



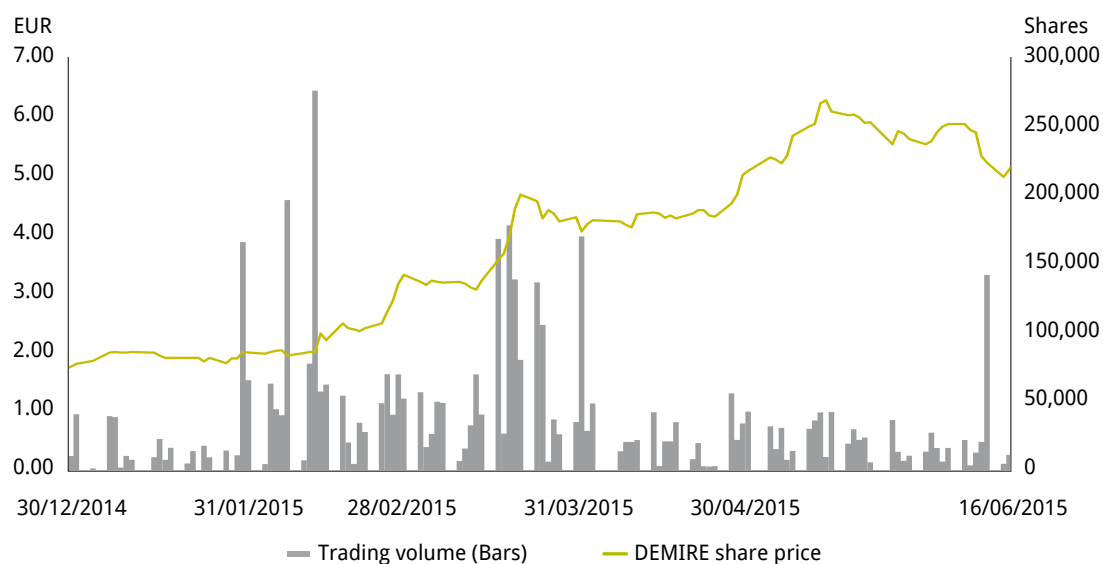
DEMIRE Deutsche Mittelstand Real Estate AG

1st Quarter 2015 Interim Report

Fiscal Year January 1 – December 31, 2015

DEMIRE at a glance

PERFORMANCE



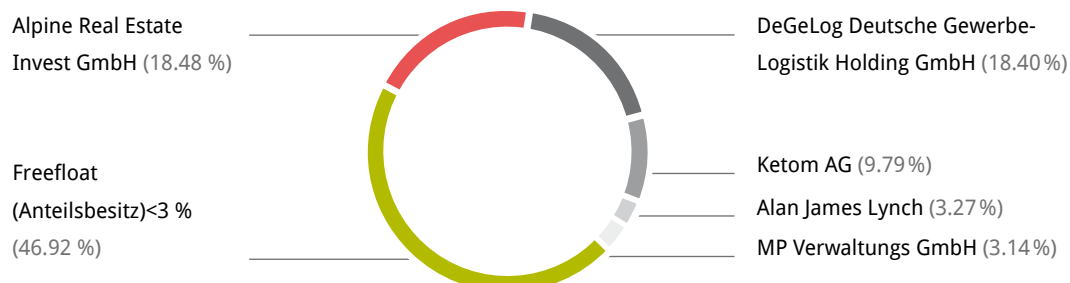
Source: Deutsche Börse

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SHARE AS AT MAY 31, 2015

ISIN	DE000A0XF5F0
Ticker symbol	DMRE
Stock exchange	Deutsche Börse, Frankfurt
Market segment	General Standard
Shareholder's equity (EUR)	22,285,553.00
Number of shares	22,285,553
Net asset value (NAV) (as of December 31, 2014 EUR)	3.55
Market capitalisation	124.58 million
Free float	46.92 %

SHAREHOLDER STRUCTURE AS AT MAY 31, 2015



Source: WpGH-Releases, own analysis

FINANCIAL CALENDAR

August 2015	Annual General Meeting
August 28, 2015	Publication of 2015 Half-Year Report
November 19, 2015	Publication of the Interim Report for the third quarter of 2015

DEMIRE AT A GLANCE

DEMIRE Deutsche Mittelstand Real Estate AG is transforming itself into a leading holder of German commercial real estate. The core business activities of the Frankfurt/Main-headquartered real estate group consist of the acquisition, the management and the rental of commercial real estate and their further development, for example, through modification, modernisation or expansion, and increasing their value through active portfolio management.



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GROUP KEY FIGURES EURk	01/01/2015– 31/03/2015	01/01/2014– 31/03/2014
Net rental income from real estate	5,177	274
Earnings from the sale of real estate companies	0	0
Income from asset management	0	0
Income from equity method investments	1,765	-422
Other operating income and other effects on earnings	809	3,194
Earnings before interest and taxes (EBIT)	5,204	730
Financial results	-4,622	154
Earnings before taxes (EBT)	581	884
Profit for the period	471	-86
Earnings per share in EUR	0.02	-0.01
Diluted earnings per share in EUR	0.02	-0.01
	31/03/2015	31/12/2014
Equity	64,806	54,629
Liabilities	361,294	318,383
Total assets	426,100	373,012
Equity ratio	15.2 %	14.6 %
	01/01/2015– 31/03/2015	01/01/2014– 31/03/2014
Cash flow from operating activities	6,400	451
Cash flow from investing activities	-16,985	-17,457
Cash flow from financing activities	35,565	15,500
Cash at end of period	29,377	3,955
NET ASSET VALUE NAV¹	31/03/2015	31/12/2014
NAV for the period	61,541	51,684
Effect of exercise of options, convertible bonds and other investments	0	0
Diluted NAV after the exercise of options, convertible bonds and other investments	61,541	51,684
Revaluations	0	0
Development of investment property	0	0
Measurement of other long-term assets	0	0
Change in fair value of finance lease	0	0
Change in fair value of commercial real estate	0	0
Change in fair value of financial instruments	0	-465
Deferred Taxes	9,455	9,312
Goodwill after deferred taxes	0	0
Diluted EPRA NAV	70,996	60,531
Shares in millions	20.02	14.31
Diluted EPRA ² NAV per share EUR	3.55	4.26

¹ method of valuation of real estate company's total from yield values and other assets less liabilities.

² EPRA: Real Estate Index of European Property Real Estate Association.

Foreword of the Executive Board

Dear Shareholders,
Ladies and Gentlemen,

In the first few months of 2015, we maintained the rapid pace of expansion in our core portfolio of German commercial real estate that was seen in 2014. This enabled us to increase our rentable space by roughly 260,000 m² from over 350,000 m² as of December 31, 2014 to over 610,000 m² at the end of May 2015 by acquiring several commercial properties and through our first acquisition in the logistics area. The development of the DEMIRE Group's contractual annual net rental income excluding utilities was similar: by end of May 2015 this item grew by roughly EUR 7.4 million to approximately EUR 32.8 million.

Specifically, we executed three promising transactions after the December 31, 2014 reporting date. In addition to the real estate already acquired in 2014, we acquired a further building complex in Schwerin. This office and commercial building with around 5,240 m² has long-term rental agreements on a sustained basis. In Leipzig, we acquired two properties at attractive conditions by means of capital increases in kind. One of these acquisitions was the Gutenberg-Galerie office and retail property. This centrally located property offers more than 20,000 m² in rental space, 60 % of which is used as office space and 40 % is used as retail space and for a four-star hotel. We were also successful in bidding for the purchase of a logistics complex previously used by Quelle. This logistics property, which is located about 10 km north of Leipzig's city centre, has total rentable space of about 184,000 m² on property of approximately 330,000 m². The logistics property consists of around 164,000 m² of warehouse space, almost 20,000 m² of office space, a good 35,000 m² of surrounding area and two areas for expansion totalling about 38,000 m² that already have building rights. Based on its excellent location near the trade fair centre and the BMW plant and due to the high demand for logistics properties in Leipzig, this complex offers substantial development potential through reductions in vacancies, rent adjustments and expansions in floor space.

We believe raising the value of the existing portfolio is just as important as increasing our holdings. In 2015, we made three targeted acquisitions in the areas of asset, property and facility management to secure the development potential of our entire portfolio through optimised management. These companies and their employees have allowed us to embody the entire real estate management value-added process in house. We are in tune with the properties and the needs of our tenants and are further improving our management efficiency leading to a positive development in the portfolio's value while improving the return on equity.

These acquisitions should be seen as part of DEMIRE's strategic development of the Group and its management structures in line with the growing demands based on the size it has obtained. Strategic development includes not only the addition of Markus Drews to the Executive Board at the end of the last fiscal year and the appointment of Dr. Peter Maser to the Supervisory Board in January 2015, but also the continuous expansion of the second level of management through the addition of highly qualified specialists with years of expertise and industry know-how.



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



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

With the new Group and management structures, we have met the prerequisites for further operational growth. In the future, we will also strive to grow through further significant purchases of real estate. The capital measures resolved at the Extraordinary General Meeting held in March 2015 provide us with ample funds for investment and sufficient equity and authorisations to issue conditional capital. In addition to increasing our bond in March 2015 by EUR 50 million to its present total of EUR 100 million (In this interim report, an increase of EUR 25 million to a total of EUR 75 million is recorded), we have also used our shares as currency for property purchases. Our recent issue of a mandatory convertible bond at a favourable interest rate highlights the attractiveness of our shares. Moreover, we have access to property-specific financing offers from a variety of banks.

The EBIT in the past fiscal year was significantly affected by the fair value adjustments in investment properties of EUR 63.6 million. Future fair value adjustments in existing properties or of newly acquired properties are difficult to predict. Nevertheless, for the 2015 fiscal year we expect significantly higher income from property rentals since the acquired properties will contribute to earnings for a full 12 month period for the first time. Overall, we expect rental income to grow to approximately EUR 33 million and EBIT to be in the lower double-digit millions, excluding any fair value adjustments made to properties. We plan to almost double our portfolio's volume during this fiscal year and are currently in preparation for further substantial purchases of property.

We would like to extend our appreciation especially to our shareholders for their continued trust. We would also like to expressly thank the Group's employees for their continued active and ambitious commitment in this new fiscal year

Frankfurt/Main, June 16, 2015

A handwritten signature in blue ink, appearing to read 'Andreas Steyer'.

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

A handwritten signature in blue ink, appearing to read 'Markus Drews'.

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

Investor Relations

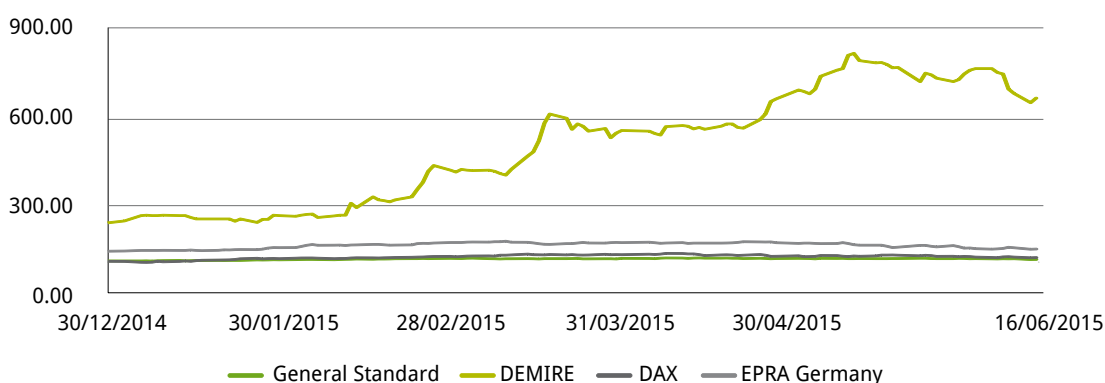
CAPITAL MARKET PERFORMANCE

Since the beginning of the year 2015, there has been a rally supported by the ECB's announcement of planned bond purchases totalling EUR 1.1 trillion that has driven the DAX to a record high of over 12,000 points. Other indices had similar performance. While the General Standard Index – which also contains the DEMIRE Deutsche Mittelstand Real Estate shares – had only slightly positive performance in 2015, the benchmark index of listed property companies, EPRA Germany, established by the European Public Real Estate Association in collaboration with FTSE, developed similarly to the DAX in early 2015 and reflected the positive development in the real estate sector.

OUTPERFORMANCE OF DEMIRE SHARES

In the first few months of 2015, shares of DEMIRE Deutsche Mittelstand Real Estate AG continued to significantly outperform the EPRA Germany, the General Standard and the DAX indices as they had in the course of 2014. On the last trading day of 2014, DEMIRE's shares were still quoted at EUR 1.80 and rose to EUR 4.03 by the March 31, 2015, reporting date. The Company's market capitalisation grew over the same period from EUR 25.75 million to a total of EUR 80.67 million. In the first three months of 2015, DEMIRE's share price climbed approximately 214 % and outperformed the relevant indices.

SHARE PRICE DEVELOPMENT



Quelle: Deutsche Börse

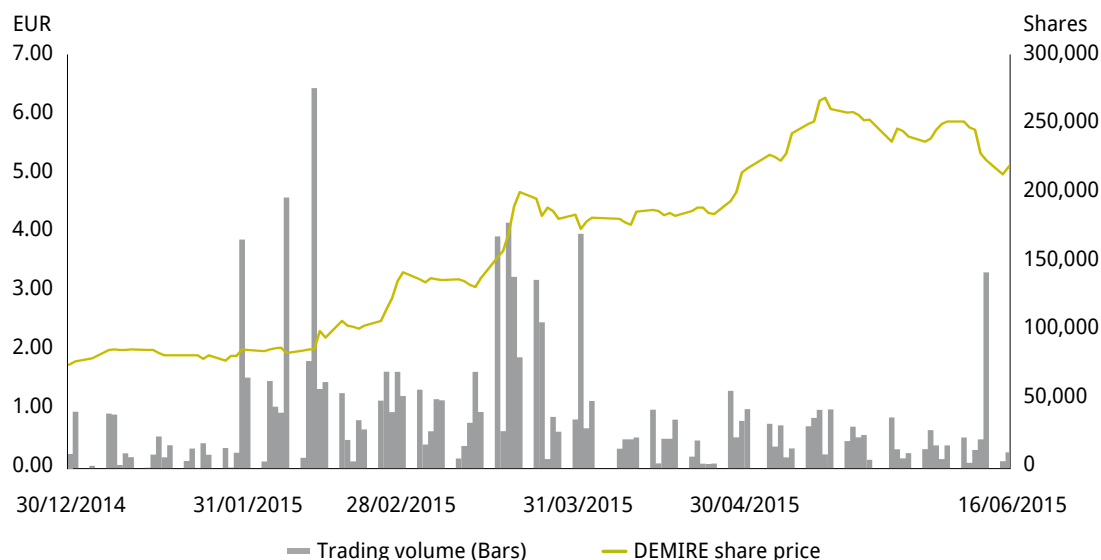
This extremely positive share price performance resulted not only from the fundamentally solid business development reported in this quarterly report but also from the favourable environment on the capital markets. Bond purchases by the European Central Bank and the continued low level of interest rates had a particularly positive effect on real estate shares.

End of May 2015, the market capitalisation of DEMIRE Deutsche Mittelstand Real Estate AG shares, based on a share price of EUR 5.59, amounted to EUR 124.58 million – an increase of more than 54 % compared to its value on March 31, 2015.

At the end of the first quarter of 2015, the Net Asset Value (NAV) per share amounted to EUR 3.55. As a result of the increase in the number of shares, the NAV was lower than at the end of 2014 (EUR 4.26 per share).

Trading volume in DEMIRE shares also increased in first quarter of 2015: the average trading volume per trading day has amounted to more than 51,000 shares.

TRADING VOLUME OF DEMIRE SHARE



Quelle: Deutsche Börse

SHARE	31/03/2015	31/03/2014
ISIN	DE000A0XFSF0	DE000A0XFSF0
Symbol / Ticker	DMRE	DMRE
Stock exchange	Frankfurt Stock Exchange (FSE); XETRA	Frankfurt Stock Exchange (FSE); XETRA
Market segment	General Standard	General Standard
Share capital	EUR 20,017,811.00	EUR 13,894,651.00
No. of shares	20,017,811	13,894,651
Daily trading volume of the last 3 months	> 50,000	< 9,000
Market capitalisation	EUR 80,631,742.70	EUR 8,753,630
Free float	50.31 %	60.21 %

RESEARCH ANALYSTS ISSUING BUY RECOMMENDATIONS

In March 2015, analysts at ODDO SEYDLER reiterated their „buy“ recommendation and raised their price target for DEMIRE Deutsche Mittelstand Real Estate AG shares. Based on the Company's development and the favourable environment, ODDO SEYDLER expects the positive business development to continue and the shares to show strong performance.

SUSTAINABLE INVESTOR RELATIONS

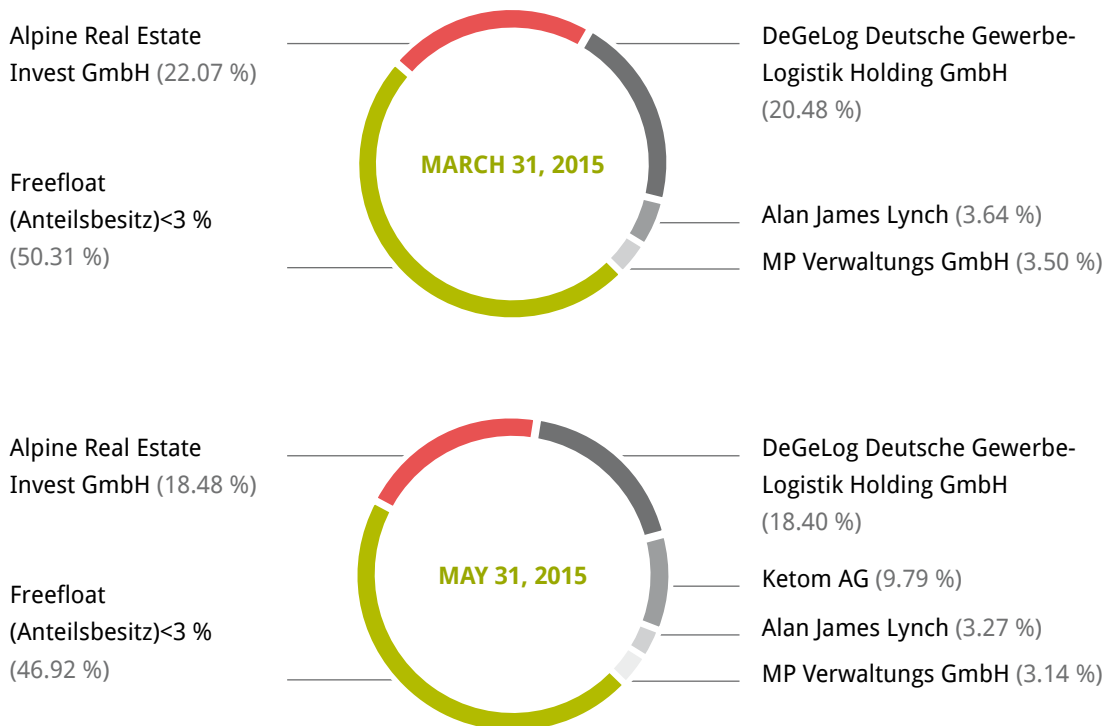
DEMIRE Deutsche Mittelstand Real Estate AG places high importance on transparent and sustainable investor relations activities. During the current fiscal year, the Company's shares will be positioned on the capital market as a growth stock. The outperformance of DEMIRE's shares has attracted increased interest in the shares especially from institutional investors.

SHAREHOLDER STRUCTURE

DEMIRE Deutsche Mittelstand Real Estate AG has a stable shareholder structure. As per the end of March, nearly half of the shares were held by institutional investors – especially those in the real estate sector. The remaining 50.31 % were in free float. The largest individual shareholders were Alpine Real Estate Invest GmbH with roughly 22 % and DeGeLog Deutsche Gewerbe-Logistik Holding GmbH with approximately 20 %. As per May 31, 2015, the free float amounted to around 45.6 %. The reason for the shift in the shareholder structure was the registration of the capital increase in kind from the acquisition of the Gutenberg-Galerie in which 2,182,567 shares were issued to Ketom AG. At the end of May 2015, Ketom AG held 9.79 % in DEMIRE.

SHAREHOLDER STRUCTURE AS AT DECEMBER 31, 2014 AND AS AT MAY 31, 2015

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DEMIRE's share capital will rise by EUR 2,541,149 upon the registration of the capital increase in kind executed in May 2015 (for purchase of Logistik Park Leipzig GmbH). M1 Beteiligungs GmbH will then be included as a new shareholder. There will be a corresponding change in the shareholder structure with the entry in the commercial register. A further change will result from the mandatory convertible bond issued in May 2015 with a volume of EUR 15 million after its maturity in 2018.

SUCCESSFUL REFINANCING

At the end of 2013, DEMIRE Deutsche Mittelstand Real Estate AG was able to successfully establish itself on the bond market with its issue of the 2013/2018 convertible bond.

TERMS AND CONDITIONS OF CONVERTIBLE BOND 2013/2018

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

This issue was followed in early September 2014 by the issue of the 2014/2019 corporate bond with a term of five years and an interest coupon of 7.5 %. The issue's volume of EUR 50 million was placed in a private placement. The proceeds were used to expand the portfolio of German commercial real estate. This bond was increased on the same terms by EUR 50 million to a total of EUR 100 million in March 2015. In this interim report, an increase of EUR 25 million to a total of EUR 75 million is recorded. The net proceeds served to finance further portfolio acquisitions and to strengthen the financial position.

USE OF PROCEEDS FROM 2014/2019 CORPORATE BOND

According to Section 1 of the terms and conditions of the 2014/2019 corporate bond, the Company is obliged to disclose in its annual and half-year reports the use of the funds raised from the 2014/2019 corporate bond issue. In the abbreviated 2014 fiscal year, the funds were mainly used to acquire a large commercial real estate portfolio in September 2014 that consisted of 107 properties with roughly 290,000 m² of rentable space located in the cities of Cologne, Leverkusen, Meckenheim, Wismar, Wuppertal and Schwerin. Thus, the funds were used in accordance with the purpose defined in the bonds terms and conditions, which is to finance new acquisitions.

CORPORATE BOND 2014/2019

Name	DEMIRE BOND 2014/2019
Issuer	DEMIRE Deutsche Mittelstand Real Estate AG
Type of security	Bearer bond
Volume	EUR 100.000.000
Interest rate (coupon)	7.5 %
Interest payments	half March 16 and September
Repayment	September 16, 2019
Redemption rate	100 %
Denomination	EUR 1,000
Paying Agent	Bankhaus Gebr. Martin Aktiengesellschaft, Göppingen
ISIN	DE000A12T135
Market segment	Frankfurt Stock Exchange

In December 2014, as part of a capital increase in kind from authorised capital, the share capital was raised by EUR 5,633,710 in order to refinance a portfolio containing eight commercial properties with total usable space of 42,000m² located in the cities of Berlin, Bremen and Stralsund, among others. A further capital increase in kind was executed in April 2015 for the purchase of the Gutenberg-Galerie in Leipzig. The property has rentable space of almost 21,000 m², approximately 11,900 m² of which is office space. This transaction resulted in a rise in share capital of EUR 2,182,567. In May 2015, an increase in the Company's share capital from authorised capital once by EUR 2,541,149.00 against a mixed contribution in kind was resolved with the exclusion of shareholders' subscription rights for the purchase of a logistics property in Leipzig with approximately 184,000 m².

Capital increases in kind from authorised capital continue to offer the DEMIRE real estate group an additional option for refinancing acquisitions in the future. The prerequisite for using this option was recently met at the Extraordinary General Meeting of March 6, 2015.

Specifically, the Extraordinary General Meeting resolved to create new authorised capital of EUR 8.54 million for a currently available total of EUR 9.97 million. Conditional capital increased to a total of EUR 9.97 million through the creation of additional conditional capital in the amount of EUR 2.43 million in order to grant subscription and conversion rights for bonds issued and in the amount of EUR 1.00 million for a stock option plan for management and employees.

In May 2015, the Executive Board and Supervisory Board also resolved to issue a mandatory convertible bond with a volume of EUR 15 million and a term of three years (bullet bond maturing in 2018) against the contribution of fractional bonds.

By implementing its strategy, DEMIRE Deutsche Mittelstand Real Estate AG is consistently transforming itself into a leading property holder in the commercial real estate market in Germany. The Company shows that it is well equipped to add yet another chapter to its success story.

Interim management report (Condensed version and unaudited)

BUSINESS PERFORMANCE

The Company increased its share capital by EUR 5,633,710 from EUR 14,306,151 to EUR 19,939,861 against contribution in kind from authorised capital and excluding the subscription rights of shareholders based on a resolution of the Executive Board and Supervisory Board on December 23, 2014. Alpine Real Estate GmbH was admitted to subscribe to the new shares in return for providing a contribution in kind consisting of 94.9 % of Alpine's interest in both Hanse-Center Objektgesellschaft mbH and Glockenhofcenter Objektgesellschaft mbH and a receivable against Hanse-Center Objektgesellschaft mbH. The increase in the share capital was entered into the commercial register on January 22, 2015.

Both of the project companies contributed possess a combined commercial real estate portfolio consisting of nearly 42,000 m² in the cities of Bremen, Berlin and Stralsund, among others. In the context of the capital increase, each new DEMIRE share was assigned a value of EUR 1.75.

With the consent of the Supervisory Board, the Executive Board is authorised by resolution of the Extraordinary General Meeting of March 6, 2015, to increase the Company's share capital until March 5, 2020, by issuing up to 8,552,290 new bearer shares in the form of no-par value shares with a notional par value of EUR 1.00 each against contribution in cash and/or in kind once or several times in partial amounts by up to EUR 8,552,290.00 (Authorised Capital I/2015).

Based on the resolution of the Extraordinary General Meeting of March 6, 2015, the Company's share capital is also conditionally increased by up to EUR 2,434,105.00 divided in up to 2,434,105 no-par value bearer shares (Conditional Capital 2015/I). The conditional capital increase serves to grant subscription and/or conversion rights to the holders of bonds with warrants and/or convertible bonds.

The Extraordinary General Meeting on March 6, 2015, resolved a stock option programme for which conditional capital was created in the amount of EUR 1,000,000. 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 Deutsche Mittelstand Real Estate 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. A maximum of up to 800,000 stock options (80 %) can be issued to members of DEMIRE's Executive Board and a total of up to 200,000 stock options (20 %) can be issued to selected employees of the Company or directors or employees of Group companies.

On March 24, 2015, with the consent of the Supervisory Board, DEMIRE's Executive Board resolved to increase its 2014/2019 corporate bond issued in September 2014 by an additional EUR 50 million to a total of EUR 100 million through a private placement. On March 26, 2015, the issue price for the new tranche in the Open Market of the Frankfurt Stock Exchange was at 100 %. The bond has a coupon of 7.50 % per annum to be paid in semi-annual interest instalments. DEMIRE intends to use the net proceeds from the bond increase to finance additional portfolio acquisitions and to strengthen its financial position. In this interim report, an increase of EUR 25 million to a total of EUR 75 million is recorded.

In the period from early January 2015 to the end of March 2015, a total of 77,950 convertible bonds were converted into no-par value shares of DEMIRE Deutsche Mittelstand Real Estate AG with a notional share of roughly 0.4 % in the share capital as of March 31, 2015.

RESULTS OF OPERATIONS

The improvement in the results of operations of the DEMIRE real estate group during the first quarter of the 2015 fiscal year is evidence – once again as in the abbreviated fiscal year – of the Company's strategic realignment with the development of dedicated holdings of German commercial properties. However, due to the strong expansion in the real estate portfolio, the figures are not fully comparable to the first quarter of 2014 (January 1, 2014 to March 31, 2014).

In the first quarter of 2015, the Group's profit/loss from the rental of real estate grew significantly from EUR 0.3 million in the first quarter of 2014 to EUR 5.2 million. This rise resulted from the tremendous expansion in our commercial real estate portfolio during the abbreviated 2014 fiscal year and the reporting period. As of the March 31, 2015 reporting date, the portfolio expanded to a total of approximately 400,000 m² of rentable space. There was a corresponding rise in rental income to EUR 8.8 million (1Q 2014: EUR 0.4 million). Operating expenses to generate rental income increased from EUR 0.1 million to EUR 3.6 million and corresponded to the portfolio's expansion.

Real estate or real estate companies were not sold during the reporting period or during the previous year's comparable period.

In the first quarter of 2015, the DEMIRE Group – in line with its strategy – did not generate income from asset management for third parties.

The profit/loss from investments accounted for using the equity method amounted to EUR 1.8 million in the first quarter of 2015 following EUR -0.4 million in the comparable period. The main reason for this improvement was income through debt relief from the renegotiation of a mezzanine loan in the amount of EUR 1.2 million.

The DEMIRE Group's other operating income and other effects for the first quarter of 2015 declined significantly to EUR 0.8 million (1Q 2014: EUR 3.2 million).

The general and administrative expenses of the DEMIRE Group increased by EUR 0.3 million to EUR 1.6 million as of March 31, 2015 (1Q 2014: EUR 1.3 million) as a result of higher acquisition-related expenses for the expansion of the property portfolio.

Other operating expenses in the DEMIRE Group declined slightly by EUR 0.1 million during the first quarter of 2015 declining to EUR -1.0 million (1Q 2014: EUR -1.1 million)

Overall, earnings before interest and taxes (EBIT) amounted to EUR 5.2 million following an operating result of EUR 0.7 million in the previous year's comparable period.

Given the increasing financial expenses for the acquired real estate portfolios, the financial result amounted to EUR -4.6 million as of March 31, 2015 (1Q 2014: EUR 0.2 million).

Net of taxes, net profit/loss for the period amounted to EUR 0.5 million after EUR -0.1 million in the previous year's quarter.

FINANCIAL POSITION AND LIQUIDITY

Cash flow development reflects the investments made to expand the real estate holdings.

These investments led to an improvement in cash flow from operating activities in the reporting period from EUR 0.4 million to EUR 6.4 million. Based on Group profit/loss before taxes of EUR 0.6 million, interest paid of EUR 4.2 million, the reduction in provisions and trade accounts payable of EUR 0.7 million (previous year: EUR 1.8 million) as well as a change in in trade accounts receivable and other receivables of EUR 1.5 million (previous year: EUR 0.4 million) were the main causes for the rise.

As a result of the purchase of investment properties amounting to EUR -16.6 million and prepayments of EUR 0.4 million, cash flow from investing activities totalled EUR -17.0 million after EUR -17.5 million in the prior fiscal quarter.

Cash flow from financing activities grew from EUR 15.5 million in the previous year to EUR 35.6 million in the 2015 reporting year. This result was also strongly affected from the financing of our growth. Proceeds from the assumption of financial debt totalled EUR 3.3 million.

The net change in cash and cash equivalents was EUR 25.0 million (previous year: EUR -1.5 million). Cash and cash equivalents at the end of the reporting period rose to EUR 29.4 million from EUR 4.4 million at the end of the previous fiscal year.

Throughout the entire period, the DEMIRE real estate group was always in a position to fully meet its payment obligations. Possible liquidity shortages, for example, due to maturing loans were avoided through the appropriate financial management and lender agreements as presented in the risk report.

NET ASSETS AND CAPITAL STRUCTURE

Total assets of the DEMIRE Group as of March 31, 2015, increased by EUR 53.1 million to EUR 426.1 million (December 31, 2014: EUR 373.0 million). This significant rise was mainly the result of the acquisition-related growth of the real estate group.

As of March 31, 2015, non-current assets had risen further by EUR 26.1 million to a total of EUR 377.0 million (December 31, 2014, EUR 350.9 million). Property, plant and equipment of EUR 11.3 million as of December 31, 2014 declined as a result of the reclassification of prepayments made in the abbreviated fiscal year for the purchase of a property in Leverkusen to investment properties. Investment properties grew by EUR 38.0 million to EUR 371.1 million (December 31, 2014: EUR 333.1 million).

Investments accounted for using the equity method decreased in comparison to December 31, 2014 (EUR 2.6 million) to EUR 1.7 million. The interest in OXELTON accounted for using the equity method was reclassified to investments available for sale in accordance with the third amendment to the mezzanine loan of MAGNAT Investment I B.V., and measured at the disposal value of EUR 2.7 million. As of March 31, 2015, the DEMIRE Group's current assets grew by EUR 24.3 million to EUR 46.4 million (December 31, 2014: EUR 22.1 million).

Trade accounts receivable and other receivables declined EUR 1.5 million to EUR 7.8 million (December 31, 2014: EUR 9.3 million). All receivables were due in less than three months.

As a result of incoming payments of from the increase in the corporate bond, cash and cash equivalents increased by EUR 25.0 million to EUR 29.4 million (December 31, 2014: EUR 4.4 million). This item consists of cash on hand and credit balances at financial institutions.

The equity of the DEMIRE Group increased from EUR 54.6 million at the end of December 2014 to EUR 64.8 million as of March 31, 2015. Subscribed capital, or share capital, increased from EUR 14,306,151.00 to EUR 20,017,811 as a result of the exercise of 77,950 conversion rights against the issue of new shares from conditional capital as well as the issue of 5,633,710 new shares from a capital increase in kind. The equity ratio amounted to 15.2 % following 14.6 % as of December 31, 2014.

As of March 31, 2015, the DEMIRE Group's non-current liabilities increased to EUR 290.7 million (December 31, 2014: EUR 258.1 million) as a result of the expansion of the real estate portfolio. The majority of non-current liabilities, or a total of EUR 280.7 million, is attributable to non-current financial debt and is comprised of a corporate bond with a nominal value of EUR 75 million and a promissory note with a nominal value of EUR 148 million.

The DEMIRE Group's current liabilities grew by EUR 10.3 million from EUR 60.3 million as of December 31, 2014, to EUR 70.6 million as of March 31, 2015. The largest portion within current liabilities are current financial debt, which grew in the DEMIRE Group to EUR 57.2 million (December 31, 2014: EUR 47.6 million). This amount included bank liabilities of EUR 15.3 million (December 31, 2014: EUR 5.4 million).

As of March 31, 2015, trade payables and other liabilities rose to EUR 12.1 million (December 31, 2014: EUR 11.5 million). Of this amount, EUR 5.2 million (December 31, 2014: EUR 5.2 million) was attributable to trade payables and EUR 5.4 million (December 31, 2014: EUR 3.2 million) was attributable to other liabilities.

The DEMIRE Group's total liabilities as of the March 31, 2015, reporting date amounted to EUR 361.3 million, or EUR 42.9 million higher than their level of EUR 318.4 million on December 31, 2014, primarily as a result of the portfolio's expansion and the bond increase of EUR 25 million to a total of EUR 75 million.

EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

On April 2, 2015, with the approval of the Supervisory Board, DEMIRE's Executive Board resolved to increase the Company's share capital from authorised capital approved by DEMIRE's Annual General Meeting on March 6, 2015, once by EUR 2,182,567.00 from EUR 20,017,811.00 to EUR 22,200,378.00 against contribution in kind under the exclusion of the subscription rights of shareholders. The Authorised Capital I/2015 resolved by DEMIRE's Extraordinary General Meeting on March 6, 2015, was entered into the commercial register on April 6, 2015. 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. The determination of the amount of the capital increase and the number of new DEMIRE shares to be issued was based on a value of EUR 4.028 per DEMIRE AG share. The project company owns the office and retail property Gutenberg-Galerie in Leipzig with rentable space of approximately 20,750 m².

In April 2015, the option to issue share options was fully utilised for the Executive Board members and partially utilised for the employees.

On March 18, 2015, Erste MAGNAT Immobiliengesellschaft mbH in Frankfurt/Main sold the Parchim property that contained a residential and office building, plot 24, the land parcel 88/15 with an area of 2,464 m² and buildings and open space for a price of EUR 650k. The transfer of benefits and obligations occurred with the payment of the purchase price on May 22, 2015, in accordance with the agreement.

On May 13, 2015, the Executive Board and Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG resolved to issue a mandatory convertible bond with a volume of EUR 15 million against contribution in kind with the exclusion of shareholders' subscription rights. As part of the transaction, an investor in the 2014/2019 corporate bond subscribes to the new mandatory convertible bond to be issued with a term of three years (bullet bond maturing 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 into shares at an initial conversion price of EUR 5.00 per share, subject to adjustments, as of September 1, 2015. The mandatory convertible bond carries a conversion obligation of the respective creditor at the maturity of the bond.

With the approval of the Supervisory Board on May 19, 2015, the Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG resolved on May 13, 2015, to increase the Company's share capital from authorised capital once by EUR 2,541,149.00 against a mixed contribution in kind with the exclusion of 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. Logistics Park Leipzig GmbH is the sole owner of a logistics property in Leipzig (Logistics Park Leipzig). The determination of the amount of the capital increase and the number of new DEMIRE shares to be issued was based on a value of EUR 5.84 per DEMIRE share. In addition to the shares,

M1 Beteiligungs GmbH is to receive a cash payment of approximately 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 that was resolved by the Executive Board on April 2, 2015, M1 Beteiligungs GmbH will hold an interest in DEMIRE's share capital of around 10.25 %. Mr Günther Walcher, who is also a member of DEMIRE's Supervisory Board, holds an indirect interest of 100 % in M1 Beteiligungs GmbH. The conclusion of the contribution, purchase and assignment agreement was preceded by a structured bidding process in which DEMIRE prevailed. The former logistics complex belonging to Quelle (constructed in 1994) has total rentable space of around 184,000 m² and is located on property of roughly 330,000 m² situated approximately 10 km north of Leipzig's city centre. The property consists of around 164,000 m² of warehouse space, almost 20,000 m² of office space, at least 35,000 m² of surrounding area as well as two areas for expansion that total about 38,000 m² and already have building rights. The logistics complex has a current occupancy rate of roughly 60 % and annual net rental income of approximately EUR 3.60 million. The complex offers substantial potential based on its excellent location near the trade fair centre and the BMW plant and due to the high demand for logistics properties in Leipzig.

On May 27, 2015, DEMIRE Deutsche Mittelstand Real Estate AG announced that it had acquired a 51 % interest in the asset management company Panacea Property GmbH and a 51 % interest in the facility management company Praedia Haus & Gartenservice GmbH. The real estate group also increased its stake in the property management platform DEMIRE Immobilien Management GmbH from 51 % to 100 %. The parties to the transaction have agreed not to disclose the purchase prices. With the purchase of these interests, DEMIRE has completed its expansion for the internal representation of all core competencies. These three new companies and the corresponding increase in employees allow the real estate group to internally represent the entire value chain of property management and further optimise the administration of its commercial real estate portfolio in Germany.

In the period from early April 2015 through mid-June 2015, a total of 125,675 convertible bonds were converted into no-par value shares of DEMIRE Deutsche Mittelstand Real Estate AG with a notional share of approximately 0.6 % in the share capital as of May 31, 2015.

REPORT ON OPPORTUNITIES, RISKS AND OUTLOOK

The following report on opportunities, risks and outlook refers to the DEMIRE Group as well as to the individual business segments. The opportunities and risks described in the 2014 Annual Report (abbreviated fiscal year from April 1 to December 31, 2014) continue to be relevant. New fundamental risks or those of special significance have not arisen. In developing further in line with our strategic realignment, we see more opportunities for our business than risks.

The currently favourable macroeconomic and industry environment continues to provide excellent opportunities to further expand our German commercial real estate portfolio. The growth of most of Europe's economies, including Germany, has recently picked up and the demand for commercial space in the locations we address continues to be stable. We also continue to consider the offers in the area of financing for property acquisitions to be good.

After establishing a dedicated portfolio of German commercial real estate in 2014 in line with the Company's realignment, DEMIRE is now focused on becoming a leading holder of German commercial properties. We will continue our gradual withdrawal from previous commitments in Eastern Europe and the Black Sea region, which we have already made progress on through our sale of our investments in Turkey and three companies in the Ukraine during the abbreviated 2014 fiscal year. We cannot estimate the time it will take to receive the expected proceeds from the remaining investments since we are not willing to consider fire sales. We do, however, expect to be able to dispose of the remaining properties during the current fiscal year. In terms of the portfolio's financial requirements, we do not believe that significant additional funds will be required to maintain today's assets or to prepare for the sale of investments. Further impairments, which may negatively impact the DEMIRE Group's level of equity, cannot be ruled out even when, from today's standpoint, the reasonable precautions have been taken.

We do expect continued positive business developments from the German commercial property portfolios acquired in the abbreviated 2014 fiscal year. These properties will be included for a full 12-month period for the first time and will significantly contribute to rental income and to revenues of the Core Portfolio segment and of the Group. The acquisition of Gutenberg-Galerie and Logistikpark Leipzig – both in the up-and-coming city of Leipzig – are expected to close in the second quarter of 2015 and from that point will also make a positive contribution to EBIT.

Additional substantial real estate purchases are currently in preparation. We are confident that we will be able to almost double our portfolio volume in Germany in the current fiscal year. This will represent another chapter in the rapid growth we have planned. In terms of financing, DEMIRE will review all of the options available and take advantage of these options while keeping risk in mind. In this respect, DEMIRE has cash capital increases, capital increases in kind, the issue of bonds and the assumption of other liabilities as its available options.

We expect our active in-house asset, property and facility management to lead to a further increase in occupancy rates and visibly lower operating costs as early as in the current fiscal year. This should also lead to a sustainable appreciation in value in the current fiscal year, which in turn is expected to have a positive impact on the profitability of the portfolio through fair value adjustments and disposals to optimise and focus the portfolio. Nevertheless, it is still unclear whether we will be able to implement the necessary measures in time for the planned value appreciation to occur in the 2015 fiscal year or whether this value appreciation will be achieved in the following fiscal year.

The EBIT in the past fiscal year was significantly affected by the fair value adjustments in investment properties of EUR 63.6 million. Future fair value adjustments in existing properties or of newly acquired properties are difficult to predict. Nevertheless, for the 2015 fiscal year we expect significantly higher income from property rentals since the acquired properties will contribute to earnings for a full 12 month period for the first time. Overall, we expect rental income to grow to approximately EUR 33 million and EBIT to be in the lower double-digit millions, excluding any fair value adjustments made to properties.

Above all, rental income should see a significant rise due to the further expansion of our core portfolio. The proceeds generated from this increase will also contribute to the Group's achievement of positive cash flow from operating activities. We are also striving for a strong improvement in net asset value. In particular, we also intend to take advantage of the favourable market environment in the current fiscal year for the Group's expansion. Therefore, our immediate priority – ahead of our achievement of earnings targets – is growth, measured by our portfolio volume in Germany. This will always be done with the assurance of a sufficient level of liquidity at all times.

Frankfurt/Main, June 16, 2015
DEMIRE Deutsche Mittelstand Real Estate AG



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



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

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

EUR	01/01/2015– 31/03/2015	01/01/2014– 31/03/2014
Rental income	8,779,463	388,782
Operating expenses to generate rental income	-3,602,294	-115,174
Profit/loss from the rental of real estate	5,177,169	273,608
Revenue from the sale of real estate companies	0	0
Net assets from real estate companies sold	0	0
Profit/loss from the sale of real estate companies	0	0
Revenue from the sale of properties	0	0
Expenses from the disposal of real estate	0	0
Profit/loss from the sale of real estate	0	0
Revenue from asset management	0	0
Expenses for asset management	0	0
Profit/loss from asset management	0	0
Profits from investments accounted for using the equity method	357,637	5,872
Losses from investments accounted for using the equity method	-37,929	-190,318
Unrealised fair value adjustments in equity investments	1,444,886	-237,541
Profit/loss from investments accounted for using the equity method	1,764,594	-421,987
Profit/loss of fair value adjustments in investment properties	228,126	2,904,810
Unrealised fair value adjustments in real estate inventory	0	-284,998
Impairment of goodwill and receivables	-5,301	-302,934
Other operating income	585,940	877,203
Other operating income and other effects	808,765	3,194,081
General and administrative expenses	-1,571,121	-1,256,538
Other operating expenses	-975,716	-1,059,018
Earnings before interest and taxes (EBIT)	5,203,691	730,146
Financial income	335,694	617,098
Financial expenses	-4,958,165	-462,981
Financial result	-4,622,471	154,117
Profit/loss before taxes	581,220	884,263
Income taxes	-109,902	-969,803
Net profit/loss for the period	471,318	-85,540
Of which, attributable to:		
Non-controlling interests	19,621	-21,267
Parent company shareholders	451,697	-64,273
Basic earnings per share	0.02	-0.01
Diluted earnings per share	0.02	-0.01

CONSOLIDATED BALANCE SHEET (UNAUDITED)

ASSETS

EUR	31/03/2015	31/12/2014
NON-CURRENT ASSETS		
Intangible assets		
Property, plant, and equipment	0	0
Investment properties	386,681	11,329,947
Investments accounted for using the equity method	371,085,000	333,070,000
Other financial assets	1,719,619	2,612,951
Loans to investments accounted for using the equity method	14,382	14,383
Other loans	2,965,637	2,856,582
Deferred tax assets	322,351	322,218
Total non-current assets	512,288	719,820
Summe langfristige Vermögenswerte	377,005,958	350,925,901
Current assets		
Real estate inventory	7,851,797	7,354,885
Trade accounts receivables and other receivables	7,819,667	9,286,985
Financial receivables and other financial assets	1,213,270	921,160
Tax refund claims	125,167	125,800
Cash and cash equivalents	29,376,670	4,397,265
Total current assets	46,386,571	22,086,095
Investments accounted for using the equity method, available for sale	2,707,903	0
Total assets	426,100,432	373,011,996

	LIABILITIES	
EUR	31/03/2015	31/12/2014
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Subscribed capital	20,017,811	14,306,151
Reserves	41,523,432	37,377,704
Equity attributable to parent company shareholders	61,541,243	51,683,855
Interest of non-controlling shareholders	3,264,824	2,945,398
Total shareholders' equity	64,806,067	54,629,253
Liabilities		
Non-current liabilities		
Deferred tax liabilities	9,966,941	10,031,740
Non-current financial debt	280,704,274	248,091,940
Total non-current liabilities	290,671,215	258,123,680
Current liabilities		
Provisions	967,584	852,026
Trade payables and other liabilities	12,145,446	11,519,200
Tax liabilities	358,653	314,430
Current financial debt	57,151,467	47,573,407
Total current liabilities	70,623,150	60,259,063
Total liabilities	361,294,365	318,382,743
Total equity and liabilities	426,100,432	373,011,996

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

EURk	01/01/2015– 31/03/2015	01/01/2014– 31/03/2014
Group profit/loss before taxes	581	884
Interest expenses paid for financial debt	4,210	90
Changes in property development	0	0
Change in trade accounts receivable and other receivables	1,467	415
Change in deferred tax assets	208	-232
Change in income tax receivables	1	-19
Change in financial receivables and other financial assets	-401	1,795
Change in intangible assets	0	0
Change in provisions	116	-1,061
Change in trade payables and other liabilities	728	1,758
Change in deferred tax liabilities	-65	1,183
Valuation gains under IAS 40	-228	-2,905
Profit from the sale of real estate companies	0	0
Income taxes	-110	-970
Change in reserves	1,709	-747
Profit/loss from investments accounted for using the equity method	-1,765	422
Fair value adjustments in real estate inventory	0	285
Other non-cash items	-51	-447
Cash flow from operating activities	6,400	451
Payments for investments in property, plant and equipment	-360	
Payments for the purchase of investment properties	-16,625	-16,197
Proceeds from the disposal of property, plant, and equipment	0	7
Proceeds from the capital reduction of investments accounted for using the equity method and other investments	0	0
Payments for the acquisition of interests and for increasing the capital reserve of investments accounted for using the equity method and other investments	0	-1,085
Proceeds from the sale of interests in investments accounted for using the equity method and other investments	0	-182
Payments for granting loans to investments accounted for using the equity method and to other investments	0	0
Proceeds from the repayment of loans from investments accounted for using the equity method and other investments	0	0
Payments for the acquisition of subsidiaries and for the purchase of net assets (net of cash acquired)	0	0
Proceeds from (p/y: payments for) the sale of subsidiaries (net of cash sold)	0	0
Proceeds from the sale of real estate	0	0
Cash flow from investing activities	-16,985	-17,457
Proceeds from issuance of share capital	0	0
Payments for expenses related to issuance of share capital	-58	0
Change in financial debt resulting from the acquisition of shell companies	11,910	13,247
Proceeds from the issuance of convertible bonds	0	4,020
Proceeds from the issue of bonds	25,000	0
Proceeds from the issuance of financial debt	3,286	18
Interest paid on financial debt	-4,210	-76
Payments for the redemption of financial debt	-363	-1,709
Cash flow from financing activities	35,565	15,500
Net change in cash and cash equivalents	24,980	-1,506
Change due to currency translation	0	-2
Cash and cash equivalents at the start of the period	4,397	5,463
Cash and cash equivalents at the end of the period	29,377	3,955
Supplementary information concerning the statement of cash flows:		
Income tax refunds (+)/-payments (-)	0	-39
Interest received	0	9
Interest paid	4,210	90

Property portfolio and company sites



Status: June 2015

IMPRINT AND CONTACTS

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Disclaimer:

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



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