DEMIRE Deutsche Mittelstand Real Estate AG

THIRD QUARTER 2017 INTERIM STATEMENT

Fiscal Year 1 January – 31 December 2017

Foreword of the Executive Board

Dear Shareholders,

It is with great satisfaction that we report DEMIRE's development in the first nine months of the 2017 fiscal year. With the successful implementation of our DEMIRE 2.0 strategy announced at the end of June 2017 and already underway, we have already achieved important milestones, which are resulting in a significant increase in DEMIRE's profitability. The following are the key highlights of the 2017 nine-month results:

» Funds from operations (FFO I, before minorities, after taxes) reached EUR 9.2 million as of the reporting date due to improved profit / loss from the rental of real estate, lower interest expenses and a reduced tax burden.

» Rental income reached EUR 55.9 million, as planned, and was 2.6 % higher on a like-for-like basis.

» As a result of active portfolio management, the EPRA vacancy rate was reduced by 170 basis points to 9.9 % as of 30 September 2017 compared to the end of 2016 after taking into account real estate already sold.

» The placement and tapping of a rated, unsecured corporate bond to repay existing high-interest liabilities lower the average interest rate to 3.0 % p. a. on a pro forma basis and will lead to an increase in free cash flow of around EUR 18 million starting in the 2018 fiscal year, with EUR 9 million alone stemming from lower interest expenses.

After the balance sheet date, we received a high level of approval from our shareholders at our Extraordinary General Meeting on 15 November 2017 for our plan to optimise the group tax structure of the DEMIRE Group. In light of the solid development in the first nine months, we are raising our forecast for FFO I (after taxes, before minorities) for full-year 2017 from our earlier forecast of EUR 8 – 10 million to EUR 11 – 12 million. Based on our current real estate portfolio and the positive operating development, we now expect to generate rental income of around EUR 74 million in fiscal year 2017 (previously: EUR 72 – 73 million).

Frankfurt / Main, 30 November 2017

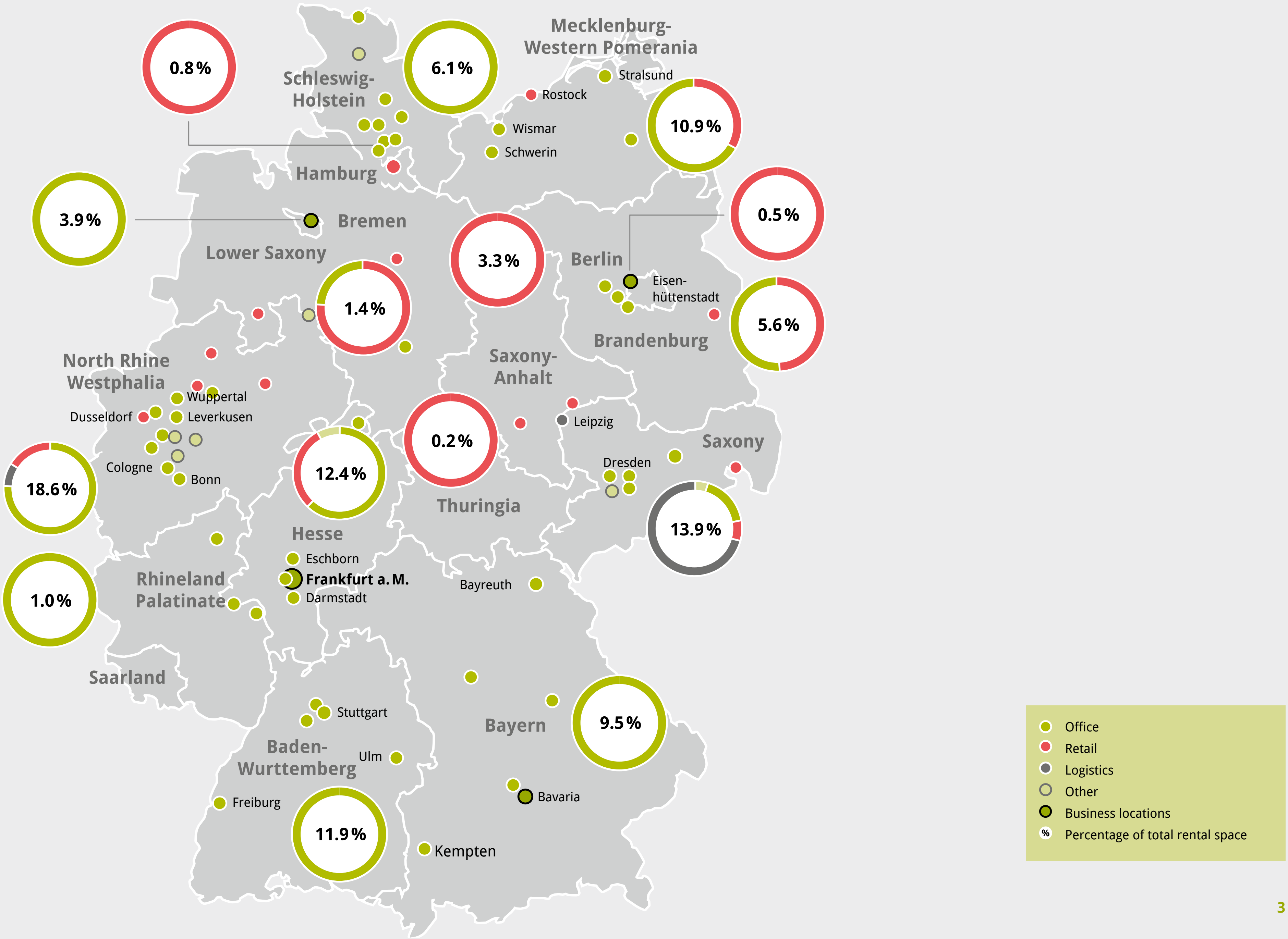
Dipl.-Betriebsw. (FH)
Ralf Kind
Member of the Executive Board (CEO / CFO)

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

Highlights 9M 2017

9.2 in EUR millions FFO I (BEFORE MINORITIES, AFTER TAXES)	**5.69** in EUR per share EPRA NAV
9.9 in percent EPRA VACANCY RATE	**62.0** in percent LOAN-TO-VALUE

- » FFO I (before minorities, after taxes) reached EUR 9.2 million (9M 2016: EUR 7.0 million)
- » Portfolio's valuation as of the reporting date was EUR 26.3 million higher compared to the end of 2016
- » EPRA NAV increased to EUR 5.69 per share (basic) and EUR 4.72 per share (diluted)
- » EPRA vacancy rate declined from 11.6 % as of 31 December 2016 to 9.9 %, taking into account real estate already sold
- » The comprehensive refinancing of expensive liabilities via the placement and tapping of a rated, unsecured corporate bond in the amount of EUR 400 million will lead to a rise in free cash flow of EUR 18 million starting in 2018
- » Average interest on financial debt was reduced from 4.4 % p. a. at the end of 2016 to 3.0 % p. a. on a pro forma basis
- » The loan-to-value (net LTV) improved by 70 basis points compared to the end of 2016 and amounted to 62.0 %


0.8 %
Schleswig-Holstein
6.1 %
Mecklenburg-Western Pomerania
Stralsund
Rostock
10.9 %
Wismar
Schwerin
Hamburg
3.9 %
Bremen
0.5 %
Lower Saxony
3.3 %
Berlin
Eisen-hüttenstadt
1.4 %
5.6 %
Brandenburg
North Rhine Westphalia
Wuppertal
Saxony-Anhalt
Dusseldorf
Leverkusen
Leipzig
0.2 %
Saxony
18.6 %
Cologne
12.4 %
Dresden
Bonn
Thuringia
13.9 %
Hesse
Eschborn
1.0 %
Rhineland Palatinate
Frankfurt a. M.
Bayreuth
Darmstadt
Saarland
Stuttgart
Bayern
9.5 %
Baden-Wurttemberg
Ulm
Bavaria
Freiburg
11.9 %
Kempten
Office
Retail
Logistics
Other
Business locations
Percentage of total rental space

Portfolio development
TOP 10 Tenants

TOP-10-TENANTS (AS OF 30/09/2017)				
No.	Tenant	Asset class	GRI p.a. (EUR million)[1]	In %[2]
1	GMG (Telekom)	Office	21.8	30.3
2	BIMA	Office	1.9	2.7
3	Sparkasse Südholstein	Office	1.8	2.5
4	RIMC Hotel	Hotel	1.6	2.2
5	HPI Germany	Office	1.4	1.9
6	Barmer BKK	Office	1.2	1.7
7	comdirect bank AG	Office	1.2	1.7
8	AXA Konzern AG	Office	1.2	1.7
9	BfA Schwerin	Office	1.2	1.7
10	Momox GmbH	Logistics	1.2	1.5
Subtotal			**34.5**	**47.8**
Others			37.8	52.2
Total			**72.3**	**100.0**

[1] Annualised contractual rent excl. service charges
[2] Rounding differences

Key figures	Office	Retail	Logistics	Other	Total 30/09/17	Total 31/12/16	Change
Properties (number of)	64	16	1	9	90	174	–84
Gross asset value (GAV) (in EUR millions)	688.7	242.1	57.7	30.0	1,018.5	1,005.6	+1.2%
Contractual rent p.a. (in EUR millions)	48.9	17.6	3.8	2.0	72.3	74.1	–2.4%
Rent per m²	7.9	10.2	2.1	5.0	7.1	7.0	+1.4%
Rental yield (in %)	7.1	7.3	6.6	6.6	7.1	7.4	–30bp
EPRA vacancy rate (in %)[1]	7.6	8.6	35.9	0.0	9.9	11.6	–170bp
WALT (in years)	4.5	6.3	1.5	6.8	4.8	5.3	–0.5 Jahre

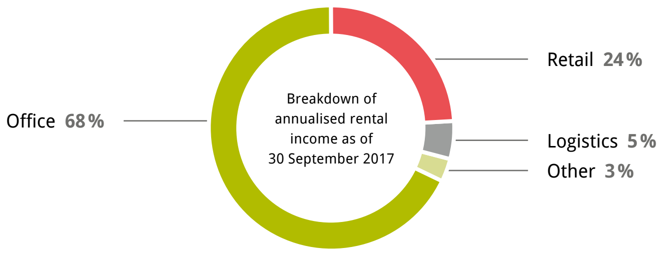
[1] Excluding properties held for sale

» As of the 30 September 2017 reporting date, the core portfolio of the DEMIRE Group consisted of 90 commercial properties with total rentable floor space of around 980,000 m² and a total value of EUR 1,018.5 million (31 December 2016: EUR 1,005.6 million). The decline in the number of properties resulted primarily from sales of non-strategic real estate at the end of 2016. As of the balance sheet date, seven properties and partial properties with a total value of EUR 18.5 million were held for sale.

» Due to the portfolio adjustments made in line with the Group's strategy, annualised contractual rent decreased from EUR 74.1 million as of 31 December 2016 to EUR 72.3 million as of 30 September 2017. Annualised contractual rent on a like-for-like basis increased by 2.6%.

» After taking into account real estate already sold, the vacancy rate improved AGain from 11.6% as of 31 December 2016 to 9.9% as of 30 September 2017.

FOCUSED ON THREE ASSET CLASSES



Results of Operations

CONSOLIDATED STATEMENT OF INCOME (Selected information in EURk)	01/01/2017 –30/09/2017	01/01/2016 –30/09/2016	Change	%
Rental income	55,888	56,671	–783	–1.4
Income from utility and service charges	12,563	11,961	602	5.0
Operating expenses to generate rental income [1]	–26,450	–25,342	–1,108	4.4
Profit/loss from the rental of real estate	**42,001**	**43,291**	**–1,290**	**–3.0**
Profit/loss from the sale of real estate companies	0	130	–130	>100
Profit/loss from the sale of real estate	–623	–135	–488	>100
Profit/loss from investments accounted for using the equity method	97	0	97	n,a,
Other operating income and other effects [1]	28,686	15,766	12,920	81.9
General and administrative expenses	–10,950	–10,598	–334	64.8
Other operating expenses [1]	–5,476	–7,195	1,410	75.7
Earnings before interest and taxes	**53,736**	**41,259**	**12,477**	**30.2**
Financial result	–42,097	–35,431	–6,666	18.8
Profit/loss before taxes	**11,639**	**5,828**	**5,811**	**99.7**
Deferred taxes	–2,048	–7,469	5,421	–72.6
(Current) income taxes	–1,032	–2,909	1,877	–64.5
Net profit/loss for the period	**8,559**	**–4,550**	**13,109**	**>100**
of which, attributable to parent company shareholders	4,948	–7,008	11,956	>100
Basic earnings per share (EUR)	0.09	–0.14	0.21	>100
Weighted average number of shares outstanding (in thousands)	54.258	50.403	3.855	7,6
Diluted earnings per share (EUR)	0.08	0.00	0.08	>100
Weighted average number of shares outstanding, diluted (in thousands)	67.881	64.041	3.840	6,0

[1] Previous-year figures have been adjusted due to changes in classification.

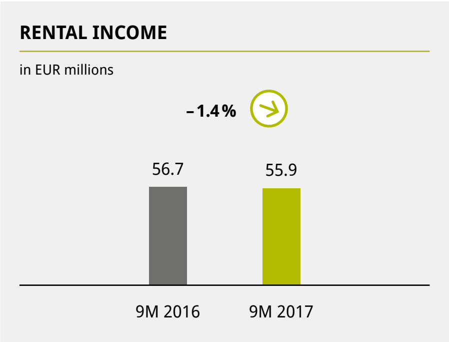
» New rentals and a reduction in vacancies led the DEMIRE Group to generate rental income of EUR 55.9 million in the 2017 nine-month period which, due to the sale of real estate, was 1.4% lower than in the same period of 2016 (EUR 56.7 million).

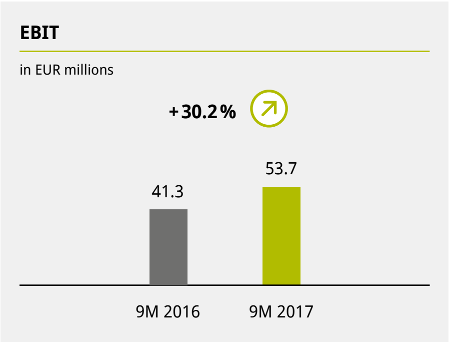
» General and administrative expenses increased slightly by EUR –0.3 million compared to the same period of the previous year, in particular, due to higher one-off staff costs. There was a positive effect, on the other hand, from the year-on-year decline in legal and consulting costs, as well as accounting and auditing costs.

» Other operating expenses declined significantly by around 76% to EUR –5.4 million as a result of one-off effects recorded in the same period of the previous year.

» Earnings before interest and taxes increased by roughly 30% from EUR 41.3 million to EUR 53.7 million, mainly due to lower other operating expenses.

» The operating result of the DEMIRE Group is measured by funds from operations





FFO Development

FFO CALCULATION (Selected information in EURk)	01/01/2017 –30/09/2017	01/01/2016 –31/09/2016[1]	Change	%
Profit/loss before taxes	11,639	5,828	5,811	99.7
Minority interests	5,503	3,110	2,393	76.9
Earnings before taxes (EBT)	**17,142**	**8,938**	**8,204**	**91.8**
+/– Profit/loss from the sale of real estate companies	0	–130	130	–100.0
+/– Profit/loss from the sale of real estate	623	135	488	>100
+/– Profit/loss from investments accounted for using the equity method	–97	0	–97	n,a
+/– Profit/loss from fair value adjustments in investment properties	–26,262	–14,418	–11,844	82.1
+/– Profit/loss from valuation of derivative financial instruments	2,117	2,856	–739	–25.9
+/– Other adjustments[2]	16,689	12,545	4,144	33.0
FFO I before taxes	**10,212**	**9,925**	**287**	**2.9**
+/– (Current) income taxes	–1,005	–2,933	1,928	–65.7
FFO I after taxes	**9,207**	**6,992**	**2,215**	**31.7**
of which, attributable to parent company shareholders	4,568	1,728	2,841	>100
of which, attributable to non-controlling interests	4,638	5,264	–626	–11.9
+/– Profit/loss from the sale of real estate/real estate companies (after taxes)	–542	–182	–360	>100
FFO II after taxes	**8,665**	**6,810**	**1,855**	**27.2**
of which, attributable to parent company shareholders	4,078	1,553	2,525	>100
of which, attributable to non-controlling interests	4,587	5,257	–670	–12.7
FFO I after taxes per share				
Basic FFO I per share (EUR)	0.17	0.14	0.03	22.3
Weighted average number of shares outstanding (in thousands)	54,258	50,403	3,855	7.6
Diluted FFO I per share (EUR)	0.14	0.11	0.03	24.2
Weighted diluted average number of shares outstanding (in thousands)	67,881	64,041	3,840	6.0
FFO II after taxes per share				
Basic FFO II per share (EUR)	0.16	0.14	0.02	18.2
Weighted average number of shares outstanding (in thousands)	54,258	50,403	3,855	7.6
Diluted FFO II per share (EUR)	0.13	0.11	0.02	20.0
Weighted diluted average number of shares outstanding (in thousands)	67,881	64,041	3,840	6.0

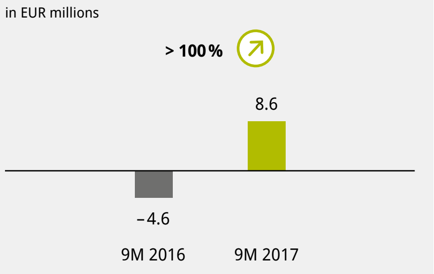
[1] Previous-year figures have been adjusted due to changes in classification.

[2] Other adjustments include: One-time refinancing costs/repayment of liabilities (EUR 12.1 million); transaction, legal and consulting costs (EUR 1.8 million); non-periodic expenses (EUR 1.3 million); one-time administrative expenses (EUR 1.5 million)

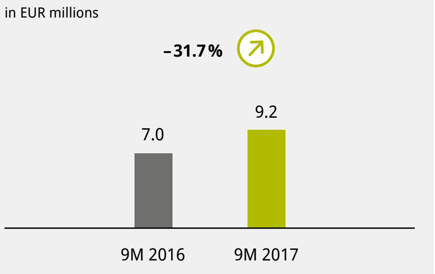
(FFO), which is adjusted for measurement effects, other disposal and one-off effects, as well as non-periodic income and expenses. FFO I (before minorities and after taxes) amounted to EUR 9.2 million as of the 30 September 2017 reporting date (9M 2016: EUR 7.0 million), and FFO I after minorities and taxes amounted to EUR 4.6 million (9M 2016: EUR 1.7 million).

» Including the profit/loss from the sale of real estate, funds from operations (FFO II) amounted to EUR 8.7 million before minorities and after taxes (9M 2016: EUR 6.8 million), and EUR 4.1 million after taxes and minorities (9M 2016: EUR 1.6 million).

NET PROFIT/LOSS FOR THE PERIOD



FFO I AFTER TAXES



Net Assets

CONSOLIDATED BALANCE SHEET – ASSETS (Selected information in EURk)	30/09/2017	31/12/2016	Change	%
Assets				
Total non-current assets	1,020,872	1,001,486	19,386	1.9
Total current assets	165,722	68,229	97,493	>100
Assets, held for sale	18,515	24,291	–5,776	–23.8
Total assets	**1,205,109**	**1,094,006**	**111,103**	**10.2**

CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES (Selected information in EURk)	30/09/2017	31/12/2016	Change	%
Equity and liabilities				
Equity				
Equity attributable to parent company shareholders	276,505	271,945	4,560	1.7
Interests of non-controlling shareholders	40,108	36,692	3,416	9.3
Total equity	**316,614**	**308,637**	**7,977**	**2.6**
Liabilities				
Total non-current liabilities	657,368	719,340	–61,972	–8.6
Total current liabilities	231,127	66,029	165,098	>100
Total liabilities	**888,495**	**785,369**	**103,126**	**13.1**
Total equity and liabilities	**1,205,109**	**1,094,006**	**111,103**	**10.2**

» As of 30 September 2017, total assets had increased by EUR 111.1 million to EUR 1.2 billion compared to the end of 2016. This rise mainly resulted from the new corporate bond issued for refinancing purposes in July 2017, the net proceeds of which were not fully utilised as of the balance sheet date for the repayment of expansive financial liabilities.

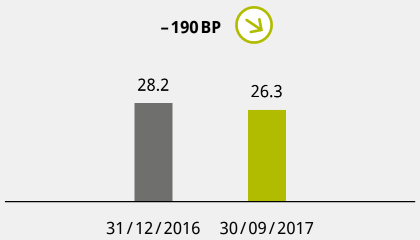
» The value of the core portfolio as of 30 September 2017 was approximately EUR 999.9 million and has risen by approximately EUR 18.7 million compared to its level on 31 December 2016, particularly as a result of portfolio revaluations during the year. Non-current assets held for sale totalled EUR 18.5 million as of 30 September 2017 and mainly consisted of properties and partial properties in Teltow and Darmstadt.

» Group equity as of 30 September 2017 increased to EUR 316.6 million compared to 31 December 2016 (EUR 308.6 million). The equity ratio amounted to 26.3 % (31 December 2016: 28.2 %) and declined because the early redemption of the 2014/2019 corporate bond in the amount of EUR 104 million had not yet taken place. Taking into account the interests of minority shareholders in the subsidiaries of Fair Value REIT AG of EUR 63.8 million reported under non-current liabilities, Group equity totalled EUR 380.4 million, or 31.6 % of consolidated total assets (31 December 2016: EUR 371.5 million, or 34.0 %).

» Basic and diluted EPRA NAV per share were EUR 5.69 and EUR 4.72, respectively, which was roughly 2.8 % above the level at the end of 2016 (EUR 5.54 and EUR 4.60).

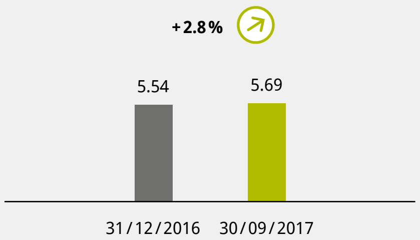
EQUITY RATIO

in %

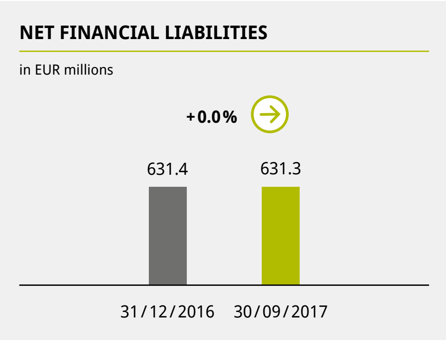


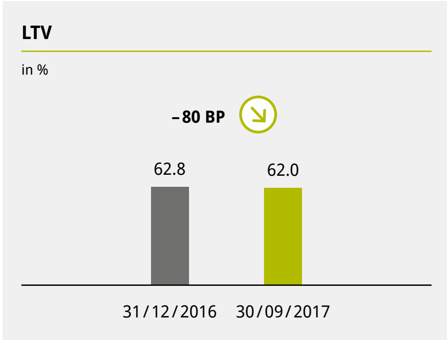
EPRA NAV PER SHARE

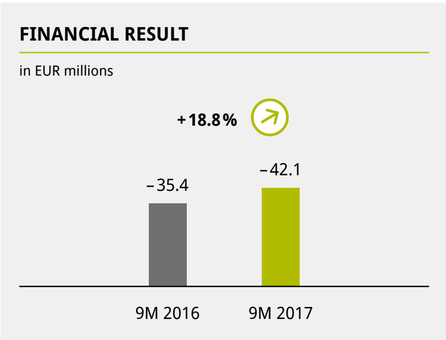
in EUR

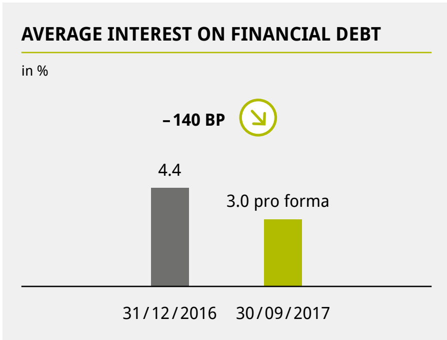


Financial position









CONSOLIDATED STATEMENT OF CASH FLOWS (Selected information in EURk)	01/01/2017 –30/09/2017	01/01/2016 –30/09/2016	Change	%
Cash flow from operating activities	20,146	24,941	–4,795	–19.2
Cash flow from investing activities	12,697	3,485	9,212	>100
Cash flow from financing activities	66,070	–28,748	94,818	>100
Net change in cash and cash equivalents	**98,912**	**–322**	**99,234**	**>100**
Cash and cash equivalents at the end of the period	**130,201**	**28,145**	**102,056**	**>100**

» In the third quarter, existing high-interest financial liabilities were refinanced through the issue of a rated, unsecured corporate bond with a volume of EUR 270 million and a 2.875% coupon. The repayment of the 2014/2019 corporate bond in the amount of EUR 104 million took place in the fourth quarter of 2017.

» Total financial liabilities increased to EUR 761.4 million as of 30 September 2017 due to the still outstanding 2014/2019 corporate bond (December 31, 2016: EUR 662.6 million).

» The financial result at the end of the third quarter was EUR –42.1 million (9M 2016: EUR –35.4 million). The increase resulted from one-off expenses of around EUR –12.4 million. The average interest on financial debt as of 30 September 2017 had decreased by around 60 basis points to 3.8% p.a. compared to the previous year's balance sheet date (31 December 2016: 4.4% p.a.). Taking into account the successful tapping of the 2017/2022 corporate bond by a further EUR 130 million in September 2017 and the related refinancing of further financial liabilities after the reporting date, the pro forma average interest on financial debt is 3.0% p.a.

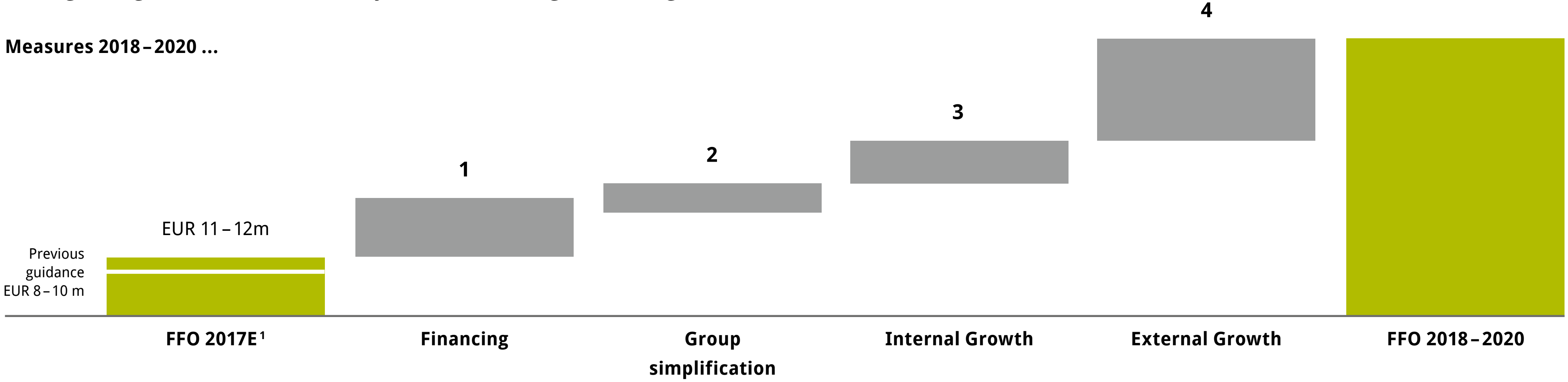
» The loan-to-value (net LTV) as of 30 September 2017 was 62.0%, which was an improvement of a further 80 basis points compared to the end of 2016 (62.8%).

» The net change in cash and cash equivalents during the first nine months of 2017 was EUR 98.9 million (9M 2016: EUR –0.3 million). Cash and cash equivalents at the end of the reporting period increased by more than 100% to EUR 130.2 million as a result of the funds still available from the 2017/2022 corporate bond and proceeds from the disposal of real estate.

DEMIRE 2.0: Several internal and external means to leverage continued FFO growth

Strong FFO growth in 2018 already secured through lowering cost of debt

Measures 2018 – 2020 ...



FFO 2017E[1]

... to Strengthen Profitability ...

Financing

- Avg. cost of debt reduced from 4.4 % to 3.0 %
- Approximately EUR 400 million in unsecured assets
- Reducing leverage to 50 %
- Achievement of an investment grade rating

Group simplification

- Improving tax efficiency
- Reduction in administrative expenses and optimisation of the cost basis
- Buy-out of minority interests

Internal Growth

- Internal portfolio growth through a reduction in vacancies, rent increases, and an improved profit margin in the rental business

External Growth

- Acquiring FFO accretive Core plus / VAD assets / portfolios
- Creation of economies of scale through acquisitions

FFO 2018 – 2020

... and to become a dividend payer ...

Note: Diagram is purely for illustrative purposes. The height of the bars is no indication of any specific value development

[1] Expectation for full-year 2017

Updated 2017 Outlook

The year's positive performance leads to higher FFO expectations for 2017

11 – 12
in EUR millions
FFO I (BEFORE MINORITIES, AFTER TAXES)

74
in EUR millions
RENTAL INCOME

» At the Annual General Meeting on 29 June 2017, DEMIRE published an outlook for the 2017 financial year in the course of presenting its future DEMIRE 2.0 strategy. The first milestones have already been successfully implemented. With our shareholders' recent approval at the Extraordinary General Meeting on 15 November 2017 in Frankfurt/Main for the conclusion of various profit transfer and control AGreements with DEMIRE subsidiaries, there is a strong potential that DEMIRE will be able to significantly reduce its future tax burden compared to previous years starting retroactively as of 1 January 2017. In addition, rental income from the core portfolio is developing as planned, and the lower vacancies will offset the rental income lost in 2017 due to the sale of non-strategic properties. Therefore, the Executive Board now expects funds from operations (FFO I, before minorities, after taxes) of around EUR 11 – 12 million for the full year. Based on the current real estate portfolio and the positive operating development, the Company now expects to generate rental income of around EUR 74 million in fiscal year 2017 (previous forecast: EUR 72 – 73 million).

Consolidated Financial Statements as of 30 September 2017 (unaudited)

CONSOLIDATED STATEMENT OF INCOME FOR THE 1 JANUARY – 30 SEPTEMBER 2017 FINANCIAL YEAR in EURk	01/01/2017 –30/09/2017	01/01/2016 –30/09/2016	01/07/2017 –30/09/2017	01/07/2016 –30/09/2016
Rental income	55,888	56,671	18,657	20,017
Income from utility and service charges	12,563	11,961	2,912	3,257
Operating expenses to generate rental income	–26,450	–25,342	–6,903	–8,909
Profit/loss from the rental of real estate	**42,001**	**43,291**	**14,666**	**14,365**
Revenue from the sale of real estate companies	0	3,212	0	3,212
Net assets from real estate companies sold	0	–3,082	0	–3,085
Profit/loss from the sale of real estate companies	**0**	**130**	**0**	**127**
Revenue from the sale of real estate	16,767	14,461	701	536
Expenses relating to real estate sales	–17,390	–14,596	–807	–781
Profit/loss from the sale of real estate	**–623**	**–135**	**–106**	**–245**
Profits from investments accounted for using the equity method	97	0	32	0
Losses from investments accounted for using the equity method	0	0		0
Profit/loss from investments accounted for using the equity method	**97**	**0**	**32**	**0**
Profit/loss from fair value adjustments in investment properties	26,262	14,418	19,426	155
Impairment of receivables	–849	–515	–358	–477
Other operating income[1]	3,273	1,863	496	960
Other operating income and other effects	**28,686**	**15,766**	**19,564**	**639**
General and administrative expenses	–10,950	–10,598	–3,912	–3,114
Other operating expenses[1]	–5,476	–7,195	–644	–3,363
Earnings before interest and taxes	**53,735**	**41,259**	**29,600**	**8,409**
Financial income	730	1,103	–5,414	70
Finance expenses	–37,323	–33,424	–21,503	–12,651
Interests of minority shareholders	–5,503	–3,110	–1,868	–1,294
Financial result	**–42,096**	**–35,431**	**–28,785**	**–13,876**
Profit/loss before taxes	**11,639**	**5,828**	**815**	**–5,467**
Income taxes	–1,032	–2,909	662	–1,463
Deferred taxes[1]	–2,048	–7,469	1,469	–4,528
Net profit/loss for the period	**8,559**	**–4,550**	**2,946**	**–11,458**
Of which, attributable to:				
Non-controlling interests	**3,611**	**2,458**	**1,776**	**714**
Parent company shareholders	**4,948**	**–7,008**	**1,169**	**–12,172**
Basic earnings per share	0,09	–0,14	0,02	–0,24
Diluted earnings per share	0,08	0,00	0,01	0,00

[1] Previous-year figures have been adjusted (see notes to the consolidated financial statements, Note A)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 1 JANUARY – 30 SEPTEMBER 2017 FISCAL YEAR in EURk	01/01/2017 –30/09/2017	01/01/2016 –30/09/2016
Net profit/loss for the period	**8,559**	**–4,550**
Currency translation differences	–77	23
Other comprehensive income	**–77**	**23**
Total comprehensive income	**8,482**	**–4,527**
Of which, attributable to:		
Non-controlling interests	**3,611**	**2,458**
Parent company shareholders	**4,871**	**–6,985**

CONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2017 – ASSETS in EURk	30/09/2017	30/09/2017
ASSETS		
Non-current assets		
Intangible assets	6,992	7,005
Property, plant and equipment	1,909	1,753
Investment properties	999,935	981,274
Investments accounted for using the equity method	224	126
Other financial assets	11,678	11,328
Other loans	134	0
Total non-current assets	**1,020,872**	**1,001,486**
Current assets		
Real estate inventory	1,807	2,222
Trade accounts receivable and other receivables	24,190	23,614
Financial receivables and other financial assets	7,395	10,293
Tax refund claims	2,129	811
Cash and cash equivalents	130,201	31,289
Total current assets	**165,722**	**68,229**
Non-current assets held for sale	**18,515**	**24,291**
Total assets	**1,205,109**	**1,094,006**

CONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2017 – EQUITY AND LIABILITIES in EURk	30/09/2017	31/12/2016
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	54,262	54,247
Reserves	222,244	217,698
Equity attributable to parent company shareholders	**276,505**	**271,945**
Non-controlling interests	40,108	36,692
Total equity	**316,614**	**308,637**
Liabilities		
Non-current liabilities		
Deferred tax liabilities	37,077	35,030
Minority interests	63,787	62,822
Financial liabilities	555,659	620,623
Other liabilities	845	865
Total non-current liabilities	**657,368**	**719,340**
Current liabilities		
Provisions	758	1,739
Trade payables and other liabilities	20,105	17,378
Tax liabilities	4,374	4,892
Financial liabilities	205,890	42,020
Total current liabilities	**231,127**	**66,029**
Total liabilities	**888,495**	**785,369**
Total equity and liabilities	**1,205,109**	**1,094,006**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 1 JANUARY – 30 SEPTEMBER 2017 FISCAL YEAR in EURK	01/01/2017 – 30/09/2017	01/01/2016 – 30/09/2016
Group profit/loss before taxes	**11,639**	**5,828**
Financial expenses	42,826	36,534
Financial income	– 730	– 1,104
Change in trade accounts receivable and other receivables[1]	– 1,164	1,057
Change in financial receivables and other financial assets	– 239	2,127
Change in intangible assets	– 13	40
Change in provisions	– 981	1,428
Change in trade payables and other liabilities	– 2,041	– 6,430
Valuation gains under IAS 40	– 26,262	– 14,418
Gains from the sale of real estate and real estate companies	623	5
Interest proceeds	301	96
Income taxes paid	– 263	– 1,314
Change in reserves	446	453
Profit/loss from investments accounted for using the equity method	– 97	0
Depreciation and amortisation and impairment	849	3,109
Distributions to minority shareholders/dividends	– 4,569	– 2,250
Other non-cash items[1]	– 179	– 220
Cash flow from operating activities	**20,146**	**24,941**
Payments for investments in property, plant and equipment	– 3,632	– 6,088
Acquisition of interests in in fully consolidated companies in the context of business combination	0	– 4,352
Proceeds from the sale of real estate	16,328	13,925
Cash flow from investing activities	**12,697**	**3,485**
Release of equity component of convertible bond	0	– 90
Payments for expenses associated with raising equity	0	– 1,105
Proceeds from capital increases	0	17,011
Proceeds from the issue of bonds	0	12,892
Proceeds from the issuance of financial liabilities	273,353	46,844
Interest paid on financial liabilities	– 29,519	– 28,578
Payments for the redemption of financial liabilities	– 177,765	– 75,722
Cash flow from financing activities	**66,070**	**– 28,748**
Net change in cash and cash equivalents	**98,912**	**– 322**
Cash and cash equivalents at the start of the period	31,289	28,467
Cash and cash equivalents at the end of the period	**130,201**	**28,145**

[1] Previous-year figures have been adjusted due to changes in classification.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY in 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	Non-controlling interests	Total equity
1 January 2017	**54,247**	**132,618**	**85,242**	**–310**	**147**	**271,945**	**36,692**	**308,637**
Currency translation differences	0	0	0	0	–77	–77	0	**–77**
Total other comprehensive income	**0**	**0**	**0**	**0**	**–77**	**–77**	**0**	**–77**
Net profit/loss for the period	0	0	4,948	0	0	4,948	3,611	**8,559**
Total comprehensive income	**0**	**0**	**4,948**	**0**	**–77**	**4,871**	**3,611**	**8,482**
Capital increase (related to the conversion of convertible bonds)	15	0	0	0	0	15	0	**15**
Stock option programme	0	445	0	0	0	445	0	**445**
Dividend payments	0	0	0	0	0	0	–1,251	**–1,251**
Other changes	0	–1	–768	0	0	–769	1,056	**287**
30 September 2017	**54,262**	**133,062**	**89,422**	**–310**	**70**	**276,505**	**40,108**	**316,614**
1 January 2016	**49,292**	**121,120**	**60,651**	**–310**	**–57**	**230,697**	**34,205**	**264,902**
Currency translation differences	0	0	0	0	23	23	0	**23**
Total other comprehensive income	**0**	**0**	**0**	**0**	**23**	**23**	**0**	**23**
Net profit/loss for the period	0	0	–7,008	0	0	–7,008	2,458	**–4,550**
Total comprehensive income	**0**	**0**	**–7,008**	**0**	**23**	**–6,985**	**2,458**	**–4,527**
Capital increase (related to the conversion of convertible bonds)	24	0	0	0	0	24	0	**24**
Stock option programme	0	454	0	0	0	454	0	**454**
Cash capital increases	4,931	12,080	0	0	0	17,011	0	**17,011**
Costs of raising equity via capital increases	0	–1,105	0	0	0	–1,105	0	**–1,105**
Other changes	0	–71	97	0	–633	–607	779	**172**
30 September 2016	**54,247**	**132,478**	**53,740**	**–310**	**–667**	**239,489**	**37,442**	**276,931**

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Disclaimer

This interim statement 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.

DEMIRE DEUTSCHE MITTELSTAND REAL ESTATE

DEMIRE Deutsche Mittelstand Real Estate AG

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2017

Fiscal Year 1 January – 31 December 2017

Contents

Notes to the condensed interim consolidated financial statements as at 30 September 2017 from 1 January 2017 to 30 September 2017

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. With the registration in the commercial register on 23 December 2016, the Company's business address was changed from Lyoner Straße 32, Frankfurt / Main, to Robert-Bosch-Straße 11, Langen, Germany. These condensed interim consolidated financial statements as at 30 September 2017 include DEMIRE AG and its subsidiaries ("DEMIRE").

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

DEMIRE 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 in 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 condensed interim consolidated financial statements for the period 1 January through 30 September 2017 were prepared in accordance with the provisions of IAS 34 "Interim Financial Reporting" ("IAS 34") and were not reviewed by an auditor.

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 of the German Commercial Code (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.

Under IAS 34, interim consolidated financial statements shall represent an update of the latest fiscal year financial statements and, therefore, do not contain all of the information and disclosures required for annual consolidated financial statements but rather focus on new activities, events and circumstances so as not to repeat information that has already been reported. The interim consolidated financial statements of DEMIRE AG as at 30 September 2017 should therefore be read in conjunction with the annual consolidated financial statements prepared as at 31 December 2016. The presentation of certain items was already adjusted as at 31 December 2016. Accordingly, the figures for the individual prior-year quarters were now also adjusted to conform to the updated basis of presentation. The comparative information for the 2016 fiscal year was adjusted retroactively.

The reporting currency for 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 condensed interim consolidated financial statements of DEMIRE AG were approved for publication by a resolution of the Executive Board on 30 November 2017.

B. SCOPE AND PRINCIPLES OF CONSOLIDATION

There were no changes to the scope of consolidation in the interim reporting period.

C. ACCOUNTING POLICIES

The accounting policies applied to these interim consolidated financial statements are consistent with those applied to the consolidated financial statements as at 31 December 2016. There were no material changes in estimates compared to those in the consolidated financial statements as at 31 December 2016.

D. NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

1. EARNINGS BEFORE INTEREST AND TAXES

The profit/loss from the rental of real estate in the amount of EURk 42,001 (3Q 2016: EURk 43,291) is free from seasonal influences and consists of the following:

EURk	01/01/2017 –30/09/2017	01/01/2016 –30/09/2016
Rental income	55,888	56,671
Income from utility and service charges	12,563	11,961
Total rental revenue	**68,451**	**68,632**
Allocable operating expenses to generate rental income	–15,286	–16,760
Non-allocable operating expenses to generate rental income	–11,163	–8,581
Operating expenses to generate rental income	**26,450**	**25,341**
Profit/loss from the rental of real estate	**42,001**	**43,291**

Total rental revenue 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 work amounting to EURk 1,622 carried out at Hanse-Center Objektgesellschaft mbH, which will result in an improvement in vacancy rates and rental income in the future.

Earnings before interest and taxes of EURk 53,735 (3Q 2016: EURk 41,259) were not only affected by the profit/loss from the rental of real estate but also by the profit/loss from fair value adjustments in investment properties of EURk 26,262 (3Q 2016: EURk 14,418). DEMIRE also recorded other operating income of EURk 3,273 (3Q 2016: EURk 1,863) relating mainly to income from the reversal of impairments (EURk 880), income from the reversal of provisions and liabilities (EURk 660), income from facility management (EURk 396) and a claim for damages (EURk 332).

Earnings were negatively impacted by both the financial result of EURk –42,096 (3Q 2016: EURk –35,431) as well as general and administrative expenses of EURk –10,950 (3Q 2016: EURk –10,598), consisting primarily of staff costs of EURk –3,767 (3Q 2016: EURk –2,408), which increased primarily due to severance payments, accounting and audit costs of EURk –908 (3Q 2016: EURk –1,469) and legal and consulting fees of EURk –2,759 (3Q 2016: EURk –3,554). The staff costs from the "2015 Stock Option Programme" recognised in these interim consolidated financial statements as at 30 September 2017 pursuant to IFRS 2 amounted to EURk –446 (3Q 2016: EURk –454). Earnings before interest and taxes were also impacted by other operating expenses of EURk –5,476 (3Q 2016: EURk –7,195), which were mainly composed of a non-recurring special item of EURk –899 in connection with marketing activities for properties of individual subsidiaries of Fair Value REIT-AG. Other operating expenses also included non-periodic expenses of EURk –614 relating to the settlement of operating costs for the 2015 fiscal year (3Q 2016: fiscal years 2014 and 2015). The subsequent settlement of operating costs is customary and relates to Condor Objektgesellschaft YELLOW GmbH acquired in the abbreviated 2014 fiscal year. The settlement of operating costs was presented on a net basis in other operating income or expenses for both the current and previous period. In addition, other operating expenses included non-deductible input taxes of EURk –930 (3Q 2016: EURk –405) as well as levies and bank charges and fees of EURk –729 (3Q 2016: EURk –326).

2. FINANCIAL RESULT

EURk	01/01/2017 –30/09/2017	01/01/2016 –30/09/2016
Financial income	730	1,103
Financial expenses	–37,323	–33,424
Share of profit/loss attributable to minority interests	–5,503	–3,110
	–42,096	**–35,431**

The increase in financial expenses was mainly due to the early repayment penalties related to the refinancing carried out in the third quarter affecting the 2014/2019 corporate bond, which was redeemed as at 21 September 2017 (EURk 4,000), the early repayment of the financing arrangement for Logpark Leipzig (EURk 438) and the accelerated amortisation of previously deferred transaction costs (EURk 3,132). The decrease of interest income was driven by the reversal of valuation gains from the call option related to the terminated bond 2014/2019, which have been recognised in the first and second quarter of 2017.

The share of profit/loss attributable to minority interests of EURk –5,503 (3Q 2016: EURk –3,110) relates to minority shareholders in the Fair Value REIT-AG subsidiaries recorded as liabilities. The increase resulted primarily from valuation gains in properties.

3. EARNINGS PER SHARE

	01/01/2017 –30/09/2017	01/01/2016 –30/09/2016
Net profit/loss (EURk)		
Net profit/loss attributable to parent company shareholders	4,948	–7,008
Interest expenses from convertible bonds	959	951
Net profit/loss attributable to parent company shareholders (diluted)	5,907	–6,057
Number of shares (in thousands)		
Number of shares outstanding as at 30 September 2017 and 30 September 2016, respectively	54,262	54,247
Weighted average number of shares outstanding	54,258	50,403
Impact of conversion of convertible bonds	13,629	13,638
Weighted average number of shares (diluted)	67,882	64,041
Earnings per share (EUR)		
Basic earnings per share (EUR)	0.09	–0.14
Diluted earnings per share (EUR)	0.08	0.00

As at 30 September 2017, the Company had potential ordinary shares outstanding from convertible bonds that entitle holders of the 2013/2018 convertible bond to an exchange for 10,628,763 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). The calculation of diluted earnings per share under IAS 33.70(c) does not take into account convertible bonds in the previous year's comparable period because the assumed conversion would have an anti-dilutive effect due to the net loss for the period.

E. NOTES TO THE CONSOLIDATED BALANCE SHEET

1. INVESTMENT PROPERTIES

Investment properties are measured at fair value.

The fair values during the reporting period developed as follows:

EURk	2017	2016
Fair value as at 1 January 2017 and 1 January 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	3,524	11,480
Disposals	0	–8,270
Reclassifications to non-current assets, held for sale	–11,165	–23,736
Unrealised gains from fair value measurement	30,095	50,176
Unrealised losses from fair value measurement	–3,793	–11,762
Fair value as at 30 September 2017 and 31 December 2016	**999,935**	**981,274**

The measurement of investment properties at fair value is to be allocated 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. No material effects resulted 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	48,512	–56,709	–78,233	77,012
in %	4.86	–5.69	–7.84	7.72

[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 under IFRS as at the balance sheet date consisted of the following:

FINANCIAL LIABILITIES AS AT 30 SEPTEMBER 2017 in EURk	Fixed interest	Variable interest	Total
2014/2019 corporate bond	98,176	0	98,176
2017/2022 corporate bond	262,722	0	262,722
2013/2018 convertible bond	10,471	0	10,471
2015/2018 mandatory convertible bond (liability component)	265	0	265
Other financial liabilities	340,091	49,825	389,916
Total	**711,724**	**49,825**	**761,549**

FINANCIAL LIABILITIES AS AT 31 DECEMBER 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 30 SEPTEMBER 2017 in EURk (at nominal value)	Fixed interest	Variable interest	Total
2014/2019 corporate bond	100,000	0	100,000
2017/2022 corporate bond	270,000		270,000
2013/2018 convertible bond	10,623	0	10,623
2015/2018 mandatory convertible bond (liability component)	15,000	0	15,000
Other financial liabilities	334,479	49,825	384,304
Total	**730,102**	**49,825**	**779,927**

FINANCIAL LIABILITIES AS AT 31 DECEMBER 2016 in EURk (at nominal value)	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.

Due to the redemption of the 2014/2019 corporate bond (EURk 92,583) and the A&B Note of Germàvest Real Estate Sàrl (EURk 98,176), these financial liabilities were reported under current financial liabilities. The refinancing took place with the newly issued 2017/2022 corporate bond in the fourth quarter of 2017.

The 2014/2019 corporate bond has a nominal interest rate of 7.50% p.a., the 2017/2022 corporate bond of 2.875% p.a., the 2013/2018 convertible bond of 6% p.a. and the 2015/2018 mandatory convertible bond of 2.75% p.a. Other financial liabilities mainly consist of financial liabilities to credit institutions with an average annual interest rate on borrowings of 3.36% as at 30 September 2017 (previous year: 4.2%). The average annual interest rate for all borrowings was 3.75% as at 30 September 2017 (previous year: 4.4%).

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

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

F. CONDENSED GROUP SEGMENT REPORTING

1 JANUARY 2017 – 30 SEPTEMBER 2017 EURk	Core Portfolio	Fair Value REIT	Central Functions/ Others	Group
Total revenue	**60,052**	**24,766**	**400**	**85,217**
Segment revenue	**80,381**	**30,203**	**1,241**	**111,825**
Segment expenses	**–37,811**	**–14,482**	**–9,669**	**–61,961**
Net profit/loss for the period	**25,787**	**6,927**	**–30,578**	**2,135**
Additional information				
Segment assets	**749,135**	**329,302**	**123,065**	**1,201,502**
thereof investments accounted for using the equity method	107	0	116	224
thereof financial receivables and other financial assets	1,021	0	5,801	6,822
thereof tax refund claims	246	3	1,880	2,129
thereof non-current assets, held for sale	9,275	9,240	0	18,515
Segment liabilities	**564,359**	**208,113**	**118,841**	**891,313**
thereof non-current financial liabilities	424,546	120,562	10,345	555,453
thereof current financial liabilities	96,096	9,491	100,336	205,923
thereof tax liabilities	4,192	0	182	4,374

1 JANUARY 2016 – 30 SEPTEMBER 2016 EURk	Core Portfolio	Fair Value REIT	Central Functions/ Others	Group
Total revenue	**50,205**	**32,888**	**3,212**	**86,305**
Segment revenue	**72,443**	**33,883**	**3,540**	**109,866**
Segment expenses	**–33,423**	**–23,188**	**–11,996**	**–68,607**
Net profit/loss for the period	**24,039**	**5,046**	**–22,558**	**–4,550**
Additional information				
Segment assets	**713,357**	**326,702**	**19,027**	**1,059,086**
thereof investments accounted for using the equity method	12	0	3,137	3,149
thereof financial receivables and other financial assets	1,476	0	5,634	7,110
thereof tax refund claims	121	0	27	148
thereof non-current assets, held for sale	13,085	7,505	0	20,590
Segment liabilities	**413,677**	**205,864**	**151,537**	**771,078**
thereof non-current financial liabilities	368,008	123,295	143,431	634,733
thereof current financial liabilities	16,471	9,141	3,303	28,915
thereof tax liabilities	4,188	0	181	4,369

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 Group is divided into the two business segments “Core Portfolio” and “Fair Value REIT”.

In the interim reporting period, more than 10% of total revenue, amounting to EURk 22,320 (previous year: EURk 21,816), 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 31 December 2016. Except for 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:

	30 September 2017		31 December 2016	
EURk	Fair value	Carrying amount	Fair value	Carrying amount
Convertible bonds	52,712	10,736	52,233	10,947
Bonds	379,394	360,725	103,000	97,650

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

3. RISK REPORT

With respect to the risks to future business development, please refer to the disclosures made in the risk report contained in the consolidated financial statements as at 31 December 2016. The issue and tapping of the 2017/2022 corporate bond in the third quarter with a fixed interest rate of 2.875% and a term of five years resulted in the repayment of high-interest financial liabilities with covenants attached. Due to the lower average interest rate, the future higher liquidity and the increase in unencumbered assets to around EUR 400 million, the Executive Board estimates that the liquidity and interest rate risks, as well as the risks from the covenant obligations as at 30 September 2017, were significantly lower compared to the situation described in the risk report as at 31 December 2016.

4. OTHER DISCLOSURES

There were no financial obligations from real estate purchase AGreements concluded in previous years that were still pending as at 30 September 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 amounted to EURk 490 as at 30 September 2017. There are no other contractual obligations to acquire, construct or develop any investment properties, or for any repairs, maintenance or improvements.

As at 30 September 2017 reporting date, there were no obligations for future lease payments under long-term leasehold AGreements.

5. GOVERNING BODIES AND EMPLOYEES

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

Mitglieder des Vorstands sind:

- » Hon.-Prof. Andreas Steyer, CEO (until 30 June 2017);
- » Mr Markus Drews, COO (CEO from 1 July 2017 until 16 November 2017; see Item 6);
- » Mr Ralf Kind, CFO / CEO (CFO since 1 March 2017 / CEO since 16 November 2017).

For the interim reporting period, performance-based remuneration of EURk 667 (3Q 2016: EURk 271), fixed remuneration of EURk 1,042 (3Q 2016: 547) and share-based payments of EURk 357 (3Q 2016: EURk 358) were recognised for the DEMIRE AG Executive Board.

There were no loans or advances granted to Executive Board members, and no contingencies were assumed for their benefit.

6. EVENTS AFTER THE INTERIM REPORTING DATE OF 30 SEPTEMBER 2017

DEMIRE Deutsche Mittelstand Real Estate AG successfully taps its corporate bond issued in July 2017 for EUR 130 million for refinancing and general corporate purposes

DEMIRE Deutsche Mittelstand Real Estate AG (WKN A0XFSF / ISIN DE000A0XFSF0) today successfully placed an additional EUR 130 million of its rated, unsecured corporate bond (Senior Notes), originally issued in July 2017 with an interest rate of 2.875 % p.a. and a term until 2022, at an issue price of 101.25 %.

The tapped corporate bond was issued under New York law (Rule 144A / Reg S) and admitted to trading on the Luxembourg Stock Exchange (Euro MTF Market). The net proceeds from the issue will be used to refinance outstanding liabilities (including prepayment penalties and other transaction costs) of Germavest S. à. r. l., an indirect subsidiary of DEMIRE Deutsche Mittelstand Real Estate AG, in the amount of c. EUR 94 million at a current average interest rate of c. 4.4 % p. a., and for general corporate purposes, including the financing of future acquisitions.

The internationally recognised rating agencies Standard & Poor's and Moody's have confirmed their current ratings of BB+ and Ba2, respectively, for the corporate bond. The rating from Standard & Poor's is thereby unchanged at one level below an investment grade rating. The two rating agencies' company ratings for DEMIRE also remain unchanged at BB and Ba2, respectively, both with a stable outlook. Deutsche Bank and Morgan Stanley are acting as joint global coordinators in the transaction.

The detailed ratings and an update on the tapping of the bond are available on the Standard & Poor's website at www.standardandpoors.com, on the Moody's website at www.moodys.com and on DEMIRE's website at www.demire.ag/en/investor-relations/bonds/rating.

DEMIRE Deutsche Mittelstand Real Estate AG: Speaker of the Executive Board Markus Drews to leave the Company at the year's end

The Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG and the Speaker of the Executive Board (CEO) Markus Drews have mutually agreed that Markus Drews will resign early as at 31 December 2017 from his position as Speaker and Member of the Executive Board. The Executive Board responsibilities of Markus Drews, particularly the transaction business, will be assumed by Executive Board member Ralf Kind (CFO) with immediate effect. The Supervisory Board would like to thank Mr Drews for his work as Speaker of the Executive Board. The Supervisory Board is prospectively planning to appoint a further member of the Executive Board with operating responsibilities, who, together with Mr Kind, will continue to drive DEMIRE's growth and especially the expansion of the real estate portfolio to a level of EUR 2 billion.

Frankfurt / Main, 30 November 2017

DEMIRE Deutsche Mittelstand Real Estate AG

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

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

APPENDIX 1: VALUATION PARAMETERS PURSUANT TO IFRS 13 AS AT 30 SEPTEMBER 2017

		30 September 2017
Average market rent (in EUR per m², per year)[1]		85.21
Range of market rents (in EUR per m²)	33.28	200.24
Rentable space as at balance sheet date (in m²)		910.113
Vacant space as at balance sheet date (in m²)		119.243
Value-based vacancy rate according to EPRA (in %)		9.9
Average vacancy rate based on rentable space (in %)		13.1
Range of vacancy rates based on rentable space (in %)	0.00	52.6
Weighted average lease term – WALT (in years)		4.8

[1] The average market rent was calculated based on rentable space as at 30 September 2017.

The rental payments contractually AGreed with the tenants as well as prevailing customary local market rents for unleased space on the valuation date are the basis for the rental income planning. 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 EUR		30/09/2017
Office	Min.	3.68
	Max.	13.05
	Average	7.90
Retail	Min.	3.20
	Max.	19.25
	Average	10.27
Others	Min.	2.80
	Max.	5.93
	Average	3.30
Total	**Min.**	2.80
	Max.	19.25
	Average	7.50

APPENDIX 2: VALUATION PARAMETERS PURSUANT TO IFRS 13 AS AT 31 DECEMBER 2016

VALUATION PARAMETERS FOR THE DEMIRE SUBGROUP 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 m²)		7.24		8.69		3.53		4.25
Range of maintenance costs (in EUR per m²)	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 life (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 m², per year)[3]		96.67		134.87		31.58		30.98
Range of average market rent (in EUR per m², 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 m²)		457,229		43,065		217,968		90,138
Vacant space as at balance sheet date (in m²)		32,798		6,209		73,824		38,415
Value-based vacancy rate according to EPRA (in %)		6.41		15.49		45.66		19.35
Average vacancy rate based on the rentable space (in %)		7.17		14.42		33.87		42.62
Range of vacancy rate based on the 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] The average market rent was calculated based on rentable space as at 31 December 2016.

VALUATION PARAMETERS FOR THE FAIR VALUE REIT SUBGROUP		31/12/2016
Average market rent (in EUR per m², per year)[1]		68.83
Range of market rents (in EUR per m²)	18.00	180.00
Rentable space as at balance sheet date (in m²)		255,821
Vacant space as at balance sheet date (in m²)		30,637
Value-based vacancy rate according to 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] The average market rent was calculated based on rentable space as at 31 December 2017.

The rental payments contractually AGreed with the tenants as well as prevailing customary local market rents for unleased space on the valuation date are the basis for the rental income planning. 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 EUR		31/12/2016
Office	Min.	2.02
	Max.	25.80
	Average	7.34
Retail	Min.	2.50
	Max.	90.00
	Average	9.65
Others	Min.	2.00
	Max.	11.60
	Average	4.80
Total	**Min.**	2.00
	Max.	90.00
	Average	8.04

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