



DEMIRE Deutsche Mittelstand Real Estate AG

SEPARATE FINANCIAL STATEMENTS 2015

Financial year January 1 – December 31, 2015

AUDIT OPINION

We have audited the annual financial statements for DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, consisting of the balance sheet, statement of income and notes, including the underlying accounting and combined management report for the Company and the Group, for the fiscal year from January 1 to December 31, 2015. The legal representatives of the Company are responsible for the accounting and preparation of the annual financial statements and the management report for the Company and the Group in accordance with the provisions of German commercial law. Our task is to deliver a judgment on the annual financial statements, including the underlying accounting, and on the management report for the Company and the Group, on the basis of the audit we have undertaken.

We have conducted our audit of the annual financial statements in accordance with Section 317 HGB in consideration of the German auditing standards defined by the Institut der Wirtschaftsprüfer (IDW). These require the audit to be planned and conducted in such a manner as to detect, with adequate certainty, any inaccuracies or infringements that may have a significant impact on the impression of the net assets, financial position, and results of operations, as conveyed by the annual financial statements in consideration of the applicable accounting standards and by the management report for the Company and the Group. In determining the actions to be taken as part of the auditing procedure, consideration was given to the knowledge of the business activities of the Company and its economic and legal environment, as well as to the possible errors likely to be encountered. In the course of the audit, the effectiveness of the internal accounting-related control system and proof of the information contained in the accounting, annual financial statements and the management report for the Company and the Group were assessed on the basis of random samples. The audit encompasses a review of the accounting principles applied and the principal assessments made by the legal representatives, as well as an evaluation of the overall presentation of the annual financial statements and of the management report. We are of the opinion that our audit forms an adequately secure foundation on which to base our judgment.

Our audit has not caused us to raise objections.

In our judgment based on the findings of our audit, the annual financial statements comply with the legal provisions, and in consideration of the principles of proper accounting convey an image of the Company's net assets, financial position, and results of operations which concurs with the true circumstances. The management report for the Company and the Group is consistent with the annual financial statements and overall presents an accurate image of the position of the Company and the opportunities and risks of future development.

Eschborn / Frankfurt am Main, May 13, 2016

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Schmitt
Auditor

Kresin
Auditor

Disclaimer:

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

DEMIRE DEUTSCHE MITTELSTAND REAL ESTATE AG, FRANKFURT/MAIN
BALANCE SHEET AS AT DECEMBER 31, 2015

ASSETS

EUR	31/12/2015	31/12/2014
A. Fixed Assets		
I. Intangible assets		
Software licenses	0.00	1.00
	0.00	1.00
II. Tangible assets		
1. Buildings on third-party property	2,699.00	0.00
2. Other equipment, operating and office equipment	25,071.00	22,007.06
	27,770.00	22,007.06
III. Financial assets		
1. Investments in affiliated companies	149,303,286.32	6,162,916.88
2. Loans to affiliated companies	140,682,584.01	57,999,802.06
3. Investments	4,527,232.08	3,106,335.18
	294,513,102.41	67,269,054.12
	294,540,872.41	67,291,062.18
B. Current assets		
I. Receivables and other assets		
1. Trade accounts receivable	9,293,159.33	7,302,716.51
2. Receivables due from affiliated companies	2,839,484.77	3,094,748.90
3. Receivables due from investments	1,003,974.69	1,114,726.61
4. Other assets	29,392,926.92	1,271,139.09
	42,529,545.71	12,783,331.11
II. Cash on hand, bank deposits	1,328,806.40	1,163,841.62
	43,858,352.11	13,947,172.73
C. Prepaid expenses	2,066,019.71	940,204.25
	340,465,244.23	82,178,439.16

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR	31/12/2015	31/12/2014
A. Shareholders' equity		
I. Subscribed capital	49,292,285.00	14,306,151.00
Conditional capital EUR 13,662,622.00 (prev. year: EUR 7,064,325.00)		
II. Capital reserves	195,668,372.39	102,829,993.62
III. Accumulated loss	-133,453,403.58	-107,177,422.81
	111,507,253.81	9,958,721.81
B. Provisions		
1. Tax provisions	0.00	208,844.90
2. Other provisions	7,390,766.44	1,446,696.37
	7,390,766.44	1,655,541.27
C. Liabilities		
1. Bonds	125,661,700.00	60,888,500.00
Of which convertible: EUR 25,661,700.00 (prev. year: EUR 10,888,500.00)		
Of which with a remaining term of up to one year: EUR 0.00 (prev. year: EUR 0.00)		
2. Trade payables	2,445,918.06	2,470,067.09
Of which with a remaining term of up to one year: EUR 2,445,918.06 (prev. year: EUR 2,470,067.09)		
3. Liabilities due to affiliated companies	59,798,019.58	5,888,722.79
Of which with a remaining term of up to one year: EUR 33,174,619.19 (prev. year: EUR 5,888,722.79)		
4. Liabilities due to investments	0.00	12,198.71
Of which with a remaining term of up to one year: EUR 0.00 (prev. year: EUR 12,198.71)		
5. Other liabilities	33,661,586.34	1,304,687.49
Of which tax liabilities EUR 122,010.21 (prev. year: EUR 270,837.94)		
Of which with a remaining term of up to one year: EUR 1,661,586.34 (prev. year: EUR 1,304,687.49)		
	221,567,223.98	70,564,176.08
	340,465,244.23	82,178,439.16

DEMIRE DEUTSCHE MITTELSTAND REAL ESTATE AG, FRANKFURT AM MAIN

STATEMENT OF INCOME FOR THE FISCAL YEAR FROM

JANUARY 1, 2015 TO DECEMBER 31, 2015

EUR	01/01/2015 –31/12/2015	01/04/2014 –31/12/2014
1. Revenue	3,213,432.07	7,395,610.88
2. Other operating income	2,461,082.92	2,179,402.06
Of which income from currency translation: EUR 4,100.48 (prev. year: EUR 482.06)		
	5,674,514.99	9,575,012.94
3. Staff costs		
a) Wages and salaries	1,461,893.26	342,221.94
b) Social security contributions and expenses for pension schemes and related benefits Of which pensions expenses: EUR 392.05 (prev. year: EUR 0.00)	155,148.03	26,829.59
4. Amortisation of intangible fixed assets and depreciation of tangible assets	11,047.27	6,131.35
5. Other operating expenses		
Of which expenses from currency translation EUR 4,533.84 (prev. year: EUR 3,750.24)	22,047,060.93	6,450,439.16
	23,675,149.49	6,825,622.04
6. Income from loans of financial fixed assets	6,347,808.84	1,308,885.37
Of which from affiliated companies: EUR 6,347,808.84 (prev. year: EUR 1,059,514.61)		
7. Other interest and similar income	612,845.71	128,618.52
Of which from investments EUR 334,702.92 (prev. year: EUR 101,923.22)		
8. Write-downs of financial assets	3,957,133.10	2,944,275.60
9. Expenses from the transfer of losses	4,689,634.86	387,717.01
10. Interest and similar expenses	6,911,060.41	1,776,334.46
Of which from affiliated companies: EUR 408,021.76 (prev. year: EUR 1,304.28)		
	-8,597,173.82	-3,670,823.18
11. Result from ordinary activities	-26,597,808.32	-921,432.28
12. Income taxes	-208,692.67	208,844.90
13. Other taxes	-113,134.88	502.05
	-321,827.55	209,346.95
14. Net loss	-26,275,980.77	-1,130,779.23
15. Loss carried forward from previous year	-107,177,422.81	-106,046,643.58
16. Accumulated loss	-133,453,403.58	-107,177,422.81

DEMIRE Deutsche Mittelstand Real Estate AG

Frankfurt am Main

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

GENERAL INFORMATION ON THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements of DEMIRE Deutsche Mittelstand Real Estate AG as at December 31, 2015 were prepared in accordance with the provisions of the German Commercial Code 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. In addition, the Company has prepared consolidated financial statements according to International Financial Reporting Standards (IFRS) as applicable in the EU, which are available at the Company's headquarters in Frankfurt/Main.

As at the reporting date, the Company fulfilled the size criteria for small corporations pursuant to Section 267 para. 1 HGB. Because the Company makes use of an organised market as defined by Section 2 para. 5 WpHG through securities issued, the Company is considered a large corporation pursuant to Section 267 para. 3 sentence 2 HGB. Therefore, the Company is required to apply the regulations for large corporations.

The balance sheet classifications comply with the classification format under commercial law in accordance with Section 266 HGB, while the statement of income has been prepared in the vertical format using the nature of cost method in accordance with Section 275 para. 2 HGB.

The Company's Ordinary Annual General Meeting of October 15, 2014, resolved an alignment of the fiscal year to the calendar year with effect from January 1, 2015. The prior year's period from April 1, 2014 to December 31, 2014 was an abbreviated fiscal year. As a result of the change in the fiscal year-end, the figures of the reporting year are not fully comparable with the prior year.

ACCOUNTING AND VALUATION PRINCIPLES

The accounting and valuation principles remained unchanged to the previous year:

Fixed assets

Tangible assets

Tangible assets are carried at acquisition cost pursuant to Section 255 para.1 HGB, including incidental costs, less scheduled depreciation over their expected useful lives pursuant to Section 253 para.1 HGB.

Additions to the tangible assets 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 and expensed 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 para.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.

If at the balance sheet date the acquisition cost permanently exceeds the asset's market value or fair value, the asset's carrying amount is adjusted to the market value or fair value by way of an unscheduled write-down, even when the impairment is only temporary as defined by Section 253 para.3 sentence 4 HGB. If the reason for a prior write-down no longer applies, the write-down is reversed by way of a write-up.

Loans to affiliated companies are generally carried at their nominal values or fair values as at the reporting date.

Current assets**Receivables and other assets**

Trade accounts receivable, receivables due from affiliated companies and receivables due from companies in which participations are held are carried at their nominal values. All identified risks are taken into account using appropriate impairment charges.

Other assets are carried at their nominal values.

Cash on hand, bank deposits

Cash on hand and bank deposits are carried at their nominal values.

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 para. 1 HGB. The difference is 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 and quasi-permanent differences between the carrying amounts of assets, liabilities as well as prepaid income 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 charges or tax benefits are not discounted. Deferred tax assets and liabilities are offset against one another. Any resulting excess deferred tax assets are not recognised, in utilisation of the existing accounting option.

A tax rate of 31.93 % was used to calculate deferred taxes. Deferred tax assets mainly resulted from corporate and trade tax-loss carryforwards and interest carried forward resulting from the interest barrier. No material temporary differences exist that could result in deferred tax liabilities.

Shareholders' equity

Subscribed capital is carried at its nominal value and is fully paid in.

Capital reserves result from various capital increases recognised at their nominal amount.

Provisions

Provisions are carried at amounts deemed necessary to settle the obligation based on a reasonable commercial assessment, i.e. including future cost and price increases in accordance with Section 253 para. 1 HGB. Provisions take into account all contingent losses from pending transactions and uncertain obligations.

Liabilities

Liabilities are recognised at their repayment amount.

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.

NOTES TO THE BALANCE SHEET

The classification and movements of fixed assets are shown in the statement of changes in fixed assets (Appendix 1 to the notes to the annual financial statements).

Financial assets

DEMIRE Deutsche Mittelstand Real Estate AG recognised unscheduled write-downs of EURk 3,957 on investments, investments in affiliated companies as well as loans to affiliated companies in the 2015 fiscal year (previous year: EURk 2,944).

In the reporting year, the Company's investments in affiliated companies rose by a total of EURk 146,972, of which EURk 121,633 was attributed to the acquisition of new companies and EURk 3,832 to unscheduled write-downs. The Company made payments into the capital reserves of three subsidiaries in the reporting year as defined by Section 272 para. 2, no. 4 HGB, which in turn increased the carrying amount of the interests. These payments concerned DEMIRE Commercial Real Estate GmbH (EURk 9,658), Glockenhofcenter Objektgesellschaft mbH (EURk 3,256) and Hanse-Center Objektgesellschaft mbH (EURk 12,336). The deposits from the 2014/2019 corporate bond owned by DEMIRE Deutsche Mittelstand Real Estate AG are related to the acquisition of Germavest Real Estate S.à.r.l. by DEMIRE Commercial Real Estate DREI GmbH.

Loans to affiliated companies of EURk 140,683 (previous year: EURk 58,000) primarily relate to loans granted for the financing of real estate companies and properties acquired by direct and indirect subsidiaries. These loans are granted within the Group including a management premium on the interest rate. As at the balance sheet date, receivables due from affiliated companies amounting to EURk 234 (previous year: EURk 4,527) were reclassified to financial assets (loans to affiliated companies). With regard to these reclassified receivables, financial assets were reassessed as at the balance sheet as a result of the amended terms of the loans regarding their maturities.

With regard to the schedule of shareholdings, we refer to Note 2 in the notes to the annual financial statements.

Current assets

Current assets consisting of receivables and other assets as well as cash on hand and bank deposits totalled EURk 43,858 as at the balance sheet date (previous year: EURk 13,947).

Receivables and other assets

Trade accounts receivable of EURk 9,293 (previous year: EURk 7,303) mainly concern claims from servicing agreements with affiliated companies

Receivables due from affiliated companies of EURk 2,839 (previous year: EURk 3,095) relate to receivables from settlement transactions, expenses passed on and current loans. As was the case in the previous year, receivables are due within one year.

Receivables due from companies in which participations are held amounted to EURk 1,004 (previous year: EURk 1,115) and included receivables from settlement transactions, current loans and interest receivables. As in the previous year, receivables are due within one year.

Other assets totalling EURk 29,393 as at the balance sheet date mainly include receivables from the retransfer of 2014/2019 corporate bonds to T6 HoldCo S.à.r.l., the seller of the interests in Germavest in the amount of EURk 14,375 and the committed portion of the loan of Signal Credit Opportunities (Lux) Investco II S.à.r.l. held in a trust in the amount of EURk 9,733, which was used as the prorated purchase price for the acquisition of Kurfürstengalerie Kassel by a subsidiary and closed in January 2016. DEMIRE AG will grant a long-term loan to the acquiring subsidiary to finance the acquisition of the Kurfürstengalerie Kassel. The balance sheet item also includes a EURk 2,349 loan to Taurecon Real Estate Consulting GmbH, Berlin, and the EURk 2,168 loan to Taurecon Beteiligungs GmbH, Berlin, for the acquisition of minority interests in two subsidiaries. Of the other assets, an amount of EURk 29,118 (previous year: EURk 1,271) has a remaining term of up to one year.

Cash and cash equivalents

Cash and cash equivalents of EURk 1,329 (previous year: EURk 1,164) include cash on hand and bank deposits.

Prepaid expenses

Prepaid expenses primarily include a discount of EURk 1,388 from the issue of the 2014/2019 corporate bond, which is to be amortised over the remaining term of the bond. Prepaid expenses also include a discount of EURk 676 (previous year: EURk 940) resulting from the difference between the issue price and the settlement amount of the convertible bond issued in the 2013/2014 fiscal year.

Shareholders' equity**Subscribed capital**

On December 31, 2015, the Company had subscribed capital in the amount of EUR 49,292,285.00 (previous year: EUR 14,306,151.00) divided into 49,292,285 (previous year: 14,306,151) no-par value bearer shares with a notional interest in subscribed capital of EUR 1.00.

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

Conversions from the 2013/2018 convertible bond

Subscribed capital increased by 226,800 shares from conversions of the 2013/2018 convertible bonds.

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

Capital increase against contribution in kind for the purchases of Hanse-Center Objektgesellschaft mbH and Glockenhofcenter Objektgesellschaft mbH

Based on the authorisation of the Annual General Meeting on October 15, 2014 and upon the registration in the commercial register on January 22, 2015, the Company's subscribed capital was increased from authorised capital against contribution in kind on one occasion in the amount of EUR 5,633,710 excluding shareholder subscription rights.

Alpine Real Estate GmbH was admitted to subscribe to the new shares in return for a contribution in kind to DEMIRE Deutsche Mittelstand Real Estate AG consisting of Alpine's 94.9 % interest in Hanse-Center Objektgesellschaft mbH, a 94.9 % interest in Glockenhofcenter Objektgesellschaft mbH and a receivable against Hanse-Center Objektgesellschaft. In the context of the capital increase, each new DEMIRE Deutsche Mittelstand Real Estate AG share was assigned a value of EUR 1.75. The capital increase was recorded in the commercial register on January 22, 2015.

Capital increase against contribution in kind for the purchase of Gutenberg Galerie

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

Capital increase against contribution in kind for the purchase of Logistikpark Leipzig GmbH

On May 13, 2015, with the approval of the Supervisory Board of May 19, 2015, the Company's subscribed capital was increased from authorised capital once by EUR 2,541,149.00 against a mixed contribution in kind and excluding shareholders' subscription rights. M1 Beteiligungs GmbH, Berlin, was admitted to subscribe to the new shares in return for a contribution in kind consisting of a 94 % interest in Logistikpark Leipzig GmbH. A value of EUR 5.84 per DEMIRE Deutsche Mittelstand Real Estate AG share was used to determine the amount of the capital increase and the number of new DEMIRE Deutsche Mittelstand Real Estate AG shares to be issued. The capital increase was recorded in the commercial register on July 1, 2015.

Cash capital increase

The Company's subscribed capital was increased on July 14, 2015 by EUR 2,474,152.00 through a 10 % cash capital increase. A large portion of the 2,474,152 new no-par value ordinary bearer shares (no-par value shares) was 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 from January 1, 2015. The capital increase was recorded in the commercial register on July 14, 2015.

Capital increase against contribution in kind for the purchase of Fair Value REIT-AG

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

By the resolution of the Supervisory Board on December 16, 2015 and upon the registration in the commercial register on December 21, 2015, the Company's subscribed capital was increased by EUR 21,927,756.00 against contribution in kind by issuing of 21,927,756 new no-par value bearer shares (no-par value shares) with a notional interest of EUR 1.00 each. The contribution in kind comprised 10,963,878 Fair Value REIT-AG shares with a notional interest of EUR 2.00 each.

Authorised Capital I/2014

By resolution of the Annual General Meeting of October 15, 2014, with the consent of the Supervisory Board, the Executive Board is authorised to increase the Company's subscribed capital until October 14, 2019, by issuing up to 7,064,325 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 up to EUR 7,064,325.00 (Authorised Capital I/2014). Shareholders are generally entitled to subscription rights.

On December 22, 2014, the Company's Executive Board and Supervisory Board resolved to increase the Company's subscribed capital from authorised capital once by EUR 5,633,710.00 from EUR 14,306,151.00 to EUR 19,939,861.00 against a contribution in kind excluding shareholder subscription rights. Alpine Real Estate GmbH was admitted to subscribe to the new shares in return for providing DEMIRE Deutsche Mittelstand Real Estate AG with a contribution in kind consisting of 94.9 % of Alpine's interest in both Hanse-Center Objektgesellschaft mbH and 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, among others. In the context of the capital increase, each new DEMIRE Deutsche Mittelstand Real Estate AG share was assigned a value of EUR 1.75. As at the balance sheet date, however, the capital increase against contribution in kind did not have any effect on the Company's balance sheet because, according to Section 189 AktG, the subscribed capital is only effectively increased upon recording the execution 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 recorded in the commercial register. The contribution was made with legal effect in 2015. The increase in subscribed capital was recorded 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 subscribed 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 Deutsche Mittelstand Real Estate AG share was assigned to determine the amount of the capital increase and the number of new shares to be issued. A capital increase against contribution in kind was executed from Authorised Capital I/2014 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, currently amounts to EUR 0.00.

Authorised Capital I/2015

At DEMIRE's Extraordinary General Meeting on March 6, 2015, several resolutions for capital increases were made that pave the way for further growth. Specifically, the Extraordinary General Meeting resolved an increase in authorised capital through the issue of up to 8,552,290 shares against a cash and/or contribution in kind once or in partial amounts of up to EUR 8,552,290.00 (Authorised Capital I/2015).

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

The Extraordinary General Meeting also resolved a stock option programme with conditional capital of EUR 1,000,000 for members of the Executive Board and selected employees of the Company or directors and employees of group companies. In April 2015, this option was fully utilised for Executive Board members and utilised to a large extent for employees.

The Executive Board and Supervisory Board resolved on April 8, 2015 and April 28, 2015 to increase the Company's subscribed 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 Deutsche Mittelstand Real Estate AG share was assigned to determine the amount of the capital increase and the number of new shares to be issued. A capital increase against contribution in kind was executed from Authorised Capital I/2014 in the amount of EUR 1,430,615.00 and from Authorised Capital I/2015 in the amount of EUR 751,952.00. 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 subscribed capital from authorised capital once in the amount of EUR 2,541,149.00 from EUR 22,200,378.00 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 Deutsche Mittelstand Real Estate AG share was assigned to determine the amount of the capital increase and the number of new DEMIRE Deutsche Mittelstand Real Estate AG shares to be issued. In addition to the shares, M1 Beteiligungs GmbH was to receive a cash payment of roughly EUR 18.6 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, M1 Beteiligungs GmbH holds an interest of around 10.25 % in DEMIRE Deutsche Mittelstand Real Estate AG's subscribed capital.

The Company's Executive Board and Supervisory Board resolved on July 1, 2015 to increase the Company's subscribed 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 subscribed 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

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

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 subscribed 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 on one or several occasions 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
- 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 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
- For capital increases against contribution in kind.

Authorisation to repurchase 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 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 subscribed capital.

Capital reserves

As at December 31, 2015, capital reserves amounted to EURk 195,668 (previous year: EURk 102,830).

The increase in capital reserves of EURk 92,838 resulted from capital increases against contribution in kind and in cash. The increases against contribution in kind concern the contribution of Hanse-Center Objektgesellschaft mbH and Glockenhofcenter Objektgesellschaft mbH (EURk 4,225), Sihlegg Investments Holding GmbH (EURk 6,609), Logistikpark Leipzig GmbH (EURk 12,299) and Fair Value REIT-AG (EURk 61,021). Capital reserves also increased as a result of the cash capital increase during the reporting year (EURk 8,684).

Accumulated loss

Based on the loss carried forward from the previous year of EURk 107,177, the accumulated loss as at the balance sheet date totalled EURk 133,453.

Overview of changes in equity

EUR	Subscribed capital	Capital reserves	Authorised capital		Accumulated loss
As at January 1, 2015	14,306,151	102,829,993			-107,177,423
Conversions from 2013/2018 CB	226,800	0	-226,800	I/2013	0
Capital increase against contribution in kind for the purchases of Hanse-Center Objektgesellschaft mbH and Glockenhof-center Objektgesellschaft mbH	5,633,710	4,225,283	-5,633,710	I/2014	0
Capital increase against contribution in kind for the purchase of Gutenberg Galerie	2,182,567	6,608,814	-1,430,615 -751,952	I/2014 I/2015	0
Capital increase against contribution in kind for the purchase of Logistikpark Leipzig GmbH	2,541,149	12,299,161	-2,541,149	I/2015	0
Cash capital increase	2,474,152	8,684,274	-2,474,152	I/2015	0
Capital increase against contribution in kind for the purchase of Fair Value REIT-AG	21,927,756	61,020,848			0
Loss for the period					-26,275,981
TOTAL	49,292,285	195,668,373			-133,453,404

Provisions

Provisions amount to EURk 7,391 (previous year: EURk 1,656), of which EURk 0 (previous year: EURk 209) are attributable to tax provisions. Other provisions mainly include obligations for accounting and audit costs and staff costs.

The increase in other provisions is mainly the result of transaction-related legal and consulting fees

in the context of acquiring the interests in Fair Value REIT-AG, financing costs for raising debt and the increase in staff numbers at the end of 2014 and during the reporting year.

Liabilities

Bonds

The line item „bonds“ in the amount of EURk 125,662 (previous year: EURk 60,889) includes the convertible bond (2013/2018 CB; WKN A1YDDY) with a nominal value of EURk 10,662 issued on December 30, 2013, a debenture (2014/2019 corporate bond; WKN A12T13) with a volume of EURk 100,000 issued on September 16, 2014 and the mandatory convertible bond (2015/2018 MCB; WKN DE000A13R863) with a volume of EURk 15,000 issued on May 22, 2015.

2013/2018 convertible bond (2013/2018 CB)

By resolution of the Annual General Meeting of October 23, 2013, 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 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 options or conversion rights for new no-par value bearer shares of the Company with a notional interest in the subscribed capital of up to EURk 25,000 according to the more detailed specifications of the terms and conditions of the bonds to the holders or creditors of bonds.

In December 2013, DEMIRE Deutsche Mittelstand Real Estate AG issued convertible bonds with a total nominal amount of EURk 11,300 and a term until December 30, 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 bearer fractional 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 September 30, 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. This corresponds 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 nominal value and initial conversion price.
- The convertible bond bears 6.00 % interest per annum. The interest is payable on March 30, June 30, October 30 and December 30 of each year during the convertible bond's term.

As a result of the issue of 226,800 conversion shares in the 2015 fiscal year due to the exercise of subscription rights from the 2013/18 convertible bond, there was an increase in the Company's subscribed capital in the amount of 226,800 bearer shares, each with a notional interest of EUR 1.00.

2014/2019 corporate bond

In the 2014 fiscal year, DEMIRE AG placed a corporate bond with an issue volume of EURk 50,000. The corporate bond has a term of five years and is due on September 16, 2019. The bond bears 7.50 % interest per annum payable semi-annually in arrears to investors. The bond was admitted for 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:

EUR	Carrying amount 2014/2019 corporate bond
As at January 1, 2015	50,000,000
Partial repurchase of 2014/2019 corporate bond	-20,000,000
Exchange of fractional bonds of 2014/2019 corporate bond for 2015/2018 fractional mandatory convertible bonds	-15,000,000
Placements in 2015	85,000,000
As at December 31, 2015	100,000,000

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. 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 Deutsche Mittelstand Real Estate 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 at a total nominal value of EURk 100,000. In January 2016, following the partial redemption of the fractional bonds, the bond's nominal amount amounted to 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; particularly, 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 be permanently resolved, the creditors would have a special right of termination. As at the balance sheet date, the Company had complied with all financial covenants and, therefore, was not in default.

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 into shares as of September 1, 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 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 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 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, the non-delivery of shares, the failure to meet key obligations under the respective 2015/2018 mandatory convertible bond, the 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 falling below an equity ratio of 20 % from December 31, 2016. In the case of a change in control or 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.

Liabilities due to affiliated companies

Liabilities due to affiliated companies amounted to EURk 59,798 as at the balance sheet date (previous year: EURk 5,889), of which EURk 33,175 (previous year: EURk 5,889) had maturities of up to one year. The liabilities due to affiliated companies mainly concern liabilities due to Logistik Park Leipzig GmbH (EURk 23,892), Hanse-Center Objektgesellschaft GmbH (EURk 12,771), CAM Commercial Asset Management EINS GmbH (EURk 9,998), DEMIRE Commercial Real Estate GmbH (EURk 6,127) and Glockenhofcenter Objektgesellschaft GmbH (EURk 3,371). Liabilities due to affiliated companies mainly include liabilities from settlement transactions, assignment of receivables in the context of real estate portfolio acquisitions and the profit transfer from DEMIRE Commercial Real Estate GmbH due to the profit transfer agreement.

Other liabilities

Other liabilities mainly include a loan of EURk 32,000 from Signal Capital, interest deferrals of EURk 1,228 from the 2014/2019 corporate bond and tax liabilities of EURk 122.

On December 30, 2015, DEMIRE Deutsche Mittelstand Real Estate 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 Deutsche Mittelstand Real Estate 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).

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 Deutsche Mittelstand Real Estate 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 broker fee.

The loan agreement with Signal Credit Opportunities (Lux) Investco II S.à.r.l requires compliance with financial covenants according to which the „debt service 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 Deutsche Mittelstand Real Estate AG is also subject to extensive disclosure requirements, particularly with respect to its net assets and results of operations. The guarantees provided by DEMIRE Deutsche Mittelstand Real Estate AG and its subsidiaries under the loan agreement, including at the time of concluding the contract and the time of payment, renew at the beginning of each interest period so that the guarantees are 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 Deutsche Mittelstand Real Estate AG is prohibited from assigning or transferring its rights and obligations under the loan agreement.

The remaining term of the liabilities and details on collateralisation are shown in Appendix 3 to the notes to the annual financial statements.

Creation of valuation units in accordance with Section 254 HGB

From an economic perspective, there is a hedging relationship between the receivables reported under other assets of EURk 14,375 from the retransfer of 2014/2019 corporate bonds against T6 HoldCo S.à.r.l, the seller of the interests in Germavest, and the respective amount reported under bonds. This hedging relationship is accounted for by creating valuation units (micro hedges) under Section 254 HGB. This means, that the risk of the underlying transaction for recognising write-downs of the carrying amounts of these receivables as at the balance sheet date is fully compensated by the offsetting of the receivables against the bonds following the retransfer to the Company. The net hedge presentation method is applied to account for opposing valuation changes within the valuation units and, thus, the effective portion of the created valuation units.

Contingent liabilities

The following contingent liabilities exist for providing guarantees for third party liabilities:

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 assumed by the subsidiary DEMIRE Condor Properties Management GmbH in the amount of EURk 12,567, including accrued interest.

Pursuant to the notarised declaration of December 17, 2014, DEMIRE Deutsche Mittelstand Real Estate 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 Deutsche Mittelstand Real Estate AG has pledged all its interests in the subsidiary DEMIRE Commercial Real Estate GmbH in the amount of EURk 9,683. This declaration continues to be valid, also under the bond's prolongation as at December 15, 2016. According to our knowledge, the underlying obligations can be met by the relevant companies due to their sound financial position. Therefore, as at the balance sheet date, the probability of utilising this guarantee was considered to be low.

DEMIRE Deutsche Mittelstand Real Estate 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 relevant companies due to their sound financial position. Therefore, as at the balance sheet date, the probability of utilising this guarantee was considered to be low.

Under the loan agreement with Signal Credit Opportunities (Lux) Investco II S.A.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 an account at Deutschen 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 companies above were made subordinate to the lender's claims.

Other financial obligations

Other financial obligations according to Section 285 no. 3a HGB mainly consist of rent and leasing contracts. Of the total other financial obligations, an amount of EURk 79 (previous year: EURk 83) has a term of one year and an amount of EURk 244 (previous year: EURk 270) has a term of one to five years. Off-balance sheet transactions exist in the form of rent and leasing contracts. The resulting financial obligations are not material for assessing the Company's net assets and financial position.

NOTES TO THE STATEMENT OF INCOME

Revenue

Revenues amounting to EURk 3,213 (previous year: EURk 7,396) comprise domestic revenues of EURk 3,077 (previous year: EURk 7,232) and international revenues of EURk 136 (previous year: EURk 164). Revenues mainly include income from servicing agreements with affiliated companies.

Other operating income

Other operating income of EURk 2,461 (previous year: EURk 2,179) mainly include income from write-ups of financial assets of EURk 1,547 (previous year: EURk 0) and expenses passed on to affiliated companies from reimbursement arrangements amounting to EURk 418 (previous year: EURk 2,087).

Other operating income includes non-periodic income of EURk 67 (previous year: EURk 72), of which EURk 50 (previous year: EURk 69) resulted from the release of provisions.

Other operating income also includes income from currency translation of EURk 4 (previous year: EURk 1).

Write-downs of financial assets

Write-downs of financial assets and investment securities concern unscheduled depreciation amounting to EURk 3,957 (previous year: EURk 2,944).

Other operating expenses

Other operating expenses totalling EURk 22,047 (previous year: EURk 6,450) comprised mainly transaction-related legal and consulting fees of EURk 5,476, a loan-related exit fee of EURk 2,985, an arrangement fee of EURk 1,920, broker fees for the 2014/2019 corporate bond of EURk 1,814, costs for the preparation of the annual and consolidated financial statements of EURk 1,791, auditing costs of EURk 1,237 and non-deductible input taxes of EURk 1,696.

Other operating expenses include non-periodic expenses of EURk 601 (previous year: EURk 329), of which EURk 473 resulted from the impairment of a receivable due from investments.

Other operating expenses include expenses from currency translation of EURk 5 (previous year: EURk 4).

Interest result

Interest income results mainly from financing arrangements between DEMIRE Deutsche Mittelstand Real Estate AG and its direct and indirect subsidiaries (EURk 6,348), investments (EURk 335) as well as Taurecon RE Consulting GmbH and Taurecon Beteiligungs GmbH (EURk 113).

Interest and similar expenses of EURk 6,911 (previous year: EURk 1,776) mainly concern the interest to be paid over the term of financial debt. An amount of EURk 6,174 is attributed to interest expenses for bonds and loans and trading losses related to the 2014/2019 corporate bond issued below the nominal amount.

Net loss / accumulated loss

The net loss for the fiscal year amounted to EURk 26,276 (previous year: EURk 1,131). Based on the loss carried forward from the previous year of EURk 107,177, the accumulated loss as at the balance sheet date totalled EURk 133,453.

OTHER NOTES**Governing bodies****Executive Board**

In the year under review, the Executive Board consisted of the following members:

- Herr Hon.-Prof. Andreas Steyer, Chief Executive Officer (CEO), Ginsheim
- Herr Markus Drews, COO, Mülheim/Ruhr.

On February 1, 2016, Mr Frank Schaich, CFO, Gräfelting, was appointed as an additional Executive Board member.

The Executive Board members held positions in the following supervisory bodies:

Name	Company	Function
Hon.-Prof. Andreas Steyer	Deutsche Zinshaus GmbH, Frankfurt am Main	Member of the Advisory Board
	Königstein Capital GmbH, München	Member of the Advisory Board

Hon.-Prof. Andreas Steyer and Markus Drews were appointed as members of Fair Value REIT-AG's Supervisory Board effective March 1, 2016. In addition, Mr Markus Drews was appointed as a member of BF.direkt AG's Supervisory Board effective April 21, 2016.

In the 2015 fiscal year, DEMIRE Deutsche Mittelstand Real Estate AG recognised total remuneration of EURk 1,221 for the members of the Executive Board.

Name	Fixed remuneration	Variable remuneration	Share-based payments	Total
Hon.-Prof. Andreas Steyer	EURk 249	EURk 189	EURk 222	EURk 660
Markus Drews	EURk 215	EURk 124	EURk 222	EURk 561
Total	EURk 464	EURk 313	EURk 444	EURk 1.221

In the reporting period, a total of 800,000 stock options were granted to Executive Board members, of which Hon.-Prof. Andreas Steyer and Markus Drews received 400,000 each. The fair value of each option was EUR 2.74. The information on the Executive Board's total remuneration included share-based payments. The share-based payments granted had no effect on the accounting under commercial law.

There were no pension obligations, payments related to termination of employment or post-employment benefits for 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

The following provides the names and professions of the Company's Supervisory Board members.

Name	Position	Profession	
Prof. Dr. Hermann Wagner	Chairman	Independent auditor and tax consultant	
Dr. Peter Maser	Deputy Chairman	Attorney at Law	Since January 12, 2015
Günther Walcher	Member	Entrepreneur	

The Supervisory Board's total remuneration for the fiscal year amounting to EURk 270 (previous year: EURk 63) was resolved by the Annual General Meeting on August 28, 2015.

Information on membership in comparable supervisory bodies at domestic or foreign commercial enterprises:

Name	Company	Position
Prof. Dr. Hermann Wagner	Aareal Bank AG, Wiesbaden	Member
	btu beraterpartner Holding AG, Oberursel (Taunus)	Deputy Chairman until January 2016
	btu consultingpartner Holding AG, Oberursel (Taunus)	Deputy Chairman
	PEH Wertpapier AG, Frankfurt/Main	Deputy Chairman
	SQUADRA Immobilien GmbH & Co. KGaA, Frankfurt/Main	Member
Dr. Peter Maser	BF.direkt AG, Stuttgart	Chairman
	Volksbank Stuttgart eG, Stuttgart	Member
	Verlagsgruppe Ebner Ulm GmbH & KG, Ulm	Member
	Euram Bank AG, Vienna (Austria)	Member
Günther Walcher	SQUADRA Immobilien GmbH & Co. KGaA, Frankfurt/Main	Deputy Chairman

Average number of employees in the fiscal year

The average number of employees in the 2015 fiscal year was 10 (previous year: 5).

Statement with regard to the German Corporate Governance Code

The statement required under Section 161 AktG with regard to the German Corporate Governance Code was submitted by the Company and made available to 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 section titled „Company“ (http://www.demire.ag/files/demire_ag_entsprechenserklaerung___161_aktg_2015-de.pdf) dauerhaft zugänglich gemacht.

Auditor's fee

The auditor's total fee is disclosed in the notes to the Company's consolidated financial statements, which is published in the electronic Federal Gazette.

Related party transactions

In the fiscal year, transactions with related parties were carried out exclusively at customary market terms.

Voting rights announcements according to Section 21 WpHG**Voting rights announcement according to Section 21 para. 1 WpHG (share)****Frankfurt/Main, January 27, 2015**

On January 27, 2015, DeGeLog Deutsche Gewerbe-Logistik Holding GmbH informed us according to Section 21 para. 1 WpHG that its voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, fell below the 25 % threshold on January 22, 2015 and amounted to 20.56 % (this corresponds to 4,100,000 voting rights) on that day.

Voting rights announcement according to Section 21 para. 1 WpHG (share)**Frankfurt/Main, January 29, 2015**

On January 29, 2015, Mr Willem Rozendaal, Switzerland, informed us according to Section 21 para. 1 WpHG that his voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, exceeded the thresholds of 3 %, 5 %, 10 %, 15 %, 20 % and 25 % on January 27, 2015 and amounted to 28.25 % (this corresponds to 5,633,710 voting rights) on that day.

A total of 28.25 % of the voting rights (this corresponds to 5,633,710 voting rights) are attributed to Mr Rozendaal in accordance with Section 22 para. 1, sentence 1, No. 1 of the WpHG. Attributed voting rights are held by the following companies controlled by him whose share of the voting rights in DEMIRE Deutsche Mittelstand Real Estate AG amounts to 3 % or more: Alpine Real Estate Invest GmbH.

Voting rights announcement according to Section 21 para. 1 WpHG (share)**Frankfurt/Main, January 29, 2015**

On January 29, 2015, Alpine Real Estate Invest GmbH, Hamburg, Germany, informed us according to Section 21 para. 1 WpHG that its voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, exceeded the thresholds of 3 %, 5 %, 10 %, 15 %, 20 % and 25 % on January 22, 2015 and amounted to 28.25 % (this corresponds to 5,633,710 voting rights) on that day.

Correction of the release from January 29, 2015**Release according to Section 26, para. 1 WpHG with the objective of Europe-wide distribution****Frankfurt/Main, January 30, 2015**

Mr Willem Rozendaal, Switzerland, informed us according to Section 21 para. 1 WpHG that his voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, exceeded the thresholds of 3 %, 5 %, 10 %, 15 %, 20 % and 25 % on January 22, 2015 and amounted to 28.25 % (this corresponds to 5,633,710 voting rights) on that day.

A total of 28.25 % of the voting rights (this corresponds to 5,633,710 voting rights) are attributed to Mr Rozendaal in accordance with Section 22 para. 1, sentence 1, No. 1 of the WpHG. Attributed voting rights are held by the following companies controlled by him whose share of the voting rights in DEMIRE Deutsche Mittelstand Real Estate AG amounts to 3 % or more: Alpine Real Estate Invest GmbH.

Correction of the release from January 29, 2015**Release according to Section 26, para. 1 WpHG with the objective of Europe-wide distribution
Frankfurt/Main, January 30, 2015**

Alpine Real Estate Invest GmbH, Hamburg, Germany, informed us according to Section 21 para. 1 WpHG that its voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, exceeded the thresholds of 3 %, 5 %, 10 %, 15 %, 20 % and 25 % on January 22, 2015 and amounted to 28.25 % (this corresponds to 5,633,710 voting rights) on that day.

**Voting rights announcement according to Section 21 para. 1 WpHG (share)
Frankfurt/Main, February 2, 2015**

On January 30, 2015, MP Verwaltungs GmbH, Stuttgart, Germany, informed us according to Section 21 para. 1 WpHG that its voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, fell below the 5 % threshold on January 29, 2014 and amounted to 4.89 % (this corresponds to 700,000 voting rights) on that day.

**Voting rights announcement according to Section 21 para. 1 WpHG (share)
Frankfurt/Main, February 5, 2015**

On February 4, 2015, Mr Willem Rozendaal, Switzerland, informed us according to Section 21 para. 1 WpHG that his voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, exceeded the thresholds of 3 %, 5 %, 10 %, 15 %, 20 % and 25 % on February 3, 2015 and amounted to 28.25 % (this corresponds to 5,633,710 voting rights) on that day.

A total of 28.25 % of the voting rights (this corresponds to 5,633,710 voting rights) are attributed to Mr Rozendaal in accordance with Section 22 para. 1, sentence 1, No. 1 of the WpHG. Attributed voting rights are held by the following companies controlled by him whose share of the voting rights in DEMIRE Deutsche Mittelstand Real Estate AG amounts to 3 % or more: Alpine Real Estate Invest GmbH.

**Voting rights announcement according to Section 21 para. 1 WpHG (share)
Frankfurt/Main, February 5, 2015**

On February 4, 2015, Alpine Real Estate Invest GmbH, Hamburg, Germany, informed us according to Section 21 para. 1 WpHG that its voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, exceeded the thresholds of 3 %, 5 %, 10 %, 15 %, 20 % and 25 % on February 3, 2015 and amounted to 28.25 % (this corresponds to 5,633,710 voting rights) on that day.

**Voting rights announcement according to Section 21 para. 1 WpHG (share)
Frankfurt/Main, February 12, 2015**

On February 12, 2015, Mr Hardy Hamann, Germany, informed us according to Section 21 para. 1 WpHG that his voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, fell below the 5 % threshold on April 29, 2014 and amounted to 4.89 % (this corresponds to 700,000 voting rights) on that day.

A total of 4.89 % of the voting rights (this corresponds to 700,000 voting rights) are attributed to Mr Hamann in accordance with Section 22 para. 1, sentence 1, No. 1 of the WpHG. Attributed voting rights are held by the following companies controlled by him whose share of the voting rights in DEMIRE Deutsche Mittelstand Real Estate AG amounts to 3 % or more: MP Verwaltungs GmbH.

Correction of the release from February 5, 2015**Release according to Section 26, para. 1 WpHG with the objective of Europe-wide distribution
Frankfurt/Main, February 16, 2015**

Mr Willem Rozendaal, Switzerland, informed us according to Section 21 para. 1 WpHG that his voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, exceeded the thresholds of 3 %, 5 %, 10 %, 15 %, 20 % and 25 % on January 22, 2015 and amounted to 28.25 % (this corresponds to 5,633,710 voting rights) on that day.

A total of 28.25 % of the voting rights (this corresponds to 5,633,710 voting rights) are attributed to Mr Rozendaal in accordance with Section 22 para. 1, sentence 1, No. 1 of the WpHG. Attributed voting rights are held by the following companies controlled by him whose share of the voting rights in DEMIRE Deutsche Mittelstand Real Estate AG amounts to 3 % or more: Alpine Real Estate Invest GmbH.

**Correction/withdrawal of the voting rights announcement pursuant to Section 25 para. 1 WpHG
dated January 29, 2015 (correction January 30, 2015) and February 5, 2015
Frankfurt/Main, February 16, 2015**

Mr Willem Rozendaal, Switzerland, notified us that the two voting rights announcements of Mr Willem Rozendaal pursuant to Section 25 para. 1 WpHG, dated January 29, 2015 (correction January 30, 2015) and February 5, 2015, regarding voting rights in DEMIRE Deutsche Mittelstand Real Estate AG were not required. Therefore, Mr Willem Rozendaal is withdrawing these two voting rights announcements. This concerns the following voting rights announcements:

- Voting rights announcement pursuant to Section 25 para. 1 WpHG dated January 29, 2015 (correction January 30, 2015) for exceeding the thresholds of 5 %, 10 %, 15 %, 20 % and 25 % and reaching 28.25 % of the voting rights (5,633,710 voting rights) in DEMIRE Deutsche Mittelstand Real Estate AG on January 22, 2015.
- Voting rights announcement pursuant to Section 25 para. 1 WpHG dated February 5, 2015 for falling below the thresholds of 25 %, 20 %, 15 %, 10 % and 5 % and reaching 0 % of the voting rights (0 voting rights) in DEMIRE Deutsche Mittelstand Real Estate AG on February 3, 2015.

Correction of the release from February 5, 2015**Release according to Section 26, para. 1 WpHG with the objective of Europe-wide distribution
Frankfurt/Main, February 16, 2015**

Alpine Real Estate Invest GmbH, Hamburg, Germany, informed us according to Section 21 para. 1 WpHG that its voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, exceeded the thresholds of 3 %, 5 %, 10 %, 15 %, 20 % and 25 % on January 22, 2015 and amounted to 28.25 % (this corresponds to 5,633,710 voting rights) on that day.

**Correction/withdrawal of the voting rights announcement pursuant to Section 25 para. 1 WpHG dated January 29, 2015 (correction January 30, 2015) and February 5, 2015
Frankfurt/Main, February 16, 2015**

We received the following notification pursuant to Section 25 para. 1 WpHG on February 13, 2015:
Notifier: Alpine Real Estate Invest GmbH

Alpine Real Estate Invest GmbH, Hamburg, notified us that the two voting rights announcements of Alpine Real Estate Invest GmbH pursuant to Section 25 para. 1 WpHG, dated January 29, 2015 (correction January 30, 2015) and February 5, 2015, regarding voting rights in DEMIRE Deutsche Mittelstand Real Estate AG were not required. Therefore, Alpine Real Estate Invest GmbH is withdrawing these two voting rights announcements. This concerns the following voting rights announcements:

- Voting rights announcement pursuant to Section 25 para. 1 WpHG dated January 29, 2015 (correction January 30, 2015) for exceeding the thresholds of 5 %, 10 %, 15 %, 20 % and 25 % and reaching 28.25 % of the voting rights (5,633,710 voting rights) in DEMIRE Deutsche Mittelstand Real Estate AG on January 22, 2015.
- Voting rights announcement pursuant to Section 25 para. 1 WpHG dated February 5, 2015 for falling below the thresholds of 25 %, 20 %, 15 %, 10 % and 5 % and reaching 0 % of the voting rights (0 voting rights) in DEMIRE Deutsche Mittelstand Real Estate AG on February 3, 2015.

Release regarding the aim of the purchase and the origin of the funds used according to Article 27a WpHG

Frankfurt/Main, February 20, 2015

On February 20, 2015, Alpine Real Estate Invest GmbH, Hamburg, Germany, informed us according to Section 27a WpHG regarding its voting rights in DEMIRE Deutsche Mittelstand Real Estate AG about the following:

1. Aims of the purchase of the voting rights (Section 27a, para. 1, sentence 3 WpHG)

- a. Alpine Real Estate Invest GmbH pursues strategic objectives with its investment in DEMIRE Deutsche Mittelstand Real Estate AG. The acquisition of voting rights in DEMIRE Deutsche Mittelstand Real Estate AG exceeding the 3 %, 5 %, 10 %, 15 %, 20 % und 25 % thresholds served to pursue these strategic objectives.
- b. Currently, there are no plans and considerations to acquire further voting rights by means of a purchase or by other means within the next twelve months.
- c. An influence on the appointment or removal of members of the administration, management and supervisory bodies of DEMIRE Deutsche Mittelstand Real Estate AG is not intended.
- d. A material change in the Company's capital structure, particularly the ratio between equity and debt capital and the dividend policy, is not intended.

2. Origin of the funds used (Section 27a para. 1 sentence 4 WpHG)

The acquisition of voting rights resulting in exceeding the 3 %, 5 %, 10 %, 15 %, 20 % und 25 % thresholds was exclusively carried out using equity.

Release regarding the aim of the purchase and the origin of the funds used according to Article 27a WpHG

Frankfurt/Main, February 20, 2015

On February 19, 2015, Mr Willem Rozendaal, Switzerland, informed us according to Section 27a WpHG regarding his voting rights in DEMIRE Deutsche Mittelstand Real Estate AG held indirectly through Alpine Real Estate Invest GmbH about the following:

1. Aims of the purchase of the voting rights (Section 27a, para. 1, sentence 3 WpHG)

- a. Mr Willem Rozendaal pursues strategic objectives with his investment in DEMIRE Deutsche Mittelstand Real Estate AG. The acquisition of voting rights in DEMIRE Deutsche Mittelstand Real Estate AG exceeding the 3 %, 5 %, 10 %, 15 %, 20 % und 25 % thresholds served to pursue these strategic objectives.
- b. Currently, there are no plans and considerations to acquire further voting rights by means of a purchase or by other means within the next twelve months.
- c. An influence on the appointment or removal of members of the administration, management and supervisory bodies of DEMIRE Deutsche Mittelstand Real Estate AG is not intended.
- d. A material change in the Company's capital structure, particularly the ratio between equity and debt capital and the dividend policy, is not intended.

2. Origin of the funds used (Section 27a para. 1 sentence 4 WpHG)

The acquisition of voting rights resulting in exceeding the 3 %, 5 %, 10 %, 15 %, 20 % und 25 % thresholds was exclusively carried out using equity.

Voting rights announcement according to Section 21 para. 1 WpHG

Frankfurt/Main, March 31, 2015

On March 30, 2015, Mr Willem Rozendaal, Switzerland, informed us according to Section 21 para. 1 WpHG that his voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, fell below the 25 % threshold on March 27, 2015 and amounted to 22.13 % (this corresponds to 4,418,710 voting rights) on that day.

A total of 22.13 % of the voting rights (this corresponds to 4,418,710 voting rights) are attributed to Mr Rozendaal in accordance with Section 22 para. 1, sentence 1, No. 1 of the WpHG. Attributed voting rights are held by the following companies controlled by him whose share of the voting rights in DEMIRE Deutsche Mittelstand Real Estate AG amounts to 3 % or more: Alpine Real Estate Invest GmbH.

Voting rights announcement according to Section 21 para. 1 WpHG**Frankfurt/Main, March 31, 2015**

On March 30, 2015, Alpine Real Estate Invest GmbH, Hamburg, Germany, informed us according to Section 21 para. 1 WpHG that its voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, fell below the 25 % threshold on March 27, 2015 and amounted to 22.13 % (this corresponds to 4,418,710 voting rights) on that day.

Correction of the release from March 31, 2015**Release according to Section 26, para. 1 WpHG with the objective of Europe-wide distribution****Frankfurt/Main, April 2, 2015**

On March 30, 2015, Mr Willem Rozendaal, Switzerland, informed us according to Section 21 para. 1 WpHG that his voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, fell below the 25 % threshold on March 27, 2015 and amounted to 22.07 % (this corresponds to 4,418,710 voting rights) on that day.

A total of 22.07 % of the voting rights (this corresponds to 4,418,710 voting rights) are attributed to Mr Rozendaal in accordance with Section 22 para. 1, sentence 1, No. 1 of the WpHG. Attributed voting rights are held by the following companies controlled by him whose share of the voting rights in DEMIRE Deutsche Mittelstand Real Estate AG amounts to 3 % or more: Alpine Real Estate Invest GmbH.

Correction of the release from March 31, 2015**Release according to Section 26, para. 1 WpHG with the objective of Europe-wide distribution****Frankfurt/Main, April 2, 2015**

On March 30, 2015, Alpine Real Estate Invest GmbH, Hamburg, Germany, informed us according to Section 21 para. 1 WpHG that its voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, fell below the 25 % threshold on March 27, 2015 and amounted to 22.07 % (this corresponds to 4,418,710 voting rights) on that day.

Voting rights announcement according to Section 21 para. 1 WpHG**Frankfurt/Main, June 2, 2015**

On June 1, 2015, DeGeLog Deutsche Gewerbe-Logistik Holding GmbH, Berlin, Germany, informed us according to Section 21 para. 1 WpHG that its voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, fell below the 20 % threshold on May 27, 2015 and amounted to 18.40 % (this corresponds to 4,100,000 voting rights) on that day.

Voting rights announcement according to Section 21 para. 1 WpHG**Frankfurt/Main, June 2, 2015**

On June 1, 2015, Mr Norbert Ketterer, Switzerland, informed us according to Section 21 para. 1 WpHG that his voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, exceeded the thresholds of 3 % and 5 % on May 27, 2015 and amounted to 9.79 % (this corresponds to 2,182,567 voting rights) on that day.

A total of 9.79 % of the voting rights (this corresponds to 2,182,567 voting rights) are attributed to Mr Ketterer in accordance with Section 22 para. 1, sentence 1, No. 1 of the WpHG. Attributed voting rights are held by the following companies controlled by him whose share of the voting rights in DEMIRE Deutsche Mittelstand Real Estate AG amounts to 3 % or more: Ketom AG.

Voting rights announcement according to Section 21 para. 1 WpHG

Frankfurt/Main, June 2, 2015

On June 1, 2015, Ketom AG, Wollerau, Switzerland, informed us according to Section 21 para. 1 WpHG that its voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, exceeded the thresholds of 3 % and 5 % on May 27, 2015 and amounted to 9.79 % (this corresponds to 2,182,567 voting rights) on that day.

Voting rights announcement according to Section 21 para. 1 WpHG

Frankfurt/Main, June 3, 2015

On June 2, 2015, Mr Willem Rozendaal, Switzerland, informed us according to Section 21 para. 1 WpHG that his voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, fell below the 20 % threshold on May 27, 2015 and amounted to 18.48 % (this corresponds to 4,118,710 voting rights) on that day.

A total of 18.48 % of the voting rights (this corresponds to 4,118,710 voting rights) are attributed to Mr Rozendaal in accordance with Section 22 para. 1, sentence 1, No. 1 of the WpHG. Attributed voting rights are held by the following companies controlled by him whose share of the voting rights in DEMIRE Deutsche Mittelstand Real Estate AG amounts to 3 % or more: Alpine Real Estate Invest GmbH.

Voting rights announcement according to Section 21 para. 1 WpHG

Frankfurt/Main, June 3, 2015

On June 2, 2015, Alpine Real Estate Invest GmbH, Hamburg, Germany, informed us according to Section 21 para. 1 WpHG that its voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, fell below the 20 % threshold on May 27, 2015 and amounted to 18.48 % (this corresponds to 4,118,710 voting rights) on that day.

Voting rights announcement according to Section 21 para. 1 WpHG

Frankfurt/Main, July 7, 2015

On July 6, 2015, M1 Beteiligungs GmbH, Berlin, Germany, informed us according to Section 21 para. 1 WpHG that its voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, exceeded the thresholds of 3 %, 5 % and 10 % on July 1, 2015 and amounted to 10.21 % (this corresponds to 2,541,149 voting rights) on that day.

Voting rights announcement according to Section 21 para. 1 WpHG

Frankfurt/Main, July 13, 2015

On July 8, 2015, LIP Beteiligungs GmbH, Vienna, Austria, informed us according to Section 21 para. 1 WpHG that its voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, exceeded the thresholds of 3 %, 5 % and 10 % on July 1, 2015 and amounted to 10.21 % (this corresponds to 2,541,149 voting rights) on that day.

A total of 10.21 % of the voting rights (this corresponds to 2,541,149 voting rights) are attributed to the company in accordance with Section 22 para. 1, sentence 1, No. 1 of the WpHG. Attributed voting rights are held by the following companies controlled by him whose share of the voting rights in DEMIRE Deutsche Mittelstand Real Estate AG amounts to 3 % or more: M1 Beteiligungs GmbH.

Voting rights announcement according to Section 21 para. 1 WpHG

Frankfurt/Main, July 13, 2015

On July 8, 2015, Dr Martin Zuffer, Austria, informed us according to Section 21 para. 1 WpHG that his voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, exceeded the thresholds of 3 %, 5 % and 10 % on July 1, 2015 and amounted to 10.21 % (this corresponds to 2,541,149 voting rights) on that day.

A total of 10.21 % of the voting rights (this corresponds to 2,541,149 voting rights) are attributed to Mr Zuffer in accordance with Section 22 para. 1, sentence 1, No. 1 of the WpHG. Attributed voting rights are held by the following companies controlled by him whose share of the voting rights in DEMIRE Deutsche Mittelstand Real Estate AG amounts to 3 % or more: M1 Beteiligungs GmbH; LIP Beteiligungs GmbH.

Voting rights announcement according to Section 21 para. 1 WpHG

Frankfurt/Main, July 14, 2015

On July 9, 2015, Mr Willem Rozendaal, Switzerland, informed us according to Section 21 para. 1 WpHG that his voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, fell below the 15 % threshold on July 9, 2015 and amounted to 13.11 % (this corresponds to 3,261,002 voting rights) on that day.

A total of 13.11 % of the voting rights (this corresponds to 3,261,002 voting rights) are attributed to Mr Rozendaal in accordance with Section 22 para. 1, sentence 1, No. 1 of the WpHG. Attributed voting rights are held by the following companies controlled by him whose share of the voting rights in DEMIRE Deutsche Mittelstand Real Estate AG amounts to 3 % or more: Alpine Real Estate Invest GmbH.

Voting rights announcement according to Section 21 para. 1 WpHG

Frankfurt/Main, July 14, 2015

On July 9, 2015, Alpine Real Estate Invest GmbH, Hamburg, Germany, informed us according to Section 21 para. 1 WpHG that its voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, fell below the 15 % threshold on July 9, 2015 and amounted to 13.11 % (this corresponds to 3,261,002 voting rights) on that day.

Voting rights announcement according to Section 21 para. 1 WpHG

Frankfurt/Main, July 17, 2015

On July 15, 2015, DeGeLog Deutsche Gewerbe-Logistik Holding GmbH, Berlin, Germany, informed us according to Section 21 para. 1 WpHG that its voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, fell below the 15 % threshold on July 14, 2015 and amounted to 14.99 % (this corresponds to 4,100,000 voting rights) on that day.

Voting rights announcement according to Section 21 para. 1 WpHG**Frankfurt/Main, July 17, 2015**

On July 16, 2015, LIP Beteiligungs GmbH, Vienna, Austria, informed us according to Section 21 para. 1 WpHG that its voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, fell below the 10 % threshold on July 14, 2015 and amounted to 9.29 % (this corresponds to 2,541,149 voting rights) on that day.

A total of 9.29 % of the voting rights (this corresponds to 2,541,149 voting rights) are attributed to the company in accordance with Section 22 para. 1, sentence 1, No. 1 of the WpHG. Attributed voting rights are held by the following companies controlled by him whose share of the voting rights in DEMIRE Deutsche Mittelstand Real Estate AG amounts to 3 % or more: M1 Beteiligungs GmbH.

Voting rights announcement according to Section 21 para. 1 WpHG**Frankfurt/Main, July 17, 2015**

On July 15, 2015, M1 Beteiligungs GmbH, Berlin, Germany, informed us according to Section 21 para. 1 WpHG that its voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, fell below the 10 % threshold on July 14, 2015 and amounted to 9.29 % (this corresponds to 2,541,149 voting rights) on that day.

Voting rights announcement according to Section 21 para. 1 WpHG**Frankfurt/Main, July 17, 2015**

On July 17, 2015, Mr Günther Walcher, Turkey, informed us according to Section 21 para. 1 WpHG that his voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, fell below the 10 % threshold on July 14, 2015 and amounted to 9.29 % (this corresponds to 2,541,149 voting rights) on that day.

A total of 9.29 % of the voting rights (this corresponds to 3,261,002 voting rights) are attributed to Mr Walcher in accordance with Section 22 para. 1, sentence 1, No. 1 of the WpHG. Attributed voting rights are held by the following companies controlled by him whose share of the voting rights in DEMIRE Deutsche Mittelstand Real Estate AG amounts to 3 % or more: M1 Beteiligungs GmbH; LIP Beteiligungs GmbH.

Voting rights announcement according to Section 21 para. 1 WpHG**Frankfurt/Main, July 17, 2015**

On July 15, 2015, Wecken & Cie., Basel, Switzerland, informed us according to Section 21 para. 1 WpHG that its voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, exceeded the thresholds of 3 %, 5 % and 10 % on July 14, 2015 and amounted to 10.97 % (this corresponds to 3,000,000 voting rights) on that day.

Voting rights announcement according to Section 21 para. 1 WpHG**Frankfurt/Main, July 17, 2015**

On July 15, 2015, Mr Klaus Wecken, Switzerland, informed us according to Section 21 para. 1 WpHG that his voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, exceeded the thresholds of 3 %, 5 % and 10 % on July 14, 2015 and amounted to 10.97 % (this corresponds to 3,000,000 voting rights) on that day.

A total of 10.97 % of the voting rights (this corresponds to 3,000,000 voting rights) are attributed to Mr Wecken in accordance with Section 22 para. 1, sentence 1, No. 1 of the WpHG. Attributed voting rights are held by the following companies controlled by him whose share of the voting rights in DEMIRE Deutsche Mittelstand Real Estate AG amounts to 3 % or more: Wecken & Cie.

Voting rights announcement according to Section 21 para. 1 WpHG

Frankfurt/Main, July 17, 2015

On July 16, 2015, Mr Günther Walcher, Turkey, informed us according to Section 21 para. 1 WpHG that his voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, exceeded the thresholds of 3 %, 5 % and 10 % on July 1, 2015 and amounted to 10.21 % (this corresponds to 2,541,149 voting rights) on that day.

A total of 10.21 % of the voting rights (this corresponds to 2,541,149 voting rights) are attributed to Mr Walcher in accordance with Section 22 para. 1, sentence 1, No. 1 of the WpHG. Attributed voting rights are held by the following companies controlled by him whose share of the voting rights in DEMIRE Deutsche Mittelstand Real Estate AG amounts to 3 % or more: M1 Beteiligungs GmbH; LIP Beteiligungs GmbH.

Voting rights announcement according to Section 21 para. 1 WpHG

Frankfurt/Main, July 17, 2015

On July 15, 2015, Dr Martin Zuffer, Austria, informed us according to Section 21 para. 1 WpHG that his voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, fell below the 10 % threshold on July 14, 2015 and amounted to 9.29 % (this corresponds to 2,541,149 voting rights) on that day.

A total of 9.29 % of the voting rights (this corresponds to 2,541,149 voting rights) are attributed to Mr Zuffer in accordance with Section 22 para. 1, sentence 1, No. 1 of the WpHG. Attributed voting rights are held by the following companies controlled by him whose share of the voting rights in DEMIRE Deutsche Mittelstand Real Estate AG amounts to 3 % or more: M1 Beteiligungs GmbH; LIP Beteiligungs GmbH.

Release regarding the aim of the purchase and the origin of the funds used according to

Article 27a WpHG

Frankfurt/Main, August 3, 2015

On July 31, 2015, Wecken&Cie, Basel, Switzerland, informed us pursuant to Section 27a para. 1 WpHG thereby making reference to the exceedance of the 10 % threshold a higher threshold on July 14, 2015, as follows:

- The investment is used to pursue strategic objectives.
- The notifying person does intend to obtain further voting rights by means of a purchase or by other means within the next twelve months.
- The notifying person does intend to influence the composition of the issuers' administration, management or supervisory bodies.
- The notifying person does not intend to significantly change the capital structure of the company, especially with regard to the ratio of equity and debt capital and the dividend policy.

- With regard to the source of funds, the notifying person has used 100 % equity capital to finance the acquisition of the voting rights.

Release regarding the aim of the purchase and the origin of the funds used according to Article 27a WpHG

Frankfurt/Main, August 3, 2015

On July 31, 2015, Mr Klaus Wecken, Switzerland, informed us pursuant to Section 27a para. 1 WpHG thereby making reference to the exceedance of the 10 % threshold a higher threshold on July 14, 2015, as follows:

- The investment is used to pursue strategic objectives.
- The notifying person does intend to obtain further voting rights by means of a purchase or by other means within the next twelve months.
- The notifying person does intend to influence the composition of the issuers' administration, management or supervisory bodies.
- The notifying person does not intend to significantly change the capital structure of the company, especially with regard to the ratio of equity and debt capital and the dividend policy.
- With regard to the source of funds, the notifying person has used 100 % equity capital to finance the acquisition of the voting rights.

Release regarding the aim of the purchase and the origin of the funds used according to Article 27a WpHG

Frankfurt/Main, August 4, 2015

On August 3, 2015, M1 Beteiligungs GmbH, Berlin, Germany, informed us pursuant to Section 27a para. 1 WpHG thereby making reference to the exceedance of the 10 % threshold or a higher threshold on July 1, 2015, as follows:

- The investment is used to generate trading profits.
- The notifying person does intend to obtain further voting rights by means of a purchase or by other means within the next twelve months.
- The notifying person does not intend to influence the composition of the issuers' administration, management or supervisory bodies.
- The notifying person does not intend to significantly change the capital structure of the company, especially with regard to the ratio of equity and debt capital and the dividend policy.
- With regard to the source of funds, the notifying person has used 100 % equity capital to finance the acquisition of the voting rights.

Release regarding the aim of the purchase and the origin of the funds used according to Article 27a WpHG

Frankfurt/Main, August 4, 2015

On August 3, 2015, Mr Günther Walcher, Turkey, informed us pursuant to Section 27a para. 1 WpHG thereby making reference to the exceedance of the 10 % threshold or a higher threshold on July 1, 2015, as follows:

- The investment is used to generate trading profits.
- The notifying person does intend to obtain further voting rights by means of a purchase or by other means within the next twelve months.
- The notifying person does not intend to influence the composition of the issuers' administration, management or supervisory bodies.
- The notifying person does not intend to significantly change the capital structure of the company, especially with regard to the ratio of equity and debt capital and the dividend policy .
- With regard to the source of funds, the notifying person has used 100 % equity capital to finance the acquisition of the voting rights.

Release regarding the aim of the purchase and the origin of the funds used according to Article 27a WpHG

Frankfurt/Main, August 4, 2015

On August 3, 2015, Dr. Martin Zuffer, Austria, informed us pursuant to Section 27a para. 1 WpHG thereby making reference to the exceedance of the 10 % threshold or a higher threshold on July 1, 2015, as follows:

- The investment is used to generate trading profits.
- The notifying person does intend to obtain further voting rights by means of a purchase or by other means within the next twelve months.
- The notifying person does not intend to influence the composition of the issuers' administration, management or supervisory bodies.
- The notifying person does not intend to significantly change the capital structure of the company, especially with regard to the ratio of equity and debt capital and the dividend policy.
- With regard to the source of funds, the notifying person has used 100 % equity capital to finance the acquisition of the voting rights.

Release regarding the aim of the purchase and the origin of the funds used according to Article 27a WpHG

Frankfurt/Main, August 4, 2015

On August 3, 2015, LIP Beteiligungs GmbH, Vienna, Austria, informed us pursuant to Section 27a para. 1 WpHG thereby making reference to the exceedance of the 10 % threshold or a higher threshold on July 1, 2015, as follows:

- The investment is used to generate trading profits.
- The notifying person does intend to obtain further voting rights by means of a purchase or by other means within the next twelve months.
- The notifying person does not intend to influence the composition of the issuers' administration, management or supervisory bodies.
- The notifying person does not intend to significantly change the capital structure of the company, especially with regard to the ratio of equity and debt capital and the dividend policy.
- With regard to the source of funds, the notifying person has used 100 % equity capital to finance the acquisition of the voting rights.

Voting rights announcement according to Section 21 para. 1 WpHG

Frankfurt/Main, August 20, 2015

On August 18, 2015, MP Verwaltungs GmbH, Stuttgart, Germany, informed us according to Section 21 para. 1 WpHG that its voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, fell below the 3 % threshold on July 1, 2015 and amounted to 2.83 % (this corresponds to 700,000 voting rights) on that day.

Voting rights announcement according to Section 21 para. 1 WpHG

Frankfurt/Main, August 20, 2015

On August 18, 2015, Mr Hardy Hamann, Germany, informed us according to Section 21 para. 1 WpHG that his voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, fell below the 3 % threshold on July 1, 2015 and amounted to 2.83 % (this corresponds to 700,000 voting rights) on that day.

Correction of the release from August 20, 2015

Release according to Section 26, para. 1 WpHG with the objective of Europe-wide distribution

Frankfurt/Main, August 21, 2015

On August 18, 2015, Mr Hardy Hamann, Germany, informed us according to Section 21 para. 1 WpHG that his voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, fell below the 3 % threshold on July 1, 2015 and amounted to 2.83 % (this corresponds to 700,000 voting rights) on that day.

A total of 2.83 % of the voting rights (this corresponds to 700,000 voting rights) are attributed to Mr Hamann in accordance with Section 22 para. 1, sentence 1, No. 1 of the WpHG.

Voting rights announcement according to Section 21 para. 1 WpHG**Frankfurt/Main, January 4, 2016**

On January 4, 2016, Wecken & Cie., Basel, Switzerland, informed us according to Section 21 para. 1 WpHG that its voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, fell below the 10 % threshold on December 21, 2015 and amounted to 6.09 % (this corresponds to 3,000,000 voting rights) on that day.

Voting rights announcement according to Section 21 para. 1 WpHG**Frankfurt/Main, January 4, 2016**

On January 4, 2016, Mr Klaus Wecken, Switzerland, informed us according to Section 21 para. 1 WpHG that his voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, fell below the 10 % threshold on December 21, 2015 and amounted to 6.09 % (this corresponds to 3,000,000 voting rights) on that day.

A total of 6.09 % of the voting rights (this corresponds to 3,000,000 voting rights) are attributed to Mr Wecken in accordance with Section 22 para. 1, sentence 1, No. 1 of the WpHG. Attributed voting rights are held by the following companies controlled by him whose share of the voting rights in DEMIRE Deutsche Mittelstand Real Estate AG amounts to 3 % or more: Wecken & Cie.

Voting rights announcement according to Section 21 para. 1 WpHG**Frankfurt/Main, January 4, 2016**

On January 4, 2016, Wecken & Cie., Basel, Switzerland, informed us according to Section 21 para. 1 WpHG that its voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, exceeded the threshold of 10 % on December 23, 2015 and amounted to 12.91 % (this corresponds to 6,365,500 voting rights) on that day.

Voting rights announcement according to Section 21 para. 1 WpHG**Frankfurt/Main, January 4, 2016**

On January 4, 2016, Mr Klaus Wecken, Switzerland, informed us according to Section 21 para. 1 WpHG that his voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, exceeded the threshold of 10 % on December 23, 2015 and amounted to 12.91 % (this corresponds to 6,365,500 voting rights) on that day.

A total of 12.91 % of the voting rights (this corresponds to 6,365,500 voting rights) are attributed to Mr Wecken in accordance with Section 22 para. 1, sentence 1, No. 1 of the WpHG. Attributed voting rights are held by the following companies controlled by him whose share of the voting rights in DEMIRE Deutsche Mittelstand Real Estate AG amounts to 3 % or more: Wecken & Cie.

Voting rights announcement according to Section 21 para. 1 WpHG**Frankfurt/Main, January 4, 2016**

On January 8, 2016, Mr Rolf Elgeti informed us according to Section 21 para. 1 WpHG that his voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, exceeded the thresholds of 3 %, 5 % and 10 % on December 23, 2015 and amounted to 12.6747 % (this corresponds to 6,247,630 voting rights) on that day.

A total of 12.6747 % of the voting rights (this corresponds to 6,247,630 voting rights) are attributed to Mr Elgeti in accordance with Section 22 para. 1, sentence 1, No. 1 of the WpHG. Attributed voting rights are held by the following companies controlled by him whose share of the voting rights in DEMIRE Deutsche Mittelstand Real Estate AG amounts to 3 % or more: Jägersteig Beteiligung GmbH; Försterweg Beteiligung GmbH; Obotritia Beteiligung GmbH.

Correction of the release from January 4, 2015

Release according to Section 26, para. 1 WpHG with the objective of Europe-wide distribution Frankfurt/Main, January 7, 2015

On January 7, 2016, Mr Rolf Elgeti informed us according to Section 21 para. 1 WpHG that his voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, exceeded the thresholds of 3 %, 5 % and 10 % on December 23, 2015 and amounted to 12.6747 % (this corresponds to 6,247,630 voting rights) on that day.

A total of 12.6747 % of the voting rights (this corresponds to 6,247,630 voting rights) are attributed to Mr Elgeti in accordance with Section 22 para. 1, sentence 1, No. 1 of the WpHG. Attributed voting rights are held by the following companies controlled by him whose share of the voting rights in DEMIRE Deutsche Mittelstand Real Estate AG amounts to 3 % or more: Jägersteig Beteiligung GmbH; Försterweg Beteiligung GmbH; Obotritia Beteiligung GmbH.

Voting rights announcement according to Section 21 para. 1 WpHG Frankfurt/Main, January 8, 2016

On January 8, 2016, DeGeLog Deutsche Gewerbe-Logistik Holding GmbH, Berlin, Germany, informed us according to Section 21 para. 1 WpHG that its voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, fell below the 10 % threshold on December 21, 2015 and amounted to 8.32 % (this corresponds to 4,100,000 voting rights) on that day.

Voting rights announcement according to Section 21 para. 1 WpHG Frankfurt/Main, January 8, 2016

On January 13, 2016, Mr Willem Rozendaal, Switzerland, informed us according to Section 21 para. 1 WpHG that his voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, fell below the 10 % threshold on December 21, 2015 and amounted to 6.62 % (this corresponds to 3,261,002 voting rights) on that day.

A total of 6.62 % of the voting rights (this corresponds to 3,261,002 voting rights) are attributed to Mr Rozendaal in accordance with Section 22 para. 1, sentence 1, No. 1 of the WpHG. Attributed voting rights are held by the following companies controlled by him whose share of the voting rights in DEMIRE Deutsche Mittelstand Real Estate AG amounts to 3 % or more: Alpine Real Estate Invest GmbH.

Voting rights announcement according to Section 21 para. 1 WpHG Frankfurt/Main, January 13, 2016

On January 13, 2016, Ketom AG, Wollerau, Switzerland, informed us according to Section 21 para. 1 WpHG that its voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, fell below the 5 % threshold on December 21, 2015 and amounted to 4.43 % (this corresponds to 2,182,567 voting rights) on that day.

Voting rights announcement according to Section 21 para. 1 WpHG**Frankfurt/Main, January 13, 2016**

On January 13, 2016, Mr Norbert Ketterer, Switzerland, informed us according to Section 21 para. 1 WpHG that his voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, fell below the 5 % threshold on December 21, 2015 and amounted to 4.43 % (this corresponds to 2,182,567 voting rights) on that day.

A total of 4.43 % of the voting rights (this corresponds to 2,182,567 voting rights) are attributed to Mr Ketterer in accordance with Section 22 para. 1, sentence 1, No. 1 of the WpHG. Attributed voting rights are held by the following companies controlled by him whose share of the voting rights in DEMIRE Deutsche Mittelstand Real Estate AG amounts to 3 % or more: Ketom AG.

Release regarding the aim of the purchase and the origin of the funds used according to**Article 27a WpHG****Frankfurt/Main, January 25, 2016**

On January 22, 2016, Wecken&Cie, Basel, Switzerland, informed us pursuant to Section 27a para. 1 WpHG thereby making reference to the exceedance of the 10 % threshold a higher threshold on December 23, 2015, as follows:

- The investment is used to pursue strategic objectives.
- The notifying person does intend to obtain further voting rights by means of a purchase or by other means within the next twelve months.
- The notifying person does intend to influence the composition of the issuers' administration, management or supervisory bodies.
- The notifying person does not currently intend to significantly change the capital structure of the company, especially with regard to the ratio of equity and debt capital and the dividend policy.
- With regard to the source of funds, the notifying person has used equity capital to finance the acquisition of the voting rights.

Release regarding the aim of the purchase and the origin of the funds used according to**Article 27a WpHG****Frankfurt/Main, January 25, 2016**

On January 22, 2016, Mr Klaus Wecken, Switzerland, informed us pursuant to Section 27a para. 1 WpHG thereby making reference to the exceedance of the 10 % threshold a higher threshold on December 23, 2015, as follows:

- The investment is used to pursue strategic objectives.
- The notifying person does intend to obtain further voting rights by means of a purchase or by other means within the next twelve months.
- The notifying person does intend to influence the composition of the issuers' administration, management or supervisory bodies.

- The notifying person does not currently intend to significantly change the capital structure of the company, especially with regard to the ratio of equity and debt capital and the dividend policy.
- With regard to the source of funds, the notifying person has used equity capital to finance the acquisition of the voting rights.

Release regarding the aim of the purchase and the origin of the funds used according to Article 27a WpHG

Frankfurt/Main, January 25, 2016

On January 22, 2016, Mr Rolf Elgeti, Germany, informed us pursuant to Section 27a para. 1 WpHG thereby making reference to the exceedance of the 10 % threshold or a higher threshold on December 23, 2015, as follows. At the time of the exceedance of the threshold, the holding amounted to 12.67 % and is attributed to Mr Rolf Elgeti as general partner of Obotritia Capital KGaA through its three investment entities Jägersteig Beteiligungs GmbH, Obotritia Beteiligungs GmbH, Försterweg Beteiligungs GmbH.

- The investment is used to pursue strategic objectives.
- The notifying person does intend to obtain further voting rights by means of a purchase or by other means within the next twelve months.
- The notifying person does not intend to influence the composition of the issuers' administration, management or supervisory bodies.
- The notifying person does not currently intend to significantly change the capital structure of the company, especially with regard to the ratio of equity and debt capital and the dividend policy.
- With regard to the source of funds, the notifying person has used equity capital to finance the acquisition of the voting rights.

Voting rights announcement according to Section 21 para. 1 WpHG

Frankfurt/Main, February 11, 2016

On February 11, 2016, Mr Alan James Lynch, informed us according to Section 21 para. 1 WpHG that his voting rights in DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main, Germany, fell below the 5 % threshold on December 21, 2015 and amounted to 2.71 % (this corresponds to 1,340,000 voting rights) on that day.

Frankfurt/Main, May 13, 2016

DEMIRE Deutsche Mittelstand Real Estate AG



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



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



Frank Schaich
Member of the Executive Board
(CFO)

DEMIRE DEUTSCHE MITTELSTAND REAL ESTATE AG, FRANKFURT/MAIN
STATEMENT OF FIXES ASSETS FOR THE FISCAL YEAR FROM JANUARY 1, 2015 TO DECEMBER 31, 2015

EUR	Acquisition cost					Accumulated depreciation and amortisation						Carrying amounts	
	01/01/2015	Reclassifications	Additions	Disposals	31/12/2015	01/01/2015	Reclassifications	Additions	Disposals	Write-ups	31/12/2015	31/12/2015	31/12/2014
I. Intangible assets													
Software licenses	1,596.93	0.00	0.00	1,596.93	0.00	1,595.93	0.00	0.00	1,595.93	0.00	0.00	0.00	1.00
	1,596.93	0.00	0.00	1,596.93	0.00	1,595.93	0.00	0.00	1,595.93	0.00	0.00	0.00	1.00
II. Tangible assets													
1. Buildings on third-party property	0.00	0.00	2,807.66	0.00	2,807.66	0,00	0.00	108.66	0,00	0.00	108.66	2,699.00	0.00
2. Other equipment, operating and office equipment	39,064.60	0.00	22,770.05	16,258.08	45,576.57	17,057.54	0.00	10,938.61	7,490.58	0.00	20,505.57	25,071.00	22,007.06
	39,064.60	0.00	25,577.71	16,258.08	48,384.23	17,057.54	0.00	11,047.27	7,490.58	0.00	20,614.23	27,770.00	22,007.06
III. Financial assets													
1. Investments in affiliated companies	79,838,173.52	9,000.00	146,972,042.25	9,497.51	226,809,718.26	73,675,256.64	8,999.00	3,831,175.30	8,999.00	0.00	77,506,431.94	149,303,286.32	6,162,916.88
2. Loans to affiliated companies	61,970,939.55	345,337.09	87,996,226.66	7,249,789.63	143,062,713.67	3,971,137.49	111,300.33	0,00	1,702,308.16	0.00	2,380,129.66	140,682,584.01	57,999,802.06
3. Investments	7,803,054.13	-9,000.00	0.00	0.00	7,794,054.13	4,696,718.95	-8,999.00	125,957.80	0.00	1,546,855.70	3,266,822.05	4,527,232.08	3,106,335.18
	149,612,167.20	345,337.09	234,968,268.91	7,259,287.14	377,666,486.06	82,343,113.08	111,300.33	3,957,133.10	1,711,307.16	1,546,855.70	83,153,383.65	294,513,102.41	67,269,054.12
	149,652,828.73	345,337.09	234,993,846.62	7,277,142.15	377,714,870.29	82,361,766.55	111,300.33	3,968,180.37	1,720,393.67	1,546,855.70	83,173,997.88	294,540,872.41	67,291,062.18

DEMIRE DEUTSCHE MITTELSTAND REAL ESTATE AG, FRANKFURT/MAIN
SCHEDULE OF SHAREHOLDINGS PURSUANT TO SECTION 285 NO. 11 HGB AS AT DECEMBER 31, 2015

Company	Type	Business description	Head office	Fiscal year	Equity in EURk	Interest in capital % 1)	Profit/loss as at December 31, 2015 / of last fiscal year in EURk
DEMIRE Deutsche Mittelstand Real Estate AG	Group parent company	Operating holding company	Germany, Frankfurt/Main	01/01/2015 - 31/12/2015	111,507		26,276
Glockenhofcenter Objektgesellschaft mbH	Subsidiary	Purchase and disposal as well as management of own properties	Germany, Berlin	01/01/2015 - 31/12/2015	3,038	94.90	-141
Hanse-Center Objektgesellschaft mbH	Subsidiary	Purchase and disposal as well as management of own properties	Germany, Berlin	01/01/2015 - 31/12/2015	12,351	94.90	-82
Sihlegg Investments Holding GmbH	Subsidiary	Purchase and disposal as well as management of own properties	Switzerland, Wollerau	01/01/2015 - 31/12/2015	-358	94.00	-148
Logistikpark Leipzig GmbH	Subsidiary	Purchase and disposal as well as management of own properties	Germany, Berlin	01/01/2015 - 31/12/2015	1,761	94.00	140
Demire Immobilien Management GmbH	Subsidiary	Property management (building management)	Germany, Berlin	01/01/2015 - 31/12/2015	25	100.00	3
Panacea Property GmbH	Subsidiary	Purchase and disposal as well as management of own properties	Germany, Berlin	01/01/2015 - 31/12/2015	11	51.00	3
Praedia GmbH	Subsidiary	Facility management	Germany, Berlin	01/01/2015 - 31/12/2015	97	51.00	72
Fair Value REIT-AG	Subsidiary	Purchase and disposal as well as management of own properties	Germany, Munich	01/01/2015 - 31/12/2015	83,439	77.70	-1,968
IC Fonds & Co. Büropark Teltow KG ("IC 07")	Subsidiary	Purchase and disposal as well as management of own properties	Germany, Munich	01/01/2015 - 31/12/2015	8,295	60.74	230
IC Fonds & Co. Gewerbeportfolio Deutschland 13. KG („IC 13“)	Subsidiary	Purchase and disposal as well as management of own properties	Germany, Munich	01/01/2015 - 31/12/2015	135	44.58	1,431
IC Fonds & Co. SchmidtBank-Passage KG („IC 12“)	Subsidiary	Purchase and disposal as well as management of own properties	Germany, Munich	01/01/2015 - 31/12/2015	5,922	41.86	169
BBV Immobilien-Fonds Nr. 14 GmbH & Co. KG („BBV 14“)	Subsidiary	Purchase and disposal as well as management of own properties	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	Purchase and disposal as well as management of own properties	Germany, Munich	01/01/2015 - 31/12/2015	81	62.20	1,646
BBV Immobilien-Fonds Nr. 6 GmbH & Co. KG („BBV 06“)	Subsidiary	Purchase and disposal as well as management of own properties	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	Purchase and disposal as well as management of own properties	Germany, Munich	01/01/2015 - 31/12/2015	21,573	45.08	1,385
GP Value Management GmbH („GPVM“)	Subsidiary	Purchase and management of interests in one or several real estate partnerships	Germany, Munich	01/01/2015 - 31/12/2015	47	77.70	3
BBV 3 Geschäftsführungs-GmbH & Co. KG („FV03“)	Subsidiary	Purchase, holding and management as well as disposal of interests in real estate partnerships	Germany, Munich	01/01/2015 - 31/12/2015	44	77.70	12
BBV 6 Geschäftsführungs-GmbH & Co. KG („FV06“)	Subsidiary	Purchase, holding and management as well as disposal of interests in real estate partnerships	Germany, Munich	01/01/2015 - 31/12/2015	42	77.70	13
BBV 9 Geschäftsführungs-GmbH & Co. KG („FV09“)	Subsidiary	Purchase, holding and management as well as disposal of interests in real estate partnerships	Germany, Munich	01/01/2015 - 31/12/2015	67	77.70	33
BBV 10 Geschäft sführungs-GmbH & Co. KG („FV10“)	Subsidiary	Purchase, holding and management as well as disposal of interests in real estate partnerships	Germany, Munich	01/01/2015 - 31/12/2015	41	77.70	10
BBV 14 Geschäftsführungs-GmbH & Co. KG („FV14“)	Subsidiary	Purchase, holding and management as well as disposal of interests in real estate partnerships	Germany, Munich	01/01/2015 - 31/12/2015	38	77.70	11
BBV Immobilien-Fonds Erlangen GbR („BBV 02“)	Subsidiary	Purchase and disposal as well as management of own properties	Germany, Munich	01/01/2015 - 31/12/2015	306	32.65	-27
BBV Immobilien-Fonds Nr. 10 GmbH & Co. KG („BBV 10“)	Subsidiary	Purchase and disposal as well as management of own properties	Germany, Munich	01/01/2015 - 31/12/2015	11,723	34.54	2,127
IC Fonds & Co. Gewerbeobjekte Deutschland 15. KG („IC 15“)	Subsidiary	Purchase and disposal as well as management of own properties	Germany, Munich	01/01/2015 - 31/12/2015	15,128	37.46	1,700

DEMIRE DEUTSCHE MITTELSTAND REAL ESTATE AG, FRANKFURT/MAIN
SCHEDULE OF SHAREHOLDINGS PURSUANT TO SECTION 285 NO. 11 HGB AS AT DECEMBER 31, 2015

Company	Type	Business description	Head office	Fiscal year	Equity in EURk	Interest in capital % 1)	Profit/loss as at December 31, 2015 / of last fiscal year in EURk
FVR Beteiligungsgesellschaft Erste mbH	Subsidiary	Management of own assets	Germany, Frankfurt/Main	01/01/2015 - 31/12/2015	24	100.00	-1
FVR Beteiligungsgesellschaft Zweite mbH	Subsidiary	Management of own assets	Germany, Frankfurt/Main	01/01/2015 - 31/12/2016	24	100.00	-1
FVR Beteiligungsgesellschaft Dritte mbH	Subsidiary	Management of own assets	Germany, Frankfurt/Main	01/01/2015 - 31/12/2017	24	100.00	-1
FVR Beteiligungsgesellschaft Vierte mbH	Subsidiary	Management of own assets	Germany, Frankfurt/Main	01/01/2015 - 31/12/2018	24	100.00	-1
FVR Beteiligungsgesellschaft Fünfte mbH	Subsidiary	Management of own assets	Germany, Frankfurt/Main	01/01/2015 - 31/12/2019	24	100.00	-1
FVR Beteiligungsgesellschaft Sechste mbH	Subsidiary	Management of own assets	Germany, Frankfurt/Main	01/01/2015 - 31/12/2020	24	100.00	-1
FVR Beteiligungsgesellschaft Siebente mbH	Subsidiary	Management of own assets	Germany, Frankfurt/Main	01/01/2015 - 31/12/2021	24	100.00	-1
FVR Beteiligungsgesellschaft Achte mbH	Subsidiary	Management of own assets	Germany, Frankfurt/Main	01/01/2015 - 31/12/2022	24	100.00	-1
FVR Beteiligungsgesellschaft Neunte mbH	Subsidiary	Management of own assets	Germany, Frankfurt/Main	01/01/2015 - 31/12/2023	24	100.00	-1
Lumpsum Eastern European Participations C.V.	Subsidiary	Operating intermediate holding company	Netherlands, Osterhout	01/01/2015 - 31/12/2015	-7	94.00	0
MAGNAT Investment I B.V.	Subsidiary	Operating intermediate holding company	Netherlands, Hardinxveld Giessendam	01/01/2015 - 31/12/2015	38	94.00	-14
R-Quadrat Bulgaria EOOD	Subsidiary	Purchase and disposal as well as development of properties	Bulgaria, Sofia	01/01/2015 - 31/12/2015	251	100.00	-15
SC Victory International Consulting s.r.l.	Subsidiary	Purchase and disposal as well as development of properties	Romania, Bucharest	01/01/2015 - 31/12/2015	1,040	100.00	-18
Irao Magnat Digomi LLC	Subsidiary	Purchase and disposal as well as development of properties	Georgia, Tbilisi	01/01/2015 - 31/12/2015	-1,550	75.00	-626
Irao Magnat 28/2 LLC	Joint venture	Purchase and disposal as well as development of properties	Georgia, Tbilisi	01/01/2015 - 31/12/2015	-236	50.00	0
Magnat Tbilisi Office 1 LLC	Subsidiary	Purchase and disposal as well as development of properties	Georgia, Tbilisi	01/01/2015 - 31/12/2015	44	100.00	0
Magnat Tbilisi Residential 1 LLC	Subsidiary	Purchase and disposal as well as development of properties	Georgia, Tbilisi	01/01/2014 - 31/12/2014	-1	100.00	-1
MAGNAT Investment II B.V.	Subsidiary	Operating intermediate holding company	Netherlands, Hardinxveld Giessendam	01/01/2015 - 31/12/2015	-2,178	100.00	-7,960
MAGNAT Investment IV B.V.	Subsidiary	Operating intermediate holding company	Netherlands, Hardinxveld Giessendam	01/01/2015 - 31/12/2015	325	100.00	-8
IRAO Magnat Gudiashvilli LLC	Joint venture	Purchase and disposal as well as development of properties	Georgia, Tbilisi	01/01/2013 - 31/12/2013	58	50.00	-33
R-Quadrat Polska Alpha sp.z o.o.	Joint venture	Purchase and disposal as well as development of properties	Poland, Warsaw	01/01/2015 - 31/12/2015	-12,099	50.00	-756
SQUADRA Immobilien GmbH & Co. KGaA	Associated company	Operating intermediate holding company, purchase and sale of properties and management of own properties through subsidiaries	Germany, Frankfurt/Main	01/04/2015 - 31/03/2016	13,949	24.78	183
SQUADRA Erste Immobilien GmbH	Associated company 3)	Purchase and sale of properties and management of own properties through subsidiaries	Germany, Frankfurt/Main	01/04/2015 - 31/03/2016	795	100.00	-2,565
SQUADRA Management GmbH	Associated company 3)	Purchase and sale of properties and management of own properties through subsidiaries	Germany, Frankfurt/Main	01/04/2015 - 31/03/2016	9	100.00	-5
DEMIRE Commercial Real Estate GmbH	Subsidiary	Operating intermediate holding company	Germany, Frankfurt/Main	01/01/2015 - 31/12/2015	9714	100.00	0
DEMIRE Real Estate München 1 GmbH	Subsidiary	Purchase and sale of properties and management of own properties	Germany, Frankfurt/Main	01/01/2015 - 31/12/2015	21	100.00	0
CAM Commercial Asset Management EINS GmbH	Subsidiary	Purchase and sale of properties and management of own properties	Germany, Frankfurt/Main	01/01/2015 - 31/12/2015	8,949	100.00	151
CAM Commercial Asset Management ZWEI GmbH	Subsidiary	Purchase and sale of properties and management of own properties	Germany, Frankfurt/Main	01/01/2015 - 31/12/2015	-432	100.00	-159
CAM Commercial Asset Management DREI GmbH	Subsidiary	Purchase and sale of properties and management of own properties	Germany, Frankfurt/Main	01/01/2015 - 31/12/2015	-329	100.00	22
CAM Commercial Asset Management VIER GmbH	Subsidiary	Purchase and sale of properties and management of own properties	Germany, Frankfurt/Main	01/01/2015 - 31/12/2015	-443	100.00	-149
Schwerin Margaretenhof 18 GmbH	Subsidiary	Purchase and sale of properties and management of own properties	Germany, Berlin	01/01/2015 - 31/12/2015	172	100.00	456

DEMIRE DEUTSCHE MITTELSTAND REAL ESTATE AG, FRANKFURT/MAIN
SCHEDULE OF SHAREHOLDINGS PURSUANT TO SECTION 285 NO. 11 HGB AS AT DECEMBER 31, 2015

Company	Type	Business description	Head office	Fiscal year	Equity in EURk	Interest in capital % 1)	Profit/loss as at December 31, 2015 / of last fiscal year in EURk
DEMIRE Commercial Real Estate ZWEI GmbH	Subsidiary	Operating intermediate holding company	Germany, Frankfurt/Main	01/01/2015 - 31/12/2015	5	100.00	-20
DEMIRE Objektgesellschaft Worms GmbH	Subsidiary	Purchase and sale of properties and management of own properties	Germany, Frankfurt/Main	01/01/2015 - 31/12/2015	3,737	94.00	275
TGA Immobilien Erwerb 1 GmbH	Subsidiary	Purchase and sale of properties and management of own properties	Germany, Berlin	01/01/2015 - 31/12/2015	-140	100.00	-162
MAGNAT AM GmbH	Subsidiary	Investments, consulting services, purchase and disposal of properties	Austria, Vienna	01/01/2015 - 31/12/2015	934	100.00	-22
Magnat Asset Management GmbH	Subsidiary 2)	Asset management services for third parties	Austria, Vienna	01/01/2015 - 31/12/2015	3,225	100.00	-406
MAGNAT Capital Markets GmbH	Subsidiary	Sales of financial instruments, investment products / management consulting	Austria, Vienna	01/01/2015 - 31/12/2015	374	100.00	-6
DEMIRE CONDOR Properties Management GmbH	Subsidiary	Operating intermediate holding company	Germany, Frankfurt/Main	01/01/2015 - 31/12/2015	-88	100.00	-107
DEMIRE Holding EINS GmbH	Subsidiary	Operating intermediate holding company	Germany, Frankfurt/Main	01/01/2015 - 31/12/2015	-9,065	100.00	-4,131
Condor Real Estate Management EINS GmbH	Subsidiary	Operating intermediate holding company	Germany, Frankfurt/Main	01/01/2015 - 31/12/2015	1,002	100.00	977
GO Leonberg ApS, Denmark	Subsidiary	Purchase and sale of properties and management of own properties	Denmark, Copenhagen	01/01/2015 - 31/12/2015	-3,928	94.00	-333
GO Bremen ApS, Denmark	Subsidiary	Purchase and sale of properties and management of own properties	Denmark, Copenhagen	01/01/2015 - 31/12/2015	-19,092	94.00	-2,137
GO Ludwigsburg ApS	Subsidiary	Purchase and sale of properties and management of own properties	Denmark, Copenhagen	01/01/2015 - 31/12/2015	-2,638	94.00	111
Condor Real Estate Management ZWEI GmbH	Subsidiary	Operating intermediate holding company	Germany, Frankfurt/Main	01/01/2015 - 31/12/2015	1,325	100.00	1,300
Armstripe S.à.r.l.	Subsidiary	Purchase and sale of properties and management of own properties	Luxembourg, Luxembourg	01/01/2015 - 31/12/2015	-11,098	94.00	-1,879
Blue Ringed S.à.r.l.	Subsidiary	Purchase and sale of properties and management of own properties	Luxembourg, Luxembourg	01/01/2015 - 31/12/2015	-2,485	94.00	-400
Briarius S.à.r.l.	Subsidiary	Purchase and sale of properties and management of own properties	Luxembourg, Luxembourg	01/01/2015 - 31/12/2015	-2,293	94	-381
Reubescens S.à.r.l.	Subsidiary	Purchase and sale of properties and management of own properties	Luxembourg, Luxembourg	01/01/2015 - 31/12/2015	-3,134	94.00	-698
Condor Real Estate Management DREI GmbH	Subsidiary	Operating intermediate holding company	Germany, Frankfurt/Main	01/01/2015 - 31/12/2015	-55	100.00	0
Denston Investments Ltd.	Subsidiary	Purchase and sale of properties and management of own properties	Cyprus, Nicosia	01/01/2015 - 31/12/2015	-1,717	94.00	4
CONDOR Objektgesellschaft Eschborn GmbH	Subsidiary	Purchase and sale of properties and management of own properties	Germany, Frankfurt/Main	01/01/2015 - 31/12/2015	91	94.00	0
CONDOR Objektgesellschaft Bad Kreuznach GmbH	Subsidiary	Purchase and sale of properties and management of own properties	Germany, Frankfurt/Main	01/01/2015 - 31/12/2015	25	94.00	0
Condor Real Estate Management FÜNF GmbH	Subsidiary	Subsidiary	Germany, Frankfurt/Main	01/01/2015 - 31/12/2015	25	100.00	0
CONDOR Objektgesellschaft Düsseldorf GmbH	Subsidiary	Purchase and sale of properties and management of own properties	Germany, Frankfurt/Main	01/01/2015 - 31/12/2015	18	94.00	0
CONDOR Objektgesellschaft Rendsburg GmbH	Subsidiary	Purchase and sale of properties and management of own properties	Germany, Frankfurt/Main	01/01/2015 - 31/12/2015	44	94.00	19
CONDOR Objektgesellschaft Bad Oeynhausen GmbH	Subsidiary	Purchase and sale of properties and management of own properties	Germany, Frankfurt/Main	01/01/2015 - 31/12/2015	44	94.00	19
CONDOR Objektgesellschaft Lichtenfels GmbH	Subsidiary	Purchase and sale of properties and management of own properties	Germany, Frankfurt/Main	01/01/2015 - 31/12/2015	55	94.00	30
CONDOR Objektgesellschaft YELLOW GmbH	Subsidiary	Purchase and sale of properties and management of own properties	Germany, Frankfurt/Main	01/01/2015 - 31/12/2015	25	94.00	0
DEMIRE Commercial Real Estate DREI GmbH	Subsidiary	Operating intermediate holding company	Germany, Frankfurt/Main	01/01/2015 - 31/12/2015	-761	100.00	-786

DEMIRE DEUTSCHE MITTELSTAND REAL ESTATE AG, FRANKFURT/MAIN
SCHEDULE OF SHAREHOLDINGS PURSUANT TO SECTION 285 NO. 11 HGB AS AT DECEMBER 31, 2015

Company	Type		Head office	Fiscal year	Equity in EURk	Interest in capital % 1)	Profit/loss as at December 31, 2015 / of last fiscal year in EURk
Germavest Real Estate S.à.r.l.	Subsidiary	Subsidiary	Luxembourg, Luxembourg	01/01/2015 - 31/12/2015	28,986	94.00	1,117
DEMIRE Commercial Real Estate VIER GmbH	Subsidiary	Operating intermediate holding company	Germany, Frankfurt/Main	01/01/2015 - 31/12/2015	19	100.00	-6
DEMIRE Commercial Real Estate FÜNF GmbH	Subsidiary	Operating intermediate holding company	Germany, Frankfurt/Main	01/01/2015 - 31/12/2015	0	100	-25
DEMIRE Commercial Real Estate SECHS GmbH	Subsidiary	Operating intermediate holding company	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

DEMIRE DEUTSCHE MITTELSTAND REAL ESTATE AG, FRANKFURT/MAIN
SCHEDULE OF LIABILITIES AS AT DECEMBER 31, 2015

	31/12/2015						31/12/2014					
	Remaining term of up to one year	Remaining term between one and five years	Remaining term of more than five years	Total	Secured by liens or similar rights		Remaining term of up to one year	Remaining term between one and five years	Remaining term of more than five years	Total	Secured by liens or similar rights	
	EUR	EUR	EUR	EUR	EUR	Type	EUR	EUR	EUR	EUR	EUR	Type
1. Bonds	0.00	125,661,700.00	0.00	125,661,700.00	0.00		0.00	60,888,500.00	0.00	60,888,500.00	0.00	
2. Trade payables	2,445,918.06	0.00	0.00	2,445,918.06	0.00		2,470,067.09	0.00	0.00	2,470,067.09	0.00	
3. Liabilities due to affiliated companies	33,174,619.19	26,623,400.39	0.00	59,798,019.58	0.00		5,888,722.79	0.00	0.00	5,888,722.79	0.00	
4. Liabilities due to investments	0.00	0.00	0.00	0.00	0.00		12,198.71	0.00	0.00	12,198.71	0.00	
5. Other liabilities	1,661,586.34	32,000,000.00	0.00	33,661,586.34	14,522,489.84	Interests in affiliates pledged as collateral	1,304,687.49	0.00	0.00	1,304,687.49	0.00	
	37,282,123.59	184,285,100.39	0.00	221,567,223.98	14,522,489.84		9,675,676.08	60,888,500.00	0.00	70,564,176.08	0.00	

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

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

I. GROUP PRINCIPLES

1. Business model

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

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

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

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

2. Strategy and Objectives

Strategy

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

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

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

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

Objectives

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

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

3. Control system

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

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

4. Research and development

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

II. ECONOMIC REPORT

1. Macroeconomic and industry environment

1.1. Macroeconomic environment

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

1.2. Industry environment

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

1.2.1. Commercial real estate transaction market

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

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

1.2.2. The market for office property

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

1.2.3. The market for retail property

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

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

1.2.4. The market for logistics property

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

1.2.5. Effects of commercial real estate market developments on DEMIRE

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

2. Business performance

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

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

Chronological business development

December 2014/January 2015

In December 2014, the Executive Board and Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG resolved to increase the Company's share capital from authorised capital once from EUR 14,306,151 to EUR 19,939,861 against contribution in kind excluding shareholders' subscription rights. In January 2015, Alpine Real Estate GmbH was admitted to subscribe to the new shares in return for a contribution in kind to DEMIRE consisting of 94.9 % of the interests in Hanse-Center Objektgesellschaft mbH, 94.9 % of the interests in Glockenhofcenter Objektgesellschaft mbH and a receivable against Hanse-Center Objektgesellschaft amounting to EUR 9.0 million. Hanse-Center Objektgesellschaft mbH and Glockenhofcenter Objektgesellschaft mbH hold a commercial real estate

portfolio comprising a total of nearly 42,000 m² with properties in Bremen, Berlin and Stralsund. The purchase of the commercial real estate portfolio in return for the issued shares strengthened both DEMIRE's equity base and cash flow.

March 2015

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

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

April 2015

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

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

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

May 2015

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

was admitted to subscribe to the new shares in return for a contribution in kind consisting of a 94 % interest in Logistikpark Leipzig GmbH. Logistikpark Leipzig GmbH is the sole owner of a logistics property in Leipzig known as „Logistikpark Leipzig“. The acquisition of Logistikpark Leipzig marked the Company's entry into the logistics asset class.

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

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

June 2015

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

July 2015

On July 7, 2015, DEMIRE announced its plans to restructure and streamline the legacy portfolio, which was acquired before 2014. Of the roughly 60 companies contained in the legacy portfolio – including those in the Netherlands, the Ukraine, Austria and Georgia – 30 have already been sold, liquidated or merged. During the reporting period, three investments in the Ukraine were sold, and the related high-interest mezzanine loan was repaid. The company, formed as a Dutch B.V., contains the remaining companies and was streamlined once again resulting in a significant reduction in its complexity. The purpose of the structural changes to simplify the legacy portfolio's legal organisation

was to greatly reduce fixed costs and rapidly dispose of the entire legacy portfolio without impacting the market.

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

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

August 2015

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

September 2015

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

October 2015

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

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

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

December 2015

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

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

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

3.1. Results of operations

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

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

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

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

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

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

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

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

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

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

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

3.2. Segment reporting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.3. Net assets and capital structure

Overview of core real estate portfolio

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

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

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

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

Selected information from the consolidated balance sheet

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

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

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

a strategic prerequisite and were reclassified from real estate inventory in the course of 2015 and measured in accordance with IAS 40.

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

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

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

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

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

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

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

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

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

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

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

As at December 31, 2015, the DEMIRE Group's non-current liabilities increased to EUR 696.7 million (December 31, 2014: EUR 258.1 million). The largest portion, or EUR 608.8 million (December 31, 2014: EUR 248.1 million), was attributed to non-current financial debt. Of this amount, a nominal EUR 100 million (carrying amount: EUR 97.0 million) resulted from a corporate bond 2014/2019, EUR 29.3 million from a loan for Logistikpark GmbH, EUR 26.7 million was related to a loan for the

acquisition of T6 (Germavest) and EUR 10.2 million came from the remaining convertible bonds.

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

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

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

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

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

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

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

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

3.4. Loan-to-Value (LTV) ratio

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

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

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

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

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

3.5. Financial position and liquidity

Financial management

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

Providing the Supervisory Board with regular information on the financial situation is an integral part of DEMIRE's risk management system. The principles and objectives of capital management and control are presented in the notes to the consolidated financial statement

Selected information from the consolidated statement of cash flows

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

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

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

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

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

Cash flow from financing activities in the 2015 reporting year amounted to EUR 42.4 million compared to EUR 259.6 million in the abbreviated 2014 fiscal year. The Company received proceeds of EUR 11.2 million from the cash capital increase executed in mid-July 2015. Expenses of EUR 1.5 million were paid out in relation to the capital increases for acquisitions and the takeover of the interest in Fair Value REIT-AG executed in the fiscal year. Proceeds from the assumption of liabilities totalled EUR 54.7 million in the reporting year (abbreviated 2014 fiscal year: EUR 261.7 million) and included

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

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

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

4. Employees

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

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

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

5. Comparison of forecasts with actual business development

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

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

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

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

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

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

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

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

III. CHANGES IN THE COMPOSITION OF THE GOVERNING BODIES

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

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

IV. REMUNERATION REPORT

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

1. Remuneration of the Executive Board

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

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

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

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

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

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

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

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

Existing employment contracts

(1) Hon.-Prof. Andreas Steyer

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

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

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

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

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

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

(2) Mr. Markus Drews

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

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

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

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

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

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

(3) Mr. Frank Schaich

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

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

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

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

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

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

2. Remuneration of the Supervisory Board

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

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

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

V. SUBSEQUENT EVENTS

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

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

transactions announced in 2015 were completed, including the takeover of Fair Value REIT-AG.

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

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

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

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

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

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

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

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

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VI. REPORT ON OPPORTUNITIES, RISKS AND OUTLOOK

1. 1. Opportunities report

1.1. Macroeconomic and industry opportunities

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

1.2. Business opportunities

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

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

1.3. Financial opportunities

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

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

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

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

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

1.5. Summary assessment of DEMIRE's opportunities

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

2. Risk report

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

2.1. Risk management system

The objective of the risk management system is to ensure the Company's lasting viability, monitor the compliance of the risk strategy derived from the corporate strategy, control of the Company through the appropriate or necessary actions and as well as monitor and optimise the performance risk ratio. Risk management covers all organisational rules and activities and the periodic and Group-wide implementation of the risk strategy. The Group-wide risk management system covers all of the DEMIRE Group's affiliated companies included in the consolidated financial statements, except Fair Value, which was not consolidated until the year's end. Fair Value REIT-AG possess its own risk management system.

The focus of risk management is securing liquidity, identifying and limiting risks from acquisitions, divestitures and management of the existing portfolio. To carry out these tasks, both the Executive Board and the managing directors of Group companies are supported by qualified external service

providers and meet with these providers regularly to discuss controlling issues. Given the DEMIRE Group's flat organisational structure, the Executive Board is directly involved in all major decisions and also monitors whether the measures agreed are implemented and adhered to limit risk. The flat hierarchy allows a risk management system with comparatively simple structures.

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

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

2.2. Risks

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

2.2.1. Macroeconomic, market and sector risks

The DEMIRE Group's portfolio is exposed to a wide variety of macroeconomic, market and industry-related risks:

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

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

2.2.2. Financial risk

2.2.2.1. Liquidity risk

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

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

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

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

2.2.2.2. Currency risk

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

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

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

2.2.2.3. Interest rate risk

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

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

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

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

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

2.2.3. Operating risk

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

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

2.2.3.1. Rental and property management risks

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

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

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

2.2.3.2. Valuation risk

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

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

2.2.4. Other risks

2.2.4.1. Legal risk

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

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

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

2.2.4.2. Tax risk

DEMIRE's tax structure is complex because of the different taxable entities (tax groups and taxation at the level of individual companies) and various legal forms existing within the Group.

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

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

2.2.4.3. Personnel risk

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

2.2.4.4. IT risk

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

2.2.5. General acquisition and integration risk

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

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

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

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

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

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

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

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

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

Their purpose is to achieve the following:

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

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

The required monthly reports and the preparation of the annual financial statements are fully and promptly communicated and internally monitored. Each process is based on a detailed timetable.→ For risk management purposes, the plausibility, accuracy and completeness of postings are monitored and reviewed by the Group's own employees. The employees involved in this process meet the qualitative requirements and are trained periodically. The two-man rule is an important control principle used in this process.

Other essential tools include:

- Uniform accounting policies by selecting one external service provider for the majority of Group companies
- The clear separation of duties and assignment of responsibilities between the internal and external departments involved in the accounting process
- The use of external specialists to the extent necessary, for example, to provide an expert opinion on the market value of real estate

Together with our external service providers, new laws, accounting standards and other official pronouncements are continuously analysed for their relevance and their impact on the annual and consolidated financial statements and the combined management report. The Group makes adjustments to Group accounting policies when necessary. In fiscal year 2015, this occurred to the extent required under new accounting provisions.

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

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

2.4. Overall assessment of the risk situation

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

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

3. Report on outlook

3.1 Positive economic environment

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

3.2. Sector momentum continues

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

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

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

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

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

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

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

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

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

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

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

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

3.4. General statement on the expected performance of the Group

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

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

VII. ACQUISITION-RELATED INFORMATION

1. Composition of subscribed capital

a.) On December 31, 2015

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

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

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

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

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

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

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

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

b) Development after December 31, 2015

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

2. Restrictions on voting rights and the transfer of shares

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

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

a.) On December 31, 2015

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

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

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

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

b.) Development after December 31, 2015

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

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

Such shares do not exist.

5. Type of voting right control when employees hold an interest in share capital and do not exercise their control rights directly

Such interests do not exist.

6. Legal regulations and provisions of the Articles of Association governing the appointment and replacement of members of the Executive Board and amendments to the Articles of Association

6.1. Appointment and replacement of Executive Board members

Pursuant to Section 84 AktG, Executive Board members are appointed by the Supervisory Board for a term of no more than five years. Repeat appointments are permissible. The Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG consists of one or more persons. The number of Executive Board members is stipulated by the Supervisory Board. The Supervisory Board decides on the appointment, revocation of appointment and the conclusion, modification and termination of employment contracts to be concluded with Executive Board members. The Supervisory Board is authorised to appoint chairpersons and deputy chairpersons and deputy members to the Executive Board

6.2. Amendments to Articles of Association

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

7. Authority of Executive Board to issue and repurchase shares

7.1. Authorised Capital

a.) On December 31, 2015

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

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

Authorised Capital I/2015 was utilised through the issue of 751,952 new no-par value bearer share to

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

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

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

b.) Development after December 31, 2015

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

7.2. Conditional capital

a.) On December 31, 2015

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

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

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

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

b.) Development after December 31, 2015

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

7.3. Authorisation to issue convertible bonds or bonds with warrants

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

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

7.4. Authority to repurchase own shares

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

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

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

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

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

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

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

This authorisation has not yet been utilised.

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

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

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

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

VIII. CORPORATE GOVERNANCE REPORT / STATEMENT ON CORPORATE GOVERNANCE

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

IX. MANAGEMENT REPORT FOR DEMIRE DEUTSCHE MITTELSTAND REAL ESTATE AG

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

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

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

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

Results of operations

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

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

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

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

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

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

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

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

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

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

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

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

Financial position

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

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

Liquidity position

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

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

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

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

Net assets

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

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

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

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

shareholders of property holding companies in the amount of EUR 4.5 million. As at the reporting date, there was a receivable against the seller of the interests in Germavest Real Estate S.à.r.l. from the retransfer of 2014/2019 corporate bonds in the amount of EUR 14.4 million.

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

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

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

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

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

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

Comparison of prior year's forecasts with actual business development

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

liquidity and the originally expected positive EBIT for the 2015 financial year was not achieved.

Report on outlook

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

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

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

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

Frankfurt/Main, May 13, 2016

DEMIRE Deutsche Mittelstand Real Estate AG



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



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



Frank Schaich
Executive Board Member
(CFO)

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
Vorstandssprecher (CEO)



Dipl.-Kfm. (FH) Markus Drews
Vorstand (COO)



Frank Schaich
Vorstand (CFO)

Report of the Supervisory Board

Dear Shareholders,

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

The Supervisory Board and the Executive Board continuously worked together and communicated regularly. Along with the topics explicitly mentioned in this report, the work and communication of the boards extended to all other material issues concerning the Company and the Group. The Supervisory Board consulted regularly with the Executive Board and supervised the conduction of business under the aspects of legality, effectiveness and economic efficiency. The Executive Board directly involved the Supervisory Board in decisions of fundamental significance for the Company and the Group.

As in the previous years, the Executive Board kept the Supervisory Board informed in a timely and comprehensive manner on the basis of detailed written and verbal Executive Board reports. These reports included a detailed discussion on all important issues related to the development of the markets relevant for the Company and the Group, short- and long-term corporate planning and current business performance. The position of the Company and the Group, the liquidity and risk situation, the Group-wide risk management system, current real estate projects and the further strategic development of the Group were also part of these discussions. The information provided by the Executive Board was critically reviewed by the Supervisory Board for plausibility. The subject matter and the scope of the Executive Board's reporting fully met our requirements at all times.

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

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

The chairman of the Supervisory Board was regularly in personal and close contact with the Executive Board and kept himself regularly informed of current business developments and significant business transactions. He also kept the other Supervisory Board members informed outside of the scheduled meetings and discussed developments with them.

During the reporting year, there were no conflicts of interest on the part of the members of the Executive Board or Supervisory Board that would require immediate disclosure to the Supervisory Board and information to the Annual General Meeting.



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

Changes in the Supervisory Board

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

Members of the Supervisory Board in the 2015 Fiscal Year

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

Supervisory Board Committees

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

Work of the plenum during the Reporting Year

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

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

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

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

Work of the plenum after the Fiscal Year's Close

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

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

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

Stuttgart was appointed as the auditor by the Annual General Meeting and was mandated by the Supervisory Board.

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

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

Matters of the Executive Board

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

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

Continued Implementation of the Buy & Hold Strategy

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

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

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

A word of thanks from the Supervisory Board

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

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

Frankfurt/Main, May 2016



Prof. Dr. Hermann Anton Wagner
(Chairman)



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