DEMIRE DEUTSCHE MITTELSTAND REAL ESTATE

DEMIRE Deutsche Mittelstand Real Estate AG

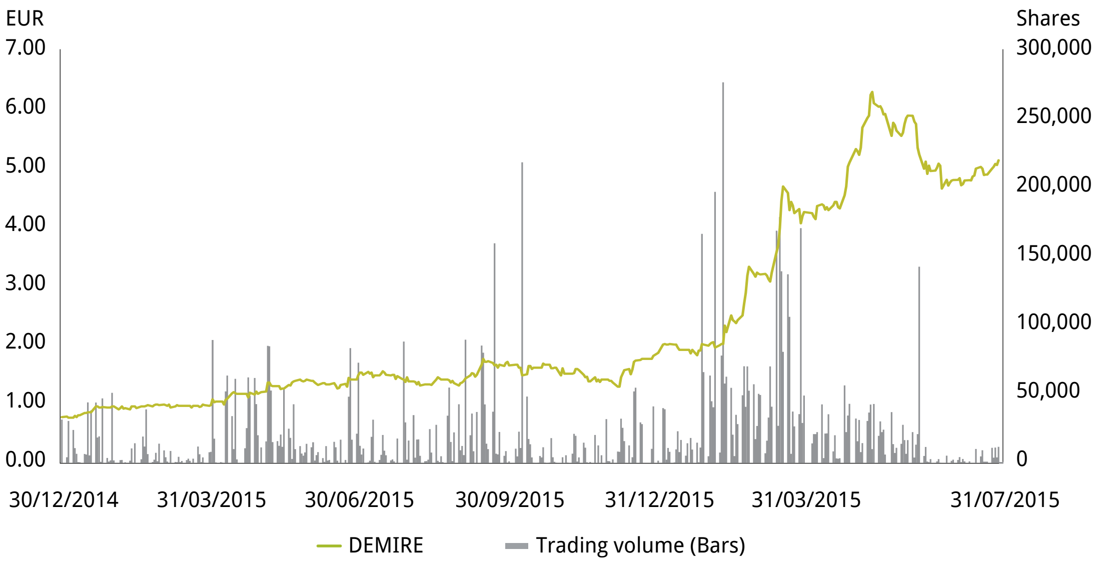
Half-Year Financial Report

Fiscal Year January 1 – December 31, 2015

(Version from October 13, 2015 with technical and editorial error corrections)

DEMIRE at a glance

PERFORMANCE

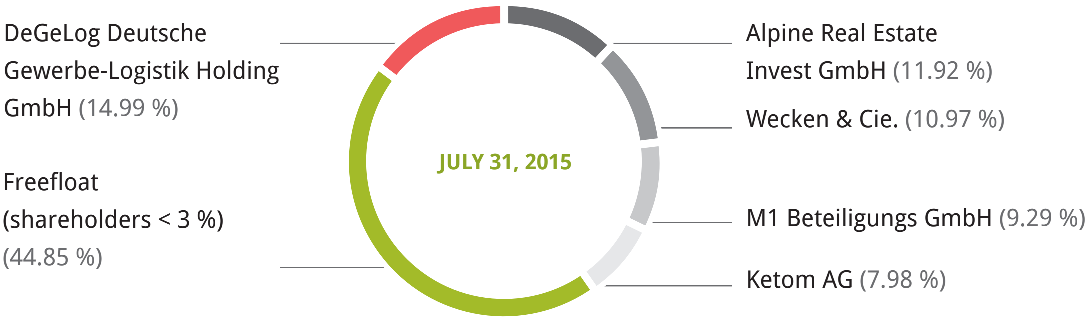


Source: German Stock Exchange

SHARE AS AT JULY 31 2015

ISIN	DE000A0XFSF0
Ticker symbol	DMRE
Stock exchange	Deutsche Börse, Frankfurt
Market segment	General Standard
Shareholder's equity (EUR)	27,351,404.00
Number of shares	27,351,404
Net asset value (NAV diluted) (as of June 30, 2015 EUR)	4.23
Market capitalisation (EUR)	139.22 million
Free float	44.85 %

SHAREHOLDER STRUCTURE AS AT JULY 31, 2015



Source: German Securities Trading Act messages, own analysis

FINANCIAL CALENDAR (JULY 2015)

August 28, 2015	Annual General Meeting
September 9, 2015	Zurich Capital Market Conference (ZKK), Switzerland
September 14, 2015	Extraordinary General Meeting
November 19, 2015	Publication of the Interim Report for the third quarter of 2015
November 24, 2015	German Equity Forum Frankfurt (EKF)
December 8 / 9, 2015	Munich Capital Market Conference (MKK)

LEADING HOLDER OF COMMERCIAL REAL ESTATE

DEMIRE Deutsche Mittelstand Real Estate AG is transforming itself into a leading holder of German commercial real estate. The core business activities of the Frankfurt/Main-headquartered real estate group consist of the acquisition, the management and the rental of commercial real estate and their further development, for example, through modification, modernisation or expansion, and increasing their value through active portfolio management.

WWW.DEMIRE.AG
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KEY FIGURES

Group in EURK

INCOME STATEMENT	01/01/2015–30/06/2015	01/01/2014–30/06/2014
Net rental income from real estate	11,210	916
Earnings from the sale of real estate companies	520	0
Earnings from the sale of real estate	458	0
Income from equity method investments	3,230	-475
Other operating income and other effects on earnings	7,978	3,265
Earnings before interest and taxes (EBIT)	**16,067**	202
Financial results	-14,288	-4,048
Earnings before taxes (EBT)	1,779	-3,846
Profit for the period	**297**	-4,870
Earnings per share in EUR	-0.01	-0.34
Diluted earnings per share in EUR	-0.01	-0.34

Balance Sheet	30/06/2015	31/12/2014
Equity	87,745	54,629
Liabilities	341,932	318,383
Total assets	429,677	373,012
Equity ratio	20.4 %	14.6 %

CASH FLOW	01/01/2015–30/06/2015	01/01/2014–30/06/2014
Cash flow from operating activities	5,787	-5,019
Cash flow from investing activities	1,078	-15,132
Cash flow from financing activities	-1,560	15,708
Cash at end of period	9,702	1,035

NET ASSET VALUE NAV[1]	30/06/2015	31/12/2014
NAV for the period	83,752	51,684
Effect of exercise of options, convertible bonds and other investments	0	0
Diluted NAV after the exercise of options, convertible bonds and other investments	83,752	51,684
Revaluations	0	0
Development of investment property	0	0
Measurement of other long-term assets	0	0
Change in fair value of finance lease	0	0
Change in fair value of commercial real estate	0	0
Change in fair value of financial instruments	0	-465
Deferred Taxes	10,492	9,312
Goodwill after deferred taxes		0
Diluted EPRA NAV	94,244	60,531
Shares in millions	22.34	14.31
Diluted EPRA[2] NAV per share EUR	4.23	4.26

[1] method of valuation of real estate company's total from yield values and other assets less liabilities.
[2] EPRA: Real Estate Index of European Property Real Estate Association.

Contents

Foreword of the Executive Board

Dear Shareholders,
Ladies and Gentlemen,

We have significantly accelerated the expansion of our commercial property portfolio in 2015. By completing several acquisitions, we more than doubled our rental space to date to a total of over 810,000 m² (end of 2014: approx. 350,000 m²) and have thereby already exceeded our 2015 forecast. Annualised net rental income excluding utilities also grew by roughly 105 % from EUR 25.4 million to a current total of EUR 52.3 million.

The growth achieved is also reflected in our key financial ratios as of June 30, 2015, in which the profit from the rental of real estate has increasingly developed into our main source of income. Profit from the rental of real estate amounted to EUR 11.2 million after only EUR 0.9 million in the same period of the previous year, and earnings before interest and taxes (EBIT) were almost EUR 16.1 million. As planned, we are generating increasingly more income from our German commercial property portfolio.

While the transactions in 2014 were mainly focussed on the office property asset class, our focus in 2015 has been centred on the logistics and retail assets classes so that we can improve the risk structure of our entire portfolio through diversification. Rental space currently breaks down into approximately 80 % office space, 9 % retail space, 8 % logistics space and 3 % other space.

The acquisition of Logistikpark Leipzig marked the Company's entry into the logistics asset class. The logistics complex, formerly owned by Quelle, offers roughly 219,000 m² in total rental space. The property has tremendous potential thanks to its excellent location near the trade fair centre and BMW plant and because of the high demand for logistics properties in Leipzig.

The purchase of the retail property Gutenberg Galerie in Leipzig and the Kurfürsten Galerie in Kassel strengthen the retail asset class within our portfolio. Together these properties contain rental space of more than 41,000 m². These three project companies have also given us access to expert teams for logistics and retail that are now supporting us in the further development and optimisation of properties in these asset classes.

In 2015, we expanded the office asset class by acquiring six properties that have long-term rental agreements with Deutsche Telekom AG. The acquired commercial real estate portfolio consists of rental space totalling roughly 144,000 m² and approximately 2,171 underground and above ground parking spaces.

By expanding our portfolio and arriving at net rental income excluding utilities of EUR 52.3 million, we have reached a critical size that not only makes future growth easier in terms of possible refinancing conditions but in other ways as well. Our weighted average lease term (WALT) of roughly 6.2 years also gives us a sustainable and reliable planning basis. In addition, the Group's relatively new addition of asset, property and facility management places us in a position to gradually optimise the management of our current portfolio. By acquiring the asset, property and facility management activities, we are also able to realise increasing synergies and economies of scale with new transactions, which contribute to increasing revenues and thus higher property values. A reduction in the average vacancy rate from the current level of approximately 13 % offers our properties additional optimisation and appreciation potential.

Overall, we are very satisfied with the key ratios of the portfolio we have created and see further potential value in our portfolio, which was valued at 13.2 times annualised net rental income as of June 30, 2015.

With respect to the dynamic development we have planned, the agenda for our Extraordinary General Meeting taking place on August 28, 2015 foresees the creation of additional authorised and conditional capital. Assuming the approval of the Extraordinary General Meeting, we plan to continue to use the DEMIRE shares as „currency“ in 2015 in addition to other financing instruments. In 2015, we acquired properties in the context of three capital increases in kind and carried out a further cash capital increase. Through these capital measures, the Company's share capital increased significantly from EUR 14.31 million to today's total of EUR 27.35 million. At the same time, DEMIRE's market capitalisation rose from EUR 25.75 million as of December 31, 2014, to more than EUR 130 million at the end of July 2015.

One of DEMIRE's key activities in the current 2015 financial year will be the voluntary public takeover offer for the shares of Fair Value REIT-AG.

To meet the requirements for this transaction, we have convened an Extraordinary General Meeting for September 14, 2015, at which the necessary capital measures for this takeover offer are to be resolved.

If the Fair Value shareholders accept the offer, DEMIRE will take a leading role in the German commercial real estate market focussed on secondary locations by as early as 2016. Following the merger, the portfolio will have a value of roughly EUR 1 billion placing DEMIRE as one of the top 5 commercial real estate groups in Germany based on market capitalisation.

The DEMIRE and Fair Value REIT portfolios are highly complementary. The key locations covered by the combined portfolio are in Germany's important growth regions such as Hamburg, Dusseldorf /Cologne, Leipzig/Dresden and Frankfurt. The active management of the portfolio should further increase its value. With this merger and in future acquisitions, economies of scale can be achieved using the in-house asset, property and facility management. Both DEMIRE and Fair Value have excellent access to acquisition targets that ideally complement each other for the portfolio's further expansion. While DEMIRE has in-depth experience in value-added direct investments, Fair Value has specialised expertise in indirect investments such as fund structures. Both companies already have a good tenant structure with a combined weighted average lease term (WALT) of 5.7 years.

The prospective merger will also have a positive effect on the balance sheet ratios. The loan-to-value ratio (LTV) would fall to 66 %. Higher rental income would also have a positive impact on earnings. The greater market capitalisation and larger free float following the merger will result in higher share liquidity and improved access to the capital and financial markets. DEMIRE's planned change to the Prime Standard segment will also make a positive contribution to higher liquidity. After the merger, DEMIRE will also meet the standard's higher transparency and corporate governance requirements. The ongoing high pace of our expansion also provides an excellent basis for DEMIRE's success story to continue.

Hon.-Prof. Andreas Steyer MRICS,
CEO

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

We would like to thank our shareholders for their constructive participation in our growth strategy and look forward to them accompanying us throughout the extremely exciting stages of growth ahead.

Finally, we would also like to thank our employees for their ongoing high level of commitment, which makes this growth possible.

Frankfurt/Main, August 27, 2015

Hon.-Prof. Andreas Steyer MRICS
CEO

Dipl.-Kfm. (FH) Markus Drews
COO

Investor Relations

ON THE ROAD TO BECOMING ONE OF THE TOP 5 COMMERCIAL REAL ESTATE GROUPS IN GERMANY

On July 31, 2015, DEMIRE announced a takeover offer for Fair Value REIT-AG. Both major shareholders and the Management Board of Fair Value REIT are in favour of this takeover offer. The planned merger of the two stock market-listed real estate companies will create a real estate group that ranks as one of the top 5 commercial real estate groups in Germany in terms of market capitalisation. DEMIRE and Fair Value are focussed on German secondary locations and plan to become the market leader. Both portfolios are highly complementary, and the merger will bolster the companies' property management. The key locations covered by the two portfolios are located in important growth regions in Germany such as Hamburg, Dusseldorf/Cologne, Leipzig/Dresden and Frankfurt. The merger will create a listed real estate group with gross assets of roughly EUR 1 billion. Active management of the portfolio should increase its value even further. In addition, the in-house asset, property and facility management activities could generate economies of scale with further acquisitions. Both DEMIRE and Fair Value have excellent acquisition resources that ideally complement each other for the continued expansion of the portfolio. While DEMIRE has in-depth experience in value-added direct investments, Fair Value has specialised expertise in indirect investments such as fund structures. Both companies already have a good tenant structure with a weighted average lease term (WALT) of 5.7 years.

The prospective merger will also have a positive effect on the balance sheet ratios. The loan-to-value ratio (LTV) would fall to 66 %, and higher rental income should lead to stronger earnings. The greater market capitalisation and larger free float following the merger will result in higher share liquidity and increase access to the capital and financial markets. The planned change to the Prime Standard segment will also boost share liquidity. After the merger, DEMIRE and Fair Value plan to meet the standard's higher transparency and corporate governance requirements.

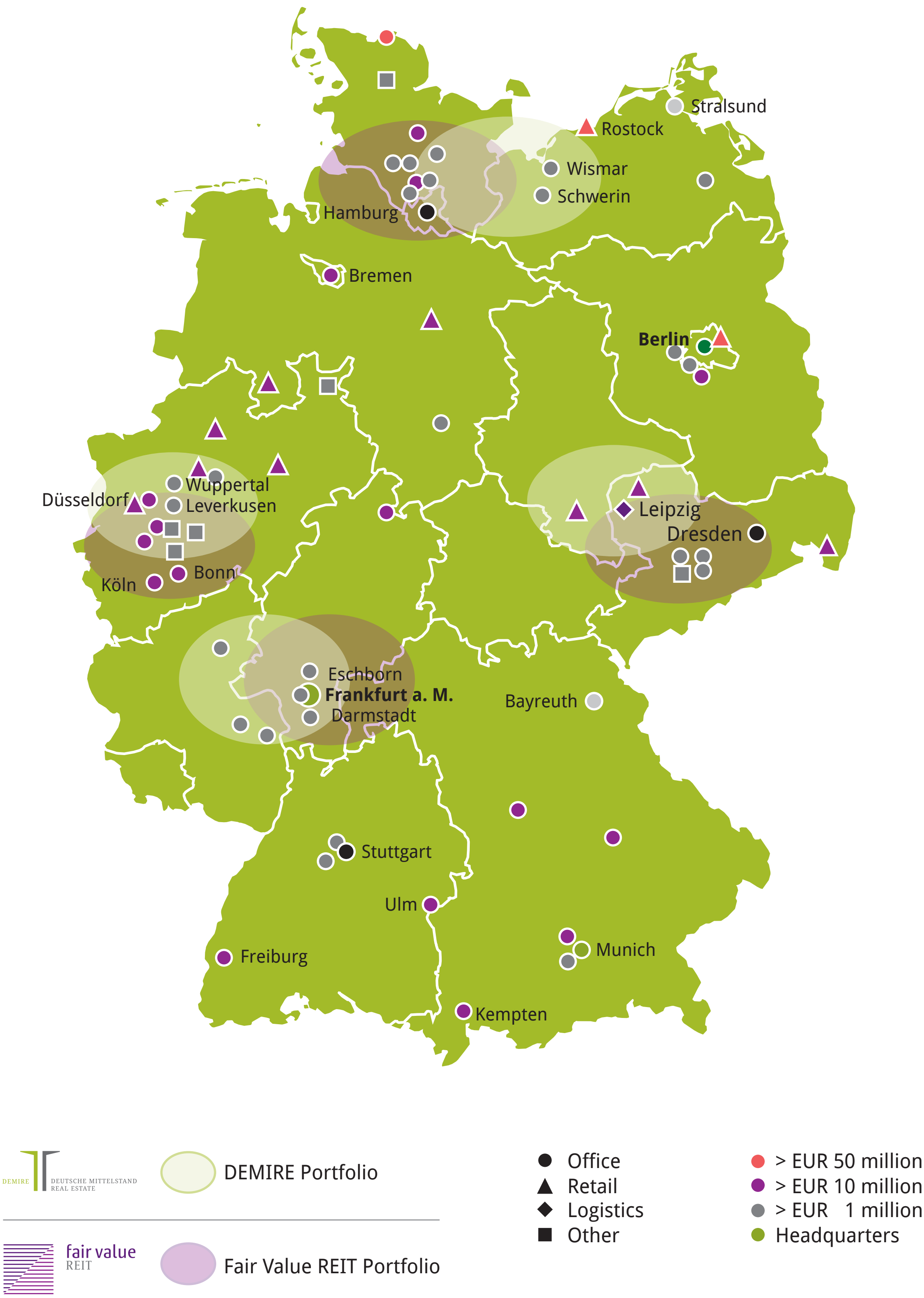
POSITIONED AS A GROWTH STOCK

DEMIRE Deutsche Mittelstand Real Estate AG places a high importance on transparent and sustainable investor relations activities. During the current financial year, the Company's shares will be positioned on the capital market as a growth stock to reflect the Company's accelerating pace of growth.

A successful merger with Fair Value REIT will raise the volume of the commercial real estate portfolio to EUR 1 billion. Together, DEMIRE and Fair Value REIT will become the leading expert for commercial real estate in secondary locations in Germany. Consequently, there is substantial interest in DEMIRE, particularly from institutional investors in financial and real estate markets in both Germany and abroad. This interest is also reflected in DEMIRE's shareholder structure.

DEMIRE Deutsche Mittelstand Real Estate AG has made significant progress towards its goal of becoming a leader in the German commercial real estate market. The Company is well equipped to continue its success story.

SIGNIFICANT OVERLAP OF EXISTING COMMERCIAL REAL ESTATE PORTFOLIOS



Source: Based on company data of DEMIRE and FVR, publicly available information; Status: August 2015

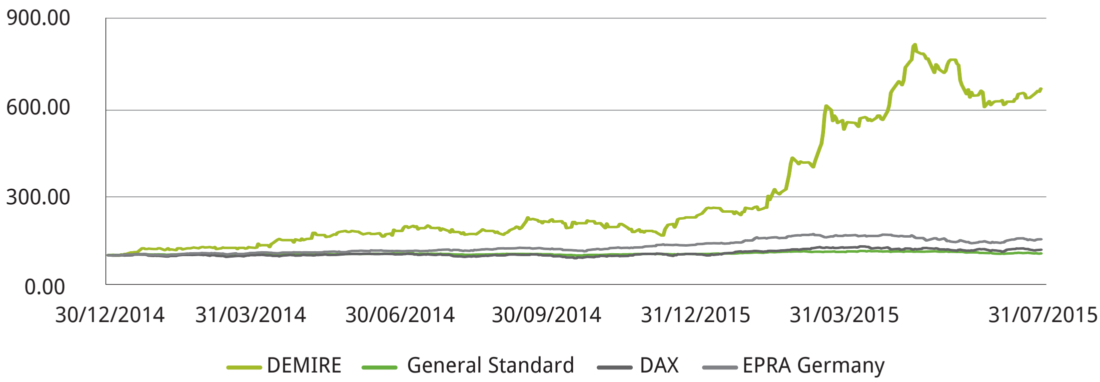
CAPITAL MARKET PERFORMANCE

On the back of the ECB's expansionary monetary policy and particularly as a result of its bond purchases, the DAX saw a rally from the start of 2015 until mid-April and reached a record high of 12,000 points. The General Standard index, which contains the shares of DEMIRE Deutsche Mittelstand Real Estate, had a similar rally and also reached 12,000 points by mid-April. The EPRA Germany, the benchmark index of listed property companies established by the European Public Real Estate Association in collaboration with the FTSE, echoed the solid development of Germany's real estate sector and rose to over 900 points by mid April 2015, demonstrating similarly strong performance.

DEMIRE SHARES OUTPERFORM

In the first few months of 2015, shares of DEMIRE Deutsche Mittelstand Real Estate AG continued to significantly outperform the EPRA Germany, the General Standard and the DAX indices as they had throughout 2014. On the last trading day of 2014, DEMIRE's shares were still quoted at EUR 1.80 and peaked at roughly EUR 6 by mid-May marking a high of EUR 6.24 on May 14, 2015. From mid-May, after a slight downturn, DEMIRE's shares traded in a range of EUR 4.50 to EUR 5.00. The shares closed at EUR 4.67 on the June 30, 2015 reporting date, which represented a year-to-date rise in the share price of 167 %. Although capital market indices had consolidated since mid-April, DEMIRE's share price still increased until mid-May 2015. As of mid-May 2015, capital increases against cash and contribution in kind led to a dilution in the Company's share price. The takeover offer for Fair Value REIT-AG in late July 2015 was positively received by the capital markets and raised awareness in DEMIRE's shares and suggests further upside potential for the shares as the year progresses.

DEVELOPMENT OF THE DEMIRE SHARE

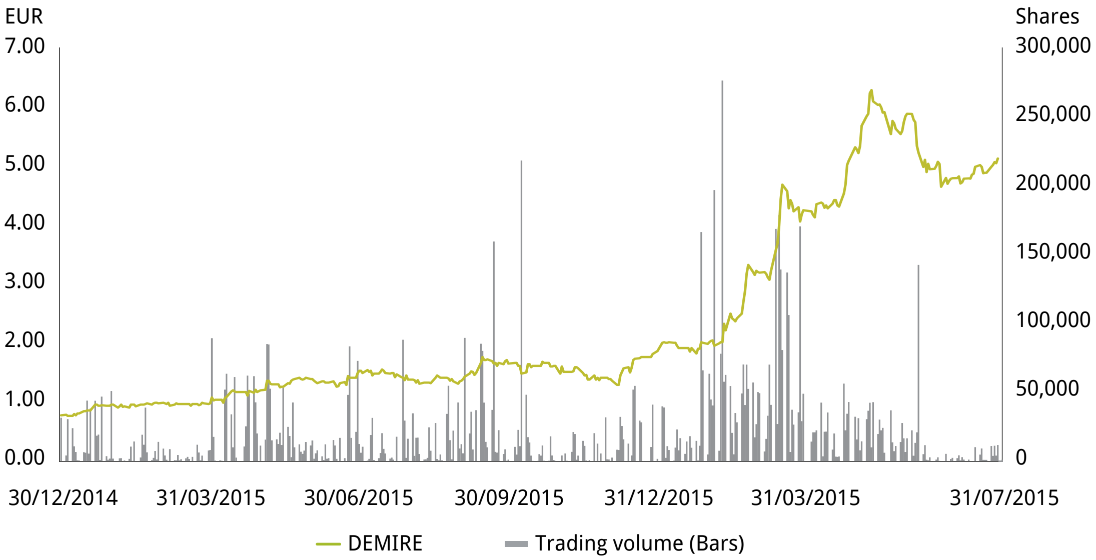


Source: German Stock Exchange

MARKET CAPITALISATION GROWS TO OVER EUR 120 MILLION

As of the June 30, 2015 reporting date, DEMIRE's market capitalisation amounted to EUR 104.3 million. This level represents a year-to-date rise of roughly 305 % compared to a market capitalisation of EUR 25.75 million on the last trading day of 2014. At the end of August 2015, DEMIRE AG's market capitalisation exceeded EUR 120 million for more than a 360 % rise since the end of 2014.

TRADING-VOLUME OF THE DEMIRE SHARE



Source: German Stock Exchange

The average daily trading volume in DEMIRE's shares was approximately 35,700 in the first half of 2015 and was significantly higher than the average daily trading volume of 16,500 recorded in the first half of 2014.

SHARE	June 30, 2015	June 30, 2014
ISIN	DE000A0XFSF0	DE000A0XFSF0
Symbol / Ticker	DMRE	DMRE
Stock exchange	Frankfurt Stock Exchange (FSE); XETRA	Frankfurt Stock Exchange (FSE); XETRA
Market segment	General Standard	General Standard
Share capital	EUR 22,336,103.00	EUR 14,078,651.00
No. of shares	22,336,103	14,078,651
Daily trading volume of the last 3 months	~ 35,700	~ 16,500
Market capitalisation	EUR 104,197,920.40	EUR 19,710,11.40
Free float	47.04 %	60.21 %

MARKED RISE IN SHARE CAPITAL

The Company's share capital increased from its level of EUR 14,306,151.00 at the end of 2014 to EUR 22,336,103.00 on the June 30, 2015 reporting date following capital increases against cash and contribution in kind. Two additional capital increases followed in July 2015 bringing the share capital to a total of EUR 27,351,404.00 as of July 31, 2015. A description of the capital increases can be found in the section entitled „Successful refinancing" under „Capital increases".

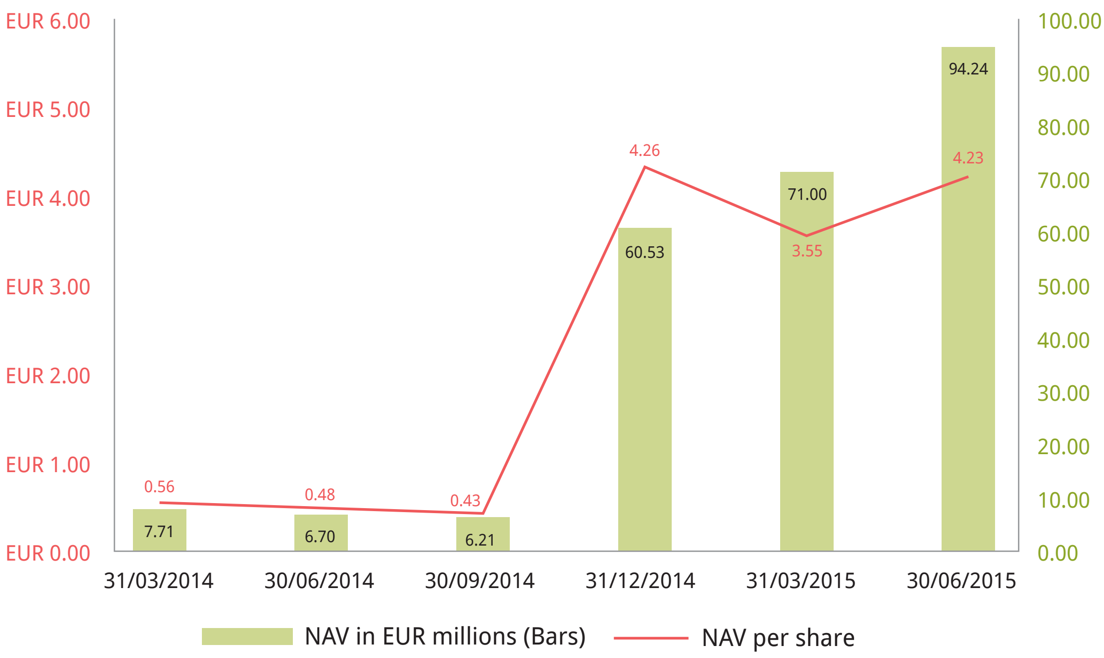
SHARP RISE IN NAV

An important indicator for DEMIRE Deutsche Mittelstand Real Estate AG is net asset value, or NAV. Net asset value serves as a reference for added value. The calculation is performed in accordance with the recommendations of EPRA (European Public Real Estate Association) and is derived from the balance sheet on a quarterly basis in the context of financial reporting. To ensure a high level of transparency, the calculation of net asset value is listed among the key figures at the beginning of DEMIRE's financial reports.

The year-to-date increase in net asset value (diluted net asset value [NAV]) as of the June 30, 2015 balance sheet date was 55.7 % rising to EUR 94.24 million (December 31, 2014: EUR 60.53 million). Despite a significant increase in the number of shares after several capital increases, the NAV per share was EUR 4.23 and remained close to its level of EUR 4.26 at the end of 2014 and was significantly higher than at the end of the first quarter 2015.

Since the first quarter 2014, the NAV has risen in line with the expansion of the commercial real estate portfolio. Following the acceptance of the takeover offer, the NAV of the combined companies would rise again significantly.

DEMIRE DEVELOPMENT, NAV



Source: DEMIRE

GENERAL MEETINGS

At the Extraordinary General Meeting of March 6, 2015, the Executive Board, with the consent of the Supervisory Board, was authorised to raise the Company's share capital by issuing up to 8,552,290 new, no-par value bearer shares with a notional par value of EUR 1.00 each against contribution in cash and/or in kind once or several times in partial amounts of up to EUR 8,522,290.00 (Authorised Capital I/2015) until March 5, 2020. Based on the resolution, the share capital can also be conditionally increased by up to EUR 2,434,105.00 divided into a maximum of 2,434,105 no-par value bearer shares (Conditional Capital I/2015). The conditional capital increase serves to grant subscription and/or conversion rights to the holders of bonds with warrants and/or convertible bonds. The Extraordinary General Meeting on March 6, 2015, also resolved a stock option programme for which conditional capital was created in the amount of EUR 1,000,000. With the consent of the Supervisory Board, the Executive Board is authorised until December 31, 2015, („Issue Period") as detailed in the following provisions under the 2015 stock option plan to issue up to 1,000,000 stock options with subscription rights for shares of DEMIRE Deutsche Mittelstand Real Estate AG with a vesting period of four years and an exercise period of another five years („the exercise period") provided that each stock option entitles its holder to subscribe for one share of the Company. A maximum of up to 800,000 stock options (80 %) may be issued to members of DEMIRE's Executive Board and a total of up to 200,000 stock options (20 %) may be issued to selected employees of the Company or directors or employees of Group companies. This option was fully utilised for the Executive Board members and partially utilised for the employees. Details on the stock option plan may be found in the notes under Section „D. Selected notes to the consolidated statement of income".

At the Annual General Meeting of DEMIRE Deutsche Mittelstand Real Estate AG to be held on August 28, 2015, several capital measures will be submitted for resolution in addition to the customary agenda items of discharging the Executive Board and Supervisory Board, appointing the auditor and remunerating the Supervisory Board. These capital measures will include the creation of new authorised capital of EUR 13,675,702.00, the issue of bonds in the amount of EUR 125,000,000.00 and the creation of additional conditional capital of EUR 3,919,477.00 in order to issue shares to the holders or creditors of convertible bonds and/or bonds with warrants in the case of a conversion or exercising of the option.

A capital increase against contribution in kind excluding DEMIRE shareholders' subscription rights is to be resolved at the Extraordinary General Meeting on September 14, 2015, in order to offer the shareholders of Fair Value REIT-AG to acquire their no-par value bearer shares by means of a voluntary public takeover offer in the form of an exchange offer. The Company's share capital is to be increased by up to a maximum of EUR 30,761,646.00 through the issue of up to 30,761,646 new no-par value ordinary bearer shares with a notional interest in share capital of EUR 1.00 per share against contribution in kind. DEMIRE intends to offer the shareholders of Fair Value REIT-AG two new no-par value bearer shares of DEMIRE Deutsche Mittelstand Real Estate AG with a notional interest in share capital of EUR 1.00 each and an entitlement to dividends as of January 1, 2015, in exchange for one Fair Value share submitted to DEMIRE in the context of the takeover offer, subject to the final determination of a minimum offer price and the final stipulation of the offer price in the offer document. Shareholders will also vote on the creation of additional authorised capital excluding shareholder subscription rights at the Extraordinary General Meeting on September 14, 2015.

BUY RECOMMENDATIONS FROM RESEARCH ANALYSTS

Analysts at ODDO SEYDLER last reiterated their „buy" recommendation and raised their price target for DEMIRE Deutsche Mittelstand Real Estate AG shares in March 2015. Based on the Company's development and the favourable environment, ODDO SEYDLER expects the Company's positive business development to continue.

SHAREHOLDER STRUCTURE

DEMIRE Deutsche Mittelstand Real Estate AG has a relatively stable shareholder structure that includes well-known institutional investors. The entries in the commercial register in May and July 2015 of three capital increases raised the Company's share capital from its level of EUR 22,285,553.00 at the end of the first quarter of 2015 to EUR 27,351,404.00 as of July 31, 2015.

Ketom AG became a DEMIRE AG shareholder by means of a capital increase against contribution in kind of 2,182,567 shares from the acquisition of the Gutenberg Galerie.

In early July, the Company's share capital was increased from authorised capital once by EUR 2,541,149.00 against a mixed contribution in kind excluding shareholder subscription rights. **M1 Beteiligungs GmbH** subscribed to the new shares in return for making a contribution in kind of a 94 % interest in Logistikpark Leipzig GmbH.

Finally, the cash capital increase of 2,474,152 new no-par value bearer shares that took place as a private placement principally subscribed to by the institutional investor **Wecken & Cie.** was registered on July 14, 2015.

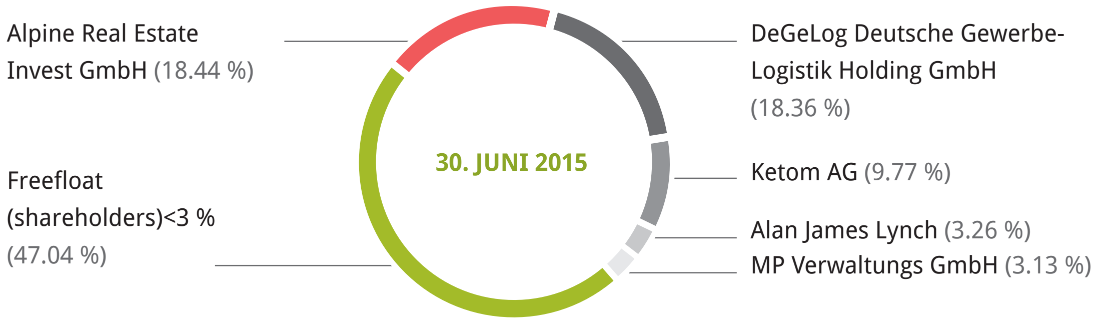
The mandatory convertible bond with a volume of EUR 15 million issued in May 2015 may lead to further changes in the share capital as of the start of the conversion right on September 1, 2015. Further minor changes in the share capital will stem from the conversion of convertible bonds. Additional increase in the share capital will occur with the pending capital measures up for resolution at the Annual General Meeting at the end of August 2015 as well as those at the Extraordinary General Meeting on September 14, 2015 in connection with the takeover offer. (See the following section on the Annual General Meeting).

As of the end of July 2015, institutional investors held roughly a 55 % interest in DEMIRE Deutsche Mittelstand Real Estate. The remaining 45 % is in free float.

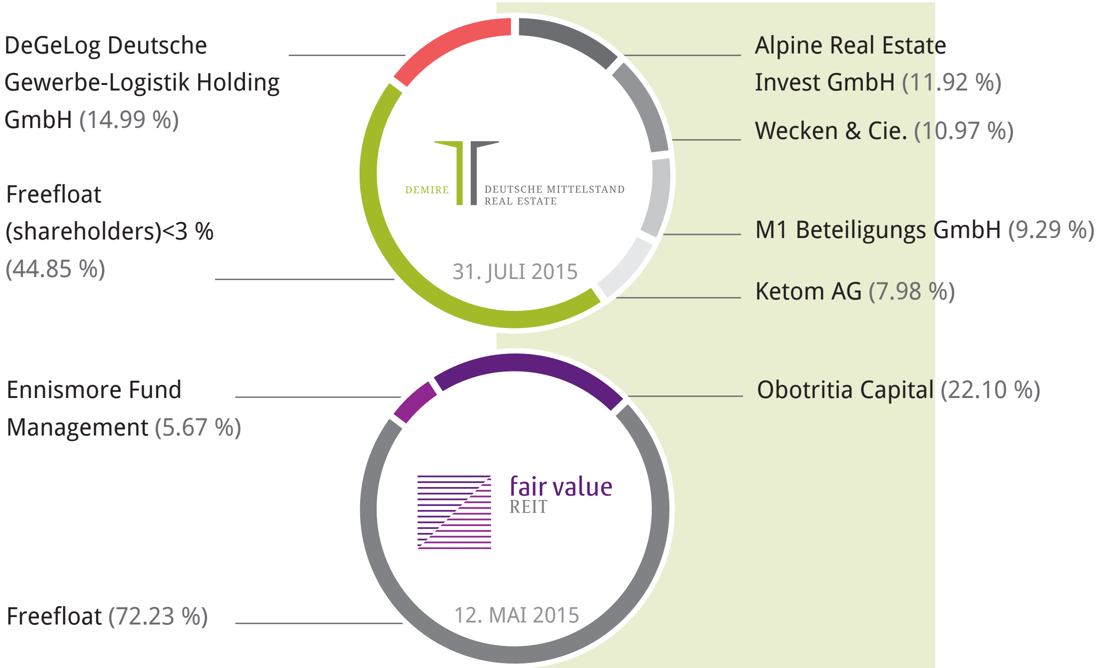
The largest individual shareholders as of July 31, 2015 included DeGeLog Deutsche Gewerbe-Logistik Holding GmbH with 14.99 %, Alpine Real Estate Invest GmbH with 11.92 %, Wecken & Cie. with 10.97 %, M1 Beteiligungs GmbH with 9.29 % and Ketom AG with 7.98 %.

A successful merger between DEMIRE and Fair Value REIT would increase the free float to more than 60 %, raise the liquidity of the shares and eliminate the existence of any significant majority shareholders. In this case, the largest shareholders would be Obotritia Capital with roughly 11 %, DeGeLog with approximately 7 %, Alpine Real Estate with almost 6 %, Wecken & Cie. with more than 5 %, M1 Beteiligungsesellschaft with nearly 5 % and Ketom AG with close to 4 %.

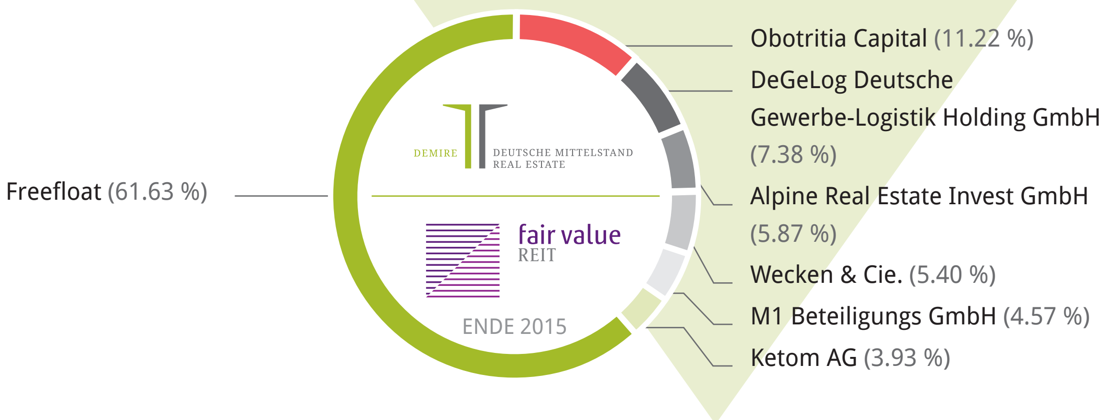
SHAREHOLDER STRUCTURE



BEFORE THE POSSIBLE MERGER



AFTER THE POSSIBLE MERGER



Source: German Securities Trading Act messages, own analysis

SUCCESSFUL REFINANCING

Bonds

DEMIRE has executed a series of refinancings since the end of 2013. An important cornerstone of the Company's realignment was the resolution at the end of 2013 to issue the 2013/2018 convertible bond. This EUR 11,300,000 convertible bond with a 6 % coupon, a term of five years and a nominal value of EUR 1.00 was successfully placed in early 2014. The proceeds from the placement strengthened the Company's financial position and partially financed the purchase of two commercial real estate properties in Munich.

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

Under the conversion rights, a total of 213,675 shares were issued in the first half of 2015 representing a 0.96 % interest in the Company's share capital as of June 30, 2015. As of the June 30, 2015 reporting date, a total of 10,674,825 convertible bonds from the 2013/2018 bond were still pending conversion.

The convertible bond issue enabled DEMIRE Deutsche Mittelstand Real Estate AG to successfully establish itself on the bond market. This was followed in early September 2014 by the issue of the 2014/2019 corporate bond with a term of five years and an interest coupon of 7.5 %. The issue volume of EUR 50 million was placed in a private placement. The proceeds were used to expand the portfolio of German commercial real estate.

This 2014/2019 corporate bond was increased under the same terms by EUR 50 million to a total of EUR 100 million in March 2015. This transaction was recorded on the balance sheet in the first half of 2015 as an increase of EUR 43.5 million to EUR 93.5 million. The net proceeds served to finance further portfolio acquisitions and to strengthen the financial position.

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

Use of proceeds from the 2014/2019 corporate bond

In accordance with Section 1 of the terms and conditions of the 2014/2019 corporate bond, the Company is obliged to report in its annual and half-year reports on the use of the funds raised from the 2014/2019 corporate bond issue. In the abbreviated 2014 financial year, the funds were mainly used for the acquisition of a large commercial real estate portfolio in September 2014 that consisted of 107 properties with roughly 290,000 m² of rentable space located in the cities of Cologne, Leverkusen, Meckenheim, Wismar, Wuppertal and Schwerin. Thus, the funds were used in accordance with the purposes defined in the bonds terms and conditions, that is, to finance new acquisitions.

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

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

Capital increases

In the year 2015, several capital increases had been carried out by the month of August.

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

- A further capital increase against contribution in kind was registered in May 2015 for the purchase of the Gutenberg Galerie in Leipzig. The property contains rentable space of almost 21,000 m², approximately 11,900 m² of which is office space. This transaction resulted in a rise in share capital of EUR 2,182,567.

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

- A second cash capital increase representing 2,474,152 new shares was also entered in July 2015. Wecken & Cie. based in Basel, Switzerland, subscribed to the shares at a price of EUR 4.51. Gross proceeds of EUR 11,158,425.52 are to be used for the further expansion of the commercial real estate portfolio in Germany and to strengthen the financial position of the Company.

Interim group management report for the first half of 2015 January 1 to June 30, 2015

1. DEMIRE AT A GLANCE

DEMIRE Deutsche Mittelstand Real Estate AG is transforming itself into a leading property holder in the German commercial real estate market focussed on secondary locations. The core business activities of the Frankfurt/Main headquartered real estate group consist of the acquisition, management and rental of commercial real estate and its further development; for example, through modification, modernisation or expansion, or by increasing its value through active portfolio management.

Rentable space comprised more than 420,000 m² as of the June 30, 2015 reporting date. Annualised net rent from these properties, excluding utilities, on the June 30, 2015 reporting date amounted to approximately EUR 28.8 million. The regional focus of the real estate portfolio lies in Bavaria, North Rhine-Westphalia, Baden-Württemberg and Saxony. In-house asset, property and facility management ensures the portfolio's optimum management and development.

DEMIRE follows a growth strategy focussed on three asset classes: office, retail and logistics. In doing so, DEMIRE pursues a „buy and hold“ strategy in combination with active portfolio management. The strategy is centred on both the value-added and core-plus investment approaches. The combination of these two approaches offers a balanced risk-return ratio and attractive opportunities.

The real estate group's lean structure allows it to take action quickly and flexibly. The shares of DEMIRE Deutsche Mittelstand Real Estate AG (ISIN DE000A0XFSF0) are listed in the regulated market (General Standard Segment) of the Frankfurt Stock Exchange as well as on the Stuttgart, Berlin and Dusseldorf exchanges.

2. MACROECONOMIC AND INDUSTRY ENVIRONMENT

Macroeconomic environment

According to the Kiel Institute for the World Economy (Institut für Weltwirtschaft in Kiel [IfW]), the global economy got off to a weak start in 2015 and is estimated to grow a moderate 3.4 % for the full year. Subdued economic development is also expected for the following year with experts forecasting a rise in Europe's gross domestic product (GDP) of 1.5 % in the current year and 1.8 % in the following year. The IfW believes the economy in Germany, DEMIRE's most important market, will continue to trend higher. GDP in the current year should grow by 1.8 % and accelerate its pace to 2.1 % in 2016. According to the IfW, this growth will be fuelled by increased investment.

Industry environment

Office real estate

According to an analysis by BNP Paribas Real Estate (BNP Paribas), the upturn in German office real estate seen in the last several years was reaffirmed during the first half of 2015. Investment volumes reached a level of EUR 9.3 billion, or roughly 51 % higher than in the prior year. Particularly dynamic development was seen in what BNP Paribas classifies as the big six locations – Berlin, Dusseldorf, Frankfurt, Hamburg, Cologne and Munich.

BNP Paribas also saw higher investment in B locations consisting of mainly large cities with more than 250,000 residents, although the rise in this segment was smaller.

According to BNP Paribas, transactions with volumes of more than EUR 100 million accounted for roughly 48 % of all transactions.

BNP Paribas is forecasting dynamic development in the second half of 2015, similar to that seen in the first half of the year. It also expects significantly higher transaction volumes to result from the larger block sales that are anticipated. The office asset class may even exceed the EUR 20 billion threshold for the whole of 2015.

Logistics real estate

BNP Paribas real estate experts are also forecasting continued positive performance in the German logistic property market, where the turnover in space in the first half of 2015 rose by roughly 13 % to almost 2.9 million m². The outlook is also favourable with vigorous demand expected during the second half of 2015. This expectation is supported by the so-called logistics indicator computed by the Kiel Institute for the World Economy. This indicator not only rose in the second quarter of 2015, but the expectations also increased by a solid six points. Disruptions in the overall economic trend, such as the Greek crisis, are the only factors that might have a negative impact on the economically sensitive logistics industry. Sales in the logistics asset class are expected to remain at a similar level to those of 2014 and amount to roughly EUR 5 billion.

Retail real estate

BNP Paribas noted that the development in retail property transactions corresponded strongly to the development of office transactions in the first half of 2015 with sales doubling over the previous year to EUR 9.8 billion. This rise was chiefly driven by the favourable economic conditions in Germany. Since economic conditions are anticipated to remain promising in the future, experts at BNP Paribas expect demand for retail properties to remain very high. For the full year of 2015, sales in the retail asset class are projected to reach up to EUR 15 billion.

Implications for DEMIRE

Altogether, the overall economic and real estate market conditions have been favourable for DEMIRE's business development in the current 2015 fiscal year. The real estate group intentionally diversified its portfolio during the first half of 2015 by including the logistics and retail asset classes alongside its office properties. DEMIRE also profited from the positive development expected by analysts at Nord/LB in secondary locations – the so-called B cities and B locations in A cities.

3. BUSINESS PERFORMANCE

DEMIRE Deutsche Mittelstand Real Estate AG significantly expanded its portfolio of German commercial real estate in the first half of 2015. While in 2014, DEMIRE's portfolio was mainly focused on the office asset class, there was a targeted expansion in the portfolio in 2015 to include the logistics and retail asset classes. This diversification led to a further improvement in the risk profile of the entire portfolio. Rental space at the end of July 2015 was divided into roughly 80 % office space, 9 % retail space, 8 % logistics space and 3 % other space.

The office asset class grew further in 2015 as a result of several acquisitions.

The acquisition of two project companies was completed in January 2015 with the entry into the commercial register of the capital increase against contribution in kind that was resolved on December 23, 2014. This transaction expanded the portfolio by nearly 42,000 m² in added rental space from commercial properties in the cities of Bremen, Berlin and Stralsund, among others. DEMIRE's share capital increased by EUR 5,633,710 from EUR 14,306,151 to EUR 19,939,861. Alpine Real Estate GmbH subscribed to the new shares by contributing interests in both project companies in the form of a contribution in kind.

On April 13, 2015, DEMIRE and another investor acquired a project company that included a commercial property in the capital city of Schwerin next to a building DEMIRE had already acquired in August 2014. The project company owns an office and commercial building that is part of the so-called Margaretenhof located in the centre of Schwerin. Long-term rental agreements are in place with the Schwerin Job Centre and the Federal Employment Agency for the property's approximately 5,500 m² of office space. Tenants also include a restaurant business. Net annual rent excluding utilities amounts to approximately EUR 0.55 million. DEMIRE has acquired the co-investor's interest in the project company in July and will report the commercial property under investment properties as of the third quarter.

On June 30, 2015, a contract was concluded for the purchase of a 94 % interest in a project company owning a commercial real estate portfolio with roughly 144,000 m² of rental space and 2,171 underground and free-standing parking spaces in the cities of Ansbach, Bonn, Flensburg, Freiburg, Regensburg and Stahnsdorf. All six locations have long-term rental contracts with Deutsche Telekom AG. The net annual rent, excluding utilities and based on the properties' current full occupancy, amounts to roughly EUR 14.8 million and will rise periodically based on a contractually agreed fixed annual indexation. The largest property with approximately 38,000 m² has a rental agreement spanning 10 years.

The acquisition of the Gutenberg-Galerie retail property in Leipzig strengthened the retail asset class in the DEMIRE portfolio in the first half of 2015.

This acquisition was carried out by means of a capital increase against contribution in kind that was entered into the commercial register at the end of May 2015. The property contains rentable space of roughly 21,000 m², approximately 11,900 m² of which is office space. Contractual rent amounts to approximately EUR 3.9 million. DEMIRE's share capital increased by EUR 2,182,567 as a result of this transaction.

The acquisition of Logistikpark Leipzig marked the Company's entry into the logistics asset class. This former logistics complex belonging to the Quelle mail order company contains total rentable space of around 219,000 m². Contractual rent currently adds up to EUR 4.0 million per annum. The property offers tremendous potential thanks to its excellent location near the trade fair centre and the BMW plant and as a result of the high demand for logistics properties in Leipzig. On May 19, 2015, a capital increase of EUR 2,541,149.00 against a mixed contribution in kind was resolved for the purchase of the logistic park. M1 Beteiligungs GmbH was admitted to subscribe to the new shares in return for contributing a 94 percent interest in the Logistikpark Leipzig project company. The former logistics complex belonging to Quelle is located on property of roughly 330,000 m² situated approximately 10 km north of Leipzig's city centre. The property consists of around 164,000 m² of warehouse space, nearly 20,000 m² of office space, 35,000 m² of surrounding area as well as two areas for expansion that total about 38,000 m² and already have building rights. The entry of the capital increase into the commercial register took place on July 1, 2015.

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

On March 24, 2015, a resolution was made to increase the 2014/2019 corporate bond issued in September 2014 by an additional EUR 50 million to a total of EUR 100 million by means of a private placement. The net proceeds of this transaction were used to finance further portfolio acquisitions and to strengthen the Company's financial position. On the balance sheet, this transaction was recorded as an increase of EUR 23.5 million to a total of EUR 73.5 million.

In mid-May, the Company issued a mandatory convertible bond with a volume of EUR 15 million against contribution in kind and excluding shareholders' subscription rights. As part of the transaction, an investor subscribed to the new mandatory convertible bond by contributing fractional bonds from the 2014/2019 corporate bond. Based on the bond's terms and conditions, the predominant share of the convertible bond was classified as equity.

The Company's share capital was also strengthened by convertible bond conversions carried out in the first half of 2015. During this period, a total of 213,675 shares were issued in the context of the conversion rights representing a 0.96 % interest in the Company's share capital as of June 30, 2015. As of the June 30, 2015 reporting date, a total of 10,674,825 convertible bonds from the 2013/2018 bond were still pending conversion.

Disposals from the legacy portfolio continued successfully in the first half of 2015.

Two real estate companies located in the Ukraine were sold in the reporting period for a total of EUR 1.8 million. Five further real estate companies were liquidated to streamline the legacy portfolio.

One property in Bielefeld was sold from the Alpine portfolio at its carrying amount of EUR 1.65 million for strategic reasons. Benefits and obligations were transferred with the payment of the remaining purchase price on April 14, 2015, in accordance with the contract.

On March 18, 2015, Erste MAGNAT Immobiliengesellschaft mbH in Frankfurt/Main sold the Parchim property that contained a residential and office building, plot 24, the land parcel 88/15 with an area of 2,464 m² and buildings and open space for a price of EUR 650k. The transfer of benefits and obligations occurred with the payment of the purchase price on May 22, 2015, in accordance with the agreement.

4. NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

4.1. Results of operations

The improvement in the results of operations of the DEMIRE real estate group during the first half of the 2015 fiscal year – as in the abbreviated 2014 fiscal year – is evidence of the success of the strategic realignment through the development of dedicated holdings of German commercial properties. However, due to the strong expansion in real estate holdings, the figures are not fully comparable to the first half of 2014 (January 1, 2014 to June 30, 2014 [1HY 2014]).

In the first half of 2015, the Group's profit/loss from the rental of real estate climbed significantly from EUR 0.9 million in the first half of 2014 to EUR 11.2 million. This rise resulted from the interim expansion in the commercial real estate portfolio, which had risen to more than 420,000 m² in rentable space as of the June 30, 2015 reporting date. There was a corresponding rise in rental income to EUR 18.0 million (1HY 2014: EUR 1.1 million). Operating expenses incurred to generate rental income increased from EUR 0.2 million to EUR 6.8 million and corresponded to the rise in the portfolio.

The profit/loss from the sale of real estate companies in the first half of 2015 amounted to EUR 0.5 million. On April 8, 2015, MAGNAT Investment II B.V. and MAGNAT Real Estate UA X B.V. sold their interests in Kappatrade Ltd., located in the Ukraine, for EUR 1,716k. On June 10, 2015, MAGNAT Investment II B.V. and MAGNAT Real Estate UA X B.V. sold their interests in Polartrade Ltd., also located in the Ukraine, for EUR 50k. Five additional companies in the Ukraine were liquidated. No real estate companies were sold in the comparable previous year's period.

The profit/loss from the sale of real estate in the first half of 2015 amounted to EUR 0.5 million following a sum of EUR 0 million in the previous year's comparable period. Erste MAGNAT Immobiliengesellschaft mbH located in Frankfurt/Main sold the Parchim property for EUR 650k. The property in Bielefeld that was acquired as part of the Hanse-Center Objektgesellschaft mbH purchase was disposed of at its carrying amount of EUR 1,650k.

The DEMIRE Group – in line with its strategy – did not generate a profit/loss from asset management activities for third parties outside the Group in the first half of 2015 or in the comparable period of 2014.

The profit/loss from investments accounted for using the equity method amounted to EUR 3.2 million in the first half of 2015 after totalling EUR -0.5 million in the previous year's comparable period. This improvement mainly resulted from income from the renegotiation of the mezzanine loan and related debt relief of EUR 1.2 million, the EUR 0.6 million appreciation in the value of the Oxelton property as well as the higher valuation of the SQUADRA Group's real estate that was reflected in DEMIRE's proportionate share of earnings.

The DEMIRE Group's other operating income and other effects in the first half of 2015 increased to EUR 8.0 million (1HY 2014: EUR 3.3 million). This rise was largely triggered by the profit/loss from fair value adjustments in investment properties, particularly the Gutenberg Galerie in Leipzig, the properties in Bremen and the properties in Worms and Halle-Peissen that, due to rental conditions, were measured in accordance with IAS 40 for the first time on June 30, 2015 and consequently were reclassified from real estate inventory.

The DEMIRE Group's general and administrative expenses as of June 30, 2015, increased by EUR 3.2 million to EUR 5.1 million (1HY 2014: EUR 1.9 million) primarily as a result of higher acquisition-related expenses for the expansion of the property portfolio. This amount includes EUR 1.0 million in one-time expenses for planned capital measures.

The DEMIRE Group's other operating expenses increased by EUR 0.6 million to a total of EUR 2.2 million in the first half of 2015 (1HY 2014: EUR 1.6 million) mainly due to non-deductible input taxes relating to these one-time expenses.

Earnings before interest and taxes (EBIT) increased significantly overall and amounted to EUR 16.1 million following an operating result of EUR 0.2 million in the previous year's comparable period.

Given the rising financial expenses for the acquired real estate portfolio, the financial result amounted to EUR -14.3 million as of June 30, 2015 (1HY 2014: EUR -4.0 million). Additionally, there was a negative impact from the derecognition of the receivable against Oxelton of EUR 3.1 million. Following the renegotiation of the mezzanine loan, this receivable was considered no longer recoverable. A particularly positive effect came from the measurement of the derivative embedded in the 2014/2019 corporate bond amounting to EUR 1.1 million resulting from DEMIRE's repurchase option.

After taxes, which primarily included deferred taxes on the fair value adjustments of EUR 1.5 million (1 HY 2014: EUR 1.0 million) made on investment properties, the net profit/loss for the period amounted of EUR 0.3 million after EUR -4.9 million in the previous year's period.

4.2. Segment reporting

Segment reporting contained in the consolidated financial statements is conducted in accordance with IFRS 8 "Operating Segments" based on the internal alignment of strategic business segments and regional aspects. The segment information presented corresponds to the information that is to be reported to the DEMIRE Executive Board in accordance with the management approach. Segment information is presented on a net amount basis, net of consolidation effects. For a detailed description of the individual segments, please refer to the explanations in the group management report for the abbreviated 2014 fiscal year.

EUR	01/01/2015-30/06/2015	01/01/2014-30/06/2014
Investments	4,268	667
Core Portfolio	27,457	3,919
Central Functions/others	2,104	618
Segment revenues	**33,829**	**5,204**
Investments	-1,566	-2,436
Core Portfolio	-9,385	-328
Central Functions/others	-6,810	-2,238
Segment expenses	**-17,761**	**-5,002**
Investments	2,702	-1,796
Core Portfolio	18,072	3,591
Central Functions/others	-4,706	-1,620
EBIT	**16,068**	**175**
Investments	-1,532	-5,902
Core Portfolio	8,178	-637
Central Functions/others	-6,349	1,669
Net profit/loss for the period	**297**	**-4,870**
Investments	2,209	5
Core Portfolio	8,791	2,959
Central Functions/others	1,327	2.518
Non-cash items	**12,327**	**446**
Investments	62	86
Core Portfolio	325	0
Central Functions/others	176	145
Impairment losses	**563**	**231**

An analysis of the segments shows the increasing importance of the relatively new Core Portfolio segment, which was significantly reinforced in the first half of 2015 to reflect the new strategic direction and will continue to expand in the future. For related information, please refer to the section “Events subsequent to the balance sheet date”. In contrast, the legacy assets up for sale that are included in the Investments segment continue to lose importance. As of 2015, the Asset Management segment, which was reported separately until the abbreviated fiscal year, is now being combined with the Central Functions segment under Central Functions/others. The figures for the first half of 2014 were reported accordingly.

Segment revenues of the DEMIRE Group climbed considerably during the first half of 2015 and reached a total of EUR 33.8 million (1HY 2014: EUR 5.2 million). This increase resulted mainly from the item "Core Portfolio", which generated revenues of EUR 27.5 million compared to EUR 3.9 million reported in the previous year. This increase stems from the continued development of the German commercial real estate portfolio in the abbreviated 2014 fiscal year and the first half of 2015.

Segment expenses rose accordingly from EUR 5.0 million in the first half of 2014 to EUR 17.8 million in the first half of 2015. The main reason for this rise was the higher expenses for business expansion in the Core Portfolio segment of EUR 9.4 million in the first half of 2015 (1HY 2014: EUR 0.3 million). Consulting expenses in connection with the purchase of commercial real estate had an especially strong impact. The Central Functions segment was impacted in the first half of 2015 by legal and consulting fees as well as accounting and audit costs in connection with the planned capital measures in the gross amount of more than EUR 1.1 million.

At EUR 16.1 million, EBIT by segment was favourable overall due to the further expansion of the core portfolio. EBIT by segment amounted to EUR 0.2 million in the previous year's comparable period.

The net profit/loss for the period by segment also reported an overall increase and reached EUR 0.3 million as a result of the core portfolio's growth after amounting to EUR -4.9 million in the previous year's comparable period.

An overview of the DEMIRE core portfolio

	Property	m²	Country (Location of property)	DEMIRE's interest in %	Carrying amount 30/06/2015 EURk	Carrying amount 31/12/2014 EURk	Change In %
DEMIRE Real Estate München I GmbH	Munich Ohmstraße	15,626	Germany	100 %	16,100	16,200	-0.6%
Munich ASSET Vermögensverwaltung GmbH	Munich Hoferstraße	12,445	Germany	100 %	7,100	7,000	1.4%
Schwerin Margaretenhof 18 GmbH	Schwerin	7,803	Germany	100 %	9,680	9,710	-0.3 %
CAM Commercial Asset Management EINS GmbH	Leverkusen	5,766	Germany	100 %	11,360	11,340	0.2 %
CAM Commercial Asset Management EINS GmbH	Cologne	9,108	Germany	100 %	13,020	13,000	0.2 %
CAM Commercial Asset Management EINS GmbH	Cologne	4,480	Germany	100 %	7,570	8,200	-7.7 %
CAM Commercial Asset Management ZWEI GmbH	Hamburg	3,973	Germany	100 %	7,150	7,100	0.7 %
CAM Commercial Asset Management DREI GmbH	Meckenheim	7,650	Germany	100 %	13,560	13,460	0.3 %
CAM Commercial Asset Management VIER GmbH	Wismar	5,054	Germany	100 %	6,270	6,250	0.3 %
CAM Commercial Asset Management VIER GmbH	Wuppertal	1,913	Germany	100 %	1,800	1,800	0.0 %
GO Leonberg ApS	Leonberg	6,934	Germany	94 %	8,960	8,700	3.0 %
GO Bremen ApS	Bremen	26,918	Germany	94 %	35,370	33,000	7.2 %
GO Ludwigsburg ApS	Ludwigsburg	7,868	Germany	94 %	6,700	6,700	0.0 %
ARMSTRIPE S.à.r.l.	Ulm	47,541	Germany	94 %	60,970	60,600	0.6 %
BLUE RINGED S.à.r.l.	Darmstadt	14,391	Germany	94 %	19,130	19,090	0.2 %
BRIARIUS S.à.r.l.	Kempten	16,794	Germany	94 %	14,820	14,620	1.4 %
BRIARIUS S.à.r.l.	Several locations	17,922	Germany	94 %	13,540	13,000	4.2 %
DENSTON Investments Ltd.	Bayreuth	11,258	Germany	94 %	13,110	13,000	0.8 %

	Property	m²	Country (Location of property)	DEMIRE's interest in %	Carrying amount 30/06/2015 EURk	Carrying amount 31/12/2014 EURk	Veränderung In %
Condor Objektgesellschaft Eschborn GmbH	Eschborn	18,774	Germany	94 %	24,810	24,800	0.0 %
Condor Objektgesellschaft Bad Kreuznach GmbH	Bad Kreuznach	7,767	Germany	94 %	4,780	4,600	3.9 %
Condor Objektgesellschaft Düsseldorf GmbH	Dusseldorf	24,264	Germany	94 %	27,430	27,800	-1,3 %
Condor Objektgesellschaft Rendsburg GmbH	Rendsburg	3,739	Germany	94 %	1,830	1,905	-3.9 %
Condor Objektgesellschaft Bad Oeynhausen GmbH	Bad Oeynhausen	3,052	Germany	94 %	1,355	1,390	-2.5 %
Condor Objektgesellschaft Lichtenfels GmbH	Lichtenfels	4,652	Germany	94 %	1,560	1,825	-14.5 %
Condor Objektgesellschaft Yellow GmbH	Several locations	71,686	Germany	94 %	18,520	18,610	-0,5 %
Glockenhofcenter Objektgesellschaft mbH	Apolda/ Wurzen	8,928	Germany	94.9 %	4,390	n.a.	n.a.
Hanse-Center Objektgesellschaft mbH	Several locations	32,011	Germany	94.4 %	20,255	n.a.	n.a.
DEMIRE Objektgesellschaft Worms GmbH	Worms, Halle-Peissen	3,073	Germany	94 %	4,080	n.a.	n.a.
Sihlegg Investments Holding GmbH	Leipzig	20,750	Germany	94 %	23,350	n.a.	n.a.

Investment properties also include an advance payment of EUR 0.5 million – made in the form of an interest in the project company – for an additional property located in Schwerin acquired in the third quarter of 2015.

Legacy portfolio

The legacy portfolio contains mainly investments in Eastern Europe and the Black Sea Region. These investments are being sold gradually in order to put a swift end to DEMIRE's involvement in these regions in accordance with the Company's strategic realignment. The carrying amount of real estate inventory as of the reporting date was EUR 2,361k. We also refer to the investments accounted for using the equity method and investments accounted for using the equity method, available for sale, in the amount of EUR 1.5 million.

4.3. Financial position and liquidity

The financial management of the DEMIRE Group is executed in accordance with the guidelines adopted by the Executive Board. This applies to the control of funds and financing. The centralised liquidity analysis helps to optimise cash flows. The primary goal is to ensure liquidity for the overall Group. Providing the Supervisory Board with regular information on the financial situation is an integral part of DEMIRE's risk management system. The principles and objectives of capital management and control are presented in the Group's notes to the consolidated financial statements.

Selected information from the consolidated statement of cash flows

EURk	01/01/2015–30/06/2015	01/01/2014–30/06/2014
Cash flow from operating activities	5,787	-5,019
Cash flow from investing activities	1,078	-15,132
Cash flow from financing activities	-1,560	15,708
Net change in cash and cash equivalents	**5,305**	**-4,443**
Cash and cash equivalents at the end of the period	9,702	1,035

Cash flow development reflects the investments made to grow the real estate group and the continued disposals from the legacy portfolio.

Cash flow from operating activities improved from EUR -5.0 million in the previous year's comparable period to EUR 5.8 million in the first half of 2015. Starting from a level of Group profit before taxes of EUR 1.8 million, the improvement in cash flow was mainly triggered by an adjustment for interest paid of EUR 9.1 million, an increase in provisions and trade payables and other liabilities of EUR 2.5 million (1HY 2014: EUR -1.2 million) and a decline in trade accounts receivable and other receivables EUR 0.9 million (1HY 2014: EUR -2.6 million). Proceeds from the sale of real estate inventory and real estate companies had a positive effect of EUR 2.4 million. Cash flow from operating activities in the first half of 2015 was negatively affected by legal and consulting fees, accounting and audit costs for capital measures planned and carried out in the third quarter and related non-deductible input taxes.

Cash flow from investing activities totalled EUR 1.1 million in the first half of 2015 after reporting EUR -15.1 million in the previous year's comparable period. This improvement was mainly due to proceeds of EUR 1.7 million from the disposal of an investment property. Cash Flow in the first half of 2014 was impacted by payments of EUR 17.8 million for the purchase of investment properties, the increase of the interest in SQUADRA amounting to EUR 1.1 million and proceeds of EUR 3.4 million from the sale of interests in companies accounted for using the equity method.

In contrast, cash flow from financing activities in the 2015 reporting period fell to EUR -1.6 million after totalling EUR 15.7 million in the previous year's comparable period. Proceeds of EUR 43.5 million from bond issues, net of EUR 20 million in repayments, and the assumption of EUR1.5 million in financial debt were all used for interest payments of EUR 9.1 million and a EUR 17.3 million repayment of financial debt that came due during the reporting period.

The net change in cash and cash equivalents in the reporting period totalled EUR 5.3 million (1HY 2014: EUR -4.4 million). Cash and cash equivalents at the end of the reporting period rose to EUR 9.7 million from its level of EUR 1.0 million on December 31, 2014.

Throughout the entire reporting period, the DEMIRE real estate group was always in a position to fully meet its payment obligations. Possible liquidity shortages, for example, due to maturing loans, were avoided by means of the appropriate financial management and lender agreements as presented in the risk report.

4.4. Net assets and capital structure

The total assets of the DEMIRE Group as of the June 30, 2015 reporting date increased by EUR 56.7 million to EUR 429.7 million (December 31, 2014: EUR 373.0 million). This significant rise was mainly the result of the acquisition-related growth of the real estate group.

As of June 30, 2015, there was a further rise in non-current assets of EUR 52.4 million to a total of EUR 403.3 million (December 31, 2014: EUR 350.9 million). Property, plant and equipment in the amount of EUR 11.3 million as of December 31, 2014, declined to EUR 0.1 million as of June 30, 2015, due to the reclassification of prepayments made in the abbreviated fiscal year for the purchase of a property in Leverkusen to investment properties. Investment properties grew by EUR 66.0 million to EUR 399.1 million (December 31, 2014: EUR 333.1 million). Glockenhofcenter Objektgesellschaft mbH, Hanse-Center Objektgesellschaft mbH and the Gutenberg Galerie in Leipzig were all added to investment properties during the first half of 2015. Due to a change in rental conditions resulting from a prolongation of the rental agreement, the properties in Worms and Halle-Peissen were reclassified from real estate inventory and categorised for the first time as investment properties and measured in accordance with IAS 40. Investment properties also include an advance payment of EUR 0.5 million – made in the form of an interest in the project company – for an additional property located in Schwerin acquired in the third quarter of 2015. With respect to the valuation of investment properties, please refer to the explanation in the notes to the consolidated financial statements.

Investments accounted for using the equity method increased by EUR 0.5 million from EUR 2.6 million as of December 31, 2014, to EUR 3.1 million. The interest in OXELTON accounted for using the equity method was measured at its disposal value of EUR 1.5 million after a EUR 0.6 million write up and reclassified to investments available for sale in accordance with the third amendment to the mezzanine loan of MAGNAT Investment I B.V.

Deferred tax assets as of June 30, 2015, were unchanged from the previous year's level (December 31, 2014: EUR 0.7 million) and amounted to EUR 0.7 million. Deferred tax assets represent the future use of tax-loss carryforwards within DEMIRE AG's tax consolidation group and are limited to the extent of deferred tax liabilities recognised for fair value adjustments on investment properties, taking the so-called minimum taxation into consideration.

As of June 30, 2015, the DEMIRE Group's current assets had grown by EUR 2.8 million to EUR 24.9 million (December 31, 2014: EUR 22.1 million).

Trade accounts receivable and other receivables declined by EUR 0.9 million to EUR 8.4 million (December 31, 2014: EUR 9.3 million). All receivables were short-term and due in periods of less than three months.

Financial receivables and other financial assets of EUR 3.1 million (December 31, 2014: EUR 0.9 million) include the embedded derivative valued at EUR 1.5 million (December 31, 2014: EUR 0.4 million) from the 2014/2019 corporate bond resulting from DEMIRE AG's repurchase option.

Cash and cash equivalents increased EUR 5.3 million to EUR 9.7 million (December 31, 2014: EUR 4.4 million). This item consists of cash on hand and credit balances at financial institutions.

The equity of the DEMIRE Group increased by EUR 33.1 million from EUR 54.6 million at the end of December 2014 to EUR 87.7 million as of June 30, 2015. Subscribed capital, or share capital, increased from EUR 14,306,151.00 to EUR 22,336,103.00 as a result of the exercise of 213,675 conversion rights against the issue of new shares from conditional capital as well as the issue of 7,816,277 new shares from two capital increases against contribution in kind in the months of January and May 2015. In mid-May 2015, the Company issued a mandatory convertible bond with a volume of EUR 15 million against contribution in kind and excluding shareholders' subscription rights. As part of the transaction, an investor subscribed to the new mandatory convertible bond by contributing fractional bonds from the 2014/2019 corporate bond. The equity component of the convertible bond issued in the second quarter was determined using the residual value method and was recorded at EUR 14.2 million under reserves.

Staff costs of EUR 148k were recognised in equity for the stock options issued under the programme resolved at the Extraordinary General Meeting. The equity ratio as of June 30, 2015, amounted to 20.4 % after a level of 14.6 % as of December 31, 2014.

As of June 30, 2015, the DEMIRE Group's non-current liabilities amounted to EUR 274.2 million (December 31, 2014: EUR 258.1 million) due to the expansion in real estate holdings. The largest portion or EUR 263.0 million of these liabilities consisted of non-current financial debt from the issue of a corporate bond amounting to a nominal EUR 93.5 million, EUR 20 million of which was repurchased, a promissory note loan totalling a nominal EUR 148 million and the remaining convertible bond of EUR 10.7 million.

As of June 30, 2015, DEMIRE Group's current liabilities had grown by EUR 7.4 million from EUR 60.3 million as of December 31, 2014, to EUR 67.7 million.

Much of this rise was recorded in current financial debt, which increased to EUR 52.6 million (December 31, 2014: EUR 47.6 million). This sum included bank liabilities of EUR 20.5 million (December 31, 2014: EUR 5.4 million).

As of June 30, 2015, trade payables and other liabilities rose to EUR 13.8 million (December 31, 2014: EUR 11.5 million). Of this amount, EUR 4.2 million was recorded under trade payables (December 31, 2014: EUR 5.2 million) and EUR 9.6 million (December 31, 2014: EUR 6.3 million) was recorded under other liabilities. The increase in other liabilities is mainly the result of a loan from SQUADRA amounting to EUR 1.0 million and liabilities related to the acquisition of Glockenhof-Center GmbH of EUR 3.2 million.

As of June 30, 2015, the DEMIRE Group's total liabilities increased by EUR 23.5 million compared to its level of EUR 318.4 million on December 31, 2014, and amounted to EUR 341.9 million. This rise resulted from the portfolio's expansion and especially because of the increase in bonds of a net EUR 23.5 million, which was mainly used for investments and to retire short-term debt.

5. EMPLOYEES

As of June 30, 2015, the DEMIRE Group employed 34 staff members excluding the members of the Executive Board (December 31, 2014: 7 staff members).

6. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

As part of the acquisition of Logistikpark Leipzig, the Company's increase in share capital from authorised capital once by EUR 2,541,149.00 against a mixed contribution in kind excluding the subscription rights of shareholders was entered into the commercial register on July 1, 2015, making M1 Beteiligungs GmbH a DEMIRE shareholder.

On July 7, 2015, DEMIRE announced its plans for structuring and disposing of the legacy portfolio acquired before 2014. Of the roughly 60 companies included in the legacy portfolio, including those in the Netherlands, the Ukraine, Austria and Georgia, 30 have already been sold, liquidated or merged. The remaining companies are contained in a Dutch BV structure, which was further streamlined making it much less complex. The aim of the structural measures to simplify the legacy portfolio's organisation under company law was to greatly reduce fixed costs and simplify the sale of the remaining holdings in the legacy portfolio by the end of 2015. The reallocation of two German properties from real estate inventory to investment properties is expected to result in additional cash proceeds of roughly EUR 4 million, which is equivalent to their carrying amounts. The assumption of debt or other legacy obligations are neither expected nor foreseeable at this time.

Shortly after the end of the reporting period on July 9, 2015, DEMIRE announced the purchase of a 94.9 % interest in the Kurfürsten Galerie project company in Kassel. The retail property, located directly across from the "City-Point Kassel Einkaufszentrums" in the centre of Hesse's third largest city, has total rental space of approximately 21,000 m². The property includes the largest parking garage in the northern inner city of Kassel with approximately 600 parking spaces. Net rent, excluding utilities, is approximately EUR 3.9 million. By acquiring the project company of the Kurfürsten Galerie, DEMIRE also won a team of retail professionals that is now helping the Company with the further development and optimisation of properties in this asset class. The targeted expansion of the portfolio was made possible through the corresponding capital measures.

The cash capital increase of 2,474,152 new shares resolved in early July was entered into the commercial register on July 14, 2015. Wecken & Cie. based in Basel, Switzerland, subscribed to the shares at a price of EUR 4.51 and continues to be a DEMIRE shareholder. Gross proceeds of EUR 11,158,425.52 are being used for the further expansion of the commercial real estate portfolio in Germany and to strengthen the Company's financial position.

On July 31, 2015, DEMIRE submitted a voluntary public takeover offer for all shares of Fair Value REIT-AG in accordance with Section 10 WpÜG (German Securities Acquisition and Takeover Act). Shareholders were offered two DEMIRE shares for one share of Fair Value REIT. Fair Value REIT-AG's major shareholders are committed to accepting this takeover offer, and both the Management Board and the Supervisory Board of the target company are in favour of the planned merger. The successful execution of this takeover offer will create the leading property holder of commercial real estate in Germany's secondary locations. The value of the combined portfolio will amount to roughly EUR 1 billion. This transaction will abide by the requirements of the REIT Act in its technical implementation and is set to be completed by the end of 2015 provided the minimum acceptance level of 50.1 % of the voting rights and other customary market conditions are met.

In the period from early July 2015 through the end of August 2015, a total of 10,000 convertible bonds were converted into shares of DEMIRE Deutsche Mittelstand Real Estate AG and as of July 31, 2015, represented a notional interest in the share capital of roughly 0.04 %.

7. REPORT ON OPPORTUNITIES, RISKS AND OUTLOOK

The following report on opportunities, risks and outlook refers to the DEMIRE Group as well as to the individual business segments. The opportunities and risks described in the 2014 Annual Report (abbreviated fiscal year from April 1 to December 31, 2014) continue to be relevant. New fundamental risks or those of special significance have not arisen in the period from January 1 to June 30, 2015.

On July 31, 2015, following the reporting date, DEMIRE published a takeover offer for Fair Value REIT-AG. If the offer is accepted, the merger of these two real estate companies will create Germany's leading holder for office, retail and logistics properties in secondary locations with a portfolio of roughly EUR 1 billion. The transaction is expected to be completed by the end of the year 2015, subject to a minimum acceptance level of 50.1 % of the voting rights as well as to further customary market conditions. The effects of this takeover offer on the opportunities, risks and the outlook for the Company have been included in the following to the extent that they can be determined at this time.

The continued favourable macroeconomic and industry environment provides DEMIRE with excellent opportunities to expand its German commercial real estate portfolio and create one of the leading real estate groups focussed on German secondary locations. The growth of most of Europe's economies, including Germany, has picked up recently and demand continues to be stable for commercial rental space in the locations we address, with a focus on secondary locations in Germany. We also continue to see attractive offers for financing property acquisitions.

By the end of July 2015, we had already exceeded our target for the 2015 fiscal year by doubling the total rental space of our commercial portfolio (portfolio and contracts concluded) to over 810,000 m² (end of 2014: approx. 350,000 m²). Annualised net rent, excluding utilities, also doubled from a level of EUR 25.4 million to its current total of EUR 52.2 million. Whereas in 2014, DEMIRE's portfolio was mainly focused on the office asset class, there was a targeted expansion in the portfolio in 2015 to include the logistics and retail asset classes. This diversification led to a further improvement in the risk profile of the entire portfolio. Rental space at the end of July 2015 was divided into approximately 80 % office space, 9 % retail space, 8 % logistics space and 3 % other space.

By expanding our German commercial property portfolio, rental income and, consequently, the Core Portfolio segment now make the largest contribution to the Group's results.

The EBIT in the 2014 fiscal year was significantly affected by the fair value adjustments of EUR 63.6 million made in investment properties. Future fair value adjustments to real estate holdings or to possible acquisitions are difficult to predict. Nevertheless, for full-year 2015, we expect significantly higher income from property rentals since the properties acquired in 2014 will contribute to earnings for a full 12 month period for the first time. Additional revenues from the planned merger with Fair Value REIT-AG will arise only after the successful conclusion of the transaction as of fiscal year 2016.

For the 2015 fiscal year, we expect rental income to grow to approximately EUR 33 million and EBIT to be in the lower double-digit millions, excluding any fair value adjustments made to properties.

The proceeds generated from rental income will also contribute to the Group's positive cash flow from operating activities. We continue to strive for a strong improvement in net asset value.

We expect a sustainable appreciation in our portfolio's value and an improvement in revenues from the in-house asset, property and facility management activities formed in the first half of 2015. These activities will also help us to improve the management of our German commercial real estate portfolio and, for example, generate ever growing occupancy rates and lower ongoing operating costs. We already expect a positive effect from these activities in the current fiscal year. We will also be able to generate economies of scale with our in-house asset, property and facility management when we expand our portfolio and with our planned merger with Fair Value REIT-AG.

We made significant progress in 2015 in the reduction of our legacy portfolio. Of the 60 companies contained in the legacy portfolio, 30 companies have already been sold, liquidated or merged. The Dutch BV structure, which contains the remaining companies, was further streamlined mid-year making it much less complex. The aim of the structural measures to simplify the legacy portfolio's organisation under company law was to greatly reduce fixed costs as well as to simplify the sale of the remaining holdings in the legacy portfolio by the end of 2015. A possible sale would result in cash proceeds of roughly EUR 2.4 million, which also represents the carrying amount. The assumption of debt or other legacy obligations are not expected, which means, as of 2016, we will be able to operate without the burdens of the past.

In developing further in line with our strategic realignment, we see more opportunities for our business than risks. We consider the merger with Fair Value REIT as an opportunity to accelerate our growth so that we can become a leading holder of commercial real estate in Germany focussed on secondary locations in as early as 2016.

Since the transaction under the takeover offer for Fair Value REIT AG is not planned to close until the end of the current fiscal year, the impact on our balance sheet from acquiring 50.1 % or more of the company will only be visible at the end of the year. The assets of both companies would sum up to EUR 990 million and the loan-to-value ratio (LTV) would amount to 66 %. Only transaction-related one-time costs would have an impact on the 2015 statement of income.

We also intend to take advantage of the favourable market environment by expanding our portfolio during the upcoming fiscal year. We will be even better prepared for this expansion after our planned merger with Fair Value REIT. The concrete opportunities and risks resulting from the Fair Value REIT AG acquisition will become more evident at a later point in time.

Frankfurt/Main, August 28, 2015
DEMIRE Deutsche Mittelstand Real Estate AG

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

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

Disclaimer

This management report contains forward-looking statements and information. Such forward-looking statements are based on expectations that we have today, and on certain assumptions. They harbour a number of risks and uncertainties as a consequence. A large number of factors, many of which lie outside the scope of DEMIRE's influence, affect DEMIRE's business activities, success, its business strategy and its results. These factors may result in a significant divergence in the actual results, successes and performance achieved by DEMIRE.

Should one or more of these risks or uncertainties materialise, or should the underlying assumptions prove incorrect, the actual results may significantly diverge both positively and negatively from those results that were stated in the forward-looking statements as expected, anticipated, intended, planned, believed, projected, or estimated results. DEMIRE accepts no obligation, and does also not intend to update these forward-looking statements or to correct them given a development that is other than the one expected.

Disclaimer:
The Half-Year Report is published in German and as an English translation. In the event of any conflict or inconsistency between the English and the German versions, the German original shall prevail.

Balance sheet oath

As the Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG, we hereby confirm to the best of our knowledge, and in accordance with the applicable reporting principles, that the consolidated financial statements give a true and fair view of the net assets, financial position, and results of operations of the Group, and furthermore that the Group management report includes a fair review of the development of the business including the results and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Frankfurt/Main, August 28, 2015

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

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

Consolidated Financial Statements 30 June 2015 (unaudited)

CONSOLIDATED INCOME STATEMENT

EUR	01/01/2015–30/06/2015	01/01/2014–30/06/2014	01/04/2015–30/06/2015	01/04/2014–30/06/2014
Rental income	17,991,554	1,067,587	9,212,091	678,805
Operating expenses to generate rental income	-6,781,888	-151,861	-3,179,594	-36,687
Profit/loss from the rental of real estate	**11,209,666**	**915,726**	**6,032,497**	**642,118**
Revenue from the sale of real estate companies	1,766,000	0	1,766,000	0
Net assets from real estate companies sold	-1,245,924	0	-1,245,924	0
Profit/loss from the sale of real estate companies	**520,076**	**0**	**520,076**	**0**
Revenue from the sale of real estate	2,300,000	0	2,300,000	0
Expenses relating to real estate sales	-1,841,847	0	-1,841,847	0
Profit/loss from the sale of real estate	**458,153**	**0**	**458,153**	**0**
Profits from investments accounted for using the equity method	1,823,569	5,872	1,465,932	0
Losses from investments accounted for using the equity method	-62,622	-313,083	-24,693	-122,765
Unrealised fair value adjustments in equity investments	1,468,724	-167,464	23,838	70,077
Profit/loss from investments accounted for using the equity method	**3,229,671**	**-474,675**	**1,465,077**	**-52,688**
Profit/loss of fair value adjustments in investment properties	7,720,321	2,904,810	7,492,195	0
Unrealised fair value adjustments in real estate inventory	0	-284,998	0	0
Impairment of receivables	-563,072	-580,434	-557,771	-277,500
Other operating income	821,109	1,225,914	235,169	348,711
Other operating income and other effects	**7,978,358**	**3,265,292**	**7,169,593**	**71,211**
General and administrative expenses	-5,144,169	-1,859,644	-3,573,048	-603,106
Other operating expenses	-2,184,370	-1,644,619	-1,208,654	-585,601
Earnings before interest and taxes	**16,067,385**	**202,080**	**10,863,694**	**-528,066**
Financial income	2,014,127	730,565	1,678,433	113,467
Financial expenses	-16,302,555	-4,778,737	-11,344,390	-4,315,756
Financial result	**-14,288,428**	**-4,048,172**	**-9,665,957**	**-4,202,289**
Profit/loss before taxes	**1,778,957**	**-3,846,092**	**1,197,737**	**-4,730,355**
Income taxes	-1,481,600	-1,023,702	-1,371,698	-53,899
Net profit/loss for the period	**297,357**	**-4,869,794**	**-173,961**	**-4,784,254**
Of which, attributable to:				
Non-controlling interests	**441,682**	**62,229**	**422,061**	**83,496**
Parent company shareholders	**-144,325**	**-4,932,023**	**-596,022**	**-4,867,750**
Basic earnings per share	-0,01	-0,34	-0,03	-0,33
Diluted earnings per share	-0,01	-0,34	-0,03	-0,33

STATEMENT OF COMPREHENSIVE INCOME

EUR	01/01/2015–30/06/2015	01/01/2014–30/06/2014
Net profit/loss for the period	**297,357**	**-4,869,794**
Share of other comprehensive income attributable to associated companies accounted for using the equity method (from currency translation)	-930,212	246,950
Currency translation differences	195,000	113,994
Total other comprehensive income	**-735,212**	**360,944**
Total comprehensive income	**-437,855**	**-4,508,850**
Of which, attributable to:		
Non-controlling interests	**322,582**	**2,017,150**
Parent company shareholders	**-760,437**	**-6,526,000**

CONSOLIDATED BALANCE SHEET
ASSETS

EUR	30/06/2015	31/12/2014
ASSETS		
Non-current assets		
Intangible assets	0	0
Property, plant and equipment	87,310	11,329,947
Investment properties	399,082,370	333,070,000
Investments accounted for using the equity method	3,143,031	2,612,951
Other financial assets	29,207	14,383
Loans to investments accounted for using the equity method	0	2,856,582
Other loans	309,111	322,218
Deferred tax assets	675,451	719,820
Total non-current assets	**403,326,480**	**350,925,901**
Current assets		
Trade accounts receivables and other receivables	3,507,605	7,354,885
Trade accounts receivables and other receivables	8,368,959	9,286,985
Financial receivables and other financial assets	3,128,389	921,160
Tax refund claims	143,166	125,800
Cash and cash equivalents	9,702,353	4,397,265
Total current assets	**24,850,472**	**22,086,095**
Investments accounted for using the equity method, available for sale	**1,500,000**	**0**
Total assets	**429,676,952**	**373,011,996**

LIABILITIES

EUR	30/06/2015	31/12/2014
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Subscribed capital	22,336,103	14,306,151
Reserves	61,415,908	37,377,704
Equity attributable to parent company shareholders	**83,752,011**	**51,683,855**
Interest of non-controlling shareholders	3,993,288	2,945,398
Total shareholders' equity	**87,745,299**	**54,629,253**
Liabilities		
Non-current liabilities		
Deferred tax liabilities	11,166,907	10,031,740
Non-current financial debt	263,030,168	248,091,940
Total non-current liabilities	**274,197,075**	**258,123,680**
Current liabilities		
Provisions	796,074	852,026
Trade payables and other liabilities	13,775,217	11,519,200
Tax liabilities	546,208	314,430
Current financial debt	52,617,079	47,573,407
Total current liabilities	**67,734,578**	**60,259,063**
Total liabilities	**341,931,653**	**318,382,743**
Total equity and liabilities	**429,676,952**	**373,011,996**

CONSOLIDATED STATEMENT OF CASH FLOWS

TEUR	01/01/2015–30/06/2015	01/01/2014–30/06/2014
Group profit/loss before taxes	**1,779**	**-3,846**
Interest expenses paid for financial debt	9,128	180
Proceeds from sale of property	2,416	0
Change in real estate inventory	-876	0
Change in trade accounts receivable and other receivables	918	-2,585
Change in deferred tax assets	44	-232
Change in income tax receivables	-17	-20
Change in financial receivables and other financial assets	-2,209	2,041
Change in provisions	-56	-1,341
Change in trade payables and other liabilities	2,546	136
Change in deferred tax liabilities	1,135	1,094
Valuation gains under IAS 40	-7,720	-2,905
Profit from the sale of real estate	-978	-747
Income taxes	-1,482	-54
Change in reserves	1,504	-827
Profit/loss from investments accounted for using the equity method	-3,230	457
Fair value adjustments in real estate inventory	0	285
Personnel expenses Stock option program	148	0
Other non-cash items	2,737	3,345
Cash flow from operating activities	**5,787**	**-5,019**
Payments for intangible assets	0	
Payments for investments in tangible fixed assets	-60	395
Payment for the acquisition of investment properties	-512	-17,800
Proceeds from the sale of fixed assets	0	7
Proceeds from the sale of investment property and real estate companies	1,650	0
Reviewed payout for the acquisition of shares and to increase the capital reserve at equity and other equity investments	0	-1,085
Proceeds from the sale of shares in companies valued at equity and other investments	0	3,351
Cash flow from investing activities	**1,078**	**-15,132**
Proceeds from issuing shares	0	0
Payments for expenses related to the issuing of shares	-58	0
Change in financial debt resulting from the acquisition of companies	0	13,247
Proceeds from the issuance of convertible bonds	0	4,020
Proceeds from the issuance of bonds	43,500	0
Payments for the redemption of bonds	-20,000	0
Proceeds from borrowings	1,466	226
Interest paid on financial debt	-9,128	-76
Payments for the redemption of financial debt	-17,340	-1,709
Cash flow from financing activities	**-1,560**	**15,708**
Net change in cash and cash equivalents	**5,305**	**-4,443**
Change due to currency translation	0	-2
Cash and cash equivalents at the start of the period	4,397	5,480
Cash and cash equivalents at the end of the period	**9,702**	**1,035**
Supplementary information concerning the statement of cash flows:		
Income tax refunds (+)/-payments (-)	0	-39
Interest received	0	9
Interest paid	9,128	90

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EURk	Share capital	Reserves							
	Subscribed capital	Capital reserves	Retained earnings including Group profit/ loss	Reserves for treasury shares	Currency transla-tion	Other reserves	Equity attribut-able to parent company shareholders	Interests of non-controlling share-holders	Total equity
01/01/2015	**14,306**	**8,234**	**32,802**	**-310**	**-3,348**	0	**51,685**	**2,944**	**54,629**
Proportional transfer of earnings-neutral changes in equity in invest-ments accounted for using the equity method	0	148	0	0	0	0	148	0	148
Currency translation differences	0	14,237	0	0	0	0	14,237	0	14,237
Total other comprehensive income	**0**	**0**	**0**	**0**	**-930**	**0**	**-930**	**0**	**-930**
Net profit/loss for the period	0	0	0	0	314	0	314	-119	195
Total comprehensive income	**0**	**0**	**0**	**0**	**-616**	**0**	**-616**	**-119**	**-735**
Capital increase (related to the conversion of convertible bonds)	0	0	-144	0	0	0	-144	442	298
Capital increase in the context of a contribution in kind	0	0	-144	0	-616	0	-760	323	-437
Change in scope of consolidation	214	-10	0	0	0	0	204	0	204
Change related to the convertible bond recognised directly in equity	7,816	10,834	0	0	0	0	18,650	0	18,650
Change in deferred taxes recog-nised directly in equity (related to the convertible bonds)	0	0	-412	0	0	0	-412	726	314
31/03/2015	**22,336**	**33,443**	**32,246**	**-310**	**-3,964**	0	**83,752**	**3,993**	**87,745**
01/04/2014	**13,895**	**7,455**	**-10,500**	**-310**	**-2,706**	**0**	**7,835**	**-133**	**7,702**
Proportional transfer of earnings-neutral changes in equity in invest-ments accounted for using the equity method	0	0	0	0	-1,067	0	-1,067	0	-1,067
Currency translation differences	0	0	0	0	425	0	425	201	626
Total other comprehensive incomes	**0**	**0**	**0**	**0**	**-642**	**0**	**-642**	**201**	**-441**
Net profit/loss for the period	0	0	43,302	0	0	0	43,302	2,405	45,707
Total comprehensive income	**0**	**0**	**43,302**	**0**	**-642**	**0**	**42,660**	**2,606**	**45,266**
Capital increase (related to the conversion of convertible bonds)	411	108	0	0	0	0	519	0	519
Change in scope of consolidation	0	0	0	0	0	0	0	472	472
Change related to the convertible bond recognised directly in equity	0	493	0	0	0	0	493	0	493
Change in deferred taxes recog-nised directly in equity (related to the convertible bonds)	0	177	0	0	0	0	177	0	177
31/12/2014	**14,306**	**8,233**	**32,802**	**-310**	**-3,348**	**0**	**51,684**	**2,945**	**54,629**

DEMIRE Deutsche Mittelstand Real Estate AG
Frankfurt/Main

Notes
to the condensed interim consolidated financial statements as of June 30, 2015

A. GENERAL INFORMATION

DEMIRE Deutsche Mittelstand Real Estate AG (hereinafter also referred to as the „Company“ or „DEMIRE AG“ (as the single entity) or „DEMIRE“ (as the Group)) is recorded in the commercial register in Frankfurt/Main, Germany, which is the location of the Company’s headquarters. The Company’s headquarters are located at Lyoner Strasse 32 in Frankfurt/Main. The Company’s fiscal year is the calendar year. The first half of the 2014 calendar year serves as the comparable prior year period.

The Company’s shares were originally listed on the open market in July 2006. On October 30, 2007, the Company changed stock exchange segments. Since that time, the Company’s shares have been listed in the General Standard segment of the Frankfurt Stock Exchange. As a result of the segment change, DEMIRE is subject to the stringent EU-wide transparency requirements for the regulated market.

These consolidated financial statements, prepared in the name of the legal parent company, DEMIRE Deutsche Mittelstand Real Estate AG, are to be economically attributed to the economic acquirer identified as MAGNAT Asset Management GmbH (formerly R-QUADRAT Immobilien GmbH, Vienna, Austria), within the context of a reverse acquisition in fiscal year 2009/2010. The whole of the consolidated subsidiaries and the joint ventures and associated companies accounted for using the equity method are hereinafter referred to as the „DEMIRE Group“.

B. ACCOUNTING POLICIES

The condensed interim consolidated financial statements for the period from January 1 to June 30, 2015, were prepared in accordance with IAS 34 “Interim Financial Reporting”, as applicable in the EU. The interim consolidated financial statements were not subject to a review by an auditor.

The interim consolidated financial statements of the DEMIRE Group were prepared according to uniform accounting and valuation policies taking into account all IFRS standards that require mandatory application as of the reporting date (June 30, 2015) and were adopted by the European Union. In preparing the interim consolidated financial statements and determining the figures for the comparable prior year period, the same consolidation principles and accounting and measurement policies were applied as for the consolidated financial statements as of December 31, 2014. A detailed description of these methods can be found in the notes to the 2014 consolidated financial statements. New topics in the reporting period pertaining to the 2015/18 mandatory convertible bond and stock-based compensation are included in sections D and E and explained therein.

These interim consolidated financial statements do not contain all of the information and disclosures required for consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements as of December 31, 2014.

DEMIRE's business operations are essentially unaffected by seasonal and macroeconomic impacts.

The following new or amended standards and interpretations required mandatory first-time application in the 2015 fiscal year and had no significant impact on the consolidated financial statements.

- Annual improvements to IFRS (2010 – 2012),
- Annual improvements to IFRS (2011 – 2013),
- Amendments to IAS 19,
- IFRIC 21 "Levies".

The preparation of these interim consolidated financial statements required the use of discretionary decisions and estimates for some balance sheet items that affect the recognition and measurement in the balance sheet and statement of income.

The assumptions and estimates that could pose a material risk of significant adjustments being made to the carrying amounts of assets and/or liabilities mainly relate to the fair value measurement of investment properties and are described separately in the corresponding chapter.

Discretionary decisions made by the management when applying the accounting and valuation policies that could significantly impact the amounts in the consolidated financial statements are a result of the assessment made when the purchase of a portfolio in the context of a real estate transaction is to be classified as a business combination according to IFRS 3 or as an acquisition of assets and liabilities.

The consolidated financial statements were prepared on the assumption of a going concern. The reporting currency is the euro. Where figures have been rounded to EURk, this has been stated. Discrepancies may occur as a result of rounding.

C. CHANGES TO THE SCOPE OF CONSOLIDATION

1. Scope of consolidation

In addition to the inclusion of the Company, the consolidated financial statements generally include all German and foreign subsidiaries from the date of their acquisition. As of June 30, 2015, the scope of consolidation comprised 57 fully consolidated entities (previous year: 54), including the parent company.

NUMBER OF FULLY CONSOLIDATED SUBSIDIARIES	30/06/2015	31/12/2014
As of the beginning of the fiscal year	**54**	**30**
Additions	8	27
Disposals	4	3
Disposals through mergers	1	0
As of the balance sheet date	**57**	**54**

Disposals during the reporting period mainly concern the legacy portfolio, particularly Kappatrade Ltd. (Ukraine), Polartrade Ltd. (Ukraine), OOO Sadko Holding (Russia) and OOO New Sadko Holding (Russia). In addition, MAGNAT Zweiten Immobiliengesellschaft mbH was disposed of through a merger with MAGNAT Ersten Immobiliengesellschaft mbH, which was subsequently renamed DEMIRE Objektgesellschaft Worms GmbH.

2. Changes to the scope of consolidation

a) Acquisition of real estate companies

Interests in the real estate project companies Glockenhofcenter Objektgesellschaft mbH, Berlin, Hanse-Center Objektgesellschaft mbH, Berlin, TGA Immobilien Erwerb 1 GmbH, Berlin, and Sihlegg Investments Holding GmbH, Wollerau, Switzerland, were acquired during the reporting period. The acquisition of the real estate project companies that do not represent a business operation as defined by IFRS 3 was accounted for as a direct purchase of properties and the acquisition costs of the project companies were allocated to the individually identifiable assets and liabilities on the basis of their fair values.

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

In the context of the acquisition of Sihlegg Investments Holding GmbH, DEMIRE AG increased its share capital by EUR 2,182,567 against contribution in kind. Ketom AG, Wollerau, Switzerland, was admitted to subscribe to the new shares in return for providing a contribution in kind consisting of 94 percent of Ketom AG's interest in Sihlegg Investments Holding GmbH and a receivable against

Sihlegg Investments Holding GmbH. Sihlegg Investments Holding GmbH is the owner of the office and retail property Gutenberg Galerie in Leipzig and was acquired with effect as of May 27, 2015. In the context of the capital increase, each new DEMIRE AG share was assigned a value of EUR 4.03.

DEMIRE Commercial Real Estate ZWEI GmbH acquired a roughly 94 percent interest in TGA Immobilien Erwerb 1 GmbH, Berlin, in a two-step process on March 3, 2015, and May 21, 2015. The purchase price totalled EUR 468,250. Under a property purchase agreement dated March 25, 2015, TGA Immobilien Erwerb 1 GmbH acquired a property in Schwerin. Beneficial ownership is expected to be transferred in the third quarter of 2015.

Based on 100 percent of the assets and liabilities and taking into account the interests of non-controlling shareholders, the following amounts were recognised as of the date of first-time consolidation:

EURk	Amounts recognised as of the acquisition date
Assets acquired	51.108
Liabilities acquired	30.899
Net assets at 100%	**20.209**
of which interests of non-controlling shareholders	**1.121**
Acquisition costs	**19.088**

D. SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

1. Rental income

The Group's rental income is composed as follows:

EURk	01/01/2015-30/06/2015	01/01/2014-30/06/2014
Net rents	13,839	866
Income from ancillary rental costs	4,153	202
	17,992	**1,068**

Rental income in the reporting period stems primarily from the rental of commercial real estate.

Profit/loss from the rental of real estate of EUR 11,210k in the reporting period (first half of 2014: EUR 915k) resulted from rental income amounting to EUR 17,992k (first half of 2014: EUR 1,068k) and operating expenses to generate rental income of EUR 6,782k (first half of 2014: EUR 152k). Profit/loss from the rental of real estate was not affected by seasonal effects. The significant rise in the profit/loss from the rental of real estate mainly resulted from the real estate portfolios acquired during the abbreviated 2014 fiscal year.

2. Stock-based compensation

With the consent of the Supervisory Board, the Executive Board is authorised until December 31, 2015, ("issue period") as detailed in the following provisions under the 2015 stock option plan to issue up to 1,000,000 stock options with subscription rights for shares of DEMIRE AG with a vesting period of four years and an exercise period of another five years ("the exercise period") provided that each stock option entitles its holder to subscribe for one share of the Company. With regard to the issue of stock options to members of the Executive Board of the Company, this authorisation is limited only to the Supervisory Board.

The beneficiaries and the amount of stock options for subscription offered to these beneficiaries are to be determined by the Executive Board of the Company with the consent of the Supervisory Board. To the extent members of the Executive Board of the Company are to receive stock options, the determination and the issuance will be governed by the Supervisory Board.

The following amount of stock options may be issued:

- a total of up to 800,000 stock options (80 percent) to members of the Executive Board,
- a total of up to 200,000 stock options (20 percent) to selected employees of the Company or directors or employees of Group companies.

The subscription rights arising from the stock options can be exercised for the first time upon the expiration of the statutory vesting period of four years according to Section 193 para. 2 no. 4 of the AktG. The vesting period starts after the issue of the stock options (day of receipt of the beneficiary's statement of subscription by the Company or by the credit institution commissioned by the Company for the settlement).

The relevant exercise price for one share of the Company upon the exercise of the stock options corresponds to at least 100 percent of the basis price. The basis price is the share price of the Company at the time of the resolution of the Executive Board on the issue of stock option rights and, in the case of the issue of stock options to members of the Executive Board, at the time of the resolution of the Supervisory Board. The relevant share price is the average closing price of the Company's shares in XETRA trading on the Frankfurt Stock Exchange (or a comparable successor system) on the last ten stock exchange trading days before the resolution is made on the issue of stock options.

The exercise of the subscription rights is subject to the Company's share price in XETRA trading on the Frankfurt Stock Exchange (or a comparable successor system) being at least 10 percent higher than the basis price on the day preceding the exercise of the subscription rights.

The accounting of stock-based compensation is governed by IFRS 2 "Share-based Payment". The 2015 stock option plan is to be classified as "equity-settled share-based payments". Under IFRS 2, the total staff costs arising from the stock options are to be distributed over the four-year vesting period starting from the grant date. In the case of DEMIRE AG, the grant date is day the approval is given by the Executive Board and/or Supervisory Board.

The value of compensation based on real stock options under the Black-Scholes Model is determined by the fair value of the options at the grant date pursuant to IFRS 2.10. In the case of DEMIRE AG, the grant date is the day the options were issued (April 7, 2015).

The following vesting conditions are relevant for the accounting of the stock-based compensation programme:

- The four-year vesting period represents a so-called service condition since only a specified period of service in the Company must be completed.

- The exercise condition of a closing share price exceeding the basis price by at least 10 percent on the day preceding the exercise is to be classified as a performance condition since meeting the condition is based on a performance target. The performance conditions are to be divided into market conditions and non-market conditions. In the case of DEMIRE AG, the exercise condition is to be classified a market performance condition as it is explicitly related to the Company's share price. Such a market performance condition is reflected in the valuation of the option exclusively by means of a probability calculation performed at the grant date.

In the past reporting period, a total of 960,000 stock options were granted, of which 800,000 stock options were granted to members of the Executive Board and 160,000 stock options to selected employees of the Company or employees of Group companies. The fair value of each option was EUR 2.74.

The calculation of the option's fair value as of June 30, 2015, was based on the following parameters:

CALCULATION PARAMETERS	
Dividend yield (percent)	0.00
Expected volatility (percent)	60.40
Risk-free interest rate (percent)	0.50
Term of the option (years)	9
Weighted average share price (euro)	4.258

The staff cost for the reporting period arising from the 2015 stock option plan amounted to EUR 147,960 as of June 30, 2015. The costs are recognised in the consolidated financial statements under "general and administrative expenses".

3. Financial result

EURk	01/01/2015-30/06/2015	01/01/2014-30/06/2014
Financial income	2,014	731
Financial expenses	-16,302	-4,779
	-14,288	**-4,048**

The increase in financial income mainly stemmed from valuation gains from embedded derivatives of the 2014/2019 corporate bond.

The higher financial expenses are the result of the loans assumed for the real estate acquired at the end of the abbreviated 2014 fiscal year and in the first half of 2015.

4. Net profit/loss for the period

The Group's net profit/loss for the period of EUR 297k (first half of 2014: EUR -4,870k) was positively impacted by the profit/loss from the rental of real estate of EUR 11,210k (first half of 2014: EUR 916k) resulting from the expansion of the real estate portfolio.

The profit/loss from investments accounted for using the equity method amounted to EUR 3,230k (first half of 2014: EUR -475k). This improvement resulted from the renegotiation of the mezzanine loan and related debt relief of EUR 1,231k as well as from the higher valuation of the real estate at the SQUADRA Group that was reflected in DEMIRE's proportionate share in earnings. This higher valuation resulted from improved disposal options for the SQUADRA Group's property located in Frankfurt/Main in the course of the planned change of use to a residential property.

Other operating income and other effects amounted to EUR 7,978k in the first half of 2015 (first half of 2014: EUR 3,265k). This was largely triggered by the profit/loss of fair value adjustments in investment properties of EUR 7,720k (first half of 2014: EUR 2,905k), particularly from the Gutenberg Galerie in Leipzig and a property in Worms.

In addition, the sale of real estate companies and real estate relating to the legacy portfolio resulted in a profit of EUR 2,252k.

Earnings were negatively impacted by higher financial expenses of EUR 16,302k, other operating expenses of EUR 2,184k and general and administrative expenses of EUR 5,144k. General and administrative expenses mainly reflect accounting and audit costs of EUR 1,817k as well as legal and consulting fees of EUR 2,261k. This item includes non-recurring expenses of EUR 986k (first half of 2014: EUR 1k; both excluding sales tax) relating to the preparation of a stock exchange prospectus and other capital market activities.

Earnings per share

Basic earnings per share is computed by dividing the net profit/loss for the period attributable to the parent company shareholders by the weighted average number of shares outstanding.

	01/01/2015-30/06/2015	01/01/2014-30/06/2014
Net profit/loss attributable to the parent company shareholders (EURk)	-144	-4,932
Weighted average number of shares outstanding	22,336,103	13,889,651
Basic earnings per share (EUR)	**-0.01**	**-0.35**
Diluted earnings per share (EUR)	**-0.01**	**-0.35**

The following items were taken into consideration in the calculation of the diluted weighted average number of shares as of June 30, 2015:

- Convertible bonds (10,810,550 units),
- Stock options issued (960,000 units),
- Mandatory convertible bond (15,000,000 units).

In both the reporting year and the previous year, convertible bonds were excluded in the calculation of diluted earnings per share in accordance with IAS 33.70 (c) because an assumed conversion would have been anti-dilutive due to the loss for the period.

E. SELECTED NOTES TO THE CONSOLIDATED BALANCE SHEET AND STATEMENT OF CHANGES IN EQUITY

1. Investment properties

Investment properties are carried at fair value. Changes in fair values during the fiscal year were as follows:

EURk	30/06/2015	31/12/2014
Fair value as of the beginning of the fiscal year	**333.070**	**20,526**
Reclassifications from property, plant and equipment / real estate inventory	14,065	210
Additions	44,227	248.726
Unrealised gains from fair value measurement	7,720	63.608
Fair value as of the end of the fiscal year	**399,082**	**333.070**

The EUR 44,227k addition to investment properties is mainly the result of the investment in four commercial real estate companies acquired during the reporting period: Glockenhofcenter Objektgesellschaft mbH, Hanse-Center Objektgesellschaft mbH and Gutenberg Galerie. These companies were acquired in the context of capital increases against contribution in kind, which increased subscribed capital by EUR 7,816k and capital reserves by EUR 10,834k. The item "reclassifications from property, plant and equipment" in the amount of EUR 14,065k relates to advance payments for the property Goetheplatz, Leverkusen, and the properties in Worms and Halle-Peissen, which were reclassified from real estate inventory.

As in the same period 30 June 2014 no reliable IFRS 13 details could be determined, the values have been used by 31 December 2014 as last year's information.

Investment properties in the previous year's period included only the two projects on Hoferstrasse and Ohmstrasse in Munich. Because of this much lower number of properties in the real estate portfolio compared to the reporting period, a meaningful prior year comparison of the information provided under IFRS 13 is only limitedly possible.

In the first half-year, the average market rent of investment properties was EUR 6.99/m² per month (previous year: EUR 7.32/m² per month) and was in the range of EUR 0.45 to EUR 13.23 (previous year: EUR 0.96 to EUR 11.26). The determination of average market rent was based on the space rented as of June 30, 2015. Maintenance costs amounted to 9.05 percent of the annual gross income in the current fiscal year (previous year: 8.02 percent). The value-based vacancy rate in relation to target rents averaged 16.98 percent in the current period (previous year: 14.67 percent).

Total rentable space amounted to 423,431 m² as of the balance sheet date with 80,402 m² of this space vacant. The average vacancy rate based on the rentable space was 16.98 percent (previous year: 17.12 percent) with a range of 0.00 percent to 83.04 percent (previous year: 0.00 percent to 82.32 percent) depending upon the type of space (office buildings, warehouse, etc.).

The calculation of property yields is based on the average market property yield and takes into account macro and micro conditions, competing properties, tenant creditworthiness, vacancies, and the remaining terms of the lease contracts. The average property yield amounted to 6.20 percent (previous year: 5.98 percent). The applied property yields ranged from 5.00 percent to 9.25 percent (previous year: 5.00 percent to 9.25 percent) depending on the quality, location and structure of the objects.

The existing rental agreements and the corresponding income totalling EUR 173 million have a remaining term of up to 10 years.

The weighted average lease term (WALT) is 6.2 years (previous year: 6.4 years).

A sensitivity analysis of the material, non-observable input factors had the following impact on the measurement of investment properties:

An increase in the property yield of 0.5 percent reduces the fair value of investment properties by EUR 24,395k; a decrease in property yield of 0.5 percent results in a higher fair value of EUR 27,085k. A 10 percent increase in future profit from rentals (taking into account rental income, vacancy rates, administration and maintenance costs) results in a higher fair value of EUR 31,740k; a 10 percent decrease results in a lower fair value of EUR 31,630k.

A significant increase in maintenance costs, vacancy rates, and property yields, as well as unchanged assumptions regarding all other input factors, would result in a decrease in the property's fair value. All of the Group's investment properties are rented on the basis of operating lease agreements. The resulting rental income amounted to EUR 13,839k (previous year: EUR 3.528k). The expenses relating to investment properties amounted to EUR 6,843k (previous year: EUR 165k).

2. Investments accounted for using the equity method
Investments accounted for using the equity method of EUR 3,143k (December 31, 2014: EUR 2,613k) primarily consist of the interest in SQUADRA in the amount of EUR 3,020k. In the first half, the interest in OXELTON accounted for using the equity method was reclassified to investments available for sale in accordance with the third amendment to the mezzanine loan of MAGNAT Investment I B.V. Following the realisation of the debt relief in April 2015, the interest was measured at the disposal value of EUR 1,500k.

3. Non-current financial debt
The following table summarises the non-current financial debt.

NON-CURRENT PORTION OF FINANCIAL DEBT	Nominal interest rate percent	Due	30/06/2015 EURk	31/12/2014 TEUk
2014/2019 corporate bond of DEMIRE Deutsche Mittelstand Real Estate AG	7.50	16/09/2019	56,365	49,138
2013/2018 convertible bond of DEMIRE Deutsche Mittelstand Real Estate AG Estate AG	6.00	30/12/2018	10,943	10,424
Deutsche Bank promissory note loan for DEMIRE Holding EINS GmbH	5.00	09/12/2019	142,583	142,320
LBBW loan A for DEMIRE Commercial Real Estate GmbH	2.25	31/01/2019	26,400	26,666
LBBW loan B for DEMIRE Commercial Real Estate GmbH	variable	31/01/2019	6,848	6,792
IBB amortising loan for DEMIRE Real Estate München I GmbH	3.00	31/12/2016	8,127	8,018
Hypo Landesbank Vorarlberg amortising loan for Munich ASSET Vermögensverwaltung GmbH	1.75	31/08/2018	4,653	4,734
Westimmo amortising loan for Glockenhofcenter Objektgesellschaft mbH	4.38	30/06/2015	275	0
LBB amortising loan for Hanse-Center Objektgesellschaft mbH	3.74	31/08/2018	6,720	0
Other financial liabilities	interest-free	diverse	116	0
			263,030	248,092

In the first quarter of 2015, the 2014/2019 bond was increased by EUR 43,500k and EUR 20,000k was repaid from the first tranche of the 2014/2019 bond, leading to a net rise in non-current financial debt of EUR 14,938k as of June 30, 2015. The interest rate is 7.5 percent p.a. The proceeds from the bond are mainly used for DEMIRE's ongoing business expansion. In addition, the 2014/2019 bond contains embedded call options of EUR 392k from the first tranche and EUR 1,138k from the second tranche. The income from the revaluation of these embedded derivatives amounted to EUR 1,090k as of June 30, 2015.

2015/2018 mandatory convertible bond

In May 2015, a mandatory convertible bond with a volume of EUR 15,000k was issued with the exclusion of shareholders' subscription rights against contribution in kind. In the context of the transaction, an investor in the 2014/2019 corporate bond (Open Market of the Frankfurt Stock Exchange; ISIN: DE000A12T135/ WKN: A12T13; volume EUR 100 million) subscribed to the mandatory convertible bond issued with a term of three years (bullet bond maturing 2018) by contributing fractional bonds from the 2014/2019 corporate bond. The bonds carry an interest coupon of 2.75 percent per annum starting from the date of issue and may be converted into shares as of September 1, 2015, at an initial conversion price of EUR 5.00 per share, subject to adjustments. The mandatory convertible bond carries a conversion obligation of the respective creditor at the maturity of the bond.

The accounting of the mandatory convertible bond as of June 30, 2015, assumes that the conversion into shares will only take place at the bond's maturity. According to IAS 32.28, the new debt instrument must be divided into a debt and equity component. According to IAS 32.31 ff., the division into a debt and equity component must be carried out under the residual value method. Due to the fixed conversion ratio, the mandatory convertible bond is classified as equity as of the issue date. The debt component corresponds to the net present value of future interest payments. A term-equivalent credit spread on the risk-free interest rate was used to measure the debt component at the time of recognition on June 30, 2015. The resulting value for the debt component amounted to EUR 1,055k. The equity component of EUR 13,899k is determined by subtracting the debt component from the nominal amount of the mandatory convertible bond.

4. Notes to the consolidated statement of changes in equity

The net profit for the period attributable to the parent company shareholders amounts to EUR -144k. The net profit attributable to non-controlling interests amounts to EUR 442k.

In the reporting year, **subscribed capital** rose by EUR 214k as a result of the conversion of 2013/2018 convertible bonds. Furthermore, capital increases against contribution in kind relating to the acquisition of new properties resulted in a rise in subscribed capital of EUR 7,816k.

Capital reserves represent the amount that was received through a capital increase against contribution in kind and the difference in subscribed capital to the sum of the share capital of the economic parent company and the acquisition cost for the acquisition of DEMIRE Deutsche Mittelstand Real Estate AG. The increase in capital reserves mainly resulted from capital increases against contribution in kind of EUR 10,834k and the equity component of the 2015/2018 mandatory convertible bond, including deferred tax assets of EUR 14,237k.

Retained earnings including consolidated net profit/loss contain the accumulated results.

The **reserves for treasury shares** resulted from the reverse acquisition.

The **currency translation reserves** include currency differences from fully consolidated companies and of companies accounted for using the equity method whose functional currency is not the euro.

Capital transactions with shareholders
There were no distributions to shareholders either in the reporting period or in the subsequent year up until the date of the preparation of these financial statements.

Changes in equity recognised in other comprehensive income
The changes in other comprehensive income of in total EUR 735k resulted from negative currency translation differences and the transfer of earnings-neutral changes in equity from investments accounted for using the equity method.

F. SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flow from operating activities is calculated using the indirect method. Cash flow from investing and financing activities are calculated on a payment-related basis.

Cash flow development reflects the investment in the real estate group's growth and the progression in the disposal of the legacy portfolio.

Cash flow includes interest paid in the amount of EUR 9,128k (first half of 2014: EUR 180k), which resulted entirely from financing activities.

Cash flow from operating activities
Cash flow from operating activities in the reporting period improved from EUR -5,019k to EUR 5,787k. Starting from a level of Group profit before taxes of EUR 1,779k, the improvement in cash flow was mainly triggered by an adjustment for interest paid of EUR 9,128k, an increase in provisions and trade payables and other liabilities of EUR 2,490k (first half of 2014: EUR 1,205k), a change in trade accounts receivable and other receivables of EUR 918k (first half of 2014: EUR -2,585k) and proceeds from the disposal of real estate inventory of EUR 2,416k. Cash flow from operating activities was negatively affected in the first half of 2015 by legal and consulting fees for capital measures planned and carried out in the third quarter and by related, non-deductible input taxes totalling EUR 1,173k.

Cash flow from investing activities
Cash flow from investing activities totalled EUR 1,078k after a cash outflow of EUR 15,132k in the previous year's period. Cash flow from investing activities was mainly the result of proceeds from the disposal of investment properties and real estate companies amounting to EUR 1,650k and from payments for the purchase of investment properties of EUR -512k.

Cash flow from financing activities

Cash flow from financing activities totalled EUR -1,560k in the 2015 reporting period after EUR 15,708k in the prior year's period. Proceeds of EUR 43,500k from bond issues were used for interest payments of EUR 9,128k and the redemption of financial debt due in the reporting period in the amount of EUR 17,340k. In addition, EUR 20,000k was used for the repayment of a portion of the 2014/2019 corporate bond.

Cash and cash equivalents

The net change in cash and cash equivalents totalled EUR 5,305k (first half of 2014: EUR -4,443k). As of the end of the reporting period, cash and cash equivalents had risen to EUR 9,702k after EUR 4,397k on December 31, 2014.

Throughout the entire reporting period, the DEMIRE real estate group was always in a position to fully meet its payment obligations. Possible liquidity shortages, for example, due to maturing loans, were avoided by means of the appropriate financial management and lender agreements as presented in the risk report.

G. NOTES TO THE SEGMENT REPORTING

JANUARY 1, 2015 - JUNE 30, 2015 EURk	SEGMENTS BY BUSINESS AREAS				
	Investments	Asset Management[1]	Core Portfolio	Central Functions[1]	Group
Revenues	2,605	0	19,453	0	22,058
Profit/loss from fair value adjustments in investment properties	0	0	7,720	0	7,720
Profits from investments accounted for using the equity method	1,231	0	0	1,999	3,230
Other income	432	0	284	105	821
Segment revenues	**4,268**	**0**	**27,457**	**2,104**	**33,829**
Net assets from sold real estate companies	-1,246	0	0	0	-1,246
Expenses on real estate sales	-192	0	-1,650	0	-1,842
Other expenses	-128	0	-7,735	-6,810	-14,673
Segment expenses	**-1,566**	**0**	**-9,385**	**-6,810**	**-17,761**
EBIT	**2,702**	**0**	**18,072**	**-4,706**	**16,068**
Interest income	160	0	0	1,854	2,014
Interest expenses	-4,394	0	-8,824	-3,085	-16,303
Income taxes	0	0	-1,070	-412	-1,482
Net profit/loss for the period	**-1,532**	**0**	**8,178**	**-6,349**	**297**
Significant non-cash items	**2,209**	**0**	**8,791**	**1,327**	**12,327**
Impairment losses in net profit/ loss for the period	**62**	**0**	**325**	**176**	**563**
ADDITIONAL INFORMATION					
Segment assets	**5,673**	**0**	**413,689**	**10,316**	**429,678**
of which investments accounted for using the equity method	158	0	0	2,985	3,143
of which loans to investments accounted for using the equity method	0	0	0	0	0
of which financial receivables and other financial assets	41	0	0	1,557	1,598
of which tax refund claims	3	0	92	48	143
of which assets available for sales in investments accounted for using the equity method	0	0	0	1,500	1,500
Segment liabilities	**2,945**	**0**	**264,599**	**74,388**	**341,932**
of which non-current financial debt	0	0	195,722	67,308	280,704
of which current financial debt	2,554	0	48,056	2,008	52,618
of which tax liabilities	1	0	337	209	547

[1] *In 2015, the Asset Management segment was allocated to Central Functions.*

JANUARY 1, 2014 - JUNE 30, 2014 EURk	SEGMENTS BY BUSINESS AREAS				
	Investments	Asset Management	Core Portfolio	Central Functions	Group
Revenues	68	0	1,000	0	1,068
Profit/loss from fair value adjustments in investment properties	0	0	2,905	0	2,905
Other income	593	0	14	618	1,225
Profits from investments accounted for using the equity method	6	0	0	0	6
Segment revenues	**667**	**0**	**3,919**	**618**	**5,204**
Other expenses	-1,955	0	-328	-2,238	-4,521
Losses from investments accounted for using the equity method	-481	0	0	0	-481
Segment expenses	**-2,436**	**0**	**-328**	**-2,238**	**-5,002**
EBIT	**-1,769**	**0**	**3,591**	**-1,620**	**202**
Interest income	230	0	0	501	731
Interest expenses	-3,367	0	-357	-1,055	-4,779
Income taxes	-996	0	-3,871	3,843	-1,024
Net profit/loss for the period	**-5,902**	**0**	**-637**	**1,669**	**-4,870**
Significant non-cash items	**5**	**0**	**2,959**	**-2,518**	**446**
Impairment losses in net profit/ loss for the period	**86**	**0**	**0**	**145**	**231**
ADDITIONAL INFORMATION					
Segment assets	**16,875**	**0**	**23,203**	**5,736**	**45,814**
of which investments accounted for using the equity method	4,642	0	0	0	4,642
of which loans to investments accounted for using the equity method	2,576	0	0	0	2,576
of which financial receivables and other financial assets	98	0	0	1,018	1,116
of which tax refund claims	1	0	21	50	72
of which assets available for sales in investments accounted for using the equity method	270	0	0	0	270
Segment liabilities	**10,397**	**0**	**16,484**	**15,873**	**42,754**
of which non-current financial debt	0	0	13,961	14,451	28,412
of which current financial debt	9,668	0	0	392	10,060
of which tax liabilities	0	0	0	0	0

The segmentation of the data in the financial statements is based on the Company's internal alignment according to strategic business segments and geographic considerations pursuant to IFRS 8. In accordance with the management approach, the segment information provided represents the information to be reported to DEMIRE's Executive Board.

The Group is divided into the business segments of Investments, Core Portfolio and Central Functions. The Investments segment contains all information relating to non-current assets as well as the business areas of revitalisation, project development and land banking. The Investments segment also includes the activities of the respective project holdings.

The Core Portfolio segment includes domestic subsidiaries that were formed in the reporting period and that focus on commercial real estate for entrepreneurial medium-sized companies in Germany. The Central Functions / Others segment mainly contains DEMIRE AG's activities in its function as the Group holding and does not represent an independent business segment. The Asset Management segment, which provided services to third parties until September 2013, is no longer presented separately as of 2015. The remaining assets and liabilities were transferred to the Central Functions / Others segment.

Compared to December 31, 2014, the allocation of group companies to business segments has changed to the extent that DEMIRE Worms Objektgesellschaft GmbH is now allocated to the Core Portfolio segment.

H. OTHER NOTES

1. Related party disclosures

Business transactions with members of management having key positions within the Company

Except for the Executive Board remuneration stated in item G.4, business transactions with members of management having key positions within the Company did not occur in the reporting period.

The following balances exist with respect to associated companies:

EURk	30/06/2015	31/12/2014
Financial receivables and other financial assets	122	48
Trade payables and other liabilities	23	146

The following balances exist with respect to joint ventures:

EURk	30/06/2015	31/12/2014
Loans to investments accounted for using the equity method	0	2,857
Financial receivables and other financial assets	728	921
Current financial debt	54	385

Volume of business transactions with investments accounted for using the equity method:

EURk	01/01/2015-30/06/2015	01/01/2014-30/06/2014
Loans to investments accounted for using the equity method	2,857	120
Financial receivables and other financial assets	59	893
Trade payables and other liabilities	123	6
Current financial debt	331	22

Business transactions with other related parties

Business transactions with other related parties did not occur in the reporting period.

2. Additional information about financial instruments

Due to the short-term maturity of cash and cash equivalents, trade accounts receivable and payable, and other current receivables and liabilities, it is assumed that their respective fair values correspond to the carrying amounts.

JUNE 30, 2015 EURk	Measure-ment category	Carrying amount	IAS 39 measurement Fair value through profit/loss	Fair value directly in equity	Amortised cost	Value Fair-Value
Interests in investments accounted for using the equity method	n/a	3,143	0	0	3,143	4,689
Other financial assets	LaR	29	0	0	29	29
Loans to investments accounted for using the equity method	LaR	0	0	0	0	0
Other loans	LaR	309	0	0	309	309
Trade accounts receivables and other receivables	LaR	8,369	0	0	8,369	8,369
Financial receivables and other financial assets	LaR	3,128	0	0	3,128	3,453
Cash and cash equivalents	LaR	9,702	0	0	9,702	9,702
Interests available for sales in investments accounted for using the equity method (IFRS 5)	1)	1,500	0	0	1,500	1,500
Convertible bond	AmC	10,271	0	0	10,271	42,699
Bonds	AmC	57,831	0	0	57,831	87,214
Other non-current financial debt	AmC	194,928	0	0	194,928	199,634
Trade payables	AmC	13,775	0	0	13,775	13,775
Current financial debt	AmC	52,617	0	0	52,617	52,617
Value per measurement category						
	LaR	21,537	0	0	21,537	21,862
	AmC	329,422	0	0	329,422	395,939

LaR: Loans and Receivables;
AmC: Amortised Cost
1) Interests in investments accounted for using the equity method available for sale, measured at fair value through profit and loss.

DECEMBER 31, 2014 EURk	Measure-ment category	Carrying amount	IAS 39 measurement Fair value through profit/loss	Fair value directly in equity	Amortised cost	Value Fair-Value
Interests in investments accounted for using the equity method	n/a	2,613	0	0	2,613	4,001
Other financial assets	LaR	14	0	0	14	14
Loans to investments accounted for using the equity method	LaR	2,857	0	0	2,857	4,050
Other loans	LaR	322	0	0	322	322
Trade accounts receivables and other receivables	LaR	9,287	0	0	9,287	9,287
Financial receivables and other financial assets	LaR	921	0	0	921	1,246
Cash and cash equivalents	LaR	4,397	0	0	4,397	4,397
Convertible bond	AmC	8,173	0	0	8,173	15,244
Bonds	AmC	49,138	0	0	49,138	50,100
Other non-current financial debt	AmC	188,530	0	0	188,530	193,330
Trade payables	AmC	11,519	0	0	11,519	11,519
Current financial debt	AmC	47,573	0	0	47,573	47,573
Value per measurement category						
	LaR	17,798	0	0	17,798	19,316
	AmC	304,933	0	0	304,933	317,766

LaR: Loans and Receivables;
AmC: Amortised Cost

The following table presents the measurement hierarchy, the measurement procedure and material input factors for the fair values of each category of non-current financial assets and liabilities.

Type	Hierarchy	Measurement procedure and material input factors
Investment properties	Level 3	Expected future free cash flows of a project by applying a market-based, property-specific discount rate
Interests in investments accounted for using the equity method	Level 3	Discounted cash flows from the continued use of an asset on the basis of yield curves observable on the market at the reporting date
Loans to investments accounted for using the equity method (fixed-rate)	Level 3	Discounted cash flows on the basis of yield curves observable on the market at the reporting date
Financial receivables and other financial assets	Level 3	Discounted cash flows on the basis of yield curves observable on the market at the reporting date
Non-current financial debt	Level 3	Discounted cash flows on the basis of yield curves observable on the market at the reporting date
Quoted 2013/2018 convertible bond	Level 1	Quoted bid prices on active markets
Quoted 2014/2019 corporate bond	Level 1	Quoted bid prices on active markets
Quoted 2015/2018 mandatory convertible bond	Level 1	Quoted bid prices on active markets

According to IFRS 7.29, it is assumed that all current financial instruments' carrying amounts correspond to their fair value. Since the predominant portion of non-current loans was drawn down shortly before the balance sheet date, it is assumed that the fair values do not materially differ from the carrying amounts.

The Group's financial risks in the reporting quarter have not changed materially compared to December 31, 2014.

3. Risk report

With regard to the risk of future business development, we refer to the information provided in the risk report within the consolidated financial statements as of December 31, 2014. The changes in the scope of consolidation during the first half of 2015 did not lead to any material changes in the risk structure.

4. Other disclosures

The acquisition of properties in the first half resulted in purchase price obligations amounting to EUR 35 million.

5. Executive Board and employees

In the period from January 1 to June 30, 2015, total remuneration of EUR 404k (first half of 2014: EUR 113k; entirely fixed remuneration) was recognised for DEMIRE AG's Executive Board:

NAME EURk	Fixed remuneration	Variable remuneration	Stock option plan	Gesamt
Hon.-Prof. Andreas Steyer	121	33	74	228
Markus Drews	103	50	74	227
Total	**224**	**83**	**148**	**455**

Hon.-Prof. Andreas Steyer receives a time-proportionate entitlement to a multi-year bonus if the performance period for the determination of the multi-year bonus has existed for twenty-four months.

In addition to the two Executive Board members, the number of employees as of the balance sheet date was as follows:

	30/06/2015	30/06/2014
Permanent employees	34	4
	34	**4**

The average number of employees in the first half of 2015 was 22 (previous year: 4).

6. Events subsequent to the balance sheet date

M1 Beteiligungs GmbH, Berlin, has been admitted to subscribe to the new shares in return for contributing a 94 percent interest in Logistikpark Leipzig GmbH. Logistics Park Leipzig GmbH is the sole owner of a logistics property in Leipzig (Logistics Park Leipzig). The determination of the amount of the capital increase and the number of new DEMIRE AG shares to be issued was based on a value of EUR 5.84 per DEMIRE AG share. In addition to the shares, M1 Beteiligungs GmbH is to receive a cash payment of approximately EUR 19 million. The contribution, purchase and assignment agreement governing the contribution in kind is subject, among others, to the approval of the bank financing Logistikpark Leipzig GmbH. Following the execution of this capital increase and taking into account the capital increase against contribution in kind to purchase Gutenberg-Galerie that was resolved by the Executive Board on April 2, 2015, M1 Beteiligungs GmbH will hold an interest in DEMIRE AG's share capital of around 10.25 percent. The capital increase was entered into the commercial register on July 1, 2015.

Mr Günther Walcher, who is also a member of DEMIRE AG's Supervisory Board, holds an indirect interest of 100 percent in M1 Beteiligungs GmbH. The conclusion of the contribution, purchase and assignment agreement was preceded by a structured bidding process in which DEMIRE AG prevailed. The former logistics complex belonging to Quelle (constructed in 1994) has total rentable space of around 184,000 m² and is located on property of roughly 330,000 m² situated approximately 10 km north of Leipzig's city centre. The property consists of around 164,000 m² of warehouse space, nearly 20,000 m² of office space, at least 35,000 m² of surrounding area as well as two areas for expansion that total about 38,000 m² and already have building rights. The logistics complex has a current occupancy rate of roughly 60 percent and annual net rental income of approximately EUR 3.60 million. The complex offers substantial potential based on its excellent location near the trade fair centre and the BMW plant and due to the high demand for logistics properties in Leipzig. The transaction was closed with effect as of July 17, 2015.

Acquisition of T6 real estate portfolio

With the consent of the Supervisory Board, the Executive Board of DEMIRE AG concluded a purchase agreement on June 30, 2015, to acquire a 94 percent interest in Germavest Real Estate S.á.r.l. (Germavest). In the cities of Ansbach, Bonn, Flensburg, Freiburg, Regensburg and Stahnsdorf, Germavest has a commercial real estate portfolio containing 143,788 m² of rental space as well as 1,171 underground and free-standing parking spaces. All of the 6 locations have long-term rental contracts with Deutsche Telekom AG. The net annual rent, excluding utilities and based on the properties' current full occupancy, amounts to roughly EUR 14.8 million and will rise periodically based on a contractually agreed fixed annual indexation. The largest property with approximately 38,000 m² has a rental agreement spanning 10 years.

With the acquisition of Germavest, a long-term financing structure should be taken over whose interest rate leads to a reduction in DEMIRE's average interest rate. The financing will be repaid by means of accelerated payments, which will lead to a sustainable increase in DEMIRE's equity. Based on the portfolio's favourable return ratios, DEMIRE expects an additional contribution to be made to the positive cash flow of the entire Group portfolio.

The transaction is to be closed in the second half of the year. Further details of the transaction have not been disclosed. The transaction is still subject to DEMIRE's assumption of the existing financing.

Acquisition of Kurfürstengalerie in Kassel

On July 9, 2015, the Executive Board of DEMIRE AG concluded a contract to purchase a 94.9 percent interest in Kurfürster Galerie GmbH, the owner of the Kurfürsten Galerie in Kassel. The retail property, located directly across from the "City-Point Kassel Einkaufszentrums" in the centre of Hesse's third largest city, has total rental space of approximately 21,000 m². The property includes the largest parking garage in the northern inner city of Kassel with approximately 600 parking spaces. The commercial property, which was Kassel's first shopping centre in 1991, has net rent, excluding utilities, of around EUR 3.9 million. DEMIRE aims to reduce the current vacancy rate of 6 percent by carrying out investments. The tenants include a hotel, casino, retail and office space as well as doctors' practices. By acquiring the GmbH, DEMIRE also intends to assume the existing long-term loans at attractive interest rates that are below DEMIRE's average refinancing costs. With this transaction, DEMIRE will acquire its first retail project and thus extend the focus of its overall portfolio to include a third asset class next to office and logistics properties. DEMIRE will also gain access to a management unit specialised in centre management. The parties agreed not to disclose the purchase price or any additional details. The closing of the contract is subject to the consent of DEMIRE AG's Supervisory Board and the approval of the bank financing Kurfürster Immobilien GmbH, among others.

On July 17, 2015, DEMIRE AG successfully completed a 10 percent cash capital increase. The 2,474,152 new no-par value ordinary bearer shares (no-par value shares) were largely subscribed to by the institutional investor Wecken & Cie., Basel, Switzerland, in the context of a private placement. Upon the entry of the shares into the commercial register, DEMIRE AG's share capital rose to EUR 27,351,404.00. This amount includes shares subsequently issued from the conversion of convertible bonds.

The issue price of the new shares was EUR 4.51 and resulted in proceeds for the Company from the cash capital increase of EUR 11,158,425.52. The new shares are entitled to dividends as of January 1, 2015.

On July 31, 2015, DEMIRE AG's Executive Board and Supervisory Board decided to make an offer to acquire the no-par value bearer shares from the shareholders of Fair Value REIT-AG, Munich, by way of a voluntary public takeover offer in the form of an exchange offer. DEMIRE AG and Fair Value REIT-AG also signed a basic agreement (a so-called "Business Combination Agreement") on July 31, 2015. Finally, DEMIRE AG entered into agreements with certain block shareholders of Fair Value REIT-AG in which these shareholders undertake to accept the takeover offer for their Fair Value REIT-AG shares (so-called "tender agreements"). The successful completion of the takeover offer would create a real estate group with a commercial real estate portfolio totalling around EUR 1 bn. DEMIRE AG intends to offer the shareholders of Fair Value REIT-AG two new no-par value bearer shares of DEMIRE AG, with a notional interest in share capital of EUR 1.00 each and an entitlement to dividends as of January 1, 2015, from the capital increase in kind still to be resolved by the General Meeting, in exchange for one Fair Value share submitted to DEMIRE in the context of the takeover offer and subject to the final determination of a minimum offer price and the final stipulation of the offer price in the offer document.

Frankfurt/Main, August 28, 2015

DEMIRE Deutsche Mittelstand Real Estate AG

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

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

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