

Mandatory publication pursuant to Sections 39, 27 para. 3 sentence 1, 14 para. 3 sentence 1 of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz – WpÜG*)



**Joint Statement
of the Executive Board and the Supervisory Board**

of

DEMIRE Deutsche Mittelstand Real Estate AG

Robert-Bosch-Str. 11
63225 Langen (Hesse)
Germany

pursuant to Sections 39, 27 para. 1 of the German Securities Acquisition and Takeover Act
regarding the

Mandatory Takeover Offer (Cash Offer)

by

AEPF III 15 S.à r.l.,

2, Avenue Charles de Gaulle
Luxembourg
Grand Duchy of Luxembourg

to the shareholders of DEMIRE Deutsche Mittelstand Real Estate AG, Langen (Hesse)
regarding the acquisition of their shares in this company

Shares of DEMIRE Deutsche Mittelstand Real Estate AG: ISIN DE000A0XFSF0

Tendered Shares of DEMIRE Deutsche Mittelstand Real Estate AG: ISIN DE000A2LQ207

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1. GENERAL INFORMATION ABOUT THE STATEMENT

On 16 April 2018, AEPF III 15 S.à r.l., a private limited company under the laws of Luxembourg (*société à responsabilité limitée*) with its registered office in Luxembourg, Grand Duchy of Luxembourg ("**Bidder**"), pursuant to Sections 14 paras. 2 and 3 of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*, "**WpÜG**"), published an offer document within the meaning of Section 11 WpÜG ("**Offer Document**") for its mandatory takeover offer (cash offer) ("**Offer**") to the shareholders of DEMIRE Deutsche Mittelstand Real Estate AG ("**DEMIRE**" or "**Target Company**") regarding the acquisition of all no-par bearer shares with a *pro rata* amount of EUR 1.00 per share of the share capital in the Target Company (ISIN DE000A0XFSF0) ("**DEMIRE Shares**") including the ancillary rights existing at the time of the settlement of the Offer, in particular the entitlement to dividends, against payment of the amount of EUR 4.35 per DEMIRE Share ("**Offer Price**"). The Offer Document, whose publication was approved by the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* – "**BaFin**") on 13 April 2018, was submitted to the Executive Board of DEMIRE ("**Executive Board**") by the Bidder on 16 April 2018 and subsequently provided to the Supervisory Board of DEMIRE ("**Supervisory Board**") and the employees.

According to information provided by the Bidder, the Offer Document can be retrieved in German and as a non-binding English translation at

www.aepf-mandatory-offer.de

and is kept available free of charge at ODDO BHF Aktiengesellschaft, Bockenheimer Landstr. 10, 60323 Frankfurt am Main, Germany, fax no. +49 69 718 4630 or email: uebernahmeangebot@bhf-bank.com. The announcement that copies of the Offer Document are available free of charge in Germany, as well as the Internet address at which the Offer Document is published, were published by way of an announcement in the German Federal Gazette (*Bundesanzeiger*) on 16 April 2018.

The Executive Board and the Supervisory Board of the Target Company carefully reviewed the Offer, discussed it in separate meetings, and adopted resolutions pursuant to Section 27 para. 1 WpÜG on the present statement ("**Statement**") on 25 April 2018. In order to avoid any potential conflicts of interests (see Section 9 in this regard), the deputy chairman of the Supervisory Board, Mr Frank Hölzle, did not participate in the deliberations in the Supervisory Board regarding this Statement. He, however, did participate in the adoption of the resolution in order to ensure the quorum of the Supervisory Board, and abstained from voting.

The Executive Board and the Supervisory Board issue the following joint statement on the Offer:

1.1 Legal basis of the Statement

Pursuant to Sections 39, 27 para. 1 sentence 1 WpÜG, the Executive Board and the Supervisory Board must, without undue delay, after transmission of the Offer Document pursuant to Section 14 para. 4 sentence 1 WpÜG, submit and publish a reasoned statement on the mandatory takeover offer and on each amendment to it. The statement can be issued jointly by the Executive Board and the Supervisory Board. The Executive Board and the Supervisory Board have decided to issue a joint statement in relation to the Bidder's Offer. The Statement is subject solely to German law.

In their Statement, the Executive Board and the Supervisory Board must, pursuant to Section 27 para. 1 sentence 2 WpÜG, comment in particular on (i) the type and amount of the consideration offered, (ii) the expected consequences of a successful offer for the

Target Company, the employees and their representations, the employment conditions and the locations of the Target Company, (iii) the objectives pursued by the Bidder with the Offer and (iv) the intentions of the members of the Executive Board and the Supervisory Board, to the extent that they are holders of securities of the Target Company, to accept the Offer.

1.2 **Factual basis of the Statement**

Unless expressly indicated otherwise, any references to time in this Statement are references to Central European Time ("**CET**"). To the extent that terms such as "currently", "at the moment", "now", "at present" or "today" are used, they refer to the date of publication of this document, i.e. 26 April 2018, unless indicated otherwise.

References to a banking day ("**Banking Day**") refer to any day on which banks in Frankfurt am Main, Germany, are open for general business.

The currency specification "**EUR**" refers to the currency of the European Union. The currency specification "**USD**" refers to the currency US dollar.

Any information, expectations, evaluations or forward-looking statements and declarations of intent contained in this Statement are based on the information available to the Executive Board and/or the Supervisory Board at the time of publication of this Statement and/or reflect its estimates or intentions at that time. Such statements are indicated in particular by the use of expressions such as "anticipate", "believe", "is of the view", "attempt", "estimate", "intend", "plan", "assume" and "endeavour". These statements may change following the publication of this Statement. Any update to this Statement will be made by the Executive Board and the Supervisory Board only within the framework of the duties stipulated under German law.

The information regarding the Bidder's intentions are based on statements and communications by the Bidder which cannot be verified by the Executive Board and the Supervisory Board of the Target Company. To the extent that this Statement makes reference to the Offer Document or quotes from it or reproduces it, such references, quotations or reproductions are mere indications through which the Executive Board and the Supervisory Board neither adopt the Offer Document as their own nor assume responsibility for its correctness or completeness.

1.3 **Statement of the employees**

DEMIRE does not have a works council.

The employees of the Target Company did not make use of their right pursuant to Section 27 para. 2 WpÜG to prepare a statement of their own regarding the Offer.

1.4 **Own responsibility of the shareholders of the Target Company**

The Executive Board and the Supervisory Board point out that the statements and assessments in this Statement are not binding on the shareholders of DEMIRE ("**DEMIRE Shareholders**"). Each DEMIRE Shareholder must make his own decision whether to accept the Offer and, if so, for how many DEMIRE Shares, taking into account the overall circumstances, his individual situation (including his personal tax situation) and his individual assessment of the future development of the value and stock market price of the DEMIRE Shares.

In deciding whether or not to accept the Offer, the DEMIRE Shareholders should make use of all available sources of information and pay sufficient regard to their personal circumstances. In particular, the specific financial and tax situation of individual DEMIRE Shareholders may in individual cases result in assessments that differ from those presented by the Executive Board and the Supervisory Board. The Executive Board and the Supervisory Board therefore recommend that the DEMIRE Shareholders obtain on their own responsibility tax and legal advice and assume no liability for the decision taken by a DEMIRE Shareholder in respect of the Offer.

In Section 1.1 of the Offer Document, the Bidder states that the Offer relates to all DEMIRE Shares and will be implemented solely in accordance with German law and certain applicable securities law provisions of the United States of America ("**United States**"). The Bidder also points out in Section 1.2 of the Offer Document that DEMIRE Shareholders in the United States should note that the Offer is made in respect of securities of a company which is a foreign private issuer within the meaning of the U.S. Securities Exchange Act of 1934, as amended ("**Exchange Act**") and the shares of which are not registered pursuant to section 12 of the U.S. Exchange Act. According to Section 1.2 of the Offer Document, a residence in a country outside of the Federal Republic of Germany it may result in difficulties regarding the enforcement of rights and claims arising outside of the laws of the country of residency.

The Executive Board and the Supervisory Board point out that they are not able to verify whether the DEMIRE Shareholders meet all the legal obligations applicable to them personally on acceptance of the Offer. The Executive Board and the Supervisory Board recommend, in particular, that anyone who receives the Offer Document outside the Federal Republic of Germany and wishes to accept the Offer but is subject to securities laws of jurisdictions other than the Federal Republic of Germany should inform himself about these laws and comply with them.

1.5 **Publication of the Statement and any additional statements on possible amendments to the Offer**

The Statement, as well as any statements on any amendments to the Offer pursuant to Sections 39, 27 para. 3, sentence 1, 14 para. 3 sentence 1 WpÜG, will be published through publication at the Internet address

<https://www.demire.ag/investor-relations/uebernahmeangebot-durch-aepf-iii-15-s-r-l>;

copies thereof will be kept available free of charge at the Target Company at the address DEMIRE Deutsche Mittelstand Real Estate AG, Investor Relations, Robert-Bosch-Str. 11, 63225 Langen (Hesse), Germany, email: schlinkmann@demire.ag, fax: +49 (0) 6103 37249 11. The publication as well as the information that copies of the Statement are kept available free of charge are announced in the German Federal Gazette.

This Statement and any additional statements on the Offer are or will be published in German and in a non-binding English translation. The Executive Board and the Supervisory Board assume no liability for the correctness and completeness of the English translation. Only the German version is authoritative.

2. **INFORMATION ABOUT THE TARGET COMPANY AND THE DEMIRE GROUP**

2.1 **General Information**

The Target Company is a stock corporation established under German law, with its registered office in Frankfurt am Main, entered in the Commercial Register

(*Handelsregister*) of the Local Court (*Amtsgericht*) of Frankfurt am Main under HRB 89041. Its business address is Robert-Bosch-Str. 11, 63225 Langen (Hesse), Germany. The Target Company has no branch offices. The Target Company's financial year is the calendar year.

The corporate purpose the Company domestically and abroad as defined by its articles of association comprises

- a) the acquisition, erection, brokering, management and sale of developed and undeveloped properties, apartments, hereditary building rights, commercial buildings, other rights *in rem*, buildings on properties of other parties (*Superädifikate*), commercial buildings and related project development as builder-owner or developer and their realisation domestically and abroad, in particular by means of sale, leasing or letting; the acquisition and erection of buildings and structures of all kinds and their management and realisation, with the exception of transactions that require special permits pursuant to the German Industrial Code (*Gewerbeordnung*) or other statutory provisions or require authorisation pursuant to special statutory requirements,
- b) the development of real estate projects domestically and abroad; the drafting, acquisition and sale of realisation concepts for real estate projects,
- c) the acquisition, possession, operation, management and sale of domestic and foreign companies and company participations of any legal form, including acting as trustee for third parties, as well as the takeover of management for other companies in case of takeover of a participation,
- d) the leasing of movable and immovable property,
- e) development, management and conceptual design of real estate and company investments for investors,
- f) the acquisition, possession, holding, management and sale of participations in companies, in particular participations in real estate companies, of securitised claims or claims secured by real estate, as well as of any other investments, in any statutorily permissible form ("indirect real estate investments"),
- g) acting as a developer and
- h) the provision of advice to companies, with the exception of tax and legal advice and any other areas of advice requiring authorisation, in particular the provision of comprehensive advice and assistance to the management of third-party companies in performing its tasks, in particular in connection with the acquisition, development, ongoing management and lease, as well as the realisation of direct and indirect real estate investments.

According to its articles of association, DEMIRE is entitled to perform any transactions and to take any measures that are related to the corporate purpose of the company. It is therefore entitled to establish, acquire, participate in and take over the management of other domestic or foreign companies whose business activity is related to the corporate purpose of the company. Furthermore, it can establish branch offices domestically and abroad.

2.2 Overview of the DEMIRE group

A list of all subsidiaries of DEMIRE is enclosed with this Statement as Annex 1. Pursuant to Section 2 para. 5 sentence 3 WpÜG, these are persons considered to be acting jointly with the Target Company and with each other.

2.3 Stock market listing

The DEMIRE Shares are admitted to trading on the regulated market and the sub-segment of the regulated market of the Frankfurt Stock Exchange with additional post-admission obligations (*Prime Standard*) under ISIN DE000A0XFSF0, where they are traded via the XETRA electronic trading system. The DEMIRE Shares are also traded on the regulated unofficial market (*Freiverkehr*) on the regional stock exchanges in Stuttgart, Berlin and Dusseldorf.

2.4 Capital structure

(a) Share capital

At the time of publication of this Statement, the share capital (*Grundkapital*) of the Target Company amounts to EUR 59,726,678.00 and is divided into 59,726,678 no-par bearer shares with a notional nominal value of EUR 1.00, with the share capital having been increased in the amount of EUR 30,160.00 as a result of conversions in 2018. The declaratory registration of the underlying capital increase through utilisation of the conditional capital is, however, still outstanding.

There are no different classes of shares. Each share grants one vote.

At the time of publication of this Statement, DEMIRE does not hold any treasury shares. However, MAGNAT Asset Management GmbH, Vienna, Austria, a wholly owned subsidiary of DEMIRE, holds 5,000 DEMIRE Shares which, pursuant to Section 71d of the German Stock Corporation Act (*Aktengesetz* – "**AktG**") are attributed to DEMIRE as treasury shares.

DEMIRE is authorised to acquire, by 14 October 2019, up to 10% of the share capital existing as of the time the resolution was adopted (15 October 2014). The number of shares acquired due to this authorisation, together with other treasury shares which the Target Company already acquired or owns, must not exceed 10% of the share capital of the Target Company at any given time.

(b) Authorised capital

Pursuant to clause 6 para. 1 of the articles of association, the Executive Board is authorised, with the approval of the Supervisory Board, to increase the share capital of DEMIRE on one or more occasions by 28 June 2022 by up to EUR 27,128,872 through the issue of up to a total of 27,128,872 new no-par bearer shares against contributions in cash and/or in kind (authorised capital 2017/I). DEMIRE Shareholders are generally entitled to subscription rights with regard to new shares, unless the Executive Board of DEMIRE, with the approval of the Supervisory Board, excludes the subscription rights in the cases set out in clause 6 para. 1 of the articles of association.

By resolution dated 26 February 2018 and with the approval of the Supervisory Board of the same day, the Executive Board of DEMIRE made partial use of its authorisation by issuing 5,425,744 new DEMIRE Shares, excluding subscription

rights for shareholders. This capital increase from authorised capital was entered in the Commercial Register, and thus took effect on, 5 April 2018. Following this partial utilisation, the authorised capital 2017/I now amounts to EUR 21,703,098.00.

(c) **Conditional capital**

Pursuant to clause 5 para. 4 of the articles of association, the share capital is conditionally increased by up to EUR 6,261,288.00, divided into up to 6,261,288 no-par bearer shares; by the time of the publication of this Statement, the conditional capital was already utilised as a result of conversions effected in the amount of EUR 30,160.00 (see Section 2.5(a)). 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 in accordance with the authorisation of the general meeting of DEMIRE of 23 October 2013.

Pursuant to clause 5 para. 5 of the articles of association, the share capital is moreover conditionally increased by up to EUR 3,000,000.00, divided into up to 3,000,000 no-par bearer shares (conditional capital I/2016). The conditional capital increase serves to grant subscription and/or conversion rights to the holders of bonds with warrants and/or convertible bonds which are issued in accordance with the authorisation pursuant to agenda item 8 of the general meeting of 23 October 2013 in the version as amended by the resolution of the general meeting of DEMIRE of 6 March 2015.

Pursuant to clause 5 para. 6 of the articles of association, the share capital is moreover conditionally increased by up to EUR 1,000,000.00, divided into up to 1,000,000 no-par bearer shares (conditional capital II/2015). The conditional capital increase serves to grant subscription rights to the holders of stock options issued during the acquisition period under the stock option plan 2015 in accordance with the authorisation resolution of the extraordinary general meeting of 6 March 2016.

Pursuant to clause 5 para. 7 of the articles of association, the share capital of DEMIRE is moreover conditionally increased by up to EUR 16,854,584.00, divided into up to 16,854,584 no-par bearer shares (conditional capital 2017/I). The conditional capital increase serves to grant no-par bearer shares to the holders and/or creditors of convertible bonds and/or bonds with warrants, participation rights and/or participating bonds which were or will be issued due to (i) the authorisation of the general meeting of 23 October 2013, (ii) the authorisation of the general meeting of 28 August 2015 and/or (iii) the authorisation of the general meeting of 29 June 2017.

2.5 **Convertible bonds**

(a) **Convertible bond 2013/2018**

On 11 December 2013, the Target Company issued 11,300,000 convertible bonds with a nominal amount of EUR 1.00 per convertible bond with a total amount of EUR 11,300,000.00 which are due for repayment on 30 December 2018, unless they are repaid earlier, converted or redeemed and cancelled before ("**Convertible Bond 2013/2018**"). The Convertible Bond 2013/2018 is traded on the Open Market of the Frankfurt Stock Exchange under ISIN DE000A1YDDY4. It grants the bondholder in question the right to convert any bond into no-par bearer shares of DEMIRE with a *pro rata* amount of the share capital of DEMIRE

of EUR 1.00 per share as of the issue date. The conversion price is EUR 1.00. The conversion ratio is calculated by dividing the nominal amount of a bond by the conversion price applicable on the exercise date. The bondholders are entitled to exercise their conversion right at any time until the third working day (*Werktag*) prior to 30 December 2018 at a conversion price of EUR 1.00. Thus, when exercising their conversion right, the bondholders would receive one DEMIRE Share for each convertible bond 2013/2018 with a nominal amount of EUR 1.00.

According to Sections 4.2 and 8.2 of the Offer Document, Wecken & Cie., Klaus Wecken, Ferry Wecken, Ina Wecken and Care4 AG (jointly "**Wecken Group**") and the Bidder obtained control within the meaning of Section 35 para. 1 sentence 1 in conjunction with Sections 29 para. 2, 30 para. 2 WpÜG ("**Acquisition of Control**", see Section 4.2(c)) over DEMIRE on 26 February 2018 by entering into a shareholder agreement ("**Shareholder Agreement**"). As a result of the Acquisition of Control, the bondholders were entitled, by means of issuing a repayment declaration in a timely manner, to claim from the Target Company repayment of some or all of their bonds by 23 April 2018 for which the conversion right was not exercised and which were not declared due for early repayment, at the early repayment amount of 115% of the nominal amount of the bonds plus any interest accrued and unpaid until 23 April 2018.

Currently, 10,583,231 Convertible Bonds 2013/2018 are still outstanding. Early repayment was requested for 572 convertible bonds as a result of the Acquisition of Control.

(b) **Mandatory Convertible Bond 2015/2018**

On 22 May 2015, DEMIRE issued 150 mandatory convertible bonds with a nominal amount of EUR 100,000.00 per mandatory convertible bond with a total amount of EUR 15,000,000.00 which are due for repayment on 22 May 2018, unless they are repaid earlier, converted or redeemed and cancelled before ("**Mandatory Convertible Bond 2015/2018**").

The Mandatory Convertible Bond 2015/2018 is traded on the Open Market of the Frankfurt Stock Exchange under ISIN DE000A13R863. It grants the bondholder in question the right to convert any bond into no-par bearer shares of DEMIRE with a *pro rata* amount of the share capital of EUR 1.00 per share as of the issue date. Unless the conversion right has already been exercised, bonds will automatically be converted into DEMIRE Shares on the maturity date of the Mandatory Convertible Bond 2015/2018 (22 May 2018). The conversion price is EUR 5.00. The conversion ratio is calculated by dividing the nominal amount of a bond by the conversion price applicable on the exercise date. The 150 Mandatory Convertible Bonds 2015/2018 can thus be converted into a total of 3,000,000 DEMIRE Shares.

As a result of the Acquisition of Control, the bondholders were moreover entitled, by means of issuing a repayment declaration in a timely manner, to claim from the Target Company repayment of some or all their bonds by 23 April 2018 for which the conversion right was not exercised and which were not declared due for early repayment, at the early repayment amount of 115% of the nominal amount of the bonds plus any interest accrued and unpaid until 23 April 2018. In the event of termination by a bondholder due to a change of control, DEMIRE is entitled to convert the nominal amount due as a result of the termination into shares, taking into account the conversion price in the amount of EUR 5.00 which continues to

apply. If all bondholders issue a repayment declaration in a timely manner and DEMIRE converts the nominal amount due into shares, the 150 Mandatory Convertible Bonds 2015/2018 would be converted into a total of 3,450,000 DEMIRE Shares (not taking into account any interest accrued and unpaid by 23 April 2018).

Currently, all bonds under the Mandatory Convertible Bond 2015/2018 are still outstanding.

2.6 **Stock option program 2015**

By resolution of the general meeting of DEMIRE of 6 March 2015, the Executive Board was authorised, with the approval of the Supervisory Board, to issue up to 1,000,000 stock options with subscription rights to DEMIRE Shares by 31 December 2015 (stock option program). Each stock option grants the right to subscribe one DEMIRE Share against payment of the exercise price. The subscription rights under the stock options can be exercised for the first time following expiry of the statutory four-year waiting period, which starts after the stock options in question have been issued. Subscription rights can be exercised within nine years (i.e. within five years after expiry of the waiting period), starting on the day the stock options are issued. DEMIRE has granted selected employees and former members of the executive board a total of 1,000,000 stock options, 440,000 of which have already been settled by monetary payment. The subscription rights under these stock options cannot be exercised during the acceptance period.

2.7 **Shareholder structure**

According to the notifications received by the Target Company until the publication of the Statement but prior to the publication of the Offer Document, the following persons subject to notification requirements held 3% or more of the voting rights within the meaning of Sections 33, 34 of the German Securities Trading Act (*Wertpapierhandelsgesetz* – "**WpHG**") in DEMIRE:

- BRH Holdings GP, Ltd., to which both the voting rights of the Bidder pursuant to Section 34 para. 1 sentence 1 no. 1 WpHG are allocated and to which the voting rights of the members of the Wecken Group (as defined in Section 2.5(a)) pursuant to Section 34 para. 2 WpHG are allocated due to the Shareholder Agreement (as defined in Section 2.5(a)), indirectly held 32,084,524 DEMIRE Shares/voting rights; taking into account the capital increases from authorised and conditional capital (see Sections 2.4(b) and 2.4(c) in this respect), which became effective after the announcement regarding the voting rights, this corresponds to approximately 53.72% of the current voting rights and share capital of DEMIRE.
- Klaus Wecken, to whom both voting rights of Wecken & Cie. and Care4 AG pursuant to Section 34 para. 1 sentence 1 no. 1 WpHG are allocated and to which voting rights of the further members of the Wecken Group and of the Bidder pursuant to Section 34 para 2 WpHG are allocated due to the Shareholder Agreement, directly held 10 and indirectly held 32,084,514 DEMIRE Shares/voting rights; taking into account the capital increases from authorised and conditional capital, which became effective after the announcement regarding the voting rights, this corresponds to approximately 53.72% of the current voting rights and share capital of DEMIRE.
- Ina Wecken, to whom both the voting rights of the further members of the Wecken Group and the voting rights of the Bidder are allocated pursuant to Section 34 para. 2 WpHG due to the Shareholder Agreement, directly held 10 and indirectly held

32,084,514 DEMIRE Shares/voting rights; taking into account the capital increases from authorised and conditional capital, which became effective after the announcement regarding the voting rights, this corresponds to approximately 53.72% of the current voting rights and share capital of DEMIRE.

- Ferry Wecken, to whom both the voting rights of the further members of the Wecken Group and the voting rights of the Bidder are allocated pursuant to Section 34 para. 2 WpHG due to the Shareholder Agreement, directly held 505,590 and indirectly held 31,578,934 DEMIRE Shares/voting rights; taking into account the capital increases from authorised and conditional capital, which became effective after the announcement regarding the voting rights, this corresponds to approximately 53.72% of the current voting rights and share capital of DEMIRE.
- Sigrid Wecken directly held 2,713,880 DEMIRE Shares/voting rights; taking into account the capital increases from authorised and conditional capital, which became effective after the announcement regarding the voting rights, this corresponds to approximately 4.54% of the current voting rights and share capital of DEMIRE.

The Executive Board and the Supervisory Board point out that, following the corresponding announcements regarding the voting rights, there may be changes to the voting rights of the persons subject to notification requirements which do not result in new notification requirements, for example because such changes do not result in the threshold values set out in Sections 34 et seq. WpHG being reached, fallen short of or exceeded.

Section 3.5 summarises the shareholding of the Bidder, the Wecken Group and the persons acting jointly with them within the meaning of Section 2 para. 5 WpÜG at the time of publication of the Offer Document as such shareholding can be inferred from the Offer Document.

2.8 Overview of the business activities of the DEMIRE group

DEMIRE group is a real estate group that operates as a portfolio holder of commercial real estate in Germany. DEMIRE performs the central management function within DEMIRE group. The real property assets of DEMIRE group are held exclusively by subsidiaries, sub-subsidiaries and affiliated companies of DEMIRE (via intermediate holding companies). Parts of the operating activities of DEMIRE (property, asset and facility management) are assumed by subsidiaries that offer their services throughout the group.

As a fully integrated real estate group, DEMIRE group covers the entire value chain of property management. The essential business activity of DEMIRE group consists of the acquisition, management and leasing of commercial real estate, its further development, e.g., by reconstruction, modernisation or expansion, as well as the realisation of value enhancements through active real estate management. In individual cases, the targeted sale of individual assets that no longer meet the investment criteria of DEMIRE group is effected.

DEMIRE group focuses its investments on commercial real estate in the office, retail and logistics sectors exclusively in Germany, which it develops through active portfolio management as part of a "manage to core" strategy. In this respect, DEMIRE group concentrates on real estate in so-called secondary locations, i.e. outside of the top 7 cities of Berlin, Dusseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart.

The business activities of the DEMIRE Group are divided into the segments Asset Portfolio, Fair Value REIT-AG and Central Areas/Miscellaneous.

The Asset Portfolio segment encompasses the investments executed in Germany since the beginning of 2013 as part of the strategy of DEMIRE group ("manage to core" strategy with active portfolio management) in the field of office, retail and logistics properties. This business segment includes the newly founded or acquired subsidiaries with a focus on commercial real estate in Germany. The Asset Portfolio segment also includes the services of DEMIRE group in connection with the management of the group's own real estate and land. The operational management of the property portfolio is substantially carried out by various subsidiaries within DEMIRE group.

The Fair Value REIT segment comprises the activities of Fair Value REIT-AG ("**Fair Value**"), which was acquired in 2015.

The Central Areas/Miscellaneous segment comprises the activities of DEMIRE in its function as holding company, such as risk management, finance and controlling, financing, IT and compliance, which do not constitute an independent operating segment.

In the financial year 2017, DEMIRE group reported rental income of EUR 73.716 million and a group EBIT of EUR 84.671 million according to the annual report for the financial year 2017. Net income for the financial year 2017 amounted to EUR 19.432 million.

According to the annual report for financial year 2017, 96 employees were employed by DEMIRE group as at 31 December 2017 (excluding the member of the Executive Board and without trainees).

2.9 **Composition of the Executive Board and the Supervisory Board of the Target Company**

The Executive Board of DEMIRE consists of one member, Ralf Kind (CEO/CFO).

The Supervisory Board of DEMIRE consists of the members Prof. Dr Hermann Anton Wagner, Frank Hölzle and Dr Thomas Wetzel.

Prof. Dr Hermann Anton Wagner is currently the chairman of the Supervisory Board of the Target Company; Frank Hölzle is currently the deputy chairman.

3. **INFORMATION ON THE BIDDER AND THE PERSONS ACTING JOINTLY WITH THE BIDDER**

The Bidder published the following information in the Offer Document, unless otherwise specified. This information could not be verified, or could not be fully verified, by the Executive Board and the Supervisory Board. The Executive Board and the Supervisory Board therefore assume no responsibility for the correctness of such information.

3.1 **Legal basis and capital structure**

In respect of the legal basis and capital structure of the Bidder, the Offer Document contains the following information in Section 6.1:

The Bidder, AEPF III 15 S.à r.l., is a private limited liability company under the laws of Luxembourg (*société à responsabilité limitée*) with its registered office in Luxembourg, Grand Duchy of Luxembourg, entered in the Luxembourg Trade and Companies Register (*Registre de Commerce et de Sociétés*) under register number B 219108. The current business address of the Bidder is: 2 Avenue Charles de Gaulle, L-1653 Luxembourg, Grand Duchy of Luxembourg.

The share capital of the Bidder amounts to EUR 12,500.00 and is divided into 12,500 shares. The Bidder was founded in Luxembourg on 30 October 2017 and entered in the Luxembourg Trade and Companies Register on 10 November 2017.

The corporate purpose of the Bidder includes, *inter alia*, the acquisition, holding and management of participations and companies.

At the time of publication of the Offer Document, members of the management board of the Bidder were Shaun Collins, Carlo Heck, Patrick Marbry, Matthias Prochaska and Jason Stramel. The Bidder has no employees.

The Bidder currently directly holds 15,790,041 DEMIRE Shares, which corresponds to a share of 26.44% of the voting rights and the share capital of DEMIRE. The Bidder does not hold any shares in other companies.

Simultaneously with this Offer, the Bidder published a voluntary public takeover offer to the shareholders of Fair Value, a subsidiary of DEMIRE.

3.2 **Company structure of the Bidder and information about Apollo Global Management, LLC**

According to Section 6.1 of the Offer Document, AEPF III 1 S.à r.l., a private limited liability company under the laws of Luxembourg (*société à responsabilité limitée*) with its registered office in Luxembourg, Luxembourg, is the sole shareholder of the Bidder.

According to Section 6.2 of the Offer Document, the company structure of the Bidder is as set out in Annex 2 of this Statement. In addition to the information set forth above, Section 6.2 of the Offer Document contains further statements on the company structure of the Bidder.

According to Section 6.3 of the Offer Document, Apollo Global Management, LLC (together with its group companies "**Apollo**") is a globally operating alternative investment manager and manages funds for some of the most reputable pension and foundation funds worldwide, as well as for other institutional and private investors. As of 31 December 2017, Apollo had total assets under management of around USD 249 billion with a team of 1,047 employees, including 387 investment experts, operating in fifteen branch offices all over the world.

3.3 **Possible future participation of Toprius Holding S.à r.l. in the Bidder**

In Section 6.4 of the Offer Document, a potential future participation of Toprius Holding S.à r.l., a private limited liability company (*société à responsabilité limitée*) under the laws of Luxembourg with its registered office in Luxembourg, entered in the Luxembourg Trade and Companies Register (*Registre de Commerce et de Sociétés*) of Luxembourg under register number B 215922 ("**Toprius Holding**") in the Bidder is described as follows:

On 28 February 2018, the Bidder, AEPF III 1 S.à r.l. as the sole shareholder of the Bidder and Toprius Holding agreed in the context of a joint venture term sheet (the "**Joint Venture Term Sheet**") that Toprius Holding will acquire a minority interest of up to 24.9% in the Bidder in a co-investment if Toprius Holding sells and delivers to the Bidder 2,590,000 DEMIRE Shares against payment of a cash consideration of EUR 4.35 per DEMIRE Share and all 150 bonds under the Mandatory Convertible Bond 2015/2018 at a price of EUR 4.35 per nominal amount of the bond of EUR 5.00. In order to implement the co-investment, Toprius Holding would contribute or otherwise assign to the Bidder the deferred purchase price receivables in exchange for the granting of shares in

the Bidder, or offset the deferred purchase price receivables with the obligation to provide the contribution for the granting of shares in the Bidder. If the nominal amount of the deferred purchase price receivables exceeds the value of a participation of not more than 24.9% in the Bidder, the Bidder would pay the excess residual amount to Toprius Holding in cash.

Also on 28 February 2018, the Bidder and Toprius Holding concluded corresponding purchase agreements on the acquisition of 2,590,000 DEMIRE Shares and the acquisition of all 150 bonds under the Mandatory Convertible Bond 2015/2018. These purchase agreements state that the respective purchase price payments will be deferred until the beginning of June 2018. The share purchase agreement was already consummated on 7 March 2018. In the course of the settlement of this share purchase agreement, Toprius Holding made an excess delivery of 469 DEMIRE Shares which the Bidder also acquired at a purchase price of EUR 4.35 per DEMIRE Share, without the Bidder and Toprius Holding setting this out in writing. The purchase agreement on the acquisition of all 150 bonds had not yet been consummated by the date of publication of the Offer Document.

This means that it is uncertain whether Toprius Holding will deliver the 150 bonds under the Mandatory Convertible Bond 2015/2018. Thus, it is also uncertain whether and to what extent the minority shareholding of Toprius Holding in the Bidder will be realised.

The Executive Board and the Supervisory Board of the Target Company have no further knowledge of Toprius Holding, its shareholders or the agreements made by the Bidder with Toprius Holding.

3.4 **Persons acting jointly with the Bidder**

In respect of persons acting jointly with the Bidder, the following statements are made in Section 6.5 of the Offer Document and in Annex 2 of the Offer Document referred to in that section:

The companies set forth in Annex 2 of the Offer Document are persons acting jointly with the Bidder within the meaning of Section 2 para. 5 sentence 1 and sentence 3 WpÜG.

The companies listed in Part 1 of that annex are the companies which indirectly or directly control the Bidder ("**Bidder Parent Companies**"); the companies listed in Part 2 of that annex are direct or indirect subsidiaries of the Bidder Parent Companies which do not control the Bidder (without DEMIRE and its subsidiaries).

Furthermore, due to the Shareholder Agreement (as defined in Section 2.5(a)), the members of the Wecken Group (as defined in Section 2.5(a)) are deemed to be persons acting jointly with the Bidder pursuant to Section 2 para. 5 sentence 1 WpÜG.

Due to the agreement on the participation of Toprius Holding in the Bidder (see Section 3.3 in this respect), Toprius Holding is also a person acting jointly with the Bidder pursuant to Section 2 para. 5 WpÜG.

Lastly, as a result of the acquisition of the majority of the voting rights in DEMIRE, DEMIRE and its subsidiaries listed in Annex 1 are also deemed to be persons acting jointly with the Bidder.

Apart from that, according to the Offer Document there are no further persons acting jointly with the Bidder within the meaning of Section 2 para. 5 WpÜG.

3.5 DEMIRE Shares currently held by the Bidder or by persons acting jointly with the Bidder, attribution of voting rights

According to the information provided in Section 6.6 of the Offer Document, the Bidder, the Wecken Group (as defined in Section 2.5(a)) and persons acting jointly with the Bidder (see Section 3.4) within the meaning of Section 2 para. 5 WpÜG held the following DEMIRE Shares at the time of publication of the Offer Document:

- The Bidder directly held 15,790,041 DEMIRE Shares; this corresponds to approximately 26.44% of the current voting rights and of the share capital of DEMIRE
- Wecken & Cie. directly held 21,633,050 DEMIRE Shares; this corresponds to approximately 36.22% of the current voting rights and of the share capital of DEMIRE
- Ferry Wecken directly held 505,590 DEMIRE Shares; this corresponds to approximately 0.85% of the current voting rights and of the share capital of DEMIRE
- Klaus Wecken, Ina Wecken and Care4 AG each directly held 10 DEMIRE Shares; this corresponds to approximately 0.00002% of the current voting rights and of the share capital of DEMIRE

Thus, at the time of the publication of the Offer Document, the Bidder and the members of the Wecken Group together held 37,928,711 DEMIRE Shares. This corresponds to approximately 63.50% of the current voting rights and of the share capital of DEMIRE.

The DEMIRE Shares directly held by the Bidder are allocated to the members of the Wecken Group pursuant to Section 30 para. 2 WpÜG and to the Bidder Parent Companies pursuant to Section 30 para. 1 no. 1 WpÜG. The DEMIRE Shares directly held by the members of the Wecken Group are allocated to the Bidder and the members of the Wecken Group among themselves pursuant to Section 30 para. 2 WpÜG and to the Bidder Parent Companies pursuant to Section 30 para. 1 no. 1 WpÜG.

Apart from that, according to the information provided, neither the Bidder nor any persons acting jointly with the Bidder within the meaning of Section 2 para. 5 WpÜG nor their subsidiaries held any DEMIRE Shares at the time of publication of the Offer Document, and no further voting rights under DEMIRE Shares are to be attributed to them pursuant to Section 30 WpÜG.

The remaining DEMIRE Shares and voting rights are free float.

3.6 Information about securities acquisitions

(a) Share acquisitions on or outside of the stock exchange

According to Section 6.7(a) of the Offer Document, the Bidder, the persons acting jointly with the Bidder within the meaning of Section 2 para. 5 WpÜG and their subsidiaries, in the period starting six months prior to the publication of the Acquisition of Control on 26 February 2018 and ending with the publication of the Offer Document on 16 April 2018, acquired DEMIRE Shares outside of the stock exchange as follows by entering into share purchase agreements:

| Date | Purchaser | Number of DEMIRE Shares | Purchase price per DEMIRE Share |
|------------------|------------------|--|--|
| 23 November 2017 | Wecken & Cie. | 160,000 | EUR 3.65 |
| 23 November 2017 | Wecken & Cie. | 300,000 | EUR 3.65 |
| 22 February 2018 | Klaus Wecken | 10 | EUR 4.35 |
| 22 February 2018 | Ina Wecken | 10 | EUR 4.35 |
| 22 February 2018 | Care4 AG | 10 | EUR 4.35 |
| 22 February 2018 | Bidder | 150,000 | EUR 4.35 |
| 27 February 2018 | Bidder | 407,601 | EUR 4.35 |
| 27 February 2018 | Bidder | 104,730 | EUR 4.35 |
| 27 February 2018 | Bidder | 126,730 | EUR 4.35 |
| 27 February 2018 | Bidder | 5,000 | EUR 4.35 |
| 27 February 2018 | Bidder | 445,000 | EUR 4.35 |
| 27 February 2018 | Toprius Holding | 1,140,469 | EUR 4,35 |
| 28 February 2018 | Bidder | 2,182,567 | EUR 4.35 |
| 28 February 2018 | Toprius Holding | 1,450,000 | EUR 4.35 |
| 28 February 2018 | Bidder | 2,590,000 | EUR 4.35 |
| 7 March 2018 | Bidder | 469 | EUR 4.35 |
| 8 March 2018 | Wecken & Cie. | 50,000 | EUR 4.35 |
| 9 March 2018 | Bidder | 50,000 | EUR 4.35 |

Moreover, according to Section 6.7(a) of the Offer Document, the following prior acquisitions were made on the stock exchange in the aforementioned period:

| Date | Purchaser | Number of DEMIRE Shares | Purchase price per DEMIRE Share |
|------------------|------------------|--|--|
| 27 February 2018 | Bidder | 1,976,190 | EUR 4.33 |
| 28 February 2018 | Bidder | 2,100,000 | EUR 4.3491 |
| 28 February 2018 | Wecken & Cie. | 213,875 | EUR 4.34 |
| 1 March 2018 | Wecken & Cie. | 1,200 | EUR 4.34 |
| 1 March 2018 | Bidder | 191,276 | EUR 4.35 |
| 2 March 2018 | Wecken & Cie. | 85,614 | EUR 4.35 |
| 2 March 2018 | Bidder | 33,419 | EUR 4.35 |
| 5 March 2018 | Wecken & Cie. | 5,150 | EUR 4.35 |
| 7 March 2018 | Bidder | 1,285 | EUR 4.35 |

Moreover, according to Section 6.7(a) of the Offer Document, on 1/4 September 2017 Wecken & Cie. acquired an exchangeable bond (ISIN DE000A2GSEM0) in the form of 21 bearer bonds against transfer of title in a total of 793,496 bearer shares of ADLER Real Estate AG (ISIN DE0005008007) which confer the right to subscribe a total of 3,015,285 DEMIRE Shares. On 27 February 2018, Wecken & Cie. exercised its conversion rights in all DEMIRE Shares, and on 28 February 2018 it received 3,015,285 DEMIRE Shares. The prior acquisition price for the DEMIRE Shares was EUR 3.61 per DEMIRE Share.

Moreover, according to Section 6.7(a) of the Offer Document, on 1/4 September 2017 Wecken & Cie. acquired another exchangeable bond (ISIN DE000A2GS2Z8) in the form of seven bearer bonds against transfer of title

in a total of 667,030 bearer shares of ADLER Real Estate AG (ISIN DE0005008007) which confer the right to subscribe a total of 2,534,714 DEMIRE Shares. On 27 February 2018, Wecken & Cie. exercised its conversion rights in all DEMIRE Shares, and on 28 February 2018 it received 2,534,714 DEMIRE Shares. The prior acquisition price for the DEMIRE Shares was EUR 3.61 per DEMIRE Share.

Furthermore, according to Section 6.7(a) of the Offer Document, on 28 February 2018, the Bidder entered into a purchase agreement with Toprius Holding for the acquisition of all 150 bonds under the Mandatory Convertible Bond 2015/2018 at a price of EUR 4.35 each per nominal amount of the bond of EUR 5.00. The purchase agreement has not yet been consummated.

(b) Capital increase from authorised capital

On 26 February 2018, the Executive Board of DEMIRE, with the approval of the Supervisory Board of the same day, decided to increase the share capital of DEMIRE from authorised capital by EUR 5,425,774.00 by issuing 5,425,774 new no-par bearer shares with a notional nominal value of EUR 1.00 each and full entitlement to dividends from 1 January 2017 (the "**New DEMIRE Shares**") against cash contribution and excluding the subscription of the shareholders of the Target Company. In a subscription agreement with DEMIRE dated 26 February 2018, the Bidder undertook to subscribe the New DEMIRE Shares at the issue amount of EUR 4.35. The Bidder subscribed the New DEMIRE Shares and the issue amount was paid to DEMIRE on 27 March 2018. The capital increase was entered in the Commercial Register on 5 April 2018 and thus became effective.

(c) No further securities acquisitions

According to Section 6.7(c) of the Offer Document, neither the Bidder nor the persons acting jointly with the Bidder within the meaning of Section 2 para. 5 WpÜG or their subsidiaries acquired further DEMIRE Shares and/or convertible bonds of DEMIRE, or entered into agreements on the acquisition of DEMIRE Shares and/or convertible bonds of DEMIRE in the six-month period prior to the publication of the Acquisition of Control on 26 February 2018 and until 16 April 2018 (the day of publication of the Offer Document).

3.7 Reservation regarding future acquisitions of DEMIRE Shares

In Section 6.8 of the Offer Document, the Bidder states that it reserves the right, as far as legally permitted, to directly or indirectly acquire DEMIRE Shares outside of the Offer on the stock exchange or outside of the stock exchange.

According to Section 6.8 of the Offer Document, such acquisitions, should they take place, will be published pursuant to the applicable statutory provisions, in particular Section 23 para. 2 WpÜG in conjunction with Section 14 para. 3 sentence 1 WpÜG in the German Federal Gazette and on the Internet at www.aepf-mandatory-offer.de, indicating the number and price of DEMIRE Shares thus acquired. Corresponding information will also be published in a non-binding English translation at www.aepf-mandatory-offer.de.

4. **BACKGROUND AND DETAILS OF THE OFFER**

4.1 **Relevance of the Offer Document**

Below, selected information from the Bidder's Offer is presented, which, in the opinion of the Executive Board and the Supervisory Board, is important for the purposes of this Statement. For more information and details (in particular, details of the terms of the offer, the acceptance periods, the acceptance procedures and the withdrawal rights), DEMIRE Shareholders are referred to the statements in the Offer Document. The information below merely summarises information included in the Offer Document. The description of the Offer in this Statement does not claim to be exhaustive. Content and settlement of the Offer are governed solely by the provisions of the Offer Document. It is the responsibility of each DEMIRE Shareholder to take note of the Offer Document and to adopt the measures that are required for such DEMIRE Shareholder.

4.2 **Background of the Offer**

(a) **Economic and strategic background of the Offer**

According to Section 4.2 of the Offer Document, the Bidder acquired control of DEMIRE pursuant to Section 35 para. 1 in conjunction with Sections 29 para. 2, 30 para. 2 and/or 30 para. 1 no. 1 WpÜG by concluding the Shareholder Agreement with the members of the Wecken Group on 26 February 2018. The Offer Document was thus published by virtue of statutory duty pursuant to Sections 35 para. 2, 14 para. 2 and para. 3 WpÜG.

According to Section 8.1 of the Offer Document, the Bidder, the Bidder Parent Companies (as defined in Section 3.4) and the members of the Wecken Group (as defined in Section 2.5(a)) intend to accelerate the implementation of the DEMIRE 2.0 strategy and to develop DEMIRE group into one of the leading listed commercial real estate platforms in Germany with a target portfolio volume in excess of EUR 2 billion.

(b) **Letter of Intent**

On 22 February 2018, Apollo Credit Management International Limited informed the Target Company, in a letter with the heading "Strategic Investment – Letter of Intent" ("**Letter of Intent**"), that funds advised by it intend to acquire a strategic participation in DEMIRE via the Bidder. Among other things, the Letter of Intent contains information on the intended transaction structure, the strategic considerations regarding the participation, and the underlying intentions, including with respect to the future composition of corporate bodies.

Furthermore, the Letter of Intent contains the statement that the Bidder will offer bridge financing to DEMIRE for up to six months at an interest rate of 3% p.a. if and to the extent that, in case of a change of control as a result of the mandatory takeover offer, DEMIRE is unable to refinance the repurchase of the bonds from the bondholders under the Corporate Bond 2017/2022 issued by DEMIRE (see Section 7.8(c)). With the exception of this Statement, the statements made by Apollo Credit Management International Limited in the Letter of Intent are non-binding. The declarations of intent contained in the Letter of Intent, including on the composition of the Executive Board and the Supervisory Board, are also included in Section 9 of the Offer Document.

On 23 February 2018, the Bidder agreed to the Letter of Intent by counter-signature.

(c) **Shareholder Agreement with the members of the Wecken Group**

According to Section 4.2 and Section 8.2 of the Offer Document, on 26 February 2018 the Bidder signed a Shareholder Agreement with the members of the Wecken Group on the cooperation as shareholders of DEMIRE. In order to coordinate the internal decision-making process within the Wecken Group during the term of the Shareholder Agreement, the members of the Wecken Group concluded, also on 26 February 2018, a voting rights agreement (*Stimmbindungsvertrag*) with respect to all DEMIRE Shares which, in case of termination of the Shareholder Agreement, would result in the mutual attribution, pursuant to Section 30 para. 2 WpÜG, of all voting rights under DEMIRE Shares held by the members of the Wecken Group within the Wecken Group.

4.3 **Offer conditions**

According to Section 12 of the Offer Document, the Offer and the contracts with the DEMIRE Shareholders which come into existence as a result of its acceptance are not subject to any conditions.

4.4 **Offer Price and acceptance period**

(a) **Offer Price**

Subject to the provisions set out in the Offer Document, the Bidder offers to acquire all DEMIRE Shares (ISIN DE000A0XFSF0) with a *pro rata* notional amount of EUR 1.00 of the share capital per DEMIRE Share, including all ancillary rights, in particular the entitlement to dividends at the time of settlement of the Offer, at a cash consideration in the amount of

EUR 4.35 per DEMIRE Share.

(b) **Acceptance period**

The period for accepting the Offer began upon publication of the Offer Document on 16 April 2018 and will end on 14 May 2018, 24:00 hrs (local time Frankfurt am Main) / 18:00 hrs (local time New York) ("**Acceptance Period**").

The period for accepting the Offer will be extended automatically under the following circumstances:

- (i) If the Bidder publishes an amendment to the Offer pursuant to Section 21 WpÜG within the last two weeks of the Acceptance Period, the Acceptance Period will be extended by two weeks pursuant to Section 21 para. 5 WpÜG, i.e. until 28 May 2018, 24:00 hrs (local time Frankfurt am Main) / 18:00 hrs (local time New York).
- (ii) If a third party makes a competing offer during the Acceptance Period, the expiry date of the period for accepting the Offer is determined, in accordance with Section 22 para. 2 WpÜG, by the expiry of the period for accepting the competing offer, if the Acceptance Period for the Offer expires before the period for accepting the competing offer expires. Pursuant to Section 22 para. 1 WpÜG, this also applies if the competing offer is amended or prohibited or if it contravenes any statutory provisions.

- (iii) If a general meeting of DEMIRE is convened in connection with the Offer following publication of the Offer Document, the Acceptance Period will be extended to ten weeks from the publication of the Offer Document pursuant to Section 16 para. 3 WpÜG. The Acceptance Period would then end on 25 June 2018, 24:00 hrs (local time Frankfurt am Main) / 18:00 hrs (local time New York).

With respect to the right of withdrawal in the event the Offer is amended or a competing offer is made, reference is made to the statements made in Section 17 of the Offer Document.

4.5 Status of official approvals and procedures

In Section 11.1 of the Offer Document the Bidder states that, on 20 March 2018, the German Federal Cartel Office (*Bundeskartellamt*) approved the acquisition of DEMIRE Shares by the Bidder under merger control law aspects as stipulated in the Offer.

Pursuant to Section 11.2, BaFin approved the publication of the Offer Document on 13 April 2018.

4.6 Acceptance and settlement of the Offer

Section 13 of the Offer Document describes the acceptance and settlement of the Offer, including the legal consequences of accepting (Section 13.4 of the Offer Document).

5. TYPE AND AMOUNT OF THE CONSIDERATION OFFERED

5.1 Type and amount of the consideration

The Bidder's Offer is a mandatory takeover offer which provides exclusively for monetary consideration. It is subject to the statutory minimum price rules. The Offer Document does not provide for consideration in the form of liquid shares.

The Bidder offers an Offer Price in the amount of EUR 4.35 per DEMIRE Share.

The Offer Price includes all ancillary rights, in particular the entitlement to dividends at the time of the settlement of the Offer.

The annual financial statements 2017 of DEMIRE, which were adopted on 25 April 2018, do not show any distributable profits, which means that, for the financial year 2017, the DEMIRE Shareholders are not entitled to dividends, regardless of whether the Offer is settled prior to the ordinary general meeting on 27 June 2018 or whether, in the event that the circumstances set out in Section 4.4(b) occur, the deadline for accepting the Offer is extended such that the settlement will only take place after the ordinary general meeting on 27 June 2018.

5.2 Minimum offer price pursuant to WpÜG

To the extent that the Executive Board and the Supervisory Board can assess this based on the information available to them, the Offer Price per DEMIRE Share of EUR 4.35 meets the minimum price requirements of Section 31 WpÜG in conjunction with Sections 4, 5 of the WpÜG Offer Ordinance (*WpÜG-Angebotsverordnung* - "**WpÜG Offer Ordinance**"):

- (a) Pursuant to Sections 39, 31 WpÜG in conjunction with Section 5 WpÜG Offer Ordinance, in case of a mandatory takeover offer the consideration must be at

least equal to the weighted average domestic stock market price of the relevant share within the last three months prior to the publication of the Acquisition of Control pursuant to Section 35 para. 1 sentence 1 in conjunction with Section 10 para. 3 sentence 1 and sentence 2 WpÜG ("**Three-Month Average Price**"). Pursuant to Section 10.1(a) of the Offer Document, the Three-Month Average Price communicated by BaFin is EUR 3.90. The Offer Price exceeds this statutory minimum price.

- (b) Pursuant to Sections 39, 31 WpÜG in conjunction with Section 4 WpÜG Offer Ordinance, in case of a mandatory takeover offer the consideration must be at least equal to the highest consideration provided or agreed for the acquisition of DEMIRE Shares by the Bidder, a person acting jointly with the Bidder within the meaning of Section 2 para. 5 WpÜG or their subsidiaries within the last six months prior to the publication of the Acquisition of Control pursuant to Section 35 para. 1 sentence 1 in conjunction with Section 10 para. 3 sentence 1 and sentence 2 WpÜG.

According to the Bidder's statements in Section 10.1(b) of the Offer Document, the Bidder, persons acting jointly with the Bidder and their subsidiaries provided or agreed the following consideration for the acquisition of DEMIRE Shares within the last six months prior to the publication of the Acquisition of Control:

- (i) Between 26 September 2017 and the day of publication of the Offer Document the Bidder and the members of the Wecken Group (as defined in Section 2.5(a)) acquired a total of 11,180,136 DEMIRE Shares on the stock exchange or outside of the stock exchange by way of share purchase agreements at prices of at most EUR 4.35 per DEMIRE Share.
- (ii) On 1/4 September 2017, Wecken & Cie. acquired an exchangeable bond in the form of 21 bearer bonds against transfer of title in a total of 793,496 bearer shares of ADLER Real Estate AG (ISIN DE0005008007) ("**Exchangeable Bond M1**") which confer the right to subscribe a total of 3,015,285 DEMIRE Shares. On 27 February 2018, Wecken & Cie. exercised its conversion rights in all DEMIRE Shares, and on 28 February 2018 it received 3,015,285 DEMIRE Shares.

On 1/4 September 2017, Wecken & Cie. acquired another exchangeable bond in the form of seven bearer bonds against transfer of title in a total of 667,030 bearer shares of ADLER Real Estate AG ("**Exchangeable Bond Alpine**") which confer the right to subscribe a total of 2,534,714 DEMIRE Shares. On 27 February 2018, Wecken & Cie. exercised its conversion rights in all DEMIRE Shares, and on 28 February 2018 it received 2,534,714 DEMIRE Shares.

The acquisition of a convertible or exchangeable bond must be treated as an agreement equivalent to the acquisition *in rem* of shares pursuant to Section 31 para. 6 sentence 1 WpÜG. If the consideration in respect of the prior acquisition consists of listed securities, the relevant price is the maximum price of the securities in question at execution or, if higher, at the consummation of the prior acquisition contracts. In the case at hand, the highest stock market price of the share of ADLER Real Estate AG was EUR 13.59 when the exchangeable bond in question was subscribed (in each case on 1 September 2017) (source: www.deutsche-boerse.com) and EUR 13.73 when it was issued to Wecken & Cie. (in each case on 4

September 2017) (source: www.deutsche-boerse.com). The relevant price is thus the (higher) maximum stock market price in the amount of approx. EUR 13.73 of 4 September 2017. Based thereon, the purchase price must be set at EUR 10,898,667.60 for the Exchangeable Bond M1 and at EUR 9,161,657.05 for the Exchangeable Bond Alpine. The purchase price for one DEMIRE Share from the Exchangeable Bond M1 and from the Exchangeable Bond Alpine is thus approx. EUR 3.61 in each case.

- (iii) In a subscription agreement with DEMIRE dated 26 February 2018, the Bidder undertook to subscribe the New DEMIRE Shares issued as part of the capital increase from authorised capital further described in Section 3.6(b) (excluding the subscription right) at the issue amount of EUR 4.35. This capital increase was entered in the Commercial Register on 5 April 2018 and thus became effective.
- (iv) On 28 February 2018, the Bidder concluded a purchase agreement with Toprius Holding for the acquisition of 150 bonds under the Mandatory Convertible Bond 2015/2018 with a nominal value of EUR 100,000.00 each at a price of EUR 4.35 per nominal value of the bond of EUR 5.00, i.e. 150 bonds for a total of EUR 13,050,000.00. The Mandatory Convertible Bond grants a conversion right and imposes the obligation to exchange into DEMIRE Shares when the bond becomes due. For every EUR 5.00 in nominal value of the Mandatory Convertible Bond one DEMIRE Share is granted. If this conversion ratio were applied, the Bidder therefore would receive 3,000,000 DEMIRE Shares upon exercising its conversion right; the effective purchase price per share would thus be EUR 4.35 for the Bidder. At the time of publication of the Offer Document this purchase agreement had not yet been consummated.
- (v) In connection with the Joint Venture Term Sheet, the Bidder agreed with Toprius Holding that the latter can participate in the Bidder in the context of a co-investment with a minority shareholding of up to 24.9% in that Toprius Holding can contribute to the Bidder the deferred purchase price receivables in exchange for the granting of shares in the Bidder, assign them to the Bidder in any other way, or offset the deferred purchase price receivables with the obligation to provide the contribution for the granting of shares in the Bidder (see Section 3.3 in this respect). In Section 10.1(b)(ee) of the Offer Document, the Bidder explains why no value was granted to Toprius Holding or no granting of such value was agreed as a result of a contribution of the deferred purchase price receivables and the issue of shares in the Bidder, which exceeded the consideration of EUR 4.35 per DEMIRE Share.

The consideration of EUR 4.35 per DEMIRE Share which must be offered pursuant to Section 4 WpÜG Offer Ordinance therefore corresponds to the Offer Price of EUR 4.35 per DEMIRE Share.

5.3 **Assessment of the consideration**

In the assessment of the Executive Board and the Supervisory Board, the consideration is fair. The assessment by the Executive Board and the Supervisory Board is based on the analysis of the statutory minimum price rules as well as on the following considerations:

(a) **Comparison with historical stock market prices**

The DEMIRE Shares are characterised by functioning stock market trading with sufficient free float and sufficient trading volume. In the view of the Executive Board and of the Supervisory Board, the historical stock market prices of the DEMIRE Share therefore represent a sound basis for assessing the fairness of the Offer Price.

Based on the stock market price of the DEMIRE Share prior to the publication of the Acquisition of Control on 26 February 2018, the Offer Price includes the following premiums:

- The stock market price (XETRA closing price) on 26 February 2018, the last trading day prior to publication of the Acquisition of Control, amounted to EUR 3.91 per DEMIRE Share (source: www.deutsche-boerse.com). Based on this stock market price, the Offer Price thus includes a premium of EUR 0.42 and/or approx. 11.25%.
- The volume-weighted average stock market price (in XETRA trading) of the last three months prior to 26 February 2018, the last stock exchange trading day before publication of the Acquisition of Control, was around EUR 3.90 (source: BaFin). The Offer Price thus includes a premium of EUR 0.45 and approx. 11.54% in relation to this average price.
- The volume-weighted average stock market price (in XETRA trading) of the last six months prior to 26 February 2018, the last stock exchange trading day before publication of the Acquisition of Control, was around EUR 3.83 (source: Bloomberg). The Offer Price thus includes a premium of EUR 0.52 and approx. 13.57% in relation to this average price.
- The volume-weighted average stock market price (in XETRA trading) in the last twelve months prior to 26 February 2018, the last stock exchange trading day before publication of the Acquisition of Control, was around EUR 3.77 (source: Bloomberg). The Offer Price thus includes a premium of EUR 0.58 and approx. 15.38% in relation to this average price.

At EUR 4.35, the Offer Price is higher than any previous closing price of the DEMIRE Share in the last 52 weeks prior to 26 February 2018, the last trading day before publication of the Acquisition of Control (source: www.deutsche-boerse.com).

The presented comparisons with historical stock market prices show that the Offer Price exceeds the valuation of the DEMIRE Share by the capital market. Compared with similar transactions in the German real estate market, the Offer Price includes an adequate takeover premium.

The last closing price (XETRA closing price) on 24 April 2018, the last stock exchange trading day before the Executive Board and the Supervisory Board adopted the resolution on the Statement, was EUR 4.39 and is thus close to the Offer Price.

(b) **Transactions outside of the stock exchange**

The Offer Price of EUR 4.35 is also the result of some off-market acquisitions of DEMIRE Shares from previous shareholders of DEMIRE, each of whom

consented to selling its DEMIRE Shares at a price of up to EUR 4.35 per DEMIRE Share.

(c) **Comparison with price target forecasts**

With respect to the DEMIRE Share, the following price target forecasts were published as of 26 February 2018 (source: Bloomberg):

| Bank | Analysis date | Price target |
|------------------------|----------------------|---------------------|
| Oddo Seydler | 19 February 2018 | EUR 4.00 |
| SRC Research | February 2018 | EUR 5.10 |
| Solventis | 13 December 2017 | EUR 4.90 |
| SMC | 7 December 2017 | EUR 4.70 |
| ESN | December 2017 | EUR 4.55 |
| Baader-Helvea | 30 November 2017 | EUR 5.20 |
| Median | | EUR 4.80 |
| Arithmetic mean | | EUR 4.74 |

Based on the analyst forecasts set out above, the average price target for the DEMIRE Share is EUR 4.74. Based on this average price target forecast, the Offer Price includes a discount of EUR 0.39 and/or approx. 8.2%.

In the view of the Executive Board and the Supervisory Board, the price target forecasts are of only limited informational value, because the price target forecasts were in some cases clearly above the share price in the past.

(d) **Comparison with the EPRA-NAV**

The net asset value (NAV) determined in accordance with the recommendations of the European Public Real Estate Association (EPRA) is used as an indicator for long-term equity and is determined on the basis of net assets, adjusted by derivative financial instruments and deferred taxes ("**EPRA-NAV**"). The equity basis is the company's assets minus all of the company's liabilities. The valuation of the real estate which is held as investment property and forms the key assets of DEMIRE is based on valuations by real estate valuation companies using their own respective methods and assumptions.

CBRE GmbH provided valuation opinions with respect to DEMIRE as at 31 December 2017. As at 31 December 2017, the diluted EPRA-NAV of DEMIRE was EUR 4.94 (source: 2017 annual report of the Target Company) and was derived as shown below.

| Description | Amount (in million EUR) | Number of shares (thousand) | Amount per share (EUR) |
|-----------------------------------|-------------------------|-----------------------------|------------------------|
| Net asset value | 285.417 | 54,271 | |
| Deferred taxes | 42.893 | - | - |
| Company value from deferred taxes | - 4.738 | - | - |
| EPRA-NAV (undiluted) | 323.572 | 54,271 | 5.96 |
| Dilution effect | 12.048 | | - |
| EPRA-NAV (diluted) | 335.620 | 67,885 | 4.94 |

Based on the diluted EPRA-NAV as at 31 December 2017, the discount compared with the Offer Price is about 11.94%.

The Executive Board and the Supervisory Board point out that, historically, the DEMIRE Share was traded at a structural discount on the EPRA-NAV, which is attributable to, among other things, the Target Company's low profitability compared with other real estate companies listed in Germany. However, based on income-based multipliers, the valuation of DEMIRE is in the upper range compared with similar companies, which suggests that the stock market already factors in certain optimisation potentials of DEMIRE such as increase in profitability, reduction in borrowing costs, and structural optimisation as part of the DEMIRE 2.0 strategy. The Executive Board and the Supervisory Board, therefore, deem the Offer Price to be fair despite the discount on the EPRA-NAV.

(e) **Consideration of the potential for development of DEMIRE**

In order to assess the fairness of the Bidder's Offer, the Executive Board and the Supervisory Board looked at the historic development of DEMIRE and at future opportunities and risks. Against the background of the positive results achieved by DEMIRE in the last and the current financial year and the positive outlook for coming years, the Executive Board and the Supervisory Board feel that DEMIRE is well prepared for further growth due to its portfolio and operative potential. However, they point out that the access to capital is a precondition for implementing the DEMIRE 2.0 strategy. The Executive Board and the Supervisory Board take the view that the consideration adequately reflects the strategic alignment of DEMIRE as well as the value and growth perspectives.

(f) **Fairness Opinion of Rothschild**

The Executive Board and the Supervisory Board of DEMIRE instructed Rothschild GmbH ("**Rothschild**") to prepare a written statement on the fairness of the Offer Price of EUR 4.35 per DEMIRE Share. Rothschild prepared this written statement (the "**Fairness Opinion**") on 25 April 2018 and explained the analyses performed and the resulting conclusions to the Executive Board and the Supervisory Board on 25 April 2018.

In its Fairness Opinion Rothschild concludes that, subject to the assumptions made therein, the Offer Price of EUR 4.35 per DEMIRE Share on the day the

Fairness Opinion was prepared, i.e. on 25 April 2018, is fair to the DEMIRE Shareholders from a financial perspective. The full wording of the Fairness Opinion is enclosed as Annex 3.

The Executive Board and the Supervisory Board point out that the Fairness Opinion was prepared solely for the information and assistance of the Executive Board and the Supervisory Board in connection with the review of the consideration. It is not addressed to third parties (in particular not to the DEMIRE Shareholders), is not intended for the protection of third parties, and does not establish any third-party rights. No contractual relationship is established between Rothschild and third parties in connection with the Fairness Opinion. Neither the Fairness Opinion nor the underlying engagement letter between Rothschild and DEMIRE has a protective effect for third parties, or results in the inclusion of third parties in their respective sphere of protection. The Fairness Opinion does not constitute a recommendation by Rothschild to DEMIRE Shareholders to accept, or to refrain from accepting, the Offer. Rothschild's consenting to enclosing its Fairness Opinion with this Statement as an annex does not constitute an extension of, or addition to, the group of persons to whom this Fairness Opinion is addressed or who may rely on this Fairness Opinion, and cannot be understood to this effect either.

In order to prepare the Fairness Opinion, Rothschild conducted a valuation of DEMIRE as it is typically performed by financial advisers when providing fairness opinions in these types of transactions, such as assessments based on current and historical multipliers of comparable listed companies, multipliers found in comparable transactions, and discounted cashflow analyses. Rothschild based its valuation on a number of factors, assumptions, courses of action, restrictions and valuations which are described in the Fairness Opinion. The Executive Board and the Supervisory Board furthermore point out that the Fairness Opinion of Rothschild is subject to certain assumptions and reservations, and that in order to understand the analyses underlying the Fairness Opinion and their result it is crucial that they be read in full. The Fairness Opinion of Rothschild is based on (in particular the economic, monetary and regulatory) framework conditions and market conditions at the time of the date of the Fairness Opinion and the information available to Rothschild at that point in time. Developments setting in after that point in time can have an impact on the assumptions made in preparing the Fairness Opinion and their result. Rothschild is not obliged to update, revise or confirm its Fairness Opinion. The Fairness Opinion is not a valuation opinion of the kind typically prepared by auditors. Consequently, it does not comply with the standards for such opinions defined by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e.V.*) (for corporate valuation pursuant to IDW S1; for the preparation of opinions pursuant to IDW S8). A fairness opinion of the kind prepared by Rothschild differs from a corporate valuation by auditors in crucial aspects. Furthermore, Rothschild has not issued a statement as to whether the terms of the Offer, including the Offer Price, comply with the requirements of the WpÜG. Rothschild will receive from the Target Company remuneration for preparing the Fairness Opinion in connection with the Offer. DEMIRE has furthermore committed to reimburse Rothschild for certain expenses and to exempt Rothschild from certain liability risks and duties that may arise in connection with Rothschild's activity for DEMIRE. It is pointed out that Rothschild and the companies affiliated with Rothschild may at present or in the future entertain, or may have entertained in the past, other business ties with DEMIRE, the Bidder's direct and indirect shareholders, or companies affiliated

with them for which Rothschild received or receives fees and reimbursement of expenses. Companies affiliated with Rothschild are, moreover, active in securities trading, which means that they may acquire, hold or sell, for their own account or the account of a third party, securities of any kind of DEMIRE, the Bidder or direct or indirect shareholders or the Bidder or the companies affiliated with them.

5.4 Overall assessment of the consideration

The Executive Board and the Supervisory Board conducted an in-depth assessment of whether or not the amount of consideration offered by the Bidder for the DEMIRE Shares is fair. In the process, they made their own deliberations and satisfied themselves that the course of action taken by Rothschild is plausible.

The following aspects in particular were taken into account by the Executive Board and the Supervisory Board:

- The Offer Price includes an adequate premium at historical stock market prices of the DEMIRE Share.
- The Offer Price adequately reflects the value and the growth perspective of DEMIRE.
- In its Fairness Opinion, Rothschild concludes that the Offer Price is fair from a financial perspective.

Against the background of the aspects set out above and the statements made in Section 5.3 and the Fairness Opinion, both the Executive Board and the Supervisory Board are of the opinion that the consideration offered by the Bidder in the amount of EUR 4.35 per DEMIRE Share corresponds to the fair value of the DEMIRE Share and is therefore fair from a financial perspective.

6. FINANCING OF THE OFFER

Pursuant to Section 13 para. 1 sentence 1 WpÜG, prior to publication of the Offer Document the Bidder must take the necessary measures to ensure that the funds necessary to fulfil the Offer in full are available to it at the time the claim to consideration becomes due. According to the Bidder's statements in Section 14 of the Offer Document, the Bidder has met this obligation.

6.1 Maximum consideration

According to the Bidder's calculations in Section 14.1 of the Offer Document, the total amount the Bidder would need in order to settle the Offer if the Offer were to be accepted by all DEMIRE shareholders, is EUR 191,091,528.45 (this corresponds to the Offer Price of EUR 4.35 per DEMIRE Share multiplied by 43,929,087 DEMIRE Shares issued at the time of publication of the Offer Document which were not already held by the Bidder).

If, by the end of the Acceptance Period, all – based on the Bidder's calculation – 10,591,181 Convertible Bonds 2013/2018 existing at the time of publication of the Offer Document are converted into 10,591,181 new shares in DEMIRE and all 150 Mandatory Convertible Bonds 2015/2018 into 3,450,000 new shares in DEMIRE ("**New Converted Shares**") and submitted for sale by the respective shareholders by the end of the Acceptance Period, the amount for the New Converted Shares, based on the Bidder's calculations, is EUR 61,079,137.35 (this corresponds to the Offer Price of EUR 4.35 per DEMIRE Share multiplied by 14,041,181 New Converted Shares).

Based on the assumptions set out above, the maximum total consideration as part of this Offer is expected to be EUR 252,170,665.80, provided that the Offer is accepted for all DEMIRE Shares and all New Converted Shares.

Furthermore, the Bidder expects that it will assume transaction costs in the amount of up to EUR 1,400,000.00 ("**Transaction Costs**"). The Bidder's total costs for the acquisition of all DEMIRE Shares on the basis of the Offer, including the Transaction Costs, would thus amount to a maximum amount of EUR 253,570,665.80 ("**Offer Costs**").

According to information provided by the Bidder, Wecken & Cie. and Ferry Wecken have contractually undertaken towards the Bidder to not accept the Offer for 22,088,640 DEMIRE Shares held by them. To this end, the Bidder and the aforementioned parties concluded agreements on the blocking of securities accounts with the depository banks at which their DEMIRE Shares are kept to ensure that they cannot tender their DEMIRE Shares into the Offer.

This leaves 21,840,447 DEMIRE Shares and 14,041,181 New Converted Shares which can be tendered as part of this Offer. If the Offer is accepted for all remaining shares, the required amount would be EUR 156,085,081.80. The maximum total costs for the acquisition of all DEMIRE Shares that could be tendered to the Offer would be EUR 157,485,081.80.

6.2 **Financing of the Offer**

According to Section 14.2 of the Offer Document, the Bidder has taken the following measures to ensure financing:

Prior to the publication of the Offer Document, the Bidder paid an amount of EUR 156,085,830.00 into an account with ODDO BHF Aktiengesellschaft which it opened for the purpose of settling the Offer. The Bidder pledged its current and future receivables and claims to which it is, or will be, entitled in connection with this settlement account to ODDO BHF Aktiengesellschaft. The purpose of the pledge is, among other things, to ensure, pursuant to Section 13 para. 1 WpÜG, that the funds needed for complete fulfilment of the Offer will be available to the Bidder at the time payment is due.

Furthermore, with respect to the 22,088,640 DEMIRE Shares held by Wecken & Cie. and Ferry Wecken, the Bidder stipulated in the non-acceptance agreements with Wecken & Cie. and Ferry Wecken payment of a contractual penalty in the event that Wecken & Cie. and Ferry Wecken accept the Offer in part or in full in breach of their contractual obligation. According to that stipulation, Wecken & Cie. and Ferry Wecken are obliged to pay to the Bidder a contractual penalty in the amount of the Offer Price for each DEMIRE Share tendered to the Offer by them in breach of the agreement. This contractual penalty would become due at the time the claim to consideration as part of the Offer becomes due and is automatically offset against the respective claim to payment of the Offer Price, meaning that the mutual claims would fully expire as a result of this offset. Wecken & Cie. and Ferry are, moreover, obliged to pay a contractual penalty if they sell or transfer the DEMIRE Shares held by them to a third party in breach of their contractual obligation. For each DEMIRE Share sold or transferred in breach of the agreement, a contractual penalty in the amount of the Offer Price would have to be paid to the Bidder. Furthermore, in the agreement on the blocking of securities accounts, Wecken & Cie. and Ferry Wecken each unconditionally and irrevocably instructed their depository banks not to transfer any of the DEMIRE Shares kept by them at the depository banks to a different securities account or to surrender the DEMIRE Shares to them or to a third party, not to execute any sales

orders, and not to contribute to any other legal changes *in rem* with respect the DEMIRE Shares held by them, without the Bidder's consent.

6.3 Confirmation of financing

According to Section 14.3 of the Offer Document, ODDO BHF Aktiengesellschaft, which has its registered office in Frankfurt am Main and is an investment service provider that is independent of the Bidder, issued the requisite financing confirmation pursuant to Section 13 para. 1 sentence 2 WpÜG, which is enclosed as Annex 5 to the Offer Document.

6.4 Assessment of the financing measures taken by the Bidder

According to the Offer Document, the Bidder has thus taken the requisite measures to ensure that, at the relevant point in time, it has funds in the amount of the Offer Costs available. In the view of the Executive Board and the Supervisory Board, the measures taken by the Bidder meet the requirements of Section 13 para. 1 sentence 1 WpÜG.

7. INTENTIONS OF THE BIDDER AND EXPECTED CONSEQUENCES FOR THE TARGET COMPANY

The intentions of the Bidder, the members of the Wecken Group (as defined in Section 2.5(a)) and the Bidder Parent Companies (as defined in Section 3.4) with respect to DEMIRE are set out in Section 9 of the Offer Document. DEMIRE Shareholders are advised to carefully read that section of the Offer Document as well. The following provides an overview of the intentions of the Bidder, the members of the Wecken Group and the Bidder Parent Companies, as well as expected consequences for the Target Company as set out in the Offer Document, and also contains the statements of the Executive Board and the Supervisory Board in this respect.

7.1 Future business activity, assets and future obligations of DEMIRE

(a) Intentions of the Bidder

According to Section 9.1 of the Offer Document, the Bidder intends to be a proactive, supportive, reliable and constructive partner for DEMIRE and its Executive Board and, in particular, to support the stated strategy DEMIRE 2.0 of the Executive Board of DEMIRE. This strategy DEMIRE 2.0 comprises in particular an improvement with respect to financing costs and is directed, firstly, at internal portfolio growth (including through vacancy reduction and rental growth) and, secondly, external growth through the purchase of value-adding real estate. In addition, administrative costs are to be reduced and the cost base to be optimised.

The Bidder intends, to the extent legally permissible, to closely cooperate with the Executive Board of DEMIRE and to support the latter in implementing its strategy for achieving additional value. In the medium to long term, DEMIRE shall be developed into one of the leading listed commercial real estate platforms in Germany with a target portfolio volume in excess of EUR 2 billion, subject to appropriate value-enhancing investment opportunities and the general market development. The Bidder moreover intends an increase of the occupancy rate of the real estate and the reduction of vacancy rates and non-allocable costs. Lastly, the Bidder intends to achieve an increase in the valuation level of the real estate to market standard.

In this respect, the Bidder intends to increase real estate assets through investments in order to reposition underperforming properties, through the acquisition of additional properties on the market and through contributions in kind by the Bidder or the Wecken Group or the companies affiliated with them against issue of new no-par bearer shares in DEMIRE. The medium-term goal is to finance the growth of DEMIRE via cash capital increases with subscription rights and capital increases in kind; the long-term goal, after completion of the growth phase, is investment in DEMIRE by third parties (i.e. neither parties to the shareholder agreement nor companies affiliated with them within the meaning of Sections 15 et seq. AktG) of at least 30% of the share capital.

The Bidder intends to improve the operative result of DEMIRE, among other things, by improving operative efficiency, with the aim of regular distribution. In addition, an improvement in the debt ratio and a reduction in the loan-to-value ratio (LTV) shall be achieved in order to reduce interest cost. If and to the extent that the Corporate Bond 2017/2022 issued by DEMIRE must be refinanced as a result of a change of control and DEMIRE is not itself in a position to do so, the Bidder intends to provide bridge financing. According to Section 8.2(f) of the Offer Document, a claim to repayment of the loan resulting therefrom could be contributed to DEMIRE as a contribution in kind against issue of new shares in DEMIRE.

Above and beyond the intentions set out above, the Bidder has, according to its own statements, no intentions with respect to future business activity, the use of assets, or future obligations of DEMIRE group.

(b) Assessment by the Executive Board and the Supervisory Board

The Executive Board and the Supervisory Board welcome the Bidder's interest in DEMIRE and its stated intentions. They welcome in particular that the Bidder intends to support the Executive Board of DEMIRE in the further implementation of its strategy DEMIRE 2.0 and the further growth of DEMIRE.

The Executive Board and the Supervisory Board are of the opinion that the Offer will not negatively affect DEMIRE's operational independence, but will instead enable DEMIRE to continue its current business activities and possibly pursue its strategic objectives even more quickly and effectively.

7.2 Registered office of DEMIRE and location of material parts of the business

(a) Intentions of the Bidder

According to Section 9.2 of the Offer Document, the Bidder does not intend to cause DEMIRE to relocate its administrative and registered office or to relocate, close or sell any parts of the business.

(b) Assessment by the Executive Board and the Supervisory Board

The Executive Board and the Supervisory Board welcome the Bidder's intention not to cause DEMIRE to relocate its administrative and registered office or to relocate, close or sell any parts of the business.

7.3 Employees, employee representation and employment conditions

(a) Intentions of the Bidder

According to its statements in Section 9.3 of the Offer Document, the Bidder acknowledges that the employees of DEMIRE are the foundation of the current and future success of the Target Company and, as a strategic investor and responsible major shareholder, considers itself obliged to protect the interests of the employees.

Furthermore, the Bidder states that the settlement of the Offer will not impact the employees of DEMIRE group, their representations or their material employment conditions, and that it does not intend to cause DEMIRE to implement measures that could result in any changes in this respect.

(b) Assessment by the Executive Board and the Supervisory Board

The Executive Board and the Supervisory Board consider the Bidder's statements with regard to the employees of DEMIRE to be of particular importance. The Executive Board and the Supervisory Board share the Bidder's view that the employees of DEMIRE are the foundation of the current and future success of the Target Company and thus welcome the Bidder's intention to respect the rights of the employees, their representations and their material employment conditions, and to not cause DEMIRE to implement measures that could result in any changes in this respect.

7.4 Members of the Executive Board and the Supervisory Board of DEMIRE

(a) Intentions of the Bidder

According to the Offer Document, the Bidder intends to cooperate constructively with the Executive Board of DEMIRE, which is intended to manage the Target Company in accordance with the statutory provisions independently and at its own responsibility. According to the Offer Document, it is not intended to change the position of Mr Kind as member of the Executive Board (CEO).

The Supervisory Board of DEMIRE consists of three members. The Bidder does not intend to change the size of the Supervisory Board. According to Section 9.4 of the Offer Document, the Bidder intends to liaise with the Wecken Group as regards the composition of the Supervisory Board, and the Bidder and the Wecken Group will each appoint one member of the Supervisory Board. The current Supervisory Board member Prof. Dr Hermann Anton Wagner shall be replaced by a candidate designated by the Bidder. At the next regular election of the Supervisory Board, the Bidder and the Wecken Group will each nominate one future Supervisory Board member and will agree on, and nominate, a candidate for the position of the third Supervisory Board member.

(b) Assessment by the Executive Board and the Supervisory Board

The Executive Board and the Supervisory Board welcome the Bidder's statements regarding constructive support and composition of the Executive Board. From their point of view, such statements emphasise the intention expressed by the Bidder to abide by the current strategic alignment.

The Executive Board and the Supervisory Board also welcome that the Bidder does not intend to change the size of the Supervisory Board of DEMIRE. The Executive Board and the Supervisory Board consider the Bidder's intention to seek representation in the Supervisory Board of DEMIRE commensurate with the percentage of its participation in the Target Company to be reasonable.

7.5 Intended structural measures

(a) Intentions of the Bidder

According to Section 9.5 of the Offer Document, the Bidder does not intend to implement any structural measures, in particular under the German Transformation Act (*Umwandlungsgesetz*) and the German Stock Corporation Act (*Aktiengesetz*), with respect to the Target Company. Nor does the Bidder intend a delisting of the DEMIRE Shares.

(b) Assessment by the Executive Board and the Supervisory Board

The Executive Board and the Supervisory Board welcome these intentions of the Bidder, which show that DEMIRE is to be continued as an independent and listed company.

7.6 Intentions in respect of the business activities of the Bidder, of the Bidder Parent Companies and of the members of the Wecken Group

(a) Intentions of the Bidder

Except for the consequences set out in Section 15 of the Offer Document regarding the net assets, financial position and results of operations of the Bidder, potential bridge financing (see Sections 4.2(b) and 7.1) and the voluntary public takeover offer of the Bidder to the shareholders of Fair Value published at the same time, according to Section 9.6 of the Offer Document it is not intended to implement any changes with regard to the business activities, in particular with regard to the registered office of the companies, the location of material company parts, the utilisation of assets, future obligations of the Bidder, the members of the Wecken Group and the Bidder Parent Companies, the members of the management bodies of the Bidder and the Bidder Parent Companies or, if applicable, the employees, their representations and the employment conditions of the Bidder, the members of the Wecken Group and the Bidder Parent Companies.

(b) Assessment by the Executive Board and the Supervisory Board

The Executive Board and the Supervisory Board acknowledge the Bidder's statements in Section 15 of the Offer Document regarding the intentions with regard to the business activities.

7.7 Tax consequences

The Executive Board and the Supervisory Board point out that the settlement of the Offer may impact the tax situation of DEMIRE and its subsidiaries.

Pursuant to German tax law, as at 31 December 2017, DEMIRE had corporate income tax loss carry-forwards of around EUR 28.3 million and trade tax shortfalls of around EUR 20.7 million (for the sake of simplicity, these loss carry-forwards and shortfalls are hereinafter jointly referred to as "**Tax Losses**"). For the entire year 2018, DEMIRE

expects a corporate income tax profit –estimated – of around EUR 2.1 million and a negative trade income – estimated – of around EUR 1.5 million.

To the extent that the Tax Losses of DEMIRE have not, as a result of preceding share purchases and capital increases, already been lost in whole or in part because a purchaser or a group of purchasers with the same interests acquired more than 25% or more than 50% of the shares and/or voting rights of DEMIRE over a period of five years, the settlement of the Offer could, pursuant to Sections 8c, 8d of the German Corporation Tax Act (Körperschaftsteuergesetz – "**KStG**"), result in a partial or full loss of the Tax Losses.

With regard to the Tax Losses as of 31 December 2017, the Executive Board and the Supervisory Board point out the following:

Based on the knowledge of the Executive Board and the Supervisory Board, in 2018, an acquirer group between the Bidder and the Wecken Group (as defined in Section 2.5(a)) based on the Shareholder Agreement concluded on 26 February 2018 (see Section 4.2) acquired approximately 42% of the shares of DEMIRE pursuant to Section 8c KStG. Due to the lack of taxable hidden reserves at DEMIRE (the tax authorities do not allocate the hidden reserves of the controlled company (*Organgesellschaft*) to the parent company (*Organträger*) and due to the fact that DEMIRE is the parent company, the acquisition of shares by the acquirer group generally leads to a loss of the Tax Losses and of the interest carry-forward of DEMIRE in the corresponding amount for interest barrier (*Zinsschranke*) purposes.

In this respect, the Executive Board and the Supervisory Board take the view that the share purchases made by a member of the acquirer group prior to conclusion of the Shareholder Agreement and thus prior to the establishment of the acquirer group are not attributable to the acquirer group for the purposes of Section 8c KStG. A requirement for the attribution of the previous acquisitions would be that there was already an agreement between the members of the acquirer group in relation to the investment in DEMIRE prior to the conclusion of the Shareholder Agreement. The Executive Board and the Supervisory Board are not aware of such an agreement.

To the extent that the Offer is settled and the Bidder acquires shares of DEMIRE as a member of the acquirer group, in the view of the Executive Board and the Supervisory Board, insofar as the acquirer group does not acquire (directly or indirectly) more than 50% of the shares in total, further tax losses will be lost pro rata merely. If the acquisition of the shares by the Bidder results in more than 50% of the shares in DEMIRE being transferred to the acquirer group within five years (directly or indirectly), the existing Tax Losses of DEMIRE at that time and the current Tax Losses are lost in total.

The Executive Board and the Supervisory Board also point out that, pursuant to the prevailing opinion in literature, the constitutionality of Sections 8c, 8d KStG is highly doubtful. Thus, there is a certain probability that neither the acquisition of control in late February/early March 2018 nor the settlement of the Offer will result in a loss of Tax Losses.

The settlement of the Offer as such does not result in any real estate transfer tax burden for DEMIRE or its subsidiaries.

The settlement of the Offer does not have any direct impact on the tax status of Fair Value; with regard to the possible effects of the completion of the voluntary public takeover offer of the Bidder to acquire the shares of Fair Value pursuant to the provisions of the WpÜG see Section 7.9.

7.8 Financial consequences

Based on the current knowledge of the Executive Board and the Supervisory Board, a change of control triggered by the settlement of the Offer can potentially impact the following financing arrangements:

(a) **Convertible Bond 2013/2018**

As set out in Section 2.5(a), in the event of a change of control, the bondholders were entitled under the Convertible Bond 2013/2018, by means of issuing a repayment declaration in a timely manner, to claim from the Target Company repayment of some or all of their bonds by 23 April 2018 for which the conversion right was not exercised and which were not declared due for early repayment, at the early repayment amount of 115% of the nominal amount of the bonds plus any interest accrued and unpaid until 23 April 2018.

Early repayment was requested for 572 convertible bonds as a result of the change of control triggered by the conclusion of the Shareholder Agreement. Repayment has already been effected; as a result, the Target Company incurred a liquidity outflow of EUR 659.87 in total.

(b) **Mandatory Convertible Bond 2015/2018**

As set out in Section 2.5(b), in the event of a change of control, the bondholders were entitled under the Mandatory Convertible Bond 2015/2018, by means of issuing a repayment declaration in a timely manner, to claim from the Target Company repayment of some or all of their bonds by 23 April 2018 for which the conversion right was not exercised and which were not declared due for early repayment, at the early repayment amount of 115% of the nominal amount of the bonds plus any interest accrued and unpaid until 23 April 2018.

None of the bondholders made use of this right.

(c) **Corporate Bond 2017/2022**

On 26 July 2017, DEMIRE issued an unsecured corporate bond at an interest rate of 2.875% p.a. and with a nominal amount of EUR 270 million, which was increased by additional EUR 130 million to an overall amount of EUR 400 million on 2 October 2017 ("**Bond 2017/2022**"). The Bond 2017/2022 was admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange on 26 July 2017 (and on 2 October 2017 with regard to the additional amount). The Bond 2017/2022 is due for repayment on 15 July 2022, unless it is repaid prior to the final maturity date in accordance with the repayment requirements set out in the terms of the bond.

Pursuant to the bond terms, the Target Company is obliged to offer to the bondholders early redemption of the bond at a redemption price of 101% of the nominal amount plus any interest accrued and unpaid on the redemption date within 30 days after acquiring knowledge of the change of control ("**Redemption Offer**"). In the event of a change of control, the maximum total repayment amount under the Redemption Offer would thus be EUR 404 million plus any interest accrued and unpaid.

Pursuant to the bond terms, there is a change of control inter alia if a shareholder or a group of shareholders acting jointly holds more than 30% of the current voting

rights from DEMIRE Shares and such shareholder or group of shareholders acting jointly holds more voting rights than the shareholders Wecken & Cie. and Obotritia Kapital KGaA together.

Based on relevant information which the Target Company has acquired for the first time in a confirmed way through the Offer Document published on 16 April 2018, the Target Company is of the opinion that change of control pursuant to the bond terms has occurred. The Target Company is therefore obliged to make a Redemption Offer pursuant to the bond terms. The Target Company intends to comply with this obligation.

The Executive Board and the Supervisory Board take the view that the financing of the repurchase price on the market will be possible if and to the extent that bondholders demand early redemption.

Furthermore, the Letter of Intent contains the binding declaration that the Bidder will offer bridge financing to DEMIRE for up to six months at an interest rate of 3% p.a. if and to the extent that, in case of a change of control through the mandatory takeover offer, DEMIRE is unable to refinance the bonds tendered by the bondholders under Bond 2017/2022 issued by DEMIRE (see Section 4.2(b)).

7.9 Fair Value

Overall, DEMIRE holds approximately 77.70% of the voting rights and the share capital of Fair Value via eight holding companies. The shares of Fair Value ("**Fair Value Shares**") are admitted to trading on the Regulated Market of the Frankfurt Stock Exchange (General Standard) under ISIN DE000A0MW975 and are traded via the XETRA electronic trading system on the Frankfurt Stock Exchange. The Fair Value Shares are also traded on the regulated unofficial market on the stock exchanges in Berlin, Dusseldorf, Hamburg, Munich and Stuttgart as well as via Tradegate Exchange.

Fair Value REIT AG is a so-called REIT public limited company within the meaning of the German Law on German Real Estate Stock Corporations with Listed Shares (*Gesetz über deutsche Immobilien-Aktiengesellschaften mit börsennotierten Anteilen* – "**REITG**"). An essential feature of the REIT public limited company is that it is exempt from corporate and trade tax (Section 16 para. 1 REITG). In return, pursuant to Section 19 para. 3 REITG, the complete tax exemption (*vollständige Steuerbefreiung*) pursuant to Section 8b KStG and the so-called partial income method (*Teileinkünfteverfahren*) pursuant to Section 3 no. 40 of the German Income Tax Act (*Einkommensteuergesetz* – "**EStG**") in principle are not applicable to the distributions by REIT public limited companies. Therefore, distributions by REIT public limited companies are fully taxable for shareholders. Shareholders holding their shares as private assets for tax purposes generally pay tax on the distributions in accordance with the withholding tax rules (Section 32d EStG).

In addition to admission of the shares to an organised market within the meaning of Section 2 para. 11 WpHG, a requirement for maintaining the status as REIT is, *inter alia*, that at least 15% of the shares are free float (the "**Free Float Requirement**") and that no investor directly holds 10% or more of the shares or holds shares to an extent that results in such investor directly holding more than 10% of the voting rights (the "**Maximum Participation Threshold**") (Sections 10 para. 1, 11 paras. 1 and 4 REITG).

Pursuant to Section 18 para. 3 sentences 1 and 2 REITG, if such a REIT public limited company violates the Free Float Requirement or the Maximum Participation Threshold for

three consecutive financial years, the tax-exempt status of such a REIT public limited company ends after expiry of the third financial year.

In accordance with Section 11 para. 3 REITG, clause 34 para. 1 of the articles of association of Fair Value stipulates that, if Fair Value loses its tax-exempt status pursuant to Section 18 para. 3 REITG, each shareholder of Fair Value who acquired Fair Value Shares before the announcement that the company has lost its tax-exempt status, and still holds his shares after such announcement or sold the the Fair Value Shares only after such announcement, has a claim for damages against Fair Value if, at the time of such announcement, the shareholder holds less than 3% of the voting rights in Fair Value. The amount of the compensation claim is calculated on the basis of the loss in value of the Fair Value Shares resulting from the loss of tax exemption. In accordance with clause 34 para. 4 sentence 2 of the articles of association of Fair Value, the loss is determined on a flat-rate basis for all shareholders on the basis of a company valuation in accordance with the principles of company valuation recognised in Germany (IDW S1). Pursuant to clause 34 para. 3 of the articles of association of Fair Value, the company may not be held liable if it proves that the loss of the tax exemption is not due to intent or gross negligence.

On 26 February 2018 – and thus at the same time as the Acquisition of Control over DEMIRE was published – the Bidder published the decision to make a voluntary public takeover offer for the acquisition of the Fair Value Shares pursuant to Section 10 para. 1 sentence 1, para. 3 sentence 1 WpÜG (the "**Fair Value Offer**"). Also at the same time as the publication of the Offer Document concerning DEMIRE, the Bidder published the offer document of the Fair Value Offer by announcement on the Internet at <http://www.aepf-takeover-offer.de/angebotsunterlage/> on 16 April 2018. As consideration, the Bidder offered EUR 8.28 per Fair Value Share.

In Section 9 of the offer Document for the Fair Value Offer, the Bidder declared that it has *inter alia* the following intentions with regard to Fair Value:

- The Bidder intends to assess whether it will cause Fair Value, via DEMIRE and its subsidiaries, to transfer excess liquidity of Fair Value to DEMIRE, for example by way of intercompany loans or cash pooling, to the extent legally permissible.
- The Bidder intends to maintain the REIT status of Fair Value for the time being and, if necessary, to initially ensure the statutory Maximum Participation Threshold (Section 11 para. 4 REITG) and the statutory Free Float Requirement (Section 11 REITG) by appropriate measures following settlement of the offer.
- Following settlement of the offer, the Bidder intends to evaluate a termination of the REIT status of Fair Value as well as the legal requirements and economic consequences thereof for Fair Value and its shareholders. In order to terminate the REIT status, the Bidder could – jointly with or indirectly via DEMIRE – obtain a resolution by the general meeting of Fair Value to amend the articles of association, which, with the majority necessary for amending the articles of association, would amend the references to the REIT status. The REIT status of Fair Value would cease to exist upon entry of the amendment of the articles of association in the Commercial Register.
- At the time the offer document is published, it is no longer intended to revoke the admission of the Fair Value Shares for trading on the Regulated Market of the Frankfurt Stock Exchange or to effect a complete delisting of the Fair Value Shares on the Frankfurt Stock Exchange. However, the Bidder could, in future, for

example in the event of an intended termination of the REIT status – together with or indirectly via DEMIRE – cause Fair Value to apply for the delisting of the Fair Value Shares to the extent legally permissible. Pursuant to Section 39 of the German Stock Exchange Act (*Börsengesetz* – "**BörsG**"), a delisting offer pursuant to Section 39 para. 2 BörsG would have to be submitted to the shareholders of Fair Value in connection with a delisting. The value of such a delisting offer could be equal to the offer price, but it could also be lower or higher.

Irrespective of this Offer and the Fair Value Offer, the Executive Board and the Supervisory Board of DEMIRE generally intend to simplify the group structure in implementation of the DEMIRE 2.0 strategy.

A final assessment of the different options available is still outstanding. However, the Executive Board and the Supervisory Board point out that the articles of association of Fair Value do not provide for any claim to compensation in the event that the loss of the tax-exempt status is the result of a deletion of the references to the REIT status and the REITG in the articles of association of Fair Value.

The executive board and the supervisory board of Fair Value are obliged to publish their own statement with regard to the Fair Value Offer.

8. EFFECTS ON THE DEMIRE SHAREHOLDERS

The following statements are intended to provide the DEMIRE Shareholders with information concerning the assessment of the effects of the acceptance or non-acceptance of the Offer. The following aspects do not claim to be exhaustive. It is the own responsibility of each DEMIRE Shareholder to evaluate the effects of an acceptance or non-acceptance of the Offer. The Executive Board and the Supervisory Board recommend that the DEMIRE Shareholders seek professional advice, if necessary.

The Executive Board and the Supervisory Board furthermore point out that they do not and cannot assess whether DEMIRE Shareholders, through accepting or not accepting the Offer, might be exposed to possible tax disadvantages (especially any tax liability on capital gains) or if tax benefits could be forfeited. The Executive Board and the Supervisory Board recommend that, before deciding to accept or not accept the Offer, DEMIRE Shareholders should seek tax advice, taking into consideration the personal circumstances of the respective DEMIRE Shareholder.

8.1 Possible drawbacks of acceptance of the Offer

DEMIRE Shareholders intending to accept the Bidder's Offer should, among other things, consider the following in the light of the statements made above:

- DEMIRE Shareholders who accept or have accepted the Offer will in future no longer be able to benefit from any positive performance of the stock market price of the DEMIRE Shares, or from any positive development of the business of DEMIRE group.
- DEMIRE Shareholders who accept or have accepted the Offer will lose their membership rights and property rights; in particular, they will no longer have any dividend entitlements (see Section 5.1 with regard to dividend entitlements for the financial year 2017).

- DEMIRE Shareholders who accept or have accepted the Offer will not participate in any cash compensation of whatever kind that is payable by law if certain structural measures are implemented following the settlement of the Offer.
- A withdrawal from accepting the Offer is possible only under the strict criteria set out in Section 17 of the Offer Document, and only before the Acceptance Period expires.

8.2 Possible drawbacks of non-acceptance of the Offer

DEMIRE Shareholders who do not accept the Offer and who do not otherwise dispose of their DEMIRE Shares will remain shareholders of DEMIRE as before. However, they should take note, in particular, of the Bidder's statements set out in Section 16 of the Offer Document, along with the following:

- They will bear the risks of the future performance of those DEMIRE Shares in respect of which they do not accept the Offer.
- The current stock market price of the DEMIRE Shares also reflects the fact that the Bidder published its Acquisition of Control over DEMIRE and the Offer Price on 26 February 2018. It is uncertain whether, following the settlement of the Offer, the stock market price of the DEMIRE Shares will remain at its present level or rise above or fall below it.
- The settlement of the Offer will result in a reduction of the free float of the issued DEMIRE Shares. It is further expected that the supply of, and demand for, DEMIRE Shares will be lower than today after settlement of the Offer, and therefore that the liquidity of the DEMIRE Shares will decrease. It is therefore possible that buy and sell orders with respect to DEMIRE Shares cannot be executed or cannot be executed in a timely fashion. Moreover, the possible limitation of the liquidity of the DEMIRE Share could result in substantially stronger price fluctuations of the DEMIRE Share in the future.
- Following conclusion of the Shareholder Agreement, the Bidder, together with the members of the Wecken Group, obtained the voting majority at the general meeting of DEMIRE and depending on the acceptance rate could, following the settlement of this Offer, also have the necessary voting majority to enforce all important structural measures under corporate law at the general meeting of DEMIRE. These include, for example, amendments to the articles of association, capital increases and, if the majority requirements under statutory law and the articles of association have been satisfied, the exclusion of subscription rights of shareholders in capital measures as well as the conclusion of a domination and/or profit and loss transfer agreement pursuant to Sections 291 et seq. AktG, as well as reorganisations, mergers and the dissolution of the Target Company. Pursuant to German law, only some of the aforementioned measures establish an obligation to offer the minority shareholders, on the basis of a company valuation of DEMIRE, to acquire their DEMIRE Shares in exchange for reasonable compensation or to grant other compensation. As such a company valuation would have to be based on circumstances existing at the time the resolution on the measure in question was adopted by the DEMIRE general meeting, such compensation offer could be equivalent in value to the Offer Price, but it could also be lower or higher. The implementation of some of these measures could also result in the delisting of the DEMIRE Shares.

- In order to implement the growth strategy, capital increases with subscription rights or excluding subscription rights for the DEMIRE Shareholders could be carried out at the Target Company. Capital increases with an exclusion of subscription rights would result in a dilution of the DEMIRE Shareholder's participation.
- After settlement of the Offer or at a later time within the limits of the law, the Bidder could cause DEMIRE to apply for a delisting of the DEMIRE Shares from the regulated market of the Frankfurt Stock Exchange with additional listing obligations (*Prime Standard*) or to suspend trading at the Stuttgart, Berlin and Dusseldorf stock exchanges, after the required conditions have been met. In the former case, the DEMIRE Shareholders would no longer benefit from the increased reporting duties of the regulated market. Should the Bidder seek to obtain a separate delisting pursuant to Section 39 BörsG, the Bidder would submit to the DEMIRE Shareholders a delisting offer within the meaning of Section 39 para. 2 BörsG. The value of such a delisting offer could be equal to the Offer Price, but it could also be lower or higher.
- After settlement of the Offer or at a later time within the limits of the law, the Bidder could also effect a complete delisting of the DEMIRE Shares from the Frankfurt Stock Exchange. In that case, a new offer would be required pursuant to the provisions of the German Stock Exchange Act (*Börsengesetz*).

9. INTERESTS OF THE MEMBERS OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

The deputy chairman of the Supervisory Board, Mr Frank Hölzle, is the CEO and member of the Board of Directors of Care4 AG, a company controlled by Klaus Wecken. In order to avoid any conflicts of interests, he did not participate in the deliberations in the Supervisory Board regarding this Statement. He, however, did participate in the adoption of the resolution in order to ensure the quorum of the Supervisory Board, and abstained from voting.

The Bidder and the persons acting jointly with the Bidder did not exert any influence on DEMIRE or its bodies in connection with the Offer and this Statement.

The members of the Executive Board and the Supervisory Board did not receive any unjustified payments or other unjustified non-cash benefits or commitments to this effect from the Bidder or the persons acting jointly with the Bidder in connection with the Offer.

10. INTENTIONS OF THE MEMBERS OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD TO ACCEPT THE OFFER TO THE EXTENT THAT THEY ARE DEMIRE SHAREHOLDERS

Mr Kind, as a member of the Executive Board, holds 5,000 DEMIRE Shares. Mr Kind does not intend to accept the offer for the DEMIRE Shares held by him.

Of the members of the Supervisory Board, Mr Hölzle holds 1,000 DEMIRE Shares. Mr Hölzle does not intend to accept the Offer for the DEMIRE Shares held by him.

The remaining members of the Supervisory Board do not hold any DEMIRE Shares.

11. RECOMMENDATION

In view of the information provided in this Statement and taking into account the overall circumstances of the Offer, the Executive Board and the Supervisory Board believe that

the consideration offered by the Bidder is fair within the meaning of Section 31 para. 1 WpÜG.

The Executive Board and the Supervisory Board are of the opinion that the Offer reflects the Target Company's interests. Therefore, the Executive Board and the Supervisory Board support the Offer and recommend that the DEMIRE Shareholders accept the Offer.

Each DEMIRE Shareholder is responsible for making his own decision as to whether or not to accept the Offer, taking into account the overall circumstances, his individual circumstances and his personal assessment of the future performance potential of the value and stock market price of the DEMIRE Share. The Executive Board and the Supervisory Board do not assume any liability in the event that the acceptance or non-acceptance of the Offer subsequently turns out to be economically disadvantageous.

Langen, 26 April 2018

The Executive Board

The Supervisory Board

Annex 1: List of subsidiaries of DEMIRE

Annex 2: Corporate structure of the Bidder

Annex 3: Fairness Opinion of Rothschild GmbH

Annex 1: List of subsidiaries of DEMIRE

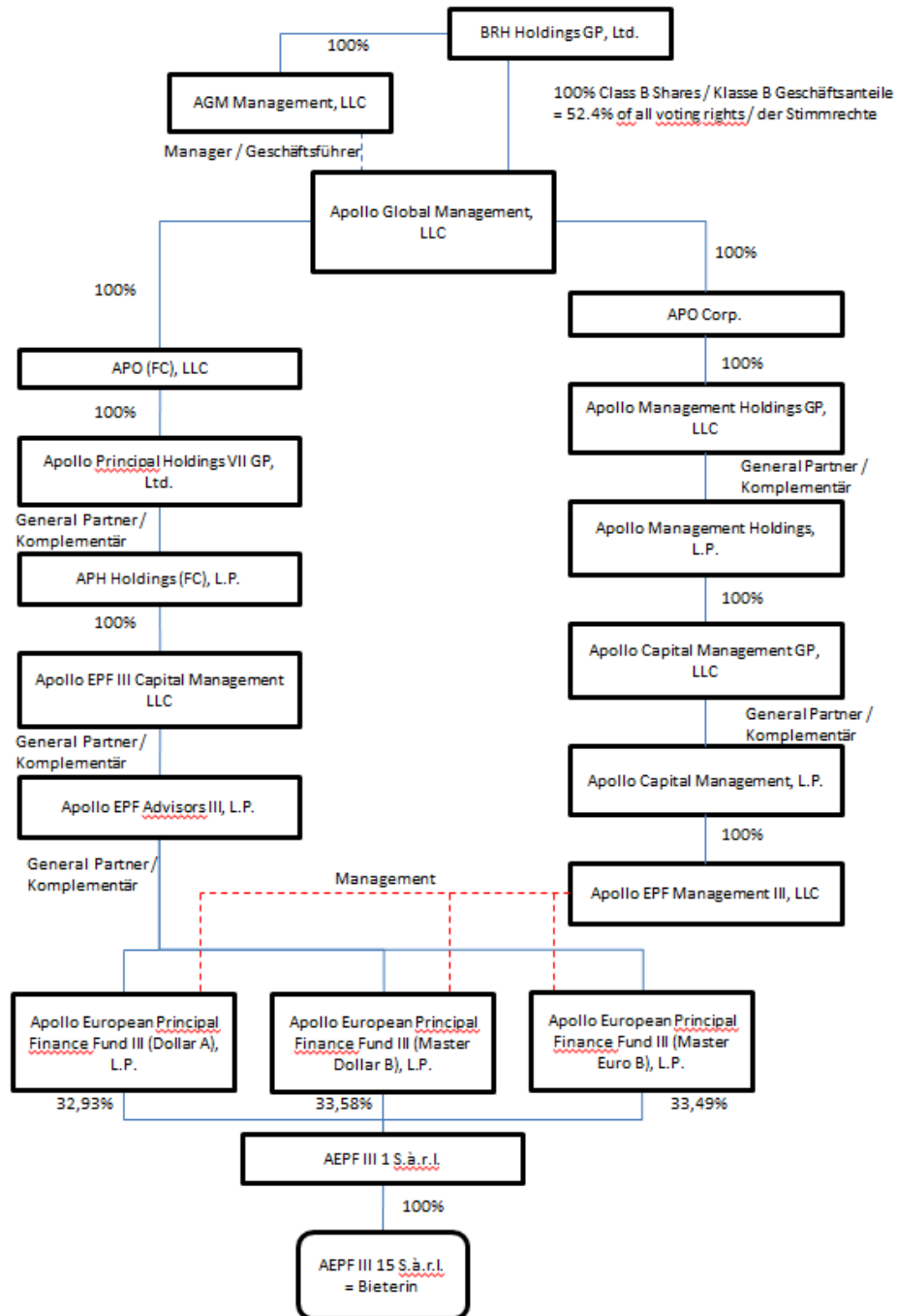
Persons acting jointly with DEMIRE and with each other pursuant to Section 2 para. 5 sentence 3 WpÜG.

As at: 25 April 2018

| Company | Registered office/country |
|---|---------------------------|
| BBV 3 Geschäftsführungs-GmbH & Co. KG | Gräfelfing/Germany |
| BBV 6 Geschäftsführungs-GmbH & Co. KG | Gräfelfing/Germany |
| BBV 9 Geschäftsführungs-GmbH & Co. KG | Gräfelfing/Germany |
| BBV 10 Geschäftsführungs-GmbH & Co. KG | Gräfelfing/Germany |
| BBV 14 Geschäftsführungs-GmbH & Co. KG | Gräfelfing/Germany |
| BBV Immobilien-Fonds Erlangen GbR | Munich/Germany |
| BBV Immobilien-Fonds Nr. 3 GmbH & Co. KG | Munich/Germany |
| BBV Immobilien-Fonds Nr. 6 GmbH & Co. KG | Munich/Germany |
| BBV Immobilien-Fonds Nr. 8 GmbH & Co. KG | Munich/Germany |
| BBV Immobilien-Fonds Nr. 10 GmbH & Co. KG | Munich/Germany |
| BBV Immobilien-Fonds Nr. 14 GmbH & Co. KG | Munich/Germany |
| Blue Ringed S.à r.l. | Luxembourg/Luxembourg |
| CAM Commercial Asset Management EINS GmbH | Frankfurt am Main/Germany |
| CAM Commercial Asset Management ZWEI GmbH | Frankfurt am Main/Germany |
| CAM Commercial Asset Management DREI GmbH | Frankfurt am Main/Germany |
| CAM Commercial Asset Management VIER GmbH | Frankfurt am Main/Germany |
| CONDOR Objektgesellschaft Bad Kreuznach | Frankfurt am Main/Germany |
| CONDOR Objektgesellschaft Bad Oeynhausen GmbH | Frankfurt am Main/Germany |
| CONDOR Objektgesellschaft Düsseldorf GmbH | Frankfurt am Main/Germany |
| CONDOR Objektgesellschaft Eschborn GmbH | Frankfurt am Main/Germany |
| CONDOR Objektgesellschaft Lichtenfels GmbH | Frankfurt am Main/Germany |
| CONDOR Objektgesellschaft Rendsburg GmbH | Frankfurt am Main/Germany |
| CONDOR Objektgesellschaft YELLOW GmbH | Frankfurt am Main/Germany |
| Condor Real Estate Management EINS GmbH | Frankfurt am Main/Germany |
| Condor Real Estate Management ZWEI GmbH | Frankfurt am Main/Germany |
| Condor Real Estate Management DREI GmbH | Frankfurt am Main/Germany |
| Condor Real Estate Management FÜNF GmbH | Frankfurt am Main/Germany |
| Condor Yellow BV GmbH | Frankfurt am Main/Germany |
| DEMIRE Commercial Real Estate ZWEI GmbH | Frankfurt am Main/Germany |
| DEMIRE Commercial Real Estate DREI GmbH | Frankfurt am Main/Germany |
| DEMIRE Commercial Real Estate VIER GmbH | Frankfurt am Main/Germany |
| DEMIRE Commercial Real Estate FÜNF GmbH | Frankfurt am Main/Germany |
| DEMIRE Commercial Real Estate SECHS GmbH | Frankfurt am Main/Germany |
| DEMIRE Commercial Real Estate GmbH | Frankfurt am Main/Germany |
| DEMIRE CONDOR Properties Management GmbH | Frankfurt am Main/Germany |
| DEMIRE Einkauf GmbH | Frankfurt am Main/Germany |
| DEMIRE Holding EINS GmbH | Frankfurt am Main/Germany |
| Demire Immobilien Management GmbH | Berlin/Germany |
| DEMIRE Objektgesellschaft Armstripe GmbH | Frankfurt am Main/Germany |
| DEMIRE Objektgesellschaft Briarius GmbH | Frankfurt am Main/Germany |
| DEMIRE Objektgesellschaft Germavest GmbH | Frankfurt am Main/Germany |

| | |
|--|------------------------------------|
| DEMIRE Objektgesellschaft Worms GmbH | Frankfurt am Main/Germany |
| Demire Parkhaus Betriebsgesellschaft mbH | Berlin/Germany |
| DEMIRE Real Estate München 1 GmbH | Frankfurt am Main/Germany |
| Denston Investments Ltd. | Nikosia/Cyprus |
| Fair Value REIT-AG | Gräfelfing/Germany |
| FVR Beteiligungsgesellschaft Erste mbH & Co. KG | Frankfurt am Main/Germany |
| FVR Beteiligungsgesellschaft Zweite mbH & Co. KG | Frankfurt am Main/Germany |
| FVR Beteiligungsgesellschaft Dritte mbH & Co. KG | Frankfurt am Main/Germany |
| FVR Beteiligungsgesellschaft Vierte mbH & Co. KG | Frankfurt am Main/Germany |
| FVR Beteiligungsgesellschaft Fünfte mbH & Co. KG | Frankfurt am Main/Germany |
| FVR Beteiligungsgesellschaft Sechste mbH & Co. KG | Frankfurt am Main/Germany |
| FVR Beteiligungsgesellschaft Siebente mbH & Co. KG | Frankfurt am Main/Germany |
| FVR Beteiligungsgesellschaft Achte mbH & Co. KG | Frankfurt am Main/Germany |
| Glockenhofcenter Objektgesellschaft mbH | Berlin/Germany |
| GO Bremen ApS | Copenhagen/Denmark |
| GO Leonberg ApS | Copenhagen/Denmark |
| GO Ludwigsburg ApS | Copenhagen/Denmark |
| GP Value Management GmbH | Gräfelfing/Germany |
| Hanse-Center Objektgesellschaft mbH | Berlin/Germany |
| IC Fonds & Co. Büropark Teltow KG | Unterschleißheim/Germany |
| IC Fonds & Co. Gewerbeobjekte Deutschland 15. KG | Unterschleißheim/Germany |
| IC Fonds & Co. Gewerbeportfolio Deutschland 13. KG | Unterschleißheim/Germany |
| IC Fonds & Co. SchmidtBank-Passage KG | Unterschleißheim/Germany |
| Irao Magnat 28/2 LLC | Tbilisi/Georgia |
| Irao Magnat Digomi LLC | Tbilisi/Georgia |
| Kurfürster Immobilien GmbH | Leipzig/Germany |
| Logistikpark Leipzig GmbH | Berlin/Germany |
| MAGNAT AM GmbH | Vienna/Austria |
| MAGNAT Investment I B.V. | Hardinxveld Giessendam/Netherlands |
| Panacea Property GmbH | Berlin/Germany |
| Praedia GmbH | Berlin/Germany |
| Reubescens S.à r.l. | Luxembourg/Luxembourg |
| Ritterhaus Immobilienverwaltung GmbH | Düsseldorf/Germany |
| R-Quadrat Bulgaria EOOD | Sofia/Bulgaria |
| SC Victory International Consulting s.r.l. | Bucharest/Romania |
| Schwerin Margaretenhof 18 GmbH | Frankfurt am Main/Germany |
| Sihlegg Investments Holding GmbH | Wollerau/Switzerland |
| TGA Immobilien Erwerb 1 GmbH | Berlin/Germany |

Annex 2: Corporate structure of the Bidder





STRICTLY PRIVATE AND CONFIDENTIAL

**NON-BINDING CONVENIENCE TRANSLATION THE SIGNED GERMAN VERSION OF
THIS LETTER IS SOLELY DECISIVE**

To the Management Board / Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG
Attention of Mr. Ralf Kind (CEO)
Robert-Bosch-Straße 11
63225 Langen

25 April 2018

Dear Sirs,

AEPF III 15 S.à r.l. (the "Bidder") has announced on 26 February 2018 pursuant to Section 35 para. 1 in connection with Section 10 para. 3 sentences 1 and 2 of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*, "WpÜG"), that the Bidder has entered into a shareholder agreement with Wecken & Cie., Klaus Wecken, Ferry Wecken, Ina Wecken and the Care4 AG (collectively the "Wecken Group") and thereby attained control over DEMIRE Deutsche Mittelstand Real Estate AG (the "Target") and thus intends to offer to the shareholders of the Target by way of a mandatory takeover offer to acquire its no-par value bearer shares of the Target with a nominal value of EUR 1.00 each for a cash consideration of EUR 4.35 per share (the "Consideration"). The Bidder submitted the respective offer in accordance to the terms and conditions of the Offer Document by way of a mandatory publication to the shareholders of the Target on 16 April 2018 pursuant to Section 35 para. 2 in connection with Section 14 para. 2 and 3 WpÜG (the "Offer"). The acceptance period for the Offer has commenced with the publication of the Offer Document on 16 April 2018 and will expire on 14 May 2018. The acquisition of the shares of the Target within the context of the Offer is hereinafter referred to as the "Transaction".

In connection with the Transaction, you have requested our opinion as to the fairness of the Consideration for the shareholders of the Target (other than the Bidder and any of its affiliates as well as Wecken Group) from a financial point of view (the "Opinion").

We are acting as financial advisor to the Target in connection with the Transaction and have agreed a customary advisory fee for our services, a significant portion of which is contingent upon the consummation of the Transaction. The Target has agreed to reimburse us for the expenses incurred and to indemnify us against certain liabilities and obligations which may arise in connection with our engagement.



Neither we nor our affiliates are currently acting for the Bidder or Wecken Group in relation to the Transaction. Rothschild and/or affiliates of Rothschild may, however, currently and/or in the past and/or in the future have business relations with the Bidder, Wecken Group, and/or their respective affiliates in the context of which fees have or will be paid. Rothschild is currently acting as financial advisor to Fair Value REIT-AG, in which the Target, via various subsidiaries, holds a majority stake. Affiliates of Rothschild may in the course of their normal business activities from time to time acquire, hold or sell securities of the Target, the Bidder or Wecken Group for their own account or for the account of the customers.

This letter does not address the relative merits of the Transaction as compared to other business strategies or transactions that might be available with respect to the Target. As agreed with you, we have not been asked to, nor do we offer any opinion as to the material terms of the Transaction (other than as to the fairness of the Consideration from a financial point of view). This Opinion is no recommendation regarding the reasoned statement to be issued by the Management Board and Supervisory Board of the Target pursuant to Section 27 para. 1 WpÜG.

In connection with this Opinion, we have after consultation with the Target, inter alia, used as a basis the following documents:

- i. The Offer Document dated 16 April 2018;
- ii. The draft of the reasoned statement of the Management Board and the Supervisory Board of the Target pursuant to Section 27 para. 1 WpÜG dated 25 April 2018;
- iii. The annual reports of the Target for the fiscal years that have ended on 31 December 2015, 2016 and 2017;
- iv. Certain interim reports of the Target;
- v. Certain other announcements of the Target to its shareholders;
- vi. The Business Plan of the Target dated April 2018;
- vii. Property valuation reports by CBRE GmbH
- viii. Certain publicly available reports from stock analysts about the Target;
- ix. Information regarding certain transactions we considered as comparable with the Transaction; and
- x. Certain stock exchange information for the Target and other companies we considered comparable to the Target.

In addition, we have performed the following analyses:

- i. Compared the financial and operating performance of the Target and the development of the value of its shares with publicly available information concerning other companies we deemed relevant and reviewed the market price development of these companies' shares;



- ii. Held discussions to a limited extent with the management board of the target regarding the Target's business performance, financial condition, future prospects, the business plan and certain other circumstances, which we deemed appropriate;
- iii. Compared the proposed Consideration with the publicly available financial terms of certain other transactions we deemed relevant;
- iv. Performed discounted cash flow valuations for the Target, based on financial forecasts derived from the sources of data described above;
- v. Performed other studies and analyses as we deemed appropriate in this context.

This Opinion is based on a valuation of the Target as it is typically performed by financial advisors when providing fairness opinions in these types of transactions, including discounted cash flow analysis, valuations based on multiples of comparable publicly listed companies and takeover premia in comparable transactions.

We have relied on the statements and views expressed by the Management Board of the Target on the Business Plan and the relevant opportunities and/or risks implied therein and their respective feasibility and profitability. We have assumed that these have been prepared on the basis best currently available information, estimates and good faith judgements of the Management Board of the Target and describe them as accurately as possible. This Opinion does not constitute a statement as to the achievability or reasonableness of any such estimates, judgements, or assumptions.

Our assessment is carried out using valuation methods commonly used by financial advisors and differs in a number of important aspects from a valuation performed by qualified auditors and/or from asset based valuations in general. In particular, we have not performed valuations based upon the guidelines published by the German Institute of Chartered Accountants (IDW) (IDW S 1). This Opinion does not replace such valuations. We express no view on whether, in light of the nature of the Transaction, it may be required or appropriate for the Management Board of the Target to obtain such valuations. In addition, this Opinion has not been rendered in accordance with the IDW guidelines "Principles for the preparation of Fairness Opinions" (IDW S 8).

For the purpose of rendering this Opinion, at your direction, we have relied on the information and documentation available to us, subject to all qualifications and assumptions contained therein, whether express or implied. We have further assumed and relied upon the accuracy and completeness of all of the financial, accounting, legal, tax and other information, reports and documents reviewed or used by us, and we do not assume any liability for these. This applies regardless of whether the information and documents were publicly available, have been provided to us by the Target or its advisors, or were otherwise made available to us. Accordingly, at your direction, we have not undertaken an independent review or verification of the information and documents concerning their consistency, correctness and completeness. We have not provided, obtained or reviewed any specialist advice, including but not limited to, commercial, legal, accounting, actuarial, environmental, information technology or tax advice, and, accordingly, our Opinion does not



take into account the possible implications of any such specialist advice. In addition, at your direction, we have not made an independent evaluation or appraisal of the Target's or its subsidiaries' or their subsidiaries' assets (in particular the real estate assets) and liabilities and did not receive any corresponding valuations or reviews. At your direction, we have generally relied on publicly available information regarding the Target, and we have assumed that all of the respective information, including historical, projected and estimated financial and other data, that were available to us, have been prepared reasonably on a basis reflecting the best currently publicly available information, estimates and good faith judgements of the respective source concerning the expected future results of operations and financial condition of the Target or any other entity to which such analyses or forecasts relate.

This Opinion and all information and views given herein are based on economic, monetary, market, regulatory and other conditions as in effect on, and the information and documents available to us as of, the date hereof. It should be understood that these as well as other assumptions underlying this Opinion may change in the future. We express no opinion as to how the capital markets will assess the Transaction or the impact of the Transaction on the share price of the Target. Especially, we express no opinion with regards to the favourability of the transaction post reaction of the capital markets. This Opinion and all information and views given herein are subject to all qualifications and assumptions contained in such information and documents, whether express or implied. Events occurring after the date hereof may affect this Opinion and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Opinion. In addition, changes in the business of the Target and its subsidiaries and participations or in the environment these companies operate in, including the laws and regulations applicable to the companies' business, as well as capital markets could affect the financial forecasts for and the financial condition of these businesses.

As agreed with you, this Opinion is provided solely for the information and assistance of the Management Board and the Supervisory Board of the Target in connection with the evaluation of the Transaction. It is not meant to address or to operate for the benefit of any third party nor does it give rise to any rights of or obligations towards third parties. This Opinion does not constitute a recommendation to the shareholders of the Target as to whether or not to tender shares in the Target in connection with the Transaction.

This Opinion does not constitute a recommendation to the Management Board and the Supervisory Board of the Target to carry out the Transaction. The existence and the content of this Opinion are confidential and are subject to the engagement letter entered into between the Target and Rothschild dated as of 23 February 2018. It may not be used for any purpose other than described herein. This Opinion shall not be passed on, reproduced, published or otherwise used or referred to, nor shall any public reference to Rothschild be made, without our prior written consent. The same shall apply for any references to the existence and the content of this Opinion. This Opinion may be published as an annex to the Management Board's and the Supervisory Board's reasoned statement pursuant to Section 27 para 1 WpÜG, in which case this Opinion must be disclosed in its entirety (as opposed to the publication of excerpts only). We accept no responsibility to any person other than the Management Board and the Supervisory Board of the Target in



connection with the Transaction and in relation to the contents of this Opinion, even if it has been disclosed with our consent.

This Opinion has been drafted in German language. Should a version become available in a different language, the German text shall prevail in the event of inconsistency between the two versions.

Based upon and subject to the foregoing, we are of the opinion that, as of the date hereof, the Consideration is fair, from a financial point of view, to the Target's shareholders (other than the Bidder and any of its affiliates as well as Wecken Group).

Very truly yours,

Rothschild GmbH

Signatures (in German version only)