

1 October to 31 December 2017

Quarterly statement

for the first quarter of 2017/2018 financial year

Deutsche
Konsum
REIT-AG



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Highlights

	1 October 2017 – 31 December 2017	1 October 2016 – 31 December 2016	Variance	%
Income statement				
(in kEUR)				
Rental income	6,577	4,295	2,282	53.1
Net operating income	4,843	3,502	1,341	38.3
Financial result	-1,288	-1,164	-124	10.7
Net income	2,928	3,202	-274	-8.6
FFO	3,408	2,194	1,213	55.3
FFO per share (in EUR)	0.13	0.12	0.02	13.8
aFFO	879	2,194	-1,316	-60.0
aFFO per share (in EUR)	0.03	0.12	-0.08	-70.7
EPS, undiluted (in EUR)	0.12	0.16	-0.04	-27.2
EPS, diluted (in EUR)	0.09	0.11	-0.02	-19.3
Recurring costs ratio, %	5.6	5.2	0.4	6.9

	31 December 2017	30 September 2017	Variance	%
Balance sheet key figures				
(in kEUR)				
Investment properties	284,254	275,434	8,820	3.2
Total assets	297,893	280,675	17,218	6.1
Equity	181,814	154,736	27,078	17.5
Total debt	108,569	118,723	-10,154	-8.6
(net) Loan-to-Value (LTV), %	36.5	42.6	-6.1	-14.3
Average interest rate of loans, %	2.37	2.38	-0.01	-0.4
Average interest rate of loans and convertible bonds, %	2.98	2.99	-0.01	-0.3
Average remaining duration of loans, years	4.9	4.9	0.0	0.0
EPRA NAV	181,814	154,736	27,078	17.5
EPRA NAV per share (in EUR)	6.68	6.25	0.43	6.8

REIT metrics

REIT equity ratio	64.0	56.2	7.8	13.9
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Share information

Shares issued	27,236,313	24,760,285	2,476,028	10.0
Market cap	275,086,761	249,088,467	25,998,294	10.4
Share price	10.01	10.06	-0.05	-0.5

Portfolio key figures

Number of assets	66	62	4	6.5
Rental space (sqm)	334,994	330,123	4,871	1.5
Annualised rent, kEUR	25,200	24,832	368	1.5
Initial yield, %	12.1	12.1	0.0	0.1
Vacancy rate, %	14.5	14.6	-0.1	-0.7
WALT, years	4.5	4.6	-0.1	-2.2

Quarterly Statement for the period from 1 October to 31 December 2017

The following quarterly statement by Deutsche Konsum REIT-AG (hereinafter also referred to as "Deutsche Konsum" or "Company") describes the significant course of business and the net assets, financial position and results of operations of the first three months of the 2017/2018 financial year ("Q1 2017/2018"). The interim financial statements have been prepared in accordance with IFRSs as adopted by the EU. The interim financial statements have not been audited.

1. Business development

Portfolio growth continued

As of 1 November 2017 the transfer of titles of all properties in Hettstedt, Kelbra (Saxony-Anhalt), Langenwolschendorf (Thuringia) and Schwerte (North Rhine-Westphalia) took place. As of 31 December 2017 the real estate portfolio, thus, comprises 66 properties with a rental space of around 338,000 m².

Furthermore, on 6 and 30 November and on 22 December 2017, notifications were made regarding the purchase of further 13 retail properties with a total investment of around kEUR 19,300 and an annualised rent of around kEUR 2,100. The locations of the properties are in Zeulenroda, Finsterwalde, Berlin, Jestetten, Waldbröl, Weilheim, Dierdorf, Freiberg, Niesky, Glauchau, Seebach and Halberstadt, and include food markets, textile discounters and drugstores. The transfer of titles of all properties will take place successively until 1 April 2018.

Based on the current pro forma portfolio of 79 properties (before the transfer of ownership of the notarised acquisitions), the company's real estate portfolio is accounted for at around EUR 305 million.

Successful capital increase

On 7 December 2017 Deutsche Konsum announced the execution of a cash capital increase without subscription rights for EUR 10.00 per share and successfully completed it with entry in the commercial register on 8 December 2017. As a result, the share capital of the company increased from EUR 2,476,028.00 to EUR 27,236,313.00. The outstanding number of no-par bearer shares amounts to 27,236,313 shares. As a result of the cash capital increase, the company received net proceeds of EUR 24.2 million, which will be used to finance further purchases.

Loan financing

As of 30 November 2017 Deutsche Konsum has drawn an open loan tranche from Berliner Sparkasse in the amount of kEUR 1,300, which will be used to modernise the Domcenter Greifswald.

In addition, the company is in further new loans taken out from various banks, which should raise the LTV to the target of around 50%. This is expected to result in significant reductions in average interest rates and longer loan maturities.

2. Development of net assets, financial position and results of operations

Net assets

The balance sheet total increased by kEUR 16,471 to TEUR 297,146 (30/09/2017: kEUR 280,675). This resulted from the construction of the real estate portfolio. Accordingly, the investment properties as at 31 December 2017 are accounted for at kEUR 284,254 (30/09/2017: kEUR 275,434).

The Company's equity increased in the first quarter of 2017/2018 by kEUR 27,078 to kEUR 181,814 (30/09/2017: kEUR 154,736), which resulted primarily from the cash capital increase on 8 December 2017. In addition, the positive result for the period of kEUR 2,928 had the effect of increasing equity capital.

The EPRA NAV per share (undiluted) as of 31 December 2017 is as follows:

kEUR	31/12/2017	30/09/2017¹
Equity capital	181,814	154,736
Number of shares on the balance sheet date (number of shares)	27,236,313	24,760,285
EPRA NAV per share, EUR	6.68	6.25

Non-current and current financial liabilities to banks increased to kEUR 72,892 (30/09/2017: kEUR 72,363) due to the raising of loans. On the other hand, the financial liabilities to other lenders were fully repaid as of the balance sheet date (30/09/2017: kEUR 10,819). Overall, the total liabilities decreased to kEUR 108,569 as of the balance sheet date (30/09/2017: kEUR 118,723).

Accordingly, the Net-LTV as of 31 December 2017 is as follows:

kEUR	31/12/2017	30/09/2017
Financial liabilities to other banks	72,892	72,363
Conversion bonds	35,677	35,541
Financial liabilities to other lenders	0	10,819
Total liabilities	108,569	118,723
less cash and cash equivalents	-865	-1,161
less short-term lending	-1,066	0
Net debt	106,638	117,562
Real estate held as financial investments	284,254	275,434
Advance payments for the acquisition of real estate held as financial investments	7,804	413
Total for investment properties	292,058	275,847
Net-LTV	36.5%	42.6%

¹ Calculation before conversion of the mandatory convertible bond on 27/12/2016

Financial position

The cash flow statement is as follows:

kEUR	Q1 2017/2018	Q1 2016/2017
Cash flow from operating business activities	3,981	2,797
Cash flow from investment activities	-17,222	-21,115
Cash flow from financing activities	12,946	8,896
Changes in financial resources affecting payments	-295	-9,422
Financial resources at the start of the period	1,161	10,335
Financial resources at the end of the period	865	912

The increase in cash flow from operating activities corresponds to the increase in operating income due to the growth in the real estate portfolio.

The cash flow from investing activities reflects the payments for purchase properties during the period under review.

The cash flow from financing activities mainly includes the net cash inflow from the cash capital increase in December 2017 in the amount of kEUR 24,151 and from new loans in the amount of kEUR 1,300. This was offset by repayments and interest totaling kEUR 12,504 of which kEUR 10,819 related to the repayment of a short-term shareholder credit line.

The company was always able to meet its payment obligations.

Results of operations

Results of operations of Deutsche Konsum developed as follows in Q1 2017/2018:

kEUR	Q1 2017/2018	Q1 2016/2017
Rental results	4,843	3,502
Disposal results	0	0
Other operating revenues	3	30
Unrealised valuation result	0	1,475
Operating expenses	-629	-640
EBIT	4,216	4,366
Financial result	-1,288	-1,164
EBT	2,928	3,202
Profit taxes	0	0
Result for the period	2,928	3,202

The rental result increased significantly due to the acquisition-related significantly increased real estate portfolio. As a result, rental income increased to around kEUR 6,577 (Q1 2016/2017: kEUR 4,295). In line with this, the management expenses also increased.

Total operating expenses fell slightly, but included non-recurring effects of kEUR 38 (Q1 2016/2017: kEUR 338). Adjusted for one-off effects, operating expenses increased by approximately kEUR 327. This mainly results from higher personnel expenses and a higher charge for business transactions (kEUR 143). In addition, there were higher valuation allowances of kEUR 147.

The administrative expense ratio is as follows:

kEUR	Q1 2017/2018	Q1 2016/2017
Personnel costs	-133	-17
Other operating expenses	-272	-546
Adjustment for the one-off and special effects	38	338
Adjusted operating expenses	-367	-224
Rental income	6,577	4,295
Management expense ratio	5.6%	5.2%

Due to a non-recurring valuation result in the same period of the previous year, a slight decline of the EBIT by kEUR 150 to kEUR 4,216 results overall.

The decline in the financial result is mainly attributable to the increase in interest expenses due to the use of loans used for purchase financing.

Income taxes do not accrue due to the tax exemption of REIT companies.

Overall, the result for the period amounts to kEUR 2,928 (Q1 2016/2017: kEUR 3,202), from which FFO and aFFO are derived as following:

kEUR	Q1 2017/2018	Q1 2016/2017
Result for the period	2,928	3,202
Adjustment for profit taxes	0	0
Adjustment for depreciation and amortisation	0	0
Adjustment for the unrealised valuation result	0	-1,475
Adjustment for the disposal result	0	0
Adjustment for non-cash revenues and expenses	136	129
Adjustment for one-off effects	343	338
FFO	3,408	2,194
- Capex	-2,529	0
aFFO	879	2,194

The non-cash income and expenses include the compounding of the convertible bonds and the loans using the effective interest method. The one-time effects include non-recurring expenses and income.

The capitalised repair costs mainly include value-adding construction and improvement measures at the Greifswald, Hohenmoelsen and Bitterfeld refurbishment properties.

This results in an FFO of EUR 0.13 per share (Q1 2016/2017: EUR 0.12) and an aFFO of EUR 0.03 per share (Q1 2016/2017: EUR 0.12).

3. Supplementary Report

With payment on 8 February 2018, the company has taken out a further loan of kEUR 6,000 from Sparkasse Spree-Neisse. The loan will be 2.25% p.a. and has a maturity of 6 years.

4. Outlook and forecast confirmation

As expected, the first quarter of the 2017/2018 financial year was very positive, as shown by the further expansion of the portfolio and the strengthening of all key figures. As a result of the transfer of titles of all properties in November 2017, the transitions of acquisitions in November and December 2017 which are still to be made, as well as further acquisitions, we expect continuous and significant increases in FFO in the respective subsequent quarters.

Deutsche Konsum is currently in several concrete acquisition processes.

In this respect, the Management Board is adhering to the forecast of achieving an FFO of between EUR 16 million and EUR 20 million in the 2017/2018 financial year.

5. Risk situation

In the opinion of the Executive Board, the risk situation has not changed significantly in the current fiscal year 2017/2018. Please refer to the risk report for the 2016/2017 financial year.

**Interim financial statements for the period from 1 October to 31
December 2017 of the financial year 2017/2018**

Deutsche Konsum REIT-AG, Broderstorf
Balance sheet as at 31/12/2017

kEUR	<u>31/12/2017</u>	<u>30/09/2017</u>
Assets		
Non-current assets		
Investment properties	284,253.9	275,433.9
Intangible assets	2.6	2.9
Other non-current assets	7,803.8	413.1
	292,060.4	275,849.9
Current assets		
Trade and other receivables	277.3	222.6
Tax assets	113.4	113.4
Other current assets	4,576.5	3,328.1
Cash and cash equivalents	865.4	1,160.5
	5,832.6	4,824.6
Total assets	<u>297,893.0</u>	<u>280,674.5</u>
Equity and liabilities		
Equity		
Issued share capital	27,236.3	24,760.3
Capital reserve	94,207.6	72,533.0
Other reserves	855.7	855.7
Retained earnings	59,514.8	56,587.0
	181,814.4	154,736.0
Non-current liabilities		
Financial liabilities	41,701.7	40,891.3
Convertible bonds	35,677.4	35,541.0
Other provisions	3.5	3.5
Other non-current liabilities	4,166.0	4,166.0
	81,548.7	80,601.9
Current liabilities		
Financial liabilities	31,190.3	31,471.8
Liabilities to other creditors	0.0	10,819.1
Other provisions	828.0	1,655.5
Trade payables	1,825.0	1,117.3
Other current liabilities	686.6	273.0
	34,529.9	45,336.7
Total equity and liabilities	<u>297,893.0</u>	<u>280,674.5</u>

Deutsche Konsum REIT-AG, Broderstorf
Statement of comprehensive income

kEUR	01/10/2017- 31/12/2017	01/10/2016- 31/12/2016
Rental income	6,576.9	4,295.2
Operating expenses	-1,734.3	-793.7
Net rental income	4,842.7	3,501.5
Proceeds from disposal of properties	0.0	0.0
Expenses on the sale of properties	0.0	0.0
Net proceeds from the disposal of properties	0.0	0.0
Other income	2.9	30.3
Unrealised gain/loss from the revaluation of investment properties	0.0	1,474.6
Subtotal	4,845.5	5,006.4
Personnel expenses	-133.4	-16.6
Amortisation of intangible assets, depreciation of property, plant and equipment	-0.2	-0.2
Impairment loss of inventories and receivables	-224.1	-77.3
Other operating expenses	-271.6	-546.2
Operating expenses	-629.4	-640.3
EBIT	4,216.1	4,366.1
Interest income	8.9	0.0
Interest expense	-1,297.2	-1,164.3
Net finance costs	-1,288.3	-1,164.3
EBT	2,927.8	3,201.8
Income tax	0.0	0,0
Other tax	0.0	0,0
Net income	2,927.8	3,201.8
Total comprehensive income	2,927.8	3,201.8
Earnings per share (in EUR)		
Undiluted result per share	0.12	0.16
Diluted result per share	0.09	0.11

Deutsche Konsum REIT-AG, Broderstorf
Statement of changes in equity

kEUR	Issued share capital	Capital reserve	Other reserves	Retained earnings	Total equity
As at Oct 1, 2016	18,447.0	45,786.9	855.7	13,941.7	79,031.3
Period result				3,201.8	3,201.8
Capital increase from conversion of mandatory bond	1,660.0	-1,660.0			0.0
As at Dec 31, 2016	20,107.0	44,126.9	855.7	17,143.5	82,233.1
As at Oct 1, 2017	24,760.3	72,533.0	855.7	56,587.0	154,736.0
Period result				2,927.8	2,927.8
Cash capital increase/ - reduction	2,476.0	22,284.2			24,760.2
Costs of capital measures		-609.7			-609.7
As at Dec 31, 2017	27,236.3	94,207.5	855.7	59,514.8	181,814.3

Deutsche Konsum REIT-AG, Broderstorf**Cash flow statement**

Information in kEUR	01/10/2017- 31/12/2017	01/10/2016- 31/12/2016
Period result	2,927.8	3,201.8
+/- Interest expense/interest income	1,288.3	1,164.2
+/- Depreciation, amortisation and write-down/ reversals of intangible assets, tangible assets and financial assets	0.2	0.2
+ Increase/decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	224.1	77.3
-/+ Gains / Losses from the revaluation of investment properties	0.0	-1,474.6
+/- Increase / decrease in provisions	-827.5	159.6
-/+ Increase/decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	-754.4	-431.4
+/- Increase/decrease in trade payables and other liabilities not attributable to investing or financing activities	1,122.2	99.6
Cash flow from operating activities	3,980.7	2,796.7
- Cash payments related to property investments	-16,210.7	-21,115.4
+ Cash receipts from the investment of cash funds for short-term cash management	-1,011.5	0.0
Cash flow from investing activities	-17,222.2	-21,115.4
+ Cash proceeds from the issue of shares	2,476.0	0.0
+ Cash proceeds from capital increases	22,284.3	0.0
- Costs related to capital increases	-609.7	0.0
+ Proceeds from borrowings	1,300.0	10,170.0
- Amortisation of loans	-11,629.0	-555.4
- Interest paid	-875.2	-718.2
Cash flow from financing activities	12,946.4	8,896.4
Change in cash and cash equivalents	-295.1	-9,422.3
Cash and cash equivalents at the beginning of the period	1,160.5	10,334.6
Cash and cash equivalents at the end of the period	865.4	912.3

About Deutsche Konsum REIT-AG

Deutsche Konsum is a REIT ("Real Estate Investment Trust") primarily specialising in retail real estate of daily need utilities. The shares of the company are listed on the Prime Standard of the Deutsche Börse.

At the time that this interim financial statement was published, the company's retail trade portfolio had a rentable space of approximately 366,000 sqm, and an annualised yearly rental income of EUR 27.3 million distributed over 79 properties. The portfolio is currently accounted at approximately EUR 305 million.

Deutsche Konsum REIT-AG shares:

As at	12 February 2018
ISIN	DE000A14KRD3
WKN	A14KRD3
Stock exchange code	DKG
Initial offering	15/12/2015
Number of shares	27,236,313
Share capital	EUR 27,236,313.00
Trading locations	XETRA, Frankfurt and Berlin
Transparency level	Prime Standard
Indices	CDAX, RX REIT, DIMAX
Share price	EUR 10.20
Market capitalisation	EUR 278 Mio.
52W – high/low	EUR 11.115 / 7.967

Publisher

The Management Board of Deutsche Konsum REIT-AG.

Contact

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

Telephone +49 (0) 331 74 00 76 -50
Fax +49 (0) 331 74 00 76 -520
E-Mail info@deutsche-konsum.de

Disclaimer

This quarterly statement 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.

