DEMIRE DEUTSCHE MITTELSTAND REAL ESTATE

DEMIRE Deutsche Mittelstand Real Estate AG

HALF-YEAR REPORT 2016

Fiscal Year January 1 – December 31, 2016

DEMIRE at a glance

KEY FIGURES
Group in EURK

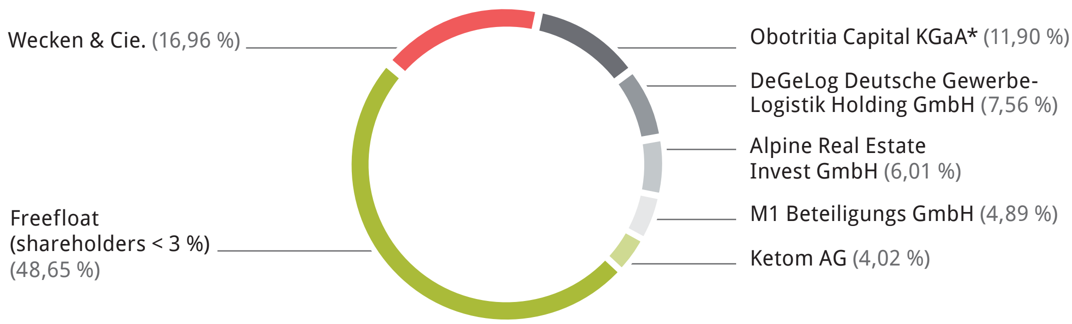
CONSOLIDATED INCOME STATEMENT	01/01/2016–30/06/2016	01/01/2015–30/06/2015
Rental income	37,529	13,839
Net rental income	29,800	11,210
EBIT	**32,850**	**16,068**
Financial result	-22,849	-14,289
EBT	**10,001**	**1,779**
Net profit/loss for the period	**7,186**	**297**
Net profit/loss for the period attributable to parent company shareholders	**5,442**	**-144**
Net profit/loss for the period per share (basic / diluted, in EUR)	**0.11 / 0.09**	**-0.01 / -0.01**
FFO after non-controlling interests	**3,363**	**n.a.**

CONSOLIDATED BALANCE SHEET	30/06/2016	31/12/2015
Total assets	1,066,766	1,032,945
Investment properties	981,466	915,089
Non-current assets held for sale	825	13,005
Total portfolio	982,291	928,094
Financial liabilities	677,962	655,239
Cash and cash equivalents	29,015	28,467
Net financial debt	648,947	626,772
in % of total portfolio (LTV)	66.1	67.5
Equity according to the consolidated balance sheet	273,673	264,902
Equity ratio in %	25.7	25.6

CASH FLOW	01/01/2016–30/06/2016	01/01/2015–30/06/2015
Cash flow from operating activities	17,180	5,787
Cash flow from investing activities	3,858	1,078
Cash flow from financing activities	-20,490	-1,560
Cash and cash equivalents at the end of the period	**29,015**	**9,702**

NAV (NET ASSET VALUE)	30/06/2016	31/12/2015
Net asset value (NAV) for the period	236,177	230,697
Deferred taxes	28,274	25,570
Basic / diluted EPRA NAV	264,324 / 275,405	256,267 / 271,585
Shares in millions (basic / diluted)	49.31 / 62.95	49.29 / 63.95
Basic / diluted EPRA NAV per share in EUR	**5.38 / 4.37**	**5.20 / 4.25**

SHAREHOLDER STRUCTURE AS AT AUGUST 31, 2016



Source: German Trading Act notification, own analysis
**including subsidiaries*

CONTENTS

Disclaimer:

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

Foreword of the Executive Board

Ladies and Gentlemen

After growing successfully in the year 2015, we have used the first six months of the current 2016 fiscal year to focus on consolidating our new additions to the portfolio and improving our future financial result through various refinancings.

In the first half of 2016, we generated rental income of EUR 37.5 million, which meant that we fully achieved our pro rata forecast for full year 2016. As of mid-2016, our overall portfolio had attained an occupancy rate of 87.8 % of the potential rents at full occupancy, which surpassed the rate of 87.2 % at the end of the prior year.

In the second half of 2016, we expect rental income to be slightly higher than in the first half and moderately exceed our full-year forecast. Our optimism is based on the lease contracts concluded as of June 30, 2016 for vacant space that is to be refurbished and, therefore, handed over to tenants only after the reporting date.

Based on the pro forma inclusion of the contractually agreed rental income, the occupancy rate of the entire portfolio as of June 30, 2016 was already at 89.3 % of potential rents, which is EUR 1.3 million in annual rent or 1.5 percentage points higher than the level on the reporting date. This makes us confident that we will reach our target for the year of an occupancy rate of 90 %.

DEMIRE has also made solid progress in terms of its financing structure. In a series of stages taken since June 2016, we have fully repaid our high-interest HFS bond with a volume of EUR 28 million. This will enable us to save annual interest expenses of roughly EUR 4.8 million. The average interest rate on our financial debt is now 4.4 % p.a., and we have also managed to bring down our loan-to-value ratio after repayment of HFS bond from a level of around 66 % of real estate assets on the reporting date to today's level of 64 %.

As a result of measurement effects and special items, our IFRS earnings before interest and taxes (EBIT) in the first half of 2016 doubled to EUR 32.9 million compared to the previous year's level of EUR 16.1 million. At the same time, the profit/loss for the period in the first half of 2016 increased sharply to EUR 7.2 million after amounting to just EUR 0.3 million in the comparable period of the prior year.

Net profit/loss for the period adjusted for measurement effects, non-recurring and special items (EPRA earnings/FFO) before non-controlling interests amounted to EUR 5.3 million in the first half of 2016 and EUR 3.4 million after interests attributable to minority shareholders.

The reductions in administrative costs and interest expenses that will gradually begin to take effect in second half of 2016, will not be sufficient enough to fully compensate for the higher maintenance and rental costs that occurred in the first half-year.

This has prompted the Executive Board to fine-tune its FFO forecast for full year 2016. Instead of the planned FFO before minority interests of just under EUR 20 million, the Executive Board now expects FFO before minority interests for the full year to amount to EUR 19.1 million and EUR 13.9 million after

From left to right: Dipl.-Kfm. (FH) Markus Drews, Executive Board Member (COO), Hon.-Prof. Andreas Steyer MRICS, Speaker of the Eecutive Board (CEO), Frank Schaich, Executive Board Member (CFO)

minority interests. With respect to the higher number of shares outstanding (weighted approximately 50.9 million shares) following the cash capital increase, the new FFO target is EUR 0.27 per share.

For the 2017 fiscal year, assuming there are no changes to the total portfolio, the Executive Board expects rental income to total EUR 77 million and FFO before minority interests of around EUR 25 million and roughly EUR 18 million after minority interests. This amount corresponds to about EUR 0.34 per currently outstanding share.

The forecast for the coming fiscal year illustrates the potential that can be realised through the measures already implemented. We are confident that we can improve our core portfolio even further and continue to strive for the value-creating expansion of our portfolio.

We have taken an important step in this direction with the registration of our cash capital increase in the commercial register on August 31, 2016.

Frankfurt/Main, September 6, 2016

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

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

Frank Schaich
Member of the Executive Board (CFO)

DEMIRE on the capital market

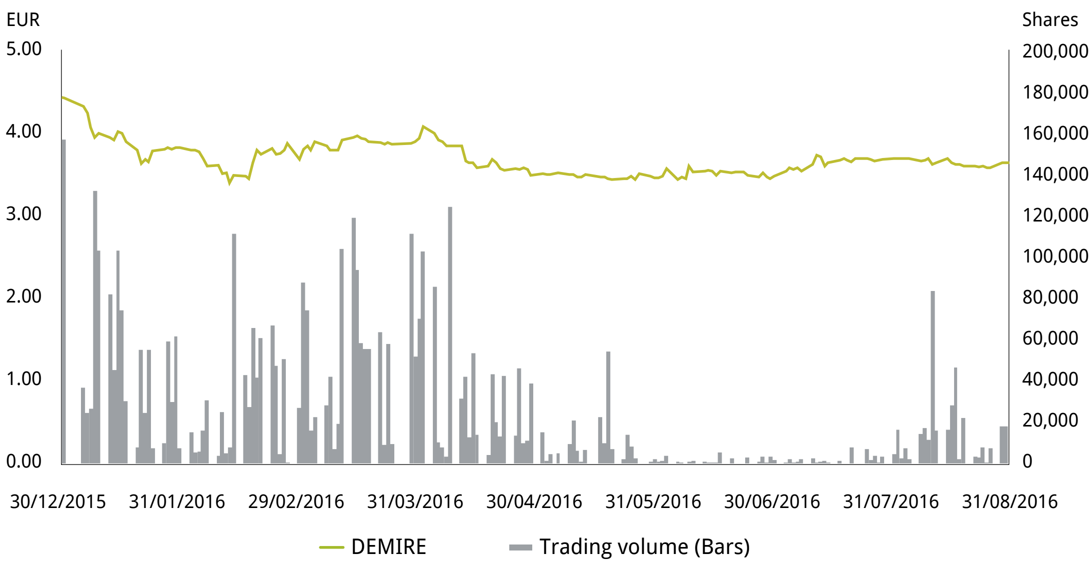
In the first half of 2016, the majority of international stock markets experienced sharp downward trends.The German stock market followed suit and declined after some intermittent high volatility, leading the DAX index to close the first half of 2016 at 9,680 points, or roughly 10 % below its 2015 year-end level. The major factors driving this decline were not only geopolitical events such as the crisis in the Middle East but also the weaker global economic outlook, particularly for Asia and Latin America, the development of oil and commodity prices and recent reports of weaker corporate earnings.The decision by Great Britain to leave the EU and the uncertainty unleashed by this decision also led to significant capital market price fluctuations.

DEMIRE shares

While in the first quarter of 2016 DEMIRE's shares performed broadly in line with the DAX and the Prime All Share indices, DEMIRE's share price development in the second quarter of 2016 was not able to keep pace with the positive development of the share's NAV. On the June 30, 2016 reporting date, the DAX and Prime Standard indices declined roughly 10 % below their closing levels at the end of 2015, whereas DEMIRE's share price was roughly 22 % below its 2015 year-end closing price. At the same time, demand for real estate stocks continued interrupted: the EPRA Germany Index, which

DEMIRE SHARES	31/08/2016
ISIN	DE000A0XFSF0
Symbol / ticker	DMRE
Stock exchange	Frankfurt Stock Exchange (FSE); XETRA
Market segment	Prime Standard
Share capital	EUR 54,242,444.00
Ø no. of shares	54,242,444
Ø daily trading volume 01/01 – 31/08	24,481
Market capitalisation	EUR 197.98 million
Free float	48.86 %

DEMIRE'S SHARE PRICE AND TRADING VOLUME SINCE END OF 2015



Source: Deutsche Börse AG

comprises the largest real estate companies in Germany, outperformed the DAX and Prime All Share indices in the first half of 2016 rising 7 % by the June 30, 2016 reporting date.

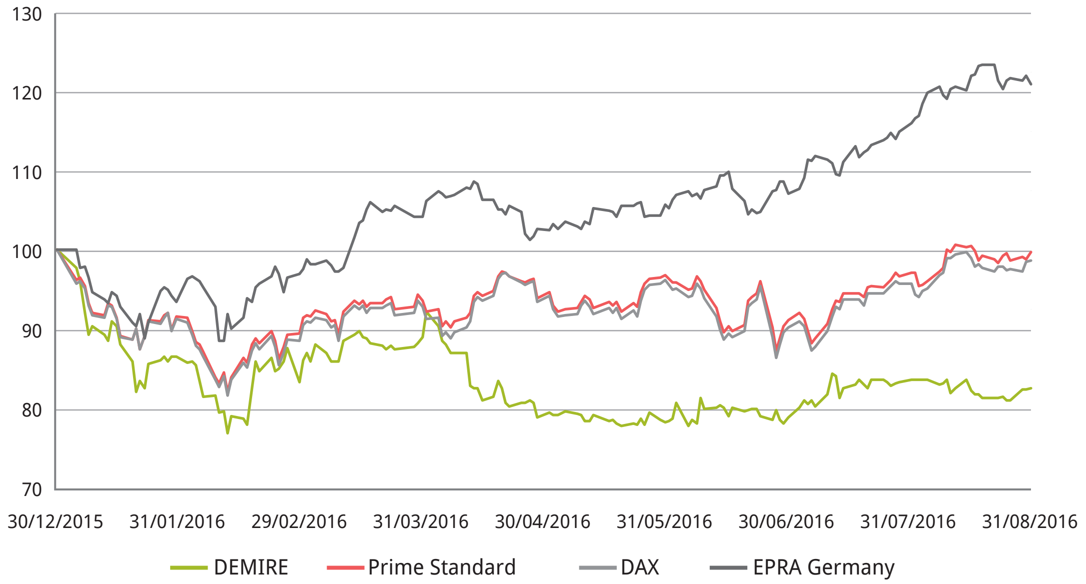
After the reporting date, the EPRA Germany index and the DAX and Prime All Share indices continued increasing during July and August of 2016. DEMIRE's shares also rose slightly.

DEMIRE's shares recorded their high at the start of the year on January 4, 2016, at EUR 4.33. At the end of the reporting period, DEMIRE's shares closed at a price of EUR 3.45. With the confirmation of the anticipated positive business performance in the context of the 2016 quarterly report, the announcements of successful new leases and the advance into the Prime Standard segment in mid-August 2016, DEMIRE's share price recovered and has continued trending slightly higher. On August 31, 2016, the share price was EUR 3.65.

As of June 30, 2016, the Company's market capitalisation was EUR 170.11 million and rose to EUR 197.98 million following the June reporting date as a result of the share price's recovery and the cash capital increase registered at the end of August 2016. At this market capitalisation, DEMIRE is one of the largest listed real estate companies in Germany.

The average daily trading volume of DEMIRE's shares in the first eight months of 2016 was 24,481 shares. Following the relatively high trading volume in the shares in the first quarter of 2016, turnover declined somewhat from May through July of 2016 but has picked up again since August. In the first half 2016, the average daily turnover was 29,984 shares, or roughly the same level as in the first half of 2015.

PERFORMANCE OF DEMIRE SHARE VS. INDICES



Source: Deutsche Börse AG; own analysis

Prime Standard

The shares of DEMIRE Deutsche Mittelstand Real Estate AG (ISIN: DE000A0XFSF0) have been trading in the Prime Standard segment – the segment of the regulated market of the Deutsche Börse in Frankfurt with the highest transparency standards – since July 15, 2016. As a result, the commercial real estate group specialising in secondary locations in Germany now also meets even a higher degree of the transparency demanded by international investors and also fulfils a key prerequisite for acceptance into the DAX family of selection indices.The listing in the Prime Standard will increase DEMIRE's visibility on the capital market even further.

Capital increase

The cash capital increase announced in ad hoc announcement after the reporting date on August 11, 2016, was placed primarily with institutional investors in a private placement and was several times oversubscribed. DEMIRE's share capital increased by EUR 4,930,722.00 with the registration of the capital increase on August 31, 2016, and by a further EUR 4,500.00 to a total of EUR 54,242,444.00 through the exercise of conversion rights.

The HFS loan will be fully repaid using the proceeds from the capital increase. As a result, the weighted interest rate of financial debt will fall from 5.1 % p.a. to roughly 4.4 % p.a. and will then be within the planned corridor of 4.0 % to 4.5 % p.a. targeted for the end of 2016. This will reduce the net debt ratio from more than 66 % of the real estate assets to around 64 % which comes closer to planned year-end target rate of 60 %.

Research coverage

Research coverage by professional analysts is expected to continue increasing with the Company's recent inclusion in the Prime Standard segment. The latest published reports show a clear discrepancy between DEMIRE's share price and the share's fair value. The most recent analysis by Oddo Seydler in mid-July 2016, places the fair value of DEMIRE's shares at EUR 5.25. This indicates a price potential of more than 50 % compared to the share's closing price at the end of the reporting period. An analysis published by SMC Research also sees significant share price potential and has set a target price for the shares of EUR 4.70.

Annual General Meeting

All of the management's proposed resolutions were approved by a clear majority by the Annual General Meeting of DEMIRE Deutsche Mittelstand Real Estate AG on June 30, 2016. Resolutions were approved for adjusting the authorised and conditional capital given the marked rise in the Company's share capital in 2015. As a result, DEMIRE has access to authorised capital totalling EUR 24.7 million and conditional capital of EUR 14.4 million.

All of the Supervisory Board members were reelected, and a resolution was passed to raise the annual compensation of each member to EUR 30,000.00 with the commencement of the 2017 fiscal year. In the constituent Supervisory Board meeting following the Annual General Meeting, Prof. Dr. Wagner was elected as chairman of the Supervisory Board and Dr. Peter Maser was elected as deputy chairman.

Shareholder structure
As of the end of August 2016, DEMIRE's shareholder structure reflected a high free float of 48.65 %. In addition, some of the Company's largest shareholders include several well-known institutions:

- Wecken & Cie. with 16.96 %
- Obotritia Capital KGaA including subsidiaries with 11.90 %
- DeGeLog Deutsche Gewerbe-Logistik Holding GmbH with 7.56 %
- Alpine Real Estate Invest GmbH with 6.01 %
- M1 Beteiligungs GmbH with 4.89 %
- Ketom AG with 4.02 %

Bonds
In the first half of 2016, the remaining 2014/2019 corporate bonds with a nominal value of EUR 14.4 million were placed with institutional investors. The Fair Value REIT convertible bond maturing in 2020 was prematurely redeemed at the request of the creditors due to the change in control.

NAV
The EPRA NAV (basic/diluted) per share was EUR 5.38/4.37 on June 30, 2016. Thus, the net asset value per share is significantly higher than the current share price, which highlights the share's price appreciation potential.

2015/2018 MANDATORY CONVERTIBLE BOND	
Name	**DEMIRE 2015/2018 mandatory convertible bond**
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

2014/2019 CORPORATE BOND	
Name	**2014/2019 DEMIRE corporate bond**
Issuer	DEMIRE Deutsche Mittelstand Real Estate AG
Type of security	Bearer bond
Volume	EUR 100,000,000
Interest rate (coupon)	7.5 %
Interest payments	semi-annual on March 16 and September 16
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

2013/2018 CONVERTIBLE BOND	
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
Conversion rate	EUR 1
Paying agent	Bankhaus Gebr. Martin Aktiengesellschaft, Göppingen
ISIN	DE000A1YDDY4
Market segment	Frankfurt Stock Exchange

FINANCIAL CALENDAR (STATUS: AUGUST 2016)	
28-29/09/2016	European Mid Small Cap Forum in London
22/11/2016	Presentation at the German Equity Forum in Frankfurt
30/11/2016	Publication of the 2016 Nine-Month Report

Group management report for the first half of 2016 January 1 to June 30, 2016

GROUP PRINCIPLES

Business model

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

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

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

Real estate portfolio

As of June 30, 2016, the core portfolio consisted of 178 commercial properties with lettable area of almost 1.1 million m² and a market value totalling EUR 982.3 million.

The yield-related occupancy rate of the portfolio as of the reporting date was 87.8 % of the potential rents at full occupancy of EUR 84.5 million compared to an occupancy rate of 87.2 % at the end of the prior year.

The yield-weighted occupancy rate of the core portfolio as of June 30, 2016, would have been 89.3 % of the potential rent under the pro forma inclusion of lease contracts concluded as of the reporting date for vacant space that is to be refurbished before it is handed over to tenants.

DEMIRE GROUP'S REAL ESTATE HOLDINGS ON JUNE 30, 2016

	Plot size in m²	Total rentable area in m²	Annualised contractual rent in EURk	Market value 30/06/2016 in EURk	Occupancy rate in %	Ø secured remaining term of rental agreements in years	Contractual rental yield before costs in %	Interest in %
Portfolio	983,681	791,272	51,977	692,160	87.4%	5.6	7.5%	94.8%
Fair Value REIT	424,191	263,078	22,240	290,131	88.5%	4.9	7.7%	62.0%
Total	**1,407,872**	**1,054,350**	**74,217**	**982,291**	**87.8%**	**5.4**	**7.6%**	**81.0%**

ECONOMIC REPORT

Macroeconomic and industry environment

The Kiel Institute for the World Economy (IfW) expects global **economic growth** in 2016 of 3.1 % and 3.5 % in 2017. Experts expect the eurozone's gross domestic product to increase 1.7 % and 1.9 %, respectively, in the next two years. Germany continues to be one of Europe's fastest growing economies with projected growth rates of 1.9 % and 2.1 % for 2016 and 2017. Despite a difficult environment, the German economy remained robust during the first quarter of 2016 and increased its gross domestic product by 0.7 % according to the Federal Statistical Office. Growth was supported further by the solid overall business climate and positive consumer spending thanks to the stable labour market. There is still no clarity on the impact on economic growth from Great Britain's decision to withdraw from the EU (Brexit).

The first surveys regarding the **effect of the Brexit decision on the German real estate market**, such as the BF.Quartalsbarometer or the Deutsche Hypo Real Estate Economy Index, show that the decision has created questions and uncertainty, particularly given the turbulence the decision has unleashed in the capital markets.

According to an analysis by Jones Lang Lasalle (JLL), the momentum of **transactions in the German commercial real estate market** slowed down in the first half-year in compared to the prior year with volumes falling 25 % to EUR 18 billion versus the first half of 2015. This decline was mainly the result of a lack of sufficient supply coupled with a continued high demand for real estate. JLL no longer expects transaction volumes to reach the forecast of EUR 50 billion for the full year of 2016, which it set at the start of the year. Measured by the volume of transactions, office property was the dominant asset class in the first half of 2016. Consequently, office property transactions comprised 42 % of the transactions in the real estate market, followed by retail properties with 23 %, hotels with 12 % and logistics with 10 %.

According to JLL, **office property** benefited from a further drop in vacancy rates and the continued upward trend in rental rates. BNP Paribas Real Estate (BNP) recorded an increase in lease revenue of roughly 13 % in the top eight locations in Germany in the first half of 2016. For the full year, BNP expects record revenue in this asset class.

The retail property segment was also in good shape thanks to the 2.3 % rise in retail sales in the first half of 2016 reported by the Federal Statistical Office and sustained positive economic conditions. Although brokered area volumes declined 5 %, prime rents continued to rise slightly by 0.3 %. Overall, there was a slowdown in the growth of area turnover compared to prior years.

JLL stated that there was a 28 % increase in transaction volumes in **logistics and industrial real estate** in the first half of 2016. Of this, only roughly 37 % originated from the seven property strongholds – Berlin, Dusseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart. In terms of area turnover, the real estate agency CBRE expects logistics properties to set new records again for the full year of 2016. A total of 3.3 million m² was leased in the first half-year, which is 8 % more than in the comparable period of the strong prior year. This rise is due to the robust German economy and the subsequent demand for logistics services. For full-year 2016, CBRE forecasts area turnover of 6.5 million m² compared to 6 million m² in 2015.

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

Results of operations

CONSOLIDATED INCOME STATEMENT (SELECTED INFORMATION IN EURK)	2nd Quarter of 2016	2nd Quarter of 2015	01/01/2016 – 30/06/2016	01/01/2015 – 30/06/2015
Rental income	19,714	6,876	37,529	13,839
Income from utility and service charges	3,475	2,336	8,704	4,153
Operating expenses to generate rental income	-6,481	-3,180	-16,433	-6,782
Profit/loss from the rental of real estate	**16,708**	**6,032**	**29,800**	**11,210**
Profit/loss from the sale of real estate companies	0	520	3	520
Profit/loss from the sale of real estate	110	458	110	458
Profit/loss from investments accounted for using the equity method	0	1,465	0	3,230
Other operating income and other effects	8,623	7,170	21,533	7,978
General and administrative expenses	-4,079	-3,573	-7,484	-5,144
Other operating expenses	-2,511	-1,208	-11,112	-2,184
Earnings before interest and taxes	**18,851**	**10,864**	**32,850**	**16,068**
Financial result	-14,005	-9,666	-22,849	-14,289
Profit/loss before taxes	**4,846**	**1,198**	**10,001**	**1,779**
Income taxes	-1,816	-1,372	-2,815	-1,482
Net profit/loss for the period	**3,030**	**-174**	**7,186**	**297**
of which attributable to parent company shareholders	2,487	-596	5,442	-144
Basic earnings per share (EUR)	0.05	-0.03	0.11	-0.01
Weighted average number of shares outstanding (thousand)	49,307	21,168	49,306	21,177
Diluted earnings per share (EUR)	0.04	-0.03	0.09	-0.01
Weighted average diluted number of shares outstanding (thousand)	62,953	34,879	62,952	34,852

In the first half of 2016, the DEMIRE Group generated rental income of EUR 37.5 million, which corresponds to exactly half of the forecast of EUR 75 million rental income for the full year of 2016. In the same period of the previous year, rental income was still at EUR 13.8 million.

The profit/loss from the rental of real estate more than doubled year-on-year to EUR 29.8 million (EUR 11.2 million). Due to higher expenses for maintenance and rental costs as well as lower income from utility and service charges, the non-allocable operating expenses to generate rental income actually increased to 21 % of rental income after a level of 19 % in the prior year.

Other operating income and other effects amounted to EUR 21.5 million (1HY 2015: EUR 8.0 million) and primarily include fair value adjustments (totalling EUR 14.3 million) for the Kurfürstengalerie in Kassel amounting to EUR 7.7 million and for Logistikpark Leipzig in the amount of EUR 4.2 million.

Other operating income and other effects also include income related to prior periods of EUR 6.3 million for the settlement of operating costs of prior years. The corresponding expenses related to prior periods of EUR 7.1 million are reported under other operating expenses.

The rise in general and administrative expenses to EUR 7.5 million (1HY 2015: EUR 5.1 million) was mainly due to legal and consulting fees of EUR 3.2 million, of which EUR 2.2 million were transaction-related. In addition, staff costs of EUR 1.8 million (previous year: EUR 0.9 million) also increased as a result of business growth and the successive insourcing of services that were previously outsourced.

Earnings before interest and taxes (EBIT) rose more than 100 % to EUR 32.9 million in the first half of 2016 (1HY 2015: EUR 16.1 million).

The financial result in the first half of 2016 amounted to EUR -22.8 million (1HY 2015: EUR -14.3 million). This amount includes interest expense of EUR 2.1 million as a special item from the write-off of the call option on the 2014/2019 corporate bond. Also included in the financial result is the profit attributable to minority shareholders in the subsidiaries of Fair Value REIT-AG in the amount to EUR 1.8 million (previous year: 0).

This resulted in profit/loss before taxes of EUR 10.0 million (1HY 2015: EUR 1.8 million) and a net profit/loss for the period of EUR 7.2 million (1HY 2015: EUR 0.3 million).

Adjusted Group earnings (EPRA earnings or FFO)

In the first half of the current fiscal year, the DEMIRE Group's operating result adjusted for measurement and disposal income, other non-recurring effects and income and expenses related to prior periods before minorities at Fair Value REIT-AG as well as DEMIRE AG amounted to EUR 4.4 million and was EUR 3.4 million after minority interests.

In the FFO calculation, deferred taxes and income taxes on current income determined under IFRS were adjusted. These income taxes occur at the level of the subsidiaries and as part of targeted structural alterations of the Group's structure are intended to be offset by the existing tax loss carryforwards of the parent company.

ADJUSTED GROUP EARNINGS (EPRA EARNINGS OR FFO)	01/01/2016 – 30/06/2016			
		Adjustment for special items		
EURk	According to consolidated income statement	Effects from acquisitions, disposals and measurement	Others	Adjusted consolidated income statement
Rental revenue	37,529	0	0	37,529
Income from utility and service charges	8,704	0	0	8,704
Operating expenses to generate rental income	-16,433	0	450	-15,983
Profit/loss from the rental of real estate	**29,800**	**0**	**450**	**30,250**
Profit/loss from the sale of real estate companies	3	-3	0	0
Profit/loss from the sale of real estate	110	-110	0	0
Other operating income and other effects	21,533	-14,263	-5,552	1,718
General and administrative expenses	-7,484	0	2,459	-5,025
Other operating expenses	-11,112	0	8,255	-2,857
Earnings before interest and taxes	**32,850**	**-14,376**	**5,612**	**24,086**
Net financial expenses	-21,033	2,109	1,178	-17,746
Interests of minority shareholders	-1,816	-99	0	-1,915
Financial result	**-22,849**	**2,010**	**1,178**	**-19,661**
Profit/loss before taxes	**10,001**	**-12,366**	**6,790**	**4,425**
Income taxes	-2,815	1,369	1,446	0
Net profit/loss for the period	**7,186**	**-21,353**	**16,204**	**4,425**
Interests of minority shareholders	-1,744			-1,062
Net profit/loss for the period attributable to parent company shareholders	**5,442**			**3,363**
Basic earnings per share*	0.11			0.07

** Weighted average number of shares 2016: 50,924,000*

Financial position

CONSOLIDATED STATEMENT OF CASH FLOWS (SELECTED INFORMATION IN EURK)	01/01/2016 – 30/06/2016	01/01/2015 – 30/06/2015
Cash flow from operating activities	17,180	5,787
Cash flow from investing activities	3,858	1,078
Cash flow from financing activities	-20,490	-1,560
Net change in cash and cash equivalents	**548**	**5,305**
Cash and cash equivalents at the end of the period	**29,015**	**9,702**

Cash flow from operating activities grew by more than 200 % in the reporting period to EUR 17.2 million (1HY 2015: EUR 5.8 million) as a result of a higher profit/loss from the rental of real estate after taking into account the operating costs and payments for liabilities originating in 2015 in the context of the Fair Value REIT acquisition.

Cash flow from investing activities increased from EUR 1.0 million in the previous year's comparable period to EUR 3.9 million in the first half of 2016 especially as a result of the of the proceeds from the sale of five properties in the amount of EUR 13.9 million. A total of EUR 4.4 million was paid in the reporting period for the acquisition of interests in Kurfürstergalerie GmbH, and a total of EUR 5.7 million was paid for value-enhancing investments in existing properties.

Cash flow from financing activities amounted to EUR -20.5 million (1HY 2015: EUR -1.6 million). Proceeds in the amount of EUR 12.9 million from the issue of corporate bonds and EUR 30.3 million from the assumption of financial liabilities were generated in the first half-year. Interest and principal payments totalling EUR 63.6 million were made and included an early repayment of EUR 24.9 million and the repayment of the Fair Value REIT convertible bond in the amount of EUR 8.7 million.

The net change in cash and cash equivalents in the first half of 2016 was EUR 0.5 million (1HY 2015: EUR 5.3 million). Cash and cash equivalents at the end of the reporting period increased slightly to EUR 29.0 million.

Net assets

CONSOLIDATED BALANCE SHEET – ASSETS (SELECTED INFORMATION IN EURK)	30/06/2016	31/12/2015
Assets		
Total non-current assets	1,003,940	948,597
Total current assets	62,001	71,343
Assets held for sale	825	13,005
Total assets	**1,066,766**	**1,032,945**

CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES (SELECTED INFORMATION IN EURK)	30/06/2016	31/12/2015
Equity and Liabilities		
Equity		
Equity attributable to parent company shareholders	236,177	230,697
Interests of non-controlling shareholders	37,496	34,205
Total equity	**273,673**	**264,902**
Liabilities		
Total non-current liabilities	707,272	696,746
Total current liabilities	85,821	71,297
Total liabilities	**793,093**	**768,043**
Total equity and liabilities	**1,066,766**	**1,032,945**
Equity ratio	25.7%	25.6%

Total assets of the DEMIRE Group as at June 30, 2016, totalled EUR 1.1 billion (December 31, 2015: EUR 1.0 billion) and was slightly higher than at the end of the prior fiscal year due to the acquisition of Kurfürstengalerie. Non-current assets amounted to EUR 1,003.9 million (December 31, 2015: EUR 948.6 million) and current assets stood at EUR 62.0 million (December 31, 2015: EUR 71.3 million). Non-current assets held for sale as of June 30, 2016, included properties in Hohenstein-Ernstthal and Neumünster in the total amount of EUR 0.8 million. Non-current assets held for sale were EUR 13.0 million as of December 31, 2015 and resulted in the corresponding proceeds in the first half of 2016.

The Group's equity in the first six months of 2016 rose slightly to EUR 273.7 million (December 31, 2015: EUR 264.9 million). The equity ratio also increased to 25.7 %, which was slightly higher than the level of 25.6 % at the end of 2015.

It should be noted that the minority interests in the subsidiaries of Fair Value REIT-AG in the amount of EUR 62.4 million are recognised under non-current liabilities and not under equity in accordance with IFRS solely due to their legal form as partnerships. The adjusted Group equity totalled EUR 336.1 million or 31.5 % of the Group's total assets (December 31, 2015: EUR 326.1 million or 31.6 %).

Non-current liabilities at the end of the first half of 2016 amounted to EUR 707.3 million (December 31, 2015: EUR 696.7 million) and current assets totalled EUR 85.8 million (December 31, 2015: EUR 71.3 million). Total liabilities of the DEMIRE Group as of June 30, 2016, increased slightly to EUR 793.1 million (December 31, 2015: EUR 768.0 million).

The change in non-current liabilities was mainly the result of the assumption of financial liabilities from the Kurfürstengalerie, the early repayment of liabilities and reclassifications. The change in current liabilities reflects the repayment of the Fair Value REIT-AG convertible bond and the reclassification of the outstanding amount of the HFS bond as of the reporting date.

The total financial debt of EUR 678.0 million (December 31, 2015: EUR 655.2 million) contained liabilities to financial institutions in the amount of EUR 508.0 million. As of June 30, 2016, there were variable interest rate agreements for loans of EUR 192.5 million.

Loan-to-value ratio

The DEMIRE Group's loan-to-value (LTV) is defined as the ratio of net financial debt to the carrying amount of investment properties and non-current assets held for sale. It was possible to further improve the loan-to-value ratio to 66.1 % as of June 30, 2016 (December 31, 2015: 67.5 %).

LOAN-TO-VALUE (LTV) EUR MILLION	30/06/2016	31/12/2015
Financial liabilities	678.0	655.2
Cash and cash equivalents	29.0	28.5
Net debt	**649.0**	**626.7**
Fair Value of investment properties and non-current assets held for sale	**982.3**	**928.1**
LTV in %	**66.1%**	**67.5%**

Segment reporting

Segment reporting contained in the consolidated financial statements is conducted in accordance with IFRS 8 "Operating Segments" based on the Company's internal alignment according to strategic business areas. The segment information presented represents the information to be reported to the DEMIRE Executive Board. The Core Portfolio and Fair Value REIT segments are the key segments of importance for the DEMIRE Group. The Corporate Functions/Others segment contains the primary administrative activities. This segment also includes the results of the Investments segment, which was previously reported as a separate segment, because the dissolution of the legacy portfolio contained in this segment is of little importance to the DEMIRE Group as a whole. For a more detailed description of the individual segments, please refer to the explanations in the group management report for the 2015 fiscal year.

EURk 01/01/2016 - 30/06/2016	Core Portfolio	Fair Value REIT	Corporate Functions/Others	Total segments
Segment revenues	56,338	26,015	251	82,604
Segment expenses	-23,247	-19,400	-7,106	-49,753
EBIT by segment	33,091	6,615	-6,855	32,851
Net profit/loss for the period	**19,625**	**2,623**	**-15,064**	**7,184**
30/06/2016				
Segment assets	722,280	324,347	20,139	1,066,766
Real estate holdings	692,190	290,131	0	982,321
Segment liabilities	433,066	202,294	157,733	793,093

EURk 01/01/2015 - 30/06/2015	Core Portfolio	Fair Value REIT	Corporate Functions/Others	Total segments
Segment revenues	27,457	0	6,372	33,829
Segment expenses	-9,385	0	-8,376	-17,761
EBIT by segment	18,072	0	-2,004	16,068
Net profit/loss for the period	**8,178**	**0**	**-7,881**	**297**
31/12/2015				
Segment assets	651,165	337,261	44,519	1,032,945
Real estate holdings	628,550	299,544	0	928,094
Segment liabilities	414,896	217,803	135,344	768,043

SUBSEQUENT EVENTS

As of July 15, 2016, the shares of DEMIRE Deutsche Mittelstand Real Estate AG have been trading in the Prime Standard segment, which is the segment of the regulated market of the Deutsche Börse in Frankfurt with the strictest transparency requirements. As a result, the Company now meets even a higher degree of the transparency demanded by international investors and also fulfils a key prerequisite for acceptance into the DAX family of selection indices.

In early July 2016, Fair Value REIT-AG took out a mortgage loan from Volksbank Mittweida eG of EUR 4.0 million with a ten-year fixed interest rate until August 1, 2026. The property in Neubrandenburg serves as collateral. The initial redemption rate was set at 5.63 % p.a. of the principal and the interest rate was fixed at 2.25 % plus interest saved. The processing costs, including the costs for calculating the mortgage lending value of the property, totalled 1.0 % of the principal.

According to the resolution of the Executive Board and the Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG of August 11, 2016, the Company's share capital was increased by up to EUR 4,930,722.00 by issuing up to 4,930,722 new no-par value ordinary bearer shares (no-par value shares) with a notional interest in the share capital of EUR 1.00 per no-par value share at an issuance price of EUR 3.45 per new share through the partial use of the available authorised capital (Authorised Capital I/2016) against contribution in cash. Shareholder subscription rights were excluded. The new shares are entitled to dividends as of January 1, 2016 and were offered to selected institutional investors by way of a private placement. A portion of EUR 10 million of the proceeds generated from the cash capital increase was used for the full repayment of the outstanding amount of the HFS bond. DEMIRE intends to use the remaining proceeds to finance real estate purchases and strengthen its financial position.

In the third quarter of 2016, prior to the publication of the half-year financial statements, a total of 4,500 convertible bonds was converted into no-par value shares of DEMIRE Deutsche Mittelstand Real Estate AG. As of August 31, 2016, this represented a notional interest in the share capital consisting of 54,242,444 no-par value shares of roughly 0.01 %.

RISK REPORT

The DEMIRE Group's business activities expose the Group to various risks such as economic risk, as well as leasing, rent default, interest rate and liquidity risks. The risk management system at DEMIRE AG focusses on the Company's continued viability. A detailed description of DEMIRE's risks and its risk management system can be found in the Company's 2015 Annual Report.

The Executive Board does not expect any changes in the risk situation in the next 12 months that could threaten the Company's viability.

REPORT ON OPPORTUNITIES AND OUTLOOK

The rental income of EUR 37.5 million generated in the first half of 2016 was in line with the Company's plan. Because of higher expenses for maintenance and rental costs and lower income from utility and service charges, the non-allocable expenses to generate rental income actually increased to 21 % of rental income in the first half of 2016 after a level of 19 % in the prior year.

The Executive Board expects a higher profit/loss from the rental of real estate in the second half of 2016 than in the first half-year based on the assumption that at least a portion of the lease agreements concluded as of the reporting date for vacant space with total pro rata annual rent of roughly EUR 1.3 million will be handed over to tenants in the course of second half of 2016.

The general administrative expenses and other operating expenses adjusted for non-recurring items will decline in the second half of 2016 due to a drop in the volume of outsourced services in the second half of the year.

The full repayment of the HFS bond occurred in several phases starting in mid-June 2016 through total refinancing of EUR 17.8 million at an average annual interest rate of currently around 3.8 % p.a. and an amount of EUR 10 million with the proceeds from the cash capital increase. This results in annual interest savings of approximately EUR 4.8 million, of which EUR 2.2 million will occur by the end of 2016.

These improvements will only gradually begin to take effect in second half of 2016, but will not be sufficient enough to fully compensate for the shortfall in income that occurred in the first half-year.

As a result, the Executive Board has brought down its full-year FFO forecast for 2016. Instead of the planned FFO before minority interests of just under EUR 20 million, the Executive Board now expects FFO before minority interests for the full year of 2016 to amount to EUR 19.1 million and EUR 13.9 million after minority interests. With respect to the higher number of shares outstanding (weighted approximately 50.9 million shares) following the cash capital increase, the new FFO target is EUR 0.27 per share.

For the 2017 fiscal year, assuming there are no changes to the total portfolio, the Executive Board expects rental income to total EUR 77 million and FFO before minority interests of around EUR 25 million and roughly EUR 18 million after minority interests. This amount corresponds to about EUR 0.34 per currently outstanding share.

The Executive Board is operating on the assumption that the taxable income of subsidiaries can be offset by the parent company's tax loss carryforwards through structural alterations of the Group's structure.

Frankfurt, September 6, 2016

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

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

Frank Schaich
Member of the Executive Board
(CFO)

Consolidated Financial Statements 30 June 2016 (unaudited)

CONSOLIDATED INCOME STATEMENT

EURk	01/01/2016–30/06/2016	01/01/2015–30/06/2015	01/04/2016–30/06/2016	01/04/2015–30/06/2015
Rental income	37,529	13,839	19,714	6,876
Income from utility and service charges	8,704	4,153	3,475	2,336
Operating expenses to generate rental income	-16,433	-6,782	-6,481	-3,180
Profit/loss from the rental of real estate	**29,800**	**11,210**	**16,708**	**6,032**
Revenue from the sale of real estate companies	0	1,766	0	1,766
Net assets from real estate companies sold	3	-1,246	0	-1,246
Profit/loss from the sale of real estate companies	**3**	**520**	**0**	**520**
Revenue from the sale of real estate	13,925	2,300	2,175	2,300
Expenses relating to real estate sales	-13,815	-1,842	-2,065	-1,842
Profit/loss from the sale of real estate	**110**	**458**	**110**	**458**
Profits from investments accounted for using the equity method	0	1,824	0	1,466
Losses from investments accounted for using the equity method	0	-63	0	-25
Unrealised fair value adjustments in equity investments	0	1,469	0	24
Profit/loss from investments accounted for using the equity method	**0**	**3,230**	**0**	**1,465**
Profit/loss from fair value adjustments in investment properties	14,263	7,720	7,254	7,492
Impairment of receivables	-912	-563	-196	-558
Other operating income	8,183	821	1,566	236
Other operating income and other effects	**21,533**	**7,978**	**8,623**	**7,170**
General and administrative expenses	-7,484	-5,144	-4,079	-3,573
Other operating expenses	-11,112	-2,184	-2,511	-1,208
Earnings before interest and taxes	**32,850**	**16,068**	**18,851**	**10,864**
Financial income	1,034	2,014	-956	1,678
Finance expenses	-22,067	-16,303	-11,233	-11,344
Interests of minority shareholders	-1,816	0	-1,816	0
Financial result	**-22,849**	**-14,289**	**-14,005**	**-9,666**
Profit/loss before taxes	**10,001**	**1,779**	**4,846**	**1,198**
Income taxes	-2,815	-1,482	-1,816	-1,372
Net profit/loss for the period	**7,186**	**297**	**3,030**	**-174**
Of which, attributable to:				
Non-controlling interests	**1,744**	**441**	**543**	**422**
Parent company shareholders	**5,442**	**-144**	**2,487**	**-596**
Basic earnings per share	0.11	-0.01	0.05	-0.03
Diluted earnings per share	0.09	-0.01	0.04	-0.03

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EURk	01/01/2016–30/06/2016	01/01/2015–30/06/2015
Net profit/loss for the period	**7,186**	**297**
Items that may be reclassified to profit and loss in future periods		
Share of other comprehensive income attributable to associated companies accounted for using the equity method (from currency translation)	0	-930
Currency translation differences	1	195
Other comprehensive income	**1**	**-735**
Total comprehensive income	**7,187**	**-438**
Of which, attributable to:		
Non-controlling interests	**1,744**	**323**
Parent company shareholders	**5,443**	**-760**

CONSOLIDATED BALANCE SHEET
ASSETS

EURk	30/06/2016	31/12/2015
ASSETS		
Non-current assets		
Intangible assets	6,997	6,961
Property, plant and equipment	203	11,285
Investment properties	981,466	915,089
Investments accounted for using the equity method	3,137	3,136
Other financial assets	10,536	11,045
Loans to investments accounted for using the equity method	903	553
Other loans	413	384
Deferred tax assets	286	144
Total non-current assets	**1,003,940**	**948,597**
Current assets		
Real estate inventory	2,303	2,298
Trade accounts receivable and other receivables	19,958	14,387
Financial receivables and other financial assets	10,597	26,020
Tax refund claims	127	171
Cash and cash equivalents	29,015	28,467
Total current assets	**62,001**	**71,343**
Non-current assets held for sale	**825**	**13,005**
Total assets	**1,066,766**	**1,032,945**

EQUITY AND LIABILITIES

EURk	30/06/2016	31/12/2015
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	49,307	49,292
Reserves	186,870	181,405
Equity attributable to parent company shareholders	**236,177**	**230,697**
Interests of non-controlling shareholders	37,496	34,205
Total equity	**273,673**	**264,902**
Liabilities		
Non-current liabilities		
Deferred tax liabilities	28,274	25,714
Minority interests	62,369	61,160
Non-current financial liabilities	616,629	608,796
Other non-current liabilities	0	1,076
Total non-current liabilities	**707,272**	**696,746**
Current liabilities		
Provisions	2,896	1,166
Trade payables and other liabilities	17,721	19,887
Tax liabilities	3,871	3,801
Current financial liabilities	61,333	46,443
Total current liabilities	**85,821**	**71,297**
Total liabilities	**793,093**	**768,043**
Total equity and liabilities	**1,066,766**	**1,032,945**

CONSOLIDATED STATEMENT OF CASH FLOWS

EURk	01/01/2016–30/06/2016	01/01/2015–30/06/2015
Group profit/loss before taxes	**10,001**	**1,779**
Financial expenses*	23,883	16,303
Financial income*	-1,034	-2,014
Proceeds from the sale of real estate inventory	0	2,416
Change in other inventory	0	-876
Change in trade accounts receivable and other receivables	-1,342	918
Change in income tax receivables*	44	-17
Change in financial receivables and other financial assets	1,706	-2,209
Change in intangible assets	36	0
Change in provisions	1,656	-56
Change in trade payables and other liabilities*	-3,702	2,199
Valuation gains under IAS 40	-14,263	-7,720
Gains from the sale of real estate companies	-113	-978
Interest proceeds*	94	0
Income taxes paid*	-173	0
Change in reserves	302	148
Profit/loss from investments accounted for using the equity method	0	-3,230
Depreciation and amortisation and impairment*	912	563
Distributions to minority shareholders	-627	0
Other non-cash items*	-199	-1,439
Cash flow from operating activities	**17,180**	**5,787**
Payments for investments in property, plant and equipment	-5,716	-60
Payments for the purchase of investment properties and interests in fully consolidated companies, less net cash equivalents acquired	-4,352	-512
Proceeds from the sale of real estate	13,925	1,650
Cash flow from investing activities	**3,858**	**1,078**
Release of equity component of convertible bond	**-90**	**0**
Payments for expenses associated with raising equity	0	-58
Change in financial liabilities from the acquisition of entities	0	0
Proceeds from the issue of bonds	12,892	23,500
Proceeds from the issuance of financial liabilities	30,344	1,466
Interest paid on financial liabilities	-17,078	-9,128
Payments for the redemption of financial liabilities	-46,558	-17,340
Cash flow from financing activities	**-20,490**	**-1,560**
Net change in cash and cash equivalents	**548**	**5,305**
Cash and cash equivalents at the start of the period	28,467	4,397
Cash and cash equivalents at the end of the period	**29,015**	**9,702**

**Prior year's information was adjusted for changes in classification.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EURk	Share capital	Reserves						
	Subscribed capital	Capital reserves	Retained earnings incl. Group profit/loss	Reserves for treasury shares	Currency translation	Equity attributable to parent company shareholders	Interests of non-controlling shareholders	Total equity
01/01/2016	**49,292**	**121,120**	**60,651**	**-310**	**-57**	**230,697**	**34,205**	**264,902**
Proportional transfer of earnings-neutral changes in equity in investments accounted for using the equity	0	0	0	0	0	0	0	**0**
Currency translation differences	0	0	0	0	1	1	0	**1**
Total other comprehensive income	**0**	**0**	**0**	**0**	**1**	**1**	**0**	**1**
Net profit/loss for the period	0	0	5,442	0	0	5,442	1,744	**7,186**
Total comprehensive income	**0**	**0**	**5,442**	**0**	**1**	**5,443**	**1,744**	**7,187**
Capital increase (related to the conversion of convertible bonds)	15	0	0	0	0	15	0	**15**
Stock option programme	0	303	0	0	0	303	0	**303**
Mandatory convertible bonds	0	0	0	0	0	0	0	**0**
Capital increases against contribution in kind	0	0	0	0	0	0	0	**0**
Cash capital increases	0	0	0	0	0	0	0	**0**
Costs of raising equity under capital increases	0	0	0	0	0	0	0	**0**
Change in the scope of consolidation	0	-71	516	0	-726	-281	1,546	**1,265**
30/06/2016	**49,307**	**121,352**	**66,609**	**-310**	**-782**	**236,177**	**37,495**	**273,672**
01/01/2015	**14,306**	**8,234**	**32,802**	**-310**	**-3,348**	**51,685**	**2,944**	**54,629**
Proportional transfer of earnings-neutral changes in equity in investments accounted for using the equity	0	0	0	0	-930	-930	0	**-930**
Currency translation differences	0	0	0	0	314	314	-119	**195**
Total other comprehensive income	**0**	**0**	**0**	**0**	**-616**	**-616**	**-119**	**-735**
Net profit/loss for the period	0	0	-144	0	0	-144	442	**298**
Total comprehensive income	**0**	**0**	**-144**	**0**	**-616**	**-760**	**323**	**-437**
Capital increase (related to the conversion of convertible bonds)	214	-10	0	0	0	204	0	**204**
Stock option programme	0	148	0	0	0	148	0	**148**
Mandatory convertible bonds	0	14,237	0	0	0	14,237	0	**14,237**
Capital increases against contribution in kind	7,816	10,834	0	0	0	18,650	0	**18,650**
Cash capital increases	0	0	0	0	0	0	0	**0**
Costs of raising equity under capital increases	0	0	0	0	0	0	0	**0**
Change in the scope of consolidation	0	0	-412	0	0	-412	726	**314**
30/06/2015	**22,336**	**33,443**	**32,246**	**-310**	**-3,964**	**83,752**	**3,993**	**87,745**

Notes to the condensed interim consolidated financial statements as of June 30, 2016 (unaudited)

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 under the number HRB 89041 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 2015 calendar year serves as the comparable prior year period.

As of the reporting date, the Company's shares were listed in the General Standard segment of the Frankfurt Stock Exchange. As of July 15, 2016, the shares have been trading in the Prime Standard segment, which is the segment of the regulated market with the strictest transparency requirements.

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

The interim consolidated financial statements as at the reporting date include the DEMIRE subgroup and the Fair Value REIT subgroup. The DEMIRE subgroup contains the consolidated financial statements of DEMIRE AG and its subsidiaries – except for the Fair Value REIT subgroup – which in turn comprises the consolidated financial statements of Fair Value REIT-AG and its subsidiaries.

B. ACCOUNTING POLICIES

The condensed interim consolidated financial statements for the period from January 1 to June 30, 2016, were prepared in accordance with IAS 34 "Interim Financial Reporting", as applicable in the EU. The interim consolidated financial statements were not subject to an audit.

The interim consolidated financial statements of the DEMIRE Group were prepared according to uniform accounting and valuation policies taking into account all International Financial Reporting Standards (IFRS) that require mandatory application as of the reporting date of this interim report (June 30, 2016) and were adopted by the European Union. In preparing the interim consolidated financial statements and determining the figures for the comparable previous year, the same consolidation principles and accounting and measurement policies were applied as for the consolidated financial statements as of December 31, 2015, except for the new accounting standards. A detailed description of these methods can be found in the notes to the 2015 consolidated financial statements.

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, 2015.

DEMIRE's business operations are essentially unaffected by seasonal and macroeconomic influences. Due to the extensive acquisitions of real estate companies and business combinations during the 2015 fiscal year and an acquisition in early January 2016, a comparison of quantitative information is limited.

The following new or amended standards and interpretations required mandatory first-time application in the 2016 fiscal year:

- IAS 1 "Disclosure Initiative";
- Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation";
- Annual improvements to IFRS (2012 – 2014);
- IFRS 11 "Acquisitions of Interests in Joint Operations".

The amendments to IAS 1 "Disclosure Initiative" will have an effect on the presentation of the notes to the consolidated financial statements as of December 31, 2016.

In addition, amendments to standards and interpretations occurred that were not relevant for the condensed interim consolidated financial statements as of June 30, 2016:

- Amendments to IAS 16 and IAS 41 "Bearer Biological Assets";
- Amendments to IAS 27 "Use of Equity Method in Separate Financial Statements";
- Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception",
- IFRS 14 "Regulatory Deferral Accounts".

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. A detailed description of the measurement can be found in the notes to the 2015 consolidated financial statements.

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 when the purchase of a real estate portfolio is to be classified as a business combination according to IFRS 3 or as an acquisition of assets and liabilities.

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 to EURk.

C. CHANGES TO THE SCOPE OF CONSOLIDATION

1. Scope of consolidation

In addition to the inclusion of the Company, the interim consolidated financial statements generally include all German and foreign subsidiaries from the date of their acquisition. As of June 30, 2016, the scope of consolidation comprised 58 fully consolidated entities (December 31, 2015: 57), including the parent company.

NUMBER OF FULLY CONSOLIDATED SUBSIDIARIES	30/06/2016	31/12/2015
As of the beginning of the fiscal year	**57**	**54**
Additions	3	8
Disposals	2	4
Disposals through mergers	0	1
As of the balance sheet date	**58**	**57**

The three additions during the reporting period concern the acquisition of Kurfürster Immobilien GmbH, the first-time consolidation of PRAEDIA GmbH and the founding of Condor Yellow BV GmbH (see Note C. 2). The disposals during the reporting period relate to the sale of Magnat Tbilisi Office LLC and Magnat Tbilisi Residential 1 LLC.

2. Changes to the scope of consolidation

Acquisition and first-time consolidation

DEMIRE AG acquired a 94.9 percent interest in the real estate company Kurfürster Immobilien GmbH, Leipzig, during the reporting period. The company's property, "Kurfürsten Galerie", is located in Kassel. In addition, PRAEDIA GmbH, Berlin, acquired on March 17, 2015, was included in the scope of consolidation for the first time. In the 2015 fiscal year, this subsidiary was not included in the consolidated financial statements for reasons of materiality. DEMIRE AG holds 51 % of PRAEDIA GmbH's share capital and voting rights.

The acquisition of 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. The acquisition costs of the project companies were allocated to the individually identifiable assets and liabilities on the basis of their fair values. During the reporting period, no business combinations as defined by IFRS 3 occurred.

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	52,677
Liabilities acquired	37,352
Net assets at 100%	**15,325**
of which interests of non-controlling shareholders	**9**
Acquisition costs	**15,316**

Disposals in the reporting period

The disposals of fully consolidated subsidiaries in the reporting year concern the legacy portfolio and include the following companies: Tbilisi Office LLC (Georgia) and Magnat Tbilisi Residential 1 LLC (Georgia). The disposal of these companies resulted in a total positive earnings effect of EURk 3.

EURk	Date of disposal	Proceeds from disposal	Result from disposal of net assets (incl. currency translation reserve)	Gains/losses on disposal
MAGNAT Tbilisi Office LLC	05/02/2016	0	3	3
MAGNAT Tbilisi Residential 1 LLC	04/02/2016	0	0	0
Gesamtsumme		0	3	3

Summary financial information for companies sold:

EURk	MAGNAT Tbilisi Office LLC	MAGNAT Tbilisi Residential 1 LLC
Aggregated assets	0	0
thereof cash and cash equivalents	0	0
Aggregated liabilities	1	0

D. SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

1. Profit/loss from the rental of real estate

The Group's rental income consists of the following:

EURk	01/01/2016–30/06/2016	01/01/2015–30/06/2015
Rental income	37,529	13,839
Income from utility and service charges	8,704	4,153
Rental revenue	**46,233**	**17,992**
Allocable operating expenses to generate rental income	-12,215	-5,048
Non-allocable operating expenses to generate rental income	-4,218	-1,734
Operating expenses to generate rental income	**-16,433**	**-6,782**
Profit/loss from the rental of real estate	**29,800**	**11,210**

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

Profit/loss from the rental of real estate in the reporting period is not affected by seasonal effects. The rise largely resulted from the real estate companies acquired during the 2015 fiscal year and first half of 2016.

2. Profit/loss from the sale of real estate

In the first half of 2016, the Group generated a profit from the sale of real estate in the amount of EURk 110 (1HY 2015: EURk 458).

During the reporting period, the properties in Radevormwald, Tornesch, Bornhöved, Parchim and an interest in the Kempten property were sold for a total amount of EURk 13,925. The proceeds from the disposal of the individual properties amounted to EURk 11,100 (Radevormwald), EURk 650 (Tornesch), EURk 525 (Bornhöved), EURk 650 (Parchim) and EURk 1,000 (Kempten). The sale proceeds were offset by expenses relating to property sales totalling EURk 13,815.

3. Net profit/loss for the period

The Group's net profit/loss for the period of EURk 7,186 (1HY 2015: EURk 297) was positively influenced by the higher profit/loss from the rental of real estate of EURk 29,800 (1HY 2015: EURk 11,210).

Other operating income and other effects amounted to EURk 21,533 in the first half-year of 2016 (1HY 2015: EURk 7,978) and were primarily affected by fair value adjustments in investment properties of EURk 14,263 (1HY 2015: EURk 7,720). The fair value adjustments mainly concern Kurfürster-Galerie in Kassel (EURk 7,743) and the Logistikpark Leipzig (EURk 4,241).

Negative earnings effects originated from the financial result, as well as from general and administrative expenses of EURk 7,484 (1HY 2015: EURk 5,144) and other operating expenses of EURk 11,112 (1HY 2015: EURk 2,184).

General and administrative expenses

EURk	01/01/2016 – 30/06/2016	01/01/2015 – 30/06/2015
Legal and consulting fees	3,187	2,261
Staff costs	1,845	866
Accounting and audit costs	1,097	1,817
Vehicle costs	234	33
Reimbursement of expenses	162	0
Advertising expenses	114	0
Supervisory Board compensation	92	44
Travel expenses	47	81
Other general and administrative expenses	706	42
Total	**7,484**	**5,144**

Legal and consulting fees mainly include brokerage commissions of EURk 951 in the context of the refinancing of financial liabilities, notary fees of EURk 295 and expenses related to acquisitions (due diligence audits) of EURk 200. The increase in staff costs resulted from the hiring of additional staff in the course of the 2015 fiscal year and the appointment of a third Executive Board member in February 2016.

Share-based payments

A detailed description of share-based payments can be found in the notes to the 2015 consolidated financial statements.

Staff costs resulting from the 2015 Stock Option Programme that are recognised in the interim consolidated financial statements pursuant to IFRS 2 amounted to EURk 302 (1HY 2015: EURk 148).

Other operating income and expenses

The line items "other operating income" and "other operating expenses" include prior-period income and expenses of EUR 6,449 and EUR 7,117, respectively, resulting from the settlement of prior-years' operating costs. The customary subsequent settlement of operating costs resulted primarily from the real estate portfolios acquired during the abbreviated 2014 fiscal year.

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.

BERECHNUNGSPARAMETER	01/01/2016 – 30/06/2016	01/01/2015 – 30/06/2015
Net profit/loss (EURk)	**7,186**	**297**
Group's net profit/loss excl. non-controlling interests	5,442	-144
Interest expenses from convertible bonds	537	335
Group's net profit/loss excl. non-controlling interests (diluted)	5,979	-144
Number of shares		
Number of shares outstanding as at the balance sheet date	49,307	22,336
Weighted average number of shares outstanding	49,306	21,177
Impact of conversion of convertible bonds	13,647	13,675
Weighted average number of shares (diluted)	62,952	34,852
Earnings per share (EUR)		
Basic earnings per share (EUR)	0.11	-0.01
Diluted earnings per share (EUR)	0.09	-0.01

In 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. The dilutive effect resulting from the stock option programme will only be taken into account if the share price reaches a level of EUR 4.258.

4. Financial result

EURk	01/01/2016–30/06/2016	01/01/2015–30/06/2015
Financial income	1,034	2,014
Financial expenses	-22,067	-16,302
Interests of minority shareholders	-1,816	0
	-22,849	**-14,288**

The increase in financial expenses mainly was the result of financial liabilities acquired and assumed in 2015 and the first half of 2016. The decrease in financial income in the second quarter of 2016 was due to valuation effects from the call option embedded in the 2014/2019 corporate bond.

Interests of minority shareholders of EURk 1,816 refer to minority shareholders in subsidiaries of Fair Value REIT-AG.

E. NOTES TO THE CONSOLIDATED BALANCE SHEET AND CONSOLIDATED 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	2016	2015
Fair value as at the beginning of the fiscal year	**915,089**	**333,070**
Additions resulting from business combinations	0	469,114
Additions from the acquisition of real estate	36,329	81,624
Reclassifications from advance payments and real estate inventory	12,985	14,065
Additions (subsequent costs of acquisition)	5,716	0
Reclassifications to non-current assets held for sale	-2,916	-1,255
Unrealised gains from fair value measurement	18,578	21,478
Unrealised losses from fair value measurement	-4,315	-3,007
Fair value as at June 30, 2016	**981,466**	**915,089**

Investment property additions in the amount of EURk 36,329 and the reclassification from advance payments of EURk 12,985 resulted from the investment in the commercial real estate company Kurfürster Immobilien GmbH. The reclassification to non-current assets held for sale of EURk 2,916 relates to the properties in Hohenstein-Ernstthal (EURk 625) and Neumünster (EURk 180), and the properties in Kempten (EURk 910), Parchim (EURk 630) and Bornhöved (EURk 571), which were sold in reporting period.

Valuation of real estate held by the DEMIRE subgroup

Fair values for investment properties held by the DEMIRE subgroup as of June 30, 2016 are determined on the basis of discounted earnings models in accordance with the Federal Building Code (Baugesetzbuch), the Property Valuation Regulation (Immobilienwertermittlungsverordnung [ImmoWertV]) and the Valuation Guidelines (Wertermittlungsrichtlinie [WertR]). The property's net present value is determined based on income and expenditures taking a risk-adjusted property yield into account.

The determination of the net present values depends on underlying key, unobservable input factors used in the valuation (Level 3):

OFFICE REAL ESTATE	30/06/2016	31/12/2015
Ratio of maintenance costs to gross profit (in %)	7.57	7.26
Average maintenance costs (in EUR per m²)	5.56	6.38
Range of maintenance costs (in EUR per m²)	2.00 – 11.50	2.36 - 10.00
Average property yield (in %)[1]	6.20	6.09
Range of property yields (in %)[2]	4.95 – 10.25	5.00 - 9.75
Average residual useful life (in years)	30	37
Range of residual useful life (in years)	25 - 45	25 - 45
Ratio of management costs to gross profit (in %)	2.73	3.09
Range of ratio of management costs to gross profit (in %)	3.90 – 32.67	0.99 - 7.53
Average market rent (in EUR per m², per year)[3]	73.49	96.22
Range of average market rents (in EUR per m², per year)	12.24 – 193.45	30.47 - 161.17
Rentable space as at balance sheet date (in m²)	804,048	470,143
Vacant space as at balance sheet date (in m²)	152,636	39,025
Value-based vacancy rate according to EPRA (in %)	12.37	8.32
Average vacancy rate based on the rentable space (in %)	18.98	8.30
Range of average vacancy rate based on the rentable space (in %)	0.00 – 86.6	0.00 - 67.27
Weighted Average Lease Term – WALT (in years)	5.63	6.04

[1] The calculation of property-specific property yields is based on the average market property yield and takes into account the respective macro and micro conditions, competing properties, tenant creditworthiness, vacancy risk and the remaining terms of the lease contracts.

[2] Property yields derived vary based on the quality, location and structure of the property.

[3] The determination of average market rent was based on rentable space as at June 30, 2016.

RETAIL REAL ESTATE	30/06/2016	31/12/2015
Ratio of maintenance costs to gross profit (in %)	6.82	11.64
Average maintenance costs (in EUR per m²)	9.20	6.83
Range of maintenance costs (in EUR per m²)	5.00 – 11.50	5.00 - 7.50
Average property yield (in %)[1]	5.73	6.62
Range of property yields (in %)[2]	5.47 – 7.25	6.00 - 7.25
Average residual useful life (in years)	38	39
Range of residual useful life (in years)	35 - 45	35 - 45
Ratio of management costs to gross profit (in %)	3.05	4.08
Range of ratio of management costs to gross profit (in %)	2.50 – 4.00	2.86 - 7.40
Average market rent (in EUR per m², per year)[3]	134.92	70.63
Range of average market rents (in EUR per m², per year)	48.53 – 193.45	47.07 - 134.53
Rentable space as at balance sheet date (in m²)	43,066	21,616
Vacant space as at balance sheet date (in m²)	5,643	3,410
Value-based vacancy rate according to EPRA (in %)	11.73	12.18
Average vacancy rate based on the rentable space (in %)	13.10	15.77
Range of average vacancy rate based on the rentable space (in %)	0.00 – 45.5	0.00 - 46.70
Weighted Average Lease Term – WALT (in years)	7.79	8.10

[1] The calculation of property-specific property yields is based on the average market property yield and takes into account the respective macro and micro conditions, competing properties, tenant creditworthiness, vacancy risk and the remaining terms of the lease contracts.

[2] Property yields derived vary based on the quality, location and structure of the property.

[3] The determination of average market rent was based on rentable space as at June 30, 2016.

LOGISTICS[1] REAL ESTATE	30/06/2016	31/12/2015
Ratio of maintenance costs to gross profit (in %)	11.08	19.55
Average maintenance costs (in EUR per m²)	3.50	3.59
Range of maintenance costs (in EUR per m²)	3.50 – 3.50	3.59 - 3.59
Average property yield (in %)[2]	7.71	8.00
Range of property yields (in %)[3]	7.71 – 7.71	8.00 - 8.00
Average residual useful life (in years)	25	25
Range of residual useful life (in years)	25 - 25	25 - 25
Ratio of management costs to gross profit (in %)	1.00	1.77
Range of ratio of management costs to gross profit (in %)	1.00 – 1.00	1.77 - 1.77
Average market rent (in EUR per m², per year)[4]	31.58	26.46
Range of average market rents (in EUR per m², per year)	31.58 – 31.58	26.46 - 26.46
Rentable space as at balance sheet date (in m²)	217,968	218,697
Vacant space as at balance sheet date (in m²)	75,105	66,978
Value-based vacancy rate according to EPRA (in %)	47.26	30.63
Average vacancy rate based on the rentable space (in %)	34.46	30.63
Range of average vacancy rate based on the rentable space (in %)	34.46 – 34.46	30.63 - 30.63
Weighted Average Lease Term – WALT (in years)	2.37	2.42

[1] Information concerns Logistikpark Leipzig, which was acquired in the reporting year.

[2] The calculation of property-specific property yields is based on the average market property yield and takes into account the respective macro and micro conditions, competing properties, tenant creditworthiness, vacancy risk and the remaining terms of the lease contracts.

[3] Property yields derived vary based on the quality, location and structure of the property.

[4] The determination of average market rent was based on rentable space as at June 30, 2016.

OTHER REAL ESTATE	30/06/2016	31/12/2015
Ratio of maintenance costs to gross profit (in %)	12.93	15.67
Average maintenance costs (in EUR per m²)	3.97	4.02
Range of maintenance costs (in EUR per m²)	2.00 – 6.50	4.00 - 6.50
Average property yield (in %)[1]	9.34	9.35
Range of property yields (in %)[2]	6.75 – 10.25	6.75 - 10.25
Average residual useful life (in years)	25	25
Range of residual useful life (in years)	25 - 35	25 - 25
Ratio of management costs to gross profit (in %)	3.00	3.70
Range of ratio of management costs to gross profit (in %)	3.00 – 3.00	2.25 - 6.63
Average market rent (in EUR per m², per year)[3]	30.71	40.81
Range of average market rents (in EUR per m², per year)	12.24 – 56.51	12.06 - 64.78
Rentable space as at balance sheet date (in m²)	90,085	92,735
Vacant space as at balance sheet date (in m²)	34,697	34,335
Value-based vacancy rate according to EPRA (in %)	15.53	32.81
Average vacancy rate based on the rentable space (in %)	38.52	37.03
Range of average vacancy rate based on the rentable space (in %)	0.00 – 86.6	0.00 - 86.62
Weighted Average Lease Term – WALT (in years)	2.12	2.50

[1] The calculation of property-specific property yields is based on the average market property yield and takes into account the respective macro and micro conditions, competing properties, tenant creditworthiness, vacancy risk and the remaining terms of the lease contracts.

[2] Property yields derived vary based on the quality, location and structure of the property.

[3] The determination of average market rent was based on rentable space as at June 30, 2016.

Valuation of real estate held by the Fair Value REIT subgroup

The fair values for investment properties held by the Fair Value REIT subgroup correspond to the values determined on the basis of the discounted cash flow method as of December 31, 2015. These values are based on an appraisal as of December 31, 2015, plus value-enhancing reconstruction measures in Eisenhüttenstadt and Zittau totalling EURk 2,878 and in Neumünster, Röntgenstrasse totalling EURk 20. The sale took place after the reporting date.

2. Financial liabilities

The following table summarises the financial liabilities:

COMPOSITION OF FINANCIAL LIABILITIES EURk	30/06/2016	31/12/2015
Non-current financial liabilities		
variable interest rates	186,124	188,041
fixed interest rates	430,505	420,755
Total	**616,629**	**608,796**
Current financial liabilities		
variable interest rates	6,376	7,974
fixed interest rates	54,957	38,469
Total	**61,333**	**46,443**
Total financial liabilities	**677,962**	**655,239**

The interest rates for bank loans with variable interest rates are based on EURIBOR plus an appropriate margin.

F. NOTES TO THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The net profit for the period attributable to the parent company shareholders amounts to EURk 5,442. The net profit attributable to non-controlling interests amounts to EURk 1,744k.

In the reporting period, **subscribed capital** rose by EURk 15 as a result of the conversion of 2013/2018 convertible bonds.

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.

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 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 EURk 1 resulted from negative currency translation differences.

G. 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.

Cash flow from operating activities

Cash flow from operating activities soared more than 200 % in the reporting period to EURk 17,180 (1HY 2015: EURk 5,787) as a result of the improved profit/loss from the rental of real estate taking into account operating costs and payments for liabilities originating in 2015 in the context of the Fair Value REIT acquisition.

Cash flow from investing activities

Cash flow from investing activities reached EURk 3,858 in the first half of 2016 after EURk 1,078 in the comparable period of 2015 mainly as a result of the proceeds from the sale of five properties totalling EURk 13,925. Investments in real estate holdings amounted to EURk 5,716 in the reporting period.

Cash flow from financing activities

Cash flow from financing activities in the first half of 2016 totalled EURk -20,490 (1HY 2015: EURk -1,560) and included proceeds of EURk 12,892 from the issuance of corporate bonds and EURk 30,344 from the assumption of financial liabilities. Interest and principal payments amounted to EURk 63,636 and included early repayments of EURk 24,851 and the redemption of the Fair Value REIT convertible bond of EURk 8,714.

Cash and cash equivalents

The net change in cash and cash equivalents totalled EURk 548 (1HY 2015: EURk 5,305). As of the end of the reporting period, cash and cash equivalents had risen to EURk 29,015 after EURk 9,702 on June 30, 2015.

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.

H. SEGMENT REPORTING

JANUARY 1, 2016 – JUNE 30, 2016 EURk	SEGMENTS BY BUSINESS SEGMENT			
	Core Portfolio	Fair Value REIT	Central Functions/ Others	Group
External revenues	34,206	25,952	0	60,158
Total revenues	**34,206**	**25,952**	**0**	**60,158**
Profit/loss from fair value adjustments in investment properties	14,289	-26	0	14,263
Other income	7,843	89	251	8,183
Profits originating from a purchase below market value	0	0	0	0
Profits from investments accounted for using the equity method	0	0	0	0
Unrealised fair value adjustments in equity investments	0	0	0	0
Segment revenues	**56,338**	**26,015**	**251**	**82,604**
Net assets from sold real estate companies	0	0	0	0
Expenses on real estate sales	-1,540	-12,275	0	-13,815
Other expenses	-21,707	-7,125	-7,106	-35,938
Losses from investments accounted for using the equity method	0	0	0	0
Segment expenses	**-23,247**	**-19,400**	**-7,106**	**-49,753**
EBIT	**33,091**	**6,615**	**-6,855**	**32,851**
Financial income	38	35	961	1,034
Financial expenses	-11,280	-3,568	-9,035	-23,883
Income taxes	-2,222	-459	-135	-2,816
Net profit/loss for the period	**19,627**	**2,623**	**-15,065**	**7,186**
Significant non-cash items	**-13,433**	**482**	**246**	**-12,702**
Impairment losses in net profit/loss for the period	**396**	**1**	**515**	**912**
ADDITIONAL INFORMATION				
Segment assets	**722,280**	**324,347**	**20,139**	**1,066,766**
of which investments accounted for using the equity method	0	0	3,137	3,137
of which loans to investments accounted for using the equity method	0	0	903	903
of which financial receivables and other financial assets	2,659	0	7,938	10,597
of which tax refund claims	96	3	28	127
of which assets available for sales in investments accounted for using the equity method	625	200	0	825
Segment liabilities	**433,066**	**202,294**	**157,733**	**793,093**
of which non-current financial liabilities	360,733	121,010	134,886	616,629
of which current financial liabilities	36,717	9,144	15,472	61,333
of which tax liabilities	3,864	0	7	3,871

JANUARY 1, 2015 – JUNE 30, 2015 EURk	SEGMENTS BY BUSINESS SEGMENT			
	Core Portfolio	Fair Value REIT	Central Functions/ Others	Group
External revenues	19,453	0	2,605	22,058
Total revenues	**19,453**	**0**	**2,605**	**22,058**
Profit/loss from fair value adjustments in investment properties	7,720	0	0	7,720
Other income	284	0	537	821
Profits from investments accounted for using the equity method	0	0	3,230	3,230
Segment revenues	**27,457**	**0**	**6,372**	**33,829**
Net assets from sold real estate companies	0	0	-1,246	-1,246
Expenses on real estate sales	-1,650	0	-192	-1,842
Other expenses	-7,735	0	-6,938	-14,673
Segment expenses	**-9,385**	**0**	**-8,376**	**-17,761**
EBIT	**18,072**	**0**	**-2,004**	**16,068**
Financial income	0	0	2,014	2,014
Financial expenses	-8,824	0	-7,479	-16,303
Income taxes	-1,070	0	-412	-1,482
Net profit/loss for the period	**8,178**	**0**	**-7,881**	**297**
Significant non-cash items	**8,791**	**0**	**3,536**	**12,327**
Impairment losses in net profit/loss for the period	**235**	**0**	**238**	**563**
ADDITIONAL INFORMATION				
Segment assets	**651,165**	**337,261**	**44,519**	**1,032,945**
of which investments accounted for using the equity method	0	0	3,136	3,136
of which loans to investments accounted for using the equity method	0	0	553	553
of which financial receivables and other financial assets	5,011	0	21,009	26,020
of which tax refund claims	101	22	48	171
of which assets available for sales in investments accounted for using the equity method	1,255	11,750	0	13,005
Segment liabilities	**414,896**	**217,803**	**135,344**	**768,043**
of which non-current financial liabilities	348,870	187,738	134,424	671,032
of which current financial liabilities	23,236	18,531	4,676	46,443
of which tax liabilities	3,801	0	0	3,801

The segmentation of the data in the financial statements is based on the Company's internal alignment according to strategic business segments under IFRS 8. The segment information provided represents the information to be reported to DEMIRE's Executive Board.

The Group is divided into the business segments of Core Portfolio, Fair Value REIT and Central Functions/Others.

In the reporting period, the Investments division, which contains information relating to non-current assets, and the business areas of revitalisation, project development and land banking are no longer reported separately. Trailing income and expenses and residual segment assets and liabilities are reported under the segment Corporate Functions/Others.

The Core Portfolio segment includes the German subsidiaries focused on commercial real estate for the entrepreneurial Mittelstand in Germany. The Fair-Value REIT segment contains the activities of Fair Value REIT and its subsidiaries focused on office and retail properties in regional centres in Germany that were acquired at the end of 2015. The definition of the Fair-Value REIT segment meets the requirements under IFRS 8.5 because the responsible governing body making decisions about the allocation of resources to this segment has not changed and separate financial information continues to be available for this segment. The Central Functions/Others segment mainly contains DEMIRE AG's activities in its function as the Group holding company and represents the primary administrative activities.

I. OTHER NOTES

1. Related party disclosures

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

Except for the Executive Board remuneration discussed in section G 4, business transactions with members of management holding key positions at the Company did not occur in the reporting period.

The following balances exist with respect to associated companies:

EURk	30/06/2016	31/12/2015
Financial receivables and other financial assets	67	116

The following balances exist with respect to joint ventures:

EURk	30/06/2016	31/12/2015
Loans to investments accounted for using the equity method	903	553
Financial receivables and other financial assets	480	480

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

EURk	01/01/2016–30/06/2016	01/01/2015–30/06/2015
Loans to investments accounted for using the equity method	350	2,857
Financial receivables and other financial assets	49	59
Trade payables and other liabilities	0	123
Current financial liabilities	0	331

2. Additional disclosures 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, 2016			IAS 39 measurement		Value
EURk	Measu-rement category	Carrying amount	Fair value through profit/loss	Fair value directly in equity	Fair Value
Interests in investments accounted for using the equity	n/a	3,137	0	3,137	3,137
Other financial assets	LaR	10,536	0	10,536	10,536
Loans to investments accounted for using the equity method	LaR	903	0	903	903
Other loans	LaR	413	0	413	413
Trade accounts receivable and other receivables	LaR	19,958	0	19,958	19,958
Financial receivables and other financial assets	LaR/HfT	10,597	2,383	10,597	10,597
Cash and cash equivalents	LaR	29,015	0	29,015	29,015
Convertible bond	AmC	11,081	0	11,081	34,603
Bonds	AmC	97,318	0	97,318	96,000
A-/B-Notes (Germavest)	AmC	102,420	0	102,420	102,420
Financial liabilities (Fair Value REIT)	AmC	130,644		130,644	143,620
Other non-current financial liabilities	AmC	366,409	0	366,409	365,916
Interest rate swaps	HfT	1,260	1,260	0	1,260
Trade payables	AmC	17,721	0	17,721	17,721
Current financial liabilities	AmC	61,333	0	61,333	61,333
Amount per measurement category					
	LaR	71,422	2,383	71,422	71,422
	AmC	553,862	0	553,862	575,573
	AtFVtPL	102,420	0	102,420	102,420

Afs: *Available-for-Sale Financial Assets;*
LaR: *Loans and Receivables;*
AmC: *Amortised Cost;*
HfT: *Held for Trading;*
AtFVtPL: *At Fair Value through Profit or Loss;* ***n/a:*** *not applicable.*

DECEMBER 31, 2015			IAS 39 measurement		Value
EURK	Measurement category	Carrying amount	Fair value through profit/loss	Fair value directly in equity	Fair Value
Interests in investments accounted for using the equity	n/a	3,136	0	3,136	3,136
Other financial assets	LaR	11,045	0	11,045	11,045
Loans to investments accounted for using the equity method	LaR	553	0	553	553
Other loans	LaR	384	0	384	384
Trade accounts receivable and other receivables	LaR	14,387	0	14,387	14,387
Financial receivables and other financial assets	LaR/HfT	26,020	2,205	23,815	26,020
Cash and cash equivalents	LaR	28,467	0	28,467	28,467
Convertible bond	AmC	19,491	0	19,491	56,947
Bonds	AmC	97,719	0	97,719	94,000
A-/B-Notes (Germavest)	AmC	92,651	0	92,651	92,651
Financial liabilities (Fair Value REIT)	AmC	144,113		144,113	143,620
Other non-current financial liabilities	AmC	317,058	0	317,058	316,565
Interest rate swaps	HfT	829	829	0	829
Trade payables	AmC	19,887	0	19,887	19,887
Current financial liabilities	AmC	46,443	0	46,443	46,443
Amount per measurement category					
	LaR	80,856	2,205	78,651	80,856
	AmC	500,598	0	500,598	533,842
	AtFVtPL	92,651	0	92,651	92,651

Afs: *Available-for-Sale Financial Assets;*
LaR: *Loans and Receivables;*
AmC: *Amortised Cost;*
HfT: *Held for Trading;*
AtFVtPL: *At Fair Value through Profit or Loss;* ***n/a:*** *not applicable.*

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
Derivatives	Level 2	Interest rate curves, credit spreads, indices
Quoted convertible bonds	Level 1	Quoted bid prices on active markets
Quoted corporate bonds	Level 1	Quoted bid prices on active markets

According to IFRS 7.29, it is assumed that all current financial instruments' carrying amounts correspond to their fair value.

The Group's financial risk in the reporting quarter has not changed materially compared to December 31, 2015.

3. Risk report

With regard to the risk to future business development, we refer to the information provided in the risk report within the consolidated financial statements as of December 31, 2015. The Group's risk structure did not change materially during the first half of 2016.

4. Other disclosures

There were no purchase obligations of June 30, 2016.

5. Governing bodies and employees

In accordance with the Articles of Association, the Executive Board is responsible for managing business activities.

The Executive Board consisted of the following members:

- Herr Hon.-Prof. Andreas Steyer, CEO,
- Herr Markus Drews, COO,
- Herr Frank Schaich, CFO (since February 1, 2016).

Executive Board compensation for the first half of 2016:

NAME EURk	Fixed remuneration	Variable remuneration	Share-based payments	Total
Hon.-Prof. Andreas Steyer	134	60	124	**318**
Markus Drews	130	60	124	**314**
Frank Schaich	80	50	0	**130**
Total	**344**	**170**	**248**	**762**

Executive Board compensation for the first half of 2015:

NAME EURk	Fixed remuneration	Variable remuneration	Share-based payments	Total
Hon.-Prof. Andreas Steyer	121	33	62	**216**
Markus Drews	103	50	62	**215**
Frank Schaich	0	0	0	**0**
Total	**224**	**83**	**124**	**431**

Mr. Frank Schaich has been a member of the DEMIRE AG Executive Board since February 1, 2016. He has received his contractually agreed remuneration from DEMIRE AG since March 2016 following the termination of his service contract with Fair Value REIT-AG effective as of the end of February 2016. Because Mr. Schaich has remained an Executive Board member of Fair Value REIT-AG, 70 % of his short-term remuneration and related costs have been passed on to Fair Value REIT-AG by DEMIRE AG since March 2016 according to the allocation agreement. The salary for the months of January and February 2016 was still paid directly by Fair Value REIT-AG. For further details regarding remuneration under the terminated contract with Fair Value REIT-AG and the termination's conditions, we refer to the section "Subsequent events" in Fair Value REIT-AG's 2015 annual report.

Payments related to employment termination or post-employment benefits for active and former Executive Board members solely concern Mr. Frank Schaich and were recognised by Fair Value REIT-AG. A related obligation of EURk 163 as of June 30, 2016 was recognised in previous periods.

The members of the Executive Board were not granted any loans or advances and no contingencies were assumed for their benefit.

In the constituent Supervisory Board meeting following the Annual General Meeting of June 30, 2016, Prof. Dr. Hermann Anton Wagner and Dr. Peter Maser were re-elected as chairman and deputy chairman of the Supervisory Board.

In addition to the three Executive Board members, the number of employees as of the reporting date was as follows:

	30/06/2016	30/06/2015
Permanent employees	71	34
	71	**34**

The average number of employees in the first half of 2016 was 64 (previous year's period: 22).

Review by the auditor

This interim report was neither subject to an audit under Section 317 HGB nor a review by the auditor and, therefore, does not include an audit opinion.

Statement with regard to the German Corporate Governance Code

The current statements of the Executive Board and Supervisory Board of DEMIRE AG under Section 161 AktG with regard to the German Corporate Governance have been made permanently available to shareholders on DEMIRE's website.

6. Subsequent events

As of July 15, 2016, the shares of DEMIRE Deutsche Mittelstand Real Estate AG have been trading in the Prime Standard segment, which is the segment of the regulated market of the Deutsche Börse in Frankfurt with the strictest transparency requirements. As a result, the Company now meets even a higher degree of the transparency demanded by international investors and also fulfils a key prerequisite for acceptance into the DAX family of selection indices.

In early July 2016, Fair Value REIT-AG took out a mortgage loan from Volksbank Mittweida eG of EUR 4.0 million with a ten-year fixed interest rate until August 1, 2026. The property in Neubrandenburg serves as collateral. The initial redemption rate was set at 5.63 % p.a. of the principal and the interest rate was fixed at 2.25 % plus interest saved. The processing costs, including the costs for calculating the mortgage lending value of the property, totalled 1.0 % of the principal.

According to the resolution of the Executive Board and the Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG of August 11, 2016, the Company's share capital was increased by up to EUR 4,930,722.00 by issuing up to 4,930,722 new no-par value ordinary bearer shares (no-par value shares) with a notional interest in the share capital of EUR 1.00 per no-par value share at an issuance price of EUR 3.45 per new share through the partial use of the available authorised capital (Authorised Capital I/2016) against contribution in cash. Shareholder subscription rights were excluded. The new shares are entitled to dividends as of January 1, 2016 and were offered to selected institutional investors by way of a private placement. DEMIRE will use the proceeds generated from the cash capital increase to repay high interest financial liabilities in order to achieve its target to reduce its interest expenses in 2016 and finance property acquisitions as well as strengthen its financial position.

In the third quarter of 2016, prior to the publication of the half-year financial statements, a total of 4,500 convertible bonds was converted into no-par value shares of DEMIRE Deutsche Mittelstand Real Estate AG. As of August 31, 2016, this represented a notional interest in the share capital consisting of 54,242,444 no-par value shares of roughly 0.01 %.

Frankfurt am Main, September 6, 2016

DEMIRE Deutsche Mittelstand Real Estate AG

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

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

Frank Schaich
Member of the Executive Board (CFO)

Review

This report was not subject to an audit pursuant to Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] or a review by the auditor and therefore does not contain an audit opinion.

Statement on Corporate Governance

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

Balance Sheet Oath

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

Frankfurt am Main, September 6, 2016

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

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

Frank Schaich
Member of the Executive
Board (CFO)

Disclaimer

This half-year financial report contains forward-looking statements and information. Such forward-looking statements are based on our current expectations and 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, success, 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 not intend to update these forward-looking statements or to correct them in the event of developments other than those expected.

Imprint & Contact

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CONCEPT AND LAYOUT

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