



€270,000,000 2.875% Senior Notes due 2022

DEMIRE Deutsche Mittelstand Real Estate AG, organized as a stock corporation (*Aktiengesellschaft*) under the laws of the Federal Republic of Germany (the “**Issuer**”), is offering (the “**Offering**”) €270,000,000 aggregate principal amount of 2.875% senior notes due 2022 (the “**Notes**”).

The Notes will mature on July 15, 2022. The Issuer will pay interest on the Notes semi-annually in arrears on each January 15 and July 15, commencing January 15, 2018. Prior to July 15, 2019, the Issuer will be entitled, at its option, to redeem all or a portion of the Notes by paying the relevant applicable premium. Some or all the Notes may also be redeemed at any time on or after July 15, 2019 at the redemption prices set forth in this offering memorandum. In addition, prior to July 15, 2019, the Issuer may redeem at its option up to 40% of the aggregate principal amount of the Notes with the net proceeds from certain equity offerings at the redemption price set forth in this offering memorandum, provided that at least 60% of the aggregate principal amount of the Notes remains outstanding.

Upon the occurrence of certain events constituting a change of control, the Issuer may be required to make an offer to repurchase all the Notes at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to, but excluding the redemption date. In addition, the Issuer may redeem all, but not less than all, of the Notes upon the occurrence of certain changes in applicable tax law.

The Notes will be senior obligations of the Issuer and will rank *pari passu* in right of payment to all of the Issuer’s existing and future senior indebtedness and will be effectively subordinated to the Issuer’s existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness. The Notes will be structurally subordinated to all existing and future obligations of subsidiaries of the Issuer. This offering memorandum includes information on the terms of the Notes, including redemption and repurchase prices, covenants and transfer restrictions.

There is currently no public market for the Notes. Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes for trading on the Euro MTF market (the “**Euro MTF**”), which is not a regulated market within the meaning of Directive 2004/39/EC on markets in financial instruments. There can be no assurance that any such listing will be granted or maintained.

Investing in the Notes involves a high degree of risk. See “Risk Factors” beginning on page 18.

Issue Price: 100.000% plus accrued interest, if any, from the Issue Date.

We expect that the Notes will be delivered in book-entry form through Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”) on or about July 26, 2017 (the “**Issue Date**”).

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”) or the securities law of any other jurisdiction. Accordingly, the Notes are being offered and sold only to qualified institutional buyers (“QIBs”) in reliance on Rule 144A under the U.S. Securities Act (“Rule 144A”) and to persons outside of the United States in reliance on Regulation S under the U.S. Securities Act (“Regulation S”). Prospective purchasers are hereby notified that the seller of the Notes may be relying on the exemption from the registration requirements under the U.S. Securities Act provided by Rule 144A. See “Notice to Investors” and “Transfer Restrictions” for additional information about eligible offerees and transfer restrictions.

Joint Global Coordinators and Joint Bookrunners

Deutsche Bank

Morgan Stanley

Joint Bookrunner

Berenberg

Co-Lead Managers

equinet Bank

IKB Deutsche Industriebank

The date of this offering memorandum is July 26, 2017.

CONTENTS

IMPORTANT NOTICE	i
NOTICE TO INVESTORS	ii
NOTICE TO CERTAIN EUROPEAN INVESTORS	iv
NOTICE TO CERTAIN OTHER INVESTORS	vii
FORWARD LOOKING STATEMENTS	ix
CERTAIN DEFINITIONS	xi
PRESENTATION OF FINANCIAL INFORMATION	xiv
INDUSTRY AND MARKET DATA AND VALUATION REPORTS	xvii
CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION	xviii
SUMMARY	1
OVERVIEW OF OUR CORPORATE AND FINANCING STRUCTURE	7
THE OFFERING	8
SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION	11
RISK FACTORS	18
USE OF PROCEEDS	41
CAPITALIZATION	42
SELECTED FINANCIAL AND OTHER INFORMATION	43
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	46
INDUSTRY	65
REGULATION	73
BUSINESS	81
SHAREHOLDERS	94
MANAGEMENT	95
CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS	102
DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS	103
DESCRIPTION OF THE NOTES	107
CERTAIN INSOLVENCY LAW CONSIDERATIONS	160
TAXATION	168
CERTAIN ERISA CONSIDERATIONS	175
BOOK ENTRY, DELIVERY AND FORM	177
TRANSFER RESTRICTIONS	182
PLAN OF DISTRIBUTION	188
SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES	191
LEGAL MATTERS	192
INDEPENDENT AUDITORS	193
AVAILABLE INFORMATION	194
LISTING AND GENERAL INFORMATION	195
INDEX TO THE FINANCIAL STATEMENTS	F-1
VALUATION REPORTS	V-1

NOTICE TO INVESTORS

You should rely only on the information contained in this offering memorandum. Neither the Issuer nor the Initial Purchasers listed on the cover page (and defined below) has authorized anyone to provide you with any information or represent anything about the Issuer, its financial results or this Offering that is not contained in this offering memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by the Issuer or the Initial Purchasers. Neither the Issuer nor the Initial Purchasers is offering the Notes in any jurisdiction where this Offering is not permitted. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the cover page of this offering memorandum.

THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OR TO U.S. PERSONS UNLESS REGISTERED UNDER THE U.S. SECURITIES ACT, OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT IS AVAILABLE. SEE “*PLAN OF DISTRIBUTION*” AND “*TRANSFER RESTRICTIONS*”. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF ANY SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144A UNDER THE U.S. SECURITIES ACT.

No dealer, salesperson or other person has been authorized to give any information or to make any representation not contained in this offering memorandum, and, if given or made, any such information or representation must not be relied upon as having been authorized by the Issuer, any of its affiliates or Deutsche Bank AG, London Branch, Morgan Stanley & Co. International plc (together the “**Joint Global Coordinators**”) or Joh. Berenberg, Gossler & Co. KG (together with the Joint Global Coordinators, the “**Joint Bookrunners**”) or equinet Bank AG or IKB Deutsche Industriebank AG (together the “**Co-Lead Managers**” and, together with the Joint Bookrunners, the “**Initial Purchasers**”). This offering memorandum does not constitute an offer of any securities other than those to which it relates or an offer to sell, or a solicitation of an offer to buy, to any person in any jurisdiction where such an offer or solicitation would be unlawful. Neither the delivery of this offering memorandum nor any sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date of this offering memorandum or that the information contained in this offering memorandum is correct as of any time subsequent to that date.

By receiving this offering memorandum, investors acknowledge that they have had an opportunity to request for review, and have received, all additional information they deem necessary to verify the accuracy and completeness of the information contained in this offering memorandum. Investors also acknowledge that they have not relied on the Initial Purchasers in connection with their investigation of the accuracy of this information or their decision whether to invest in the Notes. The contents of this offering memorandum are not to be considered legal, business, financial, investment, tax or other advice. Prospective investors should consult their own counsel, accountants and other advisors as to legal, business, financial, investment, tax and other aspects of a purchase of the Notes. In making an investment decision, investors must rely on their own examination of the Issuer and their respective affiliates, the terms of the offering of the Notes and the merits and risks involved.

This Offering is being made in reliance upon exemptions from registration under the U.S. Securities Act for an offer and sale of securities that does not involve a public offering. The Notes have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission (the “**SEC**”) or any other U.S. federal, state or foreign securities commission or regulatory authority, nor has any such commission or regulatory authority reviewed or passed upon the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

This offering memorandum is being provided for informational use solely in connection with their consideration of the purchase of the Notes (1) to QIBs as defined in Rule 144A under the U.S. Securities Act, and (2) to non U.S. persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

The Initial Purchasers reserve the right to withdraw this Offering at any time and to reject any commitment to subscribe for the Notes, in whole or in part. The Initial Purchasers also reserve the right to allot less than the full amount of Notes subscribed by investors. The Initial Purchasers and certain related entities may acquire a portion of the Notes for their own account.

The laws of certain jurisdictions may restrict the distribution of this offering memorandum. Furthermore, the Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act and any other applicable federal, state or foreign securities laws pursuant to registration or exemption therefrom. Persons into whose possession this offering memorandum or any of the Notes come must inform themselves about and observe any such restrictions. None of the Issuer, the Initial Purchasers or their respective representatives is making any representation to any offeree or any purchaser of the Notes regarding the legality of any investment in the Notes by such offeree or purchaser under applicable investment or similar laws or regulations. For a description of certain restrictions on the offering and sale of the Notes and the distribution of this offering memorandum, see “—*Notice to Certain European Investors*” and “*Transfer Restrictions*”.

To purchase the Notes, investors must comply with all applicable laws and regulations in force in any jurisdiction in which investors purchase, offer or sell the Notes or possess or distribute this offering memorandum. Investors must also obtain any consent, approval or permission required by such jurisdiction for investors to purchase, offer or sell any of the Notes under the laws and regulations in force in any jurisdiction to which investors are subject. None of the Issuer, its respective affiliates or the Initial Purchasers will have any responsibility therefore.

No action has been taken by the Initial Purchasers, the Issuer or any other person that would permit an offering of the Notes or the circulation or distribution of this offering memorandum or any offering material in relation to the Issuer or its affiliates or the Notes in any country or jurisdiction where action for that purpose is required.

The Issuer accepts responsibility for the information contained in this offering memorandum. To the best of the knowledge and belief of the Issuer (having taken reasonable care to ensure that such is the case), the information contained in this offering memorandum is in accordance with the facts in all material respects and does not omit anything likely to affect the import of such information in any material respect. The Issuer accepts responsibility accordingly.

IN CONNECTION WITH THIS OFFERING, DEUTSCHE BANK AG, LONDON BRANCH (THE “STABILIZING MANAGER”) (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

NOTICE TO CERTAIN EUROPEAN INVESTORS

European Economic Area

This offering memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under Article 3 of the Prospectus Directive (as defined below) as implemented in member states of the European Economic Area (the “EEA”), from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of the Notes should only do so in circumstances in which no obligation arises for the Issuer or the Initial Purchasers to produce a prospectus for such offer. Neither the Issuer nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this offering memorandum.

In relation to each member state of the EEA that has implemented the Prospectus Directive (each, a “**Relevant Member State**”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, the offer is not being made and will not be made to the public of any Notes which are the subject of the offering contemplated by this offering memorandum to the public in that Relevant Member State, other than:

- (a) to any legal entity that is a “qualified investor” as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than “qualified investors” as defined in the Prospectus Directive), subject to obtaining the prior consent of the Initial Purchaser or Initial Purchasers nominated by us for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of the Notes shall require the publication by us or the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Notes to the public**” in relation to the Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression “**Prospectus Directive**” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Each subscriber for or purchaser of the Notes in the Offering located within a member state of the EEA will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive. We, the Initial Purchasers and their affiliates and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a “qualified investor” and who has notified the Initial Purchasers of such fact in writing may, with the consent of the Initial Purchasers, be permitted to purchase the Notes in the Offering.

Germany

The Notes may be offered and sold in the Federal Republic of Germany only in compliance with the German Securities Prospectus Act (*Wertpapierprospektgesetz*), as amended, the Commission Regulation No (EC) 809/2004 of April 29, 2004, as amended, or any other laws applicable in Germany governing the issue, offering and sale of securities. This offering memorandum has not been approved under the German Securities Prospectus Act or the Prospectus Directive and, accordingly, the Notes may not be offered publicly in the Federal Republic of Germany. The Notes will be offered in the Federal Republic of Germany in reliance on an exemption from the requirement to publish an approved securities prospectus under the German Securities Prospectus Act. Any resale of the Notes in Germany may only be made in accordance with the German Securities Prospectus Act and other applicable laws. The Issuer has not filed and does not intend to file a securities prospectus with the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (“**BaFin**”) or obtain a notification to BaFin from another competent authority of a member state of the European Economic Area, with which a securities prospectus may have been filed, pursuant to Section 17 (3) of the German Securities Prospectus Act.

United Kingdom

Members of the public are not eligible to take part in this Offering. This offering memorandum is for distribution only to persons who (a) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “**Financial Promotion Order**”), (b) are persons falling within Article 49(2)(a) to (d) (“high net worth companies”, “unincorporated associations”, etc.) of the Financial Promotion Order, (c) are outside the United Kingdom, or (d) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (“**FSMA**”) in connection with the issue or sale of the Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “**relevant persons**”). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Recipients of this offering memorandum are not permitted to transmit it to any other person. Persons distributing this offering memorandum must satisfy themselves that it is lawful to do so. The Notes are not being offered to the public in the United Kingdom.

Luxembourg

The terms and conditions relating to this offering memorandum have not been approved by and will not be submitted for approval to the Luxembourg Financial Services Authority (*Commission de Surveillance du Secteur Financier*) for the purposes of public offering or sale in the Grand Duchy of Luxembourg (“**Luxembourg**”). Accordingly, the Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither this offering memorandum nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in or from, or published in, Luxembourg except for the sole purpose of the admission to trading of the Notes on the Euro MTF and listing of the Notes on the Official List of the Luxembourg Stock Exchange and except in circumstances which do not constitute a public offer of securities to the public, subject to prospectus requirements, in accordance with the Luxembourg law of July 10, 2005 on prospectuses for securities, as amended. A listing of the Notes on the Luxembourg Stock Exchange does not necessarily imply that a public offering in Luxembourg has been authorized.

Italy

The Offering has not been cleared by the *Commissione Nazionale per la Società e la Borsa* (“**CONSOB**”) (the Italian securities exchange commission), pursuant to Italian securities legislation. Accordingly, no Notes may be offered, sold or delivered, directly or indirectly nor may copies of this offering memorandum or of any other document relating to the Notes be distributed in the Republic of Italy, except (a) to qualified investors (*investitori qualificati*) as defined in Article 26, first paragraph, letter (d) of CONSOB Regulation No. 16190 of October 29, 2007, as amended (“**Regulation No. 16190**”), pursuant to Article 34-ter, first paragraph letter (b) of CONSOB Regulation No. 11971 of May 14, 1999, as amended (the “**Issuer Regulation**”), implementing Article 100 of Italian Legislative Decree No. 58 of February 24, 1998, as amended (the “**Italian Financial Act**”) and (b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Act and the implementing CONSOB regulations, including the Issuer Regulation.

The Initial Purchasers have represented and agreed that any offer, sale or delivery of the Notes or distribution of copies of this offering memorandum or of any other document relating to the Notes in the Republic of Italy will be carried out in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Any such offer, sale or delivery of the Notes or distribution of copies of this offering memorandum or any other document relating to the Notes in the Republic of Italy according to the provisions above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Italian Financial Act, Italian Legislative Decree No. 385 of September 1, 1993, Regulation No. 16190 (in each case, as amended from time to time) and any other applicable laws and regulations; and

(b) in compliance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations and any other applicable requirement or limitation that may be imposed from time to time by CONSOB, the Bank of Italy or any other relevant Italian authorities.

Any investor purchasing the Notes is solely responsible for ensuring that any offer or resale of the Notes by such investor occurs in compliance with applicable laws and regulations.

France

This offering memorandum has not been prepared in the context of a public offering in France within the meaning of Article L. 411-1 of the *Code Monétaire et Financier* and Title I of Book II of the *Règlement Général of the Autorité des marchés financiers* (the “AMF”) and therefore has not been submitted for clearance to the AMF or any other competent authority of another state that is a contracting party to the agreement on the EEA and notified to the AMF. Consequently, the Notes have not been and will not be, directly or indirectly, offered or sold to the public in France, and neither this offering memorandum nor any other offering material relating to the Notes has been or will be distributed or caused to be distributed to the public in France. Such offers, sales and distribution of the Notes have been and will only be made in France to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d’investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*) other than individuals, acting for their own account, as defined in, and in accordance with, Articles L. 411-1, L. 411-2 and D. 411-1, D. 411.2, D. 734-1, D. 744-1, D. 754-1 and D. 764.1 of the *Code of Monétaire et Financier* and applicable regulations thereunder.

NOTICE TO CERTAIN OTHER INVESTORS

Canada

The Notes may only be offered or sold in the provinces of British Columbia, Alberta, Saskatchewan, Ontario, Québec, New Brunswick, Nova Scotia and Prince Edward Island to or for the benefit of a resident of these provinces pursuant to an exemption from the requirement to file a prospectus in such province in which such offer or sale is made, and only by a registrant duly registered under the applicable securities laws of that province or by a registrant that is relying in that province on the “international dealer” exemption provided by section 8.18 of National Instrument 31 103 Registration Requirements, Exemptions and Ongoing Registrant Obligations (“**NI 31 103**”). Furthermore, the Notes may only be offered or sold to residents of any such province that are purchasing, or deemed to be purchasing, as principal, that are “accredited investors” as defined in National Instrument 45 106 Prospectus Exemptions (“**NI 45 106**”) or subsection 73.3(1) of the Securities Act (Ontario), and that are “permitted clients” as defined in NI 31 103. Each Canadian purchaser hereby acknowledges that any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws and that it shall be deemed to represent and warrant it is an accredited investor and is purchasing as principal (or deemed principal) in connection with any purchase of Notes hereunder. Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province of residence for particulars of these rights or consult with a legal advisor. Pursuant to section 3A.3 of NI 33 105, the Initial Purchasers are not required to comply with the disclosure requirements of NI 33 105 regarding underwriter conflicts of interest in connection with this offering. We and the Initial Purchasers hereby notify prospective Canadian purchasers that: (a) we may be required to provide personal information pertaining to the purchaser as required to be disclosed in Schedule I of Form 45 106F1 under NI 45 106 (including its name, address, telephone number, email and the aggregate purchase price of any Notes purchased) (“**personal information**”), which Form 45 106F1 may be required to be filed by us under NI 45 106, (b) such personal information may be delivered to the Ontario Securities Commission (the “**OSC**”), in accordance with NI 45 106, (c) such personal information is collected indirectly by the OSC under the authority granted to it under the securities legislation of Ontario, (d) such personal information is collected for the purposes of the administration and enforcement of the securities legislation of Ontario, and (e) the public official in Ontario who can answer questions about the OSC’s indirect collection of such personal information is the Administrative Support Clerk at the OSC, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H3S8, Telephone: (416) 593 3684. Prospective Canadian purchasers that purchase Notes in this offering will be deemed to have authorized the indirect collection of the personal information by the OSC, and to have acknowledged and consented to its name, address, telephone number, email and other specified information, including the aggregate purchase price paid by the purchaser, being disclosed to other Canadian securities regulatory authorities, and to have acknowledged that such information may become available to the public in accordance with requirements of applicable Canadian laws. Upon receipt of this document, each Canadian purchaser hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque acheteur(se) canadien(ne) confirme par les présentes qu’il(elle) a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d’achat ou tout avis) soient rédigés en anglais seulement.*

Hong Kong

The Notes may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong

Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the Notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the shares under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the “**Financial Instruments and Exchange Law**”) and each Initial Purchaser has agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.

FORWARD LOOKING STATEMENTS

This offering memorandum includes forward looking statements within the meaning of the securities laws of certain applicable jurisdictions. These forward looking statements include, but are not limited to, all statements other than statements of historical facts contained in this offering memorandum, including, without limitation, those regarding our future financial position and results of operations, our strategy, plans, objectives, goals and targets, future developments in the markets in which we participate or are seeking to participate or anticipated regulatory changes in the markets in which we operate or intend to operate. In some cases, you can identify forward looking statements by terminology such as “aim”, “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “forecast”, “guidance”, “intend”, “may”, “ongoing”, “plan”, “potential”, “predict”, “projected”, “seek”, “should”, “targets” or “will” or the negative of such terms or other variation or comparable terminology.

By their nature, forward looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward looking statements are not guarantees of future performance and are based on numerous assumptions and that our actual results of operations, including our financial condition and liquidity and the development of the industry in which we operate, may differ materially from (and be more negative than) those made in, or suggested by, the forward looking statements contained in this offering memorandum. In addition, even if our results of operations, including our financial condition and liquidity and the development of the industry in which we operate, are consistent with the forward looking statements contained in this offering memorandum, those results or developments may not be indicative of results or developments in subsequent periods. Important risks, uncertainties and other factors that could cause these differences include, but are not limited to:

- potential lack of attractive properties or participations available for purchase;
- risk of a decrease in rent levels or compression of yields;
- tenant concentration;
- potential lack of suitable and solvent tenants;
- risks associated with the value of properties or portfolio;
- risks associated with minority holdings;
- maintenance and modernization costs;
- unavailability of external service providers for management of properties;
- financial risks in connection with residual pollution;
- invalidity of our lease agreements;
- risk of restitution or compensation claims due to unlawful expropriation;
- loss of key personnel;
- IT and communication system failure or data loss;
- insufficient insurance coverage;
- tax risks associated with tax audits and loss carry forwards;
- debt service obligations; and
- other factors discussed in “*Risk Factors*”.

The risks described in the “*Risk Factors*” section of this offering memorandum are not exhaustive. Other sections of this offering memorandum describe additional factors that could adversely affect our business, financial condition and results of operations. Moreover, we operate in a highly competitive industry. New risks may emerge from time to time, and it is not possible for us to predict all such risks; nor can we assess the impact of all such risks on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward looking statements.

We urge you to read carefully the sections of this offering memorandum entitled “*Risk Factors*”, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”, “*Industry*” and “*Business*” for a more complete discussion of the factors that could affect our future performance. In light of these risks, uncertainties and assumptions, the forward looking statements described in this offering memorandum may not be accurate or occur at all. Accordingly, prospective investors should not place undue reliance on these forward looking statements, which speak only as of the date on which the statements were made (and in any case no later than the date of this offering memorandum). In addition, from time to time, we and our representatives, acting in respect of information provided by us, have made or may make forward looking statements orally or in writing. These forward looking statements may be included in, but are not limited to, press releases (including on our website), reports to our security holders and other communications. Although we believe that the expectations reflected in such forward looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

We undertake no obligation, and do not intend, to update or revise any forward looking statements or risk factors, whether as a result of new information, future events or developments or otherwise. All subsequent written and oral forward looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this offering memorandum.

CERTAIN DEFINITIONS

Unless otherwise specified or the context requires otherwise in this offering memorandum (and except as otherwise defined in “*Description of the Notes*” and “*Description of Certain Financing Arrangements*” for purposes of those sections only), references to:

- “**we**”, “**us**”, “**our**” and the “**Group**” are to DEMIRE Deutsche Mittelstand Real Estate AG together with its consolidated subsidiaries;
- “**A/B-Notes**” are to the notes in an amount outstanding of €55.0 million and €35.5 million, respectively, issued by Germavest Real Estate S.à r.l., as issuer to Palladium Securities 1 S.A., Deutsche Bank AG, London Branch and AG Insurance as noteholders on May 3, 2013 pursuant to a note purchase agreement dated February 9, 2013 (as amended on April 26/27 2013, April 20, 2015 and on October 29, 2015 and as further amended and/or restated from time to time) among, *inter alios*, Germavest Real Estate S.à r.l. as issuer, certain subsidiaries of the Company as original guarantors, Palladium Securities 1 S.A. acting in respect of Compartment 115-2013-15, Deutsche Bank AG, London Branch and AG Insurance as noteholders and Deutsche Bank AG, London Branch as trustee and arranger;
- “**Adjusted EBITDA**” are to EBITDA (as defined below) adjusted by profit/loss from fair value adjustments in investment properties and profit/loss from the sale of real estate and real estate companies;
- “**Bilateral Bank Loans**” are to the various bank loans provided under bilateral loan agreements between the Company and/or certain of its subsidiaries and various local banks and financial institutions and outstanding as of the date of this offering memorandum;
- “**Company**” or to “**Issuer**” are to DEMIRE Deutsche Mittelstand Real Estate AG, a stock corporation (*Aktiengesellschaft*) incorporated under the laws of Germany, and the issuer of the Notes;
- “**Corporate Bond**” are to the corporate bond in an aggregate principal amount of €100.0 million due 2019, issued by the Company on September 16, 2014;
- “**EBIT**” are to earnings before interest and taxes, as shown on our consolidated statement of income;
- “**EBITDA**” are to EBIT (as defined above) before depreciation, amortization and impairment;
- “**EPRA**” are to the European Public Real Estate Association, an association of listed European real estate companies;
- “**EPRA NAV (undiluted)**” are to net asset value. EPRA NAV (undiluted) is the equity attributable to parent company shareholders, adjusted for the fair value of derivative financial instruments, deferred taxes (deferred tax assets/deferred tax liabilities) and goodwill resulting from deferred taxes;
- “**EU**” are to the European Union;
- “**Executive Board**” are to the executive board of the Company;
- “**FFO I after taxes**” are to funds from operations after taxes excluding profit/loss from the sale of real estate and real estate companies. FFO I is profit/loss before taxes and minority interests (profit/loss before taxes adjusted by minority interests shown in financial result), adjusted by profit/loss from the sale of real estate and real estate companies, profit/loss from investments accounted for using the equity method, profit/loss from fair value adjustments in investment properties, profit/loss from revaluation of financial instruments and other adjustments as well as (total) current income taxes (for the respective period);
- “**FFO II after taxes**” are to funds from operations after taxes including profit/loss from the sale of real estate and real estate companies. FFO II after taxes is FFO I after taxes adding or subtracting profit/loss from the sale of real estate and real estate companies (after taxes);

- “**GAV**” are to gross asset value as (i) the carrying amount of an investment property or non-current asset held for sale or (ii) as an aggregate portfolio value the sum of the carrying amounts of the respective investment properties and non-current assets held for sale;
- “**GRI**” are to gross rental income;
- “**Holders**” are to any holder of a proportionate co-ownership or other beneficial interest or right in the Notes;
- “**IFRS**” are to the International Financial Reporting Standards issued by the International Accounting Standards Board, as adopted by the EU;
- “**Indenture**” are to the indenture to be dated the Issue Date governing the Notes by and among, *inter alios*, the Issuer and the Trustee;
- “**Initial Purchasers**” are to Deutsche Bank AG, London Branch, Morgan Stanley & Co. International plc, Joh. Berenberg, Gossler & Co. KG, equinet Bank AG and IKB Deutsche Industriebank AG;
- “**Issue Date**” are to the date of original issuance of the Notes;
- “**LBBW Loans**” are to certain loans in an aggregate amount outstanding of €38.5 million provided under a loan agreement dated December 15, 2014, among CAM Commercial Asset Management EINS GmbH, CAM Commercial Asset Management ZWEI GmbH, CAM Commercial Asset Management DREI GmbH, CAM Commercial Asset Management VIER GmbH, Schwerin Margaretenhof 18 GmbH, DEMIRE Commercial Real Estate GmbH and Landesbank Baden-Württemberg, as amended and restated from time to time;
- “**Mandatory 2018 Notes**” are to mandatory convertible bond issued by the Company in May 2015 in a total nominal amount of €15.0 million and due May 22, 2018.
- “**Mezzanine Loan**” are to the €32.0 million mezzanine loan provided under the mezzanine loan agreement originally dated December 30, 2015, among, *inter alios*, the Issuer as company, Elavon Financial Services DAC, U.K. Branch as agent and U.S. Bank Trustees Limited as security agent, as amended by an amendment and restatement agreement dated December 23, 2016 and as further amended from time to time;
- “**Net Debt**” are to the sum of current and non-current financial liabilities less cash and cash equivalents;
- “**Net LTV**” are to loan-to-value ratio. The Net LTV is the ratio of the net debt (sum of current and non-current financial liabilities, less cash and cash equivalents) to the sum of the carrying amounts of investment properties and non-current assets held for sale;
- “**Notes**” are to the €270.0 million aggregate principal amount of senior notes due 2022 offered pursuant to this offering memorandum and to be issued on the Issue Date;
- “**Offering**” are to the offering of the Notes contemplated by this offering memorandum;
- “**Pro Forma Net Debt**” are to net debt adjusted to give effect to the issuance of the Notes and the application of the proceeds therefrom as if they had occurred on March 31, 2017. Pro forma net debt represents the Notes and the current and non-current financial liabilities less cash and cash equivalents;
- “**Promissory Notes**” are to the promissory notes (*Schuldscheindarlehen*) in an aggregate amount outstanding of €144.2 million entered into by Condor Objektgesellschaft Düsseldorf GmbH, Condor Objektgesellschaft Bad Kreuznach GmbH, Condor Objektgesellschaft Rendsburg GmbH, Condor Objektgesellschaft Bad Oyenhausen GmbH, Condor Objektgesellschaft Lichtenfels GmbH, Condor Objektgesellschaft Eschborn GmbH, GO BREMEN ApS, GO LEONBERG ApS, GO LUDWIGSBURG ApS, ARMSTRIPE S.à r.l., BLUE RINGED S.à r.l., BRIARIUS S.à r.l., REUBESCENS S.à r.l. and DENSTONS INVESTMENTS LIMITED with CAERUS Real Estate

Debt Lux S.C.A., SICAV-SIF and Internationale Kapitalanlagegesellschaft mbH, each acting on behalf of certain funds, as lenders, Wilmington Trust SP Services (Frankfurt) GmbH, as trustee, Situs Global Servicing GmbH, as facility agent, and Deutsche Bank AG, as paying agent, on November 27, 2014, as amended on February 24, 2017;

- “**Refinancing Indebtedness**” are to the indebtedness outstanding under the Bilateral Bank Loans, the LBBW Loans, the Mezzanine Loan, the Corporate Bond and other existing financing arrangements of the Issuer and/or its subsidiaries;
- “**SEC**” are to the U.S. Securities and Exchange Commission;
- “**sqm**” are to square meters;
- “**Supervisory Board**” are to the supervisory board of the Company;
- “**TLA**” are to total lettable area;
- “**Trustee**” are to Deutsche Trustee Company Limited;
- “**United Kingdom**” or “**U.K.**” are to the United Kingdom of Great Britain and Northern Ireland;
- “**United States**” or “**U.S.**” are to the United States of America;
- “**U.S. Securities Act**” are to the U.S. Securities Act of 1933, as amended;
- “**WALT**” are to weighted average lease term based on gross rental income; and
- “**2018 Notes**” are to the convertible bond issued by the Company in December 2013 in a total nominal amount of €11.3 million and due on December 30, 2018.

PRESENTATION OF FINANCIAL INFORMATION

General

All historical financial information included in this offering memorandum is that of the Issuer and its consolidated subsidiaries. In particular, this offering memorandum includes:

- the unaudited interim condensed consolidated financial statements of DEMIRE Deutsche Mittelstand Real Estate AG as of and for the three months ended March 31, 2017, including the notes thereto (the “**Unaudited Interim Consolidated Financial Statements**”);
- the consolidated financial statements of DEMIRE Deutsche Mittelstand Real Estate AG as of and for the fiscal year ended December 31, 2016, including the notes thereto, which have been audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (“**EY**”) in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (*Institut der Wirtschaftsprüfer*) (the “**2016 Audited Consolidated Financial Statements**”); and
- the consolidated financial statements of DEMIRE Deutsche Mittelstand Real Estate AG as of and for the fiscal year ended December 31, 2015, including the notes thereto, which have been audited by EY in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (*Institut der Wirtschaftsprüfer*) (the “**2015 Audited Consolidated Financial Statements**”).

The Unaudited Interim Consolidated Financial Statements, the 2016 Audited Consolidated Financial Statements and the 2015 Audited Consolidated Financial Statements are together referred to in this offering memorandum as the “**Consolidated Financial Statements**”. The 2016 Audited Consolidated Financial Statements and the 2015 Audited Consolidated Financial Statements are together referred to as the “**Audited Consolidated Financial Statements**”. The Audited Consolidated Financial Statements included in this offering memorandum have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“**IFRS**”) and the additional requirements of German commercial law pursuant to Section 315(a)(1) German Commercial Code (*Handelsgesetzbuch*, “**HGB**”). The Unaudited Interim Consolidated Financial Statements included in this offering memorandum have been prepared in accordance with IFRS on interim financial reporting (IAS 34).

Until 2014, the Issuer’s fiscal year end was March 31. Effective January 1, 2015, the Issuer changed its fiscal year to the calendar year to align its fiscal year with the fiscal year of the entities included in the Issuer’s scope of consolidation. This change resulted in an abbreviated fiscal year from April 1, 2014 to December 31, 2014. In addition, in December 2015, we acquired 77.7% of the voting shares in Fair Value REIT-AG in a voluntary public takeover. Fair Value REIT-AG was fully consolidated in the Issuer’s consolidated financial statements for the first time as of December 31, 2015, in accordance with the provisions of IFRS 3 for business combinations. Furthermore, in October 2015, we acquired a 94% interest in Germavest Real Estate S.à r.l., with effect from October 30, 2015. As a result of our takeover of Fair Value REIT-AG in 2015 and the acquisition of a 94% interest in Germavest Real Estate S.à r.l. and its “T6” portfolio in 2015, and due to the change in the fiscal year end and the resulting abbreviated fiscal year for 2014, the comparability of the financial information for the fiscal year ended December 31, 2014 (from April 1 to December 31, 2014) to the fiscal years ended December 31, 2015 and 2016 as well as for the fiscal year ended December 31, 2015 to the fiscal year ended December 31, 2016 is significantly limited.

The unaudited consolidated statement of income information and the unaudited other financial information presented for the twelve months ended March 31, 2017 have been derived by subtracting from the financial information for the fiscal year ended December 31, 2016 taken from the 2016 Audited Consolidated Financial Statements and the Company’s internal accounting system, the comparative financial information for the three months ended March 31, 2016 taken from the Unaudited Interim Consolidated Financial Statements and the Company’s internal accounting system, and adding the financial information for the three months ended March 31, 2017 taken from the Unaudited Interim Consolidated Financial Statements and the Company’s internal accounting system. The unaudited consolidated statement of income information and the other financial information presented for the twelve months ended March 31, 2017 have been prepared for illustrative purposes only and are not necessarily

representative of our results of operations for any future period or our financial condition at any future date. This data has been prepared solely for the purpose of this offering memorandum, is not prepared in the ordinary course of our financial reporting and has not been audited.

Prospective investors are advised to consult their professional advisors for an understanding of: (i) the differences between IFRS and U.S. GAAP and other systems of generally accepted accounting principles and how those differences might affect the financial information included in this offering memorandum and (ii) the impact that future additions to, or amendments of, IFRS may have on our results of operations or financial condition, as well as on the comparability of the prior periods.

In addition, we have included certain non-IFRS financial measures and ratios in this offering memorandum. See “—*Non-IFRS Financial Measures*” below. The non-IFRS financial measures we present may also be defined differently than the corresponding terms under the Indenture (as defined herein).

The financial information marked as “audited” in tables in this offering memorandum is taken from the Audited Consolidated Financial Statements. Financial information marked as “unaudited” in tables in this offering memorandum is not taken from the Audited Consolidated Financial Statements and is either taken from the Unaudited Interim Consolidated Financial Statements or the Issuer’s internal accounting system or is based on calculations of figures of the abovementioned sources.

The financial information included in this offering memorandum is not intended to comply with the applicable accounting requirements of the U.S. Securities Act and the related rules and regulations of the SEC which would apply if the Notes were being registered with the SEC.

Segment Reporting

In the 2015 Audited Consolidated Financial Statements, the Issuer reported segment information for the following business segments: Investments, Core Portfolio and Fair Value REIT. The Investments segment contained all information relating to non-current assets, the business areas of revitalization, project development and land banking as well as the activities of the respective project holdings. The Core Portfolio segment contained the German commercial real estate recognized within the Group’s subsidiaries held or being developed to generate rental income and/or for the purpose of value appreciation. The Fair Value REIT segment comprised office space as well as retail properties held by Fair Value REIT-AG and its subsidiaries. The Central Functions/Others column in the segment reporting mainly contained the Issuer’s activities in its functions as the Group’s holding company but does not represent an independent business segment.

For the fiscal year ended December 31, 2016, the Issuer changed its segment reporting in the 2016 Audited Consolidated Financial Statements to report only two business segments: Core Portfolio and Fair Value REIT. The Core Portfolio segment included a significant logistics property in addition to retail and office properties in Germany. The Fair Value REIT segment comprised office space as well as retail and wholesale properties located in German regional centers and held by Fair Value REIT-AG and its subsidiaries. In the segment reporting information for the fiscal year ended December 31, 2016 contained in the 2016 Audited Consolidated Financial Statements, the Central Functions/Other column includes the former Investments segment (which was shown separately in the 2015 Audited Consolidated Financial Statements) and contains the legacy portfolio properties currently being sold by the Group. In the comparative segment reporting information for the fiscal year ended December 31, 2015 contained in the 2016 Audited Consolidated Financial Statements, the Investments segment was shown separately.

Non-IFRS Financial Measures

This offering memorandum contains certain non-IFRS measures and ratios, including EBIT, FFO I after taxes, FFO II after taxes, EPRA NAV, Net LTV and Net Debt.

- we define “**Adjusted EBITDA**” as EBITDA (as defined below) adjusted by profit/loss from fair value adjustments in investment properties and profit/loss from the sale of real estate and real estate companies;
- we define “**EBIT**” as earnings before interest and taxes, as shown on our consolidated statement of income;

- we define “**EBITDA**” as EBIT (as defined above) before depreciation, amortization and impairment;
- we define “**EPRA NAV (undiluted)**” as net asset value. EPRA NAV (undiluted) is the equity attributable to parent company shareholders, adjusted for the fair value of derivative financial instruments, deferred taxes (deferred tax assets/deferred tax liabilities) and goodwill resulting from deferred taxes;
- we define “**EPRA NAV (diluted)**” as EPRA NAV (undiluted) adjusted for the dilutive effect on equity attributable to parent company shareholders resulting from the conversion of the 2018 Notes and the Mandatory 2018 Notes (including the respective interest) into shares as well as from the exercise of share-based payments;
- we define “**FFO I after taxes**” as funds from operations after taxes excluding profit/loss from the sale of real estate and real estate companies. FFO I is profit/loss before taxes and minority interests (profit/loss before taxes adjusted by minority interests shown in financial result), adjusted by profit/loss from the sale of real estate and real estate companies, profit/loss from investments accounted for using the equity method, profit/loss from fair value adjustments in investment properties, profit/loss from revaluation of financial instruments and other adjustments as well as (total) current income taxes (for the respective period);
- we define “**FFO II after taxes**” as funds from operations after taxes including profit/loss from the sale of real estate and real estate companies. FFO II after taxes is FFO I after taxes adding or subtracting profit/loss from the sale of real estate and real estate companies (after taxes);
- we define “**GAV**” as gross asset value as (i) the carrying amount of an investment property or non-current asset held for sale or (ii) as an aggregate portfolio value the sum of the carrying amounts of the respective investment properties and non-current assets held for sale;
- we define “**Net Debt**” as the sum of current and non-current financial liabilities less cash and cash equivalents;
- we define “**Net LTV**” as loan-to-value ratio. The Net LTV is the ratio of the net debt (sum of current and non-current financial liabilities, less cash and cash equivalents) to the sum of the carrying amounts of investment properties and non-current assets held for sale; and
- we define “**Pro Forma Net Debt**” as net debt adjusted to give effect to the issuance of the Notes and the application of the proceeds therefrom as if they had occurred on March 31, 2017. Pro forma net debt represents the Notes and the current and non-current financial liabilities less cash and cash equivalents.

The non-IFRS financial measures and related ratios contained in this offering memorandum should not be considered in isolation and are not measures of our financial performance or liquidity under IFRS and should not be considered as an alternative to rental income, net profit or loss for the period or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating, investing or financing activities or any other measure of our liquidity derived in accordance with IFRS. Non-IFRS financial measures do not necessarily indicate whether cash flow will be sufficient or available for cash requirements and may not be indicative of our results of operations.

In addition, certain non-IFRS financial measures, as we define them, may not be comparable to other similarly titled measures used by other companies. We believe that EBIT and the other non-IFRS financial measures presented in this offering memorandum represent useful indicators of our financial performance when read in addition to IFRS financial measures indicating our financial performance. You should exercise caution in comparing the non-IFRS financial measures as reported by us to such measures, similar measures or adjusted variations thereof reported by other companies.

INDUSTRY AND MARKET DATA AND VALUATION REPORTS

Market Data

In this offering memorandum, we refer to information regarding our business and the markets in which we operate. The market data and economic and industry data and forecasts used in this offering memorandum have been derived from data reports prepared by, among others, Bulwiengesa, PMA Property Market Analysis, CBRE (as defined below), Jones Lang Lasalle, Eurostat, the German Federal Statistic Office, the German Federal Institute for Population Research, OCDE, Catella Real Estate AG, Fidelity, BNP Paribas and Euromonitor.

These market data and economic and industry data presented in the data reports include data from independent third party data providers as well as, in some cases, information provided by the Company, and information and statements reflecting the providers' of the data reports knowledge and estimates of the industry and markets in which we operate.

We cannot assure you that any of the assumptions that the providers of the data reports have made in compiling this data are accurate or correctly reflect our position in the relevant markets. In addition, the markets in which we operate and compete may have shifted or changed since the date that each data report was prepared. Therefore, any of the data reports may not accurately reflect certain aspects of the current market and industry. Further, the providers of the data reports do not warrant, represent or guarantee the accuracy and completeness of any information in this offering memorandum; nor do the providers of the data reports accept any responsibility or liability to any party who relies on any information contained in this offering memorandum. As we do not have access to the facts and assumptions underlying such market data, statistical information and economic indicators contained in third party sources, we are unable to verify such information and cannot guarantee its accuracy or completeness. We also do not have access to the facts and assumptions underlying the projections made in the market data obtained from the data reports, or the other third party reports that contributed to any of the data reports. Various economic and other factors may cause actual results to differ from these projections.

Valuation Reports

This offering memorandum includes appraisals prepared by independent external appraisers. The following appraisals (the “**Valuation Reports**”) concerning the value of our Group real estate portfolio are included in this offering memorandum on page V-1 *et seq.*:

- the valuation report by Winters & Hirsch Real Estate Advisory GmbH & Co. KG, Bleibtreustrasse 22/23, 10707 Berlin, Germany, with respect to the Core Portfolio, with valuation date of March 31, 2017; and
- the valuation report by CBRE GmbH, Bockenheimer Landstrasse 24, 60323 Frankfurt, Germany, with respect to the real estate portfolio of Fair Value REIT-AG, with valuation date of March 31, 2017.

The valuation reports by Winters & Hirsch Real Estate Advisory GmbH & Co. KG was prepared by persons acting as independent experts, who performed the real estate appraisals in their capacity as qualified external experts in accordance with the requirements of DIN EN ISO/IEC 17024 by IQ-Zert Bonn. None of the experts has a material interest in the Issuer.

The valuation report of the Core Portfolio prepared by Winters & Hirsch Real Estate Advisory GmbH & Co. KG does not reflect assets held for sale or sold as of March 31, 2017 but for which closing had not occurred as of such date. As of March 31, 2017, non-current assets held for sale amounted to €35,737 thousand, of which €35,527 were recorded for the Core Portfolio segment.

The Valuation Report by CBRE GmbH (“**CBRE**”) was prepared by CBRE acting in its capacity as an external valuer as defined by the RICS Valuation—Professional Standards (January 2014). For information on CBRE’s independence, see “Preamble” on page V-30 and “Declaration of Independence” on page V-36 of CBRE’s Valuation Report.

The Valuation Reports were prepared upon request of the Issuer. The Issuer declares that the valuation firms who approved the content of the respective Valuation Report also consented to the form and context in which the Valuation Reports are included in this offering memorandum.

CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

In this offering memorandum, all references to “euro”, “EUR” or “€” are to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time, and all references to “U.S. dollars” and “US\$” are to the lawful currency of the United States of America.

The following table sets forth, for the periods set forth below, the high, low, average and period end Bloomberg Composite Rate expressed as U.S. dollars per €1.00. The Bloomberg Composite Rate is a “best market” calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The rates may differ from the actual rates used in the preparation of our financial statements and other financial information appearing in this offering memorandum. Neither the Issuer nor the Initial Purchasers make any representation that the euro amounts referred to in this offering memorandum have been, could have been or could, in the future, be converted into U.S. dollars at any particular rate, if at all.

The average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during a year. The average rate for a month, or for any shorter period, means the average of the daily Bloomberg Composite Rates during that month, or shorter period, as the case may be.

The Bloomberg Composite Rate of the euro on June 28, 2017 was US\$1.1378 per €1.00.

	U.S. dollars per €1.00			
	Period end	Average	High	Low
Year				
2012	1.3192	1.2860	1.3458	1.2061
2013	1.3743	1.3285	1.3804	1.2780
2014	1.2098	1.3284	1.3932	1.2098
2015	1.0856	1.1098	1.2002	1.0497
2016	1.0520	1.1070	1.1532	1.0389
Month				
January 2017	1.0797	1.0640	1.0797	1.0406
February 2017	1.0576	1.0641	1.0786	1.0537
March 2017	1.0697	1.0684	1.0864	1.0506
April 2017	1.0901	1.0711	1.0949	1.0599
May 2017	1.1237	1.1055	1.1237	1.0867
June 2017 (through June 28, 2017)	1.1378	1.1218	1.1378	1.1125

SUMMARY

This summary highlights information contained elsewhere in this offering memorandum but does not contain all of the information that you should consider before investing in the Notes. The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and the consolidated financial statements appearing elsewhere in this offering memorandum. You should read carefully the entire offering memorandum to understand our business, the nature and terms of the Notes and the tax and other considerations which are important to your decision to invest in the Notes, including “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”, “*Description of the Notes*” and the risks discussed under “*Risk Factors*”.

OVERVIEW

We are a leading integrated publicly-listed commercial real estate company in Germany with a focus on office, retail and logistics properties in secondary locations across Germany. As of March 31, 2017, taking into account sales of properties signed but not closed as of March 31, 2017, our portfolio comprised 85 properties with total lettable floor space of approximately 970,000 square meters and had an aggregate portfolio value (sum of the carrying amounts of investment properties and non-current assets held for sale) of €983.5 million (taking into account sales of properties signed but not closed as of March 31, 2017). As of the same date and on the same basis, our property portfolio had a weighted average lease term (“**WALT**”) of 5.3 years and a European Public Real Estate Association (“**EPRA**”) vacancy rate of 10.7%. For the twelve months ended March 31, 2017, we generated rental income of €77.1 million, EBIT of €78.4 million and FFO I before taxes of €10.2 million. Our headquarters are located in Langen, Germany, in close proximity to Frankfurt am Main, Germany, and we had a total of 78 full-time employees as of March 31, 2017.

The chart below provides an overview of our top ten properties by gross asset value (“**GAV**”) as of March 31, 2017:

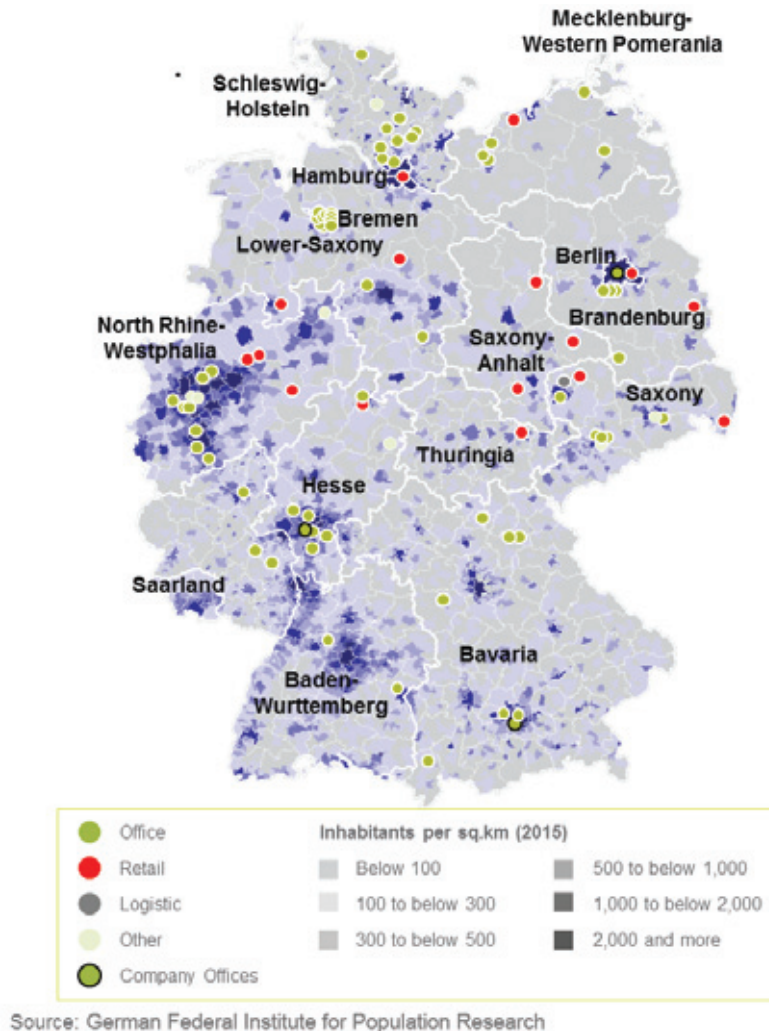
#	City	Segment	Asset Class	GAV (€ m)	Share (%)	TLA ('000 sqm)	GRI p.a. (EUR/)	EPRA Vac (in %)	WALT (Years)
1	Bonn	Core	Office	78.0	7.9	38.4	5.4	0.0	8.0
2	Rostock	FVR ⁽¹⁾	Retail ⁽²⁾	64.9	6.6	19.3	4.2	5.3	5.0
3	Ulm	Core	Office	63.2	6.4	47.5	4.3	10.9	7.4
4	Kassel	Core	Retail	56.5	5.7	21.5	3.6	11.7	9.0
5	Leipzig	Core	Logistic	53.7	5.5	217.6	3.8	45.2	1.9
6	Freiburg	Core	Office	37.1	3.8	22.7	2.6	0.0	4.0
7	Regensburg	Core	Office	31.0	3.1	29.2	2.5	0.0	4.0
8	Düsseldorf	Core	Office	30.1	3.1	24.3	1.9	27.7	5.1
9	Eschborn	Core	Office	29.6	3.0	18.8	2.0	0.0	7.9
10	Eisenhüttenstadt	FVR ⁽¹⁾	Retail	26.9	2.7	30.5	1.8	34.1	5.4
Top 10				470.9	47.9	469.8	32.1	16.4	6.0
Total properties⁽³⁾				983.5	100.0	967.6	71.7	10.7	5.3

⁽¹⁾ FVR refers to Fair Value REIT-AG.

⁽²⁾ A significant portion of which is occupied by a tenant operating a hotel.

⁽³⁾ Taking into account sales of properties signed but not closed as of March 31, 2017.

We are focused on office, retail and logistics asset classes, which accounted for approximately 68%, 24% and 5%, respectively, of our portfolio, by gross rental income (“GRI”), as of March 31, 2017 (taking into account sales of properties signed but not closed as of March 31, 2017). We are focused on cities in densely populated regions, which do not rank among the “top-seven cities”, and areas bordering metropolitan cities (so-called “secondary locations”) in Germany, where yields and occupancy rates are higher and less cyclical than in the “top-seven cities”. We have properties in 15 of the 16 German federal states (*Bundesländer*), as shown by the map below:



The Company was founded in 2006 and shortly thereafter became listed on the regulated market. Since 2013, the Company is focused on the investment in and management of German commercial properties in secondary locations, which was underpinned by the takeover of Fair Value REIT-AG in 2015 as well as the acquisition of several real estate portfolios and individual assets in recent years.

We have a strong and diversified base of high quality tenants across our portfolio. Our tenants include our anchor “blue chip” tenant, Deutsche Telekom, as well as government-related entities, such as the Institute for Federal Real Estate (*Bundesanstalt für Immobilienaufgaben*), and financial service providers, such as Sparkasse Südholstein, which together comprise our top three tenants by rental income. Our stable tenant base and long-term lease agreements provide us with high visibility on rental income and cash flow generation. As of March 31, 2017, annualized GRI amounted to €71.7 million, resulting in a GRI yield of 7.3%.

Our integrated in-house asset, facility and property management platform is a key factor to our success, enabling us to operate as an integrated and scalable real estate company covering the complete value chain and to implement our investment strategy. We acquire and manage properties based on their cash flow

profile as well as value generation potential and primarily divide them into two categories: “core+”, to which approximately 54% of our portfolio, based on GAV (taking into account sales of properties signed but not closed as of March 31, 2017), is allocated as of March 31, 2017, and “value-add”, to which approximately 42% of our portfolio, based on GAV (taking into account sales of properties signed but not closed as of March 31, 2017), is allocated as of March 31, 2017. Our “core+” approach is focused on properties with a strong tenant structure, longer WALTs, stable yields and secure cash flows. Our “value-add” portfolio properties are typically undermanaged assets with higher vacancies and shorter WALTs, but which nevertheless generate attractive yields and present near-term value upside through vacancy reduction and other value-enhancing measures. We seek to improve the operating performance of value-add assets through a “manage-to-core” approach with the objective of moving them to the core+ category.

OUR STRENGTHS

We believe we benefit from the following competitive strengths.

Sizeable portfolio diversified across asset classes, properties and locations.

We are a leading integrated publicly-listed commercial real estate company in Germany, based on our aggregate portfolio value of €983.5 million as of March 31, 2017 (taking into account sales of properties signed but not closed as of March 31, 2017), with a diversified portfolio of properties by asset class, location and tenants. A significant majority of our office, retail and logistics properties are located in densely populated regions across Germany. As of March 31, 2017, taking into account sales of properties signed but not closed as of March 31, 2017, approximately 19% of our GRI was generated from properties located in North Rhine-Westphalia, with properties in Saxony, Baden-Württemberg and Hesse accounting for approximately 14%, 12% and 10%, respectively, of our GRI. By asset class, office properties accounted for approximately 68% of our GRI and our retail asset class accounted for approximately 24% of our GRI as of March 31, 2017 on the same basis. We also have no dependency on any individual assets; our top 10 assets, by GRI, generated approximately 45% of our GRI as of March 31, 2017 (taking into account sales of properties signed but not closed as of March 31, 2017), while our top 34 assets generated approximately 80% of our GRI as of the same date and on the same basis.

Strong tenant base with long weighted average lease term and long-term visibility on rental income.

We benefit from a strong base of high quality tenants across our portfolio, with high visibility on rental income ensured through long-term lease agreements with tenants. As of March 31, 2017, our tenant base included a total of approximately 800 tenants, with our top ten tenants accounting for 47.6% of our GRI. In addition to government-related tenants, such as the Institute for Federal Real Estate (*Bundesanstalt für Immobilienaufgaben*), and financial service providers, such as Sparkasse Südholstein, which are two of our three largest tenants by GRI, we generated 30.1% of our GRI, as of March 31, 2017, from Deutsche Telekom through multiple long-term lease agreements covering 18 properties in our portfolio and which have an average WALT of 5.8 years. Lease agreements with Deutsche Telekom include assets that are considered strategic by Deutsche Telekom, such as Deutsche Telekom’s campuses in Bonn and Ulm. In addition, these portfolio locations comprise 43.5% of the GRI generated from properties leased to Deutsche Telekom and have an average WALT of 7.9 years. Deutsche Telekom actively manages its rental contracts on a long-term basis. In case of moving out processes, Deutsche Telekom makes great efforts to sign subleases with new tenants, which allows us to ensure a smooth transition of the asset and results in further diversification of our tenant base. We believe that default risks associated with our largest tenants, including Deutsche Telekom, which has a corporate credit rating of BBB+, are very low. Moreover, with an average WALT of 5.3 years across our entire portfolio and approximately 59% of lease agreements expiring after 2020, we believe our tenant base and long-term lease agreements provide us with good long-term visibility on rental income and cash flow from operating activities.

Well-maintained, suitable asset base in premier secondary locations that provide high yields with low cyclicity.

We believe that our focus on secondary locations, where we have distinct knowledge of the regional markets and experienced real estate management personnel, are competitive strengths and position us well

to lead the “secondary” commercial real estate segment in Germany. Secondary locations provide higher yields and lower volatility than the “top-seven cities”, because the Company believes that they are less exposed to speculative construction activity. From 2007 to 2016, vacancy rates of office space in secondary locations declined from 7.5% to 5.2%, driven by strong demand and supportive leasing markets, while rates in “top-seven cities” in Germany only reached 6.5% over the same period. In addition, while average rent in secondary locations tends to be lower than in the “top-seven cities”, the rent development for office properties in secondary locations has increased, on an indexed basis, in line with that of “top-seven cities” over the same period. Furthermore, the average gross initial yield of the office market in Germany, which generated 68.1% of our GRI as of March 31, 2017 (taking into account sales of properties signed but not closed as of March 31, 2017), was approximately 7.3% for secondary locations in 2015 compared to 4.5% for “top-seven cities”. This provides potential for value increase of the secondary location market and a considerable premium over the “top-seven cities”. In addition, we believe we have a strong asset base of quality properties suited to our tenants’ needs, which is evidenced by valuation increases, continuously decreasing vacancy rates, good rental increases and overall stable WALTs.

Fully integrated and scalable asset, facility and property management platform with proven track record.

We actively manage our portfolio through a fully integrated management platform, supported by 78 full-time employees as of March 31, 2017. Our in-house management activities extend from operational property-, facility- and tenant-related functions through employees on the ground at many of our properties to accounting and IT operations and cost and quality control oversight by our central management team. We believe this approach allows us to be responsive to our tenants and remain a trusted and reliable partner, which is particularly important in secondary locations. We also believe that this enhances our ability to further reduce our vacancy levels. From 2014 to 2016, we lowered our EPRA vacancy rate from 14.7% to 11.6% and to 10.7% as of March 31, 2017 (taking into account sales of properties signed but not closed as of March 31, 2017), and we increased our average asset value from €5.1 million as of December 31, 2015 to €11.6 million as of March 31, 2017 (taking into account sales of properties signed but not closed). Our integrated internal management platform also allows us to monitor local market dynamics on a constant and consistent basis in order to manage the size and footprint of our portfolio as well as identify opportunities to realize value enhancement through selected disposals and acquisitions. We believe that the integration of our asset, facility and property management platform has also supported our track record of acquisitions over the last several years, for which we apply strict acquisition criteria in line with our strategy and investment policy. Furthermore, our extensive local sourcing networks support a tangible acquisition pipeline to bolster our further growth in a scalable manner.

Strong shareholder support for our growth strategy and further leverage reduction.

We enjoy the strong support of our two major shareholders, Wecken & Cie. and Obotritia Capital KGaA, who hold 26.5% and 11.9% of our shares, respectively. Klaus Wecken, the founder of Wecken & Cie. (a family office based in Basel, Switzerland) has been investing in German and Swiss listed real estate space for several years and sees his investment in the Company as strategic. Wecken & Cie. is represented in the Company’s Supervisory Board by Frank Hölzle, the Chief Executive Officer of Care4 AG, the management company of Wecken & Cie. Obotritia Capital KGaA, which became a shareholder in 2015 in connection with our acquisition of a majority stake in Fair Value REIT-AG, is also a significant shareholder in Deutsche Konsum REIT-AG, and Rolf Elgeti, the general partner of Obotritia Capital KGaA, is the current Chief Executive Officer of Deutsche Konsum REIT-AG as well as the former Chief Executive Officer and current chairman of the supervisory board of TAG Immobilien AG. We believe that our two key shareholders remain supportive of the continued growth of our portfolio and strategy to reduce leverage.

OUR STRATEGY

Active portfolio and acquisition management to optimize portfolio structure and realize value creation and economies of scale.

We plan to continue to expand our property portfolio in line with our financial strategy through selective acquisitions of well-maintained commercial properties primarily in secondary locations in Germany. We

are seeking to grow our portfolio, through a combination of debt and equity financing, to an aggregate portfolio value of approximately €2 billion in the medium term and target future investment volumes per property to be in the range of €10 to €50 million. We intend to use our local market experience and business relationships to identify promising opportunities for acquisitions of properties, real estate portfolios and majority investments in real estate companies, which offer an attractive yield and upside potential, while also maintaining the diversity of our portfolio by location, asset class and tenant base. Such selective acquisitions may include core+ or value-add assets which have higher vacancies and, consequently, provide promising prospects to reposition such properties and generate higher returns. At the same time, we will continue to actively recycle capital by selective disposals of assets and adjust the size and footprint of our core portfolio properties on a selective basis to realize increases in property values.

Improve financing structure and support implementation of conservative leverage policy.

We aim to continue to strengthen our capital structure and reduce leverage through improvement of our financing structure and, in particular, the offering of the Notes. We reduced our Net LTV from 87.4% as of December 31, 2014 to 62.8% as of December 31, 2016 and 62.5% as of March 31, 2017. Over the same period, we also reduced our average annual interest rate on borrowings from 6.4% to 4.1%, as of March 31, 2017, while considerably extending our debt maturity profile. Through the offering of the Notes, we aim to extend the maturity profile of our liabilities as well as reduce our average annual interest rate on borrowings further. In addition, the offering of the Notes will significantly increase our financial flexibility and streamline our capital structure and will result in over €200 million of unencumbered assets and savings in amortization. Over the medium term, we aim to achieve a Net LTV of approximately 50% and an investment grade credit rating.

Realize economies of scale through in-house asset, facility and property management functions.

We are focused on continuing to increase the size of our portfolio in order to realize economies of scale from our integrated in-house asset, facility and property management platform, reduce overall operating costs and improve cash flow generation. In the last two years, we have terminated various third-party service provider contracts, including in the areas of accounting and IT, in order to develop a scalable asset, facility and property management function internally. We believe this will allow us to manage the expansion of our portfolio by emphasizing internal operational and administrative knowhow and personnel development. We also intend to undertake certain corporate reorganization and tax efficiency measures following the issuance of the Notes to simplify and streamline our Group's structure. We are currently in the process of conducting a strategic review, which commenced in the first quarter of 2017, in order to identify various measures to optimize operating costs, streamline our Group structure and reduce financing costs.

Continue to improve the operating performance of our existing properties through active asset management

As an active investor and holder of real estate property in secondary locations, we aim to achieve value appreciation of the assets in our existing property portfolio. Through our in-house asset, facility and property management expertise, we seek to attract and retain high-quality tenants on favorable lease terms, thereby increasing occupancy, WALT and sustainable rental cash flow. We accomplish this by investing in selected assets as to meet the functional requirements of our tenants while enhancing the image and external appearance of our properties. With this, we aim to reposition properties currently classified as "value-add" into our "core+" cluster. Our track record is exemplified by the Gutenberggalerie in Leipzig, which we acquired in May 2015 and have since increased annualised rent by 25% to €1.6 million over the same time period. This has resulted in a value uplift of the Gutenberggalerie from €19 million at acquisition to €25 million as of March 31, 2017. Across our portfolio, our integrated asset management strategy has enabled us to meaningfully reduce average vacancy rate from 14.7% as of December 31, 2014 to 10.7% as of March 31, 2017 (taking into account sales of properties signed but not closed as of March 31, 2017). We believe there is meaningful opportunity to further reduce the vacancy rate, increase rental income and cash flows of the existing portfolio in the near- to medium-term.

RECENT DEVELOPMENTS

On June 29, 2017, we announced our forecast for 2017. For the fiscal year ending December 31, 2017, we expect to generate FFO I after taxes (before minority interests) of €8-10 million and, based on our current real estate holdings, rental income of €72-73 million driven by rent increases and further reductions in vacancy rates.

In preparing the targets described above, we have generally assumed that there will be no changes in existing market, economic, political, legal and regulatory conditions (including, but not limited to, accounting policies and accounting treatments) except as described in this offering memorandum, which, individually or in the aggregate, would be material to our results of operations; and that we will not become party to any litigation or administrative proceeding that might have a material impact on us of which we are not currently aware.

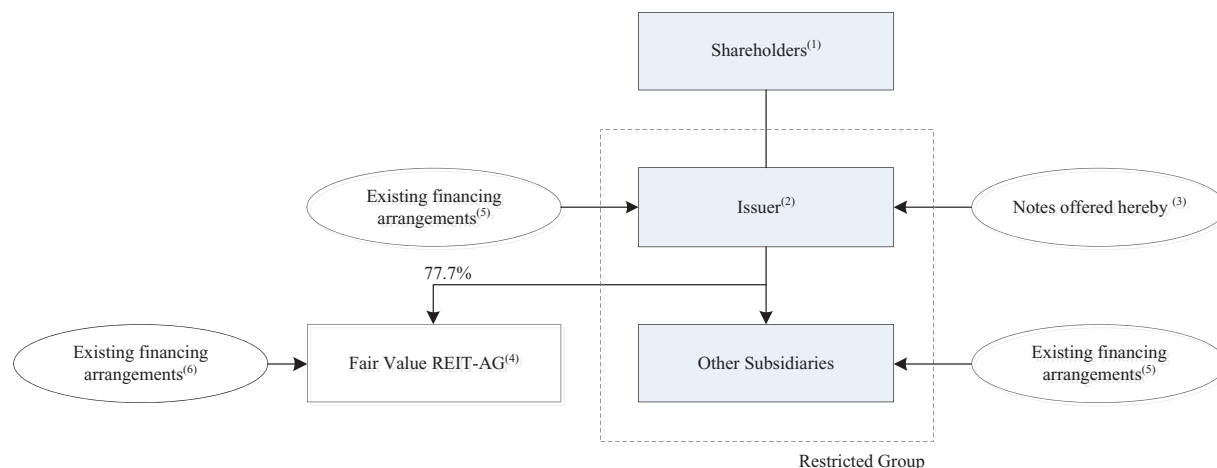
The assumptions on which we have based our forecast and targets include, but are not limited to, our ability to maintain and further expand our market position in the German real estate market and the performance of our existing portfolio.

These assumptions may be affected by external factors beyond our control and include, but are not limited to, that the Germany commercial real estate market will continue to develop as described in “*Industry*”, that the competitive landscape will remain similar to the current situation, interest rate trends and the economic environment in Germany will not develop in a negative manner that could have a material adverse impact on our results of operations.

Certain statements in this section, including, in particular, the targets described above, constitute forward-looking statements. These forward-looking statements are not guarantees of future financial performance, and our actual results could differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including but not limited to those described under “*Forward-Looking Statements*” and “*Risk Factors*”. Investors are urged not to place undue reliance on any of the statements set forth above.

OVERVIEW OF OUR CORPORATE AND FINANCING STRUCTURE

The following diagram depicts, in simplified form, our corporate and financing structure adjusted to give effect to the Offering and the use of the proceeds therefrom as set forth under “*Use of Proceeds*” as if they had occurred on the Issue Date. All company ownership is 100% unless otherwise indicated. For a summary of the Issuer’s material financing arrangements, see “*Description of Certain Financing Arrangements*” and “*Description of the Notes*”.



- (1) At the date of this offering memorandum, our main shareholders are Wecken & Cie. (26.53%), a family office based in Basel, Switzerland, Obotritia Capital KGaA (11.89% (including subsidiaries of Obotritia Capital KGaA)), a commercial real estate investment firm based in Potsdam, Germany, and Sigrid Wecken (5.00%). The remaining shares are in free float.
- (2) The Company is a stock corporation (*Aktiengesellschaft*) incorporated under the laws of Germany with its shares listed at the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).
- (3) The Issuer is offering €270.0 million aggregate principal amount of senior notes due 2022 offered pursuant to this offering memorandum which are to be issued on the Issue Date.
- (4) The Company indirectly holds 77.7% of the voting shares in Fair Value REIT-AG which was fully consolidated in the Issuer’s consolidated financial statements for the first time as of December 31, 2015, in accordance with the provisions of IFRS 3 for business combinations. Fair Value REIT-AG holds 0.58% treasury shares. In light of applicable legal and corporate governance restrictions set forth under the German Stock Corporation Act (*Aktengesetz*), Fair Value REIT-AG and its subsidiaries will be Unrestricted Subsidiaries under the Indenture as of the Issue Date but may be designated as Restricted Subsidiaries after the Issue Date under certain circumstances. In particular, Fair Value REIT-AG and its subsidiaries will automatically be designated as Restricted Subsidiaries upon any domination and/or profit and loss transfer agreement between the Company and Fair Value REIT-AG becoming effective. See “*Description of the Notes—Certain Covenants—Designation of Unrestricted and Restricted Subsidiaries*”. As of March 31, 2017, the GAV of Fair Value REIT-AG’s portfolio (sum of the carrying amounts of investment properties and non-current assets held for sale) amounted to €289.3 million. In the fiscal year ended December 31, 2016, the Fair Value REIT-AG subgroup generated 29.5% of the Group’s rental income and 18.7% of the Group’s EBIT, not considering any consolidation effects. As of December 31, 2016, the total assets of the Fair Value REIT-AG subgroup represented 29.9% of the Group’s total assets, not considering any consolidation effects. In the three months ended March 31, 2017, the Fair Value REIT-AG subgroup generated 29.6% of the Group’s rental income and 41.9% of the Group’s EBIT, not considering any consolidation effects. As of March 31, 2017, total assets of the Fair Value REIT-AG subgroup represented 29.9% of the Group’s total assets, not considering any consolidation effects. In addition, for the fiscal years ended December 31, 2015 and 2016, the Company received dividend payments from Fair Value REIT-AG in the amount of €2,741 thousand (€0.25 per share) and €4,386 thousand (€0.40 per share), respectively, in respect of our 77.7% shareholding in Fair Value REIT-AG and as a result of Fair Value REIT-AG’s legal obligation to distribute at least 90% of its distributable net income to shareholders. See “*Risk Factors—Risk Related to the Notes—As of the Issue Date, Fair Value REIT-AG and its subsidiaries will, and certain other of our subsidiaries may in the future, constitute Unrestricted Subsidiaries under the Indenture governing the Notes, which will not be subject to the restrictive covenants thereunder and may incur additional indebtedness without limitation in the future.*”
- (5) The Company and/or certain of its subsidiaries are borrowers under certain financing arrangements which will not be repaid with the proceeds from the Offering. Furthermore, the Company has issued a convertible bond in an aggregate principal amount of €11.3 million in December 2013 and a mandatory convertible bond in an aggregate principal amount of €15.0 million in May 2015, which will mature on December 30, 2018 and on May 22, 2018, respectively. See “*Description of Certain Financing Arrangements*”. As of March 31, 2017, the aggregate amount outstanding under such instruments was approximately €10.6 million and €15.0 million. See “*Risk Factors—Risk Related to the Notes—Your right to receive payments under the Notes will be effectively subordinated to claims of existing and future secured creditors of the Issuer, up to the value of the collateral securing such indebtedness.*”
- (6) As of March 31, 2017, Fair Value REIT-AG and its subsidiaries had financial liabilities in an amount of €131.7 million.

THE OFFERING

The following is a brief summary of certain terms of the Offering. It may not contain all the information that is important to you. For additional information regarding the Notes, see “Description of the Notes” and “Description of Certain Financing Arrangements”.

Issuer	DEMIRE Deutsche Mittelstand Real Estate AG.
Notes Offered	€270,000,000 aggregate principal amount of senior notes due 2022 (the “Notes”).
Issue Date	July 26, 2017.
Issue Price	100.000%, plus accrued interest, if any, from the Issue Date.
Maturity Date	July 15, 2022.
Interest Rate	2.875% per annum.
Interest Payment Dates	Interest on the Notes will be payable semi-annually in arrears on each January 15 and July 15, commencing January 15, 2018.
Denominations	The Issuer will issue the Notes on the Issue Date in global registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof maintained in book-entry form. Notes in denominations of less than €100,000 will not be available.
Ranking of the Notes	The Notes will: • be senior obligations of the Issuer and will rank equal in right of payment with all of the Issuer’s existing and future obligations that are not subordinated in right of payment to the Notes; • rank senior in right of payment to any existing and future subordinated indebtedness of the Issuer; • be effectively subordinated to the Issuer’s existing and future secured indebtedness to the extent of the value of such property and assets securing such indebtedness; and • be structurally subordinated to all existing and future obligations of the Issuer’s subsidiaries.
Use of Proceeds	The Issuer will use the gross proceeds from the Offering as set forth in “Use of Proceeds”.
Optional Redemption	The Issuer may redeem all or part of the Notes at any time on or after July 15, 2019 at the redemption prices described under “Description of the Notes—Optional Redemption”. At any time prior to July 15, 2019, the Issuer may redeem on any one or more occasions all or part of the Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts (as defined herein), if any, to, but excluding, the redemption date, plus the Applicable Premium, as described under “Description of the Notes—Optional Redemption”.

Additional Amounts; Tax

Redemption Any payments made by or on behalf of the Issuer under or with respect to the Notes will be made without withholding or deduction for or on account of any taxes in any relevant taxing jurisdiction unless required by law. Subject to certain exceptions and limitations, if the Issuer or paying agent is required by law to withhold or deduct such taxes with respect to a payment on any Note, the Issuer will pay the additional amounts necessary so that the net amount received after such withholding or deduction is not less than the amount that would have been received in the absence of the withholding or deduction. See “*Description of the Notes—Additional Amounts*”.

If certain changes in the law of any relevant taxing jurisdiction become effective after the issuance of the Notes that would impose withholding taxes on the payments on the Notes and would require the Issuer to pay Additional Amounts (as described in “*Description of the Notes—Additional Amounts*”), the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, and Additional Amounts (as defined herein), if any, to the date of redemption. See “*Description of the Notes—Optional Redemption—Redemption upon Changes in Withholding Taxes*”.

Change of Control If the Issuer experiences a change of control (as defined in the Description of the Notes), the Holders of the Notes will have the right to require the Issuer to offer to repurchase the Notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest and Additional Amounts (as defined herein), if any, to, but excluding, the date of repurchase. See “*Description of the Notes—Repurchase at the Option of Holders—Change of Control*”.

Certain Covenants The Indenture will limit, among other things, the ability of the Issuer and its Restricted Subsidiaries to:

- incur or guarantee additional indebtedness or issue certain preferred stock;
- pay dividends, redeem capital stock and make other distributions;
- make certain other restricted payments or restricted investments;
- prepay or redeem subordinated debt or equity;
- create or permit to exist certain liens;
- impose restrictions on the ability of the Restricted Subsidiaries to pay dividends;
- transfer or sell certain assets;
- merge or consolidate with other entities;
- engage in certain transactions with affiliates; and

- impair the security interests for the benefit of the Holders of the Notes.

Certain of the covenants will be suspended if and for as long as we achieve investment grade ratings. See “*Description of the Notes—Suspension of Certain Covenants When Notes Rated Investment Grade*”. Each of the covenants in the Conditions of Issue will be subject to significant exceptions and qualifications. See “*Description of the Notes—Certain Covenants*”.

Transfer Restrictions The Notes have not been, and will not be, registered under U.S. federal or state or any foreign securities laws and are subject to restrictions on transferability and resale. See “*Transfer Restrictions*”. We are under no obligation to, nor do we intend to, register the Notes in the United States.

Absence of a Public Market for the Notes The Notes will be new securities for which there is no established trading market. Although the Initial Purchasers have advised us that they intend to make a market in the Notes, they are not obligated to do so and may discontinue market-making at any time without notice. Accordingly, we cannot assure you as to the development or liquidity of any market for the Notes. Furthermore, the Notes will not have registration rights under the U.S. Securities Act.

Risk Factors Investing in the Notes involves substantial risks. You should consider carefully all the information in this offering memorandum and, in particular, you should evaluate the specific risk factors set forth in the “*Risk Factors*” section before making a decision whether to invest in the Notes.

Listing Application has been made to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF in accordance with the rules thereof.

Governing Law The Indenture and the Notes will be governed by the laws of the State of New York.

Certain U.S. Federal Income Tax Considerations For a discussion of the U.S. federal income tax consequences of an investment in the Notes, see “*Taxation—Certain U.S. Federal Income Tax Considerations*”. You should consult with your own tax advisor to determine the U.S. Federal, state, local and other tax consequences of an investment in the Notes.

Trustee Deutsche Trustee Company Limited.

Paying Agent Deutsche Bank AG, London Branch.

Registrar, Transfer Agent and Listing Agent Deutsche Bank Luxembourg S.A.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables set forth certain summary consolidated financial and other information of the Issuer as of and for the fiscal years ended December 31, 2014, 2015 and 2016 and as of and for the three months ended March 31, 2016 and 2017 as well as for the twelve months ended March 31, 2017.

Until 2014, the Issuer's fiscal year end was March 31. Effective January 1, 2015, the Issuer changed its fiscal year to the calendar year to align its fiscal year with the fiscal year of the entities included in the Issuer's scope of consolidation. This change resulted in an abbreviated fiscal year from April 1, 2014 to December 31, 2014. In addition, in December 2015, we acquired a 77.7% of the voting shares in Fair Value REIT-AG in a voluntary public takeover. Fair Value REIT-AG was fully consolidated in the Issuer's consolidated financial statements for the first time as of December 31, 2015, in accordance with the provisions of IFRS 3 for business combinations. Furthermore, in October 2015, we acquired a 94% interest in Germavest Real Estate S.à r.l., with effect from October 30, 2015. As a result of our takeover of Fair Value REIT-AG and the acquisition of a 94% interest in Germavest Real Estate S.à r.l. and its "T6" portfolio in 2015, and due to the change in the fiscal year end and the resulting abbreviated fiscal year for 2014, the comparability of the financial information for the fiscal year ended December 31, 2014 (from April 1 to December 31, 2014) to the fiscal years ended December 31, 2015 and 2016 as well as for the fiscal year ended December 31, 2015 to the fiscal year ended December 31, 2016 is significantly limited.

The unaudited consolidated statement of income information and the unaudited other financial information presented for the twelve months ended March 31, 2017 have been derived by subtracting from the financial information for the fiscal year ended December 31, 2016 taken from the 2016 Audited Consolidated Financial Statements and the Company's internal accounting system, the comparative financial information for the three months ended March 31, 2016 taken from the Unaudited Interim Consolidated Financial Statements and the Company's internal accounting system, and adding the financial information for the three months ended March 31, 2017 taken from the Unaudited Interim Consolidated Financial Statements and the Company's internal accounting system. The unaudited consolidated statement of income information and the unaudited other financial information presented for the twelve months ended March 31, 2017 have been prepared for illustrative purposes only and are not necessarily representative of our results of operations for any future period or our financial condition at any future date. This data has been prepared solely for the purpose of this offering memorandum, is not prepared in the ordinary course of our financial reporting and has not been audited.

The following tables also set forth certain pro forma consolidated financial information, after giving effect to the issuance of the Notes and the application of the proceeds therefrom as set forth under "*Use of Proceeds*".

The financial information marked as "audited" in tables in this offering memorandum is taken from the Audited Consolidated Financial Statements. Financial information marked as "unaudited" in tables in this offering memorandum is not taken from the Audited Consolidated Financial Statements but is either taken from the Unaudited Interim Consolidated Financial Statements or the Issuer's internal accounting system or is based on calculations of figures of the abovementioned sources.

You should read the information set forth below in conjunction with the sections "*Presentation of Financial Information*", "*Use of Proceeds*", "*Capitalization*", "*Selected Financial and Other Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the Consolidated Financial Statements, including the notes thereto, included elsewhere in this offering memorandum.

Summary Consolidated Statement of Income

	Fiscal year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
	2014 (April 1 to December 31, 2014)	2015	2016	2016	2017	2017
	<i>in € thousand</i>					
	(audited)			(unaudited)		(unaudited)
Rental income	3,375 ⁽¹⁾	33,320 ⁽¹⁾	76,371	17,815	18,540	77,096
Income from utility and service charges	374 ⁽¹⁾	10,024 ⁽¹⁾	15,746	5,229	6,210	16,727
Operating expenses to generate rental income	(1,459)	(19,664)	(33,547)	(9,952)	(10,911)	(34,506)
Profit/loss from the rental of real estate	2,290	23,680	58,570	13,092	13,839	59,317
Profit/loss from the sale of real estate companies	69	285	3,961	3	0	3,958
Profit/loss from the sale of real estate	0	458	963	0	(194)	769
Profit/loss from investments accounted for using the equity method	(1,014)	(500)	(359)	0	6	(353)
Profit/loss from fair value adjustments in investment properties	63,608	18,471	38,414	7,009	155	31,560
Unrealized fair value adjustments in real estate inventory	307	0	—	—	—	—
Impairment of receivables	(693)	(2,846)	(2,058)	(716)	(189)	(1,531)
Profit from a bargain purchase	0	33,217	0	—	—	—
Other operating income	429	2,572	5,550	358	1,796	6,988
Other operating income and other effects	63,651	51,414	41,906	6,651	1,762	37,017
Earnings before interest and taxes	58,434	58,740	83,169	13,999	9,185	78,355
Financial result	(2,938)	(25,728)	(43,207)	(9,490)	(5,466)	(39,183)
Profit/loss before taxes	55,496	33,012	39,962	4,509	3,719	39,172
Income taxes	(9,789)	(4,139)	(12,313)	(999)	(2,781)	(14,095)
Net profit/loss for the period ...	45,707	28,873	27,649	3,510	938	25,077

⁽¹⁾ Taken from the respective notes to the 2015 Audited Consolidated Financial Statements. The Issuer changed the presentation with respect to profit/loss from rental of real estate in the consolidated statement of income of the 2016 Audited Consolidated Financial Statements and presented rental income and income from utility and service charges separately as shown in the respective notes.

Summary Consolidated Balance Sheet

	As of December 31,			As of
	2014	2015	2016	March 31,
	<i>in € thousand</i>			2017
	(audited)			(unaudited)
ASSETS				
Investment properties	333,070	915,089	981,274	958,408
Total non-current assets	350,926	948,597	1,001,486	978,665
Total current assets	22,086	71,343	68,229	86,688
Non-current assets held for sale	0	13,005	24,291	35,737
Total assets	373,012	1,032,945	1,094,006	1,101,090
EQUITY AND LIABILITIES				
Subscribed capital	14,306	49,292	54,247	54,256
Reserves	37,378	181,405	217,698	218,043
Equity attributable to parent company shareholders	51,684	230,697	271,945	272,299
Non-controlling interests	2,945	34,205	36,692	37,479
Total equity	54,629	264,902	308,637	309,778
Total non-current liabilities	258,124	696,746	719,340	725,196
Total current liabilities	60,259	71,297	66,029	66,116
Total liabilities	318,383	768,043	785,369	791,312
Total equity and liabilities	373,012	1,032,945	1,094,006	1,101,090

Summary Consolidated Statement of Cash Flows

	Fiscal year ended December 31,			Three months ended	
	2014 (April 1 to December 31, 2014)			March 31,	
	2015	2016		2016	2017
	<i>in € thousand</i>				
	(audited)			(unaudited)	
Cash flow from operating activities	(3,986)	10,815	35,352	8,094	6,192
Cash flow from investing activities	(255,206)	(29,165)	5,726	6,873	11,780
Cash flow from financing activities	259,634	42,420	(38,255)	(11,798)	(5,717)
Net change in cash and cash equivalents	442	24,070	2,822	3,169	12,255
Cash and cash equivalents at the start of the period	3,955	4,397	28,467	28,467	31,289
Cash and cash equivalents at the end of the period	4,397	28,467	31,289	31,636	43,544

Other Financial Data

	As of and for the fiscal year ended December 31,			As of and for the three months ended March 31,		As of and for the twelve months ended March 31,
	2014 (April 1 to December 31, 2014)	2015	2016	2016	2017	2017
	<i>in € thousand, unless otherwise indicated</i>					
	(unaudited)			(unaudited)		(unaudited)
Other Financial Data						
EBIT ⁽¹⁾	58,434	58,740	83,169	13,999	9,185	78,355
Adjusted EBITDA ⁽²⁾	(5,240)	39,548	39,911	6,999	9,263	42,175
FFO I after taxes ⁽³⁾	—	—	8,095	3,371	1,987	6,711
FFO II after taxes ⁽³⁾	—	—	13,019	3,374	1,824	11,469
EPRA NAV (undiluted) ⁽⁴⁾	60,996	256,267	300,459	—	301,880	—
EPRA NAV per share (undiluted) (in €) ⁽⁴⁾	4.26	5.20	5.54	—	5.56	—
EPRA NAV (diluted) ⁽⁴⁾	71,420	271,586	312,506	—	313,165	—
EPRA NAV per share (diluted) (in €) ⁽⁴⁾	2.84	4.25	4.60	—	4.61	—
Net LTV (in %) ⁽⁵⁾	87.4	67.5	62.8	—	62.5	—
Net secured LTV (in %)	—	—	—	—	51.3	—
Pro forma Financial Data						
Pro forma net debt ⁽⁶⁾						641,632
Pro forma net interest expense ⁽⁷⁾						27,402
Pro forma Net LTV (in %)						64.5
Pro forma secured Net LTV (in %)						36.2

(1) Shown as “Earnings before interest and taxes” in our consolidated statement of income.

(2) The reconciliation of EBIT to Adjusted EBITDA is as follows:

	Fiscal year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
	2014 (April 1 to December 31, 2014)	2015	2016	2016	2017	2017
	<i>in € thousand</i>					
	(audited, unless otherwise indicated)			(unaudited)		(unaudited)
EBIT (earnings before interest and taxes)	58,434	58,740	83,169	13,999	9,185	78,355
Depreciation, amortization and impairment	3	22	80	12	39	107
Profit/loss from fair value adjustments in investment properties	(63,608)	(18,471)	(38,414)	(7,009)	(155)	(31,560)
Profit/loss from the sale of real estate	0	(458)	(963)	0	194	(769)
Profit/loss from the sale of real estate companies	(69)	(285)	(3,961)	(3)	0	(3,958)
Adjusted EBITDA (unaudited)	(5,240)	39,548	39,911	6,999	9,263	42,175

(3) The reconciliation of profit/loss before taxes to FFO I after taxes and FFO II after taxes is as follows:

	Fiscal year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
	2014 (April 1 to December 31, 2014) ^(b)	2015 ^(b)	2016	2016	2017	2017
	<i>in € thousand</i>					
	(unaudited, unless otherwise indicated)			(unaudited)		(unaudited)
Profit/loss before taxes	—	—	39,962*	4,509	3,719	39,172
Minority Interests	—	—	5,220	646	1,114	5,688
Profit/loss before taxes and minority interests (EBT)	—	—	45,182	5,155	4,833	44,860
Profit/loss from the sale of real estate companies	—	—	(3,961)*	(3)	0	(3,958)
Profit/loss from the sale of real estate	—	—	(963)*	0	194	(769)
Profit/loss from investments accounted for using the equity method	—	—	359*	0	(6)	353
Profit/loss from fair value adjustments in investment properties	—	—	(38,414)*	(7,009)	(155)	(31,560)
Profit/loss from revaluation of financial instruments	—	—	898*	924	(3,363)	(3,389)
Other adjustments ^(a)	—	—	7,847	4,393	1,196	4,650
FFO I before taxes	—	—	10,948	3,460	2,699	10,187
Current income taxes ^(c)	—	—	(2,853)*	(89)	(712)	(3,476)
FFO I after taxes	—	—	8,095	3,371	1,987	6,711
attributable to parent company shareholders ...	—	—	2,679	2,089	237	828
attributable to non-controlling interests and minority interests	—	—	5,416	1,282	1,750	5,883
Profit/loss from the sale of real estate and real estate companies (after taxes)	—	—	4,924	3	(163)	4,758
FFO II after taxes	—	—	13,019	3,374	1,824	11,469
attributable to parent company shareholders ...	—	—	7,502	2,092	84	5,494
attributable to non-controlling interests and minority interests	—	—	5,517	1,282	1,740	5,974

* Audited

(a) Other adjustments relate (i) to, among others, allowance expenses of €1,806 thousand, one-time maintenance expenses of €1,448 thousand, one-time refinancing costs €1,353 thousand and net other operating income relating to prior periods of €991 thousand in the fiscal year ended December 31, 2016, (ii) to, among others, one-time maintenance expenses of €1,448 thousand, allowance expenses of €716 thousand and net other operating expenses relating to prior periods €812 thousand in the three months ended March 31, 2016 and (iii) to, among others, other income from legal claims of €807 thousand, net other operating expenses relating to prior periods of €614 thousand, expenses from reversal of prepaid expenses of €588 thousand and expenses for capital market transactions of €350 thousand in the three months ended March 31, 2017.

(b) The Company did not report FFO for the fiscal year ended December 31, 2014 and the fiscal year ended December 31, 2015.

(c) For the sake of simplicity total current income taxes for the respective period, not taking into account current income tax effects, if any, resulting from the adjusting items in the reconciliation from profit/loss before taxes and minority interests (EBT) to FFO I before taxes.

- (4) The reconciliation of equity attributable to parent company shareholders to EPRA NAV (undiluted), EPRA NAV per share (undiluted), EPRA NAV (diluted) and EPRA NAV per share (diluted) is as follows:

	As of December 31,			As of
	2014	2015	2016	March 31,
	<i>in € thousand, unless otherwise indicated</i>			2017
	(unaudited, unless otherwise indicated)			(unaudited)
Equity attributable to parent company shareholders	51,684*	230,697*	271,945*	272,299
Fair value of derivative financial instruments	—	—	(1,778)	(2,780)
Deferred taxes (deferred tax assets/deferred tax liabilities)	9,312	25,570	35,030	37,099
Goodwill resulting from deferred taxes	—	—	(4,738)	(4,738)
EPRA NAV (undiluted)	60,996	256,267	300,459	301,880
Number of shares outstanding (thousands)	14,306*	49,292*	54,247*	54,256
EPRA NAV per share (undiluted) (in €)	4.26	5.20	5.54	5.56
EPRA NAV (undiluted)	60,996	256,267	300,459	301,880
Aggregate principle amount of 2018 Notes (including interest)	10,424	10,201	11,224	10,775
Aggregate principle amount of Mandatory 2018 Notes (including interest)	—	889	823	530
Dilution from share-based payments	—	4,229	—	—
EPRA NAV (diluted)	71,420	271,586	312,506	313,165
Number of shares outstanding (diluted) (thousands) ^(a)	25,195	63,954	67,885	67,885
EPRA NAV per share (diluted) (in €)	2.84	4.25	4.60	4.61

* Audited

- (a) EPRA NAV (diluted) is calculated by adjusting EPRA NAV (undiluted) for the dilutive effect on equity attributable to parent company shareholders resulting from the conversion of the 2018 Notes and the Mandatory 2018 Notes (including the respective interest) into shares as well as from the exercise of share-based payments.
- (b) Number of shares outstanding as at the reporting date, including the impact of conversion of convertible bonds and exercise of the share-based payments.
- (5) Net LTV is calculated as net debt (sum of current and non-current financial liabilities less cash and cash equivalents) divided by the carrying amount of investment properties and non-current assets held for sale. The reconciliation of net debt to Net LTV is as follows:

	As of December 31,			As of
	2014	2015	2016	March 31,
	<i>in € thousand, unless otherwise indicated</i>			2017
	(unaudited, unless otherwise indicated)			(unaudited)
Financial liabilities	295,665*	655,239*	662,643*	664,390
Cash and cash equivalents	4,397*	28,467*	31,289*	43,544
Net debt	291,268	626,772	631,354	620,846
Carrying amounts of investment properties and non-current assets held for sale	333,070	928,094	1,005,565	994,145
Net LTV (in %)	87.4%	67.5%	62.8%	62.5%

* Audited

- (6) Net debt represents the sum of current and non-current financial liabilities less cash and cash equivalents at the end of the period. Pro forma net debt gives *pro forma* effect to the issuance of the Notes and the application of the proceeds therefrom as if such issuance had taken place on March 31, 2017.
- (7) Pro forma net interest expense represents the net interest expense for the twelve months ended March 31, 2017 (for the avoidance of doubt, including the actual interest expense amount paid during such period for the Promissory Notes prior to giving effect to the repricing of such notes contractually agreed in March 2017 and net interest expense in an aggregate amount of €3.3 million paid in respect of a €27.8 million debt instrument that has been repaid during such period) as if the issuance of the Notes and the application of the proceeds therefrom had occurred on April 1, 2016. Pro forma net interest expense has been presented for illustrative purposes only and does not purport to represent what our net interest expense would have actually been had the issuance of the Notes and the application of the proceeds therefrom occurred on the date assumed, nor does it purport to project our net interest expense for any future period or our financial condition at any future date.

Key Operating Data and Performance Indicators

	As of and for the fiscal year ended December 31,			As of and for the three months ended March 31,
	2014 (April 1 to December 31, 2014)	2015	2016	2017 ⁽²⁾
	(unaudited)			
Gross asset value (in € millions) ⁽¹⁾	333.0	928.1	1,005.6	983.5
Number of properties	150	181	174 ⁽³⁾	85
Total lettable area (in '000 sqm)	350	1,100	1,068	968
Gross rental income per annum (in € millions) ⁽⁴⁾	26.0	76.0	74.1	71.7
Gross rental income yield (in %)	7.8	8.2	7.4	7.3
EPRA vacancy (in %) ⁽⁵⁾	14.7	12.8	11.6	10.7
WALT (in years) ⁽⁶⁾	6.4	5.4	5.3	5.3

(1) GAV is calculated as the sum of investment properties and non-current assets held for sale, as shown in the table below for the reporting dates presented:

	As of December 31,			As of March 31,
	2014	2015	2016	2017
	<i>in € thousand</i>			
	(audited, unless otherwise indicated)			(unaudited)
Investment properties	333,070	915,089	981,274	958,408
Non-current assets held for sale	0	13,005	24,291	35,737
Gross asset value (unaudited)	333,070	928,094	1,005,565	994,145

The valuation report of the Core Portfolio prepared by Winters & Hirsch Real Estate Advisory GmbH & Co. KG does not reflect assets held for sale or sold as of March 31, 2017 but for which closing had not occurred as of such date. As of March 31, 2017, non-current assets held for sale amounted to €35,737 thousand, of which €35,527 were recorded for the Core Portfolio segment.

(2) Figures in this column take into account sales of properties signed but not closed as of March 31, 2017.

(3) Includes 91 assets which were sold in 2016 but for which closing occurred or will occur in 2017.

(4) Annualized contractual rent excluding service charges.

(5) Based on contracted rent for leased space and potential rent of portfolio per annum.

(6) Weighted average lease term based on gross rental income.

RISK FACTORS

An investment in the Notes to be issued in the Offering involves a high degree of risk. In addition to the other information contained in this offering memorandum, you should carefully consider the following risk factors before purchasing the Notes. If any of the events described in the risk factors below occur, our margins and results of operations and financial condition could be materially and adversely affected, which in turn could adversely affect our ability to repay the Notes. The risks described below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition, operating results or prospects. In any such case, we may not be able to pay interest or principal on Notes when due and you may lose all or part of your investment in the Notes.

This offering memorandum also contains forward looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward looking statements as a result of various factors, including the risks described below and elsewhere in this offering memorandum. See “Forward Looking Statements”.

Risks Related to Our Industry and Business

Our business may be adversely impacted by negative developments in the German economy and commercial real estate market.

We are active in the German commercial real estate market, with a particular focus on office and retail properties in secondary locations. The success of our business is therefore significantly correlated with the development of the commercial real estate market in Germany. In the last few years, the real estate market in Germany, in particular in secondary locations, has experienced a strong increase of rent levels. There is a risk that the real estate market will soon reach its peak in this regard, and consequently, the increase in rent levels will weaken or that rent levels will even decrease in the future. Such developments may also result in decreasing valuations of properties. The German real estate market, including the development of rent levels and real estate prices, is also affected by overall economic conditions in Germany. For example, economic contraction, economic uncertainty and the perception by tenants of weak or weakening economic conditions could cause a decline in the demand for commercial real estate and thereby influence market prices, rent levels and vacancy rates in the commercial real estate market. In addition, the levels of investment in commercial real estate and investment activities of companies, as tenants, may also be influenced by macroeconomic factors such as unemployment rates, inflation, interest rates, increases in taxes or perceived or actual declines in corporate investments and capital expenditure. In particular, a rise in the currently very low interest rates in Europe could have an adverse effect on the commercial real estate market in Germany. Among other things, a rise in interest rates could lead to higher discount rates, which could have an adverse effect on the valuation of our portfolio (except that the discount rates adopted by CBRE, for example, are market-derived rather than based on interest rates). Higher interest rates could also result in reduced demand for real estate, making it harder to sell properties.

As a result of the geographic focus of our commercial real estate portfolio on Germany, a negative development, contraction or lack of growth in the German economy and overall macroeconomic conditions could have a material adverse effect on our business, financial condition and results of operations.

The continuing uncertainty regarding the development of the global economy, for example due to Brexit and the on-going sovereign debt crises in many parts of the world, particularly in Europe, may result in economic instability, limited access to debt and equity financing and possible defaults by our counterparties.

The severe global economic downturn in the years following the global economic and financial crisis of 2008 and 2009 and its effects, in particular the scarcity of financing, weakness in the capital markets and weak consumer confidence and declining consumption in many markets, adversely impacted economic development worldwide. This crisis was followed by sovereign debt crises in many parts of the world, particularly in the Eurozone, which are still ongoing and have resulted in recessions in many of the impacted countries. This macroeconomic environment gives rise to economic and political instability, including the possibility of a breakup of the Eurozone. Such instability and the resulting market volatility may also create contagion risks for economically strong countries like Germany and may spread to the German financial sector and the German commercial real estate market.

In a referendum held on June 23, 2016, the U.K. voted to leave the EU (“**Brexit**”). The U.K. then triggered Article 50 of the Treaty on European Union on March 29, 2017, thereby initiating the Brexit process by notifying the European Council of its intention to withdraw from the EU. This notification began a two-year time period for the U.K. and the remaining EU Member States to negotiate the terms of such withdrawal. While the effect of these events on the German commercial real estate market are uncertain, Brexit, as well as the other risks discussed herein, could have a material adverse effect on our business, financial condition and results of operations.

We are dependent on a limited number of tenants for a significant portion of our gross rental income.

In our office property locations, which generated 68.1% of our GRI as of March 31, 2017, our largest tenants represent a significant portion of our gross rental income. In the three months ended March 31, 2017, we generated an annualized GRI of €71.7 million, of which our top ten tenants (nine of whom are tenants of office space) accounted for €34.1 million of annualized GRI, or 47.6% of our total annualized GRI. In particular, the Deutsche Telekom group companies, with whom we hold multiple long-term lease agreements covering 18 properties, corresponding to 30.1% of our total GRI as of March 31, 2017. Consequently, the loss of any one of these customers, and, in particular, Deutsche Telekom, could lead to a reduction or loss in rental income if we are not able to replace them in a timely manner with alternative tenants. Furthermore, if business relations with our major tenants were to deteriorate for any reason, if they failed to fulfill their rental payment obligations to us, if they were to reduce the amount of space they lease from us, or in the event that Deutsche Telekom terminates all of its existing leases, we may suffer a significant decline in rental income. Any such decline or loss of rental income by major tenants, or by a large number of smaller tenants, could have a material adverse effect on our business, financial condition and results of operations.

We may be unable to find or retain suitable and solvent tenants on acceptable terms or in a timely manner, and existing tenants may be unable to meet their payment obligations.

The economic success of our property investments depends significantly on our ability to generate rental income from the lease of our properties to suitable tenants. If tenants do not meet their rent obligations due to, for example, insolvency or disputes with respect to obligations under the lease agreement, we would suffer a decrease in rental income. This also applies to rental guarantees if, in case of draw-down of those guarantees, the guarantor is not or not fully able to meet its payment obligations.

Commercial properties are frequently tailored to meet the requirements of a specific tenant or a specific industry. This may result in us becoming dependent on individual tenants or industries. As a result, negative developments in these asset classes of properties or markets and industries may have a corresponding adverse effect on our levels of rental income. For example, if we equip office space for a tenant in a specific industry, such space could be attractive only for the specific tenant or tenants of a specific industry. Further, in recent years, the number of online retailers has grown rapidly, from 3% of total retail sales in Germany in 2007 to 8% in 2016, creating intense competition with conventional retailers. If this trend continues, conventional retailers may be forced to reduce operating costs, including rent expenses, by negotiating lower rents, reducing their rental space or even closing retail locations. As approximately 24% of our GRI was generated from the lease of retail space as of March 31, 2017, such a development could materially adversely affect our annual rental income.

The subsequent lease of a specific property, such as a retail property, may only be possible on unfavorable conditions due to the restricted usability of the property. Furthermore, new developments or trends in the market standard of, in particular, office properties could result in decreasing demand for our properties if such properties do not meet such new requirements and are therefore only able to be leased for lower rents or not at all. Any extension or change to the usability of the property according to the expectations of potential tenants may lead to additional unforeseen costs and expenses which adversely affect our results of operations. In addition, when existing lease agreements expire, we may not be able to release our commercial properties immediately, and it may take time for us to locate and secure a successor tenant for such space or property. Furthermore, successive leases with existing or new tenants may generate lower rental income levels than in the past. In extreme cases, long-term vacancies may occur. If we are unable to lease properties on attractive terms or are unable to find suitable tenant after lease agreements expire, this could have a material adverse effect on our business, financial position and results of operations.

We may not be able to acquire real estate properties or participations due to a lack of attractive properties or participations available for purchase, competition for such acquisitions, or an inability to obtain the required acquisition financing.

Our success is partly dependent on our ability to acquire suitable commercial real estate properties or participations on a continuous basis in economically attractive regions for appropriate prices with solvent tenants, good location quality and suitable letting ratio as well as sustainably achievable high rent levels in the future. Over the medium term, we plan to expand our portfolio from the current GAV of approximately €1 billion to €2 billion. Acquisitions can only be implemented if attractive properties or portfolios which meet our investment criteria are available for purchase and if the prices for such properties and portfolios are reasonable. A lack of attractive acquisition opportunities could drive up prices for the type of properties and portfolios we seek to acquire. In addition, whether such commercial properties can be acquired depends on a number of factors over which we have limited or no control. These include, among others, the general economic conditions with corresponding impacts on the supply and demand situation with respect to new and existing commercial properties, financing opportunities, the management costs associated with the properties, the creation of appropriate conditions under building and planning law for the renovation or modernization of corresponding commercial properties, as well as the development of the economic situation of the tenants.

Given the current strong demand for commercial real estate in Germany, there may be fierce competition for attractive properties and portfolios, and acquisition opportunities may be unavailable or available only on unfavorable terms (*i.e.*, at higher prices and lower yields). Competitors with acquisition strategies similar to us may possess greater financial resources and lower cost of capital than us and may therefore be able to offer higher prices.

We rely on access to financial markets in order to refinance our debt liabilities and secure acquisition financing. We intend to finance our future growth also through equity capital markets measures. In this regard, we are dependent on the general economic environment, the level of demand in the capital markets and the price development of the Company's shares as well as further factors, which may lie outside our control. Any worsening of the economic environment or restrictions in the financial markets may reduce our ability to refinance our existing or future liabilities or gain access to new financing. Our counterparties, in particular our hedging counterparties, may not be able to fulfil their obligations under the respective agreements due to a lack of liquidity, operational failure, bankruptcy or other reasons. Furthermore, an increase in interest rates could adversely impact our business by making financing more expensive and might force us to secure financing under economically unattractive conditions, which could, in turn, require us to dispose of properties or participations. A forced sale of properties or participations in a timely manner may only be possible on unfavorable terms and for a purchase price below market value.

There is no guarantee that we will manage the acquisition of new properties effectively. Any inability to acquire properties or portfolios could impair our strategy to realize growth opportunities by increasing our portfolio and to capitalize on economies of scale. If we are not able to identify and acquire suitable commercial properties at reasonable prices, this could have a material adverse effect on our business, financial condition and results of operations.

Increasing competition in the German commercial real estate market could lead to a decrease in rent levels or a compression of yields.

We are exposed to competition in all aspects of our business, from the purchase of real estate to the letting and sale of properties. Such competition in the commercial real estate market in combination with a redevelopment of existing buildings and the construction of new buildings may cause an oversupply of real estate available for rent resulting in competition for tenants and decreasing rents. As a result, such competitive situation may have a material adverse effect on our ability to find and retain suitable solvent tenants and to obtain appropriate rents. In addition, a compression of rental yields could result from increased competition to invest in assets, which, in turn, could drive up property prices in the markets in which we operate.

Furthermore, competition for tenants in the German commercial real estate market is significant and increasing among real estate companies. We face competition from local and international real estate companies in all of the regions where we are active. We compete with other real estate companies as well

as investment funds, institutional investors, building contractors and individual owners of properties to attract and retain suitable tenants on favorable conditions. Competitors may be able to offer tenants newer and more cost-efficient buildings at more attractive prices, any of which could reduce our ability to attract or retain suitable tenants.

The German commercial real estate market currently is still very fragmented. Competition might further increase if additional players enter the market. Should the German commercial real estate market experience an industry consolidation, e.g., through mergers or takeovers, such as the envisaged takeover of WCM Beteiligungs- und Grundbesitz-AG by TLG Immobilien AG, we would face fierce competition from such large entities, which would benefit from a broader pool of resources and would likely have better access to financing.

The occurrence of any one or more of the aforementioned risks could have a material adverse effect on our business, financial condition and results of operations.

We may be unable to identify all risks associated with properties or portfolios we acquire and may overestimate the value of such acquisition opportunities.

Due to the limited time available to evaluate acquisition opportunities and constraints imposed by the sellers, we may, in some cases, only be able to conduct a limited due diligence investigation when acquiring new properties. Accordingly, we may not be able to identify and examine all risks associated with acquisitions. For example, we may not be able to assess whether the original owners of the properties (and potential successors) have obtained, maintained or renewed all required permits, satisfied all permit conditions, received all necessary licenses and fire and safety certificates or satisfied all other requirements. In addition, the properties may suffer from hidden defects or damages. Moreover, we may not be in a position to carry out all follow-up investigations, inspections and appraisals (or to obtain the results of such inquiries). Accordingly, in the course of the acquisition of properties or portfolios, specific risks may not be, or might not have been, identified, evaluated and addressed correctly. Legal and/or economic liabilities may be, or might have been, overlooked or misjudged. In particular, real estate transfer tax (*Grunderwerbsteuer*, “RETT”) may inadvertently be triggered in the course of such acquisitions of real estate.

Warranties received from purchasers in the purchase agreements we enter into in connection with such acquisitions may not cover all risks or fail to cover known and existing risks sufficiently. Additionally, warranties may be or become unenforceable, such as due to a seller’s insolvency or otherwise. In some cases, a seller may make no representation or warranty as to the sufficiency and correctness of the information made available in the context of a due diligence investigation, or as to whether such information remains correct during the period between the conclusion of the due diligence investigation and the closing of the respective acquisition.

Furthermore, we may overestimate the earnings potential and potential synergies from acquisitions, in particular in the case of acquisitions of portfolios, as well as underestimate the rental and cost risks, including expected demand from tenants for the respective property or portfolio and expected capital expenditures for repositioning, maintaining or modernizing the property, and consequently pay a purchase price that exceeds a property’s or portfolio’s actual value. In addition, properties and portfolios could be inaccurately appraised, even if they were acquired on the basis of valuation reports by reputable independent appraisers and due diligence investigations. Therefore, neither a particular cash flow from rentals, nor a certain retail price can be guaranteed with respect to acquired properties and portfolios.

We may face cost overruns or delays in relation to project development activities.

In certain cases, we may engage in project development activities in order to maintain and enhance the attractiveness of existing properties. Such project development activities could also include the purchase and development of neighboring properties. In the case of project development, it is necessary to obtain an official permit under the German Building Code (*Baugesetzbuch*, “BauGB”) and applicable German state laws. Although there is generally an obligation for the responsible authority to grant such a permit if all applicable legal requirements are satisfied, the authorities may, on a case-by-case basis, decide to grant building permits under specific conditions or constraints or may even refuse to grant such permit at all. Furthermore, objections by neighbors may delay the granting of permits or otherwise materially adversely

affect our ability to undertake project development activities. In addition, construction work related to such activities may involve higher costs than originally planned, and unforeseen additional expenses may be incurred, due to, among other things, construction delays as a result of inclement weather, property defects not identified prior to the acquisition or otherwise. Any inability to engage in and complete project development activities in a timely manner could have an adverse effect on our business and results of operations.

Indexation clauses in our lease agreements could adversely affect our rental income.

The majority of our lease agreements for office and retail properties contain indexation clauses that link the amount of rental payments to a reference index, such as the consumer price index for Germany. These clauses provide for upward adjustments as well as downward adjustments tied to changes in the relevant index. Thus, rental income may decrease if consumer prices decline. If a lease agreement contains no indexation or equivalent adjustment clause, the applicable amount of rental income may remain constant for the term of the lease agreement, while our costs of maintaining the respective property may increase due to inflation. This risk is compounded by the long-term nature of many of our lease agreements. Decreases in rental income due to indexation clauses or our inability to adapt rents to changing market developments and maintenance and other costs could have a material adverse effect on our financial condition and results of operations.

We may be required to incur maintenance and modernization costs, and any failure or inability to undertake such measures could have an adverse effect on our rental income.

As a property owner, we may be required from time to time to incur costs to undertake various maintenance and modernization measures to meet changing legal, environmental or market requirements, particularly with regard to health and safety requirements and fire protection. In the past, the period of time between modernization measures has generally decreased and may continue to decrease in the future due to applicable legal and regulatory requirements or tenants' increasing demand for modern, up-to-date infrastructure. Any failure to maintain the properties could also pose a risk to the health and safety of our tenants as well as their employees and customers, which in turn could cause us to be liable for any damages.

The costs of maintenance and upkeep of a property are typically borne primarily by the property owner. Therefore, we may be burdened with substantial expenses for such measures. In particular, we may incur additional expenses if the actual costs of maintaining or modernizing properties exceed our estimates, if we are not permitted to increase rents in connection with or following maintenance and modernization measures, or if hidden defects not covered by insurance or contractual warranties are discovered during the maintenance or modernization process. Furthermore, maintenance and modernization measures may be the subject of construction delays during periods of inclement weather or if the contractual partners commissioned with the work do not complete their work in a timely manner or cannot complete their work due to insolvency. With respect to modernization measure, an application for a change of use of the property may not be approved by the relevant building authorities or cannot be carried out due to objections from neighbors. This may also result in higher costs or mean that necessary modernizations are not carried out, or extensions and modernizations may be required to be discontinued after significant expenditure has already occurred. Any failure or inability by us to undertake appropriate maintenance and modernization measures could adversely affect our rental income and entitle tenants to withhold or reduce rental payments or even to terminate existing lease agreements. Moreover, if we incur substantial unplanned maintenance, repair and modernization costs or fail to undertake appropriate maintenance measures, this could have a material adverse effect on our business, financial condition and results of operations.

Valuation reports, including the valuation reports contained in this offering memorandum, may incorrectly assess the value of our property, and we may be required to adjust the current fair value of our investment properties, which could result in the recognition of losses.

The reports on the fair value of our real estate portfolio included in this offering memorandum (the "Valuation Reports") were prepared by the independent, external appraisers named therein. The Valuation Reports are based on standard valuation principles and represent the opinion of the respective appraisers who prepared the Valuation Reports. The Valuation Reports are based on various assumptions that could subsequently turn out to be incorrect. In addition, the valuation of real estate is based on a

multitude of factors, such as the current contractual letting status, the physical condition of the portfolio, the general market environment, tourism business, interest rates, the creditworthiness of tenants, conditions in the rental market and the development of individual locations. The valuation of properties contained in the Valuation Reports is therefore subject to numerous uncertainties. Accordingly, the valuations may not accurately reflect the value of the property to which they relate and do not necessarily represent current or future sales prices that we would be able to realize on the sale of our properties or participations.

Our investment properties (*i.e.*, properties held for the purpose of rental income generation or capital appreciation and not for proprietary use or sale in the ordinary course of business) are measured at fair value in accordance with IAS 40 in conjunction with IFRS 13, with changes in the fair value recognized in “Profit/loss from fair value adjustments in investment properties” in the consolidated statement of income. The fair values of our investment properties are determined based on discounted earnings models with regard to our Core Portfolio and based on discounted cash flow method with regard to the Fair Value REIT-AG portfolio. Both methods include determinants that are subject to uncertainties as they reflect, among others, the current market assessment, location, condition and letting situation of the property, the yield expectations of a potential investor and the level of uncertainty and inherent risk of the forecast future cash flows. Any deterioration of the fair value of our properties could require us to recognize a loss in the consolidated statement of income and could have a material adverse effect on our financial position and results of operations.

Furthermore, a change in the factors underlying the valuation and/or the assumptions could cause the fair value determined for the relevant valuation date to fall below the carrying amount of a property, which would result in a fair value loss. For example, the discount rate applied for the discounted cash flow method could increase if interest rates increase (except that the discount rates adopted by CBRE, for example, are market-derived rather than based on interest rates). As a consequence, we would have to revise the value of our portfolio to reflect the decrease of the fair value of our properties and would be required to recognize the negative change in value as a non-cash loss in the relevant accounting period.

Due to the risks described above, erroneous valuations of our portfolio or a change in the factors underlying the valuation and/or the assumptions could have a material adverse effect on our business, financial condition or results of operations.

The forecast with regard to our rental income and FFO I after taxes (before minority interests) targets could differ materially from our actual results of operations for the fiscal year ending December 31, 2017.

On June 29, 2017, we announced our forecast for 2017. For the fiscal year ending December 31, 2017, we expect to generate FFO I after taxes (before minority interests) of €8-10 million and, based on our current real estate holdings, rental income of €72-73 million driven by rent increases and further reductions in vacancy rates. The Executive Board has based this forecast and these targets on certain assumptions relating to our market position, the performance of our property portfolio, including the development of certain key figures for the portfolio, trends in interest rates, the economic development of the commercial real estate industry and the economic environment in Germany in general. These assumptions could prove to be inaccurate since they relate to factors over which we have limited or, in some cases, no control or influence. Further, in April 2017, we were required to withdraw our then FFO I (before taxes and before minority interests) forecast in the amount of €19.1 million and FFO I (before taxes but after minority interests) forecast in the amount of €13.9 million for the fiscal year ended December 31, 2016, in particular because the planned reduction of administrative costs could not be realized, planned tax off-settings at the level of certain subsidiary companies against loss carry forwards of the Company could not be implemented and due to unexpected costs incurred in connection with tenant improvements. Our actual FFO I after taxes for the fiscal year ended December 31, 2016 amounted to €8.1 million (FFO II after taxes of €13.0 million) and FFO I after taxes of €2.7 million attributable to parent company shareholders (FFO II after taxes attributable to parent company shareholders of €7.5 million).

Should one or more of the assumptions underlying the current FFO forecast prove to be incorrect, the future actual FFO of the Group could differ materially from such forecast.

We depend on external service providers for the management of our properties and may be unable to retain such providers on favorable terms or at all.

We are dependent on external service providers to manage, operate and maintain our real estate properties, in particular with respect to Fair Value REIT-AG, as well as in connection with the assessment of transactions. If the service providers for our properties terminate the agreements with us or if they are in default, we may not be able to locate other qualified service providers in a timely manner, on favorable terms or at all, with the result that we may no longer be able to manage, operate, and maintain its real estate properties or to assess or manage its transactions.

We may not be able to let or sell properties due to contamination, may have to remove contaminants or may face damage claims by acquirers of contaminated properties.

It cannot be excluded that property that is owned or will be acquired or sold by us is or was contaminated by harmful soil and other pollutants and/or by the legacies of war (the latter including, in particular, bombs, grenades, or other explosives from the Second World War). Existing contamination and other soil-related risks may reduce real estate values and may make it impossible to let or sell the property. Furthermore, contamination can cause damages and lead to other warranty claims by the acquirer of a property. Responsibility for contamination affects the party causing the contamination, its legal successors, the current and the former owner of the contaminated land as well as the person having the plot of land in actual possession and individuals or legal entities liable under commercial law or company law for a legal entity which owns contaminated land. This could under certain circumstances comprise the possibility of piercing the corporate veil under the German Federal Soil Protection Act (*Bundesbodenschutzgesetz*, “**BBodSchG**”), i.e. the direct liability of a shareholder in a company with limited liability.

Additionally, other factors regarding our properties, such as the age of buildings, pollutants in construction materials, soil conditions or below-regulation building conditions could require costly remedial, maintenance and modernization measures. It cannot be ruled out that real estate owned by us may be contaminated with hazardous materials, e.g. asbestos or other pollutants. Except in the event of structural alterations, there is generally no obligation to remove non-friable asbestos under currently applicable German federal state asbestos regulations (*Asbest-Richtlinie*). Nevertheless, the real estate owner may, under certain conditions, be required to remove non-friable asbestos. We bear the risk of cost-intensive remediation and removal of such hazardous materials, other residual pollution or ground contamination.

The incurrence of unforeseen costs to remove or dispose of substances or hazardous materials or to remediate environmental contamination or other environmental liabilities could have a material adverse effect on our business, financial condition and results of operations.

We could be subject to liability claims in connection with sold properties.

We have sold a significant number of properties in recent years, particularly in 2016 and with respect to the disposal of assets in our legacy portfolio consisting of those properties no longer aligning with our investment strategy, and plan to continue to sell properties in the future consistent with that strategy. In connection with property sales, the seller typically provides the buyer with various representations, warranties and covenants with respect to certain characteristics of the sold property, for which a seller remains liable for a period of time following the sale. We could be subject to claims for damages from purchasers, who assert that we have failed to satisfy our obligations pursuant to such covenants, or that our representations and warranties were incorrect. For example, if we, as seller, provided warranties to a purchaser of properties in connection with maintenance and modernization measures, and claims are asserted against us because of defects, we may not have recourse against the companies that performed the work.

As a seller of properties, we may also be liable to tenants for breaches of lease agreements by the purchaser, even where we no longer have control over the respective property. When selling properties, we must typically inform all tenants in writing of the change in landlord, either alone or together with the purchaser, in order to be released from ongoing obligations. A release from liability does not apply to security deposits (*Mietsicherheiten*) provided by the tenants. If a tenant is unable to receive its security deposit from the purchaser of a property, the liability to repay such security deposit remains with us as the seller.

Certain clauses in our lease agreements may be held to be invalid, and some of these agreements may not fulfill the strict written form requirements under German law.

We use standardized contracts in the ordinary course of business in our contractual relationships with a large number of parties, in particular with our tenants. Any invalid provisions or ambiguities in standardized contracts can therefore affect a significant number of contractual relationships. Standardized terms under German law are required to comply with the statutory law on general terms and conditions (*Allgemeine Geschäftsbedingungen*), which means that they are routinely subject to scrutiny by German courts with regard to their content and the way they are presented to the other contractual party. As a general rule, standardized terms are invalid if they are not transparent, unclearly worded, unbalanced or discriminatory. Any standard clauses in our contracts being held invalid could lead to a substantial number of claims against us or force us to bear costs which we had previously considered to be allocable to our contractual counterparties. In addition, clauses which are not standard clauses may also be invalid, which could have a material adverse effect on us if, for example, such invalid clause allows a key tenant to exercise an extraordinary termination right.

Real estate owned by us is leased predominantly on a long-term basis. Pursuant to German law, fixed-term lease agreements with a term exceeding one year can be terminated prior to their contractually agreed expiration date if certain formal requirements are not complied with. These include the requirement that there be a document that contains all the material terms of the lease agreement, including all attachments and amendments and the signatures of all parties thereto. While the details of the applicable formal requirements have been assessed differently by various German courts, most courts agree that such requirements are, in principle, strict. Some lease agreements regarding real estate owned by us may not satisfy the strictest interpretations of these requirements. In this case, the respective lease agreement would be deemed to have been concluded for an indefinite term and could therefore be terminated one year after handover of the respective property to the tenant at the earliest, provided that the statutory notice period is complied with (*i.e.*, notice of termination is admissible at the latest on the third working day of a calendar quarter towards the end of the next calendar quarter). Consequently, tenants could allege non-compliance with these formal requirements in order to procure an early termination of their lease agreements or a renegotiation of the terms of these lease agreements to our disadvantage.

The occurrence of any one or more of the aforementioned risks could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to restitution or compensation claims if our properties have been unlawfully expropriated, and this could delay or prevent the transfer of our properties.

We could in the future be subject to third-party claims in connection with restitution and compensation claims. Under German law, former owners of assets that were dispossessed either by the national socialist government between January 30, 1933 and May 8, 1945 or by the former German Democratic Republic (*Deutsche Demokratische Republik*) can demand the restitution of such assets. Furthermore, when disposing of properties, we must comply with the German Real Estate Transfer Ordinance (*Grundstücksverkehrsordnung*), pursuant to which we must obtain approval from the competent authorities prior to disposing of any properties we have not purchased ourselves. If any restitution claims have been filed for a property that we intend to sell, such approval will not be granted before the claim has been settled. Therefore, restitution claims may adversely impact our ability to dispose of certain properties. Any inability to dispose of properties due to restitution claims could have an adverse effect on our business, financial condition and results of operations.

We depend on qualified personnel, including certain key personnel such as our senior management, and may not be able to retain or replace such personnel.

Our success and future growth depend significantly on the performance of a limited number of employees in central functions responsible for managing our business. These include members of our Executive Board and other qualified personnel in key positions, particularly those with sector experience, who are responsible for the management of our portfolio and corporate functions. In the event of departure of one or more of these key and qualified personnel, we may not be able to replace them quickly, which could affect our operational performance. More generally, we may be unable to recruit new personnel whose skills and sector experience are equivalent to those of our key personnel, or could fail to attract and retain

experienced personnel in the future. Due to the intense competition for qualified personnel in the commercial real estate sector, there is no guarantee that we will be able to hire sufficiently qualified key employees at acceptable terms in the future. The loss of any of the members of the Executive Board or any other key employees or failure to attract new qualified employees, could impair our growth and make it difficult to maintain its business activities at current levels and, therefore, could have a material adverse effect on our business, financial condition and results of operation.

We may be adversely affected by changes to the general regulatory environment in Germany.

Our business is subject to the general legal and regulatory framework that applies to commercial real estate properties, and lease agreements for such properties, as well as special provisions of other laws, such as construction and construction planning laws, building codes and environmental laws and safety regulations, including fire protection. If German federal or state laws or the interpretation or application thereof change, this could force us to change the way we conduct our business, including our ability to let, use or liquidate the properties and interest in real property partnerships we hold. As a result of such changes, we may also be required to incur significant additional expenses in order to comply with more restrictive laws or regulations. Furthermore, European and German legislators or regulators could subject our business to additional regulatory obligations and restrictions. In particular, if any of the companies of the Group were to qualify as an alternative investment fund as defined under the German Capital Investment Code (*Kapitalanlagegesetzbuch*) as result of legislative changes, such Group company would require a permission by BaFin and would have to comply with specific organizational requirements. Consequently, any changes to the general regulatory environment in Germany could have a material adverse effect on our business, financial condition and results of operations.

Our operations may be affected as a result of failures or interruptions in our information technology systems.

The continuous and uninterrupted availability of our information technology (IT) systems is essential for our business operation and success. Any interruptions, failures, manipulation or damage to these information technology systems could lead to delays or interruptions in our business processes. A range of factors beyond our control, such as telecommunication problems, software errors, inadequate capacity at IT centers, fire, power outages, attacks by third parties, computer viruses and the delayed or failed implementation of new computer systems, could interfere with the availability of our IT systems. Any material disruption or slowdown of our systems could cause information to be lost. Our existing safety systems, data backup, access protection, user management and IT emergency planning may not be sufficient to prevent information loss or disruptions to our IT systems. In addition, if changes in technology cause our IT systems to become obsolete, or if our IT systems are inadequate to handle our growth, our reputation may be damaged. Any failure to properly guard against the failure, interruption or malfunctioning of our IT systems could have a material adverse effect on our business, financial condition and results of operations.

We are subject to risks from legal proceedings.

In the ordinary course of our business, we may, from time to time, become involved in various claims, lawsuits, investigations, arbitration or administrative proceedings, which may involve substantial claims for damages or other payments. Such lawsuits, investigations or proceedings may arise, in particular, from our relationships with investors, tenants, employees, third-party facility managers, building contractors and other contractual counterparties as well as public authorities, including tax authorities. Adverse judgments or determinations in such lawsuits, investigations or proceedings may require us to change the way we do business or use substantial resources in adhering to settlements or pay fines or other penalties. In addition, the costs related to such proceedings may be significant and, even if there is a positive outcome, we may still have to bear part or all of our advisory and other costs to the extent they are not reimbursable by other parties. The realization of any of these risks could have a material adverse effect on our business, results of operations and financial condition.

We may incur liabilities that are not covered by, or which exceed the coverage limits, of our insurance policies.

Although we maintain various insurance policies, including building insurance policies (including for fire, natural hazards and loss of rent) and liability insurance policies (including building owner and landowner liability insurance policies), third party liability insurance and directors' and officers' insurance, not all risks

are insured or insurable (and may have significant deductibles on policies). Accordingly, our insurance policies do not provide coverage for all losses related to our business, and the occurrence of losses, liabilities or damage not covered by such insurance policies could have a material adverse effect on our results of operations and financial condition. For example, certain risks, such as terrorist attacks and natural disaster, may not be insurable or may only be insurable at a disproportionately high cost. While we believe we maintain appropriate levels of insurance consistent with industry practice, we may experience incidents of a nature that are not covered by insurance. Furthermore, the proceeds received under insurance policies, if any, may not be adequate to cover the damage incurred or liabilities to third parties. Any inability to maintain our current insurance coverage or do so at a reasonable cost could have an adverse effect on our results of operations and financial condition.

Our risk management and internal controls may not prevent or detect violations of law.

We have a dedicated compliance program and introduced a special code of conduct at the beginning of 2017. Our existing compliance processes and controls may not be sufficient to prevent or detect inadequate practices, fraud and violations of law by our intermediaries and employees. We have appointed a Group compliance officer, and a Group-wide code of conduct has been implemented to protect us against legal risks and other potential harm. These binding policies, among other things, corruption prevention, insider information, conflicts of interest, information and data protection, and protection of company property apply to all employees of the Group. The aforementioned compliance policies may not be sufficient to completely rule out all unauthorized practices, legal infringements, criminal offences or corruption by employees. In case of a breach of law or other unauthorized practice, our reputation may suffer. In addition, failure to identify inadequate practices or prevent violations of law may result in legal sanctions and penalties, which could have a material adverse effect on our business, results of operations and financial condition.

Taxable capital gains arising out of the sale of real estate may not be completely offset by the tax transfer of built-in gains.

Under the German Income Tax Act (*Einkommensteuergesetz*), a tax-neutral transfer of built-in gains (*stille Reserven*) to newly acquired or constructed real estate is possible under certain circumstances for a disposal of real estate, for newly acquired or established real estate within a certain period (Section 6b German Income Tax Act (*Einkommensteuergesetz*)). The taxable capital gains realized upon sale of the real estate may either be deducted from the tax base of the new real estate in the same fiscal year or by forming a reserve (“**6b Reserve**”) and, for a later deduction in tax costs relating to acquisitions or production, using it to reduce the tax base of new real estate acquired or constructed in the near future. If a 6b Reserve is not utilized within four years (or, under certain conditions, within six years), it generally must be dissolved, thereby increasing the taxable income. In addition, in such an event, the taxable income is increased by 6% for each full fiscal year for which the 6b Reserve existed. As of March 31, 2017, the Company had not formed or recorded any 6b Reserves in the balance sheet.

In the ordinary course of its business, the Company acquires or disposes of properties in its portfolio and will continue to do so in the future. These transactions are generally taxable for income tax purposes. However, subject to certain requirements, this capital gain can be rolled over in an income tax-neutral way according to Section 6b of the German Income Tax Act (*Einkommensteuergesetz*). The Company believes that built-in gains in sufficient amounts can be transferred in order to be able to offset capital gains that arose from property disposals in the past. However, if these assumptions turn out to be inaccurate or if the competent tax authorities determine otherwise, the Company may not be able to roll over capital gains arising out of property sales in an income-tax-neutral manner, which could have material adverse effects on the Company's, business, financial condition, cash flow and results of operations.

Pending and future tax audits within our Group and changes in fiscal regulations could lead to additional tax liabilities.

We are subject to routine tax audits by local tax authorities. Tax audits in Germany for the Group for corporate income tax (*Körperschaftsteuer*), trade tax (*Gewerbesteuer*) and VAT (*Umsatzsteuer*) relating to the periods up to and including the fiscal year ended December 31, 2014 were completed in 2017. The relevant assessments will be amended shortly, and higher tax assessments are already reflected as provisions for taxes in our balance sheet as of December 31, 2016. Tax audits for later periods not yet

subject to a tax audit may lead to higher tax assessments in the future. For example, we operate a number of tax groups (*Organschaften*) in Germany, and we are therefore exposed to the risk of a challenge of the existence and due operation of tax groups in the course of future tax audits. A non-recognition of our tax groups could lead to additional tax liabilities.

Any additional tax payments could have a material adverse effect on our margins and results of operations and financial condition. In addition, changes in fiscal regulations or the interpretation of tax laws by the courts or the tax authorities may also have a material adverse effect on our business.

Due to the forfeiture of loss carry forwards under German tax laws, we may be unable to use loss carry forwards to set off future gains.

Tax loss carry forwards and unused losses of the current fiscal year are forfeited in full if more than 50% of the subscribed capital, membership rights, participation rights or voting rights in the Issuer are transferred, directly or indirectly, to an acquirer or related parties of such acquirer (or a group of acquirers with common interests) within a period of five years or in case of comparable measures (harmful acquisition). As regards transfers of more than 25% and up to 50% under the same prerequisites, tax loss carry forwards and unused losses of the current fiscal year are forfeited on a pro rata basis. The same applies for interest carry forwards. If and to the extent the tax loss carry forwards, interest carry forwards and unused losses of the current fiscal year are covered by the built-in gains of the loss-making company's business assets that are subject to domestic taxation, a forfeiture of such items would generally not apply. However, according to the opinion of the relevant German fiscal authorities, the so called "hidden reserve clause" may not be available to us due to our existing tax groups (*Organschaften*).

Although the application of the forfeiture rules on loss carry forwards recently has been put in question by the German Constitutional Court, we cannot rule out that such rule may apply to us and have an adverse effect on our tax position, especially in the event that some of our fiscal consolidations described above would be challenged.

Due to restrictions of the deduction of interest expense or forfeiture of interest carry forwards under German tax laws, we may be unable to fully deduct interest expenses on our financial liabilities.

Interest payments on the Notes and on our other debt may not be fully deductible for tax purposes, which could adversely affect our financial condition and results of operation. Subject to certain requirements, the German interest barrier rules (*Zinsschranke*) impose certain restrictions on the deductibility of interest for tax purposes. Since 2008, the German interest barrier rules in general have disallowed the deduction of net interest expense exceeding 30% of tax adjusted EBITDA. For purposes of the interest barrier rules, all businesses belonging to the same tax group (*Organschaft*) for corporate income and trade tax purposes, *i.e.*, the Issuer and its subsidiaries, are treated as one single business. Such consolidation is, *inter alia*, relevant for the calculation of the tax adjusted EBITDA.

There are certain exemptions from the restrictions of the German interest barrier rules allowing for a tax deduction of the entire annual interest expense, which, however, may not be available to the Issuer. To the extent our net interest expense exceeds 30% of our tax adjusted EBITDA in any given year, we may therefore not be able to deduct the excess in our net interest expense in calculating our taxable earnings for the relevant year. This may have an adverse effect on our liquidity and financial condition and on our ability to meet our obligations under the Notes.

Any non-deductible amount of interest expense exceeding the threshold of 30% is carried forward and may, subject to the interest barrier rules, be deductible in future fiscal years. In the past, our interest expense was not entirely deductible. Accordingly, we currently have an interest carry forward (*Zinsvortrag*) from previous years. An interest carry forward may be forfeited in part or in full in connection with certain measures, such as a change of the ownership structure as described in the preceding risk factor "*—Due to the forfeiture of loss carry forwards under German tax laws, we may be unable to use loss carry forwards to set off future gains*". Such forfeiture may have a material adverse effect on our margins and results of operations and financial condition.

The Group may face risks due to restrictions on investment and business activities resulting from the German REIT Act.

With respect to the acquisition of investment property, Fair Value REIT-AG is subject to restrictions of the German REIT Act. As a result, the investment object, investment volume, and the business activities in particular are restricted or affected by the following regulations:

- exclusion of the acquisition of domestic residential property built before January 1, 2007;
- acquisition of shares in corporations dealing in property is only permitted under the condition that at least 90% of their total assets consist of investments in real estate properties, and the properties held are all located abroad where they could also be held by a REIT or corporate bodies, associations or estates that are similar to a REIT;
- restrictions on the formation of reserves;
- only low levels of liquidity formation due to the minimum distribution of 90% of the net income for the period determined in accordance with the HGB and the requirement that the share of the immovable assets has to be at least 75% of the assets of the Company;
- limitation on the provision of real estate-related paid services to third parties;
- limitations on property dealings; and
- minimum equity of 45% of the value of the immovable assets.

The minimum equity requirement of 45% of the immovable assets and the asset and income structure requirements of Section 15 German REIT Act may make it impossible to take advantage of interesting property purchase offers due to a lack of liquidity and the restriction on the borrowing of third-party capital. A further increase in equity by means of a capital increase against cash contribution based on a decision of the shareholders' meeting or out of authorized capital requires a certain period, which may be too long for the prompt acceptance of favorable property offers, so that these may be completed by competitors.

In addition, a revaluation of derivative financial instruments used by Fair Value REIT-AG could have negative or positive effects on the equity depending on the interest rate situation on the capital markets. This could lead to a shift of the equity-to-immovable assets ratio, which is required to be at least 45% pursuant to Section 15 German REIT Act, and thus force the Group to limit or stop its investment activity. A drop of the equity-to-immovable assets ratio under the 45% limit required by the German REIT Act for three or more years could entail payment obligations (e.g. an obligation to pay damages to shareholders) or even the loss of the REIT status, which would result in the loss of the tax exemption.

Further, due to the obligation under the German REIT Act to distribute at least 90% of the net income for each fiscal year determined in accordance with the HGB to the shareholders no later than at the end of the following fiscal year, Fair Value REIT-AG could be obliged to sell property at short notice for unattractive prices, which might be below book values, in order to maintain the necessary liquidity, if liquidity is not sufficient, or if it is not possible to borrow third-party capital, or only to unfavorable conditions. In addition, as a result of this statutory distribution requirement, a material increase in the equity capital position of Fair Value REIT-AG is therefore to a large extent only possible by increasing its shareholder capital by way of obtaining external equity capital, e.g. through the issuance of further shares in the Company.

In order to comply with its payment obligations from current business operations, the Group thus has to operate an adequate liquidity management system and maintain sufficient liquidity reserves. If this is not possible, or is only possible to an unsatisfactory extent, Fair Value REIT-AG might get into payment arrears and be exposed to claims for damages.

Due to the restrictions imposed by the German REIT Act, it is possible that certain chances or opportunities in the property and financing market cannot be taken advantage of, or can only be taken

advantage of to a limited extent. This and the possible restriction on debt financing, as well as the further restrictions on investment and business activities imposed by the German REIT Act, may have considerable negative effects on the net assets, financial position and results of operations of Fair Value REIT-AG or the Group.

Fair Value REIT-AG could lose its tax exemption and may be subject to penalty payments or damage claims if it does not fulfil certain legal requirements of the German REIT Act.

The fiscal status as a REIT company is tied to certain preconditions, in particular:

- admission of its shares for trading on a regulated market;
- only restricted trading with the immovable assets possible;
- adherence to a free-float ratio of at least 15%;
- compliance with the maximum direct participation level of less than 10% of the shares or voting rights;
- minimum equity of 45% of the value of the immovable assets;
- share of the immovable assets of at least 75% of the assets of the Company;
- at least 75% of the gross earnings must derive from immovable assets;
- distribution of at least 90% of the net income for the year determined in accordance with the HGB; and
- restrictions on the business purpose.

As a REIT company, Fair Value REIT-AG is exempt from corporation and trade taxes. If Fair Value REIT-AG infringes the REIT conditions in any given fiscal year with respect to listing on the stock exchange and property dealings, it can lose this tax exemption status retroactively. Furthermore, Fair Value REIT-AG can also lose this tax exemption status retroactively if it infringes REIT conditions, such as its shareholder structure, minimum equity, dividend distribution ratio, and the composition of its assets and income, on three consecutive balance sheet dates or if it infringes the requirements relating to its asset structure, sales revenue structure, or minimum distributions or infringes the prohibition on providing non-gratuitous service charge services for five consecutive fiscal years. Fair Value REIT-AG may not have influence over those factors, *e.g.* relating to a revaluation of its assets.

In the case of non-compliance with the aforementioned requirements, Fair Value REIT-AG would be liable for the payment of corporation and trade taxes as well as certain back-dated taxation obligations. After the loss of tax exemption status, renewed exemption would not be possible for the following four years.

The loss of tax exemption and REIT status would not only harm the reputation, but could also have significant detrimental effects on the net assets, financial position and results of operations of Fair Value REIT-AG or the Group.

Further, if Fair Value REIT-AG does not fulfil the requirements laid down in the German REIT Act, albeit not to an extent or duration which would result in the loss of the tax exemption, there is also a possibility that (penalty) payments might be levied against that Company by the relevant taxation authorities. This is particularly the case if the share of the immovable assets as a percentage of total assets of that company or the share of the gross earnings from properties falls short of the minimum ratio of 75%. The same also applies if the minimum dividend distribution rate of 90% of the net income for the year determined in accordance with the HGB is not reached within one fiscal year after the balance sheet date. If the relevant taxation authorities impose corresponding (penalty) payments, this could have a considerable negative effect on the net assets, financial position and results of operations of Fair Value REIT-AG or the Group.

Furthermore, in section 34 of its articles of association, Fair Value REIT-AG has provided that in the case of the termination of its tax exemption status due to a qualifying infringement of the minimum free-float of shares of at least 15% and/or the maximum participation ratio of less than 10% during three consecutive fiscal years, all shareholders who hold less than 3% of the voting rights may demand damages from the Company. This could have considerable negative effects on the net assets, financial position and results of operations of Fair Value REIT-AG or the Group.

Risks relating to Fair Value REIT-AG's reduced ability to control compliance with certain statutory thresholds regarding its minimum free float and maximum shareholder participation levels.

The German REIT Act provides in section 11 paragraph 4 that no shareholder may directly hold 10% or more of the shares of the REIT company such that it has 10% or more of the voting rights in a REIT company ("**maximum participation level**"). The articles of association of Fair Value REIT-AG also contain a corresponding provision in section 7 paragraph 2. In accordance with section 11 paragraph 1 German REIT Act, at least 15% of the shares of the REIT company must be free-floating, *i.e.*, held by shareholders whose participation in each case is equivalent to less than 3% of the voting rights ("**minimum free float**"). Section 7 paragraph 1 of the articles of association of Fair Value REIT-AG contains a corresponding stipulation. If, during three consecutive fiscal years, the regulations concerning the maximum participation level or the minimum free float are infringed, section 18 paragraph 3 German REIT Act stipulates that the tax exemption status of the REIT ends with the expiration of the third fiscal year.

Due to this maximum participation level, which is difficult for Fair Value REIT-AG to monitor, section 28 paragraph 2 of the articles of association of Fair Value REIT-AG stipulates that if the maximum participation level is exceeded, the respective shareholder shall be obliged to transfer enough shares within two months of receipt of the letter by the management board demanding the transfer so that its shareholding no longer results in the maximum participation level being exceeded. If the shareholder does not provide the requested proof of transfer of the shares within the two months' period, the management board may demand that the shareholder transfer the number of shares exceeding the maximum participation level without compensation. Further, pursuant to section 29 paragraph 1 and 4 and section 28 paragraph 1 of the articles of association, the management board may effect a forced redemption, or the shareholders' meeting may resolve on the redemption, of shares of a shareholder for the purpose of restoring compliance with the maximum participation level to the extent the shareholder continues to violate the maximum participation level, two months after the expiration of the two months' period set by the management board. The forced redemption of the shares and the possible legal consequences for Fair Value REIT-AG resulting therefrom in accordance with section 16 paragraph 2 and section 18 paragraph 3 German REIT Act, will be without payment of compensation for the redemption or other compensation. Instead of a permissible redemption, Fair Value REIT-AG may also acquire the shares itself in accordance with section 71 German Stock Corporation Act (*Aktiengesetz*, "**AktG**"), or the shareholders' meeting—to the extent legally permissible—may demand that the shares in question be transferred or assigned to Fair Value REIT-AG or to a shareholder or trustee designated by the shareholders' meeting without compensation, including in such a way that some of the shares are redeemed and others are assigned or transferred to Fair Value REIT-AG or a person designated by the shareholders' meeting.

In view of these aforementioned obligations of shareholders not to directly hold 10% or more of the voting rights in Fair Value REIT-AG and the risk of a forced or approved redemption of shares, it may not be possible for a shareholder to acquire a stake in Fair Value REIT-AG of 10% or more or a controlling influence on Fair Value REIT-AG and thus, a takeover of Fair Value REIT-AG may not be possible. However, it cannot be excluded that the provisions in the articles of association regarding a forced or approved redemption of shares may be invalid or unenforceable in part or in whole.

REIT-specific provisions contained in Fair Value REIT-AG's articles of association that are intended to protect its status as a REIT company may not be enforceable.

In its articles of association, Fair Value REIT-AG has included a number of regulations which ensure that the specifications of the German REIT Act are complied with (in this respect, please also see "*—Risks relating to Fair Value REIT-AG's reduced ability to control compliance with certain statutory thresholds regarding its minimum free float and maximum shareholder participation levels*"). Amongst other things, these refer to the minimum free float requirement of the German REIT Act, as well as the maximum

participation level for individual shareholders, the non-allocation of shares held for the account of third parties, the obligation to transfer shares in cases where the maximum direct participation level of a shareholder is exceeded, as well as the right of the shareholders who hold less than 3% of the voting rights of Fair Value REIT-AG to demand the cancellation of the shares in return for a cancellation fee in the case of the termination of the tax exemption status according to section 18 paragraph 3 German REIT Act. It cannot be excluded that individual rules and procedures do not conform to stock corporation law or other legal regulations and may therefore be invalid or unenforceable in part or in whole. Furthermore, it cannot be ruled out that as a result of these regulations or their application, the intended success, in particular the maintenance of the REIT status of Fair Value REIT-AG, cannot be achieved. This could result in significant disadvantages for the net assets, financial position and results of operations of Fair Value REIT-AG or the Group.

Fair Value REIT-AG may not be able to distribute the minimum dividends stipulated in the German REIT Act.

Due to its REIT status, Fair Value REIT-AG is obliged to distribute at least 90% of its distributable net income for the period to its shareholders. In accordance with the stipulations of the statutory regulations, particularly those of stock corporation law and commercial law, for the distribution of a dividend the company requires an unappropriated surplus as well as sufficient liquidity. Therefore, Fair Value REIT-AG cannot guarantee that such a distributable unappropriated surplus will exist which will enable it to make a distribution of 90% of the net income for the relevant year. Furthermore, there may be other reasons why Fair Value REIT-AG might not be able to comply with the legally stipulated minimum dividend payment, e.g. a lack of liquidity. If the distribution ratio of 90% of the net income for the year cannot be complied with over a period of three years, Fair Value REIT-AG may also lose its REIT status. Even if the infringement occurs only once, it is possible that (penalty) payments may be imposed on Fair Value REIT-AG. Each of these cases could have considerable negative effects on the net assets, financial position and results of operations of Fair Value REIT-AG or the Group.

Risks Related to Our Structure and Financial Position

Our high leverage and debt service obligations may make it difficult for us to operate our business.

We currently have and will continue to have a substantial amount of outstanding debt with significant debt service requirements. Our net debt (sum of current and non-current financial liabilities less cash and cash equivalents) as of March 31, 2017 amounted to €620.8 million. Our *pro forma* net debt as of March 31, 2017 amounted to €641.6 million. Our ability to fund working capital, capital expenditures and other expenses will depend on our future operating performance and ability to generate sufficient cash. Our significant leverage could have important consequences for our business and operations, including:

- making it more difficult for us to satisfy our obligations under our financing arrangements;
- increasing our vulnerability to a downturn in our business or general economic and industry conditions;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt and reducing the availability of our cash flow to fund internal growth through capital expenditures and for other general corporate purposes;
- placing us at a competitive disadvantage compared to our competitors that have lower leverage or greater access to capital resources than we have;
- limiting our flexibility in planning for or reacting to changes in our business and our industry;
- negatively impacting credit terms with our creditors;
- restricting us from exploiting certain business opportunities; and
- limiting, among other things, our ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional capital.

Any of the above-listed factors could prevent us from meeting our medium-term target of achieving a net LTV of approximately 50% and/or could otherwise materially adversely affect our results of operations, financial condition and cash flows.

We are subject to significant restrictive debt covenants, which limit our operating flexibility and, if we default under our debt covenants, we will not be able to meet our payment obligations.

In each case subject to certain exceptions, the Indenture and the terms and conditions governing our outstanding A/B-Notes, Promissory Notes and our other financing arrangements contain covenants which may impose significant restrictions on the way we can operate, including restrictions on our ability to:

- incur or guarantee additional debt and issue preferred stock;
- make certain payments, including dividends or other distributions and repayment or redemption of share capital;
- make certain investments or acquisitions, including participating in joint ventures;
- make loans or extend credit;
- prepay or redeem subordinated debt;
- engage in certain transactions with affiliated persons;
- enter into arrangements that restrict payments of dividends to us;
- sell assets, consolidate or merge with or into other companies, change our legal form, enter into corporate reconstruction;
- sell or transfer all or substantially all of our assets or those of our subsidiaries on a consolidated basis;
- create or incur certain liens;
- issue or sell share capital;
- sell and acquire real property; and
- enter into treasury transactions.

These covenants could limit our ability to finance our future operations and capital needs and our ability to pursue acquisitions and other business activities that may be in our interest. Our ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. These covenants and restrictions may also limit our ability to ensure compliance with certain loan-to-value ratio requirements provided for in the Indenture and certain other existing financing arrangements following a decline of the value of underlying assets, which may significantly limit our operating flexibility. Furthermore, if we breach any of these covenants or restrictions, we could be in default under the terms of the Indenture and/or our other existing or future financing arrangements, which in turn may trigger cross-defaults between any financing agreements. If the Notes or the debt under our material financing arrangements that we entered into were to be accelerated, our assets may be insufficient to service our debt.

If we are unable to comply with the financial and restrictive covenants included in the Indenture, certain of our existing or any future financing agreements, there could be a default under such agreements, which could result in an acceleration of repayment.

As described in the preceding risk factor, the Indenture and certain of our existing financing arrangements contain, and any future financing agreements we enter into may contain, certain financial and restrictive covenants. Our ability to comply with these covenants, including meeting incurrence- or maintenance-based financial ratios and tests, depends on a number of factors, some of which may be beyond our control,

such as a deterioration of the industry and markets in which we operate or a deviation from the assumptions contained in our business plan. As a result, we may be unable to comply with our financial and restrictive covenants, and any failure may materially adversely affect our margins and results of operations and financial condition.

The breach of a financial or other covenant or our failure to meet any of our obligations under any of the agreements governing our debt may result in a default under such agreements, which in turn could result in a number of adverse consequences including, prohibiting us from drawing additional funds under credit facilities, significant increases in interest rates and other financing costs, the acceleration of all outstanding amounts under such agreements requiring us to immediately repay the related debt in whole or in part, and/or the commencement of foreclosure or other enforcement actions against any of our assets securing such debt. In addition, any default may expose us to requests by our suppliers for advance payments for deliveries and a reduction or cancellation by credit insurers of their commitments. Defaults may also trigger cross-default and cross-acceleration clauses contained in our other debt agreements, including the Indenture, and our liquid funds and short-term cash flow may be insufficient to service any of the debts in the circumstances described above. Accordingly, any failure by us to service our debts may have a materially adverse effect on our ability to satisfy our obligations, including under the Notes.

The derivative instruments we employ for hedging purposes involve risks and may not be successful.

From time to time, we may enter into financial transactions to completely or partly hedge risks resulting, for example, from fluctuating currency exchange rate movements. When we use hedging instruments, we are subject to credit risk as the counterparties to our hedging transactions may default on an obligation. In addition, we potentially forego the benefits of otherwise positive variable interest and currency exchange rate movements. In addition, there can be no certainty that we will be able to enter into hedging arrangements on commercially reasonable terms, or that our overall hedging strategy will be successful in the future. Moreover, like any other financial instrument that is subject to market risks, the derivatives we use for our hedging activities bear the risk of incremental value loss due to a variety of factors beyond our control. Any of these factors may have a material adverse effect on our business, financial condition and results of operations.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Fluctuations in interest rates may affect our interest on existing debt and the cost of new financing. As of March 31, 2017, we had total financial liabilities of €664.4 million, of which approximately €98.2 million, or 14.8%, was floating rate.

If interest rates increase, our debt service obligations on the variable rate indebtedness that is not hedged would increase even though the amount borrowed remained the same, which would require that we use more of our available cash to service our indebtedness. While we strive to manage our exposure to fluctuations in interest rates, we do not currently have any hedging arrangements or interest rate swaps to adjust interest-rate risk exposure. If interest rates increase dramatically, we could be unable to service our indebtedness, which would exacerbate the risks associated with our leveraged capital structure. This could, in turn, have a material adverse effect on our business, financial condition, results of operations and cash flows.

We require a significant amount of cash to service our debt, and our ability to generate sufficient cash depends on factors that may be beyond our control.

Our ability to service and refinance our debt and to fund future operations and capital expenditures is highly dependent on our future operating performance and our ability to generate sufficient cash flow. To a significant degree, our future operating performance and ability to generate cash flows is, in turn, dependent on various general economic, financial, competitive, market, legislative, regulatory and other factors which are outside our control. Due to any of these factors, we may be unable to generate sufficient cash flows from our operating activities, anticipated revenues growth, cost saving or operational efficiency improvements, and any future debt or equity financing may not be available to us in amounts which would enable us to pay the principal premium and interest of our indebtedness, including the Notes.

To the extent our cash flow from operating activities is insufficient to meet our liquidity needs and service our debt, we would have to seek additional debt or equity financing. In addition, our subsidiaries may be restricted in certain jurisdictions within which they operate from paying dividends or making other distributions to us. If our future cash flows from operating activities and other capital resources are insufficient to pay our various obligations as they mature or to fund our ongoing liquidity needs, we and our subsidiaries may be forced, among other things, to reduce or delay business activities and capital expenditure, sell assets, or forego opportunities such as acquisitions of other businesses. There can be no assurance that any of these alternatives can be accomplished on a timely basis or on satisfactory terms, if at all. Further, we may be compelled to restructure or refinance all or a portion of our debt, including the Notes, on or before their maturity. We may face the additional risk that in order to refinance our debt, we could be required to agree to more onerous covenants, which would further restrict our business operations. The occurrence of any event described above may have a materially adverse effect on our margins and results of operations and financial condition.

We may be unable to extend or refinance our debt on favorable terms or at all.

Amounts outstanding under our existing indebtedness must potentially be repaid before the maturity date of the Notes. Our ability to pay and refinance our debt is significantly reliant on our future operating performance and our ability to generate a sufficient cash flow. We may be unable to achieve any refinancing on a timely basis or on satisfactory terms. We may also be limited in our ability to pursue refinancing alternatives by the terms and conditions of our existing debt agreements. Our inability to refinance our debt obligations on or prior to their maturity on favorable terms or at all could have a material adverse effect on our ability to service and repay the Notes.

Risks Related to the Notes

Despite our current level of indebtedness, we may still be able to incur substantially more debt in the future, which may make it difficult for us to service our debt, including the Notes, and impair our ability to operate our businesses.

We may incur substantial additional debt in the future. Any debt that we incur at our subsidiary level would be structurally senior to the Notes, and other debt could be secured or could mature prior to the Notes. The terms of the Indenture will permit us to incur future debt that may have substantially the same or more restrictive covenants as those of the Indenture. Borrowings under other debt instruments that contain cross acceleration or cross default provisions, including the Notes, may as a result also be accelerated and become due and payable. If we incur any additional indebtedness that ranks equally with the Notes, the holders of that debt will be entitled to share ratably in any proceeds distributed in connection with our insolvency, liquidation, reorganization, dissolution or other winding-up. We may be unable to pay the Notes and these debts in full in such circumstances. The incurrence of additional debt would increase the leverage related risks described in this offering memorandum.

We may not be able to generate sufficient cash to service our indebtedness, including due to factors outside our control, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

We are highly leveraged and have significant debt service obligations. Our ability to make payments on or to refinance our debt obligations will depend on our future operating performance and ability to generate sufficient cash. This depends, to a large extent, on rental income. These factors, in turn, are dependent on general economic and financial conditions, as well as competitive, market, regulatory and other factors, all of which are largely beyond our control. Our significant leverage may also make it more difficult for us to satisfy our obligations with respect to the Notes and exposes us to interest rate increases to the extent our variable rate debt is not hedged.

Our business may not generate sufficient cash flows from operations to make payments on our debt obligations, and additional debt and equity financing may not be available to us in an amount sufficient to enable us to pay our debts when due, or to refinance such debts, including the Notes. If our future cash flows from operations and other capital resources are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce our business activities or delay capital expenditures;

- sell assets;
- obtain additional debt or equity financing; or
- restructure or refinance all or a portion of our debt, including the Notes, on or before maturity.

We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all, or that those actions would yield sufficient funds to satisfy our obligations under our indebtedness.

In particular, our ability to restructure or refinance our debt will depend in part on our financial condition at such time as well as on many factors outside of our control, including then-prevailing conditions in the international credit and capital markets. Any refinancing of our debt could be at higher interest rates than our current debt and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments and the Indenture may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest or principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness.

In the absence of operating results and resources sufficient to service our indebtedness we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. The terms of our indebtedness, including the Indenture, restrict our ability to transfer or sell assets and the use of proceeds from any such disposition. We may not be able to consummate certain dispositions or to obtain the funds that we could have realized from the proceeds of such dispositions, and any proceeds we do realize from asset dispositions may not be adequate to meet any of our debt service obligations then due. These alternative measures may not be successful and may not permit us to meet our debt service obligations.

The Issuer may not be able to finance a change of control offer.

The Indenture will require the Issuer to make an offer to repurchase the Notes at 101% of their principal amount if we experience certain specified change of control events. The Issuer's failure to effect a change of control offer when required would constitute an event of default under Indenture. However, some important corporate events that might adversely affect the value of the Notes would not constitute a "change of control" under the Indenture. In addition, the Issuer's ability to repurchase the Notes as may be required by the Indenture will depend on its access to funds at such time, and it may not be able to secure access to enough cash to finance the repurchase. Upon a change of control event, the Issuer may be required to also offer to repurchase certain other debt instruments, including the Promissory Notes and the A/B-Notes. It cannot be assured that there will be sufficient funds available upon a change of control to make these repayments and repurchases of tendered Notes. For a complete description of the events that would constitute a "change of control", prospective investors should read the section entitled "*Description of the Notes—Repurchase at the Option of Holders—Change of Control*".

The change of control provisions contained in the Indenture may not necessarily afford you protection in the event of certain corporate events, including reorganizations, restructurings, mergers or other similar transactions involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership, or, even if they do, may not constitute a "change of control" as defined in the Indenture. Except as described in the section entitled "*Description of the Notes—Repurchase at the Option of Holders—Change of Control*", the Indenture does not contain provisions that require us to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The definition of "change of control" contained in the indenture governing the Notes includes a disposition of all or substantially all of the assets of the Issuer and its restricted subsidiaries, taken as a whole. Although there is a limited body of case law interpreting the phrase "all or substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Issuer and its restricted subsidiaries, taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

The interests of our shareholders may be inconsistent with the interests of the holders of the Notes.

As of the date of this offering memorandum, our largest shareholders, directly or indirectly, were Wecken & Cie. (26.53%), Obotritia Capital KGaA (11.89%) and Sigrid Wecken. See “*Shareholders*”. The interests of our ultimate shareholders could conflict with the interests of the holders of the Notes, particularly if we encounter financial difficulties or are unable to pay our debts when due. Our principal shareholders could also have an interest in pursuing acquisitions, divestitures, financings, dividend distributions or other transactions that, in their judgment, could enhance their equity investments, although such transactions might involve risks to the holders of the Notes. Finally, our direct and indirect shareholders may have strategic objectives or business interests that could conflict with our own strategies or interests. If the interests of our principal shareholders conflict with our interests or the interests of the holders of the Notes, or if our principal shareholders engage in activities or pursue strategic objectives that conflict with our interests or the interest of the holders of the Notes, we and you could be disadvantaged.

An active trading market may not develop for the Notes, in which case you may not be able to resell the Notes.

There is no existing trading market for the Notes and we cannot assure you that an active or liquid trading market will develop for the Notes. The Initial Purchasers have advised us that they intend to make a market in the Notes after completing the offering. However, the Initial Purchasers have no obligation to do so and may discontinue market making activities at any time without notice. We have made an application to list the Notes on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF. We cannot guarantee that the application we have made to the Official List of the Luxembourg Stock Exchange for the Notes to be listed and admitted to trading on the Euro MTF will be approved as of the Issue Date or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this admission to trading. Future liquidity will depend, among other things, on the number of holders of the Notes, our financial performance, the market for similar securities and the interest of securities dealers in making a market in the Notes. In addition, changes in the overall market for high yield securities and changes in our financial performance or in the markets where we operate may adversely affect the liquidity of the trading market in these Notes and the market price quoted for these Notes. As a result, we cannot assure you that an active trading market will actually develop for these Notes. Historically, the markets for non-investment grade debt such as the Notes have been subject to disruptions that have caused substantial volatility in their prices. The market, if any, for the Notes may be subject to similar disruptions. Any disruptions may have an adverse effect on the holders of the Notes.

Transfer of the Notes will be restricted, which may adversely affect the value of the Notes.

Because the Notes have not been, and are not required to be, registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, they may not be offered or sold except to QIBs in accordance with Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and all other applicable laws. These restrictions may limit your ability to resell the Notes. It is your obligation to ensure that your offers and sales of the Notes within the U.S. and other countries comply with applicable securities laws. Please refer to the section entitled “*Transfer Restrictions*” for further information on these restrictions.

Your right to receive payments under the Notes will be effectively subordinated to claims of existing and future secured creditors of the Issuer, up to the value of the collateral securing such indebtedness.

The Notes will not be secured by any of the Issuer’s assets. As a result, the indebtedness represented by the Notes will be effectively subordinated to any existing and future secured indebtedness we may incur, including, without limitation, the A/B-Notes and the Promissory Notes, to the extent of the value of the assets securing such indebtedness. As of March 31, 2017, giving effect to the Offering and the use of the proceeds therefrom, the Notes will effectively rank junior to €401.2 million of our existing secured debt, which represents 51.6% of our total assets and 58.8% of our total liabilities (excluding intercompany liabilities and provisions), respectively. The terms of the Indenture will permit us to incur additional secured indebtedness in the future subject to certain limitations. Accordingly, in the event of a bankruptcy, insolvency, liquidation, dissolution, reorganization or similar proceeding affecting the Issuer, your rights to receive payment will be effectively subordinated to those of secured creditors up to the value of the collateral securing such indebtedness. Holders of the Notes will participate ratably with all holders of our

unsecured indebtedness that is deemed to be of the same class as the Notes, and potentially with all of our other general creditors, based on the respective amounts owed to each holder or creditor, in our remaining assets. In addition, if the secured lenders were to declare a default with respect to their loans and enforce their rights with respect to their collateral, there can be no assurance that our remaining assets would be sufficient to satisfy our other obligations, including our obligations with respect to the Notes. In any of the foregoing events, we cannot assure you that there will be sufficient assets to pay amounts due on the Notes. As a result, holders of the Notes may receive less, ratably, than holders of secured indebtedness.

The insolvency laws of Germany may not be as favorable to holders of Notes as insolvency laws of other jurisdictions with which you may be familiar.

The Issuer is organized under the laws of Germany and headquartered in Germany. Accordingly, insolvency proceedings with respect to the Issuer may proceed under, and be governed by, German insolvency law. The insolvency laws of Germany and, in particular, the provisions of the German Insolvency Act (*Insolvenzordnung*), may not be as favorable to your interests as the laws of the U.S. or other jurisdictions with which you are familiar, including aspects such as the priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceedings, which may take several years. Thus, your ability to recover payments due on the Notes may be limited to an extent exceeding the limitations arising under other insolvency laws.

Further, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Pursuant to Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings, “the courts of the member state within the territory of which the center of a debtor’s main interests is situated” have jurisdiction to open insolvency proceedings. The “center of main interests” is defined as “the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties”. Pursuant to Article 3(1) of the EU Insolvency Regulation, the center of main interests of a company or legal person is presumed to be located in the Member State of the registered office in the absence of proof to the contrary. At the moment, the factual requirements of this presumption are fulfilled by the Issuer, however, it is not certain that this will continue to be the case. See “*Certain Insolvency Law Considerations*”.

You may have difficulty enforcing your rights against the Issuer, its directors and executive officers.

The Notes will be issued by the Issuer. The Issuer is organized under the laws of Germany, and all of our directors and executive officers are non-residents of the United States and all of our assets and the assets of our directors and executive officers are located outside the United States. As a result, it may not be possible for you to effect service of process within the United States upon us and our directors and executive officers to enforce against us or them judgments obtained in U.S. courts predicated upon civil liability provisions of the federal securities laws of the United States. In addition, we cannot assure you that civil liabilities predicated upon the federal securities laws of the United States will be enforceable in Germany.

As of the Issue Date, Fair Value REIT-AG and its subsidiaries will, and certain other of our subsidiaries may, in the future, constitute Unrestricted Subsidiaries under the Indenture governing the Notes, which will not be subject to the restrictive covenants thereunder and may incur additional indebtedness without limitation in the future.

In light of applicable legal and corporate governance restrictions set forth under the German Stock Corporation Act (*Aktiengesetz*), Fair Value REIT-AG and its subsidiaries will be Unrestricted Subsidiaries. However, if the Issuer were to enter into a domination and/or profit and loss transfer agreement with Fair Value REIT-AG in the future, Fair Value REIT-AG and its subsidiaries will automatically be designated as Restricted Subsidiaries without any further conditions under the Indenture to be satisfied. Such concept will correspondingly apply to any future “Unrestricted Target Subsidiaries”. In addition, subject to certain conditions, we may designate certain other of our existing and future subsidiaries as Unrestricted Subsidiaries. See “*Description of the Notes—Certain Covenants—Designation of Unrestricted and Restricted Subsidiaries*”. This means that, for so long as, and to the extent that, such subsidiaries remain Unrestricted Subsidiaries, the restrictive covenants contained in the Indenture governing the Notes will not apply to such subsidiaries. Accordingly, Unrestricted Subsidiaries, amongst other things, may incur unlimited debt and make unlimited investments, will not be limited in their ability to pay dividends or make other

distributions to third parties and may encumber or sell their assets without any restriction on the use of proceeds therefrom. We are not obliged under the Indenture to provide separate standalone historical financial information for the Unrestricted Subsidiaries. In the fiscal year ended December 31, 2016, the Fair Value REIT-AG subgroup generated 29.5% of the Group's rental income and 18.7% of the Group's EBIT, not considering any consolidation effects. As of December 31, 2016, the total assets of the Fair Value REIT-AG subgroup represented 29.9% of the Group's total assets, not considering any consolidation effects. In the three months ended March 31, 2017, the Fair Value REIT-AG subgroup generated 29.6% of the Group's rental income and 41.9% of the Group's EBIT, not considering any consolidation effects. As of March 31, 2017, to total assets of the Fair Value REIT-AG subgroup represented 29.9% of the Group's total assets, not considering any consolidation effects. In addition, for the fiscal years ended December 31, 2015 and 2016, the Company received dividend payments from Fair Value REIT-AG in the amount of €2,741 thousand (€0.25 per share) and €4,386 thousand (€0.40 per share), respectively, in respect of our 77.7% shareholding in Fair Value REIT-AG and as a result of Fair Value REIT-AG's legal obligation to distribute at least 90% of its distributable net income to shareholders.

If the Notes are rated investment grade, certain covenants contained in the Indenture will be suspended, and you will lose the protection of these covenants unless or until the Notes subsequently fall back below investment grade.

The Indenture contains certain covenants that will be suspended for so long as the Notes are rated investment grade by both Standard & Poor's and Moody's. These covenants include:

- “Incurrence of Indebtedness and Issuance of Preferred Stock”;
- “Restricted Payments”;
- “Transaction with Affiliates”;
- “Additional Guarantees”;
- “Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries”;
- “Designation of Unrestricted and Restricted Subsidiaries” (subject to certain exceptions); and
- “Merger, Consolidation or Sale of Assets”.

As a result, we will be able to incur additional indebtedness and consummate transactions that may impair our ability to satisfy our obligations with respect to the Notes. In addition, we will not have to make certain offers to repurchase the Notes. These covenants will only be restored if the credit ratings assigned to the Notes later fall below investment grade. See “*Description of the Notes—Suspension of Certain Covenants When Notes Rated Investment Grade*”. Any actions taken during the period of suspension will remain in effect despite such a restoration of the covenants.

Changes in respect of the public debt ratings of the Notes may materially and adversely affect the availability, the cost and the terms and conditions of our debt.

The Notes will be, and any of our future debt instruments may be, publicly rated by the independent rating agencies Moody's and Standard & Poor's. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed herein and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. These public debt ratings affect our ability to raise debt. A negative change, or an indication of a possible negative change, in our ratings could have an adverse effect on the trading and market price of the Notes. Any future downgrading of the Notes or any other debt instruments we may have at such time by Moody's or Standard & Poor's may affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

You may face foreign exchange risks or adverse tax consequences by investing in the Notes.

The Notes will be denominated and payable in euros. If you measure your investment returns by reference to a currency other than the currency in which the Notes are denominated, an investment in the Notes will entail foreign exchange related risks due to, among other factors, possible significant changes in the value of the euro relative to the currency by reference to which you measure the return on your investments, because of economic, political and other factors over which we have no control. Depreciation of the euro against the currency by reference to which you measure the return on your investments could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to you when the return on the Notes is translated into the currency by reference to which you measure the return on your investments. Investment in the Notes may also have important tax consequences as a result of any foreign currency exchange gains or losses. See “*Taxation*”.

The Notes will be held in book-entry form and therefore the investor must rely on the procedures of the relevant clearing system to exercise any rights and remedies.

The Notes will be issued in fully registered global form. The global note(s) in registered form without interest coupons attached representing the Notes (the “**Global Notes**”) will be deposited, on the closing date, with, or on behalf of, a common depository for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the common depository.

Ownership of beneficial interests in the Global Notes (the “**Book-Entry Interests**”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants. Owners of beneficial interests in the Global Notes will not be entitled to receive definitive Notes in registered form, except under the limited circumstances described in “*Book-Entry, Delivery and Form—Definitive Registered Notes*”. So long as the Notes are held in global form, holders of Book-Entry Interests will not be considered the owners or “holders” of Global Notes. The common depository for Euroclear and/or Clearstream or its nominee, as applicable, will be considered the sole holder of Global Notes.

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and additional amounts, if any) will be made by the Issuer to the Paying Agent. The Paying Agent will, in turn, make such payments to Euroclear and/or Clearstream or its nominee, which will, in turn, distribute such payments to participants in accordance with its procedures. After payment to Euroclear and/or Clearstream, we, the Trustee, the Paying Agent, the Registrar and the Transfer Agent will have no responsibility or liability for the payment of interest, principal or other amounts to the holders of Book-Entry Interests. Accordingly, if the investor holds a Book-Entry Interest, it must rely on the procedures of Euroclear or Clearstream, as applicable, or the procedures of the participant through which the investor holds its interest, to exercise any rights and obligations of a holder of Notes under the Indenture governing the Notes.

Unlike the holders of the Notes themselves, holders of Book-Entry Interests will not have the direct right to act upon the Issuer’s solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if the investor holds a Book-Entry Interest, it will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear or Clearstream, as applicable. The procedures implemented for the granting of such proxies may not be sufficient to enable the investor to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture governing the Notes, unless and until definitive registered Notes are issued in respect of all Book-Entry Interests, if the investor holds a Book-Entry Interest, it will be restricted to acting through Euroclear or Clearstream. The procedures to be implemented through Euroclear or Clearstream may not be adequate to ensure the timely exercise of rights under the Notes.

USE OF PROCEEDS

We estimate that the gross proceeds from the Offering will be €270,000,000. We intend to use the gross proceeds from the Offering to (i) repay the Refinancing Indebtedness (including any premiums, prepayment fees and/or breakage costs, but excluding accrued and unpaid interest) and (ii) to pay transaction costs, fees and expenses related to the Offering.

The following table illustrates the estimated sources and uses of funds. The actual amounts set forth in the table and in the accompanying footnotes are subject to adjustment and may differ at the time of the consummation of the Offering depending on several factors, including differences from our estimate of costs, fees and expenses.

Sources	in € million	Uses	in € million
Notes offered hereby ⁽¹⁾	270.0	Repayment of Refinancing Indebtedness ⁽²⁾	255.3
Cash on balance sheet	2.7	Total estimated prepayment fees ⁽³⁾	10.6
		Transaction costs ⁽⁴⁾	6.8
Total Sources	<u>272.7</u>	Total Uses	<u>272.7</u>

(1) Reflects the expected gross proceeds from the issuance of the Notes.

(2) We intend to use a portion of the gross proceeds of the Offering to repay the Refinancing Indebtedness (excluding accrued and unpaid interest).

(3) Reflects premiums, prepayment fees and/or breakage costs incurred in connection with the Repayment of the Refinancing Indebtedness.

(4) Reflects estimated costs, fees and expenses we expect to incur in connection with the Offering, including underwriting fees and commissions, financial advisory and other transaction costs and professional fees. Actual costs, fees and expenses may differ.

CAPITALIZATION

The following table sets forth our consolidated cash and cash equivalents and our capitalization as of March 31, 2017, on a historical basis and as adjusted to give effect to the Offering and the application of the proceeds from the issuance of the Notes, as described under “*Use of Proceeds*” as if they had occurred on March 31, 2017.

You should read this table in conjunction with “*Use of Proceeds*”, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”, “*Description of Certain Financing Arrangements*”, “*Description of the Notes*” and the Unaudited Interim Consolidated Financial Statements, including the notes thereto, included elsewhere in this offering memorandum. Except as set forth below, there have been no material changes to our capitalization since March 31, 2017.

	As of March 31, 2017	
	Actual	As Adjusted
	in € thousand (unaudited)	
Cash and cash equivalents	43,544	40,859
Notes offered hereby ⁽¹⁾	—	270,000
Mezzanine Loan ⁽²⁾	31,271	—
Corporate Bond ⁽²⁾	97,819	—
LBBW Loans ⁽²⁾	38,358	—
Bilateral Bank Loans ⁽²⁾⁽³⁾	98,636	25,349
A/B-Notes ⁽²⁾	97,598	97,598
Promissory Notes ⁽²⁾	141,672	141,672
Total Fair Value REIT-AG and its subsidiaries (subgroup) financial liabilities	131,664	131,664
2018 Notes	10,418	10,418
Mandatory 2018 Notes	457	457
Other financial and non-current other liabilities ⁽⁴⁾	16,885	5,334
Total financial and non-current other liabilities⁽²⁾	664,779	682,492
Subscribed capital	54,256	54,256
Reserves	218,043	218,043 ⁽⁵⁾
Equity attributable to parent company shareholders	272,299	272,299⁽⁵⁾
Non-controlling interests	37,479	37,479
Total equity	309,778	309,778⁽⁵⁾
Total capitalization	974,557	992,270

(1) The adjusted figure reflects the expected aggregate principal amount of the Notes of €270.0 million.

(2) All relevant figures shown as carrying amounts as of March 31, 2017.

(3) The actual figure excludes an amount of €700 thousand drawn under a bilateral bank loan after March 31, 2017.

(4) The actual figure reflects the carrying amounts of outstanding lombard loans in the amount of €16,496 thousand and other liabilities in the amount of €389 thousand, respectively, but does not include non-current liabilities due to minority interests (capital of limited partners) attributable to Fair Value REIT-AG in the amount of €62.0 million as of March 31, 2017.

(5) The adjusted figure does not take into account expenses of unamortized transaction costs related to the refinancing of certain of the existing indebtedness.

SELECTED FINANCIAL AND OTHER INFORMATION

The following tables set forth selected consolidated financial information of the Issuer as of and for the fiscal years ended December 31, 2014, 2015 and 2016 and as of and for the three months ended March 31, 2016 and 2017 as well as for the twelve month period ended March 31, 2017.

Until 2014, the Issuer's fiscal year end was March 31. Effective January 1, 2015, the Issuer changed its fiscal year to the calendar year to align its fiscal year with the fiscal year of the entities included in the Issuer's scope of consolidation. This change resulted in an abbreviated fiscal year from April 1, 2014 to December 31, 2014. In addition, in December 2015, we acquired 77.7% of the voting shares in Fair Value REIT-AG in a voluntary public takeover. Fair Value REIT-AG was fully consolidated in the Issuer's consolidated financial statements for the first time as of December 31, 2015, in accordance with the provisions of IFRS 3 for business combinations. Furthermore, in October 2015, we acquired a 94% interest in Germavest Real Estate S.à r.l., with effect from October 30, 2015. As a result of our takeover of Fair Value REIT-AG and the acquisition of a 94% interest in Germavest Real Estate S.à r.l. and its "T6" portfolio in 2015 and due to the change in the fiscal year end and the resulting abbreviated fiscal year for 2014, the comparability of the financial information for the fiscal year ended December 31, 2014 (from April 1 to December 31, 2014) to the fiscal years ended December 31, 2015 and 2016 as well as for the fiscal year ended December 31, 2015 to the fiscal year ended December 31, 2016 is significantly limited.

The unaudited consolidated statement of income information and the unaudited other financial information presented for the twelve months ended March 31, 2017 have been derived by subtracting from the financial information for the fiscal year ended December 31, 2016 taken from the 2016 Audited Consolidated Financial Statements and the Company's internal accounting system, the comparative financial information for the three months ended March 31, 2016 taken from the Unaudited Interim Consolidated Financial Statements and the Company's internal accounting system, and adding the financial information for the three months ended March 31, 2017 taken from the Unaudited Interim Consolidated Financial Statements and the Company's internal accounting system. The unaudited consolidated statement of income information and the unaudited other financial information presented for the twelve months ended March 31, 2017 have been prepared for illustrative purposes only and are not necessarily representative of our results of operations for any future period or our financial condition at any future date. This data has been prepared solely for the purpose of this offering memorandum, is not prepared in the ordinary course of our financial reporting and has not been audited.

The following tables also set forth certain pro forma consolidated financial information, after giving effect to the issuance of the Notes and the application of the proceeds therefrom as set forth under "*Use of Proceeds*".

The financial information marked as "audited" in tables in this offering memorandum is taken from the Audited Consolidated Financial Statements. Financial information marked as "unaudited" in tables in this offering memorandum is not taken from the Audited Consolidated Financial Statements but is either taken from the Unaudited Interim Consolidated Financial Statements or the Issuer's internal accounting system or is based on calculations of figures of the abovementioned sources.

You should read the information set forth below in conjunction with the sections "*Presentation of Financial Information*", "*Use of Proceeds*", "*Capitalization*", "*Summary Financial and Other Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the Consolidated Financial Statements, including the notes thereto, included elsewhere in this offering memorandum.

Selected Consolidated Statement of Income

	Fiscal year ended December 31,		Three months ended March 31,		Twelve months ended March 31,	
	2014 (April 1 to December 31, 2014)	2015	2016	2016	2017	2017
		(audited)	in € thousand		(unaudited)	(unaudited)
Rental income	3,375 ⁽¹⁾	33,320 ⁽¹⁾	76,371	17,815	18,540	77,096
Income from utility and service charges	374 ⁽¹⁾	10,024 ⁽¹⁾	15,746	5,229	6,210	16,727
Operating expenses to generate rental income	(1,459)	(19,664)	(33,547)	(9,952)	(10,911)	(34,506)
Profit/loss from the rental of real estate	2,290	23,680	58,570	13,092	13,839	59,317
Profit/loss from the sale of real estate companies	69	285	3,961	3	0	3,958
Profit/loss from the sale of real estate	0	458	963	0	(194)	769
Profit/loss from investments accounted for using the equity method	(1,014)	(500)	(359)	0	6	(353)
Profit/loss from fair value adjustments in investment properties	63,608	18,471	38,414	7,009	155	31,560
Unrealized fair value adjustments in real estate inventory	307	0	—	—	—	—
Impairment of receivables	(693)	(2,846)	(2,058)	(716)	(189)	(1,531)
Profit from a bargain purchase	0	33,217	0	—	—	—
Other operating income	429	2,572	5,550	358	1,796	6,988
Other operating income and other effects	63,651	51,414	41,906	6,651	1,762	37,017
Earnings before interest and taxes	58,434	58,740	83,169	13,999	9,185	78,355
Financial result	(2,938)	(25,728)	(43,207)	(9,490)	(5,466)	(39,183)
Profit/loss before taxes	55,496	33,012	39,962	4,509	3,719	39,172
Income taxes	(9,789)	(4,139)	(12,313)	(999)	(2,781)	(14,095)
Net profit/loss for the period	45,707	28,873	27,649	3,510	938	25,077

(1) Taken from the respective notes to the 2015 Audited Consolidated Financial Statements. The Issuer changed the presentation with respect to profit/loss from rental of real estate in the consolidated statement of income of the 2016 Audited Consolidated Financial Statements and presented rental income and income from utility and service charges separately as shown in the respective notes.

Selected Consolidated Balance Sheet

	As of December 31,			As of March 31,
	2014	2015	2016	2017
		in € thousand		(unaudited)
		(audited)		
ASSETS				
Investment properties	333,070	915,089	981,274	958,408
Total non-current assets	350,926	948,597	1,001,486	978,665
Total current assets	22,086	71,343	68,229	86,688
Non-current assets held for sale	0	13,005	24,291	35,737
Total assets	373,012	1,032,945	1,094,006	1,101,090
EQUITY AND LIABILITIES				
Subscribed capital	14,306	49,292	54,247	54,256
Reserves	37,378	181,405	217,698	218,043
Equity attributable to parent company shareholders	51,684	230,697	271,945	272,299
Non-controlling interests	2,945	34,205	36,692	37,479
Total equity	54,629	264,902	308,637	309,778
Total non-current liabilities	258,124	696,746	719,340	725,196
Total current liabilities	60,259	71,297	66,029	66,116
Total liabilities	318,383	768,043	785,369	791,312
Total equity and liabilities	373,012	1,032,945	1,094,006	1,101,090

Selected Consolidated Statement of Cash Flows

	Fiscal year ended December 31,			Three months ended	
	2014			March 31,	
	(April 1 to				
	December 31,				
	2014)	2015	2016	2016	2017
		<i>in € thousand</i>			
		(audited)		(unaudited)	
Cash flow from operating activities	(3,986)	10,815	35,352	8,094	6,192
Cash flow from investing activities	(255,206)	(29,165)	5,726	6,873	11,780
Cash flow from financing activities	259,634	42,420	(38,255)	(11,798)	(5,717)
Net change in cash and cash equivalents	442	24,070	2,822	3,169	12,255
Cash and cash equivalents at the start of the					
period	3,955	4,397	28,467	28,467	31,289
Cash and cash equivalents at the end of the					
period	4,397	28,467	31,289	31,636	43,544

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of our results of operations and financial condition as of and for the fiscal years ended December 31, 2014, 2015 and 2016 and the three months ended March 31, 2016 and 2017. The financial information contained in the following section is derived from the Consolidated Financial Statements and the Unaudited Interim Consolidated Financial Statements as well as from the internal accounting system and other internal reporting systems of the Issuer.

Until 2014, the Issuer's fiscal year end was March 31. Effective January 1, 2015, the Issuer changed its fiscal year to the calendar year to align its fiscal year with the fiscal year of the entities included in the Issuer's scope of consolidation. This change resulted in an abbreviated fiscal year from April 1, 2014 to December 31, 2014. In addition, in December 2015, we acquired a total of 77.7% of the voting shares in Fair Value REIT-AG in a voluntary public takeover. Fair Value REIT-AG was fully consolidated in the Issuer's consolidated financial statements for the first time as of December 31, 2015, in accordance with the provisions of IFRS 3 for business combinations. Furthermore, in October 2015, we acquired a 94% interest in Germavest Real Estate S.à r.l. with effect from October 30, 2015. As a result of our takeover of Fair Value REIT-AG and the acquisition of a 94% interest in Germavest Real Estate S.à r.l. and its "T6" portfolio in 2015 and due to the change in the fiscal year end and the resulting abbreviated fiscal year for 2014, the comparability of the financial information for the fiscal year ended December 31, 2014 (from April 1 to December 31, 2014) to the fiscal years ended December 31, 2015 and 2016 as well as for the fiscal year ended December 31, 2015 to the fiscal year ended December 31, 2016 is significantly limited.

The financial information marked as "audited" in tables in this offering memorandum is taken from the Audited Consolidated Financial Statements. Financial information marked as "unaudited" in tables in this offering memorandum is not taken from the Audited Consolidated Financial Statements but is either taken from the Unaudited Interim Consolidated Financial Statements or the Issuer's internal accounting system or is based on calculations of figures of the abovementioned sources.

The following discussion should be read in conjunction with "Selected Financial and Other Information" and our Consolidated Financial Statements contained elsewhere in this offering memorandum. In addition, some of the information contained in this discussion may contain forward looking statements that involve risks and uncertainties. You should read "Forward Looking Statements" for a discussion of the risks related to those statements. You should also read "Business" and "Risk Factors" for more information about us, including a discussion of certain factors that may adversely affect our business, results of operations and financial condition.

Overview

We are a leading integrated publicly-listed commercial real estate company in Germany with a focus on office, retail and logistics properties in secondary locations across Germany. As of March 31, 2017, taking into account sales of properties signed but not closed, our portfolio comprised 85 properties with total lettable floor space of approximately 970,000 square meters and had an aggregate portfolio value (sum of the carrying amounts of investment properties and non-current assets held for sale) of €983.5 million. As of the same date and on the same basis, our property portfolio had a weighted average lease term ("WALT") of 5.3 years and a European Public Real Estate Association ("EPRA") vacancy rate of 10.7%. For the twelve months ended March 31, 2017, we generated rental income of €77.1 million, EBIT of €78.4 million and FFO I before taxes of €10.2 million. Our headquarters are located in Langen, Germany, in close proximity to Frankfurt am Main, Germany, and we had a total of 78 full-time employees as of March 31, 2017.

The chart below provides an overview of our top ten properties by GAV as of March 31, 2017:

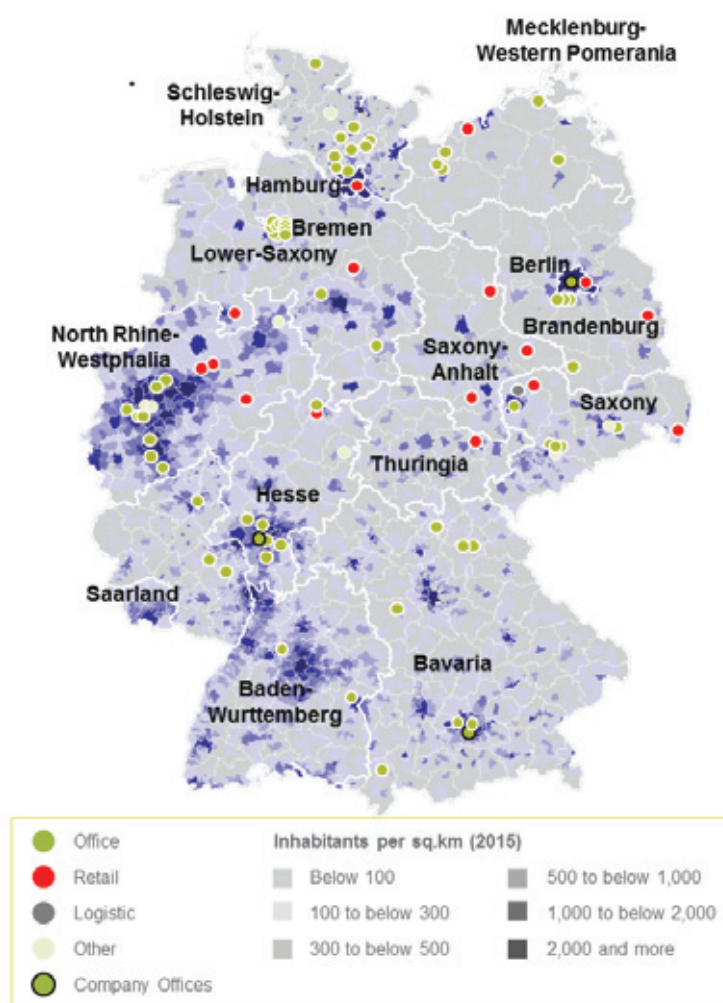
#	City	Segment	Asset Class	GAV (€ m)	Share (%)	TLA ('000 sqm)	GRI p.a. (EUR/)	EPRA Vac (in %)	WALT (Years)
1	Bonn	Core	Office	78.0	7.9	38.4	5.4	0.0	8.0
2	Rostock	FVR ⁽¹⁾	Retail ⁽²⁾	64.9	6.6	19.3	4.2	5.3	5.0
3	Ulm	Core	Office	63.2	6.4	47.5	4.3	10.9	7.4
4	Kassel	Core	Retail	56.5	5.7	21.5	3.6	11.7	9.0
5	Leipzig	Core	Logistic	53.7	5.5	217.6	3.8	45.2	1.9
6	Freiburg	Core	Office	37.1	3.8	22.7	2.6	0.0	4.0
7	Regensburg	Core	Office	31.0	3.1	29.2	2.5	0.0	4.0
8	Düsseldorf	Core	Office	30.1	3.1	24.3	1.9	27.7	5.1
9	Eschborn	Core	Office	29.6	3.0	18.8	2.0	0.0	7.9
10	Eisenhüttenstadt	FVR ⁽¹⁾	Retail	26.9	2.7	30.5	1.8	34.1	5.4
Top 10				470.9	47.9	469.8	32.1	16.4	6.0
Total properties⁽³⁾				983.5	100.0	967.6	71.7	10.7	5.3

(1) FVR refers to Fair Value REIT-AG.

(2) A significant portion of which is occupied by a tenant operating a hotel.

(3) Taking into account sales of properties signed but not closed as of March 31, 2017.

We are focused on office, retail and logistics asset classes, which accounted for approximately 68%, 24% and 5%, respectively, of our portfolio, by GRI, as of March 31, 2017 (taking into account sales of properties signed but not closed as of March 31, 2017). We are focused on cities in densely populated regions, which do not rank among the “top-seven cities”, and areas bordering metropolitan cities (so-called “secondary locations”) in Germany, where yields and occupancy rates are higher and less cyclical than in the “top-seven cities”. We have properties in 15 of the 16 German federal states (*Bundesländer*), as shown by the map below:



Source: German Federal Institute for Population Research

The Company was founded in 2006 and shortly thereafter became listed on the regulated market. Since 2013, the Company is focused on the investment in and management of German commercial properties in secondary locations, which was underpinned by the takeover of Fair Value REIT-AG in 2015 as well as the acquisition of several real estate portfolios and individual assets in recent years.

We have a strong and diversified base of high quality tenants across our portfolio. Our tenants include our anchor “blue chip” tenant, Deutsche Telekom, as well as government-related entities, such as the Institute for Federal Real Estate (*Bundesanstalt für Immobilienaufgaben*), and financial service providers, such as Sparkasse Südholstein, which together comprise our top three tenants by rental income. Our stable tenant base and long-term lease agreements provide us with high visibility on rental income and cash flow generation. As of March 31, 2017, annualized GRI amounted to €71.7 million, resulting in a GRI yield of 7.3%.

Our integrated in-house asset, facility and property management platform is a key factor to our success, enabling us to operate as an integrated and scalable real estate company covering the complete value chain and to implement our investment strategy. We acquire and manage properties based on their cash flow profile as well as value generation potential and primarily divide them into two categories: “core+”, to which approximately 54% of our portfolio, based on GAV (taking into account sales of properties signed but not closed as of March 31, 2017), is allocated as of March 31, 2017, and “value-add”, to which approximately 42% of our portfolio, based on GAV (taking into account sales of properties signed but not closed as of March 31, 2017), is allocated as of March 31, 2017. Our “core+” approach is focused on properties with a strong tenant structure, longer WALTs, stable yields and secure cash flows. Our “value-add” portfolio properties are typically undermanaged assets with higher vacancies and shorter WALTs, but which nevertheless generate attractive yields and present near-term value upside through vacancy reduction and other value-enhancing measures. We seek to improve the operating performance of value-add assets through a “manage-to-core” approach with the objective of moving them to the core+ category.

Key Factors Affecting Our Results of Operations

Portfolio Size, Rental Levels, Vacancy Rates and Composition, Changes in Fair Value of Investment Properties and Acquisitions and Disposals

Our results of operations are impacted, to a significant extent, by a combination of size (TLA), rental income (GRI) and vacancy (EPRA vacancy rate). These are, in turn, influenced and affected by our level of acquisition and disposal activity, local rent levels in the locations of our properties and the demand for and our ability to lease available space in our properties. Our portfolio size increased significantly from 2014 to 2016 due to our acquisition activity, and our TLA increased from approximately 350,000 sqm as of December 31, 2014 to approximately 1,100,000 sqm as of December 31, 2015 and approximately 1,068,000 sqm as of December 31, 2016, despite our disposal of numerous legacy portfolio properties over the same period. Our legacy portfolio stems from the time prior to our strategic realignment and includes properties, which are mainly located in Eastern Europe and the Black Sea region. As of March 31, 2017, the remaining legacy properties had an aggregate carrying amount of approximately €2 million. Our number of properties increased from 150 as of December 31, 2014 to 181 as of December 31, 2015 before decreasing to 174 as of December 31, 2016 and further to 98 as of March 31, 2017 (85 taking into account sales of properties signed but not closed as of March 31, 2017). We increased our rental income from €3.4 million in the fiscal year ended December 31, 2014 to €77.1 million in the twelve months ended March 31, 2017 and annualized GRI from €26.0 million as of December 31, 2014 to €72.1 million as of March 31, 2017 (€71.7 million taking into account sales of properties signed but not closed as of March 31, 2017).

Although the increases in rental income and GRI have been significantly attributable to the increase in the overall portfolio size and TLA, it was also, and will continue to be in the future, affected by local rent levels in our property locations. Rental income levels are dependent on the amount of rent we can charge for the letting of our properties. The amount of rent we can charge is influenced by numerous factors, including economic and demographic developments. For example, demand for office, retail and logistics space is affected by, among other things, economic conditions in the region and broader economy, unemployment levels, inflation and interest rates, levels of capital expenditure and corporate investments and population growth and demographics. Other property-specific factors which are determinative of rent levels are location, availability of similar space in the same location or region, the age of the property, the quality of the property and, in some cases, the mix of tenants at a property.

In addition to portfolio size and rent levels, vacancy rates can have a significant impact on our results of operations and, in particular, our profitability to the extent we are able to acquire properties with relatively high vacancy rate and reduce them over time through active property and facility management. Vacancy rates effectively reflect demand for the properties offered for leasing. Demand is, in turn, affected by location, price, age, quality and size of properties. Depending on the size of a portfolio and tenant concentration, vacancy rate developments can be significantly impacted by individual tenants who lease large properties terminating or not renewing their leases if we are not able to find new tenants in a timely manner. Our EPRA vacancy rate has consistently decreased over time, from 14.7% as of December 31, 2014 to 12.8% as of December 31, 2015, 11.6% as of December 31, 2016 and 10.9% as of March 31, 2017 (10.7% taking into account properties sold according to the signed sale agreements but not closed as of March 31, 2017), which we believe is attributable in large part to our fully integrated asset and property management platform.

Our results of operations are also affected by the composition of our portfolio, such as the distribution of our portfolio across various asset classes and the relative amount of lettable space, levels of rental income and vacancy rates by asset class. As of March 31, 2017, total lettable space by asset class amounted to 550,076 sqm of office space, 159,565 sqm of retail space and 217,611 sqm of logistics space. These asset classes generated €7.4 per sqm per month, €8.8 per sqm per month and €1.4 per sqm per month of our GRI as of March 31, 2017, respectively, and they consequently accounted for approximately 68%, 24% and 5%, respectively, of our portfolio, by GRI, as of March 31, 2017. As of the same date, they had EPRA vacancy rates of 6.6%, 10.4% and 45.2%, respectively.

In accounting for the value of our real estate portfolio, included in investment properties, we apply the fair value model pursuant to IAS 40 in connection with IFRS 13. Investment properties are initially recognized in the consolidated balance sheet at acquisition cost plus incidental acquisition costs at the time of acquisition. Investment properties are subsequently measured at their fair value in accordance with the fair value model, and changes in the fair values of investment properties are recognized in profit or loss for the period. The determination of fair values depends on various input factors, such as future rental income, vacancy rate estimates, discount and capitalization rates, average market rent, rentable space, vacant space and weighted average lease terms, among others. Consequently, a significant increase in, for example, maintenance costs, vacancies or property yields would result in a lower fair value of our investment properties if the assumptions for the remaining input factors remained unchanged. While changes in fair value do not represent transactions affecting cash funds, changes in the fair value of investment properties impact our EBIT and profit or loss for the period, which may result in volatility in our results of operations from one reporting period to the next. Profit/loss from fair value adjustments in investment properties amounted to €155 thousand in the three months ended March 31, 2017, €38,414 thousand in the fiscal year ended December 31, 2016, €18,471 thousand in the fiscal year ended December 31, 2015 and €63,608 thousand in the fiscal year ended December 31, 2014.

Acquisitions have been the key driver of our growth in the periods presented in this offering memorandum, helping us to significantly expand our real estate portfolio and increase our total assets from €373,012 thousand as of December 31, 2014 to €1,094,006 thousand as of December 31, 2016 and €1,101,090 thousand as of March 31, 2017.

In 2014, our acquisitions primarily related to three portfolios of properties. In May 2014, we acquired the “Alpha” portfolio, a portfolio of seven commercial properties in North Rhine Westphalia. In September 2014, we acquired the “Condor” portfolio, consisting of over 100 properties with approximately 290,000 sqm of office and retail space in Ulm, Düsseldorf and Eschborn. And in December 2014, we acquired the “Alpine” portfolio, consisting of 10 properties in Berlin, Bremen and Stralsund. Total assets acquired in the fiscal year ended December 31, 2014 in connection with these portfolio acquisitions amounted to €256,378 thousand for total consideration (acquisition costs) of €47,122 thousand. Profit from disposals of real estate and real estate companies in the fiscal year ended December 31, 2014 were immaterial.

In 2015, we acquired 77.7% of Fair Value REIT-AG’s voting shares for total consideration (acquisition costs) of €93,263 thousand through a voluntary public takeover. The first-time consolidation of Fair Value REIT-AG took place on December 31, 2015. If Fair Value REIT-AG had been fully consolidated from January 1, 2015, net rental income of €17,726 thousand and profit/loss before taxes of €6,585 thousand would have been included in the consolidated statement of income. In addition, we acquired a 94% interest in Germavest Real Estate S.à r.l., and its “T6” portfolio, for total consideration (acquisition costs) of €39,016 thousand. Had it been fully consolidated for the entire fiscal year ended December 31,

2015, net rental income of €15,945 thousand and profit/loss before taxes of €4,719 thousand would have been included in the consolidated statement of income. Profit from the sale of real estate and real estate companies generated €743 thousand of net profit in the fiscal year ended December 31, 2015 but were offset, in part, by €500 thousand in loss from investments accounted for using the equity method.

In 2016, our focus was on the integration and management of the real estate acquired following our significant acquisition activity of the prior two years. As a result, our only significant acquisition in the fiscal year ended December 31, 2016 was the Kurfürstengalerie, a shopping center in Kassel, with a GAV of €56.5 million as of March 31, 2017. Disposals in the fiscal year ended December 31, 2016 primarily related to the sale of real estate companies, including a 25% interest in SQUADRA Immobilien GmbH & Co. KGaA and five legacy portfolio real estate companies in Georgia, Poland and Austria, and generated a profit from the sale of real estate companies of €3,961 thousand; the profit from the sale of real estate and the loss from investments accounted for using the equity method generated an additional net profit of €604 thousand in the fiscal year ended December 31, 2016.

We believe that the German secondary commercial real estate market will continue to present significant opportunities to grow our portfolio through selective acquisitions of commercial properties. Any significant acquisition, or disposal, could have a material impact on our financial position and results of operations. For additional information on our acquisitions and disposals see the notes in section “B. Scope and Principles of Consolidation” to our Audited Consolidated Financial Statements.

Economic Developments in Germany

Our results of operations primarily depend on the amount of our rental income and can be significantly impacted by proceeds from the disposal of properties and changes in the fair values of our investment properties. The level of rents we can achieve from new or successor tenants, current market values of commercial properties and the price at which properties can be purchased or sold depend on the prevailing general economic and financial conditions in the German commercial market. Developments in the German commercial market are driven by a variety of factors, including supply and demand for commercial properties, interest and inflation rates, demographic trends and changes in tax laws. In addition, within the market, specific factors like regional economic development, unemployment trends or infrastructure investments can significantly impact the attractiveness of a particular local or regional market as well as the level of market rents and valuation of properties in that market.

Key Statement of Income Items

The following is a description of certain line items in our consolidated statement of income.

Profit/loss from the rental of real estate

Profit/loss from the rental of real estate comprises rental income and income from utility and service charges less operating expenses to generate rental income. Operating expenses to generate rental income comprise allocable and non-allocable operating expenses.

Profit/loss from the sale of real estate companies

Profit/loss from the sale of real estate companies comprises the gains or losses on disposal of real estate companies. It comprises revenue from the sale of real estate companies less net assets from real estate companies sold.

Profit/loss from the sale of real estate

Profit/loss from the sale of real estate comprises revenue from the sale of real estate less expenses relating to real estate sales.

Other operating income and other effects

Other operating income and other effects comprises the sum of (i) profit/loss from fair value adjustments in investment properties, (ii) impairment of receivables, (iii) profit from a bargain purchase and (iv) other operating income. Other operating income primarily includes other non-periodic income, VAT refunds from prior years, income from the disposal of property, plant and equipment, income from facility management, derecognition of liabilities, benefits in kind, income from reversal of provisions and reversals of impairment losses on receivables.

General and administrative expenses

General and administrative expenses primarily include staff costs, legal and consulting fees, accounting and audit costs, expenses for real estate expert appraisals, fund management costs, advertising and travel expenses and various other expenses. General and administrative expenses also include compensation for the Company's supervisory board.

Other operating expenses

Other operating expenses primarily comprise non-periodic expenses from operating costs invoiced in previous years, non-deductible input taxes, brokerage fees, expenses for the Company's annual general meeting and investor relations, fees and incidental costs of monetary transactions, third-party services, occupancy costs and transaction costs.

Financial result

Financial result comprises financial income and financial expenses as well as minority interests. Financial income mainly relates to accrued interest from loans and borrowings issued by the Issuer. Financial expenses primarily include interest expense and other financing costs related to bonds, loans and bank liabilities as well as bank and bank guarantee provisions.

Income taxes

Income taxes comprise current income taxes and deferred income taxes. Current income taxes comprise corporate income taxes (including withholding tax on capital investments) and trade taxes. Deferred income taxes consist of deferred tax income and deferred tax expense. Deferred tax expenses primarily result from temporary differences in the valuation of investment properties pursuant to IAS 40. Deferred tax income primarily results from the offsetting of deferred tax expenses with deferred taxes on tax loss carryforwards.

Results of Operations

Three Months ended March 31, 2017 Compared to Three Months ended March 31, 2016

Profit/loss from the rental of real estate

	Three months ended March 31,	
	2016	2017
	<i>in € thousand (unaudited)</i>	
Rental income	17,815	18,540
Income from utility and service charges	5,229	6,210
Allocable operating expenses to generate rental income	(6,746)	(7,126)
Non-allocable operating expenses to generate rental income	(3,206)	(3,785)
Operating expenses to generate rental income	(9,952)	(10,911)
Profit/loss from the rental of real estate	<u>13,092</u>	<u>13,839</u>

Profit from the rental of real estate increased by €747 thousand, or 5.7%, from €13,092 thousand in the three months ended March 31, 2016 to €13,839 thousand in the three months ended March 31, 2017. The increase was primarily attributable to reletting of rental spaces as well as to a reduction in vacancy rates.

Profit/loss from the sale of real estate companies

Profit from the sale of real estate companies decreased from €3 thousand in the three months ended March 31, 2016 to €0 thousand in the three months ended March 31, 2017 due to the sale of legacy properties in 2016.

Profit/loss from the sale of real estate

Profit/loss from the sale of real estate decreased from €0 thousand in the three months ended March 31, 2016 to a loss of €194 thousand in the three months ended March 31, 2017 because the market value of this real estate could not be realized completely in the process of selling.

Profit/loss from investments accounted for using the equity method

Profit from investments accounted for using the equity method increased from €0 thousand in the three months ended March 31, 2016 to €6 thousand in the three months ended March 31, 2017.

Other operating income and other effects

	Three months ended March 31,	
	2016	2017
	<i>in € thousand (unaudited)</i>	
Profit/loss from fair value adjustments in investment properties	7,009	155
Impairment of receivables	(716)	(189)
Other operating income	358	1,796
Other operating income and other effects	<u>6,651</u>	<u>1,762</u>

Other operating income and other effects decreased by €4,889 thousand from €6,651 thousand in the three months ended March 31, 2016 to €1,762 thousand in the three months ended March 31, 2017. The decrease was primarily attributable to lower profit from fair value adjustments in the three months ended March 31, 2017 compared to the three months ended March 31, 2016.

General and administrative expenses

General and administrative expenses increased by €160 thousand, or 4.7%, from €3,405 thousand in the three months ended March 31, 2016 to €3,565 thousand in the three months ended March 31, 2017 due to an increase in staff and consequently higher staff costs.

Other operating expenses

Other operating expenses increased by €321 thousand, or 13.7%, from €2,342 thousand in the three months ended March 31, 2016 to €2,663 thousand in the three months ended March 31, 2017. The increase was primarily attributable to non-recurring service charges relating to loan refinancing.

Financial result

	Three months ended March 31,	
	2016	2017
	<i>in € thousand (unaudited)</i>	
Financial income	1,990	3,704
Financial expenses	(10,834)	(8,056)
Minority interests	(646)	(1,114)
Financial result	<u>(9,490)</u>	<u>(5,466)</u>

Financial result improved by €4,024 thousand, or 42.4%, from a negative financial result of €9,490 thousand in the three months ended March 31, 2016 to a negative financial result of €5,466 thousand in the three months ended March 31, 2017. The decrease was attributable to an effect of €3,497 thousand resulting from the revaluation of the call option under the Corporate Bond and lower refinancing costs in the three months ended March 31, 2017.

Income taxes

	Three months ended March 31,	
	2016	2017
	<i>in € thousand</i> (unaudited)	
Current income taxes	(90)	(712)
Deferred income taxes	(909)	(2,069)
Total income taxes	(999)	(2,781)

Income taxes increased by €1,782 thousand from income tax expenses of €999 thousand in the three months ended March 31, 2016 to income tax expenses of €2,781 thousand in the three months ended March 31, 2017. The increase was primarily attributable to higher deferred taxes due to the revaluation of the call option under the Corporate Bond.

Net profit/loss for the period

Net profit for the period in the three months ended March 31, 2017 decreased by €2,572 thousand from a net profit of €3,510 thousand in the three months ended March 31, 2016 to a net profit of €938 thousand in the three months ended March 31, 2017. This decrease was the result of the factors described above.

Fiscal Year ended December 31, 2016 Compared to Fiscal Year ended December 31, 2015

Profit/loss from the rental of real estate

	Fiscal year ended December 31,	
	2015	2016
	<i>in € thousand</i> (audited)	
Rental income	33,320	76,371
Income from utility and service charges	10,024	15,746
Allocable operating expenses to generate rental income	(12,648)	(19,611)
Non-allocable operating expenses to generate rental income	(7,016)	(13,936)
Operating expenses to generate rental income	(19,664)	(33,547)
Profit/loss from the rental of real estate	23,680	58,570

Profit from the rental of real estate increased by €34,890 thousand from €23,680 thousand in the fiscal year ended December 31, 2015 to €58,570 thousand in the fiscal year ended December 31, 2016. The increase was primarily due to a significant increase in rental income. The increase in rental income, which increased from €33,320 thousand in the fiscal year ended December 31, 2015 to €76,371 thousand in the fiscal year ended December 31, 2016, resulted primarily from the first full year contribution of rental income from companies acquired in 2015, particularly Fair Value REIT-AG, and the acquisition of a 94% interest in Germavest Real Estate S.à r.l. and its "T6" portfolio in addition to the rental income from properties acquired during the course of 2016. The increase was offset, in part, by an increase in operating expenses to generate rental income, which increased from €19,664 thousand in the fiscal year ended December 31, 2015 to €33,547 thousand in the fiscal year ended December 31, 2016. In the fiscal year ended December 31, 2016, operating expenses to generate rental income of €19,611 thousand were generally allocable and could be passed on to tenants. Operating expenses to generate rental income of €13,936 thousand in the fiscal year ended December 31, 2016 were generally not allocable, of which €1,320 thousand related to staff expenses of DEMIRE Immobilienmanagement GmbH.

Profit/loss from the sale of real estate companies

Profit from the sale of real estate companies increased by €3,676 thousand from €285 thousand in the fiscal year ended December 31, 2015 to €3,961 thousand in the fiscal year ended December 31, 2016. Similar to the fiscal year ended December 31, 2015, disposals during the fiscal year ended December 31, 2016

primarily related to our legacy portfolio of properties and included, among others, companies in Tbilisi, Georgia, our 50% interest in a joint venture in Warsaw, Poland, and minority equity interest in a real estate company in Frankfurt, Germany. In total, revenue from the sale of real estate companies in the fiscal year ended December 31, 2016 amounted to €7,471 thousand, which was offset by the net assets from real estate companies sold, including the derecognition of currency translation reserves, in the amount of €3,510 thousand.

Profit/loss from the sale of real estate

Profit from the sale of real estate increased by €505 thousand from €458 thousand in the fiscal year ended December 31, 2015 to €963 thousand in the fiscal year ended December 31, 2016. The main properties sold in the fiscal year ended December 31, 2016 were those located in Radevormwald, Ahaus-Wüllen, Halle-Peissen, Kempten and Ulm.

Profit/loss from investments accounted for using the equity method

Loss from investments accounted for using the equity method improved by €141 thousand, or 28.2%, from a loss of €500 thousand in the fiscal year ended December 31, 2015 to a loss of €359 thousand in the fiscal year ended December 31, 2016. The loss from investments accounted for using the equity method primarily related to losses incurred by SQUADRA Immobilien GmbH & Co KGaA in the amount of €356 thousand up to the date of deconsolidation.

Other operating income and other effects

	Fiscal year ended December 31,	
	2015	2016
	<i>in € thousand (audited)</i>	
Profit/loss from fair value adjustments in investment properties	18,471	38,414
Impairment of receivables	(2,846)	(2,058)
Profit from a bargain purchase	33,217	0
Other operating income	2,572	5,550
Other operating income and other effects	51,414	41,906

Other operating income and other effects decreased by €9,508 thousand, or 18.5%, from €51,414 thousand in the fiscal year ended December 31, 2015 to €41,906 thousand in the fiscal year ended December 31, 2016, mainly to the absence of a profit from a bargain purchase, which amounted to €33,217 thousand in the fiscal year ended December 31, 2015 in connection with the acquisition of Germavest Real Estate S.à r.l. (T6 portfolio). The decrease was offset, in part, by an increase in profit from fair value adjustments in investments properties by €19,943 thousand from €18,471 thousand in the fiscal year ended December 31, 2015 to €38,414 thousand in the fiscal year ended December 31, 2016 and which solely related to properties located in Germany.

General and administrative expenses

General and administrative expenses increased by €3,173 thousand, or 28.0%, from €11,332 thousand in the fiscal year ended December 31, 2015 to €14,505 thousand in the fiscal year ended December 31, 2016. The increase was primarily attributable to increase in staff costs, which increased from €2,258 thousand in the fiscal year ended December 31, 2015 to €3,855 thousand in the fiscal year ended December 31, 2016 and related to an increase in the number of employees in line with the Company's business expansion and the recognition of expenses for share-based payments in the amount of €594 thousand. The increase was offset, in part, by lower accounting and audit costs, which amounted to €2,541 thousand in the fiscal year ended December 31, 2016 compared to €3,490 thousand in the fiscal year ended December 31, 2015, when additional audit and assurance services were provided in connection with capital markets transactions.

Other operating expenses

Other operating expenses increased by €2,102 thousand, or 39.9%, from €5,265 thousand in the fiscal year ended December 31, 2015 to €7,367 thousand in the fiscal year ended December 31, 2016. The increase was primarily attributable to an increase in non-periodic expenses from operating costs invoiced in

previous years, which increased from €80 thousand in the fiscal year ended December 31, 2015 to €1,888 thousand in the fiscal year ended December 31, 2016 and related to the subsequent settlement of operating costs from the real estate portfolios purchased in 2014. The increase in other operating expenses was also due, in part, to €818 thousand of brokerage fees incurred in the fiscal year ended December 31, 2016 in connection with refinancing activities and slightly more than offset the transaction costs of €793 thousand in the previous fiscal year ended December 31, 2015 for the acquisition of Germavest Real Estate S.à r.l.

Financial result

	Fiscal year ended December 31,	
	2015	2016
	<i>in € thousand (audited)</i>	
Financial income	2,145	1,153
Financial expenses	(27,873)	(39,134)
Minority interests	0	(5,226)
Financial result	(25,728)	(43,207)

Financial result deteriorated by €17,479 thousand, or 67.9%, from a negative financial result of €25,728 thousand in the fiscal year ended December 31, 2015 to a negative financial result of €43,207 thousand in the fiscal year ended December 31, 2016. The deterioration was primarily attributable to an increase in financial expenses from €27,873 thousand in the fiscal year ended December 31, 2015 to €39,134 thousand in the fiscal year ended December 31, 2016, which primarily resulted from higher financial liabilities related to company acquisitions consummated at the end of the fiscal year ended December 31, 2015, in particular Germavest Real Estate S.à r.l. and Fair Value REIT-AG. The deterioration in the financial result was also due, in part, to the share of profit/loss attributable to minority interests in the amount of €5,226 thousand in the fiscal year ended December 31, 2016 and which related to Fair Value REIT-AG.

Income taxes

	Fiscal year ended December 31,	
	2015	2016
	<i>in € thousand (audited)</i>	
Current income taxes	(755)	(2,852)
Deferred income taxes	(3,384)	(9,460)
Total income taxes	(4,139)	(12,313)

Income taxes increased by €8,174 thousand from income tax expenses of €4,139 thousand in the fiscal year ended December 31, 2015 to income tax expenses of €12,313 thousand in the fiscal year ended December 31, 2016. The increase was primarily attributable to an increase in deferred income taxes, which was due to an increase in deferred tax expenses resulting from temporary differences arising from the valuation of investment properties according to IAS 40 and which were offset by deferred taxes on tax loss carryforwards. The increase in income tax expenses was also due, in part, to an increase in current income taxes, which included corporate income taxes (including withholding tax on capital investments) and trade taxes and which were incurred almost entirely in Germany.

Net profit/loss for the period

Net profit for the period in the fiscal year ended December 31, 2016 decreased by €1,224 thousand, or 4.2%, from a net profit of €28,873 thousand in the fiscal year ended December 31, 2015 to a net profit of €27,649 thousand in the fiscal year ended December 31, 2016. This decrease was the result of the factors described above.

Fiscal Year ended December 31, 2015 Compared to Fiscal Year ended December 31, 2014

Profit/loss from the rental of real estate

	Fiscal year ended December 31,	
	2014 (April 1 to December 31, 2014)	2015
	<i>in € thousand (audited)</i>	
Rental income	3,375	33,320
Income from utility and service charges	374	10,024
Allocable operating expenses to generate rental income	(1,296)	(12,648)
Non-allocable operating expenses to generate rental income	(163)	(7,016)
Operating expenses to generate rental income	1,459	19,664
Profit/loss from the rental of real estate	2,290	23,680

Profit from the rental of real estate increased by €21,390 thousand from €2,290 thousand in the fiscal year ended December 31, 2014 to €23,680 thousand in the fiscal year ended December 31, 2015. The increase was primarily due to the increase in rental income. The significant increase in rental income, which increased from €3,375 thousand in the fiscal year ended December 31, 2014 to €33,320 thousand in the fiscal year ended December 31, 2015, resulted primarily from the first full year contribution of rental income from individual properties and portfolios acquired in the second half of 2014 in addition to the rental income from properties acquired during the course of 2015. The increase was offset, in part, by an increase in operating expenses to generate rental income, which increased from €1,459 thousand in the fiscal year ended December 31, 2014 to €19,664 thousand in the fiscal year ended December 31, 2015. In the fiscal year ended December 31, 2015, operating expenses to generate rental income of €12,648 thousand were generally allocable and could be passed on to tenants; however, €2,264 thousand could not be passed on due to vacancies. Operating expenses to generate rental income of €7,016 thousand in the fiscal year ended December 31, 2015 were generally not allocable, of which €254 thousand related to staff expenses of DEMIRE Immobilienmanagement GmbH, which was consolidated for the first time in the fiscal year ended December 31, 2015.

Profit/loss from the sale of real estate companies

Profit from the sale of real estate companies increased by €216 thousand from €69 thousand in the fiscal year ended December 31, 2014 to €285 thousand in the fiscal year ended December 31, 2015. Disposals during the fiscal year ended December 31, 2015 primarily related to our legacy portfolio of properties, which includes our investments in Eastern Europe and the Black Sea region. In particular, we disposed of two real estate companies in the Ukraine, two in Russia and two in the Netherlands. The disposal of these companies resulted in a negative effect in the amount of €301 thousand the fiscal year ended December 31, 2015 from the derecognition of reserves for currency translation differences attributable to these companies. In addition, the purchase of a German real estate company in 2014 was reversed in September 2015, which resulted in a positive effect on profit. In total, revenue from the sale of real estate companies in the fiscal year ended December 31, 2015 amounted to €1,792 thousand, which was offset by the net assets from real estate companies sold in the amount of €1,507 thousand, including the derecognition of currency translation reserves in the amount of €301 thousand.

Profit/loss from the sale of real estate

Profit from the sale of real estate amounted to €458 thousand in the fiscal year ended December 31, 2015, whereas no such profit or loss was recorded in the fiscal year ended December 31, 2014. In the fiscal year ended December 31, 2015, real estate in Parchim and Bielefeld were sold, the proceeds from which amounted to €650 thousand and €1,650 thousand, respectively. The sales proceeds were offset, in part, by expenses relating to real estate sales in the amount of €1,842 thousand.

Profit/loss from investments accounted for using the equity method

Loss from investments accounted for using the equity method improved by €514 thousand, or 50.7%, from a loss €1,014 thousand in the fiscal year ended December 31, 2014 to a loss of €500 thousand in the fiscal year ended December 31, 2015. The improvement was primarily due to improvements in profits from investments accounted for using the equity method and unrealized fair value adjustments in equity investments. Profits from investments accounted for using the equity method increased by €1,662 thousand from €199 thousand in the fiscal year ended December 31, 2014 to €1,861 thousand in the fiscal year ended December 31, 2015. The profits from investments accounted for using the equity method in the fiscal year ended December 31, 2015 consisted of income of €1,459 thousand relating to the revaluation of SQUADRA Immobilien GmbH & Co KGaA and income of €402 thousand from the derecognition of liabilities from OXELTON ENTERPRISES Limited (“OXELTON”). The increase in unrealized fair value adjustments in equity investments to a profit of €1,469 thousand in the fiscal year ended December 31, 2015 compared to a loss of €1,087 thousand in the fiscal year ended December 31, 2014 resulted primarily from the divestment of OXELTON, namely €1,232 thousand from the derecognition of loans to OXELTON and €237 thousand to the reclassification of the interest in OXELTON under IFRS 5. These improvements were offset, in part, by the increase in losses from investments accounted for using the equity method, which increased from €126 thousand in the fiscal year ended December 31, 2014, to €3,830 thousand in the fiscal year ended December 31, 2015 and which primarily related to the derecognition of currency translation differences.

Other operating income and other effects

	Fiscal year ended December 31,	
	2014 (April 1 to December 31, 2014)	2015
	<i>in € thousand (audited)</i>	
Profit/loss from fair value adjustments in investment properties	63,608	18,471
Unrealized fair value adjustments in real estate inventory	307	0
Impairment of receivables	(693)	(2,846)
Profit from a bargain purchase	0	33,217
Other operating income	429	2,572
Other operating income and other effects	63,651	51,414

Other operating income and other effects decreased by €12,237 thousand, or 19.2% from €63,651 thousand in the fiscal year ended December 31, 2014 to €51,414 thousand in the fiscal year ended December 31, 2015, mainly as a result of a decrease in profit from fair value adjustments in investment properties, which related solely to properties located in Germany. The decrease in other operating income and other effects was partly offset by the profit from a bargain purchase of €33,217 thousand in the fiscal year ended December 31, 2015, which related to the acquisition of Germavest Real Estate S.à r.l. (T6 portfolio). The profit from a bargain purchase, which resulted primarily from the excess of the fair value over the purchase price for investment properties in the portfolio of Germavest Real Estate S.à r.l., was recognized in the consolidated statement of income as a non-recurring effect.

General and administrative expenses

General and administrative expenses increased by €7,683 thousand from €3,649 thousand in the fiscal year ended December 31, 2014 to €11,332 thousand in the fiscal year ended December 31, 2015. The increase was primarily attributable to increases in legal and consulting fees and accounting and audit costs as well as in increase in staff costs. The increase in legal and consulting fees, which increased from €1,356 thousand in the fiscal year ended December 31, 2014 to €4,682 thousand in the fiscal year ended December 31, 2015, was primarily due to non-recurring expenses in connection with the preparation of securities prospectuses for capital markets transactions related to the acquisition of real estate companies. The increase of €2,187 thousand in accounting and audit costs from the fiscal year ended December 31, 2014 to the fiscal year ended December 31, 2015 was similarly primarily the result of additional audit and assurance services provided in connection with these transactions. The increase in staff costs, from €578 thousand in the fiscal year ended December 31, 2014 to €2,258 thousand in the fiscal year ended December 31, 2015, resulted

from the increase in the number of employees at the Company due to the Company's business expansion and from the recognition of expenses for share-based payments in the amount of €434 thousand in the fiscal year ended December 31, 2015.

Other operating expenses

Other operating expenses increased by €2,351 thousand, or 80.7%, from €2,914 thousand in the fiscal year ended December 31, 2014 to €5,265 thousand in the fiscal year ended December 31, 2015. The increase was primarily attributable to increases in non-deductible input taxes, transaction costs for the acquisition of Germavest Real Estate S.à r.l. and expenses for the Company's annual general meeting and investor relations. The increase in non-deductible input taxes from €662 thousand in the fiscal year ended December 31, 2014 to €1,139 thousand in the fiscal year ended December 31, 2015 related to higher legal and consulting fees, primarily at the Company, which is not entitled to a full input tax deduction. Transaction costs of €793 thousand in the fiscal year December 31, 2015 were incurred in connection with the acquisition of Germavest Real Estate S.à r.l.

Financial result

	Fiscal year ended December 31,	
	2014 (April 1 to December 31, 2014)	2015
	<i>in € thousand (audited)</i>	
Financial income	6,955	2,145
Financial expenses	(9,893)	(27,873)
Financial result	(2,938)	(25,728)

Financial result deteriorated by €22,790 thousand from a negative financial result of €2,938 thousand in the fiscal year ended December 31, 2014 to a negative financial result of €25,728 thousand in the fiscal year ended December 31, 2015. The deterioration was primarily attributable to the increase in financial expenses resulting from loans assumed for real estate acquired at the end of 2014 and in 2015.

Income taxes

	Fiscal year ended December 31,	
	2014 (April 1 to December 31, 2014)	2015
	<i>in € thousand (audited)</i>	
Current income taxes	(348)	(755)
Deferred income taxes	(9,441)	(3,384)
Total income taxes	(9,789)	(4,139)

Income taxes decreased by €5,650 thousand, or 57.7%, from income tax expenses of €9,789 thousand in the fiscal year ended December 31, 2014 to income tax expenses of €4,139 thousand in the fiscal year ended December 31, 2015. The decrease was primarily attributable to a decrease in deferred income taxes from €9,441 thousand in the fiscal year ended December 31, 2014 to €3,384 thousand in the fiscal year ended December 31, 2015 and which related to lower deferred tax expenses resulting from temporary differences arising from the valuation of investment properties according to IAS 40. An increase in current income taxes to €755 thousand in the fiscal year ended December 31, 2015 compared to the fiscal year ended December 31, 2014 only offset the decrease in total income taxes to a small degree.

Net profit/loss for the period

Net profit for the period in the fiscal year ended December 31, 2015 decreased by €16,834 thousand, or 36.8%, from a net profit of €45,707 thousand in the fiscal year ended December 31, 2014 to a net profit of €28,873 thousand in the fiscal year ended December 31, 2015. This decrease was the result of the factors described above.

Liquidity and Capital Resources

Overview

Our primary source of financing is cash flow from operating activities and long-term financing from banks. Following the issuance of the Notes, a considerable portion of our long-term indebtedness will consist of the Notes. Our ability to generate cash flow from our operating activities depends on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control, as well as other factors discussed in the section titled “*Risk Factors*.”

Although we believe that our expected cash flows from operating activities, together with available borrowings, will be adequate to meet our anticipated liquidity and debt service needs, we cannot assure you that our business will generate sufficient cash flows from operating activities or that future debt financing will be available to us in an amount sufficient to enable us to pay our debts when due, including the Notes, or to fund our other liquidity needs. See “*Risk Factors—Risk Related to the Notes—We may not be able to generate sufficient cash to service our indebtedness, including due to factors outside our control, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.*”

Cash flows

The following table sets forth our cash flows for the fiscal years ended December 31, 2014, 2015 and 2016 and the three months ended March 31, 2016 and 2017.

	Fiscal year ended December 31,			Three months ended	
	2014			March 31,	
	(April 1 to				
	December 31,	2015	2016	2016	2017
	2014)				
		<i>in € thousand</i>			
	(audited)			(unaudited)	
Cash flow from operating activities	(3,986)	10,815	35,352	8,094	6,192
Cash flow from investing activities	(255,206)	(29,165)	5,726	6,873	11,780
Cash flow from financing activities	259,634	42,420	(38,255)	(11,798)	(5,717)
Net change in cash and cash equivalents	442	24,070	2,822	3,169	12,255
Cash and cash equivalents at the start of the period	3,955	4,397	28,467	28,467	31,289
Cash and cash equivalents at the end of the period	4,397	28,467	31,289	31,636	43,544

Cash flow from operating activities

Cash flow from operating activities decreased by €1,902 thousand from €8,094 thousand in the three months ended March 31, 2016 to €6,192 thousand in the three months ended March 31, 2017. The decrease was primarily due to distributions to minority interests / dividends relating to Fair Value REIT-AG in the amount of €1,914 thousand.

Cash flow from operating activities increased by €24,537 thousand from €10,815 thousand in the fiscal year ended December 31, 2015 to €35,352 thousand in the fiscal year ended December 31, 2016. The increase was primarily due to the investments made to expand the real estate holdings in 2015 and 2016 and, in particular, the first full year of contribution of rental income from properties and portfolios acquired in 2015 and 2016. It was partly offset by an increase in financial expenses due to higher administrative costs

from the corresponding increase in personnel and the overall expansion of the business. Similar to the prior year, changes in cash flow from operating activities were primarily driven by non-cash items, including financial expenses, which increased from €27,873 thousand in the fiscal year ended December 31, 2015 to €44,360 thousand in the fiscal year ended December 31, 2016, valuation gains under IAS 40 (*i.e.*, profit/loss from the fair value of adjustments of investment properties), which increased from €18,471 thousand in the fiscal year ended December 31, 2015 to €38,414 thousand in the fiscal year ended December 31, 2016 and the absence in 2016 of a profit from a bargain purchase, compared to the €33,217 thousand recorded in the fiscal year ended December 31, 2015.

Cash flow from operating activities increased by €14,801 thousand from a net cash outflow of €3,986 thousand in the fiscal year ended December 31, 2014 to a net cash inflow of €10,815 thousand in the fiscal year ended December 31, 2015. Changes in cash flow from operating activities are primarily driven by non-cash items, including financial expenses. Financial expenses increased from €9,893 thousand in the fiscal year ended December 31, 2014 to €27,873 thousand in the fiscal year ended December 31, 2015 and reflect the increasing interest expense to finance the acquisition activity in 2015, and valuation gains under IAS 40 (*i.e.*, profit/loss from the fair value of adjustments of investment properties) decreased significantly from €63,608 thousand in the fiscal year ended December 31, 2014 to €18,471 thousand in the fiscal year ended December 31, 2015. Cash flow from operating activities was also negatively affected by the non-recurring profit from a bargain purchase in the amount of €33,217 thousand in the fiscal year ended December 31, 2015, while there was no such profit realized in the fiscal year ended December 31, 2014.

Cash flow from investing activities

Cash flow from investing activities in the periods shown in the table above primarily depended on investments in and divestitures of properties. We do not have large capital expenditures with regard to our integrated in-house management as the responsibility for the maintenance and repair, including cosmetic repair, of let properties is largely transferred to the tenants on the basis of contractual provisions in lease agreements.

Cash flow from investing activities increased by €4,907 thousand from a net cash inflow of €6,873 thousand in the three months ended March 31, 2016 to a net cash inflow of €11,780 thousand in the three months ended March 31, 2017. The increase was primarily due to the absence of a cash outflow in the three months ended March 31, 2017 related to acquisitions of interests in fully consolidated companies in the context of business acquisitions, compared to a cash outflow of €4,352 thousand in the three months ended March 31, 2016.

Cash flow from investing activities increased by €34,891 thousand from a net cash outflow of €29,165 thousand in the fiscal year ended December 31, 2015 to a net cash inflow of €5,726 thousand in the fiscal year ended December 31, 2016. The increase was primarily due to an increase in proceeds from the sale of real estate, which increased from €1,650 thousand in the fiscal year ended December 31, 2015 to €21,966 thousand in the fiscal year ended December 31, 2016 and which related to the sale of properties in Radevormwald, Ahau-Wüllen and Lippetal-Herzfeld. The increase in cash flow from investing activities was also due, in part, to the decrease in payments for the purchase of investment properties and interests in fully consolidated companies, less net cash and cash equivalents acquired, from €15,238 thousand in the fiscal year ended December 31, 2015 to €4,352 thousand in the fiscal year ended December 31, 2016. In the fiscal year ended December 31, 2016, such payments related primarily to the purchase of the Kurfürstengalerie in Kassel. In the fiscal year ended December 31, 2015, such payments related primarily to the purchase of Schwerin Margartenhof 18 GmbH, Logistikpark Leipzig GmbH, Hanse-Center Objektgesellschaft mbH and Glockenhofcenter Objektgesellschaft mbH.

Cash flow from investing activities changed significantly from a net cash outflow of €255,206 thousand in the fiscal year ended December 31, 2014 to a net cash outflow of €29,165 thousand in the fiscal year ended December 31, 2015. The change was almost entirely due to the decrease in payments for the purchase of investment properties and interests in fully consolidated companies, less cash and cash equivalents acquired, from €248,726 thousand in the fiscal year ended December 31, 2014 to €15,238 thousand in the fiscal year ended December 31, 2015, which resulted from the use of capital increases against contribution in kind as the predominant source of acquisition funding in the fiscal year ended December 31, 2015. Payments for purchases of investment properties and interests in fully consolidated companies in the fiscal year ended December 31, 2015 included a property in Schwerin, the acquisition of Germavest Real Estate S.à r.l. (T6 portfolio), among others.

Cash flow from financing activities

Cash flow from financing activities improved by €6,081 thousand from a net cash outflow of €11,798 thousand in the three months ended March 31, 2016 to a net cash outflow of €5,717 thousand in the three months ended March 31, 2017. The increase was primarily due to lower interest paid on financial liabilities and payments for the redemption of financial liabilities in the three months ended March 31, 2017 compared to the three months ended March 31, 2016.

Cash flow from financing activities decreased from a net cash inflow of €42,420 thousand in the fiscal year ended December 31, 2015 to a net cash outflow of €38,255 thousand in the fiscal year ended December 31, 2016. The decrease was primarily due to increases in payments for the redemption of financial liabilities and interest paid on financial liabilities in the fiscal year ended December 31, 2016 compared to the fiscal year ended December 31, 2015. We generated net proceeds from capital increases in the amount of €15,906 thousand, after payments for expenses associated with raising equity in the amount of €1,105 thousand, and proceeds from the issue of bonds in the amount of €12,892 thousand in the fiscal year ended December 31, 2016. Proceeds from the issuance of financial liabilities in the fiscal year ended December 31, 2016 amounted to €48,015 thousand, slightly lower than in the fiscal year ended December 31, 2015. These proceeds, together with the cash flow from operating activities, in the fiscal year ended December 31, 2016 were used for interest paid on financial liabilities of €33,487 thousand (fiscal year ended December 31, 2015: €21,255 thousand) and for payments for the redemption of financial liabilities in the amount of €81,497 thousand (fiscal year ended December 31, 2015: €36,692 thousand).

Cash flow from financing activities decreased significantly from a net cash inflow of €259,634 thousand in the fiscal year ended December 31, 2014 to a net cash inflow of €42,420 thousand in the fiscal year ended December 31, 2015. The decrease was primarily due to a significant decrease in proceeds from the issue of financial liabilities, which decreased from €261,738 thousand in the fiscal year ended December 31, 2014 to €54,700 thousand in the fiscal year ended December 31, 2015, with smaller offsetting factors. The Company received proceeds from the issue of equity of €11,158 thousand from the cash capital increase in mid July 2015. The related payments for expenses associated with raising equity amounted to €1,514 thousand in the fiscal year ended December 31, 2015. The proceeds from the issue of financial liabilities and the €36,023 thousand in proceeds from the issue of bonds relating to the increase in the Corporate Bond in the fiscal year ended December 31, 2015 were used for interest paid on financial liabilities in the amount of €21,255 thousand and for payments for the redemption of financial liabilities in the amount of €36,692 thousand.

Contractual Obligations

Maturity of Liabilities

The following table shows the future cash outflows for interest and principal repayments of financial liabilities as of December 31, 2016 (assuming, with respect to the 2018 Notes and the Mandatory 2018 Notes, that no conversion will take place until maturity):

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>After 2021</u>
	<i>in € thousand</i>					
	(audited)					
Bonds and debentures	8,551	18,948	107,500	0	0	0
Bank liabilities	75,387	35,906	111,817	126,860	15,136	242,962
Other financial liabilities	3,040	38,240	0	0	0	0
Trade payables and other liabilities	17,378	0	0	865	0	0
Total	<u>104,356</u>	<u>93,094</u>	<u>219,317</u>	<u>127,725</u>	<u>15,136</u>	<u>242,962</u>

As of December 31, 2016, on a nominal and unaudited basis after giving effect to the Offering and the use of the proceeds therefrom, our financing arrangements would have been as follows:

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>After 2021</u>
	<i>in € thousand</i>					
	(unaudited)					
Bonds and debentures	10,501	20,898	9,450	9,450	9,450	274,725 ⁽¹⁾
Bank liabilities	58,051	35,660	64,569	67,336	15,136	242,962
Other financial liabilities	0	0	0	0	0	0
Trade payables and other liabilities	17,378	0	0	865	0	0
Total	85,930	56,558	74,019	77,651	24,586	517,687

(1) Reflects the aggregate principal amount of the Notes.

Operating Leases and Other Financial Obligations

As of December 31, 2016, we had the following future obligations from operating leases and other financial obligations:

	<u>Due within one year</u>	<u>Due between 1 and 5 years</u>
	<i>in € thousand</i>	
	(audited, unless otherwise indicated)	
Rental and lease obligations for vehicles	44	126
Rental and lease obligations for office space	142	545
Other lease obligations	10	31
Obligations from outside managed properties	66	0
Total (unaudited)	262	702

As of December 31, 2016, purchase order commitments from commissioned maintenance amounted to €1,314 thousand. These did not include contractual obligations for the modification and expansion of a property in Eschborn, Germany, for which the costs could not be finally determined as of December 31, 2016.

For the fiscal year ending December 31, 2017, we have committed investments in our existing properties in the amount of €1,488.5 thousand related to modifications.

Contingent Liabilities and Off Balance Sheet Arrangements

Contingent Liabilities

As of December 31, 2016, contingent liabilities consisted of mortgages under Section 1191 of the German Civil Code (*Bürgerliches Gesetzbuch*, “**BGB**”) in the amount of €449,127 thousand (December 31, 2015: €839,990 thousand). The maximum liability for these properties is limited to their carrying amount of €449,127 thousand recognized as of December 31, 2016 (December 31, 2015: €640,281 thousand). In the fiscal year ended December 31, 2016, the related mortgages in the amount of €21,339 thousand were removed from the title register.

In December 2015, the Company pledged its interests in four subsidiaries and a bank account, in addition to claims under intragroup, as collateral pursuant to a loan from Signal Credit Opportunities (Lux) Investco II S.à r.l.

In May 2015, the Company entered into a letter of guarantee in the amount of €940 thousand related to a loan from Volksbank Mittweida.

Off-Balance Sheet Arrangements

We are not party to any off-balance sheet arrangements that have had, or are reasonably likely to have, a material effect on our financial condition, changes in financial condition, income or expenses, results of operations, liquidity or capital resources.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to a number of different market risks in the ordinary course of business, including interest rate risk, credit risk and liquidity risk. Our risk management strategy aims to minimize the adverse risks effects of market risks on our financial performance and results of operations. For this purpose, we use selected derivative financial instruments to hedge our financial risk exposure on interest rates. We have not entered into any transactions in derivative financial instruments for trading purposes.

Interest rate risk

We are exposed to interest rate risks affecting cash flow, particularly in connection with financial liabilities with variable interest rates. In order to minimize interest rate risk, we enter into a combination of fixed and variable interest loans and liabilities, to a degree which we believe is customary for our industry, as well as tradeable instruments that contain options for conversion into shares of the Company.

Interest rate risk relating to cash flows exist with respect to liquid funds placed in deposit accounts as well as variable interest rates. The Company does not anticipate significant negative effects from interest rate changes over the long term because the liquid funds on the balance sheet date are only available until investments are made and will be subsequently tied up in projects according to plan.

We also uses derivative financial instruments to manage interest rate risk. Interest rate swaps are used to minimize interest rate risk as interest rates rise.

As of December 31, 2016, interest rate hedges existed in the form of purchased interest rate derivatives with a nominal volume of €32,650 thousand (December 31, 2015: €36,149 thousand), which were acquired in the course of purchasing real estate companies. The following net payment obligations result from the interest rate swaps in subsequent years based on the valuation at December 31, 2016: maturity of up to one year (€219 thousand), maturity between one and five years (€548 thousand) and maturity of more than five years (€0 thousand).

Based on the financial instruments issued or held by the Company, a hypothetical increase or decrease in the applicable interest rates would have the following effects on the interest expenses of the Company (if all other parameters unchanged):

	<u>As of December 31, 2015</u>	<u>As of December 31, 2016</u>
	<i>in € thousand</i>	
Interest expense from variable interest loans	137	4,725
Increase in interest expenses from a fictitious rise of 100 bps in variable interest rates	69	1,046
Reduction in interest expenses from a fictitious decline of 100 bps in variable interest rates	(69)	(1,046)

The change in the interest expense analyzed in the context of the above sensitivity analysis would have a direct impact on the consolidated profit or loss and the consolidated equity, taking into account related income tax effects.

To finance our German commercial real estate, we use variable- and fixed-interest loans as well as listed instruments that contain options to convert such instruments into shares in the Company. As of December 31, 2016, we had fixed-interest rate financial liabilities in an amount of €611.5 million and variable interest rate financial liabilities in an amount of €51.2 million. In order to reduce the risk of interest rate increases for the financial liabilities bearing variable interest rates, interest rate hedges were concluded in the form of interest rate derivatives, which, as of December 31, 2016, amounted to €32.7 million (nominal value).

Credit risk

The reported financial instruments represent the maximum credit risk and default risk. Counterparty risk is uniformly assessed and monitored within the framework of our Group-wide risk management. The aim is to minimize the risk of defaults. Counterparty risk is not insured. We do not have any significant concentrations of credit risk.

Liquidity risk

Liquidity risk is the risk that a company will not be able to fulfill its payment obligations at the contractually agreed date. Historically liquidity risk was primarily controlled by maintaining a liquidity

reserve in the form of bank deposits available at all times and, to a limited extent, by means of callable credit lines. More recently, the Group also depends, in part, on inflows from disposals and the planned prolongation of loans. Based on conservative assumptions, the funds necessary for the Group's operational management are planned and dispersed at the level of the group companies and the parent company. At the level of the respective property holding companies, liquidity is affected by revenues from real estate less management, administrative and financing costs and at the Company level, by proceeds from Group companies in the form of dividends, profit distributions and withdrawals.

Significant Accounting Policies

The Consolidated Financial Statements have been prepared in accordance with IFRS. The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, income and expenses during the relevant period. Although these estimates and assumptions are based on management's best knowledge of current events and circumstances, the actual results ultimately may differ from those estimates and assumptions. The section below presents accounting policies whose allocation required us to make judgments and use assumptions, as the underlying facts are of uncertain nature. As a result, any changes in these facts or assumptions may affect the results presented in the consolidated financial statements

Goodwill

Goodwill is tested for impairment at least once a year. The determination of the recoverable amount requires us to make assumptions and estimates regarding the future development of income and the sustainable growth rate of the cash-generating unit or group of cash-generating units to which the goodwill was allocated.

Investment Properties

Investment properties include the Company's real estate, which is held to generate rental income and capital appreciation and not for the Company's own use or for its sale in the ordinary course of business. The investment properties are initially recognized at acquisition cost, which includes incidental acquisition costs. In subsequent periods, they are measured at fair value in accordance with the option provided for in IAS 40 in conjunction with IFRS 13. Any changes in fair value are recognized in profit or loss.

We commission independent external appraisers to determine the fair value of investment properties. Key valuation parameters used to measure investment properties include expected cash flows, assumed vacancy rates and their development over the planning period, discounting and capitalization rates. If market values cannot be derived from the sale of comparable properties, the valuation of the properties are measured using the discounted earnings model and the Fair Value REIT subgroup properties are measured using the discounted cash flow method.

Deferred tax assets on tax loss carryforwards

The recognition of deferred tax assets on tax loss carryforwards depends on the extent of the Company's ability to realize future tax benefits. Determining the amount of deferred tax assets is mainly based on the assessment of management, the likely timing and level of future taxable income and future tax planning opportunities. Based on these estimates, the amount of deferred tax assets recognized for tax loss carryforwards is reviewed annually to reflect current conditions.

Operating leases

We have entered into commercial property lease agreements in relation to our real estate and investment properties. The agreements provide that we retain all significant risks and opportunities connected with ownership of the properties rented. Consequently, we account for these lease agreements as operating leases. Material assumptions concern the classification of leases as operating leases based on an analysis of the agreement's terms and conditions and an evaluation of the recoverability of outstanding receivables from lease agreements concerning commercial rentals.

INDUSTRY

As one of the leading commercial real estate companies in Germany focusing on secondary locations, we are affected by developments in and related to the German commercial real estate market, particularly in secondary locations outside the major German cities.

Due to a polycentric structure, Germany's commercial real estate market is commonly divided into markets in the "top-seven cities" (*i.e.* Berlin, Cologne, Dusseldorf, Frankfurt, Hamburg, Munich and Stuttgart) as opposed to markets in secondary locations, defined as cities outside the "top-seven cities". While demand in the "top-seven cities" has historically been in the focus of international groups, smaller markets are dominated by locally-rooted tenants loyal to their locations. As a result, secondary locations have stable parameters, not least because regional investors tend to have a long-term investment horizon (*Source: Bulwiengesa*). Given its focus on secondary locations, we are not only exposed to developments in macroeconomic indicators such as population, gross domestic product ("GDP") and employment in Germany, but also to trends in real estate markets, such as letting activity, rent levels and vacancy rates in German secondary locations.

German Commercial Real Estate Investment Overview

High commercial real estate investment volume

The German commercial real estate investment market is currently experiencing high transaction volumes. In 2016, the total transaction volume amounted to €52.6 billion and almost reached the level registered in 2015 of €56.3 billion, representing the two strongest years since the financial crisis in 2008 (*Source: PMA*).

The office real estate market accounted for 38% of total commercial real estate investment volume in the first quarter of 2017. Over the last five years, the office real estate market has proven to be relatively more stable in terms of market share than other markets, with consistently strong demand for office space. Reasons for strong office demand observed include robust overall economic development and continued favorable conditions in the German employment market, as evidenced by a consistent rise in job numbers. This also contributed to rising household income, supporting robust demand for retail properties which accounted for 23% of total commercial real estate investment in the first quarter of 2017. After retail properties, logistics-industrial properties accounted for 17% of total commercial real estate investment in the first quarter of 2017, benefiting from Germany's central location within Europe and increasing demand from the e-commerce industry (*Source: PMA, CBRE, JLL*).

The following table sets out historical investment volume by market in Germany from 2007 to Q1-2017.

Transaction volume (€ b)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Q1-16	Q1-17
Office	31.0	6.9	3.7	7.3	7.0	10.7	13.5	17.0	23.6	23.0	3.5	4.9
(% of total)	52%	33%	35%	37%	30%	42%	44%	42%	42%	44%	42%	38%
Retail	13.1	7.2	3.3	7.8	10.8	7.8	8.9	9.3	18.5	13.0	1.8	2.9
(% of total)	22%	35%	31%	40%	46%	30%	29%	23%	33%	25%	22%	23%
Logistics-industrial	2.8	1.9	0.7	1.2	1.2	1.8	2.8	4.2	4.6	4.4	0.8	2.2
(% of total)	5%	9%	7%	6%	5%	7%	9%	11%	8%	8%	10%	17%
Other	12.5	4.7	2.9	3.2	4.6	5.4	5.7	9.6	9.5	12.2	2.2	2.8
(% of total)	21%	23%	27%	17%	20%	21%	19%	24%	17%	23%	27%	22%
Total	59.4	20.7	10.6	19.6	23.5	25.6	30.9	40.2	56.3	52.6	8.3	12.7

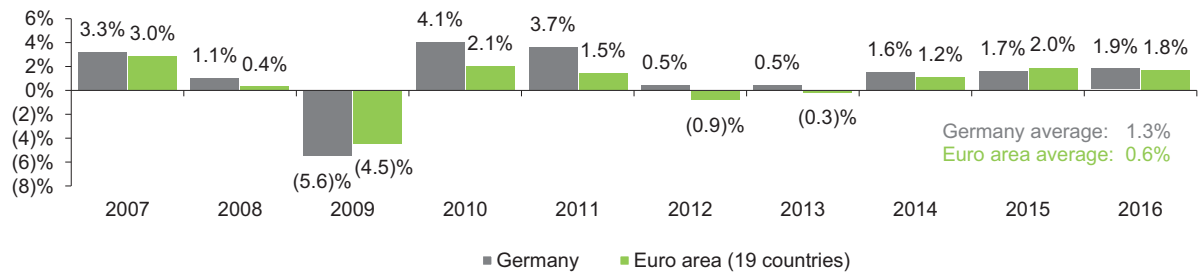
Source: PMA

Strong macroeconomic fundamentals in Germany

With approximately 82.2 million inhabitants and nominal GDP of €3,134.1 billion in 2016, Germany is the largest country in the European Union in terms of population and economic output (*Source: Eurostat*). Germany has the fourth highest nominal GDP in the world and accounted for 29.2% of the combined GDP of the Euro area (19 countries) in 2016 (*Source: Eurostat*).

After experiencing a sharp decline in real GDP in 2008 and the beginning of 2009 as a consequence of the global financial crisis and the related economic downturn, the German economy recovered and continued to grow at an average rate of 2.0% per annum between 2010 and 2016 (*Source: Eurostat, Real GDP*). Despite recent global political instability, the German economy continued its steady growth in 2016 with a real GDP growth rate of 1.9%, above the Euro area average of 1.8%.

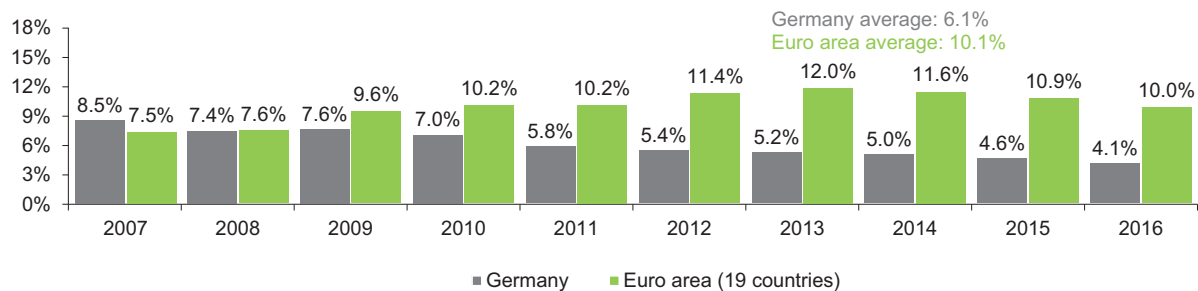
The following chart illustrates the growth in Germany's GDP compared to the Euro area between 2007 and 2016.



Source: Eurostat

The steady economic growth in Germany was underpinned by its strong employment dynamics which were characterised by a persistently low unemployment rate and moderately increasing wages. Over the past decade, the number of people employed in Germany has steadily increased from 40.3 million in 2007 to 43.2 million in 2016 (Source: Federal Statistical Office Germany). In 2016, 1.8 million people were unemployed in Germany, resulting in an unemployment rate of 4.1% (of active population), down 0.5 percentage point from 2015 (Source: Eurostat). Parallel to this positive trend in employment figures, wages also experienced an increase in recent years at a Compound Annual Growth Rate (“CAGR”) of 2.8% between 2010 and 2016, further adding to the purchasing power of German consumers (Source: Federal Statistical Office Germany).

The following chart shows Germany's unemployment rate compared to the Euro area between 2007 and 2016.



Source: Eurostat

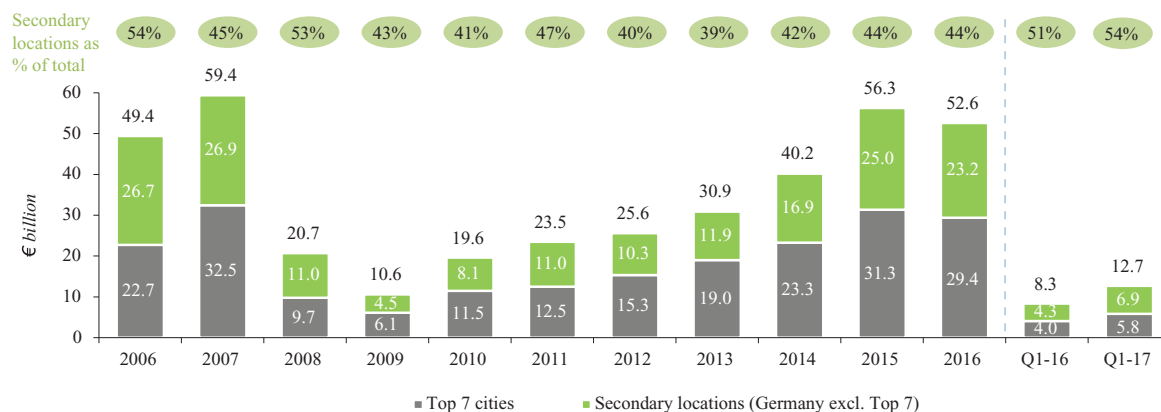
Commercial Real Estate Investment in Secondary Locations

Increasing share of transactions in secondary locations

In the first quarter of 2017, commercial real estate transaction volume totaled €12.7 billion. This represented almost 53% growth compared to the first quarter of 2016. Secondary locations accounted for around 54% (€6.8 billion) of overall transaction volume, and their relative share increased to the disadvantage of the “top-seven cities” (Source: PMA, JLL).

Secondary locations represent a significant, liquid and growing market. They accounted for 44% of commercial transaction volume in 2015 and 2016 and grew by approximately 26% on average per year from 2009 to 2016. At 53% and 43% of total commercial real estate investment volume in 2008 and 2009, respectively, secondary locations maintained their relative share at pre-financial crisis levels in a cyclical downturn (Source: PMA).

The following chart sets out investment volume into the German commercial real estate market from 2006 to Q1-2017.



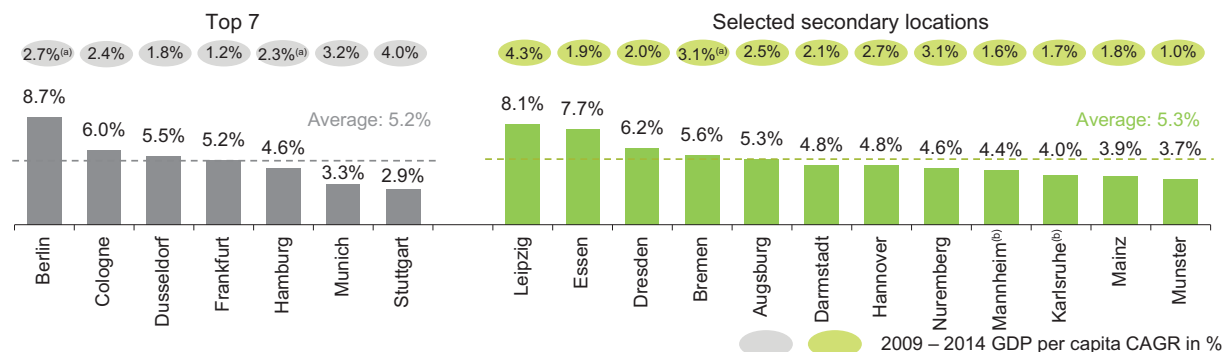
Source: PMA, JLL

Comparatively strong macro-economic fundamentals in secondary locations

With its polycentric economic landscape, the German real estate market continues to offer increased opportunities and growth potential in strategic secondary locations outside the “top-seven cities”. Investors and tenants alike are increasingly focused on secondary locations, as evidenced by the increasing share of the commercial real estate transaction volume, decreasing vacancy rates and continuously rising rents.

While differences of magnitude separate the “top-seven cities” and secondary locations in rent and yields, these markets show similar directional macro-economic trends.

The following chart illustrates unemployment rate and GDP per capita growth in “top-seven cities” compared to selected secondary locations. Secondary locations registered with similarly low employment rate and high GDP per capita growth, comparable to those of “top-seven cities”.



Note: unemployment rates based on 2016 estimates

(a) Based on 2009 – 2015 GDP per capita CAGR

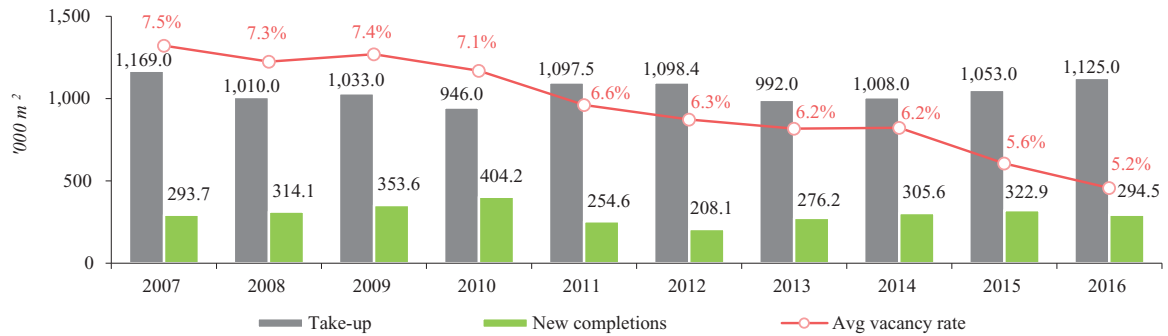
(b) Based on the respective region

Source: Destatis, Federal Statistical Office Germany, Oxford Economics

German Office Real Estate Market in Secondary Locations

In 2016, office take-up in 13 secondary locations (i.e. Bonn, Bremen, Dortmund, Dresden, Duisburg, Essen, Hannover, Leipzig, Mainz, Mannheim, Münster, Nurnberg and Wiesbaden where the existing office stock in each city is between approximately 2 to 5 million sqm (Source: Catella)) amounted to 1.125 million sqm, the highest level since 2008 and close to the pre-crisis level of 1.169 million sqm registered in 2007 (Source: PMA). Combined with limited new completions, the average vacancy rate fell to 5.2% in 2016, the lowest level over the past decade (Source: PMA).

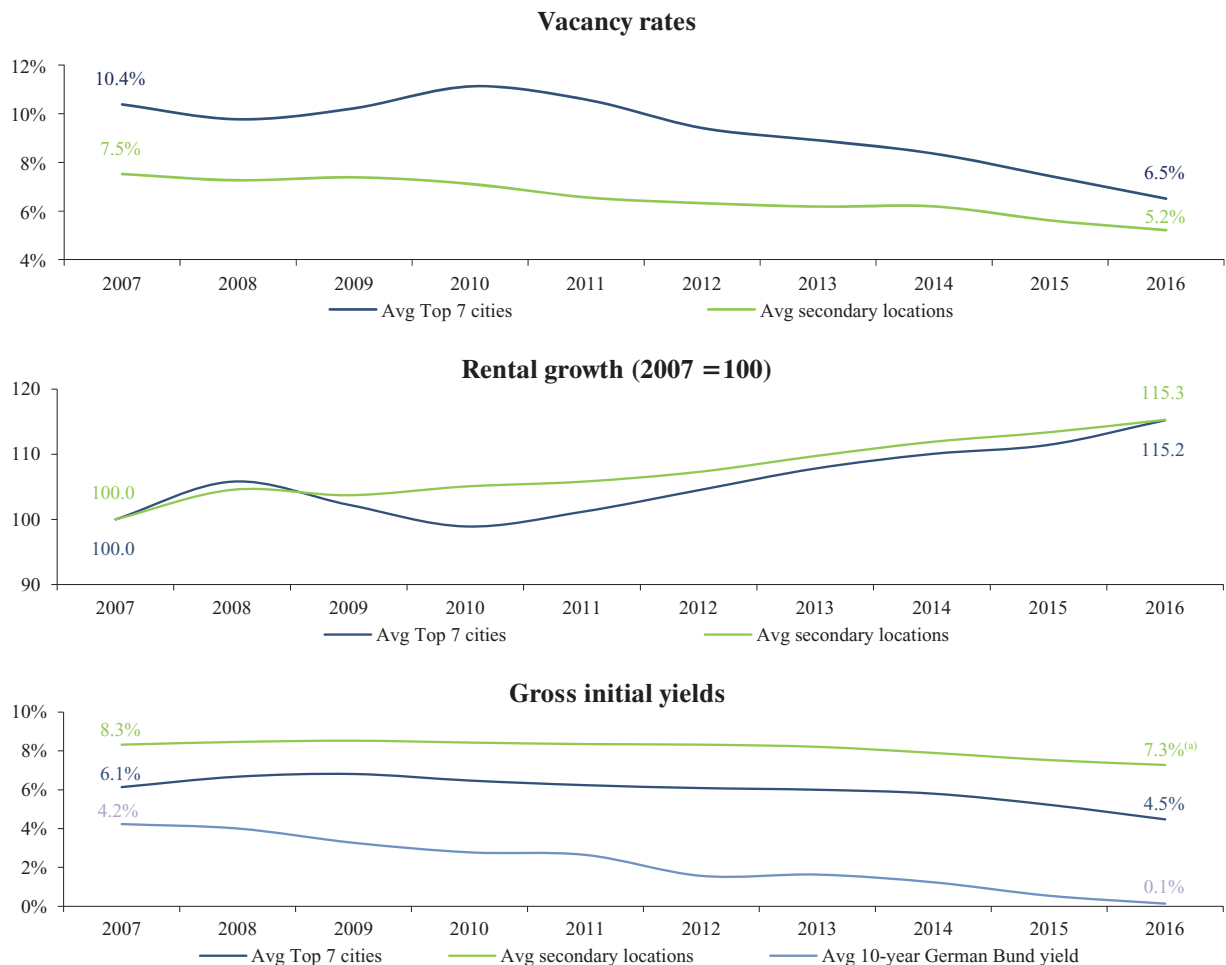
The following chart illustrates office take-up, new completions and average vacancy rates in secondary locations from 2007 to 2016.



Source: PMA

Unlike Germany's "top-seven cities", the secondary locations delivered a very stable performance in recent years both in terms of average rental growth and vacancy rates. Demand in the secondary locations is principally driven by mid-market companies, whose most distinct traits include strong loyalty to location and a high degree of stability. Office employment, which is the main indicator for demand on the office market, manifested a positive trend across all market clusters over the past years. The upward trend in office employment is expected to continue in the coming years, producing positive effects for the office market (Source: Bulwiengesa).

The following charts illustrate the development of vacancy rates, rental growth and gross yields of prime offices in secondary locations compared to the "top-seven cities" from 2007 to 2016.

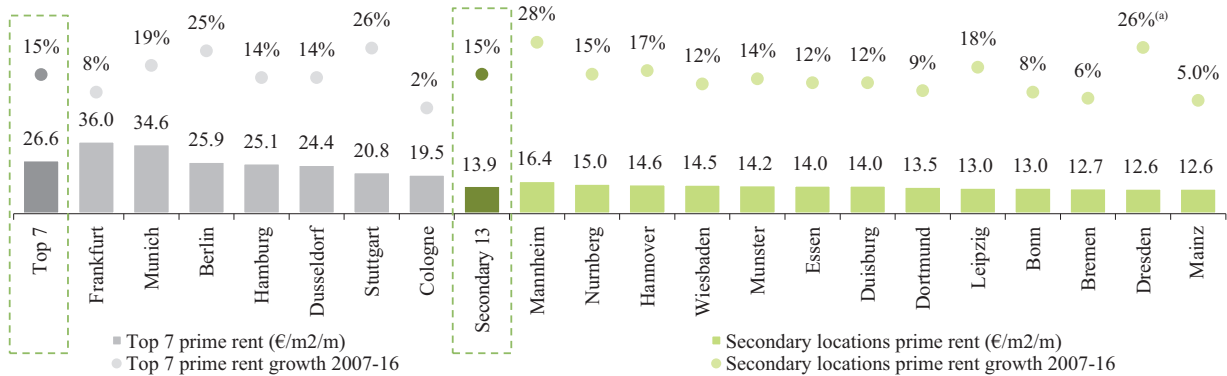


(a) Represents average yield for Class B-D cities as defined by Bulwiengesa

Source: PMA, Bulwiengesa, Bloomberg

Several factors may explain the lower cyclical volatility exhibited by secondary locations. Firstly, prime office yields were higher in secondary locations than in the “top-seven cities” while rents grew at a similar rate. Secondly, the volatility of investor returns in the “top-seven cities” was significantly greater than that of secondary locations. Finally, construction activity in secondary locations was primarily demand-driven and likely experienced less speculative development than did the “top-seven cities”, thereby reducing the risk profile of secondary locations and the potential for local price bubbles to develop. Furthermore, demand in many secondary locations follows a stable or upward trend (*Source: PMA, Fidelity, BNP Paribas, Bulwiengesa*).

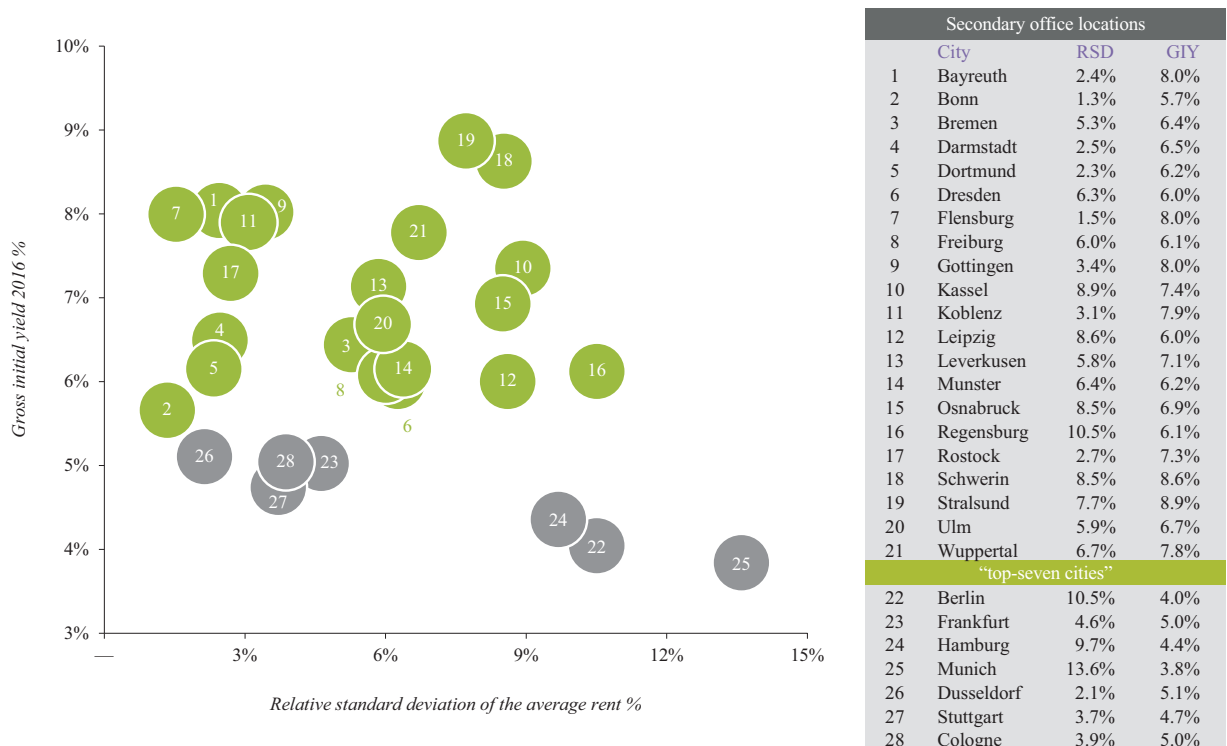
The following chart sets out prime rents per sqm per month in 2016 and rental growth from 2007 to 2016 in the “top-seven cities” compared to secondary locations.



(a) Excluding the 2007 rental data since it was significantly below historical average

Source: PMA

The chart below shows the rent volatility of the past ten years with current yield opportunities. Compared to the “top-seven cities”, many of the secondary locations offer significant higher yield opportunities while their risk profiles are not higher or are indeed lower than these of the “top-seven cities”. Secondary locations are generally characterized by little speculative activity or none, on the one hand. On the other hand, demand in many secondary locations follows a stable or upward trend. It is therefore sensible to assume that market-consistent investments in these locations will retain their balanced risk/return ratios (*Source: Bulwiengesa*).



Note: the standard deviation (average rent) refers to the period between 2007 and 2016

Source: Bulwiengesa

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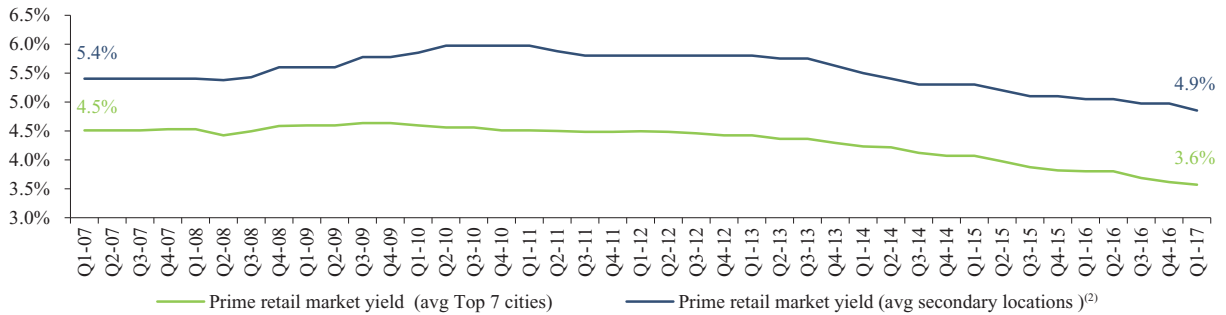
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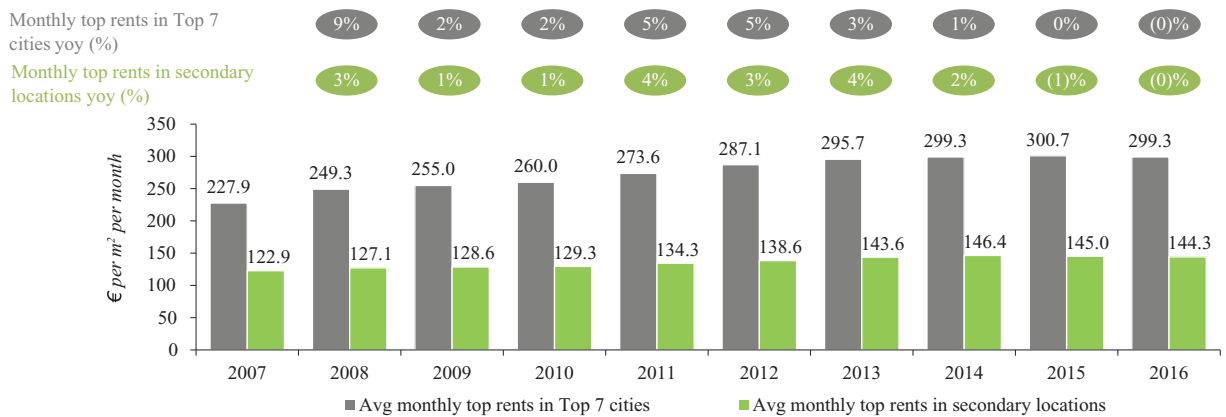
The following chart sets out the development of net yields of retail properties in the “top-seven cities” compared to secondary locations from 2007 to Q1-2017.



(a) Dresden and Leipzig

Source: PMA

The following chart sets out the development of top rents in the “top-seven cities” (a) and selected secondary locations (b) from 2007 to 2016.



(a) Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich, Stuttgart

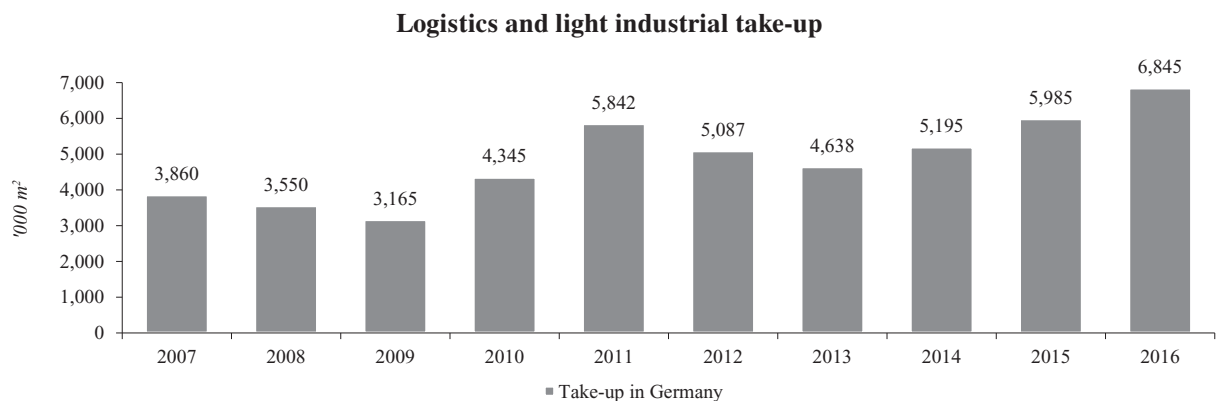
(b) Bonn, Bremen, Dresden, Dortmund, Essen, Leipzig, Hanover

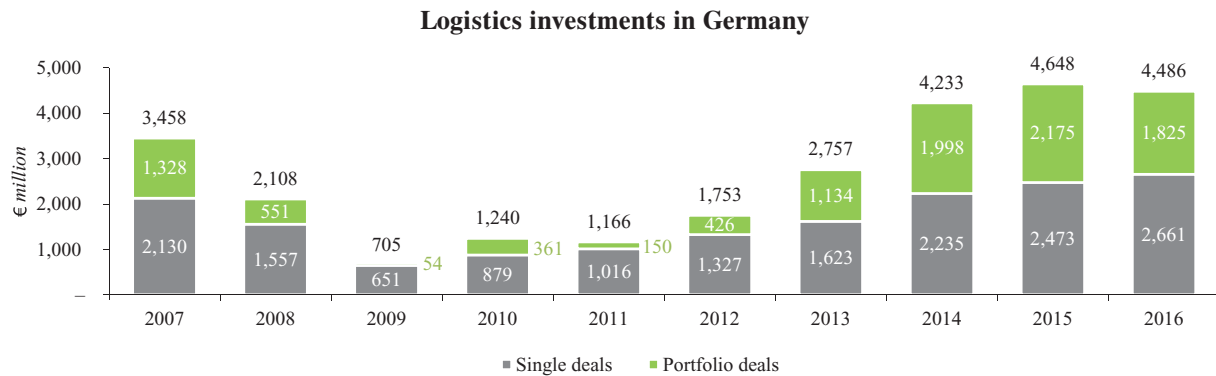
Source: BNP Paribas

German Logistics Real Estate Market in Secondary Locations

In 2016, the German logistics sector benefited from positive macro-economic conditions which stimulated business activity. Nationwide take-up totaled around 6.9 million sqm, exceeding the previous high of 2015 by more than 14%. The record-high take-up had a positive impact on the logistics investment in Germany, which generated a turnover of more than €4 billion, the second highest result since 2007 (Source: BNP Paribas).

The following charts set out logistics and light industrial take-up and logistics investment in Germany from 2007 to 2017.

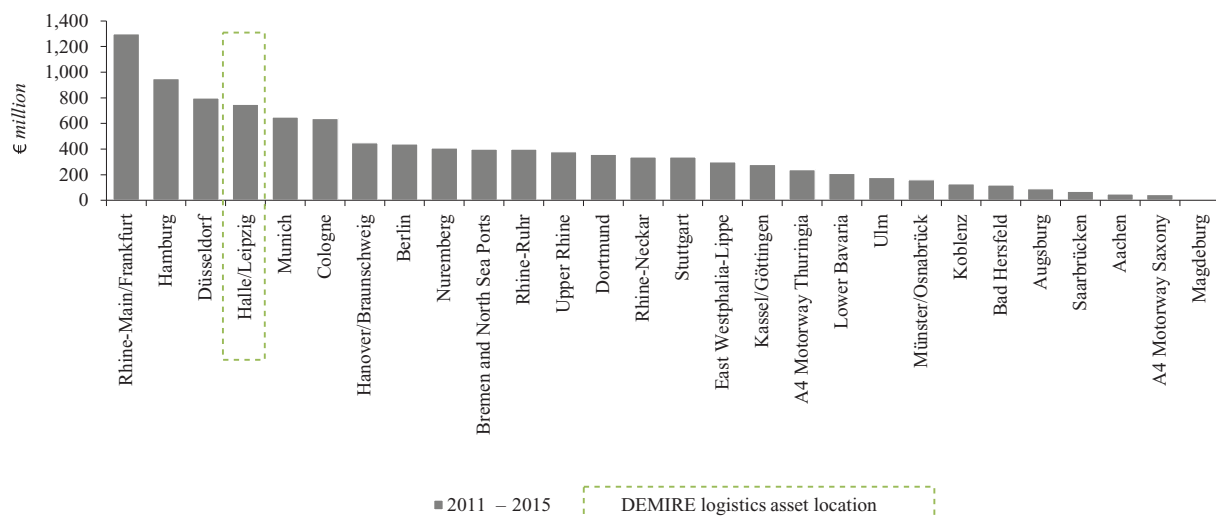




Source: BNP Paribas

Due to lack of space in highly-densified major cities, the demand for space in the logistics sector has been shifting to smaller distribution centers in city fringe locations and delivery centers in strategic locations in secondary cities. These include markets such as Halle/Leipzig, Hanover, the Rhine-Neckar region and Lower Bavaria (Source: JLL).

The chart below sets out the investment volume by logistics region 2011-2015.



Source: Bulwiengesa

Strong investor demand for logistic properties has led to a continued fall in net initial yields across all logistics regions since 2011. The Berlin region registered the greatest compression in net initial yield by around 190 basis points. Other regions that experienced similarly high levels of yield compression were Halle/Leipzig, Stuttgart, Hamburg and Munich, ranging from 135 to 150 basis points each (Source: Bulwiengesa).

REGULATION

Regulatory Environment

Our real estate portfolio is subject to a variety of laws and regulations in Germany. If we fail to comply with applicable laws and regulations, we may be subject to civil liability, administrative orders, fines or even criminal sanctions. In the following section, the most important laws and regulations applicable to us and our real estate portfolio are described.

German Tenancy Law Restrictions

Written Form Requirement

German tenancy law is incorporated into BGB and generally requires that rental agreements which provide for a term of more than one year must be concluded in written form. The requirements to comply with written form have been specified by comprehensive case law. However, a rental agreement is not invalid in the event of an infringement of the requirement for the written form. Rather, it is deemed to have been concluded for an indefinite period with the consequence that it can be terminated at the earliest at the end of one year after handover of the leased property to the tenant in accordance with the statutory notice period (*i.e.*, six months to the end of the quarter minus three days). Against the background of the case law enacted in recent years on the formal invalidity of rental agreements, there exists a risk that rental agreements that were originally compliant with the written form no longer satisfy the requirements currently applicable or compliance with written form requirements is overseen when entering into a long term lease or its prolongation and as a consequence can be terminated on short notice, regardless of the agreed fixed term.

Operating Costs

Regarding the operating costs of commercial tenancies, most of the ongoing costs of the property accruing to the landlord may essentially be apportioned to the tenants. However, this requires a clause in the lease agreement stipulating explicitly and specifically which operating costs shall be borne by the tenant. These clauses have to be even more specific and transparent if they can be considered general terms and conditions presented by the landlord to the tenant. With respect to heating costs, further legal provisions are contained in the Heating Costs Ordinance (*Heizkostenverordnung*), banning lump-sum cost-bearing clauses and restricting the landlord's leeway in apportioning heating costs among tenants. Furthermore, costs that do not adhere to the landlord's statutory obligation to take a cost-effective approach (*Wirtschaftlichkeitsgebot*) may also not be apportioned to tenants and may even result in the landlord's liability.

Indexation Clauses

Commercial rents are generally freely negotiable under German tenancy law. The legislator only provides a regulatory framework in the area of rent adjustments in connection with changes in prices or services ("**Indexation Clauses**"). The German Act on the Prohibition of Price Clauses when Determining Monetary Liabilities (*Preisklauselgesetz*, "**PKG**") governs the permissibility of Indexation Clauses. Pursuant to the PKG, the price or value of goods or services may not be determined using Indexation Clauses if these are not comparable to the goods or services agreed in the lease. The prohibition on Indexation Clauses does not extend to payment reservation clauses (*Leistungsvorbehaltsklauseln*), spread clauses (*Spannungsklauseln*), cost element clauses (*Kostenelementeklauseln*), clauses which relate merely to a reduction in monetary liabilities and price clauses in long-term agreements which satisfy the conditions set forth under the PKG. Indexation Clauses in commercial leases are regularly subject to this exception if they have been entered into for a term of at least ten years or a term summing up to at least ten years upon the discretion of the tenant and the price trend is measured using a recognized price index (usually the consumer price index) and applies to increases to the same extent as it applies to reductions.

Indexation Clauses in lease agreements which are not subject to these exceptions are invalid, by contrast. The Indexation Clause becomes invalid at the time the infringement is legally established. The legal implications of the Indexation Clauses remain unaffected until their invalidity is legally established. If a Indexation Clause is legally established invalid, rent increases can therefore no longer be asserted against the respective tenant.

Maintenance Costs; Cosmetic Repairs; Final Decorative Repairs

Lease agreements for commercial properties may generally transfer the responsibility for the maintenance and repair of let properties to tenants. This general principle is limited to the extent that the costs of maintenance and repair to the roof and building structures cannot be charged to the tenant under general terms and conditions. Furthermore, areas located in the let property used by several tenants may not be fully transferred to tenants by use of general terms and conditions. Instead, case law on general terms and conditions requires a contractual limitation on the amount apportioned.

Expenses for cosmetic repairs (*Schönheitsreparaturen*) may, in principle, be allocated to tenants, provided that the obligation to carry out ongoing cosmetic repairs is not combined with an undertaking to perform initial and/or final decorative repairs. However, general terms and conditions may not allocate costs for cosmetic repairs to tenants if the execution of such repairs is set to a fixed schedule (*starrer Fristenplan*) or if the tenant is otherwise unfairly disadvantaged (*unangemessen benachteiligt*).

Real Estate Transfer Tax, Notary Costs and Land Registry Office Fees

Purchasers of real estate located in Germany are required to bear certain costs. It is common for the purchaser of real estate to pay the real estate transfer tax (“**RETT**”). RETT in Brandenburg, Schleswig-Holstein, North Rhine-Westphalia, Saarland and Thuringia currently amounts to 6.5%, in Berlin and Hesse to 6.0%, in Baden-Württemberg, Bremen, Mecklenburg-Western Pomerania, Saxony-Anhalt, Lower Saxony and Rhineland-Palatinate to 5.0%, in Hamburg to 4.5% and in Saxony and Bavaria to 3.5% of the purchase value of the property. While the RETT rate is determined on the federal state level, the statutory RETT framework falls within the competency of the Federal Republic of Germany.

Under current tax laws, the acquisition of a participation reaching or exceeding 95% in an entity that owns German real estate is subject to RETT. In the case of partnerships, RETT could be triggered even if a participation of less than 95% is acquired but where other partnership interests have been transferred in the last five consecutive years. Following the Act for the Implementation of the European Union Directive on Mutual Assistance (*Amtshilferichtlinie-Umsetzungsgesetz*), RETT is now also triggered if an acquisition or transaction results in an entity holding an economic participation of at least 95% in an entity that owns a piece of German real estate property, regardless of whether this is held (partly) directly and/or (partly) indirectly. The economic participation shall equal the sum of direct or indirect participations in the respective entity’s capital or assets. To determine participations, the percentages of participations in the capital or assets of the entities are multiplied. Thus, RETT is triggered if the overall effective ownership, taking into account direct and indirect participation (economic ownership), is or exceeds 95% when accumulation is determined based on economic interest calculated on a look-through basis.

Additional costs, amounting to approximately 1.5% of the purchase value, are incurred for notary fees and land registry office (*Grundbuchamt*) fees, depending on the value of the transaction. These additional costs are usually also paid by the purchaser.

Construction and Planning

German Planning Law

Under German planning law (*Bauplanungsrecht*), municipal planning authorities have considerable discretion (*Planungsermessen*) in exercising their planning competence. They are, however, required by law to take into account private interests as well as to pursue a number of prescribed objectives, including sustainable urban development and the protection of natural resources. Formal planning by municipalities under the Federal Building Act (*Baugesetzbuch*, “**BauGB**”) follows a two-tiered approach.

First, each municipality may issue a preparatory land-use plan (*Flächennutzungsplan*) that represents, with respect to the entire municipal territory, a basic classification of land uses according to urban development objectives and the needs of the municipality. A preparatory land-use plan may, *inter alia*, determine the purpose or purposes for which specific areas should be used in the future or which areas should be made available for environmental purposes, but it does not, in principal, create or affect individual rights.

Second, zoning plans (*Bebauungspläne*) may determine the specific use of land in designated areas. A zoning plan must comply with the applicable preparatory land-use plan. A zoning plan establishes the

legally binding rules with respect to matters such as the size of building plots and the height, density and specific use of buildings erected on a plot and may also designate land as being reserved for public purposes, industrial use, mixed use, social housing, infrastructure, open spaces, and protected areas. Where no zoning plan exists, the question whether a building project is permissible depends on whether the building project is located in the already built-up interior zone (*Innenbereich*) or in an undeveloped peripheral area (*Außenbereich*). In the first case, the permissibility basically depends on the building project's compatibility with the existing buildings in the vicinity and their specific use. Outside of built-up interior zones, projects are only permissible subject to narrowly defined requirements which are generally not satisfied by buildings designated for office, retail or logistics use.

Urban Restructuring Planning

Municipalities may designate special urban planning zones (*Gebiete des besonderen Städtebaurechts*) in order to remediate specific planning deficiencies or facilitate specific urban developments. These planning zones are regulated by the BauGB. The BauGB provides for different types of special urban planning zones, such as redevelopment areas (*Sanierungsgebiete*), conservation areas (*Erhaltungsgebiete*) or development areas (*Entwicklungsgebiete*). Properties located in special urban planning zones may be subject to certain restrictions.

For instance, if properties of the Group are located within formally designated redevelopment areas, those properties are subject to restrictive regulations of the BauGB, such as municipal pre-emptive rights. In addition, written permission of the municipality is required for certain development projects and legal procedures (for example, rental agreements for a stipulated period of more than one year, property purchase agreements, the subdivision of a plot or the establishment, modification or revocation of a public easement). The granting of such permission may only be refused if such project would inhibit or seriously impede the implementation of the redevelopment or if it would conflict with the aims and purposes of the redevelopment. In order to implement the redevelopment, the municipality may undertake infrastructure measures. Furthermore, the owner of a property in a redevelopment area may be obliged to make payments to the respective municipality in order to compensate for the increase in the value of the property as a consequence of the redevelopment.

Building Regulations

German building laws and regulations of the German federal states (*Bauordnungsrecht der Bundesländer*) are extensive and govern, among other things, permissible types of buildings, building materials, statics, proper workmanship, stability, heating, fire prevention, means of warning and escape in case of emergency, access and facilities for the fire department, hazardous and offensive substances, noise protection, parking spaces, ventilation and handicap access and facilities.

For instance, fire prevention is regulated by laws and building regulations of the federal States, which are further specified by directives, decrees, guidelines, technical regulations, recommendations and technical data sheets regulating constructional, technical and organizational fire prevention concerning, *inter alia*, building materials, firewalls and emergency escape routes as well as fire-extinguishing systems and smoke detectors. Those regulations may be amended from time to time, which could require investments in improved or additional fire prevention measures. Furthermore, if the use of a building is changed or construction measures are taken, such amended fire prevention requirements may become applicable.

Protection of Existing Buildings

Owners of buildings erected and used in compliance with building permits (*Baugenehmigungen*) which have become final and absolute (*bestandskräftig*) benefit, in principle, for an indefinite period of time from such permit (*Bestandsschutz*). This means that local building authorities must generally tolerate the respective building and its use, even though the planning or legal situation may have changed since the granting of the permit.

However, the competent building authority may, under certain circumstances, require alterations to buildings with respect to safety (e.g., fire safety) or health risks. While mere non-compliance with prevailing regulations generally does not warrant such orders, the occurrence of imminent safety or health risks with respect to users of the building or the general public allows the competent authority to demand immediate action from the owner. Relevant risks in this regard include fire risks, traffic risks, risks of collapse and health risks from hazardous building materials, such as asbestos or water contamination.

The protection of existing buildings does not generally cover alterations to such buildings or changes in the type of use. Therefore, in both cases, a new building permit is typically required, which must comply with the then-applicable planning and building regulations. However, the building authority may, under certain circumstances, grant an exemption from the zoning plan if the intended use or alteration is not covered by the zoning plan.

Architectural Preservation

Certain buildings or parts of buildings in the ownership/possession of the Group might be classified as historic buildings on the basis of law or registration in a list of protected buildings. The competent authorities may determine whether the conservation of a building is in the collective public interest and, therefore, has to be considered protected. As a result, ownership is subject to various public law restrictions. Specific obligations arise under the historic buildings preservation laws of the individual German Federal States, such as with respect to the maintenance, repair, appropriate management and protection of historic buildings. In addition, changes to historic buildings or their removal are not permitted if significant conservation reasons exist for maintaining the building's condition unchanged. Compliance with preservation legislation is also required in the context of planning permission processes, such as for a change of use or for alterations, and may result in the refusal of the required permits. Furthermore, if a building is located in the near surrounding of a building that is subject to monument protection, such building might also be subject to restrictions to the extent it can influence the monumental character of the protected building.

Energy Efficiency

The existing legislation regarding energy efficiency of buildings, which is likely to be tightened even further – e.g. in the German Energy Saving Regulation (*Energieeinsparverordnung*, “**EnEV**”) or the EU Directive 2010/31/EU on the energy performance of buildings – play an increasingly important regulatory role. It is to be expected that the relevant statutory regulations at the national and EU level will be modified further, and increasing requirements on energy consumption and efficiency of buildings, particularly in the case of new buildings and modernizations will be stipulated. For example, in November 2016, the EU Commission proposed an update to Directive 2010/31/EU to help promote the use of smart technology in buildings and to streamline the existing rules, which, if adopted, would likely result in additional obligations to undertake energy efficient refurbishments of existing buildings, such as insulation measures to reduce heating costs or to reduce the consumption of electricity. Cost allocation between the owner and tenants has not been resolved conclusively, meaning that property owners may be obligated to incur a portion of the expenses required for such energy-saving renovation measures.

Liability for Environmental Damage and Contamination

Pursuant to the German Federal Soil Protection Act (*Bundesbodenschutzgesetz*), responsibility for existing contamination (*Altlasten*) and/or harmful soil alterations (*schädliche Bodenveränderungen*) (each a “**Contamination**”) lies with, among others, the actual polluter, the polluter's universal successor, the current owner of the property, the party in actual control of the property and, if the title was transferred after March 1, 1999, the previous owner of the property if he knew or must have known about the Contamination. There is no general statutory ranking as to liability of the aforementioned parties. Rather, this decision is made at the discretion of the competent local authority (*Bodenschutzbehörde*) taking into account the effectiveness of remediation as a prevailing factor. Thus, because the current owner of a property is generally in the best position to undertake the necessary remediation measure, he is usually the first party to be held responsible. However, a former owner may be ordered to carry out remediation work if the current owner's financial condition appears to be unsound. Other responsible parties may be required to indemnify the party that carried out the remediation work under a statutory provision. This provision can, however, be waived by way of an express contractual agreement. Furthermore, liability is not based on fault. Therefore, the German Federal Soil Protection Act does not require the relevant local authority to prove negligence or intent on the part of the liable parties.

Administrative powers arising from the German Federal Soil Protection Act authorize the relevant local authority to require risk inspections, investigations, remedial measures and other measures necessary for the prevention of residual pollution or harmful changes in the soil.

The respective Ministries of Environment of both the German federal government and the federal states have established a joint working group (*Bund-/Länder-Arbeitsgemeinschaft Abfall* (“**LAGA**”)) in order to

ensure a consistent enforcement of laws relating to waste and disposal legislation. LAGA publishes information sheets, regulations, guidelines and sample administrative provisions. In the so-called LAGA M 20, as amended, LAGA has defined various classification categories, by which, *inter alia*, the treatment and disposal of soil excavation and demolition waste are governed. These classification categories range from emplacement class LAGA Z 0 (unrestricted emplacement for soil-related uses) over emplacement class LAGA Z 1 (restricted emplacement in certain construction types) and LAGA Z 2 (restricted emplacement with technical safety measures) to emplacement classes LAGA Z 3, LAGA Z 4 and LAGA Z 5, which do not allow for emplacement, but require disposal of the respective material.

Civil law liability for Contaminations can arise from contractual warranty provisions or statutory law. Warranty obligations can generally be waived or can be limited by contract. According to statutory provisions, the perpetrator of the Contamination may be held liable for damages or for the remediation of the Contamination and its consequences. This civil liability exists independent of official action taken under the German Federal Soil Protection Act.

War Ordnance

In Germany, the federal states are responsible for the clearance of ordnance and other remnants of war. In most states, public services are responsible for the clearance of war ordnance, while other states use private specialized firms. All states assume, and dispose of, the unexploded ordnance themselves. However, the extent to which a private investor or an owner of contaminated real estate incurs liabilities in connection with the clearing of remnants of war, including preparatory measures like the disposal of plants and layers of soil or preventive search measures, where the initial suspicions prove unfounded, varies from state to state.

Asbestos Regulation

German law imposes obligations to remediate asbestos contamination under certain circumstances. Under the asbestos guidelines (*Asbest-Richtlinien*) of the German federal states, the standard for determining a remediation obligation is the presence of any health threat. The law distinguishes between friable asbestos, which is capable of releasing asbestos fibers into the air as it ages or breaks, and non-friable asbestos, from which asbestos fibers are usually not released and which therefore poses a limited risk to human health. Except in the event of structural alterations, there is generally no obligation to remove non-friable asbestos under the asbestos guidelines.

Friable asbestos is generally found in construction materials that provide fire safety, noise abatement, moisture protection, heat insulation and thermal protection. The asbestos guidelines set out criteria used in assessing the urgency of remedying contamination, ranging from immediate action (including demolition, removal or coating of the asbestos) to risk assessments at intervals of no more than five years. The removal and disposal of asbestos-containing materials requires specific safety measures and may trigger elevated costs.

In the case of asbestos contamination, a tenant may also assert a right of rent reduction or, in extreme circumstances, termination for good cause. German courts have held that a landlord may be presumed to be in breach of its statutory obligations if the existence of a health threat cannot be excluded. Accordingly, the courts have granted the right to rent reduction even in cases where the asbestos guidelines do not require immediate remediation. Tenants may also claim compensatory damages if the defect was present at the time the contract was concluded, and they may claim compensation for personal suffering (*Schmerzensgeld*). Finally, tenants also have the right, subject to certain conditions, to remedy the defect on their own and require that their reasonable expenses be reimbursed.

Restitution Rights and Transfer Approval

Under the Law on the Settlement of Open Property Issues (*Gesetz zur Regelung offener Vermögensfragen*), former owners of assets who were dispossessed either by the national socialist government between January 30, 1933 and May 8, 1945 or by the former German Democratic Republic (*Deutsche Demokratische Republik*) can demand the restitution of such assets. If return of the assets is impossible due to a valid sale to a third party, the former owners have compensation claims under the German Restitution Act (*Entschädigungsgesetz*). The German Asset Allocation Law (*Vermögenszuordnungsgesetz*) provides for similar regulations.

With regard to properties located in the former German Democratic Republic (*Deutsche Demokratische Republik*), the German Real Estate Transfer Ordinance (*Grundstücksverkehrsordnung*) generally requires owners of properties to obtain approval from the competent authorities prior to disposing of any properties, unless such approval was previously granted for a transfer of the property completed after September 28, 1990. If any restitution claims have been filed for a property, such approval will not be granted until the claim has been settled.

German REIT Legislation

The German REIT Act was implemented in 2007 and created a new asset within the framework of a tax-exempt real estate corporation. After the attainment of REIT status, a REIT corporation is exempt from corporation and trade tax if it complies with the requirements of a REIT company. These requirements are essentially:

- the status of a stock corporation domiciled in Germany (registered seat and executive management);
- restriction of the corporate objective to the acquisition, holding, administration and sale of:
(i) properties (including all assets necessary for the use and administration of such properties in accordance with section 3 paragraph 7 German REIT Act) but excluding existing residential properties and foreign properties which may not be owned by REITs in the country they are located in (existing residential properties are such domestic properties which are used mainly for residential purposes and which were built before January 1, 2007); (ii) shares in property partnerships; shares in companies which offer services to REITs; (iii) shares in foreign property companies; (iv) participations in companies limited by shares which are shareholders with personal liability in property partnerships and which do not have an asset interest in such companies. A REIT company may only provide paid services to third parties through the medium of a REIT service company;
- the corporation may not engage in any commercial property dealing;
- the shares of the corporation must be listed on a regulated stock exchange within the meaning of section 2 paragraph 5 German Securities Trading Act (*Wertpapierhandelsgesetz*, “**WpHG**”) in a member state of the EU or the EEA;
- a minimum share capital of EUR 15 million;
- no shareholder may have a share in the corporation of 10% or more directly or via a trustee (maximum participation);
- at least 15% of the shares, 25% at the time of Initial Public Offering, must be in free float (free float is constituted by shares of those shareholders who directly or indirectly hold less than 3% of the voting rights) (free-float ratio);
- the corporation must provide for indemnification for the free float shareholders in its articles of association in the event of the termination of the tax exemption status due to breaches of the maximum direct participation limit and/or of the free float ratio;
- at least 90% of the net income according to the HGB for the fiscal year must be distributed to the shareholders (minimum pay-out);
- the reported equity of the corporation or group may not fall below 45% (according to IFRS) of the amount at which the immovable assets are valued in the individual or consolidated financial statements in accordance with section 12 paragraph 1 German REIT Act;
- at least 75% of the assets of the corporation or group must consist of immovable assets (including investments in property companies) (asset structure);
- at least 75% of the sales revenues must originate from immovable assets (sales revenue structure); and

- the total sales revenue of a REIT service company, which are to be included in the consolidated financial statements of a REIT corporation, must not exceed 20% of the total proceeds of the group.

The corporate name of a REIT corporation has to be registered with the competent court with the designation “*REIT-Aktiengesellschaft*” or “*REIT-AG*” for entry in the commercial register after the listing on a regulated market in the EU or in the EEA. These designations enjoy protection to the same extent as designations which contain the term “Real Estate Investment Trust” or the abbreviation “REIT” on its own or in conjunction with other words, *i.e.*, they may only be used in the corporate name or in addition to the corporate name of companies that have their registered office within the scope of application of the German REIT Act and that are REIT corporations within the meaning of the German REIT Act.

The German REIT Act provides for sanctions in the event of non-compliance with the requirements of a REIT company. The tax exemption of a REIT company will be terminated if:

- it loses its stock exchange listing;
- it trades in immovable assets, *i.e.*, if it generated income from the sale of property assets within the last five years that exceeds half of the aggregate of its property assets for such five year period;
- for three consecutive fiscal years, less than 15% of the shares of a REIT company are in free float or if, for three consecutive fiscal years, a single investor holds 10% or more of a REIT corporation’s shares;
- the minimum requirements as to equity have not been met for three consecutive fiscal years;
- a REIT company infringes the requirements relating to its asset structure, sales revenue structure, or minimum distributions or infringes the prohibition on providing non-gratuitous service charge services for five, and in certain cases for three consecutive fiscal years; or
- the requirements for a REIT company are no longer fulfilled.

If a REIT company infringes the requirements relating to its asset structure, sales revenue structure or minimum distributions or infringes the prohibition on providing non-gratuitous service charge services, the tax competent authority will impose sanction payments against a REIT company. The amount of the sanction payments will vary depending on the severity and, as applicable, frequency of any breaches during prior fiscal years. Sanction payments will be calculated as follows:

- violation of the required asset structure: 1% to 3% of the amount by which the share of the immovable assets falls short of 75%;
- violation of the required revenue structure: 10% to 20% of the amount by which the gross revenue from leasing or sale of immovable assets is below the target of 75%;
- violation of the 90% distribution requirement: 20% to 30% of the amount by which the actual dividend payment is below 90%; and
- violation of the prohibition on providing non-gratuitous services for third parties: 20% to 30% of the revenue obtained.

These sanctions can also be imposed cumulatively.

German Capital Investment Code

The German Capital Investment Code (*Kapitalanlagegesetzbuch*; “**KAGB**”) sets out regulations for alternative investment funds (“**AIF**”). In accordance with the AIFM-Directive, an AIF within the meaning of the KAGB is defined as any type of collective investment undertaking which raises capital from a number of investors with a view of investing it in accordance with a defined investment strategy for the benefit of those investors and which does not perform any operational activity.

If Fair Value REIT-AG or any participations of Fair Value REIT-AG should qualify as an AIF within the meaning of the KAGB, the respective company would have to comply with the KAGB rules and principles. According to the KAGB, each AIF must be managed by a capital management company. Management of group companies which qualify as an AIF can be performed by an external AIF-management company or by the relevant group company itself. In the latter case, the relevant group company will qualify as an internally managed AIF-management company.

If the respective group company decided not to appoint an external management company, but to change into an internally managed AIF-management company, its business operations would require the permission of BaFin. As an internally managed AIF-management company, the group company would have to be set up in one of the specific legal forms provided in the KAGB for internally managed AIFs. Furthermore, it would have to meet specific organizational requirements, including, *inter alia*:

- proof of professional competence and reliability of the management company's directors;
- observance of certain capital requirements, specifically minimum initial capital;
- establishment of risk, conflict of interest and, where appropriate, liquidity management systems;
- appointment of a depositary for the company's assets; and
- compliance with the notification and reporting obligations set out in the KAGB and the Commission Delegated Regulation (EU) No. 231/2013 ("**AIFM-Regulation**").

BUSINESS

Overview

We are a leading integrated publicly-listed commercial real estate company in Germany with a focus on office, retail and logistics properties in secondary locations across Germany. As of March 31, 2017, taking into account sales of properties signed but not closed as of March 31, 2017, our portfolio comprised 85 properties with total lettable floor space of approximately 970,000 square meters and had an aggregate portfolio value (sum of the carrying amounts of investment properties and non-current assets held for sale) of €983.5 million. As of the same date and on the same basis, our property portfolio had a weighted average lease term (“WALT”) of 5.3 years and a European Public Real Estate Association (“EPRA”) vacancy rate of 10.7%. For the twelve months ended March 31, 2017, we generated rental income of €77.1 million, EBIT of €78.4 million and FFO I before taxes of €10.2 million. Our headquarters are located in Langen, Germany, in close proximity to Frankfurt am Main, Germany, and we had a total of 78 full-time employees as of March 31, 2017.

The chart below provides an overview of our top ten properties by gross asset value (“GAV”) as of March 31, 2017:

#	City	Segment	Asset Class	GAV (€ m)	Share (%)	TLA (‘000 sqm)	GRI p.a. (EUR/)	EPRA Vac (in %)	WALT (Years)
1	Bonn	Core	Office	78.0	7.9	38.4	5.4	0.0	8.0
2	Rostock	FVR ⁽¹⁾	Retail ⁽²⁾	64.9	6.6	19.3	4.2	5.3	5.0
3	Ulm	Core	Office	63.2	6.4	47.5	4.3	10.9	7.4
4	Kassel	Core	Retail	56.5	5.7	21.5	3.6	11.7	9.0
5	Leipzig	Core	Logistic	53.7	5.5	217.6	3.8	45.2	1.9
6	Freiburg	Core	Office	37.1	3.8	22.7	2.6	0.0	4.0
7	Regensburg	Core	Office	31.0	3.1	29.2	2.5	0.0	4.0
8	Düsseldorf	Core	Office	30.1	3.1	24.3	1.9	27.7	5.1
9	Eschborn	Core	Office	29.6	3.0	18.8	2.0	0.0	7.9
10	Eisenhüttenstadt	FVR ⁽¹⁾	Retail	26.9	2.7	30.5	1.8	34.1	5.4
Top 10				470.9	47.9	469.8	32.1	16.4	6.0
Total properties⁽³⁾				983.5	100.0	967.6	71.7	10.7	5.3

(1) FVR refers to Fair Value REIT-AG.

(2) A significant portion of which is occupied by a tenant operating a hotel.

(3) Taking into account sales of properties signed but not closed as of March 31, 2017.

We are focused on office, retail and logistics asset classes, which accounted for approximately 68%, 24% and 5%, respectively, of our portfolio, by gross rental income (“GRI”), as of March 31, 2017 (taking into account sales of properties signed but not closed as of March 31, 2017). We are focused on cities in densely populated regions, which do not rank among the “top-seven cities”, and areas bordering metropolitan cities (so-called “secondary locations”) in Germany, where yields and occupancy rates are higher and less cyclical than in the “top-seven cities”. We have properties in 15 of the 16 German federal states (*Bundesländer*), as shown by the map below:



The Company was founded in 2006 and shortly thereafter became listed on the regulated market. Since 2013, the Company is focused on the investment in and management of German commercial properties in secondary locations, which was underpinned by the takeover of Fair Value REIT-AG in 2015 as well as the acquisition of several real estate portfolios and individual assets in recent years.

We have a strong and diversified base of high quality tenants across our portfolio. Our tenants include our anchor “blue chip” tenant, Deutsche Telekom, as well as government-related entities, such as the Institute for Federal Real Estate (*Bundesanstalt für Immobilienaufgaben*), and financial service providers, such as Sparkasse Südholfstein, which together comprise our top three tenants by rental income. Our stable tenant base and long-term lease agreements provide us with high visibility on rental income and cash flow generation. As of March 31, 2017, annualized GRI amounted to €71.7 million, resulting in a GRI yield of 7.3%.

Our integrated in-house asset, facility and property management platform is a key factor to our success, enabling us to operate as an integrated and scalable real estate company covering the complete value chain and to implement our investment strategy. We acquire and manage properties based on their cash flow profile as well as value generation potential and primarily divide them into two categories: “core+”, to which approximately 54% of our portfolio, based on GAV (taking into account sales of properties signed but not closed as of March 31, 2017), is allocated as of March 31, 2017, and “value-add”, to which approximately 42% of our portfolio, based on GAV (taking into account sales of properties signed but not

closed as of March 31, 2017), is allocated as of March 31, 2017. Our “core+” approach is focused on properties with a strong tenant structure, longer WALTs, stable yields and secure cash flows. Our “value-add” portfolio properties are typically undermanaged assets with higher vacancies and shorter WALTs, but which nevertheless generate attractive yields and present near-term value upside through vacancy reduction and other value-enhancing measures. We seek to improve the operating performance of value-add assets through a “manage-to-core” approach with the objective of moving them to the core+ category.

Our Strengths

We believe we benefit from the following competitive strengths.

Sizeable portfolio diversified across asset classes, properties and locations.

We are a leading integrated publicly-listed commercial real estate company in Germany, based on our aggregate portfolio value of €983.5 million as of March 31, 2017 (taking into account sales of properties signed but not closed as of March 31, 2017), with a diversified portfolio of properties by asset class, location and tenants. A significant majority of our office, retail and logistics properties are located in densely populated regions across Germany. As of March 31, 2017, taking into account sales of properties signed but not closed as of March 31, 2017), approximately 19% of our GRI was generated from properties located in North Rhine-Westphalia, with properties in Saxony, Baden-Württemberg and Hesse accounting for approximately 14%, 12% and 10%, respectively, of our GRI. By asset class, office properties accounted for approximately 68% of our GRI and our retail asset class accounted for approximately 24% of our GRI as of March 31, 2017 on the same basis. We also have no dependency on any individual assets; our top 10 assets, by GRI, generated approximately 45% of our GRI as of March 31, 2017 (taking into account sales of properties signed but not closed as of March 31, 2017), while our top 34 assets generated approximately 80% of our GRI as of the same date and on the same basis.

Strong tenant base with long weighted average lease term and long-term visibility on rental income.

We benefit from a strong base of high quality tenants across our portfolio, with high visibility on rental income ensured through long-term lease agreements with tenants. As of March 31, 2017, our tenant base included a total of approximately 800 tenants, with our top ten tenants accounting for 47.6% of our GRI. In addition to government-related tenants, such as the Institute for Federal Real Estate (*Bundesanstalt für Immobilienaufgaben*), and financial service providers, such as Sparkasse Südholstein, which are two of our three largest tenants by GRI, we generated 30.1% of our GRI, as of March 31, 2017, from Deutsche Telekom through multiple long-term lease agreements covering 18 properties in our portfolio and which have an average WALT of 5.8 years. Lease agreements with Deutsche Telekom include assets that are considered strategic by Deutsche Telekom, such as Deutsche Telekom’s campuses in Bonn and Ulm. In addition, these portfolio locations comprise 43.5% of the GRI generated from properties leased to Deutsche Telekom and have an average WALT of 7.9 years. Deutsche Telekom actively manages its rental contracts on a long-term basis. In case of moving out processes, Deutsche Telekom makes great efforts to sign subleases with new tenants, which allows us to ensure a smooth transition of the asset and results in further diversification of our tenant base. We believe that default risks associated with our largest tenants, including Deutsche Telekom, which has a corporate credit rating of BBB+, are very low. Moreover, with an average WALT of 5.3 years across our entire portfolio and approximately 59% of lease agreements expiring after 2020, we believe our tenant base and long-term lease agreements provide us with good long-term visibility on rental income and cash flow from operating activities.

Well-maintained, suitable asset base in premier secondary locations that provide high yields with low cyclicity.

We believe that our focus on secondary locations, where we have distinct knowledge of the regional markets and experienced real estate management personnel, are competitive strengths and position us well to lead the “secondary” commercial real estate segment in Germany. Secondary locations provide higher yields and lower volatility than the “top-seven cities”, because the Company believes that they are less exposed to speculative construction activity. From 2007 to 2016, vacancy rates of office space in secondary locations declined from 7.5% to 5.2%, driven by strong demand and supportive leasing markets, while rates in “top-seven cities” in Germany only reached 6.5% over the same period. In addition, while average rent in secondary locations tends to be lower than in the “top-seven cities”, the rent development for office

properties in secondary locations has increased, on an indexed basis, in line with that of “top-seven cities” over the same period. Furthermore, the average gross initial yield of the office market in Germany, which generated 68.1% of our GRI as of March 31, 2017 (taking into account sales of properties signed but not closed as of March 31, 2017), was approximately 7.3% for secondary locations in 2015 compared to 4.5% for “top-seven cities”. This provides potential for value increase of the secondary location market and a considerable premium over the “top-seven cities”. In addition, we believe we have a strong asset base of quality properties suited to our tenants’ needs, which is evidenced by valuation increases, continuously decreasing vacancy rates, good rental increases and overall stable WALTs.

Fully integrated and scalable asset, facility and property management platform with proven track record.

We actively manage our portfolio through a fully integrated management platform, supported by 78 full-time employees as of March 31, 2017. Our in-house management activities extend from operational property-, facility- and tenant-related functions through employees on the ground at many of our properties to accounting and IT operations and cost and quality control oversight by our central management team. We believe this approach allows us to be responsive to our tenants and remain a trusted and reliable partner, which is particularly important in secondary locations. We also believe that this enhances our ability to further reduce our vacancy levels. From 2014 to 2016, we lowered our EPRA vacancy rate from 14.7% to 11.6% and to 10.7% as of March 31, 2017 (taking into account sales of properties signed but not closed as of March 31, 2017), and we increased our average asset value from €5.1 million as of December 31, 2015 to €11.6 million as of March 31, 2017 (taking into account sales of properties signed but not closed). Our integrated internal management platform also allows us to monitor local market dynamics on a constant and consistent basis in order to manage the size and footprint of our portfolio as well as identify opportunities to realize value enhancement through selected disposals and acquisitions. We believe that the integration of our asset, facility and property management platform has also supported our track record of acquisitions over the last several years, for which we apply strict acquisition criteria in line with our strategy and investment policy. Furthermore, our extensive local sourcing networks support a tangible acquisition pipeline to bolster our further growth in a scalable manner.

Strong shareholder support for our growth strategy and further leverage reduction.

We enjoy the strong support of our two major shareholders, Wecken & Cie. and Obotritia Capital KGaA, who hold 26.5% and 11.9% of our shares, respectively. Klaus Wecken, the founder of Wecken & Cie. (a family office based in Basel, Switzerland) has been investing in German and Swiss listed real estate space for several years and sees his investment in the Company as strategic. Wecken & Cie. is represented in the Company’s Supervisory Board by Frank Hölzle, the Chief Executive Officer of Care4 AG, the management company of Wecken & Cie. Obotritia Capital KGaA, which became a shareholder in 2015 in connection with our acquisition of a majority stake in Fair Value REIT-AG, is also a significant shareholder in Deutsche Konsum REIT-AG, and Rolf Elgeti, the general partner of Obotritia Capital KGaA, is the current Chief Executive Officer of Deutsche Konsum REIT-AG as well as the former Chief Executive Officer and current chairman of the supervisory board of TAG Immobilien AG. We believe that our two key shareholders remain supportive of the continued growth of our portfolio and strategy to reduce leverage.

Our Strategy

Active portfolio and acquisition management to optimize portfolio structure and realize value creation and economies of scale.

We plan to continue to expand our property portfolio in line with our financial strategy through selective acquisitions of well-maintained commercial properties primarily in secondary locations in Germany. We are seeking to grow our portfolio, through a combination of debt and equity financing, to an aggregate portfolio value of approximately €2 billion in the medium term and target future investment volumes per property to be in the range of €10 to €50 million. We intend to use our local market experience and business relationships to identify promising opportunities for acquisitions of properties, real estate portfolios and majority investments in real estate companies, which offer an attractive yield and upside potential, while also maintaining the diversity of our portfolio by location, asset class and tenant base. Such selective acquisitions may include core+ or value-add assets which have higher vacancies and, consequently, provide promising prospects to reposition such properties and generate higher returns. At the same time, we will continue to actively recycle capital by selective disposals of assets and adjust the size and footprint of our core portfolio properties on a selective basis to realize increases in property values.

Improve financing structure and support implementation of conservative leverage policy.

We aim to continue to strengthen our capital structure and reduce leverage through improvement of our financing structure and, in particular, the offering of the Notes. We reduced our Net LTV from 87.4% as of December 31, 2014 to 62.8% as of December 31, 2016 and 62.5% as of March 31, 2017. Over the same period, we also reduced our average annual interest rate on borrowings from 6.4% to 4.1%, as of March 31, 2017, while considerably extending our debt maturity profile. Through the offering of the Notes, we aim to extend the maturity profile of our liabilities as well as reduce our average annual interest rate on borrowings further. In addition, the offering of the Notes will significantly increase our financial flexibility and streamline our capital structure and will result in over €200 million of unencumbered assets and savings in amortization. Over the medium term, we aim to achieve a Net LTV of approximately 50% and an investment grade credit rating.

Realize economies of scale through in-house asset, facility and property management functions.

We are focused on continuing to increase the size of our portfolio in order to realize economies of scale from our integrated in-house asset, facility and property management platform, reduce overall operating costs and improve cash flow generation. In the last two years, we have terminated various third-party service provider contracts, including in the areas of accounting and IT, in order to develop a scalable asset, facility and property management function internally. We believe this will allow us to manage the expansion of our portfolio by emphasizing internal operational and administrative knowhow and personnel development. We also intend to undertake certain corporate reorganization and tax efficiency measures following the issuance of the Notes to simplify and streamline our Group's structure. We are currently in the process of conducting a strategic review, which commenced in the first quarter of 2017, in order to identify various measures to optimize operating costs, streamline our Group structure and reduce financing costs.

Continue to improve the operating performance of our existing properties through active asset management

As an active investor and holder of real estate property in secondary locations, we aim to achieve value appreciation of the assets in our existing property portfolio. Through our in-house asset, facility and property management expertise, we seek to attract and retain high-quality tenants on favorable lease terms, thereby increasing occupancy, WALT and sustainable rental cash flow. We accomplish this by investing in selected assets as to meet the functional requirements of our tenants while enhancing the image and external appearance of our properties. With this, we aim to reposition properties currently classified as "value-add" into our "core+" cluster. Our track record is exemplified by the Gutenberggalerie in Leipzig, which we acquired in May 2015 and have since increased annualised rent by 25% to €1.6 million over the same time period. This has resulted in a value uplift of the Gutenberggalerie from €19 million at acquisition to €25 million as of March 31, 2017. Across our portfolio, our integrated asset management strategy has enabled us to meaningfully reduce average vacancy rate from 14.7% as of December 31, 2014 to 10.7% as of March 31, 2017 (taking into account sales of properties signed but not closed as of March 31, 2017). We believe there is meaningful opportunity to further reduce the vacancy rate, increase rental income and cash flows of the existing portfolio in the near- to medium-term.

History

The Company was founded in 2006 as MAGNAT Real Estate Opportunities GmbH & Co. KGaA ("MAGNAT"), focused on the acquisition, management, development and sale of housing and commercial real estate in Eastern Europe and the Black Sea region. MAGNAT became listed in the Entry Standard on the Frankfurt Stock Exchange in 2006 and switched to the General Standard in 2007. In 2009, MAGNAT expanded its business activities to asset management for third parties and, in 2010, MAGNAT changed its legal form and name to MAGNAT Real Estate AG.

In 2013, MAGNAT undertook a strategic realignment to focus on German commercial properties in secondary locations. The company was consequently renamed DEMIRE Deutsche Mittelstand Real Estate AG, and asset management activities for third parties were discontinued. The change in strategy resulted in both disposals of properties, which no longer conformed to the Company's new investment criteria, and the acquisition of properties in line with the new strategy, which included retail and logistics classes and decreased the Company's dependence on the office asset class. This shift of focus as well as the strong

portfolio growth were reinforced through the takeover of Fair Value REIT-AG in 2015, whose portfolio properties' primary use is retail. The trend towards streamlined portfolio continued in 2016 and, in addition to the disposal of smaller, non-core properties, also included the integration of acquired properties and the insourcing of property-related operations, and, in July 2016, the Company's shares were admitted to the Prime Standard at the Frankfurt Stock Exchange.

Business Activities

Following the takeover of Fair Value REIT-AG, we reorganized our segment reporting. For the fiscal year ended December 31, 2016, we reported our business activities under the two segments Core Portfolio, which comprises the subsidiaries that were part of the Group prior to the takeover of Fair Value REIT-AG, and Fair Value REIT (segment "Fair Value REIT"), which comprises Fair Value REIT-AG and its subsidiaries. As a result of the Company's strategic realignment in 2013, the Core Portfolio segment recently experienced a strong growth, whereas the legacy portfolio, which is part of the Corporate/Others column of the segment reporting and includes holdings from the period prior to the realignment, declined in importance.

Portfolio

Our portfolio, including both assets reported under the segment Core Portfolio and assets reported under the segment Fair Value REIT, consists of properties, which were added to the portfolio through individual and portfolio acquisitions.

As of March 31, 2017, our portfolio comprised 85 properties (taking into account sales of properties signed but not closed as of March 31, 2017) with total lettable floor space of approximately 970,000 square meters (taking into account sales of properties signed but not closed as of March 31, 2017) and had an aggregate portfolio value (sum of the carrying amounts of investment properties and non-current assets held for sale) of €983.5 million (taking into account sales of properties signed but not closed as of March 31, 2017). As of the same date, our property portfolio had a WALT of 5.3 years (taking into account sales of properties signed but not closed as of March 31, 2017) and an EPRA vacancy rate of 10.7% (taking into account sales of properties according to the signed sale agreements but not closed as of March 31, 2017). Our annualized GRI amounted to €71.7 million (taking into account sales of properties signed but not closed as of March 31, 2017), resulting in a GRI yield of 7.3% (taking into account sales of properties signed but not closed as of March 31, 2017).

The chart below provides an overview of our top twenty properties by gross asset value as of March 31, 2017 (taking into account sales of properties signed but not closed as of March 31, 2017). Our properties are appraised by means of the German income approach (*Ertragswertverfahren*) or the discounted cashflow method on an annual basis unless a specific incident requires a new appraisal beforehand.

#	City	Segment	Asset Class	Cluster	GAV (€ m)	Share (%)	TLA (’000 sqm)	GRI p.a. (€ m)	EPRA Vac (in %)	WALT (Years)
1	Bonn	Core	Office	Core+	78.0	7.9	38.4	5.4	0.0	8.0
2	Rostock	FVR ⁽¹⁾	Retail ⁽²⁾	Core+	64.9	6.6	19.3	4.2	5.3	5.0
3	Ulm	Core	Office	Core+	63.2	6.4	47.5	4.3	10.9	7.4
4	Kassel	Core	Retail	Core+	56.5	5.7	21.5	3.6	11.7	9.0
5	Leipzig	Core	Logistic	Value-Add	53.7	5.5	217.6	3.8	45.2	1.9
6	Freiburg	Core	Office	Redevelopment	37.1	3.8	22.7	2.6	0.0	4.0
7	Regensburg	Core	Office	Value-Add	31.0	3.1	29.2	2.5	0.0	4.0
8	Düsseldorf	Core	Office	Value-Add	30.1	3.1	24.3	1.9	27.7	5.1
9	Eschborn	Core	Office	Core+	29.6	3.0	18.8	2.0	0.0	7.9
10	Eisenhüttenstadt	FVR ⁽¹⁾	Retail	Value-Add	26.9	2.7	30.5	1.8	34.1	5.4
Top 10					470.9	47.9	469.8	32.1	13.5	6.0
11	Leipzig	Core	Office	Value-Add	25.2	2.6	23.2	1.6	16.6	4.1
	Lutherstadt	FVR ⁽¹⁾		Core+						
12	Wittenberg		Retail		21.6	2.2	14.7	1.7	4.2	5.9
13	Zittau	FVR ⁽¹⁾	Retail	Value-Add	18.6	1.9	17.5	1.3	6.2	12.1
14	Unterschleißheim	Core	Office	Value-Add	17.1	1.7	15.7	1.0	37.8	3.3
15	Flensburg	Core	Office	Value-Add	16.4	1.7	23.8	1.6	0.0	4.0
16	Quickborn	FVR ⁽¹⁾	Office	Core+	15.6	1.6	10.6	1.1	0.0	4.9
17	Neumünster	FVR ⁽¹⁾	Office	Value-Add	15.2	1.5	11.8	1.0	0.0	8.4
18	Kempten	Core	Office	Value-Add	15.0	1.5	16.8	1.0	11.9	2.8
19	Stahnsdorf	Core	Office	Value-Add	14.5	1.5	17.1	1.8	0.0	4.0
20	Köln	Core	Office	Core+	14.4	1.5	9.1	1.0	0.0	4.3
Top 20					644.6	65.5	630.1	45.3	10.6	5.8
Total properties					983.5	100	967.6	71.7	10.7	5.3

(1) FVR refers to Fair Value REIT-AG.

(2) A significant portion of which is occupied by a tenant operating a hotel.

Our portfolio is well-diversified across properties. Therefore, we do not depend on any individual assets for rental income generation. As of March 31, 2017, our top 10 assets, by GRI, generated approximately 45% of our GRI, while our top 34 assets generated approximately 80% of our GRI as of the same date.

Geographic footprint

Most of our properties are situated in secondary locations in Germany. Secondary locations do not include the “top-seven cities” (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich, and Stuttgart), but rather the so-called “Next six cities”, *i.e.*, Bremen, Dortmund, Dresden, Essen, Hannover, and Leipzig, and other mid-sized German cities with a strong demand for office, retail and logistics space, including Bonn, Mainz, Mannheim, Munster and Nuremburg, as well as locations within the commuter belt of larger cities. A significant majority of our properties are located in these densely populated regions across Germany. We believe that these secondary locations offer higher yields with lesser volatility than prime locations.

In line with our multi-layer diversification approach, our properties do not only cover various asset classes, but are also widely spread in Germany, covering 15 out of 16 German federal states.

The table below provides an overview of our portfolio by German state as of March 31, 2017 (taking into account sales of properties signed but not closed):

Properties	GAV	Total lettable area					thereof others	GRI (p.a.)	Vacancy rate
		in € number million	in '000 m ²	thereof Office in '000 m ²	thereof Retail in '000 m ²	thereof Logistics in '000 m ²			
							in '000 m ²	in € million	in %
Baden-									
Württemberg	4	117.0	85.1	85.1	0	0	0	8.2	8.7
Bavaria	7	93.9	93.9	93.9	0	0	0	7.1	7.8
Berlin	1	5.5	7.2	0	7.2	0	0	0.5	3.2
Brandenburg	5	28.8	33.3	32.0	1.3	0	0	3.1	0
Bremen	10	39.0	34.6	34.6	0	0	0	2.8	13.4
Hamburg	1	7.9	4.0	0	4.0	0	0	0.5	0.0
Hesse	6	116.4	65.7	43.2	21.5	0	1.0	7.4	13.8
Mecklenburg-Western									
Pomerania	6	108.2	57.9	38.6	19.3	0	0	7.3	10.0
Lower Saxony	4	14.2	20.1	5.3	14.8	0	0	1.3	0.0
North Rhine-									
Westphalia	14	184.8	127.7	93.5	10.6	0	23.6	13.2	5.3
Rhineland Palatinate .	3	10.0	12.6	12.6	0	0	0	0.8	5.5
Saxony	10	134.8	301.7	51.3	20.9	217.6	11.9	9.8	27.5
Saxony-Anhalt	3	59.9	54.6	0	54.6	0	0	4.4	18.3
Schleswig-Holstein . . .	10	61.2	63.8	60.0	0	0	3.9	5.0	0.0
Thuringia	1	1.8	5.5	0	5.5	0	0	0.2	42.4
Germany	85	983.5	967.6	550.1	159.6	217.6	40.3	71.7	10.7

Asset Classes

We strive to maintain an adequate mix of our asset classes office, retail and logistics. As of March 31, 2017 (taking into account sales of properties according to the signed sale agreements but not closed as of March 31, 2017), we held 61 properties as office space, 16 retail properties, one logistics property and seven other properties in Leipzig, Germany. As of the same date (taking into account sales of properties according to the signed sale agreements but not closed as of March 31, 2017), our office, retail and logistics properties accounted for 67.8%, 24.2% and 5.5% of the aggregate GAV of our properties, respectively, and 68.1%, 23.6% and 5.3% of our GRI, respectively.

We have a relatively long-standing history in office properties, and office properties will likely remain the largest asset class. In 2015, we purchased a retail asset for the first time. We are aware that e-commerce platforms tend to substitute certain retail offers on the ground. However, most of our retail properties have a supermarket as an anchor tenant, and we do not believe food and consumer staples to be as vulnerable to developments in e-commerce.

Our investment in Logistics Park Leipzig in 2016 marked our entry into the logistics asset class. However, we intend to increase our logistics portfolio as we see retail and logistics as two sides of the same coin. In particular, we estimate that the logistics sector does already and will continue to benefit from the development of the e-commerce sector.

Investment strategy

Our real estate portfolio consists of both “core+” assets, which already generate a stable income due to an average EPRA vacancy rate of 5.4% and average WALTs of 6.6 years as of March 31, 2017, and “value-add” assets, which are also yielding, but have an average EPRA vacancy rate of 16.7% and average WALTs of 3.8 years as of the same date, and therefore have stronger growth potential. Based on their GAV, “core+” and “value add” assets accounted for approximately 54% and 42%, respectively, of our real estate portfolio as of March 31, 2017. A small portion of our portfolio, amounting to 4% based on GAV as of March 31, 2017, is comprised of redevelopment assets, which offer the opportunity to achieve value

creation through extensions or refurbishment. Our redevelopment assets have an average EPRA vacancy rate of 6.9% and average WALTs of 3.8 years as of the same date. With our active portfolio management, we are able to realize the inherent potential of such undermanaged assets and regularly succeed in raising these assets to the “core+” level within only a few years.

We will continue to cluster our properties in line with these categories and will assign newly acquired assets to one of these categories. The allocation in each case will depend on their cash flow profile as well as value generation potential, taking into account the EPRA vacancy rate, the WALT and the yield of the individual asset.

Investment criteria

The Company’s investment criteria aim at streamlining the portfolio. In addition to secondary locations, in order to realize economies of scale, the Company prefers regions, in which it is already active, such as the Ruhr area, Southern Hesse or the region ranging from Stuttgart to Ulm, among others. Furthermore, the Company focuses on properties with proper building stock which do not require substantial investment efforts. With regard to the lease structure, the vacancy rate should not exceed 40%, the lease agreements should have an average remaining term of at least three years, and the tenants should have a good or very good financial standing. The allocation of newly acquired assets to either the “core+” or the “value-add” category will primarily depend on this lease structure, and we tend to assign properties with an EPRA vacancy rate of less than 5% and a WALT of five years or more to the “core+” category. However, we do not strictly adhere to these parameters, but carry out a comprehensive assessment of all relevant factors in each case. We encounter the risk of rental loss by either investing in properties with multiple tenants or selecting properties with one anchor tenant, which provides a sound financial standing and agrees to a long-term lease agreement. The Company primarily targets investments of at least €10 million and prefers portfolio acquisitions. These investment criteria are not part of a strict investment plan and may be amended, from time to time, by the Executive Board to reflect market developments.

Acquisition Pipeline

We also have a strong acquisition pipeline, including two properties for our “core+” category, for which we are already in the process of negotiations with the seller. Furthermore, we are currently conducting due diligence for several assets, including both office space and retail space. The majority of properties in our acquisition pipeline fit in with our “core+” cluster, and these acquisitions would further increase our office asset class.

Fair Value REIT-AG

Takeover in 2015

In October 2015, the Company tendered a voluntary public takeover offer to the shareholders of Fair Value REIT-AG. According to the terms of this offer, the Company was prepared to exchange two shares in the Company with a nominal value of €1.00 each, which had been created by means of a capital increase, for one share in Fair Value REIT-AG (with a nominal value of €2.00 per share). The takeover was intended to realize the potential for synergies, reach a diversification of the real estate portfolio, strengthen the Company’s capital markets profile and reduce debt costs. The offer resulted in an indirect acquisition of 77.7% of the voting shares in Fair Value REIT-AG in 2015, which was a key factor for the strong increase of rental income in the fiscal year 2016.

Business operations

Fair Value REIT-AG is a German real estate investment trust stock corporation listed in the Prime Standard of the Frankfurt Stock Exchange. Fair Value REIT-AG only focuses on the investment in and management of retail and office properties in secondary locations. As a key differentiator to the activities reported under the Core Portfolio, in addition to direct investments in commercial real estate properties by Fair Value REIT-AG, Fair Value REIT-AG invests indirectly through participations in real estate partnerships including closed-end real estate funds in commercial properties, which Fair Value REIT-AG purchases on the secondary market.

Fair Value REIT-AG has developed a dedicated “roll-up platform” for identifying attractive closed-end real estate funds on the secondary market through its know-how and established network in the German closed-end fund industry and allowing limited partners in German closed-end real estate funds identified by Fair Value REIT-AG to exit their typically illiquid investment through a streamlined sales process to Fair Value REIT-AG. Furthermore, Fair Value REIT-AG targets additional investments relating to those closed-end real estate funds in which Fair Value REIT-AG is already invested by continuously buying out the minority shareholders therein.

Real estate portfolio

Fair Value REIT-AG’s portfolio is considerably smaller than the Core Portfolio and therefore only accounts for a rather small portion of the entire portfolio described above. This is highlighted by the fact that only two of our top ten properties by gross asset value as shown in the chart above, the retail space in Rostock (which includes space used as a hotel) and the retail space in Eisenhüttenstadt, are part of Fair Value REIT-AG’s portfolio. As of March 31, 2017, Fair Value REIT-AG’s own portfolio consisted of 32 properties in eight German federal states, with a focus in Schleswig-Holstein, Saxony and North-Rhine Westphalia. These properties comprised a gross asset value (sum of the carrying amounts of investment properties and non-current assets held for sale) of €289.3 million, a gross rental income of approximately €22.1 million, and a total lettable area of approximately 250,000 sqm. The WALT of these properties was 5.2 years, and the EPRA vacancy rate amounted to 9.0%. 15 of these 32 properties were held directly by Fair Value REIT-AG, whereas the remaining 16 properties were held by six of its subsidiaries, which are all closed-end funds. The 16 properties held by Fair Value REIT-AG’s subsidiaries represent a significant share of Fair Value REIT-AG’s portfolio as they account for a gross rental income of approximately €16.7 million.

The following chart presents Fair Value REIT-AG’s properties by highest gross asset value as of March 31, 2017:

#	City	Direct/Fund (ownership)	Asset Class	GAV (€ m)	GRI p.a. (€ m)	TLA ('000 sqm)	EPRA Vacancy in %	WALT (years)
1	Rostock	Fund (51%)	Retail ⁽¹⁾	64.9	4.2	19.3	5.3	5.0
2	Eisenhüttenstadt	Fund (45%)	Retail	26.9	1.8	30.5	34.1	5.4
3	Lutherstadt Wittenberg	Fund (45%)	Retail	21.6	1.7	14.7	4.2	5.9
4	Zittau	Fund (58%)	Retail	18.6	1.3	17.5	6.2	12.1
5	Quickborn	Fund (48%)	Office	15.6	1.1	10.6	0	4.9
Total Fair Value portfolio . . .				289.3	21.8	249.4	10.3	5.2

(1) A significant portion of which is occupied by a tenant operating a hotel.

Investment criteria

Fair Value REIT-AG’s investment criteria resemble those described above, but have some distinct differences. In addition to secondary locations (preferably in the South of Germany), Fair Value REIT-AG focuses on office space and retail space with a grocery retailer as anchor tenant. The properties should have a proper building stock, which does not require substantial investment efforts. With regard to the lease structure, partial vacancy as well as average remaining lease terms of less than five years are acceptable. The tenants, however, should have a good financial standing. Fair Value REIT-AG primarily targets investments of €5 million to €30 million per property. These criteria are not part of a strict investment plan, but may be amended from time to time by the management board of Fair Value REIT-AG to reflect market developments.

REIT-status

As real estate investment trust under the German REIT Act, Fair Value REIT-AG enjoys the privilege of being exempted from corporation income and trade tax. This status also implies certain restrictions, among other things, on the trading of real estate. For more information on the regulatory framework, see *Regulation and Risk Factors*.

In-house management

We primarily manage our properties in-house with a team of 58 employees.

The Company is responsible for the asset management whereas the subsidiary DEMIRE Immobilien Management GmbH with 29 employees is responsible for the property management, and the subsidiary PRAEDIA GmbH with 20 employees is responsible for the facility management. Whereas a number of employees of these companies are based in Berlin, some members of our administrative and technical department are also located in close proximity to the assets they are responsible for in order to provide hands-on assistance. The in-house management activities were established in 2015 by an acquisition of participations in these companies and have been expanded since that time. On the property and asset management side, the activities include operational property- and tenant-related functions, daily operations, cost and quality control, rent accounting and expenditure analysis. In order to manage the size and footprint of our portfolio and identify opportunities to realize value enhancement, we have well-trained employees who monitor local market dynamics on a constant and consistent basis. Our subsidiary DEMIRE Immobilien Management GmbH also operates a distinct letting division, which provides strategy planning for vacancy decrease as well as rental and marketing management. On the facility management side, employees are responsible for caretaker services, 24/7 technical monitoring, and maintenance and renovations.

The in-sourcing of these services offers the advantage that respective service providers do not have to be employed, and the relative costs will decline with further expansion of the portfolio. Additionally, tenants do not only benefit from this in-sourcing by having at their disposition a one-stop shop for all lease-related questions, but also financially through reduced allocable costs. As a major customer, we concluded beneficial framework agreements with national utility suppliers. Therefore, our tenants benefit from lower prices for these utilities.

At the date of this offering memorandum, several properties, including properties in the “T6 portfolio” and properties held indirectly by Fair Value REIT-AG through investments in closed-end real estate funds (as described above), continue to be managed by third parties. However, we intend to expand our in-house management activities to cover all of our properties in the short run and therefore expect that DEMIRE Immobilien Management GmbH will take over the asset management for these properties in the near future.

Tenancy management

Our primary aim is the sustainable management of our properties in order to generate rental income and achieve value appreciation. Therefore, our comprehensive in-house management platform is involved throughout the “lifecycle” of an asset, from the acquisition to disposal.

We believe that we have a very lean and hands-on letting process in place, which caters to the tenants’ needs. We rely on our local broker networks and our employees’ insights and know-how in local markets to solicit potential tenants. Once we acquired a property, we make full use of various real estate marketing tools, such as marketing on popular internet platforms, asset related labeling and in some cases marketing on asset-specific websites with customized videos for the asset. If a potential tenant is interested in a property, we are able to arrange site visits at short notice due to the complementary regional distribution of our in-house management team. In particular, a team member from our technical department will be present in order to assist in calculating the related costs, e.g., with regard to tenant improvements, and provide feedback within 24 hours. The close and efficient cooperation between property management, letting division and technical department enables us to finalize and dispatch draft contracts quickly and provide for a smooth handover to the tenant.

We see the reduction of the vacancy rate of our portfolio as a major internal growth opportunity, and it therefore remains one of our priorities. We believe that with the limited supply and strong demand of space in secondary locations, vacancies will fall, and rents will increase further. Additionally, we strive to have a secured tenant base with strong tenants and long WALTs.

We have a strong and well-diversified tenant base with a total of approximately 800 tenants, as of March 31, 2017. Our portfolio is designed to attract high quality tenants both in the German entrepreneurial *Mittelstand* and large-sized private and government-related entities. As of March 31, 2017,

our top ten tenants accounted for 47.6% of our GRI. Deutsche Telekom AG is our anchor “blue chip” tenant, from whom we generated 30.1% of our GRI, as of March 31, 2017, through multiple long-term leases spread across 18 of our assets with an average WALT of 5.8 years. Lease agreements with Deutsche Telekom AG include assets considered strategic by Deutsche Telekom AG, such as Deutsche Telekom’s campuses in Bonn and Ulm, which account for 43.5 of the GRI generated from property leased to Deutsche Telekom and have an average WALT of 7.9 years. The other two entities completing our top three tenants by rental income are the Institute for Federal Real Estate (*Bundesanstalt für Immobilienaufgaben*), and Sparkasse Südholstein. Furthermore, another financial service provider, comdirect, and hotel associations, such as RIMC and pentahotels, can also be found among our top ten tenants.

We strive for long-term lease agreements with financially sound tenants, which are the basis for reliable cash flow generation. The lease expiry schedule for our lease agreements reflects this long-term approach. As of March 31, 2017 (taking into account sales of properties signed but not closed), the overall WALT of our assets amounted to 5.3 years. In detail, as of March 31, 2017, 59% of our lease agreements, by GRI, expire in or after 2021. As of March 31, 2017 (taking into account sales of properties signed but not closed), our retail asset class accounts for the highest WALT among our asset classes, with a WALT of 6.5 years.

In our recently concluded lease agreements, we tend to stipulate a lease term of at least seven years. Our lease agreements include on average a one year notice period. However, regardless of the contractual notice period, our anchor tenants usually notify us several years prior to the termination of the lease agreement, which allows us to prepare a strategy plan for the impending vacancy.

Legacy Portfolio

The effects of the legacy portfolio are shown in the Central Functions/Other column contained in the segment reporting information for the fiscal year ended December 31, 2016. The legacy portfolio holdings are mainly located in Eastern Europe and the Black Sea region and stem from the time prior to the business model’s reorientation. Such legacy holdings are nowadays only of minor strategic importance for the Company.

Over the past few years, the Group therefore disposed of selected properties of its legacy portfolio, which no longer match with the current investment strategy. In 2016, the Group sold 91 non-core assets, each of which had a net asset value of less than €1 million, in order to streamline its portfolio. It sold in particular a portfolio of 84 non-core assets in decentralized areas, which had been part of the “Condor” portfolio acquired in 2014 and were rented to Deutsche Post, the 25% shareholding in a project development company, which holds rental space in Frankfurt am Main as well as shareholdings in several Ukrainian and Russian companies. The Company continues to hold a few legacy properties, including undeveloped plots of land in Romania, Bulgaria and Georgia with an aggregate book value of approximately €2 million, which it intends to sell in due course.

Material Contracts

Business Combination Agreement with Fair Value REIT-AG

The Company entered into a business combination agreement with Fair Value REIT-AG on July 31, 2015 with regard to the takeover of Fair Value REIT-AG. Fair Value REIT AG states therein that it supports the takeover as contemplated at the time of the execution of this agreement. The agreement provides that the Company shall use its reasonable efforts to procure that the REIT status of Fair Value REIT-AG is not endangered as a result of the takeover. If the Company causes damage claims by shareholders of Fair Value REIT-AG due to the termination of Fair Value REIT-AG’s tax exemption status as a result of the implementation and consummation of the takeover, the Company shall indemnify Fair Value REIT-AG from and against all such damage claims. Furthermore, pursuant to the agreement, the Company and Fair Value REIT-AG shall use their reasonable best efforts that the LTV of the Company shall be in the corridor of 50% to 60% on a consolidated basis.

Intellectual Property

Given the nature of its business, intellectual property rights are not material to the Company. It does not depend on any patents or licenses.

The trademark “DEMIRE Deutsche Mittelstand Real Estate” has been registered on behalf of the Company with the German Patent and Trade Mark Office (*Deutsches Patent- und Markenamt (DPMA)*). The current protection expires on May 31, 2023. The Company predominantly uses the internet domains www.demire.ag and www.demire.de.

Employees

We depend on experienced professionals with distinct knowledge of the regional markets, in which our properties are located, and sound real estate management skills. As a result of our significant growth in recent years and our in-sourcing activities regarding property management, we have continuously expanded our workforce, which has consequently grown from eight FTEs in 2014 to 78 FTEs for all subsidiaries as of March 31, 2017. As of this date, we had 17 employees working for the Company itself, 58 working in the in-house facility and property management sector (with approximately half of them working for Demire Immobilien Management GmbH), and 4 employees working for Fair Value REIT-AG.

Insurance

The Company’s subsidiaries holding assets maintain all-risk building insurances that insure against fire, water main breaks, storms, hail and certain other losses or damages, including loss of rent. In addition, these subsidiaries also maintain land owner liability insurance, which provides insurance coverage for personal injury, damage to property and financial loss. In addition, a D&O insurance policy is in place for the members of the Executive Board and Supervisory Board. The Company’s insurance policies contain market-standard exclusions and deductibles.

The Company regularly reviews the adequacy of its insurance coverage. The Company believes that its insurance coverage is in line with market standards in the commercial real estate industry. However, there is no guarantee that it will not suffer any losses for which no insurance is available, or that the losses will not exceed the amount of insurance coverage under existing insurance policies. For more information, see *Risk Factors—We may incur liabilities that are not covered by, or which exceed the coverage limits, of our insurance policies.*

Competition

Due to the size and fragmentation of the German real estate market, we compete against a large and diverse group of market players ranging from institutional investors to integrated property companies and financial investors with a more opportunistic investment approach. We rank alstria office REIT-AG, TLG Immobilien AG, Hamborner REIT AG, DIC Asset AG, WCM Beteiligungs- und Grundbesitz-AG, Deutsche EuroShop AG, VIB Vermögen AG and publity AG among our primary listed competitors. However, because our investments typically amount to at least €5 million, local investors are generally not among our primary competitors.

We believe that a key differentiator for us is our fully integrated asset, property and facility management platform, which enables us to tap the full potential of undermanaged assets.

Legal Proceedings

From time to time, we are involved in administrative, legal and arbitration proceedings that arise in the ordinary course of business. Neither we nor any of our subsidiaries is currently involved in any litigation, arbitration or administrative proceedings relating to claims or amounts that are material to our business and, to our knowledge, no such litigation, administrative proceeding or arbitration is pending or threatened.

SHAREHOLDERS

The following table sets forth the respective shareholdings of the Issuer's shareholders as of the date of this offering memorandum, according to voting right notifications received and the knowledge of the Issuer.

Shareholder	Total percentage of shareholding
Wecken & Cie ⁽¹⁾	26.53%
Obotritia Capital KGaA ⁽²⁾	11.89%
Sigrid Wecken	5.00%
Free float	56.58%
Total	100.00%

(1) Wecken & Cie. is a family office based in Basel, Switzerland.

(2) Including subsidiaries of Obotritia Capital KGaA. Obotritia Capital KGaA is a commercial real estate investment firm based in Potsdam, Germany.

MANAGEMENT

Overview

In accordance with the German Stock Corporation Act (*Aktiengesetz*), the Issuer has a two tier board system consisting of an Executive Board (*Vorstand*) and a Supervisory Board (*Aufsichtsrat*). The two boards are separate, and, subject to a limited exception, no individual may serve concurrently as a member of both boards.

The Executive Board is responsible for managing our day to day business in accordance with applicable German law and the Articles of Association (*Satzung*) as well as its rules of procedure (*Geschäftsordnung*). In addition, the Executive Board must ensure appropriate control of risk within the Issuer and its subsidiaries in order that any developments jeopardizing the Issuer's future as a going concern may be identified at an early stage. The Executive Board legally represents the Issuer in dealings with third parties and in court.

The Supervisory Board advises the Executive Board on the management of the Issuer, monitors its conduct of business and is responsible for appointing and dismissing the members of the Executive Board for good cause. It also represents the Issuer in transactions between a member of the Executive Board and the Issuer. While the Executive Board is responsible for submitting regular reports on our business activities and fundamental issues relating to corporate planning (including financial, investment and personnel planning) to the Supervisory Board, the Supervisory Board has the right to request special reports at any time from the Executive Board. The Executive Board is also obliged to duly report to the Supervisory Board such transactions as may be of considerable importance to the Issuer's profitability (in particular the return on equity) or liquidity, so that the Supervisory Board may have an opportunity to express its opinion on such transactions before they are concluded. The Supervisory Board may also request a report at any time on matters concerning the Issuer, on the legal and commercial relationships with affiliated companies or on commercial operations at these companies that may have a significant impact on the Issuer and its subsidiaries.

The Supervisory Board generally may not exercise management functions. The Articles of Association and the rules of procedure of the Executive Board, however, require that certain types of transactions may not be carried out by the Executive Board without the prior consent of the Supervisory Board. If the Supervisory Board refuses to approve a certain transaction or business activity contemplated by the Executive Board, the Executive Board can request that the general shareholders' meeting decide on the matter. However, the general shareholders' meeting of a German stock corporation may not issue directives to the Executive Board.

The members of the Executive Board and the Supervisory Board owe duties of loyalty and care vis à vis the Issuer. In discharging their duties, the members of these corporate bodies must consider a broad range of interests, including the Issuer's interests, which in turn include the interests of its shareholders, employees, creditors and, to a certain extent, the general public. The Executive Board must also take due account of the shareholders' right to equal treatment and equal information. The members of the Executive Board or of the Supervisory Board are jointly and severally liable to the Issuer for any damages that may arise if they fail to discharge their duties.

As a basic principle under German law, a shareholder has no direct recourse against the members of the Executive Board or the Supervisory Board in the event that they breach a duty *vis-à-vis* the Issuer. Except for certain special circumstances, only the Issuer itself has the right to bring claims for damages against members of either board, whereby the Issuer is represented by the Executive Board when bringing claims against the Supervisory Board and by the Supervisory Board when bringing claims against the Executive Board. Pursuant to a ruling by the German Federal Court of Justice (*Bundesgerichtshof*), the Supervisory Board is obliged to bring claims which are likely to be successful against the Executive Board unless material considerations pertaining to the interest of the corporation outweigh or are at least equivalent to those in favor of enforcing such claim. Despite a refusal of the Supervisory Board to pursue a claim for damages, such a claim must be enforced (i) upon a resolution of the general shareholders' meeting, (ii) upon a petition with the competent court by minority shareholders meeting a certain minimum requirement as to their stake in the Issuer, or (iii) by the Issuer's creditors whose claims could not be settled by the Issuer. The Issuer may only waive or settle such claims for damages if at least three years

have passed and if the shareholders approve the waiver or settlement at the general shareholders' meeting with a simple majority of the votes cast, provided that opposing shareholders do not hold, in the aggregate, one tenth or more of the share capital and do not have their opposition formally recorded in the minutes of the shareholders' meeting.

Under German law, no individual shareholder (or any other person) may exert its influence on the Issuer to cause a member of the Executive Board or the Supervisory Board to engage in any act detrimental to the Issuer. Shareholders with a controlling interest may not use it to cause the Issuer to act against its own interest unless the prejudice to its interests is compensated for. Any shareholder using its interest in the Issuer to cause a member of the Executive Board, a member of the Supervisory Board or a person who holds a power of attorney (*Prokurist*) or is authorized to act for the Issuer (*Handlungsbevollmächtigter*) to engage in any act detrimental to the Issuer or to our shareholders must compensate the Issuer and the shareholders for any loss sustained thereby. In addition, the members of the Executive Board and the members of the Supervisory Board are jointly and severally liable if they act in breach of their obligations.

The Issuer has taken out a directors and officers liability insurance policy for all members of the Executive Board and the Supervisory Board and for certain other managers with leadership responsibilities within the Issuer and its subsidiaries.

Executive Board

General Information

The Executive Board is responsible for managing the business of the Issuer in accordance with the German Stock Corporation Act, the Issuer's Articles of Association and the rules of procedure (*Geschäftsordnung*) for the Executive Board. The Executive Board also represents the Issuer in its dealings with third parties and in court. According to the Articles of Association and the provisions of the German Stock Corporation Act, the Executive Board must consist of a minimum of one member. The Supervisory Board determines the number of members of the Executive Board and appoints such members. It may also appoint the Chairman and Deputy Chairman of the Executive Board. Members of the Executive Board are appointed for a maximum term of five years. They may be repeatedly reappointed or their term of office may be extended, in each instance for a period of up to five years. The Supervisory Board may revoke the appointment of a member of the Executive Board before the end of his or her term of office for good cause, such as gross breach of duty or in case of a vote of no confidence by the general shareholders' meeting.

The Executive Board has overall responsibility for the Issuer's business. In accordance with its allocation of responsibilities plan (*Geschäftsverteilungsplan*), each member of the Executive Board is assigned an area of responsibility defined in such plan, which sets out the allocation of responsibilities. Notwithstanding the overall responsibility held by the Executive Board, each member of the Executive Board is responsible for the area allocated to him or her. Pursuant to the rules of procedure (*Geschäftsordnung*) for the Executive Board, certain management actions may only be taken, and certain types of transactions may only be concluded, with the approval of the Supervisory Board. The Executive Board has a quorum if a meeting has been called with due notice and all are present. If not otherwise required by law, the Executive Board decides by a simple majority of the votes cast. In the event of a tie, the Chairman has the deciding vote. Members of the Executive Board may not deal with, or vote on, measures relating to proposals, arrangements or contracts between him/herself and the Issuer.

Individual board members serve as representatives with primary responsibility for the Issuer's various corporate functions and for the fields of business in which the Issuer operates. Despite this internal allocation of responsibilities, each member of the Executive Board has overall responsibility (*Gesamtverantwortung*) for the Issuer as a whole.

The Issuer's Articles of Association provide that the Issuer can be legally represented by two members of the Executive Board or by one member of the Executive Board in conjunction with an authorized signatory who holds a power of attorney (*Prokurist*).

The Supervisory Board may appoint deputy members of the Executive Board who, in accordance with the German Stock Corporation Act, have the same rights and responsibilities as the regular members of the Executive Board.

Members of the Executive Board

The following table sets forth the current members of the Issuer's Executive Board.

<u>Name</u>	<u>Age</u>	<u>Member since</u>	<u>Appointed until</u>	<u>Responsibility</u>	<u>Other principal positions</u>
Markus Drews . . .	42	2014	2020	Chief Executive Officer ⁽¹⁾	Deputy chairman of the supervisory board of BF. direkt AG; Deputy chairman of the supervisory board at Fair Value REIT-AG; Managing Director of Sports Entertainment Capital GmbH; Managing Director of SEC Vermögensverwaltung GmbH.
Ralf Kind	46	2017	2020	Chief Financial Officer	Managing director of RIK Vermögensverwaltungs GmbH

(1) Markus Drews will serve as chief executive officer beginning July 1, 2017. The service contract of the former chief executive officer, Hon.-Prof. Steyer, was terminated prematurely by mutual agreement, and Hon.-Prof. Steyer left the Executive Board with effect of June 30, 2017.

Mr. Drews holds a degree in business administration and is a certified real estate M&A adviser and specialist for real estate and housing. From 1997 to 1999, Mr. Drews was a real estate adviser at Armin Quester Immobilien GmbH, which included the acquisition, disposal and lease of commercial and investment properties. From 1999 to 2001, he worked as a project manager at SGE Stüdemann GmbH. From 2001 to 2003, Mr. Drews was a member of the management board of Ingroup AG, responsible for the acquisition and assessment of real estate. From 2003 to 2012, he was head of department and authorized representative (*Prokurist*) in the sector corporate transactions at Colonia Real Estate AG. From 2008 to 2013, he served as managing director of Immobilis GmbH.

Mr. Kind obtained a degree in economics from the University of Applied Science in Nürtingen. From 1998 to 2001, Mr. Kind worked as principal consultant at PwC Unternehmensberatung in Frankfurt and Tokyo. From 2002 to 2013, Mr. Kind worked at Barclays Capital in various teams, including investment banking and structured finance and held the position of Head of real estate investment banking for DACH region from 2010 to 2013. Mr. Kind is a co-founder and served as chief executive officer of Arbireo Capital AG from 2013 to 2016, and also worked as managing partner at Dr. Lübke & Kelber GmbH. Mr. Kind replaced the former chief financial officer Frank Schaich on March 1, 2017.

Compensation

The members of the Executive Board do not receive any separate remuneration other than their respective remuneration as members of the Executive Board. The remuneration of the members of the Executive Board is based on the responsibilities and performance of the member, the position of the Issuer and the sustainability of the Company's development. The remuneration consists of a fixed component and variable compensation elements. The variable compensation elements include with short- and long-term incentives as the achievement of the agreed performance targets is 40% based on the target achievement of the past fiscal year and 60% based on the average target achievement over the prior three fiscal years that precede the year in which the bonus is to be paid. The variable compensation element for each member depends evenly on individual performance targets as well as on performance targets set for the entire Executive Board. The bonus is paid pro rata according to the target achievement. Both the variable and the fixed component are capped at a certain amount. Furthermore, the members of the Executive Board are entitled to customary contractual benefits in kind, including the provision of a company vehicle, reimbursement of expenses and travel costs, contributions to premiums for certain insurance policies and contributions to a pension scheme.

In addition, Mr. Steyer and Mr. Drews each received 400,000 stock options in April 2015 under a stock option program. The stock option program was designed to give the Executive Board members, who are largely responsible for the Company's development, the opportunity to share in the risks and rewards of the Company. Mr. Kind does not hold stock options, but receives a bonus payment dependent on the Company's share price performance in accordance with a virtual stock option plan.

The total remuneration of the members of the Executive Board amounted to €1,670,359.17 in 2016 (including the compensation of Mr. Frank Schaich for the period of February 1, 2016 to October 31, 2016). This amount includes basic salary, fringe benefits, variable performance remuneration and the value of the stock options as well as pension expenses and compensation granted in the context of resignation from the Executive Board.

The Issuer has obtained D&O insurance covering, among others, the members of the Executive Board.

Supervisory Board

Overview

The Supervisory Board currently consists of three members, which are elected by the Issuer's shareholders at the general shareholders' meeting by a simple majority of the votes cast.

The Supervisory Board members elect one of the members as Chairman (*Vorsitzender*) and another one as Vice Chairman (*Stellvertreter*) by a simple majority of the votes cast.

Unless the general shareholder's meeting elects the member for a shorter period, the term of a member of the Supervisory Board elected by the shareholders expires at the end of the fifth general shareholders' meeting following the general shareholders' meeting in which the member was elected. If a member of the Supervisory Board retires, or is removed from office prior to the end of its term of office, the substitute member's term of office expires at the end of the term of the resigning or removed board member, unless the general shareholders' meeting decides otherwise. There is no compulsory retirement age for the members of the Supervisory Board. No former Executive Board members of the Issuer are currently serving on the Supervisory Board.

Unless otherwise required by applicable law, resolutions of the Supervisory Board are passed by a simple majority of the votes cast. In order to constitute a quorum, all members must be invited with due notice and at least three members of the Supervisory Board must participate in the voting.

The Supervisory Board is required to meet at least twice in each half of every calendar year.

Members of the Supervisory Board

The following table sets forth the name, age, year of appointment, end of current term and the other principal positions of each of the current members of the Issuer's Supervisory Board.

Name	Age	Member since	Appointed until	Responsibility	Other principal positions
Prof. Dr. Hermann Anton Wagner	61	2013	2017	Chairman	Member of the supervisory board of Aareal Bank AG; Deputy chairman of the supervisory board of btu consultingpartner Holding AG; Deputy chairman of the supervisory board of PEH Wertpapier AG; Member of the supervisory board of SQUADRA Immobilien GmbH & Co. KGaA.

Name	Age	Member since	Appointed until	Responsibility	Other principal positions
Frank Hölzle	48	2017	2017 ⁽¹⁾	Deputy Chairman	Chief Executive Officer of Care4 AG; Chairman of the advisory board of clickworker GmbH; Managing director and owner of FH Vermögensverwaltungs GmbH; Chairman of the advisory board of Mindlab Solutions GmbH; Chairman of the supervisory board of Mobile Objects AG; Chairman of the advisory board of Ranking Coach International GmbH; Member of the advisory board of reBuy reCommerce GmbH; Member of the board of directors of SIC invent AG; Member of the advisory board of Vivace GmbH, Chairman of the supervisory board of Westgrund AG.
Dr. Thomas Wetzel	60	2017	2017 ⁽¹⁾	Member	President of the board of directors of Brandenberger + Ruosch AG; President of the board of directors of EBV Immobilien AG; Vice president of the board of directors of Energie 360° AG; Member of the administrative board of Immobilien ETHZF AG; Member of the board of trustees of Swiss Foundation for Anesthesia Research; Member of the board of trustees of Swiss Prime Anlagestiftung; Member of the board of directors of VERIT Investment Management AG; Partner of Wenger Plattner Rechtsanwälte.

(1) Mr. Hölzle and Dr. Wetzel had been appointed by decision of the District Court of Frankfurt am Main on February 14, 2017; the Company's general shareholders' meeting on June 29, 2017 confirmed their appointment for a period until June 2021.

The business address of each member of the Supervisory Board is DEMIRE Deutsche Mittelstand Real Estate AG, Robert-Bosch-Strasse 11, 63225 Langen, Germany.

Prof. Dr. Hermann Anton Wagner studied economics at the University of Giessen and finished his doctorate in 1983. From 1983 until 2008, he worked for large audit firms (Peat Marwick/KPMG, Arthur Andersen/EY), thereof 16 years as a partner. He is a German Chartered Accountant and a German Tax Adviser. Mr. Wagner is currently an honorary professor at Frankfurt School of Finance and Management and serves as a senior adviser for Roland Berger Strategy Consultants.

Frank Hölzle earned a degree in economics from the university of Freiburg. Mr. Hölzle is a member of the advisory board or supervisory board of several companies, including Westgrund AG, which is also active in the real estate sector, but with a focus on residential assets. Mr. Hölzle also serves as chief executive officer of Care 4 AG, the management company of Wecken & Cie, one of the principal shareholders of the Issuer (see “*Shareholders*”).

Dr. Thomas Wetzel obtained a degree in law from the University of Zurich and completed his PhD in law at the university of Basel in 1983. Dr. Wetzel is an attorney at law specialized in real estate law. Dr. Wetzel is a partner of Wenger Plattner Rechtsanwälte and head of business group real estate there. Since 2005, Dr. Wetzel works as a lecturer at the Center for Urban & Real Estate Management (CUREM), Zurich in the Department of Banking and Finance at the University of Zurich. From 1999 to 2016, Dr. Wetzel served as vice-president of the administrative board of Swiss Prime Site AG and, from 2016 to 2016, he served as chairman of the investment committee of AFIAA Anlagestiftung für Immobilienanlagen im Ausland.

Supervisory Board Committees

Due to the limited number of members, the Supervisory Board has not formed any committees.

Compensation

The members of the Supervisory Board receive a fixed base salary in the amount of €30,000, while the Deputy Chairman receives an annual compensation twice the level of base salary, and the Chairman receives an annual compensation three times the level of the base salary. Supervisory Board members, who were not in office for the entire fiscal year, receive compensation in accordance with the duration of their membership. In addition, the members of the Supervisory Board benefit from a reimbursement of their expenses incurred in the performance of their duties as Supervisory Board members.

The aggregate compensation for the Supervisory Board members amounted to €292 thousand for the fiscal year 2016.

The Issuer has obtained D&O insurance covering, among others, the members of the Supervisory Board.

Further Information about Members of the Executive Board and the Supervisory Board

During the last five years, no member of the Executive Board or the Supervisory Board has been convicted in relation to fraudulent offenses.

During the last five years, no member of the Executive Board or the Supervisory Board has acted in any capacity at any entity which was subject to any bankruptcies, receiverships or involuntary liquidations.

No official public incrimination and/or sanctions by any statutory or regulatory authority against any member of the Executive Board or the Supervisory Board has occurred. No member of the Executive Board or the Supervisory Board has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct the affairs of any issuer during the last five years.

The Issuer has not granted any loans to Executive Board or Supervisory Board members. The members of the two corporate bodies have not concluded any transactions with the Issuer that lie outside the Issuer’s normal operating activities.

No members of the Executive Board or the Supervisory Board have any conflicts of interest between their duties to the Issuer and their private or other interests. One member of the Executive Board is a member of the supervisory board at a financial advisory company with which a framework contract was concluded in 2015. This framework contract was terminated at the beginning of April 2017. Mr. Frank Hölzle, the deputy chairman of the Supervisory Board, serves as chief executive officer of Care 4 AG, the management company of Wecken & Cie, one of the principal shareholders of the Issuer. For information on these relationships, see “*Certain Relationships and Related Party Transactions*”.

No Executive Board or Supervisory Board member has concluded any service contract with any of the Group’s companies that includes special benefits upon the end of the service. No family relationships exist among the members of the Executive Board and the Supervisory Board or within any of these bodies. Hon.-Prof. Andreas Steyer and Mr. Markus Drews received 400,000 stock options in April 2015 under a stock option program. Mr. Ralf Kind does not hold stock options, but receives a bonus payment dependent on the Company’s share price performance in accordance with a virtual stock option plan. See also “*Shareholders*”.

General Shareholders’ Meetings

The general shareholders’ meeting can be convened at the request of the Executive Board, the Supervisory Board, or shareholders whose shares together total at least 5% of the share capital. If the best interests of the Issuer require it, the Supervisory Board must call a general shareholders’ meeting. The regular general shareholders’ meeting takes place within the first eight months of every fiscal year.

Depending on the choice of the convening body, general shareholders’ meetings take place at the Issuer’s registered office, at or within a distance of 50 kilometers of the seat of a German stock exchange. Each of the Shares of the Issuer carries one vote at the Issuer’s general shareholders’ meeting. There are no restrictions on voting rights of the shares of the Issuer.

Unless mandatory provisions of the German Stock Corporation Act or the Articles of Association state otherwise, general shareholders’ meeting resolutions are passed with a simple majority of the votes cast. In accordance with the German Stock Corporation Act, resolutions of fundamental importance require, in addition to a simple majority of the votes cast, a majority of at least three quarters of the share capital represented in order to pass such a resolution. Such resolutions of fundamental importance include in particular:

- changes in the Articles of Association;
- share capital increases;
- share capital decreases;
- the creation of authorized or contingent capital;
- divisions or split offs as well as transfers of the entire assets of the Issuer;
- conclusions of intercompany agreements (in particular, domination agreements and profit and loss transfer agreements);
- changes in the legal form of the Issuer; and
- liquidation of the Issuer.

Neither German law nor the Articles of Association restrict the right to own shares or to exercise the associated voting rights for German non-residents or for foreign owners of shares.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In accordance with IAS 24, transactions with persons or companies that are, inter alia, members of the same group as the Issuer or that are in control of or controlled by the Issuer must be disclosed unless they are already included as consolidated companies in the Issuer's Audited Consolidated Financial Statements. Control exists if a shareholder owns more than one half of the voting rights in the Issuer or, by virtue of an agreement, has the power to control the financial and operating policies of the Issuer's management. The disclosure requirements under IAS 24 also extend to transactions with associated companies (including joint ventures) as well as transactions with persons who have significant influence on the Issuer's financial and operating policies, including close family members and intermediate entities. This includes the members of the Executive Board and Supervisory Board and close members of their families, as well as those entities over which the members of the Executive Board and Supervisory Board or their close family members are able to exercise a significant influence or in which they hold a significant share of the voting rights.

As part of its business, the Issuer has entered into several transactions with related parties. All such transactions are on arm's length terms.

In the fiscal year 2016, PRAEDIA GmbH provided services at standard market conditions in the amount of €114 thousand to a company owned by a member of the Executive Board.

One member of the Supervisory Board, Frank Hölzle, serves as chief executive officer of Care 4 AG, the management company of Wecken & Cie, one of the principal shareholders of the Issuer.

Except for transactions in the ordinary course of business, there have been no material transactions with related parties since March 31, 2017.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following summary of certain provisions of the documents listed below governing certain of our indebtedness does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. Unless otherwise defined in this offering memorandum or unless the context otherwise requires, terms defined in the agreements described below shall have the same meanings when used in this section.

Convertible Bond due 2018

In December 2013, the Company issued convertible bonds in a total nominal amount of €11.3 million maturing on December 30, 2018 (the “**2018 Notes**”). The 2018 Notes bear interest at a rate of 6.00% per annum, payable on March 30, June 30, October 30 and December 30 of each year.

The following is a summary of certain terms and conditions of the 2018 Notes (as amended by resolution of the bondholders’ meeting on September 30, 2014, the “**2018 Notes Terms and Conditions**”):

- For the term of the 2018 Notes, holders have the irrevocable right to convert, during the relevant conversion periods, each note into one no-par value share of the Company. In case of the effective exercise of such conversion right, the conversion price amounts to €1.00 per ordinary bearer share, each with a notional interest in the share capital of the Company of €1.00. The conversion price is subject to certain adjustments which corresponds to a conversion ratio of 1:1. By resolution of the bondholders’ meeting of September 30, 2014, the 2018 Notes Terms and Conditions have been amended so that cash compensation is no longer possible. The issue price per convertible bonds is €1.00, corresponding to the nominal value and initial conversion price.
- The Company may redeem the 2018 Notes in whole, but not in part, at their principal amount together with interest accrued on the principal amount until (but excluding) the date for redemption fixed in an irrevocable, not less than 30 nor more than 60 days’ notice by publication stating the date of such redemption, if at any time the aggregate principal amount of 2018 Notes outstanding falls below 25% of the aggregate principal amount of 2018 Notes initially issued.
- Holders of the 2018 Notes may, under certain circumstances, declare the termination of the relevant 2018 Notes by submitting a notice of termination to the Company and demand payment of the principal amount plus 15% plus interest accrued on the principal amount until (but excluding) the day of actual redemption. Such termination notice must be effected by the noteholder in writing to the Company together with a special confirmation of the depositary bank or *vis-à-vis* the depositary bank for communication to the Company via the clearing system. In addition, noteholders may elect an early redemption in the case of a change of control or merger.

In addition, the 2018 Notes Terms and Conditions provide for the following covenants, among others:

- The Company has undertaken, subject to certain exemptions, that it will not grant or permit to subsist, and will procure that none of its subsidiaries will grant or permit to subsist, any mortgage, charge, pledge, lien or other form of encumbrance or security interest upon the whole or any part of its assets to secure any Capital Market Indebtedness (as defined in the 2018 Notes Terms and Conditions), including any guarantee or indemnity in respect thereof, without at the same time letting the noteholders share *pari passu* and *pro rata* in such security interest or unless a security interest in other assets, or a guarantee or indemnity, of at least equal value has been made available to the noteholders.
- No subsidiary may enter into any liabilities or grant any security for the purpose of new acquisitions or refinancing other than by means of market standard bank financings or capital markets liabilities or to the extent otherwise permitted under the 2018 Notes Terms and Conditions.
- Neither the Company nor any of its subsidiaries may grant any collateral for liabilities to third parties, including subsidiaries.

- Neither the Company nor any of its subsidiaries may sell any assets with a balance sheet value exceeding €1 million, unless in return for payment of market-standard prices and provided that at least 90% is paid in cash or by assignment of existing indebtedness.

Following the exercise of 23,937 conversion rights from the 2018 Notes in 2016 and the exercise of 10,800 conversion rights from the 2018 Notes in 2017 until the date of this offering memorandum, the Company's share capital was increased by 34,737 no-par value bearer shares with a notional interest of €1.00 as of the date of this offering memorandum.

Mandatory Convertible Bond due 2018

In May 2015, the Company issued a mandatory convertible bond due May 22, 2018 in a total nominal amount of €15.0 million (the "**Mandatory 2018 Notes**") with exclusion of shareholders' subscription rights against contribution in kind. The Mandatory 2018 Notes bear interest at a rate of 2.75% per annum payable quarterly in arrears on the dates of March 22, June 22, September 22 and December 22 of each year.

The following is a summary of certain terms and conditions of the Mandatory 2018 Notes (the "**Mandatory 2018 Notes Terms and Conditions**"):

- Bondholders have the right to convert each note in whole, but not in part, during the Mandatory 2018 Notes' term, into no-par value shares (no-par value shares) with a notional interest in the Company's share capital on the issue date of €100,000. Upon the Mandatory 2018 Notes' maturity, the Mandatory 2018 Notes Terms and Conditions also provide for a conversion obligation of the respective creditor.
- The Mandatory 2018 Notes may be converted into shares at an initial conversion price of €5.00 per share from September 1, 2015, subject to certain adjustments. The conversion ratio is calculated by dividing the principal amount of the Mandatory 2018 Notes by the applicable conversion price on the exercise date.
- The Company may redeem the Mandatory 2018 Notes in whole, but not in part, at their principal amount, together with interest accrued on the principal amount until (but excluding) the date for redemption, not less than 30 nor more than 60 days' notice, if at any time the aggregate principal amount of Mandatory 2018 Notes outstanding falls below 25% of the aggregate principal amount of Mandatory 2018 Notes initially issued.
- Holders of the Mandatory 2018 Notes may, under certain circumstances, declare the termination of the relevant Mandatory 2018 Notes by submitting a notice of termination to the Company and demand payment of the principal amount plus 15% plus interest accrued on the principal amount until (but excluding) the day of actual redemption. Such termination notice must be effected by the noteholder in writing to the Company together with a special confirmation of the depositary bank or *vis-à-vis* the depositary bank for communication to the Company via the clearing system. In addition, noteholders may elect for an early redemption in the case of a change of control or merger.

In addition, the Mandatory 2018 Notes Terms and Conditions provide for the following covenants, among others:

- The Company has undertaken, subject to certain exemptions, that it will not grant or permit to subsist, and will procure that none of its subsidiaries will grant or permit to subsist, any mortgage, charge, pledge, lien or other form of encumbrance or security interest upon the whole or any part of its assets to secure any Capital Market Indebtedness (as defined in the Mandatory 2018 Notes Terms and Conditions), including any guarantee or indemnity in respect thereof, without at the same time letting the noteholders share *pari passu* and *pro rata* in such security interest or unless a security interest in other assets, or a guarantee or indemnity, of at least equal value has been made available to the noteholders.

- No subsidiary of the Company may enter into any liabilities or grant any security for the purpose of new acquisitions or refinancing other than by means of market standard bank financings or capital markets liabilities or to the extent not otherwise permitted under the Mandatory 2018 Notes Terms and Conditions.
- Neither the Company nor any of its subsidiaries may grant any collateral for liabilities to third parties, including subsidiaries.

As of the date of this offering memorandum, no conversions have taken place.

A/B-Notes

On May 3, 2013, Germavest Real Estate S.à r.l., as issuer (the “**T6 Issuer**”), issued promissory notes in a total nominal amount of €55.0 million and €64.25 million, respectively, to Palladium Securities 1 S.A., Deutsche Bank AG, London Branch and AG Insurance as noteholders pursuant to a note purchase agreement dated February 9, 2013 (as amended on April 26/27 2013, April 20, 2015, and on October 29, 2015 and as further amended and/or restated from time to time) among Germavest Real Estate S.à r.l. as issuer, DEMIRE Commercial Real Estate Drei GmbH and Taurecon Invest I. GmbH as sponsors, certain subsidiaries of the Company as original guarantors, Palladium Securities 1 S.A. acting in respect of Compartment 115-2013-15, Deutsche Bank AG, London Branch and AG Insurance as noteholders, Deutsche Bank AG, London Branch as trustee, arranger and inflation swap counterparty and Situs Asset Management Limited as servicer (the “**Note Purchase Agreement**”). The promissory notes were issued in one series of senior ranking notes due February 20, 2033 in an aggregate principal amount of €55,000,000, which is divided into 220 notes with a denomination of €250,000 each (the “**A-Notes**”) and one series of senior ranking notes due February 20, 2021 in an aggregate principal amount of €64,250,000, which is divided into 257 notes with a denomination of €250,000 each (the “**B-Notes**”). The A-Notes and the B-Notes bear interest at a rate of 3.91% and 5.25%, respectively, per annum starting from the issue date which is payable in arrears on April 20 of each year with respect to the A-Notes and on January 20, April 20, July 20 and October 20 of each year with respect to the B-Notes.

The A-Notes and the B-Notes may be redeemed in whole to the relevant next quarter payment date by the T6 Issuer upon 30 business days’ prior notice to the servicer.

The note purchase agreement provides, *inter alia*, for customary covenants limiting, *inter alia*, the incurrence of other indebtedness by any obligor, granting of security and entry into material agreements. In particular, the Note Purchase Agreement provides for a financial covenant based on the ratio between (i) the servicer’s estimate of the rental income which shall be received by the T6 Issuer and certain special purpose vehicles under any occupational lease in respect of certain properties in relation to that month after certain deductions and adjustments and (ii) the sum of interest and fees due and payable under the A/B-Notes during the 12-month period commencing on the relevant quarter payment date calculated by multiplying the then current relevant amount by the sum of 1 plus an adjusted reference inflation index increase based on the information published on the most recent reference inflation index for any month, to be tested on each quarter payment date occurring after the legal final maturity date of the B-Notes.

Promissory Notes (*Schuldscheindarlehen*)

On November 27, 2014, as amended on February 24, 2017, Condor Objektgesellschaft Düsseldorf GmbH, Condor Objektgesellschaft Bad Kreuznach GmbH, Condor Objektgesellschaft Rendsburg GmbH, Condor Objektgesellschaft Bad Oyenhausen GmbH, Condor Objektgesellschaft Lichtenfels GmbH, Condor Objektgesellschaft Eschborn GmbH, GO BREMEN ApS, GO LEONBERG ApS, GO LUDWIGSBURG ApS, ARMSTRIPE S.à r.l., BLUE RINGED S.à r.l., BRIARIUS S.à r.l., REUBESCENS S.à r.l. and DENSTONS INVESTMENTS LIMITED entered into promissory notes (*Schuldscheindarlehen*) with CAERUS Real Estate Debt Lux S.C.A., SICAV-SIF and Internationale Kapitalanlagegesellschaft mbH, each acting on behalf of certain funds, as lenders, Wilmington Trust SP Services (Frankfurt) GmbH, as trustee, Situs Global Servicing GmbH, as facility agent, and Deutsche Bank AG, as paying agent, in an aggregate principal amount of €144,810,789.75. The loan provided under the promissory notes (*Schuldscheindarlehen*) (the “**Loan**”) bears interest at a rate of 4.00% per annum, payable in arrears on March 30, June 30, September 30 and December 30 each year. The Loan matures on March 30, 2022.

The borrowers may prepay the Loan in whole but not in part on any interest payment date by four weeks' prior written notice to the lenders.

The promissory notes agreement (the “**Promissory Notes Agreement**”) provide for customary covenants limiting, *inter alia*, the incurrence of other indebtedness by any obligor, the granting of security and disposal of assets.

In particular, the Promissory Notes Agreement provides for testings based on the ratio between (i) the outstanding amount under the Loan on the relevant interest payment date and (ii) the most current market value determined by an external appraiser appointed by the facility agent and the ratio of net operating income regarding the certain properties (cold) to be received by the borrowers (excluding VAT and advance payments for service charges) less property management fees, existing bad debts, vacancy costs (EUR 1.50 per sqm/month), ongoing maintenance costs (as contemplated in the initial budget under “Ongoing Maintenance”) as well as, as contemplated in the initial budget, certain other costs in relation to the borrowers, such as general company costs, during the relevant period to the sum of all interest payments and regular amortization payments to be made under the Loan during that same period.

Bilateral Credit Facilities

From time to time, DEMIRE or other companies of the Group also entered into bilateral credit facilities and similar instruments with local financial institutions, primarily in Germany. As of March 31, 2017, the total amount outstanding under existing bilateral credit facilities amounted to €30.2 million.

Fair Value REIT-AG

As of March 31, 2017, the Fair Value REIT segment had segment liabilities in an aggregate amount of €209,432 thousand, of which €122,794 thousand were non-current financial liabilities and €9,259 thousand were current financial liabilities.

DESCRIPTION OF THE NOTES

The definitions of certain terms used in this description are set forth under the subheading “—*Certain Definitions*”. In this “*Description of the Notes*”, the word “**Issuer**” refers only to DEMIRE Deutsche Mittelstand Real Estate AG and not to any of its Subsidiaries.

The Issuer will issue €270.0 million aggregate principal amount of 2.875% Senior Notes due 2022 (the “**Notes**”) under an indenture dated July 26, 2017 (the “**Indenture**”) among the Issuer, Deutsche Bank Luxembourg S.A., as registrar and transfer agent, Deutsche Trustee Company Limited, as trustee (the “**Trustee**”) and Deutsche Bank AG, London Branch, as paying agent. The word “Notes” refers also to “Book-Entry Interests” in the Notes, as defined herein. Except as set forth herein, the terms of the Notes include those set forth in the Indenture.

The gross proceeds of the offering of the Notes sold on the Issue Date will be used as set forth in the section entitled “*Use of Proceeds*” in this offering memorandum.

The following description is only a summary of the material terms of the Indenture. It does not, however, restate the Indenture in its entirety, and where reference is made to particular provisions of the Indenture, such provisions, including the definitions of certain terms, are qualified in their entirety by reference to all the provisions of the Notes and the Indenture. You should read the Indenture because it contains additional information and because it and not this description defines your rights as a holder of the Notes. A copy of the form of the Indenture may be obtained by requesting it from the Issuer at the address indicated under “*Listing and General Information*”.

The Indenture will not be qualified under, incorporate by reference or be subject to the Trust Indenture Act. Consequently, the Holders of Notes generally will not be entitled to the protections provided under the Trust Indenture Act to holders of debt securities issued under a qualified indenture, including those requiring the Trustee to resign in the event of certain conflicts of interest and to inform the Holders of Notes of certain relationships between it and the Issuer.

The Issuer has made an application for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF Market. See “—*Payments on the Notes; Paying Agent, Registrar and Transfer Agent for the Notes*”.

The registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture.

Brief Description of the Notes

The Notes will be general unsecured obligations of the Issuer. The Notes will mature on July 15, 2022.

The Notes Guarantees

In the future, under certain circumstances, certain Subsidiaries of the Issuer may guarantee the Notes as described under “—*Certain Covenants—Additional Guarantees*”.

Each Guarantor that makes a payment or distribution under its Notes Guarantee will be entitled to contribution from any other Guarantor.

Ranking of the Notes

The Notes will be senior debt of the Issuer and will:

- (a) rank *pari passu* in right of payment with any and all the Issuer’s existing and future indebtedness that is not subordinated in right of payment to the Notes;
- (b) rank senior in right of payment to any and all the Issuer’s existing and future indebtedness that is subordinated in right of payment to the Notes;
- (c) effectively be subordinated in right of payment to any and all the Issuer’s existing and future indebtedness that is secured to the extent of the value of the assets securing such indebtedness; and

- (d) be structurally subordinated to any and all existing and future obligations of the Issuer's Subsidiaries.

As of March 31, 2017, on a *pro forma* basis after giving effect to the offering of the Notes and the use of proceeds therefrom:

- (a) the Issuer and its Subsidiaries on a consolidated basis would have had total indebtedness of €682.5 million, which includes €401.2 million of secured indebtedness; and
- (b) all Restricted Subsidiaries would have had liabilities in the aggregate amount of €264.4 million, to each of which the Notes will be structurally subordinated.

As of the Issue Date, none of the Issuer's Subsidiaries will guarantee the Notes. In the event of a bankruptcy, liquidation or reorganization of any of these non-guarantor Subsidiaries, the non-guarantor Subsidiaries will likely be required to repay financial and trade creditors before distributing any assets to the Issuer.

As of the Issue Date, all the Issuer's Subsidiaries will be "Restricted Subsidiaries", other than all members of the FVR Group, each of which will be designated as "Unrestricted Subsidiaries". Furthermore, under the circumstances described below under the caption "*—Certain Covenants—Designation of Unrestricted and Restricted Subsidiaries*", the Issuer will be permitted to designate certain other of its Subsidiaries as "Unrestricted Subsidiaries". Unrestricted Subsidiaries of the Issuer will not be subject to any of the restrictive covenants in the Indenture.

Although the Indenture will contain limitations on the amount of additional Indebtedness that the Issuer and the Restricted Subsidiaries may incur, the amount of such additional Indebtedness could be substantial.

Principal, Maturity and Interest

The Notes will mature on July 15, 2022. 100% of the respective principal amount of such Notes shall be payable on such respective date, unless redeemed prior thereto as described herein. The Issuer will issue an aggregate principal amount of €270.0 million of Notes in this offering. Subject to the covenant described under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*", the Issuer will be permitted to issue additional Notes ("**Additional Notes**"), from time to time, as further issuances under the Indenture. The Notes and the Additional Notes subsequently issued under the Indenture will be treated as a single class for all purposes of the Indenture, including waivers, amendments, redemptions and offers to purchase, except as otherwise provided for in the Indenture; *provided* that, if any Additional Notes subsequently issued are not fungible for U.S. federal income tax purposes with any Notes previously issued, such Additional Notes shall trade separately from such previously issued notes under a separate ISIN number but shall otherwise be treated as a single class with all other Notes issued under the Indenture. Unless the context otherwise requires, references to the "Notes" for all purposes of the Indenture and in this "*Description of the Notes*" include references to any Additional Notes that are actually issued.

Interest on the Notes will accrue at the rate of 2.875% *per annum*. Interest on the Notes will be payable semi-annually in arrears from the Issue Date or from the most recent interest payment date to which interest has been paid or provided for, whichever is the later. Interest will be payable on each Note on January 15 and July 15 of each year, commencing on January 15, 2018. The Issuer will pay interest on each Note to holders of record of each Note in respect of the principal amount thereof outstanding as of the immediately preceding January 1 and July 1 as the case may be. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months of the outstanding principal amount and will be paid on overdue principal and other overdue amounts at the same rate.

Form of Notes

The Notes will be issued on the Issue Date only in fully registered global form without coupons and only in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof.

Each series of Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act (“**Rule 144A**”) will initially be represented by a Global Note in registered form without interest coupons attached (the “**144A Global Note**”). The 144A Global Note will be deposited, on the closing date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream. Each series of Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by a Global Note in registered form without interest coupons attached (the “**Regulation S Global Note**” and, together with the 144A Global Note, the “**Global Notes**”). The Regulation S Global Note will be deposited, on the closing date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream. Prior to the date that is 40 days after the later of the commencement of the offering or the closing date, beneficial interests in the Regulation S Global Note may be held only through Euroclear and Clearstream. See “*Book-Entry, Delivery and Form*”.

Transfer and Exchange

The Global Notes may be transferred in accordance with the Indenture. Ownership of interests in the Global Notes (the “**Book-Entry Interests**”) will be limited to persons that have accounts with Euroclear or Clearstream or Persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under “Notice to Investors” and “Transfer restrictions”. In addition, transfers of Book-Entry Interests between participants in Euroclear or Clearstream will be effected by Euroclear or Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants. Book-Entry Interests in the 144A Global Note, or the “**Restricted Book-Entry Interests**”, may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Note, or the “**Regulation S Book-Entry Interests**”, only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

If definitive registered Notes in certificated form (“**Definitive Registered Notes**”) are issued, they will be issued only in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof upon receipt by the Registrar of instructions relating thereto and any certificates and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant that owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under “*Transfer Restrictions*”.

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof, to persons who take delivery thereof in the form of Definitive Registered Notes. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents to the Registrar and Transfer Agent, furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, furnish certain certificates and opinions and pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer or exchange; *provided* that if the Issuer or any Guarantor is a party to the transfer or exchange, the Holder will not be required to pay such Taxes.

Notwithstanding the foregoing, the Issuer will not be required to register the transfer of any Definitive Registered Notes:

- (1) for a period of 15 days prior to any date fixed for the redemption of the Notes;
- (2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;
- (3) for a period of 15 days prior to the record date with respect to any interest payment date; or

- (4) which the holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer, Asset Sale Offer or Notes Offer.

During the 40-day distribution compliance period, Book-Entry Interests in the Global Notes may be transferred only to non-U.S. persons under Regulation S under the Securities Act or to persons whom the transferor reasonably believes are “qualified institutional buyers” within the meaning of Rule 144A under the Securities Act in a transaction meeting the requirements of Rule 144A or otherwise in accordance with applicable transfer restrictions and any applicable securities laws of any state of the United States or any other jurisdiction. The Notes will be subject to certain other restrictions on transfer and certification requirements, as described under “*Notice to Investors*” and “*Transfer Restrictions*”.

Payments on the Notes; Paying Agent, Registrar and Transfer Agent for the Notes

The Issuer will maintain one or more paying agents (each, a “**Paying Agent**” and, together, the “**Paying Agents**”) for the Notes for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require. Currently, the rules of the Luxembourg Stock Exchange do not require a paying agent in Luxembourg. The initial Paying Agent will be Deutsche Bank AG, London Branch in London.

Upon written notice to the Trustee, the Issuer may change the Paying Agents, the Registrar or the Transfer Agent without prior notice to the holders of the Notes. For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or Transfer Agent in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange (www.bourse.lu).

In addition, the Issuer or any of its Subsidiaries may act as paying agent in connection with the Notes other than for the purposes of effecting a redemption described under “—*Optional Redemption*” or an offer to purchase the Notes described under “—*Repurchase at the Option of Holders—Change of Control*” or “—*Certain Covenants—Limitation on Sale of Certain Assets*”. The Issuer will make payments on the Global Notes to the Paying Agent for further credit to Euroclear or Clearstream (as applicable) which will in turn, distribute such payments in accordance with its procedures. The Issuer will make all payments in same-day funds.

The Issuer will also maintain one or more registrars (each, a “**Registrar**”) with offices in Luxembourg, for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require. The Issuer will also maintain a transfer agent in Luxembourg. The initial Registrar will be Deutsche Bank Luxembourg S.A. in Luxembourg for the Notes. The initial transfer agent will be Deutsche Bank Luxembourg S.A. in Luxembourg. No service charge will be made for any registration of a transfer, exchange or redemption of the Notes, but the Issuer may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection with any such registration of transfer or exchange (but not for a redemption).

Additional Amounts

All payments that the Issuer makes under or with respect to the Notes or that the Guarantors make under or with respect to the Notes Guarantees will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge (including, without limitation, penalties, interest and other similar liabilities related thereto) of whatever nature (collectively, “**Taxes**”) imposed or levied on such payments by or on behalf of any jurisdiction in which the Issuer or any Guarantor is incorporated, resident or doing business for tax purposes or from or through which any payment on the Notes is made (including the jurisdiction of any Paying Agent) or by or within any political subdivision or governmental authority of or in any of the foregoing having power to tax (each, a “**Relevant Taxing Jurisdiction**”), unless the Issuer or such Guarantor, as the case may be, is required to withhold or deduct Taxes by law. If any amounts for or on account of Taxes imposed or levied on behalf of a Relevant Taxing Jurisdiction are required to be withheld or deducted from any payment made under or with respect to the Notes or any Notes Guarantee, the Issuer or the Guarantor, as the case may be, will pay additional amounts (“**Additional Amounts**”) as may

be necessary to ensure that the net amount received after such withholding or deduction (including any withholding or deduction in respect of any Additional Amounts) will not be less than the amount that would have been received if such Taxes had not been withheld or deducted.

Notwithstanding the foregoing, neither the Issuer nor any Guarantor will, however, pay Additional Amounts in respect or on account of:

- (a) any Taxes, to the extent such Taxes are imposed or levied by a Relevant Taxing Jurisdiction by reason of the holder's or beneficial owner's present or former connection with such Relevant Taxing Jurisdiction, including, without limitation, the holder or beneficial owner being, or having been, a citizen, national, or resident, being, or having been, engaged in a trade or business, or having or having had a permanent establishment in a Relevant Taxing Jurisdiction (but not including, in each case, any connection arising from the mere receipt, ownership, holding or disposition of Notes, or by reason of the receipt of any payments in respect of any Note or any Notes Guarantee, or the exercise or enforcement of rights under any Notes or any Notes Guarantee);
- (b) any Taxes to the extent such Taxes are imposed or withheld by reason of the failure of the holder or beneficial owner of Notes, following the Issuer's or Guarantor's written request addressed the relevant holder or beneficial owner made at a time that would enable the holder or beneficial owner acting reasonably to comply with such request, to comply with any certification, identification, information or other reporting requirements (to the extent such holder or beneficial owner is legally eligible to do so), whether required by statute, treaty, regulation or administrative practice of a Relevant Taxing Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Relevant Taxing Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Relevant Taxing Jurisdiction);
- (c) any estate, inheritance, gift, sales, transfer, personal property or similar Taxes;
- (d) any Tax which is payable otherwise than by deduction or withholding from payments made under or with respect to the Notes or any Notes Guarantee;
- (e) any Tax imposed on or with respect to any payment by the Issuer or Guarantor to the holder if such holder is a fiduciary, partnership, limited liability company or person other than the sole beneficial owner of such payment to the extent that Taxes would not have been imposed on such payment had such holder been the sole beneficial owner of such Note;
- (f) any Tax that is imposed on or with respect to a payment made to a holder or beneficial owner who would have been able to avoid such withholding or deduction by presenting the relevant Notes to another paying agent in a member state of the European Union;
- (g) any Taxes, to the extent such Taxes were imposed as a result of the presentation of a Note for payment (where presentation is required in order to receive payment) more than 30 days after the relevant payment is first made available to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 days' period);
- (h) any Taxes withheld or deducted on or in respect of any Note pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (commonly referred to as "FATCA"), any treaty, law, regulation or other official guidance enacted by any jurisdiction implementing FATCA, any agreement between either of the Issuer, any Guarantor or any other person and the United States or any jurisdiction implementing FATCA, or any law of any jurisdiction implementing an intergovernmental approach to FATCA;
- (i) any withholding or deduction in respect of any Taxes where such withholding or deduction is imposed or levied on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any Directive implementing the conclusions of the ECOFIN Council meetings of November 26 and 27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, any such Directive; or

- (j) any combination of items (a) through (i) above.

The Issuer or the relevant Guarantors, as the case may be, will (i) make such withholding or deduction as is required by applicable law and (ii) remit the full amount deducted or withheld to the relevant taxing authority in accordance with applicable law.

At least 30 calendar days prior to each date on which any payment under or with respect to the Notes or any Notes Guarantee is due and payable, if the Issuer or a Guarantor will be obligated to pay Additional Amounts with respect to such payment (unless such obligation to pay Additional Amounts arises after the 30th day prior to the date on which payment under or with respect to the Notes or any Notes Guarantee is due and payable, in which case it will be promptly thereafter), the Issuer or the relevant Guarantor (as the case may be) will deliver to the Trustee (copied to the Paying Agent) an Officers' Certificate stating that such Additional Amounts will be payable and the amounts so payable and will set forth such other information necessary to enable the Paying Agent to pay such Additional Amounts to holders on the payment date. The Trustee and Paying Agent shall be entitled to rely solely on such Officers' Certificate as conclusive proof that such payments are necessary. The Issuer or the relevant Guarantor (as the case may be) will promptly publish a notice in accordance with the provisions set forth in "*—Selection and Notice*" stating that such Additional Amounts will be payable and describing the obligation to pay such amounts.

In addition, the Issuer or the Guarantors (as the case may be) will pay any present or future stamp, issue, registration, court, documentary, excise or property taxes or other similar taxes, charges and duties, including without limitation, interest and penalties with respect thereto, imposed by any Relevant Taxing Jurisdiction in respect of the execution, issue, delivery, registration or enforcement of the Notes or any Notes Guarantee or any other document or instrument referred to thereunder (other than on or in connection with a transfer of the Notes other than the initial resale by the Initial Purchasers) or the receipt of any payments with respect thereto (limited, solely in the case of taxes attributable to the receipt of any payments with respect thereto, to any such taxes not excluded under clauses (a) through (c) or (e) through (i) or any combination thereof).

Upon written request, the Issuer or a Guarantor (as the case may be) will furnish to the Trustee or a holder within a reasonable time certified copies of tax receipts evidencing the payment by the Issuer or such Guarantor (as the case may be) of any Taxes imposed or levied by a Relevant Taxing Jurisdiction, in accordance with the procedures described in "*—Selection and Notice*" hereafter, in such form as provided in the normal course by the taxing authority imposing such Taxes and as is reasonably available to the Issuer or such Guarantor. If, notwithstanding the efforts of the Issuer or Guarantor to obtain such receipts, the same are not obtainable, the Issuer or such Guarantor will provide the Trustee or such holder with other evidence reasonably satisfactory to the Trustee or holder of such payments by the Issuer or Guarantor.

Whenever the Indenture or this "*Description of the Notes*" refers to, in any context, the payment of principal, premium, if any, interest or any other amount payable under or with respect to any Note (including payments thereof made pursuant to a Notes Guarantee), such reference includes the payment of Additional Amounts, if applicable.

The preceding provisions will survive any termination, defeasance or discharge of the Indenture and shall apply *mutatis mutandis* to any jurisdiction in which any successor person to the Issuer or any Guarantor is incorporated, resident or doing business for tax purposes or any jurisdiction from or through which any payment is made on the Notes (or any Notes Guarantee) and any political subdivision or taxing authority or agency thereof or therein.

Currency Indemnity

The sole currency of account and payment for all sums payable under the Notes and the Indenture is euro. Any amount received or recovered in respect of the Notes in a currency other than euro (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Subsidiary or otherwise) by the Trustee or a holder of the Notes in respect of any sum expressed to be due to such holder from the Issuer will constitute a discharge of their obligation only to the extent of the euro amount, which the recipient is able to purchase with the amount so received or recovered in such other currency on the date of that receipt or recovery (or, if it is not possible to make that purchase on that date, on the first date on which it is possible to do so). If the euro amount to be

recovered is less than the euro amount expressed to be due to the recipient under any Note, as applicable, the Issuer will indemnify the recipient against the cost of making any further purchase of euro, in an amount equal to the difference. These indemnities, to the extent permitted by law:

- (a) constitute a separate and independent obligation from the Issuer's other obligations;
- (b) give rise to a separate and independent cause of action;
- (c) apply irrespective of any waiver granted by any holder of a Note or Trustee from time to time; and
- (d) will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

Optional Redemption

Optional Redemption prior to July 15, 2019, upon Equity Offering

At any time prior to July 15, 2019, upon not less than 10 nor more than 60 days' written notice, the Issuer may on any one or more occasions redeem up to 40% of the aggregate principal amount of the Notes issued under the Indenture on the date of the Indenture at a redemption price equal to 102.875% of the outstanding principal amount of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the redemption date (subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date), with the net cash proceeds from one or more Equity Offerings. The Issuer may only do this, however, if:

- (a) at least 60% of the aggregate principal amount of the Notes that were initially issued under the Indenture (excluding Notes held by the Issuer or any of its Subsidiaries) would remain outstanding immediately after the occurrence of such proposed redemption; and
- (b) the redemption occurs within 90 days after the closing of such Equity Offering.

Notice of any redemption upon any Equity Offering may be given prior to the completion thereof, and any such redemption or notice may, at the Issuer's discretion, be subject to one or more conditions precedent, including, but not limited to, completion of the related Equity Offering.

Optional Redemption of the Notes prior to July 15, 2019

At any time prior to July 15, 2019 upon not less than 10 nor more than 60 days' written notice, the Issuer may also redeem all or part of the Notes, at a redemption price equal to 100% of the principal amount thereof plus the Applicable Premium of the Notes plus accrued and unpaid interest on the Notes to, but not including, the redemption date. Any such redemption or notice may, at the Issuer's discretion, be subject to one or more conditions precedent.

Optional Redemption of the Notes on or after July 15, 2019

At any time on or after July 15, 2019 and prior to maturity, upon not less than 10 nor more than 60 days' written notice, the Issuer may redeem all or part of the Notes. These redemptions will be in amounts of €100,000 or integral multiples of €1,000 in excess thereof at the following redemption prices (expressed as percentages of their principal amount at maturity), plus accrued and unpaid interest, if any, to, but not including, the redemption date, if redeemed during the 12-month period commencing on July 15 of the years set forth below. This redemption is subject to the right of holders of record on the relevant regular record date that is prior to the redemption date to receive interest due on an interest payment date.

Year	Redemption Prices
2019	101.438%
2020	100.719%
2021 and thereafter	100.000%

Any such redemption or notice may, at the Issuer's discretion, be subject to one or more conditions precedent, *provided* that notice of the satisfaction of the conditions precedent is given to the Trustee at least one Business Day prior to the proposed redemption date.

Redemption upon Changes in Withholding Taxes

If, as a result of:

- (a) any amendment to, or change in, the laws (or regulations or rulings promulgated thereunder) or relevant treaties of any Relevant Taxing Jurisdiction; or
- (b) any change in the official application or official interpretation or administration of such laws, regulations or rulings or relevant treaties (including by virtue of a holding, judgment or order by a court of competent jurisdiction or a change in published practice) of any Relevant Taxing Jurisdiction (each of the foregoing clauses (a) and (b), a “**Change in Tax Law**”),

the Issuer or any Guarantor would be obligated to pay, on the next date for any payment, Additional Amounts as described above under “—*Additional Amounts*”, which obligation the Issuer or such Guarantor cannot avoid by the use of reasonable measures available to it (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable and, in the case of a payment by a Guarantor, that the payment giving rise to such requirement to pay Additional Amounts cannot be made by the Issuer or another Guarantor without the obligation to pay Additional Amounts), then the Issuer may redeem all, but not less than all, of the Notes, at any time thereafter, upon not less than 10 nor more than 60 days’ notice (which notice shall be irrevocable and given in accordance with the procedures described in “—*Selection and Notice*”), at a redemption price of 100% of their principal amount, plus accrued and unpaid interest, if any, to the redemption date. In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that is a Relevant Taxing Jurisdiction at the date of the Indenture, such Change in Tax Law must become effective on or after the date of the Indenture. In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that becomes a Relevant Taxing Jurisdiction after the date of the Indenture, such Change in Tax Law must become effective on or after the date the jurisdiction becomes a Relevant Taxing Jurisdiction. Prior to the giving of any notice of the redemption described in this paragraph, the Issuer or the Guarantor (as the case may be) will deliver to the Trustee and the Paying Agent:

- (a) an Officers’ Certificate of the Issuer or a Guarantor (as the case may be) stating that the obligation to pay such Additional Amounts cannot be avoided by the Issuer’s or such Guarantor’s taking reasonable measures available to it; and
- (b) a written opinion of independent legal counsel of recognized standing addressed to the Issuer or Guarantor (as the case may be) qualified under the laws of the Relevant Taxing Jurisdiction and reasonably satisfactory to the Trustee to the effect that the Issuer or such Guarantor has or will become obligated to pay such Additional Amounts as a result of a Change in Tax Law.

The Trustee will accept, and shall be entitled to rely conclusively on, such Officers’ Certificate and opinion of counsel, delivered in compliance with clauses (a) and (b) above, as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders of the Notes.

Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Issuer or Guarantor (as the case may be) would be obliged to make such payment of Additional Amounts if a payment in respect of the Notes, were then due and (b) unless at the time such notice is given, the obligation to pay Additional Amounts remains in effect.

The foregoing provisions shall apply *mutatis mutandis* to any Guarantor (and the related Notes Guarantee) to any successor person, after such successor person becomes a party to the Indenture, with respect to a Change in Tax Law occurring after the time such successor person becomes a party to the Indenture.

The Issuer will publish a notice of any optional redemption of the Notes described above in accordance with the caption entitled “—*Selection and Notice*”.

Sinking Fund; Offers to Purchase; Open Market Purchases

The Issuer is not required to make any mandatory redemption or sinking fund payments with respect to the Notes. However, under certain circumstances, the Issuer may be required to offer to purchase the

Notes as described under the captions “—*Repurchase at the Option of Holders—Change of Control*” and “—*Certain Covenants—Limitation on Sale of Certain Assets*”. Any Restricted Subsidiaries may at any time and from time to time purchase Notes in the open market or otherwise.

Repurchase at the Option of Holders

Change of Control

If a Change of Control occurs at any time, then the Issuer must make an offer (a “**Change of Control Offer**”) to each holder of Notes to repurchase all or any part (equal to €100,000 or in integral multiples of €1,000 in excess thereof) of such holder’s Notes, at a purchase price (the “**Change of Control Purchase Price**”) in cash in an amount equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but not including, the date of purchase (the “**Change of Control Purchase Date**”) (subject to the rights of holders of record on relevant regular record dates that are prior to the Change of Control Purchase Date to receive interest due on an interest payment date). Purchases made under a Change of Control Offer will also be subject to other procedures set forth in the Indenture.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes in accordance with the Indenture and all conditions to such redemption have been satisfied or waived, within 30 days following any Change of Control, the Issuer will deliver a notice to each holder of the Notes at such holder’s registered address or otherwise deliver a notice in accordance with the procedures described under “—*Selection and Notice*”, stating that a Change of Control Offer is being made and offering to repurchase Notes on the Change of Control Purchase Date, and the notice will state:

- (i) that a Change of Control has occurred, and the date it occurred and offering to purchase the Notes on the date specified in the notice;
- (ii) the circumstances and relevant facts regarding such Change of Control (including, but not limited to, applicable information with respect to *pro forma* historical income, cash flow and capitalization after giving effect to the Change of Control);
- (iii) the Change of Control Purchase Price and the Change of Control Purchase Date, which will be a Business Day no earlier than 10 days nor later than 60 days from the date such notice is mailed, or such later date as is necessary to comply with requirements under the Exchange Act and any applicable securities laws or regulations;
- (iv) that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Purchase Date unless the Change of Control Purchase Price is not paid;
- (v) that any Note (or part thereof) not tendered will continue to accrue interest; and
- (vi) any other procedures that a holder of Notes must follow to accept a Change of Control Offer or to withdraw such acceptance.

At the request and expense of the Issuer, the Paying Agent will promptly mail (or cause to be delivered) to each holder of Notes properly tendered the Change of Control Purchase Price for such Notes. The Trustee (or the authenticating agent appointed by it), at the request and expense of the Issuer, will promptly authenticate and deliver (or cause to be transferred by book-entry) to each holder a new Note or Notes equal in principal amount to any unpurchased portion of Notes surrendered, if any, to the holder of Notes in global form or to each holder of certificated Notes; *provided* that each new Note will be in a principal amount of €100,000 or in integral multiples of €1,000 in excess thereof. The Issuer will publicly announce the results of a Change of Control Offer on or as soon as practicable after the Change of Control Purchase Date.

The ability of the Issuer to repurchase Notes pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that would constitute a Change of Control could constitute a default under certain existing financing arrangements of the Issuer and its Subsidiaries. In addition, certain events that may constitute a change of control under any such financing arrangements may not constitute a Change of Control under the Indenture. The future indebtedness of the Issuer or the Issuer’s Subsidiaries may also require such indebtedness to be repurchased upon a Change of Control.

Moreover, the exercise by the holders of the Notes of their right to require a repurchase of the Notes upon a Change of Control could cause a default under such indebtedness, even if the Change of Control itself does not, due to the possible financial effect on the Issuer of such repurchase.

If a Change of Control Offer is made, the Issuer cannot provide any assurance that it will have available funds sufficient to pay the Change of Control Purchase Price for all the Notes that might be delivered by holders of the Notes seeking to accept the Change of Control Offer. If the Issuer fails to make or consummate a Change of Control Offer or pay the Change of Control Purchase Price when due, such failure would result in an Event of Default and would give the Trustee and the holders of the Notes the rights described under “—*Events of Default*”.

Even if sufficient funds were otherwise available, the terms of the other indebtedness of the Issuer and its Subsidiaries may prohibit the prepayment of the Notes prior to their scheduled maturity. If the Issuer was not able to prepay any indebtedness containing any such restrictions or obtain requisite consents, the Issuer would be unable to fulfill its repurchase obligations to holders of Notes who exercise their right to redeem their Notes following a Change of Control, which would cause a Default under the Indenture. A Default under the Indenture, unless waived by holders, would result in a cross default under certain of the financing arrangements described under “*Description of Certain Financing Arrangements*”.

The Issuer will not be required to make a Change of Control Offer if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer, or (2) a notice of redemption has been given pursuant to the Indenture as described above under the caption “—*Optional Redemption*”, unless and until there is a default in payment of the applicable redemption price. The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the provisions of the Indenture will not give holders the right to require the Issuer to repurchase the Notes in the event of certain highly leveraged transactions, or certain other transactions, including a reorganization, restructuring, merger or similar transaction that may adversely affect holders of the Notes, if such transaction is not a transaction defined as a Change of Control. Any such transaction, however, would have to comply with the applicable provisions of the Indenture, including the covenant entitled “—*Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*”. The existence of a holder of the Notes’ right to require the Issuer to repurchase such holder’s Notes upon a Change of Control may deter a third-party from acquiring the Issuer or its Subsidiaries in a transaction which constitutes a Change of Control.

Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The Issuer will comply with the applicable tender offer rules, including Rule 14e-1 under the Exchange Act, and any other applicable securities laws and regulations in connection with a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such conflict.

“**Change of Control**” means the occurrence of any of the following events:

- (1) for as long as a Public Market exists for the Capital Stock of the Issuer (or a holding company), the Issuer becoming aware of (i) any “person” or “group” of persons acting in concert in the meaning given to such term in Section 2(5) of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) other than a Permitted Holder acquiring and holding, directly or indirectly, the control over more than 30% of the issued and outstanding Voting Stock of the Issuer measured by voting power rather than number of shares and (ii) Permitted Holders holding, directly or indirectly, the control over fewer of the issued and outstanding Voting Stock of the Issuer measured by voting power rather than number of shares than such other person or group;
- (2) at any time no Public Market exists for the Capital Stock of the Issuer (or a holding company), the Issuer becoming aware of any “person” or “group” of persons acting in concert in the meaning given

to such term in Section 2(5) of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) other than a Permitted Holder acquiring and holding, directly or indirectly, the control over more than 50% of the issued and outstanding Voting Stock of the Issuer measured by voting power rather than number of shares;

- (3) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, or consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person other than a Permitted Holder; or
- (4) the adoption of a plan relating to the liquidation, winding up or other disposition of all or substantially all of assets of the Issuer other than in a transaction which is not prohibited by the covenant described above under the caption “—*Certain Covenants—Merger, Consolidation or Sale of Assets*”.

Although there is a limited body of case law interpreting the phrase “all or substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

Asset Sales

The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, consummate an Asset Sale unless:

- (1) the Issuer (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value (determined at the time of contracting such Asset Sale) of the assets or Equity Interests issued or sold or otherwise disposed of; and
- (2) at least 75% of the consideration received in the Asset Sale by the Issuer or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:
 - (a) any liabilities, as recorded on the balance sheet of the Issuer or any Restricted Subsidiary (other than contingent liabilities), that are assumed by the transferee of any such assets and as a result of which the Issuer and its Restricted Subsidiaries are no longer obligated with respect to such liabilities or are indemnified against further liabilities;
 - (b) any securities, notes or other obligations received by the Issuer or any such Restricted Subsidiary from such transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents within 90 days following the closing of the Asset Sale, to the extent of the cash or Cash Equivalents received in that conversion;
 - (c) any Capital Stock or assets of the kind referred to in clauses (2) or (4) of the next paragraph of this covenant;
 - (d) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, to the extent that the Issuer and each Restricted Subsidiary are released from any guarantee of such Indebtedness in connection with such Asset Sale;
 - (e) consideration consisting of Indebtedness of the Issuer or any Restricted Subsidiary received from Persons who are not the Issuer or any Restricted Subsidiary that is cancelled; and
 - (f) any Designated Non-Cash Consideration received by the Issuer or any of its Restricted Subsidiaries in such Asset Sales having an aggregate Fair Market Value, when taken together with all other Designated Non-Cash Consideration received pursuant to this clause (f) that is at that time outstanding, not to exceed the greater of €20.0 million and 2.0% of Total Assets, measured at the time of the receipt of such Designated Non-Cash Consideration (with the Fair Market Value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Issuer (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Proceeds (at the option of the Issuer or such Restricted Subsidiary):

- (1) to repay, repurchase, prepay or redeem (a) Indebtedness of the Issuer or any Restricted Subsidiary that is secured by a Lien; (b) the Notes pursuant to an offer to all holders of Notes at a purchase price equal to 100% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (a “Notes Offer”); or (c) *pari passu* Indebtedness so long as the Issuer or such Restricted Subsidiary makes a Notes Offer on a *pro rata* basis;
- (2) to acquire (i) all or substantially all of the assets of, or any Capital Stock of, another Permitted Business if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary, (ii) any Capital Stock of another Permitted Business if, after giving effect to any such acquisition, the Permitted Business is or becomes an Unrestricted Target Subsidiary, or (iii) any Capital Stock of another Permitted Business in a public takeover or similar context with the aim (as determined in good faith by the Issuer) to make the Permitted Business a Restricted Subsidiary or Unrestricted Target Subsidiary (whether in one or a series of related transactions);
- (3) to make a capital expenditure;
- (4) to acquire other assets (other than Capital Stock) not classified as current assets under IFRS that are used or useful in a Permitted Business;
- (5) enter into a binding commitment to apply the Net Proceeds pursuant to clauses (2), (3) or (4) of this paragraph; *provided* that such commitment shall be treated as a permitted application of the Net Proceeds from the date of such commitment until the earlier of (x) the date on which such acquisition or expenditure is consummated, and (y) the 180th day following the expiration of the aforementioned 365 day period; or
- (6) any combination of the foregoing.

Pending the final application of any Net Proceeds, the Issuer (or the applicable Restricted Subsidiary) may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the Indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second paragraph of this covenant will constitute “**Excess Proceeds**”. When the aggregate amount of Excess Proceeds exceeds €35.0 million, within ten Business Days thereof, or at any earlier time at the Issuer’s election, the Issuer will make an offer (an “**Asset Sale Offer**”) to all holders of Notes, with a copy to the Trustee, and may, to the extent the Issuer so elects, make an offer to holders of other Indebtedness that is *pari passu* with the Notes or any Notes Guarantee to purchase, prepay or redeem with the proceeds of sales of assets the maximum principal amount of Notes and such other *pari passu* Indebtedness (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price for the Notes in any Asset Sale Offer will be equal to (solely in the case of the Notes) 100% of the principal amount and (solely in the case of any other *pari passu* Indebtedness) no greater than 100% of the principal amount, in each case, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase, prepayment or redemption, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Issuer and its Restricted Subsidiaries may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered into (or to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds, or if the aggregate principal amount of Notes tendered pursuant to an Asset Sale Offer that is an application of Net Proceeds pursuant to clause (1) of the second paragraph of this covenant exceeds the amount of the Net Proceeds so applied the Trustee or the Registrar, as applicable will select the Notes and such other *pari passu* Indebtedness, if applicable, to be purchased on a *pro rata* basis (or in the manner described under “—*Selection and Notice*”), based on the amounts tendered or required to be prepaid or redeemed. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero. Neither the Trustee nor the Registrar shall be liable for any selections made by it in accordance with this paragraph.

The Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to a Change of Control Offer, an Asset Sale Offer or a Notes Offer. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control or Asset Sale provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control or Asset Sale provisions of the Indenture by virtue of such compliance.

Selection and Notice

Notices of redemption may be made subject to conditions precedent.

If fewer than all the Notes are to be redeemed at any time, the Paying Agent or the Registrar will select the Notes for redemption in accordance with the applicable procedures of Euroclear or Clearstream unless otherwise required by law or applicable stock exchange; *provided, however*, that no such partial redemption shall reduce the portion of the principal amount of a Note not redeemed to less than €100,000. Neither the Trustee, the Paying Agent nor the Registrar shall be liable for any selections made by it in accordance with this paragraph.

Notices of redemption will be mailed by first class mail at least 10 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. While the Notes are held in certificated form, a new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder of Notes upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and following the redemption date, interest ceases to accrue on Notes or portions of Notes redeemed.

For Notes which are represented by global certificates held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing. So long as any Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, any such notice to the holders of the relevant Notes shall also be published in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange and, in connection with any redemption, the Issuer will notify the Luxembourg Stock Exchange of any change in the principal amount of Notes outstanding.

Suspension of Certain Covenants When Notes Rated Investment Grade

If on any date following the Issue Date, the Notes have an Investment Grade Rating from both of the Rating Agencies and no Default or Event of Default has occurred and is continuing under the Indenture (a “**Suspension Event**”), beginning on the day of the Suspension Event and continuing until such time (the “**Suspension Period**”), if any, at which the such Notes cease to have an Investment Grade Rating from each Rating Agency (the “**Reversion Date**”), the provisions of the applicable Indenture summarized under the following captions, and, in each case, any related default provision of the applicable Indenture, will not apply to such Notes:

- (1) “—*Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*”;
- (2) “—*Certain Covenants—Restricted Payments*”;
- (3) “—*Certain Covenants—Transactions with Affiliates*”;
- (4) “—*Certain Covenants—Additional Guarantees*”;
- (5) “—*Certain Covenants—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*”;

- (6) “—*Certain Covenants—Designation of Unrestricted and Restricted Subsidiaries*”, *provided* that notwithstanding any occurrence and continuance of a Suspension Period the FVR Designation Date or any Unrestricted Target Designation Date, as the case may be, may occur in accordance with clause (2) of the “—*Certain Covenants—Designation of Unrestricted and Restricted Subsidiaries*” covenant; and
- (7) “—*Certain Covenants—Merger, Consolidation or Sale of Assets*”.

Such covenants and any related default provisions will again apply according to their terms on and following the Reversion Date. Such covenants will not, however, be of any effect with regard to actions of the Restricted Subsidiaries properly taken during the Suspension Period, and the “—*Certain Covenants—Limitation on Restricted Payments*” covenant will be interpreted as if it had been in effect since the date of the Indenture except that no default will be deemed to have occurred solely by reason of a Restricted Payment made during the Suspension Period. On the Reversion Date, all Indebtedness incurred during the continuance of the Suspension Period will be classified as having been incurred pursuant to clause (2) of the second paragraph of the “—*Incurrence of Indebtedness and Issuance of Preferred Stock*” covenant. Upon the occurrence of a Suspension Period, the amount of Excess Proceeds shall be reset at zero.

The Issuer shall notify the Trustee that the two conditions set forth in the first paragraph under this covenant have been satisfied, *provided* that such notification shall not be a condition for the suspension of the covenants set forth above to be effective. The Trustee shall not be obliged to notify holders of such event.

Certain Covenants

The Indenture will contain, among others, the following covenants:

Incurrence of Indebtedness and Issuance of Preferred Stock

The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, “**incur**”) any Indebtedness (including Acquired Debt), and the Issuer will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; *provided*, however:

- (1) that the Issuer may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock and any Restricted Subsidiary may incur Indebtedness (including Acquired Debt) or issue preferred stock if:
 - (a) on the date of such incurrence or issuance and on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), the Net Total Loan-to-Value Ratio of the Issuer would have been no greater than (i) 0.65 to 1.00 (from the Issue Date and to and including June 30, 2018), (ii) 0.60 to 1.00 (from July 1, 2018 and to and including December 31, 2019) and (iii) 0.55 to 1.00 (on and following January 1, 2020); and
 - (b) the Fixed Charge Coverage Ratio for the Issuer’s most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or preferred stock is issued, as the case may be, would have been at least (i) 1.45 to 1.00 (from the Issue Date and to and including June 30, 2018), (ii) 1.60 to 1.00 (from July 1, 2018 and to and including December 31, 2018) and (iii) 1.75 to 1.00 (on and following January 1, 2019), in each case, determined on a *pro forma* basis (including *pro forma* application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or preferred stock had been issued, as the case may be, at the beginning of such four quarter period; and
- (2) if the Indebtedness to be incurred is Senior Secured Indebtedness, the Issuer and any Restricted Subsidiary may incur such Senior Secured Indebtedness if on the date of such incurrence and on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), the Net Secured Loan-to-Value Ratio of the Issuer would have been no greater than 0.40 to 1.00.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, “**Permitted Debt**”):

- (1) the incurrence by the Issuer or any Restricted Subsidiary of Indebtedness under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1) not to exceed the greater

of (i) €40.0 million and (ii) 4.0% of Total Assets, *plus* in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

- (2) Indebtedness outstanding on the Issue Date (other than Indebtedness described in clause (3) of this paragraph) after giving effect to the use of proceeds of the Notes;
- (3) the incurrence by the Issuer of Indebtedness represented by the Notes (other than Additional Notes) and any future Notes Guarantees;
- (4) the incurrence by the Issuer or any Restricted Subsidiary of Indebtedness representing Capital Lease Obligations, mortgage financings or purchase money obligations incurred for the purpose of financing all or any part of the purchase price, lease expense, rental payments or cost of design, construction, installation or improvement of property, plant or equipment or other assets (including Capital Stock) used in the business of the Issuer or any of its Subsidiaries, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred or issued to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (4), not to exceed the greater of (i) €15.0 million and (ii) 1.5% of Total Assets at any time outstanding;
- (5) the incurrence by the Issuer or any Restricted Subsidiary of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) incurred under the first paragraph of this covenant or clauses (2), (3), (5) or (13) of this paragraph;
- (6) the incurrence by the Issuer or any Restricted Subsidiary of intercompany Indebtedness between or among the Issuer or any Restricted Subsidiary; *provided that*:
 - (a) if the Issuer or any Guarantor is the obligor on such Indebtedness and the payee is not the Issuer or a Guarantor, such Indebtedness must be unsecured and ((i) except in respect of the intercompany current liabilities incurred in the ordinary course of business in connection with the cash management operations of the Issuer and its Restricted Subsidiaries and (ii) only to the extent legally permitted (the Issuer and its Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors or officers of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness)) expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the Notes, in the case of the Issuer, or the Notes Guarantee, in the case of a Guarantor; and
 - (b) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Issuer or a Restricted Subsidiary and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Issuer or a Restricted Subsidiary, will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Issuer or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);
- (7) the issuance by any Restricted Subsidiary to the Issuer or to any of its Restricted Subsidiaries of preferred stock; *provided that*:
 - (a) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Issuer or a Restricted Subsidiary; and
 - (b) any sale or other transfer of any such preferred stock to a Person that is not either the Issuer or a Restricted Subsidiary, will be deemed, in each case, to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this clause (7);
- (8) the incurrence by the Issuer or any Restricted Subsidiary of Hedging Obligations for bona fide hedging purposes of the Issuer and its Restricted Subsidiaries not for speculative purposes (as determined in good faith by the Issuer or such Restricted Subsidiary, as the case may be);
- (9) the guarantee by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary to the extent that the guaranteed Indebtedness was permitted to be incurred by

another provision of this covenant; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes or a Notes Guarantee, then the guarantee must be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;

- (10) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness in respect of workers' compensation claims, self-insurance obligations, captive insurance companies, bankers' acceptances, performance and surety bonds in the ordinary course of business;
- (11) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within 30 Business Days;
- (12) Indebtedness represented by guarantees of any Management Advances;
- (13) Indebtedness of any Person outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary (other than Indebtedness Incurred to provide all or any portion of the funds used to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary); *provided, however*, with respect to this clause (13), that at the time of the acquisition or other transaction pursuant to which such Indebtedness was incurred or deemed to be incurred (a) the Issuer would have been able to incur €1.00 of additional Indebtedness pursuant to clause (1) of the first paragraph of this covenant after giving effect to the incurrence of such Indebtedness pursuant to this clause (13) calculated on a *pro forma* basis or (b) the Fixed Charge Coverage Ratio would not be less than, and the Net Total Loan-to-Value Ratio would not be greater than, it was immediately prior to giving effect to such acquisition or other transaction on a *pro forma* basis;
- (14) Indebtedness arising from agreements of the Issuer or a Restricted Subsidiary providing for customary indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Equity Interests of a Subsidiary, provided that the maximum liability of the Issuer and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;
- (15) Indebtedness of the Issuer and its Restricted Subsidiaries in respect of (A) letters of credit, surety, performance or appeal bonds, completion guarantees, judgment, advance payment, customs, VAT or other tax guarantees or similar instruments issued in the ordinary course of business of such Person and not in connection with the borrowing of money, including letters of credit or similar instruments in respect of self-insurance and workers compensation obligations; *provided*, however, that upon the drawing of such letters of credit or other instrument, such obligations are reimbursed within 30 days following such drawing; and (B) any customary cash management, cash pooling or netting or setting off arrangements with Affiliates;
- (16) guarantees by the Issuer or any Restricted Subsidiary granted to any trustee of any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust scheme approved by the Board of Directors of the Issuer, so long as the proceeds of the Indebtedness so guaranteed are used to purchase Equity Interests of the Issuer (other than Disqualified Stock); *provided* that the amount of any net cash proceeds from the sale of such Equity Interests of the Issuer will be excluded from clause (c)(ii) of the first paragraph of the covenant described below under the caption "*—Restricted Payments*" and will not be considered to be net cash proceeds from an Equity Offering for purposes of the "*Optional Redemption*" provisions of the Indenture; and
- (17) the incurrence by the Issuer or any Restricted Subsidiary of Indebtedness in an aggregate principal amount at any time outstanding, including all Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (17), not to exceed €15.0 million.

For purposes of determining compliance with this "*—Incurrence of Indebtedness and Issuance of Preferred Stock*" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the

categories of Permitted Debt described in clauses (1) through (17) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, the Issuer, in its sole discretion, will be permitted to classify such item of Indebtedness on the date of its incurrence and only be required to include the amount and type of such Indebtedness in one of such clauses and will be permitted on the date of such incurrence to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, from time to time to reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant and *provided* that Indebtedness incurred by any member of the FVR Group outstanding on the FVR Designation Date or any member of an Unrestricted Target Group outstanding on any applicable Unrestricted Target Designation Date, as the case may be, will be treated as incurred under clause (2) above. The accrual of interest or preferred stock dividends, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on preferred stock or Disqualified Stock in the form of additional shares of the same class of preferred stock or Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of preferred stock or Disqualified Stock for purposes of this covenant.

For purposes of determining compliance with any restriction on the incurrence of Indebtedness in euro where Indebtedness is denominated in a different currency, the amount of such Indebtedness will be the Euro Equivalent determined on the date of such determination; *provided* that if any such Indebtedness denominated in a different currency is subject to a Currency Agreement (with respect to euro) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in euro will be adjusted to take into account the effect of such agreement. The principal amount of any Permitted Refinancing Indebtedness incurred in the same currency as the Indebtedness being refinanced will be the Euro Equivalent of the Indebtedness refinanced determined on the date such Indebtedness being refinanced was initially incurred, except to the extent that such Euro Equivalent was determined based on a Currency Agreement (with respect to euro), in which case the amount of such Permitted Refinancing Indebtedness will be adjusted to take into account the effect of such agreement. Notwithstanding any other provision of this covenant, for purposes of determining compliance with this “—*Incurrence of Indebtedness and Issuance of Preferred Stock*” covenant, increases in Indebtedness solely due to fluctuations in the exchange rates of currencies or currency values will not be deemed to exceed the maximum amount that the Issuer or a Restricted Subsidiary may incur under this “—*Incurrence of Indebtedness and Issuance of Preferred Stock*” covenant.

The amount of any Indebtedness outstanding as of any date will be:

- (1) in the case of any Indebtedness issued with original issue discount, the amount of the liability in respect thereof determined in accordance with IFRS;
- (2) the principal amount of the Indebtedness, in the case of any other Indebtedness;
- (3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:
 - (a) the Fair Market Value of such assets at the date of determination; and
 - (b) the amount of the Indebtedness of the other Person; and
- (4) the principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, which will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof.

Neither the Issuer nor any Guarantor will incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Notes Guarantee on substantially identical terms; *provided*, however, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured or by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment ordering provisions affecting different tranches of Indebtedness.

Restricted Payments

The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly:

- (1) declare or pay any dividend or make any other payment or distribution on account of the Issuer's Equity Interests or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Issuer's or any of its Restricted Subsidiaries' Equity Interests in their capacity as holders (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Issuer and other than dividends or distributions payable to the Issuer or a Restricted Subsidiary);
- (2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Issuer) any Equity Interests of the Issuer or any Parent Holdco of the Issuer;
- (3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of the Issuer or any Guarantor that is expressly contractually subordinated in right of payment to the Notes or to any Notes Guarantee (excluding any intercompany Indebtedness between or among the Issuer and any of its Restricted Subsidiaries), except (i) a payment of interest or principal at the Stated Maturity thereof or (ii) the purchase, repurchase or other acquisition of Indebtedness purchased in anticipation of satisfying a sinking fund obligation, principal installment or scheduled maturity, in each case due within one year of the date of such purchase, repurchase or other acquisition;
- (4) make any payment (except through capitalization) on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Debt; or
- (5) make any Restricted Investment,

(all such payments and other actions set forth in these clauses (1) through (5) above being collectively referred to as "**Restricted Payments**"), unless, at the time of any such Restricted Payment:

- (a) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;
- (b) the Issuer would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least €1.00 of additional Indebtedness pursuant to clause (1) of the first paragraph of the covenant described above under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*"; and
- (c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Issuer and its Restricted Subsidiaries since the Issue Date (excluding Restricted Payments permitted by clauses (2), (3), (4), (5), (6), (7), (8), (9), (11), (12) and (14) of the next succeeding paragraph), is less than the sum, without duplication, of:
 - (i) 50% of the Consolidated Net Income of the Issuer for the period (taken as one accounting period) from the beginning of the fiscal quarter commencing immediately prior to the Issue Date to the end of the Issuer's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); *plus*
 - (ii) 100% of the aggregate net cash proceeds and the Fair Market Value of marketable securities or other property received by the Issuer since the Issue Date as a contribution to its common equity capital or from the issue or sale of Equity Interests of the Issuer (other than Disqualified Stock) or from the issue or sale of convertible or exchangeable Disqualified Stock of the Issuer or convertible or exchangeable debt securities of the Issuer, in each case that have been converted into or exchanged for Equity Interests of the Issuer (other than Equity Interests (or Disqualified Stock or debt securities) sold to a Subsidiary of the Issuer) or from the issuance or sale of Subordinated Shareholder Debt (other than an issuance or sale to a Subsidiary of the Issuer); *plus*

- (iii) to the extent that any Restricted Investment that was made after the Issue Date is (a) sold, disposed of or otherwise cancelled, liquidated or repaid, 100% of the aggregate amount received in cash and the Fair Market Value of the property and marketable securities or other property received by the Issuer or any Restricted Subsidiary, or (b) made in an entity that subsequently becomes a Restricted Subsidiary, 100% of the Fair Market Value of the Restricted Investment of the Issuer and its Restricted Subsidiaries as of the date such entity becomes a Restricted Subsidiary; *plus*
- (iv) to the extent that any Unrestricted Subsidiary of the Issuer designated as such after the Issue Date is redesignated as a Restricted Subsidiary or is merged or consolidated into the Issuer or a Restricted Subsidiary, or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, the Fair Market Value of the property received by the Issuer or Restricted Subsidiary or the Issuer's Restricted Investment in such Subsidiary as of the date of such redesignation, merger, consolidation or transfer of assets, to the extent such investments reduced the restricted payments capacity under this clause (c) and were not previously repaid or otherwise reduced; *plus*
- (v) 100% of any dividends or distributions received by the Issuer or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary, to the extent that such dividends or distributions were not otherwise included in the Consolidated Net Income of the Issuer for such period; *plus*
- (vi) upon the full and unconditional release of a Restricted Investment that is a guarantee made by the Issuer or one of its Restricted Subsidiaries to any Person, an amount equal to the amount of such guarantee.

The preceding provisions will not prohibit:

- (1) the payment of any dividend within 60 days after the date of its declaration if at such date of its declaration such payment would have complied with the provisions of the Indenture;
- (2) the making of any Restricted Payment in exchange for, or out of or with the net cash proceeds of the substantially concurrent sale or issuance (other than to a Subsidiary of the Issuer) of, Equity Interests of the Issuer (other than Disqualified Stock), Subordinated Shareholder Debt or from the substantially concurrent contribution of common equity capital to the Issuer; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph and will not be considered to be net cash proceeds from an Equity Offering for purposes of the “*Optional Redemption*” provisions of the Indenture;
- (3) the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Issuer or any Guarantor that is contractually subordinated to the Notes or to any Notes Guarantee with the net cash proceeds from an incurrence of Permitted Refinancing Indebtedness;
- (4) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Issuer or any Restricted Subsidiary held by any current or former officer, director, employee or consultant of the Issuer or any of its Restricted Subsidiaries pursuant to any equity subscription agreement, stock option agreement, restricted stock grant, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed €3.0 million in any calendar year with unused amounts from such calendar year (but not including unused amounts from any prior calendar year) being available for use during the immediately succeeding calendar year; and *provided, further*, that such amount in any calendar year may be increased by an amount not to exceed the cash proceeds from the sale of Equity Interests of the Issuer or a Restricted Subsidiary received by the Issuer or a Restricted Subsidiary during such calendar year, in each case to members of management, directors or consultants of the Issuer, any of its Restricted Subsidiaries or any Parent Holdco of the Issuer to the extent the cash proceeds from the sale of Equity Interests have not otherwise been applied to the making of Restricted Payments pursuant to clause (c)(ii) of the preceding paragraph or clause (2) of this paragraph;
- (5) the repurchase of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options;

- (6) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Issuer or any preferred stock of any Restricted Subsidiary issued on or after the Issue Date in accordance with the covenant described below under the caption “—*Incurrence of Indebtedness and Issuance of Preferred Stock*”;
- (7) payments of cash, dividends, distributions, advances or other Restricted Payments by the Issuer or any of its Restricted Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon (x) the exercise of options or warrants or (y) the conversion or exchange of Capital Stock of any such Person;
- (8) advances or loans to (a) any future, present or former officer, director, employee or consultant of the Issuer or a Restricted Subsidiary to pay for the purchase or other acquisition for value of Equity Interests of the Issuer (other than Disqualified Stock), or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (b) any management equity plan, employee benefit trust or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Equity Interests of the Issuer (other than Disqualified Stock); *provided* that the total aggregate amount of Restricted Payments made under this clause (8) does not exceed €3.0 million in any calendar year with unused amounts from such calendar year (but not including unused amounts from any prior calendar year) being available for use during the immediately succeeding calendar year;
- (9) the payment of any dividend (or, in the case of any partnership or limited liability Issuer, any similar distribution) by a Restricted Subsidiary to the holders of its Equity Interests (other than the Issuer or any Restricted Subsidiary) then entitled to participate in such dividends on a *pro rata* basis or otherwise in compliance with the terms of the instruments governing such Equity Interests;
- (10) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, the payment of dividends on the Capital Stock of the Issuer in an amount per annum not to exceed the greater of (a) 6% of the net cash proceeds received by the Issuer from an Equity Offering and (b) 5% of the Market Capitalization, *provided* that, with respect to the foregoing sub-clause (b), after giving *pro forma* effect to any such dividend payments, the Net Total Loan-To-Value Ratio would not exceed (i) 0.60 to 1.00 (from the Issue Date and to and including December 31, 2019) and (ii) 0.55 to 1.00 (on and following January 1, 2020);
- (11) payments of guaranteed dividends or compensation payments, in each case legally required to be made to any shareholder (other than the Issuer or any of its Subsidiaries) of FVR-AG or any other Subsidiary (including, for the avoidance of doubt, any Unrestricted Target Subsidiary, as the case may be) in connection with the entering into any domination and/or profit and loss transfer agreement between the Issuer (or any Restricted Subsidiary) and FVR-AG or such other Subsidiary;
- (12) payments pursuant to any tax sharing agreement among the Issuer or any Restricted Subsidiary and any other Person with which the Issuer or any Restricted Subsidiary files or filed a consolidated tax return or with which the Issuer or any Restricted Subsidiary is or was part of a consolidated group for tax purposes; *provided, however*, that such payments shall not exceed the amount of tax that the Issuer or such Restricted Subsidiaries would owe on a stand-alone basis without taking into account such other Person;
- (13) so long as no Default or Event of Default has occurred and is continuing, any Restricted Payment, *provided* that after giving *pro forma* effect to such Restricted Payment the Net Total Loan-To-Value Ratio would not exceed 0.50 to 1.00;
- (14) the making of any payments and any reimbursements as contemplated in the section entitled “*Use of Proceeds*” in this offering memorandum; and
- (15) so long as no Default or Event of Default has occurred and is continuing, other Restricted Payments in an aggregate amount not to exceed €15.0 million since the Issue Date.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Issuer or such

Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. Unsecured Indebtedness shall not be deemed to be subordinated or junior to secured Indebtedness by virtue of its nature as unsecured Indebtedness.

Liens

The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind securing Indebtedness upon any of their property or assets, now owned or hereafter acquired, except in the case of any property or asset, Permitted Liens.

Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

- (1) pay dividends or make any other distributions on its Capital Stock to the Issuer or any Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Issuer or any Restricted Subsidiary;
- (2) make loans or advances to the Issuer or any Restricted Subsidiary; or
- (3) sell, lease or transfer any of its properties or assets to the Issuer or any Restricted Subsidiary,

provided that (x) the priority of any preferred stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill period to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness incurred by the Issuer or any Restricted Subsidiary, in each case, shall not be deemed to constitute such an encumbrance or restriction.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

- (1) any agreements governing Credit Facilities as in effect on the Issue Date and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date (as determined in good faith by the Issuer) or would not, in the good faith determination of the Issuer, materially impair the ability of the Issuer to make payments on the Notes;
- (2) the Indenture, the Notes and any Notes Guarantee;
- (3) agreements governing Indebtedness permitted to be incurred under the provisions of the covenant described above under the caption “—*Incurrence of Indebtedness and Issuance of Preferred Stock*” and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the restrictions therein are not materially less favorable to the holders of the Notes than (i) the encumbrances and restrictions contained in the Indenture and the Notes as in effect on the Issue Date or (ii) is customary in comparable financings (as determined in good faith by the Issuer) and where, in the case of subclause (ii), the Issuer determines that at the time such Indebtedness is incurred that such encumbrances or restrictions will not adversely affect, in any material respect, the Issuer’s ability to make principal or interest payments on the Notes (as determined in good faith by the Issuer);
- (4) applicable law, rule, regulation or order or the terms of any license, authorization, concession or permit;
- (5) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Issuer or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such

acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred;

- (6) customary non-assignment and similar provisions in contracts, leases and licenses entered into in the ordinary course of business;
- (7) in the case of clause (3) of the preceding paragraph:
 - (a) that restricts in a customary manner the subletting, assignment, transfer of any property or asset that is a lease, license, conveyance or contract, or the assignment or transfer of any lease, license or other contract;
 - (b) existing under or by reason of purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased; or
 - (c) arising or agreed to in the ordinary course of business, not relating to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Issuer or any of its Restricted Subsidiaries in any manner material to the Issuer and its Restricted Subsidiaries taken as a whole;
- (8) any agreement for the sale or other disposition of the Capital Stock or all or substantially all of the property and assets of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending its sale or other disposition;
- (9) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced as determined in good faith by the Issuer or would not in the good faith determination of the Issuer, materially impair the ability of the Issuer to make payments on the Notes;
- (10) Liens permitted to be incurred under the provisions of the covenant described above under the caption “—*Liens*” that limit the right of the debtor to dispose of the assets subject to such Liens;
- (11) customary provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements in the ordinary course of business (including agreements entered into in connection with a Restricted Investment), which limitation is applicable only to the assets that are the subject of such agreements;
- (12) restrictions on cash or other deposits or net worth imposed by customers or suppliers or required by insurance, surety or bonding companies, in each case, under contracts entered into in the ordinary course of business; and
- (13) any encumbrance or restriction existing under any agreement that extends, renews, refinances or replaces the agreements containing the encumbrances or restrictions in the foregoing clauses (1) through (12) or in this clause (13); *provided* that the terms and conditions of any such encumbrances or restrictions are no more restrictive in any material respect than those under or pursuant to the agreement so extended, renewed, refinanced or replaced or would not in the good faith determination of the Issuer, materially impair the ability of the Issuer to make payments on the Notes.

Merger, Consolidation or Sale of Assets

The Issuer will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Issuer is the surviving corporation) or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuer and its Restricted Subsidiaries, if any, taken as a whole, in either case, in one or more related transactions, to another Person, unless:

- (1) either: (a) the Issuer is the surviving Person; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or to which such sale, assignment, transfer,

conveyance, lease or other disposition has been made is an entity organised or existing under the laws of any member state of the European Union, Switzerland, Canada, any state of the United States or the District of Columbia;

- (2) the Person formed by or surviving any such consolidation or merger with the Issuer (if other than the Issuer) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes all the obligations of the Issuer under the Notes, any Notes Guarantee and the Indenture;
- (3) immediately after such transaction, no Default or Event of Default exists;
- (4) the Issuer or the Person formed by or surviving any such consolidation or merger (if other than the Issuer), or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made would, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period (i) be permitted to incur at least €1.00 of additional Indebtedness pursuant to clause (1) of the first paragraph of the covenant described above under the caption “—*Incurrence of Indebtedness and Issuance of Preferred Stock*” or (ii) Fixed Charge Coverage Ratio would not be less than, and the Net Total Loan-to-Value Ratio would not be greater than, it was immediately prior to giving effect to such transaction; and
- (5) the Issuer delivers to the Trustee, in form and substance reasonably satisfactory to the Trustee, an Officers’ Certificate and opinion of counsel, in each case, stating that such consolidation, merger or transfer and such supplemental indenture comply with this covenant and that all conditions precedent in the Indenture relating to such transaction have been satisfied and that the Indenture, the Notes and any applicable Notes Guarantee constitute legal, valid and binding obligations of the Issuer or the Person formed by or surviving any such consolidation or merger (as applicable) enforceable in accordance with their terms. The Trustee will be entitled to conclusively rely upon such Officers’ Certificate and opinion of counsel, without independent verification.

This “—*Merger, Consolidation or Sale of Assets*” covenant will not apply to any consolidation or merger of any Restricted Subsidiary into the Issuer or any other Restricted Subsidiary. Clauses (3) and (4) of the first paragraph of this covenant will not apply to any merger or consolidation of the Issuer with or into an Affiliate solely for the purpose of reincorporating the Issuer in another jurisdiction.

Transactions with Affiliates

The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, make any payment to or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Issuer (each, an “*Affiliate Transaction*”) involving aggregate payments or consideration in excess of €5.0 million, unless:

- (1) the Affiliate Transaction is on terms that are no less favorable to the Issuer or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Restricted Subsidiary with an unrelated Person; and
- (2) the Issuer delivers to the Trustee:
 - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €10.0 million, a resolution of the Board of Directors of the Issuer set forth in an Officers’ Certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of the Issuer; and, in addition,
 - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €25.0 million, a written opinion of an accounting, appraisal or investment banking firm of international standing, or other recognised independent expert of international standing with experience appraising the terms and conditions of the type of transaction or series of related transactions for which an opinion is required, stating that the transaction or series of related transactions is (i) fair from a financial point of view taking into

account all relevant circumstances or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate. The Trustee will be entitled to conclusively rely upon such Officers' Certificate or opinion (as the case may be), without independent verification.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

- (1) any employment agreement, collective bargaining agreement, consultant, employee benefit arrangements with any employee, consultant, officer or director of the Issuer or any Restricted Subsidiary, including under any stock option, stock appreciation rights, stock incentive or similar plans, entered into in the ordinary course of business;
- (2) transactions between or among the Issuer and/or its Restricted Subsidiaries;
- (3) transactions with a Person (other than an Unrestricted Subsidiary of the Issuer) that is an Affiliate of the Issuer solely because the Issuer owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;
- (4) payment of reasonable and customary fees and reimbursements of expenses (pursuant to indemnity arrangements or otherwise) of officers, directors, employees or consultants of the Issuer or any of its Restricted Subsidiaries;
- (5) any issuance of Equity Interests (other than Disqualified Stock) of the Issuer to Affiliates of the Issuer;
- (6) any Restricted Payment that is permitted pursuant to the covenant described above under the caption "*—Restricted Payments*";
- (7) any Permitted Investment (other than Permitted Investments described in clauses (3), (18) and (19) of the definition thereof);
- (8) the incurrence of any Subordinated Shareholder Debt;
- (9) transactions with members of the FVR Group or any Unrestricted Target Group, as the case may be, in the ordinary course of business (including, without limitation, with respect to any facility management, property management and other related services);
- (10) Management Advances; and
- (11) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services or providers of employees or other labor (including, without limitation, with respect to the management, development, maintenance or refurbishment of real property and other related services), in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture that are fair to the Issuer or the Restricted Subsidiaries, in the reasonable determination of the members of the Board of Directors of the Issuer or the senior management thereof, or are on terms at least as favorable to the Issuer and its Restricted Subsidiaries as might reasonably have been obtained at such time from an unaffiliated Person.

Additional Guarantees

- (1) The Issuer will not permit any Restricted Subsidiary that is not a Guarantor, directly or indirectly, to guarantee, assume or in any other manner become liable for the payment of any Indebtedness of the Issuer or any other Restricted Subsidiary incurred in an amount in excess of €10.0 million under any Credit Facilities, unless:
 - (a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for a Notes Guarantee of payment of the Notes by such Restricted Subsidiary on the same terms as the guarantee of such Indebtedness; and
 - (b) with respect to any guarantee of Subordinated Shareholder Debt by such Restricted Subsidiary, any such guarantee shall be subordinated to such Restricted Subsidiary's Notes Guarantee with respect to the Notes at least to the same extent as such Subordinated Shareholder Debt is subordinated to the Notes.

This paragraph (1) will not be applicable to any guarantees of any Restricted Subsidiary:

- (i) existing on the date of the Indenture;
- (ii) that existed at the time such Person became a Restricted Subsidiary if the guarantee was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary;
- (iii) arising solely due to the granting of a Permitted Lien that would not otherwise constitute a guarantee of Indebtedness of the Issuer; or
- (iv) given to a bank or trust company having combined capital and surplus and undivided profits of not less than €500.0 million, whose debt has a rating, at the time such guarantee was given, of at least “A” or the equivalent thereof by S&P and at least “A2” or the equivalent thereof by Moody’s, in connection with the operation of cash management programs established for the Issuer’s benefit or that of any Restricted Subsidiary.

In addition, notwithstanding anything to the contrary herein:

- (i) no Notes Guarantee shall be required if such Notes Guarantee could reasonably be expected to give rise to or result in (A) personal liability for the officers, directors or shareholders of such Restricted Subsidiary, (B) any violation of applicable law that cannot be avoided or otherwise prevented through measures reasonably available to the Issuer or such Restricted Subsidiary or (C) any significant cost, expense, liability or obligation (including with respect of any Taxes) other than reasonable out of pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (B) undertaken in connection with, such Notes Guarantee, which cannot be avoided through measures reasonably available to the Issuer or the Restricted Subsidiary; and
 - (ii) each such Notes Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.
- (2) A Guarantor’s Notes Guarantee (and the Notes Guarantee, if any, of any Subsidiary of such Guarantor) will be automatically and unconditionally released (and thereupon shall terminate and be discharged and be of no further force and effect):
- (a) in connection with any sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger, consolidation, amalgamation or combination) to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, if the sale or other disposition does not violate the “*Asset Sale*” provisions of the Indenture;
 - (b) in connection with any sale or other disposition of Capital Stock of that Guarantor (or Capital Stock of any Parent Holdco of such Guarantor (other than the Issuer or a Parent Holdco of the Issuer)) to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, if the sale or other disposition does not violate the “*Asset Sale*” provisions of the Indenture and the Guarantor ceases to be a Restricted Subsidiary as a result of the sale or other disposition;
 - (c) if the Issuer designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture;
 - (d) in connection with an enforcement sale or distressed disposal;
 - (e) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions “—*Legal Defeasance or Covenant Defeasance of Indenture*” and “—*Satisfaction and Discharge*”;

- (f) upon the full and final payment of the Notes and performance of all Obligations of the Issuer and any Guarantor under the Indenture and the Notes; or
- (g) as described under the caption “—*Amendments and Waivers*”.

Upon any occurrence giving rise to a release of a Notes Guarantee, as specified above, the Trustee, at the request and expense of the Issuer and subject to receipt of certain documents from the Issuer and/or Guarantor, will execute any documents reasonably required in order to evidence or effect such release, discharge and termination in respect of such Notes Guarantee. None of the Issuer, the Trustee nor any Guarantor will be required to make a notation on the Notes to reflect any such release, discharge or termination.

Limitation on Lines of Business

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, engage in any business other than a Permitted Business, except to such extent as would not be material to the Issuer and its Restricted Subsidiaries taken as a whole.

Designation of Unrestricted and Restricted Subsidiaries

- (1) The Board of Directors of the Issuer may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Issuer and its Restricted Subsidiaries in the Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the covenant described above under the caption “—*Restricted Payments*” or under one or more clauses of the definition of Permitted Investments, as determined by the Issuer. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Board of Directors of the Issuer may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if that redesignation would not cause a Default.
- (2) Any designation of a Subsidiary of the Issuer as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a copy of a resolution of the Board of Directors giving effect to such designation and an Officers’ Certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption “—*Restricted Payments*”. If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of the Issuer as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption “—*Incurrence of Indebtedness and Issuance of Preferred Stock*”, the Issuer will be in default of such covenant. The Board of Directors of the Issuer may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under the caption “—*Incurrence of Indebtedness and Issuance of Preferred Stock*”, calculated on a *pro forma* basis as if such designation had occurred at the beginning of the applicable reference period; and (2) no Default or Event of Default would be in existence following such designation. Notwithstanding the foregoing, (x) all members of the FVR Group shall automatically be designated as Restricted Subsidiaries upon any domination and/or profit and loss transfer agreement between the Issuer and FVR-AG becoming effective (such date, the “**FVR Designation Date**”) and (y) all members of any Unrestricted Target Group, as the case may be, shall automatically be designated as Restricted Subsidiaries upon any domination and/or profit and loss transfer agreement between the Issuer (or any Restricted Subsidiary) and any relevant Unrestricted Target Subsidiary becoming effective (any such date, an “**Unrestricted Target Designation Date**”).

Provision of Information

So long as any Notes are outstanding, the Issuer will furnish to the Trustee:

- (a) within 120 days after the end of the Issuer's fiscal year beginning with the fiscal year ended December 31, 2017, annual reports containing the following information with a level of detail that is substantially comparable in all material respects to this offering memorandum: (i) audited consolidated balance sheets of the Issuer as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Issuer for the two most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (ii) *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year unless *pro forma* information has been provided in a previous report pursuant to clauses (b) or (c) (*provided* that such *pro forma* financial information need be provided only to the extent available without unreasonable expense); (iii) an operating and financial review of the audited financial statements, including a discussion of the results of operations (including a discussion by business segment), financial condition and liquidity and capital resources, and a discussion of material commitments and contingencies, capital expenditures and critical accounting policies; and (iv) material risk disclosure and material recent developments;
- (b) within 60 days following the end of the first three fiscal quarters in each fiscal year of the Issuer beginning with the quarter ending June 30, 2017, all quarterly financial statements of the Issuer containing the following information: (i) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year periods (which may be presented on a *pro forma* basis), together with condensed footnote disclosure; (ii) *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year unless *pro forma* information has been provided in a previous report pursuant to clauses (a) or (c) (*provided* that such *pro forma* financial information need be provided only to the extent available without unreasonable expense); and (iii) an operating and financial review of the unaudited financial statements, including a discussion of the consolidated financial condition and results of operations, and material changes in liquidity and capital resources of the Issuer and any material change between the current quarterly period and the corresponding period of the prior year; and (iv) material recent developments and any material changes to the risk disclosure contained in the most recent annual report; and
- (c) promptly after the occurrence of any material acquisition, disposition or restructuring of the Issuer and the Restricted Subsidiaries, taken as a whole, or any senior executive officer changes at the Issuer or change in auditors of the Issuer or any other material event that the Issuer announces publicly, a report containing a description of such event.

All historical financial statements shall be prepared in accordance with IFRS on a consistent basis for the periods presented. Except as provided for above, no report need include separate financial statements for the Issuer or Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this offering memorandum.

The Issuer will use its commercially reasonable efforts to, within 15 Business Days after the delivery of each report discussed in clause (a) and (b) of the first paragraph of this covenant, conduct a conference call to discuss such report and the results of operation for the relevant reporting period.

Contemporaneously with the furnishing of each such report discussed above, the Issuer will also (i) file a press release with the appropriate internationally recognized wire services (including, without limitation, through the newswire service of Bloomberg, or if Bloomberg does not then operate, any similar agency) in connection with such report and (ii) post each such report on such website as may be then maintained by the Issuer.

The Indenture will also provide that, so long as any of the Notes remain outstanding, the Issuer will make available to any prospective purchaser of Notes or beneficial owner of Notes in connection with any sale thereof the information required by Rule 144A(d)(4) under the Securities Act. The Issuer will also make any of the foregoing information available during normal business hours at the offices of the listing agent in Luxembourg if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Luxembourg Stock Exchange's Euro MTF Market and the rules of the stock exchange so require.

At any time that any of the Issuer's subsidiaries are Unrestricted Subsidiaries, then the quarterly and annual financial information required by the first paragraph of this "*—Provision of Information*" covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

Payments for Consent

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Notes for or as an inducement to any consent, waiver or amendment of any of the terms of the provisions of the relevant Indenture or Notes unless such consideration is offered to be paid and is paid to all holders of Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Issuer and its Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture, to exclude holders of Notes in any jurisdiction where (A) (i) the solicitation of such consent, waiver or amendment, including in connection with an offer to purchase for cash, or (ii) the payment of the consideration therefor would require the Issuer or any of its Restricted Subsidiaries to file a registration statement, prospectus or similar document under any applicable securities laws (including, but not limited to, the U.S. federal securities laws and the laws of the European Union or its members states), which the Issuer in its sole discretion determines (acting in good faith) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent document(s) used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction) or (B) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

Events of Default

(1) Each of the following will be an "**Event of Default**" under the Indenture:

- (a) default for 30 days in the payment when due of any interest or any Additional Amounts on any Note;
- (b) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on the Notes;
- (c) failure by the Issuer to (i) comply with the provisions of "*—Certain Covenants—Merger, Consolidation or Sale of Assets*" or make or (ii) consummate a Change of Control Offer in accordance with the provisions of "*—Repurchase at the Option of Holders—Change of Control*";
- (d) failure by the Issuer for 60 days after the written notice specified in paragraph (2) below to comply with any covenant or agreement that is contained in the Indenture or the Notes (other than a covenant or agreement which is specifically dealt with in clauses (a), (b) or (c));
- (e) default under the terms of any instrument evidencing or securing the Indebtedness of the Issuer or any Restricted Subsidiary, if that default: (x) results in the acceleration of the payment of such Indebtedness or (y) is caused by a failure to pay principal of such Indebtedness at final maturity thereof after giving effect to any applicable grace periods and other than by regularly scheduled required prepayment, and such failure to make any payment has not been waived or the maturity of such Indebtedness has not been extended (a "**Payment Default**"), and in either case the total amount of such Indebtedness unpaid or accelerated exceeds €15.0 million;

- (f) any Notes Guarantee ceases to be, or shall be asserted in writing by any Guarantor, or any Person acting on behalf of any Guarantor, not to be in full force and effect or enforceable in accordance with its terms (other than as provided for in the Indenture or any Notes Guarantee);
 - (g) failure by the Issuer or any of its Significant Subsidiaries or group of Restricted Subsidiaries that taken as a whole would constitute a Significant Subsidiary to pay final judgments, orders or decrees (not subject to appeal) entered by a court or courts of competent jurisdiction aggregating in excess €5.0 million (exclusive of any amounts that an insurance company has acknowledged liability for), which judgments shall not have been discharged or waived and there shall have been a period of 60 consecutive days or more during which a stay of enforcement of such judgment, order or decree (by reason of pending appeal, waiver or otherwise) shall not have been in effect; and
 - (h) the occurrence of certain events of bankruptcy or insolvency described in the Indenture with respect to the Issuer or any of its Significant Subsidiaries or group of Restricted Subsidiaries that taken as a whole would constitute a Significant Subsidiary.
- (2) If an Event of Default (other than as specified in clauses (1)(h) above) occurs and is continuing, the Trustee or the holders of not less than 25% in aggregate principal amount of the Notes then outstanding by written notice to the Issuer (and to the Trustee if such notice is given by the holders) may, and the Trustee, upon the written request of such holders, shall, declare the principal of, premium, if any, and any Additional Amounts and accrued interest on all the outstanding Notes immediately due and payable, and upon any such declaration all such amounts payable in respect of the Notes will become immediately due and payable.
- (3) If an Event of Default specified in clause (1)(h) above occurs and is continuing, then the principal of, premium, if any, and Additional Amounts and accrued and unpaid interest on all the outstanding Notes shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holder of Notes.
- (4) Notwithstanding anything to the contrary herein, (i) if a Default occurs for a failure to deliver a required certificate in connection with another default (an “**Initial Default**”), then at the time such Initial Default is cured, such Default for failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in “—*Certain Covenants—Provision of Information*”, or otherwise to deliver any notice or certificate pursuant to any other provision of the Indenture shall be deemed to be cured upon delivery of any such report required by such covenant or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Indenture.
- (5) At any time after a declaration of acceleration under the Indenture, but before a judgment or decree for payment of the money due has been obtained by the Trustee, the holders of a majority in aggregate principal amount of the outstanding Notes, by written notice to the Issuer and the Trustee, may rescind such declaration and its consequences if:
- (a) the Issuer has paid or deposited with the Trustee a sum sufficient to pay:
 - (i) all overdue interest and Additional Amounts on all Notes then outstanding;
 - (ii) all unpaid principal of and premium, if any, on any outstanding Notes that has become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Notes;
 - (iii) to the extent that payment of such interest is lawful, interest upon overdue interest and overdue principal at the rate borne by the Notes; and
 - (iv) all sums paid or advanced by the Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel;
 - (b) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction; and

- (c) all Events of Default, other than the non-payment of amounts of principal of, premium, if any, and any Additional Amounts and interest on the Notes that has become due solely by such declaration of acceleration, have been cured or waived.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

- (6) The holders of not less than a majority in aggregate principal amount of the outstanding Notes may, on behalf of the holders of all the Notes, waive any past defaults under the Indenture, except a continuing default in the payment of the principal of, premium, if any, and Additional Amounts or interest on any Note held by a non-consenting holder (which may only be waived with the consent of holders of Notes holding 90% of the aggregate principal amount of the Notes outstanding under the Indenture).
- (7) In case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any holders of Notes unless such holders have made written request and offered to the Trustee indemnity and/or security satisfactory to the Trustee against any loss, liability or expense. Except (subject to the provisions described under “—*Amendments and Waivers*”) to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts when due, no holder of any of the Notes has any right to institute any proceedings with respect to the Indenture or any remedy thereunder, unless the holders of at least 25% in aggregate principal amount of the outstanding Notes have made a written request to, and offered indemnity and/or security satisfactory to, the Trustee to institute such proceeding as trustee under the Notes and the Indenture, the Trustee has failed to institute such proceeding within 30 days after receipt of such notice and indemnity and/or security and the Trustee within such 30-day period has not received directions inconsistent with such written request by holders of a majority in aggregate principal amount of the outstanding Notes. Such limitations do not, however, apply to a suit instituted by a holder of a Note for the enforcement of the payment of the principal of, premium, if any, and Additional Amounts or interest on such Note on or after the respective due dates expressed in such Note.
- (8) If a Default or an Event of Default occurs and is continuing and is known to the Trustee, the Trustee will transmit to each holder of the Notes notice of the Default or Event of Default within 15 Business Days after its occurrence.
- (9) The Issuer is required to furnish to the Trustee, within 120 days after the end of each fiscal year, an Officers’ Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

Legal Defeasance or Covenant Defeasance of Indenture

The Indenture will provide that the Issuer may, at the option of its Board of Directors as evidenced by a resolution set forth in an Officers’ Certificate, elect to have the obligations of the Issuer and the Guarantors discharged with respect to the outstanding Notes and Notes Guarantees (“**Legal Defeasance**”). Legal Defeasance means that the Issuer will be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes and Notes Guarantees except as to:

- (a) the rights of holders of outstanding Notes to receive payments in respect of the principal of, premium, if any, and interest on such Notes when such payments are due from the trust referred to below;
- (b) the Issuer’s obligations to issue temporary Notes, register, transfer or exchange any Notes, replace mutilated, destroyed, lost or stolen Notes, maintain an office or agency for payments in respect of the Notes and segregate and hold such payments in trust;
- (c) the rights, powers, trusts, duties and immunities of the Trustee and the obligations of the Issuer and the Guarantors in connection therewith; and
- (d) the “*Legal Defeasance and Covenant Defeasance*” provisions of the Indenture.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and the Guarantors released with respect to certain covenants set forth in the Indenture (“**Covenant Defeasance**”), and thereafter any omission to comply with such covenants will not constitute a Default or an Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events described under “—*Events of Default*” will no longer constitute an Event of Default with respect to the Notes. These events do not include events relating to non-payment or, solely with respect to the Issuer, bankruptcy, insolvency, receivership and reorganization. The Issuer may exercise its Legal Defeasance option regardless of whether they previously exercised Covenant Defeasance.

In order to exercise either Legal Defeasance or Covenant Defeasance:

- (a) the Issuer must irrevocably deposit or cause to be deposited in trust with the Trustee (or such other entity designated or appointed by it for this purpose), for the benefit of the holders of the Notes, cash in euros, non-callable European Government Obligations or a combination thereof, in such amounts as will be sufficient to pay and discharge the principal of, premium, if any, and interest, on the outstanding Notes on the Stated Maturity or on the applicable redemption date, as the case may be, and the Issuer must (x) specify whether the Notes are being defeased to such Stated Maturity or to a particular redemption date; and (y) if applicable, have delivered to the Trustee an irrevocable notice to redeem all the outstanding Notes of such principal, premium, if any, or interest;
- (b) in the case of Legal Defeasance, the Issuer must have delivered to the Trustee an opinion of counsel reasonably acceptable to the Trustee stating that (i) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling, or (ii) since the date of the Indenture, there has been a change in applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;
- (c) in the case of Covenant Defeasance, the Issuer must have delivered to the Trustee an opinion of counsel reasonably acceptable to the Trustee to the effect that the beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;
- (d) the Issuer must have delivered to the Trustee an Officers’ Certificate stating that the deposit was not made by the Issuer with the intent of preferring the holders of the Notes over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding creditors of the Issuer or others; and
- (e) the Issuer must have delivered to the Trustee an Officers’ Certificate and an opinion of counsel, reasonably acceptable to the Trustee, subject to customary assumptions and qualifications, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance, as the case may be, have been complied with.

Satisfaction and Discharge

The Indenture, the Notes and the Notes Guarantees will be discharged and will cease to be of further effect when:

- (a) either:
 - (i) all the Notes that have been authenticated and delivered (other than destroyed, lost or stolen Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust or segregated and held in trust and thereafter repaid to the Issuer or discharged from such trust as provided for in the Indenture) have been delivered to the Trustee for cancellation; or

- (ii) all Notes that have not been delivered to the Trustee for cancellation (x) have become due and payable (by reason of the mailing of a notice of redemption or otherwise) or (y) will become due and payable within one year and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee (or each other entity designated as appointed by it for this purpose) as trust funds in trust solely for the benefit of the holders of the Notes, cash in euros, non-callable European Government Obligations or a combination thereof, in such amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium, if any, and accrued interest to the date of maturity or redemption; and
- (b) the Issuer has paid or caused to be paid all sums payable by the Issuer under the Indenture, the Notes and the Notes Guarantees; and
- (c) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Issuer must deliver to the Trustee an Officers' Certificate and an opinion of counsel, subject to customary assumptions and qualifications, each stating that all conditions precedent provided in the Indenture relating to the satisfaction and discharge of the Indenture have been satisfied; *provided* that any such counsel may rely on any Officers' Certificate as to matters of fact (including as to compliance with the foregoing clauses (a), (b) and (c)).

Amendments and Waivers

Except as provided otherwise in the succeeding paragraphs, the Indenture, the Notes or any Notes Guarantee, may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing Default or Event of Default or compliance with any provision of the Indenture or the Notes may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes); *provided* that, if any amendment, waiver or other modification will only affect one series of the Notes, only the consent of a majority in principal amount of the then outstanding Notes of such series shall be required.

Unless consented to by the holders of at least 90% of the aggregate principal amount of then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), without the consent of each holder of Notes affected, an amendment, supplement or waiver may not (with respect to any Notes held by a non-consenting holder):

- (a) change the Stated Maturity of the principal of, or any installment of or Additional Amounts or interest on, any Note;
- (b) reduce the principal amount of any Note (or Additional Amounts or premium, if any) or the rate of or change the time for payment of interest on any Note;
- (c) change the coin or currency in which the principal of any Note or any premium or any Additional Amounts or the interest thereon is payable;
- (d) impair the right of any holder of Notes to institute suit for the enforcement of any payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the redemption date);
- (e) reduce the principal amount of Notes whose holders must consent to any amendment, supplement or waiver of provisions of the Indenture (except a rescission of acceleration of the Notes by the holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the Payment Default that resulted from such acceleration);
- (f) release any Notes Guarantee other than in accordance with the terms of the Indenture;

- (g) modify any of the provisions relating to supplemental indentures requiring the consent of holders of the Notes or relating to the waiver of past defaults or relating to the waiver of certain covenants, except to increase the percentage of outstanding Notes required for such actions or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the holder of each Note affected thereby; or
- (h) make any change in the preceding amendment and waiver provisions.

Any amendment, supplement or waiver consented to by at least 90% of the aggregate principal amount of the then outstanding Notes will be binding against any non-consenting holders.

Notwithstanding the foregoing, without the consent of any holder of the Notes, the Guarantors, the Issuer and the Trustee may modify, amend or supplement the Indenture or any Notes Guarantee:

- (a) to cure any ambiguity, defect or inconsistency;
- (b) to provide for the assumption of the Issuer's or a Guarantor's obligations to holders of Notes and Notes Guarantees by a successor to the Issuer or any Guarantor in the case of a merger or consolidation or sale of all or substantially all of the Issuer's or such Guarantor's assets, as applicable;
- (c) to make any change that would provide any additional rights or benefits to the holders of Notes or that does not adversely affect the legal rights under the Indenture of any such holder in any material respect;
- (d) to conform the text of the Indenture, the Notes Guarantees or the Notes to any provision of this "*Description of the Notes*" to the extent that such provision in this "*Description of the Notes*" was intended to be a verbatim recitation of a provision of the Indenture, the Notes Guarantees or the Notes;
- (e) to release any Notes Guarantee in accordance with the terms of the Indenture;
- (f) to allow any Guarantor to execute a supplemental indenture and/or a Notes Guarantee with respect to the Notes;
- (g) provide for uncertificated Notes in addition to or in place of certificated Notes (provided that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the U.S. Internal Revenue Code of 1986, as amended);
- (h) to evidence and provide the acceptance of the appointment of a successor Trustee under the terms of the Indenture or to otherwise comply with any requirement of the Indenture; or
- (i) to provide for the issuance of Additional Notes in accordance with and if permitted by the terms of and limitations set forth in the Indenture.

In formulating its opinion on such matters, the Trustee shall be entitled to request and rely absolutely on such evidence as it deems appropriate, including an opinion of counsel and an Officers' Certificate on which the Trustee may solely rely.

The consent of the holders of Notes is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

Concerning the Trustee

The Issuer shall deliver written notice to the Trustee immediately after becoming aware of the occurrence of a Default or an Event of Default. If the Trustee becomes a creditor of the Issuer, the Indenture limits the right of the Trustee to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires actual knowledge of any conflicting interest it must eliminate such conflict within 90 days or resign as Trustee.

The holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default occurs and is continuing of which a responsible officer of the Trustee has received written notice in accordance with the Indenture, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes, unless such holder has offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense. The Issuer appoints Deutsche Trustee Company Limited as the initial Trustee.

The Issuer will indemnify the Trustee for any losses, claims, liabilities and expenses incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with its duties.

Listing

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and admit them to trading on the Euro MTF Market. There can be no guarantee that the application to list the Notes on the Official List of the Luxembourg Stock Exchange and admit them to trading on the Euro MTF Market will be approved as of the Issue Date or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this listing. The Issuer has initially designated Deutsche Bank Luxembourg S.A. as its agent for this purpose. The address of Deutsche Bank Luxembourg S.A. is 2, boulevard Konrad Adenauer, L-1115, Luxembourg.

Listing and General Information

So long as the Notes are listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange shall so require, copies, current and future, of all of our annual audited consolidated and unconsolidated financial statements, our unaudited consolidated interim quarterly financial statements and this offering memorandum may be obtained, free of charge, during normal business hours at the offices of the Listing Agent in Luxembourg.

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator, member or shareholder of the Issuer will have any liability for any obligations of the Issuer under the Notes or the Indenture or for any claim based on, in respect of, or by reason of such obligations or their creation. Each holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver and release may not be effective to waive liabilities under the U.S. federal securities laws.

Prescription

Claims against the Issuer for the payment of principal or premium, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Governing Law

The Indenture and the Notes will be governed by and construed in accordance with the laws of the State of New York, and will provide for the submission of the parties to the jurisdiction of the courts in the State of New York.

Consent to Jurisdiction and Service

The Indenture will provide that the Issuer will irrevocably and unconditionally appoint Law Debenture Corporate Services Inc., 801 Second Avenue, Suite 403, New York, New York 10017 as its agent for service of process in any suit, action or proceeding with respect to the Indenture and the Notes and for actions brought under U.S. federal or state securities laws brought in any Federal or state court located in the City of New York and will submit to such jurisdiction.

Enforceability of Judgments

Since all of the assets of the Issuer are outside the United States, any judgment obtained in the United States against the Issuer, including judgments with respect to the payment of principal, premium, if any, interest, Additional Amounts, redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

“*Acquired Debt*” means, with respect to any specified Person:

- (1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary; and
- (2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

“*Affiliate*” means, with respect to any specified Person any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control,” when used with respect to any specified Person, means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“*Applicable Premium*” means, with respect to any Note, on any redemption date prior to July 15, 2019, the greater of:

- (1) 1.0% of the principal amount of such Note and
- (2) the excess of:
 - (a) the present value at such redemption date of (i) the redemption price of the Note at July 15, 2019 (such redemption price being set forth in the table appearing above under the caption “—*Optional Redemption*”), *plus* (ii) all required interest payments due on the Note through July 15, 2019 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Bund Rate as of such redemption date *plus* 50 basis points; over
 - (b) the principal amount of such Note on such redemption date,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer may engage. For the avoidance of doubt, calculation of the Applicable Premium shall not be a duty or obligation of the Trustee, the Registrar or any Paying Agent.

“*Asset Sale*” means:

- (1) the sale, lease, conveyance or other disposition of any assets by the Issuer or any of its Restricted Subsidiaries; provided that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption “—*Repurchase at the Option of Holders—Change of Control*” and/or the provisions described above under the caption “—*Certain Covenants—Merger, Consolidation or Sale of Assets*” and not by the provisions described under the caption “—*Repurchase at the Option of Holders—Asset Sales*”; and
- (2) the issuance of Equity Interests by any Restricted Subsidiary or the sale by the Issuer or any of its Restricted Subsidiaries of Equity Interests in any Subsidiary of the Issuer (in each case, other than directors’ qualifying shares).

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

- (1) the lease or sublease of any real estate asset in the ordinary course of business;
- (2) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than the greater of (i) €5.0 million and (ii) 0.5% of Total Assets;
- (3) a transfer of assets or Equity Interests between or among the Issuer and any Restricted Subsidiary;
- (4) an issuance of Equity Interests by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary;
- (5) the sale, lease or other transfer of accounts receivable, inventory or other assets (other than real property) in the ordinary course of business and any sale or other disposition of damaged, worn-out or obsolete assets or assets that are no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries;
- (6) licenses and sublicenses by the Issuer or any of its Restricted Subsidiaries in the ordinary course of business;
- (7) any surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;
- (8) the granting of Liens not prohibited by the covenant described above under the caption “—*Certain Covenants—Liens*”;
- (9) the sale or other disposition of cash or Cash Equivalents;
- (10) a Restricted Payment that does not violate the covenant described above under the caption “—*Certain Covenants—Restricted Payments*”, a Permitted Investment or any transaction specifically excluded from the definition of Restricted Payment;
- (11) the disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;
- (12) the foreclosure, condemnation or any similar action with respect to any property or other assets or a surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind; and
- (13) the disposition of assets to a Person who is providing services (the provision of which have been or are to be outsourced by the Issuer or any Restricted Subsidiary to such Person) related to such assets.

“*Board of Directors*” means:

- (1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;
- (2) with respect to a partnership, the board of directors of the general partner of the partnership;
- (3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and
- (4) with respect to any other Person, the board or committee of such Person serving a similar function.

“*Bund Rate*” means, as of any redemption date, the rate per annum equal to the equivalent yield to maturity as of such redemption date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

- (1) “*Comparable German Bund Issue*” means the German *Bundesanleihe* security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such

redemption date to July 15, 2019, and that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of euro denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Notes and of a maturity most nearly equal to July 15, 2019; *provided*, however, that, if the period from such redemption date to July 15, 2019 is less than one year, a fixed maturity of one year shall be used;

- (2) “*Comparable German Bund Price*” means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;
- (3) “*Reference German Bund Dealer*” means any dealer of German *Bundesanleihe* securities appointed by the Issuer in good faith; and
- (4) “*Reference German Bund Dealer Quotations*” means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Issuer of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3:30 p.m. Frankfurt am Main, Germany time on the third Business Day preceding the relevant date.

“*Business Day*” means a day of the year on which banks are not required or authorized by law to close in Frankfurt am Main, Germany or London, United Kingdom.

“*Capital Lease Obligation*” means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet (excluding the footnotes thereto) prepared in accordance with IFRS as in effect on the Issue Date, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

“*Capital Stock*” means:

- (1) in the case of a corporation, corporate stock;
- (2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;
- (3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and
- (4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

“*Cash Equivalents*” means:

- (1) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of a member state of the European Union (other than Cyprus, Greece, Portugal or Spain), the United States of America or Switzerland (including, in each case, any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the relevant member state of the European Union (other than Cyprus, Greece, Portugal or Spain), the United States of America or Switzerland, as the case may be, and which are not callable or redeemable at the Issuer’s option; *provided* that such country (or agency or instrumentality) has a long-term government debt rating of “A1” or higher by Moody’s or “A+” or higher by S&P or the equivalent rating category of another internationally recognised rating agency as of the date of investment;
- (2) overnight bank deposits, time deposit accounts, certificates of deposit, banker’s acceptances and money market deposits with maturities (and similar instruments) of 12 months or less from the date of

acquisition issued by a bank or trust company which is organised under, or authorized to operate as a bank or trust company under, the laws of a member state of the European Union (other than Cyprus, Greece, Portugal or Spain), the United States of America or any state thereof or Switzerland; *provided* that (i) such bank or trust company has capital, surplus and undivided profits aggregating in excess of €250,000,000 (or the foreign currency equivalent thereof as of the date of such investment) and whose long-term debt is rated “A1” or higher by Moody’s or A+ or higher by S&P or the equivalent rating category of another internationally recognised rating agency or (ii) such country has a long-term government debt rating of “A1” or higher by Moody’s or “A+” or higher by S&P or the equivalent rating category of another internationally recognised rating agency as of the date of investment;

- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) above entered into with any financial institution meeting the qualifications specified in clause (2) above;
- (4) commercial paper having one of the two highest ratings obtainable from Moody’s or S&P and, in each case, maturing within one year after the date of acquisition; and
- (5) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (4) of this definition.

“*Commission*” means the U.S. Securities and Exchange Commission.

“*Consolidated EBITDA*” means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period plus the following to the extent deducted in calculating such Consolidated Net Income, without duplication:

- (1) provision for taxes based on income or profits of such Person and its Subsidiaries which are Restricted Subsidiaries for such period; *plus*
- (2) the Fixed Charges of such Person and its Subsidiaries which are Restricted Subsidiaries for such period; *plus*
- (3) depreciation, amortization (including, without limitation, amortization of intangibles and deferred financing fees) and other non-cash charges and expenses (including without limitation write downs and impairment of property, plant, equipment and intangibles and other long-lived assets and the impact of purchase accounting on the Issuer and its Restricted Subsidiaries for such period) of the Issuer and its Restricted Subsidiaries (excluding any such non-cash charge or expense to the extent that it represents an accrual of or reserve for cash charges or expenses in any future period or amortization of a prepaid cash charge or expense that was paid in a prior period) for such period; *plus*
- (4) any expenses, charges or other costs related to the issuance of any Capital Stock, any Permitted Investment, acquisition, disposition, recapitalization, listing or the incurrence of Indebtedness permitted to be incurred under the covenant described above under the caption “—*Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*” (including refinancing thereof) whether or not successful, including (i) such fees, expenses or charges related to any incurrence of Indebtedness issuance and (ii) any amendment or other modification of any incurrence; *plus*
- (5) any foreign currency translation losses (including losses related to currency remeasurements of Indebtedness) of the Issuer and its Restricted Subsidiaries; *plus*
- (6) (a) any extraordinary, exceptional or unusual loss or charge, or (b) any non-cash charges or reserves in respect of any integration; *plus*
- (7) the amount of any minority interest expense consisting of subsidiary income attributable to minority equity interests of third parties in any non-wholly owned Restricted Subsidiary in such period or any prior period, except to the extent of dividends declared or paid on, or other cash payments in respect of, Equity Interests held by such parties; *plus*
- (8) all expenses incurred directly in connection with any early extinguishment of Indebtedness; *minus*
- (9) any foreign currency translation gains (including gains related to currency remeasurements of Indebtedness) of the Issuer and its Restricted Subsidiaries; *minus*

(10) any extraordinary, exceptional or unusual gain; *minus*

(11) non-cash items increasing such Consolidated Net Income for such period (other than any non-cash items increasing such Consolidated Net Income pursuant to clauses (1) through (12) of the definition of Consolidated Net Income), other than the reversal of a reserve for cash charges in a future period in the ordinary course of business,

in each case, on a consolidated basis and determined in accordance with IFRS; and *provided* that for purposes of calculating Consolidated EBITDA all members of the FVR Group and all members of any Unrestricted Target Group, as the case may be, shall be deemed to be Restricted Subsidiaries.

“*Consolidated Net Income*” means, with respect to any specified Person for any period, the aggregate of the net income (loss) of such Person and its Subsidiaries which are Restricted Subsidiaries for such period, on a consolidated basis (excluding the net income (loss) of any Unrestricted Subsidiary), determined in accordance with IFRS and without any reduction in respect of preferred stock dividends; *provided* that:

- (1) the net income (loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary which is a Subsidiary of the Person;
- (2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph under the caption “—*Certain Covenants—Restricted Payments*”, any net income (loss) of any Restricted Subsidiary (other than any Guarantor) will be excluded if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer by operation of the terms of such Restricted Subsidiary’s charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes or the Indenture or (c) contractual restrictions in effect on the Issue Date with respect to the Restricted Subsidiary and other restrictions with respect to such Restricted Subsidiary that taken as a whole, are not materially less favorable to the Holders of the Notes than such restrictions in effect on the Issue Date, except that the Issuer’s equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than any Guarantor), to the limitation contained in this clause);
- (3) any net gain (or loss) realised upon the sale or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiaries (including pursuant to any sale leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Issuer) will be excluded;
- (4) any one time non-cash charges or any amortization or depreciation resulting from purchase accounting, in each case, in relation to any acquisition of, or merger or consolidation with, another Person or business or resulting from any reorganization or restructuring involving the Issuer or its Subsidiaries will be excluded;
- (5) the cumulative effect of a change in accounting principles will be excluded;
- (6) any extraordinary, exceptional or nonrecurring gains or losses or any charges in respect of any restructuring, redundancy or severance (in each case as determined in good faith by the Issuer) will be excluded;
- (7) any unrealised gains or losses in respect of Hedging Obligations or any ineffectiveness recognised in earnings related to qualifying hedge transactions or the fair value or changes therein recognised in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations will be excluded;
- (8) any non-cash compensation charge or expenses arising from any grant of stock, stock options or other equity-based awards will be excluded;

- (9) any goodwill or other intangible asset impairment charges will be excluded;
- (10) all deferred financing costs written off and premium paid in connection with any early extinguishment of Indebtedness and any net gain or loss from any write-off or forgiveness of Indebtedness will be excluded;
- (11) all fair value adjustments on investment properties will be excluded; and
- (12) the impact of any capitalized interest (including accreting or pay-in-kind interest) on any Subordinated Shareholder Debt will be excluded,

provided that for purposes of calculating Consolidated Net Income (other than for purposes of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph under the caption “—*Certain Covenants—Restricted Payments*”) all members of the FVR Group and all members of any Unrestricted Target Group, as the case may be, shall be deemed to be Restricted Subsidiaries.

“*Contingent Obligations*” means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that, in each case, does not constitute Indebtedness (“**primary obligations**”) of any other Person (the “**primary obligor**”), including any obligation of such Person, whether or not contingent:

- (1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;
- (2) to advance or supply funds:
 - (a) for the purchase or payment of any such primary obligation; or
 - (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or
- (3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

“*continuing*” means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

“*Credit Facility*” means, one or more debt facilities, instruments or arrangements incurred (including revolving credit facilities, commercial paper facilities and overdraft facilities) or commercial paper facilities or indentures or trust deeds or note purchase agreements, in each case, with banks, other institutions, funds or investors, providing for revolving credit loans, term loans, performance guarantees, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit, bonds, notes debentures or other corporate debt instruments or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or trustees or other banks or institutions and whether provided under one or more credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term “Credit Facilities” shall include any agreement or instrument (1) changing the maturity of any Indebtedness incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers, issuers or guarantors thereunder, (3) increasing the amount of Indebtedness incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

“*Currency Agreements*” means, in respect of a Person, any spot or forward foreign exchange agreements and currency swap, currency option or other similar financial agreements or arrangements designed to protect such Person against or manage exposure to fluctuations in foreign currency exchange rates.

“*Default*” means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

“*Designated Non-Cash Consideration*” means the Fair Market Value of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as “Designated Non-Cash Consideration” pursuant to an Officers’ Certificate, setting forth the basis of such valuation, less the amount of cash or Cash Equivalents received in connection with a subsequent sale of such Designated Non-Cash Consideration.

“*Disqualified Stock*” means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, (1) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the six-month anniversary of the date that the Notes mature or (2) provides for, either mandatorily or at the option of the holder of the Capital Stock, the payment of dividends or distributions (other than in the form of Equity Interests that are not Disqualified Stock). Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption “—*Certain Covenants—Restricted Payments*”. For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Stock, such Fair Market Value to be determined as set forth herein.

“*Equity Interests*” means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

“*Equity Offering*” means a sale for cash after the Issue Date of Capital Stock of the Issuer.

“*Euro Equivalent*” means, with respect to any monetary amount in a currency other than euro, at any time for the determination thereof, the amount of euro obtained by converting such foreign currency involved in such computation into euro at the spot rate for the purchase of euro with the applicable foreign currency as published under “Currency Rates” in the section of the Financial Times entitled “Currencies, Bonds & Interest Rates” on the date that is two Business Days prior to such determination.

“*European Government Obligations*” means direct obligations of, or obligations guaranteed by, a member state of the European Union as in effect on December 31, 2003, and the payment for which such member state of the European Union pledges its full faith and credit.

“*Exchange Act*” means the U.S. Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

“*Fair Market Value*” means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress of either party, determined in good faith by the Issuer’s chief executive officer, chief financial officer or a responsible accounting or financial officer of the Issuer.

“*Fixed Charge Coverage Ratio*” means, with respect to any specified Person for any period, the ratio of the Consolidated EBITDA of such Person for such period to the Fixed Charges of such Person for such period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the “**Calculation Date**”), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of

Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided*, however, that the *pro forma* calculation of Fixed Charges shall not give effect to (i) any Indebtedness incurred on the Calculation Date pursuant to the provisions described in the second paragraph under “—*Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*” or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in the second paragraph under “—*Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*”.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

- (1) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer and may include anticipated synergies and expense and cost reductions) as if they had occurred on the first day of the four-quarter reference period;
- (2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;
- (3) the Fixed Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;
- (4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;
- (5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period; and
- (6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness).

“*Fixed Charges*” means, with respect to any Person for any period, the sum, without duplication, of:

- (1) the total consolidated interest expense of such Person and its Restricted Subsidiaries for such period, including, without limitation:
 - (i) amortization of debt discount, but excluding amortization of debt issuance costs, commissions, fees and expenses and the expensing of any financing fees;
 - (ii) the net payments (if any) pursuant to interest rate Hedging Obligations (excluding amortization of fees and discounts) with respect to Indebtedness;
 - (iii) the interest portion of any deferred payment obligation (classified as Indebtedness under the Indenture); and
 - (iv) commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers’ acceptance financings; *plus*

- (2) the interest component of Capital Lease Obligations accrued or scheduled to be paid or accrued during such periods, other than the interest component of Capital Lease Obligations between or among such Person and any of its Subsidiaries which are Restricted Subsidiaries or between or among its Subsidiaries which are Restricted Subsidiaries; *plus*
- (3) such Person's and its Restricted Subsidiaries', non-cash interest expenses (but excluding any non-cash interest expense attributable to the movement in the mark to market valuation of Hedging Obligations or other derivative instruments) and interest that was capitalized during such period; *plus*
- (4) all cash and non-cash dividends or other distributions payable (excluding items eliminated in consolidation) on any series of preferred stock during such period; *plus*
- (5) all cash and non-cash dividends or other distributions payable (excluding items eliminated in consolidation) on any series of Disqualified Stock during this period; determined on a consolidated basis in accordance with IFRS; *plus*
- (6) any interest on Indebtedness of another Person that is guaranteed by such Person or one of its Subsidiaries which are Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Subsidiaries which are Restricted Subsidiaries, but only to the extent such interest is actually paid by the Person guaranteeing or securing such Indebtedness, or by its Restricted Subsidiaries; *minus*
- (7) the interest income of such Person and its Subsidiaries which are Restricted Subsidiaries during such period,

provided that for purposes of calculating Fixed Charges all members of the FVR Group and all members of any Unrestricted Target Group, as the case may be, shall be deemed to be Restricted Subsidiaries. Notwithstanding any of the foregoing, Fixed Charges shall not include (i) any interest accrued, capitalized or paid in respect of Subordinated Shareholder Debt and (ii) any payments on any operating leases.

"FVR-AG" means Fair Value REIT-AG and its successors.

"FVR Group" means FVR-AG and its consolidated Subsidiaries.

"guarantees" means, as applied to any obligation,

- (a) a guarantee (other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business), direct or indirect, in any manner, of any part or all of such obligation; and
- (b) an agreement, direct or indirect, contingent or otherwise, the practical effect of which is to assure in any way the payment or performance (or payment of damages in the event of non-performance) of all or any part of such obligation, including, without limiting the foregoing, by the pledge of assets and the payment of amounts drawn down under letters of credit.

"Guarantors" means any Subsidiary of the Issuer that executes a Notes Guarantee in accordance with the provisions of the Indenture, and their respective successors and assigns, in each case, until the Notes Guarantee of such Person has been released in accordance with the provisions of the Indenture.

"Hedging Obligations" means, with respect to any specified Person, the obligations of such Person under:

- (1) interest rate swap agreements, (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;
- (2) other agreements or arrangements designed to manage interest rates or interest rate risk; and
- (3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates, or commodity prices.

"IFRS" means the International Financial Reporting Standards promulgated by the International Accounting Standards Board or any successor board or agency as endorsed by the European Union and in effect on the date hereof or, with respect to the covenant described under the caption "—*Certain Covenants—Provision of Information*", as in effect from time to time.

“Indebtedness” means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables):

- (1) in respect of borrowed money;
- (2) evidenced by bonds, notes, debentures or similar instruments for which such Person is responsible or liable;
- (3) representing reimbursement obligations in respect of letters of credit, bankers’ acceptances or similar instruments (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of incurrence);
- (4) representing Capital Lease Obligations;
- (5) representing the balance deferred and unpaid of the purchase price of any property or services due more than one year after such property is acquired or such services are completed;
- (6) representing any Hedging Obligations in respect of interest rate or currency hedging; and
- (7) the principal component of all obligations, or liquidation preferences, with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any preferred stock (but excluding, in each case, any accrued dividends),

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of the specified Person prepared in accordance with IFRS. In addition, the term *“Indebtedness”* includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the guarantee by the specified Person of any Indebtedness of any other Person.

The term *“Indebtedness”* shall not include:

- (1) Subordinated Shareholder Debt;
- (2) any lease of property which would be considered an operating lease under IFRS and any guarantee given by the Issuer or a Restricted Subsidiary in the ordinary course of business solely in connection with, and in respect of, the obligations of the Issuer or a Restricted Subsidiary under any operating lease;
- (3) Contingent Obligations in the ordinary course of business;
- (4) deposits collected from tenants in connection with lease agreements;
- (5) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing;
- (6) any obligations in respect of the Mandatory Convertible Bond; or
- (7) for the avoidance of doubt, any contingent obligations in respect of workers’ compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes.

“Investment Grade Rating” shall occur when the Notes are rated “Baa3” or better by Moody’s and “BBB-” or better by S&P, as applicable (or, if either such entity ceases to rate the Notes, the equivalent investment grade credit rating from any other “nationally recognized statistical rating organization” within the meaning of Rule 15c3-(c)(2)(vi)(F) under the Exchange Act selected by the Issuer as a replacement agency).

“Investments” means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including guarantees or other obligations, but

excluding advances or extensions of credit to customers or suppliers made in the ordinary course of business), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as Investments on a balance sheet (excluding the footnotes) prepared in accordance with IFRS. If the Issuer or any Restricted Subsidiary sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary, the Issuer will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Issuer's Investments in such Restricted Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "*—Certain Covenants—Restricted Payments*". The acquisition by the Issuer or any Restricted Subsidiary of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Issuer or such Restricted Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of the covenant described above under the caption "*—Certain Covenants—Restricted Payments*". Except as otherwise provided in the Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value and, to the extent applicable, shall be determined based on the equity value of such Investment.

"*Issue Date*" means July 26, 2017.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement or any lease in the nature thereof.

"*Management Advances*" means loans or advances not exceeding in aggregate outstanding amount €1.0 million, and in each case made to, or guarantees with respect to loans or advances made to, directors, officers or employees of any Issuer or any Restricted Subsidiary: (1) in respect of travel, entertainment or moving related expenses incurred in the ordinary course of business; (2) in respect of moving related expenses incurred in connection with any closing or consolidation of any facility or office; or (3) in the ordinary course of business.

"*Mandatory Convertible Bond*" means the mandatory convertible bond due May 22, 2018 issued by the Issuer on May 22, 2015 in a total nominal amount of €15.0 million, as amended, restated, modified or extended from time to time.

"*Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the Issuer on the date of declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"*Moody's*" means Moody's Investors Service, Inc. and its successors.

"*Net Proceeds*" means the aggregate cash proceeds received by the Issuer or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration or Cash Equivalents substantially concurrently received in any Asset Sale), net of (i) the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, (ii) taxes paid or payable as a result of the Asset Sale, (iii) all distributions and other payments required to be made to minority interest holders (other than the Issuer or any of its Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Sale, and (iv) any reserve for adjustment or indemnification obligations in respect of the sale price of such asset or assets established in accordance with IFRS.

"*Net Secured Loan-to-Value Ratio*" means, as of any date of determination, the ratio of (1) the aggregate amount of Senior Secured Indebtedness of the Issuer and its Subsidiaries less the normalized amount of cash and cash equivalents of the Issuer and its Subsidiaries, in each case on a consolidated basis, during the

180 days prior to the date of determination (as determined in good faith by the Issuer's chief financial officer or chief accounting officer), to (2) Total Assets.

"Net Total Loan-To-Value Ratio" means, as of any date of determination, the ratio of (1) the aggregate amount of Indebtedness of the Issuer and its Subsidiaries *less* the normalized amount of cash and cash equivalents of the Issuer and its Subsidiaries, in each case on a consolidated basis, during the 180 days prior to the date of determination (as determined in good faith by the Issuer's chief financial officer or chief accounting officer), to (2) Total Assets.

"Non-Recourse Debt" means Indebtedness as to which neither the Issuer nor any of its Restricted Subsidiaries (1) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (2) is directly or indirectly liable as a guarantor or otherwise.

"Notes Guarantee" means the guarantee by each Guarantor of the Issuer's obligations under the Indenture and the Notes, executed pursuant to the provisions of the Indenture.

"Obligations" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"Officers' Certificate" means a certificate signed by an officer of the Issuer or a Guarantor, as the case may be, and delivered to the Trustee.

"Parent Holdco" means any Person (other than a natural person) which legally and beneficially owns more than 50% of the Voting Stock and/or Capital Stock of another Person, either directly or through one or more Subsidiaries.

"Permitted Business" means (1) any businesses in activities engaged in by the Issuer or any of its Subsidiaries on the Issue Date or (2) any businesses that are related, complementary, incidental, ancillary or similar to the foregoing or are reasonable extensions or developments of any thereof in the European Union.

"Permitted Holders" means each of (i) Wecken & Cie. and (ii) Obotritia Capital KGaA.

"Permitted Investments" means:

- (1) any Investment in the Issuer or in a Restricted Subsidiary;
- (2) any Investment in cash and Cash Equivalents;
- (3) any Investment by the Issuer or any Restricted Subsidiary in a Person, if as a result of such Investment:
 - (a) such Person becomes a Restricted Subsidiary; or
 - (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary;
- (4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption *"—Repurchase at the Option of Holders—Asset Sales"*;
- (5) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Issuer or Subordinated Shareholder Debt;
- (6) any Investments received in compromise or resolution of (a) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Issuer or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (b) litigation, arbitration or other disputes;
- (7) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business;

- (8) Investments represented by Hedging Obligations, which obligations are permitted by clause (9) of the second paragraph of the covenant entitled “—*Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*”;
- (9) Investments in the Notes and any other Indebtedness of the Issuer or any Restricted Subsidiary that is not subordinated in right of payment to the Notes;
- (10) any guarantee of Indebtedness permitted to be incurred by the covenant described above under the caption “—*Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*”;
- (11) any Investments existing on, or made pursuant to a binding commitment existing on, the Issue Date by the Issuer and any Investment consisting of an extension, modification or renewal of any such Investment existing on, or made pursuant to a binding commitment existing on, the Issue Date; provided that the amount of any such Investment may be increased (a) as required by the terms of such Investment as in existence on the Issue Date and (b) as otherwise permitted by the Indenture;
- (12) Investments made in Affiliates of the Issuer as part of a cash management, cash pooling or netting or setting-off arrangement entered into in the ordinary course of business;
- (13) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or any Restricted Subsidiary of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption “—*Certain Covenants—Merger, Consolidation or Sale of Assets*” after the Issue Date to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;
- (14) Management Advances;
- (15) any Investment to the extent made using as consideration Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Debt or Capital Stock of any Parent Holdco;
- (16) any Investment in a Person that is a tenant of the Issuer or a Restricted Subsidiary in the ordinary course of business and related to the leasing or operation of a property, whether in the form of a working capital loan, concession on rent, lease incentive, allowance or otherwise;
- (17) Investments made in a Person in connection with real estate transfer structuring not to exceed €25.0 million in the aggregate at any time outstanding;
- (18) Investments in a Person in a Permitted Business having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (18) that are at the time outstanding not to exceed the greater of (i) €150.0 million and (ii) 15.1% of Total Assets; *provided* that if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described above under the caption “—*Certain Covenants—Restricted Payments*”, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (3) of the definition of “Permitted Investments” and not this clause; and
- (19) other Investments in a Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (19) that are at the time outstanding not to exceed €10.0 million; *provided* that if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described above under the caption “—*Certain Covenants—Restricted Payments*”, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (3) of the definition of “Permitted Investments” and not this clause.

“*Permitted Liens*” means:

- (1) Liens in favor of the Issuer or any Restricted Subsidiary;

- (2) Liens on property (including Capital Stock) of a Person existing at the time such Person becomes a Restricted Subsidiary or is merged with or into or consolidated with the Issuer or any Restricted Subsidiary; *provided* that such Liens were in existence prior to the contemplation of such Person becoming a Restricted Subsidiary or such merger or consolidation, were not incurred in contemplation thereof and do not extend to any assets other than those of the Person that becomes a Restricted Subsidiary or is merged with or into or consolidated with the Issuer or any Restricted Subsidiary;
- (3) Liens to secure the performance of statutory obligations, trade contracts, insurance, surety or appeal bonds, workers compensation obligations, leases (including, without limitation, statutory and common law landlord's liens), performance bonds, surety and appeal bonds or other obligations of a like nature incurred in the ordinary course of business (including Liens to secure letters of credit issued to assure payment of such obligations);
- (4) Liens to secure Indebtedness permitted by the first paragraph and clauses (1) and (4) of the second paragraph of the covenant entitled "*Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" (with respect to Indebtedness incurred under clause (4) of the definition of Permitted Debt, covering only the assets acquired with or financed by such Indebtedness);
- (5) Liens securing Indebtedness under Hedging Obligations, which obligations are permitted by clause (8) of the second paragraph of the covenant described above under the caption "*Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*";
- (6) Liens existing on the Issue Date;
- (7) Liens for taxes, assessments or governmental charges or claims that (a) are not yet due and payable or (b) are being contested in good faith by appropriate proceedings;
- (8) Liens imposed by law, such as carriers', warehousemen's, landlord's and mechanics' Liens, in each case, incurred in the ordinary course of business;
- (9) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;
- (10) Liens created for the benefit of (or to secure) the Notes (or the Notes Guarantees);
- (11) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under the Indenture; *provided, however*, that:
 - (a) the new Lien is limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to such property or proceeds or distributions thereof); and
 - (b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged with such Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;
- (12) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;
- (13) bankers' Liens, rights of setoff or similar rights and remedies as to deposit accounts, Liens arising out of judgments or awards not constituting an Event of Default and notices of lis pendens and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;
- (14) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;

- (15) Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;
- (16) Liens arising solely by virtue of banks' standard business terms and conditions;
- (17) leases (including operating leases), licenses, subleases and sublicenses of assets in the ordinary course of business;
- (18) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of assets entered into in the ordinary course of business;
- (19) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any real property leased by the Issuer or any Restricted Subsidiary and subordination or similar agreements relating thereto and (b) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;
- (20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;
- (21) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;
- (22) Liens (including put and call arrangements) on Capital Stock or other securities of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;
- (23) pledges of goods, the related documents of title and/or other related documents arising or created in the ordinary course of the Issuer or any Restricted Subsidiary's business or operations as Liens only for Indebtedness to a bank or financial institution directly relating to the goods or documents on or over which the pledge exists;
- (24) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by the Issuer or a Restricted Subsidiary on condition that the cash paid into such escrow account in relation to a disposal does not represent more than 15% of the net proceeds of such disposal;
- (25) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;
- (26) Liens created on any asset of the Issuer or a Restricted Subsidiary established to hold assets of any stock option plan or any other management or employee benefit or incentive plan or unit trust of the Issuer or a Restricted Subsidiary securing any loan to finance the acquisition of such assets;
- (27) Liens on escrowed proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;
- (28) Liens pursuant to (a) Section 8a of the German Partial Retirement Act (*Altersteilzeitgesetz*); (b) Section 7d of the German Social Law Act No. 4 (*Sozialgesetzbuch IV*); or (c) Section 1136 (alone or in conjunction with Section 1192(1)) of the German Civil Code (*Bürgerliches Gesetzbuch*);
- (29) Liens created or subsisting by virtue of hereditary building rights (*Erbbaurechte*); and
- (30) Liens incurred in the ordinary course of business of the Issuer or any Restricted Subsidiary securing Indebtedness of the Issuer and its Restricted Subsidiaries that does not exceed the greater of (i) €15.0 million and (ii) 1.5% of Total Assets at any one time outstanding.

“Permitted Refinancing Indebtedness” means any Indebtedness of the Issuer or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, exchange, defease or discharge other Indebtedness of the Issuer or any of its Restricted Subsidiaries (other than intercompany Indebtedness (other than any proceeds loan)); provided that:

- (1) the aggregate principal amount (or accreted value, if applicable), or if issued with original issue discount, aggregate issue price) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of the Indebtedness renewed, refunded, refinanced, replaced, exchanged, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);
- (2) such Permitted Refinancing Indebtedness has (a) a final maturity date that is either (i) no earlier than the final maturity date of the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged or (ii) after the final maturity date of the Notes and (b) has a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged;
- (3) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is expressly, contractually subordinated in right of payment to the Notes or any Notes Guarantee, as the case may be, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes or such Notes Guarantee, as the case may be, on terms at least as favorable to the holders of Notes or the Notes Guarantees, as the case may be, as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged; and
- (4) if the Issuer or a Guarantor was the obligor of the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged, such Indebtedness is incurred either by the Issuer or a Guarantor,

provided that if such renewal, refund, refinancing, replacement, exchange, defeasance or discharge in full or in part of the Indebtedness is initially funded from sources other than Permitted Refinancing Indebtedness, the Permitted Refinancing Indebtedness is raised within twelve months of such renewal, refund, refinancing, replacement, exchange, defeasance or discharge and is identified in good faith by the Issuer as being a replacement of such Indebtedness.

“Person” means any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Preferred Stock” means, with respect to any Person, Capital Stock of any class or classes (however designated) of such Person which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over the Capital Stock of any other class of such Person whether now outstanding, or issued after the date of the Indenture, and including, without limitation, all classes and series of preferred or preference stock of such Person; *provided* that accrued non-cash dividends with respect to any Preferred Stock shall not constitute Preferred Stock for the purposes of *“Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock”*.

“Public Market” means any time after:

- (1) an Equity Offering has been consummated; and
- (2) at least 20% of the total issued and outstanding ordinary shares or common equity of the Issuer has been distributed to investors other than the Permitted Holders or any other direct or indirect shareholders of the Issuer as of the Issue Date.

“Restricted Investment” means an Investment other than a Permitted Investment.

“Restricted Subsidiary” means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

“S&P” means Standard and Poor’s Ratings Service, a division of The McGraw-Hill Companies, Inc. and its successors.

“*Securities Act*” means the U.S. Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

“*Senior Secured Indebtedness*” means, as of any date of determination, (i) Indebtedness of the Issuer or any Guarantor (other than Indebtedness incurred pursuant to clauses (4), (6), (10), (11), (12), (14) and (15) of the second paragraph of the covenant under the caption “—*Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*”) that is secured by a Lien and (ii) any Indebtedness of a Restricted Subsidiary that is not a Guarantor.

“*Significant Subsidiary*” means, at the date of determination, any Restricted Subsidiary of the Issuer that together with its Subsidiaries which are Restricted Subsidiaries of the Issuer (i) for the most recent fiscal year, accounted for more than 10% of the consolidated revenues of the Issuer or (ii) as of the end of the most recent fiscal quarter, was the owner of more than 10% of the consolidated assets of the Issuer.

“*Stated Maturity*” means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Issue Date, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

“*Subordinated Shareholder Debt*” means, collectively, any debt provided to the Issuer by any direct or indirect Parent Holdco of the Issuer or any Permitted Holder, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Debt; provided that such Subordinated Shareholder Debt:

- (1) does not (including upon the happening of any event) mature or require any amortization or other payment of principal prior to the first anniversary of the maturity of the Notes (other than through conversion or exchange of any such security or instrument for Equity Interests of the Issuer (other than Disqualified Stock) or for any other security or instrument meeting the requirements of the definition);
- (2) does not (including upon the happening of any event) require the payment of cash interest prior to the first anniversary of the maturity of the Notes;
- (3) does not (including upon the happening of any event) provide for the acceleration of its maturity nor confers on its shareholders any right (including upon the happening of any event) to declare a default or event of default or take any enforcement action, in each case, prior to the first anniversary of the maturity of the Notes;
- (4) is not secured by a Lien on any assets of the Issuer or a Restricted Subsidiary and is not guaranteed by any Subsidiary of the Issuer;
- (5) is subordinated in right of payment to the prior payment in full in cash of the Notes in the event of any default, bankruptcy, reorganization, liquidation, winding up or other disposition of assets of the Issuer; and
- (6) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder, in whole or in part, prior to the date on which the Notes mature other than into or for Capital Stock (other than Disqualified Stock) of the Issuer,

provided, however, that any event or circumstance that results in such Indebtedness ceasing to qualify as Subordinated Shareholder Debt, such Indebtedness shall constitute an incurrence of such Indebtedness by the Issuer, and any and all Restricted Payments made through the use of the net proceeds from the incurrence of such Indebtedness since the date of the original issuance of such Subordinated Shareholder Debt shall constitute new Restricted Payments that are deemed to have been made after the date of the original issuance of such Subordinated Shareholder Debt.

“*Subsidiary*” means, with respect to any specified Person:

- (1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after

giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

- (2) any partnership or limited liability Issuer of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"Total Assets" means, as of any date of determination, the investment properties of the Issuer and its Subsidiaries on a consolidated basis as of the end of the most recent fiscal quarter preceding such date, prepared in accordance with IFRS.

"Trust Indenture Act" means the U.S. Trust Indenture Act of 1939, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

"Unrestricted Subsidiary" means:

- (1) on the Issue Date, and subject to the "*Certain Covenants—Designation of Unrestricted and Restricted Subsidiaries*" covenant, all members of the FVR Group;
- (2) any Subsidiary of the Issuer that is designated by the Board of Directors of the Issuer as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors but only to the extent that such Subsidiary:
 - (a) has no Indebtedness other than Non-Recourse Debt;
 - (b) except as permitted by the covenant described above under the caption "*Certain Covenants—Transactions with Affiliates*", is not party to any agreement, contract, arrangement or understanding with the Issuer or any Restricted Subsidiary unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Issuer; and
 - (c) is a Person with respect to which neither the Issuer nor any Restricted Subsidiary has any direct or indirect obligation (i) to subscribe for additional Equity Interests or (ii) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and
- (3) any Subsidiary of an Unrestricted Subsidiary.

"Unrestricted Target Group" means any Unrestricted Target Subsidiary and its respective consolidated Subsidiaries.

"Unrestricted Target Subsidiary" means any Subsidiary (and its successors) which is acquired by the Issuer or any Restricted Subsidiary after the Issue Date (whether in one or a series of related transactions) which, due to applicable legal or corporate governance restrictions (including, without limitation, imposed under the German Stock Corporation Act (*Aktiengesetz*) and as determined in good faith by the Issuer and not taking into account any domination and/or profit and loss transfer agreements or similar corporate measures), is prevented from becoming a Restricted Subsidiary.

"Voting Stock" means any class or classes of Capital Stock pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the Board of Directors, managers or trustees (or Persons performing similar functions) of any Person (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

“Weighted Average Life to Maturity” means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

- (1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by
- (2) the then outstanding principal amounts of such Indebtedness.

CERTAIN INSOLVENCY LAW CONSIDERATIONS

The following is a summary of certain insolvency law considerations regarding the European Union and Germany. The descriptions below are only a summary and do not purport to be complete or to discuss all insolvency law considerations that may affect the enforceability of the obligations of the Issuer. See “*Risk Factors—Risks Related to the Notes*”.

European Union

On June 5, 2015, Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings (the “**EU Insolvency Regulation**”) was published on the Official Gazette of the European Union.

The EU Insolvency Regulation is applicable to insolvency proceedings opened after June 26, 2017. Insolvency proceedings opened before June 26, 2017 are subject to Regulation (EC) 1346/2000 of May 29, 2000 on insolvency proceedings, last amended by Implementing Regulation (EU) 1792/2016 of September 29, 2016.

Main insolvency proceedings

Pursuant to Article 3(1) of the EU Insolvency Regulation, the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the Member State (other than Denmark) within which the center of a debtor’s main interests is situated. The “center of main interests” is defined as “the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties”. Pursuant to Article 3(1) of the EU Insolvency Regulation, the center of main interests of a company or legal person is presumed to be located in the Member State of the registered office in the absence of proof to the contrary. That presumption shall only apply if the registered office has not been moved to another Member State within a three month period prior to the request for the opening of insolvency proceedings. Specifically, it should be possible to rebut this presumption where the company’s central administration is located in a Member State other than that of its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company’s actual center of management and supervision and of the management of its interests is located in that other Member State. In this regard, special consideration should be given to creditors and their perception as to where a debtor conducts the administration of its interests. In the event of a shift in the center of main interests, this may require informing the creditors of the new location from which the debtor is carrying out its activities in due course (e.g. by drawing attention to the change of address in commercial correspondence or otherwise making the new location public through other appropriate means).

If the “center of main interests” of a company is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the company under the EU Insolvency Regulation would be commenced in such jurisdiction and, accordingly, a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation.

Furthermore, pursuant to Article 6 of the EU Insolvency Regulation, the courts of the Member State within the territory of which insolvency proceedings have been opened in accordance with Article 3 shall have jurisdiction for any action that derives directly from the insolvency proceedings and is closely linked with them, such as avoidance actions.

Secondary insolvency proceedings

Insolvency proceedings opened in one Member State under the EU Insolvency Regulation are to be recognized in another Member States (other than Denmark), although secondary proceedings may be opened in other Member States. If the “center of main interests” of a debtor is in one Member State (other than Denmark), under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open “secondary” or “territorial” insolvency proceedings only in the event that such debtor has an “establishment” in the territory of such other Member State. “Establishment” is defined as any place of operations where a debtor carries out or has carried out in the three-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets. The effects of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other Member State.

However, under Article 36 of the EU Insolvency Regulation, the insolvency practitioner in the main insolvency proceedings may prevent the opening of secondary insolvency proceedings in another Member State by giving a unilateral undertaking in respect of the assets located in the Member State in which secondary insolvency proceedings could be opened. For this purpose the insolvency practitioner must undertake to comply with the distribution and priority rights under the relevant national law from which the local creditors would benefit if the insolvency proceeding was opened in the Member State where the assets are located. Such undertaking must be made in writing and is subject to approval by a qualified majority of local creditors, determined in accordance with applicable local laws. If approved, the undertaking is binding on the insolvent estate and if a court is requested to open secondary insolvency proceedings, it should, at the request of the insolvency practitioner in the main insolvency proceedings, refuse to open such proceeding if it is satisfied that the undertaking adequately protects the general interests of local creditors.

Pursuant to Article 4 of the EU Insolvency Regulation, a court requested to open insolvency proceedings will be required to examine whether it has jurisdiction pursuant to Article 3; such decision may be challenged by the debtor or any creditor on grounds of international jurisdiction.

Insolvency proceedings involving members of a group of companies

The EU Insolvency Regulation provides for a cooperation and communication mechanism in the event that insolvency proceedings concerning two or more members of a group of companies are opened. Insolvency practitioners appointed in proceedings concerning a member of the group shall cooperate with any insolvency practitioner appointed in proceedings concerning another member of the group to the extent that such cooperation is appropriate. Similarly, the court which has opened proceedings shall also cooperate with any other court before which a request is made to open proceedings concerning another member of the group to the extent that cooperation is appropriate to facilitate the effective administration of the proceedings, is not incompatible with the rules applicable to them and does not entail any conflict of interest. In this respect, the courts may, where appropriate, appoint a third party, provided that this is not incompatible with the rules applicable to them.

Germany

Insolvency

The Issuer is organized under the laws of Germany, has its registered offices in Germany and, except for shareholding interests in certain subsidiaries, substantially all of its assets are located in Germany. Consequently, any insolvency proceedings with regard to the Issuer are likely to be initiated in Germany and, if the Issuer is held to have its center of main interests within the territory of Germany at the time the application for the opening of insolvency proceedings (*Insolvenzeröffnungsantrag*) is filed, German insolvency law would most likely govern such proceedings. The insolvency laws of Germany and, in particular, the provisions of the German Insolvency Code (*Insolvenzordnung*) may not be as favorable to creditors as the insolvency laws of other jurisdictions, including, *inter alia*, in respect of priority of creditors' claims, the ability to obtain post-petition interest and the duration of the insolvency proceedings, and hence may limit the ability of creditors to recover payments due on the Notes, as applicable, to an extent exceeding the limitations arising under other insolvency laws.

The following is a brief description of certain aspects of the insolvency laws of Germany.

Under German insolvency law, there is no group insolvency concept, which generally means that, despite the economic ties between various entities within one group of companies, there will be one separate insolvency proceeding for each of the entities if and to the extent there exists an insolvency reason on the part of the relevant entity. Each of these insolvency proceedings will be legally independent from all other insolvency proceedings (if any) within the group. In particular, there is no consolidation of assets and liabilities of a group of companies in the event of insolvency and no pooling of claims among the respective entities of a group. Recently, the German legislator resolved upon the act to facilitate the mastering of group insolvencies (*Gesetz zur Erleichterung der Bewältigung von Konzerninsolvenzen*) which will enter into force on April 21, 2018. However, this act mainly provides for coordination of and cooperation between insolvency proceedings of group companies. The act does not provide for a consolidation of the insolvency proceedings of the insolvent group companies, or a consolidation of the assets and liabilities of a group of companies or pooling of claims amongst the respective entities of a group, but rather stipulates four key amendments of the German Insolvency Code in order to facilitate an efficient administration of group

insolvencies: (i) a single court may be competent for each group entity insolvency proceedings; (ii) the appointment of a single person as insolvency administrator for all group companies is facilitated; (iii) certain coordination obligations are imposed on insolvency courts, insolvency administrators and creditors' committees; and (iv) certain parties may apply for "coordination proceedings" (*Koordinationsverfahren*) and the appointment of a "coordination insolvency administrator" (*Koordinationsverwalter*) with the ability to propose a "coordination plan" (*Koordinationsplan*).

Under German insolvency law, insolvency proceedings are not initiated by the competent insolvency court ex officio, but require that the debtor or a creditor files a petition for the opening of insolvency proceedings. Insolvency proceedings can be initiated either by the debtor or by a creditor in the event of over indebtedness (*Überschuldung*) of the debtor or in the event that the debtor is unable to pay its debts as and when they fall due (*Zahlungsunfähigkeit*). According to the relevant provision of the German Insolvency Code (*Insolvenzordnung*), a debtor is over indebted when its liabilities exceed the value of its assets (based on their liquidation values), unless a continuation of the debtor's business as a going concern is predominantly likely (*überwiegend wahrscheinlich*). As a guideline, the debtor is deemed illiquid if it is unable to pay 10% or more of its due and payable liabilities during the subsequent three weeks, unless it is virtually certain that the company can close the liquidity gap shortly thereafter (*demnächst*) and it can be deemed acceptable to the creditor to continue to wait for the payments owed by such debtor (*positive Fortführungsprognose*). If a stock corporation (*Aktiengesellschaft*—AG), a European law stock corporation based in Germany (*Societas Europaea*—SE) or a limited liability company (*Gesellschaft mit beschränkter Haftung*—GmbH) or any company not having an individual as personally liable shareholder—such as the Issuer—becomes illiquid and/or over indebted, the management of such company and, under certain circumstances, its shareholders are obliged to file for the opening of insolvency proceedings without undue delay, however, at the latest within three (3) weeks after the mandatory insolvency reason, i.e., illiquidity and/or over indebtedness, occurred. Non-compliance with these obligations exposes management to both severe damage claims as well as sanctions under criminal law. Once illiquidity or over indebtedness occurred, any payments, including any payments under the Notes, as applicable, are voidable. In addition, imminent illiquidity (*drohende Zahlungsunfähigkeit*) is a valid insolvency reason under German law which exists if the company currently is able to service its payments obligations, but will presumably not be able to continue to do so at some point in time within a certain prognosis period. However, only the debtor, but not the creditors, is entitled (but not obliged) to file for the opening of insolvency proceedings if the debtor is likely to not be able to pay its debts as and when they fall due.

The insolvency proceedings are administered by the competent insolvency court which monitors the due performance of the proceedings. Upon receipt of the insolvency petition, the insolvency court may take preliminary measures (*vorläufige Maßnahmen*) to secure the property of the debtor during the preliminary proceedings (*Insolvenzeröffnungsverfahren*). The insolvency court may prohibit or suspend any measures taken to enforce individual claims against the debtor's assets during these preliminary proceedings. In addition, the court will generally also appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*), unless the debtor has petitioned for debtor in possession status (*Eigenverwaltung*)—an insolvency process in which the debtor's management generally remains in charge of administering the debtor's business affairs under the supervision of a custodian (*Sachwalter*)—provided that no circumstances are known which lead to the expectation that debtor in possession status will place the creditors at a disadvantage. Depending on the size of the debtor's business operations, the insolvency court must or may appoint a preliminary creditors' committee (*vorläufiger Gläubigerausschuss*) to form a view on a petition for debtor in possession status, or on the profile of the (preliminary) insolvency administrator to be appointed or to suggest a particular individual to be appointed by the court. In case the members of the preliminary creditors' committee unanimously agree on an individual, such suggestion is binding on the court (unless the suggested individual is not eligible; i.e., not competent and/or not impartial). To ensure that the preliminary creditors' committee reflects the interests of all creditor constituencies, it shall comprise a representative of the secured creditors, one for the large creditors and one for the small creditors as well as one for the employees. The duties of the preliminary insolvency administrator are, in particular, to safeguard and to preserve the debtor's assets (which may include the continuation of the business carried out by the debtor), to verify the existence of an insolvency reason and to assess whether the debtor's net assets will be sufficient to cover the costs of the insolvency proceedings. The court orders the opening (*Eröffnungsbeschluss*) of formal insolvency proceedings (*eröffnetes Insolvenzverfahren*) if certain requirements are met, in particular if there are sufficient assets (*Insolvenzmasse*) to cover at least the costs of the insolvency proceedings. If the assets of the debtor are not expected to be sufficient, the insolvency court will only open formal insolvency proceedings if third parties (e.g., creditors) advance the

costs themselves. In the absence of such advancement, the petition for the opening of insolvency proceedings will be dismissed for insufficiency of assets (*Abweisung mangels Masse*).

Upon the opening of formal insolvency proceedings, an insolvency administrator (usually, but not necessarily, the same person who acted as preliminary insolvency administrator) is appointed by the insolvency court unless a debtor in possession status (*Eigenverwaltung*) is ordered. In the absence of a debtor in possession status, the right to administer the debtor's business affairs and to dispose of the assets of the debtor passes to the insolvency administrator with the insolvency creditors (*Insolvenzgläubiger*) only being entitled to change the individual appointed as insolvency administrator at the occasion of the first creditors' assembly (*erste Gläubigerversammlung*) with such change requiring that (i) a simple majority of votes cast (by head count and amount of insolvency claims) has voted in favor of the proposed individual becoming the insolvency administrator and (ii) the proposed individual being eligible as officeholder, *i.e.* sufficiently qualified, business experienced and impartial. The insolvency administrator may raise new financial indebtedness and incur other liabilities to continue the debtor's business. These new liabilities incurred by the insolvency administrator qualify as preferential claims against the estate (*Masseverbindlichkeiten*) which are preferred to any insolvency claim of an unsecured creditor (with the residual claim of a secured insolvency creditor remaining after realization of the available collateral (if any) also qualifying as unsecured insolvency claim).

From the perspective of the Holders of the Notes, among others, some important consequences of such opening of formal insolvency proceedings against the Issuer or any of its relevant subsidiaries that are subject to the German insolvency regime (the "**Relevant Subsidiaries**") would be the following:

- the right to administer and dispose of the assets of the Issuer or any of its Relevant Subsidiaries would generally pass to the insolvency administrator (*Insolvenzverwalter*) as sole representative of the insolvency estate;
- if the court does not order debtor in possession status (*Eigenverwaltung*) with respect to the Issuer or any of its Relevant Subsidiaries, disposals effected by the management of the Issuer or such subsidiary, after the opening of formal insolvency proceedings, are null and void by operation of law;
- if, during the final month preceding the date of filing for insolvency proceedings or thereafter, a creditor in the insolvency proceedings has acquired through execution (*e.g.*, attachment) a security interest in part of the Issuer's or any of its Relevant Subsidiaries' property that would normally form part of the insolvency estate, such security becomes null and void by operation of law upon the opening of formal insolvency proceedings; and
- claims against the Issuer or any of its Relevant Subsidiaries may only be pursued in accordance with the rules set forth in the German Insolvency Code (*Insolvenzordnung*).

Under German insolvency law, termination rights, automatic termination events or "escape clauses" entitling one party to terminate an agreement, or resulting in an automatic termination of an agreement, upon the opening of insolvency proceedings in respect of the other party, the filing for insolvency or the occurrence of reasons justifying the opening of insolvency proceedings (*insolvenzbezogene Kündigungsrechte oder Lösungsklauseln*) may be invalid if they frustrate the election right of the insolvency administrator whether or not to perform the contract unless they reflect termination rights (*Wahlrecht des Insolvenzverwalters*) applicable under statutory law. This may also relate to agreements that are not governed by German law.

Any person that has a right for separation (*Aussonderung*) (*i.e.*, the relevant asset of this person does not constitute part of the insolvency estate) does not participate in the insolvency proceedings; the claim for separation must be enforced in the course of ordinary court proceedings against the insolvency administrator.

All creditors, whether secured or unsecured (unless they have a right to separate an asset from the insolvency estate (*Aussonderungsrecht*)) as opposed to a preferential right (*Absonderungsrecht*), wishing to assert claims against the insolvent debtor need to participate in the insolvency proceedings. German insolvency proceedings are collective proceedings and creditors may generally no longer pursue their individual claims in the insolvency proceedings separately, but can instead only enforce them in compliance with the restrictions of the German Insolvency Code (*Insolvenzordnung*). Therefore, secured

creditors are generally not entitled to enforce any security interest outside the insolvency proceedings. In the insolvency proceedings, however, secured creditors have certain preferential rights (*Absonderungsrechte*). Depending on the legal nature of the security interest entitlement to enforce such security is either vested with the secured creditor or the insolvency administrator. In this context, it should be noted that the insolvency administrator generally has the sole right to realize any moveable assets in his/ the debtor's possession which are subject to preferential rights (e.g., liens over movable assets (*Mobiliarsicherungsrechte*) or security transfer of title (*Sicherungsübereignung*)) as well as to collect any claims that are subject to security assignment agreements (*Sicherungsabtretungen*). In case the enforcement right is vested with the insolvency administrator, the enforcement proceeds, less certain contributory charges for (i) assessing the value of the secured assets (*Feststellungskosten*) and (ii) realizing the secured assets (*Verwertungskosten*) which, in the aggregate, usually add up to 9% of the gross enforcement proceeds plus VAT (if any), are disbursed to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. With the remaining unencumbered assets of the debtor the insolvency administrator has to satisfy the creditors of the insolvency estate (*Massegläubiger*) first (including the costs of the insolvency proceedings as well as any preferred liabilities incurred by the insolvency estate after the opening of formal insolvency proceedings). Thereafter, all other claims (insolvency claims—*Insolvenzforderungen*), in particular claims of unsecured creditors, will be satisfied on a pro rata basis if and to the extent there is value remaining in the insolvency estate (*Insolvenzmasse*) after the security interest and the preferential claims against the estate have been settled and paid in full.

The right of a creditor to preferred satisfaction (*Absonderungsrecht*) may not necessarily prevent the insolvency administrator from using a movable asset that is subject to this right. The insolvency administrator must, however, compensate the creditor for any loss of value resulting from such use.

Other than secured and unsecured creditors, German insolvency law provides for certain creditors to be subordinated by law (including, but not limited to, claims made by shareholders (unless privileged) of the relevant debtor for the return of funds or the payment of a consideration), while claims of a person who becomes a creditor of the insolvency estate only after the opening of insolvency proceedings generally rank senior to the claims of regular, unsecured creditors. Claims of subordinated creditors in the insolvency proceedings (*nachrangige Insolvenzgläubiger*) are satisfied only after the claims of other non-subordinated creditors (including the unsecured insolvency claims) have been fully satisfied.

The insolvency estate shall serve to satisfy the liquidated claims held by the personal creditors against the debtor on the date the insolvency proceedings were opened. The following claims shall be satisfied ranking below the other claims of insolvency creditors in the order given herein, and in proportion to their amounts if ranking with equal status: (i) interest and penalty payments accrued on the claims of the insolvency creditors from the opening of the insolvency proceedings; (ii) costs incurred by individual insolvency creditors due to their participation in the proceedings; (iii) fines, regulatory fines, coercive fines and administrative fines, as well as such incidental legal consequences of a criminal or administrative offense binding the debtor to pay money; (iv) claims on the debtor's gratuitous performance of a consideration; and (v) claims for the restitution of shareholder loans (*Gesellschafterdarlehen*) or claims resulting from legal transactions corresponding in economic terms to such a loan.

While in ordinary insolvency proceedings, the value of the Issuer's or any of its relevant subsidiaries' assets will be realized by a piecemeal sale or, as the case may be, by a bulk sale of the entity's business as a going concern, a different approach aiming at the rehabilitation of such entities can be taken based on an insolvency plan (*Insolvenzplan*). Such plan can be submitted by the debtor or the insolvency administrator and requires, among other things and subject to certain exceptions, the consent of the Issuer or any of its relevant subsidiaries and the consent of each class of creditors in accordance with specific majority rules and the approval of the insolvency court (while a group of dissenting creditors or the debtor can—under certain circumstances—be crammed down). If the debtor is a corporate entity, also the shares or, as the case may be, the membership rights in the debtor can be included in the insolvency plan, e.g., they can be transferred to third parties, including a transfer to creditors based on a debt to equity swap. Moreover, if the debtor has filed a petition for the opening of insolvency proceedings based on an insolvency reason other than illiquidity (i.e., imminent illiquidity or over indebtedness), combined with a petition to initiate such process based on a debtor in possession status and can prove that a restructuring of its business is not obviously futile (*offensichtlich aussichtslos*), the court may grant a period of up to three months to utilize an insolvency plan for the debtor business (*Schutzschirm*). During this period, the creditors' rights to enforce security may—upon application of the filing debtor—be suspended. Under these circumstances, the insolvency court has to appoint a custodian (*Sachwalter*) to supervise the process. The debtor is entitled to

suggest an individual to be appointed as custodian with such suggestion being binding on the insolvency court unless the suggested person is obviously not eligible to become a custodian (*i.e.*, is obviously not competent or impartial).

Under the German Insolvency Code, the insolvency administrator (or in case of debtor in possession proceedings, the custodian) may void (*anfechten*) transactions, performances or other acts that are deemed detrimental to insolvency creditors and which were effected prior to the commencement of formal insolvency proceedings during applicable voidable periods. Generally, if transactions, performances or other acts are successfully voided by the insolvency administrator, any amounts or other benefits derived from such challenged transaction, performance or act will have to be returned to the insolvency estate. The administrator's right to void transactions can, depending on the circumstances, extend to transactions having occurred up to ten years prior to the filing for the commencement of insolvency proceedings. In the event of insolvency proceedings with respect to the Issuer or any of its relevant subsidiaries based on and governed by the insolvency laws of Germany, the payment of any amounts to the Holders could be subject to potential challenges (*i.e.*, clawback rights) by an insolvency administrator under the rules of voidness as set out in the German Insolvency Code (*Insolvenzordnung*). In the event such a transaction is successfully voided (*angefochten*), the Holders of the Notes, as applicable, may not be able to recover or retain any amounts under the Notes and may participate in the insolvency proceedings as unsecured creditor only. If payments have already been made under the Notes, any amounts received from a transaction that had been voided would have to be repaid to the insolvency estate (*Insolvenzmasse*). In this case, the Holders of the Notes, as applicable, would only have a general unsecured claim under the Notes without preference in insolvency proceedings.

In particular, an act (*Rechtshandlung*) or a legal transaction (*Rechtsgeschäft*) (which term includes the granting of a guarantee, the provision of security and the payment of debt) detrimental to the creditors of the debtor may be voided according to the German Insolvency Code (*Insolvenzordnung*) in the following cases:

- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction (*Befriedigung*) if such act was taken (i) during the last three months prior to the filing of the petition for the opening of insolvency proceedings, provided that the debtor was illiquid (*zahlungsunfähig*) at the time such act was taken and the creditor knew of such illiquidity (or of circumstances that clearly suggest that the debtor was illiquid) at such time, or (ii) after the filing of the petition for the opening of insolvency proceedings, if the creditor knew of the debtor's illiquidity or the filing of such petition (or of circumstances that clearly suggest such illiquidity or filing);
- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction (*Befriedigung*) to which such creditor was not entitled, or which was granted or obtained in a form or at a time to which or at which such creditor was not entitled to such security or satisfaction, if (i) such act was taken during the last month prior to the filing of the petition for the opening of insolvency proceedings or after such filing, (ii) such act was taken during the second or third month prior to the filing of the petition and the debtor was illiquid at such time or (iii) such act was taken during the second or third month prior to the filing of the petition for the opening of insolvency proceedings and the creditor knew at the time such act was taken that such act was detrimental to the other insolvency creditors (or had knowledge of circumstances that clearly suggest such detrimental effect);
- a legal transaction by the debtor that is directly detrimental to the insolvency creditors or by which the debtor loses a right or the ability to enforce a right or by which a proprietary claim against a debtor is obtained or becomes enforceable, if it was entered into (i) during the three months prior to the filing of the petition for the opening of insolvency proceedings and the debtor was illiquid at the time of such transaction and the counterparty to such transaction knew of the illiquidity at such time or (ii) after the filing of the petition for the opening of insolvency proceedings and the counterparty to such transaction knew either of the debtor's illiquidity or of such filing at the time of the transaction;
- any act by the debtor without (adequate) consideration (*e.g.*, whereby a debtor grants security for a third party debt, which might be regarded as having been granted gratuitously (*unentgeltlich*)), if it was effected in the four years prior to the filing of the petition for the opening of insolvency proceedings;

- any act performed by the debtor during the ten years prior to the filing of the petition for the opening of insolvency proceedings or at any time after the filing, if the debtor acted with the intention of prejudicing its insolvency creditors (*vorsätzliche Gläubigerbenachteiligung*) and the beneficiary of the act knew of such intention at the time of such act. In the case that the relevant act granted a creditor, or enabled a creditor to obtain, security or satisfaction for a debt, the avoidability of acts is limited to four years. “Knowledge by the beneficiary of the act” in terms of such provision is presumed if the beneficiary knew that the debtor was illiquid and that the relevant act disadvantaged the other creditors. The fact that the creditor agreed on a payment plan with the debtor or agreed to deferred payments shall establish the presumption that he had no knowledge of the debtor being illiquid at this time.
- any non-gratuitous contract concluded between the debtor and an affiliated party that directly operates to the detriment of the creditors can be voided unless such contract was concluded earlier than two years prior to the filing of the petition for the opening of insolvency proceedings or the other party had no knowledge of the debtor’s intention to disadvantage its creditors as of the time the contract was concluded; in relation to corporate entities, the term “affiliated party” includes, subject to certain limitations, members of the management or supervisory board, general partners and shareholders owning more than 25% of the debtor’s share capital, persons or companies holding comparable positions that give them access to information about the economic situation of the debtor, and other persons who are spouses, relatives or members of the household of any of the foregoing persons;
- any act that provides security or satisfaction (*Befriedigung*) for a claim of a shareholder for repayment of a shareholder loan or a similar claim if (i) in the case of the provision of security, the act took place during the last ten years prior to the filing of the petition for the opening of insolvency proceedings or after the filing of such petition or (ii) in the case of satisfaction, the act took place during the last year prior to the filing of the petition for the opening of the insolvency proceedings or after the filing of such petition; or
- any act whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third party if (i) the satisfaction was effected in the last year prior to the filing of a petition for the opening of insolvency proceedings or thereafter, and (ii) a shareholder of the debtor had granted security or was liable as a guarantor or surety (*Garant oder Bürge*) (in which case the shareholder must compensate the debtor for the amounts paid (subject to further conditions)).

In this context, “knowledge” is generally deemed to exist if the other party is aware of the facts from which the conclusion must be drawn that the debtor was unable to pay its debts generally as they fell due, that a petition for the opening of insolvency proceedings had been filed, or that the act was detrimental to, or intended to prejudice, the insolvency creditors, as the case may be. A person deemed to have knowledge of the debtor’s intention to prejudice the insolvency creditors if he or she knew of the debtor’s imminent illiquidity and that the transaction prejudiced the debtor’s creditors. With respect to an “affiliated party”, there is a general statutory presumption that such party had “knowledge”.

The granting of security concurrently with the incurrence of debt may be qualified as a “cash transaction” and may as such be privileged, under certain circumstances, under the German Insolvency Code (*Insolvenzordnung*) (*Bargeschäftsprivileg*) by not being subject to voidness rights.

Apart from the examples of an insolvency administrator voiding transactions according to the German Insolvency Code (*Insolvenzordnung*) described above, a creditor who has obtained an enforcement order (*Vollstreckungstitel*) could possibly also void any security right or payment performed under the relevant security right according to the German Law of Voidness (*Anfechtungsgesetz*) outside formal insolvency proceedings. The prerequisites vary to a certain extent from the rules described above and the voidance periods are calculated from the date a creditor exercises its rights of voidance in the courts.

Satisfaction of Subordinated Claims

The insolvency estate shall serve to satisfy the liquidated claims held by the personal creditors against the debtor on the date when the insolvency proceedings were opened. The following claims shall be satisfied ranking below the other claims of insolvency creditors in the order given below, and according to the proportion of their amounts if ranking with equal status: (i) interest and penalty payments accrued on the

claims of the insolvency creditors from the opening of the insolvency proceedings; (ii) costs incurred by individual insolvency creditors due to their participation in the proceedings; (iii) fines, regulatory fines, coercive fines and administrative fines, as well as such incidental legal consequences of a criminal or administrative offence binding the debtor to pay money; (iv) claims to the debtor's gratuitous performance of a consideration; and (v) claims for restitution of a shareholder loan replacing equity capital or claims resulting from legal transactions corresponding in economic terms to such a loan.

TAXATION

Certain German Tax Considerations

The following is a general discussion of certain German tax consequences of the acquisition, holding and disposal of the Notes. It does not purport to be a comprehensive description of all German tax considerations that may be relevant to a decision to purchase Notes, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the tax laws of Germany currently in force and as applied on the date of this offering memorandum, which are subject to change, possibly with retroactive or retrospective effect. Prospective purchasers of the Notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposal of the Notes, including the effect of any state, local or church taxes, under the tax laws of Germany and any country of which they are resident or whose tax laws apply to them for other reasons.

Withholding Tax

Ongoing payments, such as interest payments, received by an individual holder of the Notes will be subject to German withholding tax (*Kapitalertragsteuer*) if the Notes are kept or administered in a custodial account with a German financial institution (*i.e.*, a bank, a financial service institution, a securities trading company or a securities trading bank (each, a “**Disbursing Agent**”, *auszahlende Stelle*)). The term German financial institution includes a German branch of a foreign financial institution but not a foreign branch of a German financial institution. The withholding tax rate is 25% (plus solidarity surcharge at a rate of 5.5% thereon, the total withholding being 26.375%). If the individual holder is subject to church tax, a church tax surcharge will also be withheld. The church tax surcharge is automatically withheld by the Disbursing Agent, unless the holder notifies the Federal Central Tax Office (*Bundeszentralamt für Steuern*) it objects to automatic withholding. In this case, the holder will be assessed to church tax (if applicable).

The same treatment applies to capital gains (*i.e.*, the difference between the proceeds from the disposal, redemption, repayment or assignment after deduction of expenses directly related to the disposal, redemption, repayment or assignment and the cost of acquisition) derived by an individual holder irrespective of any holding period provided the Notes have been held in a custodial account with the same Disbursing Agent since the time of their acquisition. If Notes held or managed in the same custodial account were acquired at different points in time, the Notes first acquired will be deemed to have been sold first for the purposes of determining any capital gains. If interest claims are disposed of separately (*i.e.*, without the Notes), the proceeds from the disposition are subject to withholding tax. The same applies to proceeds from the redemption of interest claims if the Notes have been disposed of separately.

To the extent that the Notes have not been kept in a custodial account with the same Disbursing Agent since the time of their acquisition, upon the disposal, redemption, repayment or assignment withholding tax applies at a rate of 25% (plus solidarity surcharge at a rate of 5.5% thereon, the total withholding being 26.375%, plus church tax, if applicable) on 30% of the disposal proceeds (including interest accrued on the Notes (“**Accrued Interest**”, *Stückzinsen*), if any), unless the current Disbursing Agent has been provided with evidence of the actual acquisition costs of the Notes by the previous Disbursing Agent or by a statement of a bank or financial services institution within the European Union, the European Economic Area or the countries/territories Luxembourg, Austria, the Swiss Confederation, the Principality of Liechtenstein, the Republic of San Marino, the Principality of Monaco, the Principality of Andorra, Curacao and Sint Maarten.

In computing any German withholding tax, the Disbursing Agent may generally deduct from the basis of the withholding tax negative investment income realized by the individual holder of the Notes via the Disbursing Agent (*e.g.*, losses from the sale of other securities with the exception of shares). The Disbursing Agent may also deduct Accrued Interest on the Notes or other securities paid separately upon the acquisition of the respective security via the Disbursing Agent. In addition, subject to certain requirements and restrictions, the Disbursing Agent may credit foreign withholding taxes levied on investment income in a given year regarding securities held by the individual holder in the custodial account with the Disbursing Agent.

Upon the individual holder filing an exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent, the Disbursing Agent will take a maximum annual allowance (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples and for partners in accordance with the registered partnership law (*Gesetz über die*

Eingetragene Lebenspartnerschaft) filing jointly) into account when computing the amount of tax to be withheld from the gross payment to be made by the Disbursing Agent. No withholding tax will be deducted if the holder of the Notes has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the competent tax office.

German withholding tax will generally not apply to gains from the disposal, redemption, repayment or assignment of Notes held by a corporate holder who is a German tax resident (including via a commercial partnership, as the case may be, and provided that in the case of corporations of certain legal forms the status of corporation has been evidenced by a certificate of the competent tax office) while ongoing payments, such as interest payments, are generally subject to withholding tax (irrespective of any deductions of foreign tax and losses incurred). The same applies where the Notes form part of a trade or business (of an individual or a commercial partnership) subject to further requirements being met.

Interest and capital gains received by nonresidents of Germany are, in general, not subject to German withholding tax or the solidarity surcharge thereon. However, where the interest or capital gain is subject to German taxation (as set forth under “—*Taxation of Current Income and Capital Gains—Non Tax Residents*”) and the Notes are held in a custodial account with a Disbursing Agent, withholding tax will be levied under certain circumstances. The withholding tax may be refunded based on an assessment to tax or under an applicable double taxation treaty (*Doppelbesteuerungsabkommen*).

Taxation of Current Income and Capital Gains

Tax Residents

This subsection “—*Tax Residents*” refers to persons who are tax residents of Germany (*i.e.*, persons whose residence, habitual abode, statutory seat, or place of effective management is located in Germany).

Income (*i.e.* interest and capital gains) derived under the Notes held by an individual holder who is tax resident in Germany, irrespective of any holding period, is in general subject to German income tax at a flat tax rate of 25% (plus solidarity surcharge and church tax, if applicable, thereon) (*Abgeltungsteuer*) if the Notes are held as private investment (*Privatvermögen*). Individual holders who are tax resident in Germany are entitled to a maximum annual allowance (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples and for partners in accordance with the registered partnership law (*Gesetz über die Eingetragene Lebenspartnerschaft*) filing jointly), whereby actually incurred higher expenses directly attributable to a capital investment are not deductible.

The personal income tax liability of an individual holder who is a tax resident in Germany will, in principle, be satisfied by the tax withheld. To the extent withholding tax has not been levied, such as in the case no Disbursing Agent being involved in the payment process, the individual holder must include his or her income and capital gains derived from the Notes in his or her tax return and will then also be taxed at a rate of 25% (plus solidarity surcharge and, where applicable, church tax thereon). If the withholding tax on a disposal, redemption, repayment or assignment has been calculated from 30% of the disposal proceeds (rather than from the actual gain), an individual holder may, and in case the actual gain is higher than 30% of the disposal proceeds, must apply for an assessment on the basis of his or her actual acquisition costs. Further, an individual holder may apply for a tax assessment on the basis of general rules applicable to him or her if the resulting individual income tax burden is lower than 25% with any amounts of German tax over withheld being refunded. The deduction of expenses (other than transaction costs) on an itemized basis is not permitted. Losses incurred with respect to the Notes may only be offset with investment income of the individual holder realized in the same or following assessment periods.

Pursuant to a tax decree issued by the German Federal Ministry of Finance dated January 18, 2016 (as amended) a bad debt loss (*Forderungsausfall*) and a waiver of a receivable (*Forderungsverzicht*), to the extent that the waiver does not qualify as a hidden capital contribution, shall not be treated as a disposal. Accordingly, losses suffered upon such bad debt loss or waiver are not tax deductible if the Notes are held as private investment (*Privatvermögen*). The same rules should be applicable according to the said tax decree, if the Notes expire worthless so that losses may not be tax deductible at all. According to the view of the tax authorities, losses suffered from a sale of Notes will only be recognized if the proceeds received in the sale exceed the respective transaction costs.

Where Notes form part of a trade or business of an individual or corporate holder or where the income from the Notes qualifies as income from the letting and leasing of property, the withholding tax, if any, will

not satisfy the personal or corporate income tax liability. Rather, the income is subject to individual or corporate income tax (plus solidarity surcharge and, where applicable, church tax thereon). Where Notes form part of a trade or business, interest (including Accrued Interest) and capital gains must be taken into account as income. The respective holder will have to include income and related (business) expenses in the tax return and the balance will be taxed at the holder's applicable tax rate. Withholding tax levied, if any, will be credited as advance payment against the personal or corporate income tax liability of the holder or, to the extent exceeding this personal or corporate income tax liability, will be refunded. Where Notes form part of a German trade or business the current income and capital gains from the disposal, redemption, repayment or assignment of the Notes may also be subject to German trade tax. The trade tax liability depends on the municipal trade tax factor (*Gewerbsteuerhebesatz*). If the holder is an individual or an individual partner of a partnership, the trade tax may be completely or partly credited against the personal income tax pursuant to a lump sum tax credit method.

Non Tax—Residents

This subsection “—*Non Tax Residents*” refers to persons who are not tax residents of Germany (*i.e.*, persons whose residence, habitual abode, statutory seat, and place of effective management is not located in Germany).

Interest, including accrued interest, and capital gains (which include currency gains and losses, if any) from the disposal, redemption, repayment or assignment of the Notes received by holders who are not tax resident in Germany are generally not subject to German taxation, unless (i) the Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the holder or (ii) the income otherwise constitutes German source income (such as income from the letting and leasing of certain German situs real estate or income from capital investments directly or indirectly secured by German situs real estate, unless the Notes qualify as global notes (*Sammelurkunde*) within the meaning of Section 9a of the German Custody Act (*Depotgesetz*) or as fungible notes representing the same issue (*Teilschuldverschreibung*). In cases (i) and (ii) a tax regime similar to that explained above under “—*Tax Residents*” applies. Furthermore, the holders who are not tax resident in Germany may become subject to German withholding tax in case they receive the proceeds by way of an over the counter payment by a German Disbursing Agent and the Notes are not held in custody with the same German Disbursing Agent. Subject to certain requirements, a holder who is not tax resident in Germany may benefit from tax reductions or tax exemptions provided by an applicable double taxation treaty (*Doppelbesteuerungsabkommen*).

Inheritance and Gift Tax

A gratuitous transfer of Notes by reason of death or as a gift will be subject to German inheritance or gift tax if the decedent or donor or the heir, donee or other beneficiary is at the time of the transfer a resident or deemed to be a resident of Germany or in certain cases for German citizens who previously maintained a residence in Germany. If neither the holder nor the recipient is a resident or deemed to be a resident of Germany at the time of the transfer, no German inheritance or gift taxes will be levied if the Notes qualify as fungible notes representing the same issue (*Teilschuldverschreibung*) unless the Notes are attributable to a German trade or business for which a permanent establishment or fixed base is maintained or a permanent representative has been appointed in Germany.

Other Taxes

No stamp, issue or registration taxes or such duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes (for the avoidance of doubt, except for any notarial fees). Currently, net assets tax is not levied in Germany.

The European Commission and several EU Member States (including Germany) are currently planning to introduce a financial transaction tax (FTT) (presumably on secondary market transactions involving at least one financial intermediary). It is currently uncertain when the proposed FTT will be enacted by the participating EU Member States and when the FTT will enter into force with regard to dealings with the Notes.

The Proposed Financial Transaction Tax (FTT)

The European Commission has published a proposal for a Directive for a common financial transactions tax (“**FTT**”) in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain (“**Participating Member States**”). However, Estonia has since stated that it will not participate.

The proposed FTT has a very broad scope and could, if introduced in the form of the proposal, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

The FTT proposal remains subject to negotiation between the Participating Member States, is the subject of legal challenge and may therefore not be implemented at all. It may also be altered prior to any implementation, the timing of which (if at all) remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Certain U.S. Federal Income Tax Considerations

The following is a discussion of certain U.S. federal income tax considerations of the purchase, ownership and disposition of the Notes, but does not purport to be a complete analysis of all potential tax effects. This discussion is based upon the United States Internal Revenue Code of 1986, as amended (the “**Code**”), Treasury regulations issued thereunder (the “**Treasury Regulations**”), and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. This discussion is limited to consequences relevant to a U.S. holder (as defined below), except for the discussion on FATCA (as defined under “—*Foreign Account Tax Compliance Act*”). This discussion does not address the impact of the U.S. federal Medicare tax on net investment income or the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non-U.S. tax laws. No rulings from the U.S. Internal Revenue Service (the “**IRS**”) have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder’s particular circumstances or to holders subject to special rules, such as financial institutions, U.S. expatriates, insurance companies, dealers in securities or currencies, traders in securities, U.S. holders whose functional currency is not the U.S. dollar, tax-exempt organizations, regulated investment companies, real estate investment trusts, partnerships or other pass-through entities (or investors in such entities), persons liable for alternative minimum tax and persons holding the Notes as part of a “straddle,” “hedge,” “conversion transaction” or other integrated transaction. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their “issue price” (the first price at which a substantial amount of the Notes is sold for money, not including sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets within the meaning of section 1221 of the Code.

For purposes of this discussion, a “**U.S. holder**” is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity taxable as a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a U.S. person.

If any entity treated as a partnership for U.S. federal income tax purposes holds the Notes, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A holder that is a partnership, and partners in such partnerships, should consult their tax advisors regarding the tax consequences of the purchase, ownership and disposition of the Notes.

Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of U.S. federal estate and gift tax laws, the U.S. federal Medicare tax on net investment income, and state, local, non-U.S. or other tax laws.

Payments of Stated Interest

Payments of stated interest on a Note (including additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be includible in the gross income of a U.S. holder as ordinary interest income at the time the interest is received or accrued, in accordance with the U.S. holder's method of accounting for U.S. federal income tax purposes. Interest generally will be income from sources outside the United States and, for purposes of the U.S. foreign tax credit, generally will be considered passive category income or, in certain cases, general category income.

A U.S. holder that uses the cash method of accounting for tax purposes will recognize interest income equal to the U.S. dollar value of the interest payment, based on the spot rate on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. A cash basis U.S. holder will not realize foreign currency exchange gain or loss on the receipt of stated interest income but may recognize exchange gain or loss attributable to the actual disposal of the foreign currency received.

A U.S. holder that uses the accrual method of accounting for tax purposes, or who otherwise is required to accrue interest prior to receipt, may determine the amount recognized with respect to such interest in accordance with either of two methods. Under the first method, such holder will recognize income for each taxable year equal to the U.S. dollar value of the foreign currency accrued for such year determined by translating such amount into U.S. dollars at the average spot rate in effect during the interest accrual period (or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the U.S. holder's taxable year). Alternatively, an accrual basis U.S. holder may make an election (which must be applied consistently to all debt instruments held by the electing U.S. holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and cannot be changed without the consent of the IRS) to translate accrued interest income at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year in the case of a partial accrual period), or at the spot rate on the date of receipt, if that date is within five business days of the last day of the accrual period. A U.S. holder of Notes that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss, on the date such interest is received, equal to the difference between the U.S. dollar value of such payment, determined at the spot rate on the date the payment is received, and the U.S. dollar value of the interest income previously included in respect of such payment. This exchange gain or loss will be treated as ordinary income or loss, generally will be treated as U.S.-source and generally will not be treated as an adjustment to interest income or expense.

Any non-U.S. withholding tax paid by a U.S. holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations. The calculation of foreign tax credits involves the application of complex rules that depend on a U.S. holder's particular circumstances. U.S. holders should consult their tax advisors regarding the availability of foreign tax credits.

Sale, Exchange, Retirement or other Taxable Disposition of Notes

A U.S. holder's adjusted tax basis in a Note generally will equal the cost of the Note to the U.S. holder, increased by any OID previously accrued by such U.S. holder with respect to such Note. The cost of a Note purchased with foreign currency will be the U.S. dollar value of the foreign currency purchase price on the date of purchase, calculated at the exchange rate in effect on that date. If the Note is traded on an established securities market, a cash basis taxpayer (and if it elects, an accrual basis taxpayer) will determine the U.S. dollar value of the cost of the Note at the spot rate on the settlement date of the purchase.

Upon the sale, exchange, retirement or other taxable disposition of a Note, a U.S. holder generally will recognize gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued and unpaid stated interest, which will be taxable as ordinary interest income in accordance with the U.S. holder's method of tax accounting as described above) and the U.S. holder's adjusted tax basis in the Note. The amount realized on the sale, exchange, retirement or other taxable disposition of a Note for an amount of foreign currency will generally be the U.S. dollar value of that amount based on the spot rate on the date of taxable disposition. If the Note is traded on an established securities market, a cash basis taxpayer (and, if it elects, an accrual basis taxpayer) will determine the U.S. dollar value of the amount realized on the settlement date of the disposition. If an accrual method taxpayer makes the election described above, such election must be applied consistently to

all debt instruments from year to year and cannot be changed without the consent of the IRS. An accrual basis U.S. holder that does not make the special election will recognize exchange gain or loss to the extent that there are exchange rate fluctuations between the sale date and the settlement date, and such gain or loss generally will constitute ordinary income or loss.

Gain or loss recognized by a U.S. holder upon the sale, exchange, retirement or other taxable disposition of a Note that is attributable to changes in currency exchange rates will be ordinary income or loss and, with respect to the principal thereof, will generally be equal to the difference between the U.S. dollar value of the U.S. holder's purchase price of the Note in foreign currency determined on the date of the sale, exchange, retirement or other taxable disposition, and the U.S. dollar value of the U.S. holder's purchase price of the Note in foreign currency determined on the date the U.S. holder acquired the Note. The exchange gain or loss with respect to principal and with respect to accrued and unpaid stated interest and, if any, accrued OID (which will be treated as discussed above under "*—Payments of Stated Interest,*" or "*—Original Issue Discount,*" as applicable) will be recognized only to the extent of the total gain or loss realized by the U.S. holder on the sale, exchange, retirement or other taxable disposition of the Note, and will be treated as ordinary income generally from sources within the United States for U.S. foreign tax credit limitation purposes.

Any gain or loss recognized by a U.S. holder in excess of foreign currency gain or loss recognized on the sale, exchange, retirement or other taxable disposition of a Note will generally be U.S. source capital gain or loss and will be long-term capital gain or loss if the U.S. holder has held the Note for more than one year at the time of the sale, exchange, retirement or other taxable disposition. In the case of an individual U.S. holder, any such gain may be eligible for preferential U.S. federal income tax rates if the U.S. holder satisfies certain prescribed minimum holding periods. The deductibility of capital losses is subject to limitations.

U.S. holders should consult their tax advisors regarding how to account for payments made in a foreign currency with respect to the acquisition, sale, exchange, retirement or other taxable disposition of a Note and the foreign currency received upon a sale, exchange, retirement or other taxable disposition of a Note.

Tax Return Disclosure Requirement

Treasury Regulations issued under the Code meant to require the reporting of certain tax shelter transactions cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the Treasury Regulations, certain transactions are required to be reported to the IRS, including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a Note or foreign currency received in respect of a Note (including in respect of interest) to the extent that any such sale, exchange, retirement or other taxable disposition or receipt of foreign currency results in a tax loss in excess of an applicable threshold amount. U.S. holders should consult their tax advisors to determine the tax return obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Information Reporting and Backup Withholding

In general, payments of interest (including the accrual of OID, if any) and the proceeds from sales or other dispositions (including retirements or redemptions) of Notes held by a U.S. holder may be required to be reported to the IRS unless the U.S. holder is an exempt recipient and, when required, demonstrates this fact. In addition, a U.S. holder that is not an exempt recipient may be subject to backup withholding unless it provides a taxpayer identification number and otherwise complies with applicable certification requirements.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. holder's U.S. federal income tax liability and may entitle the holder to a refund, provided that the appropriate information is timely furnished to the IRS.

Information with Respect to Foreign Financial Assets

Certain U.S. holders who are individuals and who hold an interest in "specified foreign financial assets" (as defined in section 6038D of the Code) are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by

certain financial institutions). Under certain circumstances, an entity may be treated as an individual for purposes of the foregoing rules. U.S. holders should consult their tax advisors regarding the effect, if any, of this requirement on their ownership and disposition of the Notes.

Foreign Account Tax Compliance Act

Pursuant to sections 1471 through 1474 of the Code (provisions commonly known as “**FATCA**”), a “foreign financial institution” may be required to withhold U.S. tax on certain passthru payments made after December 31, 2018 to the extent such payments are treated as attributable to certain U.S. source payments. Obligations issued on or prior to the date that is six months after the date on which applicable final regulations defining foreign passthru payments are filed generally would be “grandfathered” unless materially modified after such date. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA would apply to payments on the Notes only if there is a significant modification of the Notes for U.S. federal income tax purposes after the expiration of this grandfathering period. Non-U.S. governments have entered into agreements with the United States (and additional non-U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Holders should consult their own tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is imposed with respect to any payments on the Notes, there will be no additional amounts payable to compensate for the withheld amount.

CERTAIN ERISA CONSIDERATIONS

General

The U.S. Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”) imposes certain requirements on “employee benefit plans” (as defined in Section 3(3) of ERISA) subject to Title I of ERISA and on entities that are deemed to hold the assets of such plans (collectively, “**ERISA Plans**”), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA’s general fiduciary requirements, including, but not limited to, the requirement of investment prudence and diversification and the requirement that an ERISA Plan’s investments be made in accordance with the documents governing the plan.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA, but that are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, “**Plans**”)) and certain persons (referred to as “parties in interest” (as defined in Section 3(14) of ERISA) or “disqualified persons” (as defined in Section 4975 of the Code)) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

Any Plan fiduciary which proposes to cause a Plan to purchase the Notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such purchase and holding will not constitute or result in a nonexempt prohibited transaction or any other violation of an applicable requirement of ERISA.

Non U.S. plans, governmental plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA and Section 4975 of the Code, may nevertheless be subject to non U.S., state, local or other federal laws or regulations that are substantially similar to the foregoing provisions of ERISA and the Code (“**Similar Law**”). Fiduciaries of any such plans should consult with their counsel before purchasing the Notes to determine the need for, and the availability, if necessary, of any exemptive relief under any such Similar Law.

Prohibited Transaction Exemptions

The fiduciary of a Plan that proposes to purchase and/or hold any Notes should consider, among other things, whether such purchase and/or holding may involve (i) the direct or indirect extension of credit to a party in interest or a disqualified person, (ii) the sale or exchange of any property between a Plan and a party in interest or a disqualified person, or (iii) the transfer to, or use by or for the benefit of, a party in interest or disqualified person, of any Plan assets. Such parties in interest or disqualified persons could include, without limitation, the Issuer, the Initial Purchasers, the Transfer Agent, the Paying Agent, the Trustee or any of their respective affiliates. Depending on the satisfaction of certain conditions which may include the identity of the Plan fiduciary making the decision to acquire or hold the Notes on behalf of a Plan, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code or Prohibited Transaction Class Exemption (“**PTCE**”) 84-14 (relating to transactions effected by a “qualified professional asset manager”), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 95-60 (relating to investments by insurance company general accounts) or PTCE 96-23 (relating to transactions directed by an in house asset manager) (collectively, the “**Class Exemptions**”) could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. However, there can be no assurance that any of these statutory exemptions, Class Exemptions or any other exemption will be available with respect to any particular transaction involving the Notes. Fiduciaries of Plans considering acquiring and/or holding the Notes in reliance on any exemption should carefully review such exemption to ensure that it is applicable.

By its purchase of any Note, the purchaser and any subsequent transferee thereof will be deemed to have represented and warranted that either: (i) no portion of the assets used by such purchaser or transferee to acquire and/or hold the Notes constitutes assets of any Plan or non U.S., governmental or church plan subject to Similar Law or any entity whose underlying assets are considered to include “plan assets” (within the meaning of Section 2510.3 101 of Title 29 of the United States Code of Federal Regulations, as

modified by Section 3(42) of ERISA) of any such plan, account or arrangement (each, a “**Plan**”) or (ii) (x) the purchase and holding of the Notes by such purchaser or transferee does not and will not constitute a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Law and (y) if it is a Plan, the decision to purchase the Notes has been made by a duly authorized fiduciary (each, a “**Plan Fiduciary**”) who is independent of the Issuer and its affiliates, which Plan Fiduciary (A) is a fiduciary under ERISA or the Code, or both, with respect to the decision to purchase the Notes, (B) is not the individual retirement account (“**IRA**”) owner (in the case of an acquirer or transferee which is an IRA), (C) is capable of evaluating investment risks independently, both in general and with regard to the prospective investment in the Notes, (D) has exercised independent judgment in evaluating whether to invest the assets of such Plan in the Notes, and (E) is either a bank, an insurance carrier, a registered investment adviser, a registered broker-dealer or an independent fiduciary with at least \$50 million of assets under management or control, in each case, as described in 29 C.F.R. Section 2510.3-21(c)(1)(i). The above representations in this paragraph are intended to comply with the Department of Labor’s Regulation, Sections 29 C.F.R. 2510.3-21(a) and (c)(1) as promulgated on April 8, 2016 (81 Fed. Reg. 20,997). If these regulations are revoked, repealed or no longer effective, these representations shall be deemed to be no longer in effect.

None of the Issuer, Initial Purchasers, Trustee, Transfer Agent, Paying Agent or any of their respective Affiliates is undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with the acquisition of any Notes by any Plan.

Each Plan Fiduciary (and each fiduciary for non U.S., governmental or church plans subject to Similar Law) should consult with its legal advisor concerning the potential consequences to the plan under ERISA, the Code or such Similar Laws of an investment in the Notes.

BOOK ENTRY, DELIVERY AND FORM

General

The Notes sold to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the “**Rule 144A Global Notes**”). The Notes sold to non-U.S. persons outside the United States in reliance on Regulation S under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the “**Regulation S Global Notes**” and, together with the Rule 144A Global Notes, the “**Global Notes**”). The Global Notes will be deposited, on the Issue Date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

Ownership of interests in the Rule 144A Global Notes (the “**Rule 144A Book-Entry Interests**”) and ownership of interests in the Regulation S Global Notes (the “**Regulation S Book-Entry Interests**” and, together with the Rule 144A Book-Entry Interests, the “**Book-Entry Interests**”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositories. Except under the limited circumstances described below, the Notes will not be issued in definitive form.

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not have the Notes registered in their name, will not have received physical delivery of the Notes in certificated form and will not be considered the registered owners or Holders of Notes under the Indenture for any purpose.

So long as the Notes are held in global form, Euroclear and/or Clearstream (or their respective nominees), as applicable, will be considered the sole holders of the Global Notes for all purposes under the Indenture. Accordingly, participants must rely on the procedures of Euroclear and Clearstream, and indirect participants must rely on the procedures of Euroclear and Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders of Notes under the Indenture.

Neither we, the Trustee, the Paying Agent, the Transfer Agent or the Registrar, nor any of our or their agents, will have any responsibility, or be liable, for any aspect of the records, or for payments made, relating to the Book-Entry Interests.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream, at the request of the holders of the Notes, reserves the right to exchange the Global Notes for definitive registered Notes in certificated form (the “**Definitive Registered Notes**”), and to distribute such Definitive Registered Notes to their participants.

Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes:

1. if Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depository and a successor depository is not appointed by the Issuer within 120 days; or

2. if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an event of default under the Indenture.

Euroclear and Clearstream have advised the Issuer that upon request by an owner of a Book-Entry Interest described in the immediately preceding clause (2), their current procedure is to request that the Issuer issues or causes to be issued Notes in definitive registered form to all owners of Book-Entry Interests and not only to the owner who made the initial request.

In such an event described in clauses (1) and (2), the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear, Clearstream or the Issuer, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in the Indenture, unless that legend is not required by the Indenture or applicable law.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken, or if such Definitive Registered Notes are mutilated and are surrendered to the Registrar, the Issuer will issue and the Trustee or an authenticating agent appointed by the Trustee will authenticate a replacement Definitive Registered Note if the Trustee's and the Issuer's requirements are met. The Issuer or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the Trustee and the Issuer to protect the Issuer, the Trustee, the Registrar or the Paying Agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer and the Trustee may charge for expenses in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by the Issuer pursuant to the provisions of the Indenture, the Issuer in its discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

To the extent permitted by law, each of the Issuer, the Trustee, the Registrar, the Transfer Agent and the Paying Agent shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Registrar, and such registration is a means of evidencing title to the Notes.

The Issuer will not impose any fees or other charges in respect of the Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream.

Redemption of Global Notes

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream, or their respective nominees, as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by them in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that, under the existing practices of Euroclear and Clearstream, if fewer than all of its Notes are to be redeemed at any time, Euroclear and Clearstream will credit their participants' accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate; provided, however, that no Book-Entry Interest of less than €100,000 principal amount may be redeemed in part.

Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and additional amounts, if any) to the Paying Agent. The Paying Agent will, in turn make said payments to or to the order of the common depositary or its nominee for Euroclear and Clearstream. Euroclear and/or Clearstream will distribute such payments to participants in accordance with their respective customary procedures. The Issuer will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or

governmental charges of whatever nature, except as may be required by law and as described under “*Description of the Notes—Additional Amounts*.” If any such deduction or withholding is required to be made, then, to the extent described under “*Description of the Notes—Additional Amounts*” above, the Issuer will pay additional amounts as may be necessary in order for the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding to equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, each of the Issuer, the Trustee, the Registrar, the Transfer Agent, the Paying Agent and any of their respective agents will treat the registered holders of the Global Notes (for example, Euroclear or Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Registrar, the Transfer Agent and the Paying Agent or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear or Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Currency of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the relevant Global Notes will be paid to holders of interests to such Notes through Euroclear and/or Clearstream in euro.

Transfers

Transfers between participants in Euroclear and/or Clearstream will be effected in accordance with Euroclear and Clearstream’s rules and will be settled in immediately available funds. If a holder of Notes requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interests in the relevant Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the Indenture.

The Global Notes will bear a legend to the effect set forth under “*Transfer Restrictions*.” Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under “*Transfer Restrictions*.”

Transfers of Rule 144A Book-Entry Interests to persons wishing to take delivery of Rule 144A Book-Entry Interests will at all times be subject to such transfer restrictions.

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the U.S. Securities Act or any other exemption (if available under the U.S. Securities Act).

Through and including the 40th day after the later of the commencement of the Offering and the closing of the Offering (the “**40-day Period**”), Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A under the U.S. Securities Act in a transaction meeting the requirements of Rule 144A under the U.S. Securities Act or otherwise in accordance with the transfer restrictions described under “*Transfer Restrictions*” and in accordance with any applicable securities laws of any other jurisdiction.

After the expiration of the 40-day Period, Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest without compliance with these certification requirements.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under “*Description of the Notes—Transfers*” and, if required, only if the transferor first delivers to the Trustee and/or the Registrar a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See “*Transfer Restrictions*.”

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of the settlement system are controlled by the settlement system and may be changed at any time. Neither we, the Trustee, the Paying Agent, the Transfer Agent, the Registrar nor the Initial Purchasers are responsible for those operations or procedures.

The Issuer understands as follows with respect to Euroclear and Clearstream: Euroclear and Clearstream hold securities for participating organizations. They facilitate the clearance and settlement of securities transactions between their participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear and/or Clearstream system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the Rule 144A Global Notes only through Euroclear or Clearstream participants.

Global Clearance and Settlement Under the Book-Entry System

The Notes represented by the Global Notes are expected to be listed and admitted to trading on the Exchange. The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification numbers and common code numbers for the Notes are set out under “*Listing and General Information*.” Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system’s rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Trustee, the Registrar, the Transfer Agent, the Paying Agent or any of their respective agents will have any responsibility for the performance by Euroclear, Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the Notes will be made in euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value of the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear and Clearstream and will settle in same day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

TRANSFER RESTRICTIONS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

The Notes are subject to restrictions on transfer as summarized below. By purchasing Notes, you will be deemed to have made the following acknowledgments, representations to and agreements with the Issuer and the Initial Purchasers:

- (1) You understand and acknowledge that:
 - (a) the Notes have not been registered under the U.S. Securities Act or any other securities laws and are being offered for resale in transactions that do not require registration under the U.S. Securities Act or any other securities laws; and
 - (b) unless so registered, the Notes may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraphs 5 and 6 below.
- (2) You acknowledge that this offering memorandum relates to an offering that is exempt from registration under the U.S. Securities Act or any other applicable securities laws and may not comply in important respects with SEC rules that would apply to an offering document relating to a public offering of securities.
- (3) You represent that you are not an “affiliate” (as defined in Rule 144 under the U.S. Securities Act) of the Issuer, that you are not acting on our behalf and that either:
 - (a) you are a “qualified institutional buyer” (as defined in Rule 144A under the U.S. Securities Act) and are purchasing Notes for your own account or for the account of another qualified institutional buyer, and you are aware that the Initial Purchasers are selling the Notes to you in reliance on Rule 144A; or
 - (b) you are not a “U.S. person” (as defined in Regulation S under the U.S. Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and you are purchasing Notes in an offshore transaction in accordance with Regulation S.
- (4) You acknowledge that none of the Issuer, the Initial Purchasers or any person representing the Issuer or the Initial Purchasers has made any representation to you with respect to the Issuer or the Offering, other than the information contained in this offering memorandum. Accordingly, you acknowledge that no representation or warranty is made by the Initial Purchasers or any person representing the Initial Purchasers as to the accuracy or completeness of such materials. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning the Group and the Notes as you have deemed necessary in connection with your decision to purchase Notes, including an opportunity to ask questions of and request information from the Group and the Initial Purchasers.
- (5) You represent that you are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of your property or the property of that investor account or accounts be at all times within your or their control and subject to your or their ability to resell the Notes pursuant to Rule 144A or any other available exemption from registration under the U.S. Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing Notes, and each subsequent holder of the Notes by its acceptance of the Notes will agree, that until the end of the Resale Restriction Period (as defined below), the Notes may be offered, sold or otherwise transferred only:
 - (a) to the Issuer or any of its subsidiaries;
 - (b) under a registration statement that has been declared effective under the U.S. Securities Act;

- (c) for so long as the Notes are eligible for resale under Rule 144A, to a person the seller reasonably believes is a qualified institutional buyer that is purchasing for its own account or for the account of another qualified institutional buyer and to whom notice is given that the transfer is being made in reliance on Rule 144A;
- (d) through offers and sales to non-U.S. persons that occur outside the United States within the meaning of Regulation S under the U.S. Securities Act; and
- (e) under any other available exemption from the registration requirements of the U.S. Securities Act,

subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or account's control and to compliance with any applicable state securities laws and any applicable local laws and regulations.

You also acknowledge that to the extent that you hold the Notes through an interest in a global note, the Resale Restriction Period (as defined below) may continue until one year after the Issuer, or any affiliate of the Issuer, was the owner of such Note or an interest in such Global Note, and so may continue indefinitely

(6) You acknowledge that:

- (a) the above restrictions on resale will apply from the Issue Date until the date that is one year (in the case of Rule 144A Notes) after the later of the Issue Date, the closing date of the issuance of any additional Notes and the last date that we or any of our affiliates was the owner of the Notes or any predecessor of the Notes or 40 days (in the case of Regulation S Notes) after the later of the Issue Date and when the Notes or any predecessor of the Notes are first offered to persons other than Distributors (as defined in Rule 902 of Regulation S) in reliance on Regulation S (the "**Resale Restriction Period**"), and will not apply after the applicable Resale Restriction Period ends;
- (b) if a holder of Notes proposes to resell or transfer Notes under clause (e) above before the applicable Resale Restriction Period ends, the seller must deliver to the Issuer and the Trustee a letter from the purchaser in the form set forth in the Indenture which must provide, among other things, that the purchaser is an institutional accredited investor that is acquiring the Notes not for distribution in violation of the U.S. Securities Act;
- (c) the Issuer, the Registrar and the Trustee reserve the right to require in connection with any offer, sale or other transfer of Notes under clauses (5)(d) and (e) above the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Issuer, the Registrar and the Trustee; and
- (d) each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, (1) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE THAT IS [IN THE CASE OF RULE 144A NOTES:] ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL NOTES AND THE LAST DATE

ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), [IN THE CASE OF REGULATION S NOTES:] 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S) IN RELIANCE ON REGULATION S, ONLY (A) TO THE ISSUER OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT (“RULE 144A”), TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER’S AND THE TRUSTEE’S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (X) PURSUANT TO CLAUSES (C), (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (Y) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE, (2) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND AND (3) [IN THE CASE OF RULE 144A NOTES:] REPRESENTS THAT IT IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A) OR [IN THE CASE OF REGULATION S NOTES:] THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT.

BY ITS ACQUISITION OF THIS SECURITY, THE HOLDER THEREOF WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER (1) NO PORTION OF THE ASSETS USED BY SUCH HOLDER TO ACQUIRE AND HOLD THIS SECURITY OR INTEREST THEREIN CONSTITUTES ASSETS OF ANY “EMPLOYEE BENEFIT PLAN” SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), ANY PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR ARRANGEMENT SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), AN ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE “PLAN ASSETS” (PURSUANT TO SECTION 3(42) OF ERISA AND REGULATIONS PROMULGATED UNDER ERISA BY THE U.S. DEPARTMENT OF LABOR) OF SUCH EMPLOYEE BENEFIT PLANS, PLANS, ACCOUNTS (EACH; A “PLAN”) OR ARRANGEMENTS OR A GOVERNMENTAL PLAN, CHURCH PLAN OR NON-U.S. PLAN, SUBJECT TO PROVISIONS UNDER ANY FEDERAL, STATE, LOCAL, NON-U.S. LAWS OR REGULATIONS THAT ARE SIMILAR TO SUCH PROVISIONS OF ERISA OR THE CODE (COLLECTIVELY, “SIMILAR LAWS”) OR (2) (X) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS SECURITY OR INTEREST THEREIN WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR SIMILAR VIOLATION UNDER ANY APPLICABLE SIMILAR LAWS AND (Y) IF IT IS A PLAN, THE DECISION TO PURCHASE THE NOTES HAS BEEN MADE BY A DULY AUTHORIZED FIDUCIARY (EACH, A “PLAN FIDUCIARY”) WHO IS INDEPENDENT OF THE ISSUER AND ITS AFFILIATES, WHICH

PLAN FIDUCIARY (A) IS A FIDUCIARY UNDER ERISA OR THE CODE, OR BOTH, WITH RESPECT TO THE DECISION TO PURCHASE THE NOTES, (B) IS NOT THE INDIVIDUAL RETIREMENT ACCOUNT (“IRA”) OWNER (IN THE CASE OF AN ACQUIRER OR TRANSFEREE WHICH IS AN IRA), (C) IS CAPABLE OF EVALUATING INVESTMENT RISKS INDEPENDENTLY, BOTH IN GENERAL AND WITH REGARD TO THE PROSPECTIVE INVESTMENT IN THE NOTES, (D) HAS EXERCISED INDEPENDENT JUDGMENT IN EVALUATING WHETHER TO INVEST THE ASSETS OF SUCH PLAN IN THE NOTES, AND (E) IS EITHER A BANK, AN INSURANCE CARRIER, A REGISTERED INVESTMENT ADVISER, A REGISTERED BROKER-DEALER OR AN INDEPENDENT FIDUCIARY WITH AT LEAST \$50 MILLION OF ASSETS UNDER MANAGEMENT OR CONTROL. IN ADDITION, EACH BENEFICIAL OWNER OF THIS NOTE THAT IS A PLAN, INCLUDING ANY FIDUCIARY PURCHASING THIS NOTE ON BEHALF OF A PLAN (“PLAN FIDUCIARY”), WILL BE DEEMED TO HAVE REPRESENTED BY ITS ACQUISITION OF THIS NOTE THAT: (I) NONE OF THE ISSUER, INITIAL PURCHASERS, THE TRUSTEE, THE TRANSFER AGENT, THE PAYING AGENT, THE REGISTRAR OR ANY OF THEIR RESPECTIVE AFFILIATES (THE “TRANSACTION PARTIES”) HAS PROVIDED OR WILL PROVIDE ADVICE WITH RESPECT TO THE ACQUISITION OF THIS NOTE BY THE PLAN, OTHER THAN TO THE PLAN FIDUCIARY WHICH IS INDEPENDENT OF THE TRANSACTION PARTIES, AND THE PLAN FIDUCIARY EITHER: (A) IS A BANK AS DEFINED IN SECTION 202 OF THE INVESTMENT ADVISERS ACT OF 1940, AS AMENDED (THE “ADVISERS ACT”), OR SIMILAR INSTITUTION THAT IS REGULATED AND SUPERVISED AND SUBJECT TO PERIODIC EXAMINATION BY A STATE OR FEDERAL AGENCY; (B) IS AN INSURANCE CARRIER WHICH IS QUALIFIED UNDER THE LAWS OF MORE THAN ONE STATE TO PERFORM THE SERVICES OF MANAGING, ACQUIRING OR DISPOSING OF ASSETS OF A PLAN; (C) IS AN INVESTMENT ADVISER REGISTERED UNDER THE ADVISERS ACT OR, IF NOT REGISTERED AS AN INVESTMENT ADVISER UNDER THE ADVISERS ACT BY REASON OF PARAGRAPH (1) OF SECTION 203A OF THE ADVISERS ACT, IS REGISTERED AS AN INVESTMENT ADVISER UNDER THE LAWS OF THE STATE IN WHICH IT MAINTAINS ITS PRINCIPAL OFFICE AND PLACE OF BUSINESS; (D) IS A BROKER-DEALER REGISTERED UNDER THE EXCHANGE ACT; OR (E) HAS, AND AT ALL TIMES THAT THE PLAN IS INVESTED IN THIS NOTE WILL HAVE, TOTAL ASSETS OF AT LEAST \$50,000,000 UNDER ITS MANAGEMENT OR CONTROL (PROVIDED THAT THIS CLAUSE (E) SHALL NOT BE SATISFIED IF THE PLAN FIDUCIARY IS EITHER (1) THE OWNER OR A RELATIVE OF THE OWNER OF AN INVESTING INDIVIDUAL RETIREMENT ACCOUNT OR (2) A PARTICIPANT OR BENEFICIARY OF THE PLAN INVESTING IN THIS NOTE IN SUCH CAPACITY); (II) THE PLAN FIDUCIARY IS CAPABLE OF EVALUATING INVESTMENT RISKS INDEPENDENTLY, BOTH IN GENERAL AND WITH RESPECT TO PARTICULAR TRANSACTIONS AND INVESTMENT STRATEGIES, INCLUDING THE ACQUISITION BY THE PLAN OF THIS NOTE; (III) THE PLAN FIDUCIARY IS A “FIDUCIARY” WITH RESPECT TO THE PLAN WITHIN THE MEANING OF SECTION 3(21) OF ERISA, SECTION 4975 OF THE CODE, OR BOTH, AND IS RESPONSIBLE FOR EXERCISING INDEPENDENT JUDGMENT IN EVALUATING THE PLAN’S ACQUISITION OF THIS NOTE; (IV) NONE OF THE TRANSACTION PARTIES HAS EXERCISED ANY AUTHORITY TO CAUSE THE PLAN TO INVEST IN THIS NOTE OR TO NEGOTIATE THE TERMS OF THE PLAN’S INVESTMENT IN THIS NOTE; AND (V) THE PLAN FIDUCIARY HAS BEEN INFORMED BY THE TRANSACTION PARTIES: (A) THAT NONE OF THE TRANSACTION PARTIES IS UNDERTAKING TO PROVIDE IMPARTIAL INVESTMENT ADVICE OR TO GIVE ADVICE IN A FIDUCIARY CAPACITY, AND THAT NO SUCH ENTITY HAS GIVEN INVESTMENT ADVICE OR OTHERWISE MADE A RECOMMENDATION, IN CONNECTION WITH THE PLAN’S ACQUISITION OF THIS NOTE; AND (B) OF THE EXISTENCE AND NATURE OF THE TRANSACTION PARTIES FINANCIAL INTERESTS IN THE PLAN’S ACQUISITION OF THIS NOTE.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

- (7) You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on the transfer of such Notes.

- (8) You represent and warrant that either (i) no portion of the assets used by you to acquire and hold such Notes or interest therein constitutes assets of any “employee benefit plan” subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended, (“**ERISA**”), any plan, individual retirement account or other arrangement subject to Section 4975 of the Code, an entity whose underlying assets are considered to include “plan assets” (pursuant to Section 3(42) of ERISA and regulations promulgated under ERISA by the U.S. Department of Labor) of such employee benefit plans, plans, accounts or arrangements (each, a “**Plan**”) or a governmental plan, church plan or non-U.S. plan, subject to provisions under any federal, state, local, non-U.S. laws or regulations that are similar to such provisions of ERISA or the Code (collectively, “**Similar Laws**”) or (ii) (x) the acquisition, holding and disposition of this security or interest therein will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or similar violation under any applicable Similar Laws and (y) if it is a Plan, the decision to purchase the Notes has been made by a duly authorized fiduciary (each, a “**Plan Fiduciary**”) who is independent of the Issuer and its affiliates, which Plan Fiduciary (A) is a fiduciary under ERISA or the Code, or both, with respect to the decision to purchase the Notes, (B) is not the individual retirement account (“**IRA**”) owner (in the case of an acquirer or transferee which is an IRA), (C) is capable of evaluating investment risks independently, both in general and with regard to the prospective investment in the Notes, (D) has exercised independent judgment in evaluating whether to invest the assets of such Plan in the Notes, and (E) is either a bank, an insurance carrier, a registered investment adviser, a registered broker-dealer or an independent fiduciary with at least \$50 million of assets under management or control. In addition, each beneficial owner of the Notes that is a Plan, including any fiduciary purchasing this Note on behalf of a Plan, (a “**Plan Fiduciary**”), will be deemed to have represented by its acquisition of the Notes that: (i) none of the Issuer, Initial Purchasers, the Trustee, the Transfer Agent, the Paying Agent or any of their respective Affiliates (the “**Transaction Parties**”) has provided or will provide advice with respect to the acquisition of such Notes by the Plan, other than to the Plan Fiduciary which is independent of the Transaction Parties, and the Plan Fiduciary either: (A) is a bank as defined in Section 202 of the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”), or similar institution that is regulated and supervised and subject to periodic examination by a state or federal agency; (B) is an insurance carrier which is qualified under the laws of more than one state to perform the services of managing, acquiring or disposing of assets of a Plan; (C) is an investment adviser registered under the Advisers Act or, if not registered as an investment adviser under the Advisers Act by reason of paragraph (1) of Section 203A of the Advisers Act, is registered as an investment adviser under the laws of the state in which it maintains its principal office and place of business; (D) is a broker-dealer registered under the Exchange Act; or (E) has, and at all times that the Plan is invested in such Notes will have, total assets of at least \$50,000,000 under its management or control (provided that this clause (E) shall not be satisfied if the Plan Fiduciary is either (1) the owner or a relative of the owner of an investing individual retirement account or (2) a participant or beneficiary of the Plan investing in such Notes in such capacity); (ii) the Plan Fiduciary is capable of evaluating investment risks independently, both in general and with respect to particular transactions and investment strategies, including the acquisition by the Plan of such Notes; (iii) the Plan Fiduciary is a “fiduciary” with respect to the Plan within the meaning of Section 3(21) of ERISA, Section 4975 of the Code, or both, and is responsible for exercising independent judgment in evaluating the Plan’s acquisition of such Notes; (iv) none of the Transaction Parties has exercised any authority to cause the Plan to invest in such Notes or to negotiate the terms of the Plan’s investment in such Notes; and (v) the Plan Fiduciary has been informed by the Transaction Parties: (A) that none of the Transaction Parties is undertaking to provide impartial investment advice or to give advice in a fiduciary capacity, and that no such entity has given investment advice or otherwise made a recommendation, in connection with the Plan’s acquisition of such Notes; and (B) of the existence and nature of the Transaction Parties financial interests in the Plan’s acquisition of such Notes. The above representations in this paragraph are intended to comply with the Department of Labor’s Regulation, Sections 29 C.F.R. 2510.3-21(a) and (c)(1) as promulgated on April 8, 2016 (81 Fed. Reg. 20,997). If these regulations are revoked, repealed or no longer effective, these representations shall be deemed to be no longer in effect.
- (9) None of the Transaction Parties is undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with the acquisition of any Notes by any Plan.
- (10) You acknowledge until 40 days following the commencement of this Offering, an offer or sale of the Notes within the United States by a dealer (whether or not participating in the Offering) may violate

the registration requirements of the U.S. Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the U.S. Securities Act.

- (11) You acknowledge that the Registrar will not be required to accept for registration or transfer any Notes acquired by you except upon presentation of evidence satisfactory to the Issuer and the Registrar that the restrictions set forth therein have been complied with;
- (12) You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of Notes are no longer accurate, you will promptly notify the Issuer and the Initial Purchasers. If you are purchasing any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.
- (13) You understand that no action has been taken in any jurisdiction (including the United States) by the Issuer or any of the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under “*Plan of Distribution.*”

PLAN OF DISTRIBUTION

General

The Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed, subject to certain customary closing conditions, to subscribe to and pay for, the Notes on the Issue Date.

The sale will be made pursuant to an agreement among the Issuer and the Initial Purchasers (the “**Purchase Agreement**”). Subject to the terms and conditions of the Purchase Agreement, the Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed, to purchase from the Issuer all of the Notes. The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by the Issuer’s and their counsel. The Purchase Agreement also provides that the Issuer will indemnify the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. The Issuer has furthermore agreed to reimburse the Initial Purchasers for certain expenses incurred in connection with the issue of the Notes. In the Purchase Agreement, the Issuer has made certain representations and given certain warranties in respect of their respective legal and financial matters. The Initial Purchasers are entitled, under certain circumstances, to terminate the Purchase Agreement. In such event, no Notes will be delivered to investors.

No Sale of Similar Securities

The Issuer has agreed, subject to certain limited exceptions, that it or its affiliates and subsidiaries will not, directly or indirectly, sell or offer to sell any of the Notes or other euro denominated debt securities with a tenor of more than one year for a period of 90 days from the date the Notes are issued without first obtaining the written consent of Deutsche Bank AG, London Branch.

New Issue of Notes

The Notes are a new issue of securities with no established trading market. Application has been made to the Luxembourg Stock Exchange for the Notes to be listed on the Official List and admitted to trading on the Euro MTF. There can be no assurance that any such listing will be granted or maintained. The Initial Purchasers have advised us that they intend to make a market in the Notes after completion of the Offering. However, the Initial Purchasers are under no obligation to do so and may discontinue any market making activities at any time without notice. In addition, any such market making activity will be subject to the limits imposed by the U.S. Securities Act and the Exchange Act. Accordingly, it cannot be assured that any market for the Notes will develop, or that such market will be liquid if it does develop, or that an investor will be able to sell any Notes at a particular time or at a price which will be favorable.

Stamp Tax

Persons that purchase the Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price.

Price Stabilization and Short Positions

In connection with the offering, Deutsche Bank AG, London Branch (the “**Stabilizing Manager**”) (or persons acting on its behalf) may purchase and sell Notes in the open market. These transactions may include over allotment, stabilizing transactions, syndicate covering transactions and penalty bids. Over allotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Notes. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker/dealer when the Notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions. These transactions may be effected in the over the counter market or otherwise.

These activities may stabilize, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the prices that otherwise might exist in the open market. Neither the

Issuer nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, there is no obligation on the Stabilizing Manager to engage in such transactions and neither the Issuer nor the Initial Purchasers make any representation that the Stabilizing Manager will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice. Any stabilizing action, if commenced, must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes.

Initial Settlement

It is expected that delivery of the Notes will be made against payment therefore on or about the date specified on the cover page of the offering memorandum, which will be the tenth business day following the date of pricing of the Notes (this settlement cycle is being referred to as “T+10”). Under Rule 15(c)6 1 under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next succeeding business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes prior to delivery of the Notes should consult their own advisor.

Other Relationships

The Initial Purchasers or their respective affiliates, from time to time, may provide in the future investment banking, commercial lending, consulting and financial advisory services to the Issuer and its affiliates, for which they may receive customary advisory and transaction fees, commissions and expense reimbursement. Other than as disclosed in the section “*Description of Certain Financing Arrangements*”, there are no material relationships between the Initial Purchasers and the Issuer.

Selling and Transfer Restrictions

The Notes have not been and will not be registered under the U.S. Securities Act or qualified for sale under the securities laws of any U.S. state or any jurisdiction outside the United States and may not be offered or sold within the United States except to QIBs in reliance on Rule 144A and to non U.S. persons in offshore transactions in reliance on Regulation S. Accordingly, the Notes will be subject to significant restrictions on resale and transfer as described under “*Notice to Investors*” and “*Transfer Restrictions*”. Any offer or sale of Notes in the United States in reliance on Rule 144A will be made by broker dealers who are registered as such under the Exchange Act. Until 40 days after the later of (i) the commencement of this offering and (ii) the issue date of the Notes, an offer or sale of the Notes initially sold in reliance on Regulation S within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each of the Initial Purchasers has represented, warranted and agreed that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the United Kingdom Financial Services and Markets Act 2000 (the “FSMA”) received by it in connection with the issuance or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer); and
- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States, Germany and the United Kingdom, by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any

such country or jurisdiction. This offering memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering, the distribution of this offering memorandum and resale of the Notes. See “*Notice to the Investors*” and “*Transfer Restrictions*”.

The Issuer has also agreed that they will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the U.S. Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is organized under the laws of Germany. None of the directors, officers or other executives of the Issuer are residents or citizens of the United States. Therefore, you may be unable to effect service of process within the United States on the directors, officers or executives. Furthermore, since the assets of the Issuer, and its respective directors and officers are located outside the United States, any judgment obtained in the United States against the Issuer or any such other person, including judgments with respect to the payment of principal, premium (if any) and interest on the Notes or any judgment of a U.S. court predicated upon civil liabilities under U.S. Federal or state securities laws, may not be collectible in the United States.

We have been advised by our German counsel that there is doubt as to the enforceability in Germany of civil liabilities based on U.S. federal or state securities laws, either in an original action or in an action to enforce a judgment obtained in U.S. federal or state courts. The United States and Germany currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment by any U.S. federal or state court for payment, whether or not predicated solely upon U.S. federal or state securities laws, would not automatically be enforceable in Germany. A final judgment by a U.S. federal or state court, however, may be recognized and enforced in Germany in an action before a court of competent jurisdiction in accordance with the proceedings set forth by the German Code of Civil Procedure (*Zivilprozessordnung*). In such an action, a German court generally would not reinvestigate the merits of the original matter decided by a U.S. court, except as noted below. The recognition and enforcement of a U.S. judgment by a German court would be conditional upon a number of factors, including the following:

- the judgment being final under U.S. federal or state law;
- the U.S. court having had jurisdiction over the original proceeding under German law;
- the defendant having had the chance to defend herself or himself against an unduly or untimely served complaint;
- the judgment of the U.S. court being consistent with the judgment of a German court or a recognized judgment of a foreign court handed down before the judgment of the U.S. court;
- the matter (*Verfahren*) resulting in the judgment of the U.S. court being consistent with the matter (*Verfahren*) pending before a German court, provided that such German matter was pending before a German court prior to the U.S. court entered its judgment;
- the enforcement of the judgment by the U.S. court being compatible with the substantial foundations of German law, in particular with the civil liberties (*Grundrechte*) guaranteed by virtue of the German Constitution (*Grundgesetz*); and
- generally, the guarantee of reciprocity.

Subject to the foregoing, purchasers of securities may be able to enforce judgments in civil and commercial matters obtained from U.S. federal or state courts in Germany. We cannot, however, assure you that attempts to enforce judgments in Germany will be successful.

In addition, in the past the recognition and enforcement of punitive damages has been denied by German courts as incompatible with the substantial foundations of German law. Moreover, a German court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages.

German civil procedure differs substantially from U.S. civil procedure in a number of respects. With respect to the production of evidence, for example, U.S. federal and state law and the laws of several other jurisdictions based on common law provide for pretrial discovery, a process by which parties to the proceedings may, prior to trial, compel the production of documents by adverse or third parties and the deposition of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. No such pretrial discovery process exists under German law.

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon for us by Latham & Watkins LLP as to matters of German law and Latham & Watkins (London) LLP as to matters of U.S. federal law. Certain legal matters in connection with the Offering will be passed upon for the Initial Purchasers by White & Case LLP as to matters of German law and as to matters of U.S. federal law.

INDEPENDENT AUDITORS

The German language consolidated financial statements of the Company as of and for the fiscal years ended December 31, 2015 and December 31, 2016 have been audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (“EY”), independent auditors, in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (*Institut der Wirtschaftsprüfer*), as stated in their German language audit opinions. English language translations of the German language Audited Consolidated Financial Statements and the respective audit opinions are included in this offering memorandum.

Each of the respective audit opinions of EY on the Audited Consolidated Financial Statements refers to the respective Audited Consolidated Financial Statements and the respective combined group management report and management report of the Company as a whole. The combined group management reports and management reports of the Company are not reprinted in this offering memorandum.

AVAILABLE INFORMATION

Each purchaser of the Notes from the Initial Purchasers will be furnished with a copy of this offering memorandum and any amendments or supplements to this offering memorandum. Each person receiving this offering memorandum and any related amendments or supplements to the offering memorandum acknowledges that:

- such person has been afforded an opportunity to request from us and has received and reviewed all additional information considered by it to be necessary to verify the accuracy and completeness of the information contained herein;
- such person has not relied on information provided or representations made by the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and
- except as provided pursuant to the first bullet above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

For so long as any of the Notes are “restricted securities” within the meaning of the Rule 144(a)(3) under the U.S. Securities Act, we will, during any period in which we are neither subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, nor exempt from the reporting requirements under Rule 12g3-2(b) of the Exchange Act, provide to the holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, in each case upon the written request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the U.S. Securities Act.

We are currently not subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to the Indenture, we will agree to furnish periodic information to the holders of the Notes. See “*Description of the Notes—Certain Covenants—Reports*”. Copies of the Indenture may also be obtained by request to the Issuer.

So long as the Notes are admitted to trading on the Euro MTF Market and to listing on the Official List of the Luxembourg Stock Exchange, and the rules and regulations of such stock exchange so require, copies of such information will also be available for review during the normal business hours on any business day at the specified office of the listing agent in Luxembourg.

LISTING AND GENERAL INFORMATION

Listing Information

Application has been made to the Luxembourg Stock Exchange for the Notes to be listed on the Official List and admitted to trading on the Euro MTF. The Euro MTF is not a regulated market for the purposes of Directive 2004/39/EC.

For so long as the Notes are listed on the official list of the Luxembourg Stock Exchange and the rules of that exchange so require, copies of the following documents may be inspected and obtained free of charge at the specified office of the listing agent in Luxembourg during normal business hours on any weekday:

- the Issuer's organizational documents;
- our most recent audited consolidated financial statements and any interim quarterly consolidated financial statements published by us; and
- the Indenture.

We will maintain a paying agent for as long as any of the Notes are listed on the Euro MTF of the Luxembourg Stock Exchange.

The Issuer reserves the right to vary such appointment, and we will publish notice of such change of appointment in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the official website of the Luxembourg Stock Exchange (www.bourse.lu).

Clearing Information

The Notes have been accepted for clearance and settlement through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set out below:

	ISIN	Common Code
Regulation S Global Note	XS1647824173	164782417
Rule 144A Global Note	XS1647824686	164782468

Legal Information

Except as disclosed in this offering memorandum:

- there has been no material adverse change in the prospects of the Issuer since March 31, 2017; and
- none of the Issuer or any of its subsidiaries has been involved in any litigation, administrative proceeding or arbitration relating to claims or amounts which are material in the context of the issue of the Notes, and, so far as the Issuer, no such litigation, administrative proceeding or arbitration is pending or threatened.

The Issuer accepts responsibility for the information contained in this offering memorandum. The information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of this offering memorandum.

Authorization

The creation and issuance of the Notes were authorized by the Supervisory Board of the Issuer on July 7, 2017.

General Information on the Issuer

The Issuer was established under the name MAGNAT Real Estate Opportunities GmbH & Co. KGaA as a partnership limited by shares on May 31, 2006, and was converted into a stock corporation (*Aktiengesellschaft*) with an indefinite duration on September 17, 2010. It is registered in the commercial register of the local court of Frankfurt am Main, Germany, under the register number HRB 89041 and has a registered share capital of €54,246,944.

The Issuer's business address is Robert-Bosch-Straße 11, 63225 Langen, Germany. The phone number of the Issuer is +49 (0) 6103 372 49 0, and its corporate website is www.demire.ag.

The nature and purpose of the Issuer's business is (a) the acquisition, establishment, brokerage, management and sale of developed and undeveloped real estate, housing, hereditary building rights, commercial buildings, other rights in rem, buildings erected on land owned by another person and related project developments as building owner or property developer as well as their realization in Germany and abroad, in particular through the sale, rental (leasing) or demise; the acquisition and establishment of buildings and constructions of all kind as well as their management and realization, except for transactions, which require special licenses under the Trade Regulation Act (*Gewerbeordnung*) or other statutory regulations or are subject to licenses under specific legal requirements; (b) the development of real estate projects in Germany and abroad; the establishment, acquisition and sale of realization concepts for real estate projects; (c) the acquisition, holding, operation, management and sale of domestic and foreign companies and participations in companies of any legal form, also in its capacity as trustee for third parties, as well as the takeover of management tasks for other companies in the case of a takeover of the participation; (d) the rental of movable and immovable objects; (e) the development, management and design of appraisements of real estate and companies for investors; (f) the acquisition, possession, holding, management and sale of participations in companies, in particular in real estate companies, of receivables, which are either documented or collateralized by real estate, as well as of other investments, in any permissible legal form ("indirect investments in real estate"); (g) activities as property developer; (h) consulting of companies, except for tax and legal advice as well as other advice that is subject to authorization, in particular the comprehensive consulting and assistance with the management of companies regarding the exercise of duties, in particular in the context of the acquisition, development, ongoing management and rental as well as the sale of direct and indirect investments in real estate. The Issuer is entitled to transact all business and take all measures relating to its purpose; to this extent, the Issuer is also entitled to establish, acquire, participate and manage any other domestic or foreign companies, whose activities relate to those set out above. The Issuer may also establish branches in Germany and abroad.

INDEX TO THE FINANCIAL STATEMENTS

The following English language interim condensed consolidated financial statements and consolidated financial statements are translations of the respective German language unaudited interim condensed consolidated financial statements and respective German language consolidated financial statements.

	<u>Page</u>
Unaudited Interim Condensed Consolidated Financial Statements of DEMIRE Deutsche Mittelstand Real Estate AG as of and for the three months ended March 31, 2017	
Consolidated Statement of Income	F-3
Consolidated Statement of Comprehensive Income	F-4
Consolidated Balance Sheet	F-5
Consolidated Statement of Cash Flows	F-7
Consolidated Statement of Changes in Equity	F-8
Notes to the Interim Condensed Consolidated Financial Statements	F-9
 Audited Consolidated Financial Statements of DEMIRE Deutsche Mittelstand Real Estate AG as of and for the fiscal year ended December 31, 2016	
Consolidated Statement of Income	F-18
Consolidated Statement of Comprehensive Income	F-19
Consolidated Balance Sheet	F-20
Consolidated Statement of Cash Flows	F-22
Consolidated Statement of Changes in Equity	F-23
Notes to the Consolidated Financial Statements	F-24
Audit Opinion	F-80
 Audited Consolidated Financial Statements of DEMIRE Deutsche Mittelstand Real Estate AG as of and for the fiscal year ended December 31, 2015	
Consolidated Statement of Income	F-82
Consolidated Statement of Comprehensive Income	F-83
Consolidated Balance Sheet	F-84
Consolidated Statement of Cash Flows	F-85
Consolidated Statement of Changes in Equity	F-86
Notes to the Consolidated Financial Statements	F-87
Audit Opinion	F-188

**Unaudited Interim Condensed Consolidated Financial Statements of DEMIRE Deutsche
Mittelstand Real Estate AG as of and for the three months ended March 31, 2017**

CONSOLIDATED STATEMENT OF INCOME

IN EURK	01/01/2017 - 31/03/2017	01/01/2016 - 31/03/2016
Rental income	18,540	17,815
Income from utility and service charges	6,210	5,229
Operating expenses to generate rental income	-10,911	-9,952
Profit/loss from the rental of real estate	13,839	13,092
Net assets from real estate companies sold	0	3
Profit/loss from the sale of real estate companies ..	0	3
Revenue from the sale of real estate	14,239	11,750
Expenses relating to real estate sales	-14,433	-11,750
Profit/loss from the sale of real estate	-194	0
Profits from investments accounted for using the equity method	6	0
Profit/loss from investments accounted for using the equity method	6	0
Profit/loss from fair value adjustments in investment properties	155	7,009
Impairment of receivables	-189	-716
Other operating income	1,796	358
Other operating income and other effects	1,762	6,651
General and administrative expenses	-3,565	-3,405
Other operating expenses	-2,663	-2,342
Earnings before interest and taxes	9,185	13,999
Financial income	3,704	1,990
Financial expenses	-8,056	-10,834
Minority interests	-1,114	-646
Financial result	-5,466	-9,490
Profit/loss before taxes	3,719	4,509
Income taxes	-2,781	-999
Net profit/loss for the period	938	3,510
Thereof attributable to:		
Non-controlling interests	812	1,847
Parent company shareholders	126	1,663
Basic earnings per share	0.00	0.03
Diluted earnings per share	0.00	0.03

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

IN EURK	01/01/2017 - 31/03/2017	01/01/2016 - 31/03/2016
Net profit/loss for the period	938	3,510
Currency translation differences	54	12
Other comprehensive income	54	12
Total comprehensive income	992	3,522
Thereof attributable to:		
Non-controlling interests	812	1,847
Parent company shareholders	180	1,675

CONSOLIDATED BALANCE SHEET

ASSETS

EURK	31/03/2017	31/12/2016
ASSETS		
Non-current assets		
Intangible assets	6,998	7,005
Property, plant and equipment	1,800	1,753
Investment properties	958,408	981,274
Investments accounted for using the equity method	132	126
Other financial assets	11,327	11,328
Total non-current assets	978,665	1,001,486
Current assets		
Real estate inventory	1,955	2,222
Trade accounts receivable and other receivables	25,593	23,614
Financial receivables and other financial assets	14,788	10,293
Tax refund claims	808	811
Cash and cash equivalents	43,544	31,289
Total current assets	86,688	68,229
Non-current assets held for sale	35,737	24,291
Total assets	1,101,090	1,094,006

EQUITY AND LIABILITIES

EURK	31/03/2017	31/12/2016
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	54,256	54,247
Reserves	218,043	217,698
Equity attributable to parent company shareholders	272,299	271,945
Non-controlling interests	37,479	36,692
Total equity	309,778	308,637
Liabilities		
Non-current liabilities		
Deferred tax liabilities	37,099	35,030
Minority interests	62,022	62,822
Financial liabilities	625,686	620,623
Other liabilities	389	865
Total non-current liabilities	725,196	719,340
Current liabilities		
Provisions	1,335	1,739
Trade payables and other liabilities	20,722	17,378
Tax liabilities	5,355	4,892
Financial liabilities	38,704	42,020
Total current liabilities	66,116	66,029
Total liabilities	791,312	785,369
Total equity and liabilities	1,101,090	1,094,006

CONSOLIDATED STATEMENT OF CASH FLOWS

IN EURK	01/01/2017 - 31/03/2017	01/01/2016 - 31/03/2016
Group profit/loss before taxes	3,719	4,509
Financial expenses	9,170	11,480
Financial income	-3,704	-1,990
Change in trade accounts receivable and other receivables*	-2,567	1,942
Change in financial receivables and other financial assets	-997	174
Change in intangible assets	-7	0
Change in provisions	-404	252
Change in trade payables and other liabilities	2,763	-2,637
Valuation gains under IAS 40	-155	-7,009
Gains from the sale of real estate companies	194	0
Interest proceeds	100	0
Income taxes paid	-131	-109
Change in reserves	149	151
Profit/loss from investments accounted for using the equity method	-6	0
Depreciation and amortisation and impairment	189	716
Distributions to minority interests / dividends	-1,914	0
Other non-cash items*	-207	615
Cash flow from operating activities	6,192	8,094
Payments for investments in property, plant and equipment	-2,059	0
Acquisition of interests in fully consolidated companies in the context of business combinations	0	-4,352
Proceeds from the sale of real estate	13,839	11,225
Cash flow from investing activities	11,780	6,873
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	11,442	9,000
Interest paid on financial liabilities	-8,280	-9,389
Payments for the redemption of financial liabilities	-8,879	-24,211
Cash flow from financing activities	-5,717	-11,798
Net change in cash and cash equivalents	12,255	3,169
Cash and cash equivalents at the start of the period	31,289	28,467
Cash and cash equivalents at the end of the period	43,544	31,636

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

IN EURK	Note	Share 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
		Subscribed capital	Capital reserves						
January 01, 2017	E3	54,247	132,618	85,242	-310	147	271,945	36,692	308,637
Currency translation differences		0	0	0	0	54	54	0	54
Total other comprehensive income		0	0	0	0	54	54	0	54
Net profit/loss for the period		0	0	126	0	0	126	812	938
Total comprehensive income		0	0	126	0	54	180	812	992
Capital increase (related to the conversion of convertible bonds)		9	0	0	0	0	9	0	9
Stock option plan		0	149	0	0	0	149	0	149
Other changes		0	3	17	0	-4	16	-25	-9
March 31, 2017	E3	54,256	132,770	85,385	-310	197	272,299	37,479	309,778
January 01, 2016	E3	49,292	121,120	60,651	-310	-57	230,697	34,205	264,902
Currency translation differences		0	0	0	0	12	12	0	12
Total other comprehensive income		0	0	0	0	12	12	0	12
Net profit/loss for the period		0	0	1,663	0	0	1,663	1,847	3,510
Total comprehensive income		0	0	1,663	0	12	1,675	1,847	3,522
Capital increase (related to the conversion of convertible bonds)		15	0	0	0	0	15	0	15
Stock option programme		0	151	0	0	0	151	0	151
Other changes		0	-70	-1	0	0	-71	172	101
March 31, 2016	E3	49,307	121,201	62,314	-310	-45	232,467	36,224	268,691

Notes to the Interim Condensed Consolidated Financial Statements as at March 31, 2017 from January 1, 2017 until March 31, 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. 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 March 31, 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 March 31, 2017 were prepared in accordance with the provisions of IAS 34 “Interim Financial Reporting” (“IAS 34”) and reviewed by DEMIRE’s auditors.

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 March 31, 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, including, in particular, the presentation of the share of profit/loss attributable to minority interests in the consolidated statement of income and the consolidated statement of changes in equity. The comparative information for the 2016 fiscal year was adjusted retroactively (see Note D.2. 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 May 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 13,839 (first quarter of 2016: EURk 13,092) is free from seasonality and consists of the following:

IN EURK	01/01/2017 – 31/03/2017	01/01/2016 – 31/03/2016
Rental income	18,540	17,815
Income from utility and service charges	6,210	5,229
Rental revenue	24,750	23,044
Allocable operating expenses to generate rental income	-7,126	-6,746
Non-allocable operating expenses to generate rental income	-3,785	-3,206
Operating expenses to generate rental income	-10,911	-9,952
Profit/loss from the rental of real estate	13,839	13,092

Total rental income for the interim reporting period was entirely attributable to leases of commercial properties.

Earnings before interest and taxes of EURk 9,185 (first quarter of 2016: EURk 13,999) were shaped by the profit/loss from fair value adjustments in investment properties of EURk 155 (first quarter of 2016: EURk 7,009) in addition to the profit/loss from the rental of real estate. DEMIRE also recorded other operating income of EURk 1,796 (first quarter of 2016: EURk 358), relating mainly to a claim for damages (EURk 807) as well as to the reversal of provisions (EURk 305) and income from facility management (EURk 103).

Earnings were negatively impacted by general and administrative expenses of EURk 3,565 (first quarter of 2016: EURk 3,405), comprising primarily staff costs of EURk 885 (first quarter of 2016: EURk 760), accounting and audit costs of EURk 837 (first quarter of 2016: EURk 430) and legal and consulting fees of EURk 680 (first quarter of 2016: EURk 1,101), in addition to the financial result of EURk -5,466 (first quarter of 2016: EURk -9,490). The staff costs from the “2015 Stock Option Plan” recognised in these interim consolidated financial statements as at March 31, 2017 pursuant to IFRS 2 amounted to EURk 149 (first quarter of 2016: EURk 151). Earnings before interest and taxes were also impacted by other operating expenses of EURk 2,663 (first quarter of 2016: EURk 2,342), which were mainly composed of non-periodic expenses of EURk 614 (first quarter of 2016: EURk 812) related to the invoicing of operating costs for the 2015 fiscal year (first quarter 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. In addition, other operating expenses included loan processing fees of EURk 345 (first quarter of 2016: EURk 31) and non-deductible input taxes of EURk 309 (first quarter of 2016: EURk 25).

2. Financial result

IN EURK	01/01/2017 – 31/03/2017	01/01/2016 – 31/03/2016
Financial income	3,704	1,990
Financial expenses	-8,056	-10,834
Minority interests	-1,114	-646*
	-5,466	-9,490

* Restated figure for the previous year (see Note A).

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 share of profit/loss attributable to minority interests of EURk 1,114 (first quarter of 2016: EURk 646) concerns the minority interests in the subsidiaries of Fair Value REIT-AG recognised under liabilities.

3. Earnings per share

	01/01/2017 – 31/03/2017	01/01/2016 – 31/03/2016*
Net profit/loss (EURk)	938	3,510
Net profit/loss attributable to parent company shareholders	126	1,663
Interest expenses from convertible bonds	199	262
Net profit/loss attributable to parent company shareholders (diluted)	325	1,925
Number of shares		
Number of shares outstanding as at March 31, 2017 and March 31, 2016, respectively	54,256	49,307
Weighted average number of shares outstanding	54,253	49,304
Impact of conversion of convertible bonds	13,629	13,647
Weighted average number of shares (diluted)	67,882	62,951
Earnings per share (EUR)		
Basic earnings per share (EUR)	0.00	0.03
Diluted earnings per share (EUR)	0.00	0.03

* Restated figures for the previous year (see Note A).

Convertible bonds were not included in diluted earnings per share for the interim reporting period, as their assumed conversion would have an anti-dilutive effect due to the net loss recognised for the period.

E. NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Investment properties

Investment properties are measured at fair value. Fair value development during the interim reporting period:

IN EURK	2017	2016
Fair value as at January 1, 2017 and January 1, 2016, respectively	981,274	915,089
Additions through business combinations		0
Additions (change in scope of consolidation)	0	37,106
Reclassifications from advance payments and real estate inventory	0	11,191
Additions	2,059	11,480
Disposals	0	-8,270
Reclassifications to non-current assets, held for sale	-25,080	-23,736
Unrealised gains from fair value measurement	2,220	50,176
Unrealised losses from fair value measurement	-2,065	-11,762
Fair value as at March 31, 2017 and December 31, 2016, respectively	958,408	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). The valuation parameters for the DEMIRE subgroup, broken down by asset class, are shown in the appendix.

A sensitivity analysis of the DEMIRE subgroup's key unobservable inputs showed the following effects on the fair value of the investment properties:

CHANGE IN VALUE	Property yield		Market rent ¹⁾	
	-0.5 %	+0.5 %	-10 %	+10 %
in EURk	45,230	-40,800	-52,370	52,360
in %	6.72	-6.06	-7.78	7.78

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

A sensitivity analysis of the Fair Value REIT subgroup's key unobservable inputs showed the following effects on the fair value of the investment properties:

CHANGE IN VALUE	Property yield		Market rent ¹⁾	
	-0.5 %	+0.5 %	-10 %	+10 %
in EURk	14,360	-12,108	-21,022	21,012
in %	4.99	-4.21	-7.31	7.31

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 for the Fair Value REIT subgroup is based on the following underlying key, unobservable inputs (Level 3):

FAIR VALUE REIT SUBGROUP	31/03/2017		31/12/2016	
Average market rent (in EUR per m ² , per year)	70.08		68.83	
Range of market rents (in EUR per m ² , per month)	1.00	100.00	18.00	180.00
Rentable space as at balance sheet date (in m ²)	249,467		255,821	
Vacant space as at balance sheet date (in m ²)	25,710		30,637	
Value-based vacancy rate according to the EPRA (in %)	8.99		9.28	
Average vacancy rate based on rentable space (in %)	10.30		11.98	
Range of vacancy rates based on rentable space (in %)	0.00	43.1	0.00	60.75
Weighted average lease term—WALT (in years)	5.10		5.20	

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 compared to the previous year are shown in the table below:

CONTRACTUAL RENTS IN EUR		31/03/2017	31/12/2016
Office property	Min.	2.02	2.02
	Max.	25.80	25.80
	Avg.	7.42	7.34
Retail property	Min.	1.20	2.50
	Max.	90.00	90.00
	Avg.	9.41	9.65
Other property	Min.	2.00	2.00
	Max.	11.60	11.60
	Avg.	4.80	4.80
Total	Min.	1.20	2.00
	Max.	90.00	90.00
	Avg.	7.96	8.04

2. Financial liabilities

FINANCIAL LIABILITIES AS AT MARCH 31, 2017 IN EURK	Nominal interest rate	Fixed interest	Variable interest	Total
2014/2019 corporate bond	7.50%	97,819	0	97,819
2013/2018 convertible bond	6.50%	10,418	0	10,418
2015/2018 mandatory convertible bond (liability component)	2.75%	457	0	457
Other financial liabilities		486,345	69,351	555,696
Total		595,039	69,351	664,390

FINANCIAL LIABILITIES AS AT DECEMBER 31, 2016 IN EURK	Nominal interest rate	Fixed interest	Variable interest	Total
2014/2019 corporate bond	7.50%	97,650	0	97,650
2013/2018 convertible bond	6.50%	10,398	0	10,398
2015/2018 mandatory convertible bond (liability component)	2.75%	549	0	549
Other financial liabilities		502,858	51,188	554,046
Total		611,455	51,188	662,643

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

Other financial liabilities mainly comprise financial liabilities to credit institutions. The average annual interest rate on borrowings was 4.1% as at March 31, 2017 (previous year: 4.4%).

A significant portion of other financial liabilities is a promissory note from Deutsche Bank. 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 with Deutsche Bank as was a simultaneous reduction of the nominal interest rate to 4.00%.

Note that the non-fulfilment of covenants for the financing of Logistikpark Leipzig mentioned in DEMIRE AG's consolidated financial statements as at December 31, 2016 persisted as at the interim reporting date of March 31, 2017. The Executive Board still assumes that this credit line will continue to be available in the future as a non-current financial liability.

F. CONDENSED GROUP SEGMENT REPORTING

JANUARY 1, 2017 - MARCH 31, 2017 EURK	Core Portfolio	Fair Value REIT	Central Functions/ Others	Group
Total revenue	27,606	10,983	400	38,989
Segment revenue	28,799	11,238	909	40,949
Net profit/loss for the period	2,388	2,405	-3,855	938

Additional information

SEGMENT ASSETS	737,378	330,659	33,054	1,101,090
thereof investments accounted for using the equity method	16	0	116	132
thereof financial receivables and other financial assets	2,936	0	11,852	14,788
thereof tax refund claims	80	5	723	808
thereof non-current assets, held for sale	35,527	210	0	35,737
SEGMENT LIABILITIES	427,934	209,432	153,946	791,312
thereof non-current financial liabilities	366,343	122,794	136,549	625,686
thereof current financial liabilities	16,863	9,259	12,582	38,704
thereof tax liabilities	5,175	0	180	5,355

JANUARY 1, 2016 - MARCH 31, 2016 EURK	Core Portfolio	Fair Value REIT	Central Functions/ Others	Group
Revenue from external customers	16,311	18,476	7	34,794
Segment revenue	29,933	18,434	54	48,421
Segment profit/loss	6,578	887	-3,955	3,510

Additional information

SEGMENT ASSETS	726,042	324,449	5,902	1,056,393
thereof investments accounted for using the equity method ...	0	0	3,174	3,174
thereof loans to investments accounted for using the equity method	0	0	0	0
thereof financial receivables and other financial assets	3,541	0	8,418	11,959
thereof tax refund claims	100	5	27	132
thereof non-current assets, held for sale	1,255	525	0	1,780
SEGMENT LIABILITIES	448,746	204,209	134,100	787,055
thereof non-current financial liabilities	382,736	183,954	134,067	700,757
thereof current financial liabilities	23,264	9,973	3,521	36,758
thereof tax liabilities	3,781	0	0	3,781

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 5,398 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 F.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	31/03/2017		31/12/2016	
	Fair value	Carrying amount	Fair value	Carrying amount
Convertible bonds	52,202	10,875	52,233	10,947
Bonds	105,400	97,819	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 quarter 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 March 31, 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 March 31, 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 March 31, 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,
- Markus Drews, COO,
- Ralf Kind, CFO (since March 1, 2017)

In the interim reporting period, DEMIRE AG recognised performance-based remuneration in the amount of EURk 50 (first quarter of 2016: EURk 75), fixed remuneration of EURk 155 (first quarter of 2016: EURk 153) and share-based payments of EURk 121 (first quarter of 2016: EURk 121) 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 March 31, 2017

Subsequent events that occurred after the interim reporting date of March 31, 2017 that are of particular significance to DEMIRE's net assets, financial position and net profit/loss for the period are as follows:

On April 12, 2017, DEMIRE AG announced that Hon.-Prof. Andreas Steyer will leave DEMIRE AG's Executive Board effective June 30, 2017 to pursue new challenges. His Executive Board contract, which runs until March 31, 2019, was terminated prematurely by mutual agreement with the Supervisory Board. Markus Drews will replace Andreas Steyer as Speaker of the Executive Board (CEO) starting July 1, 2017.

On April 13, 2017, DEMIRE AG announced that the 2016 fiscal year funds from operations ("FFO"), excluding gains from disposals, would clearly fall short of the Company's FFO forecast. The FFO forecast for the 2017 fiscal year was withdrawn. A new FFO forecast for the 2017 fiscal year will be announced after the Company's internal planning has been updated.

Prior to the publication of the interim consolidated financial statements as at May 31, 2017, a total of 1,800 conversion rights were exercised, and 1,800 new, no-par value bearer shares were created.

Frankfurt am Main, June 29, 2017

DEMIRE Deutsche Mittelstand Real Estate AG

<u>Hon.-Prof. Andreas Steyer</u>	<u>Dipl.-Kfm. (FH) Markus Drews</u>	<u>Dipl.-Betriebsw. (FH) Ralf Kind</u>
Speaker of the Executive Board (CEO)	Executive Board Member (CEO)	Executive Board Member (CFO)

APPENDIX: VALUATION PARAMETERS PURSUANT TO IFRS 13

DEMIRE SUBGROUP	OFFICE				RETAIL				LOGISTICS				OTHERS			
	31/03/2017		31/12/2016		31/03/2017		31/12/2016		31/03/2017		31/12/2016		31/03/2017		31/12/2016	
Ratio of maintenance costs to gross profit (in %)	7.15		7.24		6.46		6.45		11.17		11.18		9.14		13.72	
Average maintenance costs (in EUR per m ²)	6.94		6.99		8.75		8.69		3.53		3.53		4.55		4.25	
Range of maintenance costs (in EUR per m ²)	3.00	10.00	4.00	10.00	5.00	9.00	5.00	9.00	3.53	3.53	3.53	3.53	4.00	5.00	2.50	5.00
Average property yield (in %) ¹⁾	5.87		5.82		5.72		5.51		7.55		7.50		9.02		9.32	
Range of property yields (in %) ²⁾	4.48	9.18	4.63	9.75	5.19	8.20	5.26	8.00	7.55	7.55	7.50	7.50	6.75	10.25	6.75	10.25
Average residual useful life (in years)	36		37		36		37		25		25		26		25	
Range of residual useful lives (in years)	25	45	25	45	35	40	35	40	25	25	25	25	25	35	25	45
Ratio of management costs to gross profit (in %)	1.67		2.01		1.71		2.12		1.00		1.16		2.69		6.38	
Range of ratio of management costs to gross profit (in %)	1.00	4.00	1.00	4.00	1.50	3.00	1.50	4.00	1.00	1.00	1.16	1.16	0.50	3.00	3.00	3.00
Average market rent (in EUR per m ² , per year) ³⁾	97.17		96.67		135.55		134.87		31.64		31.58		49.79		30.98	
Range of market rents (in EUR per m ² , per year)	42.75	149.90	42.75	149.90	52.82	190.47	49.03	195.57	31.64	31.64	31.58	31.58	4.92	50.09	12.20	56.30
Rentable space as at balance sheet date (in m ²)	427,939		457,229		41,554		43,065		217,611		217,968		7,911		90,138	
Vacant space as at balance sheet date (in m ²)	30,176		32,798		5,684		6,209		74,730		73,824		1,673		38,415	
Value-based vacancy rate according to the EPRA (in %)	5.60		6.41		11.28		15.49		45.21		45.66		16.77		19.35	
Average vacancy rate based on rentable space (in %)	7.05		7.17		13.68		14.42		34.34		33.87		21.15		42.62	
Range of vacancy rates based on rentable space (in %)	0.00	54.50	0.00	54.50	0.00	45.00	0.00	43.80	34.34	34.34	33.87	33.87	4.70	49.30	0.00	100.00
Weighted average lease term—WALT (in years)	5.33		5.49		8.53		7.62		1.89		2.00		1.35		2.00	

**Audited Consolidated Financial Statements of DEMIRE Deutsche Mittelstand Real
Estate AG as of and for the fiscal year ended December 31, 2016**

CONSOLIDATED STATEMENT OF INCOME

IN EURK	Note	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Rental income		76,371	33,320
Income from utility and service charges		15,746	10,024
Operating expenses to generate rental income		-33,547	-19,664
Profit/loss from the rental of real estate	D.1	58,570	23,680
Revenue from the sale of real estate companies		7,471	1,792
Net assets from real estate companies sold		-3,510	-1,507
Profit/loss from the sale of real estate companies	D.2	3,961	285
Revenue from the sale of real estate		21,966	2,300
Expenses relating to real estate sales		-21,003	-1,842
Profit/loss from the sale of real estate	D.3	963	458
Profits from investments accounted for using the equity method		0	1,861
Losses from investments accounted for using the equity method		-359	-3,830
Unrealised fair value adjustments in equity investments		0	1,469
Profit/loss from investments accounted for using the equity method	D.4	-359	-500
Profit/loss from fair value adjustments in investment properties	D.5	38,414	18,471
Impairment of receivables	D.6	-2,058	-2,846
Profit from a bargain purchase	D.7	0	33,217
Other operating income	D.8	5,550	2,572
Other operating income and other effects		41,906	51,414
General and administrative expenses	D.9	-14,505	-11,332
Other operating expenses	D.10	-7,367	-5,265
Earnings before interest and taxes		83,169	58,740
Financial income		1,153	2,145
Finance expenses		-39,134	-27,873
Minority interests		-5,226	0
Financial result	D.11	-43,207	-25,728
Profit/loss before taxes		39,962	33,012
Income taxes	D.12	-12,313	-4,139
Net profit/loss for the period		27,649	28,873
Thereof attributable to:			
Non-controlling interests		2,979	756
Parent company shareholders		24,670	28,117
Basic earnings per share	D.13	0.48	1.09
Diluted earnings per share	D.13	0.39	0.71

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

IN EURK	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Net profit/loss for the period	27,649	28,873
Currency translation differences	124	3,408
Other comprehensive income	124	3,408
Total comprehensive income	27,773	32,281
Thereof attributable to:		
Non-controlling interests	2,979	639
Parent company shareholders	24,794	31,642

CONSOLIDATED BALANCE SHEET

ASSETS

EURK	Note	31/12/2016	31/12/2015
ASSETS			
Non-current assets			
Intangible assets	E. 1.1	7,005	6,961
Property, plant and equipment	E. 1.2	1,753	11,285
Investment properties	E. 1.3	981,274	915,089
Investments accounted for using the equity method	E. 1.4	126	3,136
Other financial assets	E. 1.5	11,328	11,045
Loans to investments accounted for using the equity method	E. 1.6	0	553
Other loans	E. 1.7	0	384
Deferred tax assets	E. 5.1	0	144
Total non-current assets		1,001,486	948,597
Current assets			
Real estate inventory	E. 2.1	2,222	2,298
Trade accounts receivable and other receivables	E. 2.2	23,614	14,387
Financial receivables and other financial assets	E. 2.3	10,293	26,020
Tax refund claims		811	171
Cash and cash equivalents	E. 2.4	31,289	28,467
Total current assets		68,229	71,343
Non-current assets held for sale	E.3	24,291	13,005
Total assets		1,094,006	1,032,945

EQUITY AND LIABILITIES

EURK	Note	31/12/2016	31/12/2015
EQUITY AND LIABILITIES			
Equity			
Subscribed capital		54,247	49,292
Reserves		217,698	181,405
Equity attributable to parent company shareholders		271,945	230,697
Non-controlling interests		36,692	34,205
Total equity	E.4	308,637	264,902
Liabilities			
Non-current liabilities			
Deferred tax liabilities	E. 5.1	35,030	25,714
Minority interests	E. 5.2	62,822	61,160
Financial liabilities	E. 5.3	620,623	608,796
Other liabilities	E. 5.4	865	1,076
Total non-current liabilities		719,340	696,746
Current liabilities			
Provisions	E. 6.1	1,739	1,166
Trade payables and other liabilities	E. 6.2	17,378	19,887
Tax liabilities	E. 6.3	4,892	3,801
Financial liabilities	E. 5.3	42,020	46,443
Total current liabilities		66,029	71,297
Total liabilities		785,369	768,043
Total equity and liabilities		1,094,006	1,032,945

CONSOLIDATED STATEMENT OF CASH FLOWS

IN EURK	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Group profit/loss before taxes	39,962	33,012
Finance expenses	44,360	27,873
Financial income	-1,153	-2,145
Proceeds from the sale of real estate inventory	0	650
Change in trade accounts receivable and other receivables	2,186	7,633
Change in financial receivables and other financial assets	1,005	-8,234
Change in intangible assets	44	-6,883
Change in provisions	500	-1,329
Change in trade payables and other liabilities *	-4,376	6,902
Valuation gains under IAS 40	-38,414	-18,471
Gains from the sale of real estate companies	-4,923	-743
Interest proceeds	400	165
Income taxes paid	-1,318	-186
Profit from a bargain purchase	0	-33,217
Change in reserves	594	4,462
Profit/loss from investments accounted for using the equity method	359	500
Depreciation and amortisation and impairment	2,058	2,846
Distributions to minority interests / dividends	-5,906	0
Other non-cash items*	-26	-2,020
Cash flow from operating activities	35,352	10,815
Payments for investments in property, plant and equipment	-11,888	-11,258
Payments for the purchase of investment properties and interests in fully consolidated companies, less net cash and cash equivalents acquired	-4,352	-15,238
Acquisition of interests in fully consolidated companies in the context of business combinations	0	-4,319
Proceeds from the sale of real estate	21,966	1,650
Cash flow from investing activities	5,726	-29,165
Release of equity component of convertible bond	-84	0
Payments for expenses associated with raising equity	-1,105	-1,514
Proceeds from the issue of equity	17,011	11,158
Proceeds from the issue of bonds	12,892	36,023
Proceeds from the issuance of financial liabilities	48,015	54,700
Interest paid on financial liabilities	-33,487	-21,255
Payments for the redemption of financial liabilities	-81,497	-36,692
Cash flow from financing activities	-38,255	42,420
Net change in cash and cash equivalents	2,822	24,070
Cash and cash equivalents at the start of the period	28,467	4,397
Cash and cash equivalents at the end of the period	31,289	28,467

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

IN EURK	Note	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
January 1, 2016	E.3	49,292	121,120	60,651	-310	-57	230,697	34,505	264,902
Currency translation differences		0	0	0	0	124	124	0	124
Total other comprehensive income		0	0	0	0	124	124	0	124
Net profit/loss for the period		0	0	24,670	0	0	24,670	2,979	27,649
Total comprehensive income		0	0	24,670	0	124	24,794	2,979	27,773
Capital increase (related to the conversion of convertible bonds)		24	-1	0	0	0	23	0	23
Stock option plan		0	594	0	0	0	594	0	594
Cash capital increases		4,931	12,080	0	0	0	17,011	-304	16,707
Costs of raising equity under capital increases		0	-1,105	0	0	0	-1,105	0	-1,105
Dividend payments		0	0	0	0	0	0	-782	-782
Change in the scope of consolidation		0	-70	-79	0	80	-69	594	525
December 31, 2016	E.3	54,247	132,618	85,242	-310	147	271,945	36,692	308,637
January 1, 2015	E.3	14,306	8,233	32,802	-310	-3,348	51,684	2,945	54,629
Currency translation differences		0	0	0	0	3,291	3,291	117	3,408
Total other comprehensive income		0	0	0	0	3,291	3,291	117	3,408
Net profit/loss for the period		0	0	28,117	0	0	28,117	756	28,873
Total comprehensive income		0	0	28,117	0	3,291	31,408	873	32,281
Capital increase (related to the conversion of convertible bonds)		227	-12	0	0	0	215	0	215
Stock option plan		0	434	0	0	0	434	0	434
Mandatory convertible bond		0	14,223	0	0	0	14,223	0	14,223
Capital increases against contribution in kind		32,285	92,853	0	0	0	125,138	0	125,138
Cash capital increases		2,474	8,684	0	0	0	11,158	0	11,158
Costs of raising equity under capital increases		0	-3,295	0	0	0	-3,295	0	-3,295
Change in the scope of consolidation		0	0	-268	0	0	-268	30,387	30,119
December 31, 2015	E.3	49,292	121,120	60,651	-310	-57	230,697	34,205	264,902

**Notes to the consolidated financial statements for fiscal year
January 1 to December 31, 2016**
(Previous year: January 1, 2015 to December 31, 2015)

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.

As of December 31, 2016, the Company's scope of consolidation pursuant to Section 313 (2) HGB includes DEMIRE AG as the parent company and the companies listed in Appendix 1 („DEMIRE“ or the „DEMIRE Group“).

The Company's registered office is located in Frankfurt am Main. Upon entry in the commercial register on December 23, 2016, the Company's business address was relocated to the Robert-Bosch-Straße 11 in Langen, Germany.

The Company's shares 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 (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 reporting currency of the 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.

The consolidated financial statements of DEMIRE AG for the fiscal year ended December 31, 2016 were prepared in accordance with International Financial Reporting Standards (IFRS), as framed by the International Accounting Standard 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 2016 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, particularly those for the preparation of a group management report.

These consolidated financial statements were prepared on April 27, 2017 by the Executive Board.

2. New and amended standards and interpretations

2.1 First-time application of new and amended standards and interpretations in fiscal year 2016

The accounting policies applied in the consolidated financial statements are the same as those applied in the 2015 fiscal year except for the changes mentioned below. The following new and amended standards and interpretations that are material from DEMIRE AG's perspective were applied for the first time in the 2016 fiscal year.

First-time application of standards and interpretations in fiscal year 2016				
		Endorsed on	Mandatory application for fiscal years beginning after	Effect on DEMIRE AG's consolidated financial statements
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities – Applying the Consolidation Exception (issued on December 18, 2014)	September 22, 2016	January 1, 2016	no effects
Amendments to IAS 16 and IAS 41	Bearer Plants (issued on June 30, 2014)	November 23, 2015	January 1, 2016	no effects
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations (issued on May 6, 2014)	November 24, 2015	January 1, 2016	no effects
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (issued on May 12, 2014)	December 2, 2015	January 1, 2016	no effects
Annual Improvements ..	Annual Improvements to IFRSs 2012-2014 Cycle (issued on September 25, 2014)	December 15, 2015	January 1, 2016	no effects
Amendments to IAS 1 ..	Disclosure Initiative (issued on December 18, 2014)	December 18, 2015	January 1, 2016	changes in presentation
Amendments to IAS 27	Equity Method in Separate Financial Statements (issued on August 12, 2014)	December 18, 2015	January 1, 2016	no effects
Amendments to IAS 19	Defined Benefit Plans – Employee Contributions (issued on November 21, 2013)	December 17, 2014	February 1, 2015	no effects
Annual Improvements ..	Annual Improvements to IFRSs 2010-2012 Cycle (issued on December 12, 2013)	December 17, 2014	February 1, 2015	additional disclosures in the notes

2.2 Standards and interpretations for future mandatory application

The amendments to IAS 1 within the scope of the „Disclosure Initiative“ should allow disclosure to be reduced to only those that are material or in a simplified form in the financial statements. DEMIRE has used this as an opportunity to fundamentally revise the Group's Notes, to make them clearer, easier to read and focused on the essential information.

The following standards and interpretations were already published by the IASB but are only mandatory after December 31, 2016.

Standards and interpretations that require future mandatory application				
		Endorsed on	Mandatory application for fiscal years beginning after	Effect on DEMIRE AG's consolidated financial statements
IFRS 9	Financial Instruments (issued on July 24, 2014)	November 22, 2016	January 1, 2018	effects are currently assessed
IFRS 15	Revenue from Contracts with Customers (issued on May 28, 2014) including amendments to IFRS 15: Effective date IFRS 15 (issued on September 11, 2015)	September 22, 2016	January 1, 2018	effects are currently assessed
IFRS 16	Leases (issued on January 13, 2016)	planned for Q4 2017	January 1, 2019	effects are currently assessed
IFRS 14	Regulatory Deferral Accounts (issued on January 30, 2014)	no endorsement	January 1, 2016	no effects
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on September 11, 2014)	postponed	postponed for an indefinite period	no effects
Amendments to IAS 12 ..	Recognition of Deferred Tax Assets for Unrealised Losses (issued on January 19, 2016)	planned for Q2 2017	January 1, 2017	effects are currently assessed
Amendments to IAS 7 ...	Disclosure Initiative (issued on January 29, 2016)	planned for Q2 2017	January 1, 2017	additional disclosures in the notes
Clarifications to IFRS 15	Revenue from Contracts with Customers (issued on April 12, 2016)	planned for Q1 2017	January 1, 2018	effects are currently assessed
Amendments to IFRS 2 ..	Classification and Measurement of Share-based Payment Transactions (issued on June 20, 2016)	planned for Q3 2017	January 1, 2018	no effects
Amendments to IFRS 4 ..	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on September 12, 2016)	planned for Q3 2017	January 1, 2018	no effects
Annual Improvements ...	Annual Improvements to IFRSs 2014-2016 Cycle (issued on December 8, 2016)	planned for Q3 2017	January 1, 2018 /no effects January 1, 2017	

Standards and interpretations that require future mandatory application

		Endorsed on	Mandatory application for fiscal years beginning after	Effect on DEMIRE AG's consolidated financial statements
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration (issued on December 8, 2016)	planned for Q3 2017	January 1, 2018	no effects
Amendments to IAS 40 ..	Transfers of Investment Property (issued on December 8, 2016)	planned for Q3 2017	January 1, 2018	effects are currently assessed

In July 2014, the IASB published the final version of IFRS 9 „Financial Instruments“, which has since been adopted by the EU. The new standard IFRS 9 will replace the current provisions of IAS 39 „Financial Instruments: Recognition and Measurement“. The new rules for the accounting of financial instruments are to be applied for the first time for fiscal years beginning on or after January 1, 2018. The initial application is always to be carried out retrospectively, whereby various simplification options may be used. DEMIRE AG do not utilise the option for early application.

Furthermore, in May 2014, the IASB published IFRS 15 „Revenue from Contracts with Customers“, which has since been adopted by the EU. The new standard IFRS 15 will replace the current provisions of IAS 11 „Construction Contracts“, IAS 18 „Revenue“ and the corresponding interpretations. The new regulations for the recognition of revenue from contracts with customers are to be applied for the first time for fiscal years beginning on or after January 1, 2018. The initial application is always to be carried out retrospectively, whereby various simplification options can be used. DEMIRE AG does not utilise the option for early application.

In addition, the IASB published IFRS 16 „Leases“ in January 2016. The adoption of this standard by the EU is still pending. The new standard IFRS 16 will replace the current provisions of IAS 17 „Leases“ and the related interpretations. The new rules for the accounting of leases are to be applied to fiscal years beginning on or after January 1, 2019. The initial application is always to be carried out retrospectively, whereby various simplification options can be used. Earlier application is permitted provided the new regulations of IFRS 15 are also applied. DEMIRE AG will unlikely use the early application option.

DEMIRE AG has not yet conclusively analysed the effects associated with the first-time adoption of IFRS 9, IFRS 15 and IFRS 16 so that no reliable statements can be made in this regard. The Company plans to conclude the necessary detailed analyses in the course of the 2017 fiscal year.

3. Key discretionary decisions, judgments and assumptions

In the DEMIRE AG consolidated financial statements, estimates, discretionary decisions and assumptions were made to a limited extent that affect the amount and recognition of the assets and liabilities, income and expenses and contingent liabilities. The estimation of future business development takes into account the future economic environment deemed as realistic in the sector and region in which DEMIRE AG and its subsidiaries operate at the time of preparing the consolidated financial statements. All currently available knowledge is taken into account. The estimates are based on past experience and other assumptions that are considered appropriate for the circumstances. The estimates, discretionary decisions and assumptions made by DEMIRE AG are reviewed on an ongoing basis, but may differ from the actual amounts.

When applying the accounting and valuation methods, the Company's management must make discretionary decisions. This applies to the following matters in particular:

- In the case of real estate, at each balance sheet date DEMIRE AG must determine whether the real estate should be allocated to real estate inventory or investment properties. The classification is based on the following assessment:
 - Investment properties: Sustainable management is the focus of the properties concerned. These properties are thus held to generate rental income and / or for value appreciation.
 - Real estate inventory: The primary aim with these properties is either a „buy & sell“ or „develop & sell“ strategy. Consequently, these properties are held for sale in the course of ordinary business activities.
- If DEMIRE AG obtains control over an acquired entity or acquires assets, it must be determined whether the transaction should be classified as a business combination according to IFRS 3 or as an acquisition of a group of assets or net assets (aggregated assets). If a business operation defined as an integrated group of activities is acquired in addition to assets and liabilities, this constitutes a business combination that must be accounted for according to IFRS 3. An integrated group of activities is defined, for example, as business processes in the areas of property management, credit management and accounting. Additionally, the fact that staff is employed at the acquired real estate company is another indication that a business operation has been acquired.

An explanation of the estimates and assumptions made with respect to individual items in the consolidated balance sheet, consolidated statement of income or consolidated statement of comprehensive income is given in the items that follow in the notes to the consolidated financial statements together with the respective relevant note disclosures.

Impairment of receivables	Note D. 6
Income taxes	Note D. 12
Goodwill impairment test	Note E. 1.1.1
Deferred tax assets and liabilities	Note E. 5.1
Provisions	Note E. 6.1

B. SCOPE AND PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include DEMIRE AG and all of its controlled subsidiaries. The scope of consolidation is shown in Appendix 1.

As of the balance sheet date, the consolidated financial statements comprise the subgroup DEMIRE and the subgroup Fair Value REIT. The subgroup DEMIRE comprises the consolidated financial statements of DEMIRE AG and its subsidiaries as of the acquisition date, that is, from the date on which control was acquired. The Fair Value REIT subgroup comprises the consolidated financial statements of Fair Value REIT-AG and its subsidiaries. Fair Value REIT-AG is the parent company of the subgroup Fair Value REIT.

The financial statements of the DEMIRE AG subsidiaries are prepared using uniform accounting and valuation methods on the same balance sheet date as the parent company's financial statements.

DEMIRE AG's direct and indirect interests in the subsidiaries also correspond to the share of voting rights. The contributions of the non-consolidated companies to the Group's revenue, net income and total assets' were not considered to be significant. These companies were, therefore, not included in the consolidated financial statements.

DEMIRE controls an investee when and only when the following characteristics have been met:

- The power of control over the investee (i.e. based on its existing rights, DEMIRE has the option of controlling those activities of the investee that have a material influence on the investee's return),

- a risk exposure from or rights to variable returns from its involvement in the investee; and
- the ability to use its power of control over the investee to influence the return on the investee.

Generally, the ownership of a majority of the voting rights is assumed to result in control. If DEMIRE does not hold a majority of the voting rights or comparable rights in an investee then all facts and circumstances are taken into account when assessing whether DEMIRE has the power of control over this investee. Factors to consider include:

- contractual agreements with others exercising voting rights,
- rights resulting from other contractual agreements,
- voting rights and potential voting rights of the Group.

The consolidation of a subsidiary begins on the day on which DEMIRE acquires control over the subsidiary. It ends when the DEMIRE loses control over the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or sold during the reporting period are recognised in the consolidated financial statements as of the date on which DEMIRE acquires control over the subsidiary until the date on which control ceases.

In the case of company acquisitions, DEMIRE assesses whether a business combination according to IFRS 3 or an acquisition of a group of assets and liabilities as aggregated assets exists.

Acquisitions of real estate project companies that are not a business operation as defined by IFRS 3, are accounted for as a direct purchase of real estate. The acquisition costs of the project company are allocated to the individually identifiable assets and liabilities on the basis of their fair values.

Interests in the net assets of subsidiaries that are not attributable to DEMIRE („non-controlling interests“) are reported under the item „Non-controlling interests“ within the Group’s equity, but separately from the parent company shareholders’ equity.

Acquisitions of real estate project companies that are not a business operation as defined by IFRS 3, are accounted for as a direct acquisition of a group of assets and liabilities (aggregated assets) within the framework of a share deal or asset deal. For this reason, according to IFRS 3.2b), the individual acquired identifiable assets and the assumed liabilities are to be identified and recognised as acquired aggregate assets. The acquisition costs of a group of assets are to be allocated to the individual identifiable assets and liabilities at the time of acquisition on the basis of their fair values. Such a transaction or event does not result in goodwill or a difference arising from the capital consolidation.

Acquisitions of other companies are accounted for in the context of the capital consolidation according to the acquisition method by offsetting the transferred consideration of the interests with the pro rata revalued equity of the subsidiaries at the time of acquisition. In the case of initial consolidation, the conditions at the time of acquisition of the interests in the consolidated subsidiary are generally taken into account. Any subsequently resulting differences are allocated to the assets and liabilities to the extent that their fair values deviate from the actual carrying amounts in the financial statements. In subsequent periods, identified hidden reserves are carried in line with the accounting of the corresponding assets and liabilities. Any remaining positive difference from capital consolidation is recognised as goodwill and any negative difference is recognised in profit or loss after a reassessment of whether all acquired assets and all liabilities assumed have been correctly identified.

If other (non-Group) shareholders have an interest in the equity of the subsidiary on the balance sheet date, this item is allocated to „interests of non-controlling shareholders“. In determining the consolidated result attributable to non-controlling interests, consolidation effects recognised through profit or loss are also taken into account.

Intercompany revenues, expenses and income as well as all receivables and liabilities between the consolidated companies are eliminated.

Interests held by DEMIRE in associates and joint ventures are accounted for using the equity method. Investments in which DEMIRE is able to exert a significant influence generally based on a shareholding between 20 % and 50 %, must be accounted for according to the equity method. Under the equity method, the acquisition costs are annually increased or decreased by the changes in equity of the investee attributable to DEMIRE. At the first-time consolidation of the investee under the equity method,

differences that arise are accounted for in accordance with the principles of full consolidation. Gains and losses from transactions between fully consolidated Group companies and associated companies and joint ventures are eliminated in proportion to DEMIRE's interest in the investee.

The quorum majority of Fair Value REIT-AG in the shareholder meetings of the subsidiaries that decides on the control of the subsidiaries is decisive for the Group's assessment. The voting rights in BBV Immobilien-Fonds Erlangen GbR, Munich („BBV 02“), BBV Immobilien-Fonds Nr. 10 GmbH & Co. KG, Munich („BBV 10“) and IC Fonds & Co Gewerbeobjekte Deutschland 15. KG, Munich („IC 15“), are not the sole factor in determining who controls the companies. Although the share of voting rights is less than 50 %, Fair Value REIT-AG is the largest single shareholder in the aforementioned companies. The assessment of the control of the investees as a prerequisite for full consolidation leads to the conclusion that Fair Value REIT-AG was able to make use of extensive rights in the case of all fully consolidated fund companies also in the past fiscal year by means of a simple majority in the shareholders' meeting, such as the adoption of the annual financial statements, the determination of the amount of dividends and the selection of the property or fund manager. Empirically it can be shown that Fair Value REIT-AG regularly casts significantly more than 50 % of the votes at all shareholder meetings. For transactions in the context of property disposals, however, a qualified 66 % or 75 % majority of the voting rights is required, although this transaction does not constitute a material operating activity. In addition, Fair Value REIT-AG receives annual dividends from its investees that are based on the current results.

Changes to the scope of consolidation in the reporting period

Companies acquired in the reporting period

Acquisitions in the reporting period included a 94.9 % interest in the real estate project company Kurfürster Immobilien GmbH, Leipzig. The company's „Kurfürsten Galerie“ property is located in Kassel. Also acquired was a 100 % interest in Ritterhaus Immobilienverwaltungs GmbH, Düsseldorf, which holds the operating assets of Kurfürster Immobilien GmbH. Condor Yellow BV GmbH, Frankfurt/Main was founded and holds the operating assets of Condor Objektgesellschaft Yellow GmbH, Frankfurt/Main. Demire Parkhaus Betriebsgesellschaft mbH, Berlin, was also founded and will hold and operate the DEMIRE car parks in the future. There were also investments made in DEMIRE Assekuranzmakler GmbH & Co. KG, Düsseldorf (47.5 % of the interests) and in G+Q Effizienz GmbH, Berlin (49 % of the interests), which were accounted for according to the equity method.

In addition, PRAEDIA GmbH, Berlin, which was acquired on March 17, 2015, was consolidated for the first time in the reporting period. In the 2015 fiscal year, consolidation was waived for materiality reasons. DEMIRE holds 51 % of the capital and voting rights in PRAEDIA GmbH.

At the time of the initial consolidation and based on 100 % of the assets and liabilities and taking into account non-controlling interests, the following amounts were recognised at the time of acquisition of Kurfürster Immobilien GmbH, which is the main acquisition in the reporting period:

EURK	Amounts recognised as at the acquisition date
Assets acquired	52,679
Liabilities assumed	38,804
Net assets at 100 %	13,875
of which interests on non-controlling shareholders	3
Acquisition costs	13,872

Disposals in the reporting period

The disposals of fully consolidated subsidiaries in the reporting year concern the legacy portfolio, specifically, Magnat Tbilisi Office LLC (Georgia), Magnat Tbilisi Residential 1 LLC (Georgia), Magnat Asset Management GmbH (Austria) and Magnat Capital Markets GmbH (Austria). Also sold were the investments in SQUADRA Immobilien GmbH & Co. KGaA and R-Quadrat Polska Alpha Sp. z o.o., which were previously accounted for using the equity method.

Mergers in the reporting period

In the reporting period, Magnat Investment II B.V. (The Netherlands) and Magnat Investment IV B.V. (The Netherlands) were merged with Magnat Investment I B.V. (The Netherlands).

Changes to the scope of consolidation in the prior year

Business combination with Fair Value REIT-AG

Fair Value REIT-AG, Gräfelfing, was fully consolidated in the consolidated financial statements as of December 31, 2015 in accordance with the provisions of IFRS 3 for business combinations because a business operation and related business processes were acquired.

On October 14, 2015, the Executive Board of DEMIRE AG made a voluntary public takeover offer to the shareholders of Fair Value REIT-AG in which they could exchange their shares for newly created shares of DEMIRE AG. The aim of the acquisition was to create the leading commercial real estate specialist with a focus on German secondary locations and a common real estate portfolio valued at roughly EUR 1 billion.

A capital increase against contribution in kind took place at a ratio of two DEMIRE AG shares for one Fair Value REIT-AG share. The exchange took legal effect on December 21, 2015 with the entry of the capital increase in the commercial register in Frankfurt/Main. DEMIRE's takeover offer was accepted by 77.70 % of the Fair Value REIT-AG shareholders. A total of 10,963,878 Fair Value REIT-AG shares of the full total of 14,110,323 shares were tendered for exchange during the acceptance period and the additional acceptance period that extended until December 3, 2015.

On December 16, 2015, DEMIRE's Executive Board resolved to increase the share capital by an amount of EUR 21,927,756.00 to EUR 49,292,285.00 against contribution in kind by issuing 21,927,756 new no-par value bearer shares with a notional interest in the share capital of EUR 1.00 each. The contribution in kind consisted of 10,963,878 shares of Fair Value REIT-AG with a notional interest in the share capital of EUR 2.00 per share. On December 21, 2015, the increase in share capital was entered into the commercial register.

Fair Value REIT-AG is a now Gräfelfing-based, publicly traded real estate company with a focus on commercial properties in Germany. It is registered as a German stock corporation in the commercial register of the District Court of Munich under HRB 168882. The Company's fiscal year is identical to the calendar year. The target company fulfils the requirements of the REIT Act (Real Estate Investment Trust) and is thus exempt from corporate and trade taxes. On the acquisition date, the portfolio consisted of 40 properties in 8 of 16 federal states with aggregate rentable space of approx. 275,000 m² and annualised contractual rent totalling EURk 25,188.

The first-time consolidation of Fair Value REIT-AG took place on a subgroup basis on December 31, 2015 and was based on the share of non-controlling shareholders at that time.

The consolidation of Fair Value REIT-AG as a subgroup involved a total consideration paid of roughly EURk 93,263 (acquisition costs) for 77.70 % of the shares. The consideration paid resulted from the fair value of EUR 4.2532 per DEMIRE AG share on the closing date of the share exchange of December 21, 2015 issued in exchange for shares in Fair Value REIT-AG (21,927,756 DEMIRE AG shares).

The consideration paid (acquisition costs) was allocated to the acquired assets and liabilities at estimated market values based on a final purchase price allocation carried out by an external expert:

	EURk
Investment properties	287,794
Other non-current assets	9,387
Current assets	5,674
Cash and cash equivalents	16,028
Non-current assets, held for sale	11,750
Acquired assets	330,633
Non-current liabilities	-187,738
Current liabilities	-25,497
Assumed liabilities	-213,235
Net assets (100 %)	117,398
Interests of non-controlling shareholders	-26,179
Deferred tax assets (see explanation)	-4,739
Goodwill	6,783
Acquisition costs	93,263

The majority of investment properties were appraised as at December 31, 2015 by external real estate experts. DEMIRE AG has adopted these values.

In the course of determining the purchase price allocation, the following intangible assets at Fair Value REIT were identified:

Fair Value REIT's Internet domain was capitalised at EURk 25 and valued at its replacement cost. Contractual claims from partner companies were capitalised as an intangible asset and measured at EURk 150. Hidden reserves of EURk 613 were also identified with non-current financial liabilities resulting from the fair values being below their nominal values. Deferred tax liabilities resulting from the hidden reserves totalled EURk 227 at the level of Fair Value REIT and were determined using a combined corporate and trade tax rate of 31.925 % (including a 5.5 % solidarity surcharge on corporate taxes).

An amount of EURk 120 of hidden losses was identified within non-current financial liabilities. The higher value of the convertible bond (EURk 413) versus its market value of EURk 8,301 as at December 31, 2015 was also identified as a hidden loss, triggered by the change of control and the subsequently requested early redemption of the bond (EURk 8,714) in February 2016. Both items resulted in deferred tax assets of EURk 170.

In the context of the consolidation of the Fair Value REIT-AG and DEMIRE AG subgroups, net deferred tax liabilities of EURk 4,739 on the deemed disposal of properties held by Fair Value REIT (analogous to the „tax transparent entities“) were recognised based on the tax rate of 31.925 % mentioned above. This resulted in goodwill of EURk 6,783 in DEMIRE AG's consolidated financial statements originating from the acquisition of Fair Value REIT. Deferred tax liabilities increased goodwill by EURk 4,379 from EURk 2,044 to EURk 6,783.

Contingent liabilities as defined by IAS 37, which should result in a liability at the time of first-time consolidation under IFRS 3.22, were not identified.

Transaction costs arising in the context of the share exchange amounted to EURk 3,295 and were offset against capital reserves and thus recognised directly in equity. Expenses of EURk 978 related to the business combination were recognised through profit or loss.

The valuation of interests of non-controlling shareholders was based on their share of the net assets of Fair Value REIT-AG, which at the time of its first-time consolidation amounted to EURk 26,179. In measuring the interests of non-controlling shareholders (minority interests) use of the option under IFRS 3.19 was made and the interests of non-controlling shareholders were measured using the corresponding share of the identifiable net assets.

After offsetting acquisition costs (EURk 93,263), plus minority interests (EURk 26,179), against the net assets of the acquired company (EURk 117,398), a positive difference (goodwill) was derived in the amount of EURk 2,044. The reason for the positive difference lies, among others, in the appreciation of the share price until December 21, 2015 of the DEMIRE shares given as consideration. In the context of its own growth strategy, DEMIRE sees development potential from its acquisition of Fair Value REIT in the real estate directly or indirectly held by Fair Value REIT and from the opportunity to realise synergies in the areas of administration and property and facility management.

The gross carrying amount of the trade accounts receivable acquired totalled EURk 3,266 upon the initial date of consolidation and included previous impairments of EURk 509. Thus, the fair value of trade accounts receivable amounted to EURk 2,757. The gross amount of other receivables and assets acquired totalled EURk 2,895 upon the initial date of consolidation. No impairment has been recognised on these receivables. Thus, the fair value of other receivables and assets amounted to EURk 2,895.

If Fair Value REIT had been fully consolidated as at January 1, 2015, net rental income of EURk 17,726 and profit/loss before taxes of EURk 6,585 would have been included in the consolidated statement of profit and loss.

The period of affiliation to the Group (December 21, 2015 to December 31, 2015) does not include any substantial net rental income or a significant consolidated profit/loss before taxes.

Business combination with Germavest Real Estate S.à.r.l.

DEMIRE AG acquired a 94 % interest in Germavest Real Estate S.A.R.L., Luxembourg, at a purchase price of approx. EURk 39,016 with effect from October 30, 2015. Germavest Real Estate S.à.r.l. is

incorporated company under Luxembourg law and headquartered in Luxembourg. Germavest Real Estate S.à.r.l. has a commercial real estate portfolio, also known as the T6 portfolio, containing 143,788 m² of rental space as well as 2,171 underground and free-standing parking spaces in the cities of Ansbach, Bonn, Flensburg, Freiburg, Regensburg and Stahnsdorf. All six locations have long-term rental contracts with Deutsche Telekom AG until 2021 (until 2025 for the location in Bonn). At the time of first-time consolidation the net annual rent, excluding utilities and based on the properties' current full occupancy, amounted in time of initial date of consolidation to roughly EUR 14.8 million and will rise periodically based on a contractually agreed fixed annual indexation. The largest property with approximately 38,000 m² has a rental agreement with a term of 10 years.

The following table shows the individual locations and their rentable space:

LOCATION OF PROPERTY	Rental space (in m²)
Bayreuther Straße 111/Rettistraße 56, 91522 Ansbach	12,632
Bonner Talweg 100/Reuterstraße, 53113 Bonn	38,353
Eckernförder Landstraße 65, 24941 Flensburg	23,800
Berliner Allee 1, 79114 Freiburg	22,674
Bajuwarenstraße 4, 93053 Regensburg	29,219
Güterfelder Damm 87-91, 14532 Stahnsdorf	17,110
Total space	143,788

Germavest Real Estate S.à.r.l. was fully consolidated as of the balance sheet date in accordance with the provisions of IFRS 3 for business combinations because a business operation and the related business processes were acquired. The initial consolidation of Germavest Real Estate S.à.r.l. took place on October 31, 2015 based on the share of non-controlling shareholders at that time.

The consideration paid for the purchase of the 94 % interest in Germavest Real Estate S.à.r.l. amounted to EURk 39,016 (acquisition costs).

The consideration paid was allocated to the acquired assets and liabilities at estimated market values based on a final purchase price allocation carried out by an external expert:

	EURK
Investment properties	181,320
Other non-current assets	1,026
Current assets	4,359
Cash and cash equivalents	3,540
Acquired assets	190,245
Non-current liabilities	-104,424
thereof deferred tax liabilities	-7,848
Current liabilities	-11,998
Assumed liabilities	-116,422
Net assets (100 %)	73,823
Non-controlling interests	1,590
Badwill	33,217
Acquisition costs	39,016

The majority of investment properties were appraised as at December 31, 2015 by external real estate experts. The Company adopted these values as a result of its own assessment as of the acquisition date of October 31, 2015. Hidden reserves of EURk 60,425 were identified.

In the course of the purchase price allocation, the following hidden reserves and liabilities at Germavest Real Estate S.à.r.l. were identified:

- hidden losses identified included higher fair values of assumed liabilities of EURk 6,481
- contingent liabilities as defined by IAS 37, which should be recognised as liabilities at the time of first-time consolidation under IFRS 3.22, were not identified

The transaction costs of EURk 793 related to the business combination were recognised through profit or loss.

The valuation of non-controlling interests was based on their share of the net assets of Germavest Real Estate S.à. r.l., which at the time of its initial consolidation amounted to EURk 1,590. In measuring the interests of non-controlling interests (minority interests) use was made of the option under IFRS 3.19 and the interests of non-controlling interests were measured using the corresponding share of the identifiable net assets.

Due to the offsetting of the consideration paid (acquisition costs) plus the interests of non-controlling interests against the net assets of the acquired company resulted in a goodwill, the carrying amounts of the assets and liabilities acquired and the acquisition cost determined were subjected to another critical review. Goodwill of EURk 33,217 that was determined after a prudent review was recognised immediately through profit or loss as a non-recurring effect under the line item “profit from a bargain purchase”. This amount originates mainly from the fair value in excess of the purchase price of investment properties held by Germavest Real Estate S.à.r.l.

The gross amount of the trade accounts receivable acquired totalled EURk 12 upon initial consolidation and no previous impairments were included. Thus, the fair value of trade accounts receivable amounted to EURk 12. The gross amount of other receivables and assets acquired totalled EURk 4,278 upon initial consolidation. No impairment has been recognised on these receivables and other assets. Thus, the fair value of other receivables and assets amounted to EURk 4,278.

If Germavest Real Estate S.à. r.l. had been fully consolidated as at January 1, 2015, net rental income of EURk 15,945 and profit/loss before taxes of EURk 4,719 would have been included in the consolidated financial statements.

Net rental income of EURk 2,675 and a consolidated profit before taxes of EURk 565 were generated during the period of affiliation to the Group (November 1, 2015 to December 31, 2015).

Acquisition of real estate companies in the prior year

In the prior year, interests were acquired in the real estate project companies Glockenhofcenter Objektgesellschaft mbH, Berlin; Hanse-Center Objektgesellschaft mbH, Berlin; TGA Immobilien Erwerb 1 GmbH, Berlin; Sihlegg Investments Holding GmbH, Wollerau, Switzerland; and Logistikpark Leipzig GmbH, Leipzig. The acquisition of the real estate project companies named are accounted for as direct purchases of real estate because, in the opinion of the Company’s Executive Board, these companies do not represent a full business operation pursuant to IFRS 3. B.7. The purchase of the properties contained in the real estate companies was a component of the transactions. Therefore, the acquisition costs related to the real estate companies were allocated to the individually identifiable assets and liabilities on the basis of their fair values as of the acquisition date. This does not concern a business combination as defined under IFRS 3 but rather an acquisition of aggregated assets.

In the context of the acquisition of Glockenhofcenter Objektgesellschaft mbH and Hanse-Center Objektgesellschaft mbH, DEMIRE AG increased its share capital by EUR 5,633,710 against contribution in kind. Alpine Real Estate GmbH was admitted to subscribe to the new shares and made a contribution in kind to DEMIRE consisting of 94.9 % of Alpine’s interest in Hanse-Center Objektgesellschaft mbH, 94.9 % of the interest in Glockenhofcenter Objektgesellschaft mbH and a receivable against Hanse-Center Objektgesellschaft. The increase in the share capital was entered in the commercial register on January 22, 2015. The project companies, which were contributed effective February 1, 2015, possess a combined commercial real estate portfolio consisting of nearly 42,000 m² in the cities of Bremen, Berlin and Stralsund. In the context of the capital increase, each new DEMIRE AG share was assigned a value of EUR 1.75, resulting in a calculated total purchase price of EURk 9,859.

In the context of the acquisition of Sihlegg Investments Holding GmbH, DEMIRE AG increased its share capital by EUR 2,182,567 against contribution in kind. Ketom AG, Wollerau, Switzerland, was admitted to subscribe to the new shares in return for providing contribution in kind consisting of 94 % of Ketom AG’s interest in Sihlegg Investments Holding GmbH and a receivable against Sihlegg Investments Holding GmbH. Sihlegg Investments Holding GmbH is the owner of the office and retail property Gutenberg Galerie in Leipzig. The interest in Sihlegg Investments Holding GmbH was acquired effective May 27, 2015. In the context of the capital increase, each new DEMIRE AG share was assigned a value of EUR 4.03, resulting in a calculated total purchase price of EURk 8,791.

Shares in TGA Immobilien Erwerb 1 GmbH, Berlin, were acquired in a two-step process on March 3, 2015 and May 21, 2015, resulting in a 94 % interest in the company. The purchase price totalled EUR 468,250. Under a property purchase agreement dated March 25, 2015, TGA Immobilien Erwerb 1 GmbH acquired a property in Schwerin. Beneficial ownership was transferred in July 2015. The purchase price of the property totalled EURk 4,800.

To acquire an interest in Logistikpark Leipzig GmbH, DEMIRE AG increased its share capital by EUR 2,541,149 against contribution in kind. M1 Beteiligungs GmbH, Berlin, was admitted to subscribe to the new shares in return for a contribution in kind consisting of a 94 % interest in Logistikpark Leipzig GmbH. In addition to the shares, a cash component of roughly EUR 18.6 million was also agreed to as part of the purchase price. In the context of the capital increase, each new DEMIRE AG share was assigned a value of EUR 5.84, resulting in a calculated total purchase price of EURk 33,173. The entry of the capital increase into the commercial register took place on July 1, 2015. Beneficial ownership of the interest in Logistikpark Leipzig GmbH was acquired on July 17, 2015.

Based on 100 % of the assets and liabilities and taking into account the interests of non-controlling interests, the following amounts were recognised in the reporting period as at the date of initial recognition:

IN EURK	Amounts recognised as at the acquisition date
Assets acquired	104,928
Liabilities assumed	59,050
Net assets at 100 %	45,878
of which interests on non-controlling interests	2,068
Acquisition costs	43,810

First-time consolidation of other entities

In the previous year, companies were acquired or formed for property, asset and facility management and holding companies were acquired or formed to hold interests in real estate companies and were consolidated for the first time in the reporting year. The date of first-time consolidation for these companies is listed in the table below.

COMPANY	Interest	Date of first-time consolidation
Demire Immobilien Management GmbH	100%	January 1, 2015
DEMIRE Commercial Real Estate DREI GmbH	100%	June 30, 2015
DEMIRE Commercial Real Estate VIER GmbH	100%	June 30, 2015
DEMIRE Commercial Real Estate FÜNF GmbH	100%	June 30, 2015
DEMIRE Commercial Real Estate SECHS GmbH	100%	December 31, 2015
FVR Beteiligungsgesellschaft Erste mbH	100%	December 31, 2015
FVR Beteiligungsgesellschaft Zweite mbH	100%	December 31, 2015
FVR Beteiligungsgesellschaft Dritte mbH	100%	December 31, 2015
FVR Beteiligungsgesellschaft Vierte mbH	100%	December 31, 2015
FVR Beteiligungsgesellschaft Fünfte mbH	100%	December 31, 2015
FVR Beteiligungsgesellschaft Sechste mbH	100%	December 31, 2015
FVR Beteiligungsgesellschaft Siebente mbH	100%	December 31, 2015
FVR Beteiligungsgesellschaft Achte mbH	100%	December 31, 2015
FVR Beteiligungsgesellschaft Neunte mbH	100%	December 31, 2015

Disposals in the prior year

The majority of the disposals of fully consolidated subsidiaries in the prior year concerned the legacy portfolio and include the following companies: Kappatrade Ltd. (Ukraine), Polartrade Ltd. (Ukraine), OOO Sadko Holding (Russia), OOO New Sadko Holding (Russia), MAGNAT Real Estate Project Sadko B.V. (The Netherlands), MAGNAT Real Estate New Project Sadko B.V. (The Netherlands) and Munich

ASSET Vermögensverwaltung GmbH, Frankfurt am Main (Germany). The disposal of these companies had a total negative effect on earnings of EURk 500, mainly as a result of the derecognition of reserves for currency translation differences attributed to these companies. In addition, one German entity and the Dutch entities held in the legacy portfolio were merged in an effort to streamline the Group's structure.

	Date of disposal	Proceeds from disposal in EURk	Result from disposal of net assets (incl. currency translation reserve) in EURk	Gains/losses on disposal in EURk
Kapptrade Ltd., Kiev, Ukraine	08/04/2015	1,716	-1,570	146
Polartrade Ltd., Kiev, Ukraine	10/06/2015	50	-12	38
OOO Sadko Holding, Moscow, Russia	19/06/2015	0	27	27
OOO New Sadko Holding, Moscow, Russia	30/06/2015	0	14	14
MAGNAT Real Estate Project Sadko B.V., Hardinxveld Giessendam, Netherlands	14/07/2015	0	0	0
MAGNAT Real Estate New Project Sadko B.V., Hardinxveld Giessendam, Netherlands	14/07/2015	0	0	0
Munich ASSET Vermögensverwaltung GmbH, Frankfurt am Main, Germany	01/10/2015	26	34	60
Total		1,792	-1,507	285

Summary financial information for companies sold (amounts EURk):

	Kapptrade Ltd.	Polartrade Ltd.	OOO Sadko Holding
Aggregated assets	1,881	1,323	43
thereof cash and cash equivalents	0	0	2
Aggregated liabilities	5,407	3,864	0
	OOO New Sadko Holding	MAGNAT Real Estate Project Sadko B.V.	MAGNAT Real Estate New Project Sadko B.V.
Aggregated assets	21	0	440
thereof cash and cash equivalents	0	0	0
Aggregated liabilities	2	24	2
	Munich ASSET Vermögensverwaltung GmbH		
Aggregated assets	7,539		
thereof cash and cash equivalents	2		
Aggregated liabilities	7,460		

Disclosures according to IFRS 12

a) Disclosures relating to fully consolidated subsidiaries

Fair Value REIT-AG, now Gräfelting, and its subsidiaries were fully consolidated for the first time in the DEMIRE AG consolidated financial statements as of December 31, 2015, as the Fair Value REIT subgroup. Only the assets and liabilities of Fair Value REIT-AG were consolidated in DEMIRE AG's consolidated financial statements. In the reporting period, dividend distributions of EURk 782 were allocated to the non-controlling shareholders of Fair Value REIT-AG. The disclosures in accordance with IFRS 12.12(g) are listed in the table below.

FAIR VALUE REIT-AG	December 31, 2016 EURk	December 31, 2015 EURk
BALANCE SHEET		
Non-current assets	286,907	297,181
Current assets	21,237	33,452
thereof cash and cash equivalents	16,776	16,028
Non-current liabilities	184,997	187,738
thereof interests of non-controlling shareholders	61,708	61,160
Current liabilities	16,157	25,497
thereof financial liabilities	9,275	18,118
Net assets	120,590	117,398
STATEMENT OF INCOME		
Revenue	27,622	29,847
Interest income	0	11
Interest expenses	3,375	4,212
Income taxes	0	0
Other income	0	0
Net profit/loss for the period	6,909	6,585

A share in the profit for the period for the 2016 fiscal year in the amount of EURk 1,541 was attributable to non-controlling shareholders (22.3 %) of Fair Value REIT-AG.

C. ACCOUNTING POLICIES

The consolidated financial statements were prepared based on the assumption of a going concern. In the opinion of the Executive Board, there is no intention or need to discontinue business activities.

Assets and liabilities are presented according to their terms (due in more than/less than one year). Deferred taxes are generally reported as non-current.

The statement of income is structured according to the recommendations of the European Public Real Estate Association (EPRA).

Assets are generally measured at the cost of acquisition or production, except for the fair value measurement of investment properties pursuant to IAS 40 and the measurement of interest swaps and caps.

Assets, equity and debt instruments, excluding share-based payments under IFRS 2, that are measured at fair value based on other standards are valued uniformly according to the provisions of IFRS 13.

If fair value is determined using a valuation method, the fair value should be assigned to one of the following three levels of the fair value hierarchy depending on the available observable parameters and the respective importance of these parameters for the overall measurement:

- Level 1: Input factors are quoted (unadjusted) prices in active markets for identical assets or liabilities that are available as at the valuation date.
- Level 2: Other input factors than the quoted prices in Level 1 and factors which are either directly observable or can be indirectly derived for the asset or liability.
- Level 3: Input factors for the asset or liability are not observable.

The accounting policies for the individual balance sheet items as well as items in the statement of income are presented in the notes to the consolidated statement of income (Section D) and the consolidated balance sheet (Section E).

D. NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

Revenues consist of rental income (net rents and ancillary rental costs), income from the sale of real estate companies and income from the disposal of real estate.

DEMIRE has entered into commercial property lease agreements for its investment properties. These agreements stipulate that DEMIRE shall retain all the significant risks and opportunities connected with the ownership of properties rented and therefore classifies these lease contracts as operating leases. The income from these contracts is recognised as rental income and principally free from seasonality. Income from ancillary rental costs is allocable ancillary costs that were passed on to tenants.

When real estate companies and properties are sold, income is recognised when

- the opportunities and risks connected with the ownership (ownership rights, benefits and obligations) have been transferred to the acquirer;
- DEMIRE retains neither rights of disposition nor effective control over the object of sale;
- the amount of revenue and the costs arising in connection with the sale can be reliably determined; and
- it is sufficiently likely that the Group will receive an economic benefit from the sale.

1. Profit/loss from the rental of real estate

The profit/loss from the rental of real estate of EURk 58,570 (previous year: EURk 23,680) consists of the following:

IN EURK	01/01/2016 – 31/12/2016	01/01/2015 – 31/12/2015
Rental income	76,371	33,320
Income from utility and service charges	15,746	10,024
Rental revenue	92,117	43,344
Allocable operating expenses to generate rental income	-19,611	-12,648
Non-allocable operating expenses to generate rental income	-13,936	-7,016
Operating expenses to generate rental income	-33,547	-19,664
Profit/loss from the rental of real estate	58,570	23,680

The increase in rental revenue to EURk 92,117 (previous year: EURk 43,344) mainly resulted from revenue from companies acquired in the reporting year and prior year, particularly Fair Value REIT-AG.

Ancillary rental costs were recognised as operating expenses to generate rental income and amounted to EURk 33,547 in the reporting year (previous year: EURk 19,664). Of the operating expenses, an amount of EURk 19,611 (previous year: EURk 12,648) is generally allocable and can be passed on to tenants. This figure includes an amount of EURk 2,275 (previous year: EURk 2,264), that could not be passed on due to vacancy. Operating expenses of EURk 13,936 (previous year: EURk 7,016) are not allocable, of which EURk 1,320 (previous year: EURk 254) relate to staff costs at DEMIRE Immobilienmanagement GmbH.

2. Profit/loss from the sale of real estate companies

The profit/loss from the sale of real estate companies in the amount of EURk 3,961 (previous year: EURk 285) is made up of the following:

IN EURK	Date of disposal	Revenue from the sale of real estate companies	Net assets from real estate companies sold	Profit/loss from the sale of real estate companies
Magnat Tbilisi Office LLC	February 5, 2016	0	3	3
Magnat Tbilisi Residential 1 LLC	February 4, 2016	0	0	0
Magnat Asset Management GmbH ...	July 14, 2016	141	-99	42
Magnat Capital Markets GmbH	July 14, 2016	146	-313	-167
SQUADRA Immobilien GmbH & Co. KG (at Equity)	December 27, 2016	7,184	-2,665	4,519
R-Quadrat Polska Alpha sp.z o.o. (at Equity)	July 26, 2016	0	-436	-436
Total		7,471	-3,510	3,961

Summary financial information for fully consolidated companies sold:

IN EURK	Magnat Tbilisi Office LLC	Magnat Tbilisi Residential 1 LLC	Magnat Asset Management GmbH	Magnat Capital Markets GmbH
Aggregated assets	0	0	1,315	878
thereof cash and cash equivalents	0	0	141	146
Aggregated liabilities	1	0	1,118	509

3. Profit/loss from the sale of real estate

During the fiscal year, the Group generated a profit/loss from the sale of real estate in the amount of EURk 963 (previous year: EURk 458). The main properties sold were the Halle-Peissen property owned by DEMIRE Objektgesellschaft Worms GmbH, the Kempten property owned by Briarius S.a.r.l., the Ulm property owned by Armstripe S.a.r.l. and the Radevormwald property belonging to BBV 6 Geschäftsführungs-GmbH & Co. KG.

4. Profit/loss from investments accounted for using the equity method

The losses from investments accounted for using the equity method in the amount of EURk 359 (previous year: EURk 3,830) primarily concern losses incurred by SQUADRA Immobilien GmbH & Co. KGaA in the amount of EURk 356 up to the date of deconsolidation.

5. Profit/loss from fair value adjustments in investment properties

The result from the fair value adjustment on investment properties in the amount of EURk 38,414 (previous year: EURk 18,471) concerned the properties of domestic and foreign direct and indirect subsidiaries located in Germany. The largest single effect in the amount of EURk 9,683 related to Kurfürster Immobilien GmbH, Leipzig. Other significant gains resulted from the revaluation of Germavest Real Estate S.a.r.l. in the amount of EURk 8,250, Logistikpark Leipzig GmbH in the amount of EURk 6,238 and CAM Commercial Asset Management EINS GmbH in the amount of EURk 4,020.

The fair values of these properties are based on the appraisal reports of external, independent experts. In particular, the positive economic situation in Germany combined with the continued increase in foreign investors' demand for commercial real estate led to a significant change in valuation factors in the reporting period and consequently to an increase in the properties' market values. Please refer to Note E.1.3 for details on the valuation methods applied.

6. Impairment of receivables

Impairment of receivables consists of the following:

IN EURK	01/01/2016 – 31/12/2016	01/01/2015 – 31/12/2015
Trade accounts receivable and other receivables	-1,543	-1,285
Loans to investments accounted for using the equity method	-515	-1,561
Total	-2,058	-2,846

Impairment of trade accounts receivable concerned rental receivables of EURk 967 from properties located in Germany as well as EURk 576 from the legacy portfolio. The impairment of loans to investments accounted for using the equity method concerned loans to companies deconsolidated during the fiscal year.

7. Profit from a bargain purchase

The previous year's profit of EURk 33,217 from a bargain purchase resulted from the acquisition of Germavest Real Estate S.à.r.l. (T6 portfolio). The negative goodwill of EURk 33,217 was recognised immediately through profit or loss in the consolidated statement of income as a one-time effect. This negative goodwill is mainly attributable to the fair value of investment properties held by Germavest Real Estate S.à.r.l. exceeding the acquisition price.

8. Other operating income

IN EURK	01/01/2016 – 31/12/2016	01/01/2015 – 31/12/2015
Other non-periodic income	2,748	389
Value-added tax refunds for prior years	507	788
Income from the disposal of property, plant and equipment	321	0
Income from facility management	309	23
Derecognition of liabilities	282	0
Benefits in kind	221	181
Income from the reversal of provisions	109	56
Reversal of impairment losses on receivables	100	38
Gains from foreign currency differences	33	343
Income from allocated expenses	16	160
Compensation for damages	0	11
Others	904	583
Total	5,550	2,572

Other non-periodic operating income mainly contains subsequent compensation for the usage of walkways and parking spaces by the city of Ulm. Furthermore, other non-periodic income inter alia contains refunds resulting from corrected settlements of prior years.

The income from facility management results from the provision of facility management services rendered by PRAEDIA GmbH, which was consolidated for the first time in the current reporting period.

9. General and administrative expenses

IN EURK	01/01/2016 – 31/12/2016	01/01/2015 – 31/12/2015
Staff costs	-3,855	-2,258
Legal and consulting fees	-3,841	-3,868
Accounting and audit costs	-2,541	-3,490
Expenses for real estate expert opinions	-589	-634
Fund management costs	-514	0
Advertising and travel expenses	-492	-378
IT costs	-446	-24
Compensation of expenses	-338	0
Costs for vehicles	-302	-40
Supervisory Board remuneration	-292	-270
Compensation of trust costs	-268	0
Expenses for investor relations	-154	-180
Expenses for facility management	-106	-17
Leasing costs	-52	-144
Others	-715	-29
Total	-14,505	-11,332

Staff costs for staff employed by the ultimate parent company are included in general and administrative expenses. The increase in staff costs resulted from the higher number of employees at the Group due to the Company's business expansion and the recognition of expenses for share-based payments in the amount of EURk 594.

Legal and consulting fees in the amount of EURk 3,841 are mainly the result of non-recurring expenses related to capital market activities.

10. Other operating expenses

IN EURK	01/01/2016 – 31/12/2016	01/01/2015 – 31/12/2015
Non-periodic expenses from operating costs of the previous years	-1,888	-80
Non-deductible input taxes	-965	-1,139
Brokerage fees	-818	0
Expenses for Annual General Meeting and investor relations	-540	-767
Fees and incidental costs of monetary transactions	-413	-526
Third-party services	-391	-679
Occupancy costs	-281	-77
Impairment of property, plant and equipment	-110	-18
Property management	-104	-144
Losses from foreign currency differences	-26	-154
Insurance fees	-59	-78
Differences from the consolidation of liabilities, expenses and income	0	-74
Legal and consulting fees	0	-58
Transaction costs for the acquisition of Germavest Real Estate S.à.r.l.	0	-793
Others	-1,772	-678
Total	-7,367	-5,265

The subsequent settlement of operating costs is customary and essentially stems from the real estate portfolios purchased in the abbreviated 2014 fiscal year.

Non-deductible input taxes resulted from legal and consulting fees that cannot be capitalised, which were utilised by DEMIRE AG, which is not entitled to a full input tax deduction.

11. Financial result

IN EURK	01/01/2016 – 31/12/2016	01/01/2015 – 31/12/2015
Financial income	1,153	2,145
Financial expenses	-39,134	-27,873
Minority interests	-5,226	0
Financial result	-43,207	-25,728

Financial income in the amount of EURk 1,153 (previous year: EURk 2,145) essentially resulted from accrued interest from loans and borrowings issued by DEMIRE AG (EURk 825) as well as accrued interest (EURk 328) for the 2014/19 corporate bond held by DEMIRE AG at the beginning of the reporting period in the amount of EURk 14,375 and reissued during the first quarter of 2016.

The increase in financial expenses resulted mainly from higher financial liabilities related to company acquisitions executed at the end of the 2015 fiscal year. This relates in particular to Germavest Real Estate S.a.r.l. and Fair Value REIT-AG subgroup.

The share of profit/loss attributable to minority interests concerns Fair Value REIT-AG.

12. Income taxes

IN EURK	01/01/2016 – 31/12/2016	01/01/2015 – 31/12/2015
Current income taxes	-2,852	-755
Deferred income taxes	-9,460	-3,384
Total income taxes	-12,313	-4,139

Current income tax expenses of EURk 2,852 (previous year: EURk 755) include corporate and trade taxes as well as capital gain taxes and were incurred almost entirely in Germany.

Deferred income taxes of EURk 9,460 (previous year: EURk 3,384) consist of deferred tax income of EURk 1,273 (previous year: EURk 2,758) and deferred tax expenses of EURk 10,733 (previous year: EURk 6,142). Deferred tax expenses essentially resulted from temporary differences in the valuation of investment properties pursuant to IAS 40. Deferred tax income essentially resulted from the offsetting of these with deferred taxes on tax loss carryforwards.

As of the balance sheet date, non-utilised tax loss carryforwards totalled EURk 42,842 (previous year: EURk 47,731) from investees included in the consolidated financial statements. Deferred tax assets on these loss carryforwards are only capitalised if it is probable that profits will be realised in the foreseeable future and can be offset against these tax loss carryforwards. In the DEMIRE Group, deferred taxes on tax loss carryforwards at the level of the same taxable entity were capitalised only to the extent that deferred tax liabilities were recognised.

Tax reconciliation statement

The tax reconciliation statement between the theoretical and actual tax expense is presented on the basis of the Group tax rate of 28.78 % (previous year: 31.93 %). The Group tax rate of 28.78 % includes the 15 % applicable corporate tax rate, 5.5 % solidarity surcharge and 12.95 % trade tax (municipal rate for Langen: 370 %; trade tax rate 3.5 %). The calculation of the deferred taxes of domestic real estate companies is based on a tax rate of 15.83 %. These companies generate income exclusively from managing their own real estate. Only the corporate tax rate and the solidarity surcharge apply to these companies because of the option to deduct the profit from the management of own real estate from the profit under trade tax law. The calculation of deferred taxes for foreign companies acquired during the reporting period was also based on a tax rate of 15.83 % because these companies are not subject to trade taxes.

IN EURK	01/01/2016 – 31/12/2016	01/01/2015 – 31/12/2015
Profit/loss before taxes	39,962	33,012
Group tax rate	28.78%	31.93%
Expected income taxes	11,501	10,541
Tax rate differences	-3,069	-3,626
Tax effects arising from non-deductible operating expenses	2,533	2,869
Tax effects of tax-free income	-1,247	-12,166
Tax effects arising from non-utilised losses and non-recognised temporary differences for which no deferred tax assets were capitalised	2,805	6,324
Tax effects arising from the recognition of deferred tax assets for tax loss carryforwards which were not capitalised in prior periods	-179	-53
Others	-31	250
Actual income taxes	12,313	4,139

Tax-free income mainly resulted from the sale of real estate companies. Income from investments accounted for using the equity method is reported under profit/loss for investments accounted for using the equity method and the profit/loss from the sale of real estate companies in the consolidated statement of income. The tax effect from non-deductible operating expenses is mainly the result of the income tax-related interest barrier rule.

According to IAS 12, deferred tax liabilities are also to be recognised on the difference between the proportionate share in equity of a subsidiary in the consolidated statement of income and the carrying amount of the subsidiary in the parent company's balance sheet under tax law (outside basis differences), if realisation is to be expected. These differences mainly resulted from retained earnings in domestic and foreign subsidiaries.

DEMIRE did not recognise deferred tax liabilities for accumulated results of subsidiaries amounting to EURk 5,707 (previous year: EURk 1,619), since these profits are intended to be reinvested indefinitely.

Recognising deferred taxes on outside basis differences as temporary differences means that future tax effects should be reported at the time profits originate, even if a distribution of profits to the parent company and the corresponding taxation of the parent company will occur only in future periods. The Company can determine the timing of distributions and the retention of earnings from subsidiaries. Except for the mandatory distributions from Fair Value REIT-AG, dividend distributions from subsidiaries are neither planned nor foreseeable. Therefore, the recognition of deferred taxes for outside basis differences was waived with the exception of the deferred taxes recognised for Fair Value REIT. The recognition of deferred taxes for outside basis differences at the level of Fair Value REIT amounted to EURk 8,506 as at December 31, 2016 (previous year: EURk 4,739).

For other disclosures relating to deferred tax assets and liabilities, please refer to Note E.5.1.

13. Earnings per share

Basic earnings per share is computed by dividing the net profit/loss for the period attributable to DEMIRE AG shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share is computed by adjusting net profit/loss for the period and the number of shares outstanding based on the assumption that convertible instruments are converted and warrants in connection with share-based payments are exercised.

	01/01/2016 – 31/12/2016	01/01/2015 – 31/12/2015
Net profit/loss (EURk)	27,649	28,873
Net profit/loss attributable to parent company shareholders	24,670	28,117
Interest expenses from convertible bonds	860	829
Net profit/loss attributable to parent company shareholders (diluted)	25,530	28,946
Number of shares		
Number of shares outstanding as at the balance sheet date	54,247	49,292
Weighted average number of shares outstanding	51,364	25,889
Impact of conversion of convertible bonds	13,638	13,662
Share-based payments	0	1,000
Weighted average number of shares (diluted)	65,002	40,551
Earnings per share (EUR)		
Basic earnings per share (EUR)	0.48	1.09
Diluted earnings per share (EUR)	0.39	0.71

As at December 31, 2016, the company had potential ordinary shares outstanding from the 2013/2018 convertible bond, which entitle the holders of the convertible bonds to an exchange for 10,637,763 shares (previous year: 10,661,700 shares) and the holders of the 2015/2018 mandatory convertible bond to an exchange for 3,000,000 shares, and EURk 15,000 respectively (previous year: EUR 3,000,000 shares).

14. Staff costs

IN EURK	01/01/2016 – 31/12/2016	01/01/2015 – 31/12/2015
Salaries	-4,965	-2,231
Statutory social expenses	-425	-281
Total	-5,390	-2,512

Staff costs of EURk 5,390 are generally recognised in general and administrative expenses and relate mainly to DEMIRE AG (EURk 3,156) and Fair Value REIT-AG (EURk 693). This item also includes staff costs of EURk 1,320 from DEMIRE Immobilien Management GmbH, which are reported in operating expenses to generate rental income and not in administrative costs. Of the statutory social expenses, about half are attributable to contributions to statutory pension insurance.

In the reporting period, the staff costs for DEMIRE AG include expenses for share-based payments of EURk 594 (previous year: EURk 434).

E. NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Non-current assets

The development of the individual items can be found in the schedule of non-current assets (Appendix 3).

1.1 Intangible assets

Upon initial recognition, individually acquired intangible assets are measured at their acquisition cost. Subsequently, intangible assets with a limited period of use are amortised on a straight-line basis usually over a period of three to five years based on their estimated useful economic life and are tested for possible impairment when there are any relevant indications thereof. Impairment of intangible assets is recognised in profit or loss.

Intangible assets with an indefinite useful life are not subject to scheduled amortisation. These assets are subjected to an impairment test at least once annually either on the basis of the individual asset value or as a cash-generating unit. An impairment test is also carried out when an event impairing value occurs.

Intangible assets are tested for impairment if circumstances or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. As soon as the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised through profit or loss. The recoverable amount is the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is the amount that could be achieved by selling an asset or a cash-generating unit in a transaction at market conditions between knowledgeable parties willing to contract after deduction of the sale costs.

Impairment losses are reversed once the reason for the previously recognised impairment ceases. This excludes goodwill for which there is a general prohibition of reversal of impairment under IFRS.

1.1.1 Goodwill

Upon first-time recognition, goodwill is measured at acquisition cost, which is calculated as the excess of the sum of the consideration transferred, the amount of non-controlling interests and any previously held interests over the acquired identifiable assets and assumed liabilities. After first-time recognition, goodwill is measured at acquisition cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in the context of a business combination is allocated to the Group's cash-generating units that are expected to benefit from the merger as of the purchase date.

Goodwill is regularly tested for impairment at least once a year. The determination of the recoverable amount requires assumptions and estimates regarding the future development of earnings and the sustainable growth rate of the cash-generating unit or group of cash-generating units to which goodwill has been allocated.

The goodwill arising from the first-time consolidation of the MAGNAT Investment I B.V. subsidiary has already been fully impaired in previous periods.

Goodwill of EURk 6,783 arising from the first-time consolidation of Fair Value REIT-AG as at December 31, 2015 was allocated to Fair Value REIT.

The Group carried out the annual impairment test as at December 31, 2016. The recoverable amount of the cash-generating unit (CGU) Fair Value REIT was calculated on the basis of the calculation of a value in use using cash flow forecasts based on financial plans approved by the management for a period of five years. The management's plans are based on past experience and the best possible estimates of future developments. The discount rate (pre-tax) used for cash flow forecasts was 3.17 %. The projections for cash flows after five years are based on the average amount of cash flows for the detailed planning period. The recoverable amount determined on the basis of the value in use was then compared with the carrying amount of the CGU in order to assess its value. As a result of this analysis, management identified sufficient headroom between the value in use and the carrying amount of the CGU. No change in the material assumptions deemed possible by the management results in the carrying amount exceeding the recoverable amount. Accordingly, DEMIRE has not identified any impairment as of December 31, 2016.

The key basic assumptions for the calculation of the value in use and the sensitivity analysis versus the assumptions made:

Rental cash flows—The CGU Fair Value REIT focuses on the acquisition and management of commercial real estate in Germany. Fair Value REIT invests directly in real estate as well as indirectly through the participation in real estate partnerships. Accordingly, cash flows for direct ownership and the subsidiaries were planned. Rental income and rental costs were derived from contracted leases or based on assumptions for the probability of contract prolongations and vacancies for specific rental areas. The planned maintenance expenditures are largely based on concrete planned measures or on a flat rate based on past experience. The operating costs of the properties have been indexed and extrapolated based on the previous years' figures.

Rental cash flows could drop as a result of rent reductions, rental losses or rising vacancies. Moreover, a reduction in the real estate portfolio could lead to a decline in cash flows. Even if cash flows fell by 10 %, no impairment would result as at December 31, 2016.

Discount rate—The discount rate is based on the CGU's weighted average cost of capital (WACC). The weighted average cost of capital takes into account both the cost of capital for debt and equity. The equity costs are derived from the expected return of equity investors of the Fair Value REIT subgroup. Borrowing costs were derived from the average financing costs of comparable companies. Sector-specific risk was determined by applying individual beta factors. The beta factors were determined on the basis of publicly available market data. An increase in the discount rate of 0.5 % as at December 31, 2016 would not have resulted in the need for impairment.

1.1.2 Other intangible assets

Other intangible assets mainly contain mainly computer software. A useful life of three to five years is applied to other intangible assets. Amortisation of EURk 18 (previous year: EURk 1) is reported in the statement of income in the line item „other operating expenses“.

1.2 Property, plant and equipment

Office and operating equipment

Property, plant and equipment include office and operating equipment. Straight-line depreciation is based on a useful life of 3 to 15 years. Depreciation is reported in the statement of income in line item „other operating expenses“ (EURk 91; previous year: EURk 21).

Technical equipment

The technical equipment (EURk 1,370) includes the operating facility (hotel inventory) of Kurfürster Immobilien GmbH acquired in the reporting period.

Advance payments

Advance payments as at December 31, 2015, related mainly to the property Kurfürstengalerie in Kassel, for which the transfer of benefits and obligations took effect on January 1, 2016.

1.3 Investment properties

The Company's investment properties include those properties that are held for rental income generation and value appreciation and not for their proprietary use or sale in the ordinary course of business. Investment properties are measured at acquisition cost plus incidental acquisition costs at the time of acquisition. In accordance with the option provided for in IAS 40 in conjunction with IFRS 13, investment properties are measured at fair value in their subsequent recognition, whereby changes in the fair value are generally recognised in profit or loss. Advance payments on real estate purchases are recognised as advance payments in the item property, plant and equipment.

When measuring investment properties, the key valuation parameters are expected cash flows, assumed vacancy rates, their changes during the planning horizon and the discounting and capitalisation rates. The discounted cash flow method is used unless market values can be derived from sales of comparable properties. The valuation is carried out in accordance with International Financial Reporting Standards (IFRS), International Standards of Valuation of Real Estate for Investment Purposes („International Valuation-Standards“) and the RICS Valuation—Professional Standards (January 2014) of the Royal Institution of Chartered Surveyors.

Valuation of real estate held by the DEMIRE subgroup

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

Pursuant to IFRS 13.9, the fair value is defined as the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants on the valuation. In principle, the fair value of the asset assumes the sale of an asset. This also applies if DEMIRE has neither the intention nor the capacity to sell the asset or transfer the liability as of the valuation date.

When determining the fair value of non-financial assets, the maximum and best possible use is assumed. This requires a benefit and value maximisation of the asset, provided this is technically possible, legally permissible and financially feasible. It is immaterial whether the fair value is directly observable or determined using a valuation method.

The measurement of investment properties at fair value is to be classified to Level 3 of the valuation hierarchy according to IFRS 13.86 (valuation based on unobservable inputs). The measurement parameters, broken down by asset class, are shown in Appendix 2. DEMIRE uses the date of the event or the change in the circumstances that caused the reclassification to determine the date on which a reclassification between the different hierarchy levels has occurred.

Valuation of real estate held by the Fair Value REIT subgroup

The fair value of the investment properties of the Fair Value REIT subgroup is determined using the discounted cash flow method.

The discounted cash flow method provides the basis for the dynamic investment calculation and is used to calculate the present value of future expected, time-staggered and varying levels of cash flows. After identifying all value-relevant factors, the expected and partially projectable future cash flows are summed up for each period. The result of the cash inflows and outflows is discounted up to a fixed point in time (valuation date) using the discount rate. In contrast to the German discounted earnings model of the Valuation Ordinance (Wertermittlungsverordnung [WertV]), however, the cash flows during the period under consideration are explicitly quantified and not shown as annuity payments. Since the importance of future cash flows decreases as a result of discounting and the forecast uncertainty increases over the observation period, the stabilised net income of a property is usually capitalised using a growth implicit minimum interest rate (capitalisation rate) following a 10-year period (detailed observation period) and discounted to the valuation date when assessing investment decisions in real estate.

The assumptions used in the valuation model reflect the average of the assumptions of the investors dominant in the market on the respective valuation date. These valuation parameters reflect the customary market expectations as well as the extrapolation of analysed past values of the property to be valued or of one or more comparable properties.

The valuation parameters are assessed in the context of determining the market value at the discretion of the appraiser and can be divided into two groups:

The property-specific valuation parameters include, for example, rental revenue for initial and subsequent rentals, extension probabilities for the existing rental agreements, vacancy periods and vacancy costs, unallocable ancillary costs, expected capital expenditures by the owner, expansion and rental costs for initial and subsequent rentals as well as overall property- and rental-specific total rate of return on the capital tied in the investment.

Macroeconomic factors include, in particular, the development of market and rental prices during the detailed observation period and the inflation expectations assumed in the calculation model. In order to meet fair-value disclosure requirements, DEMIRE has defined groups of assets and liabilities based on their nature, characteristics and risks and on the levels of the fair value hierarchy described above.

The Group's management team is essentially involved in and monitors the process of evaluating investment properties, which takes place at least once per fiscal year. In doing so, the results made available by independent experts are checked for plausibility and compared with values in previous years. The evaluation results are also compared to the management's own assumptions made in the framework of early risk detection and any deviations are discussed with the expert. The portfolio's performance is also discussed in regular meetings with the Supervisory Board, which ensures that the development of the real estate portfolio's value is continuously monitored.

The determination of fair values depends on the following key, non-observable input factors (Level 3):

	December 31, 2016	December 31, 2015
Average market rent (in EUR per m ² per year) ¹⁾	68.83	94.11
Range of average market rents (in EUR per m ²)	18.00 180.00	0.00 232.97
Rentable space as at balance sheet date (in m ²)	255,821	264,887
Vacant space as at balance sheet date (in m ²)	30,637	28,713
Value-based vacancy rate according to EPRA (in %)	9.28	10.31
Average vacancy rate based on rentable space (in %)	11.98	10.84
Range of average vacancy rate based on the rentable space (in %)	0.00 60.75	0.00 63.51
Weighted Average Lease Term—WALT (in years)	5.20	4.86

¹⁾ The determination of average market rent was based on rentable space as at December 31, 2016.

The basis for rental revenue planning is 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 meter on the valuation date for the various types of use compared to the previous year are shown in the table below:

CONTRACTUAL RENTS IN EUR		December 31, 2016	December 31, 2015
Office property	Min.	2.02	2.50
	Max.	25.80	25.80
	Avg.	7.34	6.10
Retail property	Min.	2.50	2.50
	Max.	90.00	90.00
	Avg.	9.65	7.97
Other property	Min.	2.00	2.00
	Max.	11.60	11.60
	Avg.	4.80	5.46
Total	Min.	2.00	2.00
	Max.	90.00	90.00
	Avg.	8.04	6.92

The resulting changes in value (valuation gains and losses) result specifically from the adjustment in capitalisation and discount rates and from the reduction in the advantage of some existing leases, which were concluded at a rate above the current market level („over rents“).

Fair value development during the reporting period:

IN EURK	2016	2015
Fair value at beginning of the fiscal year	915,089	333,070
Additions through business combinations	0	469,114
Additions (change in scope of consolidation)	37,106	81,624
Reclassifications from advance payments and real estate inventory	11,191	14,065
Additions	11,480	0
Disposals	-8,270	0
Reclassifications to non-current assets, held for sale (see Note E.3)	-23,736	-1,255
Unrealised gains from fair value measurement included in item D.5 of the statement of income	50,176	21,478
Unrealised losses from fair value measurement included in item D.5 of the statement of income	-11,762	-3,007
Fair value as at December 31	981,274	915,089

The acquisition of investment properties in the amount of EURk 37,106 and the reclassification of advance payments in the amount of EURk 11,191 resulted from the investment in the commercial real estate company Kurfürster Immobilien GmbH.

A sensitivity analysis of the DEMIRE subgroup's key unobservable input parameters showed the following effects on the fair value of the investment properties:

CHANGE IN VALUE	Property yield		Market rent ¹	
	-0.5%	+0.5 %	-10%	+10 %
in EURk	48,060	-43,440	-55,930	55,670
in %	6.70	6.06	7.80	7.76

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

A substantial increase in maintenance costs, vacancies or property yields would lead to a lower fair value of the properties if the assumptions for the remaining input parameters remained unchanged.

A sensitivity analysis of the Fair Value REIT subgroup's significant unobservable input parameters showed the following effects on the fair value of the investment properties:

CHANGE IN VALUE	Property yield		Market rent ¹	
	-0.5%	+0.5 %	-10%	+10 %
in EURk	11,928	-14,240	-22,653	22,234
in %	4.18	4.99	7.56	6.91

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

1.4 Investments accounted for using the equity method

Investments in subsidiaries in which DEMIRE has (only) a significant influence are reported under investments accounted for using the equity method. Moreover, interests in joint arrangements are also reported under investment accounted for using the equity method if they qualify as joint ventures as defined by IFRS 11. At each balance sheet date, DEMIRE determines whether there is objective evidence that the value of an investment accounted for using the equity method might be impaired. Relationships with these companies are of an operational nature. The business activities of these companies are primarily property management. These are non-listed interests for which there is no active market. These are essentially companies with only limited business activity in the real estate sector.

Interests in companies over which DEMIRE can exert a significant influence but where the possibility of control is not available, are accounted for using the equity method in accordance with IAS 28. Similarly, interests in joint ventures are accounted for using the equity method in accordance with IFRS 11. The interests are initially valued at acquisition cost. The difference between the acquisition cost and the proportionate equity represents goodwill. Subsequently, the carrying amount of the interests increases or decreases in accordance with the share in the profit/loss for the period (including the effects of currency translation). The application of the equity method ends when the possibility of significant decisive influence over the respective company no longer exists or when the company no longer qualifies as an associate or joint venture. Simultaneously existing assets whose settlement is neither planned nor probable are allocated to the investments accounted for using the equity method according to the economic purpose of the net investment.

The reconciliation of the carrying amount of investments accounted for using the equity method is determined by DEMIRE's share in the profit or loss transferred in accordance with the annual or interim financial statements.

The investments in companies accounted for using the equity method amounted to EURk 126 (previous year: EURk 3,136) as at December 31, 2016. This includes the shareholding in Irao Magnat 28/2 LLC of EURk 116 (previous year: EURk 116) and a transferred profit for the year of EURk 0 (previous year: EURk 0). Also included are G+Q Effizienz GmbH, acquired in the period under review for EURk 9 with a transferred loss for the year of EURk -3 and Demire Assekuranz GmbH & Co. KG acquired in the reporting period for EURk 1 with an assumed profit for the year of EURk 0.

The investment in SQUADRA Immobilien GmbH & Co. KGaA held in the previous year in the amount of EURk 3,020 was sold during the reporting period (see Note B).

1.5 Other financial assets

Financial assets are classified and accounted for at the date of acquisition in accordance with the categories of IAS 39.

DEMIRE classifies financial assets as either

- financial assets measured at fair value through profit or loss,
- loans and receivables,
- financial investments available for sale, or
- derivative financial instruments that meet the requirements for effective hedging.

No financial assets held for trading purposes or financial investments held to maturity have been recognised.

First, it is determined whether there is objective indication for the impairment of financial assets that are individually significant and of groups of financial assets that are individually not significant. If DEMIRE determines that an individual financial asset that is analysed individually, whether significant or not, does not provide an objective indication of impairment, DEMIRE allocates the asset to a group of financial assets with comparable default risk profiles and evaluates these combined for impairment. Assets that are individually tested for impairment and for which an impairment loss is recognised are not included in the impairment assessment on a group basis. In the case of impairment, the carrying amount of the financial asset in question is reduced through profit and loss by means of a valuation allowance account.

If the amount of the impairment is reduced in one of the following reporting periods and if this reduction can be attributed objectively to an event occurring after the impairment, the previously recognised impairment loss is reversed. However, the impairment reversal is limited to the amount of the amortised cost at the time of the reversal. Reversals of impairments for financial assets allocated to the loans and receivables category are recognised through profit or loss.

The carrying amount of other financial assets amounts to EURk 11,328 (previous year: EURk 11,045) and essentially comprises the non-current portion of the settlement balance from the Fair Value REIT subgroup in the amount of EURk 9,822.

The amount of the settlement balance for terminated shares in BBV 9 Geschäftsführungs-GmbH & Co. KG was determined by the appointed arbitrator on November 30, 2015 and amounted to EURk 10,020.

The settlement balance was due on May 31, 2016, but will be paid according to the business plan of BBV 9 Geschäftsführungs-GmbH & Co. KG in three annual instalments of 1 %, 1 % and 98 % plus interest on arrears of 4 % p.a. as of maturity. The settlement balance is due six months after the determination. This results in a non-current receivable in the amount of EURk 9,822 and a current receivable of EURk 332. The outstanding receivable is incurring interest since June 1, 2016 at an interest rate of 4 % p.a.

1.6 Loans to investments accounted for using the equity method

Loans to investments accounted for using the equity method in the previous year amounting to EURk 553 related to a loan to R-Quadrat Polska Alpha Sp. z o.o., which was deconsolidated during the reporting period. The disposal of this loan resulted from the transfer of the loan in the course of the sale of R-Quadrat Polska Alpha Sp. z o.o.

1.7 Other loans

The main portion of other loans in the previous year amounting to EURk 384 concerned a loan granted to Magnat Asset Management GmbH, which was sold during the reporting period.

2. Current assets

2.1 Real estate inventory

In accordance with IAS 2, real estate inventory is measured at the lower of acquisition or production costs and the net realisable value. The net realisable value is the estimated sales proceeds in the normal course of business less the estimated costs until completion and the estimated selling costs. In addition to the directly attributable unit costs, the acquisition or production costs also include the overhead costs attributable to the production process.

The net realisable value is calculated in each subsequent period. If the circumstances that had previously led to an impairment of the inventory's value to a level below its acquisition or production cost no longer exists or if there is a substantive indication of an increase in the net realisable value due to changes in economic circumstances, the impairment loss is reversed to the extent that the new carrying amount corresponds to the lower of acquisition and production costs and the adjusted net realisable value, i.e. the original impairment loss is the upper limit for the reversal of the impairment. This is the case, for example, when real estate inventory recognised at net realisable value due to a decline in the selling price is still in the portfolio in a subsequent period and the selling price has risen again.

Of the real estate inventory, an amount to EURk 2,222 (previous year: EURk 2,298) is attributable to developed and undeveloped properties that are intended for resale. No impairment reversals were made in the reporting period. The decrease in the carrying amount is due to currency translation effects.

2.2 Trade accounts receivable and other receivables

The following table shows the composition of trade accounts receivable and other receivables as at December 31, 2016.

IN EURK	31/12/2016 Gross	Impairment	31/12/2016 Net	31/12/2015 Gross	Impairment	31/12/2015 Net
Receivables due from the sales of the investment in SQUADRA Immobilien GmbH & Co. KG ..	7,184	0	7,184	0	0	0
Trade accounts receivable against third parties	7,620	2,159	5,461	8,837	4,347	4,490
Purchase price receivables from sales of legacy portfolio	2,880	860	2,020	2,914	284	2,630
Unbilled revenue from ancillary rental cost	3,188	0	3,188	1,571	0	1,571
Receivables from processing value-added tax	1,895	0	1,895	2,056	0	2,056
Purchase price receivables from BBV 02	1,361	0	1,361	0	0	0
Building cost subsidy	588	0	588	0	0	0
Receivables from settlement credit BBV 09	517	0	517	1,002	0	1,002
Deposits	369	0	369	36	0	36
Receivables due from former owner of Kurfürster Immobilien GmbH	366	0	366	0	0	0
Purchase price receivables from Erlangen property	0	0	0	1,355	0	1,355
Administrator accounts	0	0	0	151	0	151
Others	655	0	665	1,096	0	1,096
Total	26,663	3,019	23,614	19,018	4,631	14,387

All trade accounts receivable against third parties are of a short-term nature and are usually due within less than three months.

If in the case of trade accounts receivable there are objective indications (such as the probability of insolvency or significant financial difficulties of the borrower) of failure to pay all amounts due under the originally agreed terms, an impairment loss is recognised through profit or loss using an impairment account.

Impairments as of the balance sheet date amounted to EURk 3,019 (previous year: EURk 4,631). Impairment losses are reported in the consolidated statement of income under the item „impairment of receivables“.

2.3 Financial receivables and other financial assets

Financial receivables and other financial assets of EURk 10,293 (previous year: EURk 26,020) primarily consist of a loan given to Taurecon Real Estate Consulting GmbH, Berlin, amounting to EURk 2,230 and a loan given to Taurecon Beteiligungs GmbH, Berlin, amounting to EURk 2,330, which holds minority shareholdings in certain Group companies of DEMIRE. Financial receivables and other financial assets also include a call option (early termination rights of the 2014/2019 corporate bond) in the amount of EURk 2,653.

Taking into account corresponding impairments, financial receivables and other financial assets do not contain any overdue receivables.

2.4 Cash and cash equivalents mittel

Cash and cash equivalents include cash on hand and bank balances carried at their nominal value. Cash and cash equivalents in foreign currencies are translated at the closing rate on the balance sheet date.

Cash and cash equivalents of EURk 31,289 (previous year: EURk 28,467) include cash on hand and bank balances.

3. Non-current assets held for sale

For assets held for sale, it must be determined whether they can be sold in their present state and whether their disposal is highly probable. If this is the case, assets held for sale are recorded and measured in accordance with the relevant regulations of IFRS 5. Non-current assets held for sale are carried at the lower of the carrying amount and the fair value less costs to sell. If the sale is expected only after one year, the selling costs are measured at their present value. Impairment losses are recognised as expenses in subsequent measurement. A later increase in fair value less costs to sell for an asset is recognised as a gain, but only up to the amount of the cumulative impairment loss recognised in previous periods.

Non-current assets held for sale in the amount of EURk 24,291 as of the balance sheet date exclusively consist of properties held for sale. The most important properties are the property in Darmstadt (partial sale) belonging to Armstripe S.à.r.l. and all properties belonging to Condor Objektgesellschaft Yellow GmbH.

4. Equity

Subscribed capital increased by EURk 24 due to conversions of the 2013/18 convertible bonds and a capital increase in the reporting period in the amount of EURk 4,931 to a total of EURk 54,247. The 2013/18 convertible bonds are divided into 10,637,763 bearer shares (previous year: 10,661,700) with a notional par value of EUR 1.00. All shares are fully paid. Restrictions on voting rights or the transfer of shares have not been agreed. Shares of the Company with special rights conferring control powers were not issued.

The change in **capital reserves** was essentially the result of a cash capital increase of EURk 12,080 and the related costs incurred to raise equity in the amount of EURk 1,105. Capital reserves were reduced by expenses of EURk 594 from the stock option programme (see Note G. 4d).

The **currency translation reserve** encompasses the currency differences of fully consolidated companies and those accounted for using the equity method whose functional currency is not the euro.

The item **non-controlling interests** relates to the interests of third-party shareholders in the equity and net profit/loss of fully consolidated subsidiaries. The consolidated profit/loss attributable to the shareholders of the parent company is the difference between the consolidated profit/loss before non-controlling interests and the non-controlling interests reported in the statement of income.

In the case of a capital increase, the profit participation of new shares may be determined in deviation from Section 60 (2) AktG.

Shareholders are not entitled to share certificates to the extent this is permitted by law.

Authorised Capital I/2016

By resolution of the Annual General Meeting of June 30, 2016 and with the Supervisory Board's consent, the Executive Board is authorised to increase the Company's subscribed capital until June 29, 2021 by issuing up to 24,653,611 new, ordinary, no-par value bearer shares each with a notional interest of EUR 1.00 against cash contribution or contribution in kind on one or several occasions in partial amounts of up to EUR 24,653,611.00 (Authorised Capital I/2016). Shareholders are generally entitled to subscription rights.

On August 10, 2016, the Company's Executive Board and the Supervisory Board resolved to increase the Company's subscribed capital from authorised capital once by EUR 4,930,722.00 to EUR 54,237,944.00 against cash contribution by issuing 4,930,722 new, ordinary, no-par value bearer shares each with a notional interest in subscribed capital of EUR 1.00. After partial utilisation, the remaining Authorised Capital I/2016 amounted to EUR 19,722,889.00.

Authorisation to repurchase own shares

The Company has been authorised to acquire up to 10 % of the existing subscribed capital outstanding as at the date of authorisation from the date of the resolution of October 15, 2014 for a period of five years, i.e. until October 14, 2019. The number of shares acquired under this authorisation, together with other Company shares already purchased by the Company or already owned, may not exceed 10 % of the Company's respective existing subscribed capital.

5. Non-current liabilities

5.1 Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities are recognised in accordance with IAS 12 for temporary differences between the carrying amounts of assets and liabilities in the consolidated balance sheet and the balance sheet under tax law and for unutilised tax loss carryforwards (liability method). In evaluating if deferred tax assets can be utilised, DEMIRE takes into account whether it is rather likely or unlikely that deferred taxes cannot be realised. The realisation of deferred tax assets depends on whether taxable income will be generated at the time of the reversal of the temporary differences from which the temporary differences can be deducted. This assessment is based on DEMIRE's tax planning. Deferred tax assets for tax loss carryforwards were recognised in the amount of EURk 4,523 (previous year: EURk 3,937).

Deferred taxes are measured using the local tax rates that are expected at the time the asset is realised or the liability settled. This is based on the tax rates applicable on the balance sheet date. The effects of changes in tax legislation are taken into account as early as the year in which the changes take effect. Deferred taxes relating to items recognised directly in equity are not recognised in the statement of income, but directly in equity. A valuation allowance is recognised for deferred tax assets if the realisation of future tax benefits is unlikely. Deferred tax assets and liabilities are offset against each other provided that the claims and obligations exist against the same tax authority.

DEMIRE recognised deferred taxes for temporary differences and so-called „inside basis differences“ of Fair Value REIT by applying the company-specific tax rate as of the balance sheet date. Because Fair Value REIT-AG is generally exempt from taxes, no taxes are incurred at the level of Fair Value REIT as long as its status as a tax-exempt REIT (Real Estate Investment Trust) is maintained. In addition to the „inside basis differences“, „outside basis differences“ were also recognised for Fair Value REIT-AG according to the „tax transparent entity“ approach. This approach assumes a deemed disposal of all properties directly held by Fair Value REIT-AG and indirectly held through trusts.

Deferred tax assets and applying tax liabilities consist of temporary differences in the following balance sheet items:

IN EURK	December 31, 2016	December 31, 2015
Tax loss carryforwards	4,523	3,937
Financial liabilities	1,354	1,355
Investment properties	0	359
Interest swap	200	88
Deferred tax assets before offsetting	6,078	5,739
Offsetting	-6,078	-5,595
Deferred tax assets	0	144
Investment properties	37,683	28,229
Real estate inventory	0	6
Financial liabilities	3,425	3,074
Deferred tax liabilities before offsetting	41,108	31,309
Offsetting	-6,078	-5,595
Deferred tax liabilities	35,030	25,714

The requirements of IAS 12.74 are met with regard to the deferred tax assets arising from tax loss carryforwards in the amount of EURk 4,523 before offsetting (previous year: EURk 3,937).

The following table shows the changes in deferred taxes in the reporting period:

IN EURK	01/01/2016	Statement of income	31/12/2016
Investment properties	-27,870	-9,813	-37,683
Real estate inventory	-6	6	0
Interest swaps	88	112	200
Tax loss carryforwards	3,937	586	4,523
Financial liabilities	-1,719	-352	-2,071
Total	-25,570	-9,460	-35,030

The item „Financial liabilities“ mainly refers to deferred taxes related to the 2013/2018 convertible bond, the 2014/2019 corporate bond and the Signal Capital loan.

Tax loss carryforwards and deductible temporary differences that were not taken into account when determining deferred taxes and which are generally non-forfeitable amounted to EURk 40,990 (previous year: EURk 28,044). In the reporting year, unrecognised deferred tax assets amounting to EURk 7,980 (previous year: EURk 5,563k).

The change in deferred taxes in the 2015 fiscal year and its structure can be broken down as follows:

IN EURK	01/01/2015	Statement of income	Recognised directly in equity	31/12/2015
Investment properties	-10,385	-4,611	-12,874	-27,870
Real estate inventory	-84	78	0	-6
Interest swaps	0	88	0	88
Tax loss carryforwards	1,345	2,592	0	3,937
Others	-188	-1,531	0	-1,719
Total	-9,312	-3,384	-12,874	-25,570

5.2 Minority interests

The minority interests reported under the Group's liabilities are attributable to Fair Value REIT and relate to capital of limited partners of mainly natural persons in real estate funds in the legal form of a GmbH & Co. KG and amounted to EURk 62,822 as of the balance sheet date (previous year: EURk 61,160). The minority interests have the right to terminate their investment. Therefore, the interests of these shareholders in the capital of the subsidiaries is assessed as potential compensation claims in

accordance with IAS 32 and recorded as a liability in the consolidated balance sheet. The measurement is carried out at fair value upon the initial recognition, which corresponds to the interest of minority shareholder in the net assets of the respective company. The reported liability, therefore, corresponds to the notional interest of the minority shareholder in the net assets of the respective subsidiary shown in the partial Group balance sheet of Fair Value REIT at their carrying amounts.

5.3 Financial liabilities

Financial liabilities are measured at their fair value at the date of assumption less directly attributable transaction costs and discounts. The fair value at the time of the incurring the financial liabilities corresponds to the present value of the future payment obligations on the basis of a maturity and risk-congruent market rate. Subsequent measurement is carried out at amortised cost using the effective interest method. The effective interest rate is determined at the time of the initial recognition of the financial liabilities. Changes to the conditions relating to the amount or timing of interest and repayments result in a recalculation of the carrying amount of the financial liabilities at the present value and on the basis of the originally determined effective interest rate. Differences to the previously recognised carrying amounts of the financial liabilities are recognised through profit or loss.

Financial liabilities as at the balance sheet date (December 31, 2016) consisted of the following:

FINANCIAL LIABILITIES IN EURK	Nominal interest rate	Fixed interest	Variable interest	Total
2014/2019 corporate bond	7.50%	97,650	0	97,650
2013/2019 convertible bond	6.00%	10,398	0	10,398
2015/2018 mandatory convertible bond (liability component)	2.75%	549	0	549
Other financial liabilities	3.84%	502,858	51,188	554,046
Total		611,455	51,188	662,643

Financial liabilities as at the previous year's balance sheet date (December 31, 2015) consisted of the following:

FINANCIAL LIABILITIES IN EURK	Nominal interest rate	Fixed interest	Variable interest	Total
2014/2019 corporate bond	7.50%	98,774	0	98,774
2013/2019 convertible bond	6.00%	10,311	0	10,311
2015/2018 mandatory convertible bond (liability component)	2.75%	889	0	889
Other financial liabilities	4.83%	341,276	203,989	545,265
Total		451,250	203,989	655,239

Other financial liabilities mainly comprise financial liabilities to credit institutions at a weighted average nominal rate of 3.84 % (previous year: 4.83 %).

A significant portion of other financial liabilities is a promissory note from Deutsche Bank. This note was subject to a nominal interest rate of 5.00 % until the balance sheet date and was due on September 9, 2019. A prolongation in this note until 2022 was agreed retroactively to January 1, 2017 with Deutsche Bank as was a simultaneous reduction of the nominal interest rate to 4.00 %.

As of the balance sheet date, the financial liabilities were collateralised by assets in the amount of EURk 551,202 (previous year: EURk 500,727). As in the previous year, no liabilities have been encumbered with a mortgage as a guarantee for third-party liabilities.

Pursuant to the business pledging agreement dated November 13, 2014, DEMIRE AG pledged all of its interests in the subsidiary DEMIRE Condor Properties Management GmbH in the amount of EURk 28, including all related rights, to secure the loan taken out by the subsidiary DEMIRE Condor Properties Management GmbH, including accrued interest of EURk 12,567.

Pursuant to the notarised declaration of December 17, 2014, DEMIRE AG accepted all current, future and contingent claims of bond holders up to a maximum amount of EURk 33,360 for the bearer bond

issued by the subsidiary DEMIRE Commercial Real Estate GmbH, Frankfurt/Main. In order to secure the claims of this bearer bond, DEMIRE AG has pledged all its interests in the subsidiary DEMIRE Commercial Real Estate GmbH in the amount of EURk 9,683.

Generally, all loan agreements for the properties financed stipulate information requirements that DEMIRE's subsidiaries as debtors must fulfil with respect to the banks or investors as creditors. Depending on the type and scope of the loan, the information requirements range from providing key financial ratios (e.g. financial statements) to the reporting of the compliance with covenants.

The covenants concern financial ratios of the respective real estate portfolios, particularly the debt service coverage ratio (DSCR), the interest coverage ratio (ICR) and the loan-to-value (LTV). The calculation is based on the specifications set by the creditors in the loan agreement. The significant financial liabilities issued by the DEMIRE Group for which covenants were contractually agreed include the Deutsche Bank promissory note for the Condor real estate portfolio with a nominal value of EUR 148 million, the 2014/2019 corporate bond with a nominal value of EUR 100 million, the A and B notes of the T6 real estate portfolio with a current value of EUR 92.7 million, the 2013/2018 convertible bond with an issue amount of EUR 11.3 million, the 2015/2018 mandatory convertible bond with an issue amount of EUR 15 million, the Signal Capital loan with a nominal value of EUR 32 million, the LBBW loan of EUR 41.0 million for the Alpha real estate portfolio and the DGHyp loan for a nominal amount of EUR 68 million for the Logistikpark Leipzig and the Kurfürstengalerie in Kassel.

The monitoring, compliance and reporting of the covenants specified in the loan agreements for the properties financed is carried out by DEMIRE's management, treasury and asset management areas. Depending on the specific credit agreement, the appropriate reporting on the covenants as well as the basis for the underlying business ratios are to be submitted to the creditors quarterly, semi-annually or annually. If DEMIRE fails to comply with the covenants, the creditors are entitled to demand additional collateral from the debtor. The loans are then in default. If the default persisted for a longer period of time and could not permanently be remedied, the creditors have a special right of termination.

Excluding the financing of Logistikpark Leipzig, all financing obligations and financial covenants were complied with in the reporting period. Due to the non-fulfilment of covenants during the year for the financing of Logistikpark Leipzig, payments were made to pledged credit balances as additional collateral pursuant to the loan agreement. Therefore, the Executive Board assumes that this credit line will continue to be available in the future as non-current financial liabilities.

2014/2019 corporate bond

As at the balance sheet date of December 31, 2016, the 2014/2019 corporate bond was issued at the full nominal value of EURk 100,000.

In the 2014 fiscal year, DEMIRE AG placed a corporate bond with an issue volume of EURk 50,000. The corporate bond has a maturity of five years and is due on September 16, 2019. The bond was issued with a coupon of 7.50 % p.a., which is paid to investors in arrears semi-annually. The inclusion of the corporate bond in trading on the Open Market of the Frankfurt Stock Exchange under ISIN DE000A12T135 took place on September 16, 2014. The unsecured bond issued in a private placement is divided into 50,000 fractional bearer shares with a notional par value of EURk 1 per fractional bond.

By a resolution dated March 24, 2015, with the approval of the Supervisory Board, the DEMIRE Executive Board increased the 2014/2019 corporate bond of September 2014 by a further EURk 50,000 for a total of EURk 100,000. The following table shows the development of the 2014/2019 corporate bond:

IN EUR	Carrying amount 2014/2019 corporate bond
As at January 1, 2015	50,000
Partial repurchase of 2014/2019 corporate bond	-20,000
Exchange of fractional bonds of the 2014/2019 corporate bond for	-15,000
	85,000
Placements in 2015	
	100,000
As at December 31, 2015	

In December 2015, the Company placed fractional bonds with a nominal value of EURk 10,880 and exercised its call option for the same amount against the seller of the T6 portfolio. As at December 30, 2015, the put option was exercised by the seller of the T6 portfolio. The portion of the bond in the amount of EURk 14,375, which could not be placed until December 31, 2015, was repurchased by DEMIRE AG. The bonds amounting to EURk 14,375, however, were not posted to the Company's securities account until January 2016, meaning as of December 31, 2015, the 2014/2019 corporate bond had a total nominal value of EURk 100,000. After the partial redemption of the fractional bonds, the value of the bond in January 2016 amounted to EURk 85,625.

The terms and conditions of the 2014/2019 corporate bond contain provisions with regard to requirements (financial covenants) which, in the event of non-compliance, could lead to extraordinary termination by the bondholders and thus to repayment obligations on the part of the Company as well as distribution restrictions for the Company. The financial covenants concern financial ratios, specifically the loan-to-value ratio (LTV) and the Company's equity ratio. The monitoring, compliance and reporting with respect to the financial covenants is carried out by DEMIRE's management, treasury and asset management areas. If the stipulated values of the financial covenants are not met, the creditor has the right to demand additional collateral from DEMIRE. The financial liabilities are then in default. If the default persisted for a longer period of time and could not permanently be remedied, the creditors have a special right of termination. As of the balance sheet date, the financial covenants were complied with and, accordingly, a default did not exist.

Convertible bonds (2013/2018 CB)

By resolution of the Annual General Meeting on October 23, 2013, the Executive Board was authorised, with the consent of the Supervisory Board, to issue bearer and/or registered convertible bonds and/or bonds with warrants once or several times until September 30, 2018 with a total nominal value of EURk 50,000 with or without a maturity limitation and to grant option and conversion rights to the holders or creditors of bonds for new, no-par value bearer shares of the Company with a notional interest in the share capital of up to EURk 25,000 according to the more detailed provisions of the terms of the bond.

In December 2013, DEMIRE AG issued convertible bonds in a total nominal amount of EURk 11,300 maturing on December 30, 2018. The convertible bonds are divided into 11,300,000 fractional bonds, each with a nominal value of EUR 1.00.

The details of the convertible bonds are as follows:

- They are divided into a maximum of 11,300,000 bearer fractional bonds, each with a nominal value of EUR 1.00 and carrying equal rights.
- During the bond's term, holders have the irrevocable right during the conversion periods to convert each convertible bond with a nominal value of EUR 1.00 initially into one no-par value share of DEMIRE AG with a notional interest in share capital of EUR 1.00 each. By resolution of the creditors' meeting of September 30, 2014, the terms and conditions of the convertible bonds have been amended so that cash compensation is no longer possible.
- In case of the effective exercise of the conversion right, the conversion price amounts to EUR 1.00 per ordinary bearer share, each with a notional interest in the share capital of EUR 1.00. The conversion price may be subject to adjustments due to adjustment provisions contained in the bonds' terms and conditions. This corresponds to a conversion ratio of 1:1. The terms and conditions do not provide for cash settlement.
- The issue price per convertible bonds is EUR 1.00 and corresponds to the nominal value and initial conversion price.
- The convertible bonds yield 6.00 % interest per annum. The interest is payable on March 30, June 30, October 30 and December 30 of each year during the term of the convertible bonds.

Following the exercise of 23,937 conversion rights from the 2013/2018 convertible bond, the company's share capital was increased by 23,937 no-par value bearer shares with a notional interest of EUR 1.00 as of the reporting period.

As a result of the change in the terms and conditions of the 2013/2018 convertible bond on September 30, 2014, the previous debt instrument was derecognised, and a new debt instrument was recognised. The debt instrument was replaced because the change in the terms and conditions was considered a material change in the contract conditions as defined by IAS 39.40. The previous debt instrument was carried at fair value until September 30, 2014, and the new debt instrument was carried at amortised cost from September 30, 2014. According to IAS 32.28, the new debt instrument must be divided into an equity and liability component.

According to IAS 32.31 et seq., the division into an equity and liability component must be carried out under the residual value method. A term-equivalent credit spread on the risk-free interest rate was used to measure the debt component at the time of initial recognition on September 30, 2014. The resulting value for the debt component amounted to EURk 10,418. The difference between the amount of the „new“ convertible bond on September 30, 2014 (EURk 10,909), and the value of the debt component was recognised as an equity component totalling EURk 490.

With regard to the corresponding effects on the statement of income, we refer to Note D.11.

Mandatory convertible bond (2015/2018 MCB)

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

The convertible bonds placed by DEMIRE AG on May 22, 2015 maturing on May 22, 2018 with a total nominal value of up to EURk 15,000 are divided into 150 bonds with a nominal value of EURk 100 each.

The details of the convertible bonds are as follows:

- They are divided into a maximum of 150 bearer fractional bonds, each with a nominal value of EURk 100 and carrying equal rights.
- Bondholders have the right to convert each bond in whole, but not in part, during the bond's term, into no-par value shares (no-par value shares) with a notional interest in the Company's share capital on the issue date of EUR 1.00.
- In case of the effective exercise of the conversion right, the conversion price amounts to EUR 5.00 per no-par value share, subject to adjustments due to adjustment provisions included in the terms and conditions of the bonds. The conversion ratio is calculated by dividing the bond's principal amount by the conversion price applicable on the exercise date.
- The bonds bear 2.75 % interest per annum with interest payable quarterly in arrears on the dates of March 22, June 22, September 22 and December 22 in each year during the term of the convertible bonds.

The promissory notes may be callable by the holders under certain conditions, in which case a prepayment penalty in the amount of 15.00 % on the principal amount plus accrued interest until the date of actual redemption would be due for redemption. Grounds for calling the promissory notes include failure to meet payment material obligations under the promissory notes; failure to meet payment obligations under other financial liabilities (cross default); bankruptcy and initiation of insolvency proceedings by the Company or its significant subsidiaries and dropping below an equity ratio of 20 % from December 31, 2016. In the event of a change in control and a merger of the issuer, the promissory notes may be callable and may be redeemed early with a prepayment penalty equal to 15 % of the principal amount plus accrued and unpaid interest. The issuer is entitled to redeem the promissory notes early when the aggregate principal amount of the outstanding promissory note falls below 25 % of its originally issued aggregate principal amount. No conversions took place during the reporting period.

In DEMIRE's IFRS consolidated financial statements, the equity component of the 2015/2018 mandatory convertible bond was recognised directly in equity as an equity instrument amounting to EURk 13,899 due to the bond's terms and conditions. Additionally, deferred tax assets of EURk 324 were recognised directly in equity. The effective interest rate for the debt component of EURk 549 is 7.48 %.

5.4 Other non-current liabilities

Other long-term liabilities amounting to EURk 865 (previous year: EURk 1,076) are due from former minority interests of subsidiaries. These liabilities mainly concern settlement payments resulting from the retirement of partners from partnerships. In some cases, the respective subsidiary is entitled to pay out the settlement balance in three or five annual installments, with interest of 4.0 % p.a. charged on the remaining amount; in one case the interest rate is based on the 12-month EURIBOR rate. For one of the subsidiaries of Fair Value REIT-AG, it is assumed that the settlement balance is paid in pro rata installments.

6. Current liabilities

6.1 Provisions

Provisions have been accrued in the reporting period for obligations to third parties that are likely to result in a future outflow of resources. The value of the provisions is reviewed at each balance sheet date.

DEMIRE assumes that the provisions will be fully utilised in the following 2017 fiscal year, since these are only of a short-term nature.

Provisions developed as follows during the reporting period:

IN EURK	December 31, 2015	First-time consolidation	Utilisation	Reversal	Derecognition	Additions	December 31, 2016
Personnel expenses	936	13	-744	-47	-134	907	931
Provisions for building maintenance ..	181	0	-137	-44	0	800	800
Other provisions	49	0	-32	-9	0	0	8
Total	1,166	13	-913	-100	-134	1,707	1,739

Provisions related to staff costs primarily consist of obligations resulting from the performance-based, variable remuneration of the Executive Board as well as obligations for variable remuneration of the staff.

6.2 Trade payables and other liabilities

Liabilities are recognised at amortised cost after their initial recognition.

As at the balance sheet date, trade payables and other liabilities were as follows:

IN EURK	December 31, 2016	December 31, 2015
Trade payables	10,730	9,179
Accounting and audit costs	1,360	1,644
Liabilities to minority interests	1,171	1,039
Liabilities from value-added taxes	1,069	865
Purchase price liabilities	725	187
Deposits received	567	705
Personnel-related expenses	329	434
Supervisory Board compensation	317	49
Outstanding invoices	12	3,153
Interest liabilities	0	355
Others	1,098	2,277
Total	17,378	19,887

Trade payables of EURk 10,730 (previous year: EURk 9,179) are fully due to third parties as at December 31, 2016 and are payable in full at short notice.

Liabilities for accounting and audit costs comprise the costs incurred for the preparation, audit and publication of the annual and consolidated financial statements.

Liabilities for outstanding invoices are recognised for services that have been used but an invoice has not been received as of the balance sheet date.

6.3 Tax liabilities

Current income tax liabilities of EURk 4,892 (previous year: EURk 3,801) are divided into trade taxes of EURk 1,639 (previous year: EURk 524) and corporate taxes of EURk 3,073 (previous year: EURk 3,277).

7. Leases

7.1 Operating leases—The Group as lessor

The minimum lease payments consist of the net rents payable until the agreed end of the contract or until the earliest possible termination date available to the lessee (tenant), regardless of whether a termination or non-utilisation of an extension option should actually be expected. Rent agreements are usually concluded over fixed minimum terms of up to ten years. In some cases, tenants are entitled to extension options. In these cases, contractual rent escalation clauses effectively reduce the market risk of a long-term commitment. In the case of unlimited tenancies, a remaining term of the rental period of five years was assumed after the fifth year. Fixed future claims for minimum lease payments from long-term operating leases of rented commercial real estate amounted to:

IN EURK	December 31, 2016	December 31, 2015
Due within one year	67,987	72,583
Due between 1 and 5 years	187,637	216,097
Due after more than five years	128,405	134,747
Total future rental income	384,028	423,427

7.2 Operating leases—The Group as lessee

The following future obligations from operating leases existed as of the balance sheet date:

RENTAL AND LEASE OBLIGATIONS FOR VEHICLES (EURK)	December 31, 2016	December 31, 2015
Due within one year	44	61
Due between 1 and 5 years	126	59
Total	170	120

RENTAL AND LEASE OBLIGATIONS FOR OFFICE SPACE (EURK)	December 31, 2016	December 31, 2015
Due within one year	142	96
Due between 1 and 5 years	545	376
Total	687	472

OTHER LEASE OBLIGATIONS (EURK)	December 31, 2016	December 31, 2015
Due within one year	10	0
Due between 1 and 5 years	31	0
Total	41	0

Obligations arising from rental and lease agreements essentially result from the lease of office space within the scope of indefinite operating lease agreements without a purchase option.

The following amounts were recognised as expenses from leases in the reporting period.

IN EURK	01/01/- 31/12/2016	01/01/- 31/12/2015
Vehicles	61	49
Office space	96	95
Total	157	144

8. Contingent liabilities

The following contingent liabilities existed as at the reporting date for circumstances for which the DEMIRE AG and its subsidiaries have pledged guarantees in favour of various contract partners.

The contingent liabilities as of December 31, 2016 consist of mortgages under Section 1191 BGB in the amount of EURk 449,127 (previous year: EURk 839,990). The maximum liability for these properties is limited to the carrying amount of EURk 449,127 (previous year: EURk 640,281) recognised on the balance sheet date. In the year under review, the related mortgages in the amount of EURk 21,339 were removed from the title register.

In accordance with the notarised declaration of December 17, 2014, DEMIRE AG accepted all current, future and contingent claims of bondholders up to a maximum amount of EURk 33,360 for the bearer bond issued by the subsidiary DEMIRE Commercial Real Estate GmbH, Frankfurt/Main. In order to secure the claims from this bearer bond, DEMIRE AG has pledged all its interests in the subsidiary DEMIRE Commercial Real Estate GmbH in the amount of EURk 9,683. The declaration continues to apply following the bond's prolongation on December 15, 2015. The underlying obligations can be met by the companies concerned according to the findings of DEMIRE AG. For this reason, as at the balance sheet date, DEMIRE AG considers the likelihood to be low that the guarantee will be utilised.

Pursuant to the business pledge agreement of November 13, 2014 for the mezzanine loan granted by LSREF II Caliburn BFL Limited, Dublin, Ireland, to the subsidiary DEMIRE Condor Properties Management GmbH, the Company has pledged all of its interests in the amount of EURk 28 and all related rights to the subsidiary DEMIRE Condor Properties Management GmbH.

Under the loan agreement with Signal Credit Opportunities (Lux) Investco II S.à.r.l., dated December 30, 2015, DEMIRE AG has pledged all of the interests held in its subsidiaries DEMIRE Commercial Real Estate DREI GmbH, DEMIRE Commercial Real Estate FÜNF GmbH, Hanse-Center Objektgesellschaft mbH and Glockenhofcenter Objektgesellschaft GmbH and a bank account at Deutsche Kreditbank for all payments of the preceding companies as collateral in favour of the lender. In addition, DEMIRE AG ceded its claims to all group loans and Logistikpark Leipzig GmbH ceded its claims to all loans granted to DEMIRE AG as collateral in favour of the lender. Furthermore, the claims arising from group loans between the subsidiaries above were made subordinate to the lender's claims.

DEMIRE AG entered into a letter of guarantee in the amount of EURk 940 related to a loan granted to TGA Immobilien Erwerb 1 GmbH by Volksbank Mittweida on May 13, 2015. In accordance with the findings of DEMIRE AG, the underlying obligations under the credit agreement can be met given the solid level of net assets, financial position and results of operations of TGA Immobilien Erwerb 1 GmbH. Thus, as at the balance sheet date, the probability of utilising this guarantee was considered as low.

9. Other financial obligations

The following other financial obligations existed as at the balance sheet date:

OBLIGATIONS FROM OUTSIDE MANAGED PROPERTIES (IN EURK)	December 31, 2016	December 31, 2015
Due within one year	66	907
Due between 1 and 5 years	0	42
Total	0	949

The real estate purchase agreements concluded in the 2015 fiscal year that were still not in effect as at the balance sheet date, do not result in any financial obligations as at December 31, 2016.

Contractual obligations exist for the modification and expansion of the property in Eschborn. These are fixed in terms of their scope. The resulting costs were not yet firmly established as at the balance sheet date. There are no other contractual obligations to acquire, construct or develop any investment properties, or for any repairs, maintenance or improvements.

The purchase order commitment from commissioned maintenance amounted to EURk 1,314.

As at the balance sheet date, there are no obligations for future lease payments under long-term leasehold agreements.

F. GROUP SEGMENT REPORTING

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 DEMIRE AG's Executive Board.

The Group is divided into the two business segments „Core Portfolio“ and „Fair Value REIT“. The focus is the sustainable management of the respective properties. These properties are held for the purpose of generating rental income and/or for value appreciation.

The „Core Portfolio“ segment contains a significant logistics property and other commercial property in Germany. These properties are accounted for within several subsidiaries who each qualify as a business segment. Due to their similar business characteristics (type of service, type and group of customers and sales methods), these subsidiaries are combined to form the reportable segment „Core Portfolio“.

The „Fair Value REIT“ segment comprises office space as well as retail and wholesale properties located in German regional centres. These properties are accounted for within a number of subsidiaries, who each qualify as a business segment. Due to their similar business characteristics (type of service, type and group of customers and sales methods), these subsidiaries are combined to form the segment reportable „Fair Value REIT“.

JANUARY 1, 2016 - DECEMBER 31, 2016 EURK	Core Portfolio	Fair Value REIT	Central Functions/ Others	Group
External revenues	66,226	47,857	7,471	121,554
Total revenues	66,226	47,857	7,471	121,554
Profit/loss from fair value adjustments in investment properties	36,661	1,753	0	38,414
Other income	4,129	597	824	5,550
Profit from a bargain purchase	0	0	0	0
Profits from investments accounted for using the equity method	0	0	0	0
Unrealised fair value adjustments in equity investments ..	0	0	0	0
Segment revenues	107,016	50,207	8,295	165,518
Net assets from sold real estate companies	0	0	-3,510	-3,510
Expenses on real estate sales	-1,675	-19,328	0	-21,003
Other expenses	-35,844	-14,735	-6,898	-57,477
Losses from investments accounted for using the equity method	-3	0	-356	-359
Segment expenses	-37,522	-34,063	-10,764	-83,349
EBIT	69,494	16,144	-2,469	83,169
Financial income	228	0	925	1,153
Financial expenses	-19,199	-8,188	-16,973	-44,360
Income taxes	-8,929	-3,721	338	-12,313
Net profit/loss for the period	41,593	4,235	-18,179	27,649
Significant non-cash items	-23,245	5,217	-4,617	-22,646
Impairment losses in net profit/loss for the period	955	12	1,091	2,058

Additional information as at December 31, 2016

SEGMENT ASSETS	741,379	329,596	23,031	1,094,006
of which investments accounted for using the equity method	9	0	117	126
of which financial receivables and other financial assets	2,025	0	8,268	10,293
of which tax refund claims	80	5	726	811
of which non-current assets, held for sale	20,691	3,600	0	24,291
SEGMENT LIABILITIES	421,775	210,740	152,855	785,370
of which non-current financial liabilities	362,696	122,796	135,996	621,488
of which current financial liabilities	19,387	9,275	13,358	42,020
of which tax liabilities	4,710	0	182	4,892

The Corporate Functions/Others segment mainly contains DEMIRE Deutsche Mittelstand Real Estate AG's activities in areas, such as risk management, finance and controlling, financing, legal, IT and compliance, that are related to its function as the Group holding and service provider for the subsidiaries. This segment also contains the effects of the Investments segment, which was still shown separately in 2015 and includes the legacy portfolio currently being sold and is only of minor strategic importance for the DEMIRE Group.

In the fiscal year, more than 10 % of total revenue in the amount of EURk 22,320 (previous year: EURk 9,796) were generated with one customer in the „Core Portfolio“ segment.

In the „Core Portfolio“ segment, non-cash items mainly comprise fair value adjustments in investment properties in the amount of EURk 36,661 (previous year: EURk 63,608), income taxes of EURk -7,623 (previous year: EURk -4,576). In the Central Functions/Others segment, non-cash items comprise profits from the disposal of real estate companies in the amount of EURk 3,961 (previous year: EURk 69), the profit/loss from investments accounted for using the equity method in the amount of EURk -359 (previous year: EURk 1,908) and changes in provisions of EURk 594 (previous year: EURk 434).

Transactions between segments are carried out on the basis of comparable external conditions.

JANUARY 1, 2015 - DECEMBER 31, 2015					
EURk	Investments	Core Portfolio	Fair Value REIT	Central Functions/ Others	Group
Revenues	2,572	44,863	0	0	47,435
Profit/loss from fair value adjustments in investment properties	0	18,471	0	0	18,471
Other income	174	1,811	0	588	2,573
Profit from a bargain purchase	0	33,217	0	0	33,217
Profits from investments accounted for using the equity method	1,861	0	0	1,469	3,330
Segment revenues	4,607	98,362	0	2,057	105,026
Net assets from sold real estate companies	-1,421	-86	0	0	-1,507
Expenses on real estate sales	-192	-1,650	0	0	-1,842
Other expenses	-3,244	-26,383	0	-9,480	-39,107
Losses from investments accounted for using the equity method	-3,769	0	0	-61	-3,830
Segment expenses	-8,626	-28,119	0	-9,541	-46,286
EBIT	-4,019	70,243	0	-7,484	58,740
Financial income	171	281	0	1,693	2,145
Financial expenses	-1,980	-13,483	0	-12,410	-27,873
Income taxes	68	-4,576	0	369	-4,139
Net profit/loss for the period	-5,760	52,465	0	-17,832	28,873
Significant non-cash items	4,165	-51,628	0	2,825	-44,638
Impairment losses in net profit/loss for the period	1,435	792	0	619	2,846

Additional information as at December 31, 2015

SEGMENT ASSETS	5,319	651,165	337,261	39,200	1,032,945
of which investments accounted for using the equity method	116	0	0	3,020	3,136
of which loans to investments accounted for using the equity method	0	0	0	553	553
of which financial receivables and other financial assets	83	5,011	0	20,926	26,020
of which tax refund claims	3	101	22	45	171
of which assets available for sales in investments accounted for using the equity method	0	1,255	11,750	0	13,005
SEGMENT LIABILITIES	282	414,896	217,803	135,062	768,043
of which non-current financial liabilities	0	348,870	187,738	134,424	671,032
of which current financial liabilities	107	23,236	16,531	4,569	46,443
of which tax liabilities	0	3,801	0	0	3,801

G. OTHER DISCLOSURES

1. Financial instruments

Generally, reference is made to the risk report in DEMIRE AG's group management report.

Financial risk management

The credit risk arising for DEMIRE as part of its operating activities as well as risk arising from financing activities are continuously monitored and actively managed by the Executive Board. As a result of these measures, the consolidated financial statements were prepared under the assumption of a going concern.

The Group's financial assets mainly consist of investments and loans to companies accounted for using the equity method, other loans, trade accounts receivable and other receivables, financial receivables, other financial assets and bank deposits. The majority of trade accounts receivable consists of rent receivables. Potential defaults in this context are taken into consideration.

DEMIRE's financial liabilities comprise mainly bonds, bank loans, other loans, overdrafts and trade payables. The main purpose of these financial liabilities is to finance the DEMIRE's operations.

DEMIRE is exposed to various financial risks as a result of its business activities: foreign currency risk, interest rate risk, credit risk and liquidity risk. The overarching risk management system concentrates on the continual identification and active management of typical business risks. This system accepts risk within a certain range if they offer the opportunity for commensurate returns. The goal is to limit the exposure to peak risks so that DEMIRE's continuance is not jeopardised.

The Executive Board identifies, evaluates and hedges financial risk in close collaboration with the risk manager and in coordination with the DEMIRE AG Supervisory Board.

Loan agreements exist in the Group that contain certain financial covenants stipulated by the creditors. Non-compliance with these financial covenants could lead to extraordinary terminations of these agreements by the creditors. The financial covenants concern financial ratios of the respective real estate portfolio, particularly the debt service coverage ratio (DSCR), the interest coverage ratio (ICR) and the loan-to-value (LTV) debt ratio. The calculations are based on the specifications set by the creditors in the loan agreement. The monitoring, compliance and reporting of the financial covenants specified in the loan agreements for the properties financed is carried out by DEMIRE's management, treasury and portfolio management areas. Depending on the type of financing, the financial covenants are reported to the creditors on a quarterly, semi-annual or annual basis, or the creditors are provided with the underlying economic ratios. Should DEMIRE fail to comply with the financial covenants, the creditors would be entitled to demand additional guarantees from DEMIRE. In that case, the loans would be in default. If the default persisted for a longer period of time and could not permanently be resolved, the creditors have a special right of termination.

Excluding the financing of Logistikpark Leipzig, all financing obligations, including the financial covenants, were complied with during the reporting period (see Note E. 5.3).

Foreign currency risk

There is no foreign currency risk for the existing portfolio of commercial real estate in Germany because all transactions are conducted in euros.

Interest rate risk

To finance its German commercial real estate, the DEMIRE Group uses liabilities consisting of both variable and fixed interest loans to a degree customary for the industry as well as tradeable instruments that contain options for conversion into shares of the Company or Fair Value REIT-AG.

Interest rate risk relating to cash flows exist with respect to liquid funds placed in deposit accounts as well as variable interest rates. The Company does not anticipate significant negative effects from interest rate changes over the long term because the liquid funds on the balance sheet date are only available until investments are made and will be subsequently tied up in projects according to plan.

The activities of DEMIRE group companies are essentially exposed to financial risk arising from changes in interest rates. For this reason, DEMIRE also uses derivative financial instruments to manage existing interest rate risk. Interest rate swaps are used which minimise interest rate risk as interest rates rise.

As at the balance sheet date, interest rate hedges existed in the form of purchased interest rate derivatives with a nominal volume of EURk 32,650 (previous year: EURk 36,149), which were acquired in the course of purchasing real estate companies. As at December 31, 2016, these had a market value of EURk -874 (previous year: EURk -829).

The following net payment obligations for DEMIRE AG result from the interest rate swaps in subsequent years based on the valuation at the balance sheet date:

- Maturity of up to one year: EURk 219
- Maturity between one and five years: EURk 548
- Maturity of more than five years: EURk 0

All derivative financial instruments are not integrated into a hedging relationship.

DEMIRE uses liabilities, partly with variable interest rates, to finance its properties. DEMIRE is thus exposed to a risk of interest rate changes as a rise in interest rates increase the financing costs. The following table assumes a change in the interest rate of +100 basis points or -100 basis points. If all other parameters are unchanged, an increase or decrease in the interest expenses of the Company would lead to the following interest expenses:

MEASUREMENT OF INTEREST RATE SENSITIVITY	December 31, 2016	December 31, 2015
	EURk	EURk
Interest expense from variable interest loans	4,725	137
Increase in interest expenses from a fictitious rise of 100 bps in variable interest rates	1,046	69
Reduction in interest expenses from a fictitious decline of 100 bps in variable interest rates	-1,046	-69

The change in the interest expense analysed in the context of the above sensitivity analysis would have a direct impact on the consolidated result and the consolidated equity, taking into account income tax effects.

Since transaction prices for real estate increase when interest rates are low, the level of interest rates also has an impact on the purchase prices of newly acquired real estate. In addition, interest rates play an important role in the valuation of investment properties.

The interest rate policy is evaluated at regular intervals and in close consultation with the Supervisory Board of DEMIRE AG.

Credit risk

The reported financial instruments represent the maximum credit risk and default risk. Counterparty risk is uniformly assessed and monitored within the framework of Group-wide risk management. The aim is to minimise the risk of defaults. Counterparty risk is not insured. There are generally no significant concentrations of credit risk at DEMIRE. For an analysis of the impaired receivables, please refer to Note E.2.2.

Liquidity risk

In the initial phase of DEMIRE AG, the liquidity risk was mainly controlled by maintaining a liquidity reserve in the form of bank deposits available at all times and, to a limited extent, by means of callable credit lines. In the current situation, the liquidity situation's dependence on inflows from disposals and the planned prolongation of loans due is significantly higher. There are generally no significant concentrations of liquidity risk.

Further disclosures on risk management and financial risk are included in the risk report contained in the group management report.

Capital management and control

The primary objective of the Group's capital management is to ensure that DEMIRE's debt eligibility and its financial substance are maintained in the future. The capital structure is managed according to economic and regulatory requirements. Capital management is carried out by DEMIRE through dividends and/or financing. DEMIRE strives for a capital structure that is appropriate for the business risk and in doing so is also subject to the minimum capital requirements of the German Stock Corporation Act, the compliance of which is monitored by the DEMIRE AG Executive Board. The requirements were met both in the reporting year and in the previous year.

DEMIRE monitors its capital using the equity ratio (IFRS and the EPRA NAV), which is also an important indicator for investors, analysts and banks. For a detailed explanation, please refer to the group management report.

Other financial instrument disclosures

Financial assets and financial liabilities are classified and accounted for at the date of acquisition according to the categories of IAS 39.

Financial assets are classified by DEMIRE as either

- financial assets that are measured at fair value through profit or loss,
- loans and receivables,
- available-for-sale financial investments, or
- derivative financial instruments that meet the requirements for effective hedging.

Financial liabilities are classified by DEMIRE as either

- other financial liabilities, which are measured at amortised cost,
- financial liabilities measured at fair value, or
- derivative financial liabilities which meet the requirements for effective hedging transactions.

The Company mainly holds financial instruments from the categories loans and receivables and financial liabilities, which are carried at amortised cost. Financial assets and financial liabilities are recognised in the consolidated balance sheet for the first time when a Group company becomes a contracting party for a financial instrument. The first-time recognition of a financial instrument takes place at fair value, including any transaction costs.

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the time of initial recognition, loans and receivables are measured at fair value, including any transaction costs. In subsequent periods, they are measured at amortised cost using the effective interest method and less any impairment losses. Non-current, non-interest-bearing or low-interest receivables are carried at present value. DEMIRE classifies loans to investments accounted for using the equity method, trade receivables and other receivables (with the exception of receivables from income taxes and value-added taxes) as well as financial receivables in the category of loans and receivables.

DEMIRE uses derivative financial instruments to hedge against interest rate risk. These derivative financial instruments are initially recognised at their fair values as at the date on which the corresponding credit agreement is entered into and subsequently measured at their fair values. The provisions of IAS 39 on the accounting for hedging relationships do not apply. Derivative financial instruments are recognised as an asset if their fair value is positive and as a liability if their fair value is negative. The measurement is carried out using the mark-to-market method taking into account the market data available on the balance sheet date. Gains or losses resulting from changes in the fair value of the derivative financial instruments are recognised directly through profit or loss.

The classification of financial instruments required by IFRS 7 is in line with the respective items in the consolidated balance sheet. The tables below present the carrying amounts, valuations and fair values of the financial assets and liabilities for each individual category of financial instruments and relate these values to the measurement categories of IAS 39 as at the balance sheet date of the reporting year and that of the prior year. The measurement categories used by DEMIRE in accordance with IAS 39 are the available-for-sale financial assets (AFS), loans and receivables (LaR), Amortised Cost (AmC) and Held for Trading (HfT).

Under a shareholder agreement between DEMIRE AG and Dovemco Ltd., („Dovemco“) signed in April 2015, an „earn-out“ agreement was concluded for the underlying Condor portfolio. This agreement is based on a combination of call/put options with different exercise prices, which can only be exercised if certain budget targets are met. In principle, this combination is to be classified as a financial liability in the form of a derivative. Due to the fact that the thresholds for exercise have not yet been reached and are expected clearly not to be reached in the future, the obligation is valued at „zero“.

Other financial liabilities (other liabilities) are non-derivative financial liabilities that are subsequently measured at amortised cost. Differences between the amount received and the expected repayment amount are spread over the term through profit or loss. DEMIRE allocates financial liabilities, trade payable and other liabilities to this category.

DECEMBER 31, 2016		IAS 39 measurement			
IN EURK	Measurement category	Carrying amount	Fair value		Fair Value
			through profit/loss	Amortised cost	
Interests in investments accounted for using equity method	n/a	126	0	126	126
Other financial assets	LaR	11,328	0	11,328	11,328
Loans to investments accounted for using the equity method	LaR	0	0	0	0
Other loans	LaR	0	0	0	0
Trade accounts receivable and other receivables ...	LaR	23,614	0	23,614	23,614
Financial receivables and other financial assets	LaR/HfT	10,293	2,653	7,640	10,293
Cash and cash equivalents	LaR	31,289	0	31,289	31,289
Convertible bond	AmC	10,947	0	10,947	52,233
Bonds	AmC	97,650	0	97,650	103,000
A/B Notes (Germavest)	AmC	99,308	0	99,308	103,124
Financial liabilities (Fair Value REIT)	AmC	123,289		123,289	143,620
Other non-current financial liabilities	AmC	290,294	0	290,294	289,801
Interest rate swaps	HfT	874	874	0	874
Trade payables	AmC	17,378	0	17,378	17,378
Current financial liabilities	AmC	42,020	0	42,020	42,020
Amount per measurement category					
	LaR	76,524	2,653	73,871	76,524
	AmC	557,597	0	458,289	504,432
	Hft	874	874	0	874

Afs: Available-for-Sale Financial Assets;

LaR: Loans and Receivables;

AmC: Amortised Cost;

HfT: Held for Trading;

n/a: not applicable

DECEMBER 31, 2015		IAS 39 measurement			
IN EURK	Measurement category	Carrying amount	Fair value through profit/loss	Amortised cost	Total value
Interests in investments accounted for using equity method	n/a	3,136	0	3,136	3,136
Other financial assets	LaR	11,045	0	11,045	11,045
Loans to investments accounted for using the equity method	LaR	553	0	553	553
Other loans	LaR	384	0	384	384
Trade accounts receivable and other receivables ...	LaR	14,387	0	14,387	14,387
Financial receivables and other financial assets	LaR/HfT	26,020	2,205	23,815	26,020
Cash and cash equivalents	LaR	28,467	0	28,467	28,467
Convertible bond	AmC	19,491	0	19,491	56,947
Bonds	AmC	97,719	0	97,719	94,000
A/B Notes (Germavest)	AmC	92,651	0	92,651	92,651
Financial liabilities (Fair Value REIT)	AmC	144,113	0	144,113	143,620
Other non-current financial liabilities	AmC	317,058	0	317,058	316,565
Interest rate swaps	HfT	829	829	0	829
Trade payables	AmC	19,887	0	19,887	19,887
Current financial liabilities	AmC	46,443	0	46,443	46,443
Amount per measurement category					
	LaR	80,856	2,205	78,651	80,856
	AmC	593,249	0	500,598	533,842
	Hft	829	829	0	829

Afs: Available-for-Sale Financial Assets;

LaR: Loans and Receivables;

AmC: Amortised Cost;

HfT: Held for Trading;

n/a: not applicable

Due to the short-term maturity of cash and cash equivalents, trade accounts receivable and trade payables, as well as other current receivables and liabilities, it is assumed that the respective fair value corresponds to the carrying amount.

The following table presents the measurement hierarchy, measurement methods and key input factors for the determination of the fair values of the various measurement categories of financial assets and liabilities.

TYPE	HIERARCHY	MEASUREMENT PROCEDURE AND MATERIAL INPUT FACTORS
Investment properties	Level 3	Expected future free cash flows of a project by applying a market-based, property-specific discount rate
Interests in investments accounted for using the equity method	Level 2	Discounted cash flows from the continued use of an asset on the basis of yield curves observable on the market at the reporting date
Loans to investments accounted for using the equity method (fixed-rate)	Level 2	Discounted cash flows on the basis of yield curves observable on the market at the reporting date
Financial receivables and other financial assets	Level 3	Discounted cash flows on the basis of input factors not observable on the market at the reporting date
Non-current financial liabilities	Level 3	Discounted cash flows on the basis of input factors not observable on the market at the reporting date
Derivatives	Level 2	Interest rate curves, credit spreads, indices
Quoted convertible bonds	Level 1	Quoted bid prices on active markets
Quoted corporate bonds	Level 1	Quoted bid prices on active markets

For all current financial instruments, IFRS 7.29 assumes that the carrying amount corresponds to the fair value.

The maximum default risk is reflected in the amortised carrying amounts of the receivables and other financial assets recognised in the balance sheet.

The following table shows the future cash outflows for interest and principal payment of financial liabilities:

	2017	2018	2019	2020	2021	AFTER DEC. 31, 2020
Bonds and debentures	8,551	18,948	107,500	0	0	0
Bank liabilities	75,387	35,906	111,817	126,860	15,136	242,962
Other financial liabilities	3,040	38,240	0	0	0	0
Trade payables and other liabilities	17,378	0	0	865	0	0
Total	104,356	93,094	219,317	127,725	15,136	242,962

With respect to the 2013/2018 convertible bond and the 2015/2018 mandatory convertible bond, it is assumed that no conversion will take place until maturity.

2. Related party disclosures

Related companies and persons

Companies and persons are considered to be related if they have the ability to control DEMIRE and its subsidiaries or exercise significant influence over their financial and operating policies. The existing control relationships were taken into account to determine the degree of significant influence that related companies and persons have on the Company's financial and operating policies.

The group of related companies includes the fully consolidated subsidiaries and the joint ventures and associated companies accounted for using the equity method.

Moreover, due to their significant influence, the following key personnel of the parent company are considered to be related persons as defined by IAS 24:

- members of DEMIRE's Executive Board (see Note G.4.a.) and their close relatives, and
- members of DEMIRE's Supervisory Board (see Note G.4.b.) and their close relatives.

Legal transactions with related companies and persons

In the fiscal year under review, transactions with related parties were exclusively carried out at customary market conditions.

The transactions, revenues and rendering of services between the DEMIRE AG and its subsidiaries were settled in the same manner as those between unrelated parties and eliminated in the context of consolidation. Therefore, they are not explained in the notes.

In addition, PRAEDIA GmbH provided services at standard market conditions in the amount of EURk 114 to a company owned by an Executive Board member.

The following balances exist with respect to associated companies:

IN EURK	DECEMBER 31, 2016	DECEMBER 31, 2015
Financial receivables and other financial assets	0	116

For more information on financial receivables and other financial assets, please refer to the explanations in Note E.2.3.

The following balances exist with respect to joint ventures:

IN EURK	DECEMBER 31, 2016	DECEMBER 31, 2015
Loans to investments accounted for using the equity method	0	553
Financial receivables and other financial assets	0	480

With regard to loans to investments accounted for using the equity method, please refer to the explanations in Note E.1.6.

There is no collateral for receivables due from associated companies and joint ventures.

Volume of business transactions with associated companies:

IN EURK	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Financial receivables and other financial assets	116	68
Trade payables and other liabilities	0	146
Current financial liabilities	0	12

Volume of business transactions with joint ventures:

IN EURK	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Loans to investments accounted for using the equity method	553	2.304
Financial receivables and other financial assets	480	441
Current financial liabilities	0	385

Transactions underlying financial receivables and other financial assets resulted from the repayment of loans granted. The disposal of loans to investments accounted for using the equity method resulted from the transfer of these loans in the course of disposing of investments accounted for using the equity method (Note B).

3. Auditor's fee

The auditor's fee for Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt/Main charged in the fiscal year related to the subgroups DEMIRE and Fair Value REIT consisted of the following (amounts include value-added taxes):

IN EURK	01/01/2016 - 31/12/2016	01/01/2015 - 31/12/2015
Auditing services	282	681
Other assurance services	219	1.740
Tax consultation services	0	0
Other services	0	26
	501	2.447

4. Executive Board, Supervisory Board and employees

a. Executive Board

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

In the past fiscal year, the Executive Board consisted of the following members:

- Mr Hon.-Prof. Andreas Steyer, CEO,
- Mr Markus Drews, COO,
- Mr Frank Schaich, CFO (until October 31, 2016).

In the 2016 fiscal year, DEMIRE AG recognised variable remuneration in the amount of EURk 531 (previous year: EURk 313), fixed remuneration of EURk 914 (previous year: EURk 464) and share-based payments of EURk 475 (previous year: EURk 444) for the members of the Executive Board.

Hon.-Prof. Andreas Steyer receives a pro rata entitlement to a multi-year bonus when the performance period for the determination of the multi-year bonus has lasted at least twenty-four months.

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

b. Supervisory Board

The members of the DEMIRE AG Supervisory Board, their professions and Supervisory Board remuneration received during the past fiscal year are listed in the table below.

NAME	POSITION	PROFESSION	PERIOD	2016	2015
Prof. Dr. Hermann Anton Wagner	Chairman	Auditor and tax consultant	Since April 17, 2013	135	135
Dr. Peter Maser	Deputy Chairman	Attorney at Law	Since January 12, 2015	90	90
Günther Walcher	General member	Entrepreneur	Since October 23, 2013	45	45
Gesamt				270	270

Supervisory Board members were also reimbursed for travel expenses in the amount of EURk 8(previous year: EURk 5).

There were no pension obligations or long-term remuneration components owed to active or former Supervisory Board members as at December 31, 2016.

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

c. Employees

The number of employees as at the balance sheet date is listed in the following table.

	DECEMBER 31, 2016	DECEMBER 31, 2015
Executive Board members	2	2
Permanent employees	77	54
Trainees	1	0
Total	80	56

The average number of employees in the 2016 fiscal year was 69 (previous year: 38). Of the 77 permanent employees, three or an average of three, were respectively employed by PANACEA Property GmbH, which is not consolidated for reasons of materiality and provides asset and facility management services to DEMIRE Group companies. PANACEA Property GmbH is of minor importance for the consolidated financial statements under IFRS and are therefore not included in the IFRS consolidated financial statements as of December 31, 2016 for reasons of materiality.

d. Share-based payments

In the 2015 fiscal year, share-based payments were issued in the form of subscription rights (stock options) to the Executive Board of DEMIRE AG as well as to a selected group of persons within the DEMIRE Group. The stock option programme is basically an option plan, which is settled with equity instruments (equity-settled share option plan). The option plan only provides for the possibility of settling the stock option programme in shares of DEMIRE AG. Accounting for the share-based payments issued is in accordance with IFRS 2.

Expenses arising from the issuance of the stock options are measured at the fair value of the stock options at the grant date. The fair value was determined using generally accepted option pricing models. Expenses arising from the issuance of stock options are recognised at the same time as a corresponding increase in equity (capital reserves) over the period in which the performance conditions are met. This so-called „vesting period“ ends on the date on which the person in question of the beneficiary group is irrevocably entitled to receive the benefit. The cumulative expenses from the granting of the equity instruments

reported at each balance sheet date reflect the portion of the vesting period that has already elapsed as well as the number of equity instruments that are actually exercisable on the basis of the best estimate at the end of the vesting period. The amount recognised in the consolidated statement of income reflects the development of the cumulative expenses recorded at the beginning and at the end of the reporting period.

The dilutive effect of the outstanding stock options is taken into account as additional dilution in the calculation of earnings per share, provided that the stock options and the underlying conditions result in a notional dilution for the existing shareholders.

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

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

The following have been issued

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

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

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

The prerequisite for the exercise of the subscription rights is that the share's closing price in XETRA trading on the Frankfurt Stock Exchange (or a comparable successor system) must be at least 10 % higher than the basis price on the day preceding the exercise of the subscription rights.

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

The value of compensation based on real stock options according to the Black-Scholes Model is determined by the fair value of the options at the grant date pursuant to IFRS 2.10. In the case of DEMIRE AG, the grant date is the day the options were issued (April 7, 2015 and December 9, 2015).

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

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

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

During the reporting period until the balance sheet date, a total of 1,000,000 stock options were granted, of which 800,000 stock options were granted in the first tranche to members of the Executive Board and 160,000 to selected DEMIRE AG and group company employees. The fair value of each option from the first tranche was EUR 2.74. In the fourth quarter, a total of 60,000 stock options were newly issued in a second tranche, net of stock options that were returned by employees who had left the Company (20,000 stock options). The fair value of each option from the second tranche was EUR 1.99.

The calculation of the stock option's fair value as at the date of issue of the first and second tranches was based on the following parameters:

CALCULATION PARAMETERS	1 ST TRANCHE	2 ND TRANCHE
Dividend yield (%)	0,00	0,00
Expected volatility (%) ¹⁾	60,40	46,25
Risk-free interest rate (%)	0,50	0,80
Term of the option (in years)	9,00	9,00
Weighted average share price (EUR)	4,258	3,76
Option price (EUR)	2,74	1,99

¹⁾ 180-day historical volatility

Staff costs recognised in the reporting period from the „2015 Stock Option Plan“ amounted to EURk 594 (previous year: EURk 434) and were recognised directly in equity under general and administrative expenses.

5. Subsequent events

Subsequent events that occurred after the end of the fiscal year that are of particular significance to DEMIRE's net assets, financial position and net profit/loss for the period are as follows:

After the resignation from the Supervisory Board of Mr Günther Walcher as at the end of January 23, 2017 and Dr. Peter Maser as at the end of February 13, 2017, DEMIRE was able to acquire Mr Frank Hölzle and Dr Thomas Wetzel as new Supervisory Board members. By order of the District Court of Frankfurt/Main on February 14, 2017, they were appointed as members of the Supervisory Board. The term of the appointment of the two new Supervisory Board members Frank Hölzle and Dr Thomas Wetzel will initially be limited until the next Annual General Meeting on June 29, 2017. DEMIRE intends to propose to the shareholders that Mr Hölzle and Dr Wetzel be confirmed as members of the Supervisory Board until June 2021.

At its constituent meeting on February 17, 2017, the Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG elected Mr Frank Hölzle as Deputy Chairman of the Supervisory Board. At that same meeting, the Supervisory Board appointed Ralf Kind as the Company's CFO. Ralf Kind took over his duties at DEMIRE AG with effect from March 1, 2017 and joined the Executive Board team of Prof Andreas Steyer (CEO) and Markus Drews (COO). In addition, on February 17, the Executive Board contract of Markus Drews, COO, was extended for a further three years until the end of 2020.

In mid-February 2017, the property in Pancharevo, Bulgaria, which was part of the legacy portfolio was sold at a profit of EUR 0.5 million.

At the end of February, DEMIRE Deutsche Mittelstand Real Estate AG prematurely extended the Deutsche Bank promissory note of EUR 148 million maturing in 2019 until 2022 and secured better conditions. The interest rate could be reduced from 5 % p.a. to 4 % p.a. with retroactive effect from January 1, 2017 without paying an early repayment penalty. This reduces the average interest on total borrowings for the DEMIRE Group from 4.4 % p.a. to 4.1 % p.a. As a result of the refinancing, FFO will

increase by EUR 1.45 million annually starting in 2017. In addition, DEMIRE has a one-time option to reduce the interest rate on the promissory note to 3.5 % p.a. with a partial repayment. This would lead to a potential additional reduction in the financing costs to 4 % and a further increase in FFO of around EUR 2.2 million annually.

At the beginning of March 2017, DEMIRE Deutsche Mittelstand Real Estate AG extended the agreement with Baader Bank AG until April 30, 2018 for a credit line of EUR 5.0 million at a fixed interest rate of 5.0 % p.a. At the end of March 2017, the agreement with Sudwestbank AG for a credit line of EUR 5.0 million with a variable interest rate based on the 3-month EURIBOR rate plus a margin of 250 basis points for a minimum interest rate of 2.5 % p.a. was extended until March 30, 2018.

On April 12, 2017, DEMIRE Deutsche Mittelstand Real Estate AG announced that Hon. Prof. Andreas Steyer will leave the Company's Executive Board effective June 30, 2017 to pursue new challenges. His Executive Board contract, which runs until March 31, 2019, was terminated prematurely by mutual agreement with the Supervisory Board. Markus Drews will be the new Speaker of the Executive Board (CEO) starting July 1, 2017.

On April 13, 2017, DEMIRE Deutsche Mittelstand Real Estate AG announced that the 2016 fiscal year funds from operations ("FFO"), excluding gains from disposals, will clearly fall short of the Company's FFO forecast. The FFO forecast for the 2017 fiscal year was withdrawn. A new FFO forecast for the 2017 fiscal year will be announced after the Company's internal planning has been updated.

Prior to the publication of the Annual Report, a total of 10,800 conversion rights were exercised, and 10,800 new, no-par value bearer shares were created.

6. Declaration of Conformity with the German Corporate Governance Code

The statement required under Section 161 AktG with regard to the German Corporate Governance Code (GCGC) is made available DEMIRE AG to shareholders once per calendar year. The Declaration of Conformity with the German Corporate Governance Code was issued on April 26, 2017, and made permanently available to shareholders on DEMIRE AG's website (www.demire.ag/en/home) under the section titled „Company“.

On February 01, 2017, the Executive Board and Supervisory Board of Fair Value REIT-AG submitted the current Declaration of Conformity in accordance with Section 161 AktG and made it permanently available to shareholders on the Fair Value REIT-AG website (www.fvreit.de/en/investor-relations/corporate-governance/declaration-of-conformity/declaration-of-conformity.html).

Frankfurt am Main, den 27. April 2017

DEMIRE Deutsche Mittelstand Real Estate AG

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

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

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

APPENDIX 1: SCHEDULE OF SHAREHOLDINGS PURSUANT TO SECTION 313 (2) HGB

Schedule of shareholdings of the DEMIRE Group pursuant to Section 313 (2) HGB

COMPANY	INTEREST IN EQUITY (%)	COMPANY	INTEREST IN EQUITY (%)
GERMANY		GERMANY	
DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt a. M.		FVR Beteiligungsgesellschaft Vierte mbH, Frankfurt a. M.	100.00
Glockenhofcenter Objektgesellschaft mbH, Berlin	94.90	FVR Beteiligungsgesellschaft Fünfte mbH, Frankfurt a. M.	100.00
Hanse-Center Objektgesellschaft mbH, Berlin	94.90	FVR Beteiligungsgesellschaft Sechste mbH, Frankfurt a. M.	100.00
Logistikpark Leipzig GmbH, Berlin	94.00	FVR Beteiligungsgesellschaft Siebente mbH, Frankfurt a. M. ...	100.00
Demire Immobilien Management GmbH, Berlin	100.00	FVR Beteiligungsgesellschaft Achte mbH, Frankfurt a. M.	100.00
Panacea Property GmbH, Berlin ¹⁾ ..	51.00	DEMIRE Commercial Real Estate GmbH, Frankfurt a. M.	100.00
Praedia GmbH, Berlin	51.00	DEMIRE Real Estate München 1 GmbH, Frankfurt a. M.	100.00
Fair Value REIT-AG, Gräfelfing	77.70	CAM Commercial Asset Management EINS GmbH, Frankfurt a. M.	100.00
IC Fonds & Co. Büropark Teltow KG, Munich ²⁾	39.86	CAM Commercial Asset Management ZWEI GmbH, Frankfurt a. M.	100.00
IC Fonds & Co. Gewerbeportfolio Deutschland 13. KG, Munich ²⁾ ...	29.26	CAM Commercial Asset Management DREI GmbH, Frankfurt a. M.	100.00
IC Fonds & Co. SchmidtBank-Passage KG, Munich ²⁾	41.92	CAM Commercial Asset Management VIER GmbH, Frankfurt a. M.	100.00
BBV Immobilien-Fonds Nr. 14 GmbH & Co. KG, Munich ²⁾	39.63	Schwerin Margaretenhof 18 GmbH, Frankfurt a. M.	94.90
BBV Immobilien-Fonds Nr. 6 GmbH & Co. KG, Munich ²⁾	48.35	DEMIRE Commercial Real Estate ZWEI GmbH, Frankfurt a. M. ...	100.00
BBV Immobilien-Fonds Nr. 8 GmbH & Co. KG, Munich ²⁾	45.08	DEMIRE Objektgesellschaft Worms GmbH, Frankfurt a. M.	94.00
GP Value Management GmbH, Munich	77.70	TGA Immobilien Erwerb 1 GmbH, Berlin	94.00
BBV 3 Geschäftsführungs-GmbH & Co. KG, Munich	77.70	DEMIRE Condor Properties Management GmbH, Frankfurt a. M.	100.00
BBV 6 Geschäftsführungs-GmbH & Co. KG, Munich	77.70	DEMIRE Holding EINS GmbH, Frankfurt a. M.	100.00
BBV 9 Geschäftsführungs-GmbH & Co. KG, Munich	77.70	Condor Real Estate Management EINS GmbH, Frankfurt a. M.	100.00
BBV 10 Geschäftsführungs-GmbH & Co. KG, Munich	77.70	Condor Real Estate Management ZWEI GmbH, Frankfurt a. M. ...	100.00
BBV 14 Geschäftsführungs-GmbH & Co. KG, Munich	77.70	Condor Real Estate Management DREI GmbH, Frankfurt a. M. ...	100.00
BBV Immobilien-Fonds Erlangen GbR, Munich ²⁾	32.65	Condor Objektgesellschaft Eschborn GmbH, Frankfurt a. M.	94.00

COMPANY	INTEREST IN EQUITY (%)	COMPANY	INTEREST IN EQUITY (%)
GERMANY		GERMANY	
BBV Immobilien-Fonds Nr. 10 GmbH & Co. KG, Munich ²⁾	34.31	Condor Objektgesellschaft Bad Kreuznach GmbH, Frankfurt a. M.	94.00
IC Fonds & Co. Gewerbeobjekte Deutschland 15. KG, Munich ²⁾ . . .	37.43	Condor Real Estate Management FÜNF GmbH, Frankfurt a. M. . . .	100.00
FVR Beteiligungsgesellschaft Erste mbH, Frankfurt a. M.	100.00	Condor Objektgesellschaft Düsseldorf GmbH, Frankfurt a. M.	94.00
FVR Beteiligungsgesellschaft Zweite mbH, Frankfurt a. M.	100.00	Condor Objektgesellschaft Rendsburg GmbH, Frankfurt a. M.	94.00
FVR Beteiligungsgesellschaft Dritte mbH, Frankfurt a. M.	100.00	Condor Objektgesellschaft Bad Oeynhausen GmbH, Frankfurt a. M.	94.00
Condor Objektgesellschaft Lichtenfels GmbH, Frankfurt a. M.	94.00	SCHWEIZ SWITZERLAND	
DEMIRE Einkauf GmbH, Frankfurt a. M.	51.00	Sihlegg Investments Holding GmbH, Wollerau	94.00
Demire Assekuranzmakler GmbH & Co. KG, Düsseldorf ³⁾	47.50	CYPRUS	
G + Q Effizienz GmbH, Berlin ³⁾ . . .	49.00	Denston Investments Ltd., Nicosia	94.00
Demire Parkhaus Betriebsgesellschaft mbH, Berlin	100.00	NETHERLANDS	
Kurfürster Immobilien GmbH, Leipzig	94.90	MAGNAT Investment I B.V., Hardinxveld Giessendam	99.64
Ritterhaus Immobilienverwaltung GmbH, Düsseldorf	100.00	BULGARIA	
Condor Objektgesellschaft Yellow GmbH, Frankfurt a. M.	94.00	R-Quadrat Bulgaria EOOD, Sofia	100.00
Condor Yellow BV GmbH, Frankfurt a. M.	100.00	ROMANIA	
DEMIRE Commercial Real Estate DREI GmbH, Frankfurt a. M.	100.00	SC Victory International Consulting s.r.l., Bucharest	100.00
DEMIRE Commercial Real Estate VIER GmbH, Frankfurt a. M.	100.00	GEORGIA	
DEMIRE Commercial Real Estate FÜNF GmbH, Frankfurt a. M.	100.00	Irao Magnat Digomi LLC, Tbilisi . . .	75.00
DEMIRE Commercial Real Estate SECHS GmbH, Frankfurt a. M. . . .	100.00	Irao Magnat 28/2 LLC, Tbilisi ³⁾ . . .	50.00
LUXEMBOURG		AUSTRIA	
Germavest Real Estate S.à.r.l., Luxembourg	94.00	MAGNAT AM GmbH, Vienna	100.00
Armstripe S.à.r.l., Luxembourg	94.00		
Blue Ringed S.à.r.l., Luxembourg	94.00		
Briarius S.à.r.l., Luxembourg	94.00		
Reubescens S.à.r.l., Luxembourg	94.00		
DENMARK			
GO Leonberg ApS, Copenhagen	94.00		
GO Bremen ApS, Copenhagen	94.00		
GO Ludwigsburg ApS, Copenhagen	94.00		

1) Not fully consolidated due to its immaterial importance for the Group

2) Fully consolidated because factual control is exercised through quorum majority at shareholder meeting

3) Consolidated using the equity method

APPENDIX 2: VALUATION PARAMETERS

The determination of the present values is dependent on the following essential, non-observable input factors (Level 3):

ASSET KLASSEN	OFFICE				RETAIL				LOGISTICS				OTHERS			
	31/12/2016		31/12/2015		31/12/2016		31/12/2015		31/12/2016		31/12/2015		31/12/2016		31/12/2015	
Ratio of maintenance costs to gross profit (in %)	7.24		7.26		6.45		11.64		11.18		19.55		13.72		15.67	
Average maintenance costs (in EUR per m ²)	6.99		6.38		8.69		6.38		3.53		3.59		4.25		4.02	
Range of maintenance costs (in EUR per m ²)	4.00	10.00	2.36	10.00	5.00	9.00	5.00	7.50	3.53	3.53	3.59	3.59	2.50	5.00	4.00	6.50
Average property yield (in %) ¹⁾	5.82		6.09		5.51		6.62		7.50		8.00		9.32		9.35	
Range of property yields (in %) ²⁾	4.63	9.75	5.00	9.75	5.26	8.00	6.00	7.25	7.50	7.50	8.00	8.00	6.75	10.25	6.75	10.25
Average residual useful life (in years)	37		37		37		39		25		25		25		25	
Range of residual useful life (in years)	25	45	25	45	35	40	35	45	25	25	25	25	25	45	25	25
Ratio of management costs to gross profit (in %)	2.01		3.09		2.12		4.08		1.16		1.77		6.38		3.70	
Range of ratio of management costs to gross profit (in %)	1.00	4.00	0.99	7.53	1.50	4.00	2.86	7.40	1.16	1.16	1.77	1.77	3.00	3.00	2.25	6.63
Average market rent (in EUR per m ² , per year) ³⁾	96.67		96.22		134.87		70.63		31.58		26.46		30.98		40.81	
Range of average market rents (in EUR per m ² , per year)	42.75	149.90	30.47	161.17	49.03	195.57	47.07	134.53	31.58	31.58	26.46	26.46	12.20	56.30	12.06	64.78
Rentable space as at balance sheet date (in m ²)	457,229		470,143		43,065		21,616		217,968		218,697		90,138		92,735	
Vacant space as at balance sheet date (in m ²)	32,798		39,025		6,209		3,410		73,824		66,978		38,415		34,335	
Value-based vacancy rate according to EPRA (in %)	6.41		8.32		15.49		12.18		45.66		30.63		19.35		32.81	
Average vacancy rate based on the rentable space (in %)	7.17		8.30		14.42		15.77		33.87		30.63		42.62		37.03	
Range of average vacancy rate based on the rentable space (in %)	0.00	54.50	0.00	67.27	0.00	43.80	0.00	46.70	33.87	33.87	30.63	30.63	0.00	100.00	0.00	86.62
Weighted Average Lease Term—WALT (in years)	5.49		6.04		7.62		8.10		2.00		2.42		2.00		2.50	

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

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

³⁾ The average market rent was determined on the basis of the rentable space as at December 31, 2016.

APPENDIX 3: SCHEDULE OF NON-CURRENT ASSETS

IN EURK	GOODWILL		OTHER INTANGIBLE ASSETS		OPERATING AND OFFICE EQUIPMENT		TECHNICAL EQUIPMENT		ADVANCE PAYMENTS	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Acquisition cost as at the beginning of the fiscal year	7,246	463	227	49	228	156	0	0	11,191	11,303
Cumulative depreciation/amortisation as at the beginning of the fiscal year	463	463	50	49	134	129	0	0	0	0
Carrying amounts as at the beginning of the fiscal year	6,783	0	177	0	94	27	0	0	11,191	11,303
Additions	0	0	64	3	321	62	1,370	0	35	11,191
Additions through business combinations	0	6,783	0	175	17	26	0	0	0	11,303
Disposals	0	0	1	0	17	16	0	0	11,196	0
Depreciation/amortisation	0	0	18	1	62	21	0	0	0	0
Acquisition cost as at the end of the fiscal year	7,246	7,246	290	227	549	228	1,370	0	30	11,191
Cumulative depreciation/amortisation as at the end of the fiscal year	463	463	68	50	211	134	0	0	0	0
Carrying amounts as at the end of the fiscal year	6,783	6,783	222	177	353	94	1,370	0	30	11,191

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, April 27, 2017

Hon.-Prof. Andreas Steyer

Speaker of the Executive Board
(CEO)

Dipl.-Kfm. (FH) Markus Drews

Executive Board Member
(COO)

Dipl. Betriebsw. (FH) Ralf Kind

Executive Board Member
(CFO)

The following English-language translation of the German-language audit opinion (Bestätigungsvermerk) refers to the consolidated financial statements of DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt am Main, prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB (“Handelsgesetzbuch”, German Commercial Code), as well as the combined management report of the company and the group, prepared on the basis of German commercial law (HGB), as of and for the fiscal year ended December 31, 2016 as a whole and not solely to the consolidated financial statements presented in this offering memorandum on the preceding pages.

Audit opinion

We have audited the consolidated financial statements prepared by DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt am Main, comprising the balance sheet, the statement of income, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the notes to the consolidated financial statements, together with the combined management report of the company and the group for the fiscal year from January 1, to December 31, 2016. The preparation of the consolidated financial statements and the combined management report in accordance with IFRSs [International Financial Reporting Standards] as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB [“Handelsgesetzbuch”: German Commercial Code] is the responsibility of the Company’s management. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The combined management report of the company and the group is consistent with the consolidated financial statements, complies with the legal requirements and as a whole provides a suitable view of the Group’s position and suitably presents the opportunities and risks of future development.

Eschborn/Frankfurt am Main, April 27, 2017

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Schmitt
Wirtschaftsprüfer
[German Public Auditor]

Rücker
Wirtschaftsprüfer
[German Public Auditor]

/

**Audited Consolidated Financial Statements of DEMIRE Deutsche Mittelstand Real
Estate AG as of and for the fiscal year ended December 31, 2015**

Consolidated Statement of Income

EURk	Note	01/01/2015 - 31/12/2015	01/04/2014 - 31/12/2014
Rental revenue		43,344	3,749
Operating expenses to generate rental income		-19,664	-1,459
Profit/loss from the rental of real estate	D.1	23,680	2,290
Revenue from the sale of real estate companies		1,792	4,783
Net assets from real estate companies sold		-1,507	-4,713
Profit/loss from the sale of real estate companies	D.2	285	69
Revenue from the sale of real estate		2,300	0
Expenses relating to real estate sales		-1,842	0
Profit/loss from the sale of real estate	D.3	458	0
Profits from investments accounted for using the equity method		1,861	199
Losses from investments accounted for using the equity method		-3,830	-126
Unrealised fair value adjustments in equity investments		1,469	-1,087
Profit/loss from investments accounted for using the equity method	D.4	-500	-1,014
Profit/loss from fair value adjustments in investment properties	D.7	18,471	63,608
Unrealised fair value adjustments in real estate inventory	D.8	0	307
Impairment of receivables	D.9	-2,846	-693
Profit from a bargain purchase	D.10	33,217	0
Other operating income	D.11	2,572	429
Other operating income and other effects		51,414	63,651
General and administrative expenses	D.12	-11,332	-3,648
Other operating expenses	D.13	-5,265	-2,914
Earnings before interest and taxes		58,740	58,434
Financial income		2,145	6,955
Finance expenses		-27,873	-9,893
Financial result	D.14	-25,728	-2,938
Profit/loss before taxes		33,012	55,496
Income taxes	D.15	-4,139	-9,789
Net profit/loss for the period		28,873	45,707
Thereof attributable to:			
Non-controlling interests	D.16	756	2,405
Parent company shareholders		28,117	43,302
Basic earnings per share	D.17	1.09	3.03
Diluted earnings per share	D.17	0.71	1.74

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EURk	Note	01/01/2015 - 31/12/2015	01/01/2014 - 30/09/2014
Net profit/loss for the period		28,873	45,707
Share of other comprehensive income attributable to associated companies accounted for using the equity method (from currency translation)	E.1.4	0	-1,067
Currency translation differences		3,408	626
Other comprehensive income	G.1/G.2	3,408	-441
Total comprehensive income		32,281	45,266
Thereof, attributable to:			
Interests of non-controlling interests		639	2,605
Parent company shareholders		31,642	42,661

CONSOLIDATED BALANCE SHEET

ASSETS

	EURk	Note	31/12/2015	31/12/2014
ASSETS				
Non-current assets				
Intangible assets		E.1.1	6,961	0
Property, plant and equipment		E.1.2	11,285	11,330
Investment properties		E.1.3	915,089	333,070
Investments accounted for using the equity method		E.1.4	3,136	2,613
Other financial assets		E.1.5	11,045	14
Loans to investments accounted for using the equity method		E.1.6	553	2,857
Other loans		E.1.7	384	322
Deferred tax assets		E.5.1	144	720
Total non-current assets			948,597	350,926
Current assets				
Real estate inventory		E.2.1	2,298	7,355
Trade accounts receivable and other receivables		E.2.2	14,387	9,287
Financial receivables and other financial assets		E.2.3	26,020	921
Tax refund claims			171	126
Cash and cash equivalents		E.2.4	28,467	4,397
Total current assets			71,343	22,086
Non-current assets held for sale		E.3	13,005	0
Total assets			1,032,945	373,012

LIABILITIES

	EURk	Note	31/12/2015	31/12/2014
LIABILITIES				
Equity				
Subscribed capital			49,292	14,306
Reserves			181,405	37,378
Equity attributable to parent company shareholders			230,697	51,684
Interests of non-controlling shareholders			34,205	2,945
Total equity		E.4	264,902	54,629
Liabilities				
Non-current liabilities				
Deferred tax liabilities		E.5.1	25,714	10,032
Minority interests		E.5.2	61,160	0
Non-current financial liabilities		E.5.3	608,796	248,092
Other non-current liabilities		E.5.4	1,076	0
Total non-current liabilities			696,746	258,124
Current liabilities				
Provisions		E.6.1	1,166	852
Trade payables and other liabilities		E.6.2	19,887	11,519
Tax liabilities		E.6.3	3,801	314
Current financial liabilities		E.6.4	46,443	47,573
Total current liabilities			71,297	60,259
Total liabilities			768,043	318,383
Total equity and liabilities			1,032,945	373,012

CONSOLIDATED STATEMENT OF CASH FLOWS

EURk	Note	01/01/2015— 31/12/2015	01/04/2014— 31/12/2014
Group profit/loss before taxes		33,012	55,496
Financial expenses*		27,873	9,893
Financial income*		-2,145	-6,955
Proceeds from the sale of real estate inventory		650	0
Change in trade accounts receivable and other receivables		7,633	-7,543
Change in deferred tax assets		576	208
Change in income tax receivables		-23	-55
Change in financial receivables and other financial assets		-8,234	470
Change in intangible assets		-6,883	1
Change in provisions		-1,329	65
Change in trade payables and other liabilities		-1,958	7,558
Change in deferred tax liabilities		8,860	8,821
Valuation gains under IAS 40		-18,471	-63,608
Gains from the sale of real estate companies		-743	-69
Interest proceeds*		165	293
Income taxes paid*		-186	-22
Profit from a bargain purchase		-33,217	0
Change in reserves and subscribed capital		4,462	2,290
Profit/loss from investments accounted for using the equity method		500	1,014
Fair value adjustments in real estate inventory		0	-307
Depreciation, amortisation and impairments*		2,846	693
Other non-cash items*		1,380	-2,462
Cash flow from operating activities	F	10,815	-3,986
Payments for investments in property, plant and equipment		-11,258	-11,356
Payments for the purchase of investment properties and interests in fully consolidated companies, less net cash and cash equivalents acquired		-15,238	-248,726
Acquisition of interests in fully consolidated companies in the context of business combinations		-4,319	0
Proceeds from the sale of property, plant and equipment		1,650	0
Proceeds from the disposal of investments accounted for using the equity method and other investments		0	3,700
Proceeds from the repayment of loans from investments accounted for using the equity method and other investments		0	101
Proceeds from the sale of subsidiaries (less cash and cash equivalents sold)		0	1,075
Cash flow from investing activities	F	-29,165	-255,206
Proceeds from the issue of equity		11,158	0
Payments for expenses associated with raising equity		-1,514	0
Proceeds from the issue of bonds		36,023	0
Proceeds from the issuance of financial liabilities		54,700	261,738
Interest paid on financial liabilities		-21,255	-1,607
Payments for the redemption of financial liabilities		-36,692	-497
Cash flow from financing activities	F	42,420	259,634
Net change in cash and cash equivalents		24,070	442
Cash and cash equivalents at the start of the period		4,397	3,955
Cash and cash equivalents at the end of the period	F	28,467	4,397

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EURk	Note	Share 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
		Subscribed capital	Capital-reserves						
01/01/2015	G	14,306	8,233	32,802	-310	-3,348	51,684	2,945	54,629
Proportional transfer of changes in equity not affecting profit or loss from investments accounted for using the equity method		0	0	0	0	0	0	0	0
Currency translation differences		0	0	0	0	3,291	3,291	117	3,408
Total other comprehensive income	G	0	0	0	0	3,291	3,291	117	3,408
Net profit/loss for the period		0	0	28,117	0	0	28,117	756	28,873
Total comprehensive income	G	0	0	28,117	0	3,291	31,408	873	32,281
Capital increase (related to the conversion of convertible bonds)		227	-12	0	0	0	215	0	215
Capital increases against contribution in kind		32,285	92,853	0	0	0	125,138	0	125,138
Stock option plan		0	434	0	0	0	434	0	434
Mandatory convertible securities		0	14,223	0	0	0	14,223	0	14,223
Cash capital increases		2,474	8,684	0	0	0	11,158	0	11,158
Costs of raising equity under capital increases		0	-3,295	0	0	0	-3,295	0	-3,295
Change in the scope of consolidation		0	0	-268	0	0	-268	30,387	30,119
31/12/2015	G	49,292	121,120	60,651	-310	-57	230,697	34,205	264,902
01/04/2014	G	13,895	7,455	-10,500	-310	-2,706	7,835	-133	7,702
Proportional transfer of earnings-neutral changes in equity in investments accounted for using the equity method		0	0	0	0	-1,067	-1,067	0	-1,067
Currency translation differences		0	0	0	0	425	425	201	626
Total other comprehensive income	G	0	0	0	0	-642	-642	201	-441
Net profit/loss for the period		0	0	43,302	0	0	43,302	2,405	45,707
Total comprehensive income	G	0	0	43,302	0	-642	42,660	2,606	45,266
Capital increase (related to the conversion of convertible bonds)		411	108	0	0	0	519	0	519
Change in the scope of consolidation		0	0	0	0	0	0	472	472
Changes related to convertible bond recognised directly in equity		0	493	0	0	0	493	0	493
Change in deferred taxes recognised directly in equity (related to the convertible bonds)		0	177	0	0	0	177	0	177
31/12/2014	G	14,306	8,233	32,802	-310	-3,348	51,684	2,945	54,629

Notes to the consolidated financial statements for fiscal year January 1 to December 31, 2015

(Previous year: April 1, 2014 to December 31, 2014)

A. GENERAL INFORMATION

1. Corporate information

DEMIRE Deutsche Mittelstand Real Estate AG („DEMIRE“, „DEMIRE AG“ or the „Company“) is recorded in the commercial register in Frankfurt/Main, Germany, the location of the Company's headquarters, under the number HRB 89041.

The Company's principle registered offices are located at Lyoner Strasse 32 in Frankfurt/Main. Until the year 2014, the Company's fiscal year-end was March 31. The change in the Company's fiscal year-end was resolved by the Annual General Meeting on October 15, 2014 and recorded in the commercial register on November 18, 2014. Effective as at January 1, 2015, the Company's fiscal year was aligned to the calendar year. This change resulted in a uniform fiscal year-end across the entities included in the scope of consolidation and an abbreviated fiscal year running from April 1, 2014 to December 31, 2014. Because of this change in the fiscal year-end and the abbreviated fiscal year (April 1 through December 31, 2014) that resulted, the comparability of the data on the reporting date to the previous year's data is limited.

The Company's shares are listed in the General Standard segment of the Frankfurt Stock Exchange.

To date, DEMIRE itself has not carried out any investments in real estate or real estate projects. Investments are generally processed through project companies. Interests in these project companies are either directly or indirectly held (through intermediate holding companies) by DEMIRE.

The Company's strategic realignment in fiscal year 2013/14, which created a clear focus on commercial real estate in Germany, meant a shift in DEMIRE's business model from a „develop & sell“ strategy to a „buy & hold“ strategy with active portfolio management.

As at the reporting date, DEMIRE's investment portfolio contained investments in the following four countries: Germany, Romania, Bulgaria and Georgia. Because of DEMIRE's new focus on Germany, the Company is rapidly withdrawing from the remaining regions.

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

2. Application of International Financial Reporting Standards (IFRS)

DEMIRE prepares its consolidated financial statements according to International Financial Reporting Standards (IFRS), as applicable in the EU, pursuant to Article 4 of the EC Directive number 1606/2002 of the European Parliament and Council from July 19, 2002 regarding the application of International Financial Reporting Standards. The consolidated financial statements of the DEMIRE Group, which are prepared by DEMIRE AG as the legal parent company, are prepared according to uniform accounting principles. The statements' preparation takes into account all IFRS standards that require mandatory application as at the reporting period ending on December 31, 2015, including currently valid International Accounting Standards (IAS), and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), including the currently valid interpretations of the former Standing Interpretations Committee (SIC), as applicable in the EU. The consolidated financial statements prepared by DEMIRE AG fully comply with the IFRS guidelines in their current applicable version to the degree they were adopted by the European Union according to Article 6 para. 2 IAS VO 1606/2002 by comitology procedure in accordance with European Union regulations. They also give consideration to the supplementary German commercial law provisions, applicable in accordance with Section 315a para. 1 of the German Commercial Code (HGB).

3. First-time application of new accounting standards in fiscal year 2015

The accounting and valuation policies applied excluding those described in the following section generally correspond with those applied in the prior year.

The International Accounting Standards Board (IASB) and the International Financial Reporting Standards Committee (IFRIC) approved the following standards and interpretations (which have already passed the EU recognition procedure) that are mandatory for the first-time in the 2015 fiscal year. Thus, the following standards and interpretations were applied for the first time in the 2015 fiscal year:

Annual Improvements to IFRS 2011 – 2013 Cycle

As part of the annual „Improvements Project“, clarifications to the following standards have been issued:

- IFRS 1** Applicable IFRSs,
- IFRS 3** Scope of exceptions for joint arrangements,
- IFRS 13** Application of portfolio exceptions and the waiving of discounting of current receivables and liabilities in measuring fair value, if the effect is immaterial,
- IAS 40** Interrelationship between IFRS 3 and IAS 40 when classifying investment property as owner-occupied.

The above amendments were endorsed by the EU on December 18, 2014 and are mandatory for the first time for fiscal years beginning after January 1, 2015.

IFRIC 21 “Levies“

IFRIC 21 governs when levies charged by public authorities should be recognised as a liability. The interpretation applies to levies that are accounted for as provisions, contingent liabilities or contingent assets pursuant to IAS 37 and to levies for which the timing and amount are known. The following provisions apply:

The guidance is as follows:

- The liability is to be recognised on a pro rata temporis basis if the triggering event occurs over a period of time,
- If the liability is triggered upon reaching a minimum threshold, the liability is only recognised once this threshold is reached.

The standards and interpretations that were applied for the first time in fiscal year 2015 had no material effect on the Group’s net assets, financial position and results of operations.

4. Changes in reporting of previous year information

For better comparability with the reporting period, the following changes have been made with respect to the previous year’s information:

In the consolidated statement of cash flows for the abbreviated 2014 fiscal year, financial expenses (EURk -9,893) and financial income (EURk 6,955) were added as reconciliation items within cash flow from operating activities and the actual interest proceeds (EURk 293) were reported. In addition, all non-cash tax postings were eliminated, which resulted in a change in deferred tax assets, deferred tax liabilities and income tax receivables of EURk 0 each. Income taxes paid (EURk -22) were reported separately and other non-cash items (EURk -3,255) were adjusted for changes in the structure of the consolidated statement of cash flows.

The asset management activities provided for third parties as part of the business activities of the predecessor company until September 2013, are no longer reported separately. Trailing income (EURk 6)

and expenses (EURk 395) as well as segment assets (EURk 1,185) and segment liabilities (EURk 1,056) from the Austrian subsidiary are, therefore, included in the retitled segment “Corporate Functions/ Others”.

In the previous year’s segment report, the figures for the activities of the Asset Management segment were allocated to the Central Functions segment.

5. Future applicable accounting standards and amendments to standards

The following standards, amendment to standards and interpretations were already published by the IASB at the time of preparing these consolidated financial statements but did not yet require mandatory application in the reporting period. The Company did not exercise the option for voluntary early application.

	Endorsed by the EU	Not yet endorsed by the EU	Potentially relevant for the Company	Mandatory first- time application for fiscal years beginning on or after
Amendments to standards:				
Amendment to IAS 1	x		x	01/01/2016
Amendments to IAS 16 and IAS 38	x			01/01/2016
Amendments to IAS 16 and IAS 41	x			01/01/2016
Amendment to IAS 19	x			01/02/2015
Amendment to IAS 27		x		01/01/2016
Amendments to IFRS 10, IFRS 12 and IAS 28		x		01/01/2016
Amendment to IFRS 11		x	x	01/01/2016
Annual improvements to IFRS (2010 – 2012)	x			01/01/2015
Annual improvements to IFRS (2012 – 2014)	x			01/01/2016
IAS 7 „Statement of Cash Flows“		x	x	01/01/2017
IAS 12 “Recognition of Deferred Tax Assets for Unrealised Losses“	x	x		01/01/2017
New standards:				
IFRS 14 „Regulatory Deferral Accounts“		x		01/01/2016
IFRS 15 „Revenue from Contracts with Customers“		x	x	01/01/2018
IFRS 9		x	x	01/01/2018
IFRS 16 “Leases”		x	x	01/01/2019

IAS 1 “Disclosure Initiative”

The amendments to this standard have not yet been endorsed by the EU. The amendments concern various reporting issues. It is clarified that disclosures in the notes are only required when their content is significant. This also applies explicitly when a standard requires a list of minimum information. In addition, explanations to the aggregation and disaggregation of items in the balance sheet and the statement of comprehensive income are also included. Furthermore, clarification is given as to how interests in other comprehensive income of companies accounted for using the equity method are presented in the statement of comprehensive income. The amendments are effective for fiscal years beginning on or after January 1, 2016. DEMIRE is currently assessing the effects of the standard’s future application on the Company’s consolidated financial statements.

Annual improvements to IFRS (2010-2012)

Annual improvements to IFRS—2010-2012 Cycle are applicable to fiscal years beginning on or after February 1, 2015. The amendments to IFRS (2011-2013) are applicable to fiscal years beginning on or after January 1, 2015. The amendments will have no effect on DEMIRE’s future consolidated financial statements.

Annual improvements to IFRS (2012-2014)

Annual improvements to IFRS—2012-2014 Cycle (Amendments to IFRS 5—“Non-current Assets Held for Sale and Discontinued Operations”, IFRS 7—“Financial Instruments: Disclosures”, IAS 19 “Employee Benefits”, IAS 34 “Interim Financial Reporting”. These amendments are applicable to fiscal years beginning on or after January 1, 2016; EU endorsement of the amendments is still pending. The amendments will have no effect on DEMIRE’s consolidated financial statements.

IAS 7 “Statement of Cash Flows”

The amendments to IAS 7 “Statement of Cash Flows” stipulate that entities must provide information on changes to financial liabilities, and the corresponding proceeds and payments must be reported in the statement of cash flows under cash flow from financing activities. The information must also include the corresponding financial assets. The IASB recommends providing the information in the form of a reconciliation or other way of presentation. Mandatory first-time application of IAS 7 applies to fiscal years beginning on or after January 1, 2017. Early adoption is permitted. DEMIRE is currently assessing the effects of the standard’s future application on the Company’s consolidated financial statements.

IAS 12 “Recognition of Deferred Tax Assets for Unrealised Losses”

The amendments relate to the recognition of deferred tax assets for unrealised losses and address several issues relating to the recognition of deferred tax assets for unrealised losses that result from fair value adjustments of debt instruments and are recognised within other comprehensive income. These amendments to IAS 12 are applicable to fiscal years beginning on or after January 1, 2017. DEMIRE is currently assessing the effects of the standard’s future application on the Company’s consolidated financial statements.

IFRS 15 “Revenue from Contracts with Customers”

On May 28, 2014, the International Accounting Standards Board (IASB) and that Financial Accounting Standards Board (FASB) published the joint reporting standard IFRS 15 (Revenue from Contracts with Customers). The objective of the new standards concerning revenue recognition is to combine the various rules previously contained in diverse standards and interpretations. At the same time, uniform principles were established that are applicable for all sectors and all categories of sales transactions. Under IFRS 15, the amount that shall be recognised as revenue is the amount expected as consideration for the transfer of goods or services to customers. The point or period in time of revenue recognition is based on when the transfer of control over the goods or services to the customer takes place (the control approach). Control is defined as the ability to specify the use of the goods or services and the ability to reap the economic benefits from these goods or services. Based on a decision of the IASB in April 2015, the first-time application of IFRS 15 has been postponed to January 1, 2018. DEMIRE is currently assessing the effects of the standard’s future application on the Company’s consolidated financial statements.

IFRS 9 “Financial Instruments”

On July 24, 2014, the IASB published IFRS 9 “Financial Instruments”. This standard is the culmination of the completed phases of the comprehensive project of the IASB on financial instruments and includes provisions for recognition, measurement and derecognition of financial instruments and hedge accounting. IFRS 9 (2014) replaces all previously published (previous) versions of IFRS 9 and merges them with new rules for recognising impairment and minor adjustments to the classification and measurement of financial assets. The new standard will replace the regulations for the accounting of financial instruments under IAS 39 “Financial Instruments: Recognition and Measurement”. Mandatory first-time application of IFRS 9 is applicable for fiscal years beginning on or after January 1, 2018. Early adoption may be permitted depending on the final adoption by the EU endorsement process. DEMIRE is currently assessing the effects of the standard’s future application on the Company’s consolidated financial statements.

IFRS 16 “Leases”

IFRS 16 “Leases” governs the recognition, measurement, reporting and disclosure requirements for leases. For the lessee, IFRS 16 provides for a single leasing model, which, for the lessee, means that all assets and liabilities from lease agreements are to be recognised on the balance sheet unless the lease’s term is twelve months or less, or concerns low-value assets. For the lessor, the rules under IFRS 16 are similar to the

provisions of IAS 17. Leases contracts continue to be classified as either finance or operating leases. Mandatory application of IFRS 16 is for fiscal years beginning on or after January 1, 2019. Early application is permitted. DEMIRE is currently assessing the effects of the standard's future application on the Company's consolidated financial statements.

6. Key discretionary decisions, judgments and assumptions

Discretionary decisions

The Company's management has made the following discretionary decisions when applying accounting methods. This applies to the following items in particular:

- In the case of real estate, at each reporting date, DEMIRE must determine whether these assets should be allocated to real estate inventory or investment properties. Classification is based on the following assessment:
 - Investment properties: The primary aim with these properties is sustainable management. The properties are held to generate rental income and/or for value appreciation.
 - Real estate inventory: The primary aim with these properties is either a "buy & sell" or "develop & sell" strategy. Consequently, these properties are held for sale in the course of ordinary business activities.
- If the company obtains control over an acquired entity or acquires assets, it must be determined whether the transaction should be classified as a business combination according to IFRS 3, or an acquisition of a group of assets or net assets (aggregated assets). If a business operation defined as an integrated group of activities is acquired in addition to assets and liabilities, this constitutes a business combination that must be accounted for according to IFRS 3. An integrated group of activities is defined, for example, as business processes in the areas of property management, credit management and accounting. Additionally, the fact that staff is employed at the acquired real estate company is another indication that a business operation has been acquired.
- For assets to be sold, it must be determined whether they can be sold in their current condition and if a sale is highly probable. In this case, the assets are to be reported and measured as assets held for sale in accordance with IFRS 5.
- Fair Value REIT-AG, Munich, was fully consolidated in the consolidated financial statements for the first time as of December 31, 2015, in accordance with the provisions of IFRS 3 for business combinations. In this context, DEMIRE recognised deferred taxes for temporary differences from Fair Value REIT (referred to as "inside basis differences") by applying the company-specific tax rate. Since Fair Value REIT-AG is generally exempt from taxes, no taxes are incurred at the level of Fair Value REIT as long as its status as a tax-exempt REIT (Real Estate Investment Trust) is maintained. In addition to the "inside basis differences", the provisions for "tax transparent entity" were also applied so that "outside basis differences" were also considered when recognising deferred taxes in DEMIRE's consolidated financial statements. Companies having the status of a Real Estate Investment Trust (REIT) are generally obliged to distribute their profits to shareholders in order to maintain their REIT status. In the recognition of deferred taxes, the deemed disposal of all properties directly held by Fair Value REIT-AG and indirectly held through the trusts was assumed. Taking into account the ownership interests within Fair Value REIT and DEMIRE's 77.7 % interest in Fair Value REIT-AG, deferred tax liabilities were calculated for the differences of fair values and carrying amounts under tax law of the individual properties as of December 31, 2015.

Estimates and assumptions

The preparation of consolidated financial statements complying with IFRS requires the management to make estimates and assumptions. Various items require forward-looking assumptions to be made. These assumptions may have a material impact on the carrying amounts of the assets and the liabilities as at the balance sheet date as well as the level of income and expenses in the fiscal year. The assessment of the

Company's future business development is based on a realistic assessment of the future economic environment in the sector and region in which DEMIRE and its subsidiaries operate at the time of preparing the consolidated financial statements. The most important forward-looking assumptions and other material sources of estimation uncertainty as of the reporting date that could result in a considerable risk of significant adjustments to the carrying amounts of assets and liabilities in the next fiscal year are discussed below.

Goodwill

Goodwill is tested for impairment at least once a year as part of a scheduled annual impairment test. The determination of the recoverable amount requires making assumptions and estimates with respect to the future development of income and the sustainable growth rate of the cash-generating unit of group of cash-generating units to which the goodwill was allocated.

Investment properties

Investment properties include the Company's real estate, which is held to generate rental income and capital appreciation and not for the Company's own use or for its sale in the ordinary course of business. The investment properties are initially recognised at acquisition cost, which includes incidental acquisition costs. In subsequent periods, they are measured at fair value in accordance with the option provided for in IAS 40 in conjunction with IFRS 13. Any changes in fair value are recognised in profit or loss.

The Group has commissioned independent experts to determine the fair values of its investment properties.

Key valuation parameters used to measure investment properties include expected cash flows, assumed vacancy rates and their development over the planning period, discounting and capitalisation rates. If market values cannot be derived from the sales of comparable properties, the valuation of the DEMIRE subgroup properties are measured using the discounted earnings model, and the value of the Fair Value REIT subgroup properties are measured using the discounted cash flow method.

Trade accounts receivable

Assessing the recoverability of receivables from current leases is also derived from estimates. Estimates for the recoverability of outstanding receivables are based on an analysis of the term structure of outstanding receivables and the corresponding probability of default based on past experience.

Real estate inventory

Estimates of the net realisable value of the real estate inventory are based on the most reliable substantial indicators at the time the estimates are made and take into consideration the amount expected to be received for the real estate inventory. These estimates take into account any changes in price and cost that are directly related to transactions after the reporting period insofar as these transactions shed light on circumstances that already existed at the end of the reporting period. The determination of the net realisable value is based either on the comparative value method in the context of valuation reports by prominent independent external experts in accordance with international valuation standards or internal estimates of market values made by the Company's legal representatives. The carrying amount of the real estate inventory concerned amounted to EURk 2,298 (December 31, 2014: EURk 7,355). Of this amount, a total of EURk 1,558 (December 31, 2014: EURk 1,541) of real estate inventory was valued using internal estimates of the market value. There were no reversals of impairment on amortised costs during the reporting year. The remaining amount of EURk 743 (December 31, 2014: EURk 2,857) is based on comparative valuation reports. Information on the results of the valuations can be found in Note D.6.

Deferred tax assets on tax loss carryforwards

The recognition of deferred tax assets on tax loss carryforwards depends on the extent of the Company's ability to realise future tax benefits. Deferred tax assets on tax loss carryforwards were recognised in the amount of EURk 3,937 (December 31, 2014: EURk 1,698). Determining the amount of deferred tax assets is mainly based on the assessment of the company's management, the likely timing and level of future taxable income and future tax planning opportunities. Based on these estimates, the amount of deferred tax assets recognised for tax loss carryforwards is reviewed annually to reflect current conditions. Further explanation can be found in Notes D.13 and E.5.1.

Other provisions

Provisions are based on assumptions concerning the probability of occurrence and the amount of utilisation of the uncertain obligation, taking into account the information available at the time of preparing the financial statements.

Financial liabilities

In measuring financial liabilities it is important to consider estimated future cash flows and any potential changes to the conditions.

Consolidation of entities in which the Group does not hold the majority of voting rights

Fair Value REIT-AG's majority of the voting rights represented at the shareholders' meetings of its subsidiaries, which is the decisive criteria for exerting control over the subsidiaries, is crucial for determining the Group's scope of consolidation. The voting rights in the entities BBV Immobilien-Fonds Erlangen GbR, Munich ("BBV 02"), BBV Immobilien-Fonds Nr. 10 GmbH & Co. KG, Munich ("BBV 10") and IC Fonds & Co. Gewerbeobjekte Deutschland 15. KG, Munich ("IC 15") are not the sole deciding factor in the question of who controls the entities. Although the share of voting rights is below 50 %, Fair Value REIT-AG represents the largest single shareholder in these entities. A test of the control of the investment companies as a condition for their full consolidation leads to the conclusion that, also in the past fiscal year, Fair Value REIT-AG has the ability to exercise substantial rights, such as the right to approve the financial statement, the amount of the dividend and the selection of property and fund management companies, at all fully consolidated fund companies by means of a simple majority at the shareholders' meetings. Empirically it can be evidenced that at all shareholder meetings Fair Value REIT-AG regularly cast well over 50 % of the votes. This is in contrast to transactions in the context of property disposals which require a qualified 66 % or 75 % majority of the voting rights, although these transactions do not represent a material operational activity. In addition, Fair Value REIT-AG receives annual dividends from its investees that are dependent on the respective current results.

Obligations from operating leases—The Group as lessor

The Group has entered into commercial property lease agreements for its real estate inventory and its investment properties. These agreements stipulate that the Group should retain all the significant risks and opportunities connected with the ownership of properties rented. Consequently, the Group accounts for these properties as "operating leases". Material assumptions concern the classification of leases as operating leases based on an analysis of the contracts' terms and conditions and an evaluation of the recoverability of outstanding receivables from commercial lease agreements.

The estimates and assumptions are based on the circumstances and assessments on the balance sheet date. Further explanations on the estimates and assumptions made can be found in the notes to the consolidated statement of income, the notes to the consolidated balance sheet and other disclosures.

DEMIRE's Executive Board assumes that the estimates and assumptions made are appropriate; however, unforeseen changes in these assumptions could affect the Group's net assets, financial position and results of operations.

B. SCOPE AND PRINCIPLES OF CONSOLIDATION

1. Scope of consolidation

In addition to the inclusion of DEMIRE AG, these consolidated financial statements generally include all German and foreign subsidiaries from the date of their acquisition. The main changes in the scope of consolidation in the reporting period concern the acquisition of Fair Value REIT-AG and its subsidiaries and Germavest Real Estate S.à.r.l (see subsections "Business combination with Fair Value REIT-AG" and "Business combination with Germavest Real Estate S.à.r.l.") and the purchase of other real estate companies (see section "Acquisition of real estate companies"), through which the different properties were acquired.

In addition, the property management company DEMIRE Immobilien Management GmbH, Berlin, acquired in the reporting year was included in the consolidated financial statements for the first time.

PANACEA Property GmbH and PRAEDIA GmbH, which were also acquired during the reporting year, were not included in the consolidated financial statements for reasons of materiality based on their relative contribution within the group of consolidated companies and minor importance.

The composition of the scope of consolidation is shown in Appendix 1. The scope of consolidation comprised 78 fully consolidated entities (previous year: 54), including the ultimate parent company, and has changed during the fiscal year as follows.

NUMBER OF FULLY CONSOLIDATED SUBSIDIARIES	2015	2014
As of the beginning of the fiscal year	54	30
Additions	20	27
Additions through business combinations	17	0
Disposals through sale/liquidation	7	3
Mergers	6	0
As at the balance sheet date	78	54

Definition of types of entities:

A subsidiary is an entity that is controlled by another entity (referred to as parent company).

An associated company is an entity upon which the investor has a significant influence but does not exert control or joint control.

A joint venture is a joint arrangement in which the parties that exert joint control have rights to the net assets of the arrangement.

Changes to the scope of consolidation

Additions in the reporting year

Business combination with Fair Value REIT-AG

Fair Value REIT-AG, Munich, was fully consolidated for the first time in the consolidated financial statements as at December 31, 2015 in accordance with the provisions of IFRS 3 for business combinations because the business operations and related business processes had been acquired.

On October 14, 2015, the Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG made a voluntary public takeover offer to the shareholders of Fair Value REIT-AG in which they could exchange their shares in newly created shares of DEMIRE. The aim of the acquisition was to create the leading commercial real estate specialist focused on German secondary locations with a common real estate portfolio valued at roughly EUR 1 billion.

The capital increase against contribution in kind took place at a ratio of two DEMIRE shares for one Fair Value REIT-AG share. The exchange took legal effect on December 21, 2015 with its entry of the capital increase in the commercial register in Frankfurt/Main. DEMIRE's takeover offer was accepted by 77.70 % of the Fair Value REIT-AG shareholders. A total of 10,963,878 Fair Value REIT-AG shares of the full total of 14,110,323 shares were tendered for exchange during the initial acceptance period and the additional acceptance period that extended until December 3, 2015.

On December 16, 2015, DEMIRE's Executive Board resolved to increase the share capital by an amount of EUR 21,927,756.00 to EUR 49,292,285.00 against contribution in kind by issuing 21,927,756 new no-par value bearer shares (no-par value shares) with a notional interest in the share capital of EUR 1.00 each. The contribution in kind consisted of 10,963,878 shares of Fair Value REIT-AG with a notional interest in the share capital of EUR 2.00 per share. On December 21, 2015, the increase in share capital was entered into the commercial register.

Fair Value REIT-AG is a Munich-based, publicly traded real estate company with a focus on commercial properties in Germany. It is registered as a German stock corporation in the commercial register of the District Court of Munich under HRB 168882. The Company's fiscal year is identical to the calendar year.

The target company fulfils the requirements of the REIT Act (Real Estate Investment Trust) and is thus exempt from corporation and trade taxes. On the acquisition date, the portfolio consisted of 40 properties in 8 of 16 federal states with aggregate rentable space of approx. 275,000 m² and annualised contractual rent totalling EURk 25,188.

The first-time consolidation of Fair Value REIT-AG took place on December 31, 2015 on a subgroup basis and based on the share of non-controlling shareholders at that time.

The consolidation of Fair Value REIT as a subgroup entailed acquisition costs of roughly EURk 93,263 for 77.70 % of the shares. These costs resulted from the fair value of EUR 4.2532 per DEMIRE share on the closing date of the share exchange of December 21, 2015 issued in exchange for shares in Fair Value REIT-AG (21,927,756 DEMIRE shares).

The acquisition costs were distributed among the acquired assets and liabilities valued at their estimated market values as part of the final purchase price allocation conducted by an external expert:

EURk	
Investment properties	287,794
Other non-current assets	9,387
Current assets	5,674
Cash and cash equivalents	16,028
Non-current assets, held for sale	11,750
Acquired assets	330,633
Non-current liabilities	-187,738
Current liabilities	-25,497
Acquired liabilities	-213,235
Net assets (100 %)	117,398
Interests of non-controlling shareholders	-26,179
Deferred tax assets (see explanation)	-4,739
Goodwill	6,783
Acquisition costs	93,263

The majority of investment properties was appraised as at December 31, 2015 by external real estate experts. DEMIRE AG adopted these values.

In the course of determining the purchase price allocation, the following intangible assets at Fair Value REIT were identified:

Fair Value REIT's Internet domain was capitalised at EURk 25 and valued at its replacement cost. Contractual claims from partner companies were capitalised as an intangible asset and measured at EURk 150. Hidden reserves of EURk 613 were also identified with non-current financial liabilities resulting from the fair values being below their nominal values. Deferred tax liabilities resulting from the hidden reserves totalled EURk 227 at the level of Fair Value REIT and were determined using a combined corporate and trade tax rate of 31.925 % (including 5.5 % solidarity surcharge on corporate taxes).

An amount of EURk 120 of hidden losses was identified within non-current financial liabilities. The higher value of the convertible bond (EURk 413) versus its market value of EURk 8,301 as at December 31, 2015 was also identified as a hidden loss, triggered by the change of control and the subsequently requested early redemption of the bond (EURk 8,714) in February 2016. Both items resulted in deferred tax assets of EURk 170.

In the context of the consolidation of the Fair Value REIT-AG and DEMIRE AG subgroups, net deferred tax liabilities of EURk 4,739 on the deemed disposal of properties held by Fair Value REIT (analogous to the "tax transparent entities") were recognised based on the tax rate mentioned above. This resulted in goodwill of EURk 6,783 in DEMIRE AG's consolidated financial statements originating from the acquisition of Fair Value REIT. Deferred tax liabilities increased goodwill by EURk 2,044 from EURk 4,739 to EURk 6,783.

Contingent liabilities as defined by IAS 37, which result in a liability at the time of first-time consolidation under IFRS 3.22, were not identified.

Transaction costs arising in the context of the share exchange amounted to EURk 3,295 and were offset against capital reserves and thus recognised directly in equity. Expenses of EURk 978 related to the business combination were recognised through profit or loss.

The valuation of interests of non-controlling shareholders was based on their share of the net assets of Fair Value REIT, which at the time of its first-time consolidation amounted to EURk 26,179. In measuring the interests of non-controlling shareholders (minority interests) use of the option under IFRS 3.19 was made and the interests of non-controlling shareholders were measured using the corresponding share of the identifiable net assets.

After offsetting acquisition costs (EURk 93,263), plus minority interests (EURk 26,179), against the net assets of the acquired company (EURk 117,398), a positive difference emerged (goodwill) in the amount of EURk 2,044. The reason for the positive difference lies, among others, in the appreciation of the share price until December 21, 2015 of the DEMIRE shares given as consideration. In the context of its own growth strategy, DEMIRE sees development potential from its acquisition of Fair Value REIT in the real estate directly or indirectly held by Fair Value REIT and from the opportunity to realise synergies in the areas of administration and property and facility management.

The gross amount of the trade accounts receivable acquired totalled EURk 3,266 upon initial consolidation and included previous impairments of EURk 509. Thus, the fair value of trade accounts receivable amounted to EURk 2,757. The gross amount of other receivables and assets acquired totalled EURk 2,895 upon initial consolidation. No impairment has been recognised on these receivables. Thus, the fair value of other receivables and assets amounted to EURk 2,895.

If Fair Value REIT had been fully consolidated as at January 1, 2015, net rental income of EURk 17,726 and profit/loss before taxes of EURk 6,585 would have been included in the consolidated statement of comprehensive income.

No material net rental income or substantial Group profit/loss before taxes was generated during the period of affiliation to the group (December 21, 2015 to December 31, 2015).

Business combination with Germavest Real Estate S.à.r.l.

DEMIRE AG acquired 94 % of the interests in Germavest Real Estate S.A.R.L., Luxembourg, at a purchase price of approx. EURk 39,016 with effect from October 30, 2015. Germavest Real Estate S.à.r.l. is incorporated under Luxembourg law and headquartered in Luxembourg. Germavest Real Estate S.à.r.l. has a commercial real estate portfolio also called the “T6 portfolio”, containing 143,788 m² of rental space as well as 2,171 underground and free-standing parking spaces in the cities of Ansbach, Bonn, Flensburg, Freiburg, Regensburg and Stahnsdorf. All six locations have long-term rental contracts with Deutsche Telekom AG until 2021 (until 2025 for the location in Bonn). The net annual rent, excluding utilities and based on the properties’ current full occupancy, amounts to roughly EUR 14.8 million and will rise periodically based on a contractually agreed fixed annual indexation. The largest property with approximately 38,000 m² has a rental agreement with a term of 10 years.

The following table shows the individual locations and their rentable space:

LOCATION OF PROPERTY	Rentable space (in m²)
Bayreuther Straße 111/Rettistraße 56, 91522 Ansbach	12,632
Bonner Talweg 100/Reuterstraße, 53113 Bonn	38,353
Eckernförder Landstraße 65, 24941 Flensburg	23,800
Berliner Allee 1, 79114 Freiburg	22,674
Bajuwarenstraße 4, 93053 Regensburg	29,219
Güterfelder Damm 87-91, 14532 Stahnsdorf	17,110
Total space	143,788

Germavest Real Estate S.à.r.l. was fully consolidated as at the balance sheet date in accordance with the provisions of IFRS 3 for business combinations, because a business operation and the related business processes were acquired. The initial consolidation of Germavest Real Estate S.à.r.l. took place on October 31, 2015 based on the share of non-controlling shareholders at that time.

Acquisition costs in the amount of EURk 39,016 (including incidental acquisition costs) were incurred for the purchase of the 94 % interest in Germavest Real Estate S.à.r.l.

The acquisition costs were distributed among the acquired assets and liabilities valued at their estimated market values as part of the purchase price allocation conducted by an external expert:

EURk	
Investment properties	181,320
Other non-current assets	1,026
Current assets	4,359
Cash and cash equivalents	3,540
Assets acquired	190,245
Non-current liabilities	-104,424
Of which deferred tax liabilities	-7,848
Current liabilities	-11,998
Acquired liabilities	-116,422
Net assets (100 %)	73,823
Non-controlling interests	1,590
Negative good-will	33,217
Acquisition costs	39,016

The allocation of the purchase price to the acquired assets and liabilities is preliminary because the final purchase price allocation had not yet been performed by the reporting date. The financial statements of Germavest Real Estate S.à.r.l. for the 2015 reporting period may be subject to changes because the tax items have not yet received the Company's final approval. Therefore, the fair values of the acquired assets and liabilities are preliminary.

The majority of investment properties were appraised as at December 31, 2015 by external real estate experts. The Company adopted these values as a result of its own assessment as of the acquisition date of October 31, 2015. Hidden reserves of EURk 60,425 were identified.

In the course of the purchase price allocation, the following hidden reserves and liabilities at Germavest Real Estate S.à.r.l. were identified:

- Hidden losses identified included higher fair values of assumed liabilities of EURk 6,481).
- Contingent liabilities as defined by IAS 37, which should be recognised as liabilities at the time of first-time consolidation under IFRS 3.22, were not identified.

The transaction costs of EURk 793 related to the business combination were recognised through profit or loss.

The valuation non-controlling interests was based on their share of the net assets of Germavest Real Estate S.à.r.l., which at the time of its initial consolidation amounted to EURk 1,590. In measuring the interests of non-controlling shareholders (minority interests) use of the option under IFRS 3.19 was made and the interests of non-controlling shareholders were measured using the corresponding share of the identifiable net assets.

Because the offsetting of acquisition costs plus interests of non-controlling shareholders against the net assets of the acquired company resulted in negative goodwill, the carrying amounts of the assets and liabilities acquired and the acquisition cost determined were subjected to another critical review. Negative goodwill of EURk 33,217 that was determined after a critical review was recognised immediately through profit or loss as a non-recurring effect under the line item "profit from a bargain purchase". This amount originates mainly from the fair value in excess of the purchase price of investment properties held by Germavest Real Estate S.à.r.l.

The gross amount of the trade accounts receivable acquired totalled EURk 12 upon initial consolidation and no previous impairments were included. Thus, the fair value of trade accounts receivable amounted to EURk 12. The gross amount of other receivables and assets acquired totalled EURk 4,278 upon initial consolidation. No impairment has been recognised on these receivables and other assets. Thus, the fair value of other receivables and assets amounted to EURk 4,278.

If Germavest Real Estate S.à.r.l. had been fully consolidated as at January 1, 2015, net rental income of EURk 15,945 and profit/loss before taxes of EURk 4,719 would have been included in the consolidated financial statements.

Net rental income of EURk 2,675 and a consolidated profit before tax of EURk 565 were generated during the consolidation period (November 1, 2015 to December 31, 2015).

Acquisition of real estate companies

Interests acquired during the fiscal year consist of shares in the real estate project companies Glockenhofcenter Objektgesellschaft mbH, Berlin; Hanse-Center Objektgesellschaft mbH, Berlin; TGA Immobilien Erwerb 1 GmbH, Berlin; Sihlegg Investments Holding GmbH, Wollerau, Switzerland; and Logistikpark Leipzig GmbH, Leipzig. The acquisition of the real estate project companies named are accounted for as direct purchases of real estate because, in the opinion of the Company's Executive Board, these companies do not represent a full business operation pursuant to IFRS 3. B.7. The purchase of the properties contained in the real estate companies was a component of the transactions. Therefore, the acquisition costs related to the real estate companies were allocated to the individually identifiable assets and liabilities on the basis of their fair values as of the acquisition date. This does not concern a business combination as defined under IFRS 3 (acquisition of aggregated assets).

In the context of the acquisition of Glockenhofcenter Objektgesellschaft mbH and Hanse-Center Objektgesellschaft mbH, DEMIRE AG increased its share capital by EUR 5,633,710 against contribution in kind. Alpine Real Estate GmbH was admitted to subscribe to the new shares and made a contribution in kind to DEMIRE consisting of 94.9 % of Alpine's interest in Hanse-Center Objektgesellschaft mbH, 94.9 % of the interest in Glockenhofcenter Objektgesellschaft mbH and a receivable against Hanse-Center Objektgesellschaft. The increase in the share capital was entered in the commercial register on January 22, 2015. The project companies, which were contributed with effect as at February 1, 2015, possess a combined commercial real estate portfolio consisting of nearly 42,000 m² in the cities of Bremen, Berlin and Stralsund. In the capital increase, each new DEMIRE AG share was assigned a value of EUR 1.75, resulting in a calculated total purchase price of EURk 9,859.

In the context of the acquisition of Sihlegg Investments Holding GmbH, DEMIRE AG increased its share capital by EUR 2,182,567 against contribution in kind. Ketom AG, Wollerau, Switzerland, was admitted to subscribe to the new shares in return for providing a contribution in kind consisting of 94 % of Ketom AG's interest in Sihlegg Investments Holding GmbH and a receivable against Sihlegg Investments Holding GmbH. Sihlegg Investments Holding GmbH is the owner of the office and retail property Gutenberg Galerie in Leipzig. The interest in Sihlegg Investments Holding GmbH was acquired with effect as at May 27, 2015. In the context of the capital increase, each new DEMIRE AG share was assigned a value of EUR 4.03, resulting in a calculated total purchase price of EURk 8,791.

Shares in TGA Immobilien Erwerb 1 GmbH, Berlin, were acquired in a two-step process on March 3, 2015 and May 21, 2015, resulting in a 94 % interest in the company. The purchase price totalled EUR 468,250. Under a property purchase agreement dated March 25, 2015, TGA Immobilien Erwerb 1 GmbH acquired a property in Schwerin. Beneficial ownership was transferred in July 2015. The purchase price of the property totalled EURk 4,800.

To acquire an interest in Logistikpark Leipzig GmbH, DEMIRE AG increased its share capital by EUR 2,541,149 against contribution in kind. M1 Beteiligungs GmbH, Berlin, was admitted to subscribe to the new shares in return for a contribution in kind consisting of a 94 % interest in Logistikpark Leipzig GmbH. In addition to the shares, a cash component of roughly EUR 18.3 million was also agreed to as part of the purchase price. In the context of the capital increase, each new DEMIRE AG share was assigned a value of EUR 5.84, resulting in a calculated total purchase price of EURk 33,173. The entry of the capital increase into the commercial register took place on July 1, 2015. Beneficial ownership of the interest in Logistikpark Leipzig GmbH was acquired on July 17, 2015.

Based on 100 % of the assets and liabilities and taking into account the interests of non-controlling shareholders, the following amounts were recognised in the reporting period as at the date of initial consolidation:

EURk	Amounts recognised as at the acquisition date
Assets acquired	104,928
Liabilities acquired	59,050
Net assets at 100 %	45,878
thereof interests of non-controlling shareholders	2,068
Acquisition costs	43,810

Of the total purchase price of EURk 43,810, an amount of EURk 15,238 was paid in cash during the reporting year (see Note F).

First-time consolidation of other entities

In the reporting year, companies were acquired or formed for property, asset and facility management and holding companies were acquired or formed to hold interests in real estate companies and were consolidated for the first time in the reporting year.

COMPANY	Interest	Date of first-time consolidation
Demire Immobilien Management GmbH	100%	01/01/2015
DEMIRE Commercial Real Estate DREI GmbH	100%	30/06/2015
DEMIRE Commercial Real Estate VIER GmbH	100%	30/06/2015
DEMIRE Commercial Real Estate FÜNF GmbH	100%	30/06/2015
DEMIRE Commercial Real Estate SECHS GmbH	100%	31/12/2015
FVR Beteiligungsgesellschaft Erste mbH	100%	31/12/2015
FVR Beteiligungsgesellschaft Zweite mbH	100%	31/12/2015
FVR Beteiligungsgesellschaft Dritte mbH	100%	31/12/2015
FVR Beteiligungsgesellschaft Vierte mbH	100%	31/12/2015
FVR Beteiligungsgesellschaft Fünfte mbH	100%	31/12/2015
FVR Beteiligungsgesellschaft Sechste mbH	100%	31/12/2015
FVR Beteiligungsgesellschaft Siebente mbH	100%	31/12/2015
FVR Beteiligungsgesellschaft Achte mbH	100%	31/12/2015
FVR Beteiligungsgesellschaft Neunte mbH	100%	31/12/2015

Changes in the scope of consolidation in the previous year

Acquisitions of real estate project companies in the previous year were accounted for as direct purchases of real estate because, in the opinion of the Company's Executive Board, these companies did not represent a business operation as defined by IFRS 3. Therefore, the acquisition costs related to the project companies were allocated to the individually identifiable assets and liabilities on the basis of their fair values. This does not concern a business combination as defined under IFRS 3 (acquisition of aggregated assets).

The following amounts of assets and liabilities (based on 100 % ownership each and taking into account the 6 % interest of non-controlling shareholders) of Condor Objektgesellschaft Rendsburg GmbH, Condor Objektgesellschaft Bad Oynhausen GmbH, Condor Objektgesellschaft Lichtenfels GmbH, Condor Objektgesellschaft Yellow GmbH, all located in Frankfurt/Main, were recognised as at the acquisition date of September 30, 2014 and of Condor Objektgesellschaft Düsseldorf GmbH, Frankfurt/Main, as at the acquisition date of December 15, 2014:

EURk	Amounts recognised as at the acquisition date
Assets acquired	
Non-current assets	48.957
Current assets	2.072
Total assets	51.029
Acquisition costs	2.857

The entities mentioned above were included in the consolidated financial statements with their assets and liabilities because the acquisition of the interests in the reporting period did not constitute a business combination as defined by IFRS 3 (acquisition of aggregated assets).

The following amounts of assets and liabilities (based on 100 % ownership each and taking into account the 6 % interest of non-controlling shareholders) of GO Bremen ApS Denmark, GO Leonberg ApS Denmark, GO Ludwigsburg ApS Denmark, Denston Investments Ltd. Cyprus, Alemory 66 Grundstücks GmbH Germany, Reubescens S.à.r.l. Luxembourg, EOGF Grundstücksgesellschaft mbH Germany, Blue Ringed S.à.r.l. Luxembourg, Briarius S.à.r.l. Luxembourg, Armstripe S.à.r.l. Luxembourg, were recognised as at the acquisition date of December 15, 2014:

EURk	Amounts recognised as at the acquisition date
Assets acquired	
Non-current assets	149,515
Current assets	5,579
Total assets	155,094
Acquisition costs	1,710

The entities mentioned above were included in the consolidated financial statements with their assets and liabilities because the acquisition of the interests in the reporting period did not constitute a business combination as defined by IFRS 3 (acquisition of aggregated assets). The purchase prices for the real estate companies acquired on December 15, 2014, included the interests in the companies as well as shareholder loans belonging to previous shareholders that were assumed by the Company. The recognition of the shareholder loans below the current carrying amounts was due to the fact that most of the acquired companies had negative equity, and the shareholder loans were so-called non-performing loans.

The following amounts of assets and liabilities acquired in the context of asset deals (based on 100 % ownership each) of CAM Commercial Asset Management EINS GmbH, CAM Commercial Asset Management ZWEI GmbH, CAM Commercial Asset Management DREI GmbH, CAM Commercial Asset Management VIER GmbH, all located in Frankfurt/Main, were recognised as at the acquisition date of December 31, 2014, and of Schwerin Margaretenhof 18 GmbH, Berlin (taking into account the 5.1 % interest of non-controlling shareholders):

EURk	Amounts recognised as at the acquisition date
Assets acquired	
Non-current assets	50,254
Current assets	1
Total assets	50,255
Acquisition costs	42,555

The entities mentioned above were included in the consolidated financial statements with their assets and liabilities because the acquisition of the interests in the reporting period did not constitute a business combination as defined by IFRS 3 (acquisition of aggregated assets).

The liabilities of the acquired companies were refinanced and mainly replaced by loans for the acquisition at the acquisition date.

Disposals in the reporting year

The disposals of fully consolidated subsidiaries in the reporting year largely concern the legacy portfolio and include the following companies: Kappatrade Ltd. (Ukraine), Polartrade Ltd. (Ukraine), OOO Sadko Holding (Russia), OOO New Sadko Holding (Russia), MAGNAT Real Estate Project Sadko B.V. (The Netherlands), MAGNAT Real Estate New Project Sadko B.V. (The Netherlands) and Munich ASSET Vermögensverwaltung GmbH. The disposal of these companies generated a total negative effect on earnings of EURk 500, mainly as a result of the derecognition of reserves for currency translation

differences attributed to these companies. In addition, a German entity and a Dutch entity contained in the legacy portfolio were merged in an effort to streamline the Group's structure.

	Date of disposal	Revenue from the sale of real estate companies in EURk	Net assets from real estate companies sold (incl. currency translation reserve) in EURk	Profit/loss from the sale of real estate companies in EURk
Kappatrade Ltd., Kiev, Ukraine ...	08/04/2015	1,716	-1,570	146
Polartrade Ltd. (Ukraine)	10/06/2015	50	-12	38
OOO Sadko Holding, Moscow, Russia	19/06/2015	0	27	27
OOO New Sadko Holding, Moscow, Russia	30/06/2015	0	14	14
MAGNAT Real Estate Project Sadko B.V., Hardinxveld Giessendam, Netherlands	14/07/2015	0	0	0
MAGNAT Real Estate New Project Sadko B.V., Hardinxveld Giessendam, Netherlands	14/07/2015	0	0	0
Munich ASSET Vermögensverwaltung GmbH, Frankfurt/Main, Germany	01/10/2015	26	34	60
Total		1,792	-1,507	285

Summary financial information for companies sold (amounts EURk):

	Kappatrade Ltd.	Polartrade Ltd.	OOO Sadko Holding
Aggregated assets	1,881	1,323	43
thereof cash and cash equivalents	0	0	2
Aggregated liabilities	5,407	3,864	0
	MAGNAT Real Estate Project Sadko B.V.	MAGNAT Real Estate New Project Sadko B.V.	Munich ASSET Vermögensverwaltung GmbH
Aggregated assets	0	440	7,539
thereof cash and cash equivalents	0	0	2
Aggregated liabilities	24	2	7,460
			OOO New Sadko Holding
Aggregated assets			21
thereof cash and cash equivalents			0
Aggregated liabilities			2

Disposals in prior year

The following entities were sold in the prior year:

	Date of disposal	Revenue from the sale of real estate companies in EURk	Profit/loss from the sale of real estate companies in EURk	Net assets from the real estate companies sold in EURk
MAGNAT Asset Management Ukraine Ltd., Kiev, Ukraine ...	15/12/2014	0	14	-14
R-QUADRAT Ukraine Gamma Ltd., incl. RQ Gamma LLC*), both in Kiev, Ukraine	30/12/2014	325	-112	437
Zetatrade Ltd., Kiev, Ukraine ...	30/12/2014	750	0	750
Hekuba S.à.r.l., Luxembourg	End of June 2014	3,700	167	3,533

Summary financial information on companies sold (amounts EURk):

	MAGNAT Asset Management Ukraine Ltd., Kiev, Ukraine	R-QUADRAT Ukraine Gamma Ltd., Kiev, Ukraine	Zetatrade Ltd., Kiev, Ukraine
Aggregated assets	4	355	1,676
thereof cash and cash equivalents	0	55	0
Aggregated liabilities	32	160	1,576

Disclosures according to IFRS 12

a) Disclosures relating to fully consolidated subsidiaries

An overview of subsidiaries in which DEMIRE AG held a direct or indirect interest as at December 31, 2015 (IFRS 12.10 ff) is provided in Appendix 1.

The direct and indirect interests in the capital of subsidiaries held by DEMIRE AG correspond to the share of voting rights. The contribution of the non-consolidated entities to the Group's revenues, net profit/loss and total assets are considered immaterial. Therefore, these entities are not included in the consolidated financial statements.

ENTITY	Type	Registered office	Fiscal year	Interest in voting capital (%)
Fair Value REIT-AG	Subsidiary	Germany, Munich	01/01/2015 – 31/12/2015	77.70

Fair Value REIT-AG, Munich, and its subsidiaries were fully consolidated for the first time as of December 31, 2015, in the consolidated financial statements as the Fair Value REIT subgroup. In this process, only the assets and liabilities of Fair Value REIT were consolidated in DEMIRE's consolidated financial statements, which led to the disclosure of the following information in accordance with IFRS 12.12 in consideration of IFRS 3 (see Note B "Changes in the scope of consolidation") as of December 31, 2015:

FAIR VALUE REIT-AG	31/12/2015 EURk
BALANCE SHEET	
Non-current assets	297,181
Current assets	33,452
thereof cash and cash equivalents	16,028
Non-current liabilities	187,738
thereof interests of minority shareholders	61,160
Current liabilities	25,497
thereof financial liabilities	18,118
Net assets	117,278
STATEMENT OF INCOME	
Revenue	29,847
Interest income	11
Interest expense	4,212
Income taxes	0
Other income	0
Net profit/loss for the period	6,585
RECONCILIATION	
Net assets of fully consolidated subsidiary at the beginning of the fiscal year	78,273
Net profit	6,585
Net assets of fully consolidated subsidiary as at Dec. 31	117,278
Group's interest in %	77,70
Interest in the net assets of the fully consolidated subsidiary	91,125
Deferred tax assets	-4,739
Goodwill	6,783
Investment's carrying amount	93,125

Please see Note B “Changes in the scope of consolidation” for information on deferred tax liabilities and goodwill that are in connection with the acquisition of interests in Fair Value REIT-AG.

b) Disclosures relating to associated companies

The interests in associated companies accounted for using the equity method had the following effect on the DEMIRE Group’s balance sheet and statement of income.

COMPANY	Carrying amount as at 31/12/2015 EURk	Carrying amount as at 31/12/2014 EURk
SQUADRA Immobilien GmbH & Co. KGaA	3,020	1,592
Russian Land AG	0	23
	3,020	1,615

The following provides information relating to interests in associated companies assessed as material.

COMPANY	Type	Registered office	Fiscal year	Interest in capital (%)
SQUADRA Immobilien GmbH & Co. KGaA	Associated company	Germany Frankfurt/Main	01/01/2015 – 31/12/2015	24.78

The summary financial information on the Group’s material associated companies is provided below. The financial information provided corresponds to the amounts of the subgroup financial statements of SQUADRA Immobilien GmbH & Co. KGaA as of December 31, 2015 prepared for the purpose of inclusion in DEMIRE’s consolidated financial statements under IFRS.

SQUADRA IMMOBILIEN GMBH & CO. KGAA	31/12/2015 EURk	31/12/2014 EURk
BALANCE SHEET		
Non-current assets	20,575	12,606
Current assets	5,922	397
thereof cash and cash equivalents	3,532	74
Non-current liabilities	1,467	0
Current liabilities	6,604	340
thereof financial liabilities	6,147	93
Net assets	18,426	12,663
STATEMENT OF INCOME		
Revenue	122	129
Depreciation/amortisation	6	9
Interest income	0	0
Interest expense	0	0
Income taxes	0	0
Profit from fair value adjustments in investment properties (previous year: loss)	9,223	100
Other operating expenses	1,980	421
Deferred tax expenses (previous year: tax benefit)	1,460	32
Other income	0	0
Net profit/loss for the period	5,763	-508
RECONCILIATION		
Net assets of associated company at the beginning of the fiscal year	12,663	13,171
Net profit/loss	5,763	-508
Net assets of associated company at December 31	18,426	12,663
Group’s interest in %	24,78	24,78
Interest in the net assets of the associated company	4,566	3,138
Decrease from reverse acquisition	1,546	1,546
Investment’s carrying amount	3,020	1,592

c) Disclosures relating to joint ventures

The interests in joint ventures had the following impact on the DEMIRE Group's balance sheet and statement of income:

COMPANY	Carrying amount as at 31/12/2015 EURk	Carrying amount as at 31/12/2014 EURk
OXELTON ENTERPRISES Limited	0	869
R-Quadrat Polska Alpha Sp. z o.o.	0	0
Irao MAGNAT 28/2 LLC	116	129
Irao MAGNAT Gudiashvili LLC	0	0
	116	998

A subsidiary of DEMIRE held 60 % of OXELTON ENTERPRISES Limited (indirect interest of the DEMIRE Group: 59.78 %). The underlying project includes the building rights to a corresponding property in Kiev with an existing permission for the construction of an office building and commercial property. Construction has not yet started. This interest was sold during the reporting year.

DEMIRE holds a 50 % interest in R-QUADRAT Polska Alpha Sp. z o.o. The underlying project is located in the centre of Kały Wrocławskie. The initial plan was for a three-stage construction project to build residential dwellings and commercial areas with roughly 77,700 m² of usable living space. Two of the three construction sections have been completed.

A subsidiary of DEMIRE holds a 50 % interest in Irao MAGNAT 28/2 LLC (interest of the DEMIRE Group: 49.82 %). A building containing apartments, a penthouse and commercial units was constructed together with a local partner.

A subsidiary of DEMIRE holds a 50 % interest in Irao MAGNAT Gudiashvili LLC (interest of the DEMIRE Group: 50 %). The intention was to develop the "Gudiashvili Square" project in Tbilisi together with a local partner. For this purpose, the project company acquired the existing building and started with the revitalisation. During the fiscal year, DEMIRE and the local partner jointly decided to exit the project.

DEMIRE's interest in the transferred profit or loss according to the annual or interim financial statements of the joint ventures is as follows:

COMPANY	Profit/loss for the period 01/01/2015 - 31/12/2015 EURk	Profit/loss for the period 01/01/2014 - 31/12/2014 EURk
R-Quadrat Polska Alpha Sp. z .o.o.	0	0
Irao MAGNAT 28/2 LLC	0	0
Irao MAGNAT Gudiashvili LLC	0	0
OXELTON ENTERPRISES Limited	0	199
	0	199

The following table lists the joint ventures classified as immaterial.

COMPANY	Type	Registered office	Fiscal year	Interest in capital (%)
Irao MAGNAT Gudiashvili LLC ..	Joint venture	Tbilisi, Georgia	01/01/2015 – 31/12/2015	50
Irao MAGNAT 28/2 LLC	Joint venture	Tbilisi, Georgia	01/01/2015 – 31/12/2015	50
SUMMARY FINANCIAL INFORMATION				
Group's share in profit/loss from continuing operations				31/12/2015 EURk
Group's share in profit/loss after taxes from discontinued operations				31/12/2014 EURk
Group's share in other comprehensive income				
Total comprehensive income (profit/loss)				0

CARRYING AMOUNTS	31/12/2015 EURk	31/12/2014 EURk
Total carrying amounts	116	998
UNRECOGNISED LOSSES	31/12/2015 EURk	31/12/2014 EURk
Unrecognised losses of the period	4	4
Accumulated unrecognised losses	45	41

The following provides information relating to interests in associated companies assessed as material:

COMPANY	Type	Registered office	Fiscal year	Interest in capital (%)
R-Quadrat Polska Alpha Sp. z o.o.	Joint venture	Warsaw, Poland	01/01/2015 – 31/12/2015	50

The summary financial information on the Group's material joint ventures is provided below. The financial information provided corresponds to the amounts of the financial statements prepared by the associated companies:

R-QUADRAT POLSKA ALPHA SP. Z .O.O.	31/12/2015 EURk	31/12/2014 EURk
BALANCE SHEET		
Non-current assets	0	1
Current assets	3,573	3,664
thereof cash and cash equivalents	202	74
Non-current liabilities	0	0
Current liabilities	15,678	14,990
Net assets	-12,105	-11,325
STATEMENT OF INCOME		
Revenue	409	828
Depreciation/amortisation	1	3
Interest income	0	0
Interest expense	668	726
Income taxes	0	0
Net profit/loss for the period	-771	-1,154
RECONCILIATION		
Net assets of associated company at the beginning of the fiscal year	-11,325	-10,491
Net profit/loss	-771	-1,154
Change in currency translation reserves	-9	320
Net assets of associated company at December 31	-12,105	-11,325
Group's interest in %	50,00	50,00
Interest in the net assets of the associated company	-6,052	-5,663
Investment's carrying amount	0	0

The following table provides a reconciliation to the carrying amount as at December 31, 2014. A reconciliation of the carrying amount of OXELTON ENTERPRISES Limited as at December 31, 2015 was waived because the interest was sold during the reporting year (see Note B “Disposals in the reporting year”).

OXELTON ENTERPRISES LIMITED	31/12/2015 EURk	31/12/2014 EURk
BALANCE SHEET		
Non-current assets	0	12,200
Current assets	0	3,419
thereof cash and cash equivalents	0	16
Non-current liabilities	0	5,919
thereof financial liabilities	0	5,919
Current liabilities	0	859
thereof financial liabilities	0	741
Net assets	0	8,841
STATEMENT OF INCOME		
Revenue	0	810
Depreciation/amortisation	0	0
Interest income	0	0
Interest expense	0	395
Income taxes	0	0
Net profit/loss for the period	0	331
RECONCILIATION		
Net assets of associated company at the beginning of the fiscal year	0	8,841
Net profit/loss	0	331
Change in currency translation reserves	0	-1,779
Impairments	0	-1,810
Net assets of associated company at December 31	0	5,583
Group's interest in %	0	60,00
Interest in the net assets of the associated company	0	3,350
Decrease from reverse acquisition	0	-2,481
Investment's carrying amount	0	869

2. Principles of consolidation

The financial statements of DEMIRE's subsidiaries are prepared using uniform accounting policies as at the same balance sheet date as that of the parent company.

The consolidated financial statements include DEMIRE AG and the subsidiaries controlled by it from the date of acquisition, i.e. from the date on which control was assumed.

The Group controls an investee only when all of the following conditions have been met:

- The Group exerts control over the investee (i.e. based on currently existing rights, the Group has the option to control those activities of the investee that have a significant influence on the investee's return);
- the Group has risk exposure or rights to variable returns from its involvement in the investee; and
- it has the option to exert its control over the investee to influence the amount of the investee's returns.

If the Group does not hold the majority of voting or similar rights on an investee, the Group considers all facts and circumstances when assessing whether it has control over the investee. This includes an assessment of

- contractual agreements with others exercising voting rights;

- rights resulting from other contractual agreements; and
- voting rights and potential voting right of the Group.

Subsidiaries are consolidated from the date control is assumed by the Group and are no longer consolidated from the date control ceases. The subsidiary's assets, liabilities, income and expenses that were acquired or sold during the reporting period, are included in the balance sheet and statement of comprehensive income from the date the Group assumes control over the subsidiary until the date control ceases.

Transactions through which the share of interest in a subsidiary changes without giving up control over the subsidiary are recognised as equity transactions. If a parent company loses control over a subsidiary, the following bookings are posted:

- derecognition of the assets (including goodwill) and liabilities of the subsidiary
- derecognition of the carrying amount of interests of non-controlling shareholders in the former subsidiary
- derecognition of accumulated currency translation differences recognised in equity
- recognition of the fair value of the consideration received
- recognition of the fair value of the remaining interest
- recognition of profits/losses in the statement of income
- reclassification of the components of other comprehensive income attributable to the parent company into the statement of income or retained earnings as if the Group had directly disposed of the corresponding assets and liabilities

In the case of acquisitions, DEMIRE assesses whether the acquisition constitutes a business combination according to IFRS 3 or the acquisition of a group of assets and liabilities (as aggregated assets).

Business combinations under IFRS 3 are accounted for using the purchase method. Under this method, all hidden reserves and liabilities of the acquired assets and liabilities are disclosed as part of the revaluation. Assets or disposal groups classified as held for sale are measured at their fair value less costs to sell. In business combinations under IFRS 3, the cost of an acquisition are distributed over the acquired, individually identifiable assets, liabilities and contingent liabilities according to their fair values as at the acquisition date (purchase price allocation). Any remaining difference between the acquisition cost plus shares of non-controlling shareholders and the net assets acquired is recorded as goodwill. In the case of any remaining negative difference, the carrying amounts of assets and liabilities acquired and the acquisition cost determined are first subjected to a further critical review.

Interests in the net assets of subsidiaries that are not attributable to DEMIRE are reported as a separate equity component in the line item interests of non-controlling shareholders.

The acquisition of real estate project companies that do not constitute a business as defined in IFRS 3, is depicted as a direct acquisition of a group of assets and liabilities (acquisition of aggregated assets) in the context of an asset deal. For this reason, the individually identifiable assets acquired and liabilities assumed are identified and recognised as an acquisition of aggregated assets in accordance with IFRS 3.2b. The acquisition costs of the group of assets are to be allocated to the individually identifiable assets and liabilities at the date of acquisition based on their fair value. This type of transaction or event does not create goodwill or a difference from capital consolidation.

The purchase of other companies is accounted for in the context of capital consolidation using the purchase method by offsetting the acquisition costs of the interests with the proportional revalued equity of the subsidiaries at their date of acquisition. Upon initial consolidation, the conditions prevailing on the date when the interests in the consolidated subsidiary are acquired are generally taken into consideration.

Any subsequently resulting differences are allocated to the assets and liabilities insofar as their fair values differ from the carrying amounts in the financial statements. In subsequent periods, identified hidden reserves are carried in line with the corresponding assets and liabilities. Any remaining positive difference from capital consolidation is recognised as goodwill, and any remaining negative difference is recognised through profit and loss.

If other (non-Group) shareholders hold an interest in the subsidiary's equity on the balance sheet date, this item is allocated to interests of non-controlling shareholders. In determining the amount of the Group net profit/loss attributable to the interests of non-controlling shareholders, consolidation effects recognised through profit and loss are also taken into account.

Moreover, in the subgroup of Fair Value REIT, there are interests of non-controlling shareholders (minority interests), relating to the capital of limited partners of predominantly natural persons in real estate funds in the legal form of a GmbH & Co. KG. These non-controlling shareholders have the right to terminate their participation. Therefore, the interests of these shareholders in the subsidiaries' share capital are considered under IAS 32 as potential compensation claims and recognised in the consolidated balance sheet under liabilities. They are measured at fair value upon the initial recognition, which corresponds to the interest of the non-controlling shareholder in the net asset value of the respective company. The reported liability is, therefore, equivalent to the notional interest of the non-controlling shareholders in the net assets of the respective subsidiary recognised at their carrying amount in Fair Value REIT subgroup's consolidated balance sheet.

Intragroup revenues, expenses and income, and all receivables and liabilities between consolidated companies are eliminated.

Associated companies and joint ventures are consolidated using the equity method. According to the equity method, these types of interests are consolidated when DEMIRE exerts significant influence over these interests through an ownership interest generally between 20 % and 50 %. Under equity valuation, the acquisition costs are annually increased or decreased by the changes in equity of the investment company attributable to the Group. Any differences arising from the first-time consolidation of companies using the equity method are treated in accordance with the principles of full consolidation. Gains and losses from transactions between fully consolidated companies and associated companies or joint ventures are eliminated in proportion to the Group's share in the investee.

The Fair Value REIT-AG subsidiaries BBV 02, BBV 10 and IC 15, of which Fair Value REIT-AG holds an interest of 40 %—50 %, are fully consolidated in the Company's consolidated financial statements because of the defacto control exercised over these subsidiaries. For further information and explanations on the inclusion of these companies, please see Note A.6.

Currency translation

The consolidated financial statements are prepared in euro (EUR). All financial information presented in EUR are rounded to euro thousands unless otherwise indicated. When rounding to EURk, discrepancies may occur.

The functional currency concept is applied for consolidated companies whose financial statements are prepared in foreign currencies. Pursuant to IAS 21 (The Effects of Changes in Foreign Exchange Rates), assets and liabilities denominated in foreign currencies are translated into the euro reporting currency at the rate prevailing on the balance sheet date, and expenses and income are translated on the basis of year-average exchange rates.

In the case of subsidiaries and companies accounted for using the equity method that prepare their financial statements in foreign currencies, the functional currency is determined on the basis of the economic environment in which the respective company operates.

In the period under review, the financial statements of some companies accounted for using the equity method were not prepared in the reporting currency of the euro. Insofar as these companies were included in the consolidated financial statements using the equity method, the proportional equity was translated into the reporting currency applying the functional currency concept. Proportional profits/losses were translated at year-average rates.

Currency translation differences are recognised in other comprehensive income and totalled EURk -57 as of the reporting date (previous year: EURk -3,348).

C. ACCOUNTING POLICIES

The consolidated financial statements were prepared based on the assumption of a going concern. In the opinion of the Executive Board, there is no intention or need to discontinue business activities.

Assets and liabilities are presented according to their terms (due in more than/less than one year). Deferred taxes are generally reported as non-current.

The statement of income is structured according to the recommendations of the European Public Real Estate Association (EPRA).

Assets are generally measured at the cost of acquisition or production, except for the fair value measurement of investment properties pursuant to IAS 40 and the measurement of interest swaps.

Goodwill and other intangible assets

Upon initial recognition, individually acquired intangible assets are measured at their acquisition cost. Subsequently, intangible assets with a limited period of use are amortised on a straight-line basis usually over a period of three to five years based on their estimated useful economic life and are tested for possible impairment when there are any relevant indications thereof. Impairment of intangible assets is recognised in profit or loss.

Intangible assets with an indefinite useful life are not subject to scheduled amortisation. These assets are subjected to an impairment test at least once annually either on the basis of the individual asset value or as a cash-generating unit. An impairment test is also carried out when an event impairing value occurs.

Other intangible assets include acquired software and other purchased intangible assets, which are amortised on a straight-line basis over a period of three to four years according to their useful economic life.

Upon initial consolidation, goodwill is measured at acquisition cost, which calculated as the excess of the sum of the consideration transferred, the amount of non-controlling interests and any previously held interests over the acquired identifiable assets and assumed liabilities of the Group. After initial recognition, goodwill is measured at acquisition cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in the context of a business combination is allocated to the Group's cash-generating units that are expected to benefit from the merger as of the purchase date.

Property, plant and equipment

Property, plant and equipment is measured at the cost of acquisition or cost of production, less accumulated scheduled depreciation. Operating and office equipment is depreciated based on the straight-line method using useful lives of three to fifteen years. Advance payments made on property, plant and equipment are recognised at their nominal value.

Impairment of non-financial assets

Assets, as defined by IAS 36.1, are tested for impairment if circumstances or changes to circumstances suggest that their carrying amounts may no longer be recoverable. An impairment loss is recognised in profit or loss if the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of either the asset's net realisable value or value in use. The net realisable value is the asset's estimated sale proceeds achievable in the normal course of business less the estimated selling costs. The recoverable amount is the higher of either the asset's fair value less selling costs or its value in use. The fair value less selling costs is the amount achievable when an asset is sold on normal market terms between knowledgeable, willing parties, less selling costs.

A reversal of impairment loss of previously impaired assets is mandatory if the reason for the impairment loss no longer exists. The only exception to this regulation is an impairment loss applied to goodwill, where reversals of impairment losses are expressly prohibited.

Financial assets and liabilities

Financial assets and financial liabilities are classified upon their initial recognition according to the categories of IAS 39 and accounted for accordingly.

DEMIRE classifies financial assets as either

- financial assets measured at fair value through profit or loss,
- loans and receivables,
- held for sale financial assets, or
- derivative financial instruments that meet the requirements for an effective hedge transaction.

Financial assets held for trading purposes and financial assets held to maturity are not recognised.

DEMIRE classifies financial liabilities as either

- other financial liabilities measured at amortised costs,
- financial liabilities measured at fair value, or
- derivative financial liabilities that meet the requirements for an effective hedge transaction.

The Company primarily holds financial instruments at amortised cost under the categories of loans and receivables and financial liabilities. Financial assets and financial liabilities are initially recognised in the balance sheet when a Group company becomes a contracting party to the financial instrument. The initial recognition of a financial instrument is carried out at fair value, including possible transaction costs.

“Loans and receivables” contain non-derivative financial assets with fixed or determinable payments that are not listed on an active market. At the time of initial measurement, loans and receivables, including any transaction costs, are measured at fair value. Subsequently, they are measured at amortised cost using the effective interest method, less any impairment losses. Non- and low-interest-bearing non-current receivables are carried at their present value. Under this category, DEMIRE includes loans to investments accounted for using the equity method, trade accounts receivable and other receivables (except for receivables from income taxes and value-added taxes), as well as financial receivables.

DEMIRE uses derivative financial instruments to hedge against interest rate risk. At the date on which the corresponding loan agreements were concluded, the derivative financial instruments are initially recognised at their fair values and subsequently measured at their fair values. The provisions of IAS 39 for hedge accounting do not apply. Derivative financial instruments are carried as assets when their fair value is positive and as liability when their fair value is negative. Their valuation is derived using the mark-to-market method, taking into account the market data on the balance sheet date. Gains or losses from changes in fair values of derivative financial instruments are recognised immediately through profit or loss.

Under a shareholder agreement between DEMIRE AG and Dovemco Ltd. (“Dovemco”) signed in April 2015, an “earn-out” agreement was agreed for the underlying CONDOR portfolio. This agreement is based on a combination of call/put options with different strike prices that can be exercised only when certain budget targets are achieved. This combination is generally classified as a financial liability in the form of a derivative. Due to the fact that the thresholds for exercise have not yet been reached and are expected clearly not to be reached in the future, the obligation is valued at “zero”.

“Other financial liabilities” are non-derivative financial liabilities that are subsequently measured at amortised cost. Differences between the amount received and the expected repayment amount are recognised over the term in profit or loss. DEMIRE allocates financial liabilities, trade accounts payable and other liabilities to this category.

Interests in affiliated and associated companies that are neither fully consolidated nor consolidated using the equity method due to their minor significance are recognised at acquisition costs less any impairment since the fair values of these assets cannot be reliably determined. These assets consist of non-listed interests for which there is no active market available. This mainly concerns non-consolidated subsidiaries active in the real estate sector that have only minor business activities.

The Company derecognises a financial asset when it has expired due to payment or when the payment is no longer anticipated. Financial liabilities are derecognised if these are redeemed, i.e. if the contractual obligations have been settled, waived or have expired.

Impairment of financial assets

If there is an objective indication on the balance sheet date that an impairment of loans and receivables recognised at amortised cost has occurred, the amount of the impairment is assessed as the difference between the carrying amount of the asset and the present value of the expected future cash flows (with the exception of expected future loan defaults that have not yet occurred) and discounted applying the original effective interest rate of the financial assets (i.e. the effective interest rate calculated upon initial recognition).

The asset's carrying amount is reduced utilising the valuation adjustment account, and the impairment is recognised through profit or loss.

It is first determined whether there is an objective indication of an impairment of financial assets that are individually considered to be significant or to financial assets that are not individually or collectively considered to be significant. Whether the asset is significant or not, if the Group determines that there is no objective indication of an impairment of an individually tested financial asset, it assigns the asset to a group of financial assets with similar default risk characteristics and collectively tests them for impairment. Assets that are tested individually for impairment and for which an impairment loss is recognised are not included in the collective impairment assessment.

If the amount of impairment loss decreases in one of the subsequent reporting periods and the decrease can be related objectively to a circumstance arising after the impairment was recognised, the previously recorded impairment loss is reversed. The amount of the reversal is limited to the amortised cost as at the date of the reversal. The reversal is recognised through profit or loss in the loans and receivables measurement category. If there are objective indications (such as the probability of insolvency or significant financial difficulties on the part of the debtor) that not all trade accounts receivable will be collected under the original payment terms, an impairment loss is applied using a valuation adjustment account. The amounts in the valuation adjustment account are derecognised against the carrying amounts of the impaired financial asset if they are classified as uncollectible.

Classification of net gains and losses

Net gains and losses from loans and receivables primarily consist of interest income as well as the corresponding impairments and impairment reversals on these financial assets and gains and losses from currency translation. Net gains and losses from financial liabilities include not only interest expenses but also gains and losses from currency translation.

Investments accounted for using the equity method

Interests in companies in which DEMIRE can exert significant influence but does not possess control are recognised using the equity method pursuant to IAS 28. Interests in joint ventures are also recognised using the equity method pursuant to IFRS 11. Interests in investments accounted for using the equity method are initially recognised at cost. The difference between the acquisition costs and the proportionate share of equity represents goodwill. The carrying amount of the interest subsequently increases or decreases according to the owner's interest in the net profit for the period (including currency translation) of the investments accounted for using the equity method. The equity method is no longer applied when significant influence has ended or when the company is no longer classified as an associated company or joint venture. If at the same time, assets exist against investments accounted for using the equity method for which settlement is neither planned nor likely, then these assets are allocated, according to their economic substance, to the net investment in the investments accounted for using the equity method.

After applying the equity method, the Group determines whether an additional impairment is required for the Group's interest in the investments accounted for using the equity method. On each balance sheet date, the Group determines the extent to which there are objective indications that an interest in an investment accounted for using the equity method has been impaired. If this is the case, any difference between the carrying amount and the recoverable amount (the higher of either the value in use or the fair value less costs to sell) is reported through profit or loss as an impairment loss. When the reasons for a previously recognised impairment loss no longer exist, the impairment loss is reversed accordingly.

Measurement at fair value

Assets, equity and debt instruments (excluding share-based payments under IFRS 2) that are measured at fair value based on other standards are valued uniformly according to the provisions of IFRS 13. IFRS 13.9 defines fair value as the price in a normal transaction between market participants at the measurement date that would be received for the sale of an asset or paid to transfer a liability. Fair value generally assumes the sale of an asset even if the company has no intention or the capacity to sell the asset or transfer the liability as at the valuation date. The fair value of non-financial assets is determined based on the highest and best possible use. This stipulates the intention to maximise the benefit and value of the asset, to the extent that this is technically possible, legally permissible and financially feasible. It is irrelevant whether the fair value is directly observable or determined by applying a valuation method.

If fair value is determined using a valuation method, the fair value should be assigned to one of the following three levels of the fair value hierarchy depending on the available observable parameters and the respective importance of these parameters for the overall measurement:

Level 1: Input factors are quoted (unadjusted) prices in active markets for identical assets or liabilities that are available as at the valuation date.

Level 2: Other input factors than the quoted prices in Level 1 and factors which are either directly observable or can be indirectly derived for the asset or liability.

Level 3: Input factors for the asset or liability are not observable.

To determine the point in time at which a reclassification between the different hierarchy levels is considered to have occurred, the Company uses the time of the event or of the change in circumstances that caused the reclassification.

The measurement of investment properties at fair value is classified to Level 3 of the valuation hierarchy pursuant to IFRS 13.86, due to unobservable inputs. For an explanation of the measurement, please refer to Note C. Accounting and valuation parameters for investment properties. Details on the other valuation techniques and input factors used for determining the fair value of the various assets and liabilities can be found under Note E and Note I.1.

The result is the following fair value hierarchy:

FAIR VALUE HIERARCHY	Level 1	Level 2	Level 3
Investment properties			x
Financial receivables and other financial assets			x
Financial liabilities			x
Derivatives		x	

Investment properties

Investment properties include real estate that is held to generate rental income and capital appreciation and not for the Company's own use or for its sale in the ordinary course of business. Investment properties currently consist solely of commercial properties. Advance payments for purchases of real estate are recognised in "advance payments" under property, plant and equipment.

Investment properties are derecognised when they are sold or are no longer permanently used and a disposal is not expected to yield a future economic benefit. Any resulting gains or losses are recognised in the year of disposal or retirement. Investment properties are transferred when a change in utilisation through owner-occupation occurs or when the disposal process is initiated.

The initial recognition of investment properties is carried out at the cost of acquisition or production, including incidental acquisition costs. In subsequent accounting, investment properties are measured at fair value pursuant to IAS 40 in conjunction with IFRS 13.9. Their appraisal is carried out in accordance with the International Financial Reporting Standards (IFRS), the International Standards of Valuation of Real Estate for Investment Purposes ("International Valuation Standards") and the RICS Valuation—Professional Standards (January 2014) of the Royal Institution of Chartered Surveyors.

Gains and losses resulting from the adjustments in fair value are reported as income or expenses under “profit/loss from fair value adjustment in investment properties” in the consolidated statement of income.

The fair values of investment properties were determined by independent external experts using recognised appraisal methods. The commissioned experts possess the relevant professional qualifications and experience necessary to conduct the appraisals. The expert opinions are based on information provided by the Company such as current rents, maintenance costs, remaining useful lives and current vacancies as well as on assumptions of the experts, which are based on market data and which were assessed by the expert based on his professional qualification, such as rental trends, discount rates and capitalisation rates. The best possible use of the respective properties is assumed when calculating the properties’ value.

The determination of the fair value of investment properties is made annually by external and independent experts and is based on appraisals conducted in accordance with international valuation standards. The valuation method used for investment properties of the DEMIRE subgroup is the discounted earnings model pursuant to the Property Valuation Ordinance and, if available, based on comparative or market prices. Investment properties held by the Fair Value REIT subgroup are measured using the discounted cash flow method.

Due to the long-term nature of investment properties, the determination of the fair value of investment properties under the discounted earnings method or the discounted cash flow method is subject to uncertainties that could lead to positive as well as negative changes in value in future. Measurement under IAS 40 is based on assumptions and expectations by the Company’s management that may differ from actual developments. Should there be a significant increase in the vacancy rate or in the currently low interest rate, the result would be a decrease in the portfolio’s overall fair value. Had the Company’s management chosen the acquisition cost model as permitted under IAS 40, the carrying amounts of investment properties and the corresponding income and expense items would substantially differ.

Valuation of real estate held by the DEMIRE subgroup

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

The net present value consists of the sum of the property’s earnings value and the land value based on rentable space, taking attainable local rents (excluding utilities) into account and assuming sustainable occupancy/vacancy rates, which are predominantly influenced by local market supply and demand. Attainable rental income is compared to the operating costs necessary to maintain the properties in a rentable condition. The necessary investment is dependent upon the property’s current condition and is based on the expert appraisal with regard to future investment while taking into account the actual investments required in the past, the customary maintenance costs recommended in specialist literature and expert estimates. A multiple which is based on property yields and remaining useful lives is applied to the net present value. Property yields are determined by local/regional expert committees of the municipalities and are positively or negatively impacted by the property’s vacancy rate relative to the location. The land value (area * land value/m²) is added to the net present value. The sum of net present value and land value totals the fair value. All expert opinions are based on an on-site visit to the property.

The fair values of investment properties determined using the discounted earnings model equal the net values making it unnecessary to eliminate transaction costs.

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

OFFICE REAL ESTATE	31/12/2015		31/12/2014	
Ratio of maintenance costs to gross profit (in %)	7.26		7.78	
Average maintenance costs (in EUR per m2)	6.38		6.25	
Range of maintenance costs (in EUR per m2)	2.36	10.00	4.00	9.17
Average property yield (in %) ¹⁾	6.09		5.82	
Range of property yields (in %) ²⁾	5.00	9.75	5.00	8.75
Average residual useful life (in years)	37		40	
Range of residual useful life (in years)	25	45	30	45
Ratio of management costs to gross profit (in %)	3.09		3.42	
Range of ratio of management costs to gross profit (in %)	0.99	7.53	2.53	6.32
Average market rent (in EUR per m2, per year) ³⁾	96.22		96.87	
Range of average market rents (in EUR per m2, per year)	30.47	161.17	30.47	150.01
Rentable space as at balance sheet date (in m ²)	470,143		269,885	
Vacant space as at balance sheet date (in m ²)	39,025		41,242	
Value-based vacancy rate according to EPRA (in %)	8.32		14.30	
Average vacancy rate based on the rentable space (in %)	8.30		15.28	
Range of average vacancy rate based on the rentable space (in %)	0.00	67.27	0.00	82.00
Weighted Average Lease Term—WALT (in years)	6.04		6.28	

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

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

3 The determination of average market rent was based on rentable space as at December 31, 2015.

RETAIL REAL ESTATE	31/12/2015		31/12/2014	
Ratio of maintenance costs to gross profit (in %)	11.64		3.72	
Average maintenance costs (in EUR per m2)	6.83		5.00	
Range of maintenance costs (in EUR per m2)	5.00	7.50	5.00	5.00
Average property yield (in %) ¹⁾	6.62		5.50	
Range of property yields (in %) ²⁾	6.00	7.25	5.50	5.50
Average residual useful life (in years)	39		35	
Range of residual useful life (in years)	35	45	35	35
Ratio of management costs to gross profit (in %)	4.08		2.96	
Range of ratio of management costs to gross profit (in %)	2.86	7.40	2.96	2.96
Average market rent (in EUR per m2, per year) ³⁾	70.63		134.41	
Range of average market rents (in EUR per m2, per year)	47.07	134.53	134.41	134.41
Rentable space as at balance sheet date (in m ²)	21,616		3,973	
Vacant space as at balance sheet date (in m ²)	3,410		0,00	
Value-based vacancy rate according to EPRA (in %)	12.18		0.00	
Average vacancy rate based on the rentable space (in %)	15.77		0.00	
Range of average vacancy rate based on the rentable space (in %)	0.00	46.70	0.00	0.00
Weighted Average Lease Term—WALT (in years)	8.10		5	

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

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

3 The determination of average market rent was based on rentable space as at December 31, 2015.

LOGISTICS¹⁾ REAL ESTATE	31/12/2015	
Ratio of maintenance costs to gross profit (in %)	19.55	
Average maintenance costs (in EUR per m ²)	3.59	
Range of maintenance costs (in EUR per m ²)	3.59	3,59
Average property yield (in %) ²⁾	8.00	
Range of property yields (in %) ³⁾	8.00	8,00
Average residual useful life (in years)	25	
Range of residual useful life (in years)	25	25
Ratio of management costs to gross profit (in %)	1.77	
Range of ratio of management costs to gross profit (in %)	1.77	1,77
Average market rent (in EUR per m ² , per year) ⁴⁾	26.46	
Range of average market rents (in EUR per m ² , per year)	26.46	26,46
Rentable space as at balance sheet date (in m ²)	218,697	
Vacant space as at balance sheet date (in m ²)	66,978	
Value-based vacancy rate according to EPRA (in %)	30.63	
Average vacancy rate based on the rentable space (in %)	30.63	
Range of average vacancy rate based on the rentable space (in %)	30.63	30,63
Weighted Average Lease Term—WALT (in years)	2.42	

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

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

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

4 The determination of average market rent was based on rentable space as at December 31, 2015.

OTHERS	31/12/2015		31/12/2014	
Ratio of maintenance costs to gross profit (in %)	15.67		13.16	
Average maintenance costs (in EUR per m ²)	4.02		4.02	
Range of maintenance costs (in EUR per m ²)	4.00	6.50	4,00	6,50
Average property yield (in %) ¹⁾	9.35		8.38	
Range of property yields (in %) ²⁾	6.75	10.25	6,75	9,25
Average residual useful life (in years)	25		30	
Range of residual useful life (in years)	25	25	30	35
Ratio of management costs to gross profit (in %)	3.70		3.38	
Range of ratio of management costs to gross profit (in %)	2.25	6.63	2,26	6,68
Average market rent (in EUR per m ² , per year) ³⁾	40.81		40.48	
Range of average market rents (in EUR per m ² , per year)	12.06	64.78	11,50	64,83
Rentable space as at balance sheet date (in m ²)	92,735		78,529	
Vacant space as at balance sheet date (in m ²)	34,335		19,084	
Value-based vacancy rate according to EPRA (in %)	32.81		21.09	
Average vacancy rate based on the rentable space (in %)	37.03		24.30	
Range of average vacancy rate based on the rentable space (in %)	0.00	86.62	0,00	82,32
Weighted Average Lease Term—WALT (in years)	2.50		4.99	

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

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

3 The determination of average market rent was based on rentable space as at December 31, 2015.

Valuation of real estate held by the Fair Value REIT subgroup

The valuation method used for investment properties of the Fair Value REIT subgroup is the discounted cash flow model.

The discounted cash flow method is the basis of dynamic investment calculations and is used to calculate the net present value of future expected time-staggered, varying levels of cash flows. After identifying all value-relevant factors, the expected future, partly forecast-linked cash flows are totalled on an accrued basis. The result of the cash inflows and outflows are discounted to a fixed point in time (valuation date) using the discount rate. In contrast to the German discounted earnings model of the Valuation Ordinance

(WertV), the cash flows during the period under consideration are explicitly quantified and not shown as an annuity payment. As a result of discounting, the influence of future cash flows decreases as the forecasting insecurity increases over the observation period. Therefore, when considering an investment in real estate, usually the stabilised net income is capitalised using a growth implicit minimum interest rate (capitalisation rate) based on a 10-year period (detailed observation period) and discounted to the valuation date.

The assumptions used in the valuation model reflect the average assumptions prevailing on the market from key investors on the respective valuation date. These valuation parameters reflect the standard market expectations and the extrapolation of the analysed past figures of a property or several comparable properties to be appraised.

The valuation parameters are estimated by the appraiser at his/her discretion within the framework of the fair value calculation and can be divided into two groups:

The property-specific valuation parameters include, for example, rental income for initial and subsequent rentals, probability of extension of existing rentals, vacancy periods and vacancy costs, unallocable incidental costs and expected capital expenditure of the owner, expansion as well as rental costs for initial and subsequent rentals or a property- or rental-specific total rate of return on invested capital.

Macroeconomic factors include, in particular, the development of market prices and rent during the detailed observation period and the inflation expectations assumed in the calculation model. To comply with fair value disclosure requirements, the Group has determined classes of assets and liabilities based on their nature, characteristics and their risks and the levels of the fair value hierarchy above.

The Group's management is significantly involved in and closely monitors the process of investment property valuation, which takes place at least once per year. This includes comparing prior years' results with the results provided by independent appraisers as part of an initial plausibility review. Valuation results and the Company's own assumptions based on early risk detection risk are carefully scrutinised, and any deviations from the results of the external appraiser are discussed. The portfolio's development is also discussed in regular meetings with the Supervisory Board, which ensures that the property portfolio's value is continuously monitored.

The determination of fair values is based on the following underlying key, unobservable input factors (Level 3):

	<u>31/12/2015</u>
Average market rent (in EUR per m ² per year) ¹⁾	94.11
Range of average market rents (in EUR per m ²)	0.00 232.97
Rentable space as at balance sheet date (in m ²)	264,887
Vacant space as at balance sheet date (in m ²)	28,713
Value-based vacancy rate according to EPRA (in %)	10.31
Average vacancy rate based on the rentable space (in %)	10.84
Range of average vacancy rate based on the rentable space (in %)	0.00 63.51
Weighted Average Lease Term—WALT (in years)	4.86

¹⁾ The determination of average market rent was based on rentable space as at December 31, 2015.

The basis for rental revenue planning is the rental payments contractually agreed with the tenants and the prevailing customary local market rents for unlet space as at the valuation date. The contractually agreed rent per square meter and month reported as at the valuation date for the different types of properties compared to the previous year is as follows:

CONTRACTUAL RENTS (EUR)		31/12/2015
Office property	Min.	2.50
	Max.	25.80
	Avg.	6.10
Retail property	Min.	2.50
	Max.	90.00
	Avg.	7.97
Others	Min.	2.00
	Max.	11.60
	Avg.	5.46
Total	Min.	2.00
	Max.	90.00
	Avg.	6.92

The resulting changes in value (valuation gains and losses) are derived primarily from the adjustment in capitalisation and discount rates and fewer advantages from some of the existing leases that were concluded at yields above those in the current market (so-called over-rents).

Real estate inventory

Real estate inventory is recognised in accordance with IAS 2 (see Note A.6). Real estate inventory is recognised at the lower of acquisition or production cost and net realisable value. The net realisable value is the estimated sales proceeds achievable in the normal course of business less the estimated costs until completion and estimated sales costs. Acquisition/production cost includes directly attributable unit costs and general overhead costs attributable to the production process.

The net realisable value is newly determined in each subsequent period. If the circumstances that had previously led to an impairment of the inventory's value to a level below its acquisition or production cost no longer exists, or if there is a substantive indication of an increase in the net realisable value due to a change in economic circumstances, then the amount of the impairment is reversed to the extent that the new carrying amount equals the lower of acquisition or production cost or adjusted net realisable value. For example, this would be the case if the real estate inventory which is recognised at net realisable value due to a decline in its selling price would remain in the portfolio and in subsequent periods its selling price would rise again.

Taxes

Actual tax assets and liabilities for the past period are measured as the amount expected to be recovered from or paid to the taxation authorities. The amounts are calculated on the basis of the tax rate and tax laws applicable on the balance sheet date.

As a German real estate investment trust, the acquired Fair Value REIT-AG is principally exempt from taxes. Generally, taxes will not be applied at the Fair Value REIT-AG level as long as it retains the status of an exempt REIT. Dividends are taxable at the shareholder level.

Deferred tax assets and liabilities

Deferred taxes are recognised using the liability method for temporary differences between the carrying amount of an asset or liability in the consolidated balance sheet and its tax valuation as at the balance sheet date. Deferred tax liabilities are recognised for all taxable temporary differences with the exception of deferred tax liabilities arising from taxable temporary differences connected with interests in subsidiaries, associated companies, and joint ventures, if the timing of the reversal of the temporary differences can be controlled, and it is likely that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences as yet unutilised tax loss carryforwards and unutilised tax credits to the extent that it is likely that taxable income will be available against which the deductible temporary differences, unutilised tax loss carryforwards, and unutilised tax credits can be offset, with the exception of:

- Deferred tax assets relating to deductible temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination, and which, at the time of the transaction, affects neither the profit/loss for the period under commercial law, nor the taxable profit/loss.
- Deferred tax assets arising from taxable temporary differences connected with interests in subsidiaries, associated companies, and joint ventures, if it is likely that the temporary differences will not be reversed in the foreseeable future, and that there will be insufficient taxable income available against which the temporary differences can be used.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced insofar as it is no longer likely that sufficient taxable income will be available against which at least part of the deferred tax asset can be offset. Unrecognised deferred tax assets are reviewed at each balance sheet date, and recognised insofar as it has become likely that future taxable income will allow the deferred tax assets to be realised.

Deferred tax assets for tax loss carryforwards are capitalised only when it is likely that tax loss carryforwards will be offset by earnings achieved within the foreseeable future. According to IAS 12.36, deferred tax assets on tax loss carryforwards on the level of the tax entity were only capitalised in the DEMIRE Group to the extent that deferred tax liabilities were recognised.

Deferred tax assets and liabilities are measured applying the tax rates expected to be valid in the period in which the asset is realised or the liability is satisfied or expected. The amounts are calculated on the basis of the tax rates (and tax laws) applicable on the balance sheet date. The subsidiaries' deferred tax assets and liabilities are calculated using the tax rates of the respective country.

Deferred tax assets and liabilities are offset against one another according to IAS 12.71 if the Group has an enforceable right to offset tax assets against tax liabilities, and these assets and liabilities relate to income taxes levied by the same taxation authority against the same taxable entity or against different taxable entities that intend to realise the assets and fulfil the liabilities at the same time (IAS 12.74).

Deferred taxes relating to items that are recognised in other comprehensive income are not recognised through profit or loss but instead in the statement of comprehensive income.

DEMIRE recognised deferred taxes for temporary differences and so-called “inside basis differences” at Fair Value REIT by applying the company-specific tax rate as at the reporting date. Since Fair Value REIT-AG is generally exempt from taxes, no taxes are incurred at the level of Fair Value REIT as long as its status as a tax-exempt REIT (Real Estate Investment Trust) is maintained. In addition to the “inside basis differences”, “outside basis differences” were also recognised for Fair Value REIT-AG according to the “tax transparent entity” approach. This approach assumes a deemed disposal of all properties directly held by Fair Value REIT-AG and indirectly held through trusts. For further details, please see Note B.1.

Value-added tax

Revenues, expenses, and asset are recognised after deducting the value-added tax with the exception of the following instances:

- If the value-added tax incurred on the purchase of assets or services cannot be recovered from the taxation authorities, the value-added tax is recognised as part of the asset's acquisition or production cost, or as part of the expense item.
- Receivables and liabilities are recognised with the value-added tax included.

The amount of value-added tax recovered from, or paid to, the taxation authority is recognised in the consolidated balance sheet as receivables or liabilities, respectively.

Cash and cash equivalents

Cash and cash equivalents include cash and deposits recognised at their nominal amount. Cash and cash equivalents denominated in foreign currencies are translated at the exchange rate prevailing on the reporting date.

Non-current assets held for sale

Investment properties are classified as non-current assets held for sale if a large portion of the carrying amount can be realised by a sale and a sale is highly probable. These investments are recognised at the lower of their carrying amounts and fair values less selling costs. The disposal costs are not recognised at their present value assuming that the disposal will take place within one year. Impairments from subsequent measurements will be recognised in profit or loss. A subsequent rise in the fair value will be recognised as a gain to the maximum extent of the previous impairment.

Following the disposals in the reporting year, the provision for discontinued operations under IFRS 5 were applied. Therefore, all income and expenses, including the disposal gain, attributable to the discontinued operations, were reported under the line item “profit/loss from the sale of real estate companies” in the consolidated statement of income.

Trade payable and other liabilities

Liabilities are measured at amortised cost after their initial recognition.

Financial liabilities

Financial liabilities is recognised upon initial recognition at fair value less directly attributable transaction costs and discounts. The fair value of the financial liabilities as at the grant date corresponds to the present value of future payment obligations on the basis of maturities and a risk congruent market interest rate. Financial liabilities is subsequently measured at amortised cost using the effective interest method. The effective interest rate is determined on the date the financial liabilities is initially recognised. A change in conditions concerning the amount or timing of interest and repayments lead to a recalculation of the financial liability's carrying amount at the present value and based on the originally estimated effective interest rate. Any differences to the previously existing carrying amount of financial liabilities are recognised through profit or loss.

Convertible bonds (“CB”) are generally embedded financial instruments that are to be divided for accounting purposes into a financial liabilities and a conversion right. Depending on the terms of the convertible bond, the conversion right can be of an equity or debt nature. If the conversion right is to be classified as debt, as in the case of DEMIRE's CB issued in the 2013/2014 fiscal year and Fair Value REIT's CB issued in the 2015 fiscal year, the composite financial instrument may also be entirely accounted for at fair value. Accordingly, the CB issued by the Company was classified as “at fair value through profit or loss” (IAS 39.11 (c)). Thus, all fair value adjustments were recognised in profit or loss. By resolution of the creditors' meeting of September 30, 2014, the terms and conditions of DEMIRE's convertible bonds have been amended so that the conversion right qualified from this date to be classified as equity. Due to the material adjustment of the financial liability, the adjustment was treated as a repayment and new issue. Accordingly, the financial instrument was disposed of at fair value (partly through profit or loss), and the CB was newly recognised as at September 30, 2014, based on a market standard interest rate. The equity portion was directly recognised in equity. The financial liabilities is now carried under the line item “other liability” through profit or loss by using the effective interest method.

Pension provisions

In measuring provisions for pension obligations, the obligations for company pension schemes are calculated using the projected unit credit method in accordance with IAS 19. This method not only takes into account known pensions and vested benefits as at the balance sheet date but also expected future increases in salaries and pensions. An actuarial valuation is performed at each reporting date.

The amount recognised represents the present value of the defined benefit obligation (DBO) offset with the fair value of plan assets.

Actuarial gains and losses are fully accounted for in the period they occurred and recognised as a component of other comprehensive income outside the consolidated statement of income. Also in

subsequent periods, actuarial gains and losses are no longer recognised through profit or loss. The service cost is recognised in staff costs. An increase in the present value of a defined benefit obligation that is attributable to the services rendered in the reporting period is considered a service cost. Interest expenses on pension obligations are reported in the financial result. An increase in the present value of a defined benefit obligation is considered an interest expense.

A reinsurance policy was concluded for pension commitments and is classified as a plan asset. If the value of the reinsurance policy exceeds the corresponding amount of obligations, the net amount that results is recorded as an asset under other assets (non-current).

Provisions

Provisions are recognised during the fiscal year for obligations to third parties for which it is likely that there will be an outflow of resources in future periods. Provisions for obligations that will likely not result in a burden on assets in the subsequent year are recognised at the present value of the expected outflow of assets. The measurement of provisions is reviewed at each balance sheet date.

Interests of non-controlling shareholders

The interests in net assets of non-controlling shareholders are recognised and reported separately from the parent company shareholders' interests in the Group's equity. The interests in net assets of non-controlling shareholders consist of the amount of the interests of non-controlling shareholders as at the balance sheet date of the previous year, and the interests of non-controlling shareholders in the changes in equity in the fiscal year.

Interests of minority shareholders

Additionally, there are minority shareholders in the Fair Value REIT subgroup (minority interests), relating to limited partners of predominantly natural persons in real estate funds in the legal form of a GmbH & Co. KG. These minority shareholders have the right to terminate their shareholding. Therefore, the interests of these shareholders in the subsidiaries' share capital are considered under IAS 32 as potential compensation claims and recognised in the consolidated balance sheet as liabilities. Upon initial measurement, these interests are recognised at fair value, which corresponds to the interest of the minority shareholders in the net assets of the respective company. The reported liability is, therefore, equivalent to the notional interest of the minority shareholders in the net assets of the respective subsidiary recognised at their carrying amount in Fair Value REIT subgroup's consolidated balance sheet.

Share-based payments

In fiscal year 2015, share-based payments in the form of subscription rights (stock options) were issued to DEMIRE's Executive Board and a selected group of individuals within the DEMIRE Group. The stock option programme is, in principle, an option plan whose obligations are met with equity instruments (equity-settled share option plan). The option plan provides that the obligations of the stock option programme can only be met with DEMIRE shares. The accounting treatment of share-price based payments is carried out in accordance with IFRS 2 "Share-based Payment".

The expenses incurred from the issue of stock options are measured at the fair value of the stock options granted as at the grant date. The fair value was determined using generally accepted option pricing models. The expenses from the issue of stock options are recognised over the period in which the performance conditions are met. At the same time, equity (capital reserves) is increased by a corresponding amount. This "vesting period" ends at the time the person concerned from the group of beneficiaries is irrevocably entitled. The cumulative expenses from the granting of equity instruments recognised at each reporting date reflect the lapsed portion of the vesting period and the best estimation of the number of equity instruments that will ultimately become exercisable at the end of the vesting period. The amount recognised in the consolidated statement of income reflects the development of cumulative expenses recognised at the beginning and the end of the reporting period.

The dilutive effect of outstanding stock options is reflected in the calculation of earnings per share as additional dilution, provided the issue of options and their underlying conditions result in a dilution for existing shareholders.

Leases

a) Determining whether an agreement contains a lease

Whether an agreement constitutes a lease or contains a lease, is determined on the basis of the economic contents of the agreement at the time of conclusion. An agreement constitutes a lease or contains a lease if the satisfaction of the agreement depends on the utilisation of a particular asset and the agreement transfers a right to utilise the asset.

A renewed assessment after the start of a lease as to whether an agreement contains a lease is performed only when one of the following conditions has been satisfied:

- The contractual terms are changed to the extent that the amendment relates not only to a renewal or extension of the agreement.
- A renewal option is exercised or an extension is granted, unless the renewal or extension terms were originally taken into consideration in the lease's duration.
- A change occurs in the determination as to whether satisfaction depends on the specific asset.
- The asset undergoes a significant change.

b) The Group as lessor

Leases, through which not all of the opportunities and risks connected with ownership are essentially transferred by the Group to the lessee, are classified as operating leases. Initial direct costs incurred in negotiating and entering into an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term in line with the rental income. Contingent rental payments are recognised as income in the period in which they are generated.

c) The Group as lessee

Lease payments for operating leases are expensed through the statement of income on a straight-line basis over the term of the lease agreement.

Revenue recognition

Revenues consist of rental income (net rents and ancillary rental costs), income from the sale of real estate companies and income from the disposal of real estate. Rental income is recognised monthly over the term of the lease stated in the rental agreement and recorded in the statement of income as rental income. Revenues are recognised on an accrual basis in accordance with the terms of the underlying contract and when it is likely that the Company will receive the economic benefit from the transaction. However, when there is doubt concerning the collectability of an amount that has already been recognised as revenue, the uncollectible or doubtful amount is recognised as an expense and not deducted from revenue.

When real estate companies and real estate is sold, income is recognised when

- the opportunities and risks connected with the ownership (ownership rights, benefits and obligations) have been transferred to the acquirer;
- the Group retains neither rights of disposition nor effective control over the object of sale;
- the amount of revenue and the costs arising in connection with the sale can be determined reliably;
- it is sufficiently likely that the Group will receive an economic benefit from the sale; and
- expenses incurred, or to be incurred, in connection with the sale can be determined reliably.

Earnings per share

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

Diluted earnings per share is calculated by adjusting net profit/loss for the period and the number of shares outstanding based on the assumption that convertible instruments are converted and warrants in connection with share-based payments are exercised.

D. NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

1. Profit/loss from the rental of real estate

The Group's profit/loss from the rental of real estate of EURk 23,680 (abbreviated fiscal year: EURk 2,290) consists of the following:

EURk	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
Rental income	33,320	3,375
Income from utility and service charges	10,024	374
Rental revenue	43,344	3,749
Allocable operating expenses to generate rental income	-12,648	-1,296
Non-allocable operating expenses to generate rental income	-7,016	-163
Operating expenses to generate rental income	19,664	1,459
Profit/loss from the rental of real estate	23,680	2,290

Income in the 2015 fiscal year resulted primarily from the rental of commercial real estate and is generally free of seasonal influences. Income from utility and service charges is allocable ancillary costs that were passed on to tenants. The significant rise in rental income to EURk 43,344 resulted mainly from income from individual properties and real estate portfolios acquired in the second half of 2014 and in the reporting year. The income from rentals at Hanse- and Glockenhofcenter have been included for eleven months of the reporting year, rentals at the Gutenberg Galerie for seven months, rentals at Logistikpark Leipzig for six months and those from the T6 property portfolio for two months of the reporting year.

Ancillary rental costs were recognised as operating expenses to generate rental income and amounted to EURk 19,664 in the reporting year (previous year: EURk 1,459). Operating expenses of EURk 12,648 (abbreviated fiscal year: EURk 1,296) are generally allocable and can be passed on to tenants. Of this amount, a total of EURk 2,264 (abbreviated fiscal year: EURk 220) could not be passed on due to vacancies. Operating expenses of EURk 7,016 (abbreviated fiscal year: EURk 163) are not allocable. Of these, EURk 254 concern staff related expenses of DEMIRE Immobilienmanagement GmbH that were included for the first time in the reporting year due to the entity's first time consolidation.

2. Profit/loss from the sale of real estate companies

In the reporting year, the Group generated a profit from the sale of real estate companies of EURk 285 (abbreviated fiscal year: EURk 69).

Disposals during the reporting period mainly concern the legacy portfolio, which includes the investments in Eastern Europe and the Black Sea Region. The divestments concern Kappatrade Ltd. (Ukraine), Polartrade Ltd. (Ukraine), OOO Sadko Holding (Russia), OOO New Sadko Holding (Russia), MAGNAT Real Estate Project Sadko B.V. (the Netherlands) and MAGNAT Real Estate Project New Sadko B.V. (the Netherlands). There was a negative effect of EURk 301 from the derecognition of currency translation reserves from the disposal of these companies. In addition, the 2014 purchase of Munich ASSET Vermögensverwaltung GmbH was reversed as at September 2015, which resulted in a positive effect on earnings. In total, revenue from the sale of real estate companies of EURk 1,792 were offset by the net assets disposed of EURk 1,206 and expenses of EURk 301 from the derecognition of currency translation reserves, leading to a positive result from the sale of real estate companies of EURk 285.

In the abbreviated 2014 fiscal year, the Group sold Hekuba S.A.R.L. for EURk 3,700, generating a gain of EURk 167. In addition, R-Quadrat Ukraine Gamma Ltd. and its 50 % stake in RQ Gamma LLC were sold with a loss of EURk 112 and MAGNAT Asset Management Ukraine Ltd. was sold with a profit of EURk 14.

3. Profit/loss from the sale of real estate

In the reporting year, the Group generated a profit from the sale of real estate in the amount of EURk 458 (abbreviated fiscal year: EURk 0).

During the reporting period, the real estate in Parchim (reported as real estate inventory until its sale) and the Bielefeld property were sold. Proceeds from the sale of the property in Parchim amounted to EURk 650 and the commercial property in Bielefeld brought proceeds of EURk 1,650. The sales proceeds were offset by expenses relating to real estate sales totalling EURk 1,842.

4. Profit/loss from investments accounted for using the equity method

The profit/loss from investments accounted for using the equity method improved to EURk -500 compared to the abbreviated 2014 fiscal year.

The profits from investments accounted for using the equity method rose year-on-year by EURk 1,662 to EURk 1,861 (abbreviated fiscal year: EURk 199) and consisted of income of EURk 1,459 relating to the revaluation of the SQUADRA property and of EURk 402 from the derecognition of liabilities from OXELTON. The higher valuation of the SQUADRA property resulted from improved disposal options for the SQUADRA Group's office property located in Frankfurt/Main in the course of the planned change of use to a residential property.

The losses from investments accounted for using the equity method (EURk 3,830, abbreviated fiscal year: EURk 126) were mainly the result of derecognition of currency translation differences, which were mainly attributable to the interest in OXELTON.

The line item "unrealised fair value adjustments in equity investments" rose sharply by EURk 2,556 versus the abbreviated 2014 fiscal year to a total of EURk 1,469 and resulted mainly from effects related to the divestment of OXELTON. An amount of EURk 1,232 was attributed to the derecognition of loans to OXELTON and EURk 237 to the reclassification of the interests in OXELTON under IFRS 5 in the reporting year.

DEMIRE's share in the transferred profit or loss of investments accounted for using the equity method is listed under E.1.4.

At R-QUADRAT Polska Alpha Sp. z o.o., which is an investment accounted for using the equity method, proportionate accumulated losses of EURk 4,828 (abbreviated fiscal year: EURk 4,057) were not recognised; of these, EURk 386 occurred in the previous year (abbreviated fiscal year: EURk 908). In addition, the proportionate losses of EURk 7 (abbreviated fiscal year: EURk 4) of Irao MAGNAT Gudishvili LLC were not recognised. At this company, the share of losses exceeded the value of the investment and, therefore, no further losses were recognised.

5. Profit/loss from fair value adjustments in investment properties

EURk	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
Unrealised gains from fair value measurement	21,478	68,278
Unrealised losses from fair value measurement	-3,007	-4,670
Total	18,471	63,608

The profit/loss from fair value adjustments in investment properties of EURk 18,471 (abbreviated fiscal year: EURk 63,608) mainly concerned properties located in Germany of foreign and domestic direct and indirect subsidiaries. The greatest value appreciation of EURk 6,647 concerns the Logistikpark Leipzig acquired at the end of June 2015. Other significant gains resulted from the fair value adjustment of the properties held by Sihlegg Investments Holding GmbH (EURk 4,735), GO Bremen ApS (EURk 2,279), TGA Immobilien Erwerb 1 GmbH (EURk 1,275) and GO Leonberg ApS (EURk 1,262).

The fair value of these investment properties is based on external expert opinions. The favourable yield curves in combination with more intense competition among foreign investors were the key reasons for the significant increase in valuation factors used to determine the fair value of real estate in the reporting period.

We refer to Note E.1.3.

6. Unrealised fair value adjustments in real estate inventory

EURk	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
Profits from unrealised fair value adjustments in real estate inventory	0	407
Losses from unrealised fair value adjustments in real estate inventory	0	-100
Total	0	307

Profits and losses from unrealised fair value adjustments in real estate inventory include effects primarily arising because the valuation is based on fair value estimates. There were no changes in the fair values of the remaining three real estate inventory properties during the reporting year. The profit in the abbreviated 2014 fiscal year of EURk 407 was attributable to write-ups made to amortised cost of properties held by 1. MAGNAT Immobiliengesellschaft mbH. We refer to Note E.2.1.

7. Impairment of receivables

Impairment of receivables consists of the following:

EURk	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
Loans to investments accounted for using the equity method	1,561	342
Trade accounts receivable and other receivables	1,285	54
Financial receivables and other financial assets	0	297
Total	2,846	693

Of the impairments made on loans to investments accounted for using the equity method, an amount of EURk 1,088 relates to OXELTON and EURk 473 to R-Quadrat Polska Alpha Sp. z .o.o. In the abbreviated 2014 fiscal year, impairments related exclusively to R-Quadrat Polska Alpha Sp. z .o.o. (EURk 342).

Impairments made to trade accounts receivable and other receivables mainly resulted from impairments made to purchase price receivables of EURk 284 due to the divestment of companies contained in the legacy portfolio and rent receivables of EURk 241, which resulted mainly from companies acquired in the abbreviated 2014 fiscal year.

8. Profit from a bargain purchase

Profit from a bargain purchase of EURk 33,217 resulted from the acquisition of Germavest Real Estate S.à.r.l. (T6 portfolio). Because the offsetting of the acquisition costs plus the interests of non-controlling shareholders against the acquired entity's net assets resulted in a negative goodwill, the carrying amounts of the assets and liabilities acquired and the acquisition cost determined were initially subjected to another critical review. The negative goodwill derived of EURk 33,217 was recognised immediately through profit or loss in the consolidated income statement as a non-recurring effect. This amount originates mainly from the fair value in excess of the purchase price for investment properties recognised at Germavest Real Estate S.à.r.l. For further information, please see Note B.

9. Other operating income

EURk	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
Derecognition of liabilities	788	46
Reversal of impairment losses on receivables	343	19
Income from the disposal of property, plant and equipment	181	0
Gains from foreign currency differences	160	5
Benefits in kind	56	20
Income from the reversal of provisions	38	88
Income from allocated expenses	23	1
Compensation for damages	11	0
Others	972	250
Total	2.572	429

Income from prior periods consists mainly of the derecognition of liabilities in the context of the reassessment of risk provisions at the balance sheet date, the release of provisions and the reversal of impairment losses on receivables.

10. General and administrative expenses

EURk	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
Legal and consulting fees	4,682	1,356
Accounting and audit costs	3,490	1,303
Staff costs	2,258	578
Advertising and travel expenses	378	158
Supervisory Board compensation	270	63
Expenses for asset management	17	52
Others	237	138
Total	11,332	3,648

The EURk 3,326 increase in legal and consulting fees resulted mainly from non-recurring expenses in connection with the preparation of stock market prospectuses relating to capital market activities to acquire real estate companies. The EURk 2,187 increase in accounting and auditing costs also resulted predominantly from audit and assurance services provided in connection with these activities.

The total sum of staff costs related to staff employed by the ultimate parent company is included in general and administrative expenses. The increase in staff costs resulted from the higher number of employees at the parent company due to the Company's business expansion and from the recognition of expenses for share-based payments in the amount of EURk 434.

By resolution of the Annual General Meeting on August 28, 2015, the total remuneration of the Supervisory Board for the reporting period increased to EURk 270 (abbreviated fiscal year: EURk 63).

11. Other operating expenses

EURk	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
Non-deductible input taxes	1,139	662
Transaction costs for the acquisition of Germavest Real Estate S.à.r.l. ...	793	0
Expenses for Annual General Meeting and investor relations	767	42
Third-party services	679	685
Fees and incidental costs of monetary transactions	526	178
Losses from foreign currency differences	154	194
Property management	144	176
Insurance fees	78	51
Occupancy costs	77	60
Differences from the intercompany consolidation of liabilities, expenses and income	74	95
Legal and consulting fees	58	78
Others	776	693
Total	5,265	2,914

The increase in non-deductible input taxes resulting from higher legal and consulting fees were primarily related to the parent company, which is not entitled to a full input tax deduction. Transaction costs of EURk 793 resulted from the acquisition of Germavest Real Estate S.à.r.l., which was accounted for as a business combination according to IFRS 3.

12. Financial result

EURk	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
Financial income	2,145	6,955
Financial expenses	-27,873	-9,893
Financial result	-25,728	-2,938

Financial income of EURk 2,145 resulted mainly from positive valuation effects from the fair measurement of the call option of the 2014/2019 corporate bond.

The derecognition of the receivable totalling EURk 3,060 against OXELTON, which was considered unrecoverable following the renegotiation of the mezzanine loan, had a negative impact of EURk 1,972 on the financial result.

As a result of a change in DEMIRE's convertible bond's terms and conditions on September 30, 2014, and the corresponding accounting of this change as a repayment and new issue, the difference between the bond's fair value and its nominal value was recognised through profit or loss and led to a profit in the abbreviated 2014 fiscal year of EURk 6,000. At that time, an amount of EURk 490 was recognised directly in equity as an equity component upon the initial recognition of the new debt instrument. This was offset by the development of the bond's fair value during the period from April 1, 2014 to September 30, 2014, resulting in financial expenses of EURk 6,519.

The higher financial expenses resulted from loans assumed for real estate acquired at the end of the abbreviated 2014 fiscal year and in the current fiscal year (see Note E. 5.3 and E. 6.4).

Detailed information on net gains and losses from loans and receivables and financial liabilities is contained in Note I.1.

13. Income taxes

EURk	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
Current income taxes	755	348
Deferred income taxes	3,384	9,441
Total income taxes (– = income / + = expense)	4,139	9,789

Current tax expenses of EURk 755 (previous year: EURk 348) include corporate and trade taxes.

Deferred taxes of EURk 3,384 (abbreviated 2014 fiscal year: EURk 9,441) consisted of deferred tax income of EURk 2,758 (abbreviated 2014 fiscal year: EURk 682) and deferred tax expenses of EURk 6,142 (abbreviated 2014 fiscal year: EURk 10,123). Deferred tax expenses resulted mainly from temporary differences arising from the valuation of investment properties according to IAS 40.

Current income taxes are distributed among domestic and foreign companies as follows:

EURk	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
Germany	754	314
Foreign countries	1	34
Total	755	348

As at the balance sheet date, unutilised tax loss carryforwards from consolidated companies totalled EURk 47,731 (previous year: EURk 22,752). This amount includes EURk 47,364 (previous year: EURk 22,577) of perpetual tax loss carryforwards. Of the remaining tax loss carryforwards, EURk 163 will expire in the coming year. Tax loss carryforwards of EURk 28 will expire in 2017, EURk 21 in 2018, EURk 137 in 2019 and EURk 18 in 2020. Deferred tax assets for these tax loss carryforwards are capitalised only when it is likely that tax loss carryforwards will be offset by earnings achieved in the foreseeable future. In the DEMIRE Group, deferred tax assets on tax loss carryforwards at the level of the same tax entity were capitalised only to the extent that deferred tax liabilities were recognised.

Distributions to shareholders from DEMIRE AG result in neither corporate nor trade taxes for the Company. Nevertheless, the Company is generally liable for German capital gains tax plus the solidarity surcharge (withholding tax), which the Company is required to withhold from the resolved distribution and transfer to the relevant German tax office.

Distributions generally require shareholders to pay income or corporate taxes, unless the distributions are not subject to taxation due to the shareholders' tax status or other circumstances. Withholding taxes withheld and transferred by the Company can generally be offset by the shareholder's income and corporate tax liability and is reimbursable, dependent upon of the shareholders' tax status.

Tax reconciliation statement

The tax reconciliation statement between the theoretical and actual tax expense is presented on the basis of the Group tax rate of 31.93 % (previous year: 31.93 %). The Group tax rate of 31.93 % includes a 15 % corporate tax rate valid from January 1, 2008, a 5.5 % solidarity surcharge and a 16.1 % trade tax (municipal rate for Frankfurt/Main: 460 %; trade tax rate 3.5 %). The calculation of the deferred taxes of domestic real estate companies is based on a tax rate of 15.83 %. These companies generate income exclusively from managing their own real estate. Only the corporate tax rate and the solidarity surcharge apply to these companies because of the option to deduct the profit from the management of own real estate from the profit under trade tax law. The calculation of deferred taxes for foreign companies acquired during the reporting period was also based on a tax rate of 15.83 % because these companies are not subject to trade tax.

EURk	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014
Profit/loss before taxes	33,012	55,496
Group tax rate	31.93%	31.93%
Expected income taxes	10,541	17,720
Tax rate differences	-3,626	-11,197
Tax effects arising from non-deductible operating expenses	2,869	502
Tax effects of tax-free income	-12,166	-123
Tax effects arising from non-utilised losses and non-recognised temporary differences for which no deferred tax assets were capitalised	6,324	4,066
Tax effects arising from the recognition of deferred tax assets for tax loss carryforwards which were not capitalised in prior periods	-53	-1,051
Others	250	-128
Actual income taxes	4,139	9,789

Tax-free income resulted primarily from the profit from the purchase of Germavest Real Estate S.à.r.l. below market value and from profits of companies accounted for using the equity method and the positive result from the sales of real estate companies. In the statement of income, income from companies accounted for using the equity method is included in profit/loss from investments accounted for using the equity method and in profit/loss from the sale of real estate companies. The tax effect arising from non-deductible operating expenses mainly resulted from the interest barrier rule under corporate tax law.

According to IAS 12 (Income Taxes), deferred tax liabilities are also to be recognised on the difference between the proportionate share in equity of a subsidiary in the consolidated statement of income and the carrying amount of the subsidiary in the parent company's balance sheet under tax law (outside basis differences), if realisation is to be expected. These differences mainly resulted from retained earnings in domestic and foreign subsidiaries.

Recognising deferred taxes on outside basis differences as temporary differences means that future tax effects should be reported at the time profits originate, even if a distribution of profits to the parent company and the corresponding taxation of the parent company will occur only in future periods. The Company can determine the timing of distributions and the retention of earnings from subsidiaries. Except for the mandatory distributions from Fair Value REIT-AG, dividend distributions from subsidiaries are neither planned nor foreseeable. Therefore, the recognition of deferred taxes for outside basis differences was waived with the exception of the deferred taxes recognised for Fair Value REIT. The recognition of deferred taxes for outside basis differences at the level of Fair Value REIT amounted to EURk 4,739 as at December 31, 2015 (previous year: EURk 0).

For additional information relating to deferred tax assets and liabilities, we refer to Note E.5.1.

14. Net profit/loss for the period attributable to non-controlling shareholders

Net profit/loss for the period attributable to non-controlling shareholders amounted to EURk 756 in the reporting year (abbreviated 2014 fiscal year: EURk 2,405).

15. Earnings per share

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

EURk	01/01/2015 - 31/12/2015	01/04/2014 - 31/12/2014
Net profit/loss (EURk)	28,873	45,707
Net profit/loss attributable to parent company shareholders	28,117	43,302
Interest expenses from convertible bonds	829	495
Net profit/loss attributable to parent company shareholders (diluted)	28,946	43,797
Number of shares		
Number of shares outstanding as at the balance sheet date	49,292	14,306
Weighted average number of shares outstanding	25,889	14,306
Impact of conversion of convertible bonds	13,662	10,889
Share-based payments	1,000	0
Weighted average number of shares (diluted)	40,551	25,195
Earnings per share (EUR)		
Basic earnings per share (EUR)	1.09	3.03
Diluted earnings per share (EUR)	0.71	1.74

As at December 31, 2015, the company had potential ordinary shares outstanding from the 2013/18 convertible bond, which can be exchanged by the holders of the convertible bonds in exchange for 10,661,700 shares (previous year: 10,885,500 shares).

Diluted earnings per share is calculated by adjusting net profit/loss for the period and the number of shares outstanding based on the assumption that convertible instruments are converted and warrants in connection with share-based payments are exercised.

16. Staff costs

EURk	01/01/2015 - 31/12/2015	01/04/2014 - 31/12/2014
Salaries	2,231	545
Statutory social expenses	281	33
Total	2,512	578

Staff costs of EURk 2,258 are generally included in general and administrative expenses and relates mainly to DEMIRE AG (EURk 1,617), Logistikpark Leipzig GmbH (EURk 174) and Magnat Asset Management GmbH (EURk 205). DEMIRE Immobilien Management GmbH's staff costs of EURk 254 are not included in general and administrative expenses but instead in operating expenses to generate rental income. Around half of the statutory social expenses relate to the statutory pension scheme.

The sharp rise over the previous year resulted from the increased number of staff in the course of expanding the Company's business activities.

DEMIRE AG's staff costs include expenses of EURk 434 for stock-based compensation.

17. Scheduled depreciation and amortisation

EURk	01/01/2015 - 31/12/2015	01/04/2014 - 31/12/2014
of other intangible assets	1	0
of property, plant and equipment	21	3
Total	22	3

Scheduled depreciation and amortisation is included in other operating expenses.

E. NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Non-current assets

1.1. Intangible assets

1.1.1 Goodwill

EURk	2015	2014
Acquisition cost as at the beginning of the fiscal year	463	1,029
Cumulative impairment as at the beginning of the fiscal year	463	1,029
Carrying amounts as at the beginning of the fiscal year	0	0
Additions	6,783	0
Disposals	0	566
Acquisition cost as at the end of the fiscal year	7,246	463
Cumulative impairment as at the end of the fiscal year	463	463
Carrying amounts as at the end of the fiscal year	6,783	0

EURk	2015	2014
Impairment during the fiscal year	0	0

Upon consolidation, net deferred tax liabilities of EURk 4,739 were recognised for the deemed disposal of the properties held by Fair Value REIT-AG (analogous to the "tax transparent entities") using a tax rate of 31.93 %. This resulted in the recognition in the consolidated financial statements of DEMIRE AG of goodwill totalling EURk 6,783 from the acquisition of Fair Value REIT. Deferred tax liabilities increased the positive difference or goodwill of EURk 2,044 by an amount of EURk 4,739.

Goodwill of EURk 6,783 resulting from the first-time consolidation of Fair Value REIT-AG as at the balance sheet date has been allocated to Fair Value REIT-AG because Fair Value REIT-AG will be the main beneficiary of the synergy effects in the areas of property management and administration. Because

the date of the purchase price allocation corresponds to DEMIRE's balance sheet date and the amounts determined during the purchase price allocation were once again reviewed, an impairment test of goodwill was not conducted as at the balance sheet date. The determined recoverable amount would not have been lower than the carrying amount of goodwill.

Goodwill also includes the goodwill from the subsidiary MAGNAT Investment I B.V. determined in the context of the capital consolidation, which has been fully impaired in previous years.

1.1.2 Other intangible assets

A useful life of three to five years is applied to other intangible assets. This primarily includes computer software. Amortisation is reported in the statement of income in the line item "other operating expenses" (EURk 1; previous year: EURk 0).

EURk	2015	2014
Acquisition cost as at the beginning of the fiscal year	49	50
Cumulative amortisation as at the beginning of the fiscal year	49	49
Carrying amounts as at the beginning of the fiscal year	0	1
Additions	3	0
Additions through business combinations	175	0
Disposals	0	1
Amortisation	1	0
Acquisition cost as at the end of the fiscal year	227	49
Cumulative amortisation as at the end of the fiscal year	50	49
Carrying amounts as at the end of the fiscal year	177	0

Additions from business combinations in the amount of EURk 175 relate to the Internet domain "Fair Value REIT-AG" (EURk 25) and contractual claims from partner companies (EURk 150) of the Fair Value REIT subgroup.

1.2 Property, plant and equipment

Office and operating equipment

Property, plant and equipment include office and operating equipment. A useful life of 3 to 15 years is applied for their depreciation. Depreciation amounts are reported in the statement of income in line item "other operating expenses" (EURk 22; previous year: EURk 3).

EURk	2015	2014
Acquisition cost as at the beginning of the fiscal year	156	336
Cumulative depreciation as at the beginning of the fiscal year	129	126
Carrying amounts as at the beginning of the fiscal year	27	210
Additions	62	30
Additions through business combinations	26	0
Disposals	16	210
Depreciation	21	3
Acquisition cost as at the end of the fiscal year	228	156
Cumulative amortisation as at the end of the fiscal year	134	129
Carrying amounts as at the end of the fiscal year	94	27

Advance payments

EURk	2015	2014
Acquisition cost as at the beginning of the fiscal year	11,303	0
Cumulative depreciation as at the beginning of the fiscal year	0	0
Carrying amounts as at the beginning of the fiscal year	11,303	0
Additions	11,191	11,303
Disposals	11,303	0
Depreciation	0	0
Acquisition cost as at the end of the fiscal year	11,191	11,303
Cumulative depreciation as at the end of the fiscal year	0	0
Carrying amounts as at the end of the fiscal year	11,191	11,303

Advance payments as at December 31, 2015, relate mainly to the real estate property KurfürstenGalerie in Kassel, for which the transfer of benefits and obligations took place on January 1, 2016. Last year, advance payments related to the property in Leverkusen, for which the transfer of benefits and obligations was carried out as at January 1, 2015.

1.3 Investment properties

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

EURk	2015	2014
Fair value as at the beginning of the fiscal year	333,070	20,526
Additions resulting from mergers	469,114	0
Additions from the acquisition of real estate	81,624	248,726
Reclassifications from advance payments and real estate inventory	14,065	210
Reclassifications to non-current assets held for sale	-1,255	0
Unrealised gains from fair value measurement included in Item D.5 in the statement of income	21,478	68,278
Unrealised losses from fair value measurement included in Item D.5 in the statement of income	-3,007	-4,670
Fair value as at December 31 of the fiscal year	915,089	333,070

Additions to investment properties resulting from mergers originated from the acquisition of the properties of the Fair Value REIT subgroup as at December 31, 2015 and the acquisition of the properties of Germavest Real Estate S.à.r.l as at October 31, 2015. Additions from the purchase of individual properties comprised 59 properties in Germany (abbreviated 2014 fiscal year: 120), which were acquired by the DEMIRE subgroup during the fiscal year. Of these properties, 38 properties were attributable to the Fair Value REIT subgroup. The properties are commercial properties which are rented over the long term. The fair value of the properties newly acquired in the fiscal year was determined by an independent external expert as at the reporting date. Valuation gains of EURk 21,478 (abbreviated fiscal year: EURk 68,278) and valuation losses of EURk 3,007 (previous year: EURk 4,670) were recognised in the 2015 fiscal year.

The reclassifications to non-current assets held for sale include the Peissen property held by DEMIRE Objektgesellschaft Worms GmbH in the amount of EURk 630 and the Am Bahnhof 3 property of Hanse-Center Objektgesellschaft mbH in the amount of EURk 625.

The item reclassifications from property, plant and equipment/real estate inventory in the total amount of EURk 14,065 concerns advance payments for the Goetheplatz, Leverkusen property (EURk 11,303), which was transferred in the reporting year, and the properties in Worms and Halle-Peissen (EURk 2,762), which were reclassified from real estate inventory during the reporting year.

To determine the point in time at which a reclassification between the different hierarchy levels is considered to have occurred, the Company uses the time of the event or of the change in circumstances that caused the reclassification. In the period under review, no reclassifications between hierarchy levels 1, 2, and 3 have been carried out when measuring at fair value. The following presents information regarding the fair value measurement of the Group's investment properties as at December 31, 2015, according to IFRS 13.

EURk	Fair value Dec. 31, 2015	Measurement hierarchy		
		Quoted prices in active markets for identical assets (Level 1)	Other observable material input factors (Level 2)	Other non- observable material input factors (Level 3)
Commercial properties in Germany	915,089	0	0	915,089

EURk	Fair value Dec. 31, 2015	Measurement hierarchy		
		Quoted prices in active markets for identical assets (Level 1)	Other observable material input factors (Level 2)	Other non- observable material input factors (Level 3)
Commercial properties in Germany	333,070	0	0	333,070

Information on investment properties held by the DEMIRE subgroup

The following significant contributions to investment properties of the DEMIRE subgroup are contained in the consolidated statement of income:

EURk	2015	2014
Property management income	43,344	3,749
Property management expenses	19,664	1,459
Profit/loss from the rental of real estate	23,680	2,290

A sensitivity analysis of the significant, non-observable input factors had the following impact on the fair value of investment properties:

CHANGE IN VALUE	Property yield		Market rent ¹	
	-0.5 %	+0.5 %	-10 %	+10 %
EURk	42,085	-38,300	-49,020	48,770
in %	+6.0	-6.6	-7.6	+7.6

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

A significant increase in maintenance costs, vacancy rates, and property yields would result in a decrease in the properties' fair value assuming unchanged assumptions regarding all other input factors.

Information on investment properties held by the Fair Value REIT subgroup

The discounted cash flow method is the valuation method used to determine the fair value of real estate held by the Fair Value REIT subgroup. The number of investment properties held by the subgroup Fair Value REIT as at December 31, 2015 totalled 38 properties with 34 properties fully owned, three properties partially owned and one leasehold property. Additionally, two properties, for which the transfer of ownership, benefits and obligations did not take place in 2015, have been reported under non-current assets held for sale.

The properties' fair values were determined on an individual basis using the DCF method by CBRE GmbH, Frankfurt. The cash flows for a 10-year period were planned in detail. After this period, and amount of sustainable rental income was applied whose present value was determined on the basis of property-specific capitalisation rates taking into account estimated costs to sell after 10 years. The cash flow surplus of the 10-year period and the net present value resulting after this period was discounted at discount rates to the valuation date, reduced by the amount of estimated incidental acquisition costs of a potential buyer. The land value was used for the calculation of the property in Chemnitz.

The following effects on the fair value of investment properties were determined by a sensitivity analysis of the significant unobservable input parameters:

CHANGE IN VALUE	Property yield		Market rent ¹	
	-0.5 %	+0.5 %	-10 %	+10 %
EURk	13,362	-11,779	-10,660	+10,218
in %	+7 %	-7 %	+7 %	-7 %

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

1.4. Investments accounted for using the equity method

Interests in investments accounted for using the equity method (EURk 3,136; previous year: EURk 2,613) include interests in associated companies (EURk 3,020; previous year: EURk 1,615) and joint ventures (EURk 116; previous year: EURk 998).

1.4.1. Interests in associated companies

COMPANY	Carrying amount as at 31/12/2015 EURk	Carrying amount as at 31/12/2014 EURk
SQUADRA Immobilien GmbH & Co. KGaA	3,020	1,592
Russian Land AG	0	23
Total	3,020	1,615

DEMIRE's relationship to the associated companies is of an operational nature. The companies' activities primarily concern real estate management.

The EURk 1,428 increase in the carrying amount of SQUADRA Immobilien GmbH & Co. KGaA resulted from unrealised fair value changes in the context of the real estate valuation carried out in the reporting year that positively impacted DEMIRE's proportionate share in earnings. This higher valuation resulted from improved disposal options for the SQUADRA Group's office property located in Frankfurt/Main in the course of the planned change of use to a residential property.

The reconciliation of the carrying amounts of the interests in associated companies is derived based on DEMIRE's interest in the transferred profit or loss according to the annual or interim financial statements:

COMPANY	Profit/loss in fiscal year 2015 EURk	Profit/loss in abbreviated 2014 fiscal year EURk
SQUADRA Immobilien GmbH & Co. KGaA	-1,428	-126
Total	1,428	-126

The transferred profit of EURk 1,428 from SQUADRA to DEMIRE in the 2015 fiscal year includes unrealised fair value adjustments of EURk 1,473 relating to the revaluation of a property.

The line item "profits from investments accounted for using the equity method" in the consolidated income statement in the amount of EURk 1,861 (abbreviated 2014 fiscal year: EURk 199) comprises income of EURk 1,473 relating to the revaluation of a property at SQUADRA and income of EURk 402 from the derecognition of liabilities from OXELTON.

1.4.2. Interests in joint ventures

COMPANY	Carrying amount as at 31/12/2015 EURk	Carrying amount as at 31/12/2014 EURk
OXELTON ENTERPRISES Limited	0	869
R-Quadrat Polska Alpha Sp. z .o.o.	0	0
Irao MAGNAT 28/2 LLC	116	129
Irao MAGNAT Gudiashvili LLC	0	0
Total	116	998

DEMIRE's relationship to the joint ventures is of an operational nature. The companies' activities primarily concern real estate management.

DEMIRE's interest in the transferred profit or loss according to the annual or interim financial statements of the joint ventures and the derecognition of liabilities is as follows:

COMPANY	Income from the derecognition of liabilities (2015) EURk	Profit/loss in fiscal year 2015 EURk	Profit/loss in abbreviated 2014 fiscal year EURk
R-Quadrat Polska Alpha Sp. z .o.o.	0	0	0
Irao MAGNAT 28/2 LLC	0	0	0
Irao MAGNAT Gudiashvili LLC	0	0	0
OXELTON ENTERPRISES Limited	433	0	199
Total	433	0	199

The interests in OXELTON ENTERPRISES Limited, Limassol, Cyprus, recognised using the equity method, were sold in December 2015. In the course of this sale, reserves for currency translation differences of EURk 3,830 attributable to OXELTON were derecognised through profit or loss under IAS 21.48 (see Note D.4).

In the abbreviated 2014 fiscal year, impairment on the interest of OXELTON ENTERPRISES Limited in the amount of EURk 1,087 was recognised as well as foreign exchange losses of EURk 1,067 in other comprehensive income.

The projects of the Irao MAGNAT 28/2 LLC and the R-QUADRAT Polska Alpha Sp. z o.o. joint ventures are nearly complete. As a result, it is not expected that the DEMIRE Group will be obliged to provide further funds.

Due to the withdrawal of Irao MAGNAT Gudiashvili LLC from the "Gudiashvili Square" project, this company is not generating any operating cash flow from which the operating expenses can be paid. The Group is supplying this joint venture an adequate amount of funds in order to cover the operating expenses that are incurred. No further loans were granted in the reporting year.

1.5. Other financial assets

The carrying amounts of other financial assets amounted to EURk 11,045 (previous year: EURk 14) and mainly contain the non-current portion of the receivable settlement credit in the amount of EURk 9,018 from the subgroup Fair Value REIT.

The receivable settlement credit for the terminated shares in BBV 09 was set at a level of EUR 10.02 million by an appointed arbitrator on November 30, 2015. The receivable settlement credit is due on May 31, 2016, however, according to the business plan of BBV 09, It will be paid in three annual instalments of 10 %, 10 % and 80 %, but at least in instalments of 1 %, 1 % and 98 %, plus default interest of 4 % per annum payable as of the due date. Accordingly, this results in a non-current portion in the amount of EURk 9,018 and a current portion of EURk 1,002. The company has issued a letter of subordination in favour of the financing bank of BBV 09. BBV 09 has committed to surrender distributions to shareholders of BBV 09 until the claims of former shareholders are met.

By agreement of July 10, 2008, an existing pension commitment of IC Fonds GmbH for the benefit of Mr. Frank Schaich was assumed by Fair Value REIT-AG. This results in a defined benefit obligation for the company under IAS 19. A pension insurance policy has been taken out for to cover the commitment, which is pledged to the beneficiary and therefore, as plan assets, is offset against the present value of the defined benefit obligation (DBO).

The following pension obligations and plan assets were assumed:

EURk	31/12/2015
As at the beginning of the fiscal year	131
Fair value of plan assets	
As at the end of the year	126
Underfunding (-) / overfunding (+) of pension plan	-5

The following actuarial assumptions were made:

IN %	31/12/2015
Discount rate	2.0
Expected return on plan assets	2.0

1.6. Loans to investments accounted for using the equity method

Loans to companies accounted for using the equity method of EURk 553 (previous year: EURk 2,857) concern loans to R-QUADRAT Polska Alpha Sp. z o.o. The decline in loans mainly resulted from the impairment of the OXELTON loan amounting to EURk 3,060 in the context of the sale of the interest in OXELTON to the former owner of the mezzanine loan.

1.7. Other loans

The majority of other loans of EURk 384 (previous year: EURk 322) is due at the end of 2021 and consists of receivables from the partial sale of a property.

2. Current assets

2.1 Real estate inventory

Of the real estate inventory, an amount of EURk 2,298 (previous year: EURk 7,355) concerns developed and undeveloped properties that are destined for resale. During the reporting period, there were no write-ups in value and the decline arose from the divestment of real estate investments in Eastern Europe and the Black Sea Region contained in the legacy portfolio. In the abbreviated 2014 fiscal year there were reversals of impairment amounting to EURk 407 as a result of the reversal of extraordinary depreciation on the real estate inventory of 1. MAGNAT Immobiliengesellschaft mbH. A significant portion of this property was let during the abbreviated fiscal year. Furthermore, minor impairments for several properties totalling EURk 100 were made in the abbreviated fiscal year.

During the reporting period, as a result of divestments at Kappa Trade Ltd. and Polar Trade Ltd., real estate inventory of EURk 2,036 (previous year: EURk 1,173) was disposed of. The corresponding expenses are included in the line item “net assets from real estate companies sold”.

Also in the reporting period, the Parchim property recognised as real estate inventory was sold at its remaining carrying amount of EURk 192 and the related expense is included in the item “expenses relating to real estate sales”.

The Worms and Halle-Peissen properties recognised in the prior year under “real estate inventory” was reclassified in the reporting period as “investment properties” due to a change of use in accordance with IAS 40.58.

2.2 Trade accounts receivable and other receivables

EURk	31/12/2015 Gross	Impairment	31/12/2015 Net	31/12/2014 Gross	31/12/2014 Net
Trade accounts receivable against third parties	8,837	4,347	4,490	3,535	1,143
Receivables from processing value-added tax	2,056	0	2,056	357	357
Purchase price receivables from legacy portfolio sales	2,914	284	2,630	1,132	1,132
Purchase price receivables from Erlangen property	1,355	0	1,355	0	0
Unbilled revenue from ancillary rental cost	1,571	0	1,571	0	0
Receivables from settlement credit BBV 09	1,002	0	1,002	0	0
Administrator accounts	151	0	151	72	72
Overpaid purchase prices	0	0	0	3,672	3,672
Others	1,132	0	1,132	2,964	2,911
Total	19,018	4,631	14,387	11,732	9,287

All trade accounts receivable are current and predominantly due in less than 3 months. Impairments of EURk 4,631 (previous year: EURk 2,444) were recognised. Their development is presented in the following table. None of the receivables are significantly overdue. Expenses for additions to impairment charges are included in the statement of income under the line item “impairment of receivables”. The following table illustrates the development of accumulated impairment.

EURk	2015	2014
Accumulated impairment at the start of the fiscal year	2,444	2,513
Impairment in the current year	1,285	54
Realisation of impairment	0	-104
Reversal of impairment	-343	-19
Acquired impaired from business combinations	509	0
Reclassifications	736	0
Accumulated impairment at the end of the fiscal year	4,631	2,444

Reclassifications of EURk 736 in the reporting year mainly resulted from the reclassification of balance sheet items related to changes in maturities and the corresponding impairments.

If the collection of receivables becomes doubtful, they are then recognised at the lower realisable value. In addition to the individual allowances required for bad debt, identifiable risks relating to general credit risk in the form of fixed-sum allowances have also been taken into account.

2.3 Financial receivables and other financial assets

Financial receivables and other financial assets mainly include receivables from redemption of fractional bonds from the 2014/2019 corporate bond amounting to EURk 14,375, blocked investment funds for EOGF Land mbH of EURk 3,000, a loan to Taurecon Real Estate Consulting GmbH, Berlin, in the amount of EURk 2,168 and a loan of EURk 2,074 to Taurecon Beteiligungs GmbH, Berlin, which is a non-controlling shareholder in some of DEMIRE’s Group companies.

Of the financial receivables and other financial assets, there were no receivables overdue after taking the respective impairments into account. Impairment charges are included in the item “impairment of receivables” in the statement of income. The gross amount of financial receivables and other financial assets is the sum of the current carrying amounts and the accumulated impairments at the end of the fiscal year.

The following table shows the development of accumulated impairment.

EURk	2015	2014
Accumulated impairment at the start of the fiscal year	3,179	3,325
Impairments in the current year	0	639
Realisation of impairment	0	-785
Reversal of impairment	0	0
Currency differences	-203	0
Reclassifications	-2,385	0
Accumulated impairment at the end of the fiscal year	591	3,179

Reclassifications of EURk 2,385 in the reporting year mainly resulted from the reclassification of balance sheet items related to changes in maturities and the corresponding impairments.

2.4 Cash and cash equivalents

Cash and cash equivalents of EURk 28,467 (previous year: EURk 4,397) include cash on hand and credit balances at financial institutions, EURk 16,028 of which concern the subgroup Fair Value REIT.

3. Non-current assets held for sale

The item contains properties held for sale:

PROPERTY EURk	Carrying amount as at 31/12/2015	Carrying amount as at 31/12/2014
Radevormwald ("BBV08") property	11,100	0
Tornesch property ("Fair Value REIT-AG")	650	0
Halle-Peissen property (DEMIRE Worms Objektgesellschaft GmbH)	630	0
Am Bahnhof 3 property (Hanse-Center Objektgesellschaft mbH)	625	0
Total	13,005	0

The Radevormwald (BBV 08) property was sold for a purchase price of EURk 11,100 based on a notarised purchase agreement dated March 4, 2016. The transfer of benefits and obligations to the buyer for this property took place on March 31, 2016.

Based on a purchase agreement dated January 29, 2016, the property located in Tornesch at Willy-Meyer-Str. 3-5, was sold to a local businessman. The purchase price of EURk 650 is 10 % higher than the expert appraised market value on December 31, 2015 of EURk 590. The transfer of ownership, benefits and obligations took place after full payment on March 17, 2016.

On November 17, 2015, a contract was concluded for the sale of the Halle-Peissen property at a price of EURk 650. The transfer took place in the first quarter of 2016 upon the fulfilment of the contractual conditions.

At the time of preparing these consolidated financial statements, the property Am Bahnhof 3 had not yet been sold.

4. Equity

Subscribed capital

In reference to the explanations in Note A.5., subscribed capital amounted to EURk 49,292 (previous year: EURk 14,306). Capital reserves contain a EURk 7,425 difference in the subscribed capital of EURk 49,292 and the sum of the subscribed capital of MAGNAT Asset Management GmbH in an amount of EURk 160 as the economic parent company following the reverse acquisition and the acquisition costs for the acquisition of DEMIRE Deutsche Mittelstand Real Estate AG of EURk 21,160. A description of the other reserves can be found in Note G.1.

The subscribed capital of the legal parent company, DEMIRE Deutsche Mittelstand Real Estate AG, amounted to EUR 49,292,285.00 (previous year: EUR 14,306,151.00).

The subscribed capital is divided into 49,292,285 no-par value bearer shares with a notional interest of EUR 1.00. All shares are fully paid-in. There are no restrictions concerning voting rights or the transfer of shares. Shares endowed with special rights conferring power of control do not exist. The increase in subscribed capital resulted from conversions of 2013/2018 convertible bonds, a cash capital increase and the capital increase against contribution in kind related to newly acquired properties or companies.

If there is a capital increase, the profit participation of new shares may deviate from Section 60 para. 2 of the German Stock Corporation Act (AktG).

Shareholders are not entitled to share certificates to the extent this is permitted by law.

NUMBER OF SHARES OUTSTANDING:	31/12/2015	31/12/2014
Number of no-par value bearer shares issued	49,292,285	14,306,151
of which fully paid-in	49,292,285	14,306,151

Conversion of 2013/2018 convertible bonds

An increase of 226,800 shares resulted from conversions from the 2013/2018 convertible bond.

The Company's share capital was conditionally increased following the exercise of conversion rights from the 2013/2018 convertible bond and the issue of 226,800 new shares from Conditional Capital I/2013 by up to EUR 6,309,025.00, divided into a maximum of 6,309,025 no-par value bearer shares with a notional interest of EUR 1.00. The original number of convertible bonds was 11,300,000. Following the conversion of a further 226,800 bonds in the reporting period, the remaining number of conversions rights totalled 10,661,700. The conditional capital increase serves to grant subscription and/or conversion rights to the holders of bonds with warrants and/or convertible bonds to be issued under the authorisation of the Annual General Meeting of October 23, 2013.

Capital increase against contribution in kind to acquire Hanse-Center Objektgesellschaft mbH and Glockenhofcenter Objektgesellschaft mbH

Based on the authorisation of the Annual General Meeting of October 15, 2014, the Company's share capital was increased from authorised capital against contribution in kind on one occasion in an amount of EUR 5,633,710 excluding shareholder subscription rights upon its registration in the commercial register on January 22, 2015.

Alpine Real Estate GmbH was admitted to subscribe to the new shares and made a contribution in kind to DEMIRE AG consisting of 94.9 % of Alpine's interest in Hanse-Center Objektgesellschaft mbH, 94.9 % of the interest in Glockenhofcenter Objektgesellschaft mbH and a receivable against Hanse-Center Objektgesellschaft mbH. In the context of the capital increase, each new DEMIRE AG share was assigned a value of EUR 1.75.

Capital increase against contribution in kind to purchase Gutenberg Galerie

Based on the authorisation of the Annual General Meetings of October 15, 2014 and March 6, 2015, the Company's share capital was increased against contribution in kind and excluding shareholder subscription rights in a total amount of EUR 2,182,567.00. Ketom AG, Switzerland, was admitted to subscribe to the new shares in return for providing a contribution in kind consisting of a 94 % interest in the project company Sihlegg Investments Holding GmbH, Switzerland and all claims from a shareholder loan granted to the project company by Ketom AG. A value of EUR 4.028 per DEMIRE AG share was used to determine the amount of the capital increase and the number of new DEMIRE AG shares to be issued. The capital increase was recorded in the commercial register on May 27, 2015.

Capital increase against contribution in kind to purchase Logistikpark Leipzig GmbH

On May 13, 2015, with the approval of the Supervisory Board on May 19, 2015, a resolution was made to increase the Company's share capital from authorised capital once by EUR 2,541,149.00 against a mixed contribution in kind and excluding shareholders' subscription rights. M1 Beteiligungs GmbH, Berlin, was

admitted to subscribe to the new shares in return for a contribution in kind consisting of a 94 % interest in Logistikpark Leipzig GmbH. A value of EUR 5.84 per DEMIRE AG share was used to determine the amount of the capital increase and the number of new DEMIRE AG shares to be issued. The capital increase was recorded in the commercial register on July 1, 2015.

Cash capital increase

The Company's share capital was increased on July 17, 2015 by EUR 2,474,152 by means of a 10 % cash capital increase. The 2,474,152 new no-par value ordinary bearer shares (no-par value shares) were largely subscribed to by the institutional investor Wecken & Cie., Basel, Switzerland, in the context of a private placement. The issue price of the new shares was EUR 4.51 per share. The new shares are entitled to dividends as of January 1, 2015. The capital increase was recorded in the commercial register on July 14, 2015.

Capital increase against contribution in kind to purchase Fair Value REIT-AG

On October 14, 2015, the Executive Board of DEMIRE AG made a voluntary public takeover offer to the shareholders of Fair Value REIT-AG in which they could exchange their shares for newly created shares of DEMIRE AG. The aim of the acquisition was to create the leading commercial real estate specialist with a focus on German secondary locations and a common real estate portfolio valued at roughly EUR 1 billion.

The share exchange took place at a ratio of two DEMIRE Deutsche Mittelstand Real Estate AG shares for one Fair Value REIT-AG share. The exchange took legal effect on December 21, 2015 with the registration of the capital increase in the commercial register in Frankfurt/Main. DEMIRE AG's takeover offer was accepted by 77.70 % of the Fair Value REIT-AG shareholders. A total of 10,963,878 Fair Value REIT-AG shares of the full total of 14,110,323 shares were tendered for exchange during the initial acceptance period and the additional acceptance period that extended until December 3, 2015.

Based on a resolution of the Supervisory Board dated December 16, 2015 to amend the Articles of Association, and entry in the commercial register on December 21, 2015, the Company's share capital was increased by EUR 21,927,756.00 against contribution in kind by issuing 21,927,756 new no-par value bearer shares (no-par value shares) with a notional interest in the share capital of EUR 1.00 each. The contribution in kind consisted of 10,963,878 shares of Fair Value REIT-AG with a notional interest in the share capital of EUR 2.00 per share. The capital increase was recorded in the commercial register on December 21, 2015.

Authorised Capital

Authorised Capital I/2014

By resolution of the Annual General Meeting of October 15, 2014, with the Supervisory Board's consent, the Executive Board was authorised to increase the Company's share capital by issuing up to 7,064,325 new bearer shares in the form of no-par value shares with a notional interest of EUR 1.00 each against contribution in cash and/or in kind once or several times in partial amounts of up to EUR 7,064,325.00 (Authorised Capital I/2014) until October 14, 2019. Shareholders are generally entitled to subscription rights.

The Executive Board and Supervisory Board have resolved on December 22, 2014 to increase the Company's share capital from authorised capital once in the amount of EUR 5,633,710.00—from EUR 14,306,151 to EUR 19,939,861—against contribution in kind and excluding shareholders' subscription rights. Alpine Real Estate GmbH was admitted to subscribe to the new shares in return for a contribution in kind to DEMIRE AG consisting of 94.9 % of Alpine's interest in Hanse-Center Objektgesellschaft mbH, 94.9 % of the interest in Glockenhofcenter Objektgesellschaft mbH and a receivable against Hanse-Center Objektgesellschaft mbH. Hanse-Center Objektgesellschaft mbH and Glockenhofcenter Objektgesellschaft mbH possess a commercial real estate portfolio comprising a total of nearly 42,000 m² in Bremen, Berlin, and Stralsund. In the context of the capital increase, each new DEMIRE AG share was assigned a value of EUR 1.75. As at the reporting date, the capital increase against contribution in kind has not been accounted for yet because under Section 189 AktG the share capital is effectively increased only upon the registration of the capital increase in the commercial register. Pursuant to the resolution on the capital increase, the capital increase poses a pending transaction that

cannot be recognised in the financial statements as long as the contribution has not been made and the execution of the capital increase is not yet entered in the commercial register. The contribution was made with legal effect in 2015, and the capital increase was registered in the commercial register on January 22, 2015.

The Company's Executive Board and Supervisory Board resolved on April 8, 2015 and April 28, 2015 to increase the Company's share capital from authorised capital once in the amount of EUR 1,430,615.00—from EUR 20,017,811.00 to EUR 21,448,426.00—against contribution in kind and excluding shareholders' subscription rights. Ketom AG, Switzerland, was admitted to subscribe to the new shares in return for providing a contribution in kind consisting of a 94 % interest in the project company Sihlegg Investments Holding GmbH, Switzerland, as well as all claims from a shareholder loan granted to the project company by Ketom AG. A value of EUR 4.028 per DEMIRE AG share was assigned to determine the amount of the capital increase and the number of new shares to be issued. The capital increase against contribution in kind from Authorised Capital I/2014 was carried out in the amount of EUR 1,430,615.00 and from Authorised Capital I/2015 in the amount of EUR 751,952. The project company owns the office and retail property Gutenberg Galerie in Leipzig with rentable space of approximately 20,750 m².

Authorised Capital I/2014 was fully utilised for, among other things, the subscription of Alpine Real Estate GmbH and Ketom AG and therefore now amounts to EUR 0.00.

Authorised Capital I/2015

By resolution of the Extraordinary General Meeting of March 6, 2015, with the Supervisory Board's consent, the Executive Board was authorised to increase the Company's share capital by issuing up to 8,552,290 new bearer shares in the form of no-par value shares with a notional interest of EUR 1.00 each against contribution in cash and/or in kind once or several times in partial amounts of up to EUR 8,552,290.00 (Authorised Capital I/2015) until March 5, 2020. Shareholders are generally entitled to subscription rights.

The Executive Board and Supervisory Board resolved on April 8, 2015 and April 28, 2015 to increase the Company's share capital from authorised capital once in the amount of EUR 751,952.00—from EUR 21,448,426.00 to EUR 22,200,378.00—against contribution in kind and excluding shareholders' subscription rights. Ketom AG, Switzerland, was admitted to subscribe to the new shares in return for providing a contribution in kind consisting of a 94 % interest in the project company Sihlegg Investments Holding GmbH, Switzerland, as well as all claims from a shareholder loan granted to the project company by Ketom AG. A value of EUR 4.028 per DEMIRE AG share was assigned to determine the amount of the capital increase and the number of new shares to be issued. The capital increase against contribution in kind from Authorised Capital I/2014 was carried out in the amount of EUR 1,430,615.00 and from Authorised Capital I/2015 in the amount of EUR 751,952. The project company owns the office and retail property Gutenberg Galerie in Leipzig with rentable space of approximately 20,750 m².

The Company's Executive Board and Supervisory Board resolved on May 18, 2015 and May 19, 2015 to increase the Company's share capital from authorised capital once in the amount of EUR 2,541,149.00—from EUR 22,200,378 to EUR 24,741,527.00—against a mixed contribution in kind and excluding shareholders' subscription rights. M1 Beteiligungs GmbH, Berlin, has been admitted to subscribe to the new shares in return for contributing a 94 % interest in Logistikpark Leipzig GmbH. Logistikpark Leipzig GmbH is the sole owner of a logistics property in Leipzig (Logistikpark Leipzig). A value of EUR 5.84 per DEMIRE AG share was assigned to determine the amount of the capital increase and the number of new DEMIRE AG shares to be issued. In addition to the shares, M1 Beteiligungs GmbH is to receive a cash payment of roughly EUR 19 million. The contribution, purchase and assignment agreement governing the contribution in kind is subject, among others, to the approval of the bank financing Logistikpark Leipzig GmbH. Following the execution of this capital increase and taking into account the capital increase against contribution in kind to purchase Gutenberg Galerie, which was resolved by the Executive Board on April 2, 2015, M1 Beteiligungs GmbH will hold an interest of around 10.25 % in DEMIRE AG's share capital.

The Executive Board and Supervisory Board resolved on July 1, 2015 to increase the Company's share capital from authorised capital once in the amount of EUR 2,474,152.00—from EUR 24,741,527.00 to EUR 27,215,679.00—against contribution in cash through the issue of 2,474,152 new no-par value ordinary bearer shares with a notional interest in the share capital of EUR 1.00 per share.

The Company's Annual General Meeting passed a resolution on August 28, 2015 to cancel the unutilised Authorised Capital I/2015.

Authorised Capital II/2015

By resolution of the Annual General Meeting of August 28, 2015, with the Supervisory Board's consent, the Executive Board was authorised to increase the Company's share capital by issuing up to 13,675,702 new bearer shares in the form of no-par value shares with a notional interest of EUR 1.00 each against contribution in cash and/or in kind once or several times in partial amounts of up to EUR 13,675,702.00 (Authorised Capital II/2015) until August 27, 2020. Shareholders are generally entitled to subscription rights.

Authorised Capital III/2015

By resolution of the Extraordinary General Meeting of September 14, 2015, with the Supervisory Board's consent, the Executive Board was authorised to increase the Company's share capital by issuing up to 7,069,272 new bearer shares in the form of no-par value shares with a notional interest of EUR 1.00 each against contribution in cash and/or in kind once or several times in partial amounts of up to EUR 7,069,272.00 (Authorised Capital III/2015) until September 13, 2020. Shareholders are generally entitled to subscription rights.

With respect to the authorised capital above, with the Supervisory Board's consent, the Executive Board is authorised to exclude shareholders' subscription rights in the following cases:

- fractional shares
- when the capital increase is against cash contribution and the proportional amount of the share capital attributed to the new shares for which the subscription right is excluded does not exceed 10 % of the share capital existing at the time the new shares are issued, and the issue price of the new shares is not significantly less than the stock market prices of the shares of the same class and entitlements already listed at the time of the final determination of the issue price by the Executive Board according to Section 203 para. 1 and 2 and Section 186 para. 3 Sentence 4 AktG
- to the extent necessary to grant holders or creditors of bonds with option or convertible rights issued by the Company or Group companies, subscription rights to new shares to the extent to which the holders or creditors would be entitled after exercising their option or convertible rights
- in the case of capital increases against contribution in kind.

Authorisation to repurchase shares

The Company has been authorised to acquire up to 10 % of the existing share capital outstanding as at the date of authorisation from the date of the resolution on October 15, 2014 for a period of five years, i.e. until October 14, 2019. The number of shares acquired under this authorisation together with other Company shares already purchased by the Company or already owned, may not exceed 10 % of the Company's respective existing share capital.

The item "non-controlling interests" concerns interests of third-party shareholders in the equity and net profit of fully consolidated subsidiaries. The net profit attributable to parent company shareholders represents the difference between the net profit before the interests of non-controlling shareholders and the interests of non-controlling shareholders reported in the statement of income.

5. Non-current liabilities

5.1 Deferred tax assets and liabilities

The entire amount of recognised deferred taxes is due after 12 months.

The deferred tax assets and liabilities are composed of temporary differences in the following balance sheet items:

EURk	31/12/2015	31/12/2014
Tax loss carryforwards	3,937	1,345
Investment properties	359	531
Interest swap	88	0
Others	1,355	340
Deferred tax assets before offsetting	5,739	2,216
Offsetting	-5,595	-1,496
Deferred tax assets	144	720
Investment properties	28,229	10,916
Real estate inventory	6	84
Others	3,074	528
Deferred tax liabilities before offsetting	31,309	11,528
Offsetting	-5,595	1,496
Deferred tax liabilities	25,714	10,032

Deferred tax liabilities result mainly from temporary differences in the valuation of investment properties at fair value and effects from the purchase of Fair Value REIT. In the case of Fair Value, in addition to “inside basis differences” “outside basis differences” are also recognised in the consolidated financial statements under the “tax transparent entities” concept. This assumes a deemed disposal of all properties directly held by Fair Value REIT and indirectly held through trusts. Deferred taxes totalling EURk 12,874 were recognised directly in equity as part of the initial consolidation of Fair Value REIT and Germavest Real Estate S.à.r.l.

The requirements pursuant IAS 12.74 have been fulfilled with regard to deferred tax assets before offsetting of EURk 3,937 (December 31, 2014: EURk 1,345) for tax loss carryforwards. According to IAS 12.36, deferred tax assets are recognised in the amount of the deferred tax liabilities.

The changes in deferred taxes and their recognition can be represented as follows:

EURk	01/01/2015	Statement of income	Recognised directly in equity	Other comprehensive income	31/12/2015
Investment properties	-10,385	-4,611	-12,874	0	-27,870
Real estate inventory	-84	78	0	0	-6
Interest swaps	0	88	0	0	88
Tax loss carryforwards	1,345	2,592	0	0	3,937
Others	-188	-1,531	0	0	-1,719
	-9,312	-3,384	-12,874	0	-25,570

The item “others” contains mainly deferred taxes related to the following debt instruments: 2013/18 convertible bond, 2014/2019 corporate bond and 2014/19 Signal Capital loan.

Tax loss carryforwards and deductible temporary differences that were not taken into account when determining deferred taxes, amounted to EURk 28,044 (December 31, 2014: EURk 14,891). Of this amount, EURk 27,676 (December 31, 2014: EURk 14,714) is attributable to Germany, EURk 163 (December 31, 2014: EURk 145) is attributable to Romania, EURk 0 (December 31, 2014: EURk 3) to the Ukraine and EURk 205 (December 31, 2014: EURk 29) to Georgia. In the reporting year, non-recognised deferred tax assets amounted to EURk 5,563 (December 31, 2014: EURk 4,484).

The changes in deferred taxes during the abbreviated fiscal year and their recognition can be represented as follows:

EURk	01/04/2014	Statement of income	Recognised directly in equity	Other comprehensive income	31/12/2015
Investment properties	-928	-9,457	0	0	-10,385
Real estate inventory	-238	154	0	0	-84
Tax loss carryforwards	928	417	0	0	1,345
Others	-44	-555	411	0	-188
	-282	-9,441	411	0	-9,312

5.2 Interests of minority shareholders

Interests of minority shareholders, which are recognised as liabilities, originate from Fair Value REIT and totalled EURk 61,160 as at the balance sheet date. Compensation to non-controlling shareholders in subsidiaries of Fair Value REIT are calculated as the proportion of minorities in the equity of each subsidiary as at December 31, 2015 and represented either a profit (-) or loss (+) for the non-controlling shareholders.

5.3 Non-current financial liabilities

The following table summarises the non-current financial:

NON-CURRENT FINANCIAL LIABILITIES		Nominal interest rate in %	Due date	31/12/2015 EURk	31/12/2014 EURk
1.	DEMIRE AG 2014/2019 corporate bond	7.50	16/09/2019	97,034	49,138
2.	DEMIRE AG 2013/2018 convertible bond	6.00	30/12/2018	10,201	10,424
3.	DEMIRE AG 2015/2018 mandatory convertible bond (debt component)	2.75	22/05/2018	498	0
4.	DEMIRE AG Signal Capital loan	9.50	31/12/2018	26,691	0
5.	DEMIRE Holding Deutsche Bank promissory note loan	5.00	09/12/2019	142,515	142,320
6.	DEMIRE Commercial Real Estate GmbH LBBW loan A	2.25	31/01/2019	26,115	26,666
7.	DEMIRE Commercial Real Estate GmbH LBBW loan B	1.80	31/01/2019	6,794	6,792
8.	DEMIRE Commercial Real Estate GmbH HFS bond	15.00	15/01/2017	27,155	0
9.	DEMIRE Real Estate München I GmbH IBB amortising loan	3.00	31/12/2016	290	8,018
10.	Munich ASSET Vermögensverwaltung GmbH Hypo Landesbank Vorarlberg amortising loan	1.75	31/08/2018	0	4,734
11.	TGA Immobilien Erwerb 1 GmbH Volksbank Mittweida loan	3.25	28/02/2025	4,229	0
12.	Logistikpark Leipzig GmbH DG Hyp loan	2.40	30/06/2020	29,324	0
13.	Hanse-Center Objektgesellschaft mbH LBB amortising loan	3.74	31/08/2018	4,112	0
14.	Sihlegg Investments Holding GmbH HypoNoe loan	3.00	31/12/2020	11,243	0
15.	Germavest Real Estate S.à.r.l. Notes A	3.91	20/02/2033	58,232	0
16.	Germavest Real Estate S.à.r.l. Notes B	5.25	20/02/2021	38,693	0

NON-CURRENT FINANCIAL LIABILITIES		Nominal interest rate in %	Due date	31/12/2015 EURk	31/12/2014 EURk
17. Fair Value REIT-AG ..	Convertible bond	4.50	19/01/2017	159	0
18. Fair Value REIT-AG ..	WIB Westdeutsche Immobilienbank AG amortising loan	2.55	30/06/2019	8,995	0
19. Fair Value REIT-AG ..	WIB Westdeutsche Immobilienbank AG amortising loan	1.27	30/06/2019	4,855	0
20. Fair Value REIT-AG ..	WIB Westdeutsche Immobilienbank AG amortising loan	1.27	30/06/2019	1,970	0
21. IC 13	Stadt-Sparkasse Langenfeld amortising loan	1.55	30/03/2020	2,638	0
22. BBV 08	Unicredit Bank AG amortising loan	2.90	30/09/2025	14,947	0
23. BBV 08	Unicredit Bank AG amortising loan	2.90	29/12/2023	2,051	0
24. BBV 10	Unicredit Bank AG amortising loan	1.97	31/03/2016	23,315	0
25. BBV 10	Unicredit Bank AG amortising loan	2.05	31/03/2016	1,637	0
26. BBV 10	Unicredit Bank AG amortising loan	2.05	31/03/2016	6,982	0
27. BBV 10	BBV Bayerische Beamten Lebensversicherung a.G. amortising loan	3.90	31/12/2016	19,739	0
28. BBV 14	Deutsche Genossenschafts-Hypothekenbank amortising loan	1.38	31/03/2020	30,911	0
29. IC 15	Sparkasse Südholstein amortising loan	2.71	30/01/2018	7,294	0
31. Other financial liabilities				177	0
				608,796	248,092

The effective interest rate of the first tranche of the 2014/2019 corporate bond is 7.99 %, 7.60 % for the second tranche and 5.70 % for the promissory note from Deutsche Bank. For all other non-current financial liabilities, the nominal interest rate closely corresponds to the effective interest rate because only marginal transaction costs were incurred.

The nominal value of the 2014/2019 corporate bond of DEMIRE AG is EURk 100,000; EURk 10,662 for the 2013/2018 convertible bond of DEMIRE AG; EURk 32,000 for the Signal Capital loan; EURk 148,000 for the Deutsche Bank promissory note for DEMIRE Holding EINS GmbH; EURk 27,500 for the LBBW loan A for DEMIRE Commercial Real Estate GmbH; EURk 7,000 for the LBBW loan B for DEMIRE Commercial Real Estate GmbH; and EURk 8,225 for the IBB amortising loan for DEMIRE Real Estate München I GmbH.

Of the non-current financial liabilities, an amount of EURk 500,727 (previous year: EURk 213,225) is secured by assets. No liabilities have been encumbered with a mortgage as a guarantee for third-party liabilities (previous year: EURk 201,225).

Pursuant to the business pledging agreement dated November 13, 2014, DEMIRE AG pledged all its interests in the subsidiary DEMIRE Condor Properties Management GmbH in an amount of EURk 28, including all related rights, to guarantee the loan taken out by the subsidiary DEMIRE Condor Properties Management GmbH, including accrued interest of EURk 12,567.

Pursuant to the notarised declaration of December 17, 2014, DEMIRE AG accepted all current, future and contingent claims of bondholders up to a maximum amount of EURk 33,360 for the bearer bond

issued by the subsidiary DEMIRE Commercial Real Estate GmbH, Frankfurt/Main. To secure the claims of this bearer bond, DEMIRE AG has pledged all its interests in the subsidiary DEMIRE Commercial Real Estate GmbH in the amount of EURk 9,683.

Generally, all loan agreements for the properties financed stipulate information requirements that DEMIRE's subsidiaries as debtors must fulfil with respect to the banks or investors as creditors. Depending on the type and scope of the loan agreement, the information requirements range from providing key financial ratios (e.g. financial statements) to reporting of the compliance with covenants.

The covenants concern financial ratios, particularly the debt service cover ratio (DSCR), the interest cover ratio (ICR) and the loan-to-value (LTV) of the respective real estate portfolio. The calculation is based on the specifications set by the creditors in the loan agreement. The significant financial liabilities with covenants held by the DEMIRE Group is the Deutsche Bank promissory note for the Condor real estate portfolio with a nominal amount of EUR 148 million, the 2014/2019 corporate bond with a nominal amount of EUR 100 million, the 2013/2018 convertible bond with an issue volume of EUR 11.3 million, the 2015/2018 mandatory convertible bond with an issue volume of EUR 15 million, the Signal Capital loan with a nominal amount of EUR 32 million and the LBBW loan for the Alpha real estate portfolio with a volume of EUR 27.5 million.

The monitoring, compliance and reporting of the covenants specified in the loan agreements for the properties financed is carried out by DEMIRE's management, treasury and asset management. Depending on the financing, the covenants are reported to the creditors on a quarterly, semi-annual or annual basis or creditors are provided with the underlying economic ratios. If DEMIRE fails to comply with the covenants, the creditors are entitled to demand additional guarantees from the debtor. In that case, the loans would be in default. If the default persisted for a longer period of time and could not permanently be resolved, the creditors have a special right of termination.

DEMIRE complied with all covenants for real estate financing as at the balance sheet date and in the course of the new fiscal year and, therefore, was not in default.

2014/2019 corporate bond

In the 2014 fiscal year, DEMIRE AG placed a corporate bond with a total issue volume of EURk 50,000. The corporate bond has a term of five years and is due on September 16, 2019. The bond has a coupon of 7.50 % per annum payable semi-annually in arrears to investors. The corporate bond started trading on the Open Market of the Frankfurt Stock Exchange under ISIN DE000A12T135 on September 16, 2014. The senior unsecured bond issued in a private placement is divided into 50,000 fractional bearer bonds with a nominal value of EURk 1 per fractional bond.

By resolution of March 24, 2015, with the approval of the Supervisory Board, DEMIRE's Executive Board increased the 2014/2019 corporate bond from September 2014 by a further EURk 50,000 to a total of EURk 100,000. The development of the 2014/2019 corporate bond is illustrated in the following table:

EURk	Carrying amount 2014/2019 corporate bond
As at January 1, 2015	50,000
Partial repurchase of 2014/2019 corporate bond	-20,000
Exchange of fractional bonds of 2014/2019 corporate bond for 2015/2018 fractional mandatory convertible bonds	-15,000
Placements in 2015	85,000
As at December 31, 2015	100,000

In December 2015, the Company placed additional fractional bonds with a nominal value of EURk 10,880 and exercised its call option for the same amount against the seller of the T6 portfolio. As at December 30, 2015, the put option was exercised by the seller of the T6 portfolio. That portion of the bond in the amount of EURk 14,375, which could not be placed until December 31, 2015, was repurchased by DEMIRE AG. The bonds amounting to EURk 14,375 were not posted to the Company's account until January 2016, which meant that the 2014/2019 bond was valued on December 31, 2015 with a total nominal value of EURk 100,000. Following the partial redemption of the fractional bonds, in January 2016 the bond's nominal amount stood at EURk 85,625.

The terms and conditions of the 2014/2019 bond contain provisions regarding required financial covenants, which, if not met, could result in extraordinary termination by the bondholders and thus repayment obligations for the Company as well as restrictions on distributions made by the Company. The financial covenants concern financial ratios, in particular, the loan-to-value ratio (LTV) and the Company's equity ratio. Monitoring, compliance and reporting of financial covenants is conducted by DEMIRE's management and its Treasury and Asset Management departments. Should DEMIRE fail to comply with the covenants, the creditors would be entitled to demand additional guarantees from the debtor. In that case, the loans would be in default. If the default persisted for a longer period of time and could not permanently be resolved, the creditors have a special right of termination. As at the balance sheet date, DEMIRE had complied with all financial covenants and, therefore, there was not in default.

Convertible bonds (2013/2018 CB)

By resolution of the Annual General Meeting of October 23, 2013, the Executive Board was authorised, with the consent of the Supervisory Board, to issue bearer and/or registered convertible bonds and/or bonds with warrants once or on several occasions until September 30, 2018, for a total nominal amount of up to EURk 50,000 with or without a limitation on the duration and to offer holders or creditors of bonds option or conversion rights new no-par value bearer shares of the Company with a notional interest in the share capital of up to EURk 25,000 according to the convertible bonds' more detailed specifications of the terms and conditions.

In December 2013, DEMIRE AG issued convertible bonds in a total nominal amount of EURk 11,300 maturing on December 30, 2018. The convertible bonds are divided into 11,300,000 fractional bonds, each with a nominal value of EUR 1.00.

The details of the convertible bonds are as follows:

- They are divided into a maximum of 11,300,000 bearer fractional bonds, each with a nominal value of EUR 1.00 and carrying equal rights.
- During the bond's term, holders have the irrevocable right during the conversion periods to convert each convertible bond with a nominal value of EUR 1.00 initially into one no-par value share of DEMIRE Deutsche Mittelstand Real Estate AG with a notional interest in share capital of EUR 1.00 each. By resolution of the creditors' meeting of September 30, 2014, the terms and conditions of the convertible bonds have been amended so that cash compensation is no longer possible.
- In case of the effective exercise of the conversion right, the conversion price amounts to EUR 1.00 per ordinary bearer share, each with a notional interest in the share capital of EUR 1.00. The conversion price may be subject to adjustments due to adjustment provisions contained in the bonds' terms and conditions. This corresponds to a conversion ratio of 1:1. The terms and conditions do not provide for cash settlement.
- The issue price per convertible bonds is EUR 1.00 and corresponds to the nominal value and initial conversion price.
- The convertible bonds yield 6.00 % interest per annum. The interest is payable on March 30, June 30, October 30 and December 30 of each year during the term of the convertible bonds.

Following the exercise of 226,800 conversion rights from the 2013/2018 convertible bond, the company's share capital was increased by 226,800 no-par value bearer shares with a notional interest of EUR 1.00.

As a result of the change in the terms and conditions of the 2013/18 convertible bond on September 30, 2014, the previous debt instrument was derecognised, and a new debt instrument was recognised. The debt instrument was replaced because the change in the terms and conditions was considered a material change in the contract conditions as defined by IAS 39.40. The previous debt instrument was carried at fair value until September 30, 2014, and the new debt instrument was carried at amortised cost from September 30, 2014. According to IAS 32.28, the new debt instrument must be divided into a debt and equity component.

According to IAS 32.31 ff., the division into a debt and equity component must be carried out under the residual value method. A term-equivalent credit spread on the risk-free interest rate was used to measure

the debt component at the time of initial recognition on September 30, 2014. The resulting value for the debt component amounted to EURk 10,418. The difference between the amount of the “new” convertible bond on September 30, 2014 (EURk 10,909), and the value of the debt component was recognised as an equity component totalling EURk 490. This difference was recognised in the previous year directly in equity.

With regard to the corresponding effects on the statement of income, we refer to Note D.12.

Mandatory convertible bond (2015/2018 MCB)

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

The convertible bonds placed by DEMIRE AG on May 22, 2015 with a term until May 22, 2018 and a total nominal value of up to EURk 15,000 are divided into 150 bonds with a nominal value of EURk 100 each.

The details of the convertible bonds are as follows:

- They are divided into a maximum of 150 bearer fractional bonds, each with a nominal value of EURk 100 and carrying equal rights.
- Bondholders have the right to convert each bond in whole, but not in part, during the bond’s term, into no-par value shares (no-par value shares) with a notional interest in the Company’s share capital on the issue date of EUR 1.00.
- In case of the effective exercise of the conversion right, the conversion price amounts to EUR 5.00 per no-par value share, subject to adjustments due to adjustment provisions included in the terms and conditions of the bonds. The conversion ratio is calculated by dividing the bond’s principal amount by the conversion price applicable on the exercise date.
- The bonds bear 2.75 % interest per annum with interest payable quarterly in arrears on the dates of March 22, June 22, September 22 and December 22 in each year during the term of the convertible bonds.

The bonds may be callable under certain conditions by the convertible bond holders, in which case a prepayment penalty in the amount of 15.00 % on the principal amount plus accrued interest until the date of actual redemption would be due for redemption. Grounds for calling the bonds include, among others, non-delivery of shares or failure to meet key obligations under the respective 2015/2018 mandatory convertible bond; failure to meet payment obligations under other financial liabilities (cross default); bankruptcy and initiation of insolvency proceedings by the Company or its significant subsidiaries and dropping below an equity ratio of 20 % from December 31, 2016. In the case of a change in control and a merger of the issuer, the bonds may be callable and may be redeemed early with a prepayment penalty equal to 15 % of the principal amount plus accrued and unpaid interest. The issuer may redeem the bonds early in the event that the aggregate principal amount of the outstanding bonds falls below 25 % of the bonds’ originally issued aggregate principal amount. No conversions took place during the reporting period.

In DEMIRE’s IFRS consolidated financial statements, the equity component of the 2015/2018 mandatory convertible bond was recognised directly in equity as an equity instrument amounting to EURk 13,899 due to the bond’s terms and conditions. Additionally, deferred tax assets of EURk 324 were recognised directly in equity. The effective interest rate for the debt component of EURk 498 is 7.57 %.

HFS bond

On December 17, 2014, DEMIRE Commercial Real Estate GmbH, as the capital recipient, issued a subordinated bond in the nominal amount of EURk 27,800 to HFS Helvetic Financial Services AG, as the

trustee, to finance the acquisition of the Alpha Portfolio (the “HFS subordinated bond”). Financing consists of EURk 25,000 for the capital recipient, EURk 2,050 of financed interest, EURk 625 of a financed one-time processing fee and EURk 213 of a financed escrow payment. The HFS subordinated bond’s original maturity was December 15, 2015 and was prematurely prolonged in October 2015 for another year until December 15, 2016. The bond’s interest is 15 % p.a. with a minimum interest of EURk 2,039 p.a. The trustee has an extraordinary termination right, especially if the debtor were to violate certain contractual monthly information obligations. By agreement dated October 7, 2015, the term of this subordinated bond was extended for another year until December 15, 2016. During the extension period, a special allowance of 5 % p.a. is to be paid with half of the amount due on June 15, 2016 and the remaining half on December 15, 2016. No costs were incurred for this extension. DEMIRE Commercial Real Estate GmbH may terminate the HFS subordinated bond with a period of four weeks. On December 2, 2015, the HFS subordinated was prolonged by one month to January 15, 2017.

Signal Capital loan

On December 30, 2015, DEMIRE AG concluded a three-year loan agreement for a volume of EURk 32,000 with Signal Credit Opportunities (Lux) Investco II S.à.r.l. involving other parties (a loan mediator, among others). Under this agreement, DEMIRE AG is entitled to call the loan after a minimum term of two years. The loan has an interest rate equal to EURIBOR plus a margin of 9.5 %, but not less than 9.5 %. Interest payments are to be made quarterly at the end of each quarter. A fee of EURk 1,920 has already been paid to the loan agent for negotiating the loan. The agent is due to receive a further fee of EURk 3,200 at the time of the loan’s repayment (equivalent to a present value of EURk 2,985 as at the balance sheet date). Both amounts are accounted for under the effective interest method.

The loan amount was specified for (i) the purchase of fractional bonds in the amount of approx. EURk 15,522 from the 2014/2019 corporate bond issued by DEMIRE AG that was used to pay the purchase price to the seller of Germavest Real Estate S.à.r.l. and transferred with a repurchase obligation, (ii) the payment of a deferred residual purchase price in the amount of approx. EURk 4,274 for the acquisition of Germavest Real Estate S.à.r.l, (iii) the payment of financing costs in the amount of approx. EURk 1,300, (iv) a pro rata payment of the purchase price for the acquisition of Kurfürster Immobilien GmbH by DEMIRE Real Estate FÜNF GmbH in the amount of approx. EURk 8,983, and (v) payment of the placement fee.

For information on the collateral provided by DEMIRE AG to the lender, we refer to Note E. 8.

The loan agreement with Signal Credit Opportunities (Lux) Investco II S.à.r.l provides for compliance with financial covenants according to which the “debt service cover” (DSC), “interest cover” (IC) and “loan-to-value” (LTV) ratios, based on the Group, must reach or may not exceed the specific set thresholds. In addition, minimum liquidity of EURk 4,000 must be maintained in the Group over the term of the loan and certain transactions and management measures may not be carried out without the prior consent of the lender, whereby the permissible scope for action on the part of the companies included is defined in detail. DEMIRE AG is also subject to extensive disclosure requirements, particularly with respect to its net assets and results of operations. The guarantees provided by DEMIRE AG and its subsidiaries under the loan agreement, including at the time of concluding the contract and the time of payment recur at the beginning of each interest period so that the state of the guarantees is maintained over the life of the loan. This is particularly relevant with respect to the extensive commitments to ensure and maintain the property values held by the subsidiaries.

Breaches of commitments under the loan agreement and other financing agreements can justify the lender’s right to terminate the loan. DEMIRE AG is prohibited from assigning or transferring its rights and obligations under the loan agreement.

5.4 Other non-current liabilities

Other non-current liabilities of EURk 1,076 consist of liabilities to former non-controlling shareholders of subsidiaries. Amounts owed to former non-controlling shareholders concern primarily receivable settlement credits due to termination of the shareholder relationship. In some cases, the respective company is entitled to pay the receivable settlement credits in three or five annual instalments, whereby interest of 4 % per annum is payable on the respective unpaid amount; in one case interest equal to the respective EURIBOR rate (12 months). It is assumed that receivable settlement credits will be paid on a pro rata basis by a subsidiary of Fair Value REIT-AG. Non-current liabilities to former non-controlling shareholders amounted to EURk 1,071 in the past fiscal year.

6. Current liabilities

6.1. Provisions

EURk	31/12/2015	31/12/2014
Staff costs	513	394
Others	653	458
Total	1,166	852

EURk	31/12/2014	Utilisation	Reversal	Additions	31/12/2015
Staff costs	394	219	21	359	513
Others	458	166	16	377	653
Total	852	385	37	736	1,166

The Company expects to utilise the provisions in the coming 2016 fiscal year because all provisions are short-term in nature.

Provisions related to staff costs primarily consist of obligations resulting from the performance-based, variable remuneration of the Executive Board and variable staff costs.

Other provisions include mainly EURk 330 for building maintenance and EURk 300 for pending damage claims.

6.2. Trade payables and other liabilities

EURk	31/12/2015	31/12/2014
Trade payables	9,179	7,009
Outstanding invoices	3,153	0
Interest liabilities	355	1,032
Accounting and audit costs	1,644	806
Former non-controlling shareholders	1,039	0
Liabilities from value-added taxes	865	363
Deposits received	705	151
Purchase price liabilities	187	730
Supervisory Board compensation	49	69
Personnel-related expenses	434	11
Others	2,277	1,348
Total	19,887	11,519

Trade payables amounting to EURk 9,179 (December 31, 2014: EURk 7,009) are all due to third parties and are entirely short-term in nature, as was the case as at December 31, 2014.

The liabilities for accounting and audit costs include costs for the preparation, audit, and publication of the financial statements and the consolidated financial statements.

Liabilities for outstanding invoices were recognised for services received.

6.3. Tax liabilities

Current income tax liabilities of EURk 3,801 (December 31, 2014: EURk 314) relate to trade taxes (EURk 524; December 31, 2014: EURk 118) and corporate taxes (EURk 3,277; December 31, 2014: EURk 196). Corporate tax liabilities of EURk 1,796 concern the assessment years 2009 through 2012 of Germavest Real Estate S.à.r.l.

6.4. Current financial liabilities

The following table summarises the current financial liabilities.

CURRENT FINANCIAL LIABILITIES			Nominal interest rate in %	Due date	31/12/2015 EURk	31/12/2014 EURk
1.	DEMIRE AG	2014/2019 corporate bond	7.50	16/09/2019	1,740	0
2.	DEMIRE AG	2013/2018 convertible bond	6.00	30/12/2018	110	0
3.	DEMIRE AG	2015/2018 mandatory convertible bond (debt component)	2.75	22/05/2018	391	0
4.	DEMIRE AG	Signal Capital loan	9.50	31/12/2018	2,038	0
5.	DEMIRE Holding EINS GmbH	Deutsche Bank promissory note loan	5.00	31/12/2015	740	740
6.	DEMIRE Commercial Real Estate GmbH	LBBW loan A	2.25	31/12/2015	0	834
7.	DEMIRE Commercial Real Estate GmbH	LBBW loan B	1.80	31/12/2015	0	208
8.	DEMIRE Real Estate München I GmbH	IBB amortising loan	3.00	31/12/2015	8,083	200
9.	Munich ASSET Vermögensverwaltung GmbH	Hypo Landesbank Vorarlberg amortising loan	1.75	31/12/2015	0	172
10.	1. MAGNAT Immobilienges. mbH	DKB loan	3.00	30/06/2016	2,400	3,183
11.	Hanse-Center Objektgesellschaft	LBB loan	3.74	30/12/2016	31	0
12.	Sihlegg Investments Holding GmbH	HypoNoe loan	3.00	31/12/2020	268	0
13.	Logistikpark Leipzig GmbH ..	DG Hyp loan	2.40	30/06/2020	900	0
14.	TGA Immobilien Erwerb 1 GmbH	Volksbank Mittweida loan	3.25	28/02/2025	254	0
16.	Germavest Real Estate S.à.r.l.	Notes A	3.91	20/02/2033	1,173	0
17.	Germavest Real Estate S.à.r.l.	Notes B	5.25	20/02/2021	8,751	0
18.	Fair Value REIT-AG	Convertible bond	4.50	19/01/2020	8,714	0
19.	Fair Value REIT-AG	WIB Westdeutsche Immobilienbank AG amortising loan	5.20	31/08/2016	1,908	0
20.	Fair Value REIT-AG	WIB Westdeutsche Immobilienbank AG amortising loan	2.55	30/06/2019	400	0
21.	Fair Value REIT-AG	WIB Westdeutsche Immobilienbank AG amortising loan	1.27	30/06/2019	192	0
22.	Fair Value REIT-AG	WIB Westdeutsche Immobilienbank AG amortising loan	1.27	30/06/2019	240	0
23.	Fair Value REIT-AG	Stadt-Sparkasse Langenfeld amortising loan	1.55	30/03/2020	80	0
25.	BBV 02	Bayer. Beamten Lebensvers. a.G. amortising loan	5.80	31/05/2016	138	0
26.	BBV 02	Bayer. Beamten Lebensvers. a.G. amortising loan	6.15	31/05/2016	823	0
27.	BBV 02	Bayer. Beamten Lebensvers. a.G. amortising loan	6.15	31/05/2016	119	0
28.	BBV 02	Bayer. Beamten Lebensvers. a.G. amortising loan	3.90	31/12/2016	1,240	0
29.	BBV 08	Unicredit Bank AG amortising loan	2.90	29/12/2023	230	0
30.	BBV 08	Unicredit Bank AG amortising loan	2.90	30/09/2025	1,348	0
31.	BBV 10	Unicredit Bank AG amortising loan	1.97	31/03/2016	1,171	0
32.	BBV 10	Unicredit Bank AG amortising loan	2.05	31/03/2016	97	0

CURRENT FINANCIAL LIABILITIES			Nominal interest rate in %	Due date	31/12/2015 EURk	31/12/2014 EURk
33.	BBV 10	Unicredit Bank AG amortising loan	2.05	31/03/2016	317	0
34.	BBV 14	Deutsche Genossenschafts- Hypothesenbank amortising loan	1.38	31/03/2020	1,300	0
35.	IC 15	Sparkasse Südholstein amortising loan	2.71	30/01/2018	221	0
36.	DEMIRE Holding EINS GmbH	Mezzanine loan	7.50	11/06/2015	0	12,047
37.	Magnat Investment I B. V.	Mezzanine loan	12.00	30/11/2015	0	5,020
38.	DEMIRE Commercial Real Estate GmbH	Bond	9.00	15/01/2017	384	25,088
39.	Sonstige Finanzverbindlichkeiten				642	81
					46,443	47,573

The nominal interest rate closely corresponds to the effective interest rate because only minimal transaction costs were incurred.

A convertible bond with a total nominal value of EURk 8,460, an interest rate of 4.5 % p. a. and a term of 5 years was issued based on a decision by the Management Board of Fair Value REIT-AG on January 14, 2015. The bond was admitted for trading on the Open Market (Quotation Board) on January 19, 2015. The convertible bond was redeemed in 2016.

Of the current financial liabilities, a total of EURk 34,462 is secured by assets.

7. Operating leases—The Group as lessor

The minimum lease payments consist of the net rents payable until the agreed end of the contract or until the earliest possible termination date available to the lessee (tenant), regardless of whether a termination or non-utilisation of an extension option should actually be expected. Rent agreements are usually concluded over fixed minimum terms of up to ten years. In some cases, tenants are entitled to extension options. In these cases, contractual rent escalation clauses effectively reduce the market risk of a long-term commitment. In the case of unlimited tenancies, a remaining term of the rental period of five years was assumed after the fifth year.

Fixed future claims for minimum lease payments from long-term operating leases of rented commercial real estate amounted to:

EURk	31/12/2015	31/12/2014
within one year	72,583	23,960
between one and five years	216,097	117,694
after more than five years	134,747	85,754
Total future rental income	423,427	227,408

The following amounts were recognised in the reporting period as rental income (excluding ancillary costs):

EURk	01/01/2015 - 31/12/2015	01/04/2014 - 31/12/2014
Rental income (from investment properties)	33,141	3,154
Rental income (from real estate inventory)	179	221
Total	33,320	3,375

8. Contingent liabilities

The following contingent liabilities existed as at the reporting date for circumstances for which the DEMIRE AG and its subsidiaries have guarantees in favour of various contract partners.

As at December 31, 2015, contingent liabilities included mortgages of EURk 839,990 pursuant to Section 1191 BGB. The maximum contingent liability amount related to these properties is limited to the carrying amount of EURk 640,281 recognised on the balance sheet date. During the reporting year, mortgages of EURk 21,339 were removed from the land registry.

Pursuant to the notarised declaration of December 17, 2014, DEMIRE AG accepted all current, future and contingent claims of bondholders up to a maximum amount of EURk 33,360 for the bearer bond issued by the subsidiary DEMIRE Commercial Real Estate GmbH, Frankfurt/Main. To secure the claims of this bearer bond, DEMIRE AG has pledged all its interests in the subsidiary DEMIRE Commercial Real Estate GmbH in the amount of EURk 9,683. The declaration continues to apply following the bond's prolongation on December 15, 2015. The underlying obligations can be met by the companies concerned according to our knowledge. For this reason, as at the balance sheet date, the probability of a claim is estimated as low.

Pursuant to the business pledging agreement dated November 13, 2014, relating to the mezzanine loan granted by LSREF II Caliburn BFL Limited, Dublin, Ireland, to the group company DEMIRE Condor Properties Management GmbH, the Company pledged all its interests in the subsidiary DEMIRE Condor Properties Management GmbH in an amount of EURk 28, including all related rights.

In the loan agreement with Signal Credit Opportunities (Lux) Investco II S.A.R.L. dated December 30, 2015, DEMIRE AG has pledged as collateral in favour of the lender all of the interests held in its subsidiaries DEMIRE Commercial Real Estate DREI GmbH, DEMIRE Commercial Real Estate FÜNF GmbH, Hanse-Center Objektgesellschaft mbH and Glockenhofcenter Objektgesellschaft GmbH and an account at Deutsche Bank for all payments of the preceding companies. In addition, DEMIRE AG ceded its claims to all group loans and Logistikpark Leipzig GmbH ceded its claims to all loans granted to DEMIRE AG as collateral in favour of the lender. Furthermore, the claims arising from group loans between the companies above were made subordinate to the lender's claims.

DEMIRE AG entered into a letter of guarantee in the amount of EURk 940 in connection with the loan granted to TGA Immobilien Erwerb 1 GmbH by Volksbank Mittweida on May 13, 2015. According to our knowledge, the underlying obligations can be met by the company concerned. For this reason, the probability of a claim as at the balance sheet date is estimated as low.

9. Other financial obligations

As at the reporting date, the following other financial obligations were in place:

RENT AND LEASING OBLIGATIONS FOR VEHICLES			
(EURK)			
		31/12/2015	31/12/2014
Due within one year		61	37
Due within 1 and 5 years		59	42
Total		120	79
RENT AND LEASING OBLIGATIONS FOR OFFICE SPACE			
(EURK)			
		31/12/2015	31/12/2014
Due within one year		96	67
Due within 1 and 5 years		376	268
Total		472	335

The obligations from rental and lease agreements resulted primarily from the rental of office space under indefinite operating leases without purchase options.

OBLIGATIONS UNDER THIRD-PARTY MANAGEMENT OF REAL ESTATE (EURk)		31/12/2015
Due within one year		907
Due within 1 and 5 years		42
Total		949

The asset management contract for the properties of Germavest Real Estate S.à.r.l. reported under current liabilities has a contractual term until 2033 but may be terminated annually resulting in an irrevocable obligation for the upcoming fiscal year only.

During the reporting period, the following amounts were recognised as lease expenses:

EURk	01/01/2015 – 31/12/2015	01/04/2014 – 31/12/2014
Vehicles	49	27
Office space	95	65
Total	144	92

Other financial obligations as at December 31, 2015, in the amount of around EURk 12,200 resulted from real estate purchase agreements concluded in the 2015 reporting period that have not been closed as at the balance sheet date.

Contractual obligations for conversion and expansion work exist at the Eschborn property. The scope of this work has been specified but the final costs had not yet been determined as at the balance sheet date. Additional contractual obligations to purchase, construct, develop, repair, maintain or improve investment properties do not exist.

Purchase commitments for commissioned maintenance amounted to EURk 1,300.

A commitment to future leasehold payments from a long-term building lease contract (expiry 24 years) results in payments of EURk 4 annually. The contract contains indexation clauses.

F. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flow from operating activities is calculated using the indirect method. In this calculation, a distinction was made between operating, investing and financing activities. Cash flow from investing and financing activities are calculated on a payment-related basis.

Cash flow from operating activities

In the 2015 fiscal year, cash flow from operating activities of EURk 10,815 exceeded the level in the abbreviated 2014 fiscal year (EURk -3,986) by EURk 14,801. Cash flow from operating activities is based on the Group profit/loss before taxes (EBT) of EURk 33,012 adjusted for the interest result of EURk -25,728 (abbreviated 2014 fiscal year: EURk -2,938), fair value adjustments on investment properties under IAS 40 of EURk 18,471 (abbreviated 2014 fiscal year: EURk 63,608) and the profit from a bargain purchase of EURk 33,217 (abbreviated 2014 fiscal year: EURk 0). The acquisitions in the abbreviated 2014 fiscal year offered considerable appreciation potential due to the acquisition circumstances, whereas most of the property acquired during the fiscal year was acquired at a purchase price equal to its fair value. The majority of the valuation gains in the amount of EURk 6,647 are attributed to the Logistikpark property in Leipzig. Negative goodwill of EURk 33,217 resulting from the acquisition of Germavest Real Estate S.à.r.l. was recognised in the reporting year through profit or loss under other operating income.

Other adjustments include other non-cash items such as the profit/loss from investments accounted for using the equity method of EURk 500 (abbreviated 2014 fiscal year: EURk -1,014), depreciation/amortisation and impairment of EURk 2,846 (abbreviated 2014 fiscal year: EURk 693) and changes in provisions of EURk 4,462 (abbreviated 2014 fiscal year: EURk 2,290) as well as changes in working capital.

Interest proceeds amounted to EURk 165 in the 2015 fiscal year (abbreviated 2014 fiscal year: EURk 293). A total of EURk 186 (abbreviated 2014 fiscal year: EURk 22) of income taxes included in the net profit/loss for the period were paid.

Cash flow from investing activities

In the 2015 fiscal year, DEMIRE's cash flow from investing activities amounted to EURk -29,165 compared to EURk -255,206 in the abbreviated 2014 fiscal year.

In the 2015 fiscal year, cash flow from investing activities included payments for investments in property, plant and equipment of EURk -11,258 compared to EURk -11,356 in the abbreviated 2014 fiscal year. In the 2015 fiscal year this concerned advance payments related to the Kurfürsten-Galerie property in Kassel and, in the abbreviated fiscal year, to advance payments for a property in Leverkusen.

Payments for the purchase of investment properties and interests in fully consolidated companies, less of cash acquired, amounted to EURk -15,238 in fiscal year 2015. This amount concerns the cash components of the acquisitions of Logistikpark Leipzig GmbH, Hanse-Center Immobilienobjektgesellschaft GmbH, Glockenhofcenter Immobilienobjektgesellschaft GmbH and the purchase of an additional property in Schwerin.

The purchase of interests in fully consolidated subsidiaries as part of a business combination, less net cash acquired totalling EURk -4,319, relates to the purchase price paid for the interest in Germavest Real Estate S.à.r.l., less net cash of Fair Value REIT in the amount of EURk 16,028, whose interest has been acquired on a fully non-cash basis through a share exchange.

Cash flow from financing activities

In the 2015 fiscal year, DEMIRE's cash flow from financing activities amounted to EURk 42,420 compared to EURk 259,634 in the abbreviated 2014 fiscal year. This decline resulted from the high portion of equity-financed acquisitions in the form of capital increases against contribution in kind in the 2015 fiscal year.

Proceeds of EURk 11,158 resulted from the cash capital increase, which was completed in mid-2015. Costs of raising equity of EURk 1,514 were incurred for capital increases related to acquisitions and the takeover of Fair Value REIT-AG in the fiscal year.

Proceeds from the issue of bonds in the amount of EURk 36,023 were related to new subscription to the 2014/2019 corporate bond. Proceeds in the 2015 fiscal year from the issue of third-party loans amounted to EURk 54,700 compared with EURk 261,738 in the abbreviated 2014 fiscal year and resulted mainly from taking out of a loan from Signal Capital for a nominal EURk 32,000 to acquire the interest in Germavest Real Estate S.à.r.l. (T6 property portfolio) in October 2015 and make the prepayment for Kurfürstengalerie, assuming the real estate loan from Volksbank Mittweida amounting to EUR 4.7 million for the purchase of a second property in Schwerin and assuming of a loan from Hypo NOE in the amount of EUR 11.5 million. The inflow of funds was used to pay interest of EURk 21,255 and repay financial liabilities of EURk 36,692.

Change in cash and cash equivalents (cash funds)

At the beginning of the 2015 fiscal year, cash and cash equivalents equalled EURk 4,397. During the year, there were changes in the cash and cash equivalents totalled EURk 24,070, particularly from the purchase of Fair Value REIT-AG in the amount of EURk 16,028. Cash and cash equivalents at the end of the 2015 fiscal year amounted to EURk 28,467.

At the beginning of the abbreviated 2014 fiscal year, cash and cash equivalents totalled EURk 3,955. The net change in cash and cash equivalents amounted to EURk 442. Together with the change due to currency translation effects of EURk 0 cash and cash equivalents at the end of the abbreviated fiscal year ending on December 31, 2014, totalled EURk 4,397.

G. NOTES TO THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1. Notes to the consolidated statement of changes in equity for the period from January 1, 2015 to December 31, 2015

In the reporting year, **subscribed capital** rose by EURk 227 as a result of conversions of 2013/2018 convertible bonds. Furthermore, capital increases against contribution in kind relating to the acquisition of new properties resulted in an increase in subscribed capital of EURk 32,285. These capital increases concern the acquisition of Hanse-Center Objektgesellschaft mbH and Glockenhofcenter Objektgesellschaft mbH (EURk 5,634), Sihlegg Investments Holding GmbH (EURk 2,183), Logistikpark Leipzig GmbH (EURk 2,541) and Fair Value REIT-AG (EURk 21,928). A 10 % cash capital increase was concluded on July 14, 2015. The 2,474,152 new no-par value bearer shares (no-par value shares) were largely subscribed to by the institutional investor Wecken & Cie., Basel, Switzerland, in the context of a private placement. Upon the entry into the commercial register, DEMIRE AG's share capital rose by EURk 2,474. The issue price of the new shares was EUR 4.51 and resulted in proceeds for the Company from the cash capital increase of EURk 11,158. The new shares are entitled to dividends as of January 1, 2015.

Capital reserves represent the amount received through a capital increase against contribution in kind above the nominal value and the difference of the subscribed capital to the sum of the share capital of the economic parent company and the acquisition cost for the acquisition of DEMIRE AG under a reverse merger in prior years. The increase in capital reserves of EURk 112,887 compared to December 31, 2014 is mainly the result of capital increases against contribution in kind and the equity portion of the mandatory convertible bond. The increases against contribution concern the purchase of Fair Value REIT-AG (EURk 69,720), Logistikpark Leipzig GmbH (EURk 12,299), Sihlegg Investments Holding GmbH (EURk 6,609) and Hanse-Center Objektgesellschaft mbH and Glockenhofcenter Objektgesellschaft mbH (EURk 4,225). Capital reserves also increased as a result of the cash capital increase (EURk 8,684) and the equity component of the 2015/2018 mandatory convertible bond, including deferred tax assets of EURk 14,223. The costs to raise equity amounted to EURk 3,295 and were deducted from capital reserves.

Retained earnings including Group net profit/loss contain the accumulated results, as well as the earnings-neutral impact from the increase in the share of interest in the subsidiary MAGNAT Investment I B.V in prior periods.

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

Currency translation reserves include currency differences from fully consolidated companies and companies accounted for using the equity method whose functional currency is not the euro. The EURk 3,291 change resulted primarily from the sale of the sale of OXELTON and the two Ukrainian companies Polartrade Ltd. and Kappatrade Ltd. The currency translation differences related to the sold entities that were reported in prior years within other comprehensive income (OCI) were recognised through profit or loss under IAS 21.48 as a result of the sale.

Capital transactions with shareholders

There were no distributions to shareholders either in the year under review or in the subsequent year up until the date of the preparation of these financial statements.

Changes in equity recognised in other comprehensive income

The sum of other comprehensive income of EURk 3,408 is derived from currency translation differences derecognised through profit or loss.

Net profit/loss for the period

The net profit for the period attributable to parent company shareholders amounted to EURk 28,117. An amount of EURk 756 is attributable to non-controlling shareholders.

2. Notes to the consolidated statement of changes in equity for the period April 1, 2014 to December 31, 2014

In the reporting year, **subscribed capital** rose by EURk 411 as a result of the conversion of 2013/18 convertible bonds. We refer to Note E. 4.

Capital reserves represent the amount received through a capital increase against contribution in kind and the difference in subscribed capital to the sum of the share capital of the economic parent company and the acquisition cost for the acquisition of DEMIRE AG. As a result of the change in the terms and conditions of the convertible bond with effect from September 30, 2014, at the initial recognition of the new debt instrument, an amount of EURk 493 was recognised as an equity component directly in equity, including the corresponding deferred tax liabilities of EURk 177. In addition, an amount of EURk 111 was recognised within capital reserves, representing the difference between the nominal value and carrying amount of convertible bonds.

Retained earnings including Group net profit/loss contain the accumulated results. In prior period, retained earnings also included the neutral impact on profits from the increase in the interest in the subsidiary MAGNAT Investment I B.V.

The **reserves for treasury shares** resulted from the reverse acquisition (see Note A.5).

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

Capital transactions with shareholders

There were no distributions to shareholders either in the year under review or in the subsequent year up until the date of the preparation of these financial statements.

Changes in equity recognised in other comprehensive income

Additional changes in other comprehensive income totalling EURk 641 resulted from negative currency translation differences and the transfer of earnings-neutral changes in equity from investments accounted for using the equity method.

Net profit/loss for the period

The net profit for the period attributable to parent company shareholders amounted to EURk 43,302. An amount of EURk 2,405 is attributable to non-controlling shareholders.

H. GROUP SEGMENT REPORTING

The segmentation of the data in the annual financial statements is based on the internal alignment according to strategic business segments and geographic considerations pursuant to IFRS 8 “Operating Segments”. The segment information provided represents the information to be reported to DEMIRE’s Executive Board.

The Group is divided into the business segments Investments, Core Portfolio, Fair Value REIT-AG and Central Functions/Others. The Investments segment contains all information relating to non-current assets and the activities of the respective project holdings.

The Core Portfolio segment contains the German commercial real estate recognised within the subsidiaries held or being developed to generate rental income and/or for the purpose of value appreciation. The Central Functions/Others segment mainly contains DEMIRE AG’s activities in its function as the Group holding and does not represent an independent business segment.

Since fiscal year 2015, the Asset Management division, which had provided third-party services until September 2013 under the business model of the predecessor company, is no longer reported separately. Trailing income and expenses and residual segment assets and liabilities from the Austrian subsidiaries are reported under the segment Corporate Functions/Others. The Investments segment contains all information relating to non-current assets as well as the business areas of revitalisation, project development and land banking. The Investments segment also includes the activities of the respective project holdings. In line with the management approach, Fair Value REIT is shown as a separate segment as at December 31, 2015.

During the reporting period, the allocation of Group companies to business segments has changed to the extent that DEMIRE Worms Objektgesellschaft GmbH is contained under the Core Portfolio segment as

of June 30, 2015. The proportionate segment revenue of EURk 179 generated by DEMIRE Worms Objektgesellschaft GmbH in the period from January 1, 2015 to June 30, 2015 was allocated to the Investments segment.

The new segment “Fair Value REIT” contains the activities of Fair Value REIT-AG and its subsidiaries focused on office and retail properties in regional centres in Germany that were acquired at the end of 2015. Fair Value REIT can be defined as a segment under IFRS 8.5, since the responsible governing body in terms of making decisions about the allocation of resources to this segment has not changed and separate financial information continues to be available for this segment.

JANUARY 1, 2015 - DECEMBER 31, 2015 EURk	SEGMENTS BY BUSINESS AREAS				
	Investments	Core Portfolio	Fair Value REIT	Central Functions/ Others	Group
Revenues	2,572	44,863	0	0	47,435
Profit/loss from fair value adjustments in investment properties	0	18,471	0	0	18,471
Other income	174	1,811	0	588	2,573
Profits from a bargain purchase	0	33,217		0	33,217
Profits from investments accounted for using the equity method	1,861	0	0	1,469	3,330
Segment revenues	4,607	98,362		2,057	105,026
Net assets from sold real estate companies	-1,421	-86	0	0	-1,507
Expenses on real estate sales	-192	-1,650	0	0	-1,842
Other expenses	-3,244	-26,383	0	-9,480	-39,107
Losses from investments accounted for using the equity method	-3,769	0	0	-61	-3,830
Segment expenses	-8,626	-28,119		-9,541	-46,286
EBIT	-4,019	70,243		-7,484	58,740
Financial income	171	281	0	1,693	2,145
Financial expenses	-1,980	-13,483	0	-12,410	-27,873
Income taxes	68	-4,576	0	369	-4,139
Net profit/loss for the period	-5,760	52,465		-17,832	28,873
Significant non-cash items	4,165	-51,628	0	2,825	-44,638
Impairment losses in net profit/loss for the period	1,435	792	0	619	2,846
ADDITIONAL INFORMATION					
Segment assets	5,319	651,165	337,261	39,200	1,032,945
of which investments accounted for using the equity method	116	0	0	3,020	3,136
of which loans to investments accounted for using the equity method	0	0	0	553	553
of which financial receivables and other financial assets	83	5,011	0	20,926	26,020
of which tax refund claims	3	101	22	45	171
of which assets available for sales in investments accounted for using the equity method	0	1,255	11,750	0	13,005
Segment liabilities	282	414,896	217,803	135,062	768,043
of which non-current financial liabilities	0	348,870	187,738	134,424	671,032
of which current financial liabilities ..	107	23,236	18,531	4,569	46,443
of which tax liabilities	0	3,801	0	0	3,801

JANUARY 1, 2015 - DECEMBER 31, 2015 EURk	GEOGRAPHIC SEGMENTS			
	D / A / NL ¹	CEE / SEE ¹	CIS ¹	Group
Revenues	47,435	0	0	47,435 ²
Other income	35,789	0	0	35,789
Profits from investments accounted for using the equity method	3,330	0	0	3,330
Profit/loss from fair value adjustments in investment propertiesien	18,471	0	0	18,471
Segment revenues	105,025	0	0	105,025
ADDITIONAL INFORMATION				
Segment assets	1,027,587	2,126	3,232	1,032,945
of which investments accounted for using the equity method	3,136	0	0	3,136
of which loans to investments accounted for using the equity method	533	0	0	533
of which financial receivables and other financial assets	25,937	0	83	26,020
of which tax refund claims	169	0	2	171
of which assets available for sales in investments accounted for using the equity method	13,005	0	0	13,005
Total liabilities	767,808	38	197	768,043
of which non-current financial liabilities	608,796	0	0	608,796

1 CEE = Central & Eastern Europe; SEE = South—Eastern Europe; CIS = Commonwealth of Independent States
D / A / NL = Germany, Austria and the Netherlands

2 Revenue is comprised of rental income and revenue from the sale of real estate companies

APRIL 1, 2014 - DECEMBER 31, 2014 EURk	SEGMENTS BY BUSINESS AREAS			
	Investments	Core Portfolio	Central Functions	Group
Revenues	1,290	3,527	3,714	8,531
Profit/loss from fair value adjustments in investment properties	0	63,608	0	63,608
Other income	359	187	191	737
Profits from investments accounted for using the equity method	199	0	0	199
Segment revenues	1,848	67,322	3,905	73,075
Net assets from sold real estate companies	-1,180	0	-3,533	-4,713
Expenses on real estate sales	0	0	0	0
Other expenses	-5,513	-3,419	217	-8,715
Losses from investments accounted for using the equity method	-1,087	0	-126	-1,213
Segment expenses	-7,780	-3,419	-3,442	-14,641
EBIT	-5,932	63,903	463	58,434
Financial income	282	0	6,673	6,955
Financial expenses	-562	-1,190	-8,141	-9,893
Income taxes	-70	-9,482	-238	-9,789
Net profit/loss for the period	-6,282	53,231	-1,243	45,707
Significant non-cash items	1,390	73,397	-2,144	72,643
Impairment losses in net profit/loss for the period	257	436	0	693
ADDITIONAL INFORMATION				
Segment assets	15,454	353,897	3,661	373,012
of which investments accounted for using the equity method	2,469	0	144	2,613
of which loans to investments accounted for using the equity method	2,857	0	0	2,857
of which financial receivables and other financial assets	64	0	857	921
of which tax refund claims	3	82	40	125
of which assets available for sales in investments accounted for using the equity method	0	0	0	0
Segment liabilities	8,719	244,137	65,527	318,383
of which non-current financial liabilities	20	190,773	57,299	248,092
of which current financial liabilities	8,278	36,271	3,024	47,573
of which tax liabilities	0	105	209	314

**APRIL 1, 2014 -
DECEMBER 31, 2014
EURk**

	GEOGRAPHIC SEGMENTS			
	D / A / NL1	CEE / SEE1	CIS¹	Group
Revenues	8,206	0	325	8,531 ²
Other income	825	13	-101	737
Profits from investments accounted for using the equity method	199	0	0	199
Profit/loss from fair value adjustments in investment properties	63,608	0	0	63,608
Segment revenues	72,838	13	224	73,075

ADDITIONAL INFORMATION

Segment assets	367,941	1,626	3,445	373,012
of which investments accounted for using the equity method	2,613	0	0	2,613
of which loans to investments accounted for using the equity method	2,857	0	0	2,857
of which financial receivables and other financial assets	892	0	29	921
of which tax refund claims	123	0	3	126
of which assets available for sales in investments accounted for using the equity method	0	0	0	0
Total liabilities	306,231	8,470	3,682	318,383
of which non-current financial liabilities	248,072	0	20	248,092

¹ CEE = Central & Eastern Europe; SEE = South—Eastern Europe; CIS = Commonwealth of Independent States D / A / NL = Germany, Austria and the Netherlands

² Revenue is comprised of rental income and revenue from the sale of real estate companies

**JANUARY 1, 2015 -
DECEMBER 31, 2015**

**GEOGRAPHIC
SEGMENTS—ADDITIONAL
INFORMATION ABOUT
GERMANY¹**

EURk	D
Revenues	45,676
Other income	36,077
Profit/loss from fair value adjustments in investment properties	18,471
Profits from investments accounted for using the equity method	2,098
Segment revenues	102,322
Segment assets	1,025,645
of which investments accounted for using the equity method	680
of which financial receivables and other financial assets	25,925
of which tax refund claims	145
Total liabilities	766,752
of which non-current financial liabilities	608,796

¹ Allocation by location of property

APRIL 1, 2014 - DECEMBER 31, 2014		GEOGRAPHIC SEGMENTS—ADDITIONAL INFORMATION ABOUT GERMANY ¹
EURk		D
Revenues		7,463
Other income		759
Profit/loss from fair value adjustments in investment properties		63,608
Profits from investments accounted for using the equity method		0
Segment revenues		71,830
ADDITIONAL INFORMATION		
Segment assets		363,149
of which investments accounted for using the equity method		144
of which financial receivables and other financial assets		853
of which tax refund claims		105
Total liabilities		311,920
of which non-current financial liabilities		248,072

¹ Allocation by location of property

Revenues for the fiscal year resulted from the rental of real estate companies contained in the Investments and Core Portfolio segments.

In the Core Portfolio segment, two customers accounted for more than 10 % of the segment's revenue each, representing combined revenues of EURk 9,796 in the reporting year.

The Core Portfolio segment contains investment properties and has the task of developing real estate projects in Germany. The primary aim with respect to these properties is their sustainable management. The properties are held to generate rental income and/or for value appreciation.

The activities of the companies in the non-operating areas of Central Functions/Others are mainly limited to the activities of DEMIRE AG.

Of the carrying amounts of the companies accounted for using the equity method (EURk 3,136; previous year: EURk 2,613), an amount to EURk 116 is allocated to the Investments segment and EURk 3,020 is allocated to Central Functions/Others.

The investments held for sale accounted for using the equity method were sold during the fiscal year. As at December 31, 2014, they were allocated to the Investments segment in their entirety.

In the Core Portfolio segment, non-cash items mainly include fair value adjustments to investment properties of EURk 18,471 (previous year: EURk 63,608) and income taxes of EURk 4,576 (previous year: EURk 9,789). In the Investments segment, non-cash items include profits from the sale of real estate companies of EURk 803 (previous year: EURk 69), the result of companies accounted for using the equity method of EURk 1,908 (previous year: EURk 1,014) and value adjustments in real estate inventory of EURk 0 (previous year: EURk 307). Non-cash items in the Central Functions/Others segment include changes in provisions of EURk 4,462 (previous year: EURk 2,290) and other non-cash items of EURk 1,380 (previous year: EURk 146).

Of total Group revenues of EURk 47,435 previous year: EURk 8,531), a total of EURk 45,676 (previous year: EURk 7,463) was generated in Germany. These revenues resulted from income from the rental of real estate (EURk 43,344) and revenues from the sale of real estate (EURk 2,098).

The geographical allocation of revenues is based on the location of the rented property in the case of rental income and the location of the object sold for the sale of real estate.

Transactions between segments are carried out on the basis of comparable external conditions.

I. OTHER DISCLOSURES

1. Financial instruments

Interest rate risk to cash flows relates to cash held in deposit accounts and also relates to variable interest rates on debt. The Company does not anticipate significant negative interest rate effects over the long term since the level of liquid funds on the balance sheet date are only available until investments are made and will be subsequently tied up in projects according to plan.

Generally, reference is made to the risk report in DEMIRE's group management report.

Financial risk management

The Executive Board regularly monitors and actively manages the credit risks which are inherent in the Group's operating activities and the risks related to the Group's financing activities. As a result of these measures, the consolidated financial statements were prepared on the assumption of a going concern.

The Group's financial assets mainly consist of interests and loans to companies accounted for using the equity method, other loans, trade accounts receivable and other receivables, financial receivables and other financial assets, as well as bank deposits. The majority of trade accounts receivable consists of rent receivables. Potential defaults in this context are taken into consideration.

The Group's financial liabilities comprise mainly bonds, bank loans, other loans, overdrafts and trade accounts payable. The main purpose of these financial liabilities is to finance the Group's operations.

The Group is exposed to various financial risks as a result of its business activities: foreign currency risk, interest rate risk, credit risk, and liquidity risk. The overarching risk management system concentrates on the continual identification and active management of typical business risks. This system accepts risks within a certain range if they offer the opportunity for commensurate returns. The goal is to limit the exposure to peak risks so that the Company's continuance is not jeopardised.

The Executive Board identifies, evaluates, and hedges financial risks in close collaboration with the asset manager and in coordination with the Group's Supervisory Board.

Loan agreements exist in the Group that contain financial covenants stipulated by the banks. Non-compliance with these financial covenants could lead to extraordinary terminations of these agreements by the banks. The financial covenants concern financial ratios of the respective real estate portfolio, particularly the debt service cover ratio (DSCR), the interest cover ratio (ICR) and the loan-to-value (LTV) debt ratio. The calculations are based on the specifications set by the creditors in the loan agreement. The monitoring, compliance and reporting of the financial covenants specified in the loan agreements for the properties financed is carried out by DEMIRE's management, treasury and asset management areas. Depending on the type of financing, the financial covenants are reported to the creditors on a quarterly, semi-annual or annual basis, or the creditors are provided with the underlying economic ratios. Should DEMIRE fail to comply with the financial covenants, the creditors would be entitled to demand additional guarantees from the debtor. In that case, the loans would be in default. If the default persisted for a longer period of time and could not permanently be resolved, the creditors have a special right of termination. DEMIRE complied with all financial covenants for real estate financing as of the balance sheet date and, therefore, there was no default.

Foreign currency risk

There is no foreign currency risk for the existing portfolio of commercial real estate in Germany because all transactions are conducted in euros.

The existing investments outside of Germany are subject to translation risk until the point of their complete disposal.

Any change in the project's existing assets and liabilities has an effect on the currency translation reserve within other comprehensive income. When foreign assets are sold, there is a risk that the accumulated translation differences within the currency translation reserves, which have previously been recognised under other comprehensive income, will need to be recognised through profit or loss in the period of the assets' disposal. If the Group's liabilities or receivables are maintained in a foreign currency, there will be an effect in the consolidated income statement.

Projects in Eastern Europe and the Black Sea Region are handled in the same currency when possible and feasible. Hedging of low levels of residual exchange rate risk, which is essentially limited to the equity invested and the profit potential, occurs only in isolated cases. Generally, preference is given to hedging on an aggregated basis rather than on the basis of individual project-related risks. Hedging is only considered when certain fluctuation ranges have been exceeded for certain currencies and is limited to the equity invested (and not for the potential profit). In summary, the management of exchange rate risks is geared towards accepting currency risk within a certain range. The foreign currency hedging strategy is determined in close coordination with the Supervisory Board.

The following table shows the breakdown of assets and liabilities by currency (EURk):

JANUARY 1, 2015 - DECEMBER 31, 2015	EURk	Others	Total
Investments accounted for using the equity method	3,136	0	3,136
Investment properties	915,089	0	915,089
Loans to investments accounted for using the equity method	553	0	553
Trade accounts receivable and other receivables	14,270	117	14,387
Financial receivables and other financial assets	25,925	95	26,020
Cash and cash equivalents	28,455	12	28,467
Investments held for sale accounted for using the equity method	13,005	0	13,005
Other assets	28,855	3,433	32,288
	1,029,288	3,657	1,032,945
Non-current financial liabilities	671,032	0	671,032
Current financial liabilities	46,336	107	46,443
Other liabilities	50,444	124	50,568
	767,812	231	768,043

APRIL 1, 2014 - DECEMBER 31, 2014	EURk	Others	Total
Investments accounted for using the equity method	2,613	0	2,613
Investment properties	333,070	0	333,070
Loans to investments accounted for using the equity method	2,857	0	2,857
Trade accounts receivable and other receivables	9,161	126	9,287
Financial receivables and other financial assets	892	29	921
Cash and cash equivalents	4,379	18	4,397
Other assets	14,969	4,898	19,867
	367,941	5,071	373,012
Non-current financial liabilities	248,072	20	248,092
Current financial liabilities	47,499	74	47,573
Other liabilities	19,117	3,600	22,717
	314,688	3,694	318,382

A change in the exchange rate of +/-10 % changes the value of the assets and liabilities as follows:

	31/12/2015 + 10 %	31/12/2015 - 10%	31/12/2014 + 10 %	31/12/2014 - 10%
RON (Romania) in EURk				
Assets	-152	186	-115	141
Liabilities	-1	2	0	0
GEL (Georgia) in EURk				
Assets	-127	155	-123	150
Liabilities	-18	22	-28	34
UAH (Ukraine) in EURk				
Assets	-10	13	-190	232
Liabilities	0	0	-300	367
BGN (Bulgaria) in EURk				
Assets	-41	50	-32	40
Liabilities	-2	2	-7	9

Interest rate risk

To finance its German commercial real estate, the DEMIRE Group uses debt in a degree customary for the industry consisting of both variable and fixed-interest loans as well as tradeable instruments that contain options for conversion into shares of the Company or Fair Value REIT-AG. –

The activities of DEMIRE group companies are exposed mainly to financial risks from changes in interest rates. Therefore, DEMIRE also uses derivative financial instruments to manage its interest rate risks. Interest rate swaps are used to minimise interest rate risk when interest rates are rising.

At the balance sheet date, interest rate hedges existed in the form of purchased interest rate derivatives with a nominal volume of EURk 36,149 (previous year: EURk 0), which were acquired in the course of purchasing real estate companies:

EURk	Nominal volume		Market values	
	2015	2014	2015	2014
Interest rate swaps	36,149	0	-829	0

In subsequent years, the following net payment obligations for the Company originated from the interest rate swaps based on the measurement as at the balance sheet date: an amount of EURk 386 has a term of up to one year, an amount of EURk 438 has a term between one and five years and an amount of EURk 15 has a term of over five years.

All derivative financial instruments purchased in the reporting year are not designated in a hedging relationship.

The DEMIRE Group utilises debt to finance its real estate projects sometimes at variable interest rates. As a consequence, the DEMIRE Group is exposed to interest rate risk since increases in the interest rate level increases its financing costs. The following table assumes an increase in the interest rate level of +100 and -100 basis points. Assuming all other parameters remained unchanged, an increase or decrease of the Company's interest expenses would lead to the following interest expenses:

INTEREST RATE SENSITIVITY ANALYSIS			
EURk		31/12/2015	31/12/2014
Interest expense from loans with variable interest rates		137	316
Increase in interest expenses assuming a fictitious increase in variable interest rates by 100 basis points		69	464
Decrease in interest expenses assuming a fictitious decrease in variable interest rates by 100 basis points		-69	-135

In this fictitious example, a change in interest expenses would have a direct effect on the Group's consolidated profit/loss and Group equity net of related income tax effects.

The majority of the remaining investments in Eastern Europe and the Black Sea Region are financed by equity. Any financing taken for these investments is recognised at the project level.

Because low interest rates prompt a rise in real estate transaction prices, the level of interest rates also effects the purchase prices of newly acquired properties. Interest rate levels also play a significant role in valuing investment properties.

The Executive Board evaluates its interest rate policy on a regular basis and in close collaboration with the Supervisory Board.

Credit risk

The reported financial instruments represent the maximum credit and default risk. In the context of Group-wide uniform risk management standards, counterparty risk is assessed and supervised on a uniform basis. The aim is to minimise default risk. No insurance is taken out for counterparty risk. There is generally no significant concentration of credit risk within the Group. An analysis of impaired receivables is provided in the following table:

31/12/2015 EURk	Gross receivables	Impairment	Total
Trade accounts receivable and other receivables	18,255	-3,868	14,387
Financial receivables and other financial assets	26,611	-591	26,020
	44,866	-4,459	40,407

31/12/2014 EURk	Gross receivables	Impairment	Total
Trade accounts receivable and other receivables	11,731	-2,444	9,287
Financial receivables and other financial assets	4,100	-3,179	921
	15,831	-5,623	10,208

Overdue receivables are subject to impairment based on the status of the information available. It is assumed that the receivables not overdue or impaired have retained their value and are therefore collectable. This assumption is subject to ongoing monitoring.

Liquidity risk

During the Company's initial phase, liquidity risk was primarily managed by keeping liquidity reserves in the form of bank deposits available at all times and, to a limited degree, credit lines that could be drawn down. Today, the liquidity position is significantly more dependent upon proceeds from disposals and the planned prolongation of loans as they come due. The liquidity position is also affected by additional contributions for the continued financing of projects. Generally, there are no significant concentrations of liquidity risk.

Further information on risk management and financial risks are provided in the risk report contained in the management report.

Capital management and control

The overriding objective of the Group's capital management is to secure the capability of future debt repayment and to preserve the Group's financial net worth. The Group's capital structure is managed according to economic and regulatory guidelines. On the part of DEMIRE, capital management is carried out by way of dividend payments and/or financing. DEMIRE strives to maintain a capital structure that is suitable for the risk inherent in its business and also subjects itself to the minimum capital requirements prescribed by the German Stock Corporation Act. The Executive Board of DEMIRE is monitoring its compliance. These requirements were met both in the reporting year and in the previous year. DEMIRE also strives to have a balanced maturity structure for its outstanding liabilities. The intention of the Executive Board is to obtain a sufficiently strong equity base and maintain the confidence of investors and the market. Whereas the equity commitment in Germany stands at 20 % to 30 % of the investment volume, significantly higher equity commitments must be allowed for in the CEE/SEE/CIS countries, especially during the early stages.

The Group monitors its capital through its equity ratio, which is also an important key ratio for investors, analysts, and banks. Components of this ratio are the total assets in the consolidated balance sheet and the shareholders' equity reported in the consolidated balance sheet that is attributable to both the parent company shareholders and non-controlling shareholders. DEMIRE intends to utilise the available equity as a means of possible leverage but will continue to maintain a solid equity ratio. As at December 31, 2015, the equity ratio was 25.6 % (December 31, 2014: 14.6 %). DEMIRE continues to strive for an equity ratio of more than 40 %. This goal will be achieved through different processes. Disposals should be carried out at least at the higher of the carrying amount and market value.

Additional information on financial instruments

The classification of financial instruments under IFRS 7 corresponds to the respective consolidated balance sheet items. The following table contains the carrying amounts, amounts recognised and the fair values of financial assets and liabilities for each category of financial instruments and reconciles these values to the measurement categories of IAS 39 at the balance sheet date and the prior year. The key measurement categories for DEMIRE in accordance with IAS 39 are Available-for-Sale Financial Assets (Afs), Loans and Receivables (LaR), Amortised Cost (AmC) and Held for Trading (HfT).

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

Afs: Available-for-Sale Financial Assets;

LaR: Loans and Receivables;

AmC: Amortised Cost (financial liabilities recognised at amortised cost);

HfT: Held for Trading (financial assets held for trading);

AtFVtPL: At Fair Value through Profit or Loss; **n.a.:** not applicable

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

Afs: Available-for-Sale Financial Assets;

LaR: Loans and Receivables;

AmC: Amortised Cost (financial liabilities recognised at amortised cost);

n.a.: not applicable

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

It is assumed that the respective fair value of trade accounts receivable and other receivables, other current financial assets and liabilities as well as cash and cash equivalents, equals their carrying amounts due to their short-term nature.

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

Type	Hierarchy	Measurement procedure and material input factors
Investment properties	Level 3	Expected future free cash flows of a project by applying a market-based, property-specific discount rate
Interests in investments accounted for using the equity method	Level 3	Discounted cash flows from the continued use of an asset on the basis of yield curves observable on the market at the reporting date
Loans to investments accounted for using the equity method (fixed-rate)	Level 3	Discounted cash flows on the basis of yield curves observable on the market at the reporting date
Financial receivables and other financial assets	Level 3	Discounted cash flows on the basis of yield curves observable on the market at the reporting date
Non-current financial liabilities	Level 3	Discounted cash flows on the basis of yield curves observable on the market at the reporting date
Derivatives	Level 2	Interest rate curves, credit spreads, indices
Quoted convertible bonds	Level 1	Quoted bid prices on active markets
Quoted corporate bonds	Level 1	Quoted bid prices on active markets

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

The carrying amounts of the financial instruments represent the maximum default risk:

EURk	31/12/2015	31/12/2014
Loans and receivables	41,344	13,387
Cash and cash equivalents	28,467	4,397
Other financial assets	11,032	14
TOTAL	80,843	17,798

The maximum default risk of loans and receivables is divided according to regional considerations as follows:

EURk	31/12/2015	31/12/2014
Germany, Austria and the Netherlands	37,286	7,658
Poland	1,567	1,737
Ukraine	2,346	1,125
Georgia	0	12
Other countries	145	2,855
TOTAL	41,344	13,387

The Group's cash and cash equivalents are divided according to regional considerations as follows:

EURk	31/12/2015	31/12/2014
Cash and cash equivalents in euro countries	28,455	4,378
Cash and cash equivalents in other countries	12	19
TOTAL	28,467	4,397

As of December 31, 2015, there were no overdue loans and receivables after consideration of impairments. In the prior year, there were no overdue loans and receivables.

NET GAINS AND LOSSES (EURk) 01/01/2015 - 31/12/2015	From subsequent measurement					
	from interest	at fair value profit or loss	Currency difference	Impairment	Reversal of impairment	Net gain/loss
Loans and Receivables ...	486	0	4	-3,388	343	-2,555
AmC	-112	0	0	0	0	-112
HfT	0	1,316	0	0	0	1,316
TOTAL	374	1,316	4	-3,388	343	-1,351

NET GAINS AND LOSSES (EURk) 01/04/2014 - 31/12/2015	From subsequent measurement					
	from interest	at fair value profit or loss	Currency difference	Impairment	Reversal of impairment	Net gain/loss
Loans and Receivables	555	0	-189	-693	19	-308
AmC	-520	0	0	0	0	-520
TOTAL	35	0	-189	-693	19	-828

Impairment losses during the reporting period are distributed among the classes of financial instruments as follows:

EURk	31/12/2015	31/12/2014
Loans and Receivables	2,846	693
TOTAL	2,846	693

Future outgoing payments related to interest payments and repayments of the principal amount of financial liabilities are presented in the following table:

EURk	2016	2017	2018	2019	2020	after 31/12/2020
2014/2019 corporate bond,						
DEMIRE Deutsche Mittelstand Real Estate AG						
Interest	6,422	6,422	6,422	4,816		
Repayment				85,625		
2013/2018 convertible bond,						
DEMIRE Deutsche Mittelstand Real Estate AG						
Interest	640	640	640			
Repayment			10,662			
2015/2018 mandatory convertible bond,						
DEMIRE Deutsche Mittelstand Real Estate AG						
Interest						
Repayment	413	413	172			
Signal Capital loan,						
DEMIRE Deutsche Mittelstand Real Estate AG						
Interest	3,040	3,040	3,040			
Repayment			35,200			
Promissory note Deutsche Bank,						
DEMIRE Holding EINS GmbH						
Interest	7,367	7,310	7,273	7,236		
Repayment	740	740	740	145,001		
LBBW loan A, DEMIRE Commercial Real Estate GmbH						
Interest	591	572	552	45		
Repayment	853	872	892	24,064		
LBBW loan,						
DEMIRE Commercial Real Estate GmbH						
Interest	133	129	125	31		
Repayment	201	196	190	6,207		
HFS bond,						
DEMIRE Commercial Real Estate GmbH						
Interest	4,170	174				
Repayment		27,800				
IBB amortising loan,						
DEMIRE Real Estate München I GmbH						
Interest	247					
Repayment	8,225					
DKB loan,						
Objektgesellschaft Worms GmbH						
Interest	36					
Repayment	2,400					
LBB amortising loan,						
Hanse-Center Objektgesellschaft mbH						
Interest	151					
Repayment	4,034					
HypoNoe loan,						
Sihlegg Investments Holding GmbH						
Interest	338	324	311	297	283	
Repayment	460	460	460	460	9,430	

EURk	2016	2017	2018	2019	2020	after 31/12/2020
DG Hyp loan, Logistikpark Leipzig GmbH						
Interest	715	693	671	650	314	
Repayment	900	900	900	900	26,175	
Volksbank Mittweida loan,						
TGA Immobilien Erwerb 1 GmbH						
Interest	145	136	128	119	110	418
Repayment	254	262	271	280	289	3,215
A-Notes, Germavest Real Estate S.a.r.l.						
Interest	2,151	2,151	2,151	2,151	2,151	25,806
Repayment						55,000
B-Notes, Germavest Real Estate S.a.r.l.						
Interest	2,194	1,745	1,268	760	317	22
Repayment	8,262	8,811	9,376	9,967	6,929	2,568
Westdeutsche ImmobilienBank,						
Fair Value REIT-AG						
Interest	237	227	217	103		
Repayment	400	400	400	8,100		
Westdeutsche ImmobilienBank,						
Fair Value REIT-AG						
Interest	66	64	61	29		
Repayment	192	192	192	4,630		
Westdeutsche ImmobilienBank Fair Value						
REIT-AG						
Interest	28	25	22	14		
Repayment	240	240	240	1,490		
Stadt-Sparkasse Langenfeld amortising						
loan, Fair Value REIT-AG						
Interest	42	41	40	39	37	
Repayment	80	78	76	74	71	2,339
Convertible bond, Fair Value REIT-AG						
Interest	20					
Repayment	8,714					
Bayerische Beamten Lebensversicherung						
a.G. amortising loan, BBV 02						
Interest	3					
Repayment	139					
Bayerische Beamten Lebensversicherung						
a.G. amortising loan, BBV 10						
Interest	21					
Repayment	823					
Bayerische Beamten Lebensversicherung						
a.G. amortising loan, BBV 02						
Interest	3					
Repayment	119					
UniCredit Bank AG, BBV 08						
Interest	66	59	52	45	37	
Repayment	230	244	259	276	293	980
UniCredit Bank AG, BBV 08						
Interest	473	433	392	348	301	
Repayment	1,348	1,432	1,522	1,618	1,720	8,656
Deutsche Genossenschafts-Hypothekenbank,						
Logistikpark Leipzig GmbH						
Interest	453	435	418	402	113	
Repayment	1,300	1,200	1,200	1,200	27,924	
UniCredit Bank AG, BBV 10						
Interest	482	459	436	413	390	92
Repayment	1,172	1,172	1,172	1,172	1,172	18,628

EURk	2016	2017	2018	2019	2020	after 31/12/2020
UniCredit Bank AG, BBV 10						
Interest	36	34	32	30	28	6
Repayment	97	97	97	97	97	1,249
UniCredit Bank AG, BBV 10						
Interest	150	143	137	130	124	29
Repayment	317	317	317	317	317	5,714
Bayerische Beamten Lebensversicherung a.G. amortising loan, BBV 10						
Interest	818	770	720	667	613	556
Repayment	1,241	1,290	1,341	1,394	1,449	14,266
Westdeutsche Immobilienbank amortising loan, Fair Value REIT-AG						
Interest	66					
Repayment	1,908					
Sparkasse Südholstein amortising loan, IC 15						
Interest	203	197	191	184	179	17
Repayment	221	227	234	240	247	6,321
Trade payables and other liabilities	19,887					
Total	96,264	73,566	91,212	311,621	81,110	145,882

It is assumed that no conversions of the 2013/2018 convertible bonds and 2015/18 mandatory convertible bonds will take place before maturity.

Other financial obligations as at December 31, 2015, in the amount of approx. EURk 12,200 resulted from real estate purchase agreements concluded in the 2015 reporting period that have not closed as at the balance sheet date.

2. Related party disclosure

Related parties

Companies and persons are considered to be related if they have the ability to control DEMIRE and its subsidiaries or exercise significant influence over their financial and operating policies. The existing control relationships were taken into account to determine the degree of significant influence that related companies and persons have on the Company's financial and operating policies.

The group of related companies includes the fully consolidated subsidiaries and the joint ventures and associated companies accounted for using the equity method.

Moreover, due to their significant influence, the following key personnel of the parent company are considered to be related persons as defined by IAS 24:

- Members of DEMIRE's Executive Board (see Note I.4.a.) and their close relatives,
- Members of DEMIRE's Supervisory Board (see Note I.4.b.) and their close relatives.

Legal transactions with related companies and persons

In the fiscal year under review, transactions with related parties were exclusively carried out at customary market conditions.

The transactions, revenues and rendering of services between the parent company and its subsidiaries were settled in the same manner as those between unrelated parties and eliminated in the context of consolidation. Therefore, they are not explained in the notes.

Business transactions with members of management holding key positions at the Company did not occur in the reporting period other than the following two business transactions: To acquire an interest in Logistikpark Leipzig GmbH, DEMIRE increased its share capital by EUR 2,541,149 against contribution in kind. M1 Beteiligungs GmbH, Berlin, was admitted to subscribe to the new shares in return for a

contribution in kind consisting of a 94 % interest in Logistikpark Leipzig GmbH. In addition to the shares, a cash component of roughly EUR 18.6 million was also agreed to as part of the purchase price. In the context of the capital increase, each new DEMIRE share was assigned a value of EUR 5.84, resulting in a calculated total purchase price of EURk 33,173. One Supervisory Board member holds an indirect interest in M1 Beteiligungs GmbH, which, in turn, holds a non-controlling interest in DEMIRE. One DEMIRE Supervisory Board member holds an interest in a company that provided asset management services for DEMIRE's foreign properties during the reporting year and invoiced a total of EURk 113.

As far as other transactions with members in key positions, reference is made to the discussion on the remuneration of the Executive Board in Note I.4.a.

The following balances exist with respect to associated companies:

EURk	31/12/2015	31/12/2014
Financial receivables and other financial assets	116	48
Trade payables and other liabilities	0	146
Current financial liabilities	0	12

With respect to financial receivables and other financial assets, reference is made to Note E.2.3. Trade payables and other liabilities concern the rental of office space and were offset in the reporting period with a loan granted by DEMIRE AG to SQUADRA Erste Immobilien GmbH and, therefore, amounted to EURk 0. Current financial liabilities concerns other financial liabilities.

The following balances exist with respect to joint ventures:

EURk	31/12/2015	31/12/2014
Loans to investments accounted for using the equity method	553	2.857
Financial receivables and other financial assets	480	921
Current financial liabilities	0	385

With regard to loans to investments accounted for using the equity method, reference is made to the discussion in Note E.1.6. With respect to financial receivables and other financial assets, reference is made to Note E.2.3. The balance of current financial liabilities concerns other financial liabilities.

There is no collateral for receivables due from associated companies and joint ventures.

Volume of business transactions with associated companies:

EURk	01/01/2015 - 31/12/2015	01/04/2014 - 31/12/2014
Financial receivables and other financial assets	68	51
Trade payables and other liabilities	146	10
Current financial liabilities	12	21

Volume of business transactions with joint ventures:

EURk	01/01/2015 - 31/12/2015	01/04/2014 - 31/12/2014
Financial receivables and other financial assets	2,304	308
Financial receivables and other financial assets	441	98
Current financial liabilities	385	0

Transactions underlying financial receivables and other financial assets resulted from the repayment of loans granted. Loans to investments accounted for using the equity method resulted from interest expenses for loans granted. The item current financial liabilities includes other financial liabilities.

3. Auditor's fee

The auditor's fee for Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt charged in the fiscal year related to the subgroups DEMIRE and Fair Value REIT consisted of the following (prior year amounts include value-added taxes):

EURk	01/01/2015 - 31/12/2015	01/04/2014 - 31/12/2014
Auditing services	681	444
Other assurance services	1,740	0
Tax consultation services	0	0
Other services	26	0
	2,447	444

Of the fee of EURk 681 for auditing services recognised in the reporting year, an amount of EURk 74 relates to fees for auditing services for the 2014 fiscal year.

Other assurance services include the submission of a comfort letter in the context of a prospectus related to the acquisition of shares in Fair Value REIT-AG, of which EURk 795 were offset against capital reserves as costs to raise equity.

4. Executive Board, Supervisory Board and employees

a. Executive Board

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

In the fiscal year under review, the Executive Board consisted of the following members:

- Mr. Hon.-Prof. Andreas Steyer, CEO,
- Mr. Markus Drews, COO.

Mr. Frank Schaich, CFO, who was appointed as a member of the Executive Board on February 1, 2016.

In the 2015 fiscal year, DEMIRE AG recognised variable remuneration in the amount of EURk 313 (previous year: EURk 27), fixed remuneration of EURk 464 (previous year: EURk 196) and share-based payments of EURk 444 (previous year: EURk 0) for the members of the Executive Board. These amounts are divided as follows:

EURk	2015	2014
Hon.-Prof. Andreas Steyer	660	205
Markus Drews	561	18
Executive Board compensation	1,221	223

Executive Board compensation in the financial year breaks down as follows:

EURk	2015	2014
Short-term benefits	547	223
Share-based payments	444	0
Other long-term benefits	230	0
Executive Board compensation	1,221	223

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

There were no pension obligations, payments related to termination of employment or post-employment benefits for active and former Executive Board members in the reporting year.

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

b. Supervisory Board

The following provides the names, professions and remuneration of the Company's Supervisory Board members during the past fiscal year.

Name	Position	Profession	Period	Remuneration fiscal year 2015 (EURk)*	Remuneration abbreviated 2014 fiscal year (EURk)*
Prof. Dr. Hermann Anton Wagner	Chairman	Independent auditor and tax consultant	Since April 17, 2013	135	30
Dr. Peter Maser	Deputy Chairman	Attorney at Law	Since January 12, 2015	90	0
Günther Walcher	Member	Entrepreneur	Since October 23, 2013	45	10
Dr. Dirk Hoffmann	Deputy Chairman	Independent Attorney at Law	Until December 31, 2014	0	23
Remuneration of the Supervisory Board				270	63

* Compensation excluding reimbursement of expenses and value-added tax

Supervisory Board members were also reimbursed for travel expenses in the amount of EURk 5 (previous year: EURk 5).

There were no pension obligations or long-term remuneration components owed to active or former Supervisory Board members as at December 31, 2015.

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

c. Employees

The number of employees as at the balance sheet date was as follows:

EURk	31/12/2015	31/12/2014
Executive Board members	2	2
Permanent employees	54	7
	56	9

The average number of employees in the 2015 fiscal year was 38 (abbreviated 2014 fiscal year: 6). Of the 54 permanent employees, 15 (11 based on year's average) were employed by PANACEA Property GmbH and PRAEDIA GmbH, which are not consolidated for reasons of materiality and which provide asset and facility management services to DEMIRE Group companies. These newly acquired subsidiaries are of minor importance for the consolidated financial statements under IFRS and are therefore not included in the IFRS consolidated financial statements as of December 31, 2015, for reasons of materiality.

d. Share-based payments

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

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

The following amount of stock options may be issued:

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

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

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

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

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

The value of compensation based on real stock options according to the Black-Scholes Model is determined by the fair value of the options at the grant date pursuant to IFRS 2.10. In the case of DEMIRE AG, the grant date is the day the options were issued (April 7, 2015 and December 9, 2015).

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

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

During the reporting period until the balance sheet date, a total of 1,000,000 stock options were granted, of which 800,000 stock options were granted in the first tranche to members of the Executive Board and 160,000 to selected Company and Group company employees. The fair value of each option from the first tranche was EUR 2.74. In the fourth quarter, a total of 60,000 stock options were newly issued in a second tranche, net of stock options that were returned by employees who had left the Company (20,000 stock options). The fair value of each option from the second tranche was EUR 1.99.

The calculation of the option's fair value as at the date of issue of the first and second tranche was based on the following parameters:

CALCULATION PARAMETERS	1st tranche	2nd tranche
Dividend yield (%)	0.00	0.00
Expected volatility (%) ¹⁾	60.40	46.25
Risk-free interest rate (%)	0.50	0.80
Term of the option (years)	9.00	9.00
Weighted average share price (EUR)	4.258	3.76
Option price (EUR)	2.74	1.99

1) 180-day historical volatility

Staff costs recognised in the reporting period from the “2015 Stock Option Plan” amounted to EURk 434 and were recognised directly in equity under general and administrative expenses.

5. Subsequent events

The following significant events impacting DEMIRE's net assets, financial position and results of operations took place subsequent to the end of the fiscal year:

On January 13, 2016, the Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG completed the acquisition of a 94.9 % stake in Kurfürster Immobilien GmbH, Kassel, which had been signed in July 2015. The property, located in the centre of Hesse's third largest city, is predominantly used for retail purposes and has a total space of approximately 21,000 m². The property also includes one of Kassel's largest parking garages with around 600 parking spaces. As the first shopping mall in Kassel in the year 1991, the commercial property's contractual net rental income, excluding utilities, amounts to roughly EUR 3.9 million on an annual basis. Tenants include retail stores, a hotel, casino, offices and professional practices. This transaction strengthened DEMIRE's commitment in retail properties—the Company's third asset class alongside office and logistics. With the completion of this transaction, all of the acquisitions and transactions announced in 2015 were completed, including the takeover of Fair Value REIT-AG.

Based on a purchase agreement dated January 29, 2016, the property located in Tornesch at Willy-Meyer-Str. 3-5 was sold by Fair Value REIT. The purchase price of EUR 0.65 million is 10 % higher than the expert appraised market value as per December 31, 2015 of EUR 0.59 million and was paid in full on March 16, 2016.

The creditors of the convertible bond issued by Fair Value REIT-AG on January 19, 2015 with a principal amount of EUR 8.46 million yielding 4.5 % p.a. and maturing as at January 19, 2020 have requested by declaration on February 9, 2016 and in accordance with the bonds terms and conditions, early redemption in the amount of 103 % of the nominal value plus accrued interest as of the effective date (February 19, 2016) as a result of the change of control at Fair Value REIT-AG which occurred on December 21, 2015. The corresponding amount of around EUR 8.75 million was paid on time on February 19, 2016. The refinancing of the redemption amount was made through two loans. The loan issued to Fair Value REIT-AG from CapitalBank—GRAWE Group AG, Graz, is a bullet loan with a term of three years until February 15, 2019 in the amount of EUR 7.0 million, less a processing fee of 1 %, at a variable interest rate of 3-month EURIBOR plus a margin of 400 basis points and a minimum interest of 4.0 % p.a. About 25 % of this loan is secured by mortgages with the remainder secured by pledged shares and other assets. The loan from Stadt-Sparkasse Langenfeld to Fair Value REIT-AG is a mortgage-secured loan of EUR 2.0 million with a term until March 30, 2020, bearing 1.69 % interest p.a. The loan is to be redeemed with 3.0 % p.a. plus accrued interest.

Effective February 1, 2016, the Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG appointed Mr. Frank Schaich, sole Executive Board member of Fair Value REIT-AG, as a new member of the Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG for a term of three years until January 31, 2019. An executive board contract for the duration of his term of office was concluded with Mr. Schaich under the condition precedent that he terminates his existing employment contract with Fair Value REIT-AG. On March 1, 2016, the Supervisory Board of Fair Value REIT-AG extended the current Executive Board term of Mr. Schaich until January 31, 2019 and terminated his existing employment contract by mutual agreement effective February 29, 2016.

By decision of the District Court, the Executive Board members of DEMIRE AG Hon.-Prof. Andreas Steyer and Markus Drews were appointed as members of Fair Value REIT-AG's Supervisory Board effective March 1, 2016. In the constituent Supervisory Board meeting of Fair Value REIT-AG, Mr. Drews was elected deputy chairman of the Supervisory Board.

In mid-February 2016, DEMIRE Deutsche Mittelstand Real Estate AG acquired F. Krüger Immobilien GmbH located in Bremen as part of an asset deal. By way of a business transfer to DEMIRE Immobilien Management GmbH (DIM), a wholly owned subsidiary of DEMIRE, the in-house property management activities of the Group were strengthened further. All employees were transferred to DIM and will continue to work at the new DIM location in Bremen.

With the purchase agreement dated March 4, 2016, a subsidiary of Fair Value REIT sold the nursing home property in Radevormwald at its carrying amount of EUR 11.1 million. The transfer of ownership, benefits and obligations took place on March 31, 2016 upon the payment of the purchase price.

In early April 2016, DEMIRE AG concluded a contract with Südwestbank AG for a one-year credit line until March 30, 2017 in the amount of EUR 5.0 million less a 3 % processing fee at a variable interest rate of 3-month EURIBOR plus a margin of 250 basis points and a minimum interest rate of 2.5 % p.a., which can be utilised at various times and prolonged annually. At the end of April 2016, DEMIRE AG concluded a contract with Baader Bank AG for a one-year credit line until April 30, 2017 in the amount of EUR 5.0 million at a fixed interest rate of 5.0 % p.a. that can be drawn upon as needed. This credit line can be extended annually. In the case of both credit lines, collateral will be provided through pledged account balances and interests in subsidiaries upon the credit lines' utilisation, which has not yet occurred. These credit lines are expected to be fully exhausted by no later than mid-June 2016 so that a portion of the HFS bond can be redeemed in a corresponding amount at that time. This will allow for a reduction in the net interest expense and will strengthen DEMIRE's profitability.

In the first quarter of 2016, the remaining bonds of a nominal EUR 14.4 million of the 2014/2019 corporate bond were placed with investors.

In 2016, prior to the publication of the consolidated financial statements, a total of 14,937 convertible bonds was converted into no-par value share of DEMIRE Deutsche Mittelstand Real Estate AG. As at April 30, 2016, this represented a notional interest in the share capital of roughly 0.03 %.

6. Declaration of Conformity with the "German Corporate Governance Code"

The statement required under Section 161 AktG with regard to the German Corporate Governance Code is made available by the Company to shareholders once per calendar year. The Declaration of Conformity with the German Corporate Governance Code was issued on April 29, 2016, and made permanently available to shareholders on DEMIRE's website under the section titled "Company" (http://www.demire.ag/files/demire_ag_entsprechenserklaerung___161_aktg_2015-de.pdf).

On January 26, 2016, the Executive Board and Supervisory Board of Fair Value REIT-AG submitted the current Declaration of Conformity in accordance with Section 161 AktG. The declaration was made available to shareholders of Fair Value REIT-AG on the Company's website at (<http://www.fvreit.de/investor-relations/corporate-governance/entsprechens-erklaerung/entsprechenserklaerung.html>).

7. Release for publication

These consolidated financial statements were prepared by the Executive Board on May 13, 2016, and have been released for publication.

Frankfurt am Main, May 13, 2016

DEMIRE Deutsche Mittelstand Real Estate AG

Hon.-Prof. Andreas Steyer	Dipl.-Kfm. (FH) Markus Drews	Frank Schaich
Speaker of the Executive Board (CEO)	Member of the Executive Board (COO)	Member of the Executive Board (CFO)

APPENDIX 1: SCOPE OF CONSOLIDATION

GROUP COMPANIES				Group's interest in capital	Date of inception / acquisition	Acquisition cost EURk	Fiscal year
Directly held interests:							
GERMANY							
DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt am Main	Parent company	acquired	100.00 % ²	28/10/2009	21,160	01/01/2015	–
Glockenhofcenter Objektgesellschaft mbH	Subsidiary	acquired	94.90 % ²	01/02/2015	36	31/12/2015	01/01/2015
Hanse-Center Objektgesellschaft mbH	Subsidiary	acquired	94.90 % ²	01/02/2015	790	31/12/2015	01/01/2015
Logistikpark Leipzig GmbH	Subsidiary	acquired	94.00 % ²	01/07/2015	33,329	31/12/2015	01/01/2015
DEMIRE Immobilien Management GmbH	Subsidiary	acquired	100.00 %	14/01/2015	20	31/12/2015	01/01/2015
Panacea Property GmbH	Subsidiary	acquired	51.00 % ³	17/03/2015	13	31/12/2015	01/01/2015
Praedia GmbH	Subsidiary	acquired	51.00 % ²	17/03/2015	7	31/12/2015	01/01/2015
Fair Value REIT AG	Subsidiary	acquired	77.70 % ²	21/12/2015	21,928	31/12/2015	01/01/2015
FVR Beteiligungsgesellschaft Erste mbH	Subsidiary	acquired	100.00 %	01/10/2015	25	31/12/2015	01/01/2015
FVR Beteiligungsgesellschaft Zweite mbH	Subsidiary	acquired	100.00 %	01/10/2015	25	31/12/2015	01/01/2015
FVR Beteiligungsgesellschaft Dritte mbH	Subsidiary	acquired	100.00 %	01/10/2015	25	31/12/2015	01/01/2015
FVR Beteiligungsgesellschaft Vierte mbH	Subsidiary	acquired	100.00 %	01/10/2015	25	31/12/2015	01/01/2015
FVR Beteiligungsgesellschaft Fünfte mbH	Subsidiary	acquired	100.00 %	01/10/2015	25	31/12/2015	01/01/2015
FVR Beteiligungsgesellschaft Sechste mbH	Subsidiary	acquired	100.00 %	01/10/2015	25	31/12/2015	01/01/2015
FVR Beteiligungsgesellschaft Siebente mbH	Subsidiary	acquired	100.00 %	01/10/2015	25	31/12/2015	01/01/2015
FVR Beteiligungsgesellschaft Achte mbH	Subsidiary	acquired	100.00 %	01/10/2015	25	31/12/2015	01/01/2015
FVR Beteiligungsgesellschaft Neunte mbH	Subsidiary	acquired	100.00 %	01/10/2015	25	31/12/2015	01/01/2015
UnDirectly held interests:							
GERMANY							
SQUADRA Immobilien GmbH & Co. KGaA	Associated company	acquired	24.58 %	29/10/2009	N/A ⁴	01/01/2015	–
DEMIRE Commercial Real Estate GmbH	Subsidiary	acquired	100.00 %	21/10/2008	25	31/12/2015	01/01/2015

GROUP COMPANIES				Group's interest in capital	Date of inception / acquisition	Acquisition cost EURk	Fiscal year
UnDirectly held interests:							
GERMANY							
DEMIRE Commercial Real Estate ZWEI GmbH	Subsidiary	acquired	100.00 %	20/08/2014	25	01/01/2015	
DEMIRE CONDOR Properties Management GmbH	Subsidiary	acquired	100.00 %	17/10/2014	28	01/01/2015	
DEMIRE Commercial Real Estate DREI GmbH	Subsidiary	acquired	100.00 %	07/05/2015	25	01/01/2015	
DEMIRE Commercial Real Estate VIER GmbH	Subsidiary	acquired	100.00 %	07/05/2015	25	01/01/2015	
DEMIRE Commercial Real Estate FÜNF GmbH	Subsidiary	acquired	100.00 %	07/05/2015	25	01/01/2015	
DEMIRE Commercial Real Estate SECHS GmbH	Subsidiary	acquired	100.00 %		25	01/01/2015	
Directly held interests:							
GERMANY							
IC Fonds & Co. Büropark Teltow KG („IC 07“)	Subsidiary	acquired	60.74 %	21/12/2015	N/A ⁵	01/01/2015	
IC Fonds & Co. Gewerbeportfolio Germany 13. KG („IC 13“)	Subsidiary	acquired	44.58 %	21/12/2015	N/A ⁵	01/01/2015	
IC Fonds & Co. SchmidtBank-Passage KG („IC 12“)	Subsidiary	acquired	41.86 %	21/12/2015	N/A ⁵	01/01/2015	
BBV Immobilien-Fonds Nr. 14 GmbH & Co. KG („BBV 14“)	Subsidiary	acquired	39.13 %	21/12/2015	N/A ⁵	01/01/2015	
BBV Immobilien-Fonds Nr. 3 GmbH & Co. KG („BBV 03“)	Subsidiary	acquired	62.20 %	21/12/2015	N/A ⁵	01/01/2015	
BBV Immobilien-Fonds Nr. 6 GmbH & Co. KG („BBV 06“)	Subsidiary	acquired	47.98 %	21/12/2015	N/A ⁵	01/01/2015	
BBV Immobilien-Fonds Nr. 8 GmbH & Co. KG („BBV 08“)	Subsidiary	acquired	45.08 %	21/12/2015	N/A ⁵	01/01/2015	
GP Value Management GmbH („GPVM“)	Subsidiary	acquired	77.70 %	21/12/2015	N/A ⁵	01/01/2015	
BBV 3 Geschäftsführungs-GmbH & Co. KG („FV03“)	Subsidiary	acquired	77.70 %	21/12/2015	N/A ⁵	01/01/2015	
BBV 6 Geschäftsführungs-GmbH & Co. KG („FV06“)	Subsidiary	acquired	77.70 %	21/12/2015	N/A ⁵	01/01/2015	
BBV 9 Geschäftsführungs-GmbH & Co. KG („FV09“)	Subsidiary	acquired	77.70 %	21/12/2015	N/A ⁵	01/01/2015	
BBV 10 Geschäftsführungs-GmbH & Co. KG („FV10“)	Subsidiary	acquired	77.70 %	21/12/2015	N/A ⁵	01/01/2015	
BBV 14 Geschäftsführungs-GmbH & Co. KG („FV14“)	Subsidiary	acquired	77.70 %	21/12/2015	N/A ⁵	01/01/2015	
BBV Immobilien-Fonds Erlangen GbR („BBV 02“)	Subsidiary	acquired	32.65 %	21/12/2015	N/A ⁵	01/01/2015	

GROUP COMPANIES				Group's interest in capital	Date of inception / acquisition	Acquisition cost EURk	Fiscal year
Directly held interests:							
GERMANY							
BBV Immobilien-Fonds Nr. 10 GmbH & Co. KG („BBV 10“)	Subsidiary	acquired	34.54 %	21/12/2015	N/A ⁵	01/01/2015	–
IC Fonds & Co. Gewerbeobjekte Germany 15. KG („IC 15“)	Subsidiary	acquired	37.46 %	21/12/2015	N/A ⁵	01/01/2015	31/12/2015
SQUADRA Erste Immobilien GmbH	Associated company	acquired	24.58 % ¹	29/10/2009	N/A ⁴	01/01/2015	–
SQUADRA Management GmbH	Associated company	acquired	24.58 % ¹	29/10/2009	N/A ⁴	01/01/2015	31/12/2015
DEMIRE Real Estate München 1 GmbH	Subsidiary	acquired	100.00 %	27/11/2013	27	01/01/2015	–
CAM Commercial Asset Management EINS GmbH	Subsidiary	acquired	100.00 %	31/12/2014	26,625	01/01/2015	31/12/2015
CAM Commercial Asset Management ZWEI GmbH	Subsidiary	acquired	100.00 %	31/12/2014	7,663	01/01/2015	–
CAM Commercial Asset Management DREI GmbH	Subsidiary	acquired	100.00 %	31/12/2014	9,830	01/01/2015	31/12/2015
CAM Commercial Asset Management VIER GmbH	Subsidiary	acquired	100.00 %	31/12/2014	8,139	01/01/2015	–
Schwerin Margaretenhof 18 GmbH	Subsidiary	acquired	94.90 %	31/12/2014	1,599	01/01/2015	31/12/2015
DEMIRE Objektgesellschaft Worms GmbH	Subsidiary	acquired	94.00 %	29/10/2009	N/A ⁴	01/01/2015	–
TGA Immobilien Erwerb 1 GmbH	Subsidiary	acquired	100.00 %	03/03/2015	468	01/01/2015	31/12/2015
DEMIRE Holding EINS GmbH	Subsidiary	acquired	100.00 %	20/08/2014	25	01/01/2015	–
Condor Real Estate Management EINS GmbH	Subsidiary	acquired	100.00 %	20/08/2014	25	01/01/2015	31/12/2015
Condor Real Estate Management ZWEI GmbH	Subsidiary	acquired	100.00 %	20/08/2014	25	01/01/2015	–
Condor Real Estate Management DREI GmbH	Subsidiary	acquired	100.00 %	20/08/2014	25	01/01/2015	31/12/2015
CONDOR Objektgesellschaft Eschborn GmbH	Subsidiary	acquired	94.00 %	15/12/2014	1,550	01/01/2015	–
CONDOR Objektgesellschaft Bad Kreuznach GmbH	Subsidiary	acquired	94.00 %	15/12/2014	113	01/01/2015	31/12/2015
Condor Real Estate Management FÜNF GmbH	Subsidiary	acquired	100.00 %	05/06/2014	25	01/01/2015	–
CONDOR Objektgesellschaft Düsseldorf GmbH	Subsidiary	acquired	94.00 %	15/12/2014	793	01/01/2015	31/12/2015
CONDOR Objektgesellschaft Rendsburg GmbH	Subsidiary	acquired	94.00 %	30/09/2014	152	01/01/2015	–
							31/12/2015

GROUP COMPANIES			Group's interest in capital	Date of inception / acquisition	Acquisition cost EURk	Fiscal year
Directly held interests:						
GERMANY						
CONDOR Objektgesellschaft Bad Oeynhausen GmbH	Subsidiary	acquired	94.00 %	30/09/2014	160	01/01/2015 – 31/12/2015
CONDOR Objektgesellschaft Lichtenfels GmbH	Subsidiary	acquired	94.00 %	30/09/2014	194	01/01/2015 – 31/12/2015
CONDOR Objektgesellschaft YELLOW GmbH	Subsidiary	acquired	94.00 %	30/09/2014	1,387	01/01/2015 – 31/12/2015
Undirectly held interests:						
FOREIGN COUNTRIES						
Sihlegg Investments Holding GmbH	Subsidiary	acquired	94.00 %	27/05/2015	4,016	01/01/2015 – 31/12/2015
Lumpsum Eastern European Participations C.V.	Subsidiary	acquired	94.00 %	29/01/2012	N/A ⁴	01/01/2015 – 31/12/2015
MAGNAT Investment II B.V.	Subsidiary	acquired	100.00 %	29/10/2009	N/A ⁴	01/01/2015 – 31/12/2015
MAGNAT Investment IV B.V.	Subsidiary	acquired	100.00 %	29/10/2009	N/A ⁴	01/01/2015 – 31/12/2015
R-Quadrat Polska Alpha sp.z o.o.	Joint venture	acquired	50.00 %	15/12/2014	N/A ⁴	01/01/2015 – 31/12/2015
Directly held interests:						
FOREIGN COUNTRIES						
MAGNAT Investment I B.V.	Subsidiary	acquired	99.64 %	29/10/2009	N/A ⁴	01/01/2015 – 31/12/2015
R-Quadrat Bulgaria EOOD	Subsidiary	acquired	100.00 %	29/10/2009	N/A ⁴	01/01/2015 – 31/12/2015
SC Victory International Consulting s.r.l.	Subsidiary	acquired	100.00 %	29/10/2009	N/A ⁴	01/01/2015 – 31/12/2015
Irao Magnat Digomi LLC	Subsidiary	acquired	75.00 % ²	29/10/2009	N/A ⁴	01/01/2015 – 31/12/2015
Irao Magnat 28/2 LLC	Joint venture	acquired	50.00 % ²	29/10/2009	N/A ⁴	01/01/2015 – 31/12/2015
Magnat Tblisi Office LLC	Subsidiary	acquired	100.00 %	29/10/2009	N/A ⁴	01/01/2015 – 31/12/2015
Magnat Tblisi Residential 1 LLC	Subsidiary	acquired	100.00 %	29/10/2009	N/A ⁴	01/01/2015 – 31/12/2015
IRAO Magnat Gudiashvilli LLC	Joint venture	acquired	50.00 % ³	04/04/2011	N/A ⁴	01/01/2015 – 31/12/2015
MAGNAT Capital Markets GmbH	Subsidiary	acquired	100.00 %	05/05/2009	35	01/01/2015 – 31/12/2015
GO Leonberg ApS, Denmark	Subsidiary	acquired	94.00 %	11/12/2014	59	01/01/2015 – 31/12/2015
GO Bremen ApS, Denmark	Subsidiary	acquired	94.00 %	11/12/2014	221	01/01/2015 – 31/12/2015

GROUP COMPANIES			Group's interest in capital	Date of inception / acquisition	Acquisition cost EURk	Fiscal year
Directly held interests:						
FOREIGN COUNTRIES						
GO Ludwigsburg ApS	Subsidiary	acquired	94.00 %	11/12/2014	45	01/01/2015 — 31/12/2015
Armstripe S.à.r.l.	Subsidiary	acquired	94.00 %	11/12/2014	408	01/01/2015 — 31/12/2015
Blue Ringed S.à.r.l.	Subsidiary	acquired	94.00 %	11/12/2014	118	01/01/2015 — 31/12/2015
Briarius S.à.r.l.	Subsidiary	acquired	94.00 %	11/12/2014	90	01/01/2015 — 31/12/2015
Reubescens S.à.r.l.	Subsidiary	acquired	94.00 %	11/12/2014	89	01/01/2015 — 31/12/2015
Denston Investments Ltd.	Subsidiary	acquired	94.00 %	11/12/2014	83	01/01/2015 — 31/12/2015
Germavest Real Estate S.à.r.l.	Subsidiary	acquired	94.00 %	30/10/2015	28,986	01/01/2015 — 31/12/2015

¹ Interests are held indirectly through DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main.

² Interests are held indirectly through MAGNAT Investment I B.V., Hardinxveld Giessendam, Netherlands, and Lumpsum Eastern European Participations C.V., Osterhout, Netherlands. The Group holds a total of 50 % in Irao Magnat 28/2 LLC through numerous group companies.

³ Interests are held indirectly through MAGNAT Investment IV B.V., Hardinxveld Giessendam, Netherlands.

⁴ No disclosure was made because the relevant companies were acquired indirectly as part of the reverse acquisition.

⁵ No disclosure was made because the relevant companies were acquired in the context of the acquisition of Fair Value REIT-AG.

APPENDIX 2: SCHEDULE OF SHAREHOLDINGS PURSUANT TO SECTION 313 PARA. 2 HGB

COMPANY	Type	Head office	Fiscal year	Equity in EURk	Interest in capital in % ¹	Profit/loss of last fiscal year
DEMIRE Deutsche Mittelstand Real Estate AG	Group parent company	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	111,507		-26,276
Glockenhofcenter Objektgesellschaft mbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	3,038	94.9	-141
Hanse-Center Objektgesellschaft mbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	12,351	94.9	-82
Sihlegg Investments Holding GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	-358	94	-148
Logistikpark Leipzig GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	1,761	94	140
DEMIRE Immobilien Management GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	25	100	3
Panacea Property GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	10	51	0
Praedia GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	97	51	72
Fair Value REIT AG	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	83,439	77.7	-1,968
IC Fonds & Co. Büropark Teltow KG („IC 07“)	Subsidiary	Germany, Munich	01/01/2015 – 31/12/2015	8,295	60.74	230
IC Fonds & Co. Gewerbeportfolio Deutschland 13. KG („IC 13“)	Subsidiary	Germany, Munich	01/01/2015 – 31/12/2015	135	44.58	1,431
IC Fonds & Co. SchmidtBank- Passage KG („IC 12“)	Subsidiary	Germany, Munich	01/01/2015 – 31/12/2015	5,922	41.86	169
BBV Immobilien-Fonds Nr. 14 GmbH & Co. KG („BBV 14“)	Subsidiary	Germany, Munich	01/01/2015 – 31/12/2015	7,237	39.13	1,050
BBV Immobilien-Fonds Nr. 3 GmbH & Co. KG („BBV 03“)	Subsidiary	Germany, Munich	01/01/2015 – 31/12/2015	81	62.20	1,646
BBV Immobilien-Fonds Nr. 6 GmbH & Co. KG („BBV 06“)	Subsidiary	Germany, Munich	01/01/2015 – 31/12/2015	9,905	47.98	2,893
BBV Immobilien-Fonds Nr. 8 GmbH & Co. KG („BBV 08“)	Subsidiary	Germany, Munich	01/01/2015 – 31/12/2015	21,573	45.08	1,385
GP Value Management GmbH („GPVM“)	Subsidiary	Germany, Munich	01/01/2015 – 31/12/2015	47	77.70	3
BBV 3 Geschäftsführungs- GmbH & Co. KG („FV03“)	Subsidiary	Germany, Munich	01/01/2015 – 31/12/2015	44	77.70	12
BBV 6 Geschäftsführungs- GmbH & Co. KG („FV06“)	Subsidiary	Germany, Munich	01/01/2015 – 31/12/2015	42	77.70	13
BBV 9 Geschäftsführungs- GmbH & Co. KG („FV09“)	Subsidiary	Germany, Munich	01/01/2015 – 31/12/2015	67	77.70	33
BBV 10 Geschäftsführungs- GmbH & Co. KG („FV10“)	Subsidiary	Germany, Munich	01/01/2015 – 31/12/2015	41	77.70	10

COMPANY	Type	Head office	Fiscal year	Equity in EURk	Interest in capital in % ¹	Profit/loss of last fiscal year
BBV 14 Geschäftsführungs- GmbH & Co. KG („FV14“)	Subsidiary	Germany, Munich	01/01/2015 – 31/12/2015	38	77.70	11
BBV Immobilien-Fonds Erlangen GbR („BBV 02“)	Subsidiary	Germany, Munich	01/01/2015 – 31/12/2015	306	32.65	-27
BBV Immobilien-Fonds Nr. 10 GmbH & Co. KG („BBV 10“)	Subsidiary	Germany, Munich	01/01/2015 – 31/12/2015	11,723	34.54	2,127
IC Fonds & Co. Gewerbeobjekte Deutschland 15. KG („IC 15“)	Subsidiary	Germany, Munich	01/01/2015 – 31/12/2015	15,128	37.46	1,700
FVR Beteiligungsgesellschaft Erste mbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	24	100	0
FVR Beteiligungsgesellschaft Zweite mbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	24	100	0
FVR Beteiligungsgesellschaft Dritte mbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	24	100	0
FVR Beteiligungsgesellschaft Vierte mbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	24	100	0
FVR Beteiligungsgesellschaft Fünfte mbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	24	100	0
FVR Beteiligungsgesellschaft Sechste mbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	24	100	0
FVR Beteiligungsgesellschaft Siebente mbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	24	100	0
FVR Beteiligungsgesellschaft Achte mbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	24	100	0
FVR Beteiligungsgesellschaft Neunte mbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	24	100	0
Lumpsum Eastern European Participations C.V.	Subsidiary	Netherlands, Osterhout	01/01/2015 – 31/12/2015	-7	94	0
MAGNAT Investment I B.V.	Subsidiary	Netherlands, Hardinxveld Giessendam	01/01/2015 – 31/12/2015	38	99.64	-14
R-Quadrat Bulgaria EOOD	Subsidiary	Bulgaria, Sofia	01/01/2015 – 31/12/2015	251	100	-15
SC Victory International Consulting s.r.l.	Subsidiary	Romania, Bucharest	01/01/2015 – 31/12/2015	1,040	100	-18
Irao Magnat Digomi LLC	Subsidiary	Georgia, Tbilisi	01/01/2015 – 31/12/2015	-1,550	75	-626
Irao Magnat 28/2 LLC	Joint venture	Georgia, Tbilisi	01/01/2015 – 31/12/2015	-236	50	0
Magnat Tblisi Office LLC	Subsidiary	Georgia, Tbilisi	01/01/2015 – 31/12/2015	44	100	0
Magnat Tblisi Residential 1 LLC	Subsidiary	Georgia, Tbilisi	01/01/2015 – 31/12/2015	-1	100	-1

COMPANY	Type	Head office	Fiscal year	Equity in EURk	Interest in capital in % ¹	Profit/loss of last fiscal year
MAGNAT Investment II B.V.	Subsidiary	Netherlands, Hardinxveld	01/01/2015 –			
		Giessendam	31/12/2015	-2,178	100	-7,960
MAGNAT Investment IV B.V.	Subsidiary	Netherlands, Hardinxveld	01/01/2015 –			
		Giessendam	31/12/2015	325	100	-8
IRAO Magnat Gudiashvili LLC	Joint venture	Georgia, Tbilisi	01/01/2015 –			
			31/12/2015	58	50	-33
R-Quadrat Polska Alpha sp.z o.o.	Joint venture	Poland, Warsaw	01/01/2015 –			
			31/12/2015	-12,099	50	-756
SQUADRA Immobilien GmbH & Co. KGaA	assoziiertes Unternehmen	Germany, Frankfurt/Main	01/04/2015 –			
			31/03/2015	13,949	24.58	183
SQUADRA Erste Immobilien GmbH	Associated company ³	Germany, Frankfurt/Main	01/04/2015 –			
			31/03/2015	795	100	-2,565
SQUADRA Management GmbH	Associated company ³	Germany, Frankfurt/Main	01/04/2015 –			
			31/03/2015	9	100	-5
DEMIRE Commercial Real Estate GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 –			
			31/12/2015	9,714	100	0
DEMIRE Real Estate München 1 GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 –			
			31/12/2015	21	100	0
CAM Commercial Asset Management EINS GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 –			
			31/12/2015	8,949	100	151
CAM Commercial Asset Management ZWEI GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 –			
			31/12/2015	-432	100	-159
CAM Commercial Asset Management DREI GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 –			
			31/12/2015	-329	100	22
CAM Commercial Asset Management VIER GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 –			
			31/12/2015	-443	100	-149
Schwerin Margaretenhof 18 GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 –			
			31/12/2015	172	94.90	456
DEMIRE Commercial Real Estate ZWEI GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 –			
			31/12/2015	5	100	-20
DEMIRE Objektgesellschaft Worms GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 –			
			31/12/2015	3,737	94	275
TGA Immobilien Erwerb 1 GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 –			
			31/12/2015	-140	100	-162

COMPANY	Type	Head office	Fiscal year	Equity in EURk	Interest in capital in % ¹	Profit/loss of last fiscal year
MAGNAT AM GmbH	Subsidiary	Austria, Vienna	01/01/2015 – 31/12/2015	934	100	-22
Magnat Asset Management GmbH	Subsidiary ²	Austria, Vienna	01/01/2015 – 31/12/2015	3,225	100	-406
MAGNAT Capital Markets GmbH	Subsidiary	Austria, Vienna	01/01/2015 – 31/12/2015	374	100	-6
DEMIRE CONDOR Properties Management GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	-88	100	-107
DEMIRE Holding EINS GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	-9,065	100	-4,131
Condor Real Estate Management EINS GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	1,002	100	977
GO Leonberg ApS, Denmark	Subsidiary	Denmark, Copenhagen	01/01/2015 – 31/12/2015	-3,928	94	-333
GO Bremen ApS, Denmark	Subsidiary	Denmark, Copenhagen	01/01/2015 – 31/12/2015	-19,092	94	-2,137
GO Ludwigsburg ApS	Subsidiary	Denmark, Copenhagen	01/01/2015 – 31/12/2015	-2,638	94	111
Condor Real Estate Management ZWEI GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	1,325	100	1,300
Armstripe S.à.r.l.	Subsidiary	Luxembourg, Luxembourg	01/01/2015 – 31/12/2015	-11,098	94	-1,879
Blue Ringed S.à.r.l.	Subsidiary	Luxembourg, Luxembourg	01/01/2015 – 31/12/2015	-2,485	94	-400
Briarius S.à.r.l.	Subsidiary	Luxembourg, Luxembourg	01/01/2015 – 31/12/2015	-2,293	94	-381
Reubescens S.à.r.l.	Subsidiary	Luxembourg, Luxembourg	01/01/2015 – 31/12/2015	-3,134	94	-698
Condor Real Estate Management DREI GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	-55	100	0
Denston Investments Ltd.	Subsidiary	Cyprus, Nicosia	01/01/2015 – 31/12/2015	-1,717	94	4
CONDOR Objektgesellschaft Eschborn GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	91	94	0
CONDOR Objektgesellschaft Bad Kreuznach GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	25	94	0
Condor Real Estate Management FÜNF GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	25	100	0
CONDOR Objektgesellschaft Düsseldorf GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	18	94	0

COMPANY	Type	Head office	Fiscal year	Equity in EURk	Interest in capital in % ¹	Profit/loss of last fiscal year
CONDOR Objektgesellschaft Rendsburg GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	44	94	19
CONDOR Objektgesellschaft Bad Oeynhausen GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	44	94	19
CONDOR Objektgesellschaft Lichtenfels GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	55	94	30
CONDOR Objektgesellschaft YELLOW GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	25	94	0
DEMIRE Commercial Real Estate DREI GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	-761	100	-786
Germavest Real Estate S.à.r.l.	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	28,986	94	1,117
DEMIRE Commercial Real Estate VIER GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	19	100	-6
DEMIRE Commercial Real Estate FÜNF GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	0	100	-25
DEMIRE Commercial Real Estate SECHS GmbH	Subsidiary	Germany, Frankfurt/Main	01/01/2015 – 31/12/2015	24	100	0

¹ The share in the equity corresponds to the control relationship before taking into account any non-controlling interests within the Group.

² Indirect investment through Magnat AM GmbH (AT).

³ Indirect investment through SQUADRA Immobilien GmbH & Co. KGaA.

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, May 13, 2016

Hon.-Prof. Andreas Steyer

Speaker of the Executive Board
(CEO)

Dipl.-Kfm. (FH) Markus Drews

Executive Board Member
(COO)

Frank Schaich

Executive Board Member
(CFO)

The following English-language translation of the German-language audit opinion (Bestätigungsvermerk) refers to the consolidated financial statements of DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt am Main, prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB (“Handelsgesetzbuch”, German Commercial Code), as well as the combined management report of the company and the group, prepared on the basis of German commercial law (HGB), as of and for the fiscal year ended December 31, 2015 as a whole and not solely to the consolidated financial statements presented in this offering memorandum on the preceding pages.

Audit opinion

We have audited the consolidated financial statements prepared by DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt am Main, comprising the balance sheet, the statement of income, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the notes to the consolidated financial statements, together with the combined management report of the company and the group for the fiscal year from January 1, to December 31, 2015. The preparation of the consolidated financial statements and the combined management report in accordance with IFRSs [International Financial Reporting Standards] as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB [“Handelsgesetzbuch”: German Commercial Code] is the responsibility of the Company’s management. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The combined management report of the company and the group is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group’s position and suitably presents the opportunities and risks of future development.

Eschborn/Frankfurt am Main, May 13, 2016

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Schmitt
Wirtschaftsprüfer
[German Public Auditor]

Kresin
Wirtschaftsprüfer
[German Public Auditor]

VALUATION REPORTS

Winters & Hirsch

Portfolio Summary

VALUATION REPORT SUMMARY		
Type of valuation	Market valuation	
Subject Property	4 portfolios and 4 individual properties:	Valuation Report no:
	CONDOR: 28 commercial properties	2017-53-05-Q1
	T-6 Portfolio: 6 commercial properties	2017-53-02-Q1
	ALPHA: 9 commercial properties	2017-53-06-Q1
	ALPINE: 6 commercial properties	2017-53-07-Q1
	Kurfürsten-Galerie: 1 commercial property	2017-53-04-Q1
	Logistikpark Leipzig: 1 commercial property	2017-53-15-Q1
	Schwerin II: 1 commercial property	2017-53-09-Q1
	Worms: 1 commercial property	2017-53-08-Q1
Date of issue	29/06/2017	

Date of valuation	31 March 2017
Market Value (Fair Value)	672,720,000 EUR

Market Value is defined as

the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Contact details	
Valuer	Client
Winters & Hirsch Real Estate Advisory GmbH & Co. KG	DEMIRE Deutsche Mittelstand Real Estate AG
Bleibtreustr. 22/23 10707 Berlin Germany	the eleven, Robert-Bosch-Str. 11 63225 Langen Germany
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E-mail: info@winters-hirsch.de	E-mail: info@demire.ag
Valuers certified under DIN EN ISO/IEC 17024	

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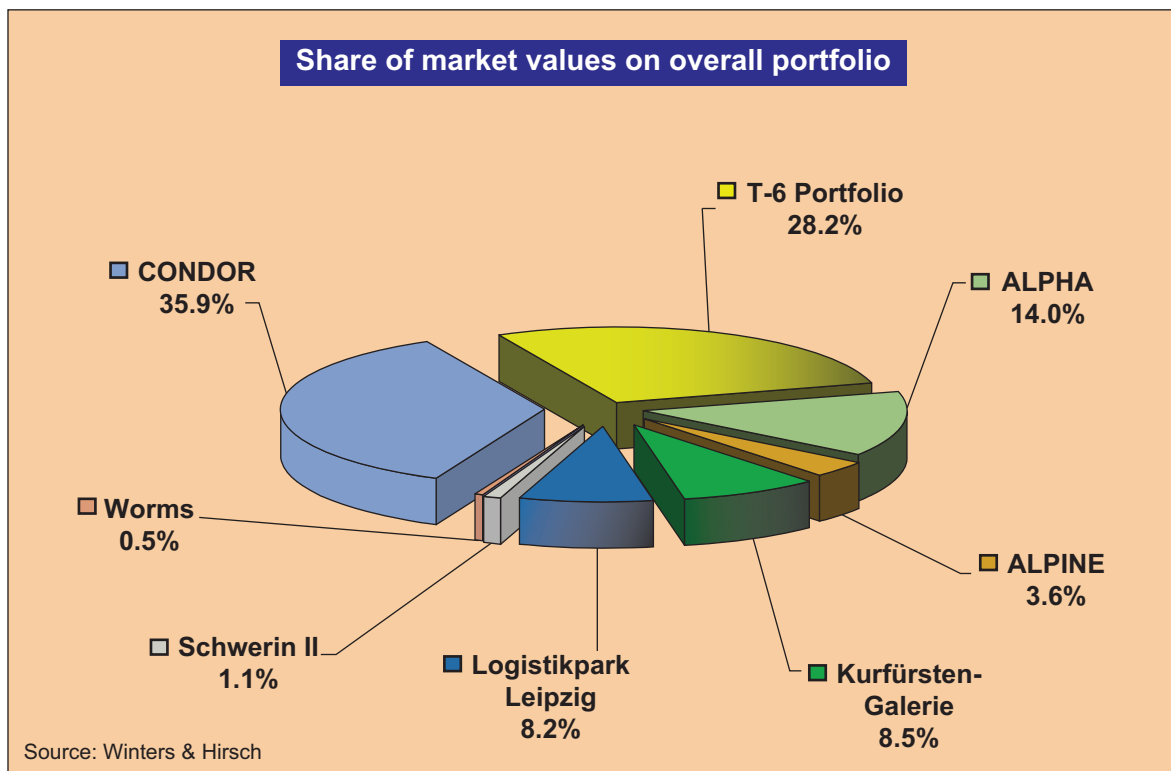
Please note:

This Valuation Report Summary (hereinafter referred to as Portfolio Summary) contains the valuation results for the individual portfolios/properties as well as general descriptions and assumptions. Please refer to the individual Valuation Reports for detailed calculations. The Fair Value was determined for each property individually.

Key figures	
Subject Property	4 portfolios and 4 individual properties
Number of locations	53 properties across Germany
Number of office / retail units	574
Number of warehouse / manufacturing units	263
Number of parking spaces	8,151
<u>Number of other units</u>	<u>120</u>
Total units	9,108
Total units (excluding parking spaces)	957
Rental office / retail space	411,587 sqm
Rental warehouse / manufacturing space	273,376 sqm
Other rental space	<u>10.052 sqm</u>
Total rental space	695,016 sqm
Total vacant space	112,262 sqm
Total vacancy rate	16.2 %
Market rent p.a.	54,493,152 EUR
Current rent p.a.	48,349,610 EUR

Winters & Hirsch

Valuation results			
Portfolio / property		Land value	Market value
CONDOR:	28 individual properties	36,940,000 EUR	241,660,000 EUR
T-6 Portfolio:	6 individual properties	45,460,000 EUR	189,680,000 EUR
ALPHA:	9 individual properties	15,970,000 EUR	94,350,000 EUR
ALPINE:	6 individual properties	5,100,000 EUR	24,020,000 EUR
Kurfürsten-Galerie:	1 individual property	6,090,000 EUR	57,490,000 EUR
Logistikpark Leipzig:	1 individual property	16,900,000 EUR	55,170,000 EUR
Schwerin II:	1 individual property	250,000 EUR	7,070,000 EUR
Worms:	1 individual property	330,000 EUR	3,280,000 EUR
TOTAL:	53 individual properties	127,040,000 EUR	672,720,000 EUR
MARKET VALUE / FAIR VALUE			672,720,000 EUR



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Table of Contents

1	General Information	6
1.1	Purpose of Valuation	6
1.2	Scope of Instruction	6
2	Basis of Valuation	7
2.1	Laws, Regulations and Guidelines	7
2.2	Received Documents and Information	7
2.3	Inspections	7
3	Subject Property	8
3.1	Portfolio	8
3.2	Units	8
3.3	Locations	8
3.4	Rental space / vacancy	16
4	Valuation Methods	18
4.1	Choice of Valuation Method	18
4.2	Land Valuation	18
4.3	Income Valuation	18
5	Valuation Parameters	19
5.1	Rental Income	19
5.2	Outgoings	20
5.3	Land Values	20
5.4	Market Values	21
6	Summary of Determined Values	22
7	Concluding Remarks	23

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1 General Information

1.1 Purpose of Valuation

The present report serves as Portfolio Summary in connection with the preparation of an offer document including prospectus. We agree to the publication of the present report as part of the prospectus.

According to the instruction received, the Present Value (Fair Value = Market Value) has been determined.

1.2 Scope of Instruction

The report reflects our expert opinion on the Subject Property's Market Value (= Fair Value). The market valuation has been carried out in line with the provisions set forth in the German Federal Building Code [Baugesetzbuch], German Ordinance on the Valuation of Real Estate [ImmoWertV], and German Valuation Directive [WertR].

The valuation is to be carried out using

- **Comparative method** (sect. 15 ImmoWertV)
including land valuation method (sect. 16 ImmoWertV);
- **Income method** (sect. 17 - 20 ImmoWertV);
- **Tangible asset method** (sect. 21 - 23 ImmoWertV);

or a combination of these methods.

The methods used are to be chosen according to the type of property under valuation, in consideration of common practice with arm's-length transactions, the specific features of the individual property as well as available data. The choice of method(s) is to be justified. The Market Value is to be determined from the result of the chosen method(s) in consideration of their relevance.

2 Basis of Valuation

2.1 Laws, Regulations and Guidelines

The present report has been drawn up in line with the following statutory laws and regulations in their respective current version:

1. German Federal Building Code [Baugesetzbuch (BauGB)]
2. German Land Use Ordinance [Baunutzungsverordnung (BauNVO)]
3. German Civil Code [Bürgerliches Gesetzbuch (BGB)]
4. German Ordinance on the Valuation of Real Estate [Immobilienwertermittlungsverordnung (ImmoWertV)]
5. German Ordinance on Mortgage Lending Valuation [Beleihungswertverordnung (BelWertV)]
6. German Valuation Directive [Wertermittlungsrichtlinie (WertR)]
7. German Tangible Asset Directive [Sachwertrichtlinie (SW-RL)]
8. German Valuation Act [Bewertungsgesetz (BewG)]
9. German State Building Regulation [Landesbauordnung (LBO)]
10. German Ordinance on the Calculation of Residential Floor Space [Wohnflächenberechnungsverordnung (WoFIV)]; DIN 277 and DIN 283 if the case may be
11. Data on rental rates for commercial properties from local chamber of trade and commerce

2.2 Received Documents and Information

In drawing up the present report, Winters & Hirsch relied on information received from the client and third parties. The documentation / information used are specified in the individual Valuation Reports. The received documentation / information has been subject to individual perusal. We proceed on the assumption that any received or obtained documentation / information is reliable, complete and correct. Incorrect or incomplete documentation / information may influence the estimate of the Subject Property's value.

A number of the valuations summarised in this Portfolio Summary relate to valuation updates. We have therefore, in agreement with the client, used documentation / information that was already available to us and was not subject to changes since the previous valuation (land register data, entries in registers of public obligations, information on contamination, etc.). On account of the fresh valuation date, changed circumstances, particularly relating to occupancy rates, standard ground values, and current market conditions have been taken into account.

2.3 Inspections

Most of the properties were inspected as part of the respective valuation instruction between February and August 2015. In individual cases, concerning valuation updates, the inspection dates deviate from this period. No fresh inspections were carried out in these cases. The client did, however, confirm that no potentially value influencing structural alterations were made since the last inspection. Please refer to the individual valuation reports for details on the extent of the inspections carried out.

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3 Subject Property

3.1 Portfolio

No.	Valuation report	Date of valuation	Portfolio	Properties	Locations
	ID number	Date		Number	States
1	2017-53-05-Q1	31 March 2017	CONDOR	28	across Germany
2	2017-53-02-Q1	31 March 2017	T-6 Portfolio	6	Schleswig-Holstein, Brandenburg, North Rhine-Westphalia, Baden-Württemberg, Bavaria
3	2017-53-06-Q1	31 March 2017	ALPHA	9	Hamburg, Mecklenburg-West Pomerania, North Rhine-Westphalia, Bavaria
4	2017-53-07-Q1	31 March 2017	ALPINE	6	Berlin, Brandenburg, Saxony, Thuringia, Mecklenburg-West Pomerania, Bremen
5	2017-53-04-Q1	31 March 2017	Kurfürsten-Galerie	1	Hesse
6	2017-53-15-Q1	31 March 2017	Logistikpark Leipzig	1	Saxony
7	2017-53-09-Q1	31 March 2017	Schwerin II	1	Mecklenburg-West Pomerania
8	2017-53-08-Q1	31 March 2017	Worms	1	Rhineland-Palatinate
			Total:	53	

3.2 Units

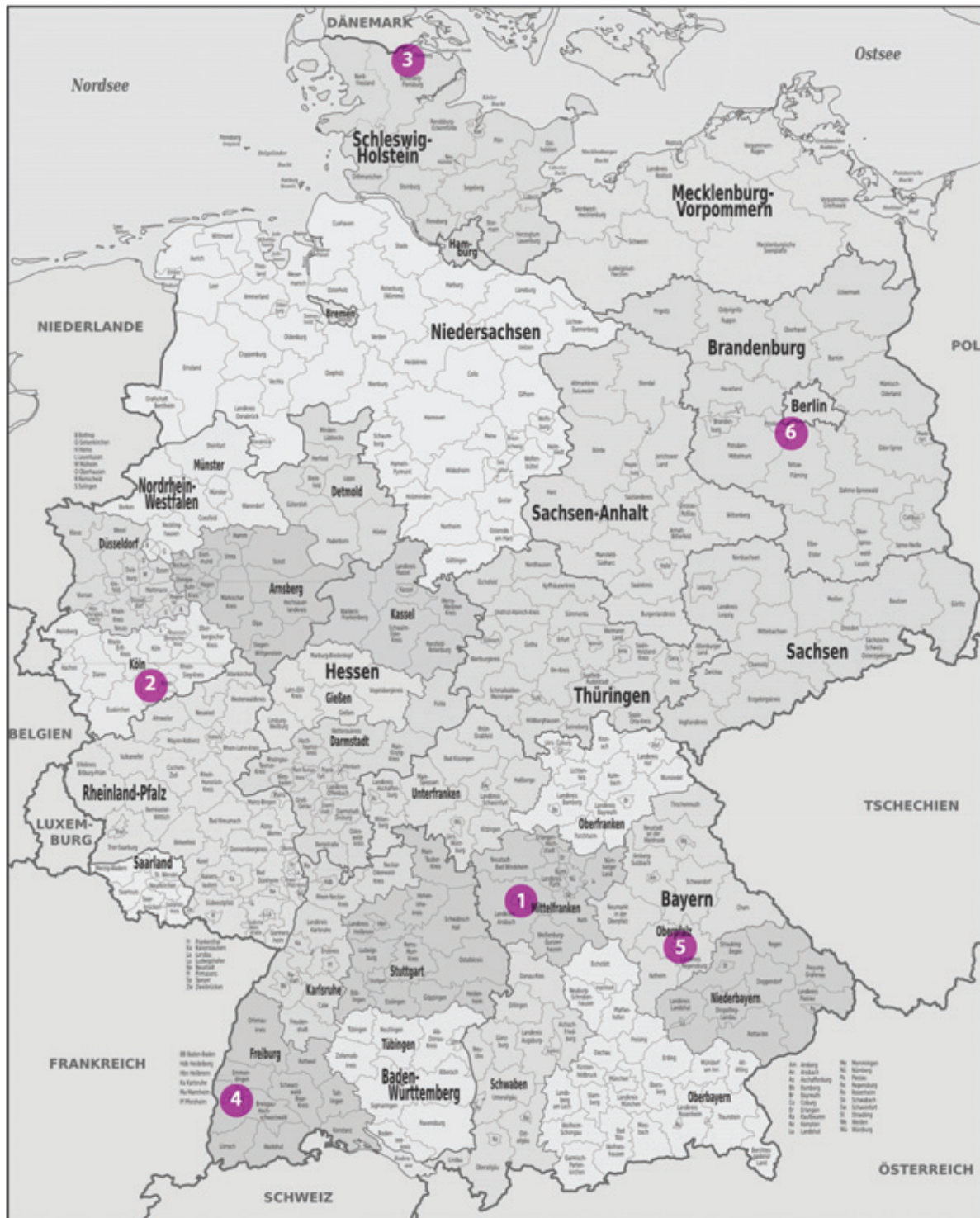
No.	Valuation report	Date of valuation	Portfolio	Number of units				
	ID number	Date		Total	Office / retail	Warehouse / manufacturing	Parking space	Other
1	2017-53-05-Q1	31 March 2017	CONDOR	3,696	337	143	3,157	59
2	2017-53-02-Q1	31 March 2017	T-6 Portfolio	2,177	6		2,171	
3	2017-53-06-Q1	31 March 2017	ALPHA	1,187	57	26	1,085	19
4	2017-53-07-Q1	31 March 2017	ALPINE	851	76	38	728	9
5	2017-53-04-Q1	31 March 2017	Kurfürsten-Galerie	675	47	7	600	21
6	2017-53-15-Q1	31 March 2017	Logistikpark Leipzig	473	45	49	367	12
7	2017-53-09-Q1	31 March 2017	Schwerin II	2	2			
8	2017-53-08-Q1	31 March 2017	Worms	47	4		43	
			Total:	9,108	574	263	8,151	120

3.3 Locations

For an overview of the 53 property locations (4 portfolios and 4 individual properties) see the below maps. The CONDOR portfolio is illustrated in two separate maps for the purpose of convenience.

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T-6 Portfolio



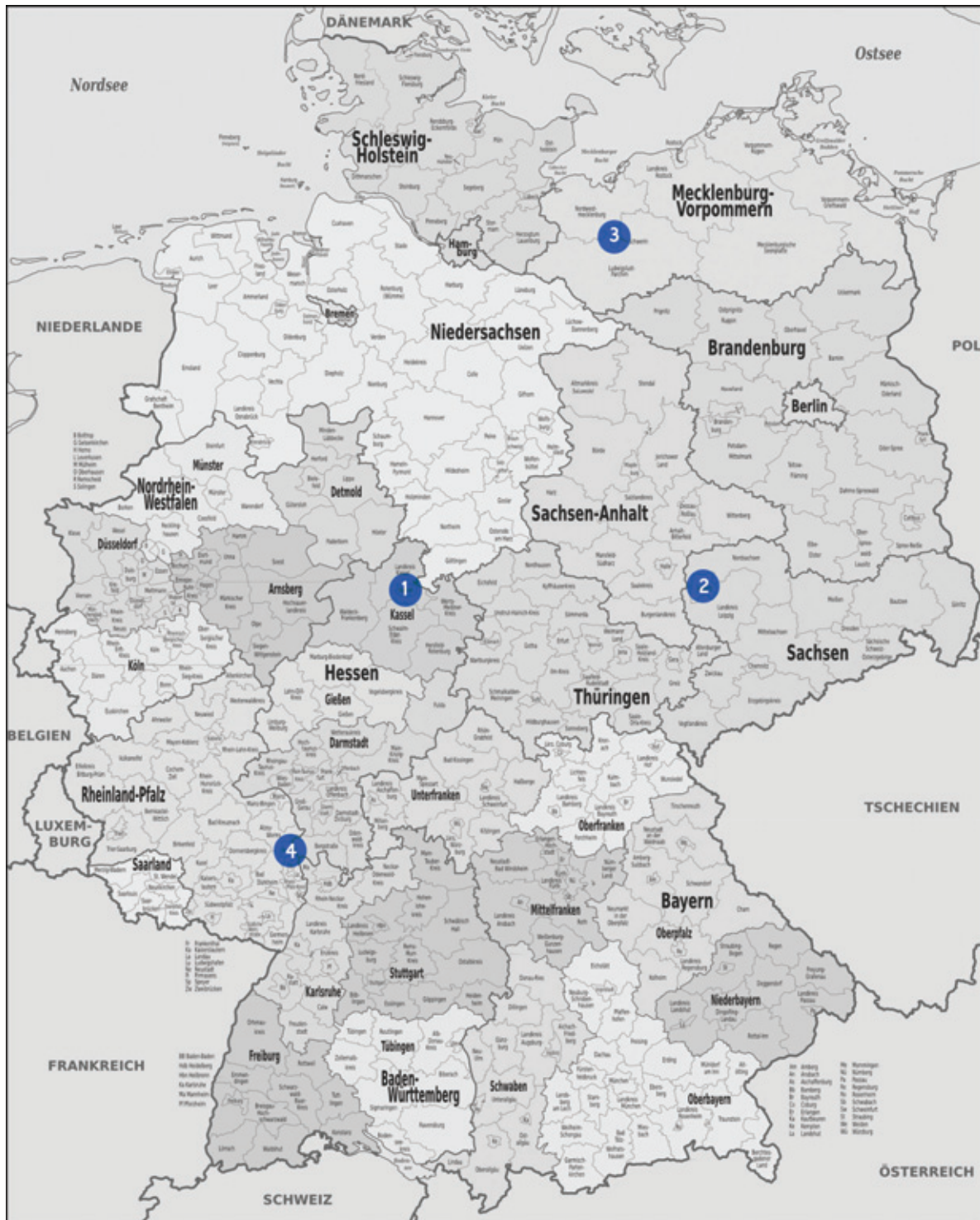
Winters & Hirsch

ALPINE



Winters & Hirsch

Kassel, Leipzig, Schwerin and Worms



Winters & Hirsch

CONDOR – overview of individual properties				
No.	State	Location	Address	Portfolio part
01	Bremen	Bremen	Flughafenallee 3 / OLS 19	CONDOR
02	Bremen	Bremen	Otto-Lilienthal-Str. 25	CONDOR
03	Bremen	Bremen	Otto-Lilienthal-Str. 27	CONDOR
04	Bremen	Bremen	Otto-Lilienthal-Str. 29	CONDOR
05	Bremen	Bremen	Otto-Lilienthal-Str. 16 a	CONDOR
06	Bremen	Bremen	Otto-Lilienthal-Str. 18	CONDOR
07	Bremen	Bremen	Otto-Lilienthal-Str. 22	CONDOR
08	Bremen	Bremen	Hermann-Köhl-Str. 1 a	CONDOR
09	Baden-Württemberg	Leonberg	Neue Ramtelstr. 4 / Nord	CONDOR
10	Baden-Württemberg	Ludwigsburg	Uhlandstr. 21	CONDOR
11	Bavaria	Bayreuth	Nürnberger Str. 38	CONDOR
12	Hessen	Bad Hersfeld	Erfurter Str. 5	CONDOR
13	Rhineland-Palatinate	Bad Kreuznach	Brückes 2-8	CONDOR
14	Bavaria	Bayreuth	Karl-Marx-Str. 7 B	CONDOR
15	Bremen	Bremen	Große Johannisstr. 146,148	CONDOR
16	North Rhine-Westphalia	Dortmund	Aldinghofer Str. 13	CONDOR
17	Lower Saxony	Garbsen	Osterwalder Str. 65	CONDOR
18	Lower Saxony	Goslar	Rosentorstr. 15	CONDOR
19	Rhineland-Palatinate	Koblenz	Emser Str. 10	CONDOR
20	Hessen	Lohfelden	Am Fieseler Werk 23	CONDOR
21	Hessen	Eschborn	Frankfurter Str. 29 - 35	CONDOR
22	Hessen	Darmstadt	Eschollbrücker Str. 12	CONDOR
23	Bavaria	Kempten	Alpenstraße, Bahnhofstraße, Hirschstraße	CONDOR
24	Baden-Württemberg	Ulm	Zeitblomstraße, Olgastraße, Bahnhofplatz	CONDOR
25	North Rhine-Westphalia	Düsseldorf	Wiesenstraße	CONDOR
26	Rhineland-Palatinate	Rendsburg	Jungfernstieg 15	CONDOR
27	Bavaria	Bad Oeynhausen	Dr.-Neuhäuser-Str. 4	CONDOR
28	Bavaria	Lichtenfels	Bamberger Str. 20	CONDOR

T- 6- overview of individual properties				
No.	State	Location	Address	Portfolio part
01	Bavaria	Ansbach	Bayreuther Str. 111 / Rettistr. 56	T-6
02	North Rhine-Westphalia	Bonn	Bonner Talweg 100 / Reuterstraße	T-6
03	Schleswig-Holstein	Flensburg	Eckernförder Landstr. 65	T-6
04	Baden-Württemberg	Freiburg	Berliner Allee 1	T-6
05	Bavaria	Regensburg	Bajuwarenstr. 4	T-6
06	Brandenburg	Stahnsdorf	Güterfelder Damm 87-91	T-6

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ALPHA - overview of individual properties				
No.	State	Location	Address	Portfolio part
01	Hamburg	Hamburg	Kandinskyallee 14-18	ALPHA
02	North Rhine-Westphalia	Cologne	Colonia-Allee 11	ALPHA
03	North Rhine-Westphalia	Cologne	Colonia-Allee 13-15	ALPHA
04	North Rhine-Westphalia	Leverkusen	Goetheplatz 1-4	ALPHA
05	North Rhine-Westphalia	Meckenheim	Auf dem Steinbüchel 20	ALPHA
06	Mecklenburg-West Pomerania	Wismar	Hinter dem Rathaus 13-15	ALPHA
07	North Rhine-Westphalia	Wuppertal	Werth 54	ALPHA
08	Mecklenburg-West Pomerania	Schwerin	Am Margaretenhof 18-20	ALPHA
09	Bavaria	Unterschleißheim	Ohmstr. 1	ALPHA

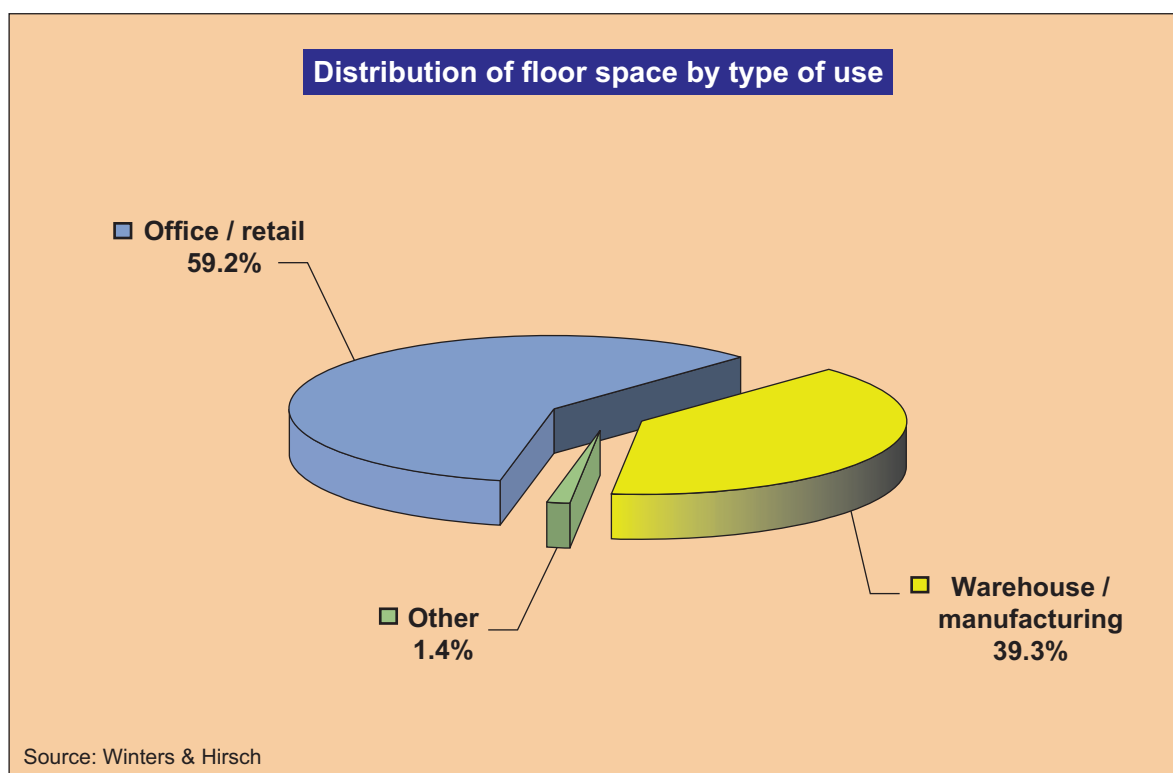
ALPINE - overview of individual properties				
No.	State	Location	Address	Portfolio part
01	Thuringia	Apolda	Leutloffstr. 44	ALPINE
02	Saxony	Wurzen	Marienstr. 3	ALPINE
03	Mecklenburg-West Pomerania	Stralsund	Tribseer Damm 76	ALPINE
04	Bremen	Bremen	Walter-Geerdes-Str. 10-12	ALPINE
05	Brandenburg	Herzberg	Uebigauer Str. 1	ALPINE
06	Berlin	Berlin	Jan-Petersen-Str. 14-18	ALPINE

4 individual properties - overview				
No.	State	Location	Address	Portfolio part
01	Hessen	Kassel	Kölnische Str. 6 /Mauerstr. 11 /Spohrstr. 2, 4	n/a
02	Saxony	Leipzig	Am alten Flughafen 1	n/a
03	Mecklenburg-West Pomerania	Schwerin	Am Margaretenhof 22-24	n/a
04	Rhineland-Palatinate	Worms	Liebenauer Str. 15-21 / Burkhardstr. 31	n/a

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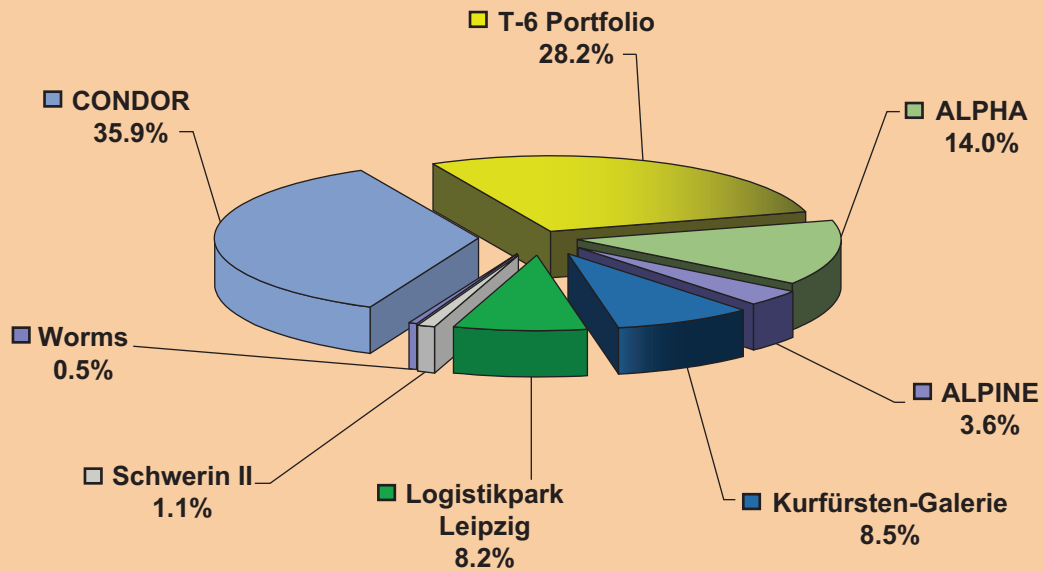
3.4 Rental space / vacancy

No.	Portfolio	Rental area in sqm				Vacancy	
		Total	Office / retail	Warehouse / manufacturing	Other	in sqm	Share
1	CONDOR	206,557	151,505	52,709	2,343	19,681	9.5%
2	T-6 Portfolio	143,788	143,788			0	0.0%
3	ALPHA	61,386	53,650	7,142	594	8,391	13.7%
4	ALPINE	36,396	14,191	21,710	495	7,842	21.5%
5	Kurfürsten-Galerie	21,499	19,913	414	1,172	1,619	7.5%
6	Logistikpark Leipzig	217,611	20,761	191,402	5,448	74,730	34.3%
7	Schwerin II	5,567	5,567			0	0.0%
8	Worms	2,212	2,212			0	0.0%
Total:		695,016	411,587	273,376	10,052	112,262	16.2%



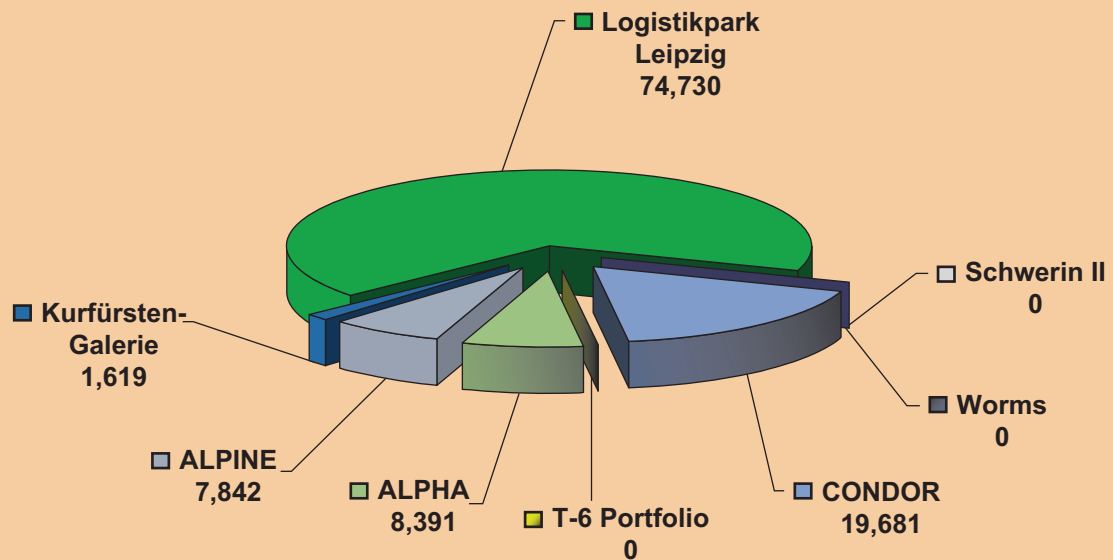
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Share of floor space on overall portfolio



Source: Winters & Hirsch

Vacant floor space in sqm



Source: Winters & Hirsch

4 Valuation Methods

4.1 Choice of Valuation Method

The market value is to be determined using the comparative method, income method or tangible asset method, or a combination of these methods. The methods used are to be chosen according to the type of property under valuation, in consideration of common practice with arm's-length transactions, the specific features of the individual property as well as available data. The choice of method(s) is to be justified.

In this instance, due to a lack of data on recent comparable sales, the comparative method is not suitable for the bigger part of the portfolio. The market valuation has, therefore, been carried out using the standard income method in line with ImmoWertV as well as the DCF method which is based on the Subject Property's future cash flow.

4.2 Land Valuation

The comparative method is generally the method of choice for the valuation of land. Suitable standard ground values may also be used. Standard ground values are deemed suitable if the features of the reference property can be sufficiently compared with the property under valuation. Existing structures on a plot situated in an Undesignated Outlying Area [Außenbereich] under sect. 35 German Building Code [Baugesetzbuch] are to be taken into account in the land valuation if they continue to be legally and economically useful.

If structures are expected to be demolished in the near future, the land value is to be reduced by the usual site clearing costs so far as relevant for arm's-length transactions. Site clearance to be taking place in the near future can be expected if

1. the structures are no longer useful, or
2. the non-discounted land value, excluding site clearance costs, equals or exceeds the income value determined by means of the income method.

A significant deviation of actual use from permissible use, in particular such as a substantial restriction of usability due to existing structures on a plot, is to be taken into account in land valuations relating to arm's-length transactions.

In Germany, the land value is usually determined based on the standard ground value (indirect comparative method). The local boards of expert valuers publish annual standard ground values based on market conditions (sales prices) of recent years. These standard ground values are checked for plausibility by the valuer, and are adjusted depending on specific location, type and extent of permissible use, site development as well as further circumstances relevant to the value of the property under valuation.

Any deviations arising from the specific circumstances of the respective property under valuation are to be expertly determined. Furthermore, the boards of expert valuers provide index series concerning general price changes on the real estate market. Conversion coefficients for deviations of certain value-impacting features are published on a regular basis. Index series and conversion coefficients are also based on sales prices.

4.3 Income Valuation

Standard income method

With valuations concerning arm's-length transactions, the market value of an income-earning property is determined using the income method in cases where the comparative method is not appropriate. The income is determined based on market rent so far as the property's income is apparently subject to significant changes in the foreseeable future, or where the income deviates significantly from market rates.

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The following scenarios may apply:

1) The income value, based on market rent, is determined

a) based on the determined land value and the net income which is reduced by the appropriate property yield (land value) and then capitalised. The property yield (land value) is to be based on the appropriate property yield applicable for capitalisation (standard income method).

b) based on the capitalised net income and determined land value which, except for the value of self-containing useful areas, is to be discounted to the date of valuation (simplified income method);

2) With the income method based on periodically varying income, the income value is determined using periodically achievable income derived from confirmed data within a forecast period and the land residual value at the end of the forecast period. The periodical net income and the land residual value are to be discounted to the date of valuation.

The net income results from the annual gross income less operating cost. The gross income is derived from income at market rates, normal operation and permissible use provided. Using the income method based on periodically varying income, the gross income depends mainly on the contractual provisions. Operating cost cover annual expenditure incurred through regular maintenance and permissible use of the Subject Property that are not allocated to tenants or covered otherwise. The capitalisation and discounting is to be based on cash value factors. The respective cash value factor is to be determined in consideration of remaining useful life and respective property yield.

5 Valuation Parameters

5.1 Rental Income

No.	Valuation report	Portfolio	Gross current income	Gross market rent
	ID number		EUR p.a.	EUR p.a.
1	2017-53-05-Q1	CONDOR	16,991,589	19,280,049
2	2017-53-02-Q1	T-6 Portfolio	15,061,996	14,316,456
3	2017-53-06-Q1	ALPHA	6,068,259	6,756,873
4	2017-53-07-Q1	ALPINE	2,082,093	2,365,613
5	2017-53-04-Q1	Kurfürsten-Galerie	3,616,014	4,095,015
6	2017-53-15-Q1	Logistikpark Leipzig	3,771,896	6,884,801
7	2017-53-09-Q1	Schwerin II	504,593	551,172
8	2017-53-08-Q1	Worms	253,170	243,175
		Total:	48,349,610	54,493,152

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5.2 Outgoings

No.	Valuation report	Portfolio	Operating costs		CAPEX
	ID number		in EUR p.a.	in %	in EUR
1	2017-53-05-Q1	CONDOR	2,642,670	13.71%	7,711,100
2	2017-53-02-Q1	T-6 Portfolio	1,722,027	12.03%	
3	2017-53-06-Q1	ALPHA	983,625	14.56%	305,000
4	2017-53-07-Q1	ALPINE	624,987	26.42%	267,000
5	2017-53-04-Q1	Kurfürsten-Galerie	442,632	10.81%	287,000
6	2017-53-15-Q1	Logistikpark Leipzig	1,538,271	22.34%	5,300,000
7	2017-53-09-Q1	Schwerin II	74,770	13.57%	
8	2017-53-08-Q1	Worms	29,404	12.09%	
		Total:	8,058,385	14.79%	13,870,100

5.3 Land Values

No.	Valuation report	Portfolio	Size of plot	Land value
	ID number		in sqm	in EUR
1	2017-53-05-Q1	CONDOR	167,760	36,940,000
2	2017-53-02-Q1	T-6 Portfolio	209,090	45,460,000
3	2017-53-06-Q1	ALPHA	59,481	15,970,000
4	2017-53-07-Q1	ALPINE	54,306	5,100,000
5	2017-53-04-Q1	Kurfürsten-Galerie	8,697	6,090,000
6	2017-53-15-Q1	Logistikpark Leipzig	275,579	16,900,000
7	2017-53-09-Q1	Schwerin II	15,737	250,000
8	2017-53-08-Q1	Worms	1,440	330,000
		Total:	792,090	127,040,000

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5.4 Market Values

No.	Valuation report	Portfolio	MARKET VALUE	Price per sqm	Factor	Factor
	ID number		in EUR	in EUR	CURRENT	TARGET
1	2017-53-05-Q1	CONDOR	241,660,000	1,170	14.2	12.5
2	2017-53-02-Q1	T-6 Portfolio	189,680,000	1,319	12.6	13.2
3	2017-53-06-Q1	ALPHA	94,350,000	1,537	15.5	14.0
4	2017-53-07-Q1	ALPINE	24,020,000	660	11.5	10.2
5	2017-53-04-Q1	Kurfürsten-Galerie	57,490,000	2,674	15.9	14.0
6	2017-53-15-Q1	Logistikpark Leipzig	55,170,000	254	14.6	8.0
7	2017-53-09-Q1	Schwerin II	7,070,000	1,270	14.0	12.8
8	2017-53-08-Q1	Worms	3,280,000	1,483	13.0	13.5
		Total:	672,720,000	968	13.9	12.3

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6 Summary of Determined Values

The Market Value (Fair Value) of the portfolio, based on 53 individual income valuations, has been determined as follows:

Valuation results			
Portfolios / individual properties		Land Value	Market Value
CONDOR:	total 28 individual properties	36,940,000 EUR	241,660,000 EUR
T-6 Portfolio:	total 6 individual properties	45,460,000 EUR	189,680,000 EUR
ALPHA:	total 9 individual properties	15,970,000 EUR	94,350,000 EUR
ALPINE:	total 6 individual properties	5,100,000 EUR	24,020,000 EUR
Kurfürsten-Galerie:	total 1 individual property	6,090,000 EUR	57,490,000 EUR
Logistikpark Leipzig:	total 1 individual property	16,900,000 EUR	55,170,000 EUR
Schwerin II:	total 1 individual property	250,000 EUR	7,070,000 EUR
Worms:	total 1 individual property	330,000 EUR	3,280,000 EUR
TOTAL:	53 individual properties	127,040,000 EUR	672,720,000 EUR
MARKET VALUE / FAIR VALUE			672,720,000 EUR

The total combined Market Value = Fair Value of the 53 individual properties

as at the date of valuation 31 March 2017

amounts to

approx. 672,720,000 EUR

(in words: Six Hundred And Seventy Two Million Seven Hundred And Twenty Thousand euros)

7 Concluding Remarks

The present valuation has been carried out according to the provisions agreed between the client and Winters & Hirsch Real Estate Advisory GmbH & Co. KG and specified under heading 1.2 Scope of Instruction, and is based on the documents for the Subject Property received.

It was agreed, inter alia, that

1. the valuation is carried out according to sect. 194 Federal Building Code [BauGB] in connection with German Regulation on the Valuation of Real Estate [ImmoWertV] and German Administrative Valuation Directive [WertR];
2. the valuation is carried out by independent and qualified valuers who are not subject to instructions from third parties, who are obligated to the client with respect to confidentiality and who do not have conflicts of interest with respect to the client, owner, vendor, purchaser or any other persons or enterprises taking an economic interest in the valuation.

The undersigned Managing Director of Winters & Hirsch hereby confirms that the agreed provisions were met in the preparation of the Valuation Report, and that the valuation was carried out by qualified valuers with integrity and in good faith.

This Summary is intended solely for the client and the stated purpose of inclusion in a prospectus as part of an offer document. If any data or assumptions underlying the valuation are subsequently proved to be incorrect or incomplete, we reserve the right to amend the valuation accordingly.

Berlin, 29. June 2017



Philipp C. Tabert
Managing Director
Winters & Hirsch
Real Estate Advisory GmbH & Co. KG

VALUATION REPORT

in the form of a condensed valuation report (“Valuation Report”) of the determination of Fair Value carried out by CBRE in accordance with the International Financial Reporting Standards (IFRS), the International Standards for the Valuation of Real Estate for Investment Purposes (“International Valuation Standards”) and the RICS Valuation – Professional Standards (January 2014) (Red Book) of the Royal Institution of Chartered Surveyors, prepared in connection with an offering of Senior Notes due 2022 by Demire Deutsche Mittelstand Real Estate AG. The Valuation Report covers 32 real estate assets held directly and indirectly by **Fair Value REIT AG**, comprised of 110,380 sq m retail space, 85,272 sq m office/surgery space, 27,563 sq m storage/other space, 19,609 sq m hotel space, 5,690 sq m production space and 2,570 sq m residential space together with 5,752 miscellaneous rental units (parking spaces, antennas, technique, other) and a 3,520 sq m undeveloped site.

Date of Valuation: 31 March 2017

Date of Valuation Report: 28 June 2017

Valuer:

CBRE

CBRE GmbH

Bockenheimer Landstrasse 24

60323 Frankfurt

Germany

“CBRE”

Addressees:

DEMIRE Deutsche Mittelstand Real Estate AG,
Robert-Bosch-Straße 11, 63225 Langen, Germany

(the “Company”)

and

Deutsche Bank and Morgan Stanley

(in their capacity as Global Coordinator and Joint
Bookrunner)

CBRE is a “Gesellschaft mit beschränkter Haftung” (limited liability company), registered under commercial law in Germany under the company registration number 13347. The German company CBRE GmbH was established on April 3, 1973 and has its registered office at Bockenheimer Landstraße 24, 60323 Frankfurt/Main, Germany.

CBRE is not a company that is regulated by any regulatory authority; however in its valuation department it employs amongst others members of the Royal Institution of Chartered Surveyors (RICS) and valuers certified by HypZert GmbH.

SUMMARY OF THE VALUATION

Upon the assumption that there are no onerous restrictions or unusual outgoings of which we have no knowledge and the specific comments and assumptions which are set out in this valuation statement, we are of the opinion that the aggregate of the individual Fair Values (net) of the freehold/condominium interests in the subject properties, rounded at asset level, as at 31 March 2017, is:

289,250,000 EUR

(Two hundred and eighty-nine million, two hundred and fifty thousand euros)

The unrounded net capital value is 289,216,326 EUR. The unrounded gross capital value is 309,154,308 EUR including 19,937,982 EUR purchaser's costs (average 6.45%).

The assessment of Fair Values was carried out at asset level. The aggregates of the individual Fair Values presented here take account of the marketing period and the transaction costs of the individual assets and do not reflect any discounts or premiums on the sales of the whole portfolio or if part of the portfolio were to be marketed simultaneously or in lots.

For the avoidance of doubt, we have valued the assets as real estate and the values reported herein represent 100% of the fair values of the assets. No account has been taken in reporting these fair values of the extent of Fair Value REIT AG's interests in the companies holding the subject assets.

The following tables show the fair value by properties directly held by Fair Value REIT AG and properties held by subsidiaries of Fair Value REIT AG, a split by investment and development properties and an overview of the properties by main use.

Note: The Company is the main tenant of one property, Robert-Bosch-Strasse 11, Langen, occupying 8.9% of the lettable area. This is still regarded as an investment property due to the percentage of space occupied by the Company and as the Company and Fair Value REIT AG are separate entities, despite the Company being the majority shareholder in the latter.

Category	Fair Value (EUR)
Properties directly held by Fair Value REIT AG*	64,620,000
Properties held by subsidiaries of Fair Value REIT AG	224,630,000
Total	289,250,000

* Including the undeveloped site located in Chemnitz

Category	Fair Value (EUR)
31 investment properties	287,560,000
1 development property	1,690,000
Total	289,250,000

Use	Number* of Properties	Lettable Area (sqm)	Vacancy Rate (%)	Current Gross Rental Income (EUR)	WALT
Hotel	1	11,554	0.0	760,557	12.3
Retail	9	116,073	10.7	11,937,449	5.8
Office	9	58,176	7,8	4,853,163	3.0
Mixed-Use building	10	44,700	11,8	3,418,496	5.4
Industrial/Storage/Logistics	2	20,581	0.0	1,109,613	3.8
Plot of land	1	n/a	n/a	n/a	n/a
Total	32	251,083	9.0	22,079,277	5.2

* By main use.

Please refer to Appendix A “Valuation Overview” and Appendix B “Property Data Overview” for further details on an asset basis.

Key Valuation Data*

The following table shows the key valuation data at portfolio level:

Total lettable area:	251,083 sq m
Average Fair Value per sq m lettable area:	1,145 EUR
Current rental income (gross) p.a.:	22,079,277 EUR
Potential rental income (gross) p.a.:	23,973,600 EUR
Market rental income (gross) p.a.:	23,075,777 EUR
Multiplier (based on current rent):	13.0 times
Multiplier (based on potential rent):	12.0 times
Multiplier (based on market rent):	12.5 times
Net initial yield (based on current rent):	6.41%
Net initial yield (based on potential rent):	7.02%
Net initial yield (based on market rent):	6.73%

(See “Valuation Key Definitions” below.)

* Does not include the development property

Our opinion of “Fair Value” is based upon the scope of work and valuation assumptions as detailed below, and has been derived mainly using comparable recent market evidence on arm’s length terms.

For further information on our valuation assumptions please refer to “General Valuation Assumptions” and “Specific Valuation Assumptions & Considerations” of this Valuation Report.

The following table shows the split of the Fair Value by tenure:

Tenure	Number of properties	Fair Value
Freehold	29	285,510,000
Condominium	3	3,740,000

There are no negative values to report.

CONTENTS

BASIS OF VALUATION	30
Report Date	30
Instructing Party	30
Preamble	30
Instructions	31
Purpose of Valuation	31
Addressee	31
Publication	32
Valuation Date	32
Subject Assets	32
Properties directly held by Fair Value REIT AG	32
Properties held by subsidiaries of Fair Value REIT AG	33
Concept of Value	34
Currency	35
Sources of Information	35
Place of Performance and Jurisdiction	36
Assignment of Rights	36
Declaration of Independence	36
ASSET HOLDING	38
The Portfolio	38
Overview Map	39
Tenure	40
Tenancies	40
Portfolio Analysis	40
Fair Value by Holding	41
Fair Value by Location	42
Fair Value per Lettable Area by Location*	43
Fair Value by Size of Town	44
Total Area by Location*	45
Current Gross Rental Income by Location*	46

Total Area by Main Use Type*	47
Current Gross Rental Income by Main Use Type*	47
Remaining Terms of Leases*	48
Weighted Average Lease Terms of the Properties*	49
Vacancy Rate by Location	49
EXPLANATION OF VALUATION	51
Inspection	51
DCF (Discounted Cash Flow)	53
Land Value	54
General Valuation Assumptions	54
Specific Valuation Assumptions & Considerations	59
CONCLUSION OF THE VALUATION	64
Key Valuation Data*	65
Valuation Key Definitions	67

BASIS OF VALUATION

Report Date

28 June 2017

Instructing Party

DEMIRE Deutsche Mittelstand Real Estate AG

Robert-Bosch-Straße 11

63225 Langen

(hereinafter referred to as the “Company”)

Preamble

CBRE has previously valued the properties on behalf of

Fair Value REIT-AG

Würmstraße 13a

82166 Gräfelfing

as follows:

CBRE valued the properties directly held by Fair Value REIT AG and the properties held by subsidiaries of Fair Value REIT AG as at 31 December 2007 for the purposes of accounting and for the initial public offering (IPO).

Properties directly held by Fair Value REIT AG: CBRE valued the properties bi-annually for accounting purposes in 2008. Since 2009 CBRE has valued the properties annually for accounting purposes, most recently as at December 31, 2016. CBRE also valued the properties as at 31 March 2017 for accounting purposes.

Properties held by subsidiaries of Fair Value REIT AG: CBRE valued the properties bi-annually for accounting purposes between 30 June 2008 and 31 December 2010. Since 2010 CBRE has valued the properties annually for accounting purposes, most recently as at December 31, 2016. CBRE also valued the properties as at 31 March 2017 for accounting purposes.

Plot of land held by subsidiaries of Fair Value REIT AG: Since 2014 CBRE has valued the property for accounting purposes, most recently as at December 31, 2016. CBRE also valued the property as at 31 March 2017 for accounting purposes.

In 2015 CBRE has carried out a Fair Value valuation of Fair Value REIT AG's assets for inclusion in a Prospectus issued by Fair Value REIT AG in respect of a public offering and admission of new ordinary bearer shares.

Instructions

CBRE has been appointed by DEMIRE Deutsche Mittelstand Real Estate AG to undertake a Fair Value valuation of Fair Value REIT AG's assets with drive-by or full re-inspections of each property which accounts for 5% or more of the total portfolio Fair Value.

We understand that the assets are held predominantly as investments (with one held for development) and that DEMIRE Deutsche Mittelstand Real Estate AG requires the value of the freehold or condominium interests in the properties, owned by Fair Value REIT AG, for an offering of senior notes.

We confirm that regarding this instruction we are acting solely for DEMIRE Deutsche Mittelstand Real Estate AG and that we have no conflicts of interests in relation to this instruction. DEMIRE Deutsche Mittelstand Real Estate AG and Fair Value REIT AG have both confirmed to us that they do not consider that a conflict of interest exists in respect of this instruction.

This valuation is based on the data provided by Fair Value REIT AG for previous valuations detailed in the preamble and the current data provided by Fair Value REIT AG for the valuation for accounting purposes with the valuation date of 31 March 2017 undertaken for Fair Value REIT AG. For further information please refer to Sources of Information below.

Purpose of Valuation

The Valuation Report will be part of an offering memorandum to be issued by DEMIRE Deutsche Mittelstand Real Estate AG in connection with an offering of senior notes due 2022.

Addressee

The present Valuation Report is addressed to and may be relied upon by:

- DEMIRE Deutsche Mittelstand Real Estate AG, Robert-Bosch-Straße 11, 63225 Langen
- Deutsche Bank and Morgan Stanley

and their respective subsidiaries (the "Addressees") provided that DEMIRE Deutsche Mittelstand Real Estate AG and Deutsche Bank and Morgan Stanley (as applicable) has legally bound such subsidiaries to the terms of our letter of instruction and terms of business dated 14 June 2017 (including, for the avoidance of doubt, the liability cap therein).

Publication

CBRE acknowledges and agrees that the Valuation Report will be published in an unabbreviated form in the offering memorandum and will be referred to in marketing and other materials prepared in the context of the offering of senior notes by the Company. The offering memorandum can be viewed by potential Investors. Apart from that, neither the whole nor any part of our Valuation Report nor any references thereto may be included in any published document, circular statement nor published in any way without our prior written approval of the form and context in which it will appear.

Valuation Date

31 March 2017

Subject Assets

In accordance with the valuation instructions, the subjects of the valuation are the properties directly held by Fair Value REIT AG and the properties held by subsidiaries of Fair Value REIT AG, in total 32 assets with 251,083 sq m lettable area.

Properties directly held by Fair Value REIT AG

No.	Town/City	Postcode	Address
1	Appen	25482	Hauptstrasse 56e/56d
2	Bad Bramstedt	24576	Bleeck 1
3	Bad Segeberg	23795	Oldesloer Strasse 24
4	Barmstedt	25355	Königstrasse 19-21
5	Geschendorf	23815	Dorfstrasse 29
6	Neumünster	24534	Kuhberg 11-19/ Kieler Strasse 1-15
7	Trappenkamp	24610	Am Markt 1
8	Wahlstedt	23812	Markt 1
9	Dresden	01099	Königsbrücker Strasse 121a
10	Neubrandenburg	17033	Friedrich-Engels-Ring 52
11	Potsdam	14480	Großbeerenstrasse 231
12	Langenfeld	40764	Max-Planck-Ring 26/28

No.	Town/City	Postcode	Address
13	Köln	50769	Marconistrasse 4-8
14	Meschede	59872	Zeughausstrasse 13
15	Waltrop	45731	Bahnhofstrasse 20a-e
16	Chemnitz	09111	Hartmannstrasse 1

Properties held by subsidiaries of Fair Value REIT AG

No.	Town/City	Postcode	Address
1	Dresden	01187	Nossener Brücke 8-12
2	Lutherstadt Wittenberg	06886	Lerchenbergstrasse 112/113, Annendorfer Strasse 15/16
3	Chemnitz	09111	Hartmannstrasse 3a-7
4	Chemnitz	09111	Am alten Bad 1-7, Theaterstrasse 34a
5	Chemnitz	09120	Heinrich-Lorenz-Strasse 35
6	Teltow	14513	Rheinstrasse 8
7	Eisenhüttenstadt	15890	Nordpassage 1
8	Rostock	18055	Kröpeliner Strasse 26-28
9	Quickborn	25451	Pascalkehre 15/15a
10	Celle	29221	Vor den Führen 2
11	Genthin	39307	Altmärker Strasse 5
12	Münster	48153	Hammer Strasse 455-459
13	Osnabrück	49084	Hannoversche Strasse 39
14	Langen	63225	Robert-Bosch-Strasse 11
15	Querfurt	06268	Vor dem Nebraer Tor 5
16	Zittau	02763	Hochwaldstrasse 20

Concept of Value

The assessment of Fair Value has been carried out by CBRE in accordance with the guidelines of the International Financial Reporting Standards (IFRS), the International Standards for the Valuation of Real Estate for Investment Purposes (International Valuation Standards), the RICS Valuation – Professional Standards (January 2014) of the Royal Institution of Chartered Surveyors (Red Book).

The assets have been valued to “Fair Value” in accordance with IAS 40 in connection with IFRS 13.9 of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), which is defined as:

“Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.”

“Fair Value”, for the purpose of financial reporting under International Financial Reporting Standards is effectively the same as “Market Value” (Red Book - VPS 4.1.2), which is defined as:

“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion.”

We have valued the assets individually and no account has been taken of any discounts or premiums that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

For the avoidance of doubt, we have valued the Properties as real estate and the values reported herein represent 100% of the market values of the assets. No account has been taken in reporting these fair values of the extent of Fair Value REIT AG’s interests in the companies holding the subject Properties.

We confirm that we have sufficient current local and national knowledge of the particular asset market involved and have the skills and understanding to undertake the valuation competently.

The assets have been valued by valuers who are qualified for the purpose of the valuation in accordance with the RICS Valuation – Professional Standards (January 2014). Where the knowledge and skill requirements of the Red Book have been met in aggregate by more than one valuer within CBRE, we confirm that a list of those valuers has been retained within the working papers, together with confirmation that each named valuer complies with the requirements of the Red Book.

Note:

The valuation represents the figures that would appear in a hypothetical contract of sale at the valuation date. No allowances have been made for any expenses of realization nor for taxation which might arise in the event of a disposal. Our valuations are net of purchasers' statutory and other normal acquisition costs. No account has been taken of any inter-company leases¹ or arrangements, nor of any mortgages, debentures or other charge. No account has been taken of the availability or otherwise of capital-based Government or European Community grants. All rents and capital values stated in this report are exclusive of VAT.

The values stated in this report represent our objective opinion of Fair Value in accordance with the definition set out above as at the valuation date. Amongst other things, this assumes that the assets had been properly marketed and that exchange of contracts took place on this date.

Currency

The reporting currency is Euros.

Sources of Information

We have carried out our work based upon information supplied to us by Fair Value REIT AG and their asset managers, which we have assumed to be correct and comprehensive.

The valuation is based on the data provided by Fair Value REIT AG for previous valuations mentioned in the preamble and the current data provided by Fair Value REIT AG for the valuation as at 31 March 2017. The documents provided were checked for plausibility.

This valuation has been substantially and mainly based upon the information supplied to us by Fair Value REIT AG as follows:

- Tenancy schedule as at 01 April 2017 for properties held by subsidiaries of Fair Value REIT AG
- Tenancy schedule as at 31 March 2017 for properties directly held by Fair Value REIT AG
- Individual leases of new signed lease contracts
- Estimations regarding maintenance backlog (Capex) as at 31 December 2016

¹ As noted above, the tenancy of the Company in the property Robert-Bosch-Strasse 11, Langen, is not considered to be an inter-company lease.

We have not been provided with non-recoverable costs for the properties. However, Fair Value REIT AG has confirmed that our valuation assumptions are in line with the actual non-recoverable costs.

Furthermore, we have not been provided with any current extracts from the land register, the register of public land charges or the register of contaminated sites, nor any recent environmental or technical due diligence reports. Fair Value REIT AG has confirmed to us that there have been no changes compared to the last valuation.

Place of Performance and Jurisdiction

German law applies. The place of performance and jurisdiction is Frankfurt am Main.

Assignment of Rights

The addressees of the agreement, based upon which this report has been prepared, shall not be entitled to assign their rights under the agreement – in total or in part – to any third party or parties, unless it was explicitly specified otherwise in the agreement.

Declaration of Independence

We hereby confirm that to the best of our knowledge and belief CBRE has carried out the assessment of Fair Value in its capacity as an external valuer. We further confirm that CBRE is not aware of any actual or potential conflict of interest that might have influenced its independent status. This declaration also includes all other departments of CBRE GmbH, including the Investment and Agency Departments.

We hereby confirm that no other CBRE department has been involved in the last three years with either the properties directly held by Fair Value REIT AG or the properties held by subsidiaries of Fair Value REIT AG.

The total fees, including the fee for this assignment, earned by CBRE GmbH from DEMIRE Deutsche Mittelstand Real Estate AG and Fair Value REIT AG are less than 2.5% of the total German revenues earned by CBRE GmbH in 2017. It is not anticipated that this situation will change in the financial year to December 31, 2017. We confirm that we do not have any material interest in the Company, in Fair Value REIT AG or in the assets.

Yours faithfully



ppa. Sebastian Gerhardt

MRICS

RICS Registered Valuer

Director

Team Leader - Valuation Advisory Services

Germany

For and on behalf of

CBRE GmbH

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E: sebastian.gerhardt@cbre.com

Yours faithfully



Simon Ritsch

FRICS, CIS HYPZERT (F)

RICS Registered Valuer

Managing Director

Head of Valuation Advisory Services

Germany

For and on behalf of

CBRE GmbH

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ASSET HOLDING

The Portfolio

- 32 properties in Germany:
 - 19 mixed use buildings
 - 4 retail warehouse centres
 - 2 shopping centres
 - 1 retail warehouse
 - 1 local shopping centre
 - 1 DIY centre
 - 1 hotel
 - 1 warehouse
 - 1 production building
 - 1 plot of land
- Total lettable area: 251,083 sq m
- Current gross annual rental income: 22,079,277 EUR
- The buildings were constructed between 1911 and 1998.
- Vacancy Rate: approximately 9.0% (approximately 22,605 sq m).

Overview Map



Tenure

The properties are freehold-equivalent, except Waltrop, Appen and Bad Bramstedt which are held on condominium title.

The following tables show the distribution of the properties which are not freehold - equivalent:

Condominium

Town/City	Postcode	Address	Tenure
Waltrop	45731	Bahnhofstrasse 20a-e	condominium
Appen	25482	Hauptstrasse 56e/56d	condominium
Bad Bramstedt	24576	Bleeck 1	condominium

Please see Appendix B “Property Data Overview” for further details on a property level.

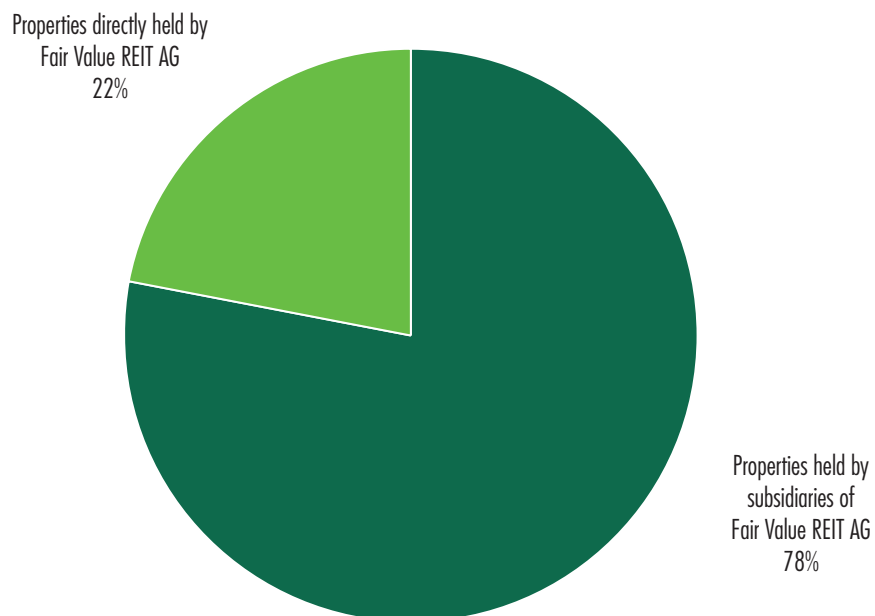
Tenancies

- The subject portfolio comprises 32 mixed use and commercial properties, comprising single-tenant and multi let properties and a plot of land.
- Most leases are medium-term. The remaining terms range between 0.6 and 12.3 years. The average remaining lease term is 5.2 years.
- The leases mainly include typical market conditions on maintenance, repair and decorative repairs. Most of the commercial leases have adequate indexation clauses, linking the rent to percentage changes in the consumer price index. The tenants are mainly responsible for all metered ancillary costs, e.g. for heating, water, electricity etc. and the costs of refuse disposal, street sweeping, care of exterior facilities, maintenance of landscaped areas and snow and ice removal.

Portfolio Analysis

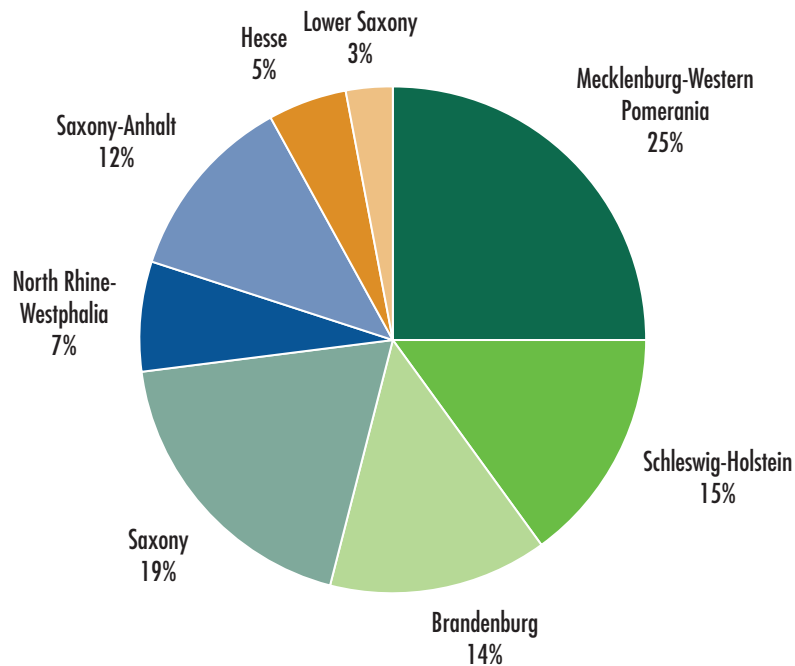
Unless not otherwise stated the following portfolio analysis relates to the 32 investment properties including the development property in Chemnitz.

Fair Value by Holding



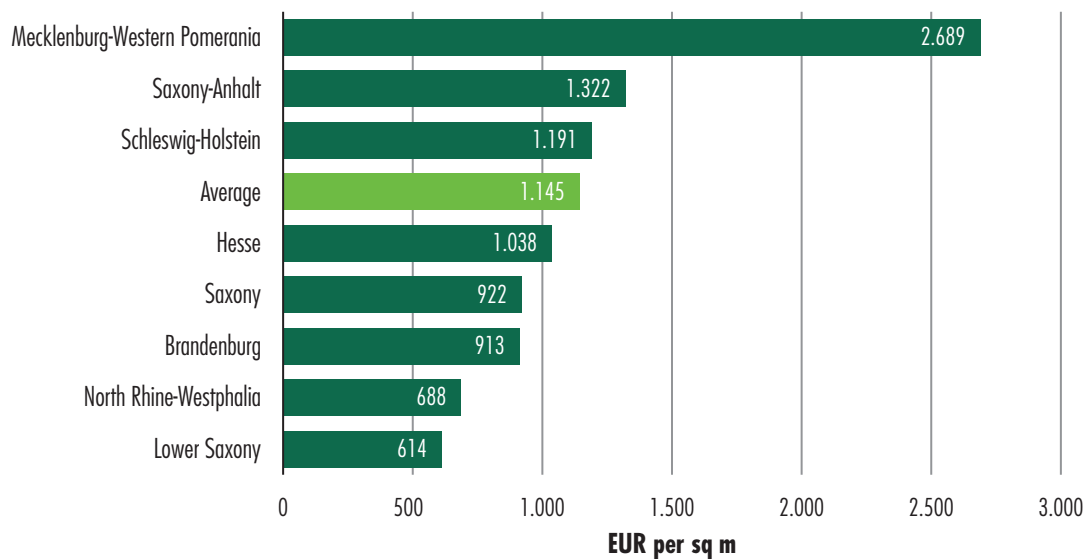
The subject portfolio comprises properties directly held by Fair Value REIT AG and properties held by subsidiaries of Fair Value REIT AG. The properties held by subsidiaries of Fair Value REIT AG account for 224,630,000 EUR, which corresponds to 78% of the total fair value of the entire portfolio, while the properties directly held by Fair Value REIT AG account for 64,620,000 EUR, which corresponds to 22%.

Fair Value by Location



In terms of fair value by location, the federal state of Mecklenburg-Western Pomerania accounts for the highest share (25%) in the portfolio. This basically results from the property Galerie Rostocker Hof in Rostock which alone accounts for around 22% of total fair value and the property in Neubrandenburg. The state of Saxony accounts for the second highest share (19%) of the total fair value including the refurbished retail warehouse centre in Zittau and the hotel in Dresden. The federal states of Schleswig Holstein and Brandenburg account with 15% and 14% respectively for the third and fourth highest shares in the portfolio. The share of Schleswig-Holstein is a result of the properties directly held by Fair Value REIT AG being entirely located in the state, together with the property in Quickborn, while the share of the federal state of Brandenburg is made up by three properties only including the retail warehouse centre in Eisenhüttenstadt which represents a share of around 9% of total fair value and the office building in Potsdam. Together these four states account for almost three-quarters of the total fair value of the portfolio. The federal states of Hesse (5%) and Lower Saxony (3%) contribute the lowest fair value by location.

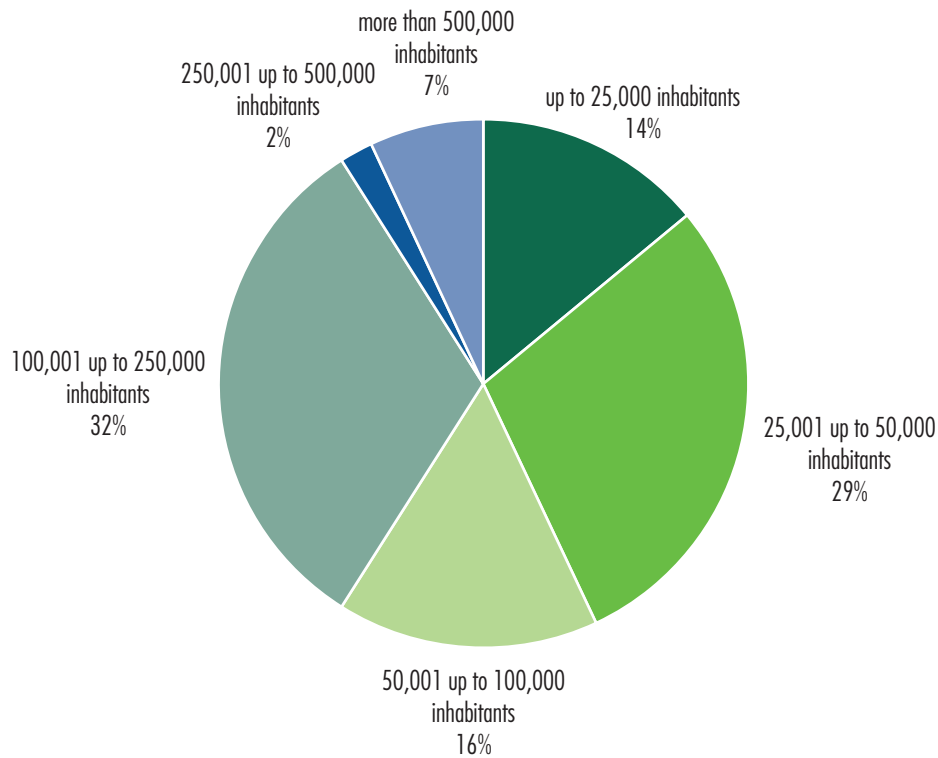
Fair Value per Lettable Area by Location*



The average fair value per sq m lettable area of the portfolio is around 1,145 EUR. The highest fair value per sq m lettable area is being achieved in the federal state of Mecklenburg-Western Pomerania, also mainly due to the property Galerie Rostocker Hof in Rostock with a fair value of around 3,362 EUR per sq m lettable area. The lowest fair value per sq m lettable area is in the federal state Lower Saxony (614 EUR).

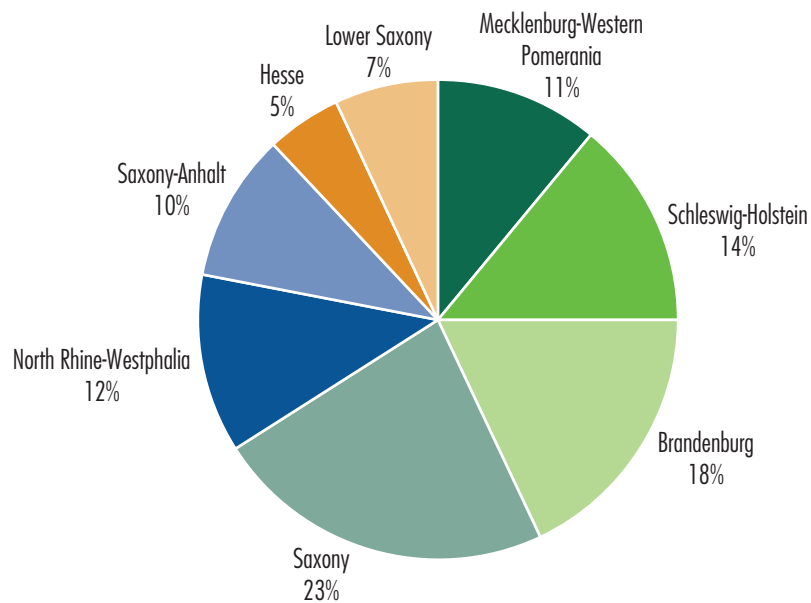
*Does not include the development property in Chemnitz

Fair Value by Size of Town



Considering the size of the town, the largest share of fair value or 32% is located in towns with 100,001 to 250,000 inhabitants including the towns of Chemnitz, Krefeld, Osnabrück, Potsdam and Rostock (6 properties and 1 plot of land). More than half of total fair value (59%) is allocated in towns with up to 100,000 inhabitants. In contrast, the share of towns with more than 250,000 inhabitants amounts to 9%.

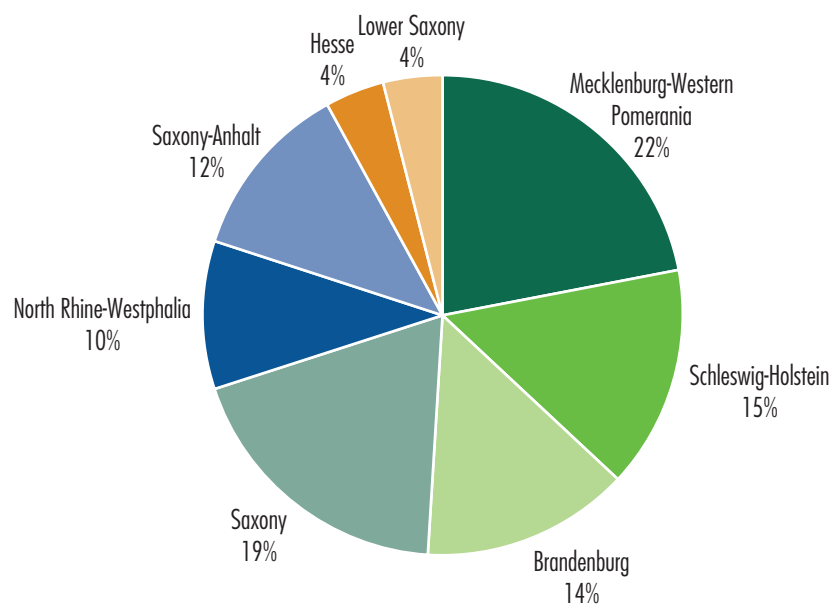
Total Area by Location*



In terms of total lettable area, the distribution by federal state can be assessed as more balanced than the distribution by location and size of town. None of the federal states represents less than 5% and only the state of Saxony (23%) represents more than 20% of the total lettable area followed by the federal states of Brandenburg (18%), Schleswig-Holstein (14%), North Rhine-Westphalia (12%) and Mecklenburg-Western Pomerania (11%).

*Does not include the development property in Chemnitz

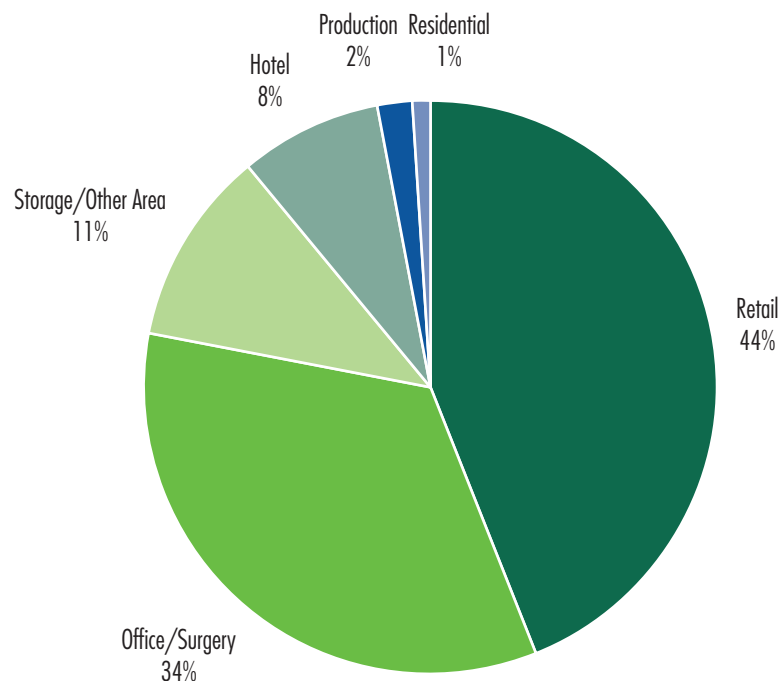
Current Gross Rental Income by Location*



The distribution of the current gross rental income by location shows a similar pattern to the distribution of the total lettable area by location. An exception is the federal state of Mecklenburg-Western Pomerania, which has a share of 22% of current gross rental income compared to only 11% of total lettable area. This is mainly attributable to the property Galerie Rostocker Hof in Rostock which has the highest share of total fair value and fair value per lettable area of the portfolio.

*Does not include the development property in Chemnitz

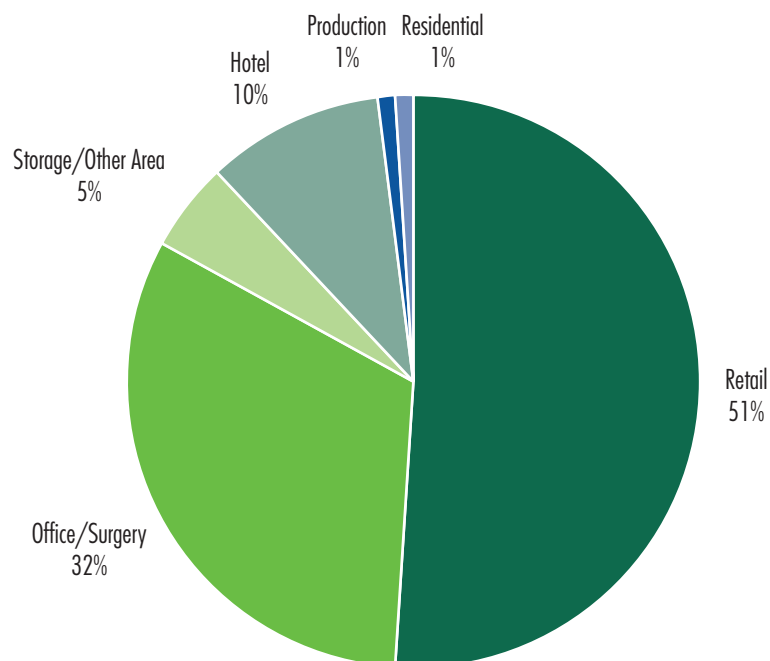
Total Area by Main Use Type*



Considering the total lettable area by main type of use, retail dominates (around 44%), followed by office/surgery and storage/other uses.

*Does not include the development property in Chemnitz

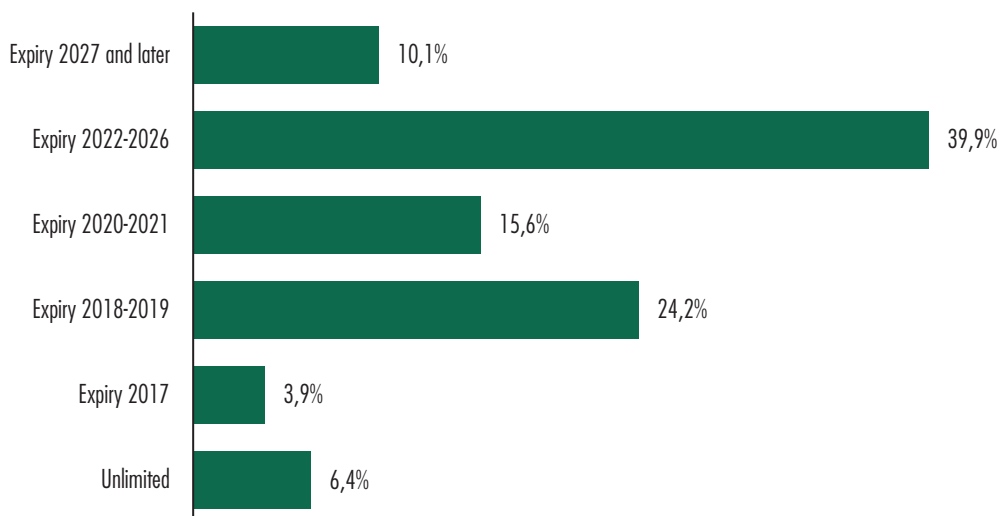
Current Gross Rental Income by Main Use Type*



The distribution of the current gross rental income by main type of use shows that retail contributes an above-average share of current gross rental income. Retail tenants account for a share of 51% of current gross rental income compared to 44% of total lettable area. Hotel use also has an above average share of current gross rental income compared to the total area, while office/surgery, storage/other areas and production show below average figures.

*This analysis does not include units and parking spaces

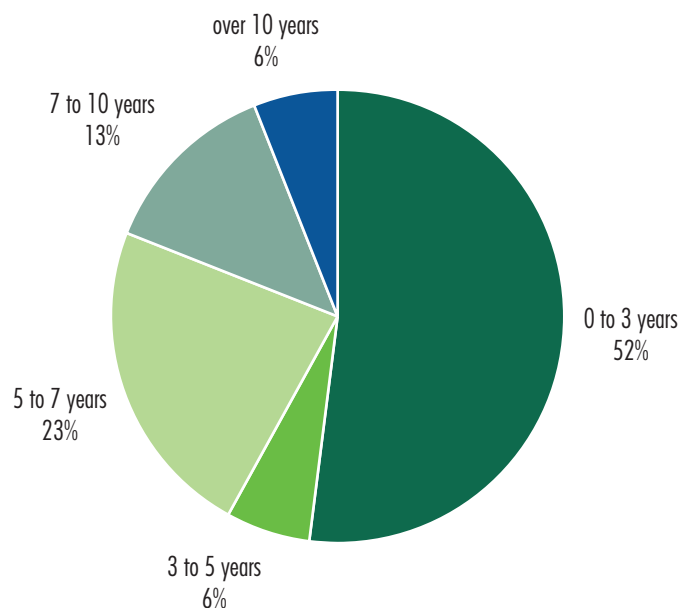
Remaining Terms of Leases*



Regarding the remaining terms of leases, approximately 43.7% in terms of the rental income end by the end of 2021, around 39.9% end between 2022 and 2026 and around 10.1% expire in 2027 or later. The terms of 6.4% of all leases are indeterminate.

*Does not include the development property in Chemnitz

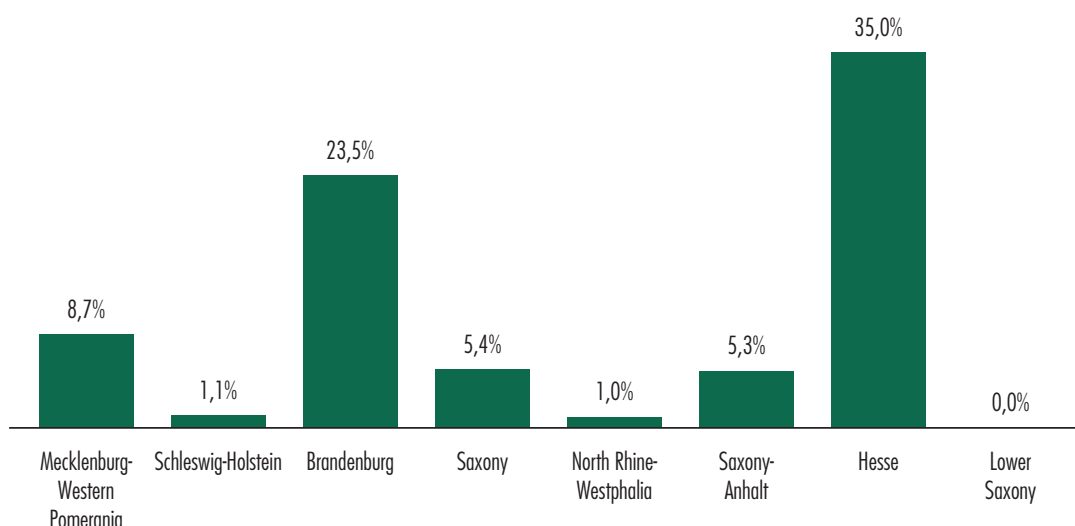
Weighted Average Lease Terms of the Properties*



Overall the portfolio has a weighted average remaining lease term of around 5.2 years. The remaining terms on an asset basis range between 0.6 and 12.3 years with most leases having medium unexpired lease lengths. Around 6% of the properties have weighted average lease terms of more than 10 years and 13% between 7 and 10 years. Around 52% or 16 properties have a WALT of 3 years or lower.

*Does not include the development property in Chemnitz

Vacancy Rate by Location



Overall the portfolio has a vacancy rate of around 9.0% (approximately 22,605 sq m). By location, the vacancy rate ranges between 0.0% (Lower Saxony) and 35.0% (Hesse). However, there is only one property located in Hesse (an office building in Langen).

Altogether the level of structural vacancy is 1.8% which is equivalent to around 4,605 sq m.
Please refer to Appendix B “Property Data Overview” for further details on an asset basis.

EXPLANATION OF VALUATION

Inspection

In accordance with Company's instructions and normal practice, the valuation of the assets has been carried out individually at an asset level.

CBRE has already inspected all the assets in the course of previous valuation instructions from Fair Value REIT AG.

The first inspections of the properties held by subsidiaries of Fair Value REIT AG were between 17 July 2007 and 26 July 2007. The first inspections of the properties directly held by Fair Value REIT AG were between 14 January 2008 and 25 January 2008. CBRE had internal and external access to the subject properties in order to carry out the inspection. We have not carried out any building surveys. The properties have not been measured as part of CBRE's inspection nor have the services or other installations been tested. All of CBRE's conclusions resulting from the inspection are based purely on visual investigations without any assertion as to their completeness.

No investigations that might cause damage to the subject properties have been carried out. Statements about parts of the structure or materials that are covered or otherwise inaccessible are based on the information or documents provided or on assumptions. In particular, no structural surveys or technical investigations of any defects or damage of the properties, which may exist, have been carried out.

For the purposes of this valuation instruction CBRE has re-inspected each property which accounts for 5% or more of the total portfolio fair value.

The inspection of each property was carried out on the following dates.

Inspection of properties directly held by Fair Value REIT AG:

No.	Town/City	Last Inspection	Full Inspection / Drive by
1	Appen	09 February 2015	Drive by
2	Bad Bramstedt	10 February 2015	Drive by
3	Bad Segeberg	10 February 2015	Drive by
4	Barmstedt	10 February 2015	Drive by
5	Geschendorf	10 February 2015	Drive by

No.	Town/City	Last Inspection	Full Inspection / Drive by
6	Neumünster	23 June 2017	Drive by
7	Trappenkamp	10 February 2015	Drive by
8	Wahlstedt	10 February 2015	Drive by
9	Dresden	10 February 2015	Full Inspection
10	Neubrandenburg	11 February 2015	Drive by
11	Potsdam	11 February 2015	Drive by
12	Langenfeld	10 February 2015	Drive by
13	Köln	10 February 2015	Drive by
14	Meschede	10 February 2015	Drive by
15	Waltrop	10 February 2015	Drive by
16	Chemnitz	10 February 2015	Drive-by

Inspection of properties held by subsidiaries of Fair Value REIT AG:

No.	Town/City	Last Inspection	Full Inspection / Drive by
1	Dresden	10 February 2015	Full Inspection
2	Lutherstadt Wittenberg	23 June 2017	Full Inspection
3	Chemnitz	10 February 2015	Full Inspection
4	Chemnitz	10 February 2015	Drive by
5	Chemnitz	10 February 2015	Drive by
6	Teltow	11 February 2015	Full Inspection
7	Eisenhüttenstadt	22 June 2017	Full Inspection
8	Rostock	23 June 2017	Full Inspection
9	Quickborn	23 June 2017	Drive by

No.	Town/City	Last Inspection	Full Inspection / Drive by
10	Celle	09 February 2015	Drive by
11	Genthin	11 February 2015	Drive by
12	Münster	11 February 2015	Drive by
13	Osnabrück	11 February 2015	Drive by
14	Langen	23 June 2017	Full Inspection
15	Querfurt	02 January 2017	Full Inspection
16	Zittau	04 January 2017	Full Inspection

DCF (Discounted Cash Flow)

The determination of the Fair Value of the individual investment assets has been carried out using the internationally recognised Discounted Cash Flow (DCF) method. This method, which is based on dynamic investment calculations, allows valuation parameters to be reflected explicitly and, therefore, provides a transparent arithmetical determination of Fair Value.

The DCF method can be divided into 2 phases. In the first phase, for each year during the period of detailed consideration (in this case ten years) all cost associated with the property investment are deducted from the expected income in order to arrive at the net cash flow from the property for each individual year. The calculations take account of various parameters, including for instance changes in rent due to contractual agreements and expected growth in market rental values, expenses for running repairs and maintenance, re-letting costs and miscellaneous redecoration, assumed periods of vacancy, for the whole of the period of detailed consideration. The net cash flows are then discounted to the date of valuation at a selected discount rate (explicit interest rate) monthly in advance. Expectations of inflation and growth are already taken into account in the cash flows and therefore are not reflected in the discount rate.

In the second phase of the model, the value of the property at the end of the cashflow period is assessed using the Income Capitalisation Method. This is based on stabilised rental incomes capitalised at an appropriate yield (growth-implicit). The stabilised net rental income at the end of the cashflow period is therefore capitalised and then discounted to the valuation date. The Income Capitalisation Method is a static, “snapshot” calculation, with no explicit representation of rental growth or changes in costs over time. The effects of changes in the rent as well as other market or financial factors are implicitly reflected in the yield.

The discount rate and exit yield (or exit capitalisation rate) selected reflect the level of risk derived from the market in this model, i.e. the risk-adjusted discount rate that serves to determine the Fair Value. The Fair Value and the indicators derived from it, such as Net Initial

Yield and gross rental multiplier, can be compared against comparable transactions. The discount rates and exit yields (exit capitalisation rates) used in our model are therefore derived from our knowledge of market transactions.

The assumptions adopted in the valuation model reflect the average estimates that would be made at the relevant valuation date by investors active in the market. The result of the DCF method is, therefore, the price that an investor in the market would be prepared to pay for the asset at the relevant valuation date in order to achieve a return from the proposed investment that is in line with present real estate market expectations.

Land Value

The land value of the undeveloped plot has been calculated with reference to § 16 of the German Immobilienwertermittlungsverordnung (ImmoWertV) (*“Real Estate Valuation Order”*). Therefore, as usual we have adopted the comparison approach in order to calculate the land value. In cases such as the subject property where it is not possible to obtain sufficient comparable data we use the appropriate guideline land values (Bodenrichtwert) according to § 16.1.2 of ImmoWertV for the calculation of the land value. The guideline land value expresses, based on the site area in square metres, the average local land value of the majority of sites in a guideline land value zone with essentially the same types of use and values.

General Valuation Assumptions

Documents and Information provided

CBRE has assumed that it was provided with all information and documents that were relevant to CBRE in carrying out this appraisal report. We have assumed that the information and documentation had unrestricted validity and relevance as at the date of valuation. We have not checked the relevant documents and information with respect to the above-mentioned issues.

The Property

Landlord’s fixtures such as lifts, escalators, central heating and other normal service installations have been treated as an integral part of the building and are included within our valuations. Tenant-specific process plant and machinery, tenants’ fixtures and specialist trade fittings have been excluded from our valuations.

Repair and Condition

We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the properties. We are unable, therefore, to give any assurance that the properties are free from defect.

In the absence of any information to the contrary, we have assumed that:

- a. there are no abnormal ground conditions, nor archaeological remains, present which might adversely affect the current or future occupation, development or value of the properties;
- b. the properties are free from rot, infestation, structural or latent defect;
- c. no currently known deleterious or hazardous materials or suspect techniques, including but not limited to Composite Panelling, have been used in the construction of, or subsequent alterations or additions to, the properties; and
- d. the services, and any associated controls or software, are in working order and free from defect.

We have otherwise had regard to the age and apparent general condition of the properties. Comments made in the property details do not purport to express an opinion about, or advise upon, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.

Floor Areas

If not otherwise stated, we have not measured the properties but have relied upon the schedules of area that were provided to us within the tenancy lists. We have not checked these areas on site. In undertaking our work, we have assumed that these floor areas are correct and in accordance with appropriate measuring practice.

Deleterious Material etc.

Since no information to the contrary has been provided, we have assumed that there are no building materials or structures and no characteristics of the site that could endanger or have a deleterious effect on either the fitness of the subject properties for its purpose or the health of its occupiers and users. Common examples include high alumina cement concrete, calcium chloride, asbestos and wood wool as permanent shuttering.

Site Conditions

We have not carried out investigations on site in order to determine the suitability of ground conditions and services, nor have we undertaken environmental, archaeological, or geotechnical surveys. Unless notified to the contrary, our valuations have been carried out on the basis that these aspects are satisfactory and also that the site is clear of underground mineral or other workings, methane gas, or other noxious substances.

We have assumed that the properties are either not subject to flooding risk or, if they are, that sufficient flood defences are in place and that appropriate building insurance could be obtained at a cost that would not materially affect the capital value.

In the case of a property which may have redevelopment potential, we have assumed that the site has load bearing capacity suitable for the anticipated form of redevelopment without the need for additional and expensive foundations or drainage systems. Furthermore, we have assumed in such circumstances that no unusual costs will be incurring in the demolition and removal of any existing structure on the properties.

Environmental Contamination

Since no information to the contrary has been provided, we have assumed that the subject properties are not contaminated and that no contaminative or potentially contaminative use is, or has ever been, carried out at the properties. Since no information to the contrary has been provided, we are not aware of any environmental audit or other environmental investigations or soil surveys which may have been carried out on the properties and which may draw attention to any contamination or the possibility of any such contamination.

As we had not been specifically instructed, we have not undertaken any investigation into the past or present uses of either the properties or any adjoining or nearby land, to establish whether there is any potential for contamination from these uses and assume that none exists.

Should it, however, be subsequently established that such contamination exists at the properties or on any adjoining land or that any premises have been or are being put to contaminative use, this may have a detrimental effect on the value reported.

Title, Tenure, Planning and Lettings

With reference to the land register extracts supplied to us by Fair Value REIT AG for the purposes of previous valuation instructions, we have assumed that there are no entries, information or circumstances that could have an impact on fair values (including any easements, restrictions, or similar restrictions and encumbrances). We reserve the right to amend our valuation should any such factors be found to exist.

Details of title/tenure under which the properties are held and of lettings to which it is subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents. We should emphasise, however, that the interpretation of the documents of title (including relevant deeds, leases and planning consents) is the responsibility of your legal adviser.

We have not conducted credit enquiries on the financial status of any tenants. We have, however, reflected our general understanding of purchasers' likely perceptions of the financial status of tenants.

Unless stated otherwise within this report, and in the absence of any information to the contrary, we have assumed that:

- a. the properties possess a good and marketable title free from any onerous or hampering restrictions or conditions;
- b. all buildings have been erected either prior to planning control, or in accordance with planning permissions, and have the benefit of permanent planning consents or existing use rights for their current use;
- c. the properties are not adversely affected by town planning or road proposals;
- d. all buildings comply with all statutory and local authority requirements including building, fire and health and safety regulations;
- e. only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of each property to comply with the provisions of the relevant disability legislation;

- f. there are no tenant's improvements that will materially affect our opinion of the rent that would be obtained on review or renewal;
- g. tenants will meet their obligations under their leases;
- h. there are no user restrictions or other restrictive covenants in leases which would adversely affect value;
- i. where appropriate, permission to assign the interest being valued herein would not be withheld by the landlord where required; and
- j. vacant possession can be given of all accommodation which is unlet or is let on a service occupancy.

Pending Litigation, Legal Restrictions (Easements on Real Estate, Rent Regulation etc.)

Since no information to the contrary has been provided, we have assumed that the properties are free from any pending litigation, that the ownership is unencumbered and that there are no other legal restrictions such as easements on real estate, rent regulations, restrictive covenants in leases or other outgoings which might adversely affect value.

Tenants

No investigations have been carried out concerning either the status of payments of any contractually agreed rent at the date of valuation, or of the creditworthiness of any tenants. Since no information to the contrary has been provided, we have assumed that there are no outstanding rental payments and that there are no reservations concerning the creditworthiness of any of the tenants.

Taxes, Contributions, Charges

Since no information to the contrary has been provided, we have assumed that all public taxes, contributions, charges etc. which could have an effect on value will have been levied and paid as at the valuation date.

Insurance Policy

Since no information to the contrary has been provided, we have assumed that the subject properties are covered by a valid insurance policy that is adequate both in terms of the sum assured and the types of potential loss covered.

Legal Requirements / Consents and Authorisation for the Use of the Property

We have not undertaken any investigation of the compliance of the properties with legal requirements (including (permanent) planning consent, building permit, acceptance, restrictions, building, fire, health and safety regulations etc.) or with any existing private-law provisions or agreements relating to the existence and use of the site and building.

In preparing our valuations, we have assumed that all necessary consents and authorisations for the use of the properties and the processes carried out at the properties are in existence, will continue to subsist and are not subject to any onerous conditions.

We have assumed that the properties possess current energy performance certificates as required under government directives.

Statements by Public Officials

In accordance with established legal practice, we have not regarded statements by public officials, particularly regarding factual information, as binding. We do not assume any liability for the application of any such statements or information in the subject appraisal report.

Assumptions regarding the Future

For the purpose of determining the Fair Value of the subject assets, we have assumed that the assets will continue in their existing use.

Where there is high voltage electricity supply apparatus within close proximity to the properties, unless, otherwise stated, we have not taken into account any likely effect on future marketability and value due to any change in public perception of the health implications.

Subsidies

Since no information to the contrary has been provided, we have assumed that there are no circumstances related to subsidies or grants that might influence the value of the properties.

Important

Should any of the information or assumptions on which the valuation is based be subsequently found incorrect or incomplete, our calculations may need to be amended and the valuation figure may also be incorrect and should be re-evaluated. We therefore cannot accept any liability for the correctness of this assessment or for any loss or damage resulting there from.

Valuation Parameters

The assessment of Fair Value is based on future cash flows, which reflect normal market expectations taking into account past figures from the subject assets or comparable investments. The valuation parameters have been assessed by CBRE, using its best judgement, based on the information provided by Fair Value REIT AG.

Specific Valuation Assumptions & Considerations

Non-Recoverable Costs for Management

Based on experience of the typical allowances reflected in the market for mixed use and commercial buildings, we have assumed amounts ranging from 0.7% to 4.6% of the gross rental income of each individual property for management costs which are not recoverable from the tenants.

Non-Recoverable Costs for Regular Maintenance

For the purpose of this valuation we have adopted typical allowances in respect of ongoing repairs and maintenance (based on lettable area except where otherwise stated) as follows:

- 2.00 EUR on to 7.00 EUR per sq m per year for retail space
- 2.00 EUR on to 6.50 EUR per sq m per year for office space
- 5.00 EUR on to 5.50 EUR per sq m per year for hotel space
- 5.25 EUR on to 7.00 EUR per sq m per year for residential space
- 2.00 EUR on to 6.00 EUR per sq m per year for storage space
- 3.00 EUR on to 6.50 EUR per sq m per year for service/other space
- 2.00 EUR on to 4.50 EUR per sq m per year for production space
- 0.00 EUR on to 20.00 EUR per unit and year for other units*
- 10 EUR on to 40 EUR per internal parking space/garage parking per year
- 0 EUR on to 40 EUR per external parking space per year

which is in total equivalent to around 6.6% of the total gross income from the subject properties. These figures reflect the state of repair of the subject properties and the existence of lifts, restrictions because of an entry in the monuments list, the overall condition of the individual buildings after any planned refurbishment, etc.

*Other units includes: advertisements, ATM's, external areas, photo booth', photovoltaic systems and packing stations.

Capital Expenditure and Other Factors Affecting Value

In addition to the non-recoverable operating costs, which are deducted monthly from the gross rental income during the cashflow period, capital expenditure on repair and maintenance work already planned at the valuation date for the first year has also been reflected. CBRE has not undertaken technical surveys. We have been provided with maintenance and repair budgets for each property. On the basis of these, for the purposes of our valuation we have deducted costs of rectifying the current maintenance backlog.

Non-Recoverable Costs for Tenant Improvements

Under German law, it is frequently the tenant's responsibility to carry out decorative and minor repairs. Upon a change of tenants, however, additional expenses for basic repairs and renovation of the interior of the individual rental units must be incurred to facilitate re-letting. For each of

the subject properties we have adopted an amount, based on current market experience, for initial refurbishment or on tenant fluctuation (based on lettable area) as follows:

- 30 EUR on to 625 EUR per sq m for retail space
- 0 EUR on to 400 EUR per sq m for office space
- 100 EUR on to 150 EUR per sq m for hotel space
- 50 EUR on to 100 EUR per sq m for residential space
- 0 EUR on to 80 EUR per sq m for storage space
- 0 on to 100 EUR per sq m for service/other space
- 20 EUR per sq m for production space
- 0 EUR on to 50 EUR per unit for other units*

*Other units includes: advertisements, ATM's, external areas, photo booth', photovoltaic systems and packing stations.

Non-Recoverable Service Charges on Vacant Space

Costs that would normally be recovered from a tenant such as heating costs or property tax cannot be recovered in respect of vacant space. Based on experience a level of 6 EUR on to 12 EUR per sq m p. a. has been adopted for vacant accommodation (except several other areas and rental units).

Inflation and Rental Growth

The DCF method used includes an explicit reflection of inflation forecast at 1.8% in year 1, 1.7% in year 2 and 3 and 2.0% in the following years. Full allowance for inflation has been made for maintenance and repair costs, management and operating costs. Inflation rates forecasts were provided by CBRE Research, dated February 2017. The sources are Consensus Forecast and ECB.

Selection of Discount Rate and Capitalisation Rate

The cash flows calculated during the time horizon and the capitalisation (exit) value have been discounted using the discount rate selected, monthly in advance.

Capitalisation and discount rates are specific to each property and take into account the following criteria:

- Location and quality of the subject property
- Demand and level of prices in the relevant local or regional real estate markets.
- The current letting situation as regards vacancy, over- or under-rented situation, quality of tenant(s) (covenant), lease length(s) and the quality of the lease (indexation adjustments and stepped rents etc.)
- The development prospects of the location and the property itself.

The discount rate reflects the specific combination of risks and opportunities presented by the property, the location and the letting situation during the 10-year period of detailed

consideration of cash flows. The exit capitalisation rate is used to capitalise the net rental income at that time. The net rental income used for capitalisation is calculated from the potential rental value at the date of capitalisation less operating costs.

Market Rent

The market rents adopted are based on recent lettings within the subject properties (12 months), our internal CBRE rental data base and other internal sources and the internet data base empirica systeme GmbH (asking rents), if available.

We have adopted market rents taking into account market conditions, and the advantages and disadvantages of the individual location and the property characteristics, so far as they have an effect on the letting ability.

At the valuation date the aggregated Current Gross Rental Income at portfolio level was 22,079,277 EUR p. a. (excluding vacant space) which equals an average at portfolio level to 7.33 EUR per sq m per month per lettable area and on average to:

- retail current rent (gross) of 8.14 EUR per sq m per month per lettable retail area
- office current rent (gross) of 6.53 EUR per sq m per month per lettable office area
- hotel current rent (gross) of 9.03 EUR per sq m per month per lettable hotel area
- residential current rent (gross) of 5.36 EUR per sq m per month per lettable residential area
- storage/service/other current rent (gross) of 3.14 EUR per sq m per month per lettable storage area
- production current rent (gross) of 4.34 EUR per sq m per month per lettable production area
- other unit current rent (gross) of 179.68 EUR per month per other unit*
- internal parking rental income (gross) of 43.23 EUR per month per lettable internal parking unit
- external parking rental income (gross) of 3.19 EUR per month per lettable external parking unit

The aggregated gross market rental income by comparison is 23,075,777 EUR p. a. which equates on average to:

- retail market rent (gross) of 8.96 EUR per sq m per month per lettable retail area
- office market rent (gross) of 6.84 EUR per sq m per month per lettable office area
- hotel market rent (gross) of 7.14 EUR per sq m per month per lettable hotel area
- residential market rent (gross) of 5.73 EUR per sq m per month per lettable residential area
- storage/service/other market rent (gross) of 3.18 EUR per sq m per month per lettable storage area
- production market rent (gross) of 3.92 EUR per sq m per month per lettable production area

- other unit market rent (gross) of 111.24 EUR per month per other unit*
- internal parking rental income (gross) of 46.34 EUR per month per lettable internal parking unit
- external parking rental income (gross) of 4.48 EUR per month per lettable external parking unit

*Other units includes: advertisements, ATM's, external areas, photo booth', photovoltaic systems and packing stations.

Void Periods for Currently Vacant Space / Future Void Periods on Re-Letting

Currently, the portfolio has a weighted average vacancy rate of 9.0% partly due to modernization and refurbishment measures.

For the initial downtime until reletting (or to any assumed structural vacancy) and on re-letting of rental units currently occupied and for future vacant accommodation we have assumed the void periods as follows:

- for retail space 6 to 25 months
- for office space 0 to 24 months
- for hotel space 6 to 36 months
- for residential space 3 to 9 months
- for storage space 6 to 24 months
- for service/other space 6 to 24 months
- for production space 9 months
- for other units* 0 to 18 months
- for internal parking space 3 to 36 months
- for external parking space 3 to 36 months

Our assumptions are based on experience of the local property market and depend on the quality of situation, the respective condition of the individual property and the current rental situation.

*Other units includes: advertisements, ATM's, external areas, photo booth', photovoltaic systems and packing stations.

Permanent Void Allowance / Structural Vacancy

Currently, the portfolio has a weighted average vacancy rate of 9.0%. The structural vacancy rate assumed amounts to 1.8% (4,605 sq m).

Purchaser's Costs

The following purchaser's costs have been assumed with regards to the size of the subject properties:

Land transfer tax: under German tax law, a transfer tax based on the purchase price has to be paid on property purchase. This is generally paid by the purchaser. The tax rate is set at federal state level; the rates for the relevant states as at the valuation date of 31 March 2017 are as follows:

Federal State	Land Transfer Tax Rate
Brandenburg	6.5%
Hesse	6.0%
Lower Saxony	5.0%
Mecklenburg-Vorpommern	5.0%
North Rhine-Westphalia	6.5%
Saxony	3.5%
Saxony-Anhalt	5.0%
Schleswig-Holstein	6.5%

Please note: As at the date of the Condensed Report, the land transfer tax in all federal states affected remain unchanged.

Notary and legal fees: we have made an allowance for each individual property ranging from 0.25% to 1.00% is in line with average costs for notarizing a purchase contract (compulsory under German law), land registry costs and miscellaneous legal charges, depending on the investment volume of the individual property.

Agent's fees: in the German market it is common for the purchaser to be responsible for paying all or at least part of the agent's fees. We have therefore allowed for agent's fees for each individual property ranging from 1.00% to 2.50% depending on the investment volume of the individual property.

CONCLUSION OF THE VALUATION

Upon the assumption that there are no onerous restrictions or unusual outgoings of which we have no knowledge and the specific comments and assumptions which are set out in this valuation statement, we are of the opinion that the aggregate of the individual Fair Values (net) of the freehold/condominium interests in the properties, rounded at asset level, as at 31 March 2017, is:

289,250,000 EUR

(Two hundred and eighty-nine million, two hundred and fifty thousand Euros)

The unrounded net capital value is 289,216,326 EUR. The unrounded gross capital value is 309,154,308 EUR including 19,937,982 EUR purchaser's costs (6.45%).

The assessment of Fair Values was carried out at asset level. The aggregates of the individual Fair Values presented here take account of the marketing period and the transaction costs of the individual assets and do not reflect any discounts or premiums on the sales of the whole portfolio or if part of the portfolio were to be marketed simultaneously or in lots.

For the avoidance of doubt, we have valued the assets as real estate and the values reported herein represent 100% of the fair values of the assets. No account has been taken in reporting these fair values of the extent of Fair Value REIT-AG's interests in the companies holding the subject assets.

Please refer to Appendix A "Valuation Overview" and Appendix B "Property Data Overview" for further details on an asset basis.

The following tables show the fair value by properties directly held by Fair Value REIT AG and properties held by subsidiaries of Fair Value REIT AG, a split by investment and development properties and an overview of the properties by main use

Note: The Company is the main tenant of one property, Robert-Bosch-Strasse 11, Langen, occupying 8.9% of the lettable area. This is still regarded as an investment property due to the small percentage of space occupied by the Company and as the Company and Fair Value REIT AG are separate entities, despite the Company being the majority shareholder in the latter.

Category	Fair Value (EUR)
Properties directly held by Fair Value REIT AG*	64,620,000
Properties held by subsidiaries of Fair Value REIT AG	224,630,000
Total	289,250,000

* Including the undeveloped site located in Chemnitz

Category	Fair Value (EUR)
31 investment properties	287,560,000
1 development property	1,690,000
Total	289,250,000

Use	Number* of Properties	Lettable Area (sqm)	Vacancy Rate (%)	Current Gross Rental Income (EUR)	WALT
Hotel	1	11,554	0.0	760,557	12.3
Retail	9	116,073	10.7	11,937,449	5.8
Office	9	58,176	7.8	4,853,163	3.0
Mixed-Use building	10	44,700	11.8	3,418,496	5.4
Industrial/Storage/Logistics	2	20,581	0.0	1,109,613	3.8
Plot of land	1	n/a	n/a	n/a	n/a
Total	32	251,083	8.8	22,079,277	5.2

* By main use.

Key Valuation Data*

The following table shows the key valuation data at portfolio level:

Total lettable area:	251,083 sq m
Average Fair Value per sq m lettable area:	1,145 EUR
Current rental income (gross) p.a.:	22,079,277 EUR
Potential rental income (gross) p.a.:	23,973,600 EUR
Market rental income (gross) p.a.:	23,075,777 EUR
Multiplier (based on current rent):	13.0 times
Multiplier (based on potential rent):	12.0 times
Multiplier (based on market rent):	12.5 times

Net initial yield (based on current rent):	6.41%
Net initial yield (based on potential rent):	7.02%
Net initial yield (based on market rent):	6.73%

* Does not include the development property

Our opinion of “Fair Value” is based upon the scope of work and valuation assumptions as detailed in this Valuation Report, and has been derived mainly using comparable recent market evidence on arm’s length terms.

For further information on our valuation assumptions please refer to “General Valuation Assumptions” and “Specific Valuation Assumptions & Considerations” of this Valuation Report.

The following table shows the split of the Fair Value by tenure:

Tenure	Number of properties	Fair Value
Freehold	29	285,510,000
Condominium	3	3,740,000

There are no negative values to report.

Valuation Key Definitions

Current annual rental income (gross):

The current gross rental income represents the rent paid for the let units on contractual agreements as at 1 April 2017, before deducting non-recoverable operating costs and VAT, multiplied by 12. Rent-free periods have been taken into account.

Potential annual rental income (gross):

The potential rent is the sum of the current monthly gross rental income and the rental values of vacant units – irrespective of any vacancy – as at 1 April 2017, multiplied by 12.

Annual Market rental value (gross):

The (monthly) market rental value of all units as 1 April 2017 (irrespective of any vacancy) multiplied by 12.

Multiplier (based on current rent):

Net capital value divided by current rental income (gross)

Multiplier (based on potential rent):

Net capital value divided by potential rental income (gross)

Multiplier (based on rental value):

Net capital value divided by estimated rental value (gross)

Net initial yield (based on current rent):

Current rental income (net) divided by gross capital value

Current rental income (gross) minus non-recoverable operating costs / net capital value plus purchaser's costs

Net initial yield (based on potential rent):

Potential rental income (net) divided by gross capital value

Net initial yield (based on rental value):

Market rental income (net) divided by gross capital value

Note: the valuation terms above are defined in accordance with the gif Gesellschaft für Immobilienwirtschaftliche Forschung e.V. Arbeitskreis Real Estate Investment Management.

Title:

Freehold or freehold-equivalent refers to *Eigentum* title.

Condominium refers to *Teileigentum* title.

Guideline land value:

The guideline land value (Bodenrichtwert) expresses, based on the site area in square metres, the average local land value of the majority of sites in a guideline land value zone with essentially the same types of use and values.

A

VALUATION OVERVIEW

VALUATION OVERVIEW – PROPERTIES DIRECTLY HELD BY FAIR VALUE REIT AG

No.	Valuation Date	Property Address (Federal) State	City	ZIP	Street	Property Data		Plot Information		Ground Rent		Rental Area		Lease Information		Gross Rental Income p.a.				
						Type	Construction YYYY	Refurbishment YYYY	Size sq m	Ownership Type	Amount EUR / p.a.	Expiry Date	Total Area sq m	Turnover sq m	Stabilized Vac sq m	Vac Rate %	WALT years	Current EUR / p.a.	Potential EUR / p.a.	Market EUR / p.a.
1	31.03.2017	Schleswig-Holstein	Appen	25482	Hauptstrasse 50e / 56 d	Office/retail building	1975	1992	4,320	Condominium	0	0	212	0	0	0%	0,7	21.244	21.244	15.288
2	31.03.2017	Schleswig-Holstein	Bad Bramstedt	24576	Bleek 1	Office/retail building	1972	1991/1993/2000/2006	3,873	Condominium	0	0	997	0	0	4%	8,6	80.306	80.846	71.948
3	31.03.2017	Schleswig-Holstein	Bad Segeberg	23795	Oldesloe Strasse 24	Retail building with residential/office	1981	1993/1995/2006/2007	5,142	Freehold	0	0	9,185	0	358	4%	7,1	643.761	643.761	974.113
4	31.03.2017	Schleswig-Holstein	Barmstedt	25555	Königsstrasse 19-21	Retail building with residential/office	1911	1937/ Diverse Years	2,842	Freehold	0	0	1,257	0	0	0%	7,6	101.637	101.637	96.413
5	31.03.2017	Schleswig-Holstein	Geschendorf	23853	Dorfstrasse 29	Retail building with residential/office	1985	2006	2,066	Freehold	0	0	316	0	0	0%	0,6	21.626	21.626	17.194
6	31.03.2017	Schleswig-Holstein	Neumünster	24514	Kuhberg 11-19 / Kieler Strasse 1-15	Retail building with residential/office	1956	1993/1995/2005	5,286	Freehold	0	0	11,808	0	0	0%	8,4	1.046.424	1.039.709	1.039.709
7	31.03.2017	Schleswig-Holstein	Trappenkamp	24610	Am Markt 1	Retail building with residential/office	1985	2005	1,190	Freehold	0	0	787	0	0	0%	0,6	58.517	58.517	51.368
8	31.03.2017	Schleswig-Holstein	Wahlstedt	23812	Markt 1	Retail building with residential/office	1975	2005	1,848	Freehold	0	0	1,346	0	0	0%	0,8	89.608	89.608	70.340
9	31.03.2017	Saxony	Dresden	01099	Königsbrucker Strasse 121 a	Hotel	1997	n/a	8,574	Freehold	0	0	11,554	0	0	0%	12,3	760.557	760.557	770.953
10	31.03.2017	Mecklenburg-Western Pomerania	Neubrandenburg	17033	Friedrich-Engels-Ring 52	Office/retail building	1997	n/a	4,705	Freehold	0	0	7,449	1,462	0	20%	3,0	600.190	722.976	621.433
11	31.03.2017	Brandenburg	Potsdam	14480	Großbeerenstrasse 231	Office building	1996	n/a	2,925	Freehold	0	0	3,828	120	0	3%	5,2	313.143	330.328	336.979
12	31.03.2017	North Rhine-Westphalia	Langenfeld	40764	Max-Planck-Ring 26/28	Production building	1996	n/a	14,727	Freehold	0	0	10,941	0	0	0%	2,9	775.613	775.613	694.002
13	31.03.2017	North Rhine-Westphalia	Köln	50769	Marconistrasse 4-8	Distribution property	1990	n/a	13,924	Freehold	0	0	9,640	0	0	0%	5,9	334.000	334.000	345.000
14	31.03.2017	North Rhine-Westphalia	Meschede	59872	Zeughausstrasse 13	Retail warehouse	1989	n/a	1,673	Freehold	0	0	1,095	0	0	0%	2,2	42.048	42.048	52.560
15	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
16	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
17	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
18	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
19	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
20	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
21	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
22	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
23	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
24	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
25	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
26	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
27	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
28	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
29	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
30	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
31	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
32	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
33	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
34	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
35	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
36	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
37	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
38	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
39	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
40	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
41	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
42	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
43	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
44	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
45	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
46	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
47	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
48	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
49	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
50	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
51	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
52	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
53	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
54	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
55	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
56	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
57	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
58	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
59	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
60	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
61	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a	1,742	Condominium	0	0	2,124	318	0	15%	0	212.741	237.552	237.552
62	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	1989	n/a												

No.	Valuation Date	Property Address (Federal) State	Property Data			CAPEX Year 1 EUR / p.a.	Gross Capital Value		Net Capital Value		FAIR VALUE		Net Initial Yield		Gross Multiplier	
			City	ZIP	Street		Type	EUR	EUR	Total	EUR / m²	Current	Potential	Current	Potential	Current
1	31.03.2017	Schleswig-Holstein	Appen	25482	Hauptstrasse 56e / 56 d	Office/retail building	0	154,225	140,204	660	13,21%	9,35%	6,6	6,6	9,2	
2	31.03.2017	Schleswig-Holstein	Bad Bramstedt	24576	Bleck 1	Office/retail building	0	1,169,617	1,070,588	1,073	6,48%	6,52%	13,3	13,2	14,9	
3	31.03.2017	Schleswig-Holstein	Bad Segeberg	23795	Oldesloer Strasse 24	Retail building with residential/office	0	9,172,220	8,453,659	920	6,47%	6,17%	13,1	13,1	13,7	
4	31.03.2017	Schleswig-Holstein	Barmstedt	23535	Königsstrasse 19-21	Retail building with residential/office	0	1,509,049	1,381,281	1,098	6,35%	6,07%	13,6	13,6	14,2	
5	31.03.2017	Schleswig-Holstein	Geschendorf	23815	Oldesloerstrasse 29	Retail building with residential/office	0	223,946	203,587	200	8,89%	8,69%	9,4	9,4	11,8	
6	31.03.2017	Schleswig-Holstein	Neumünster	24354	Kuhberg 11-19 / Kieler Strasse 1-15	Retail building with residential/office	0	16,268,997	15,191,644	1,287	8,16%	6,16%	14,5	14,5	14,6	
7	31.03.2017	Schleswig-Holstein	Trappenkamp	24610	Am Markt 1	Retail building with residential/office	0	921,793	570,358	724	8,71%	7,57%	9,7	9,7	11,1	
8	31.03.2017	Schleswig-Holstein	Wahlstedt	23812	Markt 1	Retail building with residential/office	0	911,773	828,884	617	9,22%	9,22%	9,3	9,3	11,8	
9	31.03.2017	Saxony	Dresden	101099	Königsbrücker Strasse 121 a	Hotel	-201,500	10,273,212	9,737,642	843	6,63%	6,63%	12,8	12,8	12,6	
10	31.03.2017	Mecklenburg-Western Pomerania	Neubrandenburg	17033	Friedrich-Engels-Ring 52	Office/retail building	-27,500	7,541,190	7,047,841	946	7,12%	8,75%	11,7	9,7	11,3	
11	31.03.2017	Brandenburg	Potsdam	14480	Großbeerenstrasse 231	Office building	0	4,596,300	4,210,000	1,100	6,13%	6,80%	13,4	12,7	12,5	
12	31.03.2017	North Rhine-Westphalia	Langenfeld	40764	Max-Planck-Ring 26/28	Production building	-255,000	7,450,125	7,430,000	679	9,01%	9,01%	9,6	9,6	10,7	
13	31.03.2017	North Rhine-Westphalia	Köln	50769	Marconistrasse 4-8	Distribution property	-55,000	3,702,554	3,700,000	384	7,29%	7,57%	11,1	11,1	10,7	
14	31.03.2017	North Rhine-Westphalia	Meschede	59872	Zeughausstrasse 13	Retail warehouse	-12,000	4,669,048	4,266,407	393	7,07%	7,07%	10,1	10,1	8,1	
15	31.03.2017	North Rhine-Westphalia	Waltrop	45731	Bahnhofstrasse 20 a-e	Office/retail building	0	2,759,949	2,526,269	1,191	6,98%	8,05%	11,9	10,4	10,6	
Total							-551,000	67,883,645	62,918,183	868	6,92%	7,17%	12,3	11,9	12,5	

No.	Valuation Date	Property Address			Property Data		Plot Information		Ground Rent		Guideline Land Value		Gross Capital Value	Net Capital Value	FAIR VALUE	
		City	ZIP	Street	Type	Construction YYYY	Refurbishment YYYY	Size sq m	Ownership Type	Amount EUR / pa.	Expiry Date	EUR / m ²			EUR	EUR
16	31.03.2017	Saxony	09111	Hartmannstrasse 1	Undeveloped land	n/a	n/a	3,520	Freehold	0	0	480	1,795,200	1,689,600	1,690,000	480
total								3,520		0	0		1,795,200	1,689,600	1,690,000	480

VALUATION OVERVIEW – PROPERTIES HELD BY SUBSIDIARIES OF FAIR VALUE REIT AG

VALUATION OVERVIEW PROPERTIES HELD BY SUBSIDIARIES OF FAIR VALUE REIT AG (AS AT 31 MARCH 2017)

No.	Valuation Date	Property Address		City		ZIP	Street	Property Data		Plot Information				Ground Rent				Rental Area				Lease Information		Gross Rental Income p.a.		
		(Federal) State						Type	Construction YYYY	Refurbishment YYYY	Size sq m	Ownership Type	Amount EUR / p.a.	Expiry Date	Total Area sq m	Turnover Vac sq m	Stabilized Vac sq m	Vac Rate %	WALT years	Current EUR / p.a.	Potential EUR / p.a.	Market EUR / p.a.				
1	31.03.2017	Saxony	Dresden	01187	Nossener Brücke 8 - 12		Lerchenburgstrasse 112/113, Annendorfer Strasse 15/16	Office/retail building	1997	n/a	4,134	Freehold	0	8,791	1,464	20	17%	1.4	675,997	811,056	738,036					
2	31.03.2017	Saxony-Anhalt	Lutherstadt Wittenberg	06886				Local shopping centre	1994	n/a	20,482	Freehold	0	14,710	1,054	0	7%	5.9	1,680,449	1,756,047	1,557,804					
3	31.03.2017	Saxony	Chemnitz	09111			Hartmannstrasse 3 a - 7	Office/retail building	1997	n/a	4,226	Freehold	0	8,380	656	0	8%	2.3	607,214	648,644	638,203					
4	31.03.2017	Saxony	Chemnitz	09111			An alten Bad 1 - 7, Theaterstrasse 34a	Mixed use: residential/ office	1997	n/a	3,246	Freehold	0	5,110	477	0	9%	2.1	424,984	470,923	459,653					
5	31.03.2017	Saxony	Chemnitz	09120			Heinrich-Lorenz-Strasse 35	Office building	1998	n/a	4,718	Freehold	0	5,845	0	0	0%	0.0	461,928	461,928	423,296					
6	31.03.2017	Brandenburg	Teltow	14513			Rheinstrasse 8	Office building	1995	n/a	5,324	Freehold	0	9,913	232	0	2%	2.3	771,041	788,650	778,109					
7	31.03.2017	Brandenburg	Eisenhüttenstadt	15890			Nordpassage 1	Shopping centre	1993	2017	96,822	Freehold	0	30,367	6,605	3,391	33%	5.4	2,046,432	2,734,078	3,079,386					
8	31.03.2017	Mecklenburg-Western Pomerania	Rostock	18055			Kropeliner Strasse 26-28	Shopping centre	n/a	1995/2015	7,479	Freehold	0	19,306	853	0	4%	5.0	4,271,388	4,453,550	3,865,806					
9	31.03.2017	Schleswig-Holstein	Quickborn	25451			Pascalekhe 15 / 15a	Office building	1995	n/a	33,255	Freehold	0	10,570	0	0	0%	4.9	1,147,314	1,155,114	1,122,917					
10	31.03.2017	Lower Saxony	Celle	29221			Vor den Fuhren 2	Retail warehouse centre	1992	n/a	21,076	Freehold	0	12,259	0	0	0%	5.7	594,909	594,909	678,738					
11	31.03.2017	Saxony-Anhalt	Genthin	39307			Altmärker Strasse 5	Office/retail building	1993	n/a	3,153	Freehold	0	1,275	50	232	22%	1.5	63,595	66,595	62,580					
12	31.03.2017	North Rhine-Westphalia	Minster	48153			Hammer Strasse 455-459	DIY and garden centre	1991	n/a	15,854	Freehold	0	7,353	0	0	0%	1.9	716,407	716,407	617,628					
13	31.03.2017	Lower Saxony	Onabrick	49084			Hannoversche Strasse 39	Retail warehouse centre	1989	n/a	7,502	Freehold	0	4,207	0	0	0%	2.0	302,492	302,492	302,917					
14	31.03.2017	Hesse	Langen	63225			Robert-Bosch-Strasse 11	Office building	1994	n/a	6,003	Freehold	0	13,681	4,224	564	35%	2.8	930,388	1,394,507	1,419,562					
15	31.03.2017	Saxony-Anhalt	Querfurt	06268			Vor dem Nebner Tor 5	Retail warehouse centre	n/a	n/a	32,020	Freehold	0	9,331	0	0	0%	5.5	980,988	980,988	982,930					
16	31.03.2017	Saxony	Zittau	02763			Hochwaldstrasse 20	Retail warehouse centre	n/a	2016	48,440	Freehold	0	17,445	486	0	3%	12.1	1,302,336	1,366,089	1,310,365					
Total											314,134		178,544	16,099	4,207		11.4%	4.8	16,977,862	18,701,974	18,037,931					
No.	Valuation Date	Property Address		City		ZIP	Street	Property Data		Gross Capital Value		Net Capital Value		FAIR VALUE		Net Initial Yield		Gross Multiplier								
		(Federal) State						Type	CAPEX Year 1 EUR / p.a.	EUR	EUR	EUR	Total EUR	EUR / m ² EUR	Current %	Potential %	Current X.x	Potential X.x	Market X.x							
1	31.03.2017	Saxony	Dresden	01187	Nossener Brücke 8 - 12			Office/retail building	-34,000	7,253,918	6,877,648	6,877,648	6,880,000	783	8.01%	9.88%	10.2	8.5	9.3							
2	31.03.2017	Saxony-Anhalt	Lutherstadt Wittenberg	06886			Lerchenburgstrasse 112/113, Annendorfer Strasse 15/16	Local shopping centre	-145,700	22,969,664	21,618,508	21,618,508	21,600,000	1,468	6.52%	6.85%	12.9	12.3	13.9							
3	31.03.2017	Saxony	Chemnitz	09111			Hartmannstrasse 3 a - 7	Office/retail building	-45,000	7,879,120	7,468,360	7,468,360	7,470,000	891	6.79%	7.31%	12.3	11.5	11.7							
4	31.03.2017	Saxony	Chemnitz	09111			Am alten Bad 1 - 7, Theaterstrasse 34a	Mixed use: residential/ office	-21,000	6,304,696	5,976,015	5,976,015	5,980,000	1,170	5.85%	6.58%	14.1	12.7	13.0							
5	31.03.2017	Saxony	Chemnitz	09120			Heinrich-Lorenz-Strasse 35	Office building	-12,000	4,266,943	4,015,947	4,015,947	4,020,000	688	9.45%	9.45%	8.7	8.7	9.5							
6	31.03.2017	Brandenburg	Teltow	14513			Rheinstrasse 8	Office building	-61,000	9,945,281	9,166,158	9,166,158	9,170,000	925	6.68%	6.86%	11.9	11.6	11.8							
7	31.03.2017	Brandenburg	Eisenhüttenstadt	15890			Nordpassage 1	Shopping centre	-1,127,283	28,958,922	26,876,030	26,876,030	26,900,000	886	5.89%	8.26%	13.1	9.8	8.7							
8	31.03.2017	Mecklenburg-Western Pomerania	Rostock	18055			Kropeliner Strasse 26-28	Shopping centre	-401,500	68,933,297	64,878,397	64,878,397	64,900,000	3,362	5.77%	6.04%	15.2	14.6	16.8							
9	31.03.2017	Schleswig-Holstein	Quickborn	25451			Pascalekhe 15 / 15a	Office building	0	16,787,441	15,579,992	15,579,992	15,600,000	1,476	6.14%	6.18%	13.6	13.5	13.9							
10	31.03.2017	Lower Saxony	Celle	29221			Vor den Fuhren 2	Retail warehouse centre	-325,000	7,429,780	6,943,719	6,943,719	6,940,000	566	6.92%	6.92%	11.7	11.7	10.2							
11	31.03.2017	Saxony-Anhalt	Genthin	39307			Altmärker Strasse 5	Office/retail building	0	498,900	459,816	459,816	460,000	361	10.32%	10.93%	7.2	6.9	7.3							
12	31.03.2017	North Rhine-Westphalia	Minster	48153			Hammer Strasse 455-459	DIY and garden centre	-47,000	7,966,064	7,341,994	7,341,994	7,340,000	998	8.11%	8.11%	10.2	10.2	11.9							
13	31.03.2017	Lower Saxony	Onabrick	49084			Hannoversche Strasse 39	Retail warehouse centre	-9,000	3,416,309	3,170,588	3,170,588	3,170,000	753	7.86%	7.86%	10.5	10.5	10.5							
14	31.03.2017	Hesse	Langen	63225			Robert-Bosch-Strasse 11	Office building	-405,000	15,231,070	14,201,464	14,201,464	14,200,000	1,038	5.21%	8.26%	15.3	10.2	10.0							
15	31.03.2017	Saxony-Anhalt	Querfurt	06268			Vor dem Nebner Tor 5	Retail warehouse centre	0	12,150,687	11,435,941	11,435,941	11,400,000	1,222	7.03%	7.03%	11.7	11.7	11.6							
16	31.03.2017	Saxony	Zittau	02763			Hochwaldstrasse 20	Retail warehouse centre	0	19,481,369	18,597,966	18,597,966	18,600,000	1,066	5.68%	6.01%	14.3	13.6	14.2							
Total									-2,633,483	239,475,463	224,608,543	224,608,543	224,630,000	1,258	6.26%	6.98%	13.2	12.0	12.5							

B

PROPERTY DATA OVERVIEW

PROPERTY DATA OVERVIEW – PROPERTIES DIRECTLY HELD BY FAIR VALUE REIT AG

No.	Address	Location Description	Property Description and Tenure	Letting status (on the basis of sq m)	Lettable area sq m	Gross Rental Income (p.a.) EUR	Market Rent (p.a.) EUR	Fair Value (as at 31 March 2017) EUR
1	Hauptstrasse 56e/56d 25482 Appen	The village of Appen (population of approx. 4,850) is a municipality in the district of Pinneberg in the south of the federal state Schleswig-Holstein. Pinneberg is the nearest city and is located approx. 4 km away from Appen. The subject property is located in the centre of Appen, directly on the main road (L106). Mainly single- to two-storey residential properties are located west, south-west and north of the property. Two- to three-storey apartment buildings are located east of the property. Due to its location the property has good accessibility and visibility.	The subject property is a ground floor bank branch with a lettable area of c. 212.24 sq m within a single- to three-storey residential and office property built in 1975 with traditional construction with masonry load-bearing walls. The owner of the subject property has a condominium share of 970/10,000. The projection of the bank branch has a flat roof while the main building has a pitched roof. The property is held on condominium tenure.	The property is currently 100% let to Sparkasse Südholstein. Sparkasse Südholstein has terminated the lease with effect from 20 December 2017 (and vacated the subject property at the beginning of 2015). The property has not yet been relet.	212	21,244	15,281	140,000
2	Bleck 1 24576 Bad Bramstedt	Bad Bramstedt (population of approx. 14,000) is a town in the district of Segeberg in the south of the federal state Schleswig-Holstein. The nearest larger towns are Itzehoe, Neumünster and Bad Segeberg (approx. 30 km away). The subject property is located in the centre of Bad Bramstedt and is adjacent to one of the main through-roads. The property is located in a mixed-use area. The surrounding area is mainly characterised by retail and residential properties. The subject property is accessible by both car and on foot. The property has very good visibility which is only restricted to the north by a seven-storey residential property.	The subject property consists of a two-storey flat-roofed building forming part of a larger property and held on condominium tenure. The overall property consists of a seven-storey residential and office building and this two-storey flat-roof building, both building parts are connected via a one-storey connecting building. The property was built in 1972 and has a reinforced concrete frame. The owner of the subject property has a condominium share of 416,571/1,000; there are also 3 garages held on individual ownership. The subject property accommodates a bank branch (Sparkasse) on the ground floor (banking hall) and first floor (office areas) of the two-storey flat-roof building. The property is held on condominium tenure.	The property is currently 96% let to 1 tenant (office) and 2 tenants (garage) with a WAULT of 8.6 years. The main tenant is Sparkasse Südholstein.	997	80,306	71,948	1,070,000
3	Oldesloer Strasse 24 23795 Bad Segeberg	Bad Segeberg (population of approx. 17,000) is the capital of the district Segeberg in the south of the federal state Schleswig-Holstein. The nearest large city is Lübeck, approx. 30 km away. The subject property is centrally located at the south-east end of the pedestrian zone of Bad Segeberg. The main road is located approx. 200 m west of the subject property. The property is located in a mixed-use area. It is adjacent to residential and office buildings to the north, east and south. The property is easily accessible by car. Due to its location in the pedestrian zone and its size, it has good visibility from the east and west.	The property was built in 1981/1982. It is a multi-storey office property with a basement and an underground car park. It has a reinforced concrete frame with infill masonry and a flat roof. The property is held on the equivalent of freehold.	The property is currently 96% let to 5 tenants with a WAULT of 7.1 years. The main tenant is Sparkasse Südholstein.	9,185	643,761	616,113	8,450,000
4	Königsstrasse 19-21 25355 Barmstedt	Barmstedt (population of approx. 10,100) is a town in the district of Pinneberg in the south of the federal state Schleswig-Holstein. The nearest larger town is Elmshorn approx. 10 km away. The subject property is adjacent to the main through- road. The market square, the centre of Barmstedt is located 300 m west of the subject property. The immediate vicinity is mainly characterised by residential areas. Occasional local shopping facilities are located 300 m away. Due to its location in a smaller side road, the property has an average visibility.	The property was built in 1911 and has been subject to several reconstructions and extensions. The residential and office property has a basement and consists of a two-storey old building and a single-storey extension. It has a masonry structure and a reinforced concrete frame with a brick facade. A hipped roof covers both building parts. The single-storey building part at the rear of the property has a flat roof. The property includes 34 external and 2 internal parking spaces. The property is held on the equivalent of freehold.	The property is currently 100% let to 3 tenants with a WAULT of 7.6 years. The main tenant is Sparkasse Südholstein.	1,257	101,637	97,413	1,380,000

No.	Address	Location Description	Property Description and Tenure	Letting status (on the basis of sq m)	Lettable area sq m	Gross Rental Income (p.a.) EUR	Market Rent (p.a.) EUR	Fair Value (as at 31 March 2017) EUR
5	Dorfstrasse 29 23815 Geschendorf	The village of Geschendorf (population of approx. 550) is a municipality in the district of Segeberg in the south of the federal state Schleswig-Holstein. The nearest town is Bad Segeberg, approx. 10 km away. The subject property is adjacent to the main road of the village. It is located in a rural residential area with mainly residential properties. The property has good visibility from the main road in Geschendorf. Due to its central location in the village, it is easily accessible. The motorway A20 (2 km) is accessible within a few minutes' driving time.	The subject property is a two-storey stand-alone residential and office building, built in 1985. There is a residential unit on the first floor. The property has a reinforced concrete frame and has a basement. The subject property includes 6 external and 1 internal parking spaces. The property is held on the equivalent of freehold.	The property is currently 100% let to 2 tenants with a WAULT of 0.6 years. The main tenant is Sparkasse Südholstein.	316	21,626	17,194	200,000
6	Kuhberg 11-19/ Kieker Strasse 1-15 24534 Neumünster	Neumünster (population of approx. 80,000) is an urban district in the federal state of Schleswig-Holstein. The subject property is located at the junction of Kuhberg/Kieker Strasse in the centre of Neumünster. The main retail street Grodtecken is only 250 m from the subject property. The immediate surroundings are characterised by mixed-used mainly residential and commercial buildings. Due to its size, structure and locations, visibility is very good. It is only partially limited to the rear of the property. The motorway A7 can be reached via the junction Neumünster-Mitte (5 km).	The subject property is a five-storey residential and commercial building with three building parts. Building part A was completed in 1993, part B in 1956 and part C in 1995. All parts have traditional load-bearing walls and an insulated flat roof. Parts A and B as well as parts A and C are connected via a bridge. The subject property has 20 interior parking spaces and 22 exterior parking spaces. The property comprises office space (9,618 sq m), storage space (1,989,16 sq m) and residential space (200,52 sq m). The property is held on the equivalent of freehold.	The property is currently 100% let to 5 tenants with a WAULT of 8.4 years. The main tenant is Sparkasse Südholstein. The gross rental income is generated mainly by office use (approx. 93% of the total gross rental income), storage use (6%) and residential use (1%). Sparkasse Südholstein occupies 11,350 sq m.	11,808	1,046,424	1,039,709	15,200,000
7	Am Markt 1 24610 Trappenkamp	The village of Trappenkamp (population of approx. 5,100) is located in the rural district of Segeberg in the south of the federal state of Schleswig-Holstein. The nearest large town is Neumünster (21 km). The subject property is located on a corner site in the village centre. The immediate surroundings are characterised by mixed-uses including a school, the town hall, a residential high-rise and several retailers. Due to its exposed location, the visibility from all directions is very good.	The subject property is a two-storey residential and commercial building with four units and was completed in 1985. The commercial units are mostly on the ground and first floor. Two residential units on the top floor were converted from staff rooms to apartments in 2005. The property is held on the equivalent of freehold.	The property is currently 100% let to 3 tenants with a WAULT of 0.6 years. The main tenant is Sparkasse Südholstein.	787	58,517	51,368	570,000
8	Markt 1 23812 Wahlstedt	Wahlstedt (population of approx. 9,300) is a town in the rural district of Segeberg in the south of the federal state of Schleswig-Holstein. The nearest larger town is Bad Segeberg (8 km). The subject property is located in the town centre directly on the town's main road. The immediate surroundings are characterised by mixed-uses including public properties, residential and commercial buildings as well as some light industrial premises. Due to the location and the atrium-like layout of the building complex, the visibility is partly limited and is therefore average.	The subject property is a two-storey residential and commercial building with a reinforced concrete frame and was completed in 1975. The main tenant is using the basement floor and parts of the ground floor for commercial purposes. The residential unit on the first upper floor is also let. The property has traditional load-bearing walls and a brick facade. The property is held on the equivalent of freehold.	The property is currently 100% let to 3 tenants with a WAULT of 0.8 years. The main tenant is Sparkasse Südholstein.	1,346	89,608	70,340	830,000

No.	Address	Location Description	Property Description and Tenure	Letting status (on the basis of sq m)	Lettable area sq m	Gross Rental Income (p.a.) EUR	Market Rent (p.a.) EUR	Fair Value (as at 31 March 2017) EUR
9	Königsbrücker Strasse 121a 01099 Dresden	Dresden (population of approx. 543,000) is centrally located in the federal state Saxony. The city is the capital of Saxony and its largest city. The subject property is located in the northern part of Dresden in the district Albstadt which is part of the urban district Neustadt. The city centre is located approx. 5 km south of the property. The property has good visibility due to its location at the federal road Königsbrücker Straße (B97).	The subject property is a four-star hotel consisting of a modern U-shaped five-storey building and an integrated single-storey building which is protected as a historic monument. The new building has a reinforced concrete frame and was built in 1997. The ballroom was built in 1886. The subject property has 148 hotel rooms and suites (60 double-rooms, 3 single-bed-rooms, 85 twin-bed-rooms), the historic ballroom ("Lindengarten"), seven conference rooms, two restaurants, a piano bar, a fitness and sauna area, housekeeping and administrative rooms and an underground car park with 78 parking spaces. In addition there are 70 external parking spaces on site. The property is held on the equivalent of freehold.	Currently, the subject property is 100% let to one tenant with an unexpired lease term of 12.3 years. The tenant is RIMC Dresden (hotel).	11.554	760.557	770.953	9.740.000
10	Friedrich-Engels-Ring 52 17033 Neubrandenburg	Neubrandenburg (population of approx. 63,000) is located in the federal state Mecklenburg-Western Pomerania and is the third largest city of the federal state measured by inhabitants. The nearest larger cities are Rostock (120 km) and Berlin (140 km). The subject property is located at the edge of the city centre of Neubrandenburg, next to the three-lane federal road B96/Friedrich-Engels-Ring. The market square, which is the historic city centre, is located approx. 550 m east of the subject property. Due to its location, the property has good visibility.	The subject property is an office and commercial property consisting of four buildings with office, service and retail areas and divided as follows: a) two-storey office building; b) four-storey office and retail building with a set-back floor; c) four-storey office building with set-back floor; d) four-storey office building. The building complex was built in 1997 and is of traditional construction with masonry load-bearing walls with a brick and rendered facade. The property is held on the equivalent of freehold.	The subject property is currently 80% let to multiple tenants with a WAULT of 3.0 years. The main tenant is Deutsche Bank AG.	7.449	600.190	621.433	7.050.000
11	Großbeerenstrasse 231 14480 Potsdam	Potsdam (population of approx. 167,000) is centrally located in the federal state Brandenburg. It is adjacent to the German capital Berlin in the north-east. Potsdam is the capital of Brandenburg and its largest city. The subject property is located at the eastern periphery of Potsdam in the urban district Dreetz in an industrial area. It is located approx. 0.5 km away from Filmpark Babelsberg and 7 km from the city centre. Due to its location next to the main road Großbeerenstrasse and its prominent architecture, the property has good visibility.	The subject property is a four-storey office building with a restaurant area on the ground floor, office areas on the ground and upper floors and a basement car park. The property consists of three square four-storey buildings with three-storey connecting elements. The top storey of each building is set back. The subject property has a reinforced concrete frame with solid walls and a flat roof. It was built in 1996. The property is held on the equivalent of freehold.	The subject property is currently 97% let to multiple tenants with a WAULT of 5.2 years. The main tenant is SBB Sonderabfallgesellschaft (office).	3.828	313.143	336.979	4.210.000
12	Max-Planck-Ring 26/28 40764 Langenfeld	Langenfeld (population of approx. 38,000) is centrally located in the federal state North Rhine-Westphalia and is part of the district Mettmann. The nearest large cities are Cologne (30 km) and Düsseldorf (22 km). The subject property is located in the rural district Reichrath, in commercial and industrial area in the north of Langenfeld. The town centre of Langenfeld is located 4.5 km south of the subject property. Due to its size and location, the building complex has very good visibility.	The subject property consists of two different buildings and was built as an office and production property. The property is a stand-alone property without a basement. It is a flat, square building with two upper floors and a reinforced concrete frame with facade panels. In 2016 a photovoltaic system was installed on the roof of the subject property. The property is held on the equivalent of freehold.	The subject property is currently 100% let to three tenants (including the leaseholder of the photovoltaic system) with a WAULT of 2.9 years. The main tenant is WISAG.	10.941	775.613	694.002	7.430.000

No.	Address	Location Description	Property Description and Tenure	Letting status (on the basis of sq m)	Lettable area sq m	Gross Rental Income (p.a.) EUR	Market Rent (p.a.) EUR	Fair Value (as at 31 March 2017) EUR
13	Marconistrasse 4-8 50769 Cologne (Köln)	Cologne (population of approx. 1,060,000) is located in the south of the federal state North Rhine-Westphalia and is the largest city of the federal state. The subject property is located on a connecting road in the commercial area Feldkassel. The commercial area is located in the urban district Rheinkassel, which is part of Chorweiler. The city centre of Cologne is located approx. 12 km north of the subject property. Visibility is only slightly restricted by surrounding properties.	The subject property is a two-storey warehouse with office areas and without basement. It has a reinforced concrete frame with laminated timber. The facade is mainly made of non-insulated trapezoidal sheets. The office areas have a façade clad with EIFS-mouldings. The property has a pitched roof covered with trapezoidal sheets. In 2013 a photovoltaic system was installed on the roof of the building. The property is held on the equivalent of freehold.	The subject property is currently 100% let to two tenants (including the leaseholder of the photovoltaic system) with a WAULT of 5.9 years. The main tenant is Becher GmbH & Co. KG.	9,640	334,000	345,000	3,700,000
14	Zeughausstrasse 13 59872 Meschede	Meschede (population of approx. 30,000) is located in the west of the federal state North Rhine-Westphalia and is the administrative centre of the Hochsauerland district. The nearest cities are Dortmund (72 km), Siegen (80 km) and Kassel (110 km). The subject property is located at the edge of the centre of Meschede, approx. 500 m east of the town centre. Due to its set-back location and surrounding properties, the visibility of the subject property is restricted.	The subject property was built as a single-storey and partly two-storey supermarket. The property is almost square in shape and set back. It has a reinforced concrete frame with a rendered facade and a pitched roof. The property is held on the equivalent of freehold.	The subject property is currently 100% let to one tenant with an unexpired term 2.2 years. The tenant is Dänisches Bettenlager GmbH & Co. KG.	1,095	42,048	52,560	430,000
15	Bahnhofstrasse 20a-e 45731 Waltrop	Waltrop (population of approx. 29,000) is located in the north of the Ruhr area in North Rhine-Westphalia and is part of the district of Recklinghausen. The nearest cities are Recklinghausen (17 km), Dortmund and Herne (both 25 km). The property is located at the edge of Waltrop's pedestrian zone, in the corner of the church square. It is accessible via two roads. The property has good visibility and is the largest building apart from the adjacent city hall.	The subject property was built in 1989 with traditional construction with masonry load-bearing walls. It consists of a supermarket, another retail unit, three offices and an apartment. The roof is a half-hipped and tiled. The property is held on condominium tenure.	The subject property is currently 85% let to three tenants with a WAULT of 3.6 years. The main tenant is EDEKA-Handelsgesellschaft.	2,124	212,741	237,552	2,530,000

No.	Address	Location Description	Property Description and Tenure	Letting status (on the basis of sq m)	Site Area sq m	Guideline Land Value (due date) EUR	Fair Value (as at 31 March 2017) EUR
16	Hartmannstrasse 1 09111 Chemnitz	Chemnitz (population of approx. 249,000) is located in the south-west of the federal state Saxony. The nearest larger cities are Dresden (78 km) and Gera (70 km). The subject property is located in the city centre of Chemnitz at the busy crossroads of Hartmannstrasse/Theaterstrasse. The market square of Chemnitz is located approx. 400 m away from the property. Due to its location at the crossroad of Hartmannstrasse/Theaterstrasse, the subject property has good visibility from the north and the south. Its visibility is limited from the east due to multi-storey properties in the surroundings of the subject property.	The subject property is an undeveloped site with a total site area of 3,520 sq m. The site is level and almost square, only to the south and southeast it is somewhat irregularly shaped. Two pavilions are on the northern and southern part of the site. Several parking spaces are in the centre of the site, access is via Hartmannstrasse. The site is partly sealed (pavement and tar) and partly landscaped (lawn, trees, bushes). The development potential of the site is high due to its location, layout and size.	The two pavilions on the site are currently used as food stalls and are not structurally connected to the ground. The current type of use of the site is considered to be unsustainable. The property is held on the equivalent of freehold.	3,520	480 (31.12.2015)	1,690,000

PROPERTY DATA OVERVIEW – PROPERTIES HELD BY SUBSIDIARIES OF FAIR VALUE REIT AG

No.	Address	Location Description	Property Description and Tenure	Letting status (on the basis of sq m)	Lettable area sq m	Gross Rental Income (p.a.) EUR	Market Rent (p.a.) EUR	Fair Value (as at 31 March 2017) EUR
1	Nossener Brücke 8-12 01187 Dresden	Dresden (population of approx. 543,000) is centrally located in the federal state Saxony. The city is the capital of Saxony and its largest city. The office and commercial property is located approx. 3 km south of the city centre in the district Südvorstadt West. The property is located at the intersection of the two-lane main roads Nossener Brücke and Chemnitzstr. Due to its size and its location, the property has good visibility which is only slightly limited by adjacent properties.	The property was built in 1997 and has a reinforced concrete frame. It is an office and commercial property with retail areas on the ground floor, office areas on the upper floors and a two-storey basement car park. The property consists of three square six-storey buildings with five-storey connecting elements. The top storey of each building is set back and has a roof terrace. The property is held on the equivalent of freehold.	The subject property is currently 85% let to multiple tenants with a W.A.U.L.T. of 1.4 years. The main tenant is Bundesanstalt für Immobilienaufgaben (office).	8,791	675,997	738,036	6,880,000
2	Lerchenbergstraße 112/113, Annendorfer Straße 15/16 06886 Lutherstadt Wittenberg	Lutherstadt Wittenberg (population of approx. 46,000) is located in the east of the federal state of Saxony-Anhalt. The nearest larger cities are Berlin/Potsdam (81 km), Leipzig (71 km) and Magdeburg (85 km). The property is located in the northern part of Wittenberg in the district Teuchel. The local shopping centre is located directly in the residential area Lerchenberg, an estate of prefabricated buildings. The city centre is located approx. 3 km south-west of the property. Due to its size, the property has good visibility from the surrounding area.	The subject property "Lerchenberg-Center", built in 1994, provides local shopping facilities. It is let to 30 tenants and consists of four building elements. In addition to retail areas, there are surgeries and office areas; the total area is 14,710 sq m. The property comprises retail space (12,086 sq m), office space (2,401 sq m) and other space (224 sq m). The property includes 438 external and 151 internal parking spaces. The property is held on the equivalent of freehold.	The subject property is currently 95% let to multiple tenants with a W.A.U.L.T. of 5.9 years. The main tenant is a Kaufland hypermarket (retail), occupying 7,146 sqm; other major tenants are Rossmann, Takko and Deichmann. The gross rental income is generated mainly by retail use (90% of the total gross rental income) and office space (9%).	14,710	1,680,449	1,557,804	21,600,000
3	Hartmannstraße 3a-7 09111 Chemnitz	Chemnitz (population of approx. 249,000) is located in the south-west of the federal state Saxony. The nearest larger cities are Dresden (78 km) and Gera (70 km). The subject property is located in the city centre of Chemnitz at the busy crossroads of Hartmannstraße/Theaterstraße. The market square of Chemnitz is located approx. 400 m away from the property. Due to its location next to the road Hartmannstraße, the building complex has good visibility from the north and the east. Its visibility is limited from the west and south due to multi-storey properties in the surroundings of the subject property.	The subject property is known as SchmidtBank-Passage for historical reasons. It is a high-quality four-storey city-centre office and commercial property with a basement car park. Two single-storey pavilions are located on the southern part of the property site. The property is trapezoidal in shape and has a large internal courtyard. Residential and restaurant areas are located in the ground floor, office and archive rooms are located in the upper floors. The property is held on the equivalent of freehold.	The subject property is currently 92% let to multiple tenants with a W.A.U.L.T. of 2.3 years. The main tenant is Commerzbank (office).	8,380	607,214	638,203	7,470,000
4	Am alten Bad 1-7, Theaterstraße 34a 09111 Chemnitz	Chemnitz (population of approx. 249,000) is located in the south-west of the federal state Saxony. The nearest larger cities are Dresden (78 km) and Gera (70 km). The property is located west of the city centre, only separated from it by the road Theaterstraße. The market square of Chemnitz is located approx. 500 m away from the property. There is a prime retail location, the Straße der Nationen, located approx. 500 m away from the subject property. It has four storeys and is surrounded by paved open areas and has very good visibility from three directions.	The subject property is a city-centre four-storey residential and commercial property with retail areas on the ground floor and office areas together with single- to four-room-apartments on the upper floors. The property has a basement and a reinforced concrete frame with a single-pitched roof with metal coating. The building has a basement car park which is accessible via the basement car park of the SchmidtBank-Passage opposite and which cannot be physically separated from this car park. The property is held on the equivalent of freehold.	The subject property is currently 91% let to multiple tenants with a W.A.U.L.T. of 2.1 years. The main tenant is Euro Schulen GmbH.	5,110	424,984	459,653	5,980,000

No.	Address	Location Description	Property Description and Tenure	Letting status (on the basis of sq m)	Lettable area sq m	Gross Rental Income (p.a.) EUR	Market Rent (p.a.) EUR	Fair Value (as at 31 March 2017) EUR
5	Heinrich-Lorenz-Straße 35 09120 Chemnitz	Chemnitz (population of approx. 249,000) is located in the south-west of the federal state Saxony. The nearest larger cities are Dresden (78 km) and Gera (70 km). The property is located in the southern part of Chemnitz, approx. 3 km away from the city centre and 4 km from the main station. The district is characterised by older commercial and residential buildings. Due to its location at the crossroads of Heinrich-Lorenz-Straße/Paul-Gründer-Straße as well as a projection above the main entrance, the property has good visibility.	The subject property is a functional L-shaped six-storey office building with four retail units on the ground floor. The property was built in 1998 and has a reinforced concrete frame with a flat roof and a curtain facade. The property is held on the equivalent of freehold.	The subject property is currently 100% let to two tenants with unlimited lease terms. The main tenant is Jobcenter Chemnitz (office).	5.845	461.928	423.296	4.020.000
6	Rheinstraße 8 14513 Teltow	Teltow (population of approx. 25,000) is part of the Potsdam-Mittelmark district in the federal state Brandenburg and is located south of the Berlin borough Steglitz-Zehlendorf. The nearest cities are Berlin and Potsdam (both 20 km away). The subject property is located in the western part of Teltow in the commercial area Techno Terrain Teltow. The town centre of Teltow is approx. 3 km away, the city centre of Berlin is approx. 18 km away. Due to its location next to the road Rheinstraße the property has good visibility which is only slightly restricted by surrounding properties and greenery.	The subject property is an office property with office, conference and training areas on the ground and upper floors and a two-storey basement car park. The subject property consists of a rectangular building with an internal courtyard that is connected to an almost identical U-shaped neighbouring building (not forming part of the subject property). The property has a reinforced concrete frame with solid walls and a flat roof. It was built in 1995. The property is held on the equivalent of freehold.	The subject property is currently 98% let to multiple tenants with a WAULT of 2.3 years. The main tenant is Olympus Winter & Ice GmbH (office).	9.913	771.041	778.109	9.170.000
7	Nordpassage 1 15890 Eisenhüttenstadt	Eisenhüttenstadt (population of approx. 30,400) is located in the east of the federal state Brandenburg and is located next to the Polish border. The nearest cities are and Frankfurt/Oder (30 km), Cottbus (60 km) and Berlin (123 km). The property is located in the north-western part of the city and is the main shopping location of the city. The station is located approx. 1.7 km east of the subject property. Due to its size and location, the property has very good visibility.	The subject property City-Center Eisenhüttenstadt (CCE) is a mainly single-storey retail warehouse centre. Alongside retail units on the ground floor, it also has office space in parts of the first floor (centre management, office areas of the former anchor tenant real-). The property comprises retail space (25,133 sq m), office space (2,092 sq m), storage space (2,919 sq m) and restaurant space (222 sq m). Due to the former anchor tenants real- and Praktiker vacating in 2014/2015 the subject property has been extensively modernised since 2015. Up to Q1 2017 leases with new anchor tenants (Edeka, Penny, Rossmann, Woolworth) have been concluded and major parts of the revitalisation measures have been completed. The property is held on the equivalent of freehold.	The subject property is currently (as at the valuation date as well as at the date of this report) 67% let to multiple tenants (11% structural vacancy) with a WAULT of 5.4 years. The main tenant is Edeka. As at the date of valuation the lease had been concluded, although handover was in April and the rent payment start was on 16 May 2017. The gross rental income is generated mainly by retail use (92% of the total gross rental income) and storage use (3%).	30.367	2,046,432 (2,245,224 incl. Edeka rent)	3,079,387	26.900.000
8	Kröppeliner Straße 26-28 18055 Rostock	Rostock (population of approx. 206,000) is located in the north of the federal state Mecklenburg-Western Pomerania on the Baltic coast. It is the largest city of the federal state. The subject property "Galerie Rostocker Hof" is located in the centre of the historic old town of the hanseatic city of Rostock in the pedestrian zone Kröppeliner Straße. The historic part of the subject property fronting Kröppeliner Straße has good visibility due to its location and its prominent architecture. However, the visibility of the main entrance to the shopping centre on Kröppeliner Straße is restricted. Further building parts have restricted visibility due to the densely built-up surroundings.	The subject property "Galerie Rostocker Hof" is a mixed-used building with 43 retail units, a 4-star, 152-room hotel trading as "pentahotel", office space and a two-storey basement car park. The floor areas total hotel space (8,055 sq m), retail space (7,923 sq m), office space (2,479 sq m), storage space (745 sq m) and other space (105 sq m). The property consists of several, mainly four-storey, buildings (historic old building fronting Kröppeliner Straße and new buildings with a glass- roofed round atrium fronting Altbettelmonchstraße, Schwainschestraße and Rungestraße). Restoration and rebuilding measures were completed in 1995. The underground car park provided 300 internal parking spaces. The property is held on the equivalent of freehold.	The subject property is currently 96% let to multiple tenants with a WAULT of 5.0 years. The main tenant is HPI Germany Hotelbesitz GmbH; the main retail tenants are Rossmann, Gabriele Coccato and strobelholic GmbH. The gross rental income is generated mainly by retail use (52% of the total gross rental income), hotel use (32%), the income from the operator of the car park (9%) and office use (5%).	19.306	4,271,388	3,865,806	64.900.000

No.	Address	Location Description	Property Description and Tenure	Letting status (on the basis of sq m)	Lettable area sq m	Gross Rental Income (p.a.) EUR	Market Rent (p.a.) EUR	Fair Value (as at 31 March 2017) EUR
9	Pascalköhre 15/15a 25431 Quickborn	Quickborn (population of approx. 20,000) is located in the south of the federal state Schleswig-Holstein and is part of the district Pinneberg. The nearest larger towns are Norderstedt (9 km), Hamburg (23 km) and Neumünster (50 km). The office property Pascalköhre 15/15a is located in the industrial area Nord in Quickborn-Heide. A motorway junction of the motorway A7 is located less than 1 km away from the subject property. The town centre of Quickborn is located approx. 5 km away from the subject property. The visibility of the property is slightly restricted due to surrounding multi-storey properties and greenery.	The subject property is a rectangular office property with office, training and data centre areas and parking spaces. The top floor is set back. The four-storey property has a reinforced concrete frame with solid walls and a flat roof and was built in 1995. In addition, the property has a basement. The property is held on the equivalent of freehold.	The subject property is currently 100% let to one tenant with an unexpired lease term 4.9 years. The tenant is comdirect bank AG.	10.570	1.147.314	1.122.917	15.600.000
10	Vor den Führen 2 29221 Celle	Celle (population of approx. 70,000) is located in the east of the federal state Lower Saxony and is the largest city and administrative centre of the eponymous district. The nearest larger cities are Hannover (43 km) and Wolfsburg (70 km). The subject property is located next to the multi-lane road Wilhelm-Heinrich-Ring in the urban district Westercelle and south of the city centre. The city centre of Celle is approx. 2.5 km away. Due to its location at the crossroads Wilhelm-Heinrich-Ring/Vor den Führen, the retail warehouse park has good visibility.	The subject property is a single-storey retail warehouse park accommodating a furniture store, a DIY store with a garden centre and a grill. The buildings were erected in 1992. They have a reinforced concrete frame with flat and pitched roofs for the entrance area (retail warehouse) and tent roofs (restaurant). The property is held on the equivalent of freehold.	The subject property is currently 100% let to three tenants with a WAULT of 5.7 years. The main tenant is hagebaumarkt Celle GmbH i.G. (DIY store and garden centre).	12.259	594.909	678.738	6.940.000
11	Altmarkter Straße 5 39307 Genthin	Genthin (population of approx. 15,000) is located in the east of the federal state Saxony-Anhalt and is part of the district Jerichower Land. The nearest large cities are Magdeburg (55 km) and Brandenburg (30 km). The subject property is located at the north-western edge of Genthin in the district Altenplathow. The town centre is located approx. 3 km away. Altmarkter Straße is a side road. The federal road B107 is located in the direct vicinity of the property. The property has good visibility.	The subject property is a two-storey office and retail property without a basement, built in 1993. The property was built with traditional construction with masonry load-bearing walls and reinforced concrete ceilings. The facade is of red brick. The property has a pitched and tiled roof. The property has five lettable units. The property is held on the equivalent of freehold.	The subject property is currently 78% let to two tenants with an unexpired term under 1.5 years. The main tenant is EDEKA-MIHA.	1.275	63.595	62.580	460.000
12	Hammer Straße 455-459 48153 Münster	Münster (population of approx. 310,000) is located in the north of the federal state North Rhine-Westphalia and is the political, cultural and economic centre of the Münsterland region. The subject property is adjacent to the busy federal road B54. The city centre is located approx. 5 km north of the property. As the property is a stand-alone building, it has very good visibility from the federal road.	The subject property was built in 1991. It is a single-storey DIY store with a garden centre of 7,353 sq m. The property has a reinforced concrete frame and aerated concrete walls. The flat roof is covered with bituminous sheeting. The property is held on the equivalent of freehold.	The subject property is currently 100% let to one tenant with an unexpired term 1.9 years. The tenant is Marktkauf Autonom (toom DIY).	7.353	716.407	617.628	7.340.000

No.	Address	Location Description	Property Description and Tenure	Letting status (on the basis of sq m)	Lettable area sq m	Gross Rental Income (p.a.) EUR	Market Rent (p.a.) EUR	Fair Value (as at 31 March 2017) EUR
13	Hannoversche Straße 39 49084 Osnabrück	Osnabrück (population of approx. 162,000) is located in the west of the federal state Lower Saxony and is the third largest city of the federal state measured by population. The nearest larger cities are Münster (60 km) and Bielefeld (55 km). The property is located approx. 1.5 km south-east of the city centre. Hannoversche Straße is a busy arterial road connecting the motorway A33 to the city centre. The property is adjacent to the main road and has good visibility from both directions of travel.	The subject property was built in 1989 and has a reinforced concrete frame. The single-storey property has no basement. The facade is of aerated concrete elements. The lettable area includes a retail warehouse and a fitness studio. The property is held on the equivalent of freehold.	The subject property is currently 100% let to two tenants with a WAULT of 2.0 years. The main tenant is Mc Fit GmbH.	4,207	302,492	302,917	3,170,000
14	Robert-Bosch-Straße 11 63225 Langen	Langen (population of approx. 37,000) is located in the south of the federal state Hesse and is part of the district Offenbach. The nearest city is Frankfurt (18 km). The subject property is adjacent to Robert-Bosch-Straße, a busy through-road leading through Neurott, an established commercial area in the northern part of Langen. The town centre is located approx. 2 km away from the property. Due to its size and location the building complex enjoy good visibility.	The subject property is a five-storey office and service building complex consisting of three connected buildings. It was built in 1994. Every building unit has space accessible via a separate entrance area. The property comprises office space (12,848 sq m), other space (441 sq m), storage space (249 sq m) and residential space (83 sq m). The site provides 135 internal and 42 external parking spaces. The property is held on the equivalent of freehold.	The subject property is currently 65% let to multiple tenants with a WAULT of 2.8 years. The main tenant is DEMIRE Deutsche Mittelstand Real Estate occupying 1,214 sqm. The gross rental income is generated mainly by office use (84% of the total gross rental income), the internal parking spaces (9%) and other uses (3%).	13,681	930,388	1,419,562	14,200,000
15	Vor dem Nebraer Tor 5 06268 Querfurt	Querfurt (population of approx. 10,900) is located in the west of the federal state of Saxony-Anhalt and part of the district Saalekreis. The nearest city is Halle/Saale (42 km). The subject property is located at an important southern-bound arterial road into the city, approx. 1 km from the centre of Querfurt. The surrounding is characterised of mixed uses. Due to its size and location at the well-frequented arterial road Vor dem Nebraer Tor, the subject property has good visibility from all directions.	The subject property is a retail warehouse agglomeration consisting of three single-storey buildings without a basement. The construction year is unknown. The buildings have reinforced concrete frames. The property includes a hypermarket, a beverage store and a discount. The buildings are located in a set-back location behind the parking area. The property is held on the equivalent of freehold.	The subject property is currently 100% let to two tenants with a WAULT of 5.5 years. The main tenant is real - SB-Warenhaus GmbH. Real is occupying two separate buildings (hypermarket and a beverage store). Aldi is occupying the discount store located in the south-eastern part of the plot.	9,331	980,988	982,930	11,400,000
16	Hochwaldstraße 20 02763 Zittau	Zittau (population of approx. 25,700) is located in the south-east of the federal state of Saxony close to the Czech and Polish borders and is part of the district Görlitz. The nearest city is Görlitz (approx. 36 km). The subject property is situated on Hochwaldstraße in a special use area with adjacent residential areas in the southern part of Zittau. The town centre is located approx. 1.5 km away from the property. Due to its size and location the visibility of the building complex is very good.	The subject property is a retail warehouse centre consisting of two mainly single-storey buildings without a basement and connecting roofed elements. The construction year is unknown. The property has a reinforced concrete frame. It is a retail warehouse centre with multiple tenants. The property consists mainly of a DIY store with a garden centre and a hypermarket. The property is held on the equivalent of freehold.	The subject property is currently 97% let to 10 tenants with a WAULT of 12.1 years. As at the date of valuation 5 retail units have been vacant. The main tenants are Rewe Markt GmbH and toom Baumarkt GmbH. In addition, Rewe has sub-let parts of the checkout area to a bakery and a butcher.	17,445	1,302,336	1,310,565	18,600,000

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