Deutsche
Konsum
REIT-AG

Annual Report

1 October 2021 to 30 September 2022

Corporate key figures

	01/10/2021 – 30/09/2022	01/10/2020 – 30/09/2021	Variance	%
Income statement (TEUR)				
Rental income	74,390	69,667	4,723	6.8
Net rental income	47,444	45,835	1,609	3.5
EBIT	68,010	97,918	–29,907	–30.5
Financial result	–7,624	–6,544	–1,080	16.5
Net income	60,387	91,373	–30,987	–33.9
FFO	41,115	41,168	–53	–0.1
FFO per share (in EUR)	1.17	1.17	0.00	–0.1
aFFO	22,546	22,602	–56	–0.2
aFFO per share (in EUR)	0.64	0.64	0.00	–0.2
Earnings per share. undiluted (in EUR)	1.72	2.60	–0.88	–33.9
Earnings per share. diluted (in EUR)	1.22	1.84	–0.63	–34.0
Recurring costs ratio (in %)	4.2	4.4	–0.2	–4.9
	30/09/2022	**30/09/2021**	**Variance**	**%**
Balance sheet key figures (TEUR)				
Investment properties	1,030,959	944,020	86,939	9.2
Total assets	1,181,814	1,093,304	88,510	8.1
Equity	514,300	467,975	46,324	9.9
Total debt	636,667	609,309	27,358	4.5
Finance key figures				
(net) Loan-to-Value (LTV) (in %)	49.7	53.2	–3.5	–6.5
Average interest rate of loans (in %)	1.63	1.70	–0.07	–4.0
Average interest rate of loans. bonds and convertible bonds (in %)	1.98	1.90	0.08	4.1
Average remaining duration of loans (in years)	3.2	3.6	–0.4	–11.2
Interest cover ratio (ICR). multiple	5.2	6.1	–0.9	–15.4
Net debt/operating EBITDA	13.3	13.4	–0.2	–1.3
Real estate key figures				
NAV	514,300	467,975	46,324	9.9
NAV per share (in EUR)	14.63	13.31	1.32	9.9
EPRA NTA per share (in EUR)	10.98	10.10	0.88	8.7
REIT equity ratio	48.9	46.1	2.8	6.1
Share information				
Shares issued (pieces)	35,155,938	35,155,938	0	0.0
Average number of shares within the reporting period (pieces)	35,155,938	35,155,938	0	0.0
Market cap (in EUR)	298,825,473	486,909,741	–188,084,268	–38.6
Share price (in EUR)	8.50	13.85	–5.35	–38.6
Dividend per share in the reporting period (in EUR)	0.40	0.40	0.00	0.0
Portfolio key figures				
Number of assets	175	173	2	1.2
Rental space (in sqm)	1,048,312	1,021,901	26,411	2.6
Annualised rent (in TEUR)	73,249	72,940	310	0.4
Initial yield (in %)	10.0	10.3	–0.3	–2.5
Vacancy rate (in %)	11.7	10.7	1.1	10.0
WALT (in years)	5.2	5.5	–0.3	–5.2

Cover photo and backcover photo: Local retail centre Kirschberg-Center
Wilhelm-Külz-Straße 8, 06679 Hohenmölsen

Content

Photo: Discounter
Drebkauer Hauptstraße 5, 03116 Drebkau

1. To our shareholders

Dear Shareholders, Ladies and Gentlemen,

Despite the “turn of the times”, DKR can look back on a very successful financial year 2021/2022.

After the COVID 19 pandemic had been the dominant topic in the last two years, other issues suddenly came to the fore during the past financial year: High inflation and skyrocketing energy prices – fueled by the Russian invasion of Ukraine – are causing severe strains on industry, trade and consumers. At the same time, the war in Europe is causing a shortage of raw materials, which, combined with the increasingly noticeable shortage of skilled workers on the labor market, is intensifying inflationary trends in Germany and Europe. As a result, the ECB has initiated an abrupt turnaround of the low interest rate policy that has now lasted for a decade and has raised the key interest rate significantly in three interest rate steps since July 2022 to currently 2.0%. Added to this is climate change, the combating of which poses enormous economic challenges for the national economies. Solutions to the war conflict in Europe or significant improvements in the other issues are currently not in sight, which many economists believe will lead to a full-blown recession at the very least.

DKR was largely unaffected by this difficult overall situation in the past financial year. On the contrary, high inflation enabled the Company to make significant use for the first time of the value protection clauses in its leases, which provide inflation protection for around 84% of portfolio rental income. As most of DKR's retail tenants also pass on inflation directly to consumers, sustainable rent increases were implemented as a result, largely offsetting rising interest on debt. As was the case during the pandemic, DKR's defensive business model is proving its worth in the current crisis-ridden environment.

On the portfolio side, DKR acquired 25 additional, largely food-anchored retail properties with a volume of around EUR 100 million and an annual rent of just under EUR 8 million in the past financial year, which is lower than the purchase volume of the previous year, but is once again not a bad result given the weak sentiment on the transaction market. On the other hand, the disposal of twelve properties with an annual rent of EUR 3.4 million generated significant proceeds from disposals amounting to EUR 63.7 million. In addition, the regular external property valuation resulted in a portfolio revaluation of around EUR 28 million or around 4.9% compared to the previous year, which is due to both the significant rent increases and the good work of the asset management: the average remaining lease term remained constant at over five years and value-enhancing investments of EUR 18.6 million were made for revitalisation measures at various portfolio properties. In addition, there has been a further increase in investor interest in the resilient niche of local retail properties, which has also been reflected in the property valuation.

In total, the real estate assets reported on the balance sheet as of 30 September 2022 now comprise 175 properties with a balance sheet value of around EUR 1.05 billion and an annual rent of approximately EUR 73 million. Rental income increased year-on-year from EUR 69.7 million to EUR 74.4 million.

On the financing side, DKR continued to be able to refinance itself extremely favorably until the first half of 2022 by raising secured and unsecured debt. However, since the first interest rate steps in the summer of 2022, new financing is currently also becoming noticeably more expensive for DKR, which will lead to a burden on FFO for the foreseeable future. As of

30 September 2022, the net LTV was 49.7%, which is roughly in line with the Company's target of around 50%. The average cost of debt on the reporting date is 1.98%.

In addition to the higher net interest expense, higher maintenance and operating costs had a negative impact on earnings in the past financial year. In addition, due to the economic environment, risk provisions had to be made through higher value adjustments on receivables.

Overall, FFO in the past financial year remained constant at the previous year's level of EUR 41.1 million (previous year: EUR 41.2 million), which is thus in line with FFO guidance (EUR 40 million to EUR 44 million). NTA per share increased by around 9% to EUR 10.98 per share (previous year: EUR 10.10 per share).

Despite DKR's strong operating performance, the share price at the end of the financial year was down a disappointing 39% on the previous year's closing price, which was probably owed primarily to the significant negative impact of the key interest rate hikes on the real estate sector as a whole.

Following the last dividend payment of EUR 0.40 per share in March 2022, the Management Board will submit a dividend proposal of EUR 0.48 per share for the past financial year 2021/2022 to the Annual General Meeting, representing an increase of 20%.

DKR is cautiously optimistic about the new financial year 2022/2023 despite increasing risks of recession. DKR is largely protected against an economic downturn thanks to its predominantly non-cyclical and creditworthy anchor tenants and the inflation protection mechanisms for a large proportion of rental income. Nevertheless, a recession and declining purchasing power may also have a negative impact on a small portion of tenants from cyclical industries. On the other hand, a recessionary environment could offer enormous growth opportunities for DKR if market participants were to divest their real estate investments due to the new interest rate environment. In this respect, DKR expects an FFO of between EUR 40 million and EUR 44 million for the new financial year 2022/2023, taking all risks into account (and considering possible property disposals).

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

With kind regards,

Rolf Elgeti
Chairman of the
Management Board (CEO)

Alexander Kroth
Member of the
Management Board (CIO)

Christian Hellmuth
Member of the
Management Board (CFO)

Potsdam, December 2022

2. The share

Geopolitical distortions send international financial markets into crisis mode

In the calendar year 2021, the German stock indices once again recorded above-average price gains – the DAX and MDAX even outperformed the positive development of the year 2020 and reached new all-time highs in the course of the calendar year. The DAX ended 2021 with a profit of 15.8%, the MDAX rose by around 14.0% and the SDAX by 11.2%. Thus, the Corona pandemic was no longer a significant topic on the capital markets' side in view of high vaccination rates and easing countermeasures.

In the course of the year 2022, a contrary picture emerged: At the beginning of the year, there was already a slight increase in the interest rate level with an above-average inflation rate, which led to noticeable concerns on the international financial markets. The following Russian invasion of Ukraine in February 2022 marked a global political turning point and led to exogenous shocks on the capital markets. Thus, the shortage of oil, gas and commodity supplies as well as the ongoing disruption of global supply chains led to a strong worldwide inflationary push.

To combat very high inflation, the US Federal Reserve (FED) pursued an extremely tight monetary policy and raised interest rates significantly within a very short period of time, which also led to a drop in the euro exchange rate. Subsequently, the European Central Bank (ECB) abandoned its restraint and began its exit from the “zero interest rate policy” with the first interest rate increase in more than half a decade. Against the backdrop of uncertain global events, the rise in interest rates, coupled with high energy prices and ongoing disruptions in many supply chains, fed recession fears worldwide. As a result, German stock markets also experienced significant declines – on 30 September 2022, the DAX, MDAX and SDAX were 23.7%, 36.3% and 36.5% below their year-end 2021 levels, respectively.

DKR share unable to withstand overriding negative trend

The significant rise in interest rates in combination with high construction costs and a multiplication of energy prices clouded the earnings perspectives for real estate companies significantly and, also in view of the expected recession, led to an abrupt end of the boom in the real estate sector that had lasted for years. This resulted in a strongly negative sentiment for real estate shares undifferentiated across all real estate asset classes, which subsequently led to significant price losses.

DKR's share could not escape this overriding trend despite the non-cyclical business model and a very successful financial year in operational terms: The Company was able to grow further and invested around EUR 100 million in 25 additional local retail properties. At the same time, individual properties were sold selectively and in a value-creating manner. In addition, DKR is a beneficiary of the inflationary environment: Due to value protection agreements in rental contracts linked to the development of inflation, significant rent increases (on a like-for-like basis by 3.5%) could be passed on to the major tenants for the first time in the Company's existence, which led to a significant growth in rents in addition to the regular increases in rental income due to the reduction of vacancies and the prolongation of rental agreements.

DKR's share price fell noticeably until the end of the financial year; at the end of the reporting period on 30 September 2022, the share price was EUR 8.50, significantly below the level at the beginning of the financial year (30 September 2021: EUR 13.85).[1] Thus, the share price was significantly below the EPRA NTA of EUR 10.98 per share, which reflects the intrinsic value of the share on a fully diluted basis. Nevertheless, the share price has increased by a total of EUR 5.00 or 142.9% since the start of the listing on 15 December 2015.

[1] Closing prices Xetra each.

Market capitalisation was around EUR 300 million, making DKR the largest listed investor in the local retail property niche in Germany and thus also in the focus of broad investor groups.

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

• **Key figures of the DKR share**

EUR	30/09/2022	30/09/2021	%
Number of shares issued in units	35,155,938	35,155,938	0.0
Closing price at the end of the financial year[2]	8.50	13.85	–38.6
Market capitalisation in EUR million	298.8	486.9	–38.6
Average Xetra daily volume in units[3]	7,246	7,181	0.9
Highest price during the financial year	15.35[4]	16.55[5]	
Lowest price during the financial year	7.92[6]	12.70[7]	

Dividend distribution constant at EUR 0.40 per share

On 10 March 2022, the Annual General Meeting approved the dividend proposal for the past financial year 2020/2021 and resolved a dividend distribution of EUR 0.40 per share, which corresponded to a constant payout compared with the previous year's dividend (EUR 0.40 per share). DKR thus distributed a total of TEUR 14,062.

Shareholders and Annual General Meeting

The shareholder structure is characterised by institutional national and international investors with a

[2] Xetra closing prices from 30 September 2022 and 30 September 2021.
[3] In the financial year 2021/2022 or 2020/2021.
[4] Variable price Xetra on 27 October, 28 October and 1 November 2021.
[5] Variable price Xetra on 17 December 2020.
[6] Variable price Xetra on 30 September 2022.
[7] Variable price Xetra on 24 September 2021.

predominantly long-term investment strategy. As of 30 September 2022, the free float was 36.27%[8] respectively 45.84%[9].

The Annual General Meeting of Deutsche Konsum REIT-AG was held on 10 March 2022 as a virtual Annual General Meeting without the physical presence of shareholders or their proxies. More than 49% of the share capital was represented (share capital of the Company at the time of convening the Annual General Meeting: 35,155,938 shares). All items on the agenda were approved by a large majority.

Information on the Supervisory Board elections is provided in the Chapters "3. Corporate Governance Statement" and "4. Report of the Supervisory Board" of this Annual Report. Information on the Compensation System can be found on the Company's website at https://www.deutsche-konsum.de/en/ in the "Investor Relations" section under the menu items "Corporate Governance" and "Compensation System Management Board & Supervisory Board".

Analysts` assessments

DKR shares are currently covered by five analysts:

Bank	Price target in EUR	Rating	Analyst	Date
Warburg	14.00	Buy	Andreas Pläsier, Simon Stippig	11 August 2022
Metzler	17.60	Buy	Stephan Bonhage	10 June 2022
ODDO BHF	18.80	Outperform	Manuel Martin	15 February 2022
Berenberg Bank	19.00	Buy	Kai Klose	14 February 2022
Jefferies	16.00	Hold	Thomas Rothaeusler, Sebastian Link	11 September 2020

Investor relations work and roadshows – digital and on-site

Despite restrictions imposed by the Corona pandemic, particularly at the beginning of the financial year, DKR continued its active investor relations work and was present both in the specialist media and at capital market events. In this context, a considerable part of the meetings was carried out virtually via digital media, which proved to be very efficient and purposeful overall. During the summer months of the 2021/2022 financial year, declining Corona case numbers allowed for more face-to-face exchanges at various conferences for the first time in over two years.

The defensive strategy based on non-cyclical rental income and the Company's growth story attracted broad investor interest. DKR will continue to be present at national and international roadshows and capital market conferences, either virtually or on site.

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

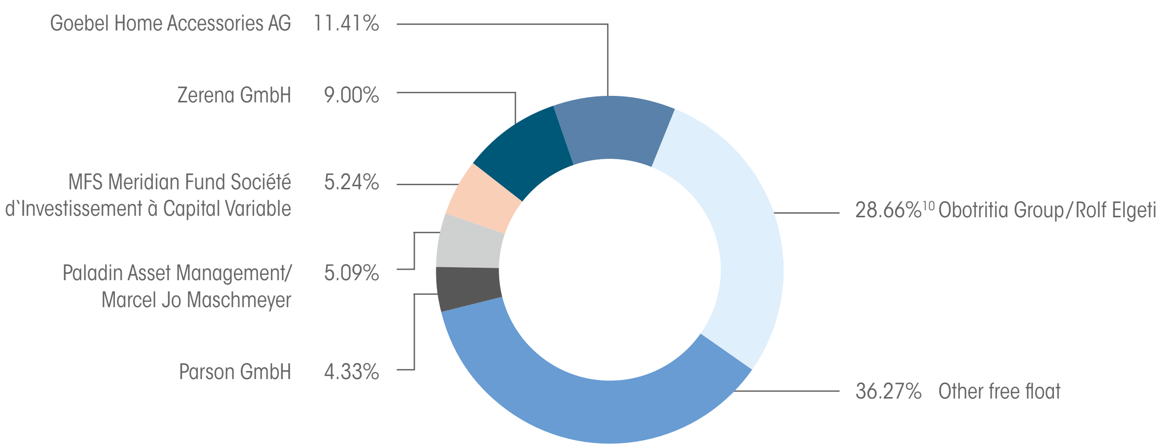
The share of DKR at a glance

As of	30 September 2022
ISIN	DE000A14KRD3
Security Identification Number	A14KRD
Ticker symbol	DKG
First day of trading	15/12/2015
Number of shares	35,155,938
Share capital	EUR 35,155,938.00
Trading venues	XETRA, Frankfurt, Berlin and Johannesburg/South Africa (JSE Limited)
Market segment	Regulated Market
Transparency level	Prime Standard

In addition, DKR was regularly featured in major investor media in the 2021/2022 financial year and was therefore able to increase its perception on the capital markets. On the Investor Relations pages of the homepage, interested persons can find not only mandatory announcements under capital market law, such as ad hoc announcements, but also press releases, financial reports and investor presentations, as well as the Company's recurring "video newsletter", in which the Management Board provides quarterly information on the course of business in a contemporary format.

Shareholder structure

Total number of voting rights attributable to the respective shareholder:



As of 30 September 2022

Free float pursuant to German REIT Act: 36.27%.
Free Float as defined by "Guide to the DAX Equity Indices": 45.84%.

[10] Obotritia Group: 27.94%.

3. Corporate Governance Statement

In the following, the Supervisory Board and Management Board of Deutsche Konsum REIT-AG (the "Company") report on the Company's corporate governance and corporate management in accordance with § 289f of the German Commercial Code (HGB).

First, the current Declaration of Compliance of the Management Board and the Supervisory Board of Deutsche Konsum REIT-AG dated 22 September 2022 and the supplement to this Declaration of Compliance dated 25 November 2022 are presented. This is followed by a description of the working methods of the Management Board and the Supervisory Board as well as their composition. In addition, the corporate governance of the Company is presented, and the concept of diversity is discussed.

3.1. Declaration of Compliance of Deutsche Konsum REIT-AG to the German Corporate Governance Code (GCGC)

The Management Board and the Supervisory Board of Deutsche Konsum REIT-AG welcome and support the German Corporate Governance Code (GCGC) and its objectives.

In accordance with § 161 (1) German Stock Corporation Act (AktG), the Boards hereby declare that Deutsche Konsum REIT-AG has complied and will in future comply with the recommendations of the Government Commission on the German Corporate Governance Code in the version dated 28 April 2022, published in the official section of the Federal Gazette on 27 Juni 2022, with the following exceptions since the last Declaration of Compliance was issued on 13 September 2021:

Recommendation A.1 GCGC – Opportunities and risks arising from social and environmental factors:
The Management Board is currently addressing the opportunities and risks for the Company associated with social and environmental factors, as well as the ecological and social impact of the Company's activities, in order to systematically identify and assess these. In this context, a concept is being developed to ensure that environmental and social objectives are appropriately taken into account in corporate strategy and corporate planning alongside long-term economic goals. It is planned to fully comply with recommendation A.1 in the future.

Recommendation A.2 (former A.1) GCGC – Consideration of diversity in the filling of management postitions:
The Management Board does not currently follow the recommendation to take diversity into account when filling management positions in the Company. The employees of the Company currently have no management functions. Apart from the Management Board, there are no management positions to be filled in the Company, which is why the Company cannot follow this recommendation currently.

Recommendation A.3 GCGC – Sustainability-related objectives in the internal control system and risk management system:
The Company is currently developing a concept to cover sustainability-related objectives in the internal control and risk management systems in the future and to include the recording and processing of sustainability-related data. It is planned to fully comply with recommendation A.3 in the future.

Recommendation A.4 (former A.2) GCGC – Compliance management system/"whistleblowing system":
The Company currently has only 20 employees (including two members of the Management Board), so that in view of the size of the Company, the Manage-

ment Board saw no need in the past to develop and disclose systems of measures in a formalised form for compliance management and whistleblowing. In the course of new legal regulations, however, the previous recommendation to set up a compliance management system was deleted from the current GCGC. Due to the new legal requirement, the Company has now integrated a compliance management system (CMS) into its internal control system (ICS) and will describe this in the Management Report. This recommendation will therefore no longer be commented on in the future. However, the Management Board still sees no need for the development and disclosure of a so-called “whistleblowing” system. In view of the size of the Company, the effort required to set up, implement and maintain this formalised system of measures was and is out of proportion to the potential benefits.

Recommendation B.1 GCGC – Consideration of diversity in the composition of the Management Board:
At present, the Supervisory Board does not follow the recommendation that diversity has be taken into account when appointing members of the Management Board. The Company is of the opinion that professional aptitude and knowledge of the Company are crucial as prerequisites for the appointment, so that the above-mentioned specifications are not expedient.

Recommendation B.2 GCGC – Long-term succession planning by the Supervisory Board:
In view of the current age of the members of the Management Board (40 to 45 years), the Company does not currently consider long-term succession planning to be necessary.

Recommendation C.1 GCGC – Specification of objectives for the composition of the Supervisory Board, in particular consideration of diversity, and development of a competence profile:
The Supervisory Board has not set any specific targets for its composition or developed a competence profile for that function and does not intend to set such targets or develop a competence profile in the future. As no competence profile is (or will be) developed, this also does not include any expertise of supervisory board members on sustainability issues that are significant for the Company. Similarly, diversity rules have not been set in the objectives for the composition of the Supervisory Board or are to be set in the future. The Company is of the opinion that professional aptitude and knowledge of the Company are crucial as prerequisites for the appointment, so that the above-mentioned requirements are not purposeful. By resolution of 15 September 2020, the Supervisory Board set 16.67% as the target for women‘s participation in the Supervisory Board for the period up to 30 September 2025.

Recommendation C.5 GCGC – Supervisory board roles in non-group listed companies:
While the Company believes that Recommendation C.5 of the GCGC provides guidance for the Company‘s Supervisory Board members (and not for its Management Board), in view of the ambiguous wording, it is noted that Management Board member Rolf Elgeti holds more than two supervisory board roles in non-group listed companies or in comparable supervisory bodies (including as chairman of the supervisory board).

Recommendations D.2 and D.4 (former D.5) GCGC – Supervisory Board committees:
In view of its small number of members, the Supervisory Board has so far refrained from forming committees not required by law and thus did not follow recommendations D.2 and D.4 (formerly D.5) GCGC.

Due to the continuing low complexity as well as the transparent business model of Deutsche Konsum REIT-AG, the Supervisory Board does not consider the formation of further committees to be necessary at present and will continue to cover all the pending topics.

Recommendations on section G.I GCGC – Compensation of the Management Board:
The Management Board's compensation system complies with the GCGC with the exception of the points listed below.

Recommendation G.10 GCGC – Compensation of the Management Board:
The compensation system of the Management Board approved by the Annual General Meeting of the Company on 10 March 2022 and determined by the Supervisory Board does not provide for variable compensation components granted to a member of the Management Board to be predominantly invested in shares of the Company or to be granted according to a share-based equivalent, in deviation from item G.10 of the GCGC. The Company is of the opinion that the creation of an incentive aimed at linking the value of the variable compensation to the long-term development of the share price of the Company is already sufficiently taken into account within the framework of the assessment of the variable compensation and the conditions for payment. Thus, the development of the share price (in addition to the financial performance and the net asset value of the Company) represents an essential basis for the assessment of the variable compensation. Furthermore, the majority of the variable compensation is only paid out if a minimum target is also achieved in the three financial years following a financial year. The Company is therefore of the opinion that an additional variable compensation in shares is not necessary in order to set corresponding incentives. Employment contracts already concluded in the past (which in part do not yet fully correspond to the compensation system now established) shall continue to apply for the time being in accordance with § 26j EGAktG (German Introductory Act to the Stock Corporation Act).

Recommendation G.16 GCGC – Crediting of compensation when accepting non-group supervisory board roles:
The Supervisory Board does not follow the recommendation that, when members of the Management Board accept non-group supervisory board roles, it should decide whether and to what extent compensation from the respective supervisory board role should be taken into account. Based on previous experience with the members of the Management Board and their handling of non-group supervisory board roles, it is not expected that non-group supervisory board roles will have a negative impact on the future activities of the members of the Management Board for the Company. Given the Supervisory Board's ability to exercise control, which also exists independently of the recommendation, a decision on taking into account compensation from non-group supervisory board roles is not necessary.

Potsdam, 22 September 2022

For the
Supervisory Board

Hans-Ulrich Sutter
Chairman of the
Supervisory Board

For the
Management Board

Rolf Elgeti
Chairman of the
Management Board

The current Declarations of Compliance are published on our website https://www.deutsche-konsum.de/en/, in the "Investor Relations" section under the menu items "Corporate Governance" and "Declaration of Compliance".

Supplement dated 25 November 2022 to the Declarations of Compliance of Deutsche Konsum REIT-AG to the German Corporate Governance Code (GCGC) of 22 September 2022
The Management Board and the Supervisory Board of Deutsche Konsum REIT-AG (the "Company") most recently issued a Declaration of Compliance dated 22 September 2022 to declare to what extent the Company complies with the recommendations of the Government Commission on the German Corporate Governance Code as amended on 28 April 2022.

With regard to Section A.5 GCGC, the Management Board and the Supervisory Board supplement their Declaration of Compliance dated 22 September 2022 as follows:

Recommendation A.5 GCGC – Description of the main characteristics, appropriateness and effectiveness of the entire internal control system and risk management system:
According to Section A.5 GCGC, the Management Report shall describe the main features of the entire internal control system and the risk management system and provide comment on the appropriateness and effectiveness of these systems. The Company publishes information on the risk management and internal control system in the Management Report. After publication of the Declaration of Compliance on 22 September 2022, the main expert committee of the Institute of Public Auditors in Germany (IDW) discussed the development of an IDW auditing standard on Recommendation A.5 GCGC and published salient points in this regard. Out of prudence and as it will not be in a position to meet the reporting and documentation requirements promptly, the Company declares a deviation from Recommendation A.5 GCGC.

Potsdam, 25 November 2022

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

The current Declarations of Compliance are published on our website https://www.deutsche-konsum.de/en/, in the "Investor Relations" section under the menu items "Corporate Governance" and "Declaration of Compliance".

3.2. Functioning of the Management Board and Supervisory Board

Management structure with three bodies
The Management Board and the Supervisory Board work together closely to ensure responsible management and control of the Company through good corporate governance.

An essential element of corporate governance is the separation of corporate governance and corporate control. This is done through a clear division of tasks and responsibilities between the Management Board and the Supervisory Board. In addition, the Annual General Meeting is the third body. Through it, the shareholders are involved in fundamental decisions of the Company.

The Management Board
The Management Board manages the Company on its own responsibility and represents it in transactions with third parties. It is bound to the Company's interest with the goal of sustainable value creation. It develops the strategic direction of the Company, coordinates it with the Supervisory Board and ensures its implementation. The Management Board also ensures appropriate risk management and controlling in the Company.

The members of the Management Board, irrespective of their joint responsibility for the Company, are responsible for individual areas of responsibility. They cooperate collegially and keep each other informed about important processes and measures in their areas of responsibility. The board has adopted rules of procedure.

The Management Board of Deutsche Konsum REIT-AG is appointed by the Supervisory Board in accordance with § 6 no. 2 of the Articles of Association. The Supervisory Board also determines the total number of members of the Management Board and whether there should be a chairman or spokesman. The members of the Management Board are appointed for a maximum of five years. Reappointments are allowed.

The Supervisory Board does not currently follow recommendation B.1 GCGC to take diversity into account when appointing members of the Management Board. The Company is of the opinion that professional aptitude and knowledge of the Company are decisive as prerequisites for the appointment, so that the aforementioned requirements are not expedient to achieving the objective. For this reason, the Company has set 0% as the target for women's participation on the Management Board for the period until 30 September 2025 by resolution of 15 September 2020. This target has been achieved in the past and is currently being achieved.

The Management Board of Deutsche Konsum REIT AG currently consists of three persons, Mr. Rolf Elgeti, Mr. Alexander Kroth and Mr. Christian Hellmuth. The Management Board contracts of Mr. Kroth and Mr. Hellmuth were extended in 2020 for another three years until 30 June 2023.

Mr. Rolf Elgeti (CEO) is responsible for Human Resources and Legal/Compliance and Strategy. The investment and finance divisions are headed by Messrs. Alexander Kroth (CIO) and Christian Hellmuth (CFO). The business segment of the CIO includes the areas of acquisition and sales as well as asset and property management. The CFO is responsible for Corporate Finance, Accounting/Controlling, Treasury, Investor Relations and Risk Management. The CEO, CIO and CFO also manage and control the external service providers for their areas.

The CVs of the members of the Management Board are published under https://www.deutsche-konsum.de/en/ in the category "Company" under the menu item "Management Board".

The Supervisory Board, Management Board and executives agree on annual targets whose implementation is regularly reviewed.

Measures for further education or refresher training of abilities and knowledge lie in the self-responsibility of the Management Board and the executives.

In item B.2, the GCGC recommends that long-term succession planning should be carried out by the Supervisory Board. The Company does not comply with this recommendation, as it does not currently consider long-term succession planning to be necessary in view of the current age of the members of the Management Board (at the time the Declaration of Compliance was issued on 22 September 2022: 40 to 45 years).

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

D&O insurance was taken out for the members of the Management Board considering § 93 (2) German Stock Corporation Act (AktG).

The compensation of the CEO, Rolf Elgeti, currently takes the form of a fixed payment via an apportionment agreement with Obotritia Capital KGaA. The compensation system for Management Board members Alexander Kroth and Christian Hellmuth is based on short and long-term remuneration incentives. Detailed information on the compensation of the Management Board is contained in the Compensation Report 2021/2022 pursuant to § 162 of the German Stock Corporation Act (AktG), which can be viewed on the Company's website at https://www.deutsche-konsum.de/en/ in the "Investor Relations" section under the menu items "Corporate Governance" and "Compensation Report". Pursuant to § 120a (1) of the German Stock Corporation Act (AktG), the Annual General Meeting of 10 March 2022 approved the resolution on the compensation system for the Management Board adopted by the Supervisory Board pursuant to § 87a (1) of the German Stock Corporation Act (AktG). Subsequently, the Supervisory Board determined the compensation system of the Management Board. Details of the Management Board's compensation system can also be found on the Company's website at https://www.deutsche-konsum.de/en/ in the "Investor Relations" section under the menu items "Corporate Governance" and "Compensation System Management Board & Supervisory Board").

In accordance with § 26j EGAktG (Introductory Act to the German Stock Corporation Act), employment contracts concluded in the past (some of which do not yet fully comply with the compensation system that has now been established) shall continue to apply for the time being.

Consideration of diversity in the filling of management positions

The Management Board does not currently follow the recommendation A.2 (former A.1) GCGC to take diversity into account when filling management positions in the Company. The employees of the Company currently have no management functions. Apart from the Management Board, there are no management positions to be filled in the Company, which is why the Company cannot follow this recommendation currently. Even though the Company was and is of the opinion that § 76 (4) of the German Stock Corporation Act (AktG) has no practical application in this particular case due to the lack of management positions to be filled, the Company has, as a purely precautionary measure and by resolution of 15 September 2020, set a target of 30% for the period until 30 September 2025 for the participation of women in management positions in the event that – contrary to the current opinion of the Company – management positions below the Management Board are to be filled. Since, in the opinion of the Company, there are no management positions below the Managament Board, the Company cannot provide any information on the current achievement of the target figure. In the case of Deutsche Konsum REIT-AG, however, the decisive criterion when filling management positions is gender-independent the qualification and aptitude.

The Supervisory Board

The central tasks of the Supervisory Board are to advise and supervise the Management Board. The six-member Supervisory Board of Deutsche Konsum REIT-AG works based on rules of procedure, which it has imposed on itself. Overall, the members of the Supervisory Board have the necessary knowledge, skills and professional experience to perform their duties properly.

All members of the Supervisory Board are elected by the shareholders at the Annual General Meeting.
The Supervisory Board of Deutsche Konsum REIT-AG consisted of six persons in the financial year 2021/2022 with Mr. Hans-Ulrich Sutter (Chairman), Mr. Achim Betz (First Deputy Chairman), Mr. Kristian Schmidt-Garve (Second Deputy Chairman), Ms. Cathy Bell-Walker, Mr. Johannes C. G. (Hank) Boot and Mr. Nicholas Cournoyer.

The Audit Committee consisted of three persons from 1 January 2022 until the end of the 2021/22 financial year with Mr. Achim Betz (Chairman), Mr. Hans-Ulrich Sutter (Deputy Chairman) and Ms. Cathy Bell-Walker. The main task of DKR's Audit Committee is to monitor the accounting process, the effectiveness of the internal control system, the risk management system and the internal audit system as well as the audit of the Financial Statements. The Committee reports to the Supervisory Board.

On 11 November 2022, Ms. Cathy Bell-Walker resigned from her position with immediate effect for personal reasons. The Supervisory Board will coordinate internally and intends to make a proposal for the appointment of a new Supervisory Board member to the 2023 Annual General Meeting.

The term of office of all members of the Supervisory Board ends at the end of the Annual General Meeting, which resolves on the discharge of the members of the Supervisory Board for the financial year ending on 30 September 2023.

All members of the Supervisory Board have expertise and experience in the field of auditing and in the application of accounting principles, which applies in particular to the members of the Audit Committee: Due to his studies in business administration as well as his extensive work as a former chief financial officer (or financial director) of various companies and as a controller, Mr. Hans-Ulrich Sutter has extensive knowledge and experience in the field of accounting in the application of accounting principles and internal control and risk management systems as well as experience and competence in the field of auditing. As a business graduate, tax consultant and auditor, Mr. Achim Betz also has expertise in the field of accounting as well as comprehensive knowledge and years of experience in the field of auditing. In addition, they are currently successively acquiring competences in the context of sustainability reporting, which will be mandatory in the future.

The CVs of the members of the Supervisory Board are published under https://www.deutsche-konsum.de/en/ in the category “Company” under the menu item “Supervisory Board”.

At present, no representatives of employees are represented on the Supervisory Board of Deutsche Konsum REIT-AG. In the opinion of the shareholder representatives on the Supervisory Board and the Audit Committee, all shareholder representatives are to be considered independent.

The Supervisory Board does not intend to set concrete goals for its composition or to develop a competence profile for the entire Supervisory Board. As there is no competence profile, this also does not include any expertise of supervisory board members on the sustainability issues that are significant for the Company and the status of filling out the profile can consequently not be disclosed in the form of a qualification matrix. Nor should diversity rules be set in the objectives for the composition of the Supervisory Board. The Company is of the opinion that professional aptitude and knowledge of the Company‘s field of business are decisive as prerequisites for filling the position, so that the aforementioned requirements are not judged to be expedient. Since 5 March 2020, the actual level of female representation on the Supervisory Board has been 16.67%. By resolution of 15 September 2020, the Supervisory Board set 16.67% as the target for women‘s participation on the Supervisory Board for the period until 30 September 2025. In the past, this target figure was achieved by 11 November 2022. With the election of a new Supervisory Board member at the 2023 Annual General Meeting, this target figure is to be reached again.

In view of its small number of members, the Supervisory Board has so far refrained from forming committees not required by law and thus did not follow recommendations D.2 and D.4 (former D.5) GCGC. Due to the continuing low complexity as well as the transparent business model of Deutsche Konsum REIT-AG, the Supervisory Board does not consider the formation of further committees to be necessary at present and will continue to cover all the pending topics.

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

Requests for resolutions as well as information on items of discussion are made available to the members of the Supervisory Board in good time before the respective meeting. At the request of the Chairman of the Supervisory Board, resolutions may be taken in individual cases outside of meetings. This option is occasionally used in urgent cases. If there is a tie in resolutions, the vote of the Chairman of the Supervisory Board decides.

The Supervisory Board regularly assesses the efficiency of its own task fulfilment within the framework of meetings held in person and by telephone. By resolution of 15 September 2020, the Supervisory Board had also introduced a formalised self-assessment system in the 2020/2021 financial year, which was applied in the current financial year. In this context, all members of the Supervisory Board were asked, among other things, about the efficiency, quality, timeliness and scope of the provision of information, the quality of the exchange with the Management Board, the composition and expertise of the Supervisory Board, the availability of resources and training opportunities, as well as possible compliance violations and conflicts of interest, with the option of anonymous responses also being available. The feedback from the Supervisory Board members confirmed that they considered the work of the Supervisory Board to be effective and efficient.

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

In accordance with the Articles of Association, the members of the Supervisory Board receive fixed compensation and reimbursements for out-of-pocket expenses. Detailed information on the compensation of the Supervisory Board can be found in the Compensation Report 2021/2022.

The members of the Supervisory Board ensure that they have sufficient time to carry out their duties. They shall undertake the necessary education and training on their own responsibility. The Company provides appropriate support to the members of the Supervisory Board during their inauguration and the training and further training measures. All members of the Supervisory Board are given access to specialist literature and are reimbursed for the costs of attending seminars and webinars whose topics are relevant to the work of the Supervisory Board.

Each year, the Chairman of the Supervisory Board explains the activities of the Supervisory Board in its Supervisory Board Report and verbally at the Annual General Meeting.

Further details on the work of the Supervisory Board and the Audit Committee can be found in the Report of the Supervisory Board, which is part of the 2021/2022 Annual Report.

Cooperation between the Management Board and the Supervisory Board

The Supervisory Board appoints the members of the Management Board, determines their respective total compensation and oversees their management. It also advises the Management Board on the management of the Company. The Supervisory Board approves the Annual Financial Statements. Significant decisions of the Management Board require the approval of the Supervisory Board.

The Management Board ensures regular, timely and comprehensive reporting to the Supervisory Board. In addition, the Chairman of the Supervisory Board is regularly and continuously informed about the business development. Intensive and continuous communication between the Management Board and the Supervisory Board is the basis for efficient corporate management.

The Management Board of Deutsche Konsum REIT-AG regularly participates in the meetings of the Supervisory Board. It reports in writing and orally on the individual agenda items and proposals for resolutions and answers the questions of the members of the Supervisory Board. If necessary, the Supervisory Board meets without the Management Board.

Conflicts of interest

Conflicts of interest of members of the Management and Supervisory Boards must be disclosed to the Supervisory Board without delay. In the 2021/2022 financial year, no conflicts of interest occurred.

3.3. Essential corporate governance practices

Main features of compliance

Deutsche Konsum REIT-AG is committed to responsible and sustainable corporate management of the Company. This includes trusting cooperation between the Management Board and the Supervisory Board as well as the employees and a high level of transparency in reporting and corporate communications.

The essential basis of Deutsche Konsum REIT-AG's business is to create, maintain and strengthen the trust of tenants, business partners, shareholders and other capital market participants as well as employees. Thus, compliance at the Company not only means complying with the law and the statutes, but also adhering to internal instructions and self-commitments to implement the values, principles and rules of responsible corporate governance in daily actions.

Compliance Management System

At present, the Company employs only 20 people (including two members of the Management Board), so that in view of the size of the Company, the Management Board saw no need in the past to develop and disclose systems of measures in a formalised form for compliance management and so-called “whistleblowing”. In the course of new legal regulations, however, the previous recommendation to set up a compliance management system was deleted from the current GCGC. Due to the new legal requirement, the Company has now integrated a compliance management system (CMS) into its internal control system (ICS) and describes this in the Management Report. This recommendation will therefore no longer be commented on in the future. However, the Management Board still sees no need for the development and disclosure of a so-called “whistleblowing” system. In view of the size of the Company, the effort required to set up, implement and maintain this formalised system of measures was and is out of proportion to the potential benefits.

Organisation and controlling

Deutsche Konsum REIT-AG is headquartered in Germany and is, therefore, subject to the provisions of German stock corporation and capital markets law as well as the provisions of the Articles of Association.

Essentially, Deutsche Konsum REIT-AG manages the Company using the following key figures: EBIT, FFO, LTV, EPRA NTA and cash flow. Sustainable economic, social and environmental aspects are considered.

Shareholders and Annual General Meeting

The shareholders of Deutsche Konsum REIT-AG exercise their rights before or during the Annual General Meetings within the scope of the legal and statutory provisions and hereby exercise their voting rights. Each share grants one vote.

The Chairman of the Supervisory Board chairs the Annual General Meetings. Each shareholder is entitled to attend the Annual General Meeting, to speak on the relevant agenda items and to request information on Company matters, insofar as this is necessary for the proper assessment of an item of the Annual General Meeting. The Annual General Meeting decides on all tasks assigned to it by law.

The agenda of the Annual General Meeting and the reports and documents required for the Annual General Meeting are published in easily accessible form by Deutsche Konsum REIT-AG on its website at https://www.deutsche-konsum.de/en/ under “Investor Relations” under the menu item “Annual General Meeting”.

To make it easier for its shareholders to exercise their rights and to vote proxy, the Company appoints a representative for the proxy voting. He can also be contacted during the Annual General Meeting.

The Annual General Meeting takes place within the first eight months of each financial year. The Annual General Meeting of Deutsche Konsum REIT-AG, which passed resolutions on the financial year ended 30 September 2021, was held on 10 March 2022 as a virtual general meeting without the physical presence of shareholders or their proxies. More than 49% of the share capital was represented (share capital of the Company at the time of convening the Annual General Meeting: 35,155,938 shares). All agenda items were resolved by a large majority.

Stock option plans

There are currently no stock option programs or similar incentive systems at Deutsche Konsum REIT-AG.

Transparent reporting

Through its website, Deutsche Konsum REIT-AG ensures consistent, comprehensive, timely and simultaneous information to shareholders and the interested public about the economic situation and new facts. This information can be accessed via the Investor Relations section of the website at https://www.deutsche-konsum.de/en/ in the "Investor Relations" section.

Reporting on the business and earnings situation is currently carried out in Annual Reports, Quarterly Reports as well as in the Half-yearly Financial Reports, which are available for download on the Company's website. Important up-to-date information is published via corporate news and ad hoc announcements and is also made available on the Company's website. In addition, pursuant to Art. 19 of the Market Abuse Regulation (MAR), transactions of managers and related parties are publicly disclosed as "Directors' Dealings" and are also available on the Company's website.

In accordance with Art. 18 MAR, mandatory insider lists are maintained, and the persons listed on insider lists have been and will be informed of the legal obligations and sanctions that result for them.

Significant events and publication dates are maintained and published in the financial calendar, which can be viewed on the Company's website at any time.

Accounting and auditing

The annual financial statements of Deutsche Konsum REIT-AG are prepared in accordance with IFRS as applicable in the European Union and in accordance with the provisions of the German Commercial Code. After preparation by the Management Board, the Annual Financial Statements are audited by the auditor and finally reviewed and approved by the Supervisory Board. The Audit Committee monitors the quality of the audit. In accordance with the German Corporate Governance Code, the Company aims to publish the Annual Financial Statements within 90 days of the end of the financial year and the mandatory financial information during the year (Quarterly Reports and the Half-yearly Financial Report) within 45 days.

The 2022 Annual General Meeting elected DOMUS AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft as the auditor for the financial year 2021/2022. The audits of DOMUS AG follow German auditing regulations as well as the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) and the International Standards on Auditing. The Chairman of the Supervisory Board is immediately informed by the auditor of any grounds for exclusion or exemption as well as inaccuracies of the Declaration of Compliance that occurred during the audit. The auditor reports without delay all issues and events that arise during the audit and are relevant for the task of the Supervisory Board to the Chairman of the Supervisory Board and is required to inform the Supervisory Board promptly of any possible grounds for exclusion or bias. The auditor has declared to the Audit Committee that there are no circumstances that would give reason to believe that he is biased. The Audit Committee has obtained the required auditor's independence declaration, reviewed the auditor's qualifications and concluded a fee agreement with the auditor. The Audit Committee focused on monitoring the accounting process. The Committee received reports on the further development of the internal control system, the effectiveness of the risk management system and the internal audit. There was a regular exchange of information on the current risk situation and risk management. In view of the Company's economic focus on the real estate sector, the Audit Committee also dealt with the process and the comprehensibility of the content of property valuations by external appraisers.

Opportunity and risk management

An essential element of corporate governance is risk management to adequately and systematically counter the risks that Deutsche Konsum REIT-AG is exposed to. A comprehensive process was introduced that enables management to identify, assess and manage risks and opportunities in a timely manner. As a result, unfavourable developments and events become transparent at an early stage and can be analysed and managed in a targeted manner. Further information on risk management is contained in the Opportunity and Risk Report of the Management Report 2021/2022.

Information on the Company's website

Further information is available for download on the Company's website, which can be reached at https://www.deutsche-konsum.de/en/. Here, among other things, the Compensation Report on the last financial year and the Auditor's Report pursuant to § 162 of the German Stock Corporation Act (in the "Investor Relations" section under the menu items "Corporate Governance" and "Compensation Report"), the applicable Compensation System pursuant to § 87a (1) and (2) sentence 1 of the German Stock Corporation Act as well as the last compensation resolution pursuant to § 113 (3) of the German Stock Corporation Act (in the "Investor Relations" section under the menu items "Corporate Governance" and "Compensation System Management Board & Supervisory Board") as well as the current and older versions of the Corporate Governance Statement are available.

Potsdam, December 2022

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

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

4. Report of the Supervisory Board

Dear Shareholders,

In the 2021/2022 financial year, the Supervisory Board of Deutsche Konsum REIT-AG ("DKR") duly fulfilled the duties incumbent on it by law, the Articles of Association and the rules of procedure.

Cooperation between the Supervisory Board and the Management Board

The Supervisory Board continuously monitored and advised the Management Board on the management of the Company. The Supervisory Board was directly involved in all decisions of fundamental importance to the Company. The Management Board complied with its duties to provide information and regularly, promptly and comprehensively informed the Supervisory Board both in writing and orally about corporate planning, the course of business, the strategic development and the current situation of the Company and the current leases.

In addition, the Chairman of the Supervisory Board was regularly informed by the Management Board about current developments in the business situation and significant business events outside of Supervisory Board meetings. In addition, the Chairman of the Supervisory Board kept in regular contact with the Management Board and discussed issues of strategy, planning, business development, risk situation and risk management as well as compliance of the Company.

The members of the Supervisory Board always had ample opportunity to critically examine the resolutions proposed by the Management Board and to make their own suggestions. In particular, the members of the Supervisory Board discussed all significant business transactions for the Company on the basis of written and verbal reports prepared by the Management Board and checked them for plausibility. In several cases, the Supervisory Board dealt in detail with the risk situation of the Company, liquidity planning and the equity situation. In addition, the Management Board also reported to the Supervisory Board on the profitability of the Company, and in particular the profitability of its equity, at the balance sheet meeting. The Supervisory Board has given its approval for individual business transactions insofar as this was required by law, the Articles of Association or the rules of procedure for the Management Board.

The Company provides appropriate support to the members of the Supervisory Board in their inauguration and in the training and further training measures. All members of the Supervisory Board are given access to specialist literature and are reimbursed for the costs of attending seminars and webinars whose topics are relevant to the work of the Supervisory Board.

Session attendance of the Supervisory Board

A total of five meetings of the Supervisory Board were held during the reporting period, of which four were held as virtual meetings (online with video and audio transmission) due to the special pandemic-related circumstances and one as a presence meeting. If necessary, decisions were also taken by written procedure. Approvals of draft resolutions of the Management Board were made after examination of extensive documents and intensive discussion with the Management Board. If necessary, the Supervisory Board meets without the Management Board.

Conflicts of interest of members of the Management and Supervisory Boards that must be disclosed to the Supervisory Board without delay did not arise.

The following overview shows the attendance of the members of the Supervisory Board in the financial year 2021/2022:

Name	13/12/2021 Virtual meeting	11/03/2022 Virtual meeting	31/05/2022 Presence meeting	03/08/2022 Virtual meeting	22/09/2022 Virtual meeting
Hans-Ulrich Sutter	x	x	x	x	x
Achim Betz	x	x	x	x	x
Kristian Schmidt-Garve	x	x	x	x	–
Cathy Bell-Walker	x	x	x	x	–
Johannes C. G. (Hank) Boot	x	x	x	x	x
Nicholas Cournoyer	–*	x	x	x	x

* Mr. Cournoyer had previously given voting message to Mr. Sutter.

Focus of deliberations in the Supervisory Board

The deliberations of the Supervisory Board in the individual meetings focused on the following topics:

At the meeting to adopt the Financial Statements on 13 December 2021, which was also attended by the auditor, the Supervisory Board unanimously approved the Company's Annual Financial Statements for the 2020/2021 financial year, which were thus adopted. In addition, the variable Management Board compensation was determined on the basis of the achievement of the predefined target attainment criteria for the year 2020/2021. At this meeting, the Supervisory Board also reviewed the appropriateness of Management Board compensation and its effectiveness in promoting the sustainable and long-term development of the Company. In this context, the Supervisory Board determined the level of the target attainment criteria to be applied in the following financial year, on which the variable compensation of the Management Board is based. The Management Board and Supervisory Board then discussed the current status of the acquisition pipeline, liquidity planning and the other economic development of the Company. At this meeting, the Supervisory Board also resolved to establish an Audit Committee as of 1 January 2022 in accordance with § 107 (4) German Stock Corporation Act (AktG) (new version) and unanimously elected Mr. Achim Betz (Chairman), Mr. Hans-Ulrich Sutter (Deputy Chairman) and Ms. Cathy Bell-Walker as members. In addition, due to the COVID 19 pandemic situation prevailing at the time, the Supervisory Board also decided to hold the 2022 Annual General Meeting as a virtual event.

At its meeting on 11 March 2022, the Supervisory Board reconstituted itself after all six Supervisory Board members had been re-elected at the Annual General Meeting on 10 March 2022. The previous functional division of functions was maintained, so that Mr. Sutter continues to be Chairman, Mr. Betz First Deputy Chairman and Mr. Schmidt-Garve

Second Deputy Chairman. The functions in the Audit Committee will also remain unchanged, so that Mr. Achim Betz will continue to be the Chairman, Mr. Hans-Ulrich Sutter the Deputy Chairman and Ms. Cathy Bell-Walker a member. In addition, the Supervisory Board established the amended Compensation System for the Management Board approved by the Annual General Meeting in accordance with § 87a (2) of the German Stock Corporation Act (AktG). The Supervisory Board also discussed the current economic development of the Company and the financing pipeline.

The meeting of 31 May 2022 was held as part of a regular visit by the Supervisory Board to various properties of the Company. The Company's main real estate properties in Brandenburg (Erkner, SMC Frankfurt/Oder, Eisenhüttenstadt, Guben) were visited and inspected. The Management Board and Supervisory Board also discussed the current business performance.

At the meeting on 3 August 2022, the Management Board informed the Supervisory Board about the investigation published by BaFin (Federal Financial Supervisory Authority) on 15 July 2022 regarding the accounting of the loans to Obotritia Capital KGaA and the loans purchased via creditshelf AG in the IFRS Annual Financial Statements as at 30 September 2021.

In the meeting of 22 September 2022, the Supervisory Board consulted with the Management Board on the development of business as well as the financing pipeline and discussed the expectations regarding the development of the financial year results. In addition, the Declaration of Compliance 2022 on Corporate Governance was adopted.

Furthermore, throughout the reporting period, the Supervisory Board accompanied the growth of the Company in close coordination with the Management Board and passed further resolutions by way of circulation, including the items on the agenda of the Annual General Meeting of 10 March 2022.

All members of the Supervisory Board have expertise and experience in the field of auditing and in the application of accounting principles. They are also familiar with the real estate sector. The First Deputy Chairman of the Supervisory Board, Mr. Achim Betz, fulfils all requirements in accordance with § 100 (5) German Stock Corporation Act (AktG) in the field of auditing. The Chairman of the Supervisory Board, Mr. Hans-Ulrich Sutter, fulfils all requirements in accordance with § 100 (5) German Stock Corporation Act (AktG) in the area of accounting.

Corporate governance was assessed and further developed in individual aspects. In the course of this, the Supervisory Board introduced a formalised self-assessment system in the 2020/2021 financial year by resolution of 15 September 2020, which was applied in the current financial year. In this context, all members of the Supervisory Board were asked, among other things, about the efficiency, quality, timeliness and scope of the provision of information, the quality of the exchange with the Management Board, the composition and expertise of the Supervisory Board, the availability of resources and training opportunities, as well as possible compliance violations and conflicts of interest, with the option of anonymous responses also being available. The feedback from the Supervisory Board members confirmed that they assessed the work of the Supervisory Board as effective and efficient.

Audit Committee

Since 1 January 2022, the Supervisory Board has had an Audit Committee consisting of Mr. Achim Betz, Mr. Hans-Ulrich Sutter and Ms. Cathy Bell-Walker. The main task of the Audit Committee of DKR is to monitor the accounting process, the effectiveness of the internal control system, the risk management system and the internal audit system as well as the audit of the Financial Statements. The Committee reports to the Supervisory Board.

The Audit Committee focused on monitoring the accounting process. The Committee received reports on the further development of the internal control system, the effectiveness of the risk management system and the internal audit. There was a regular exchange of information on the current risk situation and risk management. In view of the Company's economic focus on the real estate sector, the Audit Committee also dealt with the process and the comprehensibility of the content of property valuations by external appraisers.

The Audit Committee made a recommendation to the Supervisory Board for the appointment of the auditor DOMUS AG Wirtschaftsprüfungsgesellschaft/Steuerberatungsgesellschaft, Berlin, for the financial year 2021/2022.

The auditor has declared to the Audit Committee that there are no circumstances that would give reason to believe that he is biased. The Audit Committee has obtained the required auditor's independence declaration, reviewed the auditor's qualifications and concluded a fee agreement with the auditor.

All members of the Audit Committee have expertise and experience in the application of accounting principles and internal control procedures. The Chairman, Mr. Achim Betz, fulfils all requirements in accordance with § 100 (5) of the German Stock Corporation Act (AktG) in the area of auditing. The Deputy Chairman, Mr. Hans-Ulrich Sutter, fulfils all requirements in accordance with § 100 (5) of the German Stock Corporation Act (AktG) in the area of accounting. Further details can be found in the Corporate Governance Statement. The curricula vitae of the members of the Audit Committee are published at https://www.deutsche-konsum.de/en/ in the Section “Company” under the menu item “Supervisory Board”.

Corporate Governance and Declaration of Compliance

The Management Board also reports on corporate governance at Deutsche Konsum REIT-AG and at the same time on behalf of the Supervisory Board in the Corporate Governance Statement on the Company’s website at https://www.deutsche-konsum.de/en/ in the Section “Investor Relations” under the menu item “Corporate Governance” as well as in the Annual Report 2021/2022. The Management Board and Supervisory Board have repeatedly discussed the recommendations and suggestions of the GCGC and issued a Declaration of Compliance in accordance with § 161 German Stock Corporation Act (AktG) on 22 September 2022 and a supplement to this Declaration of Compliance on 25 November 2022.

Annual audit

The Annual Financial Statements of Deutsche Konsum REIT-AG as of 30 September 2022, prepared by the Management Board, and the Management Report of the Company were audited by the auditor, appointed by the Annual General Meeting on 10 March 2022 and assigned by the Supervisory Board, DOMUS AG Wirtschaftsprüfungsgesellschaft/Steuerberatungsgesellschaft, Berlin, and provided with an unqualified audit certificate.

The Annual Financial Statements of Deutsche Konsum REIT-AG and the Management Report of the Company as well as the Auditors’ Reports were made available to all members of the Supervisory Board in good time. The auditor attended the meeting of the Supervisory Board on 15 December 2022 and reported on the key findings of his audit. This included his comments on the internal control system and risk management in relation to the accounting process. In addition, he was available to the members of the Supervisory Board for additional questions and information. The Supervisory Board approved the result of the audit of the Annual Financial Statements and the Management Report of the Company after detailed discussion by circular resolution on 19 December 2022.

The Supervisory Board carefully examined the Annual Financial Statements and the Management Report of the Company, the proposal for the appropriation of profits and the Auditors’ Reports. There were no objections. The Supervisory Board then approved the Annual Financial Statements as of 30 September 2022 prepared by the Management Board. The Annual Financial Statements are, thus, established. The Supervisory Board approved the Management Board’s proposal for the appropriation of profits after its own review and taking into account the development of earnings, the financial position and the requirements of the REIT Act. Together with the Management Board, the Supervisory Board proposes to the Annual General Meeting that a dividend of EUR 0.48 per share be distributed for the 2021/2022 financial year. This corresponds

Photo: Discounter
Konrad-Gaul-Straße 5, 35102 Lohra

to a distribution of 99.4% of the net income of TEUR 16,985 under commercial law.

Examination of the report of the Management Board on relationships with affiliated companies (Dependency Report)

In accordance with § 312 German Stock Corporation Act (AktG), the Management Board prepared a report for the period of control on relations with affiliated companies and submitted it to the Supervisory Board in good time. The report of the Management Board on relations with affiliated companies was subject of the audit by the auditor. He has issued the following audit opinion on the result of his audit:

"After our dutiful examination and assessment, we confirm that

1. *the actual details of the report are correct,*
2. *in the transactions listed in the report, the Company's performance was not unduly high."*

The Auditors' Report was also available to the Supervisory Board in good time. The Supervisory Board examined both the Dependency Report of the Management Board and the Auditors' Report of the auditor, and the auditor participated in the Supervisory Board's hearing on the Dependency Report and reported on the key findings of his audit. Following the final result of the Supervisory Board's review, the Supervisory Board agrees with the Dependency Report of the Management Board and the Auditors' Report and raises no objections to the final declaration of the Management Board contained in the Dependency Report.

Personnel changes in the Management Board and Supervisory Board

There were no personnel changes on the Management Board and Supervisory Board in the 2021/2022 financial year.

After the end of the reporting period, Ms. Cathy Bell-Walker, a member of the Supervisory Board as well as the Audit Committee, informed the Management Board and the Supervisory Board of the Company on 11 November 2022 that she will resign from her positions for personal reasons with immediate effect. The Supervisory Board will consult internally and intends to make a proposal for the appointment of a new Supervisory Board member to the 2023 Annual General Meeting. The Supervisory Board and Management Board thank Ms. Bell-Walker for her valuable work and wish her all the best.

The Supervisory Board would like to thank the Management Board and employees for their commitment in the 2021/2022 financial year.

Potsdam, December 2022

For the Supervisory Board

Hans-Ulrich Sutter
Chairman of the Supervisory Board

5. Composition of the Management Board and Supervisory Board

Management Board

Alexander Kroth
CIO
Mr. Kroth is responsible for the areas of acquisition and sales as well as asset and property management.

Rolf Elgeti
CEO
Mr. Elgeti is responsible for Human Resources and Legal/Compliance and Strategy.

Christian Hellmuth
CFO
Mr. Hellmuth is responsible for Corporate Finance, Accounting/Controlling, Treasury, Investor Relations and Risk Management.

Supervisory Board

Hans-Ulrich Sutter
Chairman of the Supervisory Board and Deputy Chairman of the Audit Committee
Retired, Member of other supervisory boards

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

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

Cathy Bell-Walker
Member of the Audit Committee
Solicitor, England & Wales, Allen & Overy LLP
(until 11 November 2022)

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

Nicholas Cournoyer
Chairman, Montpelier Foundation Limited

The CVs of the members of the Management Board and Supervisory Board are published under https://www.deutsche-konsum.de/en/ in the category “Company” under the menu items “Management Board” respectively “Supervisory Board”.

Photo: Local retail centre
Widumer Tor 1, 44575 Castrop-Rauxel

6. Deutsche Konsum as REIT

REIT is the abbreviation for "Real Estate Investment Trust". These are listed real estate corporations whose business purpose is long-term asset management and the sustainable achievement of rental income. As a result of their stock market listing, REITs have direct access to the capital markets and, therefore, so to speak, everlasting equity capital compared to real estate funds. In addition, real estate stocks represent a fungible investment vehicle for investors, enabling indirect real estate investments in various asset classes. Another key feature is the tax transparency of the REIT company, as no income tax is levied at company level and taxation at the investor level takes place downstream of the dividend distribution. In this respect, a REIT investment is equated to a direct investment in real estate for tax purposes. A REIT thus enables a broad spectrum of investors to participate indirectly in real estate via shares. In particular, private investors can thus participate in various real estate classes for which a direct investment in a property would not be considered due to the volume, lump risk and management requirements – such as DKR's acquisition of retail parks.

For decades, REITs have been characterised by high stability, profitability, dividend strength, and sustained appreciation, and have long been established in developed investment markets such as the US, Canada, UK, France, Belgium, Singapore, Hong Kong and Japan.

Essential prerequisites for becoming a REIT in Germany derive from the REIT Law of 2007 and include the following criteria:

- Minimum equity of the corporation of EUR 15 million,
- Listing in the regulated market of a German stock exchange,
- At least 15% free float in the shareholders,
- Limitation of the direct participation of a single shareholder to 10% of the share capital,
- Minimum equity ratio of 45%,
- Real estate assets of at least 75% of total assets,
- Rental income of at least 75% of total revenues,
- Minimum dividend distribution of 90% of the annual financial result according to commercial law.

Foto: Discounter
Reinhardsbrunner Straße 111, 99867 Gotha

In this respect, the founding of a REIT already requires a certain minimum size and stability of the Company. The German REIT criteria guarantee shareholders high quality right from the start.

Furthermore, the listing in the regulated market on a German stock exchange ensures the highest level of transparency. For example, there are regular disclosure requirements such as quarterly reporting in German and English, mandatory participation in analyst and investor events such as the Equity Forum, and the option for each shareholder to get in touch with the Company's Investor Relations department.

Finally, the tax exemption of a REIT stock company enables very streamlined and cost-effective management structures, as, e.g., no separate tax department or managing complex tax structures are required.

In this respect, DKR is an interesting, low-risk and attractive option on the capital market for investing in specialist German retail and retail real estate.

7. The real estate portfolio

7.1. Investment strategy

Focus on high-yield local supply properties with grocery anchors

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

At the same time, these types of retail properties are only slightly threatened by competition from online retailing, as food, drugstore products and DIY products in particular continue to be purchased preferentially from bricks-and-mortar stores in Germany. This is confirmed by empirical studies, according to which the online share of sales in the grocery and drugstore sectors even in the "Corona year" 2021, characterised by ongoing lockdown measures, was only 2.2% (2020: 1.6%) and 3.4% (2020: 2.3%) respectively, and in the DIY sector 8.6% (2020: 7.1%).[1] In other retail segments, such as electronics, fashion and leisure articles, on the other hand, the online share of total sales has risen to more than a third – with a further upward trend. Therefore, DKR invests exclusively in basic retail properties.

When acquiring properties, DKR focuses on medium-sized cities and conurbations away from large metropolitan areas, as there is less competition from potential buyers for these acquisition targets. In addition, retail properties with comparatively short remaining lease terms are deliberately purchased – DKR therefore bears the lease extension risk. This enables the Company to achieve attractive initial yields of around 10% with a moderate investment risk. The constant WALT of the entire portfolio over the last few years shows, however, that this risk is manageable and that expiring leases can always be extended again or vacant spaces can be re-let due to the quality of the location. Furthermore, at well over 80%, a large proportion of DKR's leases are inflation-protected, which is why the rental cash flows offer effective protection in an environment that tends to become increasingly inflationary. In addition, the properties are usually acquired individually, as portfolio deals are typically made at much lower acquisition yields or are significantly more expensive.

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

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

[1] Hahn Group in cooperation with bulwiengesa, CBRE, EHI Retail Institute: Retail Real Estate Report 2022/2023, 17th edition, pages 27 and 48.

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

DKR is also working on a long-term increase in property values at portfolio level. For example, the equipping of DKR's locations with charging points for electric vehicles is being driven forward in cooperation with the energy supplier EnBW. The Company furthermore plans to install photovoltaic systems on several properties. In the case of two larger properties, the planning is already close to completion – the projects are to be implemented in the near future.

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

Transformation of individual retail properties into an institutional asset class
As the property portfolio continues to expand, the individual risks of the different properties are steadily balanced out. On the one hand, an individual risk is spread over a larger totality of properties and, on the other hand, DKR's negotiating position with major tenants improves with each additional purchase, as the number of tenancies with the same retailers increases. In addition, with each subsequent acquisition, DKR can achieve economies of scale in both ongoing administrative and management costs and in borrowing costs. Furthermore, the REIT status has high minimum requirements in terms of debt ratio, equity ratio and transparency.

In the context of this transformation, a highly profitable, low-risk and efficiently financed real estate portfolio of institutional quality is created from individual, non-institutional retail properties, which generates sustainable income that is not taxed at the corporate level and distributed as dividends.

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

7.2. Development of the real estate portfolio in the 2021/2022 financial year

7.2.1. Acquisitions with a volume of almost EUR 100 million

DKR was able to record further growth in the past financial year and has notarised the acquisition of a total of 25 retail properties with a total lettable area of around 103,000 sqm and an annual rent of EUR 8.0 million as at the balance sheet date of 30 September 2022. The purchase prices for all acquired properties total EUR 97.9 million.

7.2.2. Disposals with a volume of EUR 38.2 million

In the course of the 2021/2022 financial year, DKR notarised the sale of eight portfolio properties at an average sales yield of 5.2%. The cumulative sales prices of the properties with 22,100 sqm of rental space amount to EUR 38.2 million. In total, the sold properties generate an annual rent of approximately EUR 2.0 million with a remaining lease term of approximately 6.4 years and a vacancy rate of 14%. The transfer of benefits and encumbrances of the sold properties has been completed by November 2022.

On average, Deutsche Konsum acquired the properties between 2015 and 2020 with an average initial yield of 10% and average remaining lease terms of 9.0 years. During the investment period, the properties generated rental income of around EUR 10.5 million. At the same time, DKR reduced vacancies and was able to significantly extend major leases.

The proceeds from disposals are to be used in part to purchase new food-anchored retail properties. A large part of the capital gains will be proposed to the 2023 Annual General Meeting as an additional dividend for the 2021/2022 financial year.

7.2.3. Key figures of the portfolio

As of 30 September 2022, DKR's portfolio thus comprises a total of 175 retail properties with a total rental area of around 1,048,312 sqm and an annualised rent of around EUR 73.2 million. The portfolio is valued at around EUR 1.051 billion as of 30 September 2022.

Key operating figures as of 30 September 2022 are as follows:

	30/09/2022	30/09/2021	Difference
Rent/year (EUR million)	73.2	72.9	0.4%
Net rent/sqm/month	6.60	6.66	–0.9%
Vacancy rate (%)	11.7	10.7	10.0%
WALT (years)	5.2	5.5	–5.2%
Fair value (EUR million)	1,050.7	1,014.2	3.6%
Property value (EUR/sqm)	1,002	993	1.0%
Valuation factor	14.3	13.9	3.2%

In a LFL comparison[2], there is a noticeable increase in both the comparable annual net rent and the rent per sqm as well as a significant decrease in the vacancy rate:

	30/09/2022	30/09/2021	Difference
Net rent (EUR million)	65.8	63.6	3.5%
Rent/sqm/month	6.67	6.52	2.4%
Vacancy rate (%)	9.5	10.3	–8.0%
WALT (years)	5.2	5.3	–1.3%

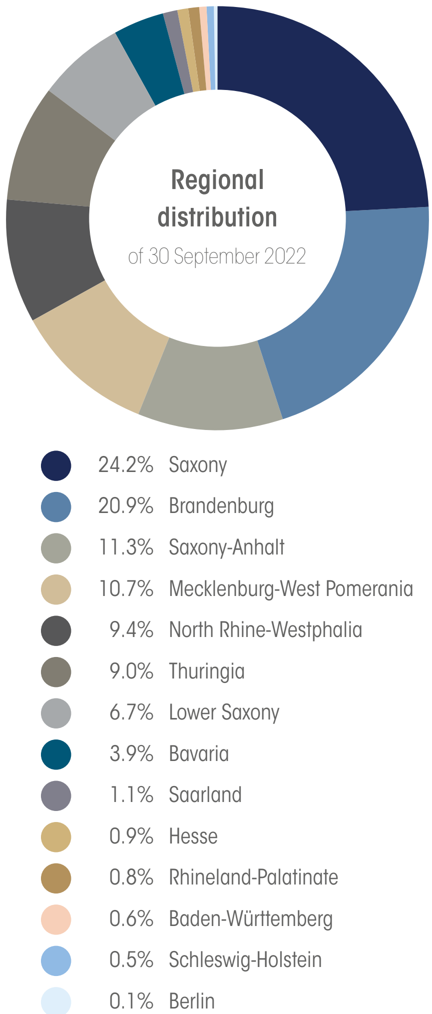
[2] The like-for-like comparison (LFL) compares numerical values and statistics of identical properties at different cut-off dates of a period. Properties that are currently being revitalised are not taken into account.

The increase in the comparable annual net rent results primarily from the inflation-related adjustment of rent payments and the re-letting of previously vacant spaces. In some cases, DKR succeeded in re-letting space that had previously been classified as difficult-to-let structural vacancies. Usually, such spaces are let on relatively affordable terms, which is why the net monthly rent per sqm has risen less than comparable rents overall. For DKR, such leases are nevertheless very advantageous, since on the one hand additional rental income can be generated and on the other hand an allocation of ancillary costs to the tenants is possible.

7.3. Structure of the DKR portfolio

Regional distribution

The regional real estate portfolio of DKR is distributed as follows (according to annual rents) as of 30 September 2022:



	Rental space				Annualised rent			
	30/09/2022		30/09/2021		30/09/2022		30/09/2021	
	sqm	%	sqm	%	TEUR	%	TEUR	%
West German States	237,851	22.7	239,673	23.5	17,492	23.9	19,226	26.4
East German States	810,461	77.3	782,228	76.5	55,757	76.1	53,714	73.6
	1,048,312	**100.0**	**1,021,901**	**100.0**	**73,249**	**100.0**	**72,940**	**100.0**

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

The share of rentals from Western German locations decreased slightly from around 26.4% to around 23.9% in the past financial year 2021/2022. Although a total of eight properties were acquired in the old federal states, the Company sold the same number of properties in Western Germany as part of the capital recycling. However, due to its increased name recognition and the growth of its network, DKR is increasingly gaining access to properties in Western Germany that meet its investment and yield requirements.

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

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

Focus on retail parks and local retail centres

The real estate portfolio of DKR is divided into the following property categories as of 30 September 2022:

	Quantity	Rental space		Annualised rent	
		sqm	%	TEUR	%
Retail parks	27	354,382	33.8	24,415	33.3
Hypermarkets	10	210,813	20.1	15,083	20.6
Local retail centres	44	258,108	24.6	18,249	24.9
DIY stores (stand-alone)	16	107,934	10.3	7,217	9.9
Discounter	72	91,992	8.8	7,216	9.9
Wholesale markets	6	25,083	2.4	1,069	1.5
	175	**1,048,312**	**100.0**	**73,249**	**100.0**

The biggest property groups in DKR's portfolio are retail parks, hypermarkets, and local retail centres, which generally have a non-cyclical and defensive tenant mix consisting of food retailers, drugstores and often also medical services. This also applies to smaller discount stores, which are usually also food-anchored and numerous in DKR's portfolio. Furthermore, DKR currently holds 16 DIY stores that are operated for many years by large DIY chains with strong credit ratings.

Vacancy

The vacancy rate of the real estate portfolio as of 30 September 2022 is around 11.7%. As part of its investment strategy, DKR also deliberately acquires properties with a significant vacancy rate if the Company believes this can be reduced. DKR always calculates the purchase price based on the existing reliable rents, which is why a vacancy share acquired in a property is rather a "free option" that can lead to an increase in initial yields in the event of a subsequent vacancy reduction. Consequently, the acquisition of new properties with vacancy shares naturally always results in a vacancy base in the overall portfolio. In addition, some properties have a structural (space) vacancy due to their structural conditions.

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

Furthermore, there are also structural vacancies at various properties. These are usually spaces that are difficult to let due to their location within a property or a lack of local demand. For instance, windowless, unfavourably cut, fragmented or poorly accessible spaces represent this. Furthermore, there are also areas to be mentioned here that were constructed on the basis of urban planning specifications of the time that did not meet actual requirements and for which there was no sustainable demand.

From an economic point of view, however, structural vacancies are almost insignificant because, on the one hand, they do not cause any running costs and, on the other hand, due to their characteristics, they could only be let at significant discounts compared to the market rent. In this respect, the economic vacancy of the DKR real estate portfolio, which results from the ratio of rental income to the vacant space that can potentially only be let at lower rents, is significantly lower than the physical vacancy. This is reflected in the "EPRA vacancy rate", which is currently 6.3%.

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

30/09/2022	Investment portfolio	Revitalisation portfolio	DKR's overall portfolio
Total rental space (sqm)	950,276	98,036	1,048,312
Total vacant space (sqm)	82,054	41,065	123,119
Thereof structural vacancy (sqm)	58,499	–	58,499
Total vacant space (%)	8.6	41.9	11.7
Structural vacancy (%)	6.2	–	5.6

7.4. Value-enhancing investments in the existing portfolio (Capex)

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

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

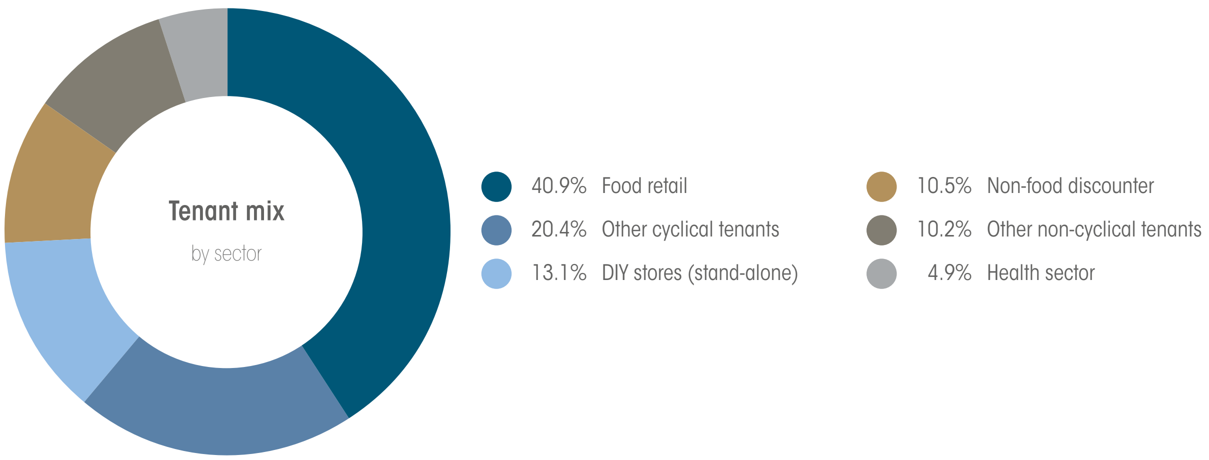
A number of revitalisations have been successfully completed in recent years. In the financial year the Company invested a total of EUR 18.6 million in capex measures in its portfolio. The investments were made in particular in the properties in Stralsund, Ueckermünde ("Haff-Center"), Grimma ("PEP"), Angermünde, Plauen and Hohenmölsen.

DKR is also planning value-creating investments in its portfolio in the new financial year 2022/2023. A particular focus will most likely be on the properties in Bitterfeld ("BiTZ") and Dudweiler ("Dudo-Galerie"). The planned revitalisation measures are already being partially implemented.

7.5. Tenant mix

Focus on credit-worthy tenants with non-cyclical goods and services

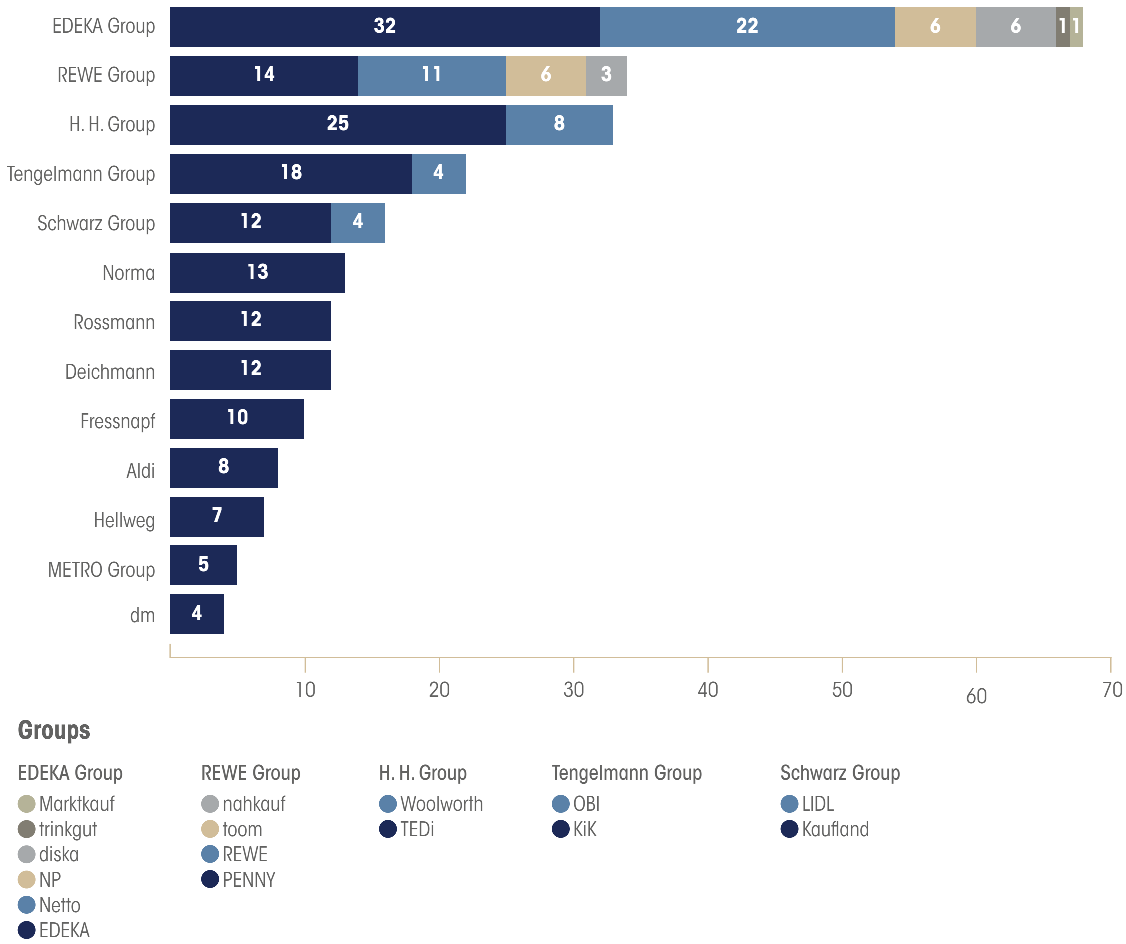
The strongest tenant group in the DKR portfolio are food retail chains such as EDEKA, REWE, METRO, the Schwarz Group, NORMA and ALDI with around 40.9% of the annualised total rents. The other main non-cyclical tenant groups are DIY stores, retail discounters, tenants from the healthcare sector and other non-cyclical retail stores for everyday goods and services.



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

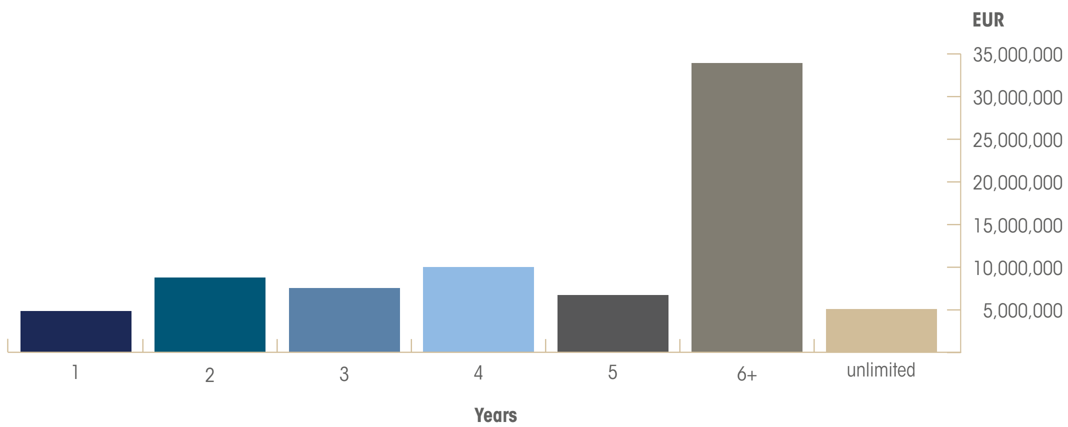
DKR deliberately acquires retail properties with the same well-known retail chains when building up its portfolio. This enables a better and more efficient balance of interests with regard to lease extensions, to necessary expansion and extension investments or to standardise leases and work processes. The number of tenancies with the same retail groups is shown below.

Number of leases with major corporations and their retail brands as at 30 September 2022:



Residual lease term (WALT)

The average residual lease term (WALT) of the portfolio is approximately 5.2 years as at 30 September 2022. The proportions of the annual rent according to WALT are distributed as follows:



7.7. Property portfolio in detail as of 30 September 2022

		City	Street	Rental space	Vacancy 30/09/2022	Vacancy 30/09/2021
				sqm	%	%
1	32547	Bad Oeynhausen	Mindener Straße 67 / Alter Rehmer Weg 22	4,591.21	0.0	22.2
2	06749	Bitterfeld – BiTZ Bitterfelder-Fachmarkt-Zentrum	Brehnaer Staße 34	19,468.10	14.7	19.5
3	99094	Erfurt	Gothaer Landstraße 22	20,501.00	0.0	0.0
4	19288	Ludwigslust – Lindencenter	Am Marstall 2	14,354.47	0.0	0.0
5	17087	Altentreptow I	Fritz-Reuter-Straße 13	4,150.77	4.7	5.5
6	15890	Eisenhüttenstadt I	Gubener Straße 42	1,253.11	2.7	2.7
7	06231	Bad Dürrenberg	Ostrauer Straße 5	3,384.15	0.0	57.3
8	01662	Meißen	Berghausstraße 7	6,227.75	0.0	0.0
9	09427	Ehrenfriedersdorf	Gewerbegebiet an der B95	6,504.95	0.0	0.0
10	08626	Adorf	Karlsgasse 28	5,434.93	0.0	0.0
11	16348	Wandlitz	Bahnhofstraße 35-36	1,607.90	0.0	0.0
12	18337	Marlow	Carl-Cossow-Straße 64	1,046.00	0.0	0.0
13	06132	Halle	Hermann-Heidel-Straße 11	1,072.00	18.7	18.7
14	19417	Warin	Burgstraße / Lange Straße 12-14	1,598.87	0.0	0.0
15	06773	Gräfenhainichen	Rosa-Luxemburg-Straße 47	1,076.78	0.0	100.0
16	06749	Bitterfeld-Wolfen	Anhaltstraße 70b, 72	5,822.21	19.9	19.9
17	02747	Herrnhut	Löbauer Straße 45	1,454.58	0.0	0.0
18	02625	Kleinwelka	Hoyerswerdaer Straße 136	1,137.95	0.0	0.0
19	02906	Niesky	Am Bahnhof 8	1,343.92	4.5	4.5
20	16727	Schwante	Dorfstraße 25	1,047.00	0.0	0.0
21	12103	Berlin-Tempelhof	Manteuffelstraße 71	1,157.85	0.2	0.0
22	14974	Ludwigsfelde	Albert-Tanneur-Straße 25	4,551.91	0.9	0.9
23	15562	Rüdersdorf	Brückenstraße 12a/b	2,783.88	9.0	9.1
24	03172	Guben I	Karl-Marx-Straße 95	1,181.00	0.0	0.0
25	04178	Leipzig	Merseburger Straße 255-263	27,995.53	0.3	8.3
26	18106	Rostock	Kolumbusring 58	4,805.70	6.6	12.1
27	18273	Güstrow	Pferdemarkt 58 / Markt 2-3 / Hageböcker Straße 108	5,624.74	57.7	59.1
28	38855	Wernigerode	Ringstraße 31-37 / Gustav-Petri-Straße / Pfarrstraße	25,229.82	12.8	9.4
29	06636	Laucha	Kastanienring 2	1,110.00	0.0	0.0
30	06184	Gröbers	Lange Straße 3	986.00	0.0	0.0
31	06366	Köthen I	Edderitzer Straße 8	685.00	0.0	0.0
32	06463	Ermsleben	Neustadt 1a	678.00	0.0	0.0
33	39596	Goldbeck	Babener Straße 43	982.00	0.0	0.0
34	39576	Stendal	Nordwall 12b	1,107.00	0.0	0.0
35	06679	Hohenmölsen – Kirschberg-Center	Wilhelm-Külz-Straße 8	7,506.77	17.1	31.2

Rent level 30/09/2022 EUR/sqm	Rent/Year EUR	WALT 30/09/2022 Years	WALT 30/09/2021 Years	Fair value 30/09/2022 EUR	Fair value 30/09/2021 EUR
5.39	296,728.20	3.6	2.9	4,240,000	4,170,000
6.38	1,272,136.40	5.8	6.8	20,500,000	19,300,000
6.53	1,605,650.04	9.1	11.5	25,700,000	24,200,000
9.49	1,633,624.68	5.3	5.8	27,800,000	25,400,000
9.46	448,986.92	7.2	7.5	7,700,000	8,008,700
4.70	68,775.24	unlimited	3.2	600,000	610,000
2.00	81,219.60	7.7	4.3	1,050,000	660,000
4.51	336,904.56	2.3	3.3	4,910,000	4,650,000
3.42	266,737.44	3.3	4.3	3,950,000	3,650,000
1.68	109,425.60	3.0	4.0	1,180,000	1,180,000
9.51	183,404.76	4.0	5.0	3,030,000	3,140,000
9.75	122,407.08	4.1	5.1	1,870,000	1,600,000
3.97	41,590.32	unlimited	unlimited	319,000	376,000
6.08	116,626.44	3.1	4.1	1,640,000	1,700,000
4.64	60,000.00	4.4	N/A	640,000	640,000
4.24	237,370.32	3.3	3.9	2,990,000	2,900,000
6.54	114,212.76	4.7	5.7	1,000,000	960,000
12.19	166,484.76	5.2	6.2	2,040,000	1,910,000
4.86	74,914.32	2.1	1.3	710,000	650,000
9.53	119,780.80	2.8	3.8	2,010,000	1,810,000
5.47	75,900.00	5.3	1.3	720,000	630,000
7.48	404,574.00	6.4	4.1	6,200,000	5,400,000
10.26	312,074.52	1.9	2.2	4,370,000	4,390,000
8.93	126,610.92	0.2	1.0	2,010,000	1,720,000
5.33	1,785,958.92	4.5	4.8	29,700,000	27,800,000
7.89	425,031.36	8.6	9.4	6,100,000	6,000,000
7.51	214,356.00	4.1	2.3	2,170,000	1,750,000
2.82	745,142.04	2.8	4.1	9,800,000	10,800,000
6.01	79,999.92	2.5	3.5	1,210,000	1,390,000
9.73	115,157.16	4.5	0.5	1,860,000	1,600,000
11.05	90,861.12	1.5	0.4	770,000	910,000
7.08	57,600.00	4.6	5.6	930,000	880,000
10.21	120,264.60	4.5	5.5	1,980,000	1,780,000
12.30	163,337.28	4.6	5.6	2,550,000	2,110,000
6.91	515,940.36	9.2	11.8	9,400,000	7,100,000

		City	Street	Rental space	Vacancy 30/09/2022	Vacancy 30/09/2021
				sqm	%	%
36	17489	Greifswald I – Dompassage	Lange Straße 40, 42	17,238.69	4.3	10.4
37	18461	Franzburg	Abtshäger Straße 13	1,320.00	3.9	3.9
38	27283	Verden	Holzmarkt 7-15	7,000.25	0.0	0.0
39	16928	Pritzwalk	Rostocker Straße 1-3, 7, 8	15,275.58	0.0	0.0
40	17373	Ueckermünde – Haff-Center	Haffring 24	4,691.18	63.3	55.5
41	36452	Kaltennordheim	Gartenstraße 2	927.17	0.0	0.0
42	98634	Kaltensundheim	Bergstraße 12	915.26	8.4	0.0
43	98547	Viernau	Mühlstraße 52	1,027.03	0.0	0.0
44	35232	Dautphe	Gladenbacher Straße 43	1,612.96	0.0	0.0
45	16303	Schwedt/Oder – CKS Centrum-Kaufhaus Schwedt	Platz der Befreiung 1	11,236.01	10.7	9.9
46	18437	Stralsund	Lindenallee 25	5,747.60	46.7	44.9
47	06449	Aschersleben	Magdeburger Straße 32	1,009.40	0.0	0.0
48	03116	Drebkau	Drebkauer Hauptstraße 5	1,158.19	0.0	0.0
49	03172	Guben – Neiße-Center	Karl-Marx-Straße 96	10,395.91	4.5	4.5
50	01662	Meißen Hypermarkt	Schützestraße 1	24,495.41	24.1	22.8
51	08525	Plauen Hypermarkt	Morgenbergstraße 41	25,141.77	29.1	28.4
52	39517	Tangerhütte	Neustädter Ring 78	2,574.00	0.0	0.0
53	99706	Sondershausen	Beethovenstraße 9	1,160.78	0.0	0.0
54	15890	Eisenhüttenstadt II	Karl-Marx-Straße 33	965.12	0.0	0.0
55	09212	Limbach-Oberfrohna	Frohnbachstraße 59	1,863.35	0.0	0.0
56	06333	Hettstedt	Luisenstraße 18a-k	2,787.66	4.4	4.4
57	06537	Kelbra	Jochstraße 2	930.00	0.0	0.0
58	07937	Langenwolschendorf	Heinrich-Wobst-Straße 1	3,072.00	72.3	0.0
59	03238	Finsterwalde-Massen	Ludwig-Erhard-Straße 5	11,081.00	0.0	0.0
60	79798	Jestetten	Schaffhauser Straße 8	1,288.00	0.0	0.0
61	08371	Glauchau	Schönburgstraße 40	1,153.40	0.0	0.0
62	07937	Zeulenroda	Heinrich-Wobst-Straße 2	5,631.77	0.0	0.0
63	56269	Dierdorf	Königsberger Straße 12	1,391.16	0.0	0.0
64	82362	Weilheim	Lohgasse 4	1,824.00	0.0	0.0
65	99846	Seebach	Am Rötelstein 3 / Dicelstraße 7	1,147.10	3.8	3.8
66	38820	Halberstadt	Breiter Weg 13	1,585.94	35.2	35.2
67	09599	Freiberg I	Abraham-von-Schönberg-Straße 3	1,117.00	0.0	0.0
68	51545	Waldbröl	Kaiserstraße 36	937.80	0.0	0.0
69	04129	Leipzig – Dong Xuan Center	Maximilianallee 18-20	8,624.20	9.2	13.8
70	72793	Pfullingen	Römerstraße 166	5,840.00	0.0	0.0
71	17358	Torgelow	Pasewalker Straße 5-8	11,354.10	0.0	0.0

Rent level 30/09/2022	Rent/Year	WALT 30/09/2022	WALT 30/09/2021	Fair value 30/09/2022	Fair value 30/09/2021
EUR/sqm	EUR	Years	Years	EUR	EUR
6.63	1,312,146.12	5.9	7.0	17,900,000	18,000,000
6.56	99,886.08	1.4	2.4	1,420,000	1,390,000
9.56	803,219.32	11.0	11.9	13,500,000	11,847,000
7.58	1,388,704.20	3.8	4.7	20,300,000	18,000,000
5.23	108,089.60	9.2	8.4	2,400,000	1,010,000
4.06	45,171.36	unlimited	unlimited	275,000	264,000
3.91	39,318.72	2.4	2.6	520,000	540,000
4.73	58,344.12	3.8	4.8	810,000	740,000
4.29	83,011.72	5.8	6.8	1,110,000	1,130,000
5.07	610,179.60	1.4	2.1	6,800,000	7,200,000
5.17	190,306.32	8.9	2.6	3,470,000	1,440,000
9.39	113,782.44	3.3	4.3	1,780,000	1,770,000
9.76	135,600.00	14.0	14.9	2,330,000	1,460,000
7.96	948,487.92	3.9	4.9	15,000,000	15,100,000
6.35	1,417,500.00	7.2	8.8	20,000,000	18,600,000
6.87	1,469,529.08	9.7	5.1	24,900,000	17,400,000
5.58	172,411.92	6.3	1.3	2,850,000	2,090,000
6.76	94,133.88	4.3	5.3	1,440,000	1,350,000
10.89	126,156.00	unlimited	2.0	1,810,000	1,760,000
8.65	193,428.12	4.6	3.6	2,910,000	2,350,000
6.75	215,786.76	2.2	2.4	2,430,000	2,180,000
3.49	39,000.00	3.3	4.3	443,000	438,000
8.59	87,586.68	1.8	2.0	2,440,000	3,400,000
3.43	456,000.00	1.8	2.8	6,600,000	6,700,000
10.82	167,249.52	6.9	8.0	2,470,000	2,380,000
9.16	126,722.76	8.0	1.0	2,050,000	1,390,000
3.55	240,000.00	2.5	3.5	3,560,000	3,060,000
9.28	154,891.92	6.7	7.7	2,360,000	2,420,000
5.19	113,522.76	5.9	4.8	463,000	480,000
6.85	90,705.36	11.3	2.3	1,450,000	760,000
5.35	66,000.00	3.0	4.0	660,000	670,000
11.85	158,899.56	3.6	4.6	2,360,000	2,200,000
4.61	51,830.40	unlimited	unlimited	376,000	398,000
8.83	829,975.32	unlimited	unlimited	9,900,000	9,900,000
3.39	237,915.60	5.3	1.3	3,740,000	3,120,000
5.90	804,513.84	7.3	4.6	13,900,000	12,200,000

	City		Street	Rental space	Vacancy 30/09/2022	Vacancy 30/09/2021
				sqm	%	%
72	18546	Sassnitz	Gewerbepark 9	4,063.00	0.0	0.0
73	07333	Unterwellenborn	Kronacher Straße 1, 7	8,487.01	0.0	0.0
74	16278	Angermünde	Rudolf-Breitscheid-Straße 27	4,769.70	25.7	26.9
75	04910	Elsterwerda - Elstercenter	Lauchhammerstraße 60, 167	34,769.63	0.2	0.2
76	08412	Werdau	Stiftstraße 6-8	39,406.02	2.1	2.1
77	02943	Weißwasser	Sachsendamm 32	13,362.10	1.2	1.7
78	37441	Bad Sachsa	Marktstraße 43, 44	1,712.30	15.4	15.4
79	08141	Reinsdorf – Vielau-Center	Hof 13	1,408.00	0.0	0.0
80	07407	Rudolstadt	Oststraße 53	2,888.00	0.0	0.0
81	29410	Salzwedel	Feldstraße 25a	5,326.00	0.0	0.0
82	29525	Uelzen	Im Neuen Felde 42	3,300.00	0.0	0.0
83	17438	Wolgast	Leeranerstraße 4	2,879.00	0.0	0.0
84	15234	Frankfurt (Oder)	Nuhnenstraße 19	8,056.18	0.0	0.0
85	16303	Schwedt/Oder	Handelsstraße 23	12,056.62	0.0	0.0
86	17087	Altentreptow II	Grüner Gang 9	1,121.00	0.0	0.0
87	15537	Erkner	Neu Zittauer Straße 41	6,403.93	0.3	0.3
88	95336	Mainleus	Tiefe Äcker 1	1,037.00	0.0	0.0
89	06217	Merseburg	Lassallestraße 27	1,700.00	0.0	0.0
90	07570	Weida	Turmstraße 33	1,157.00	0.0	0.0
91	44379	Dortmund	Martener Straße 300	1,509.00	6.3	6.5
92	38644	Goslar	Gerhard-Weule-Straße 1	4,850.00	0.0	0.0
93	44532	Lünen	Kupferstraße 15	5,928.11	1.9	1.9
94	95028	Hof	An der Michaelisbrücke 2	7,770.00	13.0	13.0
95	17491	Greifswald II	Hans-Beimler-Straße 1-3	6,639.42	9.9	8.1
96	27721	Ritterhude	Otto-Hahn-Straße 1	9,800.00	0.0	0.0
97	41515	Grevenbroich I – Coens-Galerie	Kölner Straße 38-46	11,790.98	75.8	74.5
98	18442	Wendorf	Albert-Schweitzer-Straße 8	2,100.00	0.0	0.0
99	95632	Wunsiedel	Hofer Straße 5-7	2,701.73	0.0	0.0
100	08132	Mülsen St, Jacob	Dresdener Straße 1	1,138.00	0.0	0.0
101	39576	Stendal – Altmark Forum	Dr.-Kurt-Schumacher-Straße 1-5	12,118.13	17.5	17.5
102	01936	Königsbrück	Kornweg 2	1,106.00	0.0	0.0
103	04349	Leipzig – Portitz Treff	Tauchaer Straße 260	7,361.52	2.6	2.3
104	06484	Quedlinburg	Weyhegarten 1	3,923.99	14.2	12.5
105	06766	Wolfen	Steinfurther Straße 37	900.00	0.0	0.0
106	04808	Wurzen	Dr.-Külz-Straße 9	1,556.43	0.0	0.0
107	14727	Döberitz	Bammer Weg 2	989.00	8.4	8.4
108	17367	Eggesin	Bahnhofstraße 13	1,167.00	0.0	0.0

Rent level 30/09/2022 EUR/sqm	Rent/Year EUR	WALT 30/09/2022 Years	WALT 30/09/2021 Years	Fair value 30/09/2022 EUR	Fair value 30/09/2021 EUR
4.19	204,325.68	2.3	3.3	2,930,000	3,030,000
5.11	519,999.96	1.3	2.3	8,700,000	7,600,000
6.90	293,228.40	2.8	3.7	4,220,000	4,220,000
4.58	1,907,241.76	3.9	4.8	29,200,000	28,900,000
5.41	2,502,873.72	1.5	2.5	27,300,000	25,900,000
6.78	1,073,551.08	2.0	2.5	13,800,000	14,500,000
8.33	144,888.36	1.0	2.0	2,130,000	2,230,000
6.13	103,513.32	4.0	5.5	1,510,000	1,340,000
3.99	138,353.88	2.6	3.6	1,900,000	1,740,000
3.03	193,348.80	4.8	5.8	2,550,000	2,160,000
2.70	106,858.08	4.8	0.7	1,540,000	1,370,000
3.69	127,344.00	2.6	3.6	1,680,000	1,620,000
5.49	530,937.00	3.6	4.6	8,000,000	7,500,000
5.44	787,223.64	3.5	4.5	8,100,000	7,700,000
10.76	144,779.40	1.3	2.3	1,890,000	1,730,000
5.88	450,185.04	3.5	3.0	7,300,000	6,500,000
8.22	102,240.00	3.0	1.0	1,560,000	1,360,000
9.80	199,831.08	1.3	2.3	3,060,000	3,090,000
10.94	151,955.52	5.2	6.1	2,660,000	2,520,000
8.07	136,874.40	10.0	11.0	1,440,000	1,320,000
4.56	265,500.00	2.2	3.2	3,840,000	3,640,000
4.86	339,185.64	2.5	2.3	3,710,000	3,540,000
7.53	610,493.52	5.4	5.9	7,600,000	7,300,000
6.86	492,655.50	3.7	6.2	5,300,000	6,000,000
4.16	489,258.00	5.5	6.5	7,900,000	7,300,000
11.36	389,322.00	3.7	1.7	9,000,000	9,000,000
4.50	113,509.44	6.1	7.1	1,200,000	1,170,000
8.12	263,289.72	5.8	6.8	4,240,000	4,170,000
11.03	150,583.44	3.6	4.1	2,250,000	2,200,000
7.77	932,598.72	5.2	5.7	13,200,000	12,600,000
7.01	93,000.00	4.6	5.6	1,510,000	1,470,000
6.55	563,160.36	1.7	2.7	6,800,000	6,600,000
8.12	328,041.12	6.1	6.2	4,900,000	4,750,000
8.96	96,821.16	3.1	4.1	1,460,000	1,410,000
8.09	151,185.96	5.1	6.1	2,450,000	2,260,000
4.97	54,000.00	unlimited	unlimited	312,000	318,000
8.99	125,895.96	4.9	5.9	2,070,000	1,920,000

		City	Street	Rental space	Vacancy 30/09/2022	Vacancy 30/09/2021
				sqm	%	%
109	19386	Lübz	Werderstraße 21b	1,692.00	0.0	0.0
110	41515	Grevenbroich II – Montanushof	Ostwall 31	27,753.94	22.1	21.5
111	15517	Fürstenwalde	Juri-Gagarin-Straße 43	1,449.77	0.0	0.0
112	09122	Chemnitz – Vita-Center	Wladimir-Sagorski-Straße 20, 22, 24	39,693.38	19.3	18.8
113	39291	Möser	Rosenweg / Krokusweg 14	1,149.00	0.0	0.0
114	63846	Laufach	Hauptstraße 34	915.17	0.0	0.0
115	04741	Roßwein	Haßlauer Straße 1	2,892.00	0.0	0.0
116	07552	Gera	Thüringer Straße 26	21,123.25	21.0	17.2
117	14772	Brandenburg an der Havel	Upstallstraße 3	7,931.00	0.0	0.0
118	48599	Gronau	Maybachstraße 2	9,349.82	0.0	0.0
119	57223	Kreuztal	Siegener Straße 210	8,962.00	0.0	0.0
120	39418	Staßfurt I	Förderstedter Straße 7	6,193.00	0.0	0.0
121	38302	Wolfenbüttel	Schweigerstraße 13	9,245.00	0.0	0.0
122	06712	Zeitz	Weißenfelser Straße 120	7,200.00	0.0	0.0
123	39307	Genthin	Altmärkerstraße 5	1,279.70	22.4	18.2
124	54344	Trier	Am Kenner Haus 20	11,635.89	100.0	0.0
125	33442	Herzebrock-Clarholz	Clarholzer Straße 53	977.00	99.9	100.0
126	04668	Grimma	Gerichtswiesen 39	15,679.85	14.9	12.4
127	14621	Schönwalde-Glien	Alter Wansdorfer Weg 2	1,089.00	0.0	0.0
128	15890	Eisenhüttenstadt III	Nordpassage 1	29,807.49	28.4	32.3
129	93466	Chamerau	In der Grube 2	1,256.00	0.0	0.0
130	93167	Falkenstein	Regensburger Straße 12	1,328.00	0.0	0.0
131	94538	Fürstenstein	Vilshofener Straße 13	1,245.00	0.0	0.0
132	85049	Ingolstadt	Krumenauerstraße 58	1,398.00	0.0	0.0
133	93462	Lam	Arberstraße 74	975.00	0.0	0.0
134	92431	Neunburg vorm Wald	Amberger Straße 14	1,255.00	0.0	0.0
135	94060	Pocking	Marktplatz 5b	686.00	0.0	0.0
136	94269	Rinchnach	Herrnmühle 2	1,195.00	0.0	0.0
137	94161	Ruderting	Passauer Straße 26b	3,115.94	0.0	0.0
138	94121	Salzweg	Bayerwaldstraße 1a	1,240.00	0.0	0.0
139	94508	Schöllnach	Gewerbepark Leutzing 2	1,162.00	0.0	0.0
140	09465	Sehmatal (Neudorf)	Crottendorfer Straße 3	1,093.00	0.0	0.0
141	94518	Spiegelau	Konrad-Wilsdorf-Straße 1a	1,583.50	0.0	0.0
142	94107	Untergriesbach	Kreuzwiesenweg 1	1,414.00	0.0	0.0
143	94234	Viechtach	Mönchshofstraße 60	1,104.00	100.0	0.0
144	93192	Wald (Rossbach)	Bahnhofstraße 3	1,539.00	0.0	0.0

Rent level 30/09/2022 EUR/sqm	Rent/Year EUR	WALT 30/09/2022 Years	WALT 30/09/2021 Years	Fair value 30/09/2022 EUR	Fair value 30/09/2021 EUR
7.21	146,388.00	17.0	4.5	2,360,000	2,300,000
8.61	2,231,947.80	5.5	6.3	25,400,000	26,000,000
6.83	118,800.00	3.8	4.4	1,190,000	1,160,000
6.79	2,611,879.04	5.7	6.2	32,500,000	35,000,000
4.36	60,099.96	2.7	3.0	560,000	510,000
9.35	102,645.60	1.8	2.8	1,010,000	920,000
3.36	116,649.60	5.1	5.6	1,610,000	1,600,000
12.25	2,452,844.64	3.4	4.4	30,400,000	29,200,000
6.39	607,991.76	9.3	10.3	9,700,000	10,000,000
6.97	782,373.00	9.3	10.3	12,900,000	12,900,000
7.57	814,100.52	9.3	10.3	14,500,000	13,600,000
5.75	427,411.32	9.3	10.3	7,600,000	6,800,000
8.09	897,022.92	9.3	10.3	16,000,000	14,700,000
5.72	493,812.24	9.3	10.3	8,400,000	7,400,000
5.62	66,919.20	3.3	4.2	990,000	910,000
0.00	7,476.00	unlimited	0.3	10,900,000	12,000,000
33.33	400.00	unlimited	0.6	930,000	680,000
9.11	1,458,394.88	6.9	6.7	19,300,000	15,000,000
10.56	137,998.08	2.0	3.0	2,230,000	2,210,000
8.37	2,144,195.12	4.3	4.7	28,200,000	29,300,000
5.03	75,817.44	1.0	1.0	720,000	640,000
9.04	144,036.72	1.7	2.7	2,030,000	1,980,000
6.25	93,432.60	3.1	4.1	1,310,000	1,290,000
6.06	101,682.48	4.7	5.7	1,560,000	1,200,000
6.03	70,547.40	3.5	4.5	510,000	510,000
6.02	90,675.60	2.7	3.7	1,170,000	1,180,000
7.81	64,308.84	3.1	4.1	850,000	800,000
5.71	81,856.08	3.1	4.1	580,000	590,000
6.22	232,414.20	1.6	1.7	3,330,000	2,820,000
5.34	79,440.24	3.1	4.1	800,000	800,000
6.20	86,405.52	2.7	3.7	1,280,000	1,220,000
6.40	83,951.40	1.8	2.8	1,190,000	1,150,000
11.05	210,000.00	14.1	unlimited	4,200,000	2,210,000
2.48	42,000.00	unlimited	unlimited	398,000	404,000
0.00	-	N/A	0.7	483,000	680,000
6.00	110,764.20	1.0	1.0	1,460,000	1,340,000

		City	Street	Rental space	Vacancy 30/09/2022	Vacancy 30/09/2021
				sqm	%	%
145	94110	Wegscheid	Passauer Straße 78	1,546.00	0.0	0.0
146	94575	Windorf (Hidring)	Turmstraße 2a	922.00	0.0	0.0
147	39261	Zerbst	Heidetorplatz 8-28	2,658.33	4.5	4.5
148	39576	Stendal III	Gneisenaustraße 2a-e	19,636.29	14.3	18.4
149	08261	Schöneck	Oelsnitzer Straße 6	1,386.00	0.0	0.0
150	19370	Parchim	Ludwigsluster Straße 29, 33	12,950.77	13.9	9.0
151	29559	Wrestedt	Bahnhofstraße 65	1,087.00	0.0	0.0
152	61267	Neu-Anspach	Hans-Böckler-Straße 9	5,740.07	5.2	5.2
153	23879	Mölln	Wasserkrüger Weg 127a / b	5,126.03	8.9	10.0
154	07366	Blankenstein	Selbitzplatz / Hauptstraße 17	1,356.00	0.0	0.0
155	01705	Freital	Wilsdruffer Straße 122-126	1,700.66	0.0	0.0
156	02763	Zittau	Äußere Weberstraße 89-91	24,971.89	30.9	30.7
157	37154	Northeim – CityCenter	Grafenhof 3-5	19,249.41	15.9	4.4
158	15234	Frankfurt (Oder) – Spitzkrug Multi Center	Spitzkrugring 1	24,413.14	5.6	3.1
159	66125	Dudweiler	Am Markt 1	10,226.27	23.4	19.7
160	04603	Nobitz	Altenburger Straße 29	20,258.83	12.3	
161	66578	Schiffweiler	Kreisstraße 29	2,806.00	10.0	
162	08324	Bockau	Uferstraße 11	741.00	0.0	
163	09623	Frauenstein	Teplitzer Straße 40	992.20	0.0	
164	56477	Rennerod	Gewerbestraße 8	1,429.00	0.0	
165	09599	Freiberg II	Meißner Ring 2b	1,770.00	0.0	
166	44575	Castrop-Rauxel	Widumer Tor 1	13,689.92	6.6	
167	37197	Hattorf	Rotenbergstraße 27	995.95	0.0	
168	55765	Birkenfeld	Wasserschieder Straße 40 / Maiwiese 25	4,665.02	4.2	
169	06846	Dessau-Roßlau	Hauptstraße 150	1,480.40	14.1	
170	99867	Gotha	Reinhardsbrunner Straße 111	1,005.00	0.0	
171	58540	Meinerzhagen	Lindenstraße 16-18	4,041.65	2.8	
172	07646	Stadtroda	Heinrich-Heine-Straße 14	2,018.52	4.4	
173	19249	Lübtheen	Grüner Weg 1	2,163.00	18.6	

		Investment properties held for sale				
174	09126	Chemnitz	Zschopauer Straße 273	6,493.50	0.0	0.0
175	85298	Scheyern	Fernhagener Straße 1-3	949.00	100.0	0.0

Rent level 30/09/2022 EUR/sqm	Rent/Year EUR	WALT 30/09/2022 Years	WALT 30/09/2021 Years	Fair value 30/09/2022 EUR	Fair value 30/09/2021 EUR
5.08	94,327.68	1.0	1.0	1,240,000	1,140,000
5.34	59,053.32	3.1	4.1	730,000	700,000
7.49	228,102.00	3.4	3.6	3,370,000	3,070,000
4.84	977,172.00	7.0	8.1	11,900,000	11,500,000
5.38	89,420.64	1.4	2.4	910,000	940,000
6.29	841,695.52	4.6	6.1	12,000,000	11,500,000
9.06	118,238.64	3.8	4.8	1,790,000	1,710,000
8.55	557,898.72	2.9	3.5	7,800,000	7,500,000
6.56	367,671.12	3.5	3.4	4,510,000	4,590,000
7.27	118,371.00	4.3	5.3	1,830,000	1,720,000
9.16	187,002.00	3.7	2.7	1,790,000	1,600,000
4.03	834,504.96	3.3	4.2	10,200,000	9,800,000
10.24	1,989,880.80	5.6	5.6	26,300,000	28,200,000
12.18	3,367,896.36	5.5	5.7	43,100,000	45,800,000
6.43	604,515.24	4.3	2.2	6,500,000	6,200,000
3.38	719,651.28	3.5		7,500,000	
7.14	216,529.68	9.1		2,960,000	
4.05	36,000.00	1.2		440,000	
8.08	96,233.40	12.3		1,750,000	
3.55	60,800.00	4.4		800,000	
2.63	55,813.08	0.7		530,000	
9.77	1,499,390.04	6.1		21,400,000	
5.91	70,680.00	1.2		860,000	
7.32	392,293.26	5.8		4,750,000	
5.67	86,496.00	2.4		950,000	
9.87	119,028.00	1.3		1,330,000	
6.57	309,586.80	4.3		3,830,000	
5.27	121,988.28	3.5		1,330,000	
8.75	184,773.96	1.5		1,980,000	
6.16	479,952.48	9.3	10.3	8,850,000	7,700,000
0.00	-	N/A	0.7		1,180,000

City		Street	Rental space	Vacancy 30/09/2022	Vacancy 30/09/2021
			sqm	%	%
Investment properties sold during the reporting period					
24534	Neumünster	Rendsburger Straße 16			0.0
17373	Ueckermünde	Chausseestraße 41-43			0.0
25361	Krempe	Neuenbrooker Straße 37			0.0
18292	Krakow am See	Bahnhofsplatz 3			6.8
29303	Bergen	Harburger Straße 30			0.0
45739	Oer-Erkenschwick	Berliner Platz 14			0.0
58239	Schwerte	Hagener Straße 51			0.0
02906	Niesky II	Rothenburger Straße 23			0.0
38667	Bad Harzburg	Landstraße 33			0.0
93176	Beratzhausen	Staufferstraße 7			100.0
93083	Obertraubling	Edekastraße 5			100.0
18182	Rövershagen	Rosengrund 1-2			0.0
		Total	**1,048,311.99**	**11.7**	**10.7**
Acquired investment properties with transfer of benefits and encumbrances after 30/09/2022					
35102	Lohra	Konrad-Gaul-Straße 5	2,396.00	0.0	
66806	Ensdorf	Provinzialstraße 106	1,158.00	6.0	
01744	Schmiedeberg	Schmiedeberger Markt 1-4	1,168.72	0.0	
08344	Grünhain-Beierfeld	August-Bebel-Straße 172 / 172a	1,432.00	0.0	
06869	Coswig	Schwarzer Weg 7	1,000.00	0.0	
06901	Kemberg	Leipziger Straße 82	1,673.00	0.0	
06366	Köthen II	Am Wasserturm 51	1,182.00	0.0	
09526	Olbernhau	Thomas-Mann-Straße 2 / 6	2,469.50	5.7	
03044	Cottbus	Sielower Chaussee 38	30,430.73	3.6	
39418	Staßfurt II	Neundorfer Straße 35	1,048.00	0.0	
06721	Osterfeld	Schwarzer Weg 9	1,000.00	0.0	
98528	Suhl	Zellaer Straße 48	1,379.84	0.0	
		Total pro forma	**1,087,207.28**	**11.4**	

Rent level 30/09/2022 EUR/sqm	Rent/Year EUR	WALT 30/09/2022 Years	WALT 30/09/2021 Years	Fair value 30/09/2022 EUR	Fair value 30/09/2021 EUR
			5.3		3,140,000
			2.3		1,610,000
			8.8		2,871,400
			9.4		6,787,850
			8.4		8,274,200
			8.5		22,680,000
			4.3		1,550,000
			11.7		2,270,800
			6.3		6,348,350
			N/A		700,000
			N/A		1,060,000
			4.4		2,930,000
6.60	**73,249,497.76**	**5.2**	**5.5**	**1,041,369,000**	**1,004,966,300**
8.11	233,121.60	4.7			
3.08	40,200.00	4.5			
7.04	98,718.00	2.4			
4.86	83,520.96	2.8			
4.90	58,800.00	4.8			
9.49	190,608.36	4.8			
11.05	156,714.12	1.5			
7.33	204,810.00	5.8			
7.96	2,801,866.80	7.2			
9.74	122,531.76	2.4			
9.13	109,554.84	4.5			
3.25	53,848.68	0.8			
6.65	**76,923,840.40**	**5.2**			

Impressions of the individual properties can be found on the DKR website at https://www.deutsche-konsum.de/en/portfolio/properties.

8. Key figures according to EPRA

The European Public Real Estate Association EPRA

EPRA is a non-profit organisation based in Brussels that represents the interests of the European real estate industry and has developed standardised ratios that ensure a high level of comparability between real estate companies. Since October 2017, DKR has been a full member of EPRA and publishes the EPRA key figures according to Best Practice Recommendations (BPR) since the 2016/2017 financial year.

For the 2020/2021 financial year, DKR was awarded the EPRA BPR Gold Award for the third time in a row for the EPRA reporting in its annual report.

For the financial year 2021/2022, the EPRA KPIs of DKR are as follows:

EPRA Earnings

The EPRA Earnings represent the result from the ongoing property management. Valuation effects and proceeds from disposals are not considered.

TEUR	2021/2022	2020/2021
Period result	60,386.7	91,373.2
– Valuation result	–28,438.2	–57,760.9
– Proceeds from disposals	–1,741.7	–580.0
EPRA Earnings	**30,206.8**	**33,032.3**
EPRA Earnings per share, EUR	0.86	0.94

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

The EPRA net initial yield is the annualised rent less non-recoverable management costs in relation to the current portfolio value and, thus, represents the current portfolio return.

EPRA "Topped-up" NIY includes temporarily existing rent-free periods. Currently there are no material rent-free incentives at DKR.

TEUR	2021/2022	2020/2021
Market value of investment properties (including portfolio held for sale according to IFRS 5)	1,050,709.1	1,014,167.9
+ Transaction costs	62,262.1	61,998.7
Gross market value of investment properties	**1,112,971.2**	**1,076,166.7**
Annualised rental income	73,249.5	72,939.7
– Non-recoverable management costs	–14,649.9	–14,587.9
Annualised net rental income	**58,599.6**	**58,351.8**
+ Rent-free periods	0.0	0.0
Annualised "Topped-up" net rental income	**58,599.6**	**58,351.8**
EPRA NIY, %	**5.3**	**5.4**
EPRA "Topped-up" NIY, %	**5.3**	**5.4**

EPRA cost ratio

The EPRA cost ratios relate the current property-specific management expenses as well as the administrative and management expenses to the rental income and, therefore, show the cost burden of the management platform in relation to the rental income.

TEUR	2021/2022	2020/2021
Net expenses from property management	26,336.4	22,087.7
+ Personnel expenses	1,049.5	1,222.4
+ Other recurring operating expenses	1,747.6	1,874.5
– Other income	–2,786.4	–330.0
EPRA costs incl. direct vacancy costs	**26,347.0**	**24,854.6**
– direct vacancy costs	–3,053.0	–2,360.7
EPRA costs excl. direct vacancy costs	**23,294.0**	**22,493.9**
Rental income less ground rent	73,734.8	69,112.1
EPRA cost ratio (incl. direct vacancy costs), %	**35.7**	**36.0**
EPRA cost ratio (excl. direct vacancy costs), %	**31.6**	**32.5**

EPRA vacancy rate

In contrast to the ordinary vacancy rate, the EPRA vacancy rate reflects the economic vacancy based on the market rent of the vacant space in relation to the total rent of the portfolio on the reporting date increased by the potential rent of the vacant space. The estimated underlying market rents are derived from the property appraisals of the external and independent valuer CBRE GmbH, Berlin. The increase in the EPRA vacancy rate compared to the previous year is mainly due to the vacancy of the former "real"-store in Kenn since 1 January 2022.

TEUR	30/09/2022	30/09/2021
Potential rent for vacant space	4,905.0	3,725.6
Estimated portfolio rent	77,520.8	76,665.3
EPRA vacancy rate, %	**6.3**	**4.9**

EPRA NAV

The EPRA NAV must be disclosed in three different forms in accordance with the EPRA guidelines:

- EPRA Net Reinstatement Value (EPRA NRV): Essentially presentation of the reconstruction value of the real estate portfolio including transaction costs;
- EPRA Net Tangible Assets (EPRA NTA): Intangible assets including potential goodwill are excluded from consideration;
- EPRA Net Disposal Value (EPRA NDV): A sale of the real estate portfolio is assumed and thus, in principle, a fair value measurement of deferred taxes and derivative financial instruments is required. Due to the in-come tax exemption of REITs, the consideration of deferred taxes at DKR is not applicable.

All key figures must be calculated on a fully diluted basis, in the case of DKR taking into account the effects of out-standing convertible bonds. DKR considers the "EPRA NTA" as the relevant key figure.

TEUR	30/09/2022			30/09/2021		
	EPRA-NRV	EPRA-NTA	EPRA-NDV	EPRA-NRV	EPRA-NTA	EPRA-NDV[1]
IFRS Equity attributable to shareholders	514,299.6	514,299.6	514,299.6	467,975.3	467,975.3	467,975.3
Effects of the conversion of convertible bonds	36,609.3	36,609.3	36,609.3	36,457.7	36,457.7	36,457.7
Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Fair value of fixed-interest debt	0.0	0.0	–15,693.7	0.0	0.0	847.0
Transaction costs (real estate transfer tax)	89,310.3	0.0	0.0	86,204.3	0.0	0.0
EPRA NAV	**640,219.2**	**550,908.9**	**535,215.2**	**590,637.3**	**504,433.0**	**505,280.0**
Number of shares outstanding (diluted, thousands)	50,195.4	50,195.4	50,195.4	49,957.3	49,957.3	49,957.3
EPRA NAV per share in EUR (diluted)	**12.75**	**10.98**	**10.66**	**11.82**	**10.10**	**10.11**

[1] Calculation adjusted.

9. Headline Earnings per share (HEPS)

According to the listings requirements of the JSE Limited (JSE), the earnings figure "Headline Earnings per Share" (HEPS) is to be presented, which essentially represents the net income for the period adjusted for valuation results:

TEUR	2021/2022	2020/2021
Net income (undiluted)	**60,386.7**	**91,373.2**
Excluding valuation result according to IAS 40	–28,438.2	–57,760.9
Excluding valuation result according to IFRS 5	–1,741.7	–580.0
Headline Earnings (undiluted)	**30,206.8**	**33,032.3**
Interest expenses on convertible bonds	626.6	624.1
Headline Earnings (diluted)	**30,833.5**	**33,656.3**
Average number of shares issued in the reporting period **(undiluted)**, in thousands	35,155.9	35,155.9
Potential conversion shares, in thousands	15,039.4	14,801.3
Average number of shares issued in the reporting period **(diluted)**, in thousands	**50,195.4**	**49,957.3**
Headline Earnings per share (EUR)		
Undiluted	**0.86**	**0.94**
Diluted	**0.61**	**0.67**

Photo: Retail park
Wasserschieder Straße 40/Maiwiese 25, 55765 Birkenfeld

Management Report

for the 2021/2022 financial year
Deutsche Konsum REIT-AG

Photo: Local retail centre
Hauptstraße 150, 06846 Dessau-Roßlau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Kühnauer Ecke
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Erstmal zu Penny
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1. Basics of Deutsche Konsum REIT-AG

1.1. Business model, strategy and structure

Deutsche Konsum REIT-AG (hereafter referred to as "DKR") is a portfolio holder specialising in retail real estate for items of daily use. The business activities essentially comprise the acquisition, letting and management of domestic retail properties in medium-sized and regional centres in Germany in functioning micro-locations. If there are lucrative offers, the sale of individual properties is examined and carried out if applicable.

The listing of the DKR share (ISIN DE000A14KRD3) took place on 15 December 2015. Since then, the share has been tradable on all major stock exchanges and quoted in the Prime Standard of Deutsche Börse AG since 3 March 2017. In addition, the share has been listed on the Main Board of the Johannesburg Stock Exchange ("JSE") in South Africa by way of a secondary listing since 8 March 2021. As of 1 January 2016, the Company possesses the status of a REIT (Real Estate Investment Trust) and is, therefore, exempt from income tax at company level.

DKR's investment focus is on centres and conurbations away from large metropolitan areas, as higher initial returns can be achieved here due to less competition and lower purchase prices, while at the same time the investment risk is manageable. DKR acts as a professional investor in a niche market, as the investment volume per property is usually up to EUR 25 million, which is usually too high for private investors, but at the same time too low for institutional investors. Furthermore, the substantial rental income is achieved by large German food retail companies, which are considered to be relatively non-cyclical and, thus, resistant to general economic trends.

The aim of DKR is to build up a high-performance real estate portfolio through the further acquisition of functioning retail locations with high initial yields, which regularly ensures an attractive dividend distribution. Furthermore, strategic asset and portfolio management as well as targeted and value-adding investments in the real estate portfolio provide the basis for vacancy reductions and lease renewals, because of which the properties can record increases in value. In this respect, properties capable of development with higher vacancy rates and short remaining lease terms are also deliberately purchased, as DKR can exploit value-added opportunities here.

As of 30 September 2022, DKR's accounted real estate portfolio comprises 175 retail properties with a lettable area of more than one million sqm and a book value of EUR 1.051 billion.

In terms of corporate law, DKR consists of a corporation that holds and accounts for all real estate. This simple structure under company law and the REIT status enable the Company to have particularly lean administrative structures. In addition, the existing network, the many years of experience of the management and the flat internal company hierarchies help to achieve a high acquisition speed, which is advantageous in acquisition processes.

The largest shareholder of DKR is Obotritia Capital KGaA ("Obocap") with is personally liable partner Rolf Elgeti, which together with its subsidiaries currently holds around 27.94% of the shares. DKR uses the business premises and the IT infrastructure as well as partially the staff of Obocap, which is charged to the Company on a pro rata basis via a group allocation. DKR is required to prepare a Dependency Report in accordance with § 312 AktG (German Stock Corporation Act).

1.2. Control system

DKR is mainly managed on the basis of the financial indicator FFO (funds from operations). Other financial key performance indicators are the net LTV (loan to value), the EPRA NTA[1] per share (EPRA net tangible assets), the acquisition yield and the aFFO (adjusted funds from operations) as well as the ratio of recurring administrative expenses to rental income.

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

Furthermore, DKR utilises planning tools such as corporate planning as well as rolling liquidity planning, which are used to steer operational business development.

1.3. Research and development

As part of its business purpose, DKR has no research and development activities and is not dependent on licenses and patents.

[1] In the previous year, the EPRA NAV was used as a steering parameter instead of the EPRA NTA. The main difference is that the EPRA NTA is calculated on a fully diluted basis - in the case of DKR, including the effect of the conversion of the convertible bonds.

2. Economic Report

2.1. Macroeconomic development

According to an economic report published in March 2022 by the Kiel Institute for the World Economy (IfW), the war in Ukraine has created new burdens for the global economy. In addition to rising inflation, there are now higher commodity prices, supply bottlenecks and further effects of the sanctions imposed. On the other hand, according to the IfW, the corona pandemic will have less and less of an impact on the global economy.[2] In its autumn study of September 2022, the IfW again noted that the outlook for the global economy has also continued to deteriorate for reasons that have existed since the spring.[3]

According to the Federal Statistical Office (Destatis), the economic development in 2021 was also strongly dependent on the Corona infection occurrence and the associated protective measures. Although the German economy had been able to recover after the slump in the previous year, economic output had not yet returned to pre-crisis levels.[4] According to Destatis, the German economy held its ground in the first two quarters of 2022 despite the difficult global economic environment. The gross domestic product (GDP) had increased by 0.1% in the second quarter of 2022 compared to the first quarter of 2022 – adjusted for price, seasonal and calendar effects – and had thus reached the pre-crisis level of the fourth quarter of 2019. In the first quarter of 2022, the German economy had grown by 0.8% compared to the previous quarter.[5]

According to the IfW, the war in Ukraine is burdening the German economy primarily through uncertainties in the availability of raw materials. In addition, there are new supply bottlenecks and dwindling sales opportunities. Furthermore, the high commodity prices would reduce the purchasing power of available incomes and thus dampen private consumption. All of this would hit the economy in a phase in which the dampening effects of the pandemic had subsided and which would have been set for a strong recovery. In the spring, the IfW still assumed that the strong upward forces – high accumulated purchasing power among private households and thick order cushions in industry – would dampen the shock waves from the war in Ukraine.[6] In autumn, on the other hand, the Institute certified a downward pull for the German economy. Price jumps for electricity and gas will also noticeably reduce the purchasing power of private households and lead to a decline in private consumer spending. In addition, the global economic outlook is gloomy, dampening exports and investment. As a result, the German economy will slide into recession at a time when it is just recovering from the pandemic-related setbacks.[7]

In September 2022, the leading economic research institutes (Project Group Joint Economic Forecast)[8] noted a severe burden on the German economy due to the crisis-like escalation on the gas markets. According to the forecast of the institutes, the gross domestic product will therefore still increase by 1.4% in 2022, but will decline by 0.4% in 2023. The institutes have thus significantly revised the forecast they made in spring 2022. They also assume that the inflation rate will continue to rise in the coming months.[9]

[2] Kiel Institute Economic Outlook No. 87 (2022/Q1) of 17 March 2022: World Economy Spring 2022, page 3.
[3] Kiel Institute Economic Outlook No. 93 (2022/Q3) of 8 September 2022: World Economy Autumn 2022, page 3.
[4] Press release of the Federal Statistical Office (Destatis) No. 020 of 14 January 2022.
[5] Press release of the Federal Statistical Office (Destatis) No. 357 of 25 August 2022.
[6] Kiel Institute Economic Outlook No. 89 (2022/Q1) of 17 March 2022: German Economy Spring 2022, page 3.
[7] Kiel Institute Economic Outlook No. 95 (2022/Q3) of 8 September 2022: German Economy Autumn 2022, page 3.
[8] Project Group Joint Economic Forecast: ifo Institute – Leibniz Institute for Economic Research at the University of Munich Incorporated Association in cooperation with Austrian Institute of Economic Research (WIFO), Kiel Institute for the World Economy (IfW Kiel), Halle Institute for Economic Research (IWH) and RWI – Leibniz Institute for Economic Research in cooperation with the Institute for Advanced Studies Vienna.
[9] Press release of the Project Group Joint Economic Forecast of 29 September 2022.

The interest rate level in the eurozone was at a historic low until the summer of 2022.[10] As inflation had risen sharply in the wake of steadily increasing energy and food prices, the ECB already raised the key interest rate three times in the course of 2022. Since 28 October 2022, the key interest rate has now been 2.00%.[11]

For real estate companies, which by their very nature are financed to a considerable extent by borrowing, this leads to potentially sharp increases in interest costs when financing new acquisitions and refinancing the property portfolio. It may no longer be possible to fully cover the interest costs with rental income.

However, Deutsche Konsum REIT-AG is only affected by this trend to a limited extent, as the Company can largely compensate for the rise in interest rates through corresponding increases in existing rents (84% of DKR's rental income is inflation-indexed). In the existing portfolio, higher interest rates can have a negative impact on property valuations. On the other hand, the trend of rising interest rates leads to declining market prices, so that DKR can again acquire new properties at favourable conditions.

2.2. Development of the German commercial real estate market

With a transaction volume of almost EUR 112 billion, a new turnover record was achieved on the German investment market in 2021, according to the Hahn Group. Two billion-euro acquisitions in the residential real estate segment played a significant role in this outstanding development.[12] According to Colliers, the transaction volume on the investment market for commercial real estate in Germany amounted to EUR 60.1 billion.[13] According to the Hahn Group, retail properties accounted for almost EUR 9.7 billion of this (–21% compared to 2020). The main reason for this decline was, on the one hand, the absence of large-volume share and company takeovers. On the other hand, the interest of many investors clearly exceeded the supply of properties available for purchase.[14]

According to the Hahn Group, specialist retail properties reached a share of 60% of the investment market for retail properties in 2021 with EUR 5.8 billion. Particularly in demand would have been retail parks (37.0%), hypermarkets (24.2%), discounters (9.2%) and local retail centres (8.3%). The corona pandemic had led to a veritable “run” by investors on food markets and food-anchored properties, so that they had reached the highest share of the total investment volume.[15] According to the Hahn Report, retail parks and supermarkets are the dominant asset class in the retail investment market. The resilience of the food-anchored property types demonstrated over the past two years, the associated secure cash flows and

[10] In March 2016, the ECB had lowered the key interest rate to 0.00%, https://www.finanzen.net/zinsen/leitzins.
[11] https://www.finanzen.net/zinsen/leitzins, last reviewed on 8 November 2022.
[12] Hahn Group in cooperation with bulwiengesa, CBRE, EHI Retail Institute: Retail Real Estate Report 2022/2023. 17th edition, page 84.
[13] Press release of Colliers of 6. January 2022.
[14] Hahn Group, ibid., page 88.
[15] Hahn Group, ibid., pages 93–95.

the high risk aversion compared to other asset classes are characteristic for the German retail property investment market. This is also reflected in the investment preferences of retail property investors, banks and financial institutions.[16]

According to a study by Jones Lang LaSalle (JLL), the investment market in Germany recorded a total transaction volume of EUR 53.0 billion for the period from January to September 2022 (–13% compared to 2021).[17] According to JLL, this is a thoroughly satisfactory result in view of the turbulent and uncertain market conditions.[18] At 14%, retail properties ranked fourth within this asset class after office properties (37%), living (23%) and logistics properties (14%).[19] In the third quarter alone, real estate with a volume of almost EUR 17 billion was traded, more than in the months of April to June. And the number of transactions had also increased again, so that one could speak of a general cooling of the market at most.[20]

With an investment volume of a good EUR 7.7 billion, the result of the German retail investment market after the first three quarters of 2022 is a good 22% above the previous year's balance and around 7% below the long-term average in a challenging market environment, according to BNP Paribas. The specialist retail sector accounted for a share of 43%.[21]

According to the Hahn Report, already in the first half of 2022 the group of specialist and food stores as well as local retail centres and retail parks was once again the segment with the highest volume on the German retail investment market. This segment accounted for a transaction volume of EUR 2.2 billion and a share of 60%. Compared to the same period in the previous year, the transaction volume increased by EUR 622 million or 39%.[22]

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

[16] Hahn Group, ibid., page 127.
[17] JLL, Investment Market Overview. Research. Q3 2022, 18 October 2022, pages 2, 4 and 8.
[18] JLL, Investment Market Overview. ibid., page 2.
[19] JLL, Investment Market Overview. ibid., page 8.
[20] JLL, Investment Market Overview. ibid., page 2.
[21] BNP Paribas, At a Glance Q3 2022: Retail Investment Market Germany, page 1.
[22] Hahn Group, ibid., page 96.

2.3. Business performance

Growth of the real estate portfolio through further acquisitions and significant valuation gains from the regular property valuation

In the 2021/2022 financial year, there was a transfer of benefits and encumbrances from a total of 14 acquired retail properties with total purchase prices of around EUR 46.1 million and an annual rent of EUR 3.9 million at the time of acquisition. In addition, revitalisation and modernisation measures amounting to EUR 18.6 million were carried out and capitalised during the reporting period. This is offset by the sale of a total of twelve properties, whose disposals took place until 30 September 2022.

Furthermore, the annual valuation of the real estate portfolio was carried out by the external and independent appraiser CBRE GmbH, Berlin, as at 30 September 2022. DKR had previously had a valuation of its portfolio carried out as at the reporting date of 30 June 2022. Due to the sharp rise in interest rates in the three-month period up to the balance sheet date of 30 September 2022, it was necessary to update the valuation. Compared to 30 September 2021, this resulted in a valuation gain of EUR 28.4 million. The main drivers behind the property revaluations are the rent increases due to inflation clauses as well as the increasing demand from investors for food-anchored local retail properties. On the other hand, the sharp rise in interest rates, particularly in the third calendar quarter of 2022, had a counteracting effect.

In total, DKR's real estate portfolio recognised on 30 September 2022 thus comprises 175 properties with a rental space of around 1,048,000 sqm and a balance sheet value of around EUR 1.05 billion. DKR's portfolio is currently valued at 14.2 times the annual rent.

In the course of the financial year, the acquisition of a total of 25 properties was notarised. DKR thus acquired retail properties with an investment volume of around EUR 97.9 million at an average initial yield of 8.2% in the reporting period. The transfer of benefits and encumbrances took place for eleven properties after the balance sheet date.

This is offset by the notarisation of eight property sales at a total sales price of EUR 38.2 million. The transfer of benefits and encumbrances of one of the sold properties took place after the balance sheet date.

Due to the expiry of the lease agreement with the restructured hypermarket chain "real" at the Trier-Kenn location on 31 December 2021, there was a noticeable increase in the vacancy rate as well as a decrease in the annualised portfolio rent of approximately EUR 1.9 million from 1 January onwards.

No noticeable effects of the Corona pandemic in the 2021/2022 financial year / persistently high inflation leads to rent increases

At the beginning of the 2021/2022 financial year, public life continued to be partially restricted by the effects of the Corona pandemic. However, system-relevant retail businesses that serve the supply of the population were unrestrictedly accessible. As local suppliers and providers of everyday goods make up the majority of DKR's retail tenants, the Company was only marginally affected by the effects of the pandemic.

Due to the sharp rise in inflation rates in Germany over the course of the reporting period, contractual inflation adjustments are increasingly taking effect, which currently apply to around 84% of the Company's rental income. Due to such inflation clauses, DKR was able to implement rent increases in the 2021/2022 financial year, which will lead to additional annual rents of around EUR 2.4 million in the future, which corresponds to an increase of around 3.5% in relation to the existing portfolio. The Company also expects further rent increases in the coming quarters.

Borrowings

In the reporting period, DKR took out secured bank loans with savings banks and Volksbanks with a total volume of EUR 54.5 million at interest rates between 1.35% p.a. and 1.80% p.a., of which EUR 1.9 million had not yet been paid out as of the balance sheet date. These bank loans were primarily used for the favourable refinancing of existing bank loans whose fixed interest rates had previously expired.

In November 2021, the existing unsecured corporate bond 2021/2031 was increased by EUR 30 million to EUR 50 million, of which EUR 10 million was called. The bond volume that has not yet been called is generally available for attractive acquisition opportunities on call. Furthermore, several tranches of an unsecured promissory note loan with maturities of three, five and seven years with a total volume of EUR 37.5 million were placed with institutional investors in February 2022 and April 2022. The funds raised were used for further growth financing and to optimise the debt capital structure.

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

Rating confirmed

The existing Scope rating was confirmed on 29 April 2022: The issuer rating remains “BB+ stable” and the rating for secured and unsecured debt capital at “BBB” and “BBB-” (investment grade).

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

On 10 March 2022, DKR’s Annual General Meeting was held as a virtual general meeting without the physical presence of shareholders or their proxies. All proposed resolutions were adopted with the required majority. In particular, the distribution of a dividend for the 2020/2021 financial year in the amount of EUR 0.40 per share was resolved. As a result, a total of TEUR 14,062 was distributed. In addition, the Annual General Meeting confirmed all existing members of the Supervisory Board in office for another two years.

2.4. Asset, financial and earnings position

Asset position

The balance sheet of Deutsche Konsum REIT-AG is shown below:

Assets	30/09/2022	30/09/2021	Equity and liabilities	30/09/2022	30/09/2021
	TEUR	TEUR		TEUR	TEUR
A. Non-current assets	1,035,933	944,305	A. Equity	514,300	467,975
B. Current assets	126,131	78,851	B. Non-current liabilities	557,427	565,676
C. Non-current assets held for sale	19,750	70,148	C. Current liabilities	107,795	59,262
			D. Financial liabilities regarding non-current assets held for sale	2,292	390
Total assets	**1,181,814**	**1,093,304**	**Total equity and liabilities**	**1,181,814**	**1,093,304**

As a result of the further portfolio growth, the inflow of funds from borrowings and the revaluation of the portfolio as part of the annual property valuation, the balance sheet total increased by TEUR 88,510 to TEUR 1,181,814 (30 September 2021: TEUR 1,093,304). Investment properties, which are recognised at TEUR 1,030,959 as at 30 September 2022 (30.09.2021: TEUR 944,020), represent the major part of the assets. In addition, properties with a total value of TEUR 19,750 (30.09.2021: TEUR 70,148) are held for sale.

Photo: Discounter
Konrad-Wilsdorf-Straße 1a, 94518 Spiegelau

The Company's equity increased by TEUR 46,325 to TEUR 514,300 in the financial year (30.09.2021: TEUR 467,975). This resulted from the net income for the financial year in the amount of TEUR 60,387. In contrast, the dividend payment made in March 2022 for the 2020/2021 financial year had the effect of reducing equity by TEUR 14,062.

The NAV per share (undiluted) and the EPRA NTA per share (diluted) as of 30 September 2022 are as follows:

TEUR	30/09/2022		30/09/2021	
	NAV	EPRA NTA	NAV	EPRA NTA
Equity (TEUR)	514,300	514,300	467,975	467,975
Effects from the conversion of the convertible bonds	–	36,609	–	36,458
Key figures, TEUR	**514,300**	**550,909**	**467,975**	**504,433**
Number of shares on the balance sheet date	35,155,938	35,155,938	35,155,938	35,155,938
Potential conversion shares	–	15,039,447	–	14,801,326
Key figures per share, EUR	**14.63**	**10.98**	**13.31**	**10.10**

Non-current and current financial liabilities to banks increased by a total of TEUR 16,755 to TEUR 418,044 (30.09.2021: TEUR 401,289) due to the net raising of loans. This resulted from taking out secured bank loans and unsecured promissory note loans with a total volume of TEUR 90,105, which were simultaneously offset by ongoing loan repayments and the repayment of existing liabilities. In addition, the bond 2021/2031 was increased by TEUR 10,000. In total, financial liabilities increased by TEUR 27,358 to TEUR 636,667 as of the balance sheet date (30.09.2021: TEUR 609,309).

Accordingly, the Net-LTV as of 30 September 2022 is as follows:

TEUR	30/09/2022	30/09/2021
Financial liabilities to banks	418,044	401,289
Convertible bonds	36,609	36,458
Corporate bonds	182,013	171,562
Total liabilities	**636,667**	**609,309**
minus cash and cash equivalents	–4,827	–653
minus fiduciary funds of property management	–2,072	–902
minus loans	–98,829	–59,523
minus interest-bearing investments	–5,764	–8,385
Net debt	**525,174**	**539,846**
Investment properties	1,030,959	944,020
Properties held for sale	19,750	70,148
Prepayments for the acquisition of investment properties	4,921	0
Total investment properties	**1,055,630**	**1,014,168**
Net-LTV	**49.7%**	**53.2%**

Financial position

The cash flow statement is as follows:

TEUR	2021/2022	2020/2021
Cash flow from operating activities	49,385	37,966
Cash flow from investing activities	–46,598	–92,304
Cash flow from financing activities	1,387	54,782
Cash changes in cash and cash equivalents	**4,174**	**444**
Financial funds at the beginning of the period	653	209
Financial funds at the end of the period	**4,827**	**653**

Cash flow from operating activities amounted to TEUR 49,385 in the financial year (previous year: TEUR 37,966). The positive cash flow from operating activities is directly related to the increase in the number of rental properties.

Cash flow from investing activities in the financial year was TEUR –46,598 (previous year: TEUR –92,304) and is mainly composed of payments for the acquisition of investment properties of TEUR –72,250 (previous year: TEUR –132,289), which are offset by payments received from the sale of investment properties of TEUR 62,004 (previous year: TEUR 3,300). Furthermore, there were net cash outflows of TEUR –37,024 (previous year: net cash inflows of TEUR 35,826) from investments in short-term financial assets.

Cash flow from financing activities amounted to TEUR 1,387 in the reporting year (previous year: TEUR 54,782) and mainly relates to payments received from the raising of loans of TEUR 90,105 (previous year: TEUR 91,500) and payments received from the increase of a corporate bond of TEUR 10,000 (previous year: TEUR 20,000), which are offset by payments for the repayment of loans of TEUR 71,066 (previous year: TEUR 30,543). Furthermore, interest payments of TEUR 13,055 (previous year: TEUR 11,458) and the dividend distribution of TEUR 14,062 (previous year: TEUR 14,062) are shown here.

The Company was always able to meet its payment obligations.

Earnings position

The earnings position of Deutsche Konsum developed as follows in the 2021/2022 financial year:

TEUR	2021/2022	2020/2021
Rental income	74,390	69,667
Net rental income	47,444	45,835
Result from disposals	1,742	580
Other operating income	2,787	330
Valuation result	28,438	57,761
Administrative expenses	–12,400	–6,589
EBIT	**68,011**	**97,917**
Financial result	–7,624	–6,544
EBT	**60,387**	**91,373**
Income taxes and other taxes	0	0
Net profit for the period	**60,387**	**91,373**

Rental income increased to around TEUR 74,390 (2020/2021: TEUR 69,667) as a result of the larger property portfolio due to acquisitions and inflation-related index adjustments to the rental agreements. In line with this, the rental income increased by TEUR 1,609 to TEUR 47,444 (2021/2022: 45,835). This means that the costs of property management also increased in proportion to the growth in rents. On the other hand, the vacancy of the former Real hypermarket in Trier-Kenn, which has existed since 1 January 2022, had the effect of reducing rental income with an annual rent of around EUR 1.9 million.

Other operating income amounted to TEUR 2,787 in the reporting period (2020/2021: TEUR 330) and mainly includes income from a redemption payment as part of a settlement agreement. This item also includes, among other things, insurance compensation received.

The valuation result as at the reporting date of 30 September 2022 is derived from the valuation report of the independent and external real estate appraiser. The main drivers of the property revaluations are the rent increases due to inflation-related agreements and the increasing demand from investors for food-anchored local retail properties. On the other hand, the sharp rise in interest rates had an opposite effect on the valuation.

The increase in operating expenses was caused by higher impairments on rent receivables as well as increased impairments on short-term financial investments.

Administrative expenses, consisting of personnel expenses and other administrative expenses, fell noticeably overall and include one-time and extraordinary effects in the amount of TEUR 653 (2020/2021: TEUR 1,578). Adjusted for these effects, administrative expenses increased slightly by TEUR 49. While personnel expenses declined, recurring other administrative expenses increased slightly.

The administrative expense ratio is as follows:

TEUR	2021/2022	2020/2021
Personnell expenses	–1,049	–1,222
Other administrative expenses	–2,749	–3,453
Adjustment of one-time and other non-recurring effects	653	1,578
Adjusted administrative expenses	**–3,145**	**–3,097**
Rental income	74,390	69,667
Administrative expense ratio	**4.2%**	**4.4%**

In total, EBIT decreased by TEUR 29,906 to TEUR 68,011 (2020/2021: TEUR 97,917), which is mainly due to the lower valuation result compared to the previous financial year.

Interest expenses increased to a total of TEUR 14,086 (2020/2021: TEUR 12,684) due to a higher amount of borrowed capital. Interest expenses include ground rent totalling TEUR 573 (2020/2021: TEUR 555).

In the reporting period, interest income of TEUR 6,463 (2020/2021: TEUR 6,140) was generated, which resulted primarily from the short-term investment of surplus liquidity on a financing platform and from the short-term callable loan of available funds to Obotritia Capital KGaA.

Consequently, the financial result decreases by TEUR 1,080 to TEUR –7,624 (2020/2021: TEUR –6,544).

In connection with an ongoing tax audit of the 2014–2017 tax assessment periods by the tax authorities, tax provisions were formed for income taxes that may have to be paid retrospectively, which could lead to a tax expense of TEUR 3,657 (2020/2021: TEUR 0) for the 2016 to 2019 financial years. Since the Company assumes that the tax authorities' interpretation of the legal situation is materially incorrect, a receivable from income tax refund claims in the same amount was recognised in profit or loss at the same time, so that there is no effect on profit or loss on a net basis.

Overall, this results in a net income of TEUR 60,387 (2020/2021: TEUR 91,373), from which FFO and aFFO are derived as follows:

TEUR	2021/2022	2020/2021
Net income	60,387	91,373
Adjustment of income taxes	0	0
Adjustment of depreciation	35	12
Adjustment of valuation result	–28,438	–57,761
Adjustment of result from disposals	–1,742	–580
Adjustment for non-cash expenses	9,262	4,801
Adjustment for one-time effects	1,611	3,322
FFO	**41,115**	**41,168**
– Capex	–18,569	–18,566
aFFO	**22,546**	**22,602**

Non-cash expenses and income include the accrued interest on bonds, convertible bonds and loans according to the effective interest method as well as impairments of rent receivables and short-term financial investments. The one-off effects contain non-recurring expenses and income. In the 2021/2022 financial year, these were, in particular, expenses relating to other financial years for acquired properties and early repayment penalties due to the early repayment of existing loans.

The capitalised maintenance costs (Capex) essentially comprise value-enhancing modernisation and expansion measures carried out at the properties in Grimma, Angermünde, Stralsund, Hohenmölsen, Ueckermünde and Greifswald.

This results in FFO per share of EUR 1.17 (2020/2021: EUR 1.17) and aFFO of EUR 0.64 per share (2020/2021: EUR 0.64).

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

The 2021/2022 financial year was ambivalent: On the one hand, the operational business performance was very strong. The real estate portfolio grew continuously through further acquisitions and, at the same time, attractive capital gains were realised through property disposals. In addition, DKR was able to achieve significant rent increases for the first time in the current inflationary environment due to inflation protection clauses. This confirms the resilience and attractiveness of this asset class for investors. As a result, the appraiser was able to noticeably increase the value of the real estate portfolio compared to the previous year.

In the past 2021/2022 financial year, total rental income of EUR 74.3 million was generated, which even slightly exceeded the forecast made in the previous year (EUR 70 million to EUR 74 million). In addition, the FFO forecast (EUR 40 million to EUR 44 million) was also achieved with an FFO of EUR 41.1 million (previous year: EUR 41.2 million).

In terms of financing, very favourable interest rate conditions were secured for a longer period of time through loan prolongations and new financing. At the end of the financial year, there were already noticeable increases in interest rates for new financings, extensions of existing loans and variable-rate loans, which counteracted the currently still low average interest rate. At 49.7% (previous year 53.2%), the LTV was slightly below the target corridor of around 50%.

In the reporting period, a German GAAP result of EUR 17.0 million was achieved (previous year: EUR 14.1 million). The currently difficult overall environment had a negative impact on the value of the short-term investments of liquid funds as well as on the valuations of individual properties, which is why unscheduled impairments had to be made under German GAAP, which reduced the high profits from rental activities and the sale of properties. On this basis, the Management Board is forced to adjust its initial dividend planning and to propose a dividend of EUR 0.48 per share (previous year: EUR 0.40 per share) to the Annual General Meeting.

Other non-financial performance indicators

The vacancy rate for the entire portfolio was 11.7% as of the balance sheet date (30.09.2021: 10.7%). The main driver of the increase is the vacancy of the property in Trier-Kenn, which has been vacant since 31 December 2021; in addition, there are currently larger vacancies in some buildings due to revitalisation. The WALT of the portfolio is 5.2 years as at the reporting date (30.09.2021: 5.5 years).

3. Opportunity and Risk Report and Forecast Report

3.1. Opportunity and risk report

Risk management system of DKR

Risk management is designed to identify the value creation potential of the Company's business activities and to enable them to be exploited in a manner that results in a sustainable increase in the Company's value. An integral part of this system is a structured, early examination of potentially unfavourable developments and events (risks), which enables the Management Board to take countermeasures in good time before significant damage occurs.

The risk management system of DKR comprises a systematic identification, analysis, assessment and monitoring of significant risks by the Company's Management Board. Considering the manageable business structures and business processes, the degree of formalisation of the risk management system is low, but effective and appropriate. Close involvement of the Management Board in key business transactions and projects ensures ongoing monitoring of the risks involved.

The risk management system used includes the following essential elements:

- a controlling and reporting system that is capable of identifying business failures at an early stage and communicating them to the Company's management;
- a regular or event-related risk inventory;
- the documentation of relevant risks for regular or event-related information to the Company's management;
- a periodic, regular evaluation of the identified risks and the decision on possible countermeasures or the deliberate acceptance of manageable risks by the Management Board;
- an internal control system (ICS) with elements such as the dual control principle and segregation of functions, which is geared towards correct and complete accounting and ensures a secure invoice receipt and payment process.

In detail, the essential elements of the risk management system are reflected in the following risk management process:

a. Defining the requirements: The Management Board defines the methodological and substantive requirements for the risk management system, whereby the expectations of the Company are determined, and the risk awareness is strengthened.

b. Risk identification and analysis: All business risks are fully captured, analysed for their causes and effects, assessed and divided into five risk categories. In addition, possible countermeasures are identified.

c. Reporting: The Management Board is informed regularly and at an early stage about all existing risks and possible countermeasures. As part of the reporting cycles, reporting is done on an ad hoc, weekly, monthly or quarterly basis depending on the circumstances and the risk assessment.

d Risk management: Based on the decisions on the controlling measures by the Management Board, the identified, analysed and assessed risks are actively responded to in this phase.

e Risk controlling: The subject of risk controlling is the methodical and content-related planning, monitoring and controlling of the risk management system by a qualified risk manager. Risk controlling encompasses all phases of the risk management process and must be regularly adjusted by the Management Board in terms of methodology and content.

The risks are assessed on the basis of defined thresholds with regard to the amount of damage and the probability of occurrence:

Amount of damage	EUR million			
high	> 15.0	medium	medium-high	high
medium	> 7.5 to 15.0	medium-low	medium	medium-high
low	≤ 7.5	low	medium-low	medium
		≤ 10%	> 10% to 50%	> 50%
		low	medium	high
		Probability of occurrence		

DKR is exposed to the following risk categories or individual risks that, individually or collectively, may adversely affect the asset, financial and earnings position and the further economic development of the Company:

3.1.1. General, strategic and market-specific risks

a **Political, legal and social risks**
As the business activities of DKR are regulated by legal framework conditions for real estate, this could be impaired by changes to national and/or European law standards as well as by a changed interpretation or application of existing legal norms. These include, inter alia, tenancy law, public construction law and tax law. Furthermore, political changes can also lead to changes in the legal framework and, thus, also have an indirect impact on the DKR.

Similarly, restrictions due to political measures to combat pandemics could have an impact on the business of tenants and a negative impact on current rental payments.

Political initiatives to achieve a carbon-neutral economy could push the Company to align its strategy more closely with ESG criteria, which may have a negative impact on the acquisition of new properties and the raising of debt capital, or may require increased investment in portfolio properties.

b Economic risks

So far, DKR has achieved its sales exclusively in Germany. In particular, a deterioration in national economic conditions, coupled with an increase in the number of unemployed, may negatively impact rent and price levels and adversely affect the creditworthiness of potential tenants and purchasers of real estate. This can have different regional effects, so that DKR can be affected here. Furthermore, the national economic situation may also depend considerably on international developments.

c Industry risks in the retail sector

The real estate industry is characterised by intense competition from numerous players. In this regard, there is a risk that the competition will lead to increased price pressure when purchasing properties and negotiating leases, resulting in lower margins. This may also adversely affect the situation of DKR's various retail locations by not renewing leases or reducing rents.

Furthermore, the stationary retail sector is subject to significant future changes due to digitisation. Large food retailers and online trading platforms are currently testing caterer services in major cities. If this trend also prevails in the regional DKR locations in the medium to long term, there is a risk that leases will not be extended here.

The Management Board still considers these risks to be low, as the German grocery industry continues to boom and expand, which is concretely reflected in the renewal of a large number of leases at DKR. Furthermore, the Management Board does not see any significant risk to DKR's business activities in the foreseeable future from online delivery services, which are currently neither profitable nor ecologically mature. Moreover, these services are not available at DKR's main investment locations for the foreseeable future.

d Changes in the financing environment/capital market

Of particular importance for the national demand for real estate is the development of interest rates in Germany. An increase in interest rates would make real estate investments more difficult due to growing interest charges. In addition, in this case, the borrowing costs of the loans taken out by the real estate companies would increase.

In addition, rising interest rates could also have a negative impact on property valuations and lead to a devaluation of the property portfolio. This, in turn, could have a negative impact on the perception of the Company on the capital market, complicate refinancing with equity and debt capital, and lead to the fact that covenants agreed in credit agreements or legally stipulated ratios are no longer met.

3.1.2. Company-specific risks

e Risks due to the use of IT

DKR uses current and modern IT applications and is supported by an external system house. In this context, there is basically a risk of total default both at DKR and at the service provider, which could lead to significant disruptions of the business. Furthermore, there is a risk of attacks on the systems of DKR and, thus, the access of unauthorised persons to the data of the Company. The unauthorised access to sensitive company data could lead to a loss of reputation. In addition, financial damage could occur in the form of compensation payments to recover the data.

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

With the mandatory application of the European General Data Protection Regulation (GDPR), companies were given the responsibility to protect user data. As a result, DKR has to protect stored data against misuse or, in the case of misuse, must send an immediate notification to the persons affected. In the case of infringements, fines may amount to up to 4% of the annual turnover. For this purpose, DKR appointed an external professional data protection officer in good time, who oversees these processes and is available for any doubtful questions.

f Personnel risks

Due to DKR's lean personnel and administrative structure, there is a risk that qualified, high-performing employees and knowledge carriers who are familiar with the Company's internal processes may leave the Company and cannot be replaced within a reasonable time.

g Financial risks

As part of its business activities, DKR is exposed to financing, liquidity and interest rate risks.

Financing risks exist to the extent that borrowing cannot be realised through changing company or market-related developments or only under unfavourable conditions, which could have a negative effect on further acquisition financing and the earnings position of DKR. If problems in servicing current loans were to result from this, lenders could arrange for compulsory disposals of real estate collateral. Such distress sales could lead to considerable financial disadvantages for DKR. Due to the stronger orientation of the financial sector towards preferential financing of environmentally friendly and ESG-compliant business models, the raising of further equity capital as well as the refinancing of existing financial liabilities could take place at significantly worse conditions.

To counter these risks, DKR works with various banks and closely monitors the development of the financing market. Short-term financing options are also used in order to secure attractive long-term financing options through planned lease extensions.

Furthermore, there are various risks regarding the Company's liquidity. On the one hand, these can arise as a result of possible rent defaults. In addition, negative liquidity effects may arise in individual cases if rental agreements cannot be extended, resulting in vacancies. In addition, a breach of agreed ratios in loan agreements (covenants) may lead to a special termination by the lending bank and cause an unplanned outflow of liquidity from the loan repayment.

In order to avoid rent losses, the creditworthiness of the potential tenant is regularly checked in connection with the conclusion of rental agreements. Furthermore, liquidity risks are counteracted by extensive liquidity planning instruments, which reflect current business transactions with the planning data both in the short and in the medium term. There is regular liquidity reporting and a liquidity forecast to the Management Board. In addition, as part of a bank reporting, a looming breach of covenants is recognised as early as possible and prevented by suitable measures.

Interest risks exist regarding liabilities due for prolongation or refinancing as well as planned loans to finance real estate portfolios. In order to hedge against adverse effects of changes in interest rates, DKR regularly uses fixed interest rates for financing depending on the market situation and the assessment of market prospects. The direct influence of changes in the general interest rate level on the success of the Company via changes in cash flows is relatively small compared to the possible indirect effects from changes in the general interest rate level on real estate demand.

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

In addition, default risks also exist regarding the interest-bearing cash and cash equivalents invested as part of the short-term financial resources management if borrowers fail to pay the debt service for economic reasons. DKR counteracts this risk by, on the one hand, only making investments with an attractive risk-reward profile and, on the other hand, by continuously monitoring existing investments in order to counteract emerging risks.

At the time of preparing these financial statements, the Company is in negotiations regarding the prolongation of a loan expiring on 31 December 2022 with the financing bank. As of 30 September 2022, the outstanding nominal volume of this loan amounted to EUR 35.3 million. DKR expects to be able to conclude the prolongation of this secured real estate loan in December 2022. If the prolongation is not completed and the loan is due for repayment, a short-term liquidity bottleneck could arise.

h Legal and litigation risks

As part of its business activities, DKR is exposed to the risk of legal disputes and (potential) warranty claims and claims for damages without being able to assert claims against third parties.

Other legal risks, in particular from legal disputes, which could have a significant influence on the economic situation of the Company, do not currently exist - with the exception of the risk mentioned in the following section e).

By going public, the Company must implement the obligations of the German Securities Trading Act WpHG. A breach of statutory provisions, such as the disclosure of transactions subject to disclosure requirements, could lead to penalties and would thus have a negative impact on the financial position. Furthermore, changes in the law and additions to the regulatory environment could increase the expenses for compliance with these provisions. This applies in particular in connection with the secondary listing on the Johannesburg Stock Exchange (JSE). This results in high organisational and information requirements, which are inevitably associated with corresponding costs. This risk is countered by employing an experienced IR manager.

Tax risks

To preserve the REIT characteristics, DKR must comply with the provisions of the REIT Act. Thus, the investment object, the investment volume as well as the business activity are restricted or influenced in particular by the following regulations:

- exclusion of the acquisition of domestic existing residential real estate,
- exclusion of the acquisition of shares in domestic real estate corporations,
- exclusion of real estate trading,
- limitation of the accumulation of reserves,
- only minimal liquidity formation due to the minimum distribution of 90% of the annual result under to commercial law,
- limitation of real estate-related ancillary activities for third parties,
- minimum equity of 45% of immovable assets.

If the legal requirements are not met, DKR is threatened with the loss of tax exemption. This can lead to certain back-dated taxation obligations.

Due to the restrictions of the REIT Act, certain chances or opportunities in the real estate and financing market cannot be exercised or only to a limited extent in individual cases.

Furthermore, the Company may be threatened by (penalty) payments from non-compliance with the provisions of the REIT Act. In accordance with the provisions of the Articles of Association, the Company is also threatened with compensation claims from shareholders in the event of a loss of REIT status due to a breach of the free float ratio of at least 15% and/or the maximum shareholding limit of 10%. The lack of practice in the application of the REIT Act by the competent supervisory and tax authorities could, in disputed individual cases, lead to an unfavourable interpretation of the application of the law or force the Company to adapt to the new legal situation.

There is currently a dispute with the Potsdam tax office:

In the summer of 2022, DKR received a preliminary partial report on the tax audit for the years 2014 to 2017 from the Potsdam tax office/ tax audit office of the Königs Wusterhausen tax office. In the opinion of the tax auditors, the required initial free float of 25% pursuant to § 16 of the REIT Act was not present at the time of DKR's IPO on 15 December 2015. Accordingly, there are doubts as to whether DKR obtained REIT status in 2016 or in subsequent years.

The background to this is that DKR's then main shareholder sold shares to third parties prior to the stock exchange listing in order to achieve the free float ratio of 25% required under the REIT Act and to meet the stock exchange's requirements regarding free float. As a result, the listing of the Company was achieved at the end of 2015 and the REIT status was granted as of 2016. The tax authorities now doubt the economic transition of the sale of shares to achieve the minimum free float ratio and accuse DKR of circumventing the REIT status by selling the shares to third parties.

DKR has lodged an objection against this and commissioned a renowned law firm with a legal opinion. This opinion has been available since the end of September 2022 and casts considerable doubt on the abbreviated legal interpretation of the tax auditors. Even if there were doubts about the fulfilment of the minimum free float at the time of the IPO in 2015, for which the REIT status was not claimed, all REIT requirements have been consistently fulfilled at least since 2016, which means that the Company should have effectively obtained the REIT status as of 2016. The Potsdam tax office has refused to hear and notify the Company on the matter and has referred it to further legal proceedings. As a result, the Company must await the receipt of change tax notices for the affected years 2016–2019, which are initially expected to result in tax liabilities of approximately EUR 3.7 million. DKR has therefore formed tax provisions in the current annual financial statement. Simultaneously, a separate tax refund claim in the same amount was capitalised, as the Company assumes that this claim will be substantively justified.

DKR will appeal against all expected tax change notices and seek an assessment by the fiscal court. In the opinion of DKR and the Company's legal representatives, and based on the clear presentation of the facts in the expert opinion, there is a high probability that DKR will be proven to be correct in terms of content and that, in case of doubt, all REIT requirements will have been met from 2016 at the latest. In this respect, DKR continues to see itself as a REIT and will also prepare all subsequent annual financial statements as a REIT.

Should a ruling on the REIT status nevertheless be made to the disadvantage of DKR in a fiscal court case, this would have the following material effects on the Company and the shareholders:

- The Company no longer trades as a REIT-AG;
- The Company would be liable for income tax and would therefore have to pay corporation tax and trade tax on an ongoing basis and recognise them in its financial statements;
- Accordingly, tax provisions of up to EUR 13.2 million would have to be formed for the years from 2020 onwards as of 30 September 2022;
- Due to the valuation difference, especially for investment properties, between the tax balance sheet and the IFRS financial statements of currently around EUR 252 million, there would be deferred tax assets and liabilities to be recognised for the IFRS financial statements with an overhang of deferred tax liabilities of around EUR 82.7 million;
- This would reduce net income by EUR 95.9 million to EUR –35.6 million or by EUR 2.73 per share to EUR –1.01 per share;
- Since deferred taxes are to be adjusted in the calculation of the EPRA NTA according to the definition of the EPRA, the EPRA NTA would only be reduced by the amount of the tax provisions to be accounted for of up to EUR 13.2 million, which means a decrease of up to EUR 0.26 per share to up to EUR 10.71 per share.

j Pandemic risks

The outbreak and spread of the SARS COV-2 virus since December 2019 into a still ongoing pandemic illustrates that such pandemic-related crises can pose a significant and existential risk to many companies. Thus, due to the three government-imposed lockdowns in Germany so far, large parts of the German retail sector in particular have been affected by closures and massive sales losses. Despite massive state aid, the lockdowns threatened the existence of many German retailers, which indirectly also affected the retailers' landlords through the loss of rent payments.

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

k Outsourcing risks

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

3.1.3. Property-specific risks

l Investment risk of the individual property

The economic success and further growth of the Company are decisively dependent on the selection and acquisition of suitable real estate. This involves the risk of misjudging or failing to recognise the structural, legal, economic and other encumbrances of the properties to be purchased. In addition, the assumptions made in relation to the earnings potential of the real estate may subsequently prove to be partially or fully inaccurate. In particular, false assessments about the attractiveness of the property location and other factors relevant to the tenants' or buyers' decisions could mean that the management of the property in question does not lead to the expected results.

These property-specific risks are counteracted by an in-depth review of the properties concerned. In the context of the property assessment, among other things, the anticipated redevelopment, maintenance and modernisation needs are determined, and the earnings value and the basic debt servicing capacity are examined according to bank-conforming standards.

m Inventory, valuation and environmental risks

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

In addition, the real estate portfolios held by the Company may experience excessive wear and tear, which may require maintenance and revitalisation measures earlier or to a greater extent than originally planned. Furthermore, it may also turn out that the structures have an initially unexpected need for renovation, which leads to additional costs for the Company without these initially being offset by corresponding additional income.

In connection with these risks, but also due to other factors such as unexpected competitors in the immediate vicinity of the site, vacancies may increase and result in lower rental income coupled with higher leasing expenses. In addition to negative effects on the current operating income and expenses of the Company, these risks may also have a negative impact on the valuation of the properties held by DKR and thus on the Company's result.

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

The further growth of the real estate portfolio and the resulting better location and tenant diversification will reduce these individual risks from the overall portfolio perspective. The property portfolio, valuation and environmental risks for the respective locations are countered with the measures described under a).

In addition, as with all assets, there is basically the risk of destruction of individual objects due to force majeure or natural hazards. These risks are countered by adequate insurance cover with well-known and high-performance insurance companies.

n Letting risk

There is a risk that changes in supply and demand on the letting market and deterioration in the competitiveness of individual properties in their respective local market environment will have a direct negative impact on DKR's rental income and on the development of vacancies in the Company's real estate portfolio. Moreover, this can incur additional costs that cannot be allocated to the tenants.

These risks are countered by active asset and property management, which initially includes a permanent analysis of the letting market and tenant needs. Furthermore, this includes professional letting management as well as ongoing maintenance, refurbishment and modernisation measures, which ensure the attractiveness and, thus, the competitiveness of the locations.

o Construction risk

If structural measures are required on the properties, there is a risk that the construction costs considerably exceed the target values. This risk is countered by a detailed planning of the construction costs and tight monitoring of these costs.

Uncertainties may also contribute to the construction risks as to whether, when and under what conditions and/or secondary conditions the building permits for the projects are granted. For example, the Company sometimes relies on the discretion of individual authorities, and even disputes with residents and people living in the vicinity of the buildings can significantly delay or adversely affect the granting of permits. Any of these circumstances can lead to planned building work not being able to be carried out at the assumed costs, not within the planned timeframe or not at all. These risk factors are examined in detail in advance of individual construction measures.

- **Risk of rising operating costs**
  Rising energy prices and raw material costs could lead to an increase in ongoing operating costs. This can have a negative impact on the Company's result, especially if DKR is not or only partially able to pass on the operating costs to the tenants due to lease agreements.

Internal control system and risk management system regarding the accounting process

The accounting-related internal control system at DKR was implemented with the aim of ensuring adequate assurance with respect to full and accurate annual financial statements by establishing appropriate control mechanisms within the internal and external accounting and reporting process.

At least once a quarter, the Company receives property and portfolio information from its contracted service providers according to its specifications, informing DKR of important, contractually relevant and, if applicable, deviations from the planning. The evaluations are analysed and checked for plausibility and examined for identifiable risks. Recognised risks are assessed and included in the regular or ad hoc risk reporting to the Supervisory Board.

The accounting-related risk management system of DKR aims to reduce the risk of material errors or inappropriate presentation of the asset, financial and earnings position. For this purpose, the underlying data are regularly mirrored analytically based on expected values. The service provider commissioned for significant parts of the accounting process of the Company is kept informed closely and continuously about the current business development. The services include the fulfilment of the accounting obligations in accordance with the German Commercial Code as well as the assumption of payment transactions, the preparation of profit and loss accounts, account analyses, monthly sales tax pre-notifications as well as business analyses and the quarterly preparation of interim financial statements according to HGB (German Commercial Code) and IFRS as well as property and portfolio information. The accounting process is monitored by both service providers and the Company through an internal control system that ensures the regularity of accounting and compliance with legal requirements. In particular, the clear allocation of responsibility and control in compliance with the dual control principle and the principle of separation of duties, appropriate access regulations in the financial statement relevant EDP systems and consideration of recognised and assessed risks must be mentioned. For the determination of market values of real estate, the Company invites external experts. DKR was convinced of the professional-qualitative and capacitive suitability of the service providers and employees involved in the accounting process and the appraisal reports. In view of the still small size of the Company, DKR has so far refrained from setting up an internal audit.

Other influences

In addition to the risks mentioned, there are general influences that are unpredictable and, thus, difficult to control. These include, for example, political changes, social influences and risk factors such as natural disasters or terrorist attacks. Such influences could have negative effects on the economic situation and indirectly affect the further economic development of DKR.

Assessment of the overall risk

Despite the current uncertain economic outlook due to the Corona pandemic, the unpredictable consequences of the energy price shocks and the massively changed interest rate environment, the Management Board continues to rate the overall risk situation for DKR as moderate, since the business model as such is relatively non-cyclical and thus independent of the economic cycle.

Of the individual risks mentioned, the Management Board currently considers the financing risk to be the greatest individual risk for the Company as a result of the sharp rise in interest rates, as higher financing costs are to be expected in the refinancing of older loans and in new financing. If the loan prolongation explained in section 1c) is not completed, there could also be a short-term liquidity bottleneck.

From the Company's point of view, an increased risk arises from the current tax audit. Although the Management Board estimates the probability of a tax court ruling against the Company to be low, such a lawsuit would always be associated with legal risks, would lead to considerable additional financial expenses and would also tie up DKR's human resources.

Risks from asset management are classified as moderate.

In our estimation, there are currently no concrete risks jeopardising the existence of the Company.

Chances of future development

DKR will further increase its rental cash flow through the acquisition of further high-yield retail properties in the reporting year, which will only be reflected in the full-year result from the new financial year onwards. However, this will be partially offset by reductions in rental income due to the sale of individual properties. As a result of the recent rise in interest rates, we are currently observing an increase in sentiment regarding potential acquisition properties with a downward trend in purchase prices. As a result, the Management Board expects a fundamentally higher purchase volume than in previous years.

3.2. Forecast Report

The following statements on the future business performance of DKR are based on the estimates of the Management Board. The assumptions made are currently considered realistic based on the information available. In principle, however, forward-looking statements involve a risk that developments will not actually occur in their tendency or magnitude.

Forecast for the financial year 2022/2023

In view of the economic and geopolitical upheavals, the new financial year 2022/2023 is likely to be marked by the ECB's interest rate policy, as this influences both the further level of inflation and directly DKR's financing costs. Further interest rate steps would tend to lead to declining property valuations in the sector and potentially to more property sales. However, this could also result in significant growth opportunities for DKR.

In the 2022/2023 financial year, the operational focus will continue to be on efficient portfolio management, the acquisition of further retail properties in accordance with the investment criteria and the value-creating revitalisation of properties. On the financing side, significantly higher interest rates are expected for new loans and refinancings, which will tend to lead to a gradual increase in the average cost of debt. The target corridor for the LTV ratio remains at around 50%.

Based on the current planning for the 2022/2023 financial year, the Management Board expects rental income of between EUR 79 million and EUR 84 million and a corresponding increase in FFO. This planning is based on growth on the basis of a similarly strong acquisition volume as in the past financial year 2021/2022 and takes into account the property sales made and planned to date. Furthermore, the Management Board assumes that the vacancy rate of the portfolio and the weighted average lease term (WALT) for the overall portfolio will be at a similar level at the end of the 2022/2023 financial year as in the past financial year.

4. Dependency Report and overall assessment

In 2021/2022 financial year, DKR was a company dependent on Obotritia Capital KGaA. In accordance with the statutory provisions, the Management Board of DKR prepared a Report on Relations with Affiliated Companies (Dependency Report) for the period in which DKR was a subsidiary dependent on Obotritia Capital KGaA and finally stated in the following:

"In the legal transactions listed in the Report on Relationships with Affiliated Companies, Deutsche Konsum REIT-AG received appropriate consideration in each case. Deutsche Konsum REIT-AG was not disadvantaged in measures that it took or refrained from taking at the instigation or in the interest of the controlling company or a company affiliated with the latter. This assessment is based on the circumstances known to us at the time of the reportable transactions."

5. Takeover-relevant information

in accordance with § 289a HGB

Composition of the share capital, voting rights and special rights

The share capital of the Company is divided into 35,155,938 no-par-value bearer shares. As of the balance sheet date, the Company holds no treasury shares. All shares have the same rights and obligations. Each share represents one vote in the Annual General Meeting. The shares may be freely transferred in accordance with the legal provisions applicable to bearer shares. No shares were issued with special rights conferring control powers. Insofar as employees are involved in the Company, they directly exercise their control right.

Shareholdings of 10% or more of the voting rights

No shareholder may hold 10% or more of the shares or voting rights directly in accordance with § 11 (4) REITG (maximum participation limit). In the event that the maximum participation limit is exceeded, the shareholder concerned must provide evidence of the reduction of his direct participation in an appropriate form within two months of the request of the Management Board. A continued breach of the maximum participation limit may, according to the Articles of Association, result in the transfer without compensation of the shares in excess of the maximum participation limit or in the compulsory collection of such shares without compensation. As of the balance sheet date, no shareholder holds 10% or more of the voting rights.

Authorisation of the Management Board to acquire own shares and to issue new shares

Authorised capital

By resolution of the Annual General Meeting on 11 March 2021, entered in the Commercial Register on 11 June 2021, the Management Board was authorised, with the approval of the Supervisory Board, to increase the share capital of the Company on one or more occasions by up to a total of EUR 17,577,969.00 (Authorised Capital 2021/I) by issuing new no-par value bearer shares against cash or non-cash contributions until 10 March 2026. The shareholders are generally to be granted a subscription right within the scope of the authorised capital. However, the Management Board is authorised, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders in certain cases, in whole or in part, in accordance with the resolution. The Authorised Capital 2020/I was cancelled.

Conditional capital

Also by resolution of the Annual General Meeting on 11 March 2021, the Management Board was authorised, with the revocation of the authorisation to issue bonds with warrants and/or convertible bonds resolved by the Annual General Meeting on 5 March 2020, to issue bearer bonds with warrants and/or convertible bonds (together “bonds”) with a total nominal value of up to EUR 150,000,000.00 on one or more occasions up to 10 March 2026, with the approval of the Supervisory Board, with or without a limited term, and to grant or impose option rights or obligations on the holders or creditors of bonds with warrants, and conversion rights or obligations on the holders or creditors of convertible bonds for bearer shares in the Company with a proportionate amount of the share capital of EUR 1.00 each, in accordance with the more detailed provisions of the terms and conditions of the bonds. They may also be issued by a subordinated Group company of the Company. The shareholders are generally to be granted subscription rights. However, the Management Board is authorised, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders under certain conditions. Further details can be found in the announcement in the Federal Gazette.

By resolution of the Annual General Meeting on 11 March 2021 (amending the resolution of the Annual General Meeting on 5 March 2020), the share capital of the Company was conditionally increased by up to EUR 9,577,969.00 by issuing up to 9,577,969 new no-par value bearer shares (Conditional Capital I). The purpose of the conditional capital increase is to grant shares to the holders of bonds issued or guaranteed in accordance with the authorisation resolved by the Annual General Meeting.

The share capital remains conditionally increased by up to EUR 8,000,000.00 by resolution of the Annual General Meeting of 5 March 2020 (amending the resolution of the Annual General Meeting of 9 March 2017) through the issue of up to 8,000,000 new no-par value bearer shares with dividend rights from the beginning of the financial year in which they are issued (Conditional Capital II). The purpose of the conditional capital increase is to grant shares to the holders of convertible bonds 2015/2025, which, on 30 January 2015, were issued by the Company in two tranches with a total volume of EUR 37,000,000.00 on the basis of the authorisation of the Annual General Meeting on 30 January 2015, and which have a term until 30 January 2025. Otherwise, the resolution of 9 March 2017 remains unchanged. Further details on the conditional capital can also be found in the announcement in the Federal Gazette.

Repurchase of treasury shares

By resolution of the Annual General Meeting on 11 March 2021, the Management Board was authorised to acquire treasury shares totalling up to 10% of the share capital existing at the time of the resolution or – if this amount is lower – of the share capital existing at the time of the respective exercise of the present authorisation for any permissible purpose within the framework of the legal restrictions until 10 March 2026. The previous authorisation to acquire own shares of 20 April 2016 was cancelled.

The treasury shares may be acquired at the discretion of the Management Board via the stock exchange or by means of a public purchase offer addressed to all shareholders. The consideration to be paid per share (excluding incidental acquisition costs) may not be more than 10% higher or lower than the average of the last share prices (closing prices) of the Company's share in XETRA trading on the Frankfurt Stock Exchange on the last ten trading days prior to the conclusion of the purchase obligation transaction or the date of publication of the offer.

Amendments to the Articles of Association

Amendments to the Articles of Association require the majority of 75% of the voting rights represented at the Annual General Meeting, as required by the German Stock Corporation Act.

Appointment and revocation of members of the Management Board

The determination of the number as well as the appointment of the ordinary members of the Management Board and Deputy Management Board members, the conclusion of the employment contracts and the revocation of the appointment are made by the Supervisory Board.

6. Corporate Governance Statement

in accordance with § 289f HGB

On 1 December 2022, the Management Board of Deutsche Konsum REIT-AG issued a Corporate Governance Statement in accordance with § 289f of the German Commercial Code (HGB) and made it available on the website www.deutsche-konsum.de/en in the Investor Relations section under Corporate Governance/ Corporate Governance Statement.

Potsdam, 19 December 2022
Deutsche Konsum REIT-AG

Rolf Elgeti
Chairman of the
Management Board (CEO)

Alexander Kroth
Member of the
Management Board (CIO)

Christian Hellmuth
Member of the
Management Board (CFO)


Escherich

Financial Statements

Photo: Discounter
Konrad-Wilsdorf-Straße 1a,
94518 Spiegelau

Balance sheet
as at 30/09/2022

TEUR	Notes	30/09/2022	30/09/2021
Assets			
Non-current assets			
Investment properties	2.1.	1,030,959.1	944,019.6
Intangible assets	2.2.	0.0	0.0
Tangible assets	2.3.	45.1	47.4
Other financial assets (loans)	2.5.	8.7	237.7
Other non-current assets	2.5.	4,920.5	0.0
		1,035,933.4	**944,304.7**
Current assets			
Trade and other receivables	2.4.	1,691.6	4,324.5
Income tax refund claims	2.6.	4,046.6	150.7
Other current assets	2.5.	115,565.4	73,722.9
Cash and cash equivalents	2.7.	4,827.0	652.7
		126,130.6	**78,850.7**
Non-current assets held for sale	2.8.	19,750.0	70,148.3
Total assets		**1,181,814.0**	**1,093,303.8**
Equity and liabilities			
Equity			
Issued share capital	2.9.	35,155.9	35,155.9
Capital reserve	2.9.	197,141.6	197,141.6
Other reserves	2.9.	723.4	723.4
OCI (Other comprehensive income)	2.9.	0.0	0.0
Retained earnings	2.9.	281,278.7	234,954.4
		514,299.6	**467,975.3**
Non-current liabilities			
Financial liabilities	2.10.	328,761.6	347,845.1
Convertible bonds	2.11.	36,609.3	36,457.7
Corporate bonds	2.12.	182,013.3	171,561.8
Other provisions	2.13.	3.5	3.5
Other non-current liabilities	2.14.	10,039.0	9,808.2
		557,426.7	**565,676.3**
Current liabilities			
Financial liabilities	2.10	89,282.7	53,444.4
Tax provisions	2.13	3,656.7	0.0
Other provisions	2.13	3,589.6	2,733.1
Trade payables	2.15	6,733.6	906.6
Other current liabilities	2.14	4,532.6	2,178.4
		107,795.2	**59,262.4**
Financial liabilities regarding non-current assets held for sale	2.8.	2,292.5	389.8
Total equity and liabilities		**1,181,814.0**	**1,093,303.8**

Statement of comprehensive income

TEUR	Notes	01/10/2021 – 30/09/2022	01/10/2020 – 30/09/2021
Rental income		74,390.2	69,667.0
Income from operating and ancillary costs		13,959.8	10,675.0
Operating expenses		–40,906.0	–34,506.7
Net rental income	3.1.	**47,444.0**	**45,835.3**
Proceeds from the disposal of properties		63,031.7	3,300.0
Expenses on the sale of properties		–64,449.5	–3,300.0
Valuation changes of sold properties		3,159.5	580.0
Net proceeds from the disposal of properties	3.2.	**1,741.7**	**580.0**
Other income	3.3.	**2,786.4**	**330.0**
Revaluation gains		53,335.9	80,749.5
Revaluation losses		–24,897.7	–22,988.5
Gains/losses from the revaluation of investment properties	3.4.	**28,438.2**	**57,760.9**
Subtotal		**80,410.3**	**104,506.2**
Personnel expenses	3.5.	–1,049.5	–1,222.4
Depreciation and amortisation of tangible and intangible assets		–35.1	–12.5
Impairment loss of inventories and receivables	3.6.	–8,566.4	–1,900.7
Other administrative expenses	3.7.	–2,748.9	–3,452.9
Administrative expenses		**–12,399.9**	**–6,588.5**
EBIT		**68,010.4**	**97,917.7**
Interest income	3.8.	6,462.6	6,139.6
Interest expense	3.8.	–14,086.3	–12,683.7
Financial result		**–7,623.7**	**–6,544.1**
EBT		**60,386.7**	**91,373.6**
Income tax	3.9	0.0	0.0
Other tax	3.10	0.0	–0.4
Net income		**60,386.7**	**91,373.2**
Earnings per share (in EUR)	3.11.		
Undiluted earnings per share		1.72	2.60
Diluted earnings per share		1.22	1.84
Other comprehensive income			
Net income		60,386.7	91,373.2
Items reclassified to profit or loss			
Impairment of acquired loans		1,814.6	108,9
Change in fair value of loans		–1,775.7	–108,9
Fair value change on acquired loans reclassified to profit or loss		–38.9	0.0
Subtotal		**0.0**	**0.0**
Total other comprehensive income		**0.0**	**0.0**
Total comprehensive income		**60,386.7**	**91,373.2**

Cash flow statement

	TEUR	Notes	01/10/2021 – 30/09/2022	01/10/2020 – 30/09/2021
	Net income		**60,386.7**	**91,373.2**
+/–	Interest expense/interest income	3.8	7,623.7	6,544.1
+/–	Depreciation, amortisation and write-downs/reversals of intangible assets, tangible assets and financial assets		35.1	12.5
+	Impairments on inventories and receivables	3.6	8,566.4	1,900.7
–/+	Gains/losses from the revaluation of investment properties	3.4	–28,438.2	–57,760.9
–/+	Gains/losses on disposals of investment properties	3.2	–1,741.6	–580.0
+/–	Increase/decrease in provisions	2.13	856.4	630.9
–	Income taxes paid	2.6	–239.1	–150.7
–/+	Increase/decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	2.4, 2.5	–4,660.6	–1,533.9
+/–	Increase/decrease in trade payables and other liabilities not attributable to investing or financing activities	2.15	6,996.2	–2,470.2
	Cash flow from operating activities		**49,384.9**	**37,965.7**
+	Cash receipts relating to disposals of investment properties	3.2	62,003.8	3,300.0
–	Cash payments related to property investments	2.1	–72,250.4	–132,288.6
+	Cash receipts related to disposals of tangible assets	3.2	120.0	0.8
–	Cash payments related to other investments in intangible and tangible assets		–32.8	–1.7
+	Cash receipts from the investment of cash funds for short-term cash management	2.5	7,964.5	41,315.7
–	Cash payments related to short-term cash investments	2.5	–44,988.1	–5,490.0
+	Interest received		584.6	860.1
	Cash flow from investing activities		**–46,598.4**	**–92,303.6**
+	Proceeds related to the issue of corporate bonds	2.12	10,000.0	20,000.0
–	Costs related to the issue of corporate bonds		–175.0	–235.0
+	Proceeds from borrowings	2.10	90,105.0	91,500.0
–	Cash payments related to the issue of borrowings		–358.8	–419.3
–	Amortisation of loans	2.10	–71,066.4	–30,543.4
–	Interest paid	3.8	–13,054.6	–11,458.4
–	Dividend distribution	2.9	–14,062.4	–14,062.4
	Cash flow from financing activities		**1,387.8**	**54,781.5**
	Change in cash and cash equivalents		4,174.3	443.6
	Cash and cash equivalents at the beginning of the period	2.7	652.7	209.1
	Cash and cash equivalents at the end of the period	2.7	**4,827.0**	**652.7**

Statement of changes in equity

TEUR	Notes	Issued share capital	Capital reserve	Other reserves	OCI	Retained earnings	Total equity
As at 01/10/2020		**35,155.9**	**197,141.6**	**723.4**	**0.0**	**157,643.6**	**390,664.5**
Net income						91,373.2	**91,373.2**
Dividend distribution						–14,062.4	**–14,062.4**
As at 30/09/2021	2.9.	**35,155.9**	**197,141.6**	**723.4**	**0.0**	**234,954.4**	**467,975.3**
As at 01/10/2021		**35,155.9**	**197,141.6**	**723.4**	**0.0**	**234,954.4**	**467,975.3**
Net income						60,386.7	**60,386.7**
Dividend distribution						–14,062.4	**–14,062.4**
As at 30/09/2022	2.9.	**35,155.9**	**197,141.6**	**723.4**	**0.0**	**281,278.7**	**514,299.6**

Notes

Deutsche Konsum REIT-AG, Broderstorf
Notes for the financial year from 1 Oktober 2021 to 30 September 2022

Photo: Discounter
Konrad-Gaul-Straße 5, 35102 Lohra

1. General information

1.1. Deutsche Konsum REIT-AG

Deutsche Konsum REIT-AG (hereinafter referred to as "DKR" or "the Company") is a portfolio holder specialising in German retail properties for daily needs with its registered office in Broderstorf. The objective of the Company is the purchase and long-term holding and leasing of retail properties in Germany. If there are lucrative offers, the sale of properties is examined and carried out if necessary. In individual cases, a property may also be sold. DKR is registered in the Commercial Register of the Local Court of Rostock under HRB 13072. The registered office is August-Bebel-Str. 68 in 14482 Potsdam.

The DKR share (ISIN DE000A14KRD3) has been listed since 15 December 2015 and quoted in the Prime Standard of Deutsche Börse AG since 3 March 2017 as well as on the JSE (Johannesburg Stock Exchange – South Africa) by way of a secondary listing since 8 March 2021. As of 1 January 2016, the Company has the status of a REIT (Real Estate Investment Trust) and is, therefore, exempt from income tax at company level.

The individual financial statements of DKR, as of 30 September 2022, were set up on 19 December 2022. The Supervisory Board is expected to approve the individual financial statements in its meeting on 19 December 2022. The IFRS individual financial statements were prepared voluntarily based on the stock exchange listing.

1.2. Basics of the individual financial statements

The individual financial statements as of 30 September 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. In addition, the commercial law provisions of § 315e (1) HGB were applied.

All relevant and for the financial year mandatory standards and interpretations have been considered.

The reporting period covers the time range from 1 October 2021 to 30 September 2022. The comparative figures are the balance sheet as of 30 September 2021 and the statement of comprehensive income for the period from 1 October 2020 to 30 September 2021.

The individual financial statements comprise the components balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement and notes and are prepared in euros (EUR). All amounts are generally shown in thousands of euros (TEUR) (exceptions are indicated), which may result in rounding differences. Transactions in foreign currencies are translated at the exchange rate at the time of the transaction. Any resulting gains or losses are recognised in the income statement as other operating income or expenses.

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

In the financial year, revenues amounted to TEUR 151,381.8 (previous year: TEUR 83,642.0). A significant portion of the revenues is generated via the existing rental agreements with the Schwarz Group, Neckarsulm ("Kaufland" and "Lidl") in the annualised amount of approximately EUR 10.9 million (previous year: EUR 10.9 million) and the EDEKA Group, Hamburg ("Edeka", "NP", "Netto", "Diska", "Trinkgut") in the annualised amount of approximately EUR 7.5 million (previous year: EUR 8.4 million).

All income and expenses as well as all assets and liabilities can be found in the overall financial statements. The annual financial statements were prepared under the going concern assumption.

The statement of comprehensive income was prepared according to the total cost method.

1.3. Key discretionary decisions and estimates

In applying the accounting policies, the Management Board made the following discretionary decisions that materially affect the amounts in the individual financial statements:

- With regard to the real estate held by the Company, the Management Board must decide at each reporting date whether it is to be held long-term for rental or capital appreciation purposes or for sale. Depending on this decision, the properties are accounted for in accordance with the principles for investment properties, as land held for sale with unfinished and finished buildings (inventories) or as non-current assets held for sale and measured at (amortised) cost or fair value according to the classification.

- In assessing the term of leases, management considers all facts and circumstances that provide an economic incentive to exercise renewal options or not to exercise termination options. Any resulting changes in the term of the lease are only included in the term of the agreement if there is sufficient certainty that they will be exercised. Further details are provided in Chapter 6.2.

- Discretionary scope also arises in determining the timing of revenue recognition and deciding whether DKR will act as principal or agent in operating and ancillary costs in accordance with IFRS 15. Pursuant to IFRS 15 “Revenue from Contracts with Customers”, revenue is realised when the customer receives the power over the agreed goods and services. In the case of real estate sales this takes place with the transfer of benefits and encumbrances. The Company mainly acts as principal in operating and ancillary costs, as it provides the services itself and bears the responsibility for their fulfilment. For further information please refer to Chapter 1.5.11.

The Company makes estimates and assumptions concerning the future. The derived estimates may of course differ from the later actual conditions. The fair value measurements of the Company as at 30 September 2022 contain significant valuation uncertainties due to market fluctuations as a result of the Ukraine conflict, increased interest rates, sharply increased inflation and the subsiding corona pandemic. The Russian attack on Ukraine, which has been ongoing since 24 February 2022, brings with it increased energy costs, and the higher interest rates and increased inflation also have an impact on the business activities of Deutsche Konsum REIT-AG. These conditions do not invalidate the valuation, but imply a significantly higher level of uncertainty than under normal market conditions. In view of this uncertainty, the Notes contain a sensitivity analysis of the assumptions used in the valuation of the investment properties. The estimates and assumptions that involve significant risk in the form of a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- The market values of the investment properties are based on the results of independent experts appointed for this purpose. The valuation is based on the discounted cash flow method on the basis of expected future cash inflows. Accordingly, factors such as future rental income and applicable interest rates are estimated by the Company in collaboration with the appraiser, which directly affect the fair value of the investment properties. The fair values of investment properties, including those reported under IFRS 5, amounted to TEUR 1,050,709.1 as of the balance sheet date (previous year: TEUR 1,014,167.9).

- As part of the review of financial assets, at the end of each financial year, the carrying amounts (amortised cost or fair value) with which the other financial assets are recognised, are compared with the fair values. The appropriateness of the valuations is assessed on the basis of the information available to the borrowers and adjusted by estimated default rates. If there are foreseeable reductions in the fair values, appropriate impairments are made to the carrying amounts. The carrying amount of the financial assets reported under non-current financial assets, trade receivables and other current assets was TEUR 117,606.6 (previous year: TEUR 76,926.3) at the reporting date and relates to receivables from tenants, receivables held in the portfolio from loans acquired from creditshelf solutions GmbH and receivables from loans from affiliated companies.

- For provisions and contingent liabilities, various assumptions have to be made, e.g. with regard to the probability of occurrence and the amount of utilisation. All information available at the time the balance sheet was prepared was considered. The amount of provisions at the balance sheet date was TEUR 7,249.8 (previous year: TEUR 2,736.6), of which TEUR 3,656.7 (previous year: TEUR 0.0) was accounted for by provisions for income taxes.

- In view of the ongoing tax audit of the assessment years 2014–2017 by the tax authorities, the Company continues to assume that it will continue its business in the legal form of a REIT-AG. In this respect, the annual financial statements have been prepared in accordance with the REITG (German REIT Act) for tax purposes. As of the balance sheet date, provisions for income taxes in the amount of TEUR 3,656.7 (previous year: TEUR 0.0) and receivables from income tax refund claims in the same amount were formed. For further information, please refer to Chapter 3.9 and Chapter 6.1.

1.4. Application of IFRS in financial year 2021/2022

DKR continued to apply the accounting and valuation methods and disclosure requirements that were applied in the previous year as far as no new standards or interpretations were required to be applied. The only exception to this is the procedure for the value adjustment of rent receivables; please refer to Chapter 1.5.5 in this regard.

The following new standards, changes to standards and new interpretations were applied by DKR for the first time in the year under review:

EU Endorsement	Standard	Content	First-time adoption mandatory for financial years beginning with	Effect on the financial statements of DKR
30/08/2021	Amendments to IFRS 16	Leases – COVID-19 lease deferrals after 30 June 2021	01/04/2021	No significant ones
13/01/2021	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform Phase 2	01/01/2021	No significant ones
15/12/2020	Amendments to IFRS 4 – Application of IFRS 9	Insurance contracts	01/01/2021	None

There were no material effects from the mandatory application of the new standards in the 2021/2022 financial year.

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

EU Endorsement	Standard	Content	First-time adoption mandatory for financial years beginning with	Effect on the financial statements of DKR
Not yet adopted	Amendments to IFRS 16	Lease liability in sale and leaseback	01/01/2024	None
Not yet adopted	Amendments to IAS 1	Liability classification	01/01/2024	No significant ones
11/08/2022	Amendments to IAS 12	Income taxes - Deferred taxes	01/01/2023	No significant ones
08/09/2022	Amendments to IFRS 17	First-time adoption of IFRS 17 and IFRS 9	01/01/2023	None
02/03/2022	Amendments to IAS 1	Disclosure of accounting and valuation policies	01/01/2023	No significant ones
02/03/2022	Amendments to IAS 8	Estimate changes and errors	01/01/2023	No significant ones
19/11/2021	IFRS 17	New standard "Insurance contracts"	01/01/2023	None
28/06/2021	Amendments to IFRS 3, IAS 16, IAS 37 and annual improvements	Business Combinations, Property, Plant and Equipment, Provisions, contingent liabilities, and contingent assets	01/01/2022	No significant ones

DKR does not expect the published new standards and interpretations to have any significant impact on its accounting.

1.5. Individual accounting and valuation principles

1.5.1. Principle

The presented financial statements are based on the going concern assumption. Accounting and valuation is generally carried out – as far as permissible – at amortised cost. An exception to this are the credit-shelf loans, which are recognised directly in equity at fair value, and investment properties, which are voluntarily measured at fair value.

Changes in accounting policies, with the exception of the application of new standards, were not made in the 2021/2022 financial year.

1.5.2. Investment property and properties held for sale

Upon initial recognition, DKR classifies real estate regarding its intended use as either investment property (IAS 40), inventory properties (IAS 2) or property for own use in fixed assets (IAS 16). Real estate under leases with the Company as lessee is classified and accounted for as investment property. Properties that are highly likely to be sold within twelve months are reported as assets held for sale (IFRS 5). In the case of investment properties held for sale, the corresponding properties are reclassified to the item non-current assets held for sale and the corresponding liabilities (loans, unscheduled repayments) are reclassified to the item liabilities regarding non-current assets held for sale. As a rule, DKR only accounts for investment property, as the business model calls for long-term and sustainable leasing of the properties.

Investment property is initially recognised at acquisition or production costs, including ancillary costs. As part of the subsequent valuation, investment properties are recognised at their fair values, which reflect market conditions at the balance sheet date. A gain or loss from the change in fair values is recognised in the income statement in the valuation result of investment properties. In the case of changes in the fair value compared to the previously recognised value due to an available sales price, these effects are reported separately in the disposal result. Subsequent costs for the expansion and conversion of the property are considered if these contribute to an increase in the fair value of the property. Legal and consulting fees relating to investment properties are included in the rental result.

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

Every year on 30 June, the properties are revalued. If significant changes in the input factors occur by the balance sheet date, appropriate adjustments are made. Valuation is performed by an independent external expert using recognised valuation techniques such as the discounted cash flow method. The experts have the appropriate professional qualifications and experience to carry out the assessment. The results of the appraisals are based on information provided by the Company. Thus, input factors such as the current tenant list, maintenance and administrative costs, vacancy data as well as the assessor's assumptions, which are based on market data and are assessed based on their professional qualifications, e.g. future market rents, typical maintenance and administrative costs, structural vacancy rates or discount and capitalisation rates, are used in determining the fair value.

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

In the case of properties sold during the financial year, the valuation result from the valuation at the sales prices compared to the previous book value is reported in the disposal result, so that the total valuation result is the valuation result plus the valuation result reported in the disposal result.

Advance payments on investment properties are reported under other non-current assets.

Investment properties are classified as held for sale if Deutsche Konsum decides to sell the properties in question, they are immediately available for sale and from then on, the sale is expected to be completed within twelve months (IFRS 5). The valuation remains unchanged at fair value.

1.5.3. Intangible assets

Acquired intangible assets are initially valued at acquisition or production cost. After initial recognition, intangible assets are carried at their acquisition or production cost and amortised on a scheduled basis over their respective useful economic lives of generally three to eight years using the straight-line method.

1.5.4. Tangible assets

Tangible assets are stated at acquisition or production cost less cumulative depreciation and accumulated impairment losses. Depreciation is calculated using the straight-line method with the estimated useful lives of generally three to eight years (factory and office equipment). The carrying amounts of tangible assets are tested for impairment as soon as there are indications that the book value exceeds the recoverable amount.

1.5.5. Financial assets and liabilities

Classification of financial assets

IFRS 9 includes a classification and valuation approach for financial assets that reflects the business model in which the assets are held and the characteristics of their cash flows. Reclassification only takes place if the business model for the management of financial assets changes. The three classification categories for financial assets are as follows:

- At fair value through other comprehensive income (FVtOCI)
- At fair value through profit or loss (FVtPL),
- Valued at amortised cost (Amortized Cost, AC)

The Company values its financial assets at amortised cost if the following two conditions are met:

- The financial asset is held as part of a business model whose objective is to hold financial assets to collect contractual cash flows, and
- The terms of the contract give rise to cash flows that are solely repayments and interest payments on the principal outstanding.

At DKR, the Amortized Cost (AC) measurement category includes third-party manager and deposit accounts and expenses to property management. These are cash holdings that are due on demand. The measurement category also includes trade receivables, loans, and interest receivables from the utilisation of a liquidity line and prepaid costs.

Financial assets at fair value through other comprehensive income include:

- Debt securities where the contractual cash flows consist solely of repayments and interest payments on the outstanding principal and which are held as part of a business model whose objective is to collect contractual cash flows and sell financial assets.

This category includes interest-bearing loan receivables from commercial borrowers acquired by DKR via the creditshelf AG platform. The Company uses this investment opportunity for broadly diversified short-term liquidity management. If liquidity is required, these loans can be sold back promptly via the platform or directly to third parties. The Hold and Sell business model therefore applies here. As some of the loans have a remaining term of more than one year, they were allocated to non-current and current items accordingly. A short-term sale is possible independently of this. If there is a specific intention to sell and the conditions are fulfilled, a presentation is made in accordance with IFRS 5.

Financial assets at fair value through profit or loss include:

- Assets that do not meet the criteria of "at amortised cost" or "at fair value through other comprehensive income".

DKR has no financial assets that fall into this valuation category and neither has chosen the fair value option.

Derivatives are initially recognised at fair value at the time of the conclusion of a derivative transaction and subsequently revalued at their fair value at the end of each reporting period. The accounting for changes in the fair value in the subsequent periods depends on whether the derivative is designated as a hedging instrument and, if so, on the nature of the underlying hedging relationship. Deutsche Konsum does not have any derivatives or existing hedging relationships that must be accounted for separately in the reporting period.

Valuation of financial assets

On initial recognition, the Company values a financial asset and a financial liability at the fair value of the consideration received or received on the trade date, plus or minus directly attributable transaction costs. Trade receivables that do not include a significant financing component are initially recognised at the transaction price.

Subsequent valuation of financial assets valued at amortised cost takes place at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. The interest income calculated using the effective interest method is reported under financial income. Any gain or loss, interest income, foreign currency gains and losses and impairments resulting from the derecognition of a financial asset are recognised in profit or loss in the statement of income and reported separately.

In the case of assets measured at fair value through other comprehensive income, changes in fair value and impairments are recognised in other comprehensive income, with the exception of impairment losses or income and interest income, which is recognised in profit or loss. Upon derecognition of the financial asset, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity to profit or loss.

Impairment of non-derivative financial assets

At the end of each reporting period, the Company must examine whether there are objective indications that a financial asset or a group of financial assets are impaired. An impairment exists and an impairment loss is incurred if:

- as a result of one or more events occurring after the initial recognition of the asset (“loss event”),
- there was an objective indication of impairment and
- this loss event has an impact on the expected future cash flows of the financial asset that can be reliably estimated.

Impairment of financial assets is reflected in the expected-loss model. This results in basically two evaluation levels:

- Lifelong credit losses: Expected credit losses due to possible default events over the life of a financial instrument
- 12-month credit loss: Expected credit losses due to possible default events within the next twelve months after the balance sheet date.

The impairment method depends on whether there is a significant increase in credit risk. In assessing whether the credit risk of a financial asset has increased significantly since first-time recognition and in estimating expected credit losses, the Company considers reasonable and reliable information that is relevant and available without undue time and expense. This includes quantitative and qualitative information and analysis based on past experience of the Company and forward-looking information.

The valuation according to the concept of lifelong credit losses is to be applied if the credit risk of a financial asset has increased significantly on the reporting date since the initial recognition; otherwise the valuation is to be applied according to the concept of 12-month credit loss. However, the life-long default method always applies to trade receivables and to contractual assets without a material component of financing.

The value adjustments are measured at the amount of the credit losses expected over the term, excluding valuation allowances of financial assets, for which the default risk has not significantly increased since the initial recognition. Here, the allowance is measured at the expected 12-month loan default.

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

For trade receivables, value adjustments are always measured in the amount of the credit losses expected over the term and are formed on the basis of the age structure by means of a value adjustment table. In the previous year, in the context of the Corona pandemic, due to the low informative value of the previous maturity bands, not only individual significant rent receivables were subjected to a case-by-case assessment based on the default risk, but instead a complete case-by-case assessment was carried out. In the reporting year, outstanding corona assistance and tenant support payments have been settled to the extent that an assessment based on the age structure takes place again, which is preceded by an individual assessment. In the process, rent receivables that are known to be doubtful are considered separately, individually adjusted and subsequently no longer included in the maturity analysis.

In the case of rent receivables, the main deferrals were already settled during the year. As of the balance sheet date, there are only insignificant outstanding rent receivables due to Covid-19. Since the tenants of Deutsche Konsum mainly trade in everyday goods and are therefore only insignificantly affected by the impact of the Corona pandemic, there were no significant new rent deferrals or defaults during the reporting period.

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

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

Netting of financial assets and liabilities

Financial assets and liabilities are netted and presented in the balance sheet as a net amount if the entity has a current, enforceable right to offset the amounts recognised and intends either to settle on a net basis or simultaneously with the realisation of the asset replace the associated liability.

In the reporting period, DKR has no financial assets and liabilities that are offset in this way.

Classification of financial liabilities

DKR's financial liabilities are valued at amortised cost. Financial liabilities in this category include liabilities to banks, liabilities to other lenders, liabilities from (convertible) bonds, trade payables and other current financial liabilities.

In the case of compound financial instruments, a classification into debt and equity components takes place insofar as the definition of an equity instrument is fulfilled.

Embedded derivatives are to be separated from their base contract if their economic characteristics and risks are not closely related to those of the base contract, if a comparable independent instrument would correspond to the definition of a derivative and if the composite instrument is not measured at fair value through profit or loss. If an embedded derivative is separated, the components are accounted for and measured separately in accordance with the relevant regulations.

The convertible bonds issued by DKR contain an equity component, which was recognised separately upon posting.

Valuation of financial liabilities

Upon initial recognition of liabilities, they are valued on the trade date at the fair value of the consideration received after deduction of transaction costs. After initial recognition, liabilities are valued at amortised cost using the effective interest method. The difference between the disbursement amount (less transaction costs) and the repayment amount is recognised in the statement of comprehensive income over the term of the liability using the effective interest method.

Financial liabilities are derecognised when the obligations underlying this liability are met, cancelled or extinguished. They are also derecognised and replaced by a new liability if, when the liability is modified, the contractual cash flows change significantly. The difference between the carrying amount of the derecognised financial liability and the consideration paid, including any transferred non-cash assets or liabilities assumed, is recognised as financing income or expense in profit or loss.

Financial liabilities are classified as current if the Company does not have the unconditional right to delay the settlement of the liability to a date at least 12 months after the balance sheet date.

1.5.6. Land with unfinished and finished buildings and other inventories

Land with unfinished and finished buildings as well as other inventories are valued at the lower of acquisition or production cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the necessary distribution costs. Borrowing costs incurred in connection with the acquisition or production of land are capitalised if the conditions for this are met. The land with unfinished and finished buildings contains the properties for which resale was already assumed at the time of acquisition. If the intention to sell is abandoned, the properties are reclassified as investment properties.

1.5.7. Income taxes and deferred taxes

Tax refund claims and tax liabilities are measured at the amount expected to be refunded or paid to the tax authorities. This is based on the tax rates and tax laws that apply on the balance sheet date.

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

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

1.5.8. Liquid funds

Cash and cash equivalents include cash on hand as well as short-term and available bank balances with original maturities of less than three months at the time of acquisition.

1.5.9. Equity demarcation

Debt and equity instruments are classified as financial liabilities or equity in accordance with the economic substance of the contractual agreement. An equity instrument is a contract that establishes a residual claim on the assets of a company after deduction of all related debts. Equity instruments are recognised at the proceeds received less any directly attributable issue costs.

Issuing costs are those costs that would not have been incurred without the issue of the equity instrument. Such costs of an equity transaction (such as costs arising from capital increases), less any associated income tax benefits, are accounted for as a deduction from equity and offset against the capital reserve with no effect on income.

The components of a compound instrument issued by the Company (such as a convertible bond) are recognised separately as a financial liability and as an equity instrument in accordance with the economic substance of the agreement to the extent that the conditions for an equity component exist.

At the time of issue, the fair value of the liability component is determined using market interest rates applicable to comparable non-convertible instruments. This amount is accounted for as a financial liability based on amortised cost using the effective interest method until fulfilment of the instrument's conversion or maturity date. The determination of the equity component is made by subtracting the value of the liability component from the fair value of the entire instrument. The resulting value, less income tax effects, is recognised as part of equity and is not subsequently valued.

1.5.10. Other provisions

A provision is recognised when the Company has a present legal or constructive obligation because of a past event, the outflow of economic benefits to settle the obligation is probable, and a reliable estimate of the amount of the obligation, despite uncertainties regarding the amount or temporal use, is possible. Other provisions are measured at the amount that would reasonably have to be paid to settle the obligation at the balance sheet date or when the obligation was transferred to a third party at the time of the transfer. Risks and uncertainties are considered by applying appropriate estimation methods, including probabilities of occurrence. Long-term provisions with a remaining term of more than one year are discounted if the interest effect is material.

1.5.11. Revenue recognition

According to IFRS 15, the amount of revenue corresponds to the consideration to which the Company has a contractual claim. Revenues are recognised when control of an asset or service is transferred to the customer. The five-step model is used to determine the amount and timing of revenue recognition:

- Identification of contracts with customers
- Identification of separate performance obligations
- Determination of the transaction price
- Allocation of the transaction price to separate performance obligations
- Recognition of sales revenue in fulfilment of individual performance obligations

Under IFRS 15, a contract is an agreement between two or more parties that establishes legally enforceable rights and obligations. The conclusion of the contract may be in writing, verbally or tacitly based on the ordinary business practice of the company. Under certain circumstances, several contracts are to be grouped together.

In a second step, the individual performance obligations must be identified. A commitment always constitutes a performance obligation if the good or service is distinguishable. In principle, a contract contains a performance obligation, so that the fourth step, the allocation of the transaction price to separate performance obligations is eliminated.

Thereafter, the determination of the transaction price takes place, which represents the consideration for the goods or services transferred. The period between the transfer of the good or service to the customer usually does not exceed one year, so that the promised consideration does not have to be adjusted to the time value of the money.

In the fourth step, the transaction price is allocated to the identified performance obligations based on their relative individual selling prices. The individual sale price is the price at which the entity actually sold the good or service to similar customers under similar circumstances.

The guarantees and warranties contained in the contractual relationships do not constitute separate performance obligations, as they merely assure the customer that the goods delivered, or the service rendered comply with the contractually agreed specifications. In addition, there are no redemption, reimbursement or similar obligations.

In accordance with IFRS 15, revenue is realised either on a time- or date-related basis, depending on when the performance obligation is fulfilled, or the power of disposal is transferred to the customer.

The Company concludes tenancies that essentially cover the net rent and the operating costs. The transaction price is stipulated in the lease agreements and does not include any financing components. The lease payments are to be made monthly. The rental agreements mainly provide for retail space for daily needs. The contractual component of net rent as a lease is outside the scope of IFRS 15 and is recognised as revenue on a straight-line basis over the term of the tenancies. For about 84% of the net cold rents, the commercial leases are equipped with indexation clauses that provide for linking the rents to the development of the consumer price index. For a subordinate part of DKR's contracts, there are turnover-dependent rents.

Proceeds from the sale of real estate are recognised in profit or loss at the time when control is transferred to the buyer. This usually takes place with the transfer of benefits and encumbrances. Income from the sale of properties held for sale (IFRS 5 real estate) is reported as revenue. The consideration is due after transfer of the property.

Under IFRS 15, the distinction between principal and agent is based on whether a contracting party has control over the service before transferring it to a customer. The indicators for this assessment, considered as a whole and not cumulative, are the primary responsibility for performance, the potential inventory risk of not being able to charge costs, and the pricing power for a service.

For the operating costs of the tenancy agreement, Deutsche Konsum REIT-AG acts as the principal on the basis of the provisions of IFRS 15, as the Company obtains control over the goods and services and is thus in the performance obligation to the tenant.

Benefits that are accounted for as operating and ancillary costs in accordance with the principal method are shown in the income statement in an unnetted way with the corresponding revenues. Revenue recognition takes place with the provision of services. The disclosure is made for services charged on and provided by third parties within the rental revenues.

Property taxes and building insurance do not constitute separate identifiable performance obligations in accordance with IFRS 15, which provide the tenant with a definable benefit. For these components of the contract, the agreed remuneration is allocated to the other identified contractual components on the basis of their relative individual selling prices.

Under IFRS 15, a contract liability is recognised if the customer has fulfilled his contractual obligation before DKR has transferred control of the goods or service. Due to the business model as well as the underlying terms of payment of DKR, the customers pay the consideration in time corresponding to the fulfilment of the performance obligation by the Company, so that no contract liability is to be recorded. The unconditional claim of Deutsche Konsum on the consideration to be paid is reported as a receivable.

In addition, no contractual assets are recognised because DKR does not transfer any goods or services to the customer before receiving the consideration.

1.5.12. Leases

Leases are recognised as rights of use and corresponding liabilities at the time when the leased asset is available for use by the Company. Lease instalments are divided into repayment and financing expenses. Finance charges are recognised in the income statement over the lease term using the effective interest method, so that for each period the periodic interest rate on the remaining balance of the liability is constant. The right of use is amortised on a straight-line basis over the shorter of the useful life of the asset and the lease term. When determining the term of the lease, renewal options are taken into account if their exercise is reasonably certain.

Assets and liabilities under leases are initially recognised at their present values. The lease liability comprises the present value of fixed lease payments, variable lease payments linked to an index or interest rate, expected residual value payments, the exercise price of a sufficiently certain purchase option and penalties for the sufficiently certain termination of the lease. The right of use is measured at cost, which comprises the amount of the initial measurement of the lease liability, all lease payments made on and before the lease is made available, initial direct costs and estimated costs of dismantling or removing the leased asset.

The right of use is reported under the balance sheet item under which the underlying asset would be recognised. The lease liability is included in other non-current or current financial liabilities.

Payments for short-term leases or leases for low-value assets are recognised as expenses in the statement of comprehensive income on a straight-line basis. Deutsche Konsum, however, does not currently have such leases.

Lease payments are discounted at the lessee's incremental borrowing rate if the implicit interest rate underlying the lease cannot be determined. The incremental borrowing rate is the interest rate that would be payable by the lessee if the underlying asset were to be acquired or financed by external borrowings in similar circumstances.

The Company acts as a lessee of leasehold contracts, parking spaces and a motor vehicle. The rights of use from leasehold contracts are shown in the balance sheet under non-current assets in the position investment properties. The corresponding lease liability is included in other current or non-current liabilities. The rights of use for adjacent parking spaces are reported under investment properties, the lease liabilities under non-current or current other financial liabilities. The rights of use for leased vehicles are reported under the balance sheet item tangible assets. The corresponding leasing liabilities are included in the current and non-current other financial liabilities. For further information, please refer to Chapter 2.16.

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

2. Notes to the balance sheet

2.1. Investment properties

In the 2021/2022 financial year, the transfer of benefits and encumbrances of 14 acquired investment properties and the sale of twelve properties took place. As a result, DKR's real estate portfolio recognised on 30 September 2022 includes 175 properties with a fair value of TEUR 1,030,959.1 (previous year: TEUR 934,715.8) and leasehold rights recognised as rights of use in the amount of TEUR 9,144.8 (previous year: TEUR 9,008.7) as well as leased properties recognised as rights of use in the amount of TEUR 279.6 (previous year: TEUR 295.2). Furthermore, there were value-increasing measures that were capitalised in the amount of TEUR 18,568.9 (previous year: TEUR 18,565.9). The unrealised valuation result from the fair value measurement amounts to TEUR 28,438.2 (previous year: TEUR 57,760.9).

The development of investment properties is as follows:

TEUR	2021/2022	2020/2021
Initial holding at 01/10	**944,019.7**	**809,928.6**
+ Real estate acquisitions	49,820.1	129,936.9
+ Capitalisation of leaseholds and rights of use	365.8	691.4
– Disposal of rights of use	–389.8	0.0
+ Adjustment of the book values for leaseholds due to changed ground rent payments	0.0	4.3
– Book value disposal through sale of real estate	6,726.7	–3,300.0
– Reclassification of IFRS 5	–19,750.0	–70,148.3
+ Subsequent acquisition and production costs (Capex)	18,568.9	18,565.9
+ Valuation result of properties sold	3,159.5	580.0
+ Unrealised valuation result from fair value valuation (change in market value)	28,438.2	57,760.9
Closing on the key date	**1,030,959.1**	**944,019.7**

Of the investment property, real estate with a carrying amount of TEUR 957,123.0 (previous year: TEUR 946,430.0) with land charges or by assignment of rental income was deposited as security for financial liabilities at the balance sheet date.

There are leasehold contracts under which the associated plots of land are developed with commercial properties. Rights of use and leasing liabilities are recognised for the leasehold contracts. The capitalised amount as of 30 September 2022 is TEUR 9,144.8 (previous year: TEUR 9,008.7). As of 30 September 2022, the liability recognised amounts to TEUR 9,836.0 (previous year: TEUR 9,949.3).

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

TEUR	2021/2022	2020/2021
Rental income	74,390.2	69,667.0
Valuation result investment properties	28,438.2	57,760.9
Valuation result from sold investment properties	3,159.5	580.0
Income from operating and ancillary costs	13,959.8	10,675.0
Operating expenses (maintenance expenses, property management, property taxes, etc.)	–40,906.0	–34,506.7
Total	**79,041.7**	**104,176.2**

The operating expenses attributable to vacant properties amount to TEUR 5,391.4 (previous year: TEUR 3,685.3). The basis for the calculation is the vacancy rate.

The valuation by an external appraiser was carried out regularly as of the valuation date of 30 June 2022 on the basis of the valuation parameters existing at that time. Due to significant fluctuations in the value of the properties up to 30 September as a result of interest rate increases, higher inflation rates and the exercising of value protection clauses, a new valuation was carried out as of 30 September 2022 to take these effects into account. Compared to the property valuation as of 30 June 2022, the valuation result from investment properties decreased by TEUR 36,105.9, mainly due to changes in market parameters.

As in the previous year, the fair value was determined on the basis of internationally recognised valuation methods based on the discounted cash flow method.

With the discounted cash flow method, future expected cash surpluses of a property are discounted to the valuation date using a market-specific, property-specific discount rate. While the payments regularly include net rents, the payments relate in particular to the management costs borne by the owner. The underlying detailed planning period is ten years. At the end of this period, a potential discounted disposal value (net final value) of the valuation object is forecasted. This reflects the most likely realisable selling price less costs to sell. Methodically, the discounted deposit surpluses of the tenth year are capitalised with the so-called capitalisation interest rate as perpetuity. The sum of discounted cash flows and the discounted net final value is the gross capital value of the valuation object, which, net of transaction costs, represents the fair value.

The following overview shows the key assumptions used in the discounted cash flow process:

Valuation parameters		
	30/09/2022	30/06/2021 & 30/09/2021
Market rent increase p.a. (%)	0.2 to 12.5	1.8 to 2.0
Maintenance costs p.a. (EUR/sqm)	0.00 to 8.00	0.00 to 8.00
Administrative costs p.a. (% of market rent)	0.00 to 10.0	0.00 to 7.50
Discount rate (%)	4.60 to 17.00	5.00 to 13.10
Capitalisation rate (%)	4.60 to 16.50	4.40 to 10.10

All valuation parameters correspond to Level 3 of the fair value hierarchy. In the reporting period, significantly higher market rent increases were assumed for two properties, as these properties are revitalisation properties.

The assumptions used to value the real estate were made by the independent valuer based on his professional experience and are subject to uncertainty. If the discount and capitalisation rate is increased/decreased by 1.0%, the fair value decreases/increases as follows:

EUR million	30/09/2022		30/09/2021	
Change in the discount and capitalisation rate	+1%	–1%	+1%	–1%
Fair value of investment properties	–164.0	239.1	–158.6	231.9

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

On 30 September 2022, DKR is entitled to receive future lease payments of TEUR 383,153.3 (previous year: TEUR 366,474.9) from its rental agreements with commercial tenants. These are distributed as follows:

in TEUR	Total	up to 1 year	1 to 5 years	over 5 years
Minimum lease payments 30/09/2022	383,153.3	71,892.0	199,163.1	112,098.2
Minimum lease payments 30/09/2021	366,474.9	65,434.3	191,452.1	109,588.5

Extension options to which tenants are entitled are not taken into account here. For flats in the portfolio, there are usually rental agreements with a statutory notice period of three months. Further claims for minimum lease payments do not exist. In some cases, there are permanent commercial leases with a statutory notice period of three months. These result in annual rental income of around TEUR 3,892.8 (previous year: TEUR 5,104.6). The number of residential properties is of minor importance.

2.2. Intangible assets

Intangible assets comprise capitalised expenses for the creation of the website, which are amortised on a straight-line basis over five years.

2.3. Tangible assets

Property, plant and equipment amounting to TEUR 45.1 (previous year: TEUR 47.4) mainly comprises co-acquired inventory for property management and a capitalised right of use for a car. The useful lives are between three and eight years. In the reporting period, there was an addition here as a result of the renewal of shopping centre furniture. In addition, a lease for a motor vehicle was terminated prematurely. Depreciation is linear and amounts to TEUR 35.1 in the reporting period (previous year: TEUR 12.3). Of this amount, TEUR 14.3 is attributable to unscheduled depreciation on rights of use as a result of premature termination of a lease.

2.4. Trade receivables

Trade receivables break down as follows:

TEUR	30/09/2022	30/09/2021
Receivables from renting	5,170.7	5,516.2
Receivables from other deliveries and services	0.0	402.6
Value adjustment on receivables	–3,479.1	–1,594.4
Total	**1,691.6**	**4,324.4**

In the context of value adjustments, rent receivables for which there is specific knowledge of a lack of recoverability are considered separately and, if necessary, individually impaired, while the remaining receivables are impaired as a lump sum depending on their due dates. The individually value-adjusted receivables were not included in the maturity analysis. The individually considered rent receivables of TEUR 1,250.5 (previous year: TEUR 5,918.8) resulted in an individual value adjustment of TEUR 887.0 (previous year: TEUR 1,594.4).

Value adjustments on trade receivables from default risks are as follows:

Figures 2021/2022 in TEUR	Individual consideration	< 30 days overdue	< 90 days overdue	< 300 days overdue	< 360 days overdue	> 360 days overdue	Total
Expected loss rate		0.0%	25.0%	50.0%	75.0%	100.0%	–
Gross book value – Trade receivables	1,250.5	423.8	418.1	853.8	655.1	1,569.3	5,170.7
Value adjustment	**887.0**	**0.0**	**104.5**	**426.9**	**491.3**	**1,569.3**	**3,479.1**

As at the balance sheet date, there are no other trade receivables that are overdue but not yet impaired.

Of the trade receivables recognised on the balance sheet date, receivables with a book value of TEUR 302.8 were subject to forbearance measures, such as deferrals.

The value adjustments on trade receivables developed as follows:

TEUR	30/09/2022	30/09/2021
As of 01/10 previous year	1,594.4	1,063.7
Consumption	–	–
Resolution	–	–
Additions	1,884.7	530.7
Closing on the key date	**3,479.1**	**1,594.4**

In addition to the value adjustments on rent receivables, write-downs were made in the reporting year on rent receivables from small tenants who were generally at risk due to the pandemic, totalling TEUR 863.2 (previous year: TEUR 959.1). In this context, rent waivers were agreed with these tenants affected by lockdowns. In cases such as insolvencies, the receivables were written off in full. Furthermore, income from the reversal of impairments on purchaser settlements in the amount of TEUR 2.9 (previous year: impairments of TEUR 302.2) was recognised.

2.5. Other non-current and current assets

Other non-current assets include prepayments of TEUR 4,920.5 (previous year: TEUR 0.0) for investment properties for which the transfer of benefits and encumbrances had not yet taken place as of the balance sheet date, as well as receivables from acquired loans of TEUR 8.7 (previous year: TEUR 237.7).

Other current assets are made up as follows:

TEUR	30/09/2022	30/09/2021
Receivables from shareholders including accrued interest	98,829.3	59,522.9
Short-term investment in acquired loans via creditshelf	5,755.3	8,147.4
Maintenance reserves	4,234.9	3,099.1
Unfinished services after offsetting with advance payments received	1,398.1	904.7
VAT claims	1,224.1	78.1
Prepaid expenses	1,194.7	562.3
Tenant deposits	1,067.3	817.3
Property management accounts	1,004.7	84.9
Receivables from purchase price retentions	410.1	0.0
Purchaser settlement	49.0	32.0
Others	398.1	474.2
Total	**115,565.4**	**73,722.9**

In the 2021/2022 financial year, DKR invested excess liquidity in the acquisition of loans arranged via the fintech creditshelf AG, Frankfurt. The loans outstanding as of the balance sheet date mature in up to five years and bear interest rates of between 7.5% and 20.0% per annum. In addition, creditshelf charges a fee for loan processing and related services. The receivables from the creditshelf loans are measured at fair value through other comprehensive income on level three of the valuation hierarchy. The amount invested less repayments to date is used for this purpose.

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

TEUR	2021/2022	2020/2021
Opening balance at 01/10	**8,385.1**	**18,010.8**
Acquisition of new loans	13,810.0	5,490.0
Repayment	–10,144.5	–10,460.1
Sale	–4,375.0	–4,586.4
Change in fair value in other comprehensive income	–1,814.6	–108.7
Release of accrued interest	0.0	0.0
Change in accrued interest	–97.1	39.5
Closing balance on the balance sheet date	**5,764.0**	**8,385.1**
–thereof non-current	*8.7*	*237.7*
–thereof current	*5,755.3*	*8,147.4*

In the reporting period, individual value adjustments of TEUR 307.8 (previous year: TEUR 0.0) were made on acquired loans. In the course of this, interest receivables of TEUR 38.9 (previous year: TEUR 0.0) were individually value adjusted. The write-off of interest receivables from these loans was recognised in profit or loss without affecting other comprehensive income. Obotritia Capital KGaA has provided a guarantee for two loans at risk of default, as a result of which no specific value adjustment had to be made for these loans. One of the loans was repaid in full during the year, so that the outstanding amount as at the balance sheet date was TEUR 10.8 (previous year: TEUR 271.5).

In the financial year, expenses from value adjustments totalling TEUR 1,814.6 (previous year: TEUR 108.7) were recognised in other comprehensive income, resulting from the creation of new value adjustments totalling TEUR 2,257.6 (previous year: TEUR 321.7), of which TEUR 268.9 (previous year: TEUR 0.0) were individual value adjustments, and the reversal of existing value adjustments totalling TEUR 443.0 (previous year: TEUR 213.0). Furthermore, no individual value adjustments from the previous year were reclassified to write-offs without affecting profit or loss. The change in fair value of TEUR 1,814.6 (previous year: TEUR 108.7) was recognised in other comprehensive income.

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

TEUR	30/09/2022	30/09/2021
As at 01/10/ previous year	443.8	482.6
Consumption	–	–
Reclassification to depreciation	0.0	–147.5
Resolution	–443.0	–213.0
Additions	2,257.4	321.7
Closing balance on the key date	**2,258.2**	**443.8**

The value adjustment of the acquired loans is determined on the basis of a rating carried out by creditshelf. Different rating levels are used, each of which is assigned a certain probability of default. The probability of default represents the material unobservable input parameter and amounts to between 1.0% and 26.82%. A corresponding full value adjustment was made for the default loans. The quantitative rating results were assessed to determine whether the underlying financial statement data already sufficiently reflect current developments, in particular the development of the overall economic environment, increased inflation and the corona pandemic. As soon as this was not the case, a qualitative adjustment of the rating was made. This resulted in an increased value adjustment of TEUR 680.2 (previous year: TEUR 244.9). If all loans active as of the balance sheet date had deteriorated or improved by one rating level, the value shown in the balance sheet and correspondingly the OCI as of the balance sheet date would have decreased by TEUR 5,426.8 (previous year: TEUR 891.1) or increased by TEUR 1,458.8 (previous year: TEUR 225.8). The strong change in the case of a deterioration of the rating grades results from the fact that the main loans are located on the last rating grade and the full value adjustment represents the next worse grade. Of the loans active as of the balance sheet date amounting to TEUR 5,445.8 (previous year: TEUR 7,969.8) before accrued interest, loans with a fair value of TEUR 5,426.3 (previous year: TEUR 3,711.0) were subject to forbearance measures during the financial year, such as extensions, subsequent loans or interim deferrals. The impaired loan is allocated to level 3. Of the loans active as of the balance sheet date, TEUR 1,614.8 (previous year: TEUR 7,773.0) are allocated to level 1, while the remainder is allocated to level 2. Further repayments totalling TEUR 2,185.3 had been received by the time of preparation.

The increase of TEUR 29,327.3 in the loan receivable from Obotritia Capital is accounted for by TEUR 75,940.0 in additions, TEUR –42,644.7 in repayments and TEUR –3,968.0 in value adjustments recognised. Due to the increased amount and the sharp rise in market uncertainties and changed market conditions in the current financial year, which were taken into account among other things by the step transfer to Level 2, the impairment amount to be recognised is so material for the first time that it was also recognised in the balance sheet at TEUR 3,968.0 (previous year: TEUR 0.0). If the rating of Obotritia Capital had been one notch better or worse in the reporting period, the result would have increased by EUR 1,414.0 thousand or decreased by TEUR 6,663.0.

As of the balance sheet date, a purchase price receivable with a nominal value of TEUR 120.0 is overdue and not impaired. The receivable is subject to statutory interest on arrears according to § 247 BGB (German Civil Code) of 9% above the base interest rate of the European Central Bank.

No impairment losses were recognised on other financial assets.

2.6. Income tax refund claims

Since 1 January 2021, creditshelf solutions GmbH has been obliged to withhold and pay the capital gains tax including solidarity surcharge due on the interest income. Due to the REIT status and thus the tax exemption of the Company, these taxes in the amount of TEUR 389.8 (previous year: TEUR 150.7) were recognised as a receivable from the tax office. The tax provisions resulting from the current tax audit are offset by receivables from tax refund claims in the same amount, as Deutsche Konsum REIT-AG assumes here that the legal opinion of the tax authorities is substantively incorrect. The tax refund claims amount to TEUR 3,656.7 (previous year: TEUR 0.0), analogous to the tax provisions.

2.7. Liquid funds

Cash and cash equivalents include cash on hand and bank balances. Deposit balances are reported under other current assets.

The cash flow statement contains bank and cash accounts considering current account liabilities. In this respect, the cash and cash equivalents in the cash flow statement may differ from the cash and cash equivalents reported in the balance sheet.

2.8. Assets and liabilities held for sale

The assets held for sale of TEUR 19,750.0 (previous year: TEUR 70,148.3) relate to three investment properties (previous year: nine investment properties and leasehold rights). For two of the investment properties, purchase agreements were concluded prior to the balance sheet date, but the transfer of benefits and encumbrances did not take place until after 30 September 2022. Related repayable financing in the amount of TEUR 2,292.5 (previous year: TEUR 0.0) was reclassified to liabilities in connection with assets held for sale.

Two of the properties held for sale in the previous year, which were previously recognised at their sales prices totalling TEUR 19,855.7, were reclassified from IFRS 5 back to investment properties in the reporting period, as the buyer withdrew from the purchase agreement. There, they were recognised at their market value totalling TEUR 21,200.0.

2.9. Equity

2.9.1. Issued share capital

DKR's fully paid-in share capital did not change in the reporting period and amounts to TEUR 35,155.9 as of 30 September 2022 (previous year: TEUR 35,155.9) and is divided into 35,155,938 no-par value bearer shares with equal voting rights.

Powers of the Management Board to issue new shares

Authorised capital

By resolution of the Annual General Meeting on 11 March 2021, entered in the Commercial Register on 11 June 2021, the Management Board was authorised, with the approval of the Supervisory Board, to increase the share capital of the Company on one or more occasions by up to a total of EUR 17,577,969 (Authorised Capital 2021/I) by issuing new no-par value bearer shares against cash or non-cash contributions until 10 March 2026. The shareholders are generally to be granted a subscription right within the scope of the authorised capital. However, the Management Board is authorised to exclude shareholders' subscription rights in certain cases in accordance with the Articles of Association and the approval of the Supervisory Board. The Authorised Capital 2020/I was cancelled.

Conditional capital

Also by resolution of the Annual General Meeting on 11 March 2021, the Management Board was authorised, with the revocation of the authorisation to issue bonds with warrants and/or convertible bonds resolved by the Annual General Meeting on 5 March 2020, to issue bearer bonds with warrants and/or convertible bonds (together "bonds") with a total nominal value of up to EUR 150,000,000.00 on one or more occasions up to 10 March 2026, with the approval of the Supervisory Board, with or without a limited term, and to grant or impose option rights or obligations on the holders or creditors of bonds with warrants, and conversion rights or obligations on the holders or creditors of convertible bonds for bearer shares in the Company with a proportionate amount of the share capital of EUR 1.00 each, in accordance with the more detailed provisions of the terms and conditions of the bonds. They may also be issued by a subordinated Group company of the Company. The shareholders are generally to be granted subscription rights. However, the Management Board is authorised, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders under certain conditions. Further details can be found in the announcement in the Federal Gazette.

Furthermore, by resolution of the Annual General Meeting of 11 March 2021 (amending the resolution of the Annual General Meeting of 5 March 2020), the share capital of the Company was conditionally increased by up to EUR 9,577,969 by issuing up to 9,577,969 new no-par value bearer shares (Conditional Capital I). The purpose of the conditional capital increase is to grant shares to the holders of bonds issued or guaranteed in accordance with the authorisation resolved by the Annual General Meeting.

The share capital remains conditionally increased by up to EUR 8,000,000.00 by resolution of the Annual General Meeting of 5 March 2020 (amending the resolution of the Annual General Meeting of 9 March 2017) through the issue of up to 8,000,000 new no-par value bearer shares with dividend rights from the beginning of the financial year in which they are issued (Conditional Capital II). The purpose of the conditional capital increase is to grant shares to the holders of convertible bonds 2015/2025, which, on 30 January 2015, were issued by the Company in two tranches with a total volume of EUR 37,000,000.00 on the basis of the authorisation of the Annual General Meeting on 30 January 2015, and which have a term until 30 January 2025. Otherwise, the resolution of 9 March 2017 remains unchanged. Further details on the conditional capital can also be found in the announcement in the Federal Gazette.

2.9.2. Capital reserve

The capital reserve did not change in the reporting period and remained unchanged at TEUR 197,141.6 (previous year: TEUR 197,141.6).

2.9.3. Retained earnings

The development of this item is shown in the statement of changes in equity. A dividend of TEUR 14,062.4 was paid for the 2020/2021 financial year, which corresponds to a dividend of EUR 0.40 per share.

Based on the current number of shares, the Management Board plans to propose a dividend of EUR 0.48 per share (equivalent to TEUR 14,062.4) at the next Annual General Meeting for the 2021/2022 financial year, which will be fed by the annual German-GAAP profit of TEUR 16,874.9), This proposal requires the approval of the Supervisory Board and the Annual General Meeting.

2.10. Financial liabilities

Financial liabilities are as follows:

TEUR	30/09/2022	30/09/2021
Non-current	328,761.6	347,845.1
Current	89,282.7	53,444.4
Total	**418,044.2**	**401,289.5**
Thereof secured	352,743.8	371,367.5

Liabilities to banks increased significantly as a result of new secured bank loans being used to build up the real estate portfolio. This was offset by current repayments.

The repayment rates are generally between 1.0% and 16.06% p.a. Liabilities to banks are fully collateralised except for nine promissory note loans. The collateral provided is essentially mortgages and guarantees from related parties. This collateral can only be utilised by the banks after a material breach of the financing agreement.

2.11. Liabilities from convertible bonds

The liabilities from convertible bonds, including accrued interest, taking into account the issue costs, are composed as follows:

Liabilities from convertible bonds in TEUR	Maturity	30/09/2022		30/09/2021	
		Non-current	Current	Non-current	Current
Convertible bond I TEUR 30,000 (nominal), 1.35% coupon p.a.	30 January 2025	29,731.9	0.0	29,627.9	0.0
Convertible bond II TEUR 7,000 (nominal), 1% coupon p.a.	30 January 2025	6,877.4	0.0	6,829.8	0.0
Total		**36,609.3**	**0.0**	**36,457.7**	**0.0**

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

2.12. Liabilities from corporate bonds

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

Liabilities from corporate bonds in TEUR	Maturity	30/09/2022		30/09/2021	
		Non-current	Current	Non-current	Current
Bond TEUR 40,000.0 (secured), 1.8% coupon p.a.	31 May 2024	40,173.2	0.0	40,169.4	0.0
Bond TEUR 70,000.0 (unsecured), 2.35% coupon p.a.	5 April 2024	70,772.4	0.0	70,753.3	0.0
Bond TEUR 40,000.0 (unsecured), 4,00 % coupon p.a.	10 March 2025	41,032.9	0.0	40,605.0	0.0
Bond TEUR 30,000.0 (unsecured), 3.1 % coupon p.a.	28 April 2031	30,034.9	0.0	20,034.1	0.0
Total		**182,013.3**	**0.0**	**171,561.8**	**0.0**

The corporate bond with an original outstanding volume of TEUR 20,000.0 was increased by a further TEUR 10,000.0 to a total of TEUR 30,000.0 on 22 November 2021. The same terms and conditions of the bond apply as before.

2.13. Other provisions

Other provisions are composed as follows:

TEUR	As of 01/10/2021	Consumption	Resolution	Addition	As of 30/09/2022
Tax provisions	0.0	0.0	0.0	3,656.7	3,656.7
Archiving (non-current)	3.5	0.0	0.0	0.0	3.5
Legal, consulting and auditing costs	300.0	300.0	0.0	368.1	368.1
Pending invoices	1,826.8	1,126.3	0.0	939.4	1,639.9
Other provisions	606.3	525.2	34.5	1,535.0	1,581.6
Total	**2,736.6**	**1,951.5**	**34.5**	**6,499.2**	**7,249.8**

Since material provisions are utilised at short notice, discounting is waived for materiality reasons. There are also no material uncertainties regarding the timing or amount of the claim.

In the reporting period, tax provisions of TEUR 3,656.7 (previous year: TEUR 0.0) were created as a result of the ongoing tax audit of the assessment years 2014–2017 by the tax authorities. For further information, please refer to chapter 3.9 and chapter 6.1.

2.14. Other non-current and current liabilities

Other non-current liabilities mainly comprise leasing liabilities for leasehold rights in which DKR is the leaseholder. The corresponding assets are reported accordingly as investment properties.

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

TEUR	30/09/2022	30/09/2021
Non-current lease liabilities	10,038.9	9,808.2
Total non-current other liabilities	**10,038.9**	**9,808.2**
Liabilities to other creditors	1,340.0	0.0
Liabilities to tenants	1,345.3	409.2
Rent deposits	1,198.5	947.9
Liabilities from purchaser settlement	170.4	447.7
Current lease liabilities	104.5	98.6
Others	373.8	275.0
Total current other liabilities	**4,532.7**	**2,178.4**
Total	**14,571.6**	**11,986.6**

2.15. Trade payables

Trade payables amount to TEUR 6,733.6 in the reporting year (previous year: TEUR 906.5) and as of the balance sheet date mainly include outstanding invoices for related maintenance and management services.

2.16. Leases

The Company acts as a lessee of leasehold contracts, which are reported within investment properties respectively other current and non-current liabilities.

Furthermore, rights of use and leasing liabilities for rented parking spaces and access roads are recognised. The Company also leases a motor vehicle for which a corresponding right of use and a lease liability are recognised. In the reporting period, an existing lease for another motor vehicle was terminated prematurely. The corresponding right of use and the corresponding lease liability were derecognised through profit or loss.

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

TEUR	30/09/2022	30/09/2021
Plant, furniture and office equipment	12.4	42.3
Investment properties	9,424.4	9,303.9
Non-current assets held for sale	0.0	358.3
Total usage rights	**9,436.8**	**9,704.5**

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

TEUR	30/09/2022	30/09/2021
Non-current lease liabilities	10,038.9	9,808.2
Current lease liabilities	104.5	98.6
Leasing liabilities in connection with non-current assets held for sale	0.0	389.8
Total leasing liabilities	**10,143.4**	**10,296.6**

Depreciation on rights of use amounted to TEUR 53.0 (previous year: TEUR 35.0), of which TEUR 14.3 was due to the premature termination of a vehicle lease. Interest expenses from the compounding of lease liabilities amount to TEUR 14.1 (previous year: TEUR 15.8). The early termination of the vehicle leasing relationship also resulted in interest income of TEUR 15.1.

3. Notes to the statement of comprehensive income

3.1. Net rental income

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

TEUR	2021/2022	2020/2021
Rental income	74,390.2	69,667.0
Income from operating and ancillary costs	13,959.8	10,675.0
Total proceeds	**88,350.0**	**80,342.0**
Maintenance	–9,079.9	–4,999.7
Allocatable ancillary costs	–22,987.3	–21,706.0
Non-recoverable ancillary costs	–8,651.5	–7,646.0
Reductions in sales	–187.3	–155.0
Total operating expenses	–40,906.0	**–34,506.7**
Net rental income	**47,444.0**	**45,835.3**

The sales revenues are almost exclusively business rents from properties in Germany. The income from operating and ancillary costs does not include contributions of the Company. The maintenance expenses relate to repairs and maintenance work. In the 2021/2022 financial year, value-enhancing maintenance measures in the amount of TEUR 18,568.9 (previous year: TEUR 18,565.9) were capitalised.

The allocatable ancillary costs include both ancillary costs that cannot be allocated due to vacancy and ancillary costs that are allocatable in character but cannot be allocated due to contractual arrangements that have been made.

Non-recoverable ancillary costs include, among other things, property management expenses TEUR 1,941.7 (previous year: TEUR 1,827.1) and asset management expenses of TEUR 3,991.0 (previous year: TEUR 3,687.1).

In addition, ancillary costs also include expenses relating to other periods from purchaser settlements for properties purchased in the amount of TEUR 492.8 (previous year: TEUR 2,125.8). Operating and ancillary costs include revenues according to IFRS 15 in the amount of TEUR 11,967.7 (previous year: TEUR 9,075.9).

3.2. Result from disposals

The result from disposals reflects the sale of twelve properties in the 2021/2022 financial year, seven of which were already reported as properties held for sale under IFRS 5 as at the previous year's reporting date. The remaining properties were previously measured as investment properties at fair value in accordance with IAS 40. The sales price for the properties sold totalled TEUR 63,031.7. The valuation result realised through the sale amounted to TEUR 3,159.5 compared to the last recorded book value. In addition, a photovoltaic system was sold for TEUR 120.0.

3.3. Other operating income

Other operating income in the financial year amounted to TEUR 2,786.4 (previous year: TEUR 330.0) and mainly includes income from a redemption payment in the context of a concluded settlement agreement in the amount of TEUR 1,900.0 (previous year: TEUR 0.0) as well as income from insurance compensation in the amount of TEUR 786.4 (previous year: TEUR 306.0). Other operating income also includes income from currency translation in the amount of TEUR 0.4 (previous year: TEUR 1.5).

3.4. Valuation result of investment properties

The valuation result includes the net valuation gains and losses from the fair value valuation of the investment properties as at the balance sheet date by an external and independent expert. In the case of sales contracts, the agreed selling price was used as the fair value at level 1 of the valuation hierarchy, as this represents a better approximation of the market value.

3.5. Personnel expenses

The personnel expenses of the Company amounted to TEUR 1,049.5 in the 2021/2022 financial year (previous year: TEUR 1,222.4). Further services for the Company are provided by employees of Obotritia Capital KGaA. For this purpose, a cost allocation is levied, which is recognised in other operating expenses.

The decrease in personnel expenses is mainly due to lower variable compensation components and the outsourcing of janitorial services to external service providers. Of the personnel expenses, TEUR 154.8 (previous year: TEUR 171.0) are accounted for by social security and pension costs and TEUR 12.6 (previous year: TEUR 9.8) by capital-forming benefits.

At the balance sheet date, the Company directly employed 20 people (previous year: 28 employees). This included two members of the Management Board (previous year: two), two salaried employees (previous year: three), three investment analysts (previous year: three), six property managers (previous year: eleven), seven marginally employed workers (previous year: eight) and no interns (previous year: one).

3.6. Impairment loss of inventories and receivables

The impairments break down as follows:

Impairment losses in TEUR	2021/2022	2020/2021
Impairments on rental receivables	1,884.7	530.7
Write-down of rental receivables	863.2	959.1
Impairments on purchaser settlements	–2.9	302.2
Impairments on receivables from affiliated companies	3,968.0	0.0
Impairments on acquired loans	1,853.4	108.7
Total	**8,566.4**	**1,900.7**

Due to the increased amount and the sharp rise in market uncertainties and changed market conditions in the current financial year, which were taken into account among other things by the step transfer to level 2, the impairment amount to be recognised on receivables from affiliated companies is so significant for the first time that it was recognised in the balance sheet at TEUR 3,968.0 (previous year: TEUR 0.0).

In the financial year, expenses from impairments totalling TEUR 1,814.6 (previous year: TEUR 108.7) were recognised in other comprehensive income for acquired loans, resulting from the creation of new value adjustments of TEUR 2,257.6 (previous year: TEUR 321.7), of which TEUR 268.9 (previous year: TEUR 0.0) were individual value adjustments, and the reversal of existing value adjustments of TEUR 443.0 (previous year: TEUR 213.0). Furthermore, no individual value adjustments from the previous year were reclassified to depreciation without affecting profit or loss. For further information, see also Chapter 2.4 Trade receivables and Chapter 2.5 Other non-current and current assets.

3.7. Other administrative expenses

Other administrative expenses are as follows:

TEUR	2021/2022	2020/2021
Legal, consulting and auditing costs	1,080.2	1,184.9
Fees	506.8	887.5
Agency fees	426.4	424.3
Advertising costs	241.6	187.3
Compensation	99.3	373.0
Others	394.6	395.9
Total	**2,748.9**	**3,452.9**
thereof one-off expenses	652.9	1,578.4
Adjusted	**2,096.0**	**1,874.5**

Legal and consulting expenses primarily include the ongoing costs for the preparation of expert opinions, auditing fees and legal advice. The remaining other administrative expenses mainly include one-time expenses from advertising costs of TEUR 196.3. The remaining other administrative expenses also include expenses from currency translation in the amount of TEUR 2.9 (previous year: TEUR 7.2). Adjusted for special effects and one-off expenses, other administrative expenses increased by TEUR 221.5 (previous year: TEUR 89.0).

3.8. Interest result

The interest result has the following structure:

TEUR	2021/2022	2020/2021
Interest income from shareholder loans	5,541.3	5,224.3
Interest income from creditshelf loans	880.6	881.7
Other interest income	40.7	33.6
Total interest income	**6,462.6**	**6,139.6**
Interest on corporate bonds	–4,844.9	–4,168.9
Interest on convertible bonds	–626.6	–624.1
Interest expense from shareholder loans	0.0	0.0
Interest expenses for loans to banks	–7,651.9	–7,017.1
Ground rent	–573.4	–554.8
Other interest expenses	–389.5	–318.9
Total interest expenses	**–14,086.3**	**–12,683.7**
thereof non-cash interest expenses	–1,031.7	–1,225.3
Total	**–7,623.7**	**–6,544.1**

Of the interest income, TEUR 6,462.6 (previous year: TEUR 6,139.6) relates to financial instruments that are accounted for using the effective interest method.

3.9. Taxes on income and earnings

As a result of the ongoing audit of the assessment years 2014–2017 by the tax authorities, a provision for income taxes that may have to be paid retrospectively in the amount of TEUR 3,656.7 was formed as of the balance sheet date. This includes corporate income tax incl. solidarity surcharge and trade tax for the assessment years 2015 to 2019, which result from the partial audit report of the tax authorities. On the other hand, receivables from tax refund claims in the same amount were recognised in profit or loss at the same time, as the Company assumes that the tax authorities' interpretation of the law is substantively incorrect. In this respect, the tax audit has no net effect on the net income. For further information, please refer to chapter 6.1 and the detailed presentation in the Management Report.

3.10. Other taxes

Other taxes in the current financial year amount to TEUR 0.0 (previous year: TEUR 0.4). The real estate tax on investment properties is reported under rental expenses.

3.11. Earnings per share

Earnings per share are as follows:

TEUR	2021/2022	2020/2021
Period result (undiluted)	**60,386.7**	**91,373.2**
Interest expenses on convertible bonds	626.6	624.1
Period result (diluted)	**61,013.3**	**91,997.3**
Average number of shares issued in the reporting period (undiluted)	**35,155,938**	**35,155,938**
Potential conversion shares	15,039,447	14,801,326
Average number of shares issued in the reporting period (diluted)	**50,195,385**	**49,957,264**
Earnings per share (EUR)		
Undiluted	**1.72**	**2.60**
Diluted	**1.22**	**1.84**

4. Notes to the cash flow statement

The cash flow statement was prepared with regard to the operating part using the indirect method. A distinction was made between current operating, investment and financing activities. The cash and cash equivalents shown as of the balance sheet date include all credit balances and current account liabilities due within three months of the balance sheet date. The cash flow statement shows how cash and cash equivalents changed during the financial year as a result of cash inflows and outflows. In accordance with DRS 21/IAS 7 ("Cash Flow Statements"), a distinction is made between cash flows from operating, investing and financing activities.

Cash flow from operating activities amounted to TEUR 49,384.9 in the financial year (previous year: TEUR 37,965.7). The positive cash flow from operating activities is directly related to the acquisition-related increase in the real estate portfolio.

Cash flow from investing activities in the reporting year amounted to TEUR –46,598.5 (previous year: TEUR –92,303.6). The main investment activities of the Company include payments for the various real estate acquisitions amounting to TEUR 72,250.4 (previous year: TEUR 132,288.7) in the reporting year.

Cash flow from financing activities amounted to TEUR 1,387.8 in the reporting year (previous year: TEUR 54,781.5). The main items in the reporting year were payments received from taking out loans from various banks totalling TEUR 90,105.0 (previous year: TEUR 91,500.0) and payments received from the increase of the corporate bond of TEUR 10,000.0 (previous year: TEUR 20,000.0). These inflows were primarily offset by payments for the repayment of loans in the amount of TEUR 71,066.4 (previous year: TEUR 30,543.4) and the dividend paid in the amount of TEUR 14,062.4 (previous year: TEUR 14,062.4).

The opening balance of net financial liabilities on 1 October 2021 can be reconciled with the closing balance on 30 September 2022 as follows:

TEUR	Liabilities to banks	Liabilities from convertible bonds	Liabilities from corporate bonds	Total
As of 01/10/2020	**340,272.3**	**36,308.6**	**151,092.9**	**527,673.9**
Payments received from the issue of corporate bonds	0.0	0.0	20,000.0	20,000.0
Costs from the issue of corporate bonds	0.0	0.0	–235.0	–235.0
Proceeds from borrowings	91,500.0	0.0	0.0	91,500.0
Costs from borrowing	–419.3	0.0	0.0	–419.3
Payments for the repayment of financial liabilities	–30,543.4	0.0	0.0	–30,543.4
Interest expenses	7,017.1	624.1	4,168.9	11,810.0
Interests paid	–6,537.3	–475.0	–3,465.0	–10,477.3
As of 30/09/2021	**401,289.4**	**36,457.7**	**171,561.8**	**609,308.9**
As of 01/10/2021	**401,289.4**	**36,457.7**	**171,561.8**	**609,308.9**
Payments received from the issue of corporate bonds	0.0	0.0	10,000.0	10,000.0
Costs from the issue of corporate bonds	0.0	0.0	–175.0	–175.0
Proceeds from borrowings	90,105.0	0.0	0.0	90,105.0
Costs from borrowing	-358.8	0.0	0.0	-358.8
Payments for the repayment of financial liabilities	–71,066.4	0.0	0.0	–71,066.4
Interest expenses	7,651.9	626.6	4,844.9	13,123.4
Interests paid	–7,284.4	–475.0	–4,218.3	–11,977.7
Reclassification to IFRS 5	–2,292.5	0.0	0.0	–2,292.5
As of 30/09/2022	**418,044.2**	**36,609.3**	**182,013.4**	**636,666.9**

5. Disclosures on financial instruments and fair value

5.1. Financial risk management

Through its business activities, DKR is exposed to various financial risks. These risks mainly include default, liquidity and market risk (interest rate risk). Accordingly, a policy-based risk management system is in place, which includes the systematic identification, analysis, assessment and monitoring of significant risks by the Management Board of the Company. The scope of the financial policy is determined by the Management Board and monitored by the Supervisory Board.

5.1.1. Default risks

Default risk is the risk of loss if a counterparty fails to meet its contractual payment obligations. This can essentially be tenants as well as borrowers. In order to counteract this risk with tenants and borrowers, DKR basically only enters into business relations with creditworthy contracting parties. DKR uses available financial information to assess the creditworthiness of its counterparties. The risk exposure of the Company is monitored continuously.

In principle, the Company recognises value adjustments for expected losses for:

- Financial assets that are valued at amortised cost
- Debt instruments that are valued at fair value through other comprehensive income
- contractual assets and lease receivables.

The Company measures the valuation adjustment in the amount of the expected losses over the term, except in the following cases where the expected twelve-month credit loss is used:

- Debt instruments that do not have an impaired credit rating at the balance sheet date and
- Debt instruments for which the default risk has not significantly increased since the initial recognition.

Value adjustments on trade receivables and contractual assets as well as lease receivables are generally taken into account on the basis of loan losses expected over the term.

Appropriate and reliable information that is available without undue time and expense is used to determine whether there has been a significant increase in the default risk since initial recognition and to estimate the expected default. This includes both quantitative and qualitative information and analysis based on experience and forward-looking information. The transfer from level 1 of the impairment model in accordance with IFRS 9 takes place when the credit default risk has significantly increased since initial recognition. The primary indicator of this is that the contractual payments are more than 30 days overdue or the rating has deteriorated. A return transfer takes place when the credit default risk at the balance sheet date has decreased to such an extent that it is no longer significantly increased compared to the initial recognition. This applies regardless of the extent of the change in credit default risk compared to the previous balance sheet date.

The expected defaults are generally determined on the basis of the present value difference between all contractual payments that are owed and all payments that are expected.

At each reporting date, it is examined whether financial assets that are carried at amortised cost and debt instruments that are recognised at fair value through other comprehensive income have impaired credit ratings and may need to be value adjusted. The credit rating of a financial asset is impaired if one event or more events that adversely affect the expected future cash flows have occurred. Indicators are among others

- Significant financial difficulties of the borrower
- A breach of contract such as default or overdue
- It is likely that the borrower goes into bankruptcy or reorganisation proceedings
- Concessions to the borrower for economic or legal reasons related to the financial difficulties of the borrower, who would not otherwise be considered.

Existing rental receivables are recognised in trade receivables and regularly checked for impairment. For the measurement of expected credit losses, the rental receivables were summarised in trade receivables on the basis of common credit risk characteristics and overdue days. Value adjustments are generally carried out on the basis of the age structure of the rent receivables, with the exception of the highest rent receivables, which are considered individually and impaired if necessary. The expected loss rates are based on payment profiles of past revenues and correspond to historical defaults. These historical loss rates are adjusted using current and forward-looking information on macroeconomic factors to reflect the customers' ability to pay the receivables. Impairments on trade receivables are included in the impairment of receivables and inventories. The value adjustments are deducted from the financial asset.

Existing loan receivables are checked for recoverability on the basis of their expected probability of default and a significant increase in the probability of default, if necessary. A significant increase is assumed if the rating deteriorates by at least one level, insofar as the probability of default assigned to the current rating after deterioration is 1% or more. The assumed probability of default of the loans acquired is based on regular credit analyses by the service provider creditshelf, including the rating made there. Impairment losses on financial assets that are valued at fair value through other comprehensive income do not reduce the carrying amount of the asset but, like the fair value change, are recognised in other comprehensive income.

Financial assets are derecognised after a reasonable assessment if no realisability is expected. For individual assets, the value adjustment requirement provides for a derecognition if there is an overdue period of more than 360 days.

The financial assets recognised in the financial statements, less any impairments, represent the maximum default risk of the Company. Collateral received is not taken into account. There are no other overdue receivables that have not been impaired. See also Chapter 2.4 Trade receivables.

5.1.2. Liquidity and financing risk

Liquidity risk is the risk that DKR is unable to meet its payment obligations at a contractually agreed date.

To ensure liquidity, liquidity planning is carried out, which continuously compares the expected liquidity requirements with the expected cash inflows. In doing so, DKR manages liquidity risks by holding appropriate reserves and credit lines, as well as by continuous target/actual comparisons of forecasted and actual cash flows, considering the maturity profiles of receivables and liabilities.

The following tables show the contractual and undiscounted disbursements of the recognised liabilities by residual maturity including interest accruals:

Remaining maturities as at 30/09/2022 in TEUR	Remaining maturities			
	Total	up to 1 year	1 to 5 years	over 5 years
Liabilities to banks	418,838.9 (402,093.0)	89,900.8 (53,674.3)	243,736.1 (270,576.2)	85,202.0 (77,842.5)
Liabilities from convertible bonds	37,079.2 (37,079.2)	79.2 (79.2)	37,000.0 (37,000.0)	0.0 (0.0)
Liabilities from corporate bonds	182,334.0 (171,922.9)	2,334.0 (1,922.9)	150,000.0 (150,000.0)	30,000.0 (20,000.0)
Liabilities from leasing	10,143.5 (10,256.8)	104.5 (98.8)	498.1 (452.4)	9,540.9 (9,705.6)
Trade payables	6,733.6 (906.6)	6,733.6 (906.6)	0.0 (0.0)	0.0 (0.0)
Other current liabilities	4,428.1 (2,079.8)	4,428.1 (2,079.8)	0.0 (0.0)	0.0 (0.0)
Financial liabilities regarding non-current assets held for sale	2,292.5 (0.0	2,292.5 (0.0)	0.0 (0.0)	0.0 (0.0)

The Company can draw on credit lines. The total amount not yet utilised as of the balance sheet date is approximately TEUR 27,645.0 (previous year: TEUR 24,250.0). The Company expects to be able to fulfil its liabilities from operating cash flow, the inflow of maturing financial assets and capital measures as well as the existing credit lines at all times. In addition, there are estimated future cash outflows from interest on financial liabilities within one year of approximately TEUR 11,777.1 (previous year: approximately TEUR 11,093.0), of more than one but less than five years of approximately TEUR 23,163.1 (previous year: approximately TEUR 27,310.6) and after more than five years of approximately TEUR 9,433.4 (previous year: approximately TEUR 9,415.0). The future interest payments for leases are shown in 6.2.

Furthermore, DKR extended a loan expiring on 31 December 2022 (outstanding nominal volume as at 30 September 2022: EUR 23.1 million) by twelve months. The Company expects to be able to conclude the prolongation of a second expiring loan (nominal volume as at 30 September 2022: EUR 35.3 million) in December 2022.

For 15 loan agreements, maintenance reserves of TEUR 164.6 per month have been agreed for the respective financed properties in accordance with the loan agreements. In addition, there are one-off maintenance reserves already made in the amount of TEUR 85.0 (previous year: TEUR 85.0). As of the balance sheet date, maintenance reserves of TEUR 4,234.3 (previous year: TEUR 3,099.1) were accumulated. An order for maintenance measures is possible against invoice.

Part of the loan agreements contain obligations to comply with certain financial covenants. These typically include standard ratios such as the Debt Service Coverage Ratio (DSCR), Interest Coverage Ratio (ICR) and Loan-To-Value (LTV), or maintenance reserves to be met for certain assets. A breach of the agreed loan specifications could result in a premature repayment obligation, which in individual cases could impair liquidity. As of 30 September 2022, all covenants from credit and bond contracts were complied with.

The recognised financial assets are classified as either current or non-current depending on their maturity.

Furthermore, DKR is fundamentally dependent on being able to obtain debt capital on reasonable terms for refinancing its current business activities or for acquisitions. For example, crises on the international financial markets can make debt financing more difficult and then lead to liquidity problems. If, as a result, the debt service should no longer be met, lenders could forcibly recover real estate assets, and distress sales could lead to significant financial penalties. In this respect, DKR continues to exploit favourable market conditions in order to make financing favourable and sustainable.

This also applies to other financial instruments, such as convertible and corporate bonds.

5.1.3. Interest rate risk

Due to its business activity, DKR is exposed to interest rate risk. This applies in particular to loans with variable interest rates and the recalculation of fixed-rate loans at the end of the fixed-interest period, if the interest rate increases by the ECB result in higher interest payments.

If required, DKR uses derivative financial instruments such as interest rate swaps or caps, which minimise interest rate risk or interest rate sensitivity when interest rates rise. As at 30 September 2022, the Company holds no interest hedging instruments. No derivatives are used for speculative purposes.

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

As at 30 September 2022, there are only loans with a fixed interest rate except for nine variable-rate loans.

If interest rates had been 1% higher (lower) in the reporting period, the annual result would have been TEUR 6,373.5 lower (previous year: TEUR 5,374.2) or TEUR 6,221.8 higher (previous year: TEUR 5,285.9).

5.2. Net results from financial instruments

Net gains and losses from financial instruments are allocated to the respective IFRS 9 valuation categories as follows:

Information as at 30/09/2022 in TEUR	Interest income	Interest expenses	Impairment (in other expenses)	Other	Valuation result
Financial instruments valued at FVtOCI	880.6 (881.7)	0.0 (0.0)	1,853.4 (108.7)	–99.2 (–152.3)	–1,814.6 (–108.7)
Financial instruments valued at FVtPL	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)
Financial assets valued at AC	5,542.9 (5,224.3)	0.0 (0.0)	6,712.9 (1,792.0)	0.0 (0.0)	0.0 (0.0)
Net result from financial assets	**6,423.5 (6,106.0)**	**0.0 (0.0)**	**8,566.3 (1,900.7)**	**–99.2 (–152.3)**	**–1,814.6 (–108.7)**
Financial liabilities valued at FVtOCI	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)
Financial liabilities valued at FVtPL	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)
Financial liabilities valued at AC	0.0 (0.0)	13,123.4 (11,810.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)
Net result from financial liabilities	**0.0 (0.0)**	**13,123.4 (11,810.0)**	**0.0 (0.0)**	**0.0 (0.0)**	**0.0 (0.0)**

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

5.3. Netting of financial assets and liabilities

Financial assets and liabilities are only netted on the basis of global netting agreements if there is an enforceable legal right to offset on the balance sheet date and the intention is to settle on a net basis. If a claim for netting is not enforceable in the ordinary course of business, the global netting agreement creates only a conditional right to offset. In this case, the financial assets and liabilities are shown on the balance sheet date with their gross amounts in the balance sheet.

In the balance sheet as of 30 September 2022, receivables from operating costs not yet invoiced amounting to TEUR 18,928.6 (previous year: TEUR 12,694.1) were offset against advance payments received from operating cost prepayments amounting to TEUR 17,530.4 (previous year: TEUR 11,789.4), in line with industry standards.

5.4. Capital management

The objectives of capital management are to maintain a high credit rating and to maximise shareholder value by striving for an optimal equity/debt ratio (equity ratio) and to comply with the requirements of the REIT Act, which demand a minimum equity ratio of 45 % on immovable assets.

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

In TEUR	30/09/2022	30/09/2021
Equity	514,299.6	467,975.3
Total assets	1,181,814.0	1,093,303.8
Equity ratio in %	**43.5**	**42.8**

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

In TEUR	30/09/2022	30/09/2021
Equity	514,299.6	467,975.3
Investment properties/ immovable assets	1,050,709.1	1,014,167.9
Equity ratio in %	**48.9**	**46.1**

Another key performance indicator is the loan-to-value, which represents the ratio of net financial liabilities to the value of the real estate assets. DKR aims for an LTV of around 50 %:

In TEUR	30/09/2022	30/09/2021
Financial liabilities	636,666.9	609,308.9
minus cash, incl. fiduciary accounts	–6,899.1	–1,555.0
minus financial assets callable at short notice	–104,593.2	–67,908.0
Net financial liabilities	**525,174.6**	**539,845.9**
Investment properties	1,030,959.1	944,019.6
Investment properties held for sale	19,750.0	70,148.3
Prepayments on acquired investment properties	4,920.5	0.0
Total real estate assets	**1,055,629.6**	**1,014,167.9**
Loan-to-Value (LTV), %	**49.7**	**53.2**

5.5. Valuation categories of financial instruments according to IFRS 9

An overview of the valuation categories of financial assets and liabilities at the balance sheet date in accordance with IFRS 9 is shown in the following table:

Figures in TEUR	Category acc. to IFRS 9	Carrying amount as of 30/09/2022	AC	FVtOCI	IFRS 16	Fair value as of 30/09/2022	Valuation hierarchy
Financial assets							
Other non-current financial assets	FVtOCI	8.7 (237.7)	– (–)	8.7 (237.7)	– (–)	8.7 (237.7)	Level 3
Assets held for sale	FVtOCI	– (–)	– (–)	– (–)	– (–)	– (–)	Level 1
Trade receivables	AC	1,691.6 (4,324.5)	1,691.6 (4,324.5)	– (–)	– (–)	1.691.6 (4,324.5)	Level 2
Cash and cash equivalents	AC	4,827.0 (652.7)	4,827.0 (652.7)	– (–)	– (–)	4,827.0 (652.7)	Level 2
Other current assets	FVtOCI	5,755.3 (8,147.4)	– (–)	5,755.3 (8,147.4)	– (–)	5,755.3 (8,147.4)	Level 3
Other current assets	AC	105,324.0 (63,654.1)	105,324.0 (63,564.1)	– (–)	– (–)	105,324.0 (63,564.1)	Level 3
Total financial assets		**117,606.6 (76,926.4)**	**111,842.6 (68,541.3)**	**5,764.0 8,385.1)**	**0.0 (–)**	**117,606.6 (76,926.4)**	
Financial liabilities							
Liabilities to banks	AC	418,044.2 (401,289.4)	418,044.2 (401,289.4)	– (–)	– (–)	402,071.3 (403,698.2)	Level 2
Liabilities from convertible bonds	AC	36,609.3 (36,457.7)	36,609.3 (36,457.7)	– (–)	– (–)	125,756.0 (200,188.0)	Level 1
Liabilities from corporate bonds	AC	182,013.3 (171,561.8)	182,013.3 (171,561.8)	– (–)	– (–)	180,000.0 (170,000.0)	Level 1
Liabilities from leases	–	10,143.5 (10,296.5)	– (–)	– (–)	10,143.5 (10,296.5)	10,143.5 (10,296.5)	Level 2
Trade payables	AC	1,345.3 (409.2)	1,345.3 (409.2)	– (–)	– (–)	1,345.3 (409.2)	Level 2
Other current liabilities	AC	1,678.2 (1,440.1)	1,678.2 (1,440.1)	– (–)	– (–)	1.678.2 (1,440.1)	Level 2
Liabilities in connection with non-current assets held for sale	–	2,292.5 (389.8)	2,292.5 (–)	– (–)	0.0 (389.8)	2,292.5 (389.8)	Level 2
Total financial liabilities		**652,126.3 (621,844.5)**	**641,982.8 (611,158.2)**	**0.0 (–)**	**10,143.5 (10,686.3)**	**723,286.8 (786,421.8)**	

5.6. Fair value of assets and liabilities

IFRSs determine the fair value of various assets and liabilities.

The fair value is defined in IFRS 13 and is to be determined using the most near-to-market valuation methods and input parameters. A valuation hierarchy divides the input data according to their quality in three levels:

Level 1 Quoted (unadjusted) prices in active markets for identical assets or liabilities, such as stock prices

Level 2 Input factors other than quoted prices included in level 1 but which are observable for the asset or liability either directly or indirectly (i.e. derived from prices)

Level 3 Factors not based on observable market data for the valuation of the asset or liability

Insofar as input factors of different levels are used, the fair value is assigned to the respective lower hierarchy level. The Company recognises reclassifications between different levels in principle as of the end of the reporting period in which the change occurred. During the financial year, investment properties with a carrying amount of TEUR 19,750.0, which were previously reported under investment properties, were reclassified to assets held for sale and recognised there at a fair value of TEUR 19,750.0. In addition, financial liabilities with a carrying amount of TEUR 2,292.5 were reclassified to financial liabilities regarding non-current assets held for sale.

In addition, the buyer of two properties reported in IFRS 5 in the previous year withdrew from the purchase. The respective properties were recognised in the previous year with their purchase prices totalling TEUR 19,855.7 as fair value in Level 1 and have now been reclassified back to investment properties with their market value totalling TEUR 21,200.0 as fair value in Level 3.

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

In TEUR	Valuation hierarchy	30/09/2022	30/09/2021
Investment properties	Level 3	1,030,959.1	944,019.6
Acquired loans	Level 3	5,764.0	8,385.1
Acquired loans held for sale	Level 1	0.0	0.0
Investment properties held for sale	Level 1	8,850.0	69,088.3
Investment properties held for sale	Level 3	10,900.0	1,060.0
Total assets		**1,056,473.1**	**1,022,553.0**
Liabilities in connection with investment properties held for sale	Level 2	**2,292.5**	389.8
Total equity and liabilities		**2,292.5**	**389.8**

The fair value of non-current assets or liabilities corresponds to the present value of the expected payments, taking into account market interest rates for matching maturities and risks, if no stock market price is available. Short-term trade receivables and other assets and cash and cash equivalents therefore approximate their fair values.

The fair value of the loans acquired corresponds to the acquisition costs adjusted for repayments, taking into account valuation adjustments based on credit-specific default probabilities, which are updated on a regular basis.

Since the selling price represents a fair value at level 1 of the fair value hierarchy, it was used and a transfer from level 3 (market value appraisals) to level 1 (sale price at the market) was made.

Photo: Discounter
Teplitzer Straße 40, 09623 Frauenstein

6. Other information

6.1. Contingent liabilities and other financial obligations

The Company has the following financial obligations from non-current contracts:

TEUR	30/09/2022	30/09/2021
Asset and property management contracts	9,350.6	11,229.3
Contracts on management levy	523.3	508.7
Car leasing	10.7	40.1
Total	**9,884.6**	**11,778.1**
of which up to 1 year	5,337.2	4,980.0
of which one year to five years (undiscounted)	4,547.4	6,798.1
of which over five years (undiscounted)	0.0	0.0

As of the balance sheet date 30 September 2022, the Company has purchase price obligations from eleven notarised purchase agreements totalling TEUR 51,830.0, of which TEUR 4,920.5 had already been deposited in notary escrow accounts as of the balance sheet date. The purchase price obligations had been paid in full by the time the financial statements were prepared.

Furthermore, there are future maintenance obligations of TEUR 9,881.0 from a syndicated loan agreement for various properties.

In the summer of 2022, DKR received a preliminary partial report on the tax audit for the years 2014 to 2017 from the Potsdam tax office/tax audit department of the Königs Wusterhausen tax office. In the opinion of the tax auditors, the required initial free float of 25% pursuant to § 16 of the REIT Act was not present at the time of DKR's IPO on 15 December 2015. Accordingly, DKR would not have become a REIT and would therefore not have achieved REIT status in the following years, nor could it do so in the future. DKR has lodged an objection against this and commissioned a renowned major law firm with a legal opinion. In the view of DKR and the Company's legal representatives, and on the basis of the clear presentation of the facts in the legal opinion, there is a high probability that DKR will be proven right regarding the legal issues and that, in case of doubt, all REIT requirements will have been met by 2016 at the latest. Should a decision on the REIT status nevertheless be made to the disadvantage of DKR in a fiscal court case, this would have the following significant, quantitative effects on the Company:

- Further tax provisions of up to EUR 13 million would have to be formed for the years from 2020 onwards.
- Due to the valuation difference, especially for real estate, between the tax balance sheet and IFRS values of currently around EUR 252 million, there would be deferred tax assets and liabilities to be recognised in the IFRS financial statements with an overhang of deferred tax liabilities of around EUR 83 million.

For further information, please refer to the Management Report.

There are no other contingent liabilities.

6.2. Lease obligations

As a lessee of leasehold agreements, parking spaces and access roads, there are long-term lease liabilities, which result in disbursements in subsequent years. These are distributed as follows:

in TEUR	Total	up to 1 year	1 to 5 years	over 5 years
Minimum lease payments 30/09/2022	**31,022.4**	**666.3**	**2,664.1**	**27,692.0**
of which interest payments	20,889.6	561.8	2,176.7	18,151.1
of which repayments	10,132.8	104.5	487.4	9,540.9
Minimum lease payments 30/09/2021	**32,024.0**	**674.0**	**2,691.2**	**28,658.8**
of which interest payments	21,767.2	575.2	2,238.8	18,953.2
of which repayments	10,256.8	98.8	452.4	9,705.6

The leasehold agreements have an average remaining useful life of 41.0 years and are adjusted to agreed indices by means of value assurance clauses. No index adjustment was made during the reporting year.

6.3. Information on related parties

The Company maintains business relationships with related companies and persons (related parties). These relationships essentially comprise Group levies, financial services through the short-term provision of liquidity on the basis of contracts concluded, and services for the property and asset management of the real estate portfolio.

The companies and persons affiliated to the Company in accordance with IAS 24 comprise the following groups:

- Parent company,
- Other shareholders,
- Other related parties – including subsidiaries, joint ventures and associates of the shareholders with at least significant influence and companies controlled by the management,
- Members of the Management and Supervisory Boards of the Company and the Management and Supervisory Boards of the parent company and their close family members.

The scope of individual transactions with related parties is shown below:

Obotritia Capital KGaA holds a significant stake in Deutsche Konsum REIT-AG. For the use of business premises, the provision of office equipment and administrative staff, including the activities of the Chairman of the Management Board (CEO), Obotritia Capital KGaA charged a levy of TEUR 426.4 (previous year: TEUR 424.3) in the reporting period under the concluded agency agreement.

By contract dated 13 April 2013 and supplements dated 29 January 2015, 30 June 2016 and 1 December 2016, DKR was granted a credit line of TEUR 25,000 by Obotritia Capital KGaA as part of a current account loan facility. The loan is paid out at the request of Deutsche Konsum REIT-AG and must be repaid at any time, but no later than the end of the contract period on 31 December 2023. Interest will only be charged on the outstanding amount; commitment interest will not be charged additionally. The interest rate is

8.0% and is calculated annually. The interest payments are deferred and are due at the latest upon termination of the loan. No collateral was agreed. In the 2021/2022 financial year, TEUR 0.0 of this amount was utilised (previous year: TEUR 0.0).

On 30 April 2015, a loan facility agreement was concluded with Obotritia Capital KGaA, under which the Company can provide a loan to Obotritia Capital KGaA. With the last amendment dated 1 May 2020, the loan facility was increased to up to TEUR 95,000.0. The contract expires on 31 December 2025. The interest rate is 8.0% p.a. The interest is deferred and is due at the latest upon termination of the loan. For the 2021/2022 financial year, interest income of TEUR 5,444.0 was generated from this (previous year: TEUR 5,224.3). As of the reporting date 30 September 2022, there was a receivable including interest of TEUR 94,294.2 (previous year: TEUR 59,522.9) after impairment of TEUR 3,968.0 (previous year: TEUR 0.0). By the date of preparation, EUR 24.8 million of the shareholder loan had been repaid.

Both contracts can be terminated in writing by registered letter with three months' notice, notwithstanding the possibility of extraordinary termination.

Obotritia Capital no longer exercises a controlling influence over Edeloptics GmbH ("Edeloptics") since 23 June 2022, so that Edeloptics no longer represents an affiliated company of DKR as at the balance sheet date. Until 23 June, Deutsche Konsum acquired another loan to Edeloptics GmbH with an investment volume of TEUR 2,375.0 via the platform of creditshelf solutions GmbH. In addition, another loan was repaid in full. Up to 23 June, interest income of TEUR 288.6 (previous year: TEUR 371.0) was generated from Edeloptics loans, which is reported as interest income from affiliated companies, as well as income from the reversal of value adjustments of TEUR 143.3 (previous year: TEUR 0.7).

Deutsche Konsum REIT-AG sold its portfolio of acquired Edeloptics GmbH loans to Obotritia Capital KGaA on 22 June 2022. The latter acquired all acquired loans in the Obotritia Group within the scope of planned revitalisation measures at Edeloptics GmbH in order to bundle them with itself. The sale was made at the outstanding nominal amount including interest receivables accrued up to 22 June. As of the balance sheet date, this resulted in a purchase price receivable including interest of TEUR 4,535.1. The purchase price receivable bears interest at 8.0% p.a. In the reporting period, interest income of TEUR 97.3 was generated from this. As of 7 October 2022, the loan was repaid in full by Obotritia Capital KGaA, including accrued interest.

In addition, Obotritia Capital has provided a guarantee to DKR for two loans at risk of default in the amount of the existing book values. One of the loans was repaid in full during the financial year, so that the outstanding amount as of the balance sheet date was TEUR 10.8 (previous year: TEUR 271.5).

There is a property management agreement for the material property portfolio with Elgeti Brothers GmbH, Rostock (formerly GV Nordost Verwaltungsgesellschaft mbH, merger on 23 July 2021). The agreed remuneration is between 2% and 3% of the net rental income received (plus VAT) per month, depending on the property. Expenses of TEUR 1,941.7 (previous year: TEUR 1,827.1) were incurred in the reporting period.

A management and consulting contract exists with Elgeti Brothers GmbH for asset management. The agreed remuneration amounts to 0.5% per annum of the gross asset value of the properties, calculated on the basis of the acquisition prices and transaction costs, and is paid in quarterly instalments. In the reporting period, expenses amounted to TEUR 3,991.0 (previous year: TEUR 3,687.1).

There is also a concession agreement with Elgeti Brothers GmbH for the rental of parking facilities at the Leipzig Löwenpark property by Elgeti Brothers GmbH. The monthly lump sum to be paid to DKR amounts to EUR 50.0 plus statutory VAT. The agreement runs from 1 September 2022 for an indefinite period and can be terminated by either party with one month's written notice. Another concession agreement exists for the rental of the outdoor area of the Wernigerode Altstadtpassage property. The agreement begins on 1 February 2022 and ends on 31 December 2022. The agreement can be terminated by either party by giving one month's notice in accordance with § 580a of the German Civil Code (BGB). A one-time flat fee of TEUR 1.1 plus statutory VAT will be charged. Furthermore, there is a concession agreement dated 2 September 2022 with Elgeti Brothers GmbH for the rental of the outdoor space of the Birkenfeld property. The agreement runs from 1 September 2022 to 31 October 2022 and can be terminated by either party with the statutory notice period pursuant to § 580a of the German Civil Code (BGB). A one-time lump sum of EUR 400.0 plus statutory VAT was agreed for the permission of use. Another concession agreement exists with Elgeti Brothers GmbH for the rental of public parking facilities at the Werdau property. The agreement is for an indefinite period of time. The monthly flat rate is EUR 500.0 plus statutory VAT. In the reporting period, revenue of TEUR 14.8 (previous year: TEUR 0.0) was generated from concession agreements with Elgeti Brothers GmbH.

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

Deutsche Konsum sold the photovoltaic system located on the roof of the Rennerod property to Diana Contracting GmbH by contract dated 6 July 2022 and effective 1 April 2022. The system has a nominal output of 36.0 kWp. The purchase price for the plant was TEUR 120.0. The purchase price receivable is subject to statutory interest on arrears in accordance with § 247 of the German Civil Code (BGB) 9% above the base interest rate of the European Central Bank. As of the balance sheet date, this resulted in a receivable from Diana Contracting GmbH including interest of TEUR 121.7. Interest income of TEUR 1.7 was recognised.

On 6 July 2022, a roof usage agreement was simultaneously concluded with Diana Contracting GmbH. Deutsche Konsum REIT-AG leases partial areas of the roof of the Rennerod property, on which two photovoltaic systems are located, to Diana Contracting GmbH. The term of the contract runs until 31 December 2030. The annual lease amounts to 10% of the respective annual turnover of the installed PV system. No rental income was generated from this in the financial year.

Furthermore, in the reporting period, the Company invested short-term surplus liquidity in the amount of TEUR 13,810.0 (previous year: TEUR 5,490.0) in the acquisition of SME loans, which were acquired by DKR via the platform of creditshelf solutions GmbH, Frankfurt. Due to the size of Obotritia Capital KGaA's stake in creditshelf AG, the latter and its subsidiary, creditshelf solutions GmbH, are to be classified as related parties. Deutsche Konsum did not sell any loans back to creditshelf solutions GmbH in the financial year 2021/2022 (previous year: loans with a nominal value of TEUR 4,586.4). For ongoing loan processing and servicing, creditshelf received TEUR 99.2 (previous year: TEUR 152.3) from Deutsche Konsum.

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

TEUR	30/09/2022	30/09/2021
Other non-current / current assets		
against Obotritia Capital KGaA	98,829.3	59,522.9
against Diana Contracting GmbH	121.7	0.0
against Edeloptics GmbH	0.0	4,147.9
Other current liabilities		
against creditshelf solutions GmbH	35.6	49.5

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

No loans and advances were granted to related persons. Close family members of the Management Board and the Supervisory Board have no influence on the Company's business decisions.

6.4. Supervisory Board and Management

In the reporting period, the Supervisory Board consisted of the following members:

Name	Profession	Memberships in other supervisory bodies
Hans-Ulrich Sutter Chairman of the Supervisory Board Member and Chairman since November 2014. Deputy Chairman of the Audit Committee since 1 January 2022.	Retired, Member of other supervisory boards	• Deutsche Industrie Grundbesitz AG (former: Deutsche Industrie REIT-AG), Rostock (Chairman of the Supervisory Board and since 1 January 2022 Deputy Chairman of the Audit Committee) (each until 30 April 2022), delisted • TAG Colonia-Immobilien AG, Hamburg (Deputy Chairman of the Supervisory Board)
Achim Betz First Deputy Chairman of the Supervisory Board Member and Deputy Chairman since November 2014. First Deputy Chairman since March2020. Chairman of the Audit Committee since 1 January 2022.	German CPA and Tax Consultant, Master in Business Administration, ba audit gmbh Wirtschafts-prüfungsgesellschaft, Berlin (Managing Partner)	• Hevella Capital GmbH & Co. KGaA, Potsdam (Chairman of the Supervisory Board) • Deutsche Leibrenten Grundbesitz AG, Frankfurt am Main (Deputy Chairman of the Supervisory Board) • Deutsche Industrie Grundbesitz AG (former: Deutsche Industrie REIT-AG), Rostock (Second Deputy Chairman of the Supervisory Board and since 1 January 2022 Chairman of the Audit Committee) (each until 30 April 2022), delisted • NeXR Technologies SE, Berlin (Deputy Chairman of the Administrative Board), listed company • Bankhaus Obotritia GmbH, Munich (Member of the Audit Committee)
Kristian Schmidt-Garve Second Deputy Chairman of the Supervisory Board Member since March 2018. Second Deputy Chairman since March 2020.	Lawyer, MIG Verwaltungs AG (Member of the Executive Board/ General Partner), Munich	• Linus Digital Finance AG, Berlin (Member of the Supervisory Board), listed company • Biocrates Life Sciences AG, Innsbruck, Austria (Member of the Supervisory Board) (until 31 March 2022) • Cynora GmbH, Munich (Chairman of the Advisory Board) • NavVis GmbH, Munich, (Member of the Advisory Board since 17 December 2021)
Cathy Bell-Walker Member of the Supervisory Board Member since March 2020 until 11 November 2022. Member of the Audit Committee from 1 January 2022 to 11 November 2022.	Solicitor (England & Wales), Allen & Overy LLP, London	• Deutsche Industrie Grundbesitz AG (vormals: Deutsche Industrie REIT-AG), Rostock (Member of the Supervisory Board and since 1 January 2022 Chairman of the Audit Committee) (each until 30 April 2022), delisted

Name	Profession	Memberships in other supervisory bodies
Johannes C. G. (Hank) Boot Member of the Supervisory Board Member since April 2016.	CIO, Lotus Family Office, London	• Gerlin NV, Maarsbergen, The Netherlands (Member of the Supervisory Board) • Orange Horizon Capital Group S.A., Leudelange, Luxembourg (Director/ Member of the Administrative Board), listed company
Nicholas Cournoyer Member of the Supervisory Board Member since April 2016.	Chairman, Montpelier Foundation Limited, London.	• None

During the reporting period, the Management Board consisted of the following members:

Name	Profession	Memberships in other supervisory bodies
Rolf Elgeti Chairman of the Management Board	Chief Executive Officer (CEO)	• TAG Immobilien AG, Hamburg (Chairman of the Supervisory Board), listed company • Deutsche Leibrenten Grundbesitz AG, Frankfurt am Main (Chairman of the Supervisory Board) • creditshelf Aktiengesellschaft, Frankfurt am Main (Chairman of the Supervisory Board), listed company • NeXR Technologies SE, Berlin (Chairman of the Administrative Board), listed company • Obotritia Hotel SE, Potsdam (Chairman of the Administrative Board) • OboTech Acquisition SE, Bitbourg, Luxembourg (Chairman of the Administrative Board and CEO), listed company • HLEE (Highlight Event and Entertainment AG), Pratteln, Switzerland (Member of the Administrative Board), listed company • Laurus Property Partners, Munich (Member of the Advisory Board) • Bankhaus Obotritia GmbH, Munich (Member of the Audit Committee)
Alexander Kroth Member of the Management Board	Chief Investment Officer (CIO)	• None
Christian Hellmuth Member of the Management Board	Chief Financial Officer (CFO)	• None

The compensation of the Supervisory Board for the financial year amounted to TEUR 40.0 (previous year: TEUR 40.0) excluding VAT and exclusively comprises fixed, non-variable compensation. The members of the Management Board received total compensation of TEUR 434.3 (previous year: TEUR 485.3) in the reporting period, of which TEUR 343.2 (previous year: TEUR 353.1) was fixed compensation including fringe benefits and TEUR 91.1 (previous year: TEUR 132.2) was variable compensation. The variable compensation, in turn, consists of a short-term portion of TEUR 41.0 (previous year: TEUR 59.4) and a long-term portion of TEUR 50.1 (previous year: TEUR 72.8).

No loans or advances were granted to members of the Supervisory Board and Management Board; likewise, no contingent liabilities were entered into in favour of members of the Supervisory Board and Management Board.

6.5. Consolidated Financial Statements

DKR is included in the consolidated financial statements of Obotritia Capital KGaA, Potsdam. The 2021/2022 annual financial statements will be included in the consolidated financial statements of Obotritia Capital KGaA, based in Potsdam, for the largest and smallest group of companies, which will be disclosed in the Federal Gazette.

6.6. Fee of the auditor

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

TEUR	30/09/2022	30/09/2021
Audit services	167.1	121.1
Other confirmation services	7.3	2.2
Other services	0.0	0.0
Total	**174.4**	**123.3**
of which relating to other periods	4.4	3.3

The other certification services relate to the audit in accordance with § 1 (4) of the German REIT Act as at 30 September 2021 and the audit of the Compensation Report as at 30 September 2022. Fees unrelated to the accounting period are included in the amount of TEUR 4.4 (previous year: TEUR 3.3) from subsequent calculations.

6.7. Significant events after the balance sheet date

Another food-anchored property in Suhl (Thuringia) was acquired by notarial deed in October 2022. The investment volume for this property is around EUR 0.5 million. The annualised rent amounts to approximately TEUR 54. The transfer of benefits and encumbrances of the property is expected to take place at the beginning of 2023.

After the balance sheet date, the transfer of benefits and encumbrances of the eleven acquired properties in Lohra, Cottbus, Schmiedeberg, Grünhain, Olbernhau, Köthen, Kemberg, Coswig, Staßfurt, Osterfeld and Ensdorf also took place. The purchase price for these properties totals EUR 51.8 million and has already been fully paid as of the date of preparation.

This was offset by the disposal of the property in Scheyern (Bavaria), which was already sold by notarial deed in the past financial year and accordingly reported as an IFRS 5 property. In addition, a DIY store in Chemnitz (Saxony) was sold by notarial deed in October 2022 for a price of approximately EUR 7.6 million, which corresponds to approximately 17.5 times the annual rent. The transfer of benefits and encumbrances of the property is expected to take place at the beginning of 2023. The property was also recognised in IFRS 5 as at 30 September 2022.

By the date of preparation, the purchase price receivable from Obotritia Capital from the sale of the Edeloptics loans had been repaid in full including accrued interest. In addition, a further EUR 24.8 million of the shareholder loan was repaid. A further repayment of the shareholder loan is scheduled for the financing of planned but not yet notarised property acquisitions and in view of the dividend distribution.

DKR took out a secured loan with a volume of EUR 24.0 million from a German mortgage bank in October 2022 to fund an acquisition and is working in parallel on taking out further secured financing.

Furthermore, DKR extended a loan expiring on 31 December 2022 (outstanding nominal volume as at 30 September 2022: EUR 23.1 million) by twelve months. The Company expects to be able to conclude the prolongation of a second expiring loan (nominal volume as at 30 September 2022: EUR 35.3 million) in December 2022.

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

On 22 September 2022, the Management Board and the Supervisory Board of Deutsche Konsum REIT-AG issued the latest Declaration of Compliance with the German Corporate Governance Code pursuant to § 161 AktG, and a supplement to this Declaration of Compliance was published on 25 November 2022. The current Corporate Governance Statement followed on 1 December 2022. The declaration was made permanently available to the shareholders at https://www.deutsche-konsum.de/en/.

Potsdam, 19 December 2022

Rolf Elgeti Chairman of the Management Board (CEO)	**Alexander Kroth** Member of the Management Board (CIO)	**Christian Hellmuth** Member of the Management Board (CFO)

Statement from the Company's legal representatives

"We assure to the best of our knowledge that, in accordance with the applicable accounting standards, the Financial Statements as of 30 September 2022 give a true and fair view of the asset, financial and earnings position of the Company and that the Management Report gives a true and fair view of the development of the business including the business result and the situation of the Company and describes the main opportunities and risks associated with the Company's expected future development."

Potsdam, 19 December 2022

Rolf Elgeti Chairman of the Management Board (CEO)	**Alexander Kroth** Member of the Management Board (CIO)	**Christian Hellmuth** Member of the Management Board (CFO)

Audit certificate of the independent individual auditor

To Deutsche Konsum REIT-AG, Broderstorf

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

Audit opinions

We have audited the separate financial statements of Deutsche Konsum REIT-AG – consisting of the balance sheet to 30 September 2022, the statement of comprehensive income, the cash flow statement and the statement of changes in equity for the 1 October 2021 to 30 September 2022 financial year and the notes, including a summary of significant accounting methods. Also, we have audited the management report of Deutsche Konsum REIT-AG for the financial year from 1 October 2021 to 30 September 2022. In accordance with German legal requirements, we have not audited the content of the components of the management report mentioned in the "Other information" section of our audit certificate.

In our assessment, on the strength of the findings gained as a result of the audit,

- the attached separate financial statements comply with the IFRS, as applicable in the EU, in all material aspects and with the German statutory regulations applicable in addition subject to § 315e (1) German Commercial Code (HGB) and so presents, subject to these regulations, a picture of the Company's asset and finance situation matching the actual circumstances obtaining at 30 September 2022 and matching the Company's earnings position for the 1 October 2021 to 30 September 2022 financial year and the attached management report presents overall an accurate picture of the Company's situation. In all material aspects, this management report harmonises with the separate financial statements, complies with the German statutory regulations and accurately represents the opportunities and risks inherent in future developments.

Pursuant to § 322 (3) sentence 1 German Commercial Code (HGB), we declare that our audit has not produced any reservations about the correctness of the separate financial statements or the management report.

Basis for the audit opinions

We have conducted our audit of the separate financial statements and the management report in conformity with § 317 German Commercial Code (HGB) and the EU Financial Statement Auditing Regulation (Abschlussprüferverordnung) (No. 537/2014; referred to below as "EU-APrVO") with reference to the German principles laid down by the Institute of Auditors (IDW) for the proper conduct of financial statement audits. Our responsibility under these regulations and principles is further described in the section 'Responsibility of the auditor for auditing the separate financial statements and management report' in our audit certificate. We are independent of the Company in conformity with the regulations under European law, German commercial law and the rules of professional conduct and have satisfied our other German professional obligations in conformity with these requirements. Further, we declare, pursuant to Article 10 (2f) EU-APrVO, that we have not rendered any prohibited non-auditing services under Article

5 (1) EU-APrVO. We are of the view that the evidence obtained by us is sufficient and suitable to serve as the basis of our audit opinions on the separate financial statements and management report.

Note highlighting a fact - prolongation of loans

We refer to the comments of the legal representatives in section 6.7 of the notes and section 1.3.1.2. c) of the management report, which describe the previously missing written prolongation of a loan in the amount of € 35.3 million that is due to expire on 31 December 2022. A verbal commitment to extend the loan has been made. The loan is fully secured by real estate. Our audit opinions on the annual financial statements and the management report have not been modified in this respect.

Note highlighting a fact - Preliminary determination of the tax audit

We draw attention to the statements of the legal representatives in section 3.9 and section 6.1 of the Notes and the section “Company-specific risks” as well as the section “Assessment of the overall risk” of the management report, in which the background for the accounting treatment of the findings in the partial audit report of the tax office Potsdam regarding the existence of the REIT characteristic is described. The Company plans to appeal against the notices of amendment. The Company refers to the assessment of its tax advisors and the legal opinion obtained. Our audit opinion on the separate financial statements has not been modified in this respect.

Other information

The legal representatives or the Supervisory Board are responsible for the other information. The other information comprises:

- the assurances pursuant to §§ 264 (2) sentence 3, 289 (1) sentence 5 of the German Commercial Code (HGB) on the annual financial statements and the management report as well as
- the report of the Supervisory Board.

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

The Supervisory Board is responsible for the report of the Supervisory Board. The legal representatives and the Supervisory Board are responsible for the declaration pursuant to § 161 of the German Stock Corporation Act (AktG) on the German Corporate Governance Code, which is part of the corporate governance statement contained in section 1.6 of the management report, as well as for the compensation report pursuant to § 162 of the German Stock Corporation Act (AktG). Otherwise, the legal representatives are responsible for the other information.

Our audit opinions on the separate financial statements and the management report do not cover the other information and correspondingly we give neither an audit opinion nor any other form of audit conclusion on this information.

In connection with our audit, we have the responsibility of reading the other information and thereby of judging whether the other information

- displays material discrepancies from the separate financial statements, the management report or our other findings gained through conducting the audit or
- in any other way appears to be presented falsely.

Responsibility of the legal representatives and of the Supervisory Board for the separate financial statements and the management report

The legal representatives are responsible for the preparation of the separate financial statements, which comply with the IFRS, as applicable in the EU, and the German statutory provisions applicable in all material respects pursuant to § 315e (1) HGB, and that the separate financial statements, under compliance with these provisions, represent a true and fair view of the financial position and performance of the Company. Also, the legal representatives are responsible for the internal controls which they have determined to be necessary in order to facilitate compilation of the separate financial statements which are free of material – intended or unintended – false representations.

When compiling the separate financial statements, the legal representatives are responsible for assessing the ability of the Company to continue the corporate activity. Furthermore, they are also responsible for supplying facts linked to the continuation of the corporate activity, where relevant. They are also responsible for drawing up their balance sheet on the basis of the accounting principle that the corporate activity will continue, unless it is intended to liquidate the Company or to cease trading or unless there is no realistic alternative to it.

Also, the legal representatives are responsible for compiling the management report, which conveys overall an accurate picture of the Company's situation and which harmonises in all material aspects with the separate financial statements, complies with the German statutory regulations and accurately represents the opportunities and risks inherent in future developments. Also, the legal representatives are responsible for the arrangements and measures (systems) which they have determined to be necessary in order to facilitate compilation of a management report harmonising with the applicable German statutory regulations and in order to be able to furnish sufficient and suitable evidence for the statements contained in the management report.

The Supervisory Board is responsible for monitoring the Company's accounting process for compilation of the separate financial statements and the management report.

Responsibility of the auditor for auditing the separate financial statements and the management report

It is our aim to establish sufficient confidence over the question of whether the separate financial statements as a whole are free of material – intended or unintended – false representations and whether the management report conveys overall an accurate picture of the Company's situation and which harmonises in all material aspects with the separate financial statements and with the findings gained during the auditing process, complies with the German statutory regulations and accurately represents the opportunities and risks inherent in future developments and to issue an audit certificate containing our audit opinions on the separate financial statements and the management report.

Sufficient confidence is a high level of confidence, but no guarantee that an audit of a financial statement conducted properly in conformity with § 317 German Commercial Code (HGB) and the EU Financial Statement Auditing Regulation and in compliance with the German principles laid down by the Institute of Auditors (IDW) will always reveal a material false representation. False representations may be the result of infringements or inaccuracies and are seen as material if it could be sensibly anticipated that they, either singly or taken together, will influence the commercial decisions taken by the intended recipients on the basis of these separate financial statements and management report.

During the audit, we exercise an obligatory level of discretion and maintain a critical basic attitude. Furthermore,

- we identify and assess the risks of material – intended or unintended – false representations in the separate financial statements and management report, plan and conduct audit actions as a response to these risks and obtain audit evidence, which is sufficient and suitable for serving as the basis of our audit opinions. The risk that material false representations will not be revealed is greater with infringements than with inaccuracies because infringements may involve fraudulent collusion, falsifications, intended incomplete statements, misleading representations or the setting aside of internal controls;

- we gain an understanding of the internal control system relevant for auditing the separate financial statements and of the relevant arrangements and measures for auditing the management report in order to plan auditing actions which are appropriate under the given circumstances, though not with the aim of issuing an audit opinion on the efficacy of these systems.

- we assess the appropriateness of the accounting methods used by the legal representatives and the acceptability of the estimated values presented by the legal representatives and the associated information.

- we draw conclusions on the appropriateness of the accounting principles applied by the legal representatives for continuation of the corporate activity and, on the basis of the auditing evidence obtained, whether there is material uncertainty in connection with events or circumstances which may throw significant doubt on the ability of the Company to continue its corporate activity. If we come to the conclusion that there is material uncertainty, we will be obliged to draw attention in the audit certificate to the associated information in the separate financial statements and in the management report or, if such information is inappropriate, to modify our audit opinion. We draw our conclusions on the basis of the auditing evidence obtained up to the date of our audit certificate. Future events or circumstances may however cause the Company to be unable to continue the corporate activity.

- we assess the overall presentation, the structure and the content of the separate financial statements including the information and whether the separate financial statements present the underlying business events and occurrences in such a way that the separate financial statements present a picture reflecting the actual circumstances of the asset, finance and earnings situation of the Company in compliance with the IFRS, as applicable in the EU, and the German statutory regulations applicable in addition under §315e(1) HGB.

- we assess conformity of the management report with the separate financial statements, its compliance with the law and the picture conveyed by it of the Company's situation.

- we conduct audit actions in accordance with the future-orientated information in the management report presented by the legal representatives; on the basis of sufficient and suitable audit evidence we reproduce the significant assumptions taken as their basis by the legal representatives for their future-orientated information and assess the proper derivation of the future-orientated information from these assumptions. We do not issue an independent audit opinion on either the future-orientated information or the underlying assumptions. There is a considerable unavoidable risk that future results will differ materially from the future-orientated information.

With those responsible for monitoring, we discuss, among other matters, the planned scope and scheduling of the audit and the significant audit observations including any defects in the internal control system which we note during our audit.

We give a declaration to those responsible for monitoring that we have maintained the relevant independence conditions and discuss with them all the relations and other facts about which it may be sensibly assumed that they have an effect on our independence and have taken precautionary measures in this respect.

Of the facts which we have discussed with those responsible for monitoring we determine which facts have the greatest significance for the current reporting period in the audit of the separate financial statements and which therefore are the most important auditing facts. We describe these facts in the audit certificate, unless laws or other legal regulations exclude the publication of the facts.

OTHER STATUTORY AND OTHER LEGAL REQUIREMENTS

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

Audit Opinion

We performed a reasonable assurance audit in analogous application of § 317 (3a) HGB on whether the reproductions of the separate financial statements and the management report (hereinafter also referred to as "ESEF documents") contained in the file "19-12-2022-16-04_xbrl_file.zip" (SHA256:67EF37C000E02B-D0A00BCE30074BA4C4396315DE3D6DCC28F-5F68604AE69B61E) and prepared for disclosure purposes comply in all material respects with the requirements of § 328 (1) HGB on the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit extends only to the conversion of the information of the separate financial statements and the management report into the ESEF format and therefore neither to the information contained in these reproductions nor to any other information contained in the aforementioned file.

In our opinion, the reproductions of the separate financial statements and the management report contained in the aforementioned file and prepared for disclosure purposes comply, in all material respects, with the requirements of § 328 (1) HGB regarding the electronic reporting format. We do not express any opinion on the information contained in these reproductions or on the other information contained in the above-mentioned file other than this opinion and our opinions on the accompanying separate financial statements and the accompanying management report for the financial year from 1 October 2021 to 30 September 2022 contained in the preceding "Audit certificate on the audit of the separate financial statements and the management report".

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

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

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

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

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

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

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

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

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

Other information under Article 10 EU-APrVO
We were selected as auditors of the financial statements the Annual General Meeting on 10 March 2022. We were appointed by the Supervisory Board on 28 September 2022. We have been working without interruption since the 2016 financial year as auditors of Deutsche Konsum REIT-AG.

We declare that the audit opinions contained in this audit certificate harmonise with the additional report to the audit committee under Article 11 EU-APrVO (audit report).

OTHER MATTERS – USE OF THE AUDIT CERTIFICATE

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

RESPONSIBLE AUDITOR

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

Berlin, dated 19 December 2021

DOMUS AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Prof. Dr. Hillebrand
Auditor

Kalbow
Auditor

Compensation Report for financial year 2021/2022

Report on the principles of the Company`s Compensation System (Compensation Report under stock corporation law pursuant to § 162 AktG)

Definition of "granted and owed" within the meaning of § 162 (1) AktG

For the purposes of the following Compensation Report, benefits granted are defined as having been received in the financial year. Compensation is owed if the Company has a legally existing obligation to the board member which is due but not yet fulfilled. In financial years 2020/2021 as well as 2021/2022, DKR settled all obligations to its board members when due at the end of the month, so that the compensation "granted" in each of the financial years 2020/2021 and 2021/2022 is identical in amount to the compensation "owed" in each case, according to the definition chosen for the purposes of this Compensation Report

In addition, the compensation earned by the Management Board members in the respective financial year is also presented. This comprises the fixed compensation agreed for the respective financial year, including fringe benefits, and the variable compensation calculated on the basis of target achievement, the short-term component (STI) of which is paid out in the following financial year and the long-term component (LTI) of which is only paid out after three subsequent years.

Compensation System for the Supervisory Board

The members of the Supervisory Board receive a fixed cash compensation of TEUR 5 for each full financial year of service on the Supervisory Board. Deutsche Konsum takes out appropriate directors' and officers' liability insurance (D&O insurance) for the members of the Supervisory Board and pays the premium. The Deputy Chairmen receive 1.5 times this basic compensation, the Chairman of the Supervisory Board receives 2 times.

The members of the Audit Committee do not receive any separate compensation for their additional work on the Audit Committee. No other committees have been established and no attendance fees are granted. Variable compensation based on the performance of the Company or other criteria is not granted.

The compensation of the Supervisory Board (by definition, benefits granted and thus received) in financial year 2021/2022 amounted to TEUR 40.0 (2020/2021: TEUR 40.0) plus expenses and VAT. Supervisory Board compensation is distributed as follows:

Supervisory Board	2021/2022 (TEUR)	2020/2021 (TEUR)
Hans-Ulrich Sutter (Chairman)	10.0	10.0
Achim Betz (First Deputy Chairman)	7.5	7.5
Kristian Schmidt-Garve (Second Deputy Chairman)	7.5	7.5
Johannes C. G. (Hank) Boot	5.0	5.0
Nicholas Cournoyer	5.0	5.0
Cathy Bell-Walker	5.0	5.0
Total	**40.0**	**40.0**

In accordance with the recommendations of the German Corporate Governance Code, the compensation of the members of the Supervisory Board consists exclusively of fixed components plus reimbursement of expenses and insurance coverage, and not of variable components. The fixed compensation strengthens the independence of the Supervisory Board members and thus makes an indirect contribution to the long-term development of the Company.

Compensation System for the Management Board

Basic Compensation System

The members of DKR's Management Board receive a non-performance-related basic compensation as well as a performance-related variable compensation based on short-term and long-term targets. The Chairman of the Management Board, Rolf Elgeti, is excluded from this Compensation System and receives a lump-sum annual compensation of approximately TEUR 71.4. The compensation is paid by Obotritia Capital KGaA by way of cost allocation, as there is no employment contract between the Company and the Chairman of the Management Board.

The non-performance-related basic compensation consists of the fixed annual salary, which is paid in twelve monthly installments. In some cases, the Mangement Board members use company cars, which are taxed as non-cash benefits. In addition, allowances are paid for pension insurance. No other benefits are granted as other compensation. The Management Board contracts do not establish pension entitlements.

For the variable compensation, there is a Compensation System which is based on operational targets and which is fundamentally based on a fixed calculation scheme that includes short-term and long-term components. Only in exceptional cases, the Supervisory Board can resolve something different with regard to special situations and/or special performance of the individual Management Board member. The Supervisory Board may also change the weighting of individual criteria in the event of exceptional developments. In the event of the regular departure of a Management Board member, he or she is entitled to payment of the variable compensation components to which he or she is entitled but which have not yet been paid out. There are no further claims in the event of regular departure.

In the event of other early termination of employment, the contracts of the members of the Management Board contain the provision that payments may not exceed the value of two years' compensation (with a target achievement level of 100% for the variable compensation components) (severance cap). In the event of a change of control, i.e. if a shareholder or several shareholders acting jointly acquire at least 30% of the voting rights in DKR, the members of the Management Board have the right to terminate their employment contracts with two months' notice (special termination right). If this special termination right is exercised, the Company shall pay a gross severance payment due at the time of departure in the amount of the compensation outstanding under the service agreement, but not exceeding 150% of the severance cap.

Variable compensation for financial year 2021/2022

Against the background of the 2017 update of the German Corporate Governance Code ("GCGC"), which recommends a multi-year, forward-looking assessment basis with regard to variable compensation, the Supervisory Board addressed an update of the variable compensation of the Management Board in October 2017 and resolved a new arrangement at its meeting on 8 March 2018, which has been valid since the 2017/2018 financial year.

By resolution of the Supervisory Board of 16 December 2020, the target weighting of the variable compensation of the Management Board was aligned to the focus on FFO growth and the achievable variable compensation was increased due to the growth in the size of the Company. Furthermore, the Compensation System was adjusted with regard to the long-term variable compensation component in line with the current recommendations of the GCGC, which make the variable compensation of the Management Board even more long-term. By further resolution of the Supervisory Board on 13 December 2021, a minor modification was made to a target indicator: Due to a redefinition by EPRA, instead of an increase in EPRA NAV per share, the focus is now on an increase in EPRA NTA per share. The Annual General Meeting on 10 March 2022 approved this amendment to the Management Board Compensation System proposed by the Supervisory Board. In its meeting on 11 March 2022, the Supervisory Board adopted the Management Board Compensation System approved by the Annual General Meeting in accordance with § 87a (2) AktG.

Accordingly, the following equally weighted targets were used as the basis for variable Management Board compensation in the past financial year 2021/2022:

- Increase in share price by 20% in the financial year (after elimination of the dividend paid in the financial year),
- Increase in EPRA NTA[1] per share (previous year: EPRA NAV[2] per share) by 20% in the financial year (after elimination of the dividend paid in the financial year),
- Increase in FFO per share (excluding sales) by 20% in the financial year (previous year: 25% in the financial year).

In the event of full target achievement (100%), the Supervisory Board has set variable compensation of TEUR 125 (previous year: TEUR 125) per Management Board member for financial year 2021/2022. If this target is exceeded, the variable compensation increases in proportion to the degree of target achievement, but amounts to a maximum of TEUR 187.5 ("cap").

The resulting variable compensation is subsequently divided

- 45% into a short-term incentive (STI) component, which becomes payable immediately upon adoption of the annual financial statements by the Supervisory Board, and
- 55% into a long-term incentive (LTI) component, which is only paid out after three further financial years, provided that a minimum target achievement of 30% is reached in each of the financial years up to the regular payment of the LTI. Otherwise, the claim for payment lapses.

The following are used as a starting point for the development comparison of the corresponding financial year:

- the volume-weighted average price of the DKR share in the month of September,
- the EPRA NTA per share (previous year: EPRA NAV per share) as of September 30,
- FFO per share in the reporting period.

The latter two figures are based on the IFRS financial statements for the underlying financial year. The values determined are then set as a percentage in relation to the respective prior-year figures determined using the same procedure.

The Supervisory Board reserves the right to pay out the LTI in the form of DKR shares in the event that an employee share program is introduced. However, there are currently no plans to introduce such a program.

[1] The EPRA NTA is a standardized indicator defined by EPRA (European Public Real Estate Association) that represents the long-term net asset value of a real estate company as of a specific date. The EPRA NTA must always be calculated on a fully diluted basis, i.e., in the case of DKR, taking into account the dilutive effect of the convertible bonds. As the EPRA NTA relates to a larger number of shares, the growth target of 20% must be adjusted accordingly with a conversion factor reflecting the ratio between shares outstanding (35.2 million) and the number of shares on a fully diluted basis (50.2 million). To this extent, the target growth for EPRA NTA is effectively 14.0%.

[2] Prior to the redefinition by EPRA, EPRA NAV was the key figure used by DKR. The main difference is that the EPRA NAV was calculated on an undiluted basis – regarding Deutsche Konsum, i.e. without the dilutive effect of the convertible bonds.

Compensation earned by the Management Board in financial year 2021/2022

The compensation of the Management Board earned in the past financial year amounts to TEUR 434.3 (2020/2021: TEUR 485.3).

Individual Management Board compensation was as follows based on target achievement in financial year 2021/2022:

in TEUR	Rolf Elgeti CEO		Alexander Kroth CIO				Christian Hellmuth CFO			
	2021/2022 (Actual)	2020/2021 (Actual)	2021/2022 (Actual)	2021/2022 (Min.)	2021/2022 (Max.)	2020/2021 (Actual)	2021/2022 (Actual)	2021/2022 (Min.)	2021/2022 (Max.)	2020/2021 (Actual)
Earned compensation										
Fixed compensation	71.4	85.5	120.0	120.0	120.0	120.0	120.0	120.0	120.0	120.0
Fringe benefits	0	0	19.0	19.0	19.0	18.6	12.7	12.7	12.7	9.0
Total	**71.4**	**85.5**	**139.0**	**139.0**	**139.0**	**138.6**	**132.7**	**132.7**	**132.7**	**129.0**
STI	0	0	20.5	0	84.4	29.7	20.5	0	84.4	29.7
LTI	0	0	25.1	0	103.1	36.4	25.1	0	103.1	36.4
Total	**0**	**0**	**45.6**	**0**	**187.5**	**66.1**	**45.6**	**0**	**187.5**	**66.1**
Total compensation	**71.4**	**85.5**	**184.6**	**139.0**	**326.5**	**204.7**	**178.3**	**132.7**	**320.2**	**195.1**

Provisions of TEUR 34.6 were recognized for the above-mentioned variable compensation components with a long-term incentive effect, distributed among the members of the Management Board as follows:

Mr. Rolf Elgeti TEUR 0.0
Mr. Alexander Kroth TEUR 17.3
Mr. Christian Hellmuth TEUR 17.3

Compensation granted and owed to the Management Board in financial year 2021/2022

In accordance with the statutory provisions of § 162 (1) sentence 1 AktG, the compensation granted and owed for the financial year must be disclosed. As already described above, DKR has opted for an interpretation in accordance with the inflow principle.

Accordingly, following the aforementioned definition of "granted" and "owed," the following compensation components result for the financial year 2021/2022:

in TEUR	Rolf Elgeti CEO		Alexander Kroth CIO		Christian Hellmuth CFO	
	2021/2022 (Actual)	2020/2021 (Actual)	2021/2022 (Actual)	2020/2021 (Actual)	2021/2022 (Actual)	2020/2021 (Actual)
Compensation granted and owed						
Fixed compensation	71.4	85.5	120.0	120.0	120.0	120.0
Fringe benefits	0	0	19.0	18.6	12.7	9.0
Total	**71.4**	**85.5**	**139.0**	**138.6**	**132.7**	**129.0**
Payment of STI for financial years 2019/2020 and 2020/2021, respectively	0	0	30.1	35.9	30.1	35.9
Payment of LTI for financial years 2017/2018 and 2018/2019, respectively	0	0	75.0	54.1	75.0	54.1
Total	**0**	**0**	**105.1**	**90.0**	**105.1**	**90.0**
Total compensation	**71.4**	**85.5**	**244.1**	**228.6**	**237.8**	**219.0**

The performance criteria were applied in financial year 2021/2022 as follows:

STI

For the presentation of the performance criteria for the variable compensation components received in financial year 2021/2022, the key figures for financial year 2020/2021 apply to the STI. For full achievement of the performance criteria, an increase in FFO per share from EUR 1.06 to EUR 1.32 (actually achieved: EUR 1.17 per share/target achievement 43.6%), an increase in the share price after dividend adjustment from EUR 16.12 to EUR 19.35 (actually achieved: EUR 14.25/target achievement 0.0%) and an increase in the EPRA NAV per share after dividend adjustment from EUR 11.11 to EUR 13.33 (actually achieved: EUR 13.71 per share/target achievement 116.9%) was required. The overall target achievement was thus 53.5% across all targets.

LTI

In financial year 2021/2022, the LTI for financial year 2018/2019 was paid out after a 2-year vesting period. In the financial years 2019/2020 and 2020/2021, the minimum overall target achievement rate of 30% was met, fulfilling the requirement for payment of the LTI calculated for 2018/2019. The LTI from financial year

2018/2019 is based on significant overachievement of all key performance indicators, which is why the maximum compensation (cap) of 150% of target compensation was achieved for the variable component of Management Board compensation.

The relevant Compensation System was therefore complied with in fiscal year 2021/2022. No variable compensation components were clawed back.

For the development of Management Board compensation, the amounts received (granted) in the financial year have been stated.

EPRA NAV per share was calculated for the last time for financial year 2020/2021 for the purposes of Management Board compensation. EPRA NAV per share was replaced by EPRA NTA per share in financial year 2021/2022.

Comparative presentation pursuant to § 162 (1) Sentence 2 No. 2 AktG

For the purpose of comparing the compensation of the Management Board and the Supervisory Board with the average compensation of employees, two comparison groups were formed: All permanent commercial employees working at DKR's headquarters (excluding temporary interns) and the janitors or property managers working at various property locations.

Comparative presentation	2021/2022	2020/2021
Earnings performance		
Net income Deutsche Konsum REIT-AG according to IFRS financial statements in TEUR	60,386.7	91,373.2
Change in %	*–33.9*	–
FFO per share in EUR	1.17	1.17
Change in %	*0.0*	–
EPRA NAV per share in EUR	n/a	13.31
Change in %	*n/a*	–
EPRA NTA per share in EUR	10.98	10.10
Change in %	*8.7*	*n/a*
Average employee compensation		
Average value commercial employees	58.5	52.8
Change in %	*10.8*	–
Average value property manager	*32.9*	29.7
Change in %	*11.0*	–
Development of Management Board compensation granted		
Rolf Elgeti (compensation granted in TEUR)	71.4	85.5
Change in %	*–16.5*	–
Factor for Management Board compensation based on average salary of a commercial employee	*1.22*	*1.62*

Factor for Management Board compensation based on average salary of a property manager	*2.17*	*2.88*
Alexander Kroth (compensation granted in TEUR)	244.1	228.6
Change in %	*6.8*	–
Factor for Management Board compensation based on average salary of a commercial employee	*4.17*	*4.33*
Factor for Management Board compensation based on average salary of a property manager	*7.41*	*7.71*
Christian Hellmuth (compensation granted in TEUR)	237.8	219.0
Change in %	8.6	–
Factor for Management Board compensation based on average salary of a commercial employee	*4.07*	*4.15*
Factor for Management Board compensation based on average salary of a property manager	*7.22*	*7.38*
Development of compensation granted to the Supervisory Board		
Hans-Ulrich Sutter (Compensation granted in TEUR)	10.0	10.0
Change in %	*0.0*	–
Achim Betz (Compensation granted in TEUR)	7.5	7.5
Change in %	*0.0*	–
Kristian Schmidt-Garve (Compensation granted in TEUR)	7.5	7.5
Change in %	*0.0*	–
Cathy Bell-Walker (Compensation granted in TEUR)	5.0	5.0
Change in %	*0.0*	–
Johannes C.G. (Hank) Boot (Compensation granted in TEUR)	5.0	5.0
Change in %	*0.0*	–
Nicholas Cournoyer (Compensation granted in TEUR)	5.0	5.0
Change in %	*0.0*	–

Contribution of compensation to the promotion of the business strategy and the long-term development of the Company

Fixed basic compensation and respective fringe benefits are in line with labor market practices and are thus in many cases a condition for concluding new and renewing existing Management Board contracts. The members of the Management Board thus receive a basic income that appropriately reflects the duties and responsibilities associated with the respective position and prevents inappropriate risks from being taken. The basic income as a non-performance-related compensation component is also intended to ensure that the Management Board members devote their full efforts to the Company even if the targets agreed as part of the variable compensation cannot be achieved or can only be achieved to an insignificant extent.

The variable compensation components are intended to provide incentives for the long-term and sustainable development of DKR. The aim is to create long-term corporate value along the entire value chain of the Company. The variable compensation helps to further harmonize the interests of shareholders with those of the Management Board. Furthermore, it contributes to the long-term commitment of the members of the Management Board.

The long-term portions of the variable Management Board compensation exceed the short-term portions and reflect the Company's performance over a short-term period based on the respective financial year and a long-term three-year period.

Maximum compensation

The current gross annual fixed salary for the members of the Management Board is TEUR 120.0 p.a. An exception is the Chairman of the Management Board, who receives a fixed salary of TEUR 71.4 and to whom no variable compensation components are paid.

A cap on fringe benefits (such as the use of a company car) has not yet been resolved. However, the fringe benefits claimed by the Management Board members are within the usual range.

Under the STI, the target compensation per Management Board member is TEUR 56.3 and the maximum compensation (cap) TEUR 84.4. Under the LTI, the target compensation per Management Board member is TEUR 68.8 and the maximum compensation is TEUR 103.1.

The maximum compensation (excluding fringe benefits) for the members of the Management Board – with the exception of the Chairman of the Management Board – is therefore as follows:

In EUR Mio.	2022/2023	2021/2022	2020/2021
Fixed compensation	120.0	120.0	120.0
STI	84.4	84.4	84.4
LTI	103.1	103.1	103.1
Total	**307.5**	**307.5**	**307.5**

The defined maximum compensation was complied within in the financial year.

Photo: Discounter
Konrad-Wilsdorf-Straße 1a, 94518 Spiegelau

Report of the independent auditor on the audit of the Compensation Report pursuant to § 162 (3) of the German Stock Corporation Act (AktG)

To Deutsche Konsum REIT-AG, Broderstorf

Audit opinion

We have formally audited the Compensation Report of Deutsche Konsum REIT-AG for the financial year from 1 October 2021 to 30 September 2022 to determine whether the disclosures pursuant to § 162 (1) and (2) of the German Stock Corporation Act (AktG) have been made in the Compensation Report. In accordance with § 162 (3) of the German Stock Corporation Act (AktG), we have not audited the content of the Compensation Report.

In our opinion, the accompanying Compensation Report includes, in all material respects, the disclosures required by § 162 (1) and (2) of the German Stock Corporation Act (AktG). Our audit opinion does not cover the content of the Compensation Report.

Basis for the audit opinion

We conducted our audit of the Compensation Report in accordance with § 162 (3) of the German Stock Corporation Act (AktG) and in compliance with the *IDW Auditing Standard: The Audit of the Compensation Report in accordance with § 162 (3) AktG (IDW PS 870 (08.2021))*. Our responsibility under that provision and standard is further described in section "Responsibility of the auditor" of our report. As an auditing practice, we have applied the requirements of the *IDW Quality Assurance Standard: Requirements for Quality Assurance in Auditing Practice (IDW QS 1)*. We have complied with the professional duties pursuant to the Auditors' Code and the Professional Statutes for Auditors/Sworn Auditors including the requirements for independence.

Responsibility of the Management Board and Supervisory Board

The Management Board and Supervisory Board are responsible for the preparation of the Compensation Report, including the related disclosures, which complies with the requirements of § 162 German Stock Corporation Act (AktG). They are also responsible for such internal control as they determine is necessary to enable the preparation of a Compensation Report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Responsibility of the auditor

Our objective is to obtain reasonable assurance about whether the disclosures pursuant to § 162 (1) and (2) AktG have been made in all material respects in the Compensation Report and to express an audit opinion thereon in a report.

We planned and performed our audit to obtain evidence about the formal completeness of the Compensation Report by comparing the disclosures made in the Compensation Report with the disclosures required by § 162 (1) and (2) of the German Stock Corporation Act (AktG). In accordance with § 162 (3) of the German Stock Corporation Act (AktG), we have not audited the accuracy of the content of the disclosures, the completeness of the content of the individual disclosures or the fair presentation of the Compensation Report.

Berlin, dated 19 December 2022

DOMUS AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Prof. Dr. Hillebrand	Kalbow
Auditor	Auditor

Declaration of compliance with the requirements of the REITG

In connection with the annual financial statements as at 30 September 2022, the Management Board issues the following declaration of compliance with the requirements of the German REIT act (REITG):

Section of German REIT act	Regulation	Date	DKR	REIT criteria fulfilled
§ 11 (1)	Freefloat of shares > 15%	30/09/2022	36.3%	Yes
§ 11 (2)	No investor holds > 10% of the shares	30/09/2022	–	Yes
§ 12 (2a)	Immovable assets of at least 75% of all assets	30/09/2022	90.1%	Yes
§ 12 (3a)	At least 75% of the income is generated by immovable assets	30/09/2022	100.0%	Yes
§ 13	Dividend distribution of > 90% of the annual result according to German GAAP	30/09/2022	100.0%	Yes
§ 14	Exclusion of real estate trading	30/09/2022	9.1%	Yes
§ 15	Equity of at least 45%	30/09/2022	48.9%	Yes
§ 19	Composition of income in terms of income subject to and not sucject to income tax	30/09/2022	n/a	Yes

Regarding the minimum freefloat of shares as at 31 December 2021 we notified the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) of this by way of letter dated 21 January 2022. The declaration of the Management Board is under reserve until approval by the auditor which will occur presumably in January 2023.

Deutsche Konsum REIT-AG
Potsdam, 19 December 2022

The Management Board

Rolf Elgeti
Chairman of the
Management Board (CEO)

Alexander Kroth
Member of the
Management Board (CIO)

Christian Hellmuth
Member of the
Management Board (CFO)

Financial calendar

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

14/02/2023
Publication of the quarterly statement for the first quarter of 2022/2023 financial year

16/03/2023
Annual General Meeting

12/05/2023
Publication of the half-yearly financial report of 2022/2023 financial year

14/08/2023
Publication of the quarterly statement for the third quarter of 2022/2023 financial year

19/12/2023
Publication of the final annual statements/annual financial report for the financial year 2022/2023

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

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(Registration number: HRB 13072)
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JSE Share Code: DKR (secondary listing)
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JSE Sponsor
PSG Capital

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

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

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

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