



DEMIRE Deutsche Mittelstand Real Estate AG

HALF-YEAR REPORT 2017

June 30, 2017

Foreword of the Executive Board



Dear Shareholders,

DEMIRE got off to a successful start to the first half of 2017. At our Annual General Meeting at the end of June, we received strong approval for all of our agenda items. After the launch of the strategic review in the second quarter of 2017, we published our targets and action plan for the Company's future growth and improved profitability under the name DEMIRE 2.0, as well as our forecast for the 2017 financial year.

In July, we already successfully implemented the first important milestone of our DEMIRE 2.0 agenda. With the placement of rated, unsecured senior note with institutional investors in the amount of EUR 270 million and yielding an attractive 2.875 %, we will redeem older, higher-interest liabilities. The rating agencies Standard & Poor's and Moody's awarded the corporate bond a BB+ and Ba2 rating, respectively. These ratings are just one level below investment grade. In the context of this transaction, DEMIRE was awarded an initial corporate rating of BB and Ba, respectively, each with a stable outlook. The successful bond transaction and upcoming measures under DEMIRE 2.0 will sustainably strengthen the Company's funds from operations (FFO I after taxes, before minorities) and cash flows starting in 2018.

At the end of the first half of 2017, DEMIRE's key financial ratios showed continued positive performance:

- Funds from operations (FFO I, after taxes, before minorities) reached EUR 4.9 million in the first half-year
- A drop in the EPRA vacancy rate to 10.2 %, including properties already sold
- A reduction in the loan-to-value ratio of a further 30 basis points to 62.5 %
- A decline in the average interest rate on financial debt to 4.1 % and a pro forma 3.2 % p.a. when taking into account the recent bond issue

Based on the successful development in the first half-year and the targeted continued implementation of the measures planned, we are optimistic about the Company's outlook in the second half of 2017 and beyond. We therefore confirm our 2017 forecast and expect to generate funds from operations (FFO I after taxes, before minorities) in the range of range of EUR 8 – 10 million and rental income in the range of EUR 72 – 73 million by the end of the 2017 financial year.

Dipl.-Kfm. (FH) Markus Drews
Speaker of the Executive Board (CEO)

Dipl.-Betriebsw. (FH) Ralf Kind
Member of the Executive Board (CFO)

DEMIRE at a glance

GROUP KEY FIGURES

EURK

KEY EARNINGS FIGURES	01/01/2017– 30/06/2017	01/01/2016– 30/06/2016
Rental income	37,231	37,529
Profit/loss from the rental of real estate	27,335	29,800
EBIT	24,135	32,849
Financial result	-13,311	-22,849
EBT	10,824	10,000
Net profit/loss for the period	5,614	5,613
Net profit/loss for the period attributable to parent company shareholders	3,779	3,869
Net profit/loss for the period per share (basic / diluted) in EUR	0.07 / 0.07	0.08 / 0.07
FFO I (before minorities, after taxes)	4,905	5,477
FFO per share	0.09	0.11

BALANCE SHEET KEY FIGURES	30/06/2017	31/12/2016
Total assets	1,103,131	1,094,006
Investment properties	990,113	981,274
Non-current assets held for sale	9,380	24,291
Total real estate portfolio	999,493	1,005,565
Financial liabilities	661,885	662,643
Cash and cash equivalents	37,562	31,289
Net financial debt	624,323	631,354
in % of real estate portfolio (net LTV)	62.5	62.8
Equity according to Group balance sheet	313,541	308,637
Equity ratio in %	28.4	28.2
Net asset value (NAV) for the reporting period	275,256	271,945
Deferred taxes	38,547	35,030
Basic / diluted EPRA NAV	301,324 / 312,952	300,459 / 312,506
Number of shares in millions (basic/diluted)	54.26 / 67.89	54.25 / 67.89
Basic / diluted EPRA NAV per share in EUR	5.55 / 4.61	5.54 / 4.60

PORTFOLIO KEY FIGURES	30/06/2017	31/12/2016
Properties (number of)	91	174
Gross asset value (GAV) (in EUR million)	999.5	1,005.6
Gross rental income (GRI) in (EUR million)	72.0	74.1
GRI yield (in %)	7.2	7.4
EPRA vacancy rate (in %) *	10.2	11.6
WALT (in years)	4.9	5.3

* excluding properties held for sale

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Disclaimer:

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FIRST IN SECONDARY LOCATIONS

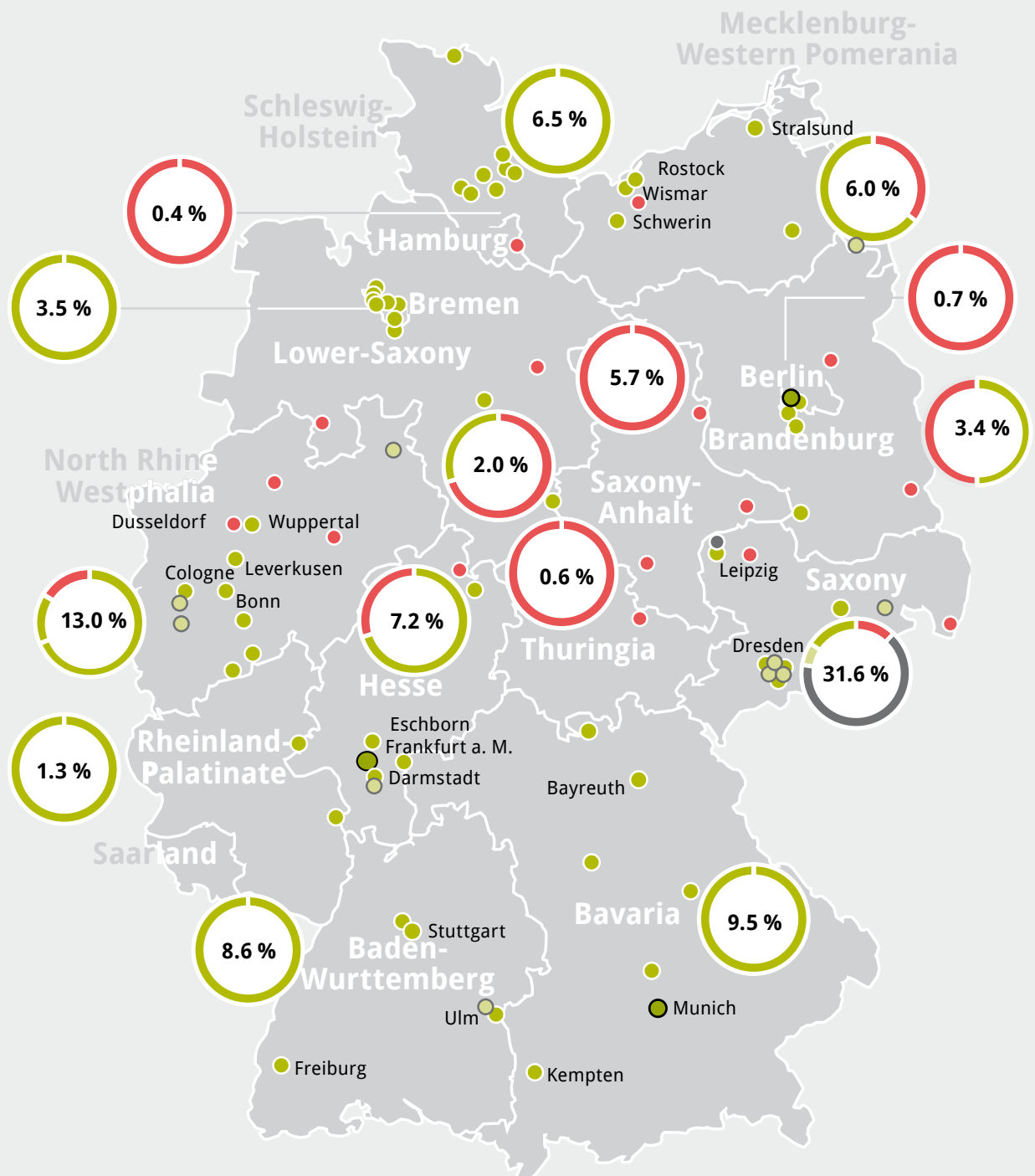
DEMIRE Deutsche Mittelstand Real Estate AG has commercial real estate holdings in mid-sized cities and upcoming areas bordering metropolitan areas across Germany. The Company has its special strength in these secondary locations – first in secondary locations – and focuses on properties which that are particularly attractive for medium-sized companies. DEMIRE has grown rapidly in recent years as a result of acquisitions of individual properties and company shares alike. Currently, DEMIRE's portfolio contains rental space of 1 million sqm with a market value of about EUR 1 billion.

The portfolio's focus on office, retail and logistic properties results in a risk structure that DEMIRE believes is reasonable for the commercial real estate segment. The Company places importance on long-term contracts with solvent tenants and, therefore, anticipates stable and sustainable rental income.

DEMIRE intends to maintain its corporate organisation as lean as possible, although it believes that economies of scale and portfolio optimisation are best achieved by having its own in-house asset, property and facility management.

Nationwide diversified real estate portfolio

REAL ESTATE HOLDINGS AND COMPANY LOCATIONS



As of 30/06/2017

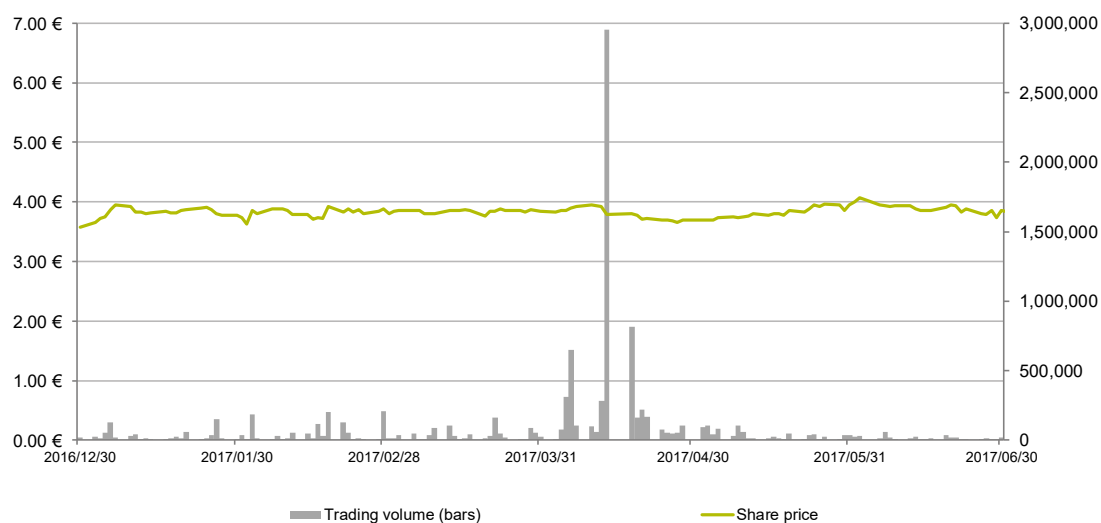
DEMIRE in the capital markets

The first half of 2017 on the international stock markets was shaped to a large extent by political developments. Starting with the inauguration of Donald Trump on 20 January 2017, a new era began in the United States. In mid-March 2017, the European financial markets were able to take a short sigh of relief as the decline in the euro and the negative political sentiment in the European Union faded. With the French elections and the surprisingly clear victory of Emmanuel Macron in the first round of elections at the end of April, there was finally some relief felt on the stock markets. On the back of this news, Germany's leading stock index (DAX) rallied and set a new record at a high of 12,428 points on 25 April 2017. Other European markets experienced similar performance. The „Macron-Rally“ lasted several days. With Macron's victory in the final round of elections on 7 May 2017 against populist Marine Le Pen, the DAX climbed further reaching 12,762 points. Stock markets also reacted calmly to the continuing monetary policy tightening in the United States. The U.S. central bank, the Federal Reserve (Fed), raised the benchmark interest rate twice in the first half of 2017 from a range of 0.5 – 0.75 % to a range of 1.0 – 1.25 %. The first interest rate hike was implemented in mid-March, the second followed in mid-June. On 20 June 2017, investors pushed the DAX briefly to a new all-time high of 12.951 points.

SHARES	30/06/2017
ISIN	DE000A0XFSF0
Symbol / ticker	DMRE
Stock exchange	Frankfurter Wertpapierbörse (FWB); XETRA
Market segment	Prime Standard
Share capital	EUR 54,257,744.00
Ø no. of shares	54,257,744
Market capitalisation	EUR 208.9 million
Free float*	51.02 %

*as of August 2017

DEMIRE'S SHARE PRICE AND TRADING VOLUME SINCE END OF 2016



Source: Deutsche Börse AG

However, fears of a tighter ECB monetary policy and increasing profit-taking by investors caused the DAX to close the first half of 2017 at just 12,325 points, or roughly 7.3 % above its 2016 closing price.

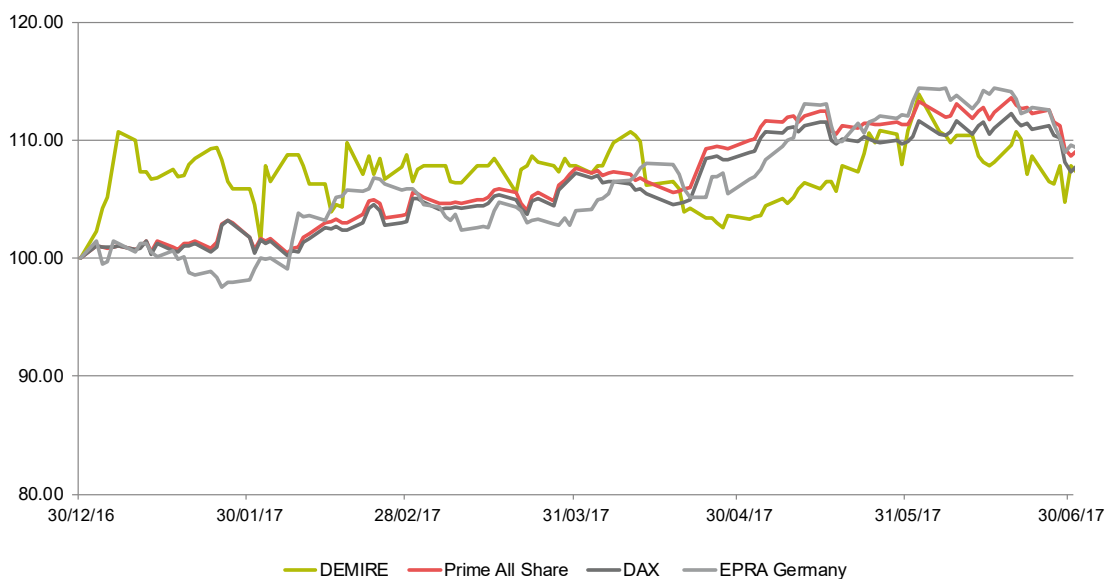
DEMIRE shares

While DEMIRE shares outperformed both the DAX and the Prime All Share Index in the first quarter of 2017, the shares were unable to maintain their performance in the second quarter of 2017 and, consequently, declined in the second quarter to low of EUR 3.66 on 27 April 2017. From then on, the share price climbed steadily higher and marked a new high of EUR 4.06 on 2 June 2017. As at the 30 June 2017 reporting date, DEMIRE shares had reached a level of EUR 3.85, or 4.8 % above their 2016 year-end closing price, and outperformed the EPRA Germany Index (+2.4 %), which includes the largest real estate companies in Germany. DEMIRE's market capitalisation as at 30 June 2017 was around EUR 208 million.

DEMIRE 2.0 and successful bond placement with a volume of EUR 270 million

At the Annual General Meeting at the end of June 2017 under the name DEMIRE 2.0, DEMIRE defined concrete mid-term growth targets as part of a holistic action plan that includes optimising costs, streamlining the Group's structure and reducing financing costs. A key element of the plan is the intention to double the current portfolio from currently around EUR 1 billion to EUR 2 billion. In addition, the cost base is expected to be further optimised via a permanent increase in efficiency as well as economies of scale in real estate management as the Company pursues its plans for future growth. Through further optimisation of the financing mix, and in particular through a concrete review of financing options, average interest expenses should be reduced and, in the medium term, a net loan-to-value ratio of approximately 50 % should be achieved.

PERFORMANCE OF DEMIRE SHARE VS. INDICES



Source: Deutsche Börse AG; own analysis

To ensure this, DEMIRE is increasing its proactive and transparent dialogue with existing and new investors to facilitate its communication and access to the capital markets. In doing so, DEMIRE is setting out not only to increase its market capitalisation but also to position its risk profile to attain an „investment grade“ rating in order to sustainably secure the financing for its future growth at favourable terms and on a long-term basis.

Already in July 2017, DEMIRE took the first step in implementing its DEMIRE 2.0 programme. With the successful placement of a BB+/Ba2 rated, unsecured corporate bond of EUR 270 million with institutional investors and asset managers on the international capital markets, DEMIRE has achieved a significant improvement in its annual financing costs and a further diversification of its financing sources. The bond has a maturity of 5 years (until 2022), a non-call period of two years and an interest rate of 2.875 % p.a.

The net proceeds from the corporate bond issued will be used to prematurely refinance all major liabilities due until 2019. The liabilities to be repaid carry an average interest rate of 5.2 % and are subject to an annual repayment rate of approximately 1.3 %. In addition, with the repayment of liabilities secured by land charges, approximately EUR 216 million in real estate will again become unencumbered, which represents approximately 22 % of the total real estate assets of the DEMIRE Group. DEMIRE plans to gradually increase the share of unsecured real estate assets. By means of this refinancing, DEMIRE will increase its annual cash flow by approximately EUR 9.0 million due to reduced interest expenses and lower repayments. The average financing costs will drop from 4.1 % to 3.2 % p.a. on a pro forma basis. The interest expenses saved will lead to a significant increase in funds from operations of approximately EUR 5.6 million p.a. before taxes and minorities starting in 2018.

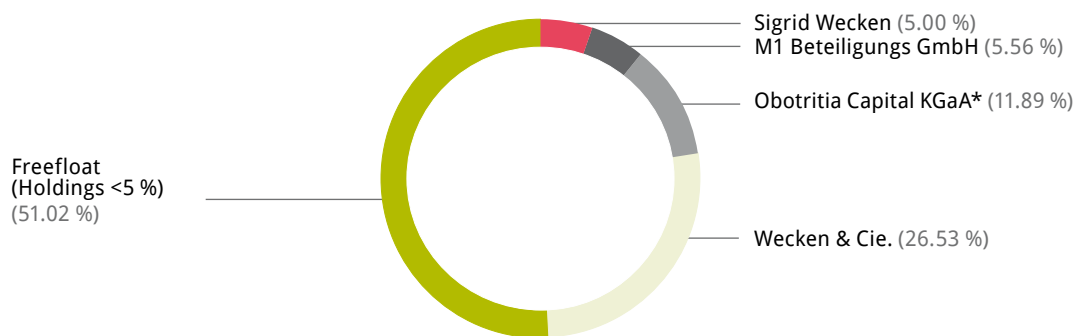
Initial ratings from S&P and Moody's

In the context of the bond issue, the internationally renowned rating agencies Standard & Poor's and Moody's awarded initial ratings to the corporate bond of BB + and Ba2, respectively. Standard & Poor's bond rating is thereby one notch below investment grade. The simultaneous corporate ratings for DEMIRE from the two rating agencies are BB and Ba2, respectively, each with a stable outlook.

Through these rating assessments, DEMIRE has also strengthened the transparency and independent assessment of its business activities. DEMIRE is striving over the medium-term to position its risk profile for an investment grade rating, allowing it to finance its planned growth at even more favourable conditions.

Annual General Meeting

On 29 June 2017, the Annual General Meeting of DEMIRE Deutsche Mittelstand Real Estate AG approved the management's resolution proposals with a clear majority. In view of the increase in share capital from the cash capital increase in August 2016, the authorised and conditional capital were newly resolved at an adjusted level. In the Supervisory Board elections, Frank Hölzle and Dr Thomas Wetzel, who were already judicially appointed to the Supervisory Board in February 2017, were confirmed as members of the Supervisory Board.

DEMIRE SHARHOLDER STRUCTURE

Source: German Securities Trading
 Act messages, own analysis
 *inkl. subsidiaries
 As of August 2017

Bonds

Following the issue of subscription shares through the exercise of conversion rights in the first half of 2017, DEMIRE's share capital increased by a total of 10,800 shares to a new level of share capital by the 30 June 2017 reporting date of EUR 54,257,744 .

2017/2022 CORPORATE BOND

Name	DEMIRE 2017/2022 bond
Issuer	DEMIRE Deutsche Mittelstand Real Estate AG
Rating	Ba2 (Moody's), BB+ (S&P)
Stock exchange listing / trading	Unregulated market of the Luxembourg Stock Exchange, Euro MTF
Applicable law	New York Law
ISIN Code	Sales under Regulation S: XS1647824173; Sales under Rule 144A: XS1647824686
Securities Code Number (WKN)	Sales under Regulation S: A2GSC5; Sales under Rule 144A: A2GSC6
Nominal amount	EUR 270,000,000
Issue price	100 %
Denomination	EUR 100,000
Coupon	2.875 %
Interest payments	on 15 January and 15 July; first payment on 15 January 2018
Maturity date	15 July 2022
Early redemption	NC2, for the first time on 15 July 2019 at 101.438 %; on 15 July 2020 at 100.719 %; on 15 July 2021 and thereafter at 100 %

CORPORATE BOND 2014/2019

Name	DEMIRE BOND 2014/2019
Issuer	DEMIRE Deutsche Mittelstand Real Estate AG
Type of security	Bearer bond
Volume	EUR 100,000,000
Interest rate (coupon)	7.5 %
Interest payments	half-yearly 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

MANDATORY CONVERTIBLE BOND 2015/2018

Name	DEMIRE Pflicht-Wandelanleihe 2015/2018
Issuer	DEMIRE Deutsche Mittelstand Real Estate AG
Type of security	Convertible bond
Volume	EUR 15,000,000
Interest rate (coupon)	2.75 %
Interest payments	quarterly on March 22, June 22, September 22, December 22
Repayment	May 22, 2018
Redemption rate	100 %
Denomination	EUR 100,000
Conversion rate	EUR 5
Paying Agent	Bankhaus Gebr. Martin Aktiengesellschaft, Göppingen
ISIN	DE000A13R863
Market segment	Frankfurt Stock Exchange

CONVERTIBLE BOND 2013/2018

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

Group management report for the first half of 2017 January 1 to June 30, 2017

ECONOMIC REPORT

Macroeconomic environment

The German economy continues its growth trend unabated. According to Germany's Federal Statistics Office, gross domestic product (GDP) in the second quarter rose by 0.6 %. At the beginning of the year, the latest calculations showed the economy growing by 0.7 %. The main drivers of this positive trend continue to be low unemployment, low interest rates on savings deposits and renewed strength in private consumption. The number of unemployed increased slightly in July due to seasonality and the summer holidays. According to the German Federal Labour Office, 2.518 million people registered as unemployed in July, which is 45,000 more than in June. The unemployment rate rose by 0.1 percentage points to 5.6 % versus the previous month. The Kiel Institute for the World Economy (IfW) expects GDP growth of 1.7 % for the current year accompanied by overall stronger production growth. At the same time, the IfW projects an increasing shortage of capacity in the German economy, whose expansion is reflected in expanding exports, an increase in the willingness of German companies to invest and sharply rising construction activity spurred by the low interest rate environment. German companies, which at times were uneasy due to Brexit and the related uncertainty about Europe's future, have never felt as positive as they do now about their current business situation and their outlook for the future. According to the latest ifo business climate index survey in July conducted by Munich's ifo Institute, the index climbed to 116.0 points after reaching 115.2 points in June.

Development of the commercial real estate markets

The good start in the year 2017 continued uninterrupted in the second quarter. According to JLL, at EUR 25.8 billion, transaction volume in real estate rose by 47 % year-on-year in the first half of 2017, reaching its highest level since 2007. The level would have been even higher but was limited by the continued lack of supply of relevant products. Among others, the strong growth momentum allowed for an even stronger increase in transactions in markets outside of the top seven locations. In the first half of 2017, approximately EUR 12.4 billion was invested in the top seven locations and around EUR 13.4 billion outside of the top seven in secondary locations, where DEMIRE places its investment focus. Secondary locations recorded a year-on-year increase of 66 %. In the distribution of transaction volume by asset class, at roughly 40 %, office property dominated the market in the first half of 2017, amounting to around EUR 10.2 billion. This was followed for the first time by logistics property with a share of 22 % and a transaction volume of around EUR 5.5 billion. The higher share was particularly due to several portfolio transactions with logistics properties. Retail property, therefore, accounted for only 19 %. The stronger focus on logistics property was mainly the result of increased expectations for higher returns for the logistics asset class and, according to JLL, this asset class offers a more attractive return profile compared to retail property.

In the **office property market**, all signs point to an expansion combined with a demand for better office standards. To this end, new workplace concepts offering a high degree of flexibility for companies and employees are increasingly being introduced into the rental market. The currently favourable economic situation has had a positive impact on companies' decisions to relocate; however, this is occurring amid an increasingly scarcer supply of space. Sales in the top seven locations in the first half-year amounted to 1.84 million m², which was similar to the high level in the prior year.

The growth of the German economy in the first half of 2017 has also had a positive effect on retail sales. According to JLL, the **German retail sector** achieved a letting result of 246,900 m² based on 533 individual transactions in the first half of 2017, which was only about 3 % less than the average of the half-year results from the past five years. The share of the total space let in Germany's ten most important retail metropolises (Berlin, Hamburg, Leipzig, Hanover, Düsseldorf, Cologne, Frankfurt, Stuttgart, Nuremberg and Munich) saw a significant year-on-year decline from 35 % to approximately 23 %, which marked the lowest level for the past five years. JLL sees the trend of a growing focus on attractive mid-sized cities among the expansion leaders. The average of all 185 retail markets surveyed by JLL saw a year-on-year decline in top rents of 1.8 %, which was twice as high as the decline experienced by the top ten. Looking at the development in rental prices, it is clear that the spread between the German retail markets continues to grow. Cities outside of the top ten offer the potential for further increases in rents. The persistently high demand for retail properties leads to a further decline in initial net returns. In the top ten, for example, prime values have fallen by an average of four basis points in the last six months. At 3.25 %, Munich still has the lowest prime yields.

Looking at space turnover, the estate agent CBRE has registered a turnover of 2.8 million m² in **logistics properties** in the first half of 2017, which is around 3 % above the five-year average. For full-year 2017, CBRE is forecasting space turnover of around 6 million m².

Secondary locations – higher returns with lower risk than in A-Cities

DEMIRE is represented with real estate investments in 15 of the 16 federal states and focuses its investments on so-called „secondary locations“. DEMIRE is convinced that secondary locations in Germany – a segment where the Company possesses comprehensive local real estate expertise and a solid network – offer attractive, stronger and more stable conditions compared to the real estate markets in the top seven locations. To confirm this market development, in June, DEMIRE published a market study together with bulwiengesa, one of the largest independent analysis companies in the German real estate sector entitled „Investment Opportunities in German Office Properties in Secondary Locations“. The study shows that the initial net returns for secondary locations are between 1.0 and 2.5 percentage points higher than in A-cities, and the volatility of rents and vacancy rates compared to A-locations is significantly lower. This means that in comparison to the 10-year German government bond, secondary locations offer around a 7 % higher return. The complete study carried out by DEMIRE and bulwiengesa is available on the Company's website at www.demire.ag/en/property.

BUSINESS DEVELOPMENT

DEMIRE got off to a successful start in the first half of 2017 achieving a significant improvement in its operating performance and key financial figures. With the placement of the corporate bond in July 2017 and the related refinancing of liabilities at more favourable conditions, the first milestone in the implementation of DEMIRE 2.0 has been achieved. The refinancing transaction will bring about a significant reduction in interest expenses starting in 2018 resulting in a sustainable increase in the funds from operations (FFO). The following are the highlights from the first half of 2017:

- Funds from operations (FFO I, after taxes, before minorities) reached EUR 4.9 million in the first half-year
- A drop in the EPRA vacancy rate to 10.2 %, including properties already sold
- A reduction in the loan-to-value of a further 30 basis points to 62.5 %
- A decline in the average interest rate on financial debt to 4.1 % and a pro forma 3.2 % p.a. when taking into account the recent bond issue

REAL ESTATE PORTFOLIO

As at 30 June 2017, the real estate portfolio comprised 91 commercial properties with total lettable floor space of around 1 million m² and a total gross asset value of roughly EUR 1 billion. At the end of the first half of 2017, DEMIRE decided to focus on only one appraiser to conduct an independent appraisal of the entire real estate portfolio. As of the 30 June 2017 reporting date, the real estate appraiser CBRE carried out a comprehensive valuation of the property portfolio.

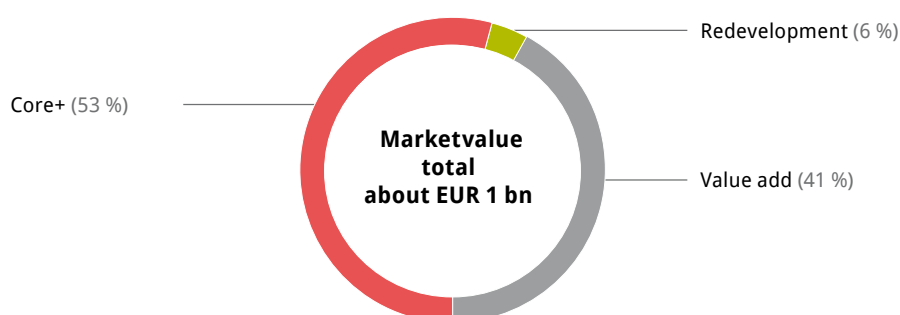
The EPRA vacancy rate of the portfolio taking into account properties already sold reached a ratio of 10.2 % as of the 30 June 2017 reporting date, which was around 1.4 percentage points below the level as at 31 December 2016. In the first half-year, DEMIRE's internal real estate management platform achieved a letting volume of about 30,0

00 m², of which around 80 % was for new leases and around 20 % for follow-on leases. The portfolio's weighted average lease term (WALT) as at the 30 June 2017 reporting date was 4.9 years, for a decline of 0.4 years as planned versus the previous quarter, as a result of the sale of a property and the related early cancellation of a rental agreement in the second quarter. The rental income of the total portfolio has grown by roughly 2.1 % on a like-for-like basis in the first half of the year.

DEMIRE now divides its portfolio into three categories:

- The **Core plus portfolio** contains properties whose risk/return profile is currently characterised by a low vacancy rate of 5 % or less and an average residual lease term of at least five years. These properties provide secure and sustainable cash flows from long-term rental income with high tenant creditworthiness.
- The **Value add portfolio** includes properties with a vacancy rate of more than 5 % and an average residual lease term of less than five years. These properties already generate attractive cash flows from rental income, but they also have the potential to increase their value through an active „manage-to-core“ approach using the Company's proprietary real estate management platform.

- The **Redevelopment** category comprises a 5 % to maximum 10 % share of the real estate held in DEMIRE's portfolio. The Company is currently planning to extensively modernise and enhance these properties before repositioning them on the market. Although these properties already yield attractive returns, these returns should be increased or secured over the long term through these measures. The widespread pre-letting of rented space and the timely assurance of building permits significantly reduces the marketing risk.



PORTFOLIO CLUSTER							
	Number of properties	GAV in EUR million	GRI in EUR million	GRI per m ²	GRI yield in %	EPRA vacancy rate in % *	WALT in years
Core+		532	37.7	9.0	7.1	3.8	6.1
Value add	42	406	30.2	5.5	7.4	17.9	3.7
Redevelopment	11	61	4.1	9.1	6.7	0.5	2.9
Total as at 30 June 2017	91	999	72.0	6.1	7.2	10.2	4.9
Total as at 31 December 2016	174	1,006	74.1	5.8	7.4	11.6	5.3
Change (in % / ppts)		-0.7 %	-2.8 %	22.4 %	-0.2 ppts	-1.4 ppts	-0.4 years

REAL ESTATE PORTFOLIO BY ASSET CLASS IN EUR MILLIONS							
	Number of properties	GAV in EUR million	GRI in EUR million	GRI per m ²	GRI yield in %	EPRA vacancy rate in % *	WALT in years
Office	62	671	48.5	7.9	7.2	8.0	4.6
Retail	16	241	17.5	10.4	7.3	11.2	6.4
Logistics	1	54	3.8	2.0	7.0	29.5	1.4
Others	12	33	2.2	4.7	6.7	4.3	6.7
Total as at 30 June 2017	91	999	72.0	6.1	7.2	10.2	4.9
Total as at 31 December 2016	174	1,006	74.1	5.8	7.4	11.6	5.3
Change (in % / ppts)		-0.7 %	-2.8 %	22.4 %	-0.2 ppts	-1.4 ppts	-0.4 years

* excluding properties held for sale

TOP 10 TENANTS (AS OF 30 JUNE 2017)				
No.	Tenant	Asset class	GRI p.a. (EUR million) ⁽²⁾	in % ⁽¹⁾
1	GMG (Telekom)	Office	22.1	30.6
2	Bima Bundesanstalt für	Office	1.9	2.7
3	Sparkasse Südhölslein AöR	Office	1.8	2.5
4	RIMC	Office	1.5	2.1
5	HPI Germany Hotelbesitz GmbH	Office	1.4	1.9
6	Barmer GEK	Office	1.3	1.9
7	comdirect bank AG	Office	1.2	1.7
8	BfA Schwerin	Office	1.2	1.7
9	Momox GmbH	Logistics	1.2	1.6
10	ZAPF GmbH	Office	1.1	1.5
Subtotal Top 10			34.7	48.1
Others			37.3	51.9
Total			72.0	100.0

⁽¹⁾ Differences due to rounding ⁽²⁾ Annualized contractual rent excl. service charges

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

Results of operations

In the first half of 2017, the DEMIRE Group generated rental income totalling EUR 37.2 million (1H 2016: EUR 37.5 million), which due to the sale of non-strategic real estate in the last 12 months was just 0.8 % lower compared to the prior year. This decline was largely offset by a successful reduction in vacant space.

The profit/loss from the rental of real estate amounted to EUR 27.3 million in the first half-year (first half year 2016: EUR 29.8 million), declining by 8.1 % compared to the previous year. As planned, this was attributable to higher operating expenses incurred to generate rental income in the current financial year. The higher operating expenses resulted mainly from maintenance activities carried out at the Hanse-Center Objektgesellschaft in the first half of 2017, which should lead to a future improvement in the vacancy rate as well as in rental income.

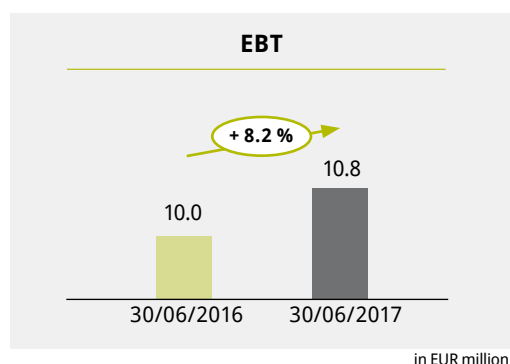
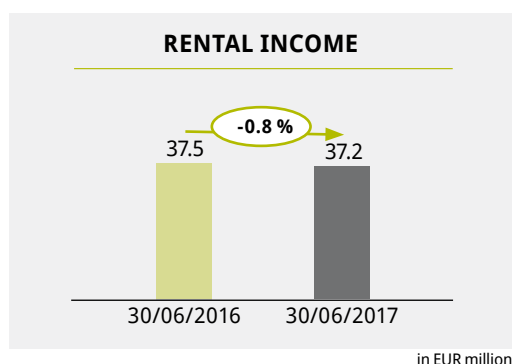
Other operating income and other effects amounted to EUR 9.1 million (first half year 2016: EUR 15.1 million) and included primarily fair value adjustments of EUR 6.8 million. The decline in other operating income and other effects was largely attributable to the higher valuation gains of EUR 14.3 million in the prior-year period, which mainly stemmed from fair value adjustments in the prior year amounting to EUR 7.7 million for the Kurfürstengalerie in Kassel and EUR 4.2 million for Logistikpark Leipzig.

General and administrative expenses fell 6.7 % to EUR 7.0 million by the end of the first half of 2017 (first half year 2016: EUR 7.5 million). As a result, earnings before interest and taxes (EBIT) amounted to EUR 24.1 million (first half year 2016: EUR 32.8 million) particularly due to slightly lower rental income and lower fair value adjustments.

The financial result for the first half of 2017 amounted to EUR -13.3 million (30 June 2016: EUR -22.8 million), which represents an improvement of 42 % as a result of significantly lower interest expenses due to extraordinary redemption payments of the HFS loan and successful refinancings.

The financial result also contains a financial gain of EUR 5.7 million from the appreciation of the call option on the 2014/2019 corporate bond as well as interests of minority shareholders in the subsidiaries of Fair Value REIT AG amounting to EUR 3.6 million (first half year 2016: EUR 1.8 million).

Due to the sharp decline in the financial result, earnings before interest and taxes (EBIT) increased by 8 % to EUR 10.8 million (30 June 2016: EUR 10.0 million). The net profit/loss for the period in the first half of 2017 was EUR 5.6 million compared to EUR 5.6 million in the prior-year period and includes higher tax expenses compared to the prior-year period, which were primarily the result of higher deferred taxes due to positive effects from the fair value measurement of the call option of the 2014/2019 corporate bond.



CONSOLIDATED STATEMENT OF INCOME (SELECTED INFORMATION IN EURK)	01/01/2017 – 30/06/2017	01/01/2016 – 30/06/2016	Change	in %
Rental income	37,231	37,529	-298	-0.8
Income from utility and service charges	9,651	8,704	947	10.9
Operating expenses to generate rental income	-19,547	-16,433	-3,114	18.9
Profit/loss from the rental of real estate	27,335	29,800	-2,465	-8.3
Profit/loss from the sale of real estate companies	0	3	-3	-100.0
Profit/loss from the sale of real estate	-517	110	-627	n.a.
Profit/loss from investments accounted for using the equity method	65	0	65	n.a.
Other operating income and other effects*	9,122	15,084	-5,962	-39.5
General and administrative expenses	-7,038	-7,484	446	-6.0
Other operating expenses *	-4,832	-4,664	-168	3.6
Earnings before interest and taxes	24,135	32,849	-8,714	-26.5
Financial result	-13,311	-22,849	9,538	-41.7
Profit/loss before taxes	10,824	10,000	824	8.2
Income taxes	-5,210	-4,387	-823	18.8
Net profit/loss for the period	5,614	5,613	1	0.02
of which, attributable to parent company shareholders	3,779	3,869	-90	-2.33
Basic earnings per share (EUR)	0.07	0.08	-0.01	-12.5
Weighted average number of shares outstanding (in thousands)	54,258	49,306	-	
Diluted earnings per share (EUR)	0.07	0.07	0.00	0.0
Weighted average number of shares outstanding, diluted (in thousands)	67,885	62,952		

*Previous year figures have been adjusted, see Note A.

FFO development

The operating result of the DEMIRE Group is measured by funds from operations (FFO), which is adjusted for measurement effects, other effects from disposals and one-time effects as well as non-periodic income and expenses. FFO I (after taxes and before minorities) amounted to EUR 4.9 million (first half year 2016: EUR 5.5 million) as at the 30 June 2017 reporting date. After minorities and taxes, FFO I amounted to EUR 0.9 million (first half year 2016: EUR 2.6 million). Taking into account the profit/loss from the sale of real estate, funds from operations (FFO II) after taxes and before minorities was EUR 4.5 million (first half year 2016: EUR 5.6 million), and EUR 0.5 million (first half year 2016: EUR 3.5 million) after taxes and after minorities.

FFO CALCULATION (SELECTED INFORMATION IN EURK)	01/01/2017 – 30/06/2017	01/01/2016 – 30/06/2016*	Change	in %
Profit/loss before taxes	10,824	10,000	824	8.2
Minority interests	3,635	1,816	1,819	>100
Earnings before taxes (EBT)	14,459	11,816	2,643	22.4
+/- Profit/loss from the sale of real estate companies	0	-3	3	>-100
+/- Profit/loss from the sale of real estate	517	-110	627	n.a.
+/- Profit/loss from investments accounted for using the equity method	-65	0	-65	n.a.
+/- Profit/loss from fair value adjustments in investment properties	-6,836	-14,263	7,427	-52.1
+/- Profit/loss from valuation of derivative financial instruments	-5,468	2,109	-7,577	>-100
+/- Other adjustments **	3,940	6,790	-2,850	-42.0
FFO I before taxes	6,547	6,340	207	3.3
+/- (current) income taxes	-1,642	-863	-779	90.3
FFO I after taxes	4,905	5,477	-572	-10.4
of which, attributable to parent company shareholders	874	2,562	-1,688	-65.9
of which, attributable to non-controlling interests	4,031	2,915	1,116	38.3
+/- Profit/loss from the sale of real estate / real estate companies (after taxes)	-438	84	-552	>-100
FFO II after taxes	4,467	5,561	-1,094	-19.7
of which, attributable to parent company shareholders	466	3,549	-3,083	-86.9
of which, attributable to non-controlling interests	4,001	2,988	1,013	33.9

FFO CALCULATION (SELECTED INFORMATION IN EURK)	01/01/2017 – 30/06/2017	01/01/2016 – 30/06/2016*	Change	in %
FFO I after taxes per share				
Basic FFO I per share (EUR)	0.09	0.11	-0.02	-18.2
Weighted average number of shares outstanding (in thousands)	54,257	49,307		
Diluted FFO I per share (EUR)	0.07	0.09	-0.02	-22.2
Weighted diluted average number of shares outstanding (in thousands)	67,884	62,952		
FFO II after taxes per share				
Basic FFO II per share (EUR)	0.08	0.11	-0.03	-27.3
Weighted average number of shares outstanding (in thousands)	54,257	49,307		
Diluted FFO II per share (EUR)	0.07	0.09	-0.02	-22.2
Weighted diluted average number of shares outstanding (in thousands)	67,884	62,952		

* Previous year's figures have been adjusted due to a change in classification

** Other adjustments from H1 2017 results include:

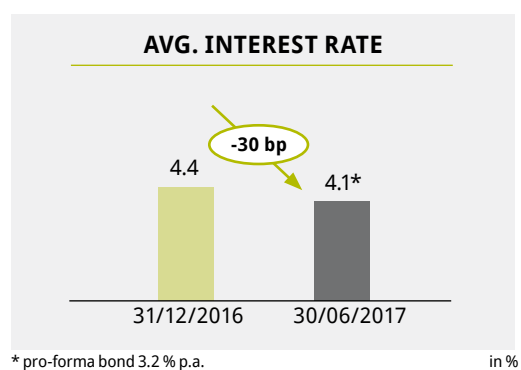
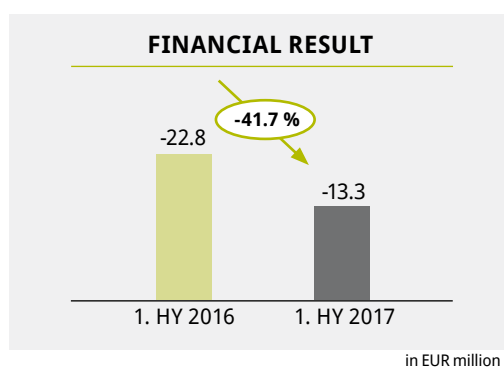
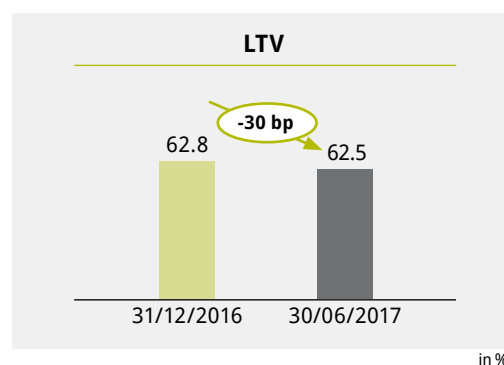
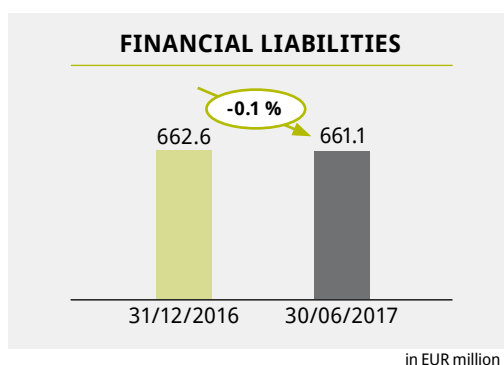
- One-time transaction-, legal and consulting costs (EUR 1.6 million)
- Non-periodic expenses (EUR 1.2 million)
- One-time administrative expenses (EUR 0.9 million)

Financial position

At the end of the first half-year, cash flow from operating activities amounted to EUR 13.4 million (1H 2016: EUR 17.2 million). The decrease was mainly the result of higher valuation gains of the call option on the corporate bond 2014/2019.

Cash flow from investing activities amounted to EUR 10.8 million in the first half of 2017 compared to EUR 3.9 million in the same period of 2016. Higher investments were made in the prior-year period, particularly EUR 4.4 million was paid for the acquisition of interests in Kurfürstergalerie GmbH. Cash flow from financing activities amounted to EUR -17.9 million (1H 2016: EUR -20.5 million) and in comparison to the previous year's period was characterised by a lower assumption of debt as well as the repayment of financial liabilities. The net change in cash and cash equivalents in the first half of 2017 was EUR 6.3 million (1H 2016: EUR 0.5 million). Cash and cash equivalents at the end of the reporting period increased to EUR 37.6 million.

CONSOLIDATED STATEMENT OF CASH FLOWS (SELECTED INFORMATION IN EURK)	01/01/2017 – 30/06/2017	01/01/2016 – 30/06/2016	Change	in %
Cash flow from operating activities	13,445	17,179	-3,734	-21.7
Cash flow from investing activities	10,762	3,858	6,904	>100
Cash flow from financing activities	-17,933	-20,490	2,557	-12.5
Net change in cash and cash equivalents	6,273	547	5,726	>100
Cash and cash equivalents at the end of the period	37,562	29,014	8,548	29.5



Net loan-to-value

The net loan-to-value ratio (net LTV) of the DEMIRE Group is defined as the ratio of net financial liabilities to the carrying amount of investment properties and non-current assets held for sale. As of 30 June 2017, the net loan-to-value (LTV) declined slightly to 62.5 % compared to the end of 2016 (31 December 2016: 62.8 %).

LOAN-TO-VALUE (LTV) EUR MILLION	30/06/2017	31/12/2016
Financial liabilities	661.9	662.6
Cash and cash equivalents	37.6	31.3
Net debt	624.3	631.3
Fair value of investment properties and non-current assets held for sale	999.5	1.005.6
Net LTV in %	62.5 %	62.8 %

Net assets

As at 30 June 2017, the total assets of the DEMIRE Group continued to amount to EUR 1.1 billion (31 December 2016: EUR 1.1 billion). Non-current assets amounted to EUR 1,010.5 million (31 December 2016: EUR 1,001.5 million). Current assets rose to EUR 83.2 million (31 December 2016: EUR 68.2 million) as a result of higher financial receivables and higher cash and cash equivalents compared to the end of 2016. As at 30 June 2017, non-current assets held for sale contained properties not yet handed over totalling EUR 9.4 million.

Group equity rose slightly in the first six months of 2017 to EUR 313.5 million (31 December 2016: EUR 308.6 million). The equity ratio also rose to 28.4 %, slightly above the level at the end of 2016 of 28.2 %.

It should be borne in mind that under IFRS the interests of minority shareholders in the subsidiaries of Fair Value REIT AG amounting to EUR 61.9 million are recognised under long-term liabilities rather than equity, solely on the basis of their legal form as partnerships. If adjusted accordingly, Group equity totalled EUR 375.4 million or 34.0 % of consolidated total assets (31 December 2016: EUR 371.5 million and 34.0 % respectively). As a result, the non-current liabilities amounted to EUR 723.1 million (31 December 2016: EUR 719.3 million) and current liabilities to EUR 66.5 million (31 December 2016: EUR 66.0 million) at the end of the first half of 2017. DEMIRE Group's total liabilities rose slightly to EUR 789.6 million as at 30 June 2017 (31 December 2016: EUR 785.4 million).

CONSOLIDATED BALANCE SHEET – ASSETS (SELECTED INFORMATION IN EURK)	30/06/2017	31/12/2016	Change	in %
Assets				
Total non-current assets	1,010,534	1,001,486	9,048	0.9
Total current assets	83,217	68,229	14,988	22.0
Assets, held for sale	9,380	24,291	-14,911	-61.4
Total assets	1,103,131	1,094,006	9,125	0.8

CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES (SELECTED INFORMATION IN EURK)	30/06/2017	31/12/2016	Change	in %
Equity and liabilities				
Equity				
Equity attributable to parent company shareholders	275,256	271,945	3,311	1.2
Interests of non-controlling shareholders	38,285	36,692	1,593	4.3
Total equity	313,541	308,637	4,904	1.6
Liabilities				
Total non-current liabilities	723,132	719,340	3,792	0.5
Total current liabilities	66,458	66,029	429	0.6
Total liabilities	789,590	785,369	4,221	0.5
Total equity and liabilities	1,103,131	1,094,006	9,125	0.8

Net asset value (NAV)

The basic net asset value according to EPRA (EPRA NAV) rose slightly from EUR 300.5 million as at 31 December 2016 to EUR 301.3 million as at 30 June 2017.

Based on 54.26 million shares, the EPRA NAV (basic) as at the reporting date amounted to EUR 5.55 per share (30 June 2016: EUR 5.54 per share) and, based on 67.89 million shares, the EPRA NAV (diluted) as at the reporting date amounted to EUR 4.61 per share (30 June 2016: EUR 4.60 per share).

EPRA NET ASSET VALUE (NAV) IN EURK	30/06/2017	31/12/2016	Change	in %
Equity	275,256	271,945	3,311	1.2
Fair value of derivative financial instruments	-7,741	-1,778	-5,963	>100
Deferred taxes	38,547	35,030	3,517	10.0
Goodwill resulting from deferred taxes	-4,738	-4,738	0	0.0
EPRA NAV (basic)	301,324	300,459	865	0.3
Number of shares outstanding (in thousands) (basic)	54,258	54,247		
EPRA NAV per share (EUR) (basic)	5,55	5,54	0,01	0.2
EPRA NAV (diluted)	312,952	312,506	446	0.1
Number of shares outstanding (in thousands) (diluted)	67,885	67,885		
EPRA NAV per share (EUR) (diluted)	4,61	4,60	0,01	0.2

REPORT ON RISKS AND OPPORTUNITIES

With respect to the risks of future business development, reference is made to the disclosures made in the risk report contained in the consolidated financial statements as at 31 December 2016. In the first half of 2017, there were no significant changes in the Group's risk structure.

OUTLOOK

At the Annual General Meeting on 29 June 2017, DEMIRE published an outlook for the current 2017 financial year. After the consolidation and integration phase has been completed, DEMIRE intends to use the current financial year to promote the further optimisation of its cost and financial structures under the DEMIRE 2.0 programme. In addition, DEMIRE plans to undertake further acquisitions to expand its real estate portfolio. Based on the current real estate portfolio and the first positive effects in the second half-year from the implementation of DEMIRE 2.0, DEMIRE continues to expect to generate rental income in the range of EUR 72 – 73 million for financial year 2017. In view of the current cash flows generated from the DEMIRE portfolio, the Company expects funds from operations (FFO I, after taxes and before minorities) to be in the range of EUR 8 – 10 million.

Langen, 31 August 2017



Dipl.-Kfm. (FH) Markus Drews
Speaker of the Executive Board (CEO)



Dipl.-Betriebsw. (FH) Ralf Kind
Member of the Executive Board (CFO)

Consolidated Financial Statements 30 June 2017 (unaudited)

CONSOLIDATED STATEMENT OF INCOME

IN EURK	01/01/2017- 30/06/2017	01/01/2016- 30/06/2016	01/04/2017- 30/06/2017	01/04/2016- 30/06/2016
Rental income	37,231	37,529	18,691	19,714
Income from utility and service charges	9,651	8,704	3,441	3,475
Operating expenses to generate rental income	-19,547	-16,433	-8,636	-6,481
Profit/loss from the rental of real estate	27,335	29,800	13,496	16,708
Net assets from real estate companies sold	0	3	0	0
Profit/loss from the sale of real estate companies	0	3	0	0
Revenue from the sale of real estate	16,066	13,925	1,827	2,175
Expenses relating to real estate sales	-16,583	-13,815	-2,150	-2,065
Profit/loss from the sale of real estate	-517	110	-323	110
Profits from investments accounted for using the equity method	65	0	59	0
Profit/loss from investments accounted for using the equity method	65	0	59	0
Profit/loss from fair value adjustments in investment properties	6,836	14,263	6,681	7,254
Impairment of receivables	-491	-912	-302	-196
Other operating income*	2,777	1,734	981	1,566
Other operating income and other effects	9,122	15,084	7,360	8,624
General and administrative expenses	-7,038	-7,484	-3,473	-4,079
Other operating expenses*	-4,832	-4,664	-2,169	-2,511
Earnings before interest and taxes	24,135	32,849	14,950	18,852
Financial income	6,144	1,034	2,440	-956
Finance expenses	-15,820	-22,067	-7,764	-11,233
Minority interests	-3,635	-1,816	-2,521	-1,170
Financial result	-13,311	-22,849	-7,845	-13,359
Profit/loss before taxes	10,824	10,000	7,105	5,493
Income taxes *	-5,210	-4,387	-2,429	-3,388
Net profit/loss for the period	5,614	5,613	4,676	2,105
Of which, attributable to:				
Non-controlling interests	1,835	1,744	1,023	1,189
Parent company shareholders	3,779	3,869	3,653	916
Basic earnings per share*	0.07	0.08	0.07	0.02
Diluted earnings per share*	0.07	0.07	0.07	0.02

*Restated figures for the comparative period (see notes to the consolidated financial statements, Note A)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

IN EURK	01/01/2017- 30/06/2017	01/01/2016- 30/06/2016
Net profit/loss for the period	5,614	5,613
Currency translation differences	-1	1
Other comprehensive income	-1	1
Total comprehensive income	5,613	5,614
Of which, attributable to:		
Non-controlling interests	1,835	1,744
Parent company shareholders	3,779	3,870

CONSOLIDATED BALANCE SHEET

ASSETS

IN EURK	30/06/2017	31/12/2016
ASSETS		
Non-current assets		
Intangible assets	7,000	7,005
Property, plant and equipment	1,798	1,753
Investment properties	990,113	981,274
Investments accounted for using the equity method	192	126
Other financial assets	11,431	11,328
Total non-current assets	1,010,534	1,001,486
Current assets		
Real estate inventory	1,901	2,222
Trade accounts receivable and other receivables	25,882	23,614
Financial receivables and other financial assets	15,891	10,293
Tax refund claims	1,981	811
Cash and cash equivalents	37,562	31,289
Total current assets	83,217	68,229
Non-current assets held for sale	9,380	24,291
Total assets	1,103,131	1,094,006

EQUITY AND LIABILITIES

IN EURK	30/06/2017	31/12/2016
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	54,258	54,247
Reserves	220,998	217,698
Equity attributable to parent company shareholders	275,256	271,945
Non-controlling interests	38,285	36,692
Total equity	313,541	308,637
Liabilities		
Non-current liabilities		
Deferred tax liabilities	38,547	35,030
Minority interests	61,924	62,822
Financial liabilities	622,272	620,623
Other liabilities	389	865
Total non-current liabilities	723,132	719,340
Current liabilities		
Provisions	1,681	1,739
Trade payables and other liabilities	20,193	17,378
Tax liabilities	4,971	4,892
Financial liabilities	39,613	42,020
Total current liabilities	66,458	66,029
Total liabilities	789,590	785,369
Total equity and liabilities	1,103,131	1,094,006

CONSOLIDATED STATEMENT OF CASH FLOWS

IN EURK	01/01/2017 - 30/06/2017	01/01/2016 - 30/06/2016
Group profit/loss before taxes	10,824	10,000
Financial expenses	19,455	23,883
Financial income	-6,144	-1,034
Change in trade accounts receivable and other receivables*	-2,268	-1,342
Change in income tax receivables*	0	44
Change in financial receivables and other financial assets	-2	1,706
Change in intangible assets	-5	36
Change in provisions	-58	1,656
Change in trade payables and other liabilities	1,311	-3,702
Valuation gains under IAS 40	-6,836	-14,263
Gains from the sale of real estate and real estate companies	517	-113
Interest proceeds	200	94
Income taxes paid	-190	-173
Change in reserves	298	302
Profit/loss from investments accounted for using the equity method	-65	0
Depreciation and amortisation and impairment	1,079	912
Distributions to minority shareholders / dividends	-4,569	-627
Other non-cash items*	-102	-199
Cash flow from operating activities	13,445	17,179
Payments for investments in property, plant and equipment	-3,277	-5,716
Acquisition of interests in in fully consolidated companies in the context of business combinations	0	-4,352
Proceeds from the sale of real estate	14,039	13,925
Cash flow from investing activities	10,762	3,858
Release of equity component of convertible bond	0	-90
Proceeds from the issue of bonds	0	12,892
Proceeds from the issuance of financial liabilities	12,861	30,344
Interest paid on financial liabilities	-16,872	-17,078
Payments for the redemption of financial liabilities	-13,922	-46,558
Cash flow from financing activities	-17,933	-20,490
Net change in cash and cash equivalents	6,273	547
Cash and cash equivalents at the start of the period	31,289	28,467
Cash and cash equivalents at the end of the period	37,562	29,014

*Comparative period's information was adjusted for changes in classification.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

IN EURk	N o t e	Share capital	Reserves						
		Subscribed capital	Capital reserves	Retained earnings incl. Group profit/loss	Reserves for treasury shares	Currency translation	Equity attributable to parent company shareholders	Non-controlling interests	Total equity
1 January 2017	E.3	54,247	132,618	85,242	-310	147	271,945	36,692	308,637
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	3,779	0	0	3,779	1,835	5,614
Total comprehensive income		0	0	3,779	0	-1	3,778	1,835	5,613
Capital increase (related to the conversion of convertible bonds)		11	-1	0	0	0	10	0	10
Stock option program		0	297	0	0	0	297	0	297
Dividend payments		0	0	0	0	0	0	-1,251	-1,251
Other changes		0	0	-774	0	0	-774	1,009	235
30 June 2017	E.3	54,258	132,914	88,247	-310	146	275,256	38,285	313,541
1 January 2016	E. 3	49,292	121,120	60,651	-310	-57	230,697	34,205	264,902
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	3,869	0	0	3,869	1,744	5,613
Total comprehensive income		0	0	3,869	0	1	3,870	1,744	5,614
Capital increase (related to the conversion of convertible bonds)		15	0	0	0	0	15	0	15
Stock option program		0	303	0	0	0	303	0	303
Other changes		0	-71	516	0	-726	-281	1,546	0
30 June 2016	E.3	49,307	121,352	65,036	-310	-781	234,604	37,495	272,099

Notes to the condensed interim consolidated financial statements as of June 30, 2017 (unaudited)

A. GENERAL INFORMATION

1. Basis of preparation

DEMIRE Deutsche Mittelstand Real Estate AG ("DEMIRE AG") is recorded in the commercial register in Frankfurt/Main, Germany, the location of the Company's headquarters, under the number HRB 89041. Upon entry in the commercial register on December 23, 2016, the Company's business address was relocated from Lyoner Strasse 32 in Frankfurt/Main to Robert-Bosch-Strasse 11 in Langen, Germany. These interim condensed consolidated financial statements as at June 30, 2017 include DEMIRE AG and its subsidiaries ("DEMIRE").

The shares issued by DEMIRE AG are listed in the Prime Standard segment of the Frankfurt Stock Exchange.

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

The interim condensed consolidated financial statements for the period from January 1 to June 30, 2017 were prepared in accordance with the provisions of IAS 34 "Interim Financial Reporting" ("IAS 34").

The interim consolidated financial statements of DEMIRE AG were prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU), pursuant to Section 315a HGB. All International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and interpretations of the IFRS Interpretations Committee (IFRS IC), formerly the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) mandatory for the 2017 fiscal year were taken into consideration. Furthermore, all statutory disclosure and explanation requirements of the German Commercial Code (HGB) that are in addition to the provisions of the IASB have been fulfilled.

According to IAS 34, interim consolidated financial statements are intended to provide an update on the latest complete set of annual financial statements. Accordingly, they do not include all of the information and disclosures required in the annual consolidated financial statements, focusing instead on new activities, events and circumstances, and do not duplicate information previously reported. DEMIRE AG's interim consolidated financial statements as at June 30, 2017 should therefore always be read in conjunction with its annual consolidated financial statements as at December 31, 2016. Various figures for the previous year were restated to reflect the current presentation. The comparative information for the 2016 fiscal year was adjusted retroactively (see Note D.3. in particular).

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

These interim condensed consolidated financial statements of DEMIRE AG were authorised for issue by resolution of the Executive Board dated August 31, 2017.

B. SCOPE AND PRINCIPLES OF CONSOLIDATION

There was no change to the scope of consolidation in the interim reporting period.

C. ACCOUNTING POLICIES

The accounting methods applied in these interim consolidated financial statements are consistent with those adopted for the annual consolidated financial statements as at December 31, 2016. There were no significant changes in estimates compared with the consolidated financial statements as at December 31, 2016.

D. NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

1. Earnings before interest and taxes

The profit/loss from the rental of real estate of EURk 27,335 (first half of 2016: EURk 29,800) is free from seasonality and consists of the following:

EURk	01/01/2017 30/06/2017	01/01/2016 30/06/2016
Rental income	37,231	37,529
Income from utility and service charges	9,651	8,704
Total rental revenue	46,882	46,233
Allocable operating expenses to generate rental income	-11,226	-12,215
Non-allocable operating expenses to generate rental income	-8,321	-4,218
Operating expenses to generate rental income	-19,547	-16,433
Profit/loss from the rental of real estate	27,335	29,800

Total rental income for the interim reporting period was entirely attributable to leases of commercial properties. The increase in non-allocable operating expenses to generate rental income was largely due to maintenance carried out at Hanse-Center Objektgesellschaft mbH in the first half of 2017, which will result in an improvement in vacancy rates and rental income in the future.

Earnings before interest and taxes of EURk 24,135 (first half of 2016: EURk 32,849) were shaped by the profit/loss from fair value adjustments in investment properties of EURk 6,836 (first half of 2016: EURk 14,263) in addition to the profit/loss from the rental of real estate. DEMIRE also recorded other operating income of EURk 2,777 (first half of 2016: EURk 1,734), relating mainly to income from the reversal of provisions and liabilities (EURk 608), income from facility management (EURk 358) and a claim for damages (EURk 332).

Earnings were negatively impacted by general and administrative expenses of EURk -7,038 (first half of 2016: EURk -7,484), comprising primarily staff costs of EURk -2,430 (first half of 2016: EURk -1,846), which increased primarily due to severance payments, accounting and audit costs of EURk -873 (first half of 2016: EURk -1,097) and legal and consulting fees of EURk -1,288 (first half of 2016: EURk -3,187), in addition to the financial result of EURk -13,311 (first half of 2016: EURk -22,849). The staff costs from the "2015 Stock Option Plan" recognised in these interim consolidated financial statements as at June 30, 2017 pursuant to IFRS 2 amounted to EURk -297 (first half of 2016: EURk -302). Earnings before interest and taxes were also impacted by other operating expenses of EURk -4,832 (first half of 2016: EURk -4,664), which were mainly composed of a non-recurring special effect of EURk -969 in connection with marketing activities for properties of specific subsidiaries of Fair Value REIT-AG. Other operating expenses also included non-periodic expenses of EURk -614 (first half of 2016: EURk -668) relating to the invoicing of operating costs for the 2015 fiscal year (first half of 2016: the 2014 and 2015 fiscal years). The settlement of operating costs in arrears is customary and relates to Condor Objektgesellschaft YELLOW GmbH, which was acquired in the abbreviated 2014 fiscal year. Operating costs billings in arrears in both the current and previous periods were presented on a net basis in other operating income or expenses. In addition, other operating expenses included non-deductible input taxes of EURk -708 (first half of 2016: EURk -281) as well as levies and bank charges and fees of EURk -666 (first half of 2016: EURk -220).

2. Financial result

IN EURk	01/01/2017	01/01/2016
	30/06/2017	30/06/2016
Financial income	6,144	1,034
Financial expenses	-15,820	-22,067
Share of profit/loss attributable to minority interests	-3,635	-1,816
	-13,311	-22,849

Financial income essentially resulted from positive valuation effects in connection with the call option for the 2014/2019 corporate bond, which was measured at fair value.

The decrease in financial expenses was due to the high-interest HFS bond redeemed in the 2016 fiscal year and the promissory note extended in February 2017 for which the interest rate was reduced retroactively as at January 1, 2017 from 5% to 4%, reducing the average interest rate in the DEMIRE Group from 4.4% to 4.1% p.a. In addition, the financial result for the first half of 2016 was impacted by a negative valuation effect from the call option on the 2014/2019 corporate bond of EURk 2,109.

The share of profit/loss attributable to minority interests of EURk -3,635 (first half of 2016: EURk -1,816) concerns the majority shareholders of the subsidiaries of Fair Value REIT-AG recognised under liabilities.

3. Earnings per share

	01/01/2017 30/06/2017	01/01/2016 30/06/2016*
Net profit/loss (EURk)	5,614	5,613
Net profit/loss attributable to parent company shareholders	3,779	3,869
Interest expenses from convertible bonds	640	537
Net profit/loss attributable to parent company shareholders (diluted)	4,419	4,406
Number of shares (in thousands)		
Number of shares outstanding as at June 30, 2017 and June 30, 2016, respectively	54,258	49,307
Weighted average number of shares outstanding	54,257	49,306
Impact of conversion of convertible bonds	13,627	13,647
Weighted average number of shares (diluted)	67,884	62,952
Earnings per share (EUR)		
Basic earnings per share (EUR)	0.07	0.08
Diluted earnings per share (EUR)	0.07	0.07

* Restated figure for the comparative period (see Note A).

As at June 30, 2017, the Company has potential ordinary shares outstanding from convertible bonds, which entitle the holders of the 2013/2018 convertible bond to an exchange for 10,626,963 shares (previous year: 10,637,763 shares) and the holders of the 2015/2018 mandatory convertible bond to an exchange for 3,000,000 shares or EUR 15,000,000 (previous year: EUR 15,000,000).

E. NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Investment properties

Investment properties are measured at fair value. In contrast to the assessment made as at March 31, 2017, as at June 30, 2017, it is no longer likely that the Gutenberg gallery will be sold. In light of the offers received, management has decided against a sale. As a result, the property was reclassified back to the IAS 40 portfolio. Fair value development during the interim reporting period:

	2017	2016
Fair value as at January 1, 2017 and January 1, 2016, respectively	981,274	915,089
Additions (change in scope of consolidation)	0	37,106
Reclassifications from advance payments and real estate inventory	0	11,191
Additions	3,288	11,480
Disposals	0	-8,270
Reclassifications to non-current assets, held for sale	-1,324	-23,736
Unrealised gains from fair value measurement	10,088	50,176
Unrealised losses from fair value measurement	-3,213	-11,762
Fair value as at June 30, 2017 and December 31, 2016, respectively	990,113	981,274

The measurement of investment properties at fair value is to be classified to Level 3 of the valuation hierarchy according to IFRS 13 (valuation based on unobservable inputs). Since June 30, 2017, DEMIRE has determined all fair values for measurement under IAS 40 using the DCF method. There were no material effects from this change.

A sensitivity analysis of the key inputs showed the following effects on the fair value of the investment properties:

Change in value	Discount rate		Market rent ¹⁾	
	-0.5 %	+0.5 %	-10 %	+10 %
in EURk	56,319	-47,462	-68,506	77,182
in %	5.68	-4.79	-6.91	7.79

1) Taking into account rental income, vacancy rates and administration and maintenance costs.

A significant increase in maintenance costs, vacancies or property yields would result in a decrease in the properties' fair value if the assumptions for all other inputs remained unchanged.

The determination of the fair values is based on the valuation of the underlying key, unobservable inputs (Level 3) shown in Appendix 1 and Appendix 2.

2. Financial liabilities

Financial liabilities according to IFRS break down as follows as at the balance sheet date:

FINANCIAL LIABILITIES AS AT JUNE 30, 2017 IN EURk	Fixed interest	Variable interest	Total
2014/2019 corporate bond	97,994	0	97,994
2013/2018 convertible bond	10,445	0	10,445
2015/2018 mandatory convertible bond (liability component)	362	0	362
Other financial liabilities	450,895	102,189	553,084
Total	559,696	102,189	661,885

FINANCIAL LIABILITIES AS AT DECEMBER 31, 2016 IN EURk	Fixed interest	Variable interest	Total
2014/2019 corporate bond	97,650	0	97,650
2013/2018 convertible bond	10,398	0	10,398
2015/2018 mandatory convertible bond (liability component)	549	0	549
Other financial liabilities	502,858	51,188	554,046
Total	611,455	51,188	662,643

The following overview shows the nominal value of financial liabilities as at the balance sheet date:

FINANCIAL LIABILITIES AS AT JUNE 30, 2017 IN EURK	Fixed interest	Variable interest	Total
2014/2019 corporate bond	100,000	0	100,000
2013/2018 convertible bond	10,627	0	10,627
2015/2018 mandatory convertible bond (liability component)	15,000	0	15,000
sonstige Finanzschulden	445,296	102,440	547,736
Gesamt	570,923	102,440	673,363

FINANCIAL LIABILITIES AS AT DECEMBER 31, 2016 IN EURK	Fixed interest	Variable interest	Total
2014/2019 corporate bond	100,000	0	100,000
2013/2018 convertible bond	10,638	0	10,638
2015/2018 mandatory convertible bond (liability component)	15,000	0	15,000
Other financial liabilities	495,668	52,470	548,137
Total	621,305	52,470	673,775

Floating rate bank loans bear interest based on EURIBOR plus a margin.

The 2014/2019 corporate bond has a nominal interest rate of 7.50% p.a., the 2013/2018 convertible bond 6.50% p.a. and the 2015/2018 mandatory convertible bond 2.75% p.a. Other financial liabilities mainly comprise financial liabilities to credit institutions with an average annual interest rate on borrowings of 3.5% as at June 30, 2017 (previous year: 4.2%). The average annual interest rate for all borrowings was 4.1% as at June 30, 2017 (previous year: 4.4%).

A significant portion of other financial liabilities is a promissory note. This note was subject to a nominal interest rate of 5.00% until December 31, 2016 and was due on September 9, 2019. A prolongation of this note until 2022 was agreed effective January 1, 2017 as was a simultaneous reduction of the nominal interest rate to 4.00%.

The consolidated financial statements of DEMIRE AG as at December 31, 2016 reported on the non-fulfilment of covenants for the financing of Logistikpark Leipzig. This loan was repaid early as at July 27, 2017 following the issue of the 2017/2022 corporate bond in connection with the refinancing (see "Subsequent events").

F. CONDENSED GROUP SEGMENT REPORTING

JANUARY 1, 2017 - JUNE 30, 2017				
EURK	Core Portfolio	Fair Value REIT	Central Functions/ Others	Group
Revenue from external customers	44,304	18,244	400	62,948
Segment revenue	50,020	21,647	959	72,626
Segment profit/loss	9,196	4,682	-8,264	5,614
Additional information				
Segment assets	736,282	327,596	39,254	1,103,132
thereof investments accounted for using the equity method	76	0	116	192
thereof financial receivables and other financial assets	1,032	0	14,859	15,891
thereof tax refund claims	98	3	1,880	1,981
thereof non-current assets, held for sale	9,380	0	0	9,380
Segment liabilities	423,660	208,684	157,246	789,590
thereof non-current financial liabilities	363,306	121,822	137,144	622,272
thereof current financial liabilities	15,827	9,245	14,541	39,613
thereof tax liabilities	4,789	0	182	4,971
JANUARY 1, 2016 - JUNE 30, 2016				
EURK	Core Portfolio	Fair Value REIT	Central Functions/ Others	Group
Revenue from external customers	34,206	25,952	0	60,158
Segment revenue	56,338	26,015	251	82,604
Segment profit/loss	19,627	2,623	-15,065	7,185
Additional information				
Segment assets	722,280	324,347	20,139	1,066,766
thereof investments accounted for using the equity method	0	0	3,137	3,137
thereof loans to investments accounted for using the equity method	0	0	903	903
thereof financial receivables and other financial assets	2,659	0	7,938	10,597
thereof tax refund claims	96	3	28	127
thereof non-current assets, held for sale	625	200	0	825
Segment liabilities	433,066	202,294	157,733	793,093
thereof non-current financial liabilities	360,733	121,010	134,886	616,629
thereof current financial liabilities	36,717	9,144	15,472	61,333
thereof tax liabilities	3,864	0	7	3,871

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

The DEMIRE Group is divided into the two reportable business segments "Core Portfolio" and "Fair Value REIT".

In the interim reporting period, more than 10% of total revenue in the amount of EURk 11,026 (previous year: EURk 11,163) was generated with one customer in the "Core Portfolio" segment.

G. OTHER NOTES

1. Related party disclosures

No significant changes occurred compared to the related party disclosures made as at December 31, 2016. Except for the payment of the Executive Board remuneration disclosed in section G.5., there were no transactions with key management personnel of the Company in the reporting period.

2. Financial instruments

Financial instruments measured at cost or amortised cost whose carrying amount does not approximate their fair value:

in EURk	30/06/2017		31/12/2016	
	Fair value	Carrying amount	Fair value	Carrying amount
Convertible bonds	52,195	10,807	52,233	10,947
Bonds	104,250	97,944	103,000	97,650

For further information, please see the disclosures made pursuant to IFRS 7 in the consolidated financial statements as at December 31, 2016.

3. Risk report

For information on the risks of future business development, please refer to the disclosures made in the risk report included in the consolidated financial statements as at December 31, 2016. The Group's risk structure did not change significantly in the first half of 2017.

4. Other notes

There were no financial obligations from real estate purchase agreements concluded in previous years that were still not in effect as at June 30, 2017.

Contractual obligations exist for the modification and expansion of the property in Eschborn. These are fixed in terms of their scope. The resulting costs had not been determined as at June 30, 2017. There are no other contractual obligations to acquire, construct or develop any investment properties, or for any repairs, maintenance or improvements.

As at the interim reporting date of June 30, 2017, there were no obligations for future lease payments under long-term leasehold agreements.

5. Corporate bodies and employees

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

The members of the Executive Board are:

- Hon.-Prof. Andreas Steyer, CEO (until June 30, 2017)
- Mr Markus Drews, COO (CEO, since July 1, 2017)
- Mr Ralf Kind, CFO (since March 1, 2017)

In the interim reporting period, DEMIRE AG recognised performance-based remuneration in the amount of EURk 105 (first half of 2016: EURk 177), fixed remuneration of EURk 905 (first half of 2016: EURk 350) and share-based payments of EURk 238 (first half of 2016: EURk 240) for the members of the Executive Board.

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

6. Events after the interim reporting date of June 30, 2017

On July 12, 2017, DEMIRE Deutsche Mittelstand Real Estate AG (German SIN A0XFSF/ISIN DE000A0XFSF0) successfully issued a rated, unsecured corporate bond (senior notes) with a total nominal amount of EUR 270,000,000 to institutional investors and asset managers on the international capital market. It has a term of five years (until 2022), a non-call period of two years and bears interest at 2.875% p.a. The following tables shows the termination options for this corporate bond: Early repayment provisions:

Total redemption:	At any time until July 15, 2019 at the discount rate for German government bonds plus 50 basis points	
Early repayment penalty:	From July 15, 2019:	101.438%
	From July 15, 2020:	100.719%
	From July 15, 2021 and thereafter:	100.000%
Repayment using proceeds from capital increases:	Until July 15, 2019, up to 40% can be repaid at 102.875% plus accrued and unpaid interest	
For change in withholding taxes:	At the nominal value plus accrued and unpaid interest	
Change in control:	Sale at 101% plus accrued and unpaid interest	

The corporate bond was issued under New York law (144A/Reg S) and is listed on the Luxembourg Stock Exchange (Euro MTF market). The net proceeds from the issue will be used to refinance some of DEMIRE Deutsche Mittelstand Real Estate AG's liabilities as well as those of specific subsidiaries.

The internationally recognised rating agencies Standard & Poor's and Moody's have rated the corporate bond BB+ and Ba2, respectively. The rating from Standard & Poor's is therefore one grade below investment grade. DEMIRE is rated BB and Ba2, respectively, with a stable outlook by the two rating agencies. The transaction was supported by Deutsche Bank and Morgan Stanley as joint global coordinators and joint bookrunners, Berenberg as joint bookrunner and equinet Bank and IKB Deutsche Industriebank as co-lead managers.

The detailed rating is available from the website of Standard & Poor's at www.standardandpoors.com and Moody's at www.moody.com as well as on DEMIRE's website under <http://www.demire.ag/en/investor-relations/bonds/>.

First step towards implementing DEMIRE 2.0

By successfully issuing the corporate bond, DEMIRE has taken a swift first step towards implementing the **programme DEMIRE 2.0** announced at the Annual General Meeting at the end of June 2017. Under this programme, DEMIRE aims to further optimise its financing mix, reduce its average financing costs and achieve an investment grade rating in the medium term. DEMIRE plans to use the net proceeds from the corporate bond to secure early refinancing for all major liabilities due to mature by 2019. The liabilities to be repaid currently bear interest at an average of 5.2% and are being repaid at a rate of around 1.3% p.a. The non-recurring expenses associated with the early repayment of financial liabilities incurred up to publication of the interim consolidated financial statements amount to EUR 6,528 and largely include early repayment penalties. DEMIRE expects its annual cash flows to increase following refinancing as annual interest expenses and repayments will be approximately EUR 9.0 million lower. Due to the repayment of liabilities secured by land charges, real estate assets of approximately EUR 216 million will now be available and no longer serve as collateral, equivalent to approximately 22% of the DEMIRE Group's total real estate assets. DEMIRE plans to gradually increase the share of real estate assets not serving as collateral even further.

As a result of concluding the planned refinancing of liabilities, **average financing costs** will also decrease from 4.1% to 3.2% p.a.

Prior to the publication of the interim consolidated financial statements as at August 31, 2017, a total of 2,000 conversion rights were exercised, and 2,000 new, no-par value bearer shares were created.

Frankfurt am Main, August 31, 2017

DEMIRE Deutsche Mittelstand Real Estate AG



Dipl.-Kfm. (FH) Markus Drews
Speaker of the Executive Board (CEO)



Dipl.-Betriebsw. (FH) Ralf Kind
Member of the Executive Board (CFO)

Appendix 1: Valuation parameters pursuant to IFRS 13 as at June 30, 2017

	30/06/2017	
Average market rent (in EUR per m ² , per year) ¹⁾	84.10	
Range of market rents (in EUR per m ²)	33.36	200.24
Rentable space as at balance sheet date (in m ²)	926,129	
Vacant space as at balance sheet date (in m ²)	124,974	
Value-based vacancy rate according to the EPRA (in %)	10.2	
Average vacancy rate based on rentable space (in %)	13.49	
Range of vacancy rates based on rentable space (in %)	0.00	54.5
Weighted average lease term – WALT (in years)	4.9	

1) Average market rent was calculated based on rentable space as at June 30, 2017.

The basis for rental income planning are the rental payments contractually agreed with the tenants as well as prevailing customary local market rents for unleased space on the valuation date. The contractually agreed monthly rents per square metre on the valuation date for the various types of use are shown in the table below:

CONTRACTUAL RENTS IN EURK		30/06/2017
Office	Min.	3.68
	Max.	12.81
	Avg.	7.88
Retail	Min.	3.20
	Max.	19.24
	Avg.	10.18
Others	Min.	2.80
	Max.	5.91
	Avg.	3.27
Total	Min.	2.80
	Max.	19.24
	Avg.	7.48

Appendix 2: Valuation parameters pursuant to IFRS 13 as at December 31, 2016

THE VALUATION PARAMETERS FOR THE DEMIRE SUBGROUP, BROKEN DOWN BY ASSET CLASS	OFFICE		RETAIL		LOGISTICS		OTHERS	
	31/12/2016		31/12/2016		31/12/2016		31/12/2016	
Ratio of maintenance costs to gross profit (in %)	7.24		6.45		11.18		13.72	
Average maintenance costs (in EUR per m ²)	6.99		8.69		3.53		4.25	
Range of maintenance costs (in EUR per m ²)	4.00	10.00	5.00	9.00	3.53	3.53	2.50	5.00
Average property yield (in %) ¹⁾	5.82		5.51		7.50		9.32	
Range of property yields (in %) ²⁾	4.63	9.75	5.26	8.00	7.50	7.50	6.75	10.25
Average residual useful life (in years)	37		37		25		25	
Range of residual useful lives (in years)	25	45	35	40	25	25	25	45
Ratio of management costs to gross profit (in %)	2.01		2.12		1.16		6.38	
Range of ratio of management costs to gross profit (in %)	1.00	4.00	1.50	4.00	1.16	1.16	3.00	3.00
Average market rent (in EUR per m ² , per year) ³⁾	96.67		134.87		31.58		30.98	
Range of market rents (in EUR per m ² , per year)	42.75	149.90	49.03	195.57	31.58	31.58	12.20	56.30
Rentable space as at balance sheet date (in m ²)	457,229		43,065		217,968		90,138	
Vacant space as at balance sheet date (in m ²)	32,798		6,209		73,824		38,415	
Value-based vacancy rate according to the EPRA (in %)	6.41		15.49		45.66		19.35	
Average vacancy rate based on rentable space (in %)	7.17		14.42		33.87		42.62	
Range of vacancy rates based on rentable space (in %)	0.00	54.50	0.00	43.80	33.87	33.87	0.00	100.00
Weighted average lease term – WALT (in years)	5.49		7.62		2.00		2.00	

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

²⁾ Property yields vary based on the quality, location and structure of the property.

³⁾ Average market rent was calculated based on rentable space as at December 31, 2016

FAIR VALUE REIT SUBGROUP VALUATION INPUTS	31/12/2016	
Average market rent (in EUR per m ² , per year) ¹⁾	68.83	
Range of market rents (in EUR per m ²)	18.00	180.00
Rentable space as at balance sheet date (in m ²)	255,821	
Vacant space as at balance sheet date (in m ²)	30,637	
Value-based vacancy rate according to the EPRA (in %)	9.28	
Average vacancy rate based on rentable space (in %)	11.98	
Range of vacancy rates based on rentable space (in %)	0.00	60.75
Weighted average lease term – WALT (in years)	5.20	

¹⁾ Average market rent was calculated based on rentable space as at December 31, 2016.

The basis for rental income planning are the rental payments contractually agreed with the tenants as well as prevailing customary local market rents for unleased space on the valuation date. The contractually agreed monthly rents of the Fair Value-REIT subgroup per square metre on the valuation date for the various types of use are shown in the table below:

CONTRACTUAL RENTS IN EURK		31/12/2016
Office	Min.	2.02
	Max.	25.80
	Avg.	7.34
Retail	Min.	2.50
	Max.	90.00
	Avg.	9.65
Others	Min.	2.00
	Max.	11.60
	Avg.	4.80
Total	Min.	2.00
	Max.	90.00
	Avg.	8.04

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 operations of the Group, and furthermore that the Group management report includes a fair review of the development of the business including the results and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Frankfurt am Main, August 31, 2017



Dipl.-Kfm. (FH) Markus Drews
Speaker of the Executive Board (CEO)



Dipl.-Betriebsw. (FH) Ralf Kind
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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