

Quarterly statement

for the first quarter of 2018/2019 financial year

1 October to 31 December 2018

Deutsche
Konsum
REIT-AG



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Key figures

	1 October 2018 – 31 December 2018	1 October 2017 – 31 December 2017	Difference	%
Income statement				
(kEUR)				
Rental income	9,515	6,577	2,938	44.7
Net operating income	7,732	4,843	2,890	59.7
Financial result	-1,573	-1,288	-284	22.1
Net income	5,561	2,928	2,633	89.9
FFO	6,279	3,408	2,872	84.3
FFO per share (in EUR)	0.22	0.13	0.09	64.7
aFFO	5,131	879	4,253	>100
aFFO per share (in EUR)	0.18	0.03	0.15	>100
Earnings per share, undiluted (in EUR)	0.20	0.12	0.08	69.8
Earnings per share, diluted (in EUR)	0.15	0.09	0.07	76.6
Recurring costs ratio (in %)	6.2	5.6	0.6	11.0
	31 December 2018	30 September 2018	Difference	%
Balance sheet key figures				
(kEUR)				
Investment properties	444,371	418,707	25,664	6.1
Total assets	494,149	452,933	41,216	9.1
Equity	245,027	209,762	35,264	16.8
Total debt	236,145	231,596	4,548	2.0
Finance key figures				
(net) Loan-to-Value (LTV) (in %)	44.9	51.2	-6.4	-12.5
Average interest rate of loans (in %)	1.99	1.98	0.01	0.5
Average interest rate of loans, bonds and convertible bonds (in %)	1.88	1.87	0.01	0.5
Average remaining duration of loans (in years)	5.5	5.5	0.0	-0.2
Interest cover ratio (ICR), multiple	4.5	3.9	0.6	15.3
EPRA NAV	245,027	209,762	35,264	16.8
EPRA NAV per share (in EUR)	8.18	7.70	0.48	6.2
EPRA NNAV per share (in EUR)	8.18	7.70	0.48	6.2
REIT metrics				
REIT equity ratio	55.1	50.1	5.0	10.1

Share information

Shares issued	29,959,944	27,236,313	2,723,631	10.0
Market cap (in EUR)	305,591,429	299,599,443	5,991,986	2.0
Share price (in EUR)	10.20	11.00	-0.80	-7.3

Portfolio key figures

Number of assets	98	90	8	8.9
Rental space (in m ²)	564,234	517,824	46,410	9.0
Annualised rent (in kEUR)	37,916	35,484	2,432	6.9
Initial yield (in %)	11.6	11.7	-0.1	-0.8
Vacancy rate (in %)	8.9	9.6	-0.6	-6.6
WALT (in years)	5.0	5.2	-0.2	-4.4

Quarterly statement for the period 1 October to 31 December 2018

The following quarterly statement by Deutsche Konsum REIT-AG (hereinafter also referred to as "Deutsche Konsum" or "Company") describes the significant course of business and the asset, financial and earnings position of the first three months of the 2018/2019 financial year ("Q1 2017/2018"). The interim financial statements have been prepared in accordance with IFRSs as adopted by the EU. The interim financial statements have not been audited.

1. Business development

Strong portfolio growth in the first financial quarter

As of 1 October 2018, the properties acquired in Schwedt, Frankfurt/Oder, Rudolstadt, Wolgast, Salzwedel, Uelzen and Altentreptow became the property of the Company. Furthermore, as of 1 December 2018, the transfer of benefits and encumbrances on the acquired properties in Erkner and Mainleus as well as the disposal of the sold property in Berlin-Konradshöhe took place.

As a result, DKR's real estate portfolio recognised on 31 December 2018 comprises 98 properties with a book value of around EUR 444.4 million and a rental space of around 564,000 m².

Notarial certifications in Q1 2018/2019 also show the transfer of benefits and encumbrances of eleven other acquired retail properties in Merseburg (Saxony-Anhalt), Hof (Bavaria), Weida (Thuringia), Bad Harzburg, Ritterhude, Goslar (Lower Saxony) and Dortmund, Grevenbroich, Lünen (Northrhine-Westphalia), Greifswald and Stralsund (Mecklenburg-West Pomerania). The transfer of benefits and encumbrances of the objects was and is likely to be between 1 January 2019 and 1 March 2019.

Thus, the current secured overall portfolio (pro forma) of DKR currently comprises 109 retail properties with an annual rental of around EUR 42 million and a book value of around EUR 490 million.

Successful capital increase

Utilising the Authorised Capital 2018 and with the approval of the Supervisory Board, on 22 November 2018, DKR carried out a cash capital increase without subscription rights of 10% of the share capital. 2,723,631 new no-par value shares were issued at a subscription price of EUR 11.00 per share. From this, DKR received net proceeds of around EUR 29.3 million, which are to be used for the purchase of additional properties.

Bond terms of convertible bonds significantly optimised

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

New loan financing

On the liabilities side, two loans were taken out and paid out on 16 October and 19 October at Sparkasse Oder-Spree and Stadtparkasse Schwedt for EUR 5.0 million and EUR 3.0 million. Both loans have a term of eight years and each 2.09% p.a. interest.

The Company is involved in further loan approvals from various banks and savings banks, considering the target LTV of around 50%. This will continue to result in slight reductions in average interest rates and longer loan maturities.

2. Development of assets, financial and earnings position

Asset position

The balance sheet total increased by kEUR 41,216 to kEUR 494,149 (30/09/2018: kEUR 452,933), mainly due to the further portfolio growth and the cash inflows from the capital increase. Accordingly, the investment properties are accounted for in the amount of kEUR 444,371 as at 31 December 2018 (30/09/2018: kEUR 418,707).

The Company's equity increased in the first quarter of 2018/2019 by kEUR 35,264 to kEUR 245,027 (30/09/2018: kEUR 209,762), which resulted mainly from the cash capital increase on 22 November 2018. Furthermore, the positive result for the period of kEUR 5,561 had an equity-enhancing effect.

The EPRA NAV per share (undiluted) as of 31 December 2018 is as follows:

kEUR	31/12/2018	30/09/2018
Equity	245,027	209,762
Number of shares at the balance sheet date (in number of shares)	29,959,944	27,236,313
EPRA NAV per share, EUR	8.18	7.70

Non-current and current financial liabilities to banks increased by kEUR 4,711 as a result of taking out loans (30/09/2018: kEUR 155,223). This was offset by current loan repayments. Furthermore, the high funds available as a result of the increase in the share capital were invested in a short-term interest-bearing manner. Overall, this resulted in a reduction in net debt to kEUR 205,798 as of the balance sheet date (30/09/2018: kEUR 224,030), which also resulted in a reduction in the LTV.

Accordingly, the Net-LTV as of 31 December 2018 is as follows:

kEUR	31/12/2018	30/09/2018
Financial liabilities to banks	159,934	155,223
Convertible bonds	36,054	36,099
Corporate bond	40,339	40,158
Financial liabilities to other lenders	0	116
Total liabilities	236,327	231,596
minus cash and cash equivalents	-332	-141
minus fiduciary funds of property management*	-2,949	0
minus short-term lending	-14,244	0
minus short-term interest-bearing investments	-12,823	-7,426
Net debt	205,798	224,030
Investment property	444,371	418,707
Prepayments for the acquisition of investment property	14,422	18,518
Total investment properties	458,792	437,226
Net-LTV	44.9%	51.2%

* Inclusion from FY 2018/2019

Financial position

The cash flow statement is as follows:

kEUR	Q1 2018/2019	Q1 2017/2018
Cash flow from operating activities	6,566	3,981
Cash flow from investing activities	-39,016	-17,222
Cash flow from financing activities	32,641	12,946
Cash changes in cash and cash equivalents	191	-295
Financial funds at the beginning of the period	141	1,161
Financial funds equivalents at the end of the period	332	865

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

The cash flow from investing activities reflects the payments for purchase properties during the period under review. Furthermore, the short-term investments of cash and cash equivalents are included here.

The cash flow from financing activities mainly includes the net cash inflow from the cash capital increase in the amount of kEUR 29,313 in November 2018 and from borrowings in the amount of kEUR 8,000. This was offset by repayments and interest totalling kEUR 4,672.

The Company was always able to meet its payment obligations.

Earnings position

The earnings position of Deutsche Konsum developed as follows in Q1 2018/2019:

kEUR	Q1 2018/2019	Q1 2017/2018
Rental income	7,732	4,843
Net proceeds	373	0
Other operating income	75	3
Valuation result	0	0
Operating expenses	-1,046	-629
EBIT	7,134	4,216
Financial result	-1,573	-1,288
EBT	5,561	2,928
Income taxes and other taxes	0	0
Net profit for the period	5,561	2,928

The rental result increased significantly due to the acquisition-related significantly increased real estate portfolio. As a result, rental income increased to around kEUR 9,515 (Q1 2017/2018: kEUR 6,577). In line with this, the management expenses also increased. In addition, for calendar year 2017, DKR generated a surplus of around kEUR 761 from the service cost accounting in the first quarter of the financial year, which contributed to the increase in rental income.

Total operating expenses overall increased but included non-recurring effects of kEUR 72 (Q1 2017/2018: kEUR 38). Adjusted for non-recurring effects, operating expenses increased by approximately kEUR 383. This is mainly due to generally higher expenses for investor work, portfolio valuations and other fees relating to the growing business scope of DKR. In addition, kEUR 160 were recognised for higher value adjustments due to higher receivables.

The administrative expense ratio is as follows:

kEUR	Q1 2018/2019	Q1 2017/2018
Personnel expenses	-134	-133
Other operating expenses	-528	-272
Adjustment of one-time and special effects	72	38
Recurring administrative expenses	-590	-367
Rental income	9,515	6,577
Administrative expense ratio	6.2%	5.6%

In summary, EBIT increased significantly by kEUR 2,918 to kEUR 7,134.

Interest expense increased to kEUR 2,048 (Q1 2017/2018: kEUR 1,297) due to a higher level of debt and a valuation effect.

With the adjustment of the conversion terms as of 1 November 2018, a revaluation of the convertible bonds was required under IFRS accounting rules. This resulted in a derecognition of the convertible bonds, which is included as a special effect in the amount of kEUR 503 in interest expense. At the same time, the newly valued convertible bonds were booked at the new present value and the difference was booked to the nominal value directly into the capital reserve. At the same time, the adjustment of the bond conditions resulted in a significant reduction in the interest expense for the convertible bonds.

In Q1 2018/2019, there was a significant interest income of kEUR 475 from the short-term investment of excess liquidity on a financing platform that DKR has been using since the last financial year.

Adjusted for the valuation effect of the convertible bonds, the financial result increased overall by kEUR 219 to kEUR 1,070 (Q1 2017/2018: EUR 1,288).

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

Overall, the result for the period amounts to kEUR 5,561 (Q1 2017/2018: kEUR 2,928), from which FFO and aFFO derive as following:

kEUR	Q1 2018/2019	Q1 2017/2018
Net profit for the period	5,561	2,928
Adjustment of income taxes	0	0
Adjustment of depreciation	0	0
Adjustment of valuation result	0	0
Adjustment of sales result	-373	0
Adjustment of non-cash expenses/income	664	136
Adjustment of one-time effects	427	343
FFO	6,280	3,408
- Capex	-1,148	-2,529
aFFO	5,131	879

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

The capitalised repair costs mainly include value-increasing construction and improvement measures for the Hohenmölsen revitalisation project as well as for a reconstruction project of the Meißen property.

This results in an FFO per share of EUR 0.22 (Q1 2017/2018: EUR 0.13) and an aFFO of EUR 0.18 per share (Q1 2017/2018: EUR 0.03).

3. Supplementary report

With the transfers of benefits and encumbrances on 1 January 2019 and 1 February 2019, the seven properties acquired in Merseburg, Dortmund, Weida, Goslar and Lünen as well as Hof and Greifswald entered the DKR portfolio with an annualised rent totalling EUR 2.1 million. For four additional properties with an annualised rent totalling EUR 2.1 million, the transfers of benefits and encumbrances are expected on 1 March 2019.

With effect from 4 February 2019, the Company has taken out a further loan of kEUR 3,000 from Berliner Sparkasse. The loan will be 1.58% p.a. and has a maturity of six years. DKR is currently in further loan acceptance processes.

4. Risk situation

In the opinion of the Management Board, the risk situation has not changed significantly in the current fiscal year 2018/2019. Please refer to the detailed presentation in the Management Report of the Annual Report 2017/2018 in the section "Opportunity and risk report".

5. Outlook and forecast confirmation

As expected, the first quarter of the 2018/2019 financial year was very successful. The acquisitions as well as the refinancing measures of the previous financial year are clearly reflected in all key figures. Due to the growth and the associated economies of scale, the Company will continue to become increasingly profitable. Due to the transfer of benefits and encumbrances of the last acquisitions after the balance sheet date, which have already taken place or will take place shortly, as well as new acquisitions, the Management Board expects continuous and significant increases in FFO in the respective following quarters.

Deutsche Konsum is currently in several concrete acquisition processes.

In this respect, the Management Board is adhering to its forecast of achieving an FFO of between EUR 26 million and EUR 29 million in the 2018/2019 financial year.

**Interim financial statements for the period from
1 October to 31 December 2018
of the 2018/2019 financial year**

Deutsche Konsum REIT-AG, Broderstorf

Balance sheet as at 31/12/2018

kEUR	<u>31/12/2018</u>	<u>30/09/2018</u>
Assets		
Non-current assets		
Investment properties	444,370.9	418,707.3
Intangible assets	1.7	2.0
Tangible assets	3.8	3.8
Other non-current assets	14,421.5	18,518.5
	458,798.0	437,231.6
Current assets		
Trade and other receivables	1,444.1	772.4
Tax assets	0.1	0.1
Other current assets	33,574.7	14,788.3
Cash and cash equivalents	331.7	140.5
	35,350.7	15,701.3
TOTAL ASSETS	<u>494,148.7</u>	<u>452,932.9</u>
Equity and liabilities		
Equity		
Issued share capital	29,959.9	27,236.3
Capital reserve	121,463.5	94,164.9
Other reserves	855.7	855.7
OCI (Other comprehensive income)	-318.8	0.0
Retained earnings	93,066.5	87,505.5
	245,026.8	209,762.4
Non-current liabilities		
Financial liabilities	151,330.8	146,709.3
Convertible bonds	35,871.3	36,098.9
Corporate bond	40,339.2	40,158.4
Other provisions	3.5	3.5
Other non-current liabilities	7,863.0	7,863.0
	235,407.9	230,833.1
Current liabilities		
Financial liabilities	8,603.5	8,513.7
Liabilities to other creditors	0.0	116.2
Other provisions	2,293.1	2,043.2
Trade payables	2,166.9	1,023.4
Other current liabilities	650.5	640.9
	13,714.0	12,337.5
TOTAL EQUITY AND LIABILITIES	<u>494,148.7</u>	<u>452,932.9</u>

Deutsche Konsum REIT-AG, Broderstorf

Statement of comprehensive income

kEUR	01/10/2018- 31/12/2018	01/10/2017- 31/12/2017
Rental income	9,515.2	6,576.9
Income from recharged operating costs*	1,775.4	670.7
Operating expenses*	-3,558.4	-2,405.0
Net rental income	7,732.2	4,842.7
Proceeds from disposal of properties	975.0	0.0
Expenses on the sale of properties	-602.3	0.0
Net proceeds from the disposal of properties	372.7	0.0
Other income	74.8	2.9
Gain/loss from the revaluation of investment properties	0.0	0.0
Subtotal	8,179.7	4,845.5
Personnel expenses	-133.7	-133.4
Amortisation of intangible assets, depreciation of property, plant and equipment	-0.3	-0.2
Impairment loss of inventories and receivables	-384.0	-224.1
Other operating expenses	-528.1	-271.6
Operating expenses	-1,046.1	-629.4
EBIT	7,133.6	4,216.1
Interest income	475.6	8.9
Interest expense	-2,048.3	-1,297.2
Net finance costs	-1,572.7	-1,288.3
EBT	5,560.9	2,927.8
Income tax	0.0	0.0
Other tax	0.0	0.0
Net income	5,560.9	2,927.8
Earnings per share (in EUR)		
Undiluted result per share	0.20	0.12
Diluted result per share	0.15	0.09

* Adjustment of prior year figures according to IFRS 15

Items not reclassified to profit or loss		
First time adoption of IFRS 9 effects	-128.2	0.0
Revaluation according to IFRS 9	-190.6	0.0
Tax effects	0.0	0.0
Total other comprehensive income	-318.8	0.0
Total comprehensive income	5,242.2	2,927.8

Deutsche Konsum REIT-AG, Broderstorf

Statement of changes in equity

kEUR	<u>Issued share capital</u>	<u>Capital reserve</u>	<u>Other reserves</u>	<u>OCI</u>	<u>Retained earnings</u>	<u>Total equity</u>
As at 01/10/2017	24,760.3	72,533.0	855.7	0.0	56,587.0	154,736.0
Period result					2,927.8	2,927.8
Cash capital increase/ - reduction	2,476.0	22,284.3				24,760.3
Costs of capital measures		-609.7				-609.7
As at 31/12/2017	27,236.3	94,207.6	855.7	0.0	59,514.8	181,814.4
As at 01/10/2018	27,236.3	94,164.9	855.7	0.0	87,505.5	209,762.4
Period result					5,560.9	5,560.9
Other comprehensive income (OCI)				-318.8		-318.8
Cash capital increase/ -reduction	2,723.6	27,236.3				29,959.9
Costs of capital measures		-647.1				-647.1
Revaluation of convertible bonds		709.4				709.4
As at 31/12/2018	29,959.9	121,463.5	855.7	-318.8	93,066.5	245,026.8

Deutsche Konsum REIT-AG, Broderstorf
Cash flow statement

Information in kEUR	01/10/2018- 31/12/2018	01/10/2017- 31/12/2017
Period result	5,560.9	2,927.8
+/- Interest expense/interest income	1,572.7	1,288.3
+/- Depreciation, amortisation and write-down/reversals of intangible as- sets, tangible assets and financial assets	0.3	0.2
+ Impairments on inventories and receivables	384.0	224.1
-/+ Gain/loss on disposal of investment properties	-372.7	0.0
+/- Increase/decrease in provisions	249.9	-827.5
-/+ Increase/decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	-900.3	-754.4
+/- Increase/decrease in trade payables and other liabilities not attribu- table to investing or financing activities	71.6	1,122.2
Cash flow from operating activities	6,566.4	3,980.7
+ Cash receipts relating to disposals of investment properties	975.00	0.0
- Cash payments related to property investments	-21,087.48	-16,210.7
- Cash payments related to short-term cash investments	-19,266.38	0.0
+ Interest received	362.94	0.0
Cash flow from investing activities	-39,015.9	-17,222.2
+ Cash proceeds from the issue of shares	2,723.6	2,476.0
+ Cash proceeds from capital increases	27,236.3	22,284.3
- Costs related to capital increases	-647.1	-609.7
+ Proceeds from borrowings	8,000.0	1,300.0
- Amortisation of loans	-3,353.0	-11,629.0
- Interest paid	-1,319.1	-875.2
Cash flow from financing activities	32,640.7	12,946.4
Change in cash and cash equivalents	191.2	-295.1
Cash and cash equivalents at the beginning of the period	140.5	1,160.5
Cash and cash equivalents at the end of the period	331.7	865.4

About Deutsche Konsum REIT-AG

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

At the time that this quarterly statement was published, the Company's retail trade portfolio had a rentable space of approximately 620,000 m², and an annualised yearly rental income of EUR 42 million distributed over 109 properties. The portfolio is currently accounted at approximately EUR 490 million.

Deutsche Konsum REIT-AG share

As at	13 February 2019
ISIN	DE000A14KRD3
Security Identification Number	A14KRD
Ticker symbol	DKG
Initial offering	15/12/2015
Number of shares	29,959,944
Share capital	EUR 29,959,944.00
Trading locations	XETRA, Frankfurt and Berlin
Market segment	Prime Standard
Indices	CDAX, RX REIT, DIMAX
Share price	EUR 11.00
Market capitalisation	EUR 330 million
52W – high/low	EUR 11,95 / 9,46

Financial calendar

14 February 2019	Publication of the quarterly statement for the first quarter of 2018/2019 financial year
19 February 2019	13th ODDO BHF German Conference, Frankfurt am Main
12 March 2019	28. Prior Kapitalmarktkonferenz, Hofgut Neuhaus (Dreieich-Götzenhain)
21 March 2019	Annual General Meeting, Berlin
28 March 2019	Roadshow, London
3 April 2019	Bankhaus Lampe Deutschlandkonferenz, Baden-Baden
7-10 April 2019	Roadshow, Capetown
11 April 2019	Solventis Aktienforum 2019, Frankfurt am Main
29 April 2019	Capital Markets Day, Dusseldorf
15 May 2019	Publication of the half-yearly financial report of 2018/2019 financial year
14 August 2019	Publication of the quarterly statement for the third quarter of 2018/2019 financial year
23-25 September 2019	Berenberg and Goldman Sachs Eighth German Corporate Conference, Munich
23-26 September 2019	Baader Investment Conference, Munich
18 December 2019	Publication of the final annual statements/annual financial report for the financial year 2018/2019

Publisher

The Management Board of Deutsche Konsum REIT-AG.

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Disclaimer

This quarterly statement contains forward-looking statements. These are based on current estimates and are, therefore, subject to risks and uncertainties. In this respect, the events actually occurring may deviate from the statements formulated here.

The report is also available in English. In doubtful cases, the German version is authoritative.

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