Annual report

1 October 2019 to 30 September 2020

Deutsche Konsum REIT-AG

Corporate key figures

	01/10/2019 – 30/09/2020	01/10/2018 – 30/09/2019	Difference	%
Income statement (kEUR)				
Rental income	56,231	41,978	14,252	34.0
Net operating income	39,927	31,602	8,325	26.3
EBIT	38,692	58,948	–20,256	–34.4
Financial result	–4,518	–5,806	1,288	22.2
Net income	34,174	53,142	–18,969	–35.7
FFO	34,991	25,041	9,950	39.7
FFO per share (in EUR)	1.06	0.84	0.21	25.0
aFFO	19,886	20,490	–604	–2.9
aFFO per share (in EUR)	0.60	0.69	–0.09	–13.2
Earnings per share, undiluted (in EUR)	1.03	1.79	–0.76	–42.5
Earnings per share, diluted (in EUR)	0.73	1.25	–0.52	–41.4
Recurring costs ratio (in %)	4.8	5.6	–0.8	–13.7

	30/09/2020	30/09/2019	Difference	%
Balance sheet key figures (kEUR)				
Investment properties	809,929	619,881	190,047	30.7
Total assets	935,730	683,961	251,769	36.8
Equity	390,665	317,362	73,302	23.1
Total debt	527,674	354,039	173,635	49.0
Finance key figures				
(net) Loan-to-Value (LTV) (in %)	51.7	48.1	3.6	7.5
Average interest rate of loans (in %)	1.81	1.94	–0.13	–6.7
Average interest rate of loans, bonds and convertible bonds (in %)	1.91	1.93	–0.02	–0.8
Average remaining duration of loans (in years)	4.0	4.7	–0.7	–14.9
Interest cover ratio (ICR), multiple	7.7	4.9	2.8	56.6
EPRA NAV	390,665	317,362	73,302	23.1
EPRA NAV per share (in EUR)	11.11	9.93	1.18	11.9
EPRA NNNAV per share (in EUR)	11.11	9.93	1.18	11.9
REIT metrics				
REIT equity ratio	48.2	51.2	–3.0	–5.8
Share information				
Shares issued (pieces)	35,155,938	31,959,944	3,195,994	10.0
Average number of shares within the reporting period (pieces)	33,138,795	29,643,153	3,495,642	11.8
Market cap (in EUR)	555,463,827	509,761,107	45,702,720	9.0
Share price (in EUR)	15.80	15.95	–0.15	–0.9
Portfolio key figures				
Number of assets	161	123	38	30.9
Rental space (in m²)	899,852	723,708	176,144	24.3
Annualised rent (in kEUR)	63,050	48,736	14,314	29.4
Initial yield (in %)	10.5	10.9	–0.4	–3.6
Vacancy rate (in %)	9.9	9.9	0.0	0.1
WALT (in years)	5.4	5.6	–0.2	–3.9

Cover photo and Backcover photo: Hypermarket
Thüringer Straße 26, 07552 Gera

Content

Photo: Retail park
Nordpassage 1, 15890 Eisenhüttenstadt

1. To our shareholders

Dear shareholders, ladies and gentlemen,

despite the COVID 19 pandemic („Corona“), DKR can look back on a successful 2019/2020 financial year.

Right at the beginning of the financial year, the Company‘s real estate portfolio grew through a record purchase volume with a strong momentum that set the course for strong growth at an early stage.

However, the first corona wave, which then also started in Germany in spring 2020, and the lockdowns had a brief shock effect, which brought the transaction market to a standstill for several months. DKR has nevertheless come through the crisis environment very well so far: the majority of our tenants, especially food retailers, DIY stores, and other non-cyclical tenants, such as doctors‘ practices, pharmacies and others, were not affected by the lockdowns and continued to pay their rents. Only in April and May 2020 rent deferrals were granted, but in total these amount to only around 2% of the current annual rent of the DKR real estate portfolio. In this respect, the defensive profile of DKR‘s business model has proven to be very crisis-resistant, as intended.

On the portfolio side, we acquired 39 new retail properties with a volume of around EUR 182 million and annual rents of almost EUR 17 million in the last financial year – a new growth record after the last financial year. In contrast, a property in Berlin was sold for a very attractive price. As a result, the real estate assets reported in the balance sheet as of 30 September 2020 now comprise 161 properties with a balance sheet value of around EUR 810 million and annual rents of around EUR 63 million. Accordingly, rental income increased from EUR 42.0 million to EUR 56.2 million year-on-year, resulting in a EUR 10.0 million increase in FFO to EUR 35.0 million, in line with FFO guidance (EUR 34 million to EUR 36 million). Once again, FFO grew significantly faster than rental income, which shows the continuous increase in DKR‘s profitability.

On the financing side, DKR has also positioned itself very favorably in the Corona environment by raising secured and unsecured debt capital and by means of a capital increase in May 2020, providing it with additional funds to be able to quickly take advantage of opportunities arising on the transaction market. As a result, the net LTV increased to 51.7% on 30 September 2020, slightly above the target of 50%. In addition, the last capital increase allowed us to welcome new well-known shareholders to our shareholder base, which also underlines the attractiveness of our business model.

In the operational management of the real estate portfolio, DKR continued to add value in the 2019/2020 financial year: Rents (like-for-like) rose by around 0.9% year-on-year and vacancies were reduced by 4.4%. Value-enhancing modernisation and revitalisation investments (capex) of around EUR 15 million, which were fully confirmed in the annual portfolio valuation, also contributed to this. As a result, EPRA NAV per share increased by around 12% to EUR 11.11 per share.

The DKR share reached a historic high of EUR 19.25 shortly before the outbreak of the Corona crisis in March 2020. The DKR share was also unable to escape the ensuing crash on the international securities markets, but over the course of the year recovered much more quickly than the major benchmark indices and at the end of the financial year was 15 cents below the previous year‘s closing price, while market capitalisation was 9% higher at around EUR 555 million.

After the last dividend payment of EUR 0.35 per share in March 2020, the Management Board will propose a dividend of EUR 0.40 per share to the Annual General Meeting. Despite the achievement of the FFO forecast, we consider it appropriate to conserve liquidity for the time being due to the ongoing crisis environment and economic uncertainties and therefore propose a reduction of the proposed dividend by EUR 0.15 per share compared to the previously forecasted EUR 0.55 per share.

Since late summer DKR has again recorded a broadly filled purchase pipeline in the new financial year 2020/2021, of which the first purchases have already been reported. In this respect, we are confident about the new financial year 2020/2021 and, assuming a normalising market environment, we expect an increase in FFO between 20% and 25% or EUR 42 million and EUR 45 million respectively.

We thank you for your confidence in our work and look forward to welcoming you at 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 2020

2. The share

Stock markets in 2020 marked by COVID 19 pandemic

For investors, 2019 was characterised by an upswing on the international stock markets. The dominant themes on the stock markets towards the end of the year were the partial agreement in the trade dispute between the USA and China, the brexite negotiations and the expansive monetary policy of the central banks, which continued to result in historically low capital market interest rates. The DAX closed 2019 with a gain of over 25%. The MDAX and the SDAX even rose by more than 31%.

However, due to the corona pandemic, stock markets experienced a global downward trend at the beginning of 2020. A recovery only set in later in the year. However, the market development continued to be characterised by uncertainty about the long-term consequences for the global economy resulting from the corona crisis, which was reflected in high volatility. The presidential election in the USA in November 2020 also triggered reactions in the market in advance. After several major ups and downs, the DAX was up only slightly year-on-year at 12,761 points after nine months on 30 September 2020 (30 September 2019: 12,428 points).

DKR share robust in volatile market environment

Shortly after the DKR share reached its all-time high of EUR 19.25 on 6 March 2020[1], the COVID 19 pandemic, which up to that point had spread mainly in China, developed into a serious global crisis with strong repercussions first in Italy, Spain and France, whereupon other European countries and Germany soon after ordered a far-reaching „lockdown" of public life and the retail trade from 23 March 2020. The expected negative economic consequences led to dramatic price falls on the global financial markets, which DKR shares were also unable to escape completely, falling briefly to an annual low of EUR 12.80. However, most of DKR's tenants were not affected by this lockdown, as food retailers and DIY stores were classified as systemically relevant and were therefore allowed to open further. As a result, DKR shares performed significantly better in the crisis environment than most real estate stocks on the German stock exchanges and the DAX family, underlining the robustness and resilience of the business model. Moreover, at the beginning of May 2020, a large part of the hard lockdown restrictions had already been lifted, so that DKR has not been affected by any significant negative effects so far. As a result, at the end of the reporting period on 30 September 2020, the DKR share was already trading at a price of EUR 15.80, almost back at the level at the beginning of the financial year (30 September 2019: EUR 15.95). Since the start of the stock exchange listing on 15 December 2015, the share price has multiplied by a total of EUR 12.30 or 351.4%. Over a two-year period, the DKR share (+44%) has performed significantly better than the DAX (+4%).

The market capitalisation exceeds EUR 550 million, also as a result of the successful capital increase in May 2020. This has brought the Company further into the focus of institutional investors and many private investors. In the course of the stock markets unsettled by the corona pandemic, however, average trading volumes declined slightly compared to the same period of the previous year.

[1] Variable price Xetra.

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

Key figures of the DKR share

EUR	30/09/2020	30/09/2019	%
Number of shares issued in units	35,155,938	31,959,944	10.0
Closing price at the end of the financial year[1]	15.80	15.95	–0.9
Market capitalisation in EUR million	555.5	509.8	9.0
Average Xetra daily volume in units[2]	8,664	9,830	–11.9
Highest price during the financial year	19.25[3]	17.45[4]	
Lowest rate during the financial year	12.80[5]	9.46[6]	

[1] Xetra closing prices from 30 September 2020 and 30 September 2019.
[2] In the financial year 2019/2020 or 2018/2019.
[3] Variable price Xetra on 6 March 2020.
[4] Variable price Xetra on 21 June 2019.
[5] Variable price Xetra on 23 March 2020.
[6] Variable price Xetra on 14 December 2018.

Dividend payout increased by 75 % to EUR 0.35 per share

On 5 March 2020, the Annual General Meeting approved the dividend proposal for the past financial year 2018/2019 of EUR 0.35 per share, which represents an increase of 75% over the previous year's dividend (EUR 0.20 per share) and reflects the value-added growth of the Company. DKR thus distributed a total of kEUR 11,186.

Successful capital increase

Using the Authorised Capital 2020 and with the consent of the Supervisory Board, DKR carried out a cash capital increase of 10% of the share capital on 15 May 2020 without subscription rights. This was entered in the Commercial Register on 18 May 2020. 3,195,994 new no-par-value shares were issued at a subscription price of EUR 16.00 per share and the share capital increased to EUR 35,155,938.00. DKR received net proceeds of around EUR 50.3 million from this issue, which will be used to acquire further retail properties.

Shareholders

The shareholder structure is characterised by institutional national and international investors with a predominantly long-term investment strategy. As of 30 September 2020, the free float (as defined by Deutsche Börse AG, subject to the provisions of the German Securities Trading Act (WpHG) was 43.99%.

The Annual General Meeting of Deutsche Konsum REIT-AG took place in Berlin on 5 March 2020. More than 40% of the share capital was represented (share capital of the Company at the time of convening the Annual General Meeting: 31,959,944 shares). All agenda items were resolved by a large majority.

Information on the resolutions regarding the Authorised and Conditional Capital are contained in Chapters "2.3. Business performance" and "6. Takeover-relevant information in accordance with § 289a HGB" of the management report. Detailed information on the Supervisory Board elections is contained in the Chapters „3. Corporate Governance Statement" and „4. Report of the Supervisory Board" of this annual report.

Analysts' assessments

DKR shares are currently covered by four analysts:

Bank	Price target in EUR	Rating	Analyst	Date
Berenberg Bank	20.00	Buy	Kai Klose	2 November 2020
Jefferies	16.00	Hold	Thomas Rothaeusler/Sebastian Link	11 September 2020
Bankhaus Lampe	18.50	Buy	Dr. Georg Kanders	14 August 2020
ODDO BHF	18.80	Buy	Manuel Martin	14 August 2020

Investor relations work and roadshows despite COVID restrictions via digital media

Despite the restrictions imposed by the COVID 19 pandemic, DKR continued to intensify its investor relations activities and was present both in the specialist media and at capital market events. The majority of these events were conducted virtually via digital media, which nevertheless proved to be very efficient and target-oriented under the circumstances. This also resulted in savings on travel expenses compared to the previous year.

The defensive strategy based on non-cyclical rental income and the Company's growth story met with broad investor interest. DKR will continue to be present at national and international roadshows and capital market conferences, either virtually or – as soon as health risks have ceased to exist – on site.

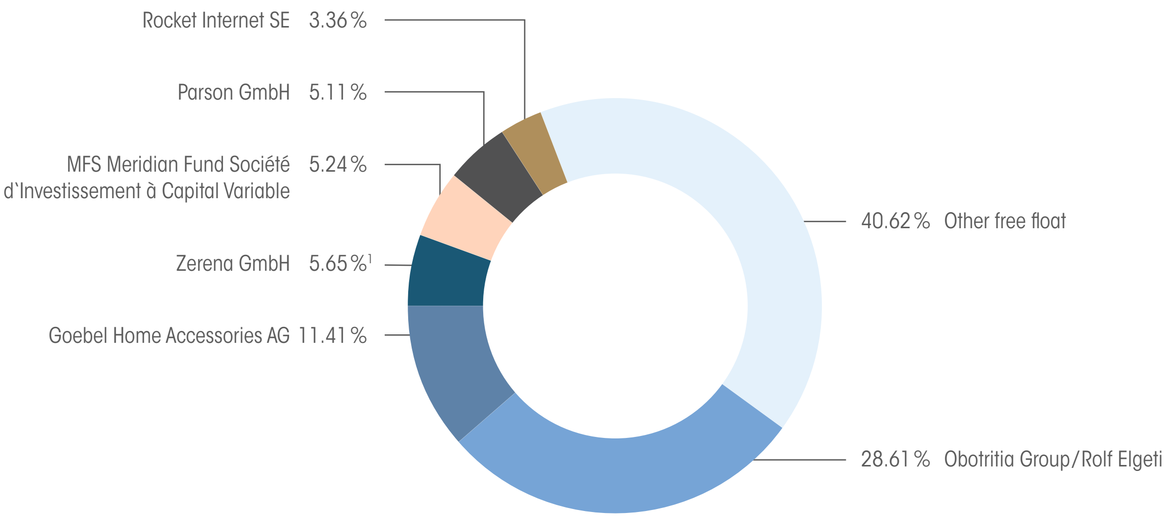
The share of DKR at a glance

As of	30 September 2020
ISIN	DE000A14KRD3
Security Identification Number	A14KRD
Ticker symbol	DKG
First day of trading	15/12/2015
Number of shares	35,155,938
Share capital	EUR 35,155,938.00
Trading venues	XETRA, Frankfurt and Berlin
Market segment	Regulated Market
Transparency level	Prime Standard

In addition, DKR was regularly featured in major investor media in the 2019/2020 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 2020

Free float as defined by Deutsche Börse AG, subject to the provisions of the German Securities Trading Act (WpHG): 43.99 %.

[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 Statement

In the following, the Supervisory Board and Management Board of Deutsche Konsum REIT-AG (DKR or the "Company") report on the Company's corporate governance and corporate management in accordance with § 289f of the German Commercial Code (HGB).

First, the current Declaration of Compliance of the Management Board and the Supervisory Board of Deutsche Konsum REIT-AG dated 15 September 2020 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 Compliance 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 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 Compliance was issued on 12 September 2019:

Section 3.8 (3) GCGC – Deductible in D&O insurance for the Supervisory Board:
Section 3.8 (3) GCGC previously provided that a deductible should be agreed in a D&O insurance policy for the Supervisory Board. The D&O insurance policy of Deutsche Konsum REIT-AG did not provide for a deductible for the Supervisory Board. The Company was of the opinion that agreeing a deductible would not affect the sense of responsibility and conscientiousness of its Supervisory Board members. In addition, the Company was of the opinion that a mandatory, uniform deductible could possibly affect the members of the Supervisory Board differently due to different income and asset situations (also against the background of the rather low Supervisory Board remuneration for a listed stock corporation). As the GCGC in the version dated 16 December 2019 dispenses with this recommendation, the Company will not comment on this point in future.

Section 4.1.3 GCGC – Compliance Management System:
The Company has not employed more than twenty employees since the last Declaration of Compliance was issued. For this reason, the Management Board saw 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, 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 follow the recommendation to pay attention to diversity when filling management positions within the Company, and in particular to aim for an appropriate consideration of women. The Company had and currently has only employees without management functions. Apart from the Management Board, there were no management positions to be filled in the Company, which is why the Company could not follow this recommendation for formal reasons.

For this reason, the Company had set 0% as the target for women‘s participation in management positions for the period ending 30 September 2020. For the period until 30 September 2025, the Company nevertheless sets 30% as a target figure for the participation of women in the event that – contrary to the current opinion of the Company – management positions below the Management Board are to be filled. In the case of Deutsche Konsum REIT-AG, 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 follow the recommendation that diversity should be taken into account when appointing members of the Management Board, and in particular that women should be given appropriate consideration. The Company was of the opinion that the professional aptitude and the knowledge of the Company as prerequisites for the appointment are crucial, so that the above-mentioned specifications were not expedient. For this reason, the Company had set 0% as the target for women‘s participation in the Management Board for the period until 30 September 2020. For the same reasons, no age limit was set for members of the Management Board. By resolution of 15 September 2020, the Supervisory Board has now decided on an age limit for the Management Board of 80 years.

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 continuing low complexity as well as the transparent business model of Deutsche Konsum REIT-AG he considered the formation of committees not necessary and dedicated 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 not set any specific targets for its composition or developed a competence profile for the entire body. Similarly, diversity rules have not been set in the objectives for the composition of the Supervisory Board. The Company was of the opinion that the professional aptitude and the knowledge of the Company as prerequisites for the appointment are crucial, so that the above-mentioned requirements were 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 standard limit for membership of the Supervisory Board was waived so far. By resolution of 15 September 2020, the Supervisory Board has now set a target of 16.67% for the period up to 30 September 2025 as the target figure for women‘s participation in the Supervisory Board and an age limit of 80 years. As the GCGC in the version dated 16 December 2019 does not recommend a standard limit for membership of the Supervisory Board, the Company will not comment on this point in future.

The Management Board and Supervisory Board of Deutsche Konsum REIT-AG further declare in accordance with § 161 (1) German Stock Corporation Act that Deutsche Konsum REIT-AG has complied with the recommendations of the Government Commission on the German Corporate Governance Code in the version dated 16 December 2019, published in the Federal Gazette on 20 March 2020, since the announcement with the following exceptions and will comply with the recommendations in future with the following exceptions:

Recommendation A.1 GCGC – Consideration of diversity in the filling of management positions:
The Management Board does not currently follow the recommendation to take diversity into account when filling management positions in the Company. The Company currently only has employees without management functions. Apart from the Management Board, there are no management positions to be filled in the Company, which is why the Company cannot currently follow this recommendation for formal reasons.

Recommendation A.2 GCGC – Compliance Management System:
The Company currently employs only twenty employees. For this reason, the Management Board 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, in view of the size of the Company, not in any meaningful relation to the potential benefit gained.

Recommendation B.1 GCGC – Consideration of diversity in the composition of the Management Board:
At present, the Supervisory Board does not follow the recommendation that diversity has be taken into account when appointing members of the Management Board. The Company is of the opinion that the professional aptitude and the knowledge of the Company as prerequisites for the appointment are crucial, so that the above-mentioned specifications are not expedient.

Recommendation B.2 GCGC – Long-term succession planning by the Supervisory Board:
In view of the current age of the members of the Management Board (38 to 43 years), the Company does not currently consider long-term succession planning to be necessary.

Recommendations C.1 and C.2 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 for Supervisory Board members:
The Supervisory Board has not set any specific targets for its composition or developed a competence profile for the entire body and does not intend to set such targets or develop a competence profile in the future. Similarly, diversity rules have not been set in the objectives for the composition of the Supervisory Board or are to be set in the future. The Company is of the opinion that the professional aptitude and the knowledge of the Company as prerequisites for the appointment are crucial, so that the above-mentioned requirements were 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, and has dispensed with setting an age limit for members of the Supervisory Board. By resolution of 15 September 2020, the Supervisory Board has now set a target of 16.67% for the period up to 30 September 2025 as the target figure for women's participation in the Supervisory Board, as well as an age limit of 80 years.

Recommendation C.5 GCGC – Supervisory Board mandates in non-group listed companies:
While the Company believes that Recommendation C.5 of the GCGC provides guidance for the Company's Supervisory Board members (and not for its Management Board), in view of the ambiguous wording, it is noted that Management Board member Rolf Elgeti holds more than two supervisory board mandates in non-group listed companies or in comparable supervisory bodies (including as Chairman of the Supervisory Board).

Recommendation on section D.II.2 GCGC – Supervisory Board committees:
The Supervisory Board had refrained from forming committees in view of its small number of members and therefore does not follow recommendations D.2, D.3, D.4 and D.5 GCGC. Due to the continuing low complexity as well as the transparent business model of Deutsche Konsum REIT-AG he considers the formation of committees will not be necessary in

the future either and dedicates himself furthermore in its entirety of the pending topics.

Recommendation D.13 GCGC – Self-assessment by the Supervisory Board:
In view of the low level of complexity of the Company and its business model, the legally required interval between Supervisory Board meetings and the regular meetings held without the participation of the Management Board, the Supervisory Board assumed that this was adequate for effective performance of its duties. To this extent, a formalised self-assessment system was dispensed with. By resolution dated 15 September 2020, the Supervisory Board has now introduced a formalised self-assessment system and will follow the recommendation in future.

Recommendation on section G.I GCGC – Compensation of the Management Board:
Section G.I. of the GCGC contains new recommendations on the compensation of the Management Board, to which the current compensation model of Deutsche Konsum REIT-AG does not fully comply, as it has grown historically and dates from before the announcement of the Government Commission on the German Corporate Governance Code in the version dated 16 December 2019. This applies to the recommendations on the determination of the remuneration system (G.1), on the determination of the amount of the variable remuneration components (G.6, G.7, G.8, G.10 and G.11) and on benefits upon termination of contract (G.12 and G.13). The Supervisory Board and Management Board intend to make the recommendations the subject of the revision of the 2020/2021 compensation system.

Recommendation G.3 GCGC – Usuality of the specific total remuneration:
The Supervisory Board is currently not carrying out a peer group comparison to assess the usuality of the remuneration of the Management Board, as there is currently no sufficiently representative and therefore suitable selection of comparable companies/REITs in Germany. Nevertheless, the Supervisory Board monitors that the remuneration of the Management Board is appropriate and customary by comparing it with national and international listed real estate companies in the broader sense.

Recommendation G.4 GCGC – Assessment of the usuality of Management Board compensation within the Company:
At present, the Supervisory Board does not determine the usuality of Management Board compensation by establishing a relationship with senior management and the workforce, since firstly, due to the small size and complexity of the Company, there is currently no senior management level and, secondly, the number of employees is too small to allow meaningful conclusions to be drawn.

Recommendation G.16 GCGC – Crediting of remuneration when accepting non-group Supervisory Board mandates:
The Supervisory Board does not follow the recommendation that, when members of the Management Board accept non-group Supervisory Board mandates, it should decide whether and to what extent remuneration from the respective Supervisory Board mandate should be credited. Based on previous experience with the members of the Management Board and their handling of non-group Supervisory Board mandates, it is not to be expected that non-group Supervisory Board mandates will have a negative impact on the future activities of the members of the Management Board for the Company. Given the Supervisory Board's ability to exercise control, which also exists independently of the recommendation, a decision on the crediting of remuneration from non-group Supervisory Board mandates is not necessary.

Broderstorf, 15 September 2020

For the Supervisory Board	For the Management Board
Hans-Ulrich Sutter Chairman of the Supervisory Board	Rolf Elgeti Chairman of the Management Board

The current Declarations of Compliance 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 Compliance".

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 does not currently follow recommendation B.1 GCGC to take diversity into account when appointing members of the Management Board. The Company is of the opinion that the professional qualifications and knowledge of the Company are decisive as prerequisites for the appointment, so that the aforementioned requirements are not conducive to achieving the objective. For this reason, the Company had set a target of 0% for the period up to 30 September 2020 and currently, by resolution of 15 September 2020, 0% for the period up to 30 September 2025 as a target figure for the participation of women on the Management Board. This target has been achieved in the past and is currently being achieved.

The Management Board of Deutsche Konsum REIT AG currently consists of three persons, Mr. Rolf Elgeti, Mr. Alexander Kroth and Mr. Christian Hellmuth. The Management Board contracts of Mr. Kroth and Mr. Hellmuth were extended in 2020 for another three years until 30 June 2023.

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.

In item B.2, the GCGC recommends that long-term succession planning should be carried out by the Supervisory Board. DKR does not comply with this recommendation, as the Company does not currently consider long-term succession planning to be necessary in view of the current age of the members of the Management Board (at the time the Declaration of Compliance was issued on 15 September 2020: 38 to 43 years).

The Company had previously been of the opinion that professional qualifications and knowledge of the Company were decisive as prerequisites for filling the position, so that no age limit had been set for members of the Management Board. In a resolution dated 15 September 2020, the Supervisory Board has now decided on an age limit for members of the Management Board of 80 years.

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

The remuneration of the CEO, Rolf Elgeti, currently takes the form of a fixed payment via a pay-as-you-go agreement with Obotritia Capital KGaA. The remuneration system for Management Board members Alexander Kroth and Christian Hellmuth is based on short and long-term remuneration incentives. Detailed information on the remuneration of the Management Board is provided in the remuneration report in the 2019/2020 management report. Section G.I. of the GCGC contains new recommendations on the remuneration of the Management Board, to which the current remuneration model of Deutsche Konsum REIT-AG does not fully comply, as it has grown historically and dates from the period prior to the announcement of the Government Commission on the German Corporate Governance Code in the version dated 16 December 2019. This concerns the recommendations on the determination of the remuneration system (G.1), on the determination of the level of variable remuneration components (G.6, G.7, G.8, G.10 and G.11) and on benefits on termination of contract (G.12 and G.13). Before the next annual shareholders‘ meeting, the Supervisory Board will pass a resolution in accordance with § 87a (1) of the German Stock Corporation Act (AktG) on the future remuneration system for the Management Board and submit it to the shareholders‘ meeting for approval in accordance with § 120a (1) of the German Stock Corporation Act (AktG).

Consideration of diversity in the filling of management positions

The Management Board does not currently follow the recommendation A.1 GCGC to take diversity into account when filling management positions in the Company. The Company currently only has employees without management functions. Apart from the Management Board, there are no management positions to be filled in the Company, which is why the Company cannot currently follow this recommendation for formal reasons. Even though the Company was and is of the opinion that § 76 (4) of the German Stock Corporation Act (AktG) has no practical scope in this particular case due to the lack of management positions to be filled, the Company had set 0 % as the target figure for the participation of women in management positions for the period until 30 September 2020 purely as a precautionary measure. For the period up to 30 September 2025, the Company is setting 30 % as a precautionary target for female participation in the event that – contrary to the Company‘s current view – management positions are to be filled below the Management Board. In the case of Deutsche Konsum REIT-AG, 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 six-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. In the opinion of the shareholder representatives on the Supervisory Board, all shareholder representatives are to be considered independent.

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 Company is of the opinion that the professional qualifications and knowledge of the Company are decisive as prerequisites for filling the position, so that the above-mentioned requirements are not conducive to achieving the objective. For this reason, the Company had set a target of 0 % for the participation of women on the Supervisory Board for the period until 30 September 2020. This target was achieved during the relevant period, and since 5 March 2020 the actual level of female participation has been 16.67 %. By resolution of 15 September 2020, the Supervisory Board has now set a target of 16.67 % for the period until 30 September 2025 as the target figure for female participation in the Supervisory Board. This target figure is currently met.

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

Mr. Hans-Ulrich Sutter is Chairman of the Supervisory Board, Mr. Achim Betz First Deputy Chairman and Mr. Schmidt-Garve Second Deputy 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 2021.

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”.

In view of its small number of members, the Supervisory Board has so far refrained from forming committees and therefore does not follow recommendations D.2, D.3, D.4 and D.5 GCGC. Due to the continued low level of complexity and the transparent business model of Deutsche Konsum REIT-AG, it does not consider it necessary to form committees in the future either, the Supervisory Board as a whole continues to address the issues at hand.

In the past, no age limit was set. The Company believed the determination of an age limit 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 addition, the professional qualifications and knowledge of the Company should be decisive as prerequisites for filling the position. By resolution of 15 September 2020, the Supervisory Board has now set an age limit of 80 years for the Supervisory Board.

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.

The Supervisory Board regularly assesses the efficiency of its own performance of its duties in the course of meetings held in person and by telephone. By resolution dated 15 September 2020, the Supervisory Board has now introduced a formalised self-assessment system, which will be applied in the current financial year. It will report on the manner and results in the next corporate governance statement.

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 2019/2020 Management Report.

The members of the Supervisory Board ensure that they have sufficient time to carry out their duties. They shall undertake the necessary education and training on their own responsibility. The Company provides appropriate support to the members of the Supervisory Board during their inauguration and the training and further training measures. All members of the Supervisory Board are given access to specialist literature and are reimbursed for the costs of attending seminars and webinars whose topics are relevant to the work of the Supervisory Board.

Further details on the work of the Supervisory Board can be found in the Report of the Supervisory Board, which is part of the 2019/2020 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. If necessary, the Supervisory Board meets without the Management 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 2019/2020 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 just twenty 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 2019, took place on 21 March 2020 in Berlin. More than 40% of the share capital was represented (share capital of the Company at the time of convening the Annual General Meeting: 31,959,944 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. In accordance with the German Corporate Governance Code, the Company aims to publish the annual financial statements within 90 days of the end of the financial year and the mandatory financial information during the year (quarterly reports and the half-yearly financial report) within 45 days.

The 2020 Annual General Meeting elected DOMUS AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft as the auditor for the financial year 2019/2020. 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 Compliance 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 management report 2019/2020.

Broderstorf, December 2020

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 Leipzig Portitz Treff
Tauchaer Straße 260, 04349 Leipzig

4. Report of the Supervisory Board

Dear Shareholders,

In the 2019/2020 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.

The Company provides appropriate support to the members of the Supervisory Board in their inauguration and in the training and further training measures. All members of the Supervisory Board are given access to specialist literature and are reimbursed for the costs of attending seminars and webinars whose topics are relevant to the work of the Supervisory Board.

Session attendance of the Supervisory Board

A total of six meetings of the Supervisory Board were held in the reporting period, two of which were face-to-face meetings and three of which were conducted as conference calls. One meeting was also held virtually (online with video and audio transmission). 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. If necessary, the Supervisory Board meets without the Management Board.

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 2019/2020:

Name	17/12/2019 Presence meeting	05/03/2020 Presence meeting	09/04/2020 Telephone conference	13/05/2020 Telephone conference	25/05/2020 Telephone conference	15/09/2020 Virtual meeting
Hans-Ulrich Sutter	x	x	x	x	x	x
Achim Betz	x	x	x	x	x	x
Kristian Schmidt-Garve	x (by telephone)	x	x	x	x	x
Cathy Bell-Walker	n/a	x (by telephone)	x	x	x	x
Johannes C. G. (Hank) Boot	x (by telephone)	x	x	x	–*	x
Nicholas Cournoyer	x (by telephone)	x (by telephone)	x	–*	x	–*

* Mr. Boot and Mr. Cournoyer had previously given voting messages to Mr. Sutter.

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 2019, during which the auditors were also present in person, the Supervisory Board unanimously approved the annual financial statements of the Company for the 2018/2019 financial year, which were thus adopted. In addition, the variable Management Board compensation for the year 2018/2019 was determined and set for the year 2019/2020. The Management Board and Supervisory Board also discussed the current status of the purchase pipeline, liquidity planning and other economic developments in the Company.

In addition to dealing with the results of the Annual General Meeting, the Supervisory Board reconstituted itself at its meeting on 5 March 2020 following its election. Ms. Cathy Bell-Walker was elected to the Supervisory Board and Mr. Hans-Ulrich Sutter was re-elected Chairman. The Supervisory Board elected Achim Betz as its First Deputy and Kristian Schmidt-Garve as its Second Deputy. At this meeting the Supervisory Board also discussed and approved current purchasing and financing projects. For example, it approved the financing pipeline and resolved to issue the unsecured stepped interest bond in the amount of EUR 40 million.

On 9 April 2020, the Management Board and Supervisory Board discussed the effects of the COVID 19 pandemic. The Management Board also provided an overview of the April rents not yet received at that time.

On 13 May 2020, the Management Board presented the Supervisory Board with the half-year results and liquidity planning and reported on the current status of incoming rent. The Management Board and Supervisory Board also discussed the current acquisition and financing pipeline and the Supervisory Board approved the acquisition of the properties in Stendal and Rövershagen. The current impact of the Corona crisis on the property transaction market was also discussed.

At its meeting on 25 May 2020, the Supervisory Board resolved to extend the Management Board contracts of Mr. Alexander Kroth (CIO) and Mr. Christian Hellmuth (CFO) for a further three years until 30 June 2023.

At the meeting on 15 September 2020, the current purchase pipeline, other refinancing issues and expectations regarding the development of the financial year results were discussed. In addition, the Supervisory Board adopted revised and updated rules of procedure, resolved to set targets for the proportion of women on the Supervisory Board and Management Board and set a standard age limit of 80 years for members of the Management Board and Supervisory Board. The Management Board and Supervisory Board also jointly adopted the Declaration of Compliance for 2020 after discussing individual corporate governance issues.

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 5 March 2020 and the capital increase in May 2020.

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 First Deputy 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 Statement 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 2019/2020. 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 15 September 2020 in accordance with § 161 German Stock Corporation Act (AktG).

Annual audit

The annual financial statements of Deutsche Konsum REIT-AG as of 30 September 2020, prepared by the Management Board, and the management report of the Company were audited by the auditor, appointed by the Annual General Meeting on 5 March 2020 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 16 December 2020 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 2020 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, the 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 0.40 per share be distributed for the 2019/2020 financial year. This corresponds to a distribution of 100% of the net income of kEUR 13,850 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

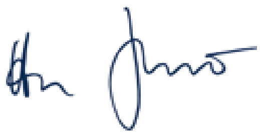
There were no personnel changes in the Management Board in the reporting period. The Management Board contracts of Mr. Alexander Kroth (CIO) and Mr. Christian Hellmuth (CFO) were extended for a further three years until 30 June 2023.

At the Annual General Meeting on 5 March 2020, Ms. Cathy Bell-Walker was elected as a new member of the Supervisory Board. Since the corresponding amendment to the Articles of Association was entered in the Commercial Register, the Supervisory Board of Deutsche Konsum REIT-AG thus consists of six persons. At the constituent meeting of the Supervisory Board, which took place after the Annual General Meeting, Mr. Hans-Ulrich Sutter was confirmed as Chairman of the Supervisory Board. Mr. Achim Betz was appointed as First Deputy Chairman and Mr. Kristian Schmidt-Garve as Second Deputy 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 2021.

The Supervisory Board would like to thank the Management Board and employees for their commitment in the 2019/2020 financial year.

Broderstorf, December 2020

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
First Deputy Chairman of the Supervisory Board
German CPA and Tax Consultant, MBA in Business Administration, Nürtingen

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

Cathy Bell-Walker
Solicitor, England & Wales, London

Johannes C. G. (Hank) Boot
CIO, Lotus Family Office, London

Nicholas Cournoyer
Trustee, Montpelier Foundation Limited, London

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 PEP (Prima Einkaufs-Park)
Gerichtswiesen 39, 04668 Grimma

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

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

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

2020

10 March 2020
Unsecured corporate bond issue 2020/2025:
Volume: EUR 40 million

5. Mai 2020
Rating Upgrade:
Issuer Rating: „BB+ stable"
secured: „BBB" (Investment grade)
unsecured: „BBB–"

15 May 2020
10 % cash capital increase without subscription rights
Volume: EUR 51 million
Price: EUR 16.00 per share
New number of shares: 35,155,938 shares

30 September 2020
161 retail properties
Balance sheet value: kEUR 809,929
Closing price: EUR 15.80
Market capitalisation: more than EUR 550 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: Hypermarket
Thüringer Straße 26, 07552 Gera

A REIT thus enables a broad spectrum of investors to participate indirectly in real estate via shares. In particular, private 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 retail parks.

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 1.1% (2018: 1.0%) and 1.5% (2018: 1.5%), and respectively in the DIY sector a good 6.0% (2018: 5.6%) in 2019[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 2020/2021. 15th issue, pages 11 and 18.

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 2019/2020 financial year

7.2.1. Acquisitions once again exceed the EUR 150 million threshold

DKR recorded record growth in the past financial year and acquired 39 retail properties with a total rental space of around 213,132 m² and an annual rent of EUR 14.8 million, and with an investment volume of around EUR 158 million as of the balance sheet date of 30 September 2020.

As of 30 September 2020, DKR‘s portfolio comprises a total of 161 retail properties with a total rental space of around 899,853 m² and an annualised rent of around EUR 63.1 million. The portfolio will be accounted for at around EUR 810 million on 30 September 2020.

7.2.2. Positive operational development

Key operating figures as of 30 September 2020 are as follows:

	30/09/2020	30/09/2019	Difference
Rent/Year (EUR million)	63.1	48.6	29.8 %
Rent/m²/monthly	6.48	6.23	4.0 %
Vacancy rate (%)	9.9	9.9	0.0 %
WALT (years)	5.4	5.8	–6.9 %
Fair value (EUR million)	809.9	619.8	30.5 %
Property value (EUR/m²)	900	858	4.7 %
Valuation factor	12.9	12.8	0.8 %

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):

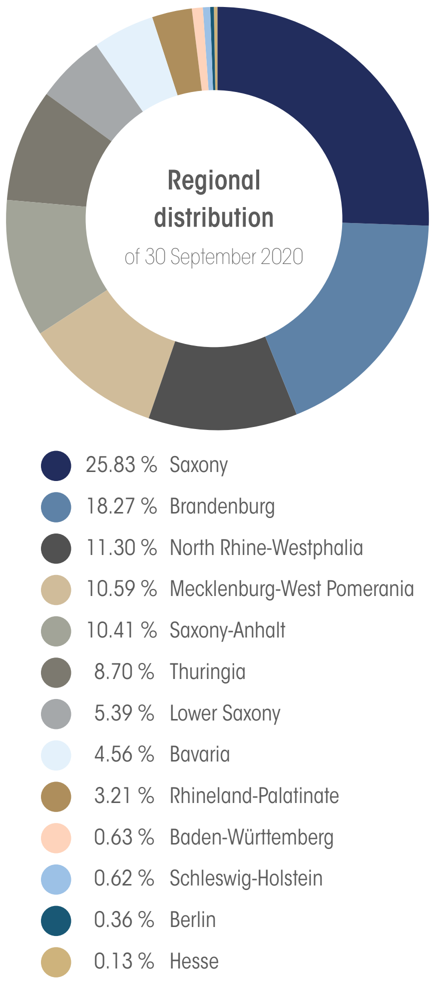
	30/09/2020	30/09/2019	Difference
Net rent/m²/monthly*	5.73	5.68	0.9 %
Vacancy rate (%)	8.81	9.22	–4.4 %
WALT (years)	5.2	5.7	–8.8 %

* 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 2020:



[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			
	30/09/2020		30/09/2019		30/09/2020		30/09/2019	
	m²	%	m²	%	kEUR	%	kEUR	%
Old West German States	199,202	22.1	132,041	18.3	16,524	26.2	10,739	22.0
New German States	700,651	77.9	590,518	81.7	46,526	73.8	37,997	78.0
	899,853	**100.0**	**722,559**	**100.0**	**63,050**	**100.0**	**48,736**	**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.

Nevertheless, the share of rents from western German locations increased further from around 22.0% to over 26.2% in the past 2019/2020 financial year, due in particular to the acquisition of properties from the Bavaria portfolio. In addition, four further larger properties were acquired in Gronau (NRW), Kreuztal (NRW), Wolfenbüttel (Lower Saxony) and Trier (Rhineland-Palatinate), which further increased the share of rents from West German locations. Due to its increased popularity and its growing network, DKR is 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 2020:

	Quantity	Area		Annualised rent	
		m²	%	kEUR	%
Retail parks	19	230,522	25.6	15,719	24.9
Hypermarkets	11	222,855	24.8	18,043	28.6
Local retail centres	37	217,326	24.2	13,987	22.2
DIY stores (stand-alone)	17	112,554	12.5	7,051	11.2
Discounter	71	91,513	10.1	7,232	11.5
Wholesale markets	6	25,083	2.8	1,018	1.6
	161	**899,853**	**100.0**	**63,050**	**100.0**

The strongest object groups in the DKR portfolio are retail parks, 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 seventeen DIY stores, which are operated for many years by the large and creditworthy DIY chains.

Photo: Hypermarket
Am Kenner Haus 20, 54344 Trier

Vacancy

The vacancy rate of the real estate portfolio totalled around 9.9% as of 30 September 2020. 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 (%)
Eisenhüttenstadt – City Center	32,987	8,961	27.2
Chemnitz – Vita-Center	39,935	7,657	19.2
Plauen	24,954	7,052	28.3
Gera	23,788	6,777	28.5
Grevenbroich – Montanushof	27,751	5,626	20.3
Grevenbroich – Coens Galerie	11,849	5,119	43.2
Meißen	24,485	4,516	18.4
Bitterfeld – BiTZ	19,707	3,849	19.5
Güstrow	5,601	3,308	59.1
Other	688,796	36,558	5.3
Total	**899,853**	**89,423**	**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. In addition, there is a structural (space) vacancy in some properties due to structural conditions.

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 2019/2020, DKR was involved in the revitalisation of the following properties:

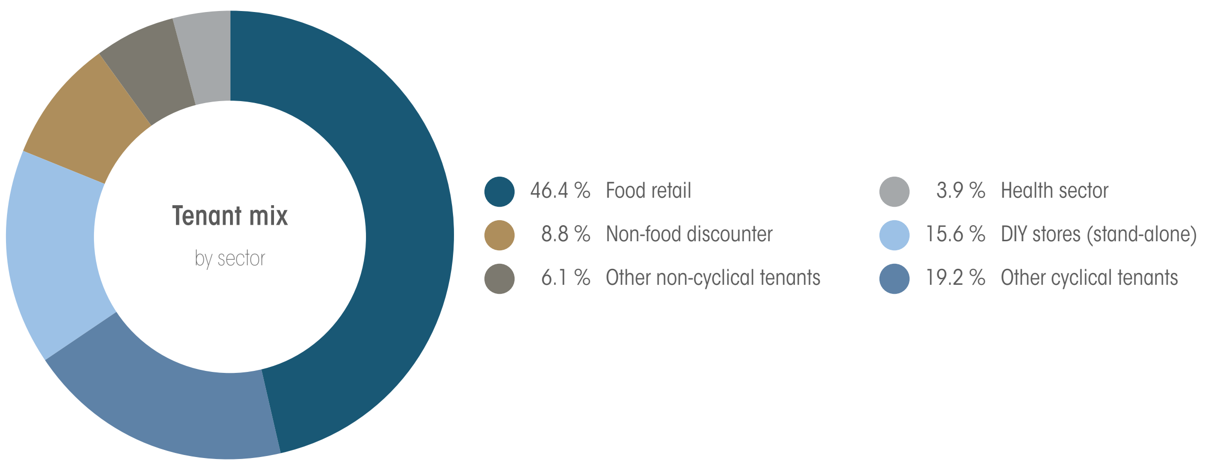
Object	Revitalisation phase	Estimated completion
Grevenbroich – Montanushof	Phase 4	completed
Hohenmölsen – Kirschbergcenter	Phase 3	2021
Leipzig – Löwenpark	Phase 4	completed
Guben – Neiße Center	Phase 4	completed
Niesky	Phase 4	completed
Rostock – Kolumbuspassage	Phase 3	2021
Stralsund – Lindencenter	Phase 2	open
Ueckermünde – Haff-Center	Phase 2	open

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 46.4% 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.

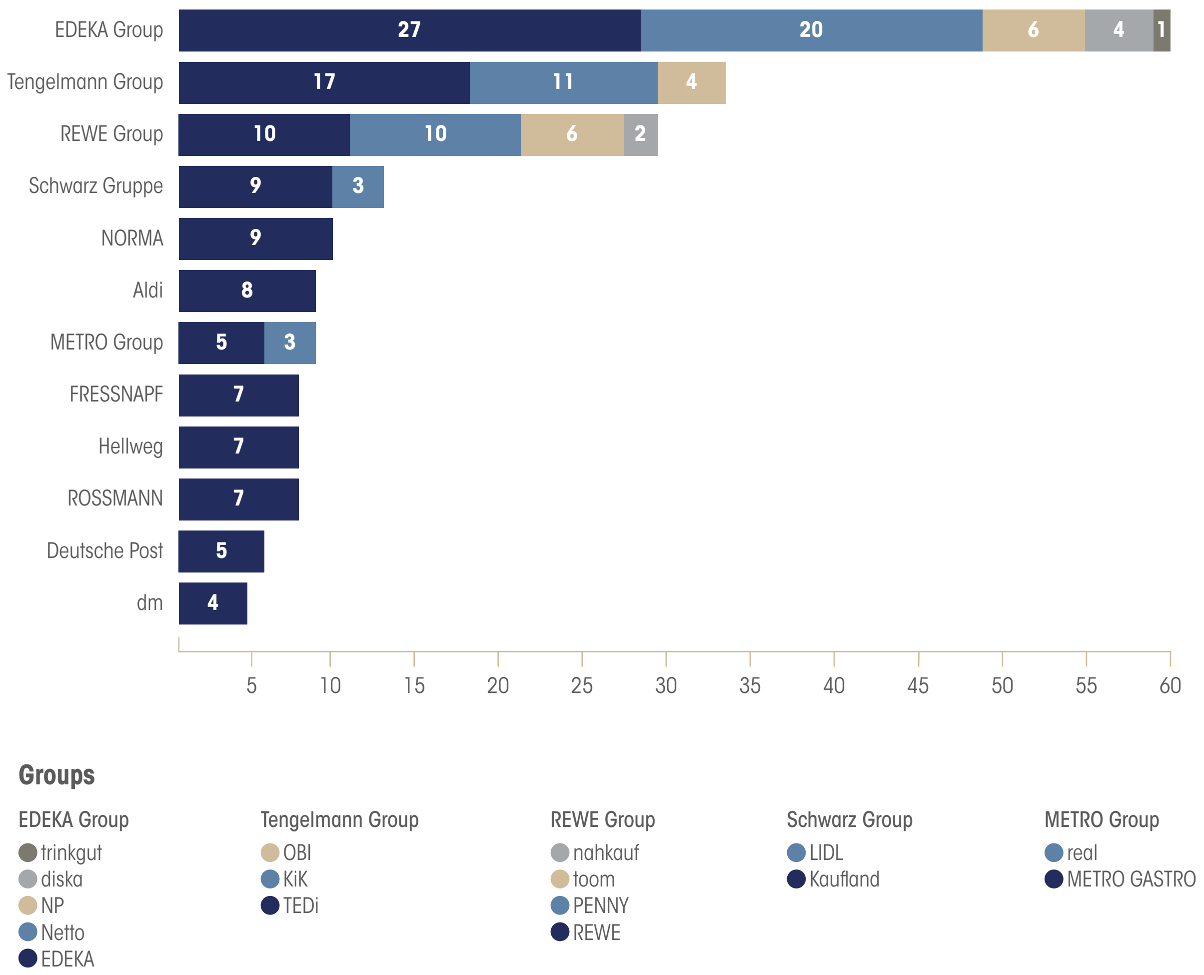
Rent contribution by sector (EUR million):



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

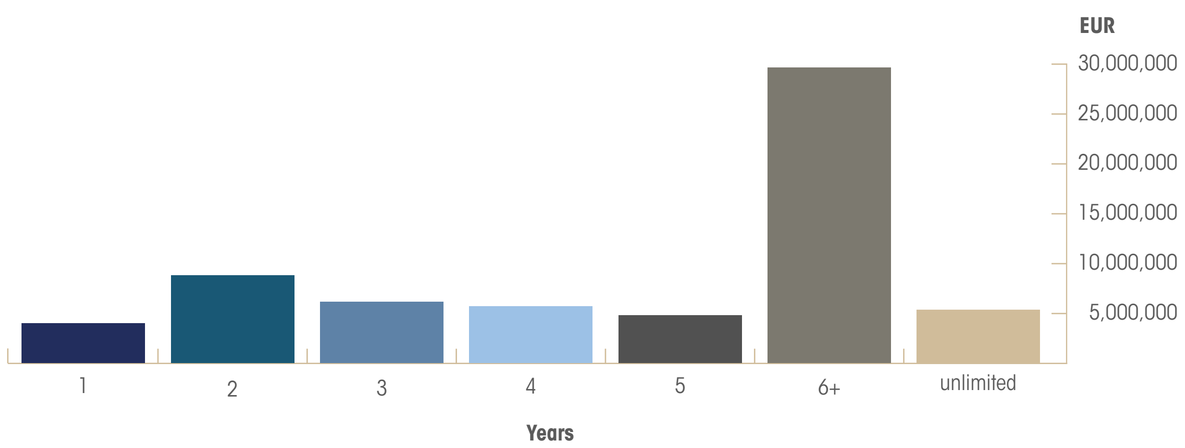
DKR deliberately buys retail properties with the same well-known retail chains. This will allow for better and more efficient reconciliation of interests with respect to lease renewals, expansion and expansion investments, or standardisation of leases or work processes. The following shows the number 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 2020):



Residual lease term (WALT)

The average residual lease term (WALT) of the portfolio is approximately 5.4 years as at 30 September 2020. The proportions of the annual rent according to WALT are distributed as follows:



7.7. Property portfolio in detail as of 30 September 2020

		City	Street	Rental space	Vacancy 30/09/2020	Vacancy 30/09/2019
				m²	%	%
1	32547	Bad Oeynhausen	Mindener Straße 67 / Alter Rehmer Weg 22	4,590.21	22.2	22.2
2	06749	Bitterfeld – BiTZ Bitterfelder-Fachmarkt-Zentrum	Brehnaer Straße 34	19,706.54	19.5	19.5
3	99094	Erfurt	Gothaer Straße 22	20,500.00	0.0	0.0
4	19288	Ludwigslust – Lindencenter	Am Marstall 2	14,352.70	0.7	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	9.7	9.1
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	57.3
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	0.0	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	1,454.58	0.0	9.0
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	1,157.85	0.0	0.0
25	14974	Ludwigsfelde	Albert-Tanneur-Straße 25	4,463.91	0.9	0.9
26	15562	Rüdersdorf	Brückenstraße 12a/b	2,785.13	0.0	0.0
27	03172	Guben I	Karl-Marx-Straße 95	1,181.00	5.1	0.0
28	04178	Leipzig	Merseburger Straße 255–263	23,431.11	1.6	4.4
29	18106	Rostock	Kolumbusring 58	4,732.05	55.0	46.4
30	18273	Güstrow	Pferdemarkt 58 / Markt 2–3 / Hageböcker Straße 108	5,600.74	59.1	59.1
31	38855	Wernigerode	Gustav-Petri-Straße 10, 11, 12, 13 / Pfarrstraße 43 / Ringstraße 31, 33, 35, 37	25,297.09	7.9	9.4
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

Rent level 30/09/2020	Rent/Year	WALT 30/09/2020	WALT 30/09/2019	Fair value 30/09/2020	Fair value 30/09/2019
EUR/m²	EUR	Years	Years	EUR	EUR
5.91	253,183.20	3.0	2.7	3,426,794.01	3,430,000.00
5.97	1,136,621.52	6.7	7.4	18,200,000.00	15,600,000.00
6.10	1,500,800.00	10.4	11.3	25,000,000.00	25,000,000.00
9.06	1,549,519.20	6.2	6.5	24,700,000.00	24,700,000.00
4.14	230,004.00	6.3	7.3	2,890,000.00	2,900,000.00
9.20	426,403.44	7.8	9.3	7,100,000.00	7,000,000.00
6.84	130,143.24	3.0	3.7	1,490,000.00	1,490,000.00
4.68	70,435.80	3.3	5.2	600,000.00	610,000.00
3.39	58,800.00	5.3	6.3	445,000.00	453,000.00
4.22	315,158.64	4.3	5.3	3,600,000.00	3,530,000.00
2.96	231,022.80	5.3	6.3	3,030,000.00	3,020,000.00
1.56	102,000.00	5.0	6.0	1,120,000.00	840,000.00
9.20	177,473.88	4.4	5.3	2,900,000.00	2,920,000.00
9.20	115,478.40	6.1	7.1	1,360,000.00	1,360,000.00
4.59	48,000.00	unlimited	unlimited	421,000.00	422,000.00
5.91	113,227.08	4.5	5.4	1,580,000.00	1,570,000.00
6.50	83,988.84	0.5	1.5	700,000.00	1,050,000.00
4.10	229,373.52	3.7	3.3	2,956,505.99	3,030,000.00
7.67	161,758.44	9.8	10.8	2,420,000.00	2,110,000.00
6.34	110,640.00	4.8	4.9	900,000.00	850,000.00
11.59	158,285.28	7.1	8.2	1,800,000.00	1,750,000.00
5.25	84,721.68	1.6	1.3	610,000.00	590,000.00
9.01	113,040.40	4.8	5.8	1,710,000.00	1,700,000.00
5.47	76,029.96	2.2	3.3	600,000.00	750,000.00
7.01	371,850.84	2.2	3.0	5,200,000.00	4,720,000.00
8.88	296,653.40	2.7	3.0	4,030,000.00	3,900,000.00
9.41	126,610.92	2.0	3.0	1,380,000.00	1,390,000.00
5.94	1,643,501.28	4.6	4.0	27,397,308.07	26,000,000.00
6.52	166,818.36	1.9	3.3	3,010,000.00	3,850,000.00
5.67	155,917.80	3.7	4.7	2,200,000.00	1,700,000.00
2.91	814,070.88	2.3	4.0	10,196,514.92	9,900,000.00
9.12	121,428.72	1.4	2.5	1,150,000.00	1,180,000.00
9.73	115,157.16	1.5	2.5	1,140,000.00	1,160,000.00

		City	Street	Rental space	Vacancy 30/09/2020	Vacancy 30/09/2019
				m²	%	%
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	30.9	45.8
39	17489	Greifswald I – Dompassage	Lange Straße 40–42	17,122.23	15.3	16.5
40	18292	Krakow am See	Bahnhofsplatz 3	3,474.47	4.4	9.7
41	18461	Franzburg	Abtshäger Straße 13	1,320.00	0.0	0.0
42	27283	Verden	Holzmarkt 7–15	6,997.25	0.0	0.0
43	16928	Pritzwalk	Rostocker Straße 1, 2, 3, 7 and 8	15,274.58	0.0	0.0
44	17373	Ueckermünde – Haff-Center	Haffring 24	4,619.68	57.0	57.0
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	Schwedt (Oder) – CKS. Centrum-Kaufhaus Schwedt	Platz der Befreiung 1	11,197.22	9.7	12.0
50	18437	Stralsund	Lindenallee 25	5,882.15	35.1	35.1
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	100.0	0.0
54	03172	Guben – Neiße-Center	Karl-Marx-Straße 96	10,575.91	6.1	18.0
55	45739	Oer-Erkenschwick	Berliner Platz 14	9,555.17	0.0	0.0
56	01662	Meißen	Schützestraße 1	24,485.41	18.4	17.0
57	08525	Plauen	Morgenbergstraße 41	24,954.46	28.3	28.3
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	5.5
61	09212	Limbach-Oberfrohna	Frohnbachstraße 59	1,862.35	0.0	0.0
62	06333	Hettstedt	Luisenstraße 18 a–k	2,786.66	4.4	1.3
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
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

Rent level 30/09/2020 EUR/m²	Rent/Year EUR	WALT 30/09/2020 Years	WALT 30/09/2019 Years	Fair value 30/09/2020 EUR	Fair value 30/09/2019 EUR
11.05	90,861.12	1.4	2.5	850,000.00	870,000.00
9.95	80,961.24	1.5	2.5	550,000.00	580,000.00
9.42	110,960.52	1.4	2.4	1,100,000.00	1,120,000.00
11.48	152,437.92	1.6	2.6	1,520,000.00	1,520,000.00
3.84	245,388.88	1.0	1.1	5,500,000.00	3,540,000.00
5.56	968,482.80	3.6	8.0	18,100,000.00	19,300,000.00
8.15	324,578.96	8.6	2.1	4,490,000.00	4,000,000.00
6.86	108,597.72	1.3	2.2	1,120,000.00	1,160,000.00
9.12	765,478.60	12.6	13.7	11,400,000.00	11,100,000.00
7.51	1,376,632.20	4.9	4.9	18,793,713.40	17,800,000.00
4.85	115,841.28	7.4	8.6	830,000.00	860,000.00
3.72	41,428.32	0.3	2.3	252,000.00	252,000.00
3.90	42,867.84	3.0	4.1	560,000.00	366,000.00
4.38	53,939.76	2.5	3.4	520,000.00	520,000.00
4.38	84,700.00	1.2	2.2	940,000.00	970,000.00
6.00	728,023.08	1.7	2.7	7,300,000.00	6,900,000.00
5.01	229,391.28	0.6	1.8	1,480,000.00	1,440,000.00
9.39	113,782.44	4.0	5.1	1,520,000.00	1,540,000.00
6.16	472,873.56	9.4	10.4	7,500,000.00	7,500,000.00
0.00	–	–	3.4	295,000.00	358,000.00
7.86	936,552.64	4.0	3.0	13,400,000.00	10,900,000.00
10.99	1,260,000.00	9.5	10.5	19,600,000.00	18,900,000.00
5.92	1,419,530.48	1.8	2.6	14,500,000.00	13,700,000.00
7.47	1,605,570.36	1.9	2.2	14,100,000.00	13,600,000.00
5.26	162,600.00	2.2	3.3	1,790,000.00	1,780,000.00
6.37	88,705.20	6.3	7.3	1,240,000.00	1,220,000.00
11.06	121,068.00	3.0	1.0	1,640,000.00	1,630,000.00
8.24	184,204.80	2.6	3.6	2,040,000.00	2,060,000.00
6.18	197,474.52	1.0	1.9	2,080,000.00	2,050,000.00
6.93	77,313.60	0.3	1.3	428,000.00	429,000.00
7.64	281,604.00	3.0	3.7	3,393,909.26	3,440,000.00
6.83	98,400.00	5.3	1.3	1,250,000.00	1,180,000.00
3.61	480,000.00	3.8	4.8	5,800,000.00	5,800,000.00
10.47	161,842.68	7.0	7.7	2,294,807.23	2,340,000.00

		City	Street	Rental space	Vacancy 30/09/2020	Vacancy 30/09/2019
				m²	%	%
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	13127	Berlin	Blankenburger Straße 145	987.00	0.0	0.0
71	56269	Dierdorf	Königsberger Straße 12	1,391.16	0.0	0.0
72	82362	Weilheim	Lohgasse 4	1,824.00	0.0	0.0
73	99846	Seebach	Am Rötelstein 3 / Dicelstraße 7	1,147.10	3.8	0.0
74	38820	Halberstadt	Breiter Weg 13	1,585.94	35.2	35.2
75	09599	Freiberg	Abraham-von-Schönburg-Straße 3	1,117.00	0.0	0.0
76	51545	Waldbröl	Kaiserstraße 36	937.80	0.0	0.0
77	04129	Leipzig – Dong Xuan Center	Maximilianallee 18–20	8,692.20	15.0	10.8
78	72793	Pfullingen	Römerstraße 166	5,840.00	0.0	0.0
79	17358	Torgelow	Pasewalker Straße 5–8	11,354.10	0.0	0.0
80	18546	Sassnitz	Gewerbepark 9	4,063.00	0.0	0.0
81	07333	Unterwellenborn	Kronacher Straße 1, 7	8,487.00	0.0	0.0
82	16278	Angermünde	Rudolf-Breitscheid-Straße 27	4,843.53	26.0	14.1
83	02906	Niesky II	Rothenburger Straße 23	1,083.00	0.0	0.0
84	04910	Elsterwerda – Elstercenter	Lauchhammerstraße 60/167	34,753.40	0.2	1.5
85	08412	Werdau	Stiftstraße 6–8	39,405.02	5.1	5.1
86	02943	Weißwasser	Sachsendamm 32	13,389.58	2.4	2.4
87	37441	Bad Sachsa	Marktstraße 43/44	1,712.30	15.4	15.4
88	08141	Reinsdorf – Vielau-Center	Hof 13	1,408.00	0.0	0.0
89	07407	Rudolstadt	Oststraße 53	2,888.00	0.0	0.0
90	29410	Salzwedel	Feldstraße 25a	5,326.00	0.0	0.0
91	29525	Uelzen	Im Neuen Felde 42	3,300.00	0.0	0.0
92	17438	Wolgast	Leeranerstraße 4	2,879.00	0.0	0.0
93	15234	Frankfurt (Oder)	Nuhnenstraße 19	8,056.18	0.0	0.0
94	16303	Schwedt (Oder)	Handelsstraße 23, 26	12,056.62	0.0	0.0
95	17087	Altentreptow II	Grüner Gang 10	1,121.00	0.0	0.0
96	15537	Erkner	Neu Zittauer Straße 41	6,522.64	3.1	1.3
97	95336	Mainleus	Tiefe Äcker 1	1,037.00	0.0	0.0
98	06217	Merseburg	Lassallestraße 27	1,700.00	0.0	0.0
99	07570	Weida	Turmstraße 33	1,157.00	0.0	0.0
100	44379	Dortmund	Martener Straße 300	1,465.00	6.5	6.5
101	38644	Goslar	Gerhard-Weule-Straße 1	4,850.00	0.0	0.0
102	44532	Lünen	Kupferstraße 15	5,910.11	0.0	3.2

Rent level 30/09/2020 EUR/m²	Rent/Year EUR	WALT 30/09/2020 Years	WALT 30/09/2019 Years	Fair value 30/09/2020 EUR	Fair value 30/09/2019 EUR
8.58	118,800.00	2.0	3.0	1,240,000.00	1,210,000.00
3.55	240,000.00	4.5	5.5	2,820,000.00	2,750,000.00
12.71	150,576.60	3.3	4.3	2,720,000.00	2,720,000.00
9.28	154,891.92	7.8	8.8	2,352,155.11	2,360,000.00
4.83	105,716.64	0.8	1.8	480,000.00	560,000.00
6.39	84,609.36	2.6	4.3	740,000.00	750,000.00
5.35	66,000.00	5.0	3.1	590,000.00	620,000.00
11.18	149,905.20	0.6	1.6	1,720,000.00	1,800,000.00
6.30	70,934.88	1.3	1.3	397,000.00	399,000.00
9.08	804,719.52	unlimited	unlimited	9,900,000.00	10,000,000.00
3.39	237,915.60	2.3	3.3	2,830,000.00	2,850,000.00
5.51	750,999.96	5.6	6.6	11,000,000.00	11,000,000.00
4.30	209,592.00	4.3	5.3	2,370,000.00	2,360,000.00
5.11	519,999.96	3.3	4.3	5,900,000.00	5,700,000.00
6.72	288,816.96	2.4	1.8	4,320,000.00	4,270,000.00
9.55	124,134.48	12.7	13.3	1,940,000.00	1,510,000.00
4.33	1,804,086.48	5.3	6.4	26,400,000.00	26,400,000.00
5.22	2,340,021.72	3.2	3.2	23,300,000.00	22,500,000.00
6.77	1,061,250.72	2.5	3.3	13,400,000.00	13,400,000.00
8.50	147,868.08	2.1	3.3	2,010,000.00	2,040,000.00
5.66	95,622.00	5.1	6.3	1,030,000.00	1,050,000.00
3.75	130,000.08	4.6	5.6	1,440,000.00	1,440,000.00
2.82	180,000.00	1.7	2.8	1,460,000.00	1,470,000.00
2.53	100,000.08	1.7	2.8	950,000.00	950,000.00
3.47	120,000.00	4.6	5.6	1,340,000.00	1,370,000.00
5.12	495,000.00	5.6	6.6	6,100,000.00	6,000,000.00
5.03	727,104.00	5.5	6.5	7,800,000.00	7,900,000.00
9.88	132,959.28	3.3	4.3	1,420,000.00	1,410,000.00
5.39	408,408.36	2.7	3.3	5,400,000.00	5,100,000.00
7.71	96,000.00	2.0	3.0	1,070,000.00	1,070,000.00
9.16	186,889.68	3.3	4.3	2,580,000.00	2,540,000.00
10.30	143,005.20	7.1	8.1	2,000,000.00	1,990,000.00
7.81	128,400.00	12.0	13.0	1,070,000.00	1,070,000.00
4.30	249,999.96	4.2	5.2	3,090,000.00	3,090,000.00
5.37	380,569.08	2.2	3.2	3,421,101.01	3,160,000.00

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		City	Street	Rental space	Vacancy 30/09/2020	Vacancy 30/09/2019
				m²	%	%
103	95028	Hof	Michaelsbrücke 2	7,767.00	13.0	13.0
104	17491	Greifswald II	Hans-Beimler-Straße 1–3	6,598.42	8.6	4.1
105	27721	Ritterhude	Otto-Hahn-Straße 1	9,800.00	0.0	0.0
106	41515	Grevenbroich I – Coens Galerie	Kölner Straße 38–46	11,848.98	43.2	44.3
107	18442	Wendorf	Albert-Schweitzer-Straße 8	2,100.00	0.0	0.0
108	38667	Bad Harzburg	Landstraße 33	3,976.00	0.0	0.0
109	95632	Wunsiedel	Hofer Straße 5–7	2,701.73	0.0	0.0
110	08132	Mülsen St. Jacob	Dresdener Straße 1	1,137.00	0.0	0.0
111	39576	Stendal – Altmark Forum	Dr.-Kurt-Schumacher-Straße 1–5	12,115.08	14.0	13.2
112	01936	Königsbrück	Kornweg 2	1,106.00	0.0	0.0
113	04349	Leipzig – Portitz Treff	Tauchaer Straße 260	7,360.09	2.3	0.7
114	06484	Quedlinburg	Weyhegarten 1	3,923.65	10.0	5.1
115	06766	Wolfen	Steinfurther Straße 37	900.00	0.0	0.0
116	04808	Wurzen	Dr.-Külz-Straße 9	1,556.43	0.0	0.0
117	01831	Döberitz	Bammer Weg 2	906.00	0.0	0.0
118	17367	Eggesin	Bahnhofstraße 13	1,167.00	0.0	0.0
119	19386	Lübz	Werder Straße 21b	1,692.00	0.0	0.0
120	41515	Grevenbroich II – Montanushof	Ostwall 31	27,751.35	20.3	26.9
121	15517	Fürstenwalde	Juri-Gagarin-Straße 43	1,449.77	0.0	0.0
122	09122	Chemnitz – Vita-Center	Wladimir-Sagorski-Straße 20, 22, 24	39,934.87	19.2	18.0
123	39291	Möser	Rosenweg/Krokusweg 14	1,149.00	17.4	
124	63846	Laufach	Hauptstraße 34	915.17	0.0	
125	04741	Roßwein	Haßlauer Straße 1	2,891.00	0.0	
126	07552	Gera	Thüringer Straße 26	23,788.49	28.5	
127	14772	Brandenburg an der Havel	Upstallstraße 3	7,931.00	0.0	
128	09126	Chemnitz	Zschopauer Straße 273	6,493.50	0.0	
129	48599	Gronau	Maybachstraße 2	9,349.82	0.0	
130	57223	Kreuztal	Siegener Straße 210	8,962.00	0.0	
131	39418	Staßfurt	Förderstedter Straße 7	6,193.00	0.0	
132	38302	Wolfenbüttel	Schweigerstraße 13	9,245.00	0.0	
133	06712	Zeitz	Weißenfelser Straße 120	7,200.00	0.0	
134	39307	Genthin	Altmärkerstraße 5	1,275.00	22.1	
135	54344	Trier	Am Kenner Haus 20	11,635.89	0.0	
136	33442	Herzebrock-Clarholz	Clarholzer Straße 53	976.00	0.0	
137	04668	Grimma	Gerichtswiesen 39	15,526.19	13.8	

Rent level 30/09/2020 EUR/m²	Rent/Year EUR	WALT 30/09/2020 Years	WALT 30/09/2019 Years	Fair value 30/09/2020 EUR	Fair value 30/09/2019 EUR
7.10	575,670.00	6.9	7.3	7,300,000.00	7,400,000.00
6.49	469,533.48	5.4	3.1	6,300,000.00	6,000,000.00
3.93	462,000.00	7.5	8.5	6,600,000.00	6,600,000.00
12.04	972,534.84	3.9	3.1	11,600,000.00	14,000,000.00
4.19	105,600.00	8.1	9.1	1,160,000.00	1,170,000.00
7.75	369,999.96	7.3	8.3	5,500,000.00	5,400,000.00
7.82	253,370.88	6.8	7.6	3,800,000.00	2,980,000.00
9.31	127,057.56	5.1	6.1	1,880,000.00	1,840,000.00
7.36	919,933.56	5.4	6.5	12,599,440.78	12,900,000.00
7.01	93,000.00	6.6	7.6	1,200,000.00	1,190,000.00
6.36	548,729.16	2.2	3.3	6,000,000.00	6,000,000.00
7.35	311,434.80	4.4	7.6	3,950,000.00	4,000,000.00
8.33	90,000.00	5.1	6.1	1,090,000.00	1,090,000.00
7.39	138,000.00	7.1	8.1	1,930,000.00	1,930,000.00
4.97	54,000.00	unlimited	unlimited	320,000.00	321,000.00
8.99	125,895.96	6.9	8.8	1,630,000.00	1,640,000.00
7.21	146,388.00	5.5	5.4	1,810,000.00	1,790,000.00
8.80	2,335,528.44	6.4	7.5	26,038,916.75	20,700,000.00
6.83	118,800.00	4.0	3.3	1,091,607.73	1,073,088.00
6.67	2,581,986.00	6.1	7.9	36,400,000.00	37,487,868.00
3.98	45,332.04	2.6		481,000.00	
8.74	96,000.00	3.8		830,000.00	
3.40	118,062.36	5.8		1,380,000.00	
11.54	2,356,284.48	4.8		25,100,000.00	
5.95	566,390.40	11.3		8,100,000.00	
5.52	430,180.56	11.3		6,200,000.00	
6.45	724,017.24	11.3		10,200,000.00	
7.09	762,552.00	11.3		10,900,000.00	
5.35	397,925.04	11.3		5,400,000.00	
7.48	829,616.52	11.3		12,100,000.00	
5.35	462,628.80	11.3		5,800,000.00	
5.34	63,595.08	5.2		730,000.00	
13.37	1,867,153.56	1.3		14,500,000.00	
11.97	140,186.04	0.6		1,040,000.00	
10.09	1,620,271.80	3.4		15,500,000.00	

		City	Street	Rental space	Vacancy 30/09/2020	Vacancy 30/09/2019
				m²	%	%
138	14621	Schönwalde-Glien	Alter Wansdorfer Weg 2	1,089.00	0.0	
139	15890	Eisenhüttenstadt III	Nordpassage 1	32,991.97	27.2	
140	93176	Beratzhausen	Staufferstraße 7	1,116.00	100.0	
141	93466	Chamerau	In der Grube 2	1,252.96	0.0	
142	94538	Falkenstein	Regensburger Straße 12	1,328.00	0.0	
143	94538	Fürstenstein	Vilshofener Straße 13	1,245.00	0.0	
144	85049	Ingolstadt	Krumenauer Straße 58	1,398.00	0.0	
145	93462	Lam	Arberstraße 74	975.00	0.0	
146	92431	Neunburg vorm Wald	Ambergerstraße 14	1,255.00	0.0	
147	93083	Obertraubling	Edekastraße 5	1,124.00	0.0	
148	94060	Pocking	Marktplatz 5b	686.00	0.0	
149	94269	Rinchnach	Herrnmühle 2	1,195.00	0.0	
150	94161	Ruderting	Passauer Straße 26b	3,116.00	6.8	
151	94121	Salzweg	Bayerwaldstraße 1a	1,240.15	0.0	
152	85298	Scheyern	Fernhagener Straße 1–3	949.00	0.0	
153	94508	Schöllnach	Gewerbepark Leutzing 2	1,162.00	0.0	
154	09465	Sehmatal (Neudorf)	Crottendorfer Straße 3	1,093.00	0.0	
155	94518	Spiegelau	Konrad-Wilsdorf-Straße 1a	1,270.00	0.0	
156	94107	Untergriesbach	Kreuzwiesenweg 1	1,414.00	0.0	
157	94234	Viechtach	Mönchshofstraße 60	1,104.00	0.0	
158	93192	Wald (Rossbach)	Bahnhofstraße 3	1,539.00	0.0	
159	94110	Wegscheid	Passauer Straße 78	1,545.64	0.0	
160	94575	Windorf (Hidring)	Turmstraße 2a	922.00	0.0	
161	18182	Rövershagen	Rosengrund 1–2	1,901.28	0.0	
				899,852.73	**9.9**	**9.9**

Rent level 30/09/2020	Rent/Year	WALT 30/09/2020	WALT 30/09/2019	Fair value 30/09/2020	Fair value 30/09/2019
EUR/m²	EUR	Years	Years	EUR	EUR
9.92	129,600.00	3.8		1,610,000.00	
7.37	2,126,490.12	5.1		29,700,000.00	
0.00	–	–		710,000.00	
4.71	70,813.08	1.6		740,000.00	
8.48	135,143.76	3.7		1,800,000.00	
5.96	88,988.16	5.1		1,090,000.00	
5.69	95,404.56	1.7		1,080,000.00	
5.64	66,000.00	5.5		510,000.00	
5.73	86,362.32	4.7		1,050,000.00	
4.72	63,600.00	8.1		960,000.00	
7.44	61,249.80	5.1		690,000.00	
5.39	77,250.36	5.1		580,000.00	
5.68	197,840.88	1.5		2,000,000.00	
4.85	72,122.64	5.1		630,000.00	
8.67	98,747.88	1.7		1,010,000.00	
5.84	81,411.96	4.7		980,000.00	
5.95	78,000.00	3.8		1,000,000.00	
8.67	132,160.20	0.3		1,530,000.00	
6.25	106,033.56	unlimited		670,000.00	
5.30	70,154.16	1.7		620,000.00	
5.60	103,453.08	1.6		1,100,000.00	
4.75	88,101.48	1.6		1,050,000.00	
4.85	53,613.72	5.1		500,000.00	
9.33	212,860.80	5.1		2,610,000.00	
6.48	**63,050,071.36**	**5.4**	**5.6**	**800,718,774.26**	**611,520,956.00**

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.

For the 2018/2019 financial year, DKR received the EPRA BPR Gold Award for the first time for the EPRA reporting in its annual report.

For the financial year 2019/2020 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	2019/2020	2018/2019
Period result	34,173.7	53,142.3
– Evaluation result	–3,864.3	–30,362.1
– Sale result	5	–255.0
EPRA Earnings	**30,314.5**	**22,525.1**
EPRA Earnings per share, EUR	0.91	0.76

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	2019/2020	2018/2019
Market value of investment properties	809,928.6	619,881.3
+ Transaction costs	53,592.6	41,376.2
Gross market value of investment properties	**863,521.2**	**661,257.4**
Annualised rental income	63,050.1	48,677.8
– Non-recoverable management costs	–12,610.0	–9,735.6
Annualised net rental income	**50,440.1**	**38,942.3**
+ Rent-free periods	0.0	0.0
Annualised „Topped-up" net rental income	**50,440.1**	**38,942.3**
EPRA initial net return	**5.8 %**	**5.9 %**
EPRA „Topped-up" NIY	**5,8 %**	**5.9 %**

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	2019/2020	2018/2019
Expenses from property management	14,664.1	10,376.6
+ Personnel expenses	928.3	887.7
+ Other recurring operating expenses	519.2	1,340.9
– Other income	–177.8	–165.3
EPRA costs incl. direct vacancy costs	**15,933.7**	**12,439.8**
– direct vacancy costs	–1,450.5	–1,278.4
EPRA costs excl. direct vacancy costs	**14,483.2**	**11,161.4**
Rental income	56,230.7	47,185.3
EPRA cost ratio A, %	**28.3 %**	**26.4 %**
EPRA cost ratio B, %	**25.8 %**	**23.7 %**

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 decrease in the EPRA vacancy rate is mainly due to a higher proportion of leasable vacant space in the portfolio, the rent of which is economically lower than the rent of the leased space.

kEUR	30/09/2020	30/09/2019
Potential rent for vacant space	2,763.6	2,279.9
Annualised rental income	65,050.1	48,677.8
EPRA vacancy rate	**4.4 %**	**4.7* %**

* Previous year's figure adjusted

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 2020 is as follows:

kEUR	30/09/2020	30/09/2019
Equity (kEUR)	390,664.5	317,362.2
Number of shares at the balance sheet date	35,155,939	31,959,944
EPRA NAV per share, EUR	**11.11**	**9.93**

Taking into account a conversion of the two convertible bonds, the EPRA NAV per share (diluted) on 30 September 2020 is as follows:

kEUR	30/09/2020	30/09/2019
Equity (kEUR)	426,973.1	353,524.3
Number of shares at the balance sheet date (after exercising the conversion options)	49,619,491.1	46,132,667
EPRA NAV per share, EUR	**8.60**	**7.66**

Like-for-Like portfolio

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:

kEUR	30/09/2020	30/09/2019	Diffe-rence
Net rent/m²/per month	5.73	5.68	0.9 %
Vacancy (%)	8.8	9.2	– 4.4 %
WALT (years)	**5.2**	**5.7**	**– 8.8 %**

Management Report

Deutsche Konsum REIT-AG

Photo: Local retail centre
Hofer Straße 5–7, 95632 Wunsiedel


NORMA

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, properties capable of development with higher vacancy rates and short remaining lease terms are also deliberately purchased, as DKR can exploit value-added opportunities here.

As of 30 September 2020, the recognised real estate portfolio of the DKR includes 161 retail real estate with a leasable area of approximately 900,000 m^2 and a value of EUR 810 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 around 27.94 % of the shares. 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 (German Stock Corporation Act).

1.2. 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 per share (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

Due to the weakness in industry and global trade, the global economic upturn slowed down towards the end of 2019.[1] However, global economic activity came to an abrupt, albeit temporary, halt as a result of the Covid 19 pandemic and the resulting lockdowns in many parts of the world. According to an economic forecast published in September 2020 by the Kiel Institute for the World Economy (IfW), economic performance in the first half of 2020 fell by almost 10% overall as a result of this exogenous shock: After an initial decline of 3% in the first quarter of 2020, global production plunged by a further 7% in the second quarter of 2020. After the lifting of the strict lockdowns in May 2020, a phase of recovery set in again by late summer 2020, which would allow high global economic growth rates to be expected for the third quarter of 2020.[2]

The Covid 19 pandemic also affected the German economy. The German economy had been hit in a situation in which it was just about to get back on track after the downturn last year.[3] According to the Federal Statistical Office (Destatis), gross domestic product (GDP) in the second quarter of 2020 was down 9.7% on the first quarter of 2020 (adjusted for price, seasonal and calendar effects). The slump in the German economy would thus have been much sharper than during the financial market and economic crisis of 2008/2009 (–4.7% in the first quarter of 2009) and thus the sharpest decline since quarterly GDP calculations for Germany began in 1970. In the first quarter of 2020 the German economy had already contracted by –2.0%. Economic output had remained unchanged in the fourth quarter of 2019 and in the third quarter of 2019, GDP had still risen by 0.3%.[4]

According to the Bundesbank, following the collapse in economic output in the first half of 2020 almost everywhere in the world, economic activity began to recover at the beginning of the second half of the year. Since an easing of the containment measures had been implemented at the end of April 2020, a certain normalisation had occurred in many countries. Nevertheless, there would still be a great danger of setbacks in the further course of the pandemic. The economic consequences of the corona pandemic and the extensive measures to contain it had also dominated events on the international financial markets in spring and summer 2020.[5]

According to lfW, gross domestic product can be expected to decline by 5.5% in the current year and rise by 4.8% in the coming year.[6]

The interest rate level in the eurozone remains at a historic low. On 16 March 2016, the European Central Bank (ECB) cut the key interest rate by 5 basis points, bringing the main refinancing rate to 0.00%.[7] This means that real estate companies such as Deutsche Konsum REIT-AG, which finance their portfolios to a large extent by borrowing, continue to enjoy fundamentally favourable conditions for financing their investments.

[1] Kiel Economic Report No. 61 (2019/Q4) of 11 December 2019: World Economy. Winter 2019, page 2.
[2] Kiel Economic Report No. 69 (2020/Q3) of 16 September 2020: World Economy. Autumn 2020, page 3.
[3] Kiel Economic Report No. 65 (2020/Q1) of 11 March 2020: German Economy. Spring 2020, page 3.
[4] Press release Destatis of 25 August 2020.
[5] Deutsche Bundesbank: Monthly Report August 2020, pages 7–8, 10.
[6] Kiel Economic Report No. 71 (2020/Q3) of 16. September 2020: German Economy. Autumn 2020, page 3.
[7] www.finanzen.net/leitzins/, last reviewed on 19 October 2020.

2.2. Development of the German commercial real estate market

Despite limited product availability, the German real estate investment market continued to be appreciated by investors in 2019, as Germany is still considered a safe haven. According to this, a total investment volume of EUR 83.8 billion was achieved. The German market for commercial real estate accounted for around EUR 67.5 billion of this total. According to a study by the Hahn Group, investors continued to focus on the German market for commercial real estate. Robust labour market data, a further increase in office employment and stable income development would form the basis for investments in commercial property.[8]

According to Jones Lang LaSalle („JLL"), after three years of declining transaction volumes, the German investment market for retail real estate has returned to growth of 10% in 2019 and closed the year at just under EUR 11 billion. One reason for the positive result was the dynamic final quarter.[9] In general, specialty stores such as specialty markets, retail parks and supermarkets had been the most sought-after type of use, accounting for 43% of the total transaction volume. Thus, the segment would have increased by another three percentage points compared to the previous year.[10]

According to a study by JLL, the German investment market for commercial real estate recorded a nationwide transaction volume of around EUR 58 billion for the period January to September 2020, exceeding expectations and even slightly exceeding the previous year's figure. This result speaks for the German real estate market and its importance for national and international investors.[11] At 14%, retail properties ranked third in this asset class after living (33%) and office properties (24%). According to JLL, the focus in the retail segment continued to be on specialist stores, retail parks, supermarkets and discounters, which are essentially food-anchored.[12]

In the end, recent events have shown how crisis-resistant the supply of the population with everyday goods is. As early as April 2020, JLL expected that real estate would also benefit from the strong growth in dealer revenues in this sector, which was already evident at the time, and that this would generate corresponding demand in the course of the year.[13]

With a volume of EUR 4.4 billion and a market share of 44% in 2019, the Hahn Report also measures specialist store transactions[14] as the dominant asset class on the retail investment market in Germany. This was partly due to the fact that food-anchored properties continued to be in high demand and remained robust in the face of online trading.[15] The increasing attractiveness of this asset class continued in 2020 and was also in demand, especially against the background of the corona pandemic. In the first three months of 2020, for example, specialist retail properties accounted for around 57% of the total investment volume in the retail property group.[16]

[8] Hahn Group in cooperation with bulwiengesa, CBRE, EHI Retail Institute: Retail Real Estate Report Germany 2020/2021. 15th edition, page 52.
[9] JLL: Investment Market Review. Retail. Germany. 2nd half year 2019. February 2020, page 2.
[10] JLL: Investment Market Review. Retail. Germany. ibid., page 3.
[11] JLL: Investment Market Review. Germany. 3rd quarter 2020. October 2020, page 3.
[12] JLL: Investment Market Review. Germany. 3rd quarter 2020, ibid., pages 5–6.
[13] JLL: Investment Market Review. Germany. 1st quarter 2020, April 2020, pages 5–6.
[14] Hahn Gruppe, ibid., page 63. According to the study, these include not only retail parks and local retail centres, but also various types of grocery markets such as discounters or hypermarkets, as well as DIY stores or cash & carry markets.
[15] Hahn Gruppe, ibid., pages 63–64.
[16] Hahn Gruppe, ibid., page 64.

This development underscores DKR's forward-looking and defensive strategy, which has been investing such food-anchored local supply properties with non-cyclical tenants since 2014.

Local supply properties also proved to be extremely robust in the rental market. According to JLL, the retail letting market has recently stabilised somewhat despite the crisis, but is still around 25 % below the previous year's result.[17]

2.3. Business performance

Stable rental income during the COVID-19 pandemic
The 2019/2020 financial year was dominated by the COVID-19 pandemic, which led to a temporary lockdown of German retail shops in spring 2020. Systemically important retail shops that serve to supply the population were excluded from this. Since a large proportion of DKR's retail tenants are in the local supply/daily needs sector, DKR was only affected by the lockdown to a limited extent. Rent retentions by non-systemic tenants affected by the lockdown only took place in April 2020, amounting to around 30% of total rents. Since the lifting of the large-scale lockdown at the end of April 2020, almost full rent payments have been made again.

The rents retained, some of which have been deferred, are mainly attributable to larger chain stores which have resumed their ongoing business after the first lockdown was lifted. In this respect, DKR expects that the majority of these retentions/rent deferrals will retain their value and be paid within the limits set by case law.

Property portfolio exceeds the EUR 800 million threshold
In the 2019/2020 financial year, the benefits and encumbrances of 39 acquired properties with a purchase volume of around EUR 158 million and an annual rent of around EUR 14.8 million were transferred. In addition, revitalisation and modernisation measures amounting to EUR 15.1 million were carried out in the financial year, which were capitalised. This was offset by the sale of a property in Berlin-Tegel in October 2019, which was disposed of on 1 March 2020.

In addition, the property portfolio was valued on a regular basis by the external and independent appraiser CBRE GmbH, Berlin, as of 30 June 2020. This resulted in a valuation gain of EUR 3.9 million as of 30 September 2020.

As a result, the DKR real estate portfolio as at 30 September 2020 comprises 161 properties with a balance sheet value of around EUR 810 million, a rental area of around 900,000 m^2 and an annualised annual rent of around EUR 63 million.

In addition, further retail properties were acquired which will only be transferred to DKR after 30 September 2020 by way of a transfer of benefits and encumbrances. As a result, DKR acquired 43 retail properties with an investment volume of around EUR 182 million and an annual rent of around EUR 17.0 million in the past financial year.

Successful capital increase
Using the Authorised Capital 2020 and with the consent of the Supervisory Board, DKR carried out a cash capital increase of 10 % of the share capital on 15 May 2020 without subscription rights. This was entered in the Commercial Register on 18 May 2020. 3,195,994 new no-par-value shares were issued at a subscription price of EUR 16.00 per share and the share capital increased to EUR 35,155,938.00. DKR received net proceeds of around EUR 50.3 million from this issue, which will be used to acquire further retail properties.

[17]JLL: Retail Market Overview, Germany, 3rd Quarter 2020, October 2020, page 2.

Issue of an unsecured (step-up) bond and further loan financing

On 10 March 2020 DKR issued an unsecured bond 2020/2025 with a term of five years (ISIN DE000A2YN124). The bond volume amounts to EUR 40 million and has a coupon of currently 2.75% p.a. The bond has a redemption option at any time.

In addition, secured bank loans of around EUR 139 million were taken out with savings banks and Pfandbrief banks during the financial year at fixed interest rates of between 1.30% p.a. and 1.85% p.a.

Rating confirmed

In addition, the existing Scope rating was confirmed on 27 February 2020 and on 5 May 2020: The issuer rating remains at “BB+ stable” and the rating for secured and unsecured debt capital at “BBB” and “BBB-” (investment grade).

Management Board contracts extended

The employment contracts for the Management Board members Alexander Kroth and Christian Hellmuth, which were previously dated until 30 June 2020, were extended for a further three years until 30 June 2023.

Annual General Meeting of DKR approves all proposed resolutions/Dividend distribution in the amount of EUR 0.35 per share

DKR‘s Annual General Meeting was held in Berlin on 5 March 2020. All proposed resolutions were adopted with the required majority. In particular, the distribution of a dividend of EUR 0.35 per share for the 2018/2019 financial year was approved. A total of kEUR 11,186 was distributed. In addition, it was decided that the Supervisory Board would be expanded by one member to six members. In the subsequent Supervisory Board election, Ms. Cathy Bell-Walker was appointed to the Supervisory Board.

Capital resolutions

On 5 March 2020, the Annual General Meeting resolved increases in the Authorised and Conditional Capital.

Accordingly, the Management Board was authorised, with the approval of the Supervisory Board, to increase the Company‘s share capital on one or more occasions until 4 March 2025 by up to a total of EUR 15,979,972.00 by issuing new no-par value bearer shares against cash or non-cash contributions (Authorised Capital 2020/I).

The General Meeting also resolved to conditionally increase the share capital by up to EUR 7,979,972.00 by issuing up to 7,979,972 new no-par value bearer shares (Conditional Capital I). The conditional capital increase serves to grant shares to the holders of bonds that are issued or guaranteed in accordance with the authorisation resolved by the Annual General Meeting.

Furthermore, the share capital was conditionally increased by up to EUR 8,000,000.00 by issuing up to 8,000,000 new no-par value bearer shares carrying dividend rights from the beginning of the financial year in which they are issued (Conditional Capital II), amending the resolution of the Annual General Meeting of 9 March 2017 under agenda item 8 a). The conditional capital increase serves to grant shares to the holders of convertible bonds, which were issued by the Company on 30 January 2015 in two tranches with a total volume of EUR 37,000,000.00 on the basis of the authorisation of the Annual General Meeting of 30 January 2015 and which have a term until 30 January 2025. Otherwise, the resolution of 9 March 2017 remains unchanged.

2.4. Asset, financial and earnings position

Asset position

The balance sheet total increased by kEUR 251,769.0 to kEUR 935,730.1 (30/09/2019: kEUR 683,961.1). 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 2020 at kEUR 809,928.6 (30/09/2019: kEUR 619,881.3).

The Company's equity increased by kEUR 73,302.3 to kEUR 390,664.5 (30/09/2019: kEUR 317,362.2) in the financial year. This was mainly due to the cash capital increase of EUR 50.3 million net on 15 May 2020. In addition, the positive result for the year of EUR 34.2 million will increase equity.

The EPRA NAV per share (undiluted) as of 30 September 2020 is as follows:

kEUR	30/09/2020	30/09/2019
Equity (kEUR)	390,664,5	317,362.2
Number of shares at the balance sheet date	35,155,938	31,959,944
EPRA NAV per share, EUR	**11.11**	**9.93**

Non-current and current financial liabilities to banks increased to kEUR 340,272.4 (30/09/2019: kEUR 206,998.7) 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 40,000. In total, financial liabilities increased to kEUR 527,673.9 (30/09/2019: kEUR 354,039.0) as of the balance sheet date.

Accordingly, the Net-LTV as of 30 September 2020 is as follows:

kEUR	30/09/2020	30/09/2019
Financial liabilities to banks	340,272.4	206,998.7
Convertible bonds	36,308.6	36,162.1
Corporate bonds	151,092.9	110,878.3
Total liabilities	**527,673.9**	**354,039.1**
minus cash and cash equivalents	–209.1	–25,639.3
minus fiduciary funds of property management	–1,242.5	–3,256.3
minus loans	–81,197.3	–13,203.4
minus interest-bearing investments	–18,010.9	–11,551.6
Net debt	**427,014.1**	**300,388.5**
Investment property	809,928.6	619,881.3
Properties held for sale	0.0	4,100.0
Prepayments for the acquisition of investment property	15,533.7	16.6
Total investment properties	**825,462.3**	**623,997.9**
Net-LTV	**51.7 %**	**48.1 %**

Financial position

The cash flow statement is as follows:

kEUR	2019/2020	2018/2019
Cash flow from operating activities	35,940.3	27,090.1
Cash flow from investing activities	–264,371.8	–171,625.5
Cash flow from financing activities	203,001.3	170,034.2
Cash changes in cash and cash equivalents	**–25,430.2**	**25,498.8**
Financial funds at the beginning of the period	25,639.3	140.5
Financial funds at the end of the period	**209.1**	**25,639.3**

Cash flow from operating activities amounted to kEUR 35,940.3 in the financial year (previous year: kEUR 27,090.1). 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 –264,371.8 (previous year: kEUR –171,625.5) and mainly consists of the payment for investment properties of kEUR –199,855.2 (previous year: kEUR –156,320.6).

Cash flow from financing activities in the year under review amounted to kEUR 203,001.3 (previous year: kEUR 170,034.2) and mainly relates to proceeds from the borrowing of kEUR 148.730,0 (previous year: kEUR 62,349.5) as well as the proceeds from the issuance of the corporate bond of kEUR 40,000.0 (previous year: kEUR 70,000.0), which is offset by the payment for the repayment of loans of kEUR –15,480.5 (previous year: kEUR –10,760.0).

The Company was always able to meet its payment obligations.

Earnings position

The earnings situation of Deutsche Konsum developed as follows in 2019/2020:

kEUR	2019/2020	2018/2019
Rental income	39,926.7	31,601.9
Net proceeds	–5.0	255.0
Other operating income	177.8	165.3
Valuation result	3,864.3	30,362.1
Operating expenses	–5,271.8	–3,435.8
EBIT	**38,692.0**	**58,948.5**
Financial result	–4,517.9	–5,805.7
EBT	**34,174.1**	**53,142.8**
Income taxes and other taxes	–0.4	–0.5
Net profit for the period	**34,173.7**	**53,142.3**

The rental result increased decisively due to the acquisition-related significantly increased real estate portfolio. As a result, rental income increased by kEUR 14,252.3 to kEUR 56,230.7 (2018/2019: kEUR 41,978.4). Correspondingly, there was a similar increase in management expenses, which, however, in the year under review also included non-periodic expenses from purchaser settlements for past purchases amounting to kEUR 1,638.9.

The valuation result as at 30 June 2020 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	2019/2020	2018/2019
Personnell expenses	–928.3	–887.7
Other operating expenses	–2,985.3	–2,164.5
Adjustment of one-time and special effects	1,199.9	702.9
Adjusted administrative expenses	**–2,713.7**	**–2,349.3**
Rental income	56,230.7	41,978.4
Administrative expenses	**4.8 %**	**5.6 %**

In total, EBIT declined by kEUR 20,256.5 to kEUR 38,692.0 (2018/2019: kEUR 58,948.5), which is mainly due to the lower valuation result compared to the same period of the previous year.

The decline in the financial result is primarily due to interest income generated from short-term cash management, which more than compensated for the increase in interest expenses due to the higher level of borrowings.

Income taxes do not accrue due to the tax exemption of REIT companies in the current financial year. The taxes reported in the financial year under review relate exclusively to other taxes.

Overall, this results in a net profit of kEUR 34,173.7 (2018/2019: kEUR 53,142.3), from which FFO and aFFO are derived as follows:

kEUR	2019/2020	2018/2019
Net profit of period	34,173.7	53,142.3
Adjustment of income taxes	0.0	0.1
Adjustment of depreciation	11.0	1.2
Adjustment of valuation result	–3,864.3	–30,362.1
Adjustment of sales result	5.0	–255.0
Adjustment for non-cash expenses/ income	1,826.5	1,401.6
Adjustment for one time and other non-recurring effects	2,838.8	1,112.8
FFO	**34,990.7**	**25,040.9**
– Capex	–15,104.4	–4,550.9
aFFO	**19,886.3**	**20,490.0**

The non-cash expenses and income 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 2019/2020 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 Rostock, Stralsund, Ueckermünde, Hohenmölsen as well as Niesky, Leipzig, Guben and Grevenbroich refurbishment properties.

This results in an FFO per share of EUR 1.06 (2018/2019: EUR 0.84) and an aFFO of EUR 0.60 per share (2018/2019: EUR 0.69).

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

The financial year 2019/2020 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 (like for like) was increased through vacancy reductions, lease renewals and revitalisation measures, which was reflected in another valuation gain in the annual real estate valuation.

In the past financial year 2019/2020, total rental income of EUR 56,2 million was generated, which means that the previous year‘s forecast (EUR 55 million to EUR 58 million) was achieved. As a result, a significant increase in FFO to EUR 35.0 million was achieved in line with the previous year‘s forecast (previous year: EUR 25.0 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 had a positive impact on the FFO margin. As a result of the issue of an unsecured step-up interest bond, the LTV target corridor of around 50% was slightly exceeded when borrowing.

In total, this results in an FFO of EUR 35.0 million, which, as forecast, is significantly above the FFO of the previous year. An HGB result of EUR 13.9 million was also achieved. On this basis, the Management Board will propose a dividend of EUR 0.40 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 2020/2021, 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 for the entire portfolio was 9.9% as at the reporting date (30/09/2019: 9.9%) and remained at a comparable level as at the reporting date due to the acquisitions of properties with vacant space. The WALT of the portfolio as at the reporting date is 5.4 years (30/09/2019: 5.6 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 the Company's management;
- a regular or event-related risk inventory;
- the documentation of relevant risks for regular or event-related information to the Company's management;
- 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	> 10.0	medium	medium-high	high
medium	5.0 to 10.0	medium-low	medium	medium-high
low	< 5.0	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 asset, financial and earnings position 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. Similarly, restrictions due to political measures to combat pandemics could have an impact on the business of tenants and a negative impact on current rental payments.

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 locations 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 still 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 DKR's investment locations and are not expected to be available 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 basically 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 arrange for compulsory realisations 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.

In addition, default risks also exist with regard to the interest-bearing cash and cash equivalents invested as part of the short-term financial resources management if borrowers fail to pay the debt service for economic reasons. This risk is countered by DKR, in which only investments with the best possible credit rating are made and existing investments continue to be monitored on an ongoing basis in order to counteract any risks that may arise.

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 accordance with the provisions of the Articles of Association, the Company is also threatened with compensation claims from shareholders in the event of a loss of REIT status due to a breach of the free float ratio of at least 15% and/or the maximum shareholding limit of 10%. The lack of practice in the application of the REIT Act by the competent supervisory and tax authorities could, in disputed individual cases, lead to an unfavourable interpretation of the application of the law or force the Company to adapt to the new legal situation.

f Pandemic risks

The outbreak and spread of a pandemic can have a negative impact on the Company's business capability and success. For example, government intervention to combat the novel SARS-COV-2 virus, which has also been spreading in Germany since the beginning of 2020, has led to far-reaching effects on the business operations of some of the retail tenants, some of whom have suffered significant revenue losses due to prescribed lockdowns and compliance with distance regulations, etc. Consequently, a negative impact on the tenants' ability to pay rent to DKR cannot be excluded.

In the opinion of the Management Board, DKR is only partially fully exposed to this risk to a certain extent, as the majority of rents come from tenants categorised as systemically relevant, such as food retailers and other retailers of daily consumer goods. In addition, DKR is countering affected tenants with individual deferment agreements and partial rent waivers for the period of the pandemic with simultaneous lease extensions. Rental receivables are continuously monitored by asset management.

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 contracted 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 asset, financial and earnings position. 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 professional-qualitative and capacitative 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

Despite the currently uncertain market outlook and the incalculable consequences of the Corona crisis, the Management Board continues to regard the overall risk situation for DKR as still low, as the business model as such is relatively non-cyclical. This was also confirmed during the lockdown phase. With regard to the individual risks mentioned, we currently assess competition risk and financing risks from rising key interest rates, particularly as a possible consequence of the support measures taken by central banks and the German government in the COVID 19 pandemic, as well as risks from asset management as medium risks.

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

Chances of future development

Due to the acquisitions of further high-yield retail properties in the year under review, which will not be reflected in earnings until the new financial year, DKR will continue to significantly increase its rental cash flow. Furthermore, new borrowings at lower interest rates will contribute to increasing profitability and funds from operations (FFO).

Furthermore, the Management Board expects that DKR will increasingly be perceived as a reliable and long-term oriented real estate partner of the retail trade, 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.

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 2020/2021

As expected, the dynamics of the new 2020/2021 financial year will continue to be determined by the Corona pandemic. Nevertheless, we still assume that DKR with its business model will not be more severely affected by the crisis than during the first wave, even if it continues. Nevertheless, adverse effects on DKR as well as the real estate sector as a whole through government intervention to support tenants cannot be ruled out.

Nevertheless, DKR's operational focus in the 2020/2021 financial year will continue to be on efficient portfolio management, revitalising properties and acquiring further 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%.

Assuming similarly strong growth through acquisitions and no further negative effects from the Corona pandemic, the Management Board expects an increase in rental income to between EUR 70 million and EUR 74 million on the basis of current planning for the 2020/2021 financial year, with a corresponding significant increase in the 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 36.3 (2018/2019: kEUR 32.5) plus expenses and value added tax and is distributed as follows:

Member of the Supervisory Board	2019/2020 (kEUR)	2018/2019 (kEUR)
Hans-Ulrich Sutter (Chairman)	10.0	10.0
Achim Betz (First Deputy Chairman)	7.5	7.5
Kristian Schmidt-Garve (Second Deputy Chairman since 5 March 2020)	6.3	5.0
Johannes C.G. (Hank) Boot	5.0	5.0
Nicholas Cournoyer	5.0	5.0
Cathy Bell-Walker (since 5 March 2020)	2.5	n/a
Total	**36.3**	**32.5**

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 through cost allocation 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 2019/2020 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. By resolution of the Supervisory Board on 16 December 2019, the target weighting of the variable remuneration of the Management Board was aligned to the focus on FFO growth and the achievable variable remuneration was increased due to the increased size of the Company.

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),
- 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 25% (previous year: 20%) in the financial year.

With full achievement of the objectives (100%), the Supervisory Board has set a variable remuneration of kEUR 125 (previous year: kEUR 100) per Management Board member for the 2019/2020 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 187.5 ("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 2019/2020 financial year

The remuneration of the Management Board earned in the past financial year (grants awarded) amounted to kEUR 467.6 (2018/2019: kEUR 487.8). The amounts accrued to the Management Board in the past financial year, which in part also include remuneration and advances earned in previous years, amount to kEUR 414.0 (2018/2019: kEUR 518.8).

Based on the achievement of objectives the individual remuneration of the Management Board in the 2019/2020 financial year was as follows:

in kEUR	Rolf Elgeti CEO		Alexander Kroth CIO				Christian Hellmuth CFO			
	2018/2019 (Actual)	2019/2020 (Actual)	2018/2019 (Actual)	2019/2020 (Actual)	2019/2020 (Min.)	2019/2020 (Max.)	2018/2019 (Actual)	2019/2020 (Actual)	2019/2020 (Min.)	2019/2020 (Max.)
Granted remuneration										
Fixed remuneration	71.3	71.3	120	120	120	120	120	120	120	120
Fringe benefits	0	0	18.1	18.3	18.3	18.3	8.4	7.4	7.4	7.4
Total	**71.3**	**71.3**	**138.1**	**138.3**	**138.3**	**138.3**	**128.4**	**127.4**	**127.4**	**127.4**
STI	0	0	75	32.6	0	93.7	75	32.6	0	93.7
LTI	0	0	75	32.7	0	93.8	75	32.7	0	93.8
Total	**0**	**0**	**150**	**65.3**	**0**	**187.5**	**150**	**65.3**	**0**	**187.5**
Total remuneration	**71.3**	**71.3**	**288.1**	**203.6**	**138.3**	**325.8**	**278.4**	**192.7**	**127.4**	**314.9**
Received remuneration										
Fixed remuneration	71.3	71.3	120	120			120	120		
Fringe benefits	0	0	18.1	18.3			8.4	7.4		
Total	**71.3**	**71.3**	**138.1**	**138.3**			**128.4**	**127.4**		
STI	0	0	54	75			127	2		
LTI	0	0	0	0			0	0		
Total	**0**	**0**	**54**	**75**			**127**	**2**		
Total remuneration	**71.3**	**71.3**	**192.1**	**213.3**			**255.4**	**129.4**		

Provisions of kEUR 237.0 were formed for the above-mentioned variable remuneration components with a long-term incentive effect, which are distributed among the members of the Management Board as follows:

Mr. Rolf Elgeti kEUR 0.0
Mr. Alexander Kroth kEUR 118.5
Mr. Christian Hellmuth kEUR 118.5

5. Dependency report and overall assessment

In financial year 2019/2020, DKR was 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 HGB

Composition of the share capital, voting rights and special rights

The share capital of the Company is divided into 35,155,938 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 on 5 March 2020, entered in the Commercial Register on 17 April 2020, the Management Board was authorised, with the approval of the Supervisory Board, to increase the share capital of the Company on one or more occasions by up to a total of EUR 15,979,972.00 (Authorised Capital 2020/I) by issuing new no-par value bearer shares against cash or non-cash contributions until 4 March 2025. Of this amount, EUR 3,195,994.00 was already utilised in the capital increase on 15 May 2020. The shareholders are generally to be granted a subscription right within the scope of the authorised capital. However, the Management Board is authorised, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders in certain cases, in whole or in part, in accordance with the resolution. The Authorised Capital 2019/1 was cancelled.

Conditional capital

Also by resolution of the Annual General Meeting on 5 March 2020, the Management Board was authorised, with the revocation of the authorisation to issue bonds with warrants and/or convertible bonds resolved by the Annual General Meeting on 21 March 2019, to issue bearer bonds with warrants and/or convertible bonds (together „bonds“) with a total nominal value of up to EUR 150,000,000.00 on one or more occasions up to 4 March 2025, with the approval of the Supervisory Board, with or without a limited term, and to grant or impose option rights or obligations on the holders or creditors of bonds with warrants, and conversion rights or obligations on the holders or creditors of convertible bonds for bearer shares in the Company with a proportionate amount of the share capital of EUR 1.00 each, in accordance with the more detailed provisions of the terms and conditions of the bonds. They may also be issued by a subordinated Group company of the Company. The shareholders are generally to be granted subscription rights. However, the Management Board is authorised, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders under certain conditions. Further details can be found in the announcement in the Federal Gazette.

In addition, by resolution of the Annual General Meeting on 5 March 2020 (amending the resolution of the Annual General Meeting on 21 March 2019), the share capital of the Company was conditionally increased by up to EUR 7,979,972.00 by issuing up to 7,979,972 new no-par value bearer shares (Conditional Capital I). The purpose of the conditional capital increase is to grant shares to the holders of bonds issued or guaranteed in accordance with the authorisation resolved by the Annual General Meeting.

By resolution of the Annual General Meeting on 5 March 2020, the share capital was further increased on a conditional basis (amending the resolution of the Annual General Meeting on 9 March 2017) by up to EUR 8,000,000.00 by issuing up to 8,000,000 new no-par value bearer shares with dividend rights from the beginning of the financial year in which they are issued (Conditional Capital II). The purpose of the conditional capital increase is to grant shares to the holders of convertible bonds 2015/2025, which, on 30 January 2015, were issued by the Company in two tranches with a total volume of EUR 37,000,000.00 on the basis of the authorisation of the Annual General Meeting on 30 January 2015, and which have a term until 30 January 2025. Otherwise, the resolution of 9 March 2017 remains unchanged. Further details on the conditional capital can also be found in the announcement in the Federal Gazette.

Repurchase of treasury shares

By the Annual General Meeting on 20 April 2016, the Company authorised the Management Board to acquire treasury shares up to a total of 10% of the share capital existing at the time of the resolution or – if this amount is lower – of the share capital existing at the time of the respective exercise of the present authorisation for any permissible purpose within the framework 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 consideration to be paid per share (excluding incidental acquisition costs) may not be more than 10% higher or lower than the average of the last share prices (closing prices) of the Company's share in XETRA trading on the Frankfurt Stock Exchange on the last ten trading days prior to the conclusion of the purchase obligation transaction or the date of publication of the offer.

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 2020, 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, 7 December 2020
Deutsche Konsum REIT-AG

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

Photo: Retail park
Nordpassage 1, 15890 Eisenhüttenstadt


REWE
GETRÄNKEMARKT
ERFRISCHENDE VIELFALT
REWE DEIN MARKT
Herzlich willkommen
AKTION %
AKTION %

Financial Statements

Photo: Local retail centre
Lassallestraße 27, 06217 Merseburg

Balance sheet
as at 30/09/2020

kEUR	Notes	30/09/2020	30/09/2019
Assets			
Non-current assets			
Investment properties	2.1.	809,928.6	619,881.3
Intangible assets	2.2.	0.1	1.1
Tangible assets	2.3.	14.4	5.9
Other financial assets (loans)	2.6.	4,392.9	8,369.5
Other non-current assets	2.6.	15,533.7	16.6
		829,869.7	**628,274.4**
Current assets			
Trade and other receivables	2.5.	2,642.2	1,957.4
Other current assets	2.6.	96,339.8	23,990.0
Cash and cash equivalents	2.7.	209.1	25,639.3
		99,191.1	**51,586.7**
Non-current assets held for sale		6,669.3	4,100.0
Total assets		**935,730.1**	**683,961.1**
Equity and liabilities			
Equity			
Issued share capital		35,155.9	31,959.9
Capital reserve		197,141.6	150,023.0
Other reserves		723.4	723.4
OCI (Other comprehensive income)		0.0	0.0
Retained earnings		157,643.6	134,655.8
	2.9.	**390,664.5**	**317,362.2**
Non-current liabilities			
Financial liabilities	2.10.	319,377.8	195,509.0
Convertible bonds	2.11.	36,308.6	36,162.1
Corporate bonds	2.12.	151,092.9	110,878.3
Other provisions	2.13.	3.5	3.5
Other non-current liabilities	2.14.	9,574.1	8,606.2
		516,356.8	**351,159.0**
Current liabilities			
Financial liabilities	2.10.	20,894.6	11,489.7
Other provisions	2.13.	2,102.2	2,006.1
Trade payables	2.15.	3,686.5	503.1
Other current liabilities	2.14.	2,025.4	1,441.0
		28,708.7	**15,439.9**
Total equity and liabilities		**935,730.1**	**683,961.1**

Statement of comprehensive income

kEUR	Notes	01/10/2019 – 30/09/2020	01/10/2018 – 30/09/2019
Rental income		56,230.7	41,978.4
Income from recharged operating costs		10,264.1	6,827.3
Operating expenses		–26,568.1	–17,203.8
Net rental income	3.1.	**39,926.7**	**31,601.9**
Proceeds from disposal of properties		4,095.0	975.0
Expenses on the sale of properties		–4,100.0	–975.0
Valuation changes of sold properties		0.0	255.0
Net proceeds from the disposal of properties	3.2.	**–5.0**	**255.0**
Other income		**177.8**	**165.3**
Revaluation gains		17,700.1	45,303.6
Revaluation losses		–13,835.9	–14,941.5
Gains/losses from the revaluation of investment properties	3.4.	**3,864.3**	**30,362.1**
Subtotal		**43,963.8**	**62,384.3**
Personnel expenses	3.5.	–928.3	–887.7
Amortisation of intangible assets, depreciation of property, plant and equipment		–11.0	–1.2
Impairment loss of inventories and receivables	3.6.	–1,347.1	–383.5
Other operating expenses	3.7.	–2,985.4	–2,163.5
Operating expenses		**–5,271.8**	**–3,435.8**
EBIT		**38,692.0**	**58,948.5**
Interest income		5,157.5	1,368.9
Interest expense		–9,675.4	–7,174.6
Net finance costs	3.8.	**–4,517.9**	**–5,805.7**
EBT		**34,174.1**	**53,142.8**
Income tax	2.4.	0.0	–0.1
Other tax	3.9.	–0.4	–0.4
Net income		**34,173.7**	**53,142.3**
Earnings per share (in EUR)	3.10.		
Undiluted result per share		1.03	1.79
Diluted result per share		0.73	1.25
Other comprehensive income			
Net income		34,173.7	53,142.3
Items reclassified to profit or loss			
Impairment of acquired loans		90.0	260.3
Change in fair value of acquired loans		–88.6	–242.1
Fair value change on acquired loans reclassified to profit or loss		–1.4	–18.2
Subtotal		**0.0**	**0.0**
Total other comprehensive income		**0.0**	**0.0**
Total comprehensive income		**34,173.7**	**53,142.3**

Cash flow statement

	kEUR	Notes	01/10/2019 – 30/09/2020	01/10/2018 – 30/09/2019
	Period result		**34,173.7**	**53,142.3**
+/–	Interest expense/interest income	3.8.	4,517.9	5,805.7
+/–	Depreciation, amortisation and write-down/reversals of intangible assets, tangible assets and financial assets		11.0	1.2
+	Impairments on inventories and receivables	3.6.	1,347.1	383.5
–/+	Gains/Losses from the revaluation of investment properties	3.4.	–3,864.3	–30,362.1
–/+	Gain/loss on disposal of investment properties	3.2.	5.0	–255.0
–/+	Gain/loss on disposal of fixed assets		2.2	0,0
+/–	Increase/decrease in provisions	2.13.	96.2	–37.1
+/–	Income tax expense/-income effective	2.4.	0,0	0,1
–/+	Increase/decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	2.5., 2.6.	–2,384.4	–1,859.0
+/–	Increase/decrease in trade payables and other liabilities not attributable to investing or financing activities	2.15.	2,035.9	270.5
	Cash flow from operating activities		**35,940.3**	**27,090.0**
+	Cash receipts relating to disposals of investment properties	3.2.	4,095.0	975.0
–	Cash payments related to property investments	2.1.	–199,855.2	–156,320.6
–	Cash payments related to other investments in intangible and tangible assets		69.9	–2.3
+	Cash receipts from the investment of cash funds for short-term cash management	2.6.	17,682.3	15,000.4
–	Cash payments related to short-term cash investments	2.6.	–87,409.3	–32,279.3
+	Interest received		1,045.5	1,001.3
	Cash flow from investing activities		**–264,371.8**	**–171,625.5**
+	Cash proceeds from the issue of shares	2.9.	3,196.0	4,723.6
+	Cash proceeds from capital increases	2.9.	47,939.9	56,236.3
–	Costs related to capital increases	2.9.	–821.4	–1,087.5
+	Proceeds related to the issue of corporate bonds	2.12.	40,000.0	70,000.0
–	Costs related to the issue of corporate bonds	2.12.	–635.2	–88.9
+	Proceeds from borrowings	2.10.	148,730.0	62,349.5
–	Cash payments related to the issue of borrowings	2.10.	–253.7	–66.6
–	Amortisation of loans	2.10.	–15,480.5	–10,760.0
–	Interest paid	3.8.	–8,487.9	–5,280.2
–	Dividend distribution	2.9.	–11,185.9	–5,992.0
	Cash flow from financing activities		**203,001.3**	**170,034.3**
	Change in cash and cash equivalents		–25,430.2	25,498.8
	Cash and cash equivalents at the beginning of the period	2.7.	25,639.3	140.5
	Cash and cash equivalents at the end of the period	2.7.	**209.1**	**25,639.3**

Statement of changes in equity

kEUR	Notes	Issued share capital	Capital reserve	Other reserves	OCI	Retained earnings	Total equity
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				–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						–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**	**317,362.3**
As at 01/10/2019		**31,959.9**	**150,023.1**	**723.4**	**0.0**	**134,655.8**	**317,362.3**
Period result						34,173.7	34,173.7
Cash capital increase/ -reduction		3,196.0	47,939.9				51,135.9
Costs of capital measures			–821.4				–821.4
Dividend distribution					0.0	–11,185.9	–11,185.9
As at 30/09/2020	2.9.	**35,155.9**	**197,141.6**	**723.4**	**0.0**	**157,643.6**	**390,664.5**

Notes

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

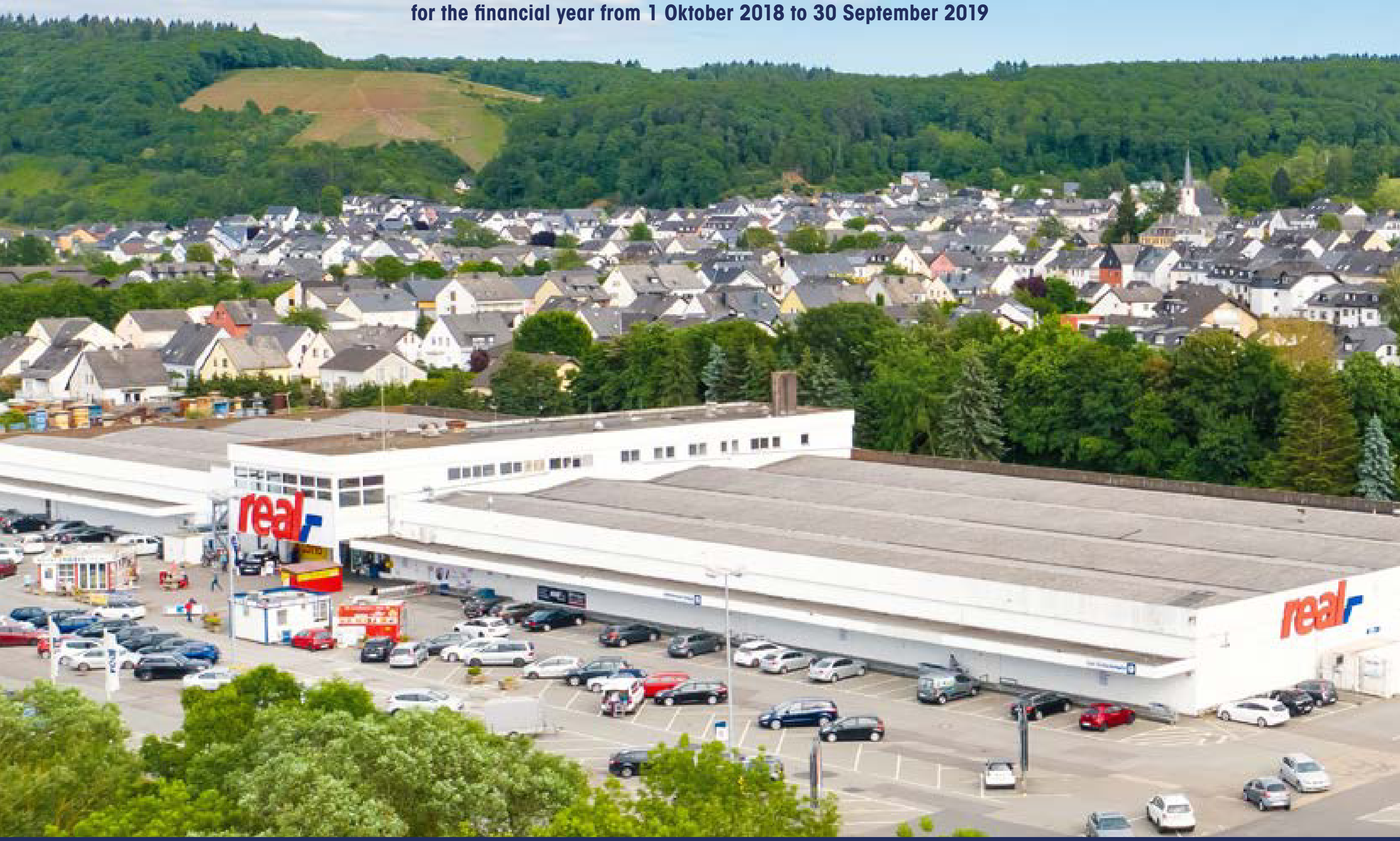

Photo: Hypermarket
Am Kenner Haus 20, 54344 Trier

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 2020, were set up on 7 December 2020. The Supervisory Board is expected to approve this individual financial statements in its meeting on 16 December 2020. 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 2020 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 2019 to 30 September 2020. The comparative figures are the balance sheet as of 30 September 2019 and the statement of comprehensive income for the period from 1 October 2018 to 30 September 2019.

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 year under review, revenues amounted to kEUR 70,589.8 (previous year: kEUR 49,780.7). A significant portion of the revenues is generated via the existing rental agreements with the Schwarz Group, Neckarsulm („Kaufland" and „Lidl") in the annualised amount of approximately EUR 9.6 million and the EDEKA Group, Hamburg („Edeka", „NP, „Netto", „Diska", „Trinkgut") in the annualised amount of approximately EUR 8.5 million.

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 value appreciation purposes 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.

- In assessing the term of leases, management considers all facts and circumstances that provide an economic incentive to exercise renewal options or not to exercise termination options. Any resulting changes in the term of the lease are only included in the term of the agreement if there is sufficient certainty that they will be exercised. Further details are provided in Chapter 6.2.

- Discretionary scope 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 Chapter 1.5.11.

The Company makes estimates and assumptions concerning the future. The derived estimates may of course differ from the later actual conditions. The fair value valuation of the Company as of 30 September 2020 contain significant valuation uncertainties due to market fluctuations as a result of the corona pandemic. These conditions do not invalidate the valuation, but imply a significantly higher level of uncertainty than under normal market conditions. In view of this uncertainty, the Notes contain a sensitivity analysis of the assumptions used in the valuation of the investment properties. 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 appraiser, 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 809,928.6 as of the balance sheet date (previous year: kEUR 623,981.3).

- As part of the review of financial assets, at the end of each financial year, the carrying amounts (amortised cost or fair value) 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 carrying amount of the financial assets reported under non-current financial assets, trade receivables and other current assets was kEUR 99,704.6 (previous year: kEUR 28,262.7) at the reporting date and relates to receivables from tenants, receivables held in the portfolio and receivables held for sale from loans acquired from creditshelf Service GmbH and receivables from loans from affiliated companies.

- 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 2,105.7 as at the reporting date (previous year: kEUR 2,009.6).

1.4. Application of IFRS in financial year 2019/2020

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
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

There were no material effects from the mandatory application of the new standards in financial year 2019/2020.

The Company acts as a lessee of leasehold contracts, parking spaces and a motor vehicle. Deutsche Konsum applies the modified retrospective method for all leased assets, using the exemption option in IFRS 16.C8(b)(i), so that there is no initial application effect to be recognised in retained earnings. For leaseholds previously recognised as finance leases under IAS 17, the carrying amount of the leased asset immediately before the initial application of IFRS 16 was recognised under IAS 17, and the carrying amount of the lease liability under IAS 17 was recognised as the initial carrying amount of the right of use and the lease liability under IFRS 16. The valuation principles of the new leasing standard were only applied thereafter, but did not result in any changes in valuation, as there were no residual value guarantees, variable lease payments or similar. The rights of use under leasehold contracts continue to be reported in the balance sheet under non-current assets in the item investment property. The corresponding lease liability is included in other current or non-current liabilities.

As part of the first-time application of IFRS 16, rights of use and corresponding lease liabilities were recognised for the first time for three operating leases for adjacent parking spaces. The rights of use are reported under investment properties, the lease liabilities under non-current or current other financial liabilities.

For the first time, a right of use and a leasing liability were recognised for the leased vehicle, as this constituted an operating lease under IAS 17. The right of use is disclosed under the balance sheet item tangible assets. The corresponding lease liability is included in current and non-current other financial liabilities. For further information please refer to Chapter 2.16.

The following new standards, interpretations, and amendments to published standards, the application of which was not yet mandatory for DKR in the 2019/2020 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
29/11/2019	Framework	Amendments to the Framework	01/01/2020	No significant
21/04/2020	Amendments to IFRS 3	Business Combinations	01/01/2020	None
29/11/2019	Amendments to IAS 1 and IAS 8	Definition of Material	01/01/2020	No significant
15/01/2020	Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	01/01/2020	No significant
09/10/2020	Amendments to IFRS 16	Leases – Covid 19 Rent deferrals	01/06/2020	No significant
Not yet adopted	IFRS 17	New standard „Insurance policies"	01/01/2023	None
Not yet adopted	Amendments to IAS 1	Classification of liabilities	01/01/2022	No significant
Not yet adopted	Amendments to IFRS 3, IAS 16, IAS 37, and annual improvements	Business Combinations, Property, Plant and Equipment, Provisions, contingent liabilities, and contingent assets	01/01/2022	None
Not yet adopted	Amendments to IFRS 4	Insurance policies	01/01/2020	None
Not yet adopted	Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform Phase 2	01/01/2020	No significant

DKR does not expect the published new standards and interpretations to have any significant impact on its accounting.

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 2019/2020 financial year.

1.5.2. Investment property and properties 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 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 assets held for sale (IFRS 5). 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. Real estate is generally depreciated on a straight-line basis over a useful life of 33 years, with one property being depreciated over 6 years. The useful lives are reviewed at the end of each financial year and adjusted if necessary.

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 the case of sold properties, the valuation result from the valuation at the selling price is reported under net income from sales, 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 on a scheduled basis over their respective useful economic lives of generally three to eight years using the stra-ight-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 8 years (factory and office equipment). 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 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. The three classification categories for financial assets are as follows:

- 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.

At DKR, the Amortized Cost (AC) measurement category includes trust and deposit accounts and expenses to property management. These are cash holdings that are due on demand. The measurement category also includes trade receivables, loans, and interest receivables from the utilisation of a liquidity line and prepaid costs.

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 interest-bearing loan receivables from commercial borrowers acquired by DKR via the Creditshelf Service GmbH platform. The Company uses this investment opportunity for broadly diversified short-term liquidity management. If liquidity is required, these loans can be sold back promptly via the platform or directly to third parties. The Hold and Sell business model therefore applies here. As some of the loans have a remaining term of more than one year, they were allocated to non-current and current items accordingly. A short-term sale is possible independently of this. Where there is a concrete intention to sell and the conditions are met, a presentation is made in accordance with IFRS 5.

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 and impairments are recognised in other comprehensive income, with the exception of impairment losses or 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 credit loss: 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 credit 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 credit loss. 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.

Allowances for trade receivables are always measured in the amount of the expected credit losses over the term of the receivable and are established on the basis of the age structure using a valuation allowance table. In addition, the highest rent receivables are considered individually and, if necessary, an impairment loss is recognised. In the case of rent receivables, the assessment based on the age structure is preceded by a separate consideration for material receivables. Significant rent receivables are assessed separately, written down on an individual basis and subsequently no longer included in the maturity analysis.

In the case of rent receivables, the major deferrals were already settled during the year. At the balance sheet date, there were only insignificant outstanding rent receivables due to Covid-19. As the tenants of Deutsche Konsum mainly trade in everyday consumer goods and are therefore only marginally affected by the effects of the Corona pandemic, there were no significant rent deferrals or defaults in the reporting period. The loans acquired were reviewed for increased default risks and adjusted where necessary, but are of minor significance compared to rents.

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

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.

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 acquisition or production costs and 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 economic 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 economic 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 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 tenancies 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 tenancies. The transaction price is thus agreed in the tenancies 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 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 properties held for sale (IFRS 5 real estate) is reported as revenue. The consideration is due after transfer of the property.

Under IFRS 15, the distinction between principal and agent is based on whether a contracting party has control over the service before transferring it 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.

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.

1.5.12. Leases

The new standard IFRS 16 leaves the accounting for lessors largely unaffected, but brings significant changes for lessees with operating leases, as the lessee no longer needs to classify the lease as an operating or finance lease. There are no material effects for finance leases.

Leases are recognised as rights of use and corresponding liabilities at the time when the leased asset is available for use by the Company. Lease instalments are divided into repayment and financing expenses. Finance charges are recognised in the income statement over the lease term using the effective interest method, so that for each period the periodic interest rate on the remaining balance of the liability is constant. The right of use is amortised on a straight-line basis over the shorter of the useful life of the asset and the lease term. When determining the term of the lease, extension options are taken into account, the exercise of which is reasonably certain.

Assets and liabilities under leases are initially recognised at their present values. The lease liability comprises the present value of fixed lease payments, variable lease payments linked to an index or interest rate, expected residual value payments, the exercise price of a sufficiently certain purchase option and penalties for the sufficiently certain termination of the lease. The right of use is measured at cost, which comprises the amount of the initial measurement of the lease liability, all lease payments made on and before the lease is made available, initial direct costs and estimated costs of dismantling or removing the leased asset.

The right of use is reported under the balance sheet item under which the underlying asset would be recognised. The lease liability is included in other non-current or current financial liabilities.

Payments for short-term leases or leases for low-value assets are recognised as expenses in the statement of comprehensive income on a straight-line basis. Deutsche Konsum has no such leases.

Lease payments are discounted at the lessee's incremental borrowing rate if the implicit interest rate underlying the lease cannot be determined. The incremental borrowing rate is the interest rate that would be payable by the lessee if the underlying asset were to be acquired or financed by external borrowings in similar circumstances.

The Company acts as a lessee of leasehold contracts, parking spaces and a motor vehicle. For the leaseholds previously recognised as finance leases under IAS 17, the carrying amount of the leased asset immediately prior to the initial application of IFRS 16 is recognised under IAS 17, and the carrying amount of the lease liability under IAS 17 is recognised as the initial carrying amount of the right of use and the lease liability under IFRS 16. The valuation principles of the new leasing standard were subsequently applied, but did not result in any changes in valuation, as there were no residual value guarantees, variable lease payments or similar. The rights of use under leasehold contracts continue to be reported in the balance sheet under non-current assets in the item investment properties. The corresponding lease liability is included in other current or non-current liabilities.

As part of the first-time application of IFRS 16, rights of use and corresponding lease liabilities were recognised for the first time for three operating leases for adjacent parking spaces. The rights of use are reported under investment properties, while the lease liabilities are included in other non-current or current financial liabilities.

For the first time, a right of use and a leasing liability were recognised for the leased vehicle, as this constituted an operating lease under IAS 17. The right of use is disclosed under the balance sheet item tangible assets. The corresponding lease liability is included in current and non-current other financial liabilities. For further information please refer to Chapter 2.16.

2. Notes to the balance sheet

2.1. Investment properties

In the 2019/2020 financial year, the transfer of benefits and encumbrances from 39 acquired investment properties and the sale of an object took place. As a result, the real estate assets of DKR as at 30 September 2020 comprise 161 properties with a fair value of kEUR 800,718.8 plus leaseholds recognised as rights of use in the amount of kEUR 8,889.6 (previous year: kEUR 8,360.3) and leased properties recognised as rights of use in the amount of kEUR 320.2 (previous year: kEUR 0.0). Furthermore, value-enhancing measures amounting to kEUR 15,104.4 (previous year: kEUR 4,550.9) were capitalised. The unrealised valuation result from the time valuation amounts to kEUR 3,864.3 (previous year: kEUR 30,362.1).

The development of investment properties is as follows:

kEUR	2019/2020	2018/2019
Initial holding at 01/10	**619,881.3**	**418,707.3**
+ Real estate purchases	170,005.4	170,271.6
+ Capitalisation of leaseholds and rights of use	1,053.2	824.4
– Disposal of rights of use	0.0	–367.1
+ Adjustment of the book values for leaseholds due to changed ground rent payments	20.0	352.1
– Book value disposal through sale of real estate	0.0	–975.0
– Reclassification of IFRS 5	0.0	–4,100.0
+ Subsequent acquisition and production costs (Capex)	15,104.4	4,550.9
+ Valuation results of properties sold	0.0	255.0
+ Unrealised valuation result from fair value valuation (change in market value)	3,864.3	30,362.1
Closing on the key date	**809,928.6**	**619,881.3**

Of the investment property, real estate with a carrying amount of kEUR 752,560.0 (previous year: kEUR 551,217.8) 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 under which the associated plots of land are developed with commercial real estate. Rights of use and leasing liabilities are recognised for the leasehold contracts. The capitalised amount as of 30 September 2020 is kEUR 8,889.6 (previous year: kEUR 8,360.3). As of 30 September 2020, the liability recognised as a liability amounts to kEUR 9,656.0 (previous year: kEUR 8,667.0).

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

kEUR	2019/2020	2018/2019
Rental income	56,230.7	41,978.4
Valuation result investment properties	3,864.3	30,362.1
Valuation result from sold investment properties	0.0	255.0
Income from operating and ancillary costs	10,264.1	6,827.3
Operating expenses (maintenance expenses, property management, property taxes, etc.)	–26,568.1	–17,203.8
Total	**43,791.0**	**62,219.0**

The operating expenses attributable to vacant properties amount to kEUR 2,887.7 (previous year: 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 2020 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.

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

Valuation parameters

	30/06/2020	30/06/2019
Market rent increase p.a. (in %)	0.6 to 2.0	1.50 to 2.00
Maintenance costs p.a. (EUR/m²)	1.00 to 9.97	4.00 to 8.00
Administrative costs p.a. (% of market rent)	0.5 to 13.4	0.00 to 7.50
Discount rate (%)	5.50 to 13.00	5.45 to 13.00
Capitalisation rate (%)	5.00 to 11.0	4.95 to 11.00

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	30/09/2020		30/09/2019	
Change in the discount and capitalisation rate	+1 %	–1 %	+1 %	–1 %
Fair value of investment properties	–120.5	169.7	–85.4	+119.4

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 of kEUR 309,908.5 (previous year: kEUR 249,871.6) 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 30/09/2020	309,908.5	48,717.1	160,135.4	101,056.0
Minimum lease payments 30/09/2019	249,871.6	43,877.4	123,516.7	82,477.5

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 3,954.0. 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 in the amount of kEUR 14.4 (previous year: kEUR 5.9) essentially comprises co-acquired inventory for property management and a capitalised right of use for a car. The useful lives are between 3 and 8 years. Depreciation of kEUR 10.1 (previous year: kEUR 0.3) is calculated using the straight-line method.

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 of the previous year are composed in the income statement as follows:

kEUR	2019/2020	2018/2019
Actual taxes for previous years	0.0	–0.1
Deferred taxes	0.0	0.0
Total	0.0	**–0.1**

2.5. Trade and other receivables

Trade and other receivables break down as follows:

kEUR	30/09/2020	30/09/2019
Receivables from rental	3,656.3	2,810.9
Receivables from other deliveries and services	49.6	10.6
Value adjustment on receivables	–1,063.7	–864.0
Total	2,642.2	**1,957.5**

Within the scope of the value adjustment, the highest rent receivables are considered separately and, if necessary, individual value adjustments are made, while the remaining receivables are subject to general value adjustments depending on their due dates. The receivables for which specific valuation allowances have been recognised are not included in the maturity analysis. The individually considered rental receivables of kEUR 1,855.8 (previous year: kEUR 704.4) resulted in an individual value adjustment of kEUR 118.2 (previous year: kEUR 157.3).

Value adjustments on trade and other receivables from default risks are as follows:

Figures 2019/2020 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 and other receivables	1,855.8	245.7	362.6	757.2	33.2	451.3	3,705.8
Value adjustment	**118.2**	**0.0**	**90.6**	**378.7**	**24.9**	**451.3**	**1,063.7**

The value adjustments on trade and other receivables developed as follows:

kEUR	30/09/2020	30/09/2019
As of 01/10 Previous year	864.0	740.8
Consumption	–	–
Resolution	–	–
Additions	199.7	123.2
Closing on the key date	**1,063.7**	**864.0**

In addition to value adjustments on rent receivables, write-downs of kEUR 785.3 and impairments of kEUR 272.1 were recognised in the year under review on purchaser settlements.

2.6. Other non-current and current assets

Other non-current assets include receivables from acquired loans in the amount of kEUR 4,392.9 (previous year: kEUR 8,369.5) as well as prepayments made on acquired investment properties in the amount of kEUR 15,533.7 (previous year: kEUR 16.6) for which the transfer of benefits and encumbrances has not yet taken place. 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	30/09/2020	30/09/2019
Receivables from shareholders including accrued interest	81,197.3	13,203.4
Short-term investment in acquired loan shares via Creditshelf	6,948.6	3,182.0
Unfinished services after offsetting with advance payments received	2,600.1	2,021.5
Mortgage credit	2,282.0	1,861.3
Trust accounts	725.6	1,395.0
Purchaser settlement	816.5	920.9
VAT claims	467.0	458.5
Tenant deposits	516.9	399.9
Others	785.8	547.5
Total	**96,339.8**	**23,990.0**

A portion of the receivables from acquired loans was reclassified as assets held for sale at the balance sheet date in accordance with IFRS 5. For more detailed information, please refer to Chapter 2.8.

In financial year 2019/2020, DKR invested excess liquidity in the acquisition of loans brokered through Fintech Creditshelf AG, Frankfurt. The loans have terms of up to four years and are between 6.1% and 11.0% p.a. interest. In addition, Creditshelf charges a fee for loan processing and related services.

The receivables from the Creditshelf loans are valued at fair value directly in equity on level three of the valuation hierarchy. This is based on the amount invested less repayments to date. In the reporting period, expenses from impairments in the amount of kEUR 90.0 (previous year: kEUR 260.3) were recognised, which are composed of several effects. On the one hand, as a result of the sale of a portion of the loans after the reporting date at their nominal amount including accrued interest, the impairment loss on these loans in the amount of kEUR 142.0 was reversed as of the reporting date. On the other hand, additional impairments of kEUR 232.0 were recognised, of which kEUR 147.5 were individual value adjustments.

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

kEUR	2019/2020	2018/2019
Opening balance at 01/10/	**11,551.6**	**7,425.5**
First-time application of IFRS 9 in other comprehensive income	0.0	–132.3
Acquisition of new loans	21,925.0	19,210.0
Repayment	–13,086.6	–13,993.5
Sale	–2,343.1	–789.1
Change in fair value in other comprehensive income	–90.0	–260.3
Release of accrued interest	–230.6	0.0
Accrued interest and charges	284.5	91.3
Closing balance on the balance sheet date	**18,010.8**	**11,551.6**
– thereof non-current	*4,392.9*	*8,369.6*
– thereof current	*6,948.6*	*3,182.0*
– thereof held for sale	*6,669.3*	*0.0*

In the reporting period, impairments on Creditshelf loans in the amount of kEUR 90.0 (previous year: kEUR 260.3) were recognised in the income statement.

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

kEUR	30/09/2020	30/09/2019
As at 01/10 previous year	392.6	132.3
Consumption	–	–
Resolution	–142.0	–
Additions	232.0	260.3
Closing balance on the balance sheet date	**482.6**	**392.6**

No impairment losses were recognised on other financial assets.

2.7. Liquid funds

Cash and cash equivalents include cash on hand and bank balances. Deposit balances are reported 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 assets held for sale in the amount of kEUR 6,669.3 (previous year: kEUR 4,100.0) relate to acquired loans, which were sold to Creditshelf Service GmbH under a purchase agreement dated 4 December 2020 at the outstanding nominal amount including outstanding interest. The selling price amounts to kEUR 6,669.3. No impairment loss was therefore recognised on the loans held for sale in the reporting period.

2.9. Equity

2.9.1. Issued share capital

The fully paid-in share capital of DKR amounts to kEUR 35,155.9 as of 30 September 2020 (2018/2019: kEUR 31,959.9) and is divided into 35,155,938 no-par-value bearer shares with equal voting rights.

With a capital increase without subscription rights on 18 May 2020 (entry in the Commercial Register), Deutsche Konsum increased its share capital by a total of EUR 3,195,994 to EUR 35,155,938.00.

Powers of the Management Board to issue new shares

Authorised capital

By resolution of the Annual General Meeting on 5 March 2020, entered in the Commercial Register on 17 April 2020, the Management Board was authorised, with the approval of the Supervisory Board, to increase the share capital of the Company on one or more occasions by up to a total of EUR 15,979,972.00 (Authorised Capital 2020/I) by issuing new no-par value bearer shares against cash or non-cash contributions until 4 March 2025. The shareholders are generally to be granted a subscription right within the scope of the authorised capital. However, the Management Board is authorised to exclude shareholders' subscription rights in certain cases in accordance with the articles of association and the approval of the Supervisory Board. The Authorised Capital 2019/1 was cancelled.

The authorised capital was partially utilised by a capital increase on 15 May 2020. Upon entry in the Commercial Register on 18 May 2020, the share capital was increased by EUR 3,195,994 from EUR 31,959,944 to EUR 35,155,938. For this purpose, 3,195,994 new no-par value bearer shares were issued, each representing EUR 1.00 of the share capital. The shares were placed at an issue price of EUR 16.00 per share, resulting in gross issue proceeds of around EUR 51.1 million.

The remaining Authorised Capital 2020/I thus amounts to EUR 12,783,978.00.

Conditional capital

Also by resolution of the Annual General Meeting on 5 March 2020, the Management Board was authorised, with the revocation of the authorisation to issue bonds with warrants and/or convertible bonds resolved by the Annual General Meeting on 21 March 2019, to issue bearer bonds with warrants and/or convertible bonds (together „bonds") with a total nominal value of up to EUR 150,000,000.00 on one or more occasions up to 4 March 2025, with the approval of the Supervisory Board, with or without a limited term, and to grant or impose option rights or obligations on the holders or creditors of bonds with warrants, and conversion rights or obligations on the holders or creditors of convertible bonds for bearer shares in the Company with a proportionate amount of the share capital of EUR 1.00 each, in accordance with the more detailed provisions of the terms and conditions of the bonds. They may also be issued by a subordinated Group company of the Company. The shareholders are generally to be granted subscription rights. However, the Management Board is authorised, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders under certain conditions. Further details can be found in the announcement in the Federal Gazette.

In addition, by resolution of the Annual General Meeting on 5 March 2020 (amending the resolution of the Annual General Meeting on 21 March 2019), the share capital of the Company was conditionally increased by up to EUR 7,979,972.00 by issuing up to 7,979,972 new no-par value bearer shares (Conditional Capital I). The purpose of the conditional capital increase is to grant shares to the holders of bonds issued or guaranteed in accordance with the authorisation resolved by the Annual General Meeting.

By resolution of the Annual General Meeting on 5 March 2020, the share capital was further increased on a conditional basis (amending the resolution of the Annual General Meeting on 9 March 2017) by up to EUR 8,000,000.00 by issuing up to 8,000,000 new no-par value bearer shares with dividend rights from the beginning of the financial year in which they are issued (Conditional Capital II). The purpose of the conditional capital increase is to grant shares to the holders of convertible bonds 2015/2025, which, on 30 January 2015, were issued by the Company in two tranches with a total volume of EUR 37,000,000.00 on the basis of the authorisation of the Annual General Meeting on 30 January 2015, and which have a term until 30 January 2025. Otherwise, the resolution of 9 March 2017 remains unchanged. Further details on the conditional capital can also be found in the announcement in the Federal Gazette.

2.9.2. Capital reserve

The capital reserve increased from kEUR 150,023.0 at the beginning of the financial year by kEUR 47,118.6 to kEUR 197,141.6 at the end of the financial year. The increase is due in particular to the cash capital increase on 15 May 2020.

2.9.3. Other reserves

Other current assets are made up as follows:

kEUR	30/09/2020	30/09/2019
IFRS initial reserve 01/10	723,4	855.7
First-time application of IFRS 9	0,0	–132.3
IFRS first-time application reserve 30/09	**723,4**	**723.4**

2.9.4. Retained earnings

The development of this item is shown in the statement of changes in equity. A dividend of kEUR 11,185.9 was paid for the 2018/2019 financial year, which corresponds to a dividend of EUR 0.35 per share.

Based on the current number of shares, the Management Board plans to propose a dividend of EUR 0.40 per share (equivalent to kEUR 14,062.4) at the next Annual General Meeting for the 2019/2020 financial year, which will be fed by the annual profit of kEUR 13,850.5 under commercial law and a withdrawal from the profit carried forward. This proposal requires the approval of the Supervisory Board and the Annual General Meeting.

2.10. Financial liabilities

Financial liabilities are as follows:

kEUR	30/09/2020	30/09/2019
Non-current	319,377.8	195,509.0
Current	20,894.6	11,489.7
Total	**340,272.4**	**206,998.7**
Of these secured	330,272.4	206,998.7

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.

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, including accrued interest, taking into account the issue costs, are composed as follows:

Liabilities from convertible bonds in kEUR	Maturity	30/09/2020		30/09/2019	
		Non-current	Current	Non-current	Current
Convertible bond I kEUR 30,000 (nominal), 1.35 % coupon p.a.	30 January 2025	29,525.6	0.0	29,425.0	0.0
Convertible bond II kEUR 7,000 (nominal), 1 % coupon p.a.	30 January 2025	6,783.0	0.0	6,737.1	0.0
Total		**36,308.6**	**0.0**	**36,162.1**	**0.0**

Both convertible bonds are fully recognised as non-current financial liabilities.

2.12. Corporate bonds

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

Liabilities from corporate bonds in kEUR	Maturity	30/09/2020		30/09/2019	
		Non-current	Current	Non-current	Current
Bond kEUR 40,000.0 (secured), 1.8 % coupon p.a.	31 May 2024	40,165.6	0.0	40,076.1	0.0
Bond kEUR 70,000.0 (unsecured), 2.35 % coupon p.a.	5 April 2024	70,734.6	0.0	70,802.2	0.0
Step-up bond kEUR 40,000.0 (unsecured), 2,75 % coupon p.a., as of 10/03/22 – 4,00 % coupon p.a.	10 March 2025	40,192.7	0.0	0.0	0.0
Total		**151,092.9**	**0.0**	**110,878.3**	**0.0**

On 10 March 2020, the Company issued an unsecured step-up interest bond of 400 units with a nominal value of EUR 100,000.00 each (ISIN DE000A2YN124). The nominal amount of the bearer bonds amounts to kEUR 40,000.0. The bond bears interest at 2.75 % p.a. and from 10 March 2022 at 4.00 % p.a. and has a term until 10 March 2025. Interest is paid annually on 31 March. The stepped interest bond is repayable at any time in individual tranches of kEUR 5,000 in the short term.

2.13. Other provisions

Other provisions are composed as follows:

kEUR	As of 01/10/2019	Consumption	Resolution	Addition	As of 30/09/2020
Archiving (non-current)	3.5	0.0	0.0	0.0	3.5
Legal, consulting and auditing costs	220.0	220.0	0.0	260.0	260.0
Pending invoices	1,249.2	685.7	0.0	744.6	1,308.1
Other provisions	536.9	413.0	0.0	410.2	534.1
Total	**2,009.6**	**1,318.7**	**0.0**	**1,414.8**	**2,105.7**

Since material provisions are utilised at short notice, discounting is waived for materiality reasons. There are also no material uncertainties regarding the timing or amount of the claim.

2.14. Other non-current and current liabilities

Other non-current liabilities mainly comprise leasing liabilities for leasehold rights in which DKR is the building lease holder. The corresponding assets are reported accordingly as investment properties.

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

kEUR	30/09/2020	30/09/2019
Non-current lease liabilities	9,574.1	8,606.2
Total non-current other liabilities	**9,574.1**	**8,606.2**
Advance payments received from acquired loans	847.2	0.0
Rent deposits	637.6	399.9
Liabilities to tenants	299.1	467.1
Current lease liabilities	89.5	60.8
Liabilities from purchaser settlement	92.5	463.8
Others	59.5	49.5
Total current other liabilities	**2,025.4**	**1,441.0**
Total	**11,599.5**	**10,047.2**

2.15. Trade payables

Trade payables amounted to kEUR 3,686.5 in the year under review (previous year: kEUR 503.1) and as of the balance sheet date mainly included outstanding invoices for related maintenance and management services.

2.16 Leases

As part of the first-time application of IFRS 16, Deutsche Konsum, as a lessee, recognises rights of use and lease liabilities for leases. The Company acts as a lessee of leasehold contracts, which, however, were already reported under IAS 17 on the assets and liabilities side of the balance sheet under investment properties and other current and non-current liabilities. The application of IFRS 16 did not result in any changes in valuation. For the first time, rights of use and leasing liabilities for parking spaces and access roads previously rented under operating leases were recognised.

In addition, the Company leases a motor vehicle, for which a right of use and a leasing liability are now recognised.

The retrospective application of IFRS 16 using the exemption option in IFRS 16.C8(b)(i) did not result in a first-time application effect to be recognised in retained earnings. Rights of use in the amount of kEUR 361.6 and lease liabilities in the same amount were recognised. The changeover effects result from the recognition of the leased motor vehicle, parking spaces and access roads in the balance sheet and are as follows at the date of initial application:

kEUR	30/09/2019	IFRS 16 First adoption	01/10/2019
Non-current assets	632,374.4	361.6	632,736.0
Thereof tangible assets	5.9	16.3	22.2
Thereof investment properties	619,881.3	345.3	620,226.6
Total assets	**683,961.1**	**361.6**	**684,322.7**
Equity	**317,362.2**	**0.0**	**317,362.2**
Non-current liabilities	**351,159.0**	**361.6**	**351,520.6**
Thereof other non-current liabilities	8,606.2	361.6	8,967.8
Total equity and liabilities	**683,961.1**	**361.6**	**684,322.7**

The reconciliation to the opening balance sheet value of the lease liability on 1 October 2019 is as follows:

kEUR	2019/2020
current liabilities from finance leases as of 30 September 2019	60.8
non-current liabilities from finance leases as of 30 September 2019	8,606.2
Leasing liabilities as at 30/09/2019	8,667.0
IFRS 16 - First-time application effect on lease liabilities	361.6
Leasing liabilities as at 01/10/2019	9,028.6

The capitalised rights of use relate to the following classes of assets:

kEUR	30/09/2020	01/10/2019
Plant, furniture and office equipment	7.4	16.3
Investment properties	9,209.8	8,705.5
Total usage rights	**9,217.2**	**8,721.8**

Lease liabilities are broken down as follows on the balance sheet date:

kEUR	30/09/2020	01/10/2019
Non-current lease liabilities	9,574.1	8,967.7
Current lease liabilities	89.4	60.8
Total lease liabilities	**9,663.5**	**9,028.5**

In the statement of comprehensive income, additional depreciation resulted from the amortisation of the rights of use of assets previously recognised as operating leases and additional interest expenses from the compounding of the lease liability. Depreciation of kEUR 33.9 is attributable to rights of use, while interest expenses from compounding lease liabilities amount to kEUR 15.7.

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	2019/2020	2018/2019
Revenues from renting	56,230.7	43,020.0
Income from operating and ancillary costs*	10,264.1	6,827.3
Total proceeds	**66,494.8**	**49,847.3**
Maintenance	−3,633.6	−2,215.9
Allocatable additional costs	−16,859.1	−10,360.1
Non-recoverable ancillary costs	−5,852.0	−4,627.7
Reductions in sales	−223.4	−1,041.7
Total management expenses	**−26,568.1**	**−18,245.4**
Rental income	**39,926.7**	**31,601.9**

The sales revenues are almost 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 2019/2020, value-enhancing maintenance measures in the amount of kEUR 15,104.4 were capitalised.

Non-recoverable ancillary costs include property management expenses of kEUR 1,398.1 (previous year: kEUR 1,175.4) and asset management expenses of kEUR 2,950.1 (previous year: kEUR 2,121.9).

Operating and ancillary costs include sales revenues of kEUR 8,753.3 (previous year: kEUR 5,804.4) in accordance with IFRS 15. In addition, ancillary costs also include expenses relating to other periods from purchaser settlements for properties purchased in the amount of kEUR 1,638.9.

3.2. Disposal proceeds

The disposal result reflects the sale of the property in Berlin Buddestrasse in the 2019/2020 financial year, which was valued as an investment property at fair value in accordance with IAS 40. The selling price was kEUR 4,095.0.

3.3. Other income

Other operating income amounted to kEUR 177.8 in the financial year (previous year: kEUR 165.3) and mainly includes income from insurance compensation in the amount of kEUR 164.4 (previous year: kEUR 147.8).

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 928.3 in the financial year 2019/2020 (previous year: kEUR 887.7). 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 101.1 (previous year: kEUR 73.9) relates to social security contributions and pension expenses and kEUR 8.4 (previous year: kEUR 21.6) to capital-building benefits.

At the balance sheet date, the Company employed 20 people directly (previous year: 15 employees). This included two members of the Management Board, four salaried employees, two investment analysts, six property managers and six marginally employed staff.

3.6. Impairment loss of inventories and receivables

The impairments break down as follows:

Impairment losses in kEUR	2019/2020	2018/2019
Impairment on rental receivables	199.7	123.2
Write-down of rent receivables	785.3	0.0
Valuation adjustments on purchaser settlements	272.1	0.0
Impairment on acquired loans	90.0	260.3
Total	**1,347.1**	**383.5**

In the reporting period, expenses from impairment losses on acquired loans in the amount of kEUR 90.0 (previous year: kEUR 260.3) were recognised, which are composed of several effects. On the one hand, as a result of the planned sale of a portion of the loans, the impairment loss on these loans in the amount of kEUR 142.0 was reversed as of the reporting date. On the other hand, additional impairments of kEUR 232.0 were recognised, of which kEUR 147.5 were specific allowances. For further information see also Chapter 2.5 Trade and other receivables and Chapter 2.6 Other non-current and current assets.

3.7. Other operating expenses

Other operating expenses are as follows:

kEUR	2019/2020	2018/2019
Legal, consulting and auditing costs	860,3	580,5
Fees	631,6	453,6
Agency fees	499,6	440,9
Compensation	392,2	272,2
Others	601,7	416,3
Total	**2,985.4**	**2,163.5**
thereof one-off expenses	1,199.9	702.9
Adjusted	**1,785.5**	**1,460.6**

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 206.6). Adjusted for special effects and one-time expenses, there was an increase in other operating expenses of kEUR 324.9 million.

3.8. Interest result

The interest result has the following structure:

kEUR	2019/2020	2018/2019
Interest income from shareholder loans	3,690.8	482.1
Interest income from Creditshelf loans	1,464.2	886.7
Other interest income	2.5	0.0
Total interest income	**5,157.5**	**1,368.8**
Interest on corporate bonds	–3,214.8	–1,369.6
Interest on convertible bonds	–621.5	–1,521.3
Interest expense from sharehol-der loans	–6.3	–117.3
Interest expenses for loans to banks	–5,211.7	–3,629.0
Ground rent	–515.6	–494.3
Other interest expenses	–105.5	–43.2
Total interest expenses	**–9,675.4**	**–7,174.6**
thereof not cash-effective	–593.6	–1,148.7
Total	**–4,517.9**	**–5,805.7**

Of the interest income, kEUR 5,157.5 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	2019/2020	2018/2019
Period result (undiluted)	**34,173,7**	**53,142.3**
Interest expenses on convertible bonds	621,5	1,521.3
Period result (diluted)	**34,795,2**	**54,663.6**
Average number of shares issued in the reporting period (undiluted)	**33,138,794**	**29,643,153**
Potential conversion shares	14,463,552	14,172,723
Average number of shares issued in the reporting period (diluted)	**47,602,346**	**43,815,876**
Earnings per share (EUR)		
Undiluted	**1.03**	**1.79**
Diluted	**0.73**	**1.25**

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 35,940.3 in the financial year (previous year: kEUR 27,090.0). 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 –264,371.8 (previous year: kEUR –171,625.5). The main investment activities of the Company include payments for the various real estate acquisitions amounting to kEUR 199,855.2 (previous year: kEUR 156,320.6) in the reporting year.

Cash flow from financing activities amounted to kEUR 203,001.3 in the reporting year (previous year: kEUR 170,034.3). The main items in the year under review were payments received from capital increases of kEUR 51,135.9 (previous year: kEUR 60,959.9), payments received from taking out loans from various banks totalling kEUR 148,730.0 (previous year: kEUR 62,349.5) and payments received from corporate bonds of kEUR 40,000.0 (previous year: kEUR 70,000.0). These inflows were primarily offset by payments for the repayment of loans in the amount of kEUR 15,480.5 (previous year: kEUR 10,760.0) and dividends paid in the amount of kEUR 11,185.9 (previous year: kEUR 5,992.0).

The opening balance of net financial liabilities on 1 October 2019 can be reconciled with the closing balance on 30 September 2020 as follows:

kEUR	Liabilities to banks	Liabilities from convertible bonds	Liabilities from corporate bonds	Total
As of 01/10/2018	**155,223.0**	**36,098.9**	**40,158.4**	**231,480.1**
Payments received from the issue of corporate bonds	0.0	0.0	70,000.0	70,000.0
Costs from the issue of corporate bonds	0.0	0.0	–88.9	–88.9
Proceeds from borrowings	62,349.5	0.0	0.0	62,349.5
Costs from borrowing	–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 expenses	3,629.0	1,521.3	1,371.4	6,521.7
Interests paid	–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 of 30/09/2019	**206,998.6**	**36,162.1**	**110,878.3**	**354,039.0**
As of 01/10/2019	**206,998.6**	**36,162.1**	**110,878.3**	**354,039.0**
Payments received from the issue of corporate bonds	0.0	0.0	40,000.0	40,000.0
Costs from the issue of corporate bonds	0.0	0.0	–635.2	–635.2
Proceeds from borrowings	148,730.0	0.0	0.0	148,730.0
Costs from borrowing	–253.7	0.0	0.0	–253.7
Payments for the repayment of financial liabilities	–15,480.5	0.0	0.0	–15,480.5
Interest expenses	5,211.7	621.5	3,214.8	9,048.0
Interests paid	–4,933.7	–475.0	–2,365.0	–7,773.7
As of 30/09/2020	**340,272.3**	**36,308.6**	**151,092.9**	**527,673.9**

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 borrowers, 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 that do not have an impaired credit rating at 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 level 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 generally made 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 using current and forward-looking information on macroeconomic factors, to reflect 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 comprehensive income.

Financial assets are derecognised 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 default risk of the Company. However, collateral received is not considered. Apart from receivables that are up to 30 days overdue, there are no other overdue receivables that have not been impaired. See also Chapter 2.5 Trade and other 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 30/09/2020 in kEUR	Remaining maturities			
	Total	up to 1 year	1 to 5 years	over 5 years
Liabilities to banks	341,019.7 (207,770.2)	21,138.6 (11,659.6)	242,468.6 (157,719.8)	77,412.5 (38,390.8)
Liabilities from convertible bonds	37,079.2 (37,079.2)	0.0 (0.0)	37,079.2 (37,079.2)	0.0 (0.0)
Liabilities from corporate bonds	151,659.6 (111,044.8)	0.0 (0.0)	151,659.6 (111,044.8)	0.0 (0.0)
Liabilities from leasing	9,656.0 (8,667.0)	89.4 (60.8)	448.3 (330.3)	9,118.3 (8,275.9)
Trade payables	3,686.5 (503.1)	3,686.5 (503.1)	0.0 (0.0)	0.0 (0.0)
Other current liabilities	1,935.9 (779.0)	1,935.9 (779.0)	0.0 (0.0)	0.0 (0.0)

The Company may use credit lines. The total amount not yet used amounts to approximately kEUR 25,750.0 as of the balance sheet date (previous year: kEUR 30,088.8). 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 within one year of around kEUR 9,873.0 (previous year: around kEUR 7,140.8), of more than one but less than five years of around kEUR 28,305.7 (previous year: around kEUR 20,950.4) and after more than five years of around kEUR 6,577.5 (previous year: around kEUR 3,993.6). The future interest payments for leasing are shown in 6.2.

With 6 credit agreements for 10 properties, maintenance reserves amounting to kEUR 75.4 per month have been agreed under loan agreements. In addition, there are one-off maintenance reserves already made in the amount of kEUR 85.0 (previous year: kEUR 573.5). As of the balance sheet date, maintenance reserves of kEUR 2,282.0 (previous year: kEUR 1,861.3) were accrued. An order for maintenance measures is possible against invoice.

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 2020, 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 2020, 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 2020, 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 3,509.4 lower (previous year: kEUR 879,6) or kEUR 3,513.2 higher (previous year: kEUR 1,361.5).

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 30/09/2020 in kEUR	Interest income	Interest expenses	Impairment (in other expenses)	Other	Valuation result
Financial instruments valued at FVtOCI	1,464.2 (886.7)	0.0 (0.0)	90.0 (260.3)	–247.6 (103.3)	–90.0 (–260.3)
Financial instruments valued at FVtPL	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)
Financial assets valued at AC	3,690.8 (482.1)	0.0 (0.0)	1,257.1 (123.3)	0.0 (0.0)	0.0 (0.0)
Net result from financial assets	**5,155.0 (1,368.8)**	**0.0 (0.0)**	**1,347.1 (383.5)**	**–247.6 (103.0)**	**–90.0 (–260.3)**
Financial liabilities valued at FVtOCI	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)
Financial liabilities valued at FVtPL	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)
Financial liabilities valued at AC	0.0 (0.0)	9,054.3 (6,676.2)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)
Net result from financial liabilities	**0.0 (0.0)**	**9,054.3 (6,676.2)**	**0.0 (0.0)**	**0.0 (0.0)**	**0.0 (0.0)**

Other comprehensive income from assets measured at fair value with no effect on profit or loss includes fees for ongoing credit processing and servicing by Creditshelf. The valuation result of the FVtOCI category includes the amount reclassified to the income statement.

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 2020, receivables from operating costs not yet invoiced of kEUR 10,156.2 (previous year: kEUR 9,879.6) were offset, in line with the industry, with down payments received from operating cost prepayments in the amount of kEUR 7,556.0 (previous year: kEUR 7,858.0).

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	30/09/2020	30/09/2019
Equity	390,664.5	317,362.5
Total assets	935,730.1	683,961.1
Equity ratio in %	**41.7**	**46.4**

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

In kEUR	30/09/2020	30/09/2019
Equity	390,664.5	317,362.5
Investment property/immovable property	809,928.6	619,881.3
Equity ratio in %	**48.2**	**51.2**

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	30/09/2020	30/09/2019
Financial liabilities	527,673.8	354,039.0
minus cash, incl. fiduciary accounts	–1,451.7	–28,895.5
minus short-term terminable financial assets	–99,208.3	–24,755.0
Net financial liabilities	**427,013.8**	**300,388.5**
Investment properties	809,928.6	619,881.3
Investment properties intended for sale	0.0	4,100.0
Prepayments on acquired investment properties	15,533.7	16.6
Total real estate assets	**825,462.3**	**623,997.9**
Loan-to-Value (LTV), %	**51.7 %**	**48.1 %**

5.5. Valuation categories of financial instruments according to IFRS 9

An overview of the valuation categories of financial assets and liabilities at the balance sheet date in accordance with IFRS 9 is shown in the following table:

Figures in kEUR	Category acc. to IFRS 9	Carrying amount as of 30/09/2020	AC	FVtOCI	IFRS 16	Fair value as of 30/09/2020	Valuation hierarchy
Financial assets							
Other non-current financial assets	FVtOCI	4,392.9 (8,369.5)	– (–)	4,392.9 (8,369.5)	– (–)	4,392.9 (8,369.5)	Level 3
Assets held for sale	FVtOCI	6,669.3 (–)	– (–)	6,669.3 (–)	– (–)	6,669.3 (–)	Level 1
Trade and other receivables	AC	2,642.2 (1,957.4)	2,642.2 (1,957.4)	– (–)	– (–)	2,642.2 (1,957.4)	Level 2
Cash and cash equivalents	AC	209.1 (25,639.3)	209.1 (25,639.3)	– (–)	– (–)	209.1 (25,639.3)	Level 2
Other current assets	FVtOCI	6,948.6 (3,182.0)	– (–)	6,948.6 (3,182.0)	– (–)	6,948.6 (3,182.0)	Level 3
Other current assets	AC	85,720.9 (14,753.8)	85,720.9 (14,753.8)	– (–)	– (–)	85,720.9 (14,753.8)	Level 2
Total financial assets		**106,583.0 (53,902.1)**	**88,572.2 (42,350.5)**	**18,010.8 (11,551.6)**	**0.0 (–)**	**106,583.0 (53,902.1)**	
Financial liabilities							
Liabilities to banks	AC	340,272.3 (206,998.7)	340,272.3 (206,998.7)	– (–)	– (–)	342,557.6 (207,056.6)	Level 2
Liabilities from convertible bonds	AC	36,308.6 (36,162.1)	36,308.6 (36,162.1)	– (–)	– (–)	222,077.8 (228,370.6)	Level 1
Liabilities from corporate bonds	AC	151,092.9 (110,878.3)	151,092.9 (110,878.3)	– (–)	– (–)	150,000.0 (112,000.0)	Level 1
Liabilities from leases	–	9,663.5 (8,667.0)	– (–)	– (–)	9,663.5 (8,667.0)	9,663.5 (8,667.0)	Level 2
Trade payables	AC	299.1 (503.1)	299.1 (503.1)	– (–)	– (–)	299.1 (503.1)	Level 2
Other current liabilities	AC	771.7 (869.6)	771.7 (869.6)	– (–)	– (–)	771.7 (869.6)	Level 2
Total financial liabilities		**538,408.2 (364,078.7)**	**528,744.6 (355,411.7)**	**0.0 (–)**	**9,663.5 (8,667.0)**	**725,369.7 (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 levels:

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. During the business year, loans with a carrying amount of kEUR 6,669.3, which were previously reported under other non-current and current assets, were reclassified to assets held for sale and recognised there at a fair value of kEUR 6,669.3.

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

In kEUR	Valuation hierarchy	30/09/2020	30/09/2019
Investment properties	Level 3	809,928.6	619,881.3
Acquired loans	Level 3	11,341.5	11,551.5
Acquired loans held for sale	Level 1	6,669.3	0.0
Real estate for sale	Level 1	0.0	4,100.0
Total assets		**827,939.4**	**635,532.8**
Total equity and liabilities		**0.0**	**0.0**

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	30/09/2020	30/09/2019
Asset and property management contracts	11,460.3	9,980.5
Contracts on management fees	519.2	440.9
Car leasing	7.2	13.8
Total	**11,986.7**	**10,435.2**
of which up to 1 year	4,899.3	4,027.5
of which one year to five years (undiscounted)	7,087.4	6,407.7
of which over five years (undiscounted)	0.0	0.0

As of the balance sheet date of 30 September 2020, the Company had purchase price obligations from notarised purchase agreements for four properties in the total amount of EUR 24.7 million.

In addition, there are future maintenance obligations of kEUR 7,728.0 under a consortium agreement for various properties.
There are no other contingent liabilities.

6.2. Lease obligations

As a lessee of leasehold agreements, parking spaces and access roads, 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 30/09/2020	**30,816.2**	**633.4**	**2,515.2**	**27,667.6**
of which interest payments	21,160.2	543.9	2,066.9	18,549.4
of which repayments	9,656.0	89.5	448.3	9,118.2
Minimum lease payments 30/09/2019	**29,492.5**	**551.7**	**2,206.9**	**26,733.9**
of which interest payments	20,825.5	490.9	1,876.6	18,458.0
of which repayments	8,667.0	60.8	330.3	8,275.9

The leasehold agreements have an average remaining useful life of 37.5 years and are adjusted to agreed indices by means of value assurance clauses. Two index adjustments were made during the reporting year, as a result of which the carrying amounts of the leasehold rights were increased by kEUR 20,073.5. This effect on lease liabilities and rights of use was recognised directly in equity. Furthermore, there are extension options in some cases.

6.3. Information on related parties

The Company maintains business relationships with related companies and persons (related parties). These relationships essentially comprise Group allocations, financial services through the short-term provision of liquidity on the basis of contracts concluded, and services for the property and asset management of the real estate portfolio.

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 scope of individual 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 499.6 (previous year: kEUR 440.9) in the reporting period under the concluded agency agreement.

With the contract of 13 April 2013 and the supplement of 29. January 2015, 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 kEUR 25,000. 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 2019/2020, up to kEUR 0.0 of this amount was utilised (previous year: kEUR 12,347.0) and partially repaid in due time.

For overpayments, the same contractual conditions will be applied as for drawdowns. A framework loan agreement dated 30 April 2015 was concluded for these cases. The loan framework was increased to up to kEUR 95,000.0 with supplements dated 28 November 2018, 1 December 2019, and 1 May 2020. The interest rate is 8.0% p.a. Interest payments are deferred and are due at the latest when the loan is terminated. For the 2019/2020 financial year, interest income of kEUR 3,690.8 was generated (previous year: kEUR 482.1) and interest expenses of kEUR 6.3 (previous year: kEUR 117.3) were paid. As of 30 September 2020, there was a receivable of kEUR 81,197.3 (previous year: kEUR 13,203.4).

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 1,398.1 (previous year: kEUR 1,175.4) 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 2,950.1 (previous year: kEUR 2,121.9)

On 16 September 2015, the Company had entered into a lease agreement with Diana Contracting GmbH for part of the roof of the Bad Oeynhausen property on which a photovoltaic system was installed. The lease agreement was cancelled as of 30 November 2017 with a supplement dated 20 March 2020 due to the dismantling of the system.

By purchase agreement dated 6 December 2019, two photovoltaic systems installed on the roof of the property in Muelsen St. Jacob were sold to Diana Contracting GmbH, Potsdam. The purchase price for both systems was kEUR 80 and was paid in January 2020. In the view of the Management Board of Deutsche Konsum REIT-AG, the purchase price is not to the detriment of Deutsche Konsum REIT-AG, as the used photovoltaic systems did not affect the value of the property. At the same time, a new lease agreement was concluded with Diana Contracting GmbH on 6 December 2019, for the use of the roof areas for the operation of these photovoltaic systems. The term of the contract runs until 31 December 2030 and the annual lease amounts to EUR 1,453.60. In the view of the DKR Management Board, the lease is not detrimental to DKR, as no additional costs are incurred in the rental.

In addition, the Company invested excess liquidity of kEUR 22,105.0 in the acquisition of loans from Creditshelf Service GmbH, Frankfurt. Obotritia Capital KGaA holds shares in Creditshelf AG amounting to 46.66%, so that this company and its subsidiary, Creditshelf Service GmbH, must be classified as related parties. Deutsche Konsum sold back loans with an outstanding nominal amount of kEUR 2,343.1 to Creditshelf in the 2019/2020 financial year. Two loans defaulted in the reporting period and were each written down individually at the outstanding nominal amount including interest receivable (totalling kEUR 147.6). The change in the fair value of the two defaulted loans was reclassified to profit or loss in the reporting period and amounts to kEUR 1.4. In the reporting period, impairments of kEUR 90.0 on Creditshelf loans were recognised in the income statement under other comprehensive income (previous year: kEUR 260.3), while the change in the fair value of kEUR 88.5 was recognised directly in equity under other comprehensive income. In addition, in view of the Corona pandemic, some borrowers took advantage of bridging loans in the amount of kEUR 2,424.1, which were transferred directly to the Company for the repayment of existing loans in subsequent months. The future instalments paid to the Company in advance were taken into account as advance payments received. Creditshelf received kEUR 247.6 (previous year: kEUR 103.0) from Deutsche Konsum for ongoing loan processing and servicing.

In addition, Deutsche Konsum acquired loans to an affiliated Company via the Creditshelf Service GmbH platform with a total investment volume of kEUR 4,000.0. In addition, there were two further loans during the financial year, one of which was repaid in full in the amount of kEUR 1,000.0. The interest rates are between 8.00% and 11.00%. As of the balance sheet date, this resulted in a receivable of kEUR 4,352.0 including interest. In the 2019/2020 financial year, interest income of kEUR 324.3 and value adjustments of kEUR 144.0 were recognised from this receivable.

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

kEUR	30/09/2020	30/09/2019
Other non-current/current assets		
against Obotritia Capital KGaA	81,197.3	13,203.4
against other related companies	4,352.0	0.4

Receivables from other related companies in the previous year relate to receivables against 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 Member and Chairman since November 2014.	Diploma in Business Administration, Supervisory Board Member	• Deutsche Industrie REIT-AG, Rostock (Chairman of the Supervisory Board), listed company • TAG Colonia-Immobilien AG, Hamburg (Deputy Chairman of the Supervisory Board)
Achim Betz First Deputy Chairman of the Supervisory Board Member and Deputy Chairman since November 2014. First Deputy Chairman since 5 March 2020.	German CPA and Tax Consultant, MBA in Business Administration ba audit gmbh Wirtschafts-prüfungsgesellschaft, Berlin (Managing Partner), BSF Treuhand GmbH Wirtschafts-prüfungsgesellschaft, 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) • Deutsche Industrie REIT-AG, Rostock (Second Deputy Chairman of the Supervisory Board), listed company • NeXR Technologies SE (former Staramba SE), Berlin (Deputy Chairman of the Administrative Board), listed company • Bankhaus Obotritia GmbH, Munich (Member of the Audit Committee)
Kristian Schmidt-Garve Second Deputy Chairman of the Supervisory Board Member since March 2018. Second Deputy Chairman of the Supervisory Board since 5 March 2020.	Lawyer, MIG Verwaltungs AG (Member of the Executive Board/ General Partner), Munich	• Cynora GmbH, Munich (Chairman of the Advisory Board) • Biocrates Life Sciences AG, Innsbruck, Austria (Member of the Supervisory Board)
Cathy Bell-Walker Member of the Supervisory Board Member since 5 March 2020.	Solicitor (England & Wales), London	• Deutsche Industrie REIT-AG, Rostock, (Member of the Supervisory Board since 6 March 2020), listed company
Johannes C. G. (Hank) Boot Member of the Supervisory Board Member since April 2016.	CIO, Lotus Family Office, London	• Gerlin NV, Maarsbergen, The Netherlands (Member of the Supervisory Board)
Nicholas Cournoyer Member of the Supervisory Board Member since April 2016.	Trustee, Montpelier Foundation Limited, London	None

The remuneration of the Supervisory Board for the financial year amounted to kEUR 36.3 (previous year: kEUR 32.5) 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 of the Management Board	Chief Executive Officer (CEO)	• 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 Administrative Board) • HLEE (Highlight Event and Entertainment AG) Pratteln, Switzerland (Member of the Administrative Board) • Laurus Property Partners, München (Member of the Advisory Board) • Bankhaus Obotritia GmbH, Munich (Member of the Audit Committee)
Alexander Kroth	Chief Investment Officer (CIO)	None
Christian Hellmuth	Chief Financial Officer (CFO)	None

For details of the Supervisory Board and Management Board remuneration, please refer to the remuneration 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 2019/2020 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	30/09/2020	30/09/2019
Audit services	118.0	128.0
Other confirmation services	4.2	0.0
Other services	0.0	6.2
Total	**122.2**	**134.2**
of which relating to other periods	12.2	28.0

The other confirmation services relate to the audit pursuant to § 1 (4) REIT Act as at 31 December 2018 and 31 December 2019. Subsequent billing include kEUR 12.2 (previous year: kEUR 28.0) of fees relating to other periods.

6.7. Significant events after the balance sheet date

With notarial certifications in October and November 2020, a total of five additional retail properties were acquired.

These include five food-anchored properties in Neu-Anspach (Hesse), Mölln (Schleswig-Holstein), Blankenstein (Thuringia) and Wrestedt (Lower Saxony) as well as Freital (Saxony).

The investment volume for these properties is around EUR 14.3 million, which exists as short-term purchase price payment obligations. The annualised rent of the acquired properties amounts to approximately EUR 1.3 million. The transfer of benefits and encumbrances is expected to take place between 1 January 2021 and 1 March 2021.

In addition, DKR concluded a purchase agreement with Creditshelf Service GmbH dated 4 December 2020 for the sale of individual loans. The purchase price corresponds to the outstanding nominal amount including accrued interest of the loans with an assessment date of 30 September 2020 and amounts to kEUR 6,669.3. As the loans had not yet been transferred to the buyer at the balance sheet date, they were reclassified as assets held for sale in accordance with IFRS 5.

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

On 15 September 2020 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 2020 the current corporate governance statement. The declaration was made permanently available to shareholders at www.deutsche-konsum.de/en/.

Potsdam, 7 December 2020

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 2020 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, 7 December 2020

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

Audit certificate of the individual 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 2020, the statement of comprehensive income, the cash flow statement and the statement of changes in equity for the 1 October 2019 to 30 September 2020 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 financial year from 1 October 2019 to 30 September 2020. In accordance with German legal requirements, we have not audited the content of the components of the management report mentioned in the „Other information“ section of our audit opinion.

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 2020 and matching the Company’s earnings position for the 1 October 2019 to 30 September 2020 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 comprises the following components of the management report, which have not been audited:

- the corporate governance statement referred to in the management report.

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 § 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 5 March 2020. We were appointed by the Supervisory Board on 28 August 2020. We have been working without interruption since the 2016 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 Ms. Susanne Kalbow.

Berlin, dated 7 December 2020

DOMUS AG
Auditing company
Tax consultancy company

Prof. Dr. Hillebrand
Auditor

Kalbow
Auditor

Declaration of compliance with the requirements of the REITG

In connection with the annual financial statements as at 30 September 2020 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 %	31/12/2019	37.5 %	Yes
§ 11 (2)	No investor holds > 10 % of the shares	30/09/2020	–	Yes
§ 12 (2a)	Immovable assets of at least 75 % of all assets	30/09/2020	86.6 %	Yes
§ 12 (3a)	At least 75 % of the income is generated by immovable assets	30/09/2020	100.0 %	Yes
§ 13	Dividend distribution of > 90 % end result according to German GAAP	30/09/2020	100.0 %	Yes
§ 14	Exclusion of real estate trading	30/09/2020	< 1,0 %	Yes
§ 15	Equity of at least 45 %	30/09/2020	48.2 %	Yes
§ 19	Composition of income in terms of income subject to and not sucject to income tax	30/09/2020	n/a	Yes

Regarding the minimum freefloat of shares as at 31 December 2019 we notified the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) of this by way of letter dated 13 February 2020. The declaration of the Management Board is under reserve until approval by the auditor which will occur presumably in January 2021.

Deutsche Konsum REIT-AG
Potsdam, 7 December 2020

The Management Board

Rolf Elgeti
CEO

Alexander Kroth
CIO

Christian Hellmuth
CFO

Photo: Retail park PEP (Prima Einkaufs-Park)
Gerichtswiesen 39, 04668 Grimma

Financial calendar

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

11/02/2021
Publication of the quarterly statement for the first quarter of 2020/2021 financial year

11/03/2021
Annual General Meeting (virtual)

12/05/2021
Publication of the half-yearly financial report of 2020/2021 financial year

12/08/2021
Publication of the quarterly statement for the third quarter of 2020/2021 financial year

16/12/2021
Publication of the final annual statements/annual financial report for the financial year 2020/2021

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/.

Imprint

Publisher
The Management Board
of Deutsche Konsum REIT-AG

Editorial deadline: 10 December 2020

Real estate photography
Marcus Müller-Witte, Berlin
www.mueller-witte.de

Picture motive Trier:
Lukas Jank, Witzenhausen
www.lukasjank.de

Layout and typesetting
zweiband.media
Agentur für Mediengestaltung
und -produktion GmbH, Berlin
www.zweiband.de

Contact
Deutsche Konsum REIT-AG
Business address:
August-Bebel-Str. 68
14482 Potsdam
Phone: +49 (0) 331 74 00 76 – 50
Fax: +49 (0) 331 74 00 76 – 520
E-mail: info@deutsche-konsum.de
Web: www.deutsche-konsum.de/en

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.

Deutsche Konsum REIT-AG
August-Bebel-Str. 68
14482 Potsdam

Phone +49 (0) 331 74 00 76 – 50
Fax +49 (0) 331 74 00 76 – 520
E-Mail ir@deutsche-konsum.de
Web www.deutsche-konsum.de/en