



Deutsche Konsum REIT-AG

Interim financial report of the first half-year of 2016/2017 fiscal year

1 October 2016 to 31 March 2017

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Letter to our shareholders

Dear shareholders,

Dear Sirs and Mesdames

The first half of the current 2016/2017 fiscal year proved very positive for Deutsche Konsum REIT–AG. The real estate portfolio prepared for the balance sheet as of 31 March 2017 includes 52 retail properties with an annualised total rent of around EUR 18.4 million. For the first half-year, profits amounted to EUR 5.6 million, the rental income increased, compared with the same period of last year, from EUR 5.1 million to EUR 8.9 million. This resulted in an FFO of EUR 4.5 million and a aFFO (after investment expenses and maintenance) of EUR 3.6 million. The LTV was around 36% and the EPRA NAV amounted to EUR 4.96 per share.

In addition to the strong operating performance, the successful capital increase at the end of February had the effect of increasing equity capital.

The stable development in the price of our share in a volatile overall environment confirms the acceptance of our share and the potential of our business model. The market capitalisation has now risen to substantially over EUR 200 million, due to which the company is attracting increasing interest from institutional investors. In order to take into account the increased size of the company, we have applied for the listing of the share in the Prime Standard of the Frankfurt Stock Exchange. Accordingly, the share has been listed in the highest quality segment of the German Stock Exchange since March 2017.

In recent weeks, we were able to announce purchases of an additional nine retail properties with an approximate investment volume of roughly EUR 49 million. After the transfer of ownership of these real estate properties, the complete portfolio includes 62 objects and will generate an annualised rent of around EUR 24.5 million.

Based on the very positive half-year results and recently announced property purchases we confirm our forecast and expect a FFO in the range between 10 and 11 mEUR (aFFO between 8 and 9 mEUR) for the fiscal year 2016/2017. On annualized basis our current portfolio (pro forma based on 62 properties) generates a FFO in the range between 13 and 14 Mio. EUR (between 0,53 EUR and 0,57 EUR per share after last capital increase). Taking into account our current firepower of around 50 mEUR for further investments, the FFO would be significantly higher than 0,60 EUR per share.

We would like to thank you for your trust in our sustainable growth path and look forward to a successful future.

With kind regards,



Rolf Elgeti

Chairman of the Board

Highlights

	1. October 2016 – 31. March 2017	1. October 2015 – 31. March 2016	Variance	%
Income statement				
(in kEUR)				
Rental income	8,861	5,073	3,787	74.7
Net operating income	6,857	3,773	3,084	81.7
Financial result	-2,245	-1,545	-700	-45.3
Net income	5,576	1,219	4,357	>100
FFO	4,474	2,542	1,932	76.0
FFO per share (in EUR)	0.22	0.20	0.02	10.0
aFFO	3,600	2,001	1,599	79.9
aFFO per share (in EUR)	0.18	0.06	0.12	>100
Earnings per share, undiluted (in EUR)	0.28	0.10	0.18	>100
Earnings per share, diluted (in EUR)	0.19	0.08	0.11	>100
Recurring costs ratio, %	6.3	8.4	-2.1	-25.1

	31. March 2017	30. Sep- tember 2016	Variance	%
Balance sheet key figures				
(in kEUR)				
Investment properties	188,399	147,823	40,576	27.4
Total assets	213,129	174,459	38,670	22.2
Equity	122,915	79,031	43,884	55.5
Total debt	85,665	90,397	-4,732	-5.2
(net) Loan-to-Value (LTV), %	36.1	49.3	-13.2	-26.8
Average interest rate of loans, %	2.55	2.58	-0.03	-1.2
Average interest rate of loans and convertible bonds, %	3.24	3.34	-0.10	-3.0
Average remaining duration of loans, years	5.2	3.4	1.8	51.2
EPRA NAV	122,915	79,031	43,884	55.5
EPRA NAV per share (in EUR)	4.96	3.52	1.44	41.1

	31. March 2017	30. Sep- tember 2016	Variance	%
REIT metrics				
REIT equity ratio	65.2	53.5	11.8	22.0
Share information				
Shares issued	24,760,285	18,447,003	6,313,282	34.2
Market cap	212,443,245	170,450,308	41,992,938	24.6
Share price	8.58	9.24	-0.66	-7.1
Portfolio key figures				
Number of assets	52	40	12	>100
Rental space (sqm)	247,833	189,463	58,370	81.1
Annualized rent, kEUR	18,435	14,382	4,053	23.6
Net initial yield, %	9.8	-10.0	0.2	-2.1
Vacancy rate, %	12.9	12.0	0.9	6.9
WALT, years	4.6	-4.5	0.1	1.6

Interim management report for the first half of the 2016/2017 fiscal year

1. Deutsche Konsum REIT-AG

Deutsche Konsum REIT-AG, based in Broderstorf and hereinafter referred to as "Deutsche Konsum" or "DKR", is a listed real estate company focusing on retail properties for goods required for daily use in established micro-locations. The focus of the company's activities is on the management and development of real estate with the aim of achieving a steady increase in value and the realisation of hidden reserves. Due to its REIT status, the company is exempt from corporation and trade tax.

2. Financial development and share

2.1. Financial development

Overall financial position

Despite the increased political uncertainty, the global economy consolidated in 2016 and had grown once again at the beginning of this year. According to an economic report published in March 2017 by the Kiel Institute for the World Economy (IfW), the increase in global production by 3.1% in 2016 to 3.5% is likely to increase this year¹.

Germany's economic situation in 2016 was also characterised by solid and increasing economic growth. The study published by the IfW forecasts that the robust upwards development will continue. The growth in GDP is likely to equal 1.7% in 2017 and 2.0% in 2018. The driving forces here is not just consumption however, but also exports and investments.

Due primarily to the increase in energy prices and the phasing-out of public spending on refugees, the growth in consumption of 1.6% is not so strong as in previous years. Exports, on the other hand, will increase substantially by 3.7% in 2017 and almost 5% in 2018. Investment is also gaining in momentum, and investment in construction is rising substantially (in 2017 it could rise by almost 2% and 2018 by more than 4%)².

¹ Source: "Konjunkturprognose: Aufschwung in Deutschland auf breiter Basis" ["Economic Forecast: Broad Upturn in Germany], www.ifw-kiel.de, 06.04.2017

² Sources: "Deutsche Wirtschaft im Jahr 2016 weiter auf Wachstumskurs" [German Economy Still on the Growth Path in 2016], Destatis, press release dated 12 January 2017; "Economic Forecast: Aufschwung in Deutschland auf breiter Basis" ["Economic Forecast: Broad Upturn in Germany], www.ifw-kiel.de, 06.04.2017

German real estate industry increasingly focusing on retail properties

Germany continues to be attractive as a real estate location and investment market for both residential and commercial real estate. In 2016, the total transaction volume was EUR 66 billion, still substantially above the average value of the last eleven years. With a figure of EUR 53 billion in the commercial segment alone, the strong upward trend is unbroken.³

The first quarter of 2017 also saw high inflows of investments into German commercial real estate. The transaction volume in the first three months is estimated to be between EUR 12.2 and 12.7 billion. Particularly in demand were offices and retail properties such as retail stores and shopping centres. All the brokerage houses (JLL, CBRE, BNPPRE and Colliers International) anticipate that the strong demand will continue for the rest of the current year. It is expected that the investments of the previous year of around 50 billion will be exceeded. It continues to be the case that the investments are primarily made by German investors. The proportion of international participants in the transaction volume is around 40%.

For the current year, JLL forecasts a continuation of the trend of the first three months. Although the number of transactions could decrease due to supply shortages, especially in the TOP 7 cities, substantially higher prices will be asked⁴.

2.2. Share

Price development

The share for Deutsche Konsum REIT-AG was listed at the end of the reporting period on 31.03.2017 at a price of EUR 8.58 and exhibited stable development within the first six months of the year compared with the listing of EUR 9.13 on 04.10.2016. An annual comparison reveals a clear price increase from EUR 6.27 on 01.04.2016 by +37 percentage points.



³ Source: "Trendbarometer Immobilien-Investmentmarkt 2017" [Trend Barometer - 2017 Real Estate Investment Market], EY, January 2017

⁴ Source: "Gewerblicher Wohninvestmentmarkt mit bemerkenswerter Entwicklung im ersten Quartal" [Commercial Residential Investment Market Shows Notable Development in the First Quarter"], JLL, press release dated 05.04.2017

Successful capital stock increase

Within the past year, the capital stock and the number of shares have changed drastically due to a capital increase and the issue of a convertible bond. At the start of October 2016, the number of shares and the capital stock amounted to 18,447,003. After the conversion of a bond into shares in December 2016 (+1,660,000 ordinary shares) and a successful placing of a capital increase (+4,653,282 ordinary shares) in February 2017, the number of shares and capital stock currently equals 24,760,285. This corresponds with capital stock equalling a total of EUR 24,760,285.

The free float (according to the definition of the German Stock Exchange including institutional investors) was approx. 69% on the reporting date of 31 March 2017. The market capitalisation equalled EUR 212.4 million on 31 March 2017 and has increased by approximately 25% due to the rise in the number of shares and the good price performance compared with the previous reporting period to the end of September 2016. The average traded daily volume in the last six months was around 7,300 shares.

The shareholder structure is characterised by national and international institutional investors with a primarily long-term investment strategy.

DKR share listed in Prime Standard since March 2017

In order to take account of the increased size of the company, Deutsche Konsum REIT-AG applied for the admission of all shares to the regulated market of the Frankfurt Stock Exchange (Prime Standard) and has been listed in this quality segment of the German Stock Exchange since 3 March 2017. The share will be traded on all the usual German stock exchanges.

2.3. Business performance

Continued portfolio growth

In the first six months of 2016/2017, the benefits and encumbrances for 12 acquired retail properties were exchanged. Accordingly, the balance sheet total for the real estate portfolio on 31 March 2017 was TEUR 188,399. A further property purchase in Bergen (Lower Saxony) with the exchange of benefits and encumbrances on 1 April 2017 has been transferred to the real estate portfolio of Deutsche Konsum.

Successful capital measures and entry into Prime Standard

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

Furthermore, 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 in 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.

In the course of the capital increase, the company was accepted into the Prime Standard of the German Stock Exchange (the most prestigious German stock market segment) on 3 March.

New loan financing

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. A partial payment of TEUR 9,650 was made in January 2017. The purpose of the loans is to finance the properties in Berlin, Rüdersdorf, Ludwigsfelde, Warin and Wernigerode that are already in the company's portfolio.

In addition, on 29 March 2017 a loan agreement with Berliner Sparkasse was concluded for a total volume of TEUR 21,000. The loan carried a 1.9% p.a. fixed interest rate and will run for a term of five years. Partial utilisation is expected to take place in the third business quarter.

In addition, the company is currently in further financing talks regarding taking out further loans and the extension of existing loan agreements.

Annual General Meeting on 9 March 2017

DKR's Annual General Meeting was held in Berlin on 9 March 2017. All the proposed resolutions were adopted with the required majority. After the resolutions, the available approved capital was now EUR 12,380,142.00 (Approved capital 2017). The Approved capital for 2016 was cancelled.

In addition, a resolution was adopted for new Authorised but unissued capital for the issue of bonds amounting to a total nominal value of EUR 150,000,000 (Authorised but unissued capital I).

In addition, the remaining Authorised but unissued capital for the granting of shares from the existing conversion bonds was now increased to EUR 2,380,142.00 (Authorised but unissued capital II).

New business address

Due to the growth of the company, the company moved to new business premises in March 2017. The new business address is August-Bebel-Str. 68, 14482 Potsdam.

3. Net assets, funding and earnings performance trends

Net assets

The balance sheet total increased by TEUR 38,670 to TEUR 213,129 (30.09.2016: TEUR 174,459). This was primarily the result of the expansion of the property portfolio with further acquisitions. Accordingly, the balance sheet values for the investment properties increased by TEUR 40,576 to the current figure of TEUR 188,399 as of 31 March 2017 (30.09.2016: TEUR 147,823).

The company's equity capital increased in H1 by TEUR 43,884 to TEUR 122,915 (30.09.2016: TEUR 79,031), which was primarily the result of the cash capital increased on 27 February 2017. From this, Deutsche Konsum generated net proceeds of TEUR 38,308, which was reflected in equity capital. Additionally the positive half-year result of TEUR 5,576 contributed to the equity increase.

The increase in equity capital also included an increase in EPRA NAV (undiluted):

TEUR	31.03.2017	30.09.2016 ⁵
Equity capital (TEUR)	122,915	64,921
Number of shares on the balance sheet date	24,760,285	18,447,003
EPRA (NAV) per share, EUR	4.96	3.52

The long-term and short-term financial liabilities to banks have increased to TEUR 50,390 due to the taking out of loans (30.09.2016: TEUR 41,932). In contrast, the financial liabilities to other lenders were fully reclaimed on the reporting date (30.09.2016: TEUR 13,451). This resulted overall in a reduction of total liabilities as of the balance sheet date.

Accordingly, the net LTV as of 31 March 2017 is as follows:

TEUR	31.03.2017	30.09.2016
Financial liabilities to other banks	50,390	41,932
Conversion bonds	35,274	35,015
Financial liabilities to other lenders	0	13,451
Total liabilities	85,665	90,397
less cash and cash equivalents	-15,350	-10,335
Net debt	70,315	80,063
Real estate held as financial investments	188,399	147,823
Advance payments for the acquisition of real estate held as financial investments	6,592	14,656
Total for investment properties	194,991	162,479
Net LTV	36.1%	49.3%

Financial position

The cash flow statement is as follows:

TEUR	H1 2016/2017	H1 2015/2016
Cash flow from operating business activities	4,734	-1,373
Cash flow from investment activities	-31,037	-21,968
Cash flow from financing activities	31,318	24,494
Changes in financial resources affecting payments	5,015	1,153
Financial resources at the start of the period	10,335	4,350
Financial resources at the end of the period	15,350	5,503

The increase in the cash flow from ongoing business operations corresponds with the increase in the operating results due to the growth in real estate.

The cash flow from investment activities reflects the payments for acquisition properties in the first quarter.

⁵ Calculation before conversion of the mandatory convertible bond on 27.12.2016

The cash flow from financing activities includes essentially the net cash inflows from the cash capital increase in February 2017 in the amount of TEUR 38,308 as well as loans taken out in the amount of TEUR 9,650. This is offset by repayments and interests of TEUR 16,507.

The company was always able to meet its payment obligations.

Earnings position

The earnings position for Deutsche Konsum has developed as follows in the first half of 2016/2017:

TEUR	H1 2016/2017	H1 2015/2016
Rental results	6,857	3,773
Disposal results	0	2
Other operating revenues	47	2
Unrealised valuation result	1,475	-933
Operating expenses	-558	-939
EBIT	7,821	1,906
Financial result	-2,245	-1,545
EBT	5,576	361
Profit taxes	0	858
Result for the period	5,576	1,219

The rental results increased significantly due to the purchase of a substantially expanded real estate portfolio. For this reason, rental proceeds increased to around TEUR 8,861 (H1 2015/2016: TEUR 5,073). Corresponding with this, the management expenses have increased respectively.

The unrealised valuation result basically only refers to that part of the total portfolio acquired in Q4 of the 2016 calendar year, as this valuation was necessary for the last securities prospectus. For this reason, the valuation result in the financial report for H1 is only meaningful to a limited degree. The next standard valuation of the complete portfolio will take place on the reporting date of 30 June 2017.

Other operating expenses have declined overall, but were impacted in the comparable period of the previous year by one-off effects in the amount of TEUR 393. Adjusted for special effects, other operating expenses increased by approximately TEUR 130. This is primarily due an increase of TEUR 41 in personnel costs, as additional employees were taken on in the course of the further expansion of the company, and also from higher levies for business transactions.

The management expense ratio is as follows:

TEUR	H1 2016/2017	H1 2015/2016
Personnel costs	-66	-25
Other operating expenses	-491	-793
Adjustment for the one-off and special effects	0	393
Adjusted operating expenses	-557	-426
Rental income	8,861	5,073
Management expense ratio	6.3%	8.4%

In summary, EBIT rose by TEUR 5,916 to TEUR 7,821.

The fall in financial results is due primarily to the increase in interest expenses as a result of the utilisation of loans that were used for purchasing funding.

Profit taxes were not incurred due to the exemption of REIT companies. The previous year included income from the reversal of deferred taxes, which no longer needed to be formed due to acquiring status as a REIT company at the start of 2016.

Overall, a result for the period of TEUR 5,576 (H1 2015/2016: TEUR 1,219) resulted as follows from the FFO and aFFO:

TEUR	H1 2016/2017
Result for the period	5,576
Adjustment for profit taxes	0
Adjustment for depreciation and amortisation	0
Adjustment for the unrealised valuation result	-1,475
Adjustment for the disposal result	0
Adjustment for non-cash revenues and expenses	373
Adjustment for one-off effects	0
FFO	4,474
- Capex	-874
aFFO	3,600

The non-cash revenues and expenses include interests for convertible bonds and loans according to the effective interest rate method. The one-off effects include non-recurring revenue and expenses.

The capitalised maintenance costs primarily include construction and improvement measures that increase value in the revitalisation properties in Greifswald, Güstrow and Hohenmölsen as well as construction cost grants for the properties in Meißen and Leipzig.

This results in a FFO per share of EUR 0.22 (H1 2015/2016: EUR 0,20) as well as an aFFO of EUR 0.18 per share (H1 2015/2016: EUR 0.16).

Further detailed explanations regarding the composition and amount of the expenses and income are contained in the annex.

Overall statement of the financial position of the company

Business in the first half of the 2016/2017 fiscal year developed very successfully. The foundation for this were the acquisitions and resulting increase in rental results. As some benefits and encumbrances were only transferred during the second business quarter, the full impact of the rental income from these properties will only be reflected in the income position of the next quarter. The company has also grown internally in the course of its growth path and is well positioned for further successful business growth.

4. Events after the closing date

The company acquired the following properties with notarised agreements in April and May 2017:

- Hypermarket in Drebkau (Brandenburg) with the tenant NP and an annual rent of around EUR 0.1 million and a remaining rental term of approximately six years (transfer of benefits and encumbrances on 1 May 2017),
- Neißer-Center in Guben (Brandenburg) with the anchor tenants Rewe, Aldi, Rossmann and others and an annual rent of approximately EUR 0.9 million as well as a WALT of approximately five years (transfer of benefits and encumbrances on 1 June 2017),
- Hypermarket in Or-Erkensschwick (North Rhine-Westphalia) with the anchor tenants Kaufland and an annual rent of approximately EUR 1.3 million as well as a WALT of approximately thirteen years (expected transfer of benefits and encumbrances on 1 June 2017),
- Portfolio with six retail properties in Plauen, Meißen, Limbach-Oberfrohna, Tangerhütte, Eisenhüttenstadt and Sondershausen with the tenants Kaufland, Edeka, Netto, Tegut and Disca and others and an annual rent of approximately EUR 3.3 million and a WALT of 4.3 years (expected transfer of benefits and encumbrances on 1 July 2017).

The total investment volume for these properties amounts to approximately EUR 49 million, with an annualized rent of approx. EUR 5.5 million.

The company is in further purchase agreement negotiations and is confident of being able to conclude these quickly.

5. Risk assessment

Through its business activity, DKR is exposed to operating and financial opportunities and risks. In this respect, you are referred to the detailed statement in the management report for the fiscal year to 30 September 2016 under the section entitled "Opportunities and Risk Report".

In the estimation of the Board of Management, the risk position has not changed or deteriorated substantially since 1 October 2016.

6. Prospects and Forecast

Continuation of the growth path

Deutsche Konsum continues to be in a strong growth phase and will further expand its real estate portfolio rapidly in line with its investment criteria. In addition, the company is working intensively on the revitalisation of individual acquired properties in order to realise hidden reserves in this area. The focus in this respect is achieving a sustainable and attractive return.

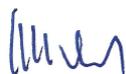
In order to further expand its real estate portfolio, DKR will make moderate use of the capital resolved at the Annual General Meeting.

In addition, the company is working on the moderate extension and optimisation of the expansion and organisation process in order to take into account the increased requirements. To this end, additional staff will also be taken on as planned.

Forecast confirmed

Based on the very positive half-year results and recently announced property purchases we confirm our forecast and expect a FFO in the range between 10 and 11 mEUR (aFFO between 8 and 9 mEUR) for the fiscal year 2016/2017. On annualized basis our current portfolio (pro forma based on 62 properties) generates a FFO in the range between 13 and 14 Mio. EUR (between 0,53 EUR and 0,57 EUR per share after last capital increase). Taking into account our current firepower of around 50 mEUR for further investments, the FFO would be significantly higher than 0,60 EUR per share.

Broderstorf, 14 May 2017



Rolf Elgeti
Chairman of the Management Board

**Interim financial report of the first half-year of 2016/2017 fiscal year
1 October 2016 to 31 March 2017**

Deutsche Konsum REIT-AG, Broderstorf
Balance sheet as at 31.03.2017

kEUR	Note	<u>31.03.2017</u>	<u>30.09.2016</u>
Assets			
Non-current assets			
Investment properties	2.1	188,398.6	147,822.5
Intangible assets		3.3	3.8
Other non-current assets		6,592.1	14,656.3
		194,994.0	162,482.6
Current assets			
Trade and other receivables	2.3	231.0	233.7
Tax assets		113.4	115.4
Other current assets	2.4	2,440.4	1,292.9
Cash and cash equivalents		15,350.0	10,334.6
		18,134.8	11,976.6
Total assets		<u>213,128.8</u>	<u>174,459.2</u>
Equity and liabilities			
Equity			
Issued share capital	2.5	24,760.3	18,447.0
Capital reserve		77,781.7	45,786.9
Other reserves		855.7	855.7
Retained earnings		19,703.4	13,941.7
		122,915.3	79,031.3
Non-current liabilities			
Financial liabilities	2.6	19,356.0	22,645.1
Convertible bonds	2.7	35,274.2	35,015.1
Other provisions		3.5	3.5
Other non-current liabilities	2.9	3,460.5	3,472.2
		58,094.2	61,135.9
Current liabilities			
Financial liabilities	2.6	31,034.8	19,286.4
Liabilities to other creditors	2.8	0.0	13,450.8
Other provisions		666.4	829.7
Trade payables		169.3	436.1
Other current liabilities	2.9	248.8	289.0
		32,119.3	34,292.0
Total equity and liabilities		<u>213,128.8</u>	<u>174,459.2</u>

Deutsche Konsum REIT-AG, Broderstorf
Statement of comprehensive income

kEUR	Note	01.10.2016- 31.03.2017	01.01.2017- 31.03.2017	01.10.2015- 31.03.2016	01.01.2016- 31.03.2016
Rental income		8,860.5	4,565.3	5,073.3	2,634.9
Operating expenses		-2,003.6	-1,209.9	-1,300.0	-659.3
Net rental income	3.1	6,856.9	3,355.4	3,773.2	1,975.5
Proceeds from disposal of properties		0.0	0.0	2.0	2.0
Expenses on the sale of properties		0.0	0.0	0.0	0.0
Net proceeds from the disposal of properties		0.0	0.0	2.0	2.0
Other income	3.2	47.1	16.8	1.8	1.8
Unrealized gain/loss from the revaluation of investment properties	3.3	1,474.6	0.0	-932.6	-546.7
Subtotal		8,378.6	3,372.2	2,844.4	1,432.6
Personnel expenses	3.4	-65.9	-49.3	-25.1	-10.8
Amortisation of intangible assets, depreciation of property, plant and equipment		-0.4	-0.2	-0.3	-0.3
Impairment loss of inventories and receivables		0.0	77.3	-120.1	-67.2
Other operating expenses	3.5	-491.2	55.0	-793.4	-517.7
Operating expenses		-557.5	82.8	-938.9	-596.0
EBIT		7,821.1	3,455.0	1,905.5	836.6
Interest income		0.0	0.0	128.1	77.1
Interest expense		-2,245.2	-1,080.9	-1,673.1	-815.0
Net finance costs	3.6	-2,245.2	-1,080.9	-1,545.0	-737.9
EBT		5,575.9	2,374.1	360.5	98.7
Income tax		0.0	0.0	858.4	-2.1
Other tax		0.0	0.0	0.0	0.0
Net income		5,575.9	2,374.1	1,218.9	96.6
Total comprehensive income		5,575.9	2,374.1	1,218.9	96.6
Earnings per share (in EUR)	3.7				
Undiluted result per share		0.28	0.10	0.10	0.03
Diluted result per share		0.19	0.08	0.08	0.03

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

kEUR	<u>Note</u>	<u>Issued share capital</u>	<u>Capital re-serve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total equity</u>
As at Oct 1, 2015		110.1	29,806.7	855.7	-8,047.2	22,725.3
Period result		0.0	0.0	0.0	1,218.9	1,218.9
Other comprehensive income		1,509.1	6,929.9	0.0	0.0	8,439.0
Cash capital increase/ - reduction		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 Mar 31, 2016	2.5	16,600.3	22,566.6	855.7	-6,828.3	33,194.3
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	5,575.9	5,575.9
Other comprehensive income		0.0	0.0	0.0	0.0	0.0
Cash capital increase/ - reduction		4,653.3	34,899.6	0.0	0.0	39,552.9
Costs of Capital increases		0.0	-1,244.8	0.0	0.0	-1,244.8
Capital increase from conversion of mandatory bond		1,660.0	-1,660.0	0.0	0.0	0.0
As at Mar 31, 2017	2.5	24,760.3	77,781.7	855.7	19,517.6	122,915.3

Deutsche Konsum REIT-AG, Broderstorf

Cash flow statement

Information in kEUR	Note	01.10.2016- 31.03.2017	01.10.2015- 31.03.2016
Period result		5,575.9	1,218.9
+/- Interest expense/interest income		2,245.2	1,545.0
+/- Depreciation, amortisation and write-down/ reversals of intangible assets, tangible assets and financial assets		0.5	0.3
+ Increase/decrease in inventories, trade receivables and other assets not attributable to investing or financing activities		-5.0	120.1
-/+ Gains / Losses from the revaluation of investment properties		-1,474.6	932.6
-/+ Gain / Loss on disposal of investment properties		0.0	-2.0
+/- Increase / decrease in provisions		-163.4	-415.4
+/- Income tax expense/-income effective		0.0	2.0
+/- Deferred tax expenses / income		0.0	-860.5
- Income taxes paid		0.0	-10.4
+/- Increase/decrease in inventories, trade receivables and other assets not attributable to investing or financing activities		-1,144.2	685.3
+/- Increase/decrease in trade payables and other liabilities not attributable to investing or financing activities		-300.1	-4,589.0
Cash flow from operating activities		4,734.4	-1,373.1
+ Cash receipts relating to disposals of investment properties		0.0	55.0
- Cash payments related to property investments		-31,037.3	-20,628.6
- Cash payments related to other investments in intangible and tangible assets		0.0	-4.5
+ Cash receipts from the investment of cash funds for short-term cash management		0.0	1,564.0
- Cash payments related to short-term cash investments		0.0	-3,011.0
+ Interest received		0.0	56.8
Cash flow from investing activities		-31,037.3	-21,968.3
+ Cash proceeds from the issue of shares		4,653.3	1,509.1
+ Cash proceeds from capital increases		34,899.6	6,929.9
- Costs related to capital increases		-1,244.8	0.0
- Costs related to the issue of corporate bonds		-132.8	0.0
+ Proceeds from borrowings		9,650.0	21,672.3
- Amortization of loans		-14,523.4	-4,022.3
- Interest paid		-1,983.6	-1,594.7
Cash flow from financing activities		31,318.3	24,494.3
Change in cash and cash equivalents		5,015.4	1,152.9
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		15,350.0	5,503.2

Notes to the financial statements

Selected explanatory information for the interim financial report as of 31 March 2017

1. Accounting principles

1.1. General information

Deutsche Konsum REIT-AG is a domestically active real estate company based in Germany, with its head office in Broderstorf, and entered in the commercial register of the District Court of Rostock under number HRB 13072. The business address is August-Bebel-Str. 68, 14482 Potsdam. The company has had the status of a REIT company ("real estate investment trust") since 1 January 2016 and is thus exempt from profit tax. The company's primary field of business is the management of commercial real estate in Germany. The focus is on activities designed to achieve a long-term and sustainable increase in value of the real estate portfolio. The REIT criteria must always be complied with.

1.2. Principles and methods of the individual interim financial report

This half-yearly financial report for Deutsche Konsum REIT-AG ("Deutsche Konsum" or the "Company") as of 31 March 2017 was prepared in accordance with the regulations of § 37w of the German Securities Trading Act.

The abridged individual interim financial report was prepared in line with the IFRS, as they are to be applied in the EU, and in accordance with the regulations of IAS 34 ("Interim Financial Reporting"). The regulations of German Accounting Standards 16 (DRS 16 – Interim Financial Reporting) were also taken into account.

The reporting period covers the first six months ("H1") of the 2016/2017 fiscal year. The balance sheet as of 30 September 2016 and the profit and loss statement for the period from 1 October 2015 to 31 March 2016 can be used as comparative figures.

The preparation of the balance sheet and valuation and the explanations and information are based fundamentally on the same balance sheet and valuation methods as the individual financial report as of 30 September 2016. There have been no changes to the methods used for preparation of the balance sheet and valuations. New accounting regulations to be used from 1 October 2016 have no substantial impact on the individual interim financial report. The abridged individual interim financial report does not contain all the information required for a full annual financial report and is therefore to be read in conjunction with the individual financial report as of 30 September 2016. The individual interim financial report was prepared on the assumption that the company is a going concern and were neither audited nor subject to an audit inspection.

This individual interim financial report has been drawn up in euros (EUR). Unless specifically mentioned otherwise, all the figures are shown in thousands of euros (TEUR). This can result in rounding differences.

The profit and loss statement was drawn up in accordance with the total expenditure format.

2. Selected notes to the balance sheet

2.1. Real estate (investment properties) held as financial investments

The properties in the real estate portfolio are generally valued annually on 30 June by an external and independent expert. The fair value is calculated using an internationally recognised evaluation method and is based on information that is provided by the company, such as current rents, maintenance and management costs and the current vacancy rate, as well as assumptions of the appraiser that are based on market data and are assessed based on his professional qualifications, such as future market rents, typical maintenance and management costs, structural vacancy rates and discounting and capitalisation rates (level 3 of the fair value hierarchy). For the valuation as of 31 March 2017, the same principles were applied consistently as they were as of 30 September 2016. The costs for procurement, manufacturing and transactions were included in the valuation of the initial amount reported. Subsequent valuations take into account measures increasing the fair value.

The information provided to the appraiser, the assumptions made and the results from the real estate valuation are analysed by the Board of Management.

In the period from 1 October 2016 to 31 March 2017, the benefits and encumbrances were exchanged for the benefit of the company for 12 real estate properties with a volume of TEUR 38, 227.4. In addition, value-increasing measures were implemented that were capitalised in the amount of TEUR 874.1. Furthermore, a purchase price of TEUR 6,592 was deposited into an escrow account for the Bergen property.

In the 1st half of 2016/2017, total valuation results of investment properties were recorded in the amount of TEUR 1,474.6 (31.03.2016 TEUR -932.6).

The following summary shows how the investment properties have developed:

TEUR	31.03.2017	30.09.2016
Initial status as at 1.10. PY	147,822.5	83,150.6
Real estate purchases	38,227.4	48,812.1
Capitalisation of lease properties	0.0	1,984.4
New construction costs	0.0	268.6
Subsequent procurement and manufacturing costs	874.1	1,078.7
Change in market value	1,474.6	12,368.1
Transfer from long-term assets held for sale	0.0	160.0
Final status as at respective period	188,398.6	147,822.5

Of the real estate properties held as financial investments, real estate properties with a book value of TEUR 109,875.9 (30.09.2016: TEUR 93,549.2) were collateralised with real estate encumbrances or through transfer of rental income.

There are inheritable building rights agreements in which the associated plots are built on with commercial real estate. The inheritable building rights agreements are classified as finance leases. The capitalised amount on 31.03.2017 was TEUR 3,435.4 (30.09.2016: TEUR 3,454.5). The amount carried as a liability on 31.03.2017 was TEUR 3,483.5 (30.09.2016: TEUR 3,501.6).

The profit and loss statement contains the following important amounts for the real estate properties held as financial investments:

TEUR	H1 2016/2017	H1 2015/2016
Rental income	8,860.5	5,073.3
Operating expenses (maintenance expenses, property management, real estate tax etc.)	2,003.6	1,300.0
Total	6,856.9	3,773.3

2.2. Deferred taxes

Deferred tax claims and liabilities are formed on temporary differences between the amounts stated in the balance sheet and the tax balance sheet and the resulting future taxes. Due to the company's REIT status since 1 January 2016, the company is exempt from both corporation and trade tax. In this respect there are currently no deferred taxes to report in the balance sheet.

2.3. Trade debtors

The trade debtors arise exclusively from renting and on 31 March 2017 amounted to TEUR 231.0 (31 March 2016: TEUR 178.2). These contain value adjustments of TEUR 349.9 (31 March 2016: TEUR 354.9).

There was no devaluation of other financial assets.

2.4. Other long-term and short-term assets

The other long-term assets contain advance payments made of TEUR 6,592.1 (30.09.2016 TEUR 14,656.3) on investment properties.

The other short-term assets are comprised as follows:

TEUR	31.03.2017	30.09.2016
Sales tax receivables	1,086.7	355.3
Deposit credit balances	739.8	572.8
Work in progress after being offset against advance payments received	224.4	0.0
Period limitation for rental expenses	150.0	0.0
Escrow accounts	168.0	280.9
Loans to shareholders	49.9	0.0
Miscellaneous	21.6	83.9
Total	2,440.4	1,292.9

2.5. Equity capital

The first half of the 2016/2017 fiscal year was characterised in particular by the conversion of the mandatory convertible bond on 27 December 2016 and the cash capital increase on 27 February 2017. Overall, subscribed capital increased as a result by TEUR 6,313,282 to its current total of TEUR 24,760,285.

In so doing, capital increase costs of TEUR 1,244.7 were offset against the capital reserves.

For the further development of the equity capital, you are referred to the statement of changes in equity capital.

2.6. Financial liabilities from bank loans

The financial liabilities to banks are as follows:

TEUR	31.03.2017	30.09.2016
Long term	19,356.0	22,645.1
Short term	31,034.8	19,286.4
Total	50,390.8	41,931.5
of which collateralised	50,390.8	41,931.5

The amounts owed to banks have increased substantially as the result of the inclusion of a newly collateralised bank loan. This was offset against ongoing payments.

2.7. Liabilities from convertible bonds

The liabilities from convertible bonds are as follows, taking the issue costs into account.

TEUR	31.03.2017	30.09.2016
Convertible bond I TEUR 30,000 (nominal), 5% coupon p.a.	29,216.5	29,098.9
Convertible bond II TEUR 7,000 (nominal), 1% coupon p.a.	6,057.7	5,916.2
Total	35,274.2	35,015.1

Both convertible bonds mature on 30 January 2020 and are therefore fully recognised as long term.

2.8. Amounts owed to other lenders

The amounts owed to other lenders result from loans from shareholders and related individuals with an agreed maximum basic term that is subject to variable repayment at any time. Only interest for outstanding amounts has been accrued.

There are shareholder loans in the amount of TEUR 0.0 (30.09.2016: TEUR 13,450.8).

2.9. Other long-term and short-term liabilities

The other long-term and short-term liabilities have developed as follows:

TEUR	31.03.2017	30.09.2016
Liabilities from finance leases	3,460.6	3,472.2
Total of other long-term liabilities	3,460.6	3,472.2
Liabilities to tenants	127.1	161.4
Liabilities from finance leases	23.0	29.4
Work in progress after being offset against advance payments received	0.0	23.5
Miscellaneous	98.7	74.7
Total of other short-term liabilities	248.8	289.0
Total	3,709.4	3,761.2

3. Selected notes to the income statement

3.1. Rental results

The rental result stems from the rental income less the property management expenses and is as follows:

TEUR	H1 2016/2017	H1 2015/2016
Rental income	8,860.5	5,073.3
Total income	8,860.5	5,073.3
Maintenance	595.0	268.3
Non-allocatable operating costs	1,408.6	1,031.7
Total property management expenses	2,003.6	1,300.0
Rental results	6,856.9	3,773.3

The maintenance expenses refer in particular to the real estate properties in Pritzwalk and Wernigerode. In H1 2016/2017, value-increasing maintenance measure to the value of TEUR 874.1 were capitalised.

The non-allocatable ancillary costs include amongst other things expenses for property management in the amount of TEUR 443.8 (H1 2015/2016: TEUR 244.6).

Reimbursements from tenants for operating and ancillary costs were netted against the expenses.

3.2. Other operating revenues

The other operating revenues amounted to TEUR 47.1 in the reporting period (H1 2015/2016: TEUR 1.7).

3.3. Unrealised valuation result for investment properties

The unrealised valuation result includes the net valuation gains and losses arising from the fair value valuation of the investment properties on the balance sheet date. The valuation result in H1 2016/2017 only includes the results from the valuation on 31 December 2016 of that part of the portfolio acquired in Q4 2016. The next valuation of the complete real estate portfolio will take place on 30 June 2017.

3.4. Personnel costs

The company's personnel costs in H1 2016/2017 amounted to approximately TEUR 65.9 (H1 2015/2016: TEUR 25.1) referring to two full-time employees as well as four part-time employees. Additional services for the company are performed by employees of the previous parent company. For this, Obotritia KGaA charges a cost levy that is reported in other operating expenses. The increase in personnel costs results from the employment of two employees to take account of the company's growth.

3.5. Other operating expenses

The other operating expenses are as follows:

TEUR	H1 2016/2017	H1 2015/2016
Legal, consultancy and audit costs	251.3	637.9
Agency fees	167.1	129.5
Miscellaneous	72.8	26.0
Total	491.2	793.4
of which one-off expenses	0.0	392.5
Adjusted	491.2	400.9

Adjusted for the special effects and one-off expenses, the other operating expenses have risen by TEUR 90.3. This is primarily due to the higher levies from business transactions and other expenses.

3.6. Interest income

The interest income is structured as follows:

TEUR	H1 2016/2017	H1 2015/2016
Interest income from shareholder loans	0.0	71.1
Other interest income	0.0	57.0
Total interest income	0.0	128.1
of which not affecting payments	0.0	71.3
Interest for bonds	-1,052.9	-1,027.7
Interest expenses from shareholder loans	-413.4	0.0
Other interest expense	-691.0	-605.7
Ground rent	-87.9	-39.7
Total interest expense	-2,245.2	-1,673.1
of which not affecting payments	372.6	78.4
Total	-2,245.2	-1,545.0

The reduction in the interest result is primarily due to the larger loan portfolio, which corresponds to the growth of the real estate portfolio.

3.7. Earnings per share

The earnings per share is as follows:

TEUR	H1 2016/2017	H1 2015/2016
Result for the period (undiluted)	5,575.9	1,218.9
Interest expenses and convertible bonds	1,052.9	1,027.7
Result for the period (diluted)	6,628.8	2,246.6
Average number of shares issued in the reporting period (undiluted)	20,245,317	12,805,213
Potential conversion shares	14,792,787	14,792,787
Average number of shares issued in the reporting period (diluted)	35,038,104	32,872,423
Earnings per share (EUR)⁶		
undiluted	0.28	0.10
Diluted	0.19	0.08

⁶ Prior year figures adjusted

4. Other disclosures

4.1. Segment reporting

The company is currently a single-segment company. Sales are generated exclusively within Germany with retail real estate properties. The major customers accounted for revenues in the 1st half of 2016/2017 of TEUR 1,416.5 (H1 2015/2016: TEUR 1,416.5).

4.2. Contingent liabilities and other financial liabilities

There are no other contingent liabilities.

The company has the following financial liabilities resulting from long-term agreements:

TEUR	31.03.2017	30.09.2016
Asset and property management agreements	3,970.2	2,469.5
Agreements regarding intercompany administrative charges	250.6	250.6
Total	4,220.8	2,720.1
of which up to 1 year	1,573.4	1,015.7
of which between one year and five years (undiscounted)	2,647.4	1,704.4
of which more than five years (undiscounted)	0.0	0.0

On the balance sheet date of 31 March 2017, the company has a purchase price obligation resulting from the notarised purchase agreement for the property in Bergen, for a which a purchase price deposit has been made into an escrow account.

4.3. Transactions with related parties

The company maintains business relationships with related companies and individuals. Basically, these agreements cover financial services through short-term liquidity provision on the basis of concluded framework agreements and services.

The scope of the transactions with the related companies is shown in the following:

Deutsche Konsum is an associated company of Obotritia Capital KGaA, Potsdam. For the use of business premises, the provision of office equipment and administrative staff, including the activities of the Board of Management, Obotritia Capital KGaA charged TEUR 167.1 in the reporting period (H1 2015/2016: TEUR 129.5) as part of the concluded agency agreement. There are short-term claims against Obotritia Capital KGaA for an amount of TEUR 49.9 (30.09.2016 TEUR 0,0), which are shown in other short-term assets.

There is a property management agreement with GV Nordost Verwaltungsgesellschaft mbH, Rostock, for the property management of the main properties in the real estate portfolio. The agreed remuneration per month for each property is between 2% and 3% of the net rental income received (plus VAT). Expenses of TEUR 212.4 (H1 2015/2016: TEUR 171.3) have been incurred during the reporting period.

There is also a management and consultancy agreement with Elgeti Brothers GmbH, Berlin. The agreed remuneration is an annual amount of 0.5% of the gross asset value of the real estate properties, calculated using the acquisition prices and transaction costs and is paid in quarterly instalments. The expenses in the reporting period amounted to TEUR 86.0 (H1 2015/2016: 44,0).

The balance sheet contains the following receivables and liabilities with regard to related parties:

TEUR	31.03.2017	30.09.2016
Other short-term assets		
to parent companies	49.9	0.0
Liabilities to other lenders		
to parent companies	0.0	13,450.7

No loans or advances were granted to related individuals. Close family members of the members of the Board of Management and Supervisory Board have no influence on the company's commercial decisions.

4.4. Supervisory Board

The Supervisory Board was comprised as follows during the reporting period:

Name	Occupation	Membership of other bodies as defined in §125 (1) (5) of the German Companies Act
Hans-Ulrich Sutter Chairman of the Supervisory Board Düsseldorf	Graduate in business administration	TAG Colonia-Immobilien AG (Deputy Chairman of the Supervisory Board)
Achim Betz Deputy Chairman of the Supervisory Board Nürtingen	Auditor, tax consultant, graduate in business administration	Deutsche Leibrenten Grundbesitz GmbH (Deputy Chairman of the Supervisory Board), Managing partner of Best Audit GmbH Wirtschaftsprüfungsgesellschaft
Johannes C.G. (Hank) Boot London	Fund manager	Berentzen AG (Supervisory board member)
Nicholas Cournoyer Monaco	Fund manager	CEO and shareholder of Montpelier Capital Advisors

4.5. Chairman of the Board of Management

In the reporting period, Mr Rolf Elgeti, Potsdam, was the sole chairman (CEO).

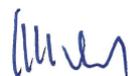
4.6. Important events after the end of period date

The following important events occurred after the reporting date, none of which were taken into consideration in this financial report as of 31 March 2017:

With notarised agreements in April and May 2017, the company acquired further properties in Drebkau, Guben, Oer-Erkenschwick, Plauen, Meißen, Limbach-Oberfrohna, Tangerhütte, Eisenhüttenstadt and Sondershausen. The annualised rent amounts to EUR 5.5 million with an investment volume of approximately EUR 49 million. It is expected that the benefits and encumbrances will be transferred in the third business quarter of 2016/2017.

The company is in further purchase agreement negotiations and is confident of being able to conclude these quickly.

Broderstorf, 14 May 2017



Rolf Elgeti

Affirmation of the legal representative

I affirm that, to the best of my knowledge, and in accordance with the accounting principles to be applied, the interim financial report as of 31 March 2017 presents a true and fair account of the company's assets, financial and income position, and in the interim management report the business trends, including the business performance and the position of the company, are presented in a way that reflects the actual state of affairs; also described are the importance opportunities and risks associated with the probable development of the company.

Broderstorf, 14 May 2017

Deutsche Konsum REIT-AG

A handwritten signature in blue ink, appearing to read 'R. Elgeti', is positioned above the printed name.

Rolf Elgeti

Publisher

The Board of Directors of Deutsche Konsum REIT-AG

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Disclaimer

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

This report has been translated from the German version. In case of doubt the German version is decisively.

**Deutsche
Konsum
REIT-AG**

