Deutsche Konsum REIT-AG

Annual report

1 October 2018 to 30 September 2019

Corporate key figures

	01/10/2018 – 30/09/2019	01/10/2017 – 30/09/2018	Difference	%
Income statement (kEUR)				
Rental income	41,978	28,601	13,377	46.8
Net operating income	31,602	22,268	9,334	41.9
Financial result	–5,806	–4,972	–834	–16.8
Net income	53,142	30,919	22,224	71.9
FFO	25,041	16,647	8,394	50.4
FFO per share (in EUR)	0.84	0.62	0.22	35.9
aFFO	20,490	8,427	12,063	>100
aFFO per share (in EUR)	0.69	0.31	0.38	>100
Earnings per share, undiluted (in EUR)	1.79	1.15	0.64	55.2
Earnings per share, diluted (in EUR)	1.25	0.80	0.45	56.9
Recurring costs ratio (in %)	5.6	6.4	–0.8	–12.5

	30/09/2019	30/09/2018	Difference	%
Balance sheet key figures (kEUR)				
Investment properties	619,881	418,707	201,174	48.0
Total assets	683,961	452,933	231,028	51.0
Equity	317,362	209,762	107,600	51.3
Total debt	354,039	231,596	122,443	52.9
Finance key figures				
(net) Loan-to-Value (LTV) (in %)	48.1	51.2	–3.1	–6.0
Average interest rate of loans (in %)	1.94	1.98	–0.04	–2.0
Average interest rate of loans, bonds and convertible bonds (in %)	1.93	1.87	0.06	3.2
Average remaining duration of loans (in years)	4.7	5.5	–0.8	–14.7
Interest cover ratio (ICR), multiple	4.9	3.9	1.0	25.1
EPRA NAV	317,362	209,762	107,600	51.3
EPRA NAV per share (in EUR)	9.93	7.70	2.23	28.9
EPRA NNNAV per share (in EUR)	9.93	7.70	2.23	28.9
REIT metrics				
REIT equity ratio	51.2	50.1	1.1	2.2
Share information				
Shares issued	31,959,944	27,236,313	4,723,631	17.3
Market cap (in EUR)	509,761,107	299,599,443	210,161,664	70.1
Share price (in EUR)	15.95	11.00	4.95	45.0
Portfolio key figures				
Number of assets	123	90	33	36.7
Rental space (in m²)	722,559	517,824	205,884	39.8
Annualised rent (in kEUR)	48,678	35,484	13,252	37.3
Initial yield (in %)	10.9	11.7	–0.8	–6.8
Vacancy rate (in %)	9.9	9.6	0.3	3.6
WALT (in years)	5.6	5.2	0.4	8.1

Cover photo and Backcover photo: Hypermarket Altmark Forum
Dr.-Kurt-Schumacher-Straße 1–5, 39576 Stendal

Content

Photo: Hypermarket Montanushof
Ostwall 31, 41515 Grevenbroich

1. To our shareholders

Dear shareholders, ladies and gentlemen,

we can look back on a very successful 2018/2019 financial year in which our Company continued to grow strongly and was able to add value.

On the portfolio side, we added 34 new retail properties with a volume of around EUR 159 million and an annual rent of just under EUR 15 million in the last financial year – a record in the recent history of DKR. As of 30 September 2019, the real estate assets on the balance sheet now include 123 properties with a balance sheet value of around EUR 624 million and an annual rent of around EUR 49 million. Accordingly, rental income increased from EUR 28.6 million to EUR 42.0 million, resulting in an increase in FFO to EUR 25.0 million compared to EUR 16.6 million in the previous year. FFO once again grew significantly faster than rental income, which shows the continuous increase in DKR's profitability.

On the financing side, DKR was able to refinance itself very favourably through further borrowings amounting to more than EUR 62 million, which contributed to the increase in the FFO margin and which further increased the credit rating. As a result, the rating agency Scope has upgraded its corporate rating and classifies the Company's secured and unsecured debt as investment grade. This enabled the DKR to issue an unsecured corporate bond for EUR 70 million for the first time, which provided additional flexibility for our strong growth path.

DKR was also successful in the operational area and was able to increase their rents by about 1.1% compared to the previous year and increase the WALT at the same time (like-for-like).

In addition to the strong operational performance, two successful capital increases in November 2018 and September 2019 also raised equity. The EPRA NAV thus increased by around 29% to EUR 9.93 per share. The net LTV on 30 September 2019 was 48.1%, therefore below the target of 50%.

At the beginning of the calendar year, DKR share performed very positively, recording a 45% rise to EUR 15.95 on the reporting date. The market capitalisation has meanwhile risen to around EUR 500 million, and, with the capital increases, we were able to welcome very well-known international investors in our shareholder base. Following the first dividend distribution of EUR 0.20 per share in March 2019, the Management Board will submit a dividend proposal of EUR 0.35 per share to the Annual General Meeting on 5 March 2020.

In the new 2019/2020 financial year, DKR has already grown strongly and closed notarised purchase agreements for additional retail properties with a volume of around EUR 90 million at the end of the first quarter. In addition, one property was sold, thus, the secured real estate portfolio currently comprises 136 properties with an annualised rent of around EUR 57 million.

In this respect, we are already very confident for the new financial year 2019/2020 and expect an FFO between EUR 34 million and EUR 36 million as well as a dividend of at least EUR 0.55 per share.

We thank you for your trust in our sustainable growth path and look forward to welcoming you to the next Annual General Meeting.

With kind regards,

Rolf Elgeti
Chairman of the Board

Alexander Kroth
Member of the Board

Christian Hellmuth
Member of the Board

Potsdam, December 2019

2. The share

Stock exchanges in the context of global political tensions and economic worries

In 2018, investors were more cautious, given the continued tense global political situation, which was shown in the weak market development of the international stock exchanges. The dominant themes in the stock markets included the US trade dispute with China, concerns over Italy's budgetary plans, the Brexit negotiations, and the elections in Brazil and Italy. Thus, the DAX closed the stock exchange year 2018 with a minus of over 18%. The MDAX fell by just under 18% and the SDAX by as much as 20%.

This development also continued at the beginning of 2019, which was marked by global political crises and thus a dampening effect on the markets. In addition, there were the government crisis in Italy over the course of the year as well as interest and economic worries and a looming recession in the German economy. After several major ups and downs, the DAX was at the level of the previous year at 12,428 points (28 September 2018: 12,247 points) after nine months of 2019.

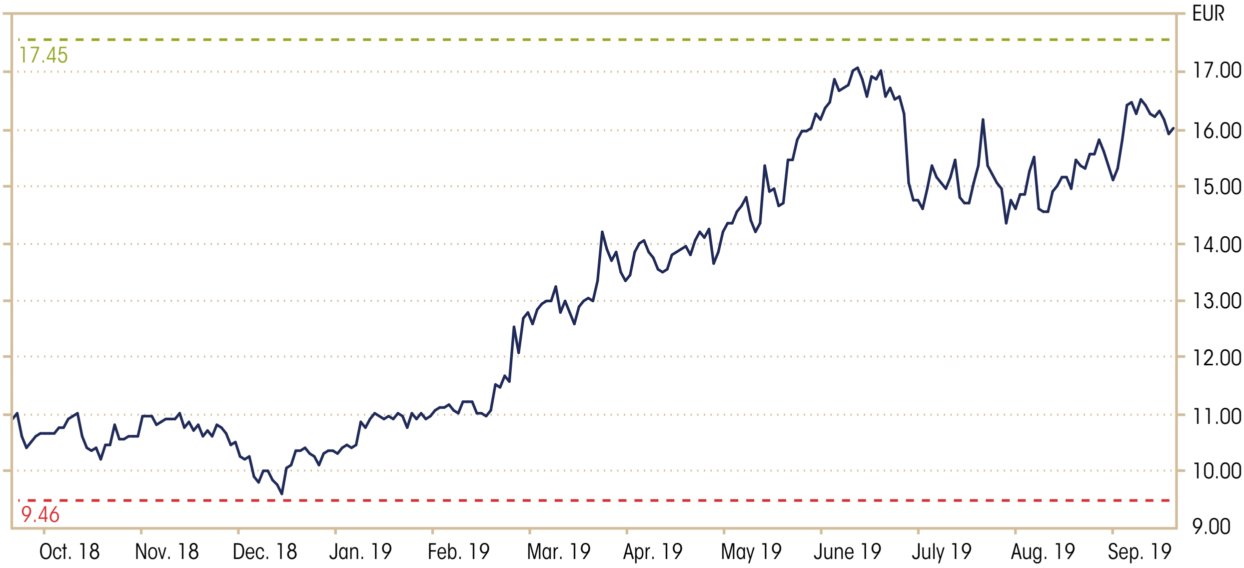
DKR share beats overall environment with significant upward trend

Largely unimpressed by the global political turmoil, the DKR share has developed extremely positively and has recorded significant price increases since the beginning of 2019. This was particularly due to the results of the first quarter of the financial year, which showed a significant margin expansion due to a significant increase in rental income and simultaneously lower borrowing costs after re-financing.

At the end of the reporting period on 30 September 2019, the DKR share traded at a price of EUR 15.95, 45% higher than at the beginning of the financial year (28 September 2018: EUR 11.00) thus closing out much more strongly than the German leading indices as well as comparable other German real estate stocks. Since the stock market listing on 15 December 2015, it has even improved significantly by EUR 12.45 or 355,7%.

Due to the positive share price performance and two successful capital increases in the financial year 2018/2019, the market capitalisation increased to well over EUR 500 million at the end of the financial year. Due to the higher market value, DKR saw an increasing interest among both domestic and international institutional investors as well as retail investors, as a result of which trading volumes have also gradually increased.

Share price performance of Deutsche Konsum REIT-AG (Xetra)



Key figures of the DKR share

EUR	30/09/2019	30/09/2018	%
Number of shares issued in units	31,959,944	27,236,313	17.3
Closing price at the end of the financial year[1]	15.95	11.00	45.0
Market capitalisation in EUR million	509.8	299.6	70.2
Average Xetra daily volume in units[2]	9,830	8,799	11.7
Highest price during the financial year	17.45[3]	11.95[4]	
Lowest rate during the financial year	9.46[5]	9.20[6]	

[1] Xetra closing prices from 30 September 2019 and 28 September 2018
[2] in the financial year 2018/2019 or 2017/2018
[3] Variable price Xetra on 21 June 2019
[4] Xetra opening price on 11 June 2018
[5] Variable price Xetra on 14 December 2018
[6] Variable price Xetra on 6 February 2018
Source: ARIVA.DE AG/EQS Group AG

First-time dividend distribution

The first-time dividend distribution in March 2019 for the past financial year 2017/2018 of a total of EUR 6.0 million or EUR 0.20 per share also contributed to the positive share price development.

Two successful capital increases carried out

The share capital and number of shares increased significantly in the course of the 2018/2019 financial year as a result of two capital increases. Firstly, a cash capital increase without subscription rights of 10% of the share capital was granted in November 2018 (+2,723,631 ordinary shares), resulting in an increase to 29,959,944 shares or EUR 29,959,944.00 share capital. In addition, a cash capital increase without subscription rights of 6.7% of the share capital (+2,000,000 ordinary shares) took place in September 2019, bringing the total number of shares and share capital to 31,959,944 shares and EUR 31,959,944.00, respectively.

Shareholders

The shareholder structure is characterised by institutional national and international investors with a predominantly long-term investment strategy. As of 30 September 2018, the free float (as defined by Deutsche Börse AG, subject to the provisions of the WpHG) was 45.2%.

The Annual General Meeting of Deutsche Konsum REIT-AG took place in Berlin on 21 March 2019. More than 57% of the share capital was represented (share capital of the Company at the time of convening the Annual General Meeting: 29,959,944 shares). All agenda items were resolved by a large majority.

Information on the resolutions regarding the authorised and contingent capital are contained in chapters “2.3. Business performance” and “6. Takeover-relevant information in accordance with § 289a (1) HGB” of the management report.

Analysts raise their share price targets

The DKR share is currently covered by three analysts:

Bank	Price target in EUR	Rating	Analyst	Date
ODDO BHF	18.50	Buy	Manuel Martin	19 November 2019
Berenberg Bank	18.90	Buy	Kai Klose	18 November 2019
Bankhaus Lampe	18.50	Buy	Dr. Georg Kanders	26 September 2019

Further intensification of investor relations work and participation in roadshows

In order to maintain a transparent and continuous dialogue with existing and potential investors, DKR continued to intensify its investor relations activities in 2019. In doing so, it held more one-on-one talks and presented the Company increasingly at roadshows. Within the financial year 2018/2019, the board members of DKR were, among others, in Tel Aviv, London, Zurich, Dublin, New York, Boston, Chicago, Vienna, Johannesburg, Cape Town, Helsinki, Brussels, Baden-Baden, Munich and in Frankfurt am Main to meet numerous investors. The Company's strategy and growth story attracted great interest. In the future, DKR will be present at national and international roadshows and capital market conferences.

On 29 April 2019, DKR invited investors and analysts to a Capital Markets Day in Dusseldorf. The approx. 30 investors and analysts present visited the properties of DKR Montanushof and Coens-Galerie in Grevenbroich after a strategy presentation. The feedback on this event was very positive.

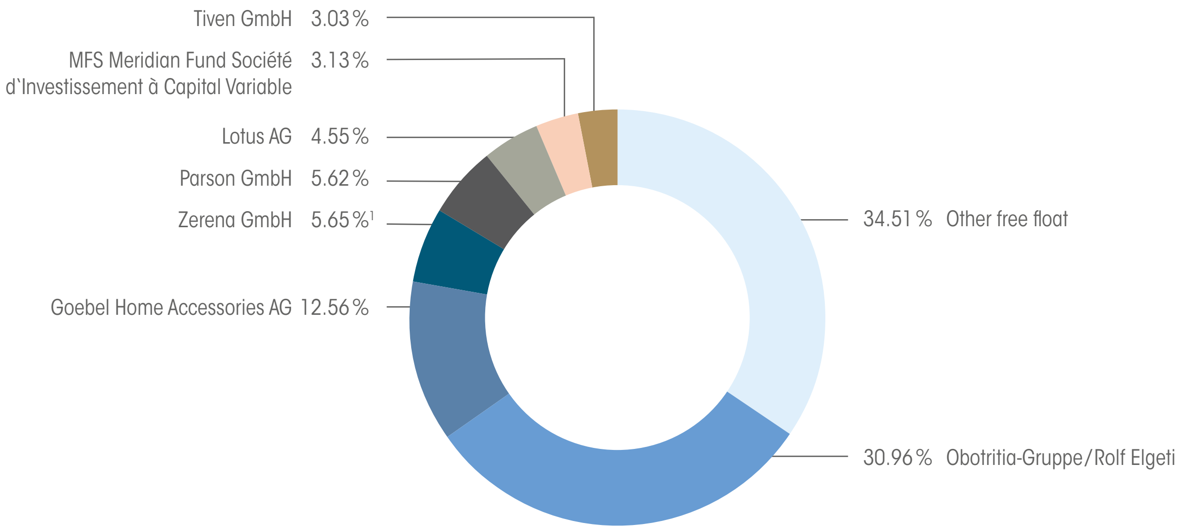
The share of DKR at a glance:

As of	30 September 2018
ISIN	DE000A14KRD3
Security Identification Number	A14KRD
Ticker symbol	DKG
First day of trading	15/12/2015
Number of shares	31,959,944
Share capital	EUR 31,959,944.00
Trading venues	XETRA, Frankfurt and Berlin
Market segment	Regulated Market
Transparency level	Prime Standard

Furthermore, DKR was regularly present in major investor media in the 2018/2019 financial year and was, therefore, able to increase its perception on the capital markets. On the investor relations pages of the homepage, interested people find inter alia capital market law mandatory announcements, such as Ad-hoc announcements as well as financial reports and investor presentations for download.

Shareholder structure

Total number of voting rights attributable to the respective shareholder:



As of 30 September 2019

Free float as defined by Deutsche Börse AG, subject to the provisions of the WpHG: 45.22 %

[1] in relation to the total number of voting rights in the amount of 24,760,285 (voting rights announcement of 6 March 2017)

3. Corporate Governance Report and Corporate Governance Statement

The Management Board and the Supervisory Board of Deutsche Konsum REIT-AG (DKR) report below on the Company's corporate governance in accordance with Section 3.10 of the German Corporate Governance Code (GCGC) and on corporate governance pursuant to § 289f German Commercial Code (HGB).

First, the current Declaration of Conformity of the Management Board and the Supervisory Board of Deutsche Konsum REIT-AG dated 12 September 2019 is presented. This is followed by a description of the working methods of the Management Board and the Supervisory Board as well as their composition. In addition, the corporate governance of the Company is presented, and the concept of diversity is discussed.

3.1. Declaration of Conformity of Deutsche Konsum REIT-AG to the German Corporate Governance Code (GCGC)

The Management Board and the Supervisory Board of Deutsche Konsum REIT-AG welcome and support the German Corporate Governance Code (GCGC) and its objectives. In accordance with § 161 (1) German Stock Corporation Act (AktG), they hereby declare that Deutsche Konsum REIT-AG complied and will also comply in the future with the recommendations of the Government Commission on the German Corporate Governance Code in the version of the Code of 7 February 2017, published in the Federal Gazette on 24 April 2017, with the following exceptions since the last Declaration of Conformity was issued on 12 December 2018, which was supplemented on 12 November 2018:

Section 3.8 (3) GCGC – Deductible in D&O insurance for the Supervisory Board:
Pursuant to Section 3.8 (3) GCGC, a deductible is to be agreed in a D&O insurance policy for the Supervisory Board. The D&O insurance policy of Deutsche Konsum REIT-AG does not provide for a deductible for the Supervisory Board. The Company believed and believes that the agreement of a deductible has no impact on the sense of responsibility and the conscientiousness of its members of the Supervisory Board. In addition, the Company believes that a mandatory uniform deductible might possibly affect the members of the Supervisory Board differently due to different income and asset situations (also against the background of rather low Supervisory Board remuneration for a listed stock corporation).

Section 4.1.3 GCGC – Compliance Management System:
The Company has not employed more than sixteen employees since the last Declaration of Conformity. The Company currently employs sixteen people. For this reason, the Management Board saw and sees no need to formulate and disclose formalised measures for compliance management and a so-called "whistleblowing". The effort involved in setting up, implementing and maintaining formalised action systems was and is, in view of the size of the Company, not in any meaningful relation to the potential benefit gained.

Section 4.1.5 GCGC – Consideration of women in the appointment for management functions:
The Management Board did not and does not currently follow the recommendation to pay attention to diversity when filling management positions within the Company and, in particular, to aim for appropriate consideration of women. The Company had and currently has only employees without leadership function. Apart from the Management Board, there were and are no management positions in the Company and, therefore, the Company can currently not follow this recommendation for formal reasons. For this reason, the Company had and has set 0% as the target for women's participation in leadership positions for the period ending 30 September 2020. In the case of Deutsche Konsum, however, the decisive criterion when filling management positions is gender-independent the qualification and aptitude.

Section 5.1.2 (1) sentences 2 and 3, (2) sentence 3 GCGC – Consideration of diversity, determination of targets for the proportion of women in the Management Board and determination of an age limit:
The Supervisory Board did not and does not follow the recommendation to pay attention to diversity when appointing members of the Management Board in particular, to seek appropriate consideration of women. The Company was and is of the opinion that the professional aptitude and the knowledge of the society as prerequisites for the occupation are crucial, so that the above-mentioned specifications were and are not expedient. For this reason, the Company has set 0% as the target for women's participation in the Management Board for the period until 30 September 2020. For these reasons, the definition of an age limit for members of the Management Board was and is waived. The Company was and is of the opinion that setting an age limit would be irrelevant, since the Company should also have access to the knowledge and experience of older persons in the context of the Management Board's activities.

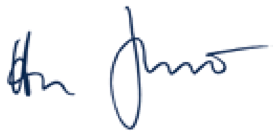
Section 5.3 GCGC – Formation of committees:
The Supervisory Board had refrained from forming committees in view of its small number of members. Due to the still low complexity as well as the transparent business model of the DKR he considers the formation of committees not necessary in the future and dedicates himself furthermore in its entirety of the pending topics.

Section 5.4.1 (2), (3), (4) GCGC – Appointment of objectives for the composition of the Supervisory Board, in particular consideration of diversity, and development of a competence profile as well as an age limit and a limit for membership of the Supervisory Board:
The Supervisory Board has neither set specific goals for its composition nor has it developed a competence profile for the entire Supervisory Board and does not intend to set such goals or develop a competence profile in the future either. Similarly, diversity rules have not been established in the objectives for the composition of the Supervisory Board or will be established in the future. The Company was and is of the opinion that the professional aptitude and the knowledge of the Company as prerequisites for the occupation are crucial, so that the above-mentioned requirements

were and are not effective. For this reason, the Company has set 0% as target for women's participation in the Supervisory Board for the period until 30 September 2020. For these reasons, the determination of an age limit and a statutory limit for membership of the Supervisory Board was and is waived. The Company was and is of the opinion that the determination of an age limit and a regular limit on the length of service to the Supervisory Board would not be appropriate, since the Company should also have the knowledge and experience of older persons for a longer period in the context of the Supervisory Board activities.

Broderstorf, 12 September 2019

For the
Supervisory Board



Hans-Ulrich Sutter
Chairman of the
Supervisory Board

For the
Management Board

Rolf Elgeti
Chairman of the
Management Board

The current Declarations of Conformity are published on our website https://www.deutsche-konsum.de/en/, in the "Investor Relations" section under the menu items "Corporate Governance" and "Declaration of Conformity".

3.2. Functioning of the Management Board and Supervisory Board

Management structure with three bodies

The Management Board and the Supervisory Board work together closely for the benefit of the Company to ensure responsible management.

An essential element of corporate governance is the separation of corporate governance and corporate control. This is done through a clear division of tasks and responsibilities between the Management Board and the Supervisory Board. In addition, the Annual General Meeting is the third body. Through it, the shareholders are involved in fundamental decisions of the Company.

The Management Board

The Management Board manages the Company on its own responsibility and represents it in transactions with third parties. It is bound to the Company's interest with the goal of sustainable value creation. It develops the strategic direction of the Company, coordinates it with the Supervisory Board and ensures its implementation. The Management Board also ensures proper risk management and controlling in the Company.

The members of the Management Board, irrespective of their joint responsibility for the Company, are responsible for individual areas of responsibility. They cooperate collegially and keep each other informed about important processes and measures in their areas of responsibility. The board has adopted rules of procedure.

The Management Board of Deutsche Konsum REIT-AG is appointed by the Supervisory Board in accordance with § 6 no. 2 of the Articles of Association. The Supervisory Board also determines the total number of members of the Management Board and whether there should be a chairman or spokesman. The members of the Management Board are appointed for a maximum of five years. Reappointments are allowed. The Supervisory Board has set a target of 0% for the proportion of women in the Management Board for the period up to 30 September 2020. Nor should diversity rules be set in the objectives for the composition of the Management Board. The Company believes that the professional aptitude and knowledge of the Company are crucial for the appointment.

The Management Board of Deutsche Konsum REIT-AG currently consists of three persons, Mr. Rolf Elgeti, Mr. Alexander Kroth and Mr. Christian Hellmuth.

Mr. Rolf Elgeti (CEO) is responsible for Human Resources and Legal/Compliance and Strategy. The investment and finance divisions are headed by Messrs. Alexander Kroth (CIO) and Christian Hellmuth (CFO). The business segment of the CIO includes the areas of acquisition and sales as well as asset and property management. The CFO is responsible for Corporate Finance, Accounting/Controlling, Treasury, Investor Relations and Risk Management. The CEO, CIO and CFO also manage and control the external service providers for their areas.

The CVs of the members of the Management Board are published under https://www.deutsche-konsum.de/en/ in the category “Company” under the menu item “Management Board”.

The Supervisory Board, Management Board and executives agree on annual targets whose implementation is regularly reviewed.

Measures for further education or refresher training of abilities and knowledge lie in the self-responsibility of the Management Board and the executives.

D&O insurance was taken out for the members of the Management Board considering § 93 (2) German Stock Corporation Act (AktG).

Due to the size of the Company, the remuneration of the CEO currently consists of a fixed remuneration, which will be allocated to the Company through a distribution agreement with the former parent company Obotritia Capital KGaA. In financial year 2017/2018, the compensation system for Alexander Kroth and Christian Hellmuth, the two members of the Management Board who were appointed as of 1 July 2017, was adjusted for both short-term and long-term incentives according to the recommendations of the GCGC. Detailed information on the remuneration of the Management Board in accordance with Section 4.2.5 GCGC can be found in the remuneration report of the management report 2018/2019.

Consideration of women in filling leadership positions

The Management Board does not follow the recommendation of section 4.1.5 GCGC to pay attention to diversity when filling management positions in the Company and to strive for appropriate consideration of women. The Company currently has only thirteen non-executive employees. Apart from the Management Board, there were no management positions in the Company and, therefore, the Company can currently not follow this recommendation for formal reasons. For this reason, the Company had and has set 0% as the target for women's participation in leadership positions for the period ending 30 September 2020. In the case of Deutsche Konsum, however, the decisive criterion when filling management positions is gender-independent the qualification and aptitude.

The Supervisory Board

The central tasks of the Supervisory Board are to advise and supervise the Management Board. The five-member Supervisory Board of Deutsche Konsum REIT-AG works based on rules of procedure, which it has imposed on itself. Overall, the members of the Supervisory Board have the necessary knowledge, skills and professional experience to perform their duties properly.

Requests for resolutions as well as information on items of discussion are made available to the members of the Supervisory Board in good time before the respective meeting. At the request of the Chairman of the Supervisory Board, resolutions may be taken in individual cases outside of meetings. This option is occasionally used in urgent cases. If there is a tie in resolutions, the vote of the Chairman of the Supervisory Board decides.

All Supervisory Board members are elected by the shareholders at the Annual General Meeting. At present, no representatives of employees are represented on the Supervisory Board of Deutsche Konsum REIT-AG. The Supervisory Board does not intend to set concrete goals for its composition or to develop a competence profile for the entire Supervisory Board. Nor should diversity rules be set in the objectives for the composition of the Supervisory Board. The Supervisory Board has set a target of 0% for the proportion of women on the Supervisory Board for the period up to 30 September 2020. The Company believes the professional aptitude and the knowledge of the Company as prerequisites for the occupation of a position are crucial, so that the above-mentioned requirements are not expedient.

The Supervisory Board of Deutsche Konsum REIT-AG currently consists of five persons, Mr. Hans-Ulrich Sutter, Mr. Achim Betz, Mr. Johannes C.G. (Hank) Boot, Mr. Nicholas Cournoyer and Mr. Kristian Schmidt-Garve.

Mr. Hans-Ulrich Sutter is Chairman of the Supervisory Board and Mr. Achim Betz Vice Chairman. The term of office of all members of the Supervisory Board ends at the end of the Annual General Meeting, which resolves on the discharge of the members of the Supervisory Board for the financial year ending on 30 September 2019.

The CVs of the members of the Supervisory Board are published under https://www.deutsche-konsum.de/en/ in the category "Company" under the menu item "Supervisory Board".

So far, no committees have been formed due to the small number of members.

The determination of an age limit and a regular limit for affiliation to the Supervisory Board are waived. The Company believes the determination of an age limit and a regular limit on the length of service of the Supervisory Board is not relevant since the Company should also have access to the knowledge and experience of older persons over a longer period within the scope of the Management and Supervisory Board activities.

In the opinion of the Supervisory Board, all current members of the Supervisory Board are to be regarded as independent within the meaning of Section 5.4.1 GCGC.

Each year, the Chairman of the Supervisory Board explains the activities of the Supervisory Board in its Supervisory Board Report and verbally at the Annual General Meeting.

In January 2018, a D & O insurance policy was concluded for the members of the Supervisory Board of DKR.

In accordance with the Articles of Association, the members of the Supervisory Board receive fixed compensation and reimbursements for out-of-pocket expenses. Detailed information on the remuneration of the Supervisory Board can be found in the Remuneration Report of the 2018/2019 Management Report.

Further details on the work of the Supervisory Board can be found in the Report of the Supervisory Board, which is part of the 2018/2019 Annual Report.

Cooperation between the Management Board and the Supervisory Board

The Supervisory Board appoints the members of the Management Board, determines their respective total compensation and oversees their management. It also advises the Management Board on the management of the Company. The Supervisory Board approves the annual financial statements. Significant decisions of the Management Board require the approval of the Supervisory Board.

The Management Board ensures regular, timely and comprehensive reporting to the Supervisory Board. In addition, the Chairman of the Supervisory Board is regularly and continuously informed about the business development. Intensive and continuous communication between the Management Board and the Supervisory Board is the basis for efficient corporate management.

The Management Board of Deutsche Konsum REIT-AG regularly participates in the meetings of the Supervisory Board. It reports in writing and orally on the individual agenda items and proposals for resolutions and answers the questions of the members of the Supervisory Board.

Conflicts of interest

Conflicts of interest of members of the Management and Supervisory Boards must be disclosed to the Supervisory Board without delay. In the 2018/2019 financial year, no conflicts of interest occurred.

3.3. Essential corporate governance practices

Main features of compliance

Deutsche Konsum REIT-AG is committed to responsible and sustainable corporate management of the Company. This includes trusting cooperation between the Management Board and the Supervisory Board as well as the employees and a high level of transparency in reporting and corporate communications.

The essential basis of Deutsche Konsum REIT-AG's business is to create, maintain and strengthen the trust of tenants, business partners, shareholders and other capital market participants as well as employees. Thus, compliance at DKR not only means complying with the law and the statutes, but also adhering to internal instructions and self-commitments to implement the values, principles and rules of responsible corporate governance in daily actions.

Compliance Management System

Currently, DKR employs sixteen people. For this reason, the Management Board saw and sees no need to formulate and disclose formalised measures for compliance management and a so-called "whistleblowing". The effort involved in setting up, implementing and maintaining formalised action systems was and is, in view of the size of the Company, not in any meaningful relation to the potential benefit gained.

Organisation and controlling

Deutsche Konsum REIT-AG is headquartered in Germany and is, therefore, subject to the provisions of German stock corporation and capital markets law as well as the provisions of the Articles of Association.

Essentially, Deutsche Konsum REIT-AG manages the Company using the following key figures: EBIT, FFO, LTV, EPRA NAV and cash flow. Sustainable economic, social and environmental aspects are considered.

Shareholders and Annual General Meeting

The shareholders of Deutsche Konsum REIT-AG exercise their rights before or during the Annual General Meetings within the scope of the legal and statutory provisions and hereby exercise their voting rights. Each share grants one vote.

The Chairman of the Supervisory Board chairs the Annual General Meetings. Each shareholder is entitled to attend the Annual General Meeting, to speak on the relevant agenda items and to request information on Company matters, insofar as this is necessary for the proper assessment of an item of the Annual General Meeting. The Annual General Meeting decides on all tasks assigned to it by law.

The agenda of the Annual General Meeting and the reports and documents required for the Annual General Meeting are published in easily accessible form by Deutsche Konsum REIT-AG on its website at https://www.deutsche-konsum.de/en/ under "Investor Relations" under the menu item "Annual General Meeting".

To make it easier for its shareholders to exercise their rights and to vote proxy, DKR appoints a representative for the proxy voting. He can also be contacted during the Annual General Meeting.

The Annual General Meeting takes place within the first eight months of each financial year. The Annual General Meeting of Deutsche Konsum REIT-AG, which resolved on the financial year ending on 30 September 2018, took place on 21 March 2019 in Berlin. More than 57% of the share capital was represented (share capital of the Company at the time of convening the Annual General Meeting: 29,959,944 shares). All agenda items were resolved by a large majority.

Stock option plans

There are currently no stock option programs or similar incentive systems at Deutsche Konsum REIT-AG.

Transparent reporting

Through its website, Deutsche Konsum REIT-AG ensures consistent, comprehensive, timely and simultaneous information to shareholders and the interested public about the economic situation and new facts. This information can be accessed via the Investor Relations section of the website at https://www.deutsche-konsum.de/en/ in the “Investor Relations” section.

Reporting on the business and earnings situation is currently carried out in annual reports, quarterly reports as well as in the semi-annual reports, which are available for download on the Company’s homepage. Important up-to-date information is published via corporate news and ad hoc announcements and made accessible on the Company’s website. In addition, pursuant to Art. 19 of the Market Abuse Regulation (MAR), transactions of managers and related parties are publicly disclosed as “Directors’ Dealings” and are also available on the Company’s website.

In accordance with Art. 18 MAR, mandatory insider lists are maintained, and the persons listed on insider lists have been and will be informed of the legal obligations and sanctions that result for them.

Significant events and publication dates are maintained and published in the financial calendar, which can be viewed on the Company’s website at any time.

Accounting and auditing

The annual financial statements of Deutsche Konsum REIT-AG are prepared in accordance with IFRS, as adopted by the European Union. After preparation by the Management Board, the annual financial statements are audited and approved by the auditor and the Supervisory Board. The Company aims to publish the annual financial statements in accordance with the German Corporate Governance Code within 90 days of the end of the financial year. The mandatory interim financial information (quarterly reports and the half-yearly financial report) will be discussed between the Supervisory Board and the Executive Board prior to publication.

The 2019 Annual General Meeting elected DOMUS AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft as the auditor for the financial year 2018/2019. DOMUS AG's audits following German auditing regulations laid down by the Institut der Wirtschaftsprüfer as well as the principles of proper auditing and the International Standards on Auditing. The Chairman of the Supervisory Board is immediately informed by the auditor of any grounds for exclusion or exemption as well as inaccuracies of the Declaration of Conformity that occurred during the audit. The auditor reports without delay all issues and events that arise during the audit and are relevant for the task of the Supervisory Board to the Chairman of the Supervisory Board and is required to inform the Supervisory Board promptly of any possible grounds for exclusion or bias.

Opportunity and risk management

An essential element of corporate governance is risk management to adequately and systematically counter the risks that Deutsche Konsum REIT-AG is exposed to. A comprehensive process was introduced that enables management to identify, assess and manage risks and opportunities in a timely manner. As a result, unfavourable developments and events become transparent at an early stage and can be analysed and managed in a targeted manner. Further information on risk management is contained in the opportunity and risk report of the annual financial statements 2018/2019.

Broderstorf, December 2019

For the
Supervisory Board

Hans-Ulrich Sutter
Chairman of the
Supervisory Board

For the
Management Board

Rolf Elgeti
Chairman of the
Management Board

Photo: Local retail centre
Landstraße 33, 38667 Bad Harzburg-Harlingerode

4. Report of the Supervisory Board

Dear Shareholders,

In the 2018/2019 financial year, the Supervisory Board of Deutsche Konsum REIT-AG duly fulfilled the duties incumbent on it by law, the Articles of Association and the rules of procedure.

Cooperation between the Supervisory Board and the Management Board

The Supervisory Board continuously monitored and advised the Management Board on the management of the Company. The Supervisory Board was directly involved in all decisions of fundamental importance to the Company. The Management Board complied with its duties to provide information and regularly, promptly and comprehensively informed the Supervisory Board both in writing and orally about corporate planning, the course of business, the strategic development and the current situation of the Company and the current leases.

In addition, the Chairman of the Supervisory Board was regularly informed by the Management Board about current developments in the business situation and significant business events outside of Supervisory Board meetings. In addition, the Chairman of the Supervisory Board kept in regular contact with the Management Board and discussed issues of strategy, planning, business development, risk situation and risk management as well as compliance of the Company.

The members of the Supervisory Board always had ample opportunity to critically examine the resolutions proposed by the Management Board and to make their own suggestions. In particular, the members of the Supervisory Board discussed all significant business transactions for the Company on the basis of written and verbal reports prepared by the Management Board and checked them for plausibility. In several cases, the Supervisory Board dealt in detail with the risk situation of the Company, liquidity planning and the equity situation. In addition, the Management Board also reported to the Supervisory Board on the profitability of the Company, and in particular the profitability of its equity, at the balance sheet meeting. The Supervisory Board has given its approval for individual business transactions insofar as this was required by law, the Articles of Association or the rules of procedure for the Management Board.

Session attendance of the Supervisory Board

In total, four meetings of the Supervisory Board took place during the reporting period, three of which were attended in person and one meeting was held as a telephone conference. If necessary, decisions were also taken by written procedure. Approvals of draft resolutions of the Management Board were made after examination of extensive documents and intensive discussion with the Management Board. Committees of the Supervisory Board did not exist during the reporting period.

No member of the Supervisory Board attended fewer than half of the meetings. Conflicts of interest of members of the Management and Supervisory Boards that must be disclosed to the Supervisory Board without delay did not arise.

The following overview shows the attendance of the members of the Supervisory Board in the financial year 2018/2019:

Name	17 December 2018 Attended meeting in person	21 March 2019 Attended meeting in person	4 June 2019 Telephone conference	12 September 2019 Attended meeting in person
Hans-Ulrich Sutter	x	x	–*	x
Achim Betz	x	x	x	x
Johannes C. G. (Hank) Boot	x (by telephone)	x	x	x (by telephone)
Nicholas Cournoyer	x (by telephone)	x	x	x
Kristian Schmidt-Garve	x (by telephone)	x	x	x

* Representation case with representation by the Deputy Chairman of the Supervisory Board

Focus of deliberations in the Supervisory Board

The deliberations of the Supervisory Board in the individual meetings focused on the following topics:

At the meeting on 17 December 2018, during which the auditors were also present in person, the Supervisory Board unanimously approved the annual financial statements of the Company for the 2017/2018 financial year, which were thus adopted. In addition, the variable Management Board compensation for the year 2017/2018 was determined and set for the year 2018/2019. The Management Board and Supervisory Board also discussed the current status of the purchase pipeline and liquidity planning.

In addition to dealing with the results of the Annual General Meeting, the Supervisory Board discussed and approved current purchase and financing projects at its meeting on 21 March 2019. Furthermore, the Management Board informed the Supervisory Board about the upcoming change of the real estate appraiser.

On 29 April 2019, the Supervisory Board participated in a sightseeing tour during an information meeting for analysts and investors (Capital Markets Day), at which the Coens Galerie and Montanushof in Grevenbroich owned by the Company were visited.

On 4 June 2019, the Management Board presented the current business development to the Supervisory Board and discussed with it the current purchase and financing pipeline. In addition, the Management Board reported on the progress of the roadshows and the Capital Markets Day in Düsseldorf.

At the meeting on 12 September 2019, the current purchase pipeline, further refinancing issues as well as the expectations regarding the development of the results for the financial year and the contemplated capital increase without subscription rights were discussed. The Management Board and Supervisory Board also jointly issued the Corporate Governance Declaration of Conformity for the year 2019.

In addition, during the entire reporting period, the Supervisory Board accompanied the growth of the Company in close cooperation with the Management Board and passed further resolutions by way of circulation, which among other things concerned the agenda items of the Annual General Meeting on 21 March 2019.

The members of the Supervisory Board have expertise and experience in the application of accounting principles. They are also familiar with the real estate sector. The Vice Chairman of the Supervisory Board, Mr Achim Betz, complies with all requirements in accordance with § 100 (5) German Stock Corporation Act (AktG).

Corporate Governance and Declaration of Conformity

The Management Board also reports on corporate governance at Deutsche Konsum REIT-AG and at the same time on behalf of the Supervisory Board in the Corporate Governance Report, which was published in connection with the Corporate Governance Declaration on the Company's website at https://www.deutsche-konsum.de/en/ in the Investor Relations/Corporate Governance section as well as in the Annual Report 2018/2019. The Management Board and the Supervisory Board have repeatedly discussed the recommendations and suggestions of the German Corporate Governance Code and issued a Declaration of Conformity on 12 September 2019 in accordance with § 161 German Stock Corporation Act (AktG).

Annual audit

The annual financial statements of Deutsche Konsum REIT-AG as of 30 September 2019, prepared by the Management Board, and the management report of the Company were audited by the auditor, appointed by the Annual General Meeting on 21 March 2019 and assigned by the Supervisory Board, DOMUS AG Wirtschaftsprüfungsgesellschaft/Steuerberatungsgesellschaft, Berlin, and provided with an unqualified audit certificate.

The annual financial statements of Deutsche Konsum REIT-AG and the management report of the Company as well as the auditors' reports were made available to all members of the Supervisory Board in good time. The auditor attended the meeting of the Supervisory Board meeting on 17 December 2019 and reported on the key findings of his audit. This included his comments on the internal control system and risk management in relation to the accounting process. In addition, he was available to the members of the Supervisory Board for additional questions and information. The Supervisory Board approved the result of the audit of the annual financial statements and the management report of the Company after detailed discussion.

The Supervisory Board carefully examined the annual financial statements and the management report of the Company, the proposal for the appropriation of profits and the auditors' reports. There were no objections. The Supervisory Board then approved the annual financial statements as of 30 September 2019 prepared by the Management Board. The annual financial statements are, thus, established. The Supervisory Board approved the Management Board's proposal for the appropriation of profits after its own review and taking into account the development of earnings, th,e financial position and the requirements of the REIT Act. Together with the Management Board, the Supervisory Board proposes to the Annual General Meeting that a dividend of EUR 0.35 per share be distributed for the 2018/2019 financial year. This corresponds to a distribution of 99 % of the net income of kEUR 11,186 under commercial law. The remaining net income is to be carried forward to new account.

Examination of the report of the Management Board on relationships with affiliated companies (dependent company report)

In accordance with § 312 German Stock Corporation Act (AktG), the Management Board prepared a report for the period of control on relations with affiliated companies and submitted it to the Supervisory Board in good time. The report of the Management Board on relations with affiliated companies was subject of the audit by the auditor. He has issued the following audit opinion on the result of his audit:

"After our dutiful examination and assessment, we confirm that

1. *the actual details of the report are correct,*
2. *in the transactions listed in the report, the Company's performance was not unduly high."*

The audit report was also available to the Supervisory Board in good time. The Supervisory Board examined both the dependency report of the Management Board and the audit report of the auditor, and the auditor participated in the Supervisory Board's hearing on the dependency report and reported on the key findings of his audit. Following the final result of the Supervisory Board's review, the Supervisory Board agrees with the dependency report of the Management Board and the auditors' report and raises no objections to the final declaration of the Management Board contained in the dependency report.

Personnel changes in the Management Board and Supervisory Board

There were no personnel changes in the Management Board and in the Supervisory Board during the reporting period. The term of office of all members of the Supervisory Board ends at the end of the Annual General Meeting, which resolves on the discharge of the members of the Supervisory Board for the financial year ending on 30 September 2019.

The Supervisory Board would like to thank the Management Board and employees for their commitment in the 2018/2019 financial year.

Broderstorf, December 2019

For the Supervisory Board

Hans-Ulrich Sutter
Chairman of the Supervisory Board

5. Composition of the Management Board and Supervisory Board

Management Board

Alexander Kroth
CIO
Mr. Kroth is responsible for the areas of acquisition and sales as well as asset and property management.

Rolf Elgeti
CEO
Mr. Elgeti is responsible for Human Resources and Legal/ Compliance and Strategy.

Christian Hellmuth
CFO
Mr. Hellmuth is responsible for Corporate Finance, Accounting/ Controlling, Treasury, Investor Relations and Risk Management.

Supervisory Board

Hans-Ulrich Sutter
Chairman of the Supervisory Board
Business diploma, Düsseldorf

Achim Betz
Deputy Chairman of the Supervisory Board
Public accountant, Auditor, Tax advisor, Nürtingen

Johannes C. G. (Hank) Boot
Fund Manager, London

Nicholas Cournoyer
Fund Manager, Monaco

Kristian Schmidt-Garve
Lawyer, Member of the Executive Board of MIG Verwaltungs AG, Munich

The CVs of the members of the Management Board and Supervisory Board are published under https://www.deutsche-konsum.de/en/ in the category “Company” under the menu items “Management Board” respectively “Supervisory Board”.

Photo: Retail park Coens Galerie
Kölner Straße 40, 41515 Grevenbroich

2014

23 December 2014
Founding of Deutsche Konsum Grundbesitz AG, Broderstorf
Change of legal form of the predecessor company Stafford Grundbesitz GmbH
CEO of the Company: Rolf Elgeti

2015

30 September 2015
17 retail properties
Balance sheet value: kEUR 83,151

15 December 2015
Capital increase and listing of Deutsche Konsum Grundbesitz AG
Stock exchange: regulated market of Börse Berlin
Market capitalisation: EUR 52.8 million
Number of shares: 15,091,235 shares
Opening price: EUR 3.50

2016

13 January 2016
Deutsche Konsum Grundbesitz AG attains the REIT status and is now trading as Deutsche Konsum REIT-AG (DKR)

16 February 2016
10% cash capital increase without subscription rights
Volume: EUR 8.7 million
Price: EUR 5.75 per share
New number of shares: 16,600,358 shares

14 July 2016
Cash capital increase with subscription rights
Volume: EUR 11.5 million
Price: EUR 6.25 per share
New number of shares: 18,447,003 shares

30 September 2016
40 retail properties
Balance sheet value: kEUR 147,823
Closing price: EUR 9.25
Market capitalisation: more than EUR 170 million

27 December 2016
Converting of a mandatory convertible bond into 1,660,000 new shares
New number of shares: 20,107,003 shares

2017

23 February 2017
Cash capital increase with subscription rights
Volume: EUR 39.6 million
Price: EUR 8.50 per share
New number of shares: 24,760,285 shares

3 March 2017
Admission to the regulated market of the Frankfurt Stock Exchange
Admission to the Prime Standard

1 July 2017
DKR expands the Management Board with Alexander Kroth (CIO) and Christian Hellmuth (CFO)

30 September 2017
62 retail properties
Balance sheet value: kEUR 275,434
Closing price: EUR 10.06
Market capitalisation: approx.
EUR 250 million

8 December 2017
10 % cash capital increase without
subscription rights
Volume: EUR 24.8 million
Price: EUR 10.00 per share
New number of shares: 27,236,313 shares

2018

31 May 2018
Secured corporate bond issue
2018/2024:
Volume: EUR 40 million

30 September 2018
90 retail properties
Balance sheet value: kEUR 418,707
Closing price: EUR 11.00
Market capitalisation: approx.
EUR 300 million

22 November 2018
10 % cash capital increase without
subscription rights
Volume: EUR 30 million
Price: EUR 11.00 per share
New number of shares:
29,959,944 shares

2019

25 February 2019
Rating Upgrade:
Issuer Rating: „BB+ stable"
secured: „BBB" (Investment grade)
unsecured: „BBB–"

21 March 2019
First dividend distribution for the
financial year 2017/2018 in the
amount of EUR 0.20 per share

2 April 2019
Unsecured corporate bond issue
2019/2024:
Volume: EUR 50 million/increase in the
value on 7 August 2019: EUR 20 million

18 September 2019
6,7 % cash capital increase without
subscription rights
Volume: EUR 31 million
Price: EUR 15.50 per share
New number of shares:
31,959,944 shares

30 September 2019
123 retail properties
Balance sheet value: kEUR 623,981
Closing price: EUR 15.95
Market capitalisation: more than EUR 500 million

6. Deutsche Konsum as REIT

REIT is the abbreviation for “Real Estate Investment Trust”. These are listed real estate corporations whose business purpose is long-term asset management and the sustainable achievement of rental income. As a result of their stock market listing, REITs have direct access to the capital markets and, therefore, so to speak, everlasting equity capital compared to real estate funds. In addition, real estate stocks represent a fungible investment vehicle for investors, enabling indirect real estate investments in various asset classes.

Another key feature is the tax transparency of the REIT company, as no income tax is levied at company level and taxation at the investor level takes place downstream of the dividend distribution. In this respect, a REIT investment is equated to a direct investment in real estate for tax purposes.

Photo: Local retail centre Dienstleistungszentrum (“DLZ”) Greifswald
Hans-Beimler-Straße 1–3, 17491 Greifswald

A REIT therefore enables a broad range of investors to participate indirectly in equities through real estate. In particular, retail investors can thus participate in various real estate classes for which a direct investment in a property would not be considered due to the volume, lump risk and management requirements – such as DKR's acquisition of specialty retail centres.

For decades, REITs have been characterised by high stability, profitability, dividend strength, and sustained appreciation, and have long been established in developed investment markets such as the US, Canada, UK, France, Belgium, Singapore, Hong Kong and Japan.

Essential prerequisites for becoming a REIT in Germany derive from the REIT Law of 2007 and include the following criteria:

- Minimum equity of the corporation of EUR 15 million,
- Listing in the regulated market of a German stock exchange,
- At least 15 % free float in the shareholders,
- Limitation of the direct participation of a single shareholder to 10 % of the share capital,
- Minimum equity ratio of 45 %,
- Real estate assets of at least 75 % of total assets,
- Rental income of at least 75 % of total revenues,
- Minimum dividend distribution of 90 % of the annual financial result according to commercial law.

In this respect, the founding of a REIT already requires a certain minimum size and stability of the Company. The German REIT criteria guarantee shareholders high quality right from the start.

Furthermore, the listing in the regulated market on a German stock exchange ensures the highest level of transparency. For example, there are regular disclosure requirements such as quarterly reporting in German and English, mandatory participation in analyst and investor events such as the Equity Forum, and the option for each shareholder to get in touch with the Company's Investor Relations department.

Finally, the tax exemption of a REIT stock company enables very streamlined and cost-effective management structures, as, e.g., no separate tax department or managing complex tax structures are required.

In this respect, DKR is an interesting, low-risk and attractive option on the capital market for investing in specialist German retail and retail real estate.

7. The real estate portfolio

7.1. Investment strategy

Focus on high-yield local supply properties with grocery anchors

The investment focus of DKR is on good retail locations with local supply function throughout Germany. As a rule, these properties have above-average micro-locations, which is why they have often been established on the site for many years and ensure the supply of everyday goods and services for the residents („Basic Retail"). The main rental income is generated by non-cyclical and creditworthy tenants such as large German food retail companies, special-item stores, drugstores and often also medical facilities, which are considered to be largely independent of the economic cycle.

At the same time, such retail properties are only slightly threatened by online retailing, since food, drugstore and DIY products in Germany continue to be bought in stores on a regular basis. This is shown by many empirical studies, according to which the online share of turnover in the food and drug sector was just 1.0% and 1.5%, and respectively in the DIY sector a good 5.6% in 2018[1]. By contrast, in other trading sectors, such as electronics, fashion and leisure articles, the online share of total sales has already risen to a third – with a further upward trend. That's why DKR invests exclusively in basic retail properties.

In addition, DKR concentrates on medium-sized businesses and metropolitan areas away from large metropolises for acquisition, as bidder competition for these properties is lower here, and deliberately buys retail properties with comparatively short residual lease terms, thus bearing the lease extension risk. As a result, DKR can achieve comparatively attractive initial yields of around 10% with a moderate investment risk at the same time. In addition, the real estate is basically acquired individually, as portfolio deals generally lead to much lower returns.

In this respect, DKR acts as a professional investor and real estate manager in a niche with investment volumes of between EUR 1 million and EUR 25 million, which is, on the one hand, too large for private investors and, on the other hand, too small and uninteresting for institutional investors. This enables a largely competition-free and rapid acquisition process, which has been reflected in the rapid portfolio growth of recent years.

The core of the investment strategy is, on the one hand, the exact object analysis, in which, among others, the micro-location, development opportunities and lease extension risk of the significant leases are assessed. DKR ensures this through its experienced employees and its network in the market. On the other hand, it is advantageous if acquisitions can be made quickly. DKR achieves this through its independence from external financing in the purchase process: all properties are initially fully acquired with equity and later refinanced with external banks through borrowings.

Value creation through active asset management

DKR deliberately acquires development-capable properties with higher vacancy rates and short rental contract maturities, as it can exploit value creation opportunities through active asset management and targeted value-adding investments. For example, DKR has already successfully implemented revitalisation measures, which have led to significant vacancy reductions and lease renewals, which significantly increased the value of these properties.

[1] Hahn Group in cooperation with bulwiengesa, CBRE, EHI Retail Institute: Retail Real Estate Report Germany 2019/2020. 14th issue, pages 24–25 and 41.

Recycling of capital

As part of a growing portfolio in combination with the aforementioned added-value, individual properties can regularly be resold at significantly higher prices. The capital gains generated in this way can then be reinvested by DKR in new acquisitions in accordance with its purchase criteria.

Transformation of individual retail properties into an institutional asset class

Due to the further development of the real estate portfolio, the individual risks of the individual real estate steadily equalise, since, on the one hand, a single risk relates to a larger totality and, on the other hand, also improves the negotiating position of DKR towards the big tenants with each further purchase, since the number of tenancies increases with the same retailers. In addition, with each subsequent acquisition, DKR can achieve economies of scale in both ongoing administrative and management costs and in borrowing costs. In addition, the REIT status has high minimum requirements in terms of debt ratio, equity ratio and transparency. The result is a transformation that creates a highly profitable, low-risk and efficiently financed real estate portfolio of institutional quality from individual non-institutional retail properties that generates sustainable and tax-exempt dividends.

Continuation of growth in compliance with the investment criteria

The aim of DKR is to grow rapidly in this class of objects and to comply with the investment criteria in a disciplined manner. As a result, with every subsequent acquisition, an ever more risk-diversified and more profitable real estate portfolio is created, based on non-cyclical rental income.

7.2. Development of the real estate portfolio in the 2018/2019 financial year

7.2.1. Acquisitions exceed the EUR 150 million threshold

DKR recorded record growth in the past financial year and acquired 34 retail properties with a total rental space of around 205,000 m² and an annual rent of EUR 14.4 million, and with an investment volume of around EUR 159 million as of the balance sheet date of 30 September 2019.

As of 30 September 2019, DKR‘s portfolio comprises a total of 123 retail properties with a total rental space of around 722,600 m² and an annualised rent of around EUR 48.6 million. The portfolio will be accounted for at around EUR 624 million on 30 September 2019.

7.2.2. Positive operational development

Key operating figures as of 30 September 2019 are as follows:

	30/09/2019	30/09/2018	Difference
Rent/Year (EUR million)	48.6	35.5	36.9 %
Rent/m²/monthly	6.23	6.32	–1.4 %
Vacancy rate (%)	9.9	9.6	3.1 %
WALT (years)	5.8	5.2	11.5 %
Fair value (EUR million)	619.8	418.7	48.0 %
Property value (EUR/m²)	858	809	6.1
Valuation factor	12.8	11.8	8.5 %

In a LFL comparison[1], there is a slight increase in the rent per square meter as well as an increase in the residual lease term (WALT):

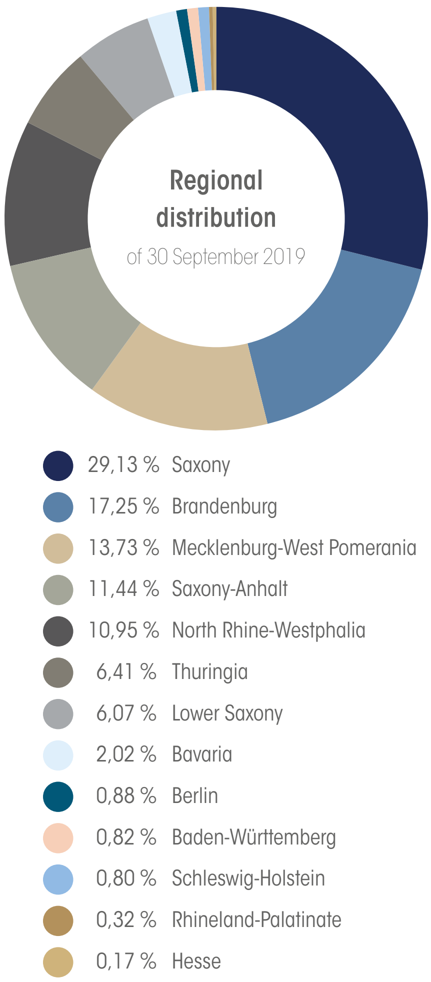
	30/09/2019	30/09/2018	Difference
Net rent/m²/monthly*	5.56	5.50	1.1 %
Vacancy rate (%)	9.7	9.6	1.0%
WALT (years)	5.5	5.2	5.8%

* adjusted for current revitalisation objects

7.3. Structure of the DKR portfolio

Regional distribution

The regional real estate portfolio of DKR is distributed as follows (according to annual rents) as of 30 September 2019:



[1] The Like-For-Like comparison (LFL) compares numerical values and statistics that look at identical items at different key dates in a single period.

	Area				Annualised rent			
	30/09/2019		30/09/2018		30/09/2019		30/09/2018	
	m²	%	m²	%	kEUR	%	kEUR	%
Old West German States	132,041	18.3	53,487	10.3	10,739	22.0	5,501	15.5
New German States	590,518	81.7	464,336	89.7	37,997	78.0	29,982	84.5
	722,559	**100.0**	**517,823**	**100.0**	**48,736**	**100.0**	**35,483**	**100.0**

A large part of the portfolio is currently spread over East German locations, which is due to the fact that DKR has controlled the company structure from Potsdam. On the other hand, there are currently more objects to be found that meet the high yield requirements of DKR, but also accommodate the well-known large creditworthy tenants and often have a lower construction age, since these were built only in the post-reunification. From DKR's perspective, this leads to a significantly better risk/ return profile. As the investment market in Western and especially Southern Germany is much more developed, property prices here are correspondingly higher and therefore fall less frequently into the minimum target return requirements of DKR.

Nonetheless, the share of rents from locations in West Germany rose sharply from around 14.8% to over 22.0%, especially in the 2018/2019 financial year, which was attributable in particular to the acquisition of the two larger properties in Grevenbroich (NRW). Due to its increased popularity and its growing network, DKR is now increasingly finding properties in West Germany that meet the investment and return requirements.

Much of the property is located in secondary locations away from the major German cities, which is beneficial in several ways. For one thing, these properties have not been the focus of major institutional or international investors so that they can be bought at comparatively attractive yields. On the other hand, these properties are hardly affected by e-commerce, which gives these locations additional stability.

In the context of DKR's investment strategy, however, it does not matter in which state or city an object is located, if the micro-location of the property is already established for Basic Retail and will continue to function well in the foreseeable future.

Focus on retail parks and local retail centres

The real estate portfolio of DKR is divided into the following property categories as of 30 September 2019:

	Quantity	Area		Annualised rent	
		m²	%	kEUR	%
Retail parks	17	180,988	24.7	12,048	25.0
Local retail centres	33	208,407	28.6	13,929	28.8
Hypermarkets	9	185,808	27.8	13,571	25.7
Discounter	49	63,005	10.9	5,321	8.7
DIY stores (stand-alone)	9	59,267	5.7	2,791	8.2
Wholesale markets	6	25,083	2.3	1,018	3.6
	123	**722,559**	**100.0**	**48,678**	**100.0**

The strongest object groups in the DKR portfolio are hypermarkets and local retail centres, which as a rule have a non-cyclical and defensive tenant mix consisting of food retailers, drugstores and often also medical services. This also applies to smaller discount markets, which in most cases are also grocery-anchored and also strongly present in the DKR portfolio. Furthermore, DKR currently has nine DIY stores, which are operated for many years by the large and creditworthy DIY chains.

Photo: Discounter
Nordwall 12b, 39576 Stendal

Vacancy

The vacancy rate of the real estate portfolio totalled around 9.9% as of 30 September 2019. The majority of the vacant space is attributable to the following properties that are currently undergoing revitalisation or have recently been acquired:

Object	Total area (m²)	Vacant area (m²)	Vacancy rate (%)
Güstrow – Hotel Stadt Güstrow	5,600	3,308	59.1
Bad Dürrenberg	3,384	1,939	57.3
Ueckermünde – Haff-Center	4,619	2,631	57.0
Rostock	4,492	2,082	46.4
Hohenmölsen – Kirschbergcenter	7,715	3,532	45.8
Grevenbroich – Coens Galerie	11,848	5,255	44.3
Stralsund	5,882	2,056	35.1
Other	679,018	51,047	7.5
Total	**722,558**	**71,850**	**9.9**

As part of its investment strategy, DKR deliberately acquires properties with significant vacancy rates if the Company believes that these can be reduced. DKR always calculates the purchase price on the basis of the existing secure rents, which is why a purchased vacancy in an object rather represents a free option that can lead to an increase in initial yields even if the vacancy is later reduced. As a result, the purchase of new properties with vacant units always results in a vacancy rate in the overall portfolio.

7.4. Revitalisation

In accordance with its investment approach and portfolio strategy, DKR deliberately buys properties requiring revitalisation with partly significant vacancies and shorter residual lease terms, as these offer significant value creation potential. In order to realise the added-value potential of the objects, DKR carries out revitalisation work on individual objects.

As a rule, this includes redesigning areas, changing the tenant structure and optimising the division of space within an object. Furthermore, a fresh and renewed look makes the appearance of real estate much more attractive. This makes it possible to significantly reduce vacancies and extend leases. Ideally, the individual revitalisation steps can be divided into the following phases:

Phase 1
Conception and planning

Phase 2
Improvement and stabilisation

Phase 3
Implementation of the renovation

Phase 4
Finalisation and reopening

In the financial year 2018/2019, DKR was involved in the revitalisation of the following properties:

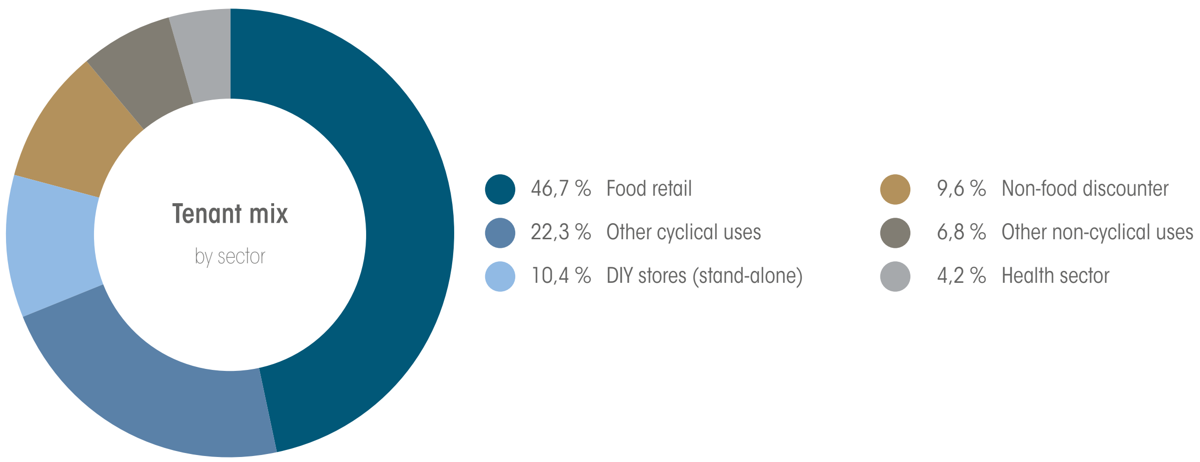
Object	Revitalisation phase	Estimated completion
Guben – Neiße Center	Phase 1	2020
Rostock – Kolumbuspassagen	Phase 2	2020
Stralsund – Lindencenter	Phase 2	2021
Ueckermünde – Haff-Center	Phase 2	open
Hohenmölsen – Kirschbergcenter	Phase 3	2020

7.5. Tenant mix

Focus on credit-worthy tenants with non-cyclical goods and services

The strongest group of tenants in the DKR portfolio are grocery retailers such as EDEKA, REWE, METRO, Schwarz, NORMA and ALDI with around 47.3% of the annualised total rents. The other major non-cyclical tenant groups are retail discounters, health care tenants and other non-cyclical retail stores for everyday goods and services.

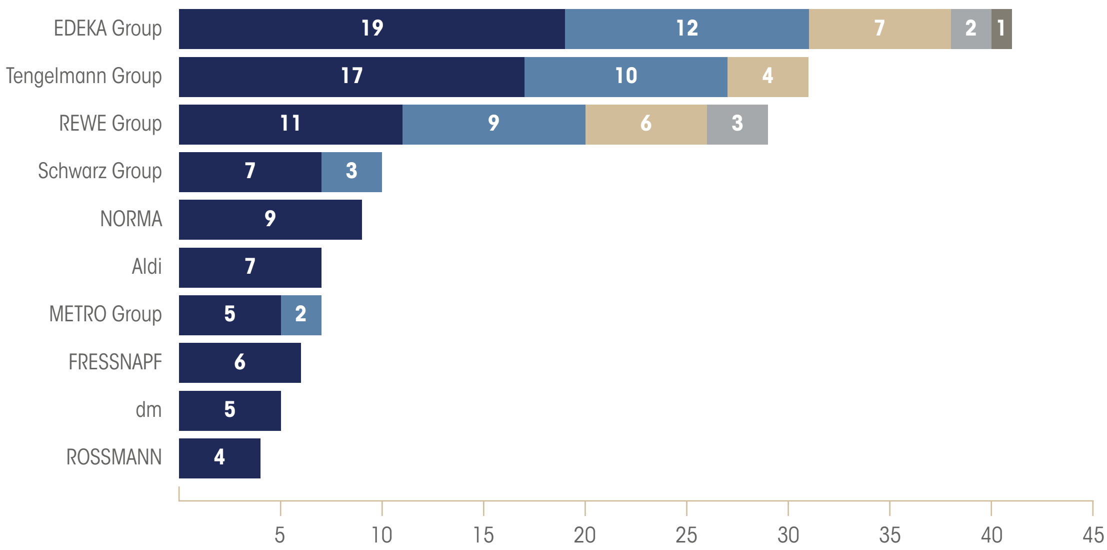
Rent contribution by sector (EUR million):



7.6. Several tenancies with the same tenants improve the negotiating position of DKR

DKR deliberately buys retail properties with the same well-known retail chains. This will allow for better and more efficient reconciliation of interests with respect to lease renewals, expansion and expansion investments, or standardisation of leases or work processes. The following shows the number of leases with the same retail groups:

Number of lease contracts with large corporations and retailers' brands
(Number of lease contracts as of 30 September 2019):

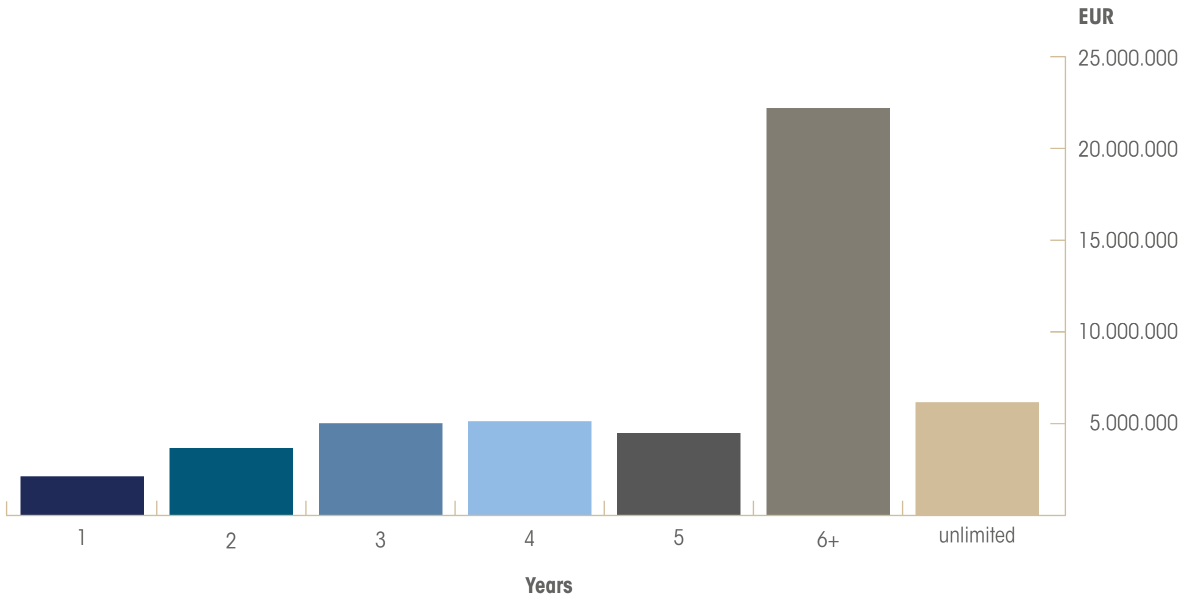


Groups

EDEKA Group	Tengelmann Group	REWE Group	Schwarz Group	METRO Group
trinkgut	OBI	nahkauf	LIDL	real
diska	KiK	toom	Kaufland	METRO GASTRO
NP	TEDi	PENNY		
EDEKA		REWE		
Netto				

Residual lease term (WALT)

The average residual lease term (WALT) of the portfolio is approximately 5.8 years as at 30 September 2019 and is broken down as follows:



7.7. Property portfolio in detail as of 30 September 2019

		City	Street	Rental space	Vacancy 30/09/2019	Vacancy 30/09/2018
				m²	%	%
1	32547	Bad Oeynhausen	Mindener Straße 67 / Alter Rehmer Weg 22	4,590.21	22.2	2.1
2	06749	Bitterfeld – BiTZ Bitterfelder Fachmarkt-Zentrum	Brehnaer Straße 34	19,706.54	19.5	25.8
3	99094	Erfurt	Gothaer Straße 22	19,750.00	0.0	0.0
4	19288	Ludwigslust – Lindencenter	Am Marstall 2	14,379.37	0.8	0.8
5	24534	Neumünster	Rendsburger Straße 16	4,630.00	0.0	0.0
6	17087	Altentreptow I	Fritz-Reuter-Straße 13	4,279.51	9.1	5.3
7	17373	Ueckermünde	Chausseestraße 41–43	1,585.81	0.0	0.0
8	15890	Eisenhüttenstadt I	Gubener Straße 42	1,253.11	0.0	0.0
9	06231	Bad Dürrenberg	Ostrauer Straße 5	3,384.15	57.3	61.7
10	01662	Meißen	Berghausstraße 7	6,226.75	0.0	0.0
11	09427	Ehrenfriedersdorf	Gewerbegebiet an der B95	6,504.95	0.0	0.0
12	08626	Adorf	Karlsgasse 28	5,434.93	0.0	0.0
13	16348	Wandlitz	Bahnhofstraße 35–36	1,607.90	0.0	0.0
14	18337	Marlow	Carl-Cossow-Straße 64	1,046.00	0.0	0.0
15	06132	Halle	Hermann-Heidel-Straße 11	1,072.00	18.7	18.7
16	19417	Warin	Burgstraße/Langestraße 12–14	1,597.87	2.8	2.8
17	06773	Gräfenhainichen	Rosa-Luxemburg-Straße 47	1,076.78	0.0	0.0
18	06749	Bitterfeld-Wolfen	Anhaltstraße 70b/72	5,822.21	19.9	19.9
19	25361	Krempe	Neuenbrooker Straße 37	1,758.47	0.0	0.0
20	02747	Herrnhut	Löbauer Straße 45	1,333.58	9.0	6.0
21	02625	Kleinwelka	Hoyerswerdaer Straße 136	1,137.95	0.0	0.0
22	02906	Niesky I	Am Bahnhof 8	1,343.92	0.0	0.0
23	16727	Schwante	Dorfstraße 25	1,046.00	0.0	0.0
24	12103	Berlin-Tempelhof	Manteuffelstraße 71	1,143.25	0.0	0.0
25	14974	Ludwigsfelde	Albert-Tanneur-Straße 25	4,464.91	0.9	0.0
26	15562	Rüdersdorf	Brückenstraße 12a/b	2,785.13	0.0	0.0
27	03172	Guben I	Karl-Marx-Straße 95	1,181.00	0.0	0.0
28	04178	Leipzig	Merseburger Straße 255–263	23,385.16	4.4	8.7
29	18106	Rostock	Kolumbusring 58	4,492.46	46.4	25.7
30	18273	Güstrow	Pferdemarkt 58 / Markt 2–3 / Hageböcker Straße 108	5,600.74	59.1	63.4
31	38855	Wernigerode	Gustav-Petri-Straße 10, 11, 12, 13 / Pfarrstraße 43 / Ringstraße 31, 33, 35, 37	25,297.09	9.4	8.1

Rent level 30/09/2019 EUR/m²	Rent/Year EUR	WALT 30/09/2019 Years	WALT 30/09/2018 Years	Fair value 30/09/2019 EUR	Fair value 30/09/2018 EUR
5.91	253,183.32	2.7	1.9	3,430,000.00	3,500,000.00
5.56	1,057,824.72	7.4	8.4	15,600,000.00	13,700,000.00
6.33	1,500,799.92	11.3	8.4	25,000,000.00	31,000,000.00
9.08	1,554,427.20	6.5	7.3	24,700,000.00	24,000,000.00
4.14	230,004.00	7.3	8.3	2,900,000.00	3,000,000.00
9.14	426,709.80	9.3	5.7	7,000,000.00	4,220,000.00
6.76	128,730.72	3.7	4.7	1,490,000.00	1,060,000.00
4.68	70,435.80	5.2	6.4	610,000.00	580,000.00
3.39	58,800.00	6.3	2.3	453,000.00	240,000.00
4.22	315,158.64	5.3	6.3	3,530,000.00	2,910,000.00
2.96	231,022.80	6.3	2.3	3,020,000.00	2,260,000.00
1.56	102,000.00	6.0	2.0	840,000.00	650,000.00
9.20	177,473.88	5.3	6.3	2,920,000.00	3,070,000.00
9.20	115,478.40	7.1	8.1	1,360,000.00	1,320,000.00
4.59	48,000.00	unlimited	unlimited	422,000.00	300,000.00
5.97	111,230.64	5.4	1.9	1,570,000.00	1,660,000.00
6.50	83,988.84	1.5	2.5	1,050,000.00	840,000.00
4.05	226,733.52	3.3	3.4	3,030,000.00	2,300,000.00
7.67	161,758.44	10.8	1.8	2,110,000.00	1,660,000.00
6.28	91,440.00	4.9	2.0	850,000.00	920,000.00
11.47	156,600.00	8.2	9.2	1,750,000.00	1,710,000.00
5.21	84,000.00	1.3	2.3	590,000.00	560,000.00
9.01	113,040.36	5.8	6.8	1,700,000.00	1,600,000.00
5.54	76,029.96	3.3	4.3	750,000.00	700,000.00
7.00	371,807.28	3.0	3.1	4,720,000.00	4,760,000.00
8.80	293,965.20	3.0	3.8	3,900,000.00	3,790,000.00
8.48	120,240.00	3.0	4.0	1,390,000.00	1,390,000.00
6.17	1,654,432.68	4.0	4.3	26,000,000.00	26,500,000.00
6.51	188,346.36	3.3	1.2	3,850,000.00	4,600,000.00
6.69	184,038.24	4.7	5.0	1,700,000.00	2,220,000.00
2.83	777,158.64	4.0	3.5	9,900,000.00	9,000,000.00

		City	Street	Rental space	Vacancy 30/09/2019	Vacancy 30/09/2018
				m²	%	%
32	06636	Laucha	Am Stadtfeld 2	1,110.00	0.0	0.0
33	06184	Gröbers	Lange Straße 3	986.00	0.0	0.0
34	06366	Köthen	Edderitzer Straße 8	685.00	0.0	0.0
35	06463	Ermsleben	Neustadt 1a	678.00	0.0	0.0
36	39596	Goldbeck	Babener Straße 43	982.00	0.0	0.0
37	39576	Stendal	Nordwall 12b	1,107.00	0.0	0.0
38	06679	Hohenmölsen	Wilhelm-Külz-Straße 8	7,715.94	45.8	59.3
39	17489	Greifswald I – Dompassage	Lange Str. 40–42	17,122.23	16.5	9.5
40	18292	Krakow am See	Bahnhofsplatz 3	3,474.47	9.7	5.3
41	18461	Franzburg	Abtshäger Straße 13	1,320.00	0.0	0.0
42	27283	Verden	Holzmarkt 7–15	6,997.25	0.0	2.7
43	16928	Pritzwalk	Rostocker Straße 1, 2, 3, 7 und 8	15,156.58	0.0	0.0
44	17373	Ueckermünde – Haff-Center	Haffring 24	4,619.68	57.0	55.4
45	36452	Kaltennordheim	Gartenstraße 2	927.17	0.0	0.0
46	98634	Kaltensundheim	Bergstraße 12	915.26	0.0	0.0
47	98547	Viernau	Mühlstraße 52	1,027.03	0.0	0.0
48	35232	Dautphe	Gladenbacher Straße 43	1,611.96	0.0	0.0
49	16303	CKS Schwedt	Platz der Befreiung 1	10,514.11	12.0	0.0
50	18437	Stralsund	Lindenallee 25	5,882.15	35.1	27.6
51	06449	Aschersleben	Magdeburger Straße 32	1,009.40	0.0	0.0
52	29303	Bergen	Harburger Straße 30	6,392.83	0.0	0.0
53	03116	Drebkau	Drebkauer Hauptstraße 5	965.00	0.0	0.0
54	03172	Guben – Neiße Center	Karl-Marx-Straße 96	10,331.38	18.0	15.5
55	45739	Oer-Erkenschwick	Berliner Platz 14	9,555.17	0.0	0.0
56	01662	Meißen	Schützestraße 1	24,485.41	17.0	31.0
57	08525	Plauen	Morgenbergstraße 41	24,207.28	28.3	30.3
58	39517	Tangerhütte	Neustädter Ring 78	2,574.00	0.0	0.0
59	99706	Sondershausen	Beethovenstraße 9	1,160.78	0.0	0.0
60	15890	Eisenhüttenstadt II	Karl-Marx-Straße 33	965.12	5.5	0.0
61	09212	Limbach-Oberfrohna	Frohnbachstraße 59	1,862.35	0.0	0.0
62	06333	Hettstedt	Luisenstraße 18a–k	2,786.66	1.3	0.0
63	06537	Kelbra	Jochstraße 2	930.00	0.0	0.0
64	07937	Langenwolschendorf	Heinrich-Wobst-Straße 1	3,072.00	0.0	0.0

Rent level 30/09/2019 EUR/m²	Rent/Year EUR	WALT 30/09/2019 Years	WALT 30/09/2018 Years	Fair value 30/09/2019 EUR	Fair value 30/09/2018 EUR
9.12	121,428.72	2.5	3.5	1,180,000.00	1,080,000.00
9.73	115,157.16	2.5	3.5	1,160,000.00	970,000.00
11.05	90,861.12	2.5	3.5	870,000.00	640,000.00
9.95	80,961.24	2.5	3.5	580,000.00	540,000.00
9.42	110,960.52	2.4	3.4	1,120,000.00	1,120,000.00
11.48	152,437.92	2.6	3.6	1,520,000.00	1,160,000.00
5.32	267,133.68	1.1	1.7	3,540,000.00	2,170,000.00
6.55	1,124,146.80	8.0	9.0	19,300,000.00	19,100,000.00
8.54	321,561.36	2.1	3.0	4,000,000.00	3,180,000.00
6.84	108,349.68	2.2	3.2	1,160,000.00	1,150,000.00
8.90	747,508.16	13.7	1.2	11,100,000.00	13,600,000.00
7.50	1,364,808.60	4.9	6.2	17,800,000.00	16,600,000.00
4.87	116,191.44	8.6	9.6	860,000.00	910,000.00
3.72	41,428.32	2.3	3.3	252,000.00	220,000.00
3.89	42,684.12	4.1	4.3	366,000.00	310,000.00
4.30	53,040.00	3.4	4.4	520,000.00	360,000.00
4.38	84,699.96	2.2	3.2	970,000.00	720,000.00
5.61	623,512.44	2.7	2.7	6,900,000.00	6,010,000.00
5.03	230,594.88	1.8	1.4	1,440,000.00	1,390,000.00
9.28	112,440.00	5.1	6.1	1,540,000.00	1,110,000.00
11.55	885,711.12	10.4	1.4	7,500,000.00	7,600,000.00
5.18	60,000.00	3.4	4.4	358,000.00	410,000.00
7.61	773,671.68	3.0	3.7	10,900,000.00	8,000,000.00
10.99	1,260,000.00	10.5	11.5	18,900,000.00	16,700,000.00
5.70	1,390,410.72	2.6	3.3	13,700,000.00	11,400,000.00
7.59	1,581,031.08	2.2	3.1	13,600,000.00	12,300,000.00
5.36	165,600.00	3.3	4.3	1,780,000.00	1,560,000.00
6.37	88,705.20	7.3	8.3	1,220,000.00	1,200,000.00
11.01	120,527.16	1.0	2.0	1,630,000.00	1,150,000.00
7.94	177,401.40	3.6	4.6	2,060,000.00	2,010,000.00
6.16	203,414.52	1.9	0.6	2,050,000.00	2,100,000.00
6.93	77,313.60	1.3	2.3	429,000.00	440,000.00
7.64	281,604.00	3.7	4.8	3,440,000.00	2,850,000.00

»

		City	Street	Rental space	Vacancy 30/09/2019	Vacancy 30/09/2018
				m²	%	%
65	58239	Schwerte	Hagener Straße 51	1,200.00	0.0	0.0
66	03238	Finsterwalde-Massen	Ludwig-Erhard-Straße 5	11,072.20	0.0	0.0
67	79798	Jestetten	Schaffhauser Straße 8	1,288.00	0.0	0.0
68	08371	Glauchau	Schönburgstraße 40	1,153.40	0.0	0.0
69	07937	Zeulenroda	Heinrich-Wobst-Straße 2	5,631.77	0.0	0.0
70	13507	Berlin	Buddestraße 36	931.00	0.0	0.0
71	13127	Berlin	Blankenburger Straße 145	987.00	0.0	0.0
72	56269	Dierdorf	Königsberger Straße 12	1,391.16	0.0	0.0
73	82362	Weilheim	Lohgasse 4	1,824.00	0.0	0.0
74	99846	Seebach	Am Rötelstein 3 / Dicelstraße 7	1,103.75	0.0	2.8
75	38820	Halberstadt	Breiter Weg 13	1,585.94	35.2	35.2
76	09599	Freiberg	Abraham-von-Schönburg-Straße 3	1,117.00	0.0	0.0
77	51545	Waldbröl	Kaiserstraße 36	937.80	0.0	0.0
78	04129	Leipzig – Dong Xuan Center	Maximilianallee 18–20	8,692.20	10.8	9.2
79	72793	Pfullingen	Römerstraße 166	5,840.00	0.0	0.0
80	17358	Torgelow	Pasewalker Straße 5–8	11,354.10	0.0	0.0
81	18546	Sassnitz	Gewerbepark 9	4,063.00	0.0	0.0
82	07333	Unterwellenborn	Kronacher Straße 1, 7	8,487.00	0.0	0.0
83	16278	Angermünde	Rudolf-Breitscheid-Straße 27	4,893.06	14.1	5.5
84	02906	Niesky II	Rothenburger Straße 23	900.00	0.0	0.0
85	04910	Elsterwerda – Elstercenter	Lauchhammerstraße 60/167	34,753.40	1.5	0.0
86	08412	Werdau	Stiftstraße 6–8	39,405.02	5.1	5.1
87	02943	Weißwasser	Sachsendamm 32	13,389.58	2.4	1.3
88	37441	Bad Sachsa	Marktstraße 43/44	1,712.30	15.4	4.9
89	08141	Reinsdorf – Vielau-Center	Hof 13	1,408.00	0.0	0.0
90	07407	Rudolstadt	Oststraße 53	2,888.00	0.0	
91	29410	Salzwedel	Feldstraße 25a	5,326.00	0.0	
92	29525	Uelzen	Im Neuen Felde 42	3,300.00	0.0	
93	17438	Wolgast	Leeranerstraße 4	2,879.00	0.0	
94	15234	Frankfurt (Oder)	Nuhnenstraße 19	11,398.62	0.0	
95	16303	Schwedt (Oder)	Handelsstraße 23, 26	12,056.62	0.0	
96	17087	Altentreptow II	Grüner Gang 10	1,121.00	0.0	
97	15537	Erkner	Neu Zittauer Straße 41	5,797.68	1.3	

Rent level 30/09/2019 EUR/m²	Rent/Year EUR	WALT 30/09/2019 Years	WALT 30/09/2018 Years	Fair value 30/09/2019 EUR	Fair value 30/09/2018 EUR
6.83	98,400.00	1.3	2.3	1,180,000.00	1,120,000.00
3.61	480,000.00	4.8	5.8	5,800,000.00	5,000,000.00
10.47	161,842.68	7.7	6.9	2,340,000.00	2,040,000.00
8.58	118,800.00	3.0	2.0	1,210,000.00	1,200,000.00
3.55	240,000.00	5.5	6.5	2,750,000.00	2,580,000.00
18.05	201,617.52	4.3	5.3	4,100,000.00	2,500,000.00
12.71	150,576.60	4.3	5.3	2,720,000.00	2,100,000.00
9.28	154,891.92	8.8	6.3	2,360,000.00	1,870,000.00
4.83	105,716.64	1.8	2.8	560,000.00	800,000.00
6.28	83,242.32	4.3	5.3	750,000.00	780,000.00
5.35	66,000.00	3.1	4.1	620,000.00	570,000.00
11.18	149,905.20	1.6	2.6	1,800,000.00	1,320,000.00
6.30	70,934.88	1.3	2.3	399,000.00	330,000.00
8.81	819,966.72	unlimited	unlimited	10,000,000.00	7,500,000.00
3.39	237,915.60	3.3	4.3	2,850,000.00	2,630,000.00
5.51	750,999.96	6.6	6.9	11,000,000.00	8,400,000.00
4.26	207,901.80	5.3	1.3	2,360,000.00	1,520,000.00
5.11	519,999.96	4.3	5.3	5,700,000.00	5,000,000.00
6.37	321,494.16	1.8	1.8	4,270,000.00	4,300,000.00
7.23	78,048.00	13.3	13.5	1,510,000.00	1,190,000.00
4.22	1,734,098.04	6.4	6.8	26,400,000.00	25,300,000.00
5.13	2,301,332.40	3.2	4.2	22,500,000.00	21,400,000.00
6.74	1,056,903.72	3.3	4.5	13,400,000.00	12,000,000.00
8.27	143,841.00	3.3	4.3	2,040,000.00	1,600,000.00
5.66	95,622.00	6.3	7.2	1,050,000.00	1,124,277.00
3.75	130,000.08	5.6		1,440,000.00	
2.82	180,000.00	2.8		1,470,000.00	
2.53	100,000.08	2.8		950,000.00	
3.47	120,000.00	5.6		1,370,000.00	
3.62	495,000.00	6.6		6,000,000.00	
5.03	727,104.00	6.5		7,900,000.00	
9.88	132,959.28	4.3		1,410,000.00	
5.67	389,334.72	3.3		5,100,000.00	

		City	Street	Rental space	Vacancy 30/09/2019	Vacancy 30/09/2018
				m²	%	%
98	95336	Mainleus	Tiefe Äcker 1	1,037.00	0.0	
99	06217	Merseburg	Lassallestraße 27	1,700.00	0.0	
100	07570	Weida	Turmstraße 33	1,157.00	0.0	
101	44379	Dortmund	Martener Straße 300	1,465.00	6.5	
102	38644	Goslar	Gerhard-Weule-Straße 1	4,850.00	0.0	
103	44532	Lünen	Kupferstraße 15	5,910.11	3.2	
104	95028	Hof	Michaelsbrücke 2	7,767.00	13.0	
105	17491	Greifswald II	Hans-Beimler-Straße 1–3	6,598.42	4.1	
106	27721	Ritterhude	Otto-Hahn-Straße 1	9,800.00	0.0	
107	41515	Grevenbroich I – Coens Galerie	Kölner Straße 38–46	11,848.98	44.3	
108	18442	Wendorf	Albert-Schweitzer-Straße 8	2,100.00	0.0	
109	38667	Bad Harzburg	Landstraße 33	3,976.00	0.0	
110	95632	Wunsiedel	Hofer Straße 5–7	2,701.73	0.0	
111	08132	Mülsen St. Jacob	Dresdener Straße 1	1,137.00	0.0	
112	39576	Stendal – Altmarkt Forum	Dr.-Kurt-Schumacher-Straße 1–5	12,115.08	13.2	
113	01936	Königsbrück	Kornweg 2	1,106.00	0.0	
114	04349	Leipzig – Portitz Treff	Tauchaer Straße 260	7,241.59	0.7	
115	06484	Quedlinburg	Weyhegarten 1	3,928.65	5.1	
116	06766	Wolfen	Steinfurther Straße 37	900.00	0.0	
117	04808	Wurzen	Dr.-Külz-Straße 9	1,242.94	0.0	
118	01831	Döberitz	Bammer Weg 2	906.00	0.0	
119	17367	Eggesin	Bahnhofstraße 13	1,167.00	0.0	
120	19386	Lübz	Werder Straße 21b	1,692.00	0.0	
121	41515	Grevenbroich II – Montanushof	Ostwall 31	27,743.91	26.9	
122	15517	Fürstenwalde	Juri-Gagarin-Straße 43	1,449.77	0.0	
123	09122	Chemnitz – Vita-Center	Wladimir-Sagorski-Straße 20, 22, 24	39,083.11	18.0	
				722,558.85	**9.9**	**9.6**

Rent level 30/09/2019 EUR/m²	Rent/Year EUR	WALT 30/09/2019 Years	WALT 30/09/2018 Years	Fair value 30/09/2019 EUR	Fair value 30/09/2018 EUR
7.71	96,000.00	3.0		1,070,000.00	
9.16	186,889.68	4.3		2,540,000.00	
10.30	143,005.20	8.1		1,990,000.00	
7.81	128,400.00	13.0		1,070,000.00	
4.30	249,999.96	5.2		3,090,000.00	
5.37	368,635.80	3.2		3,160,000.00	
6.81	552,027.60	7.3		7,400,000.00	
6.50	493,448.04	3.1		6,000,000.00	
3.93	462,000.00	8.5		6,600,000.00	
12.30	973,643.88	3.1		14,000,000.00	
4.19	105,600.00	9.1		1,170,000.00	
7.75	369,999.96	8.3		5,400,000.00	
7.11	230,570.88	7.6		2,980,000.00	
10.63	144,996.00	6.1		1,840,000.00	
7.39	932,400.60	6.5		12,900,000.00	
7.01	93,000.00	7.6		1,190,000.00	
6.37	550,302.24	3.3		6,000,000.00	
6.91	309,151.18	7.6		4,000,000.00	
8.33	90,000.00	6.1		1,090,000.00	
9.25	138,000.00	8.1		1,930,000.00	
4.97	54,000.00	unlimited		321,000.00	
8.99	125,895.96	8.8		1,640,000.00	
7.21	146,388.00	5.4		1,790,000.00	
8.97	2,182,987.32	7.5		20,700,000.00	
6.83	118,800.00	3.3		1,073,088.00	
7.46	2,867,089.80	7.9		37,487,868.00	
6.23	**48,677,837.34**	**5.6**	**5.2**	**615,620,956.00**	**410,254,277.00**

Impressions of the individual objects can be found on the DKR website at https://www.deutsche-konsum.de/en/portfolio/properties/

8. Key figures according to EPRA

The European Public Real Estate Association EPRA

EPRA is a non-profit organisation based in Brussels that represents the interests of the European real estate industry and has developed standardised ratios that ensure a high level of comparability between real estate companies. Since October 2017, DKR has been a full member of EPRA and publishes the EPRA key figures according to Best Practice Recommendations (BPR) for the first time since the 2016/2017 financial year.

DKR received the EPRA BPR Silver Awards for its two previous annual reports 2016/2017 and 2017/2018.

For the financial year 2018/2019 the EPRA KPIs of DKR are as follows:

EPRA Earnings

The EPRA Earnings represent the result from the ongoing property management. Valuation effects and proceeds from disposals are not considered.

kEUR	2018/2019	2017/2018
Period result	53,142.3	30,918.5
– Evaluation result	–30,362.1	–16,336.8
– Sale result	–255.0	0.0
EPRA Earnings	**22,525.1**	**14,581.7**
EPRA Earnings per share, EUR	0.76	0.54

EPRA net initial yield (EPRA NIY) and EPRA „Topped-up" NIY

The EPRA initial net return is the annualised annual rent less non-recoverable management costs in relation to the current portfolio value and, thus, represents the current portfolio return.

EPRA „Topped-up" NIY includes temporarily existing tenant incentives e.g. rent-free periods. Currently there are no material rent-free incentives at DKR.

kEUR	2018/2019	2017/2018
Market value of investment properties	619,881.3	418,707.3
+ Transaction costs	41,376.2	30,161.0
Gross market value of investment properties	**661,257.4**	**448,868.3**
Annualised rental income	48,677.8	35,483.6
– Non-recoverable management costs	–9,735.6	–7,096.7
Annualised net rental income	**38,942.3**	**28,386.9**
+ Rent-free periods	0.0	0.0
Annualised „Topped-up" net rental income	**38,942.3**	**28,386.9**
EPRA initial net return	**5.9 %**	**6.3 %**
EPRA „Topped-up" NIY	**5.9 %**	**6.3 %**

EPRA cost ratio

The EPRA cost ratios relate the current property-specific management expenses as well as the administrative and management expenses to the rental income and, therefore, show the cost burden of the management platform in relation to the rental income.

kEUR	2018/2019	2017/2018
Expenses from property management	10,376.6	6,333.0
+ Personnel expenses	887.7	578.8
+ Other recurring operating expenses	1,340.9	1,250.2
– Other income	–165.3	–50.1
EPRA costs A incl. direct vacancy costs	**12,439.8**	**8,112.1**
– direct vacancy costs	–1,278.4	–766.3
EPRA costs B excl. direct vacancy costs	**11,161.4**	**7,345.8**
Rental income	47,185.3	28,601.3
EPRA cost ratio A, %	**26.4 %**	**28.4 %**
EPRA cost ratio B, %	**23.7 %**	**25.7 %**

EPRA vacancy rate

In contrast to pure vacancy, the EPRA vacancy rate reflects the economic vacancy based on the market rent of the vacant space in relation to the total rent of the portfolio at the balance sheet date. The estimated underlying market rents result from the real estate appraisals of the external and independent appraiser CBRE GmbH, Berlin. The increase of EPRA vacancy rate mainly results from a higher portion of vacant space in the portfolio which can be let at (higher) market rents.

kEUR	30/09/2019	30/09/2018
Potential rent for vacant space	2,279.9	774.6
Annualised rental income	48,677.8	35,483.6
EPRA vacancy rate	**4.9 %**	**2.2 %**

EPRA NAV / EPRA NNNAV

The EPRA NAV represents the long-term value of the Company as at the balance sheet date. In this respect, short-term valuation effects of financial instruments from hedging relationships or deferred tax effects are not taken into account and eliminated from equity.

The so-called EPRA NNNAV, on the other hand, depicts the short-term intrinsic value of the Company by disclosing hidden reserves and burdens and includes the shortterm valuation effects from interest hedges and deferred taxes.

Since DKR is exempt from VAT as a REIT and has not entered into any interest rate hedges, these adjustments need not be made. As a result, equity, EPRA NAV and EPRA NNNAV are currently identical.

The EPRA NAV per share (undiluted) as of 30 September 2019 is as follows:

kEUR	30/09/2019	30/09/2018
Equity (kEUR)	371,362.2	209,762.4
Number of shares at the balance sheet date	31,959,944	27,236,313
EPRA NAV per share, EUR	**9.93**	**7.70**

Taking into account a conversion of the two convertible bonds, the EPRA NAV per share (diluted) on 30 September 2019 is as follows:

kEUR	30/09/2019	30/09/2018
Equity (kEUR)	353,524.3	245,861.3
Number of shares at the balance sheet date (after exercising the conversion options)	46,132,667	42,028,925
EPRA NAV per share, EUR	**7.66**	**5.85**

Like-for-Like portfolio development

From a like-for-like perspective which means without the inclusion of acquisitions or disposals within the last financial year, the key figures of the property portfolio developed as follows:

TEUR	30/09/2019	30/09/2018	Difference
Net rent/m²/monthly basis	5.56	5.50	1.1 %
Vacancy (%)	9.7	9.6	1.0 %
WALT (years)	**5.5**	**5.2**	**5.8 %**

Management Report

Deutsche Konsum REIT-AG

Photo: Retail park
Kupferstraße 15, 44532 Lünen


kik
HERZLICH
WILLKOMMEN
COOLE KINDER SHIRTS
COOLE DAMEN JEANS

1. Basics of Deutsche Konsum REIT-AG

1.1. Business model, strategy and structure

Deutsche Konsum REIT-AG (hereafter referred to as “DKR”) is a portfolio holder specialising in retail real estate for items of daily use. The business activity essentially comprises the acquisition, leasing and management of domestic retail properties in functioning micro locations in central and regional centres of Germany. In individual cases, object sales can also be undertaken.

The listing of the DKR share (ISIN DE000A14KRD3 took place on 15 December 2015. Since then, the share has been tradable on all major stock exchanges and quoted in the Prime Standard of Deutsche Börse AG since 3 March 2017. As of 1 January 2016, the Company has the status of a REIT (Real Estate Investment Trust) and is, therefore, exempt from income tax at company level.

The investment focus of DKR is on centres and metropolitan areas away from major cities, as there, higher initial yields with simultaneously manageable investment risk due to lower competition and lower purchase prices can be achieved. Furthermore, DKR acts as a professional investor in a niche, since the investment volume per property is generally up to EUR 25 million, which is too high for private investors and too low for institutional investors. The substantial rental income is also achieved by large German food retail companies, which are considered to be relatively non-cyclical and, thus, resistant to general economic trends.

The aim of DKR is to build up a high-performance real estate portfolio through the further acquisition of functioning retail locations with high initial yields, which regularly ensures an attractive dividend distribution. Furthermore, strategic asset and portfolio management as well as targeted and value-adding investments in the real estate portfolio provide the basis for vacancy reductions and lease renewals, because of which the real estate has increased in value. In this respect, consciously viable properties with higher vacancies and short rental contract maturities are deliberately bought, as DKR can exploit value-added opportunities here.

As of 30 September 2019, the recognised real estate portfolio of the DKR includes 123 retail real estate with a leasable area of approximately 724,000 m^2 and a value of EUR 624 million.

In terms of corporate law, DKR consists of a corporation that holds and accounts for all real estate. This, as well as the REIT characteristics, enable the Company to have particularly streamlined administrative structures. In addition, the existing network, the many years of experience of the management and the flat structures help to achieve a high purchase speed, which is advantageous in purchase processes.

The largest shareholder of DKR is Obotritia Capital KGaA ("Obocap") with is personally liable partner Rolf Elgeti, which together with its subsidiaries currently holds about 31% of the shares on the balance sheet date. DKR uses the business premises and the IT infrastructure as well as partially the staff of Obocap, which is proportionally charged to the Company through a group allocation. DKR is required to prepare a dependency report in accordance with §312 AktG (Stock Corporation Act).

1.2. Structure and control system

DKR is mainly managed on the basis of the financial figures FFO (funds from operations) and net LTV (loan to value). Furthermore, the ratio of current administrative expenses to rental income and EPRA NAV (EPRA net asset value) and the initial yield and the aFFO (adjusted funds from operations) are used regarding control.

Non-financial performance indicators of DKR are vacancy rates as well as the average remaining term of the limited leases WALT (weighed average lease term) at the individual property level as well as at the overall portfolio level. Because of the acquisition of properties with higher vacancy rates and lower remaining lease contract terms, which are in line with the business model, these non-financial ratios are subject to significant fluctuations.

Furthermore, DKR has planning tools such as corporate planning as well as rolling liquidity planning, which are used to steer operational business development.

1.3. Research and development

As part of its business purpose, DKR has no research and development activities and is not dependent on licenses and patents.

2. Economic report

2.1. Macroeconomic development

The global economy lost considerable momentum in the course of 2018.[1] According to a forecast published by Kiel Institute for the World Economy (IfW) in September 2019, global trade seems to have even been declining since the beginning of the year. US trade disputes and uncertainties about the economic impact of populist governments in a number of emerging economies would weigh on the outlook. In addition, in Europe, there is the lack of clarity on the timing and modalities of the Brexit.[2]

According to the Federal Statistical Office (Destatis), German economic performance has also weakened somewhat. In the second quarter of 2019, real (price-adjusted) gross domestic product (GDP) declined by 0.1 %, seasonally and calendar adjusted, compared to the previous quarter. In the first quarter of 2019, the German economy had gained 0.4 %. GDP also grew by 0.2 % in the fourth quarter of 2018, but had declined by 0.1 % in the third quarter of 2018.[3] According to the Bundesbank, the German economy is likely to have remained lacking momentum in the summer of 2019 as well, and overall economic output may again have declined slightly. The deciding factor here would have been the continued downturn in the industry.[4] This is also due to the high level of political uncertainty that has resulted, above all, from ongoing trade conflicts.[5]

The interest rate level in the eurozone remains at a historic low. On 16 March 2016, the European Central Bank (ECB) cut interest rates by 5 basis points, leaving the main refinancing rate at 0.00 % since then. As a result, real estate companies such as Deutsche Konsum REIT-AG, which largely finance their holdings by borrowing, continue to find favourable conditions for financing their investments.[6]

2.2. Development of the German commercial real estate market

According to a study by the Hahn Group, the German market for commercial real estate remains the focus of national and international investors.[7] Due to the still robust macroeconomic fundamentals and the persistently low interest rates, Germany is further expanding its position as one of the world‘s most important target markets for real estate investments. While this encourages, on the one hand, the dynamic development in the local real estate investment market and drives the investment volume into new record highs, on the other hand, the already limited availability of suitable products is becoming more acute. With a transaction volume of around EUR 60.2 billion in 2018, a new all-time high was achieved, which was again 5 % above the previous top result of EUR 57.5 billion in 2017.[8]

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[1] Source: Kiel Economic Report No. 54 (2019/Q1) of 13 March 2019: Medium-term projection for Germany in spring 2019, page 5.
[2] Source: Kiel Economic Report No. 57 (2019/Q1) of 10 September 2019: World economy in autumn 2019, page 3.
[3] Source: Press release Destatis of 27 August 2019.
[4] Source: Deutsche Bundesbank: Monthly Report August 2019, pages 58, 61.
[5] Source: Kiel Economic Report No. 59 (2019/Q3) of 10 September 2019: German economy in autumn 2019, page 3.
[6] Source: www.finanzen.net/leitzins/, last reviewed on 25 November 2019.
[7] Hahn Group in cooperation with bulwiengesa, CBRE, EHI Retail Institute: Retail Real Estate Report Germany 2019/2020. 14th edition, page 66.
[8] Hahn Group, ibid., page 66.

According to a study by JLL, the German investment market for commercial real estate (including the addition of the new category Living) recorded a transaction volume of EUR 57.3 billion in Germany from January to September 2019.[9] Retail real estate accounted for 12 % and ranked third in this asset class after office real estate (around 36 %) and Living (27 %).[10] According to JLL, the investment market in the retail segment primarily benefits from the good demand for specialised stores and retail parks (almost 40 % of the total invested capital).[11]

Real estate from the heterogeneous group of specialty stores and retail parks had already been the dominant asset class in the market for retail real estate in Germany as early as 2018, inter alia, since they were comparatively robust to the changed consumer behaviour with regard to increasing online trade.[12] Especially food, drugstore and home improvement products continue to like to be bought in Germany. This is shown by many empirical studies, according to which the online share of turnover in the food and drug sector was just 1.0 % and 1.5 % respectively and in the DIY sector a good 5.6 % in 2018.[13] By contrast, in other trading sectors, such as electronics, fashion and leisure articles, the online share of total sales has already risen to a third – with a further upward trend. That‘s why DKR invests exclusively in basic retail properties. The real estate portfolio consists of 25 % specialist retail centres. A slightly higher share is accounted for by local supply centres (29 %) and hypermarkets (26 %).

According to JLL, the retail letting volume reached 380,200 sqm in 885 deals in the third quarter of 2019. This was around 5 % in the volume of space and 10 % more in the number of deals than in the same period of the previous year.[14]

2.3. Business performance

Portfolio growth significantly exceeds previous year

In the financial year 2018/2019, the transfer of benefits and encumbrances of 34 purchased retail properties with an investment volume of around EUR 159.2 million and an annual rent of around EUR 14.7 million took place. At the same time, the sale of a retail property in Berlin-Konradshöhe was completed for around EUR 1 million. The real estate portfolio recognised on 30 September 2019 thus comprises 123 properties and is accounted for at kEUR 623,981.

Value increase of the real estate portfolio

The regular real estate valuation took place on 30 June 2019 and resulted in a significant valuation gain of around EUR 30.4 million. This higher valuation is based, on the one hand, on operating successes such as lease renewals and vacancy reduction as well as generally increased market demand for local amenities. The largest increases in valuation were among others the properties in Altentreptow (+ EUR 2.8 million or 66 %), Guben (+ EUR 2.9 million or 36 %), Torgelow (+ EUR 2.6 million or 31 %) and Leipzig (+ EUR 2.5 million or 33 %), Meissen (+ EUR 2.3 million or 20 %) and Oer-Erkenschwick (+ EUR 2.2 million or 13 %).

Valuation discounts, however, were recorded for the property in Erfurt (EUR –6.0 million or –19 %) and for the property in Verden (EUR –2.5 million or –18 %). This is the result of rent adjustments associated therewith with the significant lease renewals, which have already been included in the acquisition.

The real estate valuation in this financial was carried out by CBRE GmbH, Berlin for the first time.

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[9] Source: JLL. Investment market overview. Germany. 3rd Quarter 2019, October 2019, page 3. Since 2019, JLL has also added the Living category following the modification of the investment statistics for commercial real estate. This includes multi-family houses and residential portfolios from 10 residential units, apartment houses, student residences, senior citizens/nursing homes and clinics.
[10] Source: JLL. Investment Market Review, ibid., pages 5–6.
[11] Source: JLL. Investment Market Review, ibid., page 6.
[12] Hahn Group, ibid., page 72.
[13] Hahn Group, ibid., pages 24–25 and 41.
[14] Source: JLL. Retail Market Overview, Germany, 3rd Quarter 2019, October 2019, page 2.

Two successful capital increases

Utilising the Authorised Capital 2018 and with the approval of the Supervisory Board, on 23 November 2018, DKR carried out a cash capital increase without subscription rights of 10% of the share capital. 2,723,631 new no-par value shares were issued at a subscription price of EUR 11.00 per share.

Furthermore, with the approval of the Supervisory Board, the Company carried out a further cash capital increase without subscription rights of 6.7% of the share capital on 19 September 2019, during which 2,000,000 new no-par-value shares were issued at a subscription price of EUR 15.50 per share.

From both capital increases, DKR received net proceeds totalling EUR 59.9 million, which were used to acquire additional retail properties.

Upgrade of the Scope rating to BB+

On 25 February 2019, the Company rating was raised to „BB+“ (previously „BB“). Furthermore, the rating for unsecured debt was raised to „BBB–“ (previously „BB+“) and secured debt has been maintained at „BBB“ (investment grade).

Issuance of an unsecured corporate bond for EUR 70 million

On 5 April 2019, DKR issued an unsecured corporate bond for EUR 50.0 million, which was increased by EUR 20.0 million as of 8 August 2019. The bond has a term of five years and a coupon of 2.35% p.a.

Adoption of new loan financing

In financial year 2018/2019, DKR took out thirteen new loans at various banks and savings banks totalling approximately EUR 62.3 million. The loans have terms between five and ten years and interest is paid with interest rates between 1.30% p.a. and 3.85% p.a. All loans are continuously repaid between 5.0% p.a. and 15% p.a.

Bond conditions of convertible bonds significantly optimised

With effect from 1 November 2018, the amended terms of the two outstanding EUR 30.0 million and EUR 7.0 million convertible bonds came into effect. The terms of the original instruments expiring in 2020 were extended by five years until 2025. At the same time, the coupon of the EUR 30.0 million converter of 5.0% p.a. was reduced to 1.35% p.a. This results in an annual interest savings of around EUR 1.1 million, which is fully reflected in the FFO.

Annual General Meeting of DKR adopts all proposed resolutions / First-time dividend payout of EUR 0.20 per share

On 21 March 2019, the Annual General Meeting of DKR took place in Berlin. All proposed resolutions were adopted with the required majority.

In addition, the Annual General Meeting approved for the first time the distribution of a dividend for the 2017/2018 financial year. A total of kEUR 5,992 or EUR 0.20 per share was distributed.

Capital resolutions

The Annual General Meeting resolved increases in the Authorised and Contingent Capital. Accordingly, the Management Board is authorised to issue new shares by cash or in-kind contributions by up to EUR 14,979,972.00, once or several times with the approval of the Supervisory Board, by 20 March 2024 (Authorised Capital 2019/I). The Authorised Capital 2018 has been canceled.

Contingent capital was conditionally increased by up to EUR 14,979,972.00 by issuing up to 14,979,972 new no-par-value bearer shares and serves to issue bonds with a total nominal value of up to EUR 150,000,000 (Contingent Capital I). The conditional capital increase will only be carried out to the extent that option or conversion rights from the aforementioned convertible bonds are exercised.

Conditional Capital 2017 II dated 9 March 2017 still amounts to EUR 2,380,142.00 on the reporting date and has not yet been used.

2.4. Asset, financial and earnings position

Asset position

The balance sheet total increased by kEUR 231,028.2 to kEUR 683,961.1 (30/09/2018: kEUR 452,932.9). This resulted from the construction of the real estate portfolio as well as from the valuation gain on the basis of the current appraisal report. Accordingly, the investment properties are accounted for as of 30 September 2019 at kEUR 619,881.3 (30/09/2018: kEUR 418,707.3).

The Company's equity increased by kEUR 107,599.8 to kEUR 317,362.2 (30/09/2018: kEUR 209,762.4) in the financial year. This was mainly due to the cash capital increases of kEUR 59,872.4 in the net amount on 23 November 2018 and on 19 September 2019. In addition, the positive result for the year of kEUR 53,142.3 will increase equity.

The EPRA NAV per share (undiluted) as of 30 September 2019 is as follows:

kEUR	30/09/2019	30/09/2018
Equity (kEUR)	317,362.2	209,762.4
Number of shares at the balance sheet date	31,959,944	27,236,313
EPRA NAV per share, EUR	**9.93**	**7.70**

Non-current and current financial liabilities to banks increased to kEUR 206,998.7 (30/09/2018: kEUR 155,223.0) as a result of taking out loans. There was also an increase in financial liabilities from the issue of the corporate bond in the nominal amount of kEUR 70,000. Financial liabilities to other lenders amounted to kEUR 0.0 (30/09/2018: kEUR 116.2) due to the utilisation of the credit line at Obotritia Capital KGaA. Overall, the financial liabilities increased to kEUR 354,039.0 as of the balance sheet date (30/09/2018: kEUR 231.596,5).

Accordingly. the Net-LTV as of 30 September 2019 is as follows:

kEUR	30/09/2019	30/09/2018
Financial liabilities to banks	206,998.7	155,223.0
Convertible bonds	36,162.1	36,098.9
Corporate bonds	110,878.3	40,158.4
Financial liabilities to other lenders	0.0	116.2
Total liabilities	**354,039.0**	**231,596.4**
minus cash and cash equivalents	–25,639.3	–140.6
minus fiduciary funds of property management*	–3,256.3	0.0
minus short-term loan	–13,203.4	0.0
minus interest-bearing investments	–11,551.6	–7.425.4
Net debt	**300,388.5**	**224.030.4**
Investment property	619,881.3	418.707.3
Properties held for sale	4,100.0	
Prepayments for the acquisition of investment property	16.6	18.518.5
Total investment properties	**623,997.9**	**437.225.8**
Net-LTV	**48.1 %**	**51.2 %**

* Inclusion from FY 2018/2019

Financial position

The cash flow statement is as follows:

kEUR	2018/2019	2017/2018
Cash flow from operating activities	27,090.0	14,520.4
Cash flow from investing activities	–171,625.5	–146,939.2
Cash flow from financing activities	170,034.3	131,398.8
Cash changes in cash and cash equivalents	**25,498.7**	**–1,020.0**
Financial funds at the beginning of the period	140.5	1,160.5
Financial funds at the end of the period	**25,639.2**	**140.5**

Cash flow from operating activities amounted to kEUR 27,090.0 in the financial year (previous year: kEUR 14,520.4). The positive cash flow from operating activities is directly related to the increase in rental properties.

Cash flow from investing activities in the year under review amounted to kEUR –171,625.5 (previous year: kEUR –146,939.2) and mainly consists of the payment for investment properties of kEUR –156,320.6 (previous year: kEUR –140,447.2).

Cash flow from financing activities in the year under review amounted to kEUR 170,034.3 (previous year: kEUR 131,398.8) and mainly relates to proceeds from the borrowing of kEUR 62,349.5 (previous year: kEUR 115,968.0) as well as the proceeds from the issuance of corporate bonds of kEUR 70,000.0 (previous year: kEUR 40,000.0), which is offset by the payment for the repayment of loans of kEUR 10,760.1 (previous year: kEUR 43,315.8).

The Company was always able to meet its payment obligations.

Earnings position

The earnings situation of Deutsche Konsum developed as follows in 2018/2019:

kEUR	2018/2019	2018/2019
Rental incomes	31,601.9	22,268.3
Net proceeds	255.0	0.0
Other operating income	165.3	50.2
Valuation result	30,362.1	16,336.8
Operating expenses	–3,435.8	–2,756.2
EBIT	**58,948.5**	**35,899.1**
Financial result	–5,805.7	–4,971.7
EBT	**53,142.8**	**30,927.4**
Income taxes and other taxes	–0.5	–8.8
Net profit for the period	**53,142.3**	**30,918.5**

The rental result increased significantly due to the acquisition-related significantly increased real estate portfolio. As a result, rental income increased by kEUR 13.377,1 to kEUR 41.978,4 (2017/2018: kEUR 28,601.3). Correspondingly, the management expenses increased concurrently.

The valuation result as at 30 June 2019 results from the valuation report of the independent and external real estate appraiser. The valuation gain mainly reflects the value creation activities of DKR and the rising demand in the real estate market.

The increase in operating expenses was mainly due to the costs of the capital increase, the costs of land charges and the increased general administrative expenses. Personnel expenses increased as a result of the year-round appointment of the members of the Management Board and the hiring of additional employees in the course of setting up the Company. Adjusted for one-off effects, there was an overall increase in internal administrative costs (without external property and asset management fees), which, however, grew at a significantly slower rate than rental income.

The administrative expense ratio is as follows:

kEUR	2018/2019	2017/2018
Personnell expenses	–888	–579
Other operating expenses	–2,164	–1,919
Adjustment of one-time and special effects	703	669
Adjusted administrative expenses	**–2,349**	**–1,829**
Rental income	41,978	28,601
Administrative expenses	**5.6 %**	**6.4 %**

All in all, EBIT increased by kEUR 23,049.4 to kEUR 58,948.5 (2017/2018: kEUR 35,899.1), which resulted mainly from the higher valuation result compared to the same period of the previous year.

The change in the financial result results from higher interest expenses due to new borrowing. At the same time, old loans with high interest rates were replaced by new ones and the financing costs were reduced.

Income taxes do not accrue due to the tax exemption of REIT companies in the current financial year. The disclosure in the financial year relates to old years.

Overall, this results in a net profit of kEUR 53,142.3 (2017/2018: kEUR 30,918.5), from which FFO and aFFO derive as following:

kEUR	2018/2019	2017/2018
Net profit of period	53,142.3	30,918.5
Adjustment of income taxes	0.1	8.5
Adjustment of depreciation	1.2	1.3
Adjustment of valuation result	–30,362.1	–16,336.8
Adjustment of sales result	–255.0	0.0
Adjustment for non-cash expenses/ income	1,401.6	557.5
Adjustment for one time and other non-recurring effects	1,112.8	1,497.5
FFO	**25,040.9**	**16,646.5**
– Capex	–4,550.9	–8,219.3
aFFO	**20,490.0**	**8,427.3**

The non-cash income and expenses include the compounding of the convertible bonds and the loans using the effective interest method. The one-time effects include non-recurring expenses and income. In the 2018/2019 financial year, this mainly includes expenses relating to other periods and refinancing costs.

The investments in the portfolio (capex) mainly include value-adding construction and improvement measures at the Greifswald, Güstrow and Hohenmölsen refurbishment properties as well as for the third refurbishment phase at the BiTZ Bitterfeld property.

This results in an FFO per share of EUR 0.84 (2017/2018: EUR 0.62) and an aFFO of EUR 0.69 per share (2017/2018: EUR 0.31).

Overall statement by the Management Board on the economic situation and the course of business

The financial year 2018/2019 was again very positive for DKR. The retail real estate portfolio grew strongly through further acquisitions, as a result of which rental income also grew accordingly. At the same time, the operating performance of the portfolio was significantly increased through vacancy reductions, lease renewals and revitalisation measures, which is reflected in a further high valuation gain in the annual real estate valuation.

In the past 2018/2019 financial year, rental income totalled EUR 42.0 million, which reached the upper end of the previous year‘s forecast (EUR 38 million to EUR 42 million).

On the financing side, it was also possible to achieve a disproportionate rise in interest expenses by taking out further loans at more favourable interest rates, which contributed to an improvement in the FFO margin. At the same time, the LTV target corridor of around 50% was met for borrowing.

Overall, FFO comes to EUR 25.0 million, which, as forecast, is well above the previous year‘s FFO. Furthermore, a HGB result of EUR 11.3 million was achieved. On this basis, the Management Board will propose a dividend of EUR 0.35 per share to the Annual General Meeting.

The effects of the acquisitions and the reduced loan borrowing will only be effective year-round from the new financial year 2019/2020, which should be reflected in further margin increases. Therefore, the management sees DKR well positioned for further successful and profitable development.

Other non-financial performance indicators

The vacancy rate at the balance sheet date was 9.9% (30/09/2018: 9.6%) and was reduced mainly due to vacancy reduction and the acquisition of properties with lower vacancies. The WALT of the portfolio as at the reporting date is 5.6 years (30/09/2018: 5.2 years).

3. Opportunity and risk report and forecast report

3.1. Opportunity and risk report

Risk management system of the DKR

Risk management is designed to identify the valueadded potential of the Company's business activities and to enable them to be exploited in a manner that results in a sustainable increase in the value of the Company. An integral part of this system is a structured, early examination of potentially unfavourable developments and events (risks), which enables the Management Board to take countermeasures in good time before significant damage occurs.

The risk management system of DKR comprises a systematic identification, analysis, assessment and monitoring of significant risks by the Company's Management Board. Given the manageable business structures and business processes, the degree of formalisation of the risk management system is low, but effective and appropriate. Close involvement of the Management Board in key business transactions and projects ensures ongoing monitoring of the risks involved.

The risk management system used includes the following essential elements:

- a controlling and reporting system that is capable of identifying business failures at an early stage and communicating them to corporate governance;
- a regular or event-related risk inventory;
- the documentation of relevant risks for regular or event-related information of corporate governance;
- a periodic, regular evaluation of the identified risks and the decision on possible countermeasures or the deliberate acceptance of manageable risks by the Management Board,
- an internal control system (ICS), with elements such as the dual control principle and segregation of functions, which ensure correct and complete accounting and a secure invoice receipt and payment process.

In detail, the essential elements of the risk management system are reflected in the following risk management process:

a Defining the requirements: The Management Board defines the methodological and substantive requirements for the risk management system, whereby the expectations of the Company are determined, and the risk awareness is strengthened.

b Risk identification and analysis: All business risks are fully captured, analysed for their causes and effects, assessed and divided into five risk categories. In addition, possible countermeasures are identified.

c Reporting: The Management Board is informed regularly and at an early stage about all existing risks and possible countermeasures. As part of the reporting cycles, reporting is done on an ad hoc, weekly, monthly or quarterly basis depending on the circumstances and the risk assessment.

d Risk management: Based on the decisions taken by the Management Board on the controlling measures, the identified, analysed and assessed risks are actively reacted at this stage.

e Risk controlling: The subject of risk controlling is the methodical and content-related planning, monitoring and controlling of the risk management system by a qualified risk manager. Risk Controlling encompasses all phases of the risk management process and must be regularly adjusted by the Management Board in terms of methodology and content.

The risks are assessed on the basis of defined thresholds with regard to the amount of damage and the probability of occurrence:

Amount of damage	EUR million			
high	> 2.0	medium	medium-high	high
medium	1.0 to 2.0	medium-low	medium	medium-high
low	< 1.0	low	medium-low	medium
		< 10%	10% to 50%	> 50%
		low	medium	high
		Probability of occurrence		

DKR is exposed to the following risk categories or individual risks that, individually or collectively, may adversely affect the net assets, financial position and profit situation and the further economic development of the Company:

1. General, strategic and market-specific risks

a **Political, legal and social risks**
As the business activities of DKR are regulated by legal framework conditions for real estate, this could be impaired by changes to national and/or European law standards as well as by a changed interpretation or application of existing legal norms. These include, inter alia, tenancy law, public construction law and tax law. Furthermore, political changes can also lead to changes in the legal framework and, thus, also have an indirect impact on the DKR.

b Economic risks

So far, DKR has achieved its sales exclusively in Germany. In particular, a deterioration in national economic conditions, coupled with an increase in the number of unemployed, may negatively impact rent and price levels and adversely affect the creditworthiness of potential tenants and purchasers of real estate. This can have different regional effects, so that DKR can be affected here. Furthermore, the national economic situation may also depend considerably on international developments.

c Industry risks in the retail sector

The real estate industry is characterised by intense competition from numerous providers. In this regard, there is a risk that the competition will lead to increased price pressure and lower margins. This may also adversely affect the situation of DKR's various retail location by not renewing leases or reducing rents.

Furthermore, the stationary retail sector is subject to significant future changes due to digitisation. Large food retailers and online trading platforms are currently testing caterer services in major cities. If this trend also prevails in the regional DKR locations in the medium to long term, there is a risk that leases will not be extended here.

The Management Board currently rates these risks as low overall, as the German food industry is currently booming and expanding further, which has also been shown in concrete terms in the extension of a large number of leases at DKR. Furthermore, for the foreseeable future, we do not see any significant risk for DKR's business through online delivery services that are still in the origins of development and are currently neither profitable nor ecologically mature. In addition, these services are not available at the investment locations of DKR and are unlikely to be in the foreseeable future.

d Changes in the financing environment/capital market

Of particular importance for the national demand for real estate is the development of interest rates in Germany. An increase in interest rates would make real estate investments more difficult due to growing interest charges. In addition, in this case, the borrowing costs of the loans taken out by the real estate companies would increase.

2. Company-specific risks

a Risks due to the use of IT

DKR uses all current and modern IT applications and is supported by an external system house. In this context, there is a risk of total default both at DKR and at the service provider, which could lead to significant disruptions of the business. Furthermore, there is a risk of attacks on the systems of DKR and, thus, the access of unauthorised persons to the data of DKR.

In order to counteract this, the service provider regularly carries out all necessary operational, administration and maintenance work and also assumes the contractual liability for this. All employees are also required to behave properly in the use of IT.

Furthermore, with the decree on the mandatory application of the new General Data Protection Regulation (GDPR), companies were given the responsibility to protect user data. As a result, DKR has to protect stored data against misuse or, in the case of misuse, must send an immediate notification to the persons affected. In the case of infringements, fines may amount to up to 4% of the annual turnover. For this purpose, DKR appointed an external professional data protection officer in good time, who oversees these processes and is available for any doubtful questions.

b Personnel risks

Due to the lean personnel and administrative structure of DKR, there is a risk that qualified and high-performing employees and knowledge carriers leave the Company and cannot be replaced within a reasonable time.

c Financial risks

As part of its business activities, DKR is exposed to financing, liquidity and interest rate risks.

Financing risks exist to the extent that borrowing cannot be realised through changing company or market-related developments or only under unfavourable conditions, which could have a negative effect on further acquisition financing and the earnings position of DKR. Should this result in problems with the servicing of current loans, lenders could compel recovery of real estate collateral, and such distress sales could result in significant financial penalties for DKR.

To counter this risk, DKR works with various banks and closely monitors the development of the financing market. Short-term financing options are also used in order to secure attractive long-term financing options through planned lease extensions.

There are also various risks with regard to corporate liquidity. These can arise on the one hand as a result of possible rent losses. In addition, negative liquidity effects may arise in individual cases if leases cannot be extended and vacancy rates arise as a result. In addition, a breach of agreed ratios in loan agreements (covenants) may lead to a special termination of the lending bank and an unplanned outflow of liquidity from the loan repayment.

In order to avoid rent losses, the creditworthiness of the potential tenant is regularly checked in connection with the conclusion of rental agreements. Furthermore, liquidity risks are counteracted by extensive liquidity planning instruments, which reflect current business transactions with the planning data both in the short and in the medium term. There is regular liquidity reporting and a liquidity forecast to the Management Board. In addition, as part of a bank reporting, a looming breach of covenants is recognised as early as possible and prevented by suitable measures.

Interest risks exist with regard to liabilities due for prolongation or refinancing as well as planned loans to finance real estate portfolios. In order to hedge against adverse effects of changes in interest rates, DKR uses fixed interest rates for financing depending on the market situation and the assessment of market prospects. The direct impact of changes in the general interest rate level on the Company’s performance on changes in cash flows is relatively small compared to the potential indirect effects of changes in the general interest rate level on real estate demand.

d Legal and litigation risks

As part of its business activities, DKR is exposed to the risk of legal disputes and (potential) warranty claims and claims for damages without being able to assert claims against third parties.

There are currently no other legal risks, in particular from legal disputes, which could have a significant impact on the economic position of the Company.

The Company has to implement the duties of the WpHG due to the IPO. This results in higher organisational and information tasks that are inevitably associated with higher costs. This risk is countered by hiring an experienced IR manager.

e Tax risks

To preserve the REIT characteristics, DKR must comply with the provisions of the REIT Act. Thus, the investment object, the investment volume as well as the business activity are restricted or influenced in particular by the following regulations:

- exclusion of the acquisition of domestic existing residential real estate,
- exclusion of the acquisition of shares in real estate corporations,
- exclusion of real estate trading;
- limitation of reserve formation;
- only minimal liquidity formation due to the minimum distribution of 90 % of the annual net income according to commercial law,
- limitation of ancillary activities close to the property for third parties,
- minimum equity of 45 % of immovable property.

If the legal requirements are not met, DKR is threatened with the loss of tax exemption. This can lead to certain back-dated taxation obligations.

Due to the restrictions of the REIT Act, certain chances or opportunities in the real estate and financing market cannot be exercised or only to a limited extent in individual cases.

Furthermore, the Company may be threatened by (penalty) payments from non-compliance with the provisions of the REIT Act. In addition, the Company is threatened with compensation claims by shareholders in the event of loss of the REIT status with at least 15 % and/or a maximum participation rate of 10 %. Eligible are shareholders who own less than 3 % of the voting rights. The lack of practice in the application of the REIT Act by the relevant supervisory and tax authorities could lead to disadvantages, in particular of a tax nature, or force the Company to adapt to the new legal situation. Due to the lack of experience of German tax authorities in the use of the German REIT act it seems possible that the Company could experience disadvantageous decisions in controversial cases or may be impelled to adapt to new legal situations.

3. Property-specific risks

a Investment risk of the individual property

The economic success and further growth of the Company is decisively dependent on the selection and acquisition of suitable real estate. This involves the risk of incorrectly assessing or not recognising the structural, legal, economic and other encumbrances on the objects to be purchased. In addition, the assumptions made in relation to the earnings potential of the real estate may subsequently prove to be partially or fully inaccurate. In particular, false assessments about the attractiveness of the property location and other factors relevant to the tenants' or buyers' decisions could mean that the management of the property in question does not lead to the expected results.

These property-specific risks are counteracted by an in-depth review of the properties concerned. In the context of the object assessment, among other things, the anticipated redevelopment, maintenance and modernisation needs are determined, and the earnings value and the basic debt servicing capacity are examined according to bank-conforming standards.

b Inventory and valuation risks

The Company holds real estate holdings in order to achieve the most stable cash flows possible from the management of these holdings over a longer period of time. While the real estate is in the Company's portfolio, a variety of inventory and valuation risks that could cause the Company to lose value may manifest. For example, the social structures of a location may deteriorate after the acquisition of real estate by DKR and, as a result, adversely affect letting activities and the achievable rental income.

In addition, the property holdings held by the Company may experience excessive wear and tear requiring earlier or to a greater extent than originally planned maintenance and revitalisation measures. Furthermore, it may also turn out that the structures have an initially unexpected recovery requirement, which leads to additional costs for the Company without initially corresponding additional income.

In connection with these risks, but also due to other factors such as unexpected competitors in the immediate vicinity of the site, vacancies may increase and result in lower rental income coupled with higher leasing expenses. In addition to negative effects on current operating income and expenses of the Company, these risks may also have a negative impact on the valuation of the real estate held by DKR and, thus, on the result of the Company.

The further growth of the real estate portfolio and the resulting better location and tenant diversification will reduce these individual risks from the overall portfolio perspective. The real estate inventory and valuation risks for the respective locations are counteracted with the measures described under a.

In addition, as with all assets, there is basically the risk of destruction of individual objects due to force majeure or natural hazards. These risks are countered by adequate insurance cover with well-known and high-performance insurance companies.

c Letting risk

There is a risk that changes in supply and demand on the letting market and deterioration in the competitiveness of individual properties in their respective local market environment will have a direct negative impact on DKR's rental income and on the development of vacancies in the Company's real estate portfolio. Here, this can incur additional costs that cannot be allocated to the tenants.

These risks are countered by active asset and property management, which initially includes a permanent analysis of the letting market and tenant needs. Furthermore, this includes professional letting management as well as ongoing maintenance, refurbishment and modernisation measures, which ensure the attractiveness and, thus, the competitiveness of the locations.

d Construction risk

If structural measures are required on the properties, there is a risk that the construction costs considerably exceed the target values. This risk is countered by a detailed planning of the construction costs and tight monitoring of these costs.

Uncertainties may also contribute to the construction risks as to whether, when and under what conditions and/or secondary conditions the building permits for the projects are granted. For example, the Company sometimes relies on the discretion of individual authorities, and even disputes with residents and people living in the vicinity of the buildings can significantly delay or adversely affect the granting of permits. Any of these circumstances can lead to planned building work not being able to be carried out at the assumed costs, not within the planned timeframe or not at all. These risk factors are examined in detail in advance of individual construction measures.

Internal control system and risk management system with regard to the accounting process

The accounting-related internal control system at DKR was implemented with the aim of ensuring adequate assurance with respect to full and accurate annual financial statements by establishing appropriate control mechanisms within the internal and external accounting and reporting process.

At least once a quarter, the Company receives object and portfolio information from its affiliated service providers according to its specifications, informing it of important, contractually relevant and, if applicable, deviations from the planning. The evaluations are analysed and checked for plausibility and examined for identifiable risks. Recognised risks are assessed and included in the regular or ad hoc risk reporting to the Supervisory Board.

The accounting-related risk management system of DKR aims to reduce the risk of material errors or inappropriate presentation of the net assets, financial position and results of operations. For this purpose, the underlying data are regularly mirrored analytically on the basis of expected values. The service provider commissioned for significant parts of the accounting process of the Company is kept informed closely and continuously about the current business development. The services include the fulfilment of the accounting obligations in accordance with the German Commercial Code as well as the assumption of payment transactions, the preparation of profit and loss accounts, account analyses, monthly sales tax pre-notifications as well as business analyses and the quarterly preparation of interim financial statements according to HGB (German Commercial Code) and IFRS as well as object and portfolio information. The accounting process is monitored by both service providers and the Company through an effective internal control system that ensures the regularity of accounting and compliance with legal requirements. In particular, the clear allocation of responsibility and control in compliance with the dual control principle and the principle of separation of duties, appropriate access regulations in the financial statement-relevant EDP systems and consideration of recognised and assessed risks must be mentioned. For the determination of market values of real estate, the Company invites external experts. DKR was convinced of the technical, qualitative and capacity-based suitability of the service providers and employees involved in the accounting process and the appraisal reports. In view of the still small size of the company, DKR has so far refrained from setting up an internal audit.

Other influences

In addition to the risks mentioned, there are general influences that are unpredictable and, thus, difficult to control. These include, for example, political changes, social influences and risk factors such as natural disasters or terrorist attacks. Such influences could have negative effects on the economic situation and indirectly affect the further economic development of DKR.

Assessment of the overall risk

The overall risk situation is rated as low by the Management Board and has not changed significantly compared to previous years. In the case of the individual risks mentioned above, we currently assess the competitive risk as well as the financing risks from rising key interest rates and risks from asset management as medium risks, with no material new events and associated risk increases in the year under review.

In our estimation, there are currently no concrete risks jeopardising the existence of the Company.

Chances of future development

Due to the acquisitions of other high-yield retail properties in the year under review, which will not be reflected in earnings until the new financial year, DKR will significantly increase its rental cash flow. Furthermore, the reduced financing costs due to the refinancing of borrowed capital will contribute to increasing profitability and funds from operations (FFO). This will also lead to significantly higher dividend payments in the coming financial year.

Furthermore, the Management Board expects that DKR will increasingly be perceived as a reliable and long-term oriented real estate partner to retailers, which will result in better opportunities for extending lease agreements as well as acquisition opportunities for further properties. Due to the significant increase in market capitalisation as well as DKR's regular presence at capital market conferences and in investor media, the Management Board expects a broader purchase pipeline and a stronger respect for the DKR share, which should lead to higher trading liquidity. This should make the DKR title a promising candidate for inclusion in the EPRA Index and the SDAX.

3.2. Forecast report

The following statements on the future business performance of DKR are based on the estimates of the Management Board. The assumptions made are currently considered realistic based on the information available. In principle, however, forward-looking statements involve a risk that developments will not actually occur in their tendency or magnitude.

Forecast for the financial year 2019/2020

In the financial year 2019/2020, DKR's operational focus will continue to be on efficient inventory management, the revitalisation of properties and the further acquisition of retail properties in accordance with the investment criteria. On the financing side, investments should continue to be underpinned by marketable lending and moderate capital measures. The aim is an LTV of around 50%.

On the basis of current planning, the Management Board expects rental income to increase between EUR 55 million and EUR 58 million in financial year 2019/2020, which corresponds to a substantial increase in FFO.

4. Remuneration report

Remuneration system for the Supervisory Board

For each full financial year of their membership of the Supervisory Board, the members of the Supervisory Board receive a fixed cash compensation of kEUR 5 plus premiums for appropriate D&O insurance. The deputy chairperson receives 1.5 times this base salary and the chairman of the Supervisory Board receives 2 times this amount.

Committees have not been established and attendance fees are not granted. Variable compensation based on the success of the Company or other criteria will not be granted.

The remuneration of the Supervisory Board for the financial year amounted to kEUR 32.5 (2017/2018: kEUR 30.0) plus expenses and value added tax and is distributed as follows:

Member of the Supervisory Board	2018/2019 (kEUR)	2017/2018 (kEUR)
Hans-Ulrich Sutter (Chairman)	10.0	10.0
Achim Betz (Deputy Chairman)	7.5	7.5
Johannes C.G. (Hank) Boot	5.0	5.0
Nicholas Cournoyer	5.0	5.0
Kristian Schmidt-Garve (since 8 March 2018)	5.0	2.5
Total	**32.5**	**30.0**

Remuneration system for the Management Board

Basic remuneration system

The Management Board members of DKR receive a non-performance-related basic compensation in cash as well as a performance-related variable compensation in cash, which is based on short-term and long-term goals. CEO Rolf Elgeti is exempted from this compensation system and receives a flat-rate annual remuneration of around kEUR 71. The compensation is paid by Obotritia Capital KGaA because there is no employment contract between the Company and the CEO.

The non-performance-based basic remuneration consists of the fixed annual salary, which is paid in twelve monthly instalments. In part, the board members use company cars and tickets, which are taxed as a pecuniary advantage. In addition, grants are paid for pension insurance. Other benefits than other remuneration are not granted. Pension entitlements do not justify the contracts of the Management Board.

There is a remuneration system for the variable compensation which is geared towards operational goals and which is fundamentally based on a fixed calculation scheme, which includes short-term and long-term components. Only in exceptional cases may the Supervisory Board decide otherwise with regard to special situations and/or special services of the individual Management Board member. The Supervisory Board may also change the weighting of individual criteria in the event of extraordinary developments. In the case of the regular departure of a member of the Management Board, he or she has the right to receive payment of the variable compensation components not yet paid out.

In the event of another early termination of the employment relationship, the Management Board contracts contain the provision that payments may not exceed the value of two years' compensation (severance payment cap). In the case of a change of control, i.e., if one or more shareholders acting jointly acquire at least 30% of the voting rights in DKR, the members of the Management Board are entitled to terminate the employment contract with a two-month period (special right of termination). If this special right of termination is exercised, the Company pays a gross compensation due at the time of the departure in the amount of the remuneration payable under the employment contract, but not exceeding 150% of the severance payment cap.

Variable compensation for the 2018/2019 financial year

In light of the amendment to the German Corporate Governance Code in 2017, which recommends a multi-year, future-oriented assessment basis with regard to variable remuneration, the Supervisory Board addressed an update of the variable compensation of the Management Board in October 2017 and put in its meeting on 8 March 2018, a new regulation in force, which is valid since the financial year 2017/2018.

Accordingly, the following equally weighted targets are used as the basis for the variable remuneration of the Management Board:

- Increase in the share price by 20% in the financial year (after the elimination of the dividend paid in the financial year and capital increases),
- Increase of EPRA NAV per share by 20% in the financial year (after the elimination of the dividend paid in the financial year),
- Increase in FFO per share by 20% in the financial year.

With full achievement of the objectives (100%), the Supervisory Board has set a variable remuneration of kEUR 100 per Management Board member for the 2018/2019 financial year. If this target achievement is exceeded, the variable compensation increases in proportion to the degree of target achievement but amounts to a maximum of kEUR 150 ("cap").

The resulting variable remuneration is then divided equally into

- a short-term incentive (STI), which becomes immediately payable upon approval of the annual financial statements by the Supervisory Board, and
- a long-term incentive (LTI), which will only be paid out after the expiration of two further financial years, if a minimum target achievement of 30% is achieved in subsequent years. Otherwise the claim for payment will be cancelled.

The values are calculated in relation to the previous year in relation to the VWAP (September) and the reporting date of 30 September (NAV) or the same period of the previous year (FFO) and are based on the IFRS financial statements.

The Supervisory Board reserves the right to disburse the LTI in the form of DKR shares.

Remuneration of the Management Board in the 2018/2019 financial year

The remuneration of the Management Board, which was paid in the past financial year (grants awarded), amounts to kEUR 487.8 (2017/2018: kEUR 427.6). The amounts received by the Management Board in the past financial year, some of which also include previous years' remuneration and advances, amount to kEUR 518.8 (2017/2018: kEUR 344.6). With the approval of the Supervisory Board, Mr. Hellmuth had already received an advance payment on the STI of the current financial year in the amount of kEUR 73 in September 2019.

Based on the achievement of objectives the individual remuneration of the Management Board in the 2018/2019 financial year was as follows:

in kEUR	Rolf Elgeti CEO		Alexander Kroth CIO (since 01/07/2017)				Christian Hellmuth CFO (since 01/07/2017)			
	2017/2018 (Actual)	2018/2019 (Actual)	2017/2018 (Actual)	2018/2019 (Actual)	2018/2019 (Min.)	2018/2019 (Max.)	2017/2018 (Actual)	2018/2019 (Actual)	2018/2019 (Min.)	2018/2019 (Max.)
Granted remuneration										
Fixed remuneration	71.3	71.3	120	120	120	120	120	120	120	120
Fringe benefits	0	0	8.3	18.1	n/a	n/a	0	8.4	n/a	n/a
Total	**71.3**	**71.3**	**128.3**	**138.1**	**120**	**120**	**120**	**128.4**	**120**	**120**
STI	0	0	54	75	75	75	54	75	75	75
LTI	0	0	0	0	0	75	0	0	0	75
Total	**0**	**0**	**54**	**75**	**75**	**150**	**54**	**75**	**75**	**150**
Total remuneration	**71.3**	**71.3**	**182.3**	**213.1**	**195**	**270**	**174**	**203.4**	**195**	**270**
Received remuneration										
Fixed remuneration	71.3	71.3	120	120			120	120		
Fringe benefits	0	0	8.3	18.1			0	8.4		
Total	**71.3**	**71.3**	**128.3**	**138.1**			**120**	**128.4**		
STI	0	0	12.5	54			12.5	127		
LTI	0	0	0	0			0	0		
Total	**0**	**0**	**12.5**	**54**			**12.5**	**127**		
Total remuneration	**71.3**	**71.3**	**140.8**	**192.1**			**132.5**	**255.4**		

In addition to the above-mentioned variable remuneration, provisions of kEUR 118.7 were made for possible long-term incentive bonuses, which are distributed among the members of the Management Board as follows:

Mr. Rolf Elgeti kEUR 0.0
Mr. Alexander Kroth kEUR 59.3
Mr. Christian Hellmuth kEUR 59.3

5. Dependency report and overall assessment

In financial year 2018/2019, DKR was temporarily a company dependent on Obotritia Capital KGaA. In accordance with the statutory provisions, the Management Board of DKR prepared a report on relations with affiliated companies (dependency report) for the period in which DKR was a subsidiary dependent on Obotritia Capital KGaA and finally stated in the following:

"In accordance with § 312 (3) AktG, we hereby declare that, in the transactions described in the above report on relationships with affiliated companies, our Company received appropriate consideration for each legal transaction under the circumstances known to us at the time the legal transactions were conducted. No action was taken or omitted at the initiative or in the interest of Obotritia Capital KGaA or its affiliates."

6. Takeover-relevant information

in accordance with § 289a (1) HGB

Composition of the share capital, voting rights and special rights

The share capital of the Company is divided into 31,959,944 no-par-value bearer shares. As of the balance sheet date, the Company holds no treasury shares. All shares have the same rights and obligations. Each share represents one vote in the Annual General Meeting. The shares may be freely transferred in accordance with the legal provisions applicable to bearer shares. No shares were issued with special rights conferring control powers. Insofar as employees are involved in the Company, they directly exercise their control right.

Shareholdings of 10 % or more of the voting rights

No shareholder may hold 10 % or more of the shares or voting rights directly in accordance with § 11 (4) REITG (maximum participation limit). In the event that the maximum participation limit is exceeded, the shareholder concerned must provide evidence of the reduction of his direct participation in an appropriate form within two months of the request of the Management Board. A continued breach of the maximum participation limit may, according to the Articles of Association, result in the transfer without compensation of the shares in excess of the maximum participation limit or in the compulsory collection of such shares without compensation. As of the balance sheet date, no shareholder holds 10 % or more of the voting rights.

Authorisation of the Management Board to acquire own shares and to issue new shares

Authorised capital

By resolution of the Annual General Meeting of 21 March 2019, registered in the commercial register on 5 April 2019, the Management Board was authorised to issue the share capital of the Company until 20 March 2024, with the approval of the Supervisory Board, by issuing new no-par value bearer shares against cash or a contribution in kind once or several times to increase up to a total of EUR 14,979,972.00 (Authorised Capital 2019/I). Of this, EUR 2,000,000.00 was already utilised with the capital increase of 19 September 2019. Shareholders must in principle be granted a subscription right within the scope of the authorised capital. However, the Management Board is authorised to exclude the subscription rights of shareholders in accordance with the Articles of Association and the approval of the Supervisory Board in certain cases. The authorised capital 2018 was cancelled.

Conditional capital

The Management Board was authorised by the Annual General Meeting on 8 March 2018, with the approval of the Supervisory Board, to issue until 7 March 2023 single or multiple bearer bonds with warrants or convertible bonds (together “Notes”) with a total nominal value of up to EUR 150,000,000,00 with or without a maturity restriction and grant or impose to the holders of bonds with warrants option rights or obligations and the holders of convertible bonds conversion rights or obligations for bearer shares of the Company with a proportionate amount of capital stock in the amount of EUR 1.00 each according to more details of the conditions of the Notes. Further details can be found in the announcement in the Federal Gazette.

The share capital is conditionally increased by up to EUR 14,979,972.00 through the issue of up to 14,979,972 new bearer shares (Contingent Capital I). The conditional capital increase will only be carried out to the extent that option or conversion rights from the aforementioned convertible bonds are exercised.

Conditional Capital II of EUR 2,380,142.00 (Conditional Capital II) serves to grant shares to the holders of the existing convertible bonds 2015/2020 for a total nominal amount of EUR 37,000,000.00.

Repurchase of treasury shares

At the Annual General Meeting on 20 April 2016, the Company authorised the Management Board to hold treasury shares of up to 10% of the share capital at the time of the resolution or, if this amount is lower, of the share capital at the time of exercise to acquire the existing authorisation for any authorised purpose within the scope of the legal restrictions until 19 April 2021.

The treasury shares may be acquired at the discretion of the Management Board via the stock exchange or by means of a public purchase offer addressed to all shareholders. The equivalent consideration per share (excluding incidental acquisition costs) may not exceed or fall below the average of the last share price (closing price) of the Company’s stock in XETRA trading on the Frankfurt Stock Exchange on the last ten trading days prior to the date of the commitment to purchase or the date of publication of the offer by more than 10%.

Amendment to the Articles of Association

Amendments to the Articles of Association require the majority of 75% of the voting rights represented at the Annual General Meeting, as required by the German Stock Corporation Act.

Appointment and revocation of members of the Management Board

The determination of the number as well as the appointment of the ordinary members of the Management Board and Deputy Management Board members, the conclusion of the employment contracts and the revocation of the appointment are made by the Supervisory Board.

7. Corporate Governance Statement

in accordance with § 289f HGB

On 2 December 2019, the Management Board of Deutsche Konsum REIT-AG issued a statement on corporate governance in accordance with § 289f HGB and made it available on the website www.deutsche-konsum.de/en in the Investor Relations section under Corporate Governance.

Broderstorf, 6 December 2019
Deutsche Konsum REIT-AG

Rolf Elgeti	**Alexander Kroth**	**Christian Hellmuth**
CEO	CIO	CFO

Photo: Local retail centre Altstadt Passagen
Ringstraße 37, 38855 Wernigerode


TINNITUS-RETRAINING
HÖRGERÄTE ALLER HERSTELLER
HÖRGERÄTE
Kostenloser
Hörtest
SUPER
SUPER
SUPER

Financial Statements

Photo: Local retail centre
Fritz-Reuter-Straße 13, 17087 Altentreptow

Balance sheet

as at 30/09/2019

kEUR	Notes	30/09/19	30/09/18
Assets			
Non-current assets			
Investment properties	2.1.	619,881.3	418,707.3
Intangible assets	2.2.	1.1	2.0
Tangible assets	2.3.	5.9	3.8
Other financial assets (loans)		8,369.5	0.0
Other non-current assets	2.6.	16.6	18,518.5
		628,274.4	**437,231.6**
Current assets			
Trade and other receivables	2.5.	1,957.4	772.4
Tax assets		0.0	0.1
Other current assets	2.6.	23,990.0	14,788.3
Cash and cash equivalents	2.7.	25,639.3	140.5
		51,586.7	**15,701.3**
Non-current assets held for sale		4,100.00	0.0
Total assets		**683,961.1**	**452,932.9**
Equity and liabilities			
Equity			
Issued share capital	2.9.	31,959.9	27,236.3
Capital reserve	2.9.	150,023.0	94,164.9
Other reserves	2.9.	723.4	855.7
OCI (Other comprehensive income)	2.9.	0.0	0.0
Retained earnings	2.9.	134,655.8	87,505.5
		317,362.2	**209,762.4**
Non-current liabilities			
Financial liabilities	2.10.	195,509.0	146,709.3
Convertible bonds	2.11.	36,162.1	36,098.9
Corporate bonds	2.12.	110,878.3	40,158.4
Other provisions	2.13.	3.5	3.5
Other non-current liabilities	2.14.	8,606.2	7,863.0
		351,159.0	**230,833.1**
Current liabilities			
Financial liabilities	2.10.	11,489.7	8,513.7
Liabilities to other creditors		0.0	116.2
Other provisions	2.13.	2,006.1	2,043.2
Trade payables	2.15.	503.1	1,023.4
Other current liabilities	2.14.	1,441.0	640.9
		15,439.9	**12,337.5**
Total equity and liabilities		**683,961.1**	**452,932.9**

Statement of comprehensive income

kEUR	Notes	01/10/2018 – 30/09/2019	01/10/2017 – 30/09/2018
Rental income		41,978.4	28,601.3
Income from recharged operating costs		6,827.3	5,234.2
Operating expenses		–17,203.8	–11,567.2
Net rental income	3.1.	**31,601.9**	**22,268.3**
Proceeds from disposal of properties		975.0	30.0
Expenses on the sale of properties		–975.0	–30.0
Valuation changes of sold properties		255.0	0.0
Net proceeds from the disposal of properties	3.2.	**255.0**	**0.0**
Other income		**165.3**	**50.2**
Revaluation gains		45,303.6	18,809.8
Revaluation losses		–14,941.5	–2,473.0
Gains/losses from the revaluation of investment properties	3.4.	**30,362.1**	**16,336.8**
Subtotal		**62,384.3**	**38,655.3**
Personnel expenses	3.5.	–887.7	–578.9
Amortisation of intangible assets, depreciation of property, plant and equipment		–1.2	–1.3
Impairment loss of inventories and receivables	3.6.	–383.5	–256.7
Other operating expenses	3.7.	–2,163.5	–1,919.3
Operating expenses		**–3,435.8**	**–2,756.2**
EBIT		**58,948.5**	**35,899.1**
Interest income	3.8.	1,368.9	575.0
Interest expense	3.8.	–7,174.6	–5,546.7
Net finance costs		**–5,805.7**	**–4,971.7**
EBT		**53,142.8**	**30,927.4**
Income tax	2.4.	–0.1	–8.5
Other tax	3.9.	–0.4	–0.4
Net income		**53,142.3**	**30,918.5**
Earnings per share (in EUR)	3.10.		
Undiluted result per share		1.79	1.15
Diluted result per share		1.25	0.80
Other result			
Net income		53,142.3	30,918.5
Items reclassified to profit or loss			
Impairment of acquired loans	3.6.	260.3	0.0
Change in fair value of acquired loans	3.6.	–242.1	0.0
Fair value change on acquired loans reclassified to profit or loss	3.6.	–18.2	0.0
Subtotal		**0.0**	**0.0**
Total other result		**0.0**	**0.0**
Total comprehensive income		**53,142.3**	**30,918.5**

Cash flow statement

	kEUR	Notes	01/10/2018 – 30/09/2019	01/10/2017 – 30/09/2018
	Period result		**53,142.3**	**30,918.5**
+/–	Interest expense/interest income	3.8.	5,805.7	4,971.7
+/–	Depreciation, amortisation and write-down/reversals of intangible assets, tangible assets and financial assets		1.2	1.3
+	Impairments on inventories and receivables	3.6.	383.5	256.7
–/+	Gains/Losses from the revaluation of investment properties	3.4.	–30,362.1	–16,336.8
–/+	Gain/loss on disposal of investment properties		–255.0	0.0
+/–	Increase/decrease in provisions	2.13.	–37.1	387.7
+/–	Income tax expense/-income effective	2.4.	0,1	8,5
+	Income taxes received		0.0	104.8
–/+	Increase/decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	2.5., 2.6.	–1,859.0	–5,174.0
+/–	Increase/decrease in trade payables and other liabilities not attributable to investing or financing activities	2.15.	270.5	–618.1
	Cash flow from operating activities		**27,090.0**	**14,520.3**
+	Cash receipts relating to disposals of investment properties	3.2.	975.0	30.0
–	Cash payments related to property investments	2.1.	–156,320.6	–140,447.2
–	Cash payments related to other investments in intangible and tangible assets		–2.3	–4.3
+	Cash receipts from the investment of cash funds for short-term cash management	2.6.	15,000.4	0.0
–	Cash payments related to short-term cash investments	2.6.	–32,279.3	–7,382.9
+	Interest received		1,001.3	865.1
	Cash flow from investing activities		**–171,625.5**	**–146,939.2**
+	Cash proceeds from the issue of shares	2.9.	4,723.6	2,476.0
+	Cash proceeds from capital increases	2.9.	56,236.3	22,284.3
–	Costs related to capital increases	2.9.	–1,087.5	–652.4
+	Proceeds related to the issue of corporate bonds	2.12.	70,000.0	40,000.0
–	Costs related to the issue of corporate bonds		–88.9	–83.9
+	Proceeds from borrowings	2.10.	62,349.5	115,968.0
–	Cash payments related to the issue of borrowings		–66.6	–600.9
–	Amortisation of loans	2.10.	–10,760.0	–43,315.8
–	Interest paid	3.8.	–5,280.1	–4,676.5
–	Dividend distribution	2.9.	–5,992.0	0.0
	Cash flow from financing activities		**170,034.3**	**131,398.8**
	Change in cash and cash equivalents		25,498.8	–1,020.1
	Cash and cash equivalents at the beginning of the period	2.7.	140.5	1,160.5
	Cash and cash equivalents at the end of the period	2.7.	**25,639.3**	**140.4**

Statement of changes in equity

kEUR	Notes	Issued share capital	Capital reserve	Other reserves	OCI	Retained earnings	Total equity
As at 01/10/2017		**24,760.3**	**72,533.0**	**855.7**	**0.0**	**56,587.0**	**154,736.0**
Period result						30,918.5	30,918.5
Cash capital increase/ -reduction		2,476.0	22,284.3				24,760.3
Costs of capital measures			–652.4				–652.4
As at 30/09/2018	2.9.	**27,236.3**	**94,164.9**	**855.7**	**0.0**	**87,505.5**	**209,762.4**
As at 01/10/2018		**27,236.3**	**94,164.9**	**855.7**	**0.0**	**87,505.5**	**209,762.4**
Period result						53,142.3	53,142.3
Other comprehensive income (OCI)				–132.3			–132.3
Cash capital increase/ -reduction		4,723.6	56,236.3				60,959.9
Costs of capital measures			–1,087.5				–1,087.5
Revaluation of convertible bonds			709.4				709.4
Dividend distribution					0.0	–5,992.0	–5,992.0
As at 30/09/2019	2.9.	**31,959.9**	**150,023.1**	**723.4**	**0.0**	**134,655.8**	**317,362.2**

Notes

Deutsche Konsum REIT-AG, Broderstorf
for the financial year from 1 Oktober 2018 to 30 September 2019

Photo: Local retail and district centre Vita-Center Chemnitz
Wladimir-Sagorski-Straße 22, 09122 Chemnitz

1. General information

1.1. Deutsche Konsum REIT-AG

Deutsche Konsum REIT-AG (hereinafter referred to as "DKR") is a portfolio company specialising in German retail real estate with headquarters in Broderstorf. The object of the Company is the purchase and long-term holding and leasing of retail real estate in Germany. In individual cases, a sale of an object can be made. DKR is registered in the commercial register of the Local Court of Rostock under HRB 13072. The registered office is at August-Bebel-Str. 68 in 14482 Potsdam.

The DKR share (ISIN DE000A14KRD3) has been listed since 15 December 2015 and quoted in the Prime Standard of Deutsche Börse AG on 3 March 2017. As of 1 January 2016, the Company has the status of a REIT (Real Estate Investment Trust) and is, therefore, exempt from income tax at company level.

The individual financial statements of DKR, as of 30 September 2019, were set up on 6 December 2019. The Supervisory Board is expected to approve this individual financial statements in its meeting on 17 December 2019. The IFRS individual financial statements were prepared voluntarily based on the stock exchange listing.

1.2. Basics of the individual financial statements

The individual financial statements as of 30 September 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. In addition, the commercial law provisions of § 315e (1) HGB were applied.

All relevant and for the financial year mandatory standards and interpretations have been considered.

The reporting period covers the period from 1 October 2018 to 30 September 2019. The comparative figures are the balance sheet as of 30 September 2018 and the statement of comprehensive income for the period from 1 October 2017 to 30 September 2018.

The individual financial statements comprise the components balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement and notes and are prepared in euros (EUR). All amounts are generally shown in thousands of euros (kEUR) (exceptions are indicated), which may result in rounding differences.

The Company is currently a one-segment Company. Sales are generated exclusively with customers based in Germany in the area of commercial real estate and to a lesser extent with residential real estate. All properties are located in Germany, in the internal control is no distinction of the geographical areas; various services are not present. In the financial year, revenues amounted to kEUR 42,953.4 (previous year: kEUR 28,631.3). Revenues of kEUR 1,260.0 (previous year: kEUR 1,894.0) were attributable to the largest customer in 2018/2019. All income and expenses as well as all assets and liabilities can be found in the overall financial statements. The annual financial statements were prepared under the going concern assumption of the Company (going concern).

The statement of comprehensive income was prepared according to the total cost method.

1.3. Key discretionary decisions and estimates

In applying the accounting policies, the Management Board made the following discretionary decisions that materially affect the amounts in the separate financial statements:

- With regard to the real estate held by the Company, the Management Board must decide at each reporting date whether it will be held for long-term rental or for capital appreciation or sale. Depending on this decision, the real estate is accounted for in accordance with the principles of investment properties, properties held for sale with unfinished and finished buildings (inventories) or non-current assets held for sale and valued at (amortised) cost or at fair value in accordance with the classification.

- The rental agreements and leaseholds concluded by the Company are classed as finance leases or operate leasing. Further details are included in Note 6.2.

- Discretion also arises in determining the timing of revenue recognition and deciding whether DKR will act as principal or agent in operating and ancillary costs in accordance with IFRS 15. Pursuant to IFRS 15 „Revenue from Contracts with Customers", revenue is realised when the customer receives the power over the agreed goods and services. In the case of real estate sales this takes place with the transfer of benefits and encumbrances. The Company mainly acts as principal in operating and ancillary costs, as it provides the services itself and bears the responsibility for their fulfilment. For further information please refer to Note 1.5.12.

The Company makes estimates and assumptions concerning the future. The derived estimates may of course differ from the later actual conditions. The estimates and assumptions that involve significant risk in the form of a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- The market values of the investment properties are based on the results of independent experts appointed for this purpose. The valuation is based on the discounted cash flow method on the basis of expected future cash inflows. Accordingly, factors such as future rental income and applicable interest rates are estimated by the Company in collaboration with the assessor, which directly affect the fair value of the investment properties. The fair values of investment properties, including those reported under IFRS 5, amounted to kEUR 623,981.3 as of the balance sheet date (previous year: kEUR 418,707.3).

- As part of the review of financial assets, at the end of each financial year, the carrying amounts with which the other financial assets are recognised, are compared with the fair values. The appropriateness of the valuations is assessed on the basis of the information available to the borrowers and adjusted by estimated default rates. If there are foreseeable reductions in the fair values, appropriate impairments will be made to the carrying amounts. The gross book value of the financial assets, which is reported under trade receivables, other current and non-current assets and other current assets, amounts to kEUR 26.712,4 as of the reporting date (previous year: kEUR 772.4) and is regarding claims against tenants, receivables from loans purchased from creditshelf Service GmbH and receivables from loans to affiliated companies. The value adjustment table used in the previous year was adjusted in accordance with the new procedure for measuring the impairment of trade receivables, which is described in Chapter 1.5.5. The separate consideration of the essential requirements shifts the distribution of the receivables to the individual maturities. This allows a more accurate assessment of impairment. If the maturity bands of the previous period had been continued, the impairment would have been kEUR 621.1 higher.

- For other provisions and contingent liabilities, different assumptions have to be made, e.g. about the probability of occurrence and the amount of the claim. All information available at the time the balance sheet was prepared was considered. The amount of other provisions amounts to kEUR 2,009.6 as at the reporting date (previous year: kEUR 2.046.7).

1.4. Application of IFRS in financial year 2018/2019

DKR continued to apply the accounting and valuation methods and disclosure requirements that were applied in the previous year as far as no new standards or interpretations were required to be applied.
The following new standards, changes to standards and new interpretations were applied by DKR for the first time in the year under review.

EU Endorsement	Standard	Content	First-time adoption mandatory for financial years beginning with	Effect on the financial statements of DKR
22/11/2016	IFRS 9	Financial instruments: classification and valuation of financial instruments	01/01/2018	Presentation and valuation changes
31/10/2017	Clarification to IFRS 15 (2016)	Revenues from contracts with customers: clarification	01/01/2018	None
03/11/2017	Amendments to IFRS 4	IFRS 4 Insurance contracts: application of IFRS 9 and IFRS 4	01/01/2018	None
07/02/2018	Annual improvement project	Improvements 2014–2016	01/01/2017/ 01/01/2018	None
26/02/2018	Amendments to IFRS 2	Classification and measurement of share-based payment (amendments to IFRS 2)	01/01/2018	None
14/03/2018	Amendments to IAS 40	Transfers of investment property	01/01/2018	Presently none
28/03/2018	IFRIC 22	Transactions in foreign currency and prepayments paid in advance	01/01/2018	None
22/09/2016	IFRS 15	Revenues from contracts with customers	01/01/2018	Changes in presentation

The mandatory new standards resulted in effects from the application of IFRS 9 and IFRS 15, which were first implemented in the DKR financial statements 2018/2019.

IFRS 9 „Financial Instruments“ replaced the previous IAS 39 standard and restructures the classification of financial instruments, which are now classified according to the business model. In addition, there are changes in hedge accounting regarding the hitherto rigid designation of financial instruments.

In the case of financial assets of the Company, there are changes in the valuation of the purchased loans by the creditshelf service GmbH. These are now measured at fair value through profit or loss, instead of the previous acquisition cost. The resulting impairment charge resulted in a first-time effect, which was recognised directly in the initial-use reserve. Other financial assets are valued at amortised cost, which did not result in any changes. In addition, according to IFRS 9, expected impairments on certain assets must be anticipated and accounted for. Due to the simple structure of DKR's financial liabilities, there are no material effects on liabilities. IFRS 15 („Revenue from Contracts with Customers") has replaced the previous IFRS revenue recognition provisions IAS 18 and IAS 11.

In the context of the introduction of IFRS 15, the analysis of client contracts and the presentation practice in the peer group revealed that DKR is a principal in terms of ancillary operating expenses and the ancillary costs to be allocated to the tenants are to be presented as revenues. The corresponding management expenses were therefore reported as expenses within the rental result. Net rental income remained unaffected. The presentation of the previous year's figures has been adjusted accordingly. The change in the presentation had no effect on the financial performance indicators of DKR.

The following new standards, interpretations and amendments to published standards, which were not yet mandatory for DKR in the 2018/2019 financial year, were not applied prematurely by the Company:

EU Endorsement	Standard	Content	First-time adoption mandatory for financial years beginning with	Effect on the financial statements of DKR
31/10/2017	IFRS 16	New standard „leases"	01/01/2019	No significant ones
22/03/2018	Amendments to IFRS 9	Prepayment arrangements with negative compensation	01/01/2019	None
23/10/2018	IFRIC 23	Uncertainties regarding income tax treatment	01/01/2019	None
13/03/2019	Amendments to IAS 19	Plan changes, cuts or settlements	01/01/2019	None
14/03/2019	Annual improvement project	„Improvements to IFRSs 2015–2017 Cycle"	01/01/2019	None
08/02/2019	Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	01/01/2019	None
Not yet adopted	Framework	Changes to the framework	01/01/2020	No significant ones
Not yet adopted	Amendments to IFRS 3	Business Combinations	01/01/2020	None
Not yet adopted	Amendments to IAS 1 and IAS 8	Definition of Material	01/01/2020	No significant ones
Not yet adopted	Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	01/01/2020	No significant ones
Not yet adopted	IFRS 17	New standard „Insurance contracts"	01/01/2021	None

Accounting effects may arise from the newly applicable standards as follows:

IFRS 16 reorganises the accounting for leases and replaces the previous IAS 17 standard. The core of the new regulation is that in the future all leases must be recognised in the balance sheet in the form of rights of use and leasing liabilities to be depreciated. DKR does not expect the first-time adoption of IFRS 16 to have a material impact on its accounting because it essentially acts as the lessor of commercial real estate. Furthermore, according to IFRS 16, certain ancillary rental costs such as property tax and building insurance, which do not provide additional benefits to the tenants, are classified as pure cost allocations and are therefore not covered by the new disclosure requirements of IFRS 15. The leaseholds have previously been accounted for under IAS 17 as finance leases, so that they are to be capitalised in accordance with IFRS 16 in the future.

In addition, DKR does not expect the other published new standards and interpretations to have a significant accounting impact.

1.5. Individual accounting and valuation principles

1.5.1. Principle

The present financial statements are based on the assumption of going concern. Accounting and valuation are always carried out as far as permissible at amortised cost. An exception to this are Credit-shelf-loans, which are recognised directly in equity at fair value, and investment properties, which are voluntarily measured at fair value.

Changes in accounting policies, with the exception of the application of new standards, were not made in the 2018/2019 financial year.

1.5.2. Investment property and real estate held for sale

Upon initial recognition, DKR classifies real estate regarding its intended use as either investment property (IAS 40), inventory properties (IAS 2) or property for own use in fixed assets (IAS 16). Real estate under operating leases with the Company as lessee is classified and accounted for as investment property. Real estate that is highly likely to be sold within twelve months is reported as real estate held for sale. As a rule, DKR has only investment property, as the long-term and sustainable leasing of the real estate takes place in accordance with the business model.

Investment property is initially recognised at acquisition or production costs, including ancillary costs. As part of the subsequent valuation, investment properties are recognised at their fair values, which reflect market conditions at the balance sheet date. Any gain or loss on the change in fair value is recognised in the income statement. In the event of changes in the fair value due to a present selling price, these effects are reported separately in the sales result. Subsequent costs for the expansion and conversion of the property are considered, insofar as these contribute to an increase in the fair value of the property. Legal and consulting fees relating to investment properties are also included in the rental result.

According to the provisions of IFRS 13, the valuation of investment properties is based on the best possible use of an object. Planned changes of use will, therefore, be considered in the evaluation, provided that the technical feasibility, the legal admissibility and the financial feasibility are given.

Every year on 30 June, the real estate is revalued. If significant changes in the input factors occur by the balance sheet date, appropriate adjustments are made. Valuation is performed by an independent external expert using recognised valuation techniques such as the discounted cash flow method. The experts have the appropriate professional qualifications and experience to carry out the assessment. The results of the appraisals are based on information provided by the Company. Thus, input factors such as the current tenant list, maintenance and administrative costs, vacancy data as well as the assessor’s assumptions, which are based on market data and are assessed based on their professional qualifications, e.g. future market rents, typical maintenance and administrative costs, structural vacancy rates or discount and capitalisation rates, are used in determining the fair value.

The information provided to the appraiser and the assumptions made as well as the results of the real estate valuation are analysed by the Management Board.

In contrast to the previous year, in the case of real estate sold, the valuation result from the valuation at the sales price is shown in the sales result compared to the previously recognised fair value, so that the total valuation result is the result of the valuation plus the valuation result stated in the sales result.

Advance payments on investment properties are reported under other non-current assets.

Investment properties are classified as held for sale if Deutsche Konsum decides to sell the properties in question, they are immediately available for sale and from then on, the realisation of the sale is expected within twelve months (IFRS 5). The valuation remains unchanged at the fair value.

1.5.3. Intangible assets

Acquired intangible assets are initially valued at acquisition or production cost. After initial recognition, intangible assets are carried at their acquisition or production cost and amortised over their respective useful economic lives of generally three to eight years using the straight-line method.

1.5.4. Tangible assets

Tangible assets are stated at acquisition or production cost less cumulative depreciation and accumulated impairment losses. Depreciation is calculated using the straight-line method with the estimated useful lives of generally 3 to 13 years (factory and office equipment) or 30 to 50 years (real estate). The carrying amounts of tangible assets are tested for impairment as soon as there are indications that the book value exceeds the recoverable amount.

1.5.5. Financial assets and liabilities

Classification of financial assets

IFRS 9 includes a new classification and valuation approach for financial assets that reflects the business model in which the assets are held and the characteristics of their cash flows. Reclassification only takes place if the business model for the management of financial assets changes. IFRS 9 eliminates the existing categories of IAS 39 and includes three new classification categories for financial assets:

- At fair value through other comprehensive income (FVtOCI)
- At fair value through profit or loss (FVtPL),
- Valued at amortised cost (Amortized Cost, AC)

The Company values its financial assets at amortised cost if the following two conditions are met:

- The financial asset is held as part of a business model whose objective is to hold financial assets to collect contractual cash flows, and
- The terms of the contract give rise to cash flows that are solely repayments and interest payments on the principal outstanding.

All financial instruments in the Loans and Receivables (LaR) category under IAS 39, with the exception of Creditshelf-loans, have been allocated to the Amortized Costs (AC) category under IFRS 9. Amongst other things, this valuation category at DKR includes accounts receivable from banks, trust and suretyship accounts and expenses incurred by the property management company. These are cash balances that are due on a daily basis. Furthermore, the valuation category includes trade receivables, interest receivables from the utilisation of a liquidity line and prepaid costs. There were no valuation changes for these positions as at 30 September 2018.

Financial assets valued at fair value through profit or loss include:

- debt securities where the contractual cash flows consist solely of repayments and interest payments on the outstanding principal and which are held as part of a business model whose objective is to collect contractual cash flows and sell financial assets.

This category includes loans from DKR to private borrowers from Creditshelf Service GmbH. These are used by the Company for short-term liquidity investments and are resold if liquidity is required and, if necessary, others are acquired at a later date. Thus, the business model holding and selling applies here.

Financial assets at fair value through profit or loss include:

- Assets that do not meet the criteria of „at amortised cost“ or „at fair value through profit or loss“.

DKR has no financial assets that fall into this valuation category or has chosen the fair value option.

Derivatives are initially recognised at fair value at the time of the conclusion of a derivative transaction and subsequently revalued at their fair value at the end of each reporting period. The accounting for changes in the fair value in the subsequent periods depends on whether the derivative is designated as a hedging instrument and, if so, on the nature of the underlying hedging relationship. Deutsche Konsum did not have any derivatives in the reporting period.

Valuation of financial assets

On initial recognition, the Company values a financial asset and a financial liability at the fair value of the consideration received or received on the trade date, plus or minus directly attributable transaction costs. Trade receivables that do not include a significant financing component are initially recognised at the transaction price.

Subsequent valuation of financial assets valued at amortised cost takes place at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. The interest income calculated using the effective interest method is reported under financial income. Any gain or loss, interest income, foreign currency gains and losses and impairments resulting from the derecognition of a financial asset are recognised in profit or loss in the statement of income and reported separately.

In the case of assets measured at fair value through profit or loss, changes in fair value are recognised in other comprehensive income, with the exception of impairment losses and income and interest income, which is recognised in profit or loss. Upon derecognition of the financial asset, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity to profit or loss.

Impairment of non-derivative financial assets

At the end of each reporting period, the Company must examine whether there are objective indications that a financial asset or a group of financial assets are impaired. An impairment exists and an impairment loss is incurred if

- as a result of one or more events occurring after the initial recognition of the asset („loss event"),
- there was an objective indication of impairment and
- this loss event has an impact on the expected future cash flows of the financial asset that can be reliably estimated.

Impairment of financial assets is no longer reflected in the incurred-loss model but in the expected-loss model. This results in basically two evaluation levels:

- Lifelong credit losses: Expected credit losses due to possible default events over the life of a financial instrument
- 12-month loan default: Expected credit losses due to possible default events within the next twelve months after the balance sheet date.

The impairment method depends on whether there is a significant increase in credit risk. In assessing whether the credit risk of a financial asset has increased significantly since first-time recognition and in estimating expected credit losses, the Company considers reasonable and reliable information that is relevant and available without undue time and expense. This includes quantitative and qualitative information and analysis based on past experience of the Company and forward-looking information.

The valuation according to the concept of lifelong loan losses is to be applied if the credit risk of a financial asset has increased significantly on the reporting date since the initial recognition; otherwise the valuation is to be applied according to the concept of 12-month loan default. However, the life-long default method always applies to trade receivables and to contractual assets without a material component of financing.

The value adjustments are measured at the amount of the credit losses expected over the term, excluding valuation allowances on bank balances, for which the default risk has not significantly increased since the initial recognition. Here, the allowance is measured at the expected 12-month loan default.

For trade receivables, valuation allowances are always measured at the amount of the credit losses expected over the term and formed on the basis of the age structure using a value adjustment table. In addition, the highest rental claims are considered individually and impaired if necessary. In the financial year 2018/2019, the procedure for the valuation adjustments for rental receivables was changed so that the assessment based on the age structure is now preceded by a separate analysis for significant receivables. In the process, material rental receivables are assessed separately, individually adjusted and subsequently no longer included in the maturity analysis.

For financial assets that are measured at fair value through profit or loss, the impairment loss was measured on the basis of expected losses. For further information please refer to chapter 5.1.1. Default risks.

Offsetting financial assets and liabilities

Financial assets and liabilities are netted and presented in the balance sheet as a net amount if the entity has a current, enforceable right to offset the amounts recognised and intends either to settle on a net basis or simultaneously with the realisation of the asset replace the associated liability.

In the reporting period, DKR has no financial assets and liabilities that are offset in this way.

Classification of financial liabilities

IFRS 9 replaces the provisions of IAS 39 relating to the recognition, classification and measurement of financial assets and liabilities, the derecognition of financial instruments and the impairment of financial assets. However, the classification of financial liabilities remained unchanged compared to the previous reporting period.

The financial liabilities of DKR are valued at amortised cost. Financial liabilities in this category include liabilities to banks, liabilities to other lenders, liabilities from (convertible) bonds, trade payables and other current financial liabilities.

In the case of compound financial instruments, a classification into debt and equity components takes place insofar as the definition of an equity instrument is fulfilled.

Embedded derivatives are to be separated from their base contract if their economic characteristics and risks are not closely related to those of the base contract, if a comparable independent instrument would correspond to the definition of a derivative and if the composite instrument is not measured at fair value through profit or loss. If an embedded derivative is separated, the components are accounted for and measured separately in accordance with the relevant regulations.

The convertible bonds issued by DKR contain an equity component, which was recognised separately upon posting.

Valuation of financial liabilities

Upon initial recognition of liabilities, they are valued on the trade date at the fair value of the consideration received after deduction of transaction costs. After initial recognition, liabilities are valued at amortised cost using the effective interest method. The difference between the disbursement amount (less transaction costs) and the repayment amount is recognised in the statement of comprehensive income over the term of the liability using the effective interest method.

Financial liabilities are derecognised when the obligations underlying this liability are met, cancelled or extinguished. They are also derecognised and replaced by a new liability if, when the liability is modified, the contractual cash flows change significantly. The difference between the carrying amount of the derecognised financial liability and the consideration paid, including any transferred non-cash assets or liabilities assumed, is recognised as financing income or expense in profit or loss.

Financial liabilities are classified as current if the Company does not have the unconditional right to delay the settlement of the liability to a date at least 12 months after the balance sheet date.

The classification of financial liabilities remained unchanged by IFRS 9. Comparative information for previous periods has not been adjusted.

1.5.6. Land with work in progress and finished buildings and other inventories

Land with work in progress and finished buildings and other inventories are valued at the lower of cost or net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the necessary selling expenses. Borrowing costs incurred in connection with the acquisition or production of land are capitalised if the conditions for this are met. The land with unfinished and finished buildings contain the real estate, which was already assumed as resale at the acquisition.

If the intention to sell is discontinued, the investment properties are reclassified.

1.5.7. Income taxes and deferred taxes

Tax refund claims and tax liabilities are measured at the amount expected to be refunded or paid to the tax authorities. This is based on the tax rates and tax laws that apply on the balance sheet date.

Since DKR has had the status of a REIT Company since the beginning of 2016, it has since been exempted from income tax at company level if the criteria of the REIT Act are complied with. In this respect, no deferred taxes are to be recognised for the period of the tax exemption.

1.5.8. Liquid funds

Cash and cash equivalents include cash on hand as well as short-term and available bank balances with original maturity of less than three months at the time of acquisition.

1.5.9. Equity demarcation

Debt and equity instruments are classified as financial liabilities or equity in accordance with the substance of the contractual agreement. An equity instrument is a contract that establishes a residual claim on the assets of a company after deduction of all related debts. Equity instruments are recognised at the proceeds received less any directly attributable issue costs.

Issuing costs are those costs that would not have been incurred without the issue of the equity instrument. Such costs of an equity transaction (such as costs arising from capital increases), less any associated income tax benefits, are accounted for as a deduction from equity and offset against the capital reserve with no effect on income.

The components of a compound instrument issued by the Company (such as a convertible bond) are recognised separately as a financial liability and as an equity instrument in accordance with the substance of the agreement to the extent that the conditions for an equity component exist.

At the time of issue, the fair value of the liability component is determined using market interest rates applicable to comparable non-convertible instruments. This amount is accounted for as a financial liability based on amortised cost using the effective interest method until fulfilment of the instrument's conversion or maturity date. The determination of the equity component is made by subtracting the value of the liability component from the fair value of the entire instrument. The resulting value, less income tax effects, is recognised as part of equity and is not subsequently valued.

1.5.10. Other provisions

A provision is recognised when the Company has a present legal or constructive obligation because of a past event, the outflow of economic benefits to settle the obligation is probable, and a reliable estimate of the amount of the obligation, despite uncertainties regarding the amount or temporal use, is possible. Other provisions are measured at the amount that would reasonably have to be paid to settle the obligation at the balance sheet date or when the obligation was transferred to a third party at the time of the transfer. Risks and uncertainties are considered by applying appropriate estimation methods, including probabilities of occurrence. Long-term provisions with a remaining term of more than one year are discounted if the interest effect is material.

1.5.11. Revenue recognition

According to IFRS 15, the amount of revenue corresponds to the consideration to which the Company has a contractual claim. Revenues are recognised when control of an asset or service is transferred to the customer – the control concept thus replaces the previous risk and opportunity model. The five-step model is used to determine the amount and timing of revenue recognition:

- Identification of contracts with customers
- Identification of separate performance obligations
- Determination of the transaction price
- Allocation of the transaction price to separate performance obligations
- Recognition of sales revenue in fulfilment of individual performance obligations

Under IFRS 15, a contract is an agreement between two or more parties that establishes legally enforceable rights and obligations. The conclusion of the contract may be in writing, verbally or tacitly based on the ordinary business practice of the company. Under certain circumstances, several contracts are to be grouped together.

In a second step, the individual performance obligations must be identified. A commitment always constitutes a performance obligation if the good or service is distinguishable. In principle, a contract contains a performance obligation, so that the fourth step, the allocation of the transaction price to separate performance obligations, is eliminated.

Thereafter, the determination of the transaction price takes place, which represents the consideration for the goods or services transferred. In a subordinate part of the contracts of DKR, variable components were identified. Here the rent is index- or turnover-dependent. The period between the transfer of the good or service to the customer usually does not exceed one year, so that the promised consideration does not have to be adjusted to the time value of the money.

In the fourth step, the transaction price is allocated to the identified performance obligations based on their relative individual selling prices. The individual sale price is the price at which the entity actually sold the good or service to similar customers under similar circumstances.

The guarantees and warranties contained in the contractual relationships do not constitute separate performance obligations, as they merely assure the customer that the goods delivered, or the service rendered comply with the contractually agreed specifications. In addition, there are no redemption, reimbursement or similar obligations.

In accordance with IFRS 15, revenue is realised either on a time- or date-related basis, depending on when the performance obligation is fulfilled, or the power of disposal is transferred to the customer.

The Company concludes leases that essentially cover the net rent and the operating costs. The contractual component of net rent as a lease is outside the scope of IFRS 15 and is recognised as revenue on a straight-line basis over the term of the leases. The transaction price is thus agreed in the leases and contains no financing components. In exceptional cases, variable, index- or turnover-dependent components are included, which, however, have not yet been taken into account because the required thresholds were never reached. The rental payments are to be made monthly.

Proceeds from the sale of inventory real estate are recognised in profit or loss at the time the power of disposal is transferred to the buyer. This usually takes place with the transfer of benefits and encumbrances. Income from the sale of inventory real estate (IFRS 5 real estate) is reported as revenue. The consideration is due after transfer of the property.

In terms of operating costs, IAS 18 has so far assessed the distinction between principal or agent position based on the opportunities and risks of service provision. With the introduction of IFRS 15, it is now crucial whether a party to the contract has control over the performance before transferring a service to a customer. The indicators for this assessment, considered as a whole and not cumulative, are the primary responsibility for performance, the potential inventory risk of not being able to charge costs, and the pricing power for a service.

For the operating costs of the tenancy agreement, Deutsche Konsum REIT AG acts as the principal on the basis of the provisions of IFRS 15, as the Company obtains control over the goods and services and is thus in the performance obligation to the tenant. Accordingly, from the financial year 2018/2019, operating expenses will no longer be netted with the corresponding income under rental expenses.

Benefits that are accounted for as operating and ancillary costs in accordance with the principal method are shown in the income statement in an unrated way with the corresponding revenues. Revenue recognition takes place with the provision of services. The disclosure is made for services charged on and provided by third parties within the rental revenues.

Property taxes and building insurance do not constitute separate identifiable performance obligations in accordance with IFRS 15, which provide the tenant with a definable benefit. For these components of the contract, the agreed remuneration is allocated to the other identified contractual components on the basis of their relative individual selling prices.

Under IFRS 15, a contract liability is recognised if the customer has fulfilled his contractual obligation before DKR has transferred control of the goods or service. Due to the business model as well as the underlying terms of payment of DKR, the customers pay the consideration in time corresponding to the fulfilment of the performance obligation by the Company, so that no contract liability is to be recorded. The unconditional claim of Deutsche Konsum on the consideration to be paid is reported as a receivable.

In addition, no contractual assets are recognised because DKR does not transfer any goods or services to the customer before receiving the consideration.

The first-time application of IFRS 15 did not reveal any differences with respect to the timing or amount of revenue recognition and therefore there are no effects on balance sheet items or equity as at 1 October 2018. Furthermore, there were no effects on the result of the interim reporting periods, it is a mere change of presentation. At initial use, the retrospective method was used. In order to allow comparability with the figures of the previous period, the presentation of the previous year was adjusted accordingly. Without the adjustment, the disclosure of rental income amounted to kEUR 28,601.3 and the expenses from property management amounted to kEUR 10,636.2.

1.5.12. Leases

Leases are classified as finance leases if the leasing agreement transfers all material risks and rewards of ownership to the lessee. This is the case for some leasehold contracts where DKR is a recipient of the ground lease and which qualify as a finance lease.

Due to the leasing activity, DKR has significant operating leases in which the Company acts as a lessor. The economic ownership of the leased real estate and, thus, the capitalisation obligation lie with DKR. Income from leases corresponds to rental income.

In the case of finance leases, the leased asset (leasehold property) is recognised as an asset and the liability towards the lessor is recognised in the balance sheet as a liability to the Company in the same amount. It is recognised at the fair value of the leased asset at the inception of the lease or at the present value of the minimum lease payments, if lower. The payable lease instalments are split into an interest and a repayment instalment. The interest portion is recognised in interest expense, while the repayment portion leads to a reduction of the liability.

2. Notes to the balance sheet

2.1. Investment properties

In the financial year 2018/2019, the transfer of benefits and encumbrances from 34 acquired investment properties took place. As a result, DKR's real estate assets accounted for as of 30 September 2019, comprise 123 properties with a fair value of kEUR 611,521.0 plus leasehold rights recognised as finance leases (kEUR 8,360.3). Furthermore, value-enhancing measures amounting to kEUR 4,550.9 (prior year: kEUR 8,174.8) were capitalised. The unrealised valuation result from the time valuation increased to kEUR 30,362.1 (previous year: kEUR 16,336.8).

The development of investment properties is as follows:

kEUR	2018/2019	2017/2018
Initial holding at 1/10	**418,707.3**	**275,433.9**
+ Real estate purchases	170,271.6	115,001.5
+ Activation of leased assets (finance leases)	824.4	3,760.3
– Disposal of leased assets	–367.1	0.0
+ Adjustment of the book values for leaseholds due to changed ground rent payments	352.1	0.0
– Book value disposal through sale of real estate	975.5	0.0
– Reclassification of IFRS 5	–4,100.0	0.0
+ Subsequent acquisition and production costs (Capex)	4,550.9	8,174.8
+ Valuation results of properties sold	255.0	0.0
+ Unrealised valuation result from fair value valuation (change in market value)	30,362.1	16,336.8
Closing on the key date	**619,881.3**	**418,707.3**

Of the investment property, real estate with a carrying amount of kEUR 551,217.8 (30/09/2018: kEUR 282,510.0) with land charges or by assignment of rental income was deposited as security for financial liabilities at the balance sheet date.

There are leasehold contracts in which the associated plots of land are built on with commercial real estate. The leasehold contracts are accounted for as finance leases. At the same time, a liability was recognised in the amount of the capitalised amounts. The lower of the fair value and the present value of the minimum lease payments was used as the basis. As of 30 September 2019, the capitalised amount is kEUR 8,360.3 (30/09/2018: kEUR 7,733.0). The liability recognised as of 30 September 2019 amounts to kEUR 8,667.0 (30/09/2018: kEUR 7,914.6).

The income statement includes the following significant amounts for investment property:

kEUR	2018/2019	2017/2018
Rental income	41,978.4	28,601.3
Valuation result investment properties	30,362.1	16,336.8
Valuation result from sold investment properties	255.0	0.0
Income from operating and ancillary costs	6,827.3	5,234.2*
Operating expenses (maintenance expenses, property management, property taxes, etc.)	–17,203.8	–11,567.2*
Total	**62,219.0**	**38,605.1**

* Previous year's statement changed by application of IFRS 15

The operating expenses attributable to vacant properties amount to kEUR 1,703.2. The basis for the calculation is the vacancy rate.

The valuation by an external expert is carried out on the valuation date 30 June on the basis of the valuation parameters existing at that time. Acquired real estate with ownership transfers between 1 July and 30 September is initially recognised at cost and subsequently at its fair value as of 30 June (provided that the assets can already be included in the valuation). Significant fluctuations in the value of the properties until 30 September are considered as far as signs of this become apparent.

As in the previous year, the fair value was determined on the basis of internationally recognised valuation methods based on the discounted cash flow method.

With the discounted cash flow method, future expected cash surpluses of an object are discounted to the valuation date using a market-specific, object-specific discount rate. While the payments regularly include net rents, the payments relate in particular to the management costs borne by the owner. The underlying detailed planning period is ten years. At the end of this period, a potential discounted disposal value (net final value) of the valuation object is forecasted. This reflects the most likely realisable selling price less costs to sell. Methodically, the discounted deposit surpluses of the tenth year are capitalised with the so-called capitalisation interest rate as perpetuity. The sum of discounted cash flows and the discounted net final value is the gross capital value of the valuation object, which, net of transaction costs, represents the fair value. For a property acquired shortly before the balance sheet date, the market value has been determined on the basis of the purchase price.

The following overview shows the key assumptions used in the discounted cash flow process:

Valuation parameters

	30/06/2019	30/06/2018
Market rent increase p.a. (in %)	1.50 to 2.00	0.0 to 2.50
Maintenance costs p.a. (EUR/m^2)	4.00 to 8.00	4.33 to 11.82
Administrative costs p.a. (% of market rent, previous year % of annual gross profit)	0.00 to 7.50	0.95 to 4.78
Discount rate (%)	5.45 to 13.00	3.00 to 9.00
Capitalisation rate (%)	4.95 to 11.00	5.50 to 16.00

All valuation parameters correspond to level 3 of the fair value hierarchy.
The assumptions used to value the real estate were made by the independent valuer based on his professional experience and are subject to uncertainty. If the discount and capitalisation rate is increased/decreased by 1.0%, the fair value is decreased/increased as follows:

EUR million	30/09/2019		30/09/2018	
Change in the discount and capitalisation rate	+1 %	–1 %	+1 %	–1 %
Fair value of investment properties	–85.4	+119.4	–52.7	+66.0

Corresponding effects result from changes in future rental income as a function of rental income, vacancies and administrative and maintenance costs.

On 30 September 2019, DKR is entitled to receive future minimum lease payments (operating leases) of kEUR 249,871.6 (30/09/2018: kEUR 191,579.1) from its rental agreements with commercial tenants. These are distributed as follows:

in kEUR	Total	up to 1 year	1 to 5 years	over 5 years
Minimum lease payments 30/09/2019	249,871.6	43,877.4	123,516.7	82,477.5
Minimum lease payments 30/09/2018	191,579.1	35,115.5	97,599.2	58,864.4

Tenant extension options are not included here. For flats in the portfolio, there are usually rental agreements with a statutory notice period of three months. Further claims for minimum lease payments do not exist. In some cases, there are permanent commercial leases with a statutory notice period of three months. These result in annual rental income of around kEUR 4,157.1. The number of residential properties is of minor importance.

2.2. Intangible assets

Intangible assets comprise capitalised expenses for the creation of the website, which are amortised on a straight-line basis over five years.

2.3. Tangible assets

Property, plant and equipment (kEUR 5.9, previous year: kEUR 3.8) mainly includes purchased inventory for property management. The useful lives are between 3 and 10 years. The depreciation (kEUR 0.3, previous year: kEUR 0.5) is linear.

2.4. Taxes and deferred taxes

Since 1 January 2016, DKR has been granted the status of REIT and is therefore exempt from corporate and trade tax. Decisive for the tax exemption is compliance with the criteria of the REIT Act.

As long as the REIT criteria are adhered to, temporary differences between IFRS and the tax balance sheet due to the income tax exemption will not have any future tax effects. Therefore, no deferred taxes are currently recognised at DKR.

Income taxes are composed in the income statement as follows:

kEUR	2018/2019	2017/2018
Actual taxes for previous years	–0.1	–8.5
Deferred taxes	0.0	0.0
Total	**–0.1**	**–8.5**

2.5. Trade and other receivables

Trade and other receivables break down as follows:

kEUR	30/09/2019	30/09/2018
Receivables from rental	2,810.9	1,452.3
Receivables from other deliveries and services	10.6	60.8
Value adjustment on receivables	–864.0	–740.7
Total	**1,957.5**	**772.4**

In the period under review, the procedure for value adjustments was changed in such a way that the highest rent receivables were considered separately and, if necessary, individually adjusted, while the other receivables were adjusted as a lump sum depending on their maturities. The individually impaired receivables were not included in the maturity analysis. The individually assessed rent receivables in the amount of kEUR 704.4 resulted in a specific valuation allowance of kEUR 157.3. Value adjustments on trade receivables from default risks are as follows:

Figures 2018/2019 in kEUR	Individual consideration	< 30 days overdue	< 90 days overdue	< 300 days overdue	< 360 days overdue	> 360 days overdue	Total
Expected loss rate		0.0%	25.0%	50.0%	75.0%	100.0%	–
Gross book value – Trade receivables	704.4	712.7	540.0	566.4	37.5%	260.5	2,821.5
Value adjustment	**157.3**	**0.0**	**135.0**	**283.2**	**28.1**	**260.4**	**864.0**

The individual value adjustments on trade receivables developed as follows:

TEUR	30/09/2019	30/09/2018
As of 01/10 Previous year	740.8	484,1
Consumption	–	–
Resolution	–	–
Additions	123.3	256,7
Closing on the key date	**864.0**	**740,8**

2.6. Other non-current and current assets

Other non-current assets mainly include receivables from acquired loans in the amount of kEUR 8,369.5 (previous year: kEUR 0.0). In addition, prepayments of kEUR 16.6 (2017/2018: kEUR 18,518.5) for acquired investment properties for which the transfer of benefits and encumbrances has not yet taken place are included. They are fully allocated to non-current assets as they are part of the non-current balance sheet item investment properties.

Other current assets are made up as follows:

kEUR	30/09/2019	30/09/2018
Receivables from shareholders including accrued interest	13,203.4	0.0
Short-term investment in acquired loan shares via Creditshelf	3,182.0	7,425.6
Unfinished services after offsetting with advance payments received	2,021.5	1,930.9
Mortgage credit	1,861.3	1,328.3
Trust accounts	1,395.0	2,755.0
Acquirer settlement	920.9	337.5
VAT claims	458.5	520.8
Tenant deposits	399.9	330.9
Others	547.5	159.3
Total	**23,990.0**	**14,788.4**

In the previous year, there was a liability to shareholders in the amount of kEUR 116.2.

In financial year 2018/2019, DKR invested excess liquidity in the acquisition of loans brokered through Fintech Creditshelf AG, Frankfurt. The loans have terms of up to five years and are between 6.1% and

13.5 % p.a. interest. In addition, Creditshelf charges a fee for loan processing and related services.

The receivable from the Creditshelf loans is measured at fair value through profit or loss at level three of the valuation hierarchy. For this purpose, the invested amount less previous repayments, taking into account expected default rates, is used.

The development of Creditshelf loans during the reporting period is as follows:

kEUR	2018/2019
Opening balance at 01/10	**7,425.5**
First-time application of IFRS 9 in other comprehensive income	–132.3
Acquisition of new loans	19,210.0
Repayment	–13,902.2
Sale	–789.1
Change in fair value in other comprehensive income	–260.3
Closing balance on the balance sheet date	**11,551.6**

In addition, impairment losses on the Creditshelf loans in the amount of kEUR 260.3 were recognised in profit or loss in the reporting period.

The value adjustment for Creditshelf loans developed as follows during the reporting periods:

kEUR	30/09/2019	30/09/2018
As at 01/10 previous year	132.3	0.0
Consumption	–	–
Resolution	–	–
Additions	260.3	–
Closing balance on the balance sheet date	**392.6**	**0.0**

No impairment losses were recognised on other financial assets.

2.7. Liquid funds

Cash and cash equivalents include cash on hand and bank balances. In the financial year, the deposit balances are shown separately under other current assets.

The cash flow statement contains bank and cash accounts considering current account liabilities. In this respect, the cash and cash equivalents in the cash flow statement may differ from the cash and cash equivalents reported in the balance sheet.

2.8. Assets held for sale

The non-current assets held for sale of EUR 4,100.0 (2017/2018: EUR 0.0) relate to a commercial property in Berlin, Buddestrasse. The property was sold with a notarised purchase agreement dated 24 October 2019. The transfer of benefit and encumbrances takes place at the earliest on 1 February 2020.

The selling price amounts to EUR 4,100.00. The acquisition costs of the property acquired amounted to kEUR 2,132.2 in 2018. The valuation gain of kEUR 1,600.0 is reported in the current financial statements in the valuation result of the investment properties.

2.9. Equity

2.9.1. Issued share capital

The fully paid-in share capital of DKR amounts to kEUR 31,959.9 as of 30 September 2019 (2017/2018: kEUR 27,236.3) and is divided into 31,959,944 no-par-value bearer shares with equal voting rights.

With non-withdrawal-related capital increases on 23 November 2018 and 19 September 2019 (entry in the commercial register), Deutsche Konsum increased its share capital by a total of EUR 4,723,631.00 to EUR 31,959,944.00.

Powers of the Management Board to issue new shares

Authorised capital

By resolution of the Annual General Meeting of 21 March 2019, registered in the commercial register on 5 April 2019, the Management Board was authorised to issue the share capital of the Company until 20 March 2024, with the approval of the Supervisory Board, by issuing new no-par value bearer shares against cash or a contribution in kind once or several times to increase up to a total of EUR 14,979,972.00 (Authorised Capital 2019/I). Shareholders must in principle be granted a subscription right within the scope of the authorised capital. However, the Management Board is authorised to exclude the subscription rights of shareholders in accordance with the Articles of Association and the approval of the Supervisory Board in certain cases. Upon entry in the commercial register on 19 September 2019, on 17 September 2019, the share capital was increased from EUR 29,959,944 by EUR 2,000,000 to EUR 31,959,944. To this end, 2,000,000 new no-par-value bearer shares with a respective share in the capital stock amounting to EUR 1.00 were issued. The placement took place at an issue price of EUR 15.50 per share, resulting in gross issue proceeds of around EUR 31.0 million.

The authorised capital 2018 has been cancelled. The remaining Authorised Capital 2019/I thus amounts to EUR 12,979,972.00.

Conditional capital

The Management Board was authorised by the Annual General Meeting on 21 March 2019, with the approval of the Supervisory Board, to issue single or multiple bearer bonds with warrants or convertible bonds (together „Notes“) with a total nominal value of up to EUR 150,000,000.00 with or without a maturity restriction and to grant or impose the holders of bonds with warrants option rights or obligations and the holders of convertible bonds conversion rights or obligations for bearer shares of the Company with a proportionate amount of capital stock in the amount of EUR 1.00 each according to more detailed conditions of the Notes until 20 March 2024. Further details can be found in the announcement in the Federal Gazette.

The share capital is conditionally increased by up to EUR 14,979,972.00 through the issue of up to 14,979,972 new bearer shares (Contingent Capital I). The conditional capital increase will only be carried out to the extent that option or conversion rights from the aforementioned convertible bonds are exercised.
Conditional Capital 2017 II of 9 March 2017 amounts to EUR 2,380,142.00 at the balance sheet date and has not yet been used.

2.9.2. Capital reserve

The capital reserve increased from kEUR 94,164.8 at the beginning of the financial year by kEUR 55,858.2 to kEUR 150,023.0 at the end of the financial year. The increase results in particular from the cash capital increases of 23 November 2018 and 19 September 2019.

2.9.3. Other reserves

Other current assets are made up as follows:

kEUR	30/09/2019	30/09/2018
IFRS initial reserve 01/10	855.7	855.7
First-time application of IFRS 9	–132.3	0.0
IFRS first-time application reserve 30/09	**723.4**	**855.7**

2.9.4. Retained earnings

The development of this item is shown in the statement of changes in equity. A dividend of kEUR 5,992.0 was paid for the 2017/2018 financial year, which corresponds to a dividend of EUR 0.20 per share.

On the basis of the current number of shares for the 2018/2019 financial year, the Management Board is planning a dividend proposal of kEUR 11,186.0, which corresponds to a dividend of EUR 0.35 per share, and the presentation of the remaining unappropriated profit to new account at the next Annual General Meeting. This proposal requires the approval of the Supervisory Board and the Annual General Meeting.

2.10. Financial liabilities

Financial liabilities are as follows:

kEUR	30/09/2019	30/09/2018
Non-current	195,509.0	146,709.3
Current	11,489.7	8,513.7
Total	**206,998.7**	**155,223.0**
Of these secured	206,998.7	155,223.0

Liabilities to banks increased significantly as a result of new secured bank loans being used to build up the real estate portfolio. This was offset by current repayments.

As of the balance sheet date, most of the financial liabilities are interest bearing. The repayment rates are generally between 1.0% and 16.7% p.a. Liabilities to banks are fully collateralised. The collateral provided is essentially mortgages and guarantees from related parties. These collateral can only be utilised by the banks after a material breach of the financing agreement (for example, in the event of a breach of financial covenants).

2.11. Convertible bonds

The liabilities from convertible bonds, taking into account the issue costs, are composed as follows:

Liabilities from convertible bonds in kEUR	Maturity	30/09/2019		30/09/2018	
		Non-current	Current	Non-current	Current
Convertible bond I kEUR 30,000 (nominal), 1.35% coupon p.a.	30 January 2025	29,425.0	0.0	29,590.9	0.0
Convertible bond II kEUR 7,000 (nominal), 1% coupon p.a.	30 January 2025	6,737.1	0.0	6,508.0	0.0
Total		**36,162.1**	**0.0**	**36,098.9**	**0.0**

Both convertible bonds are fully recognised as non-current financial liabilities. An extension of the term of five years to 30 January 2025 was agreed with the bondholders of the two convertible bonds 2015/2020 in the year under review. Linked to this was the modification of the bond conditions in that the coupon of the EUR 30 million bond of 5.0% p.a. was reduced to 1.35% p.a. The coupon of the EUR 7 million bond remained at 1.0% p.a. Furthermore, the respective conversion prices were raised by 7% and 5%, respectively. The modified terms and conditions came into effect on 1 November 2018.

For both convertible bonds, the net present value test revealed that there were fundamentally different contractual terms and conditions, so that the previous liability was de-recognised and re-booked at fair value. The fair value of the debt components amounted to EUR 36.6 million at the time of re-booking, while the fair value of the equity components amounted to kEUR 709.4. This resulted in interest expense of EUR 756.4. Further accounting was carried out at amortised cost.

2.12. Corporate bonds

Liabilities from the corporate bond, taking into account the issuing costs, are composed as follows:

Liabilities from corporate bonds in kEUR	Maturity	30/09/2019		30/09/2018	
		Non-current	Current	Non-current	Current
Bond EUR 40,000.0 (secured), 1.8 % coupon p.a.	31 May 2024	40,076.1	0.0	40,158.4	0.0
Bond EUR 70,000.0 (unsecured), 2.35 % coupon p.a.	5 April 2024	70,802.2	0.0	–	–
Total		**110,878.3**	**0.0**	**40,158.4**	**0.0**

On 5 April 2019, the Company issued an unsecured corporate bond of 500 shares with a nominal value of EUR 100,000.00 each. The nominal amount of the bearer bonds amounts to kEUR 50,000.0. The bond will trade at 2.35 % p.a. and matures on 4 April 2024. On 8 August 2019, this bond was increased by a further kEUR 20,000 in the same denomination and at the same conditions. The interest is paid annually on 31 May.

2.13. Other provisions

Other provisions are composed as follows:

kEUR	As of 01/10/2018	Consumption	Resolution	Addition	As of 30/09/2019
Archiving (non-current)	3.5	0.0	0.0	0.0	3.5
Legal, consulting and auditing costs	150.0	150.0	0.0	220.0	220.0
Pending invoices	1,019.8	456,3	0.0	685.7	1,249.2
Other provisions	873.4	873.2	0.0	536.7	536.9
Total	**2,046.7**	**1,479.4**	**0.0**	**1,442.3**	**2,009.6**

Since material provisions are utilised at short notice, discounting is waived for materiality reasons. There are also no significant uncertainties with regard to the time or amount of the claim.

2.14. Other non-current and current liabilities

Other non-current liabilities include leasing liabilities for hereditary building rights for which DKR is the building lease holder and which are accounted for as finance leases. The corresponding assets are reported as investment properties.

The development of other non-current and current liabilities is as follows:

kEUR	30/09/2019	30/09/2018
Liabilities from finance leases	8,606.2	7.863.0
Total non-current other liabilities	**8,606.2**	**7.863.0**
Rent deposits	399.9	330.9
Liabilities to tenants	467.1	212.5
Liabilities from finance leases	60.8	51.5
Liabilities from ground rent	0.0	30.6
Liabilities from acquirer settlement	463.8	0.0
Liabilities to affiliated companies	0.0	0.1
Others	49.5	15.3
Total current other liabilities	**1,441.0**	**640.9**
Total	**10,047.2**	**8,503.9**

2.15. Trade payables

Trade payables amounted to kEUR 503.1 in the year under review (30/09/2018: kEUR 1,023.4) and as of the balance sheet date mainly included outstanding invoices for related maintenance and management services.

3. Notes to the statement of comprehensive income

3.1. Rental income

The rental result is the result of rental income and income from operating and ancillary costs less administrative expenses and is as follows:

kEUR	2018/2019	2017/2018
Revenues from renting	41,978.4	28,601.3*
Income from operating and ancillary costs*	6,827.3	5,234.2*
Total proceeds	**48,805.7**	**33,835.5***
Maintenance	–2,215.9	–2,081.4
Allocatable additional costs	–10,360.1	–6,806.1*
Non-recoverable ancillary costs	–4,627.7	–2,679.7*
Total management expenses	**–17,203.8**	**–11,567.2***
Rental income	**31,601.9**	**22,268.3***

*Previous year disclosure changed by the application of IFRS 15

The first-time application of IFRS 15 did not reveal any differences with regard to the rental result and thus no effects on balance sheet items or equity as at 1 October 2018. It is a pure change of disclosure. In order to allow comparability with the figures of the previous period, the previous year's presentation was adjusted accordingly.

The sales revenues are exclusively business rents from properties in Germany. The income from operating and ancillary costs does not include contributions of the Company. The maintenance expenses relate to repairs and maintenance work. In 2018/2019, value-enhancing maintenance measures in the amount of kEUR 4,550.9 were capitalised.

Non-recoverable ancillary costs include property management expenses of kEUR 1,175.4 (2017/2018: kEUR 913.0) and asset management expenses of EUR 2,121.9 million (2017/2018: kEUR 1,283.5).

Operating and ancillary costs include sales revenue in accordance with IFRS 15 in the amount of kEUR 5,804.4.

3.2. Disposal proceeds

The proceeds from the sale represent the sale of the Berlin Konradshöhe property in the 2018/2019 financial year, which was measured at fair value in accordance with IAS 40 as an investment property. The selling price amounted to kEUR 975.0. In the reporting year 2018/2019, a valuation result of kEUR 255.0 was achieved for this property.

3.3. Other income

Other operating income amounted to kEUR 165.3 in the financial year (kEUR 50.2 in 2017/2018) and mainly includes income from insurance compensation in the amount of kEUR 147.8 (2017/2018: kEUR 47.6).

3.4. Valuation result of investment property

The valuation result includes the net valuation gains and losses from the fair value valuation of the investment properties as at the balance sheet date by an external and independent expert. In the case of sales contracts, the agreed selling price was used as the fair value at Level 1 of the valuation hierarchy, as this represents a better approximation of the market value.

3.5. Personnel expenses

The personnel expenses of the Company amounted to kEUR 887.7 in the financial year 2018/2019 (2017/2018: kEUR 578.9). Further services for the Company are provided by employees of Obotritia Capital KGaA. For this purpose, a cost allocation is levied, which is recognised in other operating expenses.

The increase in personnel expenses is mainly due to the hiring of new employees to reflect the growth of the Company. Of the personnel expenses, kEUR 73.9 (previous year: kEUR 40.9) relates to social security contributions and pension expenses and kEUR 21.6 (previous year: kEUR 1.3) to capital-building benefits.

As of 30 September 2019, fifteen employees (30 September 2018: ten employees) were employed directly by the Company. This included two members of the Management Board, three employees, one cleaner, four property administrators and five marginal employees.

3.6. Impairment loss of inventories and receivables

The impairments break down as follows:

Impairment losses in kEUR	2018/2019	2017/2018
Impairment on rental receivables	123.2	256.7
Impairment on acquired loans	260.3	0.0
Total	**383.5**	**256.7**

The transition to the model of expected credit losses in accordance with IFRS 9 did not have a material impact on rental receivables, as the valuation of the open items at the end of the month was already carried out in accordance with IAS 39 due to the property-specific debit position of the rental receivables at the beginning of the month.

In the reporting period, impairments on the Creditshelf loans amounting to kEUR 260.3 were recognised in profit or loss.

For further information see also chapter 2.5. Trade receivables and 2.6. Other non-current and current assets.

3.7. Other operating expenses

Other operating expenses are as follows:

kEUR	2018/2019	2017/2018
Legal, consulting and auditing costs	580.5	572.7
Fees	453.6	325.8
Agency fees	440.9	414.2
Others	688.5	606.6
Total	**2,163.5**	**1,919.3**
thereof one-off expenses	702.9	669.0
Adjusted	**1,460.6**	**1,250.3**

Legal and consulting expenses primarily include ongoing costs for the preparation of expert reports, auditing fees and legal advice. Other operating expenses mainly comprise non-recurring expenses in connection with refinancing, such as land charges (totalling kEUR 123.3). Adjusted for special effects and one-time expenses, there was an increase in other operating expenses of EUR 210.3 million.

3.8. Interest result

The interest result has the following structure:

kEUR	2018/2019	2017/2018
Interest income from shareholder loans	482.1	520.5
Interest income from Creditshelf loans	886.7	48.9
Other interest income	0.0	5.6
Total interest income	**1,368.8**	**575.0**
Interest on corporate bonds	–1,369.6	–232.2
Interest on convertible bonds	–1,521.3	–2,127.9
Interest expense from shareholder loans	–117.3	–368.0
Interest expenses for loans to banks	–3,629.0	–2,396.2
Ground rent	–494.3	–263.0
Other interest expenses	–43.2	–159.4
Total interest expenses	**–7,174.6**	**–5,546.7**
thereof not cash-effective	–1,148.7	–870.2
Total	**–5,805.7**	**–4,971.7**

Of the interest income, kEUR 1,368.8 relates to financial instruments that are accounted for using the effective interest method.

3.9. Other taxes

Other taxes in the current financial year amount to kEUR –0.4 (previous year: kEUR –0.4). The real estate tax on investment properties is reported under rental expenses.

3.10. Earnings per share

Earnings per share are as follows:

kEUR	2018/2019	2017/2018
Period result (undiluted)	**53,142.3**	**30,918.5**
Interest expenses on convertible bonds	1,521.3	2,127.9
Period result (diluted)	**54,663.6**	**33,046.4**
Average number of shares issued in the reporting period (undiluted)	**29,643,153**	**26,775,026**
Potential conversion shares	14,172,723	14,792,787
Average number of shares issued in the reporting period (diluted)	**43,815,876**	**41,567,813**
Earnings per share (EUR)		
Undiluted	**1.79**	**1.15**
Diluted	**1.25**	**0.80**

4. Notes to the cash flow statement

The cash flow statement was prepared with regard to the operating part using the indirect method. A distinction was made between current business, investment and financing activities. The cash and cash equivalents shown as of the balance sheet date include all credit balances and current account liabilities due within three months of the balance sheet date. The cash flow statement shows how cash and cash inflows and outflows changed during the financial year. In accordance with DRS 21 / IAS 7 („Cash Flow Statements"), a distinction is made between cash flows from operating activities and investing and financing activities.

Cash flow from operating activities amounted to kEUR 27,090.0 in the financial year (previous year: kEUR 14,520.4). The positive cash flow from operating activities is directly related to the acquisition-related increase in the real estate portfolio.

Cash flow from investing activities in the year under review amounted to kEUR –171,625.5 (previous year: kEUR –146,939.2). The main investment activities of the Company include payments for the various real estate acquisitions amounting to kEUR 156,320.6 (previous year: kEUR 140,447.2) in the reporting year.

Cash flow from financing activities in the year under review amounted to kEUR 170,034.3 (previous year: kEUR 131,398.8). Significant items in the reporting year were the proceeds from capital increases of kEUR 60,959.9 (previous year: kEUR 24,760.3) and the proceeds from taking out loans from various banks totalling kEUR 62,349.5 (previous year: kEUR 115,968.0) and the deposit from corporate bonds of kEUR 70,000.0 (previous year: kEUR 40,000.0). These payments were mainly offset by payments for the repayment of loans of kEUR 10,760.0 (previous year: kEUR 43,315.8) and the dividends paid of kEUR 5,992.0 (previous year: kEUR 0.0).

The opening balance of the net financial liabilities as of 1 October 2017 can be reconciled to the closing balance as of 30 September 2019 as follows:

kEUR	Liabilities to banks	Liabilities from convertible bonds	Liabilities from corporate bonds	Total
As at 01/10/2017	**72,363.1**	**35,541.0**	**0.0**	**107,904.1**
Deposits from issuing corporate bonds	0.0	0.0	40,000.0	40,000.0
Costs from issuing corporate bonds	0.0	0.0	–83.9	–83.9
Deposits from taking out loans	115,968.0	0.0	0.0	115,968.0
Costs from issuing loans	–600.9	0.0	0.0	–600.9
Payments for the repayment of financial liabilities	–32,612.9	0.0	0.0	–32,612.9
Interest expense	2,396.1	2,127.9	232.3	4,756.3
Paid interest	–2,290.4	–1,570.0	10.0	–3,850.4
As at 30/09/2018	**155,223.0**	**36,098.9**	**40,158.4**	**231,480.1**
As at 01/10/2018	**155,223.0**	**36,098.9**	**40,158.4**	**231,480.1**
Deposits from issuing corporate bonds	0.0	0.0	70,000.0	70,000.0
Costs from issuing corporate bonds	0.0	0.0	–88.9	–88.9
Deposits from taking out loans	62,349.5	0.0	0.0	62,349.5
Costs from issuing loans	–66.6	0.0	0.0	–66.6
Payments for the repayment of financial liabilities	–10,760.0	0.0	0.0	–10,760.0
Interest expense	3,629.0	1,521.3	1,371.4	6,521.7
Paid interest	–3,376.3	–748.7	–562.6	–4,687.6
Delta derecognition from modification of liability	0.0	–709.4	0.0	–709.4
As at 30/09/2019	**206,998.6**	**36,162.1**	**110,878.3**	**354,039.0**

5. Disclosures on financial instruments and fair value

5.1. Financial risk management

Through its business activities, DKR is exposed to various financial risks. These risks mainly include default, liquidity and market risk (interest rate risk). Accordingly, there is a policy-based risk management system, which is managed by the Corporate Finance department. The scope of the financial policy is determined by the Management Board and monitored by the Supervisory Board.

5.1.1. Default risks

Default risk is the risk of loss if a counterparty fails to meet its contractual payment obligations. These can be essentially tenants and private borrowers. In order to counteract this risk with tenants and loans, DKR basically only enters into business relations with creditworthy contracting parties and obtains appropriate collateral. DKR uses available financial information to assess the creditworthiness of its counterparties. The risk exposure of the Company is monitored continuously.

In principle, the Company recognises value adjustments for expected losses for:

- Financial assets that are valued at amortised cost
- Debt instruments that are valued at fair value through profit or loss
- and contractual assets and lease receivables.

The Company shall measure the valuation adjustment equal to the expected losses over the term, except in the following cases where the expected twelve-month credit loss is used:

- Debt instruments with low credit risk as of the balance sheet date and
- Debt instruments for which the default risk has not significantly increased since the initial recognition.

Impairment losses on trade receivables and contractual assets as well as lease receivables are generally taken into account on the basis of loan losses expected over the term.

Appropriate and reliable information that is available without undue time and expense is used to determine whether there has been a significant increase in the default risk since initial recognition and to estimate the expected default. This includes both quantitative and qualitative information and analysis based on experience and forward-looking information. The transfer from stage 1 of the impairment model in accordance with IFRS 9 takes place when the credit default risk has significantly increased since initial recognition. The primary indicator of this is that the contractual payments are more than 30 days overdue or the rating has deteriorated. A return transfer takes place when the credit default risk at the balance sheet date has decreased to such an extent that it is no longer significantly increased compared to the initial recognition. This applies regardless of the extent of the change in credit default risk compared to the previous balance sheet date.

The expected defaults are basically based on the difference between all contractual payments owed and any payments that are expected.

At each reporting date, it is examined whether financial assets that are carried at amortised cost and debt instruments that are recognised at fair value through profit or loss have impaired credit ratings and may need to be adjusted. The credit quality of a financial asset is impaired if one or more events that adversely affect the expected future cash flows have occurred. Indicators are among others

- Significant financial difficulties of the borrower
- A breach of contract such as default or overdue
- It is likely that the borrower goes into bankruptcy or reorganisation proceedings
- Concessions to the borrower for economic or legal reasons related to the financial difficulties of the borrower, who would not otherwise be considered.

Existing rental receivables are recognised in trade receivables and regularly checked for impairment. For the measurement of expected credit losses, the rental receivables were summarised in trade receivables on the basis of common credit risk characteristics and overdue days. Value adjustments are always made on the basis of the age structure of the rental receivables, with the exception of the highest rent receivables, which are considered individually and may be impaired. The expected loss rates are based on payment profiles of past sales and correspond to historical defaults. These historical loss ratios are adjusted to reflect current and forward-looking information on macroeconomic factors, reflecting the ability of customers to settle their claims. Impairment losses on trade receivables are included in the impairment of receivables and inventories. The value adjustments are deducted from the financial asset.

Existing loan receivables are checked for recoverability on the basis of their expected probability of default and their significant increase if necessary. The assumed probability of default of the loans acquired is based on regular credit analyses by the service provider Creditshelf, including the rating made there. Impairment losses on financial assets that are valued at fair value through profit or loss do not reduce the carrying amount of the asset but, like the fair value change, are recognised in other income.

Financial assets are de-recognized after a reasonable assessment if no realisability is expected. For individual assets, the value adjustment requirement provides for a derecognition if there is an overdue period of more than 360 days.

The financial assets recognised in the financial statements, less any impairments, represent the maximum credit risk of the Company. However, collateral received is not considered. There are no overdue, not impaired receivables.

5.1.2. Liquidity and financing risk

Liquidity risk is the risk that DKR will be unable to meet its payment obligations at a contractually agreed date.

To ensure liquidity, liquidity planning is carried out, which continuously compares the expected liquidity requirements with the expected cash inflows. In doing so, DKR manages liquidity risks by holding appropriate reserves and credit lines, as well as by continuous target/actual comparisons of forecast and actual cash flows, considering the maturity profiles of receivables and liabilities.

The following tables show the contractual and undiscounted disbursements of the recognised liabilities by residual maturity including interest accruals:

Remaining maturities as at 30/09/2019 in kEUR	Remaining maturities			
	Total	**up to 1 year**	**1 to 5 years**	**over 5 years**
Liabilities to banks	207,770.2	11,659.6	157,719.8	38,390.8
Liabilities from convertible bonds	37,079.2	0.0	37,079.2	0.0
Liabilities from corporate bonds	111,044.8	0.0	111,044.8	0.0
Liabilities from leasing	8,667.0	60.8	330.3	8,275.9
Trade payables	503.1	503.1	0.0	0.0
Other current liabilities	**779.0**	**779.0**	**0.0**	**0.0**

Remaining maturities as at 30/09/2018 in kEUR	Remaining maturities			
	Total	**up to 1 year**	**1 to 5 years**	**over 5 years**
Liabilities to banks	156,181.2	8,743.2	121,075.3	26,362.7
Liabilities to other creditors[1]	116.2	116.2	0.0	0.0
Liabilities from convertible bonds	37,261.7	261.7	37,000.0	0.0
Liabilities from corporate bonds	40,242.6	242.6	0.0	40,000.0
Liabilities from leasing	7,914.6	51.5	453.2	7,409.9
Trade payables	1,023.4	1,023.4	0.0	0.0
Other current liabilities	**640.9**	**640.9**	**0.0**	**0.0**

The Company may use credit lines. The total amount not yet used amounts to approximately kEUR 30,088.8 as of the balance sheet date (previous year: kEUR 27,515.8). The Company expects to be able to meet its liabilities from operating cash flows, the inflow of maturing financial assets and capital measures as well as existing credit lines at all times. In addition, there are estimated future cash outflows from interest on financial liabilities of around kEUR 7,140.8 (previous year: around kEUR 6,174.3) within one year, of more than one but less than five years of around kEUR 20,950.4 (previous year: around kEUR 13,461.4) and after more than five years of around kEUR 3,993.6 (previous year: around kEUR 3,215.1). The future interest payments for leasing are shown in 6.2.

With 6 credit agreements for 10 properties, maintenance reserves amounting to kEUR 38.9 per month have been agreed under loan agreements. In addition, there are one-off maintenance reserves of kEUR 573.5 (previous year: kEUR 497.0). As of the balance sheet date, maintenance reserves of kEUR 1,861.3 (previous year: kEUR 1,328.3) were accrued. An order for maintenance measures is possible against invoice.

[1] Claimed credit line repayable at any time

Part of the loan agreements contain obligations to comply with certain financial covenants. These typically include standard ratios such as the Debt Service Coverage Ratio (DSCR), Interest Cover Ratio (ICR) and Loan-To-Value (LTV), or maintenance reserves to be met for certain assets. A breach of the agreed loan specifications could result in a premature repayment obligation, which in individual cases could impair liquidity. As of 30 September 2019, all credit and bond contracts were complied with.

The recognised financial assets are classified as either current or non-current depending on their maturity.

Furthermore, DKR is fundamentally dependent on being able to obtain debt capital on reasonable terms for refinancing its current business activities or for acquisitions. For example, crises on the international financial markets can make debt financing more difficult and then lead to liquidity problems. If, as a result, the debt service should no longer be met, lenders could forcibly recover real estate assets, and distress sales could lead to significant financial penalties. In this respect, DKR continues to exploit favourable market conditions in order to make financing favourable and sustainable.

This also applies to other financial instruments, such as convertible and corporate bonds.

5.1.3. Interest rate risk

Due to its business activity, DKR is exposed to interest rate risk. This applies in particular to loans with variable interest rates and the recalculation of fixed-rate loans at the end of the fixed-interest period, if the interest rate increases by the ECB result in higher interest payments.

If required, DKR uses derivative financial instruments such as interest rate swaps or caps, which minimise interest rate risk or interest rate sensitivity when interest rates rise. As at 30 September 2019, the Company has no interest hedging instruments. For speculative purposes no derivatives are used.

In addition, DKR is in ongoing discussions with its banking partners in order to extend expiring fixed-interest periods in good time or to repay loans prematurely or to repay them if necessary. In principle, forward loans are also eligible.

As of 30 September 2019, only loans with a fixed interest rate exist.

If interest rates had been 1% higher (lower) in the reporting period, the annual result would have been kEUR 879.6 lower (2017/2018: kEUR 703.5) or kEUR 1,361.5 higher (2017/2018: kEUR 698.5).

5.2. Net results from financial instruments

Net gains and losses from financial instruments are allocated to the respective IFRS 9 valuation categories as follows:

Information as at 30/09/2019 in kEUR	Interest income	Interest expenses	Impairment (in other expenses)	Other
Financial instruments valued at FVtOCI	886.7	0.0	260.3	103.0
Financial instruments valued at FVtPL	0.0	0.0	0.0	0.0
Financial assets valued at AC	482.1	0.0	123.3	0.0
Total financial assets	**1,368.9**	**0.0**	**383.5**	**103.0**
Financial liabilities valued at FVtOCI	0.0	0.0	0.0	0.0
Financial liabilities valued at FVtPL	0.0	0.0	0.0	0.0
Financial liabilities valued at AC	0.0	6,676.2	0.0	0.0
Total financial liabilities	**0.0**	**6,676.2**	**0.0**	**0.0**

In the previous period, net income from financial instruments was as follows:

30/09/2018	IAS 39 Category	Interest in kEUR	Value adjustments in kEUR
Loans and recivables	LaR	575.0	–256.7
Financial liabilities	FLaC	–5,546.7	0.0

5.3. Offsetting financial assets and liabilities

Financial assets and liabilities are netted on the basis of master netting agreements only if there is an enforceable right to offset on the balance sheet date and it is intended to settle on a net basis. If a claim for netting is not enforceable in the ordinary course of business, the master netting agreement creates only a conditional right to offset. In this case, the financial assets and liabilities are shown on the balance sheet date with their gross amounts in the balance sheet.

In the balance sheet as of 30 September 2019, receivables from operating costs not yet invoiced of kEUR 9,879.6 (30/09/2018: kEUR 6,940.5) were offset, in line with the industry, with down payments received from operating cost prepayments in the amount of kEUR 7,858.0 (30/09/2018: kEUR 5,009.5).

5.4. Capital management

The objectives of capital management are to maintain a high credit rating and to maximise shareholder value by striving for an optimal equity/debt ratio (equity ratio) and to comply with the requirements of the REIT Act, which demand a minimum equity ratio of 45 % on immovable property.

The equity ratio at the end of the year is as follows:

In kEUR	30/09/2019	30/09/2018
Equity	317,362.5	209,762.4
Total assets	683,961.1	452,932.9
Equity ratio in %	**46.4**	**46.3**

The equity ratio according to the REIT Act is as follows:

In kEUR	30/09/2019	30/09/2018
Equity	317,362.5	209,762.4
Investment property/immovable property	619,881.3	418,707.3
Equity ratio in %	**51.2**	**50.1**

Another key performance indicator is the loan-to-value, which represents the ratio of net financial liabilities to the value of the real estate assets. DKR aims for an LTV of between 50 and 55 %:

In kEUR	30/09/2019	30/09/2018
Financial liabilities	354,039.0	231,596.4
minus cash, incl. fiduciary accounts	–28,895.5	–140.6
minus short-term terminable financial assets	–24,755.0	–7,425.5
Net financial liabilities	**–300,388.5**	**–224,030.3**
Investment properties	619,881.3	418,707.3
Investment properties intended for sale	4,100.0	0.0
Prepayments on acquired investment properties	16.6	18,518.5
Total real estate assets	**623,997.9**	**437,225.8**
Loan-to-Value (LTV), %	**48.1 %**	**51.2 %**

5.5. Valuation categories of financial instruments according to IFRS 9

IFRS 9 replaces IAS 39 and, among other things, regulates the classification of financial assets and liabilities. The reconciliation from the valuation categories in accordance with IAS 39 to those of IFRS 9 at the time of conversion is shown below:

Figures in kEUR	Category according to IAS 39	Book value according to IAS 39 as of 30/09/2018	Category according to IFRS 9	Book value according to IFRS 9 as of 01/10/2018	Difference
Financial assets					
Trade receivables	LaR[1]	772.4	AC[2]	772.4	0.0
Cash and cash equivalents	LaR	140.5	AC	140.5	0.0
Other financial assets	LaR	4,262.4	AC	4,262.4	0.0
Other financial assets	LaR	7,260.6	FVtOCI[3]	7,128.4	–132.3
Total financial assets		**12,435.9**		**12,303.6**	**–132.3**
Financial liabilities					
Liabilities to banks	FLaC[4]	155,223.0	AC	155,223.0	0.0
Liabilities to other creditors	FLaC	116.2	AC	116.2	0.0
Liabilities from convertible bonds	FLaC	36,098.9	AC	36,098.9	0.0
Liabilities from corporate bonds	FLaC	40,158.4	AC	40,158.4	0.0
Liabilities from finance leases	FLaC	7,914.6	–	7,914.6	0.0
Trade payables	FLaC	1,023.4	AC	1,023.4	0.0
Other current liabilities	FLaC	258.5	AC	258.5	0.0
Total financial liabilities		**280,951.4**		**280,951.4**	**0.0**

As a result of the first-time application of IFRS 9, the impairment increased retrospectively from kEUR 0.0 to kEUR 132.3 and was recognised in the initial-use reserve with no effect on income. In the financial year 2018/2019, an impairment loss of kEUR 383.5 resulted, which was recognised in profit or loss in the statement of comprehensive income.

[1] Loans and Receivables
[2] Amortised Cost
[3] Fair Value through Other Comprehensive Income
[4] Financial Liabilities at Amortised Cost

An overview of the measurement categories of financial assets and liabilities as of the balance sheet date in accordance with IFRS 9 can be found in the following table:

Figures in kEUR	Category according to IFRS 9	Book value as at 30/09/2019	AC	FVtPL	FVtOCI	IAS 17	Fair value as at 30/09/2019	Valuation hierarchy
Financial assets								
Other non-current assets	FVtOCI	8,369.5	–	–	8,369.5	–	8,369.5	Level 3
Trade receivables	AC	1,957.4	1,9574	–	–	–	1,957.4	Level 2
Cash and cash equivalents	AC	25,639.3	25,639.3	–	–	–	25,639.3	Level 2
Other current assets	AC	14,753.8	14,753.8	–	–	–	14,753.8	Level 2
Other current assets	FVtOCI	3,182.0	–	–	3,182.0	–	3,182.0	Level 3
Total financial assets		**53,902.1**	**42,350.5**	**–**	**11,551.6**	**0.0**	**53,902.1**	
Financial liabilities								
Liabilities to banks	AC	206,998.7	206,998.7	–	–	–	207,056.6	Level 2
Liabilities to other creditors	AC	0.0	0.0	–	–	–	0.0	Level 2
Liabilities from convertible bonds	AC	36,162.1	36,162.1	–	–	–	228,370.6	Level 1
Liabilities from corporate bonds	AC	110,878.3	110,878.3	–	–	–	112,000.0	Level 1
Liabilities from finance leases	–	8,667.0	–	–	–	8,667.0	8,667.0	Level 2
Trade payables	AC	503.1	503.1	–	–	–	503.1	Level 2
Other current liabilities	AC	869.6	869.6	–	–	–	869.6	Level 2
Total financial liabilities		**364,078.7**	**355,411.7**	**–**	**–**	**8,667.0**	**557,466.8**	

5.6. Fair value of assets and liabilities

IFRSs determine the fair value of various assets and liabilities.

The fair value is defined in IFRS 13 and is to be determined using the most near-to-market valuation methods and input parameters. A valuation hierarchy divides the input data according to their quality in three stages:

Level 1 Quoted (unadjusted) prices in active markets for identical assets or liabilities, such as stock prices

Level 2 Input factors other than quoted prices included in Level 1 but which are observable for the asset or liability either directly or indirectly (i.e. derived from prices)

Level 3 Factors not based on observable market data for the valuation of the asset or liability

Insofar as input factors of different levels are used, the fair value is assigned to the respective lower hierarchy level. The Company recognises reclassifications between different levels in principle as of the end of the reporting period in which the change occurred. In financial year 2018/2019, there were no reclassifications between the respective hierarchy levels.

The assets and liabilities recognised at fair value in the balance sheet are as follows:

In kEUR	Valuation hierarchy	30/09/2019	30/09/2018
Investment properties	Level 3	619,881.3	418,707.3
Acquired loans	Level 3	11,551.6	7,260.6
Real estate for sale	Level 1	4,100.0	0.0
Total assets		**635,532.9**	**425,967.9**

The fair value of long-term assets or liabilities corresponds to the present value of the expected payments, considering maturity and risk-adjusted market interest rates, if no stock market price is available. Short-term trade receivables and other assets and cash and cash equivalents therefore approximate their fair values.

The fair value of the loans acquired corresponds to the acquisition costs adjusted for repayments taking into account valuation adjustments based on credit-specific default probabilities, which are updated on a regular basis.

Since the selling price represents a fair value at level 1 of the fair value hierarchy, it was used and a transfer from level 3 (market value appraisals) to level 1 (sale price at the market) was made.

6. Other information

6.1. Contingent liabilities and other financial obligations

The Company has the following financial obligations from non-current contracts:

kEUR	30/09/2019	30/09/2018
Asset and property management contracts	9,980.5	7,381.0
Contracts management fees	440.9	551.1
Car leasing	13.8	22.1
Total	**10.435.2**	**7,954.2**
of which up to 1 year	4,027.5	3,014.4
of which one year to five years (undiscounted)	6,407.7	4,939.8
of which over five years (undiscounted)	0.0	0.0

On the balance sheet date of 30 September 2019, the Company had purchase price obligations from a notarised purchase agreement for an object in Moser (Saxony-Anhalt) totalling EUR 0.5 million.
There are no other contingent liabilities.

6.2. Lease obligations

Finance leasing as lessee

As a lessee of leasehold agreements, there are long-term lease liabilities, which result in disbursements in subsequent years. These are distributed as follows:

in kEUR	Total	up to 1 year	1 to 5 years	over 5 years
Minimum lease payments 30/09/2019	**29,492.5**	**551.7**	**2,206.9**	**26,733.9**
of which interest payments	20,825.6	490.9	1,876.6	18,458.0
of which repayments	8,667.0	60.8	330.3	8,275.9
Minimum lease payments 30/09/2018	**28.036.3**	**507.5**	**2,030.3**	**25,498.5**
of which interest payments	20,121.7	456.0	1,577.1	18,088.6
of which repayments	7,914.6	51.5	453.2	7,409.9

The leasehold agreements have a remaining useful life of 36.7 years on average and are adjusted to agreed indexes by means of value assurance clauses. In the year under review, six index adjustments took place, as a result of which the book values of the leasehold rights were increased by kEUR 352.1. The disposal of part of the leasehold in Bergen resulted in a reduction of kEUR 367.1 in the reporting period.

Both adjustments resulted in a total effect of kEUR –15.0 on the lease liabilities and assets, which was recognised directly in equity. Furthermore, some extension options are available.

6.3. Information on related parties

The companies and persons affiliated to the Company in accordance with IAS 24 comprise the following groups:

- Parent company,
- Other shareholders,
- Other related parties – including subsidiaries, joint ventures and associates of the shareholders with at least significant influence and companies controlled by the management,
- Members of the Management and Supervisory Boards of the Company and the Management and Supervisory Boards of the parent company and their close family members.

The Company maintains business relationships with related companies and persons. Essentially, these relationships include financial services through short-term provision of liquidity on the basis of concluded master agreements and services.

The scope of transactions with related parties is shown below:

Obotritia Capital KGaA has a significant stake in Deutsche Konsum REIT AG. For the use of business premises, the provision of office equipment and administrative staff, including the activities of the Management Board, Obotritia Capital KGaA charged a fee of kEUR 440.9 (2017/2018: kEUR 414.2) in the reporting period under the concluded agency agreement.

With the contract of 13 April 2013 and the supplement of 30 June 2016 and 1 December 2016, DKR was granted a credit line by Obotritia Capital KGaA within the framework of a current account loan facility of EUR 25,000 thousand. The loan is paid out at the request of Deutsche Konsum REIT-AG and must be repaid at any time, but no later than the end of the contract period on 31 December 2023. Interest will be charged exclusively on the outstanding amount; provisioning interests will not be charged additionally. In financial year 2018/2019, up to kEUR 12,347.0 of this amount was utilised (2017/2018: kEUR 17,119.1) and partially repaid in due time.

As of 30 September 2019, there was a receivable of kEUR 13,203.4 (30/09/2018: liability of kEUR 116.2). Overpayments are subject to the same contractual terms and conditions that apply to the claim. For these cases, a loan framework agreement was concluded on 30 April 2015. The interest rate is 8.0% p.a. The interest payments are deferred and are due at the latest upon termination of the loan. Interest income of kEUR 482.1 was achieved for the 2018/2019 financial year (2017/2018: kEUR 520.5) and interest expenses of kEUR 117.3 (2017/2018: kEUR 368.0) paid.

There is a management agreement with GV Nordost Verwaltungsgesellschaft mbH, Rostock, on the property management of the main real estate portfolio. Depending on the object, the agreed remuneration amounts to between 2% and 3% of the net rental income received (plus value added tax) per month. Expenses of kEUR 1,175.4 (2017/2018: kEUR 913.0) were incurred in the reporting period.

There is a management and consulting agreement with Elgeti Brothers GmbH, Berlin. The agreed remuneration amounts to 0.5% of the gross asset value of the real estate annually, calculated on the basis of purchase prices and transaction costs, and is paid in quarterly discounts. In the reporting period, expenses amounted to kEUR 2,121.9 (2017/2018: kEUR 1,283.5).

In addition, the Company invested excess liquidity of kEUR 19,210.0 in the acquisition of loans from Creditshelf Service GmbH, Frankfurt. Obotritia Capital KGaA holds shares in Creditshelf AG, so that these and its subsidiary, Creditshelf Service GmbH, are classified as related parties. Four loans were cancelled during the reporting period and were sold back to the Creditshelf at their outstanding nominal amount (totalling kEUR 789.1). The impairment on the acquired loans in the amount of kEUR 260.3 is recognised in profit or loss in other comprehensive income, whereas the change in fair value of kEUR 242.1 is recognised directly in other comprehensive income. The change in the fair value of the four defaulted loans was reclassified to profit or loss in the reporting period, amounting to kEUR 18.2. Creditshelf received from DRK kEUR 103.0 (2017/2018: kEUR 5.1) for ongoing loan processing and servicing.

The following receivables and liabilities to related parties exist in the balance sheet:

kEUR	30/09/2019	30/09/2018
Other current assets		
versus Obotritia Capital KGaA	13,203.4	0.0
Other related companies	0.4	0.0
Liabilities to other creditors		
against Obotritia Capital KGaA	0.0	116.2

The receivables from other related parties relate to receivables amounting to kEUR 0.4 from Diana Contracting GmbH.

In addition, Mr. Rolf Elgeti assumed joint and several guaranties totalling kEUR 1,300.0 for loans.

No loans and advances were granted to related persons. Close family members of the Management Board and the Supervisory Board have no influence on the Company's business decisions.

6.4. Supervisory Board and Management

In the reporting period, the Supervisory Board consisted of the following members:

Name	Profession	Memberships in other supervisory bodies
Hans-Ulrich Sutter Chairman of the Supervisory Board Dusseldorf	Business graduate, Supervisory Board member	• Deutsche Industrie REIT-AG, Rostock (Chairman of the Supervisory Board since 22 March 2019) • TAG Colonia-Immobilien AG, Hamburg (Deputy Chairman of the Supervisory Board)
Achim Betz Deputy Chairman of the Supervisory Board Nuertingen	• German CPA and Tax Consultant, Business graduate, • ba audit gmbh Wirtschaftsprüfungsgesellschaft, Berlin (Managing Partner), • BSF Treuhand GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart (Managing Partner)	• Hevella Capital GmbH & Co. KGaA, Potsdam (Chairman of the Supervisory Board) • Deutsche Leibrenten Grundbesitz AG, Frankfurt am Main (Deputy Chairman of the Supervisory Board) • NEXR Technologies SE (former Staramba SE), Berlin (Deputy Chairman of the Board of Directors since 13 February 2019) • Deutsche Industrie REIT-AG, Rostock (Supervisory Board member) • Bankhaus Obotritia GmbH, Munich (Member of the Audit Committee since 26 February 2019)

Name	Profession	Memberships in other supervisory bodies
Johannes C. G. (Hank) Boot London	Fund Manager, Lotus AG, Munich	• Gerlin NV, Maarsbergen, The Netherlands (Supervisory Board member since 14 February 2019) • Berentzen AG, Haselünne (Supervisory Board member until 22 May 2019)
Nicholas Cournoyer London	Fund Manager, Montpelier Capital Advisors, Monaco	None
Kristian Schmidt-Garve Munich	Lawyer LL.M., MIG Verwaltungs AG (Executive Board), Munich	• Cynora GmbH, Munich (Chairman of the Advisory Board) • Biocrates Life Sciences AG, Innsbruck, Austria (Supervisory Board member since 1 August 2019)

The remuneration of the Supervisory Board for the financial year amounted to kEUR 32.5 (2017/2018: kEUR 30.0) excluding value added tax. Members of the Supervisory Board were granted no loans and advances; Likewise, no contingent liabilities were made in favour of Members of the Supervisory Board.

During the reporting period, the Management Board consisted of the following members:

Name	Profession	Memberships in other supervisory bodies
Rolf Elgeti Chairman (CEO) Potsdam	Business graduate	• TAG Immobilien AG, Hamburg (Chairman of the Supervisory Board) • Deutsche Leibrenten Grundbesitz AG, Frankfurt am Main (Chairman of the Supervisory Board) • creditshelf Aktiengesellschaft, Frankfurt am Main (Chairman of the Supervisory Board) • NEXR Technologies SE (former Staramba SE), Berlin (Chairman of the Board of Directors since 13 February 2019) • HLEE (Highlight Event and Entertainment AG) Pratteln, Switzerland (Member of the Board of Directors) • Laurus Property Partners, München (Member of the Advisory Board) • Bankhaus Obotritia GmbH, Munich (Member of the Audit Committee since 26 February 2019)
Alexander Kroth Member of the Board (CIO) Kleinmachnow	Business graduate	None
Christian Hellmuth Member of the Board (CFO) Stahnsdorf	Business graduate (FH)	None

For details of the Supervisory Board and Management Board remuneration, please refer to the compensation report in the DKR management report.

6.5. Consolidated Financial Statements

DKR is included in the consolidated financial statements of Obotritia Capital KGaA, Potsdam. The financial statements for 2018/2019 are included in the consolidated financial statements of Obotritia Capital KGaA, based in Potsdam, for the largest and smallest group of companies, which is published in the Federal Gazette.

6.6. Fee of the auditor

The auditors‘ fees in the past financial year were as follows:

kEUR	30/09/2019	30/09/2018
Audit services	128.0	82.8
Other confirmation services	0.0	1.9
Other services	6.2	4.9
Total	**134.2**	**89.6**
of which relating to other periods	28.0	2.8

The other confirmation services relate to the audit pursuant to § 1 (4) REIT Act as at 31 December 2018. Subsequent calculations include kEUR 28.0 (2017/2018: kEUR 2.8) for off-period fees.

6.7. Significant events after the balance sheet date

With notarial certifications in October and November 2019, a total of 13 additional retail properties were acquired.

These include four food-anchored properties in Roßwein (Saxony), Laufach (Bavaria), Genthin (Saxony-Anhalt) and Gera (Thuringia) as well as a DIY store portfolio consisting of seven locations in Gronau, Kreuztal (NRW), Chemnitz, Zeitz (Saxony), Wolfenbüttel (Lower Saxony), Staßfurt (Saxony-Anhalt) and Brandenburg an der Havel (Brandenburg).

In addition, a hypermarket in Trier (Rhineland-Palatinate) and a food discounter in Herzebrock-Clarholz (NRW) were notarised.

The investment volume for these properties is around EUR 90 million, which exists as short-term purchase price payment obligations. The annualised rent of the acquired properties amounts to approximately EUR 8.6 million. The transfer of benefits and encumbrances is expected to take place between 1 January 2020 and 1 March 2020.

With a notarial certification dated 24 October 2019, the existing property Buddestraße 36 in Berlin was sold with an annual rent of kEUR 202 for a purchase price of EUR 4.1 million. The transfer of benefits and encumbrances is expected to take place on 1 February 2020.

On the liabilities side, two loan agreements were concluded on 18 November and 3 December 2019 with Sparkasse Hannover and Erzgebirgssparkasse for a total of EUR 19.5 million. Both loans have a term of five years and will each be paid with 1.35 % and 1.60 % p.a. interest.

In addition, an unsecured promissory note loan at Banco Santander in the amount of EUR 10 million was taken out with payment on 18 November 2019. The loan has a term of five years, is final and is paid with 2.1 % p.a. interest.

6.8. Corporate Governance Code (Declaration on the German Corporate Governance Code pursuant to § 161 AktG)

On 12 September 2019 the Management Board and the Supervisory Board of Deutsche Konsum REIT-AG issued the latest declaration of compliance with the German Corporate Governance Code pursuant to § 161 AktG and on 2 December 2019 the current corporate governance statement. The declaration was made permanently available to shareholders at www.deutsche-konsum.de/en/.

Potsdam, 6 December 2019

Rolf Elgeti	**Alexander Kroth**	**Christian Hellmuth**
Chairman	Member of the Board	Member of the Board

Statement from the Company's legal representatives

„We assure to the best of our knowledge that, in accordance with the applicable accounting standards, the financial statements as of 30 September 2019 give a true and fair view of the asset, financial and earnings position of the Company and that the management report gives a true and fair view of the development of the business including the business result and the situation of the Company and describes the main opportunities and risks associated with the Company's expected future development."

Potsdam, 6 December 2019

Rolf Elgeti	**Alexander Kroth**	**Christian Hellmuth**
Chairman	Member of the Board	Member of the Board

Audit certificate of the independent auditor

To Deutsche Konsum REIT-AG, Broderstorf

Audit certificate for the audit of the separate financial statements and management report

Audit opinions

We have audited the separate financial statements of Deutsche Konsum REIT-AG – consisting of the balance sheet to 30 September 2019, the statement of comprehensive income, the cash flow statement and the statement of changes in equity for the 1 October 2018 to 30 September 2019 financial year and the Appendix, including a summary of significant accounting methods. Also, we have audited the management report of Deutsche Konsum REIT-AG for the 1 October 2018 to 30 September 2019 financial year.

In our assessment, on the strength of the findings gained as a result of the audit,

- the attached separate financial statements comply with the IFRS, as applicable in the EU, in all material aspects and with the German statutory regulations applicable in addition subject to §315e (1) German Commercial Code (HGB) and so presents, subject to these regulations, a picture of the Company's asset and finance situation matching the actual circumstances obtaining at 30 September 2019 and matching the Company's earnings position for the 1 October 2018 to 30 September 2019 business year and

- the attached management report presents overall an accurate picture of the Company's situation. In all material aspects, this management report harmonises with the separate financial statements, complies with the German statutory regulations and accurately represents the opportunities and risks inherent in future developments.

Pursuant to §322 (3) sentence 1 German Commercial Code (HGB), we declare that our audit has not produced any reservations about the correctness of the separate financial statements or the management report.

Basis for the audit opinions

We have conducted our audit of the separate financial statements and the management report in conformity with §317 German Commercial Code (HGB) and the EU Financial Statement Auditing Regulation (Abschlussprüferverordnung) (No. 537/2014; referred to below as "EU-APrVO") with reference to the German principles laid down by the Institute of Auditors (IDW) for the proper conduct of financial statement audits. Our responsibility under these regulations and principles is further described in the section 'Responsibility of the auditor for auditing the separate financial statements and management report' in our audit certificate. We are independent of the Company in conformity with the regulations under European law, German commercial law and the rules of professional conduct and have satisfied our other German professional obligations in conformity with these requirements. Further, we declare, pursuant to Article 10 (2f) EU-APrVO, that we have not rendered any prohibited non-auditing services under Article 5 (1) EU-APrVO. We are of the view that the evidence obtained by us is sufficient and suitable to serve as the basis of our audit opinions on the separate financial statements and management report.

Other information

The legal representatives are responsible for the other information. The other information covers:

- the remaining parts of the annual report, with the exception of the audited separate financial statements and management report and our audit certificate,
- the corporate governance report under No. 3.10 of the German Corporate Governance Code,
- the assurance under § 264 (2) sentence 3 German Commercial Code (HGB) on the separate financial statements and the assurance under § 289 (1) sentence 5 HGB on the management report and
- the declaration on corporate governance under § 289f HGB.

Our audit opinions on the separate financial statements and the management report do not cover the other information and correspondingly we give neither an audit opinion nor any other form of audit conclusion on this information.

In connection with our audit, we have the responsibility of reading the other information and thereby of judging whether the other information

- displays material discrepancies from the separate financial statements, the management report or our other findings gained through conducting the audit or
- in any other way appears to be presented falsely.

Responsibility of the legal representatives and of the Supervisory Board for the separate financial statements and the management report

The legal representatives are responsible for the preparation of the individual financial statements, which comply with the IFRS, as applicable in the EU, and the German statutory provisions applicable in all material respects pursuant to Section 315e (1) HGB, and that the individual financial statements, under compliance with these provisions, represent a true and fair view of the financial position and performance of the Company. Also, the legal representatives are responsible for the internal controls which they have determined to be necessary in order to facilitate compilation of the separate financial statements which are free of material – intended or unintended – false representations.

When compiling the separate financial statements, the legal representatives are responsible for assessing the ability of the Company to continue the corporate activity. Furthermore, they are also responsible for supplying facts linked to the continuation of the corporate activity, where relevant. They are also responsible for drawing up their balance sheet on the basis of the accounting principle that the corporate activity will continue, unless it is intended to liquidate the Company or to cease trading or unless there is no realistic alternative to it.

Also, the legal representatives are responsible for compiling the management report, which conveys overall an accurate picture of the Company's situation and which harmonises in all material aspects with the separate financial statements, complies with the German statutory regulations and accurately represents the opportunities and risks inherent in future developments. Also, the legal representatives are responsible for the arrangements and measures (systems) which they have determined to be necessary in order to facilitate compilation of a management report harmonising with the applicable German statutory regulations and in order to be able to furnish sufficient and suitable evidence for the statements contained in the management report.

The Supervisory Board is responsible for monitoring the Company's accounting process for compilation of the separate financial statements and the management report.

Responsibility of the auditor for auditing the separate financial statements and the management report

It is our aim to establish sufficient confidence over the question of whether the separate financial statements as a whole are free of material – intended or unintended – false representations and whether the management report conveys overall an accurate picture of the company's situation and which harmonises in all material aspects with the separate financial statements and with the findings gained during the auditing process, complies with the German statutory regulations and accurately represents the opportunities and risks inherent in future developments and to issue an audit certificate containing our audit opinions on the separate financial statements and the management report.

Sufficient confidence is a high level of confidence, but no guarantee that an audit of a financial statement conducted properly in conformity with § 317 German Commercial Code (HGB) and the EU Financial Statement Auditing Regulation and in compliance with the German principles laid down by the Institute of Auditors (IDW) will always reveal a material false representation. False representations may be the result of infringements or inaccuracies and are seen as material if it could be sensibly anticipated that they, either singly or taken together, will influence the commercial decisions taken by the intended recipients on the basis of these separate financial statements and management report.

During the audit, we exercise an obligatory level of discretion and maintain a critical basic attitude. Furthermore,

- we identify and assess the risks of material – intended or unintended – false representations in the separate financial statements and management report, plan and conduct audit actions as a response to these risks and obtain audit evidence, which is sufficient and suitable for serving as the basis of our audit opinions. The risk that material false representations will not be revealed is greater with infringements than with inaccuracies because infringements may involve fraudulent collusion, falsifications, intended incomplete statements, misleading representations or the setting aside of internal controls;

- we gain an understanding of the internal control system relevant for auditing the separate financial statements and of the relevant arrangements and measures for auditing the management report in order to plan auditing actions which are appropriate under the given circumstances, though not with the aim of issuing an audit opinion on the efficacy of these systems

- we assess the appropriateness of the accounting methods used by the legal representatives and the acceptability of the estimated values presented by the legal representatives and the associated information.

- we draw conclusions on the appropriateness of the accounting principles applied by the legal representatives for continuation of the corporate activity and, on the basis of the auditing evidence obtained, whether there is material uncertainty in connection with events or circumstances which may throw significant doubt on the ability of the Company to continue its corporate activity. If we come to the conclusion that there is material uncertainty, we will be obliged to draw attention in the audit certificate to the associated information in the separate financial statements and in the management report or, if such information is inappropriate, to modify our audit opinion. We draw our conclusions on the basis of the auditing evidence obtained up to the date of our audit certificate. Future events or circumstances may however cause the Company to be unable to continue the corporate activity.

- we assess the overall presentation, the structure and the content of the separate financial statements including the information and whether the separate financial statements present the underlying business events and occurrences in such a way that the separate financial statements present a picture reflecting the actual circumstances of the asset, finance and earnings situation of the Company in compliance with the IFRS, as applicable in the EU, and the German statutory regulations applicable in addition under § 315e (1) HGB.

- we assess conformity of the management report with the separate financial statements, its compliance with the law and the picture conveyed by it of the Company's situation.

- we conduct audit actions in accordance with the future-orientated information in the management report presented by the legal representatives; on the basis of sufficient and suitable audit evidence we reproduce the significant assumptions taken as their basis by the legal representatives for their future-orientated information and assess the proper derivation of the future-orientated information from these assumptions. We do not issue an independent audit opinion on either the future-orientated information or the underlying assumptions. There is a considerable unavoidable risk that future results will differ materially from the future-orientated information.

With those responsible for monitoring, we discuss, among other matters, the planned scope and scheduling of the audit and the significant audit observations including any defects in the internal control system which we note during our audit.

We give a declaration to those responsible for monitoring that we have maintained the relevant independence conditions and discuss with them all the relations and other facts about which it may be sensibly assumed that they have an effect on our independence and have taken precautionary measures in this respect.

Of the facts which we have discussed with those responsible for monitoring we determine which facts have the greatest significance for the current reporting period in the audit of the separate financial statements and which therefore are the most important auditing facts. We describe these facts in the audit certificate, unless laws or other legal regulations exclude the publication of the facts.

Other statutory and other legal requirements

Other information under Article 10 EU-APrVO

We were selected as auditors of the financial statements by the General Shareholders' Meeting on 21 March 2019. We were appointed by the Supervisory Board on 23 August 2019. We have been working without interruption since the 2014 financial year as auditors of the financial statements of Deutsche Konsum REIT-AG.

We declare that the audit opinions contained in this audit certificate harmonise with the additional report to the audit committee under Article 11 EU-APrVO (audit report).

Responsible auditor

The auditor responsible for the audit is Mr. Torsten Fechner.

Berlin, dated 11 December 2019

DOMUS AG
Auditing company
Tax consultancy company

Prof. Dr. Hillebrand
Auditor

Fechner
Auditor

Declaration of compliance with the requirements of the REITG

In connection with the annual financial statements as at 30 September 2019 the Management Board issues the following declaration of compliance with the requirements of the German REIT act (REITG):

Section of German REIT act	Regulation	Date	DKR	DKR REIT criteria fulfilled
§ 11 (1)	Freefloat of shares > 15 %	31/12/2018	38.9 %	Yes
§ 11 (2)	No investor holds > 10 % of the shares	30/09/2019	–	Yes
§ 12 (2a)	Immovable assets of at least 75 % of all assets	30/09/2019	91.2 %	Yes
§ 12 (3a)	At least 75 % of the income is generated by immovable assets	30/09/2019	100.0 %	Yes
§ 13	Dividend distribution of > 90 % end result according to German GAAP	30/09/2019	99 %	Yes
§ 14	Exclusion of real estate trading	30/09/2019	< 0,1 %	Yes
§ 15	Equity of at least 45 %	30/09/2019	51.2 %	Yes
§ 19	Composition of income in terms of income subject to and not sucject to income tax	30/09/2019	n/a	Yes

Regarding the minimum freefloat of shares as at 31 December 2018 we notified the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) of this by way of letter dated 13 March 2019. The declaration of the Management Board is under reserve until approval by the auditor which will occur presumably in January 2020.

Deutsche Konsum REIT-AG
Potsdam, 6 December 2019

The Management Board

Rolf Elgeti
CEO

Alexander Kroth
CIO

Christian Hellmuth
CFO

Photo: Hypermarket Montanushof
Ostwall 31, 41515 Grevenbroich

Financial calendar

18/12/2019
Publication of the final annual statements/annual financial report for the financial year 2018/2019

13/02/2020
Publication of the quarterly statement for the first quarter of 2019/2020 financial year

05/03/2020
Annual General Meeting, Berlin

14/05/2020
Publication of the half-yearly financial report of 2019/2020 financial year

13/08/2020
Publication of the quarterly statement for the third quarter of 2019/2020 financial year

17/12/2020
Publication of the final annual statements/annual financial report for the financial year 2019/2020

For detailed information please visit the menu item "Financial Calendar" in the Investor Relations section of the website at https://www.deutsche-konsum.de/en/.

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Disclaimer
This annual report contains future-oriented statements. These are based on current estimates and are therefore subject to risk and uncertainty. In this respect, events which actually occur may deviate from the statements formulated herein.

This report has been translated from the German version. In case of doubt the German version is decisively.

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