximately 10 km north of Leipzig’s city centre. The property consists of around 164,000 m² of warehouse space, nearly 20,000 m² of office space, 35,000 m² of surrounding area and has two areas for expansion totalling about 38,000 m² that already possess building rights. The registration of the capital increase at the commercial register took place on July 1, 2015.

In mid-May 2015, the Company issued a mandatory convertible bond with a volume of EUR 15 million against contribution in kind and excluding shareholders’ subscription rights. The bond was issued with a coupon of 2.75 % p.a. and can be converted at an initial conversion price of EUR 5.00 per share as of September 2015. The conversion into DEMIRE shares will take place at the latest on the maturity date of May 22, 2018 at the conversion price, adjusted if necessary. As part of the transaction, an investor subscribed to the new mandatory convertible bond by contributing fractional bonds from the first tranche of the 2014/2019 corporate bond. Based on the bond’s terms and conditions, the predominant share of the convertible bond was classified as equity in the consolidated financial statements.

June 2015

On June 30, 2015, DEMIRE Deutsche Mittelstand Real Estate AG resolved the purchase of a 94 % interest in Germavest Real Estate S.à.r.l. („Germavest“). Germavest Real Estate S.à.r.l. has a commercial real estate portfolio containing approx. 144,000 m² of rental space as well as 2,171 underground and free-standing parking spaces (the „T6 property portfolio“) located in the cities of Ansbach, Bonn, Flensburg, Freiburg, Regensburg and Stahnsdorf. All six locations have long-term rental contracts with Deutsche Telekom. The annual net rent, excluding utilities, of initially around EUR 14.8 million will be adjusted annually for changes in the cost of living index. The average interest expense of around 4.4 % p.a. for the Germavest financial liabilities is below the current average interest rate of the DEMIRE Group’s financial liabilities. These liabilities are being reduced using a rapid repayment rate, which will have a positive impact on the future development of the equity underlying DEMIRE’s core portfolio. Based on the portfolio’s solid return ratios, DEMIRE expects an added contribution to the positive cash flow of the Group’s entire portfolio and to the Group’s equity in connection with the transaction’s initial consolidation. It was agreed to complete the transaction at the end of October 2015

July 2015

On July 7, 2015, DEMIRE announced its plans to restructure and streamline the legacy portfolio, which was acquired before 2014. Of the roughly 60 companies contained in the legacy portfolio – including those in the Netherlands, the Ukraine, Austria and Georgia – 30 have already been sold, liquidated or merged. During the reporting period, three investments in the Ukraine were sold, and the related high-interest mezzanine loan was repaid. The company, formed as a Dutch B.V., contains the remaining companies and was streamlined once again resulting in a significant reduction in its complexity. The purpose of the structural changes to simplify the legacy portfolio’s legal organisation was to greatly reduce fixed costs and rapidly dispose of the entire legacy portfolio without impacting the market.

On July 9, 2015, the Company concluded a contract for the purchase of a 94.9 % interest in Kurfürster Immobilien GmbH, which owns the Kurfürsten Galerie in Kassel. This retail property, located directly across from the „City-Point Kassel Einkaufszentrum" in the centre of Hesse's third largest city, has total space of approximately 21,000 m² and includes the Kassel's largest parking garage with around 600 parking spaces in the northern part of the inner city. The transfer took place in January 2016, and the property will contribute to earnings for the first time in 2016.

On July 31, 2015, the Company decided to submit an offer to the shareholders of Fair Value REIT-AG, Munich, in which it would acquire the shareholders' no-par value bearer shares in Fair Value REIT-AG with a notional interest in the share capital of EUR 2.00 per share by way of voluntary public takeover offer (in the form of an exchange offer) and, subject to the final determination of the minimum price and the final determination in the offer document, as consideration two (2) new no-par value bearer shares of DEMIRE Deutsche Mittelstand Real Estate AG with an notional interest in the share capital of EUR 1.00 per share with dividend rights from January 1, 2015 (the „DEMIRE shares") from a capital increases against contribution in kind (the „capital increase") still to resolved by the Annual General Meeting in exchange for one (1) Fair Value REIT share tendered under the takeover offer.

August 2015

On August 28, 2015, the Annual General Meeting passed resolutions to create new authorised capital of EUR 13,675,702, issue convertible bonds and/or bonds with warrants, profit participation rights and/or profit participation bonds with a total nominal value of up to EUR 125,000,000.00 and to create additional conditional capital in the amount of EUR 3,919,447.00 for the purpose of granting subscription and conversion rights for the bonds issued.

September 2015

At the Extraordinary General Meeting on September 14, 2015, shareholders of DEMIRE Deutsche Mittelstand Real Estate AG laid the groundwork for the acquisition of Fair Value REIT-AG. With the resolution to issue up to 30,761,646 new shares with a notional interest in the share capital of EUR 1.00 per share against contribution in kind, DEMIRE was able to offer Fair Value REIT-AG shareholders two DEMIRE shares for one Fair Value REIT share in the context of a voluntary public exchange offer. The General Meeting also resolved the creation of new authorised capital to align with DEMIRE's increased share capital in the event that the resolved capital increase against contribution in kind for the purpose of acquiring the majority interest in Fair Value REIT-AG would be recorded in the commercial register. With the consent of the Supervisory Board, the Executive Board is authorised until September 13, 2020 to increase the share capital of DEMIRE Deutsche Mittelstand Real Estate AG once or several times by issuing up to a total of 7,069,722 new shares with a notional interest in the share capital of EUR 1.00.

October 2015

On October 14, 2015, the offer document for the voluntary public takeover offer was released to all Fair Value REIT-AG shareholders. The acceptance period during which one share of Fair Value could be exchanged for two DEMIRE shares ended on November 16, 2015 at 24:00. The extended acceptance period ended on December 3, 2015 at 24:00.

Under a contract dated October 19, 2015, it was agreed to reverse the acquisition of the interests in Munich ASSET Verwaltung GmbH, which is the owner of the property on Hofer Straße 21-25, Munich, and return the interests to VICUS AG effective September 30, 2015 for a payment of EURk 26. The payment to Munich ASSET Management GmbH of the nominal value of the shareholder loan and the transfer of the interests took place in December 2015. The deconsolidation of Munich ASSET Vermögensverwaltung GmbH had a slightly positive effect on earnings.

On October 30, the purchase of the 94 % interest in Germavest Real Estate S.à r.l. („Germavest") was completed. The assignment of the proportionate purchase price of roughly EUR 39.0 million, including the subsequent increase of EUR 2.9 million above the original purchase price, attributable to the acquirer, DEMIRE Commercial Real Estate DREI GmbH, was performed by way of cash payments totalling EUR 7.8 million, the assumption of loan liabilities of EUR 1.7 million, fractional bonds of the coporate bond 2014/2019 in the amount of EUR 25.3 million and the deferral of a portion of the purchase price in the amount of EUR 4.2 million until the end of 2015.

December 2015

A total of 10,963,878 Fair Value REIT shares representing roughly 77.7 % of Fair Value REIT-AG's share capital and voting rights were tendered by the expiry of the extended acceptance period on December 3. The corresponding capital increase was recorded in the commercial register on December 21, 2015. The initial consolidation of the Fair Value REIT-AG subgroup took place on the reporting date. Therefore, DEMIRE AG did not include Fair Value REIT-AG's minor contributions to the income statement in its consolidated financial statements for the past fiscal year. On an annualised basis, the Fair Value REIT-AG subgroup represented roughly one-third of the DEMIRE Group's revenue in 2016. Fair Value REIT-AG plans to pay a dividend of EUR 0.25 per entitled share for the year 2015. Based on DEMIRE AG's interest as the parent company this represents pro rata cash flow before taxes of approximately EUR 2.7 million.

The assumption of the Signal Credit Opportunities (Lux) Investco II S.à.r.l. loan in the amount of EUR 32.0 million at the end of December 2015 enabled the Company to repurchase the full amount of fractional bonds from the seller of the interest in Germavest Real Estate S.à.r.l. A portion of the loan specified for the purchase of the interests in Kurfürster Immobilien GmbH due in January 2016 was paid into an escrow account.

3. Net assets, financial position, and results of operations

3.1. Results of operations

DEMIRE's nearly tripled its holdings in commercial real estate in the 2015 fiscal year. Nevertheless, the Company reported a lower net profit for the 2015 fiscal year than in the abbreviated 2014 fiscal year. The main reason for this was exceptionally high general and administrative expenses and other operating expenses, which offset the rise in profits from rentals. Expenses were particularly affected by additional reporting obligations in the context of the capital increases and the acquisition of the interest in Fair Value REIT-AG to the extent these expenses were not directly recognised in equity, incidental acquisition costs that could not be capitalised resulting from the purchases financed by capital increases against contribution in kind and the non-deductible input taxes on these costs. The repayment of the mezzanine loan by the Dutch holding company and the sale of the interest in OXELTON had a significantly negative impact on the Company's profits as a result of an impairment of the intercompany loan to OXELTON and the reversal of currency translation reserves related to this company, which had already been recognised. In addition, the interest payments for debt financing assumed in the second half of 2014 were reflected for a full twelve months for the first time and thus were also included in the net profit for the period for the first time.

SELECTED INFORMATION FROM THE CONSOLIDATED STATEMENT OF INCOME	01/01/2015-31/12/2015 EURk	01/04/2014-31/12/2014 EURk
Profit/loss from the rental of real estate	23,680	2,290
Profit/loss from the sales of real estate companies	743	69
Profit/loss from investments accounted for using the equity method	-500	-1,014
Other operating income and other effects	51,414	63,651
General and administrative expenses	-11,332	-3,648
Other operating expenses	-5,265	-2,914
Earnings before interest and taxes (EBIT)	**58,740**	**58,434**
Financial result	-25,728	-2,938
Profit/loss before taxes	33,012	55,496
Net profit/loss for the period	**28,873**	**45,707**
Of which, attributable to parent company shareholders	28,117	43,302
Basic earnings per share (EUR)	1.09	3.03
Weighted number of shares outstanding	25,889,465	14,306,151
Diluted earnings per share (EUR)	0.71	1.74
Weighted number of diluted shares outstanding	40,551,165	25,194,651

In fiscal year 2015, the DEMIRE Group generated profit from the rental of real estate of EUR 23.7 million – a tenfold rise compared to the level in the abbreviated 2014 fiscal year (EUR 2.3 million). This rise was driven by the tremendous expansion of the commercial real estate portfolio in the abbreviated 2014 fiscal year. The majority of the acquired properties contributed to the profit/loss from the rental of real estate for a full twelve-month period for the first time in 2015. In addition, commercial properties acquired during the 2015 fiscal year made an initial pro rata contribution .

Profits from the sale of real estate and real estate companies amounted to EUR 0.7 million in the 2015 fiscal year compared to their level of EUR 0.1 million in the prior year.

Profit/loss from investments accounted for using the equity method improved to EUR -0.5 million in the 2015 fiscal year (abbreviated 2014 fiscal year: EUR -1.0 million). Included in this position are income of EUR 1.5 million from the higher valuation of properties located in Frankfurt/Main belonging to the SQUADRA Group, income of EUR 1.2 million from debt forgiveness in connection with the renegotiation of the loan liabilities of a Dutch holding company of the DEMIRE Group and adverse effects on profit totalling a net EUR 3.2 million from the sale of shares in OXELTON.

The DEMIRE Group's other operating income and other effects in the 2015 fiscal year declined to EUR 51.4 million compared to EUR 63.7 million in the abbreviated 2014 fiscal year. This figure concerns primarily the fair value adjustments of EUR 18.5 million in 2015 (abbreviated 2014 fiscal year: EUR 63.6 million)on properties purchased in the fiscal year, particularly the Gutenberg-Galerie and Logistikpark in Leipzig, the properties in Bremen and the profit of EUR 33.2 million (abbreviated 2014 fiscal year: EUR 0.0 million) originating from a purchase below market value resulting from the acquisition of the interest in Germavest. Specific bad debt allowances of receivables in 2015 of EUR -2.8 million (abbreviated 2014 fiscal year: EUR -0.7 million) also had an impact on this line item and resulted mainly from specific allowances of recievables against OXELTON (EUR 1.1 million).

The DEMIRE Group's general and administrative expenses tripled in the 2015 fiscal year to a total of EUR 11.3 million (abbreviated 2014 fiscal year: EUR 3.6 million). This rise is mainly the result of higher consulting expenses for the preparation and execution of acquisitions carried out during the year (EUR 4.7 million compared to EUR 1.4 million in the abbreviated 2014 fiscal year), higher costs for the preparation and audit of financial statements (EUR 3.5 million compared to EUR 1.3 million in the previous year) as well as increased staff costs (EUR 2.3 million compared to EUR 0.6 million in the previous year) related to growth.

Other operating expenses amounted to EUR 5.3 million following EUR 2.9 million in the abbreviated 2014 fiscal year. This increase was mainly the result of a rise in non-deductible input taxes (EUR 1.1 million compared to EUR 0.7 million), fees and incidental costs related to monetary transactions (EUR 0.5 million after EUR 0.2 million), as well as expenses for the Annual General Meeting, two Extraordinary General Meetings, and investor relations and related banking services (EUR 0.8 million compared to EUR 0.1 million).

Earnings before interest and taxes (EBIT) amounted to EUR 58.7 million and slightly exceeded the results of the abbreviated 2014 fiscal year (EUR 58.4 million).

The financial result totalled an expense of EUR 25.7 million (abbreviated 2014 fiscal year: expenses of EUR 2.9 million). Transaction-related financial expenses rose from EUR 9.9 million in the abbreviated 2014 fiscal year to EUR 27.9 million and included higher financing expenses – some of which were reported for a full twelve-month period for the first time – and an expense for the derecognition of the interest portion of the OXELTON receivable of EUR 2.0 million.

On this basis, profit/loss before taxes amounted to EUR 33.0 million, or 40.5 % below the prior year's level (EUR 55.5 million). Income taxes totalled EUR 4.1 million following EUR 9.8 million in the abbreviated 2014 fiscal year and led to a net profit for the period (profit after taxes) of EUR 28.9 million, or one-third lower than the net profit for the abbreviated 2014 fiscal year of EUR 45.7 million.

3.2. Segment reporting

Segment reporting contained in the consolidated financial statements is conducted in accordance with IFRS 8 „Operating Segments" based on the internal alignment of strategic business segments. The segment information provided represents the information to be reported to DEMIRE's Executive Board. Segment information is presented on a net amount basis net of consolidation effects.

After the strategic realignment in 2013, the Group was divided into the segments of Investments, Asset Management, Core Portfolio and Corporate Functions. Since fiscal year 2015, asset management for third parties is no longer reported separately. Trailing income and expenses from the Austrian subsidiary are included in the retitled segment Corporate Functions/Others. The subgroup of Fair Value REIT is shown as a separate segment as at December 31, 2015.

The Investments segment includes information on the legacy portfolio originating before the realignment and the respective project holdings consisting of investments in Eastern Europe and the Black Sea Region.

The Core Portfolio segment consists of the newly established and acquired domestic and foreign subsidiaries focussed on commercial real estate for the entrepreneurial Mittelstand in Germany. Our primary aim with these investment properties is their sustainable management. These properties are held for rental income generation and value appreciation. The internal asset, property and facility management activities, expanded in 2015, were also allocated to the Core Portfolio segment.

The Corporate Functions/Others segment mainly contains DEMIRE Deutsche Mittelstand Real Estate AG's activities in areas, such as risk management, finance and controlling, financing, legal, IT and compliance, that are related to its function as the Group holding and service provider for the subsidiaries.

01/04/2014-31/12/2014 EURk	Investments	Core portfolio	Fair Value REIT	Corporate Functions/Others	Total segments
Segment revenues	1,848	67,322	0	3,905	73,075
Segment expenses	-7,780	-3,419	0	-3,442	-14,641
EBIT by segment	-5,932	63,903	0	463	58,434
Net profit/loss for the period	**-6,282**	**53,231**	**0**	**-1,242**	**45,707**
Significant non-cash items	1,390	73,397	0	-2,144	72,643
Impairment losses	693	0	0	0	693

01/01/2015-31/12/2015 EURk	Investments	Core portfolio	Fair Value REIT	Corporate Functions/Others	Total segments
Segment revenues	4,607	98,362	0	2,057	105,026
Segment expenses	-8,626	-28,119	0	-9,541	-46,286
EBIT by segment	-4,019	70,243	0	-7,484	58,740
Net profit/loss for the period	**-5,760**	**52,466**	**0**	**-17,833**	**28,873**
Significant non-cash items	4,165	-51,628	0	2,825	-44,638
Impairment losses	1,435	792	0	619	2,846

A segment analysis illustrates the vital importance of the relatively new Core Portfolio segment, which was substantially strengthened in the 2015 fiscal year to reflect the Company's strategic realignment. We will continue to expand this segment in the years ahead. The legacy portfolio, contained in the Investments segment, is up for sale and continues to lose importance. As of 2015, the Asset Management segment, which was reported separately until the abbreviated 2014 fiscal year, has now been combined with the Corporate Functions segment to comprise the Corporate Functions/Others segment. The reporting for the abbreviated 2014 fiscal year was adjusted accordingly. Because the initial consolidation of Fair Value REIT took place as at December 31, 2015, the new subsidiary did not impact earnings in the reporting year.

The DEMIRE Group's segment revenues increased more than 40 % during the 2015 fiscal year and reached a total of EUR 105.0 million (abbreviated 2014 fiscal year: EUR 73.1 million). This increase resulted primarily from the Core Portfolio segment that ended the year with EUR 98.4 million compared to EUR 67.3 million in the abbreviated 2014 fiscal year. This rise is a result of the portfolio's expansion and the fair value adjustments during the reporting period that were recognised through profit or loss in the amount of EUR 18.5 million (abbreviated 2014 fiscal year: EUR 63.3 million) and profits in the amount of EUR 33.2 million (abbreviated 2014 fiscal year: EUR 0 million) originating from a purchase below market value.

Segment expenses increased accordingly from EUR 14.6 million in the abbreviated 2014 fiscal year to EUR 46.3 million in the 2015 fiscal year. The main reason for this rise was the higher expenses in the Core Portfolio segment of EUR 28.1 million in 2015 (abbreviated 2014 fiscal year: EUR 3.4 million) resulting from the portfolio's expansion. Segment-related consulting expenses related to acquisitions and operational growth had a particularly strong impact in this respect. Expenses in the Investments segment increased only slightly to EUR 8.6 million in comparison to the abbreviated 2014 fiscal year (EUR 7.8 million). Consulting and legal costs as well as accounting and audit costs in connection with capital increases and the acquisition of the interests in Fair Value REIT-AG affected the Corporate Functions/Others segment in the 2015 fiscal year and amounted to EUR 9.5 million in 2015 compared to EUR 3.4 million in the prior year.

The EBIT by segment amounted to EUR 58.7 million and was slightly above the previous year's figure (previous reporting period: EUR 58.4 million). The Core Portfolio segment contributed EUR 70.2 million (abbreviated 2014 fiscal year: EUR 63.9 million), whereby this amount was affected by fair value adjustments of EUR 18.5 million (abbreviated 2014 fiscal year: EUR 63.6 million) and profits originating from a purchase below market value of EUR 33.2 million (abbreviated 2014 fiscal year: EUR 0.0 million). The Investments segment recorded a negative EBIT of EUR -4.0 million due to sales of real estate companies and one property but was still considerably better than the EBIT in the prior year (abbreviated 2014 fiscal year: EUR -5.9 million). After a slightly positive EBIT in the abbreviated 2014 fiscal year of EUR 0.5 million, the EBIT of the Corporate Functions/Others segment amounted to EUR -7.5 million because of extraordinary expenses related to the Company's growth.

The net profit for the period of the Core Portfolio segment reached EUR 52.5 million after EUR 53.2 million in the prior year's reporting period. The pro rata interest result of EUR -13.2 million (abbreviated 2014 fiscal year: EUR -1.2 million) and income taxes in the amount of EUR 4.6 million (abbreviated 2014 fiscal year: EUR 9.5 million) reduced profits. The Investment segment ended the year with a loss after taxes of EUR 5.8 million compared to EUR 6.3 million in the prior year. The Corporate Functions/Others segment generated a loss of EUR 17.8 million compared to EUR 1.2 million in the prior year, which was mainly the result of growth-related expenses, a net interest result of EUR -10.7 million (abbreviated 2014 fiscal year: EUR -1.5 million) and income taxes of EUR 0.4 million (abbreviated 2014 fiscal year: EUR 0.2 million).

Non-cash items in the Investments segment included impairments of the OXELTON loan in the amount of EUR 3.1 million and the reversal of currency translation reserves in the amount of EUR 3.8 million, as well as positive effects from debt forgiveness of EUR 1.2 million and the write-up on OXELTON of EUR 0.6 million. The Core Portfolio segment benefited from fair value adjustments on property holdings amounting to EUR 18.5 million and the profit of EUR 33.2 million originating from a purchase below market value. The profit/loss of the Corporate Functions/Others segment in the 2015 fiscal year was positively impacted by the profit/loss from investments accounted for using the equity method totalling EUR 1.5 million.

Impairment expenses rose sharply in the reporting period in comparison to the abbreviated 2014 fiscal year due to the streamlining of the legacy portfolio.

3.3. Net assets and capital structure

Overview of core real estate portfolio

In the course of rapid growth, DEMIRE's real estate portfolio nearly tripled in the 2015 fiscal year. At the end of the reporting period, the Group held 181 commercial properties with rentable building space totalling almost 1.1 million m². Except for real estate inventory, these properties are located exclusively in Germany, mostly in larger cities and mainly in the catchment areas of economically strong metropolitan regions.

In 2015, DEMIRE began to expand the portfolio – which consisted almost exclusively of office properties – to include retail and logistic properties in order to diversify its risk. This shift of focus was reinforced through the initial consolidation of Fair Value REIT, whose sub-portfolio properties' primary use is retail.

Real estate experts assessed the market value of real estate holdings (investment properties and non-current assets held for sale) at EUR 928.1 million as at the reporting date. With a weighted remaining lease term of 5.4 years, the contractual rents of these properties amounted to EUR 72.2 million as at the reporting date. This corresponds to a yield weighted occupancy rate of 87.2 % of the potential rent at full occupancy of EUR 82.7 million.

Measured by potential rent at full occupancy, office properties, at about 65.6 %, made up the largest share of the portfolio at the end of 2015. Around 19.8 % of the potential rent can be achieved with retail use, approximately 8.7 % with logistic properties and 5.9 % through other uses.

Selected information from the consolidated balance sheet

ASSETS **EURk**	31/12/2015	31/12/2014
Assets		
Total non-current assets	948,597	350,926
Total current assets	71,343	22,086
Non-current assets, held for sale	13,005	0
Total assets	**1,032,945**	**373,012**

The total assets of the DEMIRE Group as at December 31, 2015, increased more than 175 % to EUR 1,032.9 million (December 31, 2014: EUR 373.0 million). This sharp increase was mainly the result of the real estate group's acquisition-related growth. The expansion in total assets resulting from the initial consolidation of Fair Value REIT amounted to EUR 337.3 million.

As at December 31, 2015, there was a rise in non-current assets of EUR 597.7 million to a total of EUR 948.6 million (December 31, 2014: EUR 350.9 million). The majority of this increase originated from investment properties, which grew by EUR 582.0 million. Investment properties included an amount of EUR 287.8 million from the Fair Value REIT subgroup. In addition, the acquisition of Fair Value REIT resulted in goodwill of EUR 6.8 million, including deferred taxes. Additions in 2015 included the property holdings of Glockenhofcenter Objektgesellschaft mbH, Hanse-Center Objektgesellschaft mbH, an additional building from Margarethenhof in Schwerin, Gutenberg-Galerie and Logistikpark in Leipzig, the T6 portfolio and properties owned by Fair Value REIT. The properties in Worms and

Halle-Peissen qualified as investment properties for the first time due to their positive cash flows as a strategic prerequisite and were reclassified from real estate inventory in the course of 2015 and measured in accordance with IAS 40.

The increase in non-current assets also resulted from a down payment for the purchase of Kurfürsten-Galerie in Kassel in the amount of EUR 9.7 million. This amount was transferred in January 2016 as was the non-current portion of a receivable settlement credit for the terminated interest in an investment fund in the Fair Value subgroup in the amount of EUR 9.0 million.

As at December 31, 2015, the DEMIRE Group's current assets had grown by EUR 49.2 million to EUR 71.3 million (December 31, 2014: EUR 22.1 million). Of this amount, EUR 21.7 million were attributed to current assets belonging to Fair Value REIT.

The main contributor to this increase was the rise in financial receivables and other financial assets of EUR 25.1 million. A total of EUR 14.4 million of this rise stemmed from a receivable from the reassignment of 2014/2019 corporate bonds against the seller of the interests in Germavest Real Estate S.à.r.l. Temporary partial assignment of the purchase price was carried out with these corporate bonds in connection with the acquisition's completion on October 30, 2015. Prior to the balance sheet date, these corporate bonds were released by a cash payment of the purchase price by means of funds from the Signal Capital loan. At a total of EUR 4.2 million, the increase also resulted from loans receivable against minority shareholders of the newly acquired property companies.

The second largest source of the rise in current assets was cash and cash equivalents, which grew by EUR 24.1 million to EUR 28.5 million (December 31, 2014: EUR 4.4 million). This item consists of cash on hand and credit balances at financial institutions. Of this amount, EUR 16.0 million is attributed to cash and cash equivalents of the Fair Value REIT subgroup.

Trade accounts receivable and other receivables increased by EUR 5.1 million to EUR 14.4 million as at December 31, 2015 (December 31, 2014: EUR 9.3 million). Of this amount, EUR 5.7 million is attributable to the Fair Value REIT subgroup, including a purchase price receivable for a property sold (EUR 1.4 million) and the current portion of the receivable settlement credit for the terminated shareholding in an associated company (EUR 1.0 million). A partial amount of EUR 3.0 million relating to a security deposit under a loan agreement, was released again by the end of the first quarter of 2016. This item also includes purchase price receivables from the sale of Ukrainian companies in the amount of EUR 2.9 million.

The assets held for sale as at December 31, 2015, of EUR 13.0 million include the properties of the Fair Value REIT subgroup Radevormwald (EUR 11.1 million) and Tornesch (EUR 0.7 million), which were sold at their carrying amounts after the balance sheet date as well as real estate from the DEMIRE subgroup in Halle-Peissen (EUR 0.7 million) and the property Am Bahnhof 3 (EUR 0.6 million).

EQUITY AND LIABILITIES EURK	31/12/2015	31/12/2014
Equity and liabilities		
Equity attributable to parent company shareholders	230,697	51,684
Interests of non-controlling shareholders	34,205	2,945
Total equity	**264,902**	**54,629**
Liabilities		
Total non-current liabilities	696,746	258,124
Total current liabilities	71,297	60,259
Total liabilities	768,043	318,383
Total liabilities and equity	**1,032,945**	**373,012**

The equity of the DEMIRE Group increased by around EUR 210.3 million to EUR 264.9 million as at December 31, 2015 (previous year: EUR 54.6 million).

With a total of EUR 125.1 million, the largest portion of the increase was due to capital increases against contribution in kind. The first-time consolidation of Fair Value REIT-AG contributed EUR 117.4 million, of which EUR 26.2 million is attributable to minority shareholders of Fair Value REIT-AG. A total of EUR 11.2 million resulted from the cash capital increase and EUR 0.2 million resulted from the conversion of convertible bonds. The costs related to capital increases of EUR 3.3 million were recognised directly in equity and offset against reserves. A portion of EUR 14.2 million of the mandatory convertible bond issued in May 2015 was classified as equity. An amount of EUR 1.0 million was recognised in equity resulting from the 1.0 million stock options issued under the stock option programme based on the authorization of the Extraordinary General Meeting on March 6, 2015. The change in currency translation reserves of EUR 3.4 million mainly reflected the disposal of real estate companies. At EUR 28.9 million, the increase in the Group's equity resulted exclusively from the net profit/loss for the period.

The equity ratio as at December 31, 2015, amounted to 25.6 % compared to a level of 14.6 % on December 31, 2014. It is important to note that the interests of non-controlling shareholders in the subsidiaries of Fair Value REIT-AG in the amount of EUR 61.2 million are recognised under non-current liabilities pursuant to IFRS, even though they are treated as equity under the provisions of the REIT Act (REITG).

The interests of non-controlling shareholders in the Group have increased by an amount of EUR 31.3 million from EUR 2.9 million to EUR 34.2 million mainly as a result of the first-time consolidation of Fair Value REIT with a non-controlling interest in the voting rights of 22.3 % and through the minority shareholders of the acquired property companies. Assuming the corresponding accounting and inclusion of minority interests of the Fair Value REIT subgroup, the Group's equity as at December 31, 2015 would increase to EUR 326.1 million or 31.6 % of the Group's total assets.

As at December 31, 2015, the DEMIRE Group's non-current liabilities increased to EUR 696.7 million (December 31, 2014: EUR 258.1 million). The largest portion, or EUR 608.8 million (December 31, 2014: EUR 248.1 million), was attributed to non-current financial debt. Of this amount, a nominal

EUR 100 million (carrying amount: EUR 97.0 million) resulted from a corporate bond 2014/2019, EUR 29.3 million from a loan for Logistikpark GmbH, EUR 26.7 million was related to a loan for the acquisition of T6 (Germavest) and EUR 10.2 million came from the remaining convertible bonds.

Furthermore, there was a promissory note loan from Deutsche Bank of EUR 142.5 million, a loan from Landesbank Baden-Württemberg of EUR 32.9 million, the HFS bond of EUR 27.2 million and the loan liabilities of EUR 96.7 million that were assumed as a result of the acquisition of Germavest in the 2015 fiscal year.

Non-current financial debt of EUR 125.5 million was recognised due to the initial consolidation of Fair Value REIT. Together with the current portion of EUR 18.5 million, the total consists of loans from WIB Westdeutsche Immobilienbank AG in the total amount of EUR 18.6 million, loans from Unicredit Bank AG that together amount to EUR 52.1 million, loans from DG Hypothekenbank AG of EUR 32.2 million and loans from Bayerische Beamten Lebensversicherung a.G. amounting to a total of EUR 22.1 million. Furthermore, as already mentioned, Fair Value REIT recognised non-controlling interests of third parties in subsidiaries in the amount of EUR 61.2 million under non-current liabilities.

As at December 31, 2015, the DEMIRE Group's current liabilities grew to EUR 71.3 million following their level of EUR 60.3 million as at December 31, 2014. The first-time consolidation of Fair Value REIT resulted in a rise in current liabilities of EUR 18.5 million as at December 31, 2015.

Most of this rise was recorded in current financial debt, which accounted for EUR 46.4 million (December 31, 2014: EUR 47.6 million) at the Group level. Of this amount, EUR 18.5 million was attributable to the financial debt of Fair Value REIT. In January of 2015, Fair Value REIT-AG issued a convertible bond with a five-year maturity that had a carrying amount of EUR 8.7 million as at December 31, 2015. The bond was recognised under current financial debt due to the extraordinary termination by convertible bond holders and repayment in February 2016 as a result of the change in control.

Total financial liabilities of EUR 655.2 million (December 31, 2014: EUR 295.7 million) included liabilities to financial institutions in the amount of EUR 207.1 million (December 31, 2014: EUR 50.8 million).

As at the reporting date, financial debt with variable interest rate agreements amounted to EUR 196.0 million.

As at December 31, 2015, trade payables and other liabilities rose to EUR 19.9 million (December 31, 2014: EUR 11.5 million) as a result of business expansion. Of this amount, EUR 9.2 million were recognised under trade payables (December 31, 2014: EUR 5.3 million) and EUR 10.7 million (December 31, 2014: EUR 6.2 million) under other liabilities. The first-time consolidation of Fair Value REIT led to a rise in trade payables as at December 31, 2015 of EUR 2.7 million and other liabilities of EUR 4.0 million.

The DEMIRE Group's total liabilities as at the December 31, 2015 reporting date amounted to EUR 768.0 million (December 31, 2014: EUR 318.4 million).

3.4. Loan-to-Value (LTV) ratio

The DEMIRE Group's Loan-to-Value (LTV) debt ratio is defined as the ratio of net financial debt to the carrying amount of investment properties and non-current assets held for sale. This ratio developed as follows:

EUR MILLION	31/12/2015	31/12/2014
Financial debt	655.2	295.7
Cash and cash equivalents	28.5	4.4
Net debt	**626.8**	**291.3**
Fair value of investment properties and non-current assets held for sale	**928.1**	**333.1**
LTV in %	**67.5**	**87.4**

The improvement in the LTV ratio in comparison to the prior year is partly the result of the first-time consolidation of Fair Value REIT.

The maturities of the existing loan agreements are broadly spread. In the next three years, follow-up financing will be required to only a small extent. Liquidity requirements for follow-up financing and repayments (excluding convertible bonds) in the next few years are as follows:

MATURITY	2016	2017	2018	2019	From 2020
EUR million	36.2	46.9	55.1	293.1	195.0

3.5. Financial position and liquidity

Financial management

The financial management of the DEMIRE Group is executed in accordance with the guidelines adopted by the Executive Board. This applies to both the liquidity management and financing. The centralised liquidity analysis helps to optimise cash flows. The primary goal is securing liquidity for the entire Group and maintaining the Group's financial independence. In doing so, the focus is on long-term and stable financing solutions that sustainably and positively support our business development. All financial obligations and the related credit clauses (financial covenants) were met in the reporting period. Financial covenants are customary and require compliance with financial ratios, such as the equity ratio, interest service cover ratio (ISRC) and the debt service cover ratio (DSCR).

Providing the Supervisory Board with regular information on the financial situation is an integral 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 statement

Selected information from the consolidated statement of cash flows

EURK	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
Cash flow from operating activities	10,815	-3,986
Cash flow from investing activities	-29,165	-255,206
Cash flow from financing activities	42,420	259,634
Net change in cash and cash equivalents	**24,070**	**442**
Cash and cash equivalents at the end of the period	**28,467**	**4,397**

Cash flow development reflects the investments made to expand the real estate holdings. A detailed consolidated statement of cash flows is presented in the notes.

Cash flow from operating activities in fiscal year 2015 in the amount of EUR 10.8 million was EUR 14.8 million higher than its level of EUR -4.0 million in the abbreviated 2014 fiscal year. Cash flow from operating activities is derived from the Group's profit/loss before taxes (EBT) of EUR 33.0 million and is primarily adjusted for the interest result of EUR -25.7 million (abbreviated 2014 fiscal year: EUR -2.9 million), the profit/loss from the fair value adjustments of investment properties in accordance with IAS 40 in the amount of EUR 18.5 million (abbreviated 2014 fiscal year: EUR 63.6 million), and the profit of EUR 33.2 million originating from a purchase below market value (abbreviated 2014 fiscal year: EUR 0.0 million). The acquisitions in the abbreviated 2014 fiscal year offered considerable appreciation potential due to the acquisition circumstances, whereas most of the property acquired during the fiscal year was acquired at a purchase price equal to its fair value. The majority of the valuation gains in the amount of EUR 6.6 million are attributed to the Logistikpark property in Leipzig. Negative goodwill of EUR 33.2 million resulting from the acquisition of Germavest Real Estate S.à.r.l. was recognised in the reporting year through profit or loss under other operating income.

Cash flow from investing activities in the reporting year amounted to a net EUR -29.2 million compared to EUR -255.2 million in the abbreviated 2014 fiscal year. The reason for this decline, despite the threefold rise in business volume, was the use of capital increases against contribution in kind as the predominant source of acquisition funding. Cash in the amount of EUR 35.6 million was utilised for the acquisition of investment properties. Purchases included a property in Schwerin, the acquisition of Germavest Real Estate S.à.r.l. and the T6 portfolio, the cash component of the payment for the acquisitions of Logistikpark Leipzig GmbH, Hanse-Center Immobilienobjektgesellschaft GmbH, and Glockenhofcenter Immobilienobjektgesellschaft GmbH.

The consolidation of Fair Value REIT as at December 31, 2015, resulted in a cash inflow for the Group of EUR 16.0 million. Down payments of EUR 11.3 million were made, among others, for the purchase of Kurfürsten-Galerie in Kassel, which was completed in January 2016. Proceeds of EUR 1.7 million were received from the sale of property holdings.

Cash flow from financing activities in the 2015 reporting year amounted to EUR 42.4 million compared to EUR 259.6 million in the abbreviated 2014 fiscal year. The Company received proceeds of EUR 11.2 million from the cash capital increase executed in mid-July 2015. Expenses of EUR 1.5 million were paid out in relation to the capital increases for acquisitions and the takeover of the interest in Fair Value REIT-AG executed in the fiscal year. Proceeds from the assumption of liabilities totalled

EUR 54.7 million in the reporting year (abbreviated 2014 fiscal year: EUR 261.7 million) and included in particular the increase in the 2014/2019 corporate bond in the amount of EUR 36.0 million, the assumption of a loan from Signal Capital for EUR 32.0 million to acquire an interest in Germavest and make a down payment for Kurfürsten-Galerie in Kassel, the real estate loan from Volksbank Mittweida amounting to EUR 4.6 million for the purchase of a property in Schwerin and a loan from Hypo NOE Group Bank AG in the amount of EUR 11.5 million. The proceeds were used to pay interest of EUR 21.3 million (abbreviated 2014 fiscal year: EUR 1.6 million) and repay financial debt in the amount of EUR 36.7 million (abbreviated 2014 fiscal year: EUR 0.5 million).

The net change in cash and cash equivalents was EUR 24.1 million (abbreviated 2014 fiscal year: EUR 0.4 million). Cash and cash equivalents at the end of the reporting period grew to EUR 28.5 million from EUR 4.4 million at the end of the previous fiscal year.

Throughout the entire reporting period, the DEMIRE Group was always in a position to fully meet its payment obligations.

4. Employees

As part of the Group's growth, particularly through the establishment and development of in-house property, asset and facility management activities, the DEMIRE Group quantitatively and qualitatively strengthened its activities in the 2015 fiscal year by adding experienced professionals. Important strategic and organisational functions were taken out of the hands of external service providers and brought back into the Company. The Company's flat hierarchies offer motivated and dedicated employees a wide range of challenging activities requiring accountability. Quick decision-making and direct, open communication at all levels promote constructive cooperation.

DEMIRE's market- and performance-based compensation system helps keep managers and employees focussed on achieving corporate and divisional objectives and gives them the opportunity to participate in the Company's performance on the capital market. Remuneration is reviewed and adjusted within the Company regularly.

As at December 31, 2015, the Group employed 54 staff members, excluding the members of the Executive Board (December 31, 2014: 8), in the consolidated and non-consolidated group companies.

5. Comparison of forecasts with actual business development

The legacy portfolio was trimmed significantly and streamlined during the year, although the objective of a complete sale has not yet been reached. Although this had a negative effect on earnings, it did improve the Group's risk position.

In 2015, growth took priority over profits. DEMIRE's forecast for fiscal year 2015 was based on the expectation that the real estate portfolio would double. By the year's end, the portfolio had achieved close to a threefold increase. This led to significantly higher rental income than expected (EUR 33 million) of EUR 43.3 million.

The targeted rise in the portfolio's value was also achieved. The expectations with respect to the occupancy rate and reduction in operating costs, on the other hand, were slightly too ambitious. It was however pointed out that the benefits may only materialise in the course of the following year, which would be 2016.

Additional expenses were an unavoidable factor of the accompanying growth opportunities. Accordingly, earnings before interest and taxes (EBIT), excluding fair value adjustments, did not quite meet the original target. In 2015, EBIT reached EUR 7.1 million compared to the originally communicated target of an EBIT in the low double-digit millions.

DEMIRE made it a top priority to secure liquidity because the level of cash flow generated from operations would not be sufficient enough to fund this growth. Various measures for raising equity and debt were used to achieve this aim and even operating cash flow turned positive as a result of the growth in rentals.

The targeted strong improvement in net asset value was also achieved. In absolute figures, NAV grew fourfold and increased around 20 % per share.

6. General statement concerning the Group's business performance and financial position

In the three years since initiating the Group's realignment and focus on the German commercial real estate market in the summer of 2013, DEMIRE has already succeeded in building a property portfolio with a market value of nearly EUR 930 million and has thus created the basis for a favourable business development going forward. Taking into account the acquisition of Kurfürsten-Galerie in Kassel in January 2016, the DEMIRE Group's contractual annual rental income form investment properties has grown to roughly EUR 75.2 million and has transformed DEMIRE into one of the leading holders of commercial real estate in Germany.

III. CHANGES IN THE COMPOSITION OF THE GOVERNING BODIES

Dr. Dirk Hoffmann resigned from the Supervisory Board with effect from December 31, 2014. Dr. Peter Maser, an attorney at Deloitte Legal Rechtsanwaltsgesellschaft mbH, Stuttgart, was appointed to the Supervisory Board by a resolution of the District Court of Frankfurt/Main on January 12, 2015. The Extraordinary General Meeting on March 6, 2015, elected Dr. Peter Maser as a member of the Supervisory Board until the Annual General Meeting that discharges the members of the Supervisory Board for the fiscal year ended December 31, 2015.

Effective February 1, 2016, Mr. Markus Drews was appointed as a member of the Company's Executive Board for a term of three years until January 31, 2019. Mr. Schaich will continue to remain the sole director of Fair Value REIT-AG.

IV. REMUNERATION REPORT

The following remuneration report summarises the basic principles of the Executive Board and Supervisory Board remuneration systems:

1. Remuneration of the Executive Board

The Supervisory Board determines the appropriate remuneration for the Executive Board. The criteria for the appropriateness of the total remuneration are based on the responsibilities and performance of the Executive Board member, the position of the Company, as well as the sustainability of the Company's development. Overall remuneration may not exceed the usual remuneration without specific reasons. Hereby, the Supervisory Board takes into consideration the relationship between the remuneration of Executive Board members and the remuneration of senior management and the overall workforce, and also the development over time. The Supervisory Board establishes the definition of who is to be included in the categories of senior management and relevant workforce. The total remuneration of Executive Board members consists primarily of a fixed remuneration component as well as a variable remuneration component with short- and long-term incentive components (performance bonus). Remuneration can be adjusted as at January 1 of each calendar year.

The variable remuneration of Executive Board members is divided into a bonus for the prior fiscal year and a bonus based on multi-year factors. The bonus awarded is 50 % based on individual performance targets with the remaining 50 % based on uniformly defined performance targets for the entire Executive Board. The achievement of the agreed targets is 40 % derived from the target achievement of the prior year and 60 % from the average target achievement of the prior three fiscal years.

Executive Board members also each received 400,000 stock options in April 2015 under the 2015 stock option programme that was resolved at the Annual General Meeting on March 6, 2015. By introducing this stock option programme, the Executive Board members who shape and implement the corporate strategy and, therefore, are largely responsible for the Company's development, have an opportunity to share in the risks and rewards of DEMIRE. For the details on the stock option programme, please refer to the notes. An identical package of 400,000 virtual stock options based on the existing stock option programme was agreed for the third member of the Executive Board, Mr. Frank Schaich, who was appointed effective as at February 1, 2016.

In the event a majority of the Company's voting rights are purchased by a third party, the Executive Board members have the extraordinary right to terminate their contracts. If this extraordinary termination right is exercised or the contract is terminated by mutual agreement within a period of six months after the change of control, the resigning Executive Board members will receive the existing contractual entitlements for the remainder of their term of office in the form of a one-time compensation payment based on the compensation paid in the last full calendar year before his resignation and not exceeding the amount of two years' compensation.

Executive Board members are also entitled to the customary contractual benefits in kind and other fringe benefits. These benefits may include the provision of a company vehicle, the reimbursement of expenses and travel costs, payments to a retirement fund, the conclusion of a directors' and officers' liability insurance policy (D&O insurance), continued remuneration in the case of illness or accident as well as death benefits.

Employment contracts contain a competition clause forbidding Executive Board members from founding or purchasing a company competing with either the Company or an affiliated company, to directly or indirectly acquire an interest in such a company, or be active in or for such a company during the term of the employment contract without a resolution of the Supervisory Board approving such activities. Moreover, Executive Board members are also prohibited from working within the Federal Republic of German for a company dependently, as a freelancer or in the employment of a company in any other manner whose business activities come in contact with the statutory corporate purpose of the Company for the duration of one year after the termination of the employment contract. During the time of the prohibition of the activities mentioned above, the Executive Board member is also forbidden from establishing, purchasing or being directly or indirectly involved in such a company. The employment contract also includes the pledge to treat all of the information disclosed confidentially and not allow third parties access to business records or use this information for his or her own benefit or the benefit of others.

The variable and fixed components of the remuneration of Executive Board members have maximum limits in terms of absolute value. Remuneration in excess of the amount intended for the remaining term of the employment contract will not be granted.

Executive Board remuneration also covers executive board and executive functions at the DEMIRE Group's direct and indirect subsidiaries.

Existing employment contracts

(1) Hon.-Prof. Andreas Steyer

The fixed component of remuneration is paid out monthly in the form of a basic salary. The Executive Board member has a fixed-term employment contract.

The information for the reporting period is based on the contract concluded after March 2013. Hon. Prof. Andreas Steyer is entitled to the customary contractual benefits in kind and fringe benefits. These benefits include the provision of a company vehicle, the reimbursement of expenses and travel costs, the conclusion of a directors' and officers' liability insurance policy (D&O insurance), and continued payments in the case of illness or an accident, and death benefits.

Hon. Prof. Andreas Steyer receives variable, performance-based remuneration, which consists of an annual bonus and a multi-year bonus with long-term incentive. Annual bonus and multi-year bonus are determined based on the achievement of objectives which are set by the Supervisory Board in agreement with the Executive Board member. The targets for achieving the annual bonus are determined in agreement with the Supervisory Board and based on the Group's situation at the beginning of each fiscal year.

Hon.-Prof. Andreas Steyer receives a time-proportionate entitlement to a multi-year bonus if the performance period for the determination of the multi-year bonus has existed for twenty-four months. If the employment contract of Hon.-Prof. Andreas Steyer ends prematurely due to a change in control; he is entitled to the fixed salary and variable remuneration for the remaining term of his appointment, each based on the amount of his remuneration in the last full calendar year preceding his departure. The maximum amount of this remuneration cannot exceed two-years' remuneration.

On December 2, 2015, the Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG extended the contract of Hon.-Prof. Andreas Steyer by three years and, therefore, his Executive Board contract, which expired at the end of February 2016, was amended and extended through February 2019.

The contract will extend automatically by the length of the period Mr. Steyer has been reappointed as an Executive Board member of the Company. In addition to a basic annual salary of EUR 250,000.00, he receives an annual performance bonus of up to 50 % of his annual basic salary.

(2) Mr. Markus Drews

The Supervisory Board appointed Mr. Markus Drews as an ordinary member of the Company's Executive Board by resolution on December 1, 2014. His employment began on January 1, 2015.

The fixed salary component plus a temporary expense allowance to cover the higher expense of establishing and maintaining an additional residence near the Company's registered offices is paid monthly as part of his basic salary. The Executive Board member has a fixed-term employment contract. The information for the reporting period is based on the contract concluded after January 2015.

Mr. Markus Drews is entitled to the customary contractual benefits in kind and fringe benefits. These benefits include the provision of a company vehicle, the reimbursement of expenses and travel costs, contributions to premiums for public or suitable private health insurance and long-term care insurance with the statutory employer's contribution, contributions to a pension fund, the continuation of the existing directors' and officers' liability insurance policy (D&O insurance), an accident and disability insurance policy under group accident insurance and continued remuneration in the case of illness or an accident, and death benefits.

Mr. Markus Drews receives variable, performance-based remuneration that consists of an annual bonus. Two-thirds of the annual bonus is based on the achievement of objectives that are set by the Supervisory Board in agreement with the Executive Board member. One-third of the annual bonus is set at the discretion of the Supervisory Board and based on a proper account of all relevant circumstances.

If the employment contract of Mr. Markus Drews ends prematurely due to a change in control, he is entitled to a severance payment to the amount of his capitalised base salary for the subsequent six-month period.

On December 2, 2015, the Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG amended the contract of Mr. Drews. The contract now extends automatically by the length of time he was reappointed as an Executive Board member of the Company. In addition to a basic annual salary of EUR 230,000.00, he receives an annual performance bonus of up to EUR 125,000.00 per year.

(3) Mr. Frank Schaich

On January 29, 2016, the Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG concluded a three-year contract with Mr. Frank Schaich, as a new Executive Board member, effective as of February 1, 2016. In addition to a basic annual salary of EUR 230,000.00, he receives an annual performance bonus of up to EUR 125,000.00 per year.

The value of benefits granted in the fiscal year (in EUR).

BENEFITS GRANTED EUR	Hon.-Prof Andreas Steyer Speaker of the Executive Board, since March 5, 2013			
	Abbr. FY 2014	FY 2015	FY 2015 (Min)	FY 2015 (Max)
Basic salary	161,250.03	226,250.04	226,250.04	226,250.04
Fringe benefits	14,095.17	18,993.56	18,993.56	18,993.56
Total	**175,345.20**	**245,243.60**	**245,243.60**	**245,243.60**
One-year variable remuneration	0.00	81,667.00	0.00	81,667.00
Multi-year variable remuneration	0.00	107,500.00	0.00	107,500.00
Stock options	0.00	221,940.00	0.00	221,940.00
Total	**175,345.20**	**656,350.60**	**245,243.60**	**656,350.60**
Pension expenses	2,752.83	3,754.24	3,754.24	3,754.24
Total remuneration	**178,098.03**	**660,104.84**	**248,997.84**	**660,104.84**

BENEFITS GRANTED EUR	Markus Drews Member, since December 1, 2014			
	Abbr. FY 2014	FY 2015	FY 2015 (Min)	FY 2015 (Max)
Basic salary	18,000.00	180,000.00	180,000.00	180,000.00
Fringe benefits	0.00	32,686.75	32,686.75	32,686.75
Total	**18,000.00**	**212,686.75**	**212,686.75**	**212,686.75**
One-year variable remuneration	0.00	100,000.00	0.00	100,000.00
Multi-year variable remuneration	0.00	24,000.00	0.00	24,000.00
Stock options	0.00	221,940.00	0.00	221,940.00
Total	**18,000.00**	**558,626.75**	**212,686.75**	**558,626.75**
Pension expenses	0.00	2,036.53	2,036.53	2,036.53
Total remuneration	**18,000.00**	**560,663.28**	**214,723.28**	**560,663.28**

The value of benefits paid in the fiscal year (in EUR).

BENEFITS PAID EUR	Hon.-Prof Andreas Steyer Speaker of the Executive Board, since March 5, 2013		Markus Drews Member, since December 1, 2014	
	FY 2015	Abbr. FY 2014	FY 2015	Abbr. FY 2014
Basic salary	226,250.04	161,250.03	180,000.00	18,000.00
Fringe benefits	18,993.56	14,095.17	32,686.75	0.00
Total	**245,243.60**	**175,345.20**	**212,686.75**	**18,000.00**
One-year variable remuneration	0.00	0.00	0.00	0.00
Multi-year variable remuneration	140,833.00	0.00	24,000.00	0.00
Total	**386,076.60**	**175,345.20**	**236,686.75**	**0.00**
Pension expenses	3,754.24	2,752.83	2,036.53	0.00
Total remuneration	**389,830.84**	**178,098.03**	**238,723.28**	**18,000.00**

2. Remuneration of the Supervisory Board

The amount of Supervisory Board remuneration is determined by the Annual General Meeting and is governed by Section 16 („Compensation“) in the Articles of Association. The last agreed levels of remuneration remain valid until the Annual General Meeting resolves a revision of these levels. Each member of the Supervisory Board receives a fixed salary payable annually of EUR 45,000.00. The Supervisory Board’s chairman receives three times the level of base salary and the deputy chairman receives twice the level of base salary. Supervisory Board members, who were not in office for a complete fiscal year, receive compensation in accordance with the duration of their membership. The absolute level of remuneration was adjusted in the reporting year based on a resolution of the Annual General Meeting on August 28, 2015.

The Company also reimburses Supervisory Board members for expenses incurred in the exercise of their Supervisory Board duties, VAT payable on their remuneration and expenses insofar as these will be charged separately.

For more information, we refer to the relevant comments in the notes.

V. SUBSEQUENT EVENTS

The following events of significant importance to the net assets, financial position and results of operations occurred subsequent to the end of the fiscal year:

On January 13, 2016, the Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG completed the acquisition signed in July 2015 of a 94.9 % stake in Kurfürster Immobilien GmbH, Kassel. The property, located in the centre of Hesse’s third largest city, has a total space of approximately 21,000 m² and is used mainly for retailing purposes. This property contains one of Kassel’s largest parking garages with around 600 parking spaces. Contractual net rental income, excluding utilities, of the commercial property, which in 1991 was the first shopping mall in Kassel, amounts to roughly EUR 3.9 million annually. Tenants include a hotel, a casino, retailers, offices and professional practices. With this transaction, DEMIRE is strengthening its engagement in retail property – the Company's third asset class alongside office and logistics. With the completion of this transaction, all of the acquisitions and transactions announced in 2015 were completed, including the takeover of Fair Value REIT-AG.

Based on a purchase agreement dated January 29, 2016, the property located in Tornesch at Willy-Meyer-Str. 3-5 was sold by Fair Value REIT. The purchase price of EUR 0.7 million is 10 % higher than the expert appraised market value as per December 31, 2015 of EUR 0.6 million and was paid in full on March 16, 2016.

The creditors of the convertible bond issued by Fair Value REIT-AG on January 19, 2015 with a principal amount of EUR 8.46 million yielding 4.5 % p.a. and maturing as at January 19, 2020 have requested by declaration on February 9, 2016 and in accordance with the bonds terms and conditions, early redemption in the amount of 103 % of the nominal value plus accrued interest as of the effective date (February 19, 2016) as a result of the change of control at Fair Value REIT-AG which occurred on December 21, 2015. The corresponding amount of around EUR 8.75 million was paid on time on February 19, 2016. The refinancing of the redemption amount was made through two loans. The loan issued to Fair Value REIT-AG from CapitalBank – GRAWE Group AG, Graz, is a bullet loan with a term of three years until February 15, 2019 in the amount of EUR 7.0 million, less a processing fee of 1 %, at a variable interest rate of 3-month EURIBOR plus a margin of 400 basis points and a minimum interest of 4.0 % p.a. About 25 % of this loan is secured by mortgages with the remainder secured by pledged shares and other assets. The loan from Stadt-Sparkasse Langenfeld issued to Fair Value REIT-AG is a mortgage-secured loan of EUR 2.0 million with a term until March 30, 2020, bearing 1.69 % interest p.a., which will initially be redeemed at 3 % p.a.

The Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG appointed Mr. Frank Schaich, sole Executive Board member of Fair Value REIT-AG, as a new member of the Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG for a term of three years from February 1, 2016 through January 31, 2019. An executive board contract was concluded with Mr. Schaich under the condition precedent that he terminate his existing employment contract with Fair Value REIT-AG for the duration of his term of office. On March 1, 2016, the Supervisory Board of Fair Value REIT-AG extended the current Executive Board term of Mr. Schaich until February 31, 2019 and terminated his existing employment contract by mutual agreement effective the end of February 29, 2016.

In mid-February 2016, DEMIRE Deutsche Mittelstand Real Estate AG acquired F. Krüger Immobilien GmbH in Bremen as part of an asset deal. By way of a business transfer to DEMIRE Immobilien Management GmbH (DIM), a wholly owned subsidiary of DEMIRE, the in-house property management activities of the Group were strengthened further. All employees were transferred to DIM and will continue to work at the new DIM location in Bremen.

With the purchase agreement dated March 4, 2016, a subsidiary of Fair Value REIT sold the nursing home property in Radevormwald at a carrying amount of EUR 11.1 million. The transfer of ownership, benefits and obligations took place after the payment of the purchase price on March 31, 2016.

In the first quarter of 2016, a nominal amount of EUR 14.4 million of the remaining bonds of the 2014/2019 corporate bond was placed with investors.

In 2016 until the release of this Annual Report, a total of 14,937 convertible bonds were converted into no-par value share of DEMIRE Deutsche Mittelstand Real Estate AG, which represented a notional interest in the share capital of roughly 0.03 % as at April 30, 2016.

In early April 2016, DEMIRE AG concluded a contract with Südwestbank AG for a one-year credit line until March 30, 2017 in the amount of EUR 5.0 million less a 3 % processing fee at a variable interest rate of 3-month EURIBOR plus a margin of 250 basis points and a minimum interest rate of 2.5 % p.a., which can be utilised at various times and prolonged annually. At the end of April 2016, DEMIRE AG concluded a contract with Baader Bank AG for a one-year credit line until April 30, 2017 in the amount of EUR 5.0 million at a fixed interest rate of 5.0 % p.a. that can be drawn upon as needed. This credit line can be extended annually. In the case of both credit lines, collateral will be provided through pledged account balances and interests in subsidiaries upon the credit lines' utilisation, which has not yet occurred. These credit lines are expected to be fully exhausted by no later than mid-June 2016 so that a portion of the HFS bond can be redeemed in a corresponding amount at that time. This will allow for a reduction in the net interest expense and will strengthen DEMIRE's profitability.

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VI. REPORT ON OPPORTUNITIES, RISKS AND OUTLOOK

1. 1. Opportunities report

1.1. Macroeconomic and industry opportunities

The macroeconomic and industry environment is currently favourable for DEMIRE and continues to offer good opportunities for building a value-enhancing real estate portfolio. Germany is exhibiting robust and sound economic development and, as a result, demand for commercial space remains steady. DEMIRE intends to take full advantage of the favourable environment to further increase its enterprise value by carefully and professionally selecting new properties and employing active property, asset and facility management with respect to its existing properties.

1.2. Business opportunities

The strong growth experienced in recent years, particularly from the takeover of the majority interest in Fair Value REIT-AG, has given DEMIRE the necessary size to conclude framework agreements with national utility suppliers for basic utilities and lower its costs through volume purchases and better service conditions. The Company's greater size will have the added advantage that the costs of the daily property management activities will decline thanks to the in-house management of properties through the asset, property and facility management division.

The gradual insourcing of property management and the streamlining and harmonisation of the processes and IT structure that accompany this process also result in economies of scale for Company. This can reduce the costs passed on to tenants and improve the direct relationship with these tenants. If this leads to an increase in lease terms and a higher probability of lease renewal, then turnover and vacancy rates will decline.

1.3. Financial opportunities

DEMIRE intends to use the low interest rate environment to refinance the existing debt that has comparably high interest rates at more favourable terms and thus reduce the average interest on debt.

At the same time, the opportunities to financing real estate acquisitions continue to be good and, in the Company's opinion, will remain so for the foreseeable future.

1.4. Opportunities from the merger with Fair Value REIT-AG

With the acquisition of 77.7 % of the voting rights of Fair Value REIT-AG at the end of fiscal year 2015, DEMIRE significantly expanded its shareholder base and market capitalisation and as a result considerably raised its visibility among listed real estate companies.

The acquisition of Fair Value REIT-AG opens up additional growth potential because Fair Value REIT and its specialised acquisition strategy provide the Company with an established platform for investments in closed-end funds.

1.5. Summary assessment of DEMIRE's opportunities

DEMIRE has created the essential foundation to be sustainably successful as one of the leading holders of German commercial real estate with a balanced risk-reward profile and attractive cash flows. With the gradual improvement in the Company's equity position, DEMIRE intends to offer shareholders not only an opportunity for medium-term value appreciation but also steady dividends. Therefore, the Executive Board believes the chances are strong that DEMIRE will increase its business volume and profits in the years to come.

2. Risk report

The decision in 2013 to shift the Company's focus towards German commercial real estate has been successfully implemented over the past two fiscal years through a number of strategic investments and, particularly in fiscal year 2015, through the acquisition of more than three-quarters of the voting rights of Fair Value REIT-AG. This had a significantly positive effect on the risk profile of the DEMIRE Group.

2.1. Risk management system

The objective of the risk management system is to ensure the Company's lasting viability, monitor the compliance of the risk strategy derived from the corporate strategy, control of the Company through the appropriate or necessary actions and as well as 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, except Fair Value, which was not consolidated until the year's end. Fair Value REIT-AG possess its own risk management system.

The focus of risk management is securing liquidity, identifying and limiting risks from acquisitions, divestitures and management of the existing portfolio. To carry out these tasks, both the Executive Board and the managing directors of Group companies are supported by qualified external service providers and meet with these providers regularly to discuss controlling issues. Given the DEMIRE Group's flat organisational structure, the Executive Board is directly involved in all major decisions and also monitors whether the measures agreed are implemented and adhered to limit risk. The flat hierarchy allows a risk management system with comparatively simple structures.

The risk management process is documented in a risk management handbook that is reviewed regularly and revised as necessary. A risk catalogue lists all of the significant risks DEMIRE is subject to or could be subject to in the future.

The Supervisory Board is regularly informed of the development of the business, the performance of investments and the status and further development of the risk management system; thereby making the control activities of the Supervisory Board an essential element of the risk management system. New risks that pose a major risk and any sharply negative changes in existing risks are reported to the Supervisory Board on an ad hoc basis.

2.2. Risks

The text below gives an overview of the major risks for the DEMIRE Group. For risk quantification, particularly with respect to the impact of interest rate changes, please refer to the sensitivity analysis in the notes to the consolidated financial statements under the sections „Investment Properties“ and „Financial Instruments“.

2.2.1. Macroeconomic, market and sector risks

The DEMIRE Group's portfolio is exposed to a wide variety of macroeconomic, market and industry-related risks:
DEMIRE Group's main business activity of German commercial real estate is exposed to general the risk of declines in value. The broad diversification of activities in the past two years through acquisitions of commercial real estate in almost all German states has helped lead to a situation where changes in a specific location have only a small impact on the overall portfolio. The macroeconomic environment, the level of interest rates and positive general business expectations all indicate that the German market is currently in a positive state overall.

The effects on existing investments in Eastern Europe and the Black Sea Region from the murky economic environment and political unrest in the Ukraine have even increased in the reporting year.¬ Conducting transactions in these countries is expected to remain difficult for the foreseeable future. The risks those markets pose to this portion of the DEMIRE Group's property portfolio will remain high; however, in view of the legacy portfolio's smaller size, the risk will be lower than in prior years. The prices achievable in a sale could fall below the current carrying amounts at the time of the sale.

2.2.2. Financial risk

2.2.2.1. Liquidity risk

Liquidity management serves to guarantee the Group's solvency at all times. Based on conservative assumptions, the funds necessary for the Group's operational management are planned and dispersed at the level of the group companies and the parent company. At the level of the respective property holding companies, liquidity is affected by revenues from real estate less management, administrative and financing costs and at the company level, by proceeds from Group companies in the form of dividends, profit distributions and withdrawals.

There is a risk that there may be a time during the year in which the Company does not have access to sufficient liquidity to meet its current obligations at all times.

As at the reporting date, however, the funds available and the cash flows planned for the year 2016 are sufficient for the current needs of the ongoing operations. There is the risk that the refinancing of maturing financial debt may not be possible or possible only at conditions that are less favourable than planned.

Additional liquidity requirements may arise from events beyond the DEMIRE's operational control, especially from the operational and other risks referred to below.

2.2.2.2. Currency risk

There is no foreign currency risk for the existing portfolio of commercial real estate in Germany because all transactions are conducted in euros.

The existing investments outside of Germany are subject to translation risk until the point of their complete disposal. Potential currency risk related to subsidiaries in Ukraine, which had the euro designated as their functional currency in the 2013/2014 fiscal year, will arise only at the time of their disposal.

Projects in Eastern Europe and the Black Sea Region are handled in the same currency when possible and feasible.

2.2.2.3. Interest rate risk

To finance its German commercial real estate, the DEMIRE Group uses debt financing to a degree customary for the industry. This financing consists of both variable and fixed-interest loans as well as listed instruments that contain options to convert the instruments into shares in the Company or Fair Value REIT-AG.

In the case of variable interest loans, an increase in interest rates places additional pressure on the Group. As at the balance sheet date, there were fixed interest rate agreements in the amount of EUR 459.2 million and variable interest rate agreements of around EUR 196.0 million. In order to reduce the risk of interest rate increases for the financial liabilities bearing variable interest rates, interest rate hedges were concluded in the form of interest rate swaps, which at the balance sheet date amounted to EUR 36.1 million.

The majority of the remaining investments in Eastern Europe and the Black Sea Region are financed by equity. Any financing taken for these investments is recognised at the project level.

Since low interest rates prompt transaction prices for real estate to rise, the interest rate level also has an impact on the purchase prices of newly acquired real estate. Interest rates also play an important role in the appraisal of investment properties.

The evaluation of interest rate policy is carried out at regular intervals and in close coordination with the Supervisory Board.

2.2.3. Operating risk

The operating risk associated with investments in German commercial real estate is fundamentally different from those for the remaining projects in Eastern Europe and the Black Sea Region.

Commercial real estate in Germany is mainly subject to classic rental risk, whereas valuation risk is less likely in view of the current favourable market conditions. In Eastern Europe and the Black Sea Region, the key risks are valuation, disposal and long-term liquidity risk.

2.2.3.1. Rental and property management risks

There are risks of rent reductions, delinquent rents and space vacancies. In addition, index-based rent increases may not always be made for the full amount, be delayed or not enforced at all. Furthermore, in addition to revenue shortfalls, rental-related costs may arise (e.g. tenant incentives, expansion costs, payments of moving expenses, or rent-free periods), which cannot be passed on to the tenant.

There is also the risk that unexpected costs may arise for maintenance and repair work or adjustments to the property to meet current requirements.

At the time of preparing this report, no material rental risks existed based on the tenant structure that could have a direct effect on the Group's profitability

2.2.3.2. Valuation risk

The investment properties contained in the consolidated financial statements are recognised at their fair values as defined by IAS 40. These fair values are based on appraisals conducted by independent appraisers at least once annually. Various factors play a role in these appraisals: For one, circumstances such as the socioeconomic development of the respective location and the development of rental periods, rents and vacancy rates, as well as qualitative factors such as location and the property's condition are used as parameters in the assessment.

During subsequent valuations of investment properties in the course of quarterly, half-year or annual financial statements, negative changes may occur to the fair values of the respective properties as a result of possible changes in the internal and external parameters used in the valuation report. This would then result in impairments, which could have an effect on the consolidated profit/loss and, in some cases, a significantly negative effect. This would not, however, have a direct impact on the Group's liquidity.

2.2.4. Other risks

2.2.4.1. Legal risk

Risks to DEMIRE's business model result primarily from changes in the legal environment. In addition, DEMIRE may be liable for legacy issues not yet known such as contaminated sites, environmental contamination, harmful building materials or be sued for non-compliance with building code requirements.

Other legal risks can generally arise from a variety of conflicts, such as those in relation to rentals or personnel matters.¬ Rental disputes are also a part of the everyday life of real estate companies, which must be handled professionally.

Legal risks can also result from portfolio investments in countries with comparatively less stable legal systems. Given the advanced stage of the Company's withdrawal from Eastern Europe and the Black Sea Region, these risks have come down even further in comparison to previous fiscal years.

2.2.4.2. Tax risk

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.

Restrictions that are relevant to DEMIRE include restrictions on what is referred to as the interest barrier as well as those for minimum taxation and extended trade tax deductions for property holdings.

The Company believes that there are currently no other material tax risks beyond those for which it has already recognised provisions. Tax risk may arise in the context of tax audits or routine changes in the existing portfolio or as part of the portfolio's expansion, particularly through purchases of interests in the companies holding properties.

2.2.4.3. Personnel risk

The DEMIRE Group could lose Executive Board members or employees and may not be in a position to replace them with sufficiently qualified personnel.

2.2.4.4. IT risk

The IT systems of DEMIRE, its subsidiaries and their service providers may lose important data irretrievably or may be the victim of unauthorised access from outside parties. Both of these events could cause business disruptions and costs and may ultimately lead to financial losses.

2.2.5. General acquisition and integration risk

Each purchase is audited in detail by DEMIRE using external specialists for legal, commercial and technical due diligence. Nevertheless, it cannot be ruled out that objectives associated with an acquisition, such as synergies, may not be realised, only partially realised or realised at a later date. Actual developments may, therefore, differ from the estimates made at the time of acquisition.

2.2.5.1. Risk related to the integration of Fair Value REIT-AG

The successful integration of Fair Value REIT-AG into the DEMIRE Group should generate the planned synergy and scale effects. There is a risk that these effects will not occur as expected or to a lesser extent than expected. In addition, the costs for the integration may be higher than expected. Following the takeover, DEMIRE's business performance is now strongly linked to the business performance of Fair Value, particularly from the valuation of its real estate portfolios. Fair Value REIT's property portfolio may develop differently than reported in Fair Value REIT-AG's past annual and quarterly reports. In addition, Fair Value's retention of its REIT status is dependent on certain business conditions, such as tax exclusion. There is a risk that this status cannot be maintained. These risks may have an adverse effect on DEMIRE's net assets, financial position and results of operations.

2.2.5.2. Risk related to the REIT status of Fair Value REIT-AG

Fair Value REIT-AG, in its capacity as a German Real Estate Investment Trust-Aktiengesellschaft (REIT), must meet certain legal requirements to maintain its REIT status and benefit from the tax exemptions provided to REITs. These requirements include:

- The share's admission to trading on a regulated market
- Restriction of property trading and non-property-related services in return for payment
- Compliance with the free float ratio of a minimum 15 %
- Compliance with the maximum direct interest of less than 10 % of the shares or voting rights
- Minimum equity of 45 % of the value of immovable assets
- A proportion of immovable assets of at least 75 % of total assets
- At least 75 % of gross income must be derived from immovable assets
- Distribution of at least 90 % of the net profit under commercial law by the end of the following fiscal year

As a REIT, Fair Value REIT-AG is exempt from corporate and trade taxes. If Fair Value REIT-AG does not consistently meet these requirements, this may result in penalties and, in the case of repeated infringement, the possible loss of tax exemptions and the withdrawal of its status as a German REIT. This could eventually lead to tax payments and considerable liquidity outflows. If the REIT status was lost, this could also lead to damage claims from shareholders of Fair Value REIT-AG.

2.3. Internal control and risk management system in the financial reporting process

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

Their purpose is to achieve the following:

- Safeguard the efficiency of operations and the protection of assets
- Guarantee the accuracy and reliability of internal and external accounting
- Ensure compliance with applicable legal provisions, in particular, the compliance of the consolidated financial statements and the combined management report with current standards

DEMIRE Deutsche Mittelstand Real Estate AG, as the legal parent company, prepares the consolidated financial statements. Before this process, the bookkeeping and preparation of the Group companies' annual financial statements are carried out mostly by external specialists.

The required monthly reports and the preparation of the annual financial statements are fully and promptly communicated and internally monitored. Each process is based on a detailed timetable.¬ 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 periodically. The two-man rule is an important control principle used in this process.

Other essential tools include:

- Uniform accounting policies by selecting one external service provider for the majority of Group companies
- 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, for example, to provide an expert opinion on the market value of real estate

Together with our external 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. In fiscal year 2015, this occurred to the extent required under new accounting provisions.

To ensure the adequacy of the accounting and the relevant overall presentation of the consolidated and annual financial statements, including the combined management report, the following measures and controls are regularly implemented, evaluated and further developed in a structured process with together our service providers:

- The identification and analysis of key risk and control areas
- Monitoring and plausibility checks to monitor the processes and their results at the level of the Executive Board and the operational units
- Preventative control measures in finance and accounting and of the operational business processes essential for accounting
- Measures to ensure the orderly, complete and timely computerised processing of accounting-related issues and data
- Measures for monitoring of accounting-related internal control and risk management system and the steps necessary to eliminate any control weaknesses¬

2.4. Overall assessment of the risk situation

The risk situation of the DEMIRE Group and the Company has fundamentally improved in the reporting period aided greatly by the acquisitions. The larger overall portfolio led to a significant strengthening of the revenue basis and cash flows. The portfolio's risk structure was altered by regional diversification and the first purchases of retail and logistic real estate. The Company also clearly improved its visibility on the capital market through the issue of equity and debt capital. This will make it easier and less expensive for the Company to raise capital in the future.

At the same time, the remaining risks related to the legacy portfolio have been further reduced to a comparatively low level due to the divestments of the reporting year. The Executive Board is currently not aware of any risks that could threaten the Company's continued existence. The Company is confident that it will be able to take advantage of the opportunities and challenges that present themselves going forward, without having to take on any undue high risk.

3. Report on outlook

3.1. Positive economic environment

DEMIRE Mittelstand Real Estate AG expects the macroeconomic environment in 2016 to continue to prove favourable for companies in the real estate industry. Germany's macroeconomic development appears to be robust amid a moderately growing world economy, with growth in gross domestic product expected by most economic experts to be between one and two percent. At the same time, general expectations are that private consumption will remain an important driver of overall economic development in 2016 based on expectations that employment will stay at a high level and the lack of saving incentives due to continued low interest rates. The positive outlook for the real estate industry is also underscored by the expectation for continued low interest rates in 2016, even if there is a reversal in interest rate policies in the course of the year.

3.2. Sector momentum continues

DEMIRE business performance is driven more by the developments on the real estate markets it operates in than overall economic developments.

The transaction market for German commercial real estate has exhibited significant and consistent growth since the year 2009. Real estate prices have been increasing at a faster rate than rents. Analysts at the bulwiengesa Institute determined that although the total yield of German properties reached a record high in 2015, the majority of property yields are the result of property price increases. The institute suggests a decoupling of the rental and investment markets. This is associated with falling net initial yields and a higher risk in the capital market. At the same time, institutional investor demand remains high due to persistently low interest rates. This is particularly true for institutional investors such as pension funds and insurance companies.

Therefore prices for commercial real estate are generally expected to continue to rise. However, it would not be surprising if the price curve flattened. According to an analysis of the consulting firm Ernst & Young, transaction volumes are not expected to reach the previous year's level because of the numerous acquisitions carried out that year.

The rents of office and retail properties are expected to remain stable or slightly increase in 2016 based on the outlook for stronger demand for these properties due to the positive economic situation, high and rising employment and the expected continued increase in private consumption.

A slight decline in the vacancy rates of office property is expected in 2016 based on the persistently low volume of new construction in this segment. The real estate service provider Jones Lang LaSalle expects achievable rents to increase by another 2 percent in 2016 – a level also expected for secondary locations.

JLL real estate analysts also expect the German market for warehouse and logistic space to continue to perform well in 2016 due to the favourable economic environment. The quarterly logistics indicator of the Kiel Institute for the World Economy (IfW) declined slightly at the end of 2015 but remained on a moderate upward trend.

3.3. Anticipated development of FFO and LTV, the most important key performance indicators

Forecasts for the German economy and commercial real estate market continue to be positive, which, in turn, is also positive for DEMIRE Deutsche Mittelstand Real Estate AG's business model. Forecasts are projecting good performance for secondary locations in Germany, which are DEMIRE's primary focus and the reason the Company expects continued positive business performance. The Company's performance will be supported by the commercial properties and real estate portfolios purchased in 2015, which will contribute to rental income for a full 12-month period for the first time and significantly strengthen the revenue of the Core Portfolio segment and the DEMIRE Group. The purchase of Kurfürsten-Galerie, which was already agreed in 2015, was completed in January 2016 and together with the result of Fair Value REIT will also make a positive contribution to the results of operations.

Because the portfolios acquired in 2015 will contribute to revenue and profits for a full 12-month period for the first time in fiscal year 2016 and the Kurfürstengalerie shopping centre in Kassel was added to the Company's portfolio in the first quarter of 2016, DEMIRE expects a significant increase in income from property rentals in 2016, which are expected to amount to around EUR 75 million. Active, internal asset, property and facility management should lead to a rise in occupancy rates in the current fiscal year and a further drop in current operating costs.

Based on this rental income, DEMIRE expects a significant improvement in operating cash flow, that is, operating profit adjusted for valuation effects and special items (EPRA earnings or FFO). The Executive Board expects FFO before non-controlling interests in earnings to amount to just below EUR 20 million. FFO after non-controlling interests is expected at around EUR 15 million under the assumption of an unchanged interest of non-controlling shareholders in net profit. This corresponds to a FFO of roughly EUR 0.30 per share currently outstanding.

DEMIRE intends to reduce the average interest rate on financial debt of currently just above 5.0 % p.a. to a range of 4.0 % p.a. to 4.5 % p.a. by the end of 2016. In addition, the debt ratio (LTV) should be scaled back to 60% of the property values according to IAS 40 . DEMIRE expects to achieve this target gradually by means of refinancing, sales of non-strategic real estate and through more equity to back acquisitions, should any occur.

If these expectations are met, the Company's net asset value (NAV) should continue to rise. The extent of the rise is difficult to forecast because the NAV is dependent upon the valuation result of investment properties.

3.4. General statement on the expected performance of the Group

Forecasts for the German economy and commercial real estate market continue to be positive, which, in turn, is also positive for DEMIRE Deutsche Mittelstand Real Estate AG's business model. Forecasts are also projecting good performance for secondary locations in Germany, which are DEMIRE's primary focus.

Given this environment, DEMIRE anticipates positive business performance, which, as described, is expected to be reflected by a sharp rise in rental income, a significant increase in FFO and an appreciation in enterprise value as far as this can be projected.

VII. ACQUISITION-RELATED INFORMATION

1. Composition of subscribed capital

a.) On December 31, 2015

On December 31, 2015, the Company had fully paid-up subscribed capital in the amount of EUR 49,292,285.00 divided into 49,292,285 no-par value bearer shares with a notional interest in share capital of EUR 1.00. The Group held 5,000 of these shares. A total of 13,125 no-par value bearer shares were not registered at the commercial register until the end of January 2016. The shares of DEMIRE Deutsche Mittelstand Real Estate AG have been admitted to the regulated market (General Standard segment) of the Frankfurt Stock Exchange for trading.

The increase in share capital resulted from conversions of 2013/2018 convertible bonds, a cash capital increase and capital increases against contribution in kind related to newly acquired properties.

An increase of 226,800 shares resulted from conversions from the 2013/2018 convertible bond. The Company's capital is conditionally increased following the exercise of conversion rights from the 2013/2018 convertible bond and the issue of 226,800 new shares from Conditional Capital I/2013 by up to EUR 6,309,025.00, divided into a maximum of 6,309,025 no-par value bearer shares with a notional interest of EUR 1.00. The original number of convertible bonds was 11,300,000. Following the conversion of a further 226,800 bonds in the reporting period, the remaining number of conversions rights totalled 10,661,700. The conditional capital increase serves to grant subscription and/or conversion rights to the holders of bonds with warrants and/or convertible bonds that were issued based on the authorisation of the Annual General Meeting of October 23, 2013.

Based on the authorisation of the Annual General Meeting on October 15, 2014 and upon the registration in the commercial register on January 22, 2015, the Company's share capital was increased from authorised capital against contribution in kind on one occasion in an amount of EUR 5,633,710 excluding shareholder subscription rights for the purchases of Hanse-Center Objektgesellschaft mbH und Glockenhofcenter Objektgesellschaft mbH. Alpine Real Estate GmbH was admitted to subscribe to the new shares in return for a contribution in kind to DEMIRE Deutsche Mittelstand Real Estate AG consisting of Alpine's 94.9 % interest in Hanse-Center Objektgesellschaft mbH, 94.9 % of the interest in Glockenhofcenter Objektgesellschaft mbH and a receivable against Hanse-Center Objektgesellschaft. In the context of the capital increase, each new DEMIRE Deutsche Mittelstand Real Estate AG share was assigned a value of EUR 1.75.

Based on the authorisations of the Annual General Meetings of October 15, 2014 and March 6, 2015, the Company's share capital was increased against contribution in kind and excluding shareholder subscription rights in a total amount of EUR 2,182,567.00. Ketom AG, Switzerland, was admitted to subscribe to the new shares in return for a contribution in kind consisting of a 94 % interest in the project company Sihlegg Investments Holding GmbH, Switzerland, that owns Gutenberg-Galerie, and all claims from a shareholder loan granted to the project company by Ketom AG. A value of EUR 4.028 per DEMIRE Deutsche Mittelstand Real Estate AG share was used to determine the amount of the capital increase and the number of new DEMIRE shares to be issued. The capital increase was recorded in the commercial register on May 27, 2015.

On May 19, 2015, with the approval of the Supervisory Board, the Company's share capital was increased from authorised capital once by EUR 2,541,149.00 against a mixed contribution in kind and excluding shareholders' subscription rights. M1 Beteiligungs GmbH, Berlin, was admitted to subscribe to the new shares in return for a contribution in kind consisting of a 94 % interest in Logistikpark Leipzig GmbH. A value of EUR 5.84 per DEMIRE Deutsche Mittelstand Real Estate AG share was used to determine the amount of the capital increase and the number of new DEMIRE Deutsche Mittelstand Real Estate AG shares to be issued. The capital increase was recorded in the commercial register on July 1, 2015.

The Company's share capital was increased on July 14, 2015 by EUR 2,474,152 through a 10 % cash capital increase. The 2,474,152 new no-par value ordinary bearer shares (no-par value shares) were largely subscribed to by the institutional investor Wecken & Cie., Basel, Switzerland, in the context of a private placement. The issue price of the new shares was EUR 4.51 per share. The new shares are entitled to dividends as of January 1, 2015. The capital increase was recorded in the commercial register on July 14, 2015.

On October 14, 2015, the Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG made a voluntary public takeover offer to the shareholders of Fair Value REIT-AG in which they could exchange their shares for newly created shares of DEMIRE Deutsche Mittelstand Real Estate AG. The share exchange took place at a ratio of two DEMIRE Deutsche Mittelstand Real Estate AG shares for one Fair Value REIT-AG share. The exchange took legal effect on December 21, 2015 with the registration of the capital increase in the commercial register in Frankfurt/Main. DEMIRE Deutsche Mittelstand Real Estate AG's takeover offer was accepted by 77.7 % of the Fair Value REIT-AG shareholders. A total of 10,963,878 Fair Value REIT-AG shares of the full total of 14,110,323 shares were tendered for exchange during the initial acceptance period and the additional acceptance period that extended until December 3, 2015. The prerequisites were created for the issue of 21,927,756 new shares at the Extraordinary General Meeting on September 14, 2015, by a resolution for a capital increase for up to 30,761,646 no-par value bearer shares with a value of EUR 30,761,646.00

b) Development after December 31, 2015

Prior to the publication of the Annual Report, a total of 14,937 conversion rights were exercised creating 14,937 new no-par value bearer shares.

2. Restrictions on voting rights and the transfer of shares

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

3. Direct or indirect interests in capital that exceed 10 % of the voting rights

a.) On December 31, 2015

On December 31, 2015, the following DEMIRE Deutsche Mittelstand Real Estate AG shareholders held interests in the Company representing more than 10 % of the voting rights:

Mr. Klaus Wecken held a total of 12.91 % of the shares through his interest in Wecken & Cie, Basel, Switzerland.

Mr. Rolf Elgeti, as general partner of Obotritia Capital KGaA, held a total of 12.67 % of the shares through interests in Jägersteig Beteiligungs GmbH, Försterweg Beteiligungs GmbH and Obotritia Beteiligungs GmbH.

On December 31, 2015, the Company was not aware of any further notifications of direct or indirect interests that exceed 10 % of the voting rights.

b.) Development after December 31, 2015

At the time of the report's publication, the Company had received no further notifications of direct or indirect interests that exceed 10 % of the voting rights.

4. Holders of shares endowed with special rights conferring power of control

Such shares do not exist.

5. 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.

6. 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

6.1. Appointment and replacement of Executive Board members

Pursuant to Section 84 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 DEMIRE Deutsche Mittelstand Real Estate AG 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 deputy chairpersons and deputy members to the Executive Board

6.2. Amendments to Articles of Association

Changes to the Articles of Association require a resolution of the Annual General Meeting pursuant to Section 179 para. 1 AktG, which requires a majority of three-fourths of the capital represented in the voting, 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 para. 1 of DEMIRE Deutsche Mittelstand Real Estate AG's Articles of Association makes use of the option to deviate therefrom pursuant to Section 179 para. 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 related 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.

7. Authority of Executive Board to issue and repurchase shares

7.1. Authorised Capitall

a.) On December 31, 2015

Authorised Capital I/2014 was utilised through the issue of 5,633,710 new no-par value bearer share to purchase an interests in Hanse-Center Objektgesellschaft mbH and Glockenhofcenter Objektgesellschaft mbH in the amount of EUR 5,633,710.00 and the issue of 1,430,615 new no-par value bearer shares for the partial purchase of Gutenberg-Galerie in the amount of EUR 1,430,615.00.

Based on the resolution of the Extraordinary General Meeting of March 6, 2015, with the consent of the Supervisory Board the Executive Board is authorised until March 5, 2020, to increase the Company's share capital by up to EUR 8,522,290.00 (Authorised Capital I/2015) through the issue of up to 8,552,290 new no-par value bearer shares in the form of no-par value shares with a notional interest of EUR 1.00 each against contribution in cash and/or in kind once or several times in partial amounts. Shareholders are generally entitled to subscription rights. With the Supervisory Board's consent, the Executive Board is authorised to exclude shareholder subscription rights for fractional amounts, cash capital increases of up to 10 % of the share capital at an issue price that is not substantially below the stock market price, meet the obligations of warrant or conversion rights, issue shares to employees and execute capital increases against contribution in kind.

Authorised Capital I/2015 was utilised through the issue of 751,952 new no-par value bearer share to partially purchase Gutenberg-Galerie in the amount of EUR 751,952.00, the issue of 2,541,149 new no-par value bearer shares for the purchase of an interest in Logistikpark Leipzig GmbH in the amount of EUR 2,541,149.00 and through the issue of 2,474,152 new no-par value bearer shares in the context of a 10 % cash capital increase in the amount of EUR 2,474,152.00.

Based on the resolution of the Annual General Meeting of August 28, 2015, Authorised Capital I/2015 amounting to EUR 2,785,037.00 and the related provisions of Section 6 of the Articles of Association (Authorised Capital) were cancelled. The Executive Board was authorised, with the Supervisory Board's consent, to increase the share capital by up to EUR 13,675,702.00 (Authorised Capital II/2015) by issuing up to 13,675,702 new no-par value bearer shares in the form of no-par value shares against contribution in cash and/or in kind once or several times in partial amounts until August 27, 2020. Shareholders are generally entitled to subscription rights. The new shares can also be subscribed for by one or several banks with the obligation to offer the new shares to shareholders. With the Supervisory Board's consent, the Executive Board is authorised to exclude shareholder subscription rights for fractional amounts, cash capital increases of up to 10 % of the share capital at an issue price that is not substantially below the stock market price, meet the obligations of warrants or conversion rights, issue shares to employees and execute capital increases against contribution in kind.

Based on the resolution of the Extraordinary General Meeting of September 14, 2015, with the Supervisory Board's consent, the Executive Board was authorised to increase the Company's share capital by up to EUR 7,069,272.00 (Authorised Capital III/2015) by issuing up to 7,069,272 new no-par value ordinary bearer shares (no-par value shares) against contributions in cash and/or in kind once or several times until September 13, 2020. Shareholders are generally entitled to subscription rights. The new shares can also be subscribed for by one or several banks with the obligation to offer the new shares to shareholders. With the Supervisory Board's consent, the Executive Board is authorised to exclude shareholder subscription rights for fractional amounts, cash capital increases of up to 10 % of the share capital at an issue price that is not substantially below the stock market price, meet the obligations of warrants or conversion rights, issue shares to employees and execute capital increases against contribution in kind.

b.) Development after December 31, 2015

There were no changes prior to the publication of the Annual Report compared to the information published on December 31, 2015.

7.2. Conditional capital

a.) On December 31, 2015

Following the exercise of conversion rights from the 2013/2018 convertible bond and the issue of 638,300 new shares from conditional capital, the Company's capital is conditionally increased in an amount of up to EUR 6,322,150.00, divided into a maximum of 6,322,150 no-par value bearer shares (Conditional Capital I/2013). The conditional capital increase serves to grant sub¬scription and/or conversion rights to the holders of bonds with warrants and/or convertible bonds based on the authorisation of the Annual General Meeting of October 23, 2013. A total of 13,125 shares arising from the exercise of conversions rights were not yet recorded in the commercial register on December 31, 2015.

Based on the resolution of the Extraordinary General Meeting of March 6, 2015, the Company's share capital was conditionally increased by up to EUR 2,434,105.00 divided into up to 2,434,105 no-par value bearer shares (Conditional Capital I/2015). The conditional capital increase serves to grant subscription and/or conversion rights to the holders of bonds with warrants and/or convertible bonds, which were issued based on the authorisation under Agenda Item 8 of the Company's Annual General Meeting on October 23, 2013, in the amended version pursuant to the Annual General Meeting of March 6, 2015.

Based on the resolution of the Extraordinary General Meeting of March 6, 2015, the Company's share capital is also conditionally increased by up to EUR 1,000,000.00 divided into up to 1,000,000 new no-par value bearer shares (Conditional Capital II/2015). The conditional capital increase will be executed only to the extent that the holders of stock options that were issued by the Company pursuant to the authorising resolution of the Extraordinary General Meeting on March 6, 2015 in the context of the Company's 2015 Stock Option Programme, exercise their subscription rights for shares of the Company and the Company does not meet the obligations of the subscription rights with the Company's own shares. In the 2015 fiscal year, the Executive Board was granted the maximum number of 800,000 stock options and employees were granted the maximum number of 200,000 stock options.

Additionally, the Company's share capital is conditionally increased by up to EUR 3,919,447.00 divided into a maximum of 3,919,447 no-par value bearer shares (Conditional Capital III/2015). 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 a combination of these instruments), which were issued or will be issued (i) based on the authorisation resolved by the Annual General Meeting of October 23, 2013 under Agenda Item 8 to grant convertible bonds and/or bonds with warrants and/or (ii) the resolved authorisation under Agenda Item 7 to issue convertible bonds and/or bonds with warrants or profit participation rights and/or profit participation bonds (or a combination of these instruments) by the Company or its direct or indirect affiliated companies and grant conversion or warrant rights to new no-par value shares of the Company or establish a conversion obligation. The issue of new shares is carried out at the exercise or conversion price to be determined in accordance with the respective authorisation resolved by the Annual General Meeting. The conditional capital increase will be carried out only to the extent that the holders or creditors of conversion or warrant rights exercise these rights or to the extent that holders meet their conversion obligation unless a cash settlement is granted or own shares or shares created from authorised capital are used for servicing. The shares will participate in profits from the beginning of the previous fiscal year, provided they are created as a result of exercise before the start of the Company's Annual General Meeting, and otherwise from the beginning of the fiscal year in which they are created from the exercise of subscription rights. With the Supervisory Board's consent, the Executive Board is authorised to determine the further details of the conditional capital's execution.

b.) Development after December 31, 2015

By the end of April 2016, a total of 14,937 convertible bonds were converted into no-par value share of DEMIRE Deutsche Mittelstand Real Estate AG.

7.3. Authorisation to issue convertible bonds or bonds with warrants

By resolution of the Annual General Meeting of October 23, 2013, the Executive Board is authorised, with the consent of the Supervisory Board, to issue bearer and/or registered convertible bonds and/or bonds with warrants on one or several occasions until September 30, 2018, for a total nominal amount of up to EUR 50,000,000.00 with or without a limitation on the duration and to offer holders or creditors of bonds option or conversion rights for new no-par value bearer shares of the Company with a notional interest in the share capital of up to EUR 25,000,000.00. The warrant or conversion rights can be serviced using existing or future conditional or authorised capital, existing or own shares or a shareholder's shares. They can be issued by Group companies or against contribution in kind. The shareholders are entitled to subscription rights that can be excluded in the event of fractional amounts, an issue against cash if the option or conversion rights do not exceed 10 % of the share capital, if the issue price of the bonds is not materially below their market value and in order to grant holders of warrant and/or conversion rights with subscription rights in the case of a contribution in kind. Based on the authorisation of the Annual General Meeting, with the Supervisory Board's consent, the Executive Board has issued convertible bonds in a total nominal amount of EUR 26,300,000.00 with conversion rights – subject to an adjustment because of the existing dilution protection – for up to 14,300,000 no-par value bearer shares of the Company with a notional interest in the Company's share capital of EUR 14,300,000.00. The authorisation to issue convertible bonds and/or bonds with warrants beyond the remaining, not yet utilised nominal amount of up to EUR 23,700,000.00 was cancelled with a resolution of the Annual General Meeting of August 28, 2015 and a new authorisation was resolved permitting the issue of bearer and/or registered convertible bonds and/or bonds with warrants, profit participation rights and/or profit participation bonds (or a combination of these instruments).

By resolution of the Annual General Meeting of August 28,2015, with the Supervisory Board's consent, the Executive Board was authorised to issue bearer and/or registered convertible bonds and/or bonds with warrants, profit participation rights and/or profit participation bonds (or a combination of these instruments – together referred to as „bonds") on one or several occasions until August 27, 2020, for a total nominal amount of up to EUR 125,000,000.00 with or without a limitation on the duration and to offer holders or creditors of bonds conversion or warrant rights for no-par value bearer shares of the Company with a notional interest in the share capital of up to a total of EUR 25,000,000.00 according to the bond's terms and conditions.

7.4. Authority to repurchase own shares

Based on the resolution of the Annual General Meeting of October 15, 2014, the Company is authorised to acquire up to 10 % of the share capital existing on the date of the resolution until October 14, 2019. The number of shares acquired under this authorisation together with other treasury shares that were already purchased by the Company or already owned, may not exceed 10 % of the Company's respective existing share capital. This authorisation can be exercised in whole or in partial amounts on one or several occasions.

Purchases are made over the stock exchange, by means of a public repurchase offer or a public solicitation directed to shareholder to submit offers to sell:

If the share purchase takes place over the stock exchange, the consideration paid per share (each excluding ancillary purchase costs) by the Company may not exceed or fall below 10 % of the average closing price of the Company's shares in XETRA trading on the Frankfurt Stock Exchange (or a comparable successor system) on the three trading days preceding the purchase. If the Company is listed on several stock exchanges, the Company's respective last ten closing prices on the Frankfurt Stock Exchange are relevant.

If the purchase is conducted by way of a public offer to all of the Company's shareholders or by a public solicitation to shareholders to submit offers to sell, the purchase or sales prices offered or the range of purchase and selling prices per share, excluding ancillary acquisition costs, may not exceed or fall below 10 % of the average closing price of the Company's shares in XETRA trading on the Frankfurt Stock Exchange (or a comparable successor system) on the ten trading days preceding the publication of the offer or the solicitation to submit sales offers. If the Company is listed on several stock exchanges, the Company's respective last ten closing prices on the Frankfurt Stock Exchange prior to the offer's publication are relevant.

If, after the publication of a purchase offer or the solicitation to submit offers to sell, there is a significant difference in the share's trading price compared to the purchase or selling prices offered or the range of the purchase or sales prices offered, the offer or solicitation to submit offers for sale may be adjusted.¬ In this case, the relevant amount is based on the corresponding share price prior to the publication of the adjustment; the 10 % threshold for exceeding or falling below the market price is applied to this amount.

The volume of the offer may be limited. If the total subscription to the offer exceeds this volume, acceptance takes place on a pro rata basis. Preferential acceptance may be given to smaller numbers up to 100 tendered shares per shareholder.

The Executive Board is authorised to utilise the Company's repurchased shares to sell them on the stock exchange, redeem the shares while reducing share capital, transfer these shares to third parties as consideration for business combinations or the acquisitions of companies or interests in companies, offer the shares for sale to employees, use the shares to service warrant or conversion rights or to dispose of the shares other than over the stock exchange, provided the selling price is not substantially lower than the stock market price.

This authorisation has not yet been utilised.

8. Material agreements of the Company that are conditional upon a change of control following a takeover bid and the resulting effects

Some debt financing contracts provide for an extraordinary termination right of creditors in the event of a change of control at affected Group companies.

9. Company compensation agreements with the Executive Board and employees in the event of a takeover bid

In the event a majority of the Company voting rights are purchased by a third party, Executive Board members (Hon.-Prof. Andreas Steyer, Mr. Markus Drews and Mr. Frank Schaich (Executive Board member since February 1, 2016)) have the extraordinary right to terminate their contracts. If this extraordinary termination right is exercised or the contract is terminated by mutual agreement within a period of six months after the change of control, they will receive the existing contractual entitlements for the remaining term of office in the form of a one-time compensation payment based on the compensation paid in the last full calendar year before resignation, but not exceeding the amount of two years' compensation. Cash compensation will be increased by the value of the Executive Board member's rightful share options. If no other valuation date was agreed between the parties, the value of stock options at the time of the change of control applies.

VIII. CORPORATE GOVERNANCE REPORT / STATEMENT ON CORPORATE GOVERNANCE

On April 29, 2016, the Company's Executive Board submitted its Statement on Corporate Governance pursuant to Section 289a HGB and also made this document generally and permanently accessible on its website www.demire.ag in the Company section under the heading Corporate Governance.

IX. MANAGEMENT REPORT FOR DEMIRE DEUTSCHE MITTELSTAND REAL ESTATE AG

In addition to reporting on the DEMIRE Group's situation, the following presents the Company's development in the past fiscal year. The fundamental statements in the Group's management report on the market, strategy, management and the opportunities and risks of the business and the report on subsequent events, apply equally to the Company.

DEMIRE Deutsche Mittelstand Real Estate AG is the operational management unit of the DEMIRE Group. In the 2015 fiscal year it generated revenues from management services for or from the project companies. The number of employees, excluding Executive Board members, increased in the reporting year to an average of 10 (previous year: 5).

The Company's financial statements as at December 31, 2015 were prepared in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). Supplementary provisions from the Articles of Association did not arise.

Results of operations, financial position, liquidity position and net assets

Results of operations

In the 2015 fiscal year, DEMIRE Deutsche Mittelstand Real Estate AG incurred a net loss of EUR 26.3 million. This result was influenced by a number of special factors, particularly additional consulting expenses related to the capital increases against contribution in cash and in kind, the takeover offer made to the shareholders of Fair Value REIT-AG and the related non-deductible input taxes. Higher expenses were also incurred as a result of a broker's fee for the Signal Credit Opportunities (Lux) Investco II S.à.r.l. (Signal Capital) loan used to finance a portion of the purchase price for the interest in Germavest Real Estate S.à.r.l.

ACQUISITION-RELATED NON-RECURRING AND EXTRAORDINARY EXPENSES EUR MILLION	
Consulting fees incl. non-deductible input taxes	3.8
Extraordinary costs for Signal Capital loan	4.9
Total	**8.7**

EURK	01/01/2015–31/12/2015	01/04/2014–31/12/2014	Change
Revenue	3,213	7,396	-4,183
Other operating income	2,461	2,179	282
Staff costs	-1,617	-369	-1,248
Other operating expenses	-22,058	-6,456	-15,602
Income from loans	6,348	1,309	5,039
Write-downs of financial assets	-3,957	-2,944	-1,013
Interest result	-6,298	-1,648	-4,650
Expenses from transfer of loss	-4,690	-388	-4,302
Result from ordinary activities	**-26,598**	**-921**	**-25,677**
Net loss	**-26,276**	**-1,131**	**-25,145**

The Company's revenues resulted primarily from management fees in connection with transaction-related and ongoing advisory services for Group companies, which in the case of new acquisitions generally amount to 2 % of the interests' acquisition costs and 1 % of the granted loan amounts. These amounted to EUR 3.2 million in the reporting period and were less than half of the previous year's level of EUR 7.4 million (abbreviated 2014 fiscal year) because the majority of acquisitions were financed with capital increases against contribution in kind and, therefore, the services charged to subsidiaries declined accordingly.

Other operating income amounted to EUR 2.5 million, which was slightly higher compared to the abbreviated 2014 fiscal year (EUR 2.2 million), and consisted mainly of services charged to affiliated companies. Staff costs had a growth-related rise to EUR 1.6 million (abbreviated 2014 fiscal year: EUR 0.4 million).

The rise in staff costs is a result of the increase in the Executive Board to a total of two persons in December 2014 and the rise in the number of employees in the course of business expansion.

Other operating expenses increased by EUR 15.6 million to EUR 22.1 million. Approximately one-fourth of this increase resulted from consulting and service fees directly related to the capital increases against contribution in cash and in kind and the takeover offer made to the shareholders of Fair Value REIT-AG. Approximately one-third of the added expenses related to ancillary financing costs related to the second tranche of the 2014/2019 corporate bond and the assumption of the loan from Signal Capital. Travel and entertainment expenses, as well as costs for investor relations, one Ordinary Annual General Meeting and two Extraordinary General Meetings, increased sharply to keep up with the Company's growth.

Income from loans of financial assets amounting to EUR 6.3 million resulted from interest income for shareholder loans to affiliated companies granted to purchase properties and interests in real estate companies (abbreviated 2014 fiscal year: EUR 1.3 million). The interest result in the 2015 fiscal year amounted to EUR -6.3 million (abbreviated 2014 fiscal year: EUR -1.6 million). The debt assumed by DEMIRE AG was provided to the subsidiaries with a mark-up in the interest rate, resulting in a slightly positive net balance of income from loans and interest result in 2015 (abbreviated 2014 fiscal year: EUR -0.3 million).

Impairments on financial assets in the amount of EUR 4.0 million (abbreviated 2014 fiscal year: EUR 2.9 million) were required. Half of these impairments were related to investments held in the legacy portfolio and the other half to acquisitions made in the 2015 fiscal year.

Based on the control and profit transfer agreement concluded between DEMIRE AG and DEMIRE Commercial Real Estate in 2014 GmbH, DEMIRE AG assumed a loss in the 2015 fiscal year of EUR 4.7 million (abbreviated 2014 fiscal year: EUR 0.4 million). The higher loss reported by DEMIRE Commercial Real Estate GmbH resulted from the first full year of interest on financial debt associated with the acquisition of real estate in September and December 2014.

Due to the higher acquisition-related charges, the result from ordinary activities amounted to a loss of EUR 26.6 million, compared to a loss of EUR 0.9 million in the abbreviated 2014 fiscal year.

Net of tax refunds of around EUR 0.3 million (abbreviated 2014 fiscal year: EUR 0.2 million), a net loss of EUR 26.3 million was incurred in the reporting year compared to a net loss of EUR 1.1 million in the abbreviated 2014 fiscal year.

Financial position

The Company's financial management is executed in accordance with the guidelines adopted by the Executive Board. The primary objective is to ensure liquidity and maintain financial independence. All financial obligations and credit clauses (financial covenants) have been upheld during the financial year and as at the balance sheet date. Financial covenants require the compliance with financial ratios, such as the equity ratio, the interest cover ratio (interest service cover ratio (ISRC)) and the coverage of the debt service (debt service cover ratio (DSCR)).

Routine reporting to the Supervisory Board on the financial situation is an integral part of DEMIRE AG's risk management system.

Liquidity position

Cash flow from operating activities amounted to an outflow of EUR 5.1 million compared to a cash inflow of EUR 2.1 million in the abbreviated 2014 fiscal year. Higher cash outflows resulted from an increase in consulting costs (EUR 7.9 million) related to capital increases against contribution in cash and in kind, the takeover offer made to the shareholders of Fair Value REIT-AG and a growth-related rise in staff costs.

The cash outflow from investing activities significantly increased to a level of EUR 88.2 million (abbreviated 2014 fiscal year: outflow of EUR 54.0 million) as a result of loans granted to affiliated companies for the purchase of commercial real estate.

In fiscal year 2015, the Company had cash inflows from financing activities of EUR 93.7 million (abbreviated 2014 fiscal year: EUR 50.0 million) from an increase in the 2014/2019 corporate bond, the issue of new bonds in the amount of EUR 50.0 million and a cash capital increase of EUR 11.2 million.

Cash and cash equivalents as at the balance sheet date amounted to EUR 1.3 million and were somewhat higher than the level on December 31, 2014 (EUR 1.2 million).

Net assets

EURK	31/12/2015	31/12/2014	Change absolut	%
Assets				
Fixed assets	294,541	67,291	227,250	338%
Current assets/accruals and deferred income	45,924	14,887	31,036	208%
Total assets	**340,465**	**82,179**	**258,287**	**314%**
Equity and liabilities				
Equity	111,507	9,959	101,548	1,020%
Provisions	7,391	1,656	5,735	346%
Liabilities	221,567	70,564	151,002	214%
Total equity and liabilities	**340,465**	**82,179**	**258,287**	**314%**

The Company's total assets as at December 31, 2015 amounted to EUR 340.5 million. This represents an increase of EUR 258.3 million, or approximately 314 %, over the previous year's total of EUR 82.2 million.

Fixed assets grew significantly in the fiscal year to EUR 294.5 million (previous year: EUR 67.3 million) due to the expansion of the Group's commercial real estate portfolio to include the interests in the companies acquired and the takeover of 77.7 % of the voting rights and interests in Fair Value REIT-AG. The interests in affiliated companies in the amount of EUR 149.3 million comprise the main acquisitions made in the 2015 fiscal year with the following acquisition costs (including ancillary acquisition costs): Glockenhofcenter GmbH with EUR 3.2 million, Hanse-Center GmbH with EUR 11.2 million, Sihlegg Investments Holding GmbH with EUR 4.0 million, Logistikpark Leipzig GmbH with EUR 33.6 million and Fair Value REIT-AG with EUR 82.9 million.

Current assets increased by EUR 31.0 million from the level reported on December 31, 2014 of EUR 14.9 million to EUR 45.9 million in the reporting year. The largest item was receivables and other assets, which amounted to EUR 42.5 million following EUR 12.8 million on December 31, 2014. A large portion of this item consisted of receivables against affiliated companies from the assumption of DEMIRE's payments for property companies and interest receivables on loans for property financing in the amount of EUR 12.8 million (December 31, 2014: EUR 10.4 million). In addition, EUR 9.7 million were related to an escrow account in which a partial payment was deposited for the January 2016 acquisition of interests in Kürfürster Galerie GmbH in Kassel. As at the balance sheet date, the Company had no right to dispose of these funds. This balance sheet item also includes loan receivables from minority shareholders of property holding companies in the amount of EUR 4.5 million. As at the reporting date, there was a receivable against the seller of the interests in Germavest Real Estate S.à.r.l. from the retransfer of 2014/2019 corporate bonds in the amount of EUR 14.4 million.

Prepaid expenses grew by EUR 1.2 million to EUR 2.1 million (December 31, 2014: EUR 0.9 million) as a result of the increase in the 2014/2019 corporate bond, net of the reversal of deferred expenses.

On the equity and liabilities side of the balance sheet, the Company's equity increased from EUR 10.0 million as at December 31, 2014 to EUR 111.5 million as at December 31, 2015. The increase resulted from capital increases against contribution in kind totalling EUR 116.6 million, including the acquisition of 77.7 % of the voting rights and interests of Fair Value REIT-AG, one cash capital increase amounting to EUR 11.2 million and the net loss for the period of EUR 26.3 million.

The equity ratio increased accordingly to 32.7 % of total assets compared to 12.1 % as at December 31, 2014. The net loss increased the accumulated loss as at December 31, 2015 to EUR 133.5 million (December 31, 2014: EUR 107.2 million). The capital reserve increased from EUR 102.8 million as at December 31, 2014 to EUR 195.7 million as at December 31, 2015 as a result of the capital increases against contribution in kind and in cash.

Provisions in the amount of EUR 7.4 million compared to EUR 1.7 million on December 31, 2014 mainly resulted from costs for the preparation and audit of the annual and consolidated financial statements, financing costs for the Signal Capital loan and other staff costs and outstanding invoices.

As at the December 31, 2015 reporting date, the Company's liabilities increased from EUR 70.6 million to EUR 221.6 million. This increase mainly resulted from the placement of additional corporate bonds with a volume of EUR 50.0 million (December 31, 2014: EUR 50 million), the mandatory 2015/2018 convertible bond with a volume of EUR 15 million and the increase in liabilities to affiliated companies of roughly EUR 53.9 million to EUR 59.8 million (December 31, 2014: EUR 5.9 million).

DEMIRE AG's overall net assets and financial position developed positively in line with the increase in interests in affiliated companies and the expansion of the DEMIRE Group's real estate portfolio. The associated costs put significant pressure on profitability; these costs should be regarded as an investment in the Company's future.

Comparison of prior year's forecasts with actual business development

The 2015 annual financial statements of DEMIRE Deutsche Mittelstand Real Estate AG reflect the strong growth in the DEMIRE Group and the equity and debt measures taken in this context. Because the majority of acquisitions were financed using equity, revenues from management services declined significantly and the revenues projected for the 2015 fiscal year were not achieved. The capital increases against contribution in kind for the acquisition of Glockenhofcenter Objektgesellschaft mbH, Hanse-Center Objektgesellschaft mbH, Sihlegg Investment Holding GmbH, Logistikpark Leipzig GmbH and the takeover of the interests in Fair Value REIT-AG as part of a voluntary public takeover offer made it necessary to prepare three securities prospectuses that led to a high amount of legal and consulting costs. The financing conditions with Signal Capital to ensure the timely fulfilment of the purchase price obligations for the Germavest transaction also pressured profits. Due to these measures, which were not foreseeable at the time the forecasts were made, the Company exhausted a substantial amount of liquidity and the originally expected positive EBIT for the 2015 financial year was not achieved.

Report on outlook

The Company's revenue is projected to rise substantially in the current fiscal year against the background of strong growth. Higher revenue is also expected to result from additional services to the intermediary holding and property companies that will be compensated at market rates. For the 2016 fiscal year, we expect to generate revenue in the order of what was achieved in the abbreviated 2014 fiscal year.

This should lead to almost a break-even EBIT in the 2016 fiscal year.

A slightly positive interest result is expected to come from loans to direct and indirect subsidiaries at a rate equal to the rate paid by the Company plus what is considered as a customary premium. The planned and already partially secured refinancing of the high-interest HFS bond at the affiliate DEMIRE Commercial Real Estate GmbH at much better conditions is expected to result in a loss reduction of roughly half compared to 2015 to be assumed by the Company under the profit transfer agreement. Therefore an almost break-even net profit for the period is expected in the 2016 fiscal year and in the years thereafter, this loss should be completely eliminated.

The Company will receive dividend income of EUR 2.7 million in 2016 from its interest in Fair Value REIT-AG.

Frankfurt/Main, May 13, 2016
DEMIRE Deutsche Mittelstand Real Estate AG

Hon.-Prof. Andreas Steyer
Speaker of the Executive Board
(CEO)

Dipl.-Kfm. (FH) Markus Drews
Executive Board Member
(COO)

Frank Schaich
Executive Board Member
(CFO)

Consolidated Financial Statements

FOR THE FISCAL YEAR FROM JANUARY 1, 2015 TO DECEMBER 31, 2015

EURk	Note	01/01/2015–31/12/2015	01/04/2014–31/12/2014
Rental revenue		43,344	3,749
Operating expenses to generate rental income		-19,664	-1,459
Profit/loss from the rental of real estate	**D.1**	**23,680**	**2,290**
Revenue from the sale of real estate companies		1,792	4,783
Net assets from real estate companies sold		-1,507	-4,713
Profit/loss from the sale of real estate companies	**D.2**	**285**	**69**
Revenue from the sale of real estate		2,300	0
Expenses relating to real estate sales		-1,842	0
Profit/loss from the sale of real estate	**D.3**	**458**	**0**
Profits from investments accounted for using the equity method		1,861	199
Losses from investments accounted for using the equity method		-3,830	-126
Unrealised fair value adjustments in equity investments		1,469	-1,087
Profit/loss from investments accounted for using the equity method	**D.4**	**-500**	**-1,014**
Profit/loss from fair value adjustments in investment properties	D.7	18,471	63,608
Unrealised fair value adjustments in real estate inventory	D.8	0	307
Impairment of receivables	D.9	-2,846	-693
Profits originating from a purchase below market value	D.10	33,217	0
Other operating income	D.11	2,572	429
Other operating income and other effects		**51,414**	**63,651**
General and administrative expenses	D.12	-11,332	-3,648
Other operating expenses	D.13	-5,265	-2,914
Earnings before interest and taxes		**58,740**	**58,434**
Financial income		2,145	6,955
Finance expenses		-27,873	-9,893
Financial result	**D.14**	**-25,728**	**-2,938**
Profit/loss before taxes		**33,012**	**55,496**
Income taxes	D.15	-4,139	-9,789
Net profit/loss for the period		**28,873**	**45,707**
Thereof attributable to:			
Non-controlling interests	**D.16**	**756**	**2,405**
Parent company shareholders		**28,117**	**43,302**
Basic earnings per share	D.17	1.09	3.03
Diluted earnings per share	D.17	0.71	1.74

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EURk	Note	01/01/2015–31/12/2015	01/01/2014–30/09/2014
Net profit/loss for the period		**28,873**	**45,707**
Share of other comprehensive income attributable to associated companies accounted for using the equity method (from currency translation)	E.1.4	0	-1,067
Currency translation differences		3,408	626
Other comprehensive income	G.1/G.2	**3,408**	**-441**
Total comprehensive income		**32,281**	**45,266**
Of which, attributable to:			
Interests of non-controlling shareholders		**639**	**2,605**
Parent company shareholders		**31,642**	**42,661**

CONSOLIDATED BALANCE SHEET
ASSETS

EURk	Note	31/12/2015	31/12/2014
ASSETS			
Non-current assets			
Intangible assets	E.1.1	6,961	0
Property, plant and equipment	E.1.2	11,285	11,330
Investment properties	E.1.3	915,089	333,070
Investments accounted for using the equity method	E.1.4	3,136	2,613
Other financial assets	E.1.5	11,045	14
Loans to investments accounted for using the equity method	E.1.6	553	2,857
Other loans	E.1.7	384	322
Deferred tax assets	E.5.1	144	720
Total non-current assets		**948,597**	**350,926**
Current assets			
Real estate inventory	E.2.1	2,298	7,355
Trade accounts receivable and other receivables	E.2.2	14,387	9,287
Financial receivables and other financial assets	E.2.3	26,020	921
Tax refund claims		171	126
Cash and cash equivalents	E.2.4	28,467	4,397
Total current assets		**71,343**	**22,086**
Non-current assets held for sale	**E.3**	**13,005**	**0**
Total assets		**1,032,945**	**373,012**

LIABILITIES

EURk	Note	31/12/2015	31/12/2014
LIABILITIES			
Equity			
Subscribed capital		49,292	14,306
Reserves		181,405	37,378
Equity attributable to parent company shareholders		**230,697**	**51,684**
Interests of non-controlling shareholders		34,205	2,945
Total equity	**E.4**	**264,902**	**54,629**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	E.5.1	25,714	10,032
Minority interests	E.5.2	61,160	0
Non-current financial debt	E.5.3	608,796	248,092
Other non-current liabilities	E.5.4	1,076	0
Total non-current liabilities		**696,746**	**258,124**
Current liabilities			
Provisions	E.6.1	1,166	852
Trade payables and other liabilities	E.6.2	19,887	11,519
Tax liabilities	E.6.3	3,801	314
Current financial debt	E.6.4	46,443	47,573
Total current liabilities		**71,297**	**60,259**
Total liabilities		**768,043**	**318,383**
Total equity and liabilities		**1,032,945**	**373,012**

CONSOLIDATED STATEMENT OF CASH FLOWS

EURk	Note	01/01/2015–31/12/2015	01/04/2014–31/12/2014
Group profit/loss before taxes		**33,012**	**55,496**
Financial expenses*		27,873	9,893
Financial income*		-2,145	-6,955
Proceeds from the sale of real estate inventory		650	0
Change in trade accounts receivable and other receivables		7,633	-7,543
Change in deferred tax assets		576	208
Change in income tax receivables		-23	-55
Change in financial receivables and other financial assets		-8,234	470
Change in intangible assets		-6,883	1
Change in provisions		-1,329	65
Change in trade payables and other liabilities		-1,958	7,558
Change in deferred tax liabilities		8,860	8,821
Valuation gains under IAS 40		-18,471	-63,608
Gains from the sale of real estate companies		-743	-69
Interest proceeds*		165	293
Income taxes *		-3,953	-9,767
Income tax payments*		-186	-22
Profit originating from a purchase below market value		-33,217	0
Change in reserves and subscribed capital		4,462	2,290
Profit/loss from investments accounted for using the equity method		500	1,014
Fair value adjustments in real estate inventory		0	-307
Depreciation, amortisation and impairments*		2,846	693
Other non-cash items*		1,380	-2,462
Cash flow from operating activities	**F**	**10,815**	**-3,986**
Payments for investments in property, plant and equipment		-11,258	-11,356
Payments for the purchase of investment properties and interests in fully consolidated companies, less net cash and equivalents acquired		-15,238	-248,726
Acquisition of interests in in fully consolidated companies in the context of business combinations		-4,319	0
Proceeds from the sale of property, plant and equipment		1,650	0
Proceeds from the disposal of investments accounted for using the equity method and other investments		0	3,700
Proceeds from the repayment of loans from investments accounted for using the equity method and other investments		0	101
Proceeds from the sale of subsidiaries (less cash and cash equivalents sold)		0	1,075
Cash flow from investing activities	**F**	**-29,165**	**-255,206**
Proceeds from the issue of equity		11,158	0
Payments for expenses associated with raising equity		-1,514	0
Proceeds from the issue of bonds		36,023	0
Proceeds from the issuance of financial debt		54,700	261,738
Interest paid on financial debt		-21,255	-1,607
Payments for the redemption of financial debt		-36,692	-497
Cash flow from financing activities	**F**	**42,420**	**259,634**
Net change in cash and cash equivalents		**24,070**	**442**
Cash and cash equivalents at the start of the period		4,397	3,955
Cash and cash equivalents at the end of the period	**F**	**28,467**	**4,397**

**Prior year's information was adjusted for changes in classification.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EURk	Note	Share capital	Reserves						
		Subscribed capital	Capital-reserves	Retained earnings incl. Group profit/loss	Reserves for treasury shares	Currency translation	Equity attributable to parent company shareholders	Anteile der nicht beherr-schenden Anteilseigner	„Interests of non-controlling share-holders
01/01/2015	**G**	**14.306**	**8.233**	**32.802**	**-310**	**-3.348**	**51.684**	**2.945**	**7.702**
Stock option plan		0	434	0	0	0	434	0	**434**
Mandatory convertible securities		0	14.223	0	0	0	14.223	0	**14.223**
Proportional transfer of earnings-neutral changes in equity in investments accounted for using the equity method		0	0	0	0	0	0	0	**0**
Currency translation differences		0	0	0	0	3.291	3.291	117	3.408
Total other comprehensive income	**G**	**0**	**0**	**0**	**0**	**3.291**	**3.291**	**117**	**3.408**
Net profit/loss for the period		0	0	28.117	0	0	28.117	756	28.873
Total comprehensive income	**G**	**0**	**0**	**28.117**	**0**	**3.291**	**31.408**	**873**	**32.281**
Capital increase (related to the conversion of convertible bonds)		227	-12	0	0	0	215	0	**215**
Capital increases against contribution in kind		32.285	92.853	0	0	0	125.138	0	**125.138**
Cash capital increases		2.474	8.684	0	0	0	11.158	0	**11.158**
Costs of raising equity under capital increases		0	-3.295	0	0	0	-3.295	0	**-3.295**
Change in the scope of consolidation		0	0	-268	0	0	-268	30.387	**30.119**
31/12/2015	**G**	**49.292**	**121.120**	**60.651**	**-310**	**-57**	**230.697**	**34.205**	**264.902**
01/04/2014	**G**	**13.895**	**7.455**	**-10.500**	**-310**	**-2.706**	**7.835**	**-133**	**7.702**
Proportional transfer of earnings-neutral changes in equity in investments accounted for using the equity method		0	0	0	0	-1.067	-1.067	0	**-1.067**
Currency translation differences		0	0	0	0	425	425	201	**626**
Total other comprehensive income	**G**	**0**	**0**	**0**	**0**	**-642**	**-642**	**201**	**-441**
Net profit/loss for the period		0	0	43.302	0	0	43.302	2.405	**45.707**
Total comprehensive income	**G**	**0**	**0**	**43.302**	**0**	**-642**	**42.660**	**2.606**	**45.266**
Capital increase (related to the conversion of convertible bonds)		411	108	0	0	0	519	0	**519**
Change in the scope of consolidation		0	0	0	0	0	0	472	**472**
Changes related to convertible bond recognised directly in equity		0	493	0	0	0	493	0	**493**
Change in deferred taxes recognised directly in equity (related to the convertible bonds)		0	177	0	0	0	177	0	**177**
31/12/2014	**G**	**14.306**	**8.233**	**32.802**	**-310**	**-3.348**	**51.684**	**2.945**	**54.629**

Notes to the consolidated financial statements for fiscal year January 1 to December 31, 2015

(Previous year: April 1, 2014 to December 31, 2014)

A. GENERAL INFORMATION

1. Corporate information

DEMIRE Deutsche Mittelstand Real Estate AG („DEMIRE“, „DEMIRE AG“ or the „Company“) is recorded in the commercial register in Frankfurt/Main, Germany, the location of the Company's head-quarters, under the number HRB 89041.

The Company's principle registered offices are located at Lyoner Strasse 32 in Frankfurt/Main. Until the year 2014, the Company's fiscal year-end was March 31. The change in the Company's fiscal year-end was resolved by the Annual General Meeting on October 15, 2014 and recorded in the commercial register on November 18, 2014. Effective as at January 1, 2015, the Company's fiscal year was aligned to the calendar year. This change resulted in a uniform fiscal year-end across the entities in-cluded in the scope of consolidation and an abbreviated fiscal year running from April 1, 2014 to December 31, 2014. Because of this change in the fiscal year-end and the abbreviated fiscal year (April 1 through December 31, 2014) that resulted, the comparability of the data on the reporting date to the previous year's data is limited.

The Company's shares are listed in the General Standard segment of the Frankfurt Stock Exchange.

To date, DEMIRE itself has not carried out any investments in real estate or real estate projects. Investments are generally processed through project companies. Interests in these project companies are either directly or indirectly held (through intermediate holding companies) by DEMIRE.

The Company's strategic realignment in fiscal year 2013/14, which created a clear focus on commercial real estate in Germany, meant a shift in DEMIRE's business model from a „develop & sell“ strategy to a „buy & hold“ strategy with active portfolio management.

As at the reporting date, DEMIRE's investment portfolio contained investments in the following four countries: Germany, Romania, Bulgaria and Georgia. Because of DEMIRE's new focus on Germany, the Company is rapidly withdrawing from the remaining regions.

The consolidated financial statements as at the reporting date include the DEMIRE subgroup and the Fair Value REIT subgroup. The DEMIRE subgroup contains the consolidated financial statements of DEMIRE AG and its subsidiaries – except for the Fair Value REIT subgroup – which in turn 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.

2. Application of International Financial Reporting Standards (IFRS)

DEMIRE prepares its consolidated financial statements according to International Financial Reporting Standards (IFRS), as applicable in the EU, pursuant to Article 4 of the EC Directive number 1606/2002 of the European Parliament and Council from July 19, 2002 regarding the application of International Financial Reporting Standards. The consolidated financial statements of the DEMIRE Group, which are prepared by DEMIRE AG as the legal parent company, are prepared according to uniform accounting principles. The statements' preparation takes into account all IFRS standards that require mandatory application as at the reporting period ending on December 31, 2015, including currently valid International Accounting Standards (IAS), and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), including the currently valid interpretations of the former Standing Interpretations Committee (SIC), as applicable in the EU. The consolidated financial state-ments prepared by DEMIRE AG fully comply with the IFRS guidelines in their current applicable ver-sion to the degree they were adopted by the European Union according to Article 6 para. 2 IAS VO 1606/2002 by comitology procedure in accordance with European Union regulations. They also give consideration to the supplementary German commercial law provisions, applicable in accordance with Section 315a para. 1 of the German Commercial Code (HGB).

3. First-time application of new accounting standards in fiscal year 2015

The accounting and valuation policies applied excluding those described in the following section generally correspond with those applied in the prior year.

The International Accounting Standards Board (IASB) and the International Financial Reporting Stand-ards Committee (IFRIC) approved the following standards and interpretations (which have already passed the EU recognition procedure) that are mandatory for the first-time in the 2015 fiscal year. Thus, the following standards and interpretations were applied for the first time in the 2015 fiscal year:

Annual Improvements to IFRS 2011 – 2013 Cycle

As part of the annual „Improvements Project", clarifications to the following standards have been issued:

IFRS 1 Applicable IFRSs,

IFRS 3 Scope of exceptions for joint arrangements,

IFRS 13 Application of portfolio exceptions and the waiving of discounting of current receivables and liabilities in measuring fair value, if the effect is immaterial,

IAS 40 Interrelationship between IFRS 3 and IAS 40 when classifying investment property as owner-occupied.

The above amendments were endorsed by the EU on December 18, 2014 and are mandatory for the first time for fiscal years beginning after January 1, 2015.

IFRIC 21 "Levies"

IFRIC 21 governs when levies charged by public authorities should be recognised as a liability. The interpretation applies to levies that are accounted for as provisions, contingent liabilities or contingent assets pursuant to IAS 37 and to levies for which the timing and amount are known. The following provisions apply:

Folgende Leitlinien sind zu nennen:

- The liability is to be recognised on a pro rata temporis basis if the triggering event occurs over a period of time,
- If the liability is triggered upon reaching a minimum threshold, the liability is only recognised once this threshold is reached.

The standards and interpretations that were applied for the first time in fiscal year 2015 had no material effect on the Group's net assets, financial position and results of operations.

4. Changes in reporting of previous year information

For better comparability with the reporting period, the following changes have been made with respect to the previous year's information:

In the consolidated statement of cash flows for the abbreviated 2014 fiscal year, financial expenses (EURk -9,893) and financial income (EURk 6,955) were added as reconciliation items within cash flow from operating activities and the actual interest proceeds (EURk 293) were reported. In addition, all non-cash tax postings were eliminated, which resulted in a change in deferred tax assets, deferred tax liabilities and income tax receivables of EURk 0 each. Income taxes paid (EURk -22) were reported separately and other non-cash items (EURk -3,255) were adjusted for changes in the structure of the consolidated statement of cash flows.

The asset management activities provided for third parties as part of the business activities of the predecessor company until September 2013, are no longer reported separately. Trailing income (EURk 6) and expenses (EURk 395) as well as segment assets (EURk 1,185) and segment liabilities (EURk 1,056) from the Austrian subsidiary are, therefore, included in the retitled segment "Corporate Functions/Others".

In the previous year's segment report, the figures for the activities of the Asset Management segment were allocated to the Central Functions segment.

5. Future applicable accounting standards and amendments to standards

The following standards, amendment to standards and interpretations were already published by the IASB at the time of preparing these consolidated financial statements but did not yet require mandatory application in the reporting period. The Company did not exercise the option for voluntary early application.

	Endorsed by the EU	Not yet endorsed by the EU	Potentially relevant for the Company	Mandatory first-time application for fiscal years beginning on or after
Amendments to standards:				
Amendment to IAS 1	x		x	01/01/2016
Amendments to IAS 16 and IAS 38	x			01/01/2016
Amendments to IAS 16 and IAS 41	x			01/01/2016
Amendment to IAS 19	x			01/02/2015
Amendment to IAS 27		x		01/01/2016
Amendments to IFRS 10, IFRS 12 and IAS 28		x		01/01/2016
Amendment to IFRS 11		x	x	01/01/2016
Annual improvements to IFRS (2010 – 2012)	x			01/01/2015
Annual improvements to IFRS (2012 – 2014)	x			01/01/2016
IAS 7 „Statement of Cash Flows“		x	x	01/01/2017
IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses"	x	x		01/01/2017
New standards:				
IFRS 14 „Regulatory Deferral Accounts“		x		01/01/2016
IFRS 15 „Revenue from Contracts with Customers“		x	x	01/01/2018
IFRS 9		x	x	01/01/2018
IFRS 16 "Leases"		x	x	01/01/2019

IAS 1 "Disclosure Initiative"

The amendments to this standard have not yet been endorsed by the EU. The amendments concern various reporting issues. It is clarified that disclosures in the notes are only required when their content is significant. This also applies explicitly when a standard requires a list of minimum information. In addition, explanations to the aggregation and disaggregation of items in the balance sheet and the statement of comprehensive income are also included. Furthermore, clarification is given as to how interests in other comprehensive income of companies accounted for using the equity method are presented in the statement of comprehensive income. The amendments are effective for fiscal years beginning on or after January 1, 2016. DEMIRE is currently assessing the effects of the standard's future application on the Company's consolidated financial statements.

Annual improvements to IFRS (2010-2012)

Annual improvements to IFRS – 2010-2012 Cycle are applicable to fiscal years beginning on or after February 1, 2015. The amendments to IFRS (2011-2013) are applicable to fiscal years beginning on or after January 1, 2015. The amendments will have no effect on DEMIRE's future consolidated financial statements.

Annual improvements to IFRS (2012-2014)

Annual improvements to IFRS – 2012-2014 Cycle (Amendments to IFRS 5 – "Non-current Assets Held for Sale and Discontinued Operations", IFRS 7 – "Financial Instruments: Disclosures", IAS 19 "Employee Benefits", IAS 34 "Interim Financial Reporting". These amendments are applicable to fiscal years beginning on or after January 1, 2016; EU endorsement of the amendments is still pending. The amendments will have no effect on DEMIRE's consolidated financial statements.

IAS 7 "Statement of Cash Flows"

The amendments to IAS 7 "Statement of Cash Flows" stipulate that entities must provide information on changes to financial liabilities, and the corresponding proceeds and payments must be reported in the statement of cash flows under cash flow from financing activities. The information must also include the corresponding financial assets. The IASB recommends providing the information in the form of a reconciliation or other way of presentation. Mandatory first-time application of IAS 7 applies to fiscal years beginning on or after January 1, 2017. Early adoption is permitted. DEMIRE is currently assessing the effects of the standard's future application on the Company's consolidated financial statements.

IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses"

The amendments relate to the recognition of deferred tax assets for unrealised losses and address several issues relating to the recognition of deferred tax assets for unrealised losses that result from fair value adjustments of debt instruments and are recognised within other comprehensive income. These amendments to IAS 12 are applicable to fiscal years beginning on or after January 1, 2017. DEMIRE is currently assessing the effects of the standard's future application on the Company's consolidated financial statements.

IFRS 15 "Revenue from Contracts with Customers"

On May 28, 2014, the International Accounting Standards Board (IASB) and that Financial Accounting Standards Board (FASB) published the joint reporting standard IFRS 15 (Revenue from Contracts with Customers). The objective of the new standards concerning revenue recognition is to combine the various rules previously contained in diverse standards and interpretations. At the same time, uniform principles were established that are applicable for all sectors and all categories of sales transactions. Under IFRS 15, the amount that shall be recognised as revenue is the amount expected as consideration for the transfer of goods or services to customers. The point or period in time of revenue recognition is based on when the transfer of control over the goods or services to the customer takes place (the control approach). Control is defined as the ability to specify the use of the goods or services and the ability to reap the economic benefits from these goods or services. Based on a decision of the IASB in April 2015, the first-time application of IFRS 15 has been postponed to January 1, 2018. DEMIRE is currently assessing the effects of the standard's future application on the Company's consolidated financial statements.

IFRS 9 "Financial Instruments"

On July 24, 2014, the IASB published IFRS 9 "Financial Instruments". This standard is the culmination of the completed phases of the comprehensive project of the IASB on financial instruments and includes provisions for recognition, measurement and derecognition of financial instruments and hedge accounting. IFRS 9 (2014) replaces all previously published (previous) versions of IFRS 9 and merges them with new rules for recognising impairment and minor adjustments to the classification and measurement of financial assets. The new standard will replace the regulations for the accounting of financial instruments under IAS 39 "Financial Instruments: Recognition and Measurement". Mandatory first-time application of IFRS 9 is applicable for fiscal years beginning on or after January 1, 2018. Early adoption may be permitted depending on the final adoption by the EU endorsement process. DEMIRE is currently assessing the effects of the standard's future application on the Company's consolidated financial statements.

IFRS 16 "Leases"

IFRS 16 "Leases" governs the recognition, measurement, reporting and disclosure requirements for leases. For the lessee, IFRS 16 provides for a single leasing model, which, for the lessee, means that all assets and liabilities from lease agreements are to be recognised on the balance sheet unless the lease's term is twelve months or less, or concerns low-value assets. For the lessor, the rules under IFRS 16 are similar to the provisions of IAS 17. Leases contracts continue to be classified as either finance or operating leases. Mandatory application of IFRS 16 is for fiscal years beginning on or after January 1, 2019. Early application is permitted. DEMIRE is currently assessing the effects of the standard's future application on the Company's consolidated financial statements.

6. Key discretionary decisions, judgments and assumptions

Discretionary decisions

The Company's management has made the following discretionary decisions when applying accounting methods. This applies to the following items in particular:

- In the case of real estate, at each reporting date, DEMIRE must determine whether these assets should be allocated to real estate inventory or investment properties. Classification is based on the following assessment:

    - Investment properties: The primary aim with these properties is sustainable management. The properties are held to generate rental income and/or for value appreciation.

    - Real estate inventory: The primary aim with these properties is either a "buy & sell" or "develop & sell" strategy. Consequently, these properties are held for sale in the course of ordinary business activities.

- If the company obtains 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 an acquisition of a group of assets or net assets (aggregated assets). 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. An integrated group of activities is defined, for example, as business processes in the areas of property management, credit management and accounting. Additionally, the fact that staff is employed at the acquired real estate company is another indication that a business operation has been acquired.

- For assets to be sold, it must be determined whether they can be sold in their current condition and if a sale is highly probable. In this case, the assets are to be reported and measured as assets held for sale in accordance with IFRS 5.

- Fair Value REIT-AG, Munich, was fully consolidated in the consolidated financial statements for the first time as of December 31, 2015, in accordance with the provisions of IFRS 3 for business combinations. In this context, DEMIRE recognised deferred taxes for temporary differences from Fair Value REIT (referred to as “inside basis differences”) by applying the company-specific tax rate. Since Fair Value REIT-AG is generally exempt from taxes, no taxes are incurred at the level of Fair Value REIT as long as its status as a tax-exempt REIT (Real Estate Investment Trust) is maintained. In addition to the “inside basis differences”, the provisions for “tax transparent entity” were also applied so that “outside basis differences” were also considered when recognising deferred taxes in DEMIRE’s consolidated financial statements. Companies having the status of a Real Estate Investment Trust (REIT) are generally obliged to distribute their profits to shareholders in order to maintain their REIT status. In the recognition of deferred taxes, the deemed disposal of all properties directly held by Fair Value REIT-AG and indirectly held through the trusts was assumed. Taking into account the ownership interests within Fair Value REIT and DEMIRE’s 77.7 % interest in Fair Value REIT-AG, deferred tax liabilities were calculated for the differences of fair values and carrying amounts under tax law of the individual properties as of December 31, 2015.

Estimates and assumptions

The preparation of consolidated financial statements complying with IFRS requires the management to make estimates and assumptions. Various items require forward-looking assumptions to be made. These assumptions may have a material impact on the carrying amounts of the assets and the liabilities as at the balance sheet date as well as the level of income and expenses in the fiscal year. The assessment of the Company’s future business development is based on a realistic assessment of the future economic environment in the sector and region in which DEMIRE and its subsidiaries operate at the time of preparing the consolidated financial statements. The most important forward-looking assumptions and other material sources of estimation uncertainty as of the reporting date that could result in a considerable risk of significant adjustments to the carrying amounts of assets and liabilities in the next fiscal year are discussed below.

Goodwill

Goodwill is tested for impairment at least once a year as part of a scheduled annual impairment test. The determination of the recoverable amount requires making assumptions and estimates with respect to the future development of income and the sustainable growth rate of the cash-generating unit of group of cash-generating units to which the goodwill was allocated.

Investment properties

Investment properties include the Company’s real estate, which is held to generate rental income and capital appreciation and not for the Company’s own use or for its sale in the ordinary course of business. The investment properties are initially recognised at acquisition cost, which includes incidental acquisition costs. In subsequent periods, they are measured at fair value in accordance with the option provided for in IAS 40 in conjunction with IFRS 13. Any changes in fair value are recognised in profit or loss.

The Group has commissioned independent experts to determine the fair values of its investment properties.

Key valuation parameters used to measure investment properties include expected cash flows, assumed vacancy rates and their development over the planning period, discounting and capitalisation rates. If market values cannot be derived from the sales of comparable properties, the valuation of the DEMIRE subgroup properties are measured using the discounted earnings model, and the value of the Fair Value REIT subgroup properties are measured using the discounted cash flow method.

Trade accounts receivable

Assessing the recoverability of receivables from current leases is also derived from estimates. Estimates for the recoverability of outstanding receivables are based on an analysis of the term structure of outstanding receivables and the corresponding probability of default based on past experience.

Real estate inventory

Estimates of the net realisable value of the real estate inventory are based on the most reliable substantial indicators at the time the estimates are made and take into consideration the amount expected to be received for the real estate inventory. These estimates take into account any changes in price and cost that are directly related to transactions after the reporting period insofar as these transactions shed light on circumstances that already existed at the end of the reporting period. The determination of the net realisable value is based either on the comparative value method in the context of valuation reports by prominent independent external experts in accordance with international valuation standards or internal estimates of market values made by the Company's legal representatives. The carrying amount of the real estate inventory concerned amounted to EURk 2,298 (December 31, 2014: EURk 7,355). Of this amount, a total of EURk 1,558 (December 31, 2014: EURk 1,541) of real estate inventory was valued using internal estimates of the market value. There were no reversals of impairment on amortised costs during the reporting year. The remaining amount of EURk 743 (December 31, 2014: EURk 2,857) is based on comparative valuation reports. Information on the results of the valuations can be found in Note D.6.

Deferred tax assets on tax loss carryforwards

The recognition of deferred tax assets on tax loss carryforwards depends on the extent of the Company's ability to realise future tax benefits. Deferred tax assets on tax loss carryforwards were recognised in the amount of EURk 3,937 (December 31, 2014: EURk 1,698). Determining the amount of deferred tax assets is mainly based on the assessment of the company's management, the likely timing and level of future taxable income and future tax planning opportunities. Based on these estimates, the amount of deferred tax assets recognised for tax loss carryforwards is reviewed annually to reflect current conditions. Further explanation can be found in Notes D.13 and E.5.1.

Other provisions

Provisions are based on assumptions concerning the probability of occurrence and the amount of utilisation of the uncertain obligation, taking into account the information available at the time of preparing the financial statements.

Financial debt

In measuring financial debt it is important to consider estimated future cash flows and any potential changes to the conditions.

Consolidation of entities in which the Group does not hold the majority of voting rights

Fair Value REIT-AG's majority of the voting rights represented at the shareholders' meetings of its subsidiaries, which is the decisive criteria for exerting control over the subsidiaries, is crucial for determining the Group's scope of consolidation. The voting rights in the entities BBV Immobilien-Fonds Erlangen GbR, Munich ("BBV 02"), BBV Immobilien-Fonds Nr. 10 GmbH & Co. KG, Munich ("BBV 10") and IC Fonds & Co. Gewerbeobjekte Deutschland 15. KG, Munich ("IC 15") are not the sole deciding factor in the question of who controls the entities. Although the share of voting rights is below 50 %, Fair Value REIT-AG represents the largest single shareholder in these entities. A test of the control of the investment companies as a condition for their full consolidation leads to the conclusion that, also in the past fiscal year, Fair Value REIT-AG has the ability to exercise substantial rights, such as the right to approve the financial statement, the amount of the dividend and the selection of property and fund management companies, at all fully consolidated fund companies by means of a simple majority at the shareholders' meetings. Empirically it can be evidenced that at all shareholder meetings Fair Value REIT-AG regularly cast well over 50 % of the votes. This is in contrast to transactions in the context of property disposals which require a qualified 66 % or 75 % majority of the voting rights, although these transactions do not represent a material operational activity. In addition, Fair Value REIT-AG receives annual dividends from its investees that are dependent on the respective current results.

Obligations from operating leases – The Group as lessor

The Group has entered into commercial property lease agreements for its real estate inventory and its investment properties. These agreements stipulate that the Group should retain all the significant risks and opportunities connected with the ownership of properties rented. Consequently, the Group accounts for these properties as "operating leases". Material assumptions concern the classification of leases as operating leases based on an analysis of the contracts' terms and conditions and an evaluation of the recoverability of outstanding receivables from lease agreements concerning commercial rentals.

The estimates and assumptions are based on the circumstances and assessments on the balance sheet date. Further explanations on the estimates and assumptions made can be found in the notes to the consolidated statement of income, the notes to the consolidated balance sheet and other disclosures.

DEMIRE's Executive Board assumes that the estimates and assumptions made are appropriate; however, unforeseen changes in these assumptions could affect the Group's net assets, financial position and results of operations.

B. SCOPE AND PRINCIPLES OF CONSOLIDATION

1. Scope of consolidation

In addition to the inclusion of DEMIRE AG, these consolidated financial statements generally include all German and foreign subsidiaries from the date of their acquisition. The main changes in the scope of consolidation in the reporting period concern the acquisition of Fair Value REIT-AG and its subsidiaries and Germavest Real Estate S.à.r.l (see subsections "Business combination with Fair Value REIT-AG" and "Business combination with Germavest Real Estate S.à.r.l.") and the purchase of other real estate companies (see section "Acquisition of real estate companies"), through which the different properties were acquired.

In addition, the property management company DEMIRE Immobilien Management GmbH, Berlin, acquired in the reporting year was included in the consolidated financial statements for the first time. PANACEA Property GmbH and PRAEDIA GmbH, which were also acquired during the reporting year, were not included in the consolidated financial statements for reasons of materiality based on their relative contribution within the group of consolidated companies and minor importance.

The composition of the scope of consolidation is shown in Appendix 1. The scope of consolidation comprised 78 fully consolidated entities (previous year: 54), including the ultimate parent company, and has changed during the fiscal year as follows.

NUMBER OF FULLY CONSOLIDATED SUBSIDIARIES	2015	2014
As of the beginning of the fiscal year	54	30
Additions	20	27
Additions through business combinations	17	0
Disposals through sale/liquidation	7	3
Mergers	6	0
As at the balance sheet date	78	54

Definition of types of entities:

A subsidiary is an entity that is controlled by another entity (referred to as parent company).

An associated company is an entity upon which the investor has a significant influence but does not exert control or joint control.

A joint venture is a joint arrangement in which the parties that exert joint control have rights to the net assets of the arrangement.

Changes to the scope of consolidation

Additions in the reporting year

Business combination with Fair Value REIT-AG

Fair Value REIT-AG, Munich, was fully consolidated for the first time in the consolidated financial statements as at December 31, 2015 in accordance with the provisions of IFRS 3 for business combinations because the business operations and related business processes had been acquired.

On October 14, 2015, the Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG made a voluntary public takeover offer to the shareholders of Fair Value REIT-AG in which they could exchange their shares in newly created shares of DEMIRE. The aim of the acquisition was to create the leading commercial real estate specialist focused on German secondary locations with a common real estate portfolio valued at roughly EUR 1 billion.

The capital increase against contribution in kind took place at a ratio of two DEMIRE shares for one Fair Value REIT-AG share. The exchange took legal effect on December 21, 2015 with its entry of the capital increase in the commercial register in Frankfurt/Main. DEMIRE's takeover offer was accepted by 77.70 % of the Fair Value REIT-AG shareholders. A total of 10,963,878 Fair Value REIT-AG shares of the full total of 14,110,323 shares were tendered for exchange during the initial acceptance period and the additional acceptance period that extended until December 3, 2015.

On December 16, 2015, DEMIRE's Executive Board resolved to increase the share capital by an amount of EUR 21,927,756.00 to EUR 49,292,285.00 against contribution in kind by issuing 21,927,756 new no-par value bearer shares (no-par value shares) with a notional interest in the share capital of EUR 1.00 each. The contribution in kind consisted of 10,963,878 shares of Fair Value REIT-AG with a notional interest in the share capital of EUR 2.00 per share. On December 21, 2015, the increase in share capital was entered into the commercial register.

Fair Value REIT-AG is a Munich-based, publicly traded real estate company with a focus on commercial properties in Germany. It is registered as a German stock corporation in the commercial register of the District Court of Munich under HRB 168882. The Company's fiscal year is identical to the calendar year. The target company fulfils the requirements of the REIT Act (Real Estate Investment Trust) and is thus exempt from corporation and trade taxes. On the acquisition date, the portfolio consisted of 40 properties in 8 of 16 federal states with aggregate rentable space of approx. 275,000 m² and annualised contractual rent totalling EURk 25,188.

The first-time consolidation of Fair Value REIT-AG took place on December 31, 2015 on a subgroup basis and based on the share of non-controlling shareholders at that time.

The consolidation of Fair Value REIT as a subgroup entailed acquisition costs of roughly EURk 93,263 for 77.70 % of the shares. These costs resulted from the fair value of EUR 4.2532 per DEMIRE share on the closing date of the share exchange of December 21, 2015 issued in exchange for shares in Fair Value REIT-AG (21,927,756 DEMIRE shares).

The acquisition costs were distributed among the acquired assets and liabilities valued at their estimated market values as part of the final purchase price allocation conducted by an external expert:

EURk	
Investment properties	287,794
Other non-current assets	9,387
Current assets	5,674
Cash and cash equivalents	16,028
Non-current assets, held for sale	11,750
Acquired assets	**330,633**
Non-current liabilities	-187,738
Current liabilities	-25,497
Acquired liabilities	**-213,235**
Net assets (100 %)	**117,398**
Interests of non-controlling shareholders	-26,179
Deferred tax assets (see explanation)	-4,739
Goodwill	6,783
Consideration transferred	**93,263**

The majority of investment properties was appraised as at December 31, 2015 by external real estate experts. DEMIRE AG adopted these values as a result of its own assessment.

In the course of determining the purchase price allocation, the following intangible assets at Fair Value REIT were identified:

Fair Value REIT's Internet domain was capitalised at EURk 25 and valued at its replacement cost. Contractual claims from partner companies were capitalised as an intangible asset and measured at EURk 150. Hidden reserves of EURk 613 were also identified with non-current financial liabilities resulting from the fair values being below their nominal values. Deferred tax liabilities resulting from the hidden reserves totalled EURk 227 at the level of Fair Value REIT and were determined using a combined corporate and trade tax rate of 31.925 % (including 5.5 % solidarity surcharge on corporate taxes).

An amount of EURk 120 of hidden losses was identified within non-current financial debt. The higher value of the convertible bond (EURk 413) versus its market value of EURk 8,301 as at December 31, 2015 was also identified as a hidden loss, triggered by the change of control and the subsequently requested early redemption of the bond (EURk 8,714) in February 2016. Both items resulted in deferred tax assets of EURk 170.

In the context of the consolidation of the Fair Value REIT-AG and DEMIRE AG subgroups, net deferred tax liabilities of EURk 4,739 on the deemed disposal of properties held by Fair Value REIT (analogous to the "tax transparent entities") were recognised based on the tax rate mentioned above. This resulted in goodwill of EURk 6,783 in DEMIRE AG's consolidated financial statements originating from the acquisition of Fair Value REIT. Deferred tax liabilities increased goodwill by EURk 2,044 from EURk 4,739 to EURk 6,783.

Contingent liabilities as defined by IAS 37, which result in a liability at the time of first-time consolidation under IFRS 3.22, were not identified.

Transaction costs arising in the context of the share exchange amounted to EURk 3,295 and were offset against capital reserves and thus recognised directly in equity. Expenses of EURk 978 related to the business combination were recognised through profit or loss.

The valuation of interests of non-controlling shareholders was based on their share of the net assets of Fair Value REIT, which at the time of its first-time consolidation amounted to EURk 26,179. In measuring the interests of non-controlling shareholders (minority interests) use of the option under IFRS 3.19 was made and the interests of non-controlling shareholders were measured using the corresponding share of the identifiable net assets.

After offsetting acquisition costs (EURk 93,263), plus minority interests (EURk 26,179), against the net assets of the acquired company (EURk 117,398), a positive difference emerged (goodwill) in the amount of EURk 2,044. The reason for the positive difference lies, among others, in the appreciation of the share price until December 21, 2015 of the DEMIRE shares given as consideration. In the context of its own growth strategy, DEMIRE sees development potential from its acquisition of Fair Value REIT in the real estate directly or indirectly held by Fair Value REIT and from the opportunity to realise synergies in the areas of administration and property and facility management.

The gross amount of the trade accounts receivable acquired totalled EURk 3,266 upon initial consolidation and included previous impairments of EURk 509. Thus, the fair value of trade accounts receivable amounted to EURk 2,757. The gross amount of other receivables and assets acquired totalled EURk 2,895 upon initial consolidation. No impairment has been recognised on these receivables. Thus, the fair value of other receivables and assets amounted to EURk 2,895.

If Fair Value REIT had been fully consolidated as at January 1, 2015, net rental income of EURk 17,726 and profit/loss before taxes of EURk 6,585 would have been included in the consolidated statement of comprehensive income.

No material net rental income or substantial Group profit/loss before taxes was generated during the period of affiliation to the group (December 21, 2015 to December 31, 2015).

Business combination with Germavest Real Estate S.à.r.l.

DEMIRE AG acquired 94 % of the interests in Germavest Real Estate S.A.R.L., Luxembourg, at a purchase price of approx. EURk 39,016 with effect from October 30, 2015. Germavest Real Estate S.à.r.l. is incorporated under Luxembourg law and headquartered in Luxembourg. Germavest Real Estate S.à.r.l. has a commercial real estate portfolio also called the “T6 portfolio”, containing 143,788 m² of rental space as well as 2,171 underground and free-standing parking spaces in the cities of Ansbach, Bonn, Flensburg, Freiburg, Regensburg and Stahnsdorf. All six locations have long-term rental contracts with Deutsche Telekom AG until 2021 (until 2025 for the location in Bonn). The net annual rent, excluding utilities and based on the properties’ current full occupancy, amounts to roughly EUR 14.8 million and will rise periodically based on a contractually agreed fixed annual indexation. The largest property with approximately 38,000 m² has a rental agreement with a term of 10 years.

The following table shows the individual locations and their rentable space:

LOCATION OF PROPERTY	Rentable space (in m²)
Bayreuther Straße 111/Rettistraße 56, 91522 Ansbach	12,632
Bonner Talweg 100/Reuterstraße, 53113 Bonn	38,353
Eckernförder Landstraße 65, 24941 Flensburg	23,800
Berliner Allee 1, 79114 Freiburg	22,674
Bajuwarenstraße 4, 93053 Regensburg	29,219
Güterfelder Damm 87-91, 14532 Stahnsdorf	17,110
Total space	143,788

Germavest Real Estate S.à.r.l. was fully consolidated as at the balance sheet date in accordance with the provisions of IFRS 3 for business combinations, because a business operation and the related business processes were acquired. The initial consolidation of Germavest Real Estate S.à.r.l. took place on October 31, 2015 based on the share of non-controlling shareholders at that time.

Acquisition costs in the amount of EURk 39,016 (including incidental acquisition costs) were incurred for the purchase of the 94 % interest in Germavest Real Estate S.à.r.l.

The acquisition costs were distributed among the acquired assets and liabilities valued at their estimated market values as part of the purchase price allocation conducted by an external expert:

EURk	
Investment properties	181,320
Other non-current assets	1,026
Current assets	4,359
Cash and cash equivalents	3,540
Assets acquired	**190,245**
Non-current liabilities	-104,424
Of which deferred tax liabili-ties	-7,848
Current liabilities	-11,998
Acquired liabilities	**-116,422**
Net assets (100 %)	**73,823**
Non-controlling interests	1,590
Negative good-will	33,217
Acquisition costs	**39,016**

The allocation of the purchase price to the acquired assets and liabilities is preliminary because the final purchase price allocation had not yet been performed by the reporting date. The financial statements of Germavest Real Estate S.à.r.l. for the 2015 reporting period may be subject to changes because the tax items have not yet received the Company's final approval. Therefore, the fair values of the acquired assets and liabilities are preliminary.

The majority of investment properties were appraised as at December 31, 2015 by external real estate experts. The Company adopted these values as a result of its own assessment as of the acquisition date of October 31, 2015. Hidden reserves of EURk 60,425 were identified.

In the course of the purchase price allocation, the following hidden reserves and liabilities at Germavest Real Estate S.à.r.l. were identified:

- Hidden losses identified included higher fair values of assumed liabilities of EURk 6,481).
- Contingent liabilities as defined by IAS 37, which should be recognised as liabilities at the time of first-time consolidation under IFRS 3.22, were not identified.

The transaction costs of EURk 793 related to the business combination were recognised through profit or loss.

The valuation non-controlling interests was based on their share of the net assets of Germavest Real Estate S.à.r.l., which at the time of its initial consolidation amounted to EURk 1,590. In measuring the interests of non-controlling shareholders (minority interests) use of the option under IFRS 3.19 was made and the interests of non-controlling shareholders were measured using the corresponding share of the identifiable net assets.

Because the offsetting of acquisition costs plus interests of non-controlling shareholders against the net assets of the acquired company resulted in negative goodwill, the carrying amounts of the assets and liabilities acquired and the acquisition cost determined were subjected to another critical review. Negative goodwill of EURk 33,217 that was determined after a critical review was recognised immediately through profit or loss as a non-recurring effect under the line item "profits originating from a purchase below market value". This amount originates mainly from the fair value in excess of the purchase price of investment properties held by Germavest Real Estate S.à.r.l.

The gross amount of the trade accounts receivable acquired totalled EURk 12 upon initial consolidation and no previous impairments were included. Thus, the fair value of trade accounts receivable amounted to EURk 12. The gross amount of other receivables and assets acquired totalled EURk 4,278 upon initial consolidation. No impairment has been recognised on these receivables and other assets. Thus, the fair value of other receivables and assets amounted to EURk 4,278.

If Germavest Real Estate S.à.r.l. had been fully consolidated as at January 1, 2015, net rental income of EURk 15,945 and profit/loss before taxes of EURk 4,719 would have been included in the consolidated financial statements.

Net rental income of EURk 2,675 and a consolidated profit before tax of EURk 565 were generated during the consolidation period (November 1, 2015 to December 31, 2015).

Acquisition of real estate companies

Interests acquired during the fiscal year consist of shares in the real estate project companies Glockenhofcenter Objektgesellschaft mbH, Berlin; Hanse-Center Objektgesellschaft mbH, Berlin; TGA Immobilien Erwerb 1 GmbH, Berlin; Sihlegg Investments Holding GmbH, Wollerau, Switzerland; and Logistikpark Leipzig GmbH, Leipzig. The acquisition of the real estate project companies named are accounted for as direct purchases of real estate because, in the opinion of the Company's Executive Board, these companies do not represent a full business operation pursuant to IFRS 3. B.7. The purchase of the properties contained in the real estate companies was a component of the transactions. Therefore, the acquisition costs related to the real estate companies were allocated to the individually identifiable assets and liabilities on the basis of their fair values as of the acquisition date. This does not concern a business combination as defined under IFRS 3 (acquisition of aggregated assets).

In the context of the acquisition of Glockenhofcenter Objektgesellschaft mbH and Hanse-Center Objektgesellschaft mbH, DEMIRE AG increased its share capital by EUR 5,633,710 against contribution in kind. Alpine Real Estate GmbH was admitted to subscribe to the new shares and made a contribution in kind to DEMIRE consisting of 94.9 % of Alpine's interest in Hanse-Center Objektgesellschaft mbH, 94.9 % of the interest in Glockenhofcenter Objektgesellschaft mbH and a receivable against Hanse-Center Objektgesellschaft. The increase in the share capital was entered in the commercial register on January 22, 2015. The project companies, which were contributed with effect as at February 1, 2015, possess a combined commercial real estate portfolio consisting of nearly 42,000 m² in the cities of Bremen, Berlin and Stralsund. In the capital increase, each new DEMIRE AG share was assigned a value of EUR 1.75, resulting in a calculated total purchase price of EURk 9,859.

In the context of the acquisition of Sihlegg Investments Holding GmbH, DEMIRE AG increased its share capital by EUR 2,182,567 against contribution in kind. Ketom AG, Wollerau, Switzerland, was admitted to subscribe to the new shares in return for providing a contribution in kind consisting of 94 % of Ketom AG's interest in Sihlegg Investments Holding GmbH and a receivable against Sihlegg Investments Holding GmbH. Sihlegg Investments Holding GmbH is the owner of the office and retail property Gutenberg Galerie in Leipzig. The interest in Sihlegg Investments Holding GmbH was acquired with effect as at May 27, 2015. In the context of the capital increase, each new DEMIRE AG share was assigned a value of EUR 4.03, resulting in a calculated total purchase price of EURk 8,791.

Shares in TGA Immobilien Erwerb 1 GmbH, Berlin, were acquired in a two-step process on March 3, 2015 and May 21, 2015, resulting in a 94 % interest in the company. The purchase price totalled EUR 468,250. Under a property purchase agreement dated March 25, 2015, TGA Immobilien Erwerb 1 GmbH acquired a property in Schwerin. Beneficial ownership was transferred in July 2015. The purchase price of the property totalled EURk 4,800.

To acquire an interest in Logistikpark Leipzig GmbH, DEMIRE AG increased its share capital by EUR 2,541,149 against contribution in kind. M1 Beteiligungs GmbH, Berlin, was admitted to subscribe to the new shares in return for a contribution in kind consisting of a 94 % interest in Logistikpark Leipzig GmbH. In addition to the shares, a cash component of roughly EUR 18.3 million was also agreed to as part of the purchase price. In the context of the capital increase, each new DEMIRE AG share was assigned a value of EUR 5.84, resulting in a calculated total purchase price of EURk 33,173. The entry of the capital increase into the commercial register took place on July 1, 2015. Beneficial ownership of the interest in Logistikpark Leipzig GmbH was acquired on July 17, 2015.

Based on 100 % of the assets and liabilities and taking into account the interests of non-controlling shareholders, the following amounts were recognised in the reporting period as at the date of initial consolidation:

EURk	Amounts recognised as at the acquisition date
Assets acquired	**104,928**
Liabilities acquired	59,050
Net assets at 100 %	**45,878**
thereof interests of non-controlling shareholders	2,068
Acquisition costs	**43,810**

Of the total purchase price of EURk 43,810, an amount of EURk 15,238 was paid in cash during the reporting year (see Note F).

First-time consolidation of other entities

In the reporting year, companies were acquired or formed for property, asset and facility management and holding companies were acquired or formed to hold interests in real estate companies and were consolidated for the first time in the reporting year.

COMPANY	Interest	Date of first-time consolidation
Demire Immobilien Management GmbH	100 %	01/01/2015
DEMIRE Commercial Real Estate DREI GmbH	100 %	30/06/2015
DEMIRE Commercial Real Estate VIER GmbH	100 %	30/06/2015
DEMIRE Commercial Real Estate FÜNF GmbH	100 %	30/06/2015
DEMIRE Commercial Real Estate SECHS GmbH	100 %	31/12/2015
FVR Beteiligungsgesellschaft Erste mbH	100 %	31/12/2015
FVR Beteiligungsgesellschaft Zweite mbH	100 %	31/12/2015
FVR Beteiligungsgesellschaft Dritte mbH	100 %	31/12/2015
FVR Beteiligungsgesellschaft Vierte mbH	100 %	31/12/2015
FVR Beteiligungsgesellschaft Fünfte mbH	100 %	31/12/2015
FVR Beteiligungsgesellschaft Sechste mbH	100 %	31/12/2015
FVR Beteiligungsgesellschaft Siebente mbH	100 %	31/12/2015
FVR Beteiligungsgesellschaft Achte mbH	100 %	31/12/2015
FVR Beteiligungsgesellschaft Neunte mbH	100 %	31/12/2015

Amounts recognised as at the acquisition date

Acquisitions of real estate project companies in the previous year were accounted for as direct purchases of real estate because, in the opinion of the Company's Executive Board, these companies did not represent a business operation as defined by IFRS 3. Therefore, the acquisition costs related to the project companies were allocated to the individually identifiable assets and liabilities on the basis of their fair values. This does not concern a business combination as defined under IFRS 3 (acquisition of aggregated assets).

The following amounts of assets and liabilities (based on 100 % ownership each and taking into account the 6 % interest of non-controlling shareholders) of Condor Objektgesellschaft Rendsburg GmbH, Condor Objektgesellschaft Bad Oynhausen GmbH, Condor Objektgesellschaft Lichtenfels GmbH, Condor Objektgesellschaft Yellow GmbH, all located in Frankfurt/Main, were recognised as at the acquisition date of September 30, 2014 and of Condor Objektgesellschaft Düsseldorf GmbH, Frankfurt/Main, as at the acquisition date of December 15, 2014:

EURk	Amounts recognised as at the acquisition date
Assets acquired	
Non-current assets	48.957
Current assets	2.072
Total assets	**51.029**
Acquisition costs	**2.857**

The entities mentioned above were included in the consolidated financial statements with their assets and liabilities because the acquisition of the interests in the reporting period did not constitute a business combination as defined by IFRS 3 (acquisition of aggregated assets).

The following amounts of assets and liabilities (based on 100 % ownership each and taking into account the 6 % interest of non-controlling shareholders) of GO Bremen ApS Denmark, GO Leonberg ApS Denmark, GO Ludwigsburg ApS Denmark, Denston Investments Ltd. Cyprus, Alemory 66 Grundstücks GmbH Germany, Reubescens S.à.r.l. Luxembourg, EOGF Grundstücksgesellschaft mbH Germany, Blue Ringed S.à.r.l. Luxembourg, Briarius S.à.r.l. Luxembourg, Armstripe S.à.r.l. Luxembourg, were recognised as at the acquisition date of December 15, 2014:

EURk	Amounts recognised as at the acquisition date
Assets acquired	
Non-current assets	149,515
Current assets	5,579
Total assets	**155,094**
Acquisition costs	**1,710**

The entities mentioned above were included in the consolidated financial statements with their assets and liabilities because the acquisition of the interests in the reporting period did not constitute a business combination as defined by IFRS 3 (acquisition of aggregated assets). The purchase prices for the real estate companies acquired on December 15, 2014, included the interests in the companies as well as shareholder loans belonging to previous shareholders that were assumed by the Company. The recognition of the shareholder loans below the current carrying amounts was due to the fact that most of the acquired companies had negative equity, and the shareholder loans were so-called non-performing loans.

The following amounts of assets and liabilities acquired in the context of asset deals (based on 100 % ownership each) of CAM Commercial Asset Management EINS GmbH, CAM Commercial Asset Management ZWEI GmbH, CAM Commercial Asset Management DREI GmbH, CAM Commercial Asset Management VIER GmbH, all located in Frankfurt/Main, were recognised as at the acquisition date of December 31, 2014, and of Schwerin Margaretenhof 18 GmbH, Berlin (taking into account the 5.1 % interest of non-controlling shareholders):

EURk	Amounts recognised as at the acquisition date
Assets acquired	
Non-current assets	50,254
Current assets	1
Total assets	**50,255**
Acquisition costs	**42,555**

The entities mentioned above were included in the consolidated financial statements with their assets and liabilities because the acquisition of the interests in the reporting period did not constitute a business combination as defined by IFRS 3 (acquisition of aggregated assets).

The liabilities of the acquired companies were refinanced and mainly replaced by loans for the acquisition at the acquisition date.

Disposals in the reporting year

The disposals of fully consolidated subsidiaries in the reporting year largely concern the legacy portfolio and include the following companies: Kappatrade Ltd. (Ukraine), Polartrade Ltd. (Ukraine), OOO Sadko Holding (Russia), OOO New Sadko Holding (Russia), MAGNAT Real Estate Project Sadko B.V. (The Netherlands), MAGNAT Real Estate New Project Sadko B.V. (The Netherlands) and Munich ASSET Vermögensverwaltung GmbH. The disposal of these companies generated a total negative effect on earnings of EURk 500, mainly as a result of the derecognition of reserves for currency translation differences attributed to these companies. In addition, a German entity and a Dutch entity contained in the legacy portfolio were merged in an effort to streamline the Group's structure.

	Date of disposal	Proceeds from disposal in EURk	Result from disposal of net assets (incl. currency translation reserve) in EURk	Gains/losses on disposal in EURk
Kappatrade Ltd., Kiev, Ukraine	08/04/2015	1,716	-1,570	146
Polartrade Ltd. (Ukraine)	10/06/2015	50	-12	38
OOO Sadko Holding, Moscow, Russia	19/06/2015	0	27	27
OOO New Sadko Holding, Moscow, Russia	30/06/2015	0	14	14
MAGNAT Real Estate Project Sadko B.V., Hardinxveld Giessendamm, Netherlands	14/07/2015	0	0	0
MAGNAT Real Estate New Project Sadko B.V., Hardinxveld Giessendamm, Netherlands	14/07/2015	0	0	0
Munich ASSET Vermögensverwaltung GmbH, Frankfurt/Main, Germany	01/10/2015	26	34	60
Total		**1,792**	**-1,507**	**285**

Summary financial information for companies sold (amounts EURk):

	Kappatrade Ltd.	Polartrade Ltd.	OOO Sadko Holding
Aggregated assets	1,881	1,323	43
thereof cash and cash equivalents	0	0	2
Aggregated liabilities	5,407	3,864	0

	MAGNAT Real Estate Project Sadko B.V.	MAGNAT Real Estate New Project Sadko B.V.	Munich ASSET Vermögensverwaltung GmbH
Aggregated assets	0	440	7,539
thereof cash and cash equivalents	0	0	2
Aggregated liabilities	24	2	7,460

	OOO New Sadko Holding
Aggregated assets	21
thereof cash and cash equivalents	0
Aggregated liabilities	2

Disposals in prior year

The following entities were sold in the prior year:

	Zeitpunkt der Veräußerung	Veräußerungs-erlös in TEUR	Veräußerungs-gewinn/ -verlust in TEUR	Buchwert in TEUR
MAGNAT Asset Management Ukraine Ltd., Kiev, Ukraine	15/12/2014	0	14	-14
R-QUADRAT Ukraine Gamma Ltd., incl. RQ Gamma LLC*), both in Kiev, Ukraine	30/12/2014	325	-112	437
Zetatrade Ltd., Kiew, Ukraine	30/12/2014	750	0	750
Hekuba S.à.r.l., Luxembourg	End of June 2014	3,700	167	3,533

Summary financial information on companies sold (amounts EURk):

	MAGNAT Asset Management Ukraine Ltd., Kiew, Ukraine	R-QUADRAT Ukraine Gamma Ltd., Kiew, Ukraine	Zetatrade Ltd., Kiew, Ukraine
Aggregated assets	4	355	1,676
thereof cash and cash equivalents	0	55	0
Aggregated liabilities	32	160	1,576

Disclosures according to IFRS 12

a) Disclosures relating to fully consolidated subsidiaries

An overview of subsidiaries in which DEMIRE AG held a direct or indirect interest as at December 31, 2015 (IFRS 12.10 ff) is provided in Appendix 1.

The direct and indirect interests in the capital of subsidiaries held by DEMIRE AG correspond to the share of voting rights. The contribution of the non-consolidated entities to the Group's revenues, net profit/loss and total assets are considered immaterial. Therefore, these entities are not included in the consolidated financial statements.

ENTITY	Type	Registered office	Fiscal year	Interest in voting capital (%)
Fair Value REIT-AG	Subsidiary	Germany, Munich	01/01/2015 – 31/12/2015	77.70

Fair Value REIT-AG, Munich, and its subsidiaries were fully consolidated for the first time as of December 31, 2015, in the consolidated financial statements as the Fair Value REIT subgroup. In this process, only the assets and liabilities of Fair Value REIT were consolidated in DEMIRE's consolidated financial statements, which led to the disclosure of the following information in accordance with

IFRS 12.12 in consideration of IFRS 3 (see Note B "Changes in the scope of consolidation") as of December 31, 2015:

FAIR VALUE REIT-AG	31/12/2015 TEUR
BALANCE SHEET	
Non-current assets	297,181
Current assets	33,452
thereof cash and cash equivalents	16,028
Non-current liabilities	187,738
thereof interests of minority shareholders	61,160
Current liabilities	24,857
thereof financial debt	18,118
Net assets	**117,278**
STATEMENT OF INCOME	
Revenue	29,847
Interest income	11
Interest expense	4,212
Income taxes	0
Other income	0
Net profit/loss for the period	**6,585**
RECONCILIATION	
Net assets of fully consolidated subsidiary at the beginning of the fiscal year	78,273
Net profit	6,585
Net assets of fully consolidated subsidiary as at Dec. 31	117,278
Group's interest in %	77,70
Interest in the net assets of the fully consolidated subsidiary	91,125
Deferred tax assets	-4,739
Goodwill	6,783
Investment's carrying amount	**93,125**

With respect to the creation of deferred tax liabilities and goodwill in connection with the acquisition of shares in Fair Value REIT-AG, we refer to Note B "Changes in the scope of consolidation".

b) Disclosures relating to associated companies

The interests in associated companies accounted for using the equity method had the following effect on the DEMIRE Group's balance sheet and statement of income.

COMPANY	Carrying amount as at 31/12/2015 EURk	Carrying amount as at 31/12/2014 EURk
SQUADRA Immobilien GmbH & Co. KGaA	3,020	1,592
Russian Land AG	0	23
	3,020	**1,615**

The following provides information relating to interests in associated companies assessed as material.

COMPANY	Type	Registered office	Fiscal year	Interest in capital (%)
SQUADRA Immobilien GmbH & Co. KGaA	Associated company	Germany Frankfurt/Main	01/01/2015 – 31/12/2015	24.78

The summary financial information on the Group's material associated companies is provided below. The financial information provided corresponds to the amounts of the subgroup financial statements of SQUADRA Immobilien GmbH & Co. KGaA as of December 31, 2015 prepared for the purpose of inclusion in DEMIRE's consolidated financial statements under IFRS.

SQUADRA IMMOBILIEN GMBH & CO. KGAA	31/12/2015 EURk	31/12/2014 EURk
BALANCE SHEET		
Non-current assets	20,575	12,606
Current assets	5,922	397
thereof cash and cash equivalents	3,532	74
Non-current liabilities	1,467	0
Current liabilities	6,604	340
thereof financial debt	6,147	93
Net assets	**18,426**	**12,663**
STATEMENT OF INCOME		
Revenue	122	129
Depreciation/amortisation	6	9
Interest income	0	0
Interest expense	0	0
Income taxes	0	0
Profit from fair value adjustments in investment properties (previous year: loss)	9,223	100
Other operating expenses	1,980	421
Deferred tax expenses (previous year: tax benefit)	1,460	32
Other income	0	0
Net profit/loss for the period	**5,763**	**-508**
RECONCILIATION		
Net assets of associated company at the beginning of the fiscal year	12,663	13,171
Net profit/loss	5,763	-508
Net assets of associated company at December 31	18,426	12,663
Group's interest in %	24,78	24,78
Interest in the net assets of the associated company	4,566	3,138
Decrease from reverse acquisition	1,546	1,546
Investment's carrying amount	**3,020**	**1,592**

c) Disclosures relating to joint ventures

The interests in joint ventures had the following impact on the DEMIRE Group's balance sheet and statement of income:

COMPANY	Carrying amount as at 31/12/2015 EURk	Carrying amount as at 31/12/2014 EURk
OXELTON ENTERPRISES Limited	0	869
R-Quadrat Polska Alpha Sp. z o.o.	0	0
Irao MAGNAT 28/2 LLC	116	129
Irao MAGNAT Gudiashvili LLC	0	0
	116	**998**

A subsidiary of DEMIRE held 60 % of OXELTON ENTERPRISES Limited (indirect interest of the DEMIRE Group: 59.78 %). The underlying project includes the building rights to a corresponding property in Kiev with an existing permission for the construction of an office building and commercial property. Construction has not yet started. This interest was sold during the reporting year.

DEMIRE holds a 50 % interest in R-QUADRAT Polska Alpha Sp. z o.o. The underlying project is located in the centre of Kąty Wrocławskie. The initial plan was for a three-stage construction project to build residential dwellings and commercial areas with roughly 77,700 m² of usable living space. Two of the three construction sections have been completed.

A subsidiary of DEMIRE holds a 50 % interest in Irao MAGNAT 28/2 LLC (interest of the DEMIRE Group: 49.82 %). A building containing apartments, a penthouse and commercial units was constructed together with a local partner.

A subsidiary of DEMIRE holds a 50 % interest in Irao MAGNAT Gudiashvili LLC (interest of the DEMIRE Group: 50 %). The intention was to develop the "Gudiashvili Square" project in Tbilisi together with a local partner. For this purpose, the project company acquired the existing building and started with the revitalisation. During the fiscal year, DEMIRE and the local partner jointly decided to exit the project.

DEMIRE's interest in the transferred profit or loss according to the annual or interim financial statements of the joint ventures is as follows:

COMPANY	Profit/loss for the period 01/01/2015 – 31/12/2015 EURk	Profit/loss for the period 01/01/2014 – 31/12/2014 EURk
R-Quadrat Polska Alpha Sp. z .o.o.	0	0
Irao MAGNAT 28/2 LLC	0	0
Irao MAGNAT Gudiashvili LLC	0	0
OXELTON ENTERPRISES Limited	0	199
	0	**199**

The following table lists the joint ventures classified as immaterial.

COMPANY	Type	Registered office	Fiscal year	Interest in capital (%)
Irao MAGNAT Gudiashvili LLC	Joint venture	Tbilisi, Georgia	01/01/2015 – 31/12/2015	50
Irao MAGNAT 28/2 LLC	Joint venture	Tbilisi, Georgia	01/01/2015 – 31/12/2015	50

SUMMARY FINANCIAL INFORMATION	31/12/2015 EURk	31/12/2014 EURk
Group's share in profit/loss from continuing operations	0	0
Group's share in profit/loss after taxes from discontinued operations	0	0
Group's share in other comprehensive income	0	0
Total comprehensive income (profit/loss)	**0**	**0**

CARRYING AMOUNTS	31/12/2015 EURk	31/12/2014 EURk
Total carrying amounts	**116**	**998**

UNRECOGNISED LOSSES	31/12/2015 EURk	31/12/2014 EURk
Unrecognised losses of the period	4	4
Accumulated unrecognised losses	45	41

The following provides information relating to interests in associated companies assessed as material:

COMPANY	Type	Registered office	Fiscal year	Interest in capital (%)
R-Quadrat Polska Alpha Sp. z .o.o.	Joint venture	Warsaw, Poland	01/01/2015 – 31/12/2015	50

The summary financial information on the Group's material joint ventures is provided below. The financial information provided corresponds to the amounts of the financial statements prepared by the associated companies:

R-QUADRAT POLSKA ALPHA SP. Z .O.O.	31/12/2015 EURk	31/12/2014 EURk
BALANCE SHEET		
Non-current assets	0	1
Current assets	3,573	3,664
thereof cash and cash equivalents	202	74
Non-current liabilities	0	0
Current liabilities	15,678	14,990
Net assets	**-12,105**	**-11,325**
STATEMENT OF INCOME		
Revenue	409	828
Depreciation/amortisation	1	3
Interest income	0	0
Interest expense	668	726
Income taxes	0	0
Net profit/loss for the period	**-771**	**-1,154**
RECONCILIATION		
Net assets of associated company at the beginning of the fiscal year	-11,325	-10,491
Net profit/loss	-771	-1,154
Change in currency translation reserves	-9	320
Net assets of associated company at December 31	-12,105	-11,325
Group's interest in %	50,00	50,00
Interest in the net assets of the associated company	-6,052	-5,663
Investment's carrying amount	**0**	**0**

The following table provides a reconciliation to the carrying amount as at December 31, 2014. A reconciliation of the carrying amount of OXELTON ENTERPRISES Limited as at December 31, 2015 was waived because the interest was sold during the reporting year (see Note B "Disposals in the reporting year".

OXELTON ENTERPRISES LIMITED	31/12/2015 EURk	31/12/2014 EURk
BALANCE SHEET		
Non-current assets	0	12,200
Current assets	0	3,419
thereof cash and cash equivalents	0	16
Non-current liabilities	0	5,919
thereof financial debt	0	5,919
Current liabilities	0	859
thereof financial debt	0	741
Net assets	**0**	**8,841**
STATEMENT OF INCOME		
Revenue	0	810
Depreciation/amortisation	0	0
Interest income	0	0
Interest expense	0	395
Income taxes	0	0
Net profit/loss for the period	**0**	**331**
RECONCILIATION		
Net assets of associated company at the beginning of the fiscal year	0	8,841
Net profit/loss	0	331
Change in currency translation reserves	0	-1,779
Impairments	0	-1,810
Net assets of associated company at December 31	0	5,583
Group's interest in %	0	60,00
Interest in the net assets of the associated company	0	3,350
Decrease from reverse acquisition	0	-2,481
Investment's carrying amount	**0**	**869**

2. Principles of consolidation

The financial statements of DEMIRE's subsidiaries are prepared using uniform accounting policies as at the same balance sheet date as that of the parent company.

The consolidated financial statements include DEMIRE AG and the subsidiaries controlled by it from the date of acquisition, i.e. from the date on which control was assumed.

The Group controls an investee only when all of the following conditions have been met:

- The Group exerts control over the investee (i.e. based on currently existing rights, the Group has the option to control those activities of the investee that have a significant influence on the investee's return);
- the Group has risk exposure or rights to variable returns from its involvement in the investee; and
- it has the option to exert its control over the investee to influence the amount of the investee's returns.

If the Group does not hold the majority of voting or similar rights on an investee, the Group considers all facts and circumstances when assessing whether it has control over the investee. This includes an assessment of

- contractual agreements with others exercising voting rights;
- rights resulting from other contractual agreements; and
- voting rights and potential voting right of the Group.

Subsidiaries are consolidated from the date control is assumed by the Group and are no longer consolidated from the date control ceases. The subsidiary's assets, liabilities, income and expenses that were acquired or sold during the reporting period, are included in the balance sheet and statement of comprehensive income from the date the Group assumes control over the subsidiary until the date control ceases.

Transactions through which the share of interest in a subsidiary changes without giving up control over the subsidiary are recognised as equity transactions. If a parent company loses control over a subsidiary, the following bookings are posted:

- derecognition of the assets (including goodwill) and liabilities of the subsidiary
- derecognition of the carrying amount of interests of non-controlling shareholders in the former subsidiary
- derecognition of accumulated currency translation differences recognised in equity
- recognition of the fair value of the consideration received
- recognition of the fair value of the remaining interest
- recognition of profits/losses in the statement of income

- reclassification of the components of other comprehensive income attributable to the parent company into the statement of income or retained earnings as if the Group had directly disposed of the corresponding assets and liabilities

In the case of acquisitions, DEMIRE assesses whether the acquisition constitutes a business combination according to IFRS 3 or the acquisition of a group of assets and liabilities (as aggregated assets).

Business combinations under IFRS 3 are accounted for using the purchase method. Under this method, all hidden reserves and liabilities of the acquired assets and liabilities are disclosed as part of the revaluation. Assets or disposal groups classified as held for sale are measured at their fair value less costs to sell. In business combinations under IFRS 3, the cost of an acquisition are distributed over the acquired, individually identifiable assets, liabilities and contingent liabilities according to their fair values as at the acquisition date (purchase price allocation). Any remaining difference between the acquisition cost plus shares of non-controlling shareholders and the net assets acquired is recorded as goodwill. In the case of any remaining negative difference, the carrying amounts of assets and liabilities acquired and the acquisition cost determined are first subjected to a further critical review.

If after this review any negative difference remains, the amount is recognised as a gain in the comprehensive statement of income. Transaction costs are directly offset with equity.

Interests in the net assets of subsidiaries that are not attributable to DEMIRE are reported as a separate equity component in the line item interests of non-controlling shareholders.

The acquisition of real estate project companies that do not constitute a business as defined in IFRS 3, is depicted as a direct acquisition of a group of assets and liabilities (acquisition of aggregated assets) in the context of an asset deal. For this reason, the individually identifiable assets acquired and liabilities assumed are identified and recognised as an acquisition of aggregated assets in accordance with IFRS 3.2b. The acquisition costs of the group of assets are to be allocated to the individually identifiable assets and liabilities at the date of acquisition based on their fair value. This type of transaction or event does not create goodwill or a difference from capital consolidation.

The purchase of other companies is accounted for in the context of capital consolidation using the purchase method by offsetting the acquisition costs of the interests with the proportional revalued equity of the subsidiaries at their date of acquisition. Upon initial consolidation, the conditions prevailing on the date when the interests in the consolidated subsidiary are acquired are generally taken into consideration. Any subsequently resulting differences are allocated to the assets and liabilities insofar as their fair values differ from the carrying amounts in the financial statements. In subsequent periods, identified hidden reserves are carried in line with the corresponding assets and liabilities. Any remaining positive difference from capital consolidation is recognised as goodwill, and any remaining negative difference is recognised through profit and loss.

If other (non-Group) shareholders hold an interest in the subsidiary's equity on the balance sheet date, this item is allocated to interests of non-controlling shareholders. In determining the amount of the Group net profit/loss attributable to the interests of non-controlling shareholders, consolidation effects recognised through profit and loss are also taken into account.

Moreover, in the subgroup of Fair Value REIT, there are interests of non-controlling shareholders (minority interests), relating to the capital of limited partners of predominantly natural persons in real estate funds in the legal form of a GmbH & Co. KG. These non-controlling shareholders have the right to terminate their participation. Therefore, the interests of these shareholders in the subsidiaries' share capital are considered under IAS 32 as potential compensation claims and recognised in the consolidated balance sheet under liabilities. They are measured at fair value upon the initial recognition, which corresponds to the interest of the non-controlling shareholder in the net asset value of the respective company. The reported liability is, therefore, equivalent to the notional interest of the non-controlling shareholders in the net assets of the respective subsidiary recognised at their carrying amount in Fair Value REIT subgroup's consolidated balance sheet.

Intragroup revenues, expenses and income, and all receivables and liabilities between consolidated companies are eliminated.

Associated companies and joint ventures are consolidated using the equity method. According to the equity method, these types of interests are consolidated when DEMIRE exerts significant influence over these interests through an ownership interest generally between 20 % and 50 %. Under equity valuation, the acquisition costs are annually increased or decreased by the changes in equity of the investment company attributable to the Group. Any differences arising from the first-time consolidation of companies using the equity method are treated in accordance with the principles of full consolidation. Gains and losses from transactions between fully consolidated companies and associated companies or joint ventures are eliminated in proportion to the Group's share in the investee.

The Fair Value REIT-AG subsidiaries BBV 02, BBV 10 and IC 15, of which Fair Value REIT-AG holds an interest of 40 % – 50 %, are fully consolidated in the Company's consolidated financial statements because of the defacto control exercised over these subsidiaries. For further information and explanations on the inclusion of these companies, please see Note A.6.

Currency translation

The consolidated financial statements are prepared in euro (EUR). All financial information presented in EUR are rounded to euro thousands unless otherwise indicated. When rounding to EURk, discrepancies may occur.

The functional currency concept is applied for consolidated companies whose financial statements are prepared in foreign currencies. Pursuant to IAS 21 (The Effects of Changes in Foreign Exchange Rates), assets and liabilities denominated in foreign currencies are translated into the euro reporting currency at the rate prevailing on the balance sheet date, and expenses and income are translated on the basis of year-average exchange rates.

In the case of subsidiaries and companies accounted for using the equity method that prepare their financial statements in foreign currencies, the functional currency is determined on the basis of the economic environment in which the respective company operates.

In the period under review, the financial statements of some companies accounted for using the equity method were not prepared in the reporting currency of the euro. Insofar as these companies were included in the consolidated financial statements using the equity method, the proportional equity was translated into the reporting currency applying the functional currency concept. Proportional profits/losses were translated at year-average rates.

Currency translation differences are recognised in other comprehensive income and totalled EURk -57 as of the reporting date (previous year: EURk -3,348).

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.

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

The statement of income is structured according to the recommendations of the European Public Real Estate Association (EPRA).

Assets are generally measured at the cost of acquisition or production, except for the fair value measurement of investment properties pursuant to IAS 40 and the measurement of interest swaps.

Goodwill and other 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.

Intangible assets with an indefinite useful life are not subject to scheduled amortisation. These assets are subjected to an impairment test at least once annually either on the basis of the individual asset value or as a cash-generating unit. An impairment test is also carried out when an event impairing value occurs.

Other intangible assets include acquired software and other purchased intangible assets, which are amortised on a straight-line basis over a period of three to four years according to their useful economic life.

Upon initial consolidation, goodwill is measured at acquisition cost, which calculated as the excess of the sum of the consideration transferred, the amount of non-controlling interests and any previously held interests over the acquired identifiable assets and assumed liabilities of the Group. After initial recognition, goodwill is measured at acquisition cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in the context of a business combination is allocated to the Group's cash-generating units that are expected to benefit from the merger as of the purchase date.

Property, plant and equipment

Property, plant and equipment is measured at the cost of acquisition or cost of production, less accumulated scheduled depreciation. Operating and office equipment is depreciated based on the straight-line method using useful lives of three to fifteen years. Advance payments made on property, plant and equipment are recognised at their nominal value.

Impairment of non-financial assets

Assets, as defined by IAS 36.1, are tested for impairment if circumstances or changes to circumstances suggest that their carrying amounts may no longer be recoverable. An impairment loss is recognised in profit or loss if the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of either the asset's net realisable value or value in use. The net realisable value is the asset's estimated sale proceeds achievable in the normal course of business less the estimated selling costs. The recoverable amount is the higher of either the asset's fair value less selling costs or its value in use. The fair value less selling costs is the amount achievable when an asset is sold on normal market terms between knowledgeable, willing parties, less selling costs.

A reversal of impairment loss of previously impaired assets is mandatory if the reason for the impairment loss no longer exists. The only exception to this regulation is an impairment loss applied to goodwill, where reversals of impairment losses are expressly prohibited.

Financial assets and liabilities

Financial assets and financial liabilities are classified upon their initial recognition according to the categories of IAS 39 and accounted for accordingly.

DEMIRE classifies financial assets as either

- financial assets measured at fair value through profit or loss,

- loans and receivables,
- held for sale financial assets, or
- derivative financial instruments that meet the requirements for an effective hedge transaction.

Financial assets held for trading purposes and financial assets held to maturity are not recognised.

DEMIRE classifies financial liabilities as either

- other financial liabilities measured at amortised costs,
- financial liabilities measured at fair value, or
- derivative financial liabilities that meet the requirements for an effective hedge transaction.

The Company primarily holds financial instruments at amortised cost under the categories of loans and receivables and financial liabilities. Financial assets and financial liabilities are initially recognised in the balance sheet when a Group company becomes a contracting party to the financial instrument. The initial recognition of a financial instrument is carried out at fair value, including possible transaction costs.

"Loans and receivables" contain non-derivative financial assets with fixed or determinable payments that are not listed on an active market. At the time of initial measurement, loans and receivables, including any transaction costs, are measured at fair value. Subsequently, they are measured at amortised cost using the effective interest method, less any impairment losses. Non- and low-interest-bearing non-current receivables are carried at their present value. Under this category, DEMIRE includes loans to investments accounted for using the equity method, trade accounts receivable and other receivables (except for receivables from income taxes and value-added taxes), as well as financial receivables.

DEMIRE uses derivative financial instruments to hedge against interest rate risk. At the date on which the corresponding loan agreements were concluded, the derivative financial instruments are initially recognised at their fair values and subsequently measured at their fair values. The provisions of IAS 39 for hedge accounting do not apply. Derivative financial instruments are carried as assets when their fair value is positive and as liability when their fair value is negative. Their valuation is derived using the mark-to-market method, taking into account the market data on the balance sheet date. Gains or losses from changes in fair values of derivative financial instruments are recognised immediately through profit or loss.

Under a shareholder agreement between DEMIRE AG and Dovemco Ltd. ("Dovemco") signed in April 2015, an "earn-out" agreement was agreed for the underlying CONDOR portfolio. This agreement is based on a combination of call/put options with different strike prices that can be exercised only when certain budget targets are achieved. This combination is generally classified as a financial liability in the form of a derivative. Due to the fact that the thresholds for exercise have not yet been reached and are expected clearly not to be reached in the future, the obligation is valued at "zero".

"Other financial liabilities" are non-derivative financial liabilities that are subsequently measured at amortised cost. Differences between the amount received and the expected repayment amount are recognised over the term in profit or loss. DEMIRE allocates financial debt, trade accounts payable and other liabilities to this category.

Interests in affiliated and associated companies that are neither fully consolidated nor consolidated using the equity method due to their minor significance are recognised at acquisition costs less any impairment since the fair values of these assets cannot be reliably determined. These assets consist of non-listed interests for which there is no active market available. This mainly concerns non-consolidated subsidiaries active in the real estate sector that have only minor business activities.

The Company derecognises a financial asset when it has expired due to payment or when the payment is no longer anticipated. Financial liabilities are derecognised if these are redeemed, i.e. if the contractual obligations have been settled, waived or have expired.

Impairment of financial assets

If there is an objective indication on the balance sheet date that an impairment of loans and receivables recognised at amortised cost has occurred, the amount of the impairment is assessed as the difference between the carrying amount of the asset and the present value of the expected future cash flows (with the exception of expected future loan defaults that have not yet occurred) and discounted applying the original effective interest rate of the financial assets (i.e. the effective interest rate calculated upon initial recognition).

The asset's carrying amount is reduced utilising the valuation adjustment account, and the impairment is recognised through profit or loss.

It is first determined whether there is an objective indication of an impairment of financial assets that are individually considered to be significant or to financial assets that are not individually or collectively considered to be significant. Whether the asset is significant or not, if the Group determines that there is no objective indication of an impairment of an individually tested financial asset, it assigns the asset to a group of financial assets with similar default risk characteristics and collectively tests them for impairment. Assets that are tested individually for impairment and for which an impairment loss is recognised are not included in the collective impairment assessment.

If the amount of impairment loss decreases in one of the subsequent reporting periods and the decrease can be related objectively to a circumstance arising after the impairment was recognised, the previously recorded impairment loss is reversed. The amount of the reversal is limited to the amortised cost as at the date of the reversal. The reversal is recognised through profit or loss in the loans and receivables measurement category. If there are objective indications (such as the probability of insolvency or significant financial difficulties on the part of the debtor) that not all trade accounts receivable will be collected under the original payment terms, an impairment loss is applied using a valuation adjustment account. The amounts in the valuation adjustment account are derecognised against the carrying amounts of the impaired financial asset if they are classified as uncollectible.

Classification of net gains and losses

Net gains and losses from loans and receivables primarily consist of interest income as well as the corresponding impairments and impairment reversals on these financial assets and gains and losses from currency translation. Net gains and losses from financial liabilities include not only interest expenses but also gains and losses from currency translation.

Investments accounted for using the equity method

Interests in companies in which DEMIRE can exert significant influence but does not possess control are recognised using the equity method pursuant to IAS 28. Interests in joint ventures are also recognised using the equity method pursuant to IFRS 11. Interests in investments accounted for using the equity method are initially recognised at cost. The difference between the acquisition costs and the proportionate share of equity represents goodwill. The carrying amount of the interest subsequently increases or decreases according to the owner’s interest in the net profit for the period (including currency translation) of the investments accounted for using the equity method. The equity method is no longer applied when significant influence has ended or when the company is no longer classified as an associated company or joint venture. If at the same time, assets exist against investments accounted for using the equity method for which settlement is neither planned nor likely, then these assets are allocated, according to their economic substance, to the net investment in the investments accounted for using the equity method.

After applying the equity method, the Group determines whether an additional impairment is required for the Group’s interest in the investments accounted for using the equity method. On each balance sheet date, the Group determines the extent to which there are objective indications that an interest in an investment accounted for using the equity method has been impaired. If this is the case, any difference between the carrying amount and the recoverable amount (the higher of either the value in use or the fair value less costs to sell) is reported through profit or loss as an impairment loss. When the reasons for a previously recognised impairment loss no longer exist, the impairment loss is reversed accordingly.

Measurement at fair value
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. IFRS 13.9 defines fair value as the price in a normal transaction between market participants at the measurement date that would be received for the sale of an asset or paid to transfer a liability. Fair value generally assumes the sale of an asset even if the company has no intention or the capacity to sell the asset or transfer the liability as at the valuation date. The fair value of non-financial assets is determined based on the highest and best possible use. This stipulates the intention to maximise the benefit and value of the asset, to the extent that this is technically possible, legally permissible and financially feasible. It is irrelevant whether the fair value is directly observable or determined by applying a valuation method.

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 (unadjusted) 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.

To determine the point in time at which a reclassification between the different hierarchy levels is considered to have occurred, the Company uses the time of the event or of the change in circumstances that caused the reclassification.

The measurement of investment properties at fair value is classified to Level 3 of the valuation hierarchy pursuant to IFRS 13.86, due to unobservable inputs. For an explanation of the measurement, please refer to Note C. Accounting and valuation parameters for investment properties. Details on the other valuation techniques and input factors used for determining the fair value of the various assets and liabilities can be found under Note E and Note I.1.

The result is the following fair value hierarchy:

FAIR VALUE HIERARCHY	Level 1	Level 2	Level 3
Investment properties			x
Financial receivables and other financial assets			x
Financial debt			x
Derivatives		x	

Investment properties

Investment properties include real estate that is held to generate rental income and capital appreciation and not for the Company's own use or for its sale in the ordinary course of business. Investment properties currently consist solely of commercial properties. Advance payments for purchases of real estate are recognised in "advance payments" under property, plant and equipment.

Investment properties are derecognised when they are sold or are no longer permanently used and a disposal is not expected to yield a future economic benefit. Any resulting gains or losses are recognised in the year of disposal or retirement. Investment properties are transferred when a change in utilisation through owner-occupation occurs or when the disposal process is initiated.

The initial recognition of investment properties is carried out at the cost of acquisition or production, including incidental acquisition costs. In subsequent accounting, investment properties are measured at fair value pursuant to IAS 40 in conjunction with IFRS 13.9. Their appraisal is carried out in accordance with the International Financial Reporting Standards (IFRS), the International Standards of Valuation of Real Estate for Investment Purposes ("International Valuation Standards") and the RICS Valuation - Professional Standards (January 2014) of the Royal Institution of Chartered Surveyors.

Gains and losses resulting from the adjustments in fair value are reported as income or expenses under "profit/loss from fair value adjustment in investment properties" in the consolidated statement of income.

The fair values of investment properties were determined by independent external experts using recognised appraisal methods. The commissioned experts possess the relevant professional qualifications and experience necessary to conduct the appraisals. The expert opinions are based on information provided by the Company such as current rents, maintenance costs, remaining useful lives and current vacancies as well as on assumptions of the experts, which are based on market data and which were assessed by the expert based on his professional qualification, such as rental trends, discount rates and capitalisation rates. The best possible use of the respective properties is assumed when calculating the properties' value.

The determination of the fair value of investment properties is made annually by external and independent experts and is based on appraisals conducted in accordance with international valuation standards. The valuation method used for investment properties of the DEMIRE subgroup is the discounted earnings model pursuant to the Property Valuation Ordinance and, if available, based on comparative or market prices. Investment properties held by the Fair Value REIT subgroup are measured using the discounted cash flow method.

Due to the long-term nature of investment properties, the determination of the fair value of investment properties under the discounted earnings method or the discounted cash flow method is subject to uncertainties that could lead to positive as well as negative changes in value in future. Measurement under IAS 40 is based on assumptions and expectations by the Company's management that may differ from actual developments. Should there be a significant increase in the vacancy rate or in the currently low interest rate, the result would be a decrease in the portfolio's overall fair value. Had the Company's management chosen the acquisition cost model as permitted under IAS 40, the carrying amounts of investment properties and the corresponding income and expense items would substantially differ.

Valuation of real estate held by the DEMIRE subgroup

Fair values for investment properties held by the DEMIRE subgroup are determined on the basis of discounted earnings models in accordance with the Federal Building Code (Baugesetzbuch), the Property Valuation Regulation (Immobilienwertermittlungsverordnung [ImmoWertV]) and the Valuation Guidelines (Wertermittlungsrichtlinie [WertR]). The property's net present value is determined based on income and expenditures taking a risk-adjusted property yield into account.

The net present value consists of the sum of the property's earnings value and the land value based on rentable space, taking attainable local rents (excluding utilities) into account and assuming sustainable occupancy/vacancy rates, which are predominantly influenced by local market supply and demand. Attainable rental income is compared to the operating costs necessary to maintain the properties in a rentable condition. The necessary investment is dependent upon the property's current condition and is based on the expert appraisal with regard to future investment while taking into account the actual investments required in the past, the customary maintenance costs recommended in specialist literature and expert estimates. A multiple which is based on property yields and remaining useful lives is applied to the net present value. Property yields are determined by local/regional expert committees of the municipalities and are positively or negatively impacted by the property's vacancy rate relative to the location. The land value (area * land value/m^2) is added to the net present value. The sum of net present value and land value totals the fair value. All expert opinions are based on an on-site visit to the property.

The fair values of investment properties determined using the discounted earnings model equal the net values making it unnecessary to eliminate transaction costs.

The determination of the net present values depends on underlying key, unobservable input factors used in the valuation (Level 3):

OFFICE REAL ESTATE	31/12/2015		31/12/2014	
Ratio of maintenance costs to gross profit (in %)	7.26		7.78	
Average maintenance costs (in EUR per m2)	6.38		6.25	
Range of maintenance costs (in EUR per m2)	2.36	10.00	4.00	9.17
Average property yield (in %)[1]	6.09		5.82	
Range of property yields (in %)[2]	5.00	9.75	5.00	8.75
Average residual useful life (in years)	37		40	
Range of residual useful life (in years)	25	45	30	45
Ratio of management costs to gross profit (in %)	3.09		3.42	
Range of ratio of management costs to gross profit (in %)	0.99	7.53	2.53	6.32
Average market rent (in EUR per m2, per year)[3]	96.22		96.87	
Range of average market rents (in EUR per m2, per year)	30.47	161.17	30.47	150.01
Rentable space as at balance sheet date (in m²)	470,143		269,885	
Vacant space as at balance sheet date (in m²)	39,025		41,242	
Value-based vacancy rate according to EPRA (in %)	8.32		14.30	
Average vacancy rate based on the rentable space (in %)	8.30		15.28	
Range of average vacancy rate based on the rentable space (in %)	0.00	67.27	0.00	82.00
Weighted Average Lease Term – WALT (in years)	6.04		6.28	

[1] The calculation of property-specific property yields is based on the average market property yield and takes into account the respective macro and micro conditions, competing properties, tenant creditworthiness, vacancy risk and the remaining terms of the lease contracts.

[2] Property yields derived vary based on the quality, location and structure of the property.

[3] The determination of average market rent was based on rentable space as at December 31, 2015.

RETAIL REAL ESTATE	31/12/2015		31/12/2014	
Ratio of maintenance costs to gross profit (in %)	11.64		3.72	
Average maintenance costs (in EUR per m2)	6.83		5.00	
Range of maintenance costs (in EUR per m2)	5.00	7.50	5.00	5.00
Average property yield (in %)[1]	6.62		5.50	
Range of property yields (in %)[2]	6.00	7.25	5.50	5.50
Average residual useful life (in years)	39		35	
Range of residual useful life (in years)	35	45	35	35
Ratio of management costs to gross profit (in %)	4.08		2.96	
Range of ratio of management costs to gross profit (in %)	2.86	7.40	2.96	2.96
Average market rent (in EUR per m2, per year)[3]	70.63		134.41	
Range of average market rents (in EUR per m2, per year)	47.07	134.53	134.41	134.41
Rentable space as at balance sheet date (in m²)	21,616		3,973	
Vacant space as at balance sheet date (in m²)	3,410		0,00	
Value-based vacancy rate according to EPRA (in %)	12.18		0.00	
Average vacancy rate based on the rentable space (in %)	15.77		0.00	
Range of average vacancy rate based on the rentable space (in %)	0.00	46.70	0.00	0.00
Weighted Average Lease Term – WALT (in years)	8.10		5	

[1] The calculation of property-specific property yields is based on the average market property yield and takes into account the respective macro and micro conditions, competing properties, tenant creditworthiness, vacancy risk and the remaining terms of the lease contracts.

[2] Property yields derived vary based on the quality, location and structure of the property.

[3] The determination of average market rent was based on rentable space as at December 31, 2015.

LOGISTICS[1] REAL ESTATE	31/12/2015	
Ratio of maintenance costs to gross profit (in %)	19.55	
Average maintenance costs (in EUR per m2)	3.59	
Range of maintenance costs (in EUR per m2)	3.59	3,59
Average property yield (in %)[2]	8.00	
Range of property yields (in %)[3]	8.00	8,00
Average residual useful life (in years)	25	
Range of residual useful life (in years)	25	25
Ratio of management costs to gross profit (in %)	1.77	
Range of ratio of management costs to gross profit (in %)	1.77	1,77
Average market rent (in EUR per m2, per year)[4]	26.46	
Range of average market rents (in EUR per m2, per year)	26.46	26,46
Rentable space as at balance sheet date (in m²)	218,697	
Vacant space as at balance sheet date (in m²)	66,978	
Value-based vacancy rate according to EPRA (in %)	30.63	
Average vacancy rate based on the rentable space (in %)	30.63	
Range of average vacancy rate based on the rentable space (in %)	30.63	30.63
Weighted Average Lease Term – WALT (in years)	2.42	

[1] Information concerns Logistikpark Leipzig, which was acquired in the reporting year.

[2] The calculation of property-specific property yields is based on the average market property yield and takes into account the respective macro and micro conditions, competing properties, tenant creditworthiness, vacancy risk and the remaining terms of the lease contracts.

[3] Property yields derived vary based on the quality, location and structure of the property.

[4] The determination of average market rent was based on rentable space as at December 31, 2015.

OTHERS	31/12/2015		31/12/2014	
Ratio of maintenance costs to gross profit (in %)	15.67		13.16	
Average maintenance costs (in EUR per m2)	4.02		4.02	
Range of maintenance costs (in EUR per m2)	4.00	6.50	4,00	6,50
Average property yield (in %)[1]	9.35		8.38	
Range of property yields (in %)[2]	6.75	10.25	6,75	9,25
Average residual useful life (in years)	25		30	
Range of residual useful life (in years)	25	25	30	35
Ratio of management costs to gross profit (in %)	3.70		3.38	
Range of ratio of management costs to gross profit (in %)	2.25	6.63	2,26	6,68
Average market rent (in EUR per m2, per year)[3]	40.81		40.48	
Range of average market rents (in EUR per m2, per year)	12.06	64.78	11,50	64,83
Rentable space as at balance sheet date (in m²)	92,735		78,529	
Vacant space as at balance sheet date (in m²)	34,335		19,084	
Value-based vacancy rate according to EPRA (in %)	32.81		21.09	
Average vacancy rate based on the rentable space (in %)	37.03		24.30	
Range of average vacancy rate based on the rentable space (in %)	0.00	86.62	0,00	82,32
Weighted Average Lease Term – WALT (in years)	2.50		4.99	

[1] The calculation of property-specific property yields is based on the average market property yield and takes into account the respective macro and micro conditions, competing properties, tenant creditworthiness, vacancy risk and the remaining terms of the lease contracts.

[2] Property yields derived vary based on the quality, location and structure of the property.

[3] The determination of average market rent was based on rentable space as at December 31, 2015.

Valuation of real estate held by the Fair Value REIT subgroup
The valuation method used for investment properties of the Fair Value REIT subgroup is the discounted cash flow model.

The discounted cash flow method is the basis of dynamic investment calculations and is used to calculate the net present value of future expected time-staggered, varying levels of cash flows. After identifying all value-relevant factors, the expected future, partly forecast-linked cash flows are totalled on an accrued basis. The result of the cash inflows and outflows are discounted to a fixed point in time (valuation date) using the discount rate. In contrast to the German discounted earnings model of the Valuation Ordinance (WertV), the cash flows during the period under consideration are explicitly quantified and not shown as an annuity payment. As a result of discounting, the influence of future cash flows decreases as the forecasting insecurity increases over the observation period. Therefore, when considering an investment in real estate, usually the stabilised net income is capitalised using a growth implicit minimum interest rate (capitalisation rate) based on a 10-year period (detailed observation period) and discounted to the valuation date.

The assumptions used in the valuation model reflect the average assumptions prevailing on the market from key investors on the respective valuation date. These valuation parameters reflect the standard market expectations and the extrapolation of the analysed past figures of a property or several comparable properties to be appraised.

The valuation parameters are estimated by the appraiser at his/her discretion within the framework of the fair value calculation and can be divided into two groups:

The property-specific valuation parameters include, for example, rental income for initial and subsequent rentals, probability of extension of existing rentals, vacancy periods and vacancy costs, unallocable incidental costs and expected capital expenditure of the owner, expansion as well as rental costs for initial and subsequent rentals or a property- or rental-specific total rate of return on invested capital.

Macroeconomic factors include, in particular, the development of market prices and rent during the detailed observation period and the inflation expectations assumed in the calculation model. To comply with fair value disclosure requirements, the Group has determined classes of assets and liabilities based on their nature, characteristics and their risks and the levels of the fair value hierarchy above.

The Group's management is significantly involved in and closely monitors the process of investment property valuation, which takes place at least once per year. This includes comparing prior years' results with the results provided by independent appraisers as part of an initial plausibility review. Valuation results and the Company's own assumptions based on early risk detection risk are carefully scrutinised, and any deviations from the results of the external appraiser are discussed. The portfolio's development is also discussed in regular meetings with the Supervisory Board, which ensures that the property portfolio's value is continuously monitored.

The determination of fair values is based on the following underlying key, unobservable input factors (Level 3):

	31/12/2015	
Average market rent (in EUR per m2 per year)[1]	94.11	
Range of average market rents (in EUR per m2)	0.00	232.97
Rentable space as at balance sheet date (in m²)	264,887	
Vacant space as at balance sheet date (in m²)	28,713	
Value-based vacancy rate according to EPRA (in %)	10.31	
Average vacancy rate based on the rentable space (in %)	10.84	
Range of average vacancy rate based on the rentable space (in %)	0.00	63.51
Weighted Average Lease Term – WALT (in years)	4.86	

[1] The determination of average market rent was based on rentable space as at December 31, 2015.

The basis for rental revenue planning is the rental payments contractually agreed with the tenants and the prevailing customary local market rents for unlet space as at the valuation date. The contractually agreed rent per square meter and month reported as at the valuation date for the different types of properties compared to the previous year is as follows:

CONTRACTUAL RENTS (EUR)		31/12/2015
Office property	Min.	2.50
	Max.	25.80
	Avg.	6.10
Retail property	Min.	2.50
	Max.	90.00
	Avg.	7.97
Others	Min.	2.00
	Max.	11.60
	Avg.	5.46
Total	Min.	2.00
	Max.	90.00
	Avg.	6.92

The resulting changes in value (valuation gains and losses) are derived primarily from the adjustment in capitalisation and discount rates and fewer advantages from some of the existing leases that were concluded at yields above those in the current market (so-called over-rents).

Real estate inventory

Real estate inventory is recognised in accordance with IAS 2 (see Note A.6). Real estate inventory is recognised at the lower of acquisition or production cost and net realisable value. The net realisable value is the estimated sales proceeds achievable in the normal course of business less the estimated costs until completion and estimated sales costs. Acquisition/production cost includes directly attributable unit costs and general overhead costs attributable to the production process.

The net realisable value is newly determined in each subsequent period. If the circumstances that had previously led to an impairment of the inventory's value to a level below its acquisition or production cost no longer exists, or if there is a substantive indication of an increase in the net realisable value due to a change in economic circumstances, then the amount of the impairment is reversed to the extent that the new carrying amount equals the lower of acquisition or production cost or adjusted net realisable value. For example, this would be the case if the real estate inventory which is recognised at net realisable value due to a decline in its selling price would remain in the portfolio and in subsequent periods its selling price would rise again.

Taxes

Actual tax assets and liabilities for the past period are measured as the amount expected to be recovered from or paid to the taxation authorities. The amounts are calculated on the basis of the tax rate and tax laws applicable on the balance sheet date.

As a German real estate investment trust, the acquired Fair Value REIT-AG is principally exempt from taxes. Generally, taxes will not be applied at the Fair Value REIT-AG level as long as it retains the status of an exempt REIT. Dividends are taxable at the shareholder level.

Deferred tax assets and liabilities

Deferred taxes are recognised using the liability method for temporary differences between the carrying amount of an asset or liability in the consolidated balance sheet and its tax valuation as at the balance sheet date. Deferred tax liabilities are recognised for all taxable temporary differences with the exception of deferred tax liabilities arising from taxable temporary differences connected with interests in subsidiaries, associated companies, and joint ventures, if the timing of the reversal of the temporary differences can be controlled, and it is likely that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences as yet unutilised tax loss carryforwards and unutilised tax credits to the extent that it is likely that taxable income will be available against which the deductible temporary differences, unutilised tax loss carryforwards, and unutilised tax credits can be offset, with the exception of:

- Deferred tax assets relating to deductible temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination, and which, at the time of the transaction, affects neither the profit/loss for the period under commercial law, nor the taxable profit/loss.

- Deferred tax assets arising from taxable temporary differences connected with interests in subsidiaries, associated companies, and joint ventures, if it is likely that the temporary differences will not be reversed in the foreseeable future, and that there will be insufficient taxable income available against which the temporary differences can be used.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced insofar as it is no longer likely that sufficient taxable income will be available against which at least part of the deferred tax asset can be offset. Unrecognised deferred tax assets are reviewed at each balance sheet date, and recognised insofar as it has become likely that future taxable income will allow the deferred tax assets to be realised.

Deferred tax assets for tax loss carryforwards are capitalised only when it is likely that tax loss carryforwards will be offset by earnings achieved within the foreseeable future. According to IAS 12.36, deferred tax assets on tax loss carryforwards on the level of the tax entity were only capitalised in the DEMIRE Group to the extent that deferred tax liabilities were recognised.

Deferred tax assets and liabilities are measured applying the tax rates expected to be valid in the period in which the asset is realised or the liability is satisfied or expected. The amounts are calculated on the basis of the tax rates (and tax laws) applicable on the balance sheet date. The subsidiaries' deferred tax assets and liabilities are calculated using the tax rates of the respective country.

Deferred tax assets and liabilities are offset against one another according to IAS 12.71 if the Group has an enforceable right to offset tax assets against tax liabilities, and these assets and liabilities relate to income taxes levied by the same taxation authority against the same taxable entity or against different taxable entities that intend to realise the assets and fulfil the liabilities at the same time (IAS 12.74).

Deferred taxes relating to items that are recognised in other comprehensive income are not recognised through profit or loss but instead in the statement of comprehensive income.

DEMIRE recognised deferred taxes for temporary differences and so-called "inside basis differences" at Fair Value REIT by applying the company-specific tax rate as at the reporting date. Since Fair Value REIT-AG is generally exempt from taxes, no taxes are incurred at the level of Fair Value REIT as long as its status as a tax-exempt REIT (Real Estate Investment Trust) is maintained. In addition to the "inside basis differences", "outside basis differences" were also 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. For further details, please see Note B.1.

Value-added tax

Revenues, expenses, and asset are recognised after deducting the value-added tax with the exception of the following instances:

- If the value-added tax incurred on the purchase of assets or services cannot be recovered from the taxation authorities, the value-added tax is recognised as part of the asset's acquisition or production cost, or as part of the expense item.
- Receivables and liabilities are recognised with the value-added tax included.

The amount of value-added tax recovered from, or paid to, the taxation authority is recognised in the consolidated balance sheet as receivables or liabilities, respectively.

Cash and cash equivalents

Cash and cash equivalents include cash and deposits recognised at their nominal amount. Cash and cash equivalents denominated in foreign currencies are translated at the exchange rate prevailing on the reporting date.

Non-current assets held for sale

Investment properties are classified as non-current assets held for sale if a large portion of the carrying amount can be realised by a sale and a sale is highly probable. These investments are recognised at the lower of their carrying amounts and fair values less selling costs. The disposal costs are not recognised at their present value assuming that the disposal will take place within one year. Impairments from subsequent measurements will be recognised in profit or loss. A subsequent rise in the fair value will be recognised as a gain to the maximum extent of the previous impairment.

Following the disposals in the reporting year, the provision for discontinued operations under IFRS 5 were applied. Therefore, all income and expenses, including the disposal gain, attributable to the discontinued operations, were reported under the line item “profit/loss from the sale of real estate companies” in the consolidated statement of income.

Trade payable and other liabilities

Liabilities are measured at amortised cost after their initial recognition.

Financial debt

Financial debt is recognised upon initial recognition at fair value less directly attributable transaction costs and discounts. The fair value of the financial debt as at the grant date corresponds to the present value of future payment obligations on the basis of maturities and a risk congruent market interest rate. Financial debt is subsequently measured at amortised cost using the effective interest method. The effective interest rate is determined on the date the financial debt is initially recognised. A change in conditions concerning the amount or timing of interest and repayments lead to a recalculation of the financial debt's carrying amount at the present value and based on the originally estimated effective interest rate. Any differences to the previously existing carrying amount of financial debt are recognised through profit or loss.

Convertible bonds ("CB") are generally embedded financial instruments that are to be divided for accounting purposes into a financial debt and a conversion right. Depending on the terms of the convertible bond, the conversion right can be of an equity or debt nature. If the conversion right is to be classified as debt, as in the case of DEMIRE's CB issued in the 2013/2014 fiscal year and Fair Value REIT's CB issued in the 2015 fiscal year, the composite financial instrument may also be entirely accounted for at fair value. Accordingly, the CB issued by the Company was classified as "at fair value through profit or loss" (IAS 39.11 (c). Thus, all fair value adjustments were recognised in profit or loss. By resolution of the creditors' meeting of September 30, 2014, the terms and conditions of DEMIRE's convertible bonds have been amended so that the conversion right qualified from this date to be classified as equity. Due to the material adjustment of the financial debt, the adjustment was treated as a repayment and new issue. Accordingly, the financial instrument was disposed of at fair value (partly through profit or loss), and the CB was newly recognised as at September 30, 2014, based on a market standard interest rate. The equity portion was directly recognised in equity. The financial debt is now carried under the line item "other liability" through profit or loss by using the effective interest method.

Pension provisions

In measuring provisions for pension obligations, the obligations for company pension schemes are calculated using the projected unit credit method in accordance with IAS 19. This method not only takes into account known pensions and vested benefits as at the balance sheet date but also expected future increases in salaries and pensions. An actuarial valuation is performed at each reporting date.

The amount recognised represents the present value of the defined benefit obligation (DBO) offset with the fair value of plan assets.

Actuarial gains and losses are fully accounted for in the period they occurred and recognised as a component of other comprehensive income outside the consolidated statement of income. Also in subsequent periods, actuarial gains and losses are no longer recognised through profit or loss. The service cost is recognised in staff costs. An increase in the present value of a defined benefit obligation that is attributable to the services rendered in the reporting period is considered a service cost. Interest expenses on pension obligations are reported in the financial result. An increase in the present value of a defined benefit obligation is considered an interest expense.

A reinsurance policy was concluded for pension commitments and is classified as a plan asset. If the value of the reinsurance policy exceeds the corresponding amount of obligations, the net amount that results is recorded as an asset under other assets (non-current).

Provisions

Provisions are recognised during the fiscal year for obligations to third parties for which it is likely that there will be an outflow of resources in future periods. Provisions for obligations that will likely not result in a burden on assets in the subsequent year are recognised at the present value of the expected outflow of assets. The measurement of provisions is reviewed at each balance sheet date.

Interests of non-controlling shareholders

The interests in net assets of non-controlling shareholders are recognised and reported separately from the parent company shareholders' interests in the Group's equity. The interests in net assets of non-controlling shareholders consist of the amount of the interests of non-controlling shareholders as at the balance sheet date of the previous year, and the interests of non-controlling shareholders in the changes in equity in the fiscal year.

Interests of minority shareholders

Additionally, there are minority shareholders in the Fair Value REIT subgroup (minority interests), relating to limited partners of predominantly natural persons in real estate funds in the legal form of a GmbH & Co. KG. These minority shareholders have the right to terminate their shareholding. Therefore, the interests of these shareholders in the subsidiaries' share capital are considered under IAS 32 as potential compensation claims and recognised in the consolidated balance sheet as liabilities. Upon initial measurement, these interests are recognised at fair value, which corresponds to the interest of the minority shareholders in the net assets of the respective company. The reported liability is, therefore, equivalent to the notional interest of the minority shareholders in the net assets of the respective subsidiary recognised at their carrying amount in Fair Value REIT subgroup's consolidated balance sheet.

Share-based payments

In fiscal year 2015, share-based payments in the form of subscription rights (stock options) were issued to DEMIRE's Executive Board and a selected group of individuals within the DEMIRE Group. The stock option programme is, in principle, an option plan whose obligations are met with equity instruments (equity-settled share option plan). The option plan provides that the obligations of the stock option programme can only be met with DEMIRE shares. The accounting treatment of share-price based payments is carried out in accordance with IFRS 2 “Share-based Payment”.

The expenses incurred from the issue of stock options are measured at the fair value of the stock options granted as at the grant date. The fair value was determined using generally accepted option pricing models. The expenses from the issue of stock options are recognised over the period in which the performance conditions are met. At the same time, equity (capital reserves) is increased by a corresponding amount. This “vesting period” ends at the time the person concerned from the group of beneficiaries is irrevocably entitled. The cumulative expenses from the granting of equity instruments recognised at each reporting date reflect the lapsed portion of the vesting period and the best estimation of the number of equity instruments that will ultimately become exercisable at the end of the vesting period. The amount recognised in the consolidated statement of income reflects the development of cumulative expenses recognised at the beginning and the end of the reporting period.

The dilutive effect of outstanding stock options is reflected in the calculation of earnings per share as additional dilution, provided the issue of options and their underlying conditions result in a dilution for existing shareholders.

Leases

a) Determining whether an agreement contains a lease

Whether an agreement constitutes a lease or contains a lease, is determined on the basis of the economic contents of the agreement at the time of conclusion. An agreement constitutes a lease or contains a lease if the satisfaction of the agreement depends on the utilisation of a particular asset and the agreement transfers a right to utilise the asset.

A renewed assessment after the start of a lease as to whether an agreement contains a lease is performed only when one of the following conditions has been satisfied:

- The contractual terms are changed to the extent that the amendment relates not only to a renewal or extension of the agreement.
- A renewal option is exercised or an extension is granted, unless the renewal or extension terms were originally taken into consideration in the lease's duration.
- A change occurs in the determination as to whether satisfaction depends on the specific asset.
- The asset undergoes a significant change.

b) The Group as lessor

Leases, through which not all of the opportunities and risks connected with ownership are essentially transferred by the Group to the lessee, are classified as operating leases. Initial direct costs incurred in negotiating and entering into an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term in line with the rental income. Contingent rental payments are recognised as income in the period in which they are generated.

c) The Group as lessee
Lease payments for operating leases are expensed through the statement of income on a straight-line basis over the term of the lease agreement.

Income recognition

Revenues consist of rental income (net rents and ancillary rental costs), income from the sale of real estate companies and income from the disposal of real estate. Rental income is recognised monthly over the term of the lease stated in the rental agreement and recorded in the statement of income as rental income. Revenues are recognised on an accrual basis in accordance with the terms of the underlying contract and when it is likely that the Company will receive the economic benefit from the transaction. However, when there is doubt concerning the collectability of an amount that has already been recognised as revenue, the uncollectible or doubtful amount is recognised as an expense and not deducted from revenue.

When real estate companies and real estate is sold, income is recognised when

- the opportunities and risks connected with the ownership (ownership rights, benefits and obligations) have been transferred to the acquirer;
- the Group retains neither rights of disposition nor effective control over the object of sale;
- the amount of revenue and the costs arising in connection with the sale can be determined reliably;
- it is sufficiently likely that the Group will receive an economic benefit from the sale; and
- expenses incurred, or to be incurred, in connection with the sale can be determined reliably.

Earnings per share

Basic earnings per share is computed by dividing the net profit/loss for the period attributable to the parent company shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share is calculated by adjusting net profit/loss for the period and the number of shares outstanding based on the assumption that convertible instruments are converted and warrants in connection with share-based payments are exercised.

D. NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

1. Profit/loss from the rental of real estate

The Group's profit/loss from the rental of real estate of EURk 23,680 (abbreviated fiscal year: EURk 2,290) consists of the following:

EURk	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
Rental income	33,320	3,375
Income from utility and service charges	10,024	374
Rental revenue	**43,344**	**3,749**
Allocable operating expenses to generate rental income	-12,648	-1,296
Non-allocable operating expenses to generate rental income	-7,016	-163
Operating expenses to generate rental income	**19,664**	**1,459**
Profit/loss from the rental of real estate	**23,680**	**2,290**

Income in the 2015 fiscal year resulted primarily from the rental of commercial real estate and is generally free of seasonal influences. Income from utility and service charges is allocable ancillary costs that were passed on to tenants. The significant rise in rental income to EURk 43,344 resulted mainly from income from individual properties and real estate portfolios acquired in the second half of 2014 and in the reporting year. The income from rentals at Hanse- and Glockenhofcenter have been included for eleven months of the reporting year, rentals at the Gutenberg Galerie for seven months, rentals at Logistikpark Leipzig for six months and those from the T6 property portfolio for two months of the reporting year.

Ancillary rental costs were recognised as operating expenses to generate rental income and amounted to EURk 19,664 in the reporting year (previous year: EURk 1,459). Operating expenses of EURk 12,648 (abbreviated fiscal year: EURk 1,296) are generally allocable and can be passed on to tenants. Of this amount, a total of EURk 2,264 (abbreviated fiscal year: EURk 220) could not be passed on due to vacancies. Operating expenses of EURk 7,016 (abbreviated fiscal year: EURk 163) are not allocable. Of these, EURk 1,254 concern staff related expenses of DEMIRE Immobilienmanagement GmbH that were included for the first time in the reporting year due to the entity's first time consolidation.

2. Profit/loss from the sale of real estate companies

In the reporting year, the Group generated a profit from the sale of real estate companies of EURk 285 (abbreviated fiscal year: EURk 69).

Disposals during the reporting period mainly concern the legacy portfolio, which includes the investments in Eastern Europe and the Black Sea Region. The divestments concern Kappatrade Ltd. (Ukraine), Polartrade Ltd. (Ukraine), OOO Sadko Holding (Russia), OOO New Sadko Holding (Russia), MAGNAT Real Estate Project Sadko B.V. (the Netherlands) and MAGNAT Real Estate Project New Sadko B.V. (the Netherlands). There was a negative effect of EURk 301 from the derecognition of currency translation reserves from the disposal of these companies. In addition, the 2014 purchase of Munich ASSET Vermögensverwaltung GmbH was reversed as at September 2015, which resulted in a positive effect on earnings. In total, revenue from the sale of real estate companies of EURk 1,792 were offset by the net assets disposed of EURk 1,206 and expenses of EURk 301 from the derecognition of currency translation reserves, leading to a positive result from the sale of real estate companies of EURk 285.

In the abbreviated 2014 fiscal year, the Group sold Hekuba S.A.R.L. for EURk 3,700, generating a gain of EURk 167. In addition, R-Quadrat Ukraine Gamma Ltd. and its 50 % stake in RQ Gamma LLC were sold with a loss of EURk 112 and MAGNAT Asset Management Ukraine Ltd. was sold with a profit of EURk 14.

3. Profit/loss from the sale of real estate

In the reporting year, the Group generated a profit from the sale of real estate in the amount of EURk 458 (abbreviated fiscal year: EURk 0).

During the reporting period, the real estate in Parchim (reported as real estate inventory until its sale) and the Bielefeld property were sold. Proceeds from the sale of the property in Parchim amounted to EURk 650 and the commercial property in Bielefeld brought proceeds of EURk 1,650. The sales proceeds were offset by expenses relating to real estate sales totalling EURk 1,842.

4. Profit/loss from investments accounted for using the equity methodn

The profit/loss from investments accounted for using the equity method improved to EURk -500 compared to the abbreviated 2014 fiscal year.

The profits from investments accounted for using the equity method rose year-on-year by EURk 1,662 to EURk 1,861(abbreviated fiscal year: EURk 199) and consisted of income of EURk 1,459 relating to the revaluation of the SQUADRA property and of EURk 402 from the derecognition of liabilities from OXELTON. The higher valuation of the SQUADRA property resulted from improved disposal options for the SQUADRA Group's office property located in Frankfurt/Main in the course of the planned change of use to a residential property.

The losses from investments accounted for using the equity method (EURk 3,830, abbreviated fiscal year: EURk 126) were mainly the result of derecognition of currency translation differences, which were mainly attributable to the interest in OXELTON.

The line item "unrealised fair value adjustments in equity investments" rose sharply by EURk 2,556 versus the abbreviated 2014 fiscal year to a total of EURk 1,469 and resulted mainly from effects related to the divestment of OXELTON. An amount of EURk 1,232 was attributed to the derecognition of loans to OXELTON and EURk 237 to the reclassification of the interests in OXELTON under IFRS 5 in the reporting year.

DEMIRE's share in the transferred profit or loss of investments accounted for using the equity method is listed under E.1.4.

At R-QUADRAT Polska Alpha Sp. z o.o., which is an investment accounted for using the equity method, proportionate accumulated losses of EURk 4,828 (abbreviated fiscal year: EURk 4,057) were not recognised; of these, EURk 386 occurred in the previous year (abbreviated fiscal year: EURk 908). In addition, the proportionate losses of EURk 7 (abbreviated fiscal year: EURk 4) of Irao MAGNAT

Gudiashvili LLC were not recognised. At this company, the share of losses exceeded the value of the investment and, therefore, no further losses were recognised.

5. Profit/loss from fair value adjustments in investment properties

EURk	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
Unrealised gains from fair value measurement	21,478	68,278
Unrealised losses from fair value measurement	-3,007	-4,670
Total	**18,471**	**63,608**

The profit/loss from fair value adjustments in investment properties of EURk 18,471 (abbreviated fiscal year: EURk 63,608) mainly concerned properties located in Germany of foreign and domestic direct and indirect subsidiaries. The greatest value appreciation of EURk 6,647 concerns the Logistikpark Leipzig acquired at the end of June 2015. Other significant gains resulted from the fair value adjustment of the properties held by Sihlegg Investments Holding GmbH (EURk 4,735), GO Bremen ApS (EURk 2,279), TGA Immobilien Erwerb 1 GmbH (EURk 1,275) and GO Leonberg ApS (EURk 1,262).

The fair value of these investment properties is based on external expert opinions. The favourable yield curves in combination with more intense competition among foreign investors were the key reasons for the significant increase in valuation factors used to determine the fair value of real estate in the reporting period.

We refer to Note E.1.3.

6. Unrealised fair value adjustments in real estate inventory

EURk	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
Profits from unrealised fair value adjustments in real estate inventory	0	407
Losses from unrealised fair value adjustments in real estate inventory	0	-100
Total	**0**	**307**

Profits and losses from unrealised fair value adjustments in real estate inventory include effects primarily arising because the valuation is based on fair value estimates. There were no changes in the fair values of the remaining three real estate inventory properties during the reporting year. The profit in the abbreviated 2014 fiscal year of EURk 407 was attributable to write-ups made to amortised cost of properties held by 1. MAGNAT Immobiliengesellschaft mbH. We refer to Note E.2.1.

7. Impairment of receivables

Impairment of receivables consists of the following:

EURk	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
Loans to investments accounted for using the equity method	1,561	342
Trade accounts receivable and other receivables	1,285	54
Financial receivables and other financial assets	0	297
Total	**2,846**	**693**

Of the impairments made on loans to investments accounted for using the equity method, an amount of EURk 1,088 relates to OXELTON and EURk 473 to R-Quadrat Polska Alpha Sp. z .o.o. In the abbreviated 2014 fiscal year, impairments related exclusively to R-Quadrat Polska Alpha Sp. z .o.o. (EURk 342).

Impairments made to trade accounts receivable and other receivables mainly resulted from impairments made to purchase price receivables of EURk 284 due to the divestment of companies contained in the legacy portfolio and rent receivables of EURk 241, which resulted mainly from companies acquired in the abbreviated 2014 fiscal year.

8. Profits originating from a purchase below market value

Profits originating from a purchase below market value of EURk 33,217 resulted from the acquisition of Germavest Real Estate S.à.r.l. (T6 portfolio). Because the offsetting of the acquisition costs plus the interests of non-controlling shareholders against the acquired entity's net assets resulted in a negative goodwill, the carrying amounts of the assets and liabilities acquired and the acquisition cost determined were initially subjected to another critical review. The negative goodwill derived of EURk 33,217 was recognised immediately through profit or loss in the consolidated income statement as a non-recurring effect. This amount originates mainly from the fair value in excess of the purchase price for investment properties recognised at Germavest Real Estate S.à.r.l. For further information, please see Note B.

9. Other operating income

EURk	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
Derecognition of liabilities	788	46
Reversal of impairment losses on receivables	343	19
Income from the disposal of property, plant and equipment	181	0
Gains from foreign currency differences	160	5
Benefits in kind	56	20
Income from the reversal of provisions	38	88
Income from allocated expenses	23	1
Compensation for damages	11	0
Others	972	250
Total	**2.572**	**429**

Income from prior periods consists mainly of the derecognition of liabilities in the context of the reassessment of risk provisions at the balance sheet date, the release of provisions and the reversal of impairment losses on receivables.

10. General and administrative expenses

EURk	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
Legal and consulting fees	4,682	1,356
Accounting and audit costs	3,490	1,303
Staff costs	2,258	578
Advertising and travel expenses	378	158
Supervisory Board compensation	270	63
Expenses for asset management	17	52
Others	237	138
Total	**11,332**	**3,648**

The EURk 3,326 increase in legal and consulting fees resulted mainly from non-recurring expenses in connection with the preparation of stock market prospectuses relating to capital market activities to acquire real estate companies. The EURk 2,187 increase in accounting and auditing costs also resulted predominantly from audit and assurance services provided in connection with these activities.

The total sum of staff costs related to staff employed by the ultimate parent company is included in general and administrative expenses. The increase in staff costs resulted from the higher number of employees at the parent company due to the Company's business expansion and from the recognition of expenses for stock-based payments in the amount of EURk 434.

By resolution of the Annual General Meeting on August 28, 2015, the total remuneration of the Supervisory Board for the reporting period increased to EURk 270 (abbreviated fiscal year: EURk 63).

11. Other operating expenses

EURk	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
Non-deductible input taxes	1,139	662
Transaction costs for the acquisition of Germavest Real Estate S.à.r.l.	793	0
Expenses for Annual General Meeting and investor relations	767	42
Third-party services	679	685
Fees and incidental costs of monetary transactions	526	178
Losses from foreign currency differences	154	194
Property management	144	176
Insurance fees	78	51
Occupancy costs	77	60
Differences from the intercompany consolidation of liabilities, expenses and income	74	95
Legal and consulting fees	58	78
Others	776	693
Total	**5,265**	**2,914**

The increase in non-deductible input taxes resulting from higher legal and consulting fees were primarily related to the parent company, which is not entitled to a full input tax deduction. Transaction costs of EURk 793 resulted from the acquisition of Germavest Real Estate S.à.r.l., which was accounted for as a business combination according to IFRS 3.

12. Financial result

EURk	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
Financial income	2,145	6,955
Financial expenses	-27,873	-9,893
Financial result	**-25,728**	**-2,938**

Financial income of EURk 2,145 resulted mainly from positive valuation effects from the fair measurement of the call option of the 2014/2019 corporate bond.

The derecognition of the receivable totalling EURk 3,060 against OXELTON, which was considered unrecoverable following the renegotiation of the mezzanine loan, had a negative impact of EURk 1,972 on the financial result.

As a result of a change in DEMIRE’s convertible bond’s terms and conditions on September 30, 2014, and the corresponding accounting of this change as a repayment and new issue, the difference between the bond’s fair value and its nominal value was recognised through profit or loss and led to a profit in the abbreviated 2014 fiscal year of EURk 6,000. At that time, an amount of EURk 490 was recognised directly in equity as an equity component upon the initial recognition of the new debt instrument. This was offset by the development of the bond’s fair value during the period from April 1, 2014 to September 30, 2014, resulting in financial expenses of EURk 6,519.

The higher financial expenses resulted from loans assumed for real estate acquired at the end of the abbreviated 2014 fiscal year and in the current fiscal year (see Note E. 5.3 and E. 6.4).

Detailed information on net gains and losses from loans and receivables and financial liabilities is contained in Note I.1.

13. Income taxes

EURk	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
Current income taxes	755	348
Deferred income taxes	3,384	9,441
Total income taxes (– = income / + = expense)	**4,139**	**9,789**

Current tax expenses of EURk 755 (previous year: EURk 348) include corporate and trade taxes.

Deferred taxes of EURk 3,384 (abbreviated 2014 fiscal year: EURk 9,441) consisted of deferred tax income of EURk 2,758 (abbreviated 2014 fiscal year: EURk 682) and deferred tax expenses of EURk 6,142 (abbreviated 2014 fiscal year: EURk 10,123). Deferred tax expenses resulted mainly from temporary differences arising from the valuation of investment properties according to IAS 40.

Current income taxes are distributed among domestic and foreign companies as follows:

EURk	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
Germany	754	314
Foreign countries	1	34
Total	**755**	**348**

As at the balance sheet date, unutilised tax loss carryforwards from consolidated companies totalled EURk 47,731 (previous year: EURk 22,752). This amount includes EURk 47,364 (previous year: EURk 22,577) of perpetual tax loss carryforwards. Of the remaining tax loss carryforwards, EURk 163 will expire in the coming year. Tax loss carryforwards of EURk 28 will expire in 2017, EURk 21 in 2018, EURk 137 in 2019 and EURk 18 in 2020. Deferred tax assets for these tax loss carryforwards are capitalised only when it is likely that tax loss carryforwards will be offset by earnings achieved in the foreseeable future. In the DEMIRE Group, deferred tax assets on tax loss carryforwards at the level of the same tax entity were capitalised only to the extent that deferred tax liabilities were recognised.

Distributions to shareholders from DEMIRE AG result in neither corporate nor trade taxes for the Company. Nevertheless, the Company is generally liable for German capital gains tax plus the solidarity surcharge (withholding tax), which the Company is required to withhold from the resolved distribution and transfer to the relevant German tax office.

Distributions generally require shareholders to pay income or corporate taxes, unless the distributions are not subject to taxation due to the shareholders' tax status or other circumstances. Withholding taxes withheld and transferred by the Company can generally be offset by the shareholder's income and corporate tax liability and is reimbursable, dependent upon of the shareholders' tax status.

Tax reconciliation statement

The tax reconciliation statement between the theoretical and actual tax expense is presented on the basis of the Group tax rate of 31.93 % (previous year: 31.93 %). The Group tax rate of 31.93 % includes a 15 % corporate tax rate valid from January 1, 2008, a 5.5 % solidarity surcharge and a 16.1 % trade tax (municipal rate for Frankfurt/Main: 460 %; trade tax 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 corporate 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. The calculation of deferred taxes for foreign companies acquired during the reporting period was also based on a tax rate of 15.83 % because these companies are not subject to trade tax.

EURk	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
Profit/loss before taxes	**33,012**	**55,496**
Group tax rate	**31.93 %**	**31.93 %**
Expected income taxes	**10,541**	**17,720**
Tax rate differences	-3,626	-11,197
Tax effects arising from non-deductible operating expenses	2,869	502
Tax effects of tax-free income	-12,166	-123
Tax effects arising from non-utilised losses and non-recognised temporary differences for which no deferred tax assets were capitalised	6,324	4.066
Tax effects arising from the recognition of deferred tax assets for tax loss carryforwards which were not capitalised in prior periods	-53	-1.051
Others	250	-128
Actual income taxes	**4.139**	**9,789**

Tax-free income resulted primarily from the profit from to the purchase of Germavest Real Estate S.à.r.l. below market value and from profits of companies accounted for using the equity method and the positive result from the sales of real estate companies. In the statement of income, income from companies accounted for using the equity method is included in profit/loss from investments accounted for using the equity method and in profit/loss from the sale of real estate companies. The tax effect arising from non-deductible operating expenses mainly resulted from the interest barrier rule under corporate tax law.

According to IAS 12 (Income Taxes), 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 in domestic and foreign subsidiaries.

Recognising deferred taxes on outside basis differences as temporary differences means that future tax effects should 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 can determine the timing of distributions and the retention of earnings from subsidiaries. Except for the mandatory distributions from Fair Value REIT-AG, dividend distributions from subsidiaries are neither planned nor foreseeable. Therefore, the recognition of deferred taxes for outside basis differences was waived with the exception of the deferred taxes recognised for Fair Value REIT. The recognition of deferred taxes for outside basis differences at the level of Fair Value REIT amounted to EURk 4,739 as at December 31, 2015 (previous year: EURk 0).

For additional information relating to deferred tax assets and liabilities, we refer to Note E.5.1.

14. Net profit/loss for the period attributable to non-controlling shareholders

Net profit/loss for the period attributable to non-controlling shareholders amounted to EURk 756 in the reporting year (abbreviated 2014 fiscal year: EURk 2,405).

15. Earnings per share

Basic earnings per share is computed by dividing the net profit/loss for the period attributable to the parent company shareholders by the weighted average number of shares outstanding during the year.

EURk	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
Net profit/loss (EURk)	**28,873**	**45,707**
Net profit/loss attributable to parent company shareholders	28,117	43,302
Interest expenses from convertible bonds	829	495
Net profit/loss attributable to parent company shareholders (diluted)	28,946	43,797
Number of shares		
Number of shares outstanding as at the balance sheet date	49,292	14,306
Weighted average number of shares outstanding	25,889	14,306
Impact of conversion of convertible bonds	13,662	10,889
Share-based payments	1,000	0
Weighted average number of shares (diluted)	40,551	25,195
Earnings per share (EUR)		
Basic earnings per share (EUR)	1.09	3.03
Diluted earnings per share (EUR)	0.71	1.74

As at December 31, 2015, the company had potential ordinary shares outstanding from the 2013/18 convertible bond, which can be exchanged by the holders of the convertible bonds in exchange for 10,661,700 shares (previous year: 10,885,500 shares).

Diluted earnings per share is calculated by adjusting net profit/loss for the period and the number of shares outstanding based on the assumption that convertible instruments are converted and warrants in connection with share-based payments are exercised.

16. Staff costs

EURk	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
Salaries	2,231	545
Statutory social expenses	281	33
Total	**2,512**	**578**

Staff costs of EURk 2,258 are generally included in general and administrative expenses and relates mainly to DEMIRE AG (EURk 1,617), Logistikpark Leipzig GmbH (EURk 174) and Magnat Asset Management GmbH (EURk 205). DEMIRE Immobilien Management GmbH's staff costs of EURk 254 are not included in general and administrative expenses but instead in expenses to generate rental income. Around half of the statutory social expenses relate to the statutory pension scheme.

The sharp rise over the previous year resulted from the increased number of staff in the course of expanding the Company's business activities.

DEMIRE AG's staff costs include expenses of EURk 434 for stock-based compensation.

17. Scheduled depreciation and amortisation

EURk	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
of other intangible assets	1	0
of property, plant and equipment	21	3
Total	**22**	**3**

Scheduled depreciation and amortisation is included in other operating expenses.

E. NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Non-current assets

1.1. Intangible assets

1.1.1 Goodwill

EURk	2015	2014
Acquisition cost as at the beginning of the fiscal year	463	1,029
Cumulative impairment as at the beginning of the fiscal year	463	1,029
Carrying amounts as at the beginning of the fiscal year	**0**	**0**
Additions	6,783	0
Disposals	0	566
Acquisition cost as at the end of the fiscal year	7,246	463
Cumulative impairment as at the end of the fiscal year	463	463
Carrying amounts as at the end of the fiscal year	**6,783**	**0**

EURk	2015	2014
Impairment during the fiscal year	0	0

Upon consolidation, net deferred tax liabilities of EURk 4,739 were recognised for the deemed disposal of the properties held by Fair Value REIT-AG (analogous to the "tax transparent entities") using a tax rate of 31.93 %. This resulted in the recognition in the consolidated financial statements of DEMIRE AG of goodwill totalling EURk 6,783 from the acquisition of Fair Value REIT. Deferred tax liabilities increased the positive difference or goodwill of EURk 2,044 by an amount of EURk 4,739.

Goodwill of EURk 6,783 resulting from the first-time consolidation of Fair Value REIT-AG as at the balance sheet date has been allocated to Fair Value REIT-AG because Fair Value REIT-AG will be the main beneficiary of the synergy effects in the areas of property management and administration. Because the date of the purchase price allocation corresponds to DEMIRE's balance sheet date and the amounts determined during the purchase price allocation were once again reviewed, an impairment test of goodwill was not conducted as at the balance sheet date. The determined recoverable amount would not have been lower than the carrying amount of goodwill.

Goodwill also includes the goodwill form the subsidiary MAGNAT Investment I B.V. determined in the context of the capital consolidation, which has been fully impaired in previous years.

1.1.2 Other intangible assets

A useful life of three to five years is applied to other intangible assets. This primarily includes computer software. Amortisation is reported in the statement of income in the line item "other operating expenses" (EURk 1; previous year: EURk 0).

EURk	2015	2014
Acquisition cost as at the beginning of the fiscal year	49	50
Cumulative amortisation as at the beginning of the fiscal year	49	49
Carrying amounts as at the beginning of the fiscal year	**0**	**1**
Additions	3	0
Additions through business combinations	175	0
Disposals	0	1
Amortisation	1	0
Acquisition cost as at the end of the fiscal year	227	49
Cumulative amortisation as at the end of the fiscal year	50	49
Carrying amounts as at the end of the fiscal year	**177**	**0**

Additions from business combinations in the amount of EURk 175 relate to the Internet domain "Fair Value REIT-AG" (EURk 25) and contractual claims from partner companies (EURk 150) of the Fair Value REIT subgroup.

1.2 Property, plant and equipment

Office and operating equipment

Property, plant and equipment include office and operating equipment. A useful life of 3 to 15 years is applied for their depreciation. Depreciation amounts are reported in the statement of income in line item "other operating expenses" (EURk 22; previous year: EURk 3).

EURk	2015	2014
Acquisition cost as at the beginning of the fiscal year	156	336
Cumulative depreciation as at the beginning of the fiscal year	129	126
Carrying amounts as at the beginning of the fiscal year	**27**	**210**
Additions	62	30
Additions through business combinations	26	0
Disposals	16	210
Depreciation	21	3
Acquisition cost as at the end of the fiscal year	228	156
Cumulative amortisation as at the end of the fiscal year	134	129
Carrying amounts as at the end of the fiscal year	**94**	**27**

Advance payments

EURk	2015	2014
Acquisition cost as at the beginning of the fiscal year	11,303	0
Cumulative depreciation as at the beginning of the fiscal year	0	0
Carrying amounts as at the beginning of the fiscal year	**11,303**	**0**
Additions	11,191	11,303
Disposals	11,303	0
Depreciation	0	0
Acquisition cost as at the end of the fiscal year	11,191	11,303
Cumulative depreciation as at the end of the fiscal year	0	0
Carrying amounts as at the end of the fiscal year	**11,191**	**11,303**

Advance payments as at December 31, 2015, relate mainly to the real estate property KurfürstenGalerie in Kassel, for which the transfer of benefits and obligations took place on January 1, 2016. Last year, advance payments related to the property in Leverkusen, for which the transfer of benefits and obligations was carried out as at January 1, 2015.

1.3 Investment properties

Investment properties are carried at fair value. Changes in fair values during the fiscal year were as follows:

EURk	2015	2014
Fair value as at the beginning of the fiscal year	**333,070**	**20,526**
Additions resulting from mergers	469,114	0
Additions from the acquisition of real estate	81,624	248,726
Reclassifications from advance payments and real estate inventory	14,065	210
Reclassifications to non-current assets held for sale	-1,255	0
Unrealised gains from fair value measurement included in Item D.5 in the statement of income	21,478	68,278
Unrealised losses from fair value measurement included in Item D.5 in the statement of income	-3,007	-4,670
Fair value as at December 31 of the fiscal year	**915,089**	**333,070**

Additions to investment properties resulting from mergers originated from the acquisition of the properties of the Fair Value REIT subgroup as at December 31, 2015 and the acquisition of the properties of Germavest Real Estate S.à.r.l as at October 31, 2015. Additions from the purchase of individual properties comprised 59 properties in Germany (abbreviated 2014 fiscal year: 120), which were acquired by the DEMIRE subgroup during the fiscal year. Of these properties, 38 properties were attributable to the Fair Value REIT subgroup. The properties are commercial properties which are rented over the long term. The fair value of the properties newly acquired in the fiscal year was determined by an independent external expert as at the reporting date. Valuation gains of

EURk 21,478 (abbreviated fiscal year: EURk 68,278) and valuation losses of EURk 3,007 (previous year: EURk 4,670) were recognised in the 2015 fiscal year.

The reclassifications to non-current assets held for sale include the Peissen property held by DEMIRE Objektgesellschaft Worms GmbH in the amount of EURk 630 and the Am Bahnhof 3 property of Hanse-Center Objektgesellschaft mbH in the amount of EURk 625.

The item reclassifications from property, plant and equipment/real estate inventory in the total amount of EURk 14,065 concerns advance payments for the Goetheplatz, Leverkusen property (EURK 11,303), which was transferred in the reporting year, and the properties in Worms and Halle-Peissen (EURK 2,762), which were reclassified from real estate inventory during the reporting year.

To determine the point in time at which a reclassification between the different hierarchy levels is considered to have occurred, the Company uses the time of the event or of the change in circumstances that caused the reclassification. In the period under review, no reclassifications between hierarchy levels 1, 2, and 3 have been carried out when measuring at fair value. The following presents information regarding the fair value measurement of the Group's investment properties as at December 31, 2015, according to IFRS 13.

EURk		Measurement hierarchy		
	Fair value Dec. 31, 2015	Quoted prices in active markets for identical assets (Level 1)	Other observable material input factors (Level 2)	Other non-observable material input factors (Level 3)
Commercial properties in Germany	915,089	0	0	915,089

EURk		Measurement hierarchy		
	Fair value Dec. 31, 2015	Quoted prices in active markets for identical assets (Level 1)	Other observable material input factors (Level 2)	Other non-observable material input factors (Level 3)
Commercial properties in Germany	333,070	0	0	333,070

Information on investment properties held by the DEMIRE subgroup

The following significant contributions to investment properties of the DEMIRE subgroup are contained in the consolidated statement of income:

EURk	2015	2014
Property management income	43,344	3,749
Property management expenses	19,664	1,459
Profit/loss from the rental of real estate	**23,680**	**2,290**

A sensitivity analysis of the significant, non-observable input factors had the following impact on the fair value of investment properties:

CHANGE IN VALUE	Property yield		Market rent[1]	
	-0.5 %	+0.5 %	-10 %	+10 %
EURk	42,085	-38,300	-49,020	48,770
in %	+6.0	-6.6	-7.6	+7.6

[1] *Taking into account rental income, vacancy rates, administration and maintenance costs.*

A significant increase in maintenance costs, vacancy rates, and property yields would result in a decrease in the properties' fair value assuming unchanged assumptions regarding all other input factors.

Information on investment properties held by the Fair Value REIT subgroup

The discounted cash flow method is the valuation method used to determine the fair value of real estate held by the Fair Value REIT subgroup. The number of investment properties held by the subgroup Fair Value REIT as at December 31, 2015 totalled 38 properties with 34 properties fully owned, three properties partially owned and one leasehold property. Additionally, two properties, for which the transfer of ownership, benefits and obligations did not take place in 2015, have been reported under non-current assets held for sale.

The properties' fair values were determined on an individual basis using the DCF method by CBRE GmbH, Frankfurt. The cash flows for a 10-year period were planned in detail. After this period, and amount of sustainable rental income was applied whose present value was determined on the basis of property-specific capitalisation rates taking into account estimated costs to sell after 10 years. The cash flow surplus of the 10-year period and the net present value resulting after this period was discounted at discount rates to the valuation date, reduced by the amount of estimated incidental acquisition costs of a potential buyer. The land value was used for the calculation of the property in Chemnitz.

The following effects on the fair value of investment properties were determined by a sensitivity analysis of the significant unobservable input parameters:

CHANGE IN VALUE	Property yield		Market rent[1]	
	-0.5 %	+0.5 %	-10 %	+10 %
EURk	13,362	-11,779	-10,660	+10,218
in %	+7 %	-7 %	+7 %	-7 %

[1] *Taking into account rental income, vacancy rates, administration and maintenance costs.*

1.4. Investments accounted for using the equity method

Interests in investments accounted for using the equity method (EURk 3,136; previous year: EURk 2,613) include interests in associated companies (EURk 3,020; previous year: EURk 1,615) and joint ventures (EURk 116; previous year: EURk 998).

1.4.1. Interests in associated companies

COMPANY	Carrying amount as at 31/12/2015 EURk	Carrying amount as at 31/12/2014 EURk
SQUADRA Immobilien GmbH & Co. KGaA	3,020	1,592
Russian Land AG	0	23
Total	**3,020**	**1,615**

DEMIRE's relationship to the associated companies is of an operational nature. The companies' activities primarily concern real estate management.

The EURk 1,428 increase in the carrying amount of SQUADRA Immobilien GmbH & Co. KGaA resulted from unrealised fair value changes in the context of the real estate valuation carried out in the reporting year that positively impacted DEMIRE's proportionate share in earnings. This higher valuation resulted from improved disposal options for the SQUADRA Group's office property located in Frankfurt/Main in the course of the planned change of use to a residential property.

The reconciliation of the carrying amounts of the interests in associated companies is derived based on DEMIRE's interest in the transferred profit or loss according to the annual or interim financial statements:

COMPANY	Profit/loss in fiscal year 2015 EURk	Profit/loss in abbreviated 2014 fiscal year EURk
SQUADRA Immobilien GmbH & Co. KGaA	-1,428	-126
Total	**1,428**	**-126**

The transferred profit of EURk 1,428 from SQUADRA to DEMIRE in the 2015 fiscal year includes unrealised fair value adjustments of EURk 1,473 relating to the revaluation of a property.

The line item "profits from investments accounted for using the equity method" in the consolidated income statement in the amount of EURk 1,861 (abbreviated 2014 fiscal year: EURk 199) comprises income of EURk 1,473 relating to the revaluation of a property at SQUADRA and income of EURk 402 from the derecognition of liabilities from OXELTON.

1.4.2. Interests in joint ventures

COMPANY	Carrying amount as at 31/12/2015 EURk	Carrying amount as at 31/12/2014 EURk
OXELTON ENTERPRISES Limited	0	869
R-Quadrat Polska Alpha Sp. z .o.o.	0	0
Irao MAGNAT 28/2 LLC	116	129
Irao MAGNAT Gudiashvili LLC	0	0
Total	**116**	**998**

DEMIRE's relationship to the joint ventures is of an operational nature. The companies' activities primarily concern real estate management.

DEMIRE's interest in the transferred profit or loss according to the annual or interim financial statements of the joint ventures and the derecognition of liabilities is as follows:

COMPANY	Income from the derecognition of liabilities (2015) EURk	Profit/loss in fiscal year 2015 EURk	Profit/loss in abbreviated 2014 fiscal year EURk
R-Quadrat Polska Alpha Sp. z .o.o.	0	0	0
Irao MAGNAT 28/2 LLC	0	0	0
Irao MAGNAT Gudiashvili LLC	0	0	0
OXELTON ENTERPRISES Limited	433	0	199
Total	**433**	**0**	**199**

The interests in OXELTON ENTERPRISES Limited, Limassol, Cyprus, recognised using the equity method, were sold in December 2015. In the course of this sale, reserves for currency translation differences of EURk 3,830 attributable to OXELTON were derecognised through profit or loss under IAS 21.48 (see Note D.4).

In the abbreviated 2014 fiscal year, impairment on the interest of OXELTON ENTERPRISES Limited in the amount of EURk 1,087 was recognised as well as foreign exchange losses of EURk 1,067 in other comprehensive income.

The projects of the Irao MAGNAT 28/2 LLC and the R-QUADRAT Polska Alpha Sp. z o.o. joint ventures are nearly complete. As a result, it is not expected that the DEMIRE Group will be obliged to provide further funds.

Due to the withdrawal of Irao MAGNAT Gudiashvili LLC from the "Gudiashvili Square" project, this company is not generating any operating cash flow from which the operating expenses can be paid. The Group is supplying this joint venture an adequate amount of funds in order to cover the operating expenses that are incurred. No further loans were granted in the reporting year.

1.5. Other financial assets

The carrying amounts of other financial assets amounted to EURk 11,045 (previous year: EURk 14) and mainly contain the non-current portion of the receivable settlement credit in the amount of EURk 9,018 from the subgroup Fair Value REIT.

The receivable settlement credit for the terminated shares in BBV 09 was set at a level of EUR 10.02 million by an appointed arbitrator on November 30, 2015. The receivable settlement credit is due on May 31, 2016, however, according to the business plan of BBV 09, It will be paid in three annual instalments of 10 %, 10 % and 80 %, but at least in instalments of 1 %, 1 % and 98 %, plus default interest of 4 % per annum payable as of the due date. Accordingly, this results in a non-current portion in the amount of EURk 9,018 and a current portion of EURk 1,002. The company has issued a letter of subordination in favour of the financing bank of BBV 09. BBV 09 has committed to surrender distributions to shareholders of BBV 09 until the claims of former shareholders are met.

By agreement of July 10, 2008, an existing pension commitment of IC Fonds GmbH for the benefit of Mr. Frank Schaich was assumed by Fair Value REIT-AG. This results in a defined benefit obligation for the company under IAS 19. A pension insurance policy has been taken out for to cover the commitment, which is pledged to the beneficiary and therefore, as plan assets, is offset against the present value of the defined benefit obligation (DBO).

The following pension obligations and plan assets were assumed:

EURk	31/12/2015
As at the beginning of the fiscal year	131
Fair value of plan assets	
As at the end of the year	126
Underfunding (-) / overfunding (+) of pension plan	**-5**

The following actuarial assumptions were made:

IN %	31/12/2015
Discount rate	2.0
Expected return on plan assets	2.0

1.6. Loans to investments accounted for using the equity method

Loans to companies accounted for using the equity method of EURk 553 (previous year: EURk 2,857) concern loans to R-QUADRAT Polska Alpha Sp. z o.o. The decline in loans mainly resulted from the impairment of the OXELTON loan amounting to EURk 3,060 in the context of the sale of the interest in OXELTON to the former owner of the mezzanine loan.

1.7. Other loans

The majority of other loans of EURk 384 (previous year: EURk 322) is due at the end of 2021 and consists of receivables from the partial sale of a property.

2. Current assets

2.1 Real estate inventory

Of the real estate inventory, an amount of EURk 2,298 (previous year: EURk 7,355) concerns developed and undeveloped properties that are destined for resale. During the reporting period, there were no write-ups in value and the decline arose from the divestment of real estate investments in Eastern Europe and the Black Sea Region contained in the legacy portfolio. In the abbreviated 2014 fiscal year there were reversals of impairment amounting to EURk 407 as a result of the reversal of extraordinary depreciation on the real estate inventory of 1. MAGNAT Immobiliengesellschaft mbH. A significant portion of this property was let during the abbreviated fiscal year. Furthermore, minor impairments for several properties totalling EURk 100 were made in the abbreviated fiscal year.

During the reporting period, as a result of divestments at Kappa Trade Ltd. and Polar Trade Ltd., real estate inventory of EURk 2,036 (previous year: EURk 1,173) was disposed of. The corresponding expenses are included in the line item "net assets from real estate companies sold".

Also in the reporting period, the Parchim property recognised as real estate inventory was sold at its remaining carrying amount of EURk 192 and the related expense is included in the item "expenses relating to real estate sales".

The Worms and Halle-Peissen properties recognised in the prior year under "real estate inventory" was reclassified in the reporting period as "investment properties" due to a change of use in accordance with IAS 40.58.

2.2 Trade accounts receivable and other receivables

EURk	31/12/2015 Gross	Impairment	31/12/2015 Net	31/12/2014 Gross	31/12/2014 Net
Trade accounts receivable against third parties	8,837	4,347	4,490	3,535	1,143
Receivables from processing value-added tax	2,056	0	2,056	357	357
Purchase price receivables from legacy portfolio sales	2,914	284	2,630	1,132	1,132
Purchase price receivables from Erlangen property	1,355	0	1,355	0	0
Unbilled revenue from ancillary rental cost	1,571	0	1,571	0	0
Receivables from settlement credit BBV 09	1,002	0	1,002	0	0
Administrator accounts	151	0	151	72	72
Overpaid purchase prices	0	0	0	3,672	3,672
Others	1,132	0	1,132	2,964	2,911
Total	**19,018**	**4,631**	**14,387**	**11,732**	**9,287**

All trade accounts receivable are current and predominantly due in less than 3 months. Impairments of EURk 4,631 (previous year: EURk 2,444) were recognised. Their development is presented in the following table. None of the receivables are significantly overdue. Expenses for additions to impairment charges are included in the statement of income under the line item “impairment of receivables”. The following table illustrates the development of accumulated impairment.

EURk	2015	2014
Accumulated impairment at the start of the fiscal year	**2,444**	**2,513**
Impairment in the current year	1,285	54
Realisation of impairment	0	-104
Reversal of impairment	-343	-19
Acquired impaired from business combinations	509	0
Reclassifications	736	0
Accumulated impairment at the end of the fiscal year	**4,631**	**2,444**

Reclassifications of EURk 736 in the reporting year mainly resulted from the reclassification of balance sheet items related to changes in maturities and the corresponding impairments.

If the collection of receivables becomes doubtful, they are then recognised at the lower realisable value. In addition to the individual allowances required for bad debt, identifiable risks relating to general credit risk in the form of fixed-sum allowances have also been taken into account.

2.3 Financial receivables and other financial assets

Financial receivables and other financial assets mainly include receivables from redemption of fractional bonds from the 2014/2019 corporate bond amounting to EURk 14,375, blocked investment funds for EOGF Land mbH of EURk 3,000, a loan to Taurecon Real Estate Consulting GmbH, Berlin, in the amount of EURk 2,168 and a loan of EURk 2,074 to Taurecon Beteiligungs GmbH, Berlin, which is a non-controlling shareholder in some of DEMIRE’s Group companies.

Of the financial receivables and other financial assets, there were no receivables overdue after taking the respective impairments into account. Impairment charges are included in the item “impairment of receivables” in the statement of income. The gross amount of financial receivables and other financial assets is the sum of the current carrying amounts and the accumulated impairments at the end of the fiscal year.

The following table shows the development of accumulated impairment.

EURk	2015	2014
Accumulated impairment at the start of the fiscal year	**3,179**	**3,325**
Impairments in the current year	0	639
Realisation of impairment	0	-785
Reversal of impairment	0	0
Currency differences	-203	0
Reclassifications	-2,385	0
Accumulated impairment at the end of the fiscal year	**591**	**3,179**

Reclassifications of EURk 2,385 in the reporting year mainly resulted from the reclassification of balance sheet items related to changes in maturities and the corresponding impairments.

2.4 Cash and cash equivalents

Cash and cash equivalents of EURk 28,467 (previous year: EURk 4,397) include cash on hand and credit balances at financial institutions, EURk 16,028 of which concern the subgroup Fair Value REIT.

3. Non-current assets held for sale

The item contains properties held for sale:

PROPERTY EURk	Carrying amount as at 31/12/2015	Carrying amount as at 31/12/2014
Radevormwald ("BBV08") property	11,100	0
Tornesch property ("Fair Value REIT-AG ")	650	0
Halle-Peissen property (DEMIRE Worms Objektgesellschaft GmbH)	630	0
Am Bahnhof 3 property (Hanse-Center Objektgesellschaft mbH)	625	0
Total	**13,005**	**0**

The Radevormwald (BBV 08) property was sold for a purchase price of EURk 11,100 based on a notarised purchase agreement dated March 4, 2016. The transfer of benefits and obligations to the buyer for this property took place on March 31, 2016.

Based on a purchase agreement dated January 29, 2016, the property located in Tornesch at Willy-Meyer-Str. 3-5, was sold to a local businessman. The purchase price of EURk 650 is 10 % higher than the expert appraised market value on December 31, 2015 of EURk 590. The transfer of ownership, benefits and obligations took place after full payment on March 17, 2016.

On November 17, 2015, a contract was concluded for the sale of the Halle-Peissen property at a price of EURk 650. The transfer took place in the first quarter of 2016 upon the fulfilment of the contractual conditions.

At the time of preparing these consolidated financial statements, the property Am Bahnhof 3 had not yet been sold.

4. Equity

Subscribed capital

In reference to the explanations in Note A.5., subscribed capital amounted to EURk 49,292 (previous year: EURk 14,306). Capital reserves contain a EURk 7,425 difference in the subscribed capital of EURk 49,292 and the sum of the subscribed capital of MAGNAT Asset Management GmbH in an amount of EURk 160 as the economic parent company following the reverse acquisition and the acquisition costs for the acquisition of DEMIRE Deutsche Mittelstand Real Estate AG of EURk 21,160. A description of the other reserves can be found in Note G.1.

The subscribed capital of the legal parent company, DEMIRE Deutsche Mittelstand Real Estate AG, amounted to EUR 49,292,285.00 (previous year: EUR 14,306,151.00).

The subscribed capital is divided into 49,292,285 no-par value bearer shares with a notional interest of EUR 1.00. All shares are fully paid-in. There are no restrictions concerning voting rights or the transfer of shares. Shares endowed with special rights conferring power of control do not exist. The increase in subscribed capital resulted from conversions of 2013/2018 convertible bonds, a cash capital increase and the capital increase against contribution in kind related to newly acquired properties or companies.

If there is a capital increase, the profit participation of new shares may deviate from Section 60 para. 2 of the German Stock Corporation Act (AktG).

Shareholders are not entitled to share certificates to the extent this is permitted by law.

NUMBER OF SHARES OUTSTANDING:	31/12/2015	31/12/2014
Number of no-par value bearer shares issued	49,292,285	14,306,151
of which fully paid-in	49,292,285	14,306,151

Conversion of 2013/2018 convertible bonds

An increase of 226,800 shares resulted from conversions from the 2013/2018 convertible bond.

The Company’s share capital was conditionally increased following the exercise of conversion rights from the 2013/2018 convertible bond and the issue of 226,800 new shares from Conditional Capital I/2013 by up to EUR 6,309,025.00, divided into a maximum of 6,309,025 no-par value bearer shares with a notional interest of EUR 1.00. The original number of convertible bonds was 11,300,000. Following the conversion of a further 226,800 bonds in the reporting period, the remaining number of conversions rights totalled 10,661,700. The conditional capital increase serves to grant sub¬scription and/or conversion rights to the holders of bonds with warrants and/or convertible bonds to be issued under the authorisation of the Annual General Meeting of October 23, 2013.

Capital increase against contribution in kind to acquire Hanse-Center Objektgesellschaft mbH and Glockenhofcenter Objektgesellschaft mbH

Based on the authorisation of the Annual General Meeting of October 15, 2014, the Company's share capital was increased from authorised capital against contribution in kind on one occasion in an amount of EUR 5,633,710 excluding shareholder subscription rights upon its registration in the commercial register on January 22, 2015.

Alpine Real Estate GmbH was admitted to subscribe to the new shares and made a contribution in kind to DEMIRE AG consisting of 94.9 % of Alpine's interest in Hanse-Center Objektgesellschaft mbH, 94.9 % of the interest in Glockenhofcenter Objektgesellschaft mbH and a receivable against Hanse-Center Objektgesellschaft mbH. In the context of the capital increase, each new DEMIRE AG share was assigned a value of EUR 1.75.

Capital increase against contribution in kind to purchase Gutenberg Galerie

Based on the authorisation of the Annual General Meetings of October 15, 2014 and March 6, 2015, the Company's share capital was increased against contribution in kind and excluding shareholder subscription rights in a total amount of EUR 2,182,567.00. Ketom AG, Switzerland, was admitted to subscribe to the new shares in return for providing a contribution in kind consisting of a 94 % interest in the project company Sihlegg Investments Holding GmbH, Switzerland and all claims from a shareholder loan granted to the project company by Ketom AG. A value of EUR 4.028 per DEMIRE AG share was used to determine the amount of the capital increase and the number of new DEMIRE AG shares to be issued. The capital increase was recorded in the commercial register on May 27, 2015.

Capital increase against contribution in kind to purchase Logistikpark Leipzig GmbH

On May 13, 2015, with the approval of the Supervisory Board on May 19, 2015, a resolution was made to increase the Company's share capital from authorised capital once by EUR 2,541,149.00 against a mixed contribution in kind and excluding shareholders' subscription rights. M1 Beteiligungs GmbH, Berlin, was admitted to subscribe to the new shares in return for a contribution in kind consisting of a 94 % interest in Logistikpark Leipzig GmbH. A value of EUR 5.84 per DEMIRE AG share was used to determine the amount of the capital increase and the number of new DEMIRE AG shares to be issued. The capital increase was recorded in the commercial register on July 1, 2015.

Cash capital increase

The Company's share capital was increased on July 17, 2015 by EUR 2,474,152 by means of a 10 % cash capital increase. The 2,474,152 new no-par value ordinary bearer shares (no-par value shares) were largely subscribed to by the institutional investor Wecken & Cie., Basel, Switzerland, in the context of a private placement. The issue price of the new shares was EUR 4.51 per share. The new shares are entitled to dividends as of January 1, 2015. The capital increase was recorded in the commercial register on July 14, 2015.

Capital increase against contribution in kind to purchase Fair Value REIT-AG

On October 14, 2015, the Executive Board of DEMIRE AG made a voluntary public takeover offer to the shareholders of Fair Value REIT-AG in which they could exchange their shares for newly created shares of DEMIRE AG. The aim of the acquisition was to create the leading commercial real estate specialist with a focus on German secondary locations and a common real estate portfolio valued at roughly EUR 1 billion.

The share exchange took place at a ratio of two DEMIRE Deutsche Mittelstand Real Estate AG shares for one Fair Value REIT-AG share. The exchange took legal effect on December 21, 2015 with the registration of the capital increase in the commercial register in Frankfurt/Main. DEMIRE AG's takeover offer was accepted by 77.70 % of the Fair Value REIT-AG shareholders. A total of 10,963,878 Fair Value REIT-AG shares of the full total of 14,110,323 shares were tendered for exchange during the initial acceptance period and the additional acceptance period that extended until December 3, 2015.

Based on a resolution of the Supervisory Board dated December 16, 2015 to amend the Articles of Association, and entry in the commercial register on December 21, 2015, the Company's share capital was increased by EUR 21,927,756.00 against contribution in kind by issuing 21,927,756 new no-par value bearer shares (no-par value shares) with a notional interest in the share capital of EUR 1.00 each. The contribution in kind consisted of 10,963,878 shares of Fair Value REIT-AG with a notional interest in the share capital of EUR 2.00 per share. The capital increase was recorded in the commercial register on December 21, 2015.

Authorised Capital

Authorised Capital I/2014

By resolution of the Annual General Meeting of October 15, 2014, with the Supervisory Board's consent, the Executive Board was authorised to increase the Company's share capital by issuing up to 7,064,325 new bearer shares in the form of no-par value shares with a notional interest of EUR 1.00 each against contribution in cash and/or in kind once or several times in partial amounts of up to EUR 7,064,325.00 (Authorised Capital I/2014) until October 14, 2019. Shareholders are generally entitled to subscription rights.

The Executive Board and Supervisory Board have resolved on December 22, 2014 to increase the Company's share capital from authorised capital once in the amount of EUR 5,633,710.00 – from EUR 14,306,151 to EUR 19,939,861 – against contribution in kind and excluding shareholders' subscription rights. Alpine Real Estate GmbH was admitted to subscribe to the new shares in return for a contribution in kind to DEMIRE AG consisting of 94.9 % of Alpine's interest in Hanse-Center Objektgesellschaft mbH, 94.9 % of the interest in Glockenhofcenter Objektgesellschaft mbH and a receivable against Hanse-Center Objektgesellschaft mbH. Hanse-Center Objektgesellschaft mbH and Glockenhofcenter Objektgesellschaft mbH possess a commercial real estate portfolio comprising a total of nearly 42,000 m² in Bremen, Berlin, and Stralsund. In the context of the capital increase, each new DEMIRE AG share was assigned a value of EUR 1.75. As at the reporting date, the capital increase against contribution in kind has not been accounted for yet because under Section 189 AktG the share capital is effectively increased only upon the registration of the capital increase in the commercial register. Pursuant to the resolution on the capital increase, the capital increase poses a pending transaction that cannot be recognised in the financial statements as long as the contribution has not been made and the execution of the capital increase is not yet entered in the commercial register. The contribution was made with legal effect in 2015, and the capital increase was registered in the commercial register on January 22, 2015.

The Company's Executive Board and Supervisory Board resolved on April 8, 2015 and April 28, 2015 to increase the Company's share capital from authorised capital once in the amount of EUR 1,430,615.00 – from EUR 20,017,811.00 to EUR 21,448,426.00 – against contribution in kind and excluding shareholders' subscription rights. Ketom AG, Switzerland, was admitted to subscribe to the new shares in return for providing a contribution in kind consisting of a 94 % interest in the project company Sihlegg Investments Holding GmbH, Switzerland, as well as all claims from a shareholder loan granted to the project company by Ketom AG. A value of EUR 4.028 per DEMIRE AG share was assigned to determine the amount of the capital increase and the number of new shares to be issued. The capital increase against contribution in kind from Authorised Capital I/2014 was carried out in the amount of EUR 1,430,615.00 and from Authorised Capital I/2015 in the amount of EUR 751,952. The project company owns the office and retail property Gutenberg Galerie in Leipzig with rentable space of approximately 20,750 m².

Authorised Capital I/2014 was fully utilised for, among other things, the subscription of Alpine Real Estate GmbH and Ketom AG and therefore now amounts to EUR 0.00.

Authorised Capital I/2015

By resolution of the Extraordinary General Meeting of March 6, 2015, with the Supervisory Board's consent, the Executive Board was authorised to increase the Company's share capital by issuing up to 8,552,290 new bearer shares in the form of no-par value shares with a notional interest of EUR 1.00 each against contribution in cash and/or in kind once or several times in partial amounts of up to EUR 8,552,290.00 (Authorised Capital I/2015) until March 5, 2020. Shareholders are generally entitled to subscription rights.

The Executive Board and Supervisory Board resolved on April 8, 2015 and April 28, 2015 to increase the Company's share capital from authorised capital once in the amount of EUR 751,952.00 – from EUR 21,448,426.00 to EUR 22,200,378.00 – against contribution in kind and excluding shareholders' subscription rights. Ketom AG, Switzerland, was admitted to subscribe to the new shares in return for providing a contribution in kind consisting of a 94 % interest in the project company Sihlegg Investments Holding GmbH, Switzerland, as well as all claims from a shareholder loan granted to the project company by Ketom AG. A value of EUR 4.028 per DEMIRE AG share was assigned to determine the amount of the capital increase and the number of new shares to be issued. The capital increase against contribution in kind from Authorised Capital I/2014 was carried out in the amount of EUR 1,430,615.00 and from Authorised Capital I/2015 in the amount of EUR 751,952. The project company owns the office and retail property Gutenberg Galerie in Leipzig with rentable space of approximately 20,750 m².

The Company's Executive Board and Supervisory Board resolved on May 18, 2015 and May 19, 2015 to increase the Company's share capital from authorised capital once in the amount of EUR 2,541,149.00 – from EUR 22,200,378 to EUR 24,741,527.00 – against a mixed contribution in kind and excluding shareholders' subscription rights. M1 Beteiligungs GmbH, Berlin, has been admitted to subscribe to the new shares in return for contributing a 94 % interest in Logistikpark Leipzig GmbH. Logistikpark Leipzig GmbH is the sole owner of a logistics property in Leipzig (Logistikpark Leipzig). A value of EUR 5.84 per DEMIRE AG share was assigned to determine the amount of the capital increase and the number of new DEMIRE AG shares to be issued. In addition to the shares, M1 Beteiligungs GmbH is to receive a cash payment of roughly EUR 19 million. The contribution, purchase and assignment agreement governing the contribution in kind is subject, among others, to the approval of the bank financing Logistikpark Leipzig GmbH. Following the execution of this capital increase and taking into account the capital increase against contribution in kind to purchase Gutenberg Galerie, which was resolved by the Executive Board on April 2, 2015, M1 Beteiligungs GmbH will hold an interest of around 10.25 % in DEMIRE AG's share capital.

The Executive Board and Supervisory Board resolved on July 1, 2015 to increase the Company's share capital from authorised capital once in the amount of EUR 2,474,152.00 – from EUR 24,741,527.00 to EUR 27,215,679.00 – against contribution in cash through the issue of 2,474,152 new no-par value ordinary bearer shares with a notional interest in the share capital of EUR 1.00 per share.

The Company's Annual General Meeting passed a resolution on August 28, 2015 to cancel the unutilised Authorised Capital I/2015.

Authorised Capital II/2015

By resolution of the Annual General Meeting of August 28, 2015, with the Supervisory Board's consent, the Executive Board was authorised to increase the Company's share capital by issuing up to 13,675,702 new bearer shares in the form of no-par value shares with a notional interest of EUR 1.00 each against contribution in cash and/or in kind once or several times in partial amounts of up to EUR 13,675,702.00 (Authorised Capital II/2015) until August 27, 2020. Shareholders are generally entitled to subscription rights.

Authorised Capital III/2015

By resolution of the Extraordinary General Meeting of September 14, 2015, with the Supervisory Board's consent, the Executive Board was authorised to increase the Company's share capital by issuing up to 7,069,272 new bearer shares in the form of no-par value shares with a notional interest of EUR 1.00 each against contribution in cash and/or in kind once or several times in partial amounts of up to EUR 7,069,272.00 (Authorised Capital III/2015) until September 13, 2020. Shareholders are generally entitled to subscription rights.

With respect to the authorised capital above, with the Supervisory Board's consent, the Executive Board is authorised to exclude shareholders' subscription rights in the following cases:

- fractional shares
- when the capital increase is against cash contribution and the proportional amount of the share capital attributed to the new shares for which the subscription right is excluded does not exceed 10 % of the share capital existing at the time the new shares are issued, and the issue price of the new shares is not significantly less than the stock market prices of the shares of the same class and entitlements already listed at the time of the final determination of the issue price by the Executive Board according to Section 203 para. 1 and 2 and Section 186 para. 3 Sentence 4 AktG
- to the extent necessary to grant holders or creditors of bonds with option or convertible rights issued by the Company or Group companies, subscription rights to new shares to the extent to which the holders or creditors would be entitled after exercising their option or convertible rights
- in the case of capital increases against contribution in kind.

Authorisation to repurchase shares

The Company has been authorised to acquire up to 10 % of the existing share capital outstanding as at the date of authorisation from the date of the resolution on October 15, 2014 for a period of five years, i.e. until October 14, 2019. The number of shares acquired under this authorisation together with other Company shares already purchased by the Company or already owned, may not exceed 10 % of the Company's respective existing share capital.

The item "non-controlling interests" concerns interests of third-party shareholders in the equity and net profit of fully consolidated subsidiaries. The net profit attributable to parent company shareholders represents the difference between the net profit before the interests of non-controlling shareholders and the interests of non-controlling shareholders reported in the statement of income.

5. Non-current liabilities

5.1 Deferred tax assets and liabilities

The entire amount of recognised deferred taxes is due after 12 months.

The deferred tax assets and liabilities are composed of temporary differences in the following balance sheet items:

EURk	31/12/2015	31/12/2014
Tax loss carryforwards	3,937	1,345
Investment properties	359	531
Interest swap	88	0
Others	1,355	340
Deferred tax assets before offsetting	**5,739**	**2,216**
Offsetting	-5,595	-1,496
Deferred tax assets	**144**	**720**
Investment properties	28,229	10,916
Real estate inventory	6	84
Others	3,074	528
Deferred tax liabilities before offsetting	**31,309**	**11,528**
Offsetting	-5,595	1,496
Deferred tax liabilities	**25,714**	**10,032**

Deferred tax liabilities result mainly from temporary differences in the valuation of investment properties at fair value and effects from the purchase of Fair Value REIT. In the case of Fair Value, in addition to "inside basis differences" "outside basis differences" are also recognised in the consolidated financial statements under the "tax transparent entities" concept. This assumes a deemed disposal of all properties directly held by Fair Value REIT and indirectly held through trusts. Deferred taxes totalling EURk 12,874 were recognised directly in equity as part of the initial consolidation of Fair Value REIT and Germavest Real Estate S.à.r.l.

The requirements pursuant IAS 12.74 have been fulfilled with regard to deferred tax assets before offsetting of EURk 3,937 (December 31, 2014: EURk 1,345) for tax loss carryforwards. According to IAS 12.36, deferred tax assets are recognised in the amount of the deferred tax liabilities.

The changes in deferred taxes and their recognition can be represented as follows:

EURk	01/01/2015	Statement of income	Recognised directly in equity	Other comprehensive income	31/12/2015
Investment properties	-10,385	-4,611	-12,874	0	-27,870
Real estate inventory	-84	78	0	0	-6
Interest swaps	0	88	0	0	88
Tax loss carryforwards	1,345	2,592	0	0	3,937
Others	-188	-1,531	0	0	-1,719
	-9,312	**-3,384**	**-12,874**	**0**	**-25,570**

The item "others" contains mainly deferred taxes related to the following debt instruments: 2013/18 convertible bond, 2014/2019 corporate bond and 2014/19 Signal Capital loan.

Tax loss carryforwards and deductible temporary differences that were not taken into account when determining deferred taxes, amounted to EURk 28,044 (December 31, 2014: EURk 14,891). Of this amount, EURk 27,676 (December 31, 2014: EURk 14,714) is attributable to Germany, EURk 163 (December 31, 2014: EURk 145) is attributable to Romania, EURk 0 (December 31, 2014: EURk 3) to the Ukraine and EURk 205 (December 31, 2014: EURk 29) to Georgia. In the reporting year, non-recognised deferred tax assets amounted to EURk 5,563 (December 31, 2014: EURk 4,484).

The changes in deferred taxes during the abbreviated fiscal year and their recognition can be represented as follows:

EURk	01/04/2014	Statement of income	Recognised directly in equity	Other comprehensive income	31/12/2015
Investment properties	-928	-9,457	0	0	-10,385
Real estate inventory	-238	154	0	0	-84
Tax loss carryforwards	928	417	0	0	1,345
Others	-44	-555	411	0	-188
	-282	**-9,441**	**411**	**0**	**-9,312**

5.2 Interests of minority shareholders

Interests of minority shareholders, which are recognised as liabilities, originate from Fair Value REIT and totalled EURk 61,160 as at the balance sheet date. Compensation to non-controlling shareholders in subsidiaries of Fair Value REIT are calculated as the proportion of minorities in the equity of each subsidiary as at December 31, 2015 and represented either a profit (-) or loss (+) for the non-controlling shareholders.

5.3 Non-current financial debt

The following table summarises the non-current financial:

NON-CURRENT FINANCIAL DEBT		Nominal interest rate in %	Due date	31/12/2015 EURk	31/12/2014 EURk
1. DEMIRE AG	2014/2019 corporate bond	7.50	16/09/2019	97,034	49,138
2. DEMIRE AG	2013/2018 convertible bond	6.00	30/12/2018	10,201	10,424
3. DEMIRE AG	2015/2018 mandatory convertible bond (debt component)	2.75	22/05/2018	498	0
4. DEMIRE AG	Signal Capital loan	9.50	31/12/2018	26,691	0
5. DEMIRE Holding EINS GmbH	Deutsche Bank promissory note loan	5.00	09/12/2019	142,515	142,320
6. DEMIRE Commercial Real Estate GmbH	LBBW loan A	2.25	31/01/2019	26,115	26,666
7. DEMIRE Commercial Real Estate GmbH	LBBW loan B	1.80	31/01/2019	6,794	6,792
8. DEMIRE Commercial Real Estate GmbH	HFS bond	15.00	15/01/2017	27,155	0
9. DEMIRE Real Estate München I GmbH	IBB amortising loan	3.00	31/12/2016	290	8,018
10. Munich ASSET Vermögensverwaltung GmbH	Hypo Landesbank Vorarlberg amortising loan	1.75	31/08/2018	0	4,734
11. TGA Immobilien Erwerb 1 GmbH	Volksbank Mittweida loan	3.25	28/02/2025	4,229	0
12. Logistikpark Leipzig GmbH	DG Hyp loan	2.40	30/06/2020	29,324	0
13. Hanse-Center Objektgesellschaft mbH	LBB amortising loan	3.74	31/08/2018	4,112	0
14. Sihlegg Investments Holding GmbH	HypoNoe loan	3.00	31/12/2020	11,243	0
15. Germavest Real Estate S.à.r.l.	Notes A	3.91	20/02/2033	58,232	0
16. Germavest Real Estate S.à.r.l.	Notes B	5.25	20/02/2021	38,693	0
17. Fair Value REIT-AG	Convertible bond	4.50	19/01/2017	159	0
18. Fair Value REIT-AG	WIB Westdeutsche Immobilienbank AG amortising loan	2.55	30/06/2019	8,995	0
19. Fair Value REIT-AG	WIB Westdeutsche Immobilienbank AG amortising loan	1.27	30/06/2019	4,855	0
20. Fair Value REIT-AG	WIB Westdeutsche Immobilienbank AG amortising loan	1.27	30/06/2019	1,970	0
21. IC 13	Stadt-Sparkasse Langenfeld amortising loan	1.55	30/03/2020	2,638	0
22. BBV 08	Unicredit Bank AG amortising loan	2.90	30/09/2025	14,947	0
23. BBV 08	Unicredit Bank AG amortising loan	2.90	29/12/2023	2,051	0
24. BBV 10	Unicredit Bank AG amortising loan	1.97	31/03/2016	23,315	0
25. BBV 10	Unicredit Bank AG amortising loan	2.05	31/03/2016	1,637	0
26. BBV 10	Unicredit Bank AG amortising loan	2.05	31/03/2016	6,982	0
27. BBV 10	BBV Bayerische Beamten Lebensversicherung a.G. amortising loan	3.90	31/12/2016	19,739	0
28. BBV 14	Deutsche Genossenschafts-Hypothekenbank amortising loan	1.38	31/03/2020	30,911	0
29. IC 15	Sparkasse Südholstein amortising loan	2.71	30/01/2018	7,294	0
31. Other financial debt				177	0
				608,796	**248,092**

The effective interest rate of the first tranche of the 2014/2019 corporate bond is 7.99 %, 7.60 % for the second tranche and 5.70 % for the promissory note from Deutsche Bank. For all other non-current financial debt, the nominal interest rate closely corresponds to the effective interest rate because only marginal transaction costs were incurred.

The nominal value of the 2014/2019 corporate bond of DEMIRE AG is EURk 100,000; EURk 10,662 for the 2013/2018 convertible bond of DEMIRE AG; EURk 32,000 for the Signal Capital loan; EURk 148,000 for the Deutsche Bank promissory note for DEMIRE Holding EINS GmbH; EURk 27,500 for the LBBW loan A for DEMIRE Commercial Real Estate GmbH; EURk 7,000 for the LBBW loan B for DEMIRE Commercial Real Estate GmbH; and EURk 8,225 for the IBB amortising loan for DEMIRE Real Estate München I GmbH.

Of the non-current financial debt, an amount of EURk 500,727 (previous year: EURk 213,225) is secured by assets. No liabilities have been encumbered with a mortgage as a guarantee for third-party liabilities (previous year: EURk 201,225).

Pursuant to the business pledging agreement dated November 13, 2014, DEMIRE AG pledged all its interests in the subsidiary DEMIRE Condor Properties Management GmbH in an amount of EURk 28, including all related rights, to guarantee the loan taken out by the subsidiary DEMIRE Condor Properties Management GmbH, including accrued interest of EURk 12,567.

Pursuant to the notarised declaration of December 17, 2014, DEMIRE AG accepted all current, future and contingent claims of bondholders up to a maximum amount of EURk 33,360 for the bearer bond issued by the subsidiary DEMIRE Commercial Real Estate GmbH, Frankfurt/Main. To secure the claims of this bearer bond, DEMIRE AG has pledged all its interests in the subsidiary DEMIRE Commercial Real Estate GmbH in the amount of EURk 9,683.

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 agreement, the information requirements range from providing key financial ratios (e.g. financial statements) to reporting of the compliance with covenants.

The covenants concern financial ratios, particularly the debt service cover ratio (DSCR), the interest cover ratio (ICR) and the loan-to-value (LTV) of the respective real estate portfolio. The calculation is based on the specifications set by the creditors in the loan agreement. The significant financial debt with covenants held by the DEMIRE Group is the Deutsche Bank promissory note for the Condor real estate portfolio with a nominal amount of EUR 148 million, the 2014/2019 corporate bond with a nominal amount of EUR 100 million, the 2013/2018 convertible bond with an issue volume of EUR 11.3 million, the 2015/2018 mandatory convertible bond with an issue volume of EUR 15 million, the Signal Capital loan with a nominal amount of EUR 32 million and the LBBW loan for the Alpha real estate portfolio with a volume of EUR 27.5 million.

The monitoring, compliance and reporting of the covenants specified in the loan agreements for the properties financed is carried out by DEMIRE's management, treasury and asset management. Depending on the financing, the covenants are reported to the creditors on a quarterly, semi-annual or annual basis or creditors are provided with the underlying economic ratios. If DEMIRE fails to comply with the covenants, the creditors are entitled to demand additional guarantees from the debtor. In that case, the loans would be in default. If the default persisted for a longer period of time and could not permanently be resolved, the creditors have a special right of termination.

DEMIRE complied with all covenants for real estate financing as at the balance sheet date and in the course of the new fiscal year and, therefore, was not in default.

2014/2019 corporate bond

In the 2014 fiscal year, DEMIRE AG placed a corporate bond with a total issue volume of EURk 50,000. The corporate bond has a term of five years and is due on September 16, 2019. The bond has a coupon of 7.50 % per annum payable semi-annually in arrears to investors. The corporate bond started trading on the Open Market of the Frankfurt Stock Exchange under ISIN DE000A12T135 on September 16, 2014. The senior unsecured bond issued in a private placement is divided into 50,000 fractional bearer bonds with a nominal value of EURk 1 per fractional bond.

By resolution of March 24, 2015, with the approval of the Supervisory Board, DEMIRE's Executive Board increased the 2014/2019 corporate bond from September 2014 by a further EURk 50,000 to a total of EURk 100,000. The development of the 2014/2019 corporate bond is illustrated in the following table:

EURk	Carrying amount 2014/2019 corporate bond
As at January 1, 2015	**50,000**
Partial repurchase of 2014/2019 corporate bond	-20,000
Exchange of fractional bonds of 2014/2019 corporate bond for 2015/2018 fractional mandatory convertible bonds	-15,000
Placements in 2015	85,000
As at December 31, 2015	**100,000**

In December 2015, the Company placed additional fractional bonds with a nominal value of EURk 10,880 and exercised its call option for the same amount against the seller of the T6 portfolio. As at December 30, 2015, the put option was exercised by the seller of the T6 portfolio. That portion of the bond in the amount of EURk 14,375, which could not be placed until December 31, 2015, was repurchased by DEMIRE AG. The bonds amounting to EURk 14,375 were not posted to the Company's account until January 2016, which meant that the 2014/2019 bond was valued on December 31, 2015 with a total nominal value of EURk 100,000. Following the partial redemption of the fractional bonds, in January 2016 the bond's nominal amount stood at EURk 85,625.

The terms and conditions of the 2014/2019 bond contain provisions regarding required financial covenants, which, if not met, could result in extraordinary termination by the bondholders and thus repayment obligations for the Company as well as restrictions on distributions made by the Company. The financial covenants concern financial ratios, in particular, the loan-to-value ratio (LTV) and the Company's equity ratio. Monitoring, compliance and reporting of financial covenants is conducted by DEMIRE's management and its Treasury and Asset Management departments. Should DEMIRE fail to comply with the covenants, the creditors would be entitled to demand additional guarantees from the debtor. In that case, the loans would be in default. If the default persisted for a longer period of time and could not permanently be resolved, the creditors have a special right of termination. As at the balance sheet date, DEMIRE had complied with all financial covenants and, therefore, there was not in default.

Convertible bonds (2013/2018 CB)

By resolution of the Annual General Meeting of October 23, 2013, the Executive Board was authorised, with the consent of the Supervisory Board, to issue bearer and/or registered convertible bonds and/or bonds with warrants once or on several occasions until September 30, 2018, for a total nominal amount of up to EURk 50,000 with or without a limitation on the duration and to offer holders or creditors of bonds option or conversion rights new no-par value bearer shares of the Company with a notional interest in the share capital of up to EURk 25,000 according to the convertible bonds' more detailed specifications of the terms and conditions.

In December 2013, DEMIRE AG issued convertible bonds in a total nominal amount of EURk 11,300 maturing on December 30, 2018. The convertible bonds are divided into 11,300,000 fractional bonds, each with a nominal value of EUR 1.00.

The details of the convertible bonds are as follows:

- They are divided into a maximum of 11,300,000 bearer fractional bonds, each with a nominal value of EUR 1.00 and carrying equal rights.
- During the bond's term, holders have the irrevocable right during the conversion periods to convert each convertible bond with a nominal value of EUR 1.00 initially into one no-par value share of DEMIRE Deutsche Mittelstand Real Estate AG with a notional interest in share capital of EUR 1.00 each. By resolution of the creditors' meeting of September 30, 2014, the terms and conditions of the convertible bonds have been amended so that cash compensation is no longer possible.

- In case of the effective exercise of the conversion right, the conversion price amounts to EUR 1.00 per ordinary bearer share, each with a notional interest in the share capital of EUR 1.00. The conversion price may be subject to adjustments due to adjustment provisions contained in the bonds' terms and conditions. This corresponds to a conversion ratio of 1:1. The terms and conditions do not provide for cash settlement.

- The issue price per convertible bonds is EUR 1.00 and corresponds to the nominal value and initial conversion price.

- The convertible bonds yield 6.00 % interest per annum. The interest is payable on March 30, June 30, October 30 and December 30 of each year during the term of the convertible bonds.

Following the exercise of 226,800 conversion rights from the 2013/2018 convertible bond, the company's share capital was increased by 226,800 no-par value bearer shares with a notional interest of EUR 1.00.

As a result of the change in the terms and conditions of the 2013/18 convertible bond on September 30, 2014, the previous debt instrument was derecognised, and a new debt instrument was recognised. The debt instrument was replaced because the change in the terms and conditions was considered a material change in the contract conditions as defined by IAS 39.40. The previous debt instrument was carried at fair value until September 30, 2014, and the new debt instrument was carried at amortised cost from September 30, 2014. According to IAS 32.28, the new debt instrument must be divided into a debt and equity component.

According to IAS 32.31 ff., the division into a debt and equity component must be carried out under the residual value method. A term-equivalent credit spread on the risk-free interest rate was used to measure the debt component at the time of initial recognition on September 30, 2014. The resulting value for the debt component amounted to EURk 10,418. The difference between the amount of the "new" convertible bond on September 30, 2014 (EURk 10,909), and the value of the debt component was recognised as an equity component totalling EURk 490. This difference was recognised in the previous year directly in equity.

With regard to the corresponding effects on the statement of income, we refer to Note D.12.

Mandatory convertible bond (2015/2018 MCB)

In May 2015, a mandatory convertible bond with a volume of EURk 15,000 was issued with the exclusion of shareholders' subscription rights against contribution in kind. In the context of the transaction, an investor in the 2014/2019 corporate bond (Open Market of the Frankfurt Stock Exchange; ISIN DE000A12T135/ WKN: A12T13; volume EURk 100,000) subscribed to the mandatory convertible bond issued with a term of three years (maturing in 2018) by contributing fractional bonds from the 2014/2019 corporate bond. The bonds carry an interest coupon of 2.75 % per annum starting from the date of issue and may be converted from the date of September 1, 2015 into shares at an initial conversion price of EUR 5.00 per share, subject to adjustments. The mandatory convertible bond is equipped with a conversion obligation of the respective creditor upon the bond's maturity.

The convertible bonds placed by DEMIRE AG on May 22, 2015 with a term until May 22, 2018 and a total nominal value of up to EURk 15,000 are divided into 150 bonds with a nominal value of EURk 100 each.

The details of the convertible bonds are as follows:

- They are divided into a maximum of 150 bearer fractional bonds, each with a nominal value of EURk 100 and carrying equal rights.
- Bondholders have the right to convert each bond in whole, but not in part, during the bond's term, into no-par value shares (no-par value shares) with a notional interest in the Company's share capital on the issue date of EUR 1.00.
- In case of the effective exercise of the conversion right, the conversion price amounts to EUR 5.00 per no-par value share, subject to adjustments due to adjustment provisions included in the terms and conditions of the bonds. The conversion ratio is calculated by dividing the bond's principal amount by the conversion price applicable on the exercise date.
- The bonds bear 2.75 % interest per annum with interest payable quarterly in arrears on the dates of March 22, June 22, September 22 and December 22 in each year during the term of the convertible bonds.

The bonds may be callable under certain conditions by the convertible bond holders, in which case a prepayment penalty in the amount of 15.00 % on the principal amount plus accrued interest until the date of actual redemption would be due for redemption. Grounds for calling the bonds include, among others, non-delivery of shares or failure to meet key obligations under the respective 2015/2018 mandatory convertible bond; failure to meet payment obligations under other financial liabilities (cross default); bankruptcy and initiation of insolvency proceedings by the Company or its significant subsidiaries and dropping below an equity ratio of 20 % from December 31, 2016. In the case of a change in control and a merger of the issuer, the bonds may be callable and may be redeemed early with a prepayment penalty equal to 15 % of the principal amount plus accrued and unpaid interest. The issuer may redeem the bonds early in the event that the aggregate principal amount of the outstanding bonds falls below 25 % of the bonds' originally issued aggregate principal amount. No conversions took place during the reporting period.

In DEMIRE's IFRS consolidated financial statements, the equity component of the 2015/2018 mandatory convertible bond was recognised directly in equity as an equity instrument amounting to EURk 13,899 due to the bond's terms and conditions. Additionally, deferred tax assets of EURk 324 were recognised directly in equity. The effective interest rate for the debt component of EURk 498 is 7.57 %.

HFS bond

On December 17, 2014, DEMIRE Commercial Real Estate GmbH, as the capital recipient, issued a subordinated bond in the nominal amount of EURk 27,800 to HFS Helvetic Financial Services AG, as the trustee, to finance the acquisition of the Alpha Portfolio (the "HFS subordinated bond"). Financing consists of EURk 25,000 for the capital recipient, EURk 2,050 of financed interest, EURk 625 of a financed one-time processing fee and EURk 213 of a financed escrow payment. The HFS subordinated bond's original maturity was December 15, 2015 and was prematurely prolonged in October 2015 for another year until December 15, 2016. The bond's interest is 15 % p.a. with a minimum interest of EURk 2,039 p.a. The trustee has an extraordinary termination right, especially if the debtor were to violate certain contractual monthly information obligations. By agreement dated October 7, 2015, the term of this subordinated bond was extended for another year until December 15, 2016. During the extension period, a special allowance of 5 % p.a. is to be paid with half of the amount due on June 15, 2016 and the remaining half on December 15, 2016. No costs were incurred for this extension. DEMIRE Commercial Real Estate GmbH may terminate the HFS subordinated bond with a period of four weeks. On December 2, 2015, the HFS subordinated was prolonged by one month to January 15, 2017.

Signal Capital loan

On December 30, 2015, DEMIRE AG concluded a three-year loan agreement for a volume of EURk 32,000 with Signal Credit Opportunities (Lux) Investco II S.à.r.l. involving other parties (a loan mediator, among others). Under this agreement, DEMIRE AG is entitled to call the loan after a minimum term of two years. The loan has an interest rate equal to EURIBOR plus a margin of 9.5 %, but not less than 9.5 %. Interest payments are to be made quarterly at the end of each quarter. A fee of EURk 1,920 has already been paid to the loan agent for negotiating the loan. The agent is due to receive a further fee of EURk 3,200 at the time of the loan's repayment (equivalent to a present value of EURk 2,985 as at the balance sheet date). Both amounts are accounted for under the effective interest method.

The loan amount was specified for (i) the purchase of fractional bonds in the amount of approx. EURk 15,522 from the 2014/2019 corporate bond issued by DEMIRE AG that was used to pay the purchase price to the seller of Germavest Real Estate S.à.r.l. and transferred with a repurchase obligation, (ii) the payment of a deferred residual purchase price in the amount of approx. EURk 4,274 for the acquisition of Germavest Real Estate S.à.r.l, (iii) the payment of financing costs in the amount of approx. EURk 1,300, (iv) a pro rata payment of the purchase price for the acquisition of Kurfürster Immobilien GmbH by DEMIRE Real Estate FÜNF GmbH in the amount of approx. EURk 8,983, and (v) payment of the placement fee.

For information on the collateral provided by DEMIRE AG to the lender, we refer to Note E. 8.

The loan agreement with Signal Credit Opportunities (Lux) Investco II S.à.r.l provides for compliance with financial covenants according to which the "debt cervice cover" (DSC), "interest cover" (IC) and "loan-to-value" (LTV) ratios, based on the Group, must reach or may not exceed the specific set thresholds. In addition, minimum liquidity of EURk 4,000 must be maintained in the Group over the term of the loan and certain transactions and management measures may not be carried out without the prior consent of the lender, whereby the permissible scope for action on the part of the companies included is defined in detail. DEMIRE AG is also subject to extensive disclosure requirements, particularly with respect to its net assets and results of operations. The guarantees provided by DEMIRE AG and its subsidiaries under the loan agreement, including at the time of concluding the contract and the time of payment recur at the beginning of each interest period so that the state of the guarantees is maintained over the life of the loan. This is particularly relevant with respect to the extensive commitments to ensure and maintain the property values held by the subsidiaries.

Breaches of commitments under the loan agreement and other financing agreements can justify the lender's right to terminate the loan. DEMIRE AG is prohibited from assigning or transferring its rights and obligations under the loan agreement.

5.4 Other non-current liabilities

Other non-current liabilities of EURk 1,076 consist of liabilities to former non-controlling shareholders of subsidiaries. Amounts owed to former non-controlling shareholders concern primarily receivable settlement credits due to termination of the shareholder relationship. In some cases, the respective company is entitled to pay the receivable settlement credits in three or five annual instalments, whereby interest of 4 % per annum is payable on the respective unpaid amount; in one case interest equal to the respective EURIBOR rate (12 months). It is assumed that receivable settlement credits will be paid on a pro rata basis by a subsidiary of Fair Value REIT-AG. Non-current liabilities to former non-controlling shareholders amounted to EURk 1,071 in the past fiscal year.

6. Current liabilities

6.1. Provisions

EURk	31/12/2015	31/12/2014
Staff costs	513	394
Others	653	458
Total	**1,166**	**852**

EURk	31/12/2014	Utilisation	Reversal	Additions	31/12/2015
Staff costs	394	219	21	359	513
Others	458	166	16	377	653
Total	**852**	**385**	**37**	**736**	**1.166**

The Company expects to utilise the provisions in the coming 2016 fiscal year because all provisions are short-term in nature.

Provisions related to staff costs primarily consist of obligations resulting from the performance-based, variable remuneration of the Executive Board and variable staff costs.

Other provisions include mainly EURk 330 for building maintenance and EURk 300 for pending damage claims.

6.2. Trade payables and other liabilities

EURk	31/12/2015	31/12/2014
Trade payables	9,179	7,009
Outstanding invoices	3,153	0
Interest liabilities	355	1,032
Accounting and audit costs	1,644	806
Former non-controlling shareholders	1,039	0
Liabilities from value-added taxes	865	363
Deposits received	705	151
Purchase price liabilities	187	730
Supervisory Board compensation	49	69
Personnel-related expenses	434	11
Others	2,277	1,348
Total	**19,887**	**11,519**

Trade payables amounting to EURk 9,179 (December 31, 2014: EURk 7,009) are all due to third parties and are entirely short-term in nature, as was the case as at December 31, 2014.

The liabilities for accounting and audit costs include costs for the preparation, audit, and publication of the financial statements and the consolidated financial statements.
Liabilities for outstanding invoices were recognised for services received.

6.3. Tax liabilities

Current income tax liabilities of EURk 3,801 (December 31, 2014: EURk 314) relate to trade taxes (EURk 524; December 31, 2014: EURk 118) and corporate taxes (EURk 3,277; December 31, 2014: EURk 196). Corporate tax liabilities of EURk 1,796 concern the assessment years 2009 through 2012 of Germavest Real Estate S.à.r.l.

6.4. Current financial debt

The following table summarises the current financial debt.

CURRENT FINANCIAL DEBT			Nominal interest rate in %	Due date	31/12/2015 TEUR	31/12/2014 TEUR
1.	DEMIRE AG	2014/2019 corporate bond	7.50	16/09/2019	1,740	0
2.	DEMIRE AG	2013/2018 convertible bond	6.00	30/12/2018	110	0
3.	DEMIRE AG	2015/2018 mandatory convertible bond (debt component)	2.75	22/05/2018	391	0
4.	DEMIRE AG	Signal Capital loan	9.50	31/12/2018	2,038	0
5.	DEMIRE Holding EINS GmbH	Deutsche Bank promissory note loan	5.00	31/12/2015	740	740
6.	DEMIRE Commercial Real Estate GmbH	LBBW loan A	2.25	31/12/2015	0	834
7.	DEMIRE Commercial Real Estate GmbH	LBBW loan B	1.80	31/12/2015	0	208
8.	DEMIRE Real Estate München I GmbH	IBB amortising loan	3.00	31/12/2015	8,083	200
9.	Munich ASSET Vermögens-verwaltung GmbH	Hypo Landesbank Vorarlberg amorti-sing loan	1.75	31/12/2015	0	172
10.	1. MAGNAT Immobilienges. mbH	DKB loan	3.00	30/06/2016	2,400	3,183
11.	Hanse-Center Objektgesellschaft	LBB loan	3.74	30/12/2016	31	0
12.	Sihlegg Investments Holding GmbH	HypoNoe loan	3.00	31/12/2020	268	0
13.	Logistikpark Leipzig GmbH	DG Hyp loan	2.40	30/06/2020	900	0
14.	TGA Immobilien Erwerb 1 GmbH	Volksbank Mittweida loan	3.25	28/02/2025	254	0
16.	Germavest Real Estate S.à.r.l.	Notes A	3.91	20/02/2033	1,173	0
17.	Germavest Real Estate S.à.r.l.	Notes B	5.25	20/02/2021	8,751	0
18.	Fair Value REIT-AG	Convertible bond	4.50	19/01/2020	8,714	0
19.	Fair Value REIT-AG	WIB Westdeutsche Immobilienbank AG amortising loan	5.20	31/08/2016	1,908	0
20.	Fair Value REIT-AG	WIB Westdeutsche Immobilienbank AG amortising loan	2.55	30/06/2019	400	0
21.	Fair Value REIT-AG	WIB Westdeutsche Immobilienbank AG amortising loan	1.27	30/06/2019	192	0
22.	Fair Value REIT-AG	WIB Westdeutsche Immobilienbank AG amortising loan	1.27	30/06/2019	240	0
23.	Fair Value REIT-AG	Stadt-Sparkasse Langenfeld amortising loan	1.55	30/03/2020	80	0
25.	BBV 02	Bayer. Beamten Lebensvers. a.G. amortising loan	5.80	31/05/2016	138	0
26.	BBV 02	Bayer. Beamten Lebensvers. a.G. amortising loan	6.15	31/05/2016	823	0
27.	BBV 02	Bayer. Beamten Lebensvers. a.G. amortising loan	6.15	31/05/2016	119	0
28.	BBV 02	Bayer. Beamten Lebensvers. a.G. amortising loan	3.90	31/12/2016	1,240	0
29.	BBV 08	Unicredit Bank AG amortising loan	2.90	29/12/2023	230	0
30.	BBV 08	Unicredit Bank AG amortising loan	2.90	30/09/2025	1,348	0
31.	BBV 10	Unicredit Bank AG amortising loan	1.97	31/03/2016	1,171	0
32.	BBV 10	Unicredit Bank AG amortising loan	2.05	31/03/2016	97	0

CURRENT FINANCIAL DEBT		Nominal interest rate in %	Due date	31/12/2015 TEUR	31/12/2014 TEUR
33. BBV 10	Unicredit Bank AG amortising loan	2.05	31/03/2016	317	0
34. BBV 14	Deutsche Genossenschafts-Hypothekenbank amortising loan	1.38	31/03/2020	1,300	0
35. IC 15	Sparkasse Südholstein amortising loan	2.71	30/01/2018	221	0
36. DEMIRE Holding EINS GmbH	Mezzanine loan	7.50	11/06/2015	0	12,047
37. Magnat Investment I B. V.	Mezzanine loan	12.00	30/11/2015	0	5,020
38. DEMIRE Commercial Real Estate GmbH	Bond	9.00	15/01/2017	384	25,088
39. Sonstige Finanzverbindlichkeiten				642	81
				46,443	**47,573**

The nominal interest rate closely corresponds to the effective interest rate because only minimal transaction costs were incurred.

A convertible bond with a total nominal value of EURk 8,460, an interest rate of 4.5 % p. a. and a term of 5 years was issued based on a decision by the Management Board of Fair Value REIT-AG on January 14, 2015. The bond was admitted for trading on the Open Market (Quotation Board) on January 19, 2015. The convertible bond was redeemed in 2016.

Of the current financial debt, a total of EURk 34,462 is secured by assets.

7. Operating leases - The Group as lessor

The minimum lease payments consist of the net rents payable until the agreed end of the contract or until the earliest possible termination date available to the lessee (tenant), regardless of whether a termination or non-utilisation of an extension option should actually be expected. 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, a remaining term of the rental period of five years was assumed after the fifth year.

Fixed future claims for minimum lease payments from long-term operating leases of rented commercial real estate amounted to:

EURk	31/12/2015	31/12/2014
within one year	72,583	23,960
between one and five years	216,097	117,694
after more than five years	134,747	85,754
Total future rental income	**423,427**	**227,408**

The following amounts were recognised in the reporting period as rental income (excluding ancillary costs):

EURk	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
Rental income (from investment properties)	33,141	3,154
Rental income (from real estate inventory)	179	221
Total	**33,320**	**3,375**

8. Contingent liabilities

The following contingent liabilities existed as at the reporting date for circumstances for which the DEMIRE AG and its subsidiaries have guarantees in favour of various contract partners.

As at December 31, 2015, contingent liabilities included mortgages of EURk 839,990 pursuant to Section 1191 BGB. The maximum contingent liability amount related to these properties is limited to the carrying amount of EURk 640,281 recognised on the balance sheet date. During the reporting year, mortgages of EURk 21,339 were removed from the land registry.

Pursuant to the notarised declaration of December 17, 2014, DEMIRE AG accepted all current, future and contingent claims of bondholders up to a maximum amount of EURk 33,360 for the bearer bond issued by the subsidiary DEMIRE Commercial Real Estate GmbH, Frankfurt/Main. To secure the claims of this bearer bond, DEMIRE AG has pledged all its interests in the subsidiary DEMIRE Commercial Real Estate GmbH in the amount of EURk 9,683. The declaration continues to apply following the bond's prolongation on December 15, 2015. The underlying obligations can be met by the companies concerned according to our knowledge. For this reason, as at the balance sheet date, the probability of a claim is estimated as low.

Pursuant to the business pledging agreement dated November 13, 2014, relating to the mezzanine loan granted by LSREF II Caliburn BFL Limited, Dublin, Ireland, to the group company DEMIRE Condor Properties Management GmbH, the Company pledged all its interests in the subsidiary DEMIRE Condor Properties Management GmbH in an amount of EURk 28, including all related rights.

In the loan agreement with Signal Credit Opportunities (Lux) Investco II S.A.R.L. dated December 30, 2015, DEMIRE AG has pledged as collateral in favour of the lender all of the interests held in its subsidiaries DEMIRE Commercial Real Estate DREI GmbH, DEMIRE Commercial Real Estate FÜNF GmbH, Hanse-Center Objektgesellschaft mbH and Glockenhofcenter Objektgesellschaft GmbH and an account at Deutsche Bank for all payments of the preceding companies. In addition, DEMIRE AG ceded its claims to all group loans and Logistikpark Leipzig GmbH ceded its claims to all loans granted to DEMIRE AG as collateral in favour of the lender. Furthermore, the claims arising from group loans between the companies above were made subordinate to the lender's claims.

DEMIRE AG entered into a letter of guarantee in the amount of EURk 940 in connection with the loan granted to TGA Immobilien Erwerb 1 GmbH by Volksbank Mittweida on May 13, 2015. According to our knowledge, the underlying obligations can be met by the company concerned. For this reason, the probability of a claim as at the balance sheet date is estimated as low.

9. Other financial obligations

As at the reporting date, the following other financial obligations were in place:

RENT AND LEASING OBLIGATIONS FOR VEHICLES (EURK)	31/12/2015	31/12/2014
Due within one year	61	37
Due within 1 and 5 years	59	42
Total	**120**	**79**

RENT AND LEASING OBLIGATIONS FOR OFFICE SPACE (EURK)	31/12/2015	31/12/2014
Due within one year	96	67
Due within 1 and 5 years	376	268
Total	**472**	**335**

The obligations from rental and lease agreements resulted primarily from the rental of office space under indefinite operating leases without purchase options.

OBLIGATIONS UNDER THIRD-PARTY MANAGEMENT OF REAL ESTATE (EURK)	31/12/2015
Due within one year	907
Due within 1 and 5 years	42
Total	**949**

The asset management contract for the properties of Germavest Real Estate S.à.r.l. reported under current liabilities has a contractual term until 2033 but may be terminated annually resulting in an irrevocable obligation for the upcoming fiscal year only.

During the reporting period, the following amounts were recognised as lease expenses:

EURk	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
Vehicles	49	27
Office space	95	65
Total	**144**	**92**

Other financial obligations as at December 31, 2015, in the amount of around EURk 12,200 resulted from real estate purchase agreements concluded in the 2015 reporting period that have not been closed as at the balance sheet date.

Contractual obligations for conversion and expansion work exist at the Eschborn property. The scope of this work has been specified but the final costs had not yet been determined as at the balance sheet date. Additional contractual obligations to purchase, construct, develop, repair, maintain or improve investment properties do not exist.

Purchase commitments for commissioned maintenance amounted to EURk 1,300.

A commitment to future leasehold payments from a long-term building lease contract (expiry 24 years) results in payments of EURk 4 annually. The contract contains indexation clauses.

F. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flow from operating activities is calculated using the indirect method. In this calculation, a distinction was made between operating, investing and financing activities. Cash flow from investing and financing activities are calculated on a payment-related basis.

Cash flow from operating activities

In the 2015 fiscal year, cash flow from operating activities of EURk 10,815 exceeded the level in the abbreviated 2014 fiscal year (EURk -3,986) by EURk 14,801. Cash flow from operating activities is based on the Group profit/loss before taxes (EBT) of EURk 33,012 adjusted for the interest result of EURk -25,728 (abbreviated 2014 fiscal year: EURk -2,938), fair value adjustments on investment properties under IAS 40 of EURk 18,471 (abbreviated 2014 fiscal year: EURk 63,608) and the profit originating from a purchase below market value of EURk 33,217 (abbreviated 2014 fiscal year: EURk 0). The acquisitions in the abbreviated 2014 fiscal year offered considerable appreciation potential due to the acquisition circumstances, whereas most of the property acquired during the fiscal year was acquired at a purchase price equal to its fair value. The majority of the valuation gains in the amount of EURk 6,647 are attributed to the Logistikpark property in Leipzig. Negative goodwill of EURk 33,217 resulting from the acquisition of Germavest Real Estate S.à.r.l. was recognised in the reporting year through profit or loss under other operating income.

Other adjustments include other non-cash items such as the profit/loss from investments accounted for using the equity method of EURk 500 (abbreviated 2014 fiscal year: EURk -1,014), depreciation/amortisation and impairment of EURk 2,846 (abbreviated 2014 fiscal year: EURk 693) and changes in provisions of EURk 4,462 (abbreviated 2014 fiscal year: EURk 2,290) as well as changes in working capital.

Interest proceeds amounted to EURk 165 in the 2015 fiscal year (abbreviated 2014 fiscal year: EURk 293). A total of EURk 186 (abbreviated 2014 fiscal year: EURk 22) of income taxes included in the net profit/loss for the period were paid.

Cash flow from investing activities

In the 2015 fiscal year, DEMIRE's cash flow from investing activities amounted to EURk -29,165 compared to EURk -255,206 in the abbreviated 2014 fiscal year.

In the 2015 fiscal year, cash flow from investing activities included payments for investments in property, plant and equipment of EURk -11,258 compared to EURk -11,356 in the abbreviated 2014 fiscal year. In the 2015 fiscal year this concerned advance payments related to the Kurfürsten-Galerie property in Kassel and, in the abbreviated fiscal year, to advance payments for a property in Leverkusen.

Payments for the purchase of investment properties and interests in fully consolidated companies, less of cash acquired, amounted to EURk -15,238 in fiscal year 2015. This amount concerns the cash components of the acquisitions of Logistikpark Leipzig GmbH, Hanse-Center Immobilienobjektgesellschaft GmbH, Glockenhofcenter Immobilienobjektgesellschaft GmbH and the purchase of an additional property in Schwerin.

The purchase of interests in fully consolidated subsidiaries as part of a business combination, less net cash acquired totalling EURk -4,319, relates to the purchase price paid for the interest in Germavest Real Estate S.à.r.l., less net cash of Fair Value REIT in the amount of EURk 16,028, whose interest has been acquired on a fully non-cash basis through a share exchange.

Cash flow from financing activities

In the 2015 fiscal year, DEMIRE's cash flow from financing activities amounted to EURk 42,420 compared to EURk 259,634 in the abbreviated 2014 fiscal year. This decline resulted from the high portion of equity-financed acquisitions in the form of capital increases against contribution in kind in the 2015 fiscal year.

Proceeds of EURk 11,158 resulted from the cash capital increase, which was completed in mid-2015. Costs of raising equity of EURk 1,514 were incurred for capital increases related to acquisitions and the takeover of Fair Value REIT-AG in the fiscal year.

Proceeds from the issue of bonds in the amount of EURk 36,023 were related to new subscription to the 2014/2019 corporate bond. Proceeds in the 2015 fiscal year from the issue of third-party loans amounted to EURk 54,700 compared with EURk 261,738 in the abbreviated 2014 fiscal year and resulted mainly from taking out of a loan from Signal Capital for a nominal EURk 32,000 to acquire the interest in Germavest Real Estate S.à.r.l. (T6 property portfolio) in October 2015 and make the prepayment for Kurfürstengalerie, assuming the real estate loan from Volksbank Mittweida amounting to EUR 4.7 million for the purchase of a second property in Schwerin and assuming of a loan from Hypo NOE in the amount of EUR 11.5 million. The inflow of funds was used to pay interest of EURk 21,255 and repay financial debt of EURk 36,692.

Change in cash and cash equivalents (cash funds)

At the beginning of the 2015 fiscal year, cash and cash equivalents equalled EURk 4,397. During the year, there were changes in the cash and cash equivalents totalled EURk 24,070, particularly from the purchase of Fair Value REIT-AG in the amount of EURk 16,028. Cash and cash equivalents at the end of the 2015 fiscal year amounted to EURk 28,467.

At the beginning of the abbreviated 2014 fiscal year, cash and cash equivalents totalled EURk 3,955. The net change in cash and cash equivalents amounted to EURk 442. Together with the change due to currency translation effects of EURk 0 cash and cash equivalents at the end of the abbreviated fiscal year ending on December 31, 2014, totalled EURk 4,397.

G. NOTES TO THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1. Notes to the consolidated statement of changes in equity for the period from January 1, 2015 to December 31, 2015

In the reporting year, **subscribed capital** rose by EURk 227 as a result of conversions of 2013/2018 convertible bonds. Furthermore, capital increases against contribution in kind relating to the acquisition of new properties resulted in an increase in subscribed capital of EURk 32,285. These capital increases concern the acquisition of Hanse-Center Objektgesellschaft mbH and Glockenhofcenter Objektgesellschaft mbH (EURk 5,634), Sihlegg Investments Holding GmbH (EURk 2,183), Logistikpark Leipzig GmbH (EURk 2,541) and Fair Value REIT-AG (EURk 21,928). A 10 % cash capital increase was concluded on July 14, 2015. The 2,474,152 new no-par value bearer shares (no-par value shares) were largely subscribed to by the institutional investor Wecken & Cie., Basel, Switzerland, in the context of a private placement. Upon the entry into the commercial register, DEMIRE AG's share capital rose by EURk 2,474. The issue price of the new shares was EUR 4.51 and resulted in proceeds for the Company from the cash capital increase of EURk 11,158. The new shares are entitled to dividends as of January 1, 2015.

Capital reserves represent the amount received through a capital increase against contribution in kind above the nominal value and the difference of the subscribed capital to the sum of the share capital of the economic parent company and the acquisition cost for the acquisition of DEMIRE AG under a reverse merger in prior years. The increase in capital reserves of EURk 112,887 compared to December 31, 2014 is mainly the result of capital increases against contribution in kind and the equity portion of the mandatory convertible bond. The increases against contribution concern the purchase of Fair Value REIT-AG (EURk 69,720), Logistikpark Leipzig GmbH (EURk 12,299), Sihlegg Investments Holding GmbH (EURk 6,609) and Hanse-Center Objektgesellschaft mbH and Glockenhofcenter Objektgesellschaft mbH (EURk 4,225). Capital reserves also increased as a result of the cash capital increase (EURk 8,684) and the equity component of the 2015/2018 mandatory convertible bond, including deferred tax assets of EURk 14,223. The costs to raise equity amounted to EURk 3,295 and were deducted from capital reserves.

Retained earnings including Group net profit/loss contain the accumulated results, as well as the earnings-neutral impact from the increase in the share of interest in the subsidiary MAGNAT Investment I B.V in prior periods.

The **reserves for treasury shares** resulted from the reverse acquisition from prior years.

Currency translation reserves include currency differences from fully consolidated companies and companies accounted for using the equity method whose functional currency is not the euro. The EURk 3,291 change resulted primarily from the sale of the sale of OXELTON and the two Ukrainian companies Polartrade Ltd. and Kappatrade Ltd. The currency translation differences related to the sold entities that were reported in prior years within other comprehensive income (OCI) were recognised through profit or loss under IAS 21.48 as a result of the sale.

Capital transactions with shareholders

There were no distributions to shareholders either in the year under review or in the subsequent year up until the date of the preparation of these financial statements.

Changes in equity recognised in other comprehensive income

The sum of other comprehensive income of EURk 3,408 is derived from currency translation differences derecognised through profit or loss.

Net profit/loss for the period

The net profit for the period attributable to parent company shareholders amounted to EURk 28,117. An amount of EURk 756 is attributable to non-controlling shareholders.

2. Notes to the consolidated statement of changes in equity for the period April 1, 2014 to December 31, 2014

In the reporting year, **subscribed capital** rose by EURk 411 as a result of the conversion of 2013/18 convertible bonds. We refer to Note E. 4.

Capital reserves represent the amount received through a capital increase against contribution in kind and the difference in subscribed capital to the sum of the share capital of the economic parent company and the acquisition cost for the acquisition of DEMIRE AG. As a result of the change in the terms and conditions of the convertible bond with effect from September 30, 2014, at the initial recognition of the new debt instrument, an amount of EURk 493 was recognised as an equity component directly in equity, including the corresponding deferred tax liabilities of EURk 177. In addition, an amount of EURk 111 was recognised within capital reserves, representing the difference between the nominal value and carrying amount of convertible bonds.

Retained earnings including Group net profit/loss contain the accumulated results. In prior period, retained earnings also included the neutral impact on profits from the increase in the interest in the subsidiary MAGNAT Investment I B.V.

The **reserves for treasury shares** resulted from the reverse acquisition (see Note A.5).

Currency translation reserves include currency differences from fully consolidated companies and companies accounted for using the equity method whose functional currency is not the euro.

Capital transactions with shareholders

There were no distributions to shareholders either in the year under review or in the subsequent year up until the date of the preparation of these financial statements.

Changes in equity recognised in other comprehensive income

Additional changes in other comprehensive income totalling EURk 641 resulted from negative currency translation differences and the transfer of earnings-neutral changes in equity from investments accounted for using the equity method.

Net profit/loss for the period

The net profit for the period attributable to parent company shareholders amounted to EURk 43,302. An amount of EURk 2,405 is attributable to non-controlling shareholders.

H. GROUP SEGMENT REPORTING

The segmentation of the data in the annual financial statements is based on the internal alignment according to strategic business segments and geographic considerations pursuant to IFRS 8 "Operating Segments". The segment information provided represents the information to be reported to DEMIRE's Executive Board.

The Group is divided into the business segments Investments, Core Portfolio, Fair Value REIT-AG and Central Functions/Others. The Investments segment contains all information relating to non-current assets and the activities of the respective project holdings.

The Core Portfolio segment contains the German commercial real estate recognised within the subsidiaries held or being developed to generate rental income and/or for the purpose of value appreciation. The Central Functions/Others segment mainly contains DEMIRE AG's activities in its function as the Group holding and does not represent an independent business segment.

Since fiscal year 2015, the Asset Management division, which had provided third-party services until September 2013 under the business model of the predecessor company, is no longer reported separately. Trailing income and expenses and residual segment assets and liabilities from the Austrian subsidiaries are reported under the segment Corporate Functions/Others. The Investments segment contains all information relating to non-current assets as well as the business areas of revitalisation, project development and land banking. The Investments segment also includes the activities of the respective project holdings. In line with the management approach, Fair Value REIT is shown as a separate segment as at December 31, 2015.

During the reporting period, the allocation of Group companies to business segments has changed to the extent that DEMIRE Worms Objektgesellschaft GmbH is contained under the Core Portfolio segment as of June 30, 2015. The proportionate segment revenue of EURk 179 generated by DEMIRE Worms Objektgesellschaft GmbH in the period from January 1, 2015 to June 30, 2015 was allocated to the Investments segment.

The new segment "Fair Value REIT" contains the activities of Fair Value REIT-AG and its subsidiaries focused on office and retail properties in regional centres in Germany that were acquired at the end of 2015. Fair Value REIT can be defined as a segment under IFRS 8.5, since the responsible governing body in terms of making decisions about the allocation of resources to this segment has not changed and separate financial information continues to be available for this segment.

JANUARY 1, 2015 - DECEMBER 31, 2015 EURk	SEGMENTS BY BUSINESS AREAS				
	Investments	Core Portfolio	Fair Value REIT	Central Functions/ Others	Group
Revenues	2,572	44,863	0	0	47,435
Profit/loss from fair value adjustments in investment properties	0	18,471	0	0	18,471
Other income	174	1,811	0	588	2,573
Profits originating froma a purchase below market value	0	33,217		0	33,217
Profits from investments accounted for using the equity method	1,861	0	0	1,469	3,330
Segment revenues	**4,607**	**98,362**		**2,057**	**105,026**
Net assets from sold real estate companies	-1,421	-86	0	0	-1,507
Expenses on real estate sales	-192	-1,650	0	0	-1,842
Other expenses	-3,244	-26,383	0	-9,480	-39,107
Losses from investments accounted for using the equity method	-3,769	0	0	-61	-3,830
Segment expenses	**-8,626**	**-28,119**		**-9,541**	**-46,286**
EBIT	**-4,019**	**70,243**		**-7,484**	**58,740**
Financial income	171	281	0	1,693	2,145
Financial expenses	-1,980	-13,483	0	-12,410	-27,873
Income taxes	68	-4,576	0	369	-4,139
Net profit/loss for the period	**-5,760**	**52,465**		**-17,832**	**28,873**
Significant non-cash items	**4,165**	**-51,628**	**0**	**2,825**	**-44,638**
Impairment losses in net profit/loss for the period	**1,435**	**792**	**0**	**619**	**2,846**
ADDITIONAL INFORMATION					
Segment assets	**5,319**	**651,165**	**337,261**	**39,200**	**1,032,945**
of which investments accounted for using the equity method	116	0	0	3,020	3,136
of which loans to investments accounted for using the equity method	0	0	0	553	553
of which financial receivables and other financial assets	83	5,011	0	20,926	26,020
of which tax refund claims	3	101	22	45	171
of which assets available for sales in investments accounted for using the equity method	0	1,255	11,750	0	13,005
Segment liabilities	**282**	**414,896**	**217,803**	**135,062**	**768,043**
of which non-current financial debt	0	348,870	187,738	134,424	671,032
of which current financial debt	107	23,236	18,531	4,569	46,443
of which tax liabilities	0	3,801	0	0	3,801

JANUARY 1, 2015 - DECEMBER 31, 2015 EURk	GEOGRAPHIC SEGMENTS			
	D / A / NL[1]	CEE / SEE[1]	CIS[1]	Group
Revenues	47,435	0	0	47,435[2]
Other income	35,789	0	0	35,789
Profits from investments accounted for using the equity method	3,330	0	0	3,330
Profit/loss from fair value adjustments in investment propertiesien	18,471	0	0	18,471
Segment revenues	**105,025**	**0**	**0**	**105,025**
ADDITIONAL INFORMATION				
Segment assets	**1,027,587**	**2,126**	**3,232**	**1,032,945**
of which investments accounted for using the equity method	3,136	0	0	3,136
of which loans to investments accounted for using the equity method	533	0	0	533
of which financial receivables and other financial assets	25,937	0	83	26,020
of which tax refund claims	169	0	2	171
of which assets available for sales in investments accounted for using the equity method	13,005	0	0	13,005
Total liabilities	**767,808**	**38**	**197**	**768,043**
of which non-current financial debt	608,796	0	0	608,796

[1] CEE = Central & Eastern Europe; SEE = South - Eastern Europe; CIS = Commonwealth of Independent States
D / A / NL = Germany, Austria and the Netherlands

[2] Revenue is comprised of rental income and revenue from the sale of real estate companies

APRIL 1, 2014 - DECEMBER 31, 2014 EURk	SEGMENTS BY BUSINESS AREAS			
	Investments	Core Portfolio	Central Functions	Group
Revenues	1,290	3,527	3,714	8,531
Profit/loss from fair value ad-justments in investment properties	0	63,608	0	63,608
Other income	359	187	191	737
Profits from investments accounted for using the equity method	199	0	0	199
Segment revenues	**1,848**	**67,322**	**3,905**	**73,075**
Net assets from sold real estate companies	-1,180	0	-3,533	-4,713
Expenses on real estate sales	0	0	0	0
Other expenses	-5,513	-3,419	217	-8,715
Losses from investments accounted for using the equity method	-1,087	0	-126	-1,213
Segment expenses	**-7,780**	**-3,419**	**-3,442**	**-14,641**
EBIT	**-5,932**	**63,903**	**463**	**58,434**
Financial income	282	0	6,673	6,955
Financial expenses	-562	-1,190	-8,141	-9,893
Income taxes	-70	-9,482	-238	-9,789
Net profit/loss for the period	**-6,282**	**53,231**	**-1,243**	**45,707**
Significant non-cash items	**1,390**	**73,397**	**-2,144**	**72,643**
Impairment losses in net profit/loss for the period	**257**	**436**	**0**	**693**
ADDITIONAL INFORMATION				
Segment assets	**15,454**	**353,897**	**3,661**	**373,012**
of which investments accounted for using the equity method	2,469	0	144	2,613
of which loans to investments accounted for using the equity method	2,857	0	0	2,857
of which financial receivables and other financial assets	64	0	857	921
of which tax refund claims	3	82	40	125
of which assets available for sales in investments accounted for using the equity method	0	0	0	0
Segment liabilities	**8,719**	**244,137**	**65,527**	**318,383**
of which non-current financial debt	20	190,773	57,299	248,092
of which current financial debt	8,278	36,271	3,024	47,573
of which tax liabilities	0	105	209	314

APRIL 1, 2014 - DECEMBER 31, 2014 EURk	GEOGRAPHIC SEGMENTS			
	D / A / NL[1]	CEE / SEE[1]	CIS[1]	Group
Revenues	8,206	0	325	8,531[2]
Other income	825	13	-101	737
Profits from investments accounted for using the equity method	199	0	0	199
Profit/loss from fair value adjustments in investment properties	63,608	0	0	63,608
Segment revenues	**72,838**	**13**	**224**	**73,075**
ADDITIONAL INFORMATION				
Segment assets	**367,941**	**1,626**	**3,445**	**373,012**
of which investments accounted for using the equity method	2,613	0	0	2,613
of which loans to investments accounted for using the equity method	2,857	0	0	2,857
of which financial receivables and other financial assets	892	0	29	921
of which tax refund claims	123	0	3	126
of which assets available for sales in investments accounted for using the equity method	0	0	0	0
Total liabilities	**306,231**	**8,470**	**3,682**	**318,383**
of which non-current financial debt	248,072	0	20	248,092

[1] CEE = Central & Eastern Europe; SEE = South - Eastern Europe; CIS = Commonwealth of Independent States D / A / NL = Germany, Austria and the Netherlands

[2] Revenue is comprised of rental income and revenue from the sale of real estate companies

JANUARY 1, 2015 - DECEMBER 31, 2015 EURk	GEOGRAPHIC SEGMENTS – ADDITIONAL INFORMATION ABOUT GERMANY[1] D
Revenues	45,676
Other income	36,077
Profit/loss from fair value adjustments in investment properties	18,471
Profits from investments accounted for using the equity method	2,098
Segment revenues	**102,322**
ADDITIONAL INFORMATION	
Segment assets	**1,025,645**
of which investments accounted for using the equity method	680
of which financial receivables and other financial assets	25,925
of which tax refund claims	145
Total liabilities	**766,752**
of which non-current financial debt	608,796

[1] Allocation by location of property

APRIL 1, 2014 - DECEMBER 31, 2014 EURk	GEOGRAPHIC SEGMENTS – ADDITIONAL INFORMATION ABOUT GERMANY[1] D
Revenues	7,463
Other income	759
Profit/loss from fair value adjustments in investment properties	63,608
Profits from investments accounted for using the equity method	0
Segment revenues	**71,830**
ADDITIONAL INFORMATION	
Segment assets	**363,149**
of which investments accounted for using the equity method	144
of which financial receivables and other financial assets	853
of which tax refund claims	105
Total liabilities	**311,920**
of which non-current financial debt	248,072

[1] *Allocation by location of property*

Revenues for the fiscal year resulted from the rental of real estate companies contained in the Investments and Core Portfolio segments.

In the Core Portfolio segment, two customers accounted for more than 10 % of the segment's revenue each, representing combined revenues of EURk 9,796 in the reporting year.

The Core Portfolio segment contains investment properties and has the task of developing real estate projects in Germany. The primary aim with respect to these properties is their sustainable management. The properties are held to generate rental income and/or for value appreciation.

The activities of the companies in the non-operating areas of Central Functions/Others are mainly limited to the activities of DEMIRE AG.

Of the carrying amounts of the companies accounted for using the equity method (EURk 3,136; previous year: EURk 2,613), an amount to EURk 116 is allocated to the Investments segment and EURk 3,020 is allocated to Central Functions/Others.

The investments held for sale accounted for using the equity method were sold during the fiscal year. As at December 31, 2014, they were allocated to the Investments segment in their entirety.

In the Core Portfolio segment, non-cash items mainly include fair value adjustments to investment properties of EURk 18,471 (previous year: EURk 63,608) and income taxes of EURk 4,576 (previous year: EURk 9,789). In the Investments segment, non-cash items include profits from the sale of real estate companies of EURk 803 (previous year: EURk 69), the result of companies accounted for using the equity method of EURk 1,908 (previous year: EURk 1,014) and value adjustments in real estate inventory of EURk 0 (previous year: EURk 307). Non-cash items in the Central Functions/Others segment include changes in provisions of EURk 4,462 (previous year: EURk 2,290) and other non-cash items of EURk 1,380 (previous year: EURk 146).

Of total Group revenues of EURk 47,435 previous year: EURk 8,531), a total of EURk 45,676 (previous year: EURk 7,463) was generated in Germany. These revenues resulted from income from the rental of real estate (EURk 43,344) and revenues from the sale of real estate (EURk 2,098).

The geographical allocation of revenues is based on the location of the rented property in the case of rental income and the location of the object sold for the sale of real estate.

Transactions between segments are carried out on the basis of comparable external conditions.

I. OTHER DISCLOSURES

1. Financial instruments

Interest rate risk to cash flows relates to cash held in deposit accounts and also relates to variable interest rates on debt. The Company does not anticipate significant negative interest rate effects over the long term since the level of liquid funds on the balance sheet date are only available until investments are made and will be subsequently tied up in projects according to plan.

Generally, reference is made to the risk report in DEMIRE's group management report.

Financial risk management

The Executive Board regularly monitors and actively manages the credit risks which are inherent in the Group's operating activities and the risks related to the Group's financing activities. As a result of these measures, the consolidated financial statements were prepared on the assumption of a going concern.

The Group's financial assets mainly consist of interests and loans to companies accounted for using the equity method, other loans, trade accounts receivable and other receivables, financial receivables and other financial assets, as well as bank deposits. The majority of trade accounts receivable consists of rent receivables. Potential defaults in this context are taken into consideration.

The Group's financial liabilities comprise mainly bonds, bank loans, other loans, overdrafts and trade accounts payable. The main purpose of these financial liabilities is to finance the Group's operations.

The Group is exposed to various financial risks as a result of its business activities: foreign currency risk, 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 the Company's continuance is not jeopardised.

The Executive Board identifies, evaluates, and hedges financial risks in close collaboration with the asset manager and in coordination with the Group's Supervisory Board.

Loan agreements exist in the Group that contain financial covenants stipulated by the banks. Non-compliance with these financial covenants could lead to extraordinary terminations of these agreements by the banks. The financial covenants concern financial ratios of the respective real estate portfolio, particularly the debt service cover ratio (DSCR), the interest cover 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 is carried out by DEMIRE's management, treasury and asset management areas. 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 guarantees from the debtor. In that case, the loans would be in default. If the default persisted for a longer period of time and could not permanently be resolved, the creditors have a special right of termination. DEMIRE complied with all financial covenants for real estate financing as of the balance sheet date and, therefore, there was no default.

Foreign currency risk

There is no foreign currency risk for the existing portfolio of commercial real estate in Germany because all transactions are conducted in euros.

The existing investments outside of Germany are subject to translation risk until the point of their complete disposal.

Any change in the project's existing assets and liabilities has an effect on the currency translation reserve within other comprehensive income. When foreign assets are sold, there is a risk that the accumulated translation differences within the currency translation reserves, which have previously been recognised under other comprehensive income, will need to be recognised through profit or loss in the period of the assets' disposal. If the Group's liabilities or receivables are maintained in a foreign currency, there will be an effect in the consolidated income statement.

Projects in Eastern Europe and the Black Sea Region are handled in the same currency when possible and feasible. Hedging of low levels of residual exchange rate risk, which is essentially limited to the equity invested and the profit potential, occurs only in isolated cases. Generally, preference is given to hedging on an aggregated basis rather than on the basis of individual project-related risks. Hedging is only considered when certain fluctuation ranges have been exceeded for certain currencies and is limited to the equity invested (and not for the potential profit). In summary, the management of exchange rate risks is geared towards accepting currency risk within a certain range. The foreign currency hedging strategy is determined in close coordination with the Supervisory Board.

The following table shows the breakdown of assets and liabilities by currency (EURk):

JANUARY 1, 2015 - DECEMBER 31, 2015	EURk	Others	Total
Investments accounted for using the equity method	3,136	0	3,136
Investment properties	915,089	0	915,089
Loans to investments accounted for using the equity method	553	0	553
Trade accounts receivable and other receivables	14,270	117	14,387
Financial receivables and other financial assets	25,925	95	26,020
Cash and cash equivalents	28,455	12	28,467
Investments held for sale accounted for using the equity method	13,005	0	13,005
Other assets	28,855	3,433	32,288
	1,029,288	**3,657**	**1,032,945**
Non-current financial debt	671,032	0	671,032
Current financial debt	46,336	107	46,443
Other liabilities	50,444	124	50,568
	767,812	**231**	**768,043**

APRIL 1, 2014 – DECEMBER 31, 2014	EURk	Others	Total
Investments accounted for using the equity method	2,613	0	2,613
Investment properties	333,070	0	333,070
Loans to investments accounted for using the equity method	2,857	0	2,857
Trade accounts receivable and other receivables	9,161	126	9,287
Financial receivables and other financial assets	892	29	921
Cash and cash equivalents	4,379	18	4,397
Other assets	14,969	4,898	19,867
	367,941	**5,071**	**373,012**
Non-current financial debt	248,072	20	248,092
Current financial debt	47,499	74	47,573
Other liabilities	19,117	3,600	22,717
	314,688	**3,694**	**318,382**

A change in the exchange rate of +/– 10 % changes the value of the assets and liabilities as follows:

	31/12/2015 + 10 %	31/12/2015 - 10 %	31/12/2014 + 10 %	31/12/2014 - 10 %
RON (Romania) in EURk				
Assets	-152	186	-115	141
Liabilities	-1	2	0	0
GEL (Georgia) in EURk				
Assets	-127	155	-123	150
Liabilities	-18	22	-28	34
UAH (Ukraine) in EURk				
Assets	-10	13	-190	232
Liabilities	0	0	-300	367
BGN (Bulgaria) in EURk				
Assets	-41	50	-32	40
Liabilities	-2	2	-7	9

Interest rate risk

To finance its German commercial real estate, the DEMIRE Group uses debt in a degree customary for the industry consisting of both variable and fixed-interest loans as well as tradeable instruments that contain options for conversion into shares of the Company or Fair Value REIT-AG.¬

The activities of DEMIRE group companies are exposed mainly to financial risks from changes in interest rates. Therefore, DEMIRE also uses derivative financial instruments to manage its interest rate risks. Interest rate swaps are used to minimise interest rate risk when interest rates are rising.

At the balance sheet date, interest rate hedges existed in the form of purchased interest rate derivatives with a nominal volume of EURk 36,149 (previous year: EURk 0), which were acquired in the course of purchasing real estate companies:

EURk	Nominal volume		Market values	
	2015	2014	2015	2014
Interest rate swaps	36,149	0	-829	0

In subsequent years, the following net payment obligations for the Company originated from the interest rate swaps based on the measurement as at the balance sheet date: an amount of EURk 386 has a term of up to one year, an amount of EURk 438 has a term between one and five years and an amount of EURk 15 has a term of over five years.

All derivative financial instruments purchased in the reporting year are not designated in a hedging relationship.

The DEMIRE Group utilises debt to finance its real estate projects sometimes at variable interest rates. As a consequence, the DEMIRE Group is exposed to interest rate risk since increases in the interest rate level increases its financing costs. The following table assumes an increase in the interest rate level of +100 and -100 basis points. Assuming all other parameters remained unchanged, an increase or decrease of the Company's interest expenses would lead to the following interest expenses:

INTEREST RATE SENSITIVITY ANALYSIS EURk	31/12/2015	31/12/2014
Interest expense from loans with variable interest rates	137	316
Increase in interest expenses assuming a fictitious increase in variable interest rates by 100 basis points	69	464
Decrease in interest expenses assuming a fictitious decrease in variable interest rates by 100 basis points	-69	-135

In this fictitious example, a change in interest expenses would have a direct effect on the Group's consolidated profit/loss and Group equity net of related income tax effects.

The majority of the remaining investments in Eastern Europe and the Black Sea Region are financed by equity. Any financing taken for these investments is recognised at the project level.

Because low interest rates prompt a rise in real estate transaction prices, the level of interest rates also effects the purchase prices of newly acquired properties. Interest rate levels also play a significant role in valuing investment properties.

The Executive Board evaluates its interest rate policy on a regular basis and in close collaboration with the Supervisory Board.

Credit risk

The reported financial instruments represent the maximum credit and default risk. In the context of Group-wide uniform risk management standards, counterparty risk is assessed and supervised on a uniform basis. The aim is to minimise default risk. No insurance is taken out for counterparty risk. There is generally no significant concentration of credit risk within the Group. An analysis of impaired receivables is provided in the following table:

31/12/2015 EURk	Gross receivables	Impairment	Total
Trade accounts receivable and other receivables	18,255	-3,868	14,387
Financial receivables and other financial assets	26,611	-591	26,020
	44,866	**-4,459**	**40,407**

31/12/2014 EURk	Gross receivables	Impairment	Total
Trade accounts receivable and other receivables	11,731	-2,444	9,287
Financial receivables and other financial assets	4,100	-3,179	921
	15,831	**-5,623**	**10,208**

Overdue receivables are subject to impairment based on the status of the information available. It is assumed that the receivables not overdue or impaired have retained their value and are therefore collectable. This assumption is subject to ongoing monitoring.

Liquidity risk

During the Company's initial phase, liquidity risk was primarily managed by keeping liquidity reserves in the form of bank deposits available at all times and, to a limited degree, credit lines that could be drawn down. Today, the liquidity position is significantly more dependent upon proceeds from disposals and the planned prolongation of loans as they come due. The liquidity position is also affected by additional contributions for the continued financing of projects. Generally, there are no significant concentrations of liquidity risk.

Further information on risk management and financial risks are provided in the risk report contained in the management report.

Capital management and control

The overriding objective of the Group's capital management is to secure the capability of future debt repayment and to preserve the Group's financial net worth. The Group's capital structure is managed according to economic and regulatory guidelines. On the part of DEMIRE, capital management is carried out by way of dividend payments and/or financing. DEMIRE strives to maintain a capital structure that is suitable for the risk inherent in its business and also subjects itself to the minimum capital requirements prescribed by the German Stock Corporation Act. The Executive Board of DEMIRE is monitoring its compliance. These requirements were met both in the reporting year and in the previous year. DEMIRE also strives to have a balanced maturity structure for its outstanding liabilities. The intention of the Executive Board is to obtain a sufficiently strong equity base and maintain the confidence of investors and the market. Whereas the equity commitment in Germany stands at 20 % to 30 % of the investment volume, significantly higher equity commitments must be allowed for in the CEE/SEE/CIS countries, especially during the early stages.

The Group monitors its capital through its equity ratio, which is also an important key ratio for investors, analysts, and banks. Components of this ratio are the total assets in the consolidated balance sheet and the shareholders' equity reported in the consolidated balance sheet that is attributable to both the parent company shareholders and non-controlling shareholders. DEMIRE intends to utilise the available equity as a means of possible leverage but will continue to maintain a solid equity ratio. As at December 31, 2015, the equity ratio was 25.6 % (December 31, 2014: 14.6 %). DEMIRE continues to strive for an equity ratio of more than 40 %. This goal will be achieved through different processes. Disposals should be carried out at least at the higher of the carrying amount and market value.

Additional information on financial instruments

The classification of financial instruments under IFRS 7 corresponds to the respective consolidated balance sheet items. The following table contains the carrying amounts, amounts recognised and the fair values of financial assets and liabilities for each category of financial instruments and reconciles these values to the measurement categories of IAS 39 at the balance sheet date and the prior year. The key measurement categories for DEMIRE in accordance with IAS 39 are Available-for-Sale Financial Assets (Afs), Loans and Receivables (LaR), Amortised Cost (AmC) and Held for Trading (HfT).

DECEMBER 31, 2015 EURk	Measure-ment category	Carrying amount	IAS 39 measurement Fair value through profit/loss	IAS 39 measurement Amortised cost	Fair value as comparative information
Interests in investments accounted for using the equity	n/a	3,136	0	3,136	3,136
Other financial assets	LaR	11,045	0	11,045	11,045
Loans to investments accounted for using the equity method	LaR	553	0	553	553
Other loans	LaR	384	0	384	384
Trade accounts receivable and other receivables	LaR	14,387	0	14,387	14,387
Financial receivables and other financial assets	LaR/HfT	26,020	2,205	23,815	26,020
Cash and cash equivalents	LaR	28,467	0	28,467	28,467
Convertible bond	AmC	19,491	0	19,491	56,947
Bonds	AmC	97,719	0	97,719	94,000
A-/B-Notes (Germavest)	AmC	92,651	0	92,651	92,651
Financial liabilities (Fair Value REIT)	AmC	144,113		144,113	143,620
Other non-current financial debt	AmC	317,058	0	317,058	316,565
Interest rate swaps	HfT	829	829	0	829
Trade payables	AmC	19,887	0	19,887	19,887
Current financial debt	AmC	46,443	0	46,443	46,443
Amount per measurement category					
	LaR	80,856	2,205	78,651	80,856
	AmC	500,598	0	500,598	533,842
	AtFVtPL	92,651	0	92,651	92,651

Afs: *Available-for-Sale Financial Assets;*
LaR: *Loans and Receivables;*
AmC: *Amortised Cost (financial liabilities recognised at amortised cost);*
HfT: *Held for Trading (financial assets held for trading);*
AtFVtPL: *At Fair Value through Profit or Loss;* ***n.a.:*** *not applicable*

DECEMBER 31, 2014 **EURk**	Measure-ment category	Carrying amount	IAS 39 measurement Fair value through profit/loss	 Amortised cost	Fair value as comparative information
Interests in investments accounted for using the equity method	n/a	2,613	0	2,613	4,001
Other financial assets	LaR	14	0	14	14
Loans to investments accounted for using the equity method	LaR	2,857	0	2,857	4,050
Other loans	LaR	322	0	322	322
Trade accounts receivable and other receivables	LaR	9,287	0	9,287	9,287
Financial receivables and other financial assets	LaR	921	0	921	1,246
Cash and cash equivalents	LaR	4,397	0	4,397	4,397
Convertible bond	AmC	8,173	0	8,173	15,244
Bonds	AmC	49,138	0	49,138	50,100
Other non-current financial debt	AmC	188,530	0	188,530	193,330
Trade payables	AmC	11,519	0	11,519	11,519
Other current financial debt	AmC	47,573	0	47,573	47,573
Amount per measurement category					
	LaR	17,798	0	17,798	19,316
	AmC	304,933	0	304,933	317,766

Afs: *Available-for-Sale Financial Assets;*
LaR: *Loans and Receivables;*
AmC: *Amortised Cost (financial liabilities recognised at amortised cost);*
n.a.: *not applicable*

Due to the short-term maturity of cash and cash equivalents, trade accounts receivable and payable, and other current receivables and liabilities, it is assumed that their respective fair values correspond to the carrying amounts.

It is assumed that the respective fair value of trade accounts receivable and other receivables, other current financial assets and liabilities as well as cash and cash equivalents, equals their carrying amounts due to their short-term nature.

The following table presents the measurement hierarchy, measurement procedure and material input factors for the fair values of each category of financial assets and liabilities.

Type	Hierarchy	Measurement procedure and material input factors
Investment properties	Level 3	Expected future free cash flows of a project by applying a market-based, property-specific discount rate
Interests in investments accounted for using the equity method	Level 3	Discounted cash flows from the continued use of an asset on the basis of yield curves observable on the market at the reporting date
Loans to investments accounted for using the equity method (fixed-rate)	Level 3	Discounted cash flows on the basis of yield curves observable on the market at the reporting date
Financial receivables and other financial assets	Level 3	Discounted cash flows on the basis of yield curves observable on the market at the reporting date
Non-current financial debt	Level 3	Discounted cash flows on the basis of yield curves observable on the market at the reporting date
Derivatives	Level 2	Interest rate curves, credit spreads, indices
Quoted convertible bonds	Level 1	Quoted bid prices on active markets
Quoted corporate bonds	Level 1	Quoted bid prices on active markets

According to IFRS 7.29, it is assumed that all current financial instruments' carrying amounts correspond to their fair value. Since the predominant portion of non-current loans was drawn down shortly before the balance sheet date, it is assumed that the fair values do not materially differ from the carrying amounts.

The carrying amounts of the financial instruments represent the maximum default risk:

EURk	31/12/2015	31/12/2014
Loans and receivables	41,344	13,387
Cash and cash equivalents	28,467	4,397
Other financial assets	11,032	14
TOTAL	**80,843**	**17,798**

The maximum default risk of loans and receivables is divided according to regional considerations as follows:

EURk	31/12/2015	31/12/2014
Germany, Austria and the Netherlands	37,286	7,658
Poland	1,567	1,737
Ukraine	2,346	1,125
Georgia	0	12
Other countries	145	2,855
TOTAL	**41,344**	**13,387**

The Group's cash and cash equivalents are divided according to regional considerations as follows:

EURk	31/12/2015	31/12/2014
Cash and cash equivalents in euro countries	28,455	4,378
Cash and cash equivalents in other countries	12	19
TOTAL	**28,467**	**4,397**

As of December 31, 2015, there were no overdue loans and receivables after consideration of impairments. In the prior year, there were no overdue loans and receivables.

NET GAINS AND LOSSES (EURk) 01/01/2015 – 31/12/2015	from interest	From subsequent measurement				Net gain/ loss
		at fair value profit or loss	Currency difference	Impairment	Reversal of impairment	
Loans and Receivables	486	0	4	-3,388	343	-2,555
AmC	-112	0	0	0	0	-112
HfT	0	1,316	0	0	0	1,316
TOTAL	**374**	**1,316**	**4**	**-3,388**	**343**	**-1,351**

NET GAINS AND LOSSES (EURk) 01/04/2014 – 31/12/2015	from interest	From subsequent measurement				Net gain/ loss
		at fair value profit or loss	Currency difference	Impairment	Reversal of impairment	
Loans and Receivables	555	0	-189	-693	19	-308
AmC	-520	0	0	0	0	-520
TOTAL	**35**	**0**	**-189**	**-693**	**19**	**-828**

Impairment losses during the reporting period are distributed among the classes of financial instruments as follows:

EURk	31/12/2015	31/12/2014
Loans and Receivables	2,846	693
TOTAL	**2,846**	**693**

Future outgoing payments related to interest payments and repayments of the principal amount of financial debt are presented in the following table:

EURk	2016	2017	2018	2019	2020	after 31/12/2020
2014/2019 corporate bond, DEMIRE Deutsche Mittelstand Real Estate AG						
Interest	6,422	6,422	6,422	4,816		
Repayment				85,625		
2013/2018 convertible bond, DEMIRE Deutsche Mittelstand Real Estate AG						
Interest	640	640	640			
Repayment			10,662			
2015/2018 mandatory convertible bond, DEMIRE Deutsche Mittelstand Real Estate AG						
Interest						
Repayment	413	413	172			
Signal Capital loan, DEMIRE Deutsche Mittelstand Real Estate AG						
Interest	3,040	3,040	3,040			
Repayment			35,200			
Promissory note Deutsche Bank, DEMIRE Holding EINS GmbH						
Interest	7,367	7,310	7,273	7,236		
Repayment	740	740	740	145,001		
LBBW loan A, DEMIRE Commercial Real Estate GmbH						
Interest	591	572	552	45		
Repayment	853	872	892	24,064		
LBBW loan, DEMIRE Commercial Real Estate GmbH						
Interest	133	129	125	31		
Repayment	201	196	190	6,207		
HFS bond, DEMIRE Commercial Real Estate GmbH						
Interest	4,170	174				
Repayment		27,800				
IBB amortising loan, DEMIRE Real Estate München I GmbH						
Interest	247					
Repayment	8,225					
DKB loan, Objektgesellschaft Worms GmbH						
Interest	36					
Repayment	2,400					
LBB amortising loan, Hanse-Center Objektgesellschaft mbH						
Interest	151					
Repayment	4,034					

TEUR	2016	2017	2018	2019	2020	after 31/12/2020
HypoNoe loan, Sihlegg Investments Holding GmbH						
Interest	338	324	311	297	283	
Repayment	460	460	460	460	9,430	
DG Hyp loan, Logistikpark Leipzig GmbH						
Interest	715	693	671	650	314	
Repayment	900	900	900	900	26,175	
Volksbank Mittweida loan, TGA Immobilien Erwerb 1 GmbH						
Interest	145	136	128	119	110	418
Repayment	254	262	271	280	289	3,215
A-Notes, Germavest Real Estate S.a.r.l.						
Interest	2,151	2,151	2,151	2,151	2,151	25,806
Repayment						55,000
B-Notes, Germavest Real Estate S.a.r.l.						
Interest	2,194	1,745	1,268	760	317	22
Repayment	8,262	8,811	9,376	9,967	6,929	2,568
Westdeutsche ImmobilienBank, Fair Value REIT-AG						
Interest	237	227	217	103		
Repayment	400	400	400	8,100		
Westdeutsche ImmobilienBank, Fair Value REIT-AG						
Interest	66	64	61	29		
Repayment	192	192	192	4,630		
Westdeutsche ImmobilienBank Fair Value REIT-AG						
Interest	28	25	22	14		
Repayment	240	240	240	1,490		
Stadt-Sparkasse Langenfeld amortising loan, Fair Value REIT-AG						
Interest	42	41	40	39	37	
Repayment	80	78	76	74	71	2,339
Convertible bond, Fair Value REIT-AG						
Interest	20					
Repayment	8,714					
Bayerische Beamten Lebensversicherung a.G. amortising loan, BBV 02						
Interest	3					
Repayment	139					
Bayerische Beamten Lebensversicherung a.G. amortising loan, BBV 10						
Interest	21					
Repayment	823					
Bayerische Beamten Lebensversicherung a.G. amortising loan, BBV 02						
Interest	3					
Repayment	119					

TEUR	2016	2017	2018	2019	2020	after 31/12/2020
UniCredit Bank AG, BBV 08						
Interest	66	59	52	45	37	
Repayment	230	244	259	276	293	980
UniCredit Bank AG, BBV 08						
Interest	473	433	392	348	301	
Repayment	1,348	1,432	1,522	1,618	1,720	8,656
Deutsche Genossenschafts-Hypothekenbank, Logistikpark Leipzig GmbH						
Interest	453	435	418	402	113	
Repayment	1,300	1,200	1,200	1,200	27,924	
UniCredit Bank AG, BBV 10						
Interest	482	459	436	413	390	92
Repayment	1,172	1,172	1,172	1,172	1,172	18,628
UniCredit Bank AG, BBV 10						
Interest	36	34	32	30	28	6
Repayment	97	97	97	97	97	1,249
UniCredit Bank AG, BBV 10						
Interest	150	143	137	130	124	29
Repayment	317	317	317	317	317	5,714
Bayerische Beamten Lebensversicherung a.G. amortising loan, BBV 10						
Interest	818	770	720	667	613	556
Repayment	1,241	1,290	1,341	1,394	1,449	14,266
Westdeutsche Immobilienbank amortising loan, Fair Value REIT-AG						
Interest	66					
Repayment	1,908					
Sparkasse Südholstein amortising loan, IC 15						
Interest	203	197	191	184	179	17
Repayment	221	227	234	240	247	6,321
Trade payables and other liabilities	19,887					
Total	**96,264**	**73,566**	**91,212**	**311,621**	**81,110**	**145,882**

It is assumed that no conversions of the 2013/2018 convertible bonds and 2015/18 mandatory convertible bonds will take place before maturity.

Other financial obligations as at December 31, 2015, in the amount of approx. EURk 12,200 resulted from real estate purchase agreements concluded in the 2015 reporting period that have not closed as at the balance sheet date.

2. Disclosures regarding related companies and persons

Related companies and persons

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.

The group of related companies includes the fully consolidated subsidiaries and the joint ventures and associated companies accounted for using the equity method.

Moreover, 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 DEMIRE's Executive Board (see Note I.4.a.) and their close relatives,
- Members of DEMIRE's Supervisory Board (see Note I.4.b.) and their close relatives.

Legal transactions with related companies and persons

In the fiscal year under review, transactions with related parties were exclusively carried out at customary market conditions.

The transactions, revenues and rendering of services between the parent company 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.

Business transactions with members of management holding key positions at the Company did not occur in the reporting period other than the following two business transactions: To acquire an interest in Logistikpark Leipzig GmbH, DEMIRE increased its share capital by EUR 2,541,149 against contribution in kind. M1 Beteiligungs GmbH, Berlin, was admitted to subscribe to the new shares in return for a contribution in kind consisting of a 94 % interest in Logistikpark Leipzig GmbH. In addition to the shares, a cash component of roughly EUR 18.6 million was also agreed to as part of the purchase price. In the context of the capital increase, each new DEMIRE share was assigned a value of EUR 5.84, resulting in a calculated total purchase price of EURk 33,173. One Supervisory Board member holds an indirect interest in M1 Beteiligungs GmbH, which, in turn, holds a non-controlling interest in DEMIRE. One DEMIRE Supervisory Board member holds an interest in a company that provided asset management services for DEMIRE's foreign properties during the reporting year and invoiced a total of EURk 113.

As far as other transactions with members in key positions, reference is made to the discussion on the remuneration of the Executive Board in Note I.4.a.

The following balances exist with respect to associated companies:

EURk	31/12/2015	31/12/2014
Financial receivables and other financial assets	116	48
Trade payables and other liabilities	0	146
Current financial debt	0	12

With respect to financial receivables and other financial assets, reference is made to Note E.2.3. Trade payables and other liabilities concern the rental of office space and were offset in the reporting period with a loan granted by DEMIRE AG to SQUADRA Erste Immobilien GmbH and, therefore, amounted to EURk 0. Current financial debt concerns other financial liabilities.

The following balances exist with respect to joint ventures:

EURk	31/12/2015	31/12/2014
Loans to investments accounted for using the equity method	553	2.857
Financial receivables and other financial assets	480	921
Current financial debt	0	385

With regard to loans to investments accounted for using the equity method, reference is made to the discussion in Note E.1.6. With respect to financial receivables and other financial assets, reference is made to Note E.2.3. The balance of current financial debt concerns other financial liabilities.

There is no collateral for receivables due from associated companies and joint ventures.

Volume of business transactions with associated companies:

EURk	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
Financial receivables and other financial assets	68	51
Trade payables and other liabilities	146	10
Current financial debt	12	21

Volume of business transactions with joint ventures:

EURk	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
Financial receivables and other financial assets	2,304	308
Financial receivables and other financial assets	441	98
Current financial debt	385	0

Transactions underlying financial receivables and other financial assets resulted from the repayment of loans granted. Loans to investments accounted for using the equity method resulted from interest expenses for loans granted. The item current financial debt includes other financial debt.

3. Auditor's fee

The auditor's fee for Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt charged in the fiscal year related to the subgroups DEMIRE and Fair Value REIT consisted of the following (prior year amounts include value-added taxes):

EURk	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
Auditing services	681	444
Other assurance services	1,740	0
Tax consultation services	0	0
Other services	26	0
	2,447	**444**

Of the fee of EURk 681 for auditing services recognised in the reporting year, an amount of EURk 74 relates to fees for auditing services for the 2014 fiscal year.

Other assurance services include the submission of a comfort letter in the context of a prospectus related to the acquisition of shares in Fair Value REIT-AG, of which EURk 795 were offset against capital reserves as costs to raise equity.

4. Executive Board, Supervisory Board and employees

a. Executive Board

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

In the fiscal year under review, the Executive Board consisted of the following members:

- Herr Hon.-Prof. Andreas Steyer, CEO,
- Herr Markus Drews, COO.

Mr. Frank Schaich, CFO, who was appointed as a member of the Executive Board on February 1, 2016.

In the 2015 fiscal year, DEMIRE AG recognised variable remuneration in the amount of EURk 313 (previous year: EURk 27), fixed remuneration of EURk 464 (previous year: EURk 196) and share-based payments of EURk 444 (previous year: EURk 0) for the members of the Executive Board. These amounts are divided as follows:

EURk	2015	2014
Hon.-Prof. Andreas Steyer	660	205
Markus Drews	561	18
Executive Board compensation	**1,221**	**223**

Die Vorstandsbezüge im abgelaufenen Fiscal year setzen sich wie folgt zusammen:

EURk	2015	2014
Short-term benefits	547	223
Share-based payments	444	0
Other long-term benefits	230	0
Executive Board compensation	**1,221**	**223**

Hon.-Prof. Andreas Steyer receives a time-proportionate entitlement to a multi-year bonus if the performance period for the determination of the multi-year bonus has existed for at least twenty-four months.

There were no pension obligations, payments related to termination of employment or post-employment benefits for active and former Executive Board members in the reporting year.

The members of the Executive Board were not granted any loans or advances and no contingencies were assumed for their benefit.

b. Supervisory Board

The following provides the names, professions and remuneration of the Company's Supervisory Board members during the past fiscal year.

Name	Position	Profession	Period	Remuneration fiscal year 2015 (EURk)*	Remuneration abbreviated 2014 fiscal year (EURk)*
Prof. Dr. Hermann Anton Wagner	Chairman	Independent auditor and tax consultant	Since April 17, 2013	135	30
Dr. Peter Maser	Deputy Chairman	Attorney at Law	Since January 12, 2015	90	0
Günther Walcher	Member	Entrepreneur	Since October 23, 2013	45	10
Dr. Dirk Hoffmann	Deputy Chairman	Independent Attorney at Law	Until December 31, 2014	0	23
Remuneration of the Supervisory Board				**270**	**63**

** Compensation excluding reimbursement of expenses and value-added tax*

Supervisory Board members were also reimbursed for travel expenses in the amount of EURk 5 (previous year: EURk 5).

There were no pension obligations or long-term remuneration components owed to active or former Supervisory Board members as at December 31, 2015.

The members of the Executive Board were not granted any loans or advances and no contingencies were assumed for their benefit.

c. Employees

The number of employees as at the balance sheet date was as follows:

EURk	31/12/2015	31/12/2014
Executive Board members	2	2
Permanent employees	54	7
	56	**9**

The average number of employees in the 2015 fiscal year was 38 (abbreviated 2014 fiscal year: 6). Of the 54 permanent employees, 15 (11 based on year's average) were employed by PANACEA Property GmbH and PRAEDIA GmbH, which are not consolidated for reasons of materiality and which provide asset and facility management services to DEMIRE Group companies. These newly acquired subsidiaries are of minor importance for the consolidated financial statements under IFRS and are therefore not included in the IFRS consolidated financial statements as of December 31, 2015, for reasons of materiality.

d. Share-based payments

With the consent of the Supervisory Board, the Executive Board is authorised until December 31, 2015, ("issue period") as detailed in the following provisions under the 2015 stock option plan to issue up to 1,000,000 stock options with subscription rights for shares of DEMIRE AG with a vesting period of four years and an exercise period of another five years ("the exercise period") provided that each stock option entitles its holder to subscribe for one share of the Company. With regard to the issue of stock options to members of the Executive Board of the Company, this authorisation is limited only to the Supervisory Board.

The beneficiaries and the amount of stock options for subscription offered to these beneficiaries are to be determined by the Executive Board of the Company with the consent of the Supervisory Board. To the extent members of the Executive Board of the Company are to receive stock options, the determination and the issue of these options will be governed by the Supervisory Board.

The following amount of stock options may be issued:

- a total of up to 800,000 stock options (80 %) to members of the Executive Board, and
- a total of up to 200,000 stock options (20 %) to selected employees of the Company or directors or employees of Group companies.

The subscription rights arising from the stock options can be exercised for the first time upon the expiration of the statutory vesting period of four years according to Section 193 para. 2 no. 4 AktG. The vesting period starts after the issue of the stock options (day of receipt of the beneficiary's statement of subscription by the Company or by the credit institution commissioned by the Company for the settlement).

The relevant exercise price for one share of the Company upon the exercise of the stock options corresponds to at least 100 % of the basis price. The basis price is the share price of the Company at the time of the resolution of the Executive Board on the issue of stock option rights and, in the case of the issue of stock options to members of the Executive Board, at the time of the resolution of the Supervisory Board. The relevant share price is 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 ten stock exchange trading days before the resolution is made on the issue of stock options.

The exercise of the subscription rights is subject to the Company's share price in XETRA trading on the Frankfurt Stock Exchange (or a comparable successor system) being at least 10 % higher than the basis price on the day preceding the exercise of the subscription rights.

The accounting of share-based payments is governed by IFRS 2 "Share-based Payment". The 2015 stock option plan is to be classified as "equity-settled share-based payments". Under IFRS 2, 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.

The value of compensation based on real stock options according to the Black-Scholes Model is determined by the fair value of the options at the grant date pursuant to IFRS 2.10. In the case of DEMIRE AG, the grant date is the day the options were issued (April 7, 2015 and December 9, 2015).

The following vesting conditions are relevant for the accounting of the stock-based compensation programme:

- The four-year vesting period represents a so-called service condition since only a specified period of service in the Company must be completed.

- The exercise condition of a closing share price exceeding the basis price by at least 10 % on the day preceding the exercise is classified as a performance condition since meeting the condition is based on a performance target. The performance conditions are to be divided into market conditions and non-market conditions. In the case of DEMIRE AG, the exercise condition is to be classified a market performance condition as it is explicitly related to the Company's share price. Such a market performance condition is reflected in the valuation of the option exclusively by means of a probability calculation performed at the grant date.

During the reporting period until the balance sheet date, a total of 1,000,000 stock options were granted, of which 800,000 stock options were granted in the first tranche to members of the Executive Board and 160,000 to selected Company and Group company employees. The fair value of each option from the first tranche was EUR 2.74. In the fourth quarter, a total of 60,000 stock options were newly issued in a second tranche, net of stock options that were returned by employees who had left the Company (20,000 stock options). The fair value of each option from the second tranche was EUR 1.99.

The calculation of the option's fair value as at the date of issue of the first and second tranche was based on the following parameters:

CALCULATION PARAMETERS	1st tranche	2nd tranche
Dividend yield (%)	0.00	0.00
Expected volatility (%)[1]	60.40	46.25
Risk-free interest rate (%)	0.50	0.80
Term of the option (years)	9.00	9.00
Weighted average share price (EUR)	4.258	3.76
Option price (EUR)	2.74	1.99

1) 180-day historical volatility

Staff costs recognised in the reporting period from the "2015 Stock Option Plan" amounted to EURk 434 and were recognised directly in equity under general and administrative expenses.

5. Subsequent events

The following significant events impacting DEMIRE's net assets, financial position and results of operations took place subsequent to the end of the fiscal year:

On January 13, 2016, the Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG completed the acquisition of a 94.9 % stake in Kurfürster Immobilien GmbH, Kassel, which had been signed in July 2015. The property, located in the centre of Hesse's third largest city, is predominantly used for retail purposes and has a total space of approximately 21,000 m². The property also includes one of Kassel's largest parking garages with around 600 parking spaces. As the first shopping mall in Kassel in the year 1991, the commercial property's contractual net rental income, excluding utilities, amounts to roughly EUR 3.9 million on an annual basis. Tenants include retail stores, a hotel, casino, offices and professional practices. This transaction strengthened DEMIRE's commitment in retail properties – the Company's third asset class alongside office and logistics. With the completion of this transaction, all of the acquisitions and transactions announced in 2015 were completed, including the takeover of Fair Value REIT-AG.

Based on a purchase agreement dated January 29, 2016, the property located in Tornesch at Willy-Meyer-Str. 3-5 was sold by Fair Value REIT. The purchase price of EUR 0.65 million is 10 % higher than the expert appraised market value as per December 31, 2015 of EUR 0.59 million and was paid in full on March 16, 2016.

The creditors of the convertible bond issued by Fair Value REIT-AG on January 19, 2015 with a principal amount of EUR 8.46 million yielding 4.5 % p.a. and maturing as at January 19, 2020 have requested by declaration on February 9, 2016 and in accordance with the bonds terms and conditions, early redemption in the amount of 103 % of the nominal value plus accrued interest as of the effective date (February 19, 2016) as a result of the change of control at Fair Value REIT-AG which occurred on December 21, 2015. The corresponding amount of around EUR 8.75 million was paid on time on February 19, 2016. The refinancing of the redemption amount was made through two loans. The loan issued to Fair Value REIT-AG from CapitalBank - GRAWE Group AG, Graz, is a bullet loan with a term of three years until February 15, 2019 in the amount of EUR 7.0 million, less a processing fee of 1 %, at a variable interest rate of 3-month EURIBOR plus a margin of 400 basis points and a minimum interest of 4.0 % p.a. About 25 % of this loan is secured by mortgages with the remainder secured by pledged shares and other assets. The loan from Stadt-Sparkasse Langenfeld to Fair Value REIT-AG is a mortgage-secured loan of EUR 2.0 million with a term until March 30, 2020, bearing 1.69 % interest p.a. The loan is to be redeemed with 3.0 % p.a. plus accrued interest.

Effective February 1, 2016, the Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG appointed Mr. Frank Schaich, sole Executive Board member of Fair Value REIT-AG, as a new member of the Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG for a term of three years until January 31, 2019. An executive board contract for the duration of his term of office was concluded with Mr. Schaich under the condition precedent that he terminates his existing employment contract with Fair Value REIT-AG. On March 1, 2016, the Supervisory Board of Fair Value REIT-AG extended the current Executive Board term of Mr. Schaich until January 31, 2019 and terminated his existing employment contract by mutual agreement effective February 29, 2016.

By decision of the District Court, the Executive Board members of DEMIRE AG Hon.-Prof. Andreas Steyer and Markus Drews were appointed as members of Fair Value REIT-AG's Supervisory Board effective March 1, 2016. In the constituent Supervisory Board meeting of Fair Value REIT-AG, Mr. Drews was elected deputy chairman of the Supervisory Board.

In mid-February 2016, DEMIRE Deutsche Mittelstand Real Estate AG acquired F. Krüger Immobilien GmbH located in Bremen as part of an asset deal. By way of a business transfer to DEMIRE Immobilien Management GmbH (DIM), a wholly owned subsidiary of DEMIRE, the in-house property management activities of the Group were strengthened further. All employees were transferred to DIM and will continue to work at the new DIM location in Bremen.

With the purchase agreement dated March 4, 2016, a subsidiary of Fair Value REIT sold the nursing home property in Radevormwald at its carrying amount of EUR 11.1 million. The transfer of ownership, benefits and obligations took place on March 31, 2016 upon the payment of the purchase price.

In early April 2016, DEMIRE AG concluded a contract with Südwestbank AG for a one-year credit line until March 30, 2017 in the amount of EUR 5.0 million less a 3 % processing fee at a variable interest rate of 3-month EURIBOR plus a margin of 250 basis points and a minimum interest rate of 2.5 % p.a., which can be utilised at various times and prolonged annually. At the end of April 2016, DEMIRE AG concluded a contract with Baader Bank AG for a one-year credit line until April 30, 2017 in the amount of EUR 5.0 million at a fixed interest rate of 5.0 % p.a. that can be drawn upon as needed. This credit line can be extended annually. In the case of both credit lines, collateral will be provided through pledged account balances and interests in subsidiaries upon the credit lines' utilisation, which has not yet occurred. These credit lines are expected to be fully exhausted by no later than mid-June 2016 so that a portion of the HFS bond can be redeemed in a corresponding amount at that time. This will allow for a reduction in the net interest expense and will strengthen DEMIRE's profitability.

In the first quarter of 2016, the remaining bonds of a nominal EUR 14.4 million of the 2014/2019 corporate bond were placed with investors.

In 2016, prior to the publication of the consolidated financial statements, a total of 14,937 convertible bonds was converted into no-par value share of DEMIRE Deutsche Mittelstand Real Estate AG. As at April 30, 2016, this represented a notional interest in the share capital of roughly 0.03 %.

6. Declaration of Conformity with the "German Corporate Governance Code"

The statement required under Section 161 AktG with regard to the German Corporate Governance Code is made available by the Company to shareholders once per calendar year. The Declaration of Conformity with the German Corporate Governance Code was issued on April 29, 2016, and made permanently available to shareholders on DEMIRE's website under the section titled "Company" (http://www.demire.ag/files/demire_ag_entsprechenserklaerung____161_aktg_2015-de.pdf).

On January 26, 2016, the Executive Board and Supervisory Board of Fair Value REIT-AG submitted the current Declaration of Conformity in accordance with Section 161 AktG. The declaration was made available to shareholders of Fair Value REIT-AG on the Company's website at (http://www.fvreit.de/investor-relations/corporate-governance/entsprechens-erklaerung/entsprechenserklaerung.html).

7. Release for publication

These consolidated financial statements were prepared by the Executive Board on May 13, 2016, and have been released for publication.

Frankfurt am Main, May 13, 2016

DEMIRE Deutsche Mittelstand Real Estate AG

Hon.-Prof. Andreas Steyer	**Dipl.-Kfm. (FH) Markus Drews**	**Frank Schaich**
Speaker of the Executive Board (CEO)	Member of the Executive Board (COO)	Member of the Executive Board (CFO)

APPENDIX 1: SCOPE OF CONSOLIDATION

GROUP COMPANIES Directly held interests:			Group's interest in capital	Date of inception / acquisition	Acquisition cost EURk	Fiscal year
GERMANY						
DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt am Main	Parent company	acquired	100.00 % [2]	28/10/2009	21,160	01/01/2015 – 31/12/2015
Glockenhofcenter Objektgesellschaft mbH	Subsidiary	acquired	94.90 % [2]	01/02/2015	36	01/01/2015 – 31/12/2015
Hanse-Center Objektgesellschaft mbH	Subsidiary	acquired	94.90 % [2]	01/02/2015	790	01/01/2015 – 31/12/2015
Logistikpark Leipzig GmbH	Subsidiary	acquired	94.00 % [2]	01/07/2015	33,329	01/01/2015 – 31/12/2015
DEMIRE Immobilien Management GmbH	Subsidiary	acquired	100.00 %	14/01/2015	20	01/01/2015 – 31/12/2015
Panacea Property GmbH	Subsidiary	acquired	51.00 % [3]	17/03/2015	13	01/01/2015 – 31/12/2015
Praedia GmbH	Subsidiary	acquired	51.00 % [2]	17/03/2015	7	01/01/2015 – 31/12/2015
Fair Value REIT AG	Subsidiary	acquired	77.70 % [2]	21/12/2015	21,928	01/01/2015 – 31/12/2015
FVR Beteiligungsgesellschaft Erste mbH	Subsidiary	acquired	100.00 %	01/10/2015	25	01/01/2015 – 31/12/2015
FVR Beteiligungsgesellschaft Zweite mbH	Subsidiary	acquired	100.00 %	01/10/2015	25	01/01/2015 – 31/12/2015
FVR Beteiligungsgesellschaft Dritte mbH	Subsidiary	acquired	100.00 %	01/10/2015	25	01/01/2015 – 31/12/2015
FVR Beteiligungsgesellschaft Vierte mbH	Subsidiary	acquired	100.00 %	01/10/2015	25	01/01/2015 – 31/12/2015
FVR Beteiligungsgesellschaft Fünfte mbH	Subsidiary	acquired	100.00 %	01/10/2015	25	01/01/2015 – 31/12/2015
FVR Beteiligungsgesellschaft Sechste mbH	Subsidiary	acquired	100.00 %	01/10/2015	25	01/01/2015 – 31/12/2015
FVR Beteiligungsgesellschaft Siebente mbH	Subsidiary	acquired	100.00 %	01/10/2015	25	01/01/2015 – 31/12/2015
FVR Beteiligungsgesellschaft Achte mbH	Subsidiary	acquired	100.00 %	01/10/2015	25	01/01/2015 – 31/12/2015
FVR Beteiligungsgesellschaft Neunte mbH	Subsidiary	acquired	100.00 %	01/10/2015	25	01/01/2015 – 31/12/2015

GROUP COMPANIES UnDirectly held interests:			Group's interest in capital	Date of inception / acquisition	Acquisition cost EURk	Fiscal year
GERMANY						
SQUADRA Immobilien GmbH & Co. KGaA	Associated company	acquired	24.58 %	29/10/2009	N/A[4]	01/01/2015 – 31/12/2015
DEMIRE Commercial Real Estate GmbH	Subsidiary	acquired	100.00 %	21/10/2008	25	01/01/2015 – 31/12/2015
DEMIRE Commercial Real Estate ZWEI GmbH	Subsidiary	acquired	100.00 %	20/08/2014	25	01/01/2015 – 31/12/2015
DEMIRE CONDOR Properties Management GmbH	Subsidiary	acquired	100.00 %	17/10/2014	28	01/01/2015 – 31/12/2015
DEMIRE Commercial Real Estate DREI GmbH	Subsidiary	acquired	100.00 %	07/05/2015	25	01/01/2015 – 31/12/2015
DEMIRE Commercial Real Estate VIER GmbH	Subsidiary	acquired	100.00 %	07/05/2015	25	01/01/2015 – 31/12/2015
DEMIRE Commercial Real Estate FÜNF GmbH	Subsidiary	acquired	100.00 %	07/05/2015	25	01/01/2015 – 31/12/2015
DEMIRE Commercial Real Estate SECHS GmbH	Subsidiary	acquired	100.00 %		25	01/01/2015 – 31/12/2015
Directly held interests:						
GERMANY						
IC Fonds & Co. Büropark Teltow KG („IC 07")	Subsidiary	acquired	60.74 %	21/12/2015	N/A[5]	01/01/2015 – 31/12/2015
IC Fonds & Co. Gewerbeportfolio Germany 13. KG („IC 13")	Subsidiary	acquired	44.58 %	21/12/2015	N/A[5]	01/01/2015 – 31/12/2015
IC Fonds & Co. SchmidtBank-Passage KG („IC 12")	Subsidiary	acquired	41.86 %	21/12/2015	N/A[5]	01/01/2015 – 31/12/2015
BBV Immobilien-Fonds Nr. 14 GmbH & Co. KG („BBV 14")	Subsidiary	acquired	39.13 %	21/12/2015	N/A[5]	01/01/2015 – 31/12/2015
BBV Immobilien-Fonds Nr. 3 GmbH & Co. KG („BBV 03")	Subsidiary	acquired	62.20 %	21/12/2015	N/A[5]	01/01/2015 – 31/12/2015
BBV Immobilien-Fonds Nr. 6 GmbH & Co. KG („BBV 06")	Subsidiary	acquired	47.98 %	21/12/2015	N/A[5]	01/01/2015 – 31/12/2015
BBV Immobilien-Fonds Nr. 8 GmbH & Co. KG („BBV 08")	Subsidiary	acquired	45.08 %	21/12/2015	N/A[5]	01/01/2015 – 31/12/2015
GP Value Management GmbH („GPVM")	Subsidiary	acquired	77.70 %	21/12/2015	N/A[5]	01/01/2015 – 31/12/2015
BBV 3 Geschäftsführungs-GmbH & Co. KG („FV03")	Subsidiary	acquired	77.70 %	21/12/2015	N/A[5]	01/01/2015 – 31/12/2015

GROUP COMPANIES Directly held interests:			Group's interest in capital	Date of inception / acquisition	Acquisition cost EURk	Fiscal year
GERMANY						
BBV 6 Geschäftsführungs-GmbH & Co. KG („FV06")	Subsidiary	acquired	77.70 %	21/12/2015	N/A[5]	01/01/2015 – 31/12/2015
BBV 9 Geschäftsführungs-GmbH & Co. KG („FV09")	Subsidiary	acquired	77.70 %	21/12/2015	N/A[5]	01/01/2015 – 31/12/2015
BBV 10 Geschäftsführungs-GmbH & Co. KG („FV10")	Subsidiary	acquired	77.70 %	21/12/2015	N/A[5]	01/01/2015 – 31/12/2015
BBV 14 Geschäftsführungs-GmbH & Co. KG („FV14")	Subsidiary	acquired	77.70 %	21/12/2015	N/A[5]	01/01/2015 – 31/12/2015
BBV Immobilien-Fonds Erlangen GbR („BBV 02")	Subsidiary	acquired	32.65 %	21/12/2015	N/A[5]	01/01/2015 – 31/12/2015
BBV Immobilien-Fonds Nr. 10 GmbH & Co. KG („BBV 10")	Subsidiary	acquired	34.54 %	21/12/2015	N/A[5]	01/01/2015 – 31/12/2015
IC Fonds & Co. Gewerbeobjekte Germany 15. KG („IC 15")	Subsidiary	acquired	37.46 %	21/12/2015	N/A[5]	01/01/2015 – 31/12/2015
SQUADRA Erste Immobilien GmbH	Associated company	acquired	24.58 %[1]	29/10/2009	N/A[4]	01/01/2015 – 31/12/2015
SQUADRA Management GmbH	Associated company	acquired	24.58 %[1]	29/10/2009	N/A[4]	01/01/2015 – 31/12/2015
DEMIRE Real Estate München 1 GmbH	Subsidiary	acquired	100.00 %	27/11/2013	27	01/01/2015 – 31/12/2015
CAM Commercial Asset Management EINS GmbH	Subsidiary	acquired	100.00 %	31/12/2014	26,625	01/01/2015 – 31/12/2015
CAM Commercial Asset Management ZWEI GmbH	Subsidiary	acquired	100.00 %	31/12/2014	7,663	01/01/2015 – 31/12/2015
CAM Commercial Asset Management DREI GmbH	Subsidiary	acquired	100.00 %	31/12/2014	9,830	01/01/2015 – 31/12/2015
CAM Commercial Asset Management VIER GmbH	Subsidiary	acquired	100.00 %	31/12/2014	8,139	01/01/2015 – 31/12/2015
Schwerin Margaretenhof 18 GmbH	Subsidiary	acquired	94.90 %	31/12/2014	1,599	01/01/2015 – 31/12/2015
DEMIRE Objektgesellschaft Worms GmbH	Subsidiary	acquired	94.00 %	29/10/2009	N/A[4]	01/01/2015 – 31/12/2015
TGA Immobilien Erwerb 1 GmbH	Subsidiary	acquired	100.00 %	03/03/2015	468	01/01/2015 – 31/12/2015
DEMIRE Holding EINS GmbH	Subsidiary	acquired	100.00 %	20/08/2014	25	01/01/2015 – 31/12/2015

GROUP COMPANIES Directly held interests:			Group's interest in capital	Date of inception / acquisition	Acquisition cost EURk	Fiscal year
GERMANY						
Condor Real Estate Management EINS GmbH	Subsidiary	acquired	100.00 %	20/08/2014	25	01/01/2015 – 31/12/2015
Condor Real Estate Management ZWEI GmbH	Subsidiary	acquired	100.00 %	20/08/2014	25	01/01/2015 – 31/12/2015
Condor Real Estate Management DREI GmbH	Subsidiary	acquired	100.00 %	20/08/2014	25	01/01/2015 – 31/12/2015
CONDOR Objektgesellschaft Eschborn GmbH	Subsidiary	acquired	94.00 %	15/12/2014	1,550	01/01/2015 – 31/12/2015
CONDOR Objektgesellschaft Bad Kreuznach GmbH	Subsidiary	acquired	94.00 %	15/12/2014	113	01/01/2015 – 31/12/2015
Condor Real Estate Management FÜNF GmbH	Subsidiary	acquired	100.00 %	05/06/2014	25	01/01/2015 – 31/12/2015
CONDOR Objektgesellschaft Düsseldorf GmbH	Subsidiary	acquired	94.00 %	15/12/2014	793	01/01/2015 – 31/12/2015
CONDOR Objektgesellschaft Rendsburg GmbH	Subsidiary	acquired	94.00 %	30/09/2014	152	01/01/2015 – 31/12/2015
CONDOR Objektgesellschaft Bad Oeynhausen GmbH	Subsidiary	acquired	94.00 %	30/09/2014	160	01/01/2015 – 31/12/2015
CONDOR Objektgesellschaft Lichtenfels GmbH	Subsidiary	acquired	94.00 %	30/09/2014	194	01/01/2015 – 31/12/2015
CONDOR Objektgesellschaft YELLOW GmbH	Subsidiary	acquired	94.00 %	30/09/2014	1,387	01/01/2015 – 31/12/2015
Undirectly held interests:						
FOREIGN COUNTRIES						
Sihlegg Investments Holding GmbH	Subsidiary	acquired	94.00 %	27/05/2015	4,016	01/01/2015 – 31/12/2015
Lumpsum Eastern European Participations C.V.	Subsidiary	acquired	94.00 %	29/01/2012	N/A[4]	01/01/2015 – 31/12/2015
MAGNAT Investment II B.V.	Subsidiary	acquired	100.00 %	29/10/2009	N/A[4]	01/01/2015 – 31/12/2015
MAGNAT Investment IV B.V.	Subsidiary	acquired	100.00 %	29/10/2009	N/A[4]	01/01/2015 – 31/12/2015
R-Quadrat Polska Alpha sp.z o.o.	Joint venture	acquired	50.00 %	15/12/2014	N/A[4]	01/01/2015 – 31/12/2015
Directly held interests:						
FOREIGN COUNTRIES						
MAGNAT Investment I B.V.	Subsidiary	acquired	99.64 %	29/10/2009	N/A[4]	01/01/2015 – 31/12/2015

GROUP COMPANIES Directly held interests:			Group's interest in capital	Date of inception / acquisition	Acquisition cost EURk	Fiscal year
FOREIGN COUNTRIES						
R-Quadrat Bulgaria EOOD	Subsidiary	acquired	100.00 %	29/10/2009	N/A[4]	01/01/2015 – 31/12/2015
SC Victory International Consulting s.r.l.	Subsidiary	acquired	100.00 %	29/10/2009	N/A[4]	01/01/2015 – 31/12/2015
Irao Magnat Digomi LLC	Subsidiary	acquired	75.00 %[2]	29/10/2009	N/A[4]	01/01/2015 – 31/12/2015
Irao Magnat 28/2 LLC	Joint venture	acquired	50.00 %[2]	29/10/2009	N/A[4]	01/01/2015 – 31/12/2015
Magnat Tblisi Office LLC	Subsidiary	acquired	100.00 %	29/10/2009	N/A[4]	01/01/2015 – 31/12/2015
Magnat Tblisi Residential 1 LLC	Subsidiary	acquired	100.00 %	29/10/2009	N/A[4]	01/01/2015 – 31/12/2015
IRAO Magnat Gudiashvilli LLC	Joint venture	acquired	50.00 %[3]	04/04/2011	N/A[4]	01/01/2015 – 31/12/2015
MAGNAT Capital Markets GmbH	Subsidiary	acquired	100.00 %	05/05/2009	35	01/01/2015 – 31/12/2015
GO Leonberg ApS, Denmark	Subsidiary	acquired	94.00 %	11/12/2014	59	01/01/2015 – 31/12/2015
GO Bremen ApS, Denmark	Subsidiary	acquired	94.00 %	11/12/2014	221	01/01/2015 – 31/12/2015
GO Ludwigsburg ApS	Subsidiary	acquired	94.00 %	11/12/2014	45	01/01/2015 – 31/12/2015
Armstripe S.à.r.l.	Subsidiary	acquired	94.00 %	11/12/2014	408	01/01/2015 – 31/12/2015
Blue Ringed S.à.r.l.	Subsidiary	acquired	94.00 %	11/12/2014	118	01/01/2015 – 31/12/2015
Briarius S.à.r.l.	Subsidiary	acquired	94.00 %	11/12/2014	90	01/01/2015 – 31/12/2015
Reubescens S.à.r.l.	Subsidiary	acquired	94.00 %	11/12/2014	89	01/01/2015 – 31/12/2015
Denston Investments Ltd.	Subsidiary	acquired	94.00 %	11/12/2014	83	01/01/2015 – 31/12/2015
Germavest Real Estate S.à.r.l.	Subsidiary	acquired	94.00 %	30/10/2015	28,986	01/01/2015 – 31/12/2015

[1] Interests are held indirectly through DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main.
[2] Interests are held indirectly through MAGNAT Investment I B.V., Hardinxveld Giessendam, Netherlands, and Lumpsum Eastern European Participations C.V., Osterhout, Netherlands. The Group holds a total of 50 % in Irao Magnat 28/2 LLC through numerous group companies.
[3] Interests are held indirectly through MAGNAT Investment IV B.V., Hardinxveld Giessendam, Netherlands.
[4] No disclosure was made because the relevant companies were acquired indirectly as part of the reverse acquisition.
[5] No disclosure was made because the relevant companies were acquired in the context of the acquisition of Fair Value REIT-AG.

APPENDIX 2: SCHEDULE OF SHAREHOLDINGS PURSUANT TO SECTION 313 PARA. 2 HGB

COMPANY	Type	Head office	Fiscal year	Equity in EURk	Interest in capital in %[1]	Profit/loss of last fiscal year
DEMIRE Deutsche Mittelstand Real Estate AG	Group parent company	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	111,507		-26,276
Glockenhofcenter Objektgesellschaft mbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	3,038	94.9	-141
Hanse-Center Objektgesellschaft mbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	12,351	94.9	-82
Sihlegg Investments Holding GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	-358	94	-148
Logistikpark Leipzig GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	1,761	94	140
DEMIRE Immobilien Management GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	25	100	3
Panacea Property GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	10	51	0
Praedia GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	97	51	72
Fair Value REIT AG	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	83,439	77.7	-1,968
IC Fonds & Co. Büropark Teltow KG („IC 07“)	Subsidiary	Germany, Munich	01/01/2015 - 31/12/2015	8,295	60.74	230
IC Fonds & Co. Gewerbeportfolio Deutschland 13. KG („IC 13“)	Subsidiary	Germany, Munich	01/01/2015 - 31/12/2015	135	44.58	1,431
IC Fonds & Co. SchmidtBank-Passage KG („IC 12“)	Subsidiary	Germany, Munich	01/01/2015 - 31/12/2015	5,922	41.86	169
BBV Immobilien-Fonds Nr. 14 GmbH & Co. KG („BBV 14“)	Subsidiary	Germany, Munich	01/01/2015 - 31/12/2015	7,237	39.13	1,050
BBV Immobilien-Fonds Nr. 3 GmbH & Co. KG („BBV 03“)	Subsidiary	Germany, Munich	01/01/2015 - 31/12/2015	81	62.20	1,646
BBV Immobilien-Fonds Nr. 6 GmbH & Co. KG („BBV 06“)	Subsidiary	Germany, Munich	01/01/2015 - 31/12/2015	9,905	47.98	2,893
BBV Immobilien-Fonds Nr. 8 GmbH & Co. KG („BBV 08“)	Subsidiary	Germany, Munich	01/01/2015 - 31/12/2015	21,573	45.08	1,385
GP Value Management GmbH („GPVM“)	Subsidiary	Germany, Munich	01/01/2015 - 31/12/2015	47	77.70	3
BBV 3 Geschäftsführungs-GmbH & Co. KG („FV03“)	Subsidiary	Germany, Munich	01/01/2015 - 31/12/2015	44	77.70	12
BBV 6 Geschäftsführungs-GmbH & Co. KG („FV06“)	Subsidiary	Germany, Munich	01/01/2015 - 31/12/2015	42	77.70	13
BBV 9 Geschäftsführungs-GmbH & Co. KG („FV09“)	Subsidiary	Germany, Munich	01/01/2015 - 31/12/2015	67	77.70	33
BBV 10 Geschäft sführungs-GmbH & Co. KG („FV10“)	Subsidiary	Germany, Munich	01/01/2015 - 31/12/2015	41	77.70	10

COMPANY	Type	Head office	Fiscal year	Equity in EURk	Interest in capital in %[1]	Profit/loss of last fiscal year
BBV 14 Geschäftsführungs-GmbH & Co. KG („FV14“)	Subsidiary	Germany, Munich	01/01/2015 - 31/12/2015	38	77.70	11
BBV Immobilien-Fonds Erlangen GbR („BBV 02“)	Subsidiary	Germany, Munich	01/01/2015 - 31/12/2015	306	32.65	-27
BBV Immobilien-Fonds Nr. 10 GmbH & Co. KG („BBV 10“)	Subsidiary	Germany, Munich	01/01/2015 - 31/12/2015	11,723	34.54	2,127
IC Fonds & Co. Gewerbeobjekte Deutschland 15. KG („IC 15“)	Subsidiary	Germany, Munich	01/01/2015 - 31/12/2015	15,128	37.46	1,700
FVR Beteiligungsgesellschaft Erste mbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	24	100	0
FVR Beteiligungsgesellschaft Zweite mbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	24	100	0
FVR Beteiligungsgesellschaft Dritte mbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	24	100	0
FVR Beteiligungsgesellschaft Vierte mbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	24	100	0
FVR Beteiligungsgesellschaft Fünfte mbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	24	100	0
FVR Beteiligungsgesellschaft Sechste mbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	24	100	0
FVR Beteiligungsgesellschaft Siebente mbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	24	100	0
FVR Beteiligungsgesellschaft Achte mbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	24	100	0
FVR Beteiligungsgesellschaft Neunte mbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	24	100	0
Lumpsum Eastern European Participations C.V.	Subsidiary	Netherlands, Osterhout	01/01/2015 - 31/12/2015	-7	94	0
MAGNAT Investment I B.V.	Subsidiary	Netherlands, Hardinxveld Giessen-damm	01/01/2015 - 31/12/2015	38	99.64	-14
R-Quadrat Bulgaria EOOD	Subsidiary	Bulgaria, Sofia	01/01/2015 - 31/12/2015	251	100	-15
SC Victory International Consulting s.r.l.	Subsidiary	Romania, Bucharest	01/01/2015 - 31/12/2015	1,040	100	-18
Irao Magnat Digomi LLC	Subsidiary	Georgia, Tbilisi	01/01/2015 - 31/12/2015	-1,550	75	-626
Irao Magnat 28/2 LLC	Joint venture	Georgia, Tbilisi	01/01/2015 - 31/12/2015	-236	50	0
Magnat Tblisi Office LLC	Subsidiary	Georgia, Tbilisi	01/01/2015 - 31/12/2015	44	100	0
Magnat Tblisi Residential 1 LLC	Subsidiary	Georgia, Tbilisi	01/01/2015 - 31/12/2015	-1	100	-1

COMPANY	Type	Head office	Fiscal year	Equity in EURk	Interest in capital in %[1]	Profit/loss of last fiscal year
MAGNAT Investment II B.V.	Subsidiary	Netherlands, Hardinxveld Giessendamm	01/01/2015 - 31/12/2015	-2,178	100	-7,960
MAGNAT Investment IV B.V.	Subsidiary	Netherlands, Hardinxveld Giessendamm	01/01/2015 - 31/12/2015	325	100	-8
IRAO Magnat Gudiashvilli LLC	Joint venture	Georgia, Tbilisi	01/01/2015 - 31/12/2015	58	50	-33
R-Quadrat Polska Alpha sp.z o.o.	Joint venture	Poland, Warsaw	01/01/2015 - 31/12/2015	-12,099	50	-756
SQUADRA Immobilien GmbH & Co. KGaA	assoziiertes Unternehmen	Germany, Frankfurt/ Main	01/04/2015 - 31/03/2015	13,949	24.58	183
SQUADRA Erste Immobilien GmbH	Associated company [3]	Germany, Frankfurt/ Main	01/04/2015 - 31/03/2015	795	100	-2,565
SQUADRA Management GmbH	Associated company [3]	Germany, Frankfurt/ Main	01/04/2015 - 31/03/2015	9	100	-5
DEMIRE Commercial Real Estate GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	9,714	100	0
DEMIRE Real Estate München 1 GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	21	100	0
CAM Commercial Asset Management EINS GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	8,949	100	151
CAM Commercial Asset Management ZWEI GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	-432	100	-159
CAM Commercial Asset Management DREI GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	-329	100	22
CAM Commercial Asset Management VIER GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	-443	100	-149
Schwerin Margaretenhof 18 GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	172	94.90	456
DEMIRE Commercial Real Estate ZWEI GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	5	100	-20
DEMIRE Objektgesellschaft Worms GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	3,737	94	275
TGA Immobilien Erwerb 1 GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	-140	100	-162

COMPANY	Type	Head office	Fiscal year	Equity in EURk	Interest in capital in %[1]	Profit/loss of last fiscal year
MAGNAT AM GmbH	Subsidiary	Austria, Vienna	01/01/2015 - 31/12/2015	934	100	-22
Magnat Asset Management GmbH	Subsidiary[2]	Austria, Vienna	01/01/2015 - 31/12/2015	3,225	100	-406
MAGNAT Capital Markets GmbH	Subsidiary	Austria, Vienna	01/01/2015 - 31/12/2015	374	100	-6
DEMIRE CONDOR Properties Management GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	-88	100	-107
DEMIRE Holding EINS GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	-9,065	100	-4,131
Condor Real Estate Management EINS GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	1,002	100	977
GO Leonberg ApS, Denmark	Subsidiary	Denmark, Copenhagen	01/01/2015 - 31/12/2015	-3,928	94	-333
GO Bremen ApS, Denmark	Subsidiary	Denmark, Copenhagen	01/01/2015 - 31/12/2015	-19,092	94	-2,137
GO Ludwigsburg ApS	Subsidiary	Denmark, Copenhagen	01/01/2015 - 31/12/2015	-2,638	94	111
Condor Real Estate Management ZWEI GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	1,325	100	1,300
Armstripe S.à.r.l.	Subsidiary	Luxembourg, Luxembourg	01/01/2015 - 31/12/2015	-11,098	94	-1,879
Blue Ringed S.à.r.l.	Subsidiary	Luxembourg, Luxembourg	01/01/2015 - 31/12/2015	-2,485	94	-400
Briarius S.à.r.l.	Subsidiary	Luxembourg, Luxembourg	01/01/2015 - 31/12/2015	-2,293	94	-381
Reubescens S.à.r.l.	Subsidiary	Luxembourg, Luxembourg	01/01/2015 - 31/12/2015	-3,134	94	-698
Condor Real Estate Management DREI GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	-55	100	0
Denston Investments Ltd.	Subsidiary	Cyprus, Nicosia	01/01/2015 - 31/12/2015	-1,717	94	4
CONDOR Objektgesellschaft Eschborn GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	91	94	0
CONDOR Objektgesellschaft Bad Kreuznach GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	25	94	0
Condor Real Estate Management FÜNF GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	25	100	0
CONDOR Objektgesellschaft Düsseldorf GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	18	94	0

COMPANY	Type	Head office	Fiscal year	Equity in EURk	Interest in capital in %[1]	Profit/loss of last fiscal year
CONDOR Objektgesellschaft Rendsburg GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	44	94	19
CONDOR Objektgesellschaft Bad Oeynhausen GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	44	94	19
CONDOR Objektgesellschaft Lichtenfels GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	55	94	30
CONDOR Objektgesellschaft YELLOW GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	25	94	0
DEMIRE Commercial Real Estate DREI GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	-761	100	-786
Germavest Real Estate S.à.r.l.	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	28,986	94	1,117
DEMIRE Commercial Real Estate VIER GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	19	100	-6
DEMIRE Commercial Real Estate FÜNF GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	0	100	-25
DEMIRE Commercial Real Estate SECHS GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 - 31/12/2015	24	100	0

[1] The share in the equity corresponds to the control relationship before taking into account any non-controlling interests within the Group.
[2] Indirect investment through Magnat AM GmbH (AT).
[3] Indirect investment through SQUADRA Immobilien GmbH & Co. KGaA.

▼ Office building, Eschborn

Balance sheet oath

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

Frankfurt am Main, May 13, 2016

Hon.-Prof. Andreas Steyer
Vorstandssprecher (CEO)

Dipl.-Kfm. (FH) Markus Drews
Vorstand (COO)

Frank Schaich
Vorstand (CFO)

Auditor's report

We have audited the consolidated financial statements prepared by DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, comprising the consolidated balance sheet, consolidated statement of income, statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows, and the notes to the consolidated financial statements as well as the management report for the Group and the Company for the fiscal year from January 1, 2015 to December 31, 2015. It is the responsibility of the governing bodies of the Company to prepare the consolidated financial statements and the management report for the Group and the Company in accordance with IFRS, as applicable in the EU, and with the supplementary provisions of the German commercial law applicable pursuant to Section 315a para. 1 HGB. Our task is to deliver a judgment on the consolidated financial statements and the management report for the Group and the Company on the basis of the audit we have undertaken.

We have conducted our audit of the consolidated financial statements in accordance with Section 317 HGB in consideration of the German auditing standards defined by the Institut der Wirtschaftsprüfer (IDW). These require the audit to be planned and conducted in such a manner as to detect, with ad quate certainty, any inaccuracies or infringements which may have a significant impact on the impre sion of the net assets, financial position, and results of operations, as conveyed by the consolidated financial statements in consideration of the applicable accounting standards, and by the management report for the Group and the Company. In determining the actions to be taken as part of the auditing procedure, consideration was given to the knowledge of the business activities of the Group and its economic and legal environment, as well as to the possible errors likely to be encountered. In the course of the audit, the effectiveness of the internal accounting-related control system and proof of the information contained in the consolidated financial statements and the management report for the Group and the Company were assessed on the basis of random samples. The audit encompasses a review of the financial statements of the companies included in the consolidated financial statements, the scope of consolidation, the accounting and consolidation principles applied, and the principal assessments made by the governing bodies, as well as an evaluation of the overall presentation of the consolidated financial statements and of the management report for the Group and the Company. We are of the opinion that our audit forms an adequately secure foundation on which to base our judgment.

Our audit has caused us to raise no objections.

In our judgment based on the findings of our audit, the consolidated financial statements comply with IFRS as applicable in the EU and with the supplementary provisions of German commercial law applicable pursuant to Section 315a para. 1 HGB, and in consideration of the principles of proper accounting convey an image of the Group's net assets, financial position, and results of operations which concurs with the true circumstances. The management report for the Group and the Company is consistent with the consolidated financial statements and overall presents an accurate image of the position of the Group and the opportunities and risks of future development.

Eschborn / Frankfurt/Main, May 13, 2016

Ernst & Young GmbH
Wirtschaftsprüfungsgeselschaft

Schmitt
Auditor

Kresin
Auditor

Notes

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The Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG

CONCEPT AND LAYOUT

GFEI Aktiengesellschaft

STATUS: **May 2016**

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