

Quarterly statement

for the first quarter of 2020/2021 financial year

1 October to 31 December 2020

Deutsche
Konsum
REIT-AG



Contents

Corporate key figures 3

Quarterly statement for the period from 1 October to 31 December 2020..... 5

1. The share..... 5

2. Business development..... 6

3. Development of asset, financial and earnings position 7

4. Supplementary report 10

5. Risk situation 10

6. Outlook and forecast..... 11

Interim financial statements for the period from 1 October to 31 December 2020 of the 2020/2021 financial year..... 13

About Deutsche Konsum REIT-AG 20

Deutsche Konsum REIT-AG share..... 20

Financial calender 20

Publisher 21

Contact 21

Disclaimer 21

Corporate key figures

Deutsche Konsum REIT-AG, Broderstorf

Key figures

	1 October 2020 – 31 December 2020	1 October 2019 – 31 December 2019	Difference	%
Income statement				
(TEUR)				
Rental income	16,172	12,239	3,933	32.1
Net operating income	10,774	8,460	2,314	27.4
EBIT	9,170	7,295	1,875	25.7
Financial result	-1,088	-901	-187	20.8
Net income	8,082	6,394	1,688	26.4
FFO	10,156	7,345	2,811	38.3
FFO per share (in EUR)	0.29	0.23	0.06	25.7
aFFO	4,991	3,518	1,473	41.9
aFFO per share (in EUR)	0.14	0.11	0.03	29.0
Earnings per share, undiluted (in EUR)	0.23	0.20	0.03	14.9
Earnings per share, diluted (in EUR)	0.17	0.14	0.02	16.9
Recurring costs ratio (in %)	5.1	5.5	-0.4	-7.8

	31 December 2020	30 September 2020	Difference	%
Balance sheet key figures				
(TEUR)				
Investment properties	831,562	809,929	21,633	2.7
Total assets	952,408	935,730	16,678	1.8
Equity	398,747	390,665	8,082	2.1
Total debt	534,020	527,674	6,346	1.2

Finance key figures

(net) Loan-to-Value (LTV) (in %)	51.6	51.7	-0.2	-0.3
Average interest rate of loans (in %)	1.81	1.81	0.00	0.0
Average interest rate of loans, bonds and convertible bonds (in %)	1.91	1.91	0.00	-0.2
Average remaining duration of loans (in years)	3.8	4.0	-0.3	-6.3
Interest cover ratio (ICR), multiple	8.4	7.7	0.7	9.4
EPRA NAV	398,747	390,665	8,082	2.1
EPRA NAV per share (in EUR)	11.34	11.11	0.23	2.1
EPRA NNAV per share (in EUR)	11.34	11.11	0.23	2.1

REIT metrics

REIT equity ratio	48.0	48.2	-0.3	-0.6
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Share information

Shares issued (pieces)	35,155,938	35,155,938	0	0.0
Average number of shares within the reporting period (pieces)	35,155,939	33,138,795	2,017,144	6.1
Market cap (in EUR)	551,948,233	555,463,827	-3,515,594	-0.6
Share price (in EUR)	15.70	15.80	-0.10	-0.6

Portfolio key figures

Number of assets	164	161	3	1.9
Rental space (in m ²)	917,043	899,852	17,191	1.9
Annualised rent (in TEUR)	64,217	63,050	1,167	1.9
Initial yield (in %)	10.4	10.5	-0.1	-1.1
Vacancy rate (in %)	10.1	9.9	0.1	1.4
WALT (in years)	5.5	5.4	0.1	2.2

Quarterly statement for the period from 1 October to 31 December 2020

The following interim statement of 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 2020/2021 financial year ("Q1 2020/2021"). 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. The share

DKR share stable in volatile market environment

Despite a persistently unsettled global political and economic environment in the wake of the COVID 19 pandemic and economic constraints, as well as the U.S. presidential election, DKR shares performed well. At the end of the reporting period on 30 December 2020, it was quoted at EUR 15.70, the same level as at the beginning of the financial year (30 September 2020: EUR 15.80)¹.

Compared to the previous year, however, the quote of the DKR share declined, mainly due to the price turbulence in connection with the further sharp lockdowns since mid-November 2020, and was consequently EUR 0.20 or 1.3% below the previous year's closing price (30 December 2019: EUR 15.90)². Since the beginning of the listing on 15 December 2015, the share price has risen by EUR 12.20 or 348.6%.



The market capitalisation was over EUR 500 million as the share price remained stable. Due to the increased market value and the ongoing investor relations work, the Company continued to be visible on the capital markets and recorded increasing interest from institutional and retail investors. During the reporting period (3M) the share price reached a high of EUR 16.55³ and a low of EUR 14.75⁴.

¹ Closing prices Xetra.

² Closing price Xetra.

³ Variable price Xetra on 17 December 2020.

⁴ Opening and variable price Xetra on 28 October 2020.

Analyst coverage

Analysts have a positive view of the DKR share:

Bank	Price target in EUR	Rating	Analyst	Date
Berenberg Bank	20.00	Buy	Kai Klose	1 February 2021
ODDO BHF	18.80	Buy	Manuel Martin	21 December 2020
Jefferies	16,00	Hold	Thomas Rothausler/ Sebastian Link	11 September 2020

2. Business development

Consistent portfolio growth despite difficult market environment

By the end of the first quarter under review, the change of benefits and encumbrances of the properties acquired in Stendal, Zerbst and Schöneck with an investment volume of around EUR 14.9 million had taken place. Furthermore, revitalisation and modernisation measures amounting to EUR 5.2 million were carried out in the first quarter of the financial year, which were capitalised and mainly relate to the Rostock and Hohenmölsen revitalisation projects.

As a result, the DKR property portfolio recognised on 31 December 2020 comprises 164 properties with a total value of around EUR 831.6 million and a rental area of around 917,000 m².

Including the other notarised properties, DKR has already acquired a total of 11 retail properties with an investment volume of around EUR 73 million and an annual rent of EUR 6.9 million in the course of the financial year to date. Some of the changes of benefits and encumbrances already took place on 1 January 2021 and 1 February 2021 and are expected to continue until 1 March 2021.

This is offset by the sale of another retail property in Berlin-Pankow, which is expected to be disposed of in spring 2021.

Thus, the total portfolio (pro forma) of DKR currently comprises 172 retail properties with an annual rent of around EUR 69.2 million and a balance sheet value of around EUR 890 million.

Loan financing

On the debt side, new loans with savings banks and Volksbanks with a total volume of EUR 10.5 million were concluded and paid out in the first quarter of 2020/2021. The loans have terms of between five and ten years and bear interest rates of between 1.0% and 3.35% per annum.

The Company is in the process of further borrowing from various banks and savings banks, taking into account the target LTV of around 50%.

3. Development of asset, financial and earnings position

Net assets

The balance sheet total increased by TEUR 16,678 to TEUR 952,408 (30/09/2020: TEUR 935,730) due to the further portfolio growth and the cash inflows from borrowings. The main part of the assets are the investment properties, which are recognised at TEUR 831,562 as at 31 December 2020 (30/09/2020: TEUR 809,929).

The Company's equity increased by TEUR 8,082 to TEUR 398,747 in the first quarter of the 2020/2021 financial year (30/09/2020: TEUR 390,665) due to the current net profit for the period.

The EPRA NAV per share (undiluted) as of 31 December 2020 is as follows:

TEUR	31/12/2020	30/09/2020
Equity (TEUR)	398,747	390,665
Number of shares on the balance sheet date	35,155,938	35,155,938
EPRA NAV per share, EUR	11.34	11.11

Non-current and current financial liabilities to banks increased by a total of TEUR 5,328 to TEUR 345,600 (30/09/2020: TEUR 340,272). This resulted from new loans of TEUR 10,500, which were simultaneously offset by current loan repayments.

The borrowed funds were used for the acquisition of new retail properties.

Accordingly, the Net-LTV as of 31 December 2020 is as follows:

TEUR	31/12/2020	30/09/2020
Financial liabilities to banks	345,600	340,272
Convertible bonds	36,346	36,309
Corporate bonds	152,074	151,093
Total liabilities	534,020	527,674
minus cash and cash equivalents	-2,401	-209
minus fiduciary funds of property management	-667	-1,243
minus short-term lending	-80,561	-81,197
minus short-term interest-bearing investments	-14,593	-18,011
Net debt	435,797	427,014
Investment property	831,562	809,929
Properties held for sale	0	0
Prepayments for the acquisition of investment property	13,475	15,534
Total investment properties	845,037	825,462
Net-LTV	51.6%	51.7%

Financial position

The cash flow statement is as follows:

TEUR	Q1 2020/2021	Q1 2019/2020
Cash flow from operating activities	11,875	7,106
Cash flow from investment activities	-13,098	-55,951
Cash flow from financing activities	3,415	25,950
Cash changes in cash and cash equivalents	2,192	-22,895
Financial funds at the beginning of the period	209	25,639
Financial funds at the end of the period	2,401	2,744

The increase in cash flow from operating activities corresponds to the increase in the property management result due to the growth in the property portfolio.

Cash flow from investing activities reflects the cash outflows for the purchase of properties in the period under review. Furthermore, more short-term investments of available cash and cash equivalents were included here in the same period of the previous year.

The cash flow from financing activities mainly includes net cash inflows from borrowings in the amount of TEUR 10,500. This is offset by payments for repayments and interest totalling TEUR 7,085.

The Company was always able to meet its payment obligations.

Earnings position

The earnings position of Deutsche Konsum developed as follows in Q1 2020/2021:

TEUR	Q1 2020/2021	Q1 2019/2020
Rental income	10,774	8,460
Net proceeds from the disposal of properties	0	0
Other operating income	44	14
Valuation result	0	0
Operating expenses	-1,648	-1,178
EBIT	9,170	7,295
Financial result	-1,088	-901
EBT	8,082	6,394
Income taxes and other taxes	0	0
Net profit for the period	8,082	6,394

The rental income increased significantly due to the acquisition-related clearly enlarged real estate portfolio. As a result, pure rental income increased to around TEUR 16,172 (Q1 2019/2020: TEUR 12,239). Correspondingly, management expenses also increased. Compared to the same period of the previous year, the increase in the property management result was slightly disproportionately low, as the reporting period included expenses unrelated to the period under review from settlements with purchasers for purchased properties (TEUR 581).

Administrative costs increased overall, but include one-off effects of TEUR 126 (Q1 2019/2020: TEUR 198). Adjusted for special effects, administrative costs increased by approximately TEUR 148, mainly as a result of higher personnel expenses due to a larger number of employees.

The administrative expense ratio is as follows:

TEUR	Q1 2020/2021	Q1 2019/2020
Personnel expenses	-296	-248
Other operating expenses	-658	-628
Adjustment of one-time and special effects	126	198
Adjusted administrative expenses	-828	-679
Rental income	16,172	12,239
Administrative expense ratio	5.1%	5.5%

In summary, EBIT increased by TEUR 1,875 to TEUR 9,170.

Interest expenses increased by TEUR 945 compared to the previous year due to a higher level of borrowed capital. At the same time, interest income from the short-term interest-bearing investment of excess liquidity also increased by TEUR 758, resulting from the high level of available cash and cash equivalents. This results in a slight overall decrease in the financial result of TEUR -187 to TEUR -1,088 (Q1 2019/2020: TEUR -901).

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

Overall, this results in net income for the period of TEUR 8,082 (Q1 2019/2020: TEUR 6,394), from which FFO and aFFO derive as follows:

TEUR	Q1 2020/2021	Q1 2019/2020
Net profit for the period	8,082	6,394
Adjustment of income taxes	0	0
Adjustment of depreciation	3	0
Adjustment of valuation result	0	0
Adjustment of sales result	0	0
Adjustment of non-cash expenses/income	1,364	369
Adjustment of one-time effects	707	581
FFO	10,156	7,345
- Capex	-5,165	-3,827
aFFO	4,991	3,518

Non-cash expenses and income include the compounding of interest on debt instruments using the effective interest method as well as individual value adjustments on corona-related rent deferrals, which are still considered recoverable. The one-off effects contain non-recurring expenses and income, essentially expenses unrelated to the accounting period for expenses from purchaser settlements with former owners for acquired properties.

The capitalised maintenance costs (capex) mainly comprise value-enhancing modernisation and expansion measures at the properties in Hohenmölsen and Rostock.

This results in an FFO per share of EUR 0.29 (Q1 2019/2020: EUR 0.23) and an aFFO of EUR 0.14 per share (Q1 2019/2020: EUR 0.11).

4. Supplementary report

Further property additions and acquisitions

After the balance sheet date, the transfer of benefits and encumbrances of the acquired properties in Parchim (Mecklenburg-West Pomerania), Neu-Anspach (Hesse), Mölln (Schleswig-Holstein) and Wrestedt (Lower Saxony) took place on 1 January and 1 February 2021.

In addition, four further retail properties were acquired by notarial certification in November and December 2020. These include two discount food stores in Blankenstein (Thuringia) and Freital (Saxony) as well as a hypermarket in Zittau (Saxony) and an inner-city local retail centre in Northeim (Lower Saxony).

This means that the investment volume in the new business year already totals around EUR 73.1 million. The annualised rent for the acquired properties is around TEUR 6.9. The transfer of benefits and encumbrances for the notarised properties is expected to take place on 1 March 2021.

5. Risk situation

Through its business activities, DKR is exposed to operational and economic opportunities and risks. Please refer to the detailed presentation in the Management Report of the Annual Report 2019/2020 in the section "Opportunity and risk report".

In the opinion of the Management Board, the risk position has not materially changed or worsened since 1 October 2020.

6. Outlook and forecast

Steady growth despite pandemic

The new financial year 2020/2021 has so far been noticeably influenced by the COVID 19 pandemic, which, due to the stricter and more comprehensive second lockdown since mid-November 2020, has particularly affected smaller retail shops as well as chain stores without everyday goods, but also DIY stores. The extent to which this will affect the development of the DKR's business year cannot yet be estimated. Nevertheless, due to the current decline in the number of infections, the increasing availability of several vaccines and the start of broad-based vaccination campaigns, there is an expectation of a gradual normalisation of the environment.

In this respect, DKR's operational focus in the 2020/2021 financial year will continue to be on efficient property management, the revitalisation of properties and the acquisition of further retail properties in accordance with the investment criteria. Here, the investment focus is particularly on properties with system-relevant and non-cyclical tenants as well as the best possible micro-locations. On the financing side, the investments will continue to be backed by new loans in line with the market and capital measures on a moderate scale. The aim is to achieve an LTV of around 50%.

FFO earnings forecast confirmed

Assuming further consistent growth through acquisitions in the current environment and no further serious negative effects from the Corona pandemic, the Management Board expects to achieve an increase in rental income to EUR 70 million to EUR 74 million and a corresponding significant increase in FFO on the basis of the current planning for the 2020/2021 financial year.

**Interim financial statements for the period from
1 October to 31 December 2020
of the 2020/2021 financial year**

Deutsche Konsum REIT-AG, Broderstorf
Balance sheet as at 31/12/2020

TEUR	<u>31.12.2020</u>	<u>30.09.2020</u>
Assets		
Non-current assets		
Investment properties	831,562.0	809,928.6
Intangible assets	0.0	0.1
Tangible assets	11.5	14.3
Other non-current financial assets	742.7	4,392.9
Other non-current assets	13,474.5	15,533.7
	845,790.7	829,869.7
Current assets		
Trade and other receivables	1,856.9	2,642.2
Other current assets	102,358.8	96,339.8
Cash and cash equivalents	2,401.4	209.1
	106,617.1	99,191.1
Non-current assets held for sale	0.0	6,669.3
TOTAL ASSETS	<u>952,407.8</u>	<u>935,730.1</u>
Equity and liabilities		
Equity		
Issued share capital	35,155.9	35,155.9
Capital reserve	197,141.6	197,141.6
Other reserves	723.4	723.4
Retained earnings	165,725.7	157,643.6
	398,746.6	390,664.5
Non-current liabilities		
Financial liabilities	324,545.2	319,377.8
Convertible bonds	36,345.6	36,308.6
Corporate bonds	152,074.4	151,092.9
Other provisions	3.5	3.5
Other non-current liabilities	9,571.8	9,574.1
	522,540.6	516,356.8
Current liabilities		
Financial liabilities	21,054.7	20,894.6
Other provisions	1,652.5	2,102.2
Trade payables	6,378.3	3,686.5
Other current liabilities	2,035.2	2,025.4
	31,120.6	28,708.7
TOTAL EQUITY AND LIABILITIES	<u>952,407.8</u>	<u>935,730.1</u>

Deutsche Konsum REIT-AG, Broderstorf
Statement of comprehensive income

TEUR	01.10.2020- 31.12.2020	01.10.2019- 31.12.2019
Rental income	16,172.1	12,238.9
Income from recharged operating costs	2,504.4	2,478.8
Operating expenses	-7,902.6	-6,258.0
Net rental income	10,773.9	8,459.7
Proceeds from disposal of properties	0.0	0.0
Expenses on the sale of properties	0.0	0.0
Net proceeds from the disposal of properties	0.0	0.0
Other income	44.0	13.7
Gains/losses from the revaluation of investment properties	0.0	0.0
Subtotal	10,817.8	8,473.4
Personnel expenses	-295.9	-248.4
Amortisation of intangible assets, depreciation of property, plant and equipment	-3.0	-0.5
Impairment loss of inventories and receivables	-691.6	-300.8
Other operating expenses	-657.6	-628.8
Operating expenses	-1,648.2	-1,178.4
EBIT	9,169.7	7,295.0
Interest income	1,840.9	1,083.0
Interest expense	-2,928.5	-1,983.7
Net finance costs	-1,087.6	-900.7
EBT	8,082.1	6,394.3
Income tax	0.0	0.0
Other tax	0.0	0.0
Net income	8,082.1	6,394.3
Earnings per share (in EUR)		
Undiluted result per share	0.23	0.20
Diluted result per share	0.17	0.14
Total comprehensive income		

Net profit for the year as per income statement	8,082.1	6,394.3
Items reclassified to profit or loss		
Impairment of acquired loans	11.3	225.6
Change in fair value of acquired loans	-11.3	-225.6
Fair value change on acquired loans reclassified to profit or loss	0.0	0.0
Subtotal	<u>0.0</u>	<u>0.0</u>
Total other comprehensive income	<u>0.0</u>	<u>0.0</u>
Total comprehensive income	<u>8,082.1</u>	<u>6,394.3</u>

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

TEUR	<u>Issued share capital</u>	<u>Capital re-serve</u>	<u>Other reserves</u>	<u>OCI</u>	<u>Retained earnings</u>	<u>Total equity</u>
As at 01/10/2019	31,959.9	150,023.0	723.4	0.0	134,655.8	317,362.2
Period result					6,394.3	6,394.3
Other comprehensive income						0.0
Cash capital increase/ - reduction						0.0
Costs of capital measures		-4.8				-4.8
As at 31/12/2019	31,959.9	150,018.3	723.4	0.0	141,050.1	323,751.7
As at 01/10/2020	35,155.9	197,141.6	723.4	0.0	157,643.6	390,664.5
Period result					8,082.1	8,082.1
Cash capital increase/ -reduction						0.0
Costs of capital measures						0.0
As at 31/12/2020	35,155.9	197,141.6	723.4	0.0	165,725.7	398,746.6

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

Information in TEUR	01.10.2020- 31.12.2020	01.10.2019- 31.12.2019
Period result	8,082.1	6,394.3
+/- Interest expense/interest income	1,087.6	900.7
+/- Depreciation, amortisation and write-down/reversals of intangible assets, tangible assets and financial assets	3.0	0.5
+ Impairments on inventories and receivables	691.6	300.8
-/+ Gain/loss on disposal of investment properties	0.0	0.0
-/+ Gain/loss on disposal of fixed assets	0.0	2.2
+/- Increase/decrease in provisions	-449.8	-670.9
-/+ Increase/decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	281.8	-715.5
+/- Increase/decrease in trade payables and other liabilities not attributable to investing or financing activities	2,178.6	893.9
Cash flow from operating activities	11,874.9	7,106.1
+ Cash receipts relating to disposals of investment properties	0.0	0.0
- Cash payments related to property investments	-18,294.5	-16,292.2
+ Cash receipts from the investment of cash funds for short-term cash management	5,895.5	2,663.0
- Cash payments related to short-term cash investments	-1,000.0	-42,656.8
+ Interest received	300.9	334.7
Cash flow from investing activities	-13,098.1	-55,951.2
- Costs related to capital increases	0.0	-4.8
+ Proceeds from borrowings	10,500.0	29,500.0
- Cash payments related to the issue of borrowings	0.0	-8.5
- Amortisation of loans	-5,251.5	-2,243.5
- Interest paid	-1,833.1	-1,293.4
Cash flow from financing activities	3,415.4	25,949.8
Change in cash and cash equivalents	2,192.3	-22,895.3
Cash and cash equivalents at the beginning of the period	209.1	25,639.3
Cash and cash equivalents at the end of the period	2,401.4	2,744.0

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 more than 987,000 m² and an annualised yearly rental income of EUR 69 million distributed over 172 properties. The portfolio is currently accounted at approximately EUR 890 million.

Deutsche Konsum REIT-AG share

As at	9 February 2021
ISIN	DE000A14KRD3
WKN	A14KRD3
Ticker symbol	DKG
Initial offering	15/12/2015
Number of shares	35,155,938
Share capital	EUR 35,155,938.00
Trading locations	XETRA, Frankfurt and Berlin
Market segment	Prime Standard
Share price (closing price Xetra on 9 February 2021)	EUR 15.60
Market capitalisation	more than EUR 500 million
52W – high/low (Xetra)	EUR 19.25/12.80

Financial calendar

11 February 2021	Publication of the quarterly statement for the first quarter of 2020/2021 financial year
25 February 2021	ODDO SEYDLER Digital Small & Mid Cap Conference 2021 (virtual event)
11 March 2021	Annual General Meeting (virtual event)
26 March 2021	Commerzbank German Real Estate Forum 2021 (virtual event)
30 March to 1 April 2021	Jefferies Pan-European Mid-Cap Virtual Conference (virtual event)
12 May 2021	Publication of the half-yearly financial report of 2020/2021 financial year
10. and 11. June 2021	M.M. Warburg Highlights, Hamburg
12 August 2021	Publication of the quarterly statement for the third quarter of 2020/2021 financial year
20 September 2021	Berenberg and Goldman Sachs Tenth German Corporate Conference, Unterschleißheim
21 September 2021	Baader Investment Conference, Munich
16 December 2021	Publication of the final annual statements/annual financial report for the financial year 2020/2021

Publisher

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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.

