Fiscal year 1 January – 31 December 2018

Half-Year Financial Report

1H | 2018

DEMIRE
DEUTSCHE MITTELSTAND
REAL ESTATE

HIGHLIGHTS 1H 2018

KEY EARNINGS FIGURES

11.4

EUR MILLION

**1H 2018 FFO I results as expected
FFO I forecast
(after taxes, before minorities)
of EUR 16 to 18 million
in full-year 2018 confirmed**

62.4

EUR MILLION

**EBT rises sharply year-on-year
as a result of valuation gains
and reduced financial expenses**

KEY FINANCIAL RATIOS

52.5

PERCENT

**Significant reduction in
net loan-to-value ratio (net LTV)**

3.0

PERCENT P.A.

**Year-on-year decline
in average interest costs**

5.69

EUR

**Strong increase of EUR 0.75 per share
in EPRA NAV (diluted) since the end of 2017**

PORTFOLIO DEVELOPMENT

36.6

EUR MILLION

**Rental income – Strong operating performance
offsets decline from prior-year sale
of non-strategic real estate**

7.8

PERCENT

**Successful continued reduction
of 160 basis points in EPRA vacancy rate
compared to the end of 2017**

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Foreword by the Executive Board

Ladies and Gentlemen,

We have just completed an exciting and successful first half-year in 2018. Together with our new strategic investor, Apollo Global Management, who became a DEMIRE shareholder in February 2018 as part of a 10% capital increase, and our other anchor shareholder, the Wecken Group, we are working consistently on the continued implementation of the DEMIRE 2.0 strategy. With the conversion of the mandatory convertible bond in May and the early conversion of the majority of our outstanding convertible bonds in June by the two major shareholders, we were able to significantly strengthen our equity base as of the balance sheet date.

In the first half of 2018, we recorded another period of strong letting performance, which together with the continued positive environment in the rental markets led to a further increase in our valuation result. Thus, as of the balance sheet date, we were considerably closer to reaching a key objective of our DEMIRE 2.0 strategy, which is to reduce the net loan-to-value ratio to around 50%.

The good results in the first half of 2018 confirm the positive effects of our DEMIRE 2.0 strategy. Our key operating and financial ratios in the first half-year developed as follows:

- Funds from operations (FFO I, after taxes, before minorities) in the first half-year reached EUR 11.4 million
- Rental income amounted to EUR 36.6 million as planned
- Real estate portfolio achieved like-for-like growth in rents of 1.8%
- Valuation result increased to EUR 70.1 million in the first half of 2018
- EPRA vacancy rate declined by 160 basis points to 7.8% taking real estate already sold into consideration
- Net loan-to-value declined by a significant 760 basis points to 52.5% compared to the end of 2017
- EPRA NAV per share (diluted) increased by 75 cents to EUR 5.69 per share

Our particular focus in the second half of 2018 and beyond will be on implementing the planned growth of our real estate portfolio. To achieve this, we are working hard to expand our acquisition pipeline and our real estate network in a competitive investment market. Further reducing our net LTV and optimising our Group structure are also important building blocks and goals in expanding DEMIRE into a leading listed commercial real estate platform in Germany.

For the 2018 financial year, we confirm our current forecast for FFO I (after taxes, before minorities) of EUR 16 to 18 million and continue to expect to generate rental income of around EUR 71 to 73 million based on our current real estate portfolio.

Frankfurt am Main, 16 August 2018

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

DEMIRE at a Glance

KEY GROUP FIGURES

KEY EARNINGS FIGURES in EUR thousands	01/01/2018 –30/06/2018	01/01/2017 –30/06/2017
Rental income	36,557	37,231
Profit/loss from the rental of real estate	28,071	27,335
EBIT	**84,387**	**24,135**
Financial result	–22,028	–13,311
EBT	**62,359**	**10,824**
Net profit/loss for the period	**44,673**	**5,614**
Net profit/loss for the period attributable to parent company shareholders	**39,507**	**3,779**
Net profit/loss for the period per share (basic/diluted) in EUR	**0.66/0.65**	**0.07/0.07**
FFO I (after taxes, before minorities)	**11,361**	**4,905**
FFO I per share (basic/diluted) in EUR	**0.19/0.19**	**0.09/0.07**

KEY PORTFOLIO INDICATORS	30/06/2018	31/12/2017
Properties (number)	87	86
Gross asset value (in EUR millions)	1,104.7	1,034.1
Contractual rents (in EUR millions)	72.5	72.1
Rental yield (in %)	6.6	7.0
EPRA vacancy rate (in %)*	7.8	9.4
WALT (in years)	4.7	4.9

* Excl. properties held for sale

KEY BALANCE SHEET FIGURES in EUR thousands	30/06/2018	31/12/2017
Total assets	1,237,651	1,147,116
Investment properties	1,092,040	1,021,847
Non-current assets held for sale	12,685	12,262
Total real estate portfolio	**1,104,725**	**1,034,109**
Financial liabilities	673,601	694,915
Cash and cash equivalents	93,837	73,874
Net financial liabilities	**579,764**	**621,041**
Net loan-to-value in % (net LTV)	**52.5**	**60.1**
Equity according to Group balance sheet	402,752	319,101
Equity ratio in %	32.5	27.8
Net asset value (NAV) in the reporting period	364,813	285,417
EPRA NAV (basic/diluted)	420,355/420,608	323,572/335,620
Number of shares in thousands (basic/diluted)	73,065/73,870	54,271/67,885
EPRA NAV per share in EUR (basic/diluted)	**5.75/5.69**	**5.96/4.94**

FIRST IN SECONDARY LOCATIONS

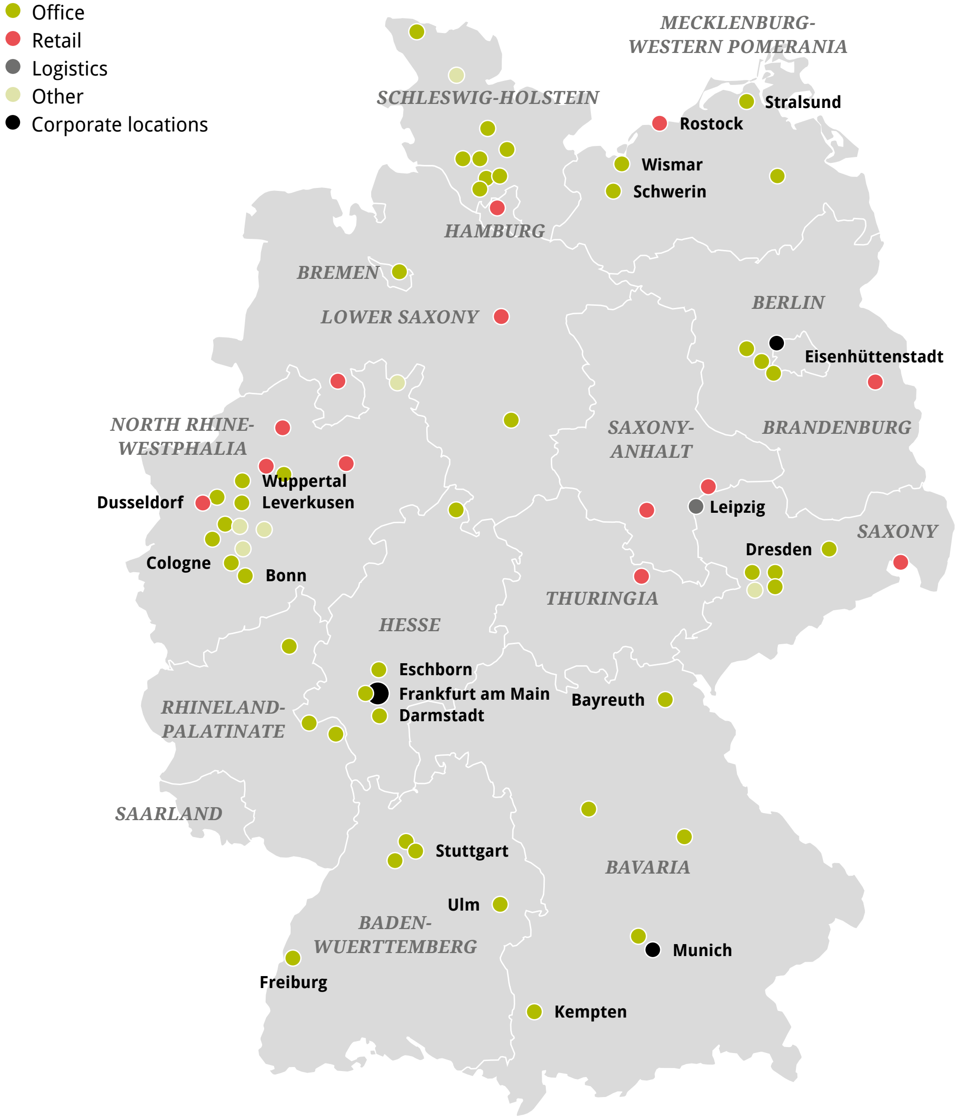
DEMIRE Deutsche Mittelstand Real Estate AG has commercial real estate holdings in mid-sized cities and upcoming regions bordering metropolitan areas across Germany. The Company's special strength lies in these secondary locations – First in Secondary Locations – and focuses on offering properties that are appealing to both internationally operating and local tenants. DEMIRE grew rapidly in the period from 2013 to 2016, not only through acquiring individual properties but also by acquiring company interests. At the end of the first half of 2018, DEMIRE maintained a portfolio with lettable space of around 1 million m², comprising a market value of EUR 1.1 billion.

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

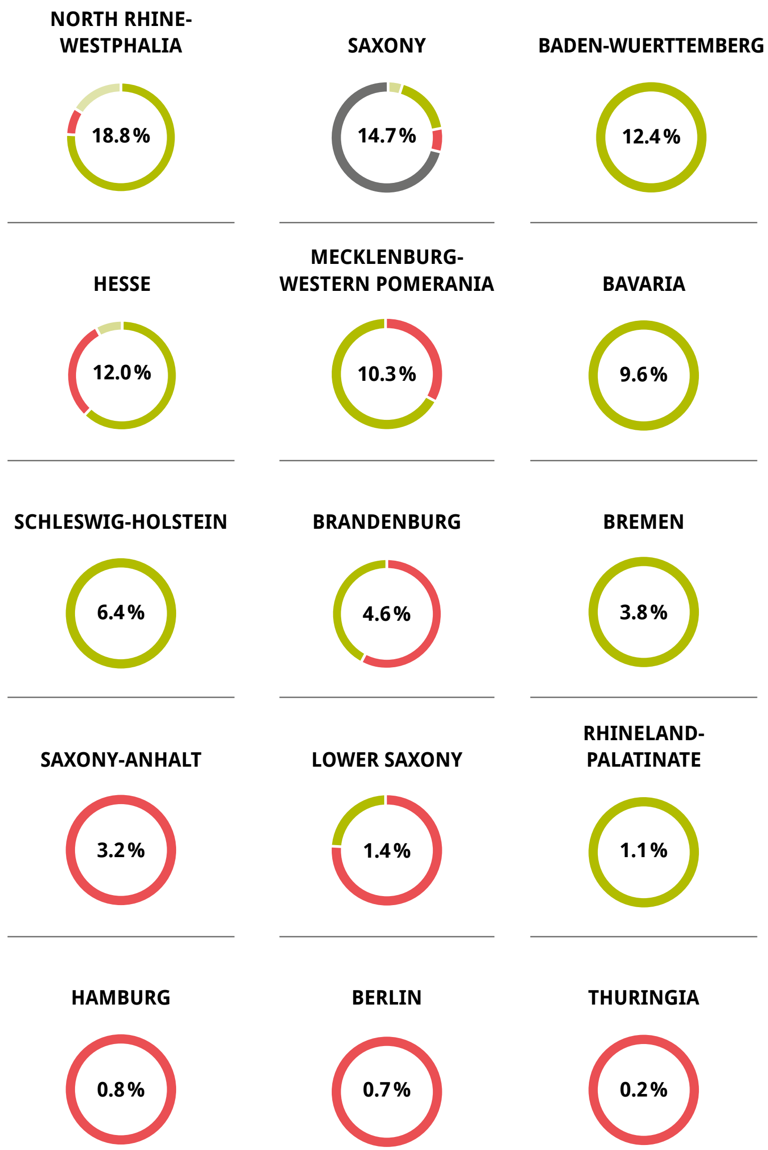
DEMIRE's goal is to further optimise its corporate structure. The Company firmly believes that economies of scale and portfolio optimisation can be best achieved using an active real estate management approach.

The shares of DEMIRE Deutsche Mittelstand Real Estate AG are listed on the regulated market (Prime Standard segment) of the Frankfurt Stock Exchange.

REAL ESTATE PORTFOLIO AND CORPORATE LOCATIONS



Share of total market value



DEMIRE ON THE CAPITAL MARKET

The strength in the international stock markets in the prior year diminished in the first half of 2018. Although the global economy was continuing its recovery, the pace had slowed. There was a sharp change in market sentiment compared to 2017. Equity and bond markets were highly volatile throughout the first six months of the year, despite robust economic indicators and inflation and a continuation in the central banks' loose monetary policy. In January 2018, the rise in the equity markets initially continued before undergoing a steep correction in February. Doubts about the stability of the worldwide synchronous recovery followed and were also reflected in the decline in the Ifo Business Climate Index. The increasing uncertainty that began in March 2018, however, can mainly be attributed to political risks.

The US economy also strengthened significantly on the back of tax reforms that took effect at the end of 2017, while momentum in other countries, such as Japan and most European countries, slowed. The US Federal Reserve (Fed) responded by continuing to normalise its monetary policy and has raised interest rates by 25 basis points each quarter, as expected. The Fed's most recent hike on 13 June 2018 brought the key interest rate 25 basis points higher from 1.75 to 2.0 %. The European Central Bank (ECB) announced the plan to end its bond buying programme at the end of 2018. At the same time, the ECB reaffirmed its commitment to continue its current interest rate policy for more than a year – an announcement that did not cause a rise in the euro's exchange rate. Monetary authorities will continue purchasing bonds worth EUR 30 billion per month until the end of September 2018, followed by half this amount (EUR 15 billion) in the months from October through December 2018. Starting in January 2019, monthly purchases will be eliminated completely, although the proceeds from maturing bonds will be reinvested. ECB President Draghi also stressed that interest rate increases will not be considered until at least the summer of 2019.

In this environment, the German benchmark index DAX reached an all-time high of 13,559 points in the first half of 2018 on 23 January, but in the months that followed it went on to plummet to a 12-month low of 11,787 points (26 March). At the end of the first half of 2018, the DAX closed at 12,306 points, which was equal to a decline of 4.7 % since the end of 2017.

Despite all, the global economy remains robust. Given the monetary policy anticipated in the second half of 2018, capital market experts remain optimistic about the outlook for the second half of 2018.

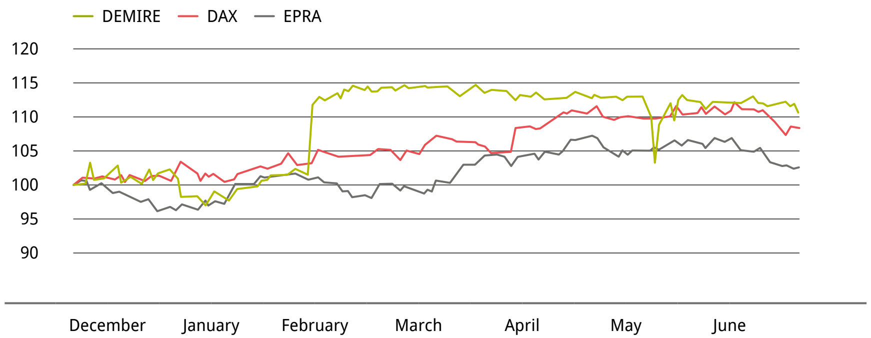
DEMIRE KEY SHARE DATA

SHARE	30/06/2018
ISIN	DE000A0XFSF0
Symbol/ticker	DMRE
Stock exchange	Frankfurt Stock Exchange (FSE); Xetra Open market in Stuttgart, Berlin, Dusseldorf
Market segment	Regulated market (Prime Standard)
Designated sponsors	BaaderBank, equinet Bank AG
Share capital	EUR 73,064,838
Number of shares	73,064,838
Closing price 29/06/2018 (Xetra)	EUR 4.28
Market capitalisation 29/06/2018	EUR 312.7 million
Free float < 3 %	15.6 %

DEMIRE SHARES

At the beginning of 2018, DEMIRE's share performance closely mirrored that of the German benchmark index DAX. DEMIRE shares reached their year-to-date low of EUR 3.74 on 31 January 2018 but then recovered in February, going on to outperform both the DAX and the key EPRA Developed Europe real estate index in the further course of the year. One of the main events driving this positive price performance was the announcement and subsequent placement of a 10% capital increase at a price of EUR 4.35 per share and the related addition of a new major shareholder, Apollo Global Management. DEMIRE shares rose above the EUR 4.00 threshold and closed at EUR 4.36 at the end of February, marking an increase of 12.9%. The DEMIRE share price remained stable at that level in the further course of the first half of 2018. On 9 April 2018, DEMIRE shares marked their year-to-date high at EUR 4.44, closing at the end of the half-year at EUR 4.28. Compared to the end of 2017, DEMIRE shares had increased by around 10.9% and outperformed both the EPRA Developed Europe index (–0.7%), which includes Europe's largest real estate companies, and the DAX index (–4.7%). The market capitalisation of DEMIRE as of 30 June 2018 was approx. EUR 313 million.

DEMIRE'S SHARE PERFORMANCE VS. THE INDICES IN 2018
in %



DEMIRE 2.0 STRATEGY

At the Annual General Meeting at the end of June 2017, DEMIRE defined concrete medium-term targets for the Company's further growth under the motto DEMIRE 2.0, which it would like to achieve based on a holistic action plan that includes optimising costs, streamlining the Group's structure and reducing financing costs. A key part of this plan is to double the current portfolio of roughly EUR 1.1 billion to a total of EUR 2 billion. In addition, a sustained increase in efficiency and economies of scale from this continued growth in real estate management are expected to bring about further reductions in the cost base. An improvement in the financing structure, also as a result of continually monitoring potential refinancing options in the debt and equity markets, is anticipated to reduce the average interest cost and bring down the net loan-to-value ratio to around 50%. In addition to increasing its market capitalisation, DEMIRE seeks to secure an "investment grade" risk profile to lock in sustainable, long-term financing at favourable terms for its future growth.

Significant milestones have been implemented since the announcement of the DEMIRE 2.0 strategy, including the extensive refinancing of existing liabilities in the second half of 2017. The first-time placement of a EUR 400 million rated, unsecured corporate bond with institutional investors and asset managers on the international capital markets has helped to significantly reduce the average financing cost from 4.4% p.a. at the end of 2016 to its current level of 3.0% p.a.

With the repayment of liabilities secured by land charges, approx. EUR 514 million of real estate values are currently unencumbered and available, representing approx. 47 % of the total real estate assets of the DEMIRE Group.

Another key step was the first significant optimisation in the Group's structure through the conclusion of various control and profit transfer agreements with Group companies as part of the Extraordinary General Meeting in November 2017.

During the first half of 2018, DEMIRE won Apollo Global Management in February 2018 as a new strategic investor in the course of a 10 % capital increase. With the conversion of the mandatory convertible bond in May and the early conversion of most of the outstanding convertible bonds in June by the two major shareholders, DEMIRE was able to significantly strengthen its equity base as of the balance sheet date and came considerably closer to reaching a key objective of the DEMIRE 2.0 strategy of reducing the net loan-to-value ratio to around 50 % as of the balance sheet date.

In the 2018 financial year, DEMIRE, together with the two anchor shareholders, Apollo Global Management and the Wecken Group, intends to continue implementing the DEMIRE 2.0 strategy. At the same time, DEMIRE plans to take consistent advantage of the internal and external growth drivers identified. In addition to further measures to optimise the Group's structure, the focus in the current financial year will specifically be on DEMIRE's expansion into a leading listed commercial real estate platform in Germany with a portfolio worth more than EUR 2 billion.

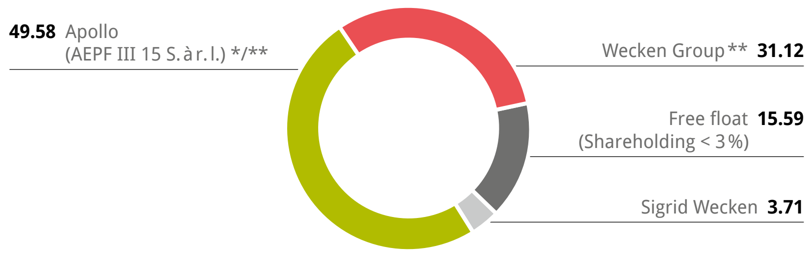
SHAREHOLDER STRUCTURE

DEMIRE's share capital increased by 13,368,320 shares as of 30 June 2018 to a total of 73,064,838 shares or EUR 73,064,838.00. This increase stemmed from the issue of subscription shares through the exercise of conversion rights in the first half of 2018 and the successful placement of a 10 % capital increase equalling 5,425,774 shares that took place in February 2018.

As a result, the shareholder structure changed significantly in the first half of 2018.

Leading to this change was the entry of managed funds from Apollo Global Management as a new strategic anchor shareholder in the context of the cash capital increase. Apollo Global Management, together with the Wecken Group, supports the implementation of the DEMIRE 2.0 strategy. As a part of the mandatory offer to existing DEMIRE shareholders published on 16 April 2018 to acquire additional shares at an offer price of EUR 4.35, Apollo Global Management continued to increase its shareholding in the second quarter. In June 2018, various funds managed by Apollo and the Wecken Group also converted convertible bonds with a total volume of EUR 10.27 million into DEMIRE shares.

SHAREHOLDER STRUCTURE
in %



Source: WpHG notifications and Company's own calculations
* Incl. subsidiaries ** Action in concert
(As of July 2018)

2017 / 2022 CORPORATE BOND

Name	DEMIRE 2017 / 2022 Corporate Bond
Issuer	DEMIRE Deutsche Mittelstand Real Estate AG
Rating	Ba2 (Moody's), BB+ (S & P)
Stock market listing / quotation	Open market of the Luxembourg Stock Exchange, Euro MTF
Applicable law	New York law
ISIN	Sale under Regulation S: XS1647824173; sale under Rule 144A: XS1647824686
WKN	Sale under Regulation S: A2GSC5; sale under Rule 144A: A2GSC6
Issuing volume	EUR 400,000,000
Issue price	100 %
Denomination	EUR 100,000
Coupon	2.875 %
Interest payment	On 15 January and 15 July, beginning with 15 January 2018
Maturity date	15 July 2022
Early repayment	NC2 at 101.438 % for the first time on 15 July 2019; 100.719 % on 15 July 2020; 100 % on 15 July 2021 and thereafter
Closing price 30 / 06 / 2018	101.22 %

2013 / 2018 CONVERTIBLE BOND

Name	DEMIRE DT.MTS.RE WDL13 / 18
Issuer	DEMIRE Deutsche Mittelstand Real Estate AG
Security type	Convertible bond
Issuing volume	EUR 11,300,000
Interest rate (coupon)	6 %
Interest payment	Quarterly, in arrears
Repayment	30 December 2018
Repayment price	100 %
Denomination	EUR 1
Conversion price	EUR 1
Paying agent	Bankhaus Gebr. Martin Aktiengesellschaft, Göppingen
ISIN	DE000A1YDDY4
Market segment	Frankfurt Stock Exchange

DEMIRE BONDS

The European bond markets were also more volatile in the first half of 2018. Similar to the stock market, political developments led to a widening of risk premiums, especially in the Italian government and corporate bonds, which were influenced by the outcome of the Italian elections and the formation of a Euro-critical populist government. Other European countries were equally affected but not to the same degree.

On 22 May 2018, the conversion of the 2015 / 2018 mandatory convertible bond in the amount of EUR 15 million into three million DEMIRE bearer shares was executed in accordance with the bond's terms and conditions.

The 2017/2022 corporate bond (ISIN: XS1647824173) has declined since its high for the year of 103.26% on 25 January to a price of 101.22% at the end of June 2018. The reason for the price development is the increased volatility in the market as a whole. On 16 April 2018, the publication of a takeover offer by the new major shareholder Apollo Global Management triggered a change of control. Under the terms of the bond, DEMIRE AG was required to offer its bond creditors early redemption of the bond at a price equal to 101% of the principal amount plus interest accrued and unpaid until the repurchase date ("repurchase offer") within 30 days of being notified of the change of control. DEMIRE AG published this repurchase offer i.a. on its website on 16 May 2018. The bondholders were able to claim redemption up to 11.00 a.m. on 14 June 2018. The acceptance of the redemption offer came to a total volume of EUR 33,375,000. Over the course of that period, the price of the 2017/2022 corporate bond moved towards the redemption price.

RATINGS FROM S&P AND MOODY'S

As part of the bond placement of the 2017/2022 corporate bond in the 2017 financial year, the internationally renowned rating agencies Standard&Poor's and Moody's issued a BB+ and Ba2 rating for the corporate bond for the first time. The bond rating awarded by Standard&Poor's is thereby one level below an investment grade rating. The company rating of DEMIRE awarded simultaneously by the two rating agencies is currently BB and Ba2, respectively, each with a stable outlook.

With the rating assessments, DEMIRE strengthens the transparency and independent assessment of its business activities. In the medium term, DEMIRE seeks to position its risk profile in the "investment grade" area in order to facilitate the financing of its planned growth at even more favourable terms.

The annual review of the S&P and Moody's ratings was conducted in June 2018. This review reconfirmed the current ratings of both the corporate bond and DEMIRE as a company.

DEMIRE'S RATING – 30/06/2018

RATING AGENCY	COMPANY RATING	OUTLOOK	BOND RATING
Standard&Poor's	BB	Stable	BB+
Moody's	Ba2	Stable	Ba2

ANNUAL GENERAL MEETING

On 27 June 2018, the Annual General Meeting of DEMIRE Deutsche Mittelstand Real Estate AG approved the resolution proposals of the Executive Board with significant majorities. At the request of Wecken&Cie., agenda items 6, 7, 8 and 10 of the Annual General Meeting were amended. Due to the entry of the new major shareholder (Apollo Global Management), the associated placement of a 10% capital increase in February 2018, and the conversion of convertible bonds in the first half of 2018 (which resulted in a significantly increased share capital), the authorised and conditional capital were newly resolved in their adjusted amounts. In addition, Prof. Dr Alexander Goepfert was newly elected to the Supervisory Board. At the Board's constituent meeting, he also assumed the position of Supervisory Board Chairman from Prof. Dr Hermann Wagner, who left DEMIRE's Supervisory Board at the end of the Annual General Meeting.

Interim Group management report for the first half of the 2018 financial year from 1 January until 30 June 2018

ECONOMIC REPORT

MACROECONOMIC ENVIRONMENT

At the beginning of the year, corporate expectations, in particular, had deteriorated and new industrial orders and exports declined significantly. The experts at the Institute for the World Economy (IfW Kiel) did not see the threatened or actually imposed punitive tariffs by the US, China and the EU as the only cause. In the view of the IfW, the flu epidemic, extensive strikes and a high number of public holidays are what triggered the slowdown in economic momentum in the first half of 2018. Real seasonally and calendar-adjusted gross domestic product (GDP) increased moderately by 0.3 % in the first quarter of 2018 compared to the previous quarter. In the second quarter, gross domestic product (GDP) increased by another 0.5 % versus the first three months of 2018.

The IfW Kiel lowered its expectation for 2018 GDP growth by 0.5 percentage points to 2 %. The main reason given for this revision was the damper in production at the beginning of 2018, the causes of which can be partially but not entirely attributed to the trade conflict with the United States. Despite the revision in the current 2018 gross domestic product growth forecast, economic researchers continue to believe that the German economy is in a boom. As a result, the experts are standing by their forecasts for GDP growth of 2.3 % in 2019. The unemployment rate is expected to fall further to below 5 %, and inflation is expected to settle at roughly 2 %.

The labour market continued to develop favourably in the first half of 2018 but was not as dynamic as in the winter months. Employment subject to social security continues to grow, and the demand for new employees remains high. Unemployment and underemployment are again showing seasonally adjusted declines. Compared to the previous year, the number of unemployed in June 2018 decreased by 197,000 or 8 %.The unemployment rate based on the entire civilian labour force stood at 5.0 % in June 2018, representing a decline of 0.5 percentage points in comparison to the prior year.

The Ifo Institute’s Business Climate Index – the most important leading indicator for the German economy – fell again in July, but not as strongly as economic researchers had originally expected, declining slightly from 101.8 points to 101.7 points. In the spring of 2018, the Ifo index had virtually collapsed, reaching its lowest level in several years in June. German companies believe the current environment is better than in the prior month. In view of the unexpected lower decline in the index, experts forecast the German economy to continue to expand in the second half of 2018, but at a slower pace.

REAL ESTATE MARKET DEVELOPMENT

Despite the political and economic volatility, the investment market was at the same level as in the previous year. At roughly EUR 25.6 billion (–1 %), the transaction volume on the German commercial real estate market reached almost the same level year-on-year. The fundamental dynamics and the associated number of transactions are comparable to the prior year. Based on this development, real estate experts at JLL continue to expect a transaction volume of around EUR 55 billion for the full 2018 financial year.

In the second quarter, real estate investors were specifically focused on the Top 7 locations, which accounted for around 63 % of the total transaction volume in Germany, representing a year-on-year increase of 29 %. Volumes dropped accordingly in the so-called "B" and "C" cities. At just under EUR 11.4 billion, or around 45 % of the transaction volume, the bulk of the volume was attributed to office property, clearly outperforming other types of use. Retail real estate accounted for 18 %, while the transaction volume of logistics properties was just in the double digits at 11 %.

Yields also continued to decline but showed a mixed development across all asset classes. Office real estate continued its trend and had only a very modest decline in the yields for top products in the best locations in the second quarter – although more and more "bottoming out" is emerging. At 3.24 %, the prime yield across all Top 7 locations barely moved compared to the prior quarter. JLL estimates that the year-on-year decline amounted to 23 basis points.

The real estate brokers JLL and Savills are seeing increasing investor interest in properties that meet the requirement of being very well located but have a lower construction quality and shorter residual maturities. Investors have therefore been turning their focus more and more towards the potential for rental price growth and value appreciation that they hope to realise though repositioning the properties and new lettings. The focus of investors here, too, is also office properties by a wide margin.

The strongest yield momentum can still be seen in logistics real estate. According to JLL, the prime yield in the Top 7 logistics regions is currently 4.25 % on average, amounting to another 15 basis points decline since the end of the first quarter. Unwavering demand from investors for well-positioned logistic warehouses and portfolios continues. The yield compression of nearly 70 basis points over the last 12 months illustrates this trend, which is compounded by persistently low availability.

Office properties

According to JLL, turnover in the seven office real estate strongholds has clearly stabilised and, at 1.83 million m², was almost at the same level as in the previous year. There has been, however, a deterioration in the amount of available space to such an extent that, according to JLL, properties that were formerly considered as high structural vacancy areas and intended for demolition or conversion to another use are now becoming attractive again for marketing as office space, due to the sharp rise in office rents. Over the last three months, the cumulative vacancy rate across the Top 7 locations fell again by 20 basis points to 4.3%.

JLL expects the second half of the year to show continuing high demand and a strong willingness for companies to relocate, coupled with a supply side that is becoming increasingly precarious. Turnover of 3.9 million m² is expected for the year as a whole. The volume of the previous year appears to be unattainable due to the shortage of space.

As a result, supply shortages are leading to rising rents. According to real estate broker Savills, rents are up to 1.2% higher over the prior quarter. By the end of the year, the increase is expected to amount to a further 3%. According to Savills, the imbalance between supply and demand is an ideal breeding ground for further rental price growth in almost all office strongholds. Some office users are turning to peripheral locations due to the higher rents in inner cities, especially since these areas offer a greater availability of space.

Retail properties

According to JLL, the retail rental market posted stable results in the first half of 2018. With total rental space of 239,100 m² for 521 individual deals, the first half of the year was only about 7,000 m² below the previous year.

The ten most important retail metropolises (Berlin, Hamburg, Leipzig, Hanover, Dusseldorf, Cologne, Frankfurt am Main, Stuttgart, Nuremberg and Munich) were again able to significantly increase their share of space and reached a total of 40% (96,300 m²). This compares to a share in the first half of 2017 of a mere 23% (56,600 m²).

As a result, prime rents are expected to remain constant for the Top 10 retail locations in Germany in the second half of 2018. According to JLL, among all 185 retail locations surveyed by size of population, rents in the two lowest size segments decreased the most versus the first half of 2017. The segment of 100,000–250,000 inhabitants recorded a decline of around 3% and reached even 5% for locations with under 100,000 inhabitants. The segment of 250,000–500,000 inhabitants fared better and lost 2%. The cities with more than 500,000 inhabitants, including the Top 10, also fell slightly, by 1%.

Logistics properties

According to the real estate broker CBRE, the German logistics property market achieved its strongest half-year result this year since the survey's inception. The deciding factor has been the high demand from the German economy, which is meeting a limited supply of space. As a result, further increases in rents are expected in the course of the year. Prime rents in the Top 5 locations (Berlin, Dusseldorf, Frankfurt/Rhine–Main, Hamburg and Munich) rose to EUR 5.90 per m²/month, corresponding to a year-on-year rise of 2.3%. Turnover in the first half of 2018 amounted to around 3.4 million m² (+17% compared to the same period in the prior year). Turnover for the full year is anticipated to be around 6.5 to 7 million m².

SECONDARY LOCATIONS – HIGHER YIELDS AND LESS RISK THAN IN "A" LOCATIONS

DEMIRE has real estate investments in 15 out of 16 federal states and concentrates on so-called "secondary locations". DEMIRE is convinced that Germany's "secondary locations", where DEMIRE possesses extensive local real estate know-how as well as a comprehensive network, offer better, more attractive and stable conditions than the real estate markets in the Top 7 locations.

DEMIRE, in cooperation with bulwiengesa, one of the largest independent analysis companies in the real estate industry, regularly publishes market studies focusing on the investment opportunities in German office real estate in secondary locations.

In their most recent study, published by DEMIRE in April 2018, an analysis of 31 cities showed that secondary locations have shown predominantly positive development in recent years and represent an interesting investment opportunity compared to the Top 7 locations. The Top 7 locations were able to achieve rental growth rates of 2.8% on average. In some secondary locations, even higher rent increases of up to 40% were achieved. Due to the lack of investment opportunities and the low level of yields in "A" markets, players are increasingly investing in secondary locations. In 2017, around EUR 15 billion in investment was made outside the large metro areas. The reason for the increased interest in secondary locations is the average higher yield that can be achieved along with the high stability in rents. Due to rising demand, the net initial yields of secondary locations are also decreasing. Nevertheless, the yield spread between "A" markets and secondary locations remains high at 2 percentage points. The volatility of rents and vacancy rates in secondary locations compared to "A" locations is also much lower.

The complete study published by DEMIRE and bulwiengesa is available on the *Company's website*.

https://www.demire.ag/en/real-estate/research

BUSINESS PERFORMANCE

The first half of 2018 was marked by the positive effects of the DEMIRE 2.0 strategy, with DEMIRE again achieving significant improvements in its operating performance and key financial ratios versus the same period of the prior year. The change in the shareholder base has also laid the groundwork for implementing the main objective of the DEMIRE 2.0 strategy, which is to concentrate on the planned growth of the real estate portfolio. The highlights in the first half of 2018 include the following:

- Funds from operations (FFO I, after taxes, before minorities) reached EUR 11.4 million in the first half-year
- Rental income amounted to EUR 36.6 million as planned
- Real estate portfolio achieved like-for-like growth in rents of 1.8 %
- Valuation result increased to EUR 70.1 million in the first half of 2018
- EPRA vacancy rate declined 160 basis points to 7.8 % taking real estate already sold into consideration
- Net loan-to-value declined by a significant 760 basis points to 52.5 % compared to the end of 2017
- EPRA NAV per share (diluted) increased by 75 cents to EUR 5.69 per share

REAL ESTATE PORTFOLIO

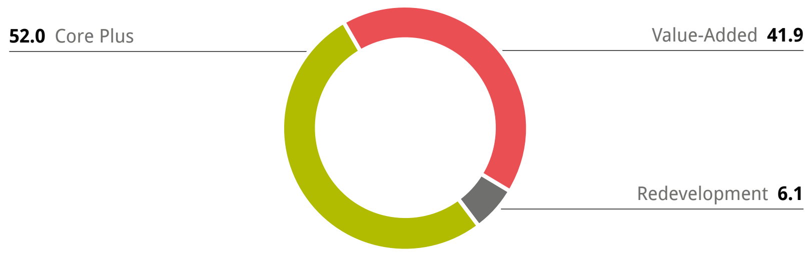
As of 30 June 2018, the real estate portfolio consisted of 87 commercial properties with a total lettable floor space of roughly 1 million m² and a total market value of around EUR 1.1 billion. At the end of the first half of 2018, the independent and comprehensive valuation of the entire real estate portfolio was carried out by the appraiser Savills.

Taking into account real estate already sold, the EPRA vacancy rate of the portfolio reached a level of 7.8 % as of 30 June 2018, which was around 160 basis points below the level as of 31 December 2017. In the first half of the year, DEMIRE's letting performance was around 37,900 m², of which roughly 60 % was attributable to new lettings and around 40 % to follow-on lettings. The portfolio's weighted average lease term (WALT) as of 30 June 2018 was 4.7 years, as expected. Thanks to the solid operating performance, rental income of the real estate portfolio rose by about 1.8 % in the first half-year on a like-for-like basis.

DEMIRE'S portfolio is subdivided into three categories:

- The **Core Plus portfolio** category includes real estate whose current risk/return profile is characterised by a low vacancy rate of 5 % or less with an average remaining lease term of at least five years. These properties provide safe and sustainable cash flows from long-term rental income with high tenant credit-worthiness.
- The **Value-Added portfolio** includes properties with a vacancy rate of over 5 % and an average remaining lease term of fewer than five years. These properties already generate attractive cash flows from rental income but also have the potential to increase their value through an active "manage-to-core" approach via the in-house real estate management platform.
- The **Redevelopment** category is an aggregate of the real estate ranging from 5 % to a maximum of 10 % of DEMIRE's portfolio that, from today's perspective, should be repositioned on the market by means of future extensive modernisation or supplementary measures. These properties already generate an attractive return but, as a result of these measures, should further improve this return or secure it for the long term. Significant pre-letting of rental space and the timely assurance of building permits considerably reduces the marketing risk.

FOCUS ON THREE ASSET CLASSES
in % of portfolio market value



(As of 30/06/2018)

TOP 10 TENANTS (AS OF 30/06/2018)

NO.	TENANT	TYPE OF USE	CONTRACTUAL RENT P.A.[1] in EUR millions	in % of total
1	GMG (Telekom)	Office	22.3	30.7
2	BImA Bundesanstalt für Immobilienaufgaben	Office	1.9	2.7
3	Sparkasse Südholstein	Office	1.8	2.5
4	RIMC	Hotel	1.5	2.0
5	HPI Germany	Office	1.4	1.9
6	comdirect bank AG	Office	1.2	1.7
7	Barmer BKK	Office	1.2	1.7
8	AXA Konzern AG	Office	1.2	1.7
9	momox GmbH	Office	1.2	1.7
10	toom Baumarkt GmbH	Logistics	1.0	1.4
Subtotal			**34.7**	**47.8**
Other			37.8	52.2
Grand total			**72.5**	**100.0**

[1] According to annualised contractual rent, excl. service charges

PORTFOLIO BY INVESTMENT CLASS (VALUES)

	NO. OF PROPERTIES	MARKET VALUE IN EUR MILLIONS	SHARE IN %	LETTABLE SPACE IN M² THOUSANDS	VALUE / M²	CONTRACTUAL RENT IN EUR MILLIONS P.A.	CONTRACTUAL RENT PER M² IN EUR	RENTAL YIELD IN %	EPRA VACANCY RATE IN %*	WALT IN YEARS
Core Plus	37	574.4	52.0	354.4	1,621	37.1	9.1	6.5	2.8	5.7
Value-Added	42	463.2	41.9	559.4	828	31.4	5.6	6.8	13.7	3.8
Redevelopment	8	67.1	6.1	45.3	1,481	4.0	7.9	6.0	0.5	3.0
Total as of 30/06/2018	**87**	**1,104.7**	**100**	**959.1**	**1,152**	**72.5**	**7.1**	**6.6**	**7.8**	**4.7**
Total as of 31/12/2017	**86**	**1,034.1**	**100**	**968.9**	**1,067**	**72.1**	**7.2**	**7.0**	**9.4**	**4.9**
Change	+1 unit	6.8%		–1.0%	+7.9%	0.6%	–1.4%	–40bp	–160bp	–0.2 years

*Excl. real estate held for sale

PORTFOLIO BY ASSET CLASS (VALUES)

	NO. OF PROPERTIES	MARKET VALUE IN EUR MILLIONS	SHARE IN %	LETTABLE SPACE IN M² THOUSANDS	VALUE / M²	CONTRACTUAL RENT IN EUR MILLIONS P.A.	CONTRACTUAL RENT PER M² IN EUR	RENTAL YIELD IN %	EPRA VACANCY RATE IN %*	WALT IN YEARS
Office	63	747.4	67.7	550.1	1,359	49.0	8.1	6.6	7.4	4.3
Retail	16	257.0	23.3	161.0	1,596	17.3	10.3	6.7	6.8	6.2
Logistics	1	64.5	5.8	207.5	311	4.2	2.2	6.5	16.6	1.9
Other	7	35.8	3.2	40.5	884	2.0	4.1	5.5	0.2	6.3
Total as of 30/06/2018	**87**	**1,104.7**	**100**	**959.1**	**1,152**	**72.5**	**7.1**	**6.6**	**7.8**	**4.7**
Total as of 31/12/2017	**86**	**1,034.1**	**100**	**968.9**	**1,067**	**72.1**	**7.2**	**7.0**	**9.4**	**4.9**
Change	+1 unit	6.8%		–1.0%	+7.9%	0.6%	–1.4%	–40bp	–160bp	–0.2 years

*Excl. real estate held for sale

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

In the first half of 2018, the DEMIRE Group generated rental income of EUR 36.6 million (1H 2017: EUR 37.2 million), which declined slightly by 1.8% year-on-year following the sale of non-strategic real estate in the preceding 12 months. A majority of this decline was offset by the successful reduction of vacant space.

Profit/loss from the rental of real estate was up 2.7% year-on-year and amounted to EUR 28.1 million in the first half of 2018 (1H 2017: EUR 27.3 million). The decline resulted from the sale of real estate in the last 12 months as well as relatively low investment expenses at the end of the first half of 2018 compared to the planned total investment expenditure for the 2018 financial year.

Other operating income and other effects amounted to EUR 70.1 million (1H 2017: EUR 9.1 million). The increase in other operating income and other effects is mainly attributable to a higher valuation gain from fair value adjustments in investment properties of EUR 70.1 million (1H 2017: EUR 6.8 million).

General and administrative expenses increased 35.0% to EUR 9.5 million (1H 2017: EUR 7.0 million) due to higher legal and consulting fees in connection with the takeover offer in April 2018 and the change in the shareholder structure at the end of the first half of 2018. Earnings before interest and taxes (EBIT) therefore came to EUR 84.4 million (1H 2017: EUR 24.1 million), mainly as a result of significantly higher fair value adjustments.

The financial result amounted to EUR –22.0 million in the first half of 2018 (1H 2017: EUR –13.3 million). The change is mainly attributable to the increase in minority interests to around EUR 8.8 million (1H 2017: EUR 3.6 million) compared to the same period in the previous year, which primarily resulted from the proportionate increase in valuation gains. In the first half of 2018, there was a significant year-on-year decline in financial expenses, which resulted from the successful refinancing of existing high-interest financial liabilities in the 2017 financial year. The year-on-year decline in financial income, on the other hand, is mainly attributable to the exercise of the redemption option of the 2014/2019 corporate bond repaid in November 2017. As of 30 June 2018, the average nominal interest on financial debt was unchanged at 3.0% p.a.

Profit/loss before taxes (EBT) grew approximately six-fold to EUR 62.4 million (1H 2017: EUR 10.8 million) due to significantly higher fair value adjustments. Taking into account a higher tax expense compared to the same period of the previous year, which was mainly due to higher deferred taxes from positive real estate valuation effects, net profit/loss for the period for the first half of 2018 was EUR 44.7 million compared to EUR 5.6 million in the same period last year.

CONSOLIDATED STATEMENT OF INCOME (Selected information in EUR thousands)	01/01/2018 – 30/06/2018	01/01/2017 – 30/06/2017	CHANGE	IN %
Rental income	36,557	37,231	– 674	– 1.8
Income from utility and service charges	8,803	9,651	– 848	– 8.8
Operating expenses to generate rental income	– 17,289	– 19,547	2,258	– 11.6
Profit / loss from the rental of real estate	**28,071**	**27,335**	**736**	**2.7**
Profit / loss from the sale of real estate	– 11	– 517	506	– 97.9
Profit / loss from investments accounted for using the equity method	97	65	32	49.3
Profit / loss from fair value adjustments in investment properties	70,099	6,836	63,264	>100
Other operating income and other effects	– 8	2,286	– 2,294	>100
General and administrative expenses	– 9,499	– 7,038	– 2,462	35.0
Other operating expenses	– 4,362	– 4,832	470	– 9.7
Earnings before interest and taxes	**84,387**	**24,135**	**60,252**	**>100**
Financial result	– 22,028	– 13,311	– 8,717	65.5
Profit / loss before taxes	**62,359**	**10,824**	**51,535**	**>100**
Current income taxes	– 292	– 1,694	1,402	– 82.8
Deferred taxes	– 17,394	– 3,517	– 13,877	>100
Net profit / loss for the period	**44,673**	**5,614**	**39,059**	**>100**
thereof attributable to parent company shareholders	39,507	3,779	35,728	>100
Basic earnings per share (in EUR)	0.66	0.07	0.59	>100
Weighted average number of shares outstanding (in thousands)	59,736	54,258	5,478	
Diluted earnings per share (in EUR)	0.65	0.07	0.58	>100
Weighted average number of shares outstanding, diluted (in thousands)	60,541	67,885	– 7,344	

NET ASSETS

As of 30 June 2018, total assets increased by around EUR 91.0 million compared to the end of 2017 to a total of around EUR 1.24 billion. This rise resulted primarily from the fair value adjustments in investment properties and a higher level of cash and cash equivalents following the placement of a 10% capital increase in February 2018.

The value of investment properties was approx. EUR 1,092.0 million as of 30 June 2018, which is equivalent to an increase of EUR 70.2 million, or 6.9%, as compared to 31 December 2017, mainly due to portfolio revaluations conducted during the half-year. Non-current assets held for sale totalling EUR 12.7 million as of 30 June 2018 mainly consist of a property in Apolda and a partial property in Darmstadt.

Group equity amounted to approx. EUR 402.8 million as of 30 June 2018, and rose in total by around EUR 83.7 million compared to 31 December 2017 (EUR 319.1 million) as a result of the positive net profit for the period, a higher level of subscribed capital stemming from the 10% capital increase, and the conversion of convertible bonds. The equity ratio equalled 32.5% (31 December 2017: 27.8%). It should be noted that, under IFRS, non-controlling minority interests in the amount of approx. EUR 79.0 million are recorded under the Group's non-current liabilities and not in equity, primarily because of the legal form of Fair Value REIT's fund investments as partnerships. Adjusted Group equity totalled around EUR 481.8 million, or 38.9% of the Group's total assets (31 December 2017: EUR 391.0 million or 34.1%).

Total financial liabilities as of 30 June 2018 were EUR 673.6 million or EUR 21.3 million lower than as of 31 December 2017 (EUR 694.9 million). The decline in financial liabilities is mainly attributable to the conversion of convertible bonds in May and June 2018 by the two major shareholders and the first-time application of IFRS 9 in 2018.

BALANCE SHEET – ASSETS (Selected information in EUR thousands)	**30/06/2018**	**31/12/2017**	**CHANGE**	**IN %**
Assets				
Total non-current assets	1,102,835	1,032,897	69,938	6.8
Total current assets	122,131	101,957	20,174	19.8
Assets held for sale	12,685	12,262	423	3.4
TOTAL ASSETS	**1,237,651**	**1,147,116**	**90,535**	**7.9**

BALANCE SHEET – EQUITY AND LIABILITIES (Selected information in EUR thousands)	**30/06/2018**	**31/12/2017**	**CHANGE**	**IN %**
Equity and liabilities				
Equity				
Equity attributable to parent company shareholders	364,813	285,417	79,396	26.2
Non-controlling interests	37,939	33,684	4,255	12.6
Total equity	**402,752**	**319,101**	**83,651**	**26.2**
Liabilities				
Total non-current liabilities	761,287	780,630	–19,343	–2.5
Total current liabilities	73,612	47,385	26,227	55.3
Total liabilities	834,899	828,015	6,884	0.8
TOTAL EQUITY AND LIABILITIES	**1,237,651**	**1,147,116**	**90,535**	**7.9**

FINANCIAL POSITION

CONSOLIDATED STATEMENT OF CASH FLOWS (Selected information in EUR thousands)	01/01/2018 –30/06/2018	01/01/2017 –30/06/2017	CHANGE	IN %
Cash flow from operating activities	14,371	13,445	926	6.9
Cash flow from investing activities	–606	10,762	–11,368	>100
Cash flow from financing activities	6,197	–17,933	24,130	>100
Net change in cash and cash equivalents	**19,963**	**6,273**	**13,690**	**>100**
Cash and cash equivalents at the end of the period	**93,837**	**37,562**	**56,275**	**>100**

Cash flow from operating activities amounted to EUR 14.4 million as of 30 June 2018 (1H 2017: EUR 13.4 million) and was slightly higher compared to the same period of the previous year. In the first half of 2018, lower distributions were made to minority shareholders compared to the same period of the previous year.

Cash flow from investing activities amounted to EUR –0.6 million at the end of the first half of 2018. Cash flow from investing activities in the comparative period was EUR 10.8 million, mainly due to proceeds from the sale of real estate.

Cash flow from financing activities has changed by around EUR 24.1 million to EUR 6.2 million, which is mainly a result of the proceeds from the capital increase. In the same period of the previous year, cash flow from financing activities was still affected by higher interest payments.

Cash and cash equivalents amounted to EUR 93.8 million at the end of the first half of 2018 (30 June 2017: EUR 37.6 million).

FINANCIAL PERFORMANCE INDICATORS

FFO DEVELOPMENT

The DEMIRE Group's operating result is measured in terms of funds from operations (FFO), which represents earnings adjusted for measurement effects, other disposal and one-time effects and non-periodic income and expenses. Funds from operations (FFO I, after taxes, before minorities) reached EUR 11.4 million as of the reporting date (1H 2017: EUR 4.9 million) due to lower interest expenses and a lower tax burden. FFO I after minorities and taxes amounted to EUR 9.1 million (1H 2017: EUR 0.9 million). In the first half of the year, funds from operations were still affected by relatively low capital expenditures compared to the total planned investment expenditures for the 2018 financial year.

Taking into account the profit/loss from the sale of real estate, funds from operations (FFO II) after taxes and before minorities also amounted to EUR 11.4 million (1H 2017: EUR 4.5 million), and EUR 9.1 million (1H 2017: EUR 0.5 million) after taxes and after minorities.

FFO CALCULATION (Selected information in EUR thousands)	**01/01/2018 –30/06/2018**	**01/01/2017 –30/06/2017**	**CHANGE**	**IN %**
Profit/loss before taxes	62,359	10,824	51,535	> 100
Minority interests	8,788	3,635	5,153	> 100
Earnings before taxes (EBT)	**71,147**	**14,459**	**56,688**	**> 100**
+/– Profit/loss from the sale of real estate	11	517	– 506	– 97.9
+/– Profit/loss from investments accounted for using the equity method	– 97	– 65	– 32	49.7
+/– Profit/loss from fair value adjustments in investment properties	– 70,099	– 6,836	– 63,263	> 100
+/– Profit/loss from the valuation of derivative financial instruments	0	– 5,468	5,468	– 100.0
+/– Other adjustments*	10,685	3,940	6,745	> 100
FFO I before taxes	**11,647**	**6,547**	**5,100**	**77.9**
+/– (Current) income taxes	– 286	– 1,642	1,356	– 82.6
FFO I after taxes	**11,361**	**4,905**	**6,456**	**> 100**
thereof attributable to parent company shareholders	9,108	874	8,234	> 100
thereof attributable to non-controlling interests	2,253	4,031	– 1,778	– 44.1
+/– Profit/loss from the sale of real estate companies/real estate (after taxes)	13	– 438	451	> 100
FFO II after taxes	**11,374**	**4,467**	**6,907**	**> 100**
thereof attributable to parent company shareholders	9,120	466	8,654	> 100
thereof attributable to non-controlling interests	2,254	4,001	– 1,747	– 43.7
FFO I after taxes per share				
Basic FFO I per share	0.19	0.09	0.10	> 100
Weighted average number of shares outstanding (in thousands)	59,736	54,257	5,479	10.1
Diluted FFO I per share (in EUR)	0.19	0.07	0.12	> 100
Weighted diluted average number of shares outstanding (in thousands)	60,541	67,884	– 7,343	– 10.8
FFO II after taxes per share				
Basic FFO II per share	0.19	0.08	0.11	> 100
Weighted average number of shares outstanding (in thousands)	59,736	54,257	5,479	10.1
Diluted FFO II per share (in EUR)	0.19	0.07	0.12	> 100
Weighted diluted average number of shares outstanding (in thousands)	60,541	67,884	– 7,343	– 10.8

* Other adjustments contain the following:
- One-time refinancing costs (EUR 5.5 million; previous year: EUR 0.0 million)
- One-time transaction, legal and consulting fees (EUR 4.9 million; previous year: EUR 1.6 million)
- One-time administrative costs (EUR 0.3 million; previous year: EUR 0.9 million)
- Non-period expenses/income (EUR – 0.01 million; previous year: EUR 1.2 million)

NET ASSET VALUE (NAV)

Basic EPRA net asset value (EPRA NAV) increased slightly from EUR 323.6 million as of 31 December 2017 to EUR 420.4 million as of 30 June 2018. Basic EPRA NAV based on 73.1 million shares as of the balance sheet date amounted to EUR 5.75 per share (31 December 2017: EUR 5.96 per share), diluted EPRA NAV based on 73.9 million shares as of the balance sheet date amounted to EUR 5.69 per share (31 December 2017: EUR 4.94 per share).

EPRA NET ASSET VALUE (NAV) in EUR thousands	30/06/2018	31/12/2017	CHANGE	IN %
Equity	364,813	285,417	79,397	27.8
Fair value of derivative financial instruments	0	0	0	>100
Deferred taxes	60,280	42,893	17,387	40.5
Goodwill resulting from deferred taxes	–4,738	–4,738	0	0.0
EPRA NAV (basic)	**420,355**	**323,572**	**96,784**	**29.9**
Number of shares outstanding (in thousands) (basic)	73,065	54,271	18,794	34.6
EPRA NAV per share (in EUR) (basic)	5.75	5.96	–0.21	–3.5
Effect of the exercise of convertible bonds and other equity instruments	252	12,048	–11,796	–97.9
EPRA NAV (diluted)	**420,608**	**335,620**	**84,988**	**25.3**
Number of shares outstanding (in thousands) (diluted)	73,870	67,885	5,985	8.8
EPRA NAV per share (diluted)	**5.69**	**4.94**	**0.75**	**15.2**

NET LOAN-TO-VALUE RATIO

The DEMIRE Group's loan-to-value ratio is defined as the ratio of net financial liabilities to the carrying amount of investment properties and non-current assets held for sale. The net loan-to-value ratio fell sharply by 760 basis points as of 30 June 2018 to 52.5% compared to the end of 2017 (60.1%). A positive impact as of the balance sheet date resulted from the conversion of the convertible bonds in the amount of roughly EUR 10.3 million in June 2018 by DEMIRE's major shareholders, the positive result from the valuation of the real estate portfolio in the first half of 2018, and the high level of cash and cash equivalents, i.a. from the proceeds of the 10% capital increase in April 2018.

NET LOAN-TO-VALUE (NET LTV) in EUR millions	30/06/2018	31/12/2017
Financial liabilities	673.6	694.9
Cash and cash equivalents	93.8	73.9
Net financial debt	**579.8**	**621.0**
Fair value of investment properties and non-current assets held for sale	**1,104.7**	**1,034.1**
Net LTV in %	**52.5%**	**60.1%**

REPORT ON RISKS AND OPPORTUNITIES

Concerning the risks to future business development, please refer to the disclosures made in the risk report contained in the consolidated financial statements as of 31 December 2017. There were no material changes in the Group's risk structure in the first half-year of 2018.

OUTLOOK

At the end of the first half of 2018, the Executive Board confirmed the forecasts for the 2018 financial year that were published in the 2017 annual financial statements.

Following the disposal of properties already sold and taking into account planned sales, DEMIRE plans to generate rental income of around EUR 71 million to EUR 73 million for the 2018 financial year from the letting of real estate in its current portfolio. Active real estate management and an improvement in letting rates through efficient investment should continue to contribute to a rise in rental income. Based on the expected rental income, as well as the positive effects already recognised from the implementation of the first milestones of the DEMIRE 2.0 strategy in the 2017 financial year, DEMIRE expects sharply higher FFO results in 2018 compared to the previous year. Particularly, the significant reduction in current interest expenses and the successful optimisation of the Group's tax structure that took place at the end of 2017 will lead to an anticipated increase in funds from operations (FFO I, before minorities, after taxes) in the range of EUR 16 million to EUR 18 million for the year 2018. Real estate acquisitions in the 2018 financial year may also lead to a further increase in rental income and the FFO forecast.

Frankfurt am Main, 16 August 2018

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2018

CONSOLIDATED STATEMENT OF INCOME

for the reporting period from 1 January to 30 June 2018

in EUR thousands	01/01/2018 –30/06/2018	01/01/2017 –30/06/2017	01/04/2018 –30/06/2018	01/04/2017 –30/06/2017
Rental income	36,557	37,231	18,300	18,691
Income from utility and service charges	8,803	9,651	3,061	3,441
Operating expenses to generate rental income	–17,289	–19,547	–6,446	–8,636
Profit/loss from the rental of real estate	**28,071**	**27,335**	**14,916**	**13,496**
Revenue from the sale of real estate	3	16,066	0	1,827
Expenses relating to real estate sales	–14	–16,583	–9	–2,150
Profit/loss from the sale of real estate	**–11**	**–517**	**–9**	**–323**
Profits from investments accounted for using the equity method	97	65	43	59
Profit/loss from investments accounted for using the equity method	**97**	**65**	**43**	**59**
Profit/loss from fair value adjustments in investment properties	70,099	6,836	38,021	6,681
Impairment of receivables	–2,107	–491	–2,027	–302
Other operating income	2,099	2,777	786	981
Other operating income and other effects	**70,091**	**9,122**	**36,780**	**7,360**
General and administrative expenses	–9,499	–7,038	–6,362	–3,473
Other operating expenses	–4,362	–4,832	–3,171	–2,169
Earnings before interest and taxes	**84,387**	**24,135**	**42,197**	**14,950**
Financial income	154	6,144	94	2,440
Financial expenses	–13,394	–15,820	–7,347	–7,764
Interests of minority shareholders	–8,788	–3,635	–3,065	–2,521
Financial result	**–22,028**	**–13,311**	**–10,317**	**–7,845**
Profit/loss before taxes	**62,359**	**10,824**	**31,880**	**7,105**
Current income taxes	–292	–1,694	–140	–981
Deferred taxes	–17,394	–3,517	–7,893	–1,448
Net profit/loss for the period	**44,673**	**5,614**	**23,847**	**4,676**
thereof attributable to:				
Non-controlling interests	**5,166**	**1,835**	**2,513**	**1,023**
Parent company shareholders	**39,507**	**3,779**	**21,334**	**3,653**
Basic earnings per share (in EUR)	0.66	0.07	0.33	0.07
Diluted earnings per share (in EUR)	0.65	0.07	0.32	0.07

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the reporting period from 1 January to 30 June 2018

in EUR thousands	01/01/2018 –30/06/2018	01/01/2017 –30/06/2017	01/04/2018 –30/06/2018	01/04/2017 –30/06/2017
Net profit / loss for the period	**44,673**	**5,614**	**23,847**	**4,676**
Items that will be reclassified to profit and loss				
Currency translation differences	0	–1	0	–55
Other comprehensive income	**0**	**–1**	**0**	**–55**
Total comprehensive income	**44,673**	**5,613**	**23,847**	**4,621**
thereof attributable to:				
Non-controlling interests	**5,166**	**1,835**	**2,513**	**1,023**
Parent company shareholders	**39,507**	**3,779**	**21,334**	**3,598**

CONSOLIDATED BALANCE SHEET

as of 30 June 2018

ASSETS in EUR thousands	30/06/2018	31/12/2017
ASSETS		
Non-current assets		
Intangible assets	6,972	6,985
Property, plant and equipment	1,839	1,875
Investment properties	1,092,040	1,021,847
Investments accounted for using the equity method	181	200
Other financial assets	1,803	1,990
Total non-current assets	**1,102,835**	**1,032,897**
Current assets		
Real estate inventory	0	1,734
Trade accounts receivable and other receivables	19,176	18,577
Financial receivables and other financial assets	5,615	5,184
Tax refund claims	3,503	2,588
Cash and cash equivalents	93,837	73,874
Total current assets	**122,131**	**101,957**
Non-current assets held for sale	**12,685**	**12,262**
TOTAL ASSETS	**1,237,651**	**1,147,116**

EQUITY AND LIABILITIES in EUR thousands	30/06/2018	31/12/2017
EQUITY AND LIABILITIES		
EQUITY		
Subscribed capital	73,065	54,271
Reserves	291,748	231,146
Equity attributable to parent company shareholders	**364,813**	**285,417**
Non-controlling interests	37,939	33,684
TOTAL EQUITY	**402,752**	**319,101**
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	60,280	42,893
Minority interests	79,034	71,931
Financial liabilities	621,934	665,767
Other liabilities	39	39
Total non-current liabilities	**761,287**	**780,630**
Current liabilities		
Provisions	1,430	1,016
Trade payables and other liabilities	18,042	14,663
Tax liabilities	2,472	2,559
Financial liabilities	51,667	29,147
Total current liabilities	**73,612**	**47,385**
TOTAL LIABILITIES	**834,899**	**828,015**
TOTAL EQUITY AND LIABILITIES	**1,237,651**	**1,147,116**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the reporting period from 1 January to 30 June 2018

in EUR thousands	01/01/2018 – 30/06/2018	01/01/2017 – 30/06/2017
Profit/loss before taxes	**62,359**	**10,824**
Financial expenses*	13,394	15,820
Financial income	– 154	– 6,144
Interests of minority shareholders*	8,788	3,635
Change in real estate inventory	1,734	0
Change in trade accounts receivable and other receivables	– 599	– 2,268
Change in financial receivables and other financial assets	– 245	– 2
Change in provisions	414	– 58
Change in trade payables and other liabilities	1,134	1,311
Profit/loss from fair value adjustments in investment properties	– 70,099	– 6,836
Gains from the sale of real estate and real estate companies	11	517
Interest proceeds	37	200
Income taxes paid	– 1,044	– 190
Change in reserves	– 94	298
Depreciation and amortisation and impairment	2,197	1,079
Distributions to minority shareholders/dividends	– 2,925	– 4,569
Other non-cash items*	– 538	– 172
Cash flow from operating activities	**14,371**	**13,445**
Payments for investments	– 565	– 3,277
Payments for the purchase of investment properties and interests in fully consolidated companies, less net cash equivalents acquired	– 41	0
Proceeds from the sale of real estate	0	14,039
Cash flow from investing activities	**– 606**	**10,762**
Proceeds from capital increases	23,600	0
Payments for expenses associated with raising equity	– 628	0
Proceeds from the issuance of financial liabilities	34,117	12,861
Interest paid on financial liabilities	– 11,298	– 16,872
Payments for the redemption of financial liabilities	– 39,594	– 13,922
Cash flow from financing activities	**6,197**	**– 17,933**
Net change in cash and cash equivalents	**19,963**	**6,273**
Cash and cash equivalents at the start of the period	73,874	31,289
Cash and cash equivalents at the end of the period (thereof restricted cash: EUR 673 thousand; 30/06/2017: EUR 607 thousand)	**93,837**	**37,562**

* Prior-year figures have been adjusted due to changes in classification.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the reporting period from 1 January to 30 June 2018

in EUR thousands	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
01/01/2018	**54,271**	**0**	**231,433**	**–310**	**22**	**285,417**	**33,684**	**319,101**
First-time application of IFRS 9	**0**	**0**	**6,597**	**0**	**0**	**6,597**	**421**	**7,018**
Net profit/loss for the period	0	0	39,507	0	0	39,507	5,166	44,673
Other comprehensive income	0	0	0	0	0	0	0	0
Total comprehensive income	**0**	**0**	**39,507**	**0**	**0**	**39,507**	**5,166**	**44,673**
Capital increase	5,426	17,546	0	0	0	22,972	0	22,972
Stock option programme	0	94	0	0	0	94	0	94
Convertible bonds	13,368	–3,096	0	0	0	10,272	0	10,272
Dividend payments/distributions	0	0	0	0	0	0	–1,226	–1,226
Other changes	0	0	-23	0	–22	-45	–107	-152
30/06/2018	**73,065**	**14,543**	**277,514**	**–310**	**0**	**364,813**	**37,939**	**402,752**
01/01/2017	**54,247**	**132,618**	**85,242**	**–310**	**147**	**271,945**	**36,692**	**308,637**
Net profit/loss for the period	0	0	3,779	0	0	3,779	1,835	5,614
Other comprehensive income	0	0	0	0	–1	–1	0	–1
Total comprehensive income	**0**	**0**	**3,779**	**0**	**–1**	**3,778**	**1,835**	**5,613**
Capital increase	11	–1	0	0	0	10	0	10
Stock option programme	0	297	0	0	0	297	0	297
Dividend payments/distributions	0	0	0	0	0	0	–1,251	–1,251
Other changes	0	0	–774	0	0	–774	1,009	235
30/06/2017	**54,258**	**132,914**	**88,247**	**–310**	**146**	**275,256**	**38,285**	**313,541**

Notes to the interim consolidated financial statements for the reporting period from 1 January to 30 June 2018

A. GENERAL INFORMATION

1. BASIS OF PREPARATION

DEMIRE Deutsche Mittelstand Real Estate AG ("DEMIRE AG") is recorded in the commercial register in Frankfurt am Main, Germany, the location of the Company's headquarters, under the number HRB 89041. The Company's address is Robert-Bosch-Straße 11, Langen, Germany. The subject of these condensed interim consolidated financial statements as of 30 June 2018 is DEMIRE AG and its subsidiaries ("DEMIRE").

DEMIRE AG'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 real estate companies. Interests in these real estate companies are either directly or indirectly held by DEMIRE AG (through intermediate holding companies). DEMIRE AG does not have direct ownership in any real estate. DEMIRE focuses on the German commercial real estate market and is active as an investor in and portfolio manager of secondary locations. DEMIRE itself carries out the acquisition, management and leasing of commercial properties. Value appreciation is to be achieved through active real estate management. This may also include the targeted sale of properties when they are no longer a strategic fit or have exhausted their potential for value appreciation.

The condensed interim consolidated financial statements for the period from 1 January to 30 June 2018 were prepared in accordance with the requirements of IAS 34 "Interim Financial Reporting" ("IAS 34").

DEMIRE AG's condensed interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) pursuant to Section 315e of the German Commercial Code (HGB). All International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations of the IFRS Interpretations Committee (IFRS IC) – formerly the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) – that are mandatory for the 2018 financial year have been taken into consideration. Furthermore, all German statutory disclosure and explanation requirements above and beyond the provisions of the IASB have been fulfilled.

Under IAS 34, the condensed interim consolidated financial statements shall represent an update of last year's financial statements and therefore do not contain all of the information and disclosures required for consolidated financial statements but rather concentrate on new activities, events and circumstances so as not to repeat information that has already been reported. The condensed interim consolidated financial statements of DEMIRE AG as of 30 June 2018 should therefore be viewed in conjunction with the consolidated financial statements prepared as of 31 December 2017.

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

These condensed interim consolidated financial statements of DEMIRE AG were approved for publication by a resolution of the Executive Board on 16 August 2018.

B. SCOPE AND PRINCIPLES OF CONSOLIDATION

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

C. ACCOUNTING AND VALUATION POLICIES

Compared to the consolidated financial statements as of 31 December 2017, there were changes to the accounting policies as a result of the (early) first-time application of IFRS 9, 15 and 16. Apart from these changes, the accounting policies remained the same. The effects resulting from the first-time application are discussed below.

Important to note is that the modified retrospective approach was chosen for the transition to IFRS 15 and 16.

In the reporting period, a total of EUR 99,625 thousand was reclassified from the "loans and receivables" classification and measurement category under IAS 39 to the IFRS 9 category of "amortised cost". This also resulted in a one-time adjustment to non-current financial liabilities of EUR -7,018 thousand and Group equity of EUR 7,018 thousand. The first-time application of the "expected credit loss" model under IFRS 9 did not have any material effect.

The first-time application of IFRS 15 and IFRS 16 did not have any material effect on the consolidated financial statements.

D. NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

1. EARNINGS BEFORE INTEREST AND TAXES

in EUR thousands	01/01/2018 –30/06/2018	01/01/2017 –30/06/2017
Rental income	36,557	37,231
Income from utility and service charges	8,803	9,651
Rental revenue	**45,360**	**46,882**
Allocable operating expenses to generate rental income	–9,803	–11,226
Non-allocable operating expenses to generate rental income	–7,486	–8,321
Operating expenses to generate rental income	**–17,289**	**–19,547**
Profit/loss from the rental of real estate	**28,071**	**27,335**

Rental revenue in the interim reporting period resulted exclusively from the rental of commercial real estate and is free from seasonal effects. Operating expenses to generate rental income consist mainly of maintenance work that was carried out and expected to lead to an improvement in vacancy rates and rental income in the future. The decline resulted largely from the sale of real estate over the last 12 months.

Earnings before interest and taxes of EUR 84,387 thousand (1H 2017: EUR 24,135 thousand) is not only affected by the profit/loss from the rental of real estate but also positively influenced by the profit/loss from the fair value adjustment in investment properties amounting to EUR 70,099 (1H 2017: EUR 6,836 thousand). Other operating income amounted to EUR 2,099 thousand (1H 2017: EUR 2,777 thousand) and mainly originated from the reversal of provisions and the derecognition of liabilities of EUR 635 thousand (1H 2017: EUR 608 thousand), income from facility management of EUR 459 thousand (1H 2017: EUR 358 thousand) and the reversal of impairments in the amount of EUR 280 thousand (1H 2017: EUR 593 thousand).

Earnings were reduced by both the financial result of EUR –22,028 thousand (1H 2017: EUR –13,311 thousand) and general and administrative expenses of EUR 9,499 thousand (1H 2017: EUR 7,038 thousand). These consisted mainly of legal and consulting fees (primarily related to the takeover offer from the new major shareholder Apollo in April 2018) of EUR 4,624 thousand (1H 2017: EUR 1,288 thousand), staff costs of EUR 1,999 thousand (1H 2017: EUR 2,430 thousand) and accounting and auditing costs of EUR 679 thousand (1H 2017: EUR 873 thousand).

Earnings before interest and taxes also include other operating expenses of EUR 4,362 thousand (1H 2017: EUR 4,832 thousand) mainly consisting of depreciation/amortisation of real estate inventory and other assets contained in the Eastern European portfolio (CEE/CIS) in the amount of EUR 2,391 thousand (1H 2017: EUR 0 thousand) and non-deductible input taxes of EUR 1,011 thousand (1H 2017: EUR 708 thousand). The increase in deferred tax liabilities by EUR 17,394 thousand (1H 2017: EUR 3,517 thousand) mainly resulted from valuation gains in investment properties and the expiration of tax loss carryforwards following the further increase in the shareholdings of existing shareholders.

2. FINANCIAL RESULT

in EUR thousands	01/01/2018 –30/06/2018	01/01/2017 –30/06/2017
Financial income	154	6,144
Financial expenses	–13,394	–15,820
Interests of minority shareholders	–8,788	–3,635
Financial result	**–22,028**	**–13,311**

The decrease in financial expenses mainly resulted from the refinancing operations carried out in the 2017 financial year and the related reduction in the average interest rate on debt. The high level of financial income incurred in the comparable prior-year period resulted from valuation gains from the call option for the 2014/2019 corporate bond, which was derecognised in the fourth quarter of 2017 following the early redemption.

Interests of minority shareholders of EUR 8,788 thousand (1H 2017: EUR 3,635 thousand) pertain to profits attributable to minority shareholders of Fair Value REIT-AG's subsidiaries recognised as liabilities under IFRS. The increase in this item largely resulted from valuation gains in real estate held by these subsidiaries.

3. EARNINGS PER SHARE

	01/01/2018 –30/06/2018	01/01/2017 –30/06/2017
Net profit/loss for the period (in EUR thousands)	**44,673**	**5,614**
Net profit/loss for the period less non-controlling interests	39,507	3,779
Interest expenses from convertible bonds	7	640
Net profit/loss attributable to parent company shareholders (diluted)	39,514	4,419
Number of shares in units (in thousands)		
Number of shares outstanding as of the reporting date	73,065	54,258
Weighted average number of shares outstanding	59,736	54,257
Impact of conversion of convertible bonds and subscription of 2015 Stock Option Programme	805	13,627
Weighted average number of shares (diluted)	60,541	67,884
Earnings per share (in EUR)		
Basic earnings per share	0.66	0.07
Diluted earnings per share	0.65	0.07

As of 30 June 2018, the Company had potential ordinary shares outstanding from convertible bonds, which entitle the holders of the 2013/2018 convertible bond to make an exchange for 245,071 shares (31 December 2017: 10,613,963 shares). Furthermore, the beneficiaries of the 2015 Stock Option Programme are entitled to subscribe to a total of 560,000 shares.

The increase in the number of shares issued as of 30 June 2018 resulted primarily from conversions of the 2013/2018 convertible bond (10,368,320 shares), conversions of the 2015/2018 mandatory convertible bond (3,000,000 shares) and the cash capital increase (5,425,774 shares) during the reporting period.

E. NOTES TO THE CONSOLIDATED BALANCE SHEET

1. INVESTMENT PROPERTIES

Investment properties are measured at fair value and developed during the reporting period as follows:

in EUR thousands	01/01/2018 –30/06/2018	01/01/2017 –31/12/2017
Fair value as of the beginning of the reporting period	**1,021,847**	**981,274**
Additions	517	6,247
Reclassifications to non-current assets held for sale	–423	–10,440
Unrealised gains from fair value measurement	73,448	49,005
Unrealised losses from fair value measurement	–3,349	–4,240
Fair value as of the end of the reporting period	**1,092,040**	**1,021,847**

The measurement of investment properties at fair value is to be allocated to Level 3 of the valuation hierarchy according to IFRS 13 (valuation based on unobservable inputs), which is shown in the Appendix on page 044. DEMIRE determines the fair values in the context of the IAS 40 valuation. In the second quarter, DEMIRE changed its appraiser from CBRE GmbH to Savills Immobilien Beratungs-GmbH, whereby the determination of fair values continued to be based on DCF models.

A sensitivity analysis of the key input parameters revealed the following effect on the fair value of the investment properties:

CHANGE IN VALUE	DISCOUNT RATE		CAPITALISATION RATE		MARKET RENT	
	−0.5%	0.5%	−0.5%	0.5%	−10.0%	10.0%
in EUR thousands	42,100	−39,850	60,350	−51,140	−92,470	92,330
in %	3.93	−3.72	5.64	−4.78	−8.64	8.63

A substantial increase in maintenance costs, vacancy rates or property yields would lead to a lower fair value of the properties if the assumptions for the remaining input parameters remained unchanged.

2. FINANCIAL LIABILITIES

Financial liabilities as of 30 June 2018 consisted of the following:

FINANCIAL LIABILITIES in EUR thousands	FIXED INTEREST	VARIABLE INTEREST	TOTAL
2017/2022 corporate bond	360,490	0	360,490
2013/2018 convertible bond	243	0	243
Other financial liabilities	272,263	40,605	312,868
Total	**632,996**	**40,605**	**673,601**

Financial liabilities as of 31 December 2017 consisted of the following:

FINANCIAL LIABILITIES in EUR thousands	FIXED INTEREST	VARIABLE INTEREST	TOTAL
2017/2022 corporate bond	392,532	0	392,532
2013/2018 convertible bond	10,493	0	10,493
2015/2018 mandatory convertible bond (debt component)	167	0	167
Other financial liabilities	249,627	42,095	291,722
Total	**652,819**	**42,095**	**694,914**

The following table shows the nominal value of financial liabilities as of 30 June 2018:

FINANCIAL LIABILITIES in EUR thousands	**FIXED INTEREST**	**VARIABLE INTEREST**	**TOTAL**
2017/2022 corporate bond	366,625	0	366,625
2013/2018 convertible bond	245	0	245
Other financial liabilities	283,274	40,611	323,885
Total	**650,144**	**40,611**	**690,755**

The following table shows the nominal value of financial liabilities as of 31 December 2017:

FINANCIAL LIABILITIES in EUR thousands	**FIXED INTEREST**	**VARIABLE INTEREST**	**TOTAL**
2017/2022 corporate bond	400,000	0	400,000
2013/2018 convertible bond	10,613	0	10,613
2015/2018 mandatory convertible bond (debt component)	15,000	0	15,000
Other financial liabilities	247,499	42,101	289,600
Total	**673,112**	**42,101**	**715,213**

The interest on variable-interest-bearing bank loans is based on Euribor plus an appropriate margin.

The nominal interest rate of the 2017/2022 corporate bond is 2.875 % p.a., and 6 % p.a. for the 2013/2018 convertible bond. Other financial liabilities consist mainly of bank liabilities and a promissory note loan. The average nominal interest rate on other financial liabilities was 3.03 % p.a. as of 30 June 2018 (31 December 2017: 3.19 % p.a.). The average nominal interest rate on all financial liabilities amounted to 2.95 % p.a. as of 30 June 2018 (31 December 2017: 3.04 % p.a.).

The decline in non-current financial liabilities was related to the redemption offer made to the holders of the 2017/2022 corporate bond due to the change of control, which was accepted in the amount of EUR 33,375 thousand. This amount was refinanced with a current loan as part of a bridge financing, which resulted in a decline in non-current and increase in current financial liabilities. This also led to adjustments as defined by IFRS 9 and resulted in one-time financial expenses of EUR 578 thousand as well as a one-time adjustment to non-current financial liabilities of EUR -7,018 thousand and Group equity of EUR 7,018 thousand. In addition, bonds amounting to EUR 10,250 thousand from the 2013/2018 convertible bond were converted in the reporting period, resulting in an increase in subscribed capital.

F. CONDENSED GROUP SEGMENT REPORTING

01/01/2018–30/06/2018 in EUR thousands	CORE PORTFOLIO	FAIR VALUE REIT	CORPORATE FUNCTIONS/ OTHERS	GROUP
Total revenues	**31,436**	**13,927**	**0**	**45,363**
Segment revenues	**84,330**	**32,913**	**415**	**117,658**
Segment expenses	**–14,211**	**–6,792**	**–12,268**	**–33,271**
Net profit/loss for the period	**51,362**	**12,223**	**–18,912**	**44,673**
30/06/2018				
Segment assets	**822,817**	**337,032**	**77,802**	**1,237,651**
thereof investments accounted for using the equity method	181	0	0	181
thereof financial receivables and other financial assets	248	0	5,365	5,613
thereof tax refund claims	637	3	2,863	3,503
thereof non-current assets held for sale	12,685	0	0	12,685
Segment liabilities	**599,015**	**205,441**	**30,443**	**834,899**
thereof non-current financial liabilities	514,308	107,626	0	621,934
thereof current financial liabilities	43,610	8,057	0	51,667
thereof tax liabilities	2,472	0	0	2,472

01/01/2017–30/06/2017 in EUR thousands	CORE PORTFOLIO	FAIR VALUE REIT	CORPORATE FUNCTIONS/ OTHERS	GROUP
Total revenues	**44,304**	**18,244**	**400**	**62,948**
Segment revenues	**50,020**	**21,647**	**959**	**72,626**
Segment expenses	**–30,735**	**–11,069**	**–6,687**	**–48,491**
Net profit/loss for the period	**9,196**	**4,682**	**–8,264**	**5,614**
30/06/2017				
Segment assets	**736,282**	**327,596**	**39,254**	**1,103,132**
thereof investments accounted for using the equity method	76	0	116	192
thereof financial receivables and other financial assets	1,032	0	14,859	15,891
thereof tax refund claims	98	3	1,880	1,981
thereof non-current assets held for sale	9,380	0	0	9,380
Segment liabilities*	**575,345**	**208.684**	**5,561**	**789,590**
thereof non-current financial liabilities*	500,450	121,822	0	622,272
thereof current financial liabilities*	30,368	9,245	0	39,613
thereof tax liabilities	4,789	0	182	4,971

* Prior-year figures have been adjusted due to changes in classification.

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

The DEMIRE Group comprises two reportable business segments, “Core Portfolio” and “Fair Value REIT”.

More than 10% of total revenue was generated with one tenant in the “Core Portfolio” segment in the interim reporting period amounting to EUR 11,143 thousand (1H 2017: EUR 11,026 thousand).

G. OTHER DISCLOSURES

1. RELATED PARTY DISCLOSURES

There have been no material changes to the related party disclosures as compared to the statements made in the 2017 consolidated financial statements. There have been no business transactions with members in key company positions during the reporting period, except for the compensation of the Executive Board mentioned in section G.5.

2. FINANCIAL INSTRUMENTS

The carrying amounts of the following financial instruments carried at cost or amortised cost do not approximate their fair values:

	30/06/2018		31/12/2017	
in EUR thousands	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT
2017/2022 corporate bond	371,120	360,490	409,374	392,532
2013/2018 convertible bond	1,017	243	60,148	10,660

3. RISK REPORT

Concerning the risks to future business development, please refer to the disclosures made in the risk report contained in the consolidated financial statements as of 31 December 2017. No material changes to the Group's risk structure were made during the first half-year of 2018. The redemption offer to the holders of the 2017/2022 corporate bond due to the change of control expired on 14 June 2018. The offer was accepted in the amount of EUR 33,375 thousand.

4. OTHER DISCLOSURES

Real estate purchase agreements concluded in previous years that were still not in effect as of the 30 June 2018 reporting date did not result in any financial obligations.

Contractual obligations primarily existed for the modification and expansion of the properties in Eschborn and Wismar. The scope of these obligations has been defined. The resulting costs amounted to EUR 2,700 thousand as of 30 June 2018. No other contractual obligations existed to acquire, build or develop any investment properties or to carry out any repairs, maintenance or improvements.

As of the 30 June 2018 interim reporting date, there were no obligations for future lease payments under long-term leasehold agreements.

5. GOVERNING BODIES

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

The sole Executive Board member as of 30 June 2018 is Mr Ralf Kind, CEO/CFO.

For the interim reporting period, performance-based remuneration of EUR 90 thousand (1H 2017: EUR 105 thousand), fixed remuneration of EUR 198 thousand (1H 2017: EUR 905 thousand) and share-based payments of EUR 150 thousand (1H 2017: EUR 238 thousand) were recognised for DEMIRE AG's Executive Board. Three members had been appointed to the Executive Board in the first half of 2017.

There were no loans or advances granted to the Executive Board member, and no contingencies were assumed for his benefit.

On 27 June 2018, Prof. Dr Alexander Goepfert was newly elected to the Supervisory Board by the Annual General Meeting of DEMIRE AG. At the Board's constituent meeting, Prof. Dr Goepfert also assumed the position of Chairman of the Supervisory Board from Prof. Dr Hermann Wagner, who left DEMIRE AG's Supervisory Board at the end of the Annual General Meeting.

6. EVENTS OCCURRING AFTER THE 30 JUNE 2018 INTERIM REPORTING DATE

Effective 15 August 2018, the bridge financing drawn on under the redemption offer to bondholders resulting from the change of control was prematurely extended for a further three months until 15 November 2018. At the same time, the nominal interest rate increased from 2.25 % to 2.75 % in accordance with the terms of the credit agreement.

Prior to the publication of the interim statement, a total of 20,890 conversion rights from the 2013/2018 convertible bond were exercised creating 20,890 new no-par value bearer shares.

Frankfurt am Main, 16 August 2018

DEMIRE Deutsche Mittelstand Real Estate AG

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

APPENDIX: VALUATION PARAMETERS ACCORDING TO IFRS 13

	30/06/2018	31/12/2017
Average market rent (in EUR per m², per year) [1]	85.34	85.21
Range of market rent (in EUR per m²)	31.48 – 218.84	33.55 – 204.02
Rentable space as of balance sheet date (in m²)	944,481	913,802
Vacant space as of balance sheet date (in m²)	109,059	125,285
Value-based vacancy rate according to EPRA (in %)	7.77	9.40
Average vacancy rate based on the rentable space (in %)	11.50	14.30
Range of vacancy rate based on the rentable space (in %)	0.00 – 100	0.00 – 100
Weighted Average Lease Term – WALT (in years)	4.70	4.73

[1] Average market rent was calculated based on rentable space as of 30 June 2018 and 31 December 2017, respectively.

The basis for rental income planning is the rental payments contractually agreed with the tenants as well as the prevailing customary local market rents for unleased space on the valuation date. The contractually agreed monthly rents per m² on the valuation date for the various types of use are shown in the table below:

CONTRACTUAL RENTS in EUR		30/06/2018	31/12/2017
Office	Min.	3.32	3.32
	Max.	13.03	13.08
	Avg.	8.10	7.95
Retail	Min.	3.20	3.20
	Max.	19.17	19.26
	Avg.	10.39	10.32
Others	Min.	2.16	2.89
	Max.	10.97	5.91
	Avg.	2.64	3.08
Total	Min.	2.16	2.82
	Max.	19.17	19.26
	Avg.	7.21	7.56

Disclaimer

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

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

Imprint

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The Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG

CONCEPT AND LAYOUT

FIRST RABBIT GmbH

STATUS

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Scan the QR code with your smartphone to access the corresponding app and receive a direct link to our Company website.

DEMIRE

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