Supplement to the Quarterly Report for DEMIRE Deutsche Mittelstand Real Estate AG for the six months ended 30 June 2018

26 October 2018

Note:

The following information is supplemental information provided to the holders of DEMIRE Deutsche Mittelstand Real Estate AG's 2.875% Senior Notes due 2022. The information contained herein, to the best of DEMIRE Deutsche Mittelstand Real Estate AG's knowledge, is correct as of the date hereof. Accessing this information on any date subsequent to the date hereof shall not create an implication that there has been no change in the information set forth herein or in our business since its date.

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RISK FACTORS

RISKS RELATED TO OUR INDUSTRY AND BUSINESS

Our business may be adversely impacted by negative developments in the German economy and commercial real estate market.

We are active in the German commercial real estate market, with a particular focus on office and retail properties in cities in densely populated regions, which do not rank among the "top-seven cities", and areas bordering metropolitan cities (so-called "**secondary locations**"). The success of our business is therefore significantly correlated with the development of the commercial real estate market in Germany. Real estate markets are generally affected by various economic factors, such as interest rate levels, financing conditions and economic confidence by businesses and consumers and the general interest rate environment and demographic factors, such as population, migration and household growth, and any developments in the German real estate market can have significant effects on our business and operations.

In the last few years, the real estate market in Germany, in particular in secondary locations, has experienced a strong increase in rent levels. There is a risk that the real estate market will soon reach its peak in this regard, and consequently, the increase in rent levels will weaken or that rent levels will even decrease in the future. Such developments may also result in decreasing valuations of properties. The German real estate market, including the development of rent levels and real estate prices, is also affected by overall economic conditions in Germany. For example, economic contraction, economic uncertainty and the perception by tenants of weak or weakening economic conditions could cause a decline in the demand for commercial real estate and thereby influence market prices, rent levels and vacancy rates in the commercial real estate market. In addition, the levels of investment in commercial real estate and investment activities of companies, as tenants, may also be influenced by macroeconomic factors such as unemployment rates, inflation, interest rates, increases in taxes or perceived or actual declines in corporate investments and capital expenditure. In particular, a rise in the currently very low interest rates in Europe could have an adverse effect on the commercial real estate market in Germany and could also result in reduced demand for real estate, making it harder to sell properties.

As a result of the geographic focus of our commercial real estate portfolio on Germany, a negative development, contraction or lack of growth in the German economy or overall macroeconomic conditions could have a material adverse effect on our business, financial condition and results of operations.

The continuing uncertainty regarding the development of the global economy, for example due to Brexit, and volatility in capital markets may result in economic instability, limited access to debt and equity financing and possible defaults by our counterparties.

The severe global economic downturn in the years following the global economic and financial crisis of 2008 and 2009 and its effects, in particular the scarcity of financing, weakness in the capital markets and weak consumer confidence and declining consumption in many markets, adversely impacted economic development worldwide. This crisis was followed by sovereign debt crises in many parts of the world, particularly in the Eurozone, which are still ongoing and have resulted in recessions in many of the impacted countries. This macroeconomic environment may give rise to economic and political instability, including the possibility of future exits from the European Union and the Eurozone as well as the breakup of the Eurozone. Such instability and the resulting market volatility may also create contagion risks for economically strong countries like Germany and may spread to the German financial sector and the German commercial real estate market.

In a referendum held on June 23, 2016, the United Kingdom voted to leave the EU ("**Brexit**"). The United Kingdom then triggered Article 50 of the Treaty on European Union on March 29, 2017, thereby initiating the Brexit process by notifying the European Council of its intention to withdraw from the EU. This notification began a two-year time period for the United Kingdom and the remaining EU member states to negotiate the terms of such withdrawal. While the effect of these events on the German commercial real estate market are uncertain, Brexit, as well as the other risks discussed herein, could have a material adverse effect on our business, financial condition and results of operations.

We are dependent on a limited number of tenants for a significant portion of our gross rental income, and the loss of any of these tenants could lead to a significant decline in our rental income.

In our office property locations, which generated 67.6% of our gross rental income ("**GRI**") as of June 30, 2018, our largest tenants represent a significant portion of our gross rental income. In the six months ended June 30, 2018, we generated an annualized GRI of €72.5 million, of which our top ten tenants (eight of whom are tenants of office space) accounted for €34.2 million of annualized GRI, or 44.4% of our total annualized GRI. In particular, the Deutsche Telekom group companies, with whom we hold multiple long-term lease agreements covering a number of properties, accounted for approximately 30.7% of our annualized GRI as of June 30, 2018. Consequently, the loss of any one of these customers, and, in particular, Deutsche Telekom, could lead to a reduction or loss in rental income if we are not able to replace them in a timely manner with alternative tenants. Furthermore, if business relations with our major tenants were to deteriorate for any reason, if they failed to fulfill their rental payment obligations to us, if they were to reduce the amount of space they lease from us, or in the event that Deutsche Telekom terminates all or a significant portion of its existing leases, we may suffer a significant decline in rental income. Any such decline or loss of rental income by major tenants, or by a large number of smaller tenants, could have a material adverse effect on our business, financial condition and results of operations.

We may be unable to find or retain suitable and solvent tenants on acceptable terms or in a timely manner or at all, and existing tenants may be unable to meet their payment obligations.

The economic success of our property investments depends significantly on our ability to generate rental income from the lease of our properties to suitable tenants. If tenants do not meet their rent obligations due to, for example, insolvency or disputes with respect to obligations under the lease agreement, we would suffer a decrease in rental income. This also applies to rental guarantees if, in case of draw-down of those guarantees, the guarantor is not or not fully able to meet its payment obligations.

Commercial properties are frequently tailored to meet the requirements of a specific tenant or a specific industry. This may result in us becoming dependent on individual tenants or industries. As a result, negative developments in these asset classes of properties or markets and industries may have a corresponding adverse effect on our levels of rental income. For example, if we equip office space for a tenant in a specific industry, such space could be attractive only for the specific tenant or tenants of a specific industry. Further, in recent years, the number of online retailers has grown rapidly, creating intense competition with conventional retailers. If this trend continues, conventional retailers may be forced to reduce operating costs, including rent expenses, by negotiating lower rents, reducing their rental space or even closing retail locations. As approximately 23.9% of our annualized GRI was generated from the lease of retail space as of June 30, 2018, such a development could materially adversely affect our annual rental income.

The subsequent lease of a specific property, such as a retail property, may only be possible on unfavorable conditions due to the restricted usability of the property. Furthermore, new developments or trends in the market standard of, in particular, office properties could result in decreasing demand for our properties if such properties do not meet such new requirements and are therefore only able to be leased for lower rents or not at all. Any extension or change to the usability of the property according to the expectations of existing and potential tenants may lead to additional unforeseen costs and expenses which may adversely affect our results of operations. In addition, when existing lease agreements expire, we may not be able to release our commercial properties immediately, and it may take time for us to locate and secure a successor tenant for such space or property. Furthermore, successive leases with existing or new tenants may generate lower rental income levels than in the past. In extreme cases, long-term vacancies may occur. If we are unable to lease properties on attractive terms or are unable to find suitable tenant after lease agreements expire, this could have a material adverse effect on our business, financial position and results of operations.

We may not be able to acquire real estate properties or participations due to a lack of attractive properties or participations available for purchase, competition for such acquisitions, or an inability to obtain the required acquisition financing or successfully refinance existing indebtedness.

Our success is dependent on our ability to acquire suitable commercial real estate properties or participations on a continuous basis in economically attractive regions for appropriate prices with solvent tenants, good location quality and suitable letting ratio as well as sustainably achievable high rent levels in the

future. Over the medium term, we plan to expand our portfolio from the current gross asset value ("**GAV**") of approximately €1.1 billion to €2 billion. Acquisitions can only be implemented if attractive properties or portfolios which meet our investment criteria are available for purchase and if the prices for such properties and portfolios are reasonable. A lack of attractive acquisition opportunities could drive up prices for the type of properties and portfolios we seek to acquire. In addition, whether such commercial properties can be acquired depends on a number of factors over which we have limited or no control. These include, among others, the general economic conditions with corresponding impacts on the supply and demand situation with respect to new and existing commercial properties, financing opportunities, the management costs associated with the properties, the creation of appropriate conditions under building and planning law for the renovation or modernization of corresponding commercial properties, as well as the development of the economic situation of the tenants.

Given the current strong demand for commercial real estate in Germany, there may be fierce competition for attractive properties and portfolios, and acquisition opportunities may be unavailable or available only on unfavorable terms (*i.e.*, at higher prices and lower yields). Competitors with acquisition strategies similar to us may possess greater financial resources and lower cost of capital than us and may therefore be able to offer higher prices.

Furthermore, we rely on access to financial markets in order to refinance our debt liabilities and secure acquisition financing. We intend to finance our future growth also through equity capital markets measures. In this regard, we are dependent on the general economic environment, the level of demand in the capital markets and the price development of the Company's shares as well as further factors, which may lie outside our control. Any worsening of the economic environment or restrictions in the financial markets may reduce our ability to refinance our existing or future liabilities or gain access to new financing. Our counterparties may not be able to fulfil their obligations under the respective agreements due to a lack of liquidity, operational failure, bankruptcy or other reasons. Furthermore, an increase in interest rates could adversely impact our business by making financing more expensive and might force us to secure financing under economically unattractive conditions, which could, in turn, require us to dispose of properties or participations. A forced sale of properties or participations in a timely manner may only be possible on unfavorable terms and for a purchase price below market value.

There is no guarantee that we will manage the acquisition of new properties effectively. Any inability to acquire properties or portfolios could impair our strategy to realize growth opportunities by increasing our portfolio and to capitalize on economies of scale. If we are not able to identify and acquire suitable commercial properties at reasonable prices, this could have a material adverse effect on our business, financial condition and results of operations.

Increasing competition in the German commercial real estate market could lead to a decrease in rent levels or a compression of yields.

We are exposed to competition in all aspects of our business, from the purchase of real estate to the letting and sale of properties. Such competition in the commercial real estate market in combination with a redevelopment of existing buildings and the construction of new buildings may cause an oversupply of real estate available for rent resulting in competition for tenants and decreasing rents. As a result, such competitive situation may have a material adverse effect on our ability to find and retain suitable solvent tenants and to obtain appropriate rents. In addition, a compression of rental yields could result from increased competition to invest in assets, which, in turn, could drive up property prices in the markets in which we operate.

Furthermore, competition for tenants in the German commercial real estate market is significant and increasing among real estate companies. We face competition from local and international real estate companies in all of the regions where we are active. We compete with other real estate companies as well as investment funds, institutional investors, building contractors and individual owners of properties to attract and retain suitable tenants on favorable conditions. Competitors may be able to offer tenants newer and more cost-efficient buildings at more attractive prices, any of which could reduce our ability to attract or retain suitable tenants.

The German commercial real estate market currently is still very fragmented. Competition might further increase if additional players enter the market. Should the German commercial real estate market experience an industry consolidation, e.g., through mergers or takeovers, we would face fierce competition from

such large entities, which would benefit from a broader pool of resources and would likely have better access to financing.

The occurrence of any one or more of the aforementioned risks could have a material adverse effect on our business, financial condition and results of operations.

We may be unable to identify all risks associated with properties or portfolios we acquire and may overestimate the value of such acquisition opportunities.

Due to the limited time available to evaluate acquisition opportunities and constraints imposed by the sellers, we may, in some cases, only be able to conduct a limited due diligence investigation when acquiring new properties. Accordingly, we may not be able to identify and examine all risks associated with acquisitions. For example, we may not be able to assess whether the original owners of the properties (and potential successors) have obtained, maintained or renewed all required permits, satisfied all permit conditions, received all necessary licenses and fire and safety certificates or satisfied all other requirements. In addition, the properties may suffer from hidden defects or damages. Moreover, we may not be in a position to carry out all follow-up investigations, inspections and appraisals (or to obtain the results of such inquiries). Accordingly, in the course of the acquisition of properties or portfolios, specific risks may not be, or might not have been, identified, evaluated and addressed correctly. Legal, tax and/or economic liabilities may be, or might have been, overlooked or misjudged. In particular, real estate transfer tax (*Grunderwerbsteuer*, "**RETT**") may inadvertently be triggered in the course of such acquisitions of real estate.

Warranties received from purchasers in the purchase agreements we enter into in connection with such acquisitions may not cover all risks or fail to cover known and existing risks sufficiently. Additionally, warranties may be or become unenforceable, such as due to a seller's insolvency or otherwise. In some cases, a seller may make no representation or warranty as to the sufficiency and correctness of the information made available in the context of a due diligence investigation, or as to whether such information remains correct during the period between the conclusion of the due diligence investigation and the closing of the respective acquisition.

Furthermore, we may overestimate the earnings potential and potential synergies from acquisitions, in particular in the case of acquisitions of portfolios, as well as underestimate the rental and cost risks, including expected demand from tenants for the respective property or portfolio and expected capital expenditures for repositioning, maintaining or modernizing the property, and consequently pay a purchase price that exceeds a property's or portfolio's actual value. In addition, properties and portfolios could be inaccurately appraised, even if they were acquired on the basis of valuation reports by reputable independent appraisers and due diligence investigations. Therefore, neither a particular cash flow from rentals, nor a certain retail price can be guaranteed with respect to acquired properties and portfolios.

We may face cost overruns or delays in relation to project development activities which could have an adverse effect on our business and results of operations.

In certain cases, we may engage in project development activities in order to maintain and enhance the attractiveness of existing properties. Such project development activities could also include the purchase and development of neighboring properties. In the case of project development, it is necessary to obtain an official permit under the German Building Code (*Baugesetzbuch*, "**BauGB**") and applicable German state laws. Although there is generally an obligation for the responsible authority to grant such a permit if all applicable legal requirements are satisfied, the authorities may, on a case-by-case basis, decide to grant building permits under specific conditions or constraints or may even refuse to grant such permit at all. Furthermore, objections by neighbors may delay the granting of permits or otherwise materially adversely affect our ability to undertake project development activities. In addition, construction work related to such activities may involve higher costs than originally planned, and unforeseen additional expenses may be incurred, due to, among other things, construction delays as a result of inclement weather, property defects not identified prior to the acquisition, insolvency of sub-contractors or otherwise. Any inability to engage in and complete project development activities in a timely manner could have an adverse effect on our business and results of operations.

Indexation clauses in our lease agreements could adversely affect our rental income.

The majority of our lease agreements for office and retail properties contain indexation clauses that link the amount of rental payments to a reference index, predominantly the consumer price index for Germany. These clauses provide for upward adjustments as well as downward adjustments tied to changes in the relevant index. Thus, rental income may decrease if consumer prices decline. If a lease agreement contains no indexation or equivalent adjustment clause, the applicable amount of rental income may remain constant for the term of the lease agreement, while our costs of maintaining the respective property may increase due to inflation. This risk is compounded by the long-term nature of many of our lease agreements. Decreases in rental income due to indexation clauses or our inability to adapt rents to changing market developments and maintenance and other costs could have a material adverse effect on our financial condition and results of operations.

We may be required to incur maintenance and modernization costs, and any failure or inability to undertake such measures could have an adverse effect on our rental income.

As a property owner, we may be required from time to time to incur costs to undertake various maintenance and modernization measures to meet changing legal, environmental or market requirements, particularly with regard to health and safety requirements and fire protection. In the past, the period of time between modernization measures has generally decreased and may continue to decrease in the future due to applicable legal and regulatory requirements or tenants' increasing demand for modern, up-to-date infrastructure. Any failure to maintain the properties could also pose a risk to the health and safety of our tenants as well as their employees and customers, which in turn could cause us to be liable for any damages.

The costs of maintenance and upkeep of a property are typically borne primarily by the property owner. Therefore, we may be burdened with substantial expenses for such measures. In particular, we may incur additional expenses if the actual costs of maintaining or modernizing properties exceed our estimates, if we are not permitted to increase rents in connection with or following maintenance and modernization measures, or if hidden defects not covered by insurance or contractual warranties are discovered during the maintenance or modernization process. Furthermore, maintenance and modernization measures may be the subject of construction delays during periods of inclement weather or if the contractual partners commissioned with the work do not complete their work in a timely manner or cannot complete their work due to insolvency. With respect to modernization measure, an application for a change of use of the property may not be approved by the relevant building authorities or cannot be carried out due to objections from neighbors. This may also result in higher costs or mean that necessary modernizations are not carried out, or extensions and modernizations may be required to be discontinued after significant expenditure has already occurred. Any failure or inability by us to undertake appropriate maintenance and modernization measures could adversely affect our rental income and entitle tenants to withhold or reduce rental payments or even to terminate existing lease agreements. Moreover, if we incur substantial unplanned maintenance, repair and modernization costs or fail to undertake appropriate maintenance measures, this could have a material adverse effect on our business, financial condition and results of operations.

Valuation reports may incorrectly assess the value of our property, and we may be required to adjust the current fair value of our investment properties, which could result in the recognition of losses.

From time to time, we may commission reports on the fair value of our real estate portfolio the independent, external appraisers. Such valuation reports are based on standard valuation principles and represent the opinion of the appraiser who prepared the valuation reports. The valuation reports are based on various assumptions that could subsequently turn out to be incorrect. In addition, the valuation of real estate is based on a multitude of factors, such as the current contractual letting status, the physical condition of the portfolio, the general market environment, tourism business, interest rates, the creditworthiness of tenants, conditions in the rental market and the development of individual locations. The valuation of properties contained in any valuation report is therefore subject to numerous uncertainties. Accordingly, the valuations may not accurately reflect the value of the property to which they relate and do not necessarily represent current or future sales prices that we would be able to realize on the sale of our properties or participations.

Our investment properties (*i.e.*, properties held for the purpose of rental income generation or capital appreciation and not for proprietary use or sale in the ordinary course of business) are measured at fair value in accordance with IAS 40 in conjunction with IFRS 13, with changes in the fair value recognized in "Profit/loss

from fair value adjustments in investment properties" in the consolidated statement of income. The fair values of our investment properties are determined based on the discounted cash flow method, which includes determinants that are subject to uncertainties as they reflect, among others, the current market assessment, location, condition and letting situation of the property, the yield expectations of a potential investor and the level of uncertainty and inherent risk of the forecast future cash flows. Any deterioration of the fair value of our properties could require us to recognize a loss in the consolidated statement of income and could have a material adverse effect on our financial position and results of operations.

Furthermore, a change in the factors underlying the valuation and/or the assumptions could cause the fair value determined for the relevant valuation date to fall below the carrying amount of a property, which would result in a fair value loss. As a consequence, we would have to revise the value of our portfolio to reflect the decrease of the fair value of our properties and would be required to recognize the negative change in value as a non-cash loss in the relevant accounting period.

Due to the risks described above, erroneous valuations of our portfolio or a change in the factors underlying the valuation and/or the assumptions could have a material adverse effect on our business, financial condition or results of operations.

We depend on external service providers for the management of our properties and may be unable to retain such providers on favorable terms or at all.

We are dependent on external service providers to manage, operate and maintain our real estate properties, in particular with respect to Fair Value REIT-AG, as well as in connection with the assessment of transactions and potentially, in the future, various property and facility management functions. If the service providers for such functions or our properties terminate the agreements with us or if they are in default, we may not able to locate other qualified service providers in a timely manner, on favorable terms or at all, with the result that we may no longer be able to manage, operate, and maintain its real estate properties or to assess or manage its transactions.

We may not be able to let or sell properties due to contamination, may have to remove contaminants or may face damage claims by acquirers of contaminated properties.

It cannot be excluded that property that is owned or will be acquired or sold by us is or was contaminated by harmful soil and other pollutants and/or by the legacies of war (the latter including, in particular, bombs, grenades, or other explosives from the Second World War). Existing contamination and other soil-related risks may reduce real estate values and may make it impossible to let or sell the property. Furthermore, contamination can cause damages and lead to other warranty claims by the acquirer of a property. Responsibility for contamination affects the party causing the contamination, its legal successors, the current and the former owner of the contaminated land as well as the person having the plot of land in actual possession and individuals or legal entities liable under commercial law or company law for a legal entity which owns contaminated land. This could under certain circumstances comprise the possibility of piercing the corporate veil under the German Federal Soil Protection Act (*Bundesbodenschutzgesetz*, "**BBodSchG**"), *i.e.* the direct liability of a shareholder in a company with limited liability.

Additionally, other factors regarding our properties, such as the age of buildings, pollutants in construction materials, soil conditions or below-regulation building conditions could require costly remedial, maintenance and modernization measures. It cannot be ruled out that real estate owned by us may be contaminated with hazardous materials, *e.g.* asbestos or other pollutants. Except in the event of structural alterations, there is generally no obligation to remove non-friable asbestos under currently applicable German federal state asbestos regulations (*Asbest-Richtlinie*). Nevertheless, the real estate owner may, under certain conditions, be required to remove non-friable asbestos. We bear the risk of cost-intensive remediation and removal of such hazardous materials, other residual pollution or ground contamination.

The incurrence of unforeseen costs to remove or dispose of substances or hazardous materials or to remediate environmental contamination or other environmental liabilities could have a material adverse effect on our business, financial condition and results of operations.

We could be subject to liability claims in connection with sold properties and may not have claims of recourse.

We have sold a significant number of properties in recent years, particularly in 2016 and with respect to the disposal of assets in our legacy portfolio consisting of those properties no longer aligning with our investment strategy, and plan to continue to sell properties in the future consistent with that strategy. In connection with property sales, the seller typically provides the buyer with various representations, warranties and covenants with respect to certain characteristics of the sold property, for which a seller remains liable for a period of time following the sale. We could be subject to claims for damages from purchasers, who assert that we have failed to satisfy our obligations pursuant to such covenants, or that our representations and warranties were incorrect. For example, if we, as seller, provided warranties to a purchaser of properties in connection with maintenance and modernization measures, and claims are asserted against us because of defects, we may not have recourse against the companies that performed the work.

As a seller of properties, we may also be liable to tenants for breaches of lease agreements by the purchaser, even where we no longer have control over the respective property. When selling properties, we must typically inform all tenants in writing of the change in landlord, either alone or together with the purchaser, in order to be released from ongoing obligations. A release from liability does not apply to security deposits (*Mietsicherheiten*) provided by the tenants. If a tenant is unable to receive its security deposit from the purchaser of a property, the liability to repay such security deposit remains with us as the seller.

Certain clauses in our lease agreements may be held to be invalid, and some of these agreements may not fulfill the strict written form requirements under German law.

We use standardized contracts in the ordinary course of business in our contractual relationships with a large number of parties, in particular with our tenants, which may multiply the risks compared to the use of individual contracts. Any invalid provisions or ambiguities in standardized contracts can therefore affect a significant number of contractual relationships. Standardized terms under German law are required to comply with the statutory law on general terms and conditions (*Allgemeine Geschäftsbedingungen*), which means that they are routinely subject to scrutiny by German courts with regard to their content and the way they are presented to the other contractual party. As a general rule, standardized terms are invalid if they are not transparent, unclearly worded, unbalanced or discriminatory. Any standard clauses in our contracts being held invalid could lead to a substantial number of claims against us or force us to bear costs which we had previously considered to be allocable to our contractual counterparties. In addition, clauses which are not standard clauses may also be invalid, which could have a material adverse effect on us if, for example, such invalid clause allows a key tenant to exercise an extraordinary termination right.

Real estate owned by us is leased predominantly on a long-term basis. Pursuant to German law, fixed-term lease agreements with a term exceeding one year can be terminated prior to their contractually agreed expiration date if certain formal requirements are not complied with. These include the requirement that there be a document that contains all the material terms of the lease agreement, including all attachments and amendments and the signatures of all parties thereto. While the details of the applicable formal requirements have been assessed differently by various German courts, most courts agree that such requirements are, in principle, strict. Some lease agreements regarding real estate owned by us may not satisfy the strictest interpretations of these requirements. In this case, the respective lease agreement would be deemed to have been concluded for an indefinite term and could therefore be terminated one year after handover of the respective property to the tenant at the earliest, provided that the statutory notice period is complied with (*i.e.*, notice of termination is admissible at the latest on the third working day of a calendar quarter towards the end of the next calendar quarter). Consequently, tenants could allege non-compliance with these formal requirements in order to procure an early termination of their lease agreements or a renegotiation of the terms of these lease agreements to our disadvantage.

The occurrence of any one or more of the aforementioned risks could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to restitution or compensation claims if our properties have been unlawfully expropriated, and this could delay or prevent the transfer of our properties.

We could in the future be subject to third-party claims in connection with restitution and compensation claims. Under German law, former owners of assets that were dispossessed either by the national socialist government between January 30, 1933 and May 8, 1945 or by the former German Democratic Republic (*Deutsche Demokratische Republik*) can demand the restitution of such assets. Furthermore, when disposing of properties, we must comply with the German Real Estate Transfer Ordinance (*Grundstücksverkehrsordnung*), pursuant to which we must obtain approval from the competent authorities prior to disposing of any properties we have not purchased ourselves. If any restitution claims have been filed for a property that we intend to sell, such approval will not be granted before the claim has been settled. Therefore, restitution claims may adversely impact our ability to dispose of certain properties. Any inability to dispose of properties due to restitution claims could have an adverse effect on our business, financial condition and results of operations.

We depend on qualified personnel, including certain key personnel such as our senior management, and may not be able to retain or replace such personnel.

Our success and future growth depend significantly on the performance of a limited number of employees in central functions responsible for managing our business. These include Mr. Kind, our CEO and CFO, and other qualified personnel in key positions, particularly those with sector experience, who are responsible for the management of our portfolio and corporate functions. In the event of departure of one or more of these key and qualified personnel, we may not be able to replace them quickly, which could affect our operational performance. More generally, we may be unable to recruit new personnel whose skills and sector experience are equivalent to those of our key personnel, or could fail to attract and retain experienced personnel in the future. Due to the intense competition for qualified personnel in the commercial real estate sector, there is no guarantee that we will be able to hire sufficiently qualified key employees at acceptable terms in the future. The loss of Mr. Kind or any other key employees or failure to attract new qualified employees, could impair our growth and make it difficult to maintain its business activities at current levels and, therefore, could have a material adverse effect on our business, financial condition and results of operation.

We may be adversely affected by changes to the general regulatory environment in Germany, which could force us to change the way we conduct our business.

Our business is subject to the general legal and regulatory framework that applies to commercial real estate properties, and lease agreements for such properties, as well as special provisions of other laws, such as construction and construction planning laws, building codes and environmental laws and safety regulations, including fire protection. If German federal or state laws or the interpretation or application thereof change, this could force us to change the way we conduct our business, including our ability to let, use or liquidate the properties and interest in real property partnerships we hold. As a result of such changes, we may also be required to incur significant additional expenses in order to comply with more restrictive laws or regulations. Furthermore, European and German legislators or regulators could subject our business to additional regulatory obligations and restrictions. In particular, if any of the companies of the Group were to qualify as an alternative investment fund as defined under the German Capital Investment Code (*Kapitalanlagegesetzbuch*) as result of legislative changes, such Group company would require a permission by BaFin and would have to comply with specific organizational requirements. Consequently, any changes to the general regulatory environment in Germany could have a material adverse effect on our business, financial condition and results of operations.

Our operations may be affected as a result of failures or interruptions in our information technology systems.

The continuous and uninterrupted availability of our information technology (IT) systems is essential for our business operation and success. Any interruptions, failures, manipulation or damage to these information technology systems, including as a result of the outsourcing of property and facility management functions, could lead to delays or interruptions in our business processes. A range of factors beyond our control, such as telecommunication problems, software errors, inadequate capacity at IT centers, fire, power outages, attacks by third parties, computer viruses and the delayed or failed implementation of new computer systems, could interfere with the availability of our IT systems. Any material disruption or slowdown of our systems could cause information to be lost. Our existing safety systems, data backup, access protection, user management and

IT emergency planning may not be sufficient to prevent information loss or disruptions to our IT systems. In addition, if changes in technology cause our IT systems to become obsolete, or if our IT systems are inadequate to handle our growth, our reputation may be damaged. Any failure to properly guard against the failure, interruption or malfunctioning of our IT systems could have a material adverse effect on our business, financial condition and results of operations.

We are subject to risks from legal proceedings which may involve significant costs.

In the ordinary course of our business, we may, from time to time, become involved in various claims, lawsuits, investigations, arbitration or administrative proceedings, which may involve substantial claims for damages or other payments. Such lawsuits, investigations or proceedings may arise, in particular, from our relationships with investors, tenants, employees, third-party facility managers, building contractors and other contractual counterparties as well as public authorities, including tax authorities. Adverse judgments or determinations in such lawsuits, investigations or proceedings may require us to change the way we do business or use substantial resources in adhering to settlements or pay fines or other penalties. In addition, the costs related to such proceedings may be significant and, even if there is a positive outcome, we may still have to bear part or all of our advisory and other costs to the extent they are not reimbursable by other parties. The realization of any of these risks could have a material adverse effect on our business, results of operations and financial condition.

We may incur liabilities that are not covered by, or which exceed the coverage limits, of our insurance policies.

Although we maintain various insurance policies, including building insurance policies (including for fire, natural hazards and loss of rent) and liability insurance policies (including building owner and landowner liability insurance policies), third party liability insurance and directors' and officers' insurance, not all risks are insured or insurable (and may have significant deductibles on policies). Accordingly, our insurance policies do not provide coverage for all losses related to our business, and the occurrence of losses, liabilities or damage not covered by such insurance policies could have a material adverse effect on our results of operations and financial condition. For example, certain risks, such as terrorist attacks and natural disaster, may not be insurable or may only be insurable at a disproportionately high cost. While we believe we maintain appropriate levels of insurance consistent with industry practice, we may experience incidents of a nature that are not covered by insurance. Furthermore, the proceeds received under insurance policies, if any, may not be adequate to cover the damage incurred or liabilities to third parties. Any inability to maintain our current insurance coverage or do so at a reasonable cost could have an adverse effect on our results of operations and financial condition.

Our risk management and internal controls may not prevent or detect violations of law which may result in legal sanctions and penalties.

We have a dedicated compliance program and introduced a special code of conduct at the beginning of 2017. Nevertheless, our existing compliance processes and controls may not be sufficient to prevent or detect inadequate practices, fraud and violations of law by our intermediaries and employees. We have appointed a Group compliance officer, and a Group-wide code of conduct has been implemented to protect us against legal risks and other potential harm. These binding policies, among other things, corruption prevention, insider information, conflicts of interest, information and data protection, and protection of company property apply to all employees of the Group. The aforementioned compliance policies may not be sufficient to completely rule out all unauthorized practices, legal infringements, criminal offences or corruption by employees. In case of a breach of law or other unauthorized practice, our reputation may suffer. In addition, failure to identify inadequate practices or prevent violations of law may result in legal sanctions and penalties, which could have a material adverse effect on our business, results of operations and financial condition.

We may fail to comply with applicable or future laws and regulations in relation to privacy and data protection or such laws and regulations may change in a manner that is unfavorable to our business.

We manage the acquisition, management and letting of commercial real estate. This requires that certain personal data is provided to us by tenants, business partners as well as our personnel on the basis of which we determine whether to enter into and execute agreements with such tenants, business partners as well as personnel. Furthermore, such personal data is stored within the Group. The collection, use and storing of data is

subject to regulation under German data protection law. In addition, the EU recently enacted the General Data Protection Regulation (Regulation 2016/679/EU of the European Parliament and of the Council of April 27, 2016) ("**GDPR**"). The GDPR automatically came into effect in all EU member states as of May 25, 2018, and imposed stricter conditions and limitations in relation to the processing, use and transmission of personal data. The GDPR introduced extensive documentation obligations and considerably higher transparency requirements, which affect not only initial data collection but also the monitoring and investigation once personal data has been collected. Although we strive to comply with all applicable laws, regulations and legal obligations relating to data usage and data protection, it is possible that these laws, regulations and other obligations may be interpreted and applied in a manner that is inconsistent with our already implemented and future data protection standards and procedures. In case of a violation of the provisions of the GDPR, we may be fined for a maximum amount that corresponds to the higher of €20.0 million and 4% of our annual global turnover for the last year. In addition, authorities may construe new regulations in a way that is even more restrictive and there is no guarantee that we will be able to comply with such restrictive approaches. The materialization of any of the risks described above could have a adverse effect on our business, results of operations and financial condition.

Taxable capital gains arising out of the sale of real estate may not be completely offset by the tax transfer of built-in gains.

Under the German Income Tax Act (*Einkommensteuergesetz*), a tax-neutral transfer of built-in gains (*stille Reserven*) to newly acquired or constructed real estate is possible under certain circumstances for a disposal of real estate, for newly acquired or established real estate within a certain period (Section 6b German Income Tax Act (*Einkommensteuergesetz*)). The taxable capital gains realized upon sale of the real estate may either be deducted from the tax base of the new real estate in the same fiscal year or by forming a reserve ("**6b Reserve**") and, for a later deduction in tax costs relating to acquisitions or production, using it to reduce the tax base of new real estate acquired or constructed in the near future. If a 6b Reserve is not utilized within four years (or, under certain conditions, within six years), it generally must be dissolved, thereby increasing the taxable income. In addition, in such an event, the taxable income is increased by 6% for each full fiscal year for which the 6b Reserve existed. As of June 30, 2018, the Company had not formed or recorded any 6b Reserves in the balance sheet.

In the ordinary course of its business, the Company acquires or disposes of properties in its portfolio and will continue to do so in the future. These transactions are generally taxable for income tax purposes. However, subject to certain requirements, this capital gain may be rolled over in an income tax-neutral way according to Section 6b of the German Income Tax Act (*Einkommensteuergesetz*). If such an assumption turns out to be inaccurate or if the competent tax authorities determine otherwise, any capital gain arising out of property sales in an income-tax-neutral manner may not be able to be rolled over, which could have material adverse effects on the Company's, business, financial condition, cash flow and results of operations.

Pending and future tax audits within our Group and changes in fiscal regulations could lead to additional tax liabilities.

We are subject to routine tax audits by local tax authorities. Tax audits in Germany for the Group for corporate income tax (*Körperschaftsteuer*), trade tax (*Gewerbesteuer*) and VAT (*Umsatzsteuer*) relating to the periods up to and including the fiscal year ended December 31, 2014 were completed in 2017. Tax audits for later periods not yet subject to a tax audit may lead to higher tax assessments in the future. For example, we operate a number of tax groups (*Organschaften*) in Germany, and we are therefore exposed to the risk of a challenge of the existence and due operation of tax groups in the course of future tax audits. A non-recognition of our tax groups could lead to additional tax liabilities.

In addition, changes in fiscal regulations or the interpretation of tax laws by the courts or the tax authorities may also have a material adverse effect on our business. It cannot be ruled out that changes in tax legislation, administrative practice, case law or changes in the interpretation of the aforementioned, which are possible at any time and on short notice, may have adverse tax consequences leading to tax payments for us and, therefore, have adverse consequences on our financial position.

In particular, we may become liable for payments for real estate transfer taxes, which could adversely affect our results of operations and financial condition. On June 21, 2018, the conference of the treasuries of the

German Federal States (*Finanzministerkonferenz*) published a proposal on the change of RETT (*Grunderwerbsteuer*). According to this proposal, the 95%-threshold shall be lowered to 90%, the existing five-year term in which shares are transferred to a new shareholder shall be extended to ten years and RETT shall also be triggered in case 90% of the shares of a company owning real estate are transferred in order to align with the RETT legislation governing the transfer of shares in partnerships. However, such proposal is the subject of ongoing discussions and has not yet been transformed into a draft tax bill. In particular, the details and exact scope, implementation and timing of a potential tax bill remain unclear. This or any other proposal could have disadvantageous effects on our future tax position.

Therefore, if any changes in the law were implemented, any one of them and any additional tax payments could have a material adverse effect on our business, margins, results of operations and financial condition.

Due to the forfeiture of loss carry forwards under German tax laws, we may be unable to use loss carry forwards to set off future gains.

Tax loss carry forwards and unused losses of the current fiscal year are forfeited in full if more than 50% of the subscribed capital, membership rights, participation rights or voting rights in the Company are transferred, directly or indirectly, to an acquirer or related parties of such acquirer (or a group of acquirers with common interests) within a period of five years or in case of comparable measures (harmful acquisition). As regards transfers of more than 25% and up to 50% under the same prerequisites, tax loss carry forwards and unused losses of the current fiscal year are forfeited on a pro rata basis. The same applies for interest carry forwards. If and to the extent the tax loss carry forwards, interest carry forwards and unused losses of the current fiscal year are covered by the built-in gains of the loss-making company's business assets that are subject to domestic taxation, a forfeiture of such items would generally not apply. Although the application of the forfeiture rules on loss carry forwards recently has been put in question by the German Constitutional Court, we cannot rule out that such rule may apply to us and have an adverse effect on our tax position, especially in the event that some of our fiscal consolidations described above would be challenged.

Due to restrictions of the deduction of interest expense or forfeiture of interest carry forwards under German tax laws, we may be unable to fully deduct interest expenses on our financial liabilities.

Interest payments on our debt may not be fully deductible for tax purposes, which could adversely affect our financial condition and results of operation. Subject to certain requirements, the German interest barrier rules (*Zinsschranke*) impose certain restrictions on the deductibility of interest for tax purposes. Since 2008, the German interest barrier rules in general have disallowed the deduction of net interest expense exceeding 30% of tax adjusted EBITDA. For purposes of the interest barrier rules, all businesses belonging to the same tax group (*Organschaft*) for corporate income and trade tax purposes, *i.e.*, the Company and its subsidiaries, are treated as one single business. Such consolidation is, *inter alia*, relevant for the calculation of the tax adjusted EBITDA.

There are certain exemptions from the restrictions of the German interest barrier rules allowing for a tax deduction of the entire annual interest expense, which, however, may not be available to the Company. To the extent our net interest expense exceeds such threshold in any given year, we may therefore not be able to deduct the excess in our net interest expense in calculating our taxable earnings for the relevant year. This may have an adverse effect on our liquidity and financial condition and on our ability to meet our obligations under our debt instruments.

Any non-deductible amount of interest expense exceeding the threshold of 30% is carried forward and may, subject to the interest barrier rules, be deductible in future fiscal years. In the past, our interest expense was not entirely deductible. Accordingly, we currently have an interest carry forward (*Zinsvortrag*) from previous years. An interest carry forward may be forfeited in part or in full in connection with certain measures, such as a change of the ownership structure. Such forfeiture may have a material adverse effect on our margins and results of operations and financial condition.

The German Federal Tax Court referred a proceeding to the German Federal Constitutional Court on the grounds that according to its view the interest stripping rules violate Art. 3 of the German constitution (*Grundgesetz*). It is uncertain how the German Federal Constitutional Court will decide and how the German

legislator will react to it so that we cannot rule out that the above rules may apply to us and have an adverse effect on our tax position.

The Group may face risks due to restrictions on investment and business activities of Fair Value REIT-AG resulting from the German REIT Act.

With respect to the acquisition of investment property, Fair Value REIT-AG (in which the Company as of the date of this supplemental report indirectly holds 79.4% of the voting shares) is subject to restrictions of the German REIT Act. As a result, the investment object, investment volume, and the business activities in particular are restricted or affected by the following regulations:

- exclusion of the acquisition of domestic residential property built before January 1, 2007;
- acquisition of shares in corporations dealing in property is only permitted under the condition that at least 90% of their total assets consist of investments in real estate properties, and the properties held are all located abroad where they could also be held by a REIT or corporate bodies, associations or estates that are similar to a REIT;
- restrictions on the formation of reserves;
- only low levels of liquidity formation due to the minimum distribution of 90% of the net income for the period determined in accordance with the HGB and the requirement that the share of the immovable assets has to be at least 75% of the assets of the Company;
- limitation on the provision of real estate-related paid services to third parties;
- limitations on property dealings; and
- minimum equity of 45% of the value of the immovable assets.

The minimum equity requirement of 45% of the immovable assets and the asset and income structure requirements of Section 15 German REIT Act may make it impossible to take advantage of interesting property purchase offers due to a lack of liquidity and the restriction on the borrowing of third-party capital. A further increase in equity by means of a capital increase against cash contribution based on a decision of the shareholders' meeting or out of authorized capital requires a certain period, which may be too long for the prompt acceptance of favorable property offers, so that these may be completed by competitors.

In addition, a revaluation of derivative financial instruments used by Fair Value REIT-AG could have negative or positive effects on the equity of Fair Value REIT-AG (and thereby indirectly on the Company) depending on the interest rate situation on the capital markets. This could lead to a shift of the equity-to-immovable assets ratio, which is required to be at least 45% pursuant to Section 15 German REIT Act, and thus force the Group to limit or stop its investment activity. A drop of the equity-to-immovable assets ratio under the 45% limit required by the German REIT Act for three or more years could entail payment obligations (*e.g.* an obligation to pay damages to shareholders) or even the loss of the REIT status, which would result in the loss of the tax exemption.

Further, due to the obligation under the German REIT Act to distribute at least 90% of the net income for each fiscal year determined in accordance with the HGB to the shareholders no later than at the end of the following fiscal year, Fair Value REIT-AG could be obliged to sell property at short notice for unattractive prices, which might be below book values, in order to maintain the necessary liquidity, if liquidity is not sufficient, or if it is not possible to borrow third-party capital, or only to unfavorable conditions. In addition, as a result of this statutory distribution requirement, a material increase in the equity capital position of Fair Value REIT-AG is therefore to a large extent only possible by increasing its shareholder capital by way of obtaining external equity capital, e.g. through the issuance of further shares.

In order to comply with its payment obligations from current business operations, the Group thus has to operate an adequate liquidity management system and maintain sufficient liquidity reserves. If this is not possible, or is only possible to an unsatisfactory extent, Fair Value REIT-AG might get into payment arrears and be exposed to claims for damages.

Due to the restrictions imposed by the German REIT Act, it is possible that certain chances or opportunities in the property and financing market cannot be taken advantage of, or can only be taken advantage of to a limited extent. This and the possible restriction on debt financing, as well as the further restrictions on investment and business activities imposed by the German REIT Act on Fair Value REIT-AG, may have considerable negative effects on the net assets, financial position and results of operations of Fair Value REIT-AG or the Group.

We are exposed to risks relating to Fair Value REIT-AG losing its tax exemption and becoming subject to penalty payments or damage claims if it does not fulfil certain legal requirements of the German REIT Act.

The fiscal status as a REIT company is tied to certain preconditions, in particular:

- admission of its shares for trading on a regulated market;
- only restricted trading with the immovable assets possible;
- adherence to a free-float ratio of at least 15%;
- compliance with the maximum direct participation level of less than 10% of the shares or voting rights;
- minimum equity of 45% of the value of the immovable assets;
- share of the immovable assets of at least 75% of the assets of the Company;
- at least 75% of the gross earnings must derive from immovable assets;
- distribution of at least 90% of the net income for the year determined in accordance with the HGB; and
- restrictions on the business purpose.

As a REIT company, Fair Value REIT-AG is exempt from corporation and trade taxes. If Fair Value REIT-AG infringes the REIT conditions in any given fiscal year with respect to listing on the stock exchange and property dealings, it can lose this tax exemption status retroactively. Furthermore, Fair Value REIT-AG can also lose this tax exemption status retroactively if it infringes REIT conditions, such as its shareholder structure, minimum equity, dividend distribution ratio, and the composition of its assets and income, on three consecutive balance sheet dates or if it infringes the requirements relating to its asset structure, sales revenue structure, or minimum distributions or infringes the prohibition on providing non-gratuitous service charge services for five consecutive fiscal years. Fair Value REIT-AG may not have influence over those factors, e.g. relating to a revaluation of its assets or whether shareholdings in Fair Value REIT-AG are subject to changes and thereby potentially infringing the REIT conditions.

In the case of non-compliance with the aforementioned requirements, Fair Value REIT-AG would be liable for the payment of corporation and trade taxes as well as certain back-dated taxation obligations. After the loss of tax exemption status, renewed exemption would not be possible for the following four years.

The loss of tax exemption and REIT status would not only harm the reputation, but could also have significant detrimental effects on the net assets, financial position and results of operations of Fair Value REIT-AG or the Group.

Further, if Fair Value REIT-AG does not fulfil the requirements laid down in the German REIT Act, albeit not to an extent or duration which would result in the loss of the tax exemption, there is also a possibility that (penalty) payments might be levied against that company by the relevant taxation authorities. This is particularly the case if the share of the immovable assets as a percentage of total assets of that company or the share of the gross earnings from properties falls short of the minimum ratio of 75%. The same also applies if the minimum dividend distribution rate of 90% of the net income for the year determined in accordance with the HGB is not reached within one fiscal year after the balance sheet date. If the relevant taxation authorities impose

corresponding (penalty) payments, this could have a considerable negative effect on the net assets, financial position and results of operations of Fair Value REIT-AG or the Group.

Furthermore, in section 34 of its articles of association, Fair Value REIT-AG has provided that in the case of the termination of its tax exemption status due to a qualifying infringement of the minimum free-float of shares of at least 15% and/or the maximum participation ratio of less than 10% during three consecutive fiscal years, all shareholders who hold less than 3% of the voting rights may demand damages from the Company. This could have considerable negative effects on the net assets, financial position and results of operations of Fair Value REIT-AG or the Group.

We are exposed to risks relating to certain statutory thresholds applicable to Fair Value REIT-AG regarding its minimum free float and maximum shareholder participation levels.

The German REIT Act provides in section 11 paragraph 4 that no shareholder may directly hold 10% or more of the shares of the REIT company such that it has 10% or more of the voting rights in a REIT company ("**maximum participation level**"). The articles of association of Fair Value REIT-AG also contain a corresponding provision in section 7 paragraph 2. In accordance with section 11 paragraph 1 German REIT Act, at least 15% of the shares of the REIT company must be free-floating, *i.e.*, held by shareholders whose participation in each case is equivalent to less than 3% of the voting rights ("**minimum free float**"). Section 7 paragraph 1 of the articles of association of Fair Value REIT-AG contains a corresponding stipulation. If, during three consecutive fiscal years, the regulations concerning the maximum participation level or the minimum free float are infringed, section 18 paragraph 3 German REIT Act stipulates that the tax exemption status of the REIT ends with the expiration of the third fiscal year.

Due to this maximum participation level, which is difficult for Fair Value REIT-AG to monitor, section 28 paragraph 2 of the articles of association of Fair Value REIT-AG stipulates that if the maximum participation level is exceeded, the respective shareholder shall be obliged to transfer enough shares within two months of receipt of the letter by the management board demanding the transfer so that its shareholding no longer results in the maximum participation level being exceeded. If the shareholder does not provide the requested proof of transfer of the shares within the two months' period, the management board may demand that the shareholder transfer the number of shares exceeding the maximum participation level without compensation. Further, pursuant to section 29 paragraph 1 and 4 and section 28 paragraph 1 of the articles of association, the management board may effect a forced redemption, or the shareholders' meeting may resolve on the redemption, of shares of a shareholder for the purpose of restoring compliance with the maximum participation level to the extent the shareholder continues to violate the maximum participation level, two months after the expiration of the two months' period set by the management board. The forced redemption of the shares and the possible legal consequences for Fair Value REIT-AG resulting therefrom in accordance with section 16 paragraph 2 and section 18 paragraph 3 German REIT Act, will be without payment of compensation for the redemption or other compensation. Instead of a permissible redemption, Fair Value REIT-AG may also acquire the shares itself in accordance with section 71 German Stock Corporation Act (*Aktiengesetz*, "**AktG**"), or the shareholders' meeting—to the extent legally permissible—may demand that the shares in question be transferred or assigned to Fair Value REIT-AG or to a shareholder or trustee designated by the shareholders' meeting without compensation, including in such a way that some of the shares are redeemed and others are assigned or transferred to Fair Value REIT-AG or a person designated by the shareholders' meeting.

In view of these aforementioned obligations of shareholders not to directly hold 10% or more of the voting rights in Fair Value REIT-AG and the risk of a forced or approved redemption of shares, it may not be possible for a shareholder to acquire or continue to hold a stake in Fair Value REIT-AG of 10% or more or a controlling influence on Fair Value REIT-AG. Accordingly, a takeover of Fair Value REIT-AG may not be possible or any shareholder directly holding 10% or more of the voting rights in Fair Value REIT-AG may be required to reduce its shareholdings. This could have considerable negative effects on the net assets, financial position and results of operations of Fair Value REIT-AG and/or of the Company.

REIT-specific provisions contained in Fair Value REIT-AG's articles of association that are intended to protect its status as a REIT company may not be enforceable.

In its articles of association, Fair Value REIT-AG has included a number of provisions which ensure that the specifications of the German REIT Act are complied with. Amongst other things, these refer to the

minimum free float requirement of the German REIT Act, as well as the maximum participation level for individual shareholders, the non-allocation of shares held for the account of third parties, the obligation to transfer shares in cases where the maximum direct participation level of a shareholder is exceeded, as well as the right of the shareholders who hold less than 3% of the voting rights of Fair Value REIT-AG to demand the cancellation of the shares in return for a cancellation fee in the case of the termination of the tax exemption status according to section 18 paragraph 3 German REIT Act. It cannot be excluded that individual rules and procedures do not conform to stock corporation law or other legal regulations and may therefore be invalid or unenforceable in part or in whole. Furthermore, it cannot be ruled out that as a result of these regulations or their application, the intended success, in particular the maintenance of the REIT status of Fair Value REIT-AG, cannot be achieved. This could result in significant disadvantages for the net assets, financial position and results of operations of Fair Value REIT-AG or the Group.

Fair Value REIT-AG may not be able to distribute the minimum dividends stipulated in the German REIT Act which could result in it losing its REIT status and incurring penalty payments.

Due to its REIT status, Fair Value REIT-AG is obliged to distribute at least 90% of its distributable net income for the period to its shareholders. In accordance with the stipulations of the statutory regulations, particularly those of stock corporation law and commercial law, for the distribution of a dividend the company requires an unappropriated surplus as well as sufficient liquidity. Therefore, Fair Value REIT-AG cannot guarantee that such a distributable unappropriated surplus will exist which will enable it to make a distribution of 90% of the net income for the relevant year. Furthermore, there may be other reasons why Fair Value REIT-AG might not be able to comply with the legally stipulated minimum dividend payment, e.g. a lack of liquidity. If the distribution ratio of 90% of the net income for the year cannot be complied with over a period of three years, Fair Value REIT-AG may also lose its REIT status. Even if the infringement occurs only once, it is possible that (penalty) payments may be imposed on Fair Value REIT-AG. Each of these cases could have considerable negative effects on the net assets, financial position and results of operations of Fair Value REIT-AG or the Group.

RISKS RELATED TO OUR STRUCTURE AND FINANCIAL POSITION

Our high leverage and debt service obligations may make it difficult for us to operate our business.

We currently have and will continue to have a substantial amount of outstanding debt with significant debt service requirements. Our net debt (sum of current and non-current financial liabilities less cash and cash equivalents) as of June 30, 2018 amounted to €579.8 million. Our ability to fund working capital, capital expenditures and other expenses will depend on our future operating performance and ability to generate sufficient cash. Our significant leverage could have important consequences for our business and operations, including:

- making it more difficult for us to satisfy our obligations under our financing arrangements;
- increasing our vulnerability to a downturn in our business or general economic and industry conditions;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt and reducing the availability of our cash flow to fund internal growth through capital expenditures and for other general corporate purposes;
- placing us at a competitive disadvantage compared to our competitors that have lower leverage or greater access to capital resources than we have;
- limiting our flexibility in planning for or reacting to changes in our business and our industry;
- negatively impacting credit terms with our creditors;
- restricting us from exploiting certain business opportunities; and
- limiting, among other things, our ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional capital.

Any of the above-listed factors could prevent us from meeting our medium-term target of achieving a net loan-to-value ratio ("**Net LTV**") of approximately 50% and/or could otherwise materially adversely affect our results of operations, financial condition and cash flows.

We are subject to significant restrictive debt covenants, which limit our operating flexibility and, if we default under our debt covenants, we will not be able to meet our payment obligations.

Our existing financing arrangements contain covenants which may impose significant restrictions on the way we can operate, including restrictions on our ability to:

- incur or guarantee additional debt and issue preferred stock;
- make certain payments, including dividends or other distributions and repayment or redemption of share capital;
- make certain investments or acquisitions, including participating in joint ventures;
- make loans or extend credit;
- prepay or redeem subordinated debt;
- engage in certain transactions with affiliated persons;
- enter into arrangements that restrict payments of dividends to us;
- sell assets, consolidate or merge with or into other companies, change our legal form, enter into corporate reconstruction;
- sell or transfer all or substantially all of our assets or those of our subsidiaries on a consolidated basis;
- create or incur certain liens;
- issue or sell share capital;
- sell and acquire real property; and
- enter into treasury transactions.

These covenants could limit our ability to finance our future operations and capital needs and our ability to pursue acquisitions and other business activities that may be in our interest. Our ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. These covenants and restrictions may also limit our ability to ensure compliance with certain loan-to-value ratio requirements provided for in certain existing financing arrangements following a decline of the value of underlying assets, which may significantly limit our operating flexibility. Furthermore, if we breach any of these covenants or restrictions, we could be in default under the terms of such existing or future financing arrangements, which in turn may trigger cross-defaults between any financing agreements. If the debt under our material financing arrangements that we entered into were to be accelerated, our assets may be insufficient to service our debt.

If we are unable to comply with the financial and restrictive covenants included in certain of our existing or any future financing agreements, there could be a default under such agreements, which could result in an acceleration of repayment.

Certain of our existing financing arrangements contain, and any future financing agreements we enter into may contain, certain financial and restrictive covenants. Our ability to comply with these covenants, including meeting incurrence- or maintenance-based financial ratios and tests, depends on a number of factors, some of which may be beyond our control, such as a deterioration of the industry and markets in which we operate or a deviation from the assumptions contained in our business plan. As a result, we may be unable to

comply with our financial and restrictive covenants, and any failure may materially adversely affect our margins and results of operations and financial condition.

The breach of a financial or other covenant or our failure to meet any of our obligations under any of the agreements governing our debt may result in a default under such agreements, which in turn could result in a number of adverse consequences including, prohibiting us from drawing additional funds under credit facilities, significant increases in interest rates and other financing costs, the acceleration of all outstanding amounts under such agreements requiring us to immediately repay the related debt in whole or in part, and/or the commencement of foreclosure or other enforcement actions against any of our assets securing such debt. In addition, any default may expose us to requests by our suppliers for advance payments for deliveries and a reduction or cancellation by credit insurers of their commitments. Defaults may also trigger cross-default and cross-acceleration clauses contained in our other debt agreements, and our liquid funds and short-term cash flow may be insufficient to service any of the debts in the circumstances described above. Accordingly, any failure by us to service our debts may have a materially adverse effect on our ability to satisfy our obligations.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Fluctuations in interest rates may affect our interest on existing debt and the cost of new financing. As of June 30, 2018, we had total financial liabilities of €673.6 million, of which €40.6 million was variable interest rate.

If interest rates increase, our debt service obligations on the variable rate indebtedness that is not hedged would increase even though the amount borrowed remained the same, which would require that we use more of our available cash to service our indebtedness. While we strive to manage our exposure to fluctuations in interest rates, we do not currently have any hedging arrangements or interest rate swaps to adjust interest-rate risk exposure. If interest rates increase dramatically, we could be unable to service our indebtedness, which would exacerbate the risks associated with our leveraged capital structure. This could, in turn, have a material adverse effect on our business, financial condition, results of operations and cash flows.

We require a significant amount of cash to service our debt, and our ability to generate sufficient cash depends on factors that may be beyond our control.

Our ability to service and refinance our debt and to fund future operations and capital expenditures is highly dependent on our future operating performance and our ability to generate sufficient cash flow. To a significant degree, our future operating performance and ability to generate cash flows is, in turn, dependent on various general economic, financial, competitive, market, legislative, regulatory and other factors which are outside our control. Due to any of these factors, we may be unable to generate sufficient cash flows from our operating activities, anticipated revenues growth, cost saving or operational efficiency improvements, and any future debt or equity financing may not be available to us in amounts which would enable us to pay the principal premium and interest of our indebtedness.

To the extent our cash flow from operating activities is insufficient to meet our liquidity needs and service our debt, we would have to seek additional debt or equity financing. In addition, our subsidiaries may be restricted in certain jurisdictions within which they operate from paying dividends or making other distributions to us. If our future cash flows from operating activities and other capital resources are insufficient to pay our various obligations as they mature or to fund our ongoing liquidity needs, we and our subsidiaries may be forced, among other things, to reduce or delay business activities and capital expenditure, sell assets, or forego opportunities such as acquisitions of other businesses. There can be no assurance that any of these alternatives can be accomplished on a timely basis or on satisfactory terms, if at all. Further, we may be compelled to restructure or refinance all or a portion of our debt on or before their maturity. We may face the additional risk that in order to refinance our debt, we could be required to agree to more onerous covenants, which would further restrict our business operations. The occurrence of any event described above may have a materially adverse effect on our margins and results of operations and financial condition.

We may be unable to raise new equity or extend or refinance our debt on favorable terms or at all.

Our ability to raise new equity and pay and refinance our debt is significantly reliant on a number of factors, including market conditions, our future operating performance and our ability to generate a sufficient

cash flow. We may be unable to execute future capital measures or achieve any refinancing on a timely basis or on satisfactory terms. We may also be limited in our ability to pursue refinancing alternatives by the terms and conditions of our existing debt agreements.

GENERAL INFORMATION

FORWARD-LOOKING STATEMENTS

Certain statements in this supplemental report constitute forward-looking statements. Forward-looking statements are statements (other than statements of historical fact) relating to future events and our anticipated or planned financial and operational performance. Statements made using words such as "expects", "plans", "intends", "predicts" or "forecasts" may be an indication of such forward-looking statements. Forward-looking statements appear in a number of places in this supplemental report, including, without limitation, under the headings "*Risk Factors*", , "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Recent Developments and Outlook*" and "*Business*" and include, among other things, statements addressing matters such as:

- changes in macroeconomic, demographic or regulatory conditions in the Company's markets;
- the Company's business strategy, plans and objectives;
- the Company's expectations regarding the competitive environment in which it operates and its position therein;
- the Company's future financial condition and ability to obtain additional financing;
- the Company's working capital, cash flows and capital expenditures; and
- the Company's dividends and dividend policy.

Although we believe that the goals, estimates and expectations reflected in these forward-looking statements are reasonable, such forward-looking statements are based on estimates and assumptions regarding future events, and are subject to known and unknown risks and uncertainties that could cause our actual results, performance, achievements or industry results, to differ materially from what is expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include, among others:

- potential lack of attractive properties or participations available for purchase;
- risk of a decrease in rent levels or compression of yields
- tenant concentration;
- potential lack of suitable and solvent tenants;
- risks associated with the value of properties or portfolio;
- risks associated with minority holdings;
- maintenance and modernization costs;
- unavailability of external service providers for management of properties;
- financial risks in connection with residual pollution;
- invalidity of our lease agreements;
- risk of restitution or compensation claims due to unlawful expropriation;
- the dependency, in part, on contracts with certain significant customers;
- loss of key personnel;
- IT and communication system failure or data loss;

- insufficient insurance coverage;
- tax risks associated with tax audits and loss carry forwards; and
- debt service obligations.

Should one or more of these risks or uncertainties materialize, or should any underlying assumptions prove to be incorrect, our actual financial condition, cash flows or results of operations could differ materially from what is described herein as anticipated, believed, estimated or expected. Prospective investors are urged to read the sections of this supplemental report entitled "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Business*" for a more complete discussion of the factors that could affect the Group's future performance and the industry in which it operates.

These forward-looking statements speak only as of the date of this supplemental report. We do not assume any obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise, or to conform any such statement to actual events or developments, other than as required by law or regulation.

PRESENTATION OF FINANCIAL INFORMATION

The Company's fiscal year is the calendar year.

The Company has appointed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Kapelle-Ufer 4, 10117 Berlin, Germany ("**PwC**"), as its auditor for the fiscal year 2018. PwC is a member of the German Chamber of Public Auditors (*Wirtschaftsprüferkammer K.d.ö.R.*), Rauchstraße 26, 10787 Berlin, Germany.

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, office Eschborn/Frankfurt am Main, Mergenthalerallee 3 - 5, 65760 Eschborn/Frankfurt/Main, Germany ("**EY**"), was appointed as the auditor of the Company for the fiscal years ended December 31, 2015, 2016 and 2017. EY is a member of the German Chamber of Public Auditors (*Wirtschaftsprüferkammer K.d.ö.R.*), Rauchstraße 26, 10787 Berlin, Germany.

The Unaudited Interim Consolidated Financial Statements, the 2017 Audited Consolidated Financial Statements, the 2016 Audited Consolidated Financial Statements and the 2015 Audited Consolidated Financial Statements are together referred to in this supplemental report as the "**Consolidated Financial Statements**". The 2017 Audited Consolidated Financial Statements, the 2016 Audited Consolidated Financial Statements and the 2015 Audited Consolidated Financial Statements are together referred to in this supplemental report as the "**Audited Consolidated Financial Statements**". The 2015 Audited Consolidated Financial Statements and 2016 Audited Consolidated Financial Statements included in this supplemental report have been prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315a paragraph 1 HGB. The 2017 Audited Consolidated Financial Statements have been prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315e paragraph 1 HGB. The Unaudited Interim Consolidated Financial Statements have been prepared in accordance with IFRS using the International Accounting Standard 34 on Interim Financial Reporting (IAS 34).

The 2017 Audited Financial Statements have been prepared in accordance with HGB.

The German-language Audited Consolidated Financial Statements and German-language 2017 Audited Financial Statements have been audited by EY in accordance with Section 317 HGB and German generally accepted standards for financial statement audits promulgated by the German Institute of Public Auditors (*Institut der Wirtschaftsprüfer*), who issued unqualified audit opinions on the German-language 2015 Audited Consolidated Financial Statements and 2016 Audited Consolidated Financial Statements and unqualified independent auditor's reports on the German-language 2017 Audited Consolidated Financial Statements and German-language 2017 Audited Financial Statements.

In December 2015, we acquired 77.7% of the voting shares in Fair Value REIT-AG in a voluntary public takeover. Fair Value REIT-AG was fully consolidated in the Company's consolidated financial statements for the first time as of December 31, 2015, in accordance with the provisions of IFRS 3 for business combinations. Furthermore, in October 2015, we acquired a 94% interest in Germavest Real Estate S.à r.l., with

effect from October 30, 2015. As a result of our takeover of Fair Value REIT-AG in 2015 and the acquisition of a 94% interest in Germavest Real Estate S.à r.l. and its "T6" portfolio in 2015, the comparability of the financial information for the fiscal year ended December 31, 2015 to the fiscal years ended December 31, 2016 and 2017 is significantly limited.

In the Unaudited Interim Consolidated Financial Statements, the Company has applied IFRS 15 "Revenue from contracts with customers", IFRS 16 "Leasing" and IFRS 9 "Financial Instruments" since January 1, 2018. The comparability of certain financial statements line items between the six months ended June 30, 2017 and 2018 might therefore be limited. For a description of the first time adoption effects, see the notes to the Unaudited Interim Consolidated Financial Statements.

In the 2015 Audited Consolidated Financial Statements, the Company reported segment information for the following business segments: Investments, Core Portfolio and Fair Value REIT. The Investments segment contained all information relating to non-current assets, the business areas of revitalization, project development and land banking as well as the activities of the respective project holdings. The Core Portfolio segment contained the German commercial real estate recognized within the Group's subsidiaries held or being developed to generate rental income and/or for the purpose of value appreciation. The Fair Value REIT segment comprised office space as well as retail properties held by Fair Value REIT-AG and its subsidiaries. The Central Functions/Others column in the segment reporting mainly contained the Company's activities in its functions as the Group's holding company but does not represent an independent business segment.

Beginning in the fiscal year ended December 31, 2016, the Company changed its segment reporting to report only two business segments: Core Portfolio and Fair Value REIT. The Core Portfolio segment includes a significant logistics property in addition to retail and office properties in Germany. The Fair Value REIT segment comprises office space as well as retail and wholesale properties located in German regional centers held by Fair Value REIT-AG and its subsidiaries. In the segment reporting information for the fiscal year ended December 31, 2016 contained in the 2016 Audited Consolidated Financial Statements, the Central Functions/Other column includes the former Investments segment (which was shown separately in the 2015 Audited Consolidated Financial Statements) and contains the legacy portfolio properties currently being sold by the Group. In the comparative segment reporting information for the fiscal year ended December 31, 2015 contained in the 2016 Audited Consolidated Financial Statements, the Investments segment was shown separately.

Non-IFRS Financial Measures

This supplemental report contains certain non-IFRS measures and ratios. These measures and ratios are EBIT, EPRA NAV (undiluted), EPRA NAV (diluted), FFO I after taxes, FFO II after taxes, GAV Net Debt and Net LTV (each as defined below).

We define "**EBIT**" as earnings before interest and taxes, as shown on our consolidated statement of income.

We define "**EPRA NAV (undiluted)**" as net asset value. EPRA NAV (undiluted) is the equity attributable to parent company shareholders, adjusted for the fair value of derivative financial instruments, deferred taxes (deferred tax assets/deferred tax liabilities) and goodwill resulting from deferred taxes.

We define "**EPRA NAV (diluted)**" as EPRA NAV (undiluted) adjusted for the dilutive effect on equity attributable to parent company shareholders resulting from the conversion of the 2018 Notes (as defined in *"Glossary"*) and the Mandatory 2018 Notes (as defined in *"Glossary"*) (including the respective interest) into shares as well as from the exercise of share-based payments.

We define "**FFO I after taxes**" as funds from operations ("**FFO**") after taxes excluding profit/loss from the sale of real estate and real estate companies. FFO I after taxes is profit/loss before taxes, adjusted by interests of minority shareholders shown in financial result ("**Profit/loss before taxes and interests of minority shareholders (EBT)**"), profit/loss from the sale of real estate and real estate companies, profit/loss from investments accounted for using the equity method, profit/loss from fair value adjustments in investment properties, profit/loss from revaluation of financial instruments and other adjustments ("**FFO I before taxes**") as well as adjusted current income taxes.

We define "**FFO II after taxes**" as funds from operations after taxes including profit/loss from the sale of real estate and real estate companies. FFO II after taxes is FFO I after taxes adding or subtracting profit/loss from the sale of real estate and real estate companies (after taxes).

We define "**GAV**" as gross asset value as the sum of investment properties and non- current assets held for sale.

We define "**Net Debt**" as the sum of current and non-current financial liabilities less cash and cash equivalents.

We define "**Net LTV**" as net loan-to-value ratio. The Net LTV is the ratio of the net debt (sum of current and non-current financial liabilities, less cash and cash equivalents) to the sum of the carrying amounts of investment properties and non-current assets held for sale.

The non-IFRS financial measures and related ratios contained in this supplemental report should not be considered in isolation and are not measures of our financial performance or liquidity under IFRS and should not be considered as an alternative to rental income, net profit or loss for the period or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating, investing or financing activities or any other measure of our liquidity derived in accordance with IFRS. Non-IFRS financial measures do not necessarily indicate whether cash flow will be sufficient or available for cash requirements and may not be indicative of our results of operations.

In addition, certain non-IFRS financial measures, as we define them, may not be comparable to other similarly titled measures used by other companies. We believe that EBIT and the other non-IFRS financial measures presented in this supplemental report represent useful indicators of our financial performance when read in addition to IFRS financial measures indicating our financial performance. You should exercise caution in comparing the non-IFRS financial measures as reported by us to such measures, similar measures or adjusted variations thereof reported by other companies.

Where financial information in the tables in this supplemental is labelled "audited", this means that it has been taken from the Audited Consolidated Financial Statements or the 2017 Audited Financial Statements. The label "unaudited" is used in the tables in this supplemental report to indicate financial information that is not taken from the Audited Consolidated Financial Statements or 2017 Audited Financial Statements and is either taken from the Unaudited Interim Consolidated Financial Statements or the Company's internal accounting system and other internal reporting systems or is based on calculations of figures of the abovementioned sources.

CURRENCY PRESENTATION AND PRESENTATION OF FIGURES

In this supplemental report, "**euro**", "**EUR**" and "**€** " refer to the single European currency adopted by certain participating member states of the EU as of January 1, 1999.

Certain financial information in the text and in the tables (including percentages) in this supplemental report have been rounded according to established commercial standards, whereby aggregate amounts (sum totals, sub-totals, differences or amounts in relation thereto) are calculated on the underlying unrounded amounts. As a result, the aggregate amounts may not correspond in all cases to the corresponding rounded amounts contained in the text and tables. Furthermore, in the tables, these rounded figures may not add up exactly to the totals contained in the respective tables and charts. The percentage changes that are stated in the text and the tables have been commercially rounded to one decimal place unless stated otherwise. Financial information presented in parentheses denotes the presented number is a negative number.

CAPITALIZATION AND INDEBTEDNESS

The tables below set forth the Company's consolidated capitalization and net financial indebtedness as of July 31, 2018.

The numbers in the capitalization and net financial indebtedness tables below are taken from the Company's internal accounting system as of July 31, 2018 and have not been audited.

CAPITALIZATION

	As of July 31, 2018 (in € thousands) (unaudited)
Total current debt[1]	**78,119**
of which guaranteed	—
of which secured[7]	24,371
of which unguaranteed/unsecured	53,748
Total non-current debt[2]	**748,038**
of which guaranteed	—
of which secured[6]	249,930
of which unguaranteed/unsecured	498,108
Shareholders' equity[3]	**365,454**
of which share capital[7]	73,081
of which legal reserves[8]	14,543
of which other reserves[4]	277,830
Total capitalization[5]	**1,191,611**

(1) Current debt is total current liabilities and includes both current financial liabilities as well as other current liabilities. For a separate presentation of current financial debt, see "—*Net Financial Indebtedness*".
(2) Non-current debt is total non-current liabilities and includes both non-current financial liabilities as well as other non-current liabilities. For a separate presentation of non-current financial debt, see "—*Net Financial Indebtedness*".
(3) Shareholders' equity is the equity attributable to the Company's shareholders, excluding non-controlling interests.
(4) Other reserves comprises retained earnings incl. Group profit/loss, reserves for treasury shares and currency translation.
(5) Total capitalization represents the aggregate amount of current debt, non-current debt and shareholders' equity.
(6) Represents debt secured by certain real estate assets.
(7) Share capital is the subscribed capital of the Company.
(8) Legal reserves are the capital reserves of the Group.

NET FINANCIAL INDEBTEDNESS

	As of July 31, 2018 (in € thousands) (unaudited)
A. Cash[1]	85,482
B. Cash equivalents	—
C. Trading securities	—
D. Liquidity (A) + (B) + (C)	**85,482**
E. Current financial receivables[2]	**5,700**
F. Current bank debt	54,619
G. Current portion of non-current debt	4,626
H. Other current financial debt[3]	927
I. Current financial debt (F) + (G) + (H)	**60,173**
J. Net current financial indebtedness (I) – (E) - (D)	**(31,010)**

K. Non-current bank loans	249,969
L. Bonds issued	359,166
M. Other non-current loans[4]	298
N. Non-current financial indebtedness (K) + (L) + (M)[5]	**609,433**
O. Net financial indebtedness (J) + (N)	**578,423**

(1) Consists of cash on hand and bank balances as well as deposit payments received by tenants offset by liabilities in the same amount.
(2) Consists of loans granted.
(3) Consists primarily of interest payables.
(4) Consists of loans from the Company's shareholders.
(5) Non-current financial indebtedness does not include minority interests recognized as debt.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth selected consolidated financial information of the Company as of and for the fiscal years ended December 31, 2015, 2016 and 2017 and as of June 30, 2018 and for the six months ended June 30, 2017 and 2018. The consolidated financial information in the following tables in this section is taken or derived from the Audited Consolidated Financial Statements and the Unaudited Interim Consolidated Financial Statements as well as from the internal accounting system and other internal reporting systems of the Company.

In December 2015, we acquired 77.7% of the voting shares in Fair Value REIT-AG in a voluntary public takeover. Fair Value REIT-AG was fully consolidated in the Company's consolidated financial statements for the first time as of December 31, 2015, in accordance with the provisions of IFRS 3 for business combinations. Furthermore, in October 2015, we acquired a 94% interest in Germavest Real Estate S.à r.l., with effect from October 30, 2015. As a result of our takeover of Fair Value REIT-AG and the acquisition of a 94% interest in Germavest Real Estate S.à r.l. and its "T6" portfolio in 2015, the comparability of the financial information for the fiscal year ended December 31, 2015 to the fiscal years ended December 31, 2016 and 2017 is significantly limited.

In the Unaudited Interim Consolidated Financial Statements, the Company has applied IFRS 15 "Revenue from contracts with customers", IFRS 16 "Leasing" and IFRS 9 "Financial Instruments" since January 1, 2018. The comparability of certain financial statements line items between the six months ended June 30, 2017 and 2018 might therefore be limited. For a description of the first time adoption effects, see the notes to the Unaudited Interim Consolidated Financial Statements.

Where financial information in the tables this supplemental report is labelled "audited", this means that it has been taken from the Audited Consolidated Financial Statements or the 2017 Audited Financial Statements. The label "unaudited" is used in the tables in this supplemental report to indicate financial information that is not taken from the Audited Consolidated Financial Statements and is either taken from the Unaudited Interim Consolidated Financial Statements or the Company's internal accounting system and other internal reporting systems or is based on calculations of figures of the abovementioned sources.

The following selected financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements, including the notes thereto, in the "Financial Information".

SELECTED CONSOLIDATED STATEMENT OF INCOME INFORMATION

	Fiscal year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	(in € thousand)				
	(audited)			(unaudited)	
Rental income	33,320[1]	76,371	73,716	37,231	36,557
Income from utility and service charges	10,024[1]	15,746	14,624	9,651	8,803
Operating expenses to generate rental income	(19,664)	(33,547)	(32,708)	(19,547)	(17,289)
Profit/loss from the rental of real estate	**23,680**	**58,570**	**55,632**	**27,335**	**28,071**
Profit/loss from the sale of real estate companies	**285**	**3,961**	**0**	**—**	**—**
Profit/loss from the sale of real estate	**458**	**963**	**944**	**(517)**	**(11)**
Profit/loss from investments accounted for using the equity method	**(500)**	**(359)**	**73**	**65**	**97**
Profit/loss from fair value adjustments in investment properties	18,471	38,414	48,560	6,836	70,099
Impairment of receivables	(2,846)	(2,058)	(2,763)	(491)	(2,107)
Profit from a bargain purchase	33,217	0	—	—	—
Other operating income	2,572	5,550	5,052	2,777	2,099
Other operating income and other effects	**51,414**	**41,906**	**50,849**	**9,122**	**70,091**
Earnings before interest and taxes	**58,740**	**83,169**	**84,671**	**24,135**	**84,387**
Financial result	**(25,728)**	**(43,207)**	**(57,042)**	**(13,311)**	**(22,028)**
Profit/loss before taxes	**33,012**	**39,962**	**27,629**	**10,824**	**62,359**
(Current) Income taxes[2]	(755)[2]	(2,852)[2]	(333)	(1,694)	(292)
Deferred taxes[2]	(3,384)[2]	(9,460)[2]	(7,864)	(3,517)	(17,394)
Net profit/loss for the period	**28,873**	**27,649**	**19,432**	**5,614**	**44,673**

(1) Taken from the respective notes to the 2015 Audited Consolidated Financial Statements. The Company changed the presentation with respect to profit/loss from rental of real estate in the consolidated statement of income of the 2016 Audited Consolidated Financial Statements and presented rental income and income from utility and service charges separately as shown in the respective notes.

(2) Taken from the respective notes to the 2015 Audited Consolidated Financial Statements and 2016 Audited Consolidated Financial Statements. The Company changed the presentation with respect to income taxes in the consolidated statement of income of the 2017 Audited Consolidated Financial Statements and presented current income taxes and deferred taxes separately as shown in the respective notes.

SELECTED CONSOLIDATED BALANCE SHEET INFORMATION

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	(in € thousand)			
		(audited)		(unaudited)
ASSETS				
Investment properties	915,089	981,274	1,021,847	1,092,040
Total non-current assets	**948,597**	**1,001,486**	**1,032,897**	**1,102,835**
Total current assets	**71,343**	**68,229**	**101,957**	**122,131**
Non-current assets held for sale	**13,005**	**24,291**	**12,262**	**12,685**
Total assets	**1,032,945**	**1,094,006**	**1,147,116**	**1,237,651**
EQUITY AND LIABILITIES				
Subscribed capital	49,292	54,247	54,271	73,065
Reserves	181,405	217,698	231,146	291,748
Equity attributable to parent company shareholders	**230,697**	**271,945**	**285,417**	**364,813**
Non-controlling interests	34,205	36,692	33,684	37,939
Total equity	**264,902**	**308,637**	**319,101**	**402,752**
Total non-current liabilities	**696,746**	**719,340**	**780,630**	**761,287**
Total current liabilities	**71,297**	**66,029**	**47,385**	**73,612**
Total liabilities	**768,043**	**785,369**	**828,015**	**834,899**
Total equity and liabilities	**1,032,945**	**1,094,006**	**1,147,116**	**1,237,651**

SELECTED CONSOLIDATED STATEMENT OF CASH FLOWS INFORMATION

	Fiscal year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	(in € thousand)				
	(audited)			(unaudited)	
Cash flow from operating activities	**10,815**	**35,352**	**35,814**	**13,445**	**14,371**
Cash flow from investing activities	**(29,165)**	**5,726**	**20,554**	**10,762**	**(606)**
Cash flow from financing activities	**42,420**	**(38,255)**	**(13,783)**	**(17,933)**	**6,197**
Net change in cash and cash equivalents	**24,070**	**2,822**	**42,585**	**6,273**	**19,963**
Cash and cash equivalents at the start of the period	4,397	28,467	31,289	31,289	73,874
Cash and cash equivalents at the end of the period[1]	**28,467**	**31,289**	**73,874**	**37,562**	**93,837**

(1) Thereof as of and for the six months ended June 30, 2018 restricted cash of €673 thousand and as of and for the six months ended June 30, 2017 restricted cash of €607 thousand.

ADDITIONAL KEY PERFORMANCE INDICATORS

We use various key performance indicators to manage and measure the operating and financial performance of our business. These key performance indicators include the measures and metrics described below. EBIT, FFO I after taxes, and FFO II after taxes are the primary key important indicators for measuring the financial performance and profitability of our business.

We also report below additional alternative performance measures, including Net LTV, EPRA NAV (undiluted), EPRA NAV per share (undiluted), EPRA NAV (diluted), EPRA NAV per share (diluted), GAV and certain operating metrics because we believe they may be of use for potential investors in evaluating our operating performance, the value of our portfolio and the level of our indebtedness. We also report them because they are frequently reported by our peers in the real estate industry and we believe they may provide investors with helpful measures by which to analyze and compare our performance relative to competitors in the industry.

However, the key performance indicators described below are not recognized measures under IFRS and should not be considered as substitutes for profit/loss before taxes, cash flow from operating activities or other data from the consolidated statement of income, the consolidated statement of cash flows or the consolidated balance sheet, as determined in accordance with IFRS, or as measures of profitability or liquidity. Such key performance indicators neither necessarily indicate whether cash flow will be sufficient or available for our cash requirements, nor whether any such measure is indicative of our historical operating results. The key performance indicators described in this section are not meant to be indicative of future results. Because not all companies calculate these key performance indicators in the same way, our presentation of such key performance indicators is not necessarily comparable with similarly-titled measures used by other companies, including companies in the real estate sector. Even though these measures are used by management to assess ongoing operating performance, indebtedness and these types of measures may be commonly used by investors, they have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results, cash flows or assets and liabilities as reported under IFRS.

Performance and Profitability

The following table provides information on our key performance and profitability measures for the periods presented:

	Fiscal year ended December 31,			Six months ended June 30,	
	2015[2]	2016	2017	2017	2018
	(in € thousand)				

	(unaudited, unless otherwise indicated)			(unaudited)	
EBIT[1]	**58,740***	**83,169***	**84,671***	**24,135**	**84,387**
FFO I after taxes	**—**	**8,095**	**11,738**	**4,905**	**11,361**
FFO II after taxes	**—**	**13,019**	**12,600**	**4,467**	**11,374**

* Audited

(1) Shown as "Earnings before interest and taxes" in our consolidated statement of income.

(2) The Company did not report FFO for the fiscal year ended December 31, 2015.

EBIT

EBIT ("**EBIT**") is shown as earnings before interest and taxes in our consolidated statement of income.

FFO I after taxes and FFO II after taxes

Funds from operations (FFO) after taxes is a measure of cash generation for real estate companies. We define FFO I after taxes as funds from operations after taxes excluding profit/loss from the sale of real estate and real estate companies. FFO I is defined by us as profit/loss before taxes, adjusted by interests of minority shareholders shown in financial result (Profit/loss before taxes and interests of minority shareholders (EBT)), profit/loss from the sale of real estate and real estate companies, profit/loss from investments accounted for using the equity method, profit/loss from fair value adjustments in investment properties, profit/loss from revaluation of financial instruments and other adjustments (FFO I before taxes) as well as adjusted current income taxes. We define FFO II after taxes as funds from operations after taxes including profit/loss from the sale of real estate and real estate companies. FFO II after taxes is FFO I after taxes adding or subtracting profit/loss from the sale of real estate and real estate companies (after taxes).

The following table shows the reconciliation of profit/loss before taxes to FFO I after taxes and FFO II after taxes for the periods presented:

	Fiscal year ended December 31,			Six months ended June 30,	
	2015[b]	**2016**	**2017**	**2017**	**2018**
	(in € thousand)				
	(unaudited, unless otherwise indicated)			(unaudited)	
Profit/loss before taxes	—	**39,962***	**27,629***	**10,824**	**62,359**
Interests of minority shareholders	—	5,220	8,279	3,635	8,788
Profit/loss before taxes and interests of minority shareholders (EBT)	—	**45,182**	**35,908**	**14,459**	**71,147**
Profit/loss from the sale of real estate companies	—	(3,961)*	0*	—	—
Profit/loss from the sale of real estate	—	(963)*	(944)*	517	11
Profit/loss from investments accounted for using the equity method	—	359*	(73)*	(65)	(97)
Profit/loss from fair value adjustments in investment properties	—	(38,414)*	(48,560)*	(6,836)	(70,099)
Profit/loss from revaluation of financial instruments	—	898	2,697	(5,468)	—
Other adjustments[a]	—	7,847	22,959	3,940	10,685
FFO I before taxes	—	**10,948**	**11,986**	**6,547**	**11,647**
Adjusted current income taxes[c]	—	(2,853)*	(248)	(1,642)	(286)
FFO I after taxes	—	**8,095**	**11,738**	**4,905**	**11,361**
attributable to parent company shareholders	—	2,679	5,413	874	9,108
attributable to non-controlling interests and interests of minority shareholders	—	5,416	6,325	4,031	2,253

	Fiscal year ended December 31,			Six months ended June 30,	
	2015[(b)]	2016	2017	2017	2018
	(in € thousand)				
	(unaudited, unless otherwise indicated)			(unaudited)	
Profit/loss from the sale of real estate and real estate companies (after taxes)	—	4,924	862	(438)	13
FFO II after taxes	—	**13,019**	**12,600**	**4,467**	**11,374**
attributable to parent company shareholders	—	7,502	6,569	466	9,120
attributable to non-controlling interests and interests of minority shareholders	—	5,517	6,031	4,001	2,254

* Audited

(a) Other adjustments relate (i) to, among others, allowance expenses of €1,806 thousand, one-time maintenance expenses of €1,448 thousand, one-time refinancing costs €1,353 thousand and net other operating income relating to prior periods of €991 thousand in the fiscal year ended December 31, 2016, (ii) to, among others, one-time refinancing costs of €14,558 thousand, one-time legal, consulting and transaction costs of €4,059 thousand, one-time administrative expenses of €1,857 thousand and net other operating expenses relating to prior periods of €2,485 thousand in the fiscal year ended December 31, 2017, (iii) to, among others, one-time refinancing costs of €300 thousand, one-time legal and transaction costs of €1,605 thousand, one-time administrative costs of €865 thousand and net other operating expenses/income relating to prior periods of €1,171 thousand in the six months ended June 30, 2017 and (iv) to, among others, one-time refinancing costs of €5,527 thousand, one-time legal and transaction costs of €4,892 thousand, one-time administrative costs of €288 thousand and net other operating expenses/income relating to prior periods of €-22 thousand in the six months ended June 30, 2018.

(b) The Company did not report FFO for the fiscal year ended December 31, 2015.

(c) For the fiscal year ended December 31, 2016, for the sake of simplicity, total current income taxes for the respective period, not taking into account current income tax effects, if any, resulting from the adjusting items in the reconciliation from profit/loss before taxes to FFO I before taxes. For the fiscal year ended December 31, 2017 and the six months ended June 30, 2017 and June 30, 2018, current income taxes for the respective period adjusted for the current income tax effects resulting from the adjusting items in the reconciliation from profit/loss before taxes to FFO I before taxes.

Financing and Leverage

Net LTV

The net loan-to-value ratio is calculated as net debt (sum of current and non-current financial liabilities less cash and cash equivalents) divided by the carrying amount of investment properties and non-current assets held for sale ("**Net LTV**").

The following table shows the calculation for Net LTV for the reporting dates presented:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	(in € thousand unless otherwise indicated)			
				(unaudited)
	(unaudited, unless otherwise indicated)			
Financial liabilities	655,239*	662,643*	694,914*	673,601
Cash and cash equivalents	28,467*	(31,289)*	(73,874)*	(93,837)
Net debt	**626,772**	**631,354**	**621,040**	**579,764**
Carrying amounts of investment properties and non-current assets held for sale	**928,094**	**1,005,565**	**1,034,109**	**1,104,725**
Net LTV (in %)	**67.5**	**62.8**	**60.1**	**52.5**

* Audited

EPRA Key Performance Indicators

We calculate EPRA NAV in accordance with the definition recommended by the European Public Real Estate Association (the "**EPRA**") and use it as an indicator of our long-term equity. EPRA NAV is calculated as equity attributable to parent company shareholders, less the fair value of derivative financial instruments, plus deferred taxes (deferred tax assets/deferred liabilities) and less goodwill resulting from deferred taxes ("**EPRA**

NAV (undiluted)"). We calculate **EPRA NAV (diluted)** by adjusting EPRA NAV (undiluted) for the dilutive effect on equity attributable to parent company shareholders resulting from the conversion of the 2018 Notes and the Mandatory 2018 Notes (including the respective interest) into shares as well as from the exercise of share-based payments.

The following table shows the reconciliation of equity attributable to parent company shareholders to EPRA NAV (undiluted), EPRA NAV per share (undiluted), EPRA NAV (diluted) and EPRA NAV per share (diluted) for the periods presented:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	(in € thousand unless otherwise indicated)			
	(unaudited, unless otherwise indicated)			(unaudited)
Equity attributable to parent company shareholders	**230,697***	**271,945***	**285,417***	**364,813**
Fair value of derivative financial instruments	—	(1,778)	—	—
Deferred taxes (deferred tax assets/deferred tax liabilities)	25,570	35,030	42,893	60,280
Goodwill resulting from deferred taxes	—	(4,738)	(4,738)	(4,738)
EPRA NAV (undiluted)	**256,267**	**300,459**	**323,572**	**420,355**
Number of shares outstanding (thousands)	49,292*	54,247*	54,271*	73,065
EPRA NAV per share (undiluted) (in €)	**5.20**	**5.54**	**5.96**	**5.75**
EPRA NAV (undiluted)	**256,267**	**300,459**	**323,572**	**420,355**
Aggregate principle amount of 2018 Notes (including interest)	10,201	11,224	11,253	252
Aggregate principle amount of Mandatory 2018 Notes (including interest)	889	823	795	0
Dilution from share-based payments	4,229	—	—	—
EPRA NAV (diluted)	**271,586**	**312,506**	**335,620**	**420,608**
Number of shares outstanding (diluted) (thousands)[(a)]	63,954	67,885	67,885	73,870
EPRA NAV per share (diluted) (in €)	**4.25**	**4.60**	**4.94**	**5.69**

* Audited

(a) Number of shares outstanding as at the reporting date, including the impact of conversion of convertible bonds and exercise of the share-based payments.

Other Operating Data

Gross Asset Value

The gross asset value ("**GAV**") of our portfolio is calculated as the sum of investment properties and non-current assets held for sale. The following table shows the calculation of GAV for the reporting dates presented:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	(in € thousand unless otherwise indicated)			
	(audited, unless otherwise indicated)			(unaudited)
Investment properties	915,089	981,274	1,021,847	1,092,040
Non-current assets held for sale	13,005	24,291	12,262	12,685
Gross asset value (unaudited)	**928,094**	**1,005,565**	**1,034,109**	**1,104,725**

Other Operating Metrics

The following table shows certain additional operating metrics related to our portfolio for the reporting dates and periods presented:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
		(unaudited)		
Number of properties	181	174[1]	86	87
Total lettable area (in '000 sqm)	1,100	1,068	969	959
Gross rental income per annum (in € millions)[2]	76.0	74.1	72.1	72.5
Gross rental income yield (in %)	8.2	7.4	7.0	6.6
EPRA vacancy (in %)[3]	12.8	11.6	9.4	7.8
WALT (in years)[4]	5.4	5.3	4.9	4.7

(1) Includes 91 assets which were sold in 2016 but for which closing occurred in 2017.
(2) Annualized contractual rent excluding service charges.
(3) Based on contracted rent for leased space and potential rent of portfolio per annum (excluding properties held for sale).
(4) Weighted average lease term based on gross rental income.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of our results of operations and financial condition as of and for the fiscal years ended December 31, 2015, 2016 and 2017 and as of June 30, 2018 and for the six months ended June 30, 2017 and 2018. The consolidated financial information contained in the following section is taken or derived from the Consolidated Financial Statements and the Unaudited Interim Consolidated Financial Statements as well as from the internal accounting system and other internal reporting systems of the Company.

In December 2015, we acquired a total of 77.7% of the voting shares in Fair Value REIT-AG in a voluntary public takeover. Fair Value REIT-AG was fully consolidated in the Company's consolidated financial statements for the first time as of December 31, 2015, in accordance with the provisions of IFRS 3 for business combinations. Furthermore, in October 2015. we acquired a 94% interest in Germavest Real Estate S.à r.l. with effect from October 30, 2015. As a result of our takeover of Fair Value REIT-AG and the acquisition of a 94% interest in Germavest Real Estate S.à r.l. and its "T6" portfolio in 2015, the comparability of the financial information for the fiscal year ended December 31, 2015 to the fiscal years ended December 31, 2016 and 2017 is significantly limited.

Where financial information in the tables in this supplemental report is labelled "audited", this means that it has been taken from the Audited Consolidated Financial Statements or the 2017 Audited Financial Statements. The label "unaudited" is used in the tables in this supplemental report to indicate financial information that is not taken from the Audited Consolidated Financial Statements or 2017 Audited Financial Statements and is either taken from the Unaudited Interim Consolidated Financial Statements or the Company's internal accounting system and other internal reporting systems or is based on calculations of figures of the abovementioned sources.

The following discussion should be read in conjunction with "Selected Consolidated Financial Information" and our Consolidated Financial Statements. In addition, some of the information contained in this discussion may contain forward-looking statements that involve risks and uncertainties. You should read " Forward-Looking Statements" for a discussion of the risks related to those statements. You should also read "Business" and "Risk Factors" for more information about us, including a discussion of certain factors that may adversely affect our business, results of operations and financial condition.

OVERVIEW

We are a leading integrated publicly-listed commercial real estate company in Germany with a focus on office, retail and logistics properties in secondary locations across Germany. As of June 30, 2018, our portfolio comprised 87 properties with total lettable floor space of approximately 960,000 square meters and had an aggregate portfolio value (sum of the carrying amounts of investment properties and non-current assets held for sale) of €1.1 billion. As of the same date, our property portfolio had a weighted average lease term ("**WALT**") of 4.7 years and a European Public Real Estate Association ("**EPRA**") vacancy rate of 7.8% (excluding properties held for sale). For the fiscal year ended December 31, 2017, we generated rental income of €73.7 million, EBIT of €84.7 million and FFO I after taxes of €11.7 million. For the six months ended June 30, 2018, we generated rental income of €36.6 million, EBIT of €84.4 million and FFO I after taxes of €11.4 million. Our headquarters are located in Langen, Germany, in close proximity to Frankfurt am Main, Germany. We had a total of 94 full-time employees as of June 30, 2018.

The chart below provides an overview of our top ten properties by gross asset value ("**GAV**") as of June 30, 2018:

City	Asset Class	Cluster	GAV (€ m)	Share (%)	Space (sqm)	EPRA Vacancy (in %)[1]	GRI p.a. (€m)[2]	GRI Yield (%)	WALT (Years)
Bonn	Office	Core+	87.9	8.0	38,353	-	5.6	6.4	6.7
Ulm	Office	Core+	77.6	7.0	47,527	0.8	4.3	5.6	6.4
Rostock	Retail	Core+	68.9	6.2	19,306	3.0	4.3	6.2	4.3
Leipzig	Logistic	Value-Add	64.5	5.8	207,439[3]	16.6	4.2	6.5	1.9
Kassel	Retail	Core+	59.0	5.3	21,495	5.9	3.5	5.9	7.5
Freiburg	Office	Redevelopment	39.4	3.6	22,674	-	2.7	7.0	2.7
Regensburg	Office	Value-Add	34.8	3.2	29,219	-	2.6	7.4	2.7
Düsseldorf	Office	Value-Add	34.2	3.1	24,307	23.6	2.0	5.8	4.3
Eschborn	Office	Core+	33.1	3.0	18,774	-	2.0	5.9	6.5
Leipzig	Office	Value-Add	31.7	2.9	23,220	5.4	1.7	5.5	3.4
Top 10 properties			**531.1**	**48.1**	**452,314**	**5.7**	**32.9**	**6.2**	**4.8**
Total properties			**1,104.7**	**100.0**	**959,087**	**7.8**	**72.5**	**6.6**	**4.7**

(1) Excluding properties signed but not sold as defined by EPRA.
(2) Annualized contractual rent excluding service charges.
(3) Includes other external space of 31,743 sqm.

We are focused on office, retail and logistics asset classes, which accounted for approximately 67.7%, 23.3% and 5.8%, respectively, of our portfolio, by GAV, as of June 30, 2018. We are focused on cities in densely populated regions, which do not rank among the "top-seven cities", and areas bordering metropolitan cities (so-called "secondary locations") in Germany, where yields and occupancy rates are higher and less cyclical than in the "top-seven cities". We have properties in 15 of the 16 German federal states (*Bundesländer*).

The Company was founded in 2006 and shortly thereafter became listed on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and later in the sub-segment of the regulated market with additional post-admission obligations (Prime Standard). Since 2013, the Company is focused on the investment in and management of German commercial properties in secondary locations, which was underpinned by the takeover of Fair Value REIT-AG in 2015 as well as the acquisition of several real estate portfolios and individual assets in recent years.

We have a strong and diversified base of high-quality tenants across our portfolio. Our tenants include our anchor "blue chip" tenant, Deutsche Telekom, as well as government entities and agencies, such as the Institute for Federal Real Estate (*Bundesanstalt für Immobilienaufgaben*), and financial service providers, such as Sparkasse Südholstein. Our stable tenant base and long-term lease agreements provide us with high visibility on rental income and cash flow generation. As of June 30, 2018, annualized GRI amounted to €72.5 million, resulting in a GRI yield of 6.6%.

We manage the acquisition, management and letting of commercial real estate using our own in-house real estate management. We follow an active real estate management approach that includes the targeted sale of properties should they no longer be suitable for our business model or when their value appreciation potential has been exhausted. Our real estate management platform is a key factor to our success, enabling us to operate as a scalable real estate company and to implement our investment strategy. We acquire and manage properties based on their cash flow profile as well as value generation potential and primarily divide them into two

categories: "core+", to which approximately 52.0% of our portfolio, based on GAV, is allocated as of June 30, 2018, and "value-add", to which approximately 41.9% of our portfolio, based on GAV, is allocated as of June 30, 2018. Our "core+" approach is focused on properties with a strong tenant structure, longer WALTs, stable yields and secure cash flows. Our "value-add" portfolio properties are typically undermanaged assets with higher vacancies and shorter WALTs, but which nevertheless generate attractive yields and present near-term value upside through vacancy reduction and other value-enhancing measures. We seek to improve the operating performance of "value-add" assets through a "manage-to-core" approach with the objective of moving them to the core+ category. A small portion of our portfolio, amounting to approximately 6.1%, based on GAV as of June 30, 2018, consists of "redevelopment" assets, which offer the opportunity to achieve value creation and realize upside potential through extensions or refurbishment.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Portfolio Size, Rental Levels, Vacancy Rates and Composition, Changes in Fair Value of Investment Properties and Acquisitions and Disposals

Our results of operations are impacted, to a significant extent, by a combination of size (TLA), gross rental income (GRI) and vacancy (EPRA vacancy rate). These are, in turn, influenced and affected by our level of acquisition and disposal activity, local rent levels in the locations of our properties and the demand for and our ability to lease available space in our properties. Our portfolio size increased significantly from 2014 to 2016 due to our acquisition activity before decreasing from 1,068.9 thousand sqm as of December 31, 2016 to 968.9 thousand sqm as of December 31, 2017 and 959.1 thousand sqm as of June 30, 2018 primarily due to sales of non-strategic legacy properties. Over the same period, our number of properties consequently decreased from 181 as of December 31, 2015 to 174 as of December 31, 2016 and to 86 as of December 31, 2017; as of June 30, 2018, our portfolio comprised 87 properties. Many of our property disposals since December 31, 2016 related to smaller, non-strategic properties, including remaining legacy properties with only limited contribution to rental income and group GAV. We increased our rental income from €33.3 million in the fiscal year ended December 31, 2015 to €73.7 million in the fiscal year ended December 31, 2017 and annualized GRI from €76.0 million as of December 31, 2015 to €72.5 million as of June 30, 2018.

Although the increases in rental income and annualized GRI have been significantly attributable to the increase in the overall portfolio size and TLA, it was also, and will continue to be in the future, affected by local rent levels in our property locations. Rental income levels are dependent on the amount of rent we can charge for the letting of our properties. The amount of rent we can charge is influenced by numerous factors, including economic and demographic developments. For example, demand for office, retail and logistics space is affected by, among other things, economic conditions in the region and broader economy, unemployment levels, inflation and interest rates, levels of capital expenditure and corporate investments and population growth and demographics. Other property-specific factors which influence rent levels are location, availability of similar space in the same location or region, the age of the property, the quality of the property and, in some cases, the mix of tenants at a property.

In addition to portfolio size and rent levels, vacancy rates can have a significant impact on our results of operations and, in particular, our profitability to the extent we are able to acquire properties with relatively high vacancy rate and reduce them over time through active property and facility management. Vacancy rates effectively reflect demand for the properties offered for leasing. Demand is, in turn, affected by location, price, age, quality and size of properties. Depending on the size of a portfolio and tenant concentration, vacancy rate developments can be significantly impacted by individual tenants who lease large properties terminating or not renewing their leases if we are not able to find new tenants in a timely manner. Our EPRA vacancy rate has consistently decreased over time, from 12.8% as of December 31, 2015 to 11.6% as of December 31, 2016, 9.4% as of December 31, 2017 and 7.8% as of June 30, 2018 (excluding real estate held for sale).

Our results of operations are also affected by the composition of our portfolio, such as the distribution of our portfolio across various asset classes and the relative amount of lettable space, levels of rental income and vacancy rates by asset class. As of June 30, 2018, total lettable space by asset class amounted to 550.1 thousand sqm of office space, 161.0 thousand sqm of retail space and 207.5 thousand sqm of logistics space. These asset classes generated €8.1 per sqm per month, €10.3 per sqm per month and €2.2 per sqm per month of our annualized GRI as of June 30, 2018, respectively, and as of the same date, they had EPRA vacancy rates of 7.4%, 6.8% and 16.6%, respectively.

In accounting for the value of our real estate portfolio, included in investment properties, we apply the fair value model pursuant to International Accounting Standard 40 – Investment Property in connection with IFRS 13 – Fair Value Measurement. Investment properties are initially recognized in the consolidated balance sheet at acquisition cost plus incidental acquisition costs at the time of acquisition. Investment properties are subsequently measured at their fair value in accordance with the fair value model, and changes in the fair values of investment properties are recognized in profit or loss for the period. The determination of fair values depends on various input factors, such as future rental income, vacancy rate estimates, discount and capitalization rates, average market rent, rentable space, vacant space and weighted average lease terms, among others. Consequently, a significant increase in, for example, maintenance costs, vacancies or property yields would result in a lower fair value of our investment properties if the assumptions for the remaining input factors remained unchanged. While changes in fair value do not represent transactions affecting cash funds, changes in the fair value of investment properties impact our EBIT and profit or loss for the period, which may result in volatility in our results of operations from one reporting period to the next. Profit/loss from fair value adjustments in investment properties amounted to €70,099 thousand in the six months ended June 30, 2018, €48,560 thousand in the fiscal year ended December 31, 2017, €38,414 thousand in the fiscal year ended December 31, 2016 and €18,471 thousand in the fiscal year ended December 31, 2015.

Acquisitions have been the key driver of our growth in the periods presented in this supplemental report, helping us to significantly expand our real estate portfolio and increase our total assets from €1,032,945 thousand as of December 31, 2015 to €1,094,006 thousand as of December 31, 2016, €1,147,116 thousand as of December 31, 2017 and €1,237,651 thousand as of June 30, 2018.

In 2015, we acquired 77.7% of Fair Value REIT-AG's voting shares for total consideration (acquisition costs) of €93,263 thousand through a voluntary public takeover. The first-time consolidation of Fair Value REIT-AG took place on December 31, 2015. In addition, we acquired a 94% interest in Germavest Real Estate S.à r.l., and its "T6" portfolio, for total consideration (acquisition costs) of €39,016 thousand. Profit from the sale of real estate and real estate companies generated €743 thousand of net profit in the fiscal year ended December 31, 2015 but were offset, in part, by €500 thousand in loss from investments accounted for using the equity method.

In 2016, our focus was on the integration and management of the real estate acquired following our significant acquisition activity of the prior two years. As a result, our only significant acquisition in the fiscal year ended December 31, 2016 was the Kurfürstengalerie, a shopping center in Kassel, with a GAV of €59.0 million as of June 30, 2018. Disposals in the fiscal year ended December 31, 2016 primarily related to the sale of real estate companies, including a 25% interest in SQUADRA Immobilien GmbH & Co. KGaA and five legacy portfolio real estate companies in Georgia, Poland and Austria, and generated a profit from the sale of real estate companies of €3,961 thousand; the profit from the sale of real estate and the loss from investments accounted for using the equity method generated an additional net profit of €604 thousand in the fiscal year ended December 31, 2016.

In 2017 and for the six months ended June 30, 2018, the scope of consolidated companies remained unchanged. However, we believe that the German secondary commercial real estate market will continue to present significant opportunities to grow our portfolio through selective acquisitions of commercial properties. Any significant acquisition, or disposal, could have a material impact on our financial position and results of operations. For additional information on our acquisitions and disposals see the notes in section "*B. Scope and Principles of Consolidation*" to our Audited Consolidated Financial Statements.

Economic Developments in Germany

Our results of operations primarily depend on the amount of our rental income and can be significantly impacted by proceeds from the disposal of properties and changes in the fair values of our investment properties. The level of rents we can achieve from new or successor tenants, current market values of commercial properties and the price at which properties can be purchased or sold depend on the prevailing general economic and financial conditions in the German commercial market. Developments in the German commercial market are driven by a variety of factors, including supply and demand for commercial properties, interest and inflation rates, demographic trends and changes in tax laws. In addition, within the market, specific factors like regional economic development, unemployment trends or infrastructure investments can significantly impact the

attractiveness of a particular local or regional market as well as the level of market rents and valuation of properties in that market.

Refinancing through Issuance of 2022 Notes

In July 2017, the Company issued €270 million aggregate principal amount of 2.875% senior notes due 2022 (the "**2022 Notes**"). In October 2017, the Company issued an additional €130 million aggregate principal amount of the 2022 Notes. As a result of the issuance of the 2022 Notes and the repayment of more expensive financing arrangements with the net proceeds from the 2022 Notes, we have reduced our average nominal interest rate from 4.4% per annum as of December 31, 2016 to 3.0% as of December 31, 2017 and increased our free cash flow due to the lower interest expenses. In addition, as a result of the refinancing through the 2022 Notes, our share of unencumbered assets increase from almost zero to approximately 47% of total real estate assets as of June 30, 2018, providing us significantly more financial and operational flexibility for the future.

On April 16, 2018, the publication of a takeover offer by our new major shareholder, AEPF III 15 S.à r.l., triggered a change of control under the 2022 Notes. As a result, the Company was required to offer holders of the 2022 Notes early redemption at a price equal to 101% of the principal amount plus accrued and unpaid interest to the date of repurchase. In connection with the change of control offer, holders of the 2022 Notes redeemed, in the first half year 2018, a total of €33,375 thousand of the 2022 Notes. This amount was financed with a current loan as part of a bridge financing. Effective August 15, 2018, the bridge financing drawn in connection with the change of control offer to holders of the 2022 Notes was extended for an additional three months until November 15, 2018. At the same time, the nominal interest rate increased from 2.25% to 2.75% in accordance with the terms of the credit agreement. The Company intends to either repay or refinance, potentially through a placement of further notes, the outstanding amount under the bridge financing. As of June 30, 2018, financial liabilities under the 2022 Notes amounted to €360.5 million.

DESCRIPTION OF KEY LINE ITEMS IN STATEMENT OF INCOME

The following is a description of certain line items in our consolidated statement of income.

Profit/loss from the rental of real estate

Profit/loss from the rental of real estate comprises rental income and income from utility and service charges less operating expenses to generate rental income. Operating expenses to generate rental income comprise allocable and non-allocable operating expenses.

Profit/loss from the sale of real estate

Profit/loss from the sale of real estate comprises revenue from the sale of real estate less expenses relating to real estate sales.

Other operating income and other effects

Other operating income and other effects comprises the sum of (i) profit/loss from fair value adjustments in investment properties, (ii) impairment of receivables, (iii) profit from a bargain purchase and (iv) other operating income. Other operating income primarily includes other non-periodic income, VAT refunds from prior years, income from the disposal of property, plant and equipment, income from facility management, derecognition of liabilities, benefits in kind, income from reversal of provisions, reversals of impairment losses on receivables and income from forbearance commission and compensation for damages.

General and administrative expenses

General and administrative expenses primarily include staff costs, legal and consulting fees, accounting and audit costs, expenses for real estate expert appraisals, fund management costs, advertising and travel expenses and various other expenses. General and administrative expenses also include compensation for the Company's Supervisory Board.

Other operating expenses

Other operating expenses primarily comprise non-periodic expenses from operating costs invoiced in previous years, non-deductible input taxes, expenses for marketing activities, brokerage fees, expenses for the Company's annual general meeting and investor relations, fees and incidental costs of monetary transactions, third-party services, occupancy costs and transaction costs.

Financial result

Financial result comprises financial income and financial expenses as well as interests of minority shareholders. Financial income mainly relates to accrued interest from loans and borrowings issued by the Company. Financial expenses primarily include interest expense and other financing costs related to bonds, loans and bank liabilities as well as bank and bank guarantee provisions.

(Current) Income taxes and deferred taxes

Total income taxes comprise current income taxes and deferred income taxes. Current income taxes comprise corporate income taxes (including withholding tax on capital investments) and trade taxes. Deferred income taxes consist of deferred tax income and deferred tax expense. Deferred tax expenses primarily result from temporary differences in the valuation of investment properties pursuant to International Accounting Standard 40 – Investment Property (IAS 40). Deferred tax income primarily results from the offsetting of deferred tax expenses with deferred taxes on tax loss carryforwards.

RESULTS OF OPERATIONS

Six Months ended June 30, 2018 Compared to Six Months ended June 30, 2017

Profit/loss from the rental of real estate

	Six months ended June 30,	
	2017	**2018**
	(in € thousand) (unaudited)	
Rental income	37,231	36,557
Income from utility and service charges	9,651	8,803
Allocable operating expenses to generate rental income	(11,226)	(9,803)
Non-allocable operating expenses to generate rental income	(8,321)	(7,486)
Operating expenses to generate rental income	(19,547)	(17,289)
Profit/loss from the rental of real estate	**27,335**	**28,071**

Profit from the rental of real estate increased by €736 thousand, or 2.7%, from €27,335 thousand in the six months ended June 30, 2017 to €28,071 thousand in the six months ended June 30, 2018. The increase was primarily attributable to lower allocable operating expenses to generate rental income and operating expenses to generate rental income in the six months ended June 30, 2018 following the sale of non-strategic properties in 2017. The increase was offset, in part, by a decrease in rental income and income from utility and service charges as result of the smaller portfolio size. However, the majority of this decrease was itself offset by the corresponding reduction of vacant space.

Profit/loss from the sale of real estate

Profit/loss from the sale of real estate improved from a loss of €517 thousand in the six months ended June 30, 2017 to a loss of €11 thousand in the six months ended June 30, 2018. The loss from the sale of real estate in the six months ended June 30, 2017 related to the sale of non-strategic properties in 2017.

Profit/loss from investments accounted for using the equity method

Profit from investments accounted for using the equity method increased from €65 thousand in the six months ended June 30, 2017 to €97 thousand in the six months ended June 30, 2018.

Other operating income and other effects

	Six months ended June 30,	
	2017	2018
	(in € thousand) (unaudited)	
Profit/loss from fair value adjustments in investment properties	6,836	70,099
Impairment of receivables	(491)	(2,107)
Other operating income	2,777	2,099
Other operating income and other effects	**9,122**	**70,091**

Other operating income and other effects increased by €60,969 thousand from €9,122 thousand in the six months ended June 30, 2017 to €70,091 thousand in the six months ended June 30, 2018. The increase was attributable to the increase in profit/loss from fair value adjustments in investment properties to €70,099 thousand in the six months ended June 30, 2018 resulting from higher valuation gains.

General and administrative expenses

General and administrative expenses increased by €2,461 thousand, or 35.0%, from €7,038 thousand in the six months ended June 30, 2017 to €9,499 thousand in the six months ended June 30, 2018 due primarily to higher legal and consulting fees in connection with the takeover offer from AEPF III 15 S.à r.l. in April 2018 and the change in shareholder structure at the end of the first half of 2018.

Other operating expenses

Other operating expenses decreased by €470 thousand, or 9.7%, from €4,832 thousand in the six months ended June 30, 2017 to €4,362 thousand in the six months ended June 30, 2018. The change was primarily attributable to the write offs within the CEE / CIS Portfolio by €1,917 thousand in the six months ended June 30, 2018 and an increase of non-deductible input taxes by €303 thousand. Contrary to these increase, the non-periodic expenses from the settlement of operating costs relating to prior years decreased by €1,302 thousand, the marketing activities (concern marketing costs incurred during the sale of properties held by Fair Value REIT-AG) decreased by €969 thousand, and the fees and ancillary costs of monetary transactions decreased by €545 thousand, due to refinancing cost in the prior period.

Financial result

	Six months ended June 30,	
	2017	2018
	(in € thousand) (unaudited)	
Financial income	6,144	154
Financial expenses	(15,820)	(13,394)
Interests of minority shareholders	(3,635)	(8,788)
Financial result	**(13,311)**	**(22,028)**

Financial result declined by €8,717 thousand, or 65.5%, from a negative financial result of €13,311 thousand in the six months ended June 30, 2017 to a negative financial result of €22,028 thousand in the six months ended June 30, 2018. The decline was primarily attributable to the increase in interests of minority shareholders to €8,788 thousand in the six months ended June 30, 2018, which resulted primarily from the proportionate increase in valuation gains of investment properties. The decline was also attributable to the decrease in financial income, which related to the redemption of the Corporate Bond (as defined in *"Glossary"*) repaid in November 2017. It was offset, in part, by a decrease in financial expenses as a result of the refinancing of higher-interest financial liabilities in 2017 through the issuance of the 2022 Notes.

(Current) Income taxes and deferred taxes

	Six months ended June 30,	
	2017	2018
	(in € thousand) (unaudited)	
Current income taxes	(1,694)	(292)
Deferred taxes	(3,517)	(17,394)
Total income taxes	**(5,210)**	**(17,686)**

Total income taxes increased by €12,476 thousand from income tax expenses of €5,210 thousand in the six months ended June 30, 2017 to income tax expenses of €17,686 thousand in the six months ended June 30, 2018. The increase was primarily attributable to higher deferred income taxes from the positive valuation effects.

Net profit/loss for the period

Net profit for the period increased by €39,059 thousand from a net profit of €5,614 thousand in the six months ended June 30, 2017 to a net profit of €44,673 thousand in the six months ended June 30, 2018 due to the factors described above.

Fiscal Year ended December 31, 2017 Compared to Fiscal Year ended December 31, 2016

Profit/loss from the rental of real estate

	Fiscal year ended December 31,	
	2016	2017
	(in € thousand) (audited)	
Rental income	76,371	73,716
Income from utility and service charges	15,746	14,624
Allocable operating expenses to generate rental income	(19,611)	(19,095)
Non-allocable operating expenses to generate rental income	(13,936)	(13,613)
Operating expenses to generate rental income	**(33,547)**	**(32,708)**
Profit/loss from the rental of real estate	**58,570**	**55,632**

Rental income decreased by €2,655 thousand from €76,371 thousand in the fiscal year ended December 31, 2016 to €73,716 thousand in the fiscal year ended December 31, 2017. The decrease was primarily due to the effective sale of non-strategic real estate properties in 2017. In the same period operating expenses to generate rental income decreased from €33,547 thousand in the fiscal year ended December 31, 2016 to €32,708 thousand in the fiscal year ended December 31, 2017. In total, profit from the rental of real estate decreased by €2,938 thousand, or 5.0%, from €58,570 thousand in the fiscal year ended December 31, 2016 to €55,632 thousand in the fiscal year ended December 31, 2017. In the fiscal year ended December 31, 2017, operating expenses to generate rental income of €19,095 thousand were generally allocable and could be passed on to tenants. Operating expenses to generate rental income of €13,613 thousand in the fiscal year ended December 31, 2017 were generally not allocable, of which €1,706 thousand related to staff expenses of DEMIRE Immobilienmanagement GmbH.

Profit/loss from the sale of real estate companies

Profit from the sale of real estate companies amounted to €0 thousand in the fiscal year ended December 31, 2017 compared to €3,961 thousand in the fiscal year ended December 31, 2016.

Profit/loss from the sale of real estate

Profit from the sale of real estate decreased by €19 thousand from €963 thousand in the fiscal year ended December 31, 2016 to €944 thousand in the fiscal year ended December 31, 2017. The main properties sold in the fiscal year ended December 31, 2017 were the Teltow and Krefeld properties owned by Fair Value REIT-AG, the Hohenstein-Ernstthral property and several properties held by Condor Objektgesellschaft Yellow GmbH.

Profit/loss from investments accounted for using the equity method

Profit from investments accounted for using the equity method amounted to €73 thousand in the fiscal year ended December 31, 2017, compared to a loss of €359 thousand in the fiscal year ended December 31, 2016. The profit from investments accounted for using the equity method in the fiscal year ended December 31, 2017 primarily related to revaluations due to higher carrying amounts as a result of proportionate profits not yet distributed.

Other operating income and other effects

	Fiscal year ended December 31,	
	2016	**2017**
	(in € thousand)	
	(audited)	
Profit/loss from fair value adjustments in investment properties	38,414	48,560
Impairment of receivables	(2,058)	(2,763)
Other operating income	5,550	5,052
Other operating income and other effects	**41,906**	**50,849**

Other operating income and other effects increased by €8,943 thousand, or 21.3%, from €41,906 thousand in the fiscal year ended December 31, 2016 to €50,849 thousand in the fiscal year ended December 31, 2017, mainly due to increased profit/loss from fair value adjustments in investment properties from a profit of €38,414 thousand in the fiscal year ended December 31, 2016 to a profit of €48,560 thousand in the fiscal year ended December 31, 2017.

Further changes resulted from increases in other operating income resulting due to the derecognition of liabilities from €507 thousand in the fiscal year ended December 31, 2016 to €1,217 thousand in the fiscal year ended December 31, 2017, which mainly related to liabilities barred by the statute of limitations, and reversals of impairment losses on receivables. The increase was offset, in part, by a decrease in other non-periodic income, from €2,748 thousand in the fiscal year ended December 31, 2016 to €313 thousand in the fiscal year ended December 31, 2017, which was due to the unusually high amount of income in the previous year due to subsequent compensation for the use of walkways and parking spaces by the city of Ulm and retroactive credits for the corrected settlement of operating costs relating to prior years.

General and administrative expenses

General and administrative expenses increased by €799 thousand, or 5.5%, from €14,505 thousand in the fiscal year ended December 31, 2016 to €15,304 thousand in the fiscal year ended December 31, 2017. The increase was primarily attributable to increase in staff costs, which increased from €3,855 thousand in the fiscal year ended December 31, 2016 to €5,410 thousand in the fiscal year ended December 31, 2017 and related to an increase in the number of employees in line with the Company's business expansion and severance payments for former members of the Company's Executive Board. The increase was offset, in part, by lower accounting and audit costs, which amounted to €1,585 thousand in the fiscal year ended December 31, 2017 compared to €2,541 thousand in the fiscal year ended December 31, 2016, when additional accounting and assurance services were provided in connection with capital markets transactions.

Other operating expenses

Other operating expenses increased slightly by €156 thousand, or 2.1%, from €7,367 thousand in the fiscal year ended December 31, 2016 to €7,523 thousand in the fiscal year ended December 31, 2017. The increase was primarily attributable to expenses for non-recurring marketing activities for sales of real estate of individual Fair Value REIT-AG subsidiaries in the amount of €830 thousand, an increase in fees and ancillary costs of monetary transactions in the amount of €384 thousand and an increase in non-deductible input taxes of €336 thousand, which resulted from non-capitalizable legal and consulting fees incurred by the Company not

entitled to a full tax deduction. The increase was offset, in part, by decreases in non-periodic expenses from the settlement of operating costs relating to prior years and a decline in brokerage commissions.

Financial result

	Fiscal year ended December 31,	
	2016	**2017**
	(in € thousand) (audited)	
Financial income	1,153	940
Financial expenses	(39,134)	(49,703)
Interests of minority shareholders	(5,226)	(8,279)
Financial result	**(43,207)**	**(57,042)**

Financial result deteriorated by €13,835 thousand, or 32.0%, from a negative financial result of €43,207 thousand in the fiscal year ended December 31, 2016 to a negative financial result of €57,042 thousand in the fiscal year ended December 31, 2017. The deterioration was primarily attributable to an increase in financial expenses from €39,134 thousand in the fiscal year ended December 31, 2016 to €49,703 thousand in the fiscal year ended December 31, 2017, which primarily resulted from early repayments penalties of €4,000 thousand in connection with the redemption of the Corporate Bond in October 2017 and the remaining amortization of previously deferred transaction costs. The increase in interests of minority shareholders resulted primarily from valuation increases on properties.

(Current) Income taxes and deferred taxes

	Fiscal year ended December 31,	
	2016	**2017**
	(in € thousand) (audited)	
Current income taxes	(2,852)	(333)
Deferred income taxes	(9,460)	(7,864)
Total income taxes	**(12,313)**	**(8,197)**

Total income taxes decreased by €4,116 thousand, or 33.4%, from income tax expenses of €12,313 thousand in the fiscal year ended December 31, 2016 to income tax expenses of €8,197 thousand in the fiscal year ended December 31, 2017. The decrease was primarily attributable to an increase in current income taxes, which resulted from the conclusion of profit transfer agreements between the Company and several subsidiaries and which provide for the utilization of the Company's tax loss carryforwards, resulting in lower tax expenses. The decrease was also due to a decrease in deferred tax expenses resulting from temporary differences arising from the valuation of investment properties according to International Accounting Standard 40 – Investment Property (IAS 40) partially offset by deferred tax income on tax loss carryforwards.

Net profit/loss for the period

Net profit for the period in the fiscal year ended December 31, 2017 decreased by €8,217 thousand, or 29.7%, from a net profit of €27,649 thousand in the fiscal year ended December 31, 2016 to a net profit of €19,432 thousand in the fiscal year ended December 31, 2017. This decrease was the result of the factors described above.

Fiscal Year ended December 31, 2016 Compared to Fiscal Year ended December 31, 2015

Profit/loss from the rental of real estate

	Fiscal year ended December 31,	
	2015	**2016**
	(in € thousand) (audited)	

	Fiscal year ended December 31,	
	2015	2016
	(in € thousand) (audited)	
Rental income	33,320	76,371
Income from utility and service charges	10,024	15,746
Allocable operating expenses to generate rental income	(12,648)	(19,611)
Non-allocable operating expenses to generate rental income	(7,016)	(13,936)
Operating expenses to generate rental income	**(19,664)**	**(33,547)**
Profit/loss from the rental of real estate	**23,680**	**58,570**

Profit from the rental of real estate increased by €34,890 thousand from €23,680 thousand in the fiscal year ended December 31, 2015 to €58,570 thousand in the fiscal year ended December 31, 2016. The increase was primarily due to a significant increase in rental income. The rental income, which increased from €33,320 thousand in the fiscal year ended December 31, 2015 to €76,371 thousand in the fiscal year ended December 31, 2016, was driven primarily by the first full year contribution of rental income from companies acquired in 2015, particularly Fair Value REIT-AG, and the acquisition of a 94% interest in Germavest Real Estate S.à r.l. and its "T6" portfolio in addition to the rental income from properties acquired during the course of 2016. The increase was offset, in part, by an increase in operating expenses to generate rental income, which increased from €19,664 thousand in the fiscal year ended December 31, 2015 to €33,547 thousand in the fiscal year ended December 31, 2016. In the fiscal year ended December 31, 2016, operating expenses to generate rental income of €19,611 thousand were generally allocable and could be passed on to tenants. Operating expenses to generate rental income of €13,936 thousand in the fiscal year ended December 31, 2016 were generally not allocable, of which €1,320 thousand related to staff expenses of DEMIRE Immobilienmanagement GmbH.

Profit/loss from the sale of real estate companies

Profit from the sale of real estate companies increased by €3,676 thousand from €285 thousand in the fiscal year ended December 31, 2015 to €3,961 thousand in the fiscal year ended December 31, 2016. Similar to the fiscal year ended December 31, 2015, disposals during the fiscal year ended December 31, 2016 primarily related to our legacy portfolio of properties and included, among others, companies in Tbilisi, Georgia, our 50% interest in a joint venture in Warsaw, Poland, and minority equity interest in a real estate company in Frankfurt, Germany. In total, revenue from the sale of real estate companies in the fiscal year ended December 31, 2016 amounted to €7,471 thousand, which was offset by the net assets from real estate companies sold, including the derecognition of currency translation reserves, in the amount of €3,510 thousand.

Profit/loss from the sale of real estate

Profit from the sale of real estate increased by €505 thousand from €458 thousand in the fiscal year ended December 31, 2015 to €963 thousand in the fiscal year ended December 31, 2016. The main properties sold in the fiscal year ended December 31, 2016 were those located in Radevormwald, Ahaus-Wüllen, Halle-Peissen, Kempten and Ulm.

Profit/loss from investments accounted for using the equity method

Loss from investments accounted for using the equity method improved by €141 thousand, or 28.2%, from a loss of €500 thousand in the fiscal year ended December 31, 2015 to a loss of €359 thousand in the fiscal year ended December 31, 2016. The loss from investments accounted for using the equity method primarily related to losses incurred by SQUADRA Immobilien GmbH & Co KGaA in the amount of €356 thousand up to the date of deconsolidation.

Other operating income and other effects

	Fiscal year ended December 31,	
	2015	2016

	(in € thousand) (audited)	
Profit/loss from fair value adjustments in investment properties	18,471	38,414
Impairment of receivables	(2,846)	(2,058)
Profit from a bargain purchase	33,217	0
Other operating income	2,572	5,550
Other operating income and other effects	**51,414**	**41,906**

Other operating income and other effects decreased by €9,508 thousand, or 18.5%, from €51,414 thousand in the fiscal year ended December 31, 2015 to €41,906 thousand in the fiscal year ended December 31, 2016, mainly to the absence of a profit from a bargain purchase, which amounted to €33,217 thousand in the fiscal year ended December 31, 2015 in connection with the acquisition of Germavest Real Estate S.à r.l. ("T6" portfolio). The decrease was offset, in part, by an increase in profit from fair value adjustments in investments properties by €19,943 thousand from €18,471 thousand in the fiscal year ended December 31, 2015 to €38,414 thousand in the fiscal year ended December 31, 2016 and which solely related to properties located in Germany.

General and administrative expenses

General and administrative expenses increased by €3,173 thousand, or 28.0%, from €11,332 thousand in the fiscal year ended December 31, 2015 to €14,505 thousand in the fiscal year ended December 31, 2016. The increase was primarily attributable to increase in staff costs, which increased from €2,258 thousand in the fiscal year ended December 31, 2015 to €3,855 thousand in the fiscal year ended December 31, 2016 and related to an increase in the number of employees in line with the Company's business expansion and the recognition of expenses for share-based payments in the amount of €594 thousand. The increase was offset, in part, by lower accounting and audit costs, which amounted to €2,541 thousand in the fiscal year ended December 31, 2016 compared to €3,490 thousand in the fiscal year ended December 31, 2015, when additional audit and assurance services were provided in connection with capital markets transactions.

Other operating expenses

Other operating expenses increased by €2,102 thousand, or 39.9%, from €5,265 thousand in the fiscal year ended December 31, 2015 to €7,367 thousand in the fiscal year ended December 31, 2016. The increase was primarily attributable to an increase in non-periodic expenses from operating costs invoiced in previous years, which increased from €80 thousand in the fiscal year ended December 31, 2015 to €1,888 thousand in the fiscal year ended December 31, 2016 and related to the subsequent settlement of operating costs from the real estate portfolios purchased in 2014. The increase in other operating expenses was also due, in part, to €818 thousand of brokerage fees incurred in the fiscal year ended December 31, 2016 in connection with refinancing activities and slightly more than offset the transaction costs of €793 thousand in the previous fiscal year ended December 31, 2015 for the acquisition of Germavest Real Estate S.à r.l.

Financial result

	Fiscal year ended December 31,	
	2015	2016
	(in € thousand) (audited)	
Financial income	2,145	1,153
Financial expenses	(27,873)	(39,134)
Interests in minority shareholders	0	(5,226)
Financial result	**(25,728)**	**(43,207)**

Financial result deteriorated by €17,479 thousand, or 67.9%, from a negative financial result of €25,728 thousand in the fiscal year ended December 31, 2015 to a negative financial result of €43,207 thousand in the fiscal year ended December 31, 2016. The deterioration was primarily attributable to an increase in financial expenses from €27,873 thousand in the fiscal year ended December 31, 2015 to €39,134 thousand in

the fiscal year ended December 31, 2016, which primarily resulted from higher financial liabilities related to company acquisitions consummated at the end of the fiscal year ended December 31, 2015, in particular Germavest Real Estate S.à r.l. and Fair Value REIT-AG. The deterioration in the financial result was also due, in part, to the share of profit/loss attributable to interests in minority shareholders in the amount of €5,226 thousand in the fiscal year ended December 31, 2016 and which related to Fair Value REIT-AG.

(Current) Income taxes and deferred taxes

	Fiscal year ended December 31,	
	2015	**2016**
	(in € thousand) (audited)	
Current income taxes	(755)	(2,852)
Deferred income taxes	(3,384)	(9,460)
Total income taxes	**(4,139)**	**(12,313)**

Total income taxes increased by €8,174 thousand from income tax expenses of €4,139 thousand in the fiscal year ended December 31, 2015 to income tax expenses of €12,313 thousand in the fiscal year ended December 31, 2016. The increase was primarily attributable to an increase in deferred income taxes, which was due to an increase in deferred tax expenses resulting from temporary differences arising from the valuation of investment properties according to IAS 40 and which were offset by deferred taxes on tax loss carryforwards. The increase in income tax expenses was also due, in part, to an increase in current income taxes, which included corporate income taxes (including withholding tax on capital investments) and trade taxes and which were incurred almost entirely in Germany.

Net profit/loss for the period

Net profit for the period in the fiscal year ended December 31, 2016 decreased by €1,224 thousand, or 4.2%, from a net profit of €28,873 thousand in the fiscal year ended December 31, 2015 to a net profit of €27,649 thousand in the fiscal year ended December 31, 2016. This decrease was the result of the factors described above.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary source of financing is cash flow from operating activities and long-term financing from banks. Following the issuance of the 2022 Notes, a considerable portion of our long-term indebtedness consists of the 2022 Notes. Our ability to generate cash flow from our operating activities depends on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control, as well as other factors discussed in the section titled "*Risk Factors*".

Although we believe that our expected cash flows from operating activities, together with available borrowings, will be adequate to meet our anticipated liquidity and debt service needs for at least the next twelve months, we cannot assure you that our business will generate sufficient cash flows from operating activities or that future debt financing will be available to us in an amount sufficient to enable us to pay our debts when due or to fund our other liquidity needs. See "*Risk Factors—Risk Related to our Structure and Financial Position—We may be unable to raise new equity or extent or refinance our debt on favorable terms or at all.*"

Cash flows

The following table sets forth our cash flows for the fiscal years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018.

	Fiscal year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	(in € thousand)				
		(audited)		(unaudited)	
Cash flow from operating activities	**10,815**	**35,352**	**35,814**	**13,445**	**14,371**
Cash flow from investing activities	**(29,165)**	**5,726**	**20,554**	**10,762**	**(606)**
Cash flow from financing activities	**42,420**	**(38,255)**	**(13,783)**	**(17,933)**	**6,197**
Net change in cash and cash equivalents	**24,070**	**2,822**	**42,585**	**6,273**	**19,963**
Cash and cash equivalents at the start of the period	4,397	28,467	31,289	31,289	73,874
Cash and cash equivalents at the end of the period[1]	**28,467**	**31,289**	**73,874**	**37,562**	**93,837**

(1) Thereof as of and for the six months ended June 30, 2018 restricted cash of €673 thousand and as of and for the six months ended June 30, 2017 restricted cash of €607 thousand.

Cash flow from operating activities

Cash flow from operating activities increased by €926 thousand, or 6.9%, from €13,445 thousand in the six months ended June 30, 2017 to €14,371 thousand in the six months ended June 30, 2018. The increase was primarily attributable to lower distributions to minority shareholders in the six months ended June 30, 2018 compared to the six months ended June 30, 2017.

Cash flow from operating activities increased by €462 thousand, or 1.3%, from €35,352 thousand in the fiscal year ended December 31, 2016 to €35,814 thousand in the fiscal year ended December 31, 2017. The increase was primarily due to lower income taxes paid, which decreased from €1,318 thousand in the fiscal year ended December 31, 2016 by €857 thousand to €461 thousand in the fiscal year ended December 31, 2017. The decrease in income taxes paid was partly offset by higher distributions to minority shareholders/dividends, relating to Fair Value REIT-AG group, which increased by €846 thousand, from €5,906 thousand in the fiscal year ended December 31, 2016 to €6,752 thousand in the fiscal year ended December 31, 2017.

Cash flow from operating activities increased by €24,537 thousand from €10,815 thousand in the fiscal year ended December 31, 2015 to €35,352 thousand in the fiscal year ended December 31, 2016. The increase was primarily due to the investments made to expand the real estate holdings in 2015 and 2016 and, in particular, the first full year of contribution of rental income from properties and portfolios acquired in 2015 and 2016. It was partly offset by an increase in financial expenses due to higher administrative costs from the corresponding increase in personnel and the overall expansion of the business. Changes in cash flow from operating activities were primarily driven by non-cash items, including financial expenses, which increased from €27,873 thousand in the fiscal year ended December 31, 2015 to €44,360 thousand in the fiscal year ended December 31, 2016, valuation gains under IAS 40 (*i.e.*, profit/loss form the fair value of adjustments of investment properties), which increased from €18,471 thousand in the fiscal year ended December 31, 2015 to €38,414 thousand in the fiscal year ended December 31, 2016 and the absence in 2016 of a profit from a bargain purchase, compared to the €33,217 thousand recorded in the fiscal year ended December 31, 2015.

Cash flow from investing activities

Cash flow from investing activities decreased by €11,368 thousand from a net cash inflow of €10,762 thousand in the six months ended June 30, 2017 to a net cash outflow of €606 thousand in the six months ended June 30, 2018. The decrease was primarily due to the absence of a cash inflow in the six months ended June 30, 2018 compared to a cash inflow in the six months ended June 30, 2017 from the sale of non-strategic real estate properties.

Cash flow from investing activities increased by €14,828 thousand from €5,726 thousand in the fiscal year ended December 31, 2016 to €20,554 thousand in the fiscal year ended December 31, 2017. The increase was primarily due to an increase in proceeds from the sale of real estate of €6,024 thousand in the fiscal year ended December 31, 2017 as well as a decrease in payments for investments in property, plant and equipment of €5,425 thousand, coupled with a decrease in payments for the purchase of investment properties and interests in fully consolidated companies, less net cash and cash equivalents, and acquisitions of interests in fully consolidated companies in the context of business combinations, in total of €3,379 thousand.

Cash flow from investing activities increased by €34,891 thousand from a net cash outflow of €29,165 thousand in the fiscal year ended December 31, 2015 to a net cash inflow of €5,726 thousand in the fiscal year ended December 31, 2016. The increase was primarily due to an increase in proceeds from the sale of real estate, which increased from €1,650 thousand in the fiscal year ended December 31, 2015 to €21,966 thousand in the fiscal year ended December 31, 2016 and which related to the sale of properties in Radevormwald, Ahau-Wüllen and Lippetal-Herzfeld. The increase in cash flow from investing activities was also due, in part, to the decrease in payments for the purchase of investment properties and interests in fully consolidated companies, less net cash and cash equivalents acquired, from €15,238 thousand in the fiscal year ended December 31, 2015 to €4,352 thousand in the fiscal year ended December 31, 2016. In the fiscal year ended December 31, 2016, such payments related primarily to the purchase of the Kurfürstengalerie in Kassel. In the fiscal year ended December 31, 2015, such payments related primarily to the purchase of Schwerin Margartenhof 18 GmbH, Logistikpark Leipzig GmbH, Hanse-Center Objektgesellschaft mbH and Glockenhofcenter Objektgesellschaft mbH.

Cash flow from financing activities

Cash flow from financing activities increased by €24,130 thousand from a net cash outflow of €17,933 thousand in the six months ended June 30, 2017 to a net cash inflow of €6,197 thousand in the six months ended June 30, 2018. The increase was primarily due to the capital increase undertaken by the Company in February 2018 and, to a lesser extent, a decrease in interest expense following the refinancing in 2017 through the issuance of the 2022 Notes.

Cash flow from financing activities improved by €24,472 thousand from a net cash outflow of €38,255 thousand in the fiscal year ended December 31, 2016 to a net cash outflow of €13,783 thousand in the fiscal year ended December 31, 2017. The decrease was primarily due to the significant increase in proceeds from the issuance of financial liabilities in connection with the issuance of the 2022 Notes and was only partly offset by the increase in payments for the redemption of financial liabilities in connection with the refinancing in 2017.

Cash flow from financing activities decreased from a net cash inflow of €42,420 thousand in the fiscal year ended December 31, 2015 to a net cash outflow of €38,255 thousand in the fiscal year ended December 31, 2016. The decrease was primarily due to increases in payments for the redemption of financial liabilities and interest paid on financial liabilities in the fiscal year ended December 31, 2016 compared to the fiscal year ended December 31, 2015. We generated net proceeds from capital increases in the amount of €15,906 thousand, after payments for expenses associated with raising equity in the amount of €1,105 thousand, and proceeds from the issue of bonds in the amount of €12,892 thousand in the fiscal year ended December 31, 2016. Proceeds from the issuance of financial liabilities in the fiscal year ended December 31, 2016 amounted to €48,015 thousand, slightly lower than in the fiscal year ended December 31, 2015. These proceeds, together with the cash flow from operating activities, in the fiscal year ended December 31, 2016 were used for interest paid on financial liabilities of €33,487 thousand (fiscal year ended December 31, 2015; €21,255 thousand) and for payments for the redemption of financial liabilities in the amount of €81,497 thousand (fiscal year ended December 31, 2015: €36,692 thousand).

INVESTMENTS

In the fiscal year ended December 31, 2015, we acquired 77.7% of Fair Value REIT-AG's voting shares for total consideration (acquisition costs) of €93,263 thousand through a voluntary public takeover. The first-time consolidation of Fair Value REIT-AG took place on December 31, 2015. In addition, we acquired a 94% interest in Germavest Real Estate S.à r.l., and its "T6" portfolio, for total consideration (acquisition costs) of €39,016 thousand in the fiscal year ended December 31, 2015.

In the fiscal year ended December 31, 2016, our focus was on the integration and management of the real estate acquired following our significant acquisition activity of the prior two years. As a result, our only significant acquisition in the fiscal year ended December 31, 2016 was the Kurfürstengalerie, a shopping center in Kassel, via the real estate project company Kurfürster Immobilien GmbH for total consideration (acquisition costs) of €13,872 thousand and with a GAV of €59.0 million as of June 30, 2018.

In the fiscal year ended December 31, 2017 and for the six months ended June 30, 2018, the scope of consolidated companies remained unchanged. Between June 30, 2018 and the date of this supplemental report, there were no investments in new properties. Other investments (capital expenditures) during this period amounted to approximately €1.2 million and related to ordinary course modifications and maintenance of our existing properties in Germany and were financed from the Company's net cash flows from operating activities.

As of the date of this supplemental report, we have ongoing investments (capital expenditures) of approximately €1.7 million relating to modifications in progress in our existing properties in Germany, in particular for our existing properties in Wißmar, Germany and Eschborn, Germany. These capital expenditures are financed fully from the Company's net cash flows from operating activities.

As of the date of this supplemental report, we have committed investments (capital expenditures) of approximately €2.9 million for the remainder of the fiscal year ending December 31, 2018. These relate to planned modifications of our existing properties in Germany, in particular our existing properties in Wißmar, Germany and Eschborn, Germany. These committed capital expenditures will be financed fully from the Company's net cash flows from operating activities.

FINANCIAL POSITION

The table below presents selected information from the Company's consolidated balance sheet as of December 31, 2015, 2016 and 2017 and as of June 30, 2018:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	(in € thousands)			
	(audited)			(unaudited)
ASSETS				
Intangible assets	6,961	7,005	6,985	6,972
Property, plant and equipment	11,285	1,753	1,875	1,839
Investment properties	915,089	981,274	1,021,847	1,092,040
Investments accounted for using the equity method	3,136	126	200	181
Other financial assets	11,045	11,328	1,990	1,803
Loans to investments accounted for using the equity method	553	0	—	—
Other loans	384	0	—	—
Deferred tax assets	144	0	—	—
Total non-current assets	**948,597**	**1,001,486**	**1,032,897**	**1,102,835**
Real estate inventory	2,298	2,222	1,734	0
Trade accounts receivable and other receivables	14,387	23,614	18,577	19,176
Financial receivables and other financial assets	26,020	10,293	5,184	5,615
Tax refund claims	171	811	2,588	3,503
Cash and cash equivalents	28,467	31,289	73,874	93,837
Total current assets	**71,343**	**68,229**	**101,957**	**122,131**
Non-current assets held for sale	**13,005**	**24,291**	**12,262**	**12,685**
Total assets	**1,032,945**	**1,094,006**	**1,147,116**	**1,237,651**
EQUITY AND LIABILITIES				
Total equity	**264,902**	**308,637**	**319,101**	**402,752**
Deferred tax liabilities	25,714	35,030	42,893	60,280
Minority interests	61,160	62,822	71,931	79,034
Financial liabilities	608,796	620,623	665,767	621,934
Other liabilities	1,076	865	39	39
Total non-current liabilities	**696,746**	**719,340**	**780,630**	**761,287**
Provisions	1,166	1,739	1,016	1,430

Trade payables and other liabilities	19,887	17,378	14,663	18,042
Tax liabilities	3,801	4,892	2,559	2,472
Financial liabilities	46,443	42,020	29,147	51,667
Total current liabilities	**71,297**	**66,029**	**47,385**	**73,612**
Total liabilities	**768,043**	**785,369**	**828,015**	**834,899**
Total equity and liabilities	**1,032,945**	**1,094,006**	**1,147,116**	**1,237,651**

Consolidated Balance Sheet as of June 30, 2018 Compared to December 31, 2017

Total non-current assets

Total non-current assets increased by €69,938 thousand, or 6.8%, from €1,032,897 thousand as of December 31, 2017 to €1,102,835 thousand as of June 30, 2018. The increase was primarily due to an increase in investment properties as of June 30, 2017 compared to December 31, 2016 due to fair value adjustments.

Total current assets

Total current assets increased by €20,174 thousand, or 19.8%, from €101,957 thousand as of December 31, 2017 to €122,131 thousand as of June 30, 2018. The increase was primarily due to an increase in cash and cash equivalents resulting from a 10% capital increase undertaken by the Company in February 2018.

Total equity

Total equity increased by €83,651 thousand, or 26.2%, from €319,101 thousand as of December 31, 2017 to €402,752 thousand as of June 30, 2018. The increase was primarily due to the positive increase in net profit, an increase in subscribed capital stemming from the capital increase in February 2018 and the conversion of the 2018 Notes.

Total non-current liabilities

Total non-current liabilities decreased by €19,343 thousand, or 2.5%, from €780,630 thousand as of December 31, 2017 to €761,287 thousand as of June 30, 2018. The decrease was primarily due the decrease in non-current financial liabilities from the conversion of the 2018 Notes in May and June 2018 by our two major shareholders and the first-time application of IFRS 9 – Financial Instruments in 2018. The decrease was offset, in part, by increases in deferred tax liabilities and minority interests as a result of positive fair value adjustments.

Total current liabilities

Total current liabilities increased by €26,227 thousand, or 55.3%, from €47,385 thousand as of December 31, 2017 to €73,612 thousand as of June 30, 2018. The increase was attributable to an increase in current financial liabilities due to the change of control redemption offer made to holders of the 2022 Notes, in the first half year 2018, which was accepted in the amount of €33,375 thousand and which was financed with a current loan as part of a bridge financing in the amount of approximately €34.1 million.

Consolidated Balance Sheet as of December 31, 2015, 2016 and 2017

Total non-current assets

Total non-current assets increased by €31,411 thousand, or 3.1%, from €1,001,486 thousand as of December 31, 2016 to €1,032,897 thousand as of December 31, 2017. The increase was primarily due to the increase in investment properties, which increased from €981,274 thousand as of December 31, 2016 to €1,021,847 thousand as of December 31, 2017 and of which €44,765 thousand related to fair value adjustments. The additions to investments properties in the amount of €6,247 thousand in 2017, which also contributed to the increase, mainly result from subsequent acquisition and production costs for Hanse-Center Objektgesellschaft mbH and Fair Value REIT-AG.

Total non-current assets increased by €52,889 thousand, or 5.6%, from €948,597 thousand as of December 31, 2015 to €1,001,486 thousand as of December 31, 2016. The increase was primarily due to the

increase in investment properties, which increased from €915,089 thousand as of December 31, 2015 to €981,274 thousand as of December 31, 2016 and of which €38,414 thousand related to fair value adjustments.

Total current assets

Total current assets increased by €33,728 thousand, or 49.4%, from €68,229 thousand as of December 31, 2016 to €101,957 thousand as of December 31, 2017. The increase was primarily due to an increase in cash and cash equivalents from €31,289 thousand as of December 31, 2016 to €73,874 thousand as of December 31, 2017 and which related to the net proceeds from issuance of the 2022 Notes and subsequent tap offering not used to refinance existing indebtedness. The increase was offset, in part, by decreases in trade accounts receivable and other receivables as well as financial receivables and other financial assets resulting from the derecognition of a call option on the redeemed Corporate Bond and lower rent receivables in the fiscal year 2017.

Total current assets decreased by €3,114 thousand, or 4.4%, from €71,343 thousand as of December 31, 2015 to €68,229 thousand as of December 31, 2016. The decrease was primarily due to a decrease in financial receivables and other financial assets from €26,020 thousand as of December 31, 2015 to €10,293 thousand as of December 31, 2016 and which related to a reassignment of corporate bonds against the seller of the shares in Germavest Real Estate S.à r.l., which were used to partially refinance the purchase price as part of the acquisition in October 2015. The decrease was offset, in part, by an increase in trade accounts receivable and other receivables from €14,387 thousand as of December 31, 2015 to €23,614 thousand as of December 31, 2015, which related primarily to purchase price receivables for sold real estate.

Total non-current liabilities

Total non-current liabilities increased by €61,290 thousand, or 8.5%, from €719,340 thousand as of December 31, 2016 to €780,630 thousand as of December 31, 2017. The increase was primarily due to the increase in non-current financial liabilities from €620,623 thousand as of December 31, 2016 to €665,767 thousand as of December 31, 2017 which resulted from the issuance of the 2022 Notes and subsequent tap offering and refinancing of existing indebtedness. The increase in non-current liabilities was also due to increases in deferred tax liabilities in the amount of €7,863 thousand and minority interests in the amount of €9,109 thousand, mainly due to fair value adjustments in investment properties.

Total non-current liabilities increased by €22,594 thousand, or 3.2%, from €696,746 thousand as of December 31, 2015 to €719,340 thousand as of December 31, 2016. The increase was primarily due to the increase in non-current financial liabilities from €608,796 thousand as of December 31, 2015 to €620,623 thousand as of December 31, 2016, which was primarily caused by the acquisition of the real estate project company Kurfürster Immobilien GmbH, Leipzig. The increase in non-current liabilities was also due to an increase in deferred tax liabilities in the amount of €9,316 thousand, mainly due to fair value adjustments in investment properties.

Total current liabilities

Total current liabilities decreased by €18,644 thousand, or 28.2%, from €66,029 thousand as of December 31, 2016 to €47,385 thousand as of December 31, 2017. The decrease was primarily attributable to the decrease in current financial liabilities from €42,020 thousand as of December 31, 2016 to €29,147 thousand as of December 31, 2017 mainly as a result of refinancing existing indebtedness through the issuance of the 2022 Notes.

Total current liabilities decreased by €5,268 thousand, or 7.4%, from €71,297 thousand as of December 31, 2015 to €66,029 thousand as of December 31, 2016. The decrease was primarily attributable to the decrease in current financial liabilities from €46,443 thousand as of December 31, 2015 to €42,020 thousand as of December 31, 2016 mainly as a result of repayment of a convertible bond in February 2016. The convertible bond was issued and repaid by Fair Value REIT-AG.

CONTRACTUAL OBLIGATIONS

Maturity of Liabilities

The following table shows the future cash outflows for interest and principal repayments of financial liabilities as of December 31, 2017:

	2018	2019	2020	2021	2022	After 2022
			(in € thousand) (audited)			
Debentures	22,828	11,500	11,500	11,500	411,500	0
Bank liabilities	8,273	8,230	17,162	7,408	141,686	11,142
Trade payables and other liabilities	14,663	0	0	0	0	0
Total	**45,765**	**19,730**	**28,662**	**18,908**	**553,186**	**11,142**

Operating Leases and Other Financial Obligations

As of December 31, 2017, we had the following future obligations from operating leases and other financial obligations:

	Due within one year	Due between 1 and 5 years
	(in € thousand) (audited, unless otherwise indicated)	
Rental and lease obligations for vehicles	84	60
Rental and lease obligations for office space	146	415
Other lease obligations	10	21
Total (unaudited)	**240**	**496**

As of December 31, 2017, purchase order commitments from commissioned maintenance amounted to €665 thousand.

As of the date of this supplemental report, we have committed investments (capital expenditures) in our existing properties in Germany in the amount of €9.8 million relating to modifications in progress and planned modifications for the fiscal year ending December 31, 2018, which will be financed from the Company's net cash flows from operating activities.

CONTINGENT LIABILITIES AND OFF BALANCE SHEET ARRANGEMENTS

Contingent Liabilities

As of December 31, 2017, contingent liabilities consisted of mortgages under Section 1191 of the German Civil Code (*Bürgerliches Gesetzbuch*) in the amount of €290,337 thousand (December 31, 2016: €449,127 thousand). The maximum liability for these properties is limited to their carrying amount of €290,337 thousand recognized as of December 31, 2017 (December 31, 2016: €449,127 thousand). In the fiscal year ended December 31, 2017, the related mortgages in the amount of €173,820 thousand were removed from the title register.

In addition to the credit agreement with SÜDWESTBANK AG, Stuttgart, dated April 8, 2016, an agreement governing an additional funding requirement was concluded on that same date. The additional funding requirement relates to the pledging agreement contained in the credit agreement. Under this credit agreement, a total of 3,400,000 shares of Fair Value REIT-AG held in custody accounts of the subsidiaries FVR Beteiligungsgesellschaft Sechste mbH & Co. KG (formerly: FVR Beteiligungsgesellschaft Sechste GmbH), FVR Beteiligungsgesellschaft Siebente mbH & Co. KG (formerly: FVR Beteiligungsgesellschaft Siebente GmbH) and FVR Beteiligungsgesellschaft Achte mbH & Co. KG (formerly: FVR Beteiligungsgesellschaft Achte GmbH) are pledged as guarantees. If the market price of the pledged shares falls below a total value of €15,000 thousand, corresponding to €4.41 per share, the Company undertakes to provide additional guarantees

to the lender providing up to €15,000 thousand of total coverage. The Company does not expect the pledged guarantees to be utilised because Fair Value REIT-AG's share price has been trading significantly above €6.31 per share since 2015 (December 31, 2017: €8.30).

In May 2015, the Company entered into a letter of guarantee in the amount of €940 thousand related to a loan from Volksbank Mittweida.

Off-Balance Sheet Arrangements

We are not party to any off-balance sheet arrangements that have had, or are reasonably likely to have, a material effect on our financial condition, changes in financial condition, income or expenses, results of operations, liquidity or capital resources.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a number of different market risks in the ordinary course of business, including interest rate risk, credit risk and liquidity risk. Our risk management strategy aims to minimize the adverse risks effects of market risks on our financial performance and results of operations. For this purpose, we use selected derivative financial instruments to hedge our financial risk exposure on interest rates. We have not entered into any transactions in derivative financial instruments for trading purposes.

Interest rate risk

We are exposed to interest rate risks affecting cash flow, particularly in connection with financial liabilities with variable interest rates. In order to minimize interest rate risk, we enter into a combination of fixed and variable interest loans and liabilities, to a degree which we believe is customary for our industry, as well as tradeable instruments that contain options for conversion into shares of the Company.

Interest rate risk relating to cash flows exist with respect to liquid funds placed in deposit accounts as well as variable interest rates. The Company does not anticipate significant negative effects from interest rate changes over the long term because the 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.

We may also use derivative financial instruments to manage interest rate risk. Interest rate swaps may be used to minimize interest rate risk as interest rates rise.

As of December 31, 2017, we had no interest rate hedges existed in the form of purchased interest rate derivatives (December 31, 2016: nominal value of €32,650 thousand).

Based on the financial instruments issued or held by the Company, a hypothetical increase or decrease in the applicable interest rates would have the following effects on the interest expenses of the Company (if all other parameters unchanged):

	As of December 31, 2016	As of December 31, 2017
	(in € thousand)	
Interest expense from variable interest loans.....	4,725	888
Increase in interest expenses from a fictitious rise of 100 bps in variable interest rates.....	1,046	421
Reduction in interest expenses from a fictitious decline of 100 bps in variable interest rates	(1,046)	(421)

The change in the interest expense analyzed in the context of the above sensitivity analysis would have a direct impact on the consolidated profit or loss and the consolidated equity, taking into account related income tax effects.

To finance our German commercial real estate, we use variable- and fixed-interest loans as well as listed instruments that contain options to convert such instruments into shares in the Company. As of December 31, 2017, we had fixed-interest rate financial liabilities in an amount of €652.8 million and variable interest rate financial liabilities in an amount of €42.1 million.

Credit risk

The reported financial instruments represent the maximum credit risk and default risk. Counterparty risk is uniformly assessed and monitored within the framework of our Group-wide risk management. The aim is to minimize the risk of defaults. Counterparty risk is not insured. We do not have any significant concentrations of credit risk.

Liquidity risk

Liquidity risk is the risk that a company will not be able to fulfill its payment obligations at the contractually agreed date. Historically liquidity risk was primarily controlled by maintaining a liquidity reserve in the form of bank deposits available at all times and, to a limited extent, by means of callable credit lines. More recently, the Group also depends, in part, on inflows from disposals and the planned prolongation of loans. 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.

Significant Accounting Policies

The Consolidated Financial Statements have been prepared in accordance with IFRS. The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, income and expenses during the relevant period. Although these estimates and assumptions are based on management's best knowledge of current events and circumstances, the actual results ultimately may differ from those estimates and assumptions. The section below presents accounting policies whose allocation required us to make judgments and use assumptions, as the underlying facts are of uncertain nature. As a result, any changes in these facts or assumptions may affect the results presented in the consolidated financial statements

Goodwill

Goodwill is tested for impairment at least once a year. The determination of the recoverable amount requires us to make assumptions and estimates regarding the future development of income and the sustainable growth rate of the cash-generating unit or 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 recognized 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 recognized in profit or loss.

We commission independent external appraisers to determine the fair value of 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 capitalization rates. If market values cannot be derived from the sale of comparable properties, the valuation of the properties are measured using the discounted earnings model and the Fair Value REIT subgroup properties are measured using the discounted cash flow method. In the Unaudited Interim Consolidated Financial Statements, all fair values for measurement under IAS 40 of the properties are determined using the discounted cash flow method. There were no material effects from this change.

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 realize future tax benefits. Determining the amount of deferred tax assets is mainly based on the assessment of 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 recognized for tax loss carryforwards is reviewed annually to reflect current conditions.

Operating leases

We have entered into commercial property lease agreements in relation to our real estate and investment properties. The agreements provide that we retain all significant risks and opportunities connected with ownership of the propertied rented. Consequently, we account for these lease agreements as operating leases. Material assumptions concern the classification of leases as operating leases based on an analysis of the agreement's terms and conditions and an evaluation of the recoverability of outstanding receivables from lease agreements concerning commercial rentals.

ADDITIONAL INFORMATION FROM THE COMPANY'S AUDITED UNCONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017 PREPARED IN ACCORDANCE WITH HGB

Certain information from the audited unconsolidated financial statements of the Company prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*) as of and for the fiscal year ended December 31, 2017 is described below.

Total assets increased from €365,972 thousand as of December 31, 2016 to €533,681 thousand as of December 31, 2017. Fixed assets increased from €331,000 thousand as of December 31, 2016 to €472,257 thousand as of December 31, 2016. The increase was primarily due to an increase in loans to affiliated companies from €183,319 thousand as of December 31, 2016 to €331,455 thousand as of December 31, 2017. Current assets increased from €32,135 thousand as of December 31, 2016 to €55,296 thousand as of December 31, 2017. The increase was primarily attributable to an increase in cash on hand, bank deposits through the net proceeds from issuance and tap of the 2022 Notes not used to refinance existing indebtedness, and was partly offset by a significant decrease in trade accounts receivable, which mainly relate to claims arising from agency agreements with affiliated companies. Total equity decreased from €119,318 thousand as of December 31, 2016 to €73,573 thousand as of December 31, 2017, primarily due to the net loss for the year ended December 31, 2017 of €45,769 thousand.

The Company's net loss increased from a net loss of €9,224 thousand in the fiscal year ended December 31, 2016 to a net loss of €45,769 thousand in the fiscal year ended December 31, 2017. The increase was primarily attributable to an increase in expenses from the assumption of losses from €3,521 thousand in the fiscal year ended December 31, 2016 to €19,560 thousand in the fiscal year ended December 31, 2017, related to write-downs of book values of properties of individual subsidiaries, as well as, to a lesser extent, write-downs of the book values of legacy properties and prepayment penalties from refinancing activities.

RECENT DEVELOPMENTS

On July 12, 2018, AEPF III 15 S.à r.l., a private limited company under the laws of Luxembourg (*société à responsabilité limitée*) with its registered office in Luxembourg, Grand Duchy of Luxembourg, as seller, and FVR Beteiligungsgesellschaft Achte GmbH & Co. KG, a german limited partnership with a limited liability company as general partner (*GmbH & Co. KG*), and an indirect subsidiary of the Company, as purchaser, entered into a share purchase agreement on the purchase of 238,064 Fair Value Reit-AG shares.The purchase price was €1,952,124.80, which corresponds to €8.20 per share. As of the date of this supplemental report, the Company now indirectly holds 79.4% in Fair Value REIT-AG through eight holding companies.

Effective August 15, 2018, the bridge financing drawn in connection with the change of control offer to holders of the 2022 Notes was extended for an additional three months until November 15, 2018. The Company intends to either repay or refinance, potentially through a placement of further notes, the outstanding amount under the bridge financing.

On October 25, 2018, the Company announced its intention to issue approximately 34.5 million new shares for estimated net proceeds of approximately €150 million. The Company intends to use the net proceeds from the issuance of the new shares to finance, in part, the purchase price of the potential acquisition of several unrelated properties and/or portfolios of properties primarily in Germany, which, collectively, have an estimated total aggregate purchase price (including acquisition costs) of up to approximately €350 million. They comprise, in total, up to 10 individual properties with an average purchase price per property (including acquisition costs) of approximately €35 million. By asset class, they are predominantly office properties.

The Company is currently in varying stages of preparation and exclusive negotiations with the respective sellers of such properties and/or portfolios and is aiming to enter into a sale and purchase agreement with respect to one of the portfolios of properties in the near term. However, as of the date of this supplemental report, the Company has not yet entered into any binding commitments with respect to such acquisition opportunities.

The Company has recently initiated discussions with selected financial institutions in respect of potential bank financing. Should the Company not be able to secure funding to finance the remainder of the purchase price of up to approximately €200 million, it would only seek to acquire those properties and/or portfolios of properties which it could purchase with the net proceeds of the issuance of the new shares and cash on hand.

Should the Company not be able to consummate any or all of such acquisitions, it would apply the net proceeds of the issuance of the new shares, or any remaining amount thereof, in line with its financial strategy of selective acquisitions of commercial properties primarily in secondary locations in Germany. The Company considers acquisition opportunities on a regular basis in the ordinary course of business and would therefore retain the net proceeds of the issuance of the new shares until a suitable property or portfolio of properties can be identified.

BUSINESS

OVERVIEW

We are a leading integrated publicly-listed commercial real estate company in Germany with a focus on office, retail and logistics properties in secondary locations across Germany. As of June 30, 2018, our portfolio comprised 87 properties with total lettable floor space of approximately 960,000 square meters and had an aggregate portfolio value (sum of the carrying amounts of investment properties and non-current assets held for sale) of €1.1 billion. As of the same date, our property portfolio had a weighted average lease term ("**WALT**") of 4.7 years and a European Public Real Estate Association ("**EPRA**") vacancy rate of 7.8% (excluding properties held for sale). For the fiscal year ended December 31, 2017, we generated rental income of €73.7 million, EBIT of €84.7 million and FFO I after taxes of €11.7 million. For the six months ended June 30, 2018, we generated rental income of €36.6 million, EBIT of €84.4 million and FFO I after taxes of €11.4 million. Our headquarters are located in Langen, Germany, in close proximity to Frankfurt am Main, Germany. We had a total of 94 full-time employees as of June 30, 2018.

The chart below provides an overview of our top ten properties by gross asset value ("**GAV**") as of June 30, 2018:

City	Asset Class	Cluster	GAV (€ m)	Share (%)	Space (sqm)	EPRA Vacancy (in %)[1]	GRI p.a. (€m)[2]	GRI Yield (%)	WALT (Years)
Bonn	Office	Core+	87.9	8.0	38,353	-	5.6	6.4	6.7
Ulm	Office	Core+	77.6	7.0	47,527	0.8	4.3	5.6	6.4
Rostock	Retail	Core+	68.9	6.2	19,306	3.0	4.3	6.2	4.3
Leipzig	Logistic	Value-Add	64.5	5.8	207,439[3]	16.6	4.2	6.5	1.9
Kassel	Retail	Core+	59.0	5.3	21,495	5.9	3.5	5.9	7.5
Freiburg	Office	Redevelopment	39.4	3.6	22,674	-	2.7	7.0	2.7
Regensburg	Office	Value-Add	34.8	3.2	29,219	-	2.6	7.4	2.7
Düsseldorf	Office	Value-Add	34.2	3.1	24,307	23.6	2.0	5.8	4.3
Eschborn	Office	Core+	33.1	3.0	18,774	-	2.0	5.9	6.5
Leipzig	Office	Value-Add	31.7	2.9	23,220	5.4	1.7	5.5	3.4
Top 10 properties			**531.1**	**48.1**	**452,314**	**5.7**	**32.9**	**6.2**	**4.8**
Total properties			**1,104.7**	**100.0**	**959,087**	**7.8**	**72.5**	**6.6**	**4.7**

(1) Excluding properties signed but not sold as defined by EPRA.
(2) Annualized contractual rent excluding service charges.
(3) Includes other external space of 31,743 sqm.

We are focused on office, retail and logistics asset classes, which accounted for approximately 67.7%, 23.3% and 5.8%, respectively, of our portfolio, by GAV, as of June 30, 2018. We are focused on cities in densely populated regions, which do not rank among the "top-seven cities", and areas bordering metropolitan cities (so-called "secondary locations") in Germany, where yields and occupancy rates are higher and less cyclical than in the "top-seven cities". We have properties in 15 of the 16 German federal states (*Bundesländer*).

The Company was founded in 2006 and shortly thereafter became listed on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and later in the sub-segment of the regulated market with additional post-admission obligations (Prime Standard). Since 2013, the Company is focused on the investment in and management of German commercial properties in secondary locations, which was underpinned by the takeover of Fair Value REIT-AG in 2015 as well as the acquisition of several real estate portfolios and individual assets in recent years.

We have a strong and diversified base of high-quality tenants across our portfolio. Our tenants include our anchor "blue chip" tenant, Deutsche Telekom, as well as government entities and agencies, such as the Institute for Federal Real Estate (*Bundesanstalt für Immobilienaufgaben*), and financial service providers, such as Sparkasse Südholstein. Our stable tenant base and long-term lease agreements provide us with high visibility on rental income and cash flow generation. As of June 30, 2018, annualized GRI amounted to €72.5 million, resulting in a GRI yield of 6.6%.

We manage the acquisition, management and letting of commercial real estate. We follow an active real estate management approach that includes the targeted sale of properties should they no longer be suitable for our business model or when their value appreciation potential has been exhausted. Our real estate management platform is a key factor to our success, enabling us to operate as a scalable real estate company and to implement

our investment strategy. We acquire and manage properties based on their cash flow profile as well as value generation potential and primarily divide them into two categories: "core+", to which approximately 52.0% of our portfolio, based on GAV, is allocated as of June 30, 2018, and "value-add", to which approximately 41.9% of our portfolio, based on GAV, is allocated as of June 30, 2018. Our "core+" approach is focused on properties with a strong tenant structure, longer WALTs, stable yields and secure cash flows. Our "value-add" portfolio properties are typically undermanaged assets with higher vacancies and shorter WALTs, but which nevertheless generate attractive yields and present near-term value upside through vacancy reduction and other value-enhancing measures. We seek to improve the operating performance of "value-add" assets through a "manage-to-core" approach with the objective of moving them to the core+ category. A small portion of our portfolio, amounting to approximately 6.1%, based on GAV as of June 30, 2018, consists of "redevelopment" assets, which offer the opportunity to achieve value creation and realize upside potential through extensions or refurbishment.

OUR STRENGTHS

We believe we benefit from the following competitive strengths.

A leading commercial real estate company in secondary markets in Germany with a sizeable diversified portfolio and attractive rental yield.

We are a leading integrated publicly-listed commercial real estate company in Germany, based on our aggregate portfolio value of €1,104.7 million as of June 30, 2018, with a diversified portfolio of properties by asset class, location and tenants. A significant majority of our office, retail and logistics properties are located in densely populated regions across Germany. As of June 30, 2018, approximately 18.8% of our GAV was attributed to properties located in North Rhine-Westphalia, with properties in Saxony, Baden-Wurttemberg and Hesse accounting for approximately 14.7%, 12.4% and 12.0%, respectively, of our GAV. By asset class, office properties accounted for approximately 67.7% of our GAV and our retail asset class accounted for approximately 23.3% of our GAV as of June 30, 2018. We also have no dependency on any individual assets; our top 10 tenants, by annualized GRI, generated approximately 47.8% of our annualized GRI as of June 30, 2018.

We believe that our focus on secondary locations, where we have distinct knowledge of the regional markets and experienced real estate management personnel, is a competitive strength and positions us well to lead the "secondary" commercial real estate segment in Germany. We believe secondary locations generally provide higher yields and lower volatility than the "top-seven cities", because they are less exposed to speculative construction activity. This provides potential for revaluation and value growth of the secondary location market and a considerable premium over the "top-seven cities". In addition, we believe we have a strong asset base of quality properties suited to our tenants' needs, which is evidenced by valuation increases, continuously decreasing vacancy rates, stable rental increases and overall stable WALTs.

Active asset management through three portfolio clusters to drive organic growth and profitability of the portfolio

As an active investor and holder of real estate property in secondary locations, we aim to achieve value appreciation of the assets in our existing property portfolio. We seek to attract and retain high-quality tenants on favorable lease terms, thereby increasing occupancy, WALT and sustainable rental cash flow. We accomplish this by investing in selected assets as to meet the functional requirements of our tenants while enhancing the image and external appearance of our properties. Our real estate portfolio consists predominantly of "core+" assets, which already generate a stable income due to an average EPRA vacancy rate of 2.8% and average WALTs of 5.7 years as of June 30, 2018, and "value-add" assets, which are also yielding, but have an average EPRA vacancy rate of 13.7% and average WALTs of 3.8 years as of the same date, and therefore have stronger growth potential. Based on their GAV, "core+" and "value add" assets accounted for approximately 52.0% and 41.9%, respectively, of our real estate portfolio as of June 30, 2018. A small portion of our portfolio, amounting to approximately 6.1% based on GAV as of June 30, 2018, is comprised of "redevelopment" assets, which offer the opportunity to achieve value creation through extensions or refurbishment. Our redevelopment assets had an average EPRA vacancy rate of 0.5% and average WALTs of 3.0 years as of the same date.

Through our "manage-to-core" approach, we aim to reposition properties currently classified as "value-add" into our "core+" cluster. Our track record is exemplified by the Gutenberggalerie in Leipzig, which

we acquired in May 2015 and, through an increase in annualized rent, has resulted in a value uplift of the Gutenberggalerie from €19 million at the time of acquisition to €31.7 million as of June 30, 2018. Across our portfolio, our integrated asset management strategy has enabled us to meaningfully reduce average vacancy rate from 12.8% as of December 31, 2015 to 7.8% as of June 30, 2018 (excluding properties held for sale). We believe there is opportunity to further reduce the vacancy rate and increase rental income and cash flows of the existing portfolio in the near- to medium-term. With our active portfolio management, we are able to realize the inherent potential of such undermanaged assets and regularly succeed in raising these assets to the "core+" level within only a few years.

Strong tenant base with long weighted average lease term and long-term visibility on rental income.

We benefit from a strong base of high quality tenants across our portfolio, with high visibility on rental income ensured through long-term lease agreements with tenants. As of June 30, 2018, our tenant base included approximately 800 tenants, with our top ten tenants accounting for 47.8% of our annualized GRI. In addition to government entities and agencies, such as the Institute for Federal Real Estate (*Bundesanstalt für Immobilienaufgaben*), and financial service providers, such as Sparkasse Südholstein, which are two of our three largest tenants by annualized GRI, we generated 30.7% of our annualized GRI, as of June 30, 2018, from Deutsche Telekom through multiple long-term lease agreements covering numerous properties in our portfolio. Lease agreements with Deutsche Telekom include assets that are considered strategic by Deutsche Telekom, such as Deutsche Telekom's campuses in Bonn and Ulm. In case of moving out processes, Deutsche Telekom makes great efforts to sign subleases with new tenants which allows us to ensure a smooth transition of the asset and results in further diversification of our tenant base. We believe that default risks associated with our largest tenants, including Deutsche Telekom, are very low. Moreover, with an average WALT of 4.7 years across our entire portfolio, we believe our tenant base and long-term lease agreements provide us with good long-term visibility on rental income and cash flow from operating activities.

Significant operating leverage and economies of scale from actively managing our real estate management platform.

We actively manage our portfolio supported by 94 full-time employees as of June 30, 2018. We believe this approach allows us to be responsive to our tenants and remain a trusted and reliable partner, which is particularly important in secondary locations. We also believe that this enhances our ability to further reduce our vacancy levels. For example, from 2015 to 2018, we lowered our EPRA vacancy rate from 12.8% to 9.4% and to 7.8% as of June 30, 2018 (excluding properties held for sale). Our real estate management platform also allows us to monitor local market dynamics on a constant and consistent basis in order to manage the size and footprint of our portfolio as well as identify opportunities to realize value enhancement through selected disposals and acquisitions. We believe that our active management approach has also supported our track record of acquisitions over the last several years, for which we apply strict acquisition criteria in line with our strategy and investment policy. Furthermore, our extensive local sourcing networks support a tangible acquisition pipeline to bolster our further growth in a scalable manner.

OUR STRATEGY

Active portfolio and acquisition management to optimize portfolio structure and realize value creation and economies of scale.

We plan to continue to expand our property portfolio in line with our financial strategy through selective acquisitions of commercial properties primarily in secondary locations in Germany. We are seeking to grow our portfolio to an aggregate portfolio value of more than €2 billion in the medium term and primarily target future investment volumes per property in the range of €10 to €50 million. We intend to use our local market experience and business relationships to identify promising opportunities for acquisitions of properties, real estate portfolios and majority investments in real estate companies, which offer an attractive yield and upside potential, while also maintaining the diversity of our portfolio by location, asset class and tenant base. Such selective acquisitions may include core+ as well as value-add assets which have higher vacancies and, consequently, provide promising prospects to reposition such properties and generate higher returns. At the same time, we will continue to actively recycle capital by selective disposals of assets and adjust the size and footprint of our core portfolio properties on a selective basis to realize increases in property values.

Improve financing structure to achieve lower average cost of indebtedness.

We aim to continue to strengthen our capital structure through improvement of our financing structure to achieve benefits from lower average cost of indebtedness. We reduced our Net LTV from 87.4% as of December 31, 2014 to 60.1% as of December 31, 2017 and 52.5% as of June 30, 2018. Over the same period, we also reduced our average annual interest rate on borrowings from 6.4% to 3.0%. This was due to the successful issuance and tap of a rated, unsecured €400 million corporate bond with institutional investors and asset managers on the international capital markets in July and October 2017, respectively, which enabled us to significantly reduce our annual financing costs and further diversify our financing sources. The net proceeds of the corporate bond issue were used for the early refinancing of all major liabilities due until 2019. A further improvement in the financing mix, above all from continuously monitoring potential refinancing options in the debt and equity markets, is anticipated to further reduce the average interest cost over the medium term and intended to reduce Net LTV to approximately 50%. In addition, we continue to seek to secure an investment-grade risk profile to ensure sustainable, long-term financing at favourable terms for our future growth.

Simplify the Group structure and realize economies of scale through own real estate management functions.

We are focused on continuing to increase the size of our portfolio in order to realize further economies of scale from our real estate management platform, reduce overall operating costs and improve cash flow generation. In the last two years, we implemented measures intended to optimize our internal and external management services in order to develop a stronger scalable management platform in the medium term. We believe this will allow us to manage the expansion of our portfolio in a more efficient manner. We also intend to undertake certain corporate reorganization and tax efficiency measures to simplify and streamline our Group's structure. In particular, we intend to re-domicile certain foreign Group entities, reduce the number of minorities and merge selected subsidiaries to reduce the number of subsidiaries and achieve a more tax-efficient structure. Certain of these measures had been implemented by the end of fiscal year 2017, but additional measures are expected to be implemented through the end of 2019.

PORTFOLIO

Our portfolio, including both assets reported under the segment Core Portfolio and assets reported under the segment Fair Value REIT, consists of properties which were added to the portfolio through individual and portfolio acquisitions.

As of June 30, 2018, our portfolio comprised 87 properties with total lettable floor space of approximately 960,000 square meters and had an aggregate portfolio value (sum of the carrying amounts of investment properties and non-current assets held for sale) of €1.1 billion. As of the same date, our property portfolio had a WALT of 4.7 years and an EPRA vacancy rate of 7.8% (excluding properties held for sale). Our annualized GRI amounted to €72.5 million, resulting in a GRI yield of 6.6% as of June 30, 2018.

The chart below provides an overview of our top twenty and total properties by gross asset value as of June 30, 2018.

City	Asset Class	Cluster	GAV (€ m)	Share (%)	Space (sqm)	EPRA Vacancy (in %)[1]	GRI p.a. (€m)[2]	GRI Yield (%)	WALT (Years)
Bonn	Office	Core+	87.9	8.0	38,353	-	5.6	6.4	6.7
Ulm	Office	Core+	77.6	7.0	47,527	0.8	4.3	5.6	6.4
Rostock	Retail	Core+	68.9	6.2	19,306	3.0	4.3	6.2	4.3
Leipzig	Logistic	Value-Add	64.5	5.8	207,439[3]	16.6	4.2	6.5	1.9
Kassel	Retail	Core+	59.0	5.3	21,495	5.9	3.5	5.9	7.5
Freiburg	Office	Redevelopment	39.4	3.6	22,674	-	2.7	7.0	2.7
Regensburg	Office	Value-Add	34.8	3.2	29,219	-	2.6	7.4	2.7
Düsseldorf	Office	Value-Add	34.2	3.1	24,307	23.6	2.0	5.8	4.3
Eschborn	Office	Core+	33.1	3.0	18,774	-	2.0	5.9	6.5
Leipzig	Office	Value-Add	31.7	2.9	23,220	5.4	1.7	5.5	3.4
Top 10 properties			**531.1**	**48.1**	**452,314**	**5.7**	**32.9**	**6.2**	**4.8**
Eisenhüttenstadt	Retail	Value-Add	28.5	2.6	30,364	21.2	2.3	8.2	5.7
Lutherstadt Wittenberg	Retail	Core+	23.0	2.1	14,710	4.5	1.7	7.3	4.9
Unterschleißheim	Office	Value-Add	22.0	2.0	15,663	35.2	1.0	4.5	2.6
Flensburg	Office	Value-Add	21.4	1.9	23,801	-	1.7	8.0	2.7
Zittau	Retail	Value-Add	21.2	1.9	17,422	4.3	1.3	6.2	11.0

Cologne	Office	Core+t	17.5	1.6	9,108	-	1.0	5.6	1.0
Quickborn	Office	Core+	17.0	1.5	10,570	0.5	1.2	7.2	3.9
Neumünster	Office	Value-Add	16.9	1.5	11,808	1.5	1.0	6.2	7.4
Langen	Office	Value-Add	16.6	1.5	13,681	28.3	1.0	6.3	3.3
Stahnsdorf	Office	Value-Add	16.3	1.5	17,110	-	1.9	11.8	2.7
Top 20 properties			**731.1**	**66.2**	**616,552**	**7.6**	**47.2**	**6.2**	**4.7**
Total properties			**1,104.7**	**100.0**	**959,087**	**7.8**	**72.5**	**6.6**	**4.7**

(1) Excluding properties signed but not sold as defined by EPRA.
(2) Annualized contractual rent excluding service charges.
(3) Includes other external space of 31,743 sqm.

Our portfolio is well-diversified across properties. Therefore, we do not depend on any individual assets for rental income generation. As of June 30, 2018, our top ten tenants generated approximately 47.8% of our annualized GRI.

Geographic footprint

Most of our properties are situated in secondary locations in Germany. Secondary locations do not include the "top-seven cities" (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich, and Stuttgart), but rather the so-called "next six cities", *i.e.,* Bremen, Dortmund, Dresden, Essen, Hannover, and Leipzig, and other mid-sized German cities with a strong demand for office, retail and logistics space, including Bonn, Mainz, Mannheim, Munster and Nuremburg, as well as locations within the commuter belt of larger cities. A significant majority of our properties are located in these densely populated regions across Germany. We believe that these secondary locations offer higher yields with lower volatility than prime locations.

In line with our multi-layer diversification approach, our properties do not only cover various asset classes, but are also widely spread in Germany, covering 15 out of 16 German federal states.

Asset Classes

We strive to maintain an adequate mix of our office, retail and logistics asset classes. As of June 30, 2018, we held 63 properties as office space, 16 retail properties, one logistics property and 7 other. As of the same date, our office, retail and logistics properties accounted for approximately 67.7%, 23.3% and 5.8% of the aggregate GAV of our properties, respectively, and 67.7%, 23.3% and 5.8% of our annualized GRI, respectively.

We have extensive experience in buying, letting, managing and subsequently selling office properties, and we expect office properties to remain our largest asset class. In 2015, we purchased a retail asset for the first time. We are aware that e-commerce platforms tend to substitute certain retail offers on the ground. However, most of our retail properties have a supermarket as an anchor tenant, and we do not believe food and other similar disposable consumer goods will be negatively impacted by developments in e-commerce.

Our investment in Logistics Park Leipzig in 2016 marked our entry into the logistics asset class. We intend to increase our logistics portfolio as we see retail and logistics as two sides of the same coin. Furthermore, we estimate that logistics as a market sector has already benefitted and will continue to benefit from e-commerce's continued development.

Investment strategy

Our real estate portfolio consists predominantly of both "core+" assets, which already generate a stable income due to an average EPRA vacancy rate of 2.8% and average WALTs of 5.7 years as of June 30, 2018, and "value-add" assets, which are also yielding, but have an average EPRA vacancy rate of 13.7% and average WALTs of 3.8 years as of the same date, and therefore have stronger growth potential. Based on their GAV, "core+" and "value add" assets accounted for approximately 52.0% and 41.9%, respectively, of our real estate portfolio as of June 30, 2018. A small portion of our portfolio, amounting to approximately 6.1% based on GAV as of June 30, 2018, is comprised of "redevelopment" assets, which offer the opportunity to achieve value creation through extensions or refurbishment. Our redevelopment assets have an average EPRA vacancy rate of 0.5% and average WALTs of 3.0 years as of the same date. With our active portfolio management, we are able to realize the inherent potential of such undermanaged assets and regularly succeed in raising these assets to the "core+" level within only a few years.

We will continue to cluster our properties in line with these categories and will assign newly acquired assets to one of these categories. The allocation in each case will depend on their cash flow profile as well as value generation potential, taking into account the EPRA vacancy rate, the WALT and the yield of the individual asset.

Investment criteria

The Company's investment criteria aim at streamlining the portfolio. In addition to secondary locations, the Company prefers regions in which it is already active, such as the Ruhr area, Southern Hesse or the region ranging from Stuttgart to Ulm, among others, in order to realize economies of scale. Furthermore, the Company focuses on properties with proper building stock which do not require substantial investment efforts. With regard to the lease structure, the vacancy rate should not exceed 40%, the lease agreements should have an average remaining term of at least two years, and the tenants should have a good or very good financial standing. The allocation of newly acquired assets to either the "core+" or the "value-add" category will primarily depend on this lease structure, and we tend to assign properties with an EPRA vacancy rate of less than 5% and a WALT of five years or more to the "core+" category. However, we do not strictly adhere to these parameters and carry out a comprehensive assessment of all relevant factors for each property. We mitigate the risk of rental loss by either investing in properties with multiple tenants and/or selecting properties with one anchor tenant with a long-term lease agreement, providing us with a sound financial footing.

Acquisition Pipeline

On October 25, 2018, the Company announced its intention to issue approximately 34.5 million new shares for estimated net proceeds of approximately €150 million. The Company intends to use the net proceeds from the issuance of the new shares to finance, in part, the purchase price of the potential acquisition of several unrelated properties and/or portfolios of properties primarily in Germany, which, collectively, have an estimated total aggregate purchase price (including acquisition costs) of up to approximately €350 million. They comprise, in total, up to 10 individual properties with an average purchase price per property (including acquisition costs) of approximately €35 million. By asset class, they are predominantly office properties.

The Company is currently in varying stages of preparation and exclusive negotiations with the respective sellers of such properties and/or portfolios and is aiming to enter into a sale and purchase agreement with respect to one of the portfolios of properties in the near term. However, as of the date of this supplemental report, the Company has not yet entered into any binding commitments with respect to such acquisition opportunities.

The Company has recently initiated discussions with selected financial institutions in respect of potential bank financing. Should the Company not be able to secure funding to finance the remainder of the purchase price of up to approximately €200 million, it would only seek to acquire those properties and/or portfolios of properties which it could purchase with the net proceeds of the issuance of the new shares and cash on hand.

Should the Company not be able to consummate any or all of such acquisitions, it would apply the net proceeds of the issuance of the new shares, or any remaining amount thereof, in line with its financial strategy of selective acquisitions of commercial properties primarily in secondary locations in Germany. The Company considers acquisition opportunities on a regular basis in the ordinary course of business and would therefore retain the net proceeds of the issuance of the new shares until a suitable property or portfolio of properties can be identified.

Fair Value REIT-AG

Takeover in 2015

In October 2015, the Company tendered a voluntary public takeover offer to the shareholders of Fair Value REIT-AG. According to the terms of this offer, the Company was prepared to exchange two shares in the Company with a nominal value of €1.00 each, which had been created by means of a capital increase, for one share in Fair Value REIT-AG (with a nominal value of €2.00 per share). The offer resulted in an indirect acquisition of 77.7% of the voting shares in Fair Value REIT-AG in 2015, which was a key factor for the

significant increase in rental income in the fiscal year 2016. As of the date of this supplemental report, the Company holds 79.4% of the voting shares in Fair Value REIT-AG.

Business operations

Fair Value REIT-AG is a German real estate investment trust stock corporation listed in the Prime Standard of the Frankfurt Stock Exchange. Fair Value REIT-AG only focuses on the investment in and management of retail and office properties in secondary locations. As a key differentiator to the activities reported under the Core Portfolio, in addition to direct investments in commercial real estate properties by Fair Value REIT-AG, Fair Value REIT-AG invests indirectly through participations in real estate partnerships including closed-end real estate funds in commercial properties, which Fair Value REIT-AG purchases on the secondary market.

Real estate portfolio

Fair Value REIT-AG's portfolio is considerably smaller than the Core Portfolio and therefore only accounts for a small portion of the entire portfolio described above. As of June 30, 2018, Fair Value REIT-AG's own portfolio consisted of 30 properties, with a focus in Schleswig-Holstein, Saxony and North-Rhine Westphalia. These properties comprised a gross asset value of €309.7 million, had a WALT of these properties was 5.4 years and EPRA vacancy rate amounted to 7.7%. For the six months ended June 30, 2018, our segment Fair Value REIT generated €13,927 thousand of total revenues compared to €18,244 thousand for the six months ended June 30, 2017.

REIT-status

As a real estate investment trust under the German REIT Act, Fair Value REIT-AG enjoys the privilege of being exempted from corporation income and trade tax. This status also implies certain restrictions, among other things, on the buying and selling of real estate. For more information on the regulatory framework, see *J. "Regulation"* and *A. "Risk Factors"*.

IN-HOUSE MANAGEMENT

We currently continue to primarily manage our properties in-house. However, we remain focused on re-aligning the proportion of asset, property and facility management activities conducted in-house and by external service providers, which may result in an increase in the use of external service providers for property and facility activities in the near term. The Company is responsible for asset management whereas its subsidiary DEMIRE Immobilien Management GmbH is currently still responsible for the property management, and the subsidiary PRAEDIA GmbH is currently still responsible for the facility management. On the property and asset management side, the activities include operational property- and tenant-related functions, daily operations, cost and quality control, rent accounting and expenditure analysis. In order to manage the size and footprint of our portfolio and identify opportunities to realize value enhancement, we have well-trained employees who monitor local market dynamics on a constant and consistent basis.

Tenancy management

Our primary aim is the sustainable management of our properties in order to generate rental income and achieve value appreciation. Therefore, our in-house management platform is involved throughout the "lifecycle" of an asset, from its acquisition to disposal.

We believe that we have a lean and hands-on letting process, which caters to the tenants' needs. We rely on our local broker networks and our employees' insights and know-how in local markets to solicit potential tenants. Once we acquire a property, we make full use of various real estate marketing tools, such as marketing on popular internet platforms, asset related labelling and in some cases marketing on asset-specific websites with customized videos for the asset. If a potential tenant is interested in a property, we arrange site visits with our in-house management team. In particular, a team member from our technical department will be present at visits in order to assist in calculating the related costs, *e.g.*, with regard to tenant improvements, and provide feedback within 24 hours. The close and efficient cooperation between property management, the leasing division and technical department enables us to finalize and dispatch draft contracts quickly and provide for a smooth handover to the tenant.

We view the reduction of the vacancy rate of our portfolio as a major internal growth opportunity, and it therefore remains one of our priorities. We believe that given the limited supply and strong demand of space in secondary locations, vacancies will fall, and rents will increase further. Additionally, we strive to have a secure tenant base with strong tenants and long WALTs.

We have a strong and well-diversified tenant base of approximately 800 tenants. Our portfolio is designed to attract high-quality tenants both in the German entrepreneurial *Mittelstand* and large-sized private and government entities and agencies. As of June 30, 2018, our top ten tenants accounted for 47.8% of our annualized GRI. Deutsche Telekom AG is an anchor "blue chip" tenant, from whom we generated 30.7% of our annualized GRI, as of June 30, 2018, through multiple long-term leases spread across a number of our assets. Lease agreements with Deutsche Telekom AG include assets considered strategic by Deutsche Telekom AG. The other two entities completing our top three tenants by rental income are the Institute for Federal Real Estate (*Bundesanstalt für Immobilienaufgaben*) and Sparkasse Südholstein. Furthermore, another financial service provider, comdirect, and hotel associations, such as RIMC and pentahotels, can also be found among our top ten tenants.

We strive for long-term lease agreements with financially sound tenants, which are the basis for reliable cash flow generation. The lease expiry schedule for our lease agreements reflects this long-term approach. As of June 30, 2018, the overall WALT of our assets amounted to 4.7 years. As of June 30, 2018, our retail asset class accounted for the highest WALT among our asset classes, with a WALT of 6.2 years.

In our recently concluded lease agreements, we tend to stipulate a lease term of at least seven years. Our lease agreements include on average a one year notice period. However, regardless of the contractual notice period, our anchor tenants usually notify us several years prior to the termination of the lease agreement, which allows us to prepare a strategy plan for the impending vacancy.

NON-CORE / LEGACY PORTFOLIO

The effects of the legacy portfolio are shown in the Central Functions/Other column contained in the segment reporting information for the fiscal year ended December 31, 2017. The legacy portfolio holdings are mainly located in Eastern Europe and the Black Sea region and stem from the time prior to the business model's reorientation. Such legacy holdings are only of minor importance for the Company.

Over the past few years, the Group disposed of selected properties of its legacy portfolio, which no longer match with the current investment strategy. In 2016, in order to streamline its portfolio, we sold 91 non-core assets, each of which had a net asset value of less than €1 million. We sold, in particular, a portfolio of 84 non-core assets in decentralized areas, which had been part of the "Condor" portfolio acquired in 2014 and were rented to Deutsche Post, the 25% shareholding in a project development company, which holds rental space in Frankfurt am Main as well as shareholdings in several Ukrainian and Russian companies. We continue to hold a few legacy properties, including undeveloped plots of land in Romania and Georgia, which have been written off completely as of June 30, 2018.

INTELLECTUAL PROPERTY

Given the nature of its business, intellectual property rights are not material to the Company. It does not depend on any patents or licenses.

The trademark "DEMIRE Deutsche Mittelstand Real Estate" has been registered on behalf of the Company with the German Patent and Trade Mark Office (*Deutsches Patent- und Markenamt (DPMA)*). The current protection expires on May 31, 2023. The Company predominantly uses the internet domains www.demire.ag and www.demire.de.

EMPLOYEES

As of the date of this supplemental report, we employed 97 employees (headcount), of which 30 employees (headcount) were employed by the Company. The following table sets forth the number of our employees (headcount) as of the dates indicated.

	As of December 31,			As of June 30,
	2015	2016	2017	2018
		(audited)		(unaudited)
Executive Board members	2	2	1	1
Permanent employees	54	77	96	93
Trainees	0	1	0	0
Total employees	**56**	**80**	**97**	**94**

INSURANCE

The Company's subsidiaries holding assets maintain all-risk building insurance that insure against fire, water main breaks, storms, hail and certain other losses or damages, including loss of rent. In addition, these subsidiaries also maintain land owner liability insurance, which provides insurance coverage for personal injury, damage to property and financial loss. In addition, a D&O insurance policy is in place for the members of the Executive Board and Supervisory Board. The Company's insurance policies contain market-standard exclusions and deductibles.

The Company regularly reviews the adequacy of its insurance coverage. The Company believes that its insurance coverage is in line with market standards in the commercial real estate industry. However, there is no guarantee that it will not suffer any losses for which no insurance is available, or that the losses will not exceed the amount of insurance coverage under existing insurance policies. For more information, "*Risk Factors—Risks Related to our Industry and Business—We may incur liabilities that are not covered by, or which exceed the coverage limits, of our insurance policies*".

COMPETITION

Due to the size and fragmentation of the German real estate market, we compete against a large and diverse group of market players ranging from institutional investors to integrated property companies and financial investors with a more opportunistic investment approach. We rank alstria office REIT-AG, TLG Immobilien AG, Hamborner REIT AG, DIC Asset AG, VIB Vermögen AG and publity AG among our primary listed competitors. However, because our investments typically amount to at least €5 million, local investors are generally not among our primary competitors.

We believe that a key differentiator for us is our fully integrated asset, property and facility management platform, which enables us to tap the full potential of undermanaged assets.

LEGAL PROCEEDINGS

From time to time, we are involved in governmental, legal or arbitration proceedings that arise in the ordinary course of business. Over a period of at least 12 months prior to the date of this supplemental report, neither we nor any of our subsidiaries has been involved in any governmental, legal or arbitration proceedings that has had or may have significant effects on the Company's and/or the Group's financial position or profitability. To our knowledge, no such proceedings are pending or threatened.

GLOSSARY

Company	refers to DEMIRE Deutsche Mittelstand Real Estate AG.
Corporate Bond	refers to the corporate bond in an aggregate principal amount of €100.0 million due 2019, issued by the Company on September 16, 2014.
CEO	Chief Executive Officer.
CET	
CFO	Chief Financial Officer.
EBIT	refers to earnings before interest and taxes, as shown on our consolidated statement of income.
EEA	
EPRA	refers to the European Public Real Estate Association, an association of listed European real estate companies.
EPRA NAV (undiluted)	refers to net asset value as defined by EPRA. EPRA NAV (undiluted) is the equity attributable to parent company shareholders, adjusted for the fair value of derivative financial instruments, deferred taxes (deferred tax assets/deferred tax liabilities) and goodwill resulting from deferred taxes.
EPRA NAV (diluted)	refers to EPRA NAV (undiluted) adjusted for the dilutive effect on equity attributable to parent company shareholders resulting from the conversion of the 2018 Notes and the Mandatory 2018 Notes (including the respective interest) into shares as well as from the exercise of share-based payments.
Executive Board	refers to the executive board (*Vorstand*) of the Company.
EU	refers to the European Union.
Euro, Euros or €	refers to the single currency of the participating member states in the third stage of the European Economic Union pursuant to the Treaty Establishing the European Community.
FFO I after taxes	refers to funds from operations ("**FFO**") after taxes excluding profit/loss from the sale of real estate and real estate companies. FFO I after taxes is profit/loss before taxes, adjusted by interests of minority shareholders shown in financial result ("**Profit/loss before taxes and interests of minority shareholders (EBT)**"), profit/loss from the sale of real estate and real estate companies, profit/loss from investments accounted for using the equity method, profit/loss from fair value adjustments in investment properties, profit/loss from revaluation of financial instruments and other adjustments ("**FFO I before taxes**") as well as adjusted current income taxes.
FFO II after taxes	refers to funds from operations after taxes including profit/loss from the sale of real estate and real estate companies. FFO II after taxes is FFO I after taxes adding or subtracting profit/loss from the sale of real estate and real estate companies (after taxes).
GAV	refers to gross asset value as the sum of investment properties and non-current assets held for sale.
Germany	refers to the Federal Republic of Germany.
GRI	refers to gross rental income, annualized where shown as of a specific date.
Group	refers to the Company and its consolidated subsidiaries.
HGB	German Commercial Code (*Handelsgesetzbuch*).
IFRS	refers to the International Financial Reporting Standards issued by the International Accounting Standards Board, as adopted by the EU.
Mandatory 2018 Notes	refers to a mandatory convertible bond issued by the Company in May 2015 in a total nominal amount of €15.0 million and due May 22, 2018.
Net Debt	refers to the sum of current and non-current financial liabilities less cash and cash equivalents.
Net LTV	refers to net loan-to-value ratio. The Net LTV is the ratio of the net debt (sum of current and non-current financial liabilities, less cash and cash equivalents) to the sum of the carrying amounts of investment properties and non-current assets held for sale.
sqm	square meters.
Supervisory Board	refers to the supervisory board of the Company.
TLA	total lettable area.
WALT	weighted average lease term based on gross rental income.
We	refers to the Company and its consolidated subsidiaries.
2018 Notes	refers to the convertible bond issued by the Company in December 2013 in a total nominal amount of €11.3 million and due on December 30, 2018.
2022 Notes	refers to the €270.0 million 2.875% senior notes due 2022 issued by the Company on July 26, 2017 and the issuance of additional 2022 Notes pursuant to a tap offering of €130.0 million on October 2, 2017.