



Deutsche Konsum REIT-AG

Interim financial report of the first quarter of 2016/2017 fiscal year

1 October to 31 December 2016

Highlights

Income statement	1. October – 31. December 2016	1. October – 31. December 2015	Variance	%
(in kEUR)				
Rental income	4,295	2,438	1,857	76.1
Net operating income	3,502	1,798	1,704	94.8
Financial result	-1,164	-807	-357	44.3
Net income	3,202	1,122	2,080	>100
FFO	2,194	1,044	1,151	>100
FFO per share (in EUR)	0.12	0.06	0.06	97.5
aFFO	2,194	922	1,272	>100
aFFO per share (in EUR)	0.12	0.06	0.06	97.5
Earnings per share, undiluted (in EUR)	0.17	0.07	0.10	>100
Earnings per share, diluted (in EUR)	0.11	0.05	0.06	>100
Recurring costs ratio, %	5.2	5.8	-0.6	-9.4
Balance sheet key figures	31. December 2016	30. September 2016	Variance	%
(in kEUR)				
Investment properties	166,152	147,823	18,329	12.4
Total assets	187,978	174,459	13,518	7.7
Equity	82,233	79,031	3,202	4.1
Total debt	100,448	90,397	10,051	11.1
(net) Loan-to-Value (LTV), %	53.8	49.3	4.5	9.1
Average interest rate of loans, %	2.58	2.58	0.0	0.0
Average interest rate of loans and convertible bonds, %	3.34	3.34	0.0	0.0
Average remaining duration of loans, years	3.2	3.4	-0.3	-7.3
EPRA NAV	82,233	79,031	3,202	4.1
EPRA NAV per share (in EUR) ¹	4.09	3.52	0.57	16.2
REIT metrics				
REIT equity ratio	49.5	53.5	-4.0	-7.4

¹ Calculation of EPRA NAV per share as at 30. September 2016 excluded the mandatory convertible bond

	31. Decem- ber 2016	30. Septem- ber 2016	Variance	%
Share information				
Shares issued	20,107,003	18,447,003	1,660,000	9.0
Market cap	168,697,755	170,450,308	1,752,553	-1.0
Share price	8.39	9.24	-0.85	-9.2
Portfolio key figures				
Number of assets	44	40	4	10.0
Rental space (sqm)	215,959	189,463	26,496	14.0
Annualized rent, kEUR	17,191	14,382	2,809	19.5
Net initial yield, %	10.0	10.0	0.0	0.0
Vacancy rate, %	13.0	12.0	1.0	8.3
WALT, years	4.4	4.5	-0.1	-2.2

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1. Interim financial statement for the period 1 October to 31 December 2016

The following interim financial statement by Deutsche Konsum REIT-AG (hereinafter also referred to as "Deutsche Konsum" or "the company") describes the main business trends as well as the net asset, funding and earnings performance for the first three months of the 2016/2017 financial year ("Q1 2016/2017"). The interim report was prepared in accordance with the IFRS, as applied in the EU. The interim report has not been audited.

2. Business performance

Portfoliotransaktionen

In October 2016, the benefits and encumbrances for four acquired retail properties in Krakow am See, Franzburg, Verden and Ueckermünde were transferred.

Furthermore, a further nine retail properties were recorded, and the benefits and encumbrances thereof are to be transferred to Deutsche Konsum in the second quarter of the financial year. The company accordingly paid the purchase price for these in the amount of EUR 18.917 million to the notary accounts.

Mandatory convertible bond converted

The creditor exercised their right of conversion to the mandatory convertible bond on 27 December 2016. This resulted in an increase in the number of shares issued, by 1,660,000 shares to 20,107,003 shares.

Funding

At the beginning of December 2016, three long-term loan agreements were concluded with Berliner Sparkasse and Volksbank Mittweida, for a total amount of EUR 10.85 million. The interest rates are between 2.08% and 2.65% p.a., and the maturities are between seven and 20 years. The payment was made in January 2017. The loans will be used to finance acquired properties in Berlin, Rüdersdorf, Ludwigsfelde, Warin and Wernigerode.

3. Net assets, funding and earnings

Net assets

As of 31 December 2016, the real estate portfolio of Deutsche Konsum comprised 44 retail trade properties with a book value of EUR 166.152 million (30 September 2016: EUR 147.823 million). The increase is due to the addition of four properties as well as valuation gains in the first quarter of 2016.

The company's share capital increased due to the exercise of the mandatory convertible bond by the creditor, by EUR 1,660,000 to EUR 20,107,003. Furthermore, the equity capital as well as the EPRA NAV increased due to the positive quarterly results, by EUR 3.202 million to EUR 82.233 million or EUR 4.09 per share respectively.

The short-term and long-term funding liabilities have essentially increased due to the use of a credit line for purchasing funding, to a total of EUR 100.448 million.

Financial condition

Due to the depositing of the purchase price for the acquired properties, cash and cash equivalents have reduced by EUR 9.422 million to EUR 912,000.

In particular, the decrease in the cash and cash equivalents is a result of the increase in operating cash flow to EUR 2.797 million (Q1 2015/2016: EUR -3.007 million) from the larger property portfolio, and at the same time, the higher cash outflow from the investment activities of EUR -21.115 million (Q1 2015/2016: EUR -12.753 million) for the subsequent further acquisitions. At the same time, there was a reduction in cash inflow compared to the previous year due to funding activities of EUR 8.896 million resulting from lower borrowings (Q1 2015/2016: EUR 12.679 million).

Net LTV has increased to 53.8% due to the short-term use of a credit line (30 September 2016: 49.3%).

Earnings position

The growth of the property portfolio led to an increase in rental income compared to the same period for the preceding year, by EUR 1.857 million or 76.1%, to EUR 4.295 million. As a result, the rental results also increased, by EUR 1.704 million or 94.8%, to EUR 3.502 million.

Furthermore, the portfolio valuation produced an unrealised valuation result of EUR 1.475 million (Q1 2015/2016: EUR -386,000).

Operating expenses doubled compared to the previous year, by EUR 273,000 to EUR 563,000, as a result of one-off costs connected with an increase in authorised capital in February 2017. Adjusted for one-off costs, compared to Q1 2015/2016, this only increased by EUR 84,000 or 59.6% to EUR 224,000. In relation to rental results, ongoing operational expenses dropped from 5.8% to 5.2%.

The financial result dropped as a result of the higher loan balance, by EUR 357,000 to EUR 1.164 million (Q1 2015/2016: EUR 807,000).

Overall, the FFO/aFFO amounted to EUR 2,194 million or EUR 0.12 per share for Q1 2016/2017 (Q1 2015/2016: FFO EUR 1,044,000 or EUR 0.06 and aFFO EUR 922,000 or EUR 0.06 per share)².

² No activation measures were taken in Q1 2016/2017

4. Events after the closing date

On 6 February 2017, Deutsche Konsum announced an increase in cash capital with subscription rights for EUR 8.50 per share and successfully completed this with an entry into the Commercial Register on 27 February 2017. As a result, the company's share capital increased by EUR 4,653,282,00 to EUR 24,760,285,00. The number of no-par value shares in circulation thus amounted to 24,760,285 shares. Due to the cash capital increase, the company has accrued net proceeds of EUR 37,9 million, which will be used to fund further acquisitions.

Furthermore, the transfer of benefits and encumbrances for the first eight of the nine properties registered in the first quarter had been completed by the end of February 2017.

5. Outlook

The first quarter of the 2016/2017 financial year was as expected positive, and was highlighted by further portfolio acquisitions. A further increase in the intra-year FFO is expected to occur due to the expected transfers of benefits and encumbrances in the second quarter of the acquisitions completed in the first quarter. This also takes into account a personnel-related increase in operating expenses for the establishment of and expansion of corporate structures and processes, as part of which personnel adjustments will occur within a planned framework.

In this respect, the Board of Directors confirms its expectation that an FFO per share of EUR 0,57 per share and an aFFO of EUR 0,46 per share will be achieved in the FY 2016/2017.

6. Risk assessment

There has been no significant change in the risk assessment in accordance with the estimates of the Board of Directors during the elapsed first quarter of 2016/2017. Please refer to the risk report for financial year 2015/2016 for further details.

**Interim financial report of the first quarter of 2016/2017 fiscal year
1 October to 31 December 2016**

Deutsche Konsum REIT-AG, Broderstorf
Balance sheet as at 31.12.2016

kEUR	<u>31.12.2016</u>	<u>30.09.2016</u>
Assets		
Non-current assets		
Investment properties	166,151.7	147,822.5
Intangible assets	3.5	3.8
Other non-current assets	18,917.1	14,656.3
	185,072.4	162,482.6
Current assets		
Trade and other receivables	273.6	233.7
Tax assets	115.4	115.4
Other current assets	1,604.0	1,292.9
Cash and cash equivalents	912.3	10,334.6
	2,905.2	11,976.6
Total assets	<u>187,977.7</u>	<u>174,459.2</u>
Equity and liabilities		
Equity		
Issued share capital	20,107.0	18,447.0
Capital reserve	44,126.9	45,786.9
Other reserves	855.7	855.7
Retained earnings	17,143.5	13,941.7
	82,233.1	79,031.3
Non-current liabilities		
Financial liabilities	10,592.3	22,645.1
Convertible bonds	35,143.7	35,015.1
Other provisions	3.5	3.5
Other non-current liabilities	3,485.6	3,472.2
	49,225.1	61,135.9
Current liabilities		
Financial liabilities	30,835.5	19,286.4
Liabilities to other creditors	23,876.6	13,450.8
Other provisions	989.4	829.7
Trade payables	486.6	436.1
Other current liabilities	331.4	289.0
	56,519.5	34,292.0
Total equity and liabilities	<u>187,977.7</u>	<u>174,459.2</u>

Deutsche Konsum REIT-AG, Broderstorf
Statement of comprehensive income

kEUR	<u>01.10.2016- 31.12.2016</u>	<u>01.10.2015- 31.12.2015</u>
Rental income	4,295.2	2,438.4
Operating expenses	-793.7	-640.7
Net rental income	3,501.5	1,797.7
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	30.3	0.0
Unrealized gain/loss from the revaluation of investment properties	1,474.6	-385.9
Subtotal	5,006.4	1,411.8
Personell expenses	-16.6	-14.3
Amortisation of intangible assets, depreciation of property, plant and equipment	-0.2	0.0
Impairment loss of inventories and receivables	-77.3	-52.9
Other operating expenses	-546.2	-275.7
Operating expenses	-640.3	-342.9
EBIT	4,366.1	1,068.9
Interest income	0.0	51.0
Interest expense	-1,164.3	-858.1
Net finance costs	-1,164.3	-807.1
EBT	3,201.8	261.8
Income tax	0.0	860.5
Other tax	0.0	0.0
Net income	3,201.8	1,122.3
Total comprehensive income	3,201.8	1,122.3
Earnings per share (in EUR)		
Undiluted result per share	0.17	0.07
Diluted result per share	0.11	0.05

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>Retained earnings</u>	<u>Total equity</u>
As at Oct 1, 2015	110.2	29,806.7	855.7	-8,047.2	22,725.4
Period result	0.0	0.0	0.0	1,122.3	1,122.3
Contribution in kind	14,981.1	-14,981.1	0.0	0.0	0.0
Issuance of convertible bonds	0.0	811.1	0.0	0.0	811.1
As at Dec 31, 2015	15,091.3	15,636.7	855.7	-6,924.9	24,658.8
As at Oct 1, 2016	18,447.0	45,786.9	855.7	13,941.7	79,031.3
Period result	0.0	0.0	0.0	3,201.8	3,201.8
Capital increase from conversion of man- datory bond	1,660.0	-1,660.0	0.0	0.0	0.0
As at Dec 31, 2016	20,107.0	44,126.9	855.7	17,143.5	82,233.1

Deutsche Konsum REIT-AG, Broderstorf
Cash flow statement

Information in kEUR	01.10.2016- 31.12.2016	01.10.2015- 31.12.2015
Period result	3,201.8	1,122.3
+/- Interest expense/interest income	1,164.2	807.1
Depreciation, amortisation and write-down/ reversals of intangible assets, tangible assets and financial as- +/- sets	0.2	0.0
Increase/decrease in inventories, trade receivables and other assets not attributable to investing or finan- + cing activities	77.3	52.9
Gains / Losses from the revaluation of investment -/+ properties	-1,474.6	385.9
+/- Increase / decrease in provisions	159.6	-322.5
+/- Deferred tax expenses / income	0.0	-860.5
- Income taxes paid	0.0	-6.3
Increase/decrease in inventories, trade receivables and other assets not attributable to investing or finan- -/+ cing activities	-431.4	455.1
Increase/decrease in trade payables and other liabili- +/- ties not attributable to investing or financing activities	99.6	-4,640.9
Cash flow from operating activities	2,796.7	-3,006.9
- Cash payments related to property investments	-21,115.4	-9,737.3
- Cash payments related to other investments in intan- - gible and tangible assets	0.0	-4.5
- Cash payments related to short-term cash invest- - ments	0.0	-3,011.0
Cash flow from investing activities	-21,115.4	-12,752.8
+ Proceeds from borrowings	10,170.0	17,328.0
- Amortization of loans	-555.4	-3,819.2
- Interest paid	-718.2	-830.2
Cash flow from financing activities	8,896.4	12,678.6
Change in cash and cash equivalents	-9,422.3	-3,081.1
Cash and cash equivalents at the beginning of the period	10,334.6	4,350.3
Cash and cash equivalents at the end of the period	912.3	1,269.2

About Deutsche Konsum REIT-AG

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

At the time that this interim financial statement was published, the company's retail trade portfolio had a rentable surface area of approximately 245,000 sqm, and an annualised yearly rental income of EUR 19,1 million distributed over 53 properties. The portfolio is currently valued at approximately EUR 190 million.

Deutsche Konsum REIT-AG shares:

Stand	27. Februar 2017
ISIN	DE000A14KRD3
WKN	A14KRD3
Stock exchange code	DKG
Initial offering	15.12.2015
Number of shares	24,760,285
Share capital	EUR 24,760,285.00
Trading locations	XETRA, Frankfurt und Berlin
Market segment	Prime Standard
Share price	EUR 8.66
Market capitalisation	EUR 214 Mio.
52W – high/low	EUR 9.27 / 6.02

Publisher

The Board of Directors of Deutsche Konsum REIT-AG

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Disclaimer

This interim financial statement contains future-oriented statements. These are based on current estimates and are therefore subject to risk and uncertainty. In this respect, events which actually occur may deviate from the statements formulated herein.

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