Prospectus

for the public offering

in Germany and Luxembourg

of

34,512,703 newly issued ordinary bearer shares with no par value *(Stückaktien)* from a capital increase against contribution in cash from authorized capital with subscription rights for the existing shareholders of DEMIRE Deutsche Mittelstand Real Estate AG resolved by the Executive Board of the Company on October 25, 2018 with the approval of the Supervisory Board of the Company on October 25, 2018,

and at the same time

for the admission to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange

of

34,512,703 newly issued ordinary bearer shares with no par value *(Stückaktien)* for the above mentioned capital increase

- each such share with a notional value of €1.00 and with full dividend rights as of and for the fiscal year beginning January 1, 2018 -

of

DEMIRE Deutsche Mittelstand Real Estate AG

Frankfurt am Main, Germany

International Securities Identification Number (ISIN): DE000A0XFSF0

WKN (Securities Identification Number): A0XFSF

Common Code: 042666092

Trading Symbol: DMRE

Sole Global Coordinator and Sole Bookrunner

Baader Bank

October 26, 2018

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SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A–E (A.1–E.7). This summary (the "Summary") contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the Summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the Summary with the mention of "not applicable".

Section A—Introduction and Warnings

A.1	**Warnings.**	This Summary should be read as an introduction to this prospectus (the "**Prospectus**"). Any decision to invest in the securities should be based on consideration of the Prospectus as a whole. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states of the European Economic Area (the "**member states**"), have to bear the costs of translating the Prospectus, before the legal proceedings are initiated. DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt am Main, Germany (the "**Company**" and, together with its consolidated subsidiaries, the "**Group**" or "**we**"), along with Baader Bank Aktiengesellschaft, Unterschleißheim, Germany ("**Baader Bank**" or the "**Sole Global Coordinator and Sole Bookrunner**"), assume responsibility for the content of this Summary, including its German translation, in accordance with Section 5(2b) No. 4 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*). Those persons who are responsible for the Summary, including possible translations thereof, or for the issuing (*Veranlassung*), can be held liable but only if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or if it does not provide, when read together with the other parts of the Prospectus, all necessary key information.
A.2	**Information regarding the subsequent use of the Prospectus.**	Not applicable. Consent of the Company regarding the use of the Prospectus for a subsequent resale or placement of the Company's shares by financial intermediaries has not been granted.

Section B—Issuer

B.1	**Legal and commercial name of the issuer.**	The legal and commercial name of the Company is DEMIRE Deutsche Mittelstand Real Estate AG.
B.2	**Domicile, legal form, legislation under which the issuer operates, country of incorporation.**	DEMIRE Deutsche Mittelstand Real Estate AG has its registered seat in Frankfurt am Main, Germany, and is registered with the commercial register (*Handelsregister*) maintained by the local court (*Amtsgericht*) of Frankfurt am Main, Germany, under HRB 89041. The Company is a German stock corporation (*Aktiengesellschaft*) incorporated under and governed by the laws of the Federal Republic of Germany.

B.3	**Current operations and principal business activities and principal markets in which the issuer competes.**	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. 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. We are focused on office, retail and logistics asset classes and 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. 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+" and "value-add". Our "core+" approach is focused on properties with a strong tenant structure, longer weighted average lease terms ("**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 consists of "redevelopment" assets, which offer the opportunity to achieve value creation and realize upside potential through extensions or refurbishment. We believe we benefit from the following competitive strengths: • We are a commercial real estate company in Germany, with a sizeable portfolio diversified across asset classes, properties and locations. • We actively manage our real estate assets through three portfolio clusters to drive organic growth and the profitability of our portfolio. • We have a strong tenant base with long weighted average lease terms and long-term visibility on rental income.

- We have significant operating leverage from our real estate management platform.

The key elements of the Group's strategy include the following:

- We plan to continue to pursue active portfolio management to optimize our portfolio structure and realize value creation and economies of scale.

- We aim to continue to improve our financing structure to achieve lower average cost of indebtedness.

- We intend to simplify our Group structure and realize economies of scale through real estate management functions.

B.4a Most significant recent trends affecting the issuer and the industries in which it operates.

The Company believes the market in which the Group operates is characterized by the following fundamental trends:

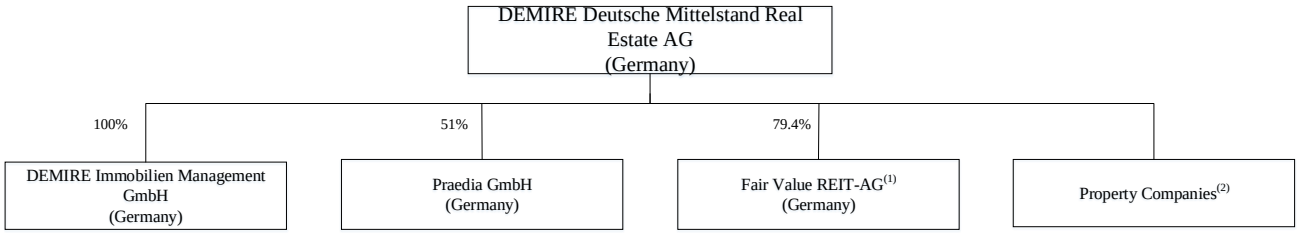
- Positive macroeconomic fundamentals – Strong demand for office market space in Germany continues to drive vacancy rates lower.

- Increasing rent levels – Office market rents in Germany continue to increase in secondary locations as well as primary locations as a result of strong and growing demand.

- Higher yields in secondary locations – Compared to primary locations in Germany, secondary locations continued to offer higher gross initial yields coupled with low volatility.

B.5 Description of the group and the issuer's position within the group.

The Company is the parent entity of the Group. The following chart provides an overview (in simplified form) of the Group as of the date of this Prospectus:



(1) DEMIRE Deutsche Mittelstand Real Estate AG indirectly holds 79.4% in Fair Value REIT-AG through eight holding companies. Fair Value REIT-AG is limited partner in several real estate funds and also controls the general partner of these funds.

(2) Including German and Dutch sub-holding companies, which hold Austrian, Cypriot, Danish, Swiss, Dutch, Bulgarian, Romanian and Georgian and Luxembourg property companies, and including property companies which are not fully consolidated.

B.6 Persons who, directly or indirectly, have a (notifiable) interest in the issuer's capital or voting rights.

According to voting right notifications received and the knowledge of the Company, as of the date of this Prospectus, the following persons, directly or indirectly, hold a notifiable interest in the Company:

Wecken & Cie., a limited partnership under the laws of Switzerland with its registered office in Basel, Switzerland, directly holds 33.04% of the Company's shares. Wecken & Cie. is directly controlled by Klaus Wecken, who holds 90% of the shares in Wecken & Cie. and to whom the voting rights in the Company held by Wecken & Cie. are attributable according to Section 34 of the German Securities Trading Act

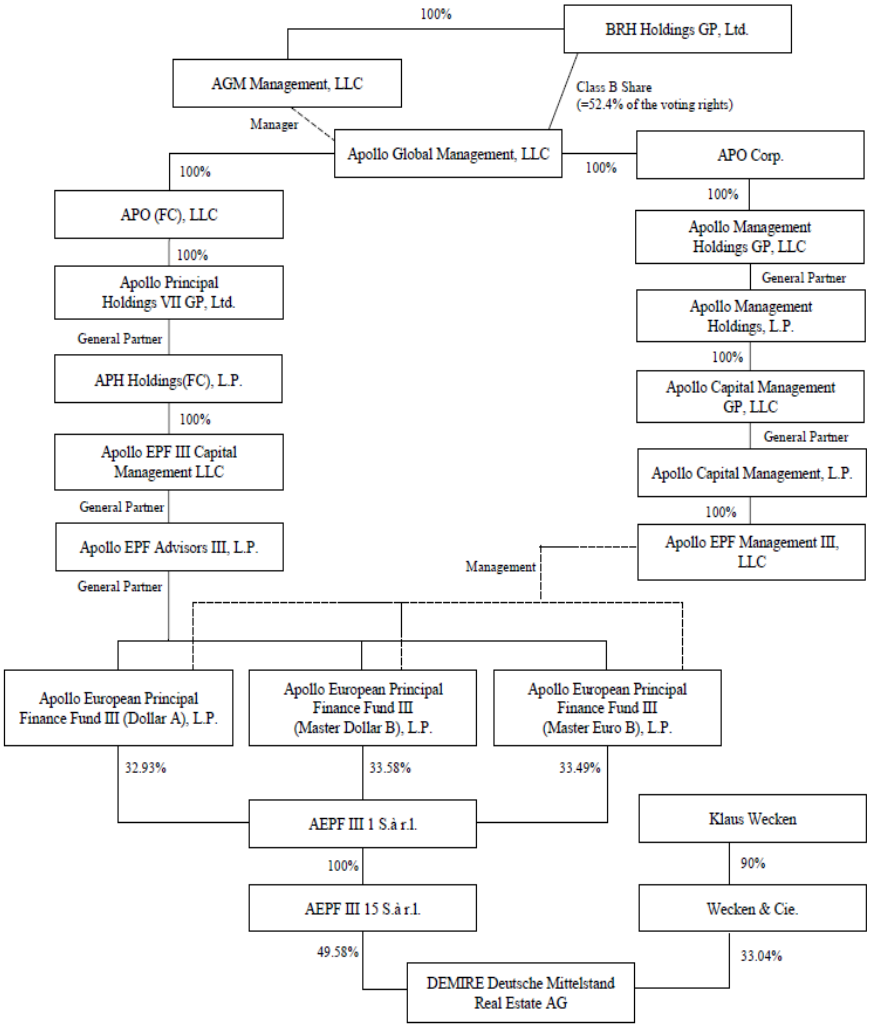
(*Wertpapierhandelsgesetz*).

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, directly holds 49.58% of the Company's shares. The sole shareholder of AEPF III 15 S.à r.l. is AEPF III 1 S.à r.l, a private limited company with its registered office in Luxembourg, Grand Duchy of Luxembourg. The shares in AEPF III 1 S.à r.l are in turn held by three parallel investment funds (collectively the "**EPF Fund**"), each of which is managed by Apollo EPF Management III, LLC, a limited liability company under the laws of Delaware, United States. Apollo EPF Management III, LLC, which does not hold an economic interest in the EPF Fund, is an indirect subsidiary of Apollo Global Management, LLC, a limited liability company under the laws of Delaware, United States, that is listed on the New York Stock Exchange.

The general partner of the EPF Fund is Apollo EPF Advisors III, L.P., a limited partnership with its registered office on the Cayman Islands, which is also an indirect subsidiary of Apollo Global Management, LLC. Apollo EPF Advisors III, L.P. holds a nominal economic interest in the EPF Fund.

The sole manager of Apollo Global Management, LLC is AGM Management, LLC, a limited liability company under the laws of Delaware, United States. The sole shareholder of AGM Management, LLC is BRH Holdings GP, Ltd. BRH Holdings GP, Ltd. also holds the only outstanding Class B share in Apollo Global Management, LLC, which, as of August 3, 2018, carried 52.4% of the voting rights in Apollo Global Management, LLC, but does not have a profit participation right. Apollo Global Management, LLC's Class A (voting and non-voting) shares, which confer a profit participation right in Apollo Global Management, LLC, are listed on the New York Stock Exchange. As of August 3, 2018, the Class A voting shares, in the aggregate, carried 47.6% of the voting rights in Apollo Global Management, LLC. BRH Holdings GP, Ltd. is not controlled by a legal entity or natural person and serves as the ultimate reporting entity for purposes of the notifications of AEPF III 15 S.à r.l.'s shareholding in the Company in accordance with the provisions of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

The following chart, to the knowledge of the Company, provides an overview of the Company's direct and indirect shareholders (based on notifiable interests in the Company) as of the date of this Prospectus:



In accordance with Section 34 paragraph 2 of the German Securities Trading Act (*Wertpapierhandelsgesetz*), the voting rights held by AEPF III 15 S.à r.l. are attributable to Klaus Wecken as well as Ferry Wecken, Ina Wecken and care4AG, a subsidiary of Wecken & Cie., and vice versa due to an acting in concert between these parties. The direct shareholdings in the Company of Klaus Wecken, Ferry Wecken, Ina Wecken and care4AG are each below 1.00% of the Company's share capital and therefore not notifiable according to the provisions of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

Voting rights.

Each of the Company's shares carries one vote at the Company's shareholders' meeting. There are no restrictions on voting rights. All of the Company's shares have identical voting rights.

Direct or indirect control over the issuer and nature of such control.

The Company is directly jointly controlled for purposes of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*, "**WpÜG**") by AEPF III 15 S.à r.l. and the Wecken Group (each as defined below).

On February 26, 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, and Wecken & Cie., a limited partnership with registered office in Basel, Switzerland, Klaus Wecken, Ferry Wecken, Ina Wecken and

Care4 AG (jointly the "**Wecken Group**", and together with AEPF III 15 S.à r.l., the "**Controlling Shareholders**") entered into a shareholder agreement on the cooperation as shareholders of the Company (the "**Shareholder Agreement**"), pursuant to which AEPF III 15 S.à r.l. and the Wecken Group obtained control over the Company within the meaning of Section 35 paragraph 1 sentence 1 in conjunction with Sections 29 paragraph 2, 30 paragraph 2 of the WpÜG. In order to coordinate the internal decision-making process within the Wecken Group during the term of the Shareholder Agreement, the members of the Wecken Group concluded, on the same date, a voting rights agreement (*Stimmbindungsvertrag*) with respect to the Company's shares which, in case of termination of the Shareholder Agreement, would result in the mutual attribution, pursuant to Section 30 paragraph 2 WpÜG, of all voting rights under the Company's shares held by the members of the Wecken Group within the Wecken Group.

Through the joint exercise of the voting rights under the shareholders agreement on the cooperation as shareholders of the Company entered into on February 26, 2018 by AEPF III 15 S.à r.l. and Wecken Group, AEPF III 15 S.à r.l. and the Wecken Group are in a position to exert substantial influence on the general shareholders' meeting and, consequently, on matters decided by the general shareholders' meeting, including, but not limited to, the appointment of the members of Company's supervisory board (also by including delegation rights (*Entsenderechte*) in favor of certain shareholders after an amendment of the Company's articles of association), the distribution of dividends or any proposed capital increase.

B.7 Selected key historical financial information.

The financial information contained in the following tables is taken from the audited consolidated financial statements of the Company as of and for the fiscal years ended December 31, 2015 (the "**2015 Audited Consolidated Financial Statements**"), 2016 (the "**2016 Audited Consolidated Financial Statements**"), 2017 (the "**2017 Audited Consolidated Financial Statements**") and from the unaudited interim consolidated financial statements of the Company as of and for the six months ended June 30, 2018 (the "**Unaudited Interim Consolidated Financial Statements**").

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 Prospectus 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 Prospectus as the "**Audited Consolidated Financial Statements**". The 2015 Audited Consolidated Financial Statements and the 2016 Audited Consolidated Financial Statements included in this Prospectus have been prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union ("**IFRS**"), and the additional requirements of German commercial law pursuant to Section 315a paragraph 1 of the German Commercial Code (*Handelsgesetzbuch*, "**HGB**"). The 2017 Audited Consolidated Financial Statements included in this Prospectus 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 included in this Prospectus have been prepared in accordance with IFRS using International Accounting Standard 34 on Interim Financial Reporting (IAS 34).

The German-language Audited Consolidated Financial Statements have been audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft in accordance with Section 317 HGB and German generally accepted standards for financial statement audits, who issued unqualified audit opinions on the German-language 2015 Audited Consolidated Financial Statements and 2016 Audited Consolidated Financial Statements and an unqualified independent auditor's report on the German-language 2017 Audited Consolidated Financial Statements. English-language translations of the Audited Consolidated Financial Statements and of the respective audit opinions or independent auditor's report thereon are included in this Prospectus.

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 following tables is labelled "audited", this means that it has been taken from the Audited Consolidated Financial Statements. The label "unaudited" is used in the following tables 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 or is based on calculations of figures of the abovementioned sources.

Financial information presented in parentheses ("()") denotes the presented number is a negative number. In respect of financial information set out in this Prospectus, a dash ("—") signifies that the relevant figure is not available, while a zero ("0") signifies that the relevant figure is available but has been rounded to or equals zero.

Consolidated Statement of Income

The table below sets forth selected financial information from the Company's consolidated statement of income 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 € thousands)		
		(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.

Consolidated Balance Sheet

The table below sets forth selected financial 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				
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**

Consolidated Statement of Cash Flows

The table below sets forth selected financial information from the Company's consolidated statement of 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 € thousands)				
		(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.

Significant changes to the issuer's financial condition and operating results during and subsequent to the period covered by the historical key financial information.

The following changes in the Company's operating results and financial condition – (i) for operating results, as shown on the basis of profit/loss from the rental of real estate, profit/loss from the sale of real estate companies, profit/loss from the sale of real estate, profit/loss from investments accounted for using the equity method and net profit/loss for the period, and (ii) for financial condition, as shown on the basis of total non-current assets, total current assets, total non-current liabilities and total current liabilities – occurred as of June 30, 2018 and in the six

months ended June 30, 2017 and 2018 and as of and in the fiscal years ended December 31, 2015, 2016 and 2017:

Six Months ended June 30, 2017 and 2018

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 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. 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. 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.

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. 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 in February 2018. 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. 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 €270.0 million 2.875% senior notes due 2022 on July 26, 2017 (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.

Fiscal Years ended December 31, 2016 and 2017

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. The decrease was primarily due to the sale of non-strategic real estate properties in 2017. Profit from the sale of real estate companies amount 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 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-Ernstthal property and several properties held by Condor Objektgesellschaft Yellow GmbH. 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.

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. 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 the issuance of the bonds due 2022 and subsequent tap offering not used to refinance existing indebtedness. 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 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 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.

Fiscal Years ended December 31, 2015 and 2016

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. 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. 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. 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, among others.

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. 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, partially compensated by an increase in trade accounts receivable and other receivables. 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 an increase in non-current financial liabilities. 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.

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 Prospectus, the Company indirectly holds 79.4% of the shares in Fair Value REIT-AG through several 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.

The Company intends to sell the New Shares (as defined in C.1 below) and use the estimated net proceeds of the Offering (as defined in E.3 below) to finance, in part, the purchase prices 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 Prospectus, the Company has not yet entered into any binding commitments with respect to such acquisition opportunities. If the Company acquires properties for a total purchase price in excess of the net proceeds of the Offering and cash on hand, it plans to finance the remaining amount of the purchase price for such potential acquisitions, in the amount of up to approximately €200 million, through secured bank financing or raising additional indebtedness in the capital markets, depending on market conditions. 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 Offering and cash on hand. Therefore, the use of the net proceeds is not dependent on the Company's ability to secure additional financing. Should the Company not be able to consummate any or all of such acquisitions, it would apply the net proceeds of the Offering, 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 Offering until a suitable property or portfolio of properties can be identified. Except as described above, there have been no significant changes to our financial position, financial performance and operating results between June 30, 2018 and the date of this Prospectus.
B.8	**Selected key pro forma financial information.**	Not applicable. No pro forma financial information has been prepared by the Company.
B.9	**Profit forecast or estimate.**	On April 25, 2018, the Company announced its profit forecast for the fiscal year ending December 31, 2018. For the fiscal year ending December 31, 2018, the Company expects, based on the current real estate holdings, to generate FFO I after taxes of €16-18 million.
B.10	**Qualifications in the audit report on the historical financial information.**	Not applicable. The audit opinions on the audited consolidated financial statements of the Company as of and for the fiscal years ended December 31, 2015 and 2016 and independent auditor's reports on the audited consolidated financial statements and the audited unconsolidated financial statements of the Company as of and for the fiscal year ended December 31, 2017 included in the Prospectus have been issued without any qualifications.
B.11	**Insufficiency of the issuer's working capital for its present requirements.**	Not applicable. The Company believes that the Group has sufficient working capital to meet its payment obligations falling due for at least the twelve months following the date of this Prospectus.

Section C—Securities

C.1	**Type and the class of the securities being offered and/or admitted to trading.**	Ordinary bearer shares with no par value (*Stückaktien*) of the Company, each with a notional interest of €1.00 in the share capital and carrying full dividend rights from January 1, 2018 (the "**New Shares**").

	Security identification number.	International Securities Identification Number (ISIN): DE000A0XFSF0 German Securities Identification Number (WKN): A0XFSF Common Code: 042666092 Trading Symbol: DMRE
C.2	**Currency.**	Euro.
C.3	**The number of shares issued and fully paid.**	At the date of this Prospectus, the share capital of the Company amounts to €73,085,728.00 and is divided into 73,085,728 ordinary bearer shares with no par value (*Stückaktien*). The share capital of the Company is fully paid up.
	Par value per share.	Each of the Company's shares represents a notional value of €1.00 in the Company's share capital.
C.4	**A description of the rights attached to the securities.**	Each share of the Company entitles the shareholder to one vote at the Company's general shareholders' meeting. The New Shares carry full dividend rights as of and for the fiscal year beginning January 1, 2018 and for all subsequent fiscal years.
C.5	**A description of any restrictions on the free transferability of the securities.**	Not applicable. There are no restrictions on the free transferability of the shares of the Company.
C.6	**Application for admission to trading on a regulated market and the identity of regulated markets where the securities are to be traded.**	On November 2, 2018, the Company will apply for admission of the New Shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment thereof with additional post-admission obligations (Prime Standard). The Company expects the admission decision regarding the New Shares on or about November 12, 2018 and inclusion of the New Shares in the existing quotation for the shares of the Company on November 13, 2018.
C.7	**Dividend policy.**	We intend to invest available funds and future earning to finance the growth and profitability of our real estate portfolio. The Company has not paid any dividends to date, and has no present intention of recommending the declaration or payment of any dividends in the foreseeable future.

Section D—Risks

D.1	**Key risks specific to the issuer and its industry.**	**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. • 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. • 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.

- 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.

- 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.

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

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

- 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.

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

- 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.

- 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.

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

- 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.

- 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.

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

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

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

- 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 unfavourable to our business.

- 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.

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

- 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.

- 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.

- 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.

- 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.

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 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.

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

D.3 Key risks specific to the securities

Risks Relating to the Offering and the Shares

- The quoted market prices for the shares of the Company may be subject to strong price fluctuations.

- It is possible that investors will acquire New Shares under this Offering at a price that is higher than the market price and/or the quoted market price after the Offering has ended.

- Sales of a significant number of shares in the Company may significantly negatively impact the Company's share price.

- The interests of shareholders in the share capital of the Company which do not participate, or participate only in part, in the Offering will be diluted considerably.

- Future capital measures by the Company and/or the exercise of existing or future conversion rights and options for the acquisition of shares of the Company may negatively impact the quoted market price of the shares of the Company and lead to a significant dilution of shareholders' holdings.

- Investors with a reference currency other than the euro may become subject to certain foreign exchange risks when investing in the Company's shares.

Section E—Offer

E.1	**The total net proceeds.**	Gross proceeds from the capital increase will amount to approximately €150.1 million. The Company expects the total issue costs to amount to approximately €1.3 million and the net proceeds from the capital increase to be approximately €148.8 million.
	Estimate of the total expenses of the offering and listing, including estimated expenses charged to the investor by the issuer.	Investors will not be charged expenses by the Company or Baader Bank.
E.2a	**Reasons for the offering, use of proceeds, estimated net amount of the proceeds.**	The net proceeds to the Company from the Offering (as defined in E.3) result from the gross proceeds less the placement commissions and other expenses described below. On the basis of a subscription price of €4.35 (the "**Subscription Price**") and issuance of 34,512,703 New Shares, the Company is seeking to raise funds of approximately €150.1 million in this Offering. The overall commissions to be paid by the Company to Baader Bank could amount up to €0.125 million. Other issue costs to be incurred by the Company will be approximately €1.2 million. On this basis, the Company expects net proceeds from this Offering of €148.8 million. The Company intends to sell the New Shares and use the estimated net proceeds of the Offering to finance, in part, the purchase prices 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 Prospectus, the Company has not yet entered into any binding commitments with respect to such acquisition opportunities. If the Company acquires properties for a total purchase price in excess of the net proceeds of the Offering and cash on hand, it plans to finance the remaining amount of the purchase price for such potential acquisitions, in the amount of up to approximately €200 million, through secured bank

financing or raising additional indebtedness in the capital markets, depending on market conditions. 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 Offering and cash on hand. Therefore, the use of the net proceeds is not dependent on the Company's ability to secure additional financing.

Should the Company not be able to consummate any or all of such acquisitions, it would apply the net proceeds of the Offering, 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 Offering until a suitable property or portfolio of properties can be identified..

E.3 Description of the terms and conditions of the offer.

The Offering relates to 34,512,703 new ordinary bearer shares with no par value (*Stückaktien*), each such share representing a notional value of €1.00 and carrying full dividend entitlement from January 1, 2018, which will be offered to the Company's shareholders for subscription at a ratio of 36:17 (the "**Subscription Offering**"). The New Shares will originate from a capital increase against cash contribution from authorized capital with subscription rights for the shareholders in accordance with Section 6 of the articles of association of the Company (the "**Articles of Association**"). The consummation of the capital increase is expected to be registered in the commercial register of the local court (*Amtsgericht*) of Frankfurt am Main, Germany, on November 12, 2018.

The Subscription Offering will include (i) a public offering in Germany and Luxembourg and (ii) an offering to qualified investors outside the United States of America (the "**United States**") in offshore transactions in reliance on Regulation S under the U.S. Securities Act of 1933 (as amended) (the "**Securities Act**").

AEPF III 15 S.à r.l. has undertaken to the Company and Baader Bank in a backstop agreement dated October 25, 2018 (the "**Backstop Agreement**") to exercise its subscription rights vis-à-vis the Company at the Subscription Price and to directly subscribe for the respective number of New Shares. AEPF III 15 S.à r.l. has further undertaken in the Backstop Agreement to purchase any New Shares at the Subscription Price that are not subscribed for in the Subscription Offering (the "**Rump Shares**") (the "**Rump Shares Placement**" and, together with the Subscription Offering, the "**Offering**").

The Offering of the New Shares is based on the Backstop Agreement, and on the subscription agreement dated October 26, 2018 among the Company, AEPF III 15 S.à r.l. and Baader Bank (the "**Subscription Agreement**"), pursuant to which Baader Bank has undertaken to (i) offer the New Shares that are not directly subscribed for by AEPF III 15 S.à r.l. to the other shareholders of the Company exercising their subscription rights in the Subscription Offering and (ii) thereafter sell to AEPF III 15 S.à r.l. any Rump Shares at the Subscription Price.

The Offering is subject to certain conditions, including the condition that

		the capital increase is entered into the commercial register of the local court (*Amtsgericht*) of Frankfurt am Main, which is expected to take place on November 12, 2018. 36 existing shares of the Company entitle the holder to subscribe for 17 New Shares. A subscription of less than 17 New Shares is also possible. In order to receive one New Share, 2.117 subscription rights are required, i.e. it would require 3 existing shares to receive 1 New Share. Under the Subscription Offering, to avoid exclusion from the exercise of their subscription rights, the Company's shareholders must exercise their subscription rights in the New Shares during the period from October 30, 2018 up to and including November 12, 2018 (the "**Subscription Period**"). Under certain circumstances, the Offering may be terminated prematurely. Subscription rights not exercised within the Subscription Period will lapse and have no value. The Subscription Price per New Share is €4.35. It must be paid at the latest on November 12, 2018. No trading of subscription rights will take place. In connection with the placement of the New Shares, no stabilization measures will be effected by, or on behalf of, the Company on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the over-the-counter market or otherwise.
E.4	**Interests material to the issue/offer including conflicting interests.**	Baader Bank has entered into a contractual relationship with the Company in connection with the Offering and admission to trading of the Company's New Shares. Upon the successful completion of the Offering, Baader Bank will receive a commission from the Company. As a result of this contractual relationship, Baader Bank has a financial interest in the success of the Offering. Except for the aforementioned interests, there are no interests, conflicting interests or potential conflicting interests which are material to the Offering.
E.5	**Name of the person or entity offering to sell the security.**	The New Shares are being offered for sale by Baader Bank.
	Lock-up agreements: the parties involved; and indication of the period of the lock up.	Not applicable.
E.6	**Amount and percentage of immediate dilution resulting from the offering.**	Shareholders who exercise their subscription rights to the New Shares will maintain their percentage of ownership of the Company's share capital following the capital increase. To the extent that shareholders do not exercise their subscription rights in full, and assuming that all New Shares will be issued, each shareholder's share in the Company would decrease by 32.08% (based on the assumption of 107,598,431

outstanding shares of the Company after completion of the Offering).

The net book value of the Company (corresponding to the total equity of the Company) amounted to €402,752 thousand as of June 30, 2018. The net book value of the Company is based on the condensed consolidated interim financial statements prepared pursuant to IFRS for interim financial reporting (IAS 34) as of and for the six months ended June 30, 2018 and has been calculated by subtracting total non-current liabilities of €761,287 thousand and total current liabilities of €73,612 thousand from total assets of €1,237,651 thousand. The net book value of the Company corresponds to €5.51 per share (based on 73,085,728 outstanding shares of the Company as of the date of this Prospectus).

The Company is targeting gross issue proceeds from the capital increase in an amount of approximately €150,130 thousand. The total cost of the Offering is estimated to be approximately €1,300 thousand. Adding the estimated net proceeds, in the amount of approximately €148,830 thousand, to the net book value of €402,752 thousand as of June 30, 2018, would result in a net book value of the Company of approximately €551,582 thousand, which corresponds to approximately €5.13 per share (based on the assumption of 107,598,431 outstanding shares of the Company after completion of the Offering). This would represent an immediate dilution of approximately €0.38 (6.90%) per share for existing shareholders who do not exercise their subscription rights, and an immediate increase in the net book value of the Company by €0.78 (17.93%) per share for those who acquire New Shares as the adjusted net book value of the Company per share exceeds the subscription price of €4.35 by this amount or this percentage.

E.7	**Estimated expenses charged to the investor by the issuer.**	Not applicable. Investors will not be charged expenses by the Company or Baader Bank.

GERMAN TRANSLATION OF THE SUMMARY

ZUSAMMENFASSUNG

Zusammenfassungen bestehen aus geforderten offenlegungspflichtigen Angaben, die als „Elemente“ bezeichnet sind. Diese Elemente sind in den Abschnitten A–E (A.1–E.7) fortlaufend nummeriert. Diese Zusammenfassung (die „Zusammenfassung“) enthält alle Elemente, die in eine Zusammenfassung für diese Art von Wertpapier und Emittent aufzunehmen sind. Da einige Elemente nicht behandelt werden müssen, können in der Nummerierungsreihenfolge Lücken auftreten. Selbst wenn ein Element wegen der Art des Wertpapiers und des Emittenten in die Zusammenfassung aufgenommen werden muss, ist es möglich, dass bezüglich dieses Elements keine relevante Information gegeben werden kann. In einem solchen Fall enthält die Zusammenfassung eine kurze Beschreibung des Elements mit dem Hinweis „entfällt“.

Abschnitt A—EINLEITUNG UND WARNHINWEISE

A.1	**Warnhinweise.**	Diese Zusammenfassung sollte als Einleitung zu diesem Prospekt (der „**Prospekt**“) verstanden werden. Jede Anlageentscheidung bezüglich der Wertpapiere sollte sich auf eine Prüfung des gesamten Prospekts stützen. Für den Fall, dass vor einem Gericht Ansprüche aufgrund der in dem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der als Kläger auftretende Anleger in Anwendung der einzelstaatlichen Rechtsvorschriften der Mitglieder des Europäischen Wirtschaftsraums (die „**Mitgliedstaaten**“) die Kosten für die Übersetzung des Prospekts vor Prozessbeginn zu tragen haben. DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt am Main, Deutschland (die „**Gesellschaft**“, und gemeinsam mit ihren konsolidierten Tochtergesellschaften, der „**Konzern**“ oder „**wir**“) gemeinsam mit der Baader Bank Aktiengesellschaft, Unterschleißheim, Deutschland („**Baader Bank**“ oder der „**Sole Global Coordinator and Sole Bookrunner**“), übernehmen die Verantwortung für diese Zusammenfassung gemäß § 5 Absatz 2b Nr. 4 Wertpapierprospektgesetz, einschließlich ihrer deutschen Übersetzung. Diejenigen Personen, die die Verantwortung für die Zusammenfassung einschließlich etwaiger Übersetzungen übernommen haben oder für ihre Veranlassung verantwortlich sind, können haftbar gemacht werden, jedoch nur für den Fall, dass die Zusammenfassung irreführend, unrichtig oder widersprüchlich ist, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird, oder sie, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird, nicht alle erforderlichen Schlüsselinformationen vermittelt.
A.2	**Zustimmung zur späteren Verwendung des Prospekts.**	Entfällt. Eine Zustimmung der Gesellschaft zur Verwendung des Prospekts für einen späteren Weiterverkauf oder eine Platzierung der Aktien der Gesellschaft durch Finanzintermediäre ist nicht erteilt worden.

Abschnitt B—EMITTENT

B.1	**Juristische und kommerzielle Bezeichnung des Emittenten.**	Die Firma und die kommerzielle Bezeichnung der Gesellschaft ist DEMIRE Deutsche Mittelstand Real Estate AG.
B.2	**Sitz, Rechtsform, geltendes Recht, Land der Gründung.**	Die DEMIRE Deutsche Mittelstand Real Estate AG hat ihren Sitz in Frankfurt am Main, Deutschland, und ist im Handelsregister des Amtsgerichts Frankfurt am Main, Deutschland, unter HRB 89041 eingetragen. Die Gesellschaft ist eine deutsche Aktiengesellschaft, die in der Bundesrepublik Deutschland gegründet wurde und deutschem Recht unterliegt.

B.3	**Art der derzeitigen Geschäftstätigkeit und Haupttätigkeiten des Emittenten, sowie der Hauptmärkte, auf denen der Emittent vertreten ist.**	Wir sind eine führende, integrierte, börsennotierte Gesellschaft für Gewerbeimmobilien mit einem Schwerpunkt auf Büro-, Einzelhandels- und Logistikimmobilien in Sekundärstandorten in Deutschland. Zum 30. Juni 2018 umfasste unser Portfolio 87 Immobilien mit einer vermietbaren Gesamtfläche von ungefähr 960.000 Quadratmetern und hatte einen Gesamtportfoliowert (Summe der Buchwerte der als Finanzinvestitionen gehaltenen Immobilien und der zur Veräußerung gehaltenen langfristigen Vermögenswerte) von €1,1 Milliarden. Unser Hauptstandort befindet sich in Langen, Deutschland, in unmittelbarer Nähe zu Frankfurt am Main, Deutschland. Zum 30. Juni 2018 hatten wir 94 Vollzeitkräfte beschäftigt. Wir konzentrieren uns auf die Nutzungsarten Büro, Einzelhandel und Logistik und auf Städte in dicht besiedelten Regionen, die nicht unter den „Top-sieben Städten“ rangieren, sowie auf an Großstädte angrenzende Gebiete (sogenannte „Sekundärstandorte“) in Deutschland, wo die Renditen und der Vermietungsstand höher und weniger zyklisch als in den „Top-sieben Städten“ sind. Wir haben Immobilien in 15 der 16 deutschen Bundesländer. Die Gesellschaft wurde 2006 gegründet und wurde kurz darauf am regulierten Markt der Frankfurter Wertpapierbörse und später im Teilbereich des regulierten Marktes mit weiteren Zulassungsfolgepflichten (Prime Standard) notiert. Seit 2013 konzentriert sich die Gesellschaft auf Investitionen in und die Verwaltung von deutschen Gewerbeimmobilien an Sekundärstandorten, was durch die Übernahme der Fair Value REIT-AG im Jahr 2015 sowie durch den Erwerb verschiedener Immobilienportfolios und einzelner Objekte in den letzten Jahren untermauert wurde. Unsere Immobilienverwaltungsplattform ist ein Schlüsselfaktor zu unserem Erfolg, die es uns ermöglicht, als eine skalierbare Immobiliengesellschaft zu operieren und unsere Anlagestrategie umzusetzen. Wir erwerben und verwalten Immobilien sowohl auf Basis ihres Kapitalfluss-Profils als auch ihres Wertschöpfungspotentials und unterteilen diese in zwei Kategorien: „core+“ und „value-add“. Unser „core+“ Ansatz konzentriert sich auf Immobilien mit starker Mieterstruktur, längeren durchschnittlich gewichteten Mietdauern („**WALTs**“), stabilen Renditen und sicheren Kapitalflüssen. Unsere Immobilien des „value-add“ Portfolios sind typischerweise unterentwickelte Objekte, mit höheren Leerständen und kürzeren WALTs, die allerdings dennoch attraktive Renditen generieren und kurzfristige Wertvorteile durch Reduzierung des Leerstands und andere Möglichkeiten der Wertsteigerung bieten. Wir streben danach, das operative Ergebnis von value-add Objekten durch einen „manage to core“-Ansatz zu verbessern, mit dem Ziel, diese in die core+ Kategorie zu verschieben. Ein kleiner Teil unseres Portfolios besteht aus „Entwicklungsobjekten“, die die Möglichkeit bieten, durch Sanierungs- und Erweiterungsmaßnahmen Wertschöpfung und Wertsteigerungspotenzial zu realisieren. Wir sind der Ansicht, dass wir von folgenden Wettbewerbsstärken profitieren: • Wir sind eine Gesellschaft für Gewerbeimmobilien in Deutschland mit einem beträchtlichen Portfolio, das über Nutzungsarten, Immobilien und Standorte diversifiziert ist. • Wir verwalten unsere Immobilienobjekte aktiv mittels drei Portfoliokategorien, um organisches Wachstum und die Profitabilität unseres Portfolios anzutreiben. • Wir haben eine starke Mieterbasis mit einer langen gewichteten

durchschnittlichen Mietdauer und einer langfristigen Vorhersehbarkeit der Mieteinnahmen.

- Wir haben erhebliche operative Hebeleffekte durch unsere Immobilienverwaltungplattform.

Die Kernpunkte der Konzernstrategie beinhalten die folgenden Punkte:

- Wir beabsichtigen, die aktive Portfolioverwaltung weiter zu verfolgen, um die Struktur unseres Portfolios zu optimieren sowie Wertschöpfung und Skaleneffekte zu realisieren.

- Wir zielen darauf ab, unsere Finanzierungsstruktur weiter zu verbessern, um die durchschnittlichen Verschuldungskosten zu senken.

- Wir beabsichtigen, unsere Konzernstruktur zu vereinfachen und Skaleneffekte aus unseren Immobilienverwaltungsfunktionen zu realisieren.

B.4a Wichtigste jüngste Trends, die sich auf den Emittenten und die Branchen in denen er tätig ist, auswirken.

Die Gesellschaft glaubt, dass der Markt, in dem sich der Konzern bewegt, durch folgende fundamentale Trends charakterisiert wird:

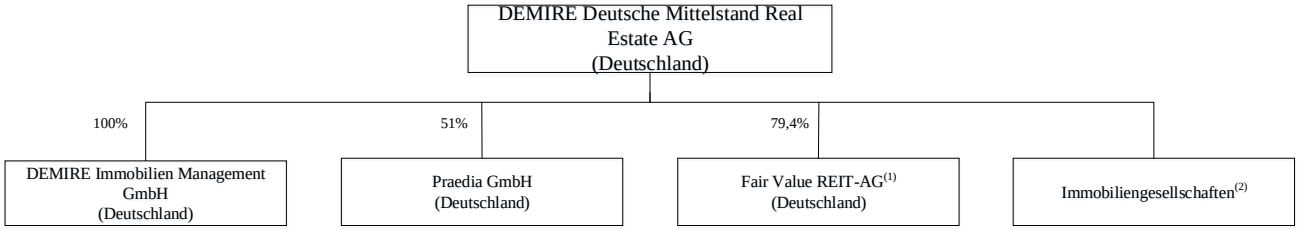
- Positive makroökonomische Fundamentaldaten – Starke Nachfrage nach Büroflächen in Deutschland sorgt weiterhin für sinkende Leerstandsraten.

- Steigende Mieten – Büromarktmieten in Deutschland steigen sowohl in Sekundär- als auch in Primärstandorten als Ergebnis starker und wachsender Nachfrage.

- Höhere Erträge in Sekundärstandorten – Im Vergleich zu Primärstandorten bieten deutsche Sekundärstandorte weiterhin höhere Bruttoanfangsrenditen, verbunden mit geringer Volatilität.

B.5 Beschreibung des Konzerns und der Stellung des Emittenten innerhalb dieses Konzerns.

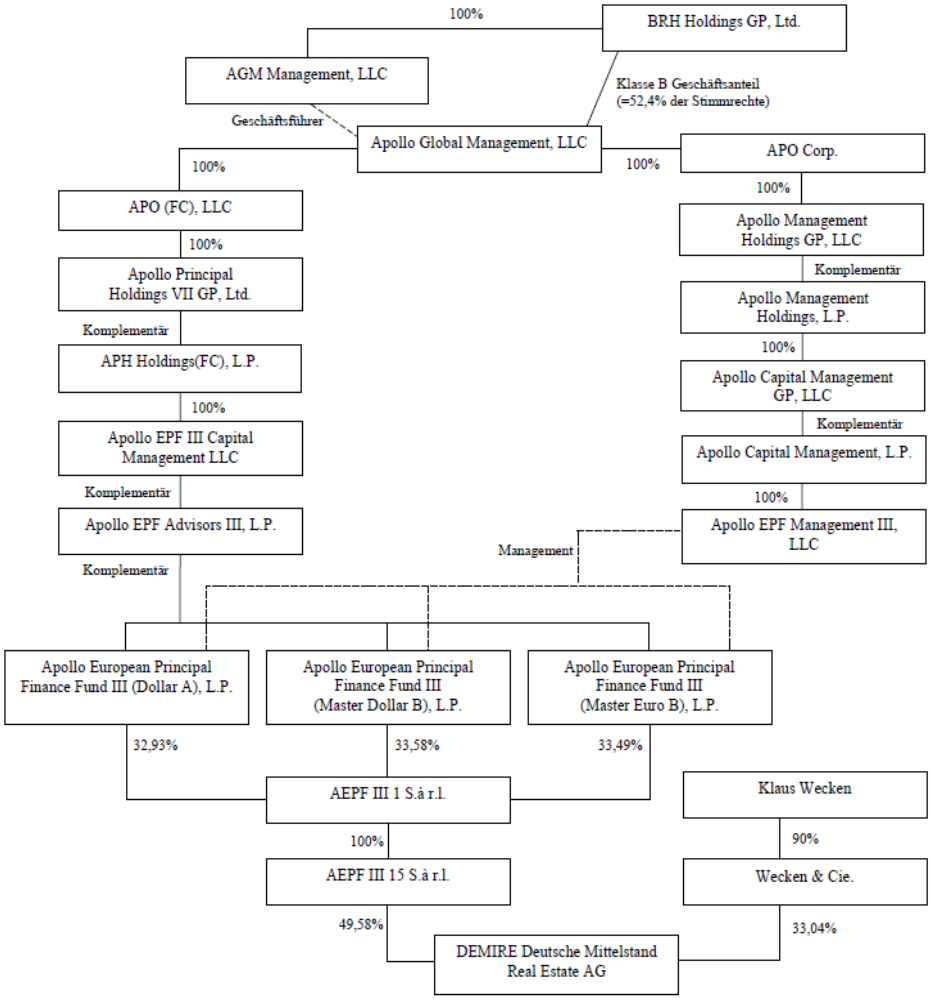
Die Gesellschaft ist die Muttergesellschaft des Konzerns. Die folgende Darstellung gibt (in vereinfachter Form) einen Überblick über den Konzern zum Datum dieses Prospekts:



(1) DEMIRE Deutsche Mittelstand Real Estate AG hält mittelbar 79,4% an der Fair Value REIT-AG durch acht Holding-Gesellschaften. Die Fair Value REIT-AG ist Kommanditistin in diversen Immobilienfonds, und beherrscht auch den Komplementär dieser Fonds.

(2) Einschließlich deutscher und niederländischer Sub-Holding Gesellschaften, die österreichische, zypriotische, dänische, schweizerische, niederländische, bulgarische, rumänische, georgische und luxemburgische Immobiliengesellschaften halten, einschließlich Immobiliengesellschaften, welche nicht voll konsolidiert sind.

B.6	**Personen, die eine direkte oder indirekte (anzeigepflichtige) Beteiligung am Eigenkapital des Emittenten oder einen Teil der Stimmrechte halten.**	Gemäß erhaltener Stimmrechtsmitteilungen und nach Kenntnis der Gesellschaft halten die folgenden Personen zum Datum dieses Prospektes, direkt oder indirekt, eine meldepflichtige Beteiligung an der Gesellschaft: Wecken & Cie., eine Kommanditgesellschaft nach Schweizer Recht mit Sitz in Basel, Schweiz, hält direkt 33,04% der Aktien der Gesellschaft. Wecken & Cie. wird direkt von Klaus Wecken kontrolliert, der 90% der Geschätsanteile an der Wecken & Cie. hält und dem die von der Wecken & Cie. gehaltenen Stimmrechte an der Gesellschaft gemäß § 34 Wertpapierhandelsgesetz zugerechnet werden. Die AEPF III 15 S.à r.l., eine Gesellschaft mit beschränkter Haftung nach luxemburgischem Recht (*société à responsabilité limitée*) mit Sitz in Luxemburg, Großherzogtum Luxemburg, hält direkt 49,58% der Aktien der Gesellschaft. Alleinige Anteilseignerin der AEPF III 15 S.à r.l. ist die AEPF III 1 S.à r.l., eine Gesellschaft mit beschränkter Haftung mit Sitz in Luxemburg, Großherzogtum Luxemburg. Die Anteile an der AEPF III 1 S.à r.l werden ihrerseits von drei parallelen Investmentfonds (zusammen der „**EPF Fund**“) gehalten, die jeweils von der Apollo EPF Management III, LLC, einer Gesellschaft mit beschränkter Haftung nach dem Recht von Delaware, Vereinigte Staaten, verwaltet werden. Die Apollo EPF Management III, LLC, die keine wirtschaftliche Beteiligung an dem EPF Fund hält, ist eine indirekte Tochter der Apollo Global Management, LLC, einer Gesellschaft mit beschränkter Haftung nach dem Recht von Delaware, Vereinigte Staaten, die an der New York Stock Exchange gelistet ist. Der Komplementär des EPF Fund ist die Apollo EPF Advisors III, L.P., eine Kommanditgesellschaft mit Sitz auf den Kaimaninseln, die ebenfalls eine indirekte Tochtergesellschaft der Apollo Global Mangagement, LLC ist. Die Apollo EPF Advisors III, L.P. hält eine nominale wirtschaftliche Beteiligung an dem EPF Fund. Alleiniger Manager der Apollo Global Management, LLC ist die AGM Management, LLC, eine Gesellschaft mit beschränkter Haftung nach dem Recht von Delaware, Vereinigte Staaten. Alleinige Anteilseignerin der AGM Management, LLC ist die BRH Holdings GP, Ltd. Die BRH Holdings GP, Ltd hält zudem den einzigen ausstehenden Klasse B Geschäftsanteil an der Apollo Global Management, LLC, der zum 3. August 2018 52,4% der Stimmrechte an der Apollo Global Management, LLC gewährte, aber keine wirtschaftliche Beteiligung vermittelt. Die Klasse A Geschäftsanteile (mit und ohne Stimmrecht) der Apollo Global Management, LLC, die eine wirtschaftliche Beteiligung an der der Apollo Global Management, LLC vermitteln, sind an der New York Stock Exchange gelistet. Zum 3. August 2018 gewährten die Klasse A Geschäftsanteile mit Stimmrecht insgesamt 47,6% der Stimmrechte an der Apollo Global Management, LLC. Die BRH Holdings GP Ltd. wird nicht von einer juristischen oder natürlichen Person beherrscht und fungiert gemäß den Bestimmungen des Wertpapierhandelsgesetzes als oberste meldende Einheit für Zwecke der Stimmrechtsmitteilungen der AEPF III 15 S.à r.l. in Bezug auf die Gesellschaft. Das folgende Schaubild gibt nach Kenntnis der Gesellschaft einen Überblick über die direkten und indirekten Anteilseigner der Gesellschaft zum Datum dieses Prospekts (ausgehend von meldepflichtigen Beteiligungen an der Gesellschaft):



Entsprechend § 34 Abs. 2 Wertpapierhandelsgesetz werden die von der AEPF III 15 S.à r.l. gehaltenen Stimmrechte sowohl Klaus Wecken als auch Ferry Wecken, Ina Wecken und der care4 AG, einer Tochtergesellschaft der Wecken & Cie., aufgrund eines abgestimmten Verhaltens zwischen diesen Personen zugerechnet und umgekehrt. Der direkte Anteilsbesitz von Klaus Wecken, Ferry Wecken, Ina Wecken und der care4 AG an der Gesellschaft beträgt jeweils unter 1,00% des Grundkapitals der Gesellschaft und ist daher nicht nach den Bestimmungen des Wertpapierhandelsgesetzes meldepflichtig.

Stimmrechte.

Jede Aktie der Gesellschaft berechtigt zu einer Stimme in der Hauptversammlung der Gesellschaft. Es bestehen keine Beschränkungen der Stimmrechte. Alle Aktien der Gesellschaft sind mit dem gleichen Stimmrecht ausgestattet.

Direkte oder indirekte Beherrschung über den Emittenten und die Art einer solchen Beherrschung.

Die Gesellschaft wird von AEPF III 15 S.à r.l. und der Wecken-Gruppe (jeweils wie nachstehend definiert) gemeinsam und unmittelbar im Sinne des deutschen Wertpapiererwerbs- und Übernahmegesetzes („**WpÜG**“) kontrolliert.

Am 26. Februar 2018 haben AEPF III 15 S.à r.l., eine Gesellschaft mit beschränkter Haftung (*société à responsabilité limitée*) nach luxemburgischem Recht mit Sitz in Luxemburg, Großherzogtum Luxemburg und Wecken & Cie., einer Kommanditgesellschaft nach Schweizer Recht mit

Sitz in Basel, Schweiz, Klaus Wecken, Ferry Wecken, Ina Wecken und Care4 AG (zusammen die „**Wecken-Gruppe**“ und, zusammen mit AEPF III 15 S.à r.l., die „**Kontrollierenden Aktionäre**“) eine Aktionärsvereinbarung in Bezug auf ihre Zusammenarbeit als Aktionäre der Gesellschaft geschlossen (die „**Aktionärsvereinbarung**“), durch die AEPF III 15 S.à r.l. und die Wecken-Gruppe Kontrolle über die Gesellschaft im Sinne von § 35 Abs. 1 Satz 1 in Verbindung mit §§ 29 Abs. 2, 30 Abs. 2 WpÜG erlangt haben. Um den internen Entscheidungsprozess innerhalb der Wecken-Gruppe während der Laufzeit der Aktionärsvereinbarung zu koordinieren, haben die Mitglieder der Wecken-Gruppe am selben Tag einen Stimmbindungsvertrag über die Aktien der Gesellschaft geschlossen (der „**Wecken Stimmbindungsvertrag**“), der bei Beendigung der Aktionärsvereinbarung eine wechselseitige Zurechnung aller Stimmrechte aus Aktien der Gesellschaft, die von den Mitgliedern der Wecken-Gruppe innerhalb der Wecken-Gruppe gehalten werden, vorsieht (§ 30 Abs. 2 WpÜG).

Durch die gemeinsame Ausübung ihrer Stimmrechte unter der Aktionärsvereinbarung zur Kooperation als Aktionäre der Gesellschaft, die am 26. Februar 2018 zwischen AEPF III 15 S.à r.l. und der Wecken-Gruppe geschlossen wurde, sind AEPF III 15 S.à r.l. und die Wecken-Gruppe in der Lage, einen wesentlichen Einfluss auf die Hauptversammlung, und damit auch auf von der Hauptversammlung beschlossene Angelegenheiten, einschließlich, aber nicht ausschließlich, der Bestellung von Mitgliedern des Aufsichtsrats der Gesellschaft (auch durch die Einbeziehung von Entsenderechten zugunsten bestimmter Aktionäre nach einer Änderung der Satzung der Gesellschaft), der Ausschüttung von Dividenden oder vorgeschlagener Kapitalerhöhungen, auszuüben.

B.7 Ausgewählte wesentliche historische Finanzinformationen.

Die nachfolgend in den Tabellen aufgeführten Finanzinformationen sind den geprüften Konzernabschlüssen der Gesellschaft für die zum 31. Dezember 2015 (der „**Geprüfte Konzernabschluss 2015**“), zum 31. Dezember 2016 (der “**Geprüfte Konzernabschluss 2016**”) und zum 31. Dezember 2017 (der “**Geprüfte Konzernabschluss 2017**”) endenden Geschäftsjahre und dem ungeprüften Konzernzwischenabschluss für den zum 30. Juni 2018 endenden Sechsmonatszeitraum (der „**Ungeprüfte Konzernzwischenabschluss**“) entnommen.

Der Ungeprüfte Konzernzwischenabschluss, der Geprüfte Konzernabschluss 2017, der Geprüfte Konzernabschluss 2016 und der Geprüfte Konzernabschluss 2015 werden in diesem Prospekt zusammenfassend als die „**Konzernabschlüsse**“ bezeichnet. Der Geprüfte Konzernabschluss 2017, der Geprüfte Konzernabschluss 2016 und der Geprüfte Konzernabschluss 2015 werden in diesem Prospekt zusammenfassend als die „**Geprüften Konzernabschlüsse**“ bezeichnet. Der Geprüfte Konzernabschluss 2015 und der Geprüfte Konzernabschluss 2016, die in diesem Prospekt enthalten sind, sind in Übereinstimmung mit den International Financial Reporting Standards, wie sie in der Europäischen Union anzuwenden sind („**IFRS**“), und den ergänzend nach § 315a Abs. 1 Handelsgesetzbuch („**HGB**“) anzuwendenden handelsrechtlichen Vorschriften erstellt worden. Der Geprüfte Konzernabschluss 2017, der in diesem Prospekt enthalten ist, ist in Übereinstimmung mit den IFRS und den ergänzend nach § 315e Abs. 1 HGB anzuwendenden handelsrechtlichen Vorschriften erstellt worden. Der Ungeprüfte Konzernzwischenabschluss ist in Übereinstimmung mit IFRS für Zwischenberichterstattung (IAS 34) erstellt worden.

Die deutschsprachigen Geprüften Konzernabschlüsse wurden von der Ernst

& Young GmbH Wirtschaftsprüfungsgesellschaft gemäß § 317 HGB unter Beachtung der deutschen Grundsätze ordnungsgemäßer Abschlussprüfung geprüft und in Bezug auf den deutschsprachigen Geprüften Konzernabschluss 2015 und den deutschsprachigen Geprüften Konzernabschluss 2016 mit uneingeschränkten Bestätigungsvermerken sowie in Bezug auf den deutschsprachigen Geprüften Konzernabschluss 2017 mit einem uneingeschränkten Bestätigungsvermerk des unabhängigen Abschlussprüfers versehen. Englische Übersetzungen der Geprüften Konzernabschlüsse und der jeweiligen Bestätigungsvermerke bzw. des Bestätigungsvermerks des unabhängigen Abschlussprüfers sind in diesem Prospekt enthalten.

Im Dezember 2015 erwarben wir 77,7% der Stimmrechte an der Fair Value REIT-AG durch eine freiwillige öffentliche Übernahme. Fair Value REIT-AG wurde erstmals zum 31. Dezember 2015, in Übereinstimmung mit den Regelungen in IFRS 3 für Unternehmenszusammenschlüsse, vollständig im Konzernabschluss der Gesellschaft konsolidiert. Zudem erwarben wir im Oktober 2015, mit Wirkung zum 30. Oktober 2015, einen 94%-Anteil an der Germavest Real Estate S.à r.l. Infolge unserer Übernahme der Fair Value REIT-AG und des Erwerbs des 94%-Anteils an der Germavest Real Estate S.à r.l. und ihres „T6-Portfolios“ in 2015 ist die Vergleichbarkeit der Finanzinformationen für das zum 31. Dezember 2015 endende Geschäftsjahr mit den zum 31. Dezember 2016 und 2017 endenden Geschäftsjahren erheblich eingeschränkt.

Im Ungeprüften Konzernzwischenabschluss hat die Gesellschaft seit dem 1. Januar 2018 IFRS 15 „Erlöse aus Verträgen mit Kunden“, IFRS 16 „Leasing“ und IFRS 9 „Finanzinstrumente“ angewendet. Die Vergleichbarkeit bestimmter Abschlussposten zwischen dem am 30. Juni 2017 und dem am 30. Juni 2018 endenden Sechsmonatszeitraum kann daher eingeschränkt sein. Für eine Beschreibung der Auswirkungen aus dieser erstmaligen Anwendung verweisen wir auf den Anhang zum Ungeprüften Konzernzwischenabschluss.

Sofern die Finanzinformationen in den nachfolgenden Tabellen als „geprüft“ gekennzeichnet sind, bedeutet dies, dass diese den Geprüften Konzernabschlüssen entnommen sind. Die Kennzeichnung „ungeprüft“ wird in den nachfolgenden Tabellen verwendet, um auf Finanzinformationen hinzuweisen, die nicht den Geprüften Konzernabschlüssen, sondern entweder dem Ungeprüften Konzernzwischenabschluss oder dem internen Buchhaltungssystem der Gesellschaft entnommen sind oder auf Berechnungen von Zahlen aus den oben genannten Quellen basieren.

Bei in Klammern („()“) angegebenen Finanzinformationen handelt es sich um den negativen Wert der gezeigten Zahl. In Bezug auf den Ausweis von Finanzinformationen in diesem Prospekt bedeutet ein Gedankenstrich („—“), dass die jeweilige Zahl nicht verfügbar ist, während eine Null („0”) bedeutet, dass die jeweilige Zahl zwar verfügbar ist, aber auf Null gerundet wurde oder gleich Null ist.

Konzern-Gewinn- und Verlustrechnung

Die nachfolgende Tabelle zeigt ausgewählte Finanzinformationen aus der Konzern-Gewinn- und Verlustrechnung der Gesellschaft für die zum 31. Dezember 2015, 2016 und 2017 endenden Geschäftsjahre sowie die zum 30. Juni 2017 und 2018 endenden Sechsmonatszeiträume:

	Geschäftsjahr endend zum 31. Dezember			**Sechsmonatszeitraum endend zum 30. Juni**	
	2015	**2016**	**2017**	**2017**	**2018**
		(in € Tausend)			
		(geprüft)		**(ungeprüft)**	
Mieterträge	33.320[1]	76.371	73.716	37.231	36.557
Erträge aus Nebenkostenumlagen	10.024[1]	15.746	14.624	9.651	8.803
Betriebliche Aufwendungen zur Erzielung von Mieterträgen	(19.664)	(33.547)	(32.708)	(19.547)	(17.289)
Ergebnis aus der Vermietung von Immobilien	**23.680**	**58.570**	**55.632**	**27.335**	**28.071**
Ergebnis aus der Veräußerung von Immobiliengesellschaften	**285**	**3.961**	**0**	—	—
Ergebnis aus der Veräußerung von Immobilien	**458**	**963**	**944**	**(517)**	**(11)**
Ergebnis aus at equity bewerteten Unternehmen	**(500)**	**(359)**	**73**	**65**	**97**
Ergebnis aus der Fair-Value-Anpassung der als Finanzinvestitionen gehaltenen Immobilien	18.471	38.414	48.560	6.836	70.099
Wertminderung/en von Forderungen	(2.846)	(2.058)	(2.763)	(491)	(2.107)
Gewinn aus einem Erwerb zu einem Preis unter dem Marktwert	33.217	0	—	—	—
Sonstige betriebliche Erträge	2.572	5.550	5.052	2.777	2.099
Sonstige betriebliche Erträge und andere Ergebniseffekte	**51.414**	**41.906**	**50.849**	**9.122**	**70.091**
Ergebnis vor Zinsen und Steuern	**58.740**	**83.169**	**84.671**	**24.135**	**84.387**
Finanzergebnis	**(25.728)**	**(43.207)**	**(57.042)**	**(13.311)**	**(22.028)**
Ergebnis vor Steuern	**33.012**	**39.962**	**27.629**	**10.824**	**62.359**
(Laufende) Ertragsteuern[2]	(755)[2]	(2.852)[2]	(333)	(1.694)	(292)
Latente Steuern[2]	(3.384)[2]	(9.460)[2]	(7.864)	(3.517)	(17.394)
Periodenergebnis	**28.873**	**27.649**	**19.432**	**5.614**	**44.673**

[1] Den entsprechenden Anhangangaben zu dem Geprüften Konzernabschluss 2015 entnommen. Die Gesellschaft hat die Darstellung des Ergebnisses aus der Vermietung von Immobilien in der Konzern-Gewinn- und Verlustrechnung des Geprüften Konzernabschlusses 2016 geändert und die Mieterträge und die Erträge aus Nebenkostenumlagen, wie in den entsprechenden Anhangangaben ausgewiesen, gesondert dargestellt.

[2] Den entsprechenden Anhangangaben zu dem Geprüften Konzernabschluss 2015 und dem Geprüften Konzernabschluss 2016 entnommen. Die Gesellschaft hat die Darstellung der Ertragsteuern in der Konzern-Gewinn- und Verlustrechnung des Geprüften Konzernabschlusses 2017 geändert und die laufenden Ertragsteuern sowie die latenten Steuern, wie in den entsprechenden Anhangangaben ausgewiesen, gesondert dargestellt.

Konzernbilanz

Die nachfolgende Tabelle zeigt ausgewählte Finanzinformationen aus der Konzernbilanz der Gesellschaft zum 31. Dezember 2015, 2016 und 2017 sowie zum 30. Juni 2018:

	Zum 31. Dezember			Zum 30. Juni
	2015	2016	2017	2018
		(in € Tausend)		
		(geprüft)		(ungeprüft)
VERMÖGENSWERTE				
Als Finanzinvestition/en gehaltene Immobilien	915.089	981.274	1.021.847	1.092.040
Summe langfristige Vermögenswerte	**948.597**	**1.001.486**	**1.032.897**	**1.102.835**
Summe kurzfristige Vermögenswerte	**71.343**	**68.229**	**101.957**	**122.131**
Zur Veräußerung gehaltene langfristige Vermögenswerte	**13.005**	**24.291**	**12.262**	**12.685**
Summe Vermögenswerte	**1.032.945**	**1.094.006**	**1.147.116**	**1.237.651**
EIGENKAPITAL UND SCHULDEN				
Gezeichnetes Kapital	49.292	54.247	54.271	73.065
Rücklagen	181.405	217.698	231.146	291.748
Den Anteilseignern des Mutterunternehmens zurechenbares Eigenkapital	**230.697**	**271.945**	**285.417**	**364.813**
Anteil/e der nicht beherrschenden Anteilseigner	34.205	36.692	33.684	37.939
Summe Eigenkapital	**264.902**	**308.637**	**319.101**	**402.752**
Summe langfristige Schulden	**696.746**	**719.340**	**780.630**	**761.287**
Summe kurzfristige Schulden	**71.297**	**66.029**	**47.385**	**73.612**
Summe Schulden	**768.043**	**785.369**	**828.015**	**834.899**
Summe Schulden und Eigenkapital	**1.032.945**	**1.094.006**	**1.147.116**	**1.237.651**

Konzernkapitalflussrechnung

Die nachfolgende Tabelle zeigt ausgewählte Finanzinformationen aus der Konzernkapitalflussrechnung der Gesellschaft für die zum 31. Dezember 2015, 2016 und 2017 endenden Geschäftsjahre sowie die zum 30. Juni 2017 und 2018 endenden Sechsmonatszeiträume:

	Geschäftsjahr endend zum 31. Dezember			Sechsmonatszeitraum endend zum 30. Juni	
	2015	2016	2017	2017	2018
		(in € Tausend)			
		(geprüft)		(ungeprüft)	
Cashflow aus der betrieblichen Tätigkeit	**10.815**	**35.352**	**35.814**	**13.445**	**14.371**
Cashflow aus der Investitionstätigkeit	**(29.165)**	**5.726**	**20.554**	**10.762**	**(606)**
Cashflow aus der Finanzierungstätigkeit	**42.420**	**(38.255)**	**(13.783)**	**(17.933)**	**6.197**
Nettoveränderung der Zahlungsmittel	**24.070**	**2.822**	**42.585**	**6.273**	**19.963**
Zahlungsmittel am Anfang der Periode	4.397	28.467	31.289	31.289	73.874
Zahlungsmittel am Ende der Periode[1]	**28.467**	**31.289**	**73.874**	**37.562**	**93.837**

(1) Davon verfügungsbeschränkte Zahlungsmittel in Höhe von €673 Tausend für den Sechsmonatsreitraum zum 30. Juni 2018 und in Höhe von €607 Tausend für den Sechsmonatszeitraum zum 30. Juni 2017.

Wesentliche Änderungen der Finanzlage und des Betriebsergebnisses des Emittenten während und nach dem Zeitraum, der von den wesentlichen historischen Finanzinformationen erfasst wird.

Die folgenden Veränderungen in den Betriebsergebnissen und der Finanzlage der Gesellschaft, dargestellt (i) für die Betriebsergebnisse auf der Basis des Ergebnisses aus der Vermietung von Immobilien, des Ergebnisses aus der Veräußerung von Immobiliengesellschaften, des Ergebnisses aus der Veräußerung von Immobilien, des Ergebnisses aus at-equity bewerteten Unternehmen und des Periodenergebnisses, und (ii) für die Finanzlage auf Basis der Summe der langfristigen Vermögenswerte, der Summe der kurzfristigen Vermögenswerte, der Summe der langfristigen Schulden und der Summe der kurzfristigen Schulden, ergaben sich zum 30. Juni 2018 und in den zum 30. Juni 2017 und 2018 endenden Sechsmonatszeiträumen, sowie den zum 31. Dezember 2015, 2016 und 2017 endenden Geschäftsjahren:

Zum 30. Juni 2017 und 2018 endende Sechsmonatszeiträume

Das Ergebnis aus der Vermietung von Immobilien stieg um €736 Tausend, bzw. 2,7%, von €27.335 Tausend in dem zum 30. Juni 2017 endenden Sechsmonatszeitraum auf €28.071 Tausend in dem zum 30. Juni 2018 endenden Sechsmonatszeitraum. Der Anstieg resultierte im Wesentlichen aus geringeren betrieblichen Aufwendungen zur Erzielung von Mieteinnahmen und operativen Aufwendungen zur Erzielung von Mieteinnahmen in dem zum 30. Juni 2018 endenden Sechsmonatszeitraum nach dem Verkauf nicht strategischer Immobilien in 2017. Das Ergebnis aus der Veräußerung von Immobilien verbesserte sich von einem Verlust von €517 Tausend in dem zum 30. Juni 2017 endenden Sechsmonatszeitraum auf einen Verlust von €11 Tausend in dem zum 30. Juni 2018 endenden Sechsmonatszeitraum. Das Periodenergebnis stieg um €39.059 Tausend von einem Periodenergebnis von €5.614 Tausend in dem zum 30. Juni 2017 endenden Sechsmonatszeitraum auf ein Periodenergebnis von €44.673 Tausend in dem zum 30. Juni 2018 endenden Sechsmonatszeitraum.

Die Summe der langfristigen Vermögenswerte stieg um €69.938 Tausend, bzw. 6,8%, von €1.032.987 Tausend zum 31. Dezember 2017 auf €1.102.835 Tausend zum 30. Juni 2018. Die Summe der kurzfristigen Vermögenswerte stieg um €20.174 Tausend, bzw. 19,8%, von €101.957 Tausend zum 31. Dezember 2017 auf €122.131 Tausend zum 30. Juni 2018. Der Anstieg ist vor allem auf einen Anstieg der Zahlungsmittel aufgrund einer Kapitalerhöhung in Höhe von 10% des Grundkapitals im Februar 2018 zurückzuführen. Die Summe der langfristigen Schulden sank um €19.343 Tausend, bzw. 2,5%, von €780.630 Tausend zum 31. Dezember 2017 auf €761.287 Tausend zum 30. Juni 2018. Die Summe der kurzfristigen Schulden stieg um €26.227 Tausend, bzw. 55,3%, von €47.385 Tausend zum 31. Dezember 2017 auf €73.612 Tausend zum 30. Juni 2018. Dieser Anstieg ist auf einen Anstieg der kurzfristigen Finanzschulden zurückzuführen, der wiederum auf das Erwerbsangebot zurückgeht, das den Inhabern der €270,0 Millionen 2,875% Senior Notes, fällig 2022 am 26. Juli 2017 (die „**2022 fällige Anleihe**“), im ersten Halbjahr 2018 infolge des Inhaberkontrollwechsels unterbreitet wurde und in Höhe von €33.375 Tausend angenommen wurde. Die entsprechende Finanzierung erfolgte im Wege einer Brückenfinanzierung in Höhe von ungefähr €34,1 Millionen über ein laufendes Darlehen.

Zum 31. Dezember 2016 und 2017 endende Geschäftsjahre

Das Ergebnis aus der Vermietung von Immobilien sank um €2.938 Tausend, bzw. 5,0%, von €58.570 Tausend in dem zum 31. Dezember 2016 endenden Geschäftsjahr auf €55,632 Tausend in dem zum 31. Dezember 2017 endenden Geschäftsjahr. Der Rückgang resultiert im Wesentlichen aus dem Verkauf nicht strategischer Immobilien im Jahr 2017. Das Ergebnis aus dem Verkauf von Immobiliengesellschaften belief sich in dem zum 31. Dezember 2017 endenden Geschäftsjahr auf €0 Tausend im Vergleich zu €3.961 Tausend in dem zum 31. Dezember 2016 endenden Geschäftsjahr. Das Ergebnis aus der Veräußerung von Immobilien sank um €19 Tausend von €963 Tausend in dem zum 31. Dezember 2016 endenden Geschäftsjahr auf €944 Tausend in dem zum 31. Dezember 2017 endenden Geschäftsjahr. Die wesentlichen in dem zum 31. Dezember 2017 endenden Geschäftsjahr verkauften Immobilien waren die Immobilien Teltow und Krefeld der Fair Value REIT-AG, das Objekt Hohenstein-Ernstthal, sowie mehrere von der Condor Objektgesellschaft Yellow GmbH gehaltene Objekte. Das Periodenergebnis des in dem zum 31. Dezember 2017 endenden Geschäftsjahres sank um €8.217 Tausend, bzw. 29,7%, von einem Periodenergebnis von €27.649 Tausend in dem zum 31. Dezember 2016 endenden Geschäftsjahr auf ein Periodenergebnis von €19.432 Tausend in dem zum 31. Dezember 2017 endenden Geschäftsjahr.

Die Summe der langfristigen Vermögenswerte stieg um €31.411 Tausend, bzw. 3,1%, von €1.001.486 Tausend zum 31. Dezember 2016 auf €1.032.897 Tausend zum 31. Dezember 2017. Der Anstieg ist vor allem auf einen Anstieg der als Finanzinvestitionen gehaltenen Immobilien zurückzuführen, die sich von €981.274 Tausend zum 31. Dezember 2016 auf €1.021.847 Tausend zum 31. Dezember 2017 erhöht haben und wovon €44.765 Tausend auf Anpassungen aus der Bewertung zum beizulegenden Zeitwert zurückzuführen sind. Die Summe der kurzfristigen Vermögenswerte stieg um €33.728 Tausend, bzw. 49,4%, von €68.229 Tausend zum 31. Dezember 2016 auf €101.957 Tausend zum 31. Dezember 2017. Der Anstieg ist vor allem auf einen Anstieg der Zahlungsmittel von €31.289 Tausend zum 31. Dezember 2016 auf €73.874 Tausend zum 31. Dezember 2017 zurückzuführen, der sich aus den Nettoerlösen aus der Ausgabe der 2022 fälligen Anleihe und der nachfolgenden Angebotsaufstockung (*tap offering*), die nicht zur Refinanzierung bestehender Schulden genutzt wurden, ergibt. Die Summe der langfristigen Schulden stieg um €61.290 Tausend, bzw. 8,5%, von €719.340 Tausend zum 31. Dezember 2016 auf €780.630 Tausend zum 31. Dezember 2017. Dieser Anstieg ist vor allem auf den Anstieg der langfristigen Finanzschulden von €620.623 Tausend zum 31. Dezember 2016 auf €665.767 Tausend zum 31. Dezember 2017 zurückzuführen, der im Zusammenhang mit der Ausgabe der 2022 fälligen Anleihe und der Refinanzierung bestehender Schulden steht. Der Anstieg der langfristigen Schulden geht auch auf den Anstieg latenter Steuerschulden um €7.863 Tausend und der Anteile von Minderheitsgesellschaftern um €9.109 Tausend, insbesondere aufgrund von Anpassungen aus der Bewertung zum beizulegenden Zeitwert in Bezug auf als Finanzinvestitionen gehaltene Immobilien, zurück. Die Summe der kurzfristigen Schulden sank um €18.644 Tausend, bzw. 28,2%, von €66.029 Tausend zum 31. Dezember 2016 auf €47.385 Tausend zum 31. Dezember 2017. Der Rückgang ist vor allem auf den

Rückgang der kurzfristigen Finanzschulden von €42.020 Tausend zum 31. Dezember 2016 auf €29.147 Tausend zum 31. Dezember 2017 zurückzuführen, der hauptsächlich aus der Refinanzierung bestehender Schulden durch die Ausgabe der 2022 fälligen Anleihe resultiert.

Zum 31. Dezember 2015 und 2016 endende Geschäftsjahre

Das Ergebnis aus der Vermietung von Immobilien stieg um €34.890 Tausend von €23.680 Tausend in dem zum 31. Dezember 2015 endenden Geschäftsjahr auf € 58.570 Tausend in dem zum 31. Dezember 2016 endenden Geschäftsjahr. Der Zuwachs ist vor allem auf einen deutlichen Anstieg der Mieteinnahmen zurückzuführen. Der Anstieg der Mieteinnahmen, von €33.320 Tausend in dem zum 31. Dezember 2015 endenden Geschäftsjahr auf €76.371 Tausend in dem zum 31. Dezember 2016 endenden Geschäftsjahr, ist im Wesentlichen darauf zurückzuführen, dass in diesem Jahr erstmals die Mieteinnahmen der im Jahr 2015 erworbenen Unternehmen, insbesondere der Fair Value REIT-AG, sowie des Erwerbes von 94% der Anteile an der Germavest Real Estate S.à r.l. und ihres „T6"-Portfolios, zusätzlich zu den Mieteinnahmen der im Laufe des Jahres 2016 erworbenen Immobilien, vollständig eingeflossen sind. Das Ergebnis aus der Veräußerung von Immobiliengesellschaften stieg um €3.676 Tausend von €285 Tausend in dem zum 31. Dezember 2015 endenden Geschäftsjahr auf €3.961 Tausend in dem zum 31. Dezember 2016 endenden Geschäftsjahr. Ähnlich wie in dem zum 31. Dezember 2015 endenden Geschäftsjahr standen die Veräußerungen in dem zum 31. Dezember 2016 endenden Geschäftsjahr hauptsächlich im Zusammenhang mit unserem Altportfolio von Immobilien und umfassten unter anderem Gesellschaften in Tbilisi, Georgien, unsere 50%-Beteiligung an einem Joint Venture in Warschau, Polen sowie eine Minderheitsbeteiligung an einer Immobiliengesellschaft in Frankfurt, Deutschland. Das Ergebnis aus der Veräußerung von Immobilien stieg um €505 Tausend von €458 Tausend in dem zum 31. Dezember 2015 endenden Geschäftsjahr auf €963 Tausend in dem zum 31. Dezember 2016 endenden Geschäftsjahr. Hauptsächlich wurden in dem zum 31. Dezember 2016 endenden Geschäftsjahr die Immobilien in Radevormwald, Ahaus-Wüllen, Halle-Peissen, Kempten und Ulm verkauft. Das Periodenergebnis für den Zeitraum des zum 31. Dezember 2016 endenden Geschäftsjahres sank um €1.224 Tausend, bzw. 4,2%, von einem Periodenergebnis von €28.873 Tausend in dem zum 31. Dezember 2015 endenden Geschäftsjahr auf ein Periodenergebnis von €27.649 Tausend in dem zum 31. Dezember 2016 endenden Geschäftsjahr. Diese Abnahme ist unter anderem auf die vorstehend beschriebenen Faktoren zurückzuführen.

Die Summe der langfristigen Vermögenswerte stieg um €52.889 Tausend, bzw. 5,6%, von €948.597 Tausend zum 31. Dezember 2015 auf €1.001.486 Tausend zum 31. Dezember 2016. Der Anstieg ist vor allem auf einen Anstieg der als Finanzinvestitionen gehaltenen Immobilien zurückzuführen. Die Summe der kurzfristigen Vermögenswerte sank um €3.114 Tausend, bzw. 4,4%, von €71.343 Tausend zum 31. Dezember 2015 auf €68.229 Tausend zum 31. Dezember 2016. Die Abnahme ist vor allem auf eine Abnahme der Finanzforderungen und sonstigen finanziellen Vermögenswerte zurückzuführen, die teilweise durch einen Anstieg der Forderungen aus Lieferungen und Leistungen und sonstigen Forderungen ausgeglichen wurde. Die Summe der langfristigen Schulden stieg um

€22.594 Tausend, bzw. 3,2%, von €696.746 Tausend zum 31. Dezember 2015 auf €719.340 Tausend zum 31. Dezember 2016. Der Anstieg ist vor allem auf einen Anstieg der langfristigen Finanzschulden zurückzuführen. Die Summe der kurzfristigen Schulden sank um €5.268 Tausend, bzw. 7,4%, von €71.297 Tausend zum 31. Dezember 2015 auf €66.029 Tausend zum 31. Dezember 2016. Die Abnahme ist vor allem auf eine Abnahme der kurzfristigen Finanzschulden zurückzuführen.

Aktuelle Entwicklungen

Am 12. Juli 2018 haben die AEPF III 15 S.à r.l., eine Gesellschaft mit beschränkter Haftung nach luxemburgischem Recht (*société à responsabilité limitée*) mit Sitz in Luxemburg, Großherzogtum Luxemburg, als Verkäuferin, und die FVR Beteiligungsgesellschaft Achte GmbH & Co. KG, eine mittelbare Tochtergesellschaft der Gesellschaft, als Käuferin, einen Aktienkaufvertrag über den Erwerb von 238.064 Aktien der Fair Value Reit-AG geschlossen. Der Kaufpreis betrug €1.952.124,80, was €8,20 je Aktie entspricht. Zum Datum dieses Prospekts hält die Gesellschaft nun mittelbar über acht Holdinggesellschaften 79,4% an der Fair Value REIT-AG .

Mit Wirkung zum 15. August 2018 wurde die Brückenfinanzierung, die im Zusammenhang mit dem Rückerwerbsangebot an die Inhaber der 2022 fälligen Anleihe aufgrund des Kontrollwechsels in Anspruch genommen wurde, vorzeitig um drei Monate bis zum 15. November 2018 verlängert. Die Gesellschaft beabsichtigt, den unter der Brückenfinanzierung noch ausstehenden Betrag entweder zurückzuzahlen oder, gegebenenfalls durch eine Ausgabe weiterer Anleihen, zu refinanzieren.

Die Gesellschaft beabsichtigt, die Neuen Aktien (wie in C.1 definiert) zu verkaufen und den erwarteten Nettoerlös aus dem Angebot (wie in E.3 definiert) zu verwenden, um die Kaufpreise für den potenziellen Erwerb verschiedener, nicht miteinander in Zusammenhang stehender Immobilien bzw. Immobilienportfolien überwiegend in Deutschland, die zusammen einen geschätzten Gesamtkaufpreis (einschließlich Erwerbskosten) von bis zu ca. €350 Millionen haben, teilweise zu finanzieren. Diese umfassen insgesamt bis zu 10 Einzelimmobilien mit einem durchschnittlichen Kaufpreis je Immobilie (einschließlich Erwerbskosten) von ca. €35 Millionen. Mit Blick auf die Anlageklasse handelt es sich überwiegend um Büroimmobilien.

Die Gesellschaft befindet sich derzeit in unterschiedlichen Stadien der Vorbereitung und exklusiven Verhandlungen mit den jeweiligen Verkäufern dieser Immobilien bzw. Portfolien und strebt an, in Bezug auf eines dieser Immobilienportfolien kurzfristig einen Kaufvertrag abzuschließen. Zum Datum dieses Prospekts ist die Gesellschaft jedoch noch keine bindenden Verpflichtungen in Bezug auf diese Erwerbsmöglichkeiten eingegangen.

Sollte die Gesellschaft anstreben, Immobilien zu einem Gesamtkaufpreis zu erwerben, der den Nettoerlös aus dem Angebot und die verfügbaren Barmittel übersteigt, so plant sie, den Restbetrag des Kaufpreises für diese möglichen Akquisitionen in Höhe von bis zu ca. €200 Millionen durch besicherte Bankfinanzierungen oder, abhängig von den Marktbedingungen, durch die Aufnahme zusätzlicher Verschuldung an den Kapitalmärkten zu finanzieren. Die Gesellschaft hat vor Kurzem Gespräche mit einzelnen Finanzinstituten über mögliche Bankfinanzierungen aufgenommen. Sollte es der Gesellschaft nicht möglich sein, eine Finanzierung des Restkaufpreises von bis zu ca. € 200 Millionen zu erhalten, würde sie anstreben, diejenigen Immobilien und / oder Immobilienportfolien zu erwerben, die sie mit dem Nettoerlös aus dem Angebot und verfügbaren Barmitteln erwerben könnte. Die Verwendung des Nettoerlöses aus dem Angebot hängt daher nicht davon ab, ob die Gesellschaft in der Lage ist, zusätzliche Finanzierungen zu erhalten.

Sollte die Gesellschaft nicht in der Lage sein, einzelne oder sämtliche dieser Zukäufe zu vollziehen, würde sie den Nettoerlös aus dem Angebot, beziehungsweise einen etwaigen verbleibenden Betrag, in Übereinstimmung mit ihrer finanziellen Strategie, ausgewählte Zukäufe von kommerziell genutzten Immobilien in Sekundärlagen in Deutschland zu tätigen, verwenden. Die Gesellschaft prüft regelmäßig Akquisitionsmöglichkeiten im Rahmen des üblichen Geschäftsbetriebs und würde daher den Nettoerlös aus dem Angebot behalten, bis eine geeignete Immobilie oder ein geeignetes Immobilienportfolio identifiziert werden kann.

Außer den oben dargestellten Änderungen haben sich zwischen dem 30. Juni 2018 und dem Datum dieses Prospekts keine wesentlichen Änderungen unserer Vermögens-, Finanz- und Ertragslage ergeben.

B.8	**Ausgewählte wesentliche Pro forma-Finanzinformationen.**	Entfällt. Die Gesellschaft hat keine Pro Forma-Finanzinformationen erstellt.
B.9	**Gewinnprognosen oder -schätzungen.**	Am 25. April 2018 hat die Gesellschaft ihre Gewinnprognose für das am 31. Dezember 2018 endende Geschäftsjahr vorgestellt. Für das am 31. Dezember 2018 endende Geschäftsjahr erwartet die Gesellschaft, auf Basis des aktuell bestehenden Immobilienportfolios der Gesellschaft, ein FFO I nach Steuern von €16-18 Millionen.
B.10	**Beschränkungen im Bestätigungsvermerk zu den historischen Finanzinformationen.**	Entfällt. Die Bestätigungsvermerke zu den im Prospekt enthaltenen geprüften Konzernabschlüssen der Gesellschaft für die zum 31. Dezember 2015 und 2016 endenden Geschäftsjahre sowie die Bestätigungsvermerke des unabhängigen Abschlussprüfers zu den im Prospekt enthaltenen geprüften Konzernabschluss und geprüften Jahresabschluss der Gesellschaft für das zum 31. Dezember 2017 endende Geschäftsjahr wurden ohne Einschränkungen erteilt.

B.11	**Nichtausreichen des Geschäftskapitals des Emittenten zur Erfüllung bestehender Anforderungen.**	Entfällt. Das Geschäftskapital des Konzerns ist nach Ansicht der Gesellschaft mindestens ausreichend, um alle Zahlungspflichten, die innerhalb der nächsten 12 Monate nach dem Datum dieses Prospekts fällig werden, zu erfüllen.

Abschnitt C—WERTPAPIERE

C.1	**Art und Gattung der angebotenen und/oder zum Handel zugelassenen Wertpapiere.**	Auf den Inhaber lautende Stammaktien ohne Nennbetrag (*Stückaktien*) der Gesellschaft, jeweils mit einem anteiligen Betrag des Grundkapitals von €1,00 und vollem Dividendenanspruch ab dem 1. Januar 2018 (die „**Neuen Aktien**“).
	Wertpapierkennung.	International Securities Identification Number (ISIN): DE000A0XFSF0 Wertpapierkennnummer (WKN): A0XFSF Common Code: 042666092 Wertpapiersymbol: DMRE
C.2	**Währung der Wertpapieremission.**	Euro.
C.3	**Zahl der ausgegebenen und voll eingezahlten Aktien.**	Zum Datum dieses Prospekts beträgt das Grundkapital der Gesellschaft €73.085.728,00 und ist in 73.085.728 auf den Inhaber lautende Stammaktien ohne Nennbetrag (*Stückaktien*) eingeteilt. Das Grundkapital der Gesellschaft ist vollständig eingezahlt.
	Nennwert pro Aktie.	Jede Aktie der Gesellschaft repräsentiert einen anteiligen Betrag des Grundkapitals der Gesellschaft von €1,00.
C.4	**Beschreibung der mit den Wertpapieren verbundenen Rechte**.	Jede Aktie der Gesellschaft berechtigt den Aktionär zu einer Stimme in der Hauptversammlung der Gesellschaft. Die Neuen Aktien sind für das am 1. Januar 2018 begonnene Geschäftsjahr und für sämtliche folgenden Geschäftsjahre in voller Höhe dividendenberechtigt.
C.5	**Beschreibung aller etwaigen Beschränkungen für die freie Übertragbarkeit der Wertpapiere.**	Entfällt. Es bestehen keine Einschränkungen der Übertragbarkeit der Aktien der Gesellschaft.
C.6	**Anmeldung zur Zulassung zum Handel in einem geregelten Markt und Nennung aller Märkte, auf denen die Wertpapiere gehandelt werden sollen.**	Am 2. November 2018 wird die Gesellschaft die Zulassung der Neuen Aktien zum Handel im regulierten Markt der Frankfurter Wertpapierbörse und gleichzeitig zum Teilbereich des regulierten Markts mit weiteren Zulassungsfolgepflichten (Prime Standard) beantragen. Der Zulassungsbeschluss für die Neuen Aktien wird voraussichtlich am oder um den 12. November 2018 erteilt und die Einbeziehung der Neuen Aktien in die bestehende Quotierung der Aktien der Gesellschaft wird voraussichtlich am 13. November 2018 erfolgen.
C.7	**Beschreibung der Dividendenpolitik**.	Wir beabsichtigen, verfügbare Finanzmittel und zukünftige Erträge anzulegen, um das Wachstum und die Profitabilität unseres Immobilienportfolios zu finanzieren. Die Gesellschaft hat bislang keine Dividende ausgeschüttet und beabsichtigt derzeit nicht, die Erklärung oder Zahlung von Dividenden in der absehbaren Zukunft zu empfehlen.

Abschnitt D—RISIKEN

D.1 Zentrale Angaben zu den zentralen Risiken, die dem Emittenten oder seiner Branche eigen sind.

Markt- und geschäftsbezogene Risiken

- Eine negative Entwicklung der deutschen Wirtschaft und des Gewerbeimmobilienmarktes könnte unser Geschäft negativ beeinflussen.

- Die anhaltende Unsicherheit bezüglich der Entwicklung der globalen Wirtschaft, zum Beispiel bedingt durch den Brexit oder die Volatilität an den Kapitalmärkten, könnte zu wirtschaftlicher Instabilität, beschränktem Zugang zu Fremd- und Eigenkapitalfinanzierungen sowie möglichen Ausfällen unserer Geschäftspartner führen.

- Für einen wesentlichen Teil unserer Bruttomieteinnahmen sind wir von einer begrenzten Anzahl von Mietern abhängig und der Verlust einer dieser Mieter könnte zu einer wesentlichen Verminderung unserer Mieterträge führen.

- Wir könnten außerstande sein, passende und solvente Mieter rechtzeitig oder zu akzeptablen Bedingungen zu finden oder beizubehalten, und bestehende Mieter könnten nicht in der Lage sein, ihren Zahlungsverpflichtungen nachzukommen.

- Wir könnten aufgrund mangelnder attraktiver Immobilienverkaufsangebote, des Wettbewerbs um solche Angebote oder aufgrund des Unvermögens, die erforderliche Akquisitionsfinanzierung zu erhalten oder bestehende Schulden erfolgreich zu refinanzieren, außerstande sein, Immobilien oder Beteiligungen zu erwerben.

- Zunehmender Wettbewerb im deutschen Gewerbeimmobilienmarkt könnte zu einem Rückgang des Mietniveaus oder Renditerückgängen führen.

- Wir könnten außerstande sein, alle Risiken im Zusammenhang mit Immobilien oder Portfolios, die wir erwerben, zu identifizieren und wir könnten den Wert derartiger Akquisitionsgelegenheiten überschätzen.

- Wir könnten Kostenüberschreitungen oder Verspätungen im Zusammenhang mit Projektentwicklungsaktivitäten ausgesetzt sein, die einen negativen Einfluss auf unsere Geschäftstätigkeit und unserer Ertragslage haben könnten.

- Unsere Mieteinnahmen könnten durch Indexierungsklauseln in unseren Mietverträgen nachteilig betroffen sein.

- Es könnte notwendig werden, Erhaltungs- und Modernisierungskosten zu übernehmen und jegliches Versäumnis oder Unvermögen, derartige Maßnahmen durchzuführen, könnte unsere Mieteinnahmen negativ beeinflussen.

- Wir könnten aufgrund von Kontaminierungen außerstande sein, Immobilien zu vermieten oder zu veräußern, wir könnten verpflichtet sein, die Verunreinigungen zu entfernen, oder wir könnten Schadensersatzansprüchen von Käufern kontaminierter Immobilien ausgesetzt sein.

- Wir könnten Haftungsansprüchen im Zusammenhang mit verkauften Immobilien ausgesetzt sein und könnten keine Regressansprüche haben.

- Wir sind von qualifiziertem Personal, einschließlich bestimmter Schlüsselmitarbeiter, wie unserer Geschäftsleitung, abhängig und könnten außerstande sein, derartiges Personal zu halten oder zu ersetzen.

- Veränderungen des allgemeinen regulatorischen Umfeldes in Deutschland könnten uns negativ beeinflussen, was uns zwingen könnte, die Art und Weise, wie wir unsere Geschäfte führen, zu ändern.

- Wir sind Risiken aus Gerichtsverfahren ausgesetzt, die mit signifikanten Kosten verbunden sein könnten.

- Wir könnten Verbindlichkeiten eingehen, die von unseren Versicherungspolicen nicht umfasst werden oder deren Erstattungshöchstgrenzen überschreiten.

- Unser Risikomanagement und unsere internen Kontrollen könnten Gesetzesverstöße nicht verhindern oder aufdecken, was zu rechtlichen Sanktionen und Strafen führen könnte.

- Wir könnten es versäumen, geltende oder zukünftige Gesetze und Vorschriften in Bezug auf Privatsphäre und den Datenschutz einzuhalten, oder solche Gesetze und Vorschriften könnten sich in einer Art und Weise ändern, die negative Auswirkungen auf unser Geschäft hat.

- Aufgrund des Verfalls von Verlustvorträgen nach deutschem Steuerrecht könnten wir außerstande sein, unsere Verlustvorträge zu nutzen, um sie mit zukünftigen Gewinnen zu verrechnen.

- Der Konzern könnte Risiken durch Beschränkungen von Investitions- und Geschäftstätigkeiten der Fair Value REIT-AG, die sich aus dem deutschen REIT-Gesetz ergeben, ausgesetzt sein.

- Wir könnten Risiken ausgesetzt sein, sollte die Fair Value REIT-AG ihre Steuerbefreiung verlieren und Geldbußen oder Schadensersatzanspüchen ausgesetzt sein, wenn sie gewisse rechtliche Anforderungen des deutschen REIT-Gesetzes nicht erfüllt.

- Wir könnten Risiken, in Bezug auf die Einhaltung gesetzlicher Grenzwerte durch die Fair Value REIT-AG hinsichtlich des Mindeststreubesitzes und der Höchstbeteiligungsgrenze, ausgesetzt sein.

- Die REIT-spezifischen Bestimmungen, die in der Satzung der Fair Value REIT-AG enthalten sind und dazu dienen, den Status der Gesellschaft als REIT-Gesellschaft aufrechtzuerhalten, könnten nicht durchsetzbar sein.

- Die Fair Value REIT-AG könnte nicht in der Lage sein, die in dem deutschen REIT-Gesetz festgelegte Mindestdividende auszuschütten, was dazu führen könnte, dass sie ihren REIT-Status verliert und Strafzahlungen leisten muss.

Risiken bezüglich unserer Struktur und Finanzlage

- Unsere hohen Fremdkapital- und Schuldendienstverpflichtungen könnten es uns erschweren, unser Geschäft zu betreiben.

- Wir benötigen einen hohen Betrag an Barmitteln, um unsere Finanzschulden zu bedienen, und unsere Fähigkeit, ausreichend Barmittel zu generieren, hängt von Faktoren ab, die sich außerhalb unserer Kontrolle befinden könnten.

- Wir könnten außerstande sein, neues Eigenkapital aufzubringen oder unsere Finanzschulden zu günstigen Bedingungen oder überhaupt zu verlängern oder zu refinanzieren.

D.3 Zentrale Angaben zu den zentralen Risiken, die den Wertpapieren eigen sind

Risiken bezüglich des Angebots und der Aktien

- Die Börsenkurse der Aktien der Gesellschaft könnten starken Preisschwankungen unterliegen.

- Es besteht die Möglichkeit, dass Investoren aufgrund dieses Angebots Neue Aktien zu einem Preis erwerben, der höher als der Börsenkurs und/oder der notierte Börsenkurs nach dem Ende des Angebotes ist.

- Veräußerungen einer erheblichen Anzahl an Aktien der Gesellschaft könnten den Börsenkurs der Aktien der Gesellschaft erheblich negativ beeinflussen.

- Die Anteile der Aktionäre an dem Grundkapital der Gesellschaft, die nicht oder nur zum Teil an dem Angebot teilnehmen, werden erheblich verwässert.

- Zukünftige Kapitalmaßnahmen der Gesellschaft und/oder die Ausübung von bestehenden oder zukünftigen Wandlungsrechten und Optionen auf den Erwerb von Aktien der Gesellschaft könnten den notierten Börsenkurs der Aktien der Gesellschaft negativ beeinflussen und zu einer deutlichen Verwässerung der Beteiligungen der Aktionäre führen.

- Anleger mit einer anderen Referenzwährung als dem Euro könnten bestimmten Devisenrisiken unterliegen, wenn sie in die Aktien der Gesellschaft investieren.

Abschnitt E—ANGEBOT

E.1 Gesamtnettoerlöse.

Die Bruttoerlöse aus der Kapitalerhöhung werden ca. €150,1 Millionen betragen. Die Gesellschaft geht davon aus, dass sich die gesamten

		Emissionskosten auf ca. €1,3 Millionen belaufen werden und dass die Nettoemissionserlöse aus der Kapitalerhöhung ca. €148,8 Millionen betragen werden.
	Geschätzte Gesamtkosten des Angebots und der Börsenzulassung, einschließlich der geschätzten Kosten, die dem Anleger vom Emittenten in Rechnung gestellt werden.	Anlegern werden keine Kosten von der Gesellschaft oder Baader Bank in Rechnung gestellt.
E.2a	**Gründe für das Angebot, Zweckbestimmung der Erlöse, geschätzte Nettoerlöse.**	Die Nettoerlöse der Gesellschaft aus dem Angebot (wie in E.3 definiert) ergeben sich aus den Bruttoerlösen abzüglich der Platzierungsprovisionen und sonstigen wie nachstehend beschriebenen Kosten. Auf der Grundlage eines Bezugspreises in Höhe von €4,35 (der „**Bezugspreis**“) und der Ausgabe von 34.512.703 Neuen Aktien strebt die Gesellschaft an, Bruttoerlöse in Höhe von ca. €150,1 Millionen aus dem Angebot zu erzielen. Die von der Gesellschaft an Baader Bank insgesamt zu zahlenden Provisionen könnten bis zu €0,125 Millionen betragen. Sonstige Ausgabekosten der Gesellschaft werden ca. €1,2 Millionen betragen. Auf dieser Grundlage erwartet die Gesellschaft aus dem Angebot Nettoerlöse in Höhe von ca. €148,8 Millionen. Die Gesellschaft beabsichtigt, die Neuen Aktien zu verkaufen und den erwarteten Nettoerlös aus dem Angebot zu verwenden, um die Kaufpreise für den potenziellen Erwerb verschiedener, nicht miteinander in Zusammenhang stehender Immobilien bzw. Immobilienportfolien überwiegend in Deutschland, die zusammen einen geschätzten Gesamtkaufpreis (einschließlich Erwerbskosten) von bis zu ca. €350 Millionen haben, teilweise zu finanzieren. Diese umfassen insgesamt bis zu 10 Einzelimmobilien mit einem durchschnittlichen Kaufpreis je Immobilie (einschließlich Erwerbskosten) von ca. €35 Millionen. Mit Blick auf die Anlageklasse handelt es sich überwiegend um Büroimmobilien. Die Gesellschaft befindet sich derzeit in unterschiedlichen Stadien der Vorbereitung und exklusiven Verhandlungen mit den jeweiligen Verkäufern dieser Immobilien bzw. Portfolien und strebt an, in Bezug auf eines dieser Immobilienportfolien kurzfristig einen Kaufvertrag abzuschließen. Zum Datum dieses Prospekts ist die Gesellschaft jedoch noch keine bindenden Verpflichtungen in Bezug auf diese Erwerbsmöglichkeiten eingegangen. Sollte die Gesellschaft anstreben, Immobilien zu einem Gesamtkaufpreis zu erwerben, der den Nettoerlös aus dem Angebot und die verfügbaren Barmittel übersteigt, so plant sie, den Restbetrag des Kaufpreises für diese möglichen Akquisitionen in Höhe von bis zu ca. €200 Millionen durch besicherte Bankfinanzierungen oder, abhängig von den Marktbedingungen, durch die Aufnahme zusätzlicher Verschuldung an den Kapitalmärkten zu finanzieren. Die Gesellschaft hat vor Kurzem Gespräche mit einzelnen Finanzinstituten über mögliche Bankfinanzierungen aufgenommen. Sollte es der Gesellschaft nicht möglich sein, eine Finanzierung des Restkaufpreises von bis zu ca. € 200 Millionen zu erhalten, würde sie anstreben, diejenigen Immobilien und /

oder Immobilienportfolien zu erwerben, die sie mit dem Nettoerlös aus dem Angebot und verfügbaren Barmitteln erwerben könnte. Die Verwendung des Nettoerlöses aus dem Angebot hängt daher nicht davon ab, ob die Gesellschaft in der Lage ist, zusätzliche Finanzierungen zu erhalten.

Sollte die Gesellschaft nicht in der Lage sein, einzelne oder sämtliche dieser Zukäufe zu vollziehen, würde sie den Nettoerlös aus dem Angebot, beziehungsweise einen etwaigen verbleibenden Betrag, in Übereinstimmung mit ihrer finanziellen Strategie, ausgewählte Zukäufe von kommerziell genutzten Immobilien in Sekundärlagen in Deutschland zu tätigen, verwenden. Die Gesellschaft prüft regelmäßig Akquisitionsmöglichkeiten im Rahmen des üblichen Geschäftsbetriebs und würde daher den Nettoerlös aus dem Angebot behalten, bis eine geeignete Immobilie oder ein geeignetes Immobilienportfolio identifiziert werden kann.

E.3 Beschreibung der Angebotskonditionen und -modalitäten.

Das Angebot bezieht sich auf 34.512.703 neue, auf den Inhaber lautende Stückaktien, jeweils mit einem anteiligen Betrag am Grundkapital von €1,00, und einer Dividendenberechtigung ab dem 1. Januar 2018, die den Aktionären der Gesellschaft im Verhältnis von 36:17 zum Bezug angeboten werden (das „**Bezugsangebot**“). Die Neuen Aktien stammen aus einer der Barkapitalerhöhung mit Bezugsrecht aus dem genehmigten Kapital nach § 6 der Satzung der Gesellschaft (die „**Satzung**“). Die Durchführung der Kapitalerhöhung wird voraussichtlich am 12. November 2018 in das Handelsregister des Amtsgerichts Frankfurt am Main eingetragen werden.

Das Bezugsangebot umfasst (i) ein öffentliches Angebot in Deutschland und Luxemburg sowie (ii) ein Angebot an qualifizierte Anleger außerhalb der Vereinigten Staaten von Amerika (die „**Vereinigten Staaten**“) in Offshore-Transaktionen auf der Grundlage von Regulation S des US Securities Act von 1933 (in der gültigen Fassung) (der „**Securities Act**“).

Die AEPF III 15 S.à r.l. hat sich gegenüber der Gesellschaft und Baader Bank in einer "Backstop"-Vereinbarung vom 25. Oktober 2018 (die „**Backstop-Vereinbarung**") verpflichtet, ihre Bezugsrechte gegenüber der Gesellschaft zum Bezugspreis auszuüben und die betreffenden Aktien direkt zu zeichnen. AEPF III 15 S.à r.l. hat sich in der Backstop-Vereinbarung desweiteren verpflichtet, sämtliche Neuen Aktien, die nicht im Rahmen des Bezugsangebots bezogen wurden (die „**Restaktien**“) (die „**Restaktien-Platzierung**” und, zusammen mit dem Bezugsangebot, das „**Angebot**”), zum Bezugspreis zu kaufen.

Das Angebot der Neuen Aktien erfolgt auf der Grundlage der Backstop-Vereinbarung sowie des Übernahmevertrags vom 26. Oktober 2018 zwischen der Gesellschaft, der AEPF III 15 S.à r.l. und der Baader Bank (der „**Übernahmevertrag**“), nach dem sich die Baader Bank verpflichtet hat, (i) die Neuen Aktien, die nicht direkt von der AEPF III 15 S.à r.l. gezeichnet werden, den übrigen Aktionären der Gesellschaft, die ihre Bezugsrechte im Angebot ausüben, anzubieten und (ii) danach etwaige Restaktien zum Bezugspreis an die AEPF III 15 S.à r.l. zu veräußern.

Das Angebot unterliegt bestimmten Bedingungen, einschließlich der

		Bedingung, dass die Kapitalerhöhung im Handelsregister des Amtsgerichts Frankfurt am Main eingetragen wird. Dies erfolgt voraussichtlich am 12. November 2018. 36 bestehende Aktien der Gesellschaft berechtigen den Inhaber zum Bezug von 17 Neuen Aktie. Der Bezug von weniger als 17 Neuen Aktien ist ebenfalls möglich. Für den Bezug einer Neuen Aktie sind rechnerisch 2,117 Bezugsrechte, also insgesamt 3 bestehende Aktien, erforderlich. Zur Vermeidung eines Ausschlusses von der Ausübung ihrer Bezugsrechte müssen die Aktionäre der Gesellschaft ihre Bezugsrechte an den Neuen Aktien im Rahmen des Bezugsangebots in dem Zeitraum vom 30. Oktober 2018 bis einschließlich 12. November 2018 ausüben (die „**Bezugsfrist**“). Unter bestimmten Umständen kann das Angebot vorzeitig beendet werden. Mit Ablauf der Bezugsfrist erlöschen nicht ausgeübte Bezugsrechte und werden wertlos. Der Bezugspreis je Neuer Aktie beträgt €4,35. Er muss spätestens bis zum 12. November 2018 gezahlt werden. Es wird keinen Bezugsrechtshandel geben. Im Zusammenhang mit der Platzierung der Neuen Aktien werden keine Stabilisierungsmaßnahmen durch oder im Auftrag der Gesellschaft an der Frankfurter Wertpapierbörse, im Freiverkehr oder anderweitig durchgeführt werden.
E.4	**Beschreibung aller für die Emission/das Angebot wesentlichen Interessen, einschließlich Interessenkonflikte.**	Die Baader Bank ist mit der Gesellschaft eine vertragliche Beziehung im Zusammenhang mit dem Angebot und der Zulassung der Neuen Aktien der Gesellschaft zum Handel eingegangen. Nach dem erfolgreichen Abschluss des Angebots erhält die Baader Bank eine Provision von der Gesellschaft. Aufgrund dieses Vertragsverhältnisses hat die Baader Bank ein finanzielles Interesse am Erfolg des Angebots. Neben den vorgenannten Interessen gibt es keine Interessen, Interessenkonflikte oder potenzielle Interessenkonflikte, die für das Angebot von wesentlicher Bedeutung sind.
E.5	**Name der Person/des Unternehmens, die/das das Wertpapier zum Kauf anbietet.**	Die Neuen Aktien werden von Baader Bank zum Erwerb angeboten.
	Lock-up-Vereinbarungen: die beteiligten Parteien und Lock-up-Frist.	Entfällt.
E.6	**Betrag und Prozentsatz der aus dem Angebot resultierenden unmittelbaren Verwässerung.**	Aktionäre, die ihre Bezugsrechte auf Neue Aktien ausüben, werden ihre Beteiligungsquote am Grundkapital der Gesellschaft nach der Kapitalerhöhung beibehalten. Soweit Aktionäre ihr Bezugsrecht nicht oder nicht vollständig ausüben, und unter der Annahme, dass alle Neuen Aktien ausgegeben werden, würde der Anteil jedes Aktionärs an der

Gesellschaft um 32,08% abnehmen (basierend auf der Annahme von 107.598.431 ausstehenden Aktien der Gesellschaft nach Beendigung des Angebots).

Der Nettobuchwert der Gesellschaft (entsprechend der Summe des Eigenkapitals der Gesellschaft) belief sich zum 30. Juni 2018 auf €402.752 Tausend. Der Nettobuchwert der Gesellschaft basiert auf dem Konzernzwischenabschluss nach IFRS für Zwischenberichterstattung (IAS 34) für den zum 30. Juni 2018 endenden Sechsmonatszeitraum und wurde durch die Substraktion langfristiger Schulden in Höhe von €761.287 Tausend und der Summe der kurzfristigen Verbindlichkeiten in Höhe von €73.612 Tausend aus der Bilanzsumme von €1.237.651 Tausend berechnet. Der Nettobuchwert der Gesellschaft entspricht €5,51 je Aktie (basierend auf 73.085.728 ausstehenden Aktien der Gesellschaft zum Datum dieses Prospekts).

Die Gesellschaft zielt auf Bruttoemmissionserlöse aus der Kapitalerhöhung in Höhe von ca. €150.130 Tausend ab. Die Gesamtkosten des Angebots werden auf ca. €1.300 Tausend geschätzt. Das Hinzufügen des erwarteten Nettoerlöses, in Höhe von ca. €148.830 Tausend, zum Nettobuchwert von €402.752 Tausend zum 30. Juni 2018 würde in einem Netto-Buchwert der Gesellschaft von ca. €551.582 Tausend resultieren, was ca. €5,13 je Aktie (unter der Annahme, dass nach Durchführung des Angebots 107.598.431 Aktien der Gesellschaft ausstehen) entspricht. Dies würde eine sofortige Verwässerung von €0,38 (6,90%) je Aktie für bestehende Aktionäre, die ihre Bezugsrechte nicht ausüben, und eine sofortige Erhöhung des Nettobuchwerts der Gesellschaft um €0,78 (17,93%) pro Aktie für diejenigen, die Neue Aktien erwerben, bedeuten, da der berichtigte Nettobuchwert der Gesellschaft pro Aktie den Bezugspreis von €4,35 um diesen Betrag bzw. diesen Prozentsatz übersteigt.

E.7	**Schätzungen der Ausgaben, die dem Anleger vom Emittenten in Rechnung gestellt werden.**	Entfällt. Anlegern werden von der Gesellschaft oder Baader Bank keine Kosten in Rechnung gestellt.

A. RISK FACTORS

*An investment in the shares of DEMIRE Deutsche Mittelstand Real Estate AG (the "**Company**" and, together with its consolidated subsidiaries, "**we**", "**us**", "**our**" or the "**Group**") is subject to risks. Therefore, prospective investors should carefully consider each of the risks described below and all of the other information in this prospectus and any supplement thereto (the "**Prospectus**") before deciding to invest in the shares of the Company. The Group's business, financial condition, cash flows and results of operations could be materially adversely affected by any of these risks. As a result, the price of the shares of the Company may decline, and investors could lose part or all of their invested capital. The risks described below are not the only ones applicable to the Group and are based on assumptions which may turn out to be incorrect. Additional risks that are not known at this time, or that the Group currently considers to be immaterial, could significantly impair the Group's business activities and have a material adverse effect on the Group's business, financial condition, cash flows and results of operations. The order in which these risks are presented is not intended to provide an indication of the likelihood of occurrence or their severity or significance.*

I. RISKS RELATED TO OUR INDUSTRY AND BUSINESS

1. 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.

2. 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.

3. 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.

4. 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.

5. 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.

6. 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.

7. 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.

8. 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.

9. 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.

10. 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.

11. Valuation reports, including the valuation report contained in this Prospectus, 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.

The reports on the fair value of our real estate portfolio included in this Prospectus (the "**Valuation Reports**") were prepared by the independent, external appraisers named therein. The 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 the Valuation Reports 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.

12. The forecast with regard to our rental income and FFO I after taxes targets could differ materially from our actual results of operations for the fiscal year ending December 31, 2018.

On April 26, 2018, we announced our forecast for 2018. For the fiscal year ending December 31, 2018, we expect to generate FFO I after taxes of €16-18 million and, based on our current real estate holdings, rental income of €71-73 million driven by active real estate management and an improvement in letting rates through efficient management. The Executive Board has based this forecast and these targets on certain assumptions relating to our market position, the performance of our property portfolio, including the development of certain key figures for the portfolio, trends in interest rates, the economic development of the commercial real estate industry and the economic environment in Germany in general. These assumptions could prove to be inaccurate since they relate to factors over which we have limited or, in some cases, no control or influence, which could cause us to revise or withdraw our forecast for a given year. Our actual FFO I after taxes for the fiscal year ended December 31, 2017 amounted to €11.7 million (FFO II after taxes of €12.6 million) and FFO I after taxes of €5.4 million attributable to parent company shareholders (FFO II after taxes attributable to parent company shareholders of €6.6 million). Should one or more of the assumptions underlying our forecast prove to be incorrect, our actual FFO for the fiscal year ending December 31, 2018 could differ materially from such forecast.

13. 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.

14. 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.

15. 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.

16. 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.

17. 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.

18. 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.

19. 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.

20. 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.

21. 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.

22. 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.

23. 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.

24. 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.

25. 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.

26. 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.

27. 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.

28. 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 the 2022 Notes and on our other 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 the 2022 Notes.

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.

29. 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 Prospectus 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.

30. 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.

31. 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.

32. 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.

33. 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.

II. RISKS RELATED TO OUR STRUCTURE AND FINANCIAL POSITION

1. 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.

2. 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.

3. 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, including under the 2022 Notes.

4. 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.

5. 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, including the 2022 Notes.

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, including the 2022 Notes, 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.

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

Amounts outstanding under our existing indebtedness must potentially be repaid before the maturity date of the 2022 Notes. 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. Our inability to raise new capital or refinance our debt obligations on or prior to their maturity on favorable terms or at all could have a material adverse effect on our ability to service and repay the 2022 Notes.

III. RISKS RELATING TO THE OFFERING AND THE SHARES

1. The trading volumes and quoted market prices for the shares of the Company may be subject to strong fluctuations.

The market price of the Company's shares has been volatile in the past and may continue to be volatile and characterized by fluctuating trading volumes in the future. Securities markets in general have experienced periods of extreme volatility in the past. The market price of the Company's shares may also be subject to significant fluctuations and could decline considerably in spite of positive business developments. Trading volumes and the market price of the Company's shares may experience major fluctuations due to, in particular, changes in its actual or projected results of operations or those of its competitors, changes of FFO projections or failure to meet investors' and analysts' earnings expectations, investors' evaluations of the success and effects of the strategy described in this Prospectus, as well as the evaluation of the related risks, changes in general economic conditions, changes in shareholders and other factors. Additionally, general fluctuations in share prices could lead to pricing pressure on the Company's shares, even where there is not necessarily a reason for this in its business, financial condition or results of operations or business or earnings outlook. Furthermore, the possibility exists that investors with short-term investment goals have already acquired, or will acquire, large blocks of shares, which would enable such investors to deliberately affect the Company's share price. Investors should therefore be aware that the subscription price might exceed the current market price. If investors decide to exercise their subscription rights, they bear the risk that they would pay a higher price for a share than they would pay if they purchased it on the stock exchange.

2. It is possible that investors will acquire New Shares under this Offering at a price that is higher than the market price and/or the quoted market price after the Offering has ended.

It cannot be ruled out that investors may acquire the New Shares of the Company at a price that is higher than what they would have paid by acquiring the shares through the market. It cannot be guaranteed that the price for the New Shares and, where applicable, the price for the subscription rights, will correspond to the price at which the shares of the Company will trade on the stock exchange once the Offering has been implemented.

3. Sales of a significant number of shares in the Company may significantly negatively impact the Company's share price.

The price of the Company's shares could be significantly negatively impacted by a potential sale of shares by the Company's significant shareholders or by other, smaller shareholders. There is no assurance that the Company's shareholders will continue to hold their shares in the Company. Moreover, a decline in the price of the Company's shares resulting from sales by one or more significant shareholders could make it more difficult for the Company to issue new shares at the time and price the Company's executive board deems reasonable.

4. The interests of shareholders in the share capital of the Company which do not participate, or participate only in part, in the Offering will be diluted considerably.

Subscription rights not exercised by November 12, 2018, inclusive, will lapse and become void and worthless. If a shareholder fails to exercise his subscription rights granted to him by virtue of his status as a

shareholder by that time, his proportional investment in the Company's overall capital could decrease, with the exact amount of such dilution depending on the total amount of subscribed new shares.

5. Future capital measures by the Company and/or the exercise of existing or future conversion rights and options for the acquisition of shares of the Company may negatively impact the quoted market price of the shares of the Company and lead to a significant dilution of shareholders' holdings.

We may require additional capital in the future to finance our business operations and growth or to repay our indebtedness. Both the raising of additional equity through the issuance of new shares and the potential exercise of conversion or option rights by the holders of convertible bonds or bonds with warrants, which may be issued in the future, may dilute shareholder interests or could adversely affect our share price. Additionally, the acquisition of other companies or investments in companies in exchange for newly issued shares of the Company, as well as the exercise of stock options by our employees in the context of future stock option programs or the issuance of shares to employees in the context of future employee stock participation programs could lead to such dilution or have an adverse effect on our share price.

6. Investors with a reference currency other than the euro may become subject to certain foreign exchange risks when investing in the Company's shares.

The Company's equity capital is denominated in euro, and all dividends on the shares will be paid in euro. Investors whose reference currency is other than the euro may be adversely affected by any reduction in the value of the euro or any redenomination of the euro relative to the respective investor's reference currency. In addition, such investors could incur additional transaction costs in converting euro or such redenominated currency into another currency. Investors whose reference currency is other than the euro are therefore urged to consult their financial advisors.

B. GENERAL INFORMATION

I. RESPONSIBILITY STATEMENT

DEMIRE Deutsche Mittelstand Real Estate AG, with its registered office at Robert-Bosch-Straße 11, 63225 Langen, Germany, and registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Frankfurt am Main, Germany (the "**Commercial Register**"), under the number HRB 89041, together with Baader Bank Aktiengesellschaft, Weihenstephaner Straße 4, 85716, Unterschleißheim, Germany ("**Baader Bank**" or the "**Sole Global Coordinator and Sole Bookrunner**"), assumes responsibility for the contents of this Prospectus pursuant to Section 5(4) of the German Securities Prospectus Act (*Wertpapierprospektgesetz*), and each hereby declares that, to the best of its knowledge, the information contained in this Prospectus is correct and contains no material omissions. Notwithstanding Section 16 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*), neither the Company nor Baader Bank is required by law to update this Prospectus.

If any claims are asserted before a court of law based on the information contained in this Prospectus, the investor appearing as plaintiff may have to bear the costs of translating this Prospectus prior to the commencement of the court proceedings pursuant to the national legislation of the member states of the European Economic Area (the "**EEA**").

II. FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus 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 Prospectus, including, without limitation, under the headings *A.* "*Risk Factors*", *E.* "*Dividends, Dividend Policy and Earnings per Share*", *H.* "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", *I.* "*Recent Developments and Outlook*" and *K.* "*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 Prospectus entitled *A.* "*Risk Factors*", *H.* "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and *K.* "*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 Prospectus. Neither the Company nor Baader Bank assumes 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. Nevertheless, the Company has the obligation to disclose any significant new event or significant error or inaccuracy relating to the information contained in this Prospectus that may affect an assessment of the securities and occurs or comes to light following the approval of the Prospectus, but before the completion of the Offering, whichever is later. These updates must be disclosed in a Prospectus supplement in accordance with Section 16(1) sentence 1 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*).

III. DOCUMENTS AVAILABLE FOR INSPECTION

For the period during which the Prospectus is valid, printed copies of the following documents will be available for inspection during regular business hours at the Company's offices at Robert-Bosch-Straße 11, 63225 Langen, Germany (tel.: +49 (0) 6103 372 490):

- the Company's Articles of Association;
- the Company's unaudited interim consolidated financial statements as of and for the six-month period ended June 30, 2018, including the notes thereto, prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union ("**EU**"), ("**IFRS**") using the International Accounting Standard 34 on Interim Financial Reporting (IAS 34)(the "**Unaudited Interim Consolidated Financial Statements**");

- the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2017, including the notes thereto, prepared in accordance with IFRS and the additional requirements of German Commercial law pursuant to Section 315e paragraph 1 German Commercial Code (*Handelsgesetzbuch*, "**HGB**") (the "**2017 Audited Consolidated Financial Statements**");

- the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2016, including the notes thereto, prepared in accordance with IFRS and the additional requirements of German Commercial law pursuant to Section 315a paragraph 1 HGB (the "**2016 Audited Consolidated Financial Statements**");

- the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2015, including the notes thereto, prepared in accordance with IFRS and the additional requirements of German Commercial law pursuant to Section 315a paragraph 1 HGB (the "**2015 Audited Consolidated Financial Statements**");

- the Company's unconsolidated financial statements as of and for the fiscal year ended December 31, 2017, prepared in accordance with HGB (the "**2017 Audited Financial Statements**"); and

- the valuation reports prepared by Savills Advisory Services Germany GmbH & Co. KG, Taunusanlage 19, 60325 Frankfurt am Main, Germany, with valuation date of June 30, 2018.

The Company's future consolidated financial statements, unconsolidated financial statements and interim consolidated financial statements will be available from the Company on its website (http://www.demire.ag/en/investor-relations), from the German Company Register (*Unternehmensregister*) (www.unternehmensregister.de), from the paying agent designated in this Prospectus (see *P.IV.* "*General Information about the Company and the Group—Notices, Paying Agent*") and at the Company's office at Robert-Bosch-Straße 11, 63225 Langen, Germany. The consolidated financial statements and the respective management reports will also be published in the German Federal Gazette (*Bundesanzeiger*).

Information contained on the Company's website does not constitute part of this Prospectus and is not incorporated by reference into this Prospectus.

IV. 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 Prospectus 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 Prospectus as the "**Audited Consolidated Financial Statements**". The 2015 Audited Consolidated Financial Statements and 2016 Audited Consolidated Financial Statements included in this Prospectus 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 included in this Prospectus 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 included in this Prospectus have been prepared in accordance with IFRS using the International Accounting Standard 34 on Interim Financial Reporting (IAS 34).

An English-language translation of the Unaudited Interim Consolidated Financial Statements is included in this Prospectus.

The 2017 Audited Financial Statements included in this Prospectus 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. English-language translations of the Audited Consolidated Financial Statements and 2017 Audited Financial Statement and of the respective audit opinions or independent auditor's reports thereon are included in this Prospectus.

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 Prospectus contains certain non-IFRS measures and ratios, as defined in the guidelines issued by the European Securities and Markets Authority ("**ESMA**") on October 15, 2015 on alternative performance measures. 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 *R. "Glossary"*) and the Mandatory 2018 Notes (as defined in *R. "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 Prospectus 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 Prospectus 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 Prospectus 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 Prospectus 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.

For further details on the financial information in this Prospectus, see *G. "Selected Consolidated Financial Information"* and *H. "Management's Discussion and Analysis of Financial Condition and Results of Operations"*. In particular, for a description of certain alternative performance measures and their respective calculations, see *G. "Selected Consolidated Financial Information"*.

V. VALUATION REPORTS

This Prospectus includes appraisals with the valuation date of June 30, 2018, prepared by the independent external appraiser Savills Advisory Services Germany GmbH & Co. KG, Taunusanlage 19, 60325 Frankfurt am Main, Germany ("**Savills**"). The valuation reports prepared by Savills (the "**Valuation Reports**") concerning the value of our Group's real estate portfolio is included in this Prospectus on page V-1 *et seq.*

The Valuation Reports were prepared by Savills acting in its capacity as an external valuer as defined by the RICS Valuation—Professional Standards (January 2014). For information on Savill's independence, see "Declaration of Independence" on pages V-13 and V-9 of the Valuation Reports.

The Valuation Reports were prepared upon request of the Company and Fair Value REIT-AG. Savills, which approved the content of the Valuation Reports, also consented to the form and context in which the Valuation Reports are included in this Prospectus.

VI. CURRENCY PRESENTATION AND PRESENTATION OF FIGURES

In this Prospectus, "**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 Prospectus 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. With respect to financial information set out in the main body of the Prospectus (*i.e.*, other than in the section entitled "*Financial Information*"), a dash ("—") signifies that the relevant figure is not available, while a zero ("0") signifies that the relevant figure is available but is or has been rounded to zero.

C. THE OFFERING

I. SUBJECT MATTER OF THE OFFERING

The Offering (as defined below) relates to 34,512,703 new no-par value ordinary bearer shares (shares without nominal value) of the Company, each with a notional interest of €1.00 in the share capital and carrying full dividend rights from January 1, 2018 (the "**New Shares**"). The Company's existing shareholders will be granted subscription rights, except for a fractional amount of shares, in respect of which the shareholders' subscription rights have been excluded. The New Shares will be offered to the Company's shareholders at a subscription price of €4.35 (the "**Subscription Price**") for subscription at a ratio of 36:17, *i.e.* meaning 36 existing shares of the Company entitle their holder to subscribe for 17 New Shares in the Offering (the "**Subscription Ratio**"). A subscription of less than 17 New Shares is also possible. In order to receive one New Share, 2.117 subscription rights are required, i.e. it would require 3 existing shares to receive 1 New Share. The New Shares will originate from a capital increase against cash contribution from authorized capital with subscription rights for the Company's shareholders in accordance with Section 6 of the articles of association of the Company (the "**Articles of Association**") as registered with the commercial register of the local court (*Amtsgericht*) of Frankfurt am Main, Germany (the "**Commercial Register**") on August 3, 2018. Pursuant to Section 6 of the Articles of Association together with Section 202 of the German Stock Corporation Act (*Aktiengesetz*), the Executive Board is authorized to increase the registered capital of the Company until June 26, 2023 with the consent of the supervisory board once or repeatedly, by a total of €36,532,419.00 by the issuance of 36,532,419 new bearer shares with no par value against contributions in cash and/or in kind (the "**Authorized Capital 2018**"). Such shares will carry the same rights under the Articles of Association as the existing shares described in Section 5 of the Articles of Association. The New Shares carry full dividend rights from January 1, 2018.

The offering will consist of (i) a subscription offering of the New Shares to the existing shareholders of the Company (the "**Subscription Offering**"), and (ii) thereafter a placement of the New Shares for which subscription rights have not been exercised with AEPF III 15 S.à r.l. (the "**Rump Shares Placement**" and, together with the Subscription Offering, the "**Offering**").

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 ("**Luxembourg**"), has undertaken to the Company and Baader Bank in a backstop agreement dated, October 25, 2018 (the "**Backstop Agreement**") to exercise its subscription rights vis-à-vis the Company at the Subscription Price and to directly subscribe for the respective number of New Shares. AEPF III 15 S.à r.l. has further undertaken in the Backstop Agreement to purchase any New Shares at the Subscription Price in the Rump Shares Placement (the "**Rump Shares**").

The Offering of the New Shares is based on the Backstop Agreement and on the subscription agreement dated October 26, 2018 among the Company, AEPF III 15 S.à r.l. and Baader Bank (the "**Subscription Agreement**"), pursuant to which Baader Bank has undertaken to (i) offer the New Shares that are not directly subscribed for by AEPF III 15 S.à r.l. to the other shareholders of the Company exercising their subscription rights in the Subscription Offering and (ii) thereafter sell to AEPF III 15 S.à r.l. any Rump Shares at the Subscription Price.

The Offering is subject to certain conditions, including the condition that the capital increase is entered into the commercial register of the local court (*Amtsgericht*) of Frankfurt am Main, which is expected to take place on November 12, 2018.

Under the Subscription Offering, to avoid exclusion from the exercise of their subscription rights, the Company's shareholders must exercise their subscription rights in the New Shares during the period from October 30, 2018 up to and including November 12, 2018 (the "**Subscription Period**").

Neither the New Shares nor the subscription rights have been or will be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities authority of any state in the United States of America (the "**United States**"). The Offering will include (i) a public offering in Germany and

the Grand Duchy of Luxembourg ("**Luxembourg**") and (ii) an offering to qualified investors outside the United States in offshore transactions in reliance on Regulation S under the Securities Act ("**Regulation S**").

Under certain circumstances, the Offering may be terminated prematurely. See below "—*Subscription Offering*."

II. EXPECTED TIMETABLE FOR THE OFFERING

The anticipated timetable for the Offering is set out below:

October 26, 2018	Approval of the prospectus ("**Prospectus**") by the German Federal Financial Services Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, or "**BaFin**") Notification of the approved Prospectus to the Luxembourg Financial Markets Authority (*Commission de Surveillance du Secteur Financier* , or "**CSSF**") Publication of the approved Prospectus on the Company's website (http://www.demire.ag/en/investor-relations/)
October 29, 2018	Publication of the Subscription Offering in the German Federal Gazette (*Bundesanzeiger*)
November 1, 2018	Depositary banks book the subscription rights into Company's existing shareholders' securities accounts reflecting the status as of the evening of October 31, 2018
November 2, 2018	Application for admission of the New Shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment thereof with additional post-admission obligations (Prime Standard)
November 12, 2018	Latest day for payment of the Subscription Price Registration of the consummation of the capital increase in the commercial register of the local court (*Amtsgericht*) of Frankfurt am Main Admission to trading of the New Shares on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment thereof with additional post-admission obligations (Prime Standard) Publication of the admission End of Subscription Period
November 13, 2018	Placement of Rump Shares with AEPF III 15 S.à r.l. Announcement of the results of the Subscription Offering on the Company's website Commencement of trading in the New Shares on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment thereof with additional post-admission obligations (Prime Standard) Book-entry delivery of the New Shares

The Prospectus (and any supplements thereto) will be published on the Company's website at http://www.demire.ag/en/investor-relations. In addition, copies of the printed Prospectus (and any supplements thereto) will be available upon publication free of charge during regular business hours at the offices of the Company at Robert-Bosch-Straße 11, 63225 Langen, Germany.

III. SUBSCRIPTION OFFERING

The Subscription Offering is described below on the assumption that it will be carried out in accordance with the prospective dates and periods set out in the timetable above. Dates which are in the future at the date of

this Prospectus, but which will have passed by the time the Subscription Offering is published in the German Federal Gazette (*Bundesanzeiger*), are therefore described in the past tense. The relevant sections of text are indicated in the Subscription Offering set out below. To the extent that there are deviations from the dates set out in the timetable, these will be contained in the Subscription Offering which is expected to be published on October 29, 2018.

"DEMIRE Deutsche Mittelstand Real Estate AG
Frankfurt am Main, Germany
(ISIN DE000A0XFSF0/ WKN A0XFSF)

Subscription Offering

By resolution of the general meeting of DEMIRE Deutsche Mittelstand Real Estate AG (the "**Company**") of June 27, 2018, amending the Articles of Association and registered in the commercial register of the Local Court of Frankfurt am Main on August 3, 2018, the executive board of the Company is authorized, with the approval of the supervisory board, to increase the share capital of the Company on one or more occasions until June 26, 2023, by issuing new ordinary bearer shares with no par value (*Stückaktien*) against contribution in cash and/or in kind, by up to a total of EUR 36,532,419.00 (corresponding to 36,532,419 shares).

The executive board resolved on October 25, 2018, when partly utilizing this authorization, with the approval of the same day of the supervisory board, to increase the share capital of the Company from authorized capital by EUR 34,512,703.00 by issuing 34,512,703 new ordinary bearer shares with no par value (*Stückaktien*), each with a notional interest of €1.00 in the share capital and full dividend rights from January 1, 2018 (the "**New Shares**"), against cash contribution. The New Shares, except for a fractional amount of shares, in respect of which the shareholders' subscription rights have been excluded, will be offered to the existing shareholders of the Company for subscription (the "**Subscription Offering**").

Except for the New Shares that will be directly subscribed for by 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, Baader Bank Aktiengesellschaft, Unterschleißheim, Germany ("**Baader Bank**" or the "**Sole Global Coordinator and Sole Bookrunner**") has agreed, pursuant to a subscription agreement dated October 26, 2018 (the "**Subscription Agreement**"), to offer the New Shares, other than the New Shares that will be directly subscribed for by AEPF III 15 S.à r.l., to the shareholders of the Company for indirect subscription at a ratio of 36:17 at a subscription price for each New Share of €4.35 (the "**Subscription Price**"), subject to the terms set forth below under "Important Notice." The Subscription Agreement does not provide for a firm underwriting of the New Shares by Baader Bank.

AEPF III 15 S.à r.l. has undertaken to the Company and Baader Bank in a backstop agreement (the "**Backstop Agreement**"), subject to certain conditions, to exercise its subscription rights vis-à-vis the Company at the Subscription Price and to directly subscribe for the respective number of the New Shares. AEPF III 15 S.à r.l. has further undertaken in the Backstop Agreement to purchase any New Shares that are not subscribed for in the offering (the "**Rump Shares**") at the Subscription Price.

The offering of the New Shares is based on the Backstop Agreement and the Subscription Agreement, pursuant to which Baader Bank has undertaken to (i) offer the New Shares that are not subscribed for by AEPF III 15 S.à r.l. to the other shareholders of the Company exercising their subscription rights in this offer and (ii) thereafter sell to AEPF III 15 S.à r.l. any Rump Shares at the Subscription Price.

The implementation of the capital increase is expected to be registered in the commercial register of the local court (*Amtsgericht*) of Frankfurt am Main on November 12, 2018.

Subscription rights are attached to all of the shares of the Company with ISIN DE000A0XFSF0/ WKN A0XFSF. 36 existing shares of the Company entitle the holder to subscribe for 17 New Shares. A subscription of less than 17 New Shares is also possible. In order to receive one New Share, 2.117 subscription rights are required, i.e. it would require 3 existing shares to receive 1 New Share.

For the calculation of the number of subscription rights of each shareholder, the balance of the respective securities deposit account upon expiry of October 31, 2018 (record date) shall be relevant. On

November 1, 2018 (payment date), the subscription rights (ISIN DE000A2NBV66/ WKN A2N BV6) will be separated from the securities holdings within the scope of the existing subscription right and automatically credited to the shareholder's securities deposit account of the custodian bank through Clearstream Banking AG, Mergenthalerallee 61, 65760 Eschborn, Germany. From the beginning of the subscription period on October 30, 2018, the shares of the Company shall be listed "ex subscription right".

We request that our shareholders, in order to avoid exclusion from participation in the capital increase, exercise their subscription rights to the New Shares during the period from and including

October 30, 2018, up to and including November 12, 2018 ("the **Subscription Period**")

through their custodial banks at one of the subscription agent mentioned below during ordinary business hours. Subscription rights which are not exercised within the relevant time limit will expire without compensation.

Baader Bank acts as the subscription agent.

In accordance with the subscription ratio of 36:17, 36 existing shares of the Company entitle the holder to subscribe for 17 New Shares at the Subscription Price. The exercise of subscription rights is subject to the registration of the implementation of the capital increase in the commercial register.

Shareholders may only subscribe for one share or multiples thereof. The notice of the exercise of subscription rights is binding upon its receipt by the subscription agent and cannot be altered afterwards.

The transfer of the New Shares to the shareholders that have exercised their subscription rights in the New Shares is made by the subscription agent.

Subscription Price

The Subscription Price per New Share is €4.35. The Subscription Price must be paid by November 12, 2018 at the latest.

Subscription rights trading

No trading of subscription rights will take place.

Important notices

Shareholders and investors are advised to read the securities prospectus of October 26, 2018 (the "Prospectus") carefully prior to making a decision concerning the exercise, acquisition or sale of subscription rights and, in particular, to consider the risks described in the section "*Risk Factors*" of the Prospectus in their decision.

Baader Bank and AEPF III 15 S.à r.l. are entitled to terminate the Subscription Agreement under certain circumstances. These circumstances include, in particular, a material adverse change in the financial markets in the United States, the United Kingdom, or Germany, any outbreak of hostilities or escalation thereof, any act of terrorism or war or other calamity or crisis, or any change or development involving a prospective change in national or international political, financial or economic conditions, exchange rates, exchange controls, or certain expected tax regulatory changes. Baader Bank and AEPF III 15 S.à r.l. are further relieved from their obligations under the Subscription Agreement if the implementation of the capital increase is not registered in the commercial register maintained by the local court (*Amtsgericht*) of Frankfurt am Main by close of business on November 13, 2018 and the Company, AEPF III 15 S.à r.l. and Baader Bank cannot agree upon a later date. In case of such termination AEPF III 15 S.à r.l. would also be relieved from its obligations under the Backstop Agreement.

In the event of a withdrawal from the Subscription Agreement prior to registration of the implementation of the capital increase with the commercial register, the subscription rights of the shareholders will expire.

In view of the current high volatility of share prices and the market environment, shareholders should consider information on the current share price of the Company before they exercise their subscription rights at the Subscription Price.

Certification and delivery of the New Shares

The New Shares (ISIN DE000A0XFSF0, WKN A0XFSF) will be represented by one or more global share certificates, which will be deposited with Clearstream Banking AG, Mergenthalerallee 61, 65760 Eschborn, Germany. Shareholders are not entitled to individual share certificates to the extent that issuance of such share certificates is not required under the rules of the stock exchange on which the share is admitted. It is expected that the New Shares acquired in connection with the Subscription Offering will be made available from November 13, 2018, through collective safe custody deposit unless the Subscription Period is extended.

Commissions

The depositary banks may charge customary commissions for the subscription of the New Shares.

Trading of the New Shares on stock exchanges

The New Shares are expected to be admitted to the regulated market of the stock exchange in Frankfurt am Main, with simultaneous admission to the sub-segment of the regulated market of the Frankfurt Stock Exchange with additional post-admission obligations (Prime Standard) on November 12, 2018. All New Shares will be included in the existing listing for the shares of the Company (ISIN DE000A0XFSF0, WKN A0XFSF) on November 13, 2018.

Publication of the Prospectus

Following a review of the completeness, including the coherence and comprehensibility, of the information provided, the Prospectus was approved by the *Bundesanstalt für Finanzdienstleistungsaufsicht* (Federal Financial Supervisory Authority) (the "**BaFin**") on October 26, 2018, and was published by the Company on its website (http://www.demire.ag/en/investor-relations). Printed copies of the Prospectus are available free of charge during ordinary business hours at DEMIRE Deutsche Mittelstand Real Estate AG, Robert-Bosch-Straße 11, 63225 Langen, Germany.

Selling restrictions

The New Shares and the subscription rights are not and will not be registered under the Securities Act of 1933, as amended (the "**Securities Act**"), or with the securities supervisory authorities in any of the individual states of the United States. The New Shares and subscription rights may not be offered, exercised or sold in or delivered directly or indirectly to the United States. In this regard, subject to such exceptions as expressly approved by the Company from time to time, it will be assumed with respect to each person who acquires the New Shares and/or subscription rights that, in accepting the Prospectus, the New Shares and/or subscription rights, such person has represented and agreed that it is acquiring the New Shares and/or subscription rights in a transaction outside the United States (offshore transaction), as defined in Regulation S under the Securities Act. In order to fall within the application of the exemption from the registration requirements of the Securities Act under section 4(a)(2) thereof, envelopes containing subscription forms may not be postmarked in or otherwise dispatched from the United States.

Langen, October 29, 2018

DEMIRE Deutsche Mittelstand Real Estate AG

Executive Board"

IV. GENERAL AND SPECIFIC INFORMATION CONCERNING THE SHARES

1. Voting Rights

Each share carries one vote at the Company's general shareholders' meeting. All shares of the Company have equal rights. There are no restrictions on voting rights, and all of the Company's shareholders have the same voting rights.

2. Dividend Entitlement and Share in the Liquidation Proceeds

The New Shares carry full dividend rights as of and for the fiscal year beginning January 1, 2018, and their holders have an interest in any liquidation proceeds proportionate to the notional amount of the share capital attributable to their shares.

3. Form and Representation of the Shares

All of the Company's existing shares have been, and the New Shares will be, issued as ordinary bearer shares with a no par value *(Stückaktien)*, each in accordance with the Company's Articles of Association. The Company's issued share capital as of the date of this Prospectus of €73,085,728 is represented by one global share certificate (*Globalurkunde*) without dividend coupons, which has been deposited with Clearstream Banking AG, Mergenthalerallee 61, 65760 Eschborn, Germany.

4. Delivery and Settlement

Delivery of the New Shares against payment of the Subscription Price and customary securities commissions is expected to take place after the end of the Subscription Period. The shares will be made available to the shareholders as co-ownership interests (*Miteigentumsanteile*) in the respective global share certificate deposited with Clearstream Banking AG, Mergenthalerallee 61, 65760 Eschborn, Germany.

5. WKN/ISIN/Common Code/Trading Symbol

German Securities Identification Number (WKN)	A0XFSF
International Securities Identification Number (ISIN)	DE000A0XFSF0
Common Code	042666092
Trading Symbol	DMRE

V. TRANSFERABILITY OF THE SHARES

The shares are freely transferable. Except for the restrictions set forth in the section entitled *C.VII.* "*—Market Protection Agreement/Selling Restrictions (Lock-Up)*", the Company's shares are not subject to any restrictions on sale or transfer.

VI. STABILIZATION MEASURES

In connection with the placement of the New Shares, no stabilization measures will be effected by, or on behalf of, the Company on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the over-the-counter market or otherwise.

VII. ADMISSION TO TRADING AND LISTING

An application for admission of the New Shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and to the sub-segment thereof with additional post admission obligations (Prime Standard) will be filed on November 2, 2018. The listing approval (*Zulassungsbeschluss*) is expected to be issued on November 12, 2018. The admission decision is the sole responsibility of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). The first day of trading

(*Einbeziehung in die laufende Notierung*) on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) is planned for November 13, 2018.

VIII. DILUTION

Shareholders who exercise their subscription rights to the New Shares will maintain their percentage of ownership of the Company's share capital following the capital increase. To the extent that shareholders do not exercise their subscription rights in full, and assuming that all New Shares will be issued, each shareholder's share in the Company would decrease by 32.08% (based on the assumption of 107,598,431 outstanding shares of the Company after completion of the Offering).

The net book value of the Company (corresponding to the total equity of the Company) amounted to €402,752 thousand as of June 30, 2018. The net book value of the Company is based on the condensed consolidated interim financial statements prepared pursuant to IFRS for interim financial reporting (IAS 34) as of and for the six months ended June 30, 2018 and has been calculated by subtracting total non-current liabilities of €761,287 thousand and total current liabilities of €73,612 thousand from total assets of €1,237,651 thousand. The net book value of the Company corresponds to €5.51 per share (based on 73,085,728 outstanding shares of the Company as of the date of this Prospectus).

The Company is targeting gross issue proceeds from the capital increase in an amount of approximately €150,130 thousand. The total cost of the Offering is estimated to be approximately €1,300 thousand. Adding the estimated net proceeds, in the amount of approximately €148,830 thousand, to the net book value of €402,752 thousand as of June 30, 2018, would result in a net book value of the Company of approximately €551,582 thousand, which corresponds to approximately €5.13 per share (based on the assumption of 107,598,431 outstanding shares of the Company after completion of the Offering). This would represent an immediate dilution of €0.38 (6.90%) per share for existing shareholders who do not exercise their subscription rights, and an immediate increase in the net book value of the Company by €0.78 (17.93%) per share for those who acquire New Shares as the adjusted net book value of the Company per share exceeds the subscription price of €4.35 by this amount or this percentage.

IX. NOTICE TO DISTRIBUTORS

Solely for the purposes of the product governance requirements contained within (i) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"), (ii) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II, and (iii) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the subscription rights to the New Shares and the New Shares have been subject to a product approval process. As a result, it has been determined that such subscription rights and such New Shares are (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors (for the purposes of the MiFID II Product Governance Requirements) should note that: the value of the subscription rights and the price of the New Shares may decline and investors could lose all or part of their investment. The New Shares offer no guaranteed income and no capital protection; and an investment in the subscription rights and the New Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the subscription rights or the New Shares. Each distributor is responsible for undertaking its own target market assessment in respect of the subscription rights and the New Shares and determining appropriate distribution channels.

X. SUBSCRIPTION AGREEMENT

On October 26, 2018, the Company, AEPF III 15 S.à r.l. and Baader Bank entered into a Subscription Agreement with respect to the Subscription Offering and the offer of Rump Shares. Baader Bank has not undertaken to underwrite the New Shares. The New Shares will be offered to the public in Germany and Luxembourg. AEPF III 15 S.à r.l. has undertaken to the Company and Baader Bank, subject to certain conditions, to exercise its subscription rights vis-à-vis the Company at the Subscription Price and to directly subscribe for the respective number of New Shares. AEPF III 15 S.à r.l. has further undertaken in the Backstop Agreement to purchase any New Shares at the Subscription Price that are not subscribed.

The Subscription Agreement also stipulates that the Company must release Baader Bank from certain liabilities and that its obligations under the agreement are contingent on the fulfillment of certain conditions, including, for example, the receipt of standard legal opinions that Baader Bank deems satisfactory.

Under the Subscription Agreement the Company is obliged to pay Baader Bank a commission of €100 thousand. The Company has also agreed to reimburse Baader Bank for certain expenses incurred by it in connection with this Offering and pay Baader Bank, in its sole discretion, an incentive fee of €25 thousand.

XI. OTHER LEGAL RELATIONSHIPS BETWEEN THE COMPANY AND INTERESTED PARTIES

Baader Bank has entered into a contractual relationship with the Company in connection with the Offering and admission to trading of the Company's New Shares. Upon the successful completion of the Offering, Baader Bank will receive a commission from the Company. As a result of this contractual relationship, Baader Bank has a financial interest in the success of the Offering.

Except for the aforementioned interests, there are no interests, conflicting interests or potential conflicting interests which are material to the Offering.

D. REASONS FOR THE OFFERING AND USE OF PROCEEDS

The net proceeds to the Company from the Offering result from the gross proceeds less the placement commissions and other expenses described below. On the basis of a Subscription Price of €4.35 and issuance of 34,512,703 New Shares, the Company is seeking to raise funds of approximately €150.1 million in this Offering. The overall commissions, including incentive fee, to be paid by the Company to Baader Bank amount to €125 thousand. Other costs to be incurred by the Company in connection with the Offering are expected to be approximately €1.2 million. On this basis, the Company expects net proceeds from this Offering of approximately €148.8 million.

The Company intends to sell the New Shares and use the estimated net proceeds of the Offering to finance, in part, the purchase prices 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 Prospectus, the Company has not yet entered into any binding commitments with respect to such acquisition opportunities.

If the Company acquires properties for a total purchase price in excess of the net proceeds of the Offering and cash on hand, it plans to finance the remaining amount of the purchase price for such potential acquisitions, in the amount of up to approximately €200 million, through secured bank financing or raising additional indebtedness in the capital markets, depending on market conditions. 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 Offering and cash on hand. Therefore, the use of the net proceeds is not dependent on the Company's ability to secure additional financing.

Should the Company not be able to consummate any or all of such acquisitions, it would apply the net proceeds of the Offering, 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 Offering until a suitable property or portfolio of properties can be identified.

E. DIVIDENDS, DIVIDEND POLICY AND EARNINGS PER SHARE

I. DIVIDENDS

Shareholders have a share in the Company's distributable profits determined in proportion to their interest in the Company's share capital. The participation of new shares in the profits may be determined in a different manner.

Distributions of dividends on shares for a given fiscal year are generally determined by a process in which the executive board (*Vorstand*) of the Company (the "**Executive Board**") and the supervisory board (*Aufsichtsrat*) of the Company (the "**Supervisory Board**") submit a proposal for the distribution of dividends to the annual general shareholders' meeting held within the first eight months of the subsequent fiscal year. The general shareholders' meeting then adopts a resolution on such distribution with simple majority of the votes cast without being bound by the proposal of the Executive Board and the Supervisory Board. Under German law, dividends can only be resolved upon and paid if the unconsolidated financial statements of the Company show distributable profits (*Bilanzgewinn*). In contrast to the Company's consolidated financial statements, which are prepared in accordance with IFRS, the unconsolidated financial statements are prepared in accordance with the accounting principles of the HGB and other applicable German law. These accounting regulations differ from IFRS. The unconsolidated financial statements of the Company are approved by the Executive Board and the Supervisory Board unless the Executive Board and the Supervisory Board refer the approval to the general shareholders' meeting. In determining the distributable profits, the profit or loss for the fiscal year is adjusted for profits or losses carried forward from previous fiscal years as well as for withdrawals from and transfers to reserves. Certain reserves must be formed by law and must be deducted when calculating the distributable profits. Subject to certain statutory restrictions, the general shareholders' meeting is entitled to transfer additional amounts to the reserves or carry them forward. Pursuant to the Company's Articles of Association and subject to applicable statutory law, the general shareholders' meeting may resolve to pay dividends in kind (*Sachdividende*) in accordance with Section 58(5) German Stock Corporation Act (*Aktiengesetz*) in addition to or *in lieu* of a cash distribution. If the Executive Board and the Supervisory Board approve the unconsolidated financial statements, they may, pursuant to Section 58(2) German Stock Corporation Act (*Aktiengesetz*), transfer up to 50% of the profit for the fiscal year remaining after deducting any transfers to statutory reserves and any losses carried forward to non-statutory reserves.

Dividends resolved by the general shareholders' meeting are due and payable immediately after the relevant general shareholders' meeting, unless otherwise provided in the dividend resolution, in compliance with the rules of the respective clearing system. Under German law, the right to dividend payments is generally time-barred after three years for the benefit of the Company.

The New Shares carry full dividend rights as of and for the fiscal year beginning January 1, 2018 and for all subsequent fiscal years. The dividends will be paid out in accordance with the rules of the clearing system of Clearstream Banking AG, Mergenthalerallee 61, 65760 Eschborn, Germany. Details on dividend payments and the respective payment agent will be published in the German Federal Gazette (*Bundesanzeiger*) after the general shareholders' meeting. Neither German law nor the Company's Articles of Association provide for a special procedure for the exercise of dividend rights by shareholders not resident in Germany.

Generally, withholding tax (*Kapitalertragsteuer*) is withheld from dividends paid. For more information on the taxation of dividends, see *S.I.2.1.* "*Taxation—Taxation in Germany—Taxation of Shareholders—Taxation of Dividends*".

II. DIVIDEND POLICY

Shareholders will be eligible for dividends declared in respect of the fiscal year beginning January 1, 2018 and subsequent fiscal years. The ability and intention of the Company to pay dividends in the future will depend on its financial position, results of operations, capital requirements, investment alternatives, the existence of distributable reserves, available liquidity, market developments, industry peers and other factors that the Executive Board and Supervisory Board may deem relevant. Any proposals by the Executive Board and Supervisory Board regarding dividend payments will be subject to the approval of the general shareholders' meeting which may revise the Company's dividend policy from time to time. The Company depends to a

significant extent on the transfer of distributable profits from its operating subsidiaries. The determination of each subsidiary's ability to pay dividends is made in accordance with applicable law.

We intend to invest available funds and future earning to finance the growth and profitability of our real estate portfolio. The Company has not paid any dividends to date, and has no present intention of recommending the declaration or payment of any dividends in the foreseeable future.

III. EARNINGS PER SHARE

Earnings per share are calculated by dividing the portion of net profit/loss for the period which is attributable to parent company shareholders by the weighted average number of shares outstanding. The following table sets forth the Group's net profit/loss for the period attributable to parent company shareholders and the basic earnings per share as shown in the Company's Audited Consolidated Financial Statements for the periods indicated.

	Fiscal year ended December 31,		
	2015	**2016**	**2017**
	(in € thousands, except as noted) (audited)		
Net profit/loss for the period attributable to parent company shareholders (IFRS)	**28,117**	**24,670**	**13,783**
Weighted average number of shares outstanding (in thousand) (IFRS)	25,889	51,364	54,261
Basic earnings per share (in €)	1.09	0.48	0.25
Dividends distributed	—	—	—

F. CAPITALIZATION AND INDEBTEDNESS

The tables below set forth the Company's consolidated capitalization and net financial indebtedness as of July 31, 2018 as well as adjusted for the capital increase in connection with the Offering (see *Q.II.* "*Description of Share Capital and Related Information—Development of the Share Capital*"). The as adjusted column assumes net proceeds from the Offering of approximately €148.8 million (assuming gross proceeds from the sale of the New Shares in the amount of approximately €150.1 million and 34,512,703 New Shares and excluding tax effects).

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.

I. CAPITALIZATION

	As of July 31, 2018	As adjusted to reflect effects of the Offering
	(in € thousands) (unaudited)	
Total current debt[1]	**78,119**	**78,119**
of which guaranteed	—	—
of which secured[7]	24,371	24,371
of which unguaranteed/unsecured	53,748	53,748
Total non-current debt[2]	**748,038**	**748,038**
of which guaranteed	—	—
of which secured[7]	249,930	249,930
of which unguaranteed/unsecured	498,108	498,108
Shareholders' equity[3]	**365,454**	**514,264**
of which share capital[8]	73,081	107,594[6]
of which legal reserves[9]	14,543	128,841[6]
of which other reserves[4]	277,830	277,830
Total capitalization[5]	**1,191,611**	**1,340,421**

(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 *F.II.* "*—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 *F.II.* "*—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) Of the assumed net proceeds of €148.8 million, €34.5 million will be allocated to subscribed capital of the Company and €114.3 million will be allocated to capital reserves. Tax effects have not been considered.
(7) Represents debt secured by certain real estate assets.
(8) Share capital is the subscribed capital of the Company.
(9) Legal reserves are the capital reserves of the Group.

II. NET FINANCIAL INDEBTEDNESS

	As of July 31, 2018	As adjusted to reflect effects of the Offering
	(in € thousands) (unaudited)	
A. Cash[1]	85,482	234,291[6]
B. Cash equivalents	—	—

C. Trading securities	—	—
D. Liquidity (A) + (B) + (C)	**85,482**	**234,291**
E. Current financial receivables[(2)]	**5,700**	**5,700**
F. Current bank debt	54,619	54,619
G. Current portion of non-current debt	4,626	4,626
H. Other current financial debt[(3)]	927	927
I. Current financial debt (F) + (G) + (H)	**60,173**	**60,173**
J. Net current financial indebtedness (I) – (E) - (D)	**(31,010)**	**(179,819)**
K. Non-current bank loans	249,969	249,969
L. Bonds issued	359,166	359,166
M. Other non-current loans[4)]	298	298
N. Non-current financial indebtedness (K) + (L) + (M)[(5)]	**609,433**	**609,433**
O. Net financial indebtedness (J) + (N)	**578,423**	**429,612**

(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.
(6) The assumed net proceeds of €148.8 million will be allocated to cash. Tax effects have not been considered.

III. CONTINGENT LIABILITIES

As of December 31, 2017, contingent liabilities consisted of mortgages under Section 1191 of the German Civil Code (*Bürgerliches Gesetzbuch*, "**BGB**") 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.

IV. WORKING CAPITAL STATEMENT

The Company believes that it currently has sufficient working capital to meet its payment requirements for at least the next twelve months following the date of this Prospectus.

V. NO SIGNIFICANT CHANGE IN FINANCIAL AND TRADING POSITION

There have been no significant changes in the Company's financial or trading position between June 30, 2018 and the date of this Prospectus

G. 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 Prospectus 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 Prospectus 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 H. "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" section of this Prospectus.

I. 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.

II. 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**

III. 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.

IV. 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. We believe that the presentation of the alternative performance measures included in this Prospectus complies with the guidelines issued by the European Securities and Markets Authority ("**ESMA**") on October 15, 2015 on alternative performance measures (the "**ESMA Guidelines**").

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.

1. 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.

1.1. EBIT

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

1.2. 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**

	Fiscal year ended December 31,			Six months ended June 30,	
	2015[(b)]	2016	2017	2017	2018
	(in € thousand)				
	(unaudited, unless otherwise indicated)			(unaudited)	
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
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.

2. Financing and Leverage

2.1. 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, unless otherwise indicated)			(unaudited)
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

3. 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.

3.1. Other Operating Data

3.1.1. 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**

3.1.2. 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.

H. 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 Prospectus 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 Prospectus 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 G. "Selected Consolidated Financial Information" and our Consolidated Financial Statements contained elsewhere in this Prospectus. In addition, some of the information contained in this discussion may contain forward-looking statements that involve risks and uncertainties. You should read B.II. "– Forward-Looking Statements" for a discussion of the risks related to those statements. You should also read K. "Business" and A. "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.

I. 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.

II. KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

1. 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 Prospectus, 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.

2. 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.

3. 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.

III. DESCRIPTION OF KEY LINE ITEMS IN STATEMENT OF INCOME

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

1. 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.

2. 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.

3. 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.

4. 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.

5. 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.

6. 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.

7. (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.

IV. RESULTS OF OPERATIONS

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

1.1. 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.

1.2. 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.

1.3. 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.

1.4. 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.

1.5. 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.

1.6. 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.

1.7. 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 *R.*

"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.

1.8. (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.

1.9. 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.

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

2.1. 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.

2.2. 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.

2.3. 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.

2.4. 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.

2.5. 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.

2.6. 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.

2.7. 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.

2.8. 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.

2.9. (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.

2.10. 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.

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

3.1. Profit/loss from the rental of real estate

	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.

3.2. 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.

3.3. 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.

3.4. 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.

3.5. 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.

3.6. 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.

3.7. 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.

3.8. 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.

3.9. (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.

3.10. 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.

V. LIQUIDITY AND CAPITAL RESOURCES

1. 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 *A.* "*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 *A. II. 7.* "*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.*"

2. 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.

2.1. 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.

2.2. 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.

2.3. 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).

VI. 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 Prospectus, 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 Prospectus, 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 Prospectus, 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, including, 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.

VII. 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**

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

1.1. 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.

1.2. 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.

1.3. 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.

1.4. 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.

1.5. 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.

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

2.1. 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.

2.2. 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.

2.3. 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.

2.4. 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.

VIII. CONTRACTUAL OBLIGATIONS

1. 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**

2. 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 Prospectus, 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.

IX. CONTINGENT LIABILITIES AND OFF BALANCE SHEET ARRANGEMENTS

1. 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.

2. 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.

X. 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.

1. 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.

2. 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.

3. 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.

4. 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

5. 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.

6. 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.

7. 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.

8. 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.

XI. 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. The Company's audited unconsolidated financial statements as of and for the fiscal year ended December 31, 2017 are included in the "*Financial Information*" section of this Prospectus.

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.

I. RECENT DEVELOPMENTS AND OUTLOOK

I. 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 Prospectus, 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.

The Company intends to sell the New Shares and use the estimated net proceeds of the Offering to finance, in part, the purchase prices 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 Prospectus, the Company has not yet entered into any binding commitments with respect to such acquisition opportunities.

If the Company acquires properties for a total purchase price in excess of the net proceeds of the Offering and cash on hand, it plans to finance the remaining amount of the purchase price for such potential acquisitions, in the amount of up to approximately €200 million, through secured bank financing or raising additional indebtedness in the capital markets, depending on market conditions. 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 Offering and cash on hand. Therefore, the use of the net proceeds is not dependent on the Company's ability to secure additional financing.

Should the Company not be able to consummate any or all of such acquisitions, it would apply the net proceeds of the Offering, 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 Offering until a suitable property or portfolio of properties can be identified.

II. PROFIT FORECAST

1. Forecast of the Funds from Operations after Taxes excluding Profit/Loss from the Sale of Real Estate and Real Estate Companies (FFO I after Taxes) for the Fiscal Year Ending December 31, 2018 of DEMIRE Deutsche Mittelstand Real Estate AG

The forecast of the funds from operations after taxes excluding profit/loss from the sale of real estate and real estate companies ("**FFO I after taxes**") of DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt am Main (the "**Company**" and together with its consolidated subsidiaries, "**DEMIRE**") for the fiscal year ending December 31, 2018 described in this section refers to FFO I after taxes of the Company on a consolidated basis (the "**FFO I Forecast**"). The FFO I Forecast is not a presentation of facts and should not be interpreted as such by investors. Rather, it reflects the forward-looking expectations of the management board of the Company with

respect to the development of the FFO I after taxes of DEMIRE. Potential investors should not place undue reliance on this FFO I Forecast.

According to the Company, FFO I after taxes is indicative for the assessment of its operating performance. For the purposes of the FFO I Forecast, the Company defines FFO I after taxes as follows:

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[2] (FFO I before taxes) as well as adjusted current income taxes[3].The FFO I Forecast is based on the assumptions listed below made by the management of the Company. These assumptions relate to (i) factors outside the Company's influence, (ii) factors that can be influenced by the Company only to a limited extent and (iii) factors that can be influenced by the Company. Even though the Company considers the assumptions of its management to be reasonable at the time of when preparing the FFO I Forecast, they may prove in retrospect to be incorrect or unfounded. Should one or more of these assumptions prove to be incorrect or unfunded, the Company's actual FFO I after taxes could differ materially from its FFO I Forecast.

1.1. FFO I Forecast of DEMIRE for the Fiscal Year Ending December 31, 2018

Based on the development of the fiscal year ending December 31, 2018, the Company anticipates FFO I after taxes for the fiscal year ending December 31, 2018 in a range of EUR 16 million to EUR 18 million.

1.2. Explanatory Notes to the FFO I Forecast

1.2.1. Basis of Preparation

The FFO I Forecast for the fiscal year ending December 31, 2018 was prepared in accordance with the principles of the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e.V.*, "**IDW**") IDW Accounting Practice Statement: Preparation of Profit Forecasts and Estimates in Accordance with the Specific Requirements of the Regulation on Prospectuses and Profit Estimates on the basis of Preliminary Figures IDW AcPS HFA 2.003 (IDW RH HFA 2.003) (*IDW Rechnungslegungshinweis: Erstellung von Gewinnprognosen und -schätzungen nach den besonderen Anforderungen der Prospektverordnung sowie Gewinnschätzungen auf Basis vorläufiger Zahlen (IDW RH HFA 2.003)*).

The FFO I Forecast for the fiscal year ending December 31, 2018 was prepared on the basis of the accounting principles of International Financial Reporting Standards, as adopted by the European Union ("**IFRS**"). The applied accounting policies are described in the notes to the unaudited interim consolidated financial statements of the Company as of and for the six months ended June 30, 2018 in connection with the notes to the consolidated financial statements of the Company as of and for the fiscal year ended December 31, 2017.

For the purposes of the FFO I Forecast, no planned acquisitions of real estate in the fiscal year ending December 31, 2018 have been taken into consideration. However, the FFO I Forecast includes planned property disposals scheduled to take place in the fiscal year ending December 31, 2018 whose transfer of benefits and encumbrances is expected to take place in the fiscal year ending December 31, 2018. The rental income and income from utility and service charges as well as operating expenses to generate rental income affected by the disposals of properties are not recognized in the FFO I Forecast after each expected transfer of benefits and encumbrances.

[2] Other adjustments include, in particular, one-time refinancing costs, one-time transaction costs, one-time legal and consulting costs, one-time administrative costs and non-period income and expenses.

[3] 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.

1.2.2. Factors and Assumptions

The FFO I Forecast for the fiscal year ending December 31, 2018 is influenced by a range of factors and based on historical trends, Company experiences and management estimates which are listed below.

1.2.2.1. Factors outside the company´s influence

The FFO I Forecast of the Company for the fiscal year ending December 31, 2018 is subject to factors outside of the influence of the Company. These factors and related assumptions are described below:

1.2.2.1.1. Factor: Unforeseeable events such as "force majeure"

While preparing the FFO I Forecast, the Company assumes that no significant unforeseeable events will occur that could lead to significant constraints in the ongoing business operations of the Company or its subsidiaries, for instance force majeure (e.g., fire, flooding, hurricanes, storms, earthquakes or terrorist attacks) strikes, extraordinary macroeconomic events or war.

1.2.2.1.2. Factor: Legislative and regulatory conditions

While preparing the FFO I Forecast, the Company assumes that no or only insignificant changes will be made to the current legal and regulatory framework (e.g., concerning tenancy law). Additionally, the Company assumes no significant changes in the taxation of real estate investments nor any unforeseen regulatory changes affecting DEMIRE's business.

1.2.2.1.3. Factor: Economic developments in the real estate industry

For the purposes of the FFO I Forecast, the Company assumes that:

- No financial or economic crisis will occur that affects Europe and specifically Germany;
- The economic conditions in Germany will not experience any negative developments; and
- The real estate industry, especially in Germany, will not suffer any negative developments, and that the Company will be able to retain its current competitive position in the market.

1.2.2.1.4. Factor: Changes in interest rates

While preparing the FFO I Forecast, the Company expects that current interest rates will remain stable assuming no material tightening of credit institutions' requirements for providing transaction financing or refinancing. In addition, the Company does not assume that Central banks will significantly increase interest rates. Furthermore, the Company assumes that there will be no major changes in the conditions for financing on the capital market.

1.2.2.2. Factors that can be influenced by the company to a limited extent

Likewise, other factors that can be influenced by the Company to a limited extent affect the FFO I Forecast. The relevant assumptions are described below:

1.2.2.2.1. Factor: Rental income

Rental income comprises the annual rental payments contractually agreed with the tenants. For the purposes of the FFO I Forecast, the Company does not assume any acquisitions of real estate in the fiscal year ending December 31, 2018. In contrast, the Company assumes the disposal of real estate by year end 2018 that were already clustered as assets held for sale in the fiscal year ending December 31, 2017. In addition, the Company assumes that the risk of rental loss will remain low and that expiring leases, in certain cases after certain down periods and re-letting measures, will be primarily compensated by new leases or renewals of existing leases on terms comparable to the level of current contracted leases. Furthermore, the Company has assumed that the EPRA vacancy rate of its investment properties will be lower and the average rent per sqm

subject to indexation and step-up rents will not change significantly in the fiscal year ending December 31, 2018 compared to the fiscal year ended December 31, 2017. Accordingly, the rental income for the fiscal year ending December 31, 2018 will be approximately EUR 71 million to EUR 73 million on the basis of the contractually agreed rents.

1.2.2.2.2. Factor: Income from utility and service charges and operating expenses to generate rental income

Income from utility and service charges and operating expenses to generate rental income include all allocable ancillary costs that were passed on to tenants, all costs related to letting activities, such as repairs and maintenance, allocable and non-allocable operating expenses and other property-related costs. For the purpose of preparing the FFO I Forecast, the Company has assumed that the ratio of (i) income from utility and service charges and operating expenses to generate rental income to (ii) rental income will change for the fiscal year ending December 31, 2018 compared to the fiscal year ended December 31, 2017. This is mainly caused by an increase of operating expenses to generate rental income for the fiscal year ending December 31, 2018 compared to the fiscal year ended December 31, 2017 due to the elimination of large investment backlog from previous years assuming a capitalization ratio for investments of 45% for the fiscal year ending December 31, 2018. Income from utility and services charges will not change significantly for the fiscal year ending December 31, 2018 compared to the fiscal year ended December 31, 2017.

1.2.2.2.3. Factor: General and administrative expenses

For the purpose of making the FFO I Forecast, general and administrative expenses are planned for each cost item separately with personnel costs and legal and advisory costs being the main cost drivers. For the fiscal year ending December 31, 2018 personnel costs are expected to decrease compared to the fiscal year ended December 31, 2017 due to lower expenses for severance payments. In contrast, legal and advisory costs are expected to increase compared to the fiscal year ended December 31, 2017 due to optimization measures following the implementation of strategy DEMIRE 2.0. In total, general and administrative costs will remain at similar levels in the fiscal year ending December 31, 2018 compared to the fiscal year ended December 31, 2017. Adjusted for one-time costs, general and administrative expenses will increase slightly in the fiscal year ending December 31, 2018 compared to the fiscal year ended December 31, 2017.

1.2.2.2.4. Factor: Other operating income and other operating expenses

For the purpose of preparing the FFO I Forecast, the Company has assumed that the net result of other operating income and other operating expenses in the fiscal year ending December 31, 2018 will be higher compared to fiscal year ended December 31, 2017. However, adjusted for one-time costs and non-periodic income and expenses, the net result of other operating income and other operating expenses will not change significantly in the fiscal year ending December 31, 2018 compared to the fiscal year ended December 31, 2017.

1.2.2.2.5. Factor: Finance expenses

For the purpose of preparing the FFO I Forecast, the Company has assumed that:

- Financial expenses for the fiscal year ending December 31, 2018 will decrease significantly due to improved cost of debt achieved through effective refinancing measures in the fiscal year ended December 31, 2017, adjusted for one-time costs, finance expenses will decrease in the fiscal year ending December 31, 2018 compared to the fiscal year ended December 31, 2017;

- the average ratio of net debt to real estate will decrease for the fiscal year ending December 31, 2018 compared to the fiscal year ended December 31, 2017;

- all covenants under financing agreements (especially financial covenants) will be complied with;

- the interest rate risk will remain low, because the Company believes that the low interest environment will not change until the end of the fiscal year ending December 31, 2018; and

- the liquidity risk will remain low, because the Company believes that sufficient liquidity is available, and that the average financing conditions of the Company relating to the current financing agreements can be maintained in case of the conclusion of new or extensions of existing financing agreements.

1.2.2.2.6. Factor: Income taxes

For the purpose of preparing the FFO I Forecast, the Company has assumed a forfeiture of tax loss carry forwards following the investment by AEPF III 15 S.à r.l. in the Company in February 2018. Hence, the Company assumes for the fiscal year ending December 31, 2018 higher adjusted current income tax expenses based on the current estimated taxable income compared to the fiscal year ended December 31, 2017.

1.2.2.2.7. Factor: Other adjustments

Other adjustments include, in particular, one-time refinancing costs, one-time transaction costs, one-time legal and consulting costs, one-time administrative costs and non-period expenses/income and affect general and administrative expenses, other operating income and other operating expenses and finance expenses. For the purpose of preparing the FFO I Forecast, these non-recurring costs are not relevant and therefore eliminated.

1.2.2.3. Factors that can be influenced by the company

The FFO I Forecast of the Company for the fiscal year ending December 31, 2018 is subject to factors that can be influenced by the Company. These factors and related assumptions are described below:

1.2.2.3.1. Factor: Expenses related to tenant fluctuation

In the event of a change of tenant, the Company can determine what amount to invest in the lettable area so as to positively influence the potential rent price for that lettable area. The amount invested in a lettable area may affect the amount of rent charged under new rental agreement as well as the time that lettable area remains vacant before a new rental agreement is concluded. For the purposes of the FFO I Forecast, the Company assumes that in the fiscal year ending December 31, 2018 the expenses for such investments in newly let areas are higher compared to the fiscal year ended December 31, 2017 and that all such expenses will be realized to the extent estimated.

1.2.2.3.2. Factor: Measures for capital expenditures

The Company assumes increased measures and realization for capital expenditures in the fiscal year ending December 31, 2018 compared to the fiscal year ending December 31, 2017 due to the elimination of large capital expenditures backlog of previous years. The assumed capitalization ratio for capital expenditures amounts to 54% for the fiscal year ending December 31, 2018.

1.2.2.3.3. Factor: Acquisitions / Disposals

For the purposes of the FFO I Forecast, the Company does not assume any acquisitions or disposals of real estate nor any increase or decrease of shareholdings in its subsidiaries for the fiscal year ending December 31, 2018. The sole exception refers to the disposal of real estate by year end 2018 that were already clustered as assets held for sale in the fiscal year ending December 31, 2017.

1.2.2.3.4. Factor: Operational improvements in accordance with DEMIRE 2.0

Operational improvements following DEMIRE 2.0 strategy for the fiscal year ending December 31, 2018 include the reduction of financial expenses from refinancing measures in the fiscal year ended December 31, 2017, successful implementation of tax groups with its subsidiaries, reduction in vacancy through active asset management and improved tenant relationship. For purposes of the FFO I Forecast, the Company assumes that these operational improvements can be realized and will positively impact rental income, finance expenses and income taxes, among others.

1.2.3. Other Explanatory Notes

As described above, the FFO I Forecast does not include any extraordinary results or results from non-recurring activities within the meaning of the IDW Accounting Practice Statement (IDW RH HFA 2.003).

The FFO I Forecast for the fiscal year ending December 31, 2018 was compiled on October 25, 2018. As the FFO I Forecast relates to a period not yet completed and is prepared on the basis of assumptions about future uncertain events and actions, it naturally entails substantial uncertainties. Because of these uncertainties, it is possible that the actual FFO I after taxes for the fiscal year ending December 31, 2018 may differ materially from the FFO I Forecast.

2. Auditor's Report on the Forecast of the Funds from Operations after Taxes excluding Profit/Loss from the Sale of Real Estate and Real Estate Companies (FFO I after Taxes) for the Fiscal Year Ending December 31, 2018 of DEMIRE Deutsche Mittelstand Real Estate AG

Auditor's Report

To DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt am Main

We have audited whether the profit forecast prepared by DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt am Main for the period from January 1, 2018 to December 31, 2018 has been properly compiled on the basis stated in the explanatory notes to the profit forecast and whether this basis is consistent with the accounting policies of the company. The profit forecast comprises the forecast funds from operations after taxes excluding profit/loss from the sale of real estate and real estate companies ("FFO I after taxes") for the period from January 1, 2018 to December 31, 2018 and explanatory notes to the profit forecast.

The preparation of the profit forecast including the factors and assumptions presented in the explanatory notes to the profit forecast is the responsibility of the company's management.

Our responsibility is to express an opinion based on our audit on whether the profit forecast has been properly compiled on the basis stated in the explanatory notes to the profit forecast and whether this basis is consistent with the accounting policies of the company. Our engagement does not include an audit of the assumptions identified by the company and underlying the profit forecast.

We conducted our audit in accordance with *IDW Prüfungshinweis: Prüfung von Gewinnprognosen und –schätzungen i.S.v. IDW RH HFA 2.003* (IDW PH 9.960.3) (IDW Auditing Practice Statement: The Audit of Profit Forecasts and Estimates in accordance with IDW AcPS AAB 2.003 (IDW AuPS 9.960.3)) issued by the *Institut der Wirtschaftsprüfer in Deutschland e.V.* (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that material errors in the compilation of the profit forecast on the basis stated in the explanatory notes to the profit forecast and in the compilation of this basis in accordance with the accounting policies of the company are detected with reasonable assurance. As the profit forecast relates to a period not yet completed and is prepared on the basis of assumptions about future uncertain events and actions, it naturally entails substantial uncertainties. Because of these uncertainties it is possible that the actual profit of the company for the period from January 1, 2018 to December 31, 2018 may differ materially from the forecast profit.

We believe that our audit provides a reasonable basis for our opinion. In our opinion, based on the findings of our audit, the profit forecast has been properly compiled on the basis stated in the explanatory notes to the profit forecast. This basis is consistent with the accounting policies of the company.

Berlin, October 25, 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Gregory Hartman	Nadja Picard
Wirtschaftsprüfer	Wirtschaftsprüferin

J. REGULATION

I. INTRODUCTION

Our real estate portfolio is subject to a variety of laws and regulations in Germany. If we fail to comply with applicable laws and regulations, we may be subject to civil liability, administrative orders, fines or even criminal sanctions. In the following section, the most important laws and regulations applicable to us and our real estate portfolio are described.

II. GERMAN TENANCY LAW RESTRICTIONS

1. Written Form Requirement

German tenancy law is incorporated into BGB and generally requires that rental agreements which provide for a term of more than one year must be concluded in written form. The requirements to comply with written form have been specified by comprehensive case law. However, a rental agreement is not invalid in the event of an infringement of the requirement for the written form. Rather, it is deemed to have been concluded for an indefinite period with the consequence that it can be terminated at the earliest at the end of one year after handover of the leased property to the tenant in accordance with the statutory notice period (*i.e.*, six months to the end of the quarter minus three days). Against the background of the case law enacted in recent years on the formal invalidity of rental agreements, there exists a risk that rental agreements that were originally compliant with the written form no longer satisfy the requirements currently applicable or compliance with written form requirements is overseen when entering into a long-term lease or its prolongation and as a consequence can be terminated on short notice, regardless of the agreed fixed term.

2. Operating Costs

Regarding the operating costs of commercial tenancies, most of the ongoing costs of the property accruing to the landlord may essentially be apportioned to the tenants. However, this requires a clause in the lease agreement stipulating explicitly and specifically which operating costs shall be borne by the tenant. These clauses have to be even more specific and transparent if they can be considered general terms and conditions presented by the landlord to the tenant. With respect to heating costs, further legal provisions are contained in the Heating Costs Ordinance (*Heizkostenverordnung*), banning lump-sum cost-bearing clauses and restricting the landlord's leeway in apportioning heating costs among tenants. Furthermore, costs that do not adhere to the landlord's statutory obligation to take a cost-effective approach (*Wirtschaftlichkeitsgebot*) may also not be apportioned to tenants and may even result in the landlord's liability.

3. Indexation Clauses

Commercial rents are generally freely negotiable under German tenancy law. The legislator only provides a regulatory framework in the area of rent adjustments in connection with changes in prices or services ("**Indexation Clauses**"). The German Act on the Prohibition of Price Clauses when Determining Monetary Liabilities (*Preisklauselgesetz*, "**PKG**") governs the permissibility of Indexation Clauses. Pursuant to the PKG, the price or value of goods or services may not be determined using Indexation Clauses if these are not comparable to the goods or services agreed in the lease. The prohibition on Indexation Clauses does not extend to payment reservation clauses (*Leistungsvorbehaltsklauseln*), spread clauses (*Spannungsklauseln*), cost element clauses (*Kostenelementeklauseln*), clauses which relate merely to a reduction in monetary liabilities and price clauses in long-term agreements which satisfy the conditions set forth under the PKG. Indexation Clauses in commercial leases are regularly subject to this exception if they have been entered into for a term of at least ten years or a term summing up to at least ten years upon the discretion of the tenant and the price trend is measured using a recognized price index (usually the consumer price index) and applies to increases to the same extent as it applies to reductions.

Indexation Clauses in lease agreements which are not subject to these exceptions are invalid, by contrast. The Indexation Clause becomes invalid at the time the infringement is legally established. The legal implications of the Indexation Clauses remain unaffected until their invalidity is legally established. If an Indexation Clause is legally established invalid, rent increases can therefore no longer be asserted against the respective tenant on the basis of such Indexation Clause.

4. Maintenance Costs; Cosmetic Repairs; Final Decorative Repairs

Lease agreements for commercial properties may generally transfer the responsibility for the maintenance and repair of let properties to tenants. This general principle is limited to the extent that the costs of maintenance and repair to the roof and building structures cannot be charged to the tenant under general terms and conditions. Furthermore, areas located in the let property used by several tenants may not be fully transferred to tenants by use of general terms and conditions. Instead, case law on general terms and conditions requires a contractual limitation on the amount apportioned.

Expenses for cosmetic repairs (*Schönheitsreparaturen*) may, in principle, be allocated to tenants, provided that the obligation to carry out ongoing cosmetic repairs is not combined with an undertaking to perform initial and/or final decorative repairs. However, general terms and conditions may not allocate costs for cosmetic repairs to tenants if the execution of such repairs is set to a fixed schedule (*starrer Fristenplan*) or if the tenant is otherwise unfairly disadvantaged (*unangemessen benachteiligt*).

III. REAL ESTATE TRANSFER TAX, NOTARY COSTS AND LAND REGISTRY OFFICE FEES

Purchasers of real estate located in Germany are required to bear certain costs associated with the purchase of real estate, including, for example, notary and land register office fees. The purchase of real estate further triggers real estate transfer taxes (if no tax exemption applies) in most circumstances, for which both parties are liable towards tax authorities. It is, however, common for the purchaser of real estate to pay the real estate transfer tax (*Grunderwerbsteuer*, "**RETT**"). RETT in Brandenburg, Schleswig-Holstein, North Rhine-Westphalia, Saarland and Thuringia currently amounts to 6.5%, in Berlin and Hesse to 6.0%, in Baden-Württemberg, Bremen, Mecklenburg-Western Pomerania, Saxony-Anhalt, Lower Saxony and Rhineland-Palatinate to 5.0%, in Hamburg to 4.5% and in Saxony and Bavaria to 3.5% of the purchase value of the property. While the RETT rate is determined on the federal state level, the statutory RETT framework falls within the competency of the Federal Republic of Germany.

Under current tax laws, the acquisition of a participation reaching or exceeding 95% in an entity that owns German real estate is subject to RETT. In the case of partnerships, RETT could be triggered even if a participation of less than 95% is acquired but where other partnership interests have been transferred in the last five consecutive years. Following the Act for the Implementation of the European Union Directive on Mutual Assistance (*Amtshilferichtlinie-Umsetzungsgesetz*), RETT is now also triggered if an acquisition or transaction results in an entity holding an economic participation of at least 95% in an entity that owns a piece of German real estate property, regardless of whether this is held (partly) directly and/or (partly) indirectly. The economic participation shall equal the sum of direct or indirect participations in the respective entity's capital or assets. To determine participations, the percentages of participations in the capital or assets of the entities are multiplied. Thus, RETT is triggered if the overall effective ownership, taking into account direct and indirect participation (economic ownership), is or exceeds 95% when accumulation is determined based on economic interest calculated on a look-through basis.

Additional costs, amounting to approximately 1.5% of the purchase value, are incurred for notary fees and land registry office (*Grundbuchamt*) fees, depending on the value of the transaction. These additional costs are usually also paid by the purchaser.

IV. CONSTRUCTION AND PLANNING

1. German Planning Law

Under German planning law (*Bauplanungsrecht*), municipal planning authorities have considerable discretion (*Planungsermessen*) in exercising their planning competence. They are, however, required by law to take into account private interests as well as to pursue a number of prescribed objectives, including sustainable urban development and the protection of natural resources. Formal planning by municipalities under the Federal Building Act (*Baugesetzbuch*, "**BauGB**") follows a two-tiered approach.

First, each municipality may issue a preparatory land-use plan (*Flächennutzungsplan*) that represents, with respect to the entire municipal territory, a basic classification of land uses according to urban development objectives and the needs of the municipality. A preparatory land-use plan may, *inter alia*, determine the purpose

or purposes for which specific areas should be used in the future or which areas should be made available for environmental purposes, but it does not, in principal, create or affect individual rights.

Second, zoning plans (*Bebauungspläne*) may determine the specific use of land in designated areas. A zoning plan must comply with the applicable preparatory land-use plan. A zoning plan establishes the legally binding rules with respect to matters such as the size of building plots and the height, density and specific use of buildings erected on a plot and may also designate land as being reserved for public purposes, industrial use, mixed use, social housing, infrastructure, open spaces, and protected areas. Where no zoning plan exists, the question whether a building project and/or its specific kind of use is permissible depends on whether the building project is located in the already built-up interior zone (*Innenbereich*) or in an undeveloped peripheral area (*Außenbereich*). In the first case, the permissibility basically depends on the building project's compatibility with the existing buildings in the vicinity and their specific use. Outside of built-up interior zones, projects are only permissible subject to narrowly defined requirements which are generally not satisfied by buildings designated for office, retail or logistics use.

2. Urban Restructuring Planning

Municipalities may designate special urban planning zones (*Gebiete des besonderen Städtebaurechts*) in order to remediate specific planning deficiencies or facilitate specific urban developments. These planning zones are regulated by the BauGB. The BauGB provides for different types of special urban planning zones, such as redevelopment areas (*Sanierungsgebiete*), conservation areas (*Erhaltungsgebiete*) or development areas (*Entwicklungsgebiete*). Both existing properties located in areas which are designated as special urban planning zones following the erection of such properties as well as properties which will be built in such urban planning zones in the future may be subject to certain restrictions.

For instance, if properties of the Group are located within formally designated redevelopment areas, those properties are subject to restrictive regulations of the BauGB, such as municipal pre-emptive rights. In addition, written permission of the municipality is required for certain development projects and legal procedures (for example, rental agreements for a stipulated period of more than one year, property purchase agreements, the subdivision of a plot or the establishment, modification or revocation of a public easement). The granting of such permission may only be refused if such project would inhibit or seriously impede the implementation of the redevelopment or if it would conflict with the aims and purposes of the redevelopment. In order to implement the redevelopment, the municipality may undertake infrastructure measures. Furthermore, the owner of a property in a redevelopment area may be obliged to make payments to the respective municipality in order to compensate for the increase in the value of the property as a consequence of the redevelopment.

3. Building Regulations

German building laws and regulations of the German federal states (*Bauordnungsrecht der Bundesländer*) are extensive and govern, among other things, permissible types of buildings, building materials, statics, proper workmanship, stability, heating, fire prevention, means of warning and escape in case of emergency, access and facilities for the fire department, hazardous and offensive substances, noise protection, parking spaces, ventilation and handicap access and facilities.

For instance, fire prevention is regulated by laws and building regulations of the federal States, which are further specified by directives, decrees, guidelines, technical regulations, recommendations and technical data sheets regulating constructional, technical and organizational fire prevention concerning, *inter alia*, building materials, firewalls and emergency escape routes as well as fire-extinguishing systems and smoke detectors. Those regulations may be amended from time to time, which could require investments in improved or additional fire prevention measures. Furthermore, if the use of a building is changed or construction measures are taken, such amended fire prevention requirements may become applicable.

4. Protection of Existing Buildings

Owners of buildings erected and used in compliance with building permits (*Baugenehmigungen*) which have become final and absolute (*bestandskräftig*) benefit, in principle, for an indefinite period of time from such

permit (*Bestandsschutz*). This means that local building authorities must generally tolerate the respective building and its use, even though the planning or legal situation may have changed since the granting of the permit.

However, the competent building authority may, under certain circumstances, require alterations to buildings with respect to safety (*e.g.*, fire safety) or health risks. While mere non-compliance with prevailing regulations generally does not warrant such orders, the occurrence of imminent safety or health risks with respect to users of the building or the general public allows the competent authority to demand immediate action from the owner. Relevant risks in this regard include fire risks, traffic risks, risks of collapse and health risks from hazardous building materials, such as asbestos or water contamination.

The protection of existing buildings does not generally cover alterations to such buildings or changes in the type of use. Therefore, in both cases, a new building permit is typically required, which must comply with the then-applicable planning and building regulations. However, the building authority may, under certain circumstances, grant an exemption from the zoning plan if the intended use or alteration is not covered by the zoning plan.

5. Monumental Preservation

Certain buildings or parts of buildings in the ownership/possession of the Group might be classified as historic buildings on the basis of law or registration in a list of protected buildings. The competent authorities may determine whether the conservation of a building is in the collective public interest and, therefore, has to be considered protected. As a result, ownership is subject to various public law restrictions. Specific obligations arise under the historic buildings preservation laws of the individual German Federal States, such as with respect to the maintenance, repair, appropriate management and protection of historic buildings. In addition, changes to historic buildings or their removal are not permitted if significant conservation reasons exist for maintaining the building's condition unchanged. Compliance with preservation legislation is also required in the context of planning permission processes, such as for a change of use or for alterations, and may result in the refusal of the required permits. Furthermore, if a building is located in the near surrounding of a building that is subject to monument protection, such building might also be subject to restrictions to the extent it can influence the monumental character of the protected building.

6. Energy Efficiency

The existing legislation regarding energy efficiency of buildings, which is likely to be tightened even further – *e.g.* in the German Energy Saving Regulation (*Energieeinsparverordnung*, "**EnEV**"), which may be amended or replaced by the *Gebäudeenergiegesetz*, "**GEG**" by January 1, 2019, or the EU Directive 2010/31/EU on the energy performance of buildings – play an increasingly important regulatory role. It is to be expected that the relevant statutory regulations at the national and EU level will be modified further, and increasing requirements on energy consumption and efficiency of buildings, particularly in the case of new buildings and modernizations will be stipulated. For example, in November 2016, the EU Commission proposed an update to Directive 2010/31/EU to help promote the use of smart technology in buildings and to streamline the existing rules, which, if adopted, would likely result in additional obligations to undertake energy efficient refurbishments of existing buildings, such as insulation measures to reduce heating costs or to reduce the consumption of electricity. Cost allocation between the owner and tenants has not been resolved conclusively, meaning that property owners may be obligated to incur a portion of the expenses required for such energy-saving renovation measures.

7. Liability for Environmental Damage and Contamination

Pursuant to the German Federal Soil Protection Act (*Bundesbodenschutzgesetz*), responsibility for existing contamination (*Altlasten*) and/or harmful soil alterations (*schädliche Bodenveränderungen*) (each a "**Contamination**") lies with, among others, the actual polluter, the polluter's universal successor, the current owner of the property, the party in actual control of the property and, if the title was transferred after March 1, 1999, the previous owner of the property if he knew or must have known about the Contamination. There is no general statutory ranking as to liability of the aforementioned parties. Rather, this decision is made at the discretion of the competent local authority (*Bodenschutzbehörde*) taking into account the effectiveness of

remediation as a prevailing factor. Thus, because the current owner of a property is generally in the best position to undertake the necessary remediation measure, he is usually the first party to be held responsible. However, a former owner may be ordered to carry out remediation work if the current owner's financial condition appears to be unsound. Other responsible parties may be required to indemnify the party that carried out the remediation work under a statutory provision. This provision can, however, be waived by way of an express contractual agreement. Furthermore, liability is not based on fault. Therefore, the German Federal Soil Protection Act does not require the relevant local authority to prove negligence or intent on the part of the liable parties.

Administrative powers arising from the German Federal Soil Protection Act authorize the relevant local authority to require risk inspections, investigations, remedial measures and other measures necessary for the prevention of residual pollution or harmful changes in the soil.

The respective Ministries of Environment of both the German federal government and the federal states have established a joint working group (*Bund-/Länder-Arbeitsgemeinschaft Abfall* "**LAGA**") in order to ensure a consistent enforcement of laws relating to waste and disposal legislation. LAGA publishes information sheets, regulations, guidelines and sample administrative provisions. In the so-called LAGA M 20, as amended, LAGA has defined various classification categories, by which, *inter alia*, the treatment and disposal of soil excavation and demolition waste are governed. These classification categories range from emplacement class LAGA Z 0 (unrestricted emplacement for soil-related uses) over emplacement class LAGA Z 1 (restricted emplacement in certain construction types) and LAGA Z 2 (restricted emplacement with technical safety measures) to emplacement classes LAGA Z 3, LAGA Z 4 and LAGA Z 5, which do not allow for emplacement, but require disposal of the respective material.

Civil law liability for Contaminations can arise from contractual warranty provisions or statutory law. Warranty obligations can generally be waived or can be limited by contract. According to statutory provisions, the perpetrator of the Contamination may be held liable for damages or for the remediation of the Contamination and its consequences. This civil liability exists independent of official action taken under the German Federal Soil Protection Act.

8. War Ordnance

In Germany, the federal states are responsible for the clearance of ordnance and other remnants of war. In most states, public services are responsible for the clearance of war ordnance, while other states use private specialized firms. All states assume, and dispose of, the unexploded ordnance themselves. However, the extent to which a private investor or an owner of contaminated real estate incurs liabilities in connection with the clearing of remnants of war, including preparatory measures like the disposal of plants and layers of soil or preventive search measures, where the initial suspicions prove unfounded, varies from state to state.

9. Asbestos Regulation

German law imposes obligations to remediate asbestos contamination under certain circumstances. Under the asbestos guidelines (*Asbest-Richtlinien*) of the German federal states, the standard for determining a remediation obligation is the presence of any health threat. The law distinguishes between friable asbestos, which is capable of releasing asbestos fibers into the air as it ages or breaks, and non-friable asbestos, from which asbestos fibers are usually not released and which therefore poses a limited risk to human health. Except in the event of structural alterations, there is generally no obligation to remove non-friable asbestos under the asbestos guidelines.

Friable asbestos is generally found in construction materials that provide fire safety, noise abatement, moisture protection, heat insulation and thermal protection. The asbestos guidelines set out criteria used in assessing the urgency of remedying contamination, ranging from immediate action (including demolition, removal or coating of the asbestos) to risk assessments at intervals of no more than five years. The removal and disposal of asbestos-containing materials requires specific safety measures and may trigger elevated costs.

In the case of asbestos contamination, a tenant may also assert a right of rent reduction or, in extreme circumstances, termination for good cause. German courts have held that a landlord may be presumed to be in breach of its statutory obligations if the existence of a health threat cannot be excluded. Accordingly, the courts

have granted the right to rent reduction even in cases where the asbestos guidelines do not require immediate remediation. Tenants may also claim compensatory damages if the defect was present at the time the contract was concluded, and they may claim compensation for personal suffering (*Schmerzensgeld*). Finally, tenants also have the right, subject to certain conditions, to remedy the defect on their own and require that their reasonable expenses be reimbursed.

V. RESTITUTION RIGHTS AND TRANSFER APPROVAL

Under the Law on the Settlement of Open Property Issues (*Gesetz zur Regelung offener Vermögensfragen*), former owners of assets who 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. If return of the assets is impossible due to a valid sale to a third party, the former owners have compensation claims under the German Restitution Act (*Bundesentschädigungsgesetz*). The German Asset Allocation Law (*Vermögenszuordungsgesetz*) provides for similar regulations.

With regard to properties located in the former German Democratic Republic (*Deutsche Demokratische Republik*), the German Real Estate Transfer Ordinance (*Grundstücksverkehrsordnung*) generally requires owners of properties to obtain approval from the competent authorities prior to disposing of any properties, unless such approval was previously granted for a transfer of the property completed after September 28, 1990. If any restitution claims have been filed for a property, such approval will not be granted until the claim has been settled.

VI. GERMAN REIT LEGISLATION

The German REIT Act was implemented in 2007 and created a new asset within the framework of a tax-exempt real estate corporation. After the attainment of REIT status, a REIT corporation is exempt from corporation and trade tax if it complies with the requirements of a REIT company. These requirements are essentially:

- the status of a stock corporation domiciled in Germany (registered seat and executive management);
- restriction of the corporate objective to the acquisition, holding, administration and sale of: (i) properties (including all assets necessary for the use and administration of such properties in accordance with section 3 paragraph 7 German REIT Act) but excluding existing residential properties and foreign properties which may not be owned by REITs in the country they are located in (existing residential properties are such domestic properties which are used mainly for residential purposes and which were built before January 1, 2007); (ii) shares in property partnerships; shares in companies which offer services to REITs; (iii) shares in foreign property companies; (iv) participations in companies limited by shares which are shareholders with personal liability in property partnerships and which do not have an asset interest in such companies. A REIT company may only provide paid services to third parties through the medium of a REIT service company;
- the corporation may not engage in any commercial property dealing;
- the shares of the corporation must be listed on a regulated stock exchange within the meaning of section 2 paragraph 11 German Securities Trading Act (*Wertpapierhandelsgesetz*, "**WpHG**") in a member state of the EU or the EEA;
- a minimum share capital of €15 million;
- no shareholder may have a share in the corporation of 10% or more directly or via a trustee (maximum participation);

- at least 15% of the shares, 25% at the time of Initial Public Offering, must be in free float (free float is constituted by shares of those shareholders who directly or indirectly hold less than 3% of the voting rights) (free-float ratio);

- the corporation must provide for indemnification for the free float shareholders in its articles of association in the event of the termination of the tax exemption status due to breaches of the maximum direct participation limit and/or of the free float ratio;

- at least 90% of the net income according to the HGB for the fiscal year must be distributed to the shareholders (minimum pay-out);

- the reported equity of the corporation or group may not fall below 45% (according to IFRS) of the amount at which the immovable assets are valued in the individual or consolidated financial statements in accordance with section 12 paragraph 1 German REIT Act;

- at least 75% of the assets of the corporation or group must consist of immovable assets (including investments in property companies) (asset structure);

- at least 75% of the sales revenues must originate from immovable assets (sales revenue structure); and

- the total sales revenue of a REIT service company, which are to be included in the consolidated financial statements of a REIT corporation, must not exceed 20% of the total proceeds of the group.

The corporate name of a REIT corporation has to be registered with the competent court with the designation "*REIT-Aktiengesellschaft*" or "*REIT-AG*" for entry in the commercial register after the listing on a regulated market in the EU or in the EEA. These designations enjoy protection to the same extent as designations which contain the term "Real Estate Investment Trust" or the abbreviation "REIT" on its own or in conjunction with other words, *i.e.*, they may only be used in the corporate name or in addition to the corporate name of companies that have their registered office within the scope of application of the German REIT Act and that are REIT corporations within the meaning of the German REIT Act.

The German REIT Act provides for sanctions in the event of non-compliance with the requirements of a REIT company. The tax exemption of a REIT company will be terminated if:

- it loses its stock exchange listing;

- it trades in immovable assets, *i.e.*, if it generated income from the sale of property assets within the last five years that exceeds half of the aggregate of its property assets for such five year period;

- for three consecutive fiscal years, less than 15% of the shares of a REIT company are in free float or if, for three consecutive fiscal years, a single investor holds 10% or more of a REIT corporation's shares;

- the minimum requirements as to equity have not been met for three consecutive fiscal years;

- a REIT company 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, and in certain cases for three consecutive fiscal years; or

- the requirements for a REIT company are no longer fulfilled.

If a REIT company 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, the tax competent authority will impose sanction payments against a REIT company. The amount of the sanction

payments will vary depending on the severity and, as applicable, frequency of any breaches during prior fiscal years. Sanction payments will be calculated as follows:

- violation of the required asset structure: 1% to 3% of the amount by which the share of the immovable assets falls short of 75%;
- violation of the required revenue structure: 10% to 20% of the amount by which the gross revenue from leasing or sale of immovable assets is below the target of 75%;
- violation of the 90% distribution requirement: 20% to 30% of the amount by which the actual dividend payment is below 90%; and
- violation of the prohibition on providing non-gratuitous services for third parties: 20% to 30% of the revenue obtained.

These sanctions can also be imposed cumulatively.

VII. GERMAN CAPITAL INVESTMENT CODE

The German Capital Investment Code (*Kapitalanlagegesetzbuch*; "**KAGB**") sets out regulations for alternative investment funds ("**AIF**"). In accordance with the Directive 2011/61/EU ("**AIFM-Directive**"), an AIF within the meaning of the KAGB is defined as any type of collective investment undertaking which raises capital from a number of investors with a view of investing it in accordance with a defined investment strategy for the benefit of those investors and which does not perform any operational activity.

If Fair Value REIT-AG or any participations of Fair Value REIT-AG should qualify as an AIF within the meaning of the KAGB, the respective company would have to comply with the KAGB rules and principles. According to the KAGB, each AIF must be managed by a capital management company. Management of group companies which qualify as an AIF can be performed by an external AIF-management company or by the relevant group company itself. In the latter case, the relevant group company will qualify as an internally managed AIF-management company.

If the respective group company decided not to appoint an external management company, but to change into an internally managed AIF-management company, its business operations would require the permission of BaFin. As an internally managed AIF-management company, the group company would have to be set up in one of the specific legal forms provided in the KAGB for internally managed AIFs. Furthermore, it would have to meet specific organizational requirements, including, *inter alia*:

- proof of professional competence and reliability of the management company's directors;
- observance of certain capital requirements, specifically minimum initial capital;
- establishment of risk, conflict of interest and, where appropriate, liquidity management systems;
- appointment of a depositary for the company's assets; and
- compliance with the notification and reporting obligations set out in the KAGB and the Commission Delegated Regulation (EU) No. 231/2013 ("**AIFM-Regulation**").

K. BUSINESS

I. 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.

II. OUR STRENGTHS

We believe we benefit from the following competitive strengths.

1. 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.

2. 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.

3. 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.

4. 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.

III. OUR STRATEGY

1. 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.

2. 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.

3. 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.

IV. HISTORY

The Company was founded in 2006 as MAGNAT Real Estate Opportunities GmbH & Co. KGaA ("**MAGNAT**"), focused on the acquisition, management, development and sale of housing and commercial real estate in Eastern Europe and the Black Sea region. MAGNAT became listed in the Entry Standard on the Frankfurt Stock Exchange in 2006 and switched to the General Standard in 2007. In 2009, MAGNAT expanded its business activities to asset management for third parties and, in 2010, MAGNAT changed its legal form and name to MAGNAT Real Estate AG.

In 2013, MAGNAT undertook a strategic realignment to focus on German commercial properties in secondary locations. The company was consequently renamed DEMIRE Deutsche Mittelstand Real Estate AG, and asset management activities for third parties were discontinued. The change in strategy resulted in both disposals of properties, which no longer conformed to the Company's new investment criteria, and the acquisition of properties in line with the new strategy, which included retail and logistics classes and decreased the Company's dependence on the office asset class. This shift of focus as well as the strong portfolio growth were reinforced through the takeover of Fair Value REIT-AG in 2015, whose portfolio properties' primary use is retail. The trend towards streamlined portfolio continued in 2016 and, in addition to the disposal of smaller, non-core properties, also included the integration of acquired properties and the insourcing of property-related operations, and, in July 2016, the Company's shares were admitted to the Prime Standard at the Frankfurt Stock Exchange.

In 2018, the Company's shareholder structure significantly changed in the course of entry of the new major shareholder 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. Following the acquisition of convertible bonds and free floating shares, AEPF III 15 S.à r.l. subscribed to over 5 million new shares in the course of the Company's capital increase in April 2018. Simultaneously with this capital increase, AEPF III 15 S.à r.l.entered into a cooperation agreement with the Wecken Group. In connection with a mandatory tender offer to the Company's existing shareholders in April 2018, AEPF III 15 S.à r.l.further expanded its stake in the Company in the second quarter of 2018. In June 2018, AEPF III 15 S.à r.l.and Wecken converted bonds in the amount of €10 million into Company shares and together currently hold over 80 percent of the Company's shares. See *L. "Shareholder Information*". Business Activities

Following the takeover of Fair Value REIT-AG, we reorganized our segment reporting. Since the fiscal year ended December 31, 2016, we report our business activities under two segments: (1) Core Portfolio, which comprises the subsidiaries that were part of the Group prior to the takeover of Fair Value REIT-AG, and (2) Fair Value REIT, which comprises Fair Value REIT-AG and its subsidiaries. In addition, since the Company's strategic realignment in 2013, the Core Portfolio segment has experienced a strong growth, whereas the legacy portfolio, which is part of the Central Functions/Others column of the segment reporting and includes holdings from the period prior to the realignment, has significantly declined in importance.

1. 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.

1.1. 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.

1.2. 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.

1.3. 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.

1.4. 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.

1.5. Acquisition Pipeline

The Company intends to sell the New Shares and use the estimated net proceeds of the Offering to finance, in part, the purchase prices 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 Prospectus, the Company has not yet entered into any binding commitments with respect to such acquisition opportunities.

If the Company acquires properties for a total purchase price in excess of the net proceeds of the Offering and cash on hand, it plans to finance the remaining amount of the purchase price for such potential acquisitions, in the amount of up to approximately €200 million, through secured bank financing or raising additional indebtedness in the capital markets, depending on market conditions. 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 Offering and cash on hand. Therefore, the use of the net proceeds is not dependent on the Company's ability to secure additional financing.

Should the Company not be able to consummate any or all of such acquisitions, it would apply the net proceeds of the Offering, 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 Offering until a suitable property or portfolio of properties can be identified.

2. Fair Value REIT-AG

2.1. 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 Prospectus, the Company holds 79.4% of the voting shares in Fair Value REIT-AG.

2.2. 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.

2.3. 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.

2.4. 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"*.

3. 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.

4. 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.

V. MATERIAL CONTRACTS

1. €270,000,000 2.875% Senior Notes due 2022

On July 26, 2017, the Company issued €270 million 2.875% senior notes due in July 2022 (the "**2022 Notes**"). In October 2017, the Company issued an additional €130 million aggregate principal amount of the 2022 Notes. The 2022 Notes are senior debt of the Company and rank *pari passu* in right of payment to all of the Company's existing and future senior indebtedness and are effectively subordinated to the Company's existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness. As of the date of this Prospectus, the 2022 Notes are not guaranteed by any of the Company's subsidiaries. In the future, certain subsidiaries of the Company may guarantee the 2022 Notes on a senior basis under certain circumstances. Each such Notes guarantee will be subject to contractual and legal limitations and may be released under certain circumstances. The 2022 Notes will be redeemed at their principal amount by the Company together with interest accrued on the principal amount until the maturity date unless they have previously been redeemed or purchased and cancelled. Prior to July 15, 2019, the Company is entitled to redeem

all or a portion of the 2022 Notes at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest and additional amounts, if any, plus a "make whole premium". At any time on or after July 15, 2019, the Company may redeem some or all of the 2022 Notes at a redemption price of 101.438% commencing July 15, 2019, 100.719% commencing July 15, 2020 and 100.0% commencing July 15, 2021 and thereafter. In the event of certain developments affecting taxation, the Company may redeem all, but no less than all, of the 2022 Notes. The 2022 Notes were rated BB+ and Ba2 by Standard & Poor's and Moody's, respectively.

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.

2. Promissory Notes (*Schuldscheindarlehen*)

On November 27, 2014, as amended on February 24, 2017, Condor Objektgesellschaft Düsseldorf GmbH, Condor Objektgesellschaft Bad Kreuznach GmbH, Condor Objektgesellschaft Rendsburg GmbH, Condor Objektgesellschaft Bad Oyenhausen GmbH, Condor Objektgesellschaft Lichtenfels GmbH, Condor Objektgesellschaft Eschborn GmbH, GO BREMEN ApS, GO LEONBERG ApS, GO LUDWIGSBURG ApS, ARMSTRIPE S.à r.l., BLUE RINGED S.à r.l., BRIARIUS S.à r.l., REUBESCENS S.à r.l. and DENSTONS INVESTMENTS LIMITED, subsidiaries of the Company, entered into promissory notes (*Schuldscheindarlehen*) with CAERUS Real Estate Debt Lux S.C.A., SICAV-SIF and Internationale Kapitalanlagegesellschaft mbH, each acting on behalf of certain funds, as lenders, Wilmington Trust SP Services (Frankfurt) GmbH, as trustee, Situs Global Servicing GmbH, as facility agent, and Deutsche Bank AG, as paying agent, in an aggregate principal amount of €144,810,789.75. The loan provided under the promissory notes (*Schuldscheindarlehen*) (the "**Loan**") bears interest at a rate of 4.00% per annum, payable in arrears on March 30, June 30, September 30 and December 30 each year. The Loan matures on March 30, 2022.

The borrowers may prepay the Loan in whole but not in part on any interest payment date by four weeks' prior written notice to the lenders.

The promissory notes agreement (the "**Promissory Notes Agreement**") provides for customary covenants limiting, *inter alia*, the incurrence of other indebtedness by any obligor, the granting of security and disposal of assets.

In particular, the Promissory Notes Agreement provides for testings based on the ratio between (i) the outstanding amount under the Loan on the relevant interest payment date and (ii) the most current market value determined by an external appraiser appointed by the facility agent and the ratio of net operating income regarding the certain properties (cold) to be received by the borrowers (excluding VAT and advance payments for service charges) less property management fees, existing bad debts, vacancy costs (€1.50 per sqm/month), ongoing maintenance costs (as contemplated in the initial budget under "Ongoing Maintenance") as well as, as contemplated in the initial budget, certain other costs in relation to the borrowers, such as general company costs, during the relevant period to the sum of all interest payments and regular amortization payments to be made under the Loan during that same period.

3. Business Combination Agreement with Fair Value REIT-AG

The Company entered into a business combination agreement with Fair Value REIT-AG on July 31, 2015, with regard to the takeover of Fair Value REIT-AG. Fair Value REIT AG states therein that it supports the takeover as contemplated at the time of the execution of this agreement. The agreement provides that the Company shall use its reasonable efforts to procure that the REIT status of Fair Value REIT-AG is not

endangered as a result of the takeover. If the Company causes damage claims by shareholders of Fair Value REIT-AG due to the termination of Fair Value REIT-AG's tax exemption status as a result of the implementation and consummation of the takeover, the Company shall indemnify Fair Value REIT-AG from and against all such damage claims. Furthermore, pursuant to the agreement, the Company and Fair Value REIT-AG shall use their reasonable best efforts that the LTV of the Company shall be in the corridor of 50% to 60% on a consolidated basis.

As of June 30, 2018, the Fair Value REIT segment had segment liabilities in an aggregate amount of €205,441 thousand, of which €107,626 thousand were non-current financial liabilities and €8,057 thousand were current financial liabilities.

4. Convertible Bond due 2018

In December 2013, the Company issued convertible bonds in a total nominal amount of €11.3 million maturing on December 30, 2018 (the "**2018 Notes**"). The 2018 Notes bear interest at a rate of 6.00% per annum, payable on March 30, June 30, October 30 and December 30 of each year.

The following is a summary of certain terms and conditions of the 2018 Notes (as amended by resolution of the bondholders' meeting on September 30, 2014, the "**2018 Notes Terms and Conditions**"):

- For the term of the 2018 Notes, holders have the irrevocable right to convert, during the relevant conversion periods, each note into one no-par value share of the Company. In case of the effective exercise of such conversion right, the conversion price amounts to €1.00 per ordinary bearer share, each with a notional interest in the share capital of the Company of €1.00. The conversion price is subject to certain adjustments which corresponds to a conversion ratio of 1:1. By resolution of the bondholders' meeting of September 30, 2014, the 2018 Notes Terms and Conditions have been amended so that cash compensation is no longer possible. The issue price per convertible bonds is €1.00, corresponding to the nominal value and initial conversion price.

- The Company may redeem the 2018 Notes in whole, but not in part, at their principal amount together with interest accrued on the principal amount until (but excluding) the date for redemption fixed in an irrevocable, not less than 30 nor more than 60 days' notice by publication stating the date of such redemption, if at any time the aggregate principal amount of 2018 Notes outstanding falls below 25% of the aggregate principal amount of 2018 Notes initially issued.

- Holders of the 2018 Notes may, under certain circumstances, declare the termination of the relevant 2018 Notes by submitting a notice of termination to the Company and demand payment of the principal amount plus 15% plus interest accrued on the principal amount until (but excluding) the day of actual redemption. Such termination notice must be effected by the noteholder in writing to the Company together with a special confirmation of the depositary bank or *vis-à-vis* the depositary bank for communication to the Company via the clearing system. In addition, noteholders may elect an early redemption in the case of a change of control or merger.

In addition, the 2018 Notes Terms and Conditions provide for the following covenants, among others:

- The Company has undertaken, subject to certain exemptions, that it will not grant or permit to subsist, and will procure that none of its subsidiaries will grant or permit to subsist, any mortgage, charge, pledge, lien or other form of encumbrance or security interest upon the whole or any part of its assets to secure any Capital Market Indebtedness (as defined in the 2018 Notes Terms and Conditions), including any guarantee or indemnity in respect thereof, without at the same time letting the noteholders share *pari passu* and *pro rata* in such security interest or unless a security interest in other assets, or a guarantee or indemnity, of at least equal value has been made available to the noteholders.

- No subsidiary may enter into any liabilities or grant any security for the purpose of new acquisitions or refinancing other than by means of market standard bank financings or capital markets liabilities or to the extent otherwise permitted under the 2018 Notes Terms and Conditions.

- Neither the Company nor any of its subsidiaries may grant any collateral for liabilities to third parties, including subsidiaries.

- Neither the Company nor any of its subsidiaries may sell any assets with a balance sheet value exceeding €1 million, unless in return for payment of market-standard prices and provided that at least 90% is paid in cash or by assignment of existing indebtedness.

Following the exercise of 23,937 conversion rights from the 2018 Notes in 2016, the exercise of 14,800 conversion rights from the 2018 Notes in 2017 and the exercise of 10,389 conversion rights from the 2018 Notes in 2018 until the date of this Prospectus, the Company's share capital was increased by 38,737 no-par value bearer shares with a notional interest of €1.00 as of the date of this Prospectus.

5. Mandatory Convertible Bond due 2018

In May 2015, the Company issued a mandatory convertible bond due May 22, 2018 in a total nominal amount of €15.0 million (the "**Mandatory 2018 Notes**") with exclusion of shareholders' subscription rights against contribution in kind. The Mandatory 2018 Notes bear interest at a rate of 2.75% per annum payable quarterly in arrears on the dates of March 22, June 22, September 22 and December 22 of each year. On May 22, 2018, the conversion of the Mandatory 2018 Notes in the amount of €15.0 million into three million bearer shares of the Company was executed in accordance with the terms and conditions of the Mandatory 2018 Notes.

6. A/B-Notes

On May 3, 2013, Germavest Real Estate S.à r.l., as issuer (the "**T6 Issuer**"), issued promissory notes in a total nominal amount of €55.0 million and €64.25 million, respectively, to Palladium Securities 1 S.A., Deutsche Bank AG, London Branch and AG Insurance as noteholders pursuant to a note purchase agreement dated February 9, 2013 (as amended on April 26/27 2013, April 20, 2015, and on October 29, 2015 and as further amended and/or restated from time to time) among Germavest Real Estate S.à r.l. as issuer, DEMIRE Commercial Real Estate Drei GmbH and Taurecon Invest I. GmbH as original guarantors, Palladium Securities 1 S.A. acting in respect of Compartment 115-2013-15, Deutsche Bank AG, London Branch and AG Insurance as noteholders, Deutsche Bank AG, London Branch as trustee, arranger and inflation swap counterparty and Situs Asset Management Limited as servicer (the "**Note Purchase Agreement**"). The promissory notes were issued in one series of senior ranking notes due February 20, 2033 in an aggregate principal amount of €55 million, which is divided into 220 notes with a denomination of €250,000 each (the "**A-Notes**") and one series of senior ranking notes due February 20, 2021 in an aggregate principal amount of €64,250,000, which is divided into 257 notes with a denomination of €250,000 each (the "**B-Notes**"). The A-Notes and the B-Notes bore interest at a rate of 3.91% and 5.25%, respectively, per annum starting from the issue date which is payable in arrears on April 20 of each year with respect to the A-Notes and on January 20, April 20, July 20 and October 20 of each year with respect to the B-Notes.

The A-Notes and the B-Notes were redeemed in full in 2017.

7. 2014/2019 Corporate Bond

In the fiscal year 2014, we placed a corporate bond with an issue volume of €50,000 thousand. The corporate bond has a maturity of five years and is due on September 16, 2019 (the "**2014/2019 Bond**"). The bond was issued with a coupon of 7.50 % per annum, which is paid to investors in arrears semi-annually. The inclusion of the corporate bond in trading on the Open Market of the Frankfurt Stock Exchange under ISIN DE000A12T135 took place on September 16, 2014. The unsecured bond issued in a private placement is divided into 50,000 fractional bearer shares with a notional par value of €1.00 per fractional bond.

By a resolution dated March 24, 2015, with the approval of the Supervisory Board, the Executive Board increased the 2014/2019 Bond by a further €50,000 thousand to a total of €100,000 thousand.

On September 21, 2017, as part of our refinancing operations, we announced the cancellation of the 2014/2019 Bond. The funds used to repay the bond stemmed from the successful placement of the 2022 Notes. The cancelled 2014/2019 Bond was repaid at 104% on November 21, 2017 in accordance with the bond's terms and conditions.

VI. 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.

VII. EMPLOYEES

As of the date of this Prospectus, 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**

VIII. 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, see *A.I.22.* "*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*".

IX. 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.

X. 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 Prospectus, 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.

L. SHAREHOLDER INFORMATION

I. SHAREHOLDER STRUCTURE

On the basis of shareholders' notifications received by the Company pursuant to Section 21 *et seq.* of the German Securities Trading Act (*Wertpapierhandelsgesetz*) and the knowledge of the Company, the following persons, as of the date of this Prospectus, directly or indirectly, hold a notifiable interest in the Company:

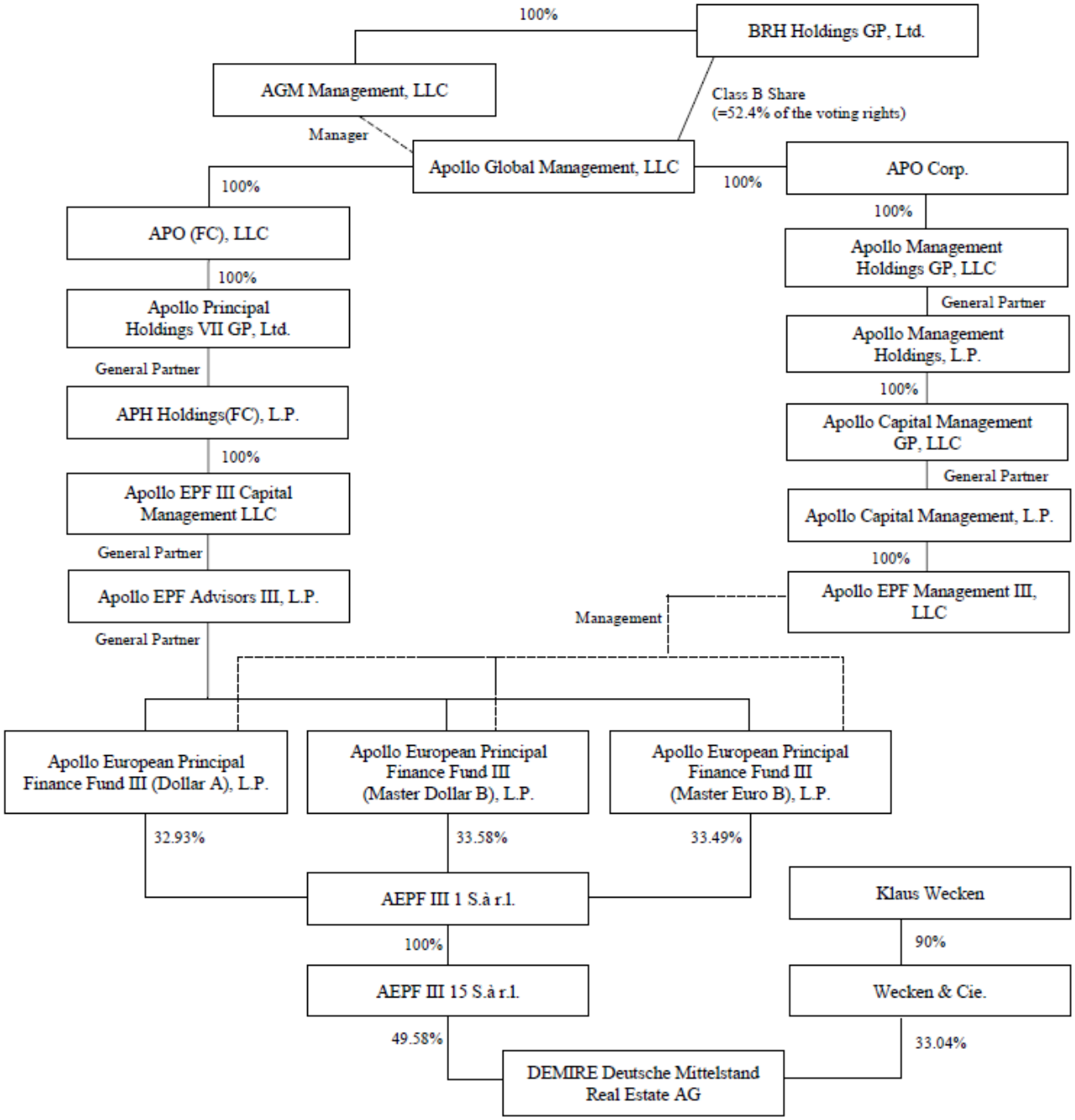
Wecken & Cie., a limited partnership under the laws of Switzerland with its registered office in Basel, Switzerland, directly holds 33.04% of the Company's shares. Wecken & Cie. is directly controlled by Klaus Wecken, who holds 90% of the shares in Wecken & Cie. and to whom the voting rights in the Company held by Wecken & Cie. are attributable according to Section 34 of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

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, directly holds 49.58% of the Company's shares. The sole shareholder of AEPF III 15 S.à r.l. is AEPF III 1 S.à r.l, a private limited company with its registered office in Luxembourg, Grand Duchy of Luxembourg. The shares in AEPF III 1 S.à r.l are in turn held by three parallel investment funds (collectively the "**EPF Fund**"), each of which is managed by Apollo EPF Management III, LLC, a limited liability company under the laws of Delaware, United States. Apollo EPF Management III, LLC, which does not hold an economic interest in the EPF Fund, is an indirect subsidiary of Apollo Global Management, LLC, a limited liability company under the laws of Delaware, United States, that is listed on the New York Stock Exchange.

The general partner of the EPF Fund is Apollo EPF Advisors III, L.P., a limited partnership with its registered office on the Cayman Islands, which is also an indirect subsidiary of Apollo Global Management, LLC. Apollo EPF Advisors III, L.P. holds a nominal economic interest in the EPF Fund.

The sole manager of Apollo Global Management, LLC is AGM Management, LLC, a limited liability company under the laws of Delaware, United States. The sole shareholder of AGM Management, LLC is BRH Holdings GP, Ltd. BRH Holdings GP, Ltd. also holds the only outstanding Class B share in Apollo Global Management, LLC, which, as of August 3, 2018, carried 52.4% of the voting rights in Apollo Global Management, LLC, but does not have a profit participation right. Apollo Global Management, LLC's Class A (voting and non-voting) shares, which confer a profit participation right in Apollo Global Management, LLC, are listed on the New York Stock Exchange. As of August 3, 2018, the Class A voting shares, in the aggregate, carried 47.6% of the voting rights in Apollo Global Management, LLC. BRH Holdings GP, Ltd. is not controlled by a legal entity or natural person and serves as the ultimate reporting entity for purposes of the notifications of AEPF III 15 S.à r.l.'s shareholding in the Company in accordance with the provisions of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

The following chart, to the knowledge of the Company, provides an overview of the Company's direct and indirect shareholders (based on notifiable interests in the Company) as of the date of this Prospectus:



In accordance with Section 34 paragraph 2 of the German Securities Trading Act (*Wertpapierhandelsgesetz*), the voting rights held by AEPF III 15 S.à r.l. are attributable to Klaus Wecken as well as Ferry Wecken, Ina Wecken and care4AG, a subsidiary of Wecken & Cie., and vice versa due to an acting in concert between these parties. The direct shareholdings in the Company of Klaus Wecken, Ferry Wecken, Ina Wecken and care4AG are each below 1.00% of the Company's share capital and therefore not notifiable according to the provisions of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

The shareholdings of the shareholders mentioned above following the completion of the Offering will depend on the extent to which they exercise their subscription rights. AEPF III 15 S.à r.l. has undertaken to the Company and Baader Bank in the Backstop Agreement to exercise its subscription rights. AEPF III 15 S.à r.l. has further undertaken in the Backstop Agreement to purchase any New Shares at the Subscription Price in the Rump Shares Placement.

II. SHAREHOLDER AGREEMENT

On February 26, 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, and Wecken & Cie., Klaus Wecken, Ferry Wecken, Ina Wecken and Care4 AG (jointly the "**Wecken Group**" and together with AEPF III 15 S.à r.l., the "**Controlling Shareholders**") entered into a shareholder agreement on the cooperation as shareholders of the Company (the "**Shareholder Agreement**"), pursuant to which AEPF III 15 S.à r.l.and the Wecken Group obtained control over the Company within the meaning of Section 35 paragraph 1 sentence 1 in conjunction with Sections 29 paragraph 2, 30 paragraph 2 of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*, "**WpÜG**"). In order to coordinate the internal decision-making process within the Wecken Group during the term of the Shareholder Agreement, the members of the Wecken Group concluded, on the same date, a voting rights agreement (*Stimmbindungsvertrag*) with respect to the Company's shares which, in case of termination of the Shareholder Agreement, would result in the mutual attribution, pursuant to Section 30 paragraph 2 WpÜG, of all voting rights under the Company's shares held by the members of the Wecken Group within the Wecken Group.

Through the joint coordination of the voting rights under the Shareholder Agreement, AEPF III 15 S.à r.l.and the Wecken Group are in a position to exert substantial influence in the general shareholders' meeting and, consequently, on matters decided by the general shareholders' meeting, including, but not limited to, the appointment of members of the Company's Supervisory Board (also by including delegation rights (*Entsenderechte*) in favor of certain shareholders after an amendment of the Company's articles of association), the distribution of dividends or any proposed capital increase.

III. STOCK OPTION PROGRAM

By resolution of the general shareholders' meeting of the Company on March 6, 2015, the members of the Executive Board and certain directors and employees of the Group are entitled to participate in a long-term stock option program (the "**Stock Option Program 2015**"). In accordance with the Stock Option Program 2015, a total of 800,000 stock options have been issued to members of the Executive Board and a total of 200,000 stock options have been issued to selected employees of the Company and directors or employees of Group companies. For further details, see Note G.4.d. of the 2017 Audited Consolidated Financial Statements and *Q.VII "Description of Share Capital and Related Information—Management Stock Option Program*."

M. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In accordance with IAS 24, transactions with persons or companies that are, inter alia, members of the same group as the Company or that are in control of or controlled by the Company must be disclosed unless they are already included as consolidated companies in the Audited Consolidated Financial Statements. Control exists if a shareholder owns more than one half of the voting rights in the Company or, by virtue of an agreement, has the power to control the financial and operating policies of the Company's management. The disclosure requirements under IAS 24 also extend to transactions with associated companies (including joint ventures) as well as transactions with persons who have significant influence on the Company's financial and operating policies, including close family members and intermediate entities. This includes the members of the Executive Board and Supervisory Board and close members of their families, as well as those entities over which the members of the Executive Board and Supervisory Board or their close family members are able to exercise a significant influence or in which they hold a significant share of the voting rights.

Set forth below are descriptions of transactions with related parties for the fiscal years ended December 31, 2017, 2016 and 2015, the six months ended June 30, 2018 and up to and including the date of this Prospectus.

I. TRANSACTIONS WITH PRAEDIA GMBH

In the ordinary course of business, the Company enters into several transactions with related parties. All such transactions are conducted on arm's length terms.

In the fiscal years ended December 31, 2017 and 2016, PRAEDIA GmbH provided services at standard market conditions in the amount of €95 thousand and €114 thousand, respectively, to a company owned by a member of the Executive Board.

Financial receivables and other financial assets in connection with the volume of business transactions with associated companies amounted to €116 thousand in the fiscal year ended December 31, 2016 and to €294 thousand in the fiscal year ended December 31, 2017. Loans to investments accounted for using the equity method in connection with the volume of business transactions with joint ventures decreased from €553 thousand in the fiscal year ended December 31, 2016 to €0 thousand in the fiscal year ended December 31, 2017 due to the transfer of such loans in the course of disposing of investments accounted for using the equity method. Financial receivables and other financial assets in connection with the volume of business transactions with joint ventures likewise decreased from €480 thousand in the fiscal year ended December 31, 2016 to €0 thousand in the fiscal year ended December 31, 2017 as a result of the repayment of such loans granted.

II. RELATIONSHIPS WITH MEMBERS OF OUR GOVERNING BODIES

One member of the Supervisory Board, Frank Hölzle, serves as chief executive officer of Care 4 AG, a subsidiary of Wecken & Cie. and one of the principal shareholders of the Company.

In the fiscal year ended December 31, 2015, we increased our share capital by €2,541,149 to acquire an interest in Logistikpark Leipzig GmbH against contribution in kind. In addition to the shares, a cash component of approximately €18.6 million was also agreed to as part of the purchase price. In the context of the capital increase, each new share was assigned a value of €5.84, resulting in a calculated total purchase price of €33,173. One member of the Supervisory Board held an indirect interest in M1 Beteiligungs GmbH, which, in turn, held a non-controlling interest in the Company. In the fiscal year ended December 31, 2015, one member of the Supervisory Board held an interest in a company that provided asset management services for the Company's foreign properties and invoiced a total of €113 thousand.

For the six months ended June 30, 2018, performance-based remuneration of the Executive Board amounted to €90 thousand, fixed remuneration amounted to €198 thousand and share-based payments amounted to €150 thousand. For the same period, no loans or advances were granted to the Executive Board member, and no contingencies were assumed for his benefit. Except for the compensation of the Executive Board described above, there were no business transactions with members in key company positions during the six months ended June 30, 2018.

For information on compensation of members of our governing bodies in the fiscal year ended December 31, 2017, see "*P. Management and Governing Bodies—Executive Board—Compensation and Share Ownership*" and "*P. Management and Governing Bodies—Supervisory Board—Compensation and Share Ownership*".

Except for transactions in the ordinary course of business and on customary market conditions, there have been no material transactions with related parties since June 30, 2018.

N. GENERAL INFORMATION ABOUT THE COMPANY AND THE GROUP

I. HISTORY AND DEVELOPMENT OF THE GROUP

The Company was founded in 2006 as MAGNAT Real Estate Opportunities GmbH & Co. KGaA ("**MAGNAT**"), focused on the acquisition, management, development and sale of housing and commercial real estate in Eastern Europe and the Black Sea region. MAGNAT became listed in the Entry Standard on the Frankfurt Stock Exchange in 2006 and switched to the General Standard in 2007. In 2009, MAGNAT expanded its business activities to asset management for third parties and, in 2010, MAGNAT changed its legal form and name to MAGNAT Real Estate AG.

In 2013, MAGNAT undertook a strategic realignment to focus on German commercial properties in secondary locations. The company was consequently renamed DEMIRE Deutsche Mittelstand Real Estate AG, and asset management activities for third parties were discontinued. The change in strategy resulted in both disposals of properties, which no longer conformed to the Company's new investment criteria, and the acquisition of properties in line with the new strategy, which included retail and logistics classes and decreased the Company's dependence on the office asset class. This shift of focus as well as the strong portfolio growth were reinforced through the takeover of Fair Value REIT-AG in 2015, whose portfolio properties' primary use is retail. The trend towards streamlined portfolio continued in 2016 and, in addition to the disposal of smaller, non-core properties, also included the integration of acquired properties and the insourcing of property-related operations, and, in July 2016, the Company's shares were admitted to the Prime Standard at the Frankfurt Stock Exchange.

In 2018, the Company's shareholder structure significantly changed in the course of the entry of the new major shareholder 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. Following the acquisition of convertible bonds and free floating shares, AEPF III 15 S.à r.l. subscribed over 5 million new shares in the course of the Company's capital increase in April 2018. Simultaneously with this capital increase, AEPF III 15 S.à r.l.entered into a cooperation agreement with the, Wecken & Cie., a limited partnership under the laws of Switzerland with registered office in Basel, Switzerland. In connection with a mandatory tender offer to the Company's existing shareholders in April 2018, AEPF III 15 S.à r.l.further expanded its stake in the Company in the second quarter of 2018. In June 2018, AEPF III 15 S.à r.l.and Wecken converted bonds in the amount of €10 million into Company shares and together currently hold over 80 percent of the Company's shares.

II. REGISTERED OFFICE, FISCAL YEAR, TERM, CORPORATE PURPOSE

The registered office of DEMIRE Deutsche Mittelstand Real Estate AG is in Langen, Germany, and it is registered with the commercial register (Handelsregister) maintained by the local court (Amtsgericht) of Frankfurt am Main, Germany, under HRB 89041. The Company's business address is Robert-Bosch-Straße 11, 63225 Langen, Germany, tel. +49 (0) 6103 372 49 0, Internet address: http://www.demire.ag. The Company's most recent Articles of Association are dated July 26, 2017.

The Company has been formed for an indefinite period of time. The fiscal year of the Company is the calendar year.

In accordance with Section 2 of the Company's Articles of Association, the corporate purpose of the Company is: the acquisition, construction, arrangement, management and sale of developed and undeveloped land, apartments, building leases, commercial buildings, other interests in property, buildings erected on land belonging to a third-party, commercial buildings and associated project developments as the developer or building contractor, as well as their realisation both domestically and abroad, in particular through disposal, rental or lease; the acquisition and construction of buildings and structures of all kinds as well as their management and realisation, with the exception of such transactions that require special permits under the Industrial Code (*Gewerbeordnung*) or any other statutory provisions or need consent under special legal requirements; the development of real estate projects both domestically and abroad; the creation, acquisition and sale of ideas for the realisation of real estate projects; the acquisition, ownership, operation, management

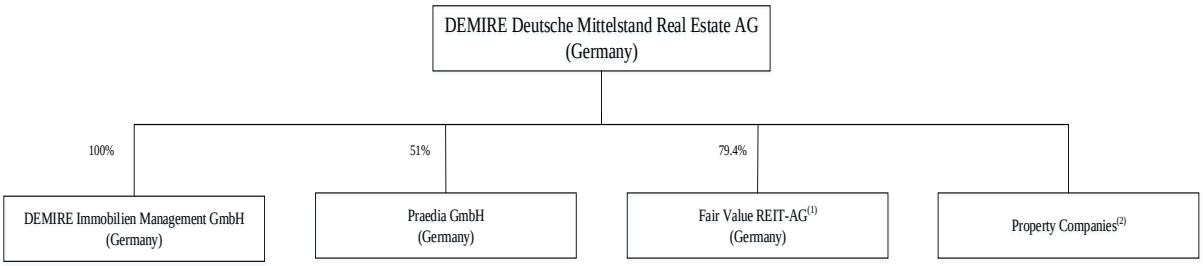
and disposal of domestic and foreign companies and shareholdings in companies of any legal form whatsoever, also acting as a trustee for third parties, as well as assuming the management of other companies in the event of acquisition of a shareholding; the rental of movable and immovable property; development, management and design of real estate and business investments for investors; the acquisition, ownership, holding, management and disposal of shareholdings in companies, in particular shareholdings in real estate companies, in receivables that have been securitised or secured through real estate as well as any other investments in any legally admissible form; operating as a building contractor; and providing advisory services to companies, apart from tax and legal advice, as well as other advisory services that require approval, in particular comprehensive advice and support of management of third-party companies in carrying out their tasks, in particular relating to the acquisition, development, on-going management and rental as well as the realisation of direct and indirect real estate investments.

The Company may also engage in activities specified above, in particular, carry out individual transactions. The Company may directly and indirectly engage in all activities which are suitable for serving the purpose of the Company. Further, the Company may, set up branch offices in Germany and abroad.

III. GROUP STRUCTURE

As the parent company of the Group, DEMIRE Deutsche Mittelstand Real Estate AG exercises certain Group management functions such as strategy, mergers and acquisitions and integration, risk management, Group accounting and controlling, treasury, legal, taxation, investor relations, Group marketing and public relations. The operating business of the Group is conducted exclusively by the relevant direct and indirect operating subsidiaries of the Company.

The following chart shows, in simplified form, the structure of the Group as of the date of this Prospectus with all subsidiaries of DEMIRE Deutsche Mittelstand Real Estate AG and its respective direct and indirect shareholdings:



(1) DEMIRE Deutsche Mittelstand Real Estate AG indirectly holds 79.4% in Fair Value REIT-AG through eight holding companies. Fair Value REIT-AG is limited partner in several real estate fund sand also controls the general partner of these funds.

(2) Including German and Dutch sub-holding companies, which hold Austrian, Cypriot, Danish, Swiss, Dutch, Bulgarian, Romanian and Georgian and Luxembourg property companies, and including property companies which are not fully consolidated.

IV. NOTICES, PAYING AGENT

Company notices are published in the Federal Gazette (*Bundesanzeiger*) in accordance with the Company's Articles of Association, unless publication is required by law in another form. To the extent that relevant statutory provisions provide that declarations or information must be disclosed to the shareholders without providing a specific form, it is sufficient if such declarations or information appear on the Company's website. Notices relating to shares are also published in the Federal Gazette. Notices required under applicable laws governing stock exchange transactions will also be published in the Federal Gazette.

Notices relating to the approval of this Prospectus or any supplements thereto will be published in the form contemplated for this Prospectus in compliance with the provisions of the German Securities Prospectus Act (*Wertpapierprospektgesetz*), in particular by way of publication at the Company's website: http://www.demire.ag/en/investor-relations. Printed copies of the Prospectus can be obtained at the Company's registered office at Robert-Bosch-Straße 11, 63225 Langen, Germany, and from Baader Bank at Weihenstephaner Straße 4, 85716, Unterschleißheim, Germany. The paying agent is Bankhaus Gebr. Martin AG, Schlossplatz 7, 73033 Göppingen, Germany.

V. INFORMATION CONCERNING SIGNIFICANT SUBSIDIARIES

The table below provides an overview of the significant holding and operating subsidiaries of the Group, *i.e.*, equity interests whose carrying value amounts to at least 10% of the total equity or at least 10% of the total net profit of the Group. All shares in affiliated companies have been fully paid in.

The names of the significant subsidiaries and the Company's share of subscribed share capital have not changed since June 30, 2018.

As of the date of this Prospectus		As of and for the fiscal year ended December 31, 2017				
Name and country of incorporation	**Interest held directly or indirectly by the Company**	**Issued capital**	**Capital reserves**	**Net income/loss**	**Payables to Company**	**Receivables to Company**
	(in %)			**(in €)**		
DEMIRE Immobilien Management GmbH, Germany	100.00%	25,000	0	9,964	595	0
Fair Value REIT-AG, Germany	79.40%	28,221,000	99,645,000	7,149,000	0	0
Praedia GmbH, Germany	51.00%	18,875	0	258,851	357	421

O. DESCRIPTION OF SHARE CAPITAL AND RELATED INFORMATION

I. SHARE CAPITAL AND SHARES

As of the date of this Prospectus, the share capital of the Company amounts to €73,085,728. It is divided into 73,085,728 ordinary shares (*Stammaktien*). The shares in the Company are bearer shares (*Inhaberaktien*) with no par value (*Stückaktien*), each with a notional amount of the share capital of €1.00 per share. The share capital of the Company has been fully paid in.

Each share carries one vote at the Company's general shareholders' meeting. There are no restrictions on voting rights and the shares carry full dividend entitlement.

In the event that the Company is dissolved, the Company's assets remaining after settlement of its liabilities will be distributed among the shareholders in proportion to their share in the Company's share capital.

Pursuant to Section 4(2) of the Articles of Association, shareholders are not entitled to receive definitive share certificates (*Aktienurkunden*) for their shares.

The Company's current share capital is represented by one or more global share certificate without dividend coupons, which is held with Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany.

II. DEVELOPMENT OF THE SHARE CAPITAL

The Company's share capital has been increased in several stages to the amount of €73,085,728 as of the date of this Prospectus.

In 2010, the Company changed its legal form to a German stock corporation (*Aktiengesellschaft*) with a registered capital of €13,894,651. Thereafter, several measures concerning the share capital were taken. On September 14, 2015, the general shareholders' meeting of the Company resolved to increase the share capital of the Company, which then amounted to €27,351,404 by up to €30,761,646. On December 21, 2015, the capital increase of €21,927,756 was registered and, accordingly, the share capital of the Company amounted to €49,279,160. In the period of December 22, 2015 to December 31, 2016, the Executive Board used a portion of the conditional capital granted by the general shareholders' meeting of the Company on October 23, 2013 on several occasions and a portion of the authorized capital granted by the general shareholders' meeting on June 30, 2016 to increase the share capital of the Company to €54,246,944. In 2017, the Executive Board used a portion of the conditional capital granted by the general shareholders' meeting of the Company on October 23, 2013 on several occasions to increase the share capital of the Company by a total of €23,800 to €54,270,744. In the period of January 1, 2018 to July 31, 2018 the Executive Board used a portion of the conditional capital granted by the general shareholders' meeting of the Company on October 23, 2013 and a portion of the conditional capital granted by the general shareholders' meeting of the Company on June 29, 2017 on several occasions and a portion of the authorized capital granted by the general shareholders' meeting on June 29, 2017 to increase the share capital of the Company by a total of €18,810,334 to €73,081,078.

III. AUTHORIZATION TO ISSUE CONVERTIBLE BONDS AND OTHER INSTRUMENTS

By resolution of the ordinary general shareholders' meeting on June 27, 2018, the Executive Board is authorized, with the approval of the Supervisory Board, to issue until June 26, 2023, once or repeatedly, bonds with warrants, convertible bonds, profit participation rights, and/or participating bonds (or combinations of these instruments) (collectively, the "**Bonds**") having a total par value of up to €125,000,000 with or without term restrictions and to grant the holders or creditors (collectively, the "**Holders**") option or conversion rights to no-par value bearer shares of the Company with a maximum proportion of the share capital of up to €25,000,000 in accordance with the terms and conditions of the Bonds. Bonds may be issued in Euro or – with an equivalent value – in another legal currency. Bonds may also be issued by a subordinate company of the Company. In this case, the Executive Board is authorized, with the approval of the Supervisory Board, to assume the guarantee for such Bonds for the Company and to grant the holders of such Bonds option or conversion rights to new no-par value bearer shares of the Company. The authorization to issue Bonds sets out certain parameters which include the following:

The Bonds may be issued against contributions in kind for the purpose of acquiring companies, company parts or shares in companies or other assets, *e.g.*, liabilities, provided that this is in the interest of the Company and the value of the contribution in kind is proportionate to the value of the Bond, the theoretical market price in accordance with recognized financial methods being decisive.

The Bonds can carry fixed or variable interest, whereby the interest may depend partially or completely on the development of the Company's share price. The Bonds may also be mandatorily convertible at the end of the term or earlier or provide for the right of the Company to grant the creditors of Bonds shares of the Company *in lieu* of repayment of the Bonds. In the event of an option being exercised or of a conversion, and in the event of fulfillment of conversion obligations, the Company may at its discretion either grant new shares from conditional capital or authorized capital, or existing Company shares. The terms and conditions of the Bonds may also provide for the right of the Company not to grant shares, but rather to pay the equivalent value in cash. The option or conversion price for a share amounts to—with the exception of the cases in which an option or conversion obligation is provided for—(i) at least 80% of the average closing price of the share of the Company in the Xetra trading system (or a comparable subsequent system) of Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) on the last 10 trading days before the date on which the resolution on the issue of the Bonds is adopted by the Executive Board, or (ii) in the event of subscription rights being granted, at least 80% of the volume-weighted average closing price of the Company share in the Xetra trading system (or a subsequent system) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) in the period from the start of the trading of subscription rights to the Bonds up to the last two trading days of the Bonds.

The terms and conditions of the Bonds may also provide for certain anti-dilution mechanisms pursuant to which the option or conversion rights and obligations may be adjusted to retain value, if during the term of the Bonds the financial value of the existing option or conversion rights and obligations is diluted and no subscription rights are granted as compensation.

Shareholders have, in principle, subscription rights to the Bonds. The Bonds may also be acquired by one or several banks, pursuant to Section 186(5) sentence 1 German Stock Corporation Act (*Aktiengesetz*), subject to the obligation to offer them to shareholders for subscription. If the Bonds are issued by a company in which the Company holds a direct or indirect majority participation, the Company ensures that shareholders of the Company are granted subscription rights.

The Executive Board may with the consent of the Supervisory Board exclude subscription rights to the Bonds in certain cases and under certain conditions, including (i) if the Bonds are issued for cash payment, provided that the issue price is not significantly lower than the theoretical market price in accordance with recognized financial methods and that the Bonds carry option or conversion rights and/or conversion obligations to shares with a proportionate amount of the share capital which must not exceed the lesser of €5,979,327 or 10% of the Company's share capital at the time said authorization is exercised, (ii) if the Bonds are issued against contributions in kind, (iii) for fractional amounts or (iv) to the extent required to be able to grant holders of conversion or options rights to no-par value bearer shares in the Company or creditors of convertible bonds with conversion obligations a subscription right to the extent they are entitled to such a subscription right following the exercise of the conversion or option right or the fulfilment of the conversion obligation.

To the extent that profit participation rights or participating bonds are issued that do not carry option or conversion rights and/or conversion obligations, the Executive Board shall be authorized, with the approval of the Supervisory Board, to exclude subscription rights of shareholders overall if these profit participation rights or participating bonds are structured in the same way as bonds, *i.e.*, do not constitute any membership rights in the Company, do not grant any participation in liquidation proceeds and the amount of interest is not calculated on the basis of the amount of net income, unappropriated net income, or the dividend. In this case, the interest and the issue price of the profit participation rights or participating bonds shall also correspond to comparable borrowings under current market conditions on the issue date. The Executive Board is authorized, with the approval of the Supervisory Board, to stipulate further particulars and terms of the Bonds in accordance with the parameters of the authorization.

IV. AUTHORIZED CAPITAL

Pursuant to Section 6 of the Articles of Association together with Section 202 of the German Stock Corporation Act (*Aktiengesetz*), the Executive Board is authorized to increase the registered capital of the Company until June 26, 2023 with the consent of the Supervisory Board once or repeatedly, by up to a total of €36,532,419.00 by the issuance of up to 36,532,419 new Company's shares with no par value against contributions in cash and/or in kind (the "**Authorized Capital 2018**"). In principle, the shareholders are to be offered subscription rights. The Executive Board, however, is authorized to exclude the subscription right of the shareholders with the consent of the Supervisory Board for one or more capital increases in the context of the Authorized Capital 2018, in particular (i) for the purpose of excluding fractional amounts from the shareholders' subscription rights; (ii) in case of capital increases against contributions in kind; (iii) for the purpose of granting subscription rights to bearers or holders of conversion bonds and/or bonds with warrants, participatory rights and/or participating bonds (or combinations of the same) issued or to be issued by the Company or its direct or indirect subsidiaries and that give rise to a conversion right or option to new bearer shares or a conversion obligation as the case may be, to grant a subscription right to new shares to the extent they would be so entitled after the exercise of the conversion right or option to new shares ; and (iv) to the extent new shares are issued based on cash contributions and the total amount of the share capital attributable to the newly issued shares does not exceed the lesser of €7,306,483 or 10% of the share capital at the time this authorization to exclude subscription rights in relation to existing share capital is first exercised and the issue price of the new shares does not significantly exceed the stock market price of the equivalent shares of the Company already listed at the time the issue price is finally determined. Shares issued or to be issued for servicing convertible bonds and/or bonds with warrants, participatory rights and/or participating bonds that were issued after June 27, 2018 with the corresponding application of Section 186(3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz*) or which were sold after June 27, 2018 with the corresponding application of Section 186(3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz*) shall count against this limitation unless this disposal has been made on the stock market or over-the-counter or based on a public offer to shareholders. This amount shall not be included to the extent authorizations for the issue of convertible bonds and/or bonds with warrants, participatory rights and/or participating bonds pursuant to Section 221(4) sentence 2, Section 186(3) sentence 4 or for the sale of treasury shares pursuant to Section 71(1) No. 8, Section 186(3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz*) are re-issued by the annual general meeting of shareholders after the exercise of those authorizations that led to such amount being included.

The shares may also be acquired by one or several credit institutions or an enterprise operating under Section 53b(1) sentence 1 or (7) of the German Banking Act (*Gesetz über das Kreditwesen*), subject to the obligation to offer them to shareholders for subscription.

The Executive Board is authorized to determine any further details of the capital increase and its implementation, subject to the Supervisory Board's approval.

V. CONDITIONAL CAPITAL

As of the date of this Prospectus, the Company has the following conditional capital:

1. Conditional Capital 2018/1

Pursuant to Section 5(4) of the Articles of Association, the Company's share capital is conditionally increased by up to €560,000 by issuance of up to 560,000 new no par value bearer shares (the "**Conditional Capital 2018/1**"). The conditional capital increase may only be used to the extent that the bearers of stock options issued based on the authorization resolution of the extraordinary shareholders' meeting of March 6, 2015 as part of the stock option plan for 2015 within the period of acquisition exercise their rights to shares in the Company, and the Company does not grant company-owned shares in fulfilment of the subscription rights. With the approval of the Supervisory Board, the Executive Board is authorized to establish any further details on the terms and conditions for the options as well as the issue and structuring of share options. Insofar as the members of the Executive Board are concerned, the further details on the terms and conditions as well as the issue of stock options are set by the Supervisory Board. The new shares in the Company resulting from the exercise of these rights will participate in profit from the beginning of the fiscal year for which, as of the date the subscription rights were exercised, no resolution had yet been adopted by the general shareholders' meeting as

to the distribution of profits. The Supervisory Board is authorized to amend the wording of the Articles of Association in line with the extent of the capital increase from the conditional capital.

2. Conditional Capital 2018/2

Pursuant to Section 5(5) of the Articles of Association, the Company's share capital is conditionally increased by up to €35,972,419 by issuance of up to 35,972,419 new no-par value bearer shares (the **"Conditional Capital 2018/2**"). The conditional capital increase may only be used to grant no-par value bearer shares to the holders or creditors of convertible bonds or bonds with warrants, profit participation rights, and/or participating bonds (or combinations of these instruments), which have been or will be issued by the Company or a subordinate company of the Company on the basis of the authorization by the general shareholders' meeting to issue convertible bonds or bonds with warrants, profit participation rights, and/or participating bonds (or combinations of these instruments) and which give rise to a conversion or option right to new no-par value bearer shares or a conversion obligation. The conditional capital increase shall only be implemented to the extent that the bearers or holders of conversion or option rights make use of these rights or that the holders bound by an obligation to convert satisfy the rights unless cash settlement is permitted or company-owned shares or shares created from authorised capital are used to satisfy the rights. Provided they are issued by the beginning of the general shareholders' meeting of the Company, the shares will participate in profit from the beginning of the previous fiscal year, and otherwise from the beginning of the fiscal year in which they arise as a result of subscription rights being exercised. The Executive Board is authorized to determine any further details governing implementation of a conditional capital increase.

VI. AUTHORIZATION TO ACQUIRE AND SELL TREASURY SHARES

The Company currently does not hold any of its own shares. However, by resolution of the extraordinary general shareholders' meeting on October 15, 2014, the Company is authorized to purchase up to a total of 10% of its share capital existing at the time of the adoption of the resolution, on or before October 14, 2019. The number of shares acquired under this authorization together with other treasury shares that were already purchased by the Company or already owned, may not exceed 10% of the Company's respective existing share capital.

At the discretion of the Executive Board, the shares can be acquired in one or more tranches through a stock exchange, by means of a public repurchase offer or a public solicitation to submit offers. The authorization provides for certain thresholds by defining a minimum and maximum consideration for the acquisition of a treasury share. In principle, the consideration for a treasury share may not exceed and may not fall below the arithmetic means of the market price without ancillary acquisition costs for one share of the Company in the Xetra trading at the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) in the ten exchange trading days preceding the purchase or—in case of a public offer—prior to the publication of offer or—in case of a public solicitation—prior to the solicitation to submit sales offers by more than 10%, in each case provided that the Company is listed on several stock exchanges.

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

The authorization has not yet been utilized.

VII. MANAGEMENT STOCK OPTION PROGRAM

The members of the Executive Board and certain directors and employees of the Group are entitled to participate in the Stock Option Program 2015 resolved by the general shareholders' meeting of the Company on March 6, 2015.

With the consent of the Supervisory Board, the Executive Board was authorized until December 31, 2015 to issue up to 1,000,000 stock options with subscription rights for shares of the Company with a vesting

period of four years and an exercise period of another five years provided that each stock option entitles its holder to subscribe for one share of the Company.

The beneficiaries and the amount of stock options offered for subscription to those entitled are to be determined by the Executive Board with the consent of the Supervisory Board. To the extent members of the Executive Board are to receive stock options, the determination and the issue of these options will be governed by the Supervisory Board. In accordance with these provisions, a total of 800,000 stock options have been issued to members of the Executive Board and a total of 200,000 stock options have been issued to selected employees of the Company and directors or employees of Group companies.

The subscription rights arising from the stock options can be exercised for the first time upon the expiration of the statutory vesting period of four years pursuant to Section 192(2) No. 3, 193(2) No. 4 of the German Stock Corporation Act (*Aktiengesetz*). The vesting period starts after the issue of the stock options.

The relevant exercise price for one share of the Company upon the exercise of the stock options corresponds to at least 100% of the basis price, which is the share price of the Company at the time of the resolution of the Executive Board and the Supervisory Board, respectively, on the issue of stock option rights. The relevant share price is the average closing price of the Company's shares in XETRA trading on the Frankfurt Stock Exchange on the last ten stock exchange tradings days before the resolution is made on the issue of the stock options.

The prerequisite for the exercise of the subscription rights is that the share's closing price in XETRA trading on the Frankfurt Stock Exchange must be at least 10% higher than the basis price on the day preceding the exercise of the subscription rights.

VIII. GENERAL PROVISIONS GOVERNING ALLOCATION OF PROFITS AND DIVIDEND PAYMENTS

In the case of a capital increase, the entitlement to dividends for new shares can be determined in deviation from Section 60 of the German Stock Corporation Act (*Aktiengesetz*) (Section 5(3) of the Articles of Association). See *D.* "*Reasons for the Offering and Use of Proceeds*".

IX. GENERAL PROVISIONS RELATING TO LIQUIDATION OF THE COMPANY

Apart from liquidation as a result of insolvency proceedings, the Company may be liquidated only with a vote of 75% or more of the share capital represented at the general shareholders' meeting at which such a vote is taken. Pursuant to the German Stock Corporation Act (*Aktiengesetz*), in the event of the Company's liquidation, any assets remaining after all of the Company's liabilities have been settled will be distributed *pro rata* among its shareholders. The German Stock Corporation Act (*Aktiengesetz*) provides for certain protections for creditors which must be observed in the event of liquidation.

X. GENERAL PROVISIONS GOVERNING CHANGES IN THE SHARE CAPITAL

According to the German Stock Corporation Act (*Aktiengesetz*), the share capital of a stock corporation may be increased against contributions in cash or in kind by resolution of the general shareholders' meeting which must be adopted by a simple majority of the votes cast and a majority of at least three-quarters of the share capital represented at the adoption of the resolution, unless the corporation's articles of association require a different majority; if the share capital is increased by issuing non-voting preference shares or the subscription rights for the existing shareholders are excluded, the Articles of Association may only require a larger majority. Pursuant to the Articles of Association, an increase of the share capital against contributions in cash or in kind requires a simple majority of the votes cast and a simple majority of the share capital represented at the adoption of the resolution, unless mandatory provisions as set out above require a larger majority.

The general shareholders' meeting may also create authorized capital. The creation of authorized capital requires a resolution with a majority of three-quarters of the share capital represented at the adoption of the resolution which authorizes the Executive Board to issue shares up to a certain amount within a period of no more than five years. The nominal amount of the authorized capital may not exceed 50% of the share capital existing at the time of the authorization.

In addition, the general shareholders' meeting may create conditional capital for the issuance of shares to holders of convertible bonds or other securities that grant the holder the right to subscribe for shares, of shares that serve as consideration in a merger with another company, or of shares that were offered to executives and employees; a resolution with a majority of three-quarters of the share capital represented is required in each case. The nominal amount of the conditional capital may not exceed 10%, if the conditional capital is created for the purpose of issuing shares to executives and employees, or, in all other cases, 50% of the share capital existing at the time the resolution is adopted.

A resolution on the reduction of the share capital requires a majority of three quarters of the share capital represented when the resolution is adopted.

A change in the share capital results in an increase or decrease in the voting rights, the total number of voting rights as well as the date of effectiveness of the increase or decrease must be published by the company and the BaFin must be informed, as required by Section 41 of the German Securities Trading Act (*Wertpapierhandelsgesetz*), immediately, at the latest within two trading days. The shareholders may be subject to disclosure requirements according to the German Securities Trading Act (*Wertpapierhandelsgesetz*). See *O.XIII.* "*—Disclosure Requirements for Shareholdings and Takeover Bids*".

XI. GENERAL PROVISIONS GOVERNING SUBSCRIPTION RIGHTS

According to the German Stock Corporation Act (*Aktiengesetz*), each shareholder has, in principle, a right to subscribe for the new shares issued within the scope of a capital increase (including securities convertible into shares, securities with warrants to purchase shares, securities with profit participation or participation certificates) to maintain its existing share in the share capital. Subscription rights are freely transferable and may be traded on German stock exchanges during a fixed period before the expiration of the subscription period. Pursuant to the German Stock Corporation Act (*Aktiengesetz*), the subscription period may not be shorter than two weeks. The general shareholders' meeting may exclude subscription rights with a majority of the votes cast and, at the same time, at least three-quarters of the share capital represented at the adoption of the resolution. An exclusion of subscription rights further requires a report of the Executive Board, which must show, in order to justify the exclusion of subscription rights, that the company's interest in excluding the subscription rights outweighs the interest of the shareholders in the subscription rights being granted. In the absence of such objective justification, an exclusion of subscription rights may be permissible for an issuance of new shares if the company increases the capital against cash contributions, the amount of the capital increase does not exceed 10% of the existing share capital and the issuance price of the new shares is not substantially lower than the stock exchange price.

It is not considered an exclusion of subscription rights if new shares are acquired by a credit institution, which undertakes to offer the new shares to those persons who would otherwise have subscription rights.

XII. EXCLUSION OF MINORITY SHAREHOLDERS

Pursuant to the provisions in Sections 327a *et seq*. of the German Stock Corporation Act (*Aktiengesetz*) regarding the so-called "squeeze-out" process, the general shareholders' meeting of a stock corporation may resolve upon the request of a shareholder holding at least 95% of the share capital (the "**Main Shareholder**") on the transfer of the shares of the remaining minority shareholders to the Main Shareholder in exchange for granting reasonable cash compensation.

The amount of the cash compensation to be granted to the minority shareholders must take into account "the circumstances of the company" at the time the resolution is adopted by the general shareholders' meeting. The amount of the compensation is determined by the full value of the enterprise which is normally determined using the capitalized earnings method (*Ertragswertverfahren*).

The shareholding requirements for a squeeze-out are lowered if the squeeze-out takes place in connection with the merger of a subsidiary into the parent company. According to Section 62(5) of the German Transformation Act (*Umwandlungsgesetz*), the general shareholders' meeting of a transferring stock corporation may, within three months after the signing of the merger agreement, adopt a squeeze-out resolution in accordance with Section 327a of the German Stock Corporation Act (*Aktiengesetz*) if the acquiring company

is a German stock corporation, partnership limited by shares (*Kommanditgesellschaft auf Aktien*) or European public company (*Societas Europea*) that holds at least 90% of the registered share capital. After registration of the squeeze-out with the commercial register, the merger can be implemented without a further resolution by the general shareholders' meeting of the subsidiary.

In addition to the squeeze-out process under the German Stock Corporation Act (*Aktiengesetz*) summarized above, Sections 39a and 39b of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) permit the so-called squeeze-out under the law on takeovers. Under these provisions, a bidder holding at least 95% of the voting share capital in a target company (within the meaning of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*)) after a public takeover offer or mandatory offer can generally file a motion with the district court (*Landgericht*) of Frankfurt am Main for the transfer of the other voting shares in exchange for the grant of reasonable compensation by means of a court order within three months after expiration of the acceptance period. A resolution of the general shareholders' meeting is not necessary. The type of compensation must correspond to the consideration in the takeover offer or the mandatory offer; cash compensation must always be offered as an alternative. The consideration offered in connection with the takeover or mandatory offer is deemed to be reasonable if the bidder has acquired shares equal to at least 90% of the share capital affected by the offer. In addition, shareholders have a sell-out right. During squeeze-out proceedings under the law on takeovers initiated upon the motion of the bidder, the provisions on a squeeze-out under stock corporation law do not apply, and they are only applicable after a final conclusion of the squeeze-out proceedings under takeover law.

Pursuant to the provisions in Sections 319 *et seq.* of the German Stock Corporation Act (*Aktiengesetz*) regarding the so-called integration process (*Eingliederung*), the general shareholders' meeting of a stock corporation can resolve upon the integration into another company if the future principal company holds at least 95% of the shares in the company to be integrated. The existing shareholders in the integrated company have a claim for reasonable compensation which must as a general rule be granted in the form of own shares in the principal company. The amount of the compensation must be determined using the so-called merger value ratio (*Verschmelzungswertrelation*) between the two companies, *i.e.*, the exchange ratio which would be considered reasonable in the event of merging the two companies. In contrast to the rules governing squeeze-outs, integration is only possible if the future principle company is a stock corporation domiciled in Germany.

XIII. DISCLOSURE REQUIREMENTS FOR SHAREHOLDINGS AND TAKEOVER BIDS

Upon admission of the Company's shares on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, on the sub-segment thereof with additional post-admission obligations (Prime Standard), the provisions of the German Securities Trading Act (*Wertpapierhandelsgesetz*) governing disclosure requirements for shareholdings apply.

Section 33 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) provides that any shareholder who, through acquisition, sale or otherwise, reaches, exceeds or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75% of the voting rights in a listed company whose country of origin is Germany must notify the respective company and the BaFin without undue delay, but no later than four trading days after the event, of having reached, exceeded or fallen below the threshold values and must also disclose the amount of its current share of the voting rights. The notification period commences at the time when the shareholder required to give the notification has actual knowledge or should have had knowledge under the circumstances that its share of voting rights reached, exceeded or fell below the stated thresholds. The knowledge of the shareholder required to give the notification is irrevocably assumed two trading days after the event at the latest. Deviating from this, in case the percentage of voting rights has reached, exceeded or fallen below the thresholds due to a change of the total number of voting rights, the notification period begins at the point when the shareholder required to give the notification learns that the threshold is met, however no later than the publication of the change of the total number of voting rights by the company.

Except for the threshold at 3%, corresponding disclosure obligations of shareholders towards the Company and the BaFin apply for reaching, exceeding, or falling below the above-mentioned threshold values when the relevant shareholder holds instruments that (i), on maturity, grant the holder the unconditional right to acquire previously issued voting shares of an issuer whose country of origin is Germany, when due, or grant the holder a margin of discretion regarding the right to acquire these shares or (ii) are referenced to previously

issued shares and have a comparable economic effect to the instruments under (i), regardless of whether they confer the right to physical delivery (Section 38 of the German Securities Trading Act (*Wertpapierhandelsgesetz*)). In particular, such instruments comprise transferable securities, options, futures, swaps, forward rate agreements and contracts for differences. The voting rights from shares and voting rights obtainable through instruments will be aggregated.

The notification may be drafted in either German or English and sent either in writing or via fax. The notification will have to be issued via the mandatory use of a standard form. According to Section 37 of the German Securities Trading Act (*Wertpapierhandelsgesetz*), the shareholder required to give the notification is exempted from the reporting obligation if the notification has been made by its parent company or in the case that its parent company is also a subsidiary by the parent company of its parent company.

The company must publish this notification without undue delay, but no later than three trading days after receipt of the notification via media outlets where it can be assumed that the notice will be disseminated in all member states of the European Union and in all non-member states of the European Union that are parties to the Agreement on the European Economic Area in accordance with Section 16 of the German Securities Trading Reporting and Insider List Ordinance (*Wertpapierhandelsanzeige- und Insiderverzeichnisverordnung*) and submit the publication to the BaFin. The company must also transmit the notification to the company register (*Unternehmensregister*) maintained electronically by the German Federal Ministry of Justice within the meaning of Section 8b of the German Commercial Code (*Handelsgesetzbuch*) for storage without undue delay, but not prior to the publication.

Section 34 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) contains various rules in connection with this requirement which are supposed to ensure that the shareholding is attributed to the person who actually controls the voting rights relating to the shares. For example, shares held by a third person will be attributed to another person if that other person exercises control over the person holding the shares. This also applies to shares which are held by a third person on behalf of another person or a person controlled by such other person as well as voting rights which the person can exercise free of instructions as a proxy. Any arrangements regarding the exercise of voting rights in a general shareholders' meeting will be considered "acting in concert" and result in the mutual attribution of voting rights, unless limited to a single arrangement regarding different matters, repeated arrangements regarding a single matter or coordination with regard to several items on the agenda of a single general shareholders' meeting. Also, coordination outside the general shareholders' meeting may constitute "acting in concert" and result in the mutual attribution of voting rights if the shareholders intend to change the target company's strategic direction permanently and substantially, *e.g.*, by a fundamental change in the business model or the disposition of significant parts of the target company's business.

In case of non-compliance with the disclosure obligation, for example failing to file a notice or providing false information, the shareholder is precluded from exercising the rights relating to these shares (including voting rights and the right to receive dividends) for the duration of the failure in accordance with the provision of Section 44 of the German Securities Trading Act (*Wertpapierhandelsgesetz*). If the disclosure requirements are violated in a willful or grossly negligent manner, any rights relating to the shares will be suspended for a six-month period even if accurate and complete disclosure is ultimately made. Furthermore, a fine can be imposed in the case of non-compliance with the disclosure requirements, and the BaFin will publish its measures and sanctions taken on its website. The Articles of Association do not contain any provisions going beyond the legally prescribed duties to notify shareholdings. With regard to the current shareholdings, see *N.I.* "*Shareholder Information—Shareholder Structure*".

Moreover, pursuant to Section 43 of the German Securities Trading Act (*Wertpapierhandelsgesetz*), a shareholder reaching or exceeding 10% or more of the voting rights relating to shares of an issuer must inform the issuer of the objective being pursued through the acquisition of voting rights and the sources of the funds used for the purchase, in each case within 20 trading days from such shareholder acquiring the relevant percentage of the shares. In particular, the shareholder must disclose whether it intends to (i) pursue any strategic objectives with respect to the company (as opposed to profits from trading in the shares), (ii) acquire further voting rights within the following twelve months, (iii) exert any influence or control over the company's management or supervisory board and (iv) make any significant changes to the company's capital structure, especially with respect to debt-to-equity ratio and dividend policy. However, the company may waive that

obligation in its articles of association. If the above objectives change, such change needs to be disclosed to the issuer within 20 trading days of such change.

Furthermore, under the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), any shareholder whose portion of voting rights reaches or exceeds 30% of the voting rights of the company must publish this fact, including the percentage of his share of the voting rights, without undue delay and no later than seven calendar days after the fact by announcing this on the internet and by means of an electronic information distribution system for financial information and must subsequently submit a public mandatory offer directed at all holders of ordinary shares of the company unless an exemption from this obligation has been granted. The German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) contains a number of provisions which are supposed to ensure that the shareholding is attributed to the person who actually controls the voting rights relating to the shares. If the notification about reaching or exceeding the 30% threshold or the submission of the public mandatory offer does not occur, during the time such submission occurs, the shareholder is precluded from exercising any rights relating to these shares (including the voting rights and the right to receive dividends) and must pay interest to the shareholders of the target company. Furthermore, a fine can be imposed in these situations. Shareholders who already hold at least 30% of the voting rights in the company or to whom at least 30% of the voting rights in the company are attributed prior to the admission of the shares to trading on the regulated market are exempt from these requirements.

XIV. DISCLOSURE OF TRANSACTIONS OF PERSONS DISCHARGING MANAGERIAL RESPONSIBILITIES

Since July 3, 2016, the new European legal regime under the Market Abuse Regulation is in effect and will be directly applicable to the Company and its shareholders as of the application to the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) to list the shares of the Company on the regulated market.

Pursuant to Article 19 of the Market Abuse Regulation, persons discharging managerial responsibilities within the Company and, as applicable, persons who have a close link with such persons (being "persons closely associated with a person discharging managerial responsibilities") must notify the BaFin and the Company of all transactions conducted on their own account and relating to the shares of the Company or debt instruments of the Company (if any) which are admitted to trading on a EU regulated market or multilateral trading facility or to derivatives or other financial instruments linked thereto unless the aggregate amount of all transactions within a calendar year does not exceed €5,000. The disclosure must be made promptly and no later than three business days following the completion of each individual transaction. The Company shall ensure that such information is made public promptly and no later than three business days after the transaction. The Company is required pursuant to Section 26 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) to submit such published information to the company register (*Unternehmensregister*) and to inform the BaFin of the publication.

For the purpose of the Market Abuse Regulation, "persons discharging managerial responsibilities within the Company" include (i) members of the administrative, management or supervisory bodies of the Company and (ii) senior executives having regular access to inside information relating, directly or indirectly, to the Company, and the power to make managerial decisions affecting the future developments and business prospects of the Company. Persons closely associated with a person discharging managerial responsibilities within the Company include the following persons:

- the spouse of the person discharging managerial responsibilities, or any partner of that person considered by national law as equivalent to the spouse,
- according to national law, dependent children of the person discharging managerial responsibilities,
- other relatives of the person discharging managerial responsibilities, who have shared the same household as that person for at least one year on the date of the transaction concerned,

- any legal person, trust estate or other trust, or any association without legal personality, whose managerial responsibilities are discharged by a person discharging managerial responsibilities within the Company or by another person closely associated with such person, or which is directly or indirectly controlled by such a person, or that is set up for the benefit of such a person, or whose economic interests are substantially equivalent to those of such person.

XV. DISCLOSURE OF SHORT SELLING POSITIONS

Regulation (EU) No. 236/2012 of the European Parliament and of the Council of March 14, 2012 on short selling and certain aspects of credit default swaps (the "**EU Short Selling Regulation**"), the European Commission's delegated regulation for the purposes of detailing it, and the German EU Short Selling Implementation Act (*EU-Leerverkaufs-Ausführungsgesetz*) of November 15, 2012 only permit the short selling of shares when specific criteria are met. Under the provisions of the EU Short Selling Regulation, significant net short selling positions in shares must be reported to the BaFin and also published if they exceed a specific percentage. The reporting and publication process is detailed in the German Regulation on Net-Short Positions (*Netto-Leerverkaufspositionsverordnung*) of December 17, 2012. The net short selling positions are calculated by offsetting the short positions a natural person or legal entity has in the shares issued by the issuer concerned with the long positions such person or entity has in such securities. The details are regulated in the EU Short Selling Regulation and the other regulations the European Commission has enacted on short selling. In certain situations described in detail in the EU Short Selling Regulation, the BaFin may restrict short selling and comparable transactions after notifying the European Securities Market Association.

P. MANAGEMENT AND GOVERNING BODIES

I. OVERVIEW

In accordance with the German Stock Corporation Act (*Aktiengesetz*), the Company has a two tier board system consisting of an executive board (*Vorstand*) (the "**Executive Board**") and a supervisory board (*Aufsichtsrat*) (the "**Supervisory Board**"). The two boards are separate, and, subject to a limited exception, no individual may serve concurrently as a member of both boards.

The Executive Board is responsible for managing our day to day business in accordance with applicable German law and the articles of association (*Satzung*) (the "**Articles of Association**") as well as its rules of procedure (*Geschäftsordnung*). In addition, the Executive Board must ensure appropriate control of risk within the Company and its subsidiaries in order that any developments jeopardizing the Company's future as a going concern may be identified at an early stage. The Executive Board legally represents the Company in dealings with third parties and in court.

The Supervisory Board advises the Executive Board on the management of the Company, monitors its conduct of business and is responsible for appointing and dismissing the members of the Executive Board for good cause. It also represents the Company in transactions between a member of the Executive Board and the Company. While the Executive Board is responsible for submitting regular reports on our business activities and fundamental issues relating to corporate planning (including financial, investment and personnel planning) to the Supervisory Board, the Supervisory Board has the right to request special reports at any time from the Executive Board. The Executive Board is also obliged to duly report to the Supervisory Board such transactions as may be of considerable importance to the Company's profitability (in particular the return on equity) or liquidity, so that the Supervisory Board may have an opportunity to express its opinion on such transactions before they are concluded. The Supervisory Board may also request a report at any time on matters concerning the Company, on the legal and commercial relationships with affiliated companies or on commercial operations at these companies that may have a significant impact on the Company and its subsidiaries.

The Supervisory Board generally may not exercise management functions. The Articles of Association and the rules of procedure (*Geschäftsordnung*) of the Executive Board, however, require that certain types of transactions may not be carried out by the Executive Board without the prior consent of the Supervisory Board. If the Supervisory Board refuses to approve a certain transaction or business activity contemplated by the Executive Board, the Executive Board can request that the general shareholders' meeting decide on the matter. However, the general shareholders' meeting of a German stock corporation may not issue directives to the Executive Board.

The members of the Executive Board and the Supervisory Board owe duties of loyalty and care *vis à vis* the Company. In discharging their duties, the members of these corporate bodies must consider a broad range of interests, including the Company's interests, which in turn include the interests of its shareholders, employees, creditors and, to a certain extent, the general public. The Executive Board must also take due account of the shareholders' right to equal treatment and equal information. The members of the Executive Board or of the Supervisory Board are jointly and severally liable to the Company for any damages that may arise if they fail to discharge their duties.

As a basic principle under German law, a shareholder has no direct recourse against the members of the Executive Board or the Supervisory Board in the event that they breach a duty *vis-à-vis* the Company. Except for certain special circumstances, only the Company itself has the right to bring claims for damages against members of either board, whereby the Company is represented by the Executive Board when bringing claims against the Supervisory Board and by the Supervisory Board when bringing claims against the Executive Board. Pursuant to a ruling by the German Federal Court of Justice (*Bundesgerichtshof*), the Supervisory Board is obliged to bring claims which are likely to be successful against the Executive Board unless material considerations pertaining to the interest of the corporation outweigh or are at least equivalent to those in favor of enforcing such claim. Despite a refusal of the Supervisory Board to pursue a claim for damages, such a claim must be enforced (i) upon a resolution of the general shareholders' meeting, (ii) upon a petition with the competent court by minority shareholders meeting a certain minimum requirement as to their stake in the Company, or (iii) by the Company's creditors whose claims could not be settled by the Company. The Company

may only waive or settle such claims for damages if at least three years have passed and if the shareholders approve the waiver or settlement at the general shareholders' meeting with a simple majority of the votes cast, provided that opposing shareholders do not hold, in the aggregate, one tenth or more of the share capital and do not have their opposition formally recorded in the minutes of the shareholders' meeting.

Under German law, no individual shareholder (or any other person) may exert its influence on the Company to cause a member of the Executive Board or the Supervisory Board to engage in any act detrimental to the Company. Shareholders with a controlling interest may not use it to cause the Company to act against its own interest unless the prejudice to its interests is compensated for. Any shareholder using its interest in the Company to cause a member of the Executive Board, a member of the Supervisory Board or a person who holds a power of attorney (*Prokurist*) or is authorized to act for the Company (*Handlungsbevollmächtigter*) to engage in any act detrimental to the Company or to our shareholders must compensate the Company and the shareholders for any loss sustained thereby. In addition, the members of the Executive Board and the members of the Supervisory Board are jointly and severally liable if they act in breach of their obligations.

The Company has taken out a directors and officers liability insurance policy for all members of the Executive Board and the Supervisory Board and for certain other managers with leadership responsibilities within the Company and its subsidiaries.

II. EXECUTIVE BOARD

1. General

The Executive Board is responsible for managing the business of the Company in accordance with the German Stock Corporation Act, the Company's Articles of Association and the rules of procedure (*Geschäftsordnung*) for the Executive Board. The Executive Board also represents the Company in its dealings with third parties and in court. According to the Articles of Association and the provisions of the German Stock Corporation Act, the Executive Board must consist of a minimum of one member. The Supervisory Board determines the number of members of the Executive Board and appoints such members. It may also appoint the chairman and deputy chairman of the Executive Board. Members of the Executive Board are appointed for a maximum term of five years. They may be repeatedly reappointed or their term of office may be extended, in each instance for a period of up to five years. The Supervisory Board may revoke the appointment of a member of the Executive Board before the end of his or her term of office for good cause, such as gross breach of duty or in case of a vote of no confidence by the general shareholders' meeting.

The Executive Board has overall responsibility for the Company's business. In accordance with its allocation of responsibilities plan (*Geschäftsverteilungsplan*), each member of the Executive Board is assigned an area of responsibility defined in such plan, which sets out the allocation of responsibilities. Notwithstanding the overall responsibility held by the Executive Board, each member of the Executive Board is responsible for the area allocated to him or her. Pursuant to the rules of procedure (*Geschäftsordnung*) for the Executive Board, certain management actions may only be taken, and certain types of transactions may only be concluded, with the approval of the Supervisory Board. The Executive Board has a quorum if a meeting has been called with due notice and all are present. If not otherwise required by law, the Executive Board decides by a simple majority of the votes cast. In the event of a tie, the Chairman has the deciding vote. Members of the Executive Board may not deal with, or vote on, measures relating to proposals, arrangements or contracts between him/herself and the Company.

Individual board members serve as representatives with primary responsibility for the Company's various corporate functions and for the fields of business in which the Company operates. Despite this internal allocation of responsibilities, each member of the Executive Board has overall responsibility (*Gesamtverantwortung*) for the Company as a whole.

The Company's Articles of Association provide that the Company can be legally represented by two members of the Executive Board or by one member of the Executive Board in conjunction with an authorized signatory who holds a power of attorney (*Prokurist*).

The Supervisory Board may appoint deputy members of the Executive Board who, in accordance with the German Stock Corporation Act, have the same rights and responsibilities as the regular members of the Executive Board.

2. Current Members of the Executive Board

The following table lists the current member of the Executive Board, its age, the date on which it was first appointed, the date on which its current appointment is scheduled to end, its position as well as its other positions in administrative, management and supervisory bodies and as partners in partnerships outside the Group during the past five years:

Name	Age	Member since	Appointed until	Position	Other memberships in administrative, management or supervisory bodies or as partners in partnerships in the previous five years (current memberships unless otherwise indicated)
Ralf Kind	47	2017	2020	Chief Executive Officer (CEO) / Chief Financial Officer (CFO)	Managing Partner of RIK Vermögensverwaltungs GmbH

Mr. Kind obtained a degree in economics from the University of Applied Science in Nürtingen. From 1998 to 2001, Mr. Kind worked as principal consultant at PwC Unternehmensberatung in Frankfurt and Tokyo. From 2002 to 2013, Mr. Kind worked at Barclays Capital in various teams, including investment banking and structured finance and held the position of Head of real estate investment banking for DACH region from 2010 to 2013. Mr. Kind is a co-founder and served as chief executive officer of Arbireo Capital AG from 2013 to 2016, and also worked as managing partner at Dr. Lübke & Kelber GmbH. Mr. Kind replaced the former chief financial officer Frank Schaich on March 1, 2017 and the former chief executive officer Markus Drews on November 16, 2017.

The members of the Executive Board can be contacted at the Company's address.

3. Compensation and Share Ownership

The members of the Executive Board do not receive any separate remuneration other than their respective remuneration as members of the Executive Board. The remuneration of the members of the Executive Board is based on the responsibilities and performance of the member, the position of the Company and the sustainability of the Company's development. The remuneration consists of a fixed component and variable compensation elements. The variable compensation elements include both short- and long-term incentives, as the achievement of the agreed performance targets is 40%-based on the target achievement of the past fiscal year and 60%-based on the average target achievement over the prior three fiscal years that precede the year in which the bonus is to be paid. The variable compensation element for each member depends evenly on individual performance targets as well as on performance targets set for the entire Executive Board. The bonus is paid *pro rata* according to the target achievement. Both the variable and the fixed component are capped at a certain amount. Furthermore, the members of the Executive Board are entitled to customary contractual benefits in kind, including the provision of a company vehicle, reimbursement of expenses and travel costs, contributions to premiums for certain insurance policies and contributions to a pension scheme.

In addition, Mr. Markus Drews received 400,000 stock options in April 2015 under the Stock Option Program 2015. For further details on the Stock Option Program 2015, see *O.VII.* "*Description of Share Capital and Related Information—Management Stock Option Program*". With Mr. Drews's departure from the Executive Board effective as of December 31, 2017 a lump sum amount was paid to compensate for the stock options. Since that payment, the options have been fully cancelled. Mr. Kind receives performance- and success-based bonuses of up to €180,000.00 per year, as well as a payment of up to €420,000 in the form of virtual stock options, the amount of which is based on the Company's share price performance. As of the date of the Prospectus, Mr. Kind does not hold any of the Company's shares.

The total remuneration of the members of the Executive Board amounted to €2,792 thousand for the fiscal year ended December 31, 2017 (including the remuneration of Hon. Prof. Andreas Steyer, CEO (until June 30, 2017) and Mr. Markus Drews, CEO / COO (until June 30, COO, CEO as of July 1, 2017 until

November 15, 2017)). €879 thousand of the total remuneration related to variable remuneration, €1,563 thousand to fixed remuneration and €350 thousand to share-based payments, respectively.

In addition, the table below shows the individual remuneration for the Executive Board members for the fiscal year ended December 31, 2017:

	Fixed remuneration	Variable remuneration	Share-based payments	Total
		(in € thousand) (unaudited)		
Hon. Prof. Andreas Steyer	685	0	119	804
Markus Drews	654	325	158	1,137
Ralf Kind	224	554	73	851[1]
Total	**1,563**[1]	**879**	**350**	**2,792**[1]

[1] Includes pension expenses with respect to Mr. Kind in the amount of €12 thousand and differs from the respective figures shown in the 2017 Audited Financial Statements due to calculation errors in the total amount in the "Fixed remuneration" column and in the "Total 2017" column in the remuneration table for the Executive Board, which does not include the amount of €12 thousand.

The Company has obtained D&O insurance covering, among others, the members of the Executive Board. As of the date of this Prospectus the sole member of the Executive Board, Mr. Kind, receives performance- and success-based bonuses of up to €180,000 per year, as well as a payment of up to €420,000 in the form of virtual stock options, the amount of which is based on the Company's share price performance.

4. Certain Other Information on the Members of the Executive Board

No potential conflicts of interests between any duties to the Company and the private interests and/or other duties of Mr. Kind exist. No family relationships exist between Mr. Kind and members of the Company's Supervisory Board.

The Company has not granted any loans to Mr. Kind or assumed any sureties or guarantees for him and Mr. Kind has not concluded any transactions with the Company that lie outside the Company's normal operating activities. There are no agreements with principal shareholders, customers, suppliers or other persons under which Mr. Kind is appointed to the Executive Board. Mr. Kind has not concluded any service contract with any of the Group's companies that includes special benefits upon the end of the service.

Mr. Kind has not been convicted in relation to fraudulent offenses in the last five years. During this period, Mr. Kind has not been associated in his capacity as a member of an administrative, management or Supervisory Board, as a partner with unlimited liability, founder or senior manager with any bankruptcies, receiverships or liquidations. No public incriminations and/or sanctions have been brought against Mr. Kind by statutory or regulatory authorities (including designated professional bodies) in the last five years, nor has Mr. Kind ever been disqualified by a court from acting as a member of the administrative, management or supervisory body of a company or from acting in the management or the conduct of affairs of any company.

III. SUPERVISORY BOARD

1. General

The Supervisory Board currently consists of three members, which are elected by the Company's shareholders at the general shareholders' meeting by a simple majority of the votes cast.

The Supervisory Board members elect one of the members as chairman (*Vorsitzender*) and another one as deputy chairman (*Stellvertreter*) by a simple majority of the votes cast.

Unless the general shareholder's meeting elects the member for a shorter period, the term of a member of the Supervisory Board elected by the shareholders expires at the end of the fifth general shareholders' meeting following the general shareholders' meeting in which the member was elected. If a member of the Supervisory Board retires, or is removed from office prior to the end of its term of office, the substitute

member's term of office expires at the end of the term of the resigning or removed board member, unless the general shareholders' meeting decides otherwise. There is no compulsory retirement age for the members of the Supervisory Board. No former Executive Board members of the Company are currently serving on the Supervisory Board.

Unless otherwise required by applicable law, resolutions of the Supervisory Board are passed by a simple majority of the votes cast. In order to constitute a quorum, all members must be invited with due notice and at least three members of the Supervisory Board must participate in the voting.

The Supervisory Board is required to meet at least twice in each half of every calendar year.

German law provides that at least one member of the Supervisory Board of publicly listed companies has to be considered an expert with expertise in the fields of accounting or auditing. On the Supervisory Board, Mr. Frank Hölzle is considered to be such expert.

2. Current Members of the Supervisory Board

The following table lists the current members of the Supervisory Board, their age, the date on which they were first appointed, as well as their other positions in administrative, management and supervisory bodies and as partners in partnerships outside the Group over the past five years.

Name	Age	Member since	Appointed until	Responsibility	Other principal positions
Prof. Dr. Alexander Goepfert	62	2018	2021	Chairman	Chairman of the supervisory board of aamundo Holding AG; Member of the supervisory board of PROXIMUS Real Estate AG; Member of the advisory board of shareDnC GmbH; Vice president and foundation member of Institute of the German Real Estate Industry (iddiw Institut der deutschen Immobilienwirtschaft e.V.); Managing Partner of DARIUS Handels- und Verwaltungs-GmbH; Chairman of the foundation board of trustees of EBS Real Estate Management Institute; Member of the board of trustees of Department of Finance, Accounting & Real Estate (FARE) of EBS Business School; Managing Director of Delpheast LP Beteiligungs-GmbH; Limited Partner and Managing Director of DARIUS GmbH & Co. KG; Equity Partner of Noerr LLP.

Name	Age	Member since	Appointed until	Responsibility	Other principal positions
Frank Hölzle	50	2017	2021	Deputy Chairman	Chief Executive Officer of Care4 AG Chairman of the advisory board of Clickworker GmbH; Chairman of the advisory board of Mindlab Solutions GmbH; Chairman of the supervisory board of Mobile Objects AG; Chairman of the advisory board of Ranking Coach International GmbH; Member of the advisory board of reBuy reCommerce GmbH; Member of the board of directors of SIC invent AG; Member of the supervisory board of Westgrund AG; Chairman of the supervisory board of Fair Value REIT-AG Member of the advisory board of Vivace GmbH Managing partner of FH Vermögensverwaltungs GmbH.
Dr. Thomas Wetzel	61	2017	2021	Member	President of the board of directors of Brandenberger + Ruosch AG; Vice president of the board of directors of Energie 360° AG; Member of the board of directors of Immobilien ETHZF AG; Member of the foundation council of Swiss Foundation for Anesthesia Research; President of the board of directors of VERIT Investment Management AG; Vice chairman of the supervisory board of Fair Value REIT-AG; Vice president of the foundation council of Foundation for Art, Culture and History (Stiftung für Kunst, Kultur und Geschichte).

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The business address of each member of the Supervisory Board is DEMIRE Deutsche Mittelstand Real Estate AG, Robert-Bosch-Strasse 11, 63225 Langen, Germany.

Prof. Dr. Alexander Goepfert studied law at the Universities of Heidelberg and Göttingen and finished his doctorate in law at the University of Cologne. He is a partner of Noerr LLP and head of the international Real Estate Investment Group there. From May 1992 until June 2011, he was partner at Freshfields Bruckhaus Deringer LLP and Bruckhaus Westrick Stegemann. As an honorary professor at the EBS University of Business and Law in Wiesbaden/Oestrich-Winkel, Prof. Dr. Goepfert heads the Competence Center for Real Estate Law there. He is also vice-president of the Institute of the German Real Estate Industry (iddiw). He also serves as chairman of the supervisory board of aamundo Holding AG and is a member of the supervisory board of PROXIMUS Real Estate AG.

Frank Hölzle earned a degree in economics from the University of Freiburg. Mr. Hölzle is a member of the advisory board or supervisory board of several companies, including Westgrund AG, which is also active in the real estate sector, but with a focus on residential assets. Mr. Hölzle also serves as chief executive officer of Care 4 AG, a subsidiary of Wecken & Cie., one of the principal shareholders of the Company (see *N.I "Shareholder Information—Shareholder Structure"*).

Dr. Thomas Wetzel obtained a degree in law from the University of Zurich and completed his PhD in law at the university of Basel in 1983. Dr. Wetzel is an attorney at law specialized in real estate law. Dr. Wetzel

is a partner of Wenger Plattner Rechtsanwälte and head of business group real estate there. Since 2005, Dr. Wetzel works as a lecturer at the Center for Urban & Real Estate Management (CUREM), Zurich in the Department of Banking and Finance at the University of Zurich. From 1999 to 2016, Dr. Wetzel served as vice-president of the administrative board of Swiss Prime Site AG and, from 2016 to 2016, he served as chairman of the investment committee of AFIAA Anlagestiftung für Immobilienanlagen im Ausland.

3. Compensation and Share Ownership

The members of the Supervisory Board receive a fixed base salary in the amount of €30,000, while the deputy chairman receives an annual compensation twice the level of base salary, and the chairman receives an annual compensation three times the level of the base salary. Supervisory Board members, who were not in office for the entire fiscal year, receive compensation in accordance with the duration of their membership. In addition, the members of the Supervisory Board benefit from a reimbursement of their expenses incurred in the performance of their duties as Supervisory Board members.

The aggregate compensation for the Supervisory Board members amounted to €180 thousand for the fiscal year 2017. As of the date of this Prospectus, there has been no change to the compensation of the Supervisory Board.

As of the date of this Prospectus, none of the members of the Supervisory Board holds any shares in the Company, except for Frank Hölzle, who holds 1,000 shares of the Company.

The Company has obtained D&O insurance covering, among others, the members of the Supervisory Board.

There are no service agreements between the Company, its subsidiaries, and any of its Supervisory Board members under which a Supervisory Board member would receive benefits from the Company or its subsidiaries on termination of his or her activity. Also, as of the date of the Prospectus, there are no other service agreements between the Company and any of the Supervisory Board members as member of the Supervisory Board. The members of the Company's Supervisory Board receive no pension payments or retirement benefits in their capacity as members of the Supervisory Board.

4. Committees

Under the Articles of Association, the Supervisory Board may form committees from among its members and authorize such committees to perform specific tasks. The committees' tasks, authorizations and processes are determined by the Supervisory Board. Where permissible by law, important powers of the Supervisory Board may also be transferred to the committees.

Due to the limited number of members, the Supervisory Board has not formed any committees.

5. Certain Information on the Members of the Supervisory Board

During the last five years, no member of the Supervisory Board has been convicted in relation to fraudulent offenses.

During the last five years, no member of the Supervisory Board has acted in any capacity at any entity which was subject to any bankruptcies, receiverships or involuntary liquidations.

No official public incrimination and/or sanctions by any statutory or regulatory authority against any member of the Supervisory Board has occurred. No member of the Supervisory Board has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct the affairs of any issuer during the last five years.

The Company has not granted any loans to Supervisory Board members. The members of the Supervisory Board have not concluded any transactions with the Company that lie outside the Company's normal operating activities.

Only one member of the Supervisory Board may have a potential conflict of interest between his duties to the Company and his private or other interests:

- Mr. Frank Hölzle, the deputy chairman of the Supervisory Board, serves as chief executive officer of Care4AG, a subsidiary of Wecken & Cie, one of the principal shareholders of the Company. Therefore, he has a duty of loyalty to Care4AG on the one hand, and to the Company on the other hand, which could lead to a potential conflict of interest in situations in which the interests of Care4AG and the Company diverge.

Except as described above, no members of the Supervisory Board have any conflicts of interest or potential conflict of interest between their duties to the Company and their private or other interests. No Supervisory Board member has concluded any service contract with any of the Group's companies that includes special benefits upon the end of the service. No family relationships exist among the members of the Supervisory Board or within the Supervisory Board or within any of these bodies.

IV. GENERAL SHAREHOLDERS' MEETING

The general shareholders' meeting can be convened at the request of the Executive Board, the Supervisory Board, or shareholders whose shares together total at least 5% of the share capital. If the best interests of the Company so require, the Supervisory Board must call a general shareholders' meeting. The regular general shareholders' meeting takes place within the first eight months of every fiscal year.

Depending on the choice of the convening body, general shareholders' meetings take place at the Company's registered office, at or within a distance of 50 kilometers of the seat of a German stock exchange. Each of the Shares of the Company carries one vote at the Company's general shareholders' meeting. There are no restrictions on voting rights of the shares of the Company.

Unless mandatory provisions of the German Stock Corporation Act or the Articles of Association state otherwise, general shareholders' meeting resolutions are passed with a simple majority of the votes cast. In accordance with the German Stock Corporation Act, resolutions of fundamental importance require, in addition to a simple majority of the votes cast, a majority of at least three quarters of the share capital represented in order to pass such a resolution. Such resolutions of fundamental importance include in particular:

- changes in the Articles of Association;
- share capital increases;
- share capital decreases;
- the creation of authorized or contingent capital;
- divisions or split offs as well as transfers of the entire assets of the Company;
- conclusions of intercompany agreements (in particular, domination agreements and profit and loss transfer agreements);
- changes in the legal form of the Company; and
- liquidation of the Company.

Neither German law nor the Articles of Association restrict the right to own shares or to exercise the associated voting rights for German non-residents or for foreign owners of shares.

V. CORPORATE GOVERNANCE

The Company takes good corporate governance to mean responsible enterprise management and supervision geared to sustainable value creation. In particular, the Company strives to further foster the trust placed in the Group by investors, business partners and employees, and the public at large. The Company also

attaches great importance to the efficient conduct of their work by the Executive Board and Supervisory Board, good cooperation between these bodies and with the Company's staff, and to open and transparent corporate communications.

The corporate structure of the Company is based on the responsible, transparent and efficient leadership and control of the Company. The Company therefore identifies itself with the objectives of the German Corporate Governance Code as established on February 26, 2002 and last amended on February 7, 2017 (the "**Governance Code**"). The Executive Board and the Supervisory Board as well as all management personnel and employees of the Company are required to comply with these objectives. The Executive Board of the Company is responsible for compliance with the principles of corporate governance.

The Governance Code includes recommendations (*Empfehlungen*), that the Company "shall" (*soll*) follow, and suggestions (*Anregungen*), that the company "should" (*sollte* or *kann*) follow, for the management and supervision of companies listed on German stock exchanges with regard to good corporate governance. Topics include shareholders and general shareholders' meetings, management and supervisory boards and their cooperation, transparency, accounting and the auditing of financial statements. The current version of the Governance Code is available on the website of the Commission of the German Corporate Governance Code (http://www.corporate-governance-code.de). While suggestions of the Governance Code are not mandatory, Section 161 of the German Stock Corporation Act (*Aktiengesetz*) requires the management and supervisory boards of a listed company to annually disclose which recommendations are and have been complied with, and in the event of noncompliance, to provide the reason for such non-compliance. This declaration must be made permanently accessibleon the webpage of the company. The contents of the declaration do not bind the Executive Board or Supervisory Board for the future, however, any deviation from the previous declaration triggers the obligation to submit, publish and provide shareholders with an amended declaration in due course. In contrast, deviations from the suggestions contained in the Governance Code need not be disclosed.

The main recommendations of the Governance Code in the current version include the following:

- The remuneration of members of the management board shall contain a fixed component and a component based on economic performance, and a cap shall be specified and individual information is to be provided in the notes to the financial statements in reference to remuneration of the individual members of the management board.

- The members of the management board shall disclose any conflicts of interest to the supervisory board.

- The supervisory board shall form committees; in particular, an audit committee shall be set up to deal with issues of accounting and risk management, the necessary independence of the auditor, and the awarding of audit engagements to auditors, as well as the determination of the special areas emphasized in the audit and the agreement on fees.

- The number of former members of the management board on the supervisory board shall be limited, and services on governing bodies of significant competitors of the company and advisory activities for major competitors of the company by members of the supervisory board shall be restricted.

- Transparency in dealings with shareholders shall be ensured; in particular, the company shall disclose to shareholders, without undue delay, all material new facts made available to financial analysts and similar addressees.

- Transactions with related parties shall be disclosed in the consolidated financial statements.

- A declaration of independence concerning business, financial, personal, or other relationships between the auditor and the company shall be obtained before engaging the auditors, and the supervisory board shall agree with the auditor to be kept informed about any grounds concerning the independence of the auditors.

In accomplishing its goal of sustainably enhancing its value, the Company is guided extensively by the principles of the Governance Code, with the aid of which it has largely brought itself into line with the standards of German listed enterprises. The Company currently complies with all recommendations in the Governance Code except for the following:

- No 3.8 paragraph 3: A deductible for the D&O insurance was agreed for the Executive Board, but is not planned for the Supervisory Board. It is the Company's opinion that an agreement for such a deductible would significantly reduce the appeal of a position on the Supervisory Board and thereby have a negative impact on the chances of attracting adequate candidates for a position on the Supervisory Board.

- No. 4.1.3: The Executive Board has set up an appropriate compliance management system, which is being further developed on an ongoing basis. Information from employees and third parties can be given to the compliance officer in confidence. The compliance officer's contact details are published on the Company's website.

- No. 4.2.3: The existing variable remuneration components of the members of the Executive Board were agreed upon before the publication and entry into force of the Governance Code in the version of February 7, 2017. The Company intends to agree to variable remuneration components of the Executive Board members in the future in accordance with the current Governance Code.

- No. 5.3.2: The Supervisory Board does not form committees since it consists of only three members. For this reason, the Supervisory Board assumes all of the duties of the audit committee.

- No. 5.4.1: The composition of the Supervisory Board, with Prof. Dr. Wagner as an auditor and professor at the Frankfurt School of Finance and Management, Mr. Frank Hölzle's background in business administration as head of the family office of Mr. Klaus Wecken, and Dr. Thomas Wetzel, as a Swiss lawyer, has the required competences for its function and a sufficient number of independent members.

  Neither an age limit nor a limit for the regular length of membership have been established for members of the Supervisory Board. In the Company's opinion, age is not an appropriate criterion to be used for the election of Supervisory Board members.

- No. 7.1.2: The Company will continue to comply with the publication deadlines required by law until further notice.

Q. TAXATION

I. TAXATION IN GERMANY

The following is a general discussion of certain German tax consequences of the acquisition, holding and disposal of shares or subscription rights in the Company. It does not purport to be a comprehensive or definitive description of all German tax considerations that may be relevant to a decision to purchase shares or subscription rights in the Company, and in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser (including the tax consequences of the acquisition or holding of shares or subscription rights in the Company by investment funds and other tax-exempt entities). This summary is based on the tax laws of Germany currently in force and as applied on the date of the Prospectus, including the typical provisions that are included in the double taxation treaties that Germany has concluded with other countries. It should be noted that the legal situation may change, including, in certain cases, with retroactive effect.

Prospective purchasers of shares or subscription rights in the Company are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposal of shares or subscription rights in the Company and on the procedure to be followed for any refund of German withholding tax (Kapitalertragsteuer) paid. Prospective purchasers of shares or subscription rights in the Company are further advised to consult their own tax advisors as to the effect of any state, local or church taxes, under the tax laws of Germany and any country of which they are resident or the tax laws of which apply to them for other reasons. Due consideration to a shareholder's specific tax-related circumstances can only be given within the scope of an individual tax consultation.

The Company does not assume any responsibility for the withholding of taxes at source.

1. Taxation of the Company

The profits of German corporations are generally subject to corporate income tax. The corporate income tax rate is uniformly 15 % for both distributed and retained earnings plus a solidarity surcharge in the amount of 5.5 % of the corporate income tax liability (*i.e.*, a total of 15.825%).

Effectively 95% of dividends and other shares in profits the Company receives from domestic or foreign corporations are generally exempt from corporate income tax. 5% of the respective receipts are deemed to be non-deductible business expenses and are, therefore, subject to corporate income tax (plus solidarity surcharge). This also applies to profits of the Company resulting from the sale of shares in domestic or foreign corporations.

However, if the Company directly holds less than 10% of the share capital of the corporation at the beginning of the calendar year, the full amount of any dividends received is taken into account when determining the Company's taxable income for corporate income tax purposes. The acquisition of a shareholding of at least 10% is deemed to have occurred at the beginning of the calendar year. Participations in the share capital of other corporations which the Company holds through a partnership (including those that are co-entrepreneurships (*Mitunternehmerschaften*)) are attributable to the Company only on a *pro rata* basis at the ratio of the interest share of the Company in the assets of the relevant partnership.

In addition, German corporations are generally subject to trade tax (*Gewerbesteuer* on trade income (*Gewerbeertrag*)) generated from permanent establishments in Germany. Depending on the assessment rate set by the relevant municipality, the trade tax is normally imposed at an effective rate of approximately 7 to 19.3% of the trade income. The trade tax may not be deducted as a business expense for corporate income tax purposes. Dividends and other shares in profits received from domestic or foreign corporations as well as profits from the sale of shares in other corporations are generally treated, for purposes of trade tax, in the same manner as for purposes of corporate income tax. However, in general, dividends and other profit shares received from domestic or foreign corporations are effectively exempt from trade tax in an amount of 95% only if the Company held at or, in case of foreign corporations, has held since the beginning of the relevant tax assessment period, a participation of at least 15% in the share capital of the corporation distributing the profit (trade tax participation exemption). In case of a participation in a corporation within the meaning of Art. 2 of the Council Directive No. 2011/96/EU of November 30, 2011 ("**EU Parent Subsidiary Directive**") domiciled in another member state of the European Union, the trade tax participation exemption privilege applies in the case of a 10% participation in the share capital of the foreign corporation held at the beginning of the relevant tax assessment

period. Additional restrictions apply to dividends received from foreign corporations that do not qualify for the EU Parent Subsidiary Directive.

Under the so-called interest ceiling rule, the deduction of interest expense may be limited, subject to certain exceptions. Net interest expense is generally deductible in an amount equal to 30 % of the tax EBITDA of the relevant fiscal year. Non-deductible interest expense and unused tax EBITDA volume can be carried forward to subsequent years provided that certain requirements are met. The German Federal Tax Court referred a proceeding to the German Federal Constitutional Court on the grounds that according to its view the interest ceiling rule violates 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. Thus, it cannot be ruled out that in the future different rules will apply. For trade tax purposes, 25% of the interest expense that is deductible under the interest ceiling rule must be added back to compute the trade tax base, generally resulting in a deductibility for trade tax purposes of only 75%.

For corporate income tax and trade tax purposes, tax-loss carry forwards can only be used up to an amount of €1.0 million to fully offset positive income. If the income exceeds this amount, only 60% of the excess amount may be offset by existing tax-loss carry forwards. The remaining 40% are subject to tax (minimum taxation). Unused tax-loss carry forwards can, in principle, be carried forward indefinitely and can be deducted from future taxable income and trade income, respectively in accordance with the aforementioned rules. In the case of a direct or indirect transfer within five years of more than 25% or, respectively, more than 50% of the share capital or voting rights in the Company to one single acquirer or a group of acquirers or in the case of comparable measures (harmful acquisition), the tax-loss carry forwards, interest carry forwards, non-deductible interest expense as well as losses of the current business year that have not been used until the date of the transfer may, however, become unavailable on a pro rata basis or, as the case may be, be lost entirely, or it may not be possible to credit them against future profits. In addition to already existing exemptions (the so-called group clause or the so-called hidden reserves clause) a new provision applies to all harmful acquisition of participations after December 31, 2015 at the taxpayer's request. This new section permits the preservation of unused losses if the business operations of the corporation are sustained after the date of the harmful acquisition of participation and any other use of the so-called continuation–bound loss carry forward is excluded. In its ruling dated March 29, 2017, the German Federal Constitutional Court (*Bundesverfassungsgericht*) declared parts of the provisions on the forfeiture of losses as described above unconstitutional. The ruling affects harmful acquisitions in the years from 2008 until and including 2015. According to the court's decision, the German legislator is obligated to draft new regulations until December 31, 2018, which would apply retroactively to the respective periods. If the legislator fails to fulfil said obligation, the forfeiture of losses in the respective periods will be void. The current legislative proposal provides that the rules on harmful acquisitions relating to transfers of more than 25% up to (and including) 50% shall not apply in the years from 2008 until and including 2015. Further cases challenging the loss forfeiture rules to the extent they provide for a full forfeiture as well as in their version as effective since 2016 are currently pending with the German Federal Constitutional Court (*Bundesverfassungsgericht*) and the German Federal Fiscal Court (*Bundesfinanzhof*). Therefore, the impact of the loss forfeiture rules on unutilized losses and interest carry-forwards (possibly also EBITDA carry-forwards) currently remains unclear.

2. Taxation of Shareholders

Shareholders are subject to taxation in connection with the holding of shares (see below "*—2.1 Taxation of Dividends*"). the sale of shares or subscription rights (see "*—2.2 Taxation of Capital Gains*") and the gratuitous transfer of shares or subscription rights (see "*—2.4 Inheritance and Gift Tax*").

2.1. Taxation of Dividends

2.1.1. Withholding Tax

Dividends distributed by the Company are generally subject to a withholding tax in the amount of 25% plus a solidarity surcharge of 5.5% thereon *(i.e.,* a total of 26.375 %).

If the shares are admitted to be held in collective deposit with a German collective deposit bank for securities and are deposited with such common depository in Germany, the Company is generally not

responsible for withholding the tax at the source, but the tax is withheld for the account of the shareholder and remitted to the competent tax office. The withholding tax is withheld and passed on to the tax authorities for the account of the shareholders (i) by the German bank, German financial services institution, German securities trading enterprise or German securities trading bank (including German branches of foreign institutions) with which the shares are deposited or that administers the shares and that disburses or credits the dividends to the shareholder or that disburses the dividends to a foreign institution, or (ii) by the collective deposit bank for securities if it disburses the dividends to a foreign institution, or (iii) by the Company, if the shares are not held in collective deposit with a German collective deposit bank for securities or are held in collective custody (*girosammelverwahrt*) but are being treated as so-called stock being held separately (*abgesetzte Bestände*). The basis for the withholding tax is the dividend resolved by the general shareholders' meeting. The Company does not assume any responsibility for withholding tax deductions at source.

The withholding tax must generally be deducted regardless of whether and to what extent the dividend is exempt from taxation at the level of the shareholder and whether the shareholder is a person residing in Germany or in a foreign country.

In the case of dividends distributed to a company within the meaning of Art. 2 of the EU Parent Subsidiary Directive domiciled in another member state of the European Union, an exemption from withholding tax will be granted upon request if further prerequisites are satisfied *(Freistellung im Steuerabzugsverfahren).* This also applies to dividends distributed to a permanent establishment located in another member state of the European Union of such a parent company or of a parent company tax resident in Germany if the participation in the Company is effectively connected with this permanent establishment. The key prerequisite for the application of the EU Parent Subsidiary Directive is that the shareholder has held a direct participation in the share capital of the Company of at least 10% for at least one year. In certain other cases, companies domiciled in another European Union or European Economic Area member state may be entitled to a refund of withholding tax, although the minimum holding requirements of the EU Parent Subsidiary Directive are not met. In addition, an application must be filed with the German Federal Central Tax Office (*Bundeszentralamt für Steuern, Hauptdienstsitz Bonn-Beuel,* An der Küppe 1, 53225 Bonn, Germany).

If, in the case of a holding of at least 10% of the Company's registered share capital, shares held in collective custody (*girosammelverwahrt*) by the central securities depository (*Wertpapiersammelbank*) are treated as so-called stock being held separately (*abgesetzte Bestände*), the German tax authorities will not object when the main paying agent (*Hauptzahlstelle*) of the Company—upon presentation of an exemption certificate (*Freistellungsbescheinigung*) and of a proof that this stock has been held separately—disburses the dividend without deducting withholding tax. An exemption certificate can be granted upon application (using official application forms) with the Federal Central Tax Office (at the address specified above).

The withholding tax on distributions to other foreign resident shareholders is generally reduced in accordance with a double taxation treaty if Germany has concluded such double taxation treaty with the country of residence of the shareholder and if the shareholder does not hold his shares either as part of the assets of a permanent establishment or a fixed place of business in Germany or as business assets for which a permanent representative has been appointed in Germany. The reduction of the withholding tax, if applicable, is generally granted in such a manner that the difference between the total amount withheld, including the solidarity surcharge, and the tax liability determined on the basis of the tax rate set forth in the applicable double taxation treaty (generally 15%) is refunded by the German tax administration upon request (Federal Central Office for Taxes (at the address specified above)).

In the case of dividends received by corporations whose statutory seat and effective place of management are not located in Germany and who are therefore not tax resident in Germany, generally two-fifths of the withholding tax deducted and remitted can be refunded by the German tax administration without the need to fulfill all prerequisites required for such refund under the EU Parent Subsidiary Directive or under a double taxation treaty upon request (Federal Central Office for Taxes (at the address specified above)).

In order to receive a refund pursuant to a double taxation treaty or the aforementioned option for foreign corporations, the shareholder has to submit a completed form for refund (available at the Federal Central Office for Taxes (http://www.bzst.de) as well as at the German embassies and consulates) together with

a withholding tax certificate *(Kapitalertragsteuerbescheinigung)* issued by the institution that withheld the tax.

The exemption from withholding tax in accordance with the EU Parent Subsidiary Directive and the aforementioned options for a refund of the withholding tax depend on whether certain additional prerequisites (in particular so-called substance requirements) are fulfilled.

The aforementioned reductions of (or exemptions from) withholding tax are restricted if (i) the applicable double taxation treaty provides for a tax reduction resulting in an applicable tax rate of less than 15% and (ii) the shareholder is not a corporation that directly holds at least 10% in the equity'capital of the Company and is subject to tax on its income and profits in its state of residence without being exempt. In this case, the reduction of (or exemption from) withholding tax is subject to the following three cumulative prerequisites: (i) the shareholder must qualify as beneficial owner of the shares in the Company for a minimum holding period of 45 consecutive days occurring within a period of 45 days prior and 45 days after the due date of the dividends, (ii) the shareholder has to bear at least 70% of the change in value risk related to the shares in the Company during the minimum holding period without being directly or indirectly hedged, and (iii) the shareholder must not be required to fully or largely compensate directly or indirectly the dividends to third parties. However, these further prerequisites (and, if applicable, a corresponding notification and (re)payment obligation) do not apply to an investor if either (i) his or her amount of dividend income on shares (including shares from the Company) and certain profit participation rights (*Genussrechte*) does not exceed an amount of €20,000 in a given tax assessment period or if (ii) he or she has been, upon actual receipt of the dividend, the economic owner of the shares for a continuous period of at least one year. Further to the statutory amendments, the German Federal Ministry of Finance published a decree dated July 17, 2017 (*BMF, Schreiben vom 17.7.2017—IV C 1—S 2252/15/10030 :05, DOK 2017/0614356*) outlining the treatment of transactions where these further prerequisites are not applicable but in which a credit of withholding tax will nevertheless be denied as an anti-abuse measure. Prospective holders of the shares are advised to seek their own professional advice in relation to the possibility to obtain a tax credit or refund of withholding tax on dividends.

2.1.2. Taxation of Dividends Derived by German Tax Resident Shareholders

2.1.2.1. Taxation of dividend income for German tax resident shareholders who hold their shares as private assets

Dividends that are derived by a German tax resident shareholder who holds the shares as private assets constitute income from capital investment, which is subject to a special, flat income tax rate of 25% plus a solidarity surcharge of 5.5% thereon *(i.e.,* a total of 26.375%). The income tax liability for the dividends is generally satisfied through the deduction of the withholding tax (so-called flat tax regime, *Abgeltungsteuer).* Except for an annual lump-sum allowance for savers *(Sparer-Pauschbetrag)* in the amount of €801 (€1,602 for married couples and registered partners filing jointly) income-related expenses *(Werbungskosten)* may not be deducted from income from capital investment. The shareholder may request his total income from capital investments (including the dividends) to be subject to taxation at the individual, progressive income tax rate together with his other taxable income rather than the flat tax rate for capital investments, if this results in his tax liability being lower. The tax base is the gross income less the lump-sum allowance for savers in the amount of € 801 (€1,602 for married couples and registered partners filing jointly). with no deduction for income-related expenses to generate the income. In such a case, the withholding tax can either be credited against the income tax liability of the shareholder or refunded in the amount of the excess, subject to the rules on the restriction of withholding tax credit as described below under "*—Taxation of dividend income for German tax resident shareholders who hold their shares as business assets*".

Exceptions from the final flat tax regime apply upon application to shareholders that hold at least 25 % of the shares in the Company and shareholders that hold at least 1% of the shares in the Company and through professional work for the Company are able to exercise significant entrepreneurial influence on the business activities of the Company.

If applicable, church tax generally has to be withheld based on an automatic data access procedure, unless the shareholder has filed a blocking notice (*Sperrvermerk*) with the Federal Central Tax Office. Where church tax is not levied by way of withholding, it is determined by means of an income tax assessment.

2.1.2.2. Taxation of dividend income for German tax resident shareholders who hold their shares as business assets

The flat tax does not apply to dividends paid on shares held by a German tax resident shareholder as business assets. The taxation depends on whether the shareholder is a corporation, an individual entrepreneur or partnership (co-entrepreneurship). The withholding tax (including solidarity surcharge) withheld and remitted can either be credited against the income tax or corporate income tax liability of the shareholder or refunded in the amount of the excess.

Pursuant to specials rules on the restriction of withholding tax credit, the credit of withholding tax is subject to the following three cumulative prerequisites: (i) the shareholder must qualify as beneficial owner of the shares in the Company for a minimum holding period of 45 consecutive days occurring within a period of45 days prior and 45 days after the due date of the dividends, (ii) the shareholder has to bear at least 70% of the change in value risk related to the shares in the Company during the minimum holding period without being directly or indirectly hedged, and (iii) the shareholder must not be required to fully or largely compensate directly or indirectly the dividends to third parties. Absent the fulfilment of all of the three prerequisites, three fifths of the withholding tax imposed on the dividends must not be credited against the shareholder's (corporate) income tax liability, but may, upon application, be deducted from the shareholder's tax base for the relevant assessment period. A shareholder that has received gross dividends without any deduction of withholding tax due to a tax exemption without qualifying for a full tax credit has to notify the competent local tax office accordingly and has to make a payment in the amount of the omitted withholding tax deduction. However, these further prerequisites (and, if applicable, a corresponding notification and (re)payment obligation) do not apply to an investor if either (i) his or her amount of dividend income on shares (including shares from the Company) and certain profit participation rights (*Genussrechte*) does not exceed an amount of €20,000 in a given tax assessment period or if (ii) he or she has been, upon actual receipt of the dividend, the economic owner of the shares for a continuous period of at least one year. Further to the statutory amendments, the German Federal Ministry of Finance published a decree dated July 17, 2017 (*BMF, Schreiben vom 17.7.2017—IV C 1—S 2252/15/10030 :05, DOK 2017/0614356*) outlining the treatment of transactions where these further prerequisites are not applicable but in which a credit of withholding tax will nevertheless be denied as an anti-abuse measure. Prospective holders of the shares are advised to seek their own professional advice in relation to the possibility to obtain a tax credit or refund of withholding tax on dividends.

Corporations. If the German tax resident shareholder is a corporation, effectively 95% of the dividends, subject to certain exceptions for enterprises in the financial and insurance sectors (in section S.I.2.3 *Special Rules for Credit Institutions, Financial Services Institutions, Financial Enterprises as well as Life Insurance and Health Insurance Companies and Pension Funds*"). are generally exempt from corporate income tax and the solidarity surcharge. No minimum holding period needs to be observed. 5% of the dividends are deemed non-deductible business expenses, and are therefore subject to corporate income tax (plus solidarity surcharge) at a tax rate totalling 15.825%. However, if the corporation directly holds less than 10% of the share capital of the Company at the beginning of the calendar year, the full amount of any dividends received is taken into account when determining the corporation's taxable income for corporate income tax purposes. The acquisition of a shareholding of at least 10% is deemed to have occurred at the beginning of the calendar year. Aside from this, business expenses actually incurred and directly connected to the dividends may be deducted. The dividends are subject to trade tax in the full amount (after deduction of the business expenses economically connected to them) unless the corporation held a participation of at least 15 % in the share capital of the Company at the beginning of the relevant tax assessment period (trade tax participation exemption). In this latter case, the dividends are not subject to trade tax. However, trade tax is levied on the amount deemed to be non-deductible business expenses (*i.e.*, in the amount of 5 % of the dividend). Depending on the assessment rate set by the municipality the trade tax is normally imposed at an effective rate of approximately 7 to 19,3% of the trade income (*Gewerbeertrag*).

Individual entrepreneurs. If the German tax resident shareholder is an individual entrepreneur who holds the shares as business assets, only 60% of the dividends are subject to the progressive personal income tax plus solidarity surcharge at a tax rate totalling up to approximately 47.5% and, if applicable, church tax (partial income taxation method; *Teileinkünfteverfahren*). Only 60% of the business expenses economically connected to the dividends are deductible for tax purposes. If the shares belong to a German permanent establishment of a commercial business of the shareholder, the dividend income (after deduction of the business expenses

economically connected to it) are, in addition to personal income tax, also subject to trade tax in the full amount unless the shareholder held a participation of at least 15% in the share capital of the Company at the beginning of the relevant tax assessment period (trade tax participation exemption). In this latter case, the net amount of the dividends, (*i.e.*, after deduction of the business expenses directly connected to them) is exempt from trade tax. In general, the trade tax may be credited, completely or partially, against the personal income tax of the shareholder in accordance with a lump-sum tax credit method, depending on the assessment rate set by the local municipality and the personal tax situation.

Partnerships. If the German tax resident shareholder is a partnership being engaged or deemed to be engaged in a business (co-entrepreneurship), the personal income tax or corporate income tax is not charged at the level of the partnership, but at the level of the respective partner. The taxation of each partner depends on whether the partner is a corporation or an individual. If the partner is a corporation, dividends forming part of the partner's profit share are taxed in accordance with the principles applicable to corporations, *i.e.*, effectively 95% of the dividends are tax exempt, but dividends from a direct shareholding of less than 10% of the Company's share capital are fully subject to taxation (see above under "**Corporations**"). Indirect shareholdings via a partnership are attributed to the partners on a pro-rata basis and are deemed to be direct shareholdings. If the partner is an individual, the taxation is based on the principles applicable to individual entrepreneurs, *i.e.*, the partial income taxation method applies (see "**Individual entrepreneurs**") to the dividends included in the individual partner's profit share.

In addition, the dividends are subject to trade tax at the level of the partnership if the shares are attributable to a permanent establishment of a commercial business of the partnership in Germany, and this generally in the full amount. If the partner in the partnership is an individual, the trade tax on his profit share which is paid by the partnership may generally be credited, completely or partially, against his personal income tax, depending on the assessment rate set by the local municipality and the personal tax circumstances.

If the partnership held a participation of at least 15% in the share capital of the Company at the beginning of the relevant tax assessment period, the dividends, after deduction of the business expenses economically connected thereto, should generally not be subject to trade tax. However, in this case, trade tax should be levied on 5% of the dividends to the extent they are attributable to the profit share of such corporate partners to whom at least 10% of the shares in the Company are attributable on a look-through basis, since such portion of the dividends should be deemed to be non-deductible business expenses. The remaining portion of the dividend income attributable to other than such specific corporate partners (which includes individual partners and should, under a literal reading of the law, also include corporate partners to whom, on a look-through basis, only participations in the share capital of the Company of less than 10% are attributable) should (after the deduction of business expenses economically related thereto) not be subject to trade tax.

2.1.3. Shareholders Domiciled in Foreign Countries

Shareholders who are not tax resident in Germany and hold their shares through a permanent establishment or a fixed place of business in Germany, or as business assets for which a permanent representative has been appointed in Germany, are subject to the taxation in Germany in respect of their dividend income. The situation described above for shareholders tax resident in Germany who hold their shares as business assets applies accordingly (see section *Q.I.2.1.b* "*—Taxation of dividend income for German tax resident shareholders who hold their shares as business assets*"). The withholding tax deducted and remitted to the tax authorities (including solidarity surcharge) is either credited against the personal income tax or corporate income tax liability or refunded in the amount of an excess of such.

Pursuant to specials rules on the restriction of withholding tax credit, the credit of withholding tax is subject to the following three cumulative prerequisites: (i) the shareholder must qualify as beneficial owner of the shares in the Company for a minimum holding period of 45 consecutive days occurring within a period of 45 days prior and 45 days after the due date of the dividends, (ii) the shareholder has to bear at least 70% of the change in value risk related to the shares in the Company during the minimum holding period without being directly or indirectly hedged, and (iii) the shareholder must not be required to fully or largely compensate directly or indirectly the dividends to third parties. Absent the fulfilment of all of the three prerequisites, three fifths of the withholding tax imposed on the dividends must not be credited against the shareholder's (corporate) income tax liability, but may, upon application, be deducted from the shareholder's tax base for the relevant

assessment period. A shareholder that has received gross dividends without any deduction of withholding tax due to a tax exemption without qualifying for a full tax credit has to notify the competent local tax office accordingly and has to make a payment in the amount of the omitted withholding tax deduction. However, these further prerequisites (and, if applicable, a corresponding notification and (re)payment obligation) do not apply to an investor if either (i) his or her amount of dividend income on shares (including shares from the Company) and certain profit participation rights (*Genussrechte*) does not exceed an amount of €20,000 in a given tax assessment period or if (ii) he or she has been, upon actual receipt of the dividend, the economic owner of the shares for a continuous period of at least one year. Further to the statutory amendments, the German Federal Ministry of Finance published a decree dated July 17, 2017 (*BMF, Schreiben vom 17.7.2017—IV C 1—S 2252/15/10030 :05, DOK 2017/0614356*) outlining the treatment of transactions where these further prerequisites are not applicable but in which a credit of withholding tax will nevertheless be denied as an anti-abuse measure. Prospective holders of the shares are advised to seek their own professional advice in relation to the possibility to obtain a tax credit or refund of withholding tax on dividends.

In all other situations, the German tax liability is satisfied for the dividends with the deduction of withholding tax. The withholding tax is only refunded in the situations described above under section *Q.I.2.1.a* "*—Withholding Tax*".

2.2. Taxation of Capital Gains

2.2.1. Taxation of Capital Gains for German Tax Resident Shareholders

2.2.1.1. Taxation of capital gains for German tax resident shareholders who hold their shares or subscription rights as private assets

Capital gains from the sale of shares acquired by a German tax resident shareholder after December 31, 2008 that are held as private assets are generally subject to personal income tax in Germany- irrespective of any holding period – as income from capital investment at a special, flat tax rate for income from capital investment of 25% (plus a solidarity surcharge of 5.5%, *i.e.*, a total of 26.375%). This also applies to gains from the sale of subscription rights granted for such shares.

The amount of the taxable capital gain from the sale is the difference between (a) the proceeds from the sale and (b) the cost of acquisition of the shares or subscription rights and the expenses directly related to the sale.

The only deduction available from the overall income from capital investment is the annual lump-sum allowance for savers *(Sparer-Pauschbetrag)* in the amount of €801 (€1,602 for married couples and registered partners filing jointly). Income-related expenses *(Werbungskosten)* may not be deducted from capital gains. Losses from the sale of shares may only be offset against capital gains arising from the sale of the shares in stock corporations. Losses from the sale of subscription rights may only be offset against positive income from capital investment.

According to the German Federal Ministry of Finance *(Bundesministerium der Finanzen)*, the exercise of subscription rights is not equivalent to a sale. Shares acquired by exercising subscription rights are considered to be acquired at the price of subscription and at the time of the exercise.

If shares or subscription rights are deposited with or administered by a German bank, German financial services institution, German securities trading enterprise or a German securities trading bank (including German branches of foreign institutions) or such an institution sells the shares or subscription rights and disburses or credits the proceeds from the sale (a "**German Disbursing Agent**"). The tax on the capital gains is generally settled by way of withholding through the German Disbursing Agent which is required to deduct a withholding tax of 26.375% (including solidarity surcharge) of the capital gains from the sale proceeds and remit it to the tax authority (final flat tax regime, *Abgeltungsteuer*).

If applicable, church tax generally has to be withheld based on an automatic data access procedure, unless the shareholder has filed a blocking notice (*Sperrvermerk*) with the Federal Central Tax Office. Where church tax is not levied by way of withholding, it is determined by means of an income tax assessment.

If the withholding tax on the capital gains or, if applicable, the church tax on the capital gains has not been withheld by a German Disbursing Agent, the German tax resident shareholder is required to report the capital gains in his income tax return. The income tax and, if applicable, the church tax on the capital gains are then collected by way of assessment.

The shareholder may request his total income from capital investments to be subject to taxation at the individual, progressive income tax rate together with his other taxable income rather than the flat tax rate for capital investments, if this results in his tax liability being lower. The tax base is the gross income less the lump-sum allowance for savers in the amount of €801 (€1,602 for married couples and registered partners filing jointly). with no deduction for income-related expenses to generate the income. In such a case, withholding tax can either be credited against the individual, progressive income tax or refunded in the amount of the excess.

Irrespective of any holding period or the date of acquisition, a gain from the sale of shares or subscription rights is not subject to the final flat tax regime, but rather the individual, progressive income tax if the German tax resident shareholder, or in the case of a gratuitous acquisition his legal predecessors, or, if the shares have been transferred gratuitously on several succeeding occasions, one of his legal predecessors, at any time during the five years preceding the sale, directly or indirectly held a participation of at least 1% in the share capital of the Company (a "Qualified Participation"). In this case, the partial income taxation method *(Teileinkünfteverfahren)* applies to gains from the sale of shares, *i.e.*, only 60% of the gains from the sale of shares are subject to taxation and only 60 % of a loss from the sale of shares and any expenses economically related to the sale of the shares are tax deductible. In case of a Qualified Participation, the partial income taxation method should also apply to capital gains or losses associated with subscription rights. Unlike under the flat tax regime, the acquisition costs of subscription rights are calculated as a fraction of the original acquisition costs of the underlying shares which is split off from the shares and attributed to the subscription rights (aggregate value method). Upon exercise of a subscription right, its acquisition costs increase the acquisition costs of the newly acquired shares. Withholding tax is also deducted by a German Disbursing Agent in the case of a Qualified Participation, but this does not have the effect of a settlement of the shareholder's tax liability. The shareholder is therefore required to report the capital gain in his income tax return. Upon the shareholder's assessment, the withholding tax withheld and remitted (including solidarity surcharge) can either be credited against the personal income tax liability or refunded in the amount of the excess. The exercise of subscription rights should not be considered equivalent to a sale in the case of a Qualified Participation.

2.2.1.2. Taxation of capital gains for German tax resident shareholders who hold their shares as business assets

Capital gains from the sale of shares or subscription rights held by German tax resident shareholders as business assets are not subject to the flat tax regime. The taxation of capital gains depends on whether the shareholder is a corporation, an individual or a partnership (co-entrepreneurship). Capital gains derived by enterprises in the financial and insurance sectors or pension funds are subject to the special rules described below (see section S.I.2.3 *Special Rules for Credit Institutions, Financial Services Institutions, Financial Enterprises as well as Life Insurance and Health Insurance Companies and Pension Funds*").

Corporations. If the German tax resident shareholder is a corporation, effectively 95% of the gains from the sale of shares, irrespective of the amount of the participation and irrespective of any holding period, are generally exempt from corporate income tax (including solidarity surcharge) and trade tax. 5% of the gains are deemed to be non-deductible business expenses and, therefore, are subject to corporate income tax (plus solidarity surcharge) at a tax rate totalling 15.825% and trade tax (depending on the trade assessment rate set by the local municipality, generally between 7 and 19.3%). Capital losses and other reductions in profit in connection with the shares sold may, generally, not be deducted as business expenses.

By contrast, the full amount of the gains from the sale of subscription rights is subject to corporate income tax (plus solidarity surcharge) and trade tax. Capital losses and other reductions in profit in connection with the subscription rights should be tax-deductible, subject to general restrictions. The exercise of subscription rights should not be considered equivalent to a sale.

Individual entrepreneurs. If the German tax resident shareholder is an individual entrepreneur who holds the shares as business assets, 60% of the capital gains from the sale of the shares are subject to progressive personal income tax plus solidarity surcharge at a total tax rate of up to approximately 47.5% and, if applicable, church tax (partial income taxation method). Only 60% of any capital losses and expenses economically connected to the sale can be deducted for tax purposes. If the shares are attributable to a permanent establishment of a commercial business of the shareholder in Germany, 60% of the capital gains from the sale of the shares are additionally subject to trade tax. The partial income taxation method also applies to gains or losses from the sale of subscription rights that are held by the individual entrepreneur as business assets. The exercise of subscription rights should not be considered equivalent to a sale.

In general, the trade tax may be credited, completely or partially, against the personal income tax of the shareholder in accordance with a lump-sum tax credit method, depending on the assessment rate set by the local municipality and the individual tax circumstances.

Partnerships. If the German tax resident shareholder is a partnership being engaged or deemed to be engaged in a business (co-entrepreneurship), the personal income tax or corporate income tax is not charged at the level of the partnership, but at the level of the respective partner. The taxation of each partner depends on whether the partner is a corporation or an individual. If the partner is a corporation, the capital gains from the sale of shares and subscription rights included in the partner's profit share are subject to taxation in accordance with the principles applicable to corporations (see above "*Corporations*"). Capital gains included in the profit share of an individual partner are accordingly subject to the principles applicable to individual entrepreneurs (*i.e.*, the partial income taxation method, see above "*Individual entrepreneurs*").

In addition, the capital gains are subject to trade tax at the level of the partnership if the shares are attributable to a permanent establishment of a commercial business of the partnership in Germany, and this generally in the amount of 60% to the extent they are attributable to the profit share of an individual partner and generally in the amount of 5% to the extent they are attributable to the profit share of a corporate partner. Capital losses or other reductions in profit in connection with the shares sold are not taken into account for purposes of trade tax to the extent they are attributable to a partner that is a corporation, and subject to general restrictions only 60% of these losses or expenses are taken into account to the extent they are attributable to a partner who is an individual. Capital gains and losses realized from the sale of a subscription right are fully taken into account for purposes of trade tax within the scope of general restrictions to the extent they are attributable to the profit share of a corporate partner. By contrast, if the partner is an individual, the capital gains from the sale of subscription rights included in the profit share are arguably only subject to trade tax at a rate of 60%; accordingly losses and reductions of profits related to the sale of subscription rights should in this case only be deductible at a rate of 60% subject to general restrictions. The exercise of subscription rights held as business assets should not be treated as a sale of such subscription rights.

In general, if the partner of the partnership is an individual, the trade tax paid by the partnership and attributable to his profit share is completely or partially credited against the shareholder's personal income tax in accordance with a lump-sum tax credit method, depending on the assessment rate set by the local municipality and the individual tax circumstances.

Withholding tax. In the case of a German Disbursing Agent, capital gains from the sale of shares or subscription rights held as business assets are generally subject to withholding tax just as in the case of a shareholder who holds the shares or subscription rights as private assets (see section *Q.I.2.2.a "—Taxation of capital gains for German tax resident shareholders who hold their shares or subscription rights* as *private assets*"). The German Disbursing Agent may, however, refrain from levying withholding tax if (i) the shareholder is a corporation tax-resident in Germany, or (ii) the shareholder holds the shares or subscription rights as assets of a business in Germany and declares this to the Disbursing Agent in the officially required pre-printed form and certain further prerequisites are fulfilled. If a German Disbursing Agent nonetheless withholds tax on capital gains, the tax withheld and remitted (including solidarity surcharge) can either be credited against the personal income tax or corporate income tax liability or refunded in the amount of the excess.

2.2.2. Shareholders Domiciled in Foreign Countries

Capital gains derived by non-German tax resident shareholders are subject to German taxation only if the selling shareholder holds a Qualified Participation in the Company or holds the shares or subscription rights through a German permanent establishment or fixed place of business or as business assets for which a permanent representative is appointed in Germany.

In the case of a Qualified Participation (as defined in section *Q . I . 2 . 2 . a* "*—Taxation of capital gains for German tax resident shareholders who hold their shares or subscription rights* as *private assets*"), 5% of the gains from the sale of shares and 100 % of the gains from the sale of subscription rights are generally subject to corporate income tax plus solidarity surcharge if the shareholder is a corporation. If the shareholder is an individual, only 60 % of the gains from the sale of the shares are subject to the individual, progressive personal income tax plus solidarity surcharge (partial income taxation method). Arguably, the partial income taxation method also applies to gains from the sale of subscription rights by an individual. However, most double taxation treaties provide for an exemption from German taxation of the capital gain and assign the right to tax to the shareholder's country of residence subject to certain exemptions in case of the sale of shares in a land rich company. In the opinion of the German tax administration, in the case of a Qualified Participation there is no duty to levy withholding tax.

In the case of capital gains or losses from the sale of shares or subscription rights held through a permanent establishment in Germany or a fixed place of business, or as business assets for which a permanent representative has been appointed in Germany, the description above for German tax resident shareholders who hold their shares as business assets applies accordingly (see section *Q . I . 2 . 2 . a* "*—Taxation of capital gains for German tax resident shareholders who hold their shares as business assets*"). provided that a German Disbursing Agent may only refrain from levying withholding tax, if the shareholder declares to the German Disbursing Agent in an officially prescribed form that the shares are held as assets of a German business, and certain further prerequisites are fulfilled.

2.3. Special Rules for Credit Institutions, Financial Services Institutions, Financial Enterprises as well as Life Insurance and Health Insurance Companies and Pension Funds

If credit institutions and financial services institutions hold or sell shares which are allocable to their trading portfolio *(Handelsbestand)* within the meaning of the German Commercial Code *(Handelsgesetzbuch).* then neither the exemption from corporate income tax (95%) nor the partial-income method will apply to dividends or capital gains and capital losses arising from the sale of shares, *i.e.*, dividends and capital gains are fully subject to corporate income tax and correspondingly capital losses can be offset in full for tax purposes. The same applies for financial companies within the meaning of the German Banking Act if credit institutions or financial services institutions hold, directly or indirectly, a participation of more than 50% in such financial company and if the shares have to be recorded in the current assets *(Umlaufvermögen)* of the financial company at the time of initial recording. The dividends may be exempt from trade tax if a participation of at least 15% is held in the Company's share capital at the beginning of the relevant tax assessment period. Similarly, the 95% exemption for corporate income tax does not apply to dividends paid with respect to, or capital gains and losses arising from the sale of, shares held by life insurance and health insurance companies and pension funds which are allocable to capital investments; for these shareholders an exemption from trade tax in case of a participation of at least 15% in the Company's share capital is also not available.

However, an exemption to the foregoing, and thus a 95% effective tax exemption, applies to dividends obtained by the aforementioned companies, to which the EU Parent Subsidiary Directive applies.

In addition, relief of withholding tax may be available under an applicable double taxation treaty, subject to certain prerequisites, e.g., substance requirements and holding periods, being met.

2.4. Inheritance and Gift Tax

The transfer of shares or subscription rights to another person upon death or by way of a gift is generally subject to German inheritance tax or gift tax if:

(i) the decedent, the person making the gift, the heir, the person receiving the gift or the other person acquiring the assets has at the time of the transfer of the assets his domicile or ordinary residence, place of management or registered office in Germany or is a German citizen who has not permanently resided in a foreign country for longer than five years without having a German residence, or

(ii) the shares or subscription rights belong to business assets of the decedent or the person making the gift for which a permanent establishment was maintained in Germany or for which a permanent representative was appointed, or

(iii) the decedent or the person making the gift, either himself or together with other persons related to him, held a direct or indirect participation of at least 10 % in the share capital of the Company at the time of the transfer.

The few German double taxation treaties on inheritance tax and gift tax presently in force usually provide that German inheritance tax or gift tax can only be charged in the case of (i) above and also with certain restrictions in case of (ii). Special rules apply to certain German citizens living outside Germany and former German citizens.

2.5. Other Taxes

No German capital transfer taxes, value-added taxes, stamp taxes or similar taxes apply to the acquisition, sale or other form of transferring shares or subscription rights. However, an entrepreneur can opt to pay value-added tax on the sale of shares or subscription rights, despite being generally exempt from value-added tax, if the shares or subscription rights are sold to another entrepreneur for the entrepreneur's business. Wealth tax *(Vermögensteuer)* is presently not levied in Germany.

On February 14, 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common Financial Transaction Tax ("**FTT**") in relation to which the negotiations between the member states of the European Union which originally intended to introduce the FTT have failed. Belgium, Germany, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating member states**") have resumed negotiations regarding the introduction of the FTT. However, Estonia has since stated that it will not participate in implementing the proposed FTT.

The scope of such tax and the timing of its implementation remain unclear. The proposed FFT has a very broad scope and could, if introduced in the form of the proposal apply to financial transactions including purchases and sales of financial instruments and the conclusion of, and the purchase and sale of a derivative contract.

Nevertheless, the FTT remains subject to negotiation between the member states of the European Union and was (and most probably will be) the subject of legal challenge. It may still be adopted and be altered prior to its adoption, the timing of which remains unclear. Moreover, once any directive has been adopted (for purposes of this sub-section, the "**Directive**"), it will need to be implemented into the respective domestic laws of the participating member states of the European Union and the domestic provisions implementing the Directive might deviate from the Directive itself. Additional member states of the European Union may decide to participate in or to dismiss the implementation. The participation of at least nine EU member states is necessary to enact a Directive without the participation of all EU member states in the so-called enhanced cooperation legislation procedure.

Prospective holders of the shares or subscription rights are advised to seek their own professional tax advice in relation to the FTT.

II. TAXATION IN LUXEMBOURG

The following section is a short summary of certain important taxation principles effective in the Grand Duchy of Luxembourg that may be or become relevant with respect to the shares of the Company. The section does not purport to be a complete description of all tax considerations that might be relevant to an investment decision in the Company. It is included herein solely for preliminary information purposes and is not intended to

be, nor should it be construed to be, legal or tax advice. The general information set forth below is based on law and administrative practice currently applicable in the Grand Duchy of Luxembourg as at the date of this Prospectus and may be subject to modification thereof.

Prospective shareholders are advised to consult their own professional tax advisers in respect of the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject in the context of their investment in the Company.

Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only. Further, any reference to a resident corporate shareholder/taxpayer includes non-resident corporate shareholders/taxpayers carrying out business activities through a permanent establishment, a permanent representative or a fixed place of business in Luxembourg to which assets would be attributable. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*), as well as personal income tax (*impôt sur le revenu*) generally. Corporate shareholders may further be subject to net wealth tax (*impôt sur la fortune*), as well as other duties, levies or taxes. Corporate income tax, municipal business tax, as well as the solidarity surcharge invariably apply to most corporate taxpayers resident in Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

1. Withholding Tax

Dividend distributions made by a non-resident company, such as the Company, to Luxembourg resident shareholders are not subject to any Luxembourg withholding tax, which is also the case for liquidation proceeds and capital gains. Therefore the non-resident company has no responsibility to withhold tax in Luxembourg with respect to such incomes. The Company does not assume any responsibility for withholding tax deductions at source.

2. Taxation of the Company's Shareholders

2.1. Income Taxation of Luxembourg Resident Shareholders

2.1.1. Luxembourg Individual Residents

For resident individual shareholders, dividends derived from shares and capital gains realized on the sale of shares are, in principle, subject to personal income tax at the ordinary progressive rate (with a current effective marginal rate of up to 42%). Such income tax rate is increased by 7% for income not exceeding €150,000 for single taxpayers and €300,000 for couples taxed jointly, and by 9% for income above these amounts. In addition, a 1.4% dependence insurance contribution may be due.

However, provided that the Company is a tax resident in Germany, 50% of the gross amount of dividends received by resident individuals, who act in the course of either their private wealth or their professional/ business activity, are tax exempt and where the other 50% are subject to income tax at the progressive ordinary rate. Any withholding tax may be credited against the Luxembourg income tax liability under ordinary rules. In compliance with the requirements of statutory law, the Company generally assumes the responsibility for the withholding of taxes at source, although such responsibility may be assumed by the paying agent.

Notwithstanding the above, a Luxembourg tax resident individual is not taxable on the first tranche of €1,500 (or €3,000 in case of collective taxation with his/her spouse) of the aggregate amount of dividend and interest income he/she receives during any given year.

A gain realized upon the sale, disposal or redemption of shares by Luxembourg resident individual shareholders, acting in the course of the management of their private wealth is not subject to Luxembourg income tax provided (i) this sale, disposal or redemption took place more than 6 months after the acquisition of

the shares and (ii) it does not represent a substantial shareholding. A disposal may include a sale, an exchange, a contribution or any other kind of alienation of the shareholding.

In this respect, a substantial shareholding is defined where (i) the relevant shareholder has held, either alone or together with his/her spouse or partner and/or his/her minor children, either directly or indirectly, at any time within the five years preceding the realization of the gain, more than 10% of the share capital of the Company or (ii) the shareholder acquired free of charge, within the 5 years preceding the transfer, a participation that constituted a substantial participation in the hands of the alienator (or the alienators in case of successive transfers free of charge within the same five-year period). Capital gains realized on a substantial participation more than 6 months after the acquisition thereof are subject to income tax according to the half-global rate method (*i.e.* the average rate applicable to the total income is calculated according to progressive income tax rates and half of the average rate is applied to the capital gains realized on the substantial participation) and may benefit from an allowance of up to €50,000 granted for a ten-year period (which is doubled for taxpayers who are jointly taxable).

Speculative capital gains (*i.e.*, gains realized on the sale, disposal or redemption within 6 months) realized on the disposal of the shares by resident individual shareholders, who act in the course of their professional / business activity, are subject to income tax at ordinary rates. Taxable gains are determined as being the difference between the price for which the shares have been disposed of and the lower of their cost or book value.

2.1.2. Luxembourg Corporate Residents

Luxembourg resident corporate shareholders (*organisme à caractère collectif*) must include any profits derived (e.g. dividends), as well as any capital gains realized from the shareholding, in their taxable profits for Luxembourg income tax assessment purposes (Corporate Income Tax "**CIT**" and Municipal Business Tax "**MBT**") at the maximum aggregate rate of 26.01% for corporate shareholders having their statutory seat in Luxembourg City in 2018. Any withholding tax may be credited against and up to the corporate income tax liability. Taxable gains are determined as being the difference between the sale, repurchase or redemption price and the lower of the cost or book value of the shareholding sold or redeemed.Besides, dividends and liquidation proceeds received by Luxembourg resident corporate shareholders will be exempt from CIT and MBT under the Luxembourg participation exemption provided by article 166 of the Luxembourg income tax law ("**LITL**") if the following are met (i) the shareholder is either (a) a fully taxable resident collective entity taking one of the forms listed in the appendix to paragraph 10 of article 166 LITL, (b) a fully taxable resident corporation not listed in the appendix to paragraph (10) of article 166 LITL, (c) a permanent establishment of a collective entity referred to in article 2 of the Parent-Subsidiary Directive, (d) a permanent establishment of a corporation resident in a State with which the Grand Duchy of Luxembourg has signed an agreement in an attempt to avoid double taxation, or (e) a permanent establishment of a corporation or a cooperative society resident in a State party to the European Economic Area Agreement other than a member state of the European Union, (ii) a participation is held directly, or indirectly through a tax transparent vehicle (holding a participation through a tax transparent entity is deemed to be a direct participation in the proportion of the net assets held in this entity), representing at least 10% of the share capital of the Company or an acquisition price of at least €1.2 million, (iii) at the time of the income is made available, the recipient has held or commits to hold the participation for an uninterrupted period of at least twelve months and (iv) the Company is a tax resident in Germany (being the form of an AG).

The Luxembourg participation exemption regime may be denied if the income is (i) deductible in Germany, or (ii) paid as part of an arrangement or a series of arrangements that, having been put into place for the main purpose or one of the main purposes of obtaining a tax advantage that defeats the object or purpose of the Parent-Subsidiary Directive, is not genuine having regard to all relevant facts and circumstances. For the purposes of this anti avoidance rule, an arrangement, which may comprise several steps or parts, or a series of arrangements, is considered as not genuine to the extent that it is not put into place for valid commercial reasons that reflect economic reality.

Expenses, including interest expenses and impairments, in direct economic relation with the shareholding held by a resident corporate shareholder should not be deductible for income tax purposes up to the amount of any exempt dividend derived during the same fiscal year. Expenses exceeding the amount of the

exempt dividend received from such shareholding during the same fiscal year should remain deductible for income tax purposes.

If the conditions of the Luxembourg participation exemption, as described above, are not met, 50% of the gross amount of dividends may however be exempt from CIT and MBTin accordance with article 115 paragraph (15a) LITL if such dividends are received from (i) a fully taxable corporation, (ii) a corporation (a) resident in a State with which the Grand Duchy of Luxembourg has signed an agreement in an attempt to avoid double taxation, and (b) fully subject to a tax corresponding to the Luxembourg corporate income tax, or (iii) a company resident in a member state of the European Union and referred to in article 2 of the Parent-Subsidiary Directive. A tax credit may further be granted for German withholding taxes, provided it does not exceed the corresponding Luxembourg corporate tax on the dividends and other payments derived from German source income.

Capital gains realized upon disposal of the shares by Luxembourg resident corporate shareholders will be exempted from CIT and MBT if the conditions mentioned above under the Luxembourg participation exemption on dividends are met, except that the acquisition price must be of at least €6 million, instead of €1.2 million. The capital gain would remain taxable up to the aggregate amount of expenses related to the shareholding and impairments recorded on the shareholding incurred during the year of disposal and previous years which have been deducted from the taxable basis of the corporate shareholder in the year of disposal or in previous fiscal years.

2.1.3. Luxembourg Residents Benefiting from a Special Tax Regime

Luxembourg resident shareholders that are entities benefiting from a special tax regime, such as, (i) undertakings for collective investment subject to the amended law of 17 December 2010 (*Loi du 17 décembre 2010 concernant les sociétés de placement collectif*), (ii) specialized investment funds subject to the amended law of 13 February 2007 (*Loi du 13 février 2007 relative aux fonds d'investissement spécialisés*), (iii) family wealth management companies governed by the amended law of 11 May 2007 (*Loi du 11 mai 2007 relative à la création d'une société de gestion de patrimoine familial*) and (iv) reserved alternative investment funds not investing in risk capital subject to the law of 23 July 2016 (*Loi du 23 juillet 2016 relative aux fonds d'investissement alternatifs réservés*) and (v) are tax exempt entities in Luxembourg and are thus not subject to any Luxembourg income tax.

2.2. Net Wealth Tax ("NWT")

Whilst non-resident corporate taxpayers may only be subject to net wealth tax on their Luxembourg wealth, resident corporate taxpayers are in principle subject to net wealth tax at the rate of 0.5% for net wealth up to €500 million and at 0.05% for net wealth exceeding this threshold, unless a double tax treaty provides for an exemption or the asset may benefit from the Luxembourg participation exemption regime. Net worth is referred to as the unitary value (*valeur unitaire*), as determined at 1 January of each year. The unitary value is basically calculated as the difference between (a) assets estimated at their fair market value and (b) liabilities vis-à-vis third parties, unless one of the exceptions mentioned below are satisfied.

Luxembourg resident corporate shareholders and non-resident shareholders who have a permanent establishment or a permanent representative in Luxembourg to which or whom the shares are attributable are subject to NWT except if such shareholder is (i) a resident or non-resident individual taxpayer, (ii) an undertaking for collective investment subject to the amended law of 17 December 2010 (*Loi du 17 décembre 2010 concernant les societies de placement collectif*), (iii) a securitization company governed by the amended law of 22 March 2004 on securitization (*Loi du 22 mars 2004 relative à la titrisation*), (iv) a company governed by the amended law of 15 June 2004 on venture capital vehicles (*Loi du 15 juin 2004 relative à la Société d'investissement en capital àrisque* – "**SICAR**"), (v) a specialised investment fund governed by the amended law of 13 February 2007 (*Loi du 13 février 2007 relative aux fonds d'investissement spécialisés*), (vi) family wealth management company governed by the amended law of 11 May 2007 (Loi du 11 mai 2007 relative à la création d'une société de gestion de patrimoine familial), (vii) reserved alternative investment funds subject to the law of 23 July 2016 (*Loi du 23 juillet 2016 relative aux fonds d'investissement alternatifs réservés* – "**RAIF**") or (viii) Luxembourg pension pooling vehicles governed by the amended law of 13 July 2005 (*Loi du*

13 juillet 2005 relative aux institutions de retraite professionnelle sous forme de société d'épargne-pension à capital variable (sepcav) et d'association d'épargne-pension (assep)).

Subject to the conditions under the Luxembourg participation exemption being satisfied, Luxembourg resident corporate shareholders and certain non-resident corporate shareholders that have a permanent establishment in Luxembourg to which the Company's shares are attributable may benefit from a NWT exemption.

A resident corporate shareholder may further be subject to either a minimum net wealth tax of €4,815 or to a progressive minimum net wealth tax from €535 to €32,100, which depends on the total assets on their balance sheet. The minimum net wealth tax of €4,815 will be applicable for a resident corporate shareholder, whose financial assets, receivables against related companies, transferable securities and cash at bank exceed cumulatively (i) 90% of balance sheet and (ii) €350,000. Items (e.g., real estate properties or assets allocated to a permanent establishment) located in a treaty country, where the latter has the exclusive tax right, are not considered for the calculation of the NWT.

A specialized investment fund governed by the amended law of 13 February 2007, or a family wealth management company governed by the amended law of 11 May 2007, or an undertaking for collective investment governed by the amended law of 17 December 2010, or a RAIF not investing in risk capital governed by the law of 23 July 2016 is not subject to minimum net wealth tax.

The NWT charge for a given year can be avoided or reduced if a specific reserve, equal to five times the NWT to save, is created before the end of the subsequent tax year and maintained during the five following tax years. The NWT reduction corresponds to one fifth of the reserve created, except that the maximum NWT to be saved is limited to the CIT amount due for the same tax year, including the employment fund surcharge, but before imputation of available tax credits.

3. Other Taxes

In principle, neither the issuance of shares, nor the disposal of shares is subject to Luxembourg registration tax nor stamp duty. However a registration duty may be due in the case where (i) the deed acknowledging the issuance/disposal of shares is either attached (*annexé*) to a deed subject to a mandatory registration in Luxembourg (e.g. public deed) or lodged with a notary's records (*déposé au rang des minutes d'un notaire*), or (ii) in case of a registration of such deed on a voluntary basis.

Where a shareholder is a resident of Luxembourg for tax purposes at the time of his death, the shares are included in its taxable estate for inheritance tax or estate tax purposes. No estate or inheritance tax is levied on the transfer of the shares upon death of a shareholder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes.

Luxembourg tax may be levied on a gift or donation of the shares if embodied in a Luxembourg notarial deed or otherwise registered in Luxembourg.

R. GLOSSARY

A/B-Notes	refers to the notes in an amount outstanding of €55.0 million and €35.5 million, respectively, issued by Germavest Real Estate S.à r.l., as issuer to Palladium Securities 1 S.A., Deutsche Bank AG, London Branch and AG Insurance as noteholders on May 3, 2013 pursuant to a note purchase agreement dated February 9, 2013 (as amended on April 26/27 2013, April 20, 2015 and on October 29, 2015 and as further amended and/or restated from time to time) among, *inter alios*, Germavest Real Estate S.à r.l. as issuer, certain subsidiaries of the Company as original guarantors, Palladium Securities 1 S.A. acting in respect of Compartment 115-2013-15, Deutsche Bank AG, London Branch and AG Insurance as noteholders and Deutsche Bank AG, London Branch as trustee and arranger.
BaFin	refers to the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*).
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.
Cent	Euro Cent. The money unit that equals 1/100 of one Euro.
CEO	Chief Executive Officer.
CET	Central European Time.
CFO	Chief Financial Officer.
EBIT	refers to earnings before interest and taxes, as shown on our consolidated statement of income.
EEA	refers to the economic area encompassing all of the members of the European Union and the European Free Trade Association.
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.
ESMA	refers to the European Securities and Markets Authority.
ESMA Guidelines	refers to the guidelines issued by ESMA on October 15, 2015 on alternative performance measures.
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).
FSMA	refers to the UK Financial Services and Markets Act 2000.
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.
Governance Code	refers to the German Corporate Governance Code in its current version.
GRI	refers to gross rental income, annulized where shown as of a specific date.
HGB	German Commercial Code (*Handelsgesetzbuch*).
IDW	Institute of Public Auditors in Germany.
IFRS	refers to the International Financial Reporting Standards issued by the International Accounting Standards Board, as adopted by the EU.

Indenture	refers to the indenture dated July 26, 2017 governing the 2022 Notes by and among, *inter alios*, the Company and the Deutsche Trustee Company Limited.
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.
Regulation S	Regulation S under the United States Securities Act of 1933, as amended.
SEC	refers to the U.S. Securities and Exchange Commission.
Securities Act	refers to the United States Securities Act of 1933, as amended.
sqm	square meters.
Supervisory Board	refers to to the supervisory board of the Company.
TLA	total lettable area.
UK	United Kingdom.
United States	refers to the United States of America.
WALT	weighted average lease term based on gross rental income.
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.

FINANCIAL INFORMATION

The following English-language interim consolidated financial statements (F-2 – F-17), consolidated financial statements (F-18 – F-75, F-81 – F-141 and F-143 – F-246) and unconsolidated annual financial statements (F-248 – F-277) are translations of the respective German-language unaudited interim consolidated financial statements, the respective German-language audited consolidated financial statements and the respective German-language audited unconsolidated annual financial statements.

Unaudited Interim Consolidated Financial Statements of DEMIRE Deutsche Mittelstand Real Estate AG as of and for the six months ended June 30, 2018 (IFRS on interim financial reporting (IAS 34))

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Unaudited Interim Condensed Consolidated Financial Statements of DEMIRE Deutsche Mittelstand Real Estate AG as of and for the six months ended June 30, 2018
(IFRS on interim financial reporting (IAS 34))

CONSOLIDATED STATEMENT OF INCOME

for the reporting period from 1 January to 30 June 2018

	01 / 01 / 2018 – 30 / 06 / 2018	01 / 01 / 2017 – 30 / 06 / 2017	01 / 04 / 2018 – 30 / 06 / 2018	01 / 04 / 2017 – 30 / 06 / 2017
	in EUR thousands			
Rental income	36,557	37,231	18,300	18,691
Income from utility and service charges	8,803	9,651	3,061	3,441
Operating expenses to generate rental income	– 17,289	– 19,547	– 6,446	– 8,636
Profit / loss from the rental of real estate	**28,071**	**27,335**	**14,916**	**13,496**
Revenue from the sale of real estate	3	16,066	0	1,827
Expenses relating to real estate sales	– 14	– 16,583	– 9	– 2,150
Profit / loss from the sale of real estate	**– 11**	**– 517**	**– 9**	**– 323**
Profits from investments accounted for using the equity method	97	65	43	59
Profit / loss from investments accounted for using the equity method	**97**	**65**	**43**	**59**
Profit / loss from fair value adjustments in investment properties	70,099	6,836	38,021	6,681
Impairment of receivables	– 2,107	– 491	– 2,027	– 302
Other operating income	2,099	2,777	786	981
Other operating income and other effects	**70,091**	**9,122**	**36,780**	**7,360**
General and administrative expenses	– 9,499	– 7,038	– 6,362	– 3,473
Other operating expenses	– 4,362	– 4,832	– 3,171	– 2,169
Earnings before interest and taxes	**84,387**	**24,135**	**42,197**	**14,950**
Financial income	154	6,144	94	2,440
Financial expenses	– 13,394	– 15,820	– 7,347	– 7,764
Interests of minority shareholders	– 8,788	– 3,635	– 3,065	– 2,521
Financial result	**– 22,028**	**– 13,311**	**– 10,317**	**– 7,845**
Profit / loss before taxes	**62,359**	**10,824**	**31,880**	**7,105**
Current income taxes	– 292	– 1,694	– 140	– 981
Deferred taxes	– 17,394	– 3,517	– 7,893	– 1,448
Net profit / loss for the period	**44,673**	**5,614**	**23,847**	**4,676**
thereof attributable to:				
Non-controlling interests	**5,166**	**1,835**	**2,513**	**1,023**
Parent company shareholders	**39,507**	**3,779**	**21,334**	**3,653**
Basic earnings per share (in EUR)	0.66	0.07	0.33	0.07
Diluted earnings per share (in EUR)	0.65	0.07	0.32	0.07

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the reporting period from 1 January to 30 June 2018

	01 / 01 / 2018 – 30 / 06 / 2018	01 / 01 / 2017 – 30 / 06 / 2017	01 / 04 / 2018 – 30 / 06 / 2018	01 / 04 / 2017 – 30 / 06 / 2017
	in EUR thousands			
Net profit / loss for the period	**44,673**	**5,614**	**23,847**	**4,676**
Items that will be reclassified to profit and loss				
Currency translation differences	0	– 1	0	– 55
Other comprehensive income	**0**	**– 1**	**0**	**– 55**
Total comprehensive income	**44,673**	**5,613**	**23,847**	**4,621**
thereof attributable to:				
Non-controlling interests	**5,166**	**1,835**	**2,513**	**1,023**
Parent company shareholders	**39,507**	**3,779**	**21,334**	**3,598**

CONSOLIDATED BALANCE SHEET

as of 30 June 2018

Assets

In EUR thousands	**30 / 06 / 2018**	**31 / 12 / 2017**
Assets		
Non-current assets		
Intangible assets	6,972	6,985
Property, plant and equipment	1,839	1,875
Investment properties	1,092,040	1,021,847
Investments accounted for using the equity method	181	200
Other financial assets	1,803	1,990
Total non-current assets	**1,102,835**	**1,032,897**
Current assets		
Real estate inventory	0	1,734
Trade accounts receivable and other receivables	19,176	18,577
Financial receivables and other financial assets	5,615	5,184
Tax refund claims	3,503	2,588
Cash and cash equivalents	93,837	73,874
Total current assets	**122,131**	**101,957**
Non-current assets held for sale	**12,685**	**12,262**
TOTAL ASSETS	**1,237,651**	**1,147,116**

EQUITY AND LIABILITIES

Equity and Liabilities In EUR thousands	30 / 06 / 2018	31 / 12 / 2017
Equity and Liabilities		
EQUITY		
Subscribed capital	73,065	54,271
Reserves	291,748	231,146
Equity attributable to parent company shareholders	**364,813**	**285,417**
Non-controlling interests	37,939	33,684
TOTAL EQUITY	**402,752**	**319,101**
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	60,280	42,893
Minority interests	79,034	71,931
Financial liabilities	621,934	665,767
Other liabilities	39	39
Total non-current liabilities	**761,287**	**780,630**
Current liabilities		
Provisions	1,430	1,016
Trade payables and other liabilities	18,042	14,663
Tax liabilities	2,472	2,559
Financial liabilities	51,667	29,147
Total current liabilities	**73,612**	**47,385**
TOTAL LIABILITIES	**834,899**	**828,015**
TOTAL EQUITY AND LIABILITIES	**1,237,651**	**1,147,116**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the reporting period from 1 January to 30 June 2018

In EUR thousands	01 / 01 / 2018 – 30 / 06 / 2018	01 / 01 / 2017 – 30 / 06 / 2017
Profit / loss before taxes	**62,359**	**10,824**
Financial expenses*	13,394	15,820
Financial income	– 154	– 6,144
Interests of minority shareholders*	8,788	3,635
Change in real estate inventory	1,734	0
Change in trade accounts receivable and other receivables	– 599	– 2,268
Change in financial receivables and other financial assets	– 245	– 2
Change in provisions	414	– 58
Change in trade payables and other liabilities	1,134	1,311
Profit / loss from fair value adjustments in investment properties	– 70,099	– 6,836
Gains from the sale of real estate and real estate companies	11	517
Interest proceeds	37	200
Income taxes paid	– 1,044	– 190
Change in reserves	– 94	298
Depreciation and amortisation and impairment	2,197	1,079
Distributions to minority shareholders / dividends	– 2,925	– 4,569
Other non-cash items*	– 538	– 172
Cash flow from operating activities	**14,371**	**13,445**
Payments for investments	– 565	– 3,277
Payments for the purchase of investment properties and interests in fully consolidated companies, less net cash equivalents acquired	– 41	0
Proceeds from the sale of real estate	0	14,039
Cash flow from investing activities	**– 606**	**10,762**
Proceeds from capital increases	23,600	0
Payments for expenses associated with raising equity	– 628	0
Proceeds from the issuance of financial liabilities	34,117	12,861
Interest paid on financial liabilities	– 11,298	– 16,872
Payments for the redemption of financial liabilities	– 39,594	– 13,922
Cash flow from financing activities	**6,197**	**– 17,933**
Net change in cash and cash equivalents	**19,963**	**6,273**
Cash and cash equivalents at the start of the period	73,874	31,289
Cash and cash equivalents at the end of the period (thereof restricted cash: EUR 673 thousand; 30 / 06 / 2017: EUR 607 thousand)	**93,837**	**37,562**

* Prior-year figures have been adjusted due to changes in classification.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the reporting period from 1 January to 30 June 2018

In EUR thousands	SHARE -CAPITAL	RESERVES						
	SUBS-CRIBED CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS INCL. GROUP PROFIT / LOSS	RESERVES FOR TREA-SURY SHARES	CUR-RENCY TRANS-LATION	EQUITY ATTRIBUTABLE TO PARENT COMPANY SHARE-HOLDERS	NON-CONTROL-LING INTERESTS	TOTAL EQUITY
01 / 01 / 2018	**54,271**	**0**	**231,433**	**– 310**	**22**	**285,417**	**33,684**	**319,101**
First-time application of IFRS 9	**0**	**0**	**6,597**	**0**	**0**	**6,597**	**421**	**7,018**
Net profit / loss for the period	0	0	39,507	0	0	39,507	5,166	44,673
Other comprehensive income	0	0	0	0	0	0	0	0
Total comprehensive income	**0**	**0**	**39,507**	**0**	**0**	**39,507**	**5,166**	**44,673**
Capital increase	5,426	17,546	0	0	0	22,972	0	22,972
Stock option programme	0	94	0	0	0	94	0	94
Convertible bonds	13,368	– 3,096	0	0	0	10,272	0	10,272
Dividend payments / distributions	0	0	0	0	0	0	– 1,226	– 1,226
Other changes	0	0	-23	0	– 22	-45	– 107	-152
30 / 06 / 2018	**73,065**	**14,543**	**277,514**	**– 310**	**0**	**364,813**	**37,939**	**402,752**
01 / 01 / 2017	**54,247**	**132,618**	**85,242**	**– 310**	**147**	**271,945**	**36,692**	**308,637**
Net profit / loss for the period	0	0	3,779	0	0	3,779	1,835	5,614
Other comprehensive income	0	0	0	0	– 1	– 1	0	– 1
Total comprehensive income	**0**	**0**	**3,779**	**0**	**– 1**	**3,778**	**1,835**	**5,613**
Capital increase	11	– 1	0	0	0	10	0	10
Stock option programme	0	297	0	0	0	297	0	297
Dividend payments / distributions	0	0	0	0	0	0	– 1,251	– 1,251
Other changes	0	0	– 774	0	0	– 774	1,009	235
30 / 06 / 2017	**54,258**	**132,914**	**88,247**	**– 310**	**146**	**275,256**	**38,285**	**313,541**

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

A. GENERAL INFORMATION

1. Basis of Preparation

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

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

DEMIRE AG itself has not carried out any investments in real estate or real estate projects to date. Investments are generally processed through real estate companies. Interests in these real estate companies are either directly or indirectly held by DEMIRE AG (through intermediate holding companies). DEMIRE AG does not have direct ownership in any real estate. DEMIRE focuses on the German commercial real estate market and is active as an investor in and portfolio manager of secondary locations. DEMIRE itself carries out the acquisition, management and leasing of commercial properties. Value appreciation is to be achieved through active real estate management. This may also include the targeted sale of properties when they are no longer a strategic fit or have exhausted their potential for value appreciation.

The condensed interim consolidated financial statements for the period from 1 January to 30 June 2018 were prepared in accordance with the requirements of IAS 34 "Interim Financial Reporting" ("IAS 34").

DEMIRE AG's condensed interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) pursuant to Section 315e of the German Commercial Code (HGB). All International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations of the IFRS Interpretations Committee (IFRS IC) – formerly the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) – that are mandatory for the 2018 financial year have been taken into consideration. Furthermore, all German statutory disclosure and explanation requirements above and beyond the provisions of the IASB have been fulfilled.

Under IAS 34, the condensed interim consolidated financial statements shall represent an update of last year's financial statements and therefore do not contain all of the information and disclosures required for consolidated financial statements but rather concentrate on new activities, events and circumstances so as not to repeat information that has already been reported. The condensed interim consolidated financial statements of DEMIRE AG as of 30 June 2018 should therefore be viewed in conjunction with the consolidated financial statements prepared as of 31 December 2017.

The euro (EUR) is the reporting currency of DEMIRE AG's condensed interim consolidated financial statements. Unless otherwise stated, all amounts are expressed in thousands of euros. For computational reasons, rounding differences of + / - one unit (EUR, %, etc.) may occur in the information presented in these financial statements.

These condensed interim consolidated financial statements of DEMIRE AG were approved for publication by a resolution of the Executive Board on 16 August 2018.

B. SCOPE AND PRINCIPLES OF CONSOLIDATION

There were no changes to the scope of consolidation in the interim reporting period.

C. ACCOUNTING AND VALUATION POLICIES

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

Important to note is that the modified retrospective approach was chosen for the transition to IFRS 15 and 16.

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

The first-time application of IFRS 15 and IFRS 16 did not have any material -effect on the consolidated financial statements.

D. NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

1. EARNINGS BEFORE INTEREST AND TAXES

In EUR thousands	01 / 01 / 2018 – 30 / 06 / 2018	01 / 01 / 2017 – 30 / 06 / 2017
Rental income	36,557	37,231
Income from utility and service charges	8,803	9,651
Rental revenue	**45,360**	**46,882**
Allocable operating expenses to generate rental income	– 9,803	– 11,226
Non-allocable operating expenses to generate rental income	– 7,486	– 8,321
Operating expenses to generate rental income	**– 17,289**	**– 19,547**
Profit / loss from the rental of real estate	**28,071**	**27,335**

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

Earnings before interest and taxes of EUR 84,387 thousand (1H 2017: EUR 24,135 thousand) is not only affected by the profit / loss from the rental of real estate but also positively influenced by the profit / loss from the fair value adjustment in investment properties amounting to EUR 70,099 (1H 2017: EUR 6,836 thousand). Other operating income amounted to EUR 2,099 thousand (1H 2017: EUR 2,777 thousand) and mainly originated from the reversal of provisions and the derecognition of liabilities of EUR 635 thousand (1H 2017: EUR 608 thousand), income from facility management of EUR 459 thousand (1H 2017: EUR 358 thousand) and the reversal of impairments in the amount of EUR 280 thousand (1H 2017: EUR 593 thousand).

Earnings were reduced by both the financial result of EUR – 22,028 thousand (1H 2017: EUR – 13,311 thousand) and general and administrative expenses of EUR 9,499 thousand (1H 2017: EUR 7,038 thousand). These consisted mainly of legal and consulting fees (primarily related to the takeover offer from the new major shareholder Apollo in April 2018) of EUR 4,624 thousand (1H 2017: EUR 1,288 thousand), staff costs of EUR 1,999 thousand (1H 2017: EUR 2,430 thousand) and accounting and auditing costs of EUR 679 thousand (1H 2017: EUR 873 thousand).

Earnings before interest and taxes also include other operating expenses of EUR 4,362 thousand (1H 2017: EUR 4,832 thousand) mainly consisting of depreciation / amortisation of real estate inventory and other assets contained in the Eastern European portfolio (CEE / CIS) in the amount of EUR 2,391 thousand (1H 2017: EUR 0 thousand) and non-deductible input taxes of EUR 1,011 thousand (1H 2017: EUR 708 thousand). The increase in deferred tax liabilities by EUR 17,394 thousand (1H 2017: EUR 3,517 thousand) mainly resulted from valuation gains in investment properties and the expiration of tax loss carryforwards following the further increase in the shareholdings of existing shareholders.

2. FINANCIAL RESULT

	01 / 01 / 2018 – 30 / 06 / 2018	01 / 01 / 2017 – 30 / 06 / 2017
In EUR thousands		
Financial income	154	6,144
Financial expenses	– 13,394	– 15,820
Interests of minority shareholders	– 8,788	– 3,635
Financial result	**– 22,028**	**– 13,311**

The decrease in financial expenses mainly resulted from the refinancing -operations carried out in the 2017 financial year and the related reduction in the average interest rate on debt. The high level of financial income incurred in the comparable prior-year period resulted from valuation gains from the call option for the 2014 / 2019 corporate bond, which was derecognised in the fourth quarter of 2017 following the early redemption.

Interests of minority shareholders of EUR 8,788 thousand (1H 2017: EUR 3,635 thousand) pertain to profits attributable to minority shareholders of Fair Value REIT-AG's subsidiaries recognised as liabilities under IFRS. The increase in this item largely resulted from valuation gains in real estate held by these subsidiaries.

3. EARNINGS PER SHARE

	01 / 01 / 2018 – 30 / 06 / 2018	01 / 01 / 2017 – 30 / 06 / 2017
Net profit / loss for the period (in EUR thousands)	**44,673**	**5,614**
Net profit / loss for the period less non-controlling interests	39,507	3,779
Interest expenses from convertible bonds	7	640
Net profit / loss attributable to parent company shareholders (diluted)	39,514	4,419
Number of shares in units (in EUR thousands)		
Number of shares outstanding as of the reporting date	73,065	54,258
Weighted average number of shares outstanding	59,736	54,257
Impact of conversion of convertible bonds and subscription of 2015 Stock Option Programme	805	13,627
Weighted average number of shares (diluted)	60,541	67,884
Earnings per share (in EUR)		
Basic earnings per share	0.66	0.07
Diluted earnings per share	0.65	0.07

As of 30 June 2018, the Company had potential ordinary shares outstanding from convertible bonds, which entitle the holders of the 2013 / 2018 convertible bond to make an exchange for 245,071 shares (31 December 2017: 10,613,963 shares). Furthermore, the beneficiaries of the 2015 Stock Option -Programme are entitled to subscribe to a total

of 560,000 shares.

The increase in the number of shares issued as of 30 June 2018 resulted primarily from conversions of the 2013 / 2018 convertible bond (10,368,320 shares), conversions of the 2015 / 2018 mandatory convertible bond (3,000,000 shares) and the cash capital increase (5,425,774 shares) during the reporting period.

E. NOTES TO THE CONSOLIDATED BALANCE SHEET

1. INVESTMENT PROPERTIES

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

In EUR thousands	01 / 01 / 2018 – 30 / 06 / 2018	01 / 01 / 2017 – 31 / 12/ 2017
Fair value as of the beginning of the reporting period	**1,021,847**	**981,274**
Additions	517	6,247
Reclassifications to non-current assets held for sale	– 423	– 10,440
Unrealised gains from fair value measurement	73,448	49,005
Unrealised losses from fair value measurement	– 3,349	– 4,240
Fair value as of the end of the reporting period	**1,092,040**	**1,021,847**

The measurement of investment properties at fair value is to be allocated to Level 3 of the valuation hierarchy according to IFRS 13 (valuation based on unobservable inputs), which is shown in the Appendix on page 044. DEMIRE determines the fair values in the context of the IAS 40 valuation. In the second quarter, DEMIRE changed its appraiser from CBRE GmbH to Savills Immobilien Beratungs-GmbH, whereby the determination of fair values continued to be based on DCF models.

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

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

A substantial increase in maintenance costs, vacancy rates or property yields would lead to a lower fair value of the properties if the assumptions for the remaining input parameters remained unchanged.

2. FINANCIAL LIABILITIES

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

FINANCIAL LIABILITIES	FIXED -INTEREST	VARIABLE INTEREST	TOTAL
In EUR thousands			
2017 / 2022 corporate bond	360,490	0	360,490
2013 / 2018 convertible bond	243	0	243
Other financial liabilities	272,263	40,605	312,868
Total	**632,996**	**40,605**	**673,601**

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

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

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

FINANCIAL LIABILITIES	FIXED -INTEREST	VARIABLE INTEREST	TOTAL
In EUR thousands			
2017 / 2022 corporate bond	366,625	0	366,625
2013 / 2018 convertible bond	245	0	245
Other financial liabilities	283,274	40,611	323,885
Total	**650,144**	**40,611**	**690,755**

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

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

The interest on variable-interest-bearing bank loans is based on Euribor plus an appropriate margin.

The nominal interest rate of the 2017 / 2022 corporate bond is 2.875 % p. a., and 6 % p. a. for the 2013 / 2018 convertible bond. Other financial liabilities consist mainly of bank liabilities and a promissory note loan. The average nominal interest

rate on other financial liabilities was 3.03 % p. a. as of 30 June 2018 (31 December 2017: 3.19 % p. a.). The average nominal interest rate on all financial liabilities amounted to 2.95 % p. a. as of 30 June 2018 (31 December 2017: 3.04 % p. a.).

The decline in non-current financial liabilities was related to the redemption offer made to the holders of the 2017 / 2022 corporate bond due to the change of control, which was accepted in the amount of EUR 33,375 thousand. This amount was refinanced with a current loan as part of a bridge financing, which resulted in a decline in non-current and increase in current financial liabilities. This also led to adjustments as defined by IFRS 9 and resulted in one-time financial expenses of EUR 578 thousand as well as a one-time adjustment to non-current financial liabilities of EUR -7,018 thousand and Group equity of EUR 7,018 thousand. In addition, bonds amounting to EUR 10,250 thousand from the 2013 / 2018 convertible bond were converted in the reporting period, resulting in an increase in subscribed capital.

F. CONDENSED GROUP SEGMENT REPORTING

01 / 01 / 2018 – 30 / 06 / 2018	**CORE -PORTFOLIO**	**FAIR VALUE REIT**	**CORPORATE FUNCTIONS/ OTHERS**	**GROUP**
In EUR thousands				
Total revenues	**31,436**	**13,927**	**0**	**45,363**
Segment revenues	**84,330**	**32,913**	**415**	**117,658**
Segment expenses	**– 14,211**	**– 6,792**	**– 12,268**	**– 33,271**
Net profit / loss for the period	**51,362**	**12,223**	**– 18,912**	**44,673**
30/06/2018				
Segment assets	**822,817**	**337,032**	**77,802**	**1,237,651**
thereof investments accounted for using the equity method	181	0	0	181
thereof financial receivables and other financial assets	248	0	5,365	5,613
thereof tax refund claims	637	3	2,863	3,503
thereof non-current assets held for sale	12,685	0	0	12,685
Segment liabilities	**599,015**	**205,441**	**30,443**	**834,899**
thereof non-current financial liabilities	514,308	107,626	0	621,934
thereof current financial liabilities	43,610	8,057	0	51,667
thereof tax liabilities	2,472	0	0	2,472

01 / 01 / 2017 – 30 / 06 / 2017	CORE -PORTFOLIO	FAIR VALUE REIT	CORPORATE FUNCTIONS/ OTHERS	GROUP
In EUR thousands				
Total revenues	**44,304**	**18,244**	**400**	**62,948**
Segment revenues	**50,020**	**21,647**	**959**	**72,626**
Segment expenses	**– 30,735**	**– 11,069**	**– 6,687**	**– 48,491**
Net profit / loss for the period	**9,196**	**4,682**	**– 8,264**	**5,614**
30/06/2017				
Segment assets	**736,282**	**327,596**	**39,254**	**1,103,132**
thereof investments accounted for using the equity method	76	0	116	192
thereof financial receivables and other financial assets	1,032	0	14,859	15,891
thereof tax refund claims	98	3	1,880	1,981
thereof non-current assets held for sale	9,380	0	0	9,380
Segment liabilities*	**575,345**	**208.684**	**5,561**	**789,590**
thereof non-current financial liabilities*	500,450	121,822	0	622,272
thereof current financial liabilities*	30,368	9,245	0	39,613
thereof tax liabilities	4,789	0	182	4,971

* Prior-year figures have been adjusted due to changes in classification.

The segmentation of the data in the financial statements is based on the internal alignment according to strategic business segments under IFRS 8. The segment information provided represents the information to be reported to the Executive Board.

The DEMIRE Group comprises two reportable business segments, “Core Port-folio” and “Fair Value REIT”.

More than 10 % of total revenue was generated with one tenant in the “Core Portfolio” segment in the interim reporting period amounting to EUR 11,143 thousand (1H 2017: EUR 11,026 thousand).

G. OTHER DISCLOSURES

1. RELATED PARTY DISCLOSURES

There have been no material changes to the related party disclosures as compared to the statements made in the 2017 consolidated financial statements. There have been no business transactions with members in key company positions during the reporting period, except for the compensation of the Executive Board mentioned in section G.5.

2. FINANCIAL INSTRUMENTS

The carrying amounts of the following financial instruments carried at cost or amortised cost do not approximate their fair values:

	30 / 06 / 2018		31 / 12 / 2017	
	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT
In EUR thousands				
2017 / 2022 corporate bond	371,120	360,490	409,374	392,532
2013 / 2018 convertible bond	1,017	243	60,148	10,660

3. RISK REPORT

Concerning the risks to future business development, please refer to the disclosures made in the risk report contained in the consolidated financial statements as of 31 December 2017. No material changes to the Group's risk structure were made during the first half-year of 2018. The redemption offer to the holders of the 2017 / 2022 corporate bond due to the change of control expired on 14 June 2018. The offer was accepted in the amount of EUR 33,375 thousand.

4. OTHER DISCLOSURES

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

Contractual obligations primarily existed for the modification and expansion of the properties in Eschborn and Wismar. The scope of these obligations has been defined. The resulting costs amounted to EUR 2,700 thousand as of 30 June 2018. No other contractual obligations existed to acquire, build or -develop any investment properties or to carry out any repairs, maintenance or improvements.

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

5. GOVERNING BODIES

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

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

For the interim reporting period, performance-based remuneration of EUR 90 thousand (1H 2017: EUR 105 thousand), fixed remuneration of EUR 198 thousand (1H 2017: EUR 905 thousand) and share-based payments of EUR 150 thousand (1H 2017: EUR 238 thousand) were recognised for DEMIRE AG's Executive Board. Three members had been appointed to the Executive Board in the first half of 2017.

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

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

6. EVENTS OCCURRING AFTER THE 30 JUNE 2018 INTERIM -REPORTING DATE

Effective 15 August 2018, the bridge financing drawn on under the redemption offer to bondholders resulting from the change of control was prematurely extended for a further three months until 15 November 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.

Prior to the publication of the interim statement, a total of 20,890 conversion rights from the 2013 / 2018 convertible bond were exercised creating 20,890 new no-par value bearer shares.

Frankfurt am Main, 16 August 2018

DEMIRE Deutsche Mittelstand Real Estate AG

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

APPENDIX: VALUATION PARAMETERS ACCORDING TO IFRS 13

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

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

The basis for rental income planning is the rental payments contractually agreed with the tenants as well as the prevailing customary local market rents for unleased space on the valuation date. The contractually agreed monthly rents per m² on the valuation date for the various types of use are shown in the table below:

		30 / 06 / 2018	31 / 12 / 2017
		in EUR	
Office	Min.	3.32	3.32
	Max.	13.03	13.08
	Avg.	8.10	7.95
Retail	Min.	3.20	3.20
	Max.	19.17	19.26
	Avg.	10.39	10.32
Others	Min.	2.16	2.89
	Max.	10.97	5.91
	Avg.	2.64	3.08
Total	Min.	2.16	2.82
	Max.	19.17	19.26
	Avg.	7.21	7.56

Audited Consolidated Financial Statements of DEMIRE Deutsche Mittelstand Real Estate AG as of and for the fiscal year ended December 31, 2017 (IFRS)

CONSOLIDATED STATEMENT OF INCOME

	Note	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
		in EURK	
Rental income		73,716	76,371
Income from utility and service charges		14,624	15,746
Operating expenses to generate rental income		-32,708	-33,547
Profit/loss from the rental of real estate	D1	**55,632**	**58,570**
Revenue from the sale of real estate companies		0	7,471
Net assets from real estate companies sold		0	-3,510
Profit/loss from the sale of real estate companies	**D2**	**0**	**3,961**
Revenue from the sale of real estate		28,389	21,966
Expenses relating to real estate sales		-27,445	-21,003
Profit/loss from the sale of real estate	**D3**	**944**	**963**
Profits from investments accounted for using the equity method		73	0
Losses from investments accounted for using the equity method		0	-359
Profit/loss from investments accounted for using the equity method	**D4**	**73**	**-359**
Profit/loss from fair value adjustments in investment properties	D5	48,560	38,414
Impairment of receivables	D6	-2,763	-2,058
Other operating income	D7	5,052	5,550
Other operating income and other effects		**50,849**	**41,906**
General and administrative expenses	D8	-15,304	-14,505
Other operating expenses	D9	-7,523	-7,367
Earnings before interest and taxes		**84,671**	**83,169**
Financial income		940	1,153
Financial expenses		-49,703	-39,134
Interests of minority shareholders		-8,279	-5,226
Financial result	**D10**	**-57,042**	**-43,207**
Profit/loss before taxes		**27,629**	**39,962**
Income taxes	D11	-333	-2,852
Deferred taxes	D11	-7,864	-9,460
Net profit/loss for the period		**19,432**	**27,649**
Thereof attributable to:			
Non-controlling interests		**5,649**	**2,979**
Parent company shareholders		**13,783**	**24,670**
Basic earnings per share	D12	0.25	0.48
Diluted earnings per share	D12	0.22	0.39

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
	in EURK	
Net profit/loss for the period	**19,432**	**27,649**
Currency translation differences	-125	124
Other comprehensive income	**-125**	**124**
Total comprehensive income	**19,307**	**27,773**
Thereof attributable to:		
Non-controlling interests	**5,649**	**2,979**
Parent company shareholders	**13,658**	**24,794**

CONSOLIDATED BALANCE SHEET

ASSETS

	Note	31/12/2017	31/12/2016
		in EURK	
ASSETS			
Non-current assets			
Intangible assets	E. 1.1	6,985	7,005
Property, plant and equipment	E. 1.2	1,875	1,753
Investment properties	E. 1.3	1,021,847	981,274
Investments accounted for using the equity method	E. 1.4	200	126
Other financial assets	E. 1.5	1,990	11,328
Total non-current assets		**1,032,897**	**1,001,486**
Current assets			
Real estate inventory	E. 2.1	1,734	2,222
Trade accounts receivable and other receivables	E. 2.2	18,577	23,614
Financial receivables and other financial assets	E. 2.3	5,184	10,293
Tax refund claims		2,588	811
Cash and cash equivalents	E. 2.4	73,874	31,289
Total current assets		**101,957**	**68,229**
Non-current assets held for sale	**E.3**	**12,262**	**24,291**
Total assets		**1,147,116**	**1,094,006**

EQUITY AND LIABILITIES

	Note	31/12/2017	31/12/2016
		in EURK	
EQUITY AND LIABILITIES			
Equity			
Subscribed capital		54,271	54,247
Reserves		231,146	217,698
Equity attributable to parent company shareholders		**285,417**	**271,945**
Non-controlling interests		33,684	36,692
Total equity	**E.4**	**319,101**	**308,637**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	E. 5.1	42,893	35,030
Minority interests	E. 5.2	71,931	62,822
Financial liabilities	E. 5.3	665,767	620,623
Other liabilities	E. 5.4	39	865
Total non-current liabilities		**780,630**	**719,340**
Current liabilities			
Provisions	E. 6.1	1,016	1,739
Trade payables and other liabilities	E. 6.2	14,663	17,378
Tax liabilities	E. 6.3	2,559	4,892
Financial liabilities	E. 5.3	29,147	42,020
Total current liabilities		**47,385**	**66,029**
Total liabilities		**828,015**	**785,369**
Total equity and liabilities		**1,147,116**	**1,094,006**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the fiscal year from 1 January to 31 December 2017

	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016
	IN EURK	
Group profit/loss before taxes	27,629	39,962
Financial expenses	57,982	44,360
Financial income	-940	-1,153
Proceeds from the sale of real estate inventory	– 488	0
Change in trade accounts receivable and other receivables	1,508	2,186
Change in financial receivables and other financial assets	12,382	1,005
Change in provisions	-723	500
Change in trade payables and other liabilities *	-1,370	-4,376
Profit/loss from fair value adjustments in investment properties	-48,560	-38,414
Gains from the sale of real estate companies	-944	-4,923
Interest proceeds	403	400
Income taxes paid	-461	-1,318
Change in reserves	-674	594
Depreciation and amortisation and impairment	2,941	2,058
Distributions to minority shareholders / dividends	-6,752	-5,906
Remaining amortisation of financial liabilities	-5,689	0
Other non-cash items	-430	376
Cash flow from operating activities	35,814	35,351
Payments for investments in property, plant and equipment	-6,463	-11,888
Payments for the purchase of investment properties and interests in fully consolidated companies, less net cash and cash equivalents acquired	-973	0
Acquisition of interests in fully consolidated companies in the context of business combinations	0	-4,352
Proceeds from the sale of real estate	27,990	21,966
Cash flow from investing activities	20,554	5,726
Proceeds from capital increases*	0	15,822
Proceeds from the issuance of financial liabilities*	403,535	60,907
Interest paid on financial liabilities	-46,537	-33,487
Payments for the redemption of financial liabilities	-370,781	-81,497
Cash flow from financing activities	-13,783	-38,255
Net change in cash and cash equivalents	42,585	2,822
Cash and cash equivalents at the start of the period	31,289	28,467
Cash and cash equivalents at the end of the period	73,874	31,289

* Previous-year figures have been adjusted due to changes in classification.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserves						
	Subscribed capital	Capital reserves	Retained earnings incl. Group profit/ loss	Reserves for treasury shares	Currency translation	Equity attributable to parent company shareholders	Non-controlling interests	Total equity
				IN EURK				
January 1, 2017	**54,247**	**132,618**	**85,242**	**-310**	147	**271,945**	**36,692**	**308,637**
Currency translation differences	0	0	0	0	-125	-125	0	**-125**
Total other comprehensive income	**0**	**0**	**0**	**0**	**-125**	**-125**	**0**	**-125**
Net profit/loss for the period	0	0	13,783	0	0	13,783	5,649	**19,432**
Total comprehensive income	**0**	**0**	**13,783**	**0**	**-125**	**13,658**	**5,649**	**19,307**
Capital increase (related to the conversion of convertible bonds)	24	0	0	0	0	24	0	**24**
Stock option plan	0	-84	0	0	0	-84	0	**-84**
Mandatory convertible bond	0	-1	0	0	0	-1	0	**-1**
Dividend payments	0	0	0	0	0	0	-1,226	**-1,226**
Other change	0	-132,532	132,408	0	0	-125	-7,431	**-7,555**
December 31, 2017	**54,271**	**0**	**231,433**	**-310**	**22**	**285,417**	**33,684**	**319,101**
January 1, 2016	**49,292**	**121,120**	**60,651**	**-310**	**-57**	**230,697**	**34,205**	**264,902**
Currency translation differences	0	0	0	0	124	124	0	**124**
Total other comprehensive income	**0**	**0**	**0**	**0**	**124**	**124**	**0**	124
Net profit/loss for the period	0	0	24,670	0	0	24,670	2,979	**27,649**
Total comprehensive income	**0**	**0**	**24,670**	**0**	124	**24,794**	**2,979**	**27,773**
Capital increase (related to the conversion of convertible bonds)	24	-1	0	0	0	23	0	**23**
Stock option programmme	0	594	0	0	0	594	0	**594**
Cash capital increases	4,931	12,080	0	0	0	17,011	-304	**16,707**
Costs of raising equity under capital increases	0	-1,105	0	0	0	-1,105	0	**-1,105**
Dividend payments	0	0	0	0	0	0	-782	**-782**
Other changes	0	-70	-79	0	80	-69	594	**525**
December 31, 2016	**54,247**	**132,619**	**85,242**	**-310**	**147**	**271,945**	**36,692**	**308,637**

Notes to the consolidated financial statements
for the fiscal year from 1 January to 31 December 2017

A. GENERAL INFORMATION

1. BASIS OF PREPARATION

DEMIRE Deutsche Mittelstand Real Estate AG ("-DEMIRE AG") is recorded in the commercial register in Frankfurt am Main, Germany, the location of the Company's headquarters, under the number HRB 89041.

As of 31 December 2017, the Company's scope of consolidation pursuant to Section 313 (2) HGB includes -DEMIRE AG as the parent company and the compan-ies listed in Appendix 1 ("DEMIRE" or the "DEMIRE Group").

The Company's registered office is located in Frankfurt am Main, Germany. With the entry in the commercial register on 23 December 2016, the Company's business address was changed to Robert-Bosch-Straße 11, Langen, Germany.

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

DEMIRE AG itself has not carried out any investments in real estate or real estate projects to date. Investments are generally processed through real estate companies. Interests in these real estate companies are either directly or indirectly held by DEMIRE (through intermediate holding companies), whereby -DEMIRE AG does not have direct ownership in any real estate. DEMIRE focuses on the German commercial real estate market and is active as an investor in and portfolio manager of secondary locations. Accordingly, DEMIRE acquires, manages and leases commercial properties. Value appreciation is to be achieved through active real estate management, which may include the targeted sale of properties when they are no longer a strategic fit or when they have exhausted their potential for value appreciation.

The presentation currency of the consolidated financial statements of -DEMIRE AG is the euro (EUR). Unless otherwise stated, all amounts are stated in thousands of euros (TEUR). For computational reasons, rounding differences amounting to + / – one unit (EUR, %, etc.) may occur in the information presented in these financial statements.

The consolidated financial statements of -DEMIRE AG for the fiscal year ended 31 December 2017 were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), pursuant to Section 315e of the German Commercial Code (HGB). All International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and interpretations of the IFRS Interpretations Committee (IFRS IC) – formerly the International Financial Reporting Interpretations Committee (IFRIC) or the Standing Interpretations Committee (SIC) – mandatory for the 2017 fiscal year were taken into consideration. Furthermore, all statutory disclosure and explanation requirements of the German Commercial Code (HGB) to be met in addition to the provisions of the IASB have been fulfilled, particularly those for the preparation of a group management report.

These consolidated financial statements were prepared on 25 April 2018 by the Executive Board.

2. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

2.1 First-time application of new and amended standards and -interpretations in the 2017 fiscal year

The accounting policies applied in the consolidated financial statements are the same as those applied in the 2016 fiscal year except for the changes mentioned below. The following new and amended standards and interpretations that are material from -DEMIRE AG's perspective were applied for the first time in the 2017 fiscal year.

First-time application of standards and interpretations in the fiscal year

		Endorsed on	Mandatory application for fiscal years beginning on or after	Effect on DEMIRE AG's consolidated financial statements
Amendments to IAS 7.....	Disclosure Initiative (issued on January 29, 2016)	November 6, 2017	January 1, 2017	Additional disclosures in the Notes
Amendments to IAS 12 .	Recognition of Deferred Tax Assets for Unrealised Losses (issued on January 19, 2016)	November 6, 2017	January 1, 2017	no effect

The standards applied for the first time in the 2017 fiscal year have no significant effect on the net assets, financial position or results of operations of -DEMIRE AG's consolidated financial statements.

The first-time application of "Amendments to IAS 7" resulted in additional disclosures in the group management report. Changes in liabilities from financing activities must be disclosed following the amendment of IAS 7. -DEMIRE AG has provided the required information.

The amendments to IAS 12 have no effect on DEMIRE AG's consolidated financial statements.

2.2 STANDARDS and interpretations for future mandatory application

The following IASB standards were endorsed by the EU but became mandatory only after 31 December 2017.

Standards and interpretations that require future mandatory application

		Endorsed on	Mandatory application for fiscal years beginning after	Effect on DEMIRE AG's consolidated financial statements
IFRS 9	Financial Instruments (issued on 24 July 2014)	22 November 2016	**1 January 2018**	No material effect
IFRS 15.....	Revenue from Contracts with Customers (issued on 28 May 2014) including amendments to IFRS 15: Effective date of IFRS 15 (issued on 11 September 2015)	22 September 2016	**1 January 2018**	No material effect
Clarifications to IFRS 15.....	Revenue from Contracts with Customers (issued on 12 April 2016))	31 October 2017	**1 January 2018**	No material effect
IFRS 16.....	Leases (issued on 13 January 2016)	31 October 2017	**1 January 2019**	No material effect
Amendments to IFRS 2.....	Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016)	26 February 2018	**1 January 2018**	No material effect
Amendments to IFRS 4.....	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016)	3 November 2017	**1 January 2018**	No effect
Amendments to IFRS 9.....	Prepayment Features with Negative Compensation (issued on 12 October 2017)	22 March 2018	**1 January 2019**	effects is currently being assessed
Amendments to IAS 40.....	Transfers of Investment Property (issued on 8 December 2016)	14 March 2018	**1 January 2018**	No effect
Annual Improvements.....	Annual Improvements to IFRS 2014– 2016 Cycle (issued on 8 December 2016)	Scheduled for 2018	**1 January 2018 / 1 January 2017**	No effect

In July 2014, the IASB published the final version of IFRS 9 "Financial Instruments", which has since been adopted by the EU. The new standard IFRS 9 will replace the current provisions of IAS 39 "Financial Instruments: Recognition and Measurement". The new rules for the accounting of financial instruments are to be applied for the first time for fiscal years beginning on or after 1 January 2018. The initial application is always to be carried out retrospectively, whereby various simplification options may be used.

An assessment conducted by DEMIRE came to the conclusion that IFRS 9 will have no effect on the classification of financial instruments held by the Company as of 31 December 2017. Whereas the recognition of impairment under IAS 39 was based on incurred losses, IFRS 9 is based on expected losses. DEMIRE came to the conclusion that the first-time application of the new standard will have no significant effect on the sum of impairments. Because the Company was not involved in hedge accounting as of the reporting date, the changes with respect to hedge relationships are currently not applicable.

The amendments to IFRS 9, which specify the regulations for the classification of financial assets with early termination options and contain clarifications on modifications to financial liabilities, have no impact on the consolidated financial statements of -DEMIRE AG.

DEMIRE does not utilise the option for early application.

IFRS 15 "Revenue from Contracts with Customers" is mandatory for fiscal years beginning on or after 1 January 2018. In addition, DEMIRE has decided on the early application of IFRS 16 as of 1 January 2018.

As part of the analyses carried out in accordance with IFRS 15 / IFRS 16, DEMIRE has identified and acknowledged the

performance obligations described in more detail below. Rental income is generated from leases classified as operating leases and is recognised as rental income over time. The property taxes and insurance charged as part of the utility and service charges do not constitute a separate performance obligation and are allocated to the rents. These allocations are considered to be fully variable and are therefore (from the lessee's point of view) not to be capitalised as part of the lease payments.

With regard to other costs (gas, electricity, water, etc.), the Company has come to the conclusion that, in this case, it acts as a principal and therefore continues to bear material risks. In this respect, the Company will continue to present gross revenue and corresponding costs, as it has done until now. The first-time application of the new standard, also in terms of the presentation of other income streams (e. g. the sale of real estate or real estate companies), only results in insignificant changes versus the prior accounting.

The early application of IFRS 16 has no material impact on DEMIRE's consolidated financial statements as the changes are marginal for the lessor. There are only a few cases in which DEMIRE or its subsidiaries act as lessees and therefore they have no material effect. DEMIRE classifies most of the income from utility and service charges as non-lease components, which must be recognised under IFRS 15. Property taxes and insurance are accounted for as other components of the lease in accordance with IFRS 16. The Company has come to the conclusion that it acts as a principal for the utility and service charges that are to be treated as services under IFRS 15.

Overall, the effects of the first-time application of the aforementioned standards are not expected to have a material impact on the presentation of the net assets, financial position and results of operations. The analysis of these effects had already been largely completed when the consolidated financial statements were prepared. IFRS 15 and IFRS 16 were introduced on 1 January 2018 using the modified retrospective method. The cumulative effect from the first-time application was recognised in equity as of 1 January 2018.

The amendments to IFRS 2 "Share-based Payment" result in an adjustment to the vesting conditions (service conditions, market conditions and other performance conditions) in the context of the measurement of cash-settled share-based payments. An analysis concluded that the amendments to IFRS 2 will not have a material impact on the consolidated financial statements of -DEMIRE AG.

DEMIRE does not make use of the early application option.

The following standards published by the IASB and IFRS IC have not yet been endorsed in European law by the EU.

Standards and interpretations that require future mandatory application

		Endorsed on	Mandatory application for fiscal years beginning on or after	Effect on DEMIRE AG's consolidated financial statements
IFRS 17.....	Insurance Contracts (issued on 18 May 2017)	Scheduled for Q4 2018	1 January 2021	Effect is currently being assessed
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016)	Scheduled for Q1 2018	1 January 2018	No effect
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments (issued on 7 June 2017)	Scheduled for 2018	1 January 2019	No effect
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement (issued on 7 February 2018)	Scheduled for 2018	1 January 2019	No effect
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017)	Scheduled for 2018	1 January 2019	No effect
Amendments to - References to the Conceptual Framework.....	Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018)	Scheduled for 2019	1 January 2018	Effect is currently being assessed
Annual Improvements	Annual Improvements to IFRS Standards 2015 – 2017 Cycle	Scheduled for 2018	January 1, 2019	No effect

Standards and interpretations that require future mandatory application			
	Endorsed on	**Mandatory application for fiscal years beginning on or after**	**Effect on DEMIRE AG's consolidated financial statements**
(issued on 12 December 2017)			

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

DEMIRE AG has not yet conclusively analysed the effects associated with the first-time adoption of IFRS 17, the amendments to IFRS 9 or the amendments to the IFRS framework, so that no reliable statements can yet be made in this regard. The Company plans to complete the necessary detailed analyses in the course of the 2018 fiscal year.

3. KEY DISCRETIONARY DECISIONS, JUDGEMENTS AND ASSUMPTIONS

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

When applying the accounting and valuation methods, the Company's management must make discretionary decisions. This applies to the following matters in particular:

- In the case of real estate, at each balance sheet date, -DEMIRE AG must determine whether the real estate should be allocated to real estate inventory or investment properties. The classification is based on the following assessment:
    - Investment properties: Sustainable management is the focus of the properties concerned. These properties are thus held to generate rental income and / or for value appreciation.
    - Real estate inventory: The primary aim with these properties is either a "buy & sell" or "develop & sell" strategy. Consequently, these properties are held for sale in the course of ordinary business activities.
    - If -DEMIRE AG obtains control over an acquired entity or acquires assets, it must be determined whether the transaction should be classified as a business combination according to IFRS 3, or an acquisition of a group of assets or net assets (aggregated assets). If a business operation defined as an integrated group of activities is acquired in addition to assets and liabilities, this constitutes a business combination that must be accounted for according to IFRS 3. An integrated group of activities is defined, for example, as business processes in the areas of property management, credit management and accounting. Additionally, the fact that staff is employed at the acquired real estate company is another indication that a business operation has been acquired.

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

Impairment of receivables	Note D. 6
Income taxes	Note D. 11
Goodwill impairment test	Note E. 1.1.1
Deferred tax assets and liabilities	Note E. 5.1
Provisions	Note E. 6.1

B. SCOPE AND PRINCIPLES OF CONSOLIDATION

The consolidated financial statements apply to -DEMIRE AG and all of its controlled subsidiaries. The scope of consolidation is shown in Appendix 1.

As of the balance sheet date, the consolidated financial statements comprise the subgroup DEMIRE and the subgroup Fair Value REIT. The subgroup DEMIRE comprises the consolidated financial statements of -DEMIRE AG and its subsidiaries as of the acquisition date, that is, from the date on which control was acquired. The Fair Value REIT subgroup comprises the consolidated financial statements of Fair Value REIT-AG and its subsidiaries. Fair Value REIT-AG is the parent company of the subgroup Fair Value REIT.

The financial statements of -DEMIRE AG's subsidiaries are prepared using uniform accounting and valuation methods on the same balance sheet date as the parent company's financial statements.

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

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

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

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

- Contractual agreements with others exercising voting rights
- Rights resulting from other contractual agreements
- Voting rights and potential voting rights of the Group

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

In the case of company acquisitions, DEMIRE assesses whether a business com-bination according to IFRS 3 or acquisition of a group of assets and liabilities exists as aggregated assets.

Acquisitions of real estate project companies that are not a business operation as defined by IFRS 3 are accounted for as a direct purchase of real estate. The acquisition costs of the project company are allocated to the individually identifiable assets and liabilities on the basis of their fair values.

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

Acquisitions of real estate project companies that are not a business operation as defined by IFRS 3 are accounted for as a direct acquisition of a group of assets and liabilities (aggregated assets) within the framework of a share deal or asset deal. For this reason, according to IFRS 3.2 (b), the individual acquired identifiable assets and the assumed liabilities are to be identified and recognised as acquired aggregate assets. The acquisition costs of a group of assets are to be allocated to the individual identifiable assets and liabilities at the time of acquisition on the basis of their fair values. Such a transaction or event does not result in goodwill or a difference arising from the capital consolidation.

Acquisitions of other companies are accounted for in the context of the capital consolidation according to the acquisition method by offsetting the transferred consideration of the interests with the pro rata revalued equity of the subsidiaries at the time of acquisition. In the case of initial consolidation, the conditions at the time of acquisition of the interests in the consolidated subsidiary are generally taken into account. Any subsequently resulting differences are allocated to the assets

and liabilities to the extent that their fair values deviate from the actual carrying amounts in the financial statements. In subsequent periods, identified hidden reserves are carried in line with the accounting of the corresponding assets and liabilities. Any remaining positive difference from capital consolidation is recognised as goodwill and any negative difference is recognised in profit or loss after a reassessment of whether all acquired assets and all liabilities assumed have been correctly identified.

If other (non-Group) shareholders have an interest in the equity of the subsidiary on the balance sheet date, this item is allocated to "Interests of non-controlling shareholders". In determining the consolidated result attributable to non-controlling interests, consolidation effects recognised through profit or loss are also taken into account.

Intercompany revenues, expenses and income as well as all receivables and liabilities between the consolidated companies are eliminated.

Interests held by DEMIRE in associates and joint ventures are accounted for using the equity method. Investments in which DEMIRE is able to exert a significant influence generally based on a shareholding between 20 % and 50 %, must be accounted for according to the equity method. Under the equity method, the acquisition costs are annually increased or decreased by the changes in equity of the investee attributable to DEMIRE. At the first-time consolidation of the investee under the equity method, differences that arise are accounted for in accordance with the principles of full consolidation. Gains and losses from transactions between fully consolidated Group companies and associated companies and joint ventures are eliminated in proportion to DEMIRE's interest in the investee.

The quorum majority of Fair Value REIT-AG in the shareholder meetings of the subsidiaries that decides on the control of the subsidiaries is decisive for the Group's assessment. The voting rights in BBV Immobilien-Fonds Erlangen GbR, Munich ("BBV 02"), BBV Immobilien-Fonds Nr. 10 GmbH & Co. KG, Munich ("BBV 10") and IC Fonds & Co. Gewerbeobjekte Deutschland 15. KG, Munich ("IC 15"), are not the sole factor in determining who controls the companies. Although the share of voting rights is less than 50 %, Fair Value REIT-AG is the largest single shareholder in the aforementioned companies. The assessment of the control of the investees as a prerequisite for full consolidation leads to the conclusion that Fair Value REIT-AG was able to make use of extensive rights in the case of all fully consolidated fund companies also in the past fiscal year by means of a simple majority in the shareholders' meeting, such as the adoption of the annual financial statements, the determination of the amount of dividends and the selection of the property or fund manager. Empirically, it can be shown that Fair Value REIT-AG regularly casts significantly more than 50 % of the votes at all shareholder meetings. For transactions in the context of property disposals, however, a qualified 66 % or 75 % majority of the voting rights is required, although this transaction does not constitute a material operating activity. In addition, Fair Value REIT-AG receives annual dividends from its investees that are based on the current results.

Changes to the scope of consolidation in the reporting period

The scope of consolidation remained unchanged during the reporting period.

Changes to the scope of consolidation in the prior year

Companies acquired in the prior year

Acquisitions in the prior period included a 94.9 % interest in the real estate project company Kurfürster Immobilien GmbH, Leipzig. The Company's "Kurfürsten Galerie" property is located in Kassel. Also acquired was a 100 % interest in Ritterhaus Immobilienverwaltung GmbH, Dusseldorf, which holds the operating assets of Kurfürster Immobilien GmbH. Condor Yellow BV GmbH, Frankfurt am Main was founded and holds the operating assets of Condor Objektgesellschaft Yellow GmbH, Frankfurt am Main. DEMIRE Parkhaus Betriebsgesellschaft mbH, Berlin, was also founded and will hold and operate the DEMIRE car parks in the future. There were also investments made in DEMIRE Assekuranzmakler GmbH & Co. KG, Dusseldorf (47.5 % of the interests) and in G+Q Effizienz GmbH, Berlin (49 % of the interests), which were accounted for according to the equity method.

In addition, PRAEDIA GmbH, Berlin, which was acquired on 17 March 2015, was consolidated for the first time in the previous year. In the 2015 fiscal year, consolidation was waived for materiality reasons. DEMIRE holds 51 % of the capital and voting rights in PRAEDIA GmbH.

At the time of the initial consolidation and based on 100 % of the assets and liabilities and taking into account non-controlling interests, the following amounts were recognised at the time of acquisition of Kurfürster Immobilien GmbH, which is the main acquisition in the reporting period:

	Amounts recognised as at the acquisition date
	EURK
Assets required	**52,679**
Liablity assumed	38,804
Net assets at 100%	**13,875**
Thereof interests on non-controlling shareholders	3
Acquisition costs	

Disposals in the prior year

The disposals of fully consolidated subsidiaries concerned the legacy portfolio, specifically Magnat Tbilisi Office LLC (Georgia), Magnat Tbilisi Residential 1 LLC (Georgia), Magnat Asset Management GmbH (Austria) and Magnat Capital Markets GmbH (Austria). Also sold were the investments in SQUADRA Immobilien GmbH & Co. KGaA and R-Quadrat Polska Alpha Sp. z o. o., which were previously -accounted for using the equity method.

Mergers in the prior year

In the prior year, Magnat Investment II B. V. (Netherlands) and Magnat Investment IV B. V. (Netherlands) were merged with Magnat Investment I B. V. (Netherlands).

DISCLOSURES ACCORDING TO IFRS 12

a) Disclosures relating to fully consolidated subsidiaries

Fair Value REIT-AG, Munich, and its subsidiaries were fully consolidated for the first time in -DEMIRE AG's consolidated financial statements as of 31 December 2015, as the Fair Value REIT subgroup. Only the assets and liabilities of Fair Value REIT-AG were consolidated in -DEMIRE AG's consolidated financial statements. In the reporting period, dividend distributions of TEUR 1,266 were allocated to the non-controlling shareholders of Fair Value REIT-AG. The disclosures in accordance with IFRS 12.12(g) are listed in the table below.

Fair Value Reit-AG BALANCE SHEET	**31/12/2017**	**31/12/2016**
	EURK	
Non-current assets	291,048	296,907
Current assets	28,569	21,237
thereof cash and cash equivalents	24,192	16,776
Non-current liabilities	175,490	184,997
thereof non-controlling interests	64,153	61,708
Current liabilities	16,577	16,157
thereof financial liabilities	9,797	9,275
Net assets	127,550	120,590
Statement of income		
Revenue	27,735	27,622
Interest income	406	0
Interest expense	– 3,124	3,375
Other income	0	0
Net profit / loss for the period	**12,571**	**6,909**

A share in the profit for the period for the 2017 fiscal year in the amount of TEUR 2,803 was attributable to non-controlling shareholders (22.3 %) of Fair Value REIT-AG.

C. ACCOUNTING POLICIES

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

Assets and liabilities are presented according to their terms (due in more than / less than one year). Deferred taxes are

generally reported as non-current.

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

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

Assets, equity and debt instruments, excluding share-based payments under IFRS 2, that are measured at fair value based on other standards are valued uniformly according to the provisions of IFRS 13.

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

Level 1: Input factors are quoted (unadjusted) prices in active markets for identical assets or liabilities that are available as of the valuation date

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

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

The accounting policies for the individual balance sheet items as well as items in the statement of income are presented in the notes to the consolidated statement of income (Section D) and the consolidated balance sheet (Section E).

D. NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

Revenues consist of rental income (net rents and ancillary rental costs), income from the sale of real estate companies and income from the disposal of real estate.

DEMIRE has entered into commercial property lease agreements for its investment properties. These agreements stipulate that DEMIRE shall retain all the significant risks and opportunities connected with the ownership of properties rented and therefore classifies these lease contracts as operating leases. The income from these contracts is recognised as rental income and principally free from seasonality. Income from ancillary rental costs is allocable ancillary costs that were passed on to tenants.

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

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

1. PROFIT / LOSS FROM THE RENTAL OF REAL ESTATE

The profit / loss from the rental of real estate in the amount of TEUR 55,632 (-previous year: TEUR 58,570) consists of the following:

	January 1, 2017	**January 1, 2016**
	EURK	
Net rents	73,716	76,371
Income from ancillary rental costs	14,624	15,746
Rental revenue	**88,340**	**92,117**
Allocable operating expenses to generate rental income	– 19,095	– 19,611
Non-allocable operating expenses to generate rental income	– 13,613	– 13,936
Operating expenses to generate rental income	– 32,708	– 33,547
Profit / loss from the rental of real estate	55,632	58,570

The slight decline in rental revenue to TEUR 88,340 (previous year: TEUR 92,117) mainly resulted from the sale of real estate during the reporting year.

Ancillary rental costs were recognised as expenses to generate rental income and amounted to TEUR 32,708 in the reporting year (previous year: TEUR 33,547). Of the operating expenses, an amount of TEUR 19,095 (previous year: TEUR 19,611) is generally allocable and can be passed on to tenants. This figure includes an amount of TEUR 1,795 (previous year: TEUR 2,275) that could not be passed on due to vacancy. Operating expenses of TEUR 13,613 (previous year: TEUR 13,936) are not allocable, of which TEUR 1,706 (previous year: TEUR 1,320) relate to staff costs at DEMIRE Immobilienmanagement GmbH.

2. PROFIT / LOSS FROM THE SALE OF REAL ESTATE COMPANIES

No real estate companies were sold during the 2017 fiscal year. In the previous year, the profit / loss from the sale of real estate companies in the amount of TEUR 3,961 consisted of the following transactions:

	Date of disposal	Proceeds from disposal	Disposal of net assets (incl. currency translation reserve	Gains / Losses on disposal
		IN EURK		
Magnat Tbilisi Office LLC	February 5, 2016	0	3	3
Magnat Tbilisi Residential 1 LLC	February 4, 2016	0	0	0
Magnat Asset Management GmbH	July 14, 2016	141	-99	42
Magnat Capital Markets GmbH	July 14, 2016	146	-313	-167
SQUADRA Immobilien GmbH & Co. KG (at Equity)	December 27, 2016	7,184	-2,665	4,519
R-Quadrat Polska Alpha sp.z o.o. (at Equity)	July 26, 2016	0	-436	-436
Total		**7,471**	**-3,510**	**3,961**

Summary financial information for fully consolidated companies sold during the prior year:

	Magnat Tbilisi Office LLC	Magnat Tbilisi Residential 1 LLC	Magnat Asset Management GmbH	Magnat Capital Markets GmbH
		IN EURK		
Aggregated assets	0	0	1,315	878
thereof cash and cash equivalents	0	0	141	146
Aggregated liabilities	1	0	1,118	509

3. PROFIT / LOSS FROM THE SALE OF REAL ESTATE

During the fiscal year, the Group generated a profit / loss from the sale of real estate in the amount of TEUR 944 (previous year: TEUR 963). The main properties sold were the Teltow and Krefeld properties owned by Fair Value REIT-AG, the Hohenstein-Ernstthal property owned by Hanse-Center Objektgesellschaft mbH and several properties held by Condor Objektgesellschaft Yellow GmbH.

4. PROFIT / LOSS FROM INVESTMENTS ACCOUNTED FOR USING THE -EQUITY METHOD

The profit from investments accounted for using the equity method of TEUR 73 (previous year: TEUR – 359) primarily concern the revaluation of DEMIRE -Assekuranzmakler GmbH & Co. KG and G+Q Effizienz GmbH due to higher -carrying amounts as a result of the proportionate profits for the period not yet distributed.

5. PROFIT / LOSS FROM FAIR VALUE ADJUSTMENTS IN INVESTMENT PROPERTIES

The result from the fair value adjustment in investment properties in the amount of TEUR 48,560 (previous year: TEUR 38,414) concerns the properties of domestic and foreign direct and indirect subsidiaries located in Germany. At TEUR 9,766, the greatest value appreciation relates to Fair Value REIT-AG. Other significant profits resulted from the revaluation of Logistikpark Leipzig GmbH in the amount of TEUR 7,804, DEMIRE Objektgesellschaft Germavest GmbH in the amount of TEUR 6,625 and DEMIRE Objektgesellschaft Armstripe GmbH in the amount of TEUR 5,070.

The fair values of properties are based on appraisal reports from external, independent experts. In particular, the positive economic situation in Germany along with a further increase in demand from foreign investors for commercial real estate in conjunction with solid lettings led to a significant change in the valuation factors in the reporting year and consequently to an increase in the properties' market values. Please refer to Note E.1.3 for details on the valuation methods applied.

6. IMPAIRMENT OF TRADE ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

Impairment of trade accounts receivable and other receivables consist of the following:

	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
	IN EURK	
Trade accounts receivable and other receivables	-2,763	-1,543
Loans to investments accounted for using the equity method	0	-515
Total	**-2,763**	**-2,058**

Impairment losses on trade accounts receivable mainly relate to rental receiv-ables in the amount of TEUR 1,046 for properties located in Germany and purchase price receivables from the legacy portfolio in the amount of TEUR 1,016.

7. OTHER OPERATING INCOME

	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
	IN EURK	
Derecognition of liabilities	1,217	507
Reversal of impairment losses on receivables	880	33
Income from facility management	485	282
Forbearance commission	359	0
Compensation for damages	332	0
Income from the reversal of provisions	316	100
Other non-periodic income	313	2,748
Income from allocated expenses	219	309
Benefits in kind	117	109
Tax refunds for prior years	109	321
Insurance compensation	51	0
Gains from foreign currency differences	9	16
Income from the disposal of property, plant and equipment	0	221
Others	645	904
Total	5,052	5,550

The increase in the line item Derecognition of liabilities “mainly resulted from liabilities barred by the statute of limitations. Income from facility management resulted from the provision of facility management services by PRAEDIA GmbH.

Income from the reversal of provisions resulted mainly from the reversal of provisions for building maintenance. Other non-periodic income primarily includes retroactive credits for the corrected settlement of operating costs relating to prior years. The decline in non-periodic income was due to the unusually high amount of income resulting from the 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.

8. GENERAL AND ADMINISTRATIVE EXPENSES

	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
	IN EURK	
Staff costs	-5,410	-3,855
Legal and consulting fees	-3,726	-3,841
Accounting and audit costs	-1,585	-2,541
Expenses for real estate expert opinions	-609	-589
IT costs	-603	-446
Fund management costs	-536	-514
Advertising and travel expenses	-445	-492
Compensation of trust costs	-275	-268
Costs for vehicles	-253	-302
Supervisory Board remuneration	-180	-292
Expenses for investor relations	-126	-154
Recruitment costs	-103	-52
Compensation of expenses	-88	-338
Leasing costs	-57	-52
Expenses for facility management	0	-106
Others	-1,308	-663
Total	-15,304	-14,505

Staff costs for staff employed by the ultimate parent company are solely included in general and administrative expenses. The increase in staff costs mainly resulted from the higher number of employees at the Group due to the Company's business expansion and as a result of severance payments for former members of the Executive Board. Legal and consulting costs of TEUR 3,726 are mainly the result of non-recurring expenses related to restructuring measures within the Group.

9. OTHER OPERATING EXPENSES

	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
	IN EURK	
Non-periodic expenses from the settlement of operating costs relating to prior years	-1,483	-1,888
Non-deductible input taxes	-1,301	-965
Marketing activities	-830	0
Fees and ancillary costs of monetary transactions	-797	-413
Occupancy costs	-363	-281
Third-party services	-315	-391
Brokerage fees	-230	-818
Expenses for facility management	-213	0
Expenses for Annual General Meeting and investor relations	-186	-540
Impairment of property, plant and equipment	-178	-110
Stock option programme	-123	0
Property management	-105	-104
Losses from foreign currency differences	-104	-26
Insurance fees	-81	-59
Others	-1,214	-1,772
Total	-7,523	-7,367

The subsequent settlement of operating costs is customary and essentially stems from the real estate portfolios purchased in the abbreviated 2014 fiscal year. Non-deductible input taxes resulted from non-capitalisable legal and consulting fees incurred by -DEMIRE AG, which is not entitled to a full input tax deduction. Marketing activities concern marketing costs incurred during the sales of properties held by Fair Value REIT-AG.

Share-based compensation entitlements of an Executive Board member who left the Company and still holds stock options accruing as of 1 July 2017 have been recognised under other operating expenses (TEUR 123). Until 30 June 2017 and in the prior year, these expenses were recognised as staff costs.

10. FINANCIAL RESULT

	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
	IN EURK	
Financial income	940	1,153
Financial expenses	-49,703	-39,134
Interests of minority shareholders	-8,279	-5,226
Financial result	-57,042	-43,207

The increase in financial expenses resulted mainly from early repayment penalties of TEUR 4,000 for the 2014 / 2019 corporate bond redeemed as of 21 September 2017 and the remaining amortisation of previously deferred transaction costs.

Interests of minority shareholders in the amount of TEUR – 8,279 (previous year: TEUR – 5,226) concern minority shareholders of Fair Value REIT-AG subsidiaries recognised as debt. The increase of these interests resulted primarily from valuation gains in properties.

11. INCOME TAXES

	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
	IN EURK	
Current income taxes	-333	-2,852
Deferred income taxes	-7,864	-9,460
Total income taxes	**-8,197**	**-12,313**

Current income tax expenses of TEUR 333 (previous year: TEUR 2,852) include corporate taxes, trade taxes and capital gain taxes and were incurred almost entirely in Germany. The decrease in current income taxes resulted from the conclusion of profit transfer agreements between -DEMIRE AG and a few subsidiaries in the 2017 fiscal year. These agreements provide for the utilisation of the parent company's tax loss carryforwards, resulting in lower tax expenses.

Deferred income taxes of TEUR 7,864 (previous year: TEUR 9,460) consist of -deferred tax income of TEUR 585 (previous year: TEUR 1,273) and deferred tax expenses of TEUR 8,449 (previous year: TEUR 10,733). Deferred tax expenses -essentially resulted from temporary differences in the valuation of investment properties pursuant to IAS 40. Deferred tax income essentially resulted from -being offset by deferred taxes on tax loss carryforwards.

As of the balance sheet date, non-utilised tax loss carryforwards totalled TEUR 61,751 (previous year: TEUR 42,842) from investees included in the consolidated financial statements. Deferred tax assets on these loss carryforwards are only capitalised when it is likely that profits will be realised in the foreseeable future and can be offset against these tax loss carryforwards. In the DEMIRE Group, deferred taxes on tax loss carryforwards at the level of the same taxable entity were capitalised only to the extent that deferred tax liabilities were recognised.

Tax reconciliation statement

The tax reconciliation statement between the theoretical and actual tax expense is presented on the basis of the Group tax rate of 28.78 % (previous year: 28.78 %). The Group tax rate of 28.78 % includes the 15 % applicable corporate tax rate, 5.5 % solidarity surcharge and 12,95 % trade tax (municipal rate for Langen: 370 %; trade tax rate 3,5 %). The calculation of the deferred taxes of domestic real estate companies is based on a tax rate of 15,83 %. These companies generate income exclusively from managing their own real estate. Only the corporate tax rate and the solidarity surcharge apply to these companies because of the option to deduct the profit from the management of own real estate from the profit under trade tax law. The calculation of deferred taxes for foreign companies acquired during the reporting period was also based on a tax rate of 15,83 % because these companies are not subject to trade taxes.

	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
	IN EURK	
Profit / loss before taxes	**27,629**	**39,962**
Group tax rate	**28.78 %**	**28.78 %**
Expected income taxes	**7,952**	**11,501**
Profit / loss before taxes	-6,708	-3,069
Group tax rate	5,602	2,533
Expected income taxes	-20	-1,247
Tax effects arising from non-utilised losses and non-recognised temporary differences for which no deferred tax assets were capitalised	3,407	2,805
Tax effects arising from the recognition of deferred tax assets for tax loss carryforwards which were not capitalised in prior periods	-1,882	-179
Others	-154	-31
Actual income taxes	**8,197**	**12,313**

Tax-free income mainly resulted from the sale of real estate companies. Income from investments accounted for using the equity method is reported under profit / loss for investments accounted for using the equity method and the profit / loss from the sale of real estate companies in the consolidated statement of income. The tax effect from non-deductible operating expenses is mainly the result of the income-tax-related interest barrier rule.

According to IAS 12, deferred tax liabilities are also to be recognised on the difference between the proportionate share in equity of a subsidiary in the consolidated statement of income and the carrying amount of the subsidiary in the parent company's balance sheet under tax law (outside basis differences), if realisation is to be expected. These differences mainly resulted from retained earnings in domestic and foreign subsidiaries.

DEMIRE did not recognise deferred tax liabilities for the accumulated results of subsidiaries amounting to TEUR 8,759 (previous year: TEUR 5,849), since these profits are intended to be reinvested indefinitely.

Recognising deferred taxes on outside basis differences as temporary differences means that future tax effects should be reported at the time profits originate, even if a distribution of profits to the parent company and the corresponding taxation of the parent company will occur only in future periods. The Company can determine the timing of distributions and the retention of earnings from subsidiaries. Except for the mandatory distributions from Fair Value REIT-AG, dividend distributions from subsidiaries are neither planned nor foreseeable. Therefore, the recognition of deferred taxes for outside basis differences was waived with the exception of the deferred taxes recognised for Fair Value REIT. The recognition of deferred taxes for outside basis differences at the level of Fair Value REIT amounted to TEUR 10.775 as of 31 December 2017 (previous year: TEUR 8,506).

For other disclosures relating to deferred tax assets and liabilities, please refer to Note E.5.1.

12. EARNINGS PER SHARE

Earnings per share

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

	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
	IN EURK	
Net profit / loss	**19,432**	**27,649**
Net profit / loss attributable to parent company shareholders	13,783	24,670
Interest expenses from convertible bonds	1,052	860
Net profit / loss attributable to parent company shareholders (diluted)	14,835	25,530
Number of shares		
Number of shares outstanding as of the balance sheet date	54,271	54,247
Weighted average number of shares outstanding	54,261	51,364
Impact of conversion of convertible bonds	13,614	13,638
Weighted average number of shares (diluted)	67,875	65,002
Earnings per share	**0**	**0**
Basic earnings per share (EUR)	0,25	0,48
Diluted earnings per share (EUR)	0,22	0,39

As of 31 December 2017, the Company had potential ordinary shares outstanding from the 2013 / 2018 convertible bond, which entitle the holders of the convert-ible bonds to an exchange for 10,613,963 shares (previous year: 10,637,763 shares) and the holders of the 2015 / 2018 mandatory convertible bond to an exchange for 3,000,000 shares of EUR 15,000,000 (previous year: EUR 15,000,000).

13. STAFF COSTS

	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016
	IN EURK	
Salaries	-6,559	-4,965
Statutory social expenses	-557	-425
Total	**-7,116**	**-5,390**

Staff costs of TEUR 7,116 are generally recognised in general and administrative expenses and relate mainly to -DEMIRE AG (TEUR 5,024). This item also includes staff costs of TEUR 1,706 from DEMIRE Immobilien Management GmbH, which are reported in expenses incurred to generate rental income and not in administrative costs. Of the statutory social expenses, about half are attributable to contributions to statutory pension insurance.

In the reporting period, the staff costs for -DEMIRE AG include expenses for share-based payments of TEUR 482 (previous year: TEUR 594). This was offset by the release of capital reserves of TEUR 617 as described in section G.4.d (Share-based Payments).

E. NOTES TO THE CONSOLIDATED BALANCE SHEET

1. NON-CURRENT ASSETS

The development of the individual items can be found in the schedule of non-current assets (Appendix 4).

1.1 Intangible assets

Upon initial recognition, individually acquired intangible assets are measured at their acquisition cost. Subsequently, intangible assets with a limited period of use are amortised on a straight-line basis usually over a period of three to five years based on their estimated useful economic life and are tested for possible impairment when there are any relevant indications thereof. Impairment of intangible assets is recognised in profit or loss.

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

Intangible assets are tested for impairment if circumstances or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. As soon as the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised through profit or loss. The recoverable amount is the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is the amount that could be achieved by selling an asset or a cash-generating unit in a transaction at market conditions between knowledgeable parties willing to contract after deduction of the sale costs.

Impairment losses are reversed once the reason for the previously recognised impairment ceases. This excludes goodwill for which there is a general prohibition of reversal of impairment under IFRS.

1.1.1 Goodwill

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

Goodwill is regularly tested for impairment at least once a year. The determin-ation of the recoverable amount requires assumptions and estimates regarding the future development of earnings and the sustainable growth rate of the cash-generating unit or group of cash-generating units to which goodwill has been allocated.

The goodwill arising from the first-time consolidation of the MAGNAT Investment I B. V. subsidiary has already been fully impaired in previous periods.

Goodwill of TEUR 6,783 arising from the first-time consolidation of Fair Value REIT-AG as of 31 December 2015 was allocated to Fair Value REIT.

The Group carried out the annual impairment test as of 31 December 2017. The recoverable amount of the cash-generating unit (CGU) Fair Value REIT was calculated on the basis of the calculation of value in use using cash flow forecasts based on financial plans approved by the management for a period of five years. The management's plans are based on past experience and the best possible estimates of future developments. The cash flow forecasts are based on a discount rate (WACC) of 4.15 %. The projections for cash flows after five years are based on the average amount of cash flows for the detailed planning period. The recoverable amount determined on the basis of the value in use was then compared with the carrying amount of the CGU in order to assess its value. As a result of this analysis, management identified sufficient headroom between the value in use and the carrying amount of the CGU. No change in the material assumptions deemed possible by the management results in the carrying amount exceeding the recoverable amount. Accordingly, DEMIRE has not identified any impairment as of 31 December 2017.

The key basic assumptions for the calculation of the value in use and the sensitivity analysis versus the assumptions made are the following:

Rental cash flows – The CGU Fair Value REIT focuses on the acquisition and management of commercial real estate in Germany. Fair Value REIT invests directly in real estate as well as indirectly through the participation in real estate partnerships. Accordingly, cash flows for direct ownership and the subsidiaries were planned. Rental income and rental costs were derived from contracted leases or based on assumptions for the probability of contract prolongations and vacancies for specific rental areas. The planned maintenance expenditures are largely based on concrete planned measures, or on a flat rate based on past experience. The operating costs of the properties have been indexed and extrapolated based on the previous years' figures.

Rental cash flows could drop as a result of rent reductions, rental losses or rising vacancies. Moreover, a reduction in the real estate portfolio could lead to a decline in cash flows. Even if cash flows fell by 10 %, no impairment would result as of 31 December 2017.

Discount rate – The discount rate is based on the CGU's weighted average cost of capital (WACC). The weighted average cost of capital takes into account both the cost of capital for debt and equity. The equity costs are derived from the expected return of equity investors of the Fair Value REIT subgroup. Borrowing costs were derived from the average financing costs of comparable companies. Sector-specific risk was determined by applying individual beta factors. The beta factors were determined on the basis of publicly available market data. An increase in the discount rate of 0.5 % as of 31 December 2017 would not have resulted in the need for impairment.

1.1.2 Other intangible assets

Other intangible assets mainly contain computer software. A useful life of three to five years is applied to other intangible assets. Amortisation of TEUR 28 (previous year: TEUR 18) is reported in the statement of income in the line item "Other operating expenses".

1.2 Property, plant and equipment

Office and operating equipment

Property, plant and equipment includes office and operating equipment. Straight-line depreciation is based on a useful life of 3 to 15 years. Depreciation is reported in the statement of income in the line item "Other operating expenses" amounting to TEUR 150 (previous year: TEUR 91).

Technical equipment

The technical equipment of TEUR 1,370 (previous year: TEUR 1,370) includes the operating facility (hotel inventory) of Kurfürster Immobilien GmbH acquired in the prior period.

1.3 Investment properties

The Company's investment properties include those properties that are held for rental income generation and value appreciation and not for their proprietary use or sale in the ordinary course of business. Investment properties are measured at acquisition cost plus incidental acquisition costs at the time of acquisition. In accordance with the option provided for in IAS 40 in conjunction with IFRS 13, investment properties are measured at fair value in their subsequent recognition, whereby changes in the fair value are generally recognised in profit or loss. Advance payments on real estate purchases are recognised as advance payments in the item property, plant and equipment.

When measuring investment properties, the key valuation parameters are expected cash flows, assumed vacancy rates, their changes during the planning horizon and the discounting and capitalisation rates. The discounted cash flow method is used unless market values can be derived from sales of comparable properties. The valuation is carried out in accordance with International Financial Reporting Standards (IFRS), International Standards of Valuation of Real Estate for Investment Purposes ("International Valuation Standards") and the RICS Valuation – Professional Standards (January 2014) of the Royal Institution of Chartered Surveyors.

Valuation of real estate

Fair values of investment properties owned by DEMIRE are determined based on the discounted cash flow method (DEMIRE subgroup since 30 June 2017).

The discounted cash flow method provides the basis for the dynamic investment calculation and is used to calculate the present value of future expected, time-staggered and varying levels of cash flows. After identifying all value-relevant

factors, the expected and partially projectable future cash flows are summed up for each period. The result of the cash inflows and outflows is discounted up to a fixed point in time (valuation date) using the discount rate. In contrast to the German discounted earnings model of the Valuation Ordinance (WertV), however, the cash flows during the period under consideration are explicitly quantified and not shown as annuity payments. Since the importance of future cash flows decreases as a result of discounting and the forecast uncertainty increases over the observation period, the stabilised net income of a property is usually capitalised using a growth-implicit minimum interest rate (capitalisation rate) following a 10-year period (detailed observation period) and discounted to the valuation date when assessing investment decisions in real estate.

The assumptions used in the valuation model reflect the average of investors' assumptions dominant in the market on the respective valuation date. These valuation parameters reflect the customary market expectations as well as the extrapolation of analysed past values of the property to be valued or of one or more comparable properties.

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

The property-specific valuation parameters include, for example, rental revenue for initial and subsequent rentals, extension probabilities for the existing rental agreements, vacancy periods and vacancy costs, unallocable ancillary costs, expected capital expenditures by the owner, expansion and rental costs for initial and subsequent rentals as well as overall property- and rental-specific total rate of return on the capital tied in the investment.

Macroeconomic factors include, in particular, the development of market and rental prices during the detailed observation period and the inflation expectations assumed in the calculation model. In order to meet fair value disclosure requirements, DEMIRE has defined groups of assets and liabilities based on their nature, characteristics and risks and on the levels of the fair value hierarchy described above.

The Group's management team is essentially involved in and oversees the process of evaluating investment properties, which takes place at least once per fiscal year. In doing so, the results made available by independent experts are checked for plausibility and compared with values in previous years. The evaluation results are also compared to the management's own assumptions made in the framework of early risk detection and any deviations are discussed with the expert. The portfolio's performance is also discussed in regular meetings with the Supervisory Board, which ensures that the development of the real estate portfolio's value is continuously monitored.

The determination of fair values depends on the underlying key, non-observable input factors (Level 3), which are specified in Appendix 2 and 3.

The resulting changes in value (valuation gains and losses) result specifically from the adjustment in capitalisation and discount rates and from the reduction in the advantage of some existing leases, which were concluded at a rate above the current market level ("over rents").

Fair value developed as follows during the reporting period:

	01/01/2017 – 31/12/2017	**01/01/2016 – 31/12/2016**
	IN EURK	
Fair value at beginning of the fiscal year	981,274	915,089
Additions (change in scope of consolidation)	0	37,106
Reclassifications from advance payments and real estate inventory	0	11,191
Additions	6,247	11,480
Disposals	0	-8,270
Reclassifications to non-current assets, held for sale (see Note E.3)	-10,440	-23,736
Unrealised gains from fair value measurement included in item D.5 of the statement of income	49,005	50,176
Unrealised losses from fair value measurement included in item D.5 of the statement of income	-4,240	-11,762
Total	**1,021,847**	**981,247**

The additions to investment properties in the amount of TEUR 6,247 mainly result from subsequent acquisition and production costs for Hanse-Center -Objektgesellschaft mbH and Fair Value REIT-AG.

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

CHANGE IN VALUE	Discount rate / Property yield		Market rent[1]	
	-0.5%	0.5 %	-10%	10 %
in EURk	60,548	-50,510	-80,881	80,599
in %	5.92	-4.94	7.91	7.89

[1] Taking into account rental income, vacancy rates, administration and maintenance costs.

A substantial increase in maintenance costs, vacancy rates or property yields would lead to a lower fair value of the properties if the assumptions for the remaining input parameters remained unchanged.

1.4 Investments accounted for using the equity method

Investments in subsidiaries in which DEMIRE has (only) a significant influence are reported under investments accounted for using the equity method. Moreover, interests in joint arrangements are also reported under investment accounted for using the equity method if they qualify as joint ventures as defined by IFRS 11. At each balance sheet date, DEMIRE determines whether there is objective evidence that the value of an investment accounted for using the equity method might be impaired. Relationships with these companies are of an operational nature. The business activities of these companies are primarily property management. These are non-listed interests for which there is no active market. These are essentially companies in the real estate sector with minor business activities.

Interests in companies over which DEMIRE can exert a significant influence but where the possibility of control is not available, are accounted for using the equity method in accordance with IAS 28. Similarly, interests in joint ventures are accounted for using the equity method in accordance with IFRS 11. The interests are initially valued at acquisition cost. The difference between the acquisition cost and the proportionate equity represents goodwill. Subsequently, the carrying amount of the interests increases or decreases in accordance with the share in the profit / loss for the period (incl. the effects of currency translation). The -application of the equity method ends when the possibility of significant de-cisive influence over the respective company no longer exists or when the company no longer qualifies as an associate or joint venture. Simultaneously existing assets whose settlement is neither planned nor probable are allocated to the investments accounted for using the equity method according to the economic purpose of the net investment.

The reconciliation of the carrying amount of investments accounted for using the equity method is determined by DEMIRE's share in the profit or loss transferred in accordance with the annual or interim financial statements.

The investments in companies accounted for using the equity method amounted to TEUR 200 (previous year: TEUR 126) as of 31 December 2017. This includes the shareholding in Irao Magnat 28 / 2 LLC, Tbilisi, Georgia, of TEUR 116 (previous year: TEUR 116) and a transferred profit for the year of TEUR 0 (previous year: TEUR 0). Also included are G+Q Effizienz GmbH, acquired in the previous year for TEUR 40 with a transferred profit for the year of TEUR 31 and DEMIRE Assekuranz GmbH & Co. KG, Dusseldorf, also acquired in the previous year for TEUR 43 with an assumed profit for the year of TEUR 42.

1.5 Other financial assets

Financial assets are classified and accounted for at the date of acquisition in accordance with the categories of IAS 39.

DEMIRE classifies financial assets as either

- financial assets measured at fair value through profit or loss,
- loans and receivables,
- financial investments available for sale, or
- derivative financial instruments that meet the requirements for effective hedging.

No financial assets held for trading purposes or financial investments held to maturity have been recognised.

First, it is determined whether there is an objective indication for the impairment of financial assets that are individually significant and of groups of financial assets that are individually not significant. If DEMIRE determines that an individual financial asset that is analysed individually, whether significant or not, does not provide an objective indication of impairment, DEMIRE allocates the asset to a group of financial assets with comparable default risk profiles and evaluates

these combined for impairment. Assets that are individually tested for impairment and for which an impairment loss is recognised are not included in the impairment assessment on a group basis. In the case of impairment, the carrying amount of the financial asset in question is reduced through profit and loss by means of a valuation allowance account.

If the amount of the impairment is reduced in one of the following reporting periods and if this reduction can be attributed objectively to an event occurring after the impairment, the previously recognised impairment loss is reversed. However, the impairment reversal is limited to the amount of the amortised cost at the time of the reversal. Reversals of impairments for financial assets allocated to the loans and receivables category are recognised through profit or loss.

The carrying amount of other financial assets amounts to TEUR 1,990 (previous year: TEUR 11,328) and essentially comprises non-current securities. The decline in other financial assets resulted from the disposal of the receivable settlement balance for terminated shares in BBV 9 Geschäftsführungs-GmbH & Co. KG at Fair Value REIT-AG.

2. CURRENT ASSETS

2.1 Real estate inventory

In accordance with IAS 2, real estate inventory is measured at the lower of acquisition or production costs and the net realisable value. The net realisable value is the estimated sales proceeds in the normal course of business less the estimated costs until completion and the estimated selling costs. In addition to the directly attributable unit costs, the acquisition or production costs also include the overhead costs attributable to the production process.

The net realisable value is calculated in each subsequent period. If the circumstances that had previously led to an impairment of the inventory's value to a level below its acquisition or production cost no longer exists or if there is a substantive indication of an increase in the net realisable value due to changes in economic circumstances, the impairment loss is reversed to the extent that the new carrying amount corresponds to the lower of acquisition and production costs and the adjusted net realisable value (i. e. the original impairment loss is the upper limit for the reversal of the impairment). This is the case, for example, when real estate inventory recognised at net realisable value due to a decline in the selling price is still in the portfolio in a subsequent period, and the selling price has risen again.

Of the real estate inventory, an amount to TEUR 1,734 (previous year: TEUR 2,222) is attributable to developed and undeveloped properties that are intended for resale. The decline in the carrying amount is primarily a result of a sale at R-Quadrat Bulgaria EOOD.

2.2 Trade accounts receivable and other receivables

The following table shows the composition of trade accounts receivable and other receivables as of 31 December 2017.

	31/12/2017		31/12/2017	31/12/2016		31/12/2016
	Gross	Impairment	Net	Gross	Impairment	Net
			IN EURK			
Trade accounts receivable against third parties	3,734	926	2,808	7,620	2,159	5,461
Receivables from the sales of the investment in SQUADRA Immobilien GmbH & Co. KG	7,543	0	7,543	7,184	0	7,184
Purchase price receivables from sales of legacy portfolio	2,880	1,879	1,001	2,880	860	2,020
Unbilled service charges	2,091	0	2,091	3,188	0	3,188
Receivables from processing value-added tax	1,794	0	1,794	1,895	0	1,895
Purchase price receivables from BBV 02	1,367	0	1,367	1,361	0	1,361
Deposits	586	0	586	369	0	369
Receivables due from former owners of Kurfürster Immobilien GmbH	366	0	366	366	0	366
Administrator accounts	12	0	12	0	0	0
Building cost subsidy	0	0	0	588	0	588
Receivables from settlement balance BBV 09	0	0	0	517	0	517
Others	1,008	0	1,008	665	0	665
Total	**21,382**	**2,805**	**18,577**	**26,633**	**3,019**	**23,614**

All trade accounts receivable against third parties are of a short-term nature and are usually due within a time horizon of fewer than three months.

If in the case of trade accounts receivable there are objective indications (such as the probability of insolvency or significant financial difficulties of the borrower) of failure to pay all amounts due under the originally agreed terms, an impairment loss is recognised through profit or loss using an impairment account.

As of the 31 December 2017 reporting date, impairments amounted to TEUR 2,805 (previous year: TEUR 3,019). Impairment losses are reported in the consolidated statement of income under the item "Impairment of receivables".

2.3 Financial receivables and other financial assets

Financial receivables and other financial assets of TEUR 5,184 (previous year: TEUR 10,293) primarily consist of receivables from the loan to Taurecon Real Estate Consulting GmbH, Berlin, amounting to TEUR 2,746 and from the loan to Taurecon Beteiligungs GmbH, Berlin, amounting to TEUR 2,342, which holds minority shareholdings in certain Group companies of DEMIRE. The year-over-year decline in financial receivables and other financial assets mainly resulted from the derecognition of the call option (early termination right of the 2014 / 2019 corporate bond).

Taking into account corresponding impairments, financial receivables and other financial assets do not contain any overdue receivables.

2.4 Cash and cash equivalents

Cash and cash equivalents include cash on hand and bank balances carried at their nominal value. Cash and cash equivalents in foreign currencies are translated at the closing rate on the balance sheet date.

Cash and cash equivalents of TEUR 73,874 (previous year: TEUR 31,289) include cash on hand and bank balances. Cash and cash equivalents also include deposit payments received from tenants in the amount of TEUR 591 (previous year: TEUR 567), which was offset by liabilities in the same amount.

3. NON-CURRENT ASSETS HELD FOR SALE

For assets held for sale, it must be determined whether they can be sold in their present state and whether their disposal is highly probable. If this is the case, assets held for sale are recorded and measured in accordance with the relevant regulations of IFRS 5. Non-current assets held for sale are carried at the lower of the carrying amount and the fair value less costs to sell. Impairment losses recognised in subsequent measurement are recognised as expenses. A later increase in fair value less costs to sell for an asset is recognised as a gain, but only up to the amount of the cumulative impairment loss recognised in previous periods.

Non-current assets held for sale in the amount of TEUR 12,262 (previous year: TEUR 24,291) as of the balance sheet date exclusively consist of properties held for sale. The most important properties are the property in Darmstadt (partial sale) belonging to Blue Ringed S. à r. l. and the property in Apolda belonging to Glockenhofcenter Objektgesellschaft mbH. Notarised deeds of purchase are available, and the transfer of benefits and obligations is expected in the 2018- fiscal year.

4. EQUITY

Subscribed capital increased by TEUR 24 in the reporting period to a total of TEUR 54,271 due to conversions of the 2013 / 2018 convertible bonds. The 2013 / 2018 convertible bonds are divided into 10,613,963 bearer shares (previous year: 10,637,763) with a notional par value of EUR 1.00. All shares are fully paid in. Restrictions on voting rights or the transfer of shares have not been agreed. Shares of the Company with special rights conferring control powers were not issued.

Capital reserves pursuant to Section 272 (4) no. 1 HGB were utilised during the reporting year. As a result of this utilisation, the accumulated loss of the parent company preparing the consolidated financial statements as of 31 December 2017 was reduced. Capital reserves also changed due to an expense of TEUR 532 under the stock option programme (see Note G.4.d), partly offset by the cancellation of expenses of TEUR 617 previously recognised within equity due to the departure of an Executive Board member. This member's entitlements were fully compensated via a one-time payment.

The currency translation reserve encompasses the currency differences of fully consolidated companies and those accounted for using the equity method whose functional currency is not the euro.

The item non-controlling interests concerns the interests of third-party shareholders in the equity and net profit / loss of fully consolidated subsidiaries. The consolidated profit / loss attributable to the shareholders of the parent company is the difference between the consolidated profit / loss before non-controlling interests and the non-controlling interests reported in the statement of income.

In the case of a capital increase, the profit participation of new shares may be determined in deviation from Section 60 (2) AktG.

Shareholders are not entitled to share certificates to the extent this is permitted by law.

Authorised Capital I / 2016

By resolution of the Annual General Meeting of 30 June 2016 and with the Supervisory Board's consent, the Executive Board is authorised to increase the Company's subscribed capital until 29 June 2021 by issuing up to 24,653,611 new, ordinary, no-par value bearer shares each with a notional interest of EUR 1.00 against cash contribution or contribution in kind on one or several occasions in partial amounts of up to EUR 24,653,611.00 (Authorised Capital I / 2016). Shareholders are generally entitled to subscription rights.

On 10 August 2016, the Company's Executive Board and the Supervisory Board resolved to increase the Company's subscribed capital from authorised capital once by EUR 4,930,722.00 to EUR 54,237,944.00 against cash contribution by issuing 4,930,722 new, ordinary, no-par value bearer shares each with a notional interest in subscribed capital of EUR 1.00. After partial utilisation, the remaining Authorised Capital I / 2016 amounted to EUR 19,722,889.00.

By resolution of the Annual General Meeting of 29 June 2017, Authorised Capital I / 2016 of EUR 19,722,889.00 and the related provisions of Section 6 of the Art-icles of Association (Authorised Capital) were cancelled. With the Supervisory Board's consent, the Executive Board was authorised to increase the Company's share capital by up to EUR 27,128,872.00 (Authorised Capital I / 2017) by issuing up to 27,128,872 new, no-par value bearer shares against contribution in cash and / or in kind once or several times in partial amounts until 28 June 2022. Shareholders are generally entitled to subscription rights. The new shares can also be subscribed to by one or several banks with the obligation to offer the new shares to shareholders for subscription. With the Supervisory Board's consent, the Executive Board is authorised to exclude shareholder subscription rights for fractional amounts in the case of cash capital increases of up to 10 % of the share capital at issue prices not substantially below the stock market price, as well as to meet the obligations of option or conversion rights, issue shares to employees and execute capital increases against contribution in kind.

Authorisation to repurchase own shares

The Company has been authorised to acquire up to 10 % of the existing subscribed capital outstanding as of the date of authorisation from the date of the resolution of 15 October 2014 for a period of five years, i. e. until 14 October 2019. The number of shares acquired under this authorisation, together with other Company shares already purchased by the Company or already owned, may not exceed 10 % of the Company's respective existing subscribed capital.

5. NON-CURRENT LIABILITIES

5.1 Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities are recognised in accordance with IAS 12 for temporary differences between the carrying amounts of assets and liabilities in the consolidated balance sheet and the balance sheet under tax law and for unutilised tax loss carryforwards (liability method). In evaluating if deferred tax assets can be utilised, DEMIRE takes into account whether it is rather likely or unlikely that deferred taxes cannot be realised. The real-isation of deferred tax assets depends on whether taxable income will be generated at the time of the reversal of the temporary differences from which the temporary differences can be deducted. This assessment is based on DEMIRE's tax planning. Deferred tax assets for tax loss carryforwards were recognised in the amount of TEUR 7,516 (previous year: TEUR 4,523).

Deferred taxes are measured using the local tax rates that are expected at the time the asset is realised or the liability settled. This is based on the tax rates applicable on the balance sheet date. The effects of changes in tax legislation are taken into account as early as the year in which the changes take effect. Deferred taxes relating to items recognised directly in equity are not recognised in the statement of income, but directly in equity. A valuation allowance is recognised for deferred tax assets if the realisation of future tax benefits is unlikely. Deferred tax assets and liabilities are offset against each other provided that the claims and obligations exist against the same tax authority.

DEMIRE recognised deferred taxes for temporary differences and so-called "inside basis differences" of Fair Value

REIT-AG by applying the Company-specific tax rate as of the balance sheet date. Because Fair Value REIT-AG is generally exempt from taxes, no taxes are incurred at the level of Fair Value REIT as long as its status as a tax-exempt REIT (Real Estate Investment Trust) is maintained. In addition to the "inside basis differences", "outside basis differences" were also recognised for Fair Value REIT-AG according to the "tax-transparent entity" approach. This approach assumes a deemed disposal of all properties directly held by Fair Value REIT-AG and indirectly held through trusts.

Deferred tax assets and applying tax liabilities consist of temporary differences in the following balance sheet items:

	December 31, 2017	December 31, 2016
	IN EURK	
Tax loss carryforwards	7,516	4,523
Financial liabilities	134	1,354
Investment properties	0	0
Interest swap	0	200
Deferred tax assets before offsetting	**7,650**	**6,078**
Offsetting	– 7,650	-6,078
Deferred tax assets	**0**	0
Investment properties	49,217	37,683
Real estate inventory	0	0
Financial liabilities	1,326	3,425
Deferred tax liabilities before offsetting	**50,543**	**41,108**
Offsetting	-7,650	-6,078
Deferred tax liabilities	**42,893**	**35,030**

The requirements of IAS 12.74 are met with respect to the deferred tax assets arising from tax loss carryforwards in the amount of TEUR 7,516 prior to their offsetting (previous year: TEUR 4,523).

The following table shows the change in deferred taxes in the reporting period:

	01/01/2017	Statement of income	31/12/2017
		IN EURK	
Investment properties	-37,683	-11,534	-49,217
Interest swaps	200	-200	0
Tax loss carryforwards	4,523	2,993	7,516
Financial liabilities	-2,071	877	-1,192
Total	**-35,030**	**-7,864**	**-42,893**

The item "Financial liabilities" mainly refers to deferred taxes related to the debt instruments of the 2013 / 2018 convertible bond, the 2017 / 2022 corporate bond and the 2015 / 2018 mandatory convertible bond.

Tax loss carryforwards and deductible temporary differences that were not taken into account when determining deferred taxes and are generally non-forfeitable amounted to TEUR 30,711 (previous year: TEUR 40,990). In the reporting year, there were unrecognised asset items for deferred taxes amounting to TEUR 7,448 (previous year: TEUR 7,980).

The change in deferred taxes in the 2016 fiscal year and its structure can be -broken down as follows:

	01/01/2016	Statement of income	31/12/2016
		IN EURK	
Investment properties	– 27,870	– 9,813	– 37,683
Real estate inventory	– 6	6	0
Interest swaps	88	112	200
Tax loss carryforwards	3,937	586	4,523
Financial liabilities	– 1,719	– 352	– 2,071
Total	**-25,570**	**-9,460**	**-35,030**

5.2 Minority interests

The minority interests reported under the Group's liabilities are essentially attributable to Fair Value REIT-AG and concern the capital of limited partners, who are mainly natural persons, in real estate funds in the legal form of a GmbH & Co. KG and amounted to TEUR 71,931 as of the balance sheet date (previous year: TEUR 62,822). Because minority shareholders have the right to terminate their investment, the interests of these shareholders in the capital of the subsidiaries are considered as potential compensation claims under IAS 32 and recorded as a liability in the consolidated balance sheet. Measurement is carried out at fair value upon initial recognition, which corresponds to the interest of the minority shareholder in the net assets of the respective company. The reported liability, therefore, corresponds to the notional interest of the minority shareholder in the net assets of the respective subsidiary shown in the partial Group balance sheet of Fair Value REIT at their carrying amounts.

This increase is primarily a result of compensation payments to minority shareholders in accordance with Section 304 AktG in the context of the profit and loss transfer agreements concluded in the fiscal year. Due to this increase, there was a corresponding decline in the interests of non-controlling shareholders in equity. The rest of the increase resulted from valuation gains. For further information, please see the information about the statement of income in section D.10.

5.3 Financial liabilities

Financial liabilities are measured at their fair value on the date of assumption less directly attributable transaction costs and discounts. The fair value at the time of the incurring the financial liabilities corresponds to the present value of the future payment obligations on the basis of a maturity and risk-congruent market rate. Subsequent measurement is carried out at amortised cost using the effective interest method. The effective interest rate is determined at the time of the initial recognition of the financial liabilities. Changes to the conditions relating to the amount or timing of interest and repayments result in a recalculation of the carrying amount of the financial liabilities at their present value and on the basis of the originally determined effective interest rate. Any differences to the previously recognised carrying amounts of the financial liabilities are recognised through profit or loss.

Financial liabilities as of the balance sheet date (31 December 2017) consisted of the following:

FINANCIAL LIABILITIES	Fixed interest	Variable interest	Total
		IN EURK	
2017/2022 corporate bond	392,532	0	392,532
2013/2018 convertible bond	10,493	0	10,493
2015/2018 mandatory convertible bond (liability component)	167	0	167
Other financial liabilities	249,627	42,095	291,722
Total	**652,819**	**42,095**	**694,914**

Financial liabilities as of the previous balance sheet date (31 December 2016) consisted of the following:

FINANCIAL LIABILITIES	Fixed interest	Variable interest	Total
		IN EURK	
2014/2019 corporate bond	97,650	0	97,650
2013/2018 convertible bond	10,398	0	10,398
2015/2018 mandatory convertible bond (liability component)	549	0	549
Other financial liabilities	502,858	51,188	554,046
Total	**611,455**	**51,188**	**662,643**

The following table shows the nominal value of financial liabilities as of the balance sheet date (31 December 2017):

FINANCIAL LIABILITIES	Fixed interest	Variable interest	Total
		IN EURK	
2017/2022 corporate bond	400,00	0	400,000
2013/2018 convertible bond	10,613	0	10,613
2015/2018 mandatory convertible bond (liability component)	15,000	0	15,000
Other financial liabilities	247,499	42,101	289,600
Total	**673,112**	**42,101**	**715,213**

The following table shows the nominal value of financial liabilities as of the -previous -balance sheet date (31 December 2016):

FINANCIAL LIABILITIES	Fixed interest	Variable interest	Total
		IN EURK	
2014/2019 corporate bond	100,000	0	100,000
2013/2018 convertible bond	10,638	0	10,638
2015/2018 mandatory convertible bond (liability component)	15,000	0	15,000
Other financial liabilities	495,668	52,470	548,137
Total	**621,306**	**52,470**	**673,775**

Other financial liabilities mainly comprise financial liabilities to credit institutions at a weighted average nominal rate of 3.19 % (previous year: 3.84 %).

A significant portion of other financial liabilities is a promissory note loan, which bore nominal interest of 5.00 % until 31 December 2016 and was due on 9 September 2019. As of 1 January 2017, a prolongation was agreed until 2022 with a simultaneous reduction in the nominal interest rate to 4.00 %.

As of the balance sheet date, financial liabilities of TEUR 286,629 (previous year: TEUR 551,202) were collateralised by assets. As in the previous year, none of DEMIRE's assets are encumbered by a mortgage as collateral for third-party liabilities.

Generally, all loan agreements for the properties financed stipulate information requirements that DEMIRE's subsidiaries as debtors must fulfil with respect to the banks or investors as creditors. Depending on the type and scope of the loan, the information requirements range from providing key financial ratios (e. g. financial statements) to reporting on the compliance with covenants.

In its consolidated financial statements as of 31 December 2016 -DEMIRE AG reported on the breach of credit covenants in financing Logistikpark Leipzig. In the context of the Group's refinancing and the issue of the 2017 / 2022 corporate bond, this loan was repaid early as of 27 July 2017.

The monitoring, compliance and reporting of the covenants specified in the loan agreements for the properties financed is carried out by DEMIRE's management, treasury and asset management areas. Depending on the specific credit agreement, the appropriate reporting on the covenants as well as the basis for the underlying business ratios are to be submitted to the creditors quarterly, semi-annually or annually. If DEMIRE fails to comply with the covenants, the credit-ors are entitled to demand additional collateral from the debtor. The loans are then in default. If the default persisted for a longer period of time and could not permanently be remedied, the creditors have a special right of termination.

2017 / 2022 corporate bond

As of the 31 December 2017 balance sheet date, the 2017 / 2022 unsecured corporate bond in a total nominal amount of TEUR 400,000 was issued.

-DEMIRE AG placed an unsecured corporate bond with an issue volume of TEUR 400,000 in the 2017 fiscal year. The corporate bond has a maturity of five years and is due on 15 July 2022. The bond was issued with a coupon of 2.875 % p. a., which is paid to investors in arrears semi-annually. The inclusion of the corpor-ate bond with a total nominal value of TEUR 270,000 for trading on the Luxembourg Stock Exchange (Euro MTF Market) under ISIN XS1647824173 (sold under Regulation S) and XS1647824686 (sold under Rule 144A) took place on 12 July 2017. An additional tranche of TEUR 130,000 was issued on 18 September 2017. The corporate bond was awarded a BB+ and a Ba2 rating, respectively, from the Standard & Poor's and Moody's rating agencies.

In the event new financial liabilities are assumed, -DEMIRE AG is obliged to comply with financial covenants in accordance with the terms of the 2017 / 2022 corporate bond, which in the case of non-compliance could lead to extraordin-ary termination by the bondholders and thus to repayment obligations on the part of the Company and which also stipulate distribution restrictions. The financial covenants concern various financial key figures, specifically the net loan-to-value (net LTV), which must not exceed 65 % from the time of the bond's placement up to and including 30 June 2018, 60 % in the period from 1 July 2018 to 31 December 2019 and 55 % as of 1 January 2020. As a further key figure, the fixed charge coverage ratio (FCCR) cannot fall below 1.45 until 30 June 2018, 1.60 from 1 July 2018 to 31 December 2018 and 1.75 from 1 January 2019 onwards. Furthermore, the net secured loan-to-value (net secured LTV) may not exceed 40 %. The duty to monitor and calculate the financial covenants arises exclusively in the course of further borrowing. The monitoring, compliance and reporting of the financial covenants were carried out by the management, treasury and asset management of DEMIRE. No financial covenant had been breached as of the 31 December 2017 balance sheet date.

Convertible bonds (2013 / 2018 CB)

By resolution of the Annual General Meeting on 23 October 2013, the Executive Board was authorised, with the consent of the Supervisory Board, to issue bearer and / or registered convertible bonds and / or bonds with warrants once or several times until 30 September 2018 with a total nominal value of TEUR 50,000 with or without a maturity limitation and to grant option and conversion rights to the holders or creditors of bonds for new, no-par value bearer shares of the Company with a notional interest in the share capital of up to TEUR 25,000 according to the more detailed provisions of the terms of the bond.

In December 2013, -DEMIRE AG issued convertible bonds in a total nominal amount of TEUR 11,300 maturing on 30 December 2018. The convertible bonds are divided into 11,300,000 fractional bonds, each with a nominal value of EUR 1.00.

The details of the convertible bonds are as follows:

- They are divided into a maximum of 11,300,000 bearer fractional bonds, each with a nominal value of EUR 1.00 and carrying equal rights.
- During the bond's term, holders have the irrevocable right during the conversion periods to convert each convertible bond with a nominal value of EUR 1.00 initially into one no-par value share of -DEMIRE AG with a notional interest in the share capital of EUR 1.00 each. By resolution of the creditors' meeting of 30 September 2014, the terms and conditions of the convertible bonds have been amended so that cash compensation is no longer possible.
- In case of the effective exercise of the conversion right, the conversion price amounts to EUR 1.00 per ordinary bearer share, each with a notional interest in the share capital of EUR 1.00. The conversion price may be subject to adjustments due to adjustment provisions contained in the bonds' terms and conditions. This corresponds to a conversion ratio of 1:1. The terms and conditions do not provide for cash settlement.
- The issue price per convertible bonds is EUR 1.00 and corresponds to the nom-inal value and initial conversion price.
- The convertible bonds yield 6.00 % interest p. a. The interest is payable on 30 March, 30 June, 30 October and 30 December of each year during the term of the convertible bonds.

Following the exercise of 23,800 conversion rights from the 2013 / 2018 convertible bond, the Company's share capital was increased during the reporting year by 23,800 no-par value bearer shares with a notional interest of EUR 1.00.

As a result of the change in the terms and conditions of the 2013 / 2018 convertible bond on 30 September 2014, the

previous debt instrument was derecognised, and a new debt instrument was recognised. The debt instrument was replaced because the change in the terms and conditions was considered a material change in the contract conditions as defined by IAS 39.40. The previous debt instrument was carried at fair value until 30 September 2014, and the new debt instrument was carried at amortised cost from 30 September 2014. According to IAS 32.28, the new debt instrument must be divided into an equity and liability component.

According to IAS 32.31 et seq., the division into an equity and liability component must be carried out under the residual value method. A term-equivalent credit spread on the risk-free interest rate was used to measure the debt component at the time of initial recognition on 30 September 2014. The resulting value for the debt component amounted to TEUR 10,418. The difference between the amount of the "new" convertible bond on 30 September 2014 (TEUR 10,909) and the value of the debt component was recognised as an equity component totalling TEUR 490.

Mandatory convertible bond (MCB 2015 / 2018)

In May 2015, a mandatory convertible bond with a volume of TEUR 15,000 was issued with the exclusion of shareholders' subscription rights against contribution in kind. In the context of the transaction, an investor in the 2014 / 2019 corporate bond (Open Market of the Frankfurt Stock Exchange; ISIN DE000A12T135 / WKN: A12T13; volume TEUR 100,000) subscribed to the mandatory convertible bond issued with a term of three years (maturing in 2018) by contributing fractional bonds from the 2014 / 2019 corporate bond. The bonds carry an interest coupon of 2.75 % p. a. starting from the date of issue and may be converted from the date of 1 September 2015 into shares at an initial conversion price of EUR 5.00 per share, subject to adjustments. The mandatory convertible bond is equipped with a conversion obligation of the respective creditor upon the bond's maturity.

The convertible bonds placed by -DEMIRE AG on 22 May 2015 maturing on 22 May 2018 with a total nominal value of up to TEUR 15,000 are divided into 150 bonds with a nominal value of TEUR 100 each.

The details of the convertible bonds are as follows:

- They are divided into a maximum of 150 bearer fractional bonds, each with a nominal value of TEUR 100 and carrying equal rights.
- Bondholders have the right to convert each bond in whole, but not in part, during the bond's term, into no-par value shares (no-par value shares) with a notional interest in the Company's share capital on the issue date of EUR 1.00.
- In case of the effective exercise of the conversion right, the conversion price amounts to EUR 5.00 per no-par value share, subject to adjustments due to adjustment provisions included in the terms and conditions of the bonds. The conversion ratio is calculated by dividing the bond's principal amount by the conversion price applicable on the exercise date.
- The bonds bear 2.75 % interest p. a. with interest payable quarterly in arrears on the dates of 22 March, 22 June, 22 September and 22 December in each year during the term of the convertible bonds.

The bonds may be callable under certain conditions by the convertible bondholders, in which case a prepayment penalty in the amount of 15.00 % on the principal amount plus accrued interest until the date of actual redemption would be due for redemption. Grounds for calling the bonds include, among others, failure to meet key (payment) obligations under the bonds; failure to meet payment obligations under other financial liabilities (cross default); bankruptcy and initiation of insolvency proceedings by the Company or its significant subsidiaries and dropping below an equity ratio of 20 % from 31 December 2016. In the case of a change in control and a merger of the issuer, the bonds may be callable and may be redeemed early with a prepayment penalty equal to 15 % of the principal amount plus accrued and unpaid interest. The issuer may redeem the bonds early in the event that the aggregate principal amount of the outstanding bonds falls below 25 % of the bonds' originally issued aggregate principal amount. No conversions took place during the reporting period.

In DEMIRE's IFRS consolidated financial statements, the equity component of the 2015 / 2018 mandatory convertible bond was recognised directly in equity as an equity instrument amounting to TEUR 13,899 due to the bond's terms and conditions. Additionally, deferred tax assets of TEUR 48 were recognised directly in equity. The effective interest rate for the debt component of TEUR 167 is 7.48 %.

The changes in financial liabilities are a result of the following effects:

	Financial Liabilities
	IN EURK
December 31, 2016	**662,643**
Proceeds from the assumption of financial liabilities	403,535
Payments for the redemption of financial liabilities	– 370,881
Valuation effects from applying the interest method	152
Remaining amortisation of redeemed financial liabilities	– 5,689
Deferred interest	4,926
Other valuation effects	228
December 31, 2015	**694,914**

Remaining amortisation resulted from two opposite effects. The remaining amortisation of previously deferred transaction costs of TEUR 1,237 as part of the executed refinancing measures had a negative effect.

On the other hand, a positive effect resulted from the reversal of hidden losses of TEUR 6,926 due to the redemption of A + B Notes that were recognised upon the first-time consolidation of Germavest Real Estate S. à r. l.

5.4 Other non-current liabilities

Other non-current liabilities of TEUR 39 (previous year: TEUR 865) are due to former minority shareholders of subsidiaries. The change versus the prior year is a result of the reclassification of a portion of the liabilities to former minority shareholders into current liabilities.

6. CURRENT LIABILITIES

6.1 Provisions

Provisions have been accrued in the reporting period for obligations to third parties that are likely to result in a future outflow of resources. The value of the provisions is reviewed at each balance sheet date.

DEMIRE assumes that the provisions will be fully utilised in the following 2018 fiscal year since these are only of a short-term nature.

Provisions developed as follows during the reporting period:

	December 31, 2016	Utilisation	Reversal	Additions	December 31, 2017
			IN EURK		
Staff costs	931	– 890	– 9	851	883
Provisions for building maintenance	800	– 495	– 305	133	133
Other provisions	8	– 6	– 2	0	0
Total	**1,739**	**– 1,341**	**– 316**	**984**	**1,016**

Provisions related to staff costs primarily consist of obligations resulting from the performance-based, variable remuneration of the Executive Board as well as obligations for variable remuneration of the staff.

6.2 Trade payables and other liabilities

Liabilities are recognised at amortised cost after their initial recognition.

As of the balance sheet date, trade payables and other liabilities were as follows:

	December 31, 2017	December 31, 2016
	IN EURK	
Trade payables	8,623	10,730
Accounting and audit costs	1,132	1,360
Liabilities from value-added taxes	933	1,069

	December 31, 2017	December 31, 2016
	IN EURK	
Liabilities to former minority shareholders	669	1,171
Deposits received	591	567
Purchase price liabilities	362	725
Creditors with net debit balances	293	312
Personnel-related expenses	156	329
Outstanding invoices	95	12
Supervisory Board compensation	0	317
Others	1,809	786
Total	**14,663**	**17,378**

Trade payables of TEUR 8,623 (previous year: TEUR 10,730) are fully due to third parties as of 31 December 2017 and 2016 and are payable in full at short notice.

Liabilities for accounting and audit costs comprise the costs incurred for the preparation, audit and publication of the annual and consolidated financial statements.

Liabilities to former minority shareholders concern settlement obligations due to the termination of the partnerships.

6.3 Tax liabilities

Current income tax liabilities of TEUR 2,559 (previous year: TEUR 4,892) mainly consist of trade taxes of TEUR 778 (previous year: TEUR 1,639) and corporate taxes of TEUR 1,764 (previous year: of TEUR 3,073).

7. LEASES

7.1 Operating leases – The Group as lessor

Minimum lease payments consist of the net rents payable until the agreed end of the contract or the earliest possible termination date available to the lessee (tenant), regardless of whether a termination or non-utilisation of an extension option should actually be expected. Rent agreements are usually concluded over fixed minimum terms of up to ten years. In some cases, tenants are entitled to extension options. In these cases, contractual rent escalation clauses effectively reduce the market risk of a long-term commitment. In the case of unlimited tenancies, a remaining term of the rental period of five years was assumed after the fifth year. Fixed future claims for minimum lease payments from long-term operating leases of rented commercial real estate amounted to:

	December 31, 2017	December 31, 2016
	IN EURK	
Due within one year	68,436	67,987
Due between 1 and 5 years	177,866	187,637
Due after more than five years	92,658	128,405
Total future rental income	**338,960**	**384,028**

7.2 Operating leases – The Group as lessee

The following future obligations from operating leases existed as of the balance sheet date:

RENTAL AND LEASE OBLIGATIONS FOR VEHICLES	December 31, 2017	December 31, 2016
	IN EURK	
Due within one year	84	44
Due between 1 and 5 years	60	126
Total	**144**	**170**

RENTAL AND LEASE OBLIGATIONS FOR OFFICE SPACE	December 31, 2017	December 31, 2016
	IN EURK	
Due within one year	146	142
Due between 1 and 5 years	415	545
Total	**561**	**687**

OTHER LEASE OBLIGATIONS	December 31, 2016	December 31, 2015
	IN EURK	
Due within one year	10	10
Due between 1 and 5 years	21	31
Total	**31**	**41**

Obligations arising from rental and lease agreements essentially result from the lease of office space within the scope of indefinite operating lease agreements without a purchase option.

The following amounts were recognised as expenses from leases during the reporting period:

	01/01/-31/12/2017	01/01/-31/12/2016
	IN EURK	
Vehicles	253	61
Office space	132	96
Total	**385**	**157**

8. CONTINGENT LIABILITIES

The following contingent liabilities existed as of the reporting date for matters for which -DEMIRE AG and its subsidiaries have pledged guarantees in favour of various contract partners.

The contingent liabilities as of 31 December 2017 consist of mortgages under Section 1191 BGB in the amount of TEUR 290,337 (previous year: TEUR 449,127). The maximum liability for these properties is limited to the carrying amount of TEUR 290,337 (previous year: TEUR 449,127) recognised on the balance sheet date. In the year under review, the related mortgages in the amount of TEUR 173,820 were removed from the title register.

In addition to the credit agreement with SÜDWESTBANK AG, Stuttgart, dated 8 April 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 TEUR 15,000, corresponding to EUR 4.41 per share, -DEMIRE AG undertakes to provide

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

After terminating the loan agreement with Signal Credit Opportunities (Lux) Investco II S. à r. l., Luxembourg, which was concluded on 30 December 2015, all collateral pledged in favour of the lender were released to -DEMIRE AG in the fourth quarter of 2017.

The following contingent liabilities existed as of the reporting date for the pledging of collateral for third-party liabilities, of which TEUR 940 (31 December 2016: TEUR 20,049) relates to liabilities for affiliated companies.

DEMIRE AG entered into a letter of guarantee in the amount of TEUR 940 related to a bank loan granted to TGA Immobilien Erwerb 1 GmbH by Volksbank Mitt-weida on 13 May 2015. The underlying obligations under the credit agreement were met given the solid level of net assets, financial position and results of operations of TGA Immobilien Erwerb 1 GmbH. Therefore, as of the balance sheet date, the probability of utilising this guarantee was considered as low. The obligations assumed are not recognised as a liability because the underlying financial liabilities will likely be met by the affiliated company and utilisation of the guarantee is not expected. The risk assessment is based on the corporate planning of TGA Immobilien Erwerb 1 GmbH.

The overdraft facility of TEUR 10,000 provided by Internationales Bankhaus Bodensee AG, Friedrichshafen, drawn down on 14 November 2016 was termin-ated in 2017. In this context, -DEMIRE AG had assumed guarantees for liabilities of its subsidiary Hanse-Center Objektgesellschaft mbH amounting to TEUR 19,109 as of 31 December 2016. These guarantees have become obsolete as did the letter of comfort issued by -DEMIRE AG.

No further contingent liabilities existed.

9. OTHER FINANCIAL OBLIGATIONS

The following other financial obligations existed as of the balance sheet date:

OBLIGATIONS FROM OUTSIDE MANAGED PROPERTIES	December 31, 2017	December 31, 2016
	IN EURK	
Due within one year	0	66
Due between 1 and 5 years	0	0
Total	**0**	**66**

The real estate purchase agreements concluded in the 2015 fiscal year that were still not in effect as of the balance sheet date, do not result in any financial obligations as of 31 December 2016.

Contractual obligations exist for the modification and expansion of the property in Eschborn. These are fixed in terms of their scope. The resulting costs were not yet firmly established as of the balance sheet date. There are no other contractual obligations to acquire, construct or develop any investment properties, or for any repairs, maintenance or improvements.

The purchase order commitment from commissioned maintenance amounted to TEUR 665 (previous year: TEUR 1,314).

As of the balance sheet date, there are no obligations for future lease payments under long-term leasehold agreements.

F. GROUP SEGMENT REPORTING

The segmentation of the data in the consolidated financial statements is based on the internal alignment according to strategic business segments pursuant to IFRS 8. The segment information provided represents the information to be reported to -DEMIRE AG's Executive Board.

The Group is divided into the two business segments "Core Portfolio" and "Fair Value REIT". The focus is the sustainable management of the respective properties. These properties are held for the purpose of generating rental income and / or for value appreciation.

The "Core Portfolio" segment contains a significant logistics property and other commercial property in Germany. These properties are accounted for within several subsidiaries that each qualify as a business segment. Due to their similar business characteristics (type of service, type and group of customers and sales methods), these subsidiaries are combined

to form the reportable segment "Core Portfolio".

The "Fair Value REIT" segment comprises office space as well as retail and wholesale properties located in German regional centres. These properties are accounted for within a number of subsidiaries, who each qualify as a business segment. Due to their similar business characteristics (type of service, type and group of customers and sales methods), these subsidiaries are combined to form the segment reportable "Fair Value REIT".

JANUARY 1, 2017 - DECEMBER 31, 2017	Core Portfolio	Fair Value REIT	Corporate Functions/ Others	Group
		IN EURK		
External revenues	73,750	42,580	400	116,730
Total revenues	73,750	42,580	400	116,730
Profit/loss from fair value adjustments in investment properties	38,794	9,766	0	48,560
Other income	3,420	486	1,146	5,052
Profits originating from a purchase below market value	0	0	0	0
Profits from investments accounted for using the equity method	73	0	0	73
Unrealised fair value adjustments in investments accounted for using the equity method	0	0	0	0
Segment revenues	116,037	52,832	1,546	170,415
Net assets from sold real estate companies	0	0	0	0
Expenses on real estate sales	– 13,268	– 13,837	– 340	– 27,445
Other expenses	– 30,547	– 15,055	– 12,697	– 58,229
Losses from investments accounted for using the equity method	0	0	0	0
Segment expenses	– 43,815	– 28,892	– 13,037	– 85,745
EBIT	72,222	23,940	– 11,491	84,671
Financial income	116	406	418	940
Financial expenses	– 46,569	– 11,403	– 10	– 57,982
Income taxes	5,923	– 2,285	– 11,834	– 8,197
Net profit/loss for the period	**31,691**	**10,658**	**-22,917**	**19,432**
Significant non-cash items	**-51,049**	**-6,675**	**23,698**	**-34,026**
Impairment losses in net profit/loss for the period	**2,571**	**192**	**0**	**2,763**

ADDITIONAL INFORMATION

SEGMENT ASSETS	770,861	326,262	49,993	1,147,116
of which investments accounted for using the equity method	84	0	116	200
of which financial receivables and other financial assets	315	0	4,869	5,184
of which tax refund claims	705	3	1,880	2,588
of which non-current assets, held for sale	12,262	0	0	12,262

SEGMENT LIABILITIES	607,705	201,619	18,691	828,015
thereof non-current financial liabilities	554,962	110,805	0	665,767
thereof current financial liabilities	19,419	9,797	– 69	29,147
thereof tax liabilities	2,556	0	3	2,559

The Corporate Functions / Others segment mainly contains DEMIRE Deutsche Mittelstand Real Estate AG's activities in areas, such as risk management, finance and controlling, financing, legal, IT and compliance.

In the fiscal year, more than 10 % of total revenue in the amount of TEUR 22,066 (previous year: TEUR 22,320) were generated with one customer in the "Core Portfolio" segment.

In the "Core Portfolio" segment, non-cash items mainly comprise fair value adjustments in investment properties in the amount of TEUR 38,794 (previous year: TEUR 36,661), income taxes of TEUR – 6,347 (previous year: TEUR – 7,623) and the profit / loss from investments accounted for using the equity method in the amount of TEUR 73 (previous year: TEUR –

359).

Transactions between segments are carried out on the basis of comparable external conditions.

JANUARY 1, 2016 - DECEMBER 31, 2016	Core Portfolio	Fair Value REIT	Reconcili Ation / Others	Group
		EURK		
External revenues	66,226	47,857	7,471	121,554
Total revenues	66,226	47,857	7,471	121,554
Profit / loss from fair value adjustments in investment properties	36,661	1,753	0	38,414
Other income	4,129	597	824	5,550
Profits originating from a purchase below market value	0	0	0	0
Profits from investments accounted for using the equity method	0	0	0	0
Unrealised fair value adjustments in investments accounted for using the equity method	0	0	0	0
Segment revenues	**107,015**	**50,207**	**8,296**	**165,518**
Net assets from sold real estate companies	0	0	– 3,510	– 3,510
Expenses on real estate sales	– 1,675	– 19,328	0	– 21,003
Other expenses	– 35,844	– 14,735	– 6,898	– 57,477
Losses from investments accounted for using the equity method	– 3	0	– 356	– 359
Segment expenses	**– 37,522**	**– 34,063**	**– 10,764**	**– 82,349**
EBIT	**69,493**	**16,144**	**– 2,469**	**83,169**
Financial income	228	0	925	1,153
Financial expenses	– 19,199	– 8,188	– 16,973	– 44,360
Income taxes	– 8,929	– 3,721	338	– 12,313
Net profit / loss for the period	**41,593**	**4,235**	**– 18,179**	**27,649**
Significant non-cash items	**– 23,245**	**5,217**	**– 4,617**	**– 22,646**
Impairment losses in net -profit / loss for the period	**955**	**12**	**1,091**	**2,058**

ADDITIONAL INFORMATION

SEGMENT ASSETS	**741,379**	**329,596**	**23,031**	**1,094,005**
thereof investments accounted for using the equity method	9	0	117	126
thereof current financial receivables and other financial assets	2,025	0	8,268	10,293
thereof tax refund claims	80	5	726	811
thereof non-current assets held for sale	20,691	3,600	0	24,291
SEGMENT LIABILITIES	**421,775**	**210,740**	**152,855**	**785,370**
thereof non-current financial liabilities	362,696	122,796	135,996	621,488
thereof current financial liabilities	19,387	9,275	13,358	42,020
thereof tax liabilities	4,710	0	182	4,892

G. OTHER DISCLOSURES

1. FINANCIAL INSTRUMENTS

Generally, reference is made to the risk report in -DEMIRE AG's group management report.
Financial risk management

The credit risk arising for DEMIRE as part of its operating activities as well as risk arising from financing activities are continuously monitored and actively managed by the Executive Board. As a result of these measures, the consolidated financial statements were prepared under the assumption of a going concern.

The Group's financial assets mainly consist of investments and loans to compan-ies accounted for using the equity method, other loans, trade accounts receivable and other receivables, financial receivables, other financial assets and bank deposits. The majority of trade accounts receivable consists of rent receivables. Potential defaults in this context are taken into consideration.

DEMIRE's financial liabilities comprise mainly bonds, bank loans, other loans, overdrafts and trade payables. The main purpose of these financial liabilities is to finance the DEMIRE's operations.

DEMIRE is exposed to various financial risks as a result of its business activ-ities: foreign currency risk, interest rate risk, credit risk and liquidity risk. The overarching risk management system concentrates on the continual identification and active management of typical business risks. This system accepts risk within a certain range if they offer the opportunity for commensurate returns. The goal is to limit the exposure to peak risks so that DEMIRE's continuance is not jeopardised.

The Executive Board identifies, evaluates and hedges financial risk in close collaboration with the risk manager and in coordination with the Supervisory Board of DEMIRE AG.

Loan agreements exist in the Group that contain certain financial covenants stipulated by the creditors. Non-compliance with these financial covenants could lead to extraordinary terminations of these agreements by the creditors. The financial covenants concern financial ratios of the respective real estate portfolio, particularly the debt service coverage ratio (DSCR), the interest coverage ratio (ICR) and the loan-to-value (LTV) debt ratio. The calculations are based on the specifications set by the creditors in the loan agreement. The monitoring, compliance and reporting of the financial covenants specified in the loan agreements for the properties financed are carried out by DEMIRE's management, treasury and portfolio management areas. Depending on the type of financing, the financial covenants are reported to the creditors on a quarterly, semi-annual or annual basis, or the creditors are provided with the underlying economic ratios. Should DEMIRE fail to comply with the financial covenants, the creditors would be entitled to demand additional guarantees from DEMIRE. In that case, the loans would be in default. If the default persisted for a longer period of time and could not permanently be resolved, the creditors have a special right of termination.

All financing obligations, including the financial covenants, were complied with during the reporting period (see Note E.5.3).

Foreign currency risk

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

Interest rate risk

To finance its German commercial real estate, the DEMIRE Group uses liabilities with fixed interest loans to a degree customary for the industry as well as tradeable instruments that contain options for conversion into shares of the Company or Fair Value REIT-AG.

Interest rate risk relating to cash flows exists 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.

The activities of DEMIRE Group companies are essentially exposed to financial risk arising from changes in interest rates. For this reason, DEMIRE also uses derivative financial instruments to manage existing interest rate risk. Interest rate swaps

are used which minimise interest rate risk as interest rates rise.

As of the balance sheet date, interest rate hedges existed in the form of purchased interest rate derivatives with a nominal volume of TEUR 0 (previous year: TEUR 32,650). As of 31 December 2017, these had a market value of TEUR 0 (previous year: TEUR – 874).

DEMIRE uses liabilities, partly with variable interest rates, to finance its properties. DEMIRE is thus exposed to a risk of interest rate changes as a rise in interest rates increase the financing costs. Numerous loans with variable interest rates were redeemed in the 2017 fiscal year following the issue of the 2017 / 2022 corporate bond.

The following table assumes a change in the interest rate of + 100 basis points or – 100 basis points. If all other parameters are unchanged, an increase or decrease in the interest expenses of the Company would lead to the following interest expenses:

MEASUREMENT OF INTEREST RATE SENSITIVITY	December 31, 2017	December 31, 2016
	EURk	
Interest expense / nominal interest expenses from variable interest loans	888	4,725
Increase in interest expenses from a fictitious rise of 100 bps in variable interest rates	421	1,046
Reduction in interest expenses from a fictitious decline of 100 bps in variable interest rates	– 421	– 1,046

Since transaction prices for real estate increase when interest rates are low, the level of interest rates also has an impact on the purchase prices of newly acquired real estate. In addition, interest rates play an important role in the valu-ation of investment properties.

The interest rate policy is evaluated at regular intervals and in close consultation with the Supervisory Board of -DEMIRE AG.

Credit risk

The reported financial instruments represent the maximum credit risk and default risk. Counterparty risk is uniformly assessed and monitored within the framework of Group-wide risk management. The aim is to minimise the risk of defaults. Counterparty risk is not insured. There are generally no significant concentrations of credit risk at DEMIRE. For an analysis of the impaired receiv-ables, please refer to Note E.2.2.

Liquidity risk

In the initial phase of -DEMIRE AG, the liquidity risk was mainly 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. In the current situation, the liquidity situation's dependence on inflows from disposals and the planned prolongation of loans due is significantly higher. There are generally no significant concentrations of liquidity risk.

Further disclosures on risk management and financial risk are included in the risk report contained in the group management report.

Capital management and control

The primary objective of the Group's capital management is to ensure that DEMIRE's debt eligibility and its financial substance are maintained in the future. The capital structure is managed according to economic and regulatory requirements. Capital management is carried out by DEMIRE through dividends and / or financing. DEMIRE strives for a capital structure that is appropriate for the business risk and in doing so is also subject to the minimum capital requirements of the German Stock Corporation Act, the compliance of which is monitored by the -Executive Board of DEMIRE AG. The requirements were met both in the reporting year and in the previous year.

DEMIRE monitors its capital using the equity ratio (IFRS and EPRA NAV), which is also an important indicator for investors, analysts and banks. For a detailed explanation, please refer to the group management report.

Other financial instrument disclosures

Financial assets and financial liabilities are classified and accounted for at the date of acquisition according to the categories of IAS 39.

Financial assets are classified by DEMIRE as either

- financial assets that are measured at fair value through profit or loss,
- loans and receivables,
- available-for-sale financial investments, or
- derivative financial instruments that meet the requirements for -effective hedging.

Financial liabilities are classified by DEMIRE as either

- other financial liabilities, which are measured at amortised cost,
- financial liabilities measured at fair value, or
- derivative financial liabilities which meet the requirements for effective -hedging transactions.

The Company mainly holds financial instruments from the categories loans and receivables and financial liabilities, which are carried at amortised cost. Financial assets and financial liabilities are recognised in the consolidated balance sheet for the first time when a Group company becomes a contracting party for a financial instrument. The first-time recognition of a financial instrument takes place at fair value, including any transaction costs.

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the time of initial recognition, loans and receivables are measured at fair value, including any transaction costs. In subsequent periods, they are measured at amortised cost using the effective interest method and less any impairment losses. Non-current, non-interest-bearing or low-interest receivables are carried at present value. DEMIRE classifies loans to investments accounted for using the equity method, trade receivables and other receivables (with the exception of receivables from income taxes and value-added taxes) as well as financial receivables in the category of loans and receivables.

The classification of financial instruments required by IFRS 7 is in line with the respective items in the consolidated balance sheet. The tables below present the carrying amounts, valuations and fair values of the financial assets and liabilities for each individual category of financial instruments and relate these values to the measurement categories of IAS 39 as of the balance sheet date of the reporting year and that of the prior year. The measurement categories used by DEMIRE in accordance with IAS 39 are the available-for-sale financial assets (AfS), loans and receivables (LaR), Amortised Cost (AmC) and Held for Trading (HfT).

Other financial liabilities (other liabilities) are non-derivative financial liabil-ities that are subsequently measured at amortised cost. Differences between the amount received and the expected repayment amount are spread over the term through profit or loss. DEMIRE allocates financial liabilities, trade payable and other liabilities to this category.

	DECEMBER 31, 2017				
			IAS 39 measurement		
	Measurement category	Carrying amount	Fair value through profit/loss	Amortised cost	Fair Value
			EURk		
Interests in investments accounted for using equity method	n/a	200	0	200	200
Other financial assets	LaR	1,990	0	1,990	1,990
Trade accounts receivable and other receivables	LaR	18,577	0	18,577	18,577
Financial receivables and other financial assets	LaR	5,184	0	5,184	5,184
Cash and cash equivalents	LaR	73,874	0	73,874	73,874
Convertible bonds	AmC	10,660	0	10,660	60,148
Bonds	AmC	392,532	0	392,532	409,374
Financial liabilities (Fair Value REIT)	AmC	120,641	0	120,641	122,377
Other non-current financial liabilities	AmC	163,985	0	163,985	163,985
Trade payables and other liabilities	AmC	14,702	0	14,702	14,702
Current financial liabilities	AmC	7,136	0	7,136	7,136
Settlement payments to minority shareholders	AFV	7,778	7,778	0	7,778
Amount per measurement category					
	LaR	99,625	0	99,625	99,625
	AmC	709,656	0	709,656	777,772
	AFV	7,778	7,778	0	7,778

AfS: Available-for-sale financial assets
LaR: Loans and receivables
AmC: Amortised cost
HfT: Held for trading
AFV: At Fair Value through profit or loss
n / a: not applicable

	31 December 2016				
			IAS 39 Measurements		
	Measurement Category	Carrying Amount	Fair Value Through Profit / Loss	Amortised Cost	Fair Value
		in EUR thousands			
Interests in investments accounted for using the equity method	n / a	126	0	126	126
Other financial assets	LaR	11,328	0	11,328	11,328
Loans to investments accounted for using the equity method	LaR	0	0	0	0
Other loans	LaR	0	0	0	0
Trade accounts receivable and other receivables	LaR	23,614	0	23,614	23,614
Financial receivables and other financial assets	LaR / HfT	10,293	2,653	7,640	10,293
Cash and cash equivalents	LaR	31,289	0	31,289	31,289
Convertible bonds	AmC	10,947	0	10,947	52,233
Bonds	AmC	97,650	0	97,650	103,000
A / B Notes (Germavest)	AmC	99,308	0	99,308	103,124
Financial liabilities (Fair Value REIT)	AmC	123,289	0	123,289	143,620
Other non-current financial liabilities	AmC	290,294	0	290,294	289,801
Interest rate swaps	HfT	874	874	0	874
Trade payables and other liabilities	AmC	17,378	0	17,378	17,378
Current financial liabilities	AmC	42,020	0	42,020	42,020
Amount per measurement category					
	LaR	76,524	2,653	73,871	76,524
	AmC	557,597	0	458,289	504,432
	HfT	874	874	0	874

AfS: Available-for-sale financial assets
LaR: Loans and receivables
AmC: Amortised cost
HfT: Held for trading
n / a: not applicable

Due to the short-term maturity of cash and cash equivalents, trade accounts receivable and trade payables, as well as other current receivables and liabilities, it is assumed that the respective fair value corresponds to the carrying amount.

The following table presents the measurement hierarchy, measurement methods and key input factors for the determination of the fair values of the various measurement categories of financial assets and liabilities.

TYPE	HIERARCHY	MEASUREMENT PROCEDURE AND MATERIAL INPUT FACTORS
Investment properties	Level 3	Expected future free cash flows of a project by applying a market-based, property-specific discount rate
Interests in investments -accounted for using the equity method.....	Level 2	Discounted cash flows from the continued use of an asset on the basis of yield curves observable on the market at the reporting date
Loans to investments -accounted for using the equity method (fixed rate).....	Level 2	Discounted cash flows on the basis of yield curves observable on the market at the reporting date
Financial receivables and other financial assets.....	Level 3	Discounted cash flows on the basis of input factors not observable on the market at the reporting date
Non-current financial liabilities	Level 3	Discounted cash flows on the basis of input factors not observable on the market at the reporting date
Derivatives.....	Level 2	Interest rate curves, credit spreads, indices
Quoted convertible bonds.....	Level 1	Quoted bid prices on active markets
Quoted corporate bonds.....	Level 1	Quoted bid prices on active markets

For all current financial instruments, IFRS 7.29 assumes that the carrying amount corresponds to the fair value.

The maximum default risk is reflected in the amortised carrying amounts of the receivables and other financial assets recognised in the balance sheet.

The following table shows the future cash outflows for interest and principal payment of financial liabilities:

	2018	2019	2020	2021	2022	After 31 Dec. 2022
			in EUR thousands			
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**

* Under the assumption that the 2013 / 2018 convertible bond is converted, it would result in a payment of EUR thousands 12,190 in 2018.

With respect to the 2013 / 2018 convertible bond and the 2015 / 2018 mandatory convertible bond, it is assumed that no conversion will take place until maturity.

2. RELATED PARTY DISCLOSURES

Related companies and persons

Companies and persons are considered to be related if they have the ability to control DEMIRE and its subsidiaries or exercise significant influence over their financial and operating policies. The existing control relationships were taken into account to determine the degree of significant influence that related companies and persons have on the Company's financial and operating policies.

The group of related companies includes the fully consolidated subsidiaries and the joint ventures and associated companies accounted for using the equity method.

- Moreover, due to their significant influence, the following key personnel of the parent company are considered to be related persons as defined by IAS 24:
- Members of DEMIRE's Executive Board (see Note G.4.a) and their close -relatives
- Members of DEMIRE's Supervisory Board (see Note G.4.b) and their close relatives

Legal transactions with related companies and persons

In the fiscal year under review, transactions with related parties were exclusively carried out at customary market conditions.

The transactions, revenues and rendering of services between DEMIRE AG and its subsidiaries were settled in the same manner as those between unrelated parties and eliminated in the context of consolidation. Therefore, they are not explained in the notes.

In addition, PRAEDIA GmbH provided services at standard market conditions in the amount of TEUR 95 (previous year: TEUR 114) to a company owned by an Executive Board member.

The following balances exist with respect to associated companies:

	December 31, 2017	December 31, 2016
	in EURk	
Financial receivables and other financial assets	294	0

For more information on financial receivables and other financial assets, please refer to the explanations in Note E.2.3.

There is no collateral for receivables due from associated companies and joint ventures.

Volume of business transactions with associated companies:

	January 01, 2017 – December 31, 2017	January 01, 2016 – December 31, 2016
	in EURk	
Financial receivables and other financial assets	294	116

Volume of business transactions with joint ventures:

	January 01, 2017 – December 31, 2017	January 01, 2016 – December 31, 2016
	in EURk	
Loans to investments accounted for using the equity method	0	553
Financial receivables and other financial assets	0	480

Transactions underlying financial receivables and other financial assets resulted from the repayment of loans granted. The disposal of loans to investments accounted for using the equity method resulted from the transfer of these loans in the course of disposing of investments accounted for using the equity method (Note B).

3. AUDITOR'S FEE

The auditor's fee for Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn / Frankfurt am Main, charged in the fiscal year related to the subgroups DEMIRE and Fair Value REIT and consisted of the following (amounts include value-added taxes):

	January 01, 2017 – December 31, 2017	January 01, 2016 – December 31, 2016
	in EURk	
Auditing services	381	282
Other assurance services	1,103	219
Tax consultation services	0	0
Other services	106	0
	1,590	**501**

4. EXECUTIVE BOARD, SUPERVISORY BOARD AND EMPLOYEES

a. Executive Board

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

In the past fiscal year, the Executive Board consisted of the following members:

- Mr Ralf Kind, CEO / CFO (since 1 March 2017 CFO and since 16 November 2017 CEO)
- Hon. Prof. Andreas Steyer, CEO (until 30 June 2017)
- Mr Markus Drews, CEO / COO (until 30 June COO, CEO from 1 July 2017 to 15 November 2017)

In the 2017 fiscal year, -DEMIRE AG recognised variable remuneration in the amount of TEUR 879 (previous year: TEUR 531), fixed remuneration of TEUR 1,563 (previous year: TEUR 914) and share-based payments of TEUR 350 (previous year: TEUR 475) for the members of the Executive Board.

Please refer to the explanations in the remuneration report of the combined group management report and management report for DEMIRE Deutsche Mittelstand Real Estate AG.

The members of the Executive Board were not granted any loans or advances, and no contingencies were assumed for their benefit.

b. Supervisory Board

The members of the Supervisory Board of -DEMIRE AG, their professions and -Supervisory Board remuneration received during the past fiscal year are listed in the table below.

NAME	POSITION	PROFESSION	PERIOD	2017	2016
Prof. Dr Hermann Anton Wagner	Chairman	Auditor / tax consultant	Since 17 April 2013	90	135
Dipl.-Volksw. Frank Hölzle	Deputy -Chairman	Managing director	Since 14 February 2017	50	0
Dr Thomas Wetzel.....	Member	Lawyer	Since 14 February 2017	25	0
Dr Peter Maser.....	Deputy -Chairman	Lawyer	From 12 January 2015 to 13 February 2017	10	90
Günther Walcher	Member	Entrepreneur	From 23 October 2013 to 23 January 2017	5	45
Total.....				**180**	**270**

Supervisory Board members were also reimbursed for travel expenses in the amount of TEUR 5 (previous year: TEUR 8).

There were no pension obligations or long-term remuneration components owed to active or former Supervisory Board members as of 31 December 2017.

The members of the Executive Board were not granted any loans or advances, and no contingencies were assumed for their benefit.

c. Employees

The number of employees as of the balance sheet date is listed in the following table.

	December 31, 2017	December 31, 2016
Executive Board members	1	2
Permanent employees	96	77
Trainees	**0**	1
Total	**97**	**80**

The average number of employees in the 2017 fiscal year was 83 (previous year: 69). Of the 96 permanent employees, six, or an average of three employees work for PANACEA Property GmbH, which is not consolidated for reasons of materiality. PANACEA Property GmbH is of minor importance for the interim consolidated financial statements under IFRS and was therefore not included in the IFRS consolidated financial statements as of 31 December 2017 for reasons of materiality.

d. Share-based payments

In the 2015 fiscal year, share-based payments were issued in the form of subscription rights (stock options) to the Executive Board of -DEMIRE AG as well as to a selected group of persons within the DEMIRE Group. The stock option programme is basically an option plan, which is settled with equity instruments (equity-settled share option plan). The option plan only provides for the possibility of settling the stock option programme in shares of -DEMIRE AG. Accounting for the share-based payments issued is in accordance with IFRS 2.

Expenses arising from the issuance of the stock options are measured at the fair value of the stock options at the grant date. The fair value was determined using generally accepted option pricing models. Expenses arising from the issuance of stock options are recognised at the same time as a corresponding increase in equity (capital reserves) over the period in which the performance conditions are met. This so-called "vesting period" ends on the date on which the person in question of the beneficiary group is irrevocably entitled to receive the benefit. The cumulative expenses from the granting of the equity instruments reported at each balance sheet date reflect the portion of the vesting period that has already elapsed as well as the number of equity instruments that are actually exercisable on the basis of the best estimate at the end of the vesting period. The amount recognised in the consolidated statement of income reflects the development of the cumulative expenses recorded at the beginning and at the end of the reporting period.

The dilutive effect of the outstanding stock options is taken into account as an additional dilution in the calculation of earnings per share, provided that the stock options and the underlying conditions result in a notional dilution for the existing shareholders.

With the consent of the Supervisory Board, the Executive Board is authorised until 31 December 2015 ("issue period") as detailed in the following provisions under the 2015 Stock Option Programme to issue up to 1,000,000 stock options with subscription rights for shares of -DEMIRE AG with a vesting -period of four years and an exercise period of another five years ("the exercise period") provided that each stock option entitles its holder to subscribe for one share of the Company. With regard to the issue of stock options to members of the Executive Board of the Company, this authorisation is limited only to the Supervisory Board.

The beneficiaries and the number of stock options offered for subscription to those entitled are to be determined by the -Executive Board of DEMIRE AG with the consent of the Supervisory Board. To the extent members of the -Executive Board of DEMIRE AG are to receive stock options, the determination and the -issue of these options will be governed by the Supervisory Board.

The following stock options were authorised to be issued:

- a total of up to 800,000 stock options (80 %) to members of the Executive Board
- a total of up to 200,000 stock options (20 %) to selected employees of DEMIRE AG or directors or employees of Group companies

The subscription rights arising from the stock options can be exercised for the first time upon the expiration of the statutory vesting period of four years according to Section 193 (2) no. 4 AktG. The vesting period starts after the issue of the stock options (day of receipt of the beneficiary's statement of subscription by -DEMIRE AG or by the credit institution commissioned for the settlement).

The relevant exercise price for one share of -DEMIRE AG upon the exercise of the stock options corresponds to at least 100 % of the basis price. The basis price is the share price of -DEMIRE AG at the time of the resolution of the Executive

Board on the issue of stock option rights and, in the case of the issue of stock options to members of the Executive Board, at the time of the resolution of the Supervisory Board. The relevant share price is the average closing price of -DEMIRE AG's shares in Xetra trading on the Frankfurt Stock Exchange (or a comparable successor system) on the last ten stock exchange trading days before the resolution is made on the issue of stock options.

The prerequisite for the exercise of the subscription rights is that the share's closing price in Xetra trading on the Frankfurt Stock Exchange (or a compar-able successor system) must be at least 10 % higher than the basis price on the day preceding the exercise of the subscription rights.

The accounting of share-based payments is governed by IFRS 2. The 2015 Stock Option Programme is to be classified as "Equity-settled share-based payments". In this case, total staff costs arising from the stock options are to be distributed over the four-year vesting period starting from the grant date. In the case of -DEMIRE AG, the grant date is the day the approval is given by the Executive Board and / or Supervisory Board.

The value of compensation based on real stock options according to the Black–Scholes Model is determined by the fair value of the options at the grant date pursuant to IFRS 2.10. In the case of -DEMIRE AG, the grant date is the day the options were issued (7 April 2015 and 9 December 2015).

- The following vesting conditions are relevant for the accounting of the stock-based compensation programme:
- The four-year vesting period represents a "service condition" since only a specified period of service in the Company must be completed.
- The exercise condition of a closing share price exceeding the basis price by at least 10 % on the trading day preceding the exercise is classified as a perform-ance condition since meeting the condition is based on a performance target. The performance conditions are to be divided into market conditions and non-market conditions. In the case of -DEMIRE AG, the exercise condition is to be classified a market performance condition as it is explicitly related to the Company's share price. Such a market performance condition is reflected in the valuation of the stock option exclusively by means of a probability calculation performed at the grant date.

During the prior year reporting period, a total of 1,000,000 stock options were granted, of which 800,000 stock options were granted in the first tranche to members of the Executive Board and 160,000 to selected -DEMIRE AG and Group company employees. The fair value of each option from the first tranche was EUR 2.74. In the fourth quarter, a total of 60,000 stock options were newly issued in a second tranche, net of stock options that were returned by employees who had left the Company (20,000 stock options). The fair value of each option from the second tranche was EUR 1.99.

The accounting treatment of the stock option programme was amended as a result of the resignation of two members of the Executive Board during the reporting year. One of the departing Executive Board members retained his entitlements under the stock option programme. Since his departure, the corresponding expenses are recognised under other operating expenses. In the case of the other departing Executive Board member, who was entitled to 400,000 stock options, the entitlements were compensated for by a one-time payment. The expenses previously recognised within equity were cancelled according to IFRS 2.19 due to the failure to meet a so-called service condition.

The calculation of the stock option's fair value as of the date of issue of the first and second tranches was based on the following parameters:

Calculation Parameters	**1st Tranche**	**2nd Tranche**
Dividend yield (%)	0.00	0.00
Expected volatility (%) [1]	60.40	46.25
Risk-free interest rate (%)	0.50	0.80
Term of the option (in years)	9.00	9.00
Weighted average share price (EUR)	4.258	3.76
Option price (EUR)	2.74	1.99

[1] 180-day historical volatility

Staff costs recognised in the reporting period from the 2015 Stock Option Programme amounted to TEUR 409 (previous year: TEUR 434) and were recognised directly in equity under general and administrative expenses. Additionally, a total of TEUR 123 was recognised directly in equity under other operating expenses.

In the reporting year, share-based payments in the form of virtual stock options were granted to one Executive Board

member. Value appreciation rights will be allocated to 150,000 shares per year in three tranches: the first tranche was allocated with retrospective effect as of 1 January 2017, the second as of 1 January 2018, and the third tranche will be allocated as of 1 January 2019. Each value appreciation right can be exercised during a three-year period after the end of a four-year vesting period following the allocation. Of this amount, 50,000 value appreciation rights per tranche are allocated depending on individual perform-ance.

The accounting of share-based payments is governed by IFRS 2. Cash-settled, share-based payment transactions (virtual shares) are accounted for as provision, increasing expenses. Share-based payments are measured at fair value based on an option price model.

As of 31 December 2017, the fair value amounted to TEUR 73. Staff costs are reported under general and administrative expenses.

The key parameters for the calculation are:

- The base price, which is the arithmetic mean of the volume-weighted average price over the 20 trading days in Xetra trading following the publication of the quarterly financial statements for the third quarter in the immediately preceding calendar year, was EUR 3.51 on the day of the initial allocation and EUR 3.91 as of the measurement date.
- The grant price on 1 January 2017 was EUR 3.569 and the price on 29 January 2018 was EUR 3.79.
- A percentage of 2.52 % was used for the four-year volatility and 3.12 % for the five-year volatility.
- Interest rates of 0.50 % (3 years), 0.34 % (4 years), 0.18 % (5 years) and 0.02 % (6 years) were applied.

Each stock appreciation right entitles the holder to a payout equal to the positive difference between the share price at the time of exercise and the basis price, but not more than three times the basis price less the basis price.

Stock appreciation rights can only be exercised if the exercise hurdle has been reached. The exercise hurdle is reached when the share price of -DEMIRE AG has risen by more than 25 % compared to the basis price on 10 consecutive trading days during the vesting period of 4 years.

5. SUBSEQUENT EVENTS

Subsequent events that occurred after the end of the fiscal year that are of particular significance to DEMIRE's net assets, financial position and net profit / loss for the period are as follows:

On 26 February 2018, with the consent of the Supervisory Board, the Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG ("Company") resolved to increase the Company's share capital from authorised capital (the "capital increase") by EUR 5,425,774.00 from EUR 54,270,744.00 to EUR 59,696,518.00 by issuing 5,425,774 new, no-par value bearer shares with a notional interest in the share capital of EUR 1.00 each and full dividend entitlement as of 1 January 2017 (the "new shares") against cash contribution and by excluding shareholders subscription rights.

The new shares were issued at a price of EUR 4.35 per new share. AEPF III 15 S. à r. l. ("AEPF"), Luxembourg, a holding company controlled by funds, which in turn are advised by an affiliate of Apollo Global Management, LLC (NYSE: APO) were permitted to subscribe to all of the new shares. AEPF has entered into a subscription agreement with the Company, in which AEPF undertakes to subscribe to all new shares at an issue price of EUR 4.35. The capital increase was entered in the commercial register on 5 April 2018.

AEPF has entered into a cooperation agreement ("Acting in Concert") connected to the capital increase with the Company's main shareholder, Wecken & Cie. ("Wecken") and a subsidiary of Wecken and members of the Wecken family (together with Wecken, the "Wecken Group"), who at the time of the -announcement collectively held a stake of approx. 29.91 % of the Company's share capital and exchangeable bonds that permit the purchase an additional 10.23 % in the Company's current share capital following the exercise of the exchange rights. As a result of its acquired control over the Company, AEPF has announced the publication of a mandatory tender offer to the shareholders of the Company to acquire all shares of the Company at a price of EUR 4.35 per share. The offer document was published on 16 April 2018 and is available at www.aepf-mandatory-offer.de/en/.

The Company was also informed by AEPF of the latter´s intention to announce a decision to launch a voluntary takeover offer to acquire all shares in Fair Value REIT-AG ("FVR"). AEPF plans to launch the offer in a way that it enables it to revoke the listing of FVR shares on the regulated market of the Frankfurter Stock Exchange (so-called delisting offer). The offer will be made at the legally prescribed minimum price. The Company is supportive of such an offer. Subsidiaries of the Company holding shares in FVR have entered into a non-tender agreement with AEPF in which they undertake not

to accept, in full or in part, the offer with respect to the shares of FVR they hold.

Due to the attribution of voting rights as defined by Section 34 WpHG, Mr Klaus Wecken with 42.42 % and Mr Ferry Wecken, Mrs Ina Wecken and BRH Holdings GP, Ltd., with 32.19 % each reported on 26 February 2018 that they have exceeded the 30 % threshold. As of 27 February 2018, Mr Klaus Wecken controlled 46.06 % and ODDO BHK Asset Management SAS 3.84 % of the voting rights due to the attribution of voting rights as defined by Section 34 WpHG. As of 28 February 2018, Mr Klaus Wecken, Mr Ferry Wecken, Mrs Ina Wecken and BRH Holdings GP, Ltd., each controlled 59.12 % of the voting rights and exceeded the 50 % threshold due to the attribution of voting rights as defined by Section 34 WpHG.

On 29 March 2018, Ms Sigrid Wecken notified the Company that her voting rights had fallen below the threshold of 5 % and amounted to 4.99 %.

In the context of the published offer document at www.aepf-mandatory-offer.de / en/, the bidder AEPF III 15 S. à r. l. has given notification that, at the time of publication of the Mandatory Offer, it and the members of the Wecken Group together held 37,928,711 DEMIRE shares. This number corresponds to approx. 63.51 % of the current voting rights and share capital of -DEMIRE AG.

On 26 July 2017, DEMIRE issued an unsecured corporate bond at an interest rate of 2.875 % p. a. and with a nominal amount of EUR 270 million, which was increased by an additional EUR 130 million to an overall amount of EUR 400 million on 2 October 2017 ("Bond 2017 / 2022"). Pursuant to the bond terms, DEMIRE is obliged to offer to the bondholders early redemption of the bond at a redemption price of 101 % of the nominal amount plus any interest accrued and unpaid on the redemption date within 30 days of acquiring knowledge of the change of control ("Redemption Offer"). In the event of a change of control, the maximum total repayment amount under the Redemption Offer would thus be EUR 404 million plus any interest accrued and unpaid.

Based on relevant information a change of control pursuant to the bond terms has occurred. DEMIRE is therefore obliged to make a Redemption Offer pursuant to the bond terms. DEMIRE intends to comply with this obligation.

The Executive Board take the view that the financing of the repurchase price on the market will be possible and highly probable if and to the extent that bondholders demand early redemption.

Further notifications regarding direct or indirect shareholdings exceeding 3 %, 5 % and 10 % of the voting rights were not available to the Company at the time of publishing this report.

Prior to the publication of the annual financial statements, a total of 30.610 conversion rights were exercised, and 30.610 new no-par value bearer shares were created.

6. DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

The statement required under Section 161 AktG with regard to the German Corporate Governance Code (GCGC) is made available by -DEMIRE AG to shareholders once per calendar year. The Declaration of Conformity with the German Corporate Governance Code was submitted on 12 April 2018 and made permanently available to shareholders on -DEMIRE AG's website under the heading "Company".

On 31 January 2018, the Executive Board and Supervisory Board of Fair Value REIT-AG submitted the current Declaration of Conformity in accordance with Section 161 AktG and made it permanently available to shareholders on Fair Value REIT-AG's website.

Frankfurt am Main, 25 April 2018

DEMIRE Deutsche Mittelstand Real Estate AG
Dipl.-Betriebsw. (FH) Ralf Kind

Member of the Executive Board (CEO / CFO)

APPENDIX 1: SCHEDULE OF SHAREHOLDINGS PURSUANT TO SECTION 313 (2) HGB

COMPANY	Interest in Capital (%)
GERMANY	
DEMIRE Deutsche Mittelstand Real Estate AG , Frankfurt am Main	
Glockenhofcenter Objektgesellschaft mbH, Berlin	94.90
Hanse-Center Objektgesellschaft mbH, Berlin	94.90
Logistikpark Leipzig GmbH , Berlin	94.00
Demire Immobilien Management GmbH, Berlin	100.00
PANACEA Property GmbH, Berlin[1]	51.00
PRAEDIA GmbH, Berlin	51.00
Fair Value REIT-AG, Munich	77.70
IC Fonds & Co. Büropark Teltow KG, Munich[2]	60.73
IC Fonds & Co. Gewerbeportfolio Deutschland 13. KG, Munich[2]	44.58
IC Fonds & Co. SchmidtBank-Passage KG, Munich[2]	41.92
BBV Immobilien-Fonds Nr. 14 GmbH & Co. KG, Munich[2]	39.72
BBV Immobilien-Fonds Nr. 6 GmbH & Co. KG, Munich[2]	48.35
BBV Immobilien-Fonds Nr. 8 GmbH & Co. KG, Munich[2]	45.24
GP Value Management GmbH, Munich	77.70
BBV 3 Geschäftsführungs-GmbH & Co. KG, Munich	77.70
BBV 6 Geschäftsführungs-GmbH & Co. KG, Munich	77.70
BBV 9 Geschäftsführungs-GmbH & Co. KG, Munich	77.70
BBV 10 Geschäftsführungs-GmbH & Co. KG, Munich	77.70
BBV 14 Geschäftsführungs-GmbH & Co. KG, Munich	77.70
BBV Immobilien-Fonds Erlangen GbR, Munich[2]	32.65
BBV Immobilien-Fonds Nr. 10 GmbH & Co. KG, Munich[2]	35.88
IC Fonds & Co. Gewerbeobjekte Deutschland 15. KG, Munich[2]	37.51
FVR Beteiligungsgesellschaft Erste mbH & Co. KG, Frankfurt am Main	100.00
FVR Beteiligungsgesellschaft Zweite mbH & Co. KG, Frankfurt am Main	100.00
FVR Beteiligungsgesellschaft Dritte mbH & Co. KG, Frankfurt am Main	100.00
FVR Beteiligungsgesellschaft Vierte mbH & Co. KG, Frankfurt am Main	100.00
FVR Beteiligungsgesellschaft Fünfte mbH & Co. KG, Frankfurt am Main	100.00

COMPANY	Interest in Capital (%)
GERMANY	
FVR Beteiligungsgesellschaft Sechste mbH & Co. KG, Frankfurt am Main	100.00
FVR Beteiligungsgesellschaft Siebente mbH Co. KG, Frankfurt am Main	100.00
FVR Beteiligungsgesellschaft Achte mbH & Co. KG, Frankfurt am Main	100.00
DEMIRE Commercial Real Estate GmbH, Frankfurt am Main	100.00
DEMIRE Real Estate München 1 GmbH, Frankfurt am Main	100.00
CAM Commercial Asset Management EINS GmbH, Frankfurt am Main	100.00
CAM Commercial Asset Management ZWEI GmbH, Frankfurt am Main	100.00
CAM Commercial Asset Management DREI GmbH, Frankfurt am Main	100.00
CAM Commercial Asset Management VIER GmbH, Frankfurt am Main	100.00
Schwerin Margaretenhof 18 GmbH, Frankfurt am Main	94.90
DEMIRE Commercial Real Estate ZWEI GmbH, Frankfurt am Main	100.00
DEMIRE Objektgesellschaft Worms GmbH, Frankfurt am Main	94.00
TGA Immobilien Erwerb 1 GmbH, Berlin	94.00
DEMIRE CONDOR Properties Management GmbH, Frankfurt am Main	100.00
DEMIRE Holding EINS GmbH, Frankfurt am Main	100.00
Condor Real Estate Management EINS GmbH, Frankfurt am Main	100.00
Condor Real Estate Management ZWEI GmbH, Frankfurt am Main	100.00
Condor Real Estate Management DREI GmbH, Frankfurt am Main	100.00
CONDOR Objektgesellschaft Eschborn GmbH, Frankfurt am Main	94.00
CONDOR Objektgesellschaft Bad Kreuznach GmbH, Frankfurt am Main	94.00
Condor Real Estate Management FÜNF GmbH, Frankfurt am Main	100.00
CONDOR Objektgesellschaft Düsseldorf GmbH, Frankfurt am Main	94.00
CONDOR Objektgesellschaft Rendsburg GmbH, Frankfurt am Main	94.00
CONDOR Objektgesellschaft Bad Oeynhausen GmbH, Frankfurt am Main	94.00
CONDOR Objektgesellschaft Lichtenfels GmbH, Frankfurt am Main	94.00
DEMIRE Einkauf GmbH, Frankfurt am Main	51.00
DEMIRE Assekuranzmakler GmbH % Co. KG, Dusseldorf [3]	47.50
G+Q Effizienz GmbH, Berlin [3]	49.00
Demire Parkhaus Betriebsgesellschaft mbH, Berlin	100.00
Kurfürster Immobilien GmbH, Leipzig	94.90
Ritterhaus Immobilienverwaltung GmbH, Dusseldorf	100.00
CONDOR Objektgesellschaft YELLOW GmbH, Frankfurt am Main	94.00
Condor Yellow BV GmbH, Frankfurt am Main	100.00
DEMIRE Commercial Real Estate DREI GmbH, Frankfurt am Main	100.00
DEMIRE Commercial Real Estate VIER GmbH, Frankfurt am Main	100.00
DEMIRE Commercial Real Estate FÜNF GmbH, Frankfurt am Main	100.00
DEMIRE Commercial Real Estate SECHS GmbH, Frankfurt am Main	100.00
DEMIRE Objektgesellschaft Germavest GmbH, Frankfurt am Main	94.90
DEMIRE Objektgesellschaft Armstripe GmbH, Frankfurt am Main	94.00
DEMIRE Objektgesellschaft Briarius GmbH, Frankfurt am Main	94.00

COMPANY	Interest in Capital (%)
LUXEMBOURG	
Blue Ringed S. à r. l., Luxembourg	94.00
Reubescens S. à. r. l., Luxembourg	94.00
DENMARK	
GO Leonberg ApS, Copenhagen	94.00
GO Bremen ApS, Copenhagen	94.00
GO Ludwigsburg ApS, Copenhagen	94.00
SWITZERLAND	
Sihlegg Investments Holding GmbH, Wollerau	94.00
CYPRUS	
Denston Investments Ltd., Nikosia	94.00
NETHERLANDS	
MAGNAT Investment I B. V., Hardinxveld Giessendamm	100.00
BULGARIA	
R-Quadrat Bulgaria EOOD, Sofia	100.00
ROMANIA	
SC Victory International Consulting s. r. l., Bucharest	100.00
GEORGIA	
Irao Magnat Digomi LLC, Tbilisi	75.00
Irao Magnat 28 / 2 LLC, Tbilisi[2]	50.00
AUSTRIA	
MAGNAT AM GmbH, Vienna	100.00

[1] Not fully consolidated due to its immaterial importance for the Group
[2] Fully consolidated because factual control is exercised through quorum majority at the shareholder meeting
[3] Consolidated using the equity method

APPENDIX 2: VALUATION PARAMETERS ACCORDING TO IFRS 13 AS OF 31 DECEMBER 2017

	December 31, 2017
Average market rent (in EUR per m^2, per year)[1]	85.21
Range of market rents (in EUR per m²)	33.55 – 204.02
Rentable space as of balance sheet date (in m²)	913,802
Vacant space as of balance sheet date (in m²)	125,285
Value-based vacancy rate according to EPRA (in %)	9.40
Average vacancy rate based on rentable space (in %)	14.30
Range of vacancy rates based on rentable space (in %)	0.00 – 100
Weighted average lease term – WALT (in years)	4.73

The basis for rental income planning is the rental payments contractually agreed with the tenants as well as prevailing customary local market rents for unleased space on the valuation date. The contractually agreed monthly rents per m2 on the valuation date for the various types of use are shown in the table below:

CONTRACTUAL RENTS		December 31, 2017
		EUR
Office	Min.	3.32
	Max.	13.08
	Average	7.95
Retail	Min.	3.20
	Max.	19.26
	Average	10.32
Others	Min.	2.89
	Max.	5.91
	Average	3.08
	Min.	2.82
	Max.	19.26
Total	Average	7.56

APPENDIX 3: VALUATION PARAMETERS ACCORDING TO IFRS 13 AS OF 31 DECEMBER 2016

The determination of the present values is dependent on the following essential, non-observable input factors (Level 3):

Valuation Parameters Demire Subgroup by Asset Class	Office	Retail	Logistics	Others
	December 31, 2016	December 31, 2016	December 31, 2016	December 31, 2016
Ratio of maintenance costs to gross profit (in %)	7.24	6.45	11.18	13.72
Average maintenance costs (in EUR per m^2)	6.99	8.69	3.53	4.25
Range of maintenance costs (in EUR per m^2)	4.00 – 10.00	5.00 – 9.00	3.53 – 3.53	2.50 – 5.00
Average property yield (in %)[1]	5.82	5.51	7.50	9.32
Range of property yields (in %)[2]	4.63 – 9.75	5.26 – 8.00	7.50 – 7.50	6.75 – 10.25
Average residual useful life (in years)	37	37	25	25
Range of residual useful lives (in years)	25 – 45	35 – 40	25 – 25	25 – 45
Ratio of management costs to gross profit (in %)	2.01	2.12	1.16	6.38
Range of ratio of management costs to gross profit (in %)	1.00 – 4.00	1.50 – 4.00	1.16 – 1.16	3.00 – 3.00
Average market rent (in EUR per m^2, per year)[3]	96.67	134.87	31.58	30.98
Range of average market rents (in EUR per m^2, per year)	42.75 – 149.90	49.03 – 195.57	31.58 – 31.58	12.20 – 56.30
Rentable space as of balance sheet date (in m^2)	457,229	43,065	217,968	90,138
Vacant space as of balance sheet date (in m^2)	32,798	6,209	73,824	38,415
Value-based vacancy rate according to EPRA (in %)	6.41	15.49	45.66	19.35
Average vacancy rate based on rentable space (in %)	7.17	14.42	33.87	42.62
Range of average vacancy rate based on rentable space (in %)	0.00 – 54.50	0.00 – 43.80	33.87 – 33.87	0.00 – 100.00
Weighted average lease term – WALT (in years)	5.49	7.62	2.00	2.00

[1] The calculation of property-specific property yields is based on the average market property yield and takes into account the respective macro and micro conditions, competing properties, tenant creditworthiness, vacancy risk and the remaining terms of the lease contracts.
[2] Property yields vary based on the quality, location and structure of the property.
[3] Average market rent was calculated based on rentable space as of 31 December 2016.

APPENDIX 4: Fixed Assets

	Goodwill		Other Intangible Assets		Operating and Offoce Equipment		Technical Equipment		Advance Payments	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
					In EURk					
Acquisition cost as of the beginning of the fiscal year	7,246	7,246	290	227	549	228	1,370	0	30	11,191
Accumulated deprec-iation / amortisation and impairment as of the beginning of the iscal year	463	463	68	50	196	134	0	0	0	0
Carrying amounts as of the beginning of the fiscal year	6,783	6,783	222	177	353	94	1,370	0	30	11,191
Additions	0	0	8	64	299	321	0	1,370	0	35
Additions through business -combinations	0	0	0	0	0	17	0	0	0	0
Reclassifications.....	0	0	0	0	3	0	0	0	30	0
Disposals	0	0	0	1	0	17	0	0	0	11,196
Depreciation / amortisation.....	0	0	28	18	150	62	0	0	0	0
Acquisition cost as of the end of the fiscal year	7,246	7,246	298	290	851	549	1,370	1,370	0	30
Accumulated depreciation / amortisation and impairment as of the end of the fiscal year	463	463	96	68	346	196	0	0	0	0
Carrying amounts as of the end of the fiscal year.....	6,783	6,783	202	222	505	353	1,370	1,370	0	30

Balance sheet oath

As the Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG, we hereby confirm to the best of our knowledge, and in accordance with the applicable reporting principles, that the consolidated financial statements give a true and fair view of the net assets, financial position, and results of oprations of the Group, and furthermore that the group management report includes a fair review of the development of the business including the results and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Frankfurt am Main, 25 April 2018

Dipl.-Betriebsw. (FH) Ralf Kind

Member of the Executive Board (CEO / CFO)

The following English-language translation of the German-language independent auditor´s report (Bestätigungsvermerk des unabhängigen Abschlussprüfers) refers to the consolidated financial statements of DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt am Main, prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ("Handelsgesetzbuch", German Commercial Code), as well as the combined management report of the company and the group, prepared on the basis of German commercial law (HGB), as of and for the fiscal year ended December 31, 2017 as a whole and not solely to the consolidated financial statements presented in this Prospectus on the preceding pages. The combined management report of the company and the group is not part of this Prospectus.

Independent Auditor's Report

To DEMIRE Deutsche Mittelstand Real Estate AG

Report on the audit of the consolidated financial statements and of the combined management report

Opinions

We have audited the consolidated financial statements of DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt am Main, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2017, and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the fiscal year from 1 January to 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of DEMIRE Deutsche Mittelstand Real Estate AG for the fiscal year from 1 January to 31 December 2017. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance contained in the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017, and of its financial performance for the fiscal year from 1 January to 31 December 2017, and

- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of the statement on corporate governance contained in the combined management report.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the combined management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January 2017 to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

Investment property

Reasons why the matter was determined to be a key audit matter

In the consolidated financial statements of DEMIRE Deutsche Mittelstand Real Estate AG, real estate of EUR 1,021.8m is presented under the balance sheet item "Investment property." The investment property is measured in accordance with IAS 40 in conjunction with IFRS 13 at fair value using a discounted cash flow (DCF) method. In fiscal year 2017, income from measurement in accordance with IAS 40 in conjunction with IFRS 13 of EUR 48.6m was recorded in the consolidated income statement. Measurement of investment property involves uncertainties and the exercise of judgment in determining the fair value pursuant to IFRS 13. The market values of the properties and buildings are determined by external independent experts. The key inputs are the assumed rental income including the expected development of rental income, vacancy periods, maintenance expenses and discount rates.

Due to the materiality of the investment property and the fact that the measurement of investment property and compliance with the accounting framework are complex, the measurement of investment property was a key audit matter.

Auditor's response

During our audit, we considered the internal control system installed relating to the correct recording of the data used by the external appraisers for determining the fair values. We also critically assessed the competency, skills and objectivity of the external appraisers. Together with our internal specialists for real estate valuation, we assessed conformity of the valuation method applied with IAS 40 in conjunction with IFRS 13 and reperformed the calculations for a sample of the values determined. We reconciled the valuation inputs with the underlying contracts and, in the case of assumptions and estimates, assessed their appropriateness on the basis of market and industry data. We also considered the completeness and appropriateness of the disclosures in the notes to the consolidated financial statements required by IAS 40 and IFRS 13. Moreover, we assessed the derecognition of investment property on the basis of the respective underlying contract.

Reference to related disclosures

The disclosures made by the Company on investment property are contained in the notes to the financial statements under "Investment property" and in the section on assets and liabilities in the combined management report.

Our audit procedures did not lead to any reservations relating to the recognition and measurement of investment property.

Financial instruments classified as financial liabilities

Reasons why the matter was determined to be a key audit matter

In the fiscal year, the Company issued a bond with a volume of EUR 400 m and used the funds to refinance various financial liabilities. Transactions were entered into in this connection that are recognized using the effective interest method and deferred transaction costs of the repaid financial liabilities were recognized in the income statement. The valuation of the Group's financial instruments involves judgment and estimation uncertainties. Due to the materiality of financial liabilities at amortized cost and the fact that both the measurement of financial liabilities and compliance with the accounting framework are complex, the presentation and measurement of financial liabilities was a key audit matter.

Auditor's response

We reviewed the presentation and measurement of the financial liabilities on the basis of the underlying contract of the respective financial liability. In this connection, we assessed the underlying parameters such as interest rates and expected repayment on the basis of the underlying contracts. In terms of the effective interest method used to measure the financial liabilities taking any transaction costs into account, we performed a recalculation and analyzed the appropriateness of the

transaction costs and the extent to which they can be recognized in the financial statements. We also checked the clerical accuracy of the Company's valuation model and assessed the appropriateness of the valuation inputs in light of the provisions of IAS 39.

Our audit procedures did not lead to any reservations relating to the recognition and measurement of the financial instruments classified as financial liabilities.

Reference to related disclosures

The Company's disclosures on the financial liabilities are contained in the notes to the consolidated financial statements under "Financial liabilities".

Other information

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance contained in the combined management report. The other information also comprises the foreword by the management board, DEMIRE on the capital market, EPRA key figures, the report of the supervisory board and the corporate governance report.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the supervisory board for the consolidated financial statements and the combined management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the combined management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the

prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 29 June 2017. We were engaged by the supervisory board on 5 November 2017. We have been the group auditor of DEMIRE Deutsche Mittelstand Real Estate AG without interruption since fiscal year 2013/2014.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to group entities the following services that are not disclosed in the consolidated financial statements or in the combined management report:

- Issuance of comfort letters in connection with capital market transactions
- Translation services

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Thomas Schmitt.

Eschborn/Frankfurt am Main, April 25, 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Schmitt Wirtschaftsprüfer (German Public Auditor)	Rücker Wirtschaftsprüfer (German Public Auditor)

Audited Consolidated Financial Statements of DEMIRE Deutsche Mittelstand Real Estate AG as of and for the fiscal year ended December 31, 2016 (IFRS)

CONSOLIDATED STATEMENT OF INCOME

	Note	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
		IN EURK	
Rental income		76,371	33,320
Income from utility and service charges		15,746	10,024
Operating expenses to generate rental income		-33,547	-19,664
Profit/loss from the rental of real estate	**D.1**	**58,570**	**23,680**
Revenue from the sale of real estate companies		7,471	1,792
Net assets from real estate companies sold		-3,510	-1,507
Profit/loss from the sale of real estate companies	**D.2**	**3,961**	**285**
Revenue from the sale of real estate		21,966	2,300
Expenses relating to real estate sales		-21,003	-1,842
Profit/loss from the sale of real estate	**D.3**	**963**	**458**
Profits from investments accounted for using the equity method		0	1,861
Losses from investments accounted for using the equity method		-359	-3,830
Unrealised fair value adjustments in equity investments		0	1,469
Profit/loss from investments accounted for using the equity method	**D.4**	**-359**	**-500**
Profit/loss from fair value adjustments in investment properties	D.5	38,414	18,471
Impairment of receivables	D.6	-2,058	-2,846
Profit from a bargain purchase	D.7	0	33,217
Other operating income	D.8	5,550	2,572
Other operating income and other effects		**41,906**	**51,414**
General and administrative expenses	D.9	-14,505	-11,332
Other operating expenses	D.10	-7,367	-5,265
Earnings before interest and taxes		**83,169**	**58,740**
Financial income		1,153	2,145
Financial expenses		-39,134	-27,873
Interests of minority shareholders		-5,226	0
Financial result	**D.11**	**-43,207**	**-25,728**
Profit/loss before taxes		**39,962**	**33,012**
Income taxes	D.12	-12,313	-4,139
Net profit/loss for the period		**27,649**	**28,873**
Thereof attributable to:			
Non-controlling interests		**2,979**	**756**
Parent company shareholders		**24,670**	**28,117**
Basic earnings per share	D.13	0.48	1.09
Diluted earnings per share	D.13	0.39	0.71

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
	IN EURK	
Net profit/loss for the period	**27,649**	**28,873**
Currency translation differences	124	3,408
Other comprehensive income	**124**	**3,408**
Total comprehensive income	**27,773**	**32,281**
Thereof attributable to:		
Non-controlling interests	**2,979**	**639**
Parent company shareholders	**24,794**	**31,642**

CONSOLIDATED BALANCE SHEET

ASSETS

	Note	31/12/2016	31/12/2015
		IN EURK	
ASSETS			
Non-current assets			
Intangible assets	E. 1.1	7,005	6,961
Property, plant and equipment	E. 1.2	1,753	11,285
Investment properties	E. 1.3	981,274	915,089
Investments accounted for using the equity method	E. 1.4	126	3,136
Other financial assets	E. 1.5	11,328	11,045
Loans to investments accounted for using the equity method	E. 1.6	0	553
Other loans	E. 1.7	0	384
Deferred tax assets	E. 5.1	0	144
Total non-current assets		**1,001,486**	**948,597**
Current assets			
Real estate inventory	E. 2.1	2,222	2,298
Trade accounts receivable and other receivables	E. 2.2	23,614	14,387
Financial receivables and other financial assets	E. 2.3	10,293	26,020
Tax refund claims		811	171
Cash and cash equivalents	E. 2.4	31,289	28,467
Total current assets		**68,229**	**71,343**
Non-current assets held for sale	**E.3**	**24,291**	**13,005**
Total assets		**1,094,006**	**1,032,945**

EQUITY AND LIABILITIES

	Note	31/12/2016	31/12/2015
		IN EURK	
EQUITY AND LIABILITIES			
Equity			
Subscribed capital		54,247	49,292
Reserves		217,698	181,405
Equity attributable to parent company shareholders		**271,945**	**230,697**
Non-controlling interests		36,692	34,205
Total equity	**E.4**	**308,637**	**264,902**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	E. 5.1	35,030	25,714
Minority interests	E. 5.2	62,822	61,160
Financial liabilities	E. 5.3	620,623	608,796
Other liabilities	E. 5.4	865	1,076
Total non-current liabilities		**719,340**	**696,746**
Current liabilities			
Provisions	E. 6.1	1,739	1,166
Trade payables and other liabilities	E. 6.2	17,378	19,887
Tax liabilities	E. 6.3	4,892	3,801
Financial liabilities	E. 5.3	42,020	46,443
Total current liabilities		**66,029**	**71,297**
Total liabilities		**785,369**	**768,043**
Total equity and liabilities		**1,094,006**	**1,032,945**

CONSOLIDATED STATEMENT OF CASH FLOWS

	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
	IN EURK	
Group profit/loss before taxes	**39,962**	**33,012**
Financial expenses	44,360	27,873
Financial income	-1,153	-2,145
Proceeds from the sale of real estate inventory	0	650
Change in trade accounts receivable and other receivables	2,186	7,633
Change in financial receivables and other financial assets	1,005	-8,234
Change in intangible assets	44	-6,883
Change in provisions	500	-1,329
Change in trade payables and other liabilities *	-4,376	6,902
Valuation gains under IAS 40	-38,414	-18,471
Gains from the sale of real estate companies	-4,923	-743
Interest proceeds	400	165
Income taxes paid	-1,318	-186
Profit from a bargain purchase	0	-33,217
Change in reserves	594	4,462
Profit/loss from investments accounted for using the equity method	359	500
Depreciation and amortisation and impairment	2,058	2,846
Distributions to minority shareholders / dividends	-5,906	0
Other non-cash items*	-26	-2,020
Cash flow from operating activities	**35,352**	**10,815**
Payments for investments in property, plant and equipment	-11,888	-11,258
Payments for the purchase of investment properties and interests in fully consolidated companies, less net cash and cash equivalents acquired	-4,352	-15,238
Acquisition of interests in fully consolidated companies in the context of business combinations	0	-4.319
Proceeds from the sale of real estate	21,966	1,650
Cash flow from investing activities	**5,726**	**-29,165**
Release of equity component of convertible bond	-84	0
Payments for expenses associated with raising equity	-1,105	-1,514
Proceeds from the issue of equity	17,011	11,158
Proceeds from the issue of bonds	12,892	36,023
Proceeds from the issuance of financial liabilities	48,015	54,700
Interest paid on financial liabilities	-33,487	-21,255
Payments for the redemption of financial liabilities	-81,497	-36,692
Cash flow from financing activities	**-38,255**	**42,420**
Net change in cash and cash equivalents	**2,822**	**24,070**
Cash and cash equivalents at the start of the period	28,467	4,397
Cash and cash equivalents at the end of the period	**31,289**	**28,467**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

IN EURK	Note	Share capital	Reserves						
		Subscribed capital	Capital reserves	Retained earnings incl. Group profit/ loss	Reserves for treasury shares	Currency translation	Equity attributable to parent company shareholders	Non-control-ling interests	Total equity
January 1, 2016	**E.3**	**49,292**	**121,120**	**60,651**	**-310**	**-57**	**230,697**	**34,205**	**264,902**
Currency translation differences		0	0	0	0	124	124	0	**124**
Total other comprehensive income		**0**	**0**	**0**	**0**	**124**	**124**	**0**	**124**
Net profit/loss for the period		0	0	24,670	0	0	24,670	2,979	**27,649**
Total comprehensive income		**0**	**0**	**24,670**	**0**	**124**	**24,794**	**2,979**	**27,773**
Capital increase (related to the conversion of convertible bonds)		24	-1	0	0	0	23	0	**23**
Stock option plan		0	594	0	0	0	594	0	**594**
Cash capital increases		4,931	12,080	0	0	0	17,011	-304	**16,707**
Costs of raising equity under capital increases		0	-1,105	0	0	0	-1,105	0	**-1,105**
Dividend payments		0	0	0	0	0	0	-782	**-782**
Change in the scope of consolidation		0	-70	-79	0	80	-69	594	**525**
December 31, 2016	**E.3**	**54,247**	**132,618**	**85,242**	**-310**	**147**	**271,945**	**36,692**	**308,637**
January 1, 2015	**E.3**	**14,306**	**8,233**	**32,802**	**-310**	**-3,348**	**51,684**	**2,945**	**54,629**
Currency translation differences		0	0	0	0	3,291	3,291	117	**3,408**
Total other comprehensive income		**0**	**0**	**0**	**0**	**3,291**	**3,291**	**117**	**3,408**
Net profit/loss for the period		0	0	28,117	0	0	28,117	756	**28,873**
Total comprehensive income		**0**	**0**	**28,117**	**0**	**3,291**	**31,408**	**873**	**32,281**
Capital increase (related to the conversion of convertible bonds)		227	-12	0	0	0	215	0	**215**
Stock option plan		0	434	0	0	0	434	0	**434**
Mandatory convertible bond		0	14,223	0	0	0	14,223	0	**14,223**
Capital increases against contribution in kind		32,285	92,853	0	0	0	125,138	0	**125,138**
Cash capital increases		2,474	8,684	0	0	0	11,158	0	**11,158**
Costs of raising equity under capital increases		0	-3,295	0	0	0	-3,295	0	**-3,295**
Change in the scope of consolidation		0	0	-268	0	0	-268	30,387	**30,119**
December 31, 2015	**E.3**	**49,292**	**121,120**	**60,651**	**-310**	**-57**	**230,697**	**34,205**	**264,902**

Notes to the consolidated financial statements for fiscal year January 1 to December 31, 2016
(Previous year: January 1, 2015 to December 31, 2015)

A. GENERAL INFORMATION

1. Basis of preparation

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

As of December 31, 2016, the Company’s scope of consolidation pursuant to Section 313 (2) HGB includes DEMIRE AG as the parent company and the companies listed in Appendix 1 („DEMIRE“ or the „DEMIRE Group“).

The Company’s registered office is located in Frankfurt am Main. Upon entry in the commercial register on December 23, 2016, the Company’s business address was relocated to the Robert-Bosch-Straße 11 in Langen, Germany.

The Company’s shares are listed in the Prime Standard segment of the Frankfurt Stock Exchange.

DEMIRE AG itself has not carried out any investments in real estate or real estate projects to date. Investments are generally processed through project companies. Interests in these project companies are either directly or indirectly held by DEMIRE (through intermediate holding companies). DEMIRE AG does not have direct ownership in any real estate. DEMIRE focuses on the German commercial real estate market and is active as an investor in and portfolio manager of secondary locations. Accordingly, DEMIRE itself acquires, manages and leases commercial properties. Value appreciation is to be achieved through active asset, property and facility management. This may also include the targeted sale of properties when they are no longer a strategic fit or when they have exhausted their potential for value appreciation through active portfolio management.

The reporting currency of the consolidated financial statements of DEMIRE AG is the euro (EUR). Unless otherwise stated, all amounts are expressed in thousands of euros (EURk). For calculation reasons, rounding differences of +/- one unit (EUR, % etc.) may occur in the information presented in these financial statements.

The consolidated financial statements of DEMIRE AG for the fiscal year ended December 31, 2016 were prepared in accordance with International Financial Reporting Standards (IFRS), as framed by the International Accounting Standard Board (IASB) and adopted by the European Union (EU), pursuant to Section 315a of the German Commercial Code (HGB). All International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and interpretations of the IFRS Interpretations Committee (IFRS IC), formerly the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) mandatory for the 2016 fiscal year were taken into consideration. Furthermore, all statutory disclosure and explanation requirements of the German Commercial Code (HGB) that are in addition to the provisions of the IASB, have been fulfilled, particularly those for the preparation of a group management report.

These consolidated financial statements were prepared on April 27, 2017 by the Executive Board.

2. New and amended standards and interpretations

2.1 First-time application of new and amended standards and interpretations in fiscal year 2016

The accounting policies applied in the consolidated financial statements are the same as those applied in the 2015 fiscal year except for the changes mentioned below. The following new and amended standards and interpretations that are material from DEMIRE AG's perspective were applied for the first time in the 2016 fiscal year.

First-time application of standards and interpretations in fiscal year 2016

		Endorsed on	Mandatory application for fiscal years beginning after	Effect on DEMIRE AG's consolidated financial statements
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities –Applying the Consolidation Exception (issued on December 18, 2014)	September 22, 2016	**January 1, 2016**	no effects
Amendments to IAS 16 and IAS 41	Bearer Plants (issued on June 30, 2014)	November 23, 2015	**January 1, 2016**	no effects
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations (issued on May 6, 2014)	November 24, 2015	**January 1, 2016**	no effects
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (issued on May 12, 2014)	December 2, 2015	**January 1, 2016**	no effects
Annual Improvements	Annual Improvements to IFRSs 2012-2014 Cycle (issued on September 25, 2014)	December 15, 2015	**January 1, 2016**	no effects
Amendments to IAS 1	Disclosure Initiative (issued on December 18, 2014)	December 18, 2015	**January 1, 2016**	changes in presentation
Amendments to IAS 27	Equity Method in Separate Financial Statements (issued on August 12, 2014)	December 18, 2015	**January 1, 2016**	no effects
Amendments to IAS 19	Defined Benefit Plans – Employee Contributions (issued on November 21, 2013)	December 17, 2014	**February 1, 2015**	no effects
Annual Improvements	Annual Improvements to IFRSs 2010-2012 Cycle (issued on December 12, 2013)	December 17, 2014	**February 1, 2015**	additional disclosures in the notes

2.2 STANDARDS AND INTERPRETATIONS FOR FUTURE MANDATORY APPLICATION

The amendments to IAS 1 within the scope of the „Disclosure Initiative“ should allow disclosure to be reduced to only those that are material or in a simplified form in the financial statements. DEMIRE has used this as an opportunity to fundamentally revise the Group‘s Notes, to make them clearer, easier to read and focused on the essential information.

The following standards and interpretations were already published by the IASB but are only mandatory after December 31, 2016.

Standards and interpretations that require future mandatory application

		Endorsed on	Mandatory application for fiscal years beginning after	Effect on DEMIRE AG's consolidated financial statements
IFRS 9	Financial Instruments (issued on July 24, 2014)	November 22, 2016	**January 1, 2018**	effects are current assessed
IFRS 15.....	Revenue from Contracts with Customers (issued on May 28, 2014) including amendments to IFRS 15: Effective date IFRS 15 (issued on September 11, 2015)	September 22, 2016	**January 1, 2018**	effects are current assessed
IFRS 16.....	Leases (issued on January 13, 2016)	planned for Q4 2017	**January 1, 2019**	effects are current assessed
IFRS 14.....	Regulatory Deferral Accounts (issued on January 30, 2014)	no endorsement	**January 1, 2016**	no effects
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on September 11, 2014)	postponed	**postponed for an indefinite period**	no effects
Amendments to IAS 12.....	Recognition of Deferred Tax Assets for Unrealised Losses (issued on January 19, 2016)	planned for Q2 2017	**January 1, 2017**	effects are current assessed
Amendments to IAS 7.....	Disclosure Initiative (issued on January 29, 2016)	planned for Q2 2017	**January 1, 2017**	additional disclosures in the notes
Clarifications to IFRS 15.....	Revenue from Contracts with Customers (issued on April 12, 2016)	planned for Q1 2017	**January 1, 2018**	effects are current assessed
Amendments to IFRS 2.....	Classification and Measurement of Share-based Payment Transactions (issued on June 20, 2016)	planned for Q3 2017	**January 1, 2018**	no effects
Amendments to IFRS 4.....	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on September 12, 2016)	planned for Q3 2017	**January 1, 2018**	no effects
Annual Improvements ...	Annual Improvements to IFRSs 2014-2016 Cycle (issued on December 8, 2016)	planned for Q3 2017	**January 1, 2018** / **January 1, 2017**	no effects
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration (issued on December 8, 2016)	planned for Q3 2017	**January 1, 2018**	no effects
Amendments to IAS 40.....	Transfers of Investment Property (issued on December 8, 2016)	planned for Q3 2017	**January 1, 2018**	effects are current assessed

In July 2014, the IASB published the final version of IFRS 9 „Financial Instruments“, which has since been adopted by the EU. The new standard IFRS 9 will replace the current provisions of IAS 39 „Financial Instruments: Recognition and Measurement“. The new rules for the accounting of financial instruments are to be applied for the first time for fiscal years

beginning on or after January 1, 2018. The initial application is always to be carried out retrospectively, whereby various simplification options may be used. DEMIRE AG do not utilise the option for early application.

Furthermore, in May 2014, the IASB published IFRS 15 „Revenue from Contracts with Customers“, which has since been adopted by the EU. The new standard IFRS 15 will replace the current provisions of IAS 11 „Construction Contracts“, IAS 18 „Revenue“ and the corresponding interpretations. The new regulations for the recognition of revenue from contracts with customers are to be applied for the first time for fiscal years beginning on or after January 1, 2018. The initial application is always to be carried out retrospectively, whereby various simplification options can be used. DEMIRE AG does not utilise the option for early application.

In addition, the IASB published IFRS 16 „Leases“ in January 2016. The adoption of this standard by the EU is still pending. The new standard IFRS 16 will replace the current provisions of IAS 17 „Leases“ and the related interpretations. The new rules for the accounting of leases are to be applied to fiscal years beginning on or after January 1, 2019. The initial application is always to be carried out retrospectively, whereby various simplification options can be used. Earlier application is permitted provided the new regulations of IFRS 15 are also applied. DEMIRE AG will unlikely use the early application option.

DEMIRE AG has not yet conclusively analysed the effects associated with the first-time adoption of IFRS 9, IFRS 15 and IFRS 16 so that no reliable statements can be made in this regard. The Company plans to conclude the necessary detailed analyses in the course of the 2017 fiscal year.

3. Key discretionary decisions, judgments and assumptions

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

When applying the accounting and valuation methods, the Company’s management must make discretionary decisions. This applies to the following matters in particular:

- In the case of real estate, at each balance sheet date DEMIRE AG must determine whether the real estate should be allocated to real estate inventory or investment properties. The classification is based on the following assessment:
    - Investment properties: Sustainable management is the focus of the properties concerned. These properties are thus held to generate rental income and / or for value appreciation.
    - Real estate inventory: The primary aim with these properties is either a „buy & sell“ or „develop & sell“ strategy. Consequently, these properties are held for sale in the course of ordinary business activities.
    - If DEMIRE AG obtains control over an acquired entity or acquires assets, it must be determined whether the transaction should be classified as a business combination according to IFRS 3 or as an acquisition of a group of assets or net assets (aggregated assets). If a business operation defined as an integrated group of activities is acquired in addition to assets and liabilities, this constitutes a business combination that must be accounted for according to IFRS 3. An integrated group of activities is defined, for example, as business processes in the areas of property management, credit management and accounting. Additionally, the fact that staff is employed at the acquired real estate company is another indication that a business operation has been acquired.

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

Impairment of receivables	Note D. 6
Income taxes	Note D. 12
Goodwill impairment test	Note E. 1.1.1
Deferred tax assets and liabilities	Note E. 5.1
Provisions	Note E. 6.1

B. SCOPE AND PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include DEMIRE AG and all of its controlled subsidiaries. The scope of consolidation is shown in Appendix 1.

As of the balance sheet date, the consolidated financial statements comprise the subgroup DEMIRE and the subgroup Fair Value REIT. The subgroup DEMIRE comprises the consolidated financial statements of DEMIRE AG and its subsidiaries as of the acquisition date, that is, from the date on which control was acquired. The Fair Value REIT subgroup comprises the consolidated financial statements of Fair Value REIT-AG and its subsidiaries. Fair Value REIT-AG is the parent company of the subgroup Fair Value REIT.

The financial statements of the DEMIRE AG subsidiaries are prepared using uniform accounting and valuation methods on the same balance sheet date as the parent company's financial statements.

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

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

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

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

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

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

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

Acquisitions of real estate project companies that are not a business operation as defined by IFRS 3, are accounted for as a direct purchase of real estate. The acquisition costs of the project company are allocated to the individually identifiable assets and liabilities on the basis of their fair values.

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

Acquisitions of real estate project companies that are not a business operation as defined by IFRS 3, are accounted for as a direct acquisition of a group of assets and liabilities (aggregated assets) within the framework of a share deal or asset deal. For this reason, according to IFRS 3.2b), the individual acquired identifiable assets and the assumed liabilities are to be identified and recognised as acquired aggregate assets. The acquisition costs of a group of assets are to be allocated to the individual identifiable assets and liabilities at the time of acquisition on the basis of their fair values. Such a transaction or event does not result in goodwill or a difference arising from the capital consolidation.

Acquisitions of other companies are accounted for in the context of the capital consolidation according to the acquisition method by offsetting the transferred consideration of the interests with the pro rata revalued equity of the subsidiaries at the

time of acquisition. In the case of initial consolidation, the conditions at the time of acquisition of the interests in the consolidated subsidiary are generally taken into account. Any subsequently resulting differences are allocated to the assets and liabilities to the extent that their fair values deviate from the actual carrying amounts in the financial statements. In subsequent periods, identified hidden reserves are carried in line with the accounting of the corresponding assets and liabilities. Any remaining positive difference from capital consolidation is recognised as goodwill and any negative difference is recognised in profit or loss after a reassessment of whether all acquired assets and all liabilities assumed have been correctly identified.

If other (non-Group) shareholders have an interest in the equity of the subsidiary on the balance sheet date, this item is allocated to „interests of non-controlling shareholders“. In determining the consolidated result attributable to non-controlling interests, consolidation effects recognised through profit or loss are also taken into account.

Intercompany revenues, expenses and income as well as all receivables and liabilities between the consolidated companies are eliminated.

Interests held by DEMIRE in associates and joint ventures are accounted for using the equity method. Investments in which DEMIRE is able to exert a significant influence generally based on a shareholding between 20 % and 50 %, must be accounted for according to the equity method. Under the equity method, the acquisition costs are annually increased or decreased by the changes in equity of the investee attributable to DEMIRE. At the first-time consolidation of the investee under the equity method, differences that arise are accounted for in accordance with the principles of full consolidation. Gains and losses from transactions between fully consolidated Group companies and associated companies and joint ventures are eliminated in proportion to DEMIRE’s interest in the investee.

The quorum majority of Fair Value REIT-AG in the shareholder meetings of the subsidiaries that decides on the control of the subsidiaries is decisive for the Group’s assessment. The voting rights in BBV Immobilien-Fonds Erlangen GbR, Munich („BBV 02“), BBV Immobilien-Fonds Nr. 10 GmbH & Co. KG, Munich („BBV 10“) and IC Fonds & Co Gewerbeobjekte Deutschland 15. KG, Munich („IC 15“), are not the sole factor in determining who controls the companies. Although the share of voting rights is less than 50 %, Fair Value REIT-AG is the largest single shareholder in the aforementioned companies. The assessment of the control of the investees as a prerequisite for full consolidation leads to the conclusion that Fair Value REIT-AG was able to make use of extensive rights in the case of all fully consolidated fund companies also in the past fiscal year by means of a simple majority in the shareholders’ meeting, such as the adoption of the annual financial statements, the determination of the amount of dividends and the selection of the property or fund manager. Empirically it can be shown that Fair Value REIT-AG regularly casts significantly more than 50 % of the votes at all shareholder meetings. For transactions in the context of property disposals, however, a qualified 66 % or 75 % majority of the voting rights is required, although this transaction does not constitute a material operating activity. In addition, Fair Value REIT-AG receives annual dividends from its investees that are based on the current results.

Changes to the scope of consolidation in the reporting period

Companies acquired in the reporting period

Acquisitions in the reporting period included a 94.9 % interest in the real estate project company Kurfürster Immobilien GmbH, Leipzig. The company’s „Kurfürsten Galerie“ property is located in Kassel. Also acquired was a 100 % interest in Ritterhaus Immobilienverwaltungs GmbH, Düsseldorf, which holds the operating assets of Kurfürster Immobilien GmbH. Condor Yellow BV GmbH, Frankfurt/Main was founded and holds the operating assets of Condor Objektgesellschaft Yellow GmbH, Frankfurt/Main. Demire Parkhaus Betriebsgesellschaft mbH, Berlin, was also founded and will hold and operate the DEMIRE car parks in the future. There were also investments made in DEMIRE Assekuranzmakler GmbH & Co. KG, Düsseldorf (47.5 % of the interests) and in G+Q Effizienz GmbH, Berlin (49 % of the interests), which were accounted for according to the equity method.

In addition, PRAEDIA GmbH, Berlin, which was acquired on March 17, 2015, was consolidated for the first time in the reporting period. In the 2015 fiscal year, consolidation was waived for materiality reasons. DEMIRE holds 51 % of the capital and voting rights in PRAEDIA GmbH.

At the time of the initial consolidation and based on 100 % of the assets and liabilities and taking into account non-controlling interests, the following amounts were recognised at the time of acquisition of Kurfürster Immobilien GmbH, which is the main acquisition in the reporting period:

	Amounts recognised as at the acquisition date
	IN EURK
Assets acquired	**52,679**
Liabilities assumed	38,804
Net assets at 100 %	**13,875**
of which interests on non-controlling shareholders	3
Acquisition costs	**13,872**

Disposals in the reporting period

The disposals of fully consolidated subsidiaries in the reporting year concern the legacy portfolio, specifically, Magnat Tbilisi Office LLC (Georgia), Magnat Tbilisi Residential 1 LLC (Georgia), Magnat Asset Management GmbH (Austria) and Magnat Capital Markets GmbH (Austria). Also sold were the investments in SQUADRA Immobilien GmbH & Co. KGaA and R-Quadrat Polska Alpha Sp. z o.o., which were previously accounted for using the equity method.

Mergers in the reporting period

In the reporting period, Magnat Investment II B.V. (The Netherlands) and Magnat Investment IV B.V. (The Netherlands) were merged with Magnat Investment I B.V. (The Netherlands).

Changes to the scope of consolidation in the prior year

Business combination with Fair Value REIT-AG

Fair Value REIT-AG, Gräfelfing, was fully consolidated in the consolidated financial statements as of December 31, 2015 in accordance with the provisions of IFRS 3 for business combinations because a business operation and related business processes were acquired.

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

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

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

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

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

The consolidation of Fair Value REIT-AG as a subgroup involved a total consideration paid of roughly EURk 93,263 (acquisition costs) for 77.70 % of the shares. The consideration paid resulted from the fair value of EUR 4.2532 per

DEMIRE AG share on the closing date of the share exchange of December 21, 2015 issued in exchange for shares in Fair Value REIT-AG (21,927,756 DEMIRE AG shares).

The consideration paid (acquisition costs) was allocated to the acquired assets and liabilities at estimated market values based on a final purchase price allocation carried out by an external expert:

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

The majority of investment properties were appraised as at December 31, 2015 by external real estate experts. DEMIRE AG has adopted these values.

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

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

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

In the context of the consolidation of the Fair Value REIT-AG and DEMIRE AG subgroups, net deferred tax liabilities of EURk 4,739 on the deemed disposal of properties held by Fair Value REIT (analogous to the „tax transparent entities") were recognised based on the tax rate of 31.925 % mentioned above. This resulted in goodwill of EURk 6,783 in DEMIRE AG's consolidated financial statements originating from the acquisition of Fair Value REIT. Deferred tax liabilities increased goodwill by EURk 4,739 from EURk 2,044 to EURk 6,783.

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

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

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

After offsetting acquisition costs (EURk 93,263), plus minority interests (EURk 26,179), against the net assets of the acquired company (EURk 117,398), a positive difference (goodwill) was derived in the amount of EURk 2,044. The reason for the positive difference lies, among others, in the appreciation of the share price until December 21, 2015 of the DEMIRE

shares given as consideration. In the context of its own growth strategy, DEMIRE sees development potential from its acquisition of Fair Value REIT in the real estate directly or indirectly held by Fair Value REIT and from the opportunity to realise synergies in the areas of administration and property and facility management.

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

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

The period of affiliation to the Group (December 21, 2015 to December 31, 2015) does not include any substantial net rental income or a significant consolidated profit/loss before taxes.

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

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

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

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

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

The consideration paid for the purchase of the 94 % interest in Germavest Real Estate S.à.r.l. amounted to EURk 39,016 (acquisition costs).

The consideration paid was allocated to the acquired assets and liabilities at estimated market values based on a final purchase price allocation carried out by an external expert:

	EURK
Investment properties	181,320
Other non-current assets	1,026
Current assets	4,359
Cash and cash equivalents	3,540
Acquired assets	**190,245**
Non-current liabilities	-104,424
thereof deferred tax liabilities	-7,848
Current liabilities	-11,998
Assumed liabilities	**-116,422**
Net assets (100 %)	**73,823**
Non-controlling interests	1,590
Badwill	33,217
Acquisition costs	**39,016**

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

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

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

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

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

Due to the offsetting of the consideration paid (acquisition costs) plus the interests of non-controlling interests against the net assets of the acquired company resulted in a badwill, the carrying amounts of the assets and liabilities acquired and the acquisition cost determined were subjected to another critical review. Badwill of EURk 33,217 that was determined after a prudent review was recognised immediately through profit or loss as a non-recurring effect under the line item “profit from a bargain purchase”. This amount originates mainly from the fair value in excess of the purchase price of investment properties held by Germavest Real Estate S.à.r.l.

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

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

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

Acquisition of real estate companies in the prior year

In the prior year, interests were acquired in the real estate project companies Glockenhofcenter Objektgesellschaft mbH, Berlin; Hanse-Center Objektgesellschaft mbH, Berlin; TGA Immobilien Erwerb 1 GmbH, Berlin; Sihlegg Investments

Holding GmbH, Wollerau, Switzerland; and Logistikpark Leipzig GmbH, Leipzig. The acquisition of the real estate project companies named are accounted for as direct purchases of real estate because, in the opinion of the Company's Executive Board, these companies do not represent a full business operation pursuant to IFRS 3. B.7. The purchase of the properties contained in the real estate companies was a component of the transactions. Therefore, the acquisition costs related to the real estate companies were allocated to the individually identifiable assets and liabilities on the basis of their fair values as of the acquisition date. This does not concern a business combination as defined under IFRS 3 but rather an acquisition of aggregated assets.

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

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

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

To acquire an interest in Logistikpark Leipzig GmbH, DEMIRE AG increased its share capital by EUR 2,541,149 against contribution in kind. M1 Beteiligungs GmbH, Berlin, was admitted to subscribe to the new shares in return for a contribution in kind consisting of a 94 % interest in Logistikpark Leipzig GmbH. In addition to the shares, a cash component of roughly EUR 18.6 million was also agreed to as part of the purchase price. In the context of the capital increase, each new DEMIRE AG share was assigned a value of EUR 5.84, resulting in a calculated total purchase price of EURk 33,173. The entry of the capital increase into the commercial register took place on July 1, 2015. Beneficial ownership of the interest in Logistikpark Leipzig GmbH was acquired on July 17, 2015.

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

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

First-time consolidation of other entities

In the previous year, companies were acquired or formed for property, asset and facility management and holding companies were acquired or formed to hold interests in real estate companies and were consolidated for the first time in the reporting year. The date of first-time consolidation for these companies is listed in the table below.

COMPANY	Interest	Date of first-time consolidation
Demire Immobilien Management GmbH	100%	January 1, 2015
DEMIRE Commercial Real Estate DREI GmbH	100%	June 30, 2015
DEMIRE Commercial Real Estate VIER GmbH	100%	June 30, 2015
DEMIRE Commercial Real Estate FÜNF GmbH	100%	June 30, 2015
DEMIRE Commercial Real Estate SECHS GmbH	100%	December 31, 2015
FVR Beteiligungsgesellschaft Erste mbH	100%	December 31, 2015
FVR Beteiligungsgesellschaft Zweite mbH	100%	December 31, 2015
FVR Beteiligungsgesellschaft Dritte mbH	100%	December 31, 2015
FVR Beteiligungsgesellschaft Vierte mbH	100%	December 31, 2015
FVR Beteiligungsgesellschaft Fünfte mbH	100%	December 31, 2015
FVR Beteiligungsgesellschaft Sechste mbH	100%	December 31, 2015
FVR Beteiligungsgesellschaft Siebente mbH	100%	December 31, 2015
FVR Beteiligungsgesellschaft Achte mbH	100%	December 31, 2015
FVR Beteiligungsgesellschaft Neunte mbH	100%	December 31, 2015

Disposals in the prior year

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

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

Summary financial information for companies sold (amounts EURk):

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

	OOO New Sadko Holding	MAGNAT Real Estate Project Sadko B.V.	MAGNAT Real Estate New Project Sadko B.V.
Aggregated assets	21	0	440
thereof cash and cash equivalents	0	0	0
Aggregated liabilities	2	24	2

	Munich ASSET Vermögensverwaltung GmbH
Aggregated assets	7,539
thereof cash and cash equivalents	2
Aggregated liabilities	7,460

Disclosures according to IFRS 12

a) Disclosures relating to fully consolidated subsidiaries

Fair Value REIT-AG, now Gräfelfing, and its subsidiaries were fully consolidated for the first time in the DEMIRE AG consolidated financial statements as of December 31, 2015, as the Fair Value REIT subgroup. Only the assets and liabilities of Fair Value REIT-AG were consolidated in DEMIRE AG's consolidated financial statements. In the reporting period, dividend distributions of EURk 782 were allocated to the non-controlling shareholders of Fair Value REIT-AG. The disclosures in accordance with IFRS 12.12(g) are listed in the table below.

FAIR VALUE REIT-AG	December 31, 2016	December 31, 2015
	IN EURK	
BALANCE SHEET		
Non-current assets	296,907	297,181
Current assets	21,237	33,452
thereof cash and cash equivalents	16,776	16,028
Non-current liabilities	184,997	187,738
thereof interests of non-controlling shareholders	61,708	61,160
Current liabilities	16,157	25,497
thereof financial liabilities	9,275	18,118
Net assets	**120,590**	**117,398**
STATEMENT OF INCOME		
Revenue	27,622	29,847
Interest income	0	11
Interest expenses	3,375	4,212
Income taxes	0	0
Other income	0	0
Net profit/loss for the period	**6,909**	**6,585**

A share in the profit for the period for the 2016 fiscal year in the amount of EURk 1,541 was attributable to non-controlling shareholders (22.3 %) of Fair Value REIT-AG.

C. ACCOUNTING POLICIES

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

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

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

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

Assets, equity and debt instruments, excluding share-based payments under IFRS 2, that are measured at fair value based on other standards are valued uniformly according to the provisions of IFRS 13.

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

- Level 1: Input factors are quoted (unadjusted) prices in active markets for identical assets or liabilities that are available as at the valuation date.
- Level 2: Other input factors than the quoted prices in Level 1 and factors which are either directly observable or can be indirectly derived for the asset or liability.
- Level 3: Input factors for the asset or liability are not observable.

The accounting policies for the individual balance sheet items as well as items in the statement of income are presented in the notes to the consolidated statement of income (Section D) and the consolidated balance sheet (Section E).

D. NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

Revenues consist of rental income (net rents and ancillary rental costs), income from the sale of real estate companies and income from the disposal of real estate.

DEMIRE has entered into commercial property lease agreements for its investment properties. These agreements stipulate that DEMIRE shall retain all the significant risks and opportunities connected with the ownership of properties rented and therefore classifies these lease contracts as operating leases. The income from these contracts is recognised as rental income and principally free from seasonality. Income from ancillary rental costs is allocable ancillary costs that were passed on to tenants.

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

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

1. Profit/loss from the rental of real estate

The profit/loss from the rental of real estate of EURk 58,570 (previous year: EURk 23,680) consists of the following:

	01/01/2016 – 31/12/2016	01/01/2015 – 31/12/2015
	IN EURK	
Rental income	76,371	33,320
Income from utility and service charges	15,746	10,024
Rental revenue	**92,117**	**43,344**
Allocable operating expenses to generate rental income	-19,611	-12,648
Non-allocable operating expenses to generate rental income	-13,936	-7,016
Operating expenses to generate rental income	**-33,547**	**-19,664**
Profit/loss from the rental of real estate	**58,570**	**23,680**

The increase in rental revenue to EURk 92,117 (previous year: EURk 43,344) mainly resulted from revenue from companies acquired in the reporting year and prior year, particularly Fair Value REIT-AG.

Ancillary rental costs were recognised as operating expenses to generate rental income and amounted to EURk 33,547 in the reporting year (previous year: EURk 19,664). Of the operating expenses, an amount of EURk 19,611 (previous year: EURk 12,648) is generally allocable and can be passed on to tenants. This figure includes an amount of EURk 2,275 (previous year: EURk 2,264), that could not be passed on due to vacancy. Operating expenses of EURk 13,936 (previous year: EURk 7,016) are not allocable, of which EURk 1,320 (previous year: EURk 254) relate to staff costs at DEMIRE Immobilienmanagement GmbH.

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

The profit/loss from the sale of real estate companies in the amount of EURk 3,961 (previous year: EURk 285) is made up of the following:

	Date of disposal	Revenue from the sale of real estate companies	Net assets from real estate companies sold	Profit/loss from the sale of real estate companies
		IN EURK		
Magnat Tbilisi Office LLC.....	February 5, 2016	0	3	3
Magnat Tbilisi Residential 1 LLC.....	February 4, 2016	0	0	0
Magnat Asset Management GmbH.....	July 14, 2016	141	-99	42
Magnat Capital Markets GmbH	July 14, 2016	146	-313	-167
SQUADRA Immobilien GmbH & Co. KG (at Equity)	December 27, 2016	7,184	-2,665	4,519
R-Quadrat Polska Alpha sp.z o.o. (at Equity)	July 26, 2016	0	-436	-436
Total.....		**7,471**	**-3,510**	**3,961**

Summary financial information for fully consolidated companies sold:

	Magnat Tbilisi Office LLC	Magnat Tbilisi Residential 1 LLC	Magnat Asset Management GmbH	Magnat Capital Markets GmbH
		IN EURK		
Aggregated assets	0	0	1,315	878
thereof cash and cash equivalents.....	0	0	141	146
Aggregated liabilities.....	1	0	1,118	509

3. Profit/loss from the sale of real estate

During the fiscal year, the Group generated a profit/loss from the sale of real estate in the amount of EURk 963 (previous year: EURk 458). The main properties sold were the Halle-Peissen property owned by DEMIRE Objektgesellschaft Worms GmbH, the Kempten property owned by Briarius S.a.r.l., the Ulm property owned by Armstripe S.a.r.l. and the Radevormwald property belonging to BBV 6 Geschäftsführungs-GmbH & Co. KG.

4. Profit/loss from investments accounted for using the equity method

The losses from investments accounted for using the equity method in the amount of EURk 359 (previous year: EURk 3,830) primarily concern losses incurred by SQUADRA Immobilien GmbH & Co. KGaA in the amount of EURk 356 up to the date of deconsolidation.

5. Profit/loss from fair value adjustments in investment properties

The result from the fair value adjustment on investment properties in the amount of EURk 38,414 (previous year: EURk 18,471) concerned the properties of domestic and foreign direct and indirect subsidiaries located in Germany. The largest single effect in the amount of EURk 9,683 related to Kurfürster Immobilien GmbH, Leipzig. Other significant gains resulted

from the revaluation of Germavest Real Estate S.a.r.l. in the amount of EURk 8,250, Logistikpark Leipzig GmbH in the amount of EURk 6,238 and CAM Commercial Asset Management EINS GmbH in the amount of EURk 4,020.

The fair values of these properties are based on the appraisal reports of external, independent experts. In particular, the positive economic situation in Germany combined with the continued increase in foreign investors' demand for commercial real estate led to a significant change in valuation factors in the reporting period and consequently to an increase in the properties' market values. Please refer to Note E.1.3 for details on the valuation methods applied.

6. Impairment of receivables

Impairment of receivables consists of the following:

	01/01/2016 – 31/12/2016	01/01/2015 – 31/12/2015
	IN EURK	
Trade accounts receivable and other receivables	-1,543	-1,285
Loans to investments accounted for using the equity method	-515	-1,561
Total	**-2,058**	**-2,846**

Impairment of trade accounts receivable concerned rental receivables of EURk 967 from properties located in Germany as well as EURk 576 from the legacy portfolio. The impairment of loans to investments accounted for using the equity method concerned loans to companies deconsolidated during the fiscal year.

7. Profit from a bargain purchase

The previous year's profit of EURk 33,217 from a bargain purchase resulted from the acquisition of Germavest Real Estate S.à.r.l. (T6 portfolio). The negative goodwill of EURk 33,217 was recognised immediately through profit or loss in the consolidated statement of income as a one-time effect. This negative goodwill is mainly attributable to the fair value of investment properties held by Germavest Real Estate S.à.r.l. exceeding the acquisition price.

8. Other operating income

	01/01/2016 – 31/12/2016	01/01/2015 – 31/12/2015
	IN EURK	
Other non-periodic income	2,748	389
Value-added tax refunds for prior years	507	788
Income from the disposal of property, plant and equipment	321	0
Income from facility management	309	23
Derecognition of liabilities	282	0
Benefits in kind	221	181
Income from the reversal of provisions	109	56
Reversal of impairment losses on receivables	100	38
Gains from foreign currency differences	33	343
Income from allocated expenses	16	160
Compensation for damages	0	11
Others	904	583
Total	**5,550**	**2,572**

Other non-periodic operating income mainly contains subsequent compensation for the usage of walkways and parking spaces by the city of Ulm. Furthermore, other non-periodic income inter alia contains refunds resulting from corrected settlements of prior years.

The income from facility management results from the provision of facility management services rendered by PRAEDIA GmbH, which was consolidated for the first time in the current reporting period.

9. General and administrative expenses

	01/01/2016 – 31/12/2016	01/01/2015 – 31/12/2015
	IN EURK	
Staff costs	-3,855	-2,258
Legal and consulting fees	-3,841	-3,868
Accounting and audit costs	-2,541	-3,490
Expenses for real estate expert opinions	-589	-634
Fund management costs	-514	0
Advertising and travel expenses	-492	-378
IT costs	-446	-24
Compensation of expenses	-338	0
Costs for vehicles	-302	-40
Supervisory Board remuneration	-292	-270
Compensation of trust costs	-268	0
Expenses for investor relations	-154	-180
Expenses for facility management	-106	-17
Leasing costs	-52	-144
Others	-715	-29
Total	**-14,505**	**-11,332**

Staff costs for staff employed by the ultimate parent company are included in general and administrative expenses. The increase in staff costs resulted from the higher number of employees at the Group due to the Company's business expansion and the recognition of expenses for share-based payments in the amount of EURk 594.

Legal and consulting fees in the amount of EURk 3,841 are mainly the result of non-recurring expenses related to capital market activities.

10. Other operating expenses

	01/01/2016 – 31/12/2016	01/01/2015 – 31/12/2015
	IN EURK	
Non-periodic expenses from operating costs of the previous years	-1,888	-80
Non-deductible input taxes	-965	-1,139
Brokerage fees	-818	0
Expenses for Annual General Meeting and investor relations	-540	-767
Fees and incidental costs of monetary transactions	-413	-526
Third-party services	-391	-679
Occupancy costs	-281	-77
Impairment of property, plant and equipment	-110	-18
Property management	-104	-144
Losses from foreign currency differences	-26	-154
Insurance fees	-59	-78
Differences from the consolidation of liabilities, expenses and income	0	-74
Legal and consulting fees	0	-58
Transaction costs for the acquisition of Germavest Real Estate S.à.r.l.	0	-793
Others	-1,772	-678
Total	**-7,367**	**-5,265**

The subsequent settlement of operating costs is customary and essentially stems from the real estate portfolios purchased in the abbreviated 2014 fiscal year.

Non-deductible input taxes resulted from legal and consulting fees that cannot be capitalised, which were utilised by DEMIRE AG, which is not entitled to a full input tax deduction.

11. Financial result

	01/01/2016 – 31/12/2016	01/01/2015 – 31/12/2015
	IN EURK	
Financial income	1,153	2,145
Financial expenses	-39,134	-27,873
Interests of minority shareholders	-5,226	0
Financial result	**-43,207**	**-25,728**

Financial income in the amount of EURk 1,153 (previous year: EURk 2,145) essentially resulted from accrued interest from loans and borrowings issued by DEMIRE AG (EURk 825) as well as accrued interest (EURk 328) for the 2014/19 corporate bond held by DEMIRE AG at the beginning of the reporting period in the amount of EURk 14,375 and reissued during the first quarter of 2016.

The increase in financial expenses resulted mainly from higher financial liabilities related to company acquisitions executed at the end of the 2015 fiscal year. This relates in particular to Germavest Real Estate S.a.r.l. and Fair Value REIT-AG subgroup.

The share of profit/loss attributable to minority shareholders concerns Fair Value REIT-AG.

12. Income taxes

	01/01/2016 – 31/12/2016	01/01/2015 – 31/12/2015
	IN EURK	
Current income taxes	-2,852	-755
Deferred income taxes	-9,460	-3,384
Total income taxes	**-12,313**	**-4,139**

Current income tax expenses of EURk 2,852 (previous year: EURk 755) include corporate and trade taxes as well as capital gain taxes and were incurred almost entirely in Germany.

Deferred income taxes of EURk 9,460 (previous year: EURk 3,384) consist of deferred tax income of EURk 1,273 (previous year: EURk 2,758) and deferred tax expenses of EURk 10,733 (previous year: EURk 6,142). Deferred tax expenses essentially resulted from temporary differences in the valuation of investment properties pursuant to IAS 40. Deferred tax income essentially resulted from the offsetting of these with deferred taxes on tax loss carryforwards.

As of the balance sheet date, non-utilised tax loss carryforwards totalled EURk 42,842 (previous year: EURk 47,731) from investees included in the consolidated financial statements. Deferred tax assets on these loss carryforwards are only capitalised if it is probable that profits will be realised in the foreseeable future and can be offset against these tax loss carryforwards. In the DEMIRE Group, deferred taxes on tax loss carryforwards at the level of the same taxable entity were capitalised only to the extent that deferred tax liabilities were recognised.

Tax reconciliation statement

The tax reconciliation statement between the theoretical and actual tax expense is presented on the basis of the Group tax rate of 28.78 % (previous year: 31.93 %). The Group tax rate of 28.78 % includes the 15 % applicable corporate tax rate, 5.5 % solidarity surcharge and 12,95 % trade tax (municipal rate for Langen: 370 %; trade tax rate 3.5 %). The calculation of the deferred taxes of domestic real estate companies is based on a tax rate of 15.83 %. These companies generate income exclusively from managing their own real estate. Only the corporate tax rate and the solidarity surcharge apply to these companies because of the option to deduct the profit from the management of own real estate from the profit under trade tax law. The calculation of deferred taxes for foreign companies acquired during the reporting period was also based on a tax rate of 15.83 % because these companies are not subject to trade taxes.

	01/01/2016 – 31/12/2016	01/01/2015 – 31/12/2015
	IN EURK	
Profit/loss before taxes	**39,962**	**33,012**
Group tax rate	**28.78%**	**31.93%**
Expected income taxes	**11,501**	**10,541**
Tax rate differences	-3,069	-3,626
Tax effects arising from non-deductible operating expenses	2,533	2,869
Tax effects of tax-free income	-1,247	-12,166
Tax effects arising from non-utilised losses and non-recognised temporary differences for which no deferred tax assets were capitalised	2,805	6,324
Tax effects arising from the recognition of deferred tax assets for tax loss carryforwards which were not capitalised in prior periods	-179	-53
Others	-31	250
Actual income taxes	**12,313**	**4,139**

Tax-free income mainly resulted from the sale of real estate companies. Income from investments accounted for using the equity method is reported under profit/loss for investments accounted for using the equity method and the profit/loss from the sale of real estate companies in the consolidated statement of income. The tax effect from non-deductible operating expenses is mainly the result of the income tax-related interest barrier rule.

According to IAS 12, deferred tax liabilities are also to be recognised on the difference between the proportionate share in equity of a subsidiary in the consolidated statement of income and the carrying amount of the subsidiary in the parent company's balance sheet under tax law (outside basis differences), if realisation is to be expected. These differences mainly resulted from retained earnings in domestic and foreign subsidiaries.

DEMIRE did not recognise deferred tax liabilities for accumulated results of subsidiaries amounting to EURk 5,707 (previous year: EURk 1,619), since these profits are intended to be reinvested indefinitely.

Recognising deferred taxes on outside basis differences as temporary differences means that future tax effects should be reported at the time profits originate, even if a distribution of profits to the parent company and the corresponding taxation of the parent company will occur only in future periods. The Company can determine the timing of distributions and the retention of earnings from subsidiaries. Except for the mandatory distributions from Fair Value REIT-AG, dividend distributions from subsidiaries are neither planned nor foreseeable. Therefore, the recognition of deferred taxes for outside basis differences was waived with the exception of the deferred taxes recognised for Fair Value REIT. The recognition of deferred taxes for outside basis differences at the level of Fair Value REIT amounted to EURk 8,506 as at December 31, 2016 (previous year: EURk 4,739).

For other disclosures relating to deferred tax assets and liabilities, please refer to Note E.5.1.

13. Earnings per share

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

	01/01/2016 – 31/12/2016	01/01/2015 – 31/12/2015
Net profit/loss (EURk)	**27,649**	**28,873**
Net profit/loss attributable to parent company shareholders	24,670	28,117
Interest expenses from convertible bonds	860	829
Net profit/loss attributable to parent company shareholders (diluted)	25,530	28,946
Number of shares		
Number of shares outstanding as at the balance sheet date	54,247	49,292
Weighted average number of shares outstanding	51,364	25,889
Impact of conversion of convertible bonds	13,638	13,662
Share-based payments	0	1,000

	01/01/2016 – 31/12/2016	01/01/2015 – 31/12/2015
Weighted average number of shares (diluted)	65,002	40,551
Earnings per share (EUR)		
Basic earnings per share (EUR)	0.48	1.09
Diluted earnings per share (EUR)	0.39	0.71

As at December 31, 2016, the company had potential ordinary shares outstanding from the 2013/2018 convertible bond, which entitle the holders of the convertible bonds to an exchange for 10,637,763 shares (previous year: 10,661,700 shares) and the holders of the 2015/2018 mandatory convertible bond to an exchange for 3,000,000 shares, and EURk 15,000 respectively (previous year: EUR 3,000,000 shares).

14. Staff costs

	01/01/2016 – 31/12/2016	01/01/2015 – 31/12/2015
	IN EURK	
Salaries	-4,965	-2,231
Statutory social expenses	-425	-281
Total	**-5,390**	**-2,512**

Staff costs of EURk 5,390 are generally recognised in general and administrative expenses and relate mainly to DEMIRE AG (EURk 3,156) and Fair Value REIT-AG (EURk 693). This item also includes staff costs of EURk 1,320 from DEMIRE Immobilien Management GmbH, which are reported in operating expenses to generate rental income and not in administrative costs. Of the statutory social expenses, about half are attributable to contributions to statutory pension insurance.

In the reporting period, the staff costs for DEMIRE AG include expenses for share-based payments of EURk 594 (previous year: EURk 434).

E. NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Non-current assets

The development of the individual items can be found in the schedule of non-current assets (Appendix 3).

1.1 Intangible assets

Upon initial recognition, individually acquired intangible assets are measured at their acquisition cost. Subsequently, intangible assets with a limited period of use are amortised on a straight-line basis usually over a period of three to five years based on their estimated useful economic life and are tested for possible impairment when there are any relevant indications thereof. Impairment of intangible assets is recognised in profit or loss.

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

Intangible assets are tested for impairment if circumstances or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. As soon as the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised through profit or loss. The recoverable amount is the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is the amount that could be achieved by selling an asset or a cash-generating unit in a transaction at market conditions between knowledgeable parties willing to contract after deduction of the sale costs.

Impairment losses are reversed once the reason for the previously recognised impairment ceases. This excludes goodwill for which there is a general prohibition of reversal of impairment under IFRS.

1.1.1 Goodwill

Upon first-time recognition, goodwill is measured at acquisition cost, which is calculated as the excess of the sum of the consideration transferred, the amount of non-controlling interests and any previously held interests over the acquired identifiable assets and assumed liabilities. After first-time recognition, goodwill is measured at acquisition cost less

accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in the context of a business combination is allocated to the Group's cash-generating units that are expected to benefit from the merger as of the purchase date.

Goodwill is regularly tested for impairment at least once a year. The determination of the recoverable amount requires assumptions and estimates regarding the future development of earnings and the sustainable growth rate of the cash-generating unit or group of cash-generating units to which goodwill has been allocated.

The goodwill arising from the first-time consolidation of the MAGNAT Investment I B.V. subsidiary has already been fully impaired in previous periods.

Goodwill of EURk 6,783 arising from the first-time consolidation of Fair Value REIT-AG as at December 31, 2015 was allocated to Fair Value REIT.

The Group carried out the annual impairment test as at December 31, 2016. The recoverable amount of the cash-generating unit (CGU) Fair Value REIT was calculated on the basis of the calculation of a value in use using cash flow forecasts based on financial plans approved by the management for a period of five years. The management's plans are based on past experience and the best possible estimates of future developments. The discount rate (pre-tax) used for cash flow forecasts was 3.17 %. The projections for cash flows after five years are based on the average amount of cash flows for the detailed planning period. The recoverable amount determined on the basis of the value in use was then compared with the carrying amount of the CGU in order to assess its value. As a result of this analysis, management identified sufficient headroom between the value in use and the carrying amount of the CGU. No change in the material assumptions deemed possible by the management results in the carrying amount exceeding the recoverable amount. Accordingly, DEMIRE has not identified any impairment as of December 31, 2016.

The key basic assumptions for the calculation of the value in use and the sensitivity analysis versus the assumptions made:

Rental cash flows—The CGU Fair Value REIT focuses on the acquisition and management of commercial real estate in Germany. Fair Value REIT invests directly in real estate as well as indirectly through the participation in real estate partnerships. Accordingly, cash flows for direct ownership and the subsidiaries were planned. Rental income and rental costs were derived from contracted leases or based on assumptions for the probability of contract prolongations and vacancies for specific rental areas. The planned maintenance expenditures are largely based on concrete planned measures or on a flat rate based on past experience. The operating costs of the properties have been indexed and extrapolated based on the previous years' figures.

Rental cash flows could drop as a result of rent reductions, rental losses or rising vacancies. Moreover, a reduction in the real estate portfolio could lead to a decline in cash flows. Even if cash flows fell by 10 %, no impairment would result as at December 31, 2016.

Discount rate—The discount rate is based on the CGU's weighted average cost of capital (WACC). The weighted average cost of capital takes into account both the cost of capital for debt and equity. The equity costs are derived from the expected return of equity investors of the Fair Value REIT subgroup. Borrowing costs were derived from the average financing costs of comparable companies. Sector-specific risk was determined by applying individual beta factors. The beta factors were determined on the basis of publicly available market data. An increase in the discount rate of 0.5 % as at December 31, 2016 would not have resulted in the need for impairment.

1.1.2 Other intangible assets

Other intangible assets mainly contain mainly computer software. A useful life of three to five years is applied to other intangible assets. Amortisation of EURk 18 (previous year: EURk 1) is reported in the statement of income in the line item „other operating expenses".

1.2 Property, plant and equipment

Office and operating equipment

Property, plant and equipment include office and operating equipment. Straight-line depreciation is based a useful life of 3 to 15 years. Depreciation is reported in the statement of income in line item „other operating expenses" (EURk 91; previous year: EURk 21).

Technical equipment

The technical equipment (EURk 1,370) includes the operating facility (hotel inventory) of Kurfürster Immobilien GmbH acquired in the reporting period.

Advance payments

Advance payments as at December 31, 2015, related mainly to the property Kurfürstengalerie in Kassel, for which the transfer of benefits and obligations took effect on January 1, 2016.

1.3 Investment properties

The Company's investment properties include those properties that are held for rental income generation and value appreciation and not for their proprietary use or sale in the ordinary course of business. Investment properties are measured at acquisition cost plus incidental acquisition costs at the time of acquisition. In accordance with the option provided for in IAS 40 in conjunction with IFRS 13, investment properties are measured at fair value in their subsequent recognition, whereby changes in the fair value are generally recognised in profit or loss. Advance payments on real estate purchases are recognised as advance payments in the item property, plant and equipment.

When measuring investment properties, the key valuation parameters are expected cash flows, assumed vacancy rates, their changes during the planning horizon and the discounting and capitalisation rates. The discounted cash flow method is used unless market values can be derived from sales of comparable properties. The valuation is carried out in accordance with International Financial Reporting Standards (IFRS), International Standards of Valuation of Real Estate for Investment Purposes („International Valuation-Standards") and the RICS Valuation—Professional Standards (January 2014) of the Royal Institution of Chartered Surveyors.

Valuation of real estate held by the DEMIRE subgroup

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

Pursuant to IFRS 13.9, the fair value is defined as the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants on the valuation. In principle, the fair value of the asset assumes the sale of an asset. This also applies if DEMIRE has neither the intention nor the capacity to sell the asset or transfer the liability as of the valuation date. When determining the fair value of non-financial assets, the maximum and best possible use is assumed. This requires a benefit and value maximisation of the asset, provided this is technically possible, legally permissible and financially feasible. It is immaterial whether the fair value is directly observable or determined using a valuation method.

The measurement of investment properties at fair value is to be classified to Level 3 of the valuation hierarchy according to IFRS 13.86 (valuation based on unobservable inputs). The measurement parameters, broken down by asset class, are shown in Appendix 2. DEMIRE uses the date of the event or the change in the circumstances that caused the reclassification to determine the date on which a reclassification between the different hierarchy levels has occurred.

Valuation of real estate held by the Fair Value REIT subgroup

The fair value of the investment properties of the Fair Value REIT subgroup is determined using the discounted cash flow method.

The discounted cash flow method provides the basis for the dynamic investment calculation and is used to calculate the present value of future expected, time-staggered and varying levels of cash flows. After identifying all value-relevant factors, the expected and partially projectable future cash flows are summed up for each period. The result of the cash inflows and outflows is discounted up to a fixed point in time (valuation date) using the discount rate. In contrast to the German discounted earnings model of the Valuation Ordinance (Wertermittlungsverordnung (WertV)), however, the cash flows during the period under consideration are explicitly quantified and not shown as annuity payments. Since the importance of future cash flows decreases as a result of discounting and the forecast uncertainty increases over the observation period, the stabilised net income of a property is usually capitalised using a growth implicit minimum interest rate (capitalisation rate) following a 10-year period (detailed observation period) and discounted to the valuation date when assessing investment decisions in real estate.

The assumptions used in the valuation model reflect the average of the assumptions of the investors dominant in the market on the respective valuation date. These valuation parameters reflect the customary market expectations as well as the extrapolation of analysed past values of the property to be valued or of one or more comparable properties.

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

The property-specific valuation parameters include, for example, rental revenue for initial and subsequent rentals, extension probabilities for the existing rental agreements, vacancy periods and vacancy costs, unallocable ancillary costs, expected capital expenditures by the owner, expansion and rental costs for initial and subsequent rentals as well as overall property- and rental-specific total rate of return on the capital tied in the investment.

Macroeconomic factors include, in particular, the development of market and rental prices during the detailed observation period and the inflation expectations assumed in the calculation model. In order to meet fair-value disclosure requirements, DEMIRE has defined groups of assets and liabilities based on their nature, characteristics and risks and on the levels of the fair value hierarchy described above.

The Group's management team is essentially involved in and monitors the process of evaluating investment properties, which takes place at least once per fiscal year. In doing so, the results made available by independent experts are checked for plausibility and compared with values in previous years. The evaluation results are also compared to the management's own assumptions made in the framework of early risk detection and any deviations are discussed with the expert. The portfolio's performance is also discussed in regular meetings with the Supervisory Board, which ensures that the development of the real estate portfolio's value is continuously monitored.

The determination of fair values depends on the following key, non-observable input factors(Level 3):

	December 31, 2016		December 31, 2015	
Average market rent (in EUR per m² per year)[1]	68.83		94.11	
Range of average market rents (in EUR per m²)	18.00	180.00	0.00	232.97
Rentable space as at balance sheet date (in m²)	255,821		264,887	
Vacant space as at balance sheet date (in m²)	30,637		28,713	
Value-based vacancy rate according to EPRA (in %)	9.28		10.31	
Average vacancy rate based on rentable space (in %)	11.98		10.84	
Range of average vacancy rate based on the rentable space (in %)	0.00	60.75	0.00	63.51
Weighted Average Lease Term—WALT (in years)	5.20		4.86	

[1] The determination of average market rent was based on rentable space as at December 31, 2016.

The basis for rental revenue planning is the rental payments contractually agreed with the tenants as well as prevailing customary local market rents for unleased space on the valuation date. The contractually agreed monthly rents per square meter on the valuation date for the various types of use compared to the previous year are shown in the table below:

CONTRACTUAL RENTS		December 31, 2016	December 31, 2015
		IN EURK	
Office property	Min.	2.02	2.50
	Max.	25.80	25.80
	Avg.	7.34	6.10
Retail property	Min.	2.50	2.50
	Max.	90.00	90.00
	Avg.	9.65	7.97
Other property	Min.	2.00	2.00
	Max.	11.60	11.60
	Avg.	4.80	5.46
Total	Min.	2.00	2.00
	Max.	90.00	90.00
	Avg.	8.04	6.92

The resulting changes in value (valuation gains and losses) result specifically from the adjustment in capitalisation and discount rates and from the reduction in the advantage of some existing leases, which were concluded at a rate above the current market level („over rents“).

Fair value development during the reporting period:

	2016	2015
	IN EURK	
Fair value at beginning of the fiscal year	915,089	333,070
Additions though business combinations	0	469,114
Additions (change in scope of consolidation)	37,106	81,624
Reclassifications from advance payments and real estate inventory	11,191	14,065
Additions	11,480	0
Disposals	-8,270	0
Reclassifications to non-current assets, held for sale (see Note E.3)	-23,736	-1,255
Unrealised gains from fair value measurement included in item D.5 of the statement of income	50,176	21,478
Unrealised losses from fair value measurement included in item D.5 of the statement of income	-11,762	-3,007
Fair value as at December 31	**981,274**	**915,089**

The acquisition of investment properties in the amount of EURk 37,106 and the reclassification of advance payments in the amount of EURk 11,191 resulted from the investment in the commercial real estate company Kurfürster Immobilien GmbH.

A sensitivity analysis of the DEMIRE subgroup’s key unobservable input parameters showed the following effects on the fair value of the investment properties:

CHANGE IN VALUE	Property yield		Market rent[1]	
	-0.5%	+0.5 %	-10%	+10 %
in EURk	48,060	-43,440	-55,930	55,670
in %	6.70	6.06	7.80	7.76

[1] Taking into account rental income, vacancy rates, administration and maintenance costs.

A substantial increase in maintenance costs, vacancies or property yields would lead to a lower fair value of the properties if the assumptions for the remaining input parameters remained unchanged.

A sensitivity analysis of the Fair Value REIT subgroup’s significant unobservable input parameters showed the following effects on the fair value of the investment properties:

CHANGE IN VALUE	Property yield		Market rent[1]	
	-0.5%	+0.5 %	-10%	+10 %
in EURk	11,928	-14,240	-22,653	22,234
in %	4.18	4.99	7.56	6.91

[1] Taking into account rental income, vacancy rates, administration and maintenance costs.

1.4 Investments accounted for using the equity method

Investments in subsidiaries in which DEMIRE has (only) a significant influence are reported under investments accounted for using the equity method. Moreover, interests in joint arrangements are also reported under investment accounted for using the equity method if they qualify as joint ventures as defined by IFRS 11. At each balance sheet date, DEMIRE determines whether there is objective evidence that the value of an investment accounted for using the equity method might be impaired. Relationships with these companies are of an operational nature. The business activities of these companies are primarily property management. These are non-listed interests for which there is no active market. These are essentially companies with only limited business activity in the real estate sector.

Interests in companies over which DEMIRE can exert a significant influence but where the possibility of control is not available, are accounted for using the equity method in accordance with IAS 28. Similarly, interests in joint ventures are accounted for using the equity method in accordance with IFRS 11. The interests are initially valued at acquisition cost. The difference between the acquisition cost and the proportionate equity represents goodwill. Subsequently, the carrying amount

of the interests increases or decreases in accordance with the share in the profit/loss for the period (including the effects of currency translation). The application of the equity method ends when the possibility of significant decisive influence over the respective company no longer exists or when the company no longer qualifies as an associate or joint venture. Simultaneously existing assets whose settlement is neither planned nor probable are allocated to the investments accounted for using the equity method according to the economic purpose of the net investment.

The reconciliation of the carrying amount of investments accounted for using the equity method is determined by DEMIRE's share in the profit or loss transferred in accordance with the annual or interim financial statements.

The investments in companies accounted for using the equity method amounted to EURk 126 (previous year: EURk 3,136) as at December 31, 2016. This includes the shareholding in Irao Magnat 28/2 LLC of EURk 116 (previous year: EURk 116) and a transferred profit for the year of EURk 0 (previous year: EURk 0). Also included are G+Q Effizienz GmbH, acquired in the period under review for EURk 9 with a transferred loss for the year of EURk -3 and Demire Assekuranz GmbH & Co. KG acquired in the reporting period for EURk 1 with an assumed profit for the year of EURk 0.

The investment in SQUADRA Immobilien GmbH & Co. KGaA held in the previous year in the amount of EURk 3,020 was sold during the reporting period (see Note B).

1.5 Other financial assets

Financial assets are classified and accounted for at the date of acquisition in accordance with the categories of IAS 39.

DEMIRE classifies financial assets as either

- financial assets measured at fair value through profit or loss,
- loans and receivables,
- financial investments available for sale, or
- derivative financial instruments that meet the requirements for effective hedging.

No financial assets held for trading purposes or financial investments held to maturity have been recognised.

First, it is determined whether there is objective indication for the impairment of financial assets that are individually significant and of groups of financial assets that are individually not significant. If DEMIRE determines that an individual financial asset that is analysed individually, whether significant or not, does not provide an objective indication of impairment, DEMIRE allocates the asset to a group of financial assets with comparable default risk profiles and evaluates these combined for impairment. Assets that are individually tested for impairment and for which an impairment loss is recognised are not included in the impairment assessment on a group basis. In the case of impairment, the carrying amount of the financial asset in question is reduced through profit and loss by means of a valuation allowance account.

If the amount of the impairment is reduced in one of the following reporting periods and if this reduction can be attributed objectively to an event occurring after the impairment, the previously recognised impairment loss is reversed. However, the impairment reversal is limited to the amount of the amortised cost at the time of the reversal. Reversals of impairments for financial assets allocated to the loans and receivables category are recognised through profit or loss.

The carrying amount of other financial assets amounts to EURk 11,328 (previous year: EURk 11,045) and essentially comprises the non-current portion of the settlement balance from the Fair Value REIT subgroup in the amount of EURk 9,822.

The amount of the settlement balance for terminated shares in BBV 9 Geschäftsführungs-GmbH & Co. KG was determined by the appointed arbitrator on November 30, 2015 and amounted to EURk 10,020.

The settlement balance was due on May 31, 2016, but will be paid according to the business plan of BBV 9 Geschäftsführungs-GmbH & Co. KG in three annual instalments of 1 %, 1 % and 98 % plus interest on arrears of 4 % p.a. as of maturity. The settlement balance is due six months after the determination. This results in a non-current receivable in the amount of EURk 9,822 and a current receivable of EURk 332. The outstanding receivable is incurring interest since June 1, 2016 at an interest rate of 4 % p.a.

1.6 Loans to investments accounted for using the equity method

Loans to investments accounted for using the equity method in the previous year amounting to EURk 553 related to a loan to R-Quadrat Polska Alpha Sp. z o.o., which was deconsolidated during the reporting period. The disposal of this loan resulted from the transfer of the loan in the course of the sale of R-Quadrat Polska Alpha Sp. z o.o.

1.7 Other loans

The main portion of other loans in the previous year amounting to EURk 384 concerned a loan granted to Magnat Asset Management GmbH, which was sold during the reporting period.

2. Current assets

2.1 Real estate inventory

In accordance with IAS 2, real estate inventory is measured at the lower of acquisition or production costs and the net realisable value. The net realisable value is the estimated sales proceeds in the normal course of business less the estimated costs until completion and the estimated selling costs. In addition to the directly attributable unit costs, the acquisition or production costs also include the overhead costs attributable to the production process.

The net realisable value is calculated in each subsequent period. If the circumstances that had previously led to an impairment of the inventory's value to a level below its acquisition or production cost no longer exists or if there is a substantive indication of an increase in the net realisable value due to changes in economic circumstances, the impairment loss is reversed to the extent that the new carrying amount corresponds to the lower of acquisition and production costs and the adjusted net realisable value, i.e. the original impairment loss is the upper limit for the reversal of the impairment. This is the case, for example, when real estate inventory recognised at net realisable value due to a decline in the selling price is still in the portfolio in a subsequent period and the selling price has risen again.

Of the real estate inventory, an amount to EURk 2,222 (previous year: EURk 2,298) is attributable to developed and undeveloped properties that are intended for resale. No impairment reversals were made in the reporting period. The decrease in the carrying amount is due to currency translation effects.

2.2 Trade accounts receivable and other receivables

The following table shows the composition of trade accounts receivable and other receivables as at December 31, 2016.

	31/12/2016 Gross	Impairment	31/12/2016 Net	31/12/2015 Gross	Impairment	31/12/2015 Net
			IN EURK			
Receivables due from the sales of the investment in SQUADRA Immobilien GmbH & Co. KG	7,184	0	7,184	0	0	0
Trade accounts receivable against third parties	7,620	2,159	5,461	8,837	4,347	4,490
Purchase price receivables from sales of legacy portfolio	2,880	860	2,020	2,914	284	2,630
Unbilled revenue from ancillary rental cost	3,188	0	3,188	1,571	0	1,571
Receivables from processing value-added tax	1,895	0	1,895	2,056	0	2,056
Purchase price receivables from BBV 02	1,361	0	1,361	0	0	0
Building cost subsidy	588	0	588	0	0	0
Receivables from settlement credit BBV 09	517	0	517	1,002	0	1,002
Deposits	369	0	369	36	0	36
Receivables due from former owner of Kurfürster Immobilien GmbH	366	0	366	0	0	0
Purchase price receivables from Erlangen property	0	0	0	1,355	0	1,355
Administrator accounts	0	0	0	151	0	151
Others	655	0	655	1,096	0	1,096
Total	**26,633**	**3,019**	**23,614**	**19,018**	**4,631**	**14,387**

All trade accounts receivable against third parties are of a short-term nature and are usually due within less than three months.

If in the case of trade accounts receivable there are objective indications (such as the probability of insolvency or significant financial difficulties of the borrower) of failure to pay all amounts due under the originally agreed terms, an impairment loss is recognised through profit or loss using an impairment account.

Impairments as of the balance sheet date amounted to EURk 3,019 (previous year: EURk 4,631). Impairment losses are reported in the consolidated statement of income under the item „impairment of receivables“.

2.3 Financial receivables and other financial assets

Financial receivables and other financial assets of EURk 10,293 (previous year: EURk 26,020) primarily consist of a loan given to Taurecon Real Estate Consulting GmbH, Berlin, amounting to EURk 2,230 and a loan given to Taurecon Beteiligungs GmbH, Berlin, amounting to EURk 2,330, which holds minority shareholdings in certain Group companies of DEMIRE. Financial receivables and other financial assets also include a call option (early termination rights of the 2014/2019 corporate bond) in the amount of EURk 2,653.

Taking into account corresponding impairments, financial receivables and other financial assets do not contain any overdue receivables.

2.4 Cash and cash equivalents mittel

Cash and cash equivalents include cash on hand and bank balances carried at their nominal value. Cash and cash equivalents in foreign currencies are translated at the closing rate on the balance sheet date.

Cash and cash equivalents of EURk 31,289 (previous year: EURk 28,467) include cash on hand and bank balances.

3. Non-current assets held for sale

For assets held for sale, it must be determined whether they can be sold in their present state and whether their disposal is highly probable. If this is the case, assets held for sale are recorded and measured in accordance with the relevant regulations

of IFRS 5. Non-current assets held for sale are carried at the lower of the carrying amount and the fair value less costs to sell. If the sale is expected only after one year, the selling costs are measured at their present value. Impairment losses are recognised as expenses in subsequent measurement. A later increase in fair value less costs to sell for an asset is recognised as a gain, but only up to the amount of the cumulative impairment loss recognised in previous periods.

Non-current assets held for sale in the amount of EURk 24,291 as of the balance sheet date exclusively consist of properties held for sale. The most important properties are the property in Darmstadt (partial sale) belonging to Armstripe S.à.r.l. and all properties belonging to Condor Objektgesellschaft Yellow GmbH.

4. Equity

Subscribed capital increased by EURk 24 due to conversions of the 2013/18 convertible bonds and a capital increase in the reporting period in the amount of EURk 4,931 to a total of EURk 54,247. The 2013/18 convertible bonds are divided into 10,637,763 bearer shares (previous year: 10,661,700) with a notional par value of EUR 1.00. All shares are fully paid. Restrictions on voting rights or the transfer of shares have not been agreed. Shares of the Company with special rights conferring control powers were not issued.

The change in **capital reserves** was essentially the result of a cash capital increase of EURk 12,080 and the related costs incurred to raise equity in the amount of EURk 1,105. Capital reserves were reduced by expenses of EURk 594 from the stock option programme (see Note G. 4d).

The **currency translation reserve** encompasses the currency differences of fully consolidated companies and those accounted for using the equity method whose functional currency is not the euro.

The item **non-controlling interests** relates to the interests of third-party shareholders in the equity and net profit/loss of fully consolidated subsidiaries. The consolidated profit/loss attributable to the shareholders of the parent company is the difference between the consolidated profit/loss before non-controlling interests and the non-controlling interests reported in the statement of income.

In the case of a capital increase, the profit participation of new shares may be determined in deviation from Section 60 (2) AktG.

Shareholders are not entitled to share certificates to the extent this is permitted by law.

Authorised Capital I/2016

By resolution of the Annual General Meeting of June 30, 2016 and with the Supervisory Board's consent, the Executive Board is authorised to increase the Company's subscribed capital until June 29, 2021 by issuing up to 24,653,611 new, ordinary, no-par value bearer shares each with a notional interest of EUR 1.00 against cash contribution or contribution in kind on one or several occasions in partial amounts of up to EUR 24,653,611.00 (Authorised Capital I/2016). Shareholders are generally entitled to subscription rights.

On August 10, 2016, the Company's Executive Board and the Supervisory Board resolved to increase the Company's subscribed capital from authorised capital once by EUR 4,930,722.00 to EUR 54,237,944.00 against cash contribution by issuing 4,930,722 new, ordinary, no-par value bearer shares each with a notional interest in subscribed capital of EUR 1.00. After partial utilisation, the remaining Authorised Capital I/2016 amounted to EUR 19,722,889.00.

Authorisation to repurchase own shares

The Company has been authorised to acquire up to 10 % of the existing subscribed capital outstanding as at the date of authorisation from the date of the resolution of October 15, 2014 for a period of five years, i.e. until October 14, 2019. The number of shares acquired under this authorisation, together with other Company shares already purchased by the Company or already owned, may not exceed 10 % of the Company's respective existing subscribed capital.

5. Non-current liabilities

5.1 Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities are recognised in accordance with IAS 12 for temporary differences between the carrying amounts of assets and liabilities in the consolidated balance sheet and the balance sheet under tax law and for unutilised tax loss carryforwards (liability method). In evaluating if deferred tax assets can be utilised, DEMIRE takes into account whether it is rather likely or unlikely that deferred taxes cannot be realised. The realisation of deferred tax assets depends on whether taxable income will be generated at the time of the reversal of the temporary differences from which the

temporary differences can be deducted. This assessment is based on DEMIRE's tax planning. Deferred tax assets for tax loss carryforwards were recognised in the amount of EURk 4,523 (previous year: EURk 3,937).

Deferred taxes are measured using the local tax rates that are expected at the time the asset is realised or the liability settled. This is based on the tax rates applicable on the balance sheet date. The effects of changes in tax legislation are taken into account as early as the year in which the changes take effect. Deferred taxes relating to items recognised directly in equity are not recognised in the statement of income, but directly in equity. A valuation allowance is recognised for deferred tax assets if the realisation of future tax benefits is unlikely. Deferred tax assets and liabilities are offset against each other provided that the claims and obligations exist against the same tax authority.

DEMIRE recognised deferred taxes for temporary differences and so-called „inside basis differences" of Fair Value REIT by applying the company-specific tax rate as of the balance sheet date. Because Fair Value REIT-AG is generally exempt from taxes, no taxes are incurred at the level of Fair Value REIT as long as its status as a tax-exempt REIT (Real Estate Investment Trust) is maintained. In addition to the „inside basis differences", „outside basis differences" were also recognised for Fair Value REIT-AG according to the „tax transparent entity" approach. This approach assumes a deemed disposal of all properties directly held by Fair Value REIT-AG and indirectly held through trusts.

Deferred tax assets and applying tax liabilities consist of temporary differences in the following balance sheet items:

	December 31, 2016	**December 31, 2015**
	IN EURK	
Tax loss carryforwards	4,523	3,937
Financial liabilities	1,354	1,355
Investment properties	0	359
Interest swap	200	88
Deferred tax assets before offsetting	**6,078**	**5,739**
Offsetting	-6,078	-5,595
Deferred tax assets	**0**	**144**
Investment properties	37,683	28,229
Real estate inventory	0	6
Financial liabilities	3,425	3,074
Deferred tax liabilities before offsetting	**41,108**	**31,309**
Offsetting	-6,078	-5,595
Deferred tax liabilities	**35,030**	**25,714**

The requirements of IAS 12.74 are met with regard to the deferred tax assets arising from tax loss carryforwards in the amount of EURk 4,523 before offsetting (previous year: EURk 3,937).

The following table shows the changes in deferred taxes in the reporting period:

	01/01/2016	**Statement of income**	**31/12/2016**
		IN EURK	
Investment properties	-27,870	-9,813	-37,683
Real estate inventory	-6	6	0
Interest swaps	88	112	200
Tax loss carryforwards	3,937	586	4,523
Financial liabilities	-1,719	-352	-2,071
Total	**-25,570**	**-9,460**	**-35,030**

The item „Financial liabilities" mainly refers to deferred taxes related to the 2013/2018 convertible bond, the 2014/2019 corporate bond and the Signal Capital loan.

Tax loss carryforwards and deductible temporary differences that were not taken into account when determining deferred taxes and which are generally non-forfeitable amounted to EURk 40,990 (previous year: EURk 28,044). In the reporting year, unrecognised deferred tax assets amounting to EURk 7,980 (previous year: EURk 5,563k).

The change in deferred taxes in the 2015 fiscal year and its structure can be broken down as follows:

	01/01/2015	Statement of income	Recognised directly in equity	31/12/2015
		IN EURK		
Investment properties	-10,385	-4,611	-12,874	-27,870
Real estate inventory	-84	78	0	-6
Interest swaps	0	88	0	88
Tax loss carryforwards	1,345	2,592	0	3,937
Others	-188	-1,531	0	-1,719
Total	**-9,312**	**-3,384**	**-12,874**	**-25,570**

5.2 Minority interests

The minority interests reported under the Group's liabilities are attributable to Fair Value REIT and relate to capital of limited partners of mainly natural persons in real estate funds in the legal form of a GmbH & Co. KG and amounted to EURk 62,822 as of the balance sheet date (previous year: EURk 61,160). The minority interests have the right to terminate their investment. Therefore, the interests of these shareholders in the capital of the subsidiaries is assessed as potential compensation claims in accordance with IAS 32 and recorded as a liability in the consolidated balance sheet. The measurement is carried out at fair value upon the initial recognition, which corresponds to the interest of minority shareholder in the net assets of the respective company. The reported liability, therefore, corresponds to the notional interest of the minority shareholder in the net assets of the respective subsidiary shown in the partial Group balance sheet of Fair Value REIT at their carrying amounts.

5.3 Financial liabilities

Financial liabilities are measured at their fair value at the date of assumption less directly attributable transaction costs and discounts. The fair value at the time of the incurring the financial liabilities corresponds to the present value of the future payment obligations on the basis of a maturity and risk-congruent market rate. Subsequent measurement is carried out at amortised cost using the effective interest method. The effective interest rate is determined at the time of the initial recognition of the financial liabilities. Changes to the conditions relating to the amount or timing of interest and repayments result in a recalculation of the carrying amount of the financial liabilities at the present value and on the basis of the originally determined effective interest rate. Differences to the previously recognised carrying amounts of the financial liabilities are recognised through profit or loss.

Financial liabilities as at the balance sheet date (December 31, 2016) consisted of the following:

FINANCIAL LIABILITIES IN EURK	Nominal interest rate	Fixed interest	Variable interest	Total
2014/2019 corporate bond	7.50 %	97,650	0	97,650
2013/2019 convertible bond	6.00 %	10,398	0	10,398
2015/2018 mandatory convertible bond (liability component)	2.75 %	549	0	549
Other financial liabilities	3.84 %	502,858	51,188	554,046
Total		**611,455**	**51,188**	**662,643**

Financial liabilities as at the previous year's balance sheet date (December 31, 2015) consisted of the following:

FINANCIAL LIABILITIES IN EURK	Nominal interest rate	Fixed interest	Variable interest	Total
2014/2019 corporate bond	7.50 %	98,774	0	98,774
2013/2019 convertible bond	6.00 %	10,311	0	10,311
2015/2018 mandatory convertible bond (liability component)	2.75 %	889	0	889
Other financial liabilities	4.83 %	341,276	203,989	545,265
Total		**451,250**	**203,989**	**655,239**

Other financial liabilities mainly comprise financial liabilities to credit institutions at a weighted average nominal rate of 3.84 % (previous year: 4.83 %).

A significant portion of other financial liabilities is a promissory note from Deutsche Bank. This note was subject to a nominal interest rate of 5.00 % until the balance sheet date and was due on September 9, 2019. A prolongation in this note until 2022 was agreed retroactively to January 1, 2017 with Deutsche Bank as was a simultaneous reduction of the nominal interest rate to 4.00 %.

As of the balance sheet date, the financial liabilities were collateralised by assets in the amount of EURk 551,202 (previous year: EURk 500,727). As in the previous year, no liabilities have been encumbered with a mortgage as a guarantee for third-party liabilities.

Pursuant to the business pledging agreement dated November 13, 2014, DEMIRE AG pledged all of its interests in the subsidiary DEMIRE Condor Properties Management GmbH in the amount of EURk 28, including all related rights, to secure the loan taken out by the subsidiary DEMIRE Condor Properties Management GmbH, including accrued interest of EURk 12,567.

Pursuant to the notarised declaration of December 17, 2014, DEMIRE AG accepted all current, future and contingent claims of bond holders up to a maximum amount of EURk 33,360 for the bearer bond issued by the subsidiary DEMIRE Commercial Real Estate GmbH, Frankfurt/Main. In order to secure the claims of this bearer bond, DEMIRE AG has pledged all its interests in the subsidiary DEMIRE Commercial Real Estate GmbH in the amount of EURk 9,683.

Generally, all loan agreements for the properties financed stipulate information requirements that DEMIRE's subsidiaries as debtors must fulfil with respect to the banks or investors as creditors. Depending on the type and scope of the loan, the information requirements range from providing key financial ratios (e.g. financial statements) to the reporting of the compliance with covenants.

The covenants concern financial ratios of the respective real estate portfolios, particularly the debt service coverage ratio (DSCR), the interest coverage ratio (ICR) and the loan-to-value (LTV). The calculation is based on the specifications set by the creditors in the loan agreement. The significant financial liabilities issued by the DEMIRE Group for which covenants were contractually agreed include the Deutsche Bank promissory note for the Condor real estate portfolio with a nominal value of EUR 148 million, the 2014/2019 corporate bond with a nominal value of EUR 100 million, the A and B notes of the T6 real estate portfolio with a current value of EUR 92.7 million, the 2013/2018 convertible bond with an issue amount of EUR 11.3 million, the 2015/2018 mandatory convertible bond with an issue amount of EUR 15 million, the Signal Capital loan with a nominal value of EUR 32 million, the LBBW loan of EUR 41.0 million for the Alpha real estate portfolio and the DGHyp loan for a nominal amount of EUR 68 million for the Logistikpark Leipzig and the Kurfürstengalerie in Kassel.

The monitoring, compliance and reporting of the covenants specified in the loan agreements for the properties financed is carried out by DEMIRE's management, treasury and asset management areas. Depending on the specific credit agreement, the appropriate reporting on the covenants as well as the basis for the underlying business ratios are to be submitted to the creditors quarterly, semi-annually or annually. If DEMIRE fails to comply with the covenants, the creditors are entitled to demand additional collateral from the debtor. The loans are then in default. If the default persisted for a longer period of time and could not permanently be remedied, the creditors have a special right of termination.

Excluding the financing of Logistikpark Leipzig, all financing obligations and financial covenants were complied with in the reporting period. Due to the non-fulfilment of covenants during the year for the financing of Logistikpark Leipzig, payments were made to pledged credit balances as additional collateral pursuant to the loan agreement. Therefore, the Executive Board assumes that this credit line will continue to be available in the future as non-current financial liabilities.

2014/2019 corporate bond

As at the balance sheet date of December 31, 2016, the 2014/2019 corporate bond was issued at the full nominal value of EURk 100,000.

In the 2014 fiscal year, DEMIRE AG placed a corporate bond with an issue volume of EURk 50,000. The corporate bond has a maturity of five years and is due on September 16, 2019. The bond was issued with a coupon of 7.50 % p.a., which is paid to investors in arrears semi-annually. The inclusion of the corporate bond in trading on the Open Market of the Frankfurt Stock Exchange under ISIN DE000A12T135 took place on September 16, 2014. The unsecured bond issued in a private placement is divided into 50,000 fractional bearer shares with a notional par value of EURk 1 per fractional bond.

By a resolution dated March 24, 2015, with the approval of the Supervisory Board, the DEMIRE Executive Board increased the 2014/2019 corporate bond of September 2014 by a further EURk 50,000 for a total of EURk 100,000. The following table shows the development of the 2014/2019 corporate bond:

	Carrying amount 2014/2019 corporate bond
	IN EUR
As at January 1, 2015	**50,000**
Partial repurchase of 2014/2019 corporate bond	-20,000
Exchange of fractional bonds of the 2014/2019 corporate bond for	-15,000
	85,000
Placements in 2015	
	100,000
As at December 31, 2015	

In December 2015, the Company placed fractional bonds with a nominal value of EURk 10,880 and exercised its call option for the same amount against the seller of the T6 portfolio. As at December 30, 2015, the put option was exercised by the seller of the T6 portfolio. The portion of the bond in the amount of EURk 14,375, which could not be placed until December 31, 2015, was repurchased by DEMIRE AG. The bonds amounting to EURk 14,375, however, were not posted to the Company's securities account until January 2016, meaning as of December 31, 2015, the 2014/2019 corporate bond had a total nominal value of EURk 100,000. After the partial redemption of the fractional bonds, the value of the bond in January 2016 amounted to EURk 85,625.

The terms and conditions of the 2014/2019 corporate bond contain provisions with regard to requirements (financial covenants) which, in the event of non-compliance, could lead to extraordinary termination by the bondholders and thus to repayment obligations on the part of the Company as well as distribution restrictions for the Company. The financial covenants concern financial ratios, specifically the loan-to-value ratio (LTV) and the Company's equity ratio. The monitoring, compliance and reporting with respect to the financial covenants is carried out by DEMIRE's management, treasury and asset management areas. If the stipulated values of the financial covenants are not met, the creditor has the right to demand additional collateral from DEMIRE. The financial liabilities are then in default. If the default persisted for a longer period of time and could not permanently be remedied, the creditors have a special right of termination. As of the balance sheet date, the financial covenants were complied with and, accordingly, a default did not exist.

Convertible bonds (2013/2018 CB)

By resolution of the Annual General Meeting on October 23, 2013, the Executive Board was authorised, with the consent of the Supervisory Board, to issue bearer and/or registered convertible bonds and/or bonds with warrants once or several times until September 30, 2018 with a total nominal value of EURk 50,000 with or without a maturity limitation and to grant option and conversion rights to the holders or creditors of bonds for new, no-par value bearer shares of the Company with a notional interest in the share capital of up to EURk 25,000 according to the more detailed provisions of the terms of the bond.

In December 2013, DEMIRE AG issued convertible bonds in a total nominal amount of EURk 11,300 maturing on December 30, 2018. The convertible bonds are divided into 11,300,000 fractional bonds, each with a nominal value of EUR 1.00.

The details of the convertible bonds are as follows:

- They are divided into a maximum of 11,300,000 bearer fractional bonds, each with a nominal value of EUR 1.00 and carrying equal rights.

- During the bond's term, holders have the irrevocable right during the conversion periods to convert each convertible bond with a nominal value of EUR 1.00 initially into one no-par value share of DEMIRE AG with a notional interest in share capital of EUR 1.00 each. By resolution of the creditors' meeting of September 30, 2014, the terms and conditions of the convertible bonds have been amended so that cash compensation is no longer possible.

- In case of the effective exercise of the conversion right, the conversion price amounts to EUR 1.00 per ordinary bearer share, each with a notional interest in the share capital of EUR 1.00. The conversion price may be subject to adjustments due to adjustment provisions contained in the bonds' terms and conditions. This corresponds to a conversion ratio of 1:1. The terms and conditions do not provide for cash settlement.

- The issue price per convertible bonds is EUR 1.00 and corresponds to the nominal value and initial conversion price.

- The convertible bonds yield 6.00 % interest per annum. The interest is payable on March 30, June 30, October 30 and December 30 of each year during the term of the convertible bonds.

Following the exercise of 23,937 conversion rights from the 2013/2018 convertible bond, the company's share capital was increased by 23,937 no-par value bearer shares with a notional interest of EUR 1.00 as of the reporting period.

As a result of the change in the terms and conditions of the 2013/2018 convertible bond on September 30, 2014, the previous debt instrument was derecognised, and a new debt instrument was recognised. The debt instrument was replaced because the change in the terms and conditions was considered a material change in the contract conditions as defined by IAS 39.40. The previous debt instrument was carried at fair value until September 30, 2014, and the new debt instrument was carried at amortised cost from September 30, 2014. According to IAS 32.28, the new debt instrument must be divided into an equity and liability component.

According to IAS 32.31 et seq., the division into an equity and liability component must be carried out under the residual value method. A term-equivalent credit spread on the risk-free interest rate was used to measure the debt component at the time of initial recognition on September 30, 2014. The resulting value for the debt component amounted to EURk 10,418. The difference between the amount of the „new" convertible bond on September 30, 2014 (EURk 10,909), and the value of the debt component was recognised as an equity component totalling EURk 490.

With regard to the corresponding effects on the statement of income, we refer to Note D.11.

Mandatory convertible bond (2015/2018 MCB)

In May 2015, a mandatory convertible bond with a volume of EURk 15,000 was issued with the exclusion of shareholders' subscription rights against contribution in kind. In the context of the transaction, an investor in the 2014/2019 corporate bond (Open Market of the Frankfurt Stock Exchange; ISIN DE000A12T135/ WKN: A12T13; volume EURk 100,000) subscribed to the mandatory convertible bond issued with a term of three years (maturing in 2018) by contributing fractional bonds from the 2014/2019 corporate bond. The bonds carry an interest coupon of 2.75 % per annum starting from the date of issue and may be converted from the date of September 1, 2015 into shares at an initial conversion price of EUR 5.00 per share, subject to adjustments. The mandatory convertible bond is equipped with a conversion obligation of the respective creditor upon the bond's maturity.

The convertible bonds placed by DEMIRE AG on May 22, 2015 maturing on May 22, 2018 with a total nominal value of up to EURk 15,000 are divided into 150 bonds with a nominal value of EURk 100 each.

The details of the convertible bonds are as follows:

- They are divided into a maximum of 150 bearer fractional bonds, each with a nominal value of EURk 100 and carrying equal rights.

- Bondholders have the right to convert each bond in whole, but not in part, during the bond's term, into no-par value shares (no-par value shares) with a notional interest in the Company's share capital on the issue date of EUR 1.00.

- In case of the effective exercise of the conversion right, the conversion price amounts to EUR 5.00 per no-par value share, subject to adjustments due to adjustment provisions included in the terms and conditions of the bonds. The conversion ratio is calculated by dividing the bond's principal amount by the conversion price applicable on the exercise date.

- The bonds bear 2.75 % interest per annum with interest payable quarterly in arrears on the dates of March 22, June 22, September 22 and December 22 in each year during the term of the convertible bonds.

The promissory notes may be callable by the holders under certain conditions, in which case a prepayment penalty in the amount of 15.00 % on the principal amount plus accrued interest until the date of actual redemption would be due for redemption. Grounds for calling the promissory notes include failure to meet payment material obligations under the promissory notes; failure to meet payment obligations under other financial liabilities (cross default); bankruptcy and initiation of insolvency proceedings by the Company or its significant subsidiaries and dropping below an equity ratio of 20 % from December 31, 2016. In the event of a change in control and a merger of the issuer, the promissory notes may be callable and may be redeemed early with a prepayment penalty equal to 15 % of the principal amount plus accrued and unpaid interest. The issuer is entitled to redeem the promissory notes early when the aggregate principal amount of the outstanding promissory note falls below 25 % of its originally issued aggregate principal amount. No conversions took place during the reporting period.

In DEMIRE's IFRS consolidated financial statements, the equity component of the 2015/2018 mandatory convertible bond was recognised directly in equity as an equity instrument amounting to EURk 13,899 due to the bond's terms and conditions. Additionally, deferred tax assets of EURk 324 were recognised directly in equity. The effective interest rate for the debt component of EURk 549 is 7.48 %.

5.4 Other non-current liabilities

Other long-term liabilities amounting to EURk 865 (previous year: EURk 1,076) are due from former minority interests of subsidiaries. These liabilities mainly concern settlement payments resulting from the retirement of partners from partnerships. In some cases, the respective subsidiary is entitled to pay out the settlement balance in three or five annual installments, with interest of 4.0 % p.a. charged on the remaining amount; in one case the interest rate is based on the 12-month EURIBOR rate. For one of the subsidiaries of Fair Value REIT-AG, it is assumed that the settlement balance is paid in pro rata installments.

6. Current liabilities

6.1 Provisions

Provisions have been accrued in the reporting period for obligations to third parties that are likely to result in a future outflow of resources. The value of the provisions is reviewed at each balance sheet date.

DEMIRE assumes that the provisions will be fully utilised in the following 2017 fiscal year, since these are only of a short-term nature.

Provisions developed as follows during the reporting period:

	December 31, 2015	First-time consolidation	Utilisation	Reversal	Derecognition	Additions	December 31, 2016
				IN EURK			
Personnel expenses.....	936	13	-744	-47	-134	907	931
Provisions for building maintenance	181	0	-137	-44	0	800	800
Other provisions....	49	0	-32	-9	0	0	8
Total	1,166	13	-913	-100	-134	1,707	1,739

Provisions related to staff costs primarily consist of obligations resulting from the performance-based, variable remuneration of the Executive Board as well as obligations for variable remuneration of the staff.

6.2 Trade payables and other liabilities

Liabilities are recognised at amortised cost after their initial recognition.

As at the balance sheet date, trade payables and other liabilities were as follows:

	December 31, 2016	December 31, 2015
	IN EURK	
Trade payables	10,730	9,179
Accounting and audit costs	1,360	1,644
Liabilities to minority interests	1,171	1,039
Liabilities from value-added taxes	1,069	865
Purchase price liabilities	725	187
Deposits received	567	705
Personnel-related expenses	329	434
Supervisory Board compensation	317	49
Outstanding invoices	12	3,153
Interest liabilities	0	355
Others	1,098	2,277
Total	**17,378**	**19,887**

Trade payables of EURk 10,730 (previous year: EURk 9,179) are fully due to third parties as at December 31, 2016 and are payable in full at short notice.

Liabilities for accounting and audit costs comprise the costs incurred for the preparation, audit and publication of the annual and consolidated financial statements.

Liabilities for outstanding invoices are recognised for services that have been used but an invoice has not been received as of the balance sheet date.

6.3 Tax liabilities

Current income tax liabilities of EURk 4,892 (previous year: EURk 3,801) are divided into trade taxes of EURk 1,639 (previous year: EURk 524) and corporate taxes of EURk 3,073 (previous year: EURk 3,277).

7. Leases

7.1 Operating leases—The Group as lessor

The minimum lease payments consist of the net rents payable until the agreed end of the contract or until the earliest possible termination date available to the lessee (tenant), regardless of whether a termination or non-utilisation of an extension option should actually be expected. Rent agreements are usually concluded over fixed minimum terms of up to ten years. In some cases, tenants are entitled to extension options. In these cases, contractual rent escalation clauses effectively reduce the market risk of a long-term commitment. In the case of unlimited tenancies, a remaining term of the rental period of five years was assumed after the fifth year. Fixed future claims for minimum lease payments from long-term operating leases of rented commercial real estate amounted to:

	December 31, 2016	December 31, 2015
	IN EURK	
Due within one year	67,987	72,583
Due between 1 and 5 years	187,637	216,097
Due after more than five years	128,405	134,747
Total future rental income	**384,028**	**423,427**

7.2 Operating leases—The Group as lessee

The following future obligations from operating leases existed as of the balance sheet date:

RENTAL AND LEASE OBLIGATIONS FOR VEHICLES	December 31, 2016	December 31, 2015
	IN EURK	
Due within one year	44	61
Due between 1 and 5 years	126	59
Total	**170**	**120**

RENTAL AND LEASE OBLIGATIONS FOR OFFICE SPACE	December 31, 2016	December 31, 2015
	IN EURK	
Due within one year	142	96
Due between 1 and 5 years	545	376
Total	**687**	**472**

OTHER LEASE OBLIGATIONS	December 31, 2016	December 31, 2015
	IN EURK	
Due within one year	10	0
Due between 1 and 5 years	31	0
Total	**41**	**0**

Obligations arising from rental and lease agreements essentially result from the lease of office space within the scope of indefinite operating lease agreements without a purchase option.

The following amounts were recognised as expenses from leases in the reporting period.

	01/01/-31/12/2016	01/01/-31/12/2015
	IN EURK	
Vehicles	61	49
Office space	96	95
Total	**157**	**144**

8. Contingent liabilities

The following contingent liabilities existed as at the reporting date for circumstances for which the DEMIRE AG and its subsidiaries have pledged guarantees in favour of various contract partners.

The contingent liabilities as of December 31, 2016 consist of mortgages under Section 1191 BGB in the amount of EURk 449,127 (previous year: EURk 839,990). The maximum liability for these properties is limited to the carrying amount of EURk 449,127 (previous year: EURk 640,281) recognised on the balance sheet date. In the year under review, the related mortgages in the amount of EURk 21,339 were removed from the title register.

In accordance with the notarised declaration of December 17, 2014, DEMIRE AG accepted all current, future and contingent claims of bondholders up to a maximum amount of EURk 33,360 for the bearer bond issued by the subsidiary DEMIRE Commercial Real Estate GmbH, Frankfurt/Main. In order to secure the claims from this bearer bond, DEMIRE AG has pledged all its interests in the subsidiary DEMIRE Commercial Real Estate GmbH in the amount of EURk 9,683. The declaration continues to apply following the bond's prolongation on December 15, 2015. The underlying obligations can be met by the companies concerned according to the findings of DEMIRE AG. For this reason, as at the balance sheet date, DEMIRE AG considers the likelihood to be low that the guarantee will be utilised.

Pursuant to the business pledge agreement of November 13, 2014 for the mezzanine loan granted by LSREF II Caliburn BFL Limited, Dublin, Ireland, to the subsidiary DEMIRE Condor Properties Management GmbH, the Company has pledged all of its interests in the amount of EURk 28 and all related rights to the subsidiary DEMIRE Condor Properties Management GmbH.

Under the loan agreement with Signal Credit Opportunities (Lux) Investco II S.à.r.l., dated December 30, 2015, DEMIRE AG has pledged all of the interests held in its subsidiaries DEMIRE Commercial Real Estate DREI GmbH, DEMIRE Commercial Real Estate FÜNF GmbH, Hanse-Center Objektgesellschaft mbH and Glockenhofcenter Objektgesellschaft GmbH and a bank account at Deutsche Kreditbank for all payments of the preceding companies as collateral in favour of the lender. In addition, DEMIRE AG ceded its claims to all group loans and Logistikpark Leipzig GmbH ceded its claims to all loans granted to DEMIRE AG as collateral in favour of the lender. Furthermore, the claims arising from group loans between the subsidiaries above were made subordinate to the lender's claims.

DEMIRE AG entered into a letter of guarantee in the amount of EURk 940 related to a loan granted to TGA Immobilien Erwerb 1 GmbH by Volksbank Mittweida on May 13, 2015. In accordance with the findings of DEMIRE AG, the underlying obligations under the credit agreement can be met given the solid level of net assets, financial position and results of operations of TGA Immobilien Erwerb 1 GmbH. Thus, as at the balance sheet date, the probability of utilising this guarantee was considered as low.

9. Other financial obligations

The following other financial obligations existed as at the balance sheet date:

OBLIGATIONS FROM OUTSIDE MANAGED PROPERTIES	December 31, 2016	December 31, 2015
	IN EURK	
Due within one year	66	907
Due between 1 and 5 years	0	42
Total	**66**	**949**

The real estate purchase agreements concluded in the 2015 fiscal year that were still not in effect as at the balance sheet date, do not result in any financial obligations as at December 31, 2016.

Contractual obligations exist for the modification and expansion of the property in Eschborn. These are fixed in terms of their scope. The resulting costs were not yet firmly established as at the balance sheet date. There are no other contractual obligations to acquire, construct or develop any investment properties, or for any repairs, maintenance or improvements.

The purchase order commitment from commissioned maintenance amounted to EURk 1,314.

As at the balance sheet date, there are no obligations for future lease payments under long-term leasehold agreements.

F. GROUP SEGMENT REPORTING

The segmentation of the data in the consolidated financial statements is based on the internal alignment according to strategic business segments pursuant to IFRS 8. The segment information provided represents the information to be reported to DEMIRE AG's Executive Board.

The Group is divided into the two business segments „Core Portfolio" and „Fair Value REIT". The focus is the sustainable management of the respective properties. These properties are held for the purpose of generating rental income and/or for value appreciation.

The „Core Portfolio" segment contains a significant logistics property and other commercial property in Germany. These properties are accounted for within several subsidiaries who each qualify as a business segment. Due to their similar business characteristics (type of service, type and group of customers and sales methods), these subsidiaries are combined to form the reportable segment „Core Portfolio".

The „Fair Value REIT" segment comprises office space as well as retail and wholesale properties located in German regional centres. These properties are accounted for within a number of subsidiaries, who each qualify as a business segment. Due to their similar business characteristics (type of service, type and group of customers and sales methods), these subsidiaries are combined to form the segment reportable „Fair Value REIT".

JANUARY 1, 2016 - DECEMBER 31, 2016	Core Portfolio	Fair Value REIT	Central Functions/ Others	Group
		IN EURK		
External revenues	66,226	47,857	7,471	121,554
Total revenues	**66,226**	**47,857**	**7,471**	**121,554**
Profit/loss from fair value adjustments in investment properties	36,661	1,753	0	38,414
Other income	4,129	597	824	5,550
Profit from a bargain purchase	0	0	0	0
Profits from investments accounted for using the equity method	0	0	0	0
Unrealised fair value adjustments in equity investments	0	0	0	0
Segment revenues	**107,016**	**50,207**	**8,295**	**165,518**
Net assets from sold real estate companies	0	0	-3,510	-3,510
Expenses on real estate sales	-1,675	-19,328	0	-21,003
Other expenses	-35,844	-14,735	-6,898	-57,477
Losses from investments accounted for using the equity method	-3	0	-356	-359
Segment expenses	**-37,522**	**-34,063**	**-10,764**	**-83,349**
EBIT	**69,494**	**16,144**	**-2,469**	**83,169**
Financial income	228	0	925	1,153
Financial expenses	-19,199	-8,188	-16,973	-44,360
Income taxes	-8,930	-3,721	338	-12,313
Net profit/loss for the period	**41,593**	**4,235**	**-18,179**	**27,649**
Significant non-cash items	**-23,245**	**5,217**	**-4,617**	**-22,646**
Impairment losses in net profit/loss for the period	**955**	**12**	**1,091**	**2,058**

Additional information as at December 31, 2016

SEGMENT ASSETS	741,379	329,596	23,031	1,094,006
of which investments accounted for using the equity method	9	0	117	126
of which financial receivables and other financial assets	2,025	0	8,268	10,293
of which tax refund claims	80	5	726	811
of which non-current assets, held for sale	20,691	3,600	0	24,291

SEGMENT LIABILITIES	421,775	210,740	152,855	785,370
of which non-current financial liabilities	362,696	122,796	135,996	621,488
of which current financial liabilities	19,387	9,275	13,358	42,020
of which tax liabilities	4,710	0	182	4,892

The Corporate Functions/Others segment mainly contains DEMIRE Deutsche Mittelstand Real Estate AG's activities in areas, such as risk management, finance and controlling, financing, legal, IT and compliance, that are related to its function as the Group holding and service provider for the subsidiaries. This segment also contains the effects of the Investments segment, which was still shown separately in 2015 and includes the legacy portfolio currently being sold and is only of minor strategic importance for the DEMIRE Group.

In the fiscal year, more than 10 % of total revenue in the amount of EURk 22,320 (previous year: EURk 9,796) were generated with one customer in the „Core Portfolio" segment.

In the „Core Portfolio" segment, non-cash items mainly comprise fair value adjustments in investment properties in the amount of EURk 36,661 (previous year: EURk 63,608), income taxes of EURk -7,623 (previous year: EURk -4,576). In the Central Functions/Others segment, non-cash items comprise profits from the disposal of real estate companies in the amount of EURk 3,961 (previous year: EURk 69), the profit/loss from investments accounted for using the equity method in the amount of EURk -359 (previous year: EURk 1,908) and changes in provisions of EURk 594 (previous year: EURk 434).

Transactions between segments are carried out on the basis of comparable external conditions.

JANUARY 1, 2015 - DECEMBER 31, 2015	Investments	Core Portfolio	Fair Value REIT	Central Functions/ Others	Group
			IN EURK		
Revenues	2,572	44,863	0	0	47,435
Profit/loss from fair value adjustments in investment properties	0	18,471	0	0	18,471
Other income	174	1,811	0	588	2,573
Profit from a bargain purchase	0	33,217	0	0	33,217
Profits from investments accounted for using the equity method	1,861	0	0	1,469	3,330
Segment revenues	**4,607**	**98,362**	**0**	**2,057**	**105,026**
Net assets from sold real estate companies	-1,421	-86	0	0	-1,507
Expenses on real estate sales	-192	-1,650	0	0	-1,842
Other expenses	-3,244	-26,383	0	-9,480	-39,107
Losses from investments accounted for using the equity method	-3,769	0	0	-61	-3,830
Segment expenses	**-8,626**	**-28,119**	**0**	**-9,541**	**-46,286**
EBIT	**-4,019**	**70,243**	**0**	**-7,484**	**58,740**
Financial income	171	281	0	1,693	2,145
Financial expenses	-1,980	-13,483	0	-12,410	-27,873
Income taxes	68	-4,576	0	369	-4,139
Net profit/loss for the period	**-5,760**	**52,465**	**0**	**-17,832**	**28,873**
Significant non-cash items	**4,165**	**-51,628**	**0**	**2,825**	**-44,638**
Impairment losses in net profit/loss for the period	**1,435**	**792**	**0**	**619**	**2,846**

Additional information as at December 31, 2015

SEGMENT ASSETS	**5,319**	**651,165**	**337,261**	**39,200**	**1,032,945**
of which investments accounted for using the equity method	116	0	0	3,020	3,136
of which loans to investments accounted for using the equity method	0	0	0	553	553
of which financial receivables and other financial assets	83	5,011	0	20,926	26,020
of which tax refund claims	3	101	22	45	171
of which assets available for sales in investments accounted for using the equity method	0	1,255	11,750	0	13,005
SEGMENT LIABILITIES	**282**	**414,896**	**217,803**	**135,062**	**768,043**
of which non-current financial liabilities	0	348,870	187,738	134,424	671,032
of which current financial liabilities	107	23,236	16,531	4,569	46,443
of which tax liabilities	0	3,801	0	0	3,801

G. OTHER DISCLOSURES

1. Financial instruments

Generally, reference is made to the risk report in DEMIRE AG's group management report.

Financial risk management

The credit risk arising for DEMIRE as part of its operating activities as well as risk arising from financing activities are continuously monitored and actively managed by the Executive Board. As a result of these measures, the consolidated financial statements were prepared under the assumption of a going concern.

The Group's financial assets mainly consist of investments and loans to companies accounted for using the equity method, other loans, trade accounts receivable and other receivables, financial receivables, other financial assets and bank deposits. The majority of trade accounts receivable consists of rent receivables. Potential defaults in this context are taken into consideration.

DEMIRE's financial liabilities comprise mainly bonds, bank loans, other loans, overdrafts and trade payables. The main purpose of these financial liabilities is to finance the DEMIRE's operations.

DEMIRE is exposed to various financial risks as a result of its business activities: foreign currency risk, interest rate risk, credit risk and liquidity risk. The overarching risk management system concentrates on the continual identification and active management of typical business risks. This system accepts risk within a certain range if they offer the opportunity for commensurate returns. The goal is to limit the exposure to peak risks so that DEMIRE's continuance is not jeopardised.

The Executive Board identifies, evaluates and hedges financial risk in close collaboration with the risk manager and in coordination with the DEMIRE AG Supervisory Board.

Loan agreements exist in the Group that contain certain financial covenants stipulated by the creditors. Non-compliance with these financial covenants could lead to extraordinary terminations of these agreements by the creditors. The financial covenants concern financial ratios of the respective real estate portfolio, particularly the debt service coverage ratio (DSCR), the interest coverage ratio (ICR) and the loan-to-value (LTV) debt ratio. The calculations are based on the specifications set by the creditors in the loan agreement. The monitoring, compliance and reporting of the financial covenants specified in the loan agreements for the properties financed is carried out by DEMIRE's management, treasury and portfolio management areas. Depending on the type of financing, the financial covenants are reported to the creditors on a quarterly, semi-annual or annual basis, or the creditors are provided with the underlying economic ratios. Should DEMIRE fail to comply with the financial covenants, the creditors would be entitled to demand additional guarantees from DEMIRE. In that case, the loans would be in default. If the default persisted for a longer period of time and could not permanently be resolved, the creditors have a special right of termination.

Excluding the financing of Logistikpark Leipzig, all financing obligations, including the financial covenants, were complied with during the reporting period (see Note E. 5.3).

Foreign currency risk

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

Interest rate risk

To finance its German commercial real estate, the DEMIRE Group uses liabilities consisting of both variable and fixed interest loans to a degree customary for the industry as well as tradeable instruments that contain options for conversion into shares of the Company or Fair Value REIT-AG.

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.

The activities of DEMIRE group companies are essentially exposed to financial risk arising from changes in interest rates. For this reason, DEMIRE also uses derivative financial instruments to manage existing interest rate risk. Interest rate swaps are used which minimise interest rate risk as interest rates rise.

As at the balance sheet date, interest rate hedges existed in the form of purchased interest rate derivatives with a nominal volume of EURk 32,650 (previous year: EURk 36,149), which were acquired in the course of purchasing real estate companies. As at December 31, 2016, these had a market value of EURk -874 (previous year: EURk -829).

The following net payment obligations for DEMIRE AG result from the interest rate swaps in subsequent years based on the valuation at the balance sheet date:

- Maturity of up to one year: EURk 219
- Maturity between one and five years: EURk 548
- Maturity of more than five years: EURk 0

All derivative financial instruments are not integrated into a hedging relationship.
DEMIRE uses liabilities, partly with variable interest rates, to finance its properties. DEMIRE is thus exposed to a risk of interest rate changes as a rise in interest rates increase the financing costs. The following table assumes a change in the interest rate of +100 basis points or -100 basis points. If all other parameters are unchanged, an increase or decrease in the interest expenses of the Company would lead to the following interest expenses:

MEASUREMENT OF INTEREST RATE SENSITIVITY	December 31, 2016	December 31, 2015
	EURk	EURk
Interest expense from variable interest loans	4,725	137
Increase in interest expenses from a fictitious rise of 100 bps in variable interest rates	1,046	69
Reduction in interest expenses from a fictitious decline of 100 bps in variable interest rates	-1,046	-69

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

Since transaction prices for real estate increase when interest rates are low, the level of interest rates also has an impact on the purchase prices of newly acquired real estate. In addition, interest rates play an important role in the valuation of investment properties.

The interest rate policy is evaluated at regular intervals and in close consultation with the Supervisory Board of DEMIRE AG.

Credit risk

The reported financial instruments represent the maximum credit risk and default risk. Counterparty risk is uniformly assessed and monitored within the framework of Group-wide risk management. The aim is to minimise the risk of defaults. Counterparty risk is not insured. There are generally no significant concentrations of credit risk at DEMIRE. For an analysis of the impaired receivables, please refer to Note E.2.2.

Liquidity risk

In the initial phase of DEMIRE AG, the liquidity risk was mainly 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. In the current situation, the liquidity situation's dependence on inflows from disposals and the planned prolongation of loans due is significantly higher. There are generally no significant concentrations of liquidity risk.

Further disclosures on risk management and financial risk are included in the risk report contained in the group management report.

Capital management and control

The primary objective of the Group's capital management is to ensure that DEMIRE's debt eligibility and its financial substance are maintained in the future. The capital structure is managed according to economic and regulatory requirements. Capital management is carried out by DEMIRE through dividends and/or financing. DEMIRE strives for a capital structure that is appropriate for the business risk and in doing so is also subject to the minimum capital requirements of the German Stock Corporation Act, the compliance of which is monitored by the DEMIRE AG Executive Board. The requirements were met both in the reporting year and in the previous year.

DEMIRE monitors its capital using the equity ratio (IFRS and the EPRA NAV), which is also an important indicator for investors, analysts and banks. For a detailed explanation, please refer to the group management report.

Other financial instrument disclosures

Financial assets and financial liabilities are classified and accounted for at the date of acquisition according to the categories of IAS 39.

Financial assets are classified by DEMIRE as either

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

- loans and receivables,
- available-for-sale financial investments, or
- derivative financial instruments that meet the requirements for effective hedging.
- Financial liabilities are classified by DEMIRE as either
- other financial liabilities, which are measured at amortised cost,
- financial liabilities measured at fair value, or
- derivative financial liabilities which meet the requirements for effective hedging transactions.

The Company mainly holds financial instruments from the categories loans and receivables and financial liabilities, which are carried at amortised cost. Financial assets and financial liabilities are recognised in the consolidated balance sheet for the first time when a Group company becomes a contracting party for a financial instrument. The first-time recognition of a financial instrument takes place at fair value, including any transaction costs.

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the time of initial recognition, loans and receivables are measured at fair value, including any transaction costs. In subsequent periods, they are measured at amortised cost using the effective interest method and less any impairment losses. Non-current, non-interest-bearing or low-interest receivables are carried at present value. DEMIRE classifies loans to investments accounted for using the equity method, trade receivables and other receivables (with the exception of receivables from income taxes and value-added taxes) as well as financial receivables in the category of loans and receivables.

DEMIRE uses derivative financial instruments to hedge against interest rate risk. These derivative financial instruments are initially recognised at their fair values as at the date on which the corresponding credit agreement is entered into and subsequently measured at their fair values. The provisions of IAS 39 on the accounting for hedging relationships do not apply. Derivative financial instruments are recognised as an asset if their fair value is positive and as a liability if their fair value is negative. The measurement is carried out using the mark-to-market method taking into account the market data available on the balance sheet date. Gains or losses resulting from changes in the fair value of the derivative financial instruments are recognised directly through profit or loss.

The classification of financial instruments required by IFRS 7 is in line with the respective items in the consolidated balance sheet. The tables below present the carrying amounts, valuations and fair values of the financial assets and liabilities for each individual category of financial instruments and relate these values to the measurement categories of IAS 39 as at the balance sheet date of the reporting year and that of the prior year. The measurement categories used by DEMIRE in accordance with IAS 39 are the available-for-sale financial assets (AfS), loans and receivables (LaR), Amortised Cost (AmC) and Held for Trading (HfT).

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

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

DECEMBER 31, 2016			IAS 39 measurement		
	Measurement category	Carrying amount	Fair value through profit/loss	Amortised cost	Fair Value
		IN EURK			
Interests in investments accounted for using equity method	n/a	126	0	126	126
Other financial assets	LaR	11,328	0	11,328	11,328
Loans to investments accounted for using the equity method	LaR	0	0	0	0
Other loans	LaR	0	0	0	0
Trade accounts receivable and other receivables	LaR	23,614	0	23,614	23,614
Financial receivables and other financial assets	LaR/HfT	10,293	2,653	7,640	10,293
Cash and cash equivalents	LaR	31,289	0	31,289	31,289
Convertible bond	AmC	10,947	0	10,947	52,233
Bonds	AmC	97,650	0	97,650	103,000
A/B Notes (Germavest)	AmC	99,308	0	99,308	103,124
Financial liabilities (Fair Value REIT)	AmC	123,289		123,289	143,620
Other non-current financial liabilities	AmC	290,294	0	290,294	289,801
Interest rate swaps	HfT	874	874	0	874
Trade payables	AmC	17,378	0	17,378	17,378
Current financial liabilities	AmC	42,020	0	42,020	42,020
Amount per measurement category					
	LaR	76,524	2,653	73,871	76,524
	AmC	557,597	0	458,289	504,432
	Hft	874	874	0	874

Afs: Available-for-Sale Financial Assets;
LaR: Loans and Receivables;
AmC: Amortised Cost;
HfT: Held for Trading;
n/a: not applicable

DECEMBER 31, 2015			IAS 39 measurement		
	Measurement category	Carrying amount	Fair value through profit/loss	Amortised cost	Total value
		IN EURK			
Interests in investments accounted for using equity method	n/a	3,136	0	3,136	3,136
Other financial assets	LaR	11,045	0	11,045	11,045
Loans to investments accounted for using the equity method	LaR	553	0	553	553
Other loans	LaR	384	0	384	384
Trade accounts receivable and other receivables	LaR	14,387	0	14,387	14,387
Financial receivables and other financial assets	LaR/HfT	26,020	2,205	23,815	26,020
Cash and cash equivalents	LaR	28,467	0	28,467	28,467
Convertible bond	AmC	19,491	0	19,491	56,947
Bonds	AmC	97,719	0	97,719	94,000
A/B Notes (Germavest)	AmC	92,651	0	92,651	92,651
Financial liabilities (Fair Value REIT)	AmC	144,113	0	144,113	143,620
Other non-current financial liabilities	AmC	317,058	0	317,058	316,565
Interest rate swaps	HfT	829	829	0	829
Trade payables	AmC	19,887	0	19,887	19,887
Current financial liabilities	AmC	46,443	0	46,443	46,443
Amount per measurement category					
	LaR	80,856	2,205	78,651	80,856
	AmC	593,249	0	500,598	533,842
	Hft	829	829	0	829

Afs: Available-for-Sale Financial Assets;
LaR: Loans and Receivables;
AmC: Amortised Cost;
HfT: Held for Trading;
n/a: not applicable

Due to the short-term maturity of cash and cash equivalents, trade accounts receivable and trade payables, as well as other current receivables and liabilities, it is assumed that the respective fair value corresponds to the carrying amount.

The following table presents the measurement hierarchy, measurement methods and key input factors for the determination of the fair values of the various measurement categories of financial assets and liabilities.

TYPE	HIERARCHY	MEASUREMENT PROCEDURE AND MATERIAL INPUT FACTORS
Investment properties	Level 3	Expected future free cash flows of a project by applying a market-based, property-specific discount rate
Interests in investments accounted for using the equity method	Level 2	Discounted cash flows from the continued use of an asset on the basis of yield curves observable on the market at the reporting date
Loans to investments accounted for using the equity method (fixed-rate)	Level 2	Discounted cash flows on the basis of yield curves observable on the market at the reporting date
Financial receivables and other financial assets	Level 3	Discounted cash flows on the basis of input factors not observable on the market at the reporting date
Non-current financial liabilities	Level 3	Discounted cash flows on the basis of input factors not observable on the market at the reporting date
Derivatives	Level 2	Interest rate curves, credit spreads, indices
Quoted convertible bonds	Level 1	Quoted bid prices on active markets
Quoted corporate bonds	Level 1	Quoted bid prices on active markets

For all current financial instruments, IFRS 7.29 assumes that the carrying amount corresponds to the fair value.

The maximum default risk is reflected in the amortised carrying amounts of the receivables and other financial assets recognised in the balance sheet.

The following table shows the future cash outflows for interest and principal payment of financial liabilities:

	2017	2018	2019	2020	2021	AFTER Dec. 31, 2020
Bonds and debentures	8,551	18,948	107,500	0	0	0
Bank liabilities	75,387	35,906	111,817	126,860	15,136	242,962
Other financial liabilities	3,040	38,240	0	0	0	0
Trade payables and other liabilities	17,378	0	0	865	0	0
Total	**104,356**	**93,094**	**219,317**	**127,725**	**15,136**	**242,962**

With respect to the 2013/2018 convertible bond and the 2015/2018 mandatory convertible bond, it is assumed that no conversion will take place until maturity.

2. Related party disclosures

Related companies and persons

Companies and persons are considered to be related if they have the ability to control DEMIRE and its subsidiaries or exercise significant influence over their financial and operating policies. The existing control relationships were taken into account to determine the degree of significant influence that related companies and persons have on the Company's financial and operating policies.

The group of related companies includes the fully consolidated subsidiaries and the joint ventures and associated companies accounted for using the equity method.

Moreover, due to their significant influence, the following key personnel of the parent company are considered to be related persons as defined by IAS 24:

- members of DEMIRE's Executive Board (see Note G.4.a.) and their close relatives, and
- members of DEMIRE's Supervisory Board (see Note G.4.b.) and their close relatives.

Legal transactions with related companies and persons

In the fiscal year under review, transactions with related parties were exclusively carried out at customary market conditions.

The transactions, revenues and rendering of services between the DEMIRE AG and its subsidiaries were settled in the same manner as those between unrelated parties and eliminated in the context of consolidation. Therefore, they are not explained in the notes.

In addition, PRAEDIA GmbH provided services at standard market conditions in the amount of EURk 114 to a company owned by an Executive Board member.

The following balances exist with respect to associated companies:

	DECEMBER 31, 2016	DECEMBER 31, 2015
	IN EURK	
Financial receivables and other financial assets	0	116

For more information on financial receivables and other financial assets, please refer to the explanations in Note E.2.3.

The following balances exist with respect to joint ventures:

	DECEMBER 31, 2016	DECEMBER 31, 2015
	IN EURK	
Loans to investments accounted for using the equity method	0	553
Financial receivables and other financial assets	0	480

With regard to loans to investments accounted for using the equity method, please refer to the explanations in Note E.1.6.

There is no collateral for receivables due from associated companies and joint ventures.

Volume of business transactions with associated companies:

	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
	IN EURK	
Financial receivables and other financial assets	116	68
Trade payables and other liabilities	0	146
Current financial liabilities	0	12

Volume of business transactions with joint ventures:

	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
	IN EURK	
Loans to investments accounted for using the equity method	553	2.304
Financial receivables and other financial assets	480	441
Current financial liabilities	0	385

Transactions underlying financial receivables and other financial assets resulted from the repayment of loans granted. The disposal of loans to investments accounted for using the equity method resulted from the transfer of these loans in the course of disposing of investments accounted for using the equity method (Note B).

3. Auditor's fee

The auditor's fee for Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt/Main charged in the fiscal year related to the subgroups DEMIRE and Fair Value REIT consisted of the following (amounts include value-added taxes):

	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
	IN EURK	
Auditing services	282	681
Other assurance services	219	1.740
Tax consultation services	0	0
Other services	0	26
	501	**2.447**

4. Executive Board, Supervisory Board and employees

a. Executive Board

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

In the past fiscal year, the Executive Board consisted of the following members:

- Mr Hon.-Prof. Andreas Steyer, CEO,
- Mr Markus Drews, COO,

- Mr Frank Schaich, CFO (until October 31, 2016).

In the 2016 fiscal year, DEMIRE AG recognised variable remuneration in the amount of EURk 531 (previous year: EURk 313), fixed remuneration of EURk 914 (previous year: EURk 464) and share-based payments of EURk 475 (previous year: EURk 444) for the members of the Executive Board.

Hon.-Prof. Andreas Steyer receives a pro rata entitlement to a multi-year bonus when the performance period for the determination of the multi-year bonus has lasted at least twenty-four months.

The members of the Executive Board were not granted any loans or advances and no contingencies were assumed for their benefit.

b. Supervisory Board

The members of the DEMIRE AG Supervisory Board, their professions and Supervisory Board remuneration received during the past fiscal year are listed in the table below.

NAME	POSITION	PROFESSION	PERIOD	2016	2015
Prof. Dr. Hermann Anton Wagner.....	Chairman	Auditor and tax consultant	Since April 17, 2013	135	135
Dr. Peter Maser.....	Deputy Chairman	Attorney at Law	Since January 12, 2015	90	90
Günther Walcher	General member	Entrepreneur	Since October 23, 2013	45	45
Gesamt.....				**270**	**270**

Supervisory Board members were also reimbursed for travel expenses in the amount of EURk 8(previous year: EURk 5).

There were no pension obligations or long-term remuneration components owed to active or former Supervisory Board members as at December 31, 2016.

The members of the Executive Board were not granted any loans or advances and no contingencies were assumed for their benefit.

c. Employees

The number of employees as at the balance sheet date is listed in the following table.

	DECEMBER 31, 2016	DECEMBER 31, 2015
Executive Board members	2	2
Permanent employees	77	54
Trainees.....	1	0
Total	**80**	**56**

The average number of employees in the 2016 fiscal year was 69 (previous year: 38). Of the 77 permanent employees, three or an average of three, were respectively employed by PANACEA Property GmbH, which is not consolidated for reasons of materiality and provides asset and facility management services to DEMIRE Group companies. PANACEA Property GmbH is of minor importance for the consolidated financial statements under IFRS and are therefore not included in the IFRS consolidated financial statements as of December 31, 2016 for reasons of materiality.

d. Share-based payments

In the 2015 fiscal year, share-based payments were issued in the form of subscription rights (stock options) to the Executive Board of DEMIRE AG as well as to a selected group of persons within the DEMIRE Group. The stock option programme is basically an option plan, which is settled with equity instruments (equity-settled share option plan). The option plan only provides for the possibility of settling the stock option programme in shares of DEMIRE AG. Accounting for the share-based payments issued is in accordance with IFRS 2.

Expenses arising from the issuance of the stock options are measured at the fair value of the stock options at the grant date. The fair value was determined using generally accepted option pricing models. Expenses arising from the issuance of stock options are recognised at the same time as a corresponding increase in equity (capital reserves) over the period in which the

performance conditions are met. This so-called „vesting period“ ends on the date on which the person in question of the beneficiary group is irrevocably entitled to receive the benefit. The cumulative expenses from the granting of the equity instruments reported at each balance sheet date reflect the portion of the vesting period that has already elapsed as well as the number of equity instruments that are actually exercisable on the basis of the best estimate at the end of the vesting period. The amount recognised in the consolidated statement of income reflects the development of the cumulative expenses recorded at the beginning and at the end of the reporting period.

The dilutive effect of the outstanding stock options is taken into account as additional dilution in the calculation of earnings per share, provided that the stock options and the underlying conditions result in a notional dilution for the existing shareholders.

With the consent of the Supervisory Board, the Executive Board was authorised until December 31, 2015, („issue period“) as detailed in the following provisions under the 2015 stock option plan to issue up to 1,000,000 stock options with subscription rights for shares of DEMIRE AG with a vesting period of four years and an exercise period of another five years („the exercise period“) provided that each stock option entitles its holder to subscribe for one share of the Company. With regard to the issue of stock options to members of the Executive Board of the Company, this authorisation is limited only to the Supervisory Board.

The beneficiaries and the amount of stock options offered for subscription to those entitled are to be determined by the DEMIRE AG Executive Board with the consent of the Supervisory Board. To the extent members of the DEMIRE AG Executive Board are to receive stock options, the determination and the issue of these options will be governed by the Supervisory Board.

The following have been issued

- a total of up to 800,000 stock options (80 %) to members of the Executive Board, and
- a total of up to 200,000 stock options (20 %) to selected employees of DEMIRE AG or directors or employees of Group companies.

The subscription rights arising from the stock options can be exercised for the first time upon the expiration of the statutory vesting period of four years according to Section 193 (2) no. 4 AktG. The vesting period starts after the issue of the stock options (day of receipt of the beneficiary’s statement of subscription by DEMIRE AG or by the credit institution commissioned for the settlement).

The relevant exercise price for one share of DEMIRE AG upon the exercise of the stock options corresponds to at least 100 % of the basis price. The basis price is the share price of DEMIRE AG at the time of the resolution of the Executive Board on the issue of stock option rights and, in the case of the issue of stock options to members of the Executive Board, at the time of the resolution of the Supervisory Board. The relevant share price is the average closing price of DEMIRE AG’s shares in XETRA trading on the Frankfurt Stock Exchange (or a comparable successor system) on the last ten stock exchange trading days before the resolution is made on the issue of stock options.

The prerequisite for the exercise of the subscription rights is that the share’s closing price in XETRA trading on the Frankfurt Stock Exchange (or a comparable successor system) must be at least 10 % higher than the basis price on the day preceding the exercise of the subscription rights.

The accounting of share-based payments is governed by IFRS 2. The „2015 stock option plan“ is to be classified as „equity-settled share-based payments“. In this case, total staff costs arising from the stock options are to be distributed over the four-year vesting period starting from the grant date. In the case of DEMIRE AG, the grant date is the day the approval is given by the Executive Board and/or Supervisory Board.

The value of compensation based on real stock options according to the Black-Scholes Model is determined by the fair value of the options at the grant date pursuant to IFRS 2.10. In the case of DEMIRE AG, the grant date is the day the options were issued (April 7, 2015 and December 9, 2015).

The following vesting conditions are relevant for the accounting of the stock-based compensation programme:

- The four-year vesting period represents a „service condition“ since only a specified period of service in the Company must be completed.
- The exercise condition of a closing share price exceeding the basis price by at least 10 % on the trading day preceding the exercise is classified as a performance condition since meeting the condition is based on a performance target.

The performance conditions are to be divided into market conditions and non-market conditions. In the case of DEMIRE AG, the exercise condition is to be classified a market performance condition as it is explicitly related to the Company's share price. Such a market performance condition is reflected in the valuation of the stock option exclusively by means of a probability calculation performed at the grant date.

During the reporting period until the balance sheet date, a total of 1,000,000 stock options were granted, of which 800,000 stock options were granted in the first tranche to members of the Executive Board and 160,000 to selected DEMIRE AG and group company employees. The fair value of each option from the first tranche was EUR 2.74. In the fourth quarter, a total of 60,000 stock options were newly issued in a second tranche, net of stock options that were returned by employees who had left the Company (20,000 stock options). The fair value of each option from the second tranche was EUR 1.99.

The calculation of the stock option's fair value as at the date of issue of the first and second tranches was based on the following parameters:

CALCULATION PARAMETERS	1ST TRANCHE	2ND TRANCHE
Dividend yield (%)	0,00	0,00
Expected volatility (%)[1)]	60,40	46,25
Risk-free interest rate (%)	0,50	0,80
Term of the option (in years)	9,00	9,00
Weighted average share price (EUR)	4,258	3,76
Option price (EUR)	2,74	1,99

1) 180-day historical volatility

Staff costs recognised in the reporting period from the „2015 Stock Option Plan" amounted to EURk 594 (previous year: EURk 434) and were recognised directly in equity under general and administrative expenses.

5. Subsequent events

Subsequent events that occurred after the end of the fiscal year that are of particular significance to DEMIRE's net assets, financial position and net profit/loss for the period are as follows:
After the resignation from the Supervisory Board of Mr Günther Walcher as at the end of January 23, 2017 and Dr. Peter Maser as at the end of February 13, 2017, DEMIRE was able to acquire Mr Frank Hölzle and Dr Thomas Wetzel as new Supervisory Board members. By order of the District Court of Frankfurt/Main on February 14, 2017, they were appointed as members of the Supervisory Board. The term of the appointment of the two new Supervisory Board members Frank Hölzle and Dr Thomas Wetzel will initially be limited until the next Annual General Meeting on June 29, 2017. DEMIRE intends to propose to the shareholders that Mr Hölzle and Dr Wetzel be confirmed as members of the Supervisory Board until June 2021.

At its constituent meeting on February 17, 2017, the Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG elected Mr Frank Hölzle as Deputy Chairman of the Supervisory Board. At that same meeting, the Supervisory Board appointed Ralf Kind as the Company's CFO. Ralf Kind took over his duties at DEMIRE AG with effect from March 1, 2017 and joined the Executive Board team of Prof Andreas Steyer (CEO) and Markus Drews (COO). In addition, on February 17, the Executive Board contract of Markus Drews, COO, was extended for a further three years until the end of 2020.

In mid-February 2017, the property in Pancharevo, Bulgaria, which was part of the legacy portfolio was sold at a profit of EUR 0.5 million.

At the end of February, DEMIRE Deutsche Mittelstand Real Estate AG prematurely extended the Deutsche Bank promissory note of EUR 148 million maturing in 2019 until 2022 and secured better conditions. The interest rate could be reduced from 5 % p.a. to 4 % p.a. with retroactive effect from January 1, 2017 without paying an early repayment penalty. This reduces the average interest on total borrowings for the DEMIRE Group from 4.4 % p.a. to 4.1 % p.a. As a result of the refinancing, FFO will increase by EUR 1.45 million annually starting in 2017. In addition, DEMIRE has a one-time option to reduce the interest rate on the promissory note to 3.5 % p.a. with a partial repayment. This would lead to a potential additional reduction in the financing costs to 4 % and a further increase in FFO of around EUR 2.2 million annually.

At the beginning of March 2017, DEMIRE Deutsche Mittelstand Real Estate AG extended the agreement with Baader Bank AG until April 30, 2018 for a credit line of EUR 5.0 million at a fixed interest rate of 5.0 % p.a. At the end of March 2017, the agreement with Sudwestbank AG for a credit line of EUR 5.0 million with a variable interest rate based on the 3-month EURIBOR rate plus a margin of 250 basis points for a minimum interest rate of 2.5 % p.a. was extended until March 30, 2018.

On April 12, 2017, DEMIRE Deutsche Mittelstand Real Estate AG announced that Hon. Prof. Andreas Steyer will leave the Company‘s Executive Board effective June 30, 2017 to pursue new challenges. His Executive Board contract, which runs until March 31, 2019, was terminated prematurely by mutual agreement with the Supervisory Board. Markus Drews will be the new Speaker of the Executive Board (CEO) starting July 1, 2017.

On April 13, 2017, DEMIRE Deutsche Mittelstand Real Estate AG announced that the 2016 fiscal year funds from operations (“FFO”), excluding gains from disposals, will clearly fall short of the Company’s FFO forecast. The FFO forecast for the 2017 fiscal year was withdrawn. A new FFO forecast for the 2017 fiscal year will be announced after the Company’s internal planning has been updated.

Prior to the publication of the Annual Report, a total of 10,800 conversion rights were exercised, and 10,800 new, no-par value bearer shares were created.

6. Declaration of Conformity with the German Corporate Governance Code

The statement required under Section 161 AktG with regard to the German Corporate Governance Code (GCGC) is made available DEMIRE AG to shareholders once per calendar year. The Declaration of Conformity with the German Corporate Governance Code was issued on April 26, 2017, and made permanently available to shareholders on DEMIRE AG’s website (www.demire.ag/en/home) under the section titled „Company“.

On February 01, 2017, the Executive Board and Supervisory Board of Fair Value REIT-AG submitted the current Declaration of Conformity in accordance with Section 161 AktG and made it permanently available to shareholders on the Fair Value REIT-AG website (www.fvreit.de/en/investor-relations/corporate-governance/declaration-of-conformity/declaration-of-conformity.html).

Frankfurt am Main, den 27. April 2017

DEMIRE Deutsche Mittelstand Real Estate AG

Hon.-Prof. Andreas Steyer Speaker of the Executive Board (CEO)	**Dipl.-Kfm. (FH) Markus Drews** Executive Board Member (COO)	**Dipl. Betriebsw. (FH) Ralf Kind** Executive Board Member (CFO)

APPENDIX 1: SCHEDULE OF SHAREHOLDINGS PURSUANT TO SECTION 313 (2) HGB

Schedule of shareholdings of the DEMIRE Group pursuant to Section 313 (2) HGB

COMPANY	INTEREST IN EQUITY (%)	COMPANY	INTEREST IN EQUITY (%)
GERMANY		**GERMANY**	
DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt a. M.		FVR Beteiligungsgesellschaft Vierte mbH, Frankfurt a. M.	100.00
Glockenhofcenter Objektgesellschaft mbH, Berlin	94.90	FVR Beteiligungsgesellschaft Fünfte mbH, Frankfurt a. M.	100.00
Hanse-Center Objektgesellschaft mbH, Berlin	94.90	FVR Beteiligungsgesellschaft Sechste mbH, Frankfurt a. M.	100.00
Logistikpark Leipzig GmbH, Berlin	94.00	FVR Beteiligungsgesellschaft Siebente mbH, Frankfurt a. M.	100.00
Demire Immobilien Management GmbH, Berlin	100.00	FVR Beteiligungsgesellschaft Achte mbH, Frankfurt a. M.	100.00
Panacea Property GmbH, Berlin [1)]	51.00	DEMIRE Commercial Real Estate GmbH, Frankfurt a. M.	100.00
Praedia GmbH, Berlin	51.00	DEMIRE Real Estate München 1 GmbH, Frankfurt a. M.	100.00
Fair Value REIT-AG, Gräfelfing	77.70	CAM Commercial Asset Management EINS GmbH, Frankfurt a. M.	100.00
IC Fonds & Co. Büropark Teltow KG, Munich [2)]	39.86	CAM Commercial Asset Management ZWEI GmbH, Frankfurt a. M.	100.00
IC Fonds & Co. Gewerbeportfolio Deutschland 13. KG, Munich [2)]	29.26	CAM Commercial Asset Management DREI GmbH, Frankfurt a. M.	100.00
IC Fonds & Co. SchmidtBank-Passage	41.92	CAM Commercial Asset Management	100.00

COMPANY	INTEREST IN EQUITY (%)
GERMANY	
KG, Munich [2]	
BBV Immobilien-Fonds Nr. 14 GmbH & Co. KG, Munich [2]	39.63
BBV Immobilien-Fonds Nr. 6 GmbH & Co. KG, Munich [2]	48.35
BBV Immobilien-Fonds Nr. 8 GmbH & Co. KG, Munich [2]	45.08
GP Value Management GmbH, Munich	77.70
BBV 3 Geschäftsführungs-GmbH & Co. KG, Munich	77.70
BBV 6 Geschäftsführungs-GmbH & Co. KG, Munich	77.70
BBV 9 Geschäftsführungs-GmbH & Co. KG, Munich	77.70
BBV 10 Geschäftsführungs-GmbH & Co. KG, Munich	77.70
BBV 14 Geschäftsführungs-GmbH & Co. KG, Munich	77.70
BBV Immobilien-Fonds Erlangen GbR, Munich [2]	32.65
BBV Immobilien-Fonds Nr. 10 GmbH & Co. KG, Munich [2]	34.31
IC Fonds & Co. Gewerbeobjekte Deutschland 15. KG, Munich [2]	37.43
FVR Beteiligungsgesellschaft Erste mbH, Frankfurt a. M.	100.00
FVR Beteiligungsgesellschaft Zweite mbH, Frankfurt a. M.	100.00
FVR Beteiligungsgesellschaft Dritte mbH, Frankfurt a. M.	100.00
Condor Objektgesellschaft Lichtenfels GmbH, Frankfurt a. M.	94.00
DEMIRE Einkauf GmbH, Frankfurt a. M.	51.00
Demire Assekuranzmakler GmbH & Co. KG, Düsseldorf [3]	47.50
G + Q Effizienz GmbH, Berlin [3]	49.00
Demire Parkhaus Betriebsgesellschaft mbH, Berlin	100.00
Kurfürster Immobilien GmbH, Leipzig	94.90
Ritterhaus Immobilienverwaltung GmbH, Düsseldorf	100.00
Condor Objektgesellschaft Yellow GmbH, Frankfurt a. M.	94.00
Condor Yellow BV GmbH, Frankfurt a. M.	100.00
DEMIRE Commercial Real Estate DREI GmbH, Frankfurt a. M.	100.00
DEMIRE Commercial Real Estate VIER GmbH, Frankfurt a. M.	100.00
DEMIRE Commercial Real Estate FÜNF GmbH, Frankfurt a. M.	100.00
DEMIRE Commercial Real Estate SECHS GmbH, Frankfurt a. M.	100.00

COMPANY	INTEREST IN EQUITY (%)
GERMANY	
VIER GmbH, Frankfurt a. M.	
Schwerin Margaretenhof 18 GmbH, Frankfurt a. M.	94.90
DEMIRE Commercial Real Estate ZWEI GmbH, Frankfurt a. M.	100.00
DEMIRE Objektgesellschaft Worms GmbH, Frankfurt a. M.	94.00
TGA Immobilien Erwerb 1 GmbH, Berlin	94.00
DEMIRE Condor Properties Management GmbH, Frankfurt a. M.	100.00
DEMIRE Holding EINS GmbH, Frankfurt a. M.	100.00
Condor Real Estate Management EINS GmbH, Frankfurt a. M.	100.00
Condor Real Estate Management ZWEI GmbH, Frankfurt a. M.	100.00
Condor Real Estate Management DREI GmbH, Frankfurt a. M.	100.00
Condor Objektgesellschaft Eschborn GmbH, Frankfurt a. M.	94.00
Condor Objektgesellschaft Bad Kreuznach GmbH, Frankfurt a. M.	94.00
Condor Real Estate Management FÜNF GmbH, Frankfurt a. M.	100.00
Condor Objektgesellschaft Düsseldorf GmbH, Frankfurt a. M.	94.00
Condor Objektgesellschaft Rendsburg GmbH, Frankfurt a. M.	94.00
Condor Objektgesellschaft Bad Oeynhausen GmbH, Frankfurt a. M.	94.00
SCHWEIZ SWITZERLAND	
Sihlegg Investments Holding GmbH, Wollerau	94.00
CYPRUS	
Denston Investments Ltd., Nicosia	94.00
NETHERLANDS	
MAGNAT Investment I B.V., Hardinxveld Giessendamm	99.64
BULGARIA	
R-Quadrat Bulgaria EOOD, Sofia	100.00
ROMANIA	
SC Victory International Consulting s.r.l., Bucharest	100.00

COMPANY	INTEREST IN EQUITY (%)
GERMANY	
LUXEMBOURG	
Germavest Real Estate S.à.r.l., Luxembourg	94.00
Armstripe S.à.r.l., Luxembourg	94.00
Blue Ringed S.à.r.l., Luxembourg	94.00
Briarius S.à.r.l., Luxembourg	94.00
Reubescens S.à.r.l., Luxembourg	94.00
DENMARK	
GO Leonberg ApS, Copenhagen	94.00
GO Bremen ApS, Copenhagen	94.00
GO Ludwigsburg ApS, Copenhagen	94.00

COMPANY	INTEREST IN EQUITY (%)
GERMANY	
GEORGIA	
Irao Magnat Digomi LLC, Tbilisi	75.00
Irao Magnat 28/2 LLC, Tbilisi [3]	50.00
AUSTRIA	
MAGNAT AM GmbH, Vienna	100.00

1) Not fully consolidated due to its immaterial importance for the Group

2) Fully consolidated because factual control is exercised through quorum majority at shareholder meeting

3) Consolidated using the equity method

APPENDIX 2: VALUATION PARAMETERS

The determination of the present values is dependent on the following essential, non-observable input factors (Level 3):

ASSET KLASSEN	OFFICE		RETAIL		LOGISTICS		OTHERS	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Ratio of maintenance costs to gross profit (in %)	7.24	7.26	6.45	11.64	11.18	19.55	13.72	15.67
Average maintenance costs (in EUR per m²)	6.99	6.38	8.69	6.38	3.53	3.59	4.25	4.02
Range of maintenance costs (in EUR per m²) [2]	4.00 10.00	2.36 10.00	5.00 9.00	5.00 7.50	3.53 3.53	3.59 3.59	2.50 5.00	4.00 6.50
Average property yield (in %) [1]	5.82	6.09	5.51	6.62	7.50	8.00	9.32	9.35
Range of property yields (in %) [2]	4.63 9.75	5.00 9.75	5.26 8.00	6.00 7.25	7.50 7.50	8.00 8.00	6.75 10.25	6.75 10.25
Average residual useful life (in years)	37	37	37	39	25	25	25	25
Range of residual useful life (in years)	25 45	25 45	35 40	35 45	25 25	25 25	25 45	25 25
Ratio of management costs to gross profit (in %)	2.01	3.09	2.12	4.08	1.16	1.77	6.38	3.70
Range of ratio of management costs to gross profit (in %)	1.00 4.00	0.99 7.53	1.50 4.00	2.86 7.40	1.16 1.16	1.77 1.77	3.00 3.00	2.25 6.63
Average market rent (in EUR per m², per year) [3]	96.67	96.22	134.87	70.63	31.58	26.46	30.98	40.81
Range of average market rents (in EUR per m², per year)	42.75 149.90	30.47 161.17	49.03 195.57	47.07 134.53	31.58 31.58	26.46 26.46	12.20 56.30	12.06 64.78
Rentable space as at balance sheet date (in m²)	457,229	470,143	43,065	21,616	217,968	218,697	90,138	92,735
Vacant space as at balance sheet date (in m²)	32,798	39,025	6,209	3,410	73,824	66,978	38,415	34,335

ASSET KLASSEN	OFFICE		RETAIL		LOGISTICS		OTHERS	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Value-based vacancy rate according to EPRA (in %).....	6.41	8.32	15.49	12.18	45.66	30.63	19.35	32.81
Average vacancy rate based on the rentable space (in %)	7.17	8.30	14.42	15.77	33.87	30.63	42.62	37.03
Range of average vacancy rate based on the rentable space (in %)	0.00 54.50	0.00 67.27	0.00 43.80	0.00 46.70	33.87 33.87	30.63 30.63	0.00 100.00	0.00 86,62
Weighted Average Lease Term—WALT (in years)	5.49	6.04	7.62	8.10	2.00	2.42	2.00	2.50

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

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

3) The average market rent was determined on the basis of the rentable space as at December 31, 2016.

APPENDIX 3: SCHEDULE OF NON-CURRENT ASSETS

IN EURK	GOODWILL		OTHER INTANGIBLE ASSETS		OPERATING AND OFFICE EQUIPMENT		TECHNICAL EQUIPMENT		ADVANCE PAYMENTS	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Acquisition cost as at the beginning of the fiscal year.....	7,246	463	227	49	228	156	0	0	11,191	11,303
Cumulative depreciation/amortisation as at the beginning of the fiscal year.....	463	463	50	49	134	129	0	0	0	0
Carrying amounts as at the beginning of the fiscal year.....	6,783	0	177	0	94	27	0	0	11,191	11,303
Additions.....	0	0	64	3	321	62	1,370	0	35	11,191
Additions through business combinations	0	6,783	0	175	17	26	0	0	0	11,303
Disposals.....	0	0	1	0	17	16	0	0	11,196	0
Depreciation/amortisation ...	0	0	18	1	62	21	0	0	0	0
Acquisition cost as at the end of the fiscal year	7,246	7,246	290	227	549	228	1,370	0	30	11,191
Cumulative depreciation/amortisation as at the end of the fiscal year.....	463	463	68	50	196	134	0	0	0	0
Carrying amounts as at the end of the fiscal year	6,783	6,783	222	177	353	94	1,370	0	30	11,191

Balance sheet oath

As the Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG, we hereby confirm to the best of our knowledge, and in accordance with the applicable reporting principles, that the consolidated financial statements give a true and fair view of the net assets, financial position, and results of operations of the Group, and furthermore that the Group management report includes a fair review of the development of the business including the results and the position of the Group, together

with a description of the principal opportunities and risks associated with the expected development of the Group.

Frankfurt, April 27, 2017

Hon.-Prof. Andreas Steyer	**Dipl.-Kfm. (FH) Markus Drews**	**Dipl. Betriebsw. (FH) Ralf Kind**
Speaker of the Executive Board (CEO)	Executive Board Member (COO)	Executive Board Member (CFO)

The following English-language translation of the German-language audit opinion (Bestätigungsvermerk) refers to the consolidated financial statements of DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt am Main, prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ("Handelsgesetzbuch", German Commercial Code), as well as the combined management report of the company and the group, prepared on the basis of German commercial law (HGB), as of and for the fiscal year ended December 31, 2016 as a whole and not solely to the consolidated financial statements presented in this Prospectus on the preceding pages. The combined management report of the company and the group is not part of this Prospectus.

Audit Opinion

We have audited the consolidated financial statements prepared by DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt am Main, comprising the balance sheet, the statement of income, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the notes to the consolidated financial statements, together with the combined management report of the company and the group for the fiscal year from January 1, to December 31, 2016. The preparation of the consolidated financial statements and the combined management report in accordance with IFRSs (International Financial Reporting Standards) as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ("Handelsgesetzbuch": German Commercial Code) is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The combined management report of the company and the group is consistent with the consolidated financial statements, complies with the legal requirements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Eschborn/Frankfurt am Main, April 27, 2017

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Schmitt Wirtschaftsprüfer (German Public Auditor)	Rücker Wirtschaftsprüfer (German Public Auditor)	/

Audited Consolidated Financial Statements of DEMIRE Deutsche Mittelstand Real Estate AG as of and for the fiscal year ended December 31, 2015 (IFRS)

Consolidated Statement of Income

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONSOLIDATED BALANCE SHEET

ASSETS

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

EQUITY AND LIABILITIES

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

CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Reserves						
		Subscribed capital	Capital-reserves	Retained earnings incl. Group profit/ loss	Reserves for treasury shares	Currency translation	Equity attributable to parent company shareholders	Non-controlling interests	Total equity
						In EURk			
01/01/2015	**G**	**14,306**	**8,233**	**32,802**	**-310**	**-3,348**	**51,684**	**2,945**	**54,629**
Proportional transfer of changes in equity not affecting profit or loss from investments accounted for using the equity method		0	0	0	0	0	0	0	**0**
Currency translation differences		0	0	0	0	3,291	3,291	117	**3,408**
Total other comprehensive income	**G**	**0**	**0**	**0**	**0**	**3,291**	**3,291**	**117**	**3,408**
Net profit/loss for the period		0	0	28,117	0	0	28,117	756	**28,873**
Total comprehensive income	**G**	**0**	**0**	**28,117**	**0**	**3,291**	**31,408**	**873**	**32,281**
Capital increase (related to the conversion of convertible bonds)		227	-12	0	0	0	215	0	**215**
Capital increases against contribution in kind		32,285	92,853	0	0	0	125,138	0	**125,138**
Stock option plan		0	434	0	0	0	434	0	**434**
Mandatory convertible securities		0	14,223	0	0	0	14,223	0	**14,223**
Cash capital increases		2,474	8,684	0	0	0	11,158	0	**11,158**
Costs of raising equity under capital increases		0	-3,295	0	0	0	-3,295	0	**-3,295**
Change in the scope of consolidation		0	0	-268	0	0	-268	30,387	**30,119**
31/12/2015	**G**	**49,292**	**121,120**	**60,651**	**-310**	**-57**	**230,697**	**34,205**	**264,902**
01/04/2014	**G**	**13,895**	**7,455**	**-10,500**	**-310**	**-2,706**	**7,835**	**-133**	**7,702**
Proportional transfer of earnings-neutral changes in equity in investments accounted for using the equity method		0	0	0	0	-1,067	-1,067	0	**-1,067**
Currency translation differences		0	0	0	0	425	425	201	**626**
Total other comprehensive income	**G**	**0**	**0**	**0**	**0**	**-642**	**-642**	**201**	**-441**
Net profit/loss for the period		0	0	43,302	0	0	43,302	2,405	**45,707**
Total comprehensive income	**G**	**0**	**0**	**43,302**	**0**	**-642**	**42,660**	**2,606**	**45,266**
Capital increase (related to the conversion of convertible bonds)		411	108	0	0	0	519	0	**519**
Change in the scope of consolidation		0	0	0	0	0	0	472	**472**
Changes related to convertible bond recognised directly in equity		0	493	0	0	0	493	0	**493**
Change in deferred taxes recognised directly in equity (related to the convertible bonds)		0	177	0	0	0	177	0	**177**
31/12/2014	**G**	**14,306**	**8,233**	**32,802**	**-310**	**-3,348**	**51,684**	**2,945**	**54,629**

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

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

A. GENERAL INFORMATION

1. Corporate information

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

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

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

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

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

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

The consolidated financial statements as at the reporting date include the DEMIRE subgroup and the Fair Value REIT subgroup. The DEMIRE subgroup contains the consolidated financial statements of DEMIRE AG and its subsidiaries—except for the Fair Value REIT subgroup—which in turn comprises the consolidated financial statements of Fair Value REIT-AG and its subsidiaries. Fair Value REIT-AG is the parent company of the Fair Value REIT subgroup.

2. Application of International Financial Reporting Standards (IFRS)

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

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

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

The International Accounting Standards Board (IASB) and the International Financial Reporting Stand-ards Committee

(IFRIC) approved the following standards and interpretations (which have already passed the EU recognition procedure) that are mandatory for the first-time in the 2015 fiscal year. Thus, the following standards and interpretations were applied for the first time in the 2015 fiscal year:

Annual Improvements to IFRS 2011 – 2013 Cycle ..... As part of the annual „Improvements Project“, clarifications to the following standards have been issued:

IFRS 1	Applicable IFRSs,
IFRS 3	Scope of exceptions for joint arrangements,
IFRS 13	Application of portfolio exceptions and the waiving of discounting of current receivables and liabilities in measuring fair value, if the effect is immaterial,
IAS 40	Interrelationship between IFRS 3 and IAS 40 when classifying investment property as owner-occupied.

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

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

The guidance is as follows:

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

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

4. Changes in reporting of previous year information

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

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

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

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

5. Future applicable accounting standards and amendments to standards

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

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

IAS 1 “Disclosure Initiative”

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

Annual improvements to IFRS (2010-2012)

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

Annual improvements to IFRS (2012-2014)

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

IAS 7 “Statement of Cash Flows”

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

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

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

IFRS 15 "Revenue from Contracts with Customers"

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

IFRS 9 "Financial Instruments"

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

IFRS 16 "Leases"

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

6. Key discretionary decisions, judgments and assumptions

Discretionary decisions

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

- In the case of real estate, at each reporting date, DEMIRE must determine whether these assets should be allocated to real estate inventory or investment properties. Classification is based on the following assessment:
    - Investment properties: The primary aim with these properties is sustainable management. The properties are held to generate rental income and/or for value appreciation.
    - Real estate inventory: The primary aim with these properties is either a "buy & sell" or "develop & sell" strategy. Consequently, these properties are held for sale in the course of ordinary business activities.

- If the company obtains control over an acquired entity or acquires assets, it must be determined whether the transaction should be classified as a business combination according to IFRS 3, or an acquisition of a group of assets or net assets (aggregated assets). If a business operation defined as an integrated group of activities is acquired in addition to assets and liabilities, this constitutes a business combination that must be accounted for according to IFRS 3. An integrated group of activities is defined, for example, as business processes in the areas of property management, credit management and accounting. Additionally, the fact that staff is employed at the acquired real estate company is another indication that a business operation has been acquired.

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

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

Estimates and assumptions

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

Goodwill

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

Investment properties

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

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

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

Trade accounts receivable

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

Real estate inventory

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

Deferred tax assets on tax loss carryforwards

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

Other provisions

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

Financial liabilities

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

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

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

Obligations from operating leases—The Group as lessor

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

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

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

B. SCOPE AND PRINCIPLES OF CONSOLIDATION

1. Scope of consolidation

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

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

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

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

Definition of types of entities:

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

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

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

Changes to the scope of consolidation

Additions in the reporting year

Business combination with Fair Value REIT-AG

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Acquisition of real estate companies

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

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

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

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

To acquire an interest in Logistikpark Leipzig GmbH, DEMIRE AG increased its share capital by EUR 2,541,149 against contribution in kind. M1 Beteiligungs GmbH, Berlin, was admitted to subscribe to the new shares in return for a contribution in kind consisting of a 94 % interest in Logistikpark Leipzig GmbH. In addition to the shares, a cash component of roughly EUR 18.3 million was also agreed to as part of the purchase price. In the context of the capital increase, each new DEMIRE

AG share was assigned a value of EUR 5.84, resulting in a calculated total purchase price of EURk 33,173. The entry of the capital increase into the commercial register took place on July 1, 2015. Beneficial ownership of the interest in Logistikpark Leipzig GmbH was acquired on July 17, 2015.

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

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

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

First-time consolidation of other entities

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

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

Changes in the scope of consolidation in the previous year

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

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

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

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

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

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

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

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

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

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

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

Disposals in the reporting year

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

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

Summary financial information for companies sold (amounts EURk):

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

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

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

Disposals in prior year

The following entities were sold in the prior year:

	Date of disposal	Revenue from the sale of real estate companies in EURk	Profit/loss from the sale of real estate companies in EURk	Net assets from the real estate companies sold in EURk
MAGNAT Asset Management Ukraine Ltd., Kiev, Ukraine	15/12/2014	0	14	-14
R-QUADRAT Ukraine Gamma Ltd., incl. RQ Gamma LLC*), both in Kiev, Ukraine	30/12/2014	325	-112	437
Zetatrade Ltd., Kiev, Ukraine	30/12/2014	750	0	750
Hekuba S.à.r.l., Luxembourg	End of June 2014	3,700	167	3,533

Summary financial information on companies sold (amounts EURk):

	MAGNAT Asset Management Ukraine Ltd., Kiev, Ukraine	R-QUADRAT Ukraine Gamma Ltd., Kiev, Ukraine	Zetatrade Ltd., Kiev, Ukraine
Aggregated assets	4	335	1,676
thereof cash and cash equivalents	0	55	0
Aggregated liabilities	32	160	1,576

Disclosures according to IFRS 12

a) Disclosures relating to fully consolidated subsidiaries

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

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

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

Fair Value REIT-AG, Munich, and its subsidiaries were fully consolidated for the first time as of December 31, 2015, in the consolidated financial statements as the Fair Value REIT subgroup. In this process, only the assets and liabilities of Fair Value REIT were consolidated in DEMIRE's consolidated financial statements, which led to the disclosure of the following information in accordance with IFRS 12.12 in consideration of IFRS 3 (see Note B "Changes in the scope of consolidation") as of December 31, 2015:

FAIR VALUE REIT-AG	31/12/2015 EURk
BALANCE SHEET	
Non-current assets	297,181
Current assets	33,452
thereof cash and cash equivalents	16,028
Non-current liabilities	187,738
thereof interests of minority shareholders	61,160
Current liabilities	25,497
thereof financial liabilities	18,118
Net assets	**117,398**
STATEMENT OF INCOME	
Revenue	29,847
Interest income	11
Interest expense	4,212
Income taxes	0
Other income	0
Net profit/loss for the period	**6,585**
RECONCILIATION	
Net assets of fully consolidated subsidiary at the beginning of the fiscal year	78,273
Net profit	6,585
Net assets of fully consolidated subsidiary as at Dec. 31	113,398
Group's interest in %	77,70
Interest in the net assets of the fully consolidated subsidiary	91,219
Deferred tax assets	-4,739
Goodwill	6,783
Investment's carrying amount	**93,263**

Please see Note B "Changes in the scope of consolidation" for information on deferred tax liabilities and goodwill that are in connection with the acquisition of interests in Fair Value REIT-AG.

b) Disclosures relating to associated companies

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

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

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

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

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

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

c) Disclosures relating to joint ventures

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

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

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

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

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

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

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

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

The following table lists the joint ventures classified as immaterial.

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

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

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

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

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

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

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

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

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

OXELTON ENTERPRISES LIMITED	31/12/2015 EURk	31/12/2014 EURk
BALANCE SHEET		
Non-current assets	0	12,200
Current assets	0	3,419
thereof cash and cash equivalents	0	16
Non-current liabilities	0	5,919
thereof financial liabilities	0	5,919
Current liabilities	0	859
thereof financial liabilities	0	741
Net assets	**0**	**8,841**
STATEMENT OF INCOME		
Revenue	0	810
Depreciation/amortisation	0	0
Interest income	0	0

OXELTON ENTERPRISES LIMITED	31/12/2015 EURk	31/12/2014 EURk
Interest expense	0	395
Income taxes	0	0
Net profit/loss for the period	**0**	**331**
RECONCILIATION		
Net assets of associated company at the beginning of the fiscal year	0	8,841
Net profit/loss	0	331
Change in currency translation reserves	0	-1,779
Impairments	0	-1,810
Net assets of associated company at December 31	0	5,583
Group's interest in %	0	60,00
Interest in the net assets of the associated company	0	3,350
Decrease from reverse acquisition	0	-2,481
Investment's carrying amount	**0**	**869**

2. Principles of consolidation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Currency translation

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

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

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

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

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

C. ACCOUNTING POLICIES

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

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

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

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

Goodwill and other intangible assets

Upon initial recognition, individually acquired intangible assets are measured at their acquisition cost. Subsequently, intangible assets with a limited period of use are amortised on a straight-line basis usually over a period of three to five years based on their estimated useful economic life and are tested for possible impairment when there are any relevant indications thereof. Impairment of intangible assets is recognised in profit or loss.

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

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

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

Property, plant and equipment

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

Impairment of non-financial assets

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

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

Financial assets and liabilities

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

DEMIRE classifies financial assets as either

- financial assets measured at fair value through profit or loss,
- loans and receivables,
- held for sale financial assets, or
- derivative financial instruments that meet the requirements for an effective hedge transaction.

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

DEMIRE classifies financial liabilities as either

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

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

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

DEMIRE uses derivative financial instruments to hedge against interest rate risk. At the date on which the corresponding loan agreements were concluded, the derivative financial instruments are initially recognised at their fair values and subsequently measured at their fair values. The provisions of IAS 39 for hedge accounting do not apply. Derivative financial instruments are carried as assets when their fair value is positive and as liability when their fair value is negative. Their

valuation is derived using the mark-to-market method, taking into account the market data on the balance sheet date. Gains or losses from changes in fair values of derivative financial instruments are recognised immediately through profit or loss.

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

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

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

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

Impairment of financial assets

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

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

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

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

Classification of net gains and losses

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

Investments accounted for using the equity method

Interests in companies in which DEMIRE can exert significant influence but does not possess control are recognised using the equity method pursuant to IAS 28. Interests in joint ventures are also recognised using the equity method pursuant to IFRS 11. Interests in investments accounted for using the equity method are initially recognised at cost. The difference between the acquisition costs and the proportionate share of equity represents goodwill. The carrying amount of the interest subsequently increases or decreases according to the owner's interest in the net profit for the period (including currency translation) of the investments accounted for using the equity method. The equity method is no longer applied when

significant influence has ended or when the company is no longer classified as an associated company or joint venture. If at the same time, assets exist against investments accounted for using the equity method for which settlement is neither planned nor likely, then these assets are allocated, according to their economic substance, to the net investment in the investments accounted for using the equity method.

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

Measurement at fair value

Assets, equity and debt instruments (excluding share-based payments under IFRS 2) that are measured at fair value based on other standards are valued uniformly according to the provisions of IFRS 13. IFRS 13.9 defines fair value as the price in a normal transaction between market participants at the measurement date that would be received for the sale of an asset or paid to transfer a liability. Fair value generally assumes the sale of an asset even if the company has no intention or the capacity to sell the asset or transfer the liability as at the valuation date. The fair value of non-financial assets is determined based on the highest and best possible use. This stipulates the intention to maximise the benefit and value of the asset, to the extent that this is technically possible, legally permissible and financially feasible. It is irrelevant whether the fair value is directly observable or determined by applying a valuation method.

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

Level 1: Input factors are quoted (unadjusted) prices in active markets for identical assets or liabilities that are available as at the valuation date.
Level 2: Other input factors than the quoted prices in Level 1 and factors which are either directly observable or can be indirectly derived for the asset or liability.
Level 3: Input factors for the asset or liability are not observable.

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

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

The result is the following fair value hierarchy:

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

Investment properties

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

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

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

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

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

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

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

Valuation of real estate held by the DEMIRE subgroup

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

The net present value consists of the sum of the property's earnings value and the land value based on rentable space, taking attainable local rents (excluding utilities) into account and assuming sustainable occupancy/vacancy rates, which are predominantly influenced by local market supply and demand. Attainable rental income is compared to the operating costs necessary to maintain the properties in a rentable condition. The necessary investment is dependent upon the property's current condition and is based on the expert appraisal with regard to future investment while taking into account the actual investments required in the past, the customary maintenance costs recommended in specialist literature and expert estimates. A multiple which is based on property yields and remaining useful lives is applied to the net present value. Property yields are determined by local/regional expert committees of the municipalities and are positively or negatively impacted by the property's vacancy rate relative to the location. The land value (area * land value/m²) is added to the net present value. The sum of net present value and land value totals the fair value. All expert opinions are based on an on-site visit to the property.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Valuation of real estate held by the Fair Value REIT subgroup

The valuation method used for investment properties of the Fair Value REIT subgroup is the discounted cash flow model.

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

usually the stabilised net income is capitalised using a growth implicit minimum interest rate (capitalisation rate) based on a 10-year period (detailed observation period) and discounted to the valuation date.

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

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

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

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

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

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

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

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

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

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

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

Real estate inventory

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

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

Taxes

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

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

Deferred tax assets and liabilities

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

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

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

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

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

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

Deferred tax assets and liabilities are measured applying the tax rates expected to be valid in the period in which the asset is realised or the liability is satisfied or expected. The amounts are calculated on the basis of the tax rates (and tax laws)

applicable on the balance sheet date. The subsidiaries' deferred tax assets and liabilities are calculated using the tax rates of the respective country.

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

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

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

Value-added tax

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

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

- Receivables and liabilities are recognised with the value-added tax included.

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

Cash and cash equivalents

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

Non-current assets held for sale

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

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

Trade payable and other liabilities

Liabilities are measured at amortised cost after their initial recognition.

Financial liabilities

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

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

Pension provisions

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

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

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

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

Provisions

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

Interests of non-controlling shareholders

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

Interests of minority shareholders

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

Share-based payments

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

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

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

Leases

a) Determining whether an agreement contains a lease

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

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

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

b) The Group as lessor

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

c) The Group as lessee

Lease payments for operating leases are expensed through the statement of income on a straight-line basis over the term of the lease agreement.

Revenue recognition

Revenues consist of rental revenue (rental income (net rents) and income from utility and service charges), income from the sale of real estate companies and income from the disposal of real estate. Rental income is recognised monthly over the term of the lease stated in the rental agreement and recorded in the statement of income as rental income. Revenues are recognised on an accrual basis in accordance with the terms of the underlying contract and when it is likely that the Company will receive the economic benefit from the transaction. However, when there is doubt concerning the collectability of an amount

that has already been recognised as revenue, the uncollectible or doubtful amount is recognised as an expense and not deducted from revenue.

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

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

Earnings per share

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

D. NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

1. Profit/loss from the rental of real estate

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

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

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

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

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

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

Disposals during the reporting period mainly concern the legacy portfolio, which includes the investments in Eastern Europe and the Black Sea Region. The divestments concern Kappatrade Ltd. (Ukraine), Polartrade Ltd. (Ukraine), OOO Sadko Holding (Russia), OOO New Sadko Holding (Russia), MAGNAT Real Estate Project Sadko B.V. (the Netherlands) and MAGNAT Real Estate Project New Sadko B.V. (the Netherlands). There was a negative effect of EURk 301 from the derecognition of currency translation reserves from the disposal of these companies. In addition, the 2014 purchase of Munich ASSET Vermögensverwaltung GmbH was reversed as at September 2015, which resulted in a positive effect on earnings. In total, revenue from the sale of real estate companies of EURk 1,792 were offset by the net assets disposed of EURk 1,206 and expenses of EURk 301 from the derecognition of currency translation reserves, leading to a positive result from the sale of real estate companies of EURk 285.

In the abbreviated 2014 fiscal year, the Group sold Hekuba S.A.R.L. for EURk 3,700, generating a gain of EURk 167. In addition, R-Quadrat Ukraine Gamma Ltd. and its 50 % stake in RQ Gamma LLC were sold with a loss of EURk 112 and MAGNAT Asset Management Ukraine Ltd. was sold with a profit of EURk 14.

3. Profit/loss from the sale of real estate

In the reporting year, the Group generated a profit from the sale of real estate in the amount of EURk 458 (abbreviated fiscal year: EURk 0).

During the reporting period, the real estate in Parchim (reported as real estate inventory until its sale) and the Bielefeld property were sold. Proceeds from the sale of the property in Parchim amounted to EURk 650 and the commercial property in Bielefeld brought proceeds of EURk 1,650. The sales proceeds were offset by expenses relating to real estate sales totalling EURk 1,842.

4. Profit/loss from investments accounted for using the equity method

The profit/loss from investments accounted for using the equity method improved to EURk -500 compared to the abbreviated 2014 fiscal year.

The profits from investments accounted for using the equity method rose year-on-year by EURk 1,662 to EURk 1,861(abbreviated fiscal year: EURk 199) and consisted of income of EURk 1,459 relating to the revaluation of the SQUADRA property and of EURk 402 from the derecognition of liabilities from OXELTON. The higher valuation of the SQUADRA property resulted from improved disposal options for the SQUADRA Group's office property located in Frankfurt/Main in the course of the planned change of use to a residential property.

The losses from investments accounted for using the equity method (EURk 3,830, abbreviated fiscal year: EURk 126) were mainly the result of derecognition of currency translation differences, which were mainly attributable to the interest in OXELTON.

The line item "unrealised fair value adjustments in equity investments" rose sharply by EURk 2,556 versus the abbreviated 2014 fiscal year to a total of EURk 1,469 and resulted mainly from effects related to the divestment of OXELTON. An amount of EURk 1,232 was attributed to the derecognition of loans to OXELTON and EURk 237 to the reclassification of the interests in OXELTON under IFRS 5 in the reporting year.

DEMIRE's share in the transferred profit or loss of investments accounted for using the equity method is listed under E.1.4.

At R-QUADRAT Polska Alpha Sp. z o.o., which is an investment accounted for using the equity method, proportionate accumulated losses of EURk 4,828 (abbreviated fiscal year: EURk 4,057) were not recognised; of these, EURk 386 occurred in the previous year (abbreviated fiscal year: EURk 908). In addition, the proportionate losses of EURk 7 (abbreviated fiscal year: EURk 4) of Irao MAGNAT Gudiashvili LLC were not recognised. At this company, the share of losses exceeded the value of the investment and, therefore, no further losses were recognised.

5. Profit/loss from fair value adjustments in investment properties

	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
	In EURk	
Unrealised gains from fair value measurement	21,478	68,278
Unrealised losses from fair value measurement	-3,007	-4,670
Total	**18,471**	**63,608**

The profit/loss from fair value adjustments in investment properties of EURk 18,471 (abbreviated fiscal year: EURk 63,608) mainly concerned properties located in Germany of foreign and domestic direct and indirect subsidiaries. The greatest value appreciation of EURk 6,647 concerns the Logistikpark Leipzig acquired at the end of June 2015. Other significant gains resulted from the fair value adjustment of the properties held by Sihlegg Investments Holding GmbH (EURk 4,735), GO Bremen ApS (EURk 2,279), TGA Immobilien Erwerb 1 GmbH (EURk 1,275) and GO Leonberg ApS (EURk 1,262).

The fair value of these investment properties is based on external expert opinions. The favourable yield curves in combination with more intense competition among foreign investors were the key reasons for the significant increase in valuation factors used to determine the fair value of real estate in the reporting period.

We refer to Note E.1.3.

6. Unrealised fair value adjustments in real estate inventory

	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
	In EURk	
Profits from unrealised fair value adjustments in real estate inventory	0	407
Losses from unrealised fair value adjustments in real estate inventory	0	-100
Total	**0**	**307**

Profits and losses from unrealised fair value adjustments in real estate inventory include effects primarily arising because the valuation is based on fair value estimates. There were no changes in the fair values of the remaining three real estate inventory properties during the reporting year. The profit in the abbreviated 2014 fiscal year of EURk 407 was attributable to write-ups made to amortised cost of properties held by 1. MAGNAT Immobiliengesellschaft mbH. We refer to Note E.2.1.

7. Impairment of receivables

Impairment of receivables consists of the following:

	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
	In EURk	
Loans to investments accounted for using the equity method	1,561	342
Trade accounts receivable and other receivables	1,285	54
Financial receivables and other financial assets	0	297
Total	**2,846**	**693**

Of the impairments made on loans to investments accounted for using the equity method, an amount of EURk 1,088 relates to OXELTON and EURk 473 to R-Quadrat Polska Alpha Sp. z .o.o. In the abbreviated 2014 fiscal year, impairments related exclusively to R-Quadrat Polska Alpha Sp. z .o.o. (EURk 342).

Impairments made to trade accounts receivable and other receivables mainly resulted from impairments made to purchase price receivables of EURk 284 due to the divestment of companies contained in the legacy portfolio and rent receivables of EURk 241, which resulted mainly from companies acquired in the abbreviated 2014 fiscal year.

8. Profit from a bargain purchase

Profit from a bargain purchase of EURk 33,217 resulted from the acquisition of Germavest Real Estate S.à.r.l. (T6 portfolio). Because the offsetting of the acquisition costs plus the interests of non-controlling shareholders against the acquired entity's net assets resulted in a negative goodwill, the carrying amounts of the assets and liabilities acquired and the acquisition cost determined were initially subjected to another critical review. The negative goodwill derived of EURk 33,217 was recognised immediately through profit or loss in the consolidated income statement as a non-recurring effect. This amount originates mainly from the fair value in excess of the purchase price for investment properties recognised at Germavest Real Estate S.à.r.l. For further information, please see Note B.

9. Other operating income

	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
	In EURk	
Derecognition of liabilities	788	46
Reversal of impairment losses on receivables	343	19
Income from the disposal of property, plant and equipment	181	0
Gains from foreign currency differences	160	5
Benefits in kind	56	20
Income from the reversal of provisions	38	88
Income from allocated expenses	23	1
Compensation for damages	11	0
Others	972	250
Total	**2.572**	**429**

Income from prior periods consists mainly of the derecognition of liabilities in the context of the reassessment of risk provisions at the balance sheet date, the release of provisions and the reversal of impairment losses on receivables.

10. General and administrative expenses

	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
	In EURk	
Legal and consulting fees	4,682	1,356
Accounting and audit costs	3,490	1,303
Staff costs	2,258	578
Advertising and travel expenses	378	158
Supervisory Board compensation	270	63
Expenses for asset management	17	52
Others	237	138
Total	**11,332**	**3,648**

The EURk 3,326 increase in legal and consulting fees resulted mainly from non-recurring expenses in connection with the preparation of stock market prospectuses relating to capital market activities to acquire real estate companies. The EURk 2,187 increase in accounting and auditing costs also resulted predominantly from audit and assurance services provided in connection with these activities.

The total sum of staff costs related to staff employed by the ultimate parent company is included in general and administrative expenses. The increase in staff costs resulted from the higher number of employees at the parent company due to the Company's business expansion and from the recognition of expenses for share-based payments in the amount of EURk 434.

By resolution of the Annual General Meeting on August 28, 2015, the total remuneration of the Supervisory Board for the reporting period increased to EURk 270 (abbreviated fiscal year: EURk 63).

11. Other operating expenses

	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
	In EURk	
Non-deductible input taxes	1,139	662
Transaction costs for the acquisition of Germavest Real Estate S.à.r.l.	793	0
Expenses for Annual General Meeting and investor relations	767	42
Third-party services	679	685
Fees and incidental costs of monetary transactions	526	178
Losses from foreign currency differences	154	194
Property management	144	176

	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
	In EURk	
Insurance fees	78	51
Occupancy costs	77	60
Differences from the intercompany consolidation of liabilities, expenses and income	74	95
Legal and consulting fees	58	78
Others	776	693
Total	**5,265**	**2,914**

The increase in non-deductible input taxes resulting from higher legal and consulting fees were primarily related to the parent company, which is not entitled to a full input tax deduction. Transaction costs of EURk 793 resulted from the acquisition of Germavest Real Estate S.à.r.l., which was accounted for as a business combination according to IFRS 3.

12. Financial result

	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
	In EURk	
Financial income	2,145	6,955
Financial expenses	-27,873	-9,893
Financial result	**-25,728**	**-2,938**

Financial income of EURk 2,145 resulted mainly from positive valuation effects from the fair measurement of the call option of the 2014/2019 corporate bond.

The derecognition of the receivable totalling EURk 3,060 against OXELTON, which was considered unrecoverable following the renegotiation of the mezzanine loan, had a negative impact of EURk 1,972 on the financial result.

As a result of a change in DEMIRE's convertible bond's terms and conditions on September 30, 2014, and the corresponding accounting of this change as a repayment and new issue, the difference between the bond's fair value and its nominal value was recognised through profit or loss and led to a profit in the abbreviated 2014 fiscal year of EURk 6,000. At that time, an amount of EURk 490 was recognised directly in equity as an equity component upon the initial recognition of the new debt instrument. This was offset by the development of the bond's fair value during the period from April 1, 2014 to September 30, 2014, resulting in financial expenses of EURk 6,519.

The higher financial expenses resulted from loans assumed for real estate acquired at the end of the abbreviated 2014 fiscal year and in the current fiscal year (see Note E. 5.3 and E. 6.4).

Detailed information on net gains and losses from loans and receivables and financial liabilities is contained in Note l.1.

13. Income taxes

	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
	In EURk	
Current income taxes	755	348
Deferred income taxes	3,384	9,441
Total income taxes (– = income / + = expense)	**4,139**	**9,789**

Current tax expenses of EURk 755 (previous year: EURk 348) include corporate and trade taxes.

Deferred taxes of EURk 3,384 (abbreviated 2014 fiscal year: EURk 9,441) consisted of deferred tax income of EURk 2,758 (abbreviated 2014 fiscal year: EURk 682) and deferred tax expenses of EURk 6,142 (abbreviated 2014 fiscal year: EURk 10,123). Deferred tax expenses resulted mainly from temporary differences arising from the valuation of investment properties according to IAS 40.

Current income taxes are distributed among domestic and foreign companies as follows:

	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
	In EURk	
Germany	754	314
Foreign countries	1	34
Total	**755**	**348**

As at the balance sheet date, unutilised tax loss carryforwards from consolidated companies totalled EURk 47,731 (previous year: EURk 22,752). This amount includes EURk 47,364 (previous year: EURk 22,577) of perpetual tax loss carryforwards. Of the remaining tax loss carryforwards, EURk 163 will expire in the coming year. Tax loss carryforwards of EURk 28 will expire in 2017, EURk 21 in 2018, EURk 137 in 2019 and EURk 18 in 2020. Deferred tax assets for these tax loss carryforwards are capitalised only when it is likely that tax loss carryforwards will be offset by earnings achieved in the foreseeable future. In the DEMIRE Group, deferred tax assets on tax loss carryforwards at the level of the same tax entity were capitalised only to the extent that deferred tax liabilities were recognised.

Distributions to shareholders from DEMIRE AG result in neither corporate nor trade taxes for the Company. Nevertheless, the Company is generally liable for German capital gains tax plus the solidarity surcharge (withholding tax), which the Company is required to withhold from the resolved distribution and transfer to the relevant German tax office.

Distributions generally require shareholders to pay income or corporate taxes, unless the distributions are not subject to taxation due to the shareholders' tax status or other circumstances. Withholding taxes withheld and transferred by the Company can generally be offset by the shareholder's income and corporate tax liability and is reimbursable, dependent upon of the shareholders' tax status.

Tax reconciliation statement

The tax reconciliation statement between the theoretical and actual tax expense is presented on the basis of the Group tax rate of 31.93 % (previous year: 31.93 %). The Group tax rate of 31.93 % includes a 15 % corporate tax rate valid from January 1, 2008, a 5.5 % solidarity surcharge and a 16.1 % trade tax (municipal rate for Frankfurt/Main: 460 %; trade tax rate 3.5 %). The calculation of the deferred taxes of domestic real estate companies is based on a tax rate of 15.83 %. These companies generate income exclusively from managing their own real estate. Only the corporate tax rate and the solidarity surcharge apply to these companies because of the option to deduct the profit from the management of own real estate from the profit under trade tax law. The calculation of deferred taxes for foreign companies acquired during the reporting period was also based on a tax rate of 15.83 % because these companies are not subject to trade tax.

	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
	In EURk	
Profit/loss before taxes	**33,012**	**55,496**
Group tax rate	**31.93%**	**31.93%**
Expected income taxes	**10,541**	**17,720**
Tax rate differences	-3,626	-11,197
Tax effects arising from non-deductible operating expenses	2,869	502
Tax effects of tax-free income	-12,166	-123
Tax effects arising from non-utilised losses and non-recognised temporary differences for which no deferred tax assets were capitalised	6,324	4.066
Tax effects arising from the recognition of deferred tax assets for tax loss carryforwards which were not capitalised in prior periods	-53	-1.051
Others	250	-128
Actual income taxes	**4.139**	**9,789**

Tax-free income resulted primarily from the profit from to the purchase of Germavest Real Estate S.à.r.l. below market value and from profits of companies accounted for using the equity method and the positive result from the sales of real estate companies. In the statement of income, income from companies accounted for using the equity method is included in profit/loss from investments accounted for using the equity method and in profit/loss from the sale of real estate companies. The tax effect arising from non-deductible operating expenses mainly resulted from the interest barrier rule under corporate tax law.

According to IAS 12 (Income Taxes), deferred tax liabilities are also to be recognised on the difference between the proportionate share in equity of a subsidiary in the consolidated statement of income and the carrying amount of the subsidiary in the parent company's balance sheet under tax law (outside basis differences), if realisation is to be expected. These differences mainly resulted from retained earnings in domestic and foreign subsidiaries.

Recognising deferred taxes on outside basis differences as temporary differences means that future tax effects should be reported at the time profits originate, even if a distribution of profits to the parent company and the corresponding taxation of the parent company will occur only in future periods. The Company can determine the timing of distributions and the retention of earnings from subsidiaries. Except for the mandatory distributions from Fair Value REIT-AG, dividend distributions from subsidiaries are neither planned nor foreseeable. Therefore, the recognition of deferred taxes for outside basis differences was waived with the exception of the deferred taxes recognised for Fair Value REIT. The recognition of deferred taxes for outside basis differences at the level of Fair Value REIT amounted to EURk 4,739 as at December 31, 2015 (previous year: EURk 0).

For additional information relating to deferred tax assets and liabilities, we refer to Note E.5.1.

14. Net profit/loss for the period attributable to non-controlling shareholders

Net profit/loss for the period attributable to non-controlling shareholders amounted to EURk 756 in the reporting year (abbreviated 2014 fiscal year: EURk 2,405).

15. Earnings per share

Basic earnings per share is computed by dividing the net profit/loss for the period attributable to the parent company shareholders by the weighted average number of shares outstanding during the year.

	01/01/2015 - 31/12/2015	01/04/2014 - 31/12/2014
	In EURk	
Net profit/loss (EURk)	**28,873**	**45,707**
Net profit/loss attributable to parent company shareholders	28,117	43,302
Interest expenses from convertible bonds	829	495
Net profit/loss attributable to parent company shareholders (diluted)	28,946	43,797
Number of shares		
Number of shares outstanding as at the balance sheet date	49,292	14,306
Weighted average number of shares outstanding	25,889	14,306
Impact of conversion of convertible bonds	13,662	10,889
Share-based payments	1,000	0
Weighted average number of shares (diluted)	40,551	25,195
Earnings per share (EUR)		
Basic earnings per share (EUR)	1.09	3.03
Diluted earnings per share (EUR)	0.71	1.74

As at December 31, 2015, the company had potential ordinary shares outstanding from the 2013/18 convertible bond, which can be exchanged by the holders of the convertible bonds in exchange for 10,661,700 shares (previous year: 10,885,500 shares).

Diluted earnings per share is calculated by adjusting net profit/loss for the period and the number of shares outstanding based on the assumption that convertible instruments are converted and warrants in connection with share-based payments are exercised.

16. Staff costs

	01/01/2015 - 31/12/2015	01/04/2014 - 31/12/2014
	In EURk	
Salaries	2,231	545
Statutory social expenses	281	33
Total	**2,512**	**578**

Staff costs of EURk 2,258 are generally included in general and administrative expenses and relates mainly to DEMIRE AG (EURk 1,617), Logistikpark Leipzig GmbH (EURk 174) and Magnat Asset Management GmbH (EURk 205). DEMIRE Immobilien Management GmbH's staff costs of EURk 254 are not included in general and administrative expenses but instead in operating expenses to generate rental income. Around half of the statutory social expenses relate to the statutory pension scheme.

The sharp rise over the previous year resulted from the increased number of staff in the course of expanding the Company's business activities.

DEMIRE AG's staff costs include expenses of EURk 434 for stock-based compensation.

17. Scheduled depreciation and amortisation

	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
	In EURk	
of other intangible assets	1	0
of property, plant and equipment	21	3
Total	**22**	**3**

Scheduled depreciation and amortisation is included in other operating expenses.

E. NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Non-current assets

1.1. Intangible assets

1.1.1 Goodwill

	2015	2014
	In EURk	
Acquisition cost as at the beginning of the fiscal year	463	1,029
Cumulative impairment as at the beginning of the fiscal year	463	1,029
Carrying amounts as at the beginning of the fiscal year	**0**	**0**
Additions	6,783	0
Disposals	0	566
Acquisition cost as at the end of the fiscal year	7,246	463
Cumulative impairment as at the end of the fiscal year	463	463
Carrying amounts as at the end of the fiscal year	**6,783**	**0**

	2015	2014
	In EURk	
Impairment during the fiscal year	0	0

Upon consolidation, net deferred tax liabilities of EURk 4,739 were recognised for the deemed disposal of the properties held by Fair Value REIT-AG (analogous to the "tax transparent entities") using a tax rate of 31.93 %. This resulted in the recognition in the consolidated financial statements of DEMIRE AG of goodwill totalling EURk 6,783 from the acquisition of Fair Value REIT. Deferred tax liabilities increased the positive difference or goodwill of EURk 2,044 by an amount of EURk 4,739.

Goodwill of EURk 6,783 resulting from the first-time consolidation of Fair Value REIT-AG as at the balance sheet date has been allocated to Fair Value REIT-AG because Fair Value REIT-AG will be the main beneficiary of the synergy effects in the areas of property management and administration. Because the date of the purchase price allocation corresponds to DEMIRE's balance sheet date and the amounts determined during the purchase price allocation were once again reviewed, an impairment test of goodwill was not conducted as at the balance sheet date. The determined recoverable amount would not have been lower than the carrying amount of goodwill.

Goodwill also includes the goodwill form the subsidiary MAGNAT Investment I B.V. determined in the context of the capital consolidation, which has been fully impaired in previous years.

1.1.2 Other intangible assets

A useful life of three to five years is applied to other intangible assets. This primarily includes computer software. Amortisation is reported in the statement of income in the line item "other operating expenses" (EURk 1; previous year: EURk 0).

	2015	2014
	In EURk	
Acquisition cost as at the beginning of the fiscal year	49	50
Cumulative amortisation as at the beginning of the fiscal year	49	49
Carrying amounts as at the beginning of the fiscal year	**0**	**1**
Additions	3	0
Additions through business combinations	175	0
Disposals	0	1
Amortisation	1	0
Acquisition cost as at the end of the fiscal year	227	49
Cumulative amortisation as at the end of the fiscal year	50	49
Carrying amounts as at the end of the fiscal year	**177**	**0**

Additions from business combinations in the amount of EURk 175 relate to the Internet domain "Fair Value REIT-AG" (EURk 25) and contractual claims from partner companies (EURk 150) of the Fair Value REIT subgroup.

1.2 Property, plant and equipment

Office and operating equipment

Property, plant and equipment include office and operating equipment. A useful life of 3 to 15 years is applied for their depreciation. Depreciation amounts are reported in the statement of income in line item "other operating expenses" (EURk 22; previous year: EURk 3).

	2015	2014
	In EURk	
Acquisition cost as at the beginning of the fiscal year	156	336
Cumulative depreciation as at the beginning of the fiscal year	129	126
Carrying amounts as at the beginning of the fiscal year	**27**	**210**
Additions	62	30
Additions through business combinations	26	0
Disposals	16	210
Depreciation	21	3
Acquisition cost as at the end of the fiscal year	228	156
Cumulative amortisation as at the end of the fiscal year	134	129
Carrying amounts as at the end of the fiscal year	**94**	**27**

Advance payments

	2015	2014
	In EURk	
Acquisition cost as at the beginning of the fiscal year	11,303	0
Cumulative depreciation as at the beginning of the fiscal year	0	0
Carrying amounts as at the beginning of the fiscal year	**11,303**	**0**
Additions	11,191	11,303
Disposals	11,303	0
Depreciation	0	0

	2015	2014
	In EURk	
Acquisition cost as at the end of the fiscal year	11,191	11,303
Cumulative depreciation as at the end of the fiscal year	0	0
Carrying amounts as at the end of the fiscal year	**11,191**	**11,303**

Advance payments as at December 31, 2015, relate mainly to the real estate property KurfürstenGalerie in Kassel, for which the transfer of benefits and obligations took place on January 1, 2016. Last year, advance payments related to the property in Leverkusen, for which the transfer of benefits and obligations was carried out as at January 1, 2015.

1.3 Investment properties

Investment properties are carried at fair value. Changes in fair values during the fiscal year were as follows:

	2015	2014
	In EURk	
Fair value as at the beginning of the fiscal year	**333,070**	**20,526**
Additions resulting from mergers	469,114	0
Additions from the acquisition of real estate	81,624	248,726
Reclassifications from advance payments and real estate inventory	14,065	210
Reclassifications to non-current assets held for sale	-1,255	0
Unrealised gains from fair value measurement included in Item D.5 in the statement of income	21,478	68,278
Unrealised losses from fair value measurement included in Item D.5 in the statement of income	-3,007	-4,670
Fair value as at December 31 of the fiscal year	**915,089**	**333,070**

Additions to investment properties resulting from mergers originated from the acquisition of the properties of the Fair Value REIT subgroup as at December 31, 2015 and the acquisition of the properties of Germavest Real Estate S.à.r.l as at October 31, 2015. Additions from the purchase of individual properties comprised 59 properties in Germany (abbreviated 2014 fiscal year: 120), which were acquired by the DEMIRE subgroup during the fiscal year. Of these properties, 38 properties were attributable to the Fair Value REIT subgroup. The properties are commercial properties which are rented over the long term. The fair value of the properties newly acquired in the fiscal year was determined by an independent external expert as at the reporting date. Valuation gains of EURk 21,478 (abbreviated fiscal year: EURk 68,278) and valuation losses of EURk 3,007 (previous year: EURk 4,670) were recognised in the 2015 fiscal year.

The reclassifications to non-current assets held for sale include the Peissen property held by DEMIRE Objektgesellschaft Worms GmbH in the amount of EURk 630 and the Am Bahnhof 3 property of Hanse-Center Objektgesellschaft mbH in the amount of EURk 625.

The item reclassifications from property, plant and equipment/real estate inventory in the total amount of EURk 14,065 concerns advance payments for the Goetheplatz, Leverkusen property (EURK 11,303), which was transferred in the reporting year, and the properties in Worms and Halle-Peissen (EURK 2,762), which were reclassified from real estate inventory during the reporting year.

To determine the point in time at which a reclassification between the different hierarchy levels is considered to have occurred, the Company uses the time of the event or of the change in circumstances that caused the reclassification. In the period under review, no reclassifications between hierarchy levels 1, 2, and 3 have been carried out when measuring at fair value. The following presents information regarding the fair value measurement of the Group's investment properties as at December 31, 2015, according to IFRS 13.

		Measurement hierarchy		
EURk	**Fair value Dec. 31, 2015**	**Quoted prices in active markets for identical assets (Level 1)**	**Other observable material input factors (Level 2)**	**Other non-observable material input factors (Level 3)**
Commercial properties in Germany	915,089	0	0	915,089

EURk	Fair value Dec. 31, 2015	Measurement hierarchy: Quoted prices in active markets for identical assets (Level 1)	Other observable material input factors (Level 2)	Other non-observable material input factors (Level 3)
Commercial properties in Germany	333,070	0	0	333,070

Information on investment properties held by the DEMIRE subgroup

The following significant contributions to investment properties of the DEMIRE subgroup are contained in the consolidated statement of income:

	2015	2014
	In EURk	
Property management income	43,344	3,749
Property management expenses	19,664	1,459
Profit/loss from the rental of real estate	**23,680**	**2,290**

A sensitivity analysis of the significant, non-observable input factors had the following impact on the fair value of investment properties:

CHANGE IN VALUE	Property yield		Market rent[1]	
	-0.5 %	+0.5 %	-10 %	+10 %
EURk	42,085	-38,300	-49,020	48,770
in %	+6.0	-6.6	-7.6	+7.6

[1] Taking into account rental income, vacancy rates, administration and maintenance costs.

A significant increase in maintenance costs, vacancy rates, and property yields would result in a decrease in the properties' fair value assuming unchanged assumptions regarding all other input factors.

Information on investment properties held by the Fair Value REIT subgroup

The discounted cash flow method is the valuation method used to determine the fair value of real estate held by the Fair Value REIT subgroup. The number of investment properties held by the subgroup Fair Value REIT as at December 31, 2015 totalled 38 properties with 34 properties fully owned, three properties partially owned and one leasehold property. Additionally, two properties, for which the transfer of ownership, benefits and obligations did not take place in 2015, have been reported under non-current assets held for sale.

The properties' fair values were determined on an individual basis using the DCF method by CBRE GmbH, Frankfurt. The cash flows for a 10-year period were planned in detail. After this period, and amount of sustainable rental income was applied whose present value was determined on the basis of property-specific capitalisation rates taking into account estimated costs to sell after 10 years. The cash flow surplus of the 10-year period and the net present value resulting after this period was discounted at discount rates to the valuation date, reduced by the amount of estimated incidental acquisition costs of a potential buyer. The land value was used for the calculation of the property in Chemnitz.

The following effects on the fair value of investment properties were determined by a sensitivity analysis of the significant unobservable input parameters:

CHANGE IN VALUE	Property yield		Market rent[1]	
	-0.5 %	+0.5 %	-10 %	+10 %
EURk	13,362	-11,779	-10,660	+10,218
in %	+7 %	-7 %	+7 %	-7 %

[1] Taking into account rental income, vacancy rates, administration and maintenance costs.

1.4. Investments accounted for using the equity method

Interests in investments accounted for using the equity method (EURk 3,136; previous year: EURk 2,613) include interests in associated companies (EURk 3,020; previous year: EURk 1,615) and joint ventures (EURk 116; previous year: EURk 998).

1.4.1. Interests in associated companies

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

DEMIRE's relationship to the associated companies is of an operational nature. The companies' activities primarily concern real estate management.

The EURk 1,428 increase in the carrying amount of SQUADRA Immobilien GmbH & Co. KGaA resulted from unrealised fair value changes in the context of the real estate valuation carried out in the reporting year that positively impacted DEMIRE's proportionate share in earnings. This higher valuation resulted from improved disposal options for the SQUADRA Group's office property located in Frankfurt/Main in the course of the planned change of use to a residential property.

The reconciliation of the carrying amounts of the interests in associated companies is derived based on DEMIRE's interest in the transferred profit or loss according to the annual or interim financial statements:

COMPANY	Profit/loss in fiscal year 2015 EURk	Profit/loss in abbreviated 2014 fiscal year EURk
SQUADRA Immobilien GmbH & Co. KGaA	-1,428	-126
Total	**1,428**	**-126**

The transferred profit of EURk 1,428 from SQUADRA to DEMIRE in the 2015 fiscal year includes unrealised fair value adjustments of EURk 1,473 relating to the revaluation of a property.

The line item "profits from investments accounted for using the equity method" in the consolidated income statement in the amount of EURk 1,861 (abbreviated 2014 fiscal year: EURk 199) comprises income of EURk 1,473 relating to the revaluation of a property at SQUADRA and income of EURk 402 from the derecognition of liabilities from OXELTON.

1.4.2. Interests in joint ventures

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

DEMIRE's relationship to the joint ventures is of an operational nature. The companies' activities primarily concern real estate management.

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

COMPANY	Income from the derecognition of liabilities (2015) EURk	Profit/loss in fiscal year 2015 EURk	Profit/loss in abbreviated 2014 fiscal year EURk
R-Quadrat Polska Alpha Sp. z .o.o.	0	0	0
Irao MAGNAT 28/2 LLC	0	0	0
Irao MAGNAT Gudiashvili LLC	0	0	0
OXELTON ENTERPRISES Limited	433	0	199
Total	**433**	**0**	**199**

The interests in OXELTON ENTERPRISES Limited, Limassol, Cyprus, recognised using the equity method, were sold in December 2015. In the course of this sale, reserves for currency translation differences of EURk 3,830 attributable to OXELTON were derecognised through profit or loss under IAS 21.48 (see Note D.4).

In the abbreviated 2014 fiscal year, impairment on the interest of OXELTON ENTERPRISES Limited in the amount of EURk 1,087 was recognised as well as foreign exchange losses of EURk 1,067 in other comprehensive income.

The projects of the Irao MAGNAT 28/2 LLC and the R-QUADRAT Polska Alpha Sp. z o.o. joint ventures are nearly complete. As a result, it is not expected that the DEMIRE Group will be obliged to provide further funds.

Due to the withdrawal of Irao MAGNAT Gudiashvili LLC from the “Gudiashvili Square” project, this company is not generating any operating cash flow from which the operating expenses can be paid. The Group is supplying this joint venture an adequate amount of funds in order to cover the operating expenses that are incurred. No further loans were granted in the reporting year.

1.5. Other financial assets

The carrying amounts of other financial assets amounted to EURk 11,045 (previous year: EURk 14) and mainly contain the non-current portion of the receivable settlement credit in the amount of EURk 9,018 from the subgroup Fair Value REIT.

The receivable settlement credit for the terminated shares in BBV 09 was set at a level of EUR 10.02 million by an appointed arbitrator on November 30, 2015. The receivable settlement credit is due on May 31, 2016, however, according to the business plan of BBV 09, It will be paid in three annual instalments of 10 %, 10 % and 80 %, but at least in instalments of 1 %, 1 % and 98 %, plus default interest of 4 % per annum payable as of the due date. Accordingly, this results in a non-current portion in the amount of EURk 9,018 and a current portion of EURk 1,002. The company has issued a letter of subordination in favour of the financing bank of BBV 09. BBV 09 has committed to surrender distributions to shareholders of BBV 09 until the claims of former shareholders are met.

By agreement of July 10, 2008, an existing pension commitment of IC Fonds GmbH for the benefit of Mr. Frank Schaich was assumed by Fair Value REIT-AG. This results in a defined benefit obligation for the company under IAS 19. A pension insurance policy has been taken out for to cover the commitment, which is pledged to the beneficiary and therefore, as plan assets, is offset against the present value of the defined benefit obligation (DBO).

The following pension obligations and plan assets were assumed:

	31/12/2015
	In EURk
As at the beginning of the fiscal year	131
Fair value of plan assets	
As at the end of the year	126
Underfunding (-) / overfunding (+) of pension plan	**-5**

The following actuarial assumptions were made:

IN %	31/12/2015
Discount rate	2.0
Expected return on plan assets	2.0

1.6. Loans to investments accounted for using the equity method

Loans to companies accounted for using the equity method of EURk 553 (previous year: EURk 2,857) concern loans to R-QUADRAT Polska Alpha Sp. z o.o. The decline in loans mainly resulted from the impairment of the OXELTON loan amounting to EURk 3,060 in the context of the sale of the interest in OXELTON to the former owner of the mezzanine loan.

1.7. Other loans

The majority of other loans of EURk 384 (previous year: EURk 322) is due at the end of 2021 and consists of receivables from the partial sale of a property.

2. Current assets

2.1 Real estate inventory

Of the real estate inventory, an amount of EURk 2,298 (previous year: EURk 7,355) concerns developed and undeveloped properties that are destined for resale. During the reporting period, there were no write-ups in value and the decline arose from the divestment of real estate investments in Eastern Europe and the Black Sea Region contained in the legacy portfolio. In the abbreviated 2014 fiscal year there were reversals of impairment amounting to EURk 407 as a result of the reversal of extraordinary depreciation on the real estate inventory of 1. MAGNAT Immobiliengesellschaft mbH. A significant portion of this property was let during the abbreviated fiscal year. Furthermore, minor impairments for several properties totalling EURk 100 were made in the abbreviated fiscal year.

During the reporting period, as a result of divestments at Kappa Trade Ltd. and Polar Trade Ltd., real estate inventory of EURk 2,036 (previous year: EURk 1,173) was disposed of. The corresponding expenses are included in the line item “net assets from real estate companies sold”.

Also in the reporting period, the Parchim property recognised as real estate inventory was sold at its remaining carrying amount of EURk 192 and the related expense is included in the item “expenses relating to real estate sales”.

The Worms and Halle-Peissen properties recognised in the prior year under “real estate inventory” was reclassified in the reporting period as “investment properties” due to a change of use in accordance with IAS 40.58.

2.2 Trade accounts receivable and other receivables

	31/12/2015 Gross	Impairment	31/12/2015 Net	31/12/2014 Gross	31/12/2014 Net
			In EURk		
Trade accounts receivable against third parties	8,837	4,347	4,490	3,535	1,143
Receivables from processing value-added tax	2,056	0	2,056	357	357
Purchase price receivables from legacy portfolio sales	2,914	284	2,630	1,132	1,132
Purchase price receivables from Erlangen property	1,355	0	1,355	0	0
Unbilled revenue from ancillary rental cost	1,571	0	1,571	0	0
Receivables from settlement credit BBV 09	1,002	0	1,002	0	0
Administrator accounts	151	0	151	72	72
Overpaid purchase prices	0	0	0	3,672	3,672
Others	1,132	0	1,132	2,964	2,911
Total	**19,018**	**4,631**	**14,387**	**11,732**	**9,287**

All trade accounts receivable are current and predominantly due in less than 3 months. Impairments of EURk 4,631 (previous year: EURk 2,444) were recognised. Their development is presented in the following table. None of the receivables are significantly overdue. Expenses for additions to impairment charges are included in the statement of income under the line item “impairment of receivables”. The following table illustrates the development of accumulated impairment.

	2015	2014
	In EURk	
Accumulated impairment at the start of the fiscal year	**2,444**	**2,513**
Impairment in the current year	1,285	54
Realisation of impairment	0	-104
Reversal of impairment	-343	-19
Acquired impaired from business combinations	509	0
Reclassifications	736	0
Accumulated impairment at the end of the fiscal year	**4,631**	**2,444**

Reclassifications of EURk 736 in the reporting year mainly resulted from the reclassification of balance sheet items related to changes in maturities and the corresponding impairments.

If the collection of receivables becomes doubtful, they are then recognised at the lower realisable value. In addition to the individual allowances required for bad debt, identifiable risks relating to general credit risk in the form of fixed-sum allowances have also been taken into account.

2.3 Financial receivables and other financial assets

Financial receivables and other financial assets mainly include receivables from redemption of fractional bonds from the 2014/2019 corporate bond amounting to EURk 14,375, blocked investment funds for EOGF Land mbH of EURk 3,000, a loan to Taurecon Real Estate Consulting GmbH, Berlin, in the amount of EURk 2,168 and a loan of EURk 2,074 to Taurecon Beteiligungs GmbH, Berlin, which is a non-controlling shareholder in some of DEMIRE’s Group companies.

Of the financial receivables and other financial assets, there were no receivables overdue after taking the respective impairments into account. Impairment charges are included in the item “impairment of receivables” in the statement of income. The gross amount of financial receivables and other financial assets is the sum of the current carrying amounts and the accumulated impairments at the end of the fiscal year.

The following table shows the development of accumulated impairment.

	2015	2014
	In EURk	
Accumulated impairment at the start of the fiscal year	**3,179**	**3,325**
Impairments in the current year	0	639
Realisation of impairment	0	-785
Reversal of impairment	0	0
Currency differences	-203	0
Reclassifications	-2,385	0
Accumulated impairment at the end of the fiscal year	**591**	**3,179**

Reclassifications of EURk 2,385 in the reporting year mainly resulted from the reclassification of balance sheet items related to changes in maturities and the corresponding impairments.

2.4 Cash and cash equivalents

Cash and cash equivalents of EURk 28,467 (previous year: EURk 4,397) include cash on hand and credit balances at financial institutions, EURk 16,028 of which concern the subgroup Fair Value REIT.

3. Non-current assets held for sale

The item contains properties held for sale:

PROPERTY EURk	Carrying amount as at 31/12/2015	Carrying amount as at 31/12/2014
Radevormwald (“BBV08”) property	11,100	0
Tornesch property (“Fair Value REIT-AG “)	650	0
Halle-Peissen property (DEMIRE Worms Objektgesellschaft GmbH)	630	0
Am Bahnhof 3 property (Hanse-Center Objektgesellschaft mbH)	625	0
Total	**13,005**	**0**

The Radevormwald (BBV 08) property was sold for a purchase price of EURk 11,100 based on a notarised purchase agreement dated March 4, 2016. The transfer of benefits and obligations to the buyer for this property took place on March 31, 2016.

Based on a purchase agreement dated January 29, 2016, the property located in Tornesch at Willy-Meyer-Str. 3-5, was sold to a local businessman. The purchase price of EURk 650 is 10 % higher than the expert appraised market value on December 31, 2015 of EURk 590. The transfer of ownership, benefits and obligations took place after full payment on March 17, 2016.

On November 17, 2015, a contract was concluded for the sale of the Halle-Peissen property at a price of EURk 650. The transfer took place in the first quarter of 2016 upon the fulfilment of the contractual conditions.

At the time of preparing these consolidated financial statements, the property Am Bahnhof 3 had not yet been sold.

4. Equity

Subscribed capital

In reference to the explanations in Note A.5., subscribed capital amounted to EURk 49,292 (previous year: EURk 14,306). Capital reserves contain a EURk 7,425 difference in the subscribed capital of EURk 49,292 and the sum of the subscribed capital of MAGNAT Asset Management GmbH in an amount of EURk 160 as the economic parent company following the reverse acquisition and the acquisition costs for the acquisition of DEMIRE Deutsche Mittelstand Real Estate AG of EURk 21,160. A description of the other reserves can be found in Note G.1.

The subscribed capital of the legal parent company, DEMIRE Deutsche Mittelstand Real Estate AG, amounted to EUR 49,292,285.00 (previous year: EUR 14,306,151.00).

The subscribed capital is divided into 49,292,285 no-par value bearer shares with a notional interest of EUR 1.00. All shares are fully paid-in. There are no restrictions concerning voting rights or the transfer of shares. Shares endowed with special

rights conferring power of control do not exist. The increase in subscribed capital resulted from conversions of 2013/2018 convertible bonds, a cash capital increase and the capital increase against contribution in kind related to newly acquired properties or companies.

If there is a capital increase, the profit participation of new shares may deviate from Section 60 para. 2 of the German Stock Corporation Act (AktG).

Shareholders are not entitled to share certificates to the extent this is permitted by law.

NUMBER OF SHARES OUTSTANDING:	31/12/2015	31/12/2014
Number of no-par value bearer shares issued	49,292,285	14,306,151
of which fully paid-in	49,292,285	14,306,151

Conversion of 2013/2018 convertible bonds

An increase of 226,800 shares resulted from conversions from the 2013/2018 convertible bond.

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

Capital increase against contribution in kind to acquire Hanse-Center Objektgesellschaft mbH and Glockenhofcenter Objektgesellschaft mbH

Based on the authorisation of the Annual General Meeting of October 15, 2014, the Company's share capital was increased from authorised capital against contribution in kind on one occasion in an amount of EUR 5,633,710 excluding shareholder subscription rights upon its registration in the commercial register on January 22, 2015.

Alpine Real Estate GmbH was admitted to subscribe to the new shares and made a contribution in kind to DEMIRE AG consisting of 94.9 % of Alpine's interest in Hanse-Center Objektgesellschaft mbH, 94.9 % of the interest in Glockenhofcenter Objektgesellschaft mbH and a receivable against Hanse-Center Objektgesellschaft mbH. In the context of the capital increase, each new DEMIRE AG share was assigned a value of EUR 1.75.

Capital increase against contribution in kind to purchase Gutenberg Galerie

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

Capital increase against contribution in kind to purchase Logistikpark Leipzig GmbH

On May 13, 2015, with the approval of the Supervisory Board on May 19, 2015, a resolution was made to increase the Company's share capital from authorised capital once by EUR 2,541,149.00 against a mixed contribution in kind and excluding shareholders' subscription rights. M1 Beteiligungs GmbH, Berlin, was admitted to subscribe to the new shares in return for a contribution in kind consisting of a 94 % interest in Logistikpark Leipzig GmbH. A value of EUR 5.84 per DEMIRE AG share was used to determine the amount of the capital increase and the number of new DEMIRE AG shares to be issued. The capital increase was recorded in the commercial register on July 1, 2015.

Cash capital increase

The Company's share capital was increased on July 17, 2015 by EUR 2,474,152 by means of a 10 % cash capital increase. The 2,474,152 new no-par value ordinary bearer shares (no-par value shares) were largely subscribed to by the institutional investor Wecken & Cie., Basel, Switzerland, in the context of a private placement. The issue price of the new shares was

EUR 4.51 per share. The new shares are entitled to dividends as of January 1, 2015. The capital increase was recorded in the commercial register on July 14, 2015.

Capital increase against contribution in kind to purchase Fair Value REIT-AG

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

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

Based on a resolution of the Supervisory Board dated December 16, 2015 to amend the Articles of Association, and entry in the commercial register on December 21, 2015, the Company's share capital was increased by EUR 21,927,756.00 against contribution in kind by issuing 21,927,756 new no-par value bearer shares (no-par value shares) with a notional interest in the share capital of EUR 1.00 each. The contribution in kind consisted of 10,963,878 shares of Fair Value REIT-AG with a notional interest in the share capital of EUR 2.00 per share. The capital increase was recorded in the commercial register on December 21, 2015.

Authorised Capital

Authorised Capital I/2014

By resolution of the Annual General Meeting of October 15, 2014, with the Supervisory Board's consent, the Executive Board was authorised to increase the Company's share capital by issuing up to 7,064,325 new bearer shares in the form of no-par value shares with a notional interest of EUR 1.00 each against contribution in cash and/or in kind once or several times in partial amounts of up to EUR 7,064,325.00 (Authorised Capital I/2014) until October 14, 2019. Shareholders are generally entitled to subscription rights.

The Executive Board and Supervisory Board have resolved on December 22, 2014 to increase the Company's share capital from authorised capital once in the amount of EUR 5,633,710.00—from EUR 14,306,151 to EUR 19,939,861—against contribution in kind and excluding shareholders' subscription rights. Alpine Real Estate GmbH was admitted to subscribe to the new shares in return for a contribution in kind to DEMIRE AG consisting of 94.9 % of Alpine's interest in Hanse-Center Objektgesellschaft mbH, 94.9 % of the interest in Glockenhofcenter Objektgesellschaft mbH and a receivable against Hanse-Center Objektgesellschaft mbH. Hanse-Center Objektgesellschaft mbH and Glockenhofcenter Objektgesellschaft mbH possess a commercial real estate portfolio comprising a total of nearly 42,000 m² in Bremen, Berlin, and Stralsund. In the context of the capital increase, each new DEMIRE AG share was assigned a value of EUR 1.75. As at the reporting date, the capital increase against contribution in kind has not been accounted for yet because under Section 189 AktG the share capital is effectively increased only upon the registration of the capital increase in the commercial register. Pursuant to the resolution on the capital increase, the capital increase poses a pending transaction that cannot be recognised in the financial statements as long as the contribution has not been made and the execution of the capital increase is not yet entered in the commercial register. The contribution was made with legal effect in 2015, and the capital increase was registered in the commercial register on January 22, 2015.

The Company's Executive Board and Supervisory Board resolved on April 8, 2015 and April 28, 2015 to increase the Company's share capital from authorised capital once in the amount of EUR 1,430,615.00—from EUR 20,017,811.00 to EUR 21,448,426.00—against contribution in kind and excluding shareholders' subscription rights. Ketom AG, Switzerland, was admitted to subscribe to the new shares in return for providing a contribution in kind consisting of a 94 % interest in the project company Sihlegg Investments Holding GmbH, Switzerland, as well as all claims from a shareholder loan granted to the project company by Ketom AG. A value of EUR 4.028 per DEMIRE AG share was assigned to determine the amount of the capital increase and the number of new shares to be issued. The capital increase against contribution in kind from Authorised Capital I/2014 was carried out in the amount of EUR 1,430,615.00 and from Authorised Capital I/2015 in the amount of EUR 751,952. The project company owns the office and retail property Gutenberg Galerie in Leipzig with rentable space of approximately 20,750 m².

Authorised Capital I/2014 was fully utilised for, among other things, the subscription of Alpine Real Estate GmbH and Ketom AG and therefore now amounts to EUR 0.00.

Authorised Capital I/2015

By resolution of the Extraordinary General Meeting of March 6, 2015, with the Supervisory Board's consent, the Executive Board was authorised to increase the Company's share capital by issuing up to 8,552,290 new bearer shares in the form of no-par value shares with a notional interest of EUR 1.00 each against contribution in cash and/or in kind once or several times in partial amounts of up to EUR 8,552,290.00 (Authorised Capital I/2015) until March 5, 2020. Shareholders are generally entitled to subscription rights.

The Executive Board and Supervisory Board resolved on April 8, 2015 and April 28, 2015 to increase the Company's share capital from authorised capital once in the amount of EUR 751,952.00—from EUR 21,448,426.00 to EUR 22,200,378.00—against contribution in kind and excluding shareholders' subscription rights. Ketom AG, Switzerland, was admitted to subscribe to the new shares in return for providing a contribution in kind consisting of a 94 % interest in the project company Sihlegg Investments Holding GmbH, Switzerland, as well as all claims from a shareholder loan granted to the project company by Ketom AG. A value of EUR 4.028 per DEMIRE AG share was assigned to determine the amount of the capital increase and the number of new shares to be issued. The capital increase against contribution in kind from Authorised Capital I/2014 was carried out in the amount of EUR 1,430,615.00 and from Authorised Capital I/2015 in the amount of EUR 751,952. The project company owns the office and retail property Gutenberg Galerie in Leipzig with rentable space of approximately 20,750 m².

The Company's Executive Board and Supervisory Board resolved on May 18, 2015 and May 19, 2015 to increase the Company's share capital from authorised capital once in the amount of EUR 2,541,149.00—from EUR 22,200,378 to EUR 24,741,527.00—against a mixed contribution in kind and excluding shareholders' subscription rights. M1 Beteiligungs GmbH, Berlin, has been admitted to subscribe to the new shares in return for contributing a 94 % interest in Logistikpark Leipzig GmbH. Logistikpark Leipzig GmbH is the sole owner of a logistics property in Leipzig (Logistikpark Leipzig). A value of EUR 5.84 per DEMIRE AG share was assigned to determine the amount of the capital increase and the number of new DEMIRE AG shares to be issued. In addition to the shares, M1 Beteiligungs GmbH is to receive a cash payment of roughly EUR 19 million. The contribution, purchase and assignment agreement governing the contribution in kind is subject, among others, to the approval of the bank financing Logistikpark Leipzig GmbH. Following the execution of this capital increase and taking into account the capital increase against contribution in kind to purchase Gutenberg Galerie, which was resolved by the Executive Board on April 2, 2015, M1 Beteiligungs GmbH will hold an interest of around 10.25 % in DEMIRE AG's share capital.

The Executive Board and Supervisory Board resolved on July 1, 2015 to increase the Company's share capital from authorised capital once in the amount of EUR 2,474,152.00—from EUR 24,741,527.00 to EUR 27,215,679.00—against contribution in cash through the issue of 2,474,152 new no-par value ordinary bearer shares with a notional interest in the share capital of EUR 1.00 per share.

The Company's Annual General Meeting passed a resolution on August 28, 2015 to cancel the unutilised Authorised Capital I/2015.

Authorised Capital II/2015

By resolution of the Annual General Meeting of August 28, 2015, with the Supervisory Board's consent, the Executive Board was authorised to increase the Company's share capital by issuing up to 13,675,702 new bearer shares in the form of no-par value shares with a notional interest of EUR 1.00 each against contribution in cash and/or in kind once or several times in partial amounts of up to EUR 13,675,702.00 (Authorised Capital II/2015) until August 27, 2020. Shareholders are generally entitled to subscription rights.

Authorised Capital III/2015

By resolution of the Extraordinary General Meeting of September 14, 2015, with the Supervisory Board's consent, the Executive Board was authorised to increase the Company's share capital by issuing up to 7,069,272 new bearer shares in the form of no-par value shares with a notional interest of EUR 1.00 each against contribution in cash and/or in kind once or several times in partial amounts of up to EUR 7,069,272.00 (Authorised Capital III/2015) until September 13, 2020. Shareholders are generally entitled to subscription rights.

With respect to the authorised capital above, with the Supervisory Board's consent, the Executive Board is authorised to exclude shareholders' subscription rights in the following cases:

- fractional shares

- when the capital increase is against cash contribution and the proportional amount of the share capital attributed to the new shares for which the subscription right is excluded does not exceed 10 % of the share capital existing at the time the new shares are issued, and the issue price of the new shares is not significantly less than the stock market prices of the shares of the same class and entitlements already listed at the time of the final determination of the issue price by the Executive Board according to Section 203 para. 1 and 2 and Section 186 para. 3 Sentence 4 AktG

- to the extent necessary to grant holders or creditors of bonds with option or convertible rights issued by the Company or Group companies, subscription rights to new shares to the extent to which the holders or creditors would be entitled after exercising their option or convertible rights

- in the case of capital increases against contribution in kind.

Authorisation to repurchase shares

The Company has been authorised to acquire up to 10 % of the existing share capital outstanding as at the date of authorisation from the date of the resolution on October 15, 2014 for a period of five years, i.e. until October 14, 2019. The number of shares acquired under this authorisation together with other Company shares already purchased by the Company or already owned, may not exceed 10 % of the Company's respective existing share capital.

The item "non-controlling interests" concerns interests of third-party shareholders in the equity and net profit of fully consolidated subsidiaries. The net profit attributable to parent company shareholders represents the difference between the net profit before the interests of non-controlling shareholders and the interests of non-controlling shareholders reported in the statement of income.

5. Non-current liabilities

5.1 Deferred tax assets and liabilities

The entire amount of recognised deferred taxes is due after 12 months.

The deferred tax assets and liabilities are composed of temporary differences in the following balance sheet items:

	31/12/2015	31/12/2014
	In EURk	
Tax loss carryforwards	3,937	1,345
Investment properties	359	531
Interest swap	88	0
Others	1,355	340
Deferred tax assets before offsetting	**5,739**	**2,216**
Offsetting	-5,595	-1,496
Deferred tax assets	**144**	**720**
Investment properties	28,229	10,916
Real estate inventory	6	84
Others	3,074	528
Deferred tax liabilities before offsetting	**31,309**	**11,528**
Offsetting	-5,595	1,496
Deferred tax liabilities	**25,714**	**10,032**

Deferred tax liabilities result mainly from temporary differences in the valuation of investment properties at fair value and effects from the purchase of Fair Value REIT. In the case of Fair Value, in addition to "inside basis differences" "outside basis differences" are also recognised in the consolidated financial statements under the "tax transparent entities" concept. This assumes a deemed disposal of all properties directly held by Fair Value REIT and indirectly held through trusts. Deferred taxes totalling EURk 12,874 were recognised directly in equity as part of the initial consolidation of Fair Value REIT and Germavest Real Estate S.à.r.l.

The requirements pursuant IAS 12.74 have been fulfilled with regard to deferred tax assets before offsetting of EURk 3,937 (December 31, 2014: EURk 1,345) for tax loss carryforwards. According to IAS 12.36, deferred tax assets are recognised in the amount of the deferred tax liabilities.

The changes in deferred taxes and their recognition can be represented as follows:

	01/01/2015	Statement of income	Recognised directly in equity	Other comprehensive income	31/12/2015
			In EURk		
Investment properties	-10,385	-4,611	-12,874	0	-27,870
Real estate inventory	-84	78	0	0	-6
Interest swaps	0	88	0	0	88
Tax loss carryforwards	1,345	2,592	0	0	3,937
Others	-188	-1,531	0	0	-1,719
	-9,312	**-3,384**	**-12,874**	**0**	**-25,570**

The item "others" contains mainly deferred taxes related to the following debt instruments: 2013/18 convertible bond, 2014/2019 corporate bond and 2014/19 Signal Capital loan.

Tax loss carryforwards and deductible temporary differences that were not taken into account when determining deferred taxes, amounted to EURk 28,044 (December 31, 2014: EURk 14,891). Of this amount, EURk 27,676 (December 31, 2014: EURk 14,714) is attributable to Germany, EURk 163 (December 31, 2014: EURk 145) is attributable to Romania, EURk 0 (December 31, 2014: EURk 3) to the Ukraine and EURk 205 (December 31, 2014: EURk 29) to Georgia. In the reporting year, non-recognised deferred tax assets amounted to EURk 5,563 (December 31, 2014: EURk 4,484).

The changes in deferred taxes during the abbreviated fiscal year and their recognition can be represented as follows:

	01/04/2014	Statement of income	Recognised directly in equity	Other comprehensive income	31/12/2015
			In EURk		
Investment properties	-928	-9,457	0	0	-10,385
Real estate inventory	-238	154	0	0	-84
Tax loss carryforwards	928	417	0	0	1,345
Others	-44	-555	411	0	-188
	-282	**-9,441**	**411**	**0**	**-9,312**

5.2 Interests of minority shareholders

Interests of minority shareholders, which are recognised as liabilities, originate from Fair Value REIT and totalled EURk 61,160 as at the balance sheet date. Compensation to non-controlling shareholders in subsidiaries of Fair Value REIT are calculated as the proportion of minorities in the equity of each subsidiary as at December 31, 2015 and represented either a profit (-) or loss (+) for the non-controlling shareholders.

5.3 Non-current financial liabilities

The following table summarises the non-current financial:

NON-CURRENT FINANCIAL LIABILITIES		Nominal interest rate in %	Due date	31/12/2015 EURk	31/12/2014 EURk
1. DEMIRE AG	2014/2019 corporate bond	7.50	16/09/2019	97,034	49,138
2. DEMIRE AG	2013/2018 convertible bond	6.00	30/12/2018	10,201	10,424
3. DEMIRE AG	2015/2018 mandatory convertible bond (debt component)	2.75	22/05/2018	498	0
4. DEMIRE AG	Signal Capital loan	9.50	31/12/2018	26,691	0
5. DEMIRE Holding EINS GmbH	Deutsche Bank promissory note loan	5.00	09/12/2019	142,515	142,320
6. DEMIRE Commercial Real Estate GmbH.....	LBBW loan A	2.25	31/01/2019	26,115	26,666
7. DEMIRE Commercial Real Estate GmbH.....	LBBW loan B	1.80	31/01/2019	6,794	6,792
8. DEMIRE Commercial Real Estate GmbH.....	HFS bond	15.00	15/01/2017	27,155	0
9. DEMIRE Real Estate München l GmbH	IBB amortising loan	3.00	31/12/2016	290	8,018
10. Munich ASSET Vermögensverwaltung GmbH	Hypo Landesbank Vorarlberg amortising loan	1.75	31/08/2018	0	4,734
11. TGA Immobilien Erwerb 1 GmbH	Volksbank Mittweida loan	3.25	28/02/2025	4,229	0
12. Logistikpark Leipzig GmbH	DG Hyp loan	2.40	30/06/2020	29,324	0
13. Hanse-Center Objektgesellschaft mbH.....	LBB amortising loan	3.74	31/08/2018	4,112	0
14. Sihlegg Investments Holding GmbH	HypoNoe loan	3.00	31/12/2020	11,243	0
15. Germavest Real Estate S.à.r.l.....	Notes A	3.91	20/02/2033	58,232	0
16. Germavest Real Estate S.à.r.l.....	Notes B	5.25	20/02/2021	38,693	0
17. Fair Value REIT-AG	Convertible bond	4.50	19/01/2017	159	0
18. Fair Value REIT-AG	WIB Westdeutsche Immobilienbank AG amortising loan	2.55	30/06/2019	8,995	0
19. Fair Value REIT-AG	WIB Westdeutsche Immobilienbank AG amortising loan	1.27	30/06/2019	4,855	0
20. Fair Value REIT-AG	WIB Westdeutsche Immobilienbank AG amortising loan	1.27	30/06/2019	1,970	0
21. IC 13	Stadt-Sparkasse Langenfeld amortising loan	1.55	30/03/2020	2,638	0
22. BBV 08	Unicredit Bank AG amortising loan	2.90	30/09/2025	14,947	0
23. BBV 08	Unicredit Bank AG amortising loan	2.90	29/12/2023	2,051	0
24. BBV 10	Unicredit Bank AG amortising loan	1.97	31/03/2016	23,315	0
25. BBV 10	Unicredit Bank AG amortising loan	2.05	31/03/2016	1,637	0
26. BBV 10	Unicredit Bank AG amortising loan	2.05	31/03/2016	6,982	0

NON-CURRENT FINANCIAL LIABILITIES		Nominal interest rate in %	Due date	31/12/2015 EURk	31/12/2014 EURk
27. BBV 10	BBV Bayerische Beamten Lebensversicherung a.G. amortising loan	3.90	31/12/2016	19,739	0
28. BBV 14	Deutsche Genossenschafts-Hypothekenbank amortising loan	1.38	31/03/2020	30,911	0
29. IC 15	Sparkasse Südholstein amortising loan	2.71	30/01/2018	7,294	0
31. Other financial liabilities				177	0
				608,796	**248,092**

The effective interest rate of the first tranche of the 2014/2019 corporate bond is 7.99 %, 7.60 % for the second tranche and 5.70 % for the promissory note from Deutsche Bank. For all other non-current financial liabilities, the nominal interest rate closely corresponds to the effective interest rate because only marginal transaction costs were incurred.

The nominal value of the 2014/2019 corporate bond of DEMIRE AG is EURk 100,000; EURk 10,662 for the 2013/2018 convertible bond of DEMIRE AG; EURk 32,000 for the Signal Capital loan; EURk 148,000 for the Deutsche Bank promissory note for DEMIRE Holding EINS GmbH; EURk 27,500 for the LBBW loan A for DEMIRE Commercial Real Estate GmbH; EURk 7,000 for the LBBW loan B for DEMIRE Commercial Real Estate GmbH; and EURk 8,225 for the IBB amortising loan for DEMIRE Real Estate München I GmbH.

Of the non-current financial liabilities, an amount of EURk 500,727 (previous year: EURk 213,225) is secured by assets. No liabilities have been encumbered with a mortgage as a guarantee for third-party liabilities (previous year: EURk 201,225).

Pursuant to the business pledging agreement dated November 13, 2014, DEMIRE AG pledged all its interests in the subsidiary DEMIRE Condor Properties Management GmbH in an amount of EURk 28, including all related rights, to guarantee the loan taken out by the subsidiary DEMIRE Condor Properties Management GmbH, including accrued interest of EURk 12,567.

Pursuant to the notarised declaration of December 17, 2014, DEMIRE AG accepted all current, future and contingent claims of bondholders up to a maximum amount of EURk 33,360 for the bearer bond issued by the subsidiary DEMIRE Commercial Real Estate GmbH, Frankfurt/Main. To secure the claims of this bearer bond, DEMIRE AG has pledged all its interests in the subsidiary DEMIRE Commercial Real Estate GmbH in the amount of EURk 9,683.

Generally, all loan agreements for the properties financed stipulate information requirements that DEMIRE's subsidiaries as debtors must fulfil with respect to the banks or investors as creditors. Depending on the type and scope of the loan agreement, the information requirements range from providing key financial ratios (e.g. financial statements) to reporting of the compliance with covenants.

The covenants concern financial ratios, particularly the debt service cover ratio (DSCR), the interest cover ratio (ICR) and the loan-to-value (LTV) of the respective real estate portfolio. The calculation is based on the specifications set by the creditors in the loan agreement. The significant financial liabilities with covenants held by the DEMIRE Group is the Deutsche Bank promissory note for the Condor real estate portfolio with a nominal amount of EUR 148 million, the 2014/2019 corporate bond with a nominal amount of EUR 100 million, the 2013/2018 convertible bond with an issue volume of EUR 11.3 million, the 2015/2018 mandatory convertible bond with an issue volume of EUR 15 million, the Signal Capital loan with a nominal amount of EUR 32 million and the LBBW loan for the Alpha real estate portfolio with a volume of EUR 27.5 million.

The monitoring, compliance and reporting of the covenants specified in the loan agreements for the properties financed is carried out by DEMIRE's management, treasury and asset management. Depending on the financing, the covenants are reported to the creditors on a quarterly, semi-annual or annual basis or creditors are provided with the underlying economic ratios. If DEMIRE fails to comply with the covenants, the creditors are entitled to demand additional guarantees from the debtor. In that case, the loans would be in default. If the default persisted for a longer period of time and could not permanently be resolved, the creditors have a special right of termination.

DEMIRE complied with all covenants for real estate financing as at the balance sheet date and in the course of the new fiscal year and, therefore, was not in default.

2014/2019 corporate bond

In the 2014 fiscal year, DEMIRE AG placed a corporate bond with a total issue volume of EURk 50,000. The corporate bond has a term of five years and is due on September 16, 2019. The bond has a coupon of 7.50 % per annum payable semi-annually in arrears to investors. The corporate bond started trading on the Open Market of the Frankfurt Stock Exchange under ISIN DE000A12T135 on September 16, 2014. The senior unsecured bond issued in a private placement is divided into 50,000 fractional bearer bonds with a nominal value of EURk 1 per fractional bond.

By resolution of March 24, 2015, with the approval of the Supervisory Board, DEMIRE's Executive Board increased the 2014/2019 corporate bond from September 2014 by a further EURk 50,000 to a total of EURk 100,000. The development of the 2014/2019 corporate bond is illustrated in the following table:

	Carrying amount 2014/2019 corporate bond
	In EURk
As at January 1, 2015	**50,000**
Partial repurchase of 2014/2019 corporate bond	-20,000
Exchange of fractional bonds of 2014/2019 corporate bond for 2015/2018 fractional mandatory convertible bonds	-15,000
Placements in 2015	85,000
As at December 31, 2015	**100,000**

In December 2015, the Company placed additional fractional bonds with a nominal value of EURk 10,880 and exercised its call option for the same amount against the seller of the T6 portfolio. As at December 30, 2015, the put option was exercised by the seller of the T6 portfolio. That portion of the bond in the amount of EURk 14,375, which could not be placed until December 31, 2015, was repurchased by DEMIRE AG. The bonds amounting to EURk 14,375 were not posted to the Company's account until January 2016, which meant that the 2014/2019 bond was valued on December 31, 2015 with a total nominal value of EURk 100,000. Following the partial redemption of the fractional bonds, in January 2016 the bond's nominal amount stood at EURk 85,625.

The terms and conditions of the 2014/2019 bond contain provisions regarding required financial covenants, which, if not met, could result in extraordinary termination by the bondholders and thus repayment obligations for the Company as well as restrictions on distributions made by the Company. The financial covenants concern financial ratios, in particular, the loan-to-value ratio (LTV) and the Company's equity ratio. Monitoring, compliance and reporting of financial covenants is conducted by DEMIRE's management and its Treasury and Asset Management departments. Should DEMIRE fail to comply with the covenants, the creditors would be entitled to demand additional guarantees from the debtor. In that case, the loans would be in default. If the default persisted for a longer period of time and could not permanently be resolved, the creditors have a special right of termination. As at the balance sheet date, DEMIRE had complied with all financial covenants and, therefore, there was not in default.

Convertible bonds (2013/2018 CB)

By resolution of the Annual General Meeting of October 23, 2013, the Executive Board was authorised, with the consent of the Supervisory Board, to issue bearer and/or registered convertible bonds and/or bonds with warrants once or on several occasions until September 30, 2018, for a total nominal amount of up to EURk 50,000 with or without a limitation on the duration and to offer holders or creditors of bonds option or conversion rights new no-par value bearer shares of the Company with a notional interest in the share capital of up to EURk 25,000 according to the convertible bonds' more detailed specifications of the terms and conditions.

In December 2013, DEMIRE AG issued convertible bonds in a total nominal amount of EURk 11,300 maturing on December 30, 2018. The convertible bonds are divided into 11,300,000 fractional bonds, each with a nominal value of EUR 1.00.

The details of the convertible bonds are as follows:

- They are divided into a maximum of 11,300,000 bearer fractional bonds, each with a nominal value of EUR 1.00 and carrying equal rights.

- During the bond's term, holders have the irrevocable right during the conversion periods to convert each convertible bond with a nominal value of EUR 1.00 initially into one no-par value share of DEMIRE Deutsche Mittelstand Real

Estate AG with a notional interest in share capital of EUR 1.00 each. By resolution of the creditors' meeting of September 30, 2014, the terms and conditions of the convertible bonds have been amended so that cash compensation is no longer possible.

- In case of the effective exercise of the conversion right, the conversion price amounts to EUR 1.00 per ordinary bearer share, each with a notional interest in the share capital of EUR 1.00. The conversion price may be subject to adjustments due to adjustment provisions contained in the bonds' terms and conditions. This corresponds to a conversion ratio of 1:1. The terms and conditions do not provide for cash settlement.

- The issue price per convertible bonds is EUR 1.00 and corresponds to the nominal value and initial conversion price.

- The convertible bonds yield 6.00 % interest per annum. The interest is payable on March 30, June 30, October 30 and December 30 of each year during the term of the convertible bonds.

Following the exercise of 226,800 conversion rights from the 2013/2018 convertible bond, the company's share capital was increased by 226,800 no-par value bearer shares with a notional interest of EUR 1.00.

As a result of the change in the terms and conditions of the 2013/18 convertible bond on September 30, 2014, the previous debt instrument was derecognised, and a new debt instrument was recognised. The debt instrument was replaced because the change in the terms and conditions was considered a material change in the contract conditions as defined by IAS 39.40. The previous debt instrument was carried at fair value until September 30, 2014, and the new debt instrument was carried at amortised cost from September 30, 2014. According to IAS 32.28, the new debt instrument must be divided into a debt and equity component.

According to IAS 32.31 ff., the division into a debt and equity component must be carried out under the residual value method. A term-equivalent credit spread on the risk-free interest rate was used to measure the debt component at the time of initial recognition on September 30, 2014. The resulting value for the debt component amounted to EURk 10,418. The difference between the amount of the "new" convertible bond on September 30, 2014 (EURk 10,909), and the value of the debt component was recognised as an equity component totalling EURk 490. This difference was recognised in the previous year directly in equity.

With regard to the corresponding effects on the statement of income, we refer to Note D.12.

Mandatory convertible bond (2015/2018 MCB)

In May 2015, a mandatory convertible bond with a volume of EURk 15,000 was issued with the exclusion of shareholders' subscription rights against contribution in kind. In the context of the transaction, an investor in the 2014/2019 corporate bond (Open Market of the Frankfurt Stock Exchange; ISIN DE000A12T135/ WKN: A12T13; volume EURk 100,000) subscribed to the mandatory convertible bond issued with a term of three years (maturing in 2018) by contributing fractional bonds from the 2014/2019 corporate bond. The bonds carry an interest coupon of 2.75 % per annum starting from the date of issue and may be converted from the date of September 1, 2015 into shares at an initial conversion price of EUR 5.00 per share, subject to adjustments. The mandatory convertible bond is equipped with a conversion obligation of the respective creditor upon the bond's maturity.

The convertible bonds placed by DEMIRE AG on May 22, 2015 with a term until May 22, 2018 and a total nominal value of up to EURk 15,000 are divided into 150 bonds with a nominal value of EURk 100 each.

The details of the convertible bonds are as follows:

- They are divided into a maximum of 150 bearer fractional bonds, each with a nominal value of EURk 100 and carrying equal rights.

- Bondholders have the right to convert each bond in whole, but not in part, during the bond's term, into no-par value shares (no-par value shares) with a notional interest in the Company's share capital on the issue date of EUR 1.00.

- In case of the effective exercise of the conversion right, the conversion price amounts to EUR 5.00 per no-par value share, subject to adjustments due to adjustment provisions included in the terms and conditions of the bonds. The conversion ratio is calculated by dividing the bond's principal amount by the conversion price applicable on the exercise date.

- The bonds bear 2.75 % interest per annum with interest payable quarterly in arrears on the dates of March 22, June 22, September 22 and December 22 in each year during the term of the convertible bonds.

The bonds may be callable under certain conditions by the convertible bond holders, in which case a prepayment penalty in the amount of 15.00 % on the principal amount plus accrued interest until the date of actual redemption would be due for redemption. Grounds for calling the bonds include, among others, non-delivery of shares or failure to meet key obligations under the respective 2015/2018 mandatory convertible bond; failure to meet payment obligations under other financial liabilities (cross default); bankruptcy and initiation of insolvency proceedings by the Company or its significant subsidiaries and dropping below an equity ratio of 20 % from December 31, 2016. In the case of a change in control and a merger of the issuer, the bonds may be callable and may be redeemed early with a prepayment penalty equal to 15 % of the principal amount plus accrued and unpaid interest. The issuer may redeem the bonds early in the event that the aggregate principal amount of the outstanding bonds falls below 25 % of the bonds' originally issued aggregate principal amount. No conversions took place during the reporting period.

In DEMIRE's IFRS consolidated financial statements, the equity component of the 2015/2018 mandatory convertible bond was recognised directly in equity as an equity instrument amounting to EURk 13,899 due to the bond's terms and conditions. Additionally, deferred tax assets of EURk 324 were recognised directly in equity. The effective interest rate for the debt component of EURk 498 is 7.57 %.

HFS bond

On December 17, 2014, DEMIRE Commercial Real Estate GmbH, as the capital recipient, issued a subordinated bond in the nominal amount of EURk 27,800 to HFS Helvetic Financial Services AG, as the trustee, to finance the acquisition of the Alpha Portfolio (the "HFS subordinated bond"). Financing consists of EURk 25,000 for the capital recipient, EURk 2,050 of financed interest, EURk 625 of a financed one-time processing fee and EURk 213 of a financed escrow payment. The HFS subordinated bond's original maturity was December 15, 2015 and was prematurely prolonged in October 2015 for another year until December 15, 2016. The bond's interest is 15 % p.a. with a minimum interest of EURk 2,039 p.a. The trustee has an extraordinary termination right, especially if the debtor were to violate certain contractual monthly information obligations. By agreement dated October 7, 2015, the term of this subordinated bond was extended for another year until December 15, 2016. During the extension period, a special allowance of 5 % p.a. is to be paid with half of the amount due on June 15, 2016 and the remaining half on December 15, 2016. No costs were incurred for this extension. DEMIRE Commercial Real Estate GmbH may terminate the HFS subordinated bond with a period of four weeks. On December 2, 2015, the HFS subordinated was prolonged by one month to January 15, 2017.

Signal Capital loan

On December 30, 2015, DEMIRE AG concluded a three-year loan agreement for a volume of EURk 32,000 with Signal Credit Opportunities (Lux) Investco II S.à.r.l. involving other parties (a loan mediator, among others). Under this agreement, DEMIRE AG is entitled to call the loan after a minimum term of two years. The loan has an interest rate equal to EURIBOR plus a margin of 9.5 %, but not less than 9.5 %. Interest payments are to be made quarterly at the end of each quarter. A fee of EURk 1,920 has already been paid to the loan agent for negotiating the loan. The agent is due to receive a further fee of EURk 3,200 at the time of the loan's repayment (equivalent to a present value of EURk 2,985 as at the balance sheet date). Both amounts are accounted for under the effective interest method.

The loan amount was specified for (i) the purchase of fractional bonds in the amount of approx. EURk 15,522 from the 2014/2019 corporate bond issued by DEMIRE AG that was used to pay the purchase price to the seller of Germavest Real Estate S.à.r.l. and transferred with a repurchase obligation, (ii) the payment of a deferred residual purchase price in the amount of approx. EURk 4,274 for the acquisition of Germavest Real Estate S.à.r.l, (iii) the payment of financing costs in the amount of approx. EURk 1,300, (iv) a pro rata payment of the purchase price for the acquisition of Kurfürster Immobilien GmbH by DEMIRE Real Estate FÜNF GmbH in the amount of approx. EURk 8,983, and (v) payment of the placement fee.

For information on the collateral provided by DEMIRE AG to the lender, we refer to Note E. 8.

The loan agreement with Signal Credit Opportunities (Lux) Investco II S.à.r.l provides for compliance with financial covenants according to which the "debt cervice cover" (DSC), "interest cover" (IC) and "loan-to-value" (LTV) ratios, based on the Group, must reach or may not exceed the specific set thresholds. In addition, minimum liquidity of EURk 4,000 must be maintained in the Group over the term of the loan and certain transactions and management measures may not be carried out without the prior consent of the lender, whereby the permissible scope for action on the part of the companies included is defined in detail. DEMIRE AG is also subject to extensive disclosure requirements, particularly with respect to its net assets and results of operations. The guarantees provided by DEMIRE AG and its subsidiaries under the loan agreement, including at the time of concluding the contract and the time of payment recur at the beginning of each interest period so that the state

of the guarantees is maintained over the life of the loan. This is particularly relevant with respect to the extensive commitments to ensure and maintain the property values held by the subsidiaries.

Breaches of commitments under the loan agreement and other financing agreements can justify the lender's right to terminate the loan. DEMIRE AG is prohibited from assigning or transferring its rights and obligations under the loan agreement.

5.4 Other non-current liabilities

Other non-current liabilities of EURk 1,076 consist of liabilities to former non-controlling shareholders of subsidiaries. Amounts owed to former non-controlling shareholders concern primarily receivable settlement credits due to termination of the shareholder relationship. In some cases, the respective company is entitled to pay the receivable settlement credits in three or five annual instalments, whereby interest of 4 % per annum is payable on the respective unpaid amount; in one case interest equal to the respective EURIBOR rate (12 months). It is assumed that receivable settlement credits will be paid on a pro rata basis by a subsidiary of Fair Value REIT-AG. Non-current liabilities to former non-controlling shareholders amounted to EURk 1,071 in the past fiscal year.

6. Current liabilities

6.1. Provisions

	31/12/2015	31/12/2014
	In EURk	
Staff costs	513	394
Others	653	458
Total	**1,166**	**852**

	31/12/2014	Utilisation	Reversal	Additions	31/12/2015
			In EURk		
Staff costs	394	219	21	359	513
Others	458	166	16	377	653
Total	**852**	**385**	**37**	**736**	**1.166**

The Company expects to utilise the provisions in the coming 2016 fiscal year because all provisions are short-term in nature.

Provisions related to staff costs primarily consist of obligations resulting from the performance-based, variable remuneration of the Executive Board and variable staff costs.

Other provisions include mainly EURk 330 for building maintenance and EURk 300 for pending damage claims.

6.2. Trade payables and other liabilities

	31/12/2015	31/12/2014
	In EURk	
Trade payables	9,179	7,009
Outstanding invoices	3,153	0
Interest liabilities	355	1,032
Accounting and audit costs	1,644	806
Former non-controlling shareholders	1,039	0
Liabilities from value-added taxes	865	363
Deposits received	705	151
Purchase price liabilities	187	730
Supervisory Board compensation	49	69
Personnel-related expenses	434	11
Others	2,277	1,348
Total	**19,887**	**11,519**

Trade payables amounting to EURk 9,179 (December 31, 2014: EURk 7,009) are all due to third parties and are entirely short-term in nature, as was the case as at December 31, 2014.

The liabilities for accounting and audit costs include costs for the preparation, audit, and publication of the financial statements and the consolidated financial statements.

Liabilities for outstanding invoices were recognised for services received.

6.3. Tax liabilities

Current income tax liabilities of EURk 3,801 (December 31, 2014: EURk 314) relate to trade taxes (EURk 524; December 31, 2014: EURk 118) and corporate taxes (EURk 3,277; December 31, 2014: EURk 196). Corporate tax liabilities of EURk 1,796 concern the assessment years 2009 through 2012 of Germavest Real Estate S.à.r.l.

6.4. Current financial liabilities

The following table summarises the current financial liabilities.

CURRENT FINANCIAL LIABILITIES		Nominal interest rate in %	Due date	31/12/2015 EURk	31/12/2014 EURk
1. DEMIRE AG	2014/2019 corporate bond	7.50	16/09/2019	1,740	0
2. DEMIRE AG	2013/2018 convertible bond	6.00	30/12/2018	110	0
3. DEMIRE AG	2015/2018 mandatory convertible bond (debt component)	2.75	22/05/2018	391	0
4. DEMIRE AG	Signal Capital loan	9.50	31/12/2018	2,038	0
5. DEMIRE Holding EINS GmbH	Deutsche Bank promissory note loan	5.00	31/12/2015	740	740
6. DEMIRE Commercial Real Estate GmbH	LBBW loan A	2.25	31/12/2015	0	834
7. DEMIRE Commercial Real Estate GmbH	LBBW loan B	1.80	31/12/2015	0	208
8. DEMIRE Real Estate München l GmbH	IBB amortising loan	3.00	31/12/2015	8,083	200
9. Munich ASSET Vermögensverwaltung GmbH	Hypo Landesbank Vorarlberg amortising loan	1.75	31/12/2015	0	172
10.1. MAGNAT Immobilienges. mbH	DKB loan	3.00	30/06/2016	2,400	3,183
11.Hanse-Center Objektgesellschaft	LBB loan	3.74	30/12/2016	31	0
12.Sihlegg Investments Holding GmbH	HypoNoe loan	3.00	31/12/2020	268	0
13.Logistikpark Leipzig GmbH	DG Hyp loan	2.40	30/06/2020	900	0
14.TGA Immobilien Erwerb 1 GmbH	Volksbank Mittweida loan	3.25	28/02/2025	254	0
16.Germavest Real Estate S.à.r.l.	Notes A	3.91	20/02/2033	1,173	0
17.Germavest Real Estate S.à.r.l.	Notes B	5.25	20/02/2021	8,751	0
18.Fair Value REIT-AG	Convertible bond	4.50	19/01/2020	8,714	0
19.Fair Value REIT-AG	WIB Westdeutsche Immobilienbank AG amortising loan	5.20	31/08/2016	1,908	0
20.Fair Value REIT-AG	WIB Westdeutsche Immobilienbank AG amortising loan	2.55	30/06/2019	400	0
21.Fair Value REIT-AG	WIB Westdeutsche Immobilienbank AG amortising loan	1.27	30/06/2019	192	0
22.Fair Value REIT-AG	WIB Westdeutsche Immobilienbank AG amortising loan	1.27	30/06/2019	240	0
23.Fair Value REIT-AG	Stadt-Sparkasse Langenfeld amortising loan	1.55	30/03/2020	80	0
25.BBV 02	Bayer. Beamten Lebensvers. a.G. amortising loan	5.80	31/05/2016	138	0
26.BBV 02	Bayer. Beamten Lebensvers. a.G. amortising loan	6.15	31/05/2016	823	0
27.BBV 02	Bayer. Beamten Lebensvers. a.G. amortising loan	6.15	31/05/2016	119	0
28.BBV 02	Bayer. Beamten Lebensvers. a.G. amortising loan	3.90	31/12/2016	1,240	0
29.BBV 08	Unicredit Bank AG amortising loan	2.90	29/12/2023	230	0
30.BBV 08	Unicredit Bank AG amortising loan	2.90	30/09/2025	1,348	0
31.BBV 10	Unicredit Bank AG amortising loan	1.97	31/03/2016	1,171	0
32.BBV 10	Unicredit Bank AG amortising loan	2.05	31/03/2016	97	0
33.BBV 10	Unicredit Bank AG amortising loan	2.05	31/03/2016	317	0
34.BBV 14	Deutsche Genossenschafts-Hypothekenbank amortising loan	1.38	31/03/2020	1,300	0
35.IC 15	Sparkasse Südholstein amortising loan	2.71	30/01/2018	221	0

CURRENT FINANCIAL LIABILITIES		Nominal interest rate in %	Due date	31/12/2015 EURk	31/12/2014 EURk
36. DEMIRE Holding EINS GmbH	Mezzanine loan	7.50	11/06/2015	0	12,047
37. Magnat Investment l B. V.	Mezzanine loan	12.00	30/11/2015	0	5,020
38. DEMIRE Commercial Real Estate GmbH	Bond	9.00	15/01/2017	384	25,088
39. Other financial liabilities				642	81
				46,443	**47,573**

The nominal interest rate closely corresponds to the effective interest rate because only minimal transaction costs were incurred.

A convertible bond with a total nominal value of EURk 8,460, an interest rate of 4.5 % p. a. and a term of 5 years was issued based on a decision by the Management Board of Fair Value REIT-AG on January 14, 2015. The bond was admitted for trading on the Open Market (Quotation Board) on January 19, 2015. The convertible bond was redeemed in 2016.

Of the current financial liabilities, a total of EURk 34,462 is secured by assets.

7. Operating leases—The Group as lessor

The minimum lease payments consist of the net rents payable until the agreed end of the contract or until the earliest possible termination date available to the lessee (tenant), regardless of whether a termination or non-utilisation of an extension option should actually be expected. Rent agreements are usually concluded over fixed minimum terms of up to ten years. In some cases, tenants are entitled to extension options. In these cases, contractual rent escalation clauses effectively reduce the market risk of a long-term commitment. In the case of unlimited tenancies, a remaining term of the rental period of five years was assumed after the fifth year.

Fixed future claims for minimum lease payments from long-term operating leases of rented commercial real estate amounted to:

	31/12/2015	31/12/2014
	In EURk	
within one year	72,583	23,960
between one and five years	216,097	117,694
after more than five years	134,747	85,754
Total future rental income	**423,427**	**227,408**

The following amounts were recognised in the reporting period as rental income (excluding ancillary costs):

	01/01/2015 - 31/12/2015	01/04/2014 - 31/12/2014
	In EURk	
Rental income (from investment properties)	33,141	3,154
Rental income (from real estate inventory)	179	221
Total	**33,320**	**3,375**

8. Contingent liabilities

The following contingent liabilities existed as at the reporting date for circumstances for which the DEMIRE AG and its subsidiaries have guarantees in favour of various contract partners.

As at December 31, 2015, contingent liabilities included mortgages of EURk 839,990 pursuant to Section 1191 BGB. The maximum contingent liability amount related to these properties is limited to the carrying amount of EURk 640,281 recognised on the balance sheet date. During the reporting year, mortgages of EURk 21,339 were removed from the land registry.

Pursuant to the notarised declaration of December 17, 2014, DEMIRE AG accepted all current, future and contingent claims of bondholders up to a maximum amount of EURk 33,360 for the bearer bond issued by the subsidiary DEMIRE Commercial Real Estate GmbH, Frankfurt/Main. To secure the claims of this bearer bond, DEMIRE AG has pledged all its interests in the subsidiary DEMIRE Commercial Real Estate GmbH in the amount of EURk 9,683. The declaration

continues to apply following the bond's prolongation on December 15, 2015. The underlying obligations can be met by the companies concerned according to our knowledge. For this reason, as at the balance sheet date, the probability of a claim is estimated as low.

Pursuant to the business pledging agreement dated November 13, 2014, relating to the mezzanine loan granted by LSREF II Caliburn BFL Limited, Dublin, Ireland, to the group company DEMIRE Condor Properties Management GmbH, the Company pledged all its interests in the subsidiary DEMIRE Condor Properties Management GmbH in an amount of EURk 28, including all related rights.

In the loan agreement with Signal Credit Opportunities (Lux) Investco II S.A.R.L. dated December 30, 2015, DEMIRE AG has pledged as collateral in favour of the lender all of the interests held in its subsidiaries DEMIRE Commercial Real Estate DREI GmbH, DEMIRE Commercial Real Estate FÜNF GmbH, Hanse-Center Objektgesellschaft mbH and Glockenhofcenter Objektgesellschaft GmbH and an account at Deutsche Bank for all payments of the preceding companies. In addition, DEMIRE AG ceded its claims to all group loans and Logistikpark Leipzig GmbH ceded its claims to all loans granted to DEMIRE AG as collateral in favour of the lender. Furthermore, the claims arising from group loans between the companies above were made subordinate to the lender's claims.

DEMIRE AG entered into a letter of guarantee in the amount of EURk 940 in connection with the loan granted to TGA Immobilien Erwerb 1 GmbH by Volksbank Mittweida on May 13, 2015. According to our knowledge, the underlying obligations can be met by the company concerned. For this reason, the probability of a claim as at the balance sheet date is estimated as low.

9. Other financial obligations

As at the reporting date, the following other financial obligations were in place:

RENT AND LEASING OBLIGATIONS FOR VEHICLES	31/12/2015	31/12/2014
	In EURk	
Due within one year	61	37
Due within 1 and 5 years	59	42
Total	**120**	**79**

RENT AND LEASING OBLIGATIONS FOR OFFICE SPACE	31/12/2015	31/12/2014
	In EURk	
Due within one year	96	67
Due within 1 and 5 years	376	268
Total	**472**	**335**

The obligations from rental and lease agreements resulted primarily from the rental of office space under indefinite operating leases without purchase options.

OBLIGATIONS UNDER THIRD-PARTY MANAGEMENT OF REAL ESTATE	31/12/2015
	In EURk
Due within one year	907
Due within 1 and 5 years	42
Total	**949**

The asset management contract for the properties of Germavest Real Estate S.à.r.l. reported under current liabilities has a contractual term until 2033 but may be terminated annually resulting in an irrevocable obligation for the upcoming fiscal year only.

During the reporting period, the following amounts were recognised as lease expenses:

	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
	In EURk	
Vehicles	49	27
Office space	95	65
Total	**144**	**92**

Other financial obligations as at December 31, 2015, in the amount of around EURk 12,200 resulted from real estate purchase agreements concluded in the 2015 reporting period that have not been closed as at the balance sheet date.

Contractual obligations for conversion and expansion work exist at the Eschborn property. The scope of this work has been specified but the final costs had not yet been determined as at the balance sheet date. Additional contractual obligations to purchase, construct, develop, repair, maintain or improve investment properties do not exist.

Purchase commitments for commissioned maintenance amounted to EURk 1,300.

A commitment to future leasehold payments from a long-term building lease contract (expiry 24 years) results in payments of EURk 4 annually. The contract contains indexation clauses.

F. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flow from operating activities is calculated using the indirect method. In this calculation, a distinction was made between operating, investing and financing activities. Cash flow from investing and financing activities are calculated on a payment-related basis.

Cash flow from operating activities

In the 2015 fiscal year, cash flow from operating activities of EURk 10,815 exceeded the level in the abbreviated 2014 fiscal year (EURk -3,986) by EURk 14,801. Cash flow from operating activities is based on the Group profit/loss before taxes (EBT) of EURk 33,012 adjusted for the interest result of EURk -25,728 (abbreviated 2014 fiscal year: EURk -2,938), fair value adjustments on investment properties under IAS 40 of EURk 18,471 (abbreviated 2014 fiscal year: EURk 63,608) and the profit from a bargain purchase of EURk 33,217 (abbreviated 2014 fiscal year: EURk 0). The acquisitions in the abbreviated 2014 fiscal year offered considerable appreciation potential due to the acquisition circumstances, whereas most of the property acquired during the fiscal year was acquired at a purchase price equal to its fair value. The majority of the valuation gains in the amount of EURk 6,647 are attributed to the Logistikpark property in Leipzig. Negative goodwill of EURk 33,217 resulting from the acquisition of Germavest Real Estate S.à.r.l. was recognised in the reporting year through profit or loss under other operating income.

Other adjustments include other non-cash items such as the profit/loss from investments accounted for using the equity method of EURk 500 (abbreviated 2014 fiscal year: EURk -1,014), depreciation/amortisation and impairment of EURk 2,846 (abbreviated 2014 fiscal year: EURk 693) and changes in provisions of EURk 4,462 (abbreviated 2014 fiscal year: EURk 2,290) as well as changes in working capital.

Interest proceeds amounted to EURk 165 in the 2015 fiscal year (abbreviated 2014 fiscal year: EURk 293). A total of EURk 186 (abbreviated 2014 fiscal year: EURk 22) of income taxes included in the net profit/loss for the period were paid.

Cash flow from investing activities

In the 2015 fiscal year, DEMIRE's cash flow from investing activities amounted to EURk -29,165 compared to EURk -255,206 in the abbreviated 2014 fiscal year.

In the 2015 fiscal year, cash flow from investing activities included payments for investments in property, plant and equipment of EURk -11,258 compared to EURk -11,356 in the abbreviated 2014 fiscal year. In the 2015 fiscal year this concerned advance payments related to the Kurfürsten-Galerie property in Kassel and, in the abbreviated fiscal year, to advance payments for a property in Leverkusen.

Payments for the purchase of investment properties and interests in fully consolidated companies, less of cash acquired, amounted to EURk -15,238 in fiscal year 2015. This amount concerns the cash components of the acquisitions of Logistikpark Leipzig GmbH, Hanse-Center Immobilienobjektgesellschaft GmbH, Glockenhofcenter Immobilienobjektgesellschaft GmbH and the purchase of an additional property in Schwerin.

The purchase of interests in fully consolidated subsidiaries as part of a business combination, less net cash acquired totalling EURk -4,319, relates to the purchase price paid for the interest in Germavest Real Estate S.à.r.l., less net cash of Fair Value REIT in the amount of EURk 16,028, whose interest has been acquired on a fully non-cash basis through a share exchange.

Cash flow from financing activities

In the 2015 fiscal year, DEMIRE's cash flow from financing activities amounted to EURk 42,420 compared to EURk 259,634 in the abbreviated 2014 fiscal year. This decline resulted from the high portion of equity-financed acquisitions in the form of capital increases against contribution in kind in the 2015 fiscal year.

Proceeds of EURk 11,158 resulted from the cash capital increase, which was completed in mid-2015. Costs of raising equity of EURk 1,514 were incurred for capital increases related to acquisitions and the takeover of Fair Value REIT-AG in the fiscal year.

Proceeds from the issue of bonds in the amount of EURk 36,023 were related to new subscription to the 2014/2019 corporate bond. Proceeds in the 2015 fiscal year from the issue of third-party loans amounted to EURk 54,700 compared with EURk 261,738 in the abbreviated 2014 fiscal year and resulted mainly from taking out of a loan from Signal Capital for a nominal EURk 32,000 to acquire the interest in Germavest Real Estate S.à.r.l. (T6 property portfolio) in October 2015 and make the prepayment for Kurfürstengalerie, assuming the real estate loan from Volksbank Mittweida amounting to EUR 4.7 million for the purchase of a second property in Schwerin and assuming of a loan from Hypo NOE in the amount of EUR 11.5 million. The inflow of funds was used to pay interest of EURk 21,255 and repay financial liabilities of EURk 36,692.

Change in cash and cash equivalents (cash funds)

At the beginning of the 2015 fiscal year, cash and cash equivalents equalled EURk 4,397. During the year, there were changes in the cash and cash equivalents totalled EURk 24,070, particularly from the purchase of Fair Value REIT-AG in the amount of EURk 16,028. Cash and cash equivalents at the end of the 2015 fiscal year amounted to EURk 28,467.

At the beginning of the abbreviated 2014 fiscal year, cash and cash equivalents totalled EURk 3,955. The net change in cash and cash equivalents amounted to EURk 442. Together with the change due to currency translation effects of EURk 0 cash and cash equivalents at the end of the abbreviated fiscal year ending on December 31, 2014, totalled EURk 4,397.

G. NOTES TO THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1. Notes to the consolidated statement of changes in equity for the period from January 1, 2015 to December 31, 2015

In the reporting year, **subscribed capital** rose by EURk 227 as a result of conversions of 2013/2018 convertible bonds. Furthermore, capital increases against contribution in kind relating to the acquisition of new properties resulted in an increase in subscribed capital of EURk 32,285. These capital increases concern the acquisition of Hanse-Center Objektgesellschaft mbH and Glockenhofcenter Objektgesellschaft mbH (EURk 5,634), Sihlegg Investments Holding GmbH (EURk 2,183), Logistikpark Leipzig GmbH (EURk 2,541) and Fair Value REIT-AG (EURk 21,928). A 10 % cash capital increase was concluded on July 14, 2015. The 2,474,152 new no-par value bearer shares (no-par value shares) were largely subscribed to by the institutional investor Wecken & Cie., Basel, Switzerland, in the context of a private placement. Upon the entry into the commercial register, DEMIRE AG's share capital rose by EURk 2,474. The issue price of the new shares was EUR 4.51 and resulted in proceeds for the Company from the cash capital increase of EURk 11,158. The new shares are entitled to dividends as of January 1, 2015.

Capital reserves represent the amount received through a capital increase against contribution in kind above the nominal value and the difference of the subscribed capital to the sum of the share capital of the economic parent company and the acquisition cost for the acquisition of DEMIRE AG under a reverse merger in prior years. The increase in capital reserves of EURk 112,887 compared to December 31, 2014 is mainly the result of capital increases against contribution in kind and the equity portion of the mandatory convertible bond. The increases against contribution concern the purchase of Fair Value REIT-AG (EURk 69,720), Logistikpark Leipzig GmbH (EURk 12,299), Sihlegg Investments Holding GmbH (EURk 6,609) and Hanse-Center Objektgesellschaft mbH and Glockenhofcenter Objektgesellschaft mbH (EURk 4,225). Capital reserves also increased as a result of the cash capital increase (EURk 8,684) and the equity component of the 2015/2018 mandatory convertible bond, including deferred tax assets of EURk 14,223. The costs to raise equity amounted to EURk 3,295 and were deducted from capital reserves.

Retained earnings including Group net profit/loss contain the accumulated results, as well as the earnings-neutral impact from the increase in the share of interest in the subsidiary MAGNAT Investment I B.V in prior periods.

The **reserves for treasury shares** resulted from the reverse acquisition from prior years.

Currency translation reserves include currency differences from fully consolidated companies and companies accounted for using the equity method whose functional currency is not the euro. The EURk 3,291 change resulted primarily from the sale of the sale of OXELTON and the two Ukrainian companies Polartrade Ltd. and Kappatrade Ltd. The currency translation differences related to the sold entities that were reported in prior years within other comprehensive income (OCI) were recognised through profit or loss under IAS 21.48 as a result of the sale.

Capital transactions with shareholders

There were no distributions to shareholders either in the year under review or in the subsequent year up until the date of the preparation of these financial statements.

Changes in equity recognised in other comprehensive income

The sum of other comprehensive income of EURk 3,408 is derived from currency translation differences derecognised through profit or loss.

Net profit/loss for the period

The net profit for the period attributable to parent company shareholders amounted to EURk 28,117. An amount of EURk 756 is attributable to non-controlling shareholders.

2. Notes to the consolidated statement of changes in equity for the period April 1, 2014 to December 31, 2014

In the reporting year, **subscribed capital** rose by EURk 411 as a result of the conversion of 2013/18 convertible bonds. We refer to Note E. 4.

Capital reserves represent the amount received through a capital increase against contribution in kind and the difference in subscribed capital to the sum of the share capital of the economic parent company and the acquisition cost for the acquisition of DEMIRE AG. As a result of the change in the terms and conditions of the convertible bond with effect from September 30, 2014, at the initial recognition of the new debt instrument, an amount of EURk 493 was recognised as an equity component directly in equity, including the corresponding deferred tax liabilities of EURk 177. In addition, an amount of EURk 111 was recognised within capital reserves, representing the difference between the nominal value and carrying amount of convertible bonds.

Retained earnings including Group net profit/loss contain the accumulated results. In prior period, retained earnings also included the neutral impact on profits from the increase in the interest in the subsidiary MAGNAT Investment I B.V.

The **reserves for treasury shares** resulted from the reverse acquisition (see Note A.5).

Currency translation reserves include currency differences from fully consolidated companies and companies accounted for using the equity method whose functional currency is not the euro.

Capital transactions with shareholders

There were no distributions to shareholders either in the year under review or in the subsequent year up until the date of the preparation of these financial statements.

Changes in equity recognised in other comprehensive income

Additional changes in other comprehensive income totalling EURk 441 resulted from negative currency translation differences and the transfer of earnings-neutral changes in equity from investments accounted for using the equity method.

Net profit/loss for the period

The net profit for the period attributable to parent company shareholders amounted to EURk 43,302. An amount of EURk 2,405 is attributable to non-controlling shareholders.

H. GROUP SEGMENT REPORTING

The segmentation of the data in the annual financial statements is based on the internal alignment according to strategic business segments and geographic considerations pursuant to IFRS 8 "Operating Segments". The segment information provided represents the information to be reported to DEMIRE's Executive Board.

The Group is divided into the business segments Investments, Core Portfolio, Fair Value REIT-AG and Central Functions/Others. The Investments segment contains all information relating to non-current assets and the activities of the respective project holdings.

The Core Portfolio segment contains the German commercial real estate recognised within the subsidiaries held or being developed to generate rental income and/or for the purpose of value appreciation. The Central Functions/Others segment mainly contains DEMIRE AG's activities in its function as the Group holding and does not represent an independent business segment.

Since fiscal year 2015, the Asset Management division, which had provided third-party services until September 2013 under the business model of the predecessor company, is no longer reported separately. Trailing income and expenses and residual segment assets and liabilities from the Austrian subsidiaries are reported under the segment Corporate Functions/Others. The Investments segment contains all information relating to non-current assets as well as the business areas of revitalisation, project development and land banking. The Investments segment also includes the activities of the respective project holdings. In line with the management approach, Fair Value REIT is shown as a separate segment as at December 31, 2015.

During the reporting period, the allocation of Group companies to business segments has changed to the extent that DEMIRE Worms Objektgesellschaft GmbH is contained under the Core Portfolio segment as of June 30, 2015. The proportionate segment revenue of EURk 179 generated by DEMIRE Worms Objektgesellschaft GmbH in the period from January 1, 2015 to June 30, 2015 was allocated to the Investments segment.

The new segment "Fair Value REIT" contains the activities of Fair Value REIT-AG and its subsidiaries focused on office and retail properties in regional centres in Germany that were acquired at the end of 2015. Fair Value REIT can be defined as a segment under IFRS 8.5, since the responsible governing body in terms of making decisions about the allocation of resources to this segment has not changed and separate financial information continues to be available for this segment.

	SEGMENTS BY BUSINESS AREAS				
JANUARY 1, 2015 - DECEMBER 31, 2015 EURk	**Investments**	**Core Portfolio**	**Fair Value REIT**	**Central Functions/ Others**	**Group**
Revenues	2,572	44,863	0	0	47,435
Profit/loss from fair value adjustments in investment properties	0	18,471	0	0	18,471
Other income	174	1,811	0	588	2,573
Profits from a bargain purchase	0	33,217		0	33,217
Profits from investments accounted for using the equity method	1,861	0	0	1,469	3,330
Segment revenues	**4,607**	**98,362**		**2,057**	**105,026**
Net assets from sold real estate companies	-1,421	-86	0	0	-1,507
Expenses on real estate sales	-192	-1,650	0	0	-1,842
Other expenses	-3,244	-26,383	0	-9,480	-39,107
Losses from investments accounted for using the equity method	-3,769	0	0	-61	-3,830
Segment expenses	**-8,626**	**-28,119**		**-9,541**	**-46,286**
EBIT	**-4,019**	**70,243**		**-7,484**	**58,740**
Financial income	171	281	0	1,693	2,145
Financial expenses	-1,980	-13,483	0	-12,410	-27,873
Income taxes	68	-4,576	0	369	-4,139
Net profit/loss for the period	**-5,760**	**52,465**		**-17,832**	**28,873**
Significant non-cash items	**4,165**	**-51,628**	**0**	**2,825**	**-44,638**

JANUARY 1, 2015 - DECEMBER 31, 2015 EURk	SEGMENTS BY BUSINESS AREAS				
	Investments	Core Portfolio	Fair Value REIT	Central Functions/ Others	Group
Impairment losses in net profit/loss for the period	**1,435**	**792**	**0**	**619**	**2,846**
ADDITIONAL INFORMATION					
Segment assets	**5,319**	**651,165**	**337,261**	**39,200**	**1,032,945**
of which investments accounted for using the equity method	116	0	0	3,020	3,136
of which loans to investments accounted for using the equity method	0	0	0	553	553
of which financial receivables and other financial assets	83	5,011	0	20,926	26,020
of which tax refund claims	3	101	22	45	171
of which assets available for sales in investments accounted for using the equity method	0	1,255	11,750	0	13,005
Segment liabilities	**282**	**414,896**	**217,803**	**135,062**	**768,043**
of which non-current financial liabilities	0	348,870	187,738	134,424	671,032
of which current financial liabilities	107	23,236	18,531	4,569	46,443
of which tax liabilities	0	3,801	0	0	3,801

JANUARY 1, 2015 - DECEMBER 31, 2015 EURk	GEOGRAPHIC SEGMENTS			
	D / A / NL[1]	CEE / SEE[1]	CIS[1]	Group
Revenues	47,435	0	0	47,435[2]
Other income	35,789	0	0	35,789
Profits from investments accounted for using the equity method	3,330	0	0	3,330
Profit/loss from fair value adjustments in investment propertiesien	18,471	0	0	18,471
Segment revenues	**105,025**	**0**	**0**	**105,025**
ADDITIONAL INFORMATION				
Segment assets	**1,027,587**	**2,126**	**3,232**	**1,032,945**
of which investments accounted for using the equity method	3,136	0	0	3,136
of which loans to investments accounted for using the equity method	533	0	0	533
of which financial receivables and other financial assets	25,937	0	83	26,020
of which tax refund claims	169	0	2	171
of which assets available for sales in investments accounted for using the equity method	13,005	0	0	13,005
Total liabilities	**767,808**	**38**	**197**	**768,043**
of which non-current financial liabilities	608,796	0	0	608,796

1 CEE = Central & Eastern Europe; SEE = South—Eastern Europe; CIS = Commonwealth of Independent States D / A / NL = Germany, Austria and the Netherlands

2 Revenue is comprised of rental income and revenue from the sale of real estate companies

APRIL 1, 2014 - DECEMBER 31, 2014 EURk	SEGMENTS BY BUSINESS AREAS			
	Investments	Core Portfolio	Central Functions	Group
Revenues	1,290	3,527	3,714	8,531
Profit/loss from fair value adjustments in investment properties	0	63,608	0	63,608
Other income	359	187	191	737
Profits from investments accounted for using the equity method	199	0	0	199
Segment revenues	**1,848**	**67,322**	**3,905**	**73,075**
Net assets from sold real estate companies	-1,180	0	-3,533	-4,713
Expenses on real estate sales	0	0	0	0
Other expenses	-5,513	-3,419	217	-8,715
Losses from investments accounted for using the equity method	-1,087	0	-126	-1,213
Segment expenses	**-7,780**	**-3,419**	**-3,442**	**-14,641**
EBIT	**-5,932**	**63,903**	**463**	**58,434**
Financial income	282	0	6,673	6,955
Financial expenses	-562	-1,190	-8,141	-9,893
Income taxes	-70	-9,482	-238	-9,789
Net profit/loss for the period	**-6,282**	**53,231**	**-1,243**	**45,707**
Significant non-cash items	**1,390**	**73,397**	**-2,144**	**72,643**
Impairment losses in net profit/loss for the period	**257**	**436**	**0**	**693**
ADDITIONAL INFORMATION				
Segment assets	**15,454**	**353,897**	**3,661**	**373,012**
of which investments accounted for using the equity method	2,469	0	144	2,613
of which loans to investments accounted for using the equity method	2,857	0	0	2,857

APRIL 1, 2014 - DECEMBER 31, 2014 EURk	SEGMENTS BY BUSINESS AREAS			
	Investments	Core Portfolio	Central Functions	Group
of which financial receivables and other financial assets	64	0	857	921
of which tax refund claims	3	82	40	125
of which assets available for sales in investments accounted for using the equity method	0	0	0	0
Segment liabilities	**8,719**	**244,137**	**65,527**	**318,383**
of which non-current financial liabilities	20	190,773	57,299	248,092
of which current financial liabilities	8,278	36,271	3,024	47,573
of which tax liabilities	0	105	209	314

APRIL 1, 2014 - DECEMBER 31, 2014 EURk	GEOGRAPHIC SEGMENTS			
	D / A / NL1	CEE / SEE1	CIS[1]	Group
Revenues	8,206	0	325	8,531[2]
Other income	825	13	-101	737
Profits from investments accounted for using the equity method	199	0	0	199
Profit/loss from fair value adjustments in investment properties	63,608	0	0	63,608
Segment revenues	**72,838**	**13**	**224**	**73,075**
ADDITIONAL INFORMATION				
Segment assets	**367,941**	**1,626**	**3,445**	**373,012**
of which investments accounted for using the equity method	2,613	0	0	2,613
of which loans to investments accounted for using the equity method	2,857	0	0	2,857
of which financial receivables and other financial assets	892	0	29	921
of which tax refund claims	123	0	3	126
of which assets available for sales in investments accounted for using the equity method	0	0	0	0
Total liabilities	**306,231**	**8,470**	**3,682**	**318,383**
of which non-current financial liabilities	248,072	0	20	248,092

[1] CEE = Central & Eastern Europe; SEE = South—Eastern Europe; CIS = Commonwealth of Independent States D / A / NL = Germany, Austria and the Netherlands

[2] Revenue is comprised of rental income and revenue from the sale of real estate companies

JANUARY 1, 2015 - DECEMBER 31, 2015	GEOGRAPHIC SEGMENTS—ADDITIONAL INFORMATION ABOUT GERMANY[1]
EURk	D
Revenues	45,676
Other income	36,077
Profit/loss from fair value adjustments in investment properties	18,471
Profits from investments accounted for using the equity method	2,098
Segment revenues	**102,322**
ADDITIONAL INFORMATION	
Segment assets	**1,025,645**
of which investments accounted for using the equity method	680
of which financial receivables and other financial assets	25,925
of which tax refund claims	145
Total liabilities	**766,752**

JANUARY 1, 2015 - DECEMBER 31, 2015	GEOGRAPHIC SEGMENTS—ADDITIONAL INFORMATION ABOUT GERMANY[1]
of which non-current financial liabilities	608,796

[1] Allocation by location of property

APRIL 1, 2014 - DECEMBER 31, 2014	GEOGRAPHIC SEGMENTS—ADDITIONAL INFORMATION ABOUT GERMANY[1]
EURk	D
Revenues	7,463
Other income	759
Profit/loss from fair value adjustments in investment properties	63,608
Profits from investments accounted for using the equity method	0
Segment revenues	**71,830**
ADDITIONAL INFORMATION	
Segment assets	**363,149**
of which investments accounted for using the equity method	144
of which financial receivables and other financial assets	853
of which tax refund claims	105
Total liabilities	**311,920**
of which non-current financial liabilities	248,072

[1] Allocation by location of property

Revenues for the fiscal year resulted from the rental of real estate companies contained in the Investments and Core Portfolio segments.

In the Core Portfolio segment, two customers accounted for more than 10 % of the segment's revenue each, representing combined revenues of EURk 9,796 in the reporting year.

The Core Portfolio segment contains investment properties and has the task of developing real estate projects in Germany. The primary aim with respect to these properties is their sustainable management. The properties are held to generate rental income and/or for value appreciation.

The activities of the companies in the non-operating areas of Central Functions/Others are mainly limited to the activities of DEMIRE AG.

Of the carrying amounts of the companies accounted for using the equity method (EURk 3,136; previous year: EURk 2,613), an amount to EURk 116 is allocated to the Investments segment and EURk 3,020 is allocated to Central Functions/Others.

The investments held for sale accounted for using the equity method were sold during the fiscal year. As at December 31, 2014, they were allocated to the Investments segment in their entirety.

In the Core Portfolio segment, non-cash items mainly include fair value adjustments to investment properties of EURk 18,471 (previous year: EURk 63,608) and income taxes of EURk 4,576 (previous year: EURk 9,789). In the Investments segment, non-cash items include profits from the sale of real estate companies of EURk 803 (previous year: EURk 69), the result of companies accounted for using the equity method of EURk 1,908 (previous year: EURk 1,014) and value adjustments in real estate inventory of EURk 0 (previous year: EURk 307). Non-cash items in the Central Functions/Others segment include changes in provisions of EURk 4,462 (previous year: EURk 2,290) and other non-cash items of EURk 1,380 (previous year: EURk 146).

Of total Group revenues of EURk 47,435 previous year: EURk 8,531), a total of EURk 45,676 (previous year: EURk 7,463) was generated in Germany. These revenues resulted from income from the rental of real estate (EURk 43,344) and revenues from the sale of real estate (EURk 2,098).

The geographical allocation of revenues is based on the location of the rented property in the case of rental income and the location of the object sold for the sale of real estate.

Transactions between segments are carried out on the basis of comparable external conditions.

I. OTHER DISCLOSURES

1. Financial instruments

Interest rate risk to cash flows relates to cash held in deposit accounts and also relates to variable interest rates on debt. The Company does not anticipate significant negative interest rate effects over the long term since the level of liquid funds on the balance sheet date are only available until investments are made and will be subsequently tied up in projects according to plan.

Generally, reference is made to the risk report in DEMIRE's group management report.

Financial risk management

The Executive Board regularly monitors and actively manages the credit risks which are inherent in the Group's operating activities and the risks related to the Group's financing activities. As a result of these measures, the consolidated financial statements were prepared on the assumption of a going concern.

The Group's financial assets mainly consist of interests and loans to companies accounted for using the equity method, other loans, trade accounts receivable and other receivables, financial receivables and other financial assets, as well as bank deposits. The majority of trade accounts receivable consists of rent receivables. Potential defaults in this context are taken into consideration.

The Group's financial liabilities comprise mainly bonds, bank loans, other loans, overdrafts and trade accounts payable. The main purpose of these financial liabilities is to finance the Group's operations.

The Group is exposed to various financial risks as a result of its business activities: foreign currency risk, interest rate risk, credit risk, and liquidity risk. The overarching risk management system concentrates on the continual identification and active management of typical business risks. This system accepts risks within a certain range if they offer the opportunity for commensurate returns. The goal is to limit the exposure to peak risks so that the Company's continuance is not jeopardised.

The Executive Board identifies, evaluates, and hedges financial risks in close collaboration with the asset manager and in coordination with the Group's Supervisory Board.

Loan agreements exist in the Group that contain financial covenants stipulated by the banks. Non-compliance with these financial covenants could lead to extraordinary terminations of these agreements by the banks. The financial covenants concern financial ratios of the respective real estate portfolio, particularly the debt service cover ratio (DSCR), the interest cover ratio (ICR) and the loan-to-value (LTV) debt ratio. The calculations are based on the specifications set by the creditors in the loan agreement. The monitoring, compliance and reporting of the financial covenants specified in the loan agreements for the properties financed is carried out by DEMIRE's management, treasury and asset management areas. Depending on the type of financing, the financial covenants are reported to the creditors on a quarterly, semi-annual or annual basis, or the creditors are provided with the underlying economic ratios. Should DEMIRE fail to comply with the financial covenants, the creditors would be entitled to demand additional guarantees from the debtor. In that case, the loans would be in default. If the default persisted for a longer period of time and could not permanently be resolved, the creditors have a special right of termination. DEMIRE complied with all financial covenants for real estate financing as of the balance sheet date and, therefore, there was no default.

Foreign currency risk

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

The existing investments outside of Germany are subject to translation risk until the point of their complete disposal.

Any change in the project's existing assets and liabilities has an effect on the currency translation reserve within other comprehensive income. When foreign assets are sold, there is a risk that the accumulated translation differences within the currency translation reserves, which have previously been recognised under other comprehensive income, will need to be recognised through profit or loss in the period of the assets' disposal. If the Group's liabilities or receivables are maintained in a foreign currency, there will be an effect in the consolidated income statement.

Projects in Eastern Europe and the Black Sea Region are handled in the same currency when possible and feasible. Hedging of low levels of residual exchange rate risk, which is essentially limited to the equity invested and the profit potential, occurs only in isolated cases. Generally, preference is given to hedging on an aggregated basis rather than on the basis of individual project-related risks. Hedging is only considered when certain fluctuation ranges have been exceeded for certain currencies and is limited to the equity invested (and not for the potential profit). In summary, the management of exchange rate risks is geared towards accepting currency risk within a certain range. The foreign currency hedging strategy is determined in close coordination with the Supervisory Board.

The following table shows the breakdown of assets and liabilities by currency (EURk):

JANUARY 1, 2015 - DECEMBER 31, 2015	EURk	Others	Total
Investments accounted for using the equity method	3,136	0	3,136
Investment properties	915,089	0	915,089
Loans to investments accounted for using the equity method	553	0	553
Trade accounts receivable and other receivables	14,270	117	14,387
Financial receivables and other financial assets	25,925	95	26,020
Cash and cash equivalents	28,455	12	28,467
Investments held for sale accounted for using the equity method	13,005	0	13,005
Other assets	28,855	3,433	32,288
	1,029,288	**3,657**	**1,032,945**
Non-current financial liabilities	671,032	0	671,032
Current financial liabilities	46,336	107	46,443
Other liabilities	50,444	124	50,568
	767,812	**231**	**768,043**

APRIL 1, 2014 - DECEMBER 31, 2014	EURk	Others	Total
Investments accounted for using the equity method	2,613	0	2,613
Investment properties	333,070	0	333,070
Loans to investments accounted for using the equity method	2,857	0	2,857
Trade accounts receivable and other receivables	9,161	126	9,287
Financial receivables and other financial assets	892	29	921
Cash and cash equivalents	4,379	18	4,397
Other assets	14,969	4,898	19,867
	367,941	**5,071**	**373,012**
Non-current financial liabilities	248,072	20	248,092
Current financial liabilities	47,499	74	47,573
Other liabilities	19,117	3,600	22,717
	314,688	**3,694**	**318,382**

A change in the exchange rate of +/—10 % changes the value of the assets and liabilities as follows:

	31/12/2015 + 10 %	31/12/2015 - 10%	31/12/2014 + 10 %	31/12/2014 - 10%
RON (Romania) in EURk				
Assets	-152	186	-115	141
Liabilities	-1	2	0	0
GEL (Georgia) in EURk				
Assets	-127	155	-123	150
Liabilities	-18	22	-28	34
UAH (Ukraine) in EURk				
Assets	-10	13	-190	232
Liabilities	0	0	-300	367
BGN (Bulgaria) in EURk				
Assets	-41	50	-32	40
Liabilities	-2	2	-7	9

Interest rate risk

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

The activities of DEMIRE group companies are exposed mainly to financial risks from changes in interest rates. Therefore, DEMIRE also uses derivative financial instruments to manage its interest rate risks. Interest rate swaps are used to minimise interest rate risk when interest rates are rising.

At the balance sheet date, interest rate hedges existed in the form of purchased interest rate derivatives with a nominal volume of EURk 36,149 (previous year: EURk 0), which were acquired in the course of purchasing real estate companies:

EURk	Nominal volume		Market values	
	2015	2014	2015	2014
Interest rate swaps	36,149	0	-829	0

In subsequent years, the following net payment obligations for the Company originated from the interest rate swaps based on the measurement as at the balance sheet date: an amount of EURk 386 has a term of up to one year, an amount of EURk 438 has a term between one and five years and an amount of EURk 15 has a term of over five years.

All derivative financial instruments purchased in the reporting year are not designated in a hedging relationship.

The DEMIRE Group utilises debt to finance its real estate projects sometimes at variable interest rates. As a consequence, the DEMIRE Group is exposed to interest rate risk since increases in the interest rate level increases its financing costs. The following table assumes an increase in the interest rate level of +100 and -100 basis points. Assuming all other parameters remained unchanged, an increase or decrease of the Company's interest expenses would lead to the following interest expenses:

INTEREST RATE SENSITIVITY ANALYSIS EURk	31/12/2015	31/12/2014
Interest expense from loans with variable interest rates	137	316
Increase in interest expenses assuming a fictitious increase in variable interest rates by 100 basis points	69	464
Decrease in interest expenses assuming a fictitious decrease in variable interest rates by 100 basis points	-69	-135

In this fictitious example, a change in interest expenses would have a direct effect on the Group's consolidated profit/loss and Group equity net of related income tax effects.

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

Because low interest rates prompt a rise in real estate transaction prices, the level of interest rates also effects the purchase prices of newly acquired properties. Interest rate levels also play a significant role in valuing investment properties.

The Executive Board evaluates its interest rate policy on a regular basis and in close collaboration with the Supervisory Board.

Credit risk

The reported financial instruments represent the maximum credit and default risk. In the context of Group-wide uniform risk management standards, counterparty risk is assessed and supervised on a uniform basis. The aim is to minimise default risk. No insurance is taken out for counterparty risk. There is generally no significant concentration of credit risk within the Group. An analysis of impaired receivables is provided in the following table:

31/12/2015	Gross receivables	Impairment	Total
		In EURk	
Trade accounts receivable and other receivables	18,255	-3,868	14,387
Financial receivables and other financial assets	26,611	-591	26,020
	44,866	**-4,459**	**40,407**

31/12/2014	Gross receivables	Impairment	Total
		In EURk	
Trade accounts receivable and other receivables	11,731	-2,444	9,287
Financial receivables and other financial assets	4,100	-3,179	921
	15,831	**-5,623**	**10,208**

Overdue receivables are subject to impairment based on the status of the information available. It is assumed that the receivables not overdue or impaired have retained their value and are therefore collectable. This assumption is subject to ongoing monitoring.

Liquidity risk

During the Company's initial phase, liquidity risk was primarily managed by keeping liquidity reserves in the form of bank deposits available at all times and, to a limited degree, credit lines that could be drawn down. Today, the liquidity position is significantly more dependent upon proceeds from disposals and the planned prolongation of loans as they come due. The liquidity position is also affected by additional contributions for the continued financing of projects. Generally, there are no significant concentrations of liquidity risk.

Further information on risk management and financial risks are provided in the risk report contained in the management report.

Capital management and control

The overriding objective of the Group's capital management is to secure the capability of future debt repayment and to preserve the Group's financial net worth. The Group's capital structure is managed according to economic and regulatory guidelines. On the part of DEMIRE, capital management is carried out by way of dividend payments and/or financing. DEMIRE strives to maintain a capital structure that is suitable for the risk inherent in its business and also subjects itself to the minimum capital requirements prescribed by the German Stock Corporation Act. The Executive Board of DEMIRE is monitoring its compliance. These requirements were met both in the reporting year and in the previous year. DEMIRE also strives to have a balanced maturity structure for its outstanding liabilities. The intention of the Executive Board is to obtain a sufficiently strong equity base and maintain the confidence of investors and the market. Whereas the equity commitment in Germany stands at 20 % to 30 % of the investment volume, significantly higher equity commitments must be allowed for in the CEE/SEE/CIS countries, especially during the early stages.

The Group monitors its capital through its equity ratio, which is also an important key ratio for investors, analysts, and banks. Components of this ratio are the total assets in the consolidated balance sheet and the shareholders' equity reported in the consolidated balance sheet that is attributable to both the parent company shareholders and non-controlling shareholders. DEMIRE intends to utilise the available equity as a means of possible leverage but will continue to maintain a solid equity ratio. As at December 31, 2015, the equity ratio was 25.6 % (December 31, 2014: 14.6 %). DEMIRE continues to strive for an equity ratio of more than 40 %. This goal will be achieved through different processes. Disposals should be carried out at least at the higher of the carrying amount and market value.

Additional information on financial instruments

The classification of financial instruments under IFRS 7 corresponds to the respective consolidated balance sheet items. The following table contains the carrying amounts, amounts recognised and the fair values of financial assets and liabilities for each category of financial instruments and reconciles these values to the measurement categories of IAS 39 at the balance sheet date and the prior year. The key measurement categories for DEMIRE in accordance with IAS 39 are Available-for-Sale Financial Assets (Afs), Loans and Receivables (LaR), Amortised Cost (AmC) and Held for Trading (HfT).

DECEMBER 31, 2015 EURk	Measurement category	Carrying amount	IAS 39 measurement		Fair value as comparative information
			Fair value through profit/loss	Amortised cost	
Interests in investments accounted for using the equity	n/a	3,136	0	3,136	3,136
Other financial assets	LaR	11,045	0	11,045	11,045
Loans to investments accounted for using the equity method	LaR	553	0	553	553
Other loans	LaR	384	0	384	384
Trade accounts receivable and other receivables	LaR	14,387	0	14,387	14,387
Financial receivables and other financial assets	LaR/HfT	26,020	2,205	23,815	26,020
Cash and cash equivalents	LaR	28,467	0	28,467	28,467
Convertible bond	AmC	19,491	0	19,491	56,947
Bonds	AmC	97,719	0	97,719	94,000
A-/B-Notes (Germavest)	AmC	92,651	0	92,651	92,651
Financial liabilities (Fair Value REIT)	AmC	144,113		144,113	143,620
Other non-current financial liabilities	AmC	317,058	0	317,058	316,565
Interest rate swaps	HfT	829	829	0	829
Trade payables	AmC	19,887	0	19,887	19,887
Current financial liabilities	AmC	46,443	0	46,443	46,443
Amount per measurement category					
	LaR	80,856	2,205	78,651	80,856
	AmC	500,598	0	500,598	533,842
	AtFVtPL	92,651	0	92,651	92,651

Afs: Available-for-Sale Financial Assets;

LaR: Loans and Receivables;

AmC: Amortised Cost (financial liabilities recognised at amortised cost);

HfT: Held for Trading (financial assets held for trading);

AtFVtPL: At Fair Value through Profit or Loss; **n.a.:** not applicable

DECEMBER 31, 2014 EURk	Measurement category	Carrying amount	IAS 39 measurement: Fair value through profit/loss	IAS 39 measurement: Amortised cost	Fair value as comparative information
Interests in investments accounted for using the equity method	n/a	2,613	0	2,613	4,001
Other financial assets	LaR	14	0	14	14
Loans to investments accounted for using the equity method	LaR	2,857	0	2,857	4,050
Other loans	LaR	322	0	322	322
Trade accounts receivable and other receivables	LaR	9,287	0	9,287	9,287
Financial receivables and other financial assets	LaR	921	0	921	1,246
Cash and cash equivalents	LaR	4,397	0	4,397	4,397
Convertible bond	AmC	8,173	0	8,173	15,244
Bonds	AmC	49,138	0	49,138	50,100
Other non-current financial liabilities	AmC	188,530	0	188,530	193,330
Trade payables	AmC	11,519	0	11,519	11,519
Other current financial liabilities	AmC	47,573	0	47,573	47,573
Amount per measurement category					
	LaR	17,798	0	17,798	19,316
	AmC	304,933	0	304,933	317,766

Afs: Available-for-Sale Financial Assets;

LaR: Loans and Receivables;

AmC: Amortised Cost (financial liabilities recognised at amortised cost);

n.a.: not applicable

Due to the short-term maturity of cash and cash equivalents, trade accounts receivable and payable, and other current receivables and liabilities, it is assumed that their respective fair values correspond to the carrying amounts.

It is assumed that the respective fair value of trade accounts receivable and other receivables, other current financial assets and liabilities as well as cash and cash equivalents, equals their carrying amounts due to their short-term nature.

The following table presents the measurement hierarchy, measurement procedure and material input factors for the fair values of each category of financial assets and liabilities.

Type	Hierarchy	Measurement procedure and material input factors
Investment properties	Level 3	Expected future free cash flows of a project by applying a market-based, property-specific discount rate
Interests in investments accounted for using the equity method	Level 3	Discounted cash flows from the continued use of an asset on the basis of yield curves observable on the market at the reporting date
Loans to investments accounted for using the equity method (fixed-rate)	Level 3	Discounted cash flows on the basis of yield curves observable on the market at the reporting date
Financial receivables and other financial assets	Level 3	Discounted cash flows on the basis of yield curves observable on the market at the reporting date
Non-current financial liabilities	Level 3	Discounted cash flows on the basis of yield curves observable on the market at the reporting date
Derivatives	Level 2	Interest rate curves, credit spreads, indices
Quoted convertible bonds	Level 1	Quoted bid prices on active markets
Quoted corporate bonds	Level 1	Quoted bid prices on active markets

According to IFRS 7.29, it is assumed that all current financial instruments' carrying amounts correspond to their fair value. Since the predominant portion of non-current loans was drawn down shortly before the balance sheet date, it is assumed that the fair values do not materially differ from the carrying amounts.

The carrying amounts of the financial instruments represent the maximum default risk:

	31/12/2015	31/12/2014
	In EURk	
Loans and receivables	41,344	13,387
Cash and cash equivalents	28,467	4,397
Other financial assets	11,032	14
TOTAL	**80,843**	**17,798**

The maximum default risk of loans and receivables is divided according to regional considerations as follows:

	31/12/2015	31/12/2014
	In EURk	
Germany, Austria and the Netherlands	37,286	7,658
Poland	1,567	1,737
Ukraine	2,346	1,125
Georgia	0	12
Other countries	145	2,855
TOTAL	**41,344**	**13,387**

The Group's cash and cash equivalents are divided according to regional considerations as follows:

	31/12/2015	31/12/2014
	In EURk	
Cash and cash equivalents in euro countries	28,455	4,378
Cash and cash equivalents in other countries	12	19
TOTAL	**28,467**	**4,397**

As of December 31, 2015, there were no overdue loans and receivables after consideration of impairments. In the prior year, there were no overdue loans and receivables.

NET GAINS AND LOSSES (EURk) 01/01/2015 - 31/12/2015	**From subsequent measurement**					
	from interest	**at fair value profit or loss**	**Currency difference**	**Impairment**	**Reversal of impairment**	**Net gain/ loss**
Loans and Receivables	486	0	4	-3,388	343	-2,555
AmC	-112	0	0	0	0	-112
HfT	0	1,316	0	0	0	1,316
TOTAL	**374**	1,316	**4**	**-3,388**	**343**	**-1,351**

NET GAINS AND LOSSES (EURk) 01/04/2014 - 31/12/2015	**From subsequent measurement**					
	from interest	**at fair value profit or loss**	**Currency difference**	**Impairment**	**Reversal of impairment**	**Net gain/ loss**
Loans and Receivables	555	0	-189	-693	19	-308
AmC	-520	0	0	0	0	-520
TOTAL	**35**	**0**	**-189**	**-693**	**19**	**-828**

Impairment losses during the reporting period are distributed among the classes of financial instruments as follows:

	31/12/2015	31/12/2014
	In EURk	
Loans and Receivables	2,846	693
TOTAL	**2,846**	**693**

Future outgoing payments related to interest payments and repayments of the principal amount of financial liabilities are presented in the following table:

	2016	2017	2018	2019	2020	after 31/12/2020
			In EURk			
2014/2019 corporate bond, DEMIRE Deutsche Mittelstand Real Estate AG						
Interest	6,422	6,422	6,422	4,816		
Repayment				85,625		
2013/2018 convertible bond, DEMIRE Deutsche Mittelstand Real Estate AG						
Interest	640	640	640			
Repayment			10,662			
2015/2018 mandatory convertible bond, DEMIRE Deutsche Mittelstand Real Estate AG						
Interest						
Repayment	413	413	172			
Signal Capital loan, DEMIRE Deutsche Mittelstand Real Estate AG						
Interest	3,040	3,040	3,040			
Repayment			35,200			
Promissory note Deutsche Bank, DEMIRE Holding EINS GmbH						
Interest	7,367	7,310	7,273	7,236		
Repayment	740	740	740	145,001		
LBBW loan A, DEMIRE Commercial Real Estate GmbH						
Interest	591	572	552	45		
Repayment	853	872	892	24,064		
LBBW loan, DEMIRE Commercial Real Estate GmbH						
Interest	133	129	125	31		
Repayment	201	196	190	6,207		
HFS bond, DEMIRE Commercial Real Estate GmbH						
Interest	4,170	174				
Repayment		27,800				
IBB amortising loan, DEMIRE Real Estate München I GmbH						
Interest	247					
Repayment	8,225					

	2016	2017	2018	2019	2020	after 31/12/2020
				In EURk		
DKB loan, Objektgesellschaft Worms GmbH						
Interest	36					
Repayment	2,400					
LBB amortising loan, Hanse-Center Objektgesellschaft mbH						
Interest	151					
Repayment	4,034					
HypoNoe loan, Sihlegg Investments Holding GmbH						
Interest	338	324	311	297	283	
Repayment	460	460	460	460	9,430	
DG Hyp loan, Logistikpark Leipzig GmbH						
Interest	715	693	671	650	314	
Repayment	900	900	900	900	26,175	
Volksbank Mittweida loan, TGA Immobilien Erwerb 1 GmbH						
Interest	145	136	128	119	110	418
Repayment	254	262	271	280	289	3,215
A-Notes, Germavest Real Estate S.a.r.l.						
Interest	2,151	2,151	2,151	2,151	2,151	25,806
Repayment						55,000
B-Notes, Germavest Real Estate S.a.r.l.						
Interest	2,194	1,745	1,268	760	317	22
Repayment	8,262	8,811	9,376	9,967	6,929	2,568
Westdeutsche ImmobilienBank, Fair Value REIT-AG						
Interest	237	227	217	103		
Repayment	400	400	400	8,100		
Westdeutsche ImmobilienBank, Fair Value REIT-AG						
Interest	66	64	61	29		
Repayment	192	192	192	4,630		
Westdeutsche ImmobilienBank Fair Value REIT-AG						
Interest	28	25	22	14		
Repayment	240	240	240	1,490		
Stadt-Sparkasse Langenfeld amortising loan, Fair Value REIT-AG						
Interest	42	41	40	39	37	
Repayment	80	78	76	74	71	2,339
Convertible bond, Fair Value REIT-AG						
Interest	20					
Repayment	8,714					
Bayerische Beamten Lebensversicherung a.G. amortising loan, BBV 02						
Interest	3					
Repayment	139					
Bayerische Beamten Lebensversicherung a.G. amortising loan, BBV 10						
Interest	21					
Repayment	823					
Bayerische Beamten Lebensversicherung a.G. amortising loan, BBV 02						

	2016	2017	2018	2019	2020	after 31/12/2020
				In EURk		
Interest	3					
Repayment	119					
UniCredit Bank AG, BBV 08						
Interest	66	59	52	45	37	
Repayment	230	244	259	276	293	980
UniCredit Bank AG, BBV 08						
Interest	473	433	392	348	301	
Repayment	1,348	1,432	1,522	1,618	1,720	8,656
Deutsche Genossenschafts-Hypothekenbank, Logistikpark Leipzig GmbH						
Interest	453	435	418	402	113	
Repayment	1,300	1,200	1,200	1,200	27,924	
UniCredit Bank AG, BBV 10						
Interest	482	459	436	413	390	92
Repayment	1,172	1,172	1,172	1,172	1,172	18,628
UniCredit Bank AG, BBV 10						
Interest	36	34	32	30	28	6
Repayment	97	97	97	97	97	1,249
UniCredit Bank AG, BBV 10						
Interest	150	143	137	130	124	29
Repayment	317	317	317	317	317	5,714
Bayerische Beamten Lebensversicherung a.G. amortising loan, BBV 10						
Interest	818	770	720	667	613	556
Repayment	1,241	1,290	1,341	1,394	1,449	14,266
Westdeutsche Immobilienbank amortising loan, Fair Value REIT-AG						
Interest	66					
Repayment	1,908					
Sparkasse Südholstein amortising loan, IC 15						
Interest	203	197	191	184	179	17
Repayment	221	227	234	240	247	6,321
Trade payables and other liabilities	19,887					
Total	**96,264**	**73,566**	**91,212**	**311,621**	**81,110**	**145,882**

It is assumed that no conversions of the 2013/2018 convertible bonds and 2015/18 mandatory convertible bonds will take place before maturity.

Other financial obligations as at December 31, 2015, in the amount of approx. EURk 12,200 resulted from real estate purchase agreements concluded in the 2015 reporting period that have not closed as at the balance sheet date.

2. Related party disclosure

Related parties

Companies and persons are considered to be related if they have the ability to control DEMIRE and its subsidiaries or exercise significant influence over their financial and operating policies. The existing control relationships were taken into account to determine the degree of significant influence that related companies and persons have on the Company's financial and operating policies.

The group of related companies includes the fully consolidated subsidiaries and the joint ventures and associated companies accounted for using the equity method.

Moreover, due to their significant influence, the following key personnel of the parent company are considered to be related persons as defined by IAS 24:

- Members of DEMIRE's Executive Board (see Note I.4.a.) and their close relatives,
- Members of DEMIRE's Supervisory Board (see Note I.4.b.) and their close relatives.

Legal transactions with related companies and persons

In the fiscal year under review, transactions with related parties were exclusively carried out at customary market conditions.

The transactions, revenues and rendering of services between the parent company and its subsidiaries were settled in the same manner as those between unrelated parties and eliminated in the context of consolidation. Therefore, they are not explained in the notes.

Business transactions with members of management holding key positions at the Company did not occur in the reporting period other than the following two business transactions: To acquire an interest in Logistikpark Leipzig GmbH, DEMIRE increased its share capital by EUR 2,541,149 against contribution in kind. M1 Beteiligungs GmbH, Berlin, was admitted to subscribe to the new shares in return for a contribution in kind consisting of a 94 % interest in Logistikpark Leipzig GmbH. In addition to the shares, a cash component of roughly EUR 18.6 million was also agreed to as part of the purchase price. In the context of the capital increase, each new DEMIRE share was assigned a value of EUR 5.84, resulting in a calculated total purchase price of EURk 33,173. One Supervisory Board member holds an indirect interest in M1 Beteiligungs GmbH, which, in turn, holds a non-controlling interest in DEMIRE. One DEMIRE Supervisory Board member holds an interest in a company that provided asset management services for DEMIRE's foreign properties during the reporting year and invoiced a total of EURk 113.

As far as other transactions with members in key positions, reference is made to the discussion on the remuneration of the Executive Board in Note I.4.a.

The following balances exist with respect to associated companies:

	31/12/2015	31/12/2014
	In EURk	
Financial receivables and other financial assets	116	48
Trade payables and other liabilities	0	146
Current financial liabilities	0	12

With respect to financial receivables and other financial assets, reference is made to Note E.2.3. Trade payables and other liabilities concern the rental of office space and were offset in the reporting period with a loan granted by DEMIRE AG to SQUADRA Erste Immobilien GmbH and, therefore, amounted to EURk 0. Current financial liabilities concerns other financial liabilities.

The following balances exist with respect to joint ventures:

	31/12/2015	31/12/2014
	In EURk	
Loans to investments accounted for using the equity method	553	2.857
Financial receivables and other financial assets	480	921
Current financial liabilities	0	385

With regard to loans to investments accounted for using the equity method, reference is made to the discussion in Note E.1.6. With respect to financial receivables and other financial assets, reference is made to Note E.2.3. The balance of current financial liabilities concerns other financial liabilities.

There is no collateral for receivables due from associated companies and joint ventures.

Volume of business transactions with associated companies:

	01/01/2015 - 31/12/2015	01/04/2014 - 31/12/2014
	In EURk	
Financial receivables and other financial assets	68	51
Trade payables and other liabilities	146	10
Current financial liabilities	12	21

Volume of business transactions with joint ventures:

	01/01/2015 - 31/12/2015	01/04/2014 - 31/12/2014
	In EURk	
Financial receivables and other financial assets	2,304	308
Financial receivables and other financial assets	441	98
Current financial liabilities	385	0

Transactions underlying financial receivables and other financial assets resulted from the repayment of loans granted. Loans to investments accounted for using the equity method resulted from interest expenses for loans granted. The item current financial liabilities includes other financial liabilities.

3. Auditor's fee

The auditor's fee for Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt charged in the fiscal year related to the subgroups DEMIRE and Fair Value REIT consisted of the following (prior year amounts include value-added taxes):

	01/01/2015 - 31/12/2015	01/04/2014 - 31/12/2014
	In EURk	
Auditing services	681	444
Other assurance services	1,740	0
Tax consultation services	0	0
Other services	26	0
	2,447	**444**

Of the fee of EURk 681 for auditing services recognised in the reporting year, an amount of EURk 74 relates to fees for auditing services for the 2014 fiscal year.

Other assurance services include the submission of a comfort letter in the context of a prospectus related to the acquisition of shares in Fair Value REIT-AG, of which EURk 795 were offset against capital reserves as costs to raise equity.

4. Executive Board, Supervisory Board and employees

a. Executive Board

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

In the fiscal year under review, the Executive Board consisted of the following members:

- Mr. Hon.-Prof. Andreas Steyer, CEO,
- Mr. Markus Drews, COO.

Mr. Frank Schaich, CFO, who was appointed as a member of the Executive Board on February 1, 2016.

In the 2015 fiscal year, DEMIRE AG recognised variable remuneration in the amount of EURk 313 (previous year: EURk 27), fixed remuneration of EURk 464 (previous year: EURk 196) and share-based payments of EURk 444 (previous year: EURk 0) for the members of the Executive Board. These amounts are divided as follows:

	2015	2014
Hon.-Prof. Andreas Steyer	660	205
Markus Drews	561	18
Executive Board compensation	**1,221**	**223**

Executive Board compensation in the fiscal year breaks down as follows:

	2015	2014
	In EURk	
Short-term benefits	547	223
Share-based payments	444	0
Other long-term benefits	230	0
Executive Board compensation	**1,221**	**223**

Hon.-Prof. Andreas Steyer receives a time-proportionate entitlement to a multi-year bonus if the performance period for the determination of the multi-year bonus has existed for at least twenty-four months.

There were no pension obligations, payments related to termination of employment or post-employment benefits for active and former Executive Board members in the reporting year.

The members of the Executive Board were not granted any loans or advances and no contingencies were assumed for their benefit.

b. Supervisory Board

The following provides the names, professions and remuneration of the Company's Supervisory Board members during the past fiscal year.

Name	Position	Profession	Period	Remuneration fiscal year 2015 (EURk)*	Remuneration abbreviated 2014 fiscal year (EURk)*
Prof. Dr. Hermann Anton Wagner	Chairman	Independent auditor and tax consultant	Since April 17, 2013	135	30
Dr. Peter Maser	Deputy Chairman	Attorney at Law	Since January 12, 2015	90	0
Günther Walcher	Member	Entrepreneur	Since October 23, 2013	45	10
Dr. Dirk Hoffmann	Deputy Chairman	Independent Attorney at Law	Until December 31, 2014	0	23
Remuneration of the Supervisory Board				**270**	**63**

* Compensation excluding reimbursement of expenses and value-added tax

Supervisory Board members were also reimbursed for travel expenses in the amount of EURk 5 (previous year: EURk 5).

There were no pension obligations or long-term remuneration components owed to active or former Supervisory Board members as at December 31, 2015.

The members of the Executive Board were not granted any loans or advances and no contingencies were assumed for their benefit.

c. Employees

The number of employees as at the balance sheet date was as follows:

	31/12/2015	31/12/2014
Executive Board members	2	2
Permanent employees	54	7
	56	**9**

The average number of employees in the 2015 fiscal year was 38 (abbreviated 2014 fiscal year: 6). Of the 54 permanent employees, 15 (11 based on year's average) were employed by PANACEA Property GmbH and PRAEDIA GmbH, which are not consolidated for reasons of materiality and which provide asset and facility management services to DEMIRE Group

companies. These newly acquired subsidiaries are of minor importance for the consolidated financial statements under IFRS and are therefore not included in the IFRS consolidated financial statements as of December 31, 2015, for reasons of materiality.

d. Share-based payments

With the consent of the Supervisory Board, the Executive Board is authorised until December 31, 2015, ("issue period") as detailed in the following provisions under the 2015 stock option plan to issue up to 1,000,000 stock options with subscription rights for shares of DEMIRE AG with a vesting period of four years and an exercise period of another five years ("the exercise period") provided that each stock option entitles its holder to subscribe for one share of the Company. With regard to the issue of stock options to members of the Executive Board of the Company, this authorisation is limited only to the Supervisory Board.

The beneficiaries and the amount of stock options for subscription offered to these beneficiaries are to be determined by the Executive Board of the Company with the consent of the Supervisory Board. To the extent members of the Executive Board of the Company are to receive stock options, the determination and the issue of these options will be governed by the Supervisory Board.

The following amount of stock options may be issued:

- a total of up to 800,000 stock options (80 %) to members of the Executive Board, and
- a total of up to 200,000 stock options (20 %) to selected employees of the Company or directors or employees of Group companies.

The subscription rights arising from the stock options can be exercised for the first time upon the expiration of the statutory vesting period of four years according to Section 193 para. 2 no. 4 AktG. The vesting period starts after the issue of the stock options (day of receipt of the beneficiary's statement of subscription by the Company or by the credit institution commissioned by the Company for the settlement).

The relevant exercise price for one share of the Company upon the exercise of the stock options corresponds to at least 100 % of the basis price. The basis price is the share price of the Company at the time of the resolution of the Executive Board on the issue of stock option rights and, in the case of the issue of stock options to members of the Executive Board, at the time of the resolution of the Supervisory Board. The relevant share price is the average closing price of the Company's shares in XETRA trading on the Frankfurt Stock Exchange (or a comparable successor system) on the last ten stock exchange trading days before the resolution is made on the issue of stock options.

The exercise of the subscription rights is subject to the Company's share price in XETRA trading on the Frankfurt Stock Exchange (or a comparable successor system) being at least 10 % higher than the basis price on the day preceding the exercise of the subscription rights.

The accounting of share-based payments is governed by IFRS 2 "Share-based Payment". The 2015 stock option plan is to be classified as "equity-settled share-based payments". Under IFRS 2, the total staff costs arising from the stock options are to be distributed over the four-year vesting period starting from the grant date. In the case of DEMIRE AG, the grant date is the day the approval is given by the Executive Board and/or Supervisory Board.

The value of compensation based on real stock options according to the Black-Scholes Model is determined by the fair value of the options at the grant date pursuant to IFRS 2.10. In the case of DEMIRE AG, the grant date is the day the options were issued (April 7, 2015 and December 9, 2015).

The following vesting conditions are relevant for the accounting of the stock-based compensation programme:

- The four-year vesting period represents a so-called service condition since only a specified period of service in the Company must be completed.
- The exercise condition of a closing share price exceeding the basis price by at least 10 % on the day preceding the exercise is classified as a performance condition since meeting the condition is based on a performance target. The performance conditions are to be divided into market conditions and non-market conditions. In the case of DEMIRE AG, the exercise condition is to be classified a market performance condition as it is explicitly related to the Company's share price. Such a market performance condition is reflected in the valuation of the option exclusively by means of a probability calculation performed at the grant date.

During the reporting period until the balance sheet date, a total of 1,000,000 stock options were granted, of which 800,000 stock options were granted in the first tranche to members of the Executive Board and 160,000 to selected Company and Group company employees. The fair value of each option from the first tranche was EUR 2.74. In the fourth quarter, a total of 60,000 stock options were newly issued in a second tranche, net of stock options that were returned by employees who had left the Company (20,000 stock options). The fair value of each option from the second tranche was EUR 1.99.

The calculation of the option's fair value as at the date of issue of the first and second tranche was based on the following parameters:

CALCULATION PARAMETERS	1st tranche	2nd tranche
Dividend yield (%)	0.00	0.00
Expected volatility (%)[1)]	60.40	46.25
Risk-free interest rate (%)	0.50	0.80
Term of the option (years)	9.00	9.00
Weighted average share price (EUR)	4.258	3.76
Option price (EUR)	2.74	1.99

1) 180-day historical volatility

Staff costs recognised in the reporting period from the "2015 Stock Option Plan" amounted to EURk 434 and were recognised directly in equity under general and administrative expenses.

5. Subsequent events

The following significant events impacting DEMIRE's net assets, financial position and results of operations took place subsequent to the end of the fiscal year:

On January 13, 2016, the Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG completed the acquisition of a 94.9 % stake in Kurfürster Immobilien GmbH, Kassel, which had been signed in July 2015. The property, located in the centre of Hesse's third largest city, is predominantly used for retail purposes and has a total space of approximately 21,000 m². The property also includes one of Kassel's largest parking garages with around 600 parking spaces. As the first shopping mall in Kassel in the year 1991, the commercial property's contractual net rental income, excluding utilities, amounts to roughly EUR 3.9 million on an annual basis. Tenants include retail stores, a hotel, casino, offices and professional practices. This transaction strengthened DEMIRE's commitment in retail properties—the Company's third asset class alongside office and logistics. With the completion of this transaction, all of the acquisitions and transactions announced in 2015 were completed, including the takeover of Fair Value REIT-AG.

Based on a purchase agreement dated January 29, 2016, the property located in Tornesch at Willy-Meyer-Str. 3-5 was sold by Fair Value REIT. The purchase price of EUR 0.65 million is 10 % higher than the expert appraised market value as per December 31, 2015 of EUR 0.59 million and was paid in full on March 16, 2016.

The creditors of the convertible bond issued by Fair Value REIT-AG on January 19, 2015 with a principal amount of EUR 8.46 million yielding 4.5 % p.a. and maturing as at January 19, 2020 have requested by declaration on February 9, 2016 and in accordance with the bonds terms and conditions, early redemption in the amount of 103 % of the nominal value plus accrued interest as of the effective date (February 19, 2016) as a result of the change of control at Fair Value REIT-AG which occurred on December 21, 2015. The corresponding amount of around EUR 8.75 million was paid on time on February 19, 2016. The refinancing of the redemption amount was made through two loans. The loan issued to Fair Value REIT-AG from CapitalBank—GRAWE Group AG, Graz, is a bullet loan with a term of three years until February 15, 2019 in the amount of EUR 7.0 million, less a processing fee of 1 %, at a variable interest rate of 3-month EURIBOR plus a margin of 400 basis points and a minimum interest of 4.0 % p.a. About 25 % of this loan is secured by mortgages with the remainder secured by pledged shares and other assets. The loan from Stadt-Sparkasse Langenfeld to Fair Value REIT-AG is a mortgage-secured loan of EUR 2.0 million with a term until March 30, 2020, bearing 1.69 % interest p.a. The loan is to be redeemed with 3.0 % p.a. plus accrued interest.

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

By decision of the District Court, the Executive Board members of DEMIRE AG Hon.-Prof. Andreas Steyer and Markus Drews were appointed as members of Fair Value REIT-AG's Supervisory Board effective March 1, 2016. In the constituent Supervisory Board meeting of Fair Value REIT-AG, Mr. Drews was elected deputy chairman of the Supervisory Board.

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

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

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

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

In 2016, prior to the publication of the consolidated financial statements, a total of 14,937 convertible bonds was converted into no-par value share of DEMIRE Deutsche Mittelstand Real Estate AG. As at April 30, 2016, this represented a notional interest in the share capital of roughly 0.03 %.

6. Declaration of Conformity with the "German Corporate Governance Code"

The statement required under Section 161 AktG with regard to the German Corporate Governance Code is made available by the Company to shareholders once per calendar year. The Declaration of Conformity with the German Corporate Governance Code was issued on April 29, 2016, and made permanently available to shareholders on DEMIRE's website under the section titled
"Company"(http://www.demire.ag/files/demire_ag_entsprechenserklaerung____161_aktg_2015-de.pdf).

On January 26, 2016, the Executive Board and Supervisory Board of Fair Value REIT-AG submitted the current Declaration of Conformity in accordance with Section 161 AktG. The declaration was made available to shareholders of Fair Value REIT-AG on the Company's website at
(http://www.fvreit.de/investor-relations/corporate-governance/entsprechens-erklaerung/entsprechenserklaerung.html).

7. Release for publication

These consolidated financial statements were prepared by the Executive Board on May 13, 2016, and have been released for publication.

Frankfurt am Main, May 13, 2016

DEMIRE Deutsche Mittelstand Real Estate AG

Hon.-Prof. Andreas Steyer	**Dipl.-Kfm. (FH) Markus Drews**	**Frank Schaich**
Speaker of the Executive Board (CEO)	Member of the Executive Board (COO)	Member of the Executive Board (CFO)

APPENDIX 1: SCOPE OF CONSOLIDATION

GROUP COMPANIES			Group's interest in capital	Date of inception / acquisition	Acquisition cost EURk	Fiscal year
Directly held interests:						
GERMANY						
DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt am Main	Parent company	acquired	100.00 %[2]	28/10/2009	21,160	01/01/2015 – 31/12/2015
Glockenhofcenter Objektgesellschaft mbH	Subsidiary	acquired	94.90 %[2]	01/02/2015	36	01/01/2015 – 31/12/2015
Hanse-Center Objektgesellschaft mbH	Subsidiary	acquired	94.90 %[2]	01/02/2015	790	01/01/2015 – 31/12/2015
Logistikpark Leipzig GmbH	Subsidiary	acquired	94.00 %[2]	01/07/2015	33,329	01/01/2015 – 31/12/2015
DEMIRE Immobilien Management GmbH	Subsidiary	acquired	100.00 %	14/01/2015	20	01/01/2015 – 31/12/2015
Panacea Property GmbH	Subsidiary	acquired	51.00 %[3]	17/03/2015	13	01/01/2015 – 31/12/2015
Praedia GmbH	Subsidiary	acquired	51.00 %[2]	17/03/2015	7	01/01/2015 – 31/12/2015
Fair Value REIT AG	Subsidiary	acquired	77.70 %[2]	21/12/2015	21,928	01/01/2015 – 31/12/2015
FVR Beteiligungsgesellschaft Erste mbH	Subsidiary	acquired	100.00 %	01/10/2015	25	01/01/2015 – 31/12/2015
FVR Beteiligungsgesellschaft Zweite mbH	Subsidiary	acquired	100.00 %	01/10/2015	25	01/01/2015 – 31/12/2015
FVR Beteiligungsgesellschaft Dritte mbH	Subsidiary	acquired	100.00 %	01/10/2015	25	01/01/2015 – 31/12/2015
FVR Beteiligungsgesellschaft Vierte mbH	Subsidiary	acquired	100.00 %	01/10/2015	25	01/01/2015 – 31/12/2015
FVR Beteiligungsgesellschaft Fünfte mbH	Subsidiary	acquired	100.00 %	01/10/2015	25	01/01/2015 – 31/12/2015
FVR Beteiligungsgesellschaft Sechste mbH	Subsidiary	acquired	100.00 %	01/10/2015	25	01/01/2015 – 31/12/2015
FVR Beteiligungsgesellschaft Siebente mbH	Subsidiary	acquired	100.00 %	01/10/2015	25	01/01/2015 – 31/12/2015
FVR Beteiligungsgesellschaft Achte mbH	Subsidiary	acquired	100.00 %	01/10/2015	25	01/01/2015 – 31/12/2015
FVR Beteiligungsgesellschaft Neunte mbH	Subsidiary	acquired	100.00 %	01/10/2015	25	01/01/2015 – 31/12/2015
UnDirectly held interests:						
GERMANY						
SQUADRA Immobilien GmbH & Co. KGaA	Associated company	acquired	24.58 %	29/10/2009	N/A[4]	01/01/2015 – 31/12/2015
DEMIRE Commercial Real Estate GmbH	Subsidiary	acquired	100.00 %	21/10/2008	25	01/01/2015 – 31/12/2015

GROUP COMPANIES			Group's interest in capital	Date of inception / acquisition	Acquisition cost EURk	Fiscal year
UnDirectly held interests:						
GERMANY						
DEMIRE Commercial Real Estate ZWEI GmbH	Subsidiary	acquired	100.00 %	20/08/2014	25	01/01/2015 – 31/12/2015
DEMIRE CONDOR Properties Management GmbH	Subsidiary	acquired	100.00 %	17/10/2014	28	01/01/2015 – 31/12/2015
DEMIRE Commercial Real Estate DREI GmbH	Subsidiary	acquired	100.00 %	07/05/2015	25	01/01/2015 – 31/12/2015
DEMIRE Commercial Real Estate VIER GmbH	Subsidiary	acquired	100.00 %	07/05/2015	25	01/01/2015 – 31/12/2015
DEMIRE Commercial Real Estate FÜNF GmbH	Subsidiary	acquired	100.00 %	07/05/2015	25	01/01/2015 – 31/12/2015
DEMIRE Commercial Real Estate SECHS GmbH	Subsidiary	acquired	100.00 %		25	01/01/2015 – 31/12/2015
Directly held interests:						
GERMANY						
IC Fonds & Co. Büropark Teltow KG („IC 07“)	Subsidiary	acquired	60.74 %	21/12/2015	N/A[5]	01/01/2015 – 31/12/2015
IC Fonds & Co. Gewerbeportfolio Germany 13. KG („IC 13“)	Subsidiary	acquired	44.58 %	21/12/2015	N/A[5]	01/01/2015 – 31/12/2015
IC Fonds & Co. SchmidtBank- Passage KG („IC 12“)	Subsidiary	acquired	41.86 %	21/12/2015	N/A[5]	01/01/2015 – 31/12/2015
BBV Immobilien-Fonds Nr. 14 GmbH & Co. KG („BBV 14“)	Subsidiary	acquired	39.13 %	21/12/2015	N/A[5]	01/01/2015 – 31/12/2015
BBV Immobilien-Fonds Nr. 3 GmbH & Co. KG („BBV 03“)	Subsidiary	acquired	62.20 %	21/12/2015	N/A[5]	01/01/2015 – 31/12/2015
BBV Immobilien-Fonds Nr. 6 GmbH & Co. KG („BBV 06“)	Subsidiary	acquired	47.98 %	21/12/2015	N/A[5]	01/01/2015 – 31/12/2015
BBV Immobilien-Fonds Nr. 8 GmbH & Co. KG („BBV 08“)	Subsidiary	acquired	45.08 %	21/12/2015	N/A[5]	01/01/2015 – 31/12/2015
GP Value Management GmbH („GPVM“)	Subsidiary	acquired	77.70 %	21/12/2015	N/A[5]	01/01/2015 – 31/12/2015
BBV 3 Geschäftsführungs-GmbH & Co. KG („FV03“)	Subsidiary	acquired	77.70 %	21/12/2015	N/A[5]	01/01/2015 – 31/12/2015
BBV 6 Geschäftsführungs-GmbH & Co. KG („FV06“)	Subsidiary	acquired	77.70 %	21/12/2015	N/A[5]	01/01/2015 – 31/12/2015
BBV 9 Geschäftsführungs-GmbH & Co. KG („FV09“)	Subsidiary	acquired	77.70 %	21/12/2015	N/A[5]	01/01/2015 – 31/12/2015
BBV 10 Geschäftsführungs-GmbH & Co. KG („FV10“)	Subsidiary	acquired	77.70 %	21/12/2015	N/A[5]	01/01/2015 – 31/12/2015
BBV 14 Geschäftsführungs-GmbH & Co. KG („FV14“)	Subsidiary	acquired	77.70 %	21/12/2015	N/A[5]	01/01/2015 – 31/12/2015

GROUP COMPANIES			Group's interest in capital	Date of inception / acquisition	Acquisition cost EURk	Fiscal year
BBV Immobilien-Fonds Erlangen GbR („BBV 02")	Subsidiary	acquired	32.65 %	21/12/2015	N/A[5]	01/01/2015 – 31/12/2015
Directly held interests:						
GERMANY						
BBV Immobilien-Fonds Nr. 10 GmbH & Co. KG („BBV 10")	Subsidiary	acquired	34.54 %	21/12/2015	N/A[5]	01/01/2015 – 31/12/2015
IC Fonds & Co. Gewerbeobjekte Germany 15. KG („IC 15")	Subsidiary	acquired	37.46 %	21/12/2015	N/A[5]	01/01/2015 – 31/12/2015
SQUADRA Erste Immobilien GmbH	Associated company	acquired	24.58 %[1]	29/10/2009	N/A[4]	01/01/2015 – 31/12/2015
SQUADRA Management GmbH	Associated company	acquired	24.58 %[1]	29/10/2009	N/A[4]	01/01/2015 – 31/12/2015
DEMIRE Real Estate München 1 GmbH	Subsidiary	acquired	100.00 %	27/11/2013	27	01/01/2015 – 31/12/2015
CAM Commercial Asset Management EINS GmbH	Subsidiary	acquired	100.00 %	31/12/2014	26,625	01/01/2015 – 31/12/2015
CAM Commercial Asset Management ZWEI GmbH	Subsidiary	acquired	100.00 %	31/12/2014	7,663	01/01/2015 – 31/12/2015
CAM Commercial Asset Management DREI GmbH	Subsidiary	acquired	100.00 %	31/12/2014	9,830	01/01/2015 – 31/12/2015
CAM Commercial Asset Management VIER GmbH	Subsidiary	acquired	100.00 %	31/12/2014	8,139	01/01/2015 – 31/12/2015
Schwerin Margaretenhof 18 GmbH	Subsidiary	acquired	94.90 %	31/12/2014	1,599	01/01/2015 – 31/12/2015
DEMIRE Objektgesellschaft Worms GmbH	Subsidiary	acquired	94.00 %	29/10/2009	N/A[4]	01/01/2015 – 31/12/2015
TGA Immobilien Erwerb 1 GmbH	Subsidiary	acquired	100.00 %	03/03/2015	468	01/01/2015 – 31/12/2015
DEMIRE Holding EINS GmbH	Subsidiary	acquired	100.00 %	20/08/2014	25	01/01/2015 – 31/12/2015
Condor Real Estate Management EINS GmbH	Subsidiary	acquired	100.00 %	20/08/2014	25	01/01/2015 – 31/12/2015
Condor Real Estate Management ZWEI GmbH	Subsidiary	acquired	100.00 %	20/08/2014	25	01/01/2015 – 31/12/2015
Condor Real Estate Management DREI GmbH	Subsidiary	acquired	100.00 %	20/08/2014	25	01/01/2015 – 31/12/2015
CONDOR Objektgesellschaft Eschborn GmbH	Subsidiary	acquired	94.00 %	15/12/2014	1,550	01/01/2015 – 31/12/2015
CONDOR Objektgesellschaft Bad Kreuznach GmbH	Subsidiary	acquired	94.00 %	15/12/2014	113	01/01/2015 – 31/12/2015
Condor Real Estate Management FÜNF GmbH	Subsidiary	acquired	100.00 %	05/06/2014	25	01/01/2015 – 31/12/2015

GROUP COMPANIES			Group's interest in capital	Date of inception / acquisition	Acquisition cost EURk	Fiscal year
CONDOR Objektgesellschaft Düsseldorf GmbH	Subsidiary	acquired	94.00 %	15/12/2014	793	01/01/2015 – 31/12/2015
CONDOR Objektgesellschaft Rendsburg GmbH	Subsidiary	acquired	94.00 %	30/09/2014	152	01/01/2015 – 31/12/2015
Directly held interests:						
GERMANY						
CONDOR Objektgesellschaft Bad Oeynhausen GmbH	Subsidiary	acquired	94.00 %	30/09/2014	160	01/01/2015 – 31/12/2015
CONDOR Objektgesellschaft Lichtenfels GmbH	Subsidiary	acquired	94.00 %	30/09/2014	194	01/01/2015 – 31/12/2015
CONDOR Objektgesellschaft YELLOW GmbH	Subsidiary	acquired	94.00 %	30/09/2014	1,387	01/01/2015 – 31/12/2015
Undirectly held interests:						
FOREIGN COUNTRIES						
Sihlegg Investments Holding GmbH	Subsidiary	acquired	94.00 %	27/05/2015	4,016	01/01/2015 – 31/12/2015
Lumpsum Eastern European Participations C.V.	Subsidiary	acquired	94.00 %	29/01/2012	N/A[4]	01/01/2015 – 31/12/2015
MAGNAT Investment II B.V.	Subsidiary	acquired	100.00 %	29/10/2009	N/A[4]	01/01/2015 – 31/12/2015
MAGNAT Investment IV B.V.	Subsidiary	acquired	100.00 %	29/10/2009	N/A[4]	01/01/2015 – 31/12/2015
R-Quadrat Polska Alpha sp.z o.o.	Joint venture	acquired	50.00 %	15/12/2014	N/A[4]	01/01/2015 – 31/12/2015
Directly held interests:						
FOREIGN COUNTRIES						
MAGNAT Investment I B.V.	Subsidiary	acquired	99.64 %	29/10/2009	N/A[4]	01/01/2015 – 31/12/2015
R-Quadrat Bulgaria EOOD	Subsidiary	acquired	100.00 %	29/10/2009	N/A[4]	01/01/2015 – 31/12/2015
SC Victory International Consulting s.r.l.	Subsidiary	acquired	100.00 %	29/10/2009	N/A[4]	01/01/2015 – 31/12/2015
Irao Magnat Digomi LLC	Subsidiary	acquired	75.00 %[2]	29/10/2009	N/A[4]	01/01/2015 – 31/12/2015
Irao Magnat 28/2 LLC	Joint venture	acquired	50.00 %[2]	29/10/2009	N/A[4]	01/01/2015 – 31/12/2015
Magnat Tblisi Office LLC	Subsidiary	acquired	100.00 %	29/10/2009	N/A[4]	01/01/2015 – 31/12/2015
Magnat Tblisi Residential 1 LLC	Subsidiary	acquired	100.00 %	29/10/2009	N/A[4]	01/01/2015 – 31/12/2015
IRAO Magnat Gudiashvilli LLC	Joint venture	acquired	50.00 %[3]	04/04/2011	N/A[4]	01/01/2015 – 31/12/2015

GROUP COMPANIES			Group's interest in capital	Date of inception / acquisition	Acquisition cost EURk	Fiscal year
MAGNAT Capital Markets GmbH	Subsidiary	acquired	100.00 %	05/05/2009	35	01/01/2015 – 31/12/2015
GO Leonberg ApS, Denmark	Subsidiary	acquired	94.00 %	11/12/2014	59	01/01/2015 – 31/12/2015
GO Bremen ApS, Denmark	Subsidiary	acquired	94.00 %	11/12/2014	221	01/01/2015 – 31/12/2015
Directly held interests:						
FOREIGN COUNTRIES						
GO Ludwigsburg ApS	Subsidiary	acquired	94.00 %	11/12/2014	45	01/01/2015 – 31/12/2015
Armstripe S.à.r.l.	Subsidiary	acquired	94.00 %	11/12/2014	408	01/01/2015 – 31/12/2015
Blue Ringed S.à.r.l.	Subsidiary	acquired	94.00 %	11/12/2014	118	01/01/2015 – 31/12/2015
Briarius S.à.r.l.	Subsidiary	acquired	94.00 %	11/12/2014	90	01/01/2015 – 31/12/2015
Reubescens S.à.r.l.	Subsidiary	acquired	94.00 %	11/12/2014	89	01/01/2015 – 31/12/2015
Denston Investments Ltd.	Subsidiary	acquired	94.00 %	11/12/2014	83	01/01/2015 – 31/12/2015
Germavest Real Estate S.à.r.l.	Subsidiary	acquired	94.00 %	30/10/2015	28,986	01/01/2015 – 31/12/2015

[1] Interests are held indirectly through DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main.

[2] Interests are held indirectly through MAGNAT Investment I B.V., Hardinxveld Giessendam, Netherlands, and Lumpsum Eastern European Participations C.V., Osterhout, Netherlands. The Group holds a total of 50 % in Irao Magnat 28/2 LLC through numerous group companies.

[3] Interests are held indirectly through MAGNAT Investment IV B.V., Hardinxveld Giessendam, Netherlands.

[4] No disclosure was made because the relevant companies were acquired indirectly as part of the reverse acquisition.

[5] No disclosure was made because the relevant companies were acquired in the context of the acquisition of Fair Value REIT-AG.

APPENDIX 2: SCHEDULE OF SHAREHOLDINGS PURSUANT TO SECTION 313 PARA. 2 HGB

COMPANY	Type	Head office	Fiscal year	Equity in EURk	Interest in capital in %[1]	Profit/ loss of last fiscal year
DEMIRE Deutsche Mittelstand Real Estate AG	Group parent company	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	111,507		-26,276
Glockenhofcenter Objektgesellschaft mbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	3,038	94.9	-141
Hanse-Center Objektgesellschaft mbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	12,351	94.9	-82
Sihlegg Investments Holding GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	-358	94	-148
Logistikpark Leipzig GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	1,761	94	140
DEMIRE Immobilien Management GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	25	100	3
Panacea Property GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	10	51	0
Praedia GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	97	51	72
Fair Value REIT AG	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	83,439	77.7	-1,968
IC Fonds & Co. Büropark Teltow KG („IC 07“)	Subsidiary	Germany, Munich	01/01/2015 – 31/12/2015	8,295	60.74	230
IC Fonds & Co. Gewerbeportfolio Deutschland 13. KG („IC 13“)	Subsidiary	Germany, Munich	01/01/2015 – 31/12/2015	135	44.58	1,431
IC Fonds & Co. SchmidtBank-Passage KG („IC 12“)	Subsidiary	Germany, Munich	01/01/2015 – 31/12/2015	5,922	41.86	169
BBV Immobilien-Fonds Nr. 14 GmbH & Co. KG („BBV 14“)	Subsidiary	Germany, Munich	01/01/2015 – 31/12/2015	7,237	39.13	1,050
BBV Immobilien-Fonds Nr. 3 GmbH & Co. KG („BBV 03“)	Subsidiary	Germany, Munich	01/01/2015 – 31/12/2015	81	62.20	1,646
BBV Immobilien-Fonds Nr. 6 GmbH & Co. KG („BBV 06“)	Subsidiary	Germany, Munich	01/01/2015 – 31/12/2015	9,905	47.98	2,893
BBV Immobilien-Fonds Nr. 8 GmbH & Co. KG („BBV 08“)	Subsidiary	Germany, Munich	01/01/2015 – 31/12/2015	21,573	45.08	1,385
GP Value Management GmbH („GPVM“)	Subsidiary	Germany, Munich	01/01/2015 – 31/12/2015	47	77.70	3
BBV 3 Geschäftsführungs-GmbH & Co. KG („FV03“)	Subsidiary	Germany, Munich	01/01/2015 – 31/12/2015	44	77.70	12
BBV 6 Geschäftsführungs-GmbH & Co. KG („FV06“)	Subsidiary	Germany, Munich	01/01/2015 –	42	77.70	13

COMPANY	Type	Head office	Fiscal year	Equity in EURk	Interest in capital in %[1]	Profit/ loss of last fiscal year
BBV 9 Geschäftsführungs-GmbH & Co. KG („FV09“)	Subsidiary	Germany, Munich	31/12/2015 01/01/2015 – 31/12/2015	67	77.70	33
BBV 10 Geschäft sführungs-GmbH & Co. KG („FV10“)	Subsidiary	Germany, Munich	01/01/2015 – 31/12/2015	41	77.70	10
BBV 14 Geschäftsführungs-GmbH & Co. KG („FV14“)	Subsidiary	Germany, Munich	01/01/2015 – 31/12/2015	38	77.70	11
BBV Immobilien-Fonds Erlangen GbR („BBV 02“)	Subsidiary	Germany, Munich	01/01/2015 – 31/12/2015	306	32.65	-27
BBV Immobilien-Fonds Nr. 10 GmbH & Co. KG („BBV 10“)	Subsidiary	Germany, Munich	01/01/2015 – 31/12/2015	11,723	34.54	2,127
IC Fonds & Co. Gewerbeobjekte Deutschland 15. KG („IC 15“)	Subsidiary	Germany, Munich	01/01/2015 – 31/12/2015	15,128	37.46	1,700
FVR Beteiligungsgesellschaft Erste mbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	24	100	0
FVR Beteiligungsgesellschaft Zweite mbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	24	100	0
FVR Beteiligungsgesellschaft Dritte mbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	24	100	0
FVR Beteiligungsgesellschaft Vierte mbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	24	100	0
FVR Beteiligungsgesellschaft Fünfte mbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	24	100	0
FVR Beteiligungsgesellschaft Sechste mbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	24	100	0
FVR Beteiligungsgesellschaft Siebente mbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	24	100	0
FVR Beteiligungsgesellschaft Achte mbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	24	100	0
FVR Beteiligungsgesellschaft Neunte mbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	24	100	0
Lumpsum Eastern European Participations C.V.	Subsidiary	Netherlands, Osterhout	01/01/2015 – 31/12/2015	-7	94	0
MAGNAT Investment I B.V.	Subsidiary	Netherlands, Hardinxveld Giessendamm	01/01/2015 – 31/12/2015	38	99.64	-14
R-Quadrat Bulgaria EOOD	Subsidiary	Bulgaria, Sofia	01/01/2015 – 31/12/2015	251	100	-15
SC Victory International Consulting s.r.l.	Subsidiary	Romania, Bucharest	01/01/2015 – 31/12/2015	1,040	100	-18
Irao Magnat Digomi LLC	Subsidiary	Georgia, Tbilisi	01/01/2015 –	-1,550	75	-626

COMPANY	Type	Head office	Fiscal year	Equity in EURk	Interest in capital in %[1]	Profit/ loss of last fiscal year
Irao Magnat 28/2 LLC	Joint venture	Georgia, Tbilisi	31/12/2015 01/01/2015 – 31/12/2015	-236	50	0
Magnat Tblisi Office LLC	Subsidiary	Georgia, Tbilisi	01/01/2015 – 31/12/2015	44	100	0
Magnat Tblisi Residential 1 LLC	Subsidiary	Georgia, Tbilisi	01/01/2015 – 31/12/2015	-1	100	-1
MAGNAT Investment II B.V.	Subsidiary	Netherlands, Hardinxveld Giessendamm	01/01/2015 – 31/12/2015	-2,178	100	-7,960
MAGNAT Investment IV B.V.	Subsidiary	Netherlands, Hardinxveld Giessendamm	01/01/2015 – 31/12/2015	325	100	-8
IRAO Magnat Gudiashvilli LLC	Joint venture	Georgia, Tbilisi	01/01/2015 – 31/12/2015	58	50	-33
R-Quadrat Polska Alpha sp.z o.o.	Joint venture	Poland, Warsaw	01/01/2015 – 31/12/2015	-12,099	50	-756
SQUADRA Immobilien GmbH & Co. KGaA	assoziiertes Unternehmen	Germany, Frankfurt/Main	01/04/2015 – 31/03/2015	13,949	24.58	183
SQUADRA Erste Immobilien GmbH	Associated company [3]	Germany, Frankfurt/Main	01/04/2015 – 31/03/2015	795	100	-2,565
SQUADRA Management GmbH	Associated company [3]	Germany, Frankfurt/Main	01/04/2015 – 31/03/2015	9	100	-5
DEMIRE Commercial Real Estate GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	9,714	100	0
DEMIRE Real Estate München 1 GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	21	100	0
CAM Commercial Asset Management EINS GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	8,949	100	151
CAM Commercial Asset Management ZWEI GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	-432	100	-159
CAM Commercial Asset Management DREI GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	-329	100	22
CAM Commercial Asset Management VIER GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	-443	100	-149
Schwerin Margaretenhof 18 GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	172	94.90	456
DEMIRE Commercial Real Estate ZWEI GmbH	Subsidiary	Germany, Frankfurt/Main		5	100	-20
DEMIRE Objektgesellschaft Worms GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 –	3,737	94	275

COMPANY	Type	Head office	Fiscal year	Equity in EURk	Interest in capital in %[1]	Profit/ loss of last fiscal year
TGA Immobilien Erwerb 1 GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	-140	100	-162
MAGNAT AM GmbH	Subsidiary	Austria, Vienna	01/01/2015 – 31/12/2015	934	100	-22
Magnat Asset Management GmbH	Subsidiary[2]	Austria, Vienna	01/01/2015 – 31/12/2015	3,225	100	-406
MAGNAT Capital Markets GmbH	Subsidiary	Austria, Vienna	01/01/2015 – 31/12/2015	374	100	-6
DEMIRE CONDOR Properties Management GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	-88	100	-107
DEMIRE Holding EINS GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	-9,065	100	-4,131
Condor Real Estate Management EINS GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	1,002	100	977
GO Leonberg ApS, Denmark	Subsidiary	Denmark, Copenhagen	01/01/2015 – 31/12/2015	-3,928	94	-333
GO Bremen ApS, Denmark	Subsidiary	Denmark, Copenhagen	01/01/2015 – 31/12/2015	-19,092	94	-2,137
GO Ludwigsburg ApS	Subsidiary	Denmark, Copenhagen	01/01/2015 – 31/12/2015	-2,638	94	111
Condor Real Estate Management ZWEI GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	1,325	100	1,300
Armstripe S.à.r.l.	Subsidiary	Luxembourg, Luxembourg	01/01/2015 – 31/12/2015	-11,098	94	-1,879
Blue Ringed S.à.r.l.	Subsidiary	Luxembourg, Luxembourg	01/01/2015 – 31/12/2015	-2,485	94	-400
Briarius S.à.r.l.	Subsidiary	Luxembourg, Luxembourg	01/01/2015 – 31/12/2015	-2,293	94	-381
Reubescens S.à.r.l.	Subsidiary	Luxembourg, Luxembourg	01/01/2015 – 31/12/2015	-3,134	94	-698
Condor Real Estate Management DREI GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	-55	100	0
Denston Investments Ltd.	Subsidiary	Cyprus, Nicosia	01/01/2015 – 31/12/2015	-1,717	94	4
CONDOR Objektgesellschaft Eschborn GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	91	94	0
CONDOR Objektgesellschaft Bad Kreuznach GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	25	94	0
Condor Real Estate Management FÜNF GmbH	Subsidiary	Germany,	01/01/2015 –	25	100	0

COMPANY	Type	Head office	Fiscal year	Equity in EURk	Interest in capital in %[1]	Profit/ loss of last fiscal year
		Frankfurt/Main	31/12/2015			
CONDOR Objektgesellschaft Düsseldorf GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	18	94	0
CONDOR Objektgesellschaft Rendsburg GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 – 31/12/2015	44	94	19
CONDOR Objektgesellschaft Bad Oeynhausen GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 – 31/12/2015	44	94	19
CONDOR Objektgesellschaft Lichtenfels GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 – 31/12/2015	55	94	30
CONDOR Objektgesellschaft YELLOW GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 – 31/12/2015	25	94	0
DEMIRE Commercial Real Estate DREI GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 – 31/12/2015	-761	100	-786
Germavest Real Estate S.à.r.l.	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 – 31/12/2015	28,986	94	1,117
DEMIRE Commercial Real Estate VIER GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 – 31/12/2015	19	100	-6
DEMIRE Commercial Real Estate FÜNF GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 – 31/12/2015	0	100	-25
DEMIRE Commercial Real Estate SECHS GmbH	Subsidiary	Germany, Frankfurt/ Main	01/01/2015 – 31/12/2015	24	100	0

[1] The share in the equity corresponds to the control relationship before taking into account any non-controlling interests within the Group.

[2] Indirect investment through Magnat AM GmbH (AT).

[3] Indirect investment through SQUADRA Immobilien GmbH & Co. KGaA.

Balance sheet oath

As the Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG, we hereby confirm to the best of our knowledge, and in accordance with the applicable reporting principles, that the consolidated financial statements give a true and fair view of the net assets, financial position, and results of operations of the Group, and furthermore that the Group management report includes a fair review of the development of the business including the results and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Frankfurt am Main, May 13, 2016

Hon.-Prof. Andreas Steyer	**Dipl.-Kfm. (FH) Markus Drews**	**Frank Schaich**
Speaker of the Executive Board (CEO)	Executive Board Member (COO)	Executive Board Member (CFO)

The following English-language translation of the German-language audit opinion (Bestätigungsvermerk) refers to the consolidated financial statements of DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt am Main, prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ("Handelsgesetzbuch", German Commercial Code), as well as the combined management report of the company and the group, prepared on the basis of German commercial law (HGB), as of and for the fiscal year ended December 31, 2015 as a whole and not solely to the consolidated financial statements presented in this Prospectus on the preceding pages. The combined management report of the company and the group is not part of this Prospectus.

Audit Opinion

We have audited the consolidated financial statements prepared by DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt am Main, comprising the balance sheet, the statement of income, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the notes to the consolidated financial statements, together with the combined management report of the company and the group for the fiscal year from January 1, to December 31, 2015. The preparation of the consolidated financial statements and the combined management report in accordance with IFRSs (International Financial Reporting Standards) as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ("Handelsgesetzbuch": German Commercial Code) is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The combined management report of the company and the group is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Eschborn/Frankfurt am Main, May 13, 2016

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Schmitt Wirtschaftsprüfer (German Public Auditor)	Kresin Wirtschaftsprüfer (German Public Auditor)

Audited Unconsolidated Annual Financial Statements of DEMIRE Deutsche Mittelstand Real Estate AG as of and for the fiscal year ended December 31, 2017 (HGB)

BALANCE SHEET

ASSETS	31/12/2017	31/12/2016
	EUR	EUR
A. FIXED ASSETS		
I. Intangible assets		
1. Paid concessions, commercial property rights and similar rights and assets as well as licences to such rights and assets	14,448.00	18,227.00
	14,448.00	**18,227.00**
II. Tangible assets		
1. Land, leasehold rights and buildings, incl. buildings on third-party land	56,075.00	35,955.00
2. Other equipment, operating and office equipment	142,941.00	105,411.00
	199,016.00	**141,336.00**
III. Financial assets		
1. Investments in affiliated companies	140,588,899.64	147,520,718.00
2. Loans to affiliated companies	331,454,615.48	183,319,219.57
	472,043,515.12	**330,839,937.57**
	472,256,979.12	**330,999,530.57**
B. CURRENT ASSETS		
I. Receivables and other assets		
1. Trade accounts receivable	2,768,657.00	13,988,245.04
2. Receivables due from affiliated companies	2,022,809.83	3,092,687.89
3. Receivables due from investments	0.00	18,424.19
4. Other assets	20,388,443.85	14,747,456.72
thereof with a remaining term of less than one year EUR: 7,594,257.77 (previous year: EUR 7,368,455.11)		
	25,179,910.68	**31,846,813.84**
II. Cash on hand, bank deposits	**30,116,218.43**	**287,878.57**
C. PREPAID EXPENSES	**6,128,007.11**	**2,837,508.54**
	533,681,115.34	**365,971,731.52**

Equity and Liabilities	31/12/2017	31/12/2016
	EUR	EUR
A. EQUITY		
I. Subscribed capital	**54,270,744.00**	**54,246,944.00**
II. Capital reserves	**57,748,641.29**	**207,748,641.29**
III. Accumulated loss	**– 38,446,631.13**	**– 142,677,471.45**
thereof loss carried forward EUR – 142,677,471.45 (previous year: EUR – 133,453,403.58)		
	73,572,754.16	**119,318,113.84**
B. PROVISIONS		
1. Other provisions	1,803,748.44	4,602,475.54
	1,803,748.44	4,602,475.54
C. LIABILITIES		
1. Bonds	425,613,963.00	125,637,763.00
thereof convertible: EUR 25,613,963.00 (previous year: EUR 25,637,763.00)		
2. Bank liabilities	16,270.94	7,920,516.92
thereof with a remaining term of less than one year EUR: 16,270.94 (previous year: EUR 0.00)		
3. Trade payables	445,083.49	737,483.29
thereof with a remaining term of less than one year EUR: 445,083.49 (previous year: EUR 737,483.29)		
4. Liabilities due to affiliated companies	26,157,646.27	73,019,484.88
thereof with a remaining term of less than one year EUR: 19,566,673.67 (previous year: EUR 35,863,356.08)		
5. Other liabilities	6,071,649.04	34,735,894.05
thereof tax liabilities EUR 544,386.37 (previous year: EUR 317,816.75)		
thereof relating to social security EUR 8,800.36 (previous year: EUR 4,680.32)		
thereof with a remaining term of less than one year EUR: 6,071,649.04 (previous year: EUR 2,735,894.05)		
	458,304,612.74	**242,051,142.14**
	533,681,115.34	**365,971,731.52**

STATEMENT OF INCOME

for the fiscal year from 1 January to 31 December 2017

	2017	2016
	EUR	EUR
1. Revenue	7,104,311.64	5,774,092.35
2. Other operating income	2,365,630.61	3,117,510.42
thereof from currency translation: EUR 21.64 (previous year: EUR 105.20)		
	9,469,942.25	**8,891,602.77**
3. Staff costs		
a) Wages and salaries	4,858,489.86	2,351,173.12
b) Social security contributions and expenses for pension schemes and related benefits thereof pension expenses EUR 14,311.51 (previous year: EUR 9,514.46)	300,498.43	210,496.43
4. Amortisation of intangible fixed assets and depreciation of tangible assets	902,302.88	38,711.13
5. Other operating expenses		
thereof from currency translation EUR 0.00 (previous year: EUR 2,774.08)	10,453,738.38	9,290,074.77
	16,515,029.55	**11,890,455.45**
6. Income from investments	55,765.61	658,446.55
thereof from affiliated companies EUR 55,765.61 (previous year: EUR 658,446.55)		
7. Profits received on the basis of profit pooling, a profit transfer agreement or partial profit transfer agreement	938,566.25	0.00
8. Income from loans of financial fixed assets	14,741,720.05	12,302,621.95
thereof from affiliated companies EUR 14,741,720.05 (previous year: EUR 12,302,621.95)		
9. Other interest and similar income	410,925.26	912,683.03
thereof from investments EUR 0,00 (previous year: EUR 163,320.82)		
10. Write-downs of financial assets	10,522,334.31	1,034,632.57
11. Expenses from the assumption of losses	19,560,330.31	3,520,507.56
12. Interest and similar expenses	24,646,416.93	15,829,706.69
thereof from affiliated companies EUR 1,912,157.31 (previous year: EUR 2,310,162.80)		
	– 38,582,104.38	**– 6,511,095.29**
13. Earnings before taxes	**– 45,627,191.68**	**– 9,509,947.97**
14. Income taxes	0.00	23.20
15. Earnings after taxes	**– 45,627,191.68**	**– 9,509,971.17**
16. Other taxes	0.00	– 285,903.30
17. Expenses from compensation payments to minority shareholders	141,968.00	0.00
18. Net loss	**– 45,769,159.68**	**– 9,224,067.87**
19. Loss carried forward from previous year	**– 142,677,471.45**	**– 133,453,403.58**
20. Withdrawals from capital reserves	150,000,000.00	0.00
21. Accumulated loss	**– 38,446,631.13**	**– 142,677,471.45**

Notes to the annual financial statements

for the fiscal year from 1 January to 31 December 2017

GENERAL INFORMATION AND BASIC PRINCIPLES OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements of DEMIRE Deutsche Mittelstand Real Estate AG („-DEMIRE AG“ or „the Company“) as of 31 December 2017 were prepared in accordance with the provisions of the German Commercial Code (HGB) concerning the accounting of corporations and the supplementary regulations of the German Stock Corporation Act. There were no additional provisions with regard to accounting arising from the Company’s Articles of Association. The balance sheet and the statement of income were prepared according to the classification requirements of Sections 266 and 275 HGB. The annual financial statements were prepared in euro, and all amounts are generally specified in thousands of euros, i. e. TEUR.

DEMIRE AG is the parent company of the DEMIRE Group. In its function as the Group management holding company, DEMIRE AG is responsible for determining the overall strategy and implementing the corporate objectives. The Company assumes financing, service and coordination tasks for the Group entities and is also responsible for the Group’s management, control and risk management systems.

As of the reporting date, the Company met the size criteria for small corpor-ations pursuant to Section 267 (1) HGB. Because the Company makes use of an organised market as defined by Section 264d HGB in conjunction with Section 2 (11) WpHG through securities issued, the Company is considered a large corporation pursuant to Section 267 (3) sentence 2 HGB. Therefore, the Company is subject to the regulations for large corporations under commercial law.

The balance sheet categories comply with the category format under commercial law in accordance with Section 266 HGB, while the statement of income has been prepared in a single-column format using the nature-of-cost method in accordance with Section 275 (2) HGB.

The Company is headquartered in Frankfurt am Main. The Company’s business address and head management office changed from Frankfurt am Main to Langen (state of Hesse) upon the entry into the commercial register of the District Court of Frankfurt am Main on 23 December 2016. The Company is recorded under HRB 89041 in the commercial register in Frankfurt am Main.

DEMIRE AG’s shares are listed in the Prime Standard segment of the Regulated Market of the Frankfurt Stock Exchange.

As the Group’s parent company, DEMIRE AG has prepared the consolidated financial statements as of 31 December 2017 according to International Financial Reporting Standards (IFRS), as applicable in the European Union, and the supplementary provisions of the German Commercial Code pursuant to Section 315e (1) HGB. The consolidated financial statements have been published in the Federal Gazette and can also be downloaded from the *Company’s website*.

A statement of cash flows and a statement of changes in equity under Section 264 (1) sentence 2 HGB are not included in the annual financial statements because these appear in the consolidated financial statements.

The Company’s management report was combined with the group management report by applying the provisions of Section 315 (5) HGB in conjunction with Section 298 (2) HGB.

The Company’s annual financial statements were prepared under the going concern assumption.

Control and profit-and-loss transfer agreements have been concluded between DEMIRE AG and its subsidiaries DEMIRE Commercial Real Estate GmbH, Logistikpark Leipzig GmbH, DEMIRE Condor Properties Management GmbH, DEMIRE Commercial Real Estate ZWEI GmbH, DEMIRE Commercial Real Estate DREI GmbH and DEMIRE Commercial Real Estate VIER GmbH. DEMIRE Real Estate München I GmbH is also

included in the income tax group through DEMIRE Commercial Real Estate GmbH. The Company is also the parent company of the value-added tax group with some subsidiaries.

ACCOUNTING AND VALUATION PRINCIPLES

The accounting and valuation principles applied and presented below are essentially unchanged compared to the previous year:

FIXED ASSETS

Intangible assets

Acquired intangible assets are measured at acquisition cost and amortised on a straight-line basis over their estimated useful economic life of three years. Internally generated intangible assets are not capitalised. If intangible assets are expected to be permanently impaired, their carrying amount is reduced to the fair value while recognising an impairment loss.

Tangible assets

Tangible assets are carried at acquisition cost pursuant to Section 255 (1) HGB, including incidental costs, less scheduled straight-line depreciation over their expected useful lives pursuant to Section 253 (1) HGB. The deprecation of the individual groups of tangible assets is based on their useful lives ranging from 3 to 13 years. Additions to tangible assets during the year are depreciated on a pro rata temporis basis.

Low-value assets

Movable fixed assets with finite useful lives that can be used independently and have an acquisition cost of up to EUR 410 are fully depreciated in the year of acquisition. Fixed assets with an acquisition cost of more than EUR 410 are depreciated over their expected useful lives.

Financial assets

Investments in affiliated companies are carried at acquisition cost. The cost for raising equity in the context of a capital increase that is related to the acquisition of subsidiaries is not capitalised as an incidental acquisition cost of the interests in affiliated companies in accordance with Section 248 (1) no. 2 HGB. If companies are acquired in the context of capital increases against a mixed contribution in kind, the incidental acquisition cost for the cash component is capitalised on a pro rata basis of the total expenses of the capital increase.

Loans to affiliated companies are generally carried at their nominal values.

If financial assets are expected to be permanently impaired, their carrying amount is reduced to the fair value recognising an impairment loss. These are recorded under “Write-downs of financial assets” in the statement of income. If the reasons for the expected permanent impairment no longer exist, the impairment loss is reversed and recorded under “Other operating income” in the statement of income.

CURRENT ASSETS

Receivables and other assets

Trade accounts receivable, receivables due from affiliated companies, receiv-ables due from companies in which participations are held, and other assets are carried at their nominal values. All identified risks are taken into account using appropriate impairment charges. The amount of the impairment charge is based on the expected default risk.

Cash on hand, bank deposits

Cash on hand and bank deposits are carried at their nominal values as of the balance sheet date.

Prepaid expenses

Payments prior to the balance sheet date that relate to expenses that will occur at a certain point after the balance sheet date and discounts related to the issue of financial debt are capitalised as prepaid expenses in accordance with Section 250 (1) HGB and Section 250 (3) HGB, respectively. Discounts are amortised by scheduled annual write-downs spread over the total term of the financial debt.

Deferred taxes

The amount of deferred taxes arising from temporary differences between the carrying amounts of assets, liabilities as well as prepaid expenses and deferred income in the commercial accounts and the tax-carrying amounts or as a result of tax loss carryforwards is determined by applying the Company's individual tax rate at the time of the elimination of the difference. The resulting tax expenses or tax benefits are not discounted. In addition, temporary differences between the carrying amounts of assets, liabilities as well as prepaid expenses and deferred income in the commercial accounts and the tax-carrying amounts of entities included in the tax group are recognised to the extent that the reversal of temporary differences is expected to result in future tax expenses or tax benefits at the Company as the tax group's parent company.

Any resulting net tax expenses are recognised on the balance sheet as deferred tax liabilities. Any resulting net tax income is not recognised under the respective capitalisation option. An unrecognised deferred tax asset resulted overall in the reporting year.

Deferred taxes are calculated based on the Company's combined income tax rate of 28.78 % (31 December 2016: 28.78 %), expected to be applicable at the time the differences will be reversed. The combined income tax rate includes corporate taxes, trade taxes and the solidarity surcharge.

The different accounting of prepaid expenses resulted in the recognition of deferred tax liabilities while the different valuation of investments in affiliated companies resulted in the recognition of deferred tax assets. Overall, there is a surplus of deferred tax assets that is not recognised on the balance sheet due to the exercise of the option provided by Section 274 (1) sentence 2 HGB.

Shareholders' equity

Subscribed capital is carried at its nominal value and is fully paid in.

Capital reserves result from various capital increases carried out in prior periods recognised at their nominal amount.

Subscription rights resulting from stock option programmes as defined by Section 192 (2) no. 3 AktG are not accounted for upon issuance. When options from conditional capital are exercised, subscribed capital is increased by the number of exercised shares multiplied by the shares' nominal value. The premium paid is allocated to capital reserves.

Other provisions

Other provisions take into account all identifiable risks and uncertain obligations. They are carried at amounts deemed necessary to settle the future payment obligation based on a reasonable commercial assessment including future cost and price increases.

Provisions with a term of more than one year are initially recognised applying the net method. Their measurement is based on the average market interest rate of the previous seven fiscal years in accordance with their maturity. For subsequent measurement, non-current provisions are to be reassessed, and the accrued interest is recorded under "Interest and similar expenses".

Liabilities

Liabilities are recognised at their repayment amount. When a liability's repayment amount is higher than its issuance amount, the difference is recognised as prepaid expenses and written down over the term of the liability.

Principles of currency translation

Assets and liabilities denominated in foreign currencies with a remaining term of up to one year are translated at the rate prevailing on the balance sheet date. Assets and liabilities denominated in foreign currencies with a remaining term of more than one year are generally translated at the rate prevailing when the transaction occurred or, in the case of assets, at the lower mean spot rate prevailing at the reporting date and, in the case of liabilities, at the higher mean spot rate prevailing at the reporting date.

The annotations "thereof from currency translation" contained in the statement of income include both realised and unrealised exchange rate differences.

Contingent liabilities

The carrying amount of contingent liabilities corresponds to the liability's scope as of the balance sheet date. For more information, please refer to the presentation of the contingencies.

NOTES TO THE BALANCE SHEET

FIXED ASSETS

The classification and development of fixed assets, including depreciation and amortisation, during the 1 January to 31 December 2017 fiscal year is contained in the statement of changes in fixed assets (see Appendix 1 of the notes to the consolidated financial statements).

FINANCIAL ASSETS

Investments in affiliated companies amounted to TEUR 140,589 (31 December 2016: TEUR 147,521).

The decline resulted from the following disposals during the reporting year:

AFFILIATED COMPANIES	EXPLANATION
1 FVR Beteiligungsgesellschaft Erste mbH & Co. KG.....	Disposal through private withdrawal
2 FVR Beteiligungsgesellschaft Zweite mbH & Co. KG.....	Disposal through private withdrawal
3 FVR Beteiligungsgesellschaft Dritte mbH & Co. KG	Disposal through private withdrawal
4 FVR Beteiligungsgesellschaft Vierte mbH & Co. KG.....	Disposal through private withdrawal
5 FVR Beteiligungsgesellschaft Fünfte mbH & Co. KG	Disposal through private withdrawal
6 FVR Beteiligungsgesellschaft Sechste mbH & Co. KG.....	Disposal through private withdrawal
7 FVR Beteiligungsgesellschaft Siebente mbH & Co. KG	Disposal through private withdrawal
8 FVR Beteiligungsgesellschaft Achte mbH & Co. KG	Disposal through private withdrawal

Furthermore, impairment on financial assets was recognised in the amount of TEUR 10,522 (31 December 2016: TEUR 1,035) in order to align the carrying amounts with their fair values.

Loans to affiliated companies of TEUR 331,455 (31 December 2016: TEUR 183,319) mainly relate to loans granted to the Company's subsidiaries and sub-subsidiaries to finance the acquisition of real estate companies and properties. These loans are granted within the Group and include a management premium on the interest rate.

The increase in loans to affiliated companies of TEUR 148,135 primarily resulted from the grant of a loan to DEMIRE Objektgesellschaft Germavest GmbH totalling TEUR 94,008 for the redemption of the A and B notes, the repayment of the LBBW loan by CAM Commercial Asset Management EINS GmbH amounting to TEUR 12,085, CAM Commercial Asset Management ZWEI GmbH in the amount of TEUR 6,028, CAM Commercial Asset Management DREI GmbH in the amount of TEUR 8,184, CAM Commercial Asset Management VIER

GmbH in the amount of TEUR 6,597 and Schwerin Margaretenhof 18 GmbH in the amount of TEUR 5,169. A loan in the amount of TEUR 35,578 was granted to Kurfürster Immobilien GmbH.

With regard to disclosures about shareholdings, we refer to the schedule of shareholdings as of 31 December 2017 (see Appendix 2 of the notes to the consolidated financial statements in the Annual Report 2017) in accordance with Section 285 nos. 11a and 11b HGB.

CURRENT ASSETS

Current assets consisting of receivables and other assets, as well as cash on hand and bank deposits, totalled TEUR 55,296 as of the balance sheet date (31 December 2016: TEUR 32,135).

Impairment of current assets was recognised in the amount of TEUR 835 to align the carrying amounts to their fair values.

RECEIVABLES AND OTHER ASSETS

Trade receivables of TEUR 2,769 (31 December 2016: TEUR 13,988) mainly relate to claims arising from agency agreements with affiliated companies.

Receivables from affiliated companies of TEUR 2,023 (31 December 2016: TEUR 3,093) concern receivables from clearing transactions, expenses passed on to other parties and short-term loans.

Receivables due from investments amounted to TEUR 0 (31 December 2016: TEUR 18).

As in the prior year, all receivables are due within one year.

Other assets in the amount of TEUR 20,388 (31 December 2016: TEUR 14,747) rose by TEUR 5,641. The increase resulted from the capital gains tax withheld and the solidarity surcharge withheld on the distribution of the dividends of Fair Value REIT-AG to the FVR companies.

Reclassifications of interest receivables from affiliated companies from fixed assets resulted in an increase in other assets of TEUR 4,522. In total, assets totalling TEUR 5,220 were reclassified from fixed assets to other assets in the 2017 fiscal year. The reclassification took place in view of the residual maturity of the interest receivables.

Of the other assets amounting to TEUR 20,388, a total of TEUR 12.794 are due within one year (31 December 2016: TEUR 7,379), and TEUR 7.594 (31 December 2016: TEUR 7,368) have a residual term of more than one year. Other assets with a remaining term of more than one year include interest receivables from affiliated companies in the amount of TEUR 4,522.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents of TEUR 30,116 (31 December 2016: TEUR 288) include cash on hand and current bank deposits.

PREPAID EXPENSES

Prepaid expenses primarily include a discount of TEUR 5,832 from the issue of the 2017 / 2022 corporate bond (31 December 2016: TEUR 2,264 from the 2014 / 2019 bond), which is to be amortised over the remaining term of the bond. Prepaid expenses also include a discount of TEUR 225 (31 December 2016: TEUR 454) resulting from the difference between the issue price and the settlement amount of the 2013 / 2018 convertible bond issued in the 2013 / 2014 fiscal year.

SHAREHOLDERS' EQUITY

Subscribed capital

On 31 December 2017, the Company had fully paid in subscribed capital in the amount of EUR 54,270,744.00 divided into 54,270,744 no-par value bearer shares with a notional interest of EUR 1.00. Of this amount, 5,000 shares were held by the Group. A total of 13,000 no-par value bearer shares were entered into the commercial register only at the beginning of February 2018. The shares of DEMIRE Deutsche Mittelstand Real Estate AG have been admitted for trading in the Prime Standard segment of the Frankfurt Stock Exchange.

Conversions of the 2013 / 2018 convertible bond

Subscribed capital increased by 23,800 shares or TEUR 24, from conversions of the 2013 / 2018 convertible bond during the 2017 reporting year.

The Company's subscribed capital is conditionally increased by up to EUR 6,261,288.00 and divided into a maximum of 6,261,288 no-par value bearer shares with a notional interest of EUR 1.00 following the exercise of conversion rights from the 2013 / 2018 convertible bond and the issue of 23,800 new shares from Conditional Capital I / 2013. The original number of convertible bonds was 11,300,000. Following the conversion of a further 23,800 bonds in the reporting period, the remaining number of conversion rights totalled 10,613,963. The conditional capital increase serves to grant subscription and / or conversion rights to the holders of bonds with warrants and / or convertible bonds that were issued based on the authorisation of the Annual General Meeting on 23 October 2013.

AUTHORISATION OF THE EXECUTIVE BOARD TO ISSUE NEW SHARES

Conditional Capital I / 2013

By resolution of the Annual General Meeting on 23 October 2013 and with the consent of the Supervisory Board, the Executive Board is authorised to increase the Company's subscribed capital until 22 October 2018 by issuing up to 6,947,325 new, ordinary no-par value bearer shares each with a notional par value of EUR 1.00 against cash contribution or contribution in kind, once or on several occasions, in partial amounts of up to EUR 6,947,325.00 (Conditional Capital I / 2013). Shareholders are generally entitled to subscription rights. The purpose of the conditional capital increase is to grant subscription and / or conversion rights to the holders of the 2013 / 2018 convertible bond, which was issued based on the authorisation of the Company's Annual General Meeting on 23 October 2013.

Since the creation of the Conditional Capital, the Company's subscribed capital has been conditionally increased by EUR 686,037.00 to EUR 6,261,288 and divided into 686,037 no-par value bearer shares with a notional par value of EUR 1.00, through the exercise of conversion rights from the 2013 / 2018 convertible bond.

AUTHORISED CAPITAL II / 2015

By resolution of the Annual General Meeting on 28 August 2015 and with the consent of the Supervisory Board, the Executive Board is authorised to increase the Company's subscribed capital until 27 August 2020, by issuing up to 13,675,702 new, ordinary, no-par value bearer shares each with a notional par value of EUR 1.00 against cash contribution or contribution in kind, once or on several occasions in partial amounts of up to EUR 13,675,702.00 (Authorised Capital II / 2015). Shareholders are generally entitled to subscription rights. The Company's Annual General Meeting on 30 June 2016 resolved to cancel the unutilised portion of Authorised Capital II / 2015.

AUTHORISED CAPITAL III / 2015

By resolution of the Extraordinary General Meeting on 14 September 2015 and with the Supervisory Board's consent, the Executive Board is authorised to increase the Company's subscribed capital until 13 September 2020 by issuing up to 7,069,272 new, ordinary, no-par value bearer shares each with a notional interest of EUR 1.00 against cash contribution or contribution in kind on one or several occasions in partial amounts of up to EUR 7,069,272.00 (Authorised Capital III / 2015). Shareholders are generally entitled to subscription rights.

With respect to the authorised capital above and with the Supervisory Board's consent, the Executive Board is authorised to exclude shareholders' subscription rights in the following cases:

- fractional shares;
- capital increases against cash contribution where the proportional amount of the share capital attributed to the new shares for which the subscription right is excluded does not exceed 10 % of the share capital existing at the time the new shares are issued and the issue price of the new shares is not significantly less than the stock market prices of shares of the same class and entitlements already listed at the time of the final determination of the issue price by the Executive Board according to Section 203 (1) and (2) and Section 186 (3) sentence 4 AktG;
- to the extent necessary to grant holders or creditors of bonds with option or convertible rights issued by the Company or Group companies, subscription rights to new shares to the extent to which the holders or creditors would be entitled after exercising their option or convertible rights;
- for capital increases against contribution in kind.

The Company's Annual General Meeting on 30 June 2016 resolved to cancel the unutilised portion of Authorised Capital III / 2015.

AUTHORISED CAPITAL I / 2016

By resolution of the Annual General Meeting on 30 June 2016 and with the Supervisory Board's consent, the Executive Board is authorised to increase the Company's subscribed capital until 29 June 2021 by issuing up to 24,653,611 new, ordinary, no-par value bearer shares each with a notional interest of EUR 1.00 against cash contribution or contribution in kind on one or several occasions in partial amounts of up to EUR 24,653,611.00 (Authorised Capital I / 2016). Shareholders are generally entitled to subscription rights.

On 10 August 2016, the Company's Executive Board and the Supervisory Board resolved to increase the Company's subscribed capital from authorised capital once by EUR 4,930,722.00 to EUR 54,237,944.00 against cash contribution by issuing 4,930,722 new, ordinary, no-par value bearer shares each with a notional interest in subscribed capital of EUR 1.00. After partial utilisation, the remaining Authorised Capital I / 2016 amounted to EUR 19,722,889.00.

AUTHORISED CAPITAL I / 2017

By resolution of the Annual General Meeting of 29 June 2017, Authorised Capital I / 2016 of EUR 19,722,889.00 and the related provisions of Section 6 of the Articles of Association (Authorised Capital) were cancelled. With the Supervisory Board's consent, the Executive Board was authorised to increase the Company's share capital by up to EUR 27,128,872.00 (Authorised Capital I / 2017) by issuing up to 27,128,872 new, no-par value bearer shares against contribution in cash and / or in kind once or several times in partial amounts until 28 June 2022. Shareholders are generally entitled to subscription rights. The new shares can also be subscribed to by one or several banks with the obligation to offer the new shares to shareholders for subscription. With the Supervisory Board's consent, the Executive Board is authorised to exclude shareholder subscription rights for fractional amounts, in the case of cash capital increases of up to 10 % of the share capital at issue prices not substantially below the stock market price, as well as to meet the obligations of option or conversion rights, issue shares to employees and execute capital increases against contribution in kind.

AUTHORISED CAPITAL I / 2018

For the changes after 31 December 2017, please refer to the events after the balance sheet date.

CONDITIONAL CAPITAL I / 2016

The Annual General Meeting on 30 June 2016 resolved to create new conditional capital amounting to EUR 3,000,000.00. The conditional capital increase serves to grant subscription and / or conversion rights to the holders of bonds with warrants and / or convertible bonds.

CONDITIONAL CAPITAL II / 2016

The Annual General Meeting on 30 June 2016 resolved to create new conditional capital amounting to EUR 14,359,523.00. The conditional capital increase serves to grant no-par value bearer shares to the holders or creditors of convertible bonds and / or profit participation bonds (or a combination of these instruments).

By resolution of the Annual General Meeting on 29 June 2017, Conditional Capital II / 2016 in the amount of EUR 14,359,523.00 and divided into up to 14,359,523 no-par value bearer shares and the related provisions in Section 5 (7) of the Articles of Association were cancelled.

CONDITIONAL CAPITAL I / 2017

The Annual General Meeting on 29 June 2017 resolved to create Conditional Capital I / 2017 in an amount up to EUR 16,854,584.00 and divided into a maximum of 16,854,584 new, no-par value bearer shares with the corresponding amendments to the Articles of Association. The conditional capital increase serves to grant no-par value bearer shares to the holders or creditors of convertible bonds and / or bonds with warrants, profit participation rights and / or profit participation bonds (or a combination of these instruments) that were issued or will be issued (i) based on the authorisation resolved by the Annual General Meeting of 28 August 2015 under Agenda Item 8 to grant convertible bonds and / or bonds with warrants and / or (ii) the authorisation resolved under Agenda Item 7 to issue convertible bonds and / or bonds with warrants or profit participation rights and / or profit participation bonds (or a combination of these instruments) by the Company or its directly or indirectly affiliated companies and grant conversion or option rights to new no-par value shares of the Company or establish a conversion obligation. The issue of new shares is carried out at the exercise or conversion price to be determined in accordance with the respective authorisation resolved by the Annual General Meeting.

The conditional capital increases from Conditional Capital I / 2016 and I / 2017 will be carried out only to the extent that the holders or creditors of conversion or option rights exercise these rights or to the extent that holders meet their conversion obligation, unless a cash settlement is granted or own shares or shares created from authorised capital are used for servicing. The shares will participate in profits as of the start of the previous fiscal year provided they are created as a result of exercise before the start of the Company's Annual General Meeting, or otherwise as of the start of the fiscal year in which they were created from the exercise of subscription rights. With the Supervisory Board's consent, the Executive Board is authorised to determine the further details of the conditional capital's execution.

AUTHORISATION TO REPURCHASE OWN SHARES

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

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

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

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

submit sales offers. If the Company is listed on several stock exchanges, the Company's respective last ten closing prices on the Frankfurt Stock Exchange prior to the offer's publication are relevant.

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

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

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

This authorisation has not yet been utilised.

STOCK OPTION PROGRAMME

Under the existing stock option programme, stock options have been and may be granted to members of the Executive Board in office and senior executives of the Company.

As detailed in the following provisions under the 2015 Stock Option Programme and with the consent of the Supervisory Board, the Executive Board is authorised until 31 December 2015 ("issue period") to issue up to 1,000,000 stock options with subscription rights for DEMIRE AG shares with a vesting period of four years and an exercise period of a further five years ("the exercise period") provided that each stock option entitles its holder to subscribe to one share of the Company. With regard to the issue of stock options to members of the Executive Board of the Company, this authorisation is limited to the Supervisory Board only. For this purpose, the Extraordinary General Meeting of 6 March 2015 resolved to conditionally increase the Company's subscribed capital by up to EUR 1,000,000.00 by issuing up to 1,000,000 no-par value bearer shares.

The beneficiaries and the number of stock options for subscription offered to these beneficiaries are to be determined by the Company's Executive Board with the consent of the Supervisory Board. To the extent members of the Company's Executive Board are to receive stock options, the determination and the issue of these options will be governed by the Supervisory Board.

The following number of stock options can be issued under the authorisation:

A total of up to 800,000 stock options (80 %) to Executive Board members

A total of up to 200,000 stock options (20 %) to selected employees of the Company or directors or employees of Group companies

The subscription rights arising from the stock options can be exercised for the first time upon the expiration of the statutory vesting period of four years according to Section 193 (2) no. 4 AktG. The vesting period starts after the stock options are issued (the day the Company or the credit institution commissioned by the Company for the settlement receives the beneficiary's statement of subscription).

The exercise price to be set for one share of the Company upon the exercise of the stock options corresponds to at least 100 % of the basic price. The basic price is the Company's share price at the time of the Executive Board's resolution on the issue of stock option rights and, in the case of the issue of stock options to members of the Executive Board, at the time of the Supervisory Board's resolution. The relevant share price is the average closing price of the Company's shares in Xetra trading on the Frankfurt Stock Exchange (or a comparable

successor system) on the last ten stock exchange trading days before the resolution is made on the issue of stock options.

The exercise of subscription rights is subject to the Company's share price in Xetra trading on the Frankfurt Stock Exchange (or a comparable successor system) being at least 10 % higher than the basic price on the day preceding the exercise of the subscription rights.

The accounting of share-based payments is governed by IFRS 2 "Share-based Payment". The 2015 Stock Option Programme is to be classified as "equity-settled share-based payments". Under IFRS 2, the total staff costs arising from the stock options are to be distributed over the four-year vesting period starting from the grant date. In the case of -DEMIRE AG, the grant date is the day the approval is given by the Executive Board and / or Supervisory Board.

The value of compensation based on real stock options according to the Black–Scholes Model is determined by the fair value of the options at the grant date pursuant to IFRS 2.10. In the case of -DEMIRE AG, the grant date is the day the options were issued (7 April 2015 and 9 December 2015).

Provisions are recognised to the extent that the Company's stock option programme for the Executive Board results in obligations as of the balance sheet date.

The following vesting conditions are relevant for the accounting of the stock-based compensation programme:

The four-year vesting period represents a "service condition" because only a specified period of service at the Company must be completed.

The exercise condition of a closing share price exceeding the basis price by at least 10 % on the day preceding the exercise is classified as a performance condition since meeting the condition is based on a performance target. The performance conditions are to be divided into market conditions and non-market conditions. In the case of -DEMIRE AG, the exercise condition is to be classified as a market performance condition as it is specifically related to the Company's share price. Such a market performance condition is reflected in the option's valuation exclusively by means of a probability calculation performed at the grant date.

In the 2015 fiscal year, a total of 1,000,000 stock options were granted of which 800,000 were granted in a first tranche to members of the Executive Board and 160,000 to selected Company and Group company employees. The fair value of each option from the first tranche was EUR 2.74. In the fourth quarter, a total of 60,000 stock options were newly issued in a second tranche, net of stock options that were returned by employees who had left the Company (20,000 stock options). The fair value of each option from the second tranche was EUR 1.99. One of the departing Executive Board members retained his entitlements under the stock option programme. Since his departure, the corresponding expenses are recognised under other operating expenses. In the case of the other departing Executive Board member, who was entitled to 400,000 stock options, all entitlements under the stock option programme were compensated for by a one-time payment.

The calculation of an option's fair value as of the date of issue of the first and second tranches was based on the following parameters:

Calculation parameters	**1st tranche**	**2nd tranche**
Dividend yield (%)	0.00	0.00
Expected volatility (%) 1	60.40	46.25
Risk-free interest rate (%)	0.50	0.80
Term of the option (in years)	9.00	9.00
Weighted average share price (EUR)	4.258	3.76
Option price (EUR)	2.74	1.99

1 180-day historical volatility

In addition to fixed and variable remuneration, the remuneration of Executive Board member Ralf Kind includes a payout based on the performance of the Company's share price in accordance with a virtual stock option programme.

As in the previous year, the stock option programme did not have an effect on the statement of income because no subscription rights arising from the stock options have yet been exercised.

Capital reserves

As of 31 December 2017, capital reserves amounted to TEUR 57,749 (31 December 2016: TEUR 207,749).

As of the balance sheet date, capital reserves include amounts pursuant to Section 272 (2) no. 1 HGB of TEUR 14,108 (31 December 2016: TEUR 164,109) and amounts pursuant to Section 272 (2) no. 4 HGB of TEUR 43,640 (31 December 2016: TEUR 43,640). A total of TEUR 150,000 of the capital reserves according to Section 272 (2) no. 1 HGB was utilised in the 2017 fiscal year. As a result, the accumulated loss as of 31 December 2017 declined by TEUR 150,000.

Accumulated loss

The Company's accumulated loss as of the balance sheet date is derived as follows:

	2017	**2016**
	in EUR thousands	in EUR thousands
Net loss as of 1 January	45,769	9,224
Loss carried forward from previous year	142,677	133,453
Withdrawal from capital reserves	150,000	0
Accumulated loss as of 31 December	**38,446**	**142,677**

Overview of changes in equity

Based on the capital increases from conditional capital, the individual components of equity developed as follows during the reporting year:

	Subscribed capital	**Capital reserves**	**Conditional capital**	**Accumu-lated loss**
	EUR	EUR	EUR	EUR
As of 1 January 2017	**54,246,944**	**207,748,641**		**142,677,471**
Conversions from 2013 / 2018 CB	23,800		– 23,800 I / 2013	
Withdrawal from capital reserves		150,000,000		– 150,000,000
2017 net loss for the period				45,769,160
As of 31 December 2017	**54,270,744**	**57,748,641**		**38,446,631**

Other provisions

Other provisions amounted to TEUR 1,804 (31 December 2016: TEUR 4,602) and included mainly obligations for outstanding invoices, accounting and audit costs, legal and consulting fees and staff costs.

The decline in other provisions in comparison to 31 December 2016 was mainly the result of discounted financing costs as part of a debt financing agreement concluded at the end of 2015. There were no similar circumstances at the end of the reporting period that would have required a deferral of the corresponding expenses.

Liabilities

Bonds

The line item "Bonds" totalling TEUR 425,614 (31 December 2016: TEUR 125,638) includes the convertible bond (2013 / 2018 CB; Securities Identification Number A1YDDY2013) amounting to TEUR 10,614 (31 December 2016: TEUR 10,638) issued on 30 December 2013; a promissory note (2014 / 2019 corporate bond; Securities Identification Number DE000A12T135) amounting to TEUR 0 (31 December 2016: TEUR 100,000) issued on 16 September 2014; the 2015/2018 mandatory convertible bond (2015 / 2018 MCB; Securities Identification Number DE000A13R863) amounting to TEUR 15,000 (31 December 2016: TEUR 15,000) issued on 22 May 2015; and the new 2017 / 2022 corporate bond with a volume of TEUR 400,000, divided into tranches of TEUR 270,000 issued on 12 July 2017 and TEUR 130,000 issued on 18 September 2017 (Securities Identification Number XS1647824173).

Convertible bond (2013 / 2018 CB)

By resolution of the Annual General Meeting on 23 October 2013 and with the consent of the Supervisory Board, the Executive Board was authorised to issue bearer and / or registered convertible bonds and / or bonds with warrants once or on several occasions until 30 September 2018 for a total nominal amount of up to TEUR 50,000 with or without a limitation on the duration, and to grant options and conversion rights for new no-par value bearer shares of the Company with a notional interest in the subscribed capital of up to TEUR 25,000 to the holders or creditors of bonds according to the more detailed specifications of the terms and conditions of the bonds.

In December 2013, DEMIRE Deutsche Mittelstand Real Estate AG issued convertible bonds with a total nominal amount of TEUR 11,300 and maturing on 30 December 2018. The convertible bonds are divided into 11,300,000 fractional bonds, each with a nominal amount of EUR 1.00.

The details of the convertible bonds are as follows:

The bonds are divided into a maximum of 11,300,000 fractional bearer bonds, each with a nominal amount of EUR 1.00 carrying equal rights.

During the bond's term, holders have the irrevocable right to initially convert each convertible bond with a nominal amount of EUR 1.00 within the conversion period into one no-par value share of DEMIRE Deutsche Mittelstand Real Estate AG with a notional interest in subscribed capital of EUR 1.00 each. By resolution of the creditors' meeting on 30 September 2014, the terms and conditions of the convertible bond were amended so that a cash settlement is no longer provided for.

In case of the effective exercise of the conversion right, the conversion price will amount to EUR 1.00 per ordinary bearer share, each with a notional interest in the subscribed capital of EUR 1.00. The conversion price may be subject to adjustments due to adjustment provisions included in the terms and conditions of the bonds. These correspond to a conversion ratio of 1:1. A cash settlement is not provided for.

The issue price per convertible bond is EUR 1.00 and corresponds to the nom-inal value and initial conversion price.

The convertible bond bears 6.00 % interest p. a. The interest is payable on 30 March, 30 June, 30 October and 30 December of each year during the convertible bond's term.

As a result of the exercise of 23,800 conversion rights from the 2013 / 2018 convertible bond, there was an increase in the Company's subscribed capital in the reporting period in the amount of 23,800 no-par value bearer shares, each with a notional interest of EUR 1.00.

Corporate bond (2014 / 2019)

This corporate bond was fully redeemed in 2017.

Mandatory convertible bond (2015 / 2018 MCB)

In May 2015, a mandatory convertible bond with a volume of TEUR 15,000 was issued with the exclusion of shareholders' subscription rights against contribution in kind. In the context of the transaction, an investor in the 2014 / 2019 corporate bond (Open Market of the Frankfurt Stock Exchange; ISIN DE000A12T135 / WKN: A12T13; volume TEUR 100,000) subscribed to the mandatory convertible bond issued with a term of three years (maturing in 2018) by contributing fractional bonds from the 2014 / 2019 corporate bond. The bonds carry an interest coupon of 2.75 % p. a. starting from the date of issue and may be converted into shares as of 1 September 2015 at an initial conversion price of EUR 5.00 per share, subject to adjustments. The mandatory convertible bond is equipped with a conversion obligation of the respective creditor upon the bond's maturity. No conversions took place during the reporting period.

The convertible bonds placed by DEMIRE Deutsche Mittelstand Real Estate AG on 22 May 2015 and maturing on 22 May 2018 with a total nominal value of up to TEUR 15,000 are divided into 150 bonds with a nominal value of TEUR 100 each.

The details of the convertible bonds are described below:

The bonds are divided into a maximum of 150 fractional bearer bonds, each with a nominal value of TEUR 100 carrying equal rights.

During the bond's term, bondholders have the right to convert each bond in whole, but not in part, into no-par value ordinary bearer shares with a notional interest in the Company's share capital on the issue date of EUR 1.00.

In case of the effective exercise of the conversion right, the conversion price amounts to EUR 5.00 per no-par value bearer share, subject to adjustments based on adjustment provisions included in the bond's terms and conditions. The conversion ratio is calculated by dividing the bond's principal amount by the conversion price applicable on the exercise date.

The bonds bear 2.75 % interest p. a. with interest payable quarterly in arrears on the dates of 22 March, 22 June, 22 September and 22 December in each year during the convertible bond's term.

The bonds may be callable by the convertible bondholders under certain conditions, in which case a prepayment penalty in the amount of 15.00 % on the principal amount plus accrued interest until the date of actual redemption becomes due. Justifications for calling the bonds include the failure to meet key (payment) obligations under the bond, the failure to meet payment obligations under other financial liabilities (cross default), bankruptcy or the initiation of insolvency proceedings by the Company or its significant subsidiaries and falling below an equity ratio of 20 % after 31 December 2016. In the case of a change in control or a merger of the issuer, the bonds may be callable and redeemed early with a prepayment penalty equal to 15 % of the principal amount plus accrued and unpaid interest. The issuer may redeem the bonds early when the aggregate principal amount of the outstanding bonds falls below 25 % of the bonds' originally issued aggregate principal amount. No conversions took place during the reporting period.

Corporate bond (2017 / 2022)

The 2017 / 2022 corporate bond was issued at the full nominal value of TEUR 400,000 as of the balance sheet date of 31 December 2017.

In the 2017 fiscal year, DEMIRE AG placed a corporate bond with an issue volume of TEUR 400,000. The corporate bond has a maturity of five years and is due on 15 July 2022. The bond was issued with a coupon of 2.875 % p. a., which is paid to investors in arrears semi-annually. The inclusion of the corporate bond with a total nominal value of TEUR 270,000 for trading on the Luxembourg Stock Exchange (Euro MTF Market) under ISIN XS1647824173 (sold under Regulation S) and XS1647824686 (sold under Rule 144A) took place on 12 July 2017. An additional tranche of TEUR 130,000 was issued on 18 September 2017. The corporate bond was awarded a BB+ and a Ba2 rating, respectively, from the Standard & Poor's and Moody's rating agencies.

Covenants are generally only valid in the case of a triggering event of debt assumption or the issue of unqualified new capital by the placing parent company or a co-registered subsidiary. Such an event had not occurred as of the balance sheet date.

In addition, the net total loan-to-value ratio must not exceed 65 %. This level had not been exceeded as of 31 December 2017, based on a net total loan-to-value ratio of 60.3 % according to IFRS figures. In addition, the fixed charge coverage ratio must maintain a level of at least 1.45 : 1 As of 31 December 2017, the value was 1.65 based on the IFRS figures.

Bank liabilities

As of the balance sheet date, bank liabilities amounted to TEUR 16 (31 December 2016: TEUR 7,921).

-DEMIRE AG did not conclude any credit agreements with banks during the reporting year. The bank liabilities that exist concern current overdrafts of bank accounts.

Liabilities due to affiliated companies

Liabilities due to affiliated companies amounted to TEUR 26,083 as of the balance sheet date (31 December 2016: TEUR 73,019), of which TEUR 19,505 (31 December 2016: TEUR 35,863) had maturities of up to one year. Liabilities due to affiliated companies mainly include liabilities from loss transfers from DEMIRE Condor Properties Management GmbH, DEMIRE Commercial Real Estate DREI GmbH and DEMIRE Commercial Real Estate GmbH as a result of the control and profit-and-loss transfer agreements.

Other liabilities

Other liabilities totalling TEUR 6,072 (31 December 2016: TEUR 34,736) mainly include a loan from the 2017 / 2022 bond in the amount of TEUR 4,926 and tax liabilities of TEUR 544 (31 December 2016: TEUR 318). A large portion of the decline resulted from the repayment of the Signal Capital loan in the amount of TEUR 32,000.

The structure and the remaining term of the liabilities and details on collateral-isation are shown in the schedule of liabilities below.

	Up to 1 year	1 to 5 years	Over 5 years	Total
	EUR	EUR	EUR	EUR
1. Bonds	25,613,963.00 (0.00)	400,000,000.00 (125,637,763.00)	0.00 0.00	425,613,963.00 (125,637,763.00)
2. Bank liabilities	16,270.94 (7,920,516.92)	0.00 (0.00)	0.00 (0.00)	16,270.94 (7,920,516.92)
3. Trade liabilities	445,083.49 (737,483.29)	0.00 (0.00)	0.00 (0.00)	445,083.49 (737,483.29)
4. Liabilities due to affiliated companies	19,566,673.67 (35,863,356.08)	6,590,972.60 (37,156,128.80)	0.00 (0.00)	26,157,646.27 (73,019,484.88)
5. Other liabilities	6,071,649.04 (2,735,894.05)	0.00 (32,000,000.00)	0.00 (0.00)	6,071,649.04 (34,735,894.05)
Total	51,713,640.14 **(47,257,250.34)**	406,590,972.60 **(194,793,891.80)**	0.00 **(0.00)**	458,304,612.74 **(242,051,142.14)**

Collateral existed for other liabilities in the amount of EUR 80,055,487.01 (31 December 2016: EUR 80,055,487.01). Collateral consists of pledges of shares in affiliated companies and receivables from affiliated companies.

Contingencies

Through the conclusion of credit and loan agreements, DEMIRE AG has pledged liens and other guarantees of TEUR 28,220 (31 December 2016: TEUR 104,992) to affiliated companies:

In addition to the credit agreement with SÜDWESTBANK AG, Stuttgart, dated 8 April 2016, an agreement governing additional funding requirements 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 TEUR 15,000, corresponding to EUR 4.41 per share, DEMIRE AG undertakes to provide additional guarantees to the lender, providing up to TEUR 15,000 of total coverage. DEMIRE AG does not expect the pledged guarantees to be utilised because Fair Value REIT-AG's share price has been trading significantly above EUR 6.31 per share since 2015, and on 31 December 2017 was quoted at EUR 8.30.

After terminating the loan agreement with Signal Credit Opportunities (Lux) Investco II S. à r. l., Luxembourg, which was concluded on 30 December 2015, all collateral pledged in favour of the lender have been released to DEMIRE AG in the fourth quarter of 2017.

The following contingent liabilities existed as a result of granting guarantees to third-party liabilities. As of the reporting date, contingent liabilities in the amount of TEUR 940 (31 December 2016: TEUR 20,049) were in favour of affiliated companies:

DEMIRE AG entered into a letter of guarantee in the amount of TEUR 940 related to a loan granted to TGA Immobilien Erwerb 1 GmbH by Volksbank Mittweida on 13 May 2015. The underlying obligations under the credit agreement were met given the solid level of net assets, financial position and results of operations of TGA Immobilien Erwerb 1 GmbH. Thus, as of the balance sheet date, the probability of utilising this guarantee was considered as low. The obligations assumed are not recognised as a liability because the underlying financial

liabilities will likely be met by the affiliated company and utilisation of the guarantee is not expected. The risk assessment is based on the corporate planning of TGA Immobilien Erwerb 1 GmbH.

The overdraft facility of TEUR 10,000 provided by Internationales Bankhaus Bodensee AG, Friedrichshafen, drawn down on 14 November 2016 was terminated in 2017. In this context, DEMIRE AG had assumed guarantees for liabilities of its subsidiary Hanse-Center Objektgesellschaft mbH amounting to TEUR 19,109 as of 31 December 2016. These guarantees have become obsolete as did the letter of comfort issued by DEMIRE AG.

No further contingent liabilities existed.

Other financial obligations and off-balance-sheet transactions

As of the balance sheet date, other financial obligations according to Section 285 no. 3a HGB totalling TEUR 608 (31 December 2016: TEUR 760) mainly consisted of rental and leasing contracts with the following terms:

	Total	**up to 1 year**	**1 to 5 years**	**over 5 years**
	in EUR thousands			
Rental and leasing contracts	608	170	438	0
thereof due to affiliated companies	561	146	415	0

Rental and leasing contracts concern an office building at the Company's headquarters rented from a subsidiary, leased fixed assets and operating and office equipment.

Off-balance-sheet transactions represent the rental and leasing contracts described. Because the Company is not obliged to purchase the assets, such transactions help optimise the balance sheet ratios. The future financial effects of the rental and leasing contracts concluded are not material in assessing the Company's financial position.

NOTES TO THE STATEMENT OF INCOME

REVENUE

Revenues amounting to TEUR 7,104 (previous year: TEUR 5,774) comprise domestic revenues of TEUR 6,856 (previous year: TEUR 5,595) and international revenues of TEUR 248 (previous year: TEUR 179). Revenues mainly include income from service agreements with affiliated companies.

	2017	**2016**
	in EUR thousands	
Domestic revenues	6,856	5,595
International revenues	248	179
Total	**7,104**	**5,774**

OTHER OPERATING INCOME

Other operating income of TEUR 2,366 (previous year: TEUR 3,118) mainly includes income of TEUR 1,625 from the bond's premium.

Other operating income includes non-periodic income of TEUR 326 (previous year: TEUR 411), of which TEUR 315 (previous year: TEUR 240) resulted from the reversal of provisions and TEUR 10 (previous year: TEUR 171) resulted from credit notes.

OTHER OPERATING EXPENSES

Other operating expenses totalling TEUR 10,454 (previous year: TEUR 9,290) comprised mainly legal and consulting fees of TEUR 5,031 (previous year: TEUR 1,731); third-party services of TEUR 914 (previous year: TEUR 1,527); expenses of TEUR 860 (previous year: TEUR 1,079) for the accounting, prepar-ation and audit of the annual and consolidated financial statements; expenses of TEUR 667 (previous year: TEUR 526) for the preparation of real estate assessments, financing expenses of TEUR 580 (previous year: TEUR 132) and non-deductible input taxes of TEUR 979 (previous year: TEUR 519).

Other operating expenses include non-periodic expenses of TEUR 0 (previous year: TEUR 349).

The increase in other operating expenses compared to the previous year was due to the refinancing. The placement of the bond and the tapping of the bond and the associated measures led to an increase in other operating expenses.

INCOME FROM INVESTMENTS

Income from investments of TEUR 56 (previous year: TEUR 658) relates to a dividend payment from PRAEDIA GmbH, Berlin. In the previous year, the income from investments stemmed from MAGNAT Asset Management GmbH, Vienna, Austria.

INCOME FROM PROFIT-AND-LOSS TRANSFER AGREEMENTS

Income from profit-and-loss transfer agreements in the amount of TEUR 939 (previous year: TEUR 0) resulted from the profit-and-loss transfer agreement concluded in the fiscal year with Logistikpark Leipzig GmbH, Leipzig.

INCOME FROM LOANS OF FINANCIAL FIXED ASSETS

Income from loans of financial fixed assets of TEUR 14,742 (previous year: TEUR 12,303) solely relates to income from loans granted to affiliated companies to finance the acquisition of real estate companies and properties by direct and indirect subsidiaries.

INTEREST RESULT

Interest income resulted from financing arrangements between DEMIRE Deutsche Mittelstand Real Estate AG and third parties in the amount of TEUR 411 (previous year: TEUR 394) from Taurecon RE Consulting GmbH and Taurecon Beteiligungsgesellschaft mbH.

Interest and similar expenses of TEUR 24,646 (previous year: TEUR 15,830) concern mainly the interest to be paid over the term of existing financial liabilities and trading losses related to the 2014 / 2019 corporate bond and the 2017 / 2022 corporate bond issued below nominal value. The increase of TEUR 8,816 compared to the prior year mainly resulted from the conclusion of the 2017 / 2022 corporate bond in the fiscal year, amounting to TEUR 4,759, and the increase in interest expense of TEUR 4,357 on the 2014 / 2019 corporate bond. This was in contrast to a decrease of TEUR 286 in the interest expense for the loan from Logistikpark Leipzig GmbH.

Interest and similar expenses due to affiliated companies amounted to TEUR 1,912 (previous year: TEUR 2,310).

IMPAIRMENT OF FINANCIAL ASSETS

Impairment of financial assets was related to impairment losses in the amount of TEUR 10,522 (previous year: TEUR 1,035) on investments in affiliated companies and on loans to affiliated companies

EXPENSES FROM THE ASSUMPTION OF LOSSES

Expenses from the assumption of losses of TEUR 19,560 (previous year: TEUR 3,521) relate to losses assumed under existing control and profit-and-loss transfer agreements with subsidiaries, of which TEUR 402 (previous year: TEUR 3,516) is attributable to DEMIRE Commercial Real Estate GmbH and TEUR 4 (previous year: TEUR 5) is attributable to DEMIRE Commercial Real Estate VIER GmbH, TEUR 10,524 (previous year: TEUR 0) to DEMIRE Condor Properties Management GmbH, TEUR 75 (previous year: TEUR 0) to DEMIRE Commercial Real Estate ZWEI GmbH and TEUR 8,555 (previous year: TEUR 0) to DEMIRE Commercial Real Estate DREI GmbH. The increase resulted from the newly concluded control and profit-and-loss transfer agreements.

INCOME TAXES

As the parent company of the tax group, the Company is also subject to taxation on subsidiaries included in the income tax group through control and profit-and-loss transfer agreements.

Income taxes do not include deferred taxes because the capitalisation option for deferred taxes was not utilised.

OTHER TAXES

Other taxes amounting to TEUR 0 (previous year: TEUR 286) in the previous year included mainly value-added tax refunds.

NET LOSS / ACCUMULATED LOSS

The net loss in the 2017 fiscal year amounted to TEUR 45,769 (previous year: TEUR 9,224). Based on the accumulated loss from the previous year of TEUR 142,677 and withdrawals from capital reserves according to Section 272 (2) no. 1 HGB of TEUR 150,000, the accumulated loss as of the balance sheet date totalled TEUR 38,446.

OTHER DISCLOSURES

GOVERNING BODIES

Executive Board members and remuneration

The Company's Executive Board in the reporting year consisted of the following members:

Hon. Prof. Andreas Steyer, Speaker of the Executive Board (CEO), Ginsheim, until 30 June 2017

Mr Markus Drews, COO, Mülheim an der Ruhr, until 31 December 2017, CEO from 1 July 2017 through 15 November 2017

Mr Ralf Kind, CFO, Frankfurt am Main, since 1 March 2017, and CEO since 16 November 2017

The members of the Company's Executive Board held positions in the following statutory supervisory boards or other comparable governing bodies at domestic or foreign commercial enterprises in the reporting year:

Name	COMPANY	Function
Hon. Prof. Andreas Steyer	Fair Value REIT-AG, Munich	General member of the supervisory board since 1 March 2016
	Deutsche Zinshaus GmbH, Frankfurt am Main	General member of the advisory board
	Königstein Capital GmbH, Munich	General member of the advisory board until 31 December 2016
Markus Drews	Fair Value REIT-AG, Munich	Deputy chairman of the supervisory board since 1 March 2016
	BF Direkt AG, Stuttgart	General member of the supervisory board since 21 April 2016

Mr Ralf Kind was not a member of any statutory supervisory boards or other comparable supervisory bodies at domestic or foreign commercial enterprises during the reporting year.

The remuneration of the Executive Board members in office during the fiscal year is listed in the table below:

	Fixed remuneration	Variable remuneration	Share based-payments	Total 2017	Total 2016
		in EUR thousands			
Hon. Prof. Andreas Steyer	685	0	119	804	688
Markus Drews	654	325	158	1,137	685
Frank Schaich	0	0	0	0	415
Ralf Kind	224	554	73	839	0
Total	**1,551**	**879**	**350**	**2,780**	**1,788**

The Executive Board's fixed remuneration consists of a fixed salary and fringe benefits that include benefits in kind, which mainly consist of the use of a company car. Variable remuneration consists of a bonus based on the business performance in the reporting year.

As of 31 December 2016, as a result of Mr Frank Schaich terminating his employment and leaving the Company, DEMIRE AG recognised a liability of TEUR 253, which is included under fixed remuneration in the table above. The benefits agreed to upon terminating his employment include continued remuneration, fringe benefits, and the contractually agreed bonus for the 2016 fiscal year.

This liability was settled in March 2017.

In accordance with the termination agreement dated 12 April 2017, the contractual claims of Mr Steyer until the end of 30 June 2017 were fully met, and he was granted 100 % of the 2016 fiscal year bonus. As compensation for the loss of employment, the Company paid compensation to Mr Steyer in the amount of EUR 550,000.00, which became due on 30 June 2017 upon Mr Steyer's departure. The entitlements under the 2015 Stock Option Programme will remain unchanged after the termination of his employment.

In the 2017 fiscal year, Mr Ralf Kind and Mr Markus Drews were granted special bonuses in the amount of TEUR 300 and TEUR 200, respectively, for their extraordinary service in connection with the issue of the 2017 / 2022 corporate bond in July 2017. Additionally, Mr Ralf Kind was granted a special bonus of TEUR 150 for the 2017 fiscal year.

By resolution of 17 February 2017, the Supervisory Board extended the Executive Board contract of Markus Drews for another three-year term until the end of 2020. His annual basic salary was raised to EUR 250,000.00 as of 1 March 2017.

In accordance with the termination agreement dated 16 November 2017, the contractual claims of Mr Drews until the end of 31 December 2017 were fully met, and he was granted a bonus of 100 % for the 2017 fiscal year paid on 31 December 2017. As compensation for the loss of employment, the Company paid Mr Drews compensation of EUR 375,000.00. For the 400,000 stock options granted under the 2015 Stock Option Programme, including the warrant, and to compensate for his claims for stock appreciation rights under his Executive Board employment contract dated 22 February 2017, Mr Drews received a one-time compensation payment in the amount of EUR 590,000.00. Severance and compensation payments were due and paid on 30 November 2017.

There were no pension obligations or post-employment benefits existing or granted to active or former Executive Board members in the reporting year.

The members of the Executive Board were not granted any loans or advances, and no contingencies were assumed for their benefit.

SUPERVISORY BOARD MEMBERS AND REMUNERATION

The table below provides the names and professions of the Company's Supervis-ory Board members:

Name	**Function**	**Profession**	**Member since/until**
Prof. Dr Hermann Anton Wagner	Chairman	Independent auditor and tax consultant, professor at the Frankfurt School of Finance and Management, Frankfurt am Main	
Frank Hölzle	Deputy Chairman	Dipl.-Volksw., CEO of Care4 AG, Basel, Switzerland	Since 14 February 2017, by judicial -appointment
Dr Thomas Wetzel	Member	Specialist lawyer and official expert on real estate and construction law	Since 14 February 2017, by judicial -appointment
Dr Peter Maser	Deputy Chairman	Lawyer	Until 13 February 2017
Günther Walcher	Member	Entrepreneur	Until 23 January 2017

The Supervisory Board's total remuneration for the fiscal year amounted to TEUR 180 (previous year: TEUR 270). In addition, Supervisory Board members were reimbursed by the Company for travel expenses incurred of TEUR 7 (previous year: TEUR 9) in the context of Supervisory Board meetings.

The following members of the Company's Supervisory Board held positions on other supervisory boards or in other supervisory bodies as defined by Section 125 (1) sentence 5 AktG:

Name	COMPANY	FUNCTION
Prof. Dr Hermann Anton Wagner	Aareal Bank AG, Wiesbaden	General member of the supervisory board
	btu consultingpartner Holding AG, Oberursel (Taunus)	Vice chairman of the supervisory board
	PEH Wertpapier AG, Frankfurt am Main	Vice chairman of the supervisory board (until 30 June 2017), general member of the supervisory board (since 1 July 2017)
	SQUADRA Immobilien GmbH & Co. KGaA, Frankfurt am Main	Vice chairman of the supervisory board
Frank Hölzle	Westgrund AG, Berlin	General member of the supervisory board (until 21 December 2017, chairman of the supervisory board)
(since 14 February 2017)...	clickworker GmbH, Essen	Chairman of the advisory board
	Mindlab Solutions GmbH, Stuttgart	Chairman of the advisory board
	mobileObjects AG, Büren	Chairman of the supervisory board
	rankingCoach GmbH, Cologne	Chairman of the advisory board
	SIC Invent AG, Basel, Switzerland	Member of the board of directors
	Rebuy GmbH, Berlin	Member of the advisory board
	Fair Value REIT-AG, Munich	Chairman of the supervisory board (since 4 December 2017)
Dr Thomas Wetzel	Brandenberger + Ruosch AG, -Dietlikon, Switzerland	President of the board of directors
(since 14 February 2017)	EBV Immobilien AG, Urdorf, Switzerland	President of the board of directors
	Energie 360° AG, Zurich, Switzerland	Vice president of the board of directors
	Immobilien ETHZF AG, Zurich, Switzerland	Member of the board of directors
	VERIT Investment Management AG, Zurich, Switzerland	President of the board of directors
	Swiss Foundation for Anesthesia Research, Zurich, Switzerland	Member of the foundation board
	Fair Value REIT-AG, Munich	Vice chairman of the supervisory board (since 4 December 2017)

The average number of employees in administrative positions in the 2017 fiscal year was 20 (previous year: 13).

RELATED PARTY TRANSACTIONS

Related parties are legal or natural persons that can exercise influence over the Company or are subject to control or significant influence exercised by the Company.

Parties related to DEMIRE AG include the members of the Executive and Supervisory Boards, shareholders and governing bodies of subsidiaries, including their closely associated family members, and such entities over which the members of the Company's Executive and Supervisory Boards and their closely associated family members can exert significant influence, or entities in which they hold significant voting rights. Related parties also include entities in which the Company holds an interest that allows it to significantly influence the investee's operating policies. Finally, the Company's major shareholders are also considered related parties.

Transactions with related parties are carried out mainly by subsidiaries. All transactions with related parties conducted during the reporting year were based on market standard terms.

STATEMENT WITH REGARD TO THE GERMAN CORPORATE GOVERNANCE CODE

DEMIRE AG Executive and Supervisory Boards are committed to corporate management focused on responsible, transparent and sustainable value creation. The statement on the German Corporate Governance Code required under Section 161 AktG was last submitted by the Company's Executive and Supervisory Boards on 12 April 2018 and made available to DEMIRE AG shareholders. The Declaration of Conformity with the German Corporate Governance Code was made permanently available to shareholders on DEMIRE Deutsche Mittelstand Real Estate AG's website under the Company's website.

AUDITOR'S FEE

The disclosure of the total fee of auditor Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn branch, in accordance with Section 285 no. 17 HGB is provided in the notes to the consolidated financial statement, which are published in the electronic Federal Gazette.

INFORMATION ON THE PARENT COMPANY

As the Group's parent company, DEMIRE AG has prepared consolidated financial statements according to International Financial Reporting Standards (IFRS) as adopted by the European Union and the supplementary provisions of the German Commercial Code pursuant to Section 315e (1) HGB. The consolidated financial statements have been published in the electronic Federal Gazette.

DISCLOSURES UNDER SECTION 160 (1) NO. 8 AKTG

Under Section 160 (1) no. 8 AktG, the Company must disclosure existing shareholdings that were notified to the Company in accordance with Section 21 (1) or (1a) of the WpHG within the reporting period, as well as those published under Section 26 (1) WpHG. In addition, further shareholdings that were notified to the Company in the period up to the preparation of the annual financial statements under Section 33 (1) or (2) WpHG and disclosed under Section 40 (1) WpHG were taken into account.

The Company received the following notifications:

2017 Person Subject to the Notification Obligation	Voting Rights as defined by Sections 21, 22 WpHG	Voting Rights new (in %)	Threshold	Voting Rights through Instruments as defined by Section 25 (1) WpHG (in %)	Date on which Threshold was crossed or reached	Attribution of Voting Rights as defined by Section 25 WpHG	Name(s) of Shareholder(s) holding 3 % or more Voting Rights
DeGeLog Deutsche Gewerbe-Logistik Holding.....	0	0	<3 %		30 Dec. 2016	no	
Sigrid Wecken	2,713,880	5.002	>5 %		13 April 2017	no	
VP Fund Solutions (Liechtenstein) AG	0	0	<3 %, 5 %		24 Dec. 2009	no	
S. E. R. Privatstiftung	0	0	<3 %		18 March 2013	no	
Günther Walcher & Dr Martin Zuffer.....	3,015,285	5.56	>5 %		22 Aug. 2017	yes	M1 Beteiligungs GmbH
Klaus Wecken.....	15,727,242	28.98	>30 %		1 Sep. 2017	yes	Wecken & Cie.

2018 Person Subject to the Notification Obligation	Voting Rights as defined by Sections 33, 34 WpHG	Voting Rights new (in %)	Threshold	Voting Rights through Instruments as defined by Section 38 (1) WpHG (in %)	Date on which Threshold was crossed or reached	Attribution of Voting Rights as defined by Section 34 WpHG	Name(s) of Shareholder(s) holding 3 % or more Voting Rights
Klaus Wecken.....	17,471,893	42.42	>30 %	10.23	26 Feb. 2018	yes	Wecken & Cie.
Ferry Wecken	17,471,893	32.19	>30 %		26 Feb. 2018	yes	Wecken & Cie.
Ina Wecken.....	17,471,893	32.19	>30 %		26 Feb. 2018	yes	Wecken & Cie.
BRH Holdings GP, Ltd.	17,471,893	32.19	>30 %		26 Feb. 2018	yes	Wecken & Cie.
Rolf Elgeti	100,000	0.18	<10 %, 5 %, 3 %		27 Feb. 2018	no	
Klaus Wecken.....	24,998,082	46.06	>30 %	10.23	27 Feb. 2018	yes	Wecken & Cie.; AEPF III 15 S. à r. l.
Oddo BHF Asset Management SAS ..	2,085,509	3.84	>3 %		27 Feb. 2018	no	
Klaus Wecken.....	32,084,524	59.12	>50 %		28 Feb. 2018	yes	Wecken & Cie.; AEPF III 15 S. à r. l.
Ferry Wecken	32,084,524	59.12	>50 %		28 Feb. 2018	yes	Wecken & Cie.; AEPF III 15 S. à r. l.
Ina Wecken.....	32,084,524	59.12	>50 %		28 Feb. 2018	yes	Wecken & Cie.; AEPF III 15 S. à r. l.
Willem Rozendaal .	0	0	<5 %, 3 %		27 Feb. 2018	no	
BRH Holdings GP, Ltd.	32,084,524	59.12	>50 %		28 Feb. 2018	yes	Wecken & Cie.; AEPF III 15 S. à r. l.
Günther Walcher & Dr Martin Zuffer....	0	0	<5 %, 3 %		27 Feb. 2018	no	
Norbert Ketterer.....	0	0	<3 %		28 Feb. 2018	no	
Sigrid Wecken	2,713,880	4.99	<5 %		29 March 2018	no	
Oddo BHF Asset	1,650,000	2.76	<3 %		9 April 2018	no	

Management SAS..

Executive Board's proposal for the appropriation of profits / losses

The Executive Board proposes to carry forward the Company's accumulated loss for the 2017 fiscal year.

Responsibility statement under Section 264 (2) sentence 3 HGB

As the governing body of -DEMIRE AG, the Executive Board hereby assures to the best of his knowledge and in accordance with the applicable reporting principles that the financial statements give a true and fair view of the Company's net assets, financial position and results of operations.

Subsequent events

After the end of the fiscal year, the events of particular importance below occurred but have not been recognised in the statement of income or balance sheet:

On 26 February 2018, with the consent of the Supervisory Board, the Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG (the "Company") resolved to increase the Company's share capital from authorised capital (the "capital increase") by EUR 5,425,774.00 from EUR 54,270,744.00 to EUR 59,696,518.00 by issuing 5,425,774 new, no-par value bearer shares with a notional interest in the share capital of EUR 1.00 each and full dividend entitlement as of 1 January 2017 (the "new shares") against cash contribution and excluding shareholders subscription rights.

The new shares were issued at the issue price of EUR 4.35 per new share. AEPF III 15 S. à r. l. ("AEPF"), a holding company controlled by funds that are advised by an affiliate of Apollo Global Management, LLC (NYSE: APO) will be entitled to subscribe to all of the new shares. AEPF has entered into a subscription agreement with the Company, in which AEPF undertakes to subscribe to all new shares at an issue price of EUR 4.35. The capital increase was entered in the commercial register on 5 April 2018.

AEPF has entered into a cooperation agreement ("Acting in Concert") connected to the capital increase with the Company's main shareholder, Wecken & Cie. ("Wecken"), and a subsidiary of Wecken and members of the Wecken family (together with Wecken, the "Wecken Group"), who at the time of the announcement collectively held a stake of approx. 29.91 % of the Company's share capital and exchangeable bonds that permit the purchase of an additional 10.23 % in the Company's current share capital following the exercise of the exchange rights. As a result of its acquired control over the Company, AEPF has announced the publication of a mandatory tender offer to the shareholders of the Company to acquire all shares of the Company at a price of EUR 4.35 per share. The offer document was published on 16 April 2018 at www.aepf-mandatory-offer.de/en/.

The Company was also informed by AEPF of the latter's intention to announce a decision to launch a voluntary takeover offer to acquire all shares in Fair Value REIT-AG ("FVR"). AEPF plans to launch the offer in a way that enables it to revoke the listing of FVR shares on the Regulated Market of the Frankfurt Stock Exchange (so-called "delisting offer"). The offer will be made at the legally prescribed minimum price. The Company is supportive of such an offer. Subsidiaries of the Company holding shares in FVR have entered into a non-tender agreement with AEPF in which they undertake not to accept, in full or in part, the offer with respect to the shares of FVR they hold.

Due to the attribution of voting rights as defined by Section 34 WpHG, Mr Klaus Wecken with 42.42 % and Mr Ferry Wecken, Mrs Ina Wecken and BRH Holdings GP, Ltd., with 32.19 % each reported on 26 February 2018 that they have exceeded the 30 % threshold. As of 27 February 2018, Mr Klaus Wecken controlled 46.06 % and ODDO BHK Asset Management SAS 3.84 % of the voting rights due to the attribution of voting rights as defined by Section 34 WpHG. As of 28 February 2018, Mr Klaus Wecken, Mr Ferry Wecken, Mrs Ina Wecken and BRH Holdings GP, Ltd., each controlled 59.12 % of the voting rights and exceeded the 50 % threshold due to the attribution of voting rights as defined by Section 34 WpHG.

On 29 March 2018, Mrs Sigrid Wecken notified the Company that her voting rights had fallen below the threshold of 5 % and amounted to 4.99 %.

In the context of the published offer document at www.aepf-mandatory-offer.de/en/, the bidder AEPF III 15 S. à r. l. has given notification that, at the time of publication of the Mandatory Offer, it and the members of the Wecken Group together held 37,928,711 DEMIRE shares. This number corresponds to approx. 63.51 % of the current voting rights and share capital of -DEMIRE AG.

On 26 July 2017, DEMIRE AG issued an unsecured corporate bond at an interest rate of 2.875 % p. a. and with a nominal amount of EUR 270 million, which was increased by an additional EUR 130 million to an overall amount of EUR 400 million on 2 October 2017 ("Bond 2017 / 2022"). Pursuant to the bond terms, DEMIRE AG is obliged to offer to the bondholders early redemption of the bond at a redemption price of 101 % of the nominal amount plus any interest accrued and unpaid on the redemption date within 30 days of acquiring knowledge of the change of control ("Redemption Offer"). In the event of a change of control, the maximum total repayment amount under the Redemption Offer would thus be EUR 404 million plus any interest accrued and unpaid.

Based on relevant information, a change of control pursuant to the bond terms has occurred. DEMIRE AG is therefore obliged to make a Redemption Offer pursuant to the bond terms. DEMIRE AG intends to comply with this obligation.

The Executive Board take the view that the financing of the repurchase price on the market will be possible and highly probable if and to the extent that bondholders demand early redemption.

Further notifications regarding direct or indirect shareholdings exceeding 3 %, 5 % and 10 % of the voting rights were not available to the Company at the time of publishing this report.

Prior to the publication of the annual financial statements, a total of 30,160 conversion rights were exercised, and 30,160 new no-par value bearer shares were created.

The Company was also informed by AEPF of the latter's intention to announce a decision to launch a voluntary takeover offer to acquire all shares in Fair Value REIT-AG ("FVR"). AEPF plans to launch the offer in a way that enables it to revoke the listing of FVR shares on the Regulated Market of the Frankfurt Stock Exchange (so-called "delisting offer"). The offer will be made at the legally prescribed minimum price. The Company is supportive of such an offer. Subsidiaries of the Company holding shares in FVR have entered into a non-tender agreement with AEPF in which they undertake not to accept, in full or in part, the offer with respect to the shares of FVR they hold.

Frankfurt am Main, 25 April 2018

DEMIRE Deutsche Mittelstand Real Estate AG

Dipl.-Betriebsw. (FH) Ralf Kind

Member of the Executive Board (CEO / CFO)

STATEMENT OF CHANGES IN FIXED ASSETS FOR THE FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2017

	Acquisition cost					Accumulated depreciation and amortisation					
	01 / 01 / 2017	Additions	Disposals	Reclassifications	31 / 12 / 2017	01 / 01 / 2017	Additions	Disposals	31 / 12 / 2017	31 / 12 / 2017	31 / 12 / 2016
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets											
Software licenses	25,623.20	6,350.00	0.00	0.00	31,973.20	7,396.20	10,129.00	0.00	17,525.20	14,448.00	18,227.00
	25,623.20	6,350.00	0.00	0.00	31,973.20	7,396.20	10,129.00	0.00	17,525.20	14,448.00	18,227.00
II. Tangible assets											
1. Buildings on third-party property.....	37,375.07	29,728.07	0.00	0.00	67,103.14	1,420.07	9,608.07	0.00	11,028.14	56,075.00	35,955.00
2. Other equipment, operating and office equipment	155,237.07	84,887.22	0.00	0.00	240,124.29	49,826.07	47,357.22	0.00	97,183.29	142,941.00	105,411.00
	192,612.14	114,615.29	0.00	0.00	307,227.43	51,246.14	56,965.29	0.00	108,211.43	199,016.00	141,366.00
III. Financial assets											
1. Investments in affiliated companies	219,511,618.62	0.00	1,156,689.06	53,300.00	218,408,229.56	71,990,900.62	5,828,429.30	0.00	77,819,329.92	140,588,899.64	147,520,718.00
2. Loans to affiliated companies	185,699,349.23	235,576,776.55	82,694,175.63	– 53,300.00	338,528,650.15	2,380,129.66	4,693,905.01	0.00	7,074,034.67	331,454,615.48	183,319,219.57
	405,210,967.85	235,576,776.55	83,850,864.69	0.00	556,936,879.71	74,371,030.28	10,522,334.31	0.00	84,893,364.59	472,043,515.12	330,839,937.57
	405,429,203.19	235,697,741.84	83,850,864.69	0.00	557,276,080.34	74,429,672.62	10,589,428.60	0.00	85,019,101.22	472,256,979.12	330,999,530.57

The following English-language translation of the German-language independent auditor's report (Bestätigungsvermerk des unabhängigen Abschlussprüfers) refers to the unconsolidated annual financial statements as well as the combined management report of the company and the group of DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt am Main, prepared in accordance with German commercial law (HGB) ("Handelsgesetzbuch", German Commercial Code) applicable to business corporations, as of and for the fiscal year ended December 31, 2017 as a whole and not solely to the unconsolidated annual financial statements presented in this Prospectus on the preceding pages. The combined management report of the company and the group is not part of this Prospectus.

Independent Auditor's Report

To DEMIRE Deutsche Mittelstand Real Estate AG

Report on the audit of the annual financial statements and of the combined management report

Opinions

We have audited the annual financial statements of DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt am Main, which comprise the balance sheet as of 31 December 2017, and the income statement for the fiscal year from 1 January 2017 to 31 December 2017, and notes to the financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of DEMIRE Deutsche Mittelstand Real Estate AG for the fiscal year from 1 January 2017 to 31 December 2017. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance contained in the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as of 31 December 2017 and of its financial performance for the fiscal year from 1 January 2017 to 31 December 2017 in compliance with German legally required accounting principles, and

- the accompanying combined management report as a whole provides an appropriate view of the Company's position. In all material respects, this combined management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of the statement on corporate governance contained in the combined management report.

Pursuant to Sec. 322 (3) Sentence 1 HGB ("Handelsgesetzbuch": German Commercial Code), we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the combined management report.

Basis for the opinions

We conducted our audit of the annual financial statements and of the combined management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537 / 2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements and of the combined management report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the combined management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the fiscal year from 1 January 2017 to 31 December 2017. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

Adequate valuation of the shares in affiliates and loans to affiliates

Reasons why the matter was determined to be a key audit matter

DEMIRE Deutsche Mittelstand Real Estate AG's annual financial statements contain investments in affiliated companies totaling EUR 140.6 million and loans to affiliated companies amounting to EUR 331.5 million." The valuation of these line items is based on a discounted earnings method applied to determine the fair values of investments and loans to affiliated companies. These entities indirectly hold the Company's properties. In this method that is customary in the industry, the market values of the properties and buildings under the subsidiaries' fixed assets are determined by external independent experts using the capitalized earnings method. The determination of the capitalized earnings values involved assumptions regarding the development of rents, vacancies, deductions and maintenance costs as well as the discount rates. These valuation assumptions are subject to the exercise of judgment and, due to their long-term nature, uncertainty. Against this backdrop and due to the materiality of the balance sheet items "Shares in affiliates" and "Loans to affiliates," the valuation of "Shares in affiliates" and "Loans to affiliates" was a key audit matter.

Auditor's response

The valuation is based on a discounted earnings model, whose methodological and arithmetical appropriateness was reviewed and verified by us. The review included, among others, an assessment of the suitability of the expert opinion by an independent appraiser commissioned by the Company and used as evidence for the review.

We assessed the assumptions underlying the valuations with regard to the development of rents, vacancy rates and maintenance costs together with our internal specialists for real estate valuation and analyzed whether they are in line with general and industry-specific market expectations. We also compared the average cost of capital applied with publicly available market data, assessed the change in key assumptions including future market conditions and reperformed calculations. We discussed the key planning assumptions with the executive directors. We also performed additional own sensitivity analyses for the entities in order to estimate any potential impairment risk associated with a reasonably possible change in one of the significant assumptions used in the valuation.

Moreover, we considered the disclosures in the notes to the financial statements on the shares in affiliates and loans to affiliates.

Our procedures did not lead to any reservations relating to the adequate valuation of shares in affiliates and loans to affiliates.

Reference to related disclosures

The disclosures made by the Company on the shares in affiliates and loans to affiliates are contained in the notes to the financial statements under "Fixed financial assets" and in the section on assets and liabilities in the combined management report.

Other information

The supervisory board is responsible for the supervisory board's report pursuant to Sec. 171 (s) AktG. In all other respects, the executive directors are responsible for the other information. The other information comprises the statement on corporate governance contained in the combined management report. The other information also comprises the foreword by the management board, DEMIRE on the capital market, EPRA key figures, the report of the Supervisory Board and the Corporate Governance Report.

Our opinions on the annual financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the supervisory board for the annual financial statements and the combined management report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the combined management report.

Auditor's responsibilities for the audit of the annual financial statements and of the combined management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.

- Evaluate the consistency of the combined management report with the annual financial statements, its conformity with (German) law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 29 June 2017. We were engaged by the Supervisory Board on 5 November 2017. We have been the auditor of DEMIRE Deutsche Mittelstand Real Estate AG without interruption since fiscal year 2013/2014.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to group entities the following services that are not disclosed in the annual financial statements or in the combined management report:

- Issuance of comfort letters in connection with capital market transactions
- Translation services

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Thomas Schmitt.

Eschborn/Frankfurt am Main, April 25, 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Schmitt Wirtschaftsprüfer (German Public Auditor)	Rücker Wirtschaftsprüfer (German Public Auditor)

VALUATION REPORTS

Valuation Report

in the form of a condensed valuation report ("Valuation Report")
"Demire Deutsche Mittelstand Real Estate AG – Prospectus"

savills

Commercial Portfolio
DEMIRE Deutsche Mittelstand Real Estate AG

Opinion of Market Value

as at
30 June 2018

on behalf of
DEMIRE Deutsche Mittelstand Real Estate AG
Robert-Bosch-Straße 11
63225 Langen

prepared by
Savills Advisory Services Germany GmbH & Co. KG
Taunusanlage 19
60325 Frankfurt am Main

Date of Report: 22 October 2018

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Glossary

BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht
BauGB	German Building Code
Capex	Capital expenditures
DCF	Discounted Cash Flow
Demire	Deutsche Mittelstand Real Estate AG
ECB	European Central Bank
Empirica	Online Database for Real Estate Research
EPRA	European Public Real Estate Association
ERV	Estimated Rental Value
GDP	Gross Domestic Product
gif	Society of Property Researchers, Germany
GPV	Gross Present Value
GRI	Gross Rental Income
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IFRS 13	International Financial Reporting Standard 13
IVS	International Valuation Standards
MV	Market Value
NIY	Net Initial Yield
NOI	Net Operating Income
NPV	Net Present Value
Q&A	Question and answer process
RICS	Royal Institution of Chartered Surveyors
RIWIS	Regionales Immobilien-Wirtschaftliches Informations System (Online Database for Real Estate Research)
Savills	Savills Advisory Services Germany GmbH & Co. KG
Sqm	square meters
VAT	Value added tax
VPS	Valuation Practice Statement
WAULT	Weighted Average Unexpired Lease Term
WiGeoGis	Provider of geomarketing and market data

A. Summary Overview

Type of Report

This report has been conducted in the form of a condensed Valuation Report (hereinafter referred to as "Valuation Report") for the determination of Market Value carried out by Savills Advisory Services Germany GmbH & Co. KG. The valuation is in accordance with the RICS Valuation - Global Standards (July 2017) of the Royal Institution of Chartered Surveyors ("Red Book") and the International Standards for the Valuation of Real Estate for Investment Purposes ("International Valuation Standards").

The report has been carried out for a prospectus intended to be issued by the Instructing Party in connection with a public offering in the form of an increase of share capital.

Subject of this Valuation Report is the real estate portfolio of DEMIRE Deutsche Mittelstand Real Estate AG (hereinafter referred to as "Demire") consisting of 56 subject properties as at Date of Valuation.

The Market Value determined by Savills is consistent with the Fair Value in accordance with IFRS 13 of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB).

Date of Valuation

30 June 2018

Subject Portfolio

According to the information provided by Demire the subject portfolio comprises 56 subject properties.

Please refer to the table below for an overview of the subject properties by property type:

Portfolio Overview by Property Type

	No. Properties	Lettable Area	Vacancy Rate (Area)	Vacancy Rate (EPRA)	Current Rent	WAULT
		sq m			EUR p.a.	years
Office	37	390,366	6.6%	6.3%	36,884,174	4.2
Mixed-use	8	59,451	11.5%	8.5%	4,417,925	4.9
Retail	3	28,911	7.1%	4.9%	4,161,840	7.6
Logistics/ Industry	3	213,602	22.7%	17.9%	4,333,946	2.0
Hotel/ Gastronomy	1	192	0.0%	0.0%	7,200	1.9
Other	4	10,890	29.6%	13.5%	638,918	7.7
Total	**56**	**703,412**	**12.3%**	**7.8%**	**50,444,004**	**4.4**

53 of the 56 subject properties are considered as properties producing sustainable rental income, whereas the remaining 3 properties are subject to liquidation.

Summary of Valuation Results

Upon the assumption that there are no onerous restrictions or unusual outgoings of which we have no knowledge and based on the provided information, specific comments and assumptions set out in this Valuation Report, we are of the opinion that the aggregate of the individual Market Value of the freehold interests of the Subject Properties of the Subject Portfolio, rounded at asset level, as at 30 June 2018 is:

EUR 782,410,000

(SEVEN HUNDRED EIGHTY TWO MILLION FOUR HUNDRED TEN THOUSAND EUROS)

Our opinion of Market Value (including liquidation properties)

is equivalent to:

Market Value per sq m	1,112 EUR
Gross Multiplier on Current Rent	15.51 fold
Gross Multiplier on Market Rent	14.47 fold
Net Initial Yield (NIY) on Current Rent	5.37%
Net Initial Yield (MY) on Market Rent	5.88%

The following table shows aggregated data of the 53 properties with a sustainable cash-flow (excluding 3 Liquidation Properties) which represent 97.4% of the total Market Value

Market Value in EUR per sqm	1,119
Gross Multiplier on Current Rent	15.78x
Gross Multiplier on Market Rent	14.47x
Net Initial Yield (NIY) on Current Rent	5.25%
Net Initial Yield (NIY) on Market Rent	5.86%

The Market Value of the Subject Portfolio reported is the aggregate total of the individual properties and not necessarily a figure that could be achieved if the Subject Portfolio were to be sold as a whole (Individual valuation principle).

Between the date of valuation 30 June 2018 and the date of this report, 22 October 2018, there have not been any material changes (according to provided information by Demire). Please refer to chapter F. Material Changes.

Breakdown of Market Value by Type of Use

Portfolio Overview by Use

	No. Properties	Lettable Area	Vacancy Rate (Area)	Vacancy Rate (EPRA)	Current Rent	Market Value	Market Value (Share of Total)	Market Value per sq m	Gross Multiplier on Current Rent	Gross Multiplier on Market Rent	NIY on Current Rent	NIY on Market Rent	WAULT
		sq m	%	%	EUR p.a.	EUR	%	EUR per sq m	x	x			years
Office	37	390,366	6.6%	6.3%	36,884,174	564,340,000	72.1%	1,446	15.30	14.78	5.5%	5.8%	4.2
Mixed-use	8	59,451	11.5%	8.5%	4,417,925	71,420,000	9.1%	1,201	16.17	14.28	4.9%	5.7%	4.9
Retail	3	28,911	7.1%	4.9%	4,161,840	69,470,000	8.9%	2,403	16.69	16.75	5.0%	5.0%	7.6
Logistics/ Industry	3	213,602	22.7%	17.9%	4,333,946	67,240,000	8.6%	315	15.51	11.14	5.0%	7.6%	2.0
Hotel/ Gastronomy	1	192	0.0%	0.0%	7,200	70,000	0.0%	364	9.72	8.38	7.2%	8.7%	1.9
Other	4	10,890	29.6%	13.5%	638,918	9,870,000	1.3%	906	15.45	13.97	5.0%	5.9%	7.7
Total	**56**	**703,412**	**12.3%**	**7.8%**	**50,444,004**	**782,410,000**		**1,112**	**15.51**	**14.47**	**5.4%**	**5.9%**	**4.4**

Breakdown of Market Value by Asset Classification

Portfolio Overview by Asset Class

	No. Properties	Lettable Area	Vacancy Rate (Area)	Vacancy Rate (EPRA)	Current Rent	Market Value	Market Value (Share of Total)	Market Value per sq m	Gross Multiplier on Current Rent	Gross Multiplier on Market Rent	NIY on Current Rent	NIY on Market Rent	WAULT
		sq m	%	%	EUR p.a.	EUR	%	EUR per sq m	x	x			years
Office	50	459,911	7.7%	6.8%	41,654,743	640,470,000	81.9%	1,393	15.38	14.65	5.4%	5.8%	4.3
Retail	5	36,061	14.3%	6.4%	4,601,107	77,440,000	9.9%	2,147	16.83	16.66	5.0%	5.1%	7.7
Hotel	1	207,439	22.2%	16.6%	4,188,154	64,500,000	8.2%	311	15.40	11.28	5.1%	7.5%	1.9
Total	**56**	**703,412**			**50,444,004**	**782,410,000**		**1,112**	**15.51**	**14.47**	**5.4%**	**5.9%**	**4.4**

Breakdown of Market Value by Municipalities

Geographical Portfolio Distribution by Market Value

	No. Properties	Lettable Area	Vacancy Rate (Area)	Vacancy Rate (EPRA)	Current Rent	Market Value	Market Value (Share of Total)	Market Value per sq m	Gross Multiplier on Current Rent	Gross Multiplier on Market Rent	NIY on Current Rent	NIY on Market Rent	WAULT
		sq m	%	%	EUR p.a.	EUR	%	EUR per sq m	x	x			years
Leipzig	2	230,659	20.5%	13.7%	5,935,330	96,200,000	12.3%	417	16.21	12.41	4.9%	6.8%	2.4
Bonn	1	38,353	-	-	5,648,183	87,900,000	11.2%	2,292	15.56	18.50	5.7%	4.7%	6.7
Ulm	1	47,527	1.9%	0.8%	4,348,545	77,600,000	9.9%	1,633	17.85	15.61	4.8%	5.5%	6.4
Kassel	1	21,495	9.0%	5.9%	3,468,670	59,000,000	7.5%	2,745	17.01	17.07	4.9%	5.0%	7.5
Bremen	12	34,561	28.6%	26.1%	2,589,094	42,460,000	5.4%	1,229	16.40	11.64	4.5%	7.2%	3.2
Freiburg im Breisgau	1	22,674	-	-	2,740,607	39,400,000	5.0%	1,738	14.38	14.42	6.2%	6.2%	2.7
Regensburg	1	29,219	-	-	2,579,454	34,800,000	4.4%	1,191	13.49	13.48	6.7%	6.7%	2.7
Düsseldorf	1	24,307	24.8%	23.6%	1,984,943	34,200,000	4.4%	1,407	17.23	13.83	4.5%	6.0%	4.3
Eschborn	1	18,774	-	-	1,956,987	33,100,000	4.2%	1,763	16.91	15.04	5.0%	5.7%	6.5
Köln	2	13,600	-	0.1%	1,463,979	25,990,000	3.3%	1,911	17.75	17.86	4.7%	4.6%	1.9
Remaining Municipalitie	33	222,242	9.2%	7.7%	17,728,213	251,760,000	32.2%	1,133	14.20	13.94	5.8%	6.0%	3.9
Total	**56**	**703,412**	**12.3%**	**7.8%**	**50,444,004**	**782,410,000**		**1,112**	**15.51**	**14.47**	**5.4%**	**5.9%**	**4.4**

Breakdown of Market Value by Tenure

All subject properties are held on the German equivalent of freehold title.

Breakdown of Market Value by Ratio

Within the Subject Portfolio, there are five Subject Properties with a Market Value share of nearly 5.0% (or more) of the overall portfolio Market Value.

Overview of Properties with Market Value Share more than 5%														
	Property Type		Lettable Area	Vacancy Rate (Area)	Vacancy Rate (EPRA)	Current Rent	Value	Market Value (Share of Total)	Value per sq m	Gross Multiplier on Current Rent	Gross Multiplier on Market Rent	NIY on Current Rent	NIY on Market Rent	WAULT
			sq m	%	%	EUR p.a.	EUR	%	EUR per sq m	x	x			years
Freiburg im Breisgau	Office	(Single-Tenant)	22,674	-	-	2,740,607	39,400,000	5.0%	1,738	14.38	14.42	6.2%	6.2%	2.7
Leipzig	Logistics/ Industry	(Multi-Tenant)	207,439	22.2%	16.6%	4,188,154	64,500,000	8.2%	311	15.40	11.28	5.1%	7.5%	1.9
Kassel	Retail	(Multi-Tenant)	21,495	9.0%	5.9%	3,468,670	59,000,000	7.5%	2,745	17.01	17.07	4.9%	5.0%	7.5
Bonn	Office	(Single-Tenant)	38,353	-	-	5,648,183	87,900,000	11.2%	2,292	15.56	18.50	5.7%	4.7%	6.7
Ulm	Office	(Multi-Tenant)	47,527	1.9%	0.8%	4,348,545	77,600,000	9.9%	1,633	17.85	15.61	4.8%	5.5%	6.4

The Subject Property in Bonn comprises several buildings, all used by and let to “GMG/Deutsche Telekom” as single tenant. The Subject Property in Bonn has the highest Market Value within the Subject Portfolio. The share of total Market Value of the portfolio amounts to approx. 11%. The lease contract of “GMG/Deutsche Telekom” has a WAULT of 6.7 years as at the date of valuation. The main use is office area complemented by storage use and some other use.

Breakdown of Market Value by Method of Valuation

Portfolio Overview by Method of Valuation													
		Lettable Area	Vacancy Rate (Area)	Vacancy Rate (EPRA)	Current Rent	Market Value	Market Value (Share of Total)	Market Value per sq m	Gross Multiplier on Current Rent	Gross Multiplier on Market Rent	NIY on Current Rent	NIY on Market Rent	WAULT
		sq m	%	%	EUR p.a.	EUR	%	EUR per sq m	x	x			years
Discounted Cashflow	53	680,904	12.3%	7.8%	48,312,608	762,250,000	97.4%	1,119	15.78	14.47	5.25%	5.86%	4.5
Liquidation Value	3	22,507	13.7%	6.8%	2,131,396	20,160,000	2.6%	896					
Total	**56**	**703,412**	**12.3%**	**7.8%**	**50,444,004**	**782,410,000**		**1,112**	**15.51**	**14.47**	**5.4%**	**5.9%**	**4.4**

Breakdown of Market Value by Value (Positive/Negative)

In our valuation of the Subject Portfolio, we assessed no properties to have a negative value.

B. Instructions and Sources of Information

I. Scope of Instruction

Preamble

This Valuation Report has been prepared pursuant to the Instruction Letter signed on 25 June 2018 (the "Appointment Agreement") and pursuant to the first addendum to the mentioned "Appointment Agreement" (signed 31 August 2018) between Demire Deutsche Mittelstand Real Estate AG ("Demire") and Savills Advisory Services Germany GmbH & Co. KG ("Savills").

Savills hereby confirms that as at the date of this Valuation Report there is no existing or potential conflict of interest in relation to the properties to be valued as at the Valuation Date or Report Date.

As instructed, we compiled and delivered for the given purpose this condensed report, which is a summary of the full Valuation Report and which will be incorporated in a securities prospectus in the English language.

Instruction

Savills carried out a determination of Market Value of the respective freehold interests of the properties in the subject portfolio (as defined below). For the purposes of this Valuation Report references to a "subject property" or "subject properties" shall mean a reference to any property or properties within the Demire portfolio.

The valuation is in accordance with the RICS Valuation - Global Standards (July 2017) of the Royal Institution of Chartered Surveyors ("Red Book") and the International Standards for the Valuation of Real Estate for Investment Purposes ("International Valuation Standards").

The Market Value is consistent with the "Fair Value" in accordance with IFRS 13 of the International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB).

Subject Portfolio

The subject portfolio comprises 56 properties of different asset classes (mainly office, retail and logistic buildings) that are located throughout Germany.

Please refer to the table below for an overview of the subject properties by property type:

Portfolio Overview by Property Type						
	No. Properties	Lettable Area	Vacancy Rate (Area)	Vacancy Rate (EPRA)	Current Rent	WAULT
		sq m			EUR p.a.	years
Office	37	390,366	6.6%	6.3%	36,884,174	4.2
Mixed-use	8	59,451	11.5%	8.5%	4,417,925	4.9
Retail	3	28,911	7.1%	4.9%	4,161,840	7.6
Logistics/ Industry	3	213,602	22.7%	17.9%	4,333,946	2.0
Hotel/ Gastronomy	1	192	0.0%	0.0%	7,200	1.9
Other	4	10,890	29.6%	13.5%	638,918	7.7
Total	**56**	**703,412**	**12.3%**	**7.8%**	**50,444,004**	**4.4**

53 of the 56 subject properties are considered as properties producing sustainable rental income, whereas the remaining 3 properties are subject to liquidation.

Scope of Work Carried Out

In the assessment of the Market Value of the Subject Portfolio, inter alia, the following procedures were carried out:

- Analysis and interpretation of the portfolio information provided by the Instructing Party, e.g. tenancy and property schedules, data room information and other data materials relevant to the valuation,
- Site inspections of the subject properties,
- Analysis of market, location and situation for each of the subject properties,
- Determination of Market Value at property level.

Instructing Party

DEMIRE Deutsche Mittelstand Real Estate AG

Robert-Bosch-Straße 11

63225 Langen

Germany

(Hereinafter referred to as „Instructing Party“ or “Demire”)

Addressees

The Valuation Report is addressed to and only for the use of

the Instructing Party

and

Baader Bank Aktiengesellschaft, Weihenstephaner Straße 4, 85716 Unterschleißheim, Deutschland.

The Valuation Report was prepared on the basis of the Appointment Agreement and the Addendum and is subject to this. Savills is liable for contractual demands to the Addressees of the Report only.

Valuer

Savills Advisory Services Germany GmbH & Co. KG

Taunusanlage 19

60325 Frankfurt am Main

Germany

(Hereinafter referred to as „Savills“)

Purpose of Valuation

This Valuation Report is for inclusion in a securities prospectus (the “Prospectus”) in connection with an increase of capital stock and the public offering of the new shares of Demire Deutsche Mittelstand Real Estate AG on the Frankfurt Stock Exchange (the “public offering”).

Savills prepared this Valuation Report only and accepts no responsibility for any other part of the prospectus issued in connection with the increase of capital stock.

Date of Valuation

Reference date of valuation is 30 June 2018

Report Date

The report date is 22 October 2018. The Valuation Report refers to the position as at the date it was originally issued and Savills has taken no action, nor is it obliged to take any action, to review or to update the Valuation Report since the date it was originally issued.

Currency

The relevant currency for this valuation is EUR.

Interest Valued / Tenure

All properties are held on the German equivalent of freehold title.

Publication / Disclosure

Savills acknowledges and agrees that this Valuation Report will be published in unchanged form in accordance with the legal requirements for the publication of the English version of the Prospectus for the purpose of the public offering in a prospectus for an increase of capital stock by the Instructing Party.

With the exception of the above, neither the whole nor any part of our Valuation Report nor any reference thereto (except references used in the Prospectus) may be included in any other published document, circular statement nor published in

any way without our prior written approval of the disclosure and the form and context in which it will appear.

The Valuation Report may subject to the terms of the Appointment Agreement be disclosed by the Addressees on a strictly non-reliance and without liability basis (i) to their legal advisors, (ii) to their consultants who are bound by professional codes of conduct, (iii) to banks in connection with a current or intended financing in relation to the Subject Portfolio, (iv) to rating agencies in connection with the public offering, (v) to competent authorities (i.e. the BaFin), (vi) as well as to other pre-named parties to whom disclosure is required in connection with the public offering. Any other disclosure requires Savills's prior written consent.

Nature and Source of Information relied on

The valuation has been substantially and mainly based upon the information supplied to us by Demire. Please refer to Section II "Sources of Information and Inspection" for a more detailed list of the information Savills has relied upon for the purposes of preparing this Valuation Report.

Definition of Market Value

Our valuation has been carried out in accordance with the RICS Valuation - Global Standards (the "Red Book"), July 2017, published by the Royal Institution of Chartered Surveyors (RICS), London, which was effective from 01 July 2017.

We have been instructed to value the Subject Properties on the basis of Market Value in accordance with VPS 4.4 of the RICS Valuation Global Standards 2017 (the "Red Book") which is defined as follows:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

The "Market Value" is consistent with the "Fair Value" in accordance with IFRS 13 of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), which is defined as follows:

"The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date:"

The assessment of Market Value has been carried out by Savills in accordance with the guidelines of the International Financial Reporting Standards (IFRS), the International Standards for the Valuation of Real Estate for Investment Purposes (International Valuation Standards), the Valuation Standards of the Royal Institution of Chartered Surveyors (Red Book) and in accordance with the relevant prospectus regulations applicable in Germany, including the CESR recommendations for the consistent implementation of the Committee of European Securities Regulators on prospectus 20 March 2013 (ESMA Update of the CESR recommendations).

For the avoidance of doubt, a valuation complying with the "Red Book" requirements is compliant with the International Valuation Standards (IVS) and the Market Value pursuant to § 194 BauGB (German Building Code).

We confirm that we have sufficient current local and national knowledge of the particular property market involved and have the skills and understanding to undertake the valuation competently.

Place of Performance & Jurisdiction

German law applies. The place of performance and jurisdiction is Frankfurt/Main, Germany.

Assignment of Rights

The Addressees of this Valuation Report are not entitled to assign their rights under or in respect of the Appointment Agreement and this Valuation Report – either whole or in parts – to any third parties.

Declaration of Independence & Status of Valuer

Savills hereby confirms to the best of its knowledge and belief that it has prepared this Valuation Report in its capacity as external valuer (as defined in the “Red Book”) and independent expert.

We further confirm that Savills is not aware of any actual or potential conflict of interest that might have influenced its independent status.

The total fees, earned by Savills from Demire (or other companies forming part of the same group of companies), is less than 5% of the total German revenues earned by Savills in the financial year 2017 or 2018.

II. Sources of Information and Inspection

Information Sources

For the purpose of this Valuation Report we have relied on the following information, provided to us by Demire via data room access:

- Land register excerpts
- Cadastral maps
- Information regarding public encumbrances
- Information regarding potential soil contaminations
- Lease contracts of the main tenants
-

Furthermore, we were provided by the following information:

- Information on planned capital expenditures received by email on 25 June 2018
- Business plans received by email on 26 June 2018
- Key figures of the hotel properties received by email on 06 July 2018
- Rent roll for the properties (dated 30 June 2018) received by email on 06 July 2018
-

We have also included following sources into our valuation:

- Savills Research
- Local Land Valuation Boards and other local authorities
- Empirica online-database
- RIWIS online database
- WiGeoGis
-

Individual questions and inconsistencies within the data could be clarified with the Instructing Party by using the Q&A (question & answer) template & process in the data room.

Inspection

Full inspections (external/internal) of the subject properties were carried out by Savills staff between 20 June 2018 and 11 July 2018.

All conclusions made by Savills with regard to the condition and the actual characteristics of the land and buildings have been based on our inspection of the subject properties and on the documents and information provided (please see above).

In the event that only partial internal inspections were possible, it will be assumed that the parts that were inspected are typical of the remainder.

For the avoidance of doubt, Savills did not carry out any building or structural surveys of the subject properties nor tested any of the electrical, heating or other services.

The properties were not measured as part of Savills' inspection, nor were the services or other installations tested.

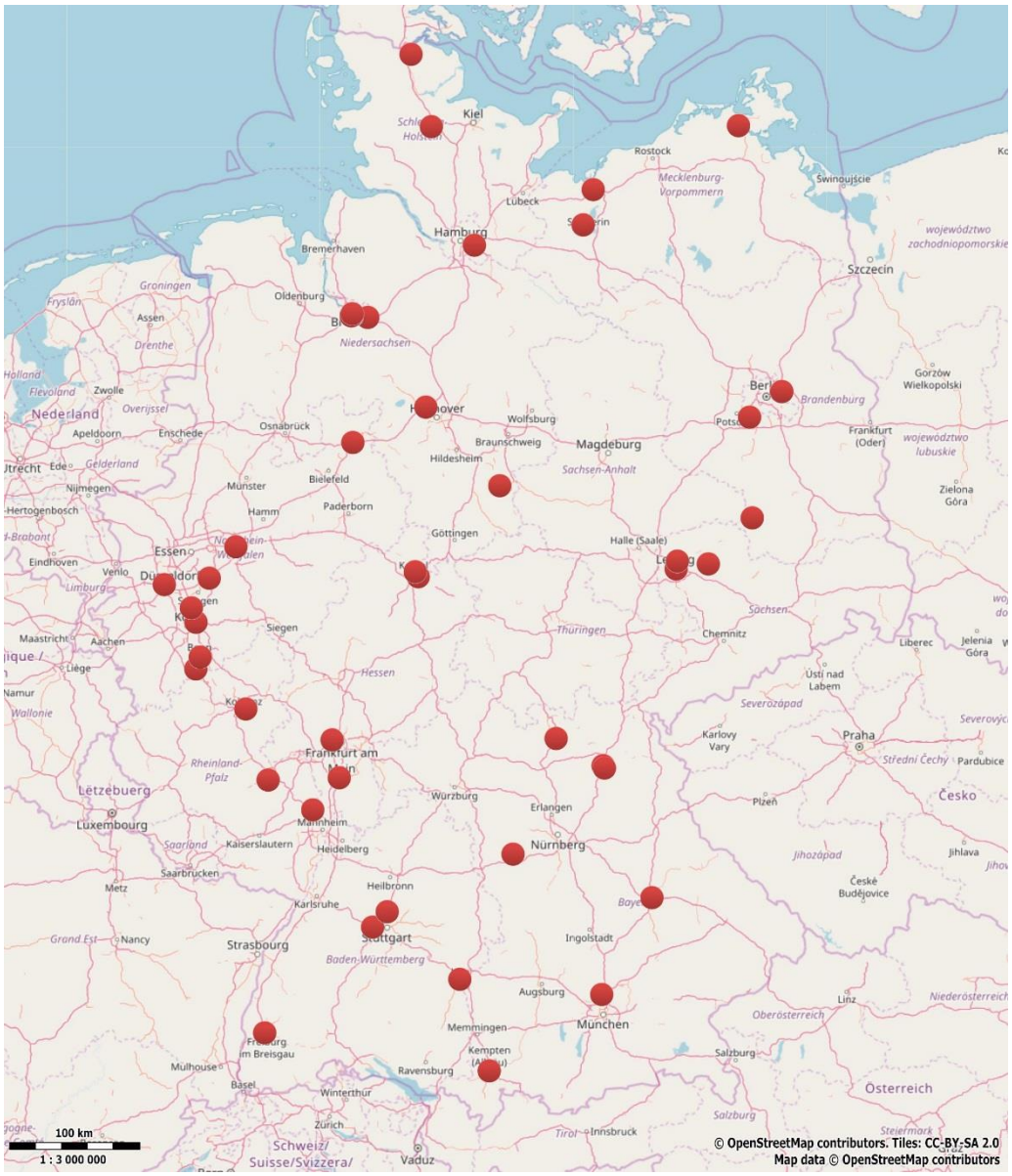
All Savills' conclusions resulting from the inspections are based purely on visual investigations without any assertion as to their completeness.

Furthermore, investigations that might cause damage to the subject properties have not been carried out. Statements about parts of the structure or materials that are covered or otherwise inaccessible are based on the information or documents provided (or on assumptions, respectively).

C. Portfolio Overview

Short Portfolio Profile

Subject to this report (as at date of valuation) are 56 commercial properties of different asset classes located throughout Germany. According to the provided rent roll, the total lettable area amounts to approx. 703,412 sq m. The portfolio has a weighted average lease term of approx. 4.42 years.



Tenure

All properties are held on the German equivalents of freehold title.

Portfolio Composition

The portfolio is comprised of the following types of space and units:

Portfolio overview by use *

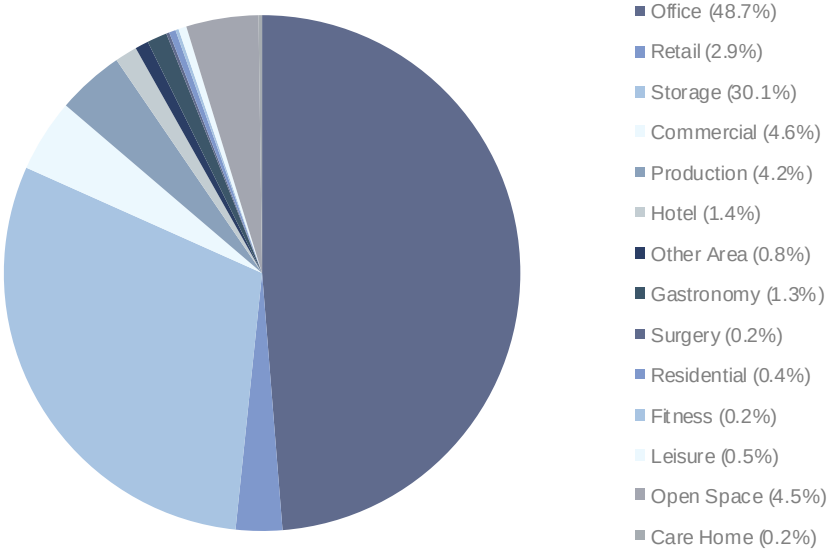
	Lettable area	Vacancy	Current rental income	Average remaining lease term	Current rental income with lease expiry
	sq m		EUR p.a.	years	
Office	342,827	9.7%	30,040,617	3.90	97.8%
Retail	20,432	6.2%	2,261,301	5.10	99.2%
Storage	211,396	18.4%	7,898,213	3.80	94.7%
Commercial	32,117	15.4%	2,099,691	9.46	100.0%
Production	29,582	0.1%	1,895,005	5.38	100.0%
Hotel	9,810	-	1,035,404	7.86	100.0%
Other Area	5,883	57.5%	287,526	14.76	100.0%
Gastronomy	8,808	36.4%	629,817	3.58	100.0%
Surgery	1,341	-	134,219	4.42	100.0%
Residential	2,896	4.9%	238,343	3.95	74.1%
Fitness	1,415	-	91,692	6.34	100.0%
Leisure	3,550	-	189,575	6.78	100.0%
Open Space	31,782	0.0%	406,052	2.57	99.9%
Care Home	1,572	100.0%	-		
Subtotal	**703,412**	**12.3%**	**47,207,455**	**4.42**	**97.5%**

	Lettable units	Vacancy	Current rental income	Average remaining lease term	Current rental income with lease expiry
	number		EUR p.a.	years	
Other Unit	162	5.6%	786,842	3.90	98.7%
Internal Parking	3,781	6.5%	1,724,786	4.72	94.0%
External Parking	4,672	12.7%	724,922	4.62	98.8%
Subtotal	**8,615**	**9.9%**	**3,236,549**	**4.49**	**96.2%**
Total			**50,444,004**	**4.42**	**97.5%**

* As at date of valuation; not including future lease contracts

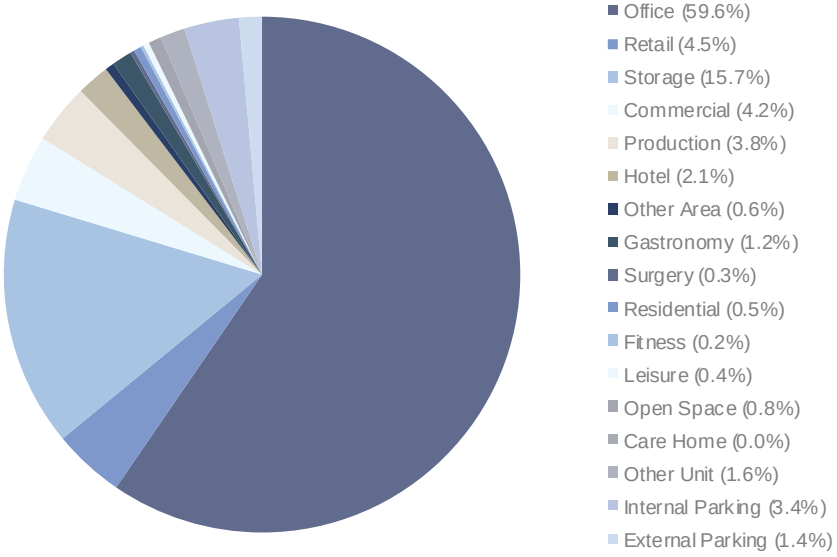
The portfolio is dominated by office use:

Distribution of lettable area per use



Accordingly, the current rental income is also dominated by office use:

Distribution of current rental income per use



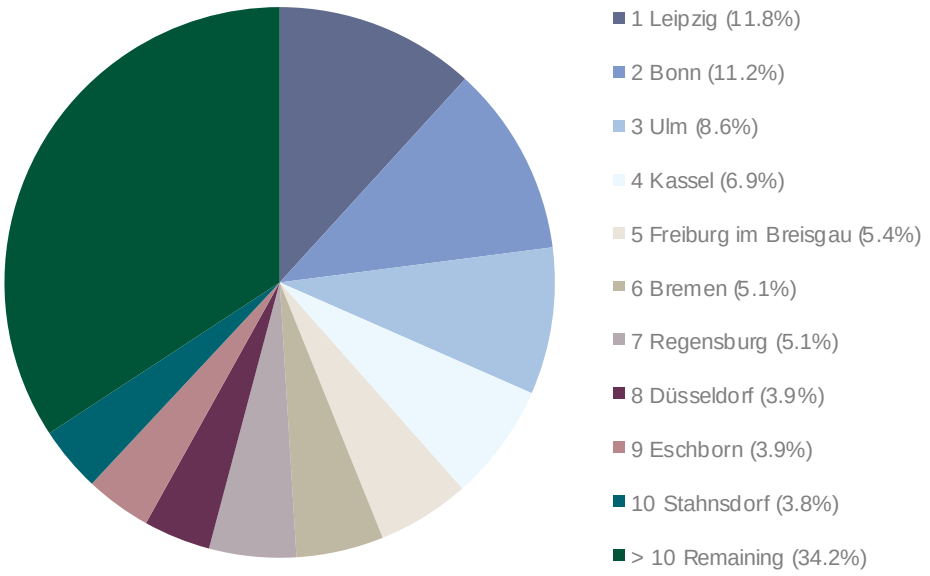
Location Analysis

Approx. 44 % of the total gross rental income are generated by the top five properties located in Leipzig, Bonn, Ulm, Kassel and Freiburg im Breisgau.

Top 10 municipalities by current rental income

#	Municipality	Lettable area	Lettable units	Current rental income	Average remaining lease term	Current rental income with lease expiry
		sq m	number	EUR p.a.	years	
1	Leipzig	230,659	651	5,935,330	2.37	92.8%
2	Bonn	38,353	430	5,648,183	6.67	100.0%
3	Ulm	47,527	566	4,348,545	6.36	99.7%
4	Kassel	21,495	608	3,468,670	7.50	100.0%
5	Freiburg im Breisgau	22,674	409	2,740,607	2.67	100.0%
6	Bremen	34,561	762	2,589,094	3.19	98.5%
7	Regensburg	29,219	499	2,579,454	2.67	100.0%
8	Düsseldorf	24,307	516	1,984,943	4.27	99.8%
9	Eschborn	18,774	326	1,956,987	6.52	100.0%
10	Stahnsdorf	17,110	377	1,929,396	2.67	100.0%
> 10	Remaining	218,733	3,471	17,262,796	3.91	95.4%

Top 10 municipalities by current rental income



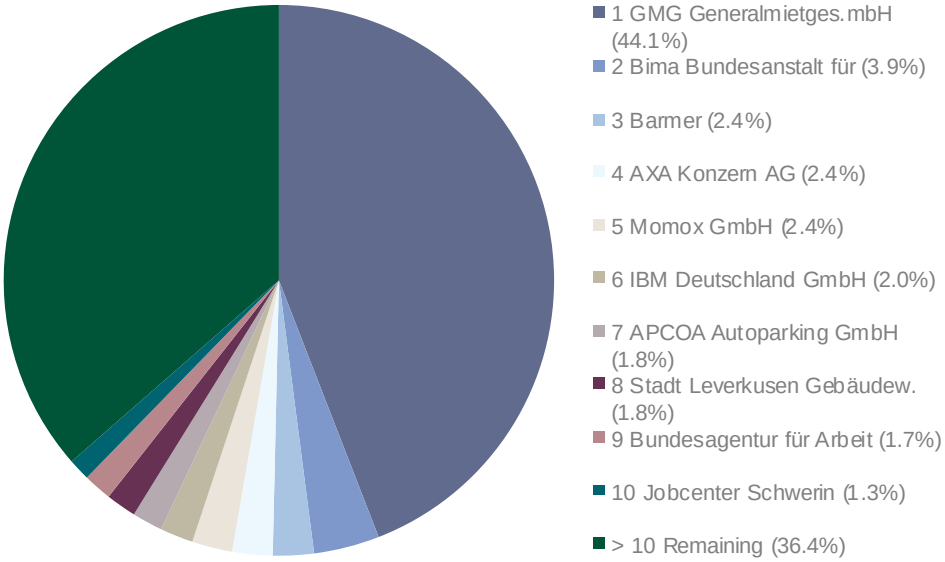
Top Tenants

The main tenant GMG Generalmietgesellschaft (Telekom) covers 44.1% of the rental income secured by an average remaining lease term of approx. 4.43 years.

Top 10 tenants by current rental income

#	Tenant	Let area	Let units	Current rental income	Average remaining lease term	Current rental income with lease expiry
		sq m	number	EUR p.a.	years	
1	GMG Generalmietges.mbH	224,917	3,123	22,243,636	4.43	100.0%
2	Bima Bundesanstalt für	18,774	325	1,947,233	6.51	100.0%
3	Barmer	10,949	227	1,210,250	4.50	100.0%
4	AXA Konzern AG	10,783	195	1,197,339	1.11	100.0%
5	Momox GmbH	59,183	2	1,193,738	2.00	100.0%
6	IBM Deutschland GmbH	7,650	380	986,589	4.50	100.0%
7	APCOA Autoparking GmbH	-	600	900,000	5.50	100.0%
8	Stadt Leverkusen Gebäudew.	5,766	111	899,685	2.51	100.0%
9	Bundesagentur für Arbeit	8,492	40	845,252	4.83	64.9%
10	Jobcenter Schwerin	7,117	-	646,177	4.83	100.0%
> 10	Remaining	263,277	2,762	18,374,105	4.58	94.6%

Top 10 tenants by current rental income



Secure Income

The secure income analysis displays the rent that is covered by tenancies which are closed at fixed lease terms. Due to the WAULT of almost 4.60 years and the diverse lease term structure, the secure income will steadily decrease during the cash flow period of 10 years.

Secure income

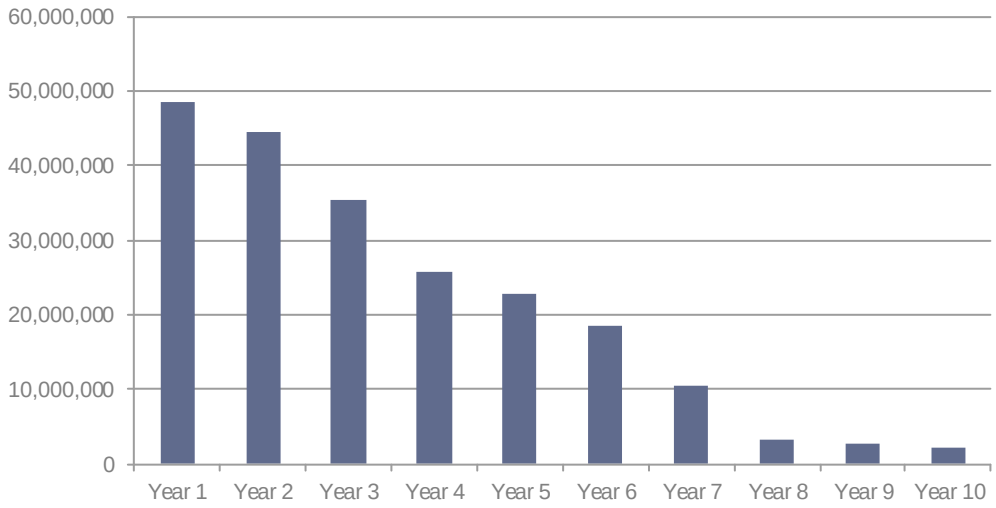
Situation as at Valuation Date

	Current rental income EUR p.a.
From limited leases (secure income)	49,164,331
From unlimited leases	1,279,672
Total	**50,444,004**

Secure Income Forecast

Period	Secure income EUR
Year 1	48,580,771
Year 2	44,455,714
Year 3	35,480,893
Year 4	25,712,801
Year 5	22,839,511
Year 6	18,545,251
Year 7	10,398,947
Year 8	3,282,198
Year 9	2,774,132
Year 10	2,102,079

Ten-year overview of secure income *



* The cash flow is projected only for leases with a fixed lease term. An additional income of 1,279,672 EUR p.a. (as at valuation date) is generated by leases with open-ended lease terms.

D. Valuation Considerations

In this chapter we comment on our individual considerations in order to arrive at our Opinion of Market Value.

Please note that our opinion of value is carried out on the basis of a number of assumptions. In the absence of any information to the contrary in the Report, our Opinion of Value is based on, and subject to, the General Valuation Assumptions as described in section H.I of this Report together with the specific assumptions as stated in this report (including without limitation this section D).

In case of any discrepancies the specific assumptions as described in the following will prevail over the General Assumptions. If any of the aforementioned assumptions (General Assumptions or specific assumptions or other) are subsequently found to be incorrect or invalid, our Opinion of Value may need to be reconsidered.

I. Method of Valuation

General Valuation Procedure

The valuation has been carried out on a single property basis. Each property has been valued individually.

Valuation Models

For the long-term income-generating properties, we have used a Discounted Cash Flow (DCF) model.

Properties with buildings in a very bad technical condition that do not allow for sustainable revenue generation have been valued according to a Liquidation Value Method (land value less demolition costs and, if applicable, including remaining net operating income).

For more details about the DCF model and the underlying definitions of the key parameters, please refer to Chapter H “General Valuation Assumptions and Applied Definitions” of this Valuation Report.

II. Portfolio Considerations

1. Constituents of the Subject Properties

Fixtures in the Subject Properties, such as passenger and goods lifts, other conveyor installations, central heating installations and other technical installations have been regarded as integral parts of the Subject Properties and have, therefore, been reflected in our determination of Market Value. Tenant's fixtures and fittings that would normally be the property of the tenant have not been reflected in our valuation.

2. Legal Aspects

Land Register

According to the provided land register excerpts, all properties are held on freehold title.

There are several encumbrances regarding the subject properties like pipeline way leaves, cable rights, right of ways and restricted personal easements. We are of the opinion that the encumbrances and restrictions registered under Section II do not affect the use of the subject properties. They are therefore assumed to have no impact on value.

Further legal Aspects

We were provided with some additional legal information. This legal information partially include information regarding public encumbrances and monumental protections.

For properties with monumental protection we have considered slightly higher maintenance costs in our valuation approach.

Some properties are encumbered with public easements (unification encumbrances, fire rescue access, etc.). In our opinion, the given public encumbrances do not restrict the use of the subject properties, therefore we have assumed no impact on value.

3. Technical Aspects

Please note, for the purpose of this valuation, we have been provided with an overview of planned capital expenditures for the years 2018 until 2022. We have assumed that minor outstanding repairs are covered by the assumed costs of on-going maintenance.

Please see the following table for the considered capital expenditures.

One-off payments			
	Short-term (1-3 years)	Medium-term (4-6 years)	Long-term (>6 years)
	EUR	EUR	EUR
CapEx	-8,007,800	-2,035,800	-

Please note that Savills has not been instructed to perform any technical due diligence and does not possess the necessary detailed technical information. Therefore, Savills assumes that the accuracy and completeness of the repair costs (Capex) provided to Savills mentioned above.

4. Environmental Aspects

We were provided with excerpts from the register of soil contamination for most of the properties. According to this information, except of the subject property Ludwigsburg, there are neither major environmental issues nor any current need for action.

There are contamination of soil air and groundwater in the western part of the subject property N113.LUD – Ludwigsburg. In coordination with the Ludwigsburg District Office, the contaminated subsoil has been remediated since 1990. According to the provided information there are costs for this ongoing remediation / monitoring. The respective costs have been considered in our valuation as capital expenditures.

Savills assumes that with respect to the remaining properties (including with respect to properties for which we were not provided with information concerning contamination) that no contamination exists and that such properties were used in the past and will be used in the future for activities without any contamination potential.

Please note that Savills has not been instructed to perform any environmental due diligence and does not possess the necessary detailed technical information. Therefore, Savills assumes without verification the accuracy and completeness of the provided information to Savills in this context. Should it subsequently turn out that additional contamination exists at the properties this may have a detrimental effect on the value reported.

5. Tenancy Aspects

Rent Roll Information

Our valuation is based on the rent rolls for the subject properties received from the Demire asset management via email on 06 July 2018. We assume that the documents reflect the status quo of all tenancies as at valuation date 30 June 2018 to a true and comprehensive extent.

For the valuation we were provided with lease agreements of most of the main tenants. We reviewed the Top 10 lease agreements and according to our verification, there were no significant differences between the lease agreements and the rent roll.

Please see the following table for the analysis of the Top 10 lease contracts:

Analysis of Top 10 Lease Contracts

Property ID	Tenant	Lettable Area in sq m	GRI p.m. EUR	Result
P010.BONN	GMG Generalmietges.mbH	38,353	470,682	Information correct; the indexation clause defined in the lease agreement implemented by Savills
N121.ULM	GMG Generalmietges.mbH	44,260	331,843	Information correct; the indexation clause defined in the lease agreement implemented by Savills
P010.FREI	GMG Generalmietges.mbH	22,674	228,384	Information correct; the indexation clause defined in the lease agreement implemented by Savills
P010.REGEN	GMG Generalmietges.mbH	29,219	214,954	Information correct; the indexation clause defined in the lease agreement implemented by Savills
N132.ESCH	Bima Bundesanstalt für	18,774	162,269	Information correct
P010.STAHN	GMG Generalmietges.mbH	17,110	160,783	Information correct
P010.FLENS	GMG Generalmietges.mbH	23,801	143,110	Information correct; the indexation clause defined in the lease agreement implemented by Savills
N141.DD	Barmer	10,949	100,854	Basic information correct. We assume that the difference of approx. 3 % in area and rent between RentRoll and 3rd amendment of the rental agreement is the result of a partial termination of rental area
A004.LOGPARK	Momox GmbH	59,183	99,478	Basic information correct
P010.ANS	GMG Generalmietges.mbH	12,632	94,587	Information correct; the indexation clause defined in the lease agreement implemented by Savills

A full verification of the provided tenancy schedule and the available lease agreements was not part of the scope of this Instruction. Savills therefore relied on the content of the tenancy schedule provided and assumed that the provided document reflects the status quo of all tenancies as at the Date of Valuation to a true and comprehensive extent. Please note that Savills cannot verify the accuracy or the completeness of the information of subject tenancies provided to Savills.

Overdue rent payments

Savills has not checked the status of contractually agreed rent payments as at the Date of Valuation. Provided that Savills had no information to the contrary, we have assumed that there are no overdue rent payments.

Lettable Area

In our valuation approach we have generally assumed that the provided information regarding lettable area is in line with the "Richtlinie der Gesellschaft für Immobilienwirtschaftliche Forschung e.V." (gif) (MF-G). We recommend a measurement of all properties according to gif to eliminate current uncertainties.

With regard to the so called "T6 properties" (main tenant GMG/Telekom) located in Flensburg, Stahnsdorf, Freiburg, Ansbach, Regensburg and Bonn (with a total lettable area of ca. 144,000 sq m), the provided tenancy schedule only contained the total lettable area (in one line, marked as "commercial area") per property. We asked for a split of areas and use on a building level due to the heterogeneous character of the building complexes. This could not be provided by the Instructing Party. We therefore used the total lettable areas as included in the tenancy schedule, but made very approximate distinctions in use and location of areas (e.g. basement floors, office/ storage/technical use etc.) according to our impressions from site visits. Please note that this approach is not valid for the T6 property in Stahnsdorf, which is subject to the liquidation approach.

The estimated amendments to the tenancy schedule are based on former measurements/or floor plans of the "T6 properties" prepared by FESA-Aufmaß GmbH and published by UBS. On this basis and by using "google.maps", we made an approximate estimation of special areas, which may not be re-lettable on basis of the current rent (due to the location in the basement, or location in a pure technical building without windows, areas which are subleased etc.), or areas which are assumed to be structurally vacant.

Please note that it may turn out in a formal measurement that the assumed size or split of lettable areas differs from the correct lettable areas per type of use. In this case our assumptions and valuation results have to be reconsidered.

Tenant Solvency

Our assessment of tenant solvency is based on the information provided by the federal credit rating service 'Creditreform' which expresses the ability to service

debt in terms of the so-called 'Credit-Standing Index'. This index takes into account a company's asset situation/turnover/liquidity with 25%, structural risks with 10-15% as well as business sector risk with 10-15%, the mode of payment with 20-25% and, finally, the credit verdict with 25-30%. The result is an individual ranking figure in a range from 100 (Best grade, "1") to 600 (Default grade, "6").

We retrieved the solvency information of the main tenants on the basis of the provided rent roll and lease contracts.

Please see the following table for the result of the solvency assessment of the 10 main tenants:

Top 10 tenants solvency oveview

#	Tenant	Current rental income	Share of Total Current Rental Income	Credit-Standing Index Ranking Figure as at July 2017	Descriptions
		EUR p.a.	%		
1	GMG Generalmietgesellschaft.mbH	22,243,636	44%	184	Very good solvency credit standing (probability of default 0.13%)
2	Bundesanstalt für Immobilienaufgaben (BIMA)	1,947,233	4%	121	Excellent solvency credit standing (probability of default 0.03%)
3	Barmer	1,210,250	2%	147	Excellent solvency credit standing (probability of default 0.07%)
4	AXA Konzern AG	1,197,339	2%	134	Excellent solvency credit standing (probability of default 0.05%)
5	Momox GmbH	1,193,738	2%	207	Good solvency credit standing (probability of default 0.27%)
6	IBM Deutschland GmbH	986,589	2%	140	Excellent solvency credit standing (probability of default 0.06%)
7	APCOA Autoparking GmbH	900,000	2%	223	Good solvency credit standing (probability of default 0.37%)
8	Stadt Leverkusen	899,685	2%	156	Very good solvency credit standing (probability of default 0.08%)
9	Bundesagentur für Arbeit	845,252	2%	212	Good solvency credit standing (probability of default 0.25%)
10	Jobcenter Schwerin	646,177	1%	266	Average Solvency credit standing (probability of default 0.94%)
	Weighted average ranking (Top 10 tenants)	**32,069,899**	**64%**	**179**	**Very good solvency credit standing**

As it is shown above, we retrieved solvency information for the top tenants in the subject properties, which contribute to ca. 64% to the current total rental income.

As it can be seen, the assessed top tenants predominantly provide an excellent to very good financial security according to the 'Creditreform' ranking. Weighted by the tenants' contribution to income, the overall credit standing can be rated as "Very good" under consideration of 'Creditreform' measures.

Please note that, apart from the above mentioned, that a more detailed financial investigation of the tenant is outside the scope of this report.

Structural Vacancy

Please note, we have considered for the following subject properties structural vacancy, due to low demand of, poor fit-out standard or poor location within the property.

Please see the following table for the properties with assumed structural vacancy:

Structural Vacancy

Property ID	Property Address	Postal Code	Municipality	Structurally Vacant Area	Structural Vacancy
				sq m	
N113.LUD	Uhlandstr. 21	71638	Ludwigsburg	1,157	14.52%
N131.DENST	Nürnberger Str. 38	95448	Bayreuth	729	5.50%
A003.GUGA	Gutenbergplatz 1 a-e	04103	Leipzig	3,140	13.52%
A004.LOGPARK	Am alten Flughafen 1	04356	Leipzig	25,803	12.44%
R010.KUGA	Kölnische Str. 6 / Mauerstr. 11 / Spohrstr.	34117	Kassel	73	0.34%
N121.ULM	Zeitblomstr., Olgastr., Bahnhofplatz	89073	Ulm	125	0.26%
A002.STRAL	Tribseer Damm 76	18437	Stralsund	669	5.15%
N112.FH3	Flughafenallee 3 / Otto-Lilienthal-Str. 19	28199	Bremen	67	1.25%
N112.OLS25	Otto-Lilienthal-Str. 25	28199	Bremen	112	2.39%
N112.OLS29	Otto-Lilienthal-Str. 29	28199	Bremen	38	0.89%
N112.OLS27	Otto-Lilienthal-Str. 27	28199	Bremen	38	0.89%
N124.GOS	Rosentorstraße 15	38640	Goslar	454	9.87%
N124.BT7b	Karl-Marx-Straße 7 B	95444	Bayreuth	24	0.71%
K060.WUP	Werth 54	42275	Wuppertal	183	9.71%
N142.REN	Jungfernstieg 15	24768	Rendsburg	854	22.14%
N144.LICHT	Bamberger Str. 20	96215	Lichtenfels	87	1.79%
N124.DOR	Aldinghofer Straße 13	44263	Dortmund	144	7.32%
A001.WURZ	Marienstr. 3	4808	Wurzen	133	3.88%
N143.OEY	Dr.-Neuhäußer-Str. 4	32545	Bad Oeynhausen	969	31.74%
A002.HERZ	Uebigauerstr. 1	04916	Herzberg (Elster)	392	33.33%
A002.BLN14	Jan-Petersen-Str. 14	12679	Berlin	990	18.34%

6. Properties Subject to Liquidation

Properties with no sustainable income generation, due to poor technical condition, low demand of rental space in the sub market or high vacancy rate, have been valued based on the liquidation value method (land value less demolition costs and, if applicable, including remaining net operating income).

The following 3 subject properties, have been valued based on the liquidation value approach:

- P010.STAHN – Stahnsdorf
- N124.BT7b_Teilverkauf - Bayreuth
- A002.BLN14 - Berlin

The share of total portfolio value of the 3 liquidation properties is 2.6 %.

III. Basic Cash Flow Considerations

Preamble

The following summaries of the valuation assumptions and parameters only relate exclusively to the 53 Subject Properties with a sustainable rental income situation and that have been valued using the Discounted Cash Flow (DCF) method.

In the following section, we seek to comment on all input parameters in our valuation model. Besides a general description of each parameter, the applied ranges of those parameters will be stated, too. The considered parameters result in a value of the individual properties, which were verified by means of appropriate comparable transactions.

The remaining 3 liquidation properties have not been considered in the following description in order not to distort the information.

Estimated Rental Value (ERV)

Estimated rental values ("market rents") indicated in this report are those which have been adopted by us as appropriate in assessing the capital value or the letting potential of the properties, being subject to market conditions that are either current or are expected in the short term. They are based on our experience in the markets and our knowledge of actual comparable market activity.

For the purpose of comparison, we considered market evidence by assessment of actual lettings of units with the same or a closest comparable use, where applicable and available. Applied ERVs range as follows in the subject properties:

Market rent			
	Minimum EUR per sq m p.m.	Maximum EUR per sq m p.m.	Average * EUR per sq m p.m.
Office	-	13.50	8.38
Retail	3.25	40.00	10.27
Storage	-	11.50	3.21
Commercial	-	20.00	6.88
Production	3.00	7.33	4.94
Hotel	8.50	9.20	8.85
Other Area	-	27.00	8.20
Gastronomy	-	25.00	5.63
Surgery	7.50	12.00	9.54
Residential	5.00	9.50	7.22
Fitness	5.50	5.50	5.50
Leisure	-	7.00	4.40
Open Space	-	2,000.00	1.06
Care Home	10.00	10.00	10.00
Other Unit	-	1,350.00	68.26
Internal Parking	-	125.00	57.42
External Parking	-	50.00	21.02

* weighted by sq m /units

Non-Recoverable Costs

Ancillary costs of a property are generally costs of

- ongoing maintenance,
- management and
- other non-recoverable costs.

These costs can generally be allocated to the responsibility of tenants in commercial leases – at least to a very high degree of total costs - whereas there are much stricter regulations for residential leases. Residential tenants may only be obliged to bear services charges as defined in the Ordinance of Services Charges (*Betriebskostenverordnung*) but must never – by law – be made responsible for costs of maintenance or management.

For the purpose of valuing the subject properties, we did not receive details of the amount of non-recoverable costs which remains to be borne by the owner. Therefore, we applied common appropriate assumptions in our valuation.

Costs of Ongoing Maintenance

For costs of ongoing maintenance we have assumed the following for the respective types of use:

Maintenance			
	Minimum EUR per sq m p.a.	Maximum EUR per sq m p.a.	Average * EUR per sq m p.a.
Office	4.00	9.00	7.30
Retail	6.00	9.00	7.32
Storage	-	9.00	2.33
Commercial	2.00	9.00	5.90
Production	3.00	7.50	3.67
Hotel	6.00	10.00	8.00
Other Area	2.00	8.00	5.50
Gastronomy	2.00	9.00	4.13
Surgery	6.00	7.50	7.12
Residential	7.50	9.00	8.77
Fitness	6.00	6.00	6.00
Leisure	3.50	7.50	6.95
Open Space	-	-	-
Care Home	8.00	8.00	8.00
Other Unit	-	-	-
Internal Parking	40.00	60.00	50.29
External Parking	-	20.00	13.71

* weighted by sq m /units

Our approach considers both, that commercial tenants bear a considerable portion of maintenance costs, i.e. in their units and of all fixtures and fittings, but that it is also likely that the owner shall bear costs of maintaining the roof and structure ("Dach und Fach"). We assume the applied cost estimation to be sufficient to at least maintain the respective property in the current condition.

All costs include annual inflation which will be adjusted each year of the DCF term.

The above-discussed costs are reflected as total yearly amounts on page 4 in the cost items below "Non-Recoverable Costs" in the 'Detailed Valuation Overview' enclosed in Appendix II to this report.

Management Costs

For the subject properties we have allowed management costs as a percentage of the annual market rent:

Management costs			
	Minimum % of Market Rent	Maximum % of Market Rent	Average % of Market Rent
Office	1.50%	4.00%	2.57%
Retail	2.00%	4.00%	3.28%
Storage	1.50%	4.00%	3.08%
Commercial	2.00%	4.00%	3.76%
Production	2.00%	3.00%	2.93%
Hotel	3.50%	4.00%	3.76%
Other Area	2.00%	4.00%	3.08%
Gastronomy	2.00%	4.00%	3.48%
Surgery	3.00%	4.00%	3.43%
Residential	2.44%	18.21%	4.02%
Fitness	4.00%	4.00%	4.00%
Leisure	3.00%	3.50%	3.41%
Open Space	2.00%	4.00%	3.42%
Care Home	2.00%	2.00%	2.00%
Other Unit	1.50%	4.00%	3.41%
Internal Parking	2.00%	4.00%	3.07%
External Parking	2.00%	4.00%	2.73%

Our approach is to reflect a common level of management costs under consideration of the type and complexity of the asset and relevant utilisation(s). We generally assumed the subject asset to require a normal management effort.

Please note all costs include annual inflation which will be adjusted each year of the DCF term.

Non-Recoverable Costs on Vacancy

These are generally non-recoverable service charges, for example any operational costs, which may need to be borne by the landlord should a tenant become unable to pay for any reason (e.g. insolvency) or in the general case of vacancy. These costs are incurred in addition to the regular non-recoverable ancillary costs as explained above.

In the absence of more detailed information of actual non-recoverable costs in the case of vacancy, we considered non-recoverable ancillary costs per sq m p.m. for vacant area as follows:

Vacancy costs

	Minimum EUR per sq m p.m.	Maximum EUR per sq m p.m.	Average * EUR per sq m p.m.
Office	1.00	1.50	1.44
Retail	0.50	1.00	1.00
Storage	-	1.50	0.31
Commercial	0.30	1.50	0.95
Production	0.50	1.00	0.51
Hotel	1.50	1.50	1.50
Other Area	-	1.50	0.78
Gastronomy	0.30	1.50	0.54
Surgery	1.50	1.50	1.50
Residential	1.00	1.50	1.43
Fitness	0.50	0.50	0.50
Leisure	0.50	1.00	0.93
Open Space	-	-	-
Care Home	1.50	1.50	1.50
Other Unit	-	-	-
Internal Parking	-	0.30	0.00
External Parking	-	-	-

* weighted by sq m / units

Please note that these costs will only be applied to vacant space and only for the assumed duration of vacancy.

The vacancy costs are only relevant after the expiry of the current lease contracts.

Void Periods for Current Vacancy and Void Periods after Expiry of Leases

Voids generally represent the time period between the expiry of a lease and the start date of a new lease.

There is currently some initial vacancy in the subject properties. For these units, we have estimated 'Void Periods of Current Vacancy' which are starting at the

beginning of the next full month following the reference date of this valuation (the 'projection date').

We have assumed the following void periods for current vacancy:

Void period of current vacancy			
	Minimum	Maximum	Average *
	months	months	months
Office	2.00	60.00	12.97
Retail	6.00	12.00	6.87
Storage	6.00	60.00	15.93
Commercial	9.00	60.00	10.40
Production	60.00	60.00	60.00
Hotel			
Other Area	6.00	6.00	6.00
Gastronomy	9.00	24.00	21.12
Surgery			
Residential	6.00	6.00	6.00
Fitness			
Leisure			
Open Space			
Care Home			
Other Unit	6.00	18.00	10.61
Internal Parking	6.00	12.00	10.83
External Parking	6.00	18.00	8.79

* weighted by market rent

Those units which are currently let and which become vacant in the future will be subject to the ‘Void Periods after Expiry of Leases'.

For all units where leases expire in the future and during the upcoming DCF term of 10 years, we considered the following void periods:

Void Period after expiry of leases			
	Minimum months	Maximum months	Average * months
Office	-	24.00	3.98
Retail	3.00	9.00	3.48
Storage	-	9.00	5.64
Commercial	-	9.00	3.91
Production	3.00	6.00	3.42
Hotel	3.00	9.00	5.87
Other Area	3.00	3.00	3.00
Gastronomy	3.00	9.00	4.93
Surgery	3.00	3.00	3.00
Residential	3.00	6.00	3.10
Fitness	3.00	3.00	3.00
Leisure	6.00	9.00	8.44
Open Space	-	6.00	5.69
Care Home	3.00	3.00	3.00
Other Unit	-	9.00	4.13
Internal Parking	-	9.00	4.38
External Parking	-	9.00	3.00

* weighted by market rent

Leasing Commissions

German law does not restrict the charging of agency fees on lettings for commercial properties. In the event that the administration is not able to recover some of the letting costs, book allowances have been made at this level to reflect the management expenses incurred in letting, e.g. meetings to negotiate lease terms, newspaper adverts etc. For residential lettings, agency fees are limited to two months' rent by law.

For the purpose of this valuation, we have assumed that letting fees equivalent to

- 2 months' rent for residential units and
- 3 months' rent for commercial units

would be incurred by the landlord on re-letting for all types of relettable units.

Costs of Unit Refurbishment ("Tenant Improvements")

It is frequently the tenant's responsibility to redecorate and to carry out at least minor repairs. When there is a change of tenant, however, additional expenses for basic repairs and a more comprehensive renovation of the unit must normally be allowed for in order to assist marketing and re-letting.

In our DCF model, we differ between costs of "First Time Tenant Improvements" and of "Continuing Tenant Improvements". First time refurbishment costs will be applied to units which are currently vacant and to units which are now let but will become vacant for the first time during the applied DCF term. 'Continuing tenant

improvements' will accordingly be applied to remaining cases, i.e. units where there is a second lease expiration during the applied DCF term.

Our DCF model generally considers these costs of refurbishment at the end of the assumed letting void.

We have allowed the following first-time refurbishment costs:

First-time refurbishment costs

	Minimum EUR per sq m	Maximum EUR per sq m	Average * EUR per sqm
Office	25	300	142
Retail	30	150	56
Storage	10	50	38
Commercial	-	150	45
Production	10	150	34
Hotel	150	150	150
Other Area	-	150	68
Gastronomy	10	70	30
Surgery	120	150	147
Residential	120	325	165
Fitness	70	70	70
Leisure	10	70	62
Open Space	-	-	-
Care Home	120	120	120
Other Unit	-	-	-
Internal Parking	-	-	-
External Parking	-	-	-

* weighted by sq m / units

We have allowed the following continuing refurbishment costs:

Continuing refurbishment costs			
	Minimum EUR per sq m	**Maximum** EUR per sq m	**Average *** EUR per sq m
Office	25	80	69
Retail	30	75	31
Storage	10	10	10
Commercial	10	75	32
Production	10	75	22
Hotel	75	75	75
Other Area	-	75	45
Gastronomy	10	30	18
Surgery	75	75	75
Residential	50	75	60
Fitness	30	30	30
Leisure	10	30	27
Open Space	-	-	-
Care Home	60	60	60
Other Unit	-	-	-
Internal Parking	-	-	-
External Parking	-	-	-

* weighted by sq m / units

Average Lease Term for new Lettings

Commercial tenancies in Germany are usually agreed for a fixed period of 5 or 10 years, sometimes longer.

For the purpose of this valuation and based on our experience, we have applied the following lengths of tenancy for any potential new letting in the subject asset:

Duration of new lease

	Minimum	Maximum	Average *
	years	years	years
Office	3.00	10.00	5.67
Retail	5.00	5.00	5.00
Storage	5.00	10.00	5.24
Commercial	5.00	7.00	5.15
Production	5.00	5.00	5.00
Hotel	5.00	10.00	7.60
Other Area	5.00	10.00	6.04
Gastronomy	5.00	10.00	5.10
Surgery	5.00	5.00	5.00
Residential	7.00	10.00	7.49
Fitness	5.00	5.00	5.00
Leisure	5.00	5.00	5.00
Open Space	5.00	10.00	5.00
Care Home	7.00	7.00	7.00
Other Unit	5.00	10.00	5.00
Internal Parking	5.00	10.00	5.23
External Parking	5.00	10.00	6.01

* weighted by market rent

Applied Growth Assumptions

We have commonly applied the following growth parameters (inflation rates) in our DCF calculations:

- Year 1: 1.87% (source: Focus Economics)
- Year 2: 1.85% (source: Focus Economics)
- Year 3: 1.90% (source: Focus Economics)
- Year 4: 1.95% (source: Focus Economics)
- The ongoing annual inflation onwards was assessed at 2.00%.

Furthermore, regarding rental growth, we have assumed the following:

Rental growth: Current rents grow according to actual indexation terms, while market rents grow between 50% and 100% of the assumed inflation rates above.

Rates in DCF Calculations

We applied the following range of rates for the individual assets (Investment Value):

Internal yields and rates (MV)

	Minimum	Maximum	Average *
Discount Rate	3.00%	8.10%	5.30%
Exit Capitalisation Rate	5.00%	9.00%	6.01%

* Discount Rate weighted by Gross Present Value
Exit Capitalisation Rate weighted by Exit Value

Please note that Discount Rates and Exit Cap Rates are related to the underlying cash-flow assumptions made for each property. To back-up our valuation results, we have considered comparable transactions and/or market databases.

Costs of Transaction

We applied costs of transaction as follows:

- Real Estate Transfer Tax: 3.50% - 6.50% depending on the federal state
- Notary fees 0.50% - 1.00%
- Agency fees 0.50% - 3.00%

These costs are chosen as they are common in ordinary course of business, i.e. in an asset deal, and for the subject type of property. Costs of transaction may, however, differ in the actual individual case – depending on the type of transaction.

E. Valuation Results

I. Total Secured Rental Income ("Current Rent")

According to the provided tenancy schedule, the current rental income as at 30 June 2018 amounts to:

EUR 50,444,004 p.a.

(FIFTY MILLION FOUR HUNDRED FORTY FOUR THOUSAND AND FOUR EUROS)

II. Opinion of Net Estimated Rental Value (ERV)

The estimated rental value as at 30 June 2018 amounts to:

EUR 54,083,937 p.a.

(FIFTY FOUR MILLION EIGHTY THREE THOUSAND NINE HUNDRED THIRTY-SEVEN EUROS)

III. Opinion of Market Value

We are of the opinion that the Market Value of the subject properties as at 30 June 2018 is:

EUR 782,410,000

(SEVEN HUNDRED EIGHTY TWO MILLION FOUR HUNDRED TEN THOUSAND EUROS)

Our opinion of Market Value (including liquidation properties)

is equivalent to:

Market Value per sq m	1,112 EUR
Gross Multiplier on Current Rent	15.51 fold
Gross Multiplier on Market Rent	14.47 fold
Net Initial Yield (NIY) on Current Rent	5.37%
Net Initial Yield (NIY) on Market Rent	5.88%

F. Material Changes

Savills hereby confirms that as at the date of this Valuation Report:

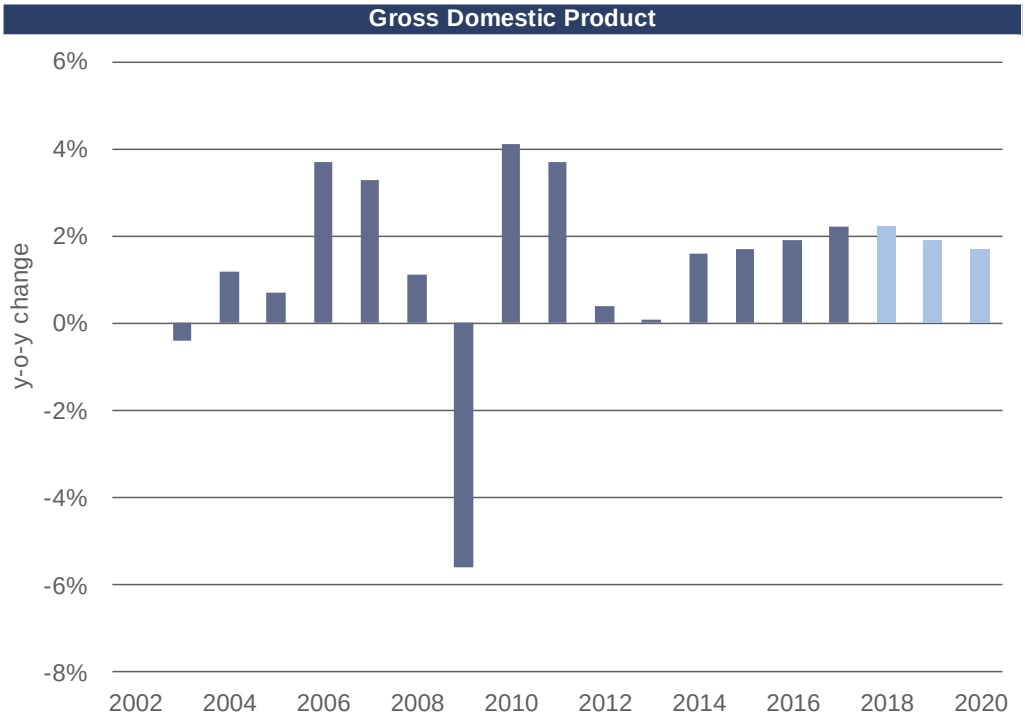
- Savills is not aware (after having made reasonable enquiries of Demire) of any material change in circumstances between 30 June 2018 and the date of this Valuation Report which in Savills' reasonable opinion is likely have a material effect on the Market Value of the subject properties as at the date of this Valuation Report; and
- In relation to market conditions and movements in the real estate markets in which the subject properties are located, based on observed transactions involving comparable properties which have occurred and independent data published, in each case, since 30 June 2018, we do not consider that the movement in respect of the subject properties constitutes material change.

G. Market Commentaries

I. General Economy and Financial Markets

Germany economy on a modest growth path

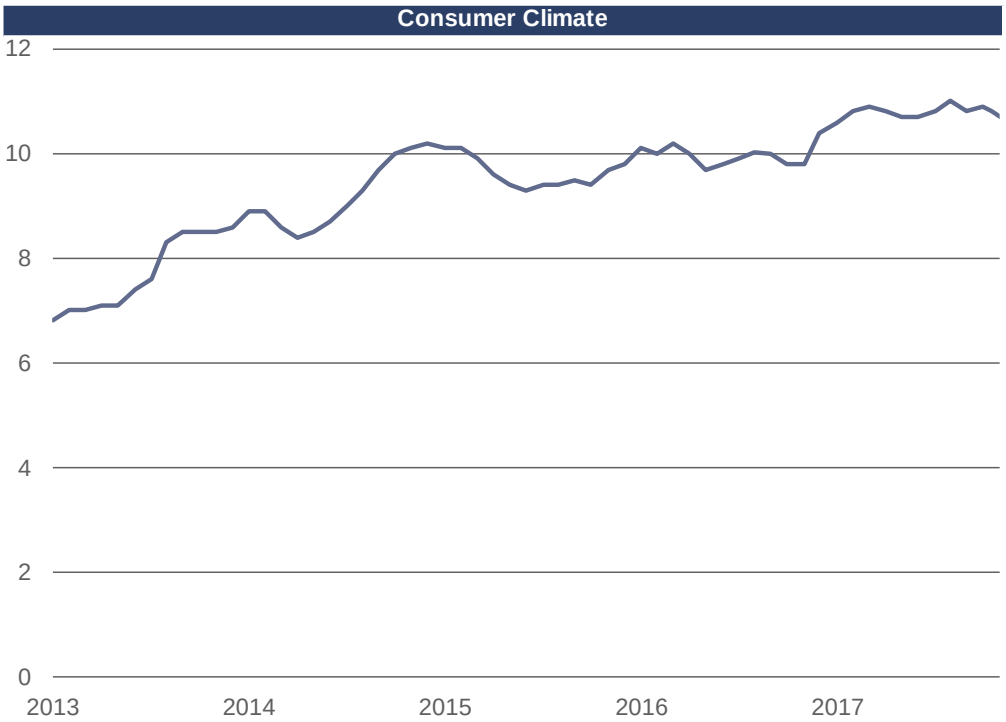
The German economy was able to keep its pace shown in previous years and grew by 1.9%. Continued strong private consumption growth, which benefitted from record pension increases, healthy wage growth and low inflation, was a main driver while contribution to growth from net trade was negative. The GDP growth in 2017 and the following years is expected to reach a similar level.



Source: Statistisches Bundesamt, Focus Economics

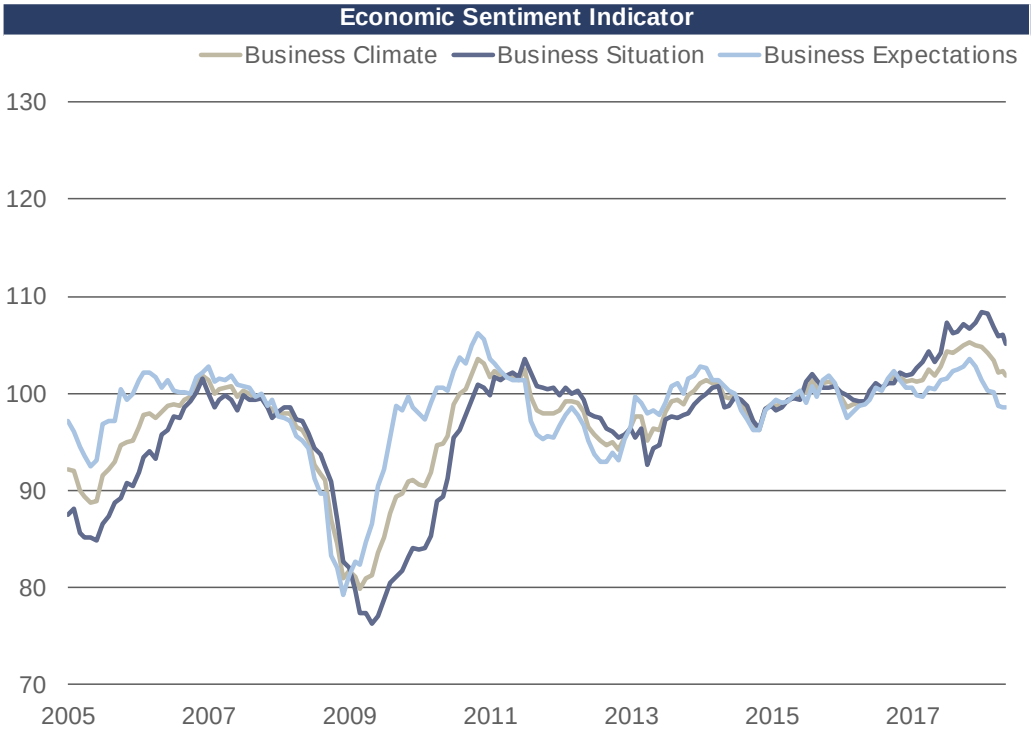
Private and public spending is major economic pillar

After resilient consumer sentiment, the index picked up recently and is expected to continue its upward tendency. Public spending will likely also lift growth, partly due to increased spending related to heightened immigration. However, the external sector will provide little growth impulse as demand from emerging economies is slowing, as suggested by current indicators. On a positive note, industrial production recovered while investment figures remained weak.



Source: GfK

Confidence among German businesses remained fairly high. The business confidence index, elaborated by the Ifo Institute, has been at a rather high level for several years now and current business expectation figures indicate towards a growing economy going forward.

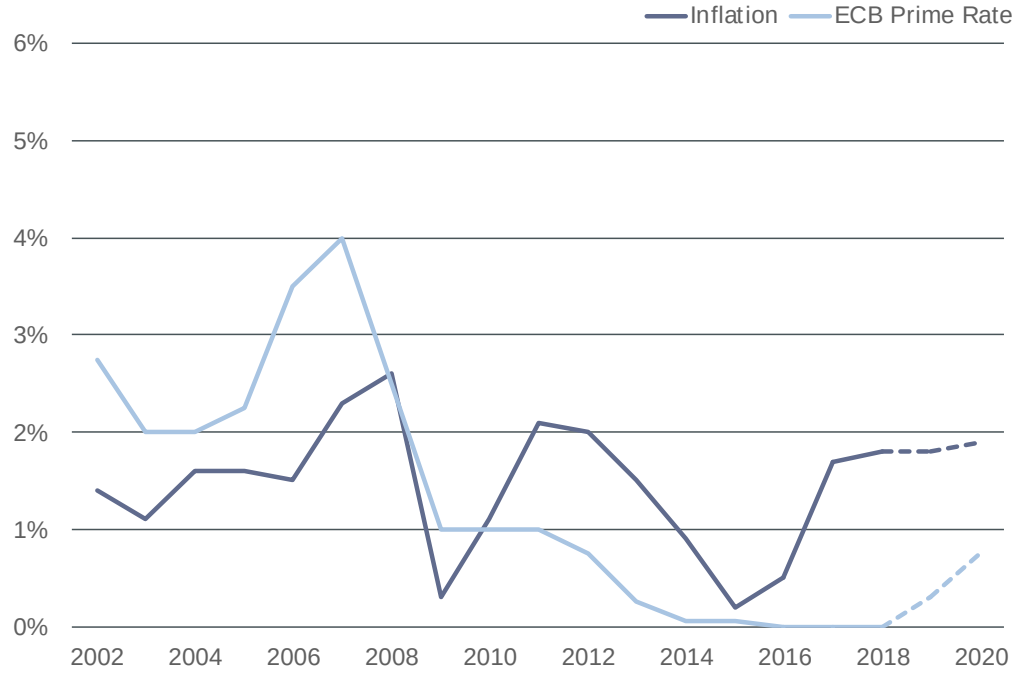


Source: cesifo

Inflation remains low despite very expansionary monetary policy

The European Central Bank's (ECB) quantitative easing program ensures that monetary conditions will remain supportive. The ECB decided to extend its quantitative easing program by nine months, but at a reduced pace of purchases. This - together with an improving economic environment in the Eurozone - should result in higher inflation. Inflation in Germany is expected to be around 1.5% in 2017 and subsequent years.

ECB Prime Rate and Inflation

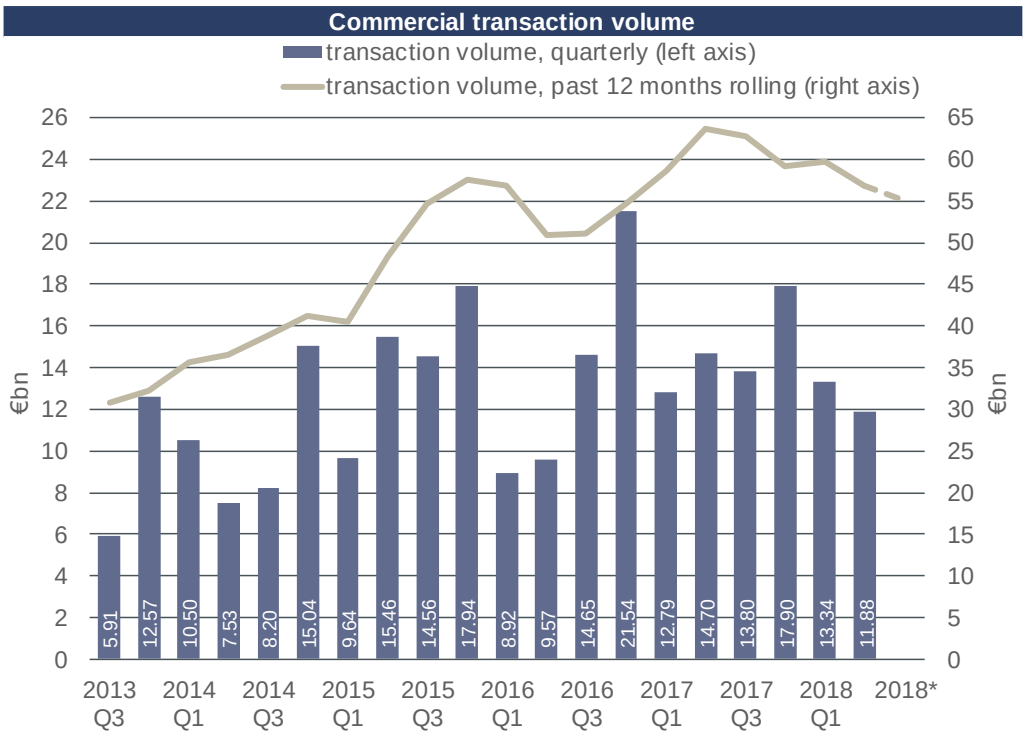


Source: Statistisches Bundesamt, Deutsche Bundesbank, Consensus Economics

II. Germany Commercial Real Estate Investment Market

Defensive investments on the rise

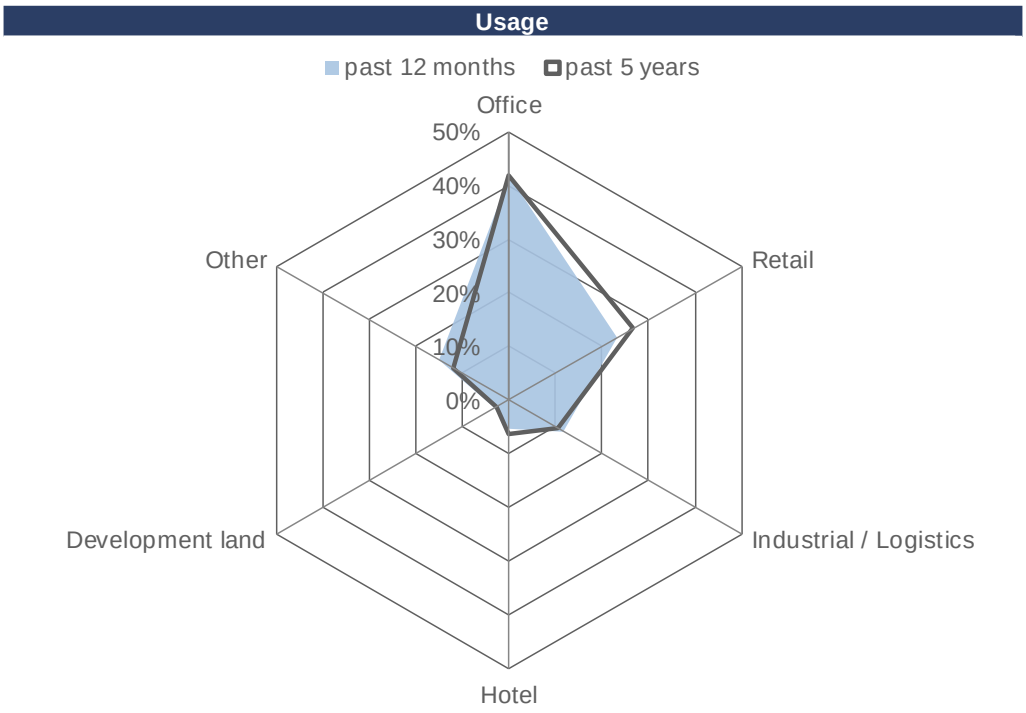
Commercial property changed hands for more than €25.2bn in the first half of 2018, a decrease of 8% compared with the corresponding period last year. Nevertheless, this still represents the second highest investment volume for the corresponding period during the current market cycle.



Source: Savills / * forecast

Even in this late stage of the current market cycle, most investors are obviously still within their comfort zone in terms of risk. At the same time, however, defensive investment strategies appear to be gaining traction. Examples of this include increasing investment in healthcare property, which is relatively independent of economic conditions, and acquisitions of operator-managed properties with long leases.

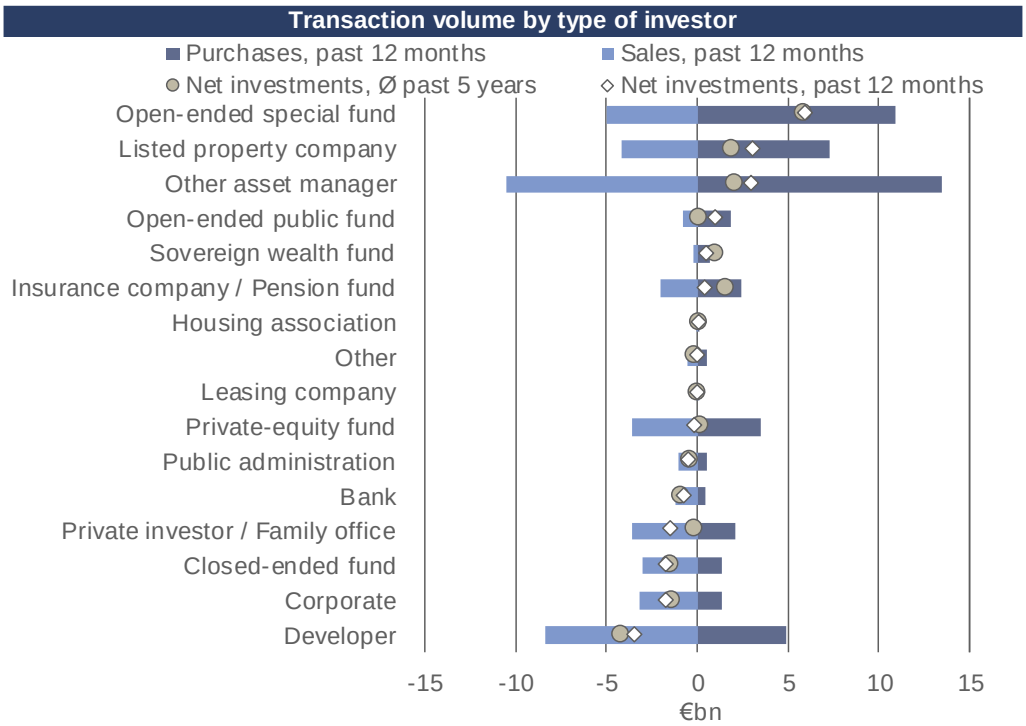
Despite minimal prospects of further yield compression in our opinion upside potential. Private-equity funds made net investments totalling almost €1bn during the first six months of the year. Their investments focused on office properties since these offer good potential for rent-driven capital growth.



Source: Savills

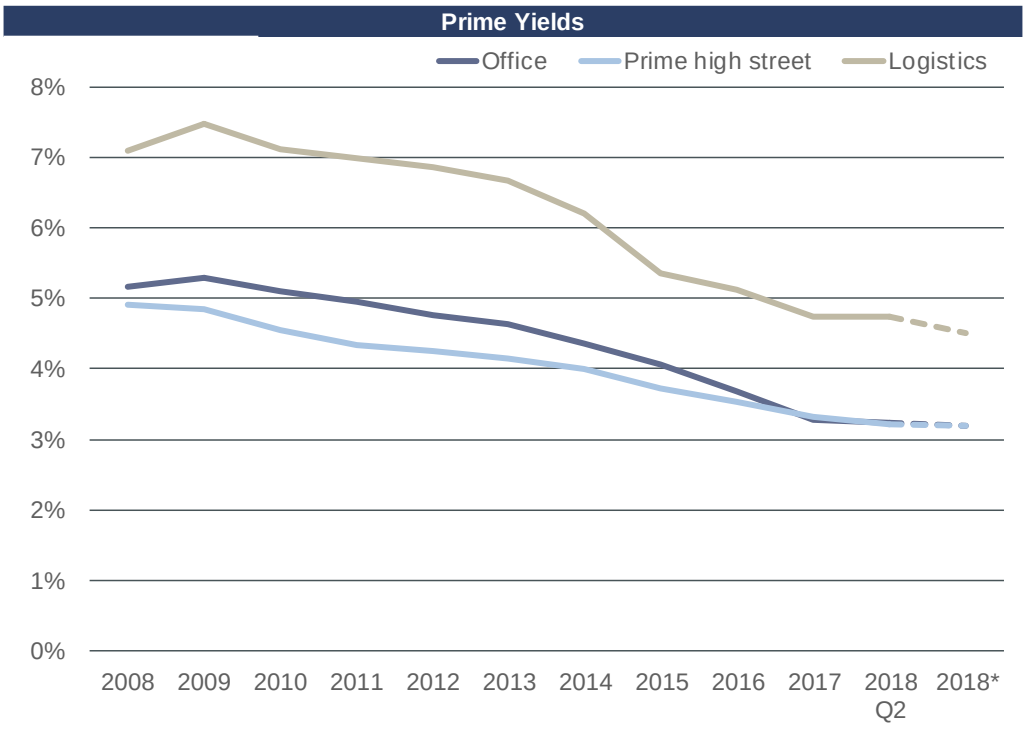
Investors seek rental growth potential and cycle defensive investments

With regard to the types of use, the focus in the first half of the year was primarily on office properties. With a transaction volume of around €10.0bn, they accounted for around 40% of total take-up. At €5.0bn or 20%, the second place was occupied by retail properties, followed by logistics and industrial properties, which accounted for nearly €3.2bn (13%). Given the average office vacancy rate of only 4.7% in the top 6 office markets, office properties in particular currently promise stable or even rising rental income. The market for logistics and industrial properties continues to benefit from the structural growth of the logistics sector, whereas risk averse Investors in the retail segment will be more reluctant.



Source: Savills

While investors are calculating with rising rents, increases in value from yield declines are likely to lose importance, as yield compression has weakened considerably in comparison to previous years. In the top 7 cities, prime office yields were down an average of 10 basis points from the previous quarter and currently stand at 3.2%. Prime yields for commercial buildings also fell slightly by 10 basis points to 3.2%. For the rest of the year, only a slight decline in yields will be expected, followed by a period of stable yields.



Source: Savills / * forecast

Transaction volume in 2018 is expected to exceed the €55bn mark.

Even if intensifying trade conflicts pose a risk to the export-oriented German economy, this is unlikely to impact the German investment market at least for the remainder of this year. The overall investment volume for the year is expected to total as much as €55bn (2017:€59.2bn).

H. General Valuation Assumptions and Applied Definitions

In the following chapter, we comment on the applied method in arriving at our opinion of value as defined in the scope of this Instruction.

I. General Valuation Assumptions

In the absence of any information to the contrary in the Report (in particular in section D containing specific valuation assumptions and considerations), this valuation has been carried out on the basis of the following assumptions (the "General Assumptions"). If any of these assumptions are subsequently found to be incorrect or invalid, the valuation result(s) in our Report may need to be reconsidered.

1. Information of Demire

The Instructing Party (and any third parties acting on request of the Instructing Party) has provided Savills with complete, correct and current information and documents as requested by Savills or which are reasonably relevant to Savills in carrying out the agreed Services (in particular the preparation of the Valuation). The Instructing Party did not retain any material facts which may impact the valuation of the real estate (ground) and buildings valued in our Valuation (collectively the "Properties", each a "Property"). Unless otherwise stated in the Valuation, Savills has not verified the information submitted (in particular, but not limited to, where it is stated in the Report that Savills has "assumed" or "relied" on information). Savills has not requested any information from public authorities, registers or courts.

2. Title

Unless otherwise stated in the Report, we have valued the freehold interest of the Properties and have assumed that in particular that they are not subject to leasehold agreements.

It is assumed that the freehold interest is not subject to any restrictions and encumbrances contained in Section II of the land register and that no claims or obligations are present in this regard.

Further, the Valuation of Savills does not consider any mortgages or land charges contained in Section III of the land register.

3. Buildings

The buildings are structurally sound. There are no structural (latent or other) material defects (including rot) which may have influence on the valuation.

In the construction or alteration of the building(s) no use was made of any deleterious or hazardous materials or techniques, such as high alumina cement, calcium chloride additives, wood wool slabs used as permanent shuttering or

comparable materials. There are no dangers to health of occupants or tenants resulting from the actual condition of the buildings (for example resulting from contamination with asbestos or mold). Savills has not carried out any investigations concerning these matters.

4. Land

Savills assumes that the site is appropriate and has load bearing capacity suitable for the realized or anticipated form of development, that no abnormal ground conditions exist and no additional or unusual expenditure on, for example, foundations or drainage systems are required. The ground does not contain any archaeological remains. There are no underground mineral or other workings, noxious substances or any other matters that may cause additional costs or delay.

5. Services

The Properties are connected, or capable of being connected, without undue expense, to the public services of gas, electricity, water, telecommunications, sewerage and district heat, where available.

6. Contamination of Land and Buildings

The Properties (land and buildings) are not contaminated, and each Property is not and never has been subject to any contaminating or potentially contaminating uses, nor is it likely to become contaminated in the foreseeable future.

Savills has not carried out any investigations with respect to potentially existing environmental contaminations or in order to identify any such contamination.

7. Legal Matters

The buildings were erected in accordance with construction permits, and every building complies with all statutory or local authority requirements. All necessary consents and authorizations for the use of the Properties and the processes carried out at the Properties (in particular to be issued by public authorities, neighbours or other third parties) are in existence, will continue to subsist and are not subject to any onerous conditions.

It is assumed that there are no unusual restrictions with respect to the occupation of the Properties or the level of rent.

8. Lease Agreements; Other Agreements

The tenants are creditworthy and capable of meeting their obligations. There are no arrears of rent or breaches of covenants. It is assumed by Savills that lease agreements and any other agreements provided to Savills are valid, meet the

legal requirements of the written form, and no facts do exist which would entitle a party to terminate or cancel such agreements prior to expiry of the agreed term, e.g. by early termination, rescission or likewise.

9. Taxes, Public Contributions, Development Charges

Unless otherwise stated in this report, all public taxes, charges and contributions levied by public authorities with respect to the site development, have entirely been levied and paid as at the Date of Valuation. In particular it is assumed that no public infrastructure contributions or similar contributions will be levied in the future.

10. Public Encumbrances; Monumental Protection; (Re)-Development Areas and likewise

The Properties are not subject to any public encumbrances which may give reason for a reduction of the valuation.

None of the Properties to be valued is subject to monumental protection.

None of the Properties is located in a redevelopment area pursuant to Sec. 136 et seq. of the German Federal Building Code or within the scope of any other urban development measure, e.g. refurbishment, redistribution or preservation statutes.

It is assumed that none of the Properties is adversely affected, nor is it likely to become adversely affected, by any highway, town planning or other schemes or proposals.

Savills did not undertake any investigations (for example local searches, enquiries or review of any statutory notices) in order to identify matters adversely affecting the present or future value of the Properties.

11. Subsidies

Unless otherwise stated in this report, all valuations are given without consideration of subsidies or grants, received or potentially receivable, and any obligations or limitations in this coherence which could influence the value of the Properties.

12. Statements by Officials

Oral statements by public officials, particularly involving factual information, cannot be regarded as legally binding. Savills assumes such oral statements to be correct; however, Savills is unable to accept any liability for the application of any such statements or information in the Report.

13. Insurance

The Properties are covered by a valid adequate and appropriate insurance policy as regards the sum assured and the types of potential loss covered.

14. Taxation

Unless otherwise stated in the Report, no allowance has been made for expenses or taxation that might arise on a disposal. Exceptions may result from standardized valuation methods.

Further, our valuations are exclusive of VAT.

15. Fixtures and Fittings

Excluded from our valuations is any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present/future occupiers.

16. Valuation of Portfolios (Aggregation)

Unless otherwise stated in the Report, each Property – even if it is part of a portfolio – has been valued individually.

17. Insolvency

Savills does not take account of any possible effect that the appointment of either an insolvency administrator or an administrative receiver or a compulsory auction might have on the perception of the properties in the market and their subsequent valuation, or the ability to realize the value of the properties in either of these scenarios

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II. Rents, Income and Vacancy

1. Current Rent

Definition

In our valuations, the current rental income (or current rent) is defined as the rent passing as at the Date of Valuation. It reflects the rental payments after deducting recoverable costs (e.g. costs for heating, electricity) but before deducting non-recoverable costs. Also, the current rent is excluding VAT.

Method of Determination

If not stated otherwise in the report, we have considered the current rent for each lettable unit as stated in the rent roll provided by the Instructing Party or its advisors.

In case that the date of the rent roll is prior to the valuation date, there may be minor differences in the actual rent and vacancy rates when comparing the rent roll and our valuation.

Among other reasons, this is the result of leases which expire between these dates. In the event that the lease end of lettable area is prior to the valuation date, we consider this as vacant in our valuation as of the valuation date (even if these are rented according to the rent roll).

The rent roll has been checked with the original lease contracts on a sample basis. However, in accordance with the Instruction, Savills did not carry out full commercial due diligence.

2. Estimated Rental Value (ERV) / Market Rent

Definition

Our opinion of Market Rent is equivalent to the Market Rent as defined in the RICS Valuation – Global Standards 2017 (incorporating the IVSC International Valuation Standards) (the "**Red Book**") published by the Royal Institution of Chartered Surveyors The definition is in line with the IVS 104 paragraph 40.1.

"The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

The market rent is excluding VAT.

Method of Determination

We research comparable rents by taking into consideration key aspects such as property location, condition and the fit-out standard of rental units as well as common marketing incentives by the landlords (e.g. tenant improvements or rent free periods). With our in-house database, we analyze comparable lease transactions and currently available offers of space to rent. Furthermore, we analyze all leases which were recently closed in the subject asset(s) ("recent lease agreements").

An overview of the selected rental comparables can be found in the appendix to the report "market and location analysis - rental comparables".

In addition, we have also analyzed all recent lease agreements for the Subject Properties, and a corresponding overview can be found in the appendix to the report "market and location analysis - rental comparables".

Based on this procedure, we estimate rental values with reference to the individual asset, which are then revised in consultations with our agents and under consideration of third-party research, where reliable, appropriate and possible.

3. Potential Rent

Definition

The potential rent expresses the rent that should be achievable in a short time period by leasing vacant areas at our opinion of Market Rent. The potential rent is excluding VAT.

Method of Determination

The potential rent as displayed in our valuations is a "mixed" figure which considerers the current rent for all units let and the market rent for all units currently vacant but potentially lettable.

4. Net Operating Income (NOI)

Definition

The net operating income (NOI) is defined as the passing rent after deducting all non-recoverable costs. It is the net cash-flow generated by a property at a point in time or in a time period.

Method of Determination

Generally, the following periodical non-recoverable costs will be deducted from the passing rent:

- Management Costs
- Maintenance Costs
- Non recoverable service charges
- Ground Rents (if applicable)

Furthermore, the following event related non-recoverable costs will be deducted from the passing rent within the cash-flow term:

- Costs for Tenant Improvements
- Capex for Deferred Maintenance (if applicable)
- Vacancy Costs
- Leasing Commissions

5. Vacancy Rates

In this report, two following different vacancy rates are displayed:

- The area vacancy rate is defined by vacant space (in sqm) divided by the total lettable space (in sqm).
- The EPRA vacancy rate is expressed as a percentage being the estimated rental value (in EUR) of vacant space divided by the estimated rental value ERV of the whole property.

III. Values and Results

1. Market Value

Definition

Our Valuation has been carried out in accordance with the RICS Valuation – Global Standards 2017 (incorporating the IVSC International Valuation Standards) (the "**Red Book**") published by the Royal Institution of Chartered Surveyors We have been instructed to value the properties within the Subject Portfolio on the basis of Market Value. The definition is in line with the IVS 104 paragraph 30.1.

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

For the avoidance of doubt, a Market Value complying with the "Red Book" is compliant with the International Valuation Standards (IVS) and the market value pursuant to § 194 BauGB (German Building Code).

Method of Calculation: Discounted Cash Flow (DCF)

For the valuation of long-term income-based properties, we have applied a DCF approach.

The DCF method is a two-stage financial mathematical model to determine the cash value of the future yield of the properties, which is viewed as its present value. In this coherence, a detailed forecast computation of the revenue and expenditures for a "holding period" of usually 10 years is compiled.

Accordingly, our DCF model involves a period-by-period estimation of gross income, i.e. rental income, and of any expenditure which shall not be recovered by third parties. Any estimation for the aforementioned will explicitly be taking into account a range of variables. For example, the estimation of income is substantially and mainly based on the existing contractual agreements as well as market development forecasts. Expenditures, on the other hand, may occur regularly in each period, i.e. costs of management, ongoing maintenance and non-recoverable service charges.

However, one-off costs for anticipated renovations as well as costs during periods of vacancy will also be deducted but considering a specified scheduled time of expenditure in the future.

As a result, the net operating income (NOI) will be calculated for each period, reflecting the anticipated development of the properties over the applied time period. Secondly, the hypothetical sales price at the assumed time of exit will be calculated. Generally, the sales price will be based upon the NOI at market level of the future year after the holding period. Hence, the NOI at market level will be capitalized with the exit capitaliZation rate in perpetuity in order to derive the Gross Exit Value. However, if fixed leases expire after the holding period, the Gross Exit Value will be adjusted by the capital value of a (potential) over-/ under-rented situation. Please note that in our model those capital value adjustments will be displayed as adjustments to the NOI (calculated in perpetuity). Finally, transaction costs will be deducted from the Gross Exit Value to arrive at the Net Exit Value / sales price.

Finally, both main results of the two-step calculation, i.e. the sum of all NOI and the hypothetical purchase price - will be discounted at the discount rate effective at the Date of Valuation. The result of this step is the Gross Present Value (GPV) as at that date. The GPV is then reduced by the common costs of a transaction, i.e. stamp duty land purchase tax, agent fee, notary fee, which results in the Net Present Value (NPV).

The applied rates are normally set by comparing money market rates (i.e. interest rate for risk-minimized investments) and allowing for the relative disadvantages of real estate ownership. These are generally considered as adjustments to the base rate due to the risks revolving from the specific type of property, due to the risks of illiquidity (marketing periods, costs of transaction etc.) and due to the potential of additional costs of portfolio management.

These risks are evaluated according to the following categories for each property, e.g. by conducting a structured property rating:

- Quality of the macro location (i.e. image, socio-demographics, economy, etc.)
- Quality of the micro location (i.e. local image, local supplier market adequacy for the specific property use, infrastructure, etc.)
- Quality of the building (i.e. age and condition of building, concept of areas/ architecture, fit-out, alternative usability, energy management, plot characteristics, etc.)
- Quality of cash flow (i.e. letting concept, length of lease terms, agreements on ancillary costs, covenant of the tenant, current vacancy, ability for re-letting)

The exit capitalization rate is the reciprocal of the multiplier on potential rent less non-recoverable costs at the end of the cash flow period and is mainly derived from the quality of the location (including the land value) and the building quality.

Method of Calculation: Liquidation Approach

Developed properties, whose developments do not allow for sustainable revenue generation, are valued according to liquidation value method. The liquidation value is also based upon the DCF method as described above. However the following modifications were necessary:

- Holding Period:
- The holding period is usually until the time that the last current lease contract or assumed option period expires. During the holding period, non-recoverable costs are deducted from the current gross rental income. As a result, the net operating income (NOI) will be calculated for each period. The NOI is discounted with the same approach as defined in the discounted cash-flow for the re-letting scenario.
- Capital Expenditures:
- During the holding period, we do not apply any capital expenditures as we assume that until the liquidation of the property, the costs for ongoing maintenance are sufficient.
- Exit Value:
- At the end of the time horizon, we assume that the property is demolished and the land is sold (liquidation value). The liquidation value is the land value adjusted by the inflation rate minus the inflation adjusted demolition costs.
- Discount Rate:
- As the liquidation value is considered, we have chosen a discount rate which reflects the different risk profile of the Subject Property. This discount rate is set by the rating's sub criteria, namely macro and micro location.

2. Valuation of Land Values

According to the Valuation Law (*Bewertungsgesetz*), the land value may be defined as the value of the land as if it was free of any construction.

Method of Calculation: Land Values

Basically, the purchase prices of comparable property are to be considered in the determination of the value of land (land value). Pursuant to cf. §§ 193 of the Town and Country Planning Code (*BauGB*), the determination of the land value may also be based - in addition to, or instead of, the purchase prices - on suitable recommended land values determined by responsible land valuation boards in consideration of purchase price surveys.

Features, which influence the value, have to be allowed for as increases or reductions or in other appropriate ways. Such features to be considered include in particular: the location, size and layout of the site, the type and extent of the possible uses stipulated by building laws and the actual use, the type and nature

of ingresses, the most important commercial and transport connections, possibilities of connections to services, sewers and drains, the recoupment charge for local public infrastructure still to be incurred, and, existing reference values and comparable prices. Once comparable transaction values are verified and adjusted to the Subject Property, the determined price per sqm will be applied to the total area of the site which will result in the total land value.

IV. Yields and Multipliers

1. Gross Multipliers

A gross multiplier expresses the ratio of the market value to the rental income of a property. In our report, we state three different kinds of gross multipliers:

- Gross Multiplier on Current Rent = Market Value / Current Rent
- Gross Multiplier on Market Rent = Market Value / Market Rent
- Gross Multiplier on Potential Rent = Market Value / Potential Rent

Please note that the Gross Multiplier on Current Rent can be misleading if the property is currently let at rents considerably below average or has significant vacancies. In those cases, we suggest also to consider multipliers and yields on market or potential rent.

2. Net Initial Yields

A Net Initial Yield expresses the ratio of the Net Operating Income (Rental income as of Date of Valuation reduced by management costs, ongoing maintenance, costs for vacancy and further non recoverable costs) to the Gross Present Value (Market Value including acquisition costs).

In our report, we state three different kinds of Net Initial Yields:

- Net Initial Yield on Current Rent = Net Operating Income derived from Current Rent / Market Value + Acquisition costs
- Net Yield on Market Rent = Net Operating Income derived from Market Rent / Market Value + Acquisition costs
- Net Yield on Potential Rent = Net Operating Income derived from Potential Rent / Market Value + Acquisition costs

Please note that the Net Initial Yield on Current Rent can be misleading if the property is currently let at rents considerably below average or has significant vacancies. In those cases we suggest also to consider multipliers and yields on market or potential rent.

Valuation Report

in the form of a condensed valuation report ("Valuation Report")
"Fair Value Reit AG – Prospectus"

savills

Commercial Portfolio
Fair Value REIT AG

Opinion of Market Value

as at
30 June 2018

on behalf of
Fair Value REIT AG
Würmstraße 13a
82166 Gräfelfing
and
DEMIRE Deutsche Mittelstand Real Estate AG
Robert-Bosch-Straße 11
63225 Langen

prepared by
Savills Advisory Services Germany GmbH & Co. KG
Taunusanlage 19
60325 Frankfurt am Main

Date of Report: 22 October 2018

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Glossary

BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht
BauGB	German Building Code
Capex	Capital expenditures
DCF	Discounted Cash Flow
ECB	European Central Bank
Empirica	Online Database for Real Estate Research
EPRA	European Public Real Estate Association
ERV	Estimated Rental Value
FVR	Fair Value Reit AG
GDP	Gross Domestic Product
gif	Society of Property Researchers, Germany
GPV	Gross Present Value
GRI	Gross Rental Income
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IFRS 13	International Financial Reporting Standard 13
IVS	International Valuation Standards
MV	Market Value
NIY	Net Initial Yield
NOI	Net Operating Income
NPV	Net Present Value
Q&A	Question and answer process
RICS	Royal Institution of Chartered Surveyors
RIWIS	Regionales Immobilien-Wirtschaftliches Informations System (Online Database for Real Estate Research)
Savills	Savills Advisory Services Germany GmbH & Co. KG
Sqm	square meters
VAT	Value added tax
VPS	Valuation Practice Statement

WAULT	Weighted Average Unexpired Lease Term
WiGeoGis	Provider of geomarketing and market data

A. Summary Overview

Type of Report

This report has been conducted in the form of a condensed Valuation Report (hereinafter referred to as "Valuation Report") for the determination of Market Value carried out by Savills Advisory Services Germany GmbH & Co. KG. The valuation is in accordance with the RICS Valuation - Global Standards (July 2017) of the Royal Institution of Chartered Surveyors ("Red Book") and the International Standards for the Valuation of Real Estate for Investment Purposes ("International Valuation Standards").

The report has been carried out for a prospectus intended to be issued by the Instructing Party in connection with a public offering in the form of an increase of share capital.

Subject of this Valuation Report is the real estate portfolio of Fair Value Reit AG (hereinafter referred to as "FVR") consisting of 30 subject properties as at Date of Valuation.

The Market Value determined by Savills is consistent with the Fair Value in accordance with IFRS 13 of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB).

Date of Valuation

30 June 2018

Subject Portfolio

According to the information provided by FVR the subject portfolio comprises 30 subject properties.

Please refer to the table below for a detailed view of the subject properties by property type:

Portfolio Overview by Property Type

	No. Properties	Lettable Area	Vacancy Rate (Area)	Vacancy Rate (EPRA)	Current Rent	WAULT
		sq m			EUR p.a.	years
Office	12	66,890	10.1%	10.2%	5,648,209	4.6
Mixed-use	7	59,716	8.5%	5.4%	7,931,279	4.4
Retail	8	82,330	13.0%	10.1%	6,329,449	6.9
Logistics/ Industry	2	20,580	0.0%	0.3%	1,109,613	2.9
Hotel/ Gastronomy	1	11,554	0.0%	0.0%	822,597	11.2
Total	**30**	**241,069**	**9.4%**	**7.7%**	**21,841,146**	**5.4**

29 of the 30 subject properties are considered as properties producing sustainable rental income, whereas the remaining 1 property is subject to liquidation.

Summary of Valuation Results

Upon the assumption that there are no onerous restrictions or unusual outgoings of which we have no knowledge and based on the provided information, specific comments and assumptions set out in this Valuation Report, we are of the opinion that the aggregate of the individual Market Value of the freehold interests of the Subject Properties of the Subject Portfolio, rounded at asset level, as at 30 June 2018 is:

EUR 309,650,000

(THREE HUNDRED NINE MILLION SIX HUNDRED FIFTY THOUSAND EUROS)

Our opinion of Market Value (including liquidation properties)

is equivalent to:

Market Value per sq m	1,284 EUR
Gross Multiplier on Current Rent	14.18 fold
Gross Multiplier on Market Rent	13.42 fold
Net Initial Yield (NIY) on Current Rent	5.77%
Net Initial Yield (NIY) on Market Rent	6.22%

The following table shows aggregated data of the 29 properties with a sustainable cash-flow (excluding 1 Liquidation Property) which represent 99.4% of the total Market Value

Market Value in EUR per sqm	1,278
Gross Multiplier on Current Rent	14.10x
Gross Multiplier on Market Rent	13.33x
Net Initial Yield (NIY) on Current Rent	5.80%
Net Initial Yield (NIY) on Market Rent	6.26%

The Market Value of the Subject Portfolio reported is the aggregate total of the individual properties and not necessarily a figure that could be achieved if the Subject Portfolio were to be sold as a whole (Individual valuation principle).

Between the date of valuation 30 June 2018 and the date of this report, 22 October 2018, there have not been any material changes (according to provided information by FVR). Please refer to chapter F. Material Changes.

Breakdown of Market Value by Type of Use

Portfolio Overview by Use

	No. Properties	Lettable Area	Vacancy Rate (Area)	Vacancy Rate (EPRA)	Current Rent	Market Value	Market Value (Share of Total)	Market Value per sq m	Gross Multiplier on Current Rent	Gross Multiplier on Market Rent	NIY on Current Rent	NIY on Market Rent	WAULT
		sq m	%	%	EUR p.a.	EUR	%	EUR per sq m	x	x			years
Office	12	66,890	10.1%	10.2%	5,648,209	80,960,000	26.1%	1,210	14.33	13.07	5.7%	6.4%	4.6
Mixed-use	7	59,716	8.5%	5.4%	7,931,279	120,390,000	38.9%	2,016	15.18	14.90	5.5%	5.6%	4.4
Retail	8	82,330	13.0%	10.1%	6,329,449	84,920,000	27.4%	1,031	13.42	12.20	6.0%	6.8%	6.9
Logistics/ Industry	2	20,580	0.0%	0.3%	1,109,613	12,480,000	4.0%	606	11.25	11.56	7.2%	7.0%	2.9
Hotel/ Gastronomy	1	11,554	0.0%	0.0%	822,597	10,900,000	3.5%	943	13.25	14.33	6.2%	5.7%	11.2
Total	**30**	**241,069**	**9.4%**	**7.7%**	**21,841,146**	**309,650,000**		**1,284**	**14.18**	**13.42**	**5.8%**	**6.2%**	**5.4**

Breakdown of Market Value by Asset Classification

Portfolio Overview by Asset Class

	No. Properties	Lettable Area	Vacancy Rate (Area)	Vacancy Rate (EPRA)	Current Rent	Market Value	Market Value (Share of Total)	Market Value per sq m	Gross Multiplier on Current Rent	Gross Multiplier on Market Rent	NIY on Current Rent	NIY on Market Rent	WAULT
		sq m	%	%	EUR p.a.	EUR	%	EUR per sq m	x	x			years
Office	15	89,186	10.6%	10.3%	7,358,163	106,580,000	34.4%	1,195	14.48	12.99	5.6%	6.4%	4.6
Retail	11	119,449	10.9%	7.1%	12,524,454	177,710,000	57.4%	1,488	14.19	13.64	5.8%	6.1%	5.7
Other	4	32,434	0.3%	0.2%	1,958,530	25,360,000	8.2%	782	12.95	13.78	6.3%	5.9%	6.4
Total	**30**	**241,069**			**21,841,146**	**309,650,000**		**1,284**	**14.18**	**13.42**	**5.8%**	**6.2%**	**5.4**

Breakdown of Market Value by Municipalities

Geographical Portfolio Distribution by Market Value

	No. Properties	Lettable Area	Vacancy Rate (Area)	Vacancy Rate (EPRA)	Current Rent	Market Value	Market Value (Share of Total)	Market Value per sq m	Gross Multiplier on Current Rent	Gross Multiplier on Market Rent	NIY on Current Rent	NIY on Market Rent	WAULT
		sq m	%	%	EUR p.a.	EUR	%	EUR per sq m	x	x			years
Rostock	1	19,306	4.0%	3.0%	4,262,091	68,900,000	22.3%	3,569	16.17	16.31	5.3%	5.3%	4.3
Eisenhüttenstadt	1	30,364	33.8%	21.2%	2,333,832	28,500,000	9.2%	939	12.21	9.43	6.1%	8.6%	5.7
Lutherstadt Wittenbe	1	14,710	7.7%	4.5%	1,670,898	23,000,000	7.4%	1,564	13.77	14.33	6.0%	5.8%	4.9
Dresden	2	20,345	0.1%	0.0%	1,612,954	22,500,000	7.3%	1,106	13.95	13.94	5.9%	5.9%	8.6
Zittau	1	17,422	1.8%	4.3%	1,310,955	21,200,000	6.8%	1,217	16.17	15.61	5.2%	5.5%	11.0
Chemnitz	4	19,650	13.9%	13.3%	1,407,844	20,970,000	6.8%	1,067	14.90	12.98	5.2%	6.3%	2.5
Quickborn	1	10,570	-	0.5%	1,224,636	17,000,000	5.5%	1,608	13.88	13.98	6.0%	6.0%	3.9
Neumünster	1	11,808	1.4%	1.5%	1,044,560	16,900,000	5.5%	1,431	16.18	15.82	5.3%	5.5%	7.4
Langen (Hessen)	1	13,681	31.5%	28.3%	1,043,165	16,600,000	5.4%	1,213	15.91	11.27	4.7%	7.5%	3.3
Querfurt	1	9,331	-	-	982,948	12,200,000	3.9%	1,307	12.41	12.79	6.7%	6.5%	4.6
Remaining Municipal	16	73,881	3.8%	4.4%	4,947,263	61,880,000	20.0%	838	12.51	12.57	6.5%	6.5%	5.1
Total	**30**	**241,069**	**9.4%**	**7.7%**	**21,841,146**	**309,650,000**		**1,284**	**14.18**	**13.42**	**5.8%**	**6.2%**	**5.4**

Breakdown of Market Value by Tenure

All subject properties are held on the German equivalent of freehold title.

Breakdown of Market Value by Ratio

Within the Subject Portfolio, there are seven Subject Properties with a Market Value share of 5.0% (or more) of the overall portfolio Market Value:

Overview of Properties with Market Value Share more than 5%

	Property Type		Lettable Area	Vacancy Rate (Area)	Vacancy Rate (EPRA)	Current Rent	Value	Market Value (Share of Total)	Value per sq m	Gross Multiplier on Current Rent	Gross Multiplier on Market Rent	NIY on Current Rent	NIY on Market Rent	WAULT
			sq m	%	%	EUR p.a.	EUR	%	EUR per sq m	x	x			years
Eisenhüttenstadt	Retail	(Multi-Tenant)	30,364	33.8%	21.2%	2,333,832	28,500,000	9.2%	939	12.21	9.43	6.1%	8.6%	5.7
Langen (Hessen)	Office	(Multi-Tenant)	13,681	31.5%	28.3%	1,043,165	16,600,000	5.4%	1,213	15.91	11.27	4.7%	7.5%	3.3
Rostock	Mixed-use	(Multi-Tenant)	19,306	4.0%	3.0%	4,262,091	68,900,000	22.3%	3,569	16.17	16.31	5.3%	5.3%	4.3
Lutherstadt Wittenberg	Mixed-use	(Multi-Tenant)	14,710	7.7%	4.5%	1,670,898	23,000,000	7.4%	1,564	13.77	14.33	6.0%	5.8%	4.9
Zittau	Retail	(Multi-Tenant)	17,422	1.8%	4.3%	1,310,955	21,200,000	6.8%	1,217	16.17	15.61	5.2%	5.5%	11.0
Quickborn	Office	(Multi-Tenant)	10,570	-	0.5%	1,224,636	17,000,000	5.5%	1,608	13.88	13.98	6.0%	6.0%	3.9
Neumünster	Office	(Multi-Tenant)	11,808	1.4%	1.5%	1,044,560	16,900,000	5.5%	1,431	16.18	15.82	5.3%	5.5%	7.4

The Subject Property in Rostock comprises a 5-storey mixed-use building. It provides office / surgery space of ca. 2,400 sq m, hotel space of ca. 8,100 sq m, and retail space of ca. 7,900 sq m, complemented with a small portion of storage and other area. The asset is currently 96 % occupied. The main tenant is HPI Germany Hotelbesitz GmbH, which generates approx. 32 % of the total gross rental income. The WAULT of the multi-tenant property amounts to 4.3 years as at the date of valuation. The share of total Market Value of the portfolio amounts to approx. 22%. The Subject Property comprises inter alia a full service 4* hotel (Pentahotel) with 152 guest rooms (145 double and 7 single rooms), a restaurant, and 8 conference spaces. The retail space has a shopping mall character and is arranged over 2 floors. There is a direct access from the pedestrian zone (Kröpeliner Straße).

Breakdown of Market Value by Method of Valuation

Portfolio Overview by Method of Valuation

		Lettable Area	Vacancy Rate (Area)	Vacancy Rate (EPRA)	Current Rent	Market Value	Market Value (Share of Total)	Market Value per sq m	Gross Multiplier on Current Rent	Gross Multiplier on Market Rent	NIY on Current Rent	NIY on Market Rent	WAULT
		sq m	%	%	EUR p.a.	EUR	%	EUR per sq m	x	x			years
Discounted Cashflow	29	240,769	9.3%	7.7%	21,814,826	307,670,000	99.4%	1,278	14.10	13.33	5.80%	6.26%	5.4
Liquidation Value	1	300	33.3%		26,320	1,980,000	0.6%	6,600					
Total	**30**	**241,069**	**9.4%**	**7.7%**	**21,841,146**	**309,650,000**		**1,284**	**14.18**	**13.42**	**5.8%**	**6.2%**	**5.4**

Breakdown of Market Value by Value (Positive/Negative)

In our valuation of the Subject Portfolio, we assessed no properties to have a negative value.

B. Instructions and Sources of Information

I. Scope of Instruction

Preamble

This Valuation Report has been prepared pursuant to the Instruction Letter signed on 19 July 2018 (the "Appointment Agreement") and pursuant to the first addendum (signed 31 August 2018) and the second addendum (signed 1 October 2018) to the mentioned "Appointment Agreement between Fair Value Reit AG ("FVR"), DEMIRE Deutsche Mittelstand Real Estate AG and Savills Advisory Services Germany GmbH & Co. KG ("Savills").

Savills hereby confirms that as at the date of this Valuation Report there is no existing or potential conflict of interest in relation to the properties to be valued as at the Valuation Date or Report Date.

As instructed, we compiled and delivered for the given purpose this condensed report, which is a summary of the full Valuation Report and which will be incorporated in a securities prospectus in the English language.

Instruction

Savills carried out a determination of Market Value of the respective freehold interests of the properties in the subject portfolio (as defined below). For the purposes of this Valuation Report references to a "subject property" or "subject properties" shall mean a reference to any property or properties within the FVR portfolio.

The valuation is in accordance with the RICS Valuation - Global Standards (July 2017) of the Royal Institution of Chartered Surveyors ("Red Book") and the International Standards for the Valuation of Real Estate for Investment Purposes ("International Valuation Standards").

The Market Value is consistent with the "Fair Value" in accordance with IFRS 13 of the International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB).

Subject Portfolio

The subject portfolio comprises 30 properties of different asset classes (mainly office and retail buildings) that are located throughout Germany.

Please refer to the table below for an overview of the subject properties by property type:

Portfolio Overview by Property Type						
	No. Properties	Lettable Area	Vacancy Rate (Area)	Vacancy Rate (EPRA)	Current Rent	WAULT
		sq m			EUR p.a.	years
Office	12	66,890	10.1%	10.2%	5,648,209	4.6
Mixed-use	7	59,716	8.5%	5.4%	7,931,279	4.4
Retail	8	82,330	13.0%	10.1%	6,329,449	6.9
Logistics/ Industry	2	20,580	0.0%	0.3%	1,109,613	2.9
Hotel/ Gastronomy	1	11,554	0.0%	0.0%	822,597	11.2
Total	**30**	**241,069**	**9.4%**	**7.7%**	**21,841,146**	**5.4**

29 of the 30 subject properties are considered as properties producing sustainable rental income, whereas the remaining 1 property is subject to liquidation.

Scope of Work Carried Out

In the assessment of the Market Value of the Subject Portfolio, inter alia, the following procedures were carried out:

- Analysis and interpretation of the portfolio information provided by the Instructing Party, e.g. tenancy and property schedules, data room information and other data materials relevant to the valuation,
- Site inspections of the subject properties,
- Analysis of market, location and situation for each of the subject properties,
- Determination of Market Value at property level.

Instructing Party

Fair Value REIT AG

Würmstraße 13a, 82166 Gräfelfing, Germany

(hereinafter referred to as “FVR”)

and

DEMIRE Deutsche Mittelstand Real Estate AG

Robert-Bosch-Straße 11, 63225 Langen, Germany

(hereinafter referred to as “DEMIRE”; DEMIRE and FVR together referred to as “Instructing Party”)

Addressees

The Valuation Report is addressed to and only for the use of

the Instructing Party

and

Baader Bank Aktiengesellschaft, Weihenstephaner Straße 4, 85716 Unterschleißheim, DeutschlandThe Valuation Report was prepared on the basis of the Appointment Agreement and the Addendum and is subject to this. Savills is liable for contractual demands to the Addressees of the Report only.

Valuer

Savills Advisory Services Germany GmbH & Co. KG

Taunusanlage 19

60325 Frankfurt am Main

Germany

(hereinafter referred to as „Savills“)

Purpose of Valuation

This Valuation Report is for inclusion in a securities prospectus (the “Prospectus”) in connection with an increase of capital stock on the capital market and the public offering of the new shares of DEMIRE Deutsche Mittelstand Real Estate AG on the Frankfurt Stock Exchange (the “public offering”).

Savills accepts responsibility for this Valuation Report only and for no other part of the prospectus issued in connection with the IPO.

Date of Valuation

Reference date of valuation is 30 June 2018

Report Date

The report date is 22 October 2018. The Valuation Report refers to the position as at the date it was originally issued and Savills has taken no action, nor is it obliged to take any action, to review or to update the Valuation Report since the date it was originally issued.

Currency

The relevant currency for this valuation is EUR.

Interest Valued / Tenure

All properties are held on the German equivalent of freehold title.

Publication / Disclosure

Savills acknowledges and agrees that this Valuation Report will be published in unchanged form in accordance with the legal requirements for the publication of the English version of the Prospectus for the purpose of the public offering in a prospectus for an increase of capital stock by the Instructing Party.

With the exception of the above, neither the whole nor any part of our Valuation Report nor any reference thereto (except references used in the Prospectus) may be included in any other published document, circular statement nor published in any way without our prior written approval of the disclosure and the form and context in which it will appear.

The Valuation Report may subject to the terms of the Appointment Agreement be disclosed by the Addressees on a strictly non-reliance and without liability basis (i) to their legal advisors, (ii) to their consultants who are bound by professional codes of conduct, (iii) to banks in connection with a current or intended financing in relation to the Subject Portfolio, (iv) to rating agencies in connection with the public offering, (v) to competent authorities (i.e. the BaFin), (vi) as well as to other pre-named parties to whom disclosure is required in connection with the public offering. Any other disclosure requires Savills's prior written consent.

Nature and Source of Information relied on

The valuation has been substantially and mainly based upon the information supplied to us by FVR. Please refer to Section II "Sources of Information and Inspection" for a more detailed list of the information Savills has relied upon for the purposes of preparing this Valuation Report.

Definition of Market Value

Our valuation has been carried out in accordance with the RICS Valuation - Global Standards (the "Red Book"), July 2017, published by the Royal Institution of Chartered Surveyors (RICS), London, which was effective from 01 July 2017.

We have been instructed to value the Subject Portfolio on the basis of Market Value in accordance with VPS 4.4 of the RICS Valuation Global Standards 2017 (the "Red Book") which is defined as follows:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

The "Market Value" is consistent with the "Fair Value" in accordance with IFRS 13 of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), which is defined as follows:

"The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date:"

The assessment of Market Value has been carried out by Savills in accordance with the guidelines of the International Financial Reporting Standards (IFRS), the International Standards for the Valuation of Real Estate for Investment Purposes (International Valuation Standards), the Valuation Standards of the Royal Institution of Chartered Surveyors (Red Book) and in accordance with the relevant prospectus regulations applicable in Germany, including the CESR recommendations for the consistent implementation of the Committee of European Securities Regulators on prospectus 20 March 2013 (ESMA Update of the CESR recommendations).

For the avoidance of doubt, a valuation complying with the "Red Book" requirements is compliant with the International Valuation Standards (IVS) and the Market Value pursuant to § 194 BauGB (German Building Code).

We confirm that we have sufficient current local and national knowledge of the particular property market involved and have the skills and understanding to undertake the valuation competently.

Place of Performance & Jurisdiction

German law applies. The place of performance and jurisdiction is Frankfurt/Main, Germany.

Assignment of Rights

The Addressees of this Valuation Report are not entitled to assign their rights under or in respect of the Appointment Agreement and this Valuation Report – either whole or in parts – to any third parties.

Declaration of Independence & Status of Valuer

Savills hereby confirms to the best of its knowledge and belief that it has prepared this Valuation Report in its capacity as external valuer (as defined in the "Red Book") and independent expert.

We further confirm that Savills is not aware of any actual or potential conflict of interest that might have influenced its independent status.

The total fees, earned by Savills from FVR (or other companies forming part of the same group of companies), is less than 5% of the total German revenues earned by Savills in the financial year 2017 or 2018.

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II. Sources of Information and Inspection

Information Sources

For the purpose of this Valuation Report we have relied on the following information, provided to us by FVR via data room access:

- Land register excerpts
- Cadastral maps
- Information regarding public encumbrances
- Information regarding potential soil contaminations
- Lease contracts of the main tenants

Furthermore, we were provided by the following information:

- Information on planned capital expenditures received by email on 25 June 2018
- Business plans received by email on 26 June 2018
- Key figures of the hotel properties received by email on 05 July 2018
- Rent roll for the properties (dated 30 June 2018) received by email on 09 July 2018

We have also included following sources into our valuation:

- Savills Research
- Local Land Valuation Boards and other local authorities
- Empirica online-database
- RIWIS online database
- WiGeoGis

Individual questions and inconsistencies within the data could be clarified with the Instructing Party by using the Q&A (question & answer) template & process in the data room.

Inspection

Full inspections (internal/external) of the subject properties were generally carried out by Savills staff between 20 June 2018 and 11 July 2018. Please note, for the properties Trappenkamp, Wahlstedt and Bad Bramstedt only drive-by (external) inspections were carried out by Savills staff. The total Market Value as at valuation date for these 3 properties amounts to approx. EUR 2.9 Mio. (approx. 0.9 % of total Market Value).

All conclusions made by Savills with regard to the condition and the actual characteristics of the land and buildings have been based on our inspection of the subject properties and on the documents and information provided (please see above).

In the event that only partial internal inspections were possible, it will be assumed that the parts that were inspected are typical of the remainder.

For the avoidance of doubt, Savills did not carry out any building or structural surveys of the subject properties nor tested any of the electrical, heating or other services.

The properties were not measured as part of Savills' inspection, nor were the services or other installations tested.

All Savills' conclusions resulting from the inspections are based purely on visual investigations without any assertion as to their completeness.

Furthermore, investigations that might cause damage to the subject properties have not been carried out. Statements about parts of the structure or materials that are covered or otherwise inaccessible are based on the information or documents provided (or on assumptions, respectively).

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C. Portfolio Overview

Short Portfolio Profile

Subject to this report (as at date of valuation) are 30 commercial properties of different asset classes (mainly retail and office) located throughout Germany. According to the provided rent roll, the total lettable area amounts to approx. 241,069 sq m. The portfolio has a weighted average lease term of approx. 5.38 years.

Tenure

All properties are held on the German equivalents of freehold title.

Portfolio Composition

The portfolio is comprised of the following types of space and units:

Portfolio overview by use *

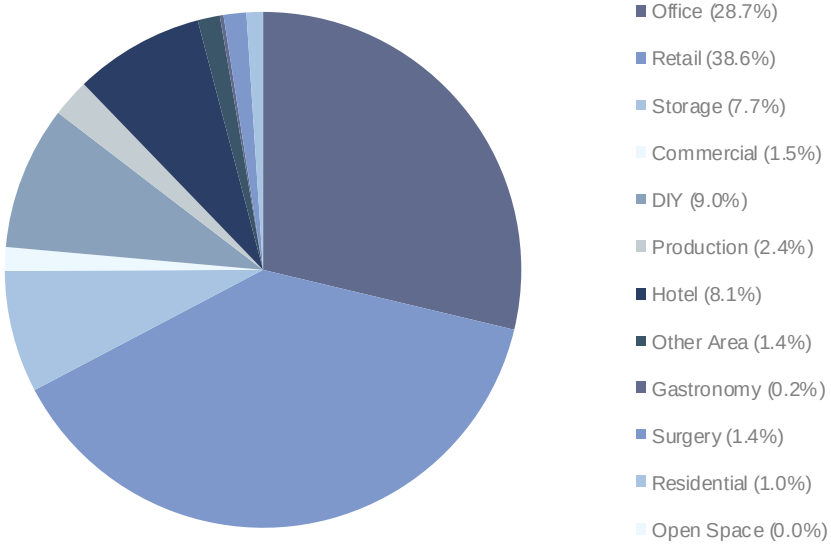
	Lettable area	Vacancy	Current rental income	Average remaining lease term	Current rental income with lease expiry
	sq m		EUR p.a.	years	
Office	69,258	10.1%	5,669,338	4.18	99.0%
Retail	92,934	12.7%	9,827,126	5.78	99.0%
Storage	18,446	1.0%	664,389	5.45	99.3%
Commercial	3,576	46.9%	137,400	8.38	84.8%
DIY	21,700	-	1,443,124	7.77	100.0%
Production	5,725	-	297,441	2.18	100.0%
Hotel	19,609	-	2,187,243	5.72	100.0%
Other Area	3,353	24.1%	214,813	3.07	97.3%
Gastronomy	557	-	57,121	6.47	100.0%
Surgery	3,424	26.9%	242,641	3.06	100.0%
Residential	2,487	7.1%	154,793		-
Open Space	1	-	6,120		-
Subtotal	**241,069**	**9.4%**	**20,901,549**	**5.37**	**98.4%**

	Lettable units	Vacancy	Current rental income	Average remaining lease term	Current rental income with lease expiry
	number		EUR p.a.	years	
Other Unit	28	-	91,842	9.27	84.0%
Internal Parking	1,105	20.4%	667,081	5.65	93.8%
External Parking	2,043	26.8%	180,674	3.47	89.4%
Subtotal	**3,176**	**24.3%**	**939,597**	**5.57**	**92.0%**
Total			**21,841,146**	**5.38**	**98.1%**

* As at date of valuation; not including future lease contracts

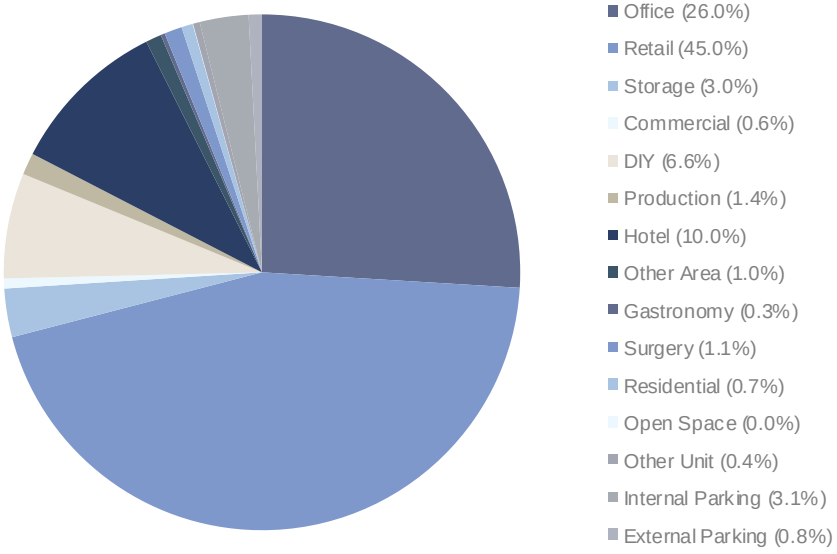
The portfolio is dominated by retail use:

Distribution of lettable area per use



Accordingly, the current rental income is also dominated by retail use:

Distribution of current rental income per use



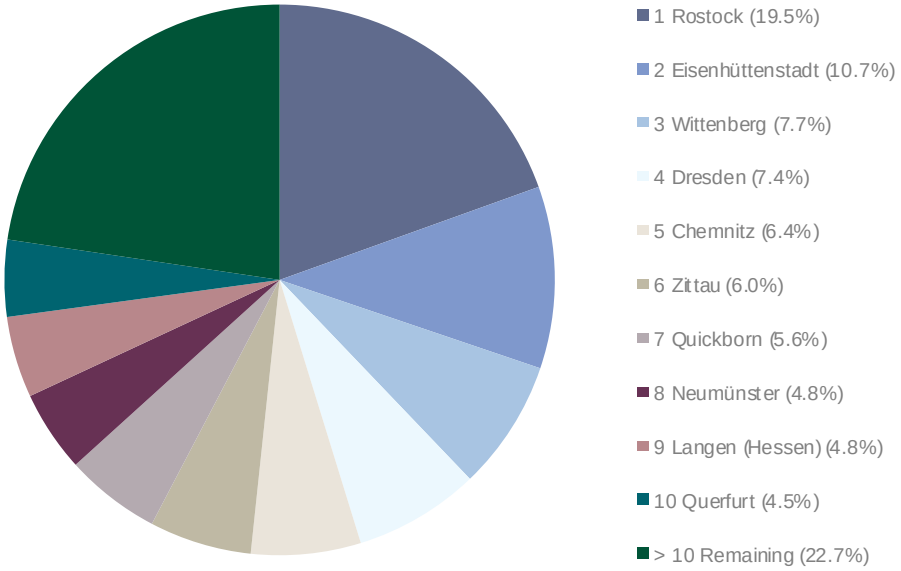
Location Analysis

Approx. 52% of the total gross rental income are generated by the top five properties located in Rostock, Eisenhüttenstadt, Wittenberg, Dresden and Chemnitz.

Top 10 municipalities by current rental income

#	Municipality	Lettable area	Lettable units	Current rental income	Average remaining lease term	Current rental income with lease expiry
		sq m	number	EUR p.a.	years	
1	Rostock	19,306	302	4,262,091	4.25	98.3%
2	Eisenhüttenstadt	30,364	12	2,333,832	5.66	99.9%
3	Wittenberg	14,710	489	1,670,898	4.92	98.8%
4	Dresden	20,345	304	1,612,954	8.64	98.9%
5	Chemnitz	19,650	272	1,407,844	2.51	90.0%
6	Zittau	17,422	4	1,310,955	10.96	99.5%
7	Quickborn	10,570	566	1,224,636	3.91	99.3%
8	Neumünster	11,808	42	1,044,560	7.45	98.6%
9	Langen (Hessen)	13,681	237	1,043,165	3.28	97.2%
10	Querfurt	9,331	1	982,948	4.60	99.1%
> 10	Remaining	73,881	947	4,947,263	5.06	98.0%

Top 10 municipalities by current rental income



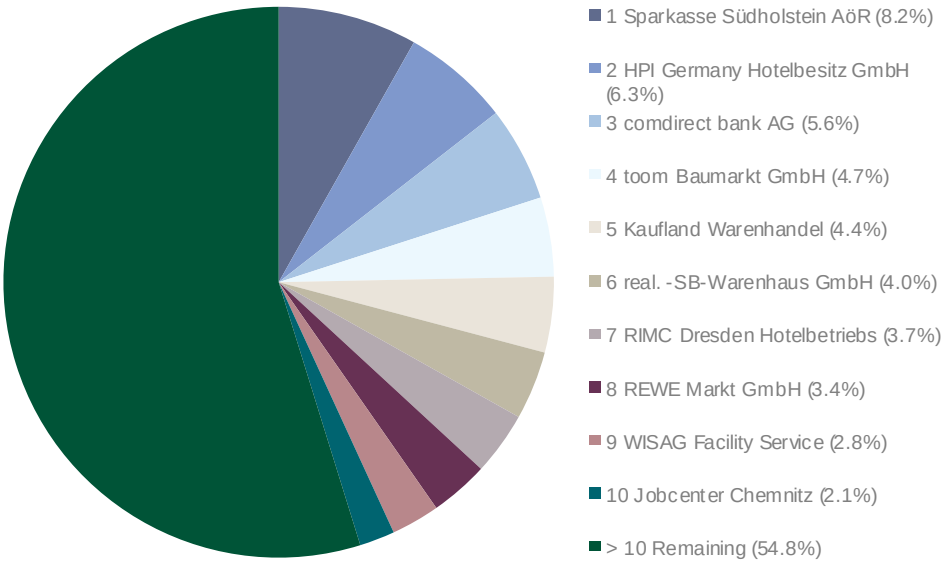
Top Tenants

The main tenant Sparkasse Südholstein covers 8.2% of the rental income secured by an average remaining lease term of approx. 7.17 years.

Top 10 tenants by current rental income

#	Tenant	Let area	Let units	Current rental income	Average remaining lease term	Current rental income with lease expiry
		sq m	number	EUR p.a.	years	
1	Sparkasse Südholstein AöR	21,522	154	1,785,544	7.17	100.0%
2	HPI Germany Hotelbesitz GmbH	8,055	-	1,375,549	2.51	100.0%
3	comdirect bank AG	10,570	503	1,212,891	3.92	100.0%
4	toom Baumarkt GmbH	15,689	200	1,016,407	9.86	100.0%
5	Kaufland Warenhandel	7,147	-	968,921	6.51	100.0%
6	real. -SB-Warenhaus GmbH	8,270	1	878,800	4.75	99.0%
7	RIMC Dresden Hotelbetriebs	11,554	148	811,694	11.17	100.0%
8	REWE Markt GmbH	7,322	-	750,618	13.37	100.0%
9	WISAG Facility Service	8,160	144	621,832	1.17	100.0%
10	Jobcenter Chemnitz	5,765	70	451,289	0.75	100.0%
> 10	Remaining	114,461	1,184	11,967,602	4.63	96.6%

Top 10 tenants by current rental income



Secure Income

The secure income analysis displays the rent that is covered by tenancies which are closed at fixed lease terms. Due to the long WALT of almost 5.5 years and the diverse lease term structure, the secure income will steadily decrease during the cash flow period of 10 years.

Secure income

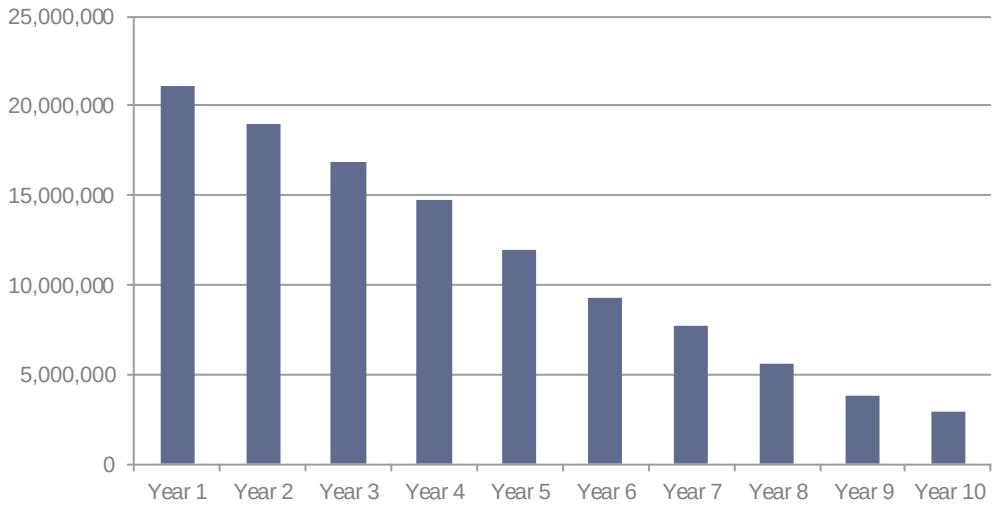
Situation as at Valuation Date

	Current rental income EUR p.a.
From limited leases (secure income)	21,423,304
From unlimited leases	417,842
Total	**21,841,146**

Secure Income Forecast

Period	Secure income EUR
Year 1	21,088,160
Year 2	18,966,726
Year 3	16,814,063
Year 4	14,745,262
Year 5	11,957,729
Year 6	9,298,630
Year 7	7,751,943
Year 8	5,554,508
Year 9	3,756,091
Year 10	2,941,465

Ten-year overview of secure income *



* The cash flow is projected only for leases with a fixed lease term. An additional income of 417,842 EUR p.a. (as at valuation date) is generated by leases with open-ended lease terms.

D. Valuation Considerations

In this chapter we comment on our individual considerations in order to arrive at our Opinion of Market Value.

Please note that our opinion of value is carried out on the basis of a number of assumptions. In the absence of any information to the contrary in the Report, our Opinion of Value is based on, and subject to, the General Valuation Assumptions as described in section H.I of this Report together with the specific assumptions as stated in this report (including without limitation this section D).

In case of any discrepancies the specific assumptions as described in the following will prevail over the General Assumptions. If any of the aforementioned assumptions (General Assumptions or specific assumptions or other) are subsequently found to be incorrect or invalid, our Opinion of Value may need to be reconsidered.

I. Method of Valuation

General Valuation Procedure

The valuation has been carried out on a single property basis. Each property has been valued individually.

Valuation Models

For the long-term income-generating properties, we have used a Discounted Cash Flow (DCF) model.

Properties with buildings in a very bad technical condition that do not allow for sustainable revenue generation have been valued according to a Liquidation Value Method (land value less demolition costs and, if applicable, including remaining net operating income).

For more details about the DCF model and the underlying definitions of the key parameters, please refer to Chapter H “General Valuation Assumptions and Applied Definitions” of this Valuation Report.

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II. Portfolio Considerations

1. Constituents of the Subject Properties

Fixtures in the Subject Properties, such as passenger and goods lifts, other conveyor installations, central heating installations and other technical installations have been regarded as integral parts of the Subject Properties and have, therefore, been reflected in our determination of Market Value. Tenant's fixtures and fittings that would normally be the property of the tenant have not been reflected in our valuation.

2. Legal Aspects

Land Register

According to the provided land register excerpts, all properties are held on freehold title.

There are several encumbrances regarding the subject properties like pipeline way leaves, cable rights, right of ways and restricted personal easements. We are of the opinion that the encumbrances and restrictions registered under Section II do not affect the use of the subject properties. They are therefore assumed to have no impact on value.

Further legal Aspects

We were provided with some additional legal information. This legal information partially include information regarding public encumbrances and monumental protections.

For properties with monumental protection we have considered slightly higher maintenance costs in our valuation approach.

Some properties are encumbered with public easements (unification encumbrances, fire rescue access, etc.). In our opinion, the given public encumbrances do not restrict the use of the subject properties, therefore we have assumed no impact on value.

3. Technical Aspects

Please note, for the purpose of this valuation, we have been provided with an overview of planned capital expenditures for the years 2018 until 2022. We have assumed that minor outstanding repairs are covered by the assumed costs of on-going maintenance.

Please see the following table for the considered capital expenditures.

One-off payments			
	Short-term (1-3 years)	Medium-term (4-6 years)	Long-term (>6 years)
	EUR	EUR	EUR
CapEx	-3,719,955	-250,000	-

Please note that Savills has not been instructed to perform any technical due diligence and does not possess the necessary detailed technical information. Therefore, Savills assumes without verification the accuracy and completeness of the provided repair costs (Capex) provided to Savills mentioned above.

4. Environmental Aspects

We were provided with excerpts from the register of soil contamination for most of the properties. According to this information, there are neither major environmental issues nor any current need for action. Savills assumes that no contamination exists and that all properties were used in the past and will be used in the future for activities without any contamination potential.

Please note that Savills has not been instructed to perform any environmental due diligence and does not possess the necessary detailed technical information. Therefore, Savills assumes without verification the accuracy and completeness of the provided information in this context. Should it subsequently turn out that additional contamination exists at the properties this may have a detrimental effect on the value reported.

5. Tenancy Aspects

Rent Roll Information

Our valuation is based on the rent rolls for the subject properties received from the FVR asset management via email on 09 July 2018. We assume that the documents reflect the status quo of all tenancies as at valuation date 30 June 2018 to a true and comprehensive extent.

For the valuation we were provided with lease agreements of most of the main tenants. We reviewed the Top 10 lease agreements and according to our verification, there were no significant differences between the lease agreements and the rent roll.

Please see the following table for the analysis of the Top 10 lease contracts:

Analysis of Top 10 Lease Contracts				
Property ID	Tenant	Lettable Area in sq m	GRI p.m. EUR	Result
VU23	HPI Germany Hotelbesitz GmbH	8,055	114,629	Basic information correct
IC15.QUIC	comdirect bank AG	10,570	101,074	Basic information correct
A040.NEUMU	Sparkasse Südholstein AöR	11,350	85,087	Basic information correct, i.e. it conforms with the provided lease agreement; the indexation clause defined in the lease agreement implemented by Savills
VU25	Kaufland Warenhandel	7,147	80,743	Basic information correct, i.e. it conforms with the provided lease agreement; the indexation clause defined in the lease agreement implemented by Savills
VU35	real, -SB-Warenhaus GmbH	8,270	73,233	Information correct
A040.PARK	RIMC Dresden Hotelbetriebs	11,554	67,641	Basic information correct; rent adjustments have been adjusted by Savills
VU26	REWE Markt GmbH	7,322	62,552	Information correct
VU38	toom Baumarkt GmbH	7,353	59,701	Basic information correct, i.e. it conforms with the provided lease agreement; the indexation clause defined in the lease agreement implemented by Savills
A040.LAFE	WISAG Facility Service	8,160	51,819	Information correct, i.e. it conforms with the provided lease agreements
A040.SEGE	Sparkasse Südholstein AöR	6,504	39,574	Basic information correct, i.e. it conforms with the provided lease agreement; the indexation clause defined in the lease agreement implemented by Savills

A full verification of the provided tenancy schedule and the available lease agreements was not part of the scope of this Instruction. Savills therefore relied on the content of the tenancy schedule provided and assumed that the provided document reflects the status quo of all tenancies as at the Date of Valuation to a true and comprehensive extent. Please note that Savills cannot verify the accuracy or the completeness of the information of subject tenancies provided to Savills.

Overdue rent payments

Savills has not checked the status of contractually agreed rent payments as at the Date of Valuation. Provided that Savills had no information to the contrary, we have assumed that there are no overdue rent payments.

Lettable Area

In our valuation approach we have generally assumed that the provided information regarding lettable area is in line with the “Richtlinie der Gesellschaft für Immobilienwirtschaftliche Forschung e.V.” (gif) (MF-G). We recommend a measurement of all properties according to gif to eliminate current uncertainties.

Tenant Solvency

Our assessment of tenant solvency is based on the information provided by the federal credit rating service ‘Creditreform’ which expresses the ability to service debt in terms of the so-called ‘Credit-Standing Index’. This index takes into account a company’s asset situation/turnover/liquidity with 25%, structural risks with 10-15% as well as business sector risk with 10-15%, the mode of payment with 20-25% and, finally, the credit verdict with 25-30%. The result is an individual ranking figure in a range from 100 (Best grade, “1”) to 600 (Default grade, “6”).

We retrieved the solvency information of the main tenants on the basis of the provided rent roll and lease contracts.

Please see the following table for the result of the solvency assessment of the 10 main tenants:

Top 10 tenants solvency oveview					
#	Tenant	Current rental income	Share of Total Current Rental Income	Credit-Standing Index Ranking Figure as at July 2017	Descriptions
		EUR p.a.	%		
1	Sparkasse Südholstein AöR	1,785,544	8%	243	Good solvency credit standing (probability of default 0.66%)
2	HPI Germany Hotelbesitz GmbH	1,375,549	6%	194	Very good solvency credit standing (probability of default 0.20%)
3	comdirect bank AG	1,212,891	6%	136	Excellent solvency credit standing (probability of default 0.06%)
4	toom Baumarkt GmbH	1,016,407	5%	281	Average Solvency credit standing (probability of default 1.43%)
5	Kaufland Warenhandel	968,921	4%	154	Very good solvency credit standing (probability of default 0.08%)
6	real. -SB-Warenhaus GmbH	878,800	4%	196	Very good solvency credit standing (probability of default 0.21%)
7	RIMC Dresden Hotelbetriebs	811,694	4%	-	n.a
8	REWE Markt GmbH	750,618	3%	158	Very good solvency credit standing (probability of default 0.11%)
9	WISAG Facility Service	621,832	3%	233	Good solvency credit standing (probability of default 0.48%)
10	Jobcenter Chemnitz	451,289	2%	-	n.a.
	Weighted average ranking (Top 10 tenants)	**9,873,544**	**45%**	**176**	**Very good solvency credit standing**

As it is shown above, we retrieved solvency information for the top tenants in the subject properties, which contribute to ca. 45% to the current total rental income.

As it can be seen, the assessed top tenants predominantly provide very good financial security according to the 'Creditreform' ranking. Weighted by the tenants' contribution to income, the overall credit standing can be rated as "Very good" under consideration of 'Creditreform' measures.

Please note that, apart from the above mentioned, that a more detailed financial investigation of the tenant is outside the scope of this report.

Structural Vacancy

Please note, we have considered for the following subject properties structural vacancy, due to low demand, poor fit-out standard or poor location within the property.

Please see the following table for the properties with assumed structural vacancy:

Structural Vacancy					
Property ID	Property Address	Postal Code	Municipality	Structurally Vacant Area sq m	Structural Vacancy
VU02	Nordpassage 1	15890	Eisenhüttenstadt	3,293	10.84%
VU25	Lerchenbergstraße112/113, Annendorfer Straße 15/16	6886	Lutherstadt Wittenberg	179	1.22%
IC15.CPKG	Am alten Bad 1 - 7, Theaterstraße 34a	9111	Chemnitz	128	2.51%
VU81	Altmärker Straße 5	39307	Genthin	282	22.12%
A040.H1CH	Hartmannstraße 1	9111	Chemnitz	300	100.00%

6. Properties Subject to Liquidation

Properties with no sustainable income generation, due to poor technical condition, low demand of rental space in the sub market or high vacancy rate, have been valued based on the liquidation value method (land value less demolition costs and, if applicable, including remaining net operating income).

The property A040 H1CH – **Chemnitz**, has been valued based on the liquidation value approach.

The share of total portfolio value of the 1 liquidation property is 0.6 %.

III. Basic Cash Flow Considerations

Preamble

The following summaries of the valuation assumptions and parameters only relate exclusively to the 29 Subject Properties with a sustainable rental income situation and that have been valued using the Discounted Cash Flow (DCF) method.

In the following section, we seek to comment on all input parameters in our valuation model. Besides a general description of each parameter, the applied ranges of those parameters will be stated, too. The considered parameters result in a value of the individual properties, which were verified by means of appropriate comparable transactions.

The remaining 1 liquidation property has not been considered in the following description in order not to distort the information.

Estimated Rental Value (ERV)

Estimated rental values ("market rents") indicated in this report are those which have been adopted by us as appropriate in assessing the capital value or the letting potential of the properties, being subject to market conditions that are either current or are expected in the short term. They are based on our experience in the markets and our knowledge of actual comparable market activity.

For the purpose of comparison, we considered market evidence by assessment of actual lettings of units with the same or a closest comparable use, where applicable and available. Applied ERVs range as follows in the subject properties:

Market rent			
	Minimum EUR per sq m p.m.	Maximum EUR per sq m p.m.	Average * EUR per sq m p.m.
Office	4.00	9.50	7.64
Retail	-	90.00	9.69
Storage	2.00	6.50	2.99
Commercial	3.00	8.00	6.76
DIY	3.25	8.00	5.39
Production	4.00	4.50	4.22
Hotel	5.41	12.00	8.12
Other Area	1.50	520.00	6.18
Gastronomy	-	8.50	6.60
Surgery	5.00	9.50	7.23
Residential	5.75	9.00	6.07
Open Space	510.00	510.00	510.00
Other Unit	-	733.33	255.95
Internal Parking	-	120.00	53.34
External Parking	-	45.00	11.04

* weighted by sq m /units

Non-Recoverable Costs

Ancillary costs of a property are generally costs of

- ongoing maintenance,
- management and
- other non-recoverable costs.

These costs can generally be allocated to the responsibility of tenants in commercial leases – at least to a very high degree of total costs - whereas there are much stricter regulations for residential leases. Residential tenants may only be obliged to bear services charges as defined in the Ordinance of Services Charges (*Betriebskostenverordnung*) but must never – by law – be made responsible for costs of maintenance or management.

For the purpose of valuing the subject properties, we did not receive details of the amount of non-recoverable costs which remains to be borne by the owner. Therefore, we applied common appropriate assumptions in our valuation.

Costs of Ongoing Maintenance

For costs of ongoing maintenance we have assumed the following for the respective types of use:

Maintenance			
	Minimum EUR per sq m p.a.	Maximum EUR per sq m p.a.	Average * EUR per sq m p.a.
Office	7.00	8.00	7.43
Retail	6.00	8.00	7.15
Storage	1.75	4.00	3.65
Commercial	3.00	7.50	7.11
DIY	5.00	5.50	5.22
Production	3.50	3.50	3.50
Hotel	7.00	12.00	9.05
Other Area	3.50	5.50	5.14
Gastronomy	5.00	7.50	7.28
Surgery	7.00	8.00	7.60
Residential	8.00	9.00	8.86
Open Space	-	-	-
Other Unit	-	-	-
Internal Parking	40.00	60.00	57.37
External Parking	10.00	15.00	14.51

* weighted by sq m / units

Our approach considers both, that commercial tenants bear a considerable portion of maintenance costs, i.e. in their units and of all fixtures and fittings, but that it is also likely that the owner shall bear costs of maintaining the roof and structure ("Dach und Fach"). We assume the applied cost estimation to be sufficient to at least maintain the respective property in the current condition.

All costs include annual inflation which will be adjusted each year of the DCF term.

Management Costs

For the subject properties we have allowed management costs as a percentage of the annual market rent:

Management costs			
	Minimum % of Market Rent	Maximum % of Market Rent	Average % of Market Rent
Office	2.00%	4.00%	2.39%
Retail	2.00%	4.00%	3.14%
Storage	2.00%	4.00%	2.32%
Commercial	2.00%	3.00%	2.99%
DIY	2.00%	3.25%	2.48%
Production	2.00%	2.00%	2.00%
Hotel	2.00%	4.00%	3.21%
Other Area	2.00%	4.00%	2.22%
Gastronomy	3.00%	3.00%	3.00%
Surgery	2.00%	4.00%	3.38%
Residential	2.82%	10.70%	5.25%
Open Space	2.00%	2.00%	2.00%
Other Unit	2.00%	4.00%	3.01%
Internal Parking	2.00%	4.00%	3.48%
External Parking	2.00%	3.50%	2.05%

Our approach is to reflect a common level of management costs under consideration of the type and complexity of the asset and relevant utilisation(s). We generally assumed the subject asset to require a normal management effort.

Please note all costs include annual inflation which will be adjusted each year of the DCF term.

Non-Recoverable Costs on Vacancy

These are generally non-recoverable service charges, for example any operational costs, which may need to be borne by the landlord should a tenant become unable to pay for any reason (e.g. insolvency) or in the general case of vacancy. These costs are incurred in addition to the regular non-recoverable ancillary costs as explained above.

In the absence of more detailed information of actual non-recoverable costs in the case of vacancy, we considered non-recoverable ancillary costs per sq m p.m. for vacant area as follows:

Vacancy costs

	Minimum EUR per sq m p.m.	Maximum EUR per sq m p.m.	Average * EUR per sq m p.m.
Office	1.50	1.50	1.50
Retail	0.50	1.50	0.99
Storage	0.50	1.00	0.74
Commercial	0.50	1.50	1.41
DIY	0.50	1.00	0.78
Production	0.50	0.50	0.50
Hotel	1.50	1.50	1.50
Other Area	0.50	1.00	0.63
Gastronomy	1.00	1.00	1.00
Surgery	1.50	1.50	1.50
Residential	1.00	1.50	1.48
Open Space	-	-	-
Other Unit	-	-	-
Internal Parking	-	-	-
External Parking	-	-	-

* weighted by sq m /units

Please note that these costs will only be applied to vacant space and only for the assumed duration of vacancy.

The vacancy costs are only relevant after the expiry of the current lease contracts.

Void Periods for Current Vacancy and Void Periods after Expiry of Leases

Voids generally represent the time period between the expiry of a lease and the start date of a new lease.

There is currently some initial vacancy in the subject properties. For these units, we have estimated 'Void Periods of Current Vacancy' which are starting at the beginning of the next full month following the reference date of this valuation (the 'projection date').

We have assumed the following void periods for current vacancy:

Void period of current vacancy			
	Minimum	Maximum	Average *
	months	months	months
Office	9.00	15.00	14.05
Retail	9.00	18.00	13.73
Storage	9.00	9.00	9.00
Commercial	9.00	9.00	9.00
DIY			
Production			
Hotel			
Other Area	6.00	15.00	12.84
Gastronomy			
Surgery	9.00	9.00	9.00
Residential	6.00	6.00	6.00
Open Space			
Other Unit			
Internal Parking	6.00	15.00	11.05
External Parking	6.00	15.00	10.71

* weighted by market rent

Those units which are currently let and which become vacant in the future will be subject to the 'Void Periods after Expiry of Leases'.

For all units where leases expire in the future and during the upcoming DCF term of 10 years, we considered the following void periods:

Void Period after expiry of leases			
	Minimum months	Maximum months	Average * months
Office	-	9.00	4.43
Retail	2.00	9.00	4.63
Storage	-	9.00	4.13
Commercial	3.00	6.00	5.78
DIY	3.00	6.00	4.16
Production	3.00	3.00	3.00
Hotel	-	6.00	2.36
Other Area	3.00	9.00	3.99
Gastronomy	3.00	6.00	3.74
Surgery	3.00	6.00	3.36
Residential	3.00	6.00	4.73
Open Space	6.00	6.00	6.00
Other Unit	-	6.00	3.30
Internal Parking	3.00	9.00	4.39
External Parking	-	9.00	3.20

* weighted by market rent

Leasing Commissions

German law does not restrict the charging of agency fees on lettings for commercial properties. In the event that the administration is not able to recover some of the letting costs, book allowances have been made at this level to reflect the management expenses incurred in letting, e.g. meetings to negotiate lease terms, newspaper adverts etc. For residential lettings, agency fees are limited to two months' rent by law.

For the purpose of this valuation, we have assumed that letting fees equivalent to

- 2 months' rent for residential units and
- 3 months' rent for commercial units

would be incurred by the landlord on re-letting for all types of relettable units.

Costs of Unit Refurbishment ("Tenant Improvements")

It is frequently the tenant's responsibility to redecorate and to carry out at least minor repairs. When there is a change of tenant, however, additional expenses for basic repairs and a more comprehensive renovation of the unit must normally be allowed for in order to assist marketing and re-letting.

In our DCF model, we differ between costs of "First Time Tenant Improvements" and of "Continuing Tenant Improvements". First time refurbishment costs will be applied to units which are currently vacant and to units which are now let but will become vacant for the first time during the applied DCF term. 'Continuing tenant improvements' will accordingly be

applied to remaining cases, i.e. units where there is a second lease expiration during the applied DCF term.

Our DCF model generally considers these costs of refurbishment at the end of the assumed letting void.

We have allowed the following first-time refurbishment costs:

First-time refurbishment costs

	Minimum EUR per sq m	Maximum EUR per sq m	Average * EUR per sqm
Office	75	150	128
Retail	30	300	64
Storage	10	30	15
Commercial	-	100	57
DIY	30	60	33
Production	10	10	10
Hotel	150	250	209
Other Area	10	75	23
Gastronomy	50	70	52
Surgery	100	150	125
Residential	100	120	119
Open Space	-	-	-
Other Unit	-	-	-
Internal Parking	-	-	-
External Parking	-	-	-

* weighted by sq m / units

We have allowed the following continuing refurbishment costs:

Continuing refurbishment costs			
	Minimum EUR per sq m	**Maximum** EUR per sq m	**Average *** EUR per sq m
Office	50	75	72
Retail	30	75	33
Storage	10	20	15
Commercial	10	75	47
DIY	30	30	30
Production	10	10	10
Hotel	75	250	178
Other Area	10	75	23
Gastronomy	30	30	30
Surgery	60	75	73
Residential	60	80	61
Open Space	-	-	-
Other Unit	-	-	-
Internal Parking	-	-	-
External Parking	-	-	-

* weighted by sq m / units

Average Lease Term for new Lettings

Commercial tenancies in Germany are usually agreed for a fixed period of 5 or 10 years, sometimes longer.

For the purpose of this valuation and based on our experience, we have applied the following lengths of tenancy for any potential new letting in the subject asset:

Duration of new lease			
	Minimum	Maximum	Average *
	years	years	years
Office	5.00	7.50	5.27
Retail	5.00	10.00	5.15
Storage	5.00	7.50	5.27
Commercial	5.00	5.00	5.00
DIY	5.00	5.00	5.00
Production	5.00	5.00	5.00
Hotel	10.00	10.00	10.00
Other Area	5.00	5.00	5.00
Gastronomy	5.00	5.00	5.00
Surgery	5.00	5.00	5.00
Residential	7.00	7.00	7.00
Open Space	5.00	5.00	5.00
Other Unit	1.00	5.00	4.59
Internal Parking	5.00	7.50	5.00
External Parking	5.00	5.00	5.00

* weighted by market rent

Applied Growth Assumptions

We have commonly applied the following growth parameters (inflation rates) in our DCF calculations:

- Year 1: 1.87% (source: Focus Economics)
- Year 2: 1.85% (source: Focus Economics)
- Year 3: 1.90% (source: Focus Economics)
- Year 4: 1.95% (source: Focus Economics)
- The ongoing annual inflation onwards was assessed at 2.00%.

Furthermore, regarding rental growth, we have assumed the following:

Rental growth: Current rents grow according to actual indexation terms, while market rents grow between 50% and 100% of the assumed inflation rates above.

Rates in DCF Calculations

We applied the following range of rates for the individual assets (Investment Value):

Internal yields and rates (MV)			
	Minimum	Maximum	Average *
Discount Rate	3.00%	7.25%	5.67%
Exit Capitalisation Rate	5.50%	7.75%	6.35%

* Discount Rate weighted by Gross Present Value
Exit Capitalisation Rate weighted by Exit Value

Please note that Discount Rates and Exit Cap Rates are related to the underlying cash-flow assumptions made for each property. To back-up our valuation results, we have considered comparable transactions and/or market databases.

Costs of Transaction

We applied costs of transaction as follows:

- Real Estate Transfer Tax: 3.50% - 6.50% depending on the federal state
- Notary fees 0.50% - 1.00%
- Agency fees 0.50% - 3.00%

These costs are chosen as they are common in ordinary course of business, i.e. in an asset deal, and for the subject type of property. Costs of transaction may, however, differ in the actual individual case – depending on the type of transaction.

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E. Valuation Results

I. Total Secured Rental Income ("Current Rent")

According to the provided tenancy schedule, the current rental income as at 30 June 2018 amounts to:

EUR 21,841,146 p.a.

(TWENTY ONE MILLION EIGHT HUNDRED FORTY ONE THOUSAND ONE HUNDRED FORTY-SIX EUROS)

II. Opinion of Net Estimated Rental Value (ERV)

The estimated rental value as at 30 June 2018 amounts to:

EUR 23,075,305 p.a.

(TWENTY THREE MILLION SEVENTY FIVE THOUSAND THREE HUNDRED AND FIVE EUROS)

III. Opinion of Market Value

We are of the opinion that the Market Value of the subject properties as at 30 June 2018 is:

EUR 309,650,000

(THREE HUNDRED NINE MILLION SIX HUNDRED FIFTY THOUSAND EUROS)

Our opinion of Market Value (including liquidation properties)

is equivalent to:

Market Value per sq m	1,284 EUR
Gross Multiplier on Current Rent	14.18 fold
Gross Multiplier on Market Rent	13.42 fold
Net Initial Yield (NIY) on Current Rent	5.77%
Net Initial Yield (NIY) on Market Rent	6.22%

F. Material Changes

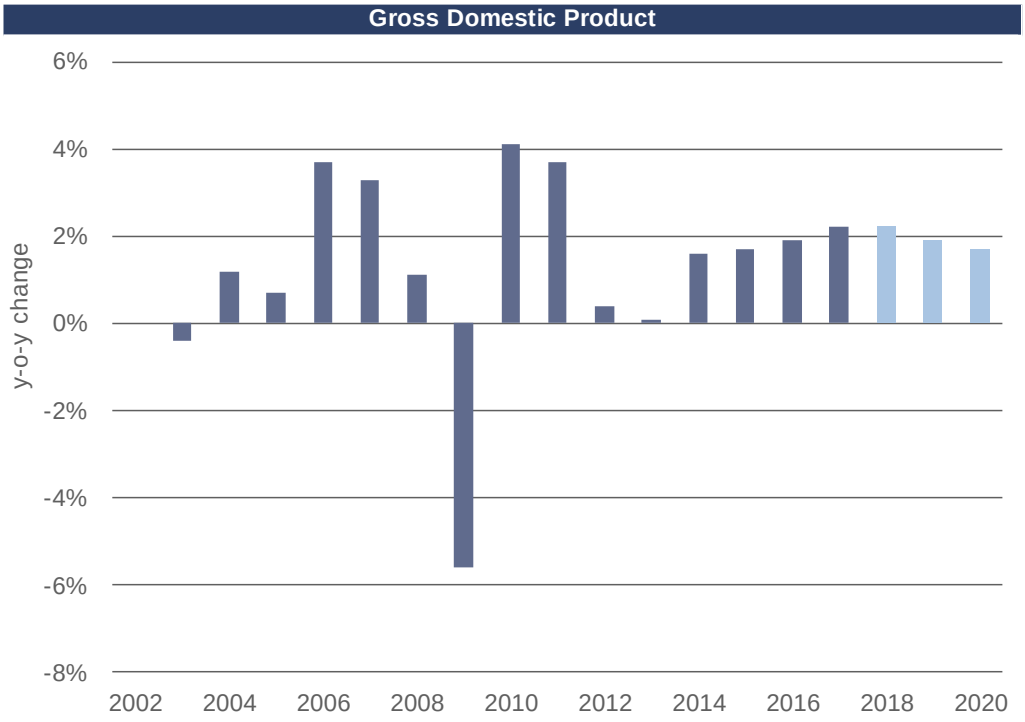
- Savills hereby confirms that as at the date of this Valuation Report:
- Savills is not aware (after having made reasonable enquiries of FVR) of any material change in circumstances between 30 June 2018 and the date of this Valuation Report which in Savills' reasonable opinion is likely have a material effect on the Market Value of the subject properties as at the date of this Valuation Report; and
- In relation to market conditions and movements in the real estate markets in which the subject properties are located, based on observed transactions involving comparable properties which have occurred and independent data published, in each case, since 30 June 2018, we do not consider that the movement in respect of the subject properties constitutes material change.

G. Market Commentaries

I. General Economy and Financial Markets

Germany economy on a modest growth path

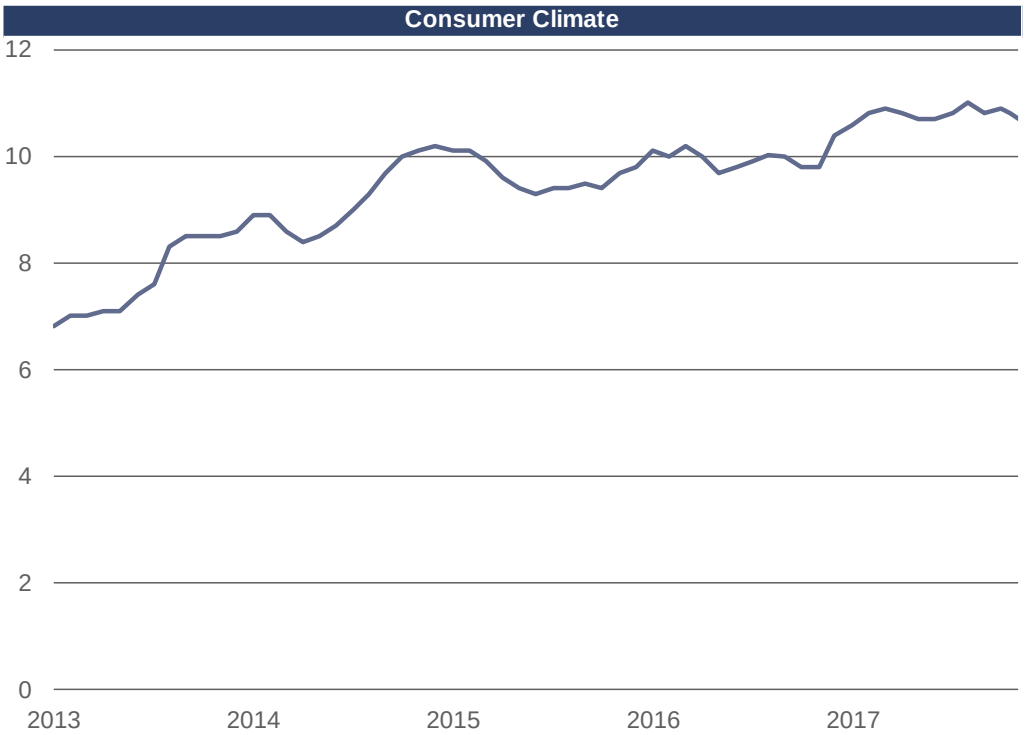
The German economy was able to keep its pace shown in previous years and grew by 1.9%. Continued strong private consumption growth, which benefitted from record pension increases, healthy wage growth and low inflation, was a main driver while contribution to growth from net trade was negative. The GDP growth in 2017 and the following years is expected to reach a similar level.



Source: Statistisches Bundesamt, Focus Economics

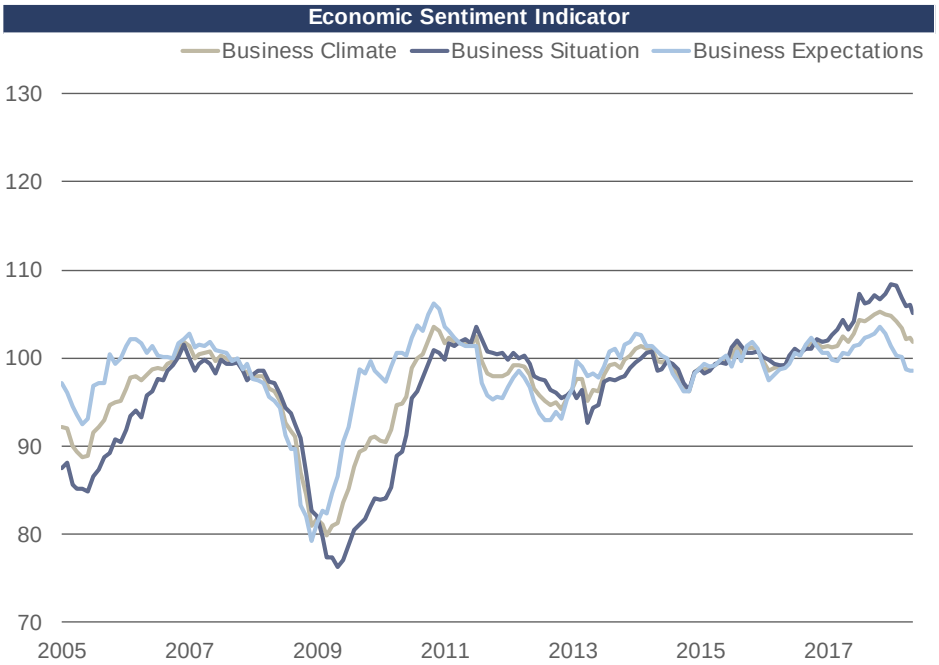
Private and public spending is major economic pillar

After resilient consumer sentiment, the index picked up recently and is expected to continue its upward tendency. Public spending will likely also lift growth, partly due to increased spending related to heightened immigration. However, the external sector will provide little growth impulse as demand from emerging economies is slowing, as suggested by current indicators. On a positive note, industrial production recovered while investment figures remained weak.



Source: GfK

Confidence among German businesses remained fairly high. The business confidence index, elaborated by the Ifo Institute, has been at a rather high level for several years now and current business expectation figures indicate towards a growing economy going forward.

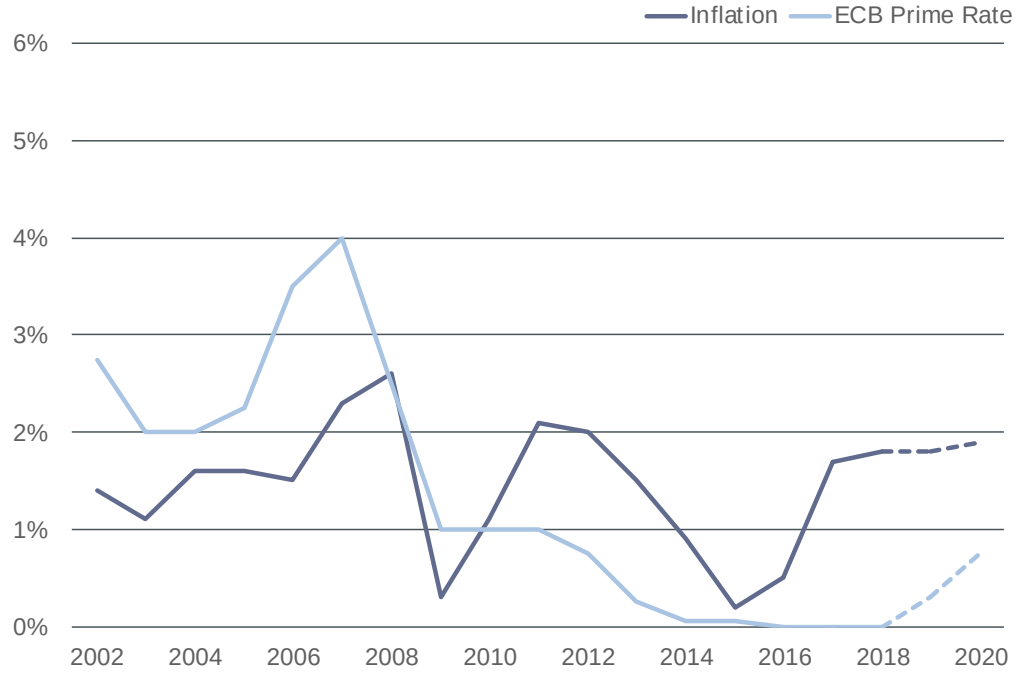


Source: cesifo

Inflation remains low despite very expansionary monetary policy

The European Central Bank's (ECB) quantitative easing program ensures that monetary conditions will remain supportive. The ECB decided to extend its quantitative easing program by nine months, but at a reduced pace of purchases. This - together with an improving economic environment in the Eurozone - should result in higher inflation. Inflation in Germany is expected to be around 1.5% in 2017 and subsequent years.

ECB Prime Rate and Inflation



Source: Statistisches Bundesamt, Deutsche Bundesbank, Consensus Economics

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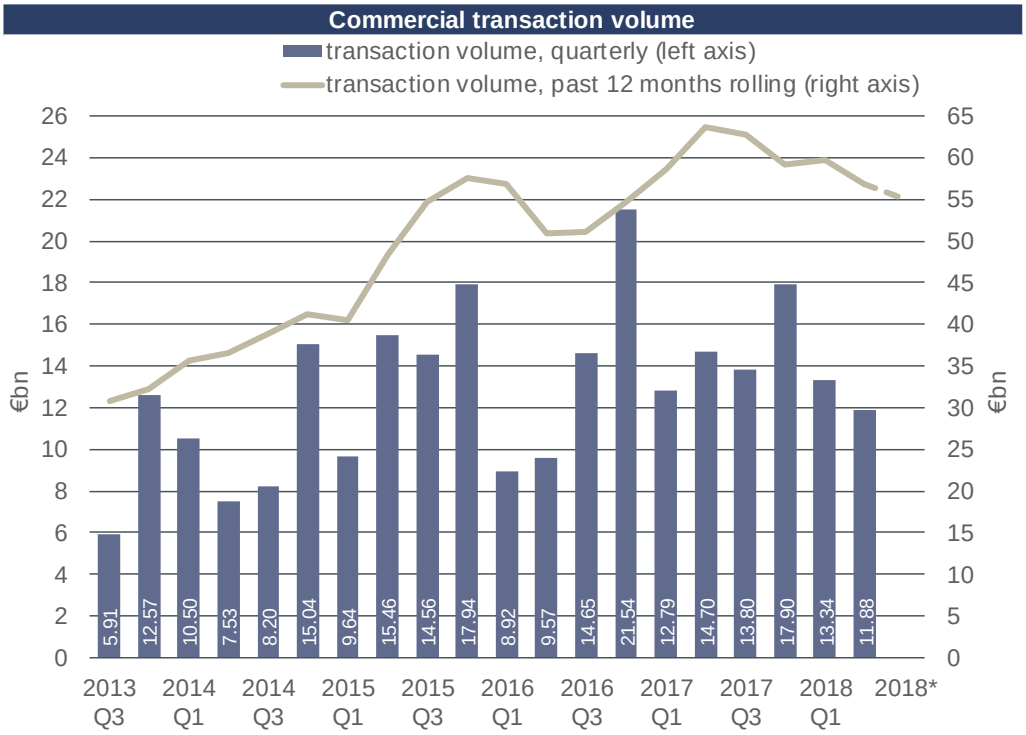
II. Germany Commercial Real Estate Investment Market

Defensive investments on the rise

Commercial property changed hands for more than €25.2bn in the first half of 2018, a decrease of 8% compared with the corresponding period last year. Nevertheless, this still represents the second highest investment volume for the corresponding period during the current market cycle.



Source: Savills / * forecast

Even in this late stage of the current market cycle, most investors are obviously still within their comfort zone in terms of risk. At the same time, however, defensive investment strategies appear to be gaining traction. Examples of this include increasing investment in healthcare property, which is relatively independent of economic conditions, and acquisitions of operator-managed properties with long leases.

Despite minimal prospects of further yield compression in our opinion upside potential. Private-equity funds made net investments totalling almost €1bn during the first six months of the year. Their investments focused on office properties since these offer good potential for rent-driven capital growth.

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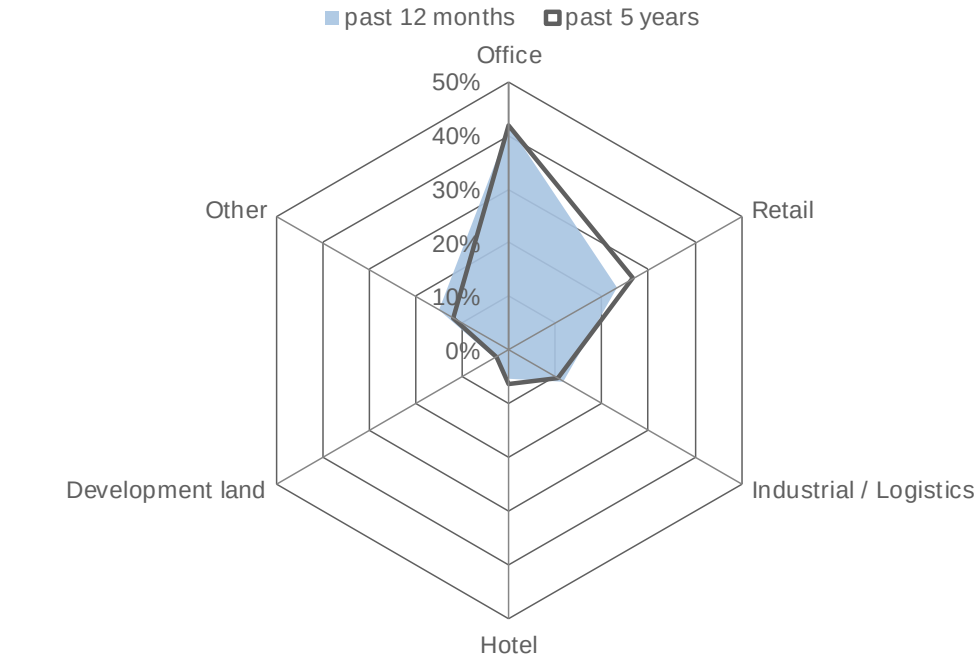
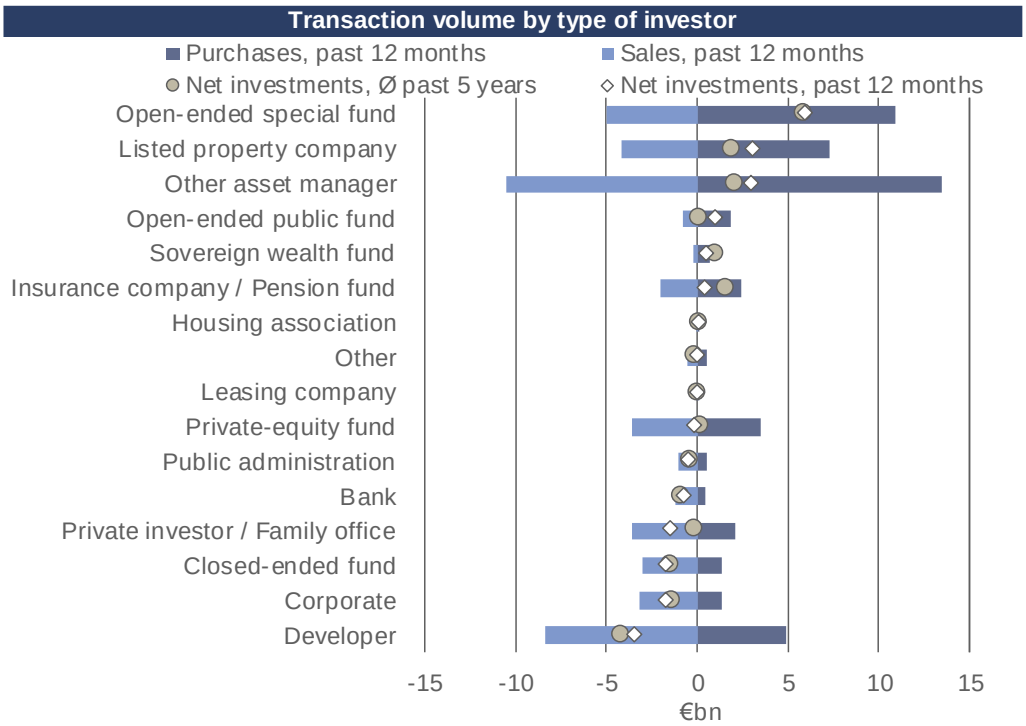


Source: Savills

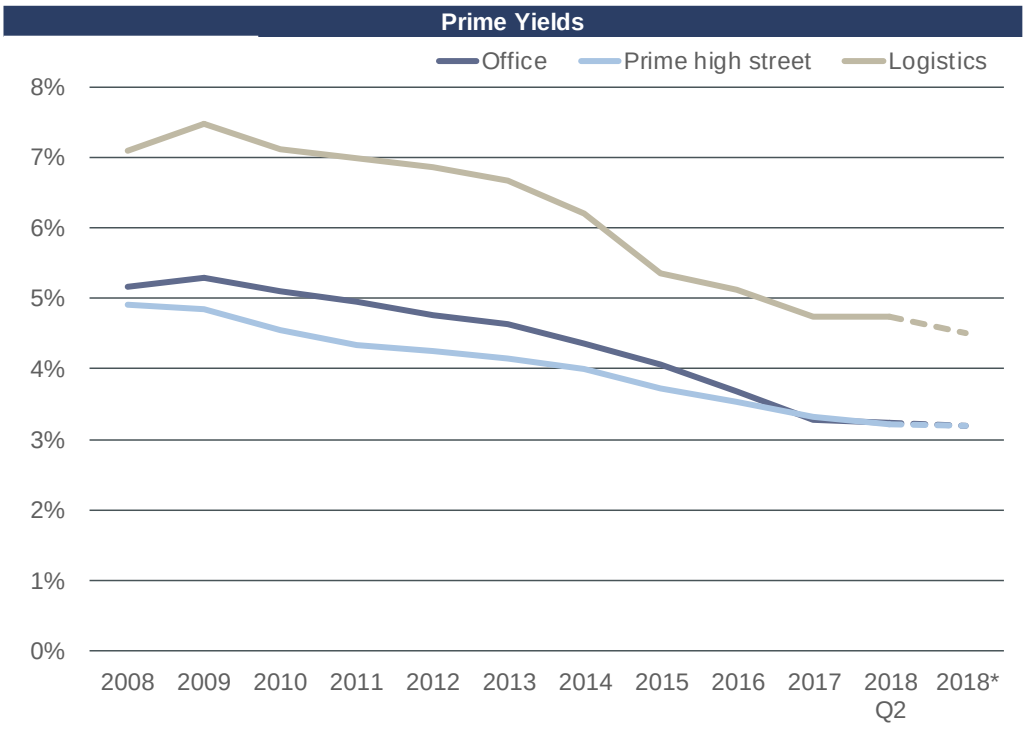
Investors seek rental growth potential and cycle defensive investments

With regard to the types of use, the focus in the first half of the year was primarily on office properties. With a transaction volume of around €10.0bn, they accounted for around 40% of total take-up. At €5.0bn or 20%, the second place was occupied by retail properties, followed by logistics and industrial properties, which accounted for nearly €3.2bn (13%). Given the average office vacancy rate of only 4.7% in the top 6 office markets, office properties in particular currently promise stable or even rising rental income. The market for logistics and industrial properties continues to benefit from the structural growth of the logistics sector, whereas risk averse Investors in the retail segment will be more reluctant.



Source: Savills

While investors are calculating with rising rents, increases in value from yield declines are likely to lose importance, as yield compression has weakened considerably in comparison to previous years. In the top 7 cities, prime office yields were down an average of 10 basis points from the previous quarter and currently stand at 3.2%. Prime yields for commercial buildings also fell slightly by 10 basis points to 3.2%. For the rest of the year, only a slight decline in yields will be expected, followed by a period of stable yields.



Source: Savills / * forecast

Transaction volume in 2018 is expected to exceed the €55bn mark.

Even if intensifying trade conflicts pose a risk to the export-oriented German economy, this is unlikely to impact the German investment market at least for the remainder of this year. The overall investment volume for the year is expected to total as much as €55bn (2017:€59.2bn).

H. General Valuation Assumptions and Applied Definitions

In the following chapter, we comment on the applied method in arriving at our opinion of value as defined in the scope of this Instruction.

I. General Valuation Assumptions

In the absence of any information to the contrary in the Report (in particular in section D containing specific valuation assumptions and considerations), this valuation has been carried out on the basis of the following assumptions (the "General Assumptions"). If any of these assumptions are subsequently found to be incorrect or invalid, the valuation result(s) in our Report may need to be reconsidered.

1. Information of FVR

The Instructing Party (and any third parties acting on request of the Instructing Party) has provided Savills with complete, correct and current information and documents as requested by Savills or which are reasonably relevant to Savills in carrying out the agreed Services (in particular the preparation of the Valuation). The Instructing Party did not retain any material facts which may impact the valuation of the real estate (ground) and buildings valued in our Valuation (collectively the "Properties", each a "Property"). Unless otherwise stated in the Valuation, Savills has not verified the information submitted (in particular, but not limited to, where it is stated in the Report that Savills has "assumed" or "relied" on information). Savills has not requested any information from public authorities, registers or courts.

2. Title

Unless otherwise stated in the Report, we have valued the freehold interest of the Properties and have assumed that in particular that they are not subject to leasehold agreements.

It is assumed that the freehold interest is not subject to any restrictions and encumbrances contained in Section II of the land register and that no claims or obligations are present in this regard.

Further, the Valuation of Savills does not consider any mortgages or land charges contained in Section III of the land register.

3. Buildings

The buildings are structurally sound. There are no structural (latent or other) material defects (including rot) which may have influence on the valuation.

In the construction or alteration of the building(s) no use was made of any deleterious or hazardous materials or techniques, such as high alumina cement, calcium chloride additives, wood wool slabs used as permanent shuttering or comparable materials. There are no dangers to health of occupants or tenants resulting from the actual condition of the buildings (for example resulting from contamination with asbestos or mold). Savills has not carried out any investigations concerning these matters.

4. Land

Savills assumes that the site is appropriate and has load bearing capacity suitable for the realized or anticipated form of development, that no abnormal ground conditions exist and no additional or unusual expenditure on, for example, foundations or drainage systems are required. The ground does not contain any archaeological remains. There are no underground mineral or other workings, noxious substances or any other matters that may cause additional costs or delay.

5. Services

The Properties are connected, or capable of being connected, without undue expense, to the public services of gas, electricity, water, telecommunications, sewerage and district heat, where available.

6. Contamination of Land and Buildings

The Properties (land and buildings) are not contaminated, and each Property is not and never has been subject to any contaminating or potentially contaminating uses, nor is it likely to become contaminated in the foreseeable future.

Savills has not carried out any investigations with respect to potentially existing environmental contaminations or in order to identify any such contamination.

7. Legal Matters

The buildings were erected in accordance with construction permits, and every building complies with all statutory or local authority requirements. All necessary consents and authorizations for the use of the Properties and the processes carried out at the Properties (in particular to be issued by public authorities, neighbours or other third parties) are in existence, will continue to subsist and are not subject to any onerous conditions.

It is assumed that there are no unusual restrictions with respect to the occupation of the Properties or the level of rent.

8. Lease Agreements; Other Agreements

The tenants are creditworthy and capable of meeting their obligations. There are no arrears of rent or breaches of covenants. It is assumed by Savills that lease agreements and any other agreements provided to Savills are valid, meet the legal requirements of the written form, and no facts do exist which would entitle a party to terminate or cancel such agreements prior to expiry of the agreed term, e.g. by early termination, rescission or likewise.

9. Taxes, Public Contributions, Development Charges

Unless otherwise stated in this report, all public taxes, charges and contributions levied by public authorities with respect to the site development, have entirely been levied and paid as at the Date of Valuation. In particular it is assumed that no public infrastructure contributions or similar contributions will be levied in the future.

10. Public Encumbrances; Monumental Protection; (Re)-Development Areas and likewise

The Properties are not subject to any public encumbrances which may give reason for a reduction of the valuation.

None of the Properties to be valued is subject to monumental protection.

None of the Properties is located in a redevelopment area pursuant to Sec. 136 et seq. of the German Federal Building Code or within the scope of any other urban development measure, e.g. refurbishment, redistribution or preservation statutes.

It is assumed that none of the Properties is adversely affected, nor is it likely to become adversely affected, by any highway, town planning or other schemes or proposals.

Savills did not undertake any investigations (for example local searches, enquiries or review of any statutory notices) in order to identify matters adversely affecting the present or future value of the Properties.

11. Subsidies

Unless otherwise stated in this report, all valuations are given without consideration of subsidies or grants, received or potentially receivable, and any obligations or limitations in this coherence which could influence the value of the Properties.

12. Statements by Officials

Oral statements by public officials, particularly involving factual information, cannot be regarded as legally binding. Savills assumes such oral statements

to be correct; however, Savills is unable to accept any liability for the application of any such statements or information in the Report.

13. Insurance

The Properties are covered by a valid adequate and appropriate insurance policy as regards the sum assured and the types of potential loss covered.

14. Taxation

Unless otherwise stated in the Report, no allowance has been made for expenses or taxation that might arise on a disposal. Exceptions may result from standardized valuation methods.

Further, our valuations are exclusive of VAT.

15. Fixtures and Fittings

Excluded from our valuations is any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present/future occupiers.

16. Valuation of Portfolios (Aggregation)

Unless otherwise stated in the Report, each Property – even if it is part of a portfolio – has been valued individually.

17. Insolvency

Savills does not take account of any possible effect that the appointment of either an insolvency administrator or an administrative receiver or a compulsory auction might have on the perception of the properties in the market and their subsequent valuation, or the ability to realize the value of the properties in either of these scenarios

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II. Rents, Income and Vacancy

1. Current Rent

Definition

In our valuations, the current rental income (or current rent) is defined as the rent passing as at the Date of Valuation. It reflects the rental payments after deducting recoverable costs (e.g. costs for heating, electricity) but before deducting non-recoverable costs. Also, the current rent is excluding VAT.

Method of Determination

If not stated otherwise in the report, we have considered the current rent for each lettable unit as stated in the rent roll provided by the Instructing Party or its advisors.

In case that the date of the rent roll is prior to the valuation date, there may be minor differences in the actual rent and vacancy rates when comparing the rent roll and our valuation.

Among other reasons, this is the result of leases which expire between these dates. In the event that the lease end of lettable area is prior to the valuation date, we consider this as vacant in our valuation as of the valuation date (even if these are rented according to the rent roll).

The rent roll has been checked with the original lease contracts on a sample basis. However, in accordance with the Instruction, Savills did not carry out full commercial due diligence.

2. Estimated Rental Value (ERV) / Market Rent

Definition

Our opinion of Market Rent is equivalent to the Market Rent as defined in the RICS Valuation – Global Standards 2017 (incorporating the IVSC International Valuation Standards) (the "**Red Book**") published by the Royal Institution of Chartered Surveyors The definition is in line with the IVS 104 paragraph 40.1.

"The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

The market rent is excluding VAT.

Method of Determination

We research comparable rents by taking into consideration key aspects such as property location, condition and the fit-out standard of rental units as well as common marketing incentives by the landlords (e.g. tenant improvements or rent free periods). With our in-house database, we analyze comparable lease transactions and currently available offers of space to rent. Furthermore, we analyze all leases which were recently closed in the subject asset(s) ("recent lease agreements").

An overview of the selected rental comparables can be found in the appendix to the report "market and location analysis - rental comparables".

In addition, we have also analyzed all recent lease agreements for the Subject Properties, and a corresponding overview can be found in the appendix to the report "market and location analysis - rental comparables".

Based on this procedure, we estimate rental values with reference to the individual asset, which are then revised in consultations with our agents and under consideration of third-party research, where reliable, appropriate and possible.

3. Potential Rent

Definition

The potential rent expresses the rent that should be achievable in a short time period by leasing vacant areas at our opinion of Market Rent. The potential rent is excluding VAT.

Method of Determination

The potential rent as displayed in our valuations is a "mixed" figure which considerers the current rent for all units let and the market rent for all units currently vacant but potentially lettable.

4. Net Operating Income (NOI)

Definition

The net operating income (NOI) is defined as the passing rent after deducting all non-recoverable costs. It is the net cash-flow generated by a property at a point in time or in a time period.

Method of Determination

Generally, the following periodical non-recoverable costs will be deducted from the passing rent:

- Management Costs
- Maintenance Costs

- Non recoverable service charges
- Ground Rents (if applicable)

Furthermore, the following event related non-recoverable costs will be deducted from the passing rent within the cash-flow term:

- Costs for Tenant Improvements
- Capex for Deferred Maintenance (if applicable)
- Vacancy Costs
- Leasing Commissions

5. Vacancy Rates

In this report, two following different vacancy rates are displayed:

- The area vacancy rate is defined by vacant space (in sqm) divided by the total lettable space (in sqm).
- The EPRA vacancy rate is expressed as a percentage being the estimated rental value (in EUR) of vacant space divided by the estimated rental value ERV of the whole property.

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III. Values and Results

1. Market Value

Definition

Our Valuation has been carried out in accordance with the RICS Valuation – Global Standards 2017 (incorporating the IVSC International Valuation Standards) (the "**Red Book**") published by the Royal Institution of Chartered Surveyors We have been instructed to value the properties within the Subject Portfolio on the basis of Market Value. The definition is in line with the IVS 104 paragraph 30.1.

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

For the avoidance of doubt, a Market Value complying with the "Red Book" is compliant with the International Valuation Standards (IVS) and the market value pursuant to § 194 BauGB (German Building Code).

Method of Calculation: Discounted Cash Flow (DCF)

For the valuation of long-term income-based properties, we have applied a DCF approach.

The DCF method is a two-stage financial mathematical model to determine the cash value of the future yield of the properties, which is viewed as its present value. In this coherence, a detailed forecast computation of the revenue and expenditures for a "holding period" of usually 10 years is compiled.

Accordingly, our DCF model involves a period-by-period estimation of gross income, i.e. rental income, and of any expenditure which shall not be recovered by third parties. Any estimation for the aforementioned will explicitly be taking into account a range of variables. For example, the estimation of income is substantially and mainly based on the existing contractual agreements as well as market development forecasts. Expenditures, on the other hand, may occur regularly in each period, i.e. costs of management, ongoing maintenance and non-recoverable service charges.

However, one-off costs for anticipated renovations as well as costs during periods of vacancy will also be deducted but considering a specified scheduled time of expenditure in the future.

As a result, the net operating income (NOI) will be calculated for each period, reflecting the anticipated development of the properties over the applied time period. Secondly, the hypothetical sales price at the assumed time of exit will be calculated. Generally, the sales price will be based upon the NOI at market level of the future year after the holding period. Hence, the NOI at market level will be capitalized with the exit capitaliZation rate in perpetuity in order to derive the Gross Exit Value. However, if fixed leases expire after the holding period, the Gross Exit Value will be adjusted by the capital value of a (potential) over-/ under-rented situation. Please note that in our model those capital value adjustments will be displayed as adjustments to the NOI (calculated in perpetuity). Finally, transaction costs will be deducted from the Gross Exit Value to arrive at the Net Exit Value / sales price.

Finally, both main results of the two-step calculation, i.e. the sum of all NOI and the hypothetical purchase price - will be discounted at the discount rate effective at the Date of Valuation. The result of this step is the Gross Present Value (GPV) as at that date. The GPV is then reduced by the common costs of a transaction, i.e. stamp duty land purchase tax, agent fee, notary fee, which results in the Net Present Value (NPV).

The applied rates are normally set by comparing money market rates (i.e. interest rate for risk-minimized investments) and allowing for the relative disadvantages of real estate ownership. These are generally considered as adjustments to the base rate due to the risks revolving from the specific type of property, due to the risks of illiquidity (marketing periods, costs of transaction etc.) and due to the potential of additional costs of portfolio management.

These risks are evaluated according to the following categories for each property, e.g. by conducting a structured property rating:

- Quality of the macro location (i.e. image, socio-demographics, economy, etc.)
- Quality of the micro location (i.e. local image, local supplier market adequacy for the specific property use, infrastructure, etc.)
- Quality of the building (i.e. age and condition of building, concept of areas/ architecture, fit-out, alternative usability, energy management, plot characteristics, etc.)
- Quality of cash flow (i.e. letting concept, length of lease terms, agreements on ancillary costs, covenant of the tenant, current vacancy, ability for re-letting)

The exit capitalization rate is the reciprocal of the multiplier on potential rent less non-recoverable costs at the end of the cash flow period and is mainly derived from the quality of the location (including the land value) and the building quality.

Method of Calculation: Liquidation Approach

Developed properties, whose developments do not allow for sustainable revenue generation, are valued according to liquidation value method. The liquidation value is also based upon the DCF method as described above. However the following modifications were necessary:

- Holding Period:
- The holding period is usually until the time that the last current lease contract or assumed option period expires. During the holding period, non-recoverable costs are deducted from the current gross rental income. As a result, the net operating income (NOI) will be calculated for each period. The NOI is discounted with the same approach as defined in the discounted cash-flow for the re-letting scenario.
- Capital Expenditures:
- During the holding period, we do not apply any capital expenditures as we assume that until the liquidation of the property, the costs for ongoing maintenance are sufficient.
- Exit Value:
- At the end of the time horizon, we assume that the property is demolished and the land is sold (liquidation value). The liquidation value is the land value adjusted by the inflation rate minus the inflation adjusted demolition costs.
- Discount Rate:
- As the liquidation value is considered, we have chosen a discount rate which reflects the different risk profile of the Subject Property. This discount rate is set by the rating's sub criteria, namely macro and micro location.

2. Valuation of Land Values

According to the Valuation Law (*Bewertungsgesetz*), the land value may be defined as the value of the land as if it was free of any construction.

Method of Calculation: Land Values

Basically, the purchase prices of comparable property are to be considered in the determination of the value of land (land value). Pursuant to cf. §§ 193 of the Town and Country Planning Code (*BauGB*), the determination of the land value may also be based - in addition to, or instead of, the purchase prices - on suitable recommended land values determined by responsible land valuation boards in consideration of purchase price surveys.

Features, which influence the value, have to be allowed for as increases or reductions or in other appropriate ways. Such features to be considered include in particular: the location, size and layout of the site, the type and extent of the possible uses stipulated by building laws and the actual use, the type and nature of ingresses, the most important commercial and transport connections, possibilities of connections to services, sewers and drains, the recoupment charge for local public infrastructure still to be incurred, and, existing reference values and comparable prices. Once comparable transaction values are verified and adjusted to the Subject Property, the determined price per sqm will be applied to the total area of the site which will result in the total land value.

IV. Yields and Multipliers

1. Gross Multipliers

A gross multiplier expresses the ratio of the market value to the rental income of a property. In our report, we state three different kinds of gross multipliers:

- Gross Multiplier on Current Rent = Market Value / Current Rent
- Gross Multiplier on Market Rent = Market Value / Market Rent
- Gross Multiplier on Potential Rent = Market Value / Potential Rent

Please note that the Gross Multiplier on Current Rent can be misleading if the property is currently let at rents considerably below average or has significant vacancies. In those cases, we suggest also to consider multipliers and yields on market or potential rent.

2. Net Initial Yields

A Net Initial Yield expresses the ratio of the Net Operating Income (Rental income as of Date of Valuation reduced by management costs, ongoing maintenance, costs for vacancy and further non recoverable costs) to the Gross Present Value (Market Value including acquisition costs).

In our report, we state three different kinds of Net Initial Yields:

- Net Initial Yield on Current Rent = Net Operating Income derived from Current Rent / Market Value + Acquisition costs
- Net Yield on Market Rent = Net Operating Income derived from Market Rent / Market Value + Acquisition costs

- Net Yield on Potential Rent = Net Operating Income derived from Potential Rent / Market Value + Acquisition costs

Please note that the Net Initial Yield on Current Rent can be misleading if the property is currently let at rents considerably below average or has significant vacancies. In those cases we suggest also to consider multipliers and yields on market or potential rent.