Annual Report

1 October 2020 to 30 September 2021

Deutsche Konsum REIT-AG

Corporate key figures

	01/10/2020 – 30/09/2021	01/10/2019 – 30/09/2020	Variance	%
Income statement (TEUR)				
Rental income	69,667	56,231	13,436	23.9
Net operating income	45,835	39,927	5,909	14.8
EBIT	97,918	38,692	59,226	>100
Financial result	–6,544	–4,518	–2,026	44.8
Net income	91,373	34,174	57,199	>100
FFO	41,168	34,991	6,178	17.7
FFO per share (in EUR)	1.17	1.06	0.12	10.9
aFFO	22,602	19,886	2,716	13.7
aFFO per share (in EUR)	0.64	0.60	0.04	7.1
Earnings per share, undiluted (in EUR)	2.60	1.03	1.57	>100
Earnings per share, diluted (in EUR)	1.84	0.73	1.11	>100
Recurring costs ratio (in %)	4.4	4.8	–0.4	–7.9

	30/09/2021	30/09/2020	Variance	%
Balance sheet key figures (TEUR)				
Investment properties	944,020	809,929	134,091	16.6
Total assets	1,093,304	935,730	157,574	16.8
Equity	467,975	390,665	77,311	19.8
Total debt	609,309	527,674	81,635	15.5
Finance key figures				
(net) Loan-to-Value (LTV) (in %)	53.2	51.7	1.5	2.9
Average interest rate of loans (in %)	1.70	1.81	–0.11	–6.0
Average interest rate of loans, bonds and convertible bonds (in %)	1.90	1.91	–0.01	–0.5
Average remaining duration of loans (in years)	3.6	4.0	–0.4	–10.8
Interest coverage ratio (ICR), multiple	6.1	7.7	–1.6	–20.4
NAV	467,975	390,665	77,311	19.8
NAV per share (in EUR)	13.31	11.11	2.20	19.8
EPRA NTA per share (in EUR)	10.10	8.60	1.49	17.3
REIT metrics				
REIT equity ratio	46.1	48.2	–2.1	–4.3
Share information				
Shares issued (pieces)	35,155,938	35,155,938	0	0.0
Average number of shares within the reporting period (pieces)	35,155,938	33,138,794	2,017,144	6.2
Market cap (in EUR)	486,909,741	555,463,820	–68,554,079	-12.3
Share price (in EUR)	13.85	15.80	-1.95	-12.3
Portfolio key figures				
Number of assets	173	161	12	7.5
Rental space (in sqm)	1,021,901	899,852	122,049	13.6
Annualised rent (in TEUR)	72,940	63,050	9,890	15.7
Initial yield (in %)	10.3	10.5	-0.2	-2.2
Vacancy rate (in %)	10.7	9.9	0.7	7.4
WALT (in years)	5.5	5.4	0.1	1.0

Cover photo and backcover photo: Local retail centre Kolumbuspassage
Kolumbusring 58, 18106 Rostock

Content

Photo: Retail park
Ludwigsluster Straße 29 + 33, 19370 Parchim

1. To our shareholders

Dear shareholders, ladies and gentlemen,

DKR looks back on a successful financial year 2020/2021 despite the persistence of the COVID 19 pandemic.

The beginning of the 2020/2021 financial year was immediately marked by the second and third wave of the pandemic. This led to government-imposed lockdowns and restrictions in the German retail sector between mid-November 2020 and Whitsun 2021, which mostly affected retailers that did not serve the local supply. As in the previous year during the first lockdown, DKR was only affected by this to a comparatively small extent due to its system-relevant tenants such as food retailers, DIY stores, medical practices, pharmacies and others: Voluntary rent waivers to affected smaller tenants and value adjustments on accrued rent receivables resulted in total pandemic-related extraordinary expenses of around EUR 2.6 million in the 2020/2021 financial year, which corresponds to around 4% of the current annual rent of DKR‘s real estate portfolio. In this respect, the negative effects of the pandemic for DKR are very small, which repeatedly underlines the crisis resistance of the business model.

Portfolio-wise, we acquired 13 additional retail properties totalling around EUR 120 million and an annual rent of just under EUR 11 million in the last financial year – a significant decline compared to the previous year‘s record acquisition volume of around EUR 182 million, but still a strong result in view of the overall environment marked by the Corona pandemic, which temporarily brought the transaction market to a standstill. In contrast, we were able to successfully sell a property in Berlin-Pankow with a change of benefits and encumbrances in September 2021. In addition, the regular external property valuation resulted in a significant portfolio revaluation of around EUR 58 million, which is due to the letting successes of the Asset Management and the significantly higher investor interest in this asset class.

Furthermore, for the first time DKR sold a sub-portfolio of eight properties with an annual rent of around EUR 3.9 million at total purchase prices of around EUR 69.8 million with notarisations in September and November 2021, which corresponds to a selling factor of 18 times the annual rent (this is equivalent to a yield of 5.6%). Half of the resulting capital gains will be reinvested in new properties while the other half will be distributed as dividends.

As of 30 September 2021, the recognised real estate assets comprise a total of 173 properties with a balance sheet value of around EUR 1,014 million and an annual rent of approximately EUR 73 million. Accordingly, rental income rose from EUR 56.2 million to EUR 69.7 million in a year-on-year comparison.

On the financing side, DKR was able to continue to refinance itself extremely favourably by raising secured and unsecured debt capital despite the crisis. As a result, the net LTV as of 30 September 2021 is 53.2%, moderately above the target of 50% while the average debt costs amount 1.90%.

In its operational asset management, DKR was also able to increase rents (like-for-like) by around 1.7% compared to the previous year and reduce the vacancy rate by 4.3%. Value-enhancing modernisation and revitalisation investments (capex) of around EUR 18.6 million contributed to this, resulting in significantly more attractive and higher-quality local supply properties, for example at our locations in Rostock, Hohenmölsen and Drebkau.

Overall, FFO increased by EUR 6.2 million to EUR 41.2 million in the past financial year, which corresponds to the adjusted FFO guidance (EUR 40 million to EUR 41 million). NAV per share increased by around 20% to EUR 13.31 per share.

Despite the Company‘s continued strong growth and operational successes, as well as the secondary listing on the Johannesburg Stock Exchange, the DKR share price moved mostly sideways – with a negative trend at the end of the financial year – and was about 12% below the previous year's closing price on the closing date. This may be due to the continuing tight trading volume of the DKR share and the slight reduction in guidance due to slower growth as a result of the pandemic.

After the last dividend payment of EUR 0.40 per share in March 2021, the Management Board will submit a dividend proposal of a further EUR 0.40 per share for the past financial year 2020/2021 to the Annual General Meeting. Due to the pandemic-related extraordinary expenses from receivable waivers and value adjustments as well as the moderately lower growth, the dividend distribution volume will thus remain at the previous year's level.

DKR is cautiously optimistic about further developments in the new financial year 2021/2022. Despite the renewed worsening of the pandemic situation, we are currently noticing a recovery of the transaction market and a broadly filled acquisition pipeline with a simultaneously high level of market interest in local supply properties. In addition, there are signs of further operational improvements in the existing portfolio through vacancy reductions and rent increases due to index adjustments. This is accompanied by the upcoming refinancing of expiring fixed-interest loans at improved conditions, which is expected to have an overall increasing effect on the FFO margin. In this respect, we expect a FFO of between EUR 40 million and EUR 44 million for the new financial year 2021/2022, assuming a largely unchanged overall environment for DKR (and taking into account the property disposals).

We thank you for your trust in our work and look forward to welcome you at the next Annual General Meeting.

With kind regards,

Rolf Elgeti
Chairman of the
Management Board (CEO)

Alexander Kroth
Member of the
Management Board (CIO)

Christian Hellmuth
Member of the
Management Board (CFO)

Potsdam, December 2021

2. The share

International stock markets in rally mode in 2021

After the international financial markets in 2020 were primarily characterised by the shock of the Corona pandemic, to which the stock markets worldwide reacted in a crisis-like manner with significant price losses in March 2020, the situation slowly calmed down again in the further course of the year. Initial successes in vaccine development and massive economic stimulus programmes by Western economies contributed to this development. Thus, the strong price losses at the beginning of the first Corona wave could be made up across the board by the end of 2020. The DAX ended the year with a plus of over 3%, the MDAX rose by almost 9% and the SDAX even by 18%.

Since the beginning of 2021, these strong growth trends on the international stock exchanges have been additionally fuelled by the inauguration of US President Joe Biden and his trillion-dollar economic stimulus programme as well as the increasingly effective vaccination campaigns. Thus, even negative events such as environmental catastrophes, vaccination rates that stagnated again in the further course of the year, as well as the imponderables before the Bundestag elections in September 2021 and the fears that the US Federal Reserve could exit from its ultra-loose monetary policy, could not harm the rally on the stock market. In the meantime, the DAX marked a new all-time high of 15,977 points in August and, at 15,261 points on 30 September 2021, was well above the level of the previous year (30 September 2020: 12,761 points).

DKR share with strong sideways movement and little attention on the stock market

DKR's share price moved mainly sideways in the past financial year, initially and despite a further lockdown since the beginning of November and the tightening of contact restrictions just before Christmas 2020. Most DKR tenants were also unaffected by this renewed public and retail lockdown. The level of incoming rents was continuously high and was only at a comparatively very high 92% in January 2021. This showed that DKR's defensive strategic orientation towards tenants with strong credit ratings from the food retail sector and from the area of consumer goods for daily needs has once again proven its worth.

Despite the positive operational development of the Company, an investment volume of more than EUR 120 million, which is still very high despite Corona, and improved key financial figures, the DKR share temporarily broke out of its sideways trend towards the end of the 2020/2021 financial year, which was probably due to the liquidation of larger share positions. As a result, the share price at the end of the reporting period on 30 September 2021 was EUR 13.85, below the level at the beginning of the financial year (30 September 2020: EUR 15.80[1]). Since the start of the stock exchange listing on 15 December 2015, DKR's share price has multiplied by a total of EUR 10.35, or 295.4%.

Market capitalisation remained stable at around EUR 500 million, making DKR the largest listed investor in the local retail centre niche in Germany and thus also in the focus of broad investor groups.

[1] Closing prices Xetra each.

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

Key figures of the DKR share

EUR	30/09/2021	30/09/2020	%
Number of shares issued in units	35,155,938	35,155,938	0.0
Closing price at the end of the financial year[2]	13.85	15.80	–12.3
Market capitalisation in EUR million	486.9	555.5	–12.3
Average Xetra daily volume in units[3]	7,181	8,664	–17.1
Highest price during the financial year	16.55[4]	19.25[5]	
Lowest rate during the financial year	12.70[6]	12.80[7]	

Dividend distribution increased by 14 % to EUR 0.40 per share

On 11 March 2021, the Annual General Meeting approved the dividend proposal for the past financial year 2019/2020 of EUR 0.40 per share, which represents an increase of 14% over the previous year's dividend (EUR 0.35 per share) and reflects the value-added growth of the Company. DKR thus distributed a total of TEUR 14,062.

Secondary listing of the DKR share on the Johannesburg Stock Exchange („JSE")

Since 8 March 2021, the DKR share has been traded on the Main Board of the Johannesburg Stock Exchange („JSE") in South Africa as part of a secondary

[2] Xetra closing prices from 30 September 2020 and 30 September 2019.
[3] In the financial year 2020/2021 or 2019/2020.
[4] Variable price Xetra on 17 December 2020.
[5] Variable price Xetra on 6 March 2020.
[6] Variable price Xetra on 24 September 2021
[7] Variable price Xetra on 23 March 2020.

listing after the Company was able to fulfil all legal requirements for admission to trading. The listing was preceded by a virtual roadshow lasting several days, during which DKR's Management Board presented the Company to institutional South African investors.

The background to the secondary listing can be seen in the high level of interest shown by professional South African investors in European REITs. However, due to existing trading regulations, South African investors are only allowed to invest abroad to a limited extent. Through a secondary listing on the JSE, Deutsche Konsum can avoid existing restrictions on trading and offer an attractive investment for institutional investors from South Africa.

The Company expects the transfer of shares between Germany and South Africa to significantly increase the trading volume of DKR shares in the medium term. The access to the South African capital market also increases the flexibility for raising further equity or debt capital by potential new investors.

Shareholders

The shareholder structure is characterised by institutional national and international investors with a predominantly long-term investment strategy. As of 30 September 2021, the free float was 40.60[8] % respectively 45.83[9] %.

The Annual General Meeting of Deutsche Konsum REIT-AG was held on 11 March 2021 as a virtual Annual General Meeting without the physical presence of the shareholders or their proxies. More than 51 % of the share capital was represented (share capital of the Company at the time of convening the Annual General Meeting: 35,155,938 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 of this Annual Report.

Analysts' assessments

DKR shares are currently covered by five analysts:

Bank	Price target in EUR	Rating	Analyst	Date
Metzler	17.90	Buy	Stephan Bonhage	9 December 2021
ODDO BHF	18.80	Outperform	Manuel Martin	1 October 2021
Warburg	17.80	Buy	Andreas Pläsier, Simon Stippig	30 September 2021
Berenberg Bank	20.00	Buy	Kai Klose	1 February 2021
Jefferies	16.00	Hold	Thomas Rothaeusler, Sebastian Link	11 September 2020

Investor relations work and roadshows despite Corona restrictions via digital media

Despite the restrictions imposed by the Corona 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. As in the previous year, this also resulted in savings in travel costs.

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.

[8] Free Float pursuant to the German REIT Act.
[9] Free Float as defined by „Guide to the DAX Equity Indices".

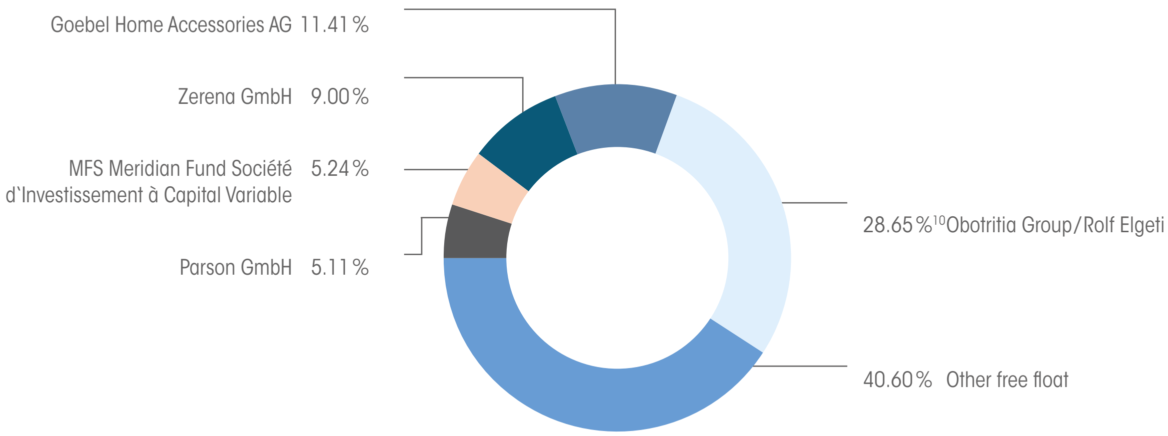
The share of DKR at a glance

As of	30 September 2021
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, Berlin and Johannesburg/South Africa (JSE Limited)
Market segment	Regulated Market
Transparency level	Prime Standard

In addition, DKR was regularly featured in major investor media in the 2020/2021 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 2021

Free Float pursuant to the German REIT Act: 40.60 %
Free Float as defined by „Guide to the DAX Equity Indices": 45.83 %

[10] Obotritia Group: 27.94 %.

3. Corporate Governance Statement

In the following, the Supervisory Board and Management Board of Deutsche Konsum REIT-AG (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 13 September 2021 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), the Boards hereby declare that Deutsche Konsum REIT-AG has complied and will in future comply with the recommendations of the Government Commission on the German Corporate Governance Code in the version dated 16 December 2019, published in the official section of the Federal Gazette on 20 March 2020, with the following exceptions since the last Declaration of Compliance was issued on 15 September 2020 (updated on 23 March 2021):

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 employees of the Company currently have no management functions. Apart from the Management Board, there are no management positions to be filled in the Company, which is why the Company cannot follow this recommendation currently.

Recommendation A.2 GCGC – Compliance Management System:
The Company currently employs only 28 employees (incl. two members of the Management Board). For this reason, the Management Board sees no need to formulate and publish 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 meaningful in 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 professional aptitude and knowledge of the Company are crucial as prerequisites for the appointment, 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 (39 to 44 years), the Company does not currently consider long-term succession planning to be necessary.

Recommendations C.1 GCGC – Specification of objectives for the composition of the Supervisory Board, in particular consideration of diversity, and development of a competence profile:
The Supervisory Board has not set any specific targets for its composition or developed a competence profile for that function 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 professional aptitude and knowledge of the Company are crucial as prerequisites for the appointment, so that the above-mentioned requirements are not effective. By resolution of 15 September 2020, the Supervisory Board set 16.67% as the target for women's participation in the Supervisory Board for the period up to 30 September 2025.

Recommendation C.5 GCGC – Supervisory board roles 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 roles in non-group listed companies or in comparable supervisory bodies (including as chairman of the supervisory board).

Recommendations D.2 to D.5 GCGC – Supervisory Board committees:
The Supervisory Board had refrained from forming committees in view of its small number of members and therefore did not follow recommendations D.2, D.3, D.4 and D.5 GCGC. However, Deutsche Konsum REIT-AG will elect an audit committee by the end of the year, which will start its work at the beginning of the next calendar year (2022). The Company will therefore follow recommendations D.3 and D.4 in the future. Due to the continuing low complexity as well as the transparent business model of Deutsche Konsum REIT-AG, the Supervisory Board does not consider the formation of further committees to be necessary at present and will continue to cover all the pending topics.

Recommendations on section G.I GCGC – Compensation of the Management Board:
In the past, the compensation model for the Management Board, which had developed over time and was implemented prior to the publication of the current German Corporate Governance Code, did not yet comply with recommendations G.1, G.3, G.4, G.6, G.7, G.8 and G.10 to G.13. As already communicated in the update of the Declaration of Compliance of 23 March 2021, the Company has now established a compensation system for the Management Board that complies with the DCGK with the exception of the points mentioned below.

Recommendation G.10 GCGC – Compensation of the Management Board:
The compensation system of the Management Board approved by the Annual General Meeting of the Company on 11 March 2021 and determined by the Supervisory Board does not provide for variable compensation components granted to a member of the Management Board to be predominantly invested in shares of the Company or to be granted according to a share-based equivalent, in deviation from item G.10 of the GCGC. The Company is of the opinion that the creation of an incentive aimed at linking the value of the variable compensation to the long-term development of the share price of the Company is already sufficiently taken into account within the framework of the assessment of the variable compensation and the conditions for payment. Thus, the development of the share price (in addition to the financial performance and the net asset value of the Company) represents an essential basis for the

assessment of the variable compensation. Furthermore, the majority of the variable compensation is only paid out if a minimum target is also achieved in the three financial years following a financial year. The Company is therefore of the opinion that an additional variable compensation in shares is not necessary in order to set corresponding incentives. Employment contracts already concluded in the past (which in part do not yet fully correspond to the compensation system now established) shall continue to apply for the time being in accordance with § 26j EGAktG (German Introductory Act to the Stock Corporation Act).

Recommendation G.16 GCGC – Crediting of compensation when accepting non-group supervisory board roles:

The Supervisory Board does not follow the recommendation that, when members of the Management Board accept non-group supervisory board roles, it should decide whether and to what extent compensation from the respective supervisory board role should be taken into account. Based on previous experience with the members of the Management Board and their handling of non-group supervisory board roles, it is not expected that non-group supervisory board roles 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 taking into account compensation from non-group supervisory board roles is not necessary.

Broderstorf, 13 September 2021

For the Supervisory Board

Hans-Ulrich Sutter
Chairman of the Supervisory Board

For the Management Board

Rolf Elgeti
Chairman of the Management Board

The current Declarations of 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 professional aptitude 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 has set 0% as the target for women's participation on the Management Board for the period until 30 September 2025 by resolution of 15 September 2020. 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. The Company does not comply with this recommendation, as it 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 13 September 2021: 39 to 44 years).

By resolution of 15 September 2020, the Supervisory Board set an age limit for 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 compensation 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 compensation system for Management Board members Alexander Kroth and Christian Hellmuth is based on short and long-term remuneration incentives. Detailed information on the compensation of the Management Board is provided in the compensation report in the 2020/2021 management report. Pursuant to § 120a (1) of the German Stock Corporation Act (AktG), the Annual General Meeting of 11 March 2021 approved the resolution on the compensation system for the Management Board adopted by the Supervisory Board pursuant to § 87a (1) of the German Stock Corporation Act (AktG). Subsequently, the Supervisory Board determined the compensation system of the Management Board. Details of the Management Board's compensation system can be found on the Company's website at https://www.deutsche-konsum.de/en/ in the „Investor Relations" section under the menu items „Corporate Governance" and „Compensation system Management Board & Supervisory Board"). In accordance with § 26j EGAktG (Introductory Act to the German Stock Corporation Act), employment contracts concluded in the past (some of which do not yet fully comply with the compensation system that has now been established) shall continue to apply for the time being.

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 employees of the Company have no management functions. Apart from the Management Board, there are no management positions to be filled in the Company, which is why the Company cannot follow this recommendation currently. Even though the Company was and is of the opinion that § 76 (4) of the German Stock Corporation Act (AktG) has no practical application in this particular case due to the lack of management positions to be filled, the Company has, as a purely precautionary measure and by resolution of 15 September 2020, set a target of 30% for the period until 30 September 2025 for the participation of women in management positions in the event that – contrary to the current opinion of the Company – management positions below the Management Board are to be filled. Since, in the opinion of the Company, there are no management positions below the Managament Board, the Company cannot provide any information on the current achievement of the target figure. 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.

All Supervisory Board members are elected by the shareholders at the Annual General Meeting. 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”.

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 professional aptitude and knowledge of the Company‘s field of business are decisive as prerequisites for filling the position, so that the aforementioned requirements are not judged to be expedient. Since 5 March 2020, the actual level of female representation on the Supervisory Board has been 16.67%. By resolution of 15 September 2020, the Supervisory Board set 16.67% as the target for women‘s participation on the Supervisory Board for the period until 30 September 2025. This target has been achieved in the past and is currently being achieved.

In view of its small number of members, the Supervisory Board has so far refrained from forming committees and thus did not follow recommendations D.2, D.3, D.4 and D.5 GCGC. However, Deutsche Konsum REIT-AG will elect an audit committee by the end of the year, which will start its work at the beginning of the next calendar year (2022). The Company will therefore follow recommendations D.3 and D.4 in the future. Due to the continuing low complexity as well as the transparent business model of Deutsche Konsum REIT-AG, the Supervisory Board does not consider the formation of further committees to be necessary at present and will continue to cover all the pending topics.

By resolution of 15 September 2020, the Supervisory Board set an age limit for the Supervisory Board of 80 years.

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.

The Supervisory Board regularly assesses the efficiency of its own task fulfilment within the framework of meetings held in person and by telephone. By resolution of 15 September 2020, the Supervisory Board also introduced a formalised self-assessment system, which is being applied in the current financial year. In this context, all members of the Supervisory Board were asked, among other things, about the efficiency, quality, timeliness and scope of the provision of information, the quality of the exchange with the Management Board, the composition and expertise of the Supervisory Board, the availability of resources and training opportunities, as well as possible compliance violations and conflicts of interest, with the option of anonymous responses also being available. The feedback from the Supervisory Board members confirmed that they consider the work of the Supervisory Board to be effective and efficient.

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

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 compensation of the Supervisory Board can be found in the Compensation Report of the 2020/2021 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.

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.

Further details on the work of the Supervisory Board can be found in the Report of the Supervisory Board, which is part of the 2020/2021 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 2020/2021 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 the Company 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, the Company employs only 28 people (including two members of the Management Board). For this reason, the Management Board saw and sees no need to formulate and publish 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 meaningful in 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 (in future: EPRA NTA) 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, the Company 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 passed resolutions on the financial year ended 30 September 2020, was held on 11 March 2021 as a virtual general meeting without the physical presence of shareholders or their proxies. More than 51% of the share capital was represented (share capital of the Company at the time of convening the Annual General Meeting: 35,155,938 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 home-page. 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 2021 Annual General Meeting elected DOMUS AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft as the auditor for the financial year 2020/2021. 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 2020/2021.

Information on the Company's website

Further information is available for download on the Company's website, which can be reached at https://www.deutsche-konsum.de/en/. Here, among other things, the Compensation Report on the last financial year published in the Annual Report (in the „Investor Relations" section under the menu item „Financial Reports"), the applicable compensation system pursuant to § 87a (1) and (2) sentence 1 of the German Stock Corporation Act as well as the last compensation resolution pursuant to § 113 (3) of the German Stock Corporation Act are available (in the „Investor Relations" section under the menu items „Corporate Governance" and „Compensation system Management Board & Supervisory Board".)

Broderstorf, November 2021

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

Photo: Retail park Neiße-Center
Karl-Marx-Straße 96, 03172 Guben

4. Report of the Supervisory Board

Dear Shareholders,

In the 2020/2021 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 four meetings of the Supervisory Board were held during the reporting period, all of which were held as virtual meetings (online with video and audio transmission) due to the special pandemic-related circumstances. 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.

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 2020/2021:

Name	16/12/2020 Virtual meeting	23/03/2021 Virtual meeting	18/05/2021 Virtual meeting	17/08/2021 Virtual meeting
Hans-Ulrich Sutter	x	x	x	x
Achim Betz	x	x	x	x
Kristian Schmidt-Garve	x	x	x	x
Cathy Bell-Walker	x	x	x	x
Johannes C. G. (Hank) Boot	x	x	x	x
Nicholas Cournoyer	x	x	x	x

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 to adopt the financial statements on 16 December 2020, which was also attended by the auditor, the Supervisory Board unanimously approved the Company‘s annual financial statements for the 2019/2020 financial year, which were thus adopted. In addition, the variable Management Board compensation for the year 2019/2020 was determined and a resolution was passed to revise the Management Board compensation system in accordance with § 87a of the German Stock Corporation Act (AktG). Following the resolution of the Supervisory Board, the new compensation system had been submitted to the Annual General Meeting of 11 March 2021 for resolution. The other items on the agenda of the 2021 Annual General Meeting were also discussed at this meeting. The Management Board and Supervisory Board also discussed the current status of the purchase pipeline, liquidity planning and the other economic development of the Company.

In its meeting on 23 March 2021, the Supervisory Board resolved to set the compensation system for the Management Board approved by the Annual General Meeting in accordance with § 87a (2) of the German Stock Corporation Act (AktG). In the course of this, the Declaration of Compliance in accordance with § 161 of the German Stock Corporation Act (AktG) on Corporate Governance was also updated. The Supervisory Board also discussed the current economic development of the Company and unanimously approved the purchase of the „Spitzkrug Multi Center“ property in Frankfurt/Oder.

At the meeting on 18 May 2021, the Chairman of the Supervisory Board explained in particular the need to introduce a self-assessment system for the Supervisory

Board in order to comply with the requirements of the German Corporate Governance Code (GCGC), and the Supervisory Board discussed the most suitable form for this. In addition, the Management Board and the Supervisory Board discussed the current course of business.

At the meeting on 17 August 2021, the Supervisory Board discussed the formation of an Audit Committee as of 1 January 2022. In addition, the current purchase pipeline, further refinancing topics and expectations regarding the development of the financial year results were discussed.

Furthermore, throughout the reporting period, the Supervisory Board accompanied the growth of the Company in close consultation with the Management Board and passed further resolutions by way of circulation, which concerned, among other things, the decision to hold a virtual Annual General Meeting in 2021 due to the pandemic situation, the items on the agenda of the Annual General Meeting on 11 March 2021 and the adoption of the Declaration of Compliance on Corporate Governance 2021.

All members of the Supervisory Board have expertise and experience in the field of auditing and 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, fulfils all requirements in accordance with § 100 (5) German Stock Corporation Act (AktG) in the field of auditing. The Chairman of the Supervisory Board, Mr Hans-Ulrich Sutter, fulfils all requirements in accordance with § 100 (5) German Stock Corporation Act (AktG) in the area of accounting.

Corporate Governance and Declaration of Compliance

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 2020/2021.

The Management Board and Supervisory Board have repeatedly discussed the recommendations and suggestions of the GCGC and issued a Declaration of Compliance in accordance with § 161 German Stock Corporation Act (AktG) on 13 September 2021. In addition, the Declaration of Compliance of 15 September 2020 was updated in advance on 23 March 2021.

Annual audit

The annual financial statements of Deutsche Konsum REIT-AG as of 30 September 2021, prepared by the Management Board, and the Management Report of the Company were audited by the auditor, appointed by the Annual General Meeting on 11 March 2021 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 on 13 December 2021 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 2021 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 2020/2021 financial year. This corresponds to a distribution of 100 % of the net income of TEUR 14,060 under commercial law.

Examination of the report of the Management Board on relationships with affiliated companies (Dependency 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 Auditors' 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 Auditors' 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 on the Management Board or the Supervisory Board during the reporting period.

The Supervisory Board would like to thank the Management Board and employees for their commitment in the 2020/2021 financial year.

Potsdam, December 2021

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
Retired, Member of other supervisory boards, Dusseldorf

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

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

Cathy Bell-Walker
Solicitor, England & Wales, Allen & Overy LLP, London

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

Nicholas Cournoyer
Chairman, 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
Äußere Weberstraße 89-91, 02763 Zittau

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. 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.

Photo: Local retail centre Kirschberg-Center
Wilhelm-Külz-Straße 8,
06679 Hohenmölsen

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

DKR's investment focus is on good retail locations with local supply functions throughout Germany. These properties generally have above-average micro-locations, have therefore often been established at the location for many years and ensure the supply of goods and services for daily needs for the residents („basic retail"). The main rental income is generated by non-cyclical tenants with strong credit ratings, such as large German food retail groups, special-item stores, drugstores and often also medical facilities, which are considered to be largely independent of the economic cycle.

At the same time, these types of retail properties are only slightly threatened by competition from online retailing, as food, drugstore products and DIY products in particular continue to be purchased preferentially from bricks-and-mortar stores in Germany. This is confirmed by empirical studies, according to which the online share of sales in the grocery and drugstore sectors even in the "Corona year" 2020, characterised by ongoing lockdown measures, was only 1.6% (2019: 1.1%) and 2.3% (2019: 1.7%) respectively, and in the DIY sector 7.1% (2019: 6.0%).[1] In other retail segments, such as electronics, fashion and leisure articles, on the other hand, the online share of total sales has risen to more than a third – with a further upward trend. Therefore, DKR invests exclusively in basic retail properties.

When acquiring properties, DKR focuses on medium-sized cities and conurbations away from large metropolitan areas, as there is less competition from potential buyers for these acquisition targets. In addition, retail properties with comparatively short remaining lease terms are deliberately purchased – DKR therefore bears the lease extension risk. This enables the Company to achieve attractive initial yields of around 10% with a moderate investment risk. The constant WALT of the entire portfolio over the last few years shows, however, that this risk is manageable and that expiring leases can always be extended again or vacant spaces can be re-let due to the quality of the location. Furthermore, at around 75%, a large proportion of DKR's leases are inflation-protected, which is why the rental cash flows offer effective protection in an environment that tends to become increasingly inflationary. In addition, the properties are usually acquired individually, as portfolio deals are typically made at much lower acquisition yields or are significantly more expensive.

DKR thus operates as a professional investor and real estate manager in a niche with investment volumes between usually EUR 1 million and EUR 25 million, which on the one hand is too large for private investors and on the other hand too small and unattractive for institutional investors. This enables a mostly low-competition and speedy acquisition process, which has been demonstrated in the sustainable portfolio growth of recent years.

The core of the investment strategy is, on the one hand, the detailed property analysis, in which, among other things, the micro-location, the development opportunities and the lease extension risk of the main leases are assessed. DKR ensures this through its experienced staff and its network in the market. On the other hand, it is particularly advantageous for the seller if acquisitions can be made quickly. DKR achieves this through its independence from external financing in the acquisition process: all properties are initially acquired entirely with equity and are usually refinanced later with external banks through borrowings.

[1] Hahn Group in cooperation with bulwiengesa, CBRE, EHI Retail Institute: Retail Real Estate Report 2021/2022, 16th edition, pages 25 and 42.

Value creation through active asset management
DKR deliberately acquires properties with development potential ("value-add") with higher vacancy rates and short remaining lease terms, as this enables Deutsche Konsum to exploit value-creation opportunities through active asset management and selective value-creating investments. As a result, DKR now has a variety of properties in its portfolio where the Company has carried out successful revitalisation measures. Significant vacancy reductions and lease extensions have led to a considerable increase in the value of the properties.

DKR is also working on a sustainable increase in property values at portfolio level. For example, in the past financial year, in cooperation with the energy supplier EnBW, DKR began equipping its locations with charging stations for electric vehicles on a large scale.

Recycling of capital
In the context of a growing portfolio in combination with the mentioned value creations, individual properties or smaller sub-portfolios can be selectively resold at significantly higher prices. DKR can then reinvest the capital gains generated from these sales in new acquisitions with higher yields in accordance with its investment criteria.

Transformation of individual retail properties into an institutional asset class
As the property portfolio continues to expand, the individual risks of the different properties are steadily balanced out. On the one hand, an individual risk relates to a larger number of properties and, on the other hand, DKR's negotiating position with major tenants improves with each additional purchase, as the number of tenancies with the same retailers increases. In addition, with each subsequent acquisition, DKR can achieve economies of scale in both ongoing administrative and management costs and in borrowing costs. Furthermore, 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 distributes sustainable and at company level non-taxed income as dividends.

Continuation of growth in accordance with the investment criteria
DKR's goal is to generate further value-creating growth in this asset class while adhering to the investment criteria in a disciplined manner. Thus, with each further acquisition, an increasingly riskdiversified and profitable property portfolio based on non-cyclical rental income is created.

7.2. Development of the real estate portfolio in the 2020/2021 financial year

7.2.1. Acquisitions totalling EUR 120 million

DKR again recorded significant growth in the past financial year and acquired 13 retail properties with a total rental area of around 129,357 sqm and an annual rent of EUR 10.9 million with an investment volume of around EUR 120.2 million as of the balance sheet date of 30 September 2021.

On contrast, a discount store in Berlin was sold during the financial year. The property was acquired in April 2018 for a purchase price of EUR 1.55 million and was sold with a change of benefits and encumbrances in September 2021 for EUR 3.3 million. DKR generated rental income of TEUR 527 from the property during the holding time.

As of 30 September 2021, DKR's portfolio thus comprises a total of 173 retail properties with a total rental area of around 1,021,901 sqm and an annualised rent of around EUR 72.9 million (excluding parking fees). The portfolio is valued at around EUR 1.014 billion as of 30 September 2021.

7.2.2. Capital recycling through first-time sale of a sub-portfolio

In September 2021, for the first time, DKR notarised the sale of a sub-portfolio. The portfolio consists of seven properties, comprises a rental area of approximately 28,000 sqm and currently generates an annual rent of EUR 2.6 million with a remaining lease term of approximately nine years and a vacancy rate of 1%. The sales price amounts to EUR 47.2 million and corresponds to more than 18 times the annual rent (this is equivalent to a yield of 5.6%). The transfer of benefits and encumbrances of the sold properties is expected to take place by January 2022.

Deutsche Konsum acquired the properties between 2015 and 2019 with an average initial yield of 11% and remaining lease terms of 4.5 years on average. The vacancy rate was around 3% at the time of acquisition. During the holding period, the properties generated rental income of around EUR 14.4 million. At the same time, DKR reduced vacancies and significantly extended all major leases.

Half of the capital gains are to be used for the purchase of new food-anchored retail properties. The other half of the capital gains will be proposed to the 2023 Annual General Meeting as an additional dividend for the 2021/2022 financial year. Based on the current number of shares, the increase in dividend from this half of the capital gains is expected to be approximately EUR 0.25 per share.

7.2.3. Positive operational development

Key operating figures as of 30 September 2021 are as follows:

	30/09/2021	30/09/2020	Difference
Rent/Year (EUR million)	72.9	63.1	15.7%
Net Rent/sqm/month	6.66	6.48	2.8%
Vacancy rate (%)	10.7	9.9	7.4%
WALT (years)	5.5	5.4	1.0%
Fair value (EUR million)	1,014.2	809.9	25.2%
Property value (EUR/sqm)	993	900	10.3%
Valuation factor	13.9	12.8	7.9%

In a LFL comparison[2], there is both a slight increase in rent per sqm and a noticeable decrease in the vacancy rate:

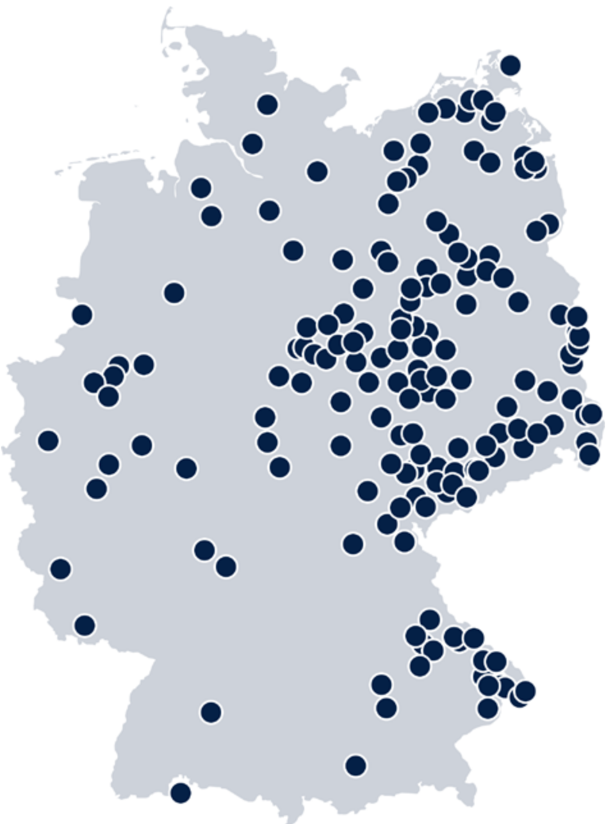
	30/09/2021	30/09/2020	Difference
Rent/m²/month	6.50	6.39	1.7%
Vacancy rate (%)	9.13	9.53	–4.3%
WALT (years)	5.5	5.5	–0.3%

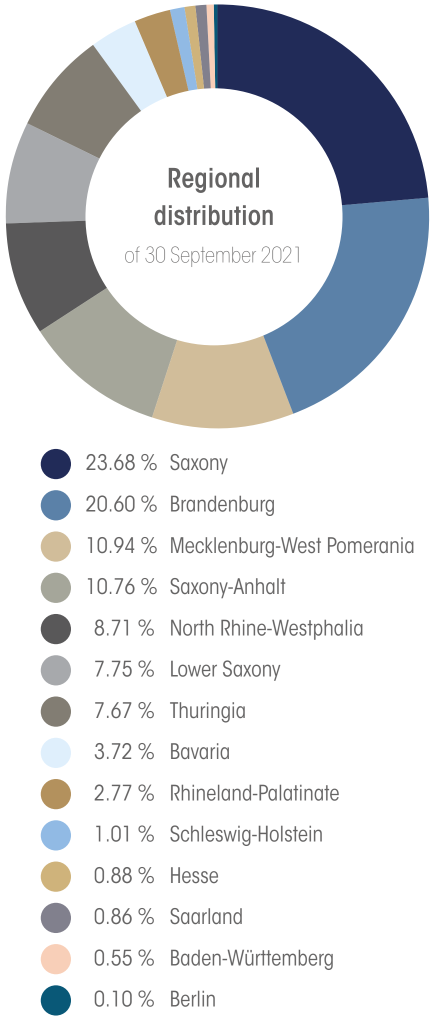
[2] The like-for-like comparison (LFL) compares numerical values and statistics of identical properties at different cut-off dates of a period. Properties that are currently being revitalised are not taken into account.

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 2021:





	Rental space				Annualised rent			
	30/09/2021		30/09/2020		30/09/2021		30/09/2020	
	sqm	%	sqm	%	TEUR	%	TEUR	%
West German States	239,673	23.5	199,202	22.1	19,226	26.4	16,524	26.2
East German States	782,228	76.5	700,651	77.9	53,714	73.6	46,526	73.8
	1,021,901	**100.0**	**899,853**	**100.0**	**72,940**	**100.0**	**63,050**	**100.0**

A large part of the portfolio is currently spread across Eastern German locations, which is partly due to the fact that DKR has managed the Company's development from Potsdam. In addition, there are still more properties in these locations that can meet DKR's high yield requirements, but still house the well-known, large tenants with strong credit ratings and often have a lower construction age, as they were only built in the post-reunification period. From DKR's point of view, this leads to a significantly better risk/return profile. Since the investment market in Western and especially Southern Germany is much more developed, the property prices in these areas are correspondingly higher and therefore less likely to meet DKR's minimum target return requirements.

The share of rents from West German locations increased slightly in the past financial year 2020/2021 from around 26.2% to approximately 26.4%. A total of five properties were acquired in the old federal states: Neu-Anspach (Hesse), Mölln (Schleswig-Holstein), Wrestedt (Lower Saxony), Northeim (Lower Saxony) and Dudweiler (Saarland). Due to its increased visibility and the growth of its network, DKR is increasingly finding properties in Western Germany that meet its investment and yield requirements.

The majority of the properties are located in secondary locations away from the major German cities, which is advantageous in several regards. On the one hand, these properties have not yet been in the focus of large institutional or international investors, which means that they can be purchased at comparatively attractive yields. On the other hand, these properties are little affected by e-commerce, which gives the locations additional stability.

Within the framework of DKR's investment strategy, however, it is irrelevant in which federal state or city a property is located if the micro-location of the property is already established for Basic Retail and will also perform well for 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 2021:

	Quantity	Rental space		Annualised rent	
		sqm	%	TEUR	%
Retail parks	24	327,207	32.0	23,128	31.7
Hypermarkets	11	219,560	21.5	17,939	24.6
Local retail centres	42	242,854	23.8	16,488	22.6
DIY stores (stand-alone)	17	112,563	11.0	7,180	9.9
Discounter	73	94,634	9.3	7,158	9.8
Wholesale markets	6	25,083	2.4	1,047	1.4
	173	**1,021,901**	**100.0**	**72,940**	**100.0**

The biggest property groups in DKR's portfolio are retail parks, hypermarkets, and local retail centres, which generally have a non-cyclical and defensive tenant mix consisting of food retailers, drugstores and often also medical services. This also applies to smaller discount stores, which are usually also food-anchored and numerous in DKR's portfolio. Furthermore, DKR currently holds 17 DIY stores that are operated for many years by large DIY chains with strong credit ratings.

Vacancy

The vacancy rate of the real estate portfolio as of 30 September 2021 is around 10.7%. As part of its investment strategy, DKR also deliberately acquires properties with a significant vacancy rate if the Company believes this can be reduced. DKR always calculates the purchase price based on the existing reliable rents, which is why a vacancy share acquired in a property is rather a “free option” that can lead to an increase in initial yields in the event of a subsequent vacancy reduction. Consequently, the acquisition of new properties with vacancy shares naturally always results in a vacancy base in the overall portfolio. In addition, some properties have a structural (space) vacancy due to their structural conditions.

The majority of the vacant spaces are attributable to a selection of properties where revitalisation measures are currently being carried out or have recently been carried out and where therefore a temporarily higher vacancy rate exists.

Furthermore, there are also structural vacancies at various properties. These are usually spaces that are difficult to let due to their location within a property or a lack of local demand. For instance, windowless, unfavourably cut, fragmented or poorly accessible spaces represent this. Other examples include space that had to be built without meeting demand due to urban planning requirements at the time of construction – for example, office space on the upper floors of the BiTZ in Bitterfeld, for which there has been no sustainable demand since construction.

From an economic point of view, however, structural vacancies are almost insignificant because, on the one hand, they do not cause any running costs and, on the other hand, due to their characteristics, they could only be let at significant discounts compared to the market rent. In this respect, the economic vacancy of the DKR real estate portfolio, which results from the ratio of rental income to the vacant space that can potentially only be let at lower rents, is significantly lower than the physical vacancy. This is reflected in the "EPRA vacancy rate", which is currently 4.9%.

In this respect, the existing vacancies can be viewed in a differentiated manner: On the one hand, the „investment portfolio" with a usually low vacancy rate despite structural vacancies and, on the other hand, the „revitalisation portfolio" in which DKR makes sustainable investments in the properties and their rental space, which leads to temporarily higher vacancy rates.

30/09/2021	Investment portfolio	Revitalisation portfolio	DKR's overall portfolio
Total rental space (sqm)	924,265	97,636	1,021,901
Total vacant space (sqm)	77,278	31,822	109,100
Thereof structural vacancy (sqm)	53,983	–	53,983
Total vacant space (%)	8.4	32.6	10.7
Structural vacancy (%)	5.8	–	5.3

7.4. Revitalisation

In line with its investment approach and portfolio strategy, DKR also deliberately purchases properties in need of revitalisation, some of which have significant vacancy rates and shorter remaining lease terms, as these offer significant potential for value creation. In order to exploit the value creation potential of the properties, DKR carries out revitalisation work on individual properties. This usually involves redesigning space, changing the tenant structure, and optimising the distribution of spaces within a property. Furthermore, a fresh and renewed look makes the appearance of the properties much more attractive. This makes it possible to significantly reduce vacancies and extend tenancy agreements.

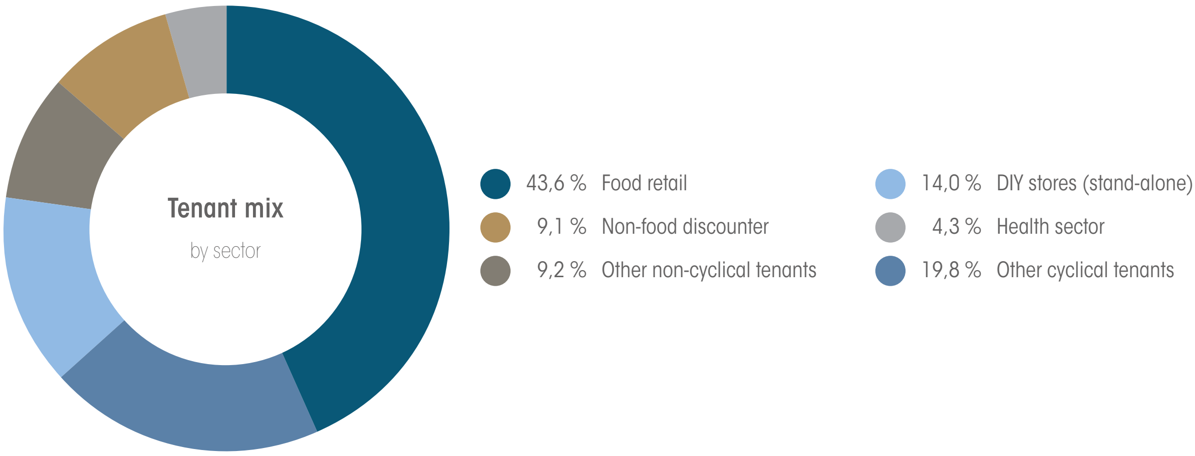
DKR does not carry out speculative improvement measures. As a matter of principle, modernisation or expansion measures on a property are only implemented when new tenancy agreements have been concluded with the property's anchor tenants – often at improved conditions for DKR – or completely new tenants have been acquired. With such selective investments in the real estate portfolio, an overall return comparable to DKR's typical acquisition returns can often be achieved.

In recent years, several revitalisations have been successfully completed. In the reporting year, the Company invested a total of EUR 18.6 million in its portfolio, the largest amount to date. The measures completed in the past financial year range from the expansion and successful new or renewed letting of stand-alone discounters (Drebkau, Spiegelau) to selective conversion measures in individual properties (Greifswald I, Eisenhüttenstadt III) to the redesign and re-letting of entire retail parks (Rostock, Hohenmölsen).

DKR will continue to make value-creating investments in its portfolio in the new financial year 2021/2022. Particular focus will be placed on the properties in Ueckermünde ("Haff-Center"), Bitterfeld ("BiTZ"), Grimma ("PEP"), Stralsund and Grevenbroich ("Coens-Galerie"). Parts of the planned revitalisation measures are already being implemented.

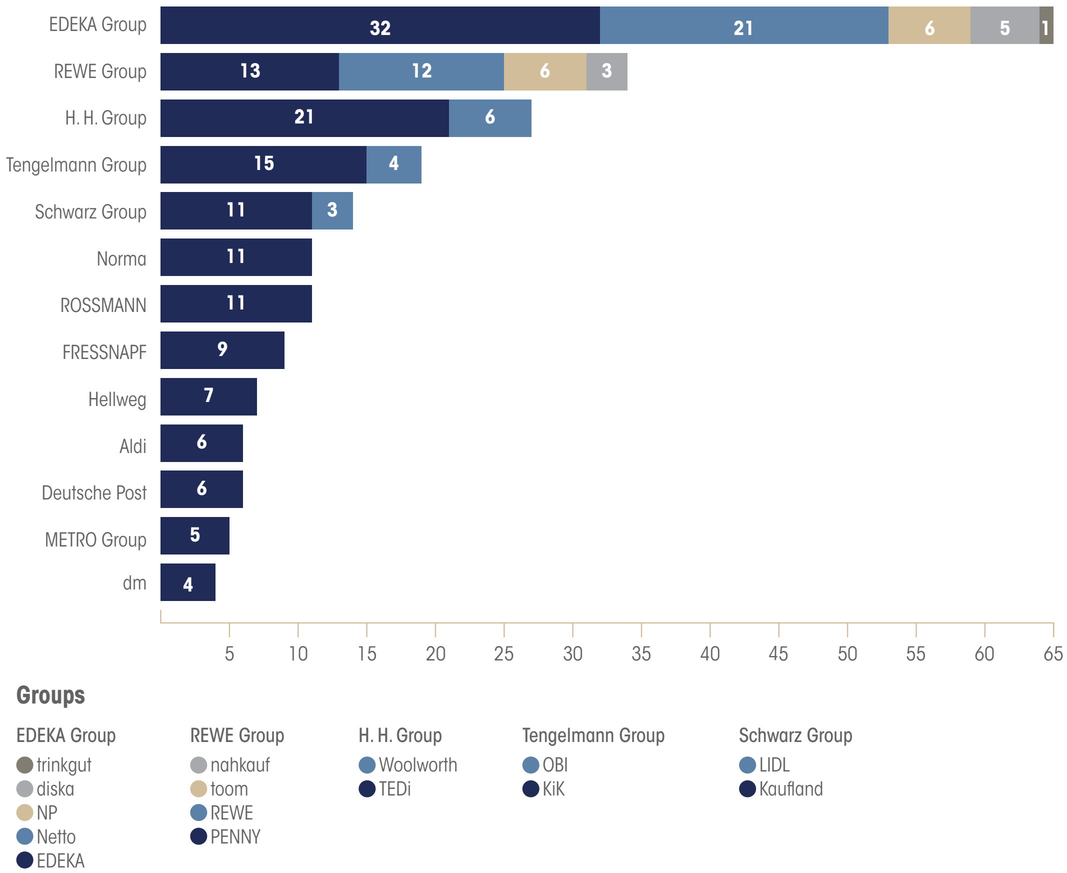
7.5. Tenant mix

Focus on credit-worthy tenants with non-cyclical goods and services
The strongest tenant group in the DKR portfolio are food retail chains such as EDEKA, REWE, METRO, the Schwarz Group, NORMA and ALDI with around 43.6 % of the annualised total rents. The other main non-cyclical tenant groups are DIY stores, retail discounters, tenants from the healthcare sector and other non-cyclical retail stores for everyday goods and services.



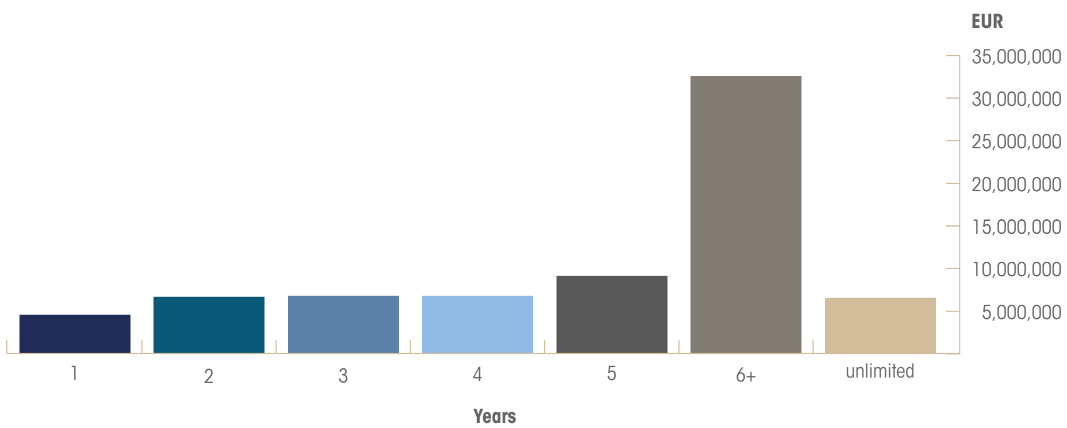
7.6. Several tenancies with the same tenants improve the negotiating position of DKR

DKR deliberately acquires retail properties with the same well-known retail chains when building up its portfolio. This enables a better and more efficient balance of interests with regard to lease extensions, to necessary expansion and extension investments or to standardise leases and work processes. The number of tenancies with the same retail groups is shown below. Number of lease contracts with major corporations and their retail brands (Number of lease contracts as of 30 September 2021):



Residual lease term (WALT)

The average residual lease term (WALT) of the portfolio is approximately 5.5 years as at 30 September 2021. The proportions of the annual rent according to WALT are distributed as follows:



7.7. Property portfolio in detail as of 30 September 2021

		City	Street	Rental space	Vacancy 30/09/2021	Vacancy 30/09/2020
				sqm	%	%
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	19,697.10	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	0.0	0.7
5	24534	Neumünster	Rendsburger Straße 16	4,630.00	0.0	0.0
6	17373	Ueckermünde	Chausseestraße 41-43	1,585.81	0.0	0.0
7	15890	Eisenhüttenstadt I	Gubener Straße 42	1,253.11	2.7	0.0
8	06231	Bad Dürrenberg	Ostrauer Straße 5	3,384.15	57.3	57.3
9	01662	Meißen	Berghausstraße 7	6,226.75	0.0	0.0
10	09427	Ehrenfriedersdorf	Gewerbegebiet an der B95	6,504.95	0.0	0.0
11	08626	Adorf	Karlsgasse 28	5,434.93	0.0	0.0
12	16348	Wandlitz	Bahnhofstraße 35-36	1,607.90	0.0	0.0
13	18337	Marlow	Carl-Cossow-Straße 64	1,046.00	0.0	0.0
14	06132	Halle	Hermann-Heidel-Straße 11	1,072.00	18.7	18.7
15	19417	Warin	Burgstraße / Langestraße 12-14	1,597.87	0.0	0.0
16	06773	Gräfenhainichen	Rosa-Luxemburg-Straße 47	1,076.78	100.0	0.0
17	06749	Bitterfeld-Wolfen	Anhaltstraße 70b, 72	5,822.21	19.9	19.9
18	02747	Herrnhut	Löbauer Straße 45	1,454.58	0.0	0.0
19	02625	Kleinwelka	Hoyerswerdaer Straße 136	1,137.95	0.0	0.0
20	02906	Niesky I	Am Bahnhof 8	1,343.92	4.5	0.0
21	16727	Schwante	Dorfstraße 25	1,046.00	0.0	0.0
22	12103	Berlin-Tempelhof	Manteuffelstraße 71	1,157.85	0.0	0.0
23	14974	Ludwigsfelde	Albert-Tanneur-Straße 25	4,467.91	0.9	0.9
24	15562	Rüdersdorf	Brückenstraße 12a, b	2,785.13	9.1	0.0
25	03172	Guben I	Karl-Marx-Straße 95	1,181.00	0.0	5.1
26	04178	Leipzig	Merseburger Straße 255-263	23,431.11	8.3	1.6
27	18106	Rostock	Kolumbusring 58	4,746.70	12.1	55.0
28	18273	Güstrow	Pferdemarkt 58 / Markt 2-3 / Hageböcker Straße 108	5,600.74	59.1	59.1
29	38855	Wernigerode	Gustav-Petri-Straße 10, 11, 12, 13 / Pfarrstraße 43 / Ringstraße 31, 33, 35, 37	25,274.49	9.4	7.9
30	06636	Laucha	Am Stadtfeld 2	1,110.00	0.0	0.0
31	06184	Gröbers	Lange Straße 3	986.00	0.0	0.0
32	06366	Köthen	Edderitzer Straße 8	685.00	0.0	0.0
33	06463	Ermsleben	Neustadt 1a	678.00	0.0	0.0
34	39596	Goldbeck	Babener Straße 43	982.00	0.0	0.0
35	39576	Stendal	Nordwall 12b	1,107.00	0.0	0.0

Rent level 30/09/2021	Rent/Year	WALT 30/09/2021	WALT 30/09/2020	Fair value 30/09/2021	Fair value 30/09/2020
EUR/sqm	EUR	Years	Years	EUR	EUR
5.81	248,983.20	2.9	3.0	4,170,000.00	3,423,794.01
6.09	1,157,911.92	6.8	6.7	19,300,000.00	18,200,000.00
6.10	1,500,800.00	11.5	10.4	24,200,000.00	25,000,000.00
8.98	1,545,955.92	5.8	6.2	25,400,000.00	24,700,000.00
4.14	230,004.00	5.3	6.3	3,140,000.00	2,890,000.00
6.84	130,244.16	2.3	3.0	1,610,000.00	1,490,000.00
4.70	68,775.24	3.2	3.3	610,000.00	600,000.00
3.39	58,800.00	4.3	5.3	660,000.00	445,000.00
4.22	315,158.64	3.3	4.3	4,650,000.00	3,600,000.00
3.20	249,999.96	4.3	5.3	3,650,000.00	3,030,000.00
1.56	102,000.00	4.0	5.0	1,180,000.00	1,120,000.00
9.20	177,473.88	5.0	4.4	3,140,000.00	2,900,000.00
9.28	116,521.20	5.1	6.1	1,600,000.00	1,360,000.00
4.59	48,000.00	unlimited	unlimited	376,000.00	421,000.00
5.91	113,227.08	4.1	4.5	1,700,000.00	1,580,000.00
0.00	-	N/A	0.5	640,000.00	700,000.00
4.16	233,005.56	3.9	3.7	2,900,000.00	2,956,505.99
6.35	110,911.44	5.7	4.8	960,000.00	900,000.00
11.61	158,586.24	6.2	7.1	1,910,000.00	1,800,000.00
4.79	73,809.60	1.3	1.6	650,000.00	610,000.00
9.10	114,254.32	3.8	4.8	1,810,000.00	1,710,000.00
5.47	76,029.96	1.3	2.2	630,000.00	600,000.00
7.28	386,705.52	4.1	2.2	5,400,000.00	5,200,000.00
9.16	278,399.48	2.2	2.7	4,390,000.00	4,030,000.00
8.93	126,610.92	1.0	2.0	1,720,000.00	1,380,000.00
6.27	1,617,240.00	4.8	4.6	27,800,000.00	27,397,308.07
7.70	385,614.72	9.4	1.9	6,000,000.00	3,010,000.00
6.73	185,298.36	2.3	3.7	1,750,000.00	2,200,000.00
2.82	773,514.24	4.1	2.3	10,800,000.00	10,196,514.92
9.12	121,428.72	3.5	1.4	1,390,000.00	1,150,000.00
9.73	115,157.16	0.5	1.5	1,600,000.00	1,140,000.00
11.05	90,861.12	0.4	1.4	910,000.00	850,000.00
9.95	80,961.24	5.6	1.5	880,000.00	550,000.00
9.42	110,960.52	5.5	1.4	1,780,000.00	1,100,000.00
11.48	152,437.92	5.6	1.6	2,110,000.00	1,520,000.00

		City	Street	Rental space	Vacancy 30/09/2021	Vacancy 30/09/2020
				sqm	%	%
36	06679	Hohenmölsen – Kirschberg-Center	Wilhelm -Külz-Straße 8	7,935.40	31.2	30.9
37	17489	Greifswald I – Dompassage	Lange Straße 40-42	17,122.23	10.4	15.3
38	18461	Franzburg	Abtshäger Straße 13	1,320.00	3.9	0.0
39	16928	Pritzwalk	Rostocker Straße 1, 2, 3, 7 and 8	15,274.58	0.0	0.0
40	17373	Ueckermünde – Haff-Center	Haffring 24	4,619.68	55.5	57.0
41	36452	Kaltennordheim	Gartenstraße 2	927.17	0.0	0.0
42	98634	Kaltensundheim	Bergstraße 12	915.26	0.0	0.0
43	98547	Viernau	Mühlstraße 52	1,027.03	0.0	0.0
44	35232	Dautphe	Gladenbacher Straße 43	1,611.96	0.0	0.0
45	16303	Schwedt (Oder) – CKS. Centrum-Kaufhaus Schwedt	Platz der Befreiung 1	11,197.22	9.9	9.7
46	18437	Stralsund	Lindenallee 25	5,882.15	44.9	35.1
47	06449	Aschersleben	Magdeburger Straße 32	1,009.40	0.0	0.0
48	03116	Drebkau	Drebkauer Hauptstraße 5	1,158.19	0.0	100.0
49	03172	Guben – Neiße-Center	Karl-Marx-Straße 96	10,390.91	4.5	6.1
50	01662	Meißen	Schützestraße 1	24,485.41	22.8	18.4
51	08525	Plauen	Morgenbergstraße 41	24,954.46	28.4	28.3
52	39517	Tangerhütte	Neustädter Ring 78	2,574.00	0.0	0.0
53	99706	Sondershausen	Beethovenstraße 9	1,160.78	0.0	0.0
54	15890	Eisenhüttenstadt II	Karl-Marx-Straße 33	965.12	0.0	5.5
55	09212	Limbach-Oberfrohna	Frohnbachstraße 59	1,862.35	0.0	0.0
56	06333	Hettstedt	Luisenstraße 18a-k	2,786.66	4.4	4.4
57	06537	Kelbra	Jochstraße 2	930.00	0.0	0.0
58	07937	Langenwolschendorf	Heinrich-Wobst-Straße 1	3,072.00	0.0	0.0
59	58239	Schwerte	Hagener Straße 51	1,200.00	0.0	0.0
60	03238	Finsterwalde-Massen	Ludwig-Erhard-Straße 5	11,081.00	0.0	0.0
61	79798	Jestetten	Schaffhauser Straße 8	1,288.00	0.0	0.0
62	08371	Glauchau	Schönburgstraße 40	1,153.40	0.0	0.0
63	07937	Zeulenroda	Heinrich-Wobst-Straße 2	5,631.77	0.0	0.0
64	56269	Dierdorf	Königsberger Straße 12	1,391.16	0.0	0.0
65	82362	Weilheim	Lohgasse 4	1,824.00	0.0	0.0
66	99846	Seebach	Am Rötelstein 3 / Dicelstraße 7	1,147.10	3.8	3.8
67	38820	Halberstadt	Breiter Weg 13	1,585.94	35.2	35.2
68	09599	Freiberg	Abraham-von-Schönburg-Straße 3	1,117.00	0.0	0.0
69	51545	Waldbröl	Kaiserstraße 36	937.80	0.0	0.0
70	04129	Leipzig – Dong Xuan Center	Maximilianallee 18-20	8,694.20	13.8	15.0
71	72793	Pfullingen	Römerstraße 166	5,840.00	0.0	0.0

Rent level 30/09/2021 EUR/sqm	Rent/Year EUR	WALT 30/09/2021 Years	WALT 30/09/2020 Years	Fair value 30/09/2021 EUR	Fair value 30/09/2020 EUR
6.80	445,165.36	11.8	1.0	7,100,000.00	5,500,000.00
6.52	1,199,646.36	7.0	3.6	18,000,000.00	18,100,000.00
6.56	99,886.08	2.4	1.3	1,390,000.00	1,120,000.00
7.54	1,381,491.60	4.7	4.9	18,000,000.00	18,793,713.40
4.88	120,401.28	8.4	7.4	1,010,000.00	830,000.00
3.72	41,428.32	unlimited	0.3	264,000.00	252,000.00
3.90	42,867.84	2.6	3.0	540,000.00	560,000.00
4.38	53,939.76	4.8	2.5	740,000.00	520,000.00
4.07	78,700.00	6.8	1.2	1,130,000.00	940,000.00
5.22	632,382.48	2.1	1.7	7,200,000.00	7,300,000.00
4.84	187,980.00	2.6	0.6	1,440,000.00	1,480,000.00
9.39	113,782.44	4.3	4.0	1,770,000.00	1,520,000.00
9.76	135,600.00	14.9	0.0	1,460,000.00	295,000.00
7.86	935,752.64	4.9	4.0	15,100,000.00	13,400,000.00
6.16	1,398,547.04	8.8	1.8	18,600,000.00	14,500,000.00
7.39	1,583,340.60	5.1	1.9	17,400,000.00	14,100,000.00
5.58	172,411.92	1.3	2.2	2,090,000.00	1,790,000.00
6.76	94,133.88	5.3	6.3	1,350,000.00	1,240,000.00
10.89	126,156.00	2.0	3.0	1,760,000.00	1,640,000.00
8.24	184,204.80	3.6	2.6	2,350,000.00	2,040,000.00
6.60	210,888.72	2.4	1.0	2,180,000.00	2,080,000.00
3.23	36,000.00	4.3	0.3	438,000.00	428,000.00
7.57	279,204.00	2.0	3.0	3,400,000.00	3,393,909.26
7.26	104,540.16	4.3	5.3	1,550,000.00	1,250,000.00
3.61	480,000.00	2.8	3.8	6,700,000.00	5,800,000.00
10.47	161,842.68	8.0	7.0	2,380,000.00	2,294,807.23
9.16	126,722.76	1.0	2.0	1,390,000.00	1,240,000.00
3.55	240,000.00	3.5	4.5	3,060,000.00	2,820,000.00
9.28	154,891.92	7.7	7.8	2,420,000.00	2,352,155.11
5.19	113,522.76	4.8	0.8	480,000.00	480,000.00
6.39	84,609.36	2.3	2.6	760,000.00	740,000.00
5.35	66,000.00	4.0	5.0	670,000.00	590,000.00
11.18	149,905.20	4.6	0.6	2,200,000.00	1,720,000.00
4.27	48,000.00	unlimited	1.3	398,000.00	397,000.00
8.89	799,688.64	unlimited	unlimited	9,900,000.00	9,900,000.00
3.39	237,915.60	1.3	2.3	3,120,000.00	2,830,000.00

		City	Street	Rental space	Vacancy 30/09/2021	Vacancy 30/09/2020
				sqm	%	%
72	17358	Torgelow	Pasewalker Straße 5-8	11,354.10	0.0	0.0
73	18546	Sassnitz	Gewerbepark 9	4,063.00	0.0	0.0
74	07333	Unterwellenborn	Kronacher Straße 1, 7	8,487.00	0.0	0.0
75	16278	Angermünde	Rudolf-Breitscheid-Straße 27	4,843.53	26.9	26.0
76	04910	Elsterwerda – Elstercenter	Lauchhammerstraße 60, 167	34,767.63	0.2	0.2
77	08412	Werdau	Stiftstraße 6-8	39,406.02	2.1	5.1
78	02943	Weißwasser	Sachsendamm 32	13,389.58	1.7	2.4
79	37441	Bad Sachsa	Marktstraße 43, 44	1,712.30	15.4	15.4
80	08141	Reinsdorf – Vielau-Center	Hof 13	1,408.00	0.0	0.0
81	07407	Rudolstadt	Oststraße 53	2,888.00	0.0	0.0
82	29410	Salzwedel	Feldstraße 25a	5,326.00	0.0	0.0
83	29525	Uelzen	Im Neuen Felde 42	3,300.00	0.0	0.0
84	17438	Wolgast	Leeranerstraße 4	2,879.00	0.0	0.0
85	15234	Frankfurt (Oder)	Nuhnenstraße 19	8,056.18	0.0	0.0
86	16303	Schwedt (Oder)	Handelsstraße 23, 26	12,056.62	0.0	0.0
87	17087	Altentreptow II	Grüner Gang 10	1,121.00	0.0	0.0
88	15537	Erkner	Neu Zittauer Straße 41	6,372.01	0.3	3.1
89	95336	Mainleus	Tiefe Äcker 1	1,037.00	0.0	0.0
90	06217	Merseburg	Lassallestraße 27	1,700.00	0.0	0.0
91	07570	Weida	Turmstraße 33	1,157.00	0.0	0.0
92	44379	Dortmund	Martener Straße 300	1,465.00	6.5	6.5
93	38644	Goslar	Gerhard-Weule-Straße 1	4,850.00	0.0	0.0
94	44532	Lünen	Kupferstraße 15	5,910.11	1.9	0.0
95	95028	Hof	Michaelsbrücke 2	7,767.00	13.0	13.0
96	17491	Greifswald II	Hans-Beimler-Straße 1-3	6,598.42	8.1	8.6
97	27721	Ritterhude	Otto-Hahn- Straße 1	9,800.00	0.0	0.0
98	41515	Grevenbroich I – Coens Galerie	Kölner Straße 38-46	11,771.95	74.5	43.2
99	18442	Wendorf	Albert-Schweitzer-Straße 8	2,100.00	0.0	0.0
100	95632	Wunsiedel	Hofer Straße 5-7	2,701.73	0.0	0.0
101	08132	Mülsen St. Jacob	Dresdener Straße 1	1,137.00	0.0	0.0
102	39576	Stendal – Altmark Forum	Dr.-Kurt-Schumacher-Straße 1-5	12,115.13	17.5	14.0
103	01936	Königsbrück	Kornweg 2	1,106.00	0.0	0.0
104	04349	Leipzig – Portitz Treff	Tauchaer Straße 260	7,359.52	2.3	2.3
105	06484	Quedlinburg	Weyhegarten 1	3,923.65	12.5	10.0
106	06766	Wolfen	Steinfurther Straße 37	900.00	0.0	0.0
107	04808	Wurzen	Dr.-Külz-Straße 9	1,556.43	0.0	0.0
108	14727	Döberitz	Bammer Weg 2	989.00	8.4	0.0

Rent level 30/09/2021	Rent/Year	WALT 30/09/2021	WALT 30/09/2020	Fair value 30/09/2021	Fair value 30/09/2020
EUR/sqm	EUR	Years	Years	EUR	EUR
5.51	750,999.96	4.6	5.6	12,200,000.00	11,000,000.00
4.30	209,592.00	3.3	4.3	3,030,000.00	2,370,000.00
5.11	519,999.96	2.3	3.3	7,600,000.00	5,900,000.00
6.83	290,445.60	3.7	2.4	4,220,000.00	4,320,000.00
4.34	1,807,475.04	4.8	5.3	28,900,000.00	26,400,000.00
5.19	2,403,152.64	2.5	3.2	25,900,000.00	23,300,000.00
6.77	1,070,023.08	2.5	2.5	14,500,000.00	13,400,000.00
8.29	144,157.80	2.0	2.1	2,230,000.00	2,010,000.00
5.73	96,817.32	5.5	5.1	1,340,000.00	1,030,000.00
3.99	138,353.88	3.6	4.6	1,740,000.00	1,440,000.00
3.03	193,348.80	5.8	1.7	2,160,000.00	1,460,000.00
2.53	100,000.08	0.7	1.7	1,370,000.00	950,000.00
3.69	127,344.00	3.6	4.6	1,620,000.00	1,340,000.00
5.12	495,000.00	4.6	5.6	7,500,000.00	6,100,000.00
5.40	780,896.64	4.5	5.5	7,700,000.00	7,800,000.00
9.88	132,959.28	2.3	3.3	1,730,000.00	1,420,000.00
5.49	418,734.36	3.0	2.7	6,500,000.00	5,400,000.00
7.71	96,000.00	1.0	2.0	1,360,000.00	1,070,000.00
9.16	186,889.68	2.3	3.3	3,090,000.00	2,580,000.00
10.94	151,955.52	6.1	7.1	2,520,000.00	2,000,000.00
7.81	128,400.00	11.0	12.0	1,320,000.00	1,070,000.00
4.30	249,999.96	3.2	4.2	3,640,000.00	3,090,000.00
5.35	372,212.64	2.3	2.2	3,540,000.00	3,421,101.01
7.47	605,781.12	5.9	6.9	7,300,000.00	7,300,000.00
6.67	485,412.36	6.2	5.4	6,000,000.00	6,300,000.00
3.93	462,000.00	6.5	7.5	7,300,000.00	6,600,000.00
12.24	441,025.20	1.7	3.9	9,000,000.00	11,600,000.00
4.19	105,600.00	7.1	8.1	1,170,000.00	1,160,000.00
7.82	253,370.88	6.8	6.8	4,170,000.00	3,800,000.00
9.86	134,593.80	4.1	5.1	2,200,000.00	1,880,000.00
7.73	927,347.64	5.7	5.4	12,600,000.00	12,599,440.78
7.01	93,000.00	5.6	6.6	1,470,000.00	1,200,000.00
6.40	552,045.48	2.7	2.2	6,600,000.00	6,000,000.00
7.42	305,758.80	6.2	4.4	4,750,000.00	3,950,000.00
8.96	96,821.16	4.1	5.1	1,410,000.00	1,090,000.00
8.09	151,185.96	6.1	7.1	2,260,000.00	1,930,000.00
4.97	54,000.00	unlimited	unlimited	318,000.00	320,000.00

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		City	Street	Rental space	Vacancy 30/09/2021	Vacancy 30/09/2020
				sqm	%	%
109	17367	Eggesin	Bahnhofstraße 13	1,167.00	0.0	0.0
110	19386	Lübz	Werder Straße 21b	1,692.00	0.0	0.0
111	41515	Grevenbroich II – Montanushof	Ostwall 31	27,691.62	21.5	20.3
112	15517	Fürstenwalde	Juri-Gagarin-Straße 43	1,449.77	0.0	0.0
113	09122	Chemnitz – Vita-Center	Wladimir-Sagorski-Straße 20, 22, 24	39,793.99	18.8	19.2
114	39291	Möser	Rosenweg / Krokusweg 14	1,149.00	0.0	17.4
115	63846	Laufach	Hauptstraße 34	915.17	0.0	0.0
116	04741	Roßwein	Haßlauer Straße 1	2,891.00	0.0	0.0
117	07552	Gera	Thüringer Straße 26	20,552.32	17.2	28.5
118	14772	Brandenburg an der Havel	Upstallstraße 3	7,931.00	0.0	0.0
119	09126	Chemnitz	Zschopauer Straße 273	6,493.50	0.0	0.0
120	48599	Gronau	Maybachstraße 2	9,349.82	0.0	0.0
121	57223	Kreuztal	Siegener Straße 210	8,962.00	0.0	0.0
122	39418	Staßfurt	Förderstedter Straße 7	6,193.00	0.0	0.0
123	38302	Wolfenbüttel	Schweigerstraße 13	9,245.00	0.0	0.0
124	06712	Zeitz	Weißenfelser Straße 120	7,200.00	0.0	0.0
125	39307	Genthin	Altmärkerstraße 5	1,275.00	18.2	22.1
126	54344	Trier	Am Kenner Haus 20	11,635.89	0.0	0.0
127	33442	Herzebrock-Clarholz	Clarholzer Straße 53	976.00	100.0	0.0
128	04668	Grimma	Gerichtswiesen 39	15,716.78	12.4	13.8
129	14621	Schönwalde-Glien	Alter Wansdorfer Weg 2	1,089.00	0.0	0.0
130	15890	Eisenhüttenstadt III	Nordpassage 1	29,813.47	32.3	27.2
131	93176	Beratzhausen	Staufferstraße 7	1,116.00	100.0	100.0
132	93466	Chamerau	In der Grube 2	1,256.00	0.0	0.0
133	93167	Falkenstein	Regensburger Straße 12	1,328.00	0.0	0.0
134	94538	Fürstenstein	Vilshofener Straße 13	1,245.00	0.0	0.0
135	85049	Ingolstadt	Krumenauer Straße 58	1,398.00	0.0	0.0
136	93462	Lam	Arberstraße 74	975.00	0.0	0.0
137	92431	Neunburg vorm Wald	Ambergerstraße 14	1,255.00	0.0	0.0
138	94060	Pocking	Marktplatz 5b	686.00	0.0	0.0
139	94269	Rinchnach	Herrnmühle 2	1,195.00	0.0	0.0
140	94161	Ruderting	Passauer Straße 26b	3,115.94	0.0	6.8
141	94121	Salzweg	Bayerwaldstraße 1a	1,240.00	0.0	0.0
142	85298	Scheyern	Fernhagener Straße 1-3	949.00	0.0	0.0
143	94508	Schöllnach	Gewerbepark Leutzing 2	1,162.00	0.0	0.0
144	09465	Sehmatal (Neudorf)	Crottendorfer Straße 3	1,093.00	0.0	0.0

Rent level 30/09/2021 EUR/sqm	Rent/Year EUR	WALT 30/09/2021 Years	WALT 30/09/2020 Years	Fair value 30/09/2021 EUR	Fair value 30/09/2020 EUR
8.99	125,895.96	5.9	6.9	1,920,000.00	1,630,000.00
7.21	146,388.00	4.5	5.5	2,300,000.00	1,810,000.00
8.48	2,211,878.40	6.3	6.4	26,000,000.00	26,038,916.75
6.83	118,800.00	4.4	4.0	1,160,000.00	1,091,607.73
6.77	2,623,059.24	6.2	6.1	35,000,000.00	36,400,000.0
4.43	61,074.00	3.0	2.6	510,000.00	481,000.0
9.35	102,645.60	2.8	3.8	920,000.00	830,000.0
3.32	115,248.36	5.6	5.8	1,600,000.00	1,380,000.0
11.44	2,334,792.96	4.4	4.8	29,200,000.00	25,100,000.0
5.95	566,390.40	10.3	11.3	10,000,000.00	8,100,000.0
5.52	430,180.56	10.3	11.3	7,700,000.00	6,200,000.0
6.45	724,017.24	10.3	11.3	12,900,000.00	10,200,000.0
7.57	814,100.52	10.3	11.3	13,600,000.00	10,900,000.0
5.75	427,411.32	10.3	11.3	6,800,000.00	5,400,000.0
7.48	829,616.52	10.3	11.3	14,700,000.00	12,100,000.0
5.72	493,812.24	10.3	11.3	7,400,000.00	5,800,000.0
5.32	66,595.08	4.2	5.2	910,000.00	730,000.0
13.37	1,867,153.56	0.3	1.3	12,000,000.00	14,500,000.0
0.00	1,200.00	0.6	0.6	680,000.00	1,040,000.0
9.00	1,486,151.76	6.7	3.4	15,000,000.00	15,500,000.0
9.92	129,600.00	3.0	3.8	2,210,000.00	1,610,000.0
8.67	2,098,701.72	4.7	5.1	29,300,000.00	29,700,000.0
0.00	-	N/A	N/A	700,000.00	710,000.0
4.70	70,813.08	1.0	1.6	640,000.00	740,000.0
9.04	144,036.72	2.7	3.7	1,980,000.00	1,800,000.0
5.96	89,068.20	4.1	5.1	1,290,000.00	1,090,000.0
6.06	101,682.48	5.7	1.7	1,200,000.00	1,080,000.0
5.64	66,000.00	4.5	5.5	510,000.00	510,000.0
5.74	86,440.08	3.7	4.7	1,180,000.00	1,050,000.0
7.45	61,304.88	4.1	5.1	800,000.00	690,000.0
5.31	76,145.16	4.1	5.1	590,000.00	580,000.0
5.84	218,352.72	1.7	1.5	2,820,000.00	2,000,000.0
5.11	75,995.64	4.1	5.1	800,000.00	630,000.0
9.24	105,245.76	0.7	1.7	1,180,000.00	1,010,000.0
5.84	81,411.96	3.7	4.7	1,220,000.00	980,000.0
5.95	78,000.00	2.8	3.8	1,150,000.00	1,000,000.0

		City	Street	Rental space	Vacancy 30/09/2021	Vacancy 30/09/2020
				sqm	%	%
145	94518	Spiegelau	Konrad-Wilsdorf-Straße 1a	1,270.00	0.0	0.0
146	94107	Untergriesbach	Kreuzwiesenweg 1	1,414.00	0.0	0.0
147	94234	Viechtach	Mönchshofstraße 60	1,104.00	0.0	0.0
148	93192	Wald (Rossbach)	Bahnhofstraße 3	1,539.00	0.0	0.0
149	94110	Wegscheid	Passauer Straße 78	1,546.00	0.0	0.0
150	94575	Windorf (Hidring)	Turmstraße 2a	922.00	0.0	0.0
151	39261	Zerbst	Heidetorplatz 8-28	2,658.33	4.5	
152	18182	Rövershagen	Rosengrund 1-2	1,901.28	0.0	0.0
153	39576	Stendal III	Gneisenaustraße 2a-e	19,700.04	18.4	
154	08261	Schöneck	Oelsnitzer Straße 6	1,386.00	0.0	
155	19370	Parchim	Ludwigsluster Straße 29, 33	12,376.96	9.0	
156	29559	Wrestedt	Bahnhofstraße 65	1,087.00	0.0	
157	61267	Neu-Anspach	Hans-Böckler-Straße 9	5,737.07	5.2	
158	23879	Mölln	Wasserkrüger Weg 127a, b	5,126.03	10.0	
159	07366	Blankenstein	Selbitzplatz / Hauptstraße 17	1,356.00	0.0	
160	01705	Freital	Wilsdruffer Straße 122-126	1,700.66	0.0	
161	02763	Zittau	Äußere Weberstraße 89-91	25,074.50	30.7	
162	37154	Northeim – CityCenter	Grafenhof 3-5	19,414.38	4.4	
163	15234	Frankfurt (Oder) – Spitzkrug Multi Center	Spitzkrugring 1	23,513.20	3.1	
164	66125	Dudweiler	Am Markt 1	10,227.27	19.7	
			Subtotal	**983,256.08**	**10.9**	**10.4**
		Renditeliegenschaften. die zum Verkauf gehalten werden				
165	17087	Altentreptow I	Fritz-Reuter-Straße 13	4,284.16	5.5	9.7
166	25361	Krempe	Neuenbrooker Straße 37	1,758.47	0.0	0.0
167	18292	Krakow am See	Bahnhofsplatz 3	3,474.47	6.8	4.4
168	27283	Verden	Holzmarkt 7-15	6,997.25	0.0	0.0
169	29303	Bergen	Harburger Straße 30	6,392.83	0.0	0.0
170	45739	Oer-Erkenschwick	Berliner Platz 14	9,555.17	0.0	0.0
171	02906	Niesky II	Rothenburger Straße 23	1,083.00	0.0	0.0
172	38667	Bad Harzburg	Landstraße 33	3,976.00	0.0	0.0
173	93083	Obertraubling	Edekastraße 5	1,124.00	100.0	0.0
			Subtotal	**38,645.35**	**4.1**	**1.5**
			Total	**1,021,901.43**	**10.7**	**9.9**

Rent level 30/09/2021 EUR/sqm	Rent/Year EUR	WALT 30/09/2021 Years	WALT 30/09/2020 Years	Fair value 30/09/2021 EUR	Fair value 30/09/2020 EUR
0.00	-	unlimited	0.3	2,210,000.00	1,530,000.0
2.48	42,000.00	unlimited	unlimited	404,000.00	670,000.0
5.64	74,770.56	0.7	1.7	680,000.00	620,000.0
5.60	103,453.08	1.0	1.6	1,340,000.00	1,100,000.0
4.75	88,101.48	1.0	1.6	1,140,000.00	1,050,000.0
5.11	56,492.76	4.1	5.1	700,000.00	500,000.0
7.14	217,500.00	3.6		3,070,000.00	
8.83	201,420.72	4.4	5.1	2,930,000.00	2,610,000.0
4.58	883,798.08	8.1		11,500,000.00	
5.16	85,836.00	2.4		940,000.00	
6.09	822,784.92	6.1		11,500,000.00	
8.47	110,482.68	4.8		1,710,000.00	
8.66	564,864.96	3.5		7,500,000.00	
6.27	347,094.24	3.4		4,590,000.00	
6.82	111,000.00	5.3		1,720,000.00	
8.82	180,020.16	2.7		1,600,000.00	
3.73	777,155.40	4.2		9,800,000.00	
9.85	2,193,380.76	5.6		28,200,000.00	
12.51	3,420,694.32	5.7		45,800,000.00	
6.35	625,025.76	2.2		6,200,000.00	
6.57	**69,044,979.08**	**5.2**	**5.1**	**934,818,000.00**	**737,088,774.26**
9.06	440,386.08	7.5	7.8		
7.67	161,758.44	8.8	9.8		
8.85	344,119.52	9.4	8.6		
8.95	751,469.32	11.9	12.6		
5.77	442,855.56	8.4	9.4		
10.99	1,260,000.00	8.5	9.5		
9.55	124,134.48	11.7	12.7		
7.75	369,999.96	6.3	7.3		
0.00	-	N/A	8.1		
8.76	**3,894,723.36**	**9.0**	**9.9**	**70,148,300.39**	**60,910,000.00**
6.66	**72,939,702.44**	**5.5**	**5.4**	**1,004,966,300.39**	**797,998,774.26**

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) since the 2016/2017 financial year.

For the 2019/2020 financial year, DKR was awarded the EPRA BPR Gold Award for the second time in a row for the EPRA reporting in its annual report.

For the financial year 2020/2021, 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.

TEUR	2020/2021	2019/2020
Period result	91,373.2	34,173.7
– Valuation result	–57,760.9	–3,864.3
– Proceeds from disposals	–580.0	5.0
EPRA Earnings	**33,032.3**	**30,314.5**
EPRA Earnings per share, EUR	0.94	0.91

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

The EPRA net initial yield is the annualised 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 rent-free periods. Currently there are no material rent-free incentives at DKR.

TEUR	2020/2021	2019/2020
Market value of investment properties (including portfolio held for sale according to IFRS 5)	1,014,167.9	809,928.6
+ Transaction costs	61,998.7	53,592.6
Gross market value of investment properties	**1,076,166.7**	**863,521.2**
Annualised rental income	72,939.7	63,050.1
– Non-recoverable management costs	–14,587.9	–12,610.0
Annualised net rental income	**58,351.8**	**50,440.1**
+ Rent-free periods	0.0	0.0
Annualised „Topped-up" net rental income	**58,351.8**	**50,440.1**
EPRA NIY	**5.4 %**	**5.8 %**
EPRA „Topped-up" NIY	**5.4 %**	**5.8 %**

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.

TEUR	2020/2021	2019/2020*
Net expenses from property management	22,087.7	14,664.1
+ Personnel expenses	1,222.4	928.3
+ Other recurring operating expenses	1,874.5	1,785.5
– Other income	–330.0	–177.8
EPRA costs incl. direct vacancy costs	**24,854.6**	**17,200.0**
– direct vacancy costs	–2,360.7	–1,498.1
EPRA costs excl. direct vacancy costs	**22,493.9**	**15,701.8**
Rental income less ground rent	69,112.1	55,715.1
EPRA cost ratio (incl. direct vacancy costs), %	**36.0%**	**30.9%**
EPRA cost ratio (excl. direct vacancy costs), %	**32.5%**	**28.2%**

* Prior-year figures adjusted.

EPRA vacancy rate

In contrast to the ordinary vacancy rate, 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 on the reporting date increased by the potential rent of the vacant space. The estimated underlying market rents are derived from the property appraisals of the external and independent valuer CBRE GmbH, Berlin. The increase in the EPRA vacancy rate compared to the previous year is mainly due to the acquisition of further properties in the financial year, which have a comparatively high vacancy rate.

TEUR	30/09/2021	30/09/2020*
Potential rent for vacant space	3,725.6	2,763.6
Estimated portfolio rent	76,665.3	65,813.7
EPRA vacancy rate	**4.9%**	**4.2%**

* Prior-year figures adjusted.

EPRA NAV / EPRA NNNAV

The EPRA NAV represents the long-term asset 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 EPRA NNNAV, on the other hand, represents the short-term asset value of the Company with the disclosure of hidden reserves and charges and includes the short-term valuation effects from interest hedging and deferred taxes.

As DKR is exempt from income tax as a REIT and has currently not concluded any interest rate hedging transactions, these adjustments do not have to be made. In this respect, equity, EPRA NAV and EPRA NNNAV are currently equal.

The EPRA NAV per share (undiluted) as of 30 September 2021 is as follows:

TEUR	30/09/2021	30/09/2020
Equity (TEUR)	467,975.3	390,664.5
Number of shares at the balance sheet date	35,155,938	35,155,938
EPRA NAV per share (undiluted), EUR	**13.31**	**11.11**

Taking into account a conversion of the two convertible bonds, the EPRA NAV per share (diluted) on 30 September 2021 is as follows:

TEUR	30/09/2021	30/09/2020
Equity (TEUR)	504,433.0	426,973.1
Number of shares at the balance sheet date (after exercising the conversion options)	49,957,264	49,619,490
EPRA NAV per share (diluted), EUR	**10.10**	**8.60**

Redefinition of the Net Asset Value (NAV)

New EPRA Guidelines are to be applied for companies with financial years beginning in 2020. These also include a new definition of the EPRA NAV, which is now broken down into the following three key figures:

EPRA Net Reinstatement Value (EPRA NRV), which essentially represents the reconstruction value of the real estate portfolio including transaction costs;

EPRA Net Tangible Assets (EPRA NTA), which excludes intangible assets, including a potential goodwill, from consideration;

EPRA Net Disposal Value (EPRA NDV), which assumes the sale of the real estate portfolio and thus in general requires a fair value measurement of deferred taxes and derivative financial instruments. Due to the income tax exemption of REITs, the consideration of deferred taxes by DKR is not applicable at this point.

All key figures are to be determined on a fully diluted basis, in the case of DKR taking into account the effects of outstanding convertible bonds. DKR considers the "EPRA NTA" to be the relevant key figure, comparable to the previous "EPRA NAV".

TEUR	30/09/2021			30/09/2020		
	EPRA NRV	EPRA NTA	EPRA NDV	EPRA NRV	EPRA NTA	EPRA NDV
IFRS Equity attributable to shareholders	467,975.3	467,975.3	467,975.3	390,664.5	390,664.5	390,664.5
Effects of the conversion of convertible bonds	36,457.7	36,457.7	36,457.7	36,308.6	36,308.6	36,308.6
Intangible assets	0.0	0.0	0.0	0.0	–0.1	0.0
Transaction costs (real estate transfer tax)	86,204.3	0.0	0.0	68,843.9	0.0	0.0
NAV	**590,637.3**	**504,433.0**	**504,433.0**	**495,817.0**	**426,973.0**	**426,973.1**
Number of shares outstanding (fully diluted)	49,957,264	49,957,264	49,957,264	49,619,490	49,619,490	49,619,490
NAV per share in EUR (diluted)	**11.82**	**10.10**	**10.10**	**9.99**	**8.60**	**8.60**

9. Headline Earnings per share (HEPS)

According to the stock exchange rules of the Johannesburg Stock Exchange (JSE), the earnings indicator „Headline Earnings per Share“ (HEPS) must be presented, which essentially represents the net profit for the period adjusted for valuation results:

TEUR	2020/2021	2019/2020
Net income (undiluted)	**91,373.2**	**34,173.7**
Excluding valuation result according to IAS 40	–57,760.9	–3,864.3
Excluding valuation result according to IFRS 5	–580.0	5.0
Headline Earnings (undiluted)	**33,032.3**	**30,314.5**
Interest expenses on convertible bonds	624.1	621.5
Headline Earnings (diluted)	**33,656.3**	**30,936.0**
Average number of shares issued in the reporting period **(undiluted)**, in thousands	35,155.9	33,138.8
Potential conversion shares, in thousands	14,801.3	14,463.6
Average number of shares issued in the reporting period **(diluted)**, in thousands	**49,957.3**	**47,602.3**
Headline Earnings per share (EUR)		
Undiluted	**0.94**	**0.91**
Diluted	**0.67**	**0.65**

Photo: Discounter
Frohnbachstraße 59, 09212 Limbach-Oberfrohna

Management Report

for the 2020/2021 financial year
Deutsche Konsum REIT-AG

Photo: Local retail centre
Rosengrund 1-2, 18182 Rövershagen


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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 activities essentially comprise the acquisition, letting and management of domestic retail properties in medium-sized and regional centres in Germany in functioning micro-locations. In individual cases, disposals of properties may also occur.

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. In addition, the share has been listed on the Main Board of the Johannesburg Stock Exchange ("JSE") in South Africa by way of a secondary listing since 8 March 2021. As of 1 January 2016, the Company possesses the status of a REIT (Real Estate Investment Trust) and is, therefore, exempt from income tax at company level.

DKR's investment focus is on centres and conurbations away from large metropolitan areas, as higher initial returns can be achieved here due to less competition and lower purchase prices, while at the same time the investment risk is manageable. DKR acts as a professional investor in a niche market, as the investment volume per property is usually up to EUR 25 million, which is usually too high for private investors, but at the same time too low for institutional investors. Furthermore, the substantial rental income is 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 properties can record increases 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 2021, DKR's accounted real estate portfolio comprises 173 retail properties with a lettable area of around one million sqm and a book value of EUR 1.014 billion.

In terms of corporate law, DKR consists of a corporation that holds and accounts for all real estate. This simple structure under company law and the REIT status enable the Company to have particularly lean administrative structures. In addition, the existing network, the many years of experience of the management and the flat internal company hierarchies help to achieve a high acquisition speed, which is advantageous in acquisition 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 charged to the Company on a pro rata basis via 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, the EPRA NAV per share (EPRA net asset value), the initial yield and the aFFO (adjusted funds from operations) are used for steering.

DKR’s non-financial performance indicators are vacancy rates as well as the average remaining term of fixed-term leases WALT (weighed average lease term) at individual property level and at overall portfolio level. Due to the acquisition of properties with higher vacancy rates and short remaining lease terms, which are in line with the business model, these non-financial key figures are subject to significant fluctuations.

Furthermore, DKR utilises 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

During the reporting period, the global economic cycle was characterised by major movements. Although the number of new infections with the coronavirus had risen sharply and containment measures had been tightened again in many countries, the global economy had continued to recover in the following winter half-year after the strong increase in production in the summer of 2020, according to an economic report published in March 2021 by the Kiel Institute for the World Economy (IfW).[1] However, in the first half of 2021, the momentum of the global economic recovery had slowed significantly again as a result of new COVID-19 waves and supply chain issues.[2]

The coronavirus also had a decisive impact on the development of the German economy in 2020 and led to the largest decline in gross domestic product (GDP) since the global financial crisis in 2009. This ended a 10-year cycle of slow but steady recovery, especially in its final phase.[3] According to the Federal Statistical Office (Destatis), the German economy increasingly recovered from the effects of the Corona pandemic in 2021. However, economic output was still 3.3% below pre-crisis level. Gross domestic product (GDP) rose by 1.6% in the second quarter of 2021 compared to the first quarter of 2021 – adjusted for price, seasonal and calendar effects. The first quarter of 2021 had still recorded a decline of –2.0% compared to the previous quarter.[4]

According to the Bundesbank, the recovery of the global economy gained momentum in the second quarter of 2021. The growth is particularly strong in the industrialised countries, which are making progress in fighting the pandemic. However, due to the rapid spread of the delta variant of the coronavirus, new restrictions and setbacks in the recovery process could not be ruled out for the industrialised countries either. It is therefore important to push ahead with vaccination campaigns in order to limit the economic consequences of renewed waves of infection. According to the Bundesbank, the international financial markets were caught between economic recovery and the current assessment of the further course of the pandemic. At the same time, the unexpectedly strong increase in inflation had moved into the focus of market participants.[5]

The leading economic research institutes (Project Group Joint Economic Forecast)[6] assumed in October 2021 that the German economy should return to normal capacity utilisation in the course of 2022. According to the institutes' forecast, the gross domestic product will increase by 2.4% in 2021 and by 4.8% in 2022. However, in the winter half-year 2021/2022 the recovery from spring 2021 is likely to be slowed down again by low activity in the services sector and supply bottlenecks that are straining on manufacturing output[7] and pushing up producer prices[8]. In 2022, however, these impairments should gradually be overcome so that normal capacity utilisation can be achieved again.[9]

[1] Kiel Institute Economic Outlook No. 75 (2021/Q1) of 18 March 2021: World Economy Spring 2021, page 3.
[2] Kiel Institute Economic Outlook No. 81 (2021/Q3) of 23 September 2021: World Economy Autumn 2021, page 3.
[3] Press release Federal Statistical Office (Destatis) of 14 January 2021.
[4] Press release Federal Statistical Office (Destatis) of 24 August 2021.
[5] Deutsche Bundesbank: Monthly Report August 2021, pages 7 and 48.
[6] Project Group Joint Economic Forecast: German Institute for Economic Research (DIW Berlin), ifo Institute – Leibniz Institute for Economic Research at the University of Munich e.V. in cooperation with the Swiss Economic Institute of ETH Zurich (KOF), Kiel Institute for the World Economy (IfW Kiel), Halle Institute for Economic Research (IWH) and RWI – Leibniz Institute for Economic Research in cooperation with the Institute for Advanced Studies Vienna.
[7] Press release of the Project Group Joint Economic Forecast of 14 October 2021.
[8] Deutsche Bundesbank, ibid., page 7.
[9] Press release of the Project Group Joint Economic Forecast, ibid.

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%.[10] 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.

2.2. Development of the German commercial real estate market

According to the Hahn Group, the German commercial real estate market proved immune to the global corona pandemic and its effects in 2020. Demand from domestic and international investors for local real estate remained strong. In addition to the intrinsic value and the potential for value appreciation of the properties, the unbroken strong confidence in the German economy and the German real estate investment market continued to play a role. Thus, EUR 79.2 billion was invested in the real estate investment market in Germany in 2020.[11] The transaction volume on the investment market for commercial real estate in Germany amounted to EUR 59.2 billion.[12] Retail properties accounted for just under EUR 12.3 billion of this.[13]

According to the Habona Report 2021, the investment market for retail properties was hardly affected by the events of the pandemic year 2020. With a transaction volume of EUR 10.4 billion across Germany, the market was able to almost maintain its previous year's level and was only 6% below the result from 2019. During the pandemic, local suppliers and drugstores were an anchor of stability. Accordingly, demand for supermarkets, discounters, or other grocery-anchored specialty stores remains high. According to the Habona Report, this will not change in the medium to long term. On the contrary: The competitive pressure for the best properties will continue to increase. In 2020, specialty markets/retail parks reached a share of 37% and supermarkets/discounters 21% of the total transaction volume. With a total of 58%, the specialty market properties clearly dominated the market.[14]

According to a study by Jones Lang LaSalle (JLL), a total transaction volume[15] of EUR 60.8 billion was recorded in the investment market for commercial real estate in Germany for the period from January to September 2021 (+5% compared to 2020). Above all, a number of high-priced individual transactions had shown that confidence in the German investment market was still present. At 10%, retail properties ranked fourth within this asset class after living (38%), office properties (27%) and logistics-industrial properties (11%).[16] Within this type of use, the more security-oriented specialist store concepts as well as supermarkets and discounters continued to dominate. According to JLL, the structural and pandemic effects were still noticeable in the investment market for retail properties.[17]

CBRE is estimating an investment volume of around EUR 7.3 billion in the German retail property market in the first three quarters of 2021. Investor interest in this area had once again increased significantly, espe-

[10] https://www.finanzen.net/zinsen/leitzins, last reviewed on 26 October 2021.
[11] Hahn Group in cooperation with bulwiengesa, CBRE, EHI Retail Institute: Retail Real Estate Report 2021/2022. 16th edition, page 80.
[12] Press release CBRE of 8. Januar 2021.
[13] Hahn Group, ibid., page 80.
[14] Habona Report 2021, ed. by Habona Invest GmbH in cooperation with Statista GmbH and JLL SE, pages 78-79.
[15] The total transaction volume includes both, pure commercial properties but also the new asset class Living which includes residential properties (multi-family properties and portfolios with more than 10 units), micro living, student housing and Elderly Care Homes. JLL, Investment Market Overview. Research Germany. 3rd quarter 2021. October 2021, page 2.
[16] JLL, Investment Market Overview. ibid., page 7.
[17] JLL, Investment Market Overview. ibid., page 5.

cially over the summer months. Specialist stores and retail parks, including grocery markets, accounted for a share of almost 60% (EUR 4.1 billion).[18]

Likewise, the Hahn Report states that food markets, which were already in high demand among investors before the pandemic, as well as food-anchored specialist and local retail centres, were able to increase their popularity once again in 2020. The main reason for this was that many of these types of commercial property had proven to be systemically relevant during the pandemic and had not been affected, or not fully affected, by the various lockdown phases. According to the Hahn Report, the heterogeneous group of specialty markets and retail parks[19] is the dominant asset class on the retail property market in Germany with an investment volume of EUR 6.3 billion and a market share of 51.6% in 2020.[20] In the first half of 2021, interest in the group of specialist and food stores as well as local supply and specialist retail centres even increased significantly, which is reflected in a transaction volume of EUR 1.5 billion or a share of 44% of the retail investment market.[21]

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

2.3. Business performance

Portfolio value exceeds one billion euros for the first time/Sale of a sub-portfolio

In the 2020/2021 financial year, DKR acquired a total of 13 retail properties with a purchase price of around EUR 120 million and an annual rent of EUR 10.9 million at the time of purchase. In addition, revitalisation and modernisation measures amounting to EUR 18.6 million were carried out and capitalised during the reporting period. This is countered by the sale of a discounter in Berlin-Pankow, which was disposed of on 16 September 2021 with a valuation gain of TEUR 580.0.

Furthermore, the annual property valuation of the real estate portfolio was carried out by the external and independent appraiser CBRE GmbH, Berlin, as of 30 June 2021. This resulted in a valuation gain of EUR 57.8 million.

As a result, DKR’s real estate portfolio recognised on 30 September 2021 comprises 173 properties with a balance sheet value of around EUR 1.014 billion and a rental space of around one million sqm.

By notarial deed dated 29 September 2021, DKR sold a sub-portfolio with a rental area of approximately 28,000 sqm, consisting of the locations Bad Harzburg, Verden, Bergen and Krempe as well as Niesky (Rothenburger Straße), Krakow am See and Altentreptow (Fritz-Reuter-Straße). The properties currently generate an annual rent of EUR 2.6 million with a remaining lease term of approximately nine years and a vacancy rate of 1%. The sales price of EUR 47.2 million therefore amounts to more than 18 times the annual rent. The transfer of benefits and encumbrances of all properties is expected by January 2022. A part of the expected sales proceeds is to be proposed to the 2023 Annual General Meeting – in accordance with the provisions of the REIT Act – as an additional dividend for the 2021/2022 financial year.

[18] Press release CBRE of 7 October 2021.
[19] Hahn Group, ibid., page 96. According to the study, these include various types of stand-alone grocery stores, local retail centres, DIY stores or cash & carry markets.
[20] Hahn Group, ibid., page 96.
[21] Hahn Group, ibid., page 97.

The remaining funds are to be used to purchase new food-anchored retail properties.

Stable rental income in the financial year 2020/2021 despite the COVID-19 pandemic

The beginning of the 2020/2021 financial year was also marked by temporary retail lockdowns due to the second and third wave of the COVID-19 pandemic. Here, however, system-relevant retail shops that provide for the supply of the population were once again exempt. Since local suppliers and providers of daily goods make up the majority of DKR's retail tenants, the Company was only affected by the lockdowns to a minor extent.

Since the beginning of the pandemic, rents of around EUR 3.9 million have been retained by tenants in the following lockdowns. Thereof, EUR 0.7 million were derecognised in the past financial year due to rent waivers (previous year: EUR 0.5 million). Furthermore, in the reporting period, individual value adjustments of around EUR 1.6 million were made on outstanding rent receivables, as it can be assumed that these receivables are no longer fully recoverable. These derecognitions and value adjustments thus correspond to around 4% of the annualised rent of the real estate portfolio.

Issuance of an unsecured bond and further financings

On 28 April 2021, DKR issued an unsecured bond 2021/2031 with a term of ten years (ISIN DE000A3E5KJ6). The bond volume amounts to EUR 20 million and bears a coupon of 3.1% p.a.

In addition, DKR took out a promissory note loan in March 2021 and April 2021, each with a volume of EUR 10 million, a term of five years and an interest rate of 2.4% and 2.55% respectively. In the 2020/2021 financial year, DKR additionally took out secured bank loans from savings banks, Volksbanks and Pfandbrief banks for EUR 71.5 million with fixed interest rates of between 1.05% p.a. and 3.35% p.a.

The Company is currently negotiating further loans at attractive conditions with various banks, taking into account the target LTV of around 50%.

Rating confirmed

The existing Scope rating was confirmed on 30 April 2021: The issuer rating remains at "BB+ stable" and the rating for secured and unsecured debt capital at "BBB" and "BBB-" (investment grade).

Annual General Meeting of DKR approves all proposed resolutions/Dividend distribution in the amount of EUR 0.40 per share

DKR's Annual General Meeting took place on 11 March 2021 as a virtual Annual General Meeting without the physical presence of the shareholders or their proxies. All proposed resolutions were adopted with the required majority. In particular, the distribution of a dividend of EUR 0.40 per share for the 2019/2020 financial year was approved. A total of TEUR 14,062 was distributed.

Capital resolutions at the Annual General Meeting on 11 March 2021

On 11 March 2021, the Annual General Meeting resolved, among other issues, to authorise the increase of the Authorised Capital and the Conditional Capital as well as the acquisition and use of treasury shares.

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 10 March 2026 by up to a total of EUR 17,577,969.00 by issuing new no-par value bearer shares against cash or non-cash contributions (Authorised Capital 2021/I).

The Annual General Meeting also resolved to conditionally increase the share capital by up to EUR 9,577,969.00 by issuing up to 9,577,969 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 Annual General Meeting authorised the Management Board to acquire and use treasury shares in accordance with § 71 (1) no. 8 AktG (German Stock Corporation Act). The resolution allows the acquisition of treasury shares up to a total of 10%

of the share capital existing at the time of the resolution and is valid until 10 March 2026. The previously existing authorisation to acquire treasury shares would have expired on 19 April 2021.

Secondary listing of the DKR share on the Johannesburg Stock Exchange ("JSE")

Since 8 March 2021, the DKR share has been traded on the Main Board of the Johannesburg Stock Exchange ("JSE") in South Africa as part of a secondary listing after the Company was able to fulfil all legal requirements for admission to trading. The listing was preceded by a virtual roadshow lasting several days, during which DKR's Management Board presented the Company to institutional South African investors.

The background to the secondary listing can be seen in the high level of interest shown by professional South African investors in European REITs. However, due to existing trading regulations, South African investors are only allowed to invest abroad to a limited extent. Through a secondary listing on the JSE, Deutsche Konsum can avoid existing restrictions on trading and offer an attractive investment for institutional investors from South Africa.

The Company expects the transfer of shares between Germany and South Africa to significantly increase the trading volume of DKR shares in the medium term. The access to the South African capital market also increases the flexibility for raising further equity or debt capital from potential new investors.

2.4. Asset, financial and earnings position

Asset position

The balance sheet total increased by TEUR 157,573.7 to TEUR 1,093,303.8 (30/09/2020: TEUR 935,730.1). This resulted from the build-up of the real estate portfolio as well as from the valuation gain. The investment properties are accounted for as of 30 September 2021 at TEUR 944,019.6 (30/09/2020: TEUR 809,928.6). In addition, properties held for sale with a value of TEUR 70,148.3 (30/09/2020: TEUR 0.0) are recognised.

The Company's equity increased by TEUR 77,310.8 to TEUR 467,975.3 (30/09/2020: TEUR 390,664.5) in the financial year. This resulted from the net profit for the period of TEUR 91,373.2. In contrast, the dividend payment for the 2019/2020 financial year, which was distributed in March 2021, had an equity-reducing effect of TEUR 14,062.4.

The EPRA NAV per share (undiluted) as of 30 September 2021 is as follows:

TEUR	30/09/2021	30/09/2020
Equity (TEUR)	467,975.3	390,664,5
Number of shares at the balance sheet date	35,155,938	35,155,938
EPRA NAV per share, EUR	**13.31**	**11.11**

Non-current and current financial liabilities to banks increased to TEUR 401,289.4 (30/09/2020: TEUR 340,272.4) due to secured bank loans and unsecured promissory note loans. Furthermore, there was an increase in financial liabilities from the issuance of a corporate bond with a nominal value of TEUR 20,000. Overall, there was an increase in financial liabilities of TEUR 81,635.1 to TEUR 609,308.9 as of the balance sheet date (30/09/2020: TEUR 527,673.9).

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

TEUR	30/09/2021	30/09/2020
Financial liabilities to banks	401,289.4	340,272.4
Convertible bonds	36,457.7	36,308.6
Corporate bonds	171,561.8	151,092.9
Total liabilities	**609,308.9**	**527,673.9**
minus cash and cash equivalents	–652.7	–209.1
minus fiduciary funds of property management	–902.3	–1,242.5
minus loans	–59,522.9	–81,197.3
minus interest-bearing investments	–8,385.1	–18,010.9
Net debt	**539,845.9**	**427,014.1**
Investment property	944,019.6	809,928.6
Properties held for sale	70,148.3	0.0
Prepayments for the acquisition of investment property	0.0	15,533.7
Total investment properties	**1,014,167.9**	**825,462.3**
Net-LTV	**53.2 %**	**51.7 %**

Financial position

The cash flow statement is as follows:

TEUR	2020/2021	2019/2020
Cash flow from operating activities	37,965.7	35,940.3
Cash flow from investing activities	–92,303.6	–264,371.8
Cash flow from financing activities	54,781.5	203,001.3
Cash changes in cash and cash equivalents	**443.6**	**–25,430.2**
Financial funds at the beginning of the period	209.1	25,639.3
Financial funds at the end of the period	**652.7**	**209.1**

Cash flow from operating activities amounted to TEUR 37,965.7 in the financial year (previous year: TEUR 35,940.3). The positive cash flow from operating activities is directly related to the increase in rental properties. A reduction of trade payables in the amount of approximately TEUR 2,780.0 prevented a stronger increase in operating cash flow.

Cash flow from investing activities in the reporting period was TEUR –92,303.6 (previous year: TEUR –264,371.8) and mainly consists of the payment for investment properties of TEUR –132,288.6 (previous year: TEUR –199,855.2), which is contrasted by reflows of TEUR 35,825.7 (previous year: TEUR –69,726.9) from financial investments in the context of short-term cash management.

Cash flow from financing activities in the reporting period amounted to TEUR 54,781.5 (previous year: TEUR 203,001.3) and mainly relates to proceeds from borrowings of TEUR 91,500.0 (previous year: TEUR 148,730.0) and proceeds from the issuance of the corporate bond of TEUR 20,000.0 (previous year: TEUR 40,000.0), which are offset by the payments for the repayment of loans of TEUR –30,543.4 (previous year: TEUR –15,480.5).

The Company was always able to meet its payment obligations.

Earnings position

The earnings situation of Deutsche Konsum developed as follows in the 2020/2021 financial year:

TEUR	2020/2021	2019/2020
Rental income	45,835.3	39,926.7
Result from disposals (valuation result on investment properties sold)	580.0	–5.0
Other operating income	330.0	177.8
Valuation result	57,760.9	3,864.3
Operating expenses	–6,588.5	–5,271.8
EBIT	**97,917.7**	**38,692.1**
Financial result	–6,544.1	–4,517.9
EBT	**91,373.6**	**34,174.2**
Income taxes and other taxes	–0.4	–0.4
Net profit for the period	**91,373.2**	**34,173.7**

The rental result increased significantly due to the considerably larger property portfolio resulting from the acquisitions. As a result, rental income increased by TEUR 13,436.3 to TEUR 69,667.0 (2019/2020: TEUR 56,230.7). Correspondingly, there was a similar increase in management expenses, which, however, in the reporting year also included non-periodic expenses from purchaser settlements for past purchases.

The valuation result as at 30 June 2021 results from the valuation report of the independent and external real estate appraiser. The valuation gain essentially reflects DKR's value creation activities as well as the significant increase in investors' valuations of food-anchored retail properties.

The increase in operating expenses was mainly due to higher impairments on rent receivables and increased general administrative expenses. Personnel expenses rose due to the hiring of additional employees in the course of the Company's expansion. Adjusted for one-off effects, there was an overall increase in internal administrative costs (excluding external property and asset management fees), which, however, grew at a significantly lower rate than the increase in rental income.

The administrative expense ratio is as follows:

TEUR	2020/2021	2019/2020
Personnell expenses	–1,222.4	–928.3
Other operating expenses	–3,452.9	–2,985.3
Adjustment of one-time and other non-recurring effects	1,578.4	1,199.9
Adjusted administrative expenses	**–3,096.9**	**–2,713.7**
Rental income	69,667.0	56,230.7
Administrative expense ratio	**4.4 %**	**4.8 %**

In total, EBIT increased by TEUR 59,225.7 to TEUR 97,917.7 (2019/2020: TEUR 38,692.1), which was mainly due to the significantly higher valuation result compared to the same period of the previous year.

The decrease in the financial result is mainly due to increased interest expenses related to the financing of newly acquired properties.

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 TEUR 91,373.2 (2019/2020: TEUR 34,173.7), from which FFO and aFFO are derived as follows:

TEUR	2020/2021	2019/2020
Net profit of the period	91,373.2	34,173.7
Adjustment of income taxes	0.0	0.0
Adjustment of depreciation	12.5	11.0
Adjustment of valuation result	–57,760.9	–3,864.3
Adjustment of sales result	–580.0	5.0
Adjustment for non-cash expenses/income	4,801.4	1,826.5
Adjustment for one-time and other non-recurring effects	3,322.2	2,838.8
FFO	**41,168.4**	**34,990.7**
– Capex	–18,565.9	–15,104.4
aFFO	**22,602.4**	**19,886.3**

The non-cash expenses and income include the compounding of the convertible bonds and the loans using the effective interest method as well as pandemic-related rent waivers and value adjustments of rent receivables. The one-time effects include non-recurring expenses and income. In the 2020/2021 financial year, this mainly included expenses unrelated to the accounting period as well as fees, legal and consulting costs incurred in connection with financing, property purchases and the secondary listing in South Africa. Furthermore, time-limited expenses for sponsoring projects are included here.

The investments in the portfolio (capex) mainly include value-adding construction and improvement measures at the revitalisation properties Rostock, Hohenmölsen, Drebkau, Greifswald I, Angermünde, Spiegelau and Eisenhüttenstadt III.

This results in an FFO per share of EUR 1.17 (2019/2020: EUR 1.06) and an aFFO of EUR 0.64 per share (2019/2020: EUR 0.60).

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

The 2020/2021 financial year has again been very positive for DKR, despite the difficult overall environment caused by the pandemic. The retail property portfolio continued to grow strongly due to acquisitions, which led to a significant increase in rental income. At the same time, the operating performance of the portfolio (like-for-like) was increased through vacancy reductions, lease extensions and revitalisation measures. This and the significantly higher market demand for food-anchored investment properties has led to a significant valuation gain in the annual property valuation.

In the past 2020/2021 financial year, total rental income of EUR 69.7 million was generated, which was only slightly below the forecast made in the previous year (EUR 70 million to EUR 74 million). This was primarily due to a lower purchase volume compared to the previous year as a result of Corona, as well as significantly delayed processes in the transfer of ownership of the properties, which therefore only generated rental income late in the past financial year. Nevertheless, the revised FFO forecast (EUR 40 million to EUR 41 million) was achieved with an increase in FFO to EUR 41.2 million (previous year: EUR 35.0 million).

On the financing side, a reduction in the average cost of debt was achieved by taking out further loans at favourable interest rates. Due to the issuance of an unsecured stepped interest bond in the previous year and the raising of further unsecured debt capital, the LTV of 53.2 % as of the reporting date is slightly above the target corridor of around 50 %.

Furthermore, a German Commercial Code (HGB) result of EUR 14.1 million was achieved. On this basis, the Management Board will propose a dividend of EUR 0.40 per share to the Annual General Meeting, which is the same amount as the previous year's dividend per share.

The effects of the acquisitions and the favourable borrowings will only have a full-year impact from the new financial year 2021/2022 onwards. In addition, DKR considers its rental income to be largely independent of the current pandemic situation, which means that robust rental income is expected to continue. Therefore, the Management Board sees DKR very well positioned for further successful and profitable development.

Other non-financial performance indicators

The vacancy rate for the entire portfolio was 10.7% as at the reporting date (30/09/2020: 9.9%) and increased slightly as of the balance sheet date, in particular due to the acquisition of properties with a comparatively higher vacancy rate. The WALT of the portfolio as at the reporting date is 5.5 years (30/09/2020: 5.4 years).

Photo: Local retail centre
Wasserkrüger Weg 127 a/b, 23879 Mölln

3. Opportunity and Risk Report and Forecast Report

3.1. Opportunity and risk report

Risk management system of DKR

Risk management is designed to identify the value creation 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 Company's value. 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. Considering 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 is geared towards correct and complete accounting and ensures 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 on the controlling measures by the Management Board, the identified, analysed and assessed risks are actively responded to in this phase.

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	Probability of occurrence: low (< 10 %)	Probability of occurrence: medium (10 % to 50 %)	Probability of occurrence: high (> 50 %)
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

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 players. In this regard, there is a risk that the competition will lead to increased price pressure when purchasing properties and negotiating leases, resulting in 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 concretely in the extension of a large number of rental contracts 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 main 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. The unauthorised access to sensitive company data could lead to a loss of reputation. In addition, financial damage could occur in the form of compensation payments to recover the data.

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

With the mandatory application of the European 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 DKR's lean personnel and administrative structure, there is a risk that qualified, high-performing employees and knowledge carriers who are familiar with the Company's internal processes may 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. If problems in servicing current loans were to result from this, lenders could arrange for compulsory disposals of real estate collateral. Such distress sales could lead to considerable financial disadvantages 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.

Furthermore, there are various risks regarding the Company's liquidity. On the one hand, these can arise as a result of possible rent defaults. In addition, negative liquidity effects may arise in individual cases if rental agreements cannot be extended, resulting in vacancies. In addition, a breach of agreed ratios in loan agreements (covenants) may lead to a special termination by the lending bank and cause 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 regarding 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 influence of changes in the general interest rate level on the success of the Company via changes in cash flows is relatively small compared to the possible indirect effects from changes in the general interest rate level on real estate demand.

Transactions denominated in foreign currency can have negative effects due to changing exchange rates and lead to increasing expenses. However, transactions in foreign currency only take place to an insignificant extent.

In addition, default risks also exist regarding 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. DKR counteracts this risk by only making investments with the best possible credit worthiness and by continuously monitoring the existing investments to counteract emerging risks.

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.

By going public, the Company must implement the obligations of the German Securities Trading Act WpHG. A breach of statutory provisions, such as the disclosure of transactions subject to disclosure requirements, could lead to penalties and would thus have a negative impact on the financial position. Furthermore, changes in the law and additions to the regulatory environment could increase the expenses for compliance with these provisions. This applies in particular in connection with the secondary listing on the Johannesburg Stock Exchange (JSE). This results in high organisational and information requirements, which are inevitably associated with corresponding costs. This risk is countered by employing 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 the accumulation of reserves,
- only minimal liquidity formation due to the minimum distribution of 90% of the annual result under to commercial law,
- limitation of real estate-related ancillary activities for third parties,
- minimum equity of 45% of immovable assets.

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 the SARS COV-2 virus since December 2019 into a still ongoing pandemic illustrates that such pandemic-related crises can pose a significant and existential risk to many companies. Thus, due to the three government-imposed lockdowns in Germany so far, large parts of the German retail sector in particular have been affected by closures and massive sales losses. Subsequent easing in conjunction with access restrictions such as „3G – Vaccinated, Recovered and Tested“, which have been significantly tightened again in the course of the fourth wave since autumn 2021 („Lockdown for the Unvaccinated“), have helped the retail sector in the meantime, but many retailers are far from normal sales. In addition, there are new virus mutations that again jeopardise the previous vaccination successes in Germany to combat the pandemic. Despite massive state support, this situation is threatening the existence of many German retailers, whose insolvencies would in principle also affect the landlords of these retailers due to the loss of rent payments.

Excluded from the lockdowns are the system-relevant retail sectors such as food retailers, drugstores, pharmacies, etc., which serve to locally supply the population with the goods and services of daily use, which can largely operate their business normally despite the pandemic and whose rent payments to the landlords are therefore not questionable. These include a large proportion of DKR‘s tenants, as DKR‘s investment approach has focused on precisely these non-cyclical (system-relevant) local supply properties since its foundation. In this respect, DKR basically counters the pandemic risk through its defensive and system-relevant tenant mix as one of the essential investment criteria when acquiring a property.

DKR responds to the tenants in its portfolio who are affected by lockdowns with individual agreements to overcome the crisis, such as rent deferrals, instalment payment agreements or temporary rent waivers. For this purpose, DKR‘s asset management is in individual exchange with each tenant affected. As a matter of principle, the stock of rent receivables is continuously monitored by the rent accounting department. If the collectability of rent receivables becomes doubtful, corresponding value adjustments are made.

g Outsourcing risks

The decision to use third-party administrators for both technical and commercial property management is accompanied by the risk of poor management and loss of data. DKR counters this by regularly monitoring the activities of the external service providers. Essential measures such as the extension of existing and the conclusion of new rental agreements as well as the implementation of maintenance and modernisation measures are always implemented in consultation with and approved by the Management Board.

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 misjudging or failing to recognise the structural, legal, economic and other encumbrances of the properties 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 property 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 portfolios in order to generate the most stable cash flows possible from the management of these portfolios over a longer period of time. While the properties are in the Company's portfolio, different inventory and valuation risks may manifest themselves, which could lead to losses in value for the Company. For example, the social structures of a location may deteriorate after the acquisition of properties by DKR and subsequently have a negative impact on letting activities as well as the achievable rental income.

In addition, the real estate portfolios held by the Company may experience excessive wear and tear, which may require maintenance and revitalisation measures earlier or to a greater extent than originally planned. Furthermore, it may also turn out that the structures have an initially unexpected need for renovation, which leads to additional costs for the Company without these initially being offset by 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 the current operating income and expenses of the Company, these risks may also have a negative impact on the valuation of the properties held by DKR and thus on the Company's result.

In case contaminated sites and other building, soil and environmental pollution are identified, the Company could be obliged to take elaborate and cost-intensive measures to remove them.

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 property portfolio, valuation and environmental risks for the respective locations are countered 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. Moreover, 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 regarding 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 property and portfolio information from its contracted service providers according to its specifications, informing DKR 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 based on 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 property and portfolio information. The accounting process is monitored by both service providers and the Company through an 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 capacitive 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 current uncertain market outlook and the unpredictable consequences of the Corona crisis, the Management Board continues to classify the overall risk situation for DKR still as low, as the business model as such is relatively non-cyclical. This was also confirmed during the lockdowns. With regard to the individual risks mentioned, we currently assess the competition risk as well as the financing risks from increasing key interest rates, especially as a possible consequence of the support measures of the central banks and the Federal 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

As a result of the acquisitions of further high-yield retail properties in the reporting year, which will only be reflected in the result for the whole year from the new financial year onwards, DKR will further increase its cash flow from letting. However, this will initially be countered by partial reductions in rental income due to the sale of a sub-portfolio, the proceeds of which are to be reinvested in the purchase of new properties as quickly as possible, which should lead to an increase in funds from operations (FFO). Furthermore, new borrowings and refinancing of older existing loans will be carried out at lower interest rates and thus contribute to an increase in profitability.

Due to the increased market interest in DKR's retail properties, the Management Board expects possible property sales in the coming financial year too, if these take place at conditions that lead to a significant increase in value for DKR shareholders.

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 2021/2022

The 2021/2022 financial year will continue to be influenced by the ongoing Corona pandemic. As already shown in the two previous financial years, DKR's defensive business model is not significantly affected even if the crisis continues, meaning that the Management Board expects business development to remain robust. Nevertheless, adverse effects due to a renewed flare-up of the pandemic cannot be ruled out for DKR and the real estate sector as a whole.

In the 2021/2022 financial year, the operational focus will again be on efficient portfolio management, the acquisition of further retail properties in accordance with the investment criteria, and the value-creating revitalisation of properties. On the financing side, a significant reduction in borrowing costs is to be achieved through new loans and refinancing at market conditions. If necessary, further growth will be supported by capital measures on a moderate scale. An LTV of around 50% is targeted.

Based on the current planning for the 2021/2022 financial year, the Management Board expects rental income of EUR 70 million to EUR 74 million and a corresponding increase in FFO. This planning is founded on the assumption of growth based on a similarly strong acquisition volume as in the past financial year 2020/2021; furthermore, the Management Board takes into account the property sales made to date and assumes that there will be no significant negative effects from the ongoing Corona pandemic.

4. Compensation Report

Compensation 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 TEUR 5 plus premiums for appropriate D&O insurance. The Deputy Chairpersons receive 1.5 times this base remuneration, 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 TEUR 40.0 (2019/2020: TEUR 36.3) plus expenses and value added tax and is distributed as follows:

Member of the Supervisory Board	2020/2021 (TEUR)	2019/2020 (TEUR)
Hans-Ulrich Sutter (Chairman)	10.0	10.0
Achim Betz (First Deputy Chairman)	7.5	7.5
Kristian Schmidt-Garve (Second Deputy Chairman)	7.5	6.3
Johannes C.G. (Hank) Boot	5.0	5.0
Nicholas Cournoyer	5.0	5.0
Cathy Bell-Walker	5.0	2.5
Total	**40.0**	**36.3**

Compensation system for the Management Board

Basic compensation system

DKR's Management Board members 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 TEUR 85.5. 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, which are taxed as a pecuniary advantage. In addition, grants are paid for pension insurance. Other benefits than other remuneration are not granted. The Management Board contracts do not establish any pension entitlements.

There is a compensation system for the variable compensation that 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 achievements 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 shareholder 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 within 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 2020/2021 financial year

In light of the amendment to the German Corporate Governance Code ("GCGC") in 2017, which recommends a multi-year, forward-looking assessment basis with regard to variable remuneration, the Supervisory Board discussed an update of the variable compensation of the Management Board in October 2017 and decided on a new regulation in its meeting on 8 March 2018, which has been valid since the 2017/2018 financial year. By resolution of the Supervisory Board on 16 December 2020, the target weighting of the variable Management Board remuneration was aligned with the main focus of FFO growth and the achievable variable remuneration was increased due to the growth in the size of the Company. Furthermore, the compensation system regarding the long-term variable remuneration component was adjusted to the current recommendations of the GCGC, which aligns the variable Management Board remuneration even more long-term. The Management Board compensation system was approved by the Annual General Meeting on 11 March 2021. In its meeting on 23 March 2021, the Supervisory Board resolved to set the compensation system for the Management Board approved by the Annual General Meeting in accordance with § 87a (2) of the German Stock Corporation Act (AktG).

Accordingly, the following equally weighted targets were used as a basis for the variable compensation of the Management Board in the past financial year 2020/2021:

- Increase of 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% in the financial year.

With full achievement of the objectives (100%), the Supervisory Board has set a variable compensation of TEUR 125 (previous year: TEUR 125) per Management Board member for the 2020/2021 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 TEUR 187.5 ("cap").

The resulting variable compensation is then divided

- 45% into a short-term incentive compensation component (STI), which becomes immediately payable upon approval of the annual financial statements by the Supervisory Board, and
- 55% into a long-term incentive compensation component (LTI), which will only be paid out after the expiration of three (previous year: two) further financial years, provided that a minimum target achievement of 30% is achieved in the following years. Otherwise, the entitlement to payment ceases.

The values are calculated in comparison to the previous year in relation to the VWAP (volume-weighted average price) of the DKR share in the month of September or as at the reporting date of 30 September (NAV) or the comparable period of the previous year (FFO) and are based on the IFRS financial statements.

The Supervisory Board reserves the right to pay out the LTI in the form of DKR shares

Compensation of the Management Board in the 2020/2021 financial year

The compensation of the Management Board earned in the past financial year (grants awarded) amounted to TEUR 485.3 (2019/2020: TEUR 467.6). The payments received by the Management Board in the past financial year, which in part also include remuneration and advances earned in previous years, amount to TEUR 533.1 (2019/2020: TEUR 414.0). Based on the achievement of objectives, the individual remuneration of the Management Board in the 2020/2021 financial year was as follows:

in TEUR	Rolf Elgeti CEO		Alexander Kroth CIO				Christian Hellmuth CFO			
	2019/2020 (Actual)	2020/2021 (Actual)	2019/2020 (Actual)	2020/2021 (Actual)	2020/2021 (Min.)	2020/2021 (Max.)	2019/2020 (Actual)	2020/2021 (Actual)	2020/2021 (Min.)	2020/2021 (Max.)
Granted remuneration										
Fixed remuneration	71.3	85.5	120.0	120.0	120.0	120.0	120.0	120.0	120.0	120.0
Fringe benefits	0	0	18.3	18.6	18.6	18.6	7.4	9.0	9.0	9.0
Total	**71.3**	**85.5**	**138.3**	**138.6**	**138.6**	**138.6**	**127.4**	**129.0**	**129.0**	**129.0**
STI	0	0	32.6	29.7	0	84.4	32.6	29.7	0	84.4
LTI	0	0	32.7	36.4	0	103.1	32.7	36.4	0	103.1
Total	**0**	**0**	**65.3**	**66.1**	**0**	**187.5**	**65.3**	**66.1**	**0**	**187.5**
Total remuneration	**71.3**	**85.5**	**203.6**	**204.7**	**138.6**	**326.1**	**192.7**	**195.1**	**129.0**	**316.5**
Received remuneration										
Fixed remuneration	71.3	85.5	120.0	120.0			120.0	120.0		
Fringe benefits	0	0	18.3	18.6			7.4	9.0		
Total	**71.3**	**85.5**	**138.3**	**138.6**			**127.4**	**129.0**		
STI	0	0	75.0	35.9			2.0	35.9		
LTI	0	0	0	54.1			0	54.1		
Total	**0**	**0**	**75.0**	**90.0**			**2.0**	**90.0**		
Total remuneration	**71.3**	**85.5**	**213.3**	**228.6**			**129.4**	**219.0**		

Provisions of TEUR 217.2 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 TEUR 0.0
Mr. Alexander Kroth TEUR 108.6
Mr. Christian Hellmuth TEUR 108.6

5. Dependency Report and overall assessment

In 2020/2021 financial year, 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 11 March 2021, entered in the Commercial Register on 11 June 2021, 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 17,577,969.00 (Authorised Capital 2021/I) by issuing new no-par value bearer shares against cash or non-cash contributions until 10 March 2026. 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 2020/I was cancelled.

Conditional capital

Also by resolution of the Annual General Meeting on 11 March 2021, 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 5 March 2020, 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 10 March 2026, 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.

By resolution of the Annual General Meeting on 11 March 2021 (amending the resolution of the Annual General Meeting on 5 March 2020), the share capital of the Company was conditionally increased by up to EUR 9,577,969.00 by issuing up to 9,577,969 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.

The share capital remains conditionally increased by up to EUR 8,000,000.00 by resolution of the Annual General Meeting of 5 March 2020 (amending the resolution of the Annual General Meeting of 9 March 2017) through the issue of 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 resolution of the Annual General Meeting on 11 March 2021, the Management Board was authorised to acquire treasury shares totalling up to 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 10 March 2026. The previous authorisation to acquire own shares of 20 April 2016 was cancelled.

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.

Amendments 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 25 November 2021, the Management Board of Deutsche Konsum REIT-AG issued a Corporate Governance Statement in accordance with § 289f of the German Commercial Code (HGB) and made it available on the website www.deutsche-konsum.de/en in the Investor Relations section under Corporate Governance/ Corporate Governance Statement.

Potsdam, 9 December 2021
Deutsche Konsum REIT-AG

Rolf Elgeti
Chairman of the
Management Board (CEO)

Alexander Kroth
Member of the
Management Board (CIO)

Christian Hellmuth
Member of the
Management Board (CFO)


diska
diska

Financial Statements

Photo: Discounter
Selbitzplatz/Hauptstraße 17,
07366 Blankenstein

Balance sheet

as at 30/09/2021

TEUR	Notes	30/09/2021	30/09/2020
Assets			
Non-current assets			
Investment properties	2.1.	944,019.6	809,928.6
Intangible assets	2.2.	0.0	0.1
Tangible assets	2.3.	47.4	14.3
Other financial assets (loans)	2.5.	237.7	4,392.9
Other non-current assets	2.5.	0.0	15,533.7
		944,304.7	**829,869.7**
Current assets			
Trade and other receivables	2.4.	4,324.5	2,642.2
Income tax refund claims	2.6.	150.7	0.0
Other current assets	2.5.	73,722.9	96,339.8
Cash and cash equivalents	2.7.	652.7	209.1
		78,850.7	**99,191.1**
Non-current assets held for sale	2.8.	70,148.3	6,669.3
Total assets		**1,093,303.8**	**935,730.1**
Equity and liabilities			
Equity			
Issued share capital	2.9.	35,155.9	35,155.9
Capital reserve	2.9.	197,141.6	197,141.6
Other reserves	2.9.	723.4	723.4
OCI (Other comprehensive income)	2.9.	0.0	0.0
Retained earnings	2.9.	234,954.4	157,643.6
		467,975.3	**390,664.5**
Non-current liabilities			
Financial liabilities	2.10.	347,845.1	319,377.8
Convertible bonds	2.11.	36,457.7	36,308.6
Corporate bonds	2.12.	171,561.8	151,092.9
Other provisions	2.13.	3.5	3.5
Other non-current liabilities	2.14.	9,808.2	9,574.1
		565,676.3	**516,356.8**
Current liabilities			
Financial liabilities	2.10.	53,444.4	20,894.6
Other provisions	2.13.	2,733.1	2,102.2
Trade payables	2.15.	906.6	3,686.5
Other current liabilities	2.14.	2,178.4	2,025.4
		59,262.4	**28,708.7**
Financial liabilities regarding non-current assets held for sale	2.8.	389.8	0.0
Total equity and liabilities		**1,093,303.8**	**935,730.1**

Statement of comprehensive income

TEUR	Notes	01/10/2020 – 30/09/2021	01/10/2019 – 30/09/2020
Rental income		69,667.0	56,230.7
Income from recharged operating costs		10,675.0	10,264.1
Operating expenses		–34,506.7	–26,568.2
Net rental income	3.1.	**45,835.3**	**39,926.6**
Proceeds from the disposal of properties		3,300.0	4,095.0
Expenses on the sale of properties		–3,300.0	–4,100.0
Valuation changes of sold properties		580.0	0.0
Net proceeds from the disposal of properties	3.2.	**580.0**	**–5.0**
Other income		**330.0**	**177.8**
Revaluation gains		80,749.5	17,700.1
Revaluation losses		–22,988.5	–13,835.9
Gains/losses from the revaluation of investment properties	3.4.	**57,760.9**	**3,864.3**
Subtotal		**104,506.2**	**43,963.8**
Personnel expenses	3.5.	–1,222.4	–928.3
Depreciation and amortisation of tangible and intangible assets		–12.5	–11.0
Impairment loss of inventories and receivables	3.6.	–1,900.7	–1,347.1
Other operating expenses	3.7.	–3,452.9	–2,985.3
Operating expenses		**–6,588.5**	**–5,271.7**
EBIT		**97,917.7**	**38,692.1**
Interest income	3.8.	6,139.6	5,157.5
Interest expense	3.8.	–12,683.7	–9,675.4
Financial result		**–6,544.1**	**–4,517.9**
EBT		**91,373.6**	**34,174.2**
Income tax		0.0	0.0
Other tax	3.9.	–0.4	–0.4
Net income		**91,373.2**	**34,173.7**
Earnings per share (in EUR)	3.10.		
Undiluted earnings per share		2.60	1.03
Diluted earnings per share		1.84	0.73
Other comprehensive income			
Net income		91,373.2	34,173.7
Items reclassified to profit or loss			
Impairment of acquired loans	3.6.	108,9	90.0
Change in fair value of loans	3.6.	–108,9	–88.6
Fair value change on acquired loans reclassified to profit or loss	3.6.	0.0	–1.4
Subtotal		**0.0**	**0.0**
Total other comprehensive income		**0.0**	**0.0**
Total comprehensive income		**91,373.2**	**34,173.7**

Cash flow statement

	TEUR	Notes	01/10/2020 – 30/09/2021	01/10/2019 – 30/09/2020
	Period result		**91,373.2**	**34,173.7**
+/–	Interest expense/interest income	3.8.	6,544.1	4,517.9
+/–	Depreciation, amortisation and write-down/reversals of intangible assets, tangible assets and financial assets		12.5	11.0
+	Impairments on inventories and receivables	3.6.	1,900.7	1,347.1
–/+	Gains/losses from the revaluation of investment properties	3.4.	–57,760.9	–3,864.3
–/+	Gains/losses on disposals of investment properties	3.2.	–580.0	5.0
–/+	Gains/losses on disposals of fixed assets		0.0	2.2
+/–	Increase/decrease in provisions	2.13.	630.9	96.2
–	Income taxes paid	2.6.	–150.7	0.0
–/+	Increase/decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	2.4., 2.5.	–1,533.9	–2,384.4
+/–	Increase/decrease in trade payables and other liabilities not attributable to investing or financing activities	2.14., 2.15.	–2,470.2	2,035.8
	Cash flow from operating activities		**37,965.7**	**35,940.3**
+	Cash receipts relating to disposals of investment properties	3.2.	3,300.0	4,095.0
–	Cash payments related to property investments	2.1.	–132,288.6	–199,855.2
+	Cash receipts related to disposals of tangible assets		0.8	70.0
–	Cash payments related to other investments in intangible and tangible assets	2.2., 2.3.	–1.7	0.0
+	Cash receipts from the investment of cash funds for short-term cash management	2.5.	41,315.7	17,682.3
–	Cash payments related to short-term cash investments	2.5.	–5,490.0	–87,409.2
+	Interest received	3.8.	860.1	1,045.5
	Cash flow from investing activities		**–92,303.6**	**–264,371.7**
+	Cash proceeds from the issue of shares	2.9.	0.0	3,196.0
+	Cash proceeds from capital increases	2.9.	0.0	47,939.9
–	Costs related to capital increases	2.9.	0.0	–821.3
+	Proceeds related to the issue of corporate bonds	2.12.	20,000.0	40,000.0
–	Costs related to the issue of corporate bonds		–235.0	–635.2
+	Proceeds from borrowings	2.10.	91,500.0	148,730.0
–	Cash payments related to the issue of borrowings		–419.3	–253.7
–	Amortisation of loans	2.10.	–30,543.4	–15,480.5
–	Interest paid	3.8.	–11,458.4	–8,487.9
–	Dividend distribution	2.9.	–14,062.4	–11,186.0
	Cash flow from financing activities		**54,781.5**	**203,001.3**
	Change in cash and cash equivalents		443.6	–25,430.1
	Cash and cash equivalents at the beginning of the period	2.7.	209.1	25,639.3
	Cash and cash equivalents at the end of the period	2.7.	**652.7**	**209.1**

Statement of changes in equity

TEUR	Notes	Issued share capital	Capital reserve	Other reserves	OCI	Retained earnings	Total equity
As at 01/10/2019		**31,959.9**	**150,023.0**	**723.4**	**0.0**	**134,655.8**	**317,362.2**
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			–821.3				–821.3
Dividend distribution						–11,186.0	–11,186.0
As at 30/09/2020	2.9.	**35,155.9**	**197,141.6**	**723.4**	**0.0**	**157,643.6**	**390,664.5**
As at 01/10/2020		**35,155.9**	**197,141.6**	**723.4**	**0.0**	**157,643.6**	**390,664.5**
Period result						91,373.2	91,373.2
Dividend distribution						–14,062.4	–14,062.4
As at 30/09/2021	2.9.	**35,155.9**	**197,141.6**	**723.4**	**0.0**	**234,954.4**	**467,975.3**

Notes

Deutsche Konsum REIT-AG, Broderstorf

Notes for the financial year from 1 Oktober 2020 to 30 September 2021

Photo: Retail park SMC Spitzkrug Multi Center
Spitzkrugring 1A, 15234 Frankfurt (Oder)

1. General information

1.1. Deutsche Konsum REIT-AG

Deutsche Konsum REIT-AG (hereinafter referred to as "DKR" or "the Company") is a portfolio holder specialising in German retail properties for daily needs with its registered office in Broderstorf. The objective of the Company is the purchase and long-term holding and leasing of retail properties in Germany. In individual cases, a property may also be sold. DKR is registered in the Commercial Register of the Local Court of Rostock under HRB 13072. The registered office is 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 since 3 March 2017 as well as on the JSE (Johannesburg Stock Exchange – South Africa) by way of a secondary listing since 8 March 2021. 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 2021, were set up on 9 December 2021. The Supervisory Board is expected to approve the individual financial statements in its meeting on 13 December 2021. 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 2021 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 time range from 1 October 2020 to 30 September 2021. The comparative figures are the balance sheet as of 30 September 2020 and the statement of comprehensive income for the period from 1 October 2019 to 30 September 2020.

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 (TEUR) (exceptions are indicated), which may result in rounding differences. Transactions in foreign currencies are translated at the exchange rate at the time of the transaction. Any resulting gains or losses are recognised in the income statement as other operating income or expenses.

The Company is currently a single-segment Company. Sales are generated exclusively with customers domiciled in Germany in the commercial property sector and, to a very small extent, with residential properties. All properties are located in Germany, there is no differentiation of geographical areas in the internal management; various services are not provided.

In the financial year, revenues amounted to TEUR 83,642.0 (previous year: TEUR 70,589.8). 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 10.9 million (previous year: EUR 9.6 million) and the EDEKA Group, Hamburg ("Edeka", "NP", "Netto", "Diska", "Trinkgut") in the annualised amount of approximately EUR 8.4 million (previous year: 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.

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 individual financial statements:

- With regard to the real estate held by the Company, the Management Board must decide at each reporting date whether it is to be held long-term for rental or capital appreciation purposes or for sale. Depending on this decision, the properties are accounted for in accordance with the principles for investment properties, as land held for sale with unfinished and finished buildings (inventories) or as non-current assets held for sale and measured at (amortised) cost or fair value according to 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 valuations of the Company as of 30 September 2021 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 TEUR 1,014,167.9 as of the balance sheet date (previous year: TEUR 809,928.6).

- 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 are 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 TEUR 76,926.3 (previous year: TEUR 98,704.6) at the reporting date and relates to receivables from tenants, receivables held in the portfolio from loans acquired from creditshelf solutions GmbH (previously creditshelf service GmbH) and receivables from loans from affiliated companies.

- For provisions and contingent liabilities, various assumptions have to be made, e.g. with regard to the probability of occurrence and the amount of utilisation. All information available at the time the balance sheet was prepared was considered. The provisions amount to TEUR 2,736.6 as at the reporting date (previous year: TEUR 2,105.7).

1.4. Application of IFRS in financial year 2020/2021

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 only exception to this is the procedure for the value adjustment of rent receivables; please refer to Chapter 2.4 in this regard.

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
29/11/2019	Framework	Changes to the Framework	01/01/2020	No significant ones
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 ones
15/01/2020	Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	01/01/2020	No significant ones
09/10/2020	Amendments to IFRS 16	Leases – COVID-19 rent deferrals	01/06/2020	No significant ones

There were no material effects from the mandatory application of the new standards in the 2020/2021 financial year.

The following new standards, interpretations and amendments to published standards, which were not yet mandatory for DKR in the 2020/2021 financial year, were not applied early by the company:

EU Endorsement	Standard	Content	First-time adoption mandatory for financial years beginning with	Effect on the financial statements of DKR
Not yet adopted	Amendments to IAS 1	Disclosure of accounting and valuation policies	01/01/2023	No significant ones
Not yet adopted	Amendments to IAS 8	Estimate changes and errors	01/01/2023	No significant ones
Not yet adopted	Amendments to IAS 12	Income taxes - Deferred taxes	01/01/2023	No significant ones
Not yet adopted	IFRS 17	New standard "Insurance contracts"	01/01/2023	None
Not yet adopted	Amendments to IAS 1	Liability classification	01/01/2023	No significant ones
30/08/2021	Amendments to IFRS 16	Leases – COVID-19 lease deferrals after 30 June 2021	01/04/2021	No significant ones
28/06/2021	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
15/12/2020	Amendments to IFRS 4 – Application of IFRS 9	Insurance contracts	01/01/2021	None
13/01/2021	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform Phase 2	01/01/2021	No significant ones

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 presented financial statements are based on the going concern assumption. Accounting and valuation is generally carried out – as far as permissible – at amortised cost. An exception to this are the 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 2020/2021 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. Properties that are highly likely to be sold within twelve months are reported as assets held for sale (IFRS 5). As a rule, DKR only accounts for investment property, as the business model calls for long-term and sustainable leasing of the properties.

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. A gain or loss from the change in fair values is recognised in the income statement in the valuation result of investment properties. In the case of changes in the fair value compared to the previously recognised value due to an available sales price, these effects are reported separately in the disposal result. Subsequent costs for the expansion and conversion of the property are considered if these contribute to an increase in the fair value of the property. Legal and consulting fees relating to investment properties are included in the rental result.

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

Every year on 30 June, the properties are 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 properties sold during the financial year, the valuation result from the valuation at the sales prices compared to the previous book value is reported in the disposal result, so that the total valuation result is the valuation result plus the valuation result reported in the disposal 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 sale is expected to be completed within twelve months (IFRS 5). The valuation remains unchanged at 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 straight-line method.

1.5.4. Tangible assets

Tangible assets are stated at acquisition or production cost less cumulative depreciation and accumulated impairment losses. Depreciation is calculated using the straight-line method with the estimated useful lives of generally three to eight 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 third-party manager 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 at fair value through other comprehensive income 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 AG 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. If there is a specific intention to sell and the conditions are fulfilled, 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 other comprehensive income".

DKR has no financial assets that fall into this valuation category and neither 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 does not have any derivatives or existing hedging relationships that must be accounted for separately 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 other comprehensive income, 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.

For trade receivables, value adjustments are always measured in the amount of the expected credit losses over the term. Rent receivables are now assessed completely on a case-by-case basis according to the default risk per tenant (in the previous year mainly on a flat-rate basis according to the age of the receivables). Rent deferrals and contract extensions are included in the individual assessment so that a more precise measurement of the impairment can be achieved.

The acquired loans were reviewed for increased default risks and adjusted if necessary.

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

Netting of 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

DKR's financial liabilities 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 unfinished and finished buildings and other inventories

Land with unfinished and finished buildings as well as other inventories are valued at the lower of acquisition or production cost 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 distribution costs. 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 contains the properties for which resale was already assumed at the time of acquisition. If the intention to sell is abandoned, the properties are reclassified as investment properties.

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.

DKR has had the status of a REIT since 1 January 2016 and is thus exempt from corporation and trade tax. Decisive for the tax exemption is compliance with the criteria of the REIT Act.

As long as the REIT criteria are complied with, temporary differences between IFRS and the tax balance sheet will not have an effect on taxes in the future due to the income tax exemption. Therefore, no deferred taxes are currently to be recognised at DKR.

1.5.8. Liquid funds

Cash and cash equivalents include cash on hand as well as short-term and available bank balances with original maturities 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. 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 transaction price is stipulated in the lease agreements and does not include any financing components. The lease payments are to be made monthly. The rental agreements mainly provide for retail space for daily needs. 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. For about 74% of the net cold rents, the commercial leases are equipped with indexation clauses that provide for linking the rents to the development of the consumer price index. For a subordinate part of DKR's contracts, there are turnover-dependent rents.

Proceeds from the sale of real estate are recognised in profit or loss at the time when control 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 unnetted 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

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, renewal options are taken into account if their exercise 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, however, does not currently have 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 two motor vehicles. The rights of use from leasehold contracts are shown in the balance sheet under non-current assets in the position investment properties. The corresponding lease liability is included in other current or non-current liabilities. The rights of use for adjacent parking spaces are reported under investment properties, the lease liabilities under non-current or current other financial liabilities. The rights of use for leased vehicles are reported under the balance sheet item tangible assets. The corresponding leasing liabilities are included in the current and non-current other financial liabilities. For further information, please refer to Chapter 2.16.

In the case of leaseholds held for sale, the corresponding rights of use are reclassified to the item non-current assets held for sale and the corresponding lease liabilities are reclassified to the item liabilities associated with non-current assets held for sale.

2. Notes to the balance sheet

2.1. Investment properties

In the 2020/2021 financial year, the transfer of benefits and encumbrances of 13 acquired investment properties and the sale of one property took place. As a result, the real estate assets of DKR as at 30 September 2021 comprise 173 properties with a fair value of TEUR 934,715.8 (previous year: TEUR 800,718.8) plus leaseholds recognised as rights of use in the amount of TEUR 9,008.7 (previous year: TEUR 8,889.6) and leased properties recognised as rights of use in the amount of TEUR 295.2 (previous year: TEUR 320.2). Furthermore, value-enhancing measures amounting to TEUR 18,565.9 (previous year: TEUR 15,104.4) were capitalised. The unrealised valuation result from the fair value measurement amounts to TEUR 57,760.9 (previous year: TEUR 3,864.3).

The development of investment properties is as follows:

TEUR	2020/2021	2019/2020
Initial holding at 01/10	**809,928.6**	**619,881.3**
+ Real estate purchases	129,936.9	170,005.4
+ Capitalisation of leaseholds and rights of use	691.4	1,053.2
– Disposal of rights of use	0.0	0.0
+ Adjustment of the book values for leaseholds due to changed ground rent payments	4.3	20.0
– Book value disposal through sale of real estate	–3,300.0	0.0
– Reclassification of IFRS 5	–70,148.3	0.0
+ Subsequent acquisition and production costs (Capex)	18,565.9	15,104.4
+ Valuation result of properties sold	580.0	0.0
+ Unrealised valuation result from fair value valuation (change in market value)	57,760.9	3,864.3
Closing on the key date	**944,019.7**	**809,928.6**

Of the investment property, real estate with a carrying amount of TEUR 946,430.0 (previous year: TEUR 752,560.0) with land charges or by assignment of rental income was deposited as security for financial liabilities at the balance sheet date.

There are leasehold contracts under which the associated plots of land are developed with commercial properties. Rights of use and leasing liabilities are recognised for the leasehold contracts. The capitalised amount as of 30 September 2021 is TEUR 9,008.7 (previous year: TEUR 8,889.6). As of 30 September 2021, the liability recognised amounts to TEUR 9,949.3 (previous year: TEUR 9,656.0).

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

TEUR	2020/2021	2019/2020
Rental income	69,667.0	56,230.7
Valuation result investment properties	57,760.9	3,864.3
Valuation result from sold investment properties	580.0	0.0
Income from operating and ancillary costs	10,675.0	10,264.1
Operating expenses (maintenance expenses, property management, property taxes, etc.)	–34,506.7	–26,568.1
Total	**104,176.2**	**43,791.0**

The operating expenses attributable to vacant properties amount to TEUR 3,685.3 (previous year: TEUR 2,887.7). The basis for the calculation is the vacancy rate.

The valuation by an external expert was carried out as at the valuation date of 30 June 2021 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 at 30 June of the following year. 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 a property are discounted to the valuation date using a market-specific, property-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		
	30/06/2021	30/06/2020
Market rent increase p.a. (%)	1.8 to 2.0	0.6 to 2.0
Maintenance costs p.a. (EUR/sqm)	0.00 to 8.00	1.00 to 9.97
Administrative costs p.a. (% of market rent)	0.00 to 7.50	0.50 to 13.40
Discount rate (%)	5.00 to 13.10	5.50 to 13.00
Capitalisation rate (%)	4.40 to 10.10	5.00 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 decreases/increases as follows:

EUR million	30.09.2021		30.09.2020	
Change in the discount and capitalisation rate	+1 %	–1 %	+1 %	–1 %
Fair value of investment properties	–158.6	231.9	–120.5	169.7

Corresponding effects result from changes in future net rental income depending on rental income, vacancies and administrative and maintenance costs.

On 30 September 2021, DKR is entitled to receive future lease payments of TEUR 366,474.9 (previous year: TEUR 309,908.5) from its rental agreements with commercial tenants. These are distributed as follows:

in TEUR	Total	up to 1 year	1 to 5 years	over 5 years
Minimum lease payments 30/09/2021	366,474.9	65,434.3	191,452.1	109,588.5
Minimum lease payments 30/09/2020	309,908.5	48,717.1	160,135.4	101,056.0

Extension options to which tenants are entitled are not taken into account 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 TEUR 5,104.6 (previous year: TEUR 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 TEUR 47.4 (previous year: TEUR 14.4) essentially comprises acquired inventory for property management and capitalised rights of use for two cars.
The useful lives are between three and eight years. Depreciation of TEUR 12.3 (previous year: TEUR 10.1) is calculated using the straight-line method.

2.4. Trade receivables

Trade receivables break down as follows:

TEUR	30/09/2021	30/09/2020
Receivables from renting	5,516.2	3,656.3
Receivables from other deliveries and services	402.6	49.6
Value adjustment on receivables	–1,594.4	–1,063.7
Total	4,324.4	**2,642.2**

In the reporting period, in view of the Corona pandemic, trade receivables were now assessed completely on a case-by-case basis based on the default risk per tenant (in the previous year, mainly on a flat-rate basis based on the age of the receivables). The ratio of value adjustments made compared to open receivables is at the previous year's level. Trade receivables of TEUR 1,517.1 are overdue as of 30 September 2021, but not yet impaired, of which TEUR 768.3 relate to payments by tenants to previous owners that have not yet been passed on.

Of the trade receivables recognised as at the balance sheet date, forbearance measures, such as deferrals, were taken for receivables with a carrying amount of TEUR 454.9.

The individually considered trade receivables of TEUR 5,918.8 (previous year: TEUR 1,855.8) resulted in an individual value adjustment of TEUR 1,594.4 (previous year: TEUR 118.2).

Value adjustments on trade receivables from default risks were as follows in the previous financial year:

Figures 2019/2020 in TEUR	Individual consideration	< 30 days overdue	< 90 days overdue	< 300 days overdue	< 360 days overdue	> 360 days overdue	Total
Expected loss rate		0.0 %	25.0 %	50.0 %	75.0 %	100.0 %	–
Gross book value – Trade receivables	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 receivables developed as follows:

TEUR	30/09/2021	30/09/2020
As of 01/10 previous year	1,063.7	864.0
Consumption	–	–
Resolution	–	–
Additions	530.7	199.7
Closing on the key date	**1,594.4**	**1,063.7**

In addition to the value adjustments on rent receivables, write-downs were made in the reporting year on rent receivables from generally pandemic-endangered small tenants totalling TEUR 959.1 (previous year: TEUR 785.3). In this context, rent waivers were arranged with these tenants affected by lockdowns. In the case of insolvencies, the receivables were written off in full. Furthermore, impairments of TEUR 302.2 (previous year: TEUR 272.1) were recognised on purchaser settlements.

2.5. Other non-current and current assets

Other non-current assets exclusively include receivables from acquired loans in the amount of TEUR 237.7 (previous year: TEUR 4,392.9). As of the balance sheet date, there were no prepayments on acquired investment properties (previous year: TEUR 15,533.7) for which the transfer of benefits and encumbrances had not yet taken place.

Other current assets are made up as follows:

TEUR	30/09/2021	30/09/2020
Receivables from shareholders including accrued interest	59,522.9	81,197.3
Short-term investment in acquired loan shares via creditshelf	8,147.4	6,948.6
Pledged assets	3,099.1	2,282.0
Unfinished services after offsetting with advance payments received	904.7	2,600.1
Tenant deposits	817.3	516.9
Prepaid expenses	562.3	482.9
Property management accounts	84.9	725.6
VAT claims	78.1	467.0
Purchaser settlement	32.0	816.5
Others	474.2	302.9
Total	**73,722.9**	**96,339.8**

In the 2020/2021 financial year, DKR invested excess liquidity in the acquisition of loans arranged via the fintech creditshelf AG, Frankfurt. The loans outstanding as of the balance sheet date mature in up to five years and bear interest rates of between 7.5% and 10.0% per annum. In addition, creditshelf charges a fee for loan processing and related services. The receivables from the creditshelf loans are measured at fair value through other comprehensive income on level three of the valuation hierarchy. The amount invested less repayments to date is used for this purpose.

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

TEUR	2020/2021	2019/2020
Opening balance at 01/10	**18,010.8**	**11,551.6**
Acquisition of new loans	5,490.0	21,925.0
Repayment	–10,460.1	–13,086.6
Sale	–4,586.4	–2,343.1
Change in fair value in other comprehensive income	–108.7	–90.0
Release of accrued interest	0.0	–230.6
Change in accrued interest	39.5	284.5
Closing balance on the balance sheet date	**8,385.1**	**18,010.9**
–thereof non-current	*237.7*	*4,392.9*
–thereof current	*8,147.4*	*6,948.6*
–thereof held for sale	*0.0*	*6,669.3*

No individual value adjustments were made in the reporting period (previous year: TEUR 147.5). The individual value adjustments from the previous year in the amount of TEUR 147.5 were reclassified to depreciation and amortisation without affecting profit or loss. Obotritia Capital has provided a guarantee for two loans at risk of default, which are recognised at TEUR 271.5 as at the balance sheet date, and therefore no individual value adjustment had to be made for these loans.

In the financial year, expenses from value adjustments totalling TEUR 108.7 (previous year: TEUR 90.0) were recognised in other comprehensive income, resulting from the creation of new value adjustments totalling TEUR 321.7 (previous year: TEUR 232.0), of which TEUR 0.0 (previous year: TEUR 147.5) were individual value adjustments, and the reversal of existing value adjustments totalling TEUR 213.0 (previous year: TEUR 142.0). In addition, individual value adjustments from the previous year in the amount of TEUR 147.5 were reclassified to depreciation and amortisation without affecting profit or loss. The change in fair value of TEUR 108.7 (previous year: TEUR 88.5) was recognised in other comprehensive income. In the financial year, no borrowers received new bridge loans in view of the Corona pandemic (previous year: TEUR 2,424.1), which they used for the early repayment of existing loans with DKR. The bridge loans from the previous year were transferred directly to the Company for the repayments of the existing loans in the following months. The future instalments paid in advance to the Company were taken into account as advance payments received.

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

TEUR	30/09/2021	30/09/2020
As at 01/10/ previous year	482.6	392.6
Consumption	–	–
Reclassification to depreciation	–147.5	–
Resolution	–213.0	–142.0
Additions	321.7	232.0
Closing balance on the key date	**443.8**	**482.6**

The value adjustment of the acquired loans is determined on the basis of a rating carried out by creditshelf. Different rating levels are used, each of which is assigned a certain probability of default. The probability of default represents the material unobservable input parameter and amounts to between 1.0% and 26.82%. A corresponding full value adjustment was made for the default loans. The quantitative rating results were assessed to determine whether the underlying financial statement figures already sufficiently reflect current developments, especially the Corona pandemic. As soon as this was not the case, a qualitative adjustment of the rating was made. This resulted in an increased value adjustment of TEUR 244.9.
If all loans active as of the balance sheet date had deteriorated or improved by one rating level, the value shown in the balance sheet and correspondingly the OCI as of the balance sheet date would have decreased by TEUR 891.1 or increased by TEUR 225.8.
Of the loans active as of the balance sheet date amounting to TEUR 7,969.8 before accrued interest, loans with a fair value of TEUR 3,711.0 were subject to forbearance measures during the financial year, such as extensions, subsequent loans or interim deferrals. Fully impaired loans are allocated to level 3. Of the loans active as of the balance sheet date, TEUR 7,773.0 are allocated to level 1, while the remainder is allocated to level 2.

No impairment losses were recognised on other financial assets.

2.6. Income tax refund claims

Since 1 January 2021, creditshelf solutions GmbH has been obliged to withhold and pay the capital gains tax including solidarity surcharge due on the interest income. Due to the REIT status and thus tax exemption of the Company, these taxes in the amount of TEUR 150.7 (previous year: TEUR 0.0) were recognised as a receivable from the tax office.

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 and liabilities held for sale

The assets held for sale of TEUR 70,148.3 (previous year: TEUR 6,669.3) relate to nine investment properties and leaseholds (previous year: acquired loan receivables). For seven of the nine investment properties, a purchase agreement was concluded before the balance sheet date, but the transfer of benefits and encumbrances did not take place until after 30 September 2021. Two investment properties were not notarised before the balance sheet date.

The corresponding rights of use of the affected leaseholds in the amount of TEUR 358.3 and lease liabilities of the affected leaseholds in the amount of TEUR 389.8 were recognised in the non-current assets held for sale and liabilities associated with non-current assets held for sale, respectively.

2.9. Equity

2.9.1. Issued share capital

DKR's fully paid-in share capital did not change in the reporting period and amounts to TEUR 35,155.9 as of 30 September 2021 (previous year: TEUR 35,155.9) and is divided into 35,155,938 no-par value bearer shares with equal voting rights.

Powers of the Management Board to issue new shares

Authorised capital

By resolution of the Annual General Meeting on 11 March 2021, entered in the Commercial Register on 11 June 2021, 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 17,577,969 (Authorised Capital 2021/I) by issuing new no-par value bearer shares against cash or non-cash contributions until 10 March 2026. 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 2020/I was cancelled.

Conditional capital

Also by resolution of the Annual General Meeting on 11 March 2021, 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 5 March 2020, 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 10 March 2026, 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.

Furthermore, by resolution of the Annual General Meeting of 11 March 2021 (amending the resolution of the Annual General Meeting of 5 March 2020), the share capital of the Company was conditionally increased by up to EUR 9,577,969 by issuing up to 9,577,969 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.

The share capital remains conditionally increased by up to EUR 8,000,000.00 by resolution of the Annual General Meeting of 5 March 2020 (amending the resolution of the Annual General Meeting of 9 March 2017) through the issue of 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 did not change in the reporting period and remained unchanged at TEUR 197,141.6 (previous year: TEUR 197,141.6).

2.9.3. Other reserves

The other reserves remain unchanged at TEUR 723.4 (previous year: TEUR 723.4) and result from the IFRS first-time application reserve.

2.9.4. Retained earnings

The development of this item is shown in the statement of changes in equity. A dividend of TEUR 14,062.4 was paid for the 2019/2020 financial year, which corresponds to a dividend of EUR 0.40 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 TEUR 14,062.4) at the next Annual General Meeting for the 2020/2021 financial year, which will be fed by the annual profit of TEUR 14,060.4 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:

TEUR	30/09/2021	30/09/2020
Non-current	347,845.1	319,377.8
Current	53,444.4	20,894.6
Total	**401,289.5**	**340,272.4**
Thereof secured	371,367.5	330,272.4

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. In addition, two unsecured promissory note loans were taken out.

The repayment rates are generally between 1.0% and 16.06% p.a. Liabilities to banks are fully collateralised except for the three promissory note loans. 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. Liabilities from 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 TEUR	Maturity	30/09/2021		30/09/2020	
		Non-current	Current	Non-current	Current
Convertible bond I TEUR 30,000 (nominal), 1.35 % coupon p.a.	30 January 2025	29,627.9	0.0	29,525.6	0.0
Convertible bond II TEUR 7,000 (nominal), 1 % coupon p.a.	30 January 2025	6,829.8	0.0	6,783.0	0.0
Total		**36,457.7**	**0.0**	**36,308.6**	**0.0**

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

2.12. Liabilities from corporate bonds

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

Liabilities from corporate bonds in TEUR	Maturity	30/09/2021		30/09/2020	
		Non-current	Current	Non-current	Current
Bond TEUR 40,000.0 (secured), 1.8 % coupon p.a.	31 May 2024	40,169.4	0.0	40,165.6	0.0
Bond TEUR 70,000.0 (unsecured), 2.35 % coupon p.a.	5 April 2024	70,753.3	0.0	70,734.6	0.0
Step-up bond TEUR 40,000.0 (unsecured), 2,75 % coupon p.a., from 10/03/22 – 4,00 % coupon p.a.	10 March 2025	40,605.0	0.0	40,192.7	0.0
Bond TEUR 20,000.0 (unsecured), 3.1 % coupon p.a	28 April 2031	20,034.1	0.0	0.0	0.0
Total		**171,561.8**	**0.0**	**151,092.9**	**0.0**

On 28 April 2021, the Company issued an unsecured bond divided into 200 units with a nominal amount of EUR 100,000.00 each. The nominal amount of the bearer bond amounts to TEUR 20,000.0. The bond bears interest at 3.1 % p.a. It matures on 28 April 2031. Interest is paid annually on 28 April.

2.13. Other provisions

Other provisions are composed as follows:

TEUR	As of 01/10/2020	Consumption	Resolution	Addition	As of 30/09/2021
Archiving (non-current)	3.5	0.0	0.0	0.0	3.5
Legal, consulting and auditing costs	260.0	259.1	0.9	300.0	300.0
Pending invoices	1,308.1	744.6	0.0	1,263.3	1.826.8
Other provisions	534.1	381.2	0.0	453.4	606.3
Total	**2,105.7**	**1,384.9**	**0.9**	**2,016.7**	**2.736.6**

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 leaseholder. The corresponding assets are reported accordingly as investment properties.

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

TEUR	30/09/2021	30/09/2020
Non-current lease liabilities	9,808.2	9,574.1
Total non-current other liabilities	**9,808.2**	**9,574.1**
Rent deposits	947.9	637.6
Liabilities from purchaser settlement	447.7	92.5
Liabilities to tenants	409.2	299.1
Current lease liabilities	98.6	89.5
Advance payments received from acquired loans	0.0	847.2
Others	275.0	59.5
Total current other liabilities	**2,178.4**	**2,025.4**
Total	**11,986.6**	**11,599.5**

2.15. Trade payables

Trade payables amount to TEUR 906.5 in the reporting year (previous year: TEUR 3,686.5) and as of the balance sheet date mainly include outstanding invoices for related maintenance and management services.

2.16. Leases

The Company acts as a lessee of leasehold contracts, which are reported within investment properties respectively other current and non-current liabilities. Furthermore, rights of use and leasing liabilities for rented parking spaces and access roads are recognised. The Company also leases two motor vehicles for which rights of use and lease liabilities are recognised.

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

TEUR	30/09/2021	30/09/2020
Plant, furniture and office equipment	42.3	7.4
Investment properties	9,303.9	9,209.8
Non-current assets held for sale	358.3	0.0
Total usage rights	**9,704.5**	**9,217.2**

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

TEUR	30/09/2021	30/09/2020
Non-current lease liabilities	9,808.2	9,574.1
Current lease liabilities	98.6	89.4
Leasing liabilities in connection with non-current assets held for sale	389.8	0.0
Total leasing liabilities	**10,296.6**	**9,663.5**

Depreciation of TEUR 35.0 (previous year: TEUR 33.9) is attributable to rights of use. Interest expenses from compounding lease liabilities amount to TEUR 15.8 (previous year: TEUR 15.7).

3. Notes to the statement of comprehensive income

3.1. Net rental income

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

TEUR	2020/2021	2019/2020
Rental income	69,667.0	56,230.7
Income from operating and ancillary costs	10,675.0	10,264.1
Total proceeds	**80,342.0**	**66,494.8**
Maintenance	–4,999.7	–3,633.6
Allocatable ancillary costs	–21,706.0	–16,859.1
Non-recoverable ancillary costs	–7,646.0	–5,852.0
Reductions in sales	–155.0	–223.4
Total operating expenses	**–34,506.7**	**–26,568.1**
Net rental income	**45,835.3**	**39,926.7**

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 the 2020/2021 financial year, value-enhancing maintenance measures in the amount of TEUR 18,565.9 (previous year: TEUR 15,104.4) were capitalised.

Non-recoverable ancillary costs include, among other things, property management expenses of TEUR 1,827.1 (previous year: TEUR 1,398.1) and asset management expenses of TEUR 3,687.1 (previous year: TEUR 2,950.1).

In addition, ancillary costs also include expenses relating to other periods from purchaser settlements for properties purchased in the amount of TEUR 2,125.8 (previous year: TEUR 1,638.9). Operating and ancillary costs include revenues according to IFRS 15 in the amount of TEUR 9,075.9 (previous year: TEUR 8,753.3).

3.2. Disposal result

The disposal result reflects the sale of the property in Berlin (Blankenburger Straße) in the 2020/2021 financial year, which was valued as an investment property at fair value in accordance with IAS 40. The selling price was TEUR 3,300.0. The valuation result realised through the disposal amounted to TEUR 580.0 compared to the last recorded book value before revaluation.

3.3. Other operating income

Other operating income amounted to TEUR 330.0 in the financial year (previous year: TEUR 177.8) and mainly includes income from insurance compensation in the amount of TEUR 306.0 (previous year: TEUR 164.4). Other operating income also includes currency exchange gains of TEUR 1.5 (previous year: TEUR 0.0).

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 TEUR 1,222.4 in the 2020/2021 financial year (previous year: TEUR 928.3). 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, TEUR 171.0 (previous year: TEUR 101.1) relate to social security contributions and pension expenses and TEUR 9.8 (previous year: TEUR 8.4) to capital-building benefits.

At the balance sheet date, the Company employed 28 people directly (previous year: 20 employees). This included two members of the Management Board (previous year: two), three salaried employees (previous year: four), three investment analysts (previous year: two), eleven property managers (previous year: six), eight marginally employed workers (previous year: six) and one intern (previous year: zero).

3.6. Impairment loss of inventories and receivables

The impairments break down as follows:

Impairment losses in TEUR	2020/2021	2019/2020
Impairments on rental receivables	530.7	199.7
Write-down of rental receivables	959.1	785.3
Impairments on purchaser settlements	302.2	272.1
Impairments on acquired loans	108.7	90.0
Total	**1,900.7**	**1,347.1**

In the reporting period, expenses from impairments on creditshelf loans totalling TEUR 108.7 (previous year: TEUR 90.0) were recognised in profit or loss, resulting from the recognition of new value adjustments totalling TEUR 321.7 (previous year: TEUR 232.0), of which TEUR 0.0 (previous year: TEUR 147.5) were individual value adjustments, and the reversal of existing value adjustments totalling TEUR 213.0 (previous year: TEUR 142.0). Additionally, individual value adjustments from the previous year in the amount of TEUR 147.5 were reclassified to depreciation and amortisation without affecting profit or loss. Due to the Corona pandemic, the Company essentially carried out an individual value assessment of the recoverability of the rent receivables in the past financial year. For further information, see also Chapter 2.4 Trade receivables and Chapter 2.5 Other non-current and current assets.

3.7. Other operating expenses

Other operating expenses are as follows:

TEUR	2020/2021	2019/2020
Legal, consulting and auditing costs	1,184.9	860.3
Fees	887.5	631.6
Agency fees	424.3	499.6
Compensation	373.0	392.2
Others	583.2	601.7
Total	**3,452.9**	**2,985.4**
thereof one-off expenses	1,578.4	1,199.9
Adjusted	**1,874.5**	**1,785.5**

Legal and consulting expenses primarily include ongoing costs for the preparation of appraisals, auditing fees and legal advice. Other operating expenses mainly comprise non-recurring expenses in connection with refinancing, such as land charges totalling TEUR 169.7. Other operating expenses include currency exchange expenses in the amount of TEUR 7.2 (previous year: TEUR 0.0). Adjusted for special effects and one-time expenses, there was an increase in other operating expenses of TEUR 89.0 (previous year: TEUR 324.9).

3.8. Interest result

The interest result has the following structure:

TEUR	2020/2021	2019/2020
Interest income from shareholder loans	5,224.3	3,690.8
Interest income from creditshelf loans	881.7	1,464.2
Other interest income	33.6	2.5
Total interest income	**6,139.6**	**5,157.5**
Interest on corporate bonds	–4,168.9	–3,214.8
Interest on convertible bonds	–624.1	–621.5
Interest expense from sharehol-der loans	0.0	–6.3
Interest expenses for loans to banks	–7,017.1	–5,211.7
Ground rent	–554.8	–515.6
Other interest expenses	–318.9	–105.5
Total interest expenses	**–12,683.7**	**–9,675.4**
thereof non-cash interest expenses	–1,225.3	–593.6
Total	**–6,544.1**	**–4,517.9**

Of the interest income, TEUR 6,139.6 (previous year: TEUR 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 TEUR 0.4 (previous year: TEUR 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:

TEUR	2020/2021	2019/2020
Period result (undiluted)	**91,373.2**	**34,173.7**
Interest expenses on convertible bonds	624.1	621.5
Period result (diluted)	**91,997.3**	**34,795.2**
Average number of shares issued in the reporting period (undiluted)	**35,155,938**	**33,138,794**
Potential conversion shares	14,801,326	14,463,552
Average number of shares issued in the reporting period (diluted)	**49,957,264**	**47,602,346**
Earnings per share (EUR)		
Undiluted	**2.60**	**1.03**
Diluted	**1.84**	**0.73**

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 operating, 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 equivalents changed during the financial year as a result of cash inflows and outflows. In accordance with DRS 21/IAS 7 ("Cash Flow Statements"), a distinction is made between cash flows from operating, investing and financing activities.

Cash flow from operating activities amounted to TEUR 37,965.7 in the financial year (previous year: TEUR 35,940.3). The positive cash flow from operating activities is directly related to the acquisition-related increase in the real estate portfolio. A reduction of trade payables in the amount of approximately TEUR 2,780.0 prevented a stronger increase in operating cash flow.

Cash flow from investing activities in the reporting year amounted to TEUR –92,303.6 (previous year: TEUR –264,371.8). The main investment activities of the Company include payments for the various real estate acquisitions amounting to TEUR 132,288.7 (previous year: TEUR 199,855.2) in the reporting year.

Cash flow from financing activities amounted to TEUR 54,781.5 in the reporting year (previous year: TEUR 203,001.3). The main items in the reporting year were payments received from taking out loans from various banks totalling TEUR 91,500.0 (previous year: TEUR 148,730.0) and payments received from corporate bonds of TEUR 20,000.0 (previous year: TEUR 40,000.0). These inflows were primarily offset by payments for the repayment of loans in the amount of TEUR 30,543.4 (previous year: TEUR 15,480.5) and dividend paid in the amount of TEUR 14,062.4 (previous year: TEUR 11,185.9).

The opening balance of net financial liabilities on 1 October 2020 can be reconciled with the closing balance on 30 September 2021 as follows:

TEUR	Liabilities to banks	Liabilities from convertible bonds	Liabilities from corporate bonds	Total
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**
As of 01/10/2020	**340,272.3**	**36,308.6**	**151,092.9**	**527,673.9**
Payments received from the issue of corporate bonds	0.0	0.0	20,000.0	20,000.0
Costs from the issue of corporate bonds	0.0	0.0	–235.0	–235.0
Proceeds from borrowings	91,500.0	0.0	0.0	91,500.0
Costs from borrowing	–419.3	0.0	0.0	–419.3
Payments for the repayment of financial liabilities	–30,543.4	0.0	0.0	–30,543.4
Interest expenses	7,017.1	624.1	4,168.9	11,810.0
Interests paid	–6,537.3	–475.0	–3,465.0	–10,477.3
As of 30/09/2021	**401,289.4**	**36,457.7**	**171,561.8**	**609,308.9**

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. This can essentially be tenants as well as borrowers. In order to counteract this risk with tenants and borrowers, DKR basically only enters into business relations with creditworthy contracting parties. 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 other comprehensive income
- contractual assets and lease receivables.

The Company measures the valuation adjustment in the amount of 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.

Value adjustments 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 determined on the basis of the present value difference between all contractual payments that are owed and all 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 other comprehensive income have impaired credit ratings and may need to be value adjusted. The credit rating of a financial asset is impaired if one event 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. Due to the corona pandemic and due to the fact that some of the maturity bands in the reporting period are only of limited significance as a result of this, impairments are made for the first time in full and not only predominantly at the level of individual tenants. In the previous year, a global impairment was made for receivables not considered individually based on the age structure of the receivables. 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 a significant increase in the probability of default, if necessary. A significant increase is assumed if the rating deteriorates by at least one level, insofar as the probability of default assigned to the current rating after deterioration is 1% or more. 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 other comprehensive income 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. Collateral received is not taken into account. There are no other overdue receivables that have not been impaired. See also Chapter 2.4 Trade receivables.

5.1.2. Liquidity and financing risk

Liquidity risk is the risk that DKR is 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 forecasted 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 30/09/2021 in TEUR	Remaining maturities			
	Total	up to 1 year	1 to 5 years	over 5 years
Liabilities to banks	402,093.0 (341,019.7)	53,674.3 (21,138.6)	270,576.2 (242,468.6)	77,842.5 (77,412.5)
Liabilities from convertible bonds	37,079.2 (37,079.2)	79.2 (0.0)	37,000.0 (37,079.2)	0.0 (0.0)
Liabilities from corporate bonds	171,922.9 (151,659.6)	1,922.9 (0.0)	150,000.0 (151,659.6)	20,000.0 (0.0)
Liabilities from leasing	10,256.8 (9,656.0)	98.8 (89.4)	452.4 (448.3)	9,705.6 (9,118.3)
Trade payables	906.6 (3,686.5)	906.6 (3,686.5)	0.0 (0.0)	0.0 (0.0)
Other current liabilities	2,079.8 (1,935.9)	2,079.8 (1,935.9)	0.0 (0.0)	0.0 (0.0)

The Company may use credit lines. The total amount not yet used amounts to approximately TEUR 24,250.0 as of the balance sheet date (previous year: TEUR 25,750.0). 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 TEUR 11,093.0 (previous year: around TEUR 9,873.0), of more than one but less than five years of around TEUR 27,310.6 (previous year: around TEUR 28,305.7) and after more than five years of around TEUR 9,415.0 (previous year: around TEUR 6,577.5). The future interest payments for leasing are shown in Chapter 6.2.

For 14 loan agreements, maintenance reserves of TEUR 149.6 per month have been agreed for the respective financed properties in accordance with the loan agreements. In addition, there are one-off maintenance reserves already made in the amount of TEUR 85.0 (previous year: TEUR 85.0). As of the balance sheet date, maintenance reserves of TEUR 3,099.1 (previous year: TEUR 2,282.0) were accumulated. 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 Coverage 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 2021, all covenants from credit and bond contracts were complied with. The only exception to this was a bank loan, in which a portion was repaid early.

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 2021, the Company holds no interest hedging instruments. No derivatives are used for speculative purposes.

In addition, DKR is constantly in talks with its banking partners in order to extend expiring fixed-interest periods in good time, to redeem loans early or, if necessary, to reschedule them. In principle, forward loans are also eligible.

As at 30 September 2021, there are only loans with a fixed interest rate except for one variable-rate loan.

If interest rates had been 1 % higher (lower) in the reporting period, the annual result would have been TEUR 5,374.2 lower (previous year: TEUR 3,509.4) or TEUR 5,285.9 higher (previous year: TEUR 3,513.2).

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 30/09/2021 in TEUR	Interest income	Interest expenses	Impairment (in other expenses)	Other	Valuation result
Financial instruments valued at FVtOCI	881.7 (1,464.2)	0.0 (0.0)	108.7 (90.0)	–152.3 (–247.6)	–108.7 (–90.0)
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	5,224.3 (3,690.8)	0.0 (0.0)	1,792.0 (1,257.1)	0.0 (0.0)	0.0 (0.0)
Net result from financial assets	**6,106.0 (5,155.0)**	**0.0 (0.0)**	**1,900.7 (1,347.1)**	**–152.3 (–247.6)**	**–108.7 (–90.0)**
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)	11,810.0 (9,054.3)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)
Net result from financial liabilities	**0.0 (0.0)**	**11,810.0 (9,054.3)**	**0.0 (0.0)**	**0.0 (0.0)**	**0.0 (0.0)**

Other comprehensive income from assets measured at fair value through other comprehensive income includes fees for ongoing credit processing and servicing by creditshelf. The valuation result of the FVtOCI category includes the fair value change recognised in other comprehensive income.

5.3. Netting of financial assets and liabilities

Financial assets and liabilities are only netted on the basis of global netting agreements if there is an enforceable legal right to offset on the balance sheet date and the intention is to settle on a net basis. If a claim for netting is not enforceable in the ordinary course of business, the global 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 2021, receivables from operating costs not yet invoiced of TEUR 12,694.1 (previous year: TEUR 10,156.2) were offset, in line with the industry-standard, with down payments received from operating cost prepayments in the amount of TEUR 11,789.4 (previous year: TEUR 7,556.0).

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 assets.

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

In TEUR	30/09/2021	30/09/2020
Equity	467,975.3	390,664.5
Total assets	1,093,303.8	935,730.1
Equity ratio in %	**42.8**	**41.7**

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

In TEUR	30/09/2021	30/09/2020
Equity	467,975.3	390,664.5
Investment properties/ immovable assets	1,014,167.9	809,928.6
Equity ratio in %	**46.1**	**48.2**

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 around 50%:

In TEUR	30/09/2021	30/09/2020
Financial liabilities	609,308.9	527,673.8
minus cash, incl. fiduciary accounts	–1,555.0	–1,451.7
minus financial assets callable at short notice	–67,908.0	–99,208.3
Net financial liabilities	**539,845.9**	**427,013.8**
Investment properties	944,019.6	809,928.6
Investment properties held for sale	70,148.3	0.0
Prepayments on acquired investment properties	0.0	15,533.7
Total real estate assets	**1,014,167.9**	**825,462.3**
Loan-to-Value (LTV), %	**53.2**	**51.7**

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 TEUR	Category acc. to IFRS 9	Carrying amount as of 30/09/2021	AC	FVtOCI	IFRS 16	Fair value as of 30/09/2021	Valuation hierarchy
Financial assets							
Other non-current financial assets	FVtOCI	237.7 (4,392.9)	– (–)	237.7 (4,392.9)	– (–)	237.7 (4,392.9)	Level 3
Assets held for sale	FVtOCI	– (6,669.3)	– (–)	– (6,669.3)	– (–)	– (6,669.3)	Level 1
Trade receivables	AC	4,324.5 (2,642.2)	4,324.5 (2,642.2)	– (–)	– (–)	4,324.5 (2,642.2)	Level 2
Cash and cash equivalents	AC	652.7 (209.1)	652.7 (209.1)	– (–)	– (–)	652.7 (209.1)	Level 2
Other current assets	FVtOCI	8,147.4 (6,948.6)	– (–)	8,147.4 (6,948.6)	– (–)	8,147.4 (6,948.6)	Level 3
Other current assets	AC	63,564.1 (85,720.9)	63,564.1 (85,720.9)	– (–)	– (–)	63,564.1 (85,720.9)	Level 2
Total financial assets		**76,926.4 (106,583.0)**	**68,541.3 (88,572.2)**	**8,385.1 (18,010.8)**	**0.0 (–)**	**76,926.4 (106,583.0)**	
Financial liabilities							
Liabilities to banks	AC	401,289.4 (340,272.3)	401,289.4 (340,272.3)	– (–)	– (–)	403,698.2 (342,557.6)	Level 2
Liabilities from convertible bonds	AC	36,457.7 (36,308.6)	36,457.7 (36,308.6)	– (–)	– (–)	200,188.0 (222,077.8)	Level 1
Liabilities from corporate bonds	AC	171,561.8 (151,092.9)	171,561.8 (151,092.9)	– (–)	– (–)	170,000.0 (150,000.0)	Level 1
Liabilities from leases	-	10,296.5 (9,663.5)	– (–)	– (–)	10,296.5 (9,663.5)	10,296.5 (9,663.5)	Level 2
Trade payables	AC	409.2 (299.1)	409.2 (299.1)	– (–)	– (–)	409.2 (299.1)	Level 2
Other current liabilities	AC	1,440.1 (771.7)	1,440.1 (771.7)	– (–)	– (–)	1,440.1 (771.7)	Level 2
Liabilities in connection with non-current assets held for sale	–	389.8 (–)	– (–)	– (–)	389.8 (–)	389.8 (–)	Level 1
Total financial liabilities		**621,844.5 (538,408.2)**	**611,158.2 (528,744.6)**	**0.0 (–)**	**10,686.3 (9,663.5)**	**786,421.8 (725,369.7)**	

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 financial year, investment properties and rights of use with a carrying amount of TEUR 70,148.3, which were previously reported under investment properties, were reclassified to assets held for sale and recognised there at a fair value of TEUR 70,148.3.

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

In TEUR	Valuation hierarchy	30/09/2021	30/09/2020
Investment properties	Level 3	944,019.6	809,928.6
Acquired loans	Level 3	8,385.1	11,341.5
Acquired loans held for sale	Level 1	0.0	6,669.3
Investment properties held for sale	Level 1	69,088.3	0.0
Investment properties held for sale	Level 3	1,060.0	0.0
Total assets		**1,022,553.0**	**827,939.4**
Liabilities in connection with investment properties held for sale	Level 1	389.8	0.0
Total equity and liabilities		**389.8**	**0.0**

The fair value of non-current assets or liabilities corresponds to the present value of the expected payments, taking into account market interest rates for matching maturities and risks, 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:

TEUR	30/09/2021	30/09/2020
Asset and property management contracts	11,229.3	11,460.3
Contracts on management levy	508.7	519.2
Car leasing	40.1	7.2
Total	**11,778.1**	**11,986.7**
of which up to 1 year	4,980.0	4,899.3
of which one year to five years (undiscounted)	6,798.1	7,087.4
of which over five years (undiscounted)	0.0	0.0

As at the balance sheet date 30 September 2021, the Company has no purchase price obligations from notarised purchase agreements.

Furthermore, there are future maintenance obligations of TEUR 7,728.0 from a syndicated loan 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 TEUR	Total	up to 1 year	1 to 5 years	over 5 years
Minimum lease payments 30/09/2021	**32,024.0**	**674.0**	**2.691.2**	**28,658.8**
of which interest payments	21,767.2	575.2	2.238.8	18,953.2
of which repayments	10,256.8	98.8	452.4	9,705.6
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

The leasehold agreements have an average remaining useful life of 40.5 years and are adjusted to agreed indices by means of value assurance clauses. One index adjustment was made during the reporting year, as a result of which the carrying amount of the leasehold right was increased by TEUR 4.3. 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 levies, 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 holds 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 Chairman of the Management Board (CEO), Obotritia Capital KGaA charged a levy of TEUR 424.3 (previous year: TEUR 499.6) in the reporting period under the concluded agency agreement.

By contract dated 13 April 2013 and supplements dated 29 January 2015, 30 June 2016 and 1 December 2016, DKR was granted a credit line of TEUR 25,000 by Obotritia Capital KGaA as part of a current account loan facility. 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 only be charged on the outstanding amount; commitment interest will not be charged additionally. The interest rate is 8.0% and is calculated annually. The interest payments are deferred and are due at the latest upon termination of the loan. No collateral was agreed. In the 2020/2021 financial year, TEUR 0.0 of this amount was utilised (previous year: TEUR 0.0).

On 30 April 2015, a loan facility agreement was concluded with Obotritia Capital KGaA, under which the Company can provide a loan to Obotritia Capital KGaA. With the last amendment dated 1 May 2020, the loan facility was increased to up to TEUR 95,000.0. The contract expires on 31 December 2025. The interest rate is 8.0% p.a. The interest is deferred and is due at the latest upon termination of the loan. For the 2020/2021 financial year, interest income of TEUR 5,224.3 was generated (previous year: TEUR 3,690.8) and interest expenses of TEUR 0.0 (previous year: TEUR 6.3) were paid. As of the reporting date 30 September 2021, there was a receivable of TEUR 59,522.9 (previous year: TEUR 81,197.3).

In addition, Obotritia Capital has provided a guarantee to DKR for two loans at risk of default in the amount of the existing book values. The loans are recognised at TEUR 271.5 as of the reporting date.

There is a management agreement with GV Nordost Verwaltungsgesellschaft mbH, Rostock, on the property management of the main real estate portfolio. Depending on the property, the agreed remuneration amounts to between 2% and 3% of the rental income received per month (plus value added tax). Expenses of TEUR 1,827.1 (previous year: TEUR 1,398.1) were incurred in the reporting period.

There is a management and consulting agreement with Elgeti Brothers GmbH, Berlin, on the asset management. The agreed remuneration amounts to 0.5% annually of the gross asset value of the real estate, calculated on the basis of purchase prices and transaction costs, and is paid in quarterly discounts. In the reporting period, expenses amounted to TEUR 3,687.1 (previous year: TEUR 2,950.1).

With the contract dated 6 December 2019, a lease agreement was concluded with Diana Contracting GmbH for the use of the roof areas for the operation of photovoltaic systems. The term of the contract runs until 31 December 2030 and the annual lease amounts to TEUR 1.6.

Furthermore, in the reporting period, the Company invested short-term excess liquidity of TEUR 5,490.0 (previous year: TEUR 22,105.0) in the acquisition of loans from creditshelf solutions GmbH, Frankfurt. Due to the size of the stake in creditshelf AG held by Obotritia Capital KGaA, creditshelf AG and its subsidiary, creditshelf solutions GmbH, are to be classified as related parties. In the 2020/2021 financial year, Deutsche Konsum sold loans with an outstanding nominal amount of TEUR 4,586.4 (previous year: TEUR 2,343.1) back to creditshelf solutions GmbH. For ongoing loan processing and servicing, creditshelf received TEUR 152.3 (previous year: TEUR 247.6) from Deutsche Konsum. Since 1 January 2021, creditshelf has been obliged to withhold and pay the capital gains tax including solidarity surcharge due on the interest income. Due to the REIT status and thus tax exemption of the Company, these taxes in the amount of TEUR 150.7 (previous year: TEUR 0.0) were recognised as a receivable from the tax office.

In addition, Deutsche Konsum acquired loans to Edeloptics GmbH ("Edeloptics") via the creditshelf AG platform. Obotritia Capital exercises controlling influence over Edeloptics, so that the latter is to be classified as an affiliated company. In the reporting period, DKR acquired another loan to Edeloptics with a total investment volume of TEUR 2,000.0 (previous year: TEUR 4,000.0). In addition, there were three other loans in the financial year, two of which were fully repaid totalling TEUR 3,000.0. The interest rates of the loans still existing on the balance sheet date are between 8.00% and 10.00%. As of the balance sheet date, there is a receivable of TEUR 4,147.9 including interest (previous year: TEUR 4,352.0). In the 2020/2021 financial year, interest income of TEUR 371.0 (previous year: TEUR 324.3) and new value adjustments of TEUR 78.6 (previous year: TEUR 144.0) were recorded from Edeloptics loans, which were offset by reversals of existing value adjustments of TEUR 79.3 (previous year: TEUR 115.1).

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

TEUR	30/09/2021	30/09/2020
Other non-current / current assets		
against Obotritia Capital KGaA	59,522.9	81,197.3
against Edeloptocs GmbH	4,147.9	4,352.0
Other current liabilities		
against creditshelf solutions GmbH	49.5	42.7

Furthermore, Mr. Rolf Elgeti has assumed directly enforceable guarantees totalling TEUR 5,970.0 (previous year: TEUR 1,300.0) for DKR's loans to banks.

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.	Retired, Member of other supervisory boards	• 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 March 2020.	German CPA and Tax Consultant, Master in Business Administration, ba audit gmbh Wirtschaftsprüfungsgesellschaft, Berlin (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, 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 March 2020.	Lawyer, MIG Verwaltungs AG (Member of the Executive Board/ General Partner), Munich	• Linus Digital Finance AG, Berlin (Member of the Supervisory Board) (since 22 January 2021) • Biocrates Life Sciences AG, Innsbruck, Austria (Member of the Supervisory Board) • Cynora GmbH, Munich (Chairman of the Advisory Board)
Cathy Bell-Walker Member of the Supervisory Board Member since March 2020.	Solicitor (England & Wales), Allen & Overy LLP, London	• Deutsche Industrie REIT-AG, Rostock, (Member of the Supervisory Board), 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.	Chairman, Montpelier Foundation Limited, London.	None

The compensation of the Supervisory Board for the financial year amounted to TEUR 40.0 (previous year: TEUR 36.3) 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), listed company • Deutsche Leibrenten Grundbesitz AG, Frankfurt am Main (Chairman of the Supervisory Board) • creditshelf Aktiengesellschaft, Frankfurt am Main (Chairman of the Supervisory Board), listed company • NeXR Technologies SE, Berlin (Chairman of the Administrative Board), listed company • Obotritia Hotel SE, Potsdam (Chairman of the Administrative Board since 15 July 2021) • OboTech Acquisition SE, Bitbourg, Luxembourg (Chairman of the Administrative Board and CEO since March 2021), listed company • HLEE (Highlight Event and Entertainment AG), Pratteln, Switzerland (Member of the Administrative Board), listed company • Laurus Property Partners, Munich (Member of the Advisory Board) • Bankhaus Obotritia GmbH, Munich (Member of the Audit Committee)
Alexander Kroth Member of the Management Board	Chief Investment Officer (CIO)	None
Christian Hellmuth Member of the Management Board	Chief Financial Officer (CFO)	None

For details of the Supervisory Board and Management Board remuneration, please refer to the Compensation Report in the DKR Management Report.

6.5. Consolidated Financial Statements

DKR is included in the consolidated financial statements of Obotritia Capital KGaA, Potsdam. The 2020/2021 annual financial statements will be included in the consolidated financial statements of Obotritia Capital KGaA, based in Potsdam, for the largest and smallest group of companies, which will be disclosed in the Federal Gazette.

6.6. Fee of the auditor

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

TEUR	30/09/2021	30/09/2020
Audit services	121.1	118.0
Other confirmation services	2.2	4.2
Other services	0.0	0.0
Total	**123.3**	**122.2**
of which relating to other periods	3.3	12.2

The other confirmation services relate to the audit pursuant to § 1 (4) REIT Act as at 30 September 2020. TEUR 3.3 (previous year: TEUR 12.2) of fees relating to other periods are included from recalculations.

6.7. Significant events after the balance sheet date

With notarisations in October and November 2021, two further food-anchored properties were acquired. The properties are located in Altenburg/Nobitz (Thuringia) and in Schiffweiler (Saarland). The investment volume for these properties amounts to approximately EUR 8.6 million. The annualised rent of the acquired properties is around TEUR 877.4. The change of benefits and encumbrances of the properties is expected to take place between 1 January 2022 and 1 February 2022.

In contrast, the property in Oer-Erkenschwick (North Rhine-Westphalia) was sold by notarisation in November 2021 for a price of EUR 22.7 million, which corresponds to 18 times the annual rent. The change of benefits and encumbrances of the property is expected to take place on 1 January 2022.

Furthermore, on 22 November 2021, the Company increased the existing unsecured corporate bond 2021/2031 by EUR 30 million to EUR 50 million, of which EUR 10 million was paid. The bond volume that has not yet been called is available on call.

Photo: Retail park CityCenter Northeim
Grafenhof 3–5, 37154 Northeim

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

On 13 September 2021 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 25 November 2021 the current Corporate Governance Statement. The declaration was made permanently available to shareholders at www.deutsche-konsum.de/en/.

Potsdam, 9 December 2021

Rolf Elgeti
Chairman of the
Management Board (CEO)

Alexander Kroth
Member of the
Management Board (CIO)

Christian Hellmuth
Member of the
Management Board (CFO)

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 2021 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, 9 December 2021

Rolf Elgeti
Chairman of the
Management Board (CEO)

Alexander Kroth
Member of the
Management Board (CIO)

Christian Hellmuth
Member of the
Management Board (CFO)

Audit certificate of the independent individual auditor

To Deutsche Konsum REIT-AG, Broderstorf

AUDIT CERTIFICATE ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

Audit opinions

We have audited the separate financial statements of Deutsche Konsum REIT-AG – consisting of the balance sheet to 30 September 2021, the statement of comprehensive income, the cash flow statement and the statement of changes in equity for the 1 October 2020 to 30 September 2021 financial year and the notes, 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 2020 to 30 September 2021. 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 certificate.

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 2021 and matching the Company's earnings position for the 1 October 2020 to 30 September 2021 financial 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 or the Supervisory Board 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.

Other information also includes the remaining parts of the annual report. It does not include the separate financial statements, the audited content of the management report and our audit certificate thereon.

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 separate 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 separate 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

Audit certificate on the audit of the electronic reproductions of the separate financial statements and the management report prepared for the purpose of disclosure in analogous application of § 317 (3a) of the German Commercial Code (HGB)

Audit Opinion

We performed a reasonable assurance audit in analogous application of § 317 (3a) HGB on whether the reproductions of the separate financial statements and the management report (hereinafter also referred to as „ESEF documents") contained in the file „IFRS_30.09.2021_DKR.zip" (SHA256-Hash number: eee3284469a664f79d1e71e6ff3773aad7aa0992bc18f b9aee630dd09d4a3626) and prepared for disclosure purposes comply in all material respects with the requirements of § 328 (1) HGB on the electronic reporting format („ESEF format"). In accordance with German legal requirements, this audit extends only to the conversion of the information of the separate financial statements and the management report into the ESEF format and therefore neither to the information contained in these reproductions nor to any other information contained in the aforementioned file.

In our opinion, the reproductions of the separate financial statements and the management report contained in the aforementioned file and prepared for disclosure purposes comply, in all material respects, with the requirements of § 328 (1) HGB regarding the electronic reporting format. We do not express any opinion on the information contained in these reproductions or on the other information contained in the above-mentioned file other than this opinion and our opinions on the accompanying separate financial statements and the accompanying management report for the financial year from 1 October 2020 to 30 September 2021 contained in the preceding „Audit certificate on the audit of the separate financial statements and the management report".

Basis for the audit opinion
We conducted our audit of the reproductions of the separate financial statements and the management report contained in the above-mentioned file in analogous application of § 317 (3a) HGB and in accordance with the IDW Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for Disclosure Purposes in Accordance with § 317 (3a) HGB (IDW PS 410 (10.2021)). Our responsibility thereafter is further described in section „Auditor's Responsibility for the Audit of the ESEF Documents". Our auditing practice has applied with the quality assurance system requirements of the IDW Quality Assurance Standard: Requirements for Quality Assurance in the Auditing Practice (IDW QS 1).

Responsibility of the legal representatives and the Supervisory Board for the ESEF documents
The legal representatives of the Company are responsible for the preparation of the ESEF documents with the electronic reproductions of the separate financial statements and the management report in accordance with § 328 (1) sentence 4 no. 1 HGB.

Furthermore, the legal representatives of the Company are responsible for the internal controls they deem necessary to enable the preparation of the ESEF documents that are free of material – intentional or unintentional – violations of the requirements of § 328 (1) HGB regarding the electronic reporting format.

The Supervisory Board is responsible for monitoring the process of preparing the ESEF documents as part of the financial reporting process.

Auditor's Responsibility for the Audit of the ESEF Documents
Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material – intentional or unintentional – violations of the requirements of § 328 (1) HGB. During the audit, we exercise professional judgement and maintain a critical attitude. Furthermore, we

- identify and assess the risks of material – intentional or unintentional – violations of the requirements of § 328 (1) HGB, plan and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.

- obtain an understanding of internal control relevant to the audit of the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of those controls.

- evaluate the technical validity of the ESEF documentation, i.e., whether the file containing the ESEF documentation complies with the technical specification for that file as set out in Delegated Regulation (EU) 2019/815 as applicable at the end of the reporting period.

- evaluate whether the ESEF documentation provides a consistent XHTML representation of the audited separate financial statements and the audited management report.

Other information under Article 10 EU-APrVO
We were selected as auditors of the financial statements the Annual General Meeting on 11 March 2021. We were appointed by the Supervisory Board on 23 September 2021. 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).

OTHER MATTERS – USE OF THE AUDIT CERTIFICATE

Our audit certificate should always be read in conjunction with the audited separate financial statements and the audited management report as well as the audited ESEF documents. The separate financial statements and management report converted into the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic reproductions of the audited separate financial statements and the audited management report and do not replace them. In particular, the ESEF opinion and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

RESPONSIBLE AUDITOR

The auditor responsible for the audit is
Ms. Susanne Kalbow.

Berlin, dated 10 December 2021

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 2021, 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	REIT criteria fulfilled
§ 11 (1)	Freefloat of shares > 15 %	30/09/2021	40.6 %	Yes
§ 11 (2)	No investor holds > 10 % of the shares	30/09/2021	–	Yes
§ 12 (2a)	Immovable assets of at least 75 % of all assets	30/09/2021	93.8 %	Yes
§ 12 (3a)	At least 75 % of the income is generated by immovable assets	30/09/2021	100.0 %	Yes
§ 13	Dividend distribution of > 90 % of the annual result according to German GAAP	30/09/2021	100.0 %	Yes
§ 14	Exclusion of real estate trading	30/09/2021	1.3 %	Yes
§ 15	Equity of at least 45 %	30/09/2021	46.1 %	Yes
§ 19	Composition of income in terms of income subject to and not sucject to income tax	30/09/2021	n/a	Yes

Regarding the minimum freefloat of shares as at 31 December 2020 we notified the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) of this by way of letter dated 26 February 2021. The declaration of the Management Board is under reserve until approval by the auditor which will occur presumably in January 2022.

Deutsche Konsum REIT-AG
Potsdam, 9 December 2021

The Management Board

Rolf Elgeti
Chairman of the
Management Board (CEO)

Alexander Kroth
Member of the
Management Board (CIO)

Christian Hellmuth
Member of the
Management Board (CFO)

Financial calendar

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

14/02/2022
Publication of the quarterly statement for the first quarter of 2021/2022 financial year

10/03/2022
Annual General Meeting (virtual)

12/05/2022
Publication of the half-yearly financial report of 2021/2022 financial year

11/08/2022
Publication of the quarterly statement for the third quarter of 2021/2022 financial year

20/12/2022
Publication of the final annual statements/annual financial report for the financial year 2021/2022

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

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of Deutsche Konsum REIT-AG

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JSE Sponsor
PSG Capital

Disclaimer
This report contains forward-looking statements. These statements are based on the current experience, assumptions and forecasts of the Management Board and the information currently related to it. These forward-looking statements are not to be understood as guarantees of the future developments and results mentioned therein. Rather, they are influenced by a number of factors; they comprise various risks and imponderables and are based on assumptions that may not prove to be accurate. These risk factors include, in particular, the factors mentioned in the risk report of this annual report.

We do not assume any obligation beyond the legal requirements to update the forward-looking statements made in this report. This annual report does not constitute an offer for sale and does not constitute an invitation to submit an offer to purchase securities of Deutsche Konsum REIT-AG.

This report has been translated from the German version. In case of doubt, the German version shall prevail.

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