



DEMIRE Deutsche Mittelstand Real Estate AG

INTERIM STATEMENT AS OF SEPTEMBER 30, 2016

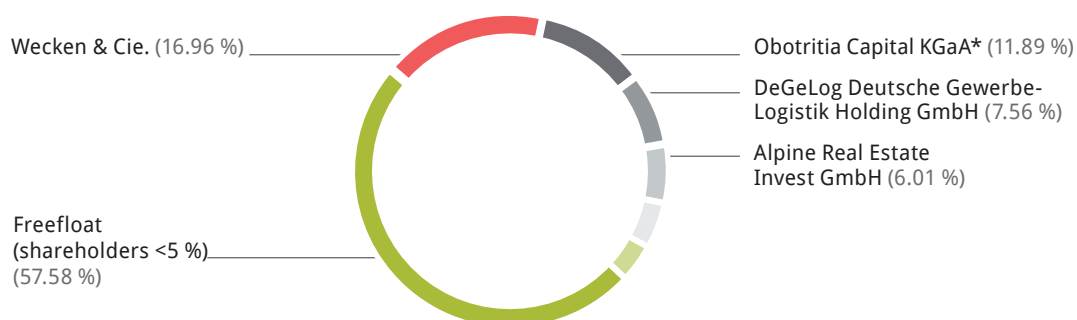
DEMIRE at a glance

KEY FIGURES

Group in EURK

CONSOLIDATED INCOME STATEMENT	01/01/2016– 30/09/2016	01/01/2015– 30/09/2015
Rental income	56,671	21,908
Net rental income	43,291	17,032
EBIT	41,259	26,451
Financial result	-35,431	-20,639
EBT	5,828	5,812
Net profit/loss for the period	6,527	2,617
Net profit/loss for the period attributable to parent company shareholders	4,069	1,639
Net profit/loss for the period per share (basic / diluted, in EUR)	0.08 / 0.08	0.07 / 0.06
FFO after minority interests	6,016	n.a.
CONSOLIDATED BALANCE SHEET	30/09/2016	31/12/2015
Total assets	1,059,086	1,032,945
Investment properties	960,624	915,089
Non-current assets held for sale	20,590	13,005
Total portfolio	981,214	928,094
Financial liabilities	663,648	655,239
Cash and cash equivalents	28,145	28,467
Net financial debt	635,503	626,772
in % of total portfolio (LTV)	64.8	67.5
Equity according to the consolidated balance sheet	288,008	264,902
Equity ratio in %	27.2	25.6
CASH FLOW	01/01/2016– 30/09/2016	01/01/2015– 30/09/2015
Cash flow from operating activities	24,941	3,479
Cash flow from investing activities	3,485	-5,123
Cash flow from financing activities	-28,748	7,405
Cash and cash equivalents at the end of the period	28,145	10,158
EPRA NAV (NET ASSET VALUE)	30/09/2016	31/12/2015
Net asset value (NAV) for the period	250,566	230,697
Fair value of financial instruments	1,140	0
Deferred taxes	22,186	25,570
Goodwill as result of deferred taxes	-4,739	0
Basic / diluted EPRA NAV	269,153 / 282,791	256,267 / 271,586
Shares in millions (basic / diluted)	54.25 / 64.04	49.29 / 63.94
Basic / diluted EPRA NAV per share in EUR	4.96 / 4.42	5.20 / 4.25

SHAREHOLDER STRUCTURE AS AT SEPTEMBER 30, 2016



Source: German Trading Act notification, own analysis
*including subsidiaries

ABOUT DEMIRE – FIRST IN SECONDARY LOCATIONS

DEMIRE Deutsche Mittelstand Real Estate AG has commercial real estate holdings in mid-sized cities and up and coming areas bordering metropolitan areas all over Germany (secondary locations). 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.

As at September 30, 2016, DEMIRE held real estate consisting of 178 properties with a market value of EUR 981.2 million. As at the reporting date, contractual rents had been firmly agreed upon in the amount of EUR 74.4 million (at an occupancy rate of 87.3 % of the potential rents of EUR 85.2 million) for a term of 5.2 years.

DEMIRE aims to maintain its corporate organisation as lean as possible, although it still believes that economies of scale and portfolio optimisation are best achieved by having its own in-house asset, property and facility management. This safeguards the Company's business expertise and, equally important, allows the Company to maintain direct contact with the customer.

Since July 2016, DEMIRE Deutsche Mittelstand Real Estate AG shares (ISIN: DE000A0XFSF0) are listed in the Prime Standard segment of the German Stock Exchange, Frankfurt.

www.demire.ag

Disclaimer:

The 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.

Foreword of the Executive Board

Ladies and Gentlemen

After growing successfully in the prior year, the focus in the first nine months of the current fiscal year was the integration of the real estate holdings acquired in 2015 and early 2016 and the improvement in the future financial result by means of refinancing and repaying debt. We repaid our high-interest HFS bond during the fiscal year and thereby reduced our loan-to-value ratio (LTV) since mid-year 2016 from 66.1 % to 64.8 % of our real estate assets. Our year-end target rate continues to be 60 %, and we expect to achieve this.

The repayment was financed both from current cash flow and an amount of EUR 10 million from the proceeds of our 10 % cash capital increase carried out in August. We intend to use the remaining net proceeds from the capital increase to finance property purchases and strengthen our own finances. With the complete repayment of the HFS bond, we have further lowered the average cost of debt on the DEMIRE Group's financial debt to a current level of 4.4 % p.a., which already places us within our target corridor of 4.0 % to 4.5 % p.a. projected for the end of 2016. DEMIRE works intensively on undertaking additional refinancing on favourable terms with the objective to further lower the average annual cost of debt, which will have a positive impact on our important key performance indicator funds from operations (FFO).

In the first nine months of the current fiscal year, rental income increased from EUR 21.9 million to EUR 56.7 million as a result of the real estate acquired in 2015 and early 2016 and the net profit for the period increased from EUR 2.6 million to EUR 6.5 million compared to the same period of the prior year. The net profit attributable to parent company shareholders grew from EUR 1.6 million to EUR 4.1 million. In the first nine months of the fiscal year, the adjusted profit (FFO) before minority interests amounted to EUR 11.0 million. Basic net asset value according to EPRA (EPRA NAV) increased from EUR 264.3 million as at June 30, 2016, to EUR 269.2 million as at September 30, 2016. Due to the higher number of shares following the cash capital increase in August 2016, the EPRA NAV amounted to EUR 4.96 per share.

DEMIRE is on a good way to achieve both its medium and long term strategic and economic goals as planned. DEMIRE's in-house asset, property and facility management, which steadily expanded in 2016, pave the way for further economies of scale and portfolio optimisation in the years ahead. This will allow us to realise further profitable growth of our business through strategic investments in real estate in secondary locations in Germany.



Hon.-Prof. Andreas Steyer MRICS, Speaker of the Executive Board (CEO), Dipl.-Kfm. (FH) Markus Drews, Executive Board Member (COO)

Based on the above, DEMIRE confirms its 2016 forecast for FFO before minority interests of EUR 19.1 million and EUR 13.9 million after minority interests. For 2017, DEMIRE strives in an unchanged way for FFO of EUR 25 million before minority interests and EUR 18 million after minority interests .

Frankfurt/Main, November 30, 2016

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

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

Presentation of status on the first nine months 2016 January 1st to September 30, 2016

GROUP PRINCIPLES

Business model

DEMIRE Deutsche Mittelstand Real Estate AG is a public stock corporation under German law headquartered in Frankfurt/Main with no other branch offices. In December 2016, the Company will relocate its offices from Frankfurt/Main to Langen in the greater Frankfurt area. The new rented offices are owned by a subsidiary of the Fair Value REIT subgroup. On the reporting date, the shares of DEMIRE Deutsche Mittelstand Real Estate AG (ISIN DE000A0XFSF0) were listed on the Prime Standard of the Frankfurt Stock Exchange and on the regulated unofficial market of the Stuttgart, Berlin and Dusseldorf stock exchanges.

Since its strategic realignment in 2013, DEMIRE concentrates exclusively on the German commercial real estate market and is active as an investor and property holder in the segment for secondary locations where its activities include the acquisition, management and the rental of commercial properties. Value appreciation should be achieved through active portfolio management and the Group's in-house asset, property and facility management; which in some cases includes the sale of individual properties when they no longer align with the investment strategy.

DEMIRE's business activities and, consequently, its segment reporting are divided into three segments: Core Portfolio, Fair Value REIT and Corporate Functions/Others. The strategically important segment "Core Portfolio" contains the assets and activities of DEMIRE's direct and indirect subsidiaries that were part of the Group prior to the takeover of Fair Value REIT-AG. The main assets are the commercial properties in Germany. This segment also includes the in-house asset, property and facility management activities established and expanded in 2015 that are intended to ensure that existing properties generate the best possible returns. As of the end of 2015, another strategically segment of the Group is the "Fair Value" segment which comprises the activities of the acquired company. The segment "Corporate Functions Others" contains the Group's administrative and general tasks such as risk management, finance, controlling, financing, legal, IT and compliance.

Real estate portfolio

As of September 30, 2016, the core portfolio consisted of 178 commercial properties with lettable area of almost 1.1 million m² and a market value totalling EUR 981.2 million.

The yield-related occupancy rate of the portfolio as of the reporting date was 87.3 % of the potential rents at full occupancy of EUR 85.2 million compared to an occupancy rate of 87.2 % at the end of the prior year.

The yield-weighted occupancy rate of the core portfolio as of September 30, 2016, would have been 87.8 % of the potential rent under the pro forma inclusion of lease contracts concluded as of the reporting date for vacant space that is partly to be refurbished before it is handed over to tenants.

**DEMIRE GROUP'S REAL ESTATE HOLDINGS
ON SEPTEMBER 30, 2016**

	Plot size	Total rent- able area	Annualised contractual rent	Market value 30/09/2016	Occupancy rate	Ø secured re- maining term of rental agreements in years	Contractual rental yield before costs in %
	in m ²	in m ²	in EURk	in EURk	in %		
Portfolio	983,681	791,764	52,081	689,904	86.7%	5.4	7.5%
Fair Value REIT	424,191	263,186	22,332	291,310	88.9%	4.7	7.7%
Total	1,407,872	1,054,950	74,413	981,214	87.3%	5.2	7.6%

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS
Results of operations

CONSOLIDATED INCOME STATEMENT (SELECTED INFORMATION IN EURk)	3rd Quarter of 2016	3rd Quarter of 2015	01/01/2016 – 30/09/2016	01/01/2015 – 30/09/2015
Rental income	20,017	7,998	56,671	21,908
Income from utility and service charges	3,257	2,000	11,961	6,153
Operating expenses to generate rental income*	-8,909	-3,775	-25,341	-11,029
Profit/loss from the rental of real estate	14,365	6,223	43,291	17,032
Profit/loss from the sale of real estate companies	127	0	130	520
Profit/loss from the sale of real estate	-245	0	-135	458
Profit/loss from investments accounted for using the equity method	0	0	0	3,230
Other operating income and other effects*	639	8,858	23,046	17,237
General and administrative expenses	-3,114	-2,424	-10,598	-7,569
Other operating expenses	-3,363	-2,273	-14,475	-4,457
Earnings before interest and taxes	8,409	10,384	41,259	26,451
Financial result	-12,582	-6,351	-35,431	-20,639
Profit/loss before taxes	-4,173	4,033	5,828	5,812
Income taxes	3,514	-1,714	699	-3,195
Net profit/loss for the period	-659	2,319	6,527	2,617
of which attributable to parent company shareholders	-1,373	1,783	4,069	1,639
Basic earnings per share (EUR)	-0.03	0.08	0.08	0.07
Weighted average number of shares outstanding (thousand)	52,599	27,364	50,403	23,239
Diluted earnings per share (EUR)	-0.03	0.05	0.08	0.06
Weighted average diluted number of shares outstanding (thousand)	66,237	41,026	64,041	36,901

*Prior year's information was adjusted for changes in classification.

In the first nine months of 2016, the DEMIRE Group generated rental income totalling EUR 56.7 million, which is slightly above the pro rata level for the forecast of rental income of EUR 75 million for the full year of 2016. In the same period of the previous year, rental income had reached only 50 % of it (EUR 21.9 million).

The profit/loss from the rental of real estate increased more than 150 % year-on-year to EUR 43.3 million (EUR 17.0 million) mainly as a result of the prior year's acquisitions, particularly the takeover of Fair Value REIT. Due to higher expenses for maintenance and rental costs as well as lower income from utility and service charges, the non-allocable operating expenses to generate rental income actually declined to 21 % of rental income after a level of 24 % in the prior year period.

Other operating income and other effects amounted to EUR 23.0 million (9M 2015: EUR 17.2 million) and primarily include fair value adjustments (totalling EUR 14.4 million) for the Kurfürstengalerie in Kassel amounting to EUR 7.7 million and for Logistikpark Leipzig in the amount of EUR 4.2 million.

Other operating income and other effects also include mainly income related to prior periods of EUR 7.3 million for the settlement of operating costs of prior years. The corresponding expenses related to prior periods of EUR 7.8 million are reported under other operating expenses.

The rise in general and administrative expenses to EUR 10.6 million (9M 2015: EUR 7.6 million) was mainly due to legal and consulting fees of EUR 3.6 million, of which EUR 2.2 million were transaction-related. In addition, personnel costs of EUR 2.4 million (9M 2015: EUR 1.4 million) also increased as a result of the appointment of a third Executive Board member, the growth of the business and the successive insourcing of services that were previously outsourced.

Earnings before interest and taxes (EBIT) rose more than 55 % to EUR 41.3 million in the first nine months of 2016 (9M 2015: EUR 26.5 million).

The financial result in the first nine months of 2016 amounted to EUR -35.4 million (9M 2015: EUR -20.6 million). This amount includes interest expense of EUR 3.3 million as a special item due to the revaluation effect of a call option on the 2014/2019 corporate bond. Also included in the financial result is the profit attributable to minority shareholders in the subsidiaries of Fair Value REIT-AG in the amount to EUR 3.1 million (9M 2015: EUR 0.0 million). The complete redemption of the HFS bond was carried out in several stages beginning in the middle of June 2016 through refinancing in the amount of EUR 17.8 million with an average annual interest rate of currently around 3.8 % p.a. and the proceeds from the capital increase amounting to EUR 10 million. This resulted in interest savings in the third quarter in the amount of EUR 1.1 million, which was offset by a one-time charge for ancillary refinancing costs in the reporting period in the amount of EUR 1.7 million.

The aforementioned resulted in a profit/loss before taxes of EUR 5.8 million (9M 2015: EUR 5.8 million) and a net profit for the period of EUR 6.5 million (9M 2015: EUR 2.6 million), which was supported by a positive tax effect of EUR 3.4 million mainly resulting from the use of tax loss carryforwards by offsetting with profits from subsidiaries.

Adjusted Group earnings (FFO)

In the first nine months of the current fiscal year, the DEMIRE Group's operating result adjusted for measurement and disposal income and other non-recurring items and income and expenses related to prior periods before minorities at Fair Value REIT-AG as well as DEMIRE AG amounted to EUR 11.0 million and was EUR 6.0 million after minority interests.

In the FFO calculation, both deferred taxes and income taxes on current income determined under IFRS were adjusted. These income taxes occur at the level of the subsidiaries and as part of targeted structural alterations of the Group's structure are offset by the existing tax loss carryforwards of the parent company.

ADJUSTED GROUP EARNINGS (FFO)	01/01/2016 – 30/09/2016			
	According to consolidated income statement	Adjustment for special items		Adjusted consolidated income statement
EURk		Effects from acquisitions, disposals and measurement	Others	
Rental revenue	56,671	0	0	56,671
Income from utility and service charges	11,961	0	0	11,961
Operating expenses to generate rental income	-25,341	0	2,614	-22,727
Profit/loss from the rental of real estate	43,291	0	2,614	45,905
Profit/loss from the sale of real estate companies	130	-130	0	0
Profit/loss from the sale of real estate	-135	135	0	0
Profit/loss from equity evaluated companies	0	0	0	0
Other operating income and other effects	23,046	-14,418	-6,794	1,834
General and administrative expenses	-10,598	2,156	988	-7,454
Other operating expenses	-14,475	1,956	9,361	-3,158
Earnings before interest and taxes	41,259	-10,301	6,169	37,127
Net financial expenses	-32,321	-13	6,173	-26,161
Interests of minority shareholders	-3,110	0	3,110	0
Financial result	-35,431	-13	9,283	-26,161
Profit/loss before taxes	5,828	-10,314	15,452	10,966
Income taxes	699	-3,608	2,909	0
Net profit/loss for the period	6,527	-24,249	43,069	10,966
Interests of minority shareholders	-2,458			-4,950
Net profit/loss for the period attributable to parent company shareholders	4,069			6,016
Basic earnings per share*	0.08			0.12

* Weighted average number of shares 2016: 50.4

Financial position

CONSOLIDATED STATEMENT OF CASH FLOWS (SELECTED INFORMATION IN EURK)	01/01/2016 – 30/09/2016	01/01/2015 – 30/09/2015
Cash flow from operating activities	24,941	3,479
Cash flow from investing activities	3,485	-5,123
Cash flow from financing activities	-28,748	7,405
Net change in cash and cash equivalents	-322	5,761
Cash and cash equivalents at the end of the period	28,145	10,158

Cash flow from operating activities grew more than sixfold to EUR 24.9 million in the reporting period (9M 2015: EUR 3.5 million) as a result of a higher profit from the rental of real estate after taking into account the operating costs and payments for liabilities originating in 2015 in connection with the takeover of Fair Value REIT. In addition, a dividend in the amount of EUR 2.3 million was distributed to minority shareholders of Fair Value REIT-AG in early July.

Cash flow from investing activities in the first nine months of 2016 increased to EUR 3.5 million from EUR -5.1 million in the previous year's comparable period particularly as a result of proceeds from the sale of two subsidiaries and five properties in the amount of EUR 13.9 million. A total of EUR 4.4 million was paid in the reporting period for the acquisition of interests in Kurfürstergalerie GmbH, and value-enhancing investments of EUR 6.1 million were made in existing properties.

Cash flow from financing activities amounted to EUR -28.7 million (9M 2015: EUR 7.4 million). In the first nine months of 2016, proceeds were generated from the issue of corporate bonds in the amount of EUR 12.9 million, borrowing of financial liabilities of EUR 46.8 million and the capital increase for cash in August 2016 of EUR 15.9 million after costs related with sourcing equity. Interest payments in the reporting period totalled EUR 28.6 million and principal payments amounted to EUR 75.7 million and included, among others, early repayments of the HFS bond in the amount of EUR 27.8 million and the redemption of the Fair Value REIT convertible bond in the amount for EUR 8.7 million.

Cash and cash equivalents declined EUR 0.3 million in the first nine months of 2016 (9M 2015: increase of EUR 5.8 million). Cash and cash equivalents at the end of the reporting period fell slightly to EUR 28.1 million.

Assets

CONSOLIDATED BALANCE SHEET – ASSETS (SELECTED INFORMATION IN EURK)	30/09/2016	31/12/2015
Assets		
Total non-current assets	983,214	948,597
Total current assets	55,282	71,343
Assets held for sale	20,590	13,005
Total assets	1,059,086	1,032,945

Total assets of the DEMIRE Group as at September 30, 2016, totalled EUR 1.1 billion (December 31, 2015: EUR 1.0 billion) and was slightly higher than at the end of the prior fiscal year due to the acquisition of Kurfürstengalerie. Non-current assets amounted to EUR 983.2 million (December 31, 2015: EUR 948.6 million) and current assets stood at EUR 55.3 million (December 31, 2015: EUR 71.3 million). Non-current assets held for sale as of September 30, 2016, included properties in the total amount of EUR 20.6 million. Non-current assets held for sale amounted to EUR 13.0 million as of December 31, 2015 and resulted in the corresponding proceeds in the first nine months of 2016.

CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES (SELECTED INFORMATION IN EURK)	30/09/2016	31/12/2015
Equity and Liabilities		
Equity		
Equity attributable to parent company shareholders	250,566	230,697
Interests of minority shareholders	37,442	34,205
Total equity	288,008	264,902
Liabilities		
Total non-current liabilities	719,741	696,746
Total current liabilities	51,337	71,297
Total liabilities	771,078	768,043
Total equity and liabilities	1,059,086	1,032,945

The Group's equity rose almost 9 % to EUR 288.0 million (December 31, 2015: EUR 264.9 million) in the first nine months of 2016. The equity ratio also increased to 27.2 %, which was slightly higher than the level of 25.6 % at the end of 2015. In accordance with the resolution of the Executive Board and Supervisory Board of DEMIRE Deutsche Mittelstand Real Estate AG on August 11, 2016, the Company's share capital was raised by EUR 4,930,722.00 through the partial use of available authorised capital (Authorised Capital I/2016) against contribution in cash by issuing 4,930,722 new no-par value ordinary bearer shares (no-par value shares) with a notional interest in the share capital of EUR 1.00 per no-par value share at an issue price of EUR 3.45 for each new share.

It should be noted that the minority interests in Fair Value REIT-AG subsidiaries in the amount of EUR 62.8 million are recognised under non-current liabilities and not under equity in accordance with IFRS solely due to their legal form as partnerships. The adjusted Group equity totalled EUR 350.8 million or 33.1 % of the Group's total assets (December 31, 2015: EUR 326.1 million or 31.6 %).

Non-current liabilities as of September 30, 2016, amounted to EUR 719.7 million (December 31, 2015: EUR 696.7 million) and current assets totalled EUR 51.3 million (December 31, 2015 : EUR 71.3 million). Thanks to solid cash flow from operations, the total liabilities of the DEMIRE Group as of September 30, 2016, increased just slightly to EUR 771.1 million (December 31, 2015: EUR 768.0 million).

The change in non-current liabilities was mainly the result of the assumption of financial liabilities from the Kurfürstengalerie, the early repayment of liabilities and reclassifications. The change in current liabilities reflects the repayment of the Fair Value REIT-AG convertible bond.

The total financial debt of EUR 663.6 million (December 31, 2015: EUR 655.2 million) contained liabilities to financial institutions in the amount of EUR 524.1 million. As of September 30, 2016, there were variable interest rate agreements for loans of EUR 33.1 million.

Loan-to-value ratio

The DEMIRE Group's loan-to-value (LTV) is defined as the ratio of net financial debt to the carrying amount of investment properties and non-current assets held for sale. It was possible to further improve the LTV to 64.8 % as of September 30, 2016 (December 31, 2015: 67.5 %) as a result of scheduled and early redemptions.

LOAN-TO-VALUE (LTV) EUR MILLION	30/09/2016	31/12/2015
Financial liabilities	663,6	655,2
Cash and cash equivalents	28,1	28,5
Net debt	635,5	626,7
Fair Value of investment properties and non-current assets held for sale	981,2	928,1
LTV in %	64.8%	67.5%

Segment reporting

Segment reporting contained in the consolidated financial statements is conducted in accordance with IFRS 8 "Operating Segments" based on the Company's internal alignment according to strategic business areas. The segment information presented represents the information to be reported to the DEMIRE Executive Board. The Core Portfolio and Fair Value REIT segments are the key segments of importance for the DEMIRE Group. The Corporate Functions/Others segment contains the primary administrative activities. This segment also includes the results of the Investments segment, which was reported as a separate segment till end of 2015, because this portfolio which is in dissolution is of little importance to the DEMIRE Group as a whole. For a more detailed description of the individual segments, please refer to the explanations in the group management report for the 2015 fiscal year.

EURk	Core Portfolio	Fair Value REIT	Corporate Functions/Others	Total segments
01/01/2016 - 30/09/2016				
Segment revenues	72,443	33,883	3,540	109,866
Segment expenses	-33,423	-23,188	-11,996	-68,607
EBIT by segment	39,020	10,695	-8,456	41,259
Net profit/loss for the period	24,039	5,046	-22,558	6,527
30/09/2016				
Segment assets	713,357	326,702	19,027	1,059,086
Real estate holdings	689,904	291,310	0	981,214
Segment liabilities	413,677	205,864	151,537	771,078

EURk 01/01/2015 - 30/09/2015	Core Portfolio	Fair Value REIT	Corporate Functions/Others	Total segments
Segment revenues	46,597	0	6,242	52,839
Segment expenses	-19,505	0	-6,883	-26,388
EBIT by segment	27,092	0	-641	26,451
Net profit/loss for the period	11,217	0	-8,600	2,617
31/12/2015				
Segment assets	651,165	337,261	44,519	1,032,945
Real estate holdings	628,550	299,544	0	928,094
Segment liabilities	414,896	217,803	135,344	768,043

SUBSEQUENT EVENTS

On October 31, 2016, the Executive Board member Frank Schaich resigned on amicable terms with the Supervisory Board from his position on the Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG at his own request. He will remain an Executive Board member of Fair Value REIT-AG until March 31, 2017. Also on October 31, 2016, Mr. Patrick Kaiser, financial director of DEMIRE AG, has been appointed a member of Fair Value REIT-AG's Executive Board for a term of three years and has taken over the role of Chief Financial Officer.

RISK REPORT

The DEMIRE Group's business activities expose the Group to various risks such as economic risk, as well as leasing, rent default, interest rate and liquidity risks. The risk management system at DEMIRE AG focusses on the Company's continued viability. A detailed description of DEMIRE's risks and its risk management system can be found in the Company's 2015 Annual Report.

The Executive Board does not expect any changes in the risk situation in the next 12 months that could threaten the Company's viability.

REPORT ON OPPORTUNITIES AND OUTLOOK

The rental income of EUR 56.7 million generated in the first nine months of 2016 was in line with the Company's plan. The Executive Board expects a further increase in rental income and profit/loss from the rental of real estate in the fourth quarter of 2016.

General and administrative expenses and other operating expenses adjusted for non-recurring items will continue to decline on a relative basis in the fourth quarter due to a further drop in the volume of outsourced services through insourcing.

As a result, the Executive Board confirms the forecast for both the current and the upcoming fiscal year: For the 2016 fiscal year, the Executive Board continues to expect FFO of EUR 19.1 million before minority interests and EUR 13.9 million after minority interests. For the 2017 fiscal year, assuming

there are no changes to the overall portfolio, the Executive Board expects total rental income of EUR 77 million, FFO before minority interests of EUR 25 million and EUR 18 million after minority interests, which corresponds to about EUR 0.33 per share based on 54.2 million shares currently outstanding.

The Executive Board expects to be able to continue offsetting the taxable income of subsidiaries by the parent company's tax loss carryforwards through adjustments in the Group's structure.

Frankfurt, November 30, 2016

DEMIRE Deutsche Mittelstand Real Estate AG



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



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

Consolidated Financial Statements September 30, 2016 (unaudited)

CONSOLIDATED INCOME STATEMENT

EURk	01/01/2016– 30/09/2016	01/01/2015– 30/09/2015	01/07/2016– 30/09/2016	01/07/2015– 30/09/2015
Rental income*	56,671	21,908	20,017	7,998
Income from utility and service charges	11,961	6,153	3,257	2,000
Operating expenses to generate rental income	-25,342	-11,029	-8,909	-3,775
Profit/loss from the rental of real estate	43,291	17,032	14,365	6,223
Revenue from the sale of real estate companies	3,212	1,766	3,212	0
Net assets from real estate companies sold	-3,082	-1,246	-3,085	0
Profit/loss from the sale of real estate companies	130	520	127	0
Revenue from the sale of real estate	14,461	2,300	536	0
Expenses relating to real estate sales	-14,596	-1,842	-781	0
Profit/loss from the sale of real estate	-135	458	-245	0
Profits from investments accounted for using the equity method	0	1,824	0	0
Losses from investments accounted for using the equity method	0	-63	0	0
Unrealised fair value adjustments in equity investments	0	1,469	0	0
Profit/loss from investments accounted for using the equity method	0	3,230	0	0
Profit/loss from fair value adjustments in investment properties	14,418	16,439	155	8,719
Impairment of receivables*	-515	-245	-477	-83
Other operating income	9,143	1,043	960	222
Other operating income and other effects	23,046	17,237	639	8,858
General and administrative expenses	-10,598	-7,569	-3,114	-2,425
Other operating expenses	-14,475	-4,457	-3,363	-2,273
Earnings before interest and taxes	41,259	26,451	8,409	10,384
Financial income	1,103	919	70	-1,096
Finance expenses	-33,424	-21,558	-12,651	-5,255
Interests of minority shareholders	-3,110	0	0	0
Financial result	-35,431	-20,639	-12,582	-6,351
Profit/loss before taxes	5,828	5,812	-4,173	4,033
Income taxes	699	-3,195	3,514	-1,714
Net profit/loss for the period	6,527	2,617	-659	2,319
Of which, attributable to:				
Non-controlling interests	2,458	978	714	536
Parent company shareholders	4,069	1,639	-1,373	1,783
Basic earnings per share	0.08	0.07	-0.03	0.08
Diluted earnings per share	0.08	0.06	-0.03	0.05

*Prior year's statement was adjusted for changes in classification.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EURk	01/01/2016– 30/09/2016	01/01/2015– 30/09/2015
Net profit/loss for the period	6,527	2,617
Items that may be reclassified to profit and loss in future periods		
Currency translation differences	23	-830
Other comprehensive income	23	-830
Total comprehensive income	6,550	1,787
Of which, attributable to:		
Non-controlling interests	2,458	885
Parent company shareholders	4,092	902

CONSOLIDATED BALANCE SHEET

ASSETS

EURk	30/09/2016	31/12/2015
ASSETS		
Non-current assets		
Intangible assets	7,001	6,961
Property, plant and equipment	1,587	11,285
Investment properties	960,624	915,089
Investments accounted for using the equity method	3,149	3,136
Other financial assets	10,520	11,045
Loans to investments accounted for using the equity method	0	553
Other loans receivable	0	384
Deferred tax assets	333	144
Total non-current assets	983,214	948,597
Current assets		
Real estate inventory	2,321	2,298
Trade accounts receivable and other receivables	17,559	14,387
Financial receivables and other financial assets	7,110	26,020
Tax refund claims	148	171
Cash and cash equivalents	28,145	28,467
Total current assets	55,282	71,343
Non-current assets held for sale	20,590	13,005
Total assets	1,059,086	1,032,945

EQUITY AND LIABILITIES

EURk	30/09/2016	31/12/2015
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	54,247	49,292
Reserves	196,319	181,405
Equity attributable to parent company shareholders	250,566	230,697
Interests of non-controlling shareholders	37,442	34,205
Total equity	288,008	264,902
Liabilities		
Non-current liabilities		
Deferred tax liabilities	22,186	25,714
Minority interests	62,822	61,160
Non-current financial liabilities	634,733	608,796
Other non-current liabilities	0	1,076
Total non-current liabilities	719,741	696,746
Current liabilities		
Provisions	2,668	1,166
Trade payables and other liabilities	15,385	19,887
Tax liabilities	4,369	3,801
Current financial liabilities	28,915	46,443
Total current liabilities	51,337	71,297
Total liabilities	771,078	768,043
Total equity and liabilities	1,059,086	1,032,945

CONSOLIDATED STATEMENT OF CASH FLOWS

EURk	01/01/2016– 30/09/2016	01/01/2015– 30/09/2015
Group profit/loss before taxes	5,828	5,812
Financial expenses*	36,534	15,734
Financial income*	-1,104	-919
Proceeds from the sale of real estate inventory	0	2,416
Change in other inventory	0	-676
Change in trade accounts receivable and other receivables	1,057	1,490
Change in financial receivables and other financial assets	2,127	-6,387
Change in intangible assets	40	0
Change in provisions	1,428	114
Change in trade payables and other liabilities*	-6,430	-602
Valuation gains under IAS 40	-14,418	-16,439
Gains from the sale of real estate companies	5	-978
Interest proceeds*	96	0
Income tax payments*	-1,314	-212
Change in reserves	453	3,701
Profit/loss from investments accounted for using the equity method	0	-3,230
Depreciation and amortisation and impairment*	3,109	245
Distributions to minority shareholders	-2,250	0
Other non-cash items*	-220	3,410
Cash flow from operating activities	24,941	3,479
Payments for investments in property, plant and equipment	-6,088	-2,736
Payments for the purchase of investment properties and investments in fully consolidated companies, less net cash equivalents acquired	-4,352	-4,037
Proceeds from the sale of real estate	13,925	1,650
Cash flow from investing activities	3,485	-5,123
Release of equity component of convertible bond	-90	0
Payments for expenses associated with raising equity	-1,105	-783
Proceeds from the issue of share capital	17,011	11,158
Proceeds from the issue of bonds	12,892	52,750
Payments for repurchase form borrowings	0	-20,000
Proceeds from borrowing of financial liabilities	46,844	4,577
Interest paid on financial liabilities	-28,578	-15,734
Payments for the redemption of financial liabilities	-75,722	-24,563
Cash flow from financing activities	-28,748	7,405
Net change in cash and cash equivalents	-322	5,761
Cash and cash equivalents at the beginning of the period	28,467	4,397
Cash and cash equivalents at the end of the period	28,145	10,158

*Prior year's statement was adjusted for changes in classification.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EURk	Share capital	Reserves						
	Subscribed capital	Capital reserves	Retained earnings incl. Group profit/loss	Reserves for treasury shares	Currency translation	Equity attributable to parent company shareholders	Interests of non-controlling shareholders	Total equity
01/01/2016	49,292	121,120	60,651	-310	-57	230,697	34,205	264,902
Proportional transfer of earnings-neutral changes in equity in investments accounted for using the equity	0	0	0	0	0	0	0	0
Currency translation differences	0	0	0	0	23	23	0	23
Total other comprehensive income	0	0	0	0	23	23	0	23
Net profit/loss for the period	0	0	4,069	0	0	4,069	2,458	6,527
Total comprehensive income	0	0	4,069	0	23	4,092	2,458	6,550
Capital increase (related to the conversion of convertible bonds)	24	0	0	0	0	24	0	24
Stock option programme	0	454	0	0	0	454	0	454
Mandatory convertible bonds	0	0	0	0	0	0	0	0
Capital increases against contribution in kind	0	0	0	0	0	0	0	0
Cash capital increases	4,931	12,080	0	0	0	17,011	0	17,011
Costs of raising equity under capital increases	0	-1,105	0	0	0	-1,105	0	-1,105
Change in the scope of consolidation	0	-71	97	0	-633	-607	779	172
30/09/2016	54,247	132,478	64,817	-310	-667	250,566	37,442	288,008
01/01/2015	14,306	8,234	32,802	-310	-3,348	51,685	2,944	54,629
Proportional transfer of earnings-neutral changes in equity in investments accounted for using the equity	0	0	0	0	0	0	0	0
Currency translation differences	0	0	0	0	-737	-737	-93	-830
Total other comprehensive income	0	0	0	0	-737	-737	-93	-830
Net profit/loss for the period	0	0	1,639	0	0	1,639	978	2,617
Total comprehensive income	0	0	1,639	0	-737	902	885	1,787
Capital increase (related to the conversion of convertible bonds)	227	-12	0	0	0	215	0	215
Stock option programme	0	296	0	0	0	296	0	296
Mandatory convertible bonds	0	14,237	0	0	0	14,237	0	14,237
Capital increases against contribution in kind	10,358	23,133	0	0	0	33,491	0	33,491
Cash capital increases	2,474	8,684	0	0	0	11,158	0	11,158
Costs of raising equity under capital increases	0	-666	0	0	0	-666	0	-666
Change in the scope of consolidation	0	0	-410	0	0	-410	2,894	2,484
30/09/2015	27,365	53,906	34,031	-310	-4,085	110,908	6,723	117,631

Review

This report was not subject to an audit pursuant to Sec. 317 HGB [“Handelsgesetzbuch”: German Commercial Code] or a review by the auditor and therefore does not contain an audit opinion.

Statement on Corporate Governance

On April 29, 2016, the Company’s Executive Board submitted its Statement on Corporate Governance pursuant to Section 289a HGB and also made this document generally and permanently accessible on its website www.demire.ag in the Company section under the heading Corporate Governance.

Balance Sheet Oath

As the Executive Board of DEMIRE Deutsche Mittelstand Real Estate AG, we hereby confirm to the best of our knowledge, and in accordance with the applicable reporting principles, that the interim statement as of September 30, 2016 gives a true and fair view of the net assets, financial position, and results of operations of the Group, and furthermore that the Group management report includes a fair review of the development of the business including the results and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Frankfurt am Main, November 30, 2016



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



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

Disclaimer

This interim statement as of September 30, 2016 contains forward-looking statements and information. Such forward-looking statements are based on our current expectations and certain assumptions. They harbour a number of risks and uncertainties as a consequence. A large number of factors, many of which lie outside the scope of DEMIRE's influence, affect DEMIRE's business activities, success, its business strategy, and its results. These factors may result in a significant divergence in the actual results, success, and performance achieved by DEMIRE.

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

Imprint & Contact

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