Deutsche Industrie REIT-AG

Annual Report 2018/2019

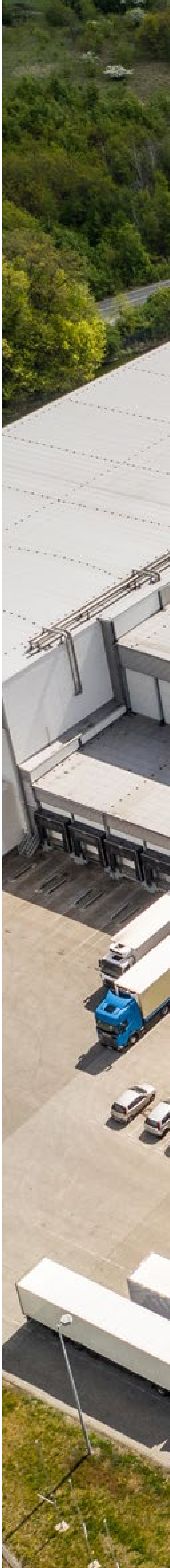
1 October 2018 to 30 September 2019

Deutsche Industrie REIT-AG

Highlights

	01/10/18 – 30/09/19	01/10/17 – 30/09/18	Difference	%
Income statement (k€)				
Gross Rental income	25,481	10,260	15,221	>100
Net rental income	20,950	8,071	12,880	>100
Result from the revaluation of investment properties	37,552	6,914	30,638	>100
Net finance result	-7,558	-1,337	-6,221	>100
Net income	48,672	13,714	34,958	>100
FFO	12,888	5,338	7,550	>100
FFO per share (€)	0.60	0.37	0.23	62.1
Earnings per share	2.25	0.76	1.31	>100
Recurring costs ratio	7.7 %	11.8 %	-4.1 %	-34.7

	30/09/19	30/09/18	Difference	%
Balance sheet key figures (in k€)				
Investment properties	392,849	168,242	224,574	>100
Total assets	438,989	183,616	255,373	>100
Equity	181,463	71,811.0	109,652	>100
Total debt	250,749	104,344	146,405	>100
(net) Loan-to-Value (LTV)	57.8 %	57.1 %	0.7 %	1.3
EPRA NAV	181,463	71.811	109,652	>100
EPRA NAV per share undiluted (€)	7.74	3,99	3,75	94.0
REIT metrics				
REIT equity ratio. %	46.2	42.7	3.5	8.2
Share information				
Shares issued	23,451,945	18,000,056	5,451,889	30.3
Average number of shares	21,619,034	14,511,150	7,107,884	49.0
Market cap in k€	403,373	188,101	215,273	>100
Share price XETRA (€)	17.20	10.45	6.75	64.6
Real estate portfolio				
# Properties	49	22	27	>100
# Commercial units	1,205	930	275	29.6
Total rental space in sqm	1,105,419	508,443	596,976	>100
Commercial rental space in sqm	918,916	470,776	448,141	95.2
Annualised In place rent in k€	33,141	16,066	17,075	>100
Ocupancy commercial	88.9 %	84.9 %	4.0 %	4.7
WALT in years	4.9	3.9	1.0	26.1
IPR commercial in €/sqm	3.34	3.23	0.11	3.3
Market value in k€	391,812	166,963	224,849	>100
Rental yield	11.8	10.4	-1.2 %	-12.1



Content

PICTURE:
Wildau, Chausseestr.

Letter to our shareholders

Dear Shareholders, Ladies and Gentlemen,

The past financial year 2018/2019 was very successful for Deutsche Industrie REIT-AG. We have been able to improve in all areas and continue our sustainable and steady growth.

Real estate portfolio continued to grow strongly and increase in value

In the 2018/2019 financial year, 28 Light Industrial properties with an investment volume of EUR 174.4 million were transferred. In addition, eight properties with an investment volume of EUR 54.2 million were acquired in the financial year for which the transfer of ownership took place or will take place after 30 September 2019. Since 1 October 2019, six further acquisitions have been made at purchase prices of EUR 41.9 million.

The annual property valuation resulted in a value enhancement of EUR 37.6 million. This is mainly due to higher market prices in the logistics sector, higher market rents and operational improvements (vacancy reduction, rent increases and contract extensions) in the portfolio.

The portfolio therefore more than doubled from 22 properties with EUR 168.2 million to 49 properties with EUR 392.8 million.

Considering all properties acquired to date and one sold property, the total portfolio of Deutsche Industrie today consists of 63 properties with an annualised total rent of around EUR 44.0 million and a portfolio value of around EUR 493.1 million.

Successful capital measures and financings

There were two capital increases with subscription rights in the financial year. In December 2018 for EUR 11.00 per share, in September 2019 for EUR 15.75 per share. In total, equity of almost EUR 65 million was raised. In November 2019, shares worth more than EUR 92.8 million were again placed at a price of EUR 16.25 per share, with half of the shares being placed with new shareholders in addition to existing shareholders.

In June 2019, we issued a convertible bond with a seven-year maturity of EUR 41.6 million and a coupon of 2 %.

In addition, bank loans with a volume of approximately EUR 66.3 million were contracted with various savings banks and cooperative banks at very attractive conditions.

Overall, the financing situation for us has improved and interest rates have fallen from an average of 3.7 % to 2.9 %.

Increases in key financial figures

With gross rental income of EUR 25.5 million (previous year EUR 10.3 million), net rental income rose from EUR 8.1 million to EUR 21.0 million. The margin increased from 79 % to 82 %.

The administrative expense ratio fell from 11.8 % to 7.7 %, which clearly shows how efficient DIR is in structuring its growth.

Due to the positive development in all areas, net income for the year increased from EUR 13.7 million to EUR 48.7 million.

FFO (Funds from Operations) increased to EUR 12.9 million, within the forecast range of EUR 12 to 14 million. FFO per share increased by 62 % from EUR 0.37 to EUR 0.60.

The net LTV rose slightly to 57.8 %. However, this is only a snapshot, as the capital increase in November 2019 will be accompanied by a substantial reduction in LTV to well below 50 %.

As a result of the balance sheet profit and the capital increases, equity rose from EUR 71.8 million to EUR 181.4 million and EPRA NAV (net asset value) rose simultaneously, amounting to EUR 7.74 per outstanding share as of 30 September 2019, an increase of 94 % compared to the previous year.

Dividend payment

A dividend of EUR 0.09 per share from the 2017/2018 financial year was already paid in March 2019. For the past financial year, we also want shareholders to participate in the company's success and plan to propose a dividend of EUR 0.16 per share for the 2018/2019 financial year at the next Annual General Meeting.

Positive outlook 2019/2020

We intend to continue the extremely positive development of the past financial year, further expand our portfolio and improve earnings. The current acquisition pipeline offers many assets with very good acquisition parameters, which will enable us to pursue attractive acquisitions.

For the 2019/2020 financial year, we therefore assume an achievable FFO of EUR 23 million to EUR 25 million.

Finally, we would like to thank all our shareholders, employees and service providers for their support.

Best regards,

Rolf Elgeti
Chief Executive Officer

Sonja Petersen
Chief Investment Officer

René Bergmann
Chief Financial Officer

Potsdam, December 2019

The share

Stock exchanges in the context of global political tensions and economic worries

In 2018, investors were more cautious, given the continued tense global political situation, which was shown in the weak market development of the international stock exchanges. The dominant themes in the stock markets included the US trade dispute with China, concerns over Italy's budgetary plans, the Brexit negotiations, and the elections in Brazil and Italy. Thus, the DAX closed the stock exchange year 2018 with a minus of over 18 %. The MDAX fell by just under 18 % and the SDAX by as much as 20 %.

This development also continued at the beginning of 2019, which was marked by global political crises and thus a dampening effect on the markets. In addition, there were the government crisis in Italy over the course of the year as well as interest and economic worries and a looming recession in the German economy. After several major ups and downs, the DAX was at the level of the previous year at 12,428 points (28 September 2018: 12,247 points) after nine months of 2019. DIR share stable in a volatile overall environment.

DIR share price performance positive

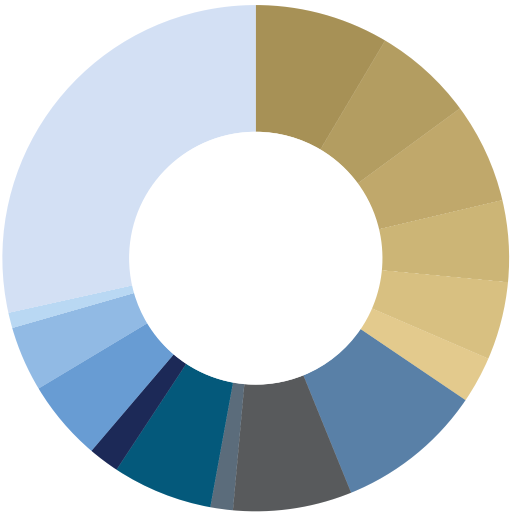
The positive price development in a volatile overall environment as well as the increased market capitalisation and trading volumes confirmed the acceptance of the DIR share on the capital market and the potential of the business model.

At the beginning of the 2018/2019 financial year, the share price (opening price on 1 October 2018) was EUR 10.41. The price remained largely stable during the first half of the year. A steady increase was recorded from April 2019 onwards. The lowest value was EUR 10.06 on 11 October 2018, the highest price EUR 17.90 on 19 and 20 September 2019 respectively.

In a political and economic environment that continues to be unsettled worldwide, the DIR share has performed very well. At the end of the reporting period on 30 September 2019, it was trading at EUR 17.20 (XETRA closing price). As a result of the higher market capitalisation, the company was able to note increasing interest from both institutional and retail investors, which also boosted trading volumes.

Deutsche Industrie REIT-AG – share price (XETRA)

Shareholder structure



8,53 %	Obotritia Capital KGaA
6,39 %	Obotritia Alpha Invest GmbH
6,39 %	Obotritia Beta Invest GmbH
5,19 %	Babelsberger Beteiligungs GmbH
4,98 %	Försterweg Beteiligungs GmbH
2,98 %	Obotritia Delta Invest GmbH
34,5 %	Summe Obotritia-Gruppe
9,38 %	VBL
7,58 %	Lotus AG
1,43 %	Olive Tree Invest GmbH
6,39 %	Gert Purkert
1,97 %	TIVEN GmbH
5,16 %	Parson GmbH
3,17 %	ALPHA 4 S.A., SICAV-SIF
2,91 %	Management
20,14 %	Remaining free float*

*Free float according to definition of Deutsche Börse: 32,9 %

As of 30/09/2019*

[1] attributable to Obotritia Capital KGaA
[2] attributable to Lotus AG
[3] attributable to Gert Purkert
[4] im Geschäftsjahr 2018/2019
Source: ARIVA.DE AG / EQS Group AG

The percentages are based on voting rights notifications in accordance with Sections 33 et seq. WpHG of the named shareholders, or notifications of managers transactions pursuant to Art. 19 MAR. The voting rights in each case relate to the number of total voting rights at the time of the notification. In addition, there is the possibility that the share of voting rights has changed since then without any obligation to notify within the respective thresholds.

Successful capital increases

During the 2018/2019 financial year, the nominal capital and number of shares increased as a result of two capital increases. By mid-December 2018, the number of shares or the nominal capital amounted to 18,000,056. Following a capital increase by cash contribution in December 2018 (+4,500,016 ordinary shares) at EUR 11.00 per share and a further capital increase in September 2019 as part of a private placement to institutional investors and existing shareholders (+951,873 ordinary shares) at EUR 15.75 per share, the number of shares amounted to 23,451,945 and the nominal capital amounted to EUR 23,451,945.00 as of September 30, 2019.

Shareholders

The shareholder structure is characterised by institutional national and international investors with a predominantly long-term investment strategy. The free float (as defined by Deutsche Börse) was approximately 32.9 % as of September 30, 2019.

Investor-Relations

In order to maintain a transparent and continuous dialogue with existing and potential investors, DIR has significantly expanded its investor relations activities. It was represented at several conferences and roadshows in Germany and abroad, including in the USA, South Africa and various countries in the EU.

In April 2019, the Company hosted a Capital Markets Day in Düsseldorf with approximately 40 analysts and investors, consisting of a management presentation and a tour of several properties.

Furthermore, DIR was regularly present in major investor media in the 2018/2019 financial year and was therefore able to increase its visibility on the capital markets.

Analyst coverage

In March 2018, Baader Bank started commenting on Deutsche Industrie REIT-AG. In July 2018, Oddo BHF joined in. The price targets were then updated several times. This means that there are currently two analyst coverages of the DIR share.

Date	Institute	Report	Analyst	Recommendation	Target Price
10/12/2019	Baader Bank	Update	Andre Remke	„Buy"	20,00 EUR
06/12/2019	ODDO BHF	Update	Manuel Martin	„Buy"	18,00 EUR

On the Investor Relations pages of the website, interested parties can download mandatory announcements under capital market law, such as ad hoc announcements, as well as financial reports and investor presentations.

- **The DIR share at a glance:**

As of	30/09/2019
WKN	A2G9LL
ISIN	DE000A2G9LL1
Ticker Symbol	JB7
Nominal capital in EUR	23,451,945.00 €
Shares	23,451,945
Share class	bearer shares
Sector	Real Estate
Stock exchanges	Börse Berlin (Regulated Market), Frankfurt, XETRA (Prime Standard)
Designated Sponsor	Oddo Seydler Bank AG, Frankfurt am Main
Paying Agent	ODDO BHF Aktiengesellschaft, Bockenheimer Landstr. 10, 60323 Frankfurt am Main
Financial year	01/10 - 30/09

PICTURE:
Regensburg, Donaustaufener Str.

Corporate Governance Report and Corporate Governance Statement

In the following, the Management Board and Supervisory Board of Deutsche Industrie REIT-AG (DIR) report on the corporate governance of the company pursuant to Section 3.10 of the German Corporate Governance Code (GCGC) and at the same time on corporate governance pursuant to Section 289f of the German Commercial Code (HGB) as amended.

First, the current Declaration of Conformity of the Management Board and the Supervisory Board of Deutsche Industrie REIT-AG is reproduced. This is followed by a description of the working methods of the Management Board and Supervisory Board and their composition. In addition, the corporate governance of the company is presented, and the diversity concept is discussed.

1. Declaration of Conformity of Deutsche Industrie REIT-AG to the German Corporate Governance Code (GCGC)

The Management Board and Supervisory Board of Deutsche Industrie REIT-AG welcome and support the German Corporate Governance Code (GCGC) and its objectives. Pursuant to Section 161 (1) of the German Stock Corporation Act (AktG), they hereby declare that Deutsche Industrie REIT-AG has complied and will continue to comply with the recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice in the official section of the Federal Gazette in the version of the Code dated February 7, 2017, published in the Federal Gazette on April 24, 2017, with the following exceptions since the last declaration of conformity was issued on November 5, 2018:

Section 4.1.3 Sentence 2 and 3 GCGC – Compliance Management System:
The company has not employed more than four persons since the last declaration of conformity was issued. The Company currently has four employees. Therefore, the Management Board saw and sees no need to develop and disclose formalised systems of measures for compliance management and whistleblowing. In view of the size of the Company, the effort required to set up, implement and maintain formalized systems of measures was and is not in reasonable proportion to the potential benefit.

Section 4.1.5 GCGC – Consideration of women in the appointment for management functions:
The Management Board has followed and currently does not follow the recommendation to pay attention to diversity when filling management positions in the company and to strive for an appropriate consideration of women. The Company had and currently has only employees without a management function. Apart from the Management Board, there were and are no management positions to be filled in the Company, which is why the Company is currently unable to comply with this recommendation for formal reasons. For this reason, the Company had and has set a target of 0% for the participation of women in management positions for the period up to September 30, 2020. At Deutsche Industrie, however, the decisive criterion for filling management positions is qualification and aptitude regardless of gender.

Section 4.2.1 Sentence 2 GCGC – Rules of Procedure Management Board:
There are no rules of procedure for the Management Board. The Company believes that, given the small

size of the Management Board, this instrument would not currently contribute to the effectiveness of the work of the Management Board.

Section 5.1.2 Abs. 1 Sentence 2 and 3; Abs. 2 Sentence 3 GCGC – Consideration of diversity and determination of targets for the proportion of women on the Management Board:
To date, the Supervisory Board has not followed the recommendation to pay attention to diversity when appointing members of the Management Board in the company and to strive for appropriate consideration of women. The Company was and is of the opinion that the professional qualifications and knowledge of the Company as prerequisites for appointment are decisive. However, the Supervisory Board finds the consideration of women in the appointment of members to the Management Board desirable. From this grand, the Company has set a target of one-third for women's participation in the Management Board for the period up to September 30, 2020. This ratio is currently being met and the Company therefore complies with the Code in this respect. An age limit for Management Board members will continue to be waived. The Company was and is of the opinion that it would not be appropriate to set an age limit, as the knowledge and experience of older persons should also be available to the Company within the framework of its Management Board activities.

Section 5.3 GCGC – Formation of committees:
The Supervisory Board has refrained from forming committees in view of its small number of members. If the number of members remains the same, the Supervisory Board will also refrain from forming committees in future.

Section 5.4.1 Abs. 2, Abs. 4 GCGC – Appointment of objectives for the composition of the Supervisory Board, in particular consideration of diversity, development of competence profile, determination of targets for the proportion of women in the Supervisory Board:
The Supervisory Board has no concrete objectives for its composition or a competency profile for the entire body and does not intend to set such goals or develop a competence profile in the future either. Similarly, diversity rules have not been established in the objectives for the composition of the Supervisory Board or will be determined in the future. The Supervisory Board has set a target of 0 % for the proportion of women on the Supervisory Board for the period up to 30 September 2020. The company was and is of the opinion that the professional aptitude and the knowledge of the society as prerequisites for the occupation are crucial, so that the above-mentioned requirements were and are not effective. For these reasons, the determination of an age limit and a statutory limit for membership of the Supervisory Board was and is not waived. The Company was and is of the opinion that the determination of an age limit and a regular limit on the length of service to the Supervisory Board would not be relevant, since the company should also have the knowledge and experience of older persons available for a longer period within the framework of the Supervisory Board's activities.

Rostock, 25 October 2019

For the Supervisory Board

Hans-Ulrich Sutter
Chairman of the Supervisory Board

For the Management Board

Rolf Elgeti
Chief Executive Officer (CEO)

2. Functioning of the Management Board and Supervisory Board

Management structure with three bodies

The Management Board and the Supervisory Board work closely together for the benefit of the Company in order to ensure responsible management and control of the Company through good corporate governance.

An essential element of corporate governance is the separation of corporate management and control. This is achieved 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. It enables shareholders to participate in the company's fundamental decisions.

The Management Board

The Management Board manages the company on its own responsibility and represents it in transactions with third parties. It is bound by the interests of the company with the goal of creating sustainable value. It develops the company's strategic orientation, coordinates it with the Supervisory Board and ensures its implementation. The Management Board also makes sure that appropriate risk management and controlling are in place within the company.

Irrespective of their joint responsibility for the company, the members of the Management Board are responsible for individual areas of responsibility. They work together on a collegial basis and keep each other informed of important events and measures in their areas of responsibility. The Management Board has not yet adopted any rules of procedure.

The Management Board of Deutsche Industrie 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 permissible. The Supervisory Board has set a target of one third for the proportion of women on the Management Board for the period up to September 30, 2020. Further rules on diversity in the targets for the composition of the Management Board have not yet been laid down. The Company is of the opinion that the professional suitability and knowledge of the Company as prerequisites for the appointment are decisive.

The Management Board of Deutsche Industrie REIT-AG consists of three persons: Rolf Elgeti (CEO), Sonja Petersen (nee Paffendorf) (CIO) and René Bergmann (CFO).

The CEO, Mr. Rolf Elgeti, is responsible for Human Resources, Public Relations, and Strategy. Sonja Petersen (nee Paffendorf), CIO, is responsible for the Investment and Asset Management division. The CFO, Mr. René Bergmann, is responsible for Accounting/Controlling, Financing and Investor Relations. All three members of the Management Board also manage and control the external service providers for their respective areas.

The CVs of the members of the Management Board are published under: www.deutsche-industrie-reit.de/unternehmen/vorstand/.

The Supervisory Board and the Management Board agree on annual targets, the implementation of which is regularly reviewed.

Measures for further training or refreshing skills and knowledge are the responsibility of the Executive Board.

A D&O insurance policy has been taken out for the members of the Management Board in accordance with Section 93 (2) AktG.

CEO Rolf Elgeti currently receives a fixed annual remuneration of EUR 71.3 thousand. If the Supervisory Board of the Company is convinced in the future that appropriate remuneration in line with the objectives of Section 87 of the German Stock Corporation Act (AktG) requires the conclusion of further agreements, appropriate measures will be considered.

Ms. Petersen (nee Paffendorf) and Mr. Bergmann receive an annual fixed gross remuneration of currently TEUR 120.0 for their Management Board activities. In addition, there is a variable compensation component for these two Management Board members with target achievement criteria in accordance with the recommendations of Section 4.2.5 of the GCGC.

The criteria for achieving the objectives are based on:

1. Share price performance (weighting 30 %)

2. FFO per share (weighting 40 %)

3. Development of EPRA NAV per share (weighting 30 %)

The degree of target achievement is redefined each year. The variable remuneration starts at a target achievement of at least 30 % (below = EUR 0). In the event of overachievement, a cap of 150 % is set for each individual target.

Half of the variable remuneration is paid in cash after the audited financial statements have been determined (in December of the year). The other half will be distributed after two further financial years, provided that the target achievement of 30 % is achieved in each of the financial years.

Further details on the remuneration of the Management Board are presented in the Remuneration Report as part of the Management Report.

Consideration of women in filling management positions

The Management Board does not follow the recommendation of Section 4.1.5 of the GCGC that diversity should be considered when filling managerial positions within the company, and that appropriate consideration should be given to women. The Company currently has only two employees (excluding the Management Board) without a management function. Apart from the Management Board, there were and are no management positions to be filled in the Company, which is why the Company cannot follow this recommendation at present for formal reasons. For this reason, the Company had and has set a target of 0 % for the participation of women in management positions for the period up to September 30, 2020. At Deutsche Industrie, however, the decisive criterion for filling management positions is qualification and aptitude regardless of gender.

The Supervisory Board

The central tasks of the Supervisory Board are to advise and supervise the Management Board. The three-member Supervisory Board of Deutsche Industrie REIT-AG works based on rules of procedure which it has issued for itself. The members of the Supervisory Board have the knowledge, skills and professional experience required for the proper performance of their duties.

Motions for resolutions as well as information on the matters under discussion are made available to the members of the Supervisory Board in time prior to the respective meeting. By order of the Chairman of the Supervisory Board, resolutions may be passed in individual cases outside meetings. This option is used occasionally in urgent cases. In the event of a tie, the Chairman of the Supervisory Board shall have the casting vote.

All members of the Supervisory Board are elected by the shareholders at the Annual General Meeting. There are currently no employee representatives on the Supervisory Board of Deutsche Industrie REIT-AG.

The Supervisory Board does not intend to set concrete goals for its composition or to develop a competence profile for the entire Supervisory Board. Nor should rules on diversity be laid down in the objectives for the composition of the Supervisory Board. The Supervisory Board has set a target of 0 % for the proportion of women on the Supervisory Board for the period up to September 30, 2020. The Company is of the opinion that the professional aptitude and knowledge of the Company as prerequisites for the appointment are decisive, with the result that the requirements are not conducive to achieving the objectives.

The Supervisory Board of Deutsche Industrie REIT-AG currently consists of three members: Mr. Hans-Ulrich Sutter, Dr. Dirk Markus and Mr. Achim Betz.

Mr. Hans-Ulrich Sutter is Chairman of the Supervisory Board and Dr. Dirk Markus Deputy Chairman. 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 30 September 2019.

Due to the small number of members, no committees have yet been formed.

An age limit and a regulatory limit for membership of the Supervisory Board have not been set. The Company is of the opinion that it is not appropriate to set an age limit and a standard limit for the length of service on the Supervisory Board, as the knowledge and experience of older persons should also be available to the Company over a longer period of time within the framework of its Management Board and Supervisory Board activities.

In the opinion of the Supervisory Board, all current Supervisory Board members are to be regarded as independent within the meaning of Section 5.4.2 GCGC.

The Chairman of the Supervisory Board explains the activities of the Supervisory Board annually in his Supervisory Board report and verbally at the Annual General Meeting.

A D&O insurance policy was taken out in January 2018 for the members of the DIR Supervisory Board.

The members of the Supervisory Board receive a fixed remuneration in accordance with the Articles of Association as well as reimbursements for cash expenses. Detailed information on the remuneration of the Supervisory Board can be found in the Remuneration Report of the Management Report.

Further details on the work of the Supervisory Board can be found in the Report of the Supervisory Board, which is an integral part of the Annual Report.

Cooperation between Management Board and Supervisory Board

The Supervisory Board appoints the members of the Management Board, determines their total remuneration and monitors their management. It also advises the Management Board on the management of the Company. The Supervisory Board approves the annual financial statements. Important decisions of the Management Board require the approval of the Supervisory Board.

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

The Management Board of Deutsche Industrie REIT-AG regularly participates in the meetings of the Supervisory Board. It reports in writing and verbally on the individual agenda items and proposed resolutions and answers the questions of the Supervisory Board members.

Conflicts of interest

Conflicts of interest of Management Board and Supervisory Board members must be disclosed to the Supervisory Board without delay. There were no conflicts of interest in the 2018/2019 financial year.

3. Essential corporate governance practices

Main features of compliance

Deutsche Industrie 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 main business basis of Deutsche Industrie REIT-AG is to create, maintain and strengthen the trust of tenants, business partners, shareholders and other capital market participants as well as employees. Compliance at DIR therefore means not only compliance with legal principles and the Articles of Association, but also compliance with internal instructions and voluntary commitments in order to implement the values, principles and rules of responsible corporate management in day-to-day business.

Compliance management system

DIR currently has two employees (excluding the Management Board). The Management Board therefore saw and sees no need to develop and disclose formalised systems of measures for compliance management or whistleblowing. In view of the size of the company, the costs involved in setting up, implementing and maintaining formalised systems of measures were and are not in any reasonable proportion to the potential benefit.

Organisation and controlling

Deutsche Industrie REIT-AG has its registered office in Germany and is therefore subject to the provisions of German stock corporation and capital market law as well as the provisions of the Articles of Association.

Deutsche Industrie REIT-AG essentially manages the company based on the following key figures: EBIT, FFO, LTV, EPRA-NAV and cash flow. Sustainable economic, social and ecological aspects are considered.

Shareholders and Annual General Meeting

The shareholders of Deutsche Industrie REIT-AG exercise their rights before or during the Annual General Meetings and exercise their voting rights to the extent permitted by law and the Articles of Association. Each share carries one vote.

The Annual General Meetings are chaired by the Chairman of the Supervisory Board. Each shareholder is entitled to participate in the Annual General Meeting, to speak on the respective agenda items and to request information on company matters to the extent necessary for the proper assessment of an item of the Annual General Meeting. The General Meeting decides on all tasks assigned to it by law.

Deutsche Industrie REIT-AG publishes the agenda of the Annual General Meeting and the reports and documents required for the Annual General Meeting on its website at: https://deutsche-industrie-reit.de/en/investor-relations/ under the menu item “Annual General Meeting”.

In order to make it easier for its shareholders to exercise their rights personally and to vote by proxy, the DIR designates a representative to exercise their voting rights in accordance with their instructions. This representative is also available during the General Meeting.

The general meeting takes place within the first eight months of each financial year.

The Annual General Meeting of Deutsche Industrie REIT-AG, which resolved on the financial year ended 30 September 2018, was held in Berlin on 22 March 2019. The Annual General Meeting resolved to pay a dividend of EUR 0.09 per share for the 2017/2018 fiscal year. In addition, the actions of the Management Board and Supervisory Board were approved for their term of office in financial year 2017/2018. DOMUS AG Wirtschaftsprüfungsgesellschaft/Steuerberatungsgesellschaft, Berlin, was appointed as auditor for the 2018/2019 financial year. In addition, various minor amendments to the Articles of Association were adopted. In addition, a new Authorised Capital 2019 was created, and a resolution was passed to create an authorisation to issue warrant-linked and/or convertible bonds with the possibility of excluding subscription rights.

More than 67 % of the share capital was represented (share capital of the company at the time the Annual General Meeting was convened: EUR 22,500,072). All items on the agenda were resolved by a large majority.

Stock option plans

Deutsche Industrie REIT-AG currently has no stock option programs or similar incentive systems.

Transparent reporting

Deutsche Industrie REIT-AG ensures a uniform, comprehensive, timely and simultaneous information of shareholders and the interested public about the economic situation and new facts via its website.

This information is available on the company's website at www.deutsche-Industrie-reit.de under "Investor Relations".

The reporting on the business and earnings situation is currently carried out in annual reports, quarterly statements and half-year financial reports, which can be downloaded from the company's website. Material current information is published via corporate news and ad-hoc announcements and is also made available on the Company's website. In addition, transactions of directors and related parties are publicly disclosed as directors' dealings pursuant to Art. 19 MAR (Market Abuse Regulation) and are also available on the Company's website.

Pursuant to Art. 18 MAR, prescribed insider lists are maintained, and the persons listed in insider lists have been and are informed of the resulting legal obligations and sanctions.

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

Accounting and Auditing

The annual financial statements of Deutsche Industrie REIT-AG are prepared in accordance with IFRS as adopted by the European Union. Following preparation by the Management Board, the annual financial statements are audited and approved by the auditor and the Supervisory Board. In accordance with the German Corporate Governance Code, the Company aims to publish its annual financial statements within 90 days of the end of the financial year. The interim financial information (quarterly statements and the half-year financial report) is discussed between the Supervisory Board and the Management Board prior to publication.

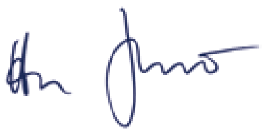
The Annual General Meeting, which resolved on the financial year ended September 30, 2018, elected DOMUS AG Wirtschaftsprüfungsgesellschaft/Steuerberatungsgesellschaft as auditor for the financial year 2018/2019. DOMUS AG's audits are conducted in accordance with German auditing regulations as well as the standards for the proper auditing of financial statements laid down by the Institut der Wirtschaftsprüfer and the International Standards on Auditing. The Chairman of the Supervisory Board is immediately informed by the auditor of any reasons for exclusion or exemption as well as any inaccuracies in the declaration of conformity that may have occurred during the audit. The auditor reports immediately to the Chairman of the Supervisory Board on all issues and events of importance to the Supervisory Board's duties that arise during the audit and is obliged to inform the Supervisory Board immediately of any grounds for disqualification or partiality that may arise.

Opportunity and risk management

Risk management is an essential component of corporate management in order to counter the risks to which Deutsche Industrie REIT-AG is exposed appropriately and systematically. A comprehensive process was introduced to enable management to identify, evaluate and control risks and opportunities in good time. As a result, negative developments and events become transparent at an early stage and can be analysed and dealt with in a targeted manner. Further information on risk management can be found in the opportunity and risk report in the management report.

Rostock, 2 December 2019

For the Supervisory Board



Hans-Ulrich Sutter
Chairman of the Supervisory Board

For the Management Board

Rolf Elgeti
Chief Executive Officer (CEO)

Report of the Supervisory Board

Dear Shareholders,

In financial year 2018/2019, the Supervisory Board of Deutsche Industrie REIT-AG properly performed the duties required of it by law, the Articles of Association and the Rules of Procedure.

Cooperation between the Supervisory Board and the Executive Board

The Supervisory Board continuously monitored and advised the Management Board in the governance of the company. The Supervisory Board was directly involved in all decisions of fundamental importance for the company. The Management Board fulfilled its information duties and informed the Supervisory Board regularly, promptly and comprehensively, both verbally and in writing, about corporate planning, the course of business, strategic development, the current situation of the Company and occupancy rates.

The members of the Supervisory Board always had adequate 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 intensively discussed all business transactions of importance to the Company based on written and verbal reports by the Management Board and checked their plausibility. On several occasions, the Supervisory Board dealt in detail with the Company's risk situation, liquidity planning and equity situation. In addition, the Management Board reported to the Supervisory Board at the meeting to approve the financial statements on the profitability of the company, and on the profitability of equity. The Supervisory Board gave its approval to individual business transactions to the extent required by law, the Articles of Association or the rules of procedure for the Management Board.

Attendance of Supervisory Board meetings

A total of ten meetings of the Supervisory Board were held in the period under review, two of which were in person and eight of which were teleconferences. In addition, resolutions were passed by written procedure. Approvals of proposals for resolutions submitted by the Management Board were granted after examination of extensive documents and intensive discussion with the Management Board. There were no committees of the Supervisory Board in the reporting period.

No member of the Supervisory Board attended less than half of the meetings. There were no conflicts of interest of members of the Management Board or Supervisory Board that had to be disclosed to the Supervisory Board without delay.

The following table shows the attendance of Supervisory Board members at meetings in the 2018/2019 financial year:

Name	10/12/2018 Presence meeting	12+13/12/2018 Conference Call	22/03/2019 Presence meeting	04/06/2019 Conference Call	05/06/2019 Conference Call	13/08/2019 Conference Call	28/08/2019 Conference Call	02/+17/09/2019 Conference Call
Hans-Ulrich Sutter (from 22/03/2019			x	x	x	X	X	x
Dr. Maximilian Murawo (until 22/03/2019)	x	x						
Dr. Dirk Markus	x	x	x	x	x	x	x	x
Achim Betz	x	x	x	x	x	x	x	x

Focus of the Supervisory Board's meetings

The Supervisory Board's deliberations at the individual meetings focused on the following main topics:

At the meeting of 10 December 2018:

- Auditor's report on the audit of the annual financial statements for the 2017/2018 financial year and the audit of the dependent company report
- Resolution on the approval of the audited annual financial statements for the 2017/2018 financial year, the proposal for the appropriation of profits and the audited dependent company report
- Resolution on the report of the Supervisory Board for the financial year 2017/2018
- Resolution on the variable remuneration for the Management Board members Sonja Petersen and René Bergmann for the financial year 2017/2018
- Report of the Management Board on the portfolio and acquisitions made, financing and the acquisition pipeline
- Decision on individual transactions
- Resolution on the increase of the secured real estate bond

On December 12, 2018, the Supervisory Board approved the Management Board's resolution of the same day to implement a capital increase with subscription rights against cash contributions. On December 13, 2018, the Supervisory Board approved the Management Board's resolution of the same day on the volume and subscription price of this capital increase.

On 22 March 2019, immediately after the Annual General Meeting, the Supervisory Board constituted itself and elected Mr Hans-Ulrich Sutter as the new Chairman of the Supervisory Board.

In the meeting of 04 June 2019

- Report of the Management Board on the course of business
- Consultation on the Declaration of Conformity 2019 with the German Corporate Governance Code
- Discussion of the Management Board's proposal to issue a convertible bond

On 5 June 2019, the Supervisory Board approved the resolution of the Management Board to issue a convertible bond.

At the meeting of 13 August 2019:

- Resolution on the Declaration of Conformity 2019 with the German Corporate Governance Code
- Report of the Management Board on the course of business
- Advice on various options for financing further planned acquisitions

On 28 August 2019, the Supervisory Board discussed the Management Board's proposal to implement a possible capital increase with subscription rights.

On 2 September 2019, the Supervisory Board approved the Management Board's resolution of the same day on the implementation and subscription price of a capital increase with subscription rights against cash contributions and on 17 September the Management Board's resolution of the same day on the scope of this capital increase.

In addition, individual transactions requiring approval were approved by the Supervisory Board by circular resolution.

Corporate Governance

The Management Board and Supervisory Board report on corporate governance at Deutsche Industrie REIT-AG in the Corporate Governance Report, which is published on the Company's website at https://deutsche-industrie-reit.de/en/investor-relations/corporate-governance and in the Annual Report 2018/2019 in connection with the Declaration on Corporate Governance.

Annual audit

The annual financial statements of Deutsche Industrie REIT-AG as of 30 September 2019 prepared by the Management Board, together with the management report of the Company, were audited by DOMUS AG Wirtschaftsprüfungsgesellschaft/Steuerberatungsgesellschaft, Berlin, the auditors appointed by the Annual General Meeting on 22 March 2019 and appointed by the Supervisory Board, and issued with an unconditional audit opinion.

The annual financial statements of Deutsche Industrie REIT-AG and the company's management report as well as the auditor's reports were made available to all members of the Supervisory Board in good time. The auditor attended the Supervisory Board meeting on 17 December 2019 to approve the financial statements and reported on the main results of its audit. This also included his comments on the internal control system and risk management related to the accounting process. It was also available to the members of the Supervisory Board for supplementary questions and information. After detailed discussion, the Supervisory Board approved the results of the audit of the annual financial statements and the management report of the Company.

The Supervisory Board carefully examined the Company's annual financial statements and management report, the proposal for the appropriation of net income and the auditor's reports. There were no objections. The Supervisory Board then approved the annual financial statements as of September 30, 2019 prepared by the Executive Board. The annual financial statements are thus adopted.

Examination of the Management Board's report on relationships with affiliated companies (dependent company report)

The Management Board prepared a report on relationships with affiliated companies for the period of control pursuant to Section 312 of the German Stock Corporation Act (AktG) and submitted it to the Supervisory Board. The Management Board's report on relations with affiliated companies was the subject of the audit by the auditor. The auditors issued the following opinion on the results of their audit:

"Based on our audit and assessment in accordance with professional standards, we confirm that

1. the information in the report is correct,

2. the consideration paid by the Company for the legal transactions listed in the report was not unreasonably high."

The audit report was also submitted to the Supervisory Board. The Supervisory Board examined both the dependent company report of the Management Board and the auditor's report, and the auditor participated in the Supervisory Board's negotiations on the dependent company report and reported on the main results of its audit. Following the result of the Supervisory Board's examination, the Supervisory Board concurs with the dependent company report of the Management Board and the auditor's report and raises no objections to the final declaration of the Management Board contained in the dependent company report.

Changes in the Supervisory Board

The previous Chairman of the Supervisory Board, Dr Maximilian Murawo, resigned from his office with effect from the end of the Annual General Meeting on 22 March 2019. This Annual General Meeting elected Hans-Ulrich Sutter as a new member of the Supervisory Board. At the constituent meeting of the Supervisory Board on the same day, Mr. Sutter was elected Chairman of the Supervisory Board.

The Supervisory Board would like to thank the Management Board and the employees for their engagement and commitment in the 2018/2019 financial year.

Rostock, December 2019

For the Supervisory Board

Hans-Ulrich Sutter
Chairman of the Supervisory Board

Composition of the Management Board and Supervisory Board

Management Board

Sonja Petersen
CIO
Ms. Petersen 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, Public Relations and Strategy

René Bergmann
CFO
Mr. Bergmann is responsible for Corporate Finance, Accounting/ Controlling and Investor Relations

Supervisory Board

Hans-Ulrich Sutter
Chairman of the Supervisory Board
Business diploma, Düsseldorf

Dr. Dirk Markus
Deputy Chairman of the Supervisory Board
MBA
CEO, Aurelius Group, London

Achim Betz
Business diploma
Public accountant, Auditor, Tax advisor, Nürtingen

The CVs of the members of the Management Board and Supervisory Board are published under https://deutsche-industrie-reit.de/en/company/ in the menu items "Management Board" respectively "Supervisory Board".

PICTURE:
Essingen, Streichhoffeld

Deutsche Industrie as a 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 therefore enables a broad range of investors to participate indirectly in equities through real estate. In particular, retail 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.

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.

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 and mandatory participation in analyst and investor events.

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, DIR is an interesting, low-risk and attractive option on the capital market for investing in German Light Industrial properties.

PICTURE:
Rosengarten, Neue Str.

The German Light Industrial Market

Light-Industrial real estate is generally understood as being required for the production and logistics processes of the light industry. Light industry is defined as that part of an economy's industrial production which, unlike heavy industry, is less investment intensive and more knowledge- and labour-intensive. Light industry can serve both the production of consumer goods and the manufacture of industrial goods. A further characteristic is that light industry usually has a mixture of different uses and production is to be understood as being a part of it combined with other processes such as storage or research.

Light-Industrial properties are mixed-use commercial properties that typically have medium-sized tenant structures. The mix of use includes office, warehouse, manufacturing, research, service and/or wholesale space as well as open space.

There are the following four different categories of light industrial real estate:

- Converted properties
- Production properties
- Business parks
- Warehouse/logistics properties

All four categories are characterized by the characteristics of a good third-party usability, reusability and a fundamental suitability for multi-party structures.

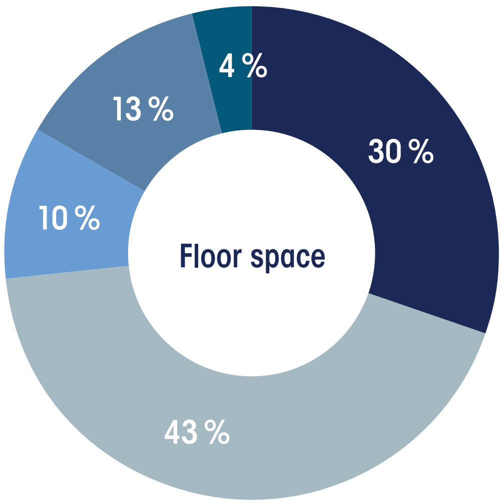
The light industrial market in Germany is relatively non-transparent compared to the other property classes. Since this asset class is slowly moving into the focus of investors, there is hardly any valid and comprehensive market data available.

The Initiative Unternehmensimmobilien, launched in 2013, is the only market participant to take a holistic view on this asset class. It is a merger of various companies active in the German corporate real estate market. In cooperation with bulwiengesa, a half-yearly report is published in which all transaction and letting data of the participants are evaluated. With the investment focus on German light-industrial real estate, DIR is part of this initiative, which currently has eleven members. In the following chapters the most important market data of the German light-industrial market will be presented.

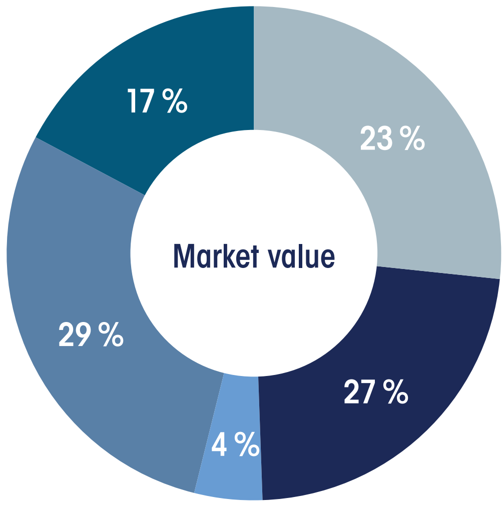
(Source of the data: Initiative Unternehmensimmobilien)

Floor space and market volume

With a floor space of 957 million sqm the light industrial floor space has a share of 30.4 % of the total floor space volume of commercial real estate in Germany and thus represents the second largest asset class of commercial real estate after industrial real estate.



957,1	Light Industrial real estate
1.359	Industrial space
310	Commercial floor space in smaller properties (e.g. the trades)
400	Office propertie
120	Retail properties
3.146	**Total**



563,2	Light Industrial real estate
475,7	Industrial space
93,0	Commercial floor space in smaller properties (e.g. the trades)
600,0	Office properties
360,0	Retail properties
2.091,9	**Total**

- **Within light industrial real estate the space and market volume is broken down as follows:**

Categories of light industrial estate	Floor space		Market value	
	million sqm	in %	billion Euro	in %
Converted properties	61.4	6.4 %	43.0	7.6 %
Business parks	10.6	1.1 %	14.3	2.5 %
Warehouse/logistics properties	339.1	35.4 %	205.6	36.5 %
Light manufacturing properties	546.1	57.1 %	300.3	53.3 %
Total light industrial estate	**957.1**	**100.0 %**	**563.2**	**100.0 %**

Within the light industrial market light manufacturing properties represent the largest category with a total floor space of 546 million sqm. The second largest category is made up of warehouse/logistics properties with a share of approx. 35 %, followed by transformation properties with a share of 6.4 %. Business parks have the smallest share with about 11 million sqm and a share of only 1.1 %. The total value of light industrial estate is estimated to be about € 563.2 billion.

The investment market

The investment volume for light industrial real estate has increased enormously during the past. In 2013, the investment volume still amounted to € 1.3 whereas in 2018 it doubled to € 2.6 billion.

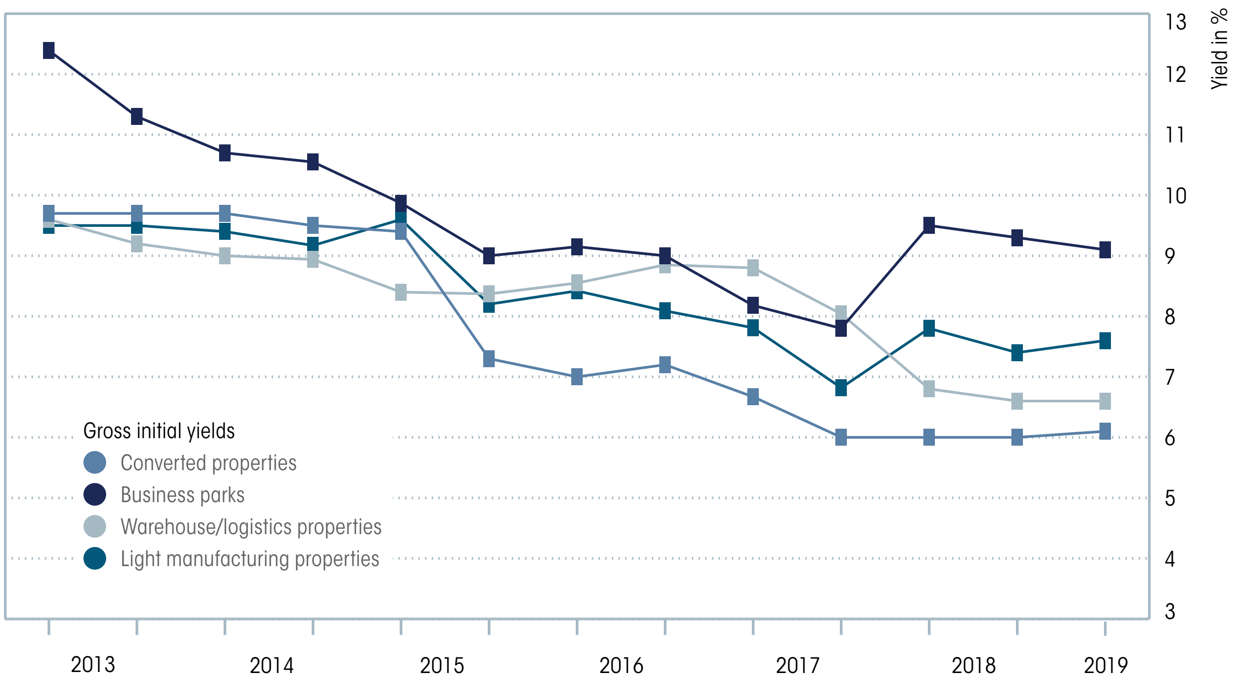
Even though business parks are the smallest category regarding to floor space and market value they represent the property category with the highest investment volume. In the period under review, business parks accounted for 36 % of the total volume. Production real estate accounted for around 25 % of the total investment volume in the past five years, followed by transformation real estate with a share of 22 % and warehouse/logistics properties with a share of 17 %.

• **The following table shows the investment volume of light industrial properties in the German market by property category.**

EUR Mio.	2013	2014	2015	2016	2017	2018
Light manufacturing properties	384.5	697.4	435.4	461.4	688.5	658.3
Warehouse/logistics properties	178.7	301.8	296.1	378.6	618.5	438.2
Business parks	325.8	617.0	1,140.3	528.3	1,105.6	943.7
Converted properties	452.8	322.6	486.9	468.9	592.6	558.5
total	**1,341.8**	**1,938.8**	**2,358.7**	**1,837.2**	**3,005.2**	**2,598.7**

Yield of Light Industrial estates

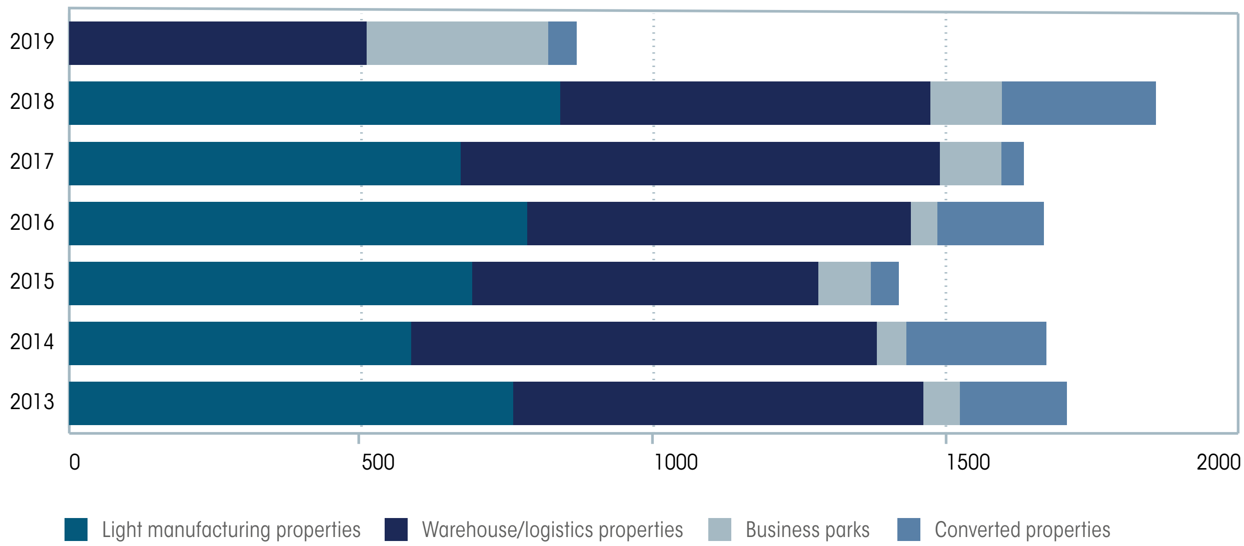
The gross initial yields of light industrial real estate have fallen sharply in recent years. Above all, the yields of transformation properties and industrial parks have fallen the most. The following chart shows the development of the average gross yield of the individual property types over the past five years.



The decline in the gross initial yield is mainly due to the increased interest of investors in light industrial properties. Nevertheless, the gross initial yield is still well above the other commercial property classes.

Construcion volume

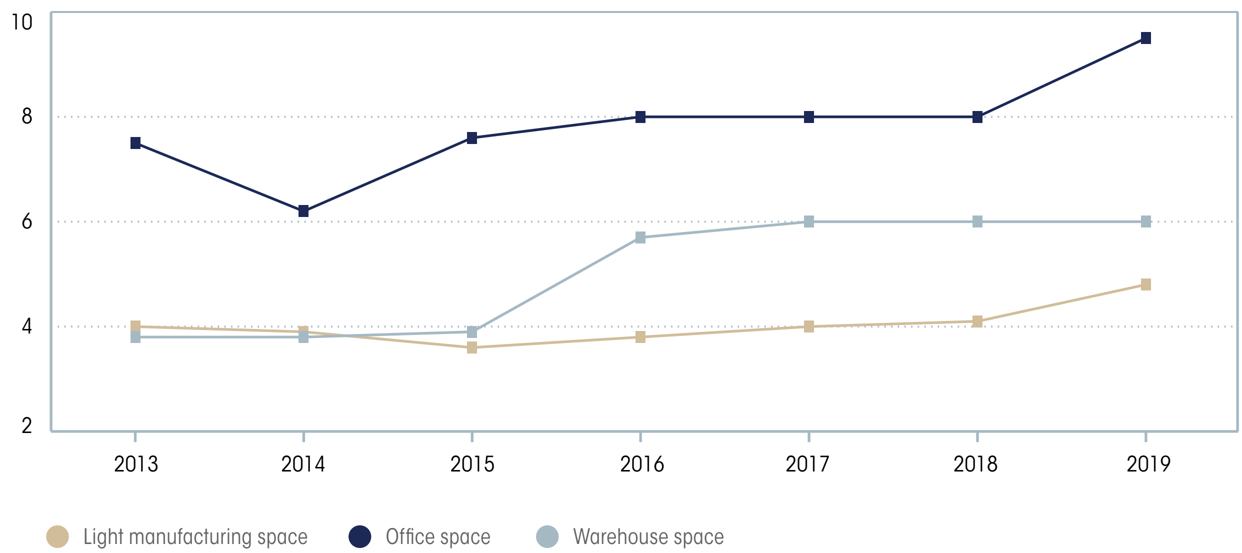
In relation to the amount of floor space, the volume of new construction in the Light-Industrial segment is relatively low. The average volume of completed space in Germany over the past seven years was 1.7 million sqm.



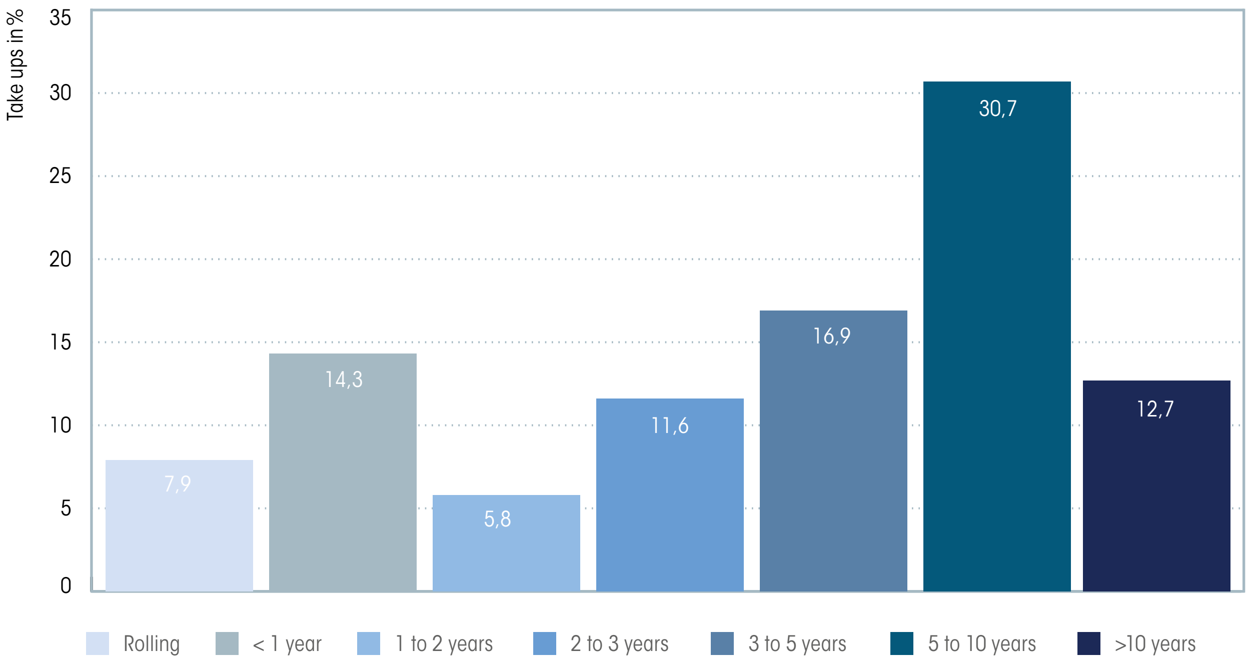
Production and warehouse properties have the highest new construction activity in recent years.

The Letting market

The rental level of light-industrial estate is often very different due to the composition of the different types of use and space. The following chart shows the development of the average rents in the different categories.



Looking at the lease terms, there has been an increase in the number of long lease terms in recent years. With a share of 31 %, terms between 5 and 10 years represent the largest share of demand in the first half of 2019.



Take-ups

The take-up of space by Light Industrial properties has been relatively constant in recent years. Over the past six years, the average take-up has been around 1.0 million sqm in Germany.

category	2013	2014	2015	2016	2017	2018	H1 2019
k sqm.							
Converted properties	330,321	240,358	303,088	237,981	186,500	186,500	21,000
Business parks	332,959	392,638	414,547	343,030	406,500	406,500	93,500
Warehouse/logistics properties	260,126	247,070	370,942	243,869	226,500	226,500	106,500
Light manufacturing properties	185,081	39,837	249,261	117,742	37,000	37,000	25,000
total	**1,108,486**	**919,904**	**1,337,839**	**942,621**	**856,500**	**856,500**	**246,000**

The Real Estate Portfolio

Portfolio overview

	30/09/2017	30/09/2018	30/09/2019	Pro forma 19/12/2019
Properties	6	22	**49**	63
Commercial units	206	930	**1,205**	1,417
Total rental space in sqm	171,941	508,443	**1,105,419**	1,356,868
Commercial rental space in sqm	148,482	470,776	**918,916**	1,148,979
Annualised In place rent in k€	4,420	16,066	**33,141**	44,027
Vacancy commercial	85,6 %	84,9 %	**88,9 %**	88.2 %
Ocupancy commercial	4.4	3.9	**4.9**	4.8
IPR commercial in €/sqm	2.86	3.23	**3.34**	3.50
Market value	34,922	166,963	**391,812**	493,122
Rental yield	12.7 %	9.6 %	**8.5 %**	8.9 %

Our investment strategy

Deutsche Industrie REIT-AG sustainably invests in German light industrial real estate. Light industrial includes storage, distribution of goods as well as management and production. This asset class consists mostly of medium to large industrial and commercials estates. These properties are usually more complex than pure logistics real estate and have a high local relevance.

The objective of the company is to generate constant, sustainable and profit-oriented revenue growth by means of additional acquisitions, ongoing investments in the real estate portfolio and strategic asset and portfolio management. In strategic terms, the company invests in good micro-locations which are infrastructurally well-connected and have a high local relevancy. It will be invested across Germany. By undertaking these investments the company aims to occupy a niche which is situated below the investment criteria of institutional investors and above the investments undertaken by private investors.

As a result of the network of the corporate management and the transactions already completed, Deutsche Industrie has close and in some cases long-standing relationships with potential sellers of light industrial properties. In most cases, these properties are not sold through public auctions, but are only offered to a small audience or even exclusively.

So far, properties have been acquired all over Germany and it is intended to continue acquiring properties throughout Germany. Here no focus is put on certain regions. In the company's opinion, an open profile of requirements has the advantage that lucrative properties can also be acquired outside the usual light industrial locations.

Growth and operational performance

In the 2018/2019 financial year, the transfer of ownership for 28 acquired commercial properties took place. The property portfolio reported as of 30 September 2018 therefore comprises 49 properties with a total area of 0.9 million sqm, under consideration of one sale. The weighted average lease term (WALT) is 4.9 years, with an annualised In place rent of EUR 33.1 million. The portfolio is balanced at EUR 393.8 million (Including IFRS-effect of EUR 2.0 million out of leaseholds).

The pre-emption right for a property acquired in Berlin in December 2018 (purchase price EUR 16.576 million) was exercised, which meant that this property could not be transferred to the Company.

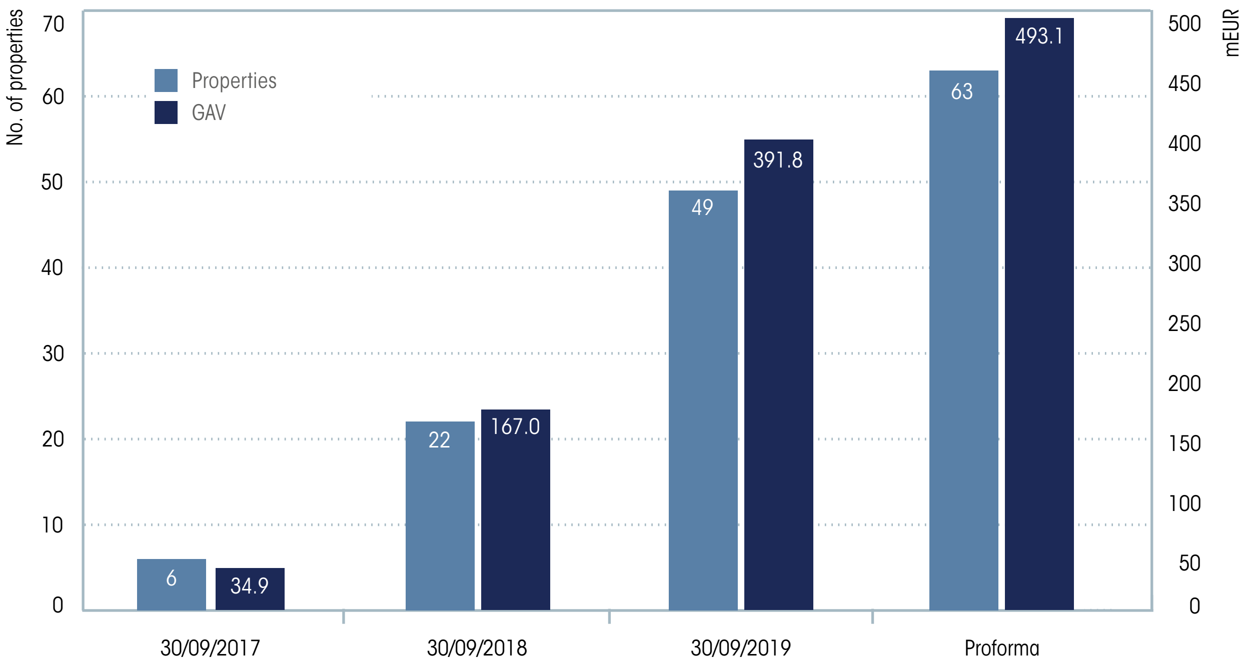
In addition, purchase agreements were notarised for 14 further properties with an investment volume of EUR 101.3 million for which the transfer of ownership took place or will take place after 30 September 2019.

In Stralsund, the company was able to sell a property for more than three times of the original purchase price. The property was acquired at a compulsory auction in 2015 for kEUR 180 and was characterised by large undeveloped land areas and high vacancy rates in an inner city location. The property is well suited for conversion and higher density. This was also the buyer's motivation for the acquisition. The purchase price amounted to kEUR 610.

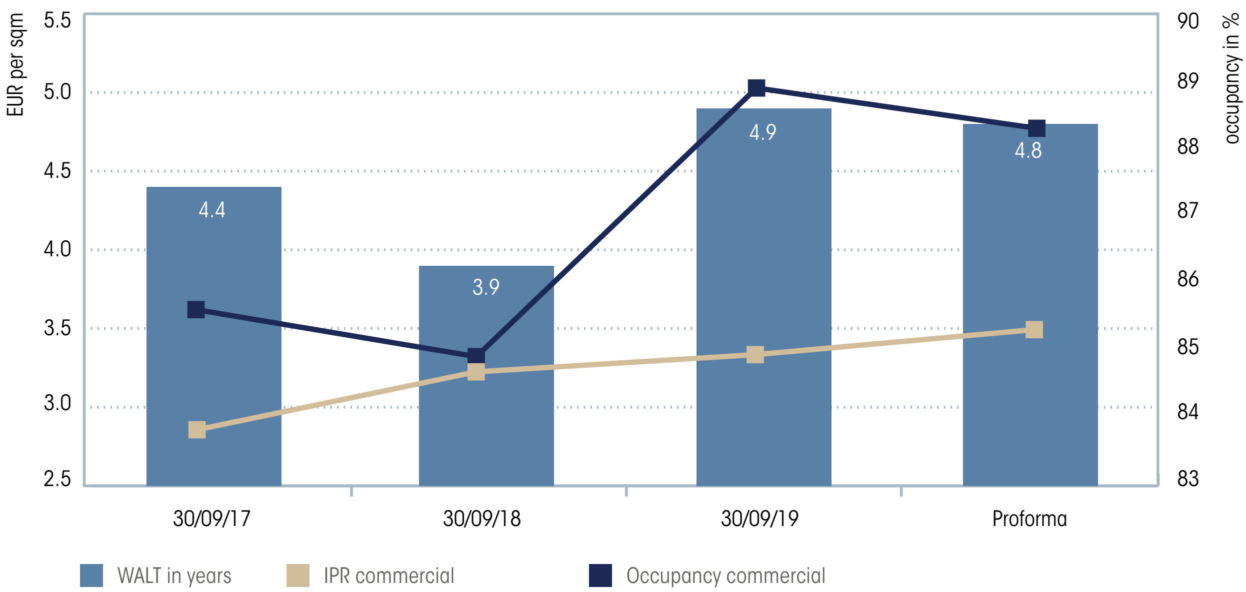
Taking into account all properties acquired and sold to date, the total portfolio of Deutsche Industrie pro forma consists of 63 properties with an annualised total rent of around EUR 44.0 million and a portfolio value of around EUR 493.1 million.

PICTURE:
Schwerin, Werksstr.

We continued to grow very successfully in the 2018/2019 financial year and greatly expanded and further diversified our real estate portfolio.



In addition to the growth in size, the key operating figures also developed well. In a comparison of the total portfolio as of the respective reporting date, rents per sqm of commercial space and the weighted average lease term increased as well as the occupancy rate improved significantly.



A comparison of the previous year's portfolio (adjusted for purchases and sales = like-for-like) also reveals a positive development for the 21 properties the DIR already had in its portfolio on 30 September 2018 and 30 September 2019, with only the occupancy rate falling slightly. The weighted average lease term (WALT) could be increased by 0.5 years through contract extensions or new contracts with a parallel significant increase in rents (4.9% absolut and 6.1% per sqm). The 15.1% higher portfolio value reflects the significant effect of this year's property valuation.

Like-for-like	Properties	Annualised In place rent (total)	GAV	Occupancy commercial	IPR commercial	WALT in years
30/09/2018	21	16.0	166.4	85.1 %	3.23	3.9 (t_0)
30/09/2019		16.8	191.6	84.3 %	3.43	3.4 (t_{-1})
Change		+4.9 %	+15.1 %	-0.8 %	+6.1 %	-0.5 %

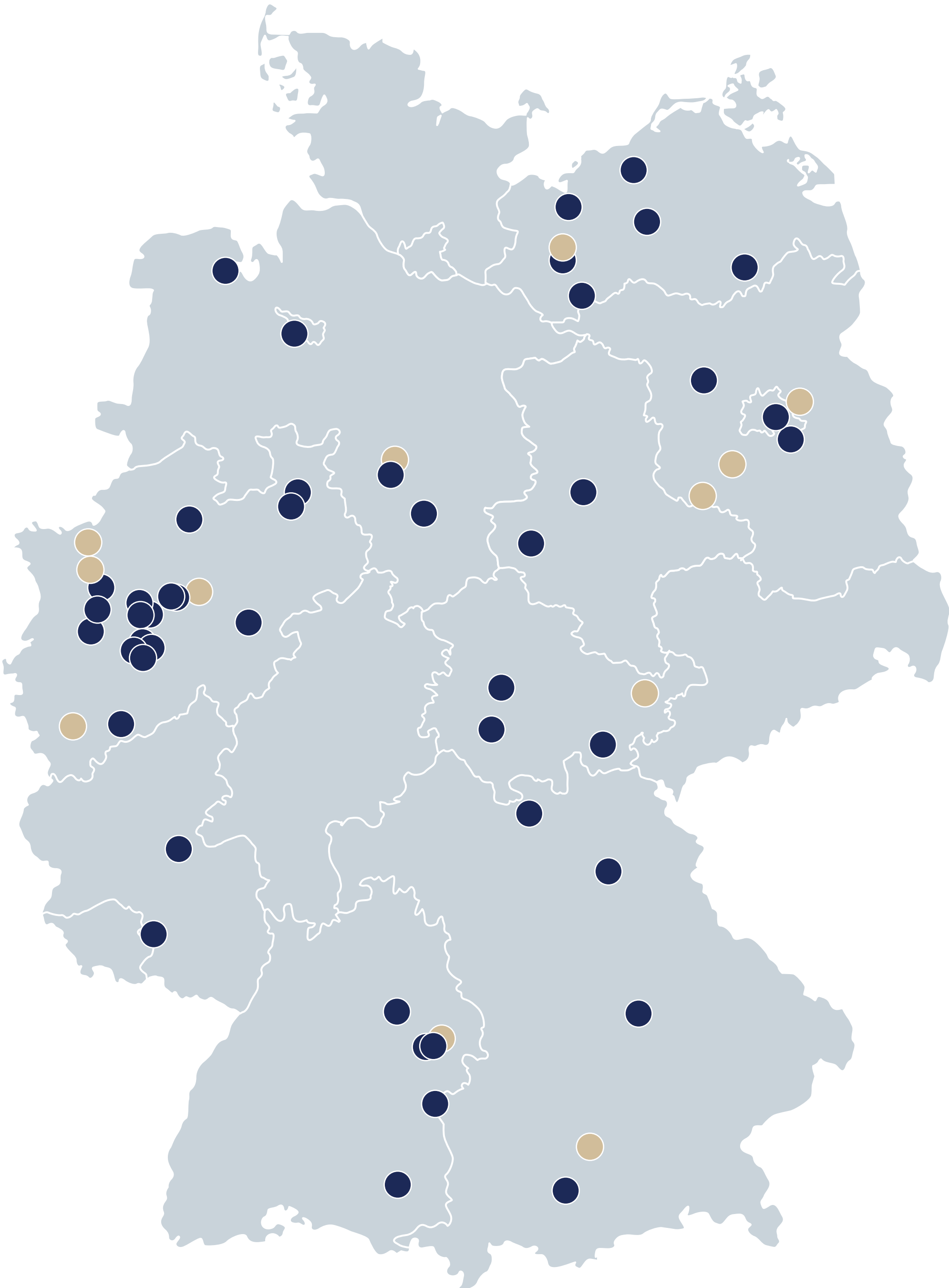
Regional allocation

The real estate portfolio is located all over Germany with a focus on the more industrial south and west and due to the proximity to the ports in the north of the country.

In the economically strong state of Baden-Wurttemberg, we were able to grow significantly through the acquisition of three additional properties. After North Rhine-Westphalia and Lower Saxony, which continue to be the most important federal states for the company, Baden-Württemberg and Bavaria now follow in terms of rental income. In total, the portfolio is now spread across 56 locations in twelve federal states

Federal State*	Properties	Commercial space	Annualised rent	% of rent
North Rhine-Westphalia	24	330,061 m²	12,736 TEUR	29.3 %
Lower Saxony	7	233,596 m²	7,212 TEUR	18.3 %
Bavaria	6	121,364 m²	7,547 TEUR	17.1 %
Baden-Wurttemberg	4	109,238 m²	5,598 TEUR	12.7 %
Mecklenburg Western Pomerania	7	127,364 m²	2,988 TEUR	6.8 %
Brandenburg	5	50,184 m²	2,090 TEUR	4.7 %
Thuringia	4	57,299 m²	1,689 TEUR	3.8 %
Rhineland Palatinate	1	20,905 m²	1,022 TEUR	2.3 %
Saarland	1	44,084 m²	948 TEUR	2.2 %
Saxony-Anhalt	2	11,900 m²	558 TEUR	1.3 %
Bremen	1	9,903 m²	420 TEUR	1.0 %
Berlin	1	8,816 m²	221 TEUR	0.5 %
Total	**63**	**1,148,979 m²**	**44,027 TEUR**	**100.0 %**

*Pro forma portfolio as of 19 December 2019, including notarised properties with transfer of ownership after 30 September 2019



Balanced portfolio as of 30 September 2019

Properties with transfer after 30/09/2019

Types of use

Deutsche Industrie distinguishes between three types of property when it comes to the use of the respective objects:

Logistics: These are building complexes that have already been designed for the distribution of goods and merchandise, with the appropriate technical equipment, high loads and, in most cases, access suitable for trucks at any time (24/7). These properties are typically used by single tenants or dominant main tenants, who generally operate nationwide.

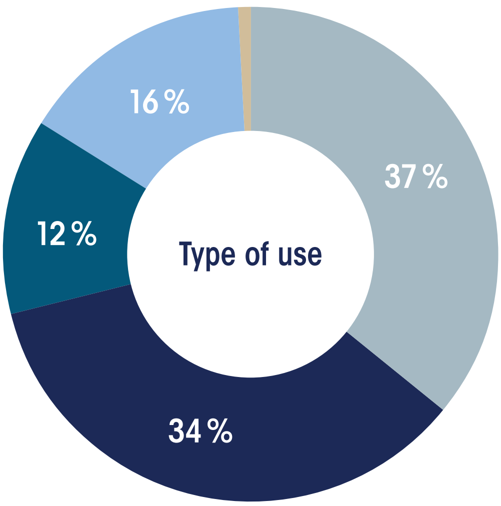
Industrial parks: These usually consist of several different buildings, with various uses ranging from storage to workshops, laboratories, offices and event areas. The tenant structure is small and fluctuation is higher, while tenants are mostly active locally. This enables higher rents, but can also lead to longer marketing periods and higher vacancy rates.

Production and logistics: These properties are normally geared to a main production user and, in addition to the actual production areas, also consist of downstream warehouse/logistics, administrative and social areas. These properties, too, are often let to a larger tenant with a typically longer lease term and an addition of smaller secondary users.

Type	Properties	Total rental space	Commercial rental space	IPR p. sqm	Vacancy	WALT	Annualised rent	% of rent	GAV	yield
Logistics	20	391.093 sqm	376.758 sqm	3,55 €	10,6 %	4,4	14.380 k€	32,7 %	177.890 k€	8,1 %
Production & logistics	28	590.027 sqm	422.158 sqm	2,85 €	4,6 %	7,1	13.901 k€	31,6 %	163.772 k€	8,5 %
Industrial park	15	375.748 sqm	350.064 sqm	4,41 €	21,9 %	2,7	15.746 k€	35,8 %	151.460 k€	10,4 %
Total	**63**	**1.356.868 sqm**	**1.148.979 sqm**	**3,50 €**	**11,8 %**	**4,8**	**44.027 k€**	**100,0 %**	**493.122 k€**	**8,9 %**

Pro forma portfolio as of 19 December 2019, including notarised properties with transfer of ownership after 30 September 2019

• **Within the properties, the individual tenancy units consist of the following main types of use:**



386,903 sqm	Production areas (halls, workshops)
430,188 sqm	Logistics (larger areas, corresponding technical equipment)
187,442 sqm	Office space (mostly as simple administration or trainingrooms incl. corresponding social rooms)
137,814 sqm	Storage (smaller to medium-sized areas, more simple equipment)
6,632 sqm	as well as other uses e. g. open spaces, parking spaces, antennas, etc.
1,148,979 sqm	**Commercial space**

Tenant mix

The 487 tenants belong to some 50 different sectors and are broadly diversified in terms of their economic sector, geographical orientation, lease terms and usage profile. When purchasing new properties and when negotiating new and follow-up leases, it is important to maintain and expand this diversity in order to avoid cluster risks and maintain a more crisis-proof tenant portfolio.

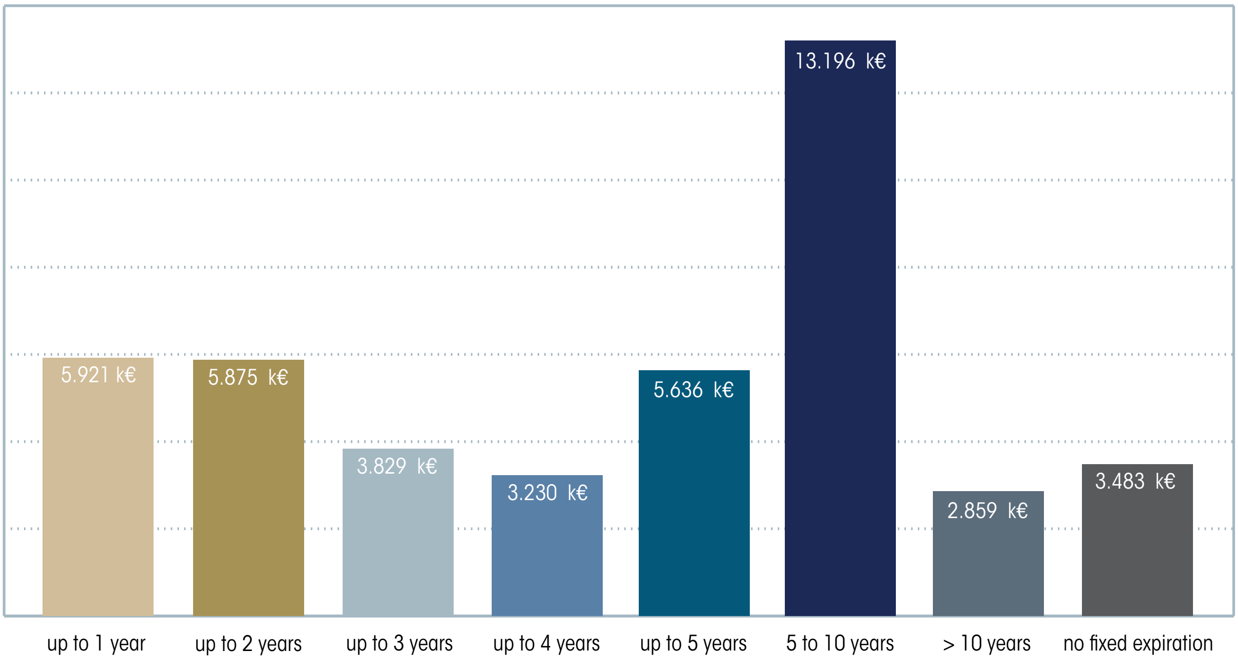
The ten largest tenants represent around one third of the rent, the other two thirds are rather small and widely spread. This has the advantage of highly solvent tenants from economically strong sectors on the one hand and the potential for rent increases in the more fluctuating part of the portfolio on the other hand.

Tenant*	Sector	% of rent
Aenova/Haupt Pharma	Pharmaceutical Industry	6,3 %
Versandhaus Walz GmbH, Baby Walz,	Online/Mail order seller	5,8 %
DST Defence Service Tracks GmbH	Defence industry	3,4 %
Otto (GmbH& Co KG)	Logistics	3,3 %
Gabo Stahl GmbH	Metalworking	2,9 %
Bundesanstalt für Immobilienaufgaben	German Armed Forces / Customs	2.8 %
SIHL GMbH	Printable materials	2.7 %
Lufthansa	Aerospace company	2.5 %
CompAir/Gardner Denver	Compressed air systems	2.3 %
Veenendaal Schaumstoffwerk GmbH	Foam processing	2.0 %
Top Ten Tenants		**34,1 %**
Top Twenty Tenants	**487 Tenants in total**	**50,3 %**

*Pro forma portfolio as of 19 December 2019, including notarised properties with transfer of ownership after 30 September 2019

The weighted average lease term is 5.1 years and is divided between contracts with remaining terms of two to three years – typically many tenants in business parks – and longer terms of more than five years, mostly in production and logistics with a lower number of tenants.

• **Weighted Avarage Lease Term***



*Pro forma portfolio as of 19 December 2019, including notarised properties with transfer of ownership after 30 September 2019

Property valuation

As of 30 June 2019, the annual property valuation of the portfolio was carried out by an external appraiser.

The result was a significant revaluation of kEUR 37.6. Therefore, the value of the balanced portfolio now amounts to EUR 392.8 million (including IFRS adjustments for leasehold rights). The reasons for the increase are mainly higher market prices, especially in logistics, as well as higher market rents and operational enhancements (vacancy reduction, rent increases and contract extensions) in the portfolio.

• **The valuation results as of 30/06/2109 for the various types of use are as follows**

Type	Commercial rental space in sqm	Annualised rent in k€	Fair Value in k€	Fair Value per sqm commercial space	yield	Valuation change
Industrial park	241,709	9,011	98,930	409	9.1 %	12.7 %
Production & logistics	377,698	12,527	148,922	394	8.4 %	11.5 %
Logistics	299,509	11,602	143,960	481	8.1 %	19.0 %
Total	**918,916**	**33,141**	**391,812**	**426**	**8.5 %**	**14.4 %**

The property valuation was first carried out in this financial year by CBRE GmbH, Berlin.

7.6. The portfolio – property by property

	Properties	Type	No. of commercial units	Total rental space in sqm	Commercial rental space in sqm
1	Neubrandenburg, Augustastr.	Production & logistics	27	56,430	36,153
2	Güstrow	Production & logistics	1	15,274	6,130
3	Bad Salzdetfurth, Teccenter	Industrial park	146	51,260	49,223
4	Löhne	Logistics	2	47,518	47,518
5	Schortens, TCN	Industrial park	171	99,482	97,636
6	Rostock	Logistics	113	39,358	39,293
7	Bornheim	Logistics	3	9,057	9,057
8	Drei Gleichen	Logistics	1	24,004	24,004
9	Wuppertal, Am Brögel	Industrial park	70	10,116	9,320
10	Remscheid, Kippdorfstr,	Industrial park	172	27,098	25,356
11	Neustadt-Glewe	Production & logistics	9	12,499	11,749
12	Dortmund, Hannöversche Str.	Industrial park	40	24,776	20,777
13	Bochum	Industrial park	10	3,522	3,272
14	Witten	Industrial park	33	11,234	7,607
15	Ronnenberg	Production & logistics	5	31,099	30,099
16	Elchingen	Production & logistics	1	7,690	3,258
17	Lichtenfels	Production & logistics	1	28,404	16,356
18	Meschede	Industrial park	4	6,563	6,563
19	Hattingen	Industrial park	5	2,506	2,506
20	Meerbusch	Logistics	4	13,380	13,380
21	Wildau	Logistics	106	16,740	14,656
21	**Properties with transfer in before 01/10/2018**		**924**	**538,009**	**473,913**
22	Fehrbellin	Logistics	1	2,700	1,400
23	Schleiz	Production & logistics	1	5,929	5,929
24	Bremen	Production & logistics	16	9,903	9,903

	Annualised In place rent in k€	Ocupancy commercial	WALT in years	IPR commercial in €/sqm	Current market value m€	Yield	Date of transfer
	748	98.6 %	6.8	1,71	6,000	8.0	01/01/15
	90	100.0 %	11.5	1,22	790	8.8	22/03/16
	1,703	75.5 %	1.6	3,74	14,800	8.7	01/01/17
	1,949	100.0 %	2.4	3,42	21,700	11.1	01/05/17
	3,646	60.7 %	4.0	4,91	41,600	11.4	30/11/17
	1,063	91.8 %	2.7	2,45	12,900	12.1	06/10/17
	307	95.3 %	1.3	2,91	5,800	18.9	01/10/17
	600	100.0 %	3.8	2,08	6,200	10.3	07/03/18
	544	95.0 %	1.7	4,74	6,600	12.1	01/05/18
	856	86.3 %	0.5	3,26	10,600	12.4	01/05/18
	47	17.4 %	4.3	1,90	2,140	45.6	21/02/18
	812	89.0 %	4.0	3,49	8,600	10.6	01/06/18
	193	100.0 %	7.0	4,60	2,600	13.5	01/06/18
	357	98.3 %	3.6	3,34	3,950	11.1	01/06/18
	827	89.7 %	2.3	2,50	9,700	11.7	01/08/18
	168	100.0 %	9.3	4,29	2,910	17.4	28/06/18
	889	100.0 %	9.3	4,53	9,700	10.9	28/06/18
	194	100.0 %	1.6	2,46	2,250	11.6	01/06/18
	118	100.0 %	1.8	3,90	1,430	12.1	01/08/18
	660	100.0 %	0.3	4,11	6,800	10.3	01/09/18
	1.052	96.9 %	1.9	6,17	14,500	13.8	01/09/18
	16.823	**84.3 %**	**3.4**	**3,43**	**191,570**	**11.4**	
	88	100.0 %	1.1	4,29	1,230	13.9	01/02/19
	228	100.0 %	5.9	3,20	2,710	11.9	04/10/18
	420	100.0 %	4.3	3,53	5,200	12.4	01/10/18

	Properties	Type	No. of commercial units	Total rental space in sqm	Commercial rental space in sqm
25	Schortens II	Logistics	29	29.909	29.909
26	Wismar	Production & logistics	16	11.873	11.873
27	Simmern	Production & logistics	6	127.517	20.905
28	Schwerin, Werkstraße	Gewerbepark	21	19.451	19.451
29	Berlin, Britzer Damm	Production & logistics	7	10.034	8.816
30	Münster	Production & logistics	1	2.889	2.889
31	Regensburg	Production & logistics	19	19.699	19.699
32	Wolfratshausen	Production & logistics	3	30.267	30.267
33	Dinslaken	Production & logistics	33	3.314	3.265
34	Solingen	Logistics	22	26.649	24.852
35	Bad Waldsee	Logistics	3	46.350	46.350
36	Zella-Mehlis	Production & logistics	6	30.762	19.762
37	Schortens III	Production & logistics	11	3.719	3.612
38	Duisburg	Production & logistics	8	16.221	16.221
39	Halberstadt	Production & logistics	2	1.500	1.500
40	Remscheid, Rosentalstr	Production & logistics	1	16.245	16.245
41	Remscheid, Vieringhausen	Production & logistics	1	11.993	11.993
42	Freisen	Production & logistics	1	44.084	44.084
43	Essingen	Logistics	16	32.809	32.809
44	Aalen	Production & logistics	8	9.711	9.711
45	Rosengarten	Production & logistics	32	20.368	20.368
46	Dortmund, Westfaliastraße	Logistik	3	3.508	3.508
47	Barleben	Production & logistics	2	10.400	10.400
48	Eschenbach	Production & logistics	3	6.834	6.510
49	Bad Oeynhausen	Logistics	9	12.773	12.773
28	**Properties with transfer 01/10/2018 until 30/09/2019**		**281**	**567.410**	**445.004**
49	**Portfolio as of 30/09/2019**		**1.205**	**623.840**	**481.157**

Annualised In place rent in k€	IPR commercial in €/sqm	WALT in years	Ocupancy commercial	Current market value m€	Yield	Date of transfer
111	29.3%	1.3	1.05	2,290	20.7	01/10/18
295	96.1%	3.9	2.14	3,640	12.3	01/10/18
1.022	100.0%	7.8	4.07	13,700	13.4	01/11/18
589	100.0%	2.3	2.50	6,500	11.0	01/01/19
221	89.7%	3.3	2.31	5,500	24.9	01/01/19
132	100.0%	4.3	3.81	1,860	14.1	01/01/19
649	100.0%	4.3	2.75	7,300	11.2	01/01/19
1.792	100.0%	4.3	4.93	21,100	11.8	01/01/19
45	29.6%	2.3	3.84	1,520	34.1	01/01/19
1.030	96.2%	3.8	3.59	15,600	15.1	15/12/18
2.559	100.0%	9.3	4.60	30,200	11.8	01/03/19
622	99.3%	7.7	2.57	7,500	12.1	01/04/19
28	39.1%	2.8	1.68	291	10.2	21/12/18
500	100.0%	9.3	2.57	5,900	11.8	01/02/19
42	100.0%	8.3	2.33	421	10.0	01/04/19
317	100.0%	5.3	1.63	2,430	7.7	01/07/19
235	100.0%	5.3	1.63	4,250	18.1	01/07/19
948	100.0%	5.3	1.79	11,400	12.0	01/07/19
1.551	100.0%	6.3	3.92	19,900	12.8	01/05/19
1.086	100.0%	8.8	9.32	8,800	8.1	01/05/19
402	100.0%	0.0	1.64	4,450	11.1	01/06/19
240	100.0%	2.3	5.71	3,080	12.8	01/08/19
516	100.0%	9.8	4.13	6,300	12.2	01/08/19
260	100.0%	9.3	3.32	3,410	13.1	01/08/19
391	100.0%	4.8	2.55	3,760	9.6	01/09/19
16.318	**93.7%**	**6.4**	**3.25**	**200,242**	**12.3**	
17.067	**88.9%**	**4.9**	**3.34**	**391,812**	**11.8**	

	Properties	Type	No. of commercial units	Total rental space in sqm	Commercial rental space in sqm
50	Schwerin. Grevesmühlener Str.	Logistics	2	7.715	2.715
51	Düren. Kreuzauer Str.	Production & logistics	2	41.760	40.850
52	Linthe	Logistics	12	13.025	12.625
53	Altlandsberg	Logistics	2	11.534	8.053
54	Westhausen	Industrial park	46	16.219	15.804
55	Hannover. Wiesenauer Straße	Industrial park	22	24.507	23.117
56	Bocholt	Logistics	4	12.900	12.692
57	Unna	Industrial park	15	6.899	6.899
58	Löbichau	Logistics	1	7.534	7.534
59	Wesel	Industrial park	19	22.569	16.716
60	Kloster Lehnin	Logistics	1	13.450	13.450
61	Dinslaken	Production & logistics	1	3.610	3.610
62	Wedemark	Logistics	5	20.180	20.180
63	Oberding	Industrial park	80	49.547	45.819
14	**Properties with transfer after 30/09/2019**		**212**	**251.449**	**230.063**
49	**Portfolio as of 30/09/2019**		**1.205**	**1.105.419**	**918.916**
63	**Proforma Portfolio**		**1.417**	**1.356.868**	**1.148.979**

Annualised In place rent in k€	IPR commercial in €/sqm	WALT in years	Ocupancy commercial	Current market value m€	Yield	Date of transfer
156	100.0%	4.3	4.77	1,950	12.5	08/10/19
1,207	100.0%	15.0	2.33	13,000	10.8	01/10/19
0	0.0%	0.0	0.00	3,200	0.0	01/11/19
495	100.0%	4.2	5.12	7,500	15.2	01/10/19
744	74.2%	3.3	5.08	9,000	12.1	01/11/19
896	76.6%	1.7	3.84	12,400	13.8	01/10/19
600	100.0%	9.7	3.94	7,200	12.0	01/10/19
584	100.0%	2.1	6.86	5,180	8.9	n.n.
240	100.0%	5.1	2.65	2,630	11.0	n.n.
722	100.0%	0.8	3.18	4,750	6.6	01/12/2019
454	2,82	1,3	100,0%	3.300	13,8%	n.n.
167	3,66	5,3	100,0%	1.850	9,0%	n.n.
833	3,61	0,5	95,4%	8.150	10,2%	n.n.
3.789	7,21	2,6	77,1%	21.200	17,9%	n.n.
10.886	**4,18**	**4,3**	**85,4%**	**101.310**	**10,7%**	
33.141	**3,34**	**4,9**	**88,9%**	**391.812**	**8,5%**	**0**
44.027	**3,50**	**4,8**	**88,2%**	**493.122**	**8,9%**	**63**

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 June 2018, DIR has been a full member of EPRA and publishes the EPRA key figures according to Best Practice Recommendations (BPR) for the first time.

For the financial year 2018/2019 the EPRA figures 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.

kEUR	2018/2019	2017/2018
Net income	48,671.9	13,714.3
– ./Valuation Result	-37,552.1	-6,913.7
– ./Sales result	-57.0	-585.8
EPRA Earnings	**11,062.8**	**6,214.8**
EPRA Earnings per share, EUR	**0.51**	**0.41**

EPRA net initial yield (EPRA NIY) and EPRA „Topped-up“ NIY

The EPRA initial net return is the annualised annual 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 tenant incentives e.g. rent-free periods. Currently there are no material rent-free incentives at DIR.

kEUR	2018/2019	2017/2018
Investment properties	392,849.0	168,242.2
+ Transaction costs	28,169.8	13,656.1
Gross market value of investment properties	**421,018.8**	**181,898.3**
Annualised In place rent in k€	33,141.0	16,066.0
– Non recoverable operating costs	-6,628.2	-3,213.2
Annualised net rental income	**26,512.77**	**12,852.80**
EPRA Net initial yield, %	**6.3**	**7.1**

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.

kEUR	2018/2019	2017/2018
Operating expenses	-4,530.8	-2,189.3
+ Personnel expenses	-808.3	-453.7
+ Other recurring administrative expenses	-1,161.7	-761.4
– Other income	373.7	147.4
EPRA costs A – including direct vacancy costs	**-6,127.0**	**-3,257.1**
– Direct vacancy costs	-454.1	-298.2
EPRA costs B – excluding direct vacancy costs	**-6,581.1**	**-3,555.3**
Mieteinnahmen	25,481.2	10,260.0
EPRA Cost ratio A, %	**24.0**	**31.7**
EPRA Cost ratio B, %	**25.8**	**34.7**

EPRA NAV

The EPRA NAV represents the long-term value of the company as at the balance sheet date. In this respect, short-term valuation effects of financial instruments from hedging relationships or deferred tax effects are not taken into account and eliminated from equity.

• The EPRA NAV per share as follows:

kEUR (Undiluted)	30/09/2019	2017/2018
Equity	181,463.2	71,811.0
No. of shares	23,451,945	18,000,056
EPRA NAV per share, EUR	**7.74**	**3.99**

• Considering the potential conversion of all convertible bonds the EPRA NAV would be as follows:

kEUR (Diluted)	30/09/2019	2017/2018
Equity	182,295.2	71,811.0
No. of shares incl. conversion shares	25,700,593	18,000,056
EPRA NAV per share, EUR	**7.09**	**3.99**


babywalz

Table of contents

PICTURE:
Bad Waldsee, Steinstr.

1. Fundamentals of the Deutsche Industrie REIT-AG

1.1 Business model and strategy

Deutsche Industrie REIT-AG („Deutsche Industrie", „DIR" or the „Company") was founded as Jägersteig Beteiligungs GmbH in November 2014. In October 2017, the company was renamed Deutsche Industrie Grundbesitz AG. At the beginning of 2018, the status of a REIT („real estate investment trust") with the associated income tax exemption was obtained. Since then, the company has been called Deutsche Industrie REIT-AG.

The share has been listed on the regulated market of the Berlin Stock Exchange since 7 December 2017. Since 19 December 2018, the share has also been listed in the sub-segment of the regulated market with additional subsequent admission obligations (Prime Standard) on the Frankfurt Stock Exchange and therefore also in XETRA.

The company's business activities focus on the acquisition, letting, management and sale of light industrial properties in Germany. „Light Industrial" is a generic term for many different types of industrial operations and covers not only the storage and distribution of commercial goods but also their administration and production. Light Industrial Properties" are therefore typically business parks, logistics properties (warehouses, transhipment halls, distribution halls and special warehouses) or industrial properties that are used by commercial users in most cases for storage, packaging or as smaller production facilities.

The aim of the company is to generate steady, sustainable and profit-oriented earnings growth through further acquisitions, ongoing investments in the real estate portfolio and strategic asset and property management. The company intends to invest throughout Germany with a focus on good micro locations. In addition, the Company intends to take advantage of the favourable financing conditions currently available on the market to finance further property acquisitions.

The Company intends to achieve its strategic goals with the following measures:

- Acquisition of further Light Industrial properties with potential for value enhancement
- Exploitation of existing potential for value enhancement through rent increases, new rentals and revitalisation of properties
- Active, strategic portfolio management to expand and improve the real estate portfolio and ongoing review of the portfolio properties regarding their added value as part of the overall portfolio
- Benefiting from the advantages of being a REIT-AG

1.2 Structure and controlling system

Under company law, DIR consists of a corporation which holds and accounts for all real estate. This and its REIT status enable the company to have very lean administrative structures. In addition, the existing network, the management's many years of experience and the flat structures help to achieve a high purchase speed, which is advantageous in transactions.

DIR's largest shareholder is currently Obotritia Capital KGaA („Obotritia") with its personally liable shareholder Rolf Elgeti, which together with its subsidiaries currently holds around 35 % of the shares. DIR uses the offices and the IT infrastructure as well as partly the staff of Obotritia, which is proportionately charged to the company. According to §312 AktG, DIR is obliged to prepare a dependency report for the period as a subsidiary of Obotritia KGaA.

DIR is managed based on key financial indicators such as initial yield, FFO (funds from operations), aFFO (adjusted funds from operations), LTV (loan to value) and EPRA NAV (EPRA net asset value). The key performance indicator is the FFO. We also regard the ratio of current administrative expenses to rental income as a further controlling parameter.

Non-financial DIR controlling parameters are the annualised net cold rent, the occupancy rate and the weighted average lease term (WALT) for individual properties and the portfolio as a whole. These non-financial key figures are subject to significant fluctuations due to the acquisition of properties with higher vacancy rates and low residual lease terms in line with the business model.

DIR also has planning instruments such as corporate planning and rolling liquidity planning that are used to control operating business development.

1.3 Research and Development

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

2. Economic report

2.1 Overall economic development

The global economy lost considerable momentum in the course of 2018.[1] According to a forecast published by Kiel Institute for the World Economy (IfW) in September 2019, global trade seems to have even been declining since the beginning of the year. US trade disputes and uncertainties about the economic impact of populist governments in several emerging economies would weigh on the outlook. In addition, in Europe, there is the lack of clarity on the timing and modalities of the Brexit.[2]

According to the Federal Statistical Office (Destatis), German economic performance has also weakened somewhat. In the second quarter of 2019, real (price-adjusted) gross domestic product (GDP) declined by 0.1 %, seasonally and calendar adjusted, compared to the previous quarter. In the first quarter of 2019, the German economy had gained 0.4 %. GDP also grew by 0.2 % in the fourth quarter of 2018, but had declined by 0.1 % in the third quarter of 2018.[3] According to the Bundesbank, the German economy is likely to have remained lacking momentum in the summer of 2019 as well, and overall economic output may again have declined slightly. The deciding factor here would have been the continued downturn in the industry.[4] This is also due to the high level of political uncertainty that has resulted, above all, from ongoing trade conflicts.[5]

The interest rate level in the eurozone remains at a historic low. On 16 March 2016, the European Central Bank (ECB) cut interest rates by 5 basis points, leaving the main refinancing rate at 0.00 % since then. As a result, real estate companies such as Deutsche Industrie REIT-AG, which largely finance their holdings by borrowing, continue to find favourable conditions for financing their investments.[6]

2.2 Development of the German Light Industrial real estate market

The Company is specialised in the acquisition, rental, management and sale of Light Industrial properties, which are mainly business parks, logistics properties (warehouses, transhipment halls, distribution halls and special warehouses) or industrial properties that are used by commercial users in most cases for storage, packaging or as smaller production facilities. The market for Light Industrial properties in Germany, which is defined in this way by the Company, is dominated by the submarket of logistics properties, which is therefore also of decisive importance for the Company's business activities. The market for logistics properties will therefore be described in more detail below.

1 Source: Kiel Economic Report No. 54 (2019/Q1) of 13 March 2019: Medium-term projection for Germany in spring 2019, page 5.

2 Source: Kiel Economic Report No. 57 (2019/Q1) of 10 September 2019: World economy in autumn 2019, page 3.

3 Source: Press release Destatis of 27 August 2019.

4 Source: Deutsche Bundesbank: Monthly Report August 2019, pages 58, 61.

5 Source: Kiel Economic Report No. 59 (2019/Q3) of 10 September 2019: German economy in autumn 2019, page 3.

6 Source: www.finanzen.net/leitzins/, last reviewed on 25 November 2019.

Sales in the European logistics market amounted to EUR 1,120 billion in 2018 (approx. +6.7 % year-on-year), with Germany again accounting for the largest share, around 24.8 %.[7 8] Apart from the geographically advantageous location in the centre of Europe with an extensive motorway and rail network as well as a leading international position, the German export surplus continues to favour the development of the logistics market.

Consumer spending by private households in Germany, which also has a direct impact on the logistics sector, rose to EUR 1,693.1 billion in 2018, an increase of around 2.65 % over the same period last year.[9] The shipping of goods and parcels by courier, express and parcel services recorded a high increase in recent years, with a further increase of 4.0 – 4.5 % forecast for 2019 despite the difficult environment10. In addition, online trading is expected to grow by 10 – 12 % annually and reach a turnover of EUR 80 billion by 2021.[11] Additional logistics space will be needed nationwide to cope with the rise in private consumption and the increase in deliveries of goods.

One of the most important trends for the company, however, is the steady demand on the investment market for German logistics real estate.[12] In 2018, a new all-time high of 7.6 million square meters was reached in this market segment.[13] From the Company's perspective, this demand will continue and probably continue to rise due to the persistently historically low level of interest rates, the high demand for commercial real estate by international investors and the stable economic situation in Germany, which sometimes has a positive effect on consumer spending, the production of goods and domestic trade.

In 2018, transactions with a volume of approximately EUR 6.8 billion were carried out on the German investment market for industrial and logistics real estate. This corresponds to a minus of around 21.3 % compared to the previous record year 2017 and a roughly 3-fold increase compared to the transaction volume of 2013 (EUR 2.3 billion). The market share of industrial and logistics real estate is approx. 11 % of the total commercial real estate market.[14]

The current continued increase in price levels could lead to further portfolio holders taking advantage of the good framework conditions in 2019 and considering selling their properties.

7 Source: "Market volume of the logistics market in Europe in the years 2008 to 2018", available on 28 October 2019, available at https://de.statista.com/statistik/daten/studie/204132/umfrage/volumen-des-logistikmarktes-in-europa/, published by Statista GmbH

8 Source: "Sales volume of the logistics market in Europe by individual countries in 2018", available on 28 October 2019, available at https://de.statista.com/statistik/daten/studie/72734/umfrage/volumen-vom-logistikmarkt-in-europa-nach-einzelnen-laendern/, published by Statista GmbH

9 Source: "Volkswirtschaftliche Gesamtrechnung - Private Konsumausgaben und Verfübare Einkommen, 2. quarter 2019", published on 30 September 2019 by the Federal Statistical Office, p. 6.

10 Source: "KEP Study 2019", published in June 2019 by KE-CONSULT Kurte&Esser GbR, p. 21

11 Source: "Logistikimmobilienreport Deutschland | Full Year 2017", published in March 2018 by Jones Lang LaSalle Real Estate, p. 3

12 : Source: "Market Report - Industry and Logistics Markets at a Glance", pbd. by Colliers International Germany, p. 4

13 Source: "Logistikmarkt Deutschland - Property Report 2018", published by BNP Paribas Real Estate GmbH, p. 4

14 Source: "Market Report - Industry and Logistics Markets at a Glance", published by Colliers International Germany, p. 7

2.3 Business performance

Development of the real estate portfolio

In the 2018/2019 financial year, the portfolio grew strongly due to further acquisitions. As of 1 October 2018, the portfolio comprised 22 properties with rentable commercial space of approx. 0.47 million m² and an annualised net cold rent of EUR 16.1 million. With the transfer of ownership of 28 acquired properties the property portfolio reported as of 30 September 2019 comprises of 49 properties with approx. 1.11 million sqm of rentable commercial space and an annualised net cold rent of EUR 33.1 million, including one sale.

In addition, purchase agreements for eight further properties with an investment volume of EUR 54.2 million were notarised in the reporting period, for which the change in benefits/liabilities did not take place until after 30 September 2019 or will only take place in the future.

The pre-emptive right was exercised for a property acquired in Berlin in December 2018 (purchase price EUR 16.6 million); therefore, this property will not be transferred to the ownership of the Company.

One property in Stralsund was sold to a private investor. The sales price amounted to kEUR 610.0, which was a substantial increase over the purchase price of kEUR 180.0 paid in a foreclosure sale in 2015.

Increase in value of the real estate portfolio

AThe annual property valuation of the portfolio took place on the valuation date of 30 June 2019. The result was a significant revaluation in the amount of EUR 37.6 million. Accordingly, the portfolio reported in the balance sheet now has a value of EUR 392.8 million (including IFRS adjustments for leasehold rights). The increase in values is mainly due to higher market prices, especially in the logistics segment, as well as higher market rents and operational improvements (vacancy reduction, rent increases and contract extensions) in the portfolio.

Successful capital increases

In December 2018, the Company carried out a capital increase. A total of approximately 4.5 million shares were placed at a price of 11.00 per share, resulting in gross proceeds of approximately EUR 49.5 million. With the selected transaction structure, approximately two thirds of the new shares were sold through a private pre-placement on December 13, 2018, which was made possible by assigning subscription rights to existing shareholders. The remaining third was allocated in the subsequent two-week subscription period by exercising the subscription rights and in a rump placement on 28 December 2018.

As part of a further capital increase on 19 September 2019, a further 951,873 new shares were placed with institutional investors and existing shareholders at a price of EUR 15.75 per new share. The company thus received gross proceeds of EUR 15.0 million from the issue.

New take up of debt financing

On 22 October, the Company concluded a loan agreement in the amount of EUR 7.5 million with Berliner Sparkasse to finance the property at Chausseestsraße 3, Wildau. The loan, with an interest rate of 2.40 % fixed for ten years, will be repaid in monthly annuities with an initial repayment of 5.00 %.

On 20 February, DIR increased its secured bond by EUR 28.1 million from EUR 89.9 million to EUR 118.0 million and sold it to an institutional investor in a private placement. The increased bond amount was secured by land charges on the property in Bad Waldsee. The real estate bond is now divided into 1,180 equal bearer bonds of kEUR 100.0 each. The term began on 30 August 2017 and ends on 30 August 2022. Bondholders receive a fixed interest rate of 4.00 % p. a. until full repayment.

A further loan of EUR 3.675 million was taken out with Sparkasse UnnaKamen on 22 February 2019. At an interest rate of 2.10 %, it has a fixed interest rate of 10 years and will be repaid initially at 5.00 %.

A portfolio of eleven properties was refinanced with Berliner Sparkasse at the beginning of April by taking out a loan of EUR 42.0 million. The loan has a term and a fixed interest rate of ten years at an interest rate of 2.01 % and will be repaid initially at 5.00 %.

On 25 July 2019, the Company concluded a loan agreement in the amount of EUR 3.0 million with VR Bank Südthüringen eG to finance the property Am Köhlersgehäu 6, 98544 Zella-Mehlis. The loan has a fixed interest rate of 1.75 %, matures on 31 October 2029 and will be repaid in monthly annuities with a repayment rate of 9.05 % p. a. The loan is subject to a fixed interest rate of 1.75 %. The loan is subject to a fixed interest rate.

On 12 August 2019, the Company concluded a loan agreement in the amount of EUR 6.0 million with Stadtsparkasse Düsseldorf to revalue the own funds used for the purchase of the Nümmener Feld 10, 42719 Solingen property. The loan has a fixed interest rate of 1.35 % until maturity on July 30, 2024 and will be repaid in monthly annuities with a repayment rate of 5.0 % p. a. The loan is subject to a fixed interest rate of 1.35 % until maturity on July 30, 2024. The remaining debt must be repaid at the end of the term.

On 20 August 2019, the Company concluded a loan agreement in the amount of EUR 1.4 million with Volks- und Raiffeisenbank eG for the acquisition of the property at Grevesmühlener Strasse 18a, 19057 Schwerin. The loan has a fixed interest rate of 1.92 % until 30 May 2029 and will be repaid in monthly annuities with an annual repayment of 5.28 %. In addition to the security in the form of a first-ranking land charge on the property, a guarantee from R+V Kautionsversicherung in the amount of kEUR 250.0 was concluded.

On 3 September 2019, the Company concluded a loan agreement of EUR 2.7 million with Sparkasse UnnaKamen to refinance the commercial property at Eisenbahnstraße 70, 47198 Duisburg. The loan has a fixed interest rate of 1.99 % for ten years and will be repaid in monthly annuities with an annual repayment of 5.00 %.

Unless otherwise stated, the loans are secured by first-ranking land charges and assignments of rent and lease payments.

Convertible bond

AOn 11 June 2019, DIR successfully placed a convertible bond with a maturity until 11 June 2026 and a total nominal amount of EUR 41.6 million, which is divided into 416 bonds with a nominal amount of EUR 100,000.00 each, on 11 June 2019. The convertible bonds are convertible into 2,248,648 new or existing Deutsche Industrie bearer shares without par value or can be redeemed in cash.

The convertible bonds have a term of seven years, were placed at 97 % of their nominal value and bear interest at a coupon of 2 % p. a. The bonds are subject to a fixed interest rate. The initial conversion price is EUR 18.50, which corresponds to a conversion premium of 28.47 % above the reference price (closing price of Deutsche Industrie shares on 4 June 2019).

The convertible bonds were placed in a private placement, excluding shareholders' subscription rights, exclusively to institutional investors in certain jurisdictions (outside the United States, Australia, Japan and Canada) and included in trading on the Regulated Unofficial Market of the Frankfurt Stock Exchange.

Annual General Meeting

On 22 March 2019, the Company's Annual General Meeting was held in Berlin.

At the Annual General Meeting, Hans-Ullrich Sutter was elected as a new member of the Supervisory Board. The previous Chairman of the Supervisory Board, Dr Maximilian Murawo, resigned from his office with effect from the end of the Annual General Meeting. At the constituent meeting of the Supervisory Board held after the Annual General Meeting, Mr. Hans-Ulrich Sutter was elected Chairman of the Supervisory Board. Dr Dirk Markus was reappointed Deputy Chairman.

The Annual General Meeting resolved to pay a dividend of EUR 0.09 per share for the 2017/2018 financial year and paid this out to the shareholders on 27 March 2019.

In addition, the actions of the Management Board and Supervisory Board were approved for their term of office in fiscal year 2017/18. DOMUS AG Wirtschaftsprüfungsgesellschaft/Steuerberatungs-

PICTURE:
Simmern, Argenthaler Str.

gesellschaft, Berlin, was appointed as auditor for the 2018/19 financial year. In addition, various minor amendments to the Articles of Association were adopted.

In addition, a new authorised capital 2019/I in the total amount of EUR 11,250,036.00 was created, which can be utilised until 21 March 2024, and a resolution was passed to create an authorisation to issue bonds with warrants and/or convertible bonds with a total nominal value of up to EUR 150,000,000.00 and to create Contingent Capital I of up to EUR 11,250,036.00 with the option of excluding subscription rights.

More than 67 % of the share capital was represented (share capital of the company at the time the Annual General Meeting was convened: EUR 22,500,072). All items on the agenda were resolved by a large majority.

2.4 Financial position, liquidity and financial performance

Financial position

The balance sheet total increased by kEUR 255,373.1 to kEUR 438,989.1 (previous year: kEUR 183,616.0). This was mainly due to growth through acquisitions and the revaluation of the property portfolio. Accordingly, investment property was recognised at kEUR 392,849.0 as of 30 September 2019 (30 September 2018: kEUR 168,242.2). There were also other non-current assets of kEUR 38,886.2 (previous year: kEUR 11,196.1), which relate to advance payments for the acquisition of investment property. Current assets increased to kEUR 5,765.2 (previous year: kEUR 3,260.3). This is mainly due to the higher level of cash and cash equivalents.

The Company's equity increased by kEUR 109,652.2 to kEUR 181,463.2 (September 30, 2018: kEUR 71,811.0), which is attributable to the two capital increases and the positive net income of kEUR 48,671.9 (September 30, 2018: kEUR 13,714.3).

• **The EPRA NAV per share as of September 30, 2018 is as follows:**

	30/09/2019	30/09/2018
Equity (kEUR)	181,463.2	71,811.0
Number of shares at the balance sheet date	23,451.945	18,000,056
EPRA NAV per share, EUR undiluted	7.74	3.99

A dilution from the convertible bond was not to be considered here, as no convertible bonds have been converted so far.

Non-current liabilities increased by kEUR 126,113.0 to kEUR 228,144.6 (previous year: kEUR 102,031.6). This results from the issuance of the convertible bond, the increase in the corporate bond and the taking up of further bank loans.

Current liabilities increased by kEUR 19,607.8 to kEUR 29,381.2 (previous year: kEUR 9,773.4). This is due in particular to the loan portfolio as of September 30, 2019 in the amount of kEUR 20,177.8 at Obotritia Capital KGaA as well as the increase in short-term liabilities to credit institutions (interest) due to the higher loan portfolio.

The development of financial liabilities and the Net-LTV is as follows:

kEUR	30/09/2019	30/09/2018
Non-current financial liabilities	228,141.6	100,728.7
Current financial liabilities	24,134.6	3,615.2
Cash and cash equivalents	-2,065.7	-117.1
Trust accounts	-459.0	-1,700.4
short-term loans	0.0	-144.7
Net debt	**249,751.5**	**102,381.7**
Investment properties	392,849.0	168,242.2
Advance payments on investment property	38,886.2	11,196.1
Non-current assets held for sale	435.0	0.0
Total Investment properties	432,170.2	**179,438.3**
Net LTV	**57,8 %**	**57,1 %**

* The change in presentation due to the inclusion trust accounts managed by the property management results in a net LTV of 57.1 % as at 30 September 2018 compared with the previously reported value of 58.0 %

Liquidity

The cash flow statement is as follows:

kEUR	2018/2019	2017/2018
Cash flow from operating activities	17,133.1	6,926.9
Cash flow from investing activities	-198,002.9	-69,182.4
Cash flow from financing activities	182,818.4	62,349.3
Change in cash and cash equivalents	**1,948.6**	**93.7**
Cash and cash equivalents at the beginning of the period	117.1	23.4
Cash and cash equivalents at the end of the period	**2,065.7**	**117.1**

Cash flow from operating activities increased to kEUR 17,133.0 (previous year: kEUR 6,926.9). This is directly related to the increase in rental income due to the increased real estate portfolio.

Cash flow from investing activities amounted to kEUR -198,002.8 in the year under review (previous year: kEUR -69,182.5) and essentially includes payments for properties purchased as well as payments from short-term cash management.

The various financing measures implemented impacted cash flow from financing activities in the amount of EUR 182,818.4 thousand (previous year: EUR 62,349.3 thousand). These were the cash inflows from the two capital increases, the top-up of the secured real estate bond, the issuance of the convertible bond in June (disbursement with a discount of 3 %, nominal kEUR 41,600) as well as several new loans. This was offset by payments for debt service and dividends.

The Company was always able to meet its payment obligations.

Financial performance

The financial performance of Deutsche Industrie developed as follows in the financial year:

kEUR	2018/2019	2017/2018
Net rental income	20,950.5	8,070.7
Net proceeds from the sale of investment properties	57.0	585.8
Other income	373.7	147.4
Result from the revaluation of investment properties	37,552.1	6,913.7
Administrative expenses	-2,725.4	-1,927.1
EBIT	**56,207.8**	**13,790.5**
Finance result	-7,558.1	-1,337.4
EBT	**48,649.7**	**12,453.1**
Income tax and other tax	22.2	1,261.2
Net income	**48,6491.7**	**13,714.3**

Gross rental income increased primarily due to growth from acquired properties as well as vacancy reductions and rent adjustments. Operating expenses rose accordingly. The net rental income rose to approximately kEUR 20,950.5 (previous year: kEUR 8,070.7). The ratio of net rental income to gross rental income was approx. 82.2 % (previous year: 78.7 %).

The other operating income of kEUR 373.7 (previous year: kEUR 147.4) is mainly based on insurance refunds.

The result for the period was significantly influenced by the regular valuation of the real estate portfolio and the resulting positive valuation result of kEUR 37,552.1 (previous year: kEUR 6,913.7). The revaluation resulted in particular from the increase in market values in the logistics segment, caused by the increased international demand for this segment. However, operational improvements (new rentals, vacancy reduction and rent adjustments) and higher market rents also contributed to the increase in value.

The increased administrative expenses of kEUR -2,725.4 (previous year: kEUR -1,927.1) result equally from the increase in personnel costs, from increased depreciation and impairment due to the increased portfolio and from increased other administrative expenses, among other things due to the costs of capital measures and for mortgages.

The cost ratio for administrative expenses is as follows:

kEUR	2018/2019	2017/2018
Personnel expenses	-808.3	-453.7
Other company expenses	-1,592.9	-1,264.2
one-off effects	446,6	502.8
Adjusted administrative expenses	**-1,970.1**	**-1,215.2**
Gross Rental income	25,481.2	10,260.0
Recurring costs ratio	**7.7 %**	**11.8 %**

The financial result of kEUR -7,558.1 (previous year: kEUR -1,337.4) results from the increase in financing liabilities (loans and bonds) corresponding to the larger real estate portfolio as well as significantly lower interest income, which had a substantial impact on the previous year's result and a valuation effect from the fair value measurement of the convertible bond.

There are no income taxes due to the tax exemption for REIT companies. The reported income taxes and other taxes relate to refunds for previous years.

The annual net income amounts to kEUR 49,671.9 (previous year kEUR 13,714.3) from which FFO (funds from operations) and aFFO (adjusted funds from operations) are derived as follows:

kEUR	2018/2019	2017/2018
Net income	48,671.9	13,714.3
Adjustment Income taxes	0.0	-1,261.3
Adjustment amortisation and depreciation	115.5	14.1
Adjustment revaluation result	-37,552.1	-6,913.7
Adjustment revaluation result financial liabilities	-57.0	-585.8
Adjustment sales result	832.0	0.0
Adjustment for special effects / non-cash expenses + income	446.1	-132.3
Adjustment for one-off expenses/income	431.2	502.8
FFO	**12,887.7**	**5,338.1**
- Capex	-3,273.4	-1,017.5
aFFO	**9,614.3**	**4,320.6**

Non-cash expenses and income mainly comprise valuation adjustments from interest on convertible bonds and interest on the real estate bond. Non-recurring expenses/income mainly comprise expenses for land charges and expenses not relating to the accounting period.

Capitalised maintenance expenditures (capex) include value-enhancing construction measures in several properties, primarily through investments in the business park Schortens.

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

Following an already very successful 2017/2018 financial year, the 2018/2019 financial year was even more positive. On the one hand, the real estate portfolio was considerably expanded through further acquisitions, which also led to a corresponding increase in rental income. At the same time, the operating performance of the portfolio was improved through new lettings and lease extensions. In addition, the valuation gain from the property valuation again showed the portfolio's great value enhancement potential. In terms of financing, loans were raised on more favourable terms, the secured corporate bond was increased and two capital measures were successfully implemented.

In the 2018/2019 financial year, FFO of kEUR 12,887.7 was achieved and the forecast of kEUR 12,000.0 to kEUR 14,000.0 was met.

The effects of the acquisitions will be felt throughout the year from the new 2018/2019 financial year onwards. DIR's management therefore believes that the company is optimally positioned for further successful and profitable development.

Other non-financial performance indicators

The occupancy rate at the balance sheet date was 88.9 % (30 September 2018: 84.9 %) and the WALT of the portfolio was 4.9 years (30 September 2017: 3.9 years). Due to the sustained very strong growth from 22 to 49 properties, the comparison with the previous year's figures is only of limited use. However, rent and WALT also developed positively on a like-for-like basis.

3. Opportunities and Risk Report and Forecast Report

3.1 Opportunities and Risk Report

Risk management system of DIR

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 value of the Company. 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 DIR comprises a systematic identification, analysis, assessment and monitoring of significant risks by the Management Board of the Company. Given 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 can identify business failures at an early stage and communicating this to corporate governance
- a regular or event-related risk inventory
- the documentation of relevant risks for regular or event-related information of corporate governance
- 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, designed to ensure accurate and complete financial reporting, ensuring a secure invoice receipt and disbursement 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 taken by the Management Board on the controlling measures, the identified, analysed and assessed risks are actively reacted at this stage.

e. Risk controlling: The subject of risk controlling is the methodical and content-related planning, monitoring and control 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 based on defined thresholds regarding the amount of damage and the probability of occurrence:**

Extent of damage		EUR million			
	High	> 8,0	Medium	Medium-high	High
	Medium	4,0 up to 8,0	Medium-low	Medium	Medium-high
	Low	< 4,0	Low	Medium-low	Medium
			< 10 %	10 % bis 50 %	> 50 %
			Low	Medium	High
			Probability of occurrence		

DIR is exposed to the following risk categories or individual risks that, individually or collectively, may adversely affect the Company's net assets, financial position, results of operations and future economic development:

General, strategic and market-specific risks

a. **Political, legal and social risks**
Since the business activities of DIR are regulated by legal frameworks for real estate, this could be affected by changes in 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 have an indirect impact on DIR.

b. **Economic risks**
So far, DIR has achieved its sales exclusively in Germany. 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 DIR can be affected here. Furthermore, the national economic situation may also depend considerably on international developments.

c. **Industry risks in the light industrial sector**
So far, DIR has achieved its sales exclusively in Germany. 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 DIR can be affected here. Furthermore, the national economic situation may also depend considerably on international developments.

The Management Board currently considers these risks to be low overall, as the German economy is currently stable and demand for this product class is good and supply limited. In addition, due to Germany's advantageous geographical location and the expected increase in turnover in the logistics sector, the risk of falling rents and the absence of lease extensions is considered low.

d. **Changes in the financing environment/capital market**
Of 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 the cost of earnings.

Company specific risks

a. **Risks due to the use of IT**
DIR uses all current and modern IT applications and is supported here by an external system house. In this context, there is basically a risk of total outages both at DIR and the service provider, which could lead to significant disruptions in the business. Furthermore, there is a risk of attacks on the systems of DIR and thus the access of unauthorised persons to the data of DIR.

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

Furthermore, with the decree on the mandatory application of the new General Data Protection Regulation (GDPR), companies were given the responsibility to protect user data. In concomitant with this, DIR must protect stored data against misuse or, in the case of misuse, to send an immediate notification to the persons concerned. In the case of infringements, fines may amount to up to 4 % of the annual turnover. DIR has installed an external professional data protection officer in good time for this purpose, who monitors these processes and is available for any doubtful questions.

b. **Human Resources risks**
Due to DIR's lean personnel and administrative structure, there is a risk that qualified and high-performing employees and knowledge carriers leave the Company and cannot be replaced within a reasonable time.

c. **Financing risks**
As part of its business, DIR is exposed to financing, liquidity and interest rate risks.

Financing risks exist in so far as borrowing cannot be realised or can only be carried out under unfavourable conditions due to changes in Company or market-related developments, which could have a negative impact on further acquisition financing and the earnings situation of DIR. Should this result in problems in servicing current loans, lenders could force-sell real estate collateral, and such distress sales could result in significant financial penalties for DIR.

In order to counteract this risk, DIR 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.

There are also various risks regarding corporate liquidity. These can arise on the one hand as a result of possible rent losses. In addition, negative liquidity effects may arise in individual cases if leases cannot be extended and vacancy rates arise as a result. In addition, a breach of agreed ratios in loan agreements (covenants) may lead to a special termination of the lending bank and cause an unscheduled 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 the liabilities due for rollover or refinancing as well as planned loans for the financing of real estate portfolios. In order to hedge against adverse effects of changes in interest rates, DIR uses fixed interest rates for financing depending on the market situation and the assessment of market prospects. The direct impact of changes in the general interest rate level on the Company's performance on changes in cash flows is relatively small compared to the potential indirect effects of changes in the general interest rate level on real estate demand.

d. **Legal and litigation risks**
IIn the course of its business activities, DIR 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.

There are currently no other legal risks, in particular from legal disputes, which could have a significant impact on the economic position of the Company.

e. **Tax risks**
To maintain the REIT status, DIR 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 by the following regulations:

- Exclusion of the acquisition of domestic existing residential real estate
- Exclusion of the acquisition of shares in real estate corporations
- Exclusion of real estate trading
- Limitation of reserve formation
- Only minimal liquidity formation due to the minimum distribution of 90 % of the annual net income according to commercial law
- Limitation of ancillary activities close to the property for third parties
- Minimum equity of 45 % of immovable property

If the statutory requirements are not met, DIR risks losing the tax exemption. This can lead to certain after-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 with (criminal) payments for non-compliance with the provisions of the REIT Act. In addition, the Company is threatened with compensation claims by shareholders in the event of a loss of the REIT status due to at least a 15 % free float and/or a maximum participation rate of 10 %. Eligible are shareholders who own less than 3 % of the voting rights. 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 a disadvantageous interpretation of the application of the law or force the Company to adapt to the new legal situation.

Property-specific risks

a. **Investment risk of the individual property**
The economic success and further growth of the Company is decisively dependent on the selection and acquisition of suitable real estate. This involves the risk of incorrectly assessing or not recognising the structural, legal, economic and other burdens on the objects 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, misconceptions 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 object 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.

b. **Inventory and valuation risks**
The Company holds real estate holdings in order to achieve the most stable cash flows possible from the management of these holdings over a longer period of time. While the real estate is in the Company's portfolio, it may manifest a variety of inventory and valuation risks that could cause the Company to lose value. For example, the social structures of a location may deteriorate after the acquisition of real estate by DIR and, as a result, adversely affect letting activities and the achievable rental income.

In addition, the property holdings held by the Company may experience excessive wear and tear requiring earlier or to a greater extent than originally planned maintenance and revitalisation measures. In addition, it may also turn out that the structures have an initially unexpected recovery requirement, which leads to additional costs for the Company, without these initially corresponding to 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 combined with higher leasing expenses. In addition to adverse effects on the Company's ongoing operating income and expenses, these risks may adversely affect the valuation of the property held by DIR and therefore the Company's results.

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 real estate inventory and valuation risks for the respective locations are counteracted 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.

c. **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 conditions could have a direct negative impact on the rental income generated by DIR and the development of vacancies in the Company's real estate portfolio. In addition, 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.

d. **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 their tight monitoring.

Uncertainties may also contribute to the construction risks as to whether, when and under which 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 tenants 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 already being thoroughly examined in advance of individual construction measures

e. **Contaminated soils and buildings**
If contaminated sites and other building, soil and environmental pollution are identified, the Company may be required to take intensive and costly measures to eliminate them. To protect against the risk, the warranties of the seller are obtained, and due diligence checks are carried out during the purchasing process.

Internal controlling and risk management system regarding the accounting process

The accounting-related internal control system at DIR 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 object and portfolio information from its commissioned service providers according to its specifications, in which it is informed about important, contract-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 DIR aims to reduce the risk of material errors or inappropriate presentation of the net assets, financial position and results of operations. 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 and IFRS as well as object and portfolio information. The accounting process is monitored by both service providers and the Company through an effective 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. DIR was convinced of the technical, qualitative and capacity-based 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, DIR has so far refrained from establishing an internal audit.

Other influences

In addition to the risks mentioned, there are general influences that are unpredictable and thus hardly controllable. 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 DIR.

Assessment of the overall risk

The overall risk situation is rated as low by the Management Board and has not changed significantly compared to previous years. In the case of individual risks mentioned above, we currently assess the competitive risk as well as the financing risks from rising key interest rates and risks from asset management as medium risks, with no material new events and associated risk increases in the year under review. In our estimation, there are currently no concrete risks jeopardising the existence of the Company.

Chances of future development

As a result of the acquisitions of additional high-yield properties in the year under review, DIR will significantly increase its cash flow from leases. Furthermore, the reduced financing costs due to the refinancing of borrowed capital will contribute to increasing profitability and funds from operations (FFO).

Furthermore, the Management Board expects that DIR will increasingly be perceived as a reliable and long-term oriented real estate partner, which will result in better opportunities for extending lease agreements as well as acquisition opportunities for further properties. Due to DIR's increasing presence at capital market conferences and investor media, the Management Board expects broader demand for DIR shares in the future.

3.2 Forecast report

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

Forecast for the 2019/2020 financial year

In the 2019/2020 financial year, DIR will continue to concentrate on efficient portfolio management and above all on the further acquisition of Light Industrial properties in accordance with the investment criteria. Acquisitions will be financed to a moderate extent by existing equity, borrowings in line with market conditions and, if necessary, by capital measures.

The development of the FFO as a key performance indicator for the company depends to a large extent on the size of the acquisitions and the associated increase in rental income. Based on planned acquisitions the Company expects the FFO to increase to EUR 23.0 million to EUR 25.0 million for the coming financial year.

Due to the dynamic development of the company planned for the 2019/2020 financial year and the continued good growth prospects, there will continue to be a need for additional liquidity. For the coming financial year, the Company expects further enough liquidity inflows due to the very good access to the banking, investor and capital markets.

PICTURE:
Meerbusch, Fritz-Wendt-Str.

4. Remuneration report

Compensation system for the Supervisory Board

The members of the Supervisory Board receive a fixed cash remuneration of kEUR 5.0 plus the premiums for an appropriate directors‘ and officers‘ liability insurance policy (D&O insurance) for each full fiscal year of their membership of the Supervisory Board. The Chairman of the Supervisory Board receives twice and the Deputy Chairman one and a half times this basic remuneration.

Committees were not formed and attendance fees are not granted. Variable remuneration based on the success of the Company or other criteria is not granted.

The remuneration of the Supervisory Board in the fiscal year amounted to kEUR 22.5 (previous year: kEUR 22.5) plus expenses and sales tax and is distributed as follows:

Supervisory Board member	2018/2019 (TEUR)	2017/2018 (TEUR)
Dr. Maximilian Murawo Chairman (until 22/03/2019)	4.7	10
Hans-Ulrich Sutter Chairman (from 22/03/2019)	5.3	0.0
Dr. Dirk Markus Vice Chairman	7.5	7.5
Achim Betz	5	5
Total	22.5	22.5

Remuneration system for the Management Board

Basic remuneration system

The directors of DIR receive a non-performance-related basic compensation in cash as well as a performance-related variable compensation in cash, which is based on short-term incentive (STI) and long-term incentive (LTI) targets.

CEO Rolf Elgeti is exempted from this compensation system and receives a lump-sum annual fee of TEUR 71.3. Remuneration is paid by the shareholder Obotritia Capital KGaA, as there is no employment contract between the Company and the CEO.

The non-performance-based basic remuneration consists of the fixed annual salary, which is paid in twelve monthly instalments. Some of the board members use a company car, which is taxed as a pecuniary advantage. Other benefits as other remuneration are not granted. Pension entitlements do not justify the contracts of the Management Board.

For the variable compensation, a compensation system was introduced for the 2017/2018 financial year, which is geared towards operational goals and which is fundamentally based on a fixed calculation scheme, which includes short-term and long-term components.

In the case of a change of control, i.e., if one or more shareholders acting jointly acquire at least 30 % of the voting rights in DIR, they are entitled to terminate the employment contract with a two-month period (special right of termination). If this special right of termination is exercised, the Company pays a gross compensation due at the time of the departure in the amount of the remuneration payable under the employment contract, but not exceeding 150 % of the severance payment cap. For the other two board members, this regulation does not exist.

Variable remuneration for financial year 2018/2019
The criteria for the achievement of the objectives were taken as a basis:

1. Share price performance (weighting 30 %)
2. FFO per share (weighting 40 %)
3. Development of EPRA NAV per share (weighting 30 %)

The degree of target achievement is redefined each year and amounts to 20 % growth for each of the three targets for the 2018/2019 financial year.

The variable remuneration for 100 % target achievement amounts to 2018/2019:

- For Sonja Petersen: kEUR 150.0
- For René Bergmann: kEUR 100.0

The variable remuneration begins at a target achievement of at least 30 % (below = EUR 0). In the event of overachievement, a cap of 150 % is set for each individual target. To this extent, the total variable remuneration component 2018/2019 for Ms Petersen may not exceed kEUR 225.0 and for Mr Bergmann kEUR 150.0.

Half of the variable remuneration is paid in cash after the financial statements audited by the auditor have been determined (in December of the year). The other half will be distributed after two further financial years, provided that the target of 30 % is achieved in each of the financial years.

The figures are calculated based on the previous year's VWAP (September), the 30 September reporting date (NAV) or the comparable prior-year period (FFO) and are based on the IFRS financial statements.

Remuneration of the Management Board in fiscal year 2018/2019

The remuneration of the Management Board, which was earned in the past financial year (grants granted), amounted to kEUR 520,3 (prior year: kEUR 370.2).

The amounts received by the Management Board in the past fiscal year amounted to kEUR 501.6 (previous year: kEUR 262.4).

kEUR	Rolf Elgeti CEO		Sonja Paffendorf CIO (seit 18/10/2017)				René Bergmann CFO (seit 01/09/2018)			
	2017/2018 (Current)	2018/2019 (Current)	2017/2018 (Current)	2018/2019 (Current)	2018/2019 (Min.)	2018/2019 (Max.)	2017/2018 (Current)	2018/2019 (Current)	2018/2019 (Min.)	2018/2019 (Max.)
Granted Remuneration										
Fixed remuneration	71.3	71.3	114.5	120.0	120.0	120.0	10.0	120.0	120.0	120.0
Fringe benefits	0.0	0.0	16.6	14.2	14.2	14.2	0.0	7.3	7.3	7.3
Total	**71.3**	**71.3**	**131.1**	**134.2**	**134.2**	**134.2**	**10.0**	**127.3**	**127.3**	**127.3**
STI	0.0	0.0	153.1	112.5	112.5	112.5	4.7	75.0	0.0	75.0
LTI	0.0	0.0	0.0	112.5	112.5	112.5	0.0	60.9	0.0	75.0
Total	**0.0**	**0.0**	**153.1**	**225.0**	**225.0**	**225.0**	**4.7**	**135.9**	**0.0**	**150.0**
Total remuneration	**71.3**	**71.3**	**284.2**	**359.2**	**359.2**	**359.2**	**14.7**	**263.2**	**127.3**	**277.3**

Related Remuneration										
Fixed remuneration	71.3	71.3	114.5	120.0			10.0	120.0		
Fringe benefits	0.0	0.0	16.6	14.2			0.0	7.3		
Total	**71.3**	**71.3**	**131.1**	**134.2**			**10.0**	**127.3**		
STI	0.0	0.0	50.0	112.5			0.0	56.3		
LTI	0.0	0.0	0.0	0.0			0.0	0.0		
Total	**0.0**	**0.0**	**50.0**	**112.5**			**0.0**	**56.3**		
Total remuneration	**71.3**	**71.3**	**181.1**	**246.7**			**10.0**	**183.6**		

In addition to the variable remuneration mentioned above, provisions of EUR 173.4 thousand were formed for possible bonuses with a long-term incentive effect, which are distributed among the members of the Management Board as follows:

Mr Rolf Elgeti	TEUR 0.0
Ms Sonja Petersen	TEUR 112.5
Mr René Bergmann	TEUR 60.9

5. Dependency report and overall assessment

DIR was at times a dependent company of Obotritia Capital KGaA in the 2018/2019 financial year. In accordance with the statutory provisions, the Management Board of DIR, which was a dependent company of Obotritia Capital KGaA for the period in which DIR was a dependent company, prepared a report on relations with affiliated companies for the past financial year (dependent company report), in which it concluded its declaration:

"In accordance with Section 312 (3) AktG, we hereby declare that, in respect of the legal transactions listed in the above report on relationships with affiliated companies, our company received appropriate consideration for each legal transaction in accordance with the circumstances known to us at the time at which the legal transactions were carried out. No measures were taken or omitted at the instigation or in the interest of Obotritia Capital KGaA or its affiliated companies."

PICTURE:
Bad Salzdetfurth, Teccenter

6. Information relevant for takeovers

pursuant to § 289a Abs. 1 HGB

Composition of share capital, voting rights and special rights

The Company's share capital is divided into 23,451,945 no-par value bearer shares. As of the balance sheet date, the Company held no treasury shares. All shares carry the same rights and obligations. Each share represents one vote at the Annual General Meeting. The shares may be freely transferred in accordance with the legal provisions applicable to bearer shares. No shares with special rights have been issued which confer powers of control. Insofar as employees hold shares in the company, they exercise their right of control directly.

Shareholdings of 10 % or more of the voting rights

No shareholder may directly hold 10 % or more of the shares or voting rights in accordance with Section 11 (4) REITG (maximum participation limit). If the maximum participation limit is exceeded, the shareholder concerned must prove the reduction of his direct participation in an appropriate form within two months of being requested to do so by the Management Board. According to the Articles of Association, a continued violation of the maximum participation limit can lead to a transfer without compensation of the shares exceeding the maximum participation limit or to a compulsory withdrawal of these shares without compensation. On the balance sheet date, no shareholder held 10 % or more of the voting rights.

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

Authorised capital

The Annual General Meeting of Deutsche Industrie REIT-AG resolved on 22 March 2019 to authorise the Management Board of the Company, with the approval of the Supervisory Board, to increase the share capital of the Company once or several times by up to EUR 11,250,036.00 until 21 March 2024 by issuing up to 11,250,036 new no-par value bearer shares with a notional interest in the share capital of the Company of EUR 1.00 per no-par value share (the "Authorised Capital 2019"). The capital increase may be carried out in full or in part in accordance with Section 186 (5) AktG. The new shares are to be offered to the shareholders for subscription. However, the Management Board was authorized, with the consent of the Supervisory Board, to exclude shareholders' subscription rights in certain cases.

The Management Board is authorized, with the consent of the Supervisory Board, to determine the further details of the capital increases as well as the conditions of the share issue, in particular the issue price.

Conditional capital

By resolution of the Annual General Meeting on 22 March 2019, the Management Board was authorised, with the approval of the Supervisory Board, to issue bearer bonds with warrants or convertible bonds (collectively "bonds") with a total nominal amount of up to EUR 150,000,000.00 with or without a limited term on one or more occasions up to 21 March 2024 and to grant such bonds to the holders or convertible bonds with a total nominal amount of up to EUR 150,000,000.00 with or without a limited term. to grant or impose option rights or obligations as well as conversion rights or obligations for bearer shares of the Company with a proportionate amount of the share capital of EUR 1.00 each on creditors (together "holders") of bonds with warrants as well as convertible bonds in accordance with the terms and conditions of the bonds. Further details can be found in the publication in the Federal Gazette.

The share capital is conditionally increased by up to EUR 11,250,036.00 by issuing up to 11,250,036 new no-par value bearer shares carrying dividend rights from the beginning of the fiscal year in which they are issued (Conditional Capital I). The conditional capital increase will only be carried out to the extent that the aforementioned option or conversion rights are exercised.

The Management Board was authorized to determine the further details of the implementation of the conditional capital increase.

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 prescribed by the German Stock Corporation Act.

Appointment and dismissal of Management Board members

The Supervisory Board determines the number and appoints the ordinary and deputy members of the Management Board, concludes employment contracts and revokes appointments.

7. Statement on Corporate Governance

pursuant to § 289f HGB.

The Management Board of Deutsche Industrie REIT-AG issued a corporate governance declaration in accordance with Section 289f of the German Commercial Code (HGB) on 2 December 2019 and made it available on the website www.deutsche-industrie-reit.de in the Investor Relations section under Corporate Governance.

Rostock, 6. December 2019
Deutsche Industrie REIT-AG

Rolf Elgeti	**Sonja Petersen**	**René Bergmann**
Chief Executive Officer	Chief Investment Officer	Chief Financial Officer

PICTURE:
Zella-Mehlis, Am Köhlersgehäu

Financial Statement

PICTURE:
Duisburg, Eisenbahnstraße

Balance sheet

as of 30/09/2019

kEUR	Notes	30/09/19	30/09/18
Assets			
Non-current assets		432,788.9	180,355.7
Investment properties	(2.1)	392,849.0	168,242.2
Intangible assets	(2.2)	1.8	3.2
Property, plant and equipment	(2.3)	1,051.9	914.2
Other non-current assets	(2.6)	38,886.2	11,196.1
Current assets		5,765.2	3,260.3
Trade and other receivables	(2.5)	815.9	265.6
Other current assets	(2.6)	2,883.7	2,877.6
Cash and cash equivalents	(2.7)	2,065.7	117.1
Non-current assets held for sale	**(2.8)**	**435.0**	**0,0**
TOTAL ASSETS		**438,989.1**	**183,616.0**
Equity and liabilities			
Equity		181,463.2	71,811.0
Issued share capital	(2.9)	23,451.9	18,000.0
Capital reserve	(2.9)	89,530.2	31,976.8
Other reserves	(2.9)	50.0	50.0
Retained earnings	(2.9)	68,431.1	21,784.2
Non-current liabilities		228,144.6	102,031.6
Liabilities to banks	(2.10)	67,526.5	11,042.5
Liabilities from corporate bonds	(2.11)	117,904.0	89,686.2
Liabilities from convertible bonds	(2.12)	41,184.0	0.0
Other non-current provisions	(2.14)	3.0	3.0
Other non-current liabilities	(2.15)	1,527.1	1,299.9
Current liabilities		29,381.3	9,773.4
Liabilities to banks	(2.10)	3,956.9	870.8
Liabilities to other creditors	(2.13)	20,177.7	2,744.4
Other current provisions	(2.14)	994.0	1,687.8
Trade payables	(2.16)	2,692.0	491.3
Income tax liabilities		0.0	2,583.2
Other current liabilities	(2.15)	1,560.7	1,395.9
TOTAL EQUITY AND LIABILITIES		**438,989.1**	**183,616.0**

Statement of comprehensive income

for the financial year from 1 October 2018 – 30 September 2019

kEUR	Notes	2018/2019	2017/2018
Total revenues		30,366.7	11,610.0
Gross Rental income		25,481.2	10,260.0
Income from operating and ancillary costs		4,258.5	2,479.3
Operating expenses		-8.789,3	-4,668.6
Net rental income	**(3.1)**	**20,950.4**	**8,070.7**
Proceeds from salel of investment properties		627.0	1,350.0
Expenses on sale of investment properties		-627.0	-764.2
Value change of the sold properties		57.0	0.0
Net proceeds from the sale of investment properties	**(3.2)**	**57.0**	**585.8**
Other income	(3.3)	373.7	147.4
Result from the revaluation of investment properties	**(3.4)**	**37,552.1**	**6,913.7**
Subtotal		**58,933.2**	**15,717.6**
Personnel expenses	(3.5)	-808.3	-453.7
Amortisation of intangible assets, depreciation of property, plant and equipment	(2.2, 2.3)	-115.5	-14.1
Impairment loss of inventories and receivables	(3.6)	-208.6	-195.0
Other administrative expenses	(3.7)	-1,592.9	-1,264.2
Administrative expenses		**-2,725.4**	**-1,927.1**
EBIT		**56,207.8**	**13,790.5**
Valuation result of financial liabilities		-832.0	0.0
Interest income		98.6	1,634.5
Interest expense		-6,824.7	-2,971.9
Finance result	**(3.8)**	**-7,558.1**	**-1,337.4**
EBT		**48,649.8**	**12,453.1**
Income tax	(2.4)	0.0	1,261.3
Other tax	(3.9)	22. 1	-0.1
Net income		**48,671.9**	**13,714.3**
Total comprehensive income		**48,671.9**	**13,714.3**
Items not reclassified to profit/loss		0.0	0.0
Items reclassified to profit/loss		0.0	0.0
Total comprehensive income		**48,671.9**	**0.0**
Earnings per share (in EUR)	(3.10)		
Undiluted result per share		2.25	0.95
Diluted result per share		2.05	0.95

Cash flow statement

	TEUR	2018/2019	2017/2018
	Net income	48,671.9	13,714.3
+/-	Interest expense/interest income	6,726.1	1,337.4
+/-	Depreciation, amortisation and write-down/ reversals of intangible assets, tangible assets and financial assets	115.5	14.1
+	Impairments on inventories and receivables	208.7	195.0
-/+	Gains / Losses from the revaluation of investment properties	-37,552.1	-6,913.7
-/+	Profit/loss from the valuation of financial liabilities	832.0	0.0
-/+	Gains / Losses on disposal of investment properties	-57.0	-585.8
+/-	Increase / decrease in provisions	-693.9	1,305.6
+/-	Income tax expense/-income effective	0.0	238.1
+/-	Deferred tax expenses / income	0.0	-1,499.4
+	Income taxes received	0.0	137.7
-	Income taxes paid	-2,583.2	0.0
-/+	Increase/decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	-290.6	-2,645.3
+/-	Increase/decrease in trade payables and other liabilities not attributable to investing or financing activities	1,755.6	1,628.9
	Cash flow from operating activities	**17,133.1**	**6,926.9**
+	Proceeds from disposals of investment properties (less disposal costs)	627.0	1,309.5
-	Cash payments related to property investments	-215,529.4	-119,466.6
-	Cash payments related to other investments in intangible and tangible assets	-251.8	-931.6
+	Cash Inflow due to financial investments in the context of short-term financial management	16,612.4	48,002.9
+	Received interests	538.9	1,903.3
	Cash flow from investing activities	**-198,002.9**	**-69,182.5**

+	Cash proceeds from the issue of shares	5,451.9	3,000.0
+	Cash proceeds from capital increases	59,042.0	23,625.1
-	Costs related to capital increases	-1,488.6	-582.1
+	Cash inflow from issuing corporate bonds	28,100.0	29,900.0
-	Costs related to issuing corporate bonds	-101.1	-133.5
+	Cash inflow from issuing convertible bonds	40,352.0	0.0
-	Costs related to issuing convertible bonds	-161.3	0.0
+	Cash inflow from loans	61,875.0	9,850.0
-	Costs related to the issuance of loans	-42.5	-10.0
-	Amortisation of loans	-2,267.9	-316.5
-	Interests paid	-5,916.1	-2,983.7
-	Paid dividends to shareholders	-2,025.0	0.0
	Cash flow from financing activities	**182,818.4**	**62,349.3**
	Change in cash and cash equivalents	1,948.6	93.7
	Cash and cash equivalents at the beginning of the period	117.1	23.4
	Cash and cash equivalents at the end of the period	**2,065.7**	**117.1**

Statement of changes in equity

kEUR	Issued share capital	Capital reserve	Other reserves	Retained earnings	Total equity
As at 01/10/2017	**81.5**	**23,852.4**	**50.0**	**8,069.9**	**32,053.8**
Period result	0.0	0.0	0.0	13,714.3	13,714.3
Total comprehensive income	**0.0**	**0.0**	**0.0**	**13,714.3**	**13,714.3**
Cash capital increase/ - reduction	3,000.0	23,625.1	0.0	0.0	26,625.1
Contribution in kind	14,918.5	-14,918.5	0.0	0.0	0.0
cost of capital measures	0.0	-582.1	0.0	0.0	-582.1
Dividend distribution	0.0	0.0	0.0	0.0	0.0
As at 30/09/2018	**18,000.0**	**31,976.8**	**50.0**	**21,784.2**	**71,811.0**

As at 01/10/2018	**18,000.0**	**31,976.8**	**50.0**	**21,784.2**	**71,811.0**
Period result	0.0	0.0	0.0	48,671.9	48,671.9
Total comprehensive income	0.0	**0.0**	**0.0**	**48,671.9**	**48,671.9**
Cash capital increase/ - reduction	5,451.9	59,042.0	0.0	0.0	64,493.9
Contribution in kind	0.0	0.0	0.0	0.0	0.0
cost of capital measures	0.0	-1,488.60	0.0	0.0	-1,488.6
Dividend distribution	0.0	0.0	0.0	-2,025.0	-2,025.0
As at 30/09/2019	**23,451.9**	**89,530.2**	**50.0**	**68,431.1**	**181,463.2**

PICTURE:
Ronnenberg, Berliner Str./Chemnitzer Str.

Notes

Deutsche Industrie REIT-AG, Rostock

Notes for the financial year from 01.10.2018 – 30.09.2019

PICTURE:
Drei Gleichen, Dr.-Bube-Straße

1. General information

1.1. Die Deutsche Industrie REIT-AG

Deutsche Industrie REIT-AG (hereinafter referred to as “DIR”, “Company” or “Company”; until 17 October 2017 trading as Jägersteig Beteiligungs GmbH) is a real estate company focusing on light-industrial real estate in Germany with its registered office in Rostock. According to the Articles of Association, the object of the company is to manage its own assets through the acquisition, management and sale of real estate and equity interests; transactions requiring approval are excluded. In addition, the company is entitled to take all measures that directly or indirectly serve this purpose. The focus here is on activities aimed at achieving a long-term and sustainable increase in the value of the real estate portfolio. The Company is authorised to establish, acquire, lease or participate in comparable or similar companies. It may also establish branches in Germany and abroad. DIR is registered in the Commercial Register of the Rostock Local Court under HRB 13964. The registered office is August-Bebel-Str. 68 in 14482 Potsdam.

The DIR share (ISIN DE000A2G9LL1) has been listed on the Berlin Stock Exchange since 7 December 2017. Since 1 January 2018, the company has had the status of a REIT (Real Estate Investment Trust) and is therefore exempt from income tax at company level.

The individual financial statements of DIR as at 30 September 2019 were prepared on 6 December 2019. The Supervisory Board is expected to approve these individual financial statements at its meeting on 17 December 2019. The IFRS individual financial statements were prepared voluntarily based on the stock exchange listing.

1.2. Basics of preparing the individual financial statements

The individual financial statements as of 30 September 2019 were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU as of the reporting date. In addition, the provisions of Section 315e (1) HGB were applied analogously.

All relevant standards and interpretations that were mandatory for the financial year were considered.

The reporting period covers the period from 1 October 2018 to 30 September 2019. Comparative figures are the balance sheet as at 30 September 2018 and the statement of comprehensive income for the period from 1 October 2017 to 30 September 2018.

The individual financial statements comprise the balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement and the notes and are prepared in euros (EUR). All amounts are presented in thousands of euros (kEUR) (exceptions are indicated), which may result in rounding differences.

The company is currently a single-segment company. Sales are generated exclusively with customers based in Germany in the commercial real estate segment. All properties are in Germany; no distinction is made between geographical areas in internal management; no various services are available. In the financial year, sales totalled kEUR 26,108.2 (previous year: kEUR 11,610.0). In 2018/2019, the largest customers accounted for revenues of kEUR 2,559.5 (previous year: kEUR 1,456.1). All income and expenses as well as all assets and liabilities are reflected in the consolidated financial statements. The financial statements were prepared under the going concern assumption.

The statement of comprehensive income was prepared by using the total cost method.

1.3. Key discretionary decisions and estimates

In applying the accounting and valuation methods, the Management Board has made the following discretionary decisions which have a material effect on the amounts in the individual financial statements:

- Regarding the properties held by the Company, the Management Board must decide at each balance sheet date whether these are held for long-term rental or appreciation or for sale. Depending on this decision, the properties are recognised 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 in accordance with their classification.

- The leases and leaseholds concluded by the Company are classified as finance leases or operating leases. Further details are provided in Note 6.2.

- There is also scope for discretion in determining the timing of revenue recognition and in deciding whether DIR should act as principal or agent for operating and ancillary costs in accordance with IFRS 15. In accordance with IFRS 15 “Revenue from contracts with customers”, revenue is recognised when the customer obtains control of the agreed goods and services. In the case of the sale of real estate, this takes place with the transfer of ownership. The Company acts primarily as principal for operating and ancillary costs, as it provides the services itself and is responsible for their fulfilment. Please refer to Note 1.5.13 for further explanations.

The Company makes estimates and assumptions concerning the future. The derived estimates may of course differ from the later actual conditions. 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 the independent appraisers engaged for this purpose. They are valued on the basis of the discounted cash flow method on the assumption of expected future cash flow surpluses. Accordingly, factors such as future rental income and applicable interest rates are estimated by the Company in collaboration with the appraiser which have a direct influence on the fair value of the investment properties. The fair values of investment properties, including those reported in accordance with IFRS 5, amounted to kEUR 393,284.0 (previous year: kEUR 168,242.2) as of the balance sheet date.

- As part of the review of financial assets, the carrying amounts at which the other financial assets are recognised are compared with their fair values at the end of each financial year. The adequacy of the carrying amounts is assessed based on the information available on the borrowers and written down on the basis of estimated default rates. In the event of foreseeable reductions in the fair values, corresponding write-downs are made to the carrying amounts in the balance sheet. The carrying amount of the financial assets reported under trade receivables amounted to kEUR 815.9 (previous year: kEUR 265.6) as of the balance sheet date and relates to receivables from tenants.

- In the case of other provisions and contingent liabilities, various assumptions have to be made, e.g. with regard to the probability of occurrence and the amount of the claim. All information available at the time the balance sheet has been taken into account. Other provisions amounted to kEUR 997.0 (previous year: kEUR 1,690.8) at the balance sheet date.

1.4. Application of IFRS in financial year 2018/2019

DIR has continued to apply the same accounting and valuation methods and disclosure requirements as in the previous year unless new standards or interpretations were required to be applied.

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

EU Endorsement	Standard	Content	Initial application mandatory for financial years starting from	Effects on the financial statements of DIR
22/11/2016	IFRS 9	Financial instruments: classification and measurement of financial instruments	01.01/2018	No significant
31/10/2017	Clarification on IFRS 15 (2016)	Revenues from contracts with customers: Clarification	01/01/2018	None
03/11/2017		IFRS 4 Insurance Contracts: Application of IFRS 9 and IFRS 4	01/01/2018	None
07/02/2018	Amendments to IFRS 4	Improvements 2014-2016	01/01/2017	Keine
26/02/2018	Annual improvement project	Classification and measurement of share-based payment transactions (amendments to IFRS 2)	01/01/2018	None
14/03/2018	Amendments to IFRS 2	Transfers of investment property	01/01/2018	Currently none
03/04/2018	IFRIC 22	Transactions in foreign currencies and consideration paid in advance	01/01/2018	None
22/09/2016	IFRS 15	Revenues from contracts with customers	01/01/2018	Changes in presentation

The mandatory application of the new standards resulted in effects from the application of IFRS 9 and IFRS 15, which were implemented for the first time in the 2018/2019 DIR annual financial statements.

IFRS 9 “Financial Instruments” replaced the previous standard IAS 39 and regulates the classification of financial instruments, which are now classified according to the business model. There have also been changes in the area of hedge accounting regarding the previously rigid designation of financial instruments. However, due to the simple structure of DIR’s financial instruments, this does not have any material effects. In addition, IFRS 9 requires expected impairments of certain assets to be anticipated and accounted for. However, this did not result in any impairment expense that would have had to be allocated to retained earnings in equity upon first-time application.

IFRS 15 (“Revenue from Contracts with Customers”) has replaced the previous IFRS rules on revenue recognition IAS 18 and IAS 11.

As part of the introduction of IFRS 15, the analysis of customer contracts and the presentation of peer

PICTURE:
Aalen, Ulmer Straße

group practice have shown that DIR has a principal position with regard to ancillary operating costs from letting and that the ancillary costs to be allocated to tenants must be presented as sales revenue. The corresponding management expenses were therefore reported as expenses within gross rental income. The net rental income remained unaffected by this. The comparative figures for the previous year have been adjusted accordingly. The change in presentation had no effect on the financial controlling indicators of DIR.

The following new standards, interpretations and amendments to published standards, which were not yet mandatory for DIR in fiscal year 2018/2019, were not early adopted by the Company:

EU Endorsement	Standard	Content	First-time adoption mandatory for financial years beginning on or after	Impact on the annual financial statements of DIR
31.10/2017	IFRS 16	New standard "Leases	01/01/2019	No significant
22/03/2018	Amendments to IFRS 9	Early repayment arrangements with negative compensatory payment	01/01/2019	None
23/10/2019	IFRIC 23	Uncertainties regarding income tax treatment	01/01/2019	None
13/03/2019	Amendments to IAS 19	Plan amendments, curtailments or settlements	01/01/2019	None
14/03/2019	Annual improvement project	Improvements 2015-2017	01/01/2019	None
08/02/2019	Amendments to IAS 28	Long-term investments in associates and joint ventures	01/01/2019	None
Not yet adopted	Framework	Changes to the Framework	01/01/2020	No significant
Not yet adopted	Amendments to IFRS 3	IFRS 3: "Business Combinations	01/01/2020	None
Not yet adopted	Amendments to IAS 1 and IAS 8	Definition of materiality	01/01/2020	No significant
Not yet adopted	Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	01/01/2020	No significant
Not yet adopted	IFRS 17	New Standard "Insurance Contracts	01/01/2021	None

The effects of the newly applicable standards on accounting are as follows:

IFRS 16 regulates the accounting for leases anew and replaces the previous standard IAS 17. The core of the new regulation is that in future all leases in the form of depreciable rights of use and lease liabilities must be recognized in the balance sheet. DIR does not expect the first-time application of IFRS 16 to have any significant effects on accounting, as it acts as lessor of commercial investment properties and the accounting for these remains largely unaffected by IFRS 16. Furthermore, under IFRS 16 certain ancillary rental costs such as property tax and building insurance, which do not bring any additional benefit to the tenants, are classified as pure cost allocations and therefore do not fall under the new disclosure regulations of IFRS 15. Up to now, leasehold rights have been accounted for as finance leases under IAS 17, so that a right of use under IFRS 16 must be capitalised for them in future.

In addition, DIR does not expect the other new standards and interpretations published to have any material effects on accounting.

1.5. Individual accounting and valuation principles

1.5.1. Principle

The present financial statements are based on the assumption of going concern. Most of the valuation is based on amortised cost. An exception to this is the investment properties and the accounting for derivatives or hedging instruments, which are valued at their respective fair values.

Changes in the accounting and valuation methods were not made in the 2018/2019 financial year.

1.5.2. Investment property and real estate held for sale

Upon initial recognition, DIR classifies real estate as either investment property (IAS 40), inventories (IAS 2) or property for own use (IAS 16) in accordance with its intended use. Real estate under operating leases with the Company as lessee is classified and accounted for as investment property. Properties that are most likely to be sold within twelve months are reported as real estate held for sale. As a rule, the DIR has only investment property, as the long-term and sustainable leasing of the real estate takes place in accordance with the business model.

Investment property is initially recognised at cost, including ancillary costs. As part of the subsequent valuation, the investment properties are stated at their fair values, which reflect the market conditions on the balance sheet date. Any gain or loss on the change in fair value is recognised in the income statement. Subsequent costs for the expansion and conversion of the property are considered, insofar as these contribute to an increase in the fair value of the property.

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

Every year on 30 June, the real estate is revalued. 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 on the basis of their professional qualifications, e. g. future market rents, typical maintenance and administration 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 contrast to the previous year, for sold properties the valuation result from the valuation at the selling price is shown in the disposal result in comparison to the fair value previously shown in the balance sheet, so that the entire valuation result is the result of the valuation gain plus the valuation result shown 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 Industrie decides to sell the properties concerned, these are available for sale immediately and it is expected that the sale project will be implemented within 12 months (IFRS 5). The valuation remains unchanged at the fair value.

1.5.3. Intangible assets

Individually 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 straight-line basis over their respective useful lives of generally three years.

1.5.4. Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated amortisation and accumulated impairment losses. Depreciation is calculated using the straight-line method using the estimated useful lives of generally 3 to 10 years (factory and office equipment) or 30 to 50 years (real estate). The depreciation methods and useful lives are reviewed at the end of each fiscal year and adjusted if necessary. The carrying amounts of property, plant and equipment 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 contains a new classification and measurement approach for financial assets that reflects the business model under which the assets are held and the characteristics of their cash flows. A reclassification is only made if the business model for managing financial assets changes. IFRS 9 eliminates the existing categories of IAS 39 and contains three new classification categories for financial assets:

- Fair value through other comprehensive income (FVtOCI) - not recognised in profit or loss at fair value with changes in value in other comprehensive income

- Measured at fair value through profit or loss (FVtPL) with changes in value in profit or loss recognised in profit or loss

- Valued at amortized cost (AC)

The Company measures its financial assets at amortised cost if two conditions are met:

- The financial asset is held within the framework of a business model whose objective is to hold financial assets in order to collect the contractual cash flows; and

- The terms of the contract result in cash flows that represent only principal and interest payments on the outstanding principal.

All financial instruments in the Loans and Receivables (LaR) category under IAS 39 were allocated to the Amortized Costs (AC) category under IFRS 9. At DIR, this measurement category includes fiduciary and deposit accounts, which represent daily payment balances, trade receivables and prepaid costs. As a result, there were no valuation changes as at 30 September 2018.

Financial assets at fair value through equity:

- Debt instruments for which the contractual cash flows consist exclusively of principal and interest payments on the outstanding principal and which are held within the framework of a business model whose objective is to collect the contractual cash flows and sell the financial assets.

Financial assets at fair value through income:

- Assets that do not meet the criteria of the category “at amortised cost” or “at fair value through profit or loss”.

- As at the balance sheet date, DIR does not hold any financial instruments that fall into the two valuation categories mentioned above and are therefore to be measured at fair value.

Derivatives are initially recognised at fair value at the time a derivative transaction is entered into and are subsequently remeasured at their fair value at the end of each reporting period. The recognition of changes in fair value in subsequent periods depends on whether the derivative is designated as a hedging instrument and, if so, on the nature of the underlying hedging relationship. German industry does not have any derivatives in the reporting period.

Valuation of financial assets
On initial recognition, the Company measures a financial asset and financial liability at the fair value of the consideration received or payable on the trade date, plus or minus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are initially measured at the transaction price.

Financial assets measured at amortised cost are subsequently measured at amortised cost using the effective interest method. Amortised cost is reduced by impairment losses. Interest income calculated using the effective interest method is reported under financial income. Any profit or loss, interest income, currency gains and losses and impairments resulting from the derecognition of a financial asset are recognised in the income statement and reported separately.

PICTURE:
Neubrandenburg, Augustastr.

Impairment of non-derivative financial assets
At the end of each reporting period, the entity shall assess whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment exists and an impairment loss is recognised when

- As a result of one or more events that occurred after the initial recognition of the asset ('loss event'),
- there was objective evidence of impairment, and
- This loss event has an impact on the expected future cash flows of the financial asset that can be estimated reliably.

Impairment losses on financial assets are no longer recognised using the incurred-loss-model but using the expected-loss-model. This results in two valuation levels:

- Lifelong loan defaults: Expected credit losses due to possible default events over the entire term of a financial instrument
- 12-month loan defaults: Expected credit defaults 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 initial recognition and in estimating expected credit losses, the entity considers appropriate and reliable information that is relevant and available without undue expense of time and money. This includes quantitative and qualitative information and analyses based on the Company's experience and forward-looking information.

Measurement according to the concept of lifelong loan defaults is to be applied if the credit risk of a financial asset has increased significantly on the balance sheet date since initial recognition; otherwise, measurement according to the concept of 12-month loan defaults is to be applied. However, the lifelong credit default concept always applies to trade receivables and contractual assets without a significant financing component.

The value adjustments are measured in the amount of the expected credit losses over the term. Exceptions are valuation allowances for bank balances where the default risk has not increased significantly since initial recognition. Here the value adjustment is measured in the amount of the expected 12-month credit loss.

For trade receivables, value adjustments are always measured in the amount of the expected credit losses over the term and formed on the basis of the age structure.

There was no additional impairment requirement for the financial assets.

Offsetting of financial assets and liabilities
Financial assets and financial liabilities are offset and presented as a net amount in the balance sheet when the entity has a present enforceable right to set off the recognised amounts against each other and intends either to settle on a net basis or to settle the liability simultaneously with the realisation of the asset.

During the period presented, DIR does not have any financial assets and liabilities that are offset in this way.

Classification of financial liabilities

IFRS 9 replaces the provisions of IAS 39 relating to the recognition, classification and measurement of financial assets and liabilities, the derecognition of financial instruments and the impairment of financial assets. However, the classification of financial liabilities remained unchanged compared to the previous reporting period.

DIR's financial liabilities are measured at amortised cost. Liabilities to banks, liabilities to other lenders, liabilities from corporate bonds, trade payables and other current financial liabilities are measured as financial liabilities at amortised cost.

Compound financial instruments are classified as debt and equity components if the definition of an equity instrument is met.

Embedded derivatives must be separated from their host contract if their economic characteristics and risks are not closely related to those of the host contract, if a comparable stand-alone instrument meets the definition of a derivative and if the combined 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 applicable rules.

The convertible bond issued by DIR does not contain an equity component in the balance sheet due to a cash settlement option on the part of DIR. Instead, the entire convertible bond is reported as a liability at fair value through profit or loss.

Valuation of financial liabilities

On initial recognition, liabilities are measured on the trade date at the fair value of the consideration received less transaction costs. After initial recognition, liabilities are measured at amortized cost using the effective interest method. The difference between the amount paid out (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.

The convertible bond is measured at fair value through profit or loss. The portion of the change in fair value that affects the Group's own credit risk would be recognised in other comprehensive income. DIR determines the amount of fair value changes attributable to credit risk by first determining the changes based on the changes in market conditions that are significant for the market risk and then deducting those changes from the total change in the fair value of the convertible bond. The changes in market conditions relevant to market risk include changes in the reference interest rate. Changes in the fair value of the embedded conversion right are considered when assessing changes in the fair value from market risks.

Financial liabilities are derecognized when the underlying obligation is discharged, cancelled or expires. They are also derecognised and replaced by a new liability if the contractual cash flows change as a result of a modification of the liability. The difference between the carrying amount of the derecognized financial liability and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized as finance income or finance expense in profit or loss.

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

The classification of financial liabilities remained unchanged by IFRS 9. Comparative information for previous periods has not been restated.

1.5.6. Land with unfinished and finished buildings and other supplies

Land and buildings with work in progress and other inventories are valued at the lower of cost or 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 selling expenses. 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 contain the real estate, which was assumed to be a resale at the time of purchase. If the intention to sell is discontinued, the investment properties are reclassified.

1.5.7. Income tax refund claims and liabilities as well as deferred taxes

Tax refund claims and tax liabilities are valued 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.

Since the DIR has the status of a REIT company since the beginning of 2018, it has since been exempted from income tax at Company level if the criteria of the REIT Act are complied with. In this respect, no deferred taxes are to be recognised for the period of the tax exemption. For this reason, the existing deferred tax assets and liabilities were reversed through profit or loss in the financial year.

1.5.8. Liquid assets

Cash and cash equivalents include cash on hand and bank balances with original maturity at the time of acquisition less than three months.

1.5.9. Equity demarcation

Debt and equity instruments are classified as financial liabilities or equity in accordance with the substance of the contractual agreement. An equity instrument is a contract that gives rise to 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 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 as a result 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 the 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 is contractually entitled. Revenue is recognized when control of an asset or service is transferred to the customer – the control concept thus replaces the previous risk and reward model. The five-step model is used to determine the amount and timing of revenue recognition:

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

Under IFRS 15, a contract is an agreement between two or more parties that gives rise to legally enforceable rights and obligations. The contract may be concluded in writing, orally or tacitly based on the entity's normal business practice. Under certain circumstances, several contracts must be combined.

In a second step, the individual performance obligations must be identified. A commitment is always 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 omitted.

The transaction price, which represents the consideration for the transferred goods or services, is then determined. No variable components have been identified in DIR's contracts. The period between the transfer of the good or service to the client usually does not exceed one year, so that the promised consideration does not have to be adjusted to the time value of money.

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

PICTURE:
Lichtenfels, Bamberger Str.

The guarantees and warranties contained in the contractual relationships do not constitute separate performance obligations, since they merely assure the customer that the goods delivered, or the services rendered comply with the contractually agreed specifications. There are no other take-back, reimbursement or similar obligations.

In accordance with IFRS 15, revenue is recognized either for a specific period or point in time, depending on when the performance obligation is fulfilled, or the power of disposal is transferred to the customer.

The Company enters into rental agreements which essentially comprise the net cold rent and the operating costs. The contract component net cold rent does not fall within the scope of IFRS 15 as a lease and is recognised as revenue on a straight-line basis over the term of the lease. The transaction price is therefore agreed in the rental agreements and does not include any variable components or financing components. The rental payments are to be made on a monthly basis.

Revenue from the sale of inventory properties is recognised in profit or loss at the time when the power of disposal is transferred to the buyer. As a rule, this takes place with the change of benefit and burden. Income from the sale of inventory properties (IFRS 5 properties) is reported as revenue. The consideration is due after the transfer of the property.

In the case of operating costs, the distinction between principal and agent positions was assessed based on IAS 18 on the basis of the opportunities and risks of providing the service. With the introduction of IFRS 15, it is now decisive whether a contracting party has control over a service before it is transferred to a customer. The indicators for this assessment, which are considered in their entirety and do not have to be fulfilled cumulatively, are the primary responsibility for fulfilling the service, the potential inventory risk of not being able to pass on costs, and the pricing power for a service.

Deutsche Industrie REIT AG acts as principal for the operating costs of the rental agreement on the basis of the provisions of IFRS 15, as the company obtains control over the goods and services and is therefore obliged to perform for the tenant. As a result, operating expenses are no longer netted with the corresponding income under rental expenses as of fiscal year 2018/2019.

Services billed as operating and ancillary costs in accordance with the principal method are presented in the income statement net of the corresponding revenues. Revenue is recognized when the service is rendered. The disclosure is made for services charged to third parties within sales from letting.

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

IFRS 15 requires a contractual liability to be recognised if the customer has fulfilled its contractual obligation before DIR has transferred control of the goods or services. Due to the business model and the underlying payment terms of the DIR, the customers pay the consideration corresponding to the fulfilment of the performance obligation by the company, so that no contractual liability has to be recognised. The unconditional claim of German industry to the consideration to be paid is reported as a receivable.

In addition, no contractual assets are recognised as DIR does not transfer any goods or services to the customer prior to receipt of the consideration.

The first-time application of IFRS 15 did not result in any differences with regard to the timing or the amount of revenue recognition and therefore had no impact on balance sheet items or equity as of 1 October 2018. Furthermore, there were no effects on the result of the interim reporting periods; it is merely a change in presentation. Contrary to the intention described in the 2017/2018 financial statements, the retrospective method was applied for the first time. In order to enable comparability with the figures for the previous period, the presentation of the previous year was adjusted accordingly. Excluding the adjustment, revenues from rentals amounted to kEUR 9,688.4 and property management expenses to kEUR 2,189.3.

1.5.12. Leasing

Leases are classified as finance leases if the leasing agreement transfers all material risks and rewards of ownership to the lessee. This is the case with some leasehold contracts where the DIR is a right holder of leasehold and which qualify as a finance lease.

Due to the leasing activity, DIR has significant operating leases in which the Company acts as a lessor. The economic ownership of the leased real estate and thus the obligation to capitalise lies with DIR. Income from leases corresponds to rental income.

In the case of finance leases, the leased asset (leasehold land) as an asset and the liability towards the lessor are recognised in the balance sheet as a liability to the Company in the same amount. It is recognised at the fair value of the leased asset at the inception of the lease or at the present value of the minimum lease payments, if lower. The payable lease instalments are split into an interest and a repayment instalment. The interest portion is recognised in interest expense, while the repayment portion leads to a reduction of the liability.

2. Notes to the balance sheet

2.1. Investment property

In the 2018/2019 financial year, 28 acquired investment properties underwent a transfer of ownership as well as a sale. The investment property of DIR recognised as of 30 September 2019 therefore comprises 49 properties with a fair value of kEUR 391,377.0 (previous year: kEUR 166,693.0) plus leasehold rights of kEUR 1,472.0 (previous year: kEUR 1,279.2) recognised as finance leases. In addition, value-increasing investments amounting to kEUR 3,273.4 (previous year kEUR 1,017.5) were capitalised.

The development of investment properties is as follows:

Investment properties		Commercial properties	
In kEUR		**2018/2019**	**2017/2018**
As of 01/10		168,242.2	35,593.7
+	Real estate purchases	184,565.9	124,818.0
+	Capitalisation of leased assets (finance leases)	186.8	623.0
+	Adjustment of book values for leasehold rights due to changed leasehold interest payments	33.6	0.0
–	Book value disposal through sale of properties	-627.0	-723.7
–	Reclassification in accordance with IFRS 5	-435.0	0.0
+	Subsequent acquisition and construction costs (Capex)	3,273.4	1,017.5
+	Valuation result of sold properties	57.0	0.0
+	Unrealised valuation gains or losses from fair value measurement (change in fair value)	37,552.1	6,913.7
As of 30/09		**392,849.0**	**168,242.2**

Of the investment properties, properties with a value of kEUR 298,955.0 (previous year: kEUR 124,640.0) were collateralised with mortgages or by assignment of rental income as security for financial liabilities in the year under review.

There are leasehold contracts under which the related land is developed with commercial properties. The leasehold contracts are accounted as finance leases. At the same time, a liability was recognised in the amount of the capitalised amounts. This was based on the lower of the fair value and the present value of the minimum lease payments. The capitalised amount as of 30 September 2019 was kEUR 1,472.0 (30 September 2018: kEUR 1,279.2). The liability carried as a liability amounted to EUR 1,519.4 as of 30 September 2019 (30 September 2018: kEUR 1,301.4).

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

Investment properties in kEUR	2018/2019	2017/2018
Gross rental income	25,481.2	10,260.0
Net gains/losses on valuation of investment properties	37,552.1	6,913,7
Net gains/losses on valuation of sold investment properties	57.0	0.0
Income from operating and ancillary costs	4,258.5	2,490,8*
Operating expenses (maintenance expenses, property management, land taxes, etc.)	-8,789.3	-4,680,1*
Total	**58,559.5**	**14,984,4**

*Previous year's statement changed by application of IFRS 15

The operating expenses attributable to vacant properties amount to kEUR 1,182.5. The calculation is based on the vacancy rate.

The valuation by an external independent appraiser is performed as of the valuation date 30 June 2019 on the basis of the valuation parameters existing at that time. Acquired properties with transfer of ownership between 1 July and 30 September are initially recognised at cost and subsequently at their fair value as of 30 June (if the properties acquired could already be included in the valuation). Significant variations in the value of the properties up to 30 September are taken into account if there are indications that they may be impaired.

As in the previous year, the fair value of investment properties was determined on the basis of internationally accepted valuation methods using the discounted cash flow method.

In the discounted cash flow method, future expected cash surpluses of an object are discounted to the valuation date using a market-specific, object-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. For the end of this period, a potential discounted disposal value (terminal 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 potential realisable value is the gross capital value of the valuation object, which, net of transaction costs, represents the fair value. In the case of a property, only limited rental and usability exists. For the most part, this property has indefinite rental agreements which can be terminated subject to the statutory deadline. For these existing tenancies, a lease term of 1 year is assumed. The market value is determined as the liquidation value for this object. The annual rent less management costs plus the land value, considering the exposure costs of the building stock, is discounted using the property-specific capitalisation interest rate.

The following overview shows the fair value of the investment properties and the key assumptions used in the discounted cash flow method:

Valuation Parameters	Financial Year	
	2018/2019	2017/2018
Market rent increase p. a. (in %)	1.50 to 2.00	0.50 to 1.00
Maintenance costs p. a. (EUR / sqm)	0.00 to 7.00	2.00 to 10.62
Non-recoverable operating costs p. a. (EUR / sqm) *	0.00 to 4.00	1.00 to 4.02
Administrative costs p. a. (% of annual gross profit)	5.50 to 11.75	5.25 to 8.00
Discount rate (%)	4.15 to 9.75	7.25 to 15.00

All valuation parameters correspond to level 3 of the fair value hierarchy.

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 is increased/decreased as follows:

	30/09/2019		30/09/2018	
Change in the discount and capitalisation rate	+1 %	-1 %	+1 %	-1 %
Fair value of investment properties (in million EUR)	-15.4	+22.1	-13.5	+11.1

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

On 30 September 2019, DIR was entitled to future minimum lease payments (operating leases) of kEUR 149,208,5 (30 September 2018: kEUR 44,044.7) from its rental agreements with commercial tenants. These are distributed as follows:

in kEUR	Total	Up to 1 year	1 to 5 years	Over 5 years
Minimum lease payments 30/09/2019	149,208.5	29.147.8	79,119.4	40,941.3
Minimum lease payments 30/09/2018	44,044.7	13.693.2	21,557.7	8,793.8

As a rule, rental agreements for fixed minimum periods of up to thirteen years are common. Some tenants are entitled to renewal options. These are not taken into account here. There are no further claims to minimum lease payments. In the case of apartments in the portfolio, there are generally rental agreements with a statutory period of notice of three months. In some cases, there are unlimited commercial rental agreements with a statutory period of notice of three months. These result in annual rental income of kEUR 2,819.7. The number of residential properties is of minor significance.

2.2. Intangible assets

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

2.3. Property, plant and equipment

Property, plant and equipment includes the inventory of the Wildau property as well as a car and office equipment. The useful lives are between 3 and 10 years. Depreciation is calculated using the straight-line method.

	Technical equipment	Vehicles	Operating and office equipment	Total
Acquisition cost				
01/10/2018	**873.1** **(0.0)**	**19.2** **(0.0)**	**35.0** **(0.0)**	**927.3** **(0.0)**
Accrual	0.0 (873.1)	0,0 927.3	2.3 (35,0)	2.3 (927,3)
Transfers	249.5 (0.0)	0,0 (0.0)	0,0 (0.0)	249.5 (0.0)
Exit	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)
30/09/2019	**1,122.6** **(873.1)**	**19.2** **19.2**	**37.2** **(35.0)**	**1,179.0** **(927.3)**
Accumulated amortisation				
01/10/2018	**7.3** **(0.0)**	**1.2** **(0.0)**	**4.6** **(0.0)**	**13.1** **(0.0)**
Accrual	103.9 (7.3)	4.8 (1.2)	5.3 (4.6)	114.1 (13.1)
Exit	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)
30/09/2019	**111.2** **(7.3)**	**6.0** **(1.2)**	**9.9** **(4.6)**	**127.2** **(13.1)**
Net book value 30/09/2019	**1,011.4** **(865.8)**	**13.2** **(18.0)**	**27.3** **(30.4)**	**1,051.9** **(914.2)**

2.4. Actual and deferred income tax assets and liabilities

DIR has the status of REIT since 1 January 2018 and is therefore exempt from corporate and trade tax. Decisive for the tax exemption is compliance with the criteria of the REIT Act.

As long as the REIT criteria are adhered to, temporary differences between IFRS and the tax balance sheet due to the income tax exemption will not have any future tax effects. This results in a deferred tax result of kEUR 0.0 (previous year: kEUR 1,499.4).

In the 2017/2018 financial year, the deferred taxes of previous years were reversed to this extent, resulting in one-off tax income of kEUR 1,499.4.

- **Income taxes in the previous year break down as follows in the income statement:**

Income taxes in TEUR	2018/2019	2017/2018
Actual taxes	0.0	-238.1
Deferred taxes	0.0	1,499.4
Total	**0.0**	**1,261.3**

- **In the previous year, the reconciliation from expected to actual tax expense was as follows:**

Actual tax result in kEUR	2017/2018
Earnings before taxes (EBT after other taxes)	12,453.1
Expected tax result (31.575 %)	0.0
Reconciliation due to tax effects:	
Valuation of investment properties	0.0
Tax-exempt situations	0.0
From discounting of liabilities	0.0
Taxes from transition to tax exemption according to REITG	243.2
Tax refund previous years	-5.1
Other (trade tax additions and deductions)	0.0
Actual tax result	**238.1**

2.5. Trade receivables

• **Trade receivables consist primarily of rental receivables and are composed as follows:**

kEUR	30.09.2019	30.09.2018
Receivables from renting	1,212.8	502.6
Other accounts receivable from deliveries and services	48.8	0.0
Value adjustment on receivables	-445.7	-237.0
Total	**815.9**	**265.6**

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

2018/2019 in kEUR	current	> 30 days overdue	> 60 days overdue	> 90 days overdue	> 360 days overdue	Total
Expected loss rate	0.0 %	25.0 %	50.0 %	75.0 %	100.0 %	–
Gross book value – Trade receivables	611.5	101.1	57.7	398.8	92.5	1,261.6
Value adjustment	**0.0**	**25.3**	**28.8**	**299.1**	**92.5**	**445.7**

No impairment losses were recognised on other financial assets.

• **Individual value adjustments on trade receivables developed as follows:**

Individual value adjustments in kEUR	2018/2019	2017/2018
As of 01/10	**237.0**	**42.0**
Consumption	–	–
Resolution	–	–
Additions	208.7	195.0
As of 30/09	**445.7**	**237.0**

2.6. Other non-current and current assets

Other non-current assets include advance payments of kEUR 38,886.2 (previous year: kEUR 11,196.1) on acquired investment properties for which the transfer of ownership had not taken place by the balance sheet date. They are allocated to non-current assets, as they belong to the non-current balance sheet item investment properties.

- **Other current assets break down as follows:**

Other current assets in kEUR	30/09/2019	30/09/2018
Trust accounts	459.0	1,700.4
VAT receivables	514.2	462.4
Tenant deposits	679.9	378.3
Receivables from purchaser settlements	328.0	0.0
Receivables from shareholder loans	0.0	0.0
Receivables from interest Shareholder loans	0.0	0.0
Receivables from affiliated companies	17.0	0.0
Receivables from companies in which participating interests are held	0.0	144.7
Unfinished services after offsetting against advance payments received	619.2	0.0
Other	266.4	191.8
Total	**2,883.7**	**2,877.6**

PICTURE:
Wismar, Am Westhafen

2.7. Liquid funds

Cash and cash equivalents include cash on hand and bank balances. Cash and cash equivalents include security deposits and are shown separately under other current assets.

The cash flow statement contains bank and cash balances, taking account of current account liabilities. In this respect, 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 held for sale

The non-current assets held for sale of kEUR 435.0 (2017/2018: kEUR 0.0) relate to part of the commercial property in Wuppertal, Am Brögel. Part of the property was sold by notarised sale and purchase agreement dated 23 July 2019. The transfer of ownership will take place at the earliest on 1 January 2020.

The sale price amounts to kEUR 435.0. The acquisition costs of the entire property acquired in 2018 amounted to kEUR 6,232.0. There was no valuation gain.

2.9. Equity

2.9.1. Subscribed capital

The fully paid-up share capital of DIR as of 30 September 2019 amounts to kEUR 23,451.9 (previous year kEUR 18,000.1) and is divided into 23,451,945 no-par bearer shares with the same voting rights, each with a notional value of EUR 1.00.

Based on the authorisation of the Annual General Meeting on 6 November 2017 (Authorised Capital 2017), the share capital was increased on 12 December 2018 by EUR 4,500.016.0 from EUR 18,000.056.0 to EUR 22,500.072.0 by issuing new no-par value bearer shares, each with a notional value of EUR 1.00 of the share capital, on 12 December 2018, whereby the authorised capital 2017 was fully utilised. The shares were placed at a price of EUR 11.0, resulting in gross proceeds of EUR 49.5 million.

In addition, the share capital was increased by EUR 951,873.0 from EUR 22,500.072.0 to EUR 23,451,945.0 on 2 September 2019 as a result of the authorisation of the Annual General Meeting of 22 March 2019 (Authorised Capital 2019/I). To this end, 951,873 new bearer shares were issued, each representing EUR 1.0 of the share capital. The shares were placed at an issue price of EUR 15.75 per share, resulting in gross issue proceeds of around EUR 15.0 million.

The share capital was conditionally increased by up to EUR 11,250.036.00 by resolution of the Annual General Meeting on 22 March 2019 to service bonds with warrants or convertible bonds (Conditional Capital 2019/I).

Powers of the Management Board to issue new shares

Authorised capital

The Annual General Meeting on 6 November 2017 authorised the Management Board, with the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions until 5 November 2022 by up to a total of EUR 7,500.024.00 by issuing new no-par value bearer shares against cash or non-cash contributions (Authorised Capital 2017). The authorized capital was fully utilized in the reporting period.

In addition, a new Authorized Capital 2019/I was resolved at the Annual General Meeting on March 22, 2019. The Management Board was authorised to increase the share capital by up to EUR 11,250.036.0 until 21 March 2024. Authorised Capital 2019/I amounted to EUR 10,298,163.0 as of 30 September 2019.

Conditional Capital

The Management Board was authorised by the Annual General Meeting on 22 March 2019 to conditionally increase the share capital of the company by up to EUR 11,250.036.00 to service option or convertible bonds (Conditional Capital 2019/I).

2.9.2. Capital reserve

The capital reserve increased by kEUR 57,553.4 from kEUR 31,976.8 at the beginning of the financial year to kEUR 89,530.2 at the end of the financial year. The change includes the increase from the cash capital increases in December 2018 and September 2019.

2.9.3. Other reserves

Retained earnings in the amount of TEUR 50.0 have not changed.

2.9.4. Retained profit

The development of this item is shown in the statement of changes in equity.

A dividend of kEUR 2,025.0 was paid for the 2017/2018 financial year, corresponding to a dividend of EUR 0.09 per share.

The Management Board plans to propose a dividend payment of kEUR 4,666.1 for the 2018/2019 financial year, corresponding to a dividend of EUR 0.16 per share, to the next Annual General Meeting and to carry forward the remaining balance sheet profit. This proposal requires the approval of the Supervisory Board and the Annual General Meeting.

2.10. Liabilities to banks

• **Liabilities to banks are as follows:**

kEUR	30/09/2019	30/09/2018
Non-current	67,526.5	11,042.5
Current	3,956.9	870.8
Total	**71,483.4**	**11,913.3**
Of which secured	71,483.4	11,913.3

Liabilities to banks have 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.

As of the balance sheet date, most of the financial liabilities are interest bearing. The repayment rates are usually between 5.0% and 8.37% p.a. Liabilities to banks are fully collateralised. The collateral provided is essentially mortgages and guarantees from related parties. These collaterals can only be utilised by the banks after a material breach of the financing agreement (for example, in the event of a breach of financial covenants).

2.11. Liabilities from corporate bonds

The liabilities from bonds, considering the issue costs, are composed as follows:

Liabilities from corporate bonds in kEUR	Maturity	30/09/2019		30/09/2018	
		long term	short term	long term	short term
Bond kEUR 118,000.0 (secured), 4.0% Coupon p.a.	30 August 2022	117,904.0	0.0	89,686.2	0.0
Total		**117,904.0**	**0.0**	**89,686.2**	**0.0**

In August 2017, the Company issued a secured bond with a volume of EUR 60.000.000.00, divided into 600 bearer, equal, secured bonds with a nominal value of EUR 100.000.00 each. In the financial year 2017/2018, the bond was increased by a total of kEUR 29,900. The nominal amount on 30.09.2018 was kEUR 89,900. On 22.02.2019 the bond was again increased by kEUR 28,100, so that the nominal amount is now kEUR 118,000, divided into 1,180 bonds. The bond bears interest at 4.0% p.a. and matures on August 30, 2022. Interest is paid annually on August 30.

2.12. Liabilities from convertible bonds

The liabilities from convertible bonds are composed as follows, taking into account the issue costs, and are classified as long-term:

Liabilities from convertible bonds in kEUR	Maturity	30/09/2019		30/09/2018	
		long term	short term	long term	short term
Convertible bond kEUR 41,600.0 (nominal), 2.0% Coupon p.a.	11 June 2023	41,184.0	0.0	0.0	0.0
Total		**41,184.0**	**0.0**	**0.0**	**0.0**

On 11 June 2019, Deutsche Industrie issued a convertible bond with 416 bonds with a nominal value of EUR 100,000.00 each. The nominal amount of the bearer bonds is kEUR 41,600.0. The convertible bonds are convertible into 2,248,648 new or existing no-par value Deutsche Industrie bearer shares or can be redeemed in cash. The convertible bonds bear interest at a rate of 2.0% p.a. and mature on 11 June 2026. There is a put option, which provides for a maturity date of 11 June 2023. The bond debtor must repay a bond on June 11, 2023 (the "Option Redemption Date (Put)") at 105% of the nominal amount plus any interest accrued up to the Option Redemption Date (Put) (excluding) after exercise of the corresponding option by the creditor on June 11, 2023. As the contract term until June 11, 2026 is only an extension option from an economic point of view, June 11, 2023 was used as the maturity date. The initial conversion price for bearer shares of the Company is EUR 18.50 per share, which corresponds to a conversion premium of 28.47% above the reference price (closing price of Deutsche Industrie shares on June 4, 2019). The net proceeds from the issue of the convertible bonds will be used for general corporate purposes, including the refinancing of existing liabilities of the Company.

The long-term financial liability resulting from the issue of the convertible bond is reported in the balance sheet under convertible bonds.

The change of control clauses contained in the convertible bonds could not be exercised in the year under review.

The effects of changes in the default risk of the liability from convertible bonds are as follows:

kEUR	2018/2019	2017/2018
Book value	41,184.0	0.0
Of which change in fair value due to credit risk recognised directly in equity	0.0	0.0
Cumulative change in fair value due to credit risk	0.0	
Amount which DIR is contractually obliged to pay to the holders of the convertible bond at Maturity	43,680.0	0.0
Difference between book value and amount to be paid for Maturity	2,496.0	0.0

This resulted in a valuation loss of kEUR 832.0, which was recognised in profit or loss in the valuation result for financial liabilities.

2.13. Liabilities to other lenders

Liabilities to other lenders result from loans from Obotritia Capital KGaA and related parties with an agreed maximum basic term, which are subject to variable repayment at any time. Only interest is payable on outstanding amounts.

There are liabilities to Obotritia Capital KGaA in the amount of kEUR 20,177.8 (30 September 2018: kEUR 2,744.4).

2.14. Other provisions

• **The other provisions are made up as follows:**

Other provisions in kEUR	As of 30/09/2018	Consumption	Release	Addition	As of 30/09/2019
Legal, consulting and auditing costs	3.0	0.0	0.0	0.0	3.0
Provisions for retention	120.0	112.1	0.0	172.6	180.5
Pending invoices	1,437.5	1,437.5	0.0	413.3	413.3
Supervisory Board remuneration and bonuses	130.3	115.3	0.0	385.2	400.2
Total	**1,690.8**	**1,664.9**	**0.0**	**971.1**	**997.0**

Since significant provisions are utilised at short notice, discounting is waived for materiality reasons. There are also no significant uncertainties with regard to the time or amount of the claim.

PICTURE:
Wolfratshausen, Pfaffenrieder Str.

2.15. Other non-current and current liabilities

Other non-current liabilities include lease obligations for leasehold rights for which DIR is the leaseholder and which are accounted for as finance leases. The corresponding assets are reported as investment properties.

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

kEUR	30/09/2019	30/09/2018
Liabilities from finance leases	1,516.7	1,299.9
Other non-current liabilities	10.4	0.0
Total other non-current liabilities	**1,527.1**	**1,299,9**
Tenant deposits	729.2	415.9
Liabilities to tenants	469.6	337.6
Current liabilities from finance leases	2.6	1.5
Off-period incoming payment	300.8	0.0
Advance payments after offsetting unfinished services	0.0	456.2
Rest	58.5	184.7
Total other current liabilities	**1,560.7**	**1,395.9**
Tax liabilities	0.0	2,583.2
Total	**3,087.8**	**5,279.0**

2.16. Trade payables

Trade payables amounted to kEUR 2,692.0 (previous year: kEUR 491.3) as of the balance sheet date and mainly include kEUR 2,548.0 (previous year: kEUR 175.1) in real estate transfer tax liabilities for additions to real estate.

3. Notes to the statement of comprehensive income

3.1. Net rental income

The rental income is made up of revenues from gross rental income and revenues from operating and ancillary costs, less operating expenses, and is as follows:

kEUR	2018/2019	2017/2018
Gross rental income	25.481,2	10.260.0*
Revenues from operating and ancillary costs	4.258,5	2.490,8*
Rental revenues	**29.739,7**	**12.750,8***
Maintenance	2.195,2	841,9
Recoverable operating and ancillary costs	3.755,3	2.749,8*
Non-recoverable operating costs	2.838,8	1.088,4
Total operating expenses	**8.789,3**	**4.680,1***
Net rental income	**20.950,5**	**8.070,7**

*Previous year disclosure changed by the application of IFRS 15

The first-time application of IFRS 15 did not result in any differences with regard to net rental income and therefore had no impact on balance sheet items or equity as of 1 October 2018. This is purely a change in presentation. In order to enable comparability with the figures for the previous period, the presentation of the previous year was adjusted accordingly.

Revenues relate exclusively to commercial rents from properties in Germany. Income from operating and ancillary costs does not include any own services provided by the company. Maintenance expenses relate to repairs and maintenance work. In 2018/2019, value-enhancing maintenance measures amounting to kEUR 3,271.4 were capitalised.

Non-recoverable operating costs include expenses for property management of kEUR 2,016.2 (previous year: kEUR 813.4).

The total operating expenses include revenues of kEUR 3,587.3 (previous year kEUR 2,020.2) in accordance with IFRS 15.

3.2. Net proceeds from the sale of investment properties

The net proceeds from the sale reflect the disposal of the Stralsund property in the 2018/2019 financial year, which was measured as an investment property at fair value in accordance with IAS 40. The sale price amounted to kEUR 610.0. In the 2018/2019 reporting year, a valuation result of kEUR 57.0 was achieved for this property.

3.3. Other Company income

Other operating income amounted to kEUR 373.7 in the financial year (previous year: kEUR 147.4) and mainly includes income from insurance compensation of kEUR 340.5 (previous year: kEUR 115.6).

3.4. Result from the revaluation of investment properties

The valuation result includes the net valuation gains and losses from the fair value measurement of the investment properties at the balance sheet date by an external and independent appraiser. In the event that sales contracts exist, the agreed sales price was used as the fair value, as this represents a better approximation of the market value.

3.5. Personnel expenses

The Company's personnel expenses in the financial year 2018/2019 amounted to kEUR 808.3 (2017/2018: kEUR 453.7). Further services for the company are provided by employees of Obotritia KGaA. A cost allocation is levied for this, which is recorded under other operating expenses.

The increase in personnel expenses results from the hiring of new employees in order to accommodate the growth of the company. Of the personnel expenses, kEUR 33.8 (previous year: kEUR 25.4) relate to social security contributions and pension expenses.

As of September 30, 2019, four persons (September 30, 2018: three) were directly employed by the Company. This comprised two members of the Management Board and two salaried employees.

3.6. Impairment loss of inventories and receivables

• **The impairments break down as follows:**

Impairment loss in kEUR	2018/2019	2017/2018
Impairment of rent receivables	208.7	195.0
Impairment of receivables from other goods and services	0.0	0.0
Total	**208.7**	**195.0**

The transition to the model of expected credit losses in accordance with IFRS 9 did not have any significant impact on rent receivables, as the value adjustment of the open items at the end of the month was already carried out in accordance with IAS 39 due to the property-specific debit position of the rent receivables at the beginning of the month.

For further information, see also section 2.5 Trade receivables.

3.7. Other administrative expenses

• **The other administrative expenses are as follows:**

kEUR	2018/2019	2017/2018
Legal, consulting and auditing costs	362.4	573.2
Agency fees	471.9	353.9
Cost mortgages and liens	272.2	142.5
Supervisory Board remuneration	28.1	22.5
Miscellaneous	458.3	172.1
Total	**1,592.9**	**1.264.2**
thereof one-off expenses	431.2	381.0
Adjusted	**1,161.7**	**883.2**

Legal and consulting expenses primarily comprise current costs for external accounting and auditing fees as well as legal advice. Miscellaneous other operating expenses mainly comprise costs for the preparation of expert opinions and fees. The one-off expenses in the reporting period essentially comprise the expenses for the provision of mortgages. Adjusted for special effects and one-time expenses, other operating expenses increased by kEUR 278.6.

3.8. Finance result

• **Net interest results have the following structure:**

kEUR	2018/2019	2017/2018
Interest income from shareholder loans	98,6	1.634,5
Other interest income	0.0	0.0
Total interest income	**98,6**	**1.634,5**
Interest on corporate bonds	-4.400.0	-2.704,5
Interest on convertible bonds	-208,0	0.0
Capital procurement fees for liabilities measured at fair value	161,3	0.0
Interest expenses from shareholder loans	-1.064,2	-80,3
Other interest expenses for loans to banks	-877,3	-119,1
Ground rent	-113,9	-68,0
Total interest expenses	**-6.824,7**	**-2.971,9**
of which non-cash	-908,6	-408,8
Total	**-6.726,1**	**-1.337,4**

Of the interest income, kEUR 98.6 relates to financial instruments accounted for using the effective interest method.

The valuation result from financial liabilities of kEUR 832.0 results from the valuation of the convertible bond at fair value (previous year kEUR 0.0).

3.9. Other taxes

Other taxes amounted to kEUR 0.0 in the reporting period (previous year: kEUR 0.1) and result from tax refunds from previous years. The property tax attributable to investment properties is reported under rental expenses.

3.10. Earnings per share

- **Earnings per share are as follows:**

kEUR	2018/2019	2017/2018
Net income (undiluted)	**48,671.9**	**13,714.3**
Interest on convertible bonds	208.0	–
Net income (diluted)	**48,879.9**	**13,714.3**
Average number of shares issued during the reporting period (undiluted)	**21,619,034**	**14,511.150**
Potential Conversion Shares	2,248,480	–
Average number of shares issued during the reporting period (diluted)	**23,867,514**	**14,511.150**
Earnings per share (in EUR)		
Undiluted result per share	**2.25**	**0.95**
Diluted result per share	**2.05**	**0.95**

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4. Notes to the cash flow statement

The cash flow statement was prepared using the indirect method for the operating part. A distinction was made between operating, investing and financing activities. The cash and cash equivalents reported 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 in the course of 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 activities and cash flows from investing and financing activities.

The cash flow from operating activities amounted to kEUR 17,133.1 (previous year: kEUR 6,926.9). The positive cash flow from operating activities is directly related to the increase in the portfolio of rental properties, which will continue to improve in subsequent years.

Cash flow from investing activities amounted to kEUR -198,002.9 (previous year: kEUR -69,182.5). The main investment activities of the company in the year under review comprise payments of kEUR -215,529.4 (previous year: kEUR -119,466.6) for the various property acquisitions.

Cash flow from financing activities amounted to kEUR 182,818.4 in the year under review (previous year: kEUR 62,349.3). The main factors in the year under review were the proceeds from capital increases of kEUR 63,005.3 (previous year: kEUR 26,043.0), the proceeds from the issue of the convertible bond of kEUR 40,190.7 (previous year: kEUR 0.0), the increase in the corporate bond of kEUR 27,998.9 (previous year: kEUR 29,766.5) and the proceeds from loans taken out with various banks totalling kEUR 61,875.0 (previous year: kEUR 9,850.0). These payments were mainly offset by payments for the amortisation of loans including interest payments totalling kEUR -8,184.1 (previous year kEUR -3,300.2) and dividends paid to shareholders totalling kEUR -2,025.0 (previous year: kEUR 0.0).

• **The opening balance of net financial liabilities as of October 01, 2017 can be reconciled as follows to the closing balance as of September 30, 2019:**

kEUR	Liabilities to banks	Liabilities from convertible bonds	Liabilities from corporate bonds	Total
As of 01/10/2017	2,388.7	0.0	60,011.9	62,400.6
Inflows from the issue of corporate bonds	0.0	0.0	29,900.0	29,900.0
Costs from the issue of corporate bonds	0.0	0.0	-133.5	-133.5
Inflows from the take-up of loans	9,850.0	0.0	0.0	9,850.0
Costs from the take-up of loans	-10.0	0.0	0.0	-10.0
Outflows for the amortisation of financial liabilities	-316.5	0.0	0.0	-316.5
Interest expenses	109.9	0.0	2,704.5	2,814.3
Interest paid	-108.8	0.0	-2,796.6	-2,905.4
As of 30/09/2018	11,913.3	0.0	89,686.2	101,599.5
As of 01/10/2018	11,913.3	0.0	89,686.2	101,599.5
Inflows from the issue of corporate bonds	0.0	0.0	28,100.0	28,100.0
Costs from the issue of corporate bonds	0.0	0.0	-101.1	-101.1
Inflows from the issue of convertible bonds	0.0	40,352.0	0.0	40,352.0
Costs from the issue of convertible bonds	0.0	0.0	0.0	0.0
Inflows from the take-up of loans	61,875.0	0.0	0.0	61,875.0
Costs from the take-up of loans	-42.5	0.0	0.0	-42.5
Outflow for the amortisation of financial liabilities	-2,268.0	0.0	0.0	-2,268.0
Valuation result of financial liabilities	0.0	832.0	0.0	832.0
Interest expenses	877.3	208.0	4,400.0	5,485.3
Interest paid	-871.7	-208.0	-4,181.1	-5,260.8
As of 30/09/2019	**71,483.4**	**41,184.0**	**117,904.0**	**230,571.4**

5. Disclosures on financial instruments and fair value

5.1. Financial risk management

DIR's business exposes it to various financial risks. These risks mainly include default, liquidity and market risk (interest rate risk). Accordingly, there is a policy-based risk management system, which is managed by the Corporate Finance department. 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 defined as the risk of a loss if a business partner fails to meet its contractual payment obligations. These can essentially be tenants or banks. In order to counter this risk, DIR only enters into business relationships with creditworthy contracting parties and obtains appropriate collateral. For this purpose, the DIR uses available financial information to assess the creditworthiness of the business partners. The company's risk exposure is continuously monitored.

The company generally records value adjustments for expected defaults:

- Financial assets measured at amortized cost

- Debt instruments measured at fair value through equity

- and contract assets as well as receivables from leases.

The Company measures the allowance for doubtful accounts by the amount of the expected losses over the lease term, except in the following cases where the expected twelve-month credit loss is used:

- Debt instruments with a low credit risk at the balance sheet date, and

- Debt instruments for which the default risk has not increased significantly since initial recognition.

Value adjustments on trade receivables and contract assets as well as receivables from leases are generally taken into account on the basis of expected credit losses over the term of the lease.

To determine whether there has been a significant increase in the default risk since initial recognition and to estimate the expected default, appropriate and reliable information that is available without unreasonable expenditure of time and money is used. This includes both quantitative and qualitative information and analyses based on experience and forward-looking information. The transfer from Level 1 of the impairment model in accordance with IFRS 9 is made if the credit default risk has increased significantly since initial recognition. The indicator for this is primarily that the contractual payments are more than 30 days overdue or that the rating has deteriorated. A retransfer is made if the credit default risk has decreased to such an extent as of the balance sheet date that it is no longer significantly increased compared with the initial recognition. This applies irrespective of the extent of the change in the credit default risk in relation to the previous balance sheet date.

The expected defaults are generally based on the difference between all contractual payments owed and all expected payments.

At each balance sheet date, an assessment is made as to whether financial assets carried at amortised cost and debt instruments carried at fair value through profit or loss have impaired creditworthiness and should be adjusted if necessary. The creditworthiness of a financial asset is impaired if one or more events with adverse effects on the expected future cash flows have occurred. Indicators include, but are not limited to

- Significant financial difficulties of the borrower
- A breach of contract such as default or overdue payment
- It is likely that the borrower will go into insolvency or restructuring proceedings.

makes concessions to the borrower for economic or legal reasons related to the borrower's financial difficulties, which would not otherwise be considered

Existing rent receivables are reported under trade receivables and regularly tested for impairment. To measure expected credit losses, rent receivables were combined in trade receivables on the basis of common credit risk characteristics and days past due. Value adjustments are generally made 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 sales and correspond to historical defaults. These historical loss ratios are adjusted on the basis of current and future-oriented information on macroeconomic factors, which reflects the ability of customers to settle receivables. Impairment losses on trade receivables are included in impairment losses on receivables and inventories. Impairments are deducted from the financial asset.

Existing loan receivables are tested for impairment on the basis of their expected probability of default and any significant increase.

Financial assets are derecognized on the basis of a reasonable estimate when they are no longer expected to be realizable. For individual assets, the impairment requirement provides for derecognition if the asset is more than 360 days past due.

The financial assets recognized in the financial statements less any impairment represent the Company's maximum credit risk. Collateral received is not taken into account. There are no overdue, unimpaired receivables.

5.1.2. Liquidity and financing risk

Liquidity risk is defined as the risk that DIR will not be able to meet its payment obligations at a contractually agreed time.

To ensure liquidity, liquidity planning is carried out which continuously compares the expected liquidity requirements with the expected liquidity inflows. DIR manages liquidity risks by maintaining appropriate reserves and credit lines and by continuously comparing projected and actual cash flows, including the maturity profiles of receivables and liabilities.

The following tables show the contractual and undiscounted disbursements of the liabilities shown in the balance sheet by residual term, including accrued interest:

Remaining maturities as at 30/09/2019 in kEUR	Total	up to 1 year	1 to 5 years	over 5 years
Liabilities to banks	71,538.4	3,970.0	21,093.5	46,474.9
Liabilities to other creditors	20,177.7	0.0	20,177.7	0.0
Liabilities from convertible bonds	43,727.9	0.0	43,727.9	0.0
Liabilities from corporate bonds	118,397.2	0.0	118,397.2	0.0
Liabilities from leasing	1,519.4	2.7	12.8	1,503.9
Liabilities from trade payables	2,692.0	2,692.0	0.0	0.0
Other non-current liabilities	10.3	0.0	10.3	0.0
Other current liabilities	1,558.0	1,558.0	0.0	0.0

Remaining maturities as at 30/09/2018 in kEUR	Total	up to 1 year	1 to 5 years	over 5 years
Liabilities to banks	11,931.3	870.8	3,348.0	7,694.5
Liabilities to other creditors	0.0	0.0	0.0	0.0
Liabilities from convertible bonds	0.0	0.0	0.0	0.0
Liabilities from corporate bonds	90,205.4	305.4	89,900.0	0.0
Liabilities from leasing	1,301.3	1.5	48.9	1,250.9
Liabilities from trade payables	491.3	491.3	0.0	0.0
Other current liabilities	3,977.6	3,977.6	0.0	0.0

The Company has access to credit facilities. The total amount not yet drawn amounts to approximately kEUR 0.0 (previous year: kEUR 17,255.6) as of the balance sheet date. The Company expects to be able to meet its liabilities from operating cash flows, the inflow of maturing financial assets and capital measures and existing credit lines at any time. In addition, there are estimated future cash outflows from interest on financial liabilities within one year of kEUR 8,754.8 (previous year: kEUR 3,915.9), more than one but less than five years of kEUR 21,499.3 (previous year: kEUR 11,814.1) and after more than five years of kEUR 3,534.0 (previous year: kEUR 656.2). Future interest payments for leases are shown in 6.2.

The majority of the loan agreements have obligations to comply with certain financial covenants. These generally include standard ratios such as the debt service coverage ratio (DSCR) or loan-to-value (LTV). A breach of the agreed credit terms could result in an early repayment obligation, which in individual cases could impair liquidity. As of September 30, 2019, all conditions from loan and bond agreements had been met.

The financial assets reported in the balance sheet have no fixed maturities and are therefore categorised as short term.

Furthermore, DIR is fundamentally dependent on being able to obtain debt capital at appropriate conditions for the refinancing of 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 is no longer covered, lenders could force the realisation of real estate collateral, whereby emergency sales could lead to considerable financial disadvantages. In this respect, DIR continuously exploits favourable market conditions in order to orient its financing towards favourable and sustainable conditions.

This also applies to the (convertible) bonds issued.

5.1.3. Interest rate risk

Due to its business activities, DIR is exposed to interest rate risk. This risk exists in particular in the case of floating-rate loans and in the case of the redefinition of conditions for fixed-interest loans after expiry of the fixed-interest period if interest rate increases by the ECB result in higher interest payments.

For hedging purposes, DIR uses derivative financial instruments such as interest rate swaps or caps where necessary to minimize the interest rate risk or interest rate sensitivity in the event of rising interest rates. The Company had no interest rate hedging instruments as of September 30, 2019. No derivatives are used for speculative purposes.

In addition, the Company is in ongoing discussions with its banking partners in order to extend expiring fixed-interest periods in good time or to redeem loans prematurely or reschedule them if necessary. Forward loans are also considered here.

As of September 30, 2019, only loans with a fixed interest rate existed.

If the interest rates had been 1% higher (lower) in the reporting period, the annual result would have been kEUR 1,728.9 lower (2018: kEUR 888.7) or kEUR 1,710.0 higher (2018: kEUR 900.9).

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 30/09/2019 in kEUR	Interest income	Interest ex-penses	Impairment (in other expenses)	Other	Information as at 30/09/2019
Financial instruments valued at FVtOCI	0.0	0.0	0.0	0.0	0.0
Financial instruments valued at FVtPL	0.0	0.0	0.0	0.0	0.0
Financial assets valued at AC	0.0	0.0	208.7	0.0	0.0
Total financial assets	**0.0**	**0.0**	**208.7**	**0.0**	**0.0**
Financial liabilities valued at FVtOCI	0.0	0.0	0.0	0.0	0.0
Financial liabilities valued at FVtPL	0.0	208.0	0.0	0.0	832.0
Financial liabilities valued at AC	98.6	6.341.4	0.0	0.0	0.0
Total financial liabilities	**98.6**	**6.549.4**	**0.0**	**0.0**	**832.0**

• In the previous period, net income from financial instruments was as follows:

30/09/2018	IAS 39 Category	Interest in kEUR	Impairments in kEUR	Valuation results OCI in kEUR	Other in kEUR
Shares in companies in which participations are held	Afs – FV	0.0	0.0	0.0	0.0
Other financial assets	Afs – FV	0.0	0.0	0.0	0.0
Loans and receivables	LaR	1,634.5	-195.0	0.0	0.0

5.3. Offsetting financial assets and liabilities

Due to global netting agreements, financial assets and liabilities are only offset if there is an enforceable legal claim to offsetting on the balance sheet date and net settlement is intended. If a netting claim cannot be enforced in the ordinary course of business, the global netting agreement creates only a conditional right to offset. In this case, the gross amounts of the financial assets and liabilities at the balance sheet date are recognized in the balance sheet.

In the balance sheet as of September 30, 2019, receivables from operating costs not yet invoiced of kEUR 7,396.2 (September 30, 2018: kEUR 3,023.3) were offset against advance payments received from operating costs advance payments of kEUR 7,089.5 (September 30, 2018: kEUR 3,479.6) as is customary in the industry.

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 property.

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

In kEUR	30/09/2019	30/09/2018
Equity	181,463.3	71,811.0
Total assets	438,989.1	183,616.0
Equity ratio in %	**41.3**	**39.1**

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

In kEUR	30/09/2019	30/09/2018
Equity	181,463.3	71,811.0
Investment property = immovable property	392,849.0	168,242.2
Equity ratio in %	**46.2**	**42.7**

- **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. DIR aims for an LTV of between 50 and 55 %:**

In kEUR	30/09/2019	30/09/2018
Financial liabilities	252,265.8	104,343.9
minus cash, incl. fiduciary accounts	-2,065.7	-117.1
minus short-term terminable financial assets	-459.0	-144.7
Net financial liabilities	**249,741.1**	**104,082.1**
Investment properties	392,849.0	168,242.2
Prepayments on acquired investment properties	38,886.2	11,196.1
Investment properties intended for sale	435.0	0.0
Total real estate assets	**432,170.2**	**179,438.3**
Loan-to-Value (LTV), %	**57.8**	**58.0**

5.5. Valuation categories of financial instruments according to IFRS 9

IFRS 9 replaces IAS 39 and, among other things, regulates the classification of financial assets and liabilities. The reconciliation from the valuation categories in accordance with IAS 39 to those of IFRS 9 at the time of conversion is shown below:

Figures in kEUR	Category according to IAS 39	Book value according to IAS 39 as of 30/09/2018	Category according to IFRS 9	Book value according to IFRS 9 as of 01/10/2018	Difference
Financial assets					
Trade receivables	LaR[1]	265.6	AC[2]	265.6	0.0
Cash and cash equivalents	LaR	117.1	AC	117.1	0.0
Other financial assets	Afs – FV[3]	2,415.3	AC	2,415.3	0.0
Total financial assets		**2,798.0**		**2,798.0**	

Figures in kEUR	Category according to IAS 39	Book value according to IAS 39 as of 30/09/2018	Category according to IFRS 9	Book value according to IFRS 9 as of 01/10/2018	Difference
Financial liabilities					
Liabilities to banks	FLaC[4]	11,825.6	AC	11,825.6	0.0
Liabilities to other creditors	FLaC	2,744.4	AC	2,744.4	0.0
Liabilities from corporate bonds	FLaC	89,686.2	AC	89,686.2	0.0
Liabilities from finance leases	FLaC	1,301.4	–	1,301.4	0.0
Trade payables	FLaC	491.3	AC	491.3	0.0
Other short-term liabilities	FLaC	929.2	AC	929.2	0.0
Total financial liabilities		**106,978.1**		**106,978.1**	

1 Loans and Receivables
2 Amortised Cost
3 Available for Sale zum Fair Value
4 Financial Liabilities at Amortised Cost

The first-time application of IFRS 9 did not result in a changeover effect.

• **The following table provides an overview of the measurement categories of financial assets and liabilities in accordance with IFRS 9:**

Figures in kEUR	Category according to IFRS 9	Book value as at 30/09/2019	AC	FVtPL	FVtOCI	IAS 17	Fair value as at 30/09/2019	Valuation hierarchy
Financial assets								
Trade receivables	AC	819.4	819.4	–	–	–	819.4	Level 2
Cash and cash equivalents	AC	2,065.7	2,065.7	–	–	–	2,065.7	Level 2
Other current assets	AC	1,139.0	1,139.0	–	–	–	1,139.0	Level 2
Total financial assets		**4,024.1**	**4,024.1**	**–**	**–**	**–**	**4,024.1**	
Financial liabilities								
Liabilities to banks	AC	71,483.4	71,483.4	–	–	–	71,442.5	Level 2
Liabilities to other creditors	AC	20,177.8	20,177.8	–	–	–	20,177.8	Level 2
Liabilities from convertible bonds	FVtPL	41,184.0	41,184.0	–	–	–	41,184.0	Level 1
Liabilities from corporate bonds	AC	117,904.0	117,904.0	–	–	–	123,900.0	Level 1
Liabilities from finance leases	–	1,485.8	–	–		1.485.8	1,485.8	Level 2
Trade payables	AC	2,692.0	2,692.0	–	–	–	2,692.0	Level 2
Other non–current liabilities	AC	10.3	10.3	–	–	–	10.3	Level 2
Other current liabilities	AC	729.2	729.2	–	–	–	729.2	Level 2
Total financial liabilities		**254,936.9**	**253,451.1**	**–**	**–**	**1.485.8**	**254,936.9**	

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 stages:

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. In financial year 2018/2019, there were no reclassifications between the respective hierarchy levels.

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

In kEUR	Valuation hierarchy	30/09/2019	30/09/2018
Investment properties	Level 3	392,849.0	168,242.2
Investment properties intended for sale	Level 1	435.0	0.0
Total Assets		**393,284.0**	**168,242.2**
Convertible bond	Level 1	41,184.0	0.0
Total Liabilities		**41,184.0**	**0.0**

The fair value of long-term assets or liabilities corresponds to the present value of the expected payments, considering maturity and risk-adjusted market interest rates, 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.

6. Other information

6.1. Contingent liabilities and other financial obligations

As of the reporting date. the following significant financial obligations exist:

kEUR	30/09/2019	30/09/2018
Asset and property management contracts	7,834.7	4,384.4
Administrative levies contracts	471.9	589.9
vehicle leasing	13.6	0.0
Total	**8,320.2**	**4,974.3**
of which up to 1 year	2,876.8	1,722.5
of which between one and five years (undiscounted)	5,443.4	3,251.8
of which over five years (undiscounted)	0.0	0.0

As of the balance sheet date 30 September 2019. The Company had purchase price obligations from notarised purchase agreements for eight properties amounting to kEUR 15.301.4

There are no other contingent liabilities.

6.2. Obligations under leases

Finance leasing as lessee

As a lessee of leasehold contracts. there are long-term leasing liabilities which will result in payments in subsequent years. These are distributed as follows:

in kEUR	Total	up to 1 year	1 to 5 years	over 5 years
Minimum lease payments 30/09/2019	**6,315.2**	**115.7**	**462.7**	**5,736.9**
thereof interest payments	4,795.8	113.0	449.9	4,232.9
thereof repayments	1,519.4	2.7	12.8	1,503.9
Minimum lease payments 30/09/2018	**5,753.2**	**101.4**	**405.7**	**5,246.1**
thereof interest payments	4,451.8	99.9	356.8	3,995.1
thereof repayments	1,301.4	1.5	48.9	1,250.9

The leasehold contracts have an average remaining term of 55.2 years and are adjusted to the indices agreed by value retention clauses. An index adjustment took place in the year under review. as a result of which the book value of the leasehold rights was increased by kEUR 33.6. In the year under review. This effect on lease liabilities and assets was recognised directly in equity in the reporting period. Extension options are also available in some cases. There were no contingent rental payments.

6.3. Transactions with related companies and persons

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

- Parent company.
- Other shareholders.
- Other related entities - 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 Company maintains business relationships with related companies and persons. Essentially. these relationships include financial services through short-term provision of liquidity on the basis of concluded master agreements and services.

The scope of transactions with related parties is shown below:

Deutsche Industrie is an affiliated company of Obotritia Capital KGaA. Potsdam. Obotritia Capital KGaA charged an amount of kEUR 471.9 (kEUR 353.9 in the previous year) for the use of business premises. the provision of office equipment and administrative personnel including the activities of the Management Board in the reporting period as part of the concluded agency agreement.

By agreement dated 17 November 2014 and supplement dated 29 January 2015. 31 March 2016 and 1 March 2019. Obotritia Capital KGaA (formerly EAA Grundbesitz GmbH) granted the company a current account credit facility of EUR 31 million as a liquidity line to improve its liquidity position. The loan will be disbursed at the Company's request and must be repaid at any time. but no later than the end of the contract term on 31 December 2024. Interest will only be charged on the outstanding amount. no additional commitment interest will be charged.
As of September 30. 2019. there was a liability of EUR 20.117.8 thousand (September 30. 2018: EUR 2.744.4 thousand). For overpayments. the same contractual terms and conditions are applied as for the utilisation. For these cases. a master loan agreement was concluded dated March 2. 2017. 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. Interest income of EUR 98.6 thousand (previous year: EUR 1.634.5 thousand) and interest expenses of EUR 1.064.2 thousand (previous year: EUR 80.3 thousand) were generated for the fiscal year.

There is a management agreement with GV Nordost Verwaltungsgesellschaft mbH. Rostock. for the property management of the real estate portfolio. The agreed remuneration amounts to 3% of the net rental income received each month (plus value-added tax). Expenses of kEUR 705.7 (previous year: kEUR 323.5) were incurred in the year under review.

There is also a management and consulting contract with Elgeti Brothers GmbH. Berlin. The agreed remuneration amounts to 0.5% of the gross asset value of the Company's real estate annually. calculated on the basis of purchase prices and transaction costs. and is paid in quarterly discounts. In the year under review. expenses amounted to EUR 1.310.5 thousand (previous year: EUR 489.9 thousand).

The following receivables and liabilities exist in the balance sheet from and to related parties:

kEUR	30/09/2019	30/09/2018
Other current assets		
against shareholders (Obotritia Capital KGaA)	0.0	144.7
Other related parties	17.0	100.0
Liabilities to other lenders		
against Obotritia Capital KGaA	20,177.82	2,744.4
Other current liabilities		
Other related parties	0.0	0.0

The receivables from other related parties of EUR 17.0 thousand (previous year: EUR 100.0 thousand) reported as of 30/09/2019 resulted from the sale of a facility to Diana Contracting GmbH. In the previous year. this item related to payments made for Tec-Center Vermietungsgesellschaft mbH & Co. KG.

No loans or advances were granted to related parties. Close family members of the Executive 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 persons:

Name	Occupation	Memberships in other supervisory bodies within the meaning of Section 125 (1) sentence 5 of the German Stock Corporation Act (AktG)
Dr Maximilian Murawo (until 22/03/2019) Chairman Berlin	Lawyer	• None
Hans-Ulrich Sutter (from 22.03.2019) Chairman Düsseldorf	Business Graduate	• Deutsche Konsum REIT-AG. Broderstorf (Chairman of the Supervisory Board) • TAG Colonia-Immobilien AG. Hamburg (Deputy Chairman of the Supervisory Board)
Dr Dirk Markus Deputy Chairman London	Economist	• Obotritia Capital KGaA. Potsdam (Supervisory Board member)
Achim Betz Nürtingen	Certified Public Accountant. Tax Consultant. Business Graduate. ba audit GmbH Wirtschaftsprüfungsgesellschaft. Berlin (Managing Partner). Best Audit GmbH Wirtschaftsprüfungsgesellschaft. Hanover (Managing Partner)	• Deutsche Leibrenten Grundbesitz AG. Frankfurt am Main (Deputy Chairman of the Supervisory Board) • Deutsche Konsum REIT-AG. Rostock (Deputy Chairman of the Supervisory Board) • Best Audit GmbH Auditing Company. Hannover (Managing Partner) • Hevella Capital GmbH & Co. KGaA. Potsdam (Chairman of the Supervisory Board) • BSF Treuhand GmbH Auditing Company. Stuttgart (Managing Partner) • NEXR Technologies SE (formerly Staramba SE). Berlin (Deputy Chairman of the Board of Directors since 13 February 2019) • Bankhaus Obotritia GmbH. Munich (member of the Audit Committee since 26 February 2019)

The remuneration of the Supervisory Board for the financial year amounted to kEUR 22.5 (2018: kEUR 22.5) excluding VAT. No loans or advances were granted to members of the Supervisory Board. nor were any contingent liabilities entered into in favour of members of the Supervisory Board.

• **During the reporting period. the Management Board consisted of the following persons:**

Name	Occupation	Memberships in other supervisory bodies within the meaning of Section 125 (1) sentence 5 of the German Stock Corporation Act (AktG)
Rolf Elgeti CEO Potsdam	Business Graduate	• TAG Immobilien AG. Hamburg. Germany (Chairman of the Supervisory Board) • Deutsche Leibrenten Grundbesitz AG. Frankfurt am Main. Germany (Chairman of the Supervisory Board) • creditshelf Aktiengesellschaft. Frankfurt am Main. Germany (Chairman of the Supervisory Board) (since May 25. 2018) • NEXR Technologies SE (formerly Staramba SE). Berlin. Germany (Member of the Board of Directors) • HLEE (Highlight Event and Entertainment AG. Pratteln. Switzerland) (Member of the Board of Directors) (since June 29. 2018) • Laurus Property Partner. Munich. Germany (Member of the Advisory Board) • Bankhaus Obotritia GmbH. Munich (Member of the Audit Committee since February 26. 2019)
Sonja Petersen (nee Paffendorf) CIO Berlin	Business Graduate	• None
René Bergmann CFO Berlin	Businessman	• None

The remuneration of the Chairman of the Management Board for financial year 2018/2019 amounted to kEUR 71.3 (2017/2018: kEUR 71.3). The remuneration is paid by cost allocation from Obotritia Capital KGaA. as there is no employment contract between the company and the CEO. There are no other grants or variable remuneration.

For details of Supervisory Board and Management Board remuneration. please refer to the remuneration report in the DIR management report.

6.5. Consolidated Financial Statements

DIR is included as a subsidiary in the consolidated financial statements of Obotritia Capital KGaA. Potsdam. The 2018/ 2019 financial statements will be included in the consolidated financial statements of Obotritia Capital KGaA. Potsdam. for the largest and smallest group of companies. which will be published in the Federal Gazette.

6.6. Fee of the auditor

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

kEUR	30/09/2019	30/09/2018
Audit services for financial statements	93.1	66.4
Other certification services	63.2	43.6
Other services	5.4	1.2
Total	**161.7**	**111.2**
of which relating to other periods	18.1	6.4

The other confirmation services in 2018/2019 relate to the issue of a comfort letter in accordance with IDW PS 910 (kEUR 63.2). Subsequent charges include fees of kEUR 18.1 (2017/2018: kEUR 6.4) relating to other periods.

6.7. Significant events after the balance sheet date

Between the balance sheet date and the date of completion of the financial statements eight properties have been transferred to the ownership of Deutsche Industrie. The investment volume was approximately EUR 53.7 million. The locations include Hanover, Wesel and Schwerin.

In addition. Deutsche Industrie has signed purchase agreements for three properties totalling EUR 13.3 million. The three properties are located in Kloster Lehnin, Dinslaken and Wedemark.

On 17 October 2019 the company concluded three loan agreements for a total of EUR 17.5 million with Kreissparkasse Ostalb, Aalen to refinance the properties in Essingen, Aalen and Westhausen.

The company carried out a capital increase in November 2019. A total of approx. 5.7 million shares were placed at a price of EUR 16.25 per share, resulting in gross proceeds of approx. EUR 92.8 million.

6.8. Corporate Government Codex (Declaration on the German Corporate Governance Code pursuant to Art. 161 AktG)

On 25 October 2019. the Management Board and the Supervisory Board of Deutsche Industrie REIT-AG issued the current declaration of compliance with the German Corporate Governance Code pursuant to Art. 161 AktG. The declaration was made permanently available to the shareholders at https://deutsche-industrie-reit.de/en/.

Rostock, 6 December 2019

Rolf Elgeti
Chief Executive Officer

Sonja Petersen
Chief Investment Officer

René Bergmann
Chief Financial Officer

Assurance of legal representatives

"We assure to the best of our knowledge that the financial statements as of 30 September 2019 give a true and fair view of the financial position. the results of operations and the cash flows of the Company and the business performance and results of operations. including the Company's financial condition. in accordance with the applicable accounting policies a true and fair view is provided and the material opportunities and risks of the Company's expected development are outlined."

Rostock, 6 December 2019

Rolf Elgeti
Chief Executive Officer

Sonja Petersen
Chief Investment Officer

René Bergmann
Chief Financial Officer

Audit Opinion of the independent individual financial statements

To Deutsche Industrie REIT-AG, Rostock

Note on the audit of the consolidated financial statements and the management report

Audit opinions

We have audited the individual financial statements of Deutsche Industrie REIT-AG, comprising the balance sheet as of 30 September 2019, the statement of comprehensive income, the cash flow statement and the statement of changes in equity for the financial year from 1 October 2018 to 30 September 2019 and the notes, including a summary of significant accounting policies. In addition, we have audited the management report of Deutsche Industrie REIT-AG for the financial year from 1 October 2018 to 30 September 2019.

In our opinion, based on the findings of the audit,

- the accompanying financial statements comply in all material respects with IFRSs as adopted by the EU, the additional requirements of German law pursuant to § 315e Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Company as of September 30, 2019 and of its results of operations for the financial year from October 1, 2018 to September 30, 2019 in accordance with these requirements, and

- The accompanying management report provides a suitable view of the Company's situation. In all material respects, this management report is consistent with the single-entity financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development.

Pursuant to Section 322 (3) Sentence 1 HGB, we declare that our audit has not led to any objections to the regularity of the individual financial statements and the management report.

Basis for the judgments

We examined the individual financial statements and the management report in accordance with section 317 HGB and the EU Auditors Ordinance (No. 537/2014, in the following, „EU-APrVO") in accordance with the German principles of proper statutory audit as stated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under these rules and policies are further described in the section entitled „Auditor's Responsibility for the Audit of the Individual Financial Statements and the Management Report". We are independent of the Company in accordance with the European and German commercial and professional regulations and fulfilled our other German professional obligations in accordance with these requirements. In addition, in accordance with Article 10 (2) (f) EU-APrVO, we declare that we did not perform any prohibited non-audit ser-vices under Article 5 (1) EU APrVO. We believe that the audit evidence we obtained is sufficient and appropriate to serve as a basis for our opinion on the individual financial statements and management report.

Other Information

The legal representatives are responsible for the other information.

Other information includes:

- the other parts of the annual report, apart from the audited individual financial statements and the management report as well as our audit opinion,
- the Corporate Governance Report according to No. 3.10 of the German Corporate Governance Code,
- the insurance pursuant to section 264 (2) sentence 3 HGB on the individual financial statements and the insurance pursuant to section 289 (1) sentence 5 HGB on the management report and
- the corporate governance declaration in accordance with section 289f HGB.

Our audit opinions on the individual financial statements and the management report do not extend to the other information and accordingly we do not give any opinion or any other form of audit conclusion.

In connection with our audit, we have a responsibility to read the other information and to evaluate whether the other information

- have material inconsistencies with the individual financial statements, the management report or our knowledge acquired during the audit, or
- otherwise appear to be significantly misrepresented.

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

The legal representatives are responsible for the preparation of the individual financial statements, which comply with the IFRS, as applicable in the EU, and the German statutory provisions to be applied in addition to § 315e paragraph 1 HGB in all material respects, and that, in accordance with these regulations, the individual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary to enable the preparation of financial statements that are free from material misstatement, whether intentional or unintentional.

In preparing the individual financial statements, the legal representatives are responsible for assessing the ability of the business to continue to operate. They also have responsibility for dis-closing matters relating to the continuation of business, if relevant. In addition, they are responsible for accounting for continuing operations based on the accounting policy, unless there is an intention to liquidate the Company or cease operations or there is no realistic alternative.

In addition, the legal representatives are responsible for the preparation of the management report, which as a whole conveys a true picture of the Company's situation, is in all material respects consistent with the individual financial statements, complies with German legal requirements and truly represents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) that they deemed necessary to enable the preparation of a management report in accordance with the applicable German statutory provisions, and sufficient appropriate evidence for the statements in the management report.

The Supervisory Board is responsible for overseeing the Company's accounting process for the preparation of the individual financial statements and the management report.

Responsibility of the auditor for the audit of the individual financial statements and the management report

Our objective is to obtain reasonable assurance as to whether the individual financial statements as a whole are free from material misstatement, whether intentional or unintentional, and whether the management report gives a true picture of the condition of the Company and complies with, in all material respects, the individual financial statements and is consistent with the findings of the audit, complies with German statutory requirements and accurately reflects the opportunities and risks of future development, and provides an audit opinion that includes our audit opinions on the individual financial statements and management report.

Sufficient security is a high degree of certainty, but no guarantee that an examination conducted in accordance with § 317 HGB and the EU-APrVO in compliance with the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) always reveals a material misrepresentation. Misrepresentations may result from breaches or inaccuracies and are considered material if they could reasonably be expected to influence, individually or collectively, the economic decisions of addressees made based on these financial statements and management report.

During the audit, we exercise due discretion and maintain a critical attitude. Furthermore,

- we identify and assess the risks of material misrepresentations, whether intentional or unintentional, in the individual financial statements and the management report, plan and perform audit work in response to such risks and obtain audit evidence that is adequate and appropriate to form the basis for our examination judgments. The risk that material misrepresentation will not be detected will be greater in the event of a breach than in the case of inaccuracies, as breaches may include fraudulent interactions, counterfeiting, intentional incompleteness, misrepresentations or overriding of internal controls.

- we gain an understanding of the internal control system relevant to the audit of the individual financial statements and the arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not with the aim of providing an opinion on the effectiveness of these systems.

- we assess the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimates and related disclosures made by the legal representatives.

- we draw conclusions about the appropriateness of the accounting policy used by the legal representatives in continuing operations and, on the basis of the audit evidence obtained, whether there is material uncertainty in relation to events or circumstances that have significant doubts about the Company's performance ability to continue to operate. If we conclude that there is material uncertainty, we are required to draw attention to the related disclosures in the individual financial statements and management report or, if unrated, to modify our respective opinion in the audit report. We draw our conclusions based on the audit evidence obtained up to the date of our audit opinion. However, future events or circumstances may mean that the Company can no longer continue its business activities.

- we assess the overall presentation, structure and content of the individual financial statements, including disclosures and whether the financial statements present the underlying transactions and events such that the individual financial statements are prepared in compliance with IFRSs as adopted by the EU and which, in accordance with § 315e (1) HGB (German Commercial Code), provides the German legal provisions in a manner that reflects the actual circumstances and conveys a picture of the net assets, financial position and results of operations of the Company.

- we assess the consistency of the management report with the individual financial statements, its legislation and the picture it conveys of the Company's situation.

- we conduct audits of the forward-looking statements presented by the legal representatives in the management report. Based on adequate and appropriate proof of audit, we particularly carry out the significant assumptions underlying the forward-looking statements of the legal representatives and assess the proper derivation of the forward-looking statements from these assumptions. We do not issue an independent opinion on the forward-looking statements and on the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statement.

Among other things, we discuss with the persons responsible for the supervision the planned scope and timing of the audit and significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

We make a statement to the persons responsible for the supervision that we complied with the relevant independence requirements and discuss with them all relationships and other matters that can reasonably be expected to affect our independence and the protective measures taken.

From the issues we discussed with the persons responsible for the supervision, we determine those matters that were most significant in the audit of the financial statements for the current period and are therefore the key audit matters. We describe these matters in the audit report, unless laws or other legal provisions exclude public disclosure of the facts.

Other legal and other legal requirements

Other information according to Article 10 EU-APrVO

We were elected as auditors by the Annual General Meeting on 22 March 2019. We were appointed by the Supervisory Board on 5 September 2019. We have been the uninterrupted auditors of the annual financial statements of Deutsche Industrie REIT-AG since fiscal year 2016.We declare that the audit opinions contained in this audit opinion are in accordance with the additional report to the Audit Committee pursuant to Article 11 EU-APrVO (audit report).

Responsible auditor

The auditor responsible for the audit is Mr. Torsten Fechner.

Berlin, 11 December 2019

DOMUS AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

gez. Prof. Dr. Hillebrand
Auditor

gez. Fechner
Auditor

Statement by the Executive Board regarding compliance with the requirements of the REITG

In connection with the publication of the annual financial statements as of September 30, 2019, the Executive Board declares compliance with the REIT criteria in accordance with the REIT Act (REITG) as follows:

REITG	Regulation	Date	DIR	REIT criteria fulfilled
§ 11 (1)	Freefloat of shares > 15 %	31/12/2018	27.4 %	Yes
§ 11 (2)	No investor holds > 10 % of the shares	30/09/2019	–	Yes
§ 12 (2a)	Immovable assets of at least 75 % of all assets	30/09/2019	89.5 %	Yes
§ 12 (3a)	At least 75 % of the income is generated by immovable assets	30/09/2019	98.8 %	Yes
§ 13	Dividend distribution of > 90 % of year end result according to German GAAP	30/09/2019	100.14 %	Yes
§ 14	Exclusion of real estate trading	30/09/2019	0.8 %	Yes
§ 15	Equity of at least 45 %	30/09/2019	46.2 %	Yes

The free float rate on 31 December 2018 was communicated to the German Federal Financial Supervisory Authority (BaFin) on 8 January 2019. The statement by the Executive Board regarding compliance with the REIT criteria is subject to the auditor's approval, which is expected in January 2020.

Deutsche Industrie REIT-AG
Potsdam, 17 December 2019

Rolf Elgeti
Chief Executive Officer

Sonja Petersen
Chief Investment Officer

René Bergmann
Chief Financial Officer

PICTURE:
Schortens, Olympiastr.

Financial Calendar

19/12/2019
Publication of the annual report for the financial year 2018/2019

13/02/2020
Q1 2019/2020 Interim statement

06/03/2020
Annual general meeting

14/05/2020
H1 2019/2020 financial report

13/08/2020
9M 2019/2020 Interim statement

18/12/2020
Publication of the annual report for the financial year 2019/2020

The financial calendar is constantly updated and can be found on our website at:
https://www.deutsche-industrie-reit.de/en/investor-relations/financial-calender/

Publisher
Deutsche Industrie REIT-AG

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Commercial register: HRB 13964
District court Rostock
Tax-No.: 046/111/05458
FA Potsdam

VAT-ID:
Umsatzsteuer-Identifikationsnummer according § 27a
Umsatzsteuergesetz: DE 303462302

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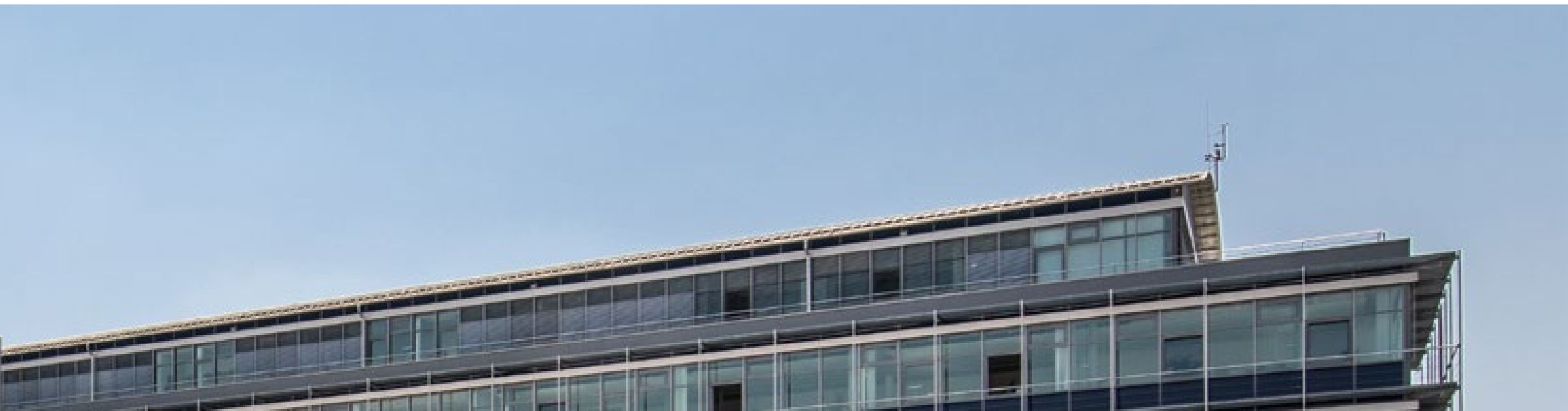


Deutsche Industrie REIT-AG

Annual Report 2019/2020

1 October 2019 to 30 September 2020

Deutsche Industrie REIT-AG

Key figures

	01/10/2019–30/09/2020	01/10/2018–30/09/2019	Difference	%
Income statement (TEUR)				
Gross Rental income	40,781	25,481	15,300	60.0
Net rental income	31,286	20,950	10,335	49.3
Result from the revaluation of investment properties	36,982	37,552	–570	–1.5
Finance result	–11,468	–7,558	–3,910	51.7
Net income	50,821	48,672	2,149	4.4
FFO	24,646	12,888	11,758	91.2
FFO per share (€)	0.84	0.60	0.25	41.1
Recurring costs ratio	6.9 %	7.7 %	–0.8 %	–10.8

	30/09/2020	30/09/2019	Difference	%
Balance sheet (TEUR)				
Investment properties	585,820	392,849	192,971	49.1
Total assets	715,849	438,989	276,860	63.1
Equity	377,200	181,463	195,737	>100
Total debt	309,638	250,749	58,889	23.5
(net) Loan-to-Value (LTV)	37.1 %	57.8 %	–20.7 %	–35.8
EPRA NAV	376,709	181,671	195,037	>100
EPRA NAV per share undiluted (€)	11.74	7.74	4.01	51.8
REIT metrics				
REIT equity ratio	64.4 %	46.2 %	18.2 %	39.4
Share information				
Shares issued	32,079,505	23,451,945	8,627,560	36.8
Average number of shares 01/10 – 30/09	29,297,634	21,619,034	7,678,599	35.5
Market cap in € million	574.2	403.4	170.8	42.4
Share price XETRA (€)	17.90	17.20	0.70	4.1
Real estate portfolio				
# Properties	69	49	20	40.8
Commercial rental space in m²	1,229,072	918,916	310,156	33.8
Annualised In place rent in € million	44.5	33.1	11.4	34.4
Occupancy commercial	85.1 %	88.9 %	–3.8 %	–4.2
WALT in years	5.0	4.9	0.1	2.0
IPR commercial in €/m²	3.47	3.34	0.13	3.9
Market value in € million	565.0	391.8	173.2	44.2
Rental yield	7.9 %	8.5 %	–0.6 %	-7.3

Content

PICTURE:
Westhausen, Dr.-Rudolf-Schieber-Str.

Letter to our shareholders

Dear Shareholders, Ladies and Gentlemen,

A difficult year for all of us is coming to an end. During the preparation of this Annual Report, the second wave of the Corona pandemic has again dominated everyday life in Germany. The economic consequences of this crisis will continue to affect us in the coming months. However, our business model has proven to be extremely robust and there have been no major negative effects for us so far. The past financial year 2019/2020 was again successful for Deutsche Industrie REIT-AG. We were able to grow further this year and improve almost all key figures.

The property portfolio increased again in size and value

As of 30 September 2020, the portfolio consists of 69 properties and is balanced at almost 568 € million. This is an increase of nearly 50%. In addition, there are already eight further properties with an investment volume of approximately 53 € million. Considering all objects purchased so far, the pro forma portfolio consists of 77 properties with annualised total rent of around 49 € million and a portfolio value of around 618 € million.

Our acquisition pipeline continues to be very well filled and offers us good opportunities for further significant growth in terms of quantity and quality in the current financial year.

Capital increases and financing to strengthen liquidity

Following the capital increase in November 2019, in which we raised almost EUR 93 million, we carried out a further capital measure in June 2020. This took place mainly in view of the Corona crisis and took advantage of the optimal time window on the capital market. On the one hand, this was intended to buffer possible risks of rent losses and rent deferrals, and on the other hand, we wanted to be able to act quickly in the event of further purchase opportunities.

In addition, external financing with a volume of around 73 million was raised with very attractive conditions.

Due to the higher value of the investment properties, the high liquidity reserves and somewhat more restrained borrowing, our debt-equity ratio (LTV) is currently only 37.1%, which is well below our target level of 50%. We see potential to take out more loans in the coming months.

Good annual results

Net rental income rose by almost 50% from almost 21 € million in the previous year to just over 31 € million in the 2019/2020 financial year. FFO (Funds From Operations) increased by 91% from just under 13 € million to nearly 25 € million. Despite the sharp increase in the number of shares due to the two capital increases, FFO per share rose by 41% from 0.60 € to 0.84 €.

Equity more than doubled and the undiluted EPRA NAV per share rose by 52% from 7.74 € to 11.74 €. The G-REIT equity ratio now stands at 64%, which is significantly above the required 45% for the second time in a row.

Dividend payment

After we paid a dividend of 0.09 € per share for the first time last year, this year shareholders were pleased to receive a dividend payment of 0.16 € per share. We intend to continue this positive development and plan to propose the distribution of a dividend of EUR 0.24 for the 2019/2020 financial year at the next Annual General Meeting.

Outlook 2020/2021

We want to continue the development of the past years with steady and sustainable growth in 2020/2021. In addition to manageable risks, the effects of the corona crisis offer additional opportunities that we can exploit. For example, we have actively promoted the issue of sale-and-lease-back and positioned ourselves as a contact for German SMEs. We are confident that we will be able to invest a volume of between 100 € million and 200 € million again this year. For the 2020/2021 financial year, we expect to be able to achieve FFO of 32 € million to 34 € million.

We would like to take this opportunity to thank our shareholders, our tenants, our employees, and service providers for their great support.

With best regards,

Rolf Elgeti
Chief Executive Officer

Sonja Petersen
Chief Investment Officer

René Bergmann
Chief Financial Officer

Potsdam in December 2020

The share

The Stock Market in view of the Corona Pandemic

In 2019, the stock market experienced a massive rally. Initial success with the negotiations between the USA and China surrounding the trade dispute boosted the markets. In 2019, the stock exchanges also benefited from the central banks furthering their expansive monetary policy in view of weakening economic. The DAX closed the 2019 trading year with a plus of 25.5%. Even both the MDAX and the SDAX rose by 31%. At the beginning of the year 2020, the global economy was in a strong position. Following the worldwide outbreak the Corona Pandemic in February and the widespread national lockdowns put in place to contain the pandemic, the stock markets plummeted by over 30%. The global economy came under massive pressure and the economy slumped sharply. After the fall in economic output in the first half of 2020 a slight initial recovery of economic activity was recorded. In April 2020 there was an easing of the restrictions and in many countries some sense of normality was restored. There is still however a risk of setbacks as the results of the pandemic continue to progress. In the summer quarter, despite a gradual recover, the economy was still far from the pre-crisis level. A main reason for this, is that the pandemic has still not been effectively contained in many countries. After the massive economic downturn in March and April a V-shaped recovery took place in May on the stock markets. Nine months into 2020, the DAX stood at 12,760.70 points, exceeding the level of the previous year despite Corona (September 30, 2019: 12,428.10 points).

Deutsche Industrie REIT-AG - Share price development (XETRA)

DIR share performs well in the crisis

At the beginning of the 2019/2020 financial year, the share price (opening price on October 1, 2019) stood at EUR 17.20. Prior to the effects of the Corona crisis and the resulting distortions in the stock markets, the price was always stable above EUR 20.00. The lowest value of the fiscal year was recorded on 06.04.2020 at EUR 14.80, the highest share price reached EUR 23.60 on May 5, 2020. After the distortions on the stock markets at the peak of the Corona crisis in March and April the DIR share recovered faster and more strongly than other German real estate stocks and in May to June was traded at between EUR 19.00 and EUR 22.00.

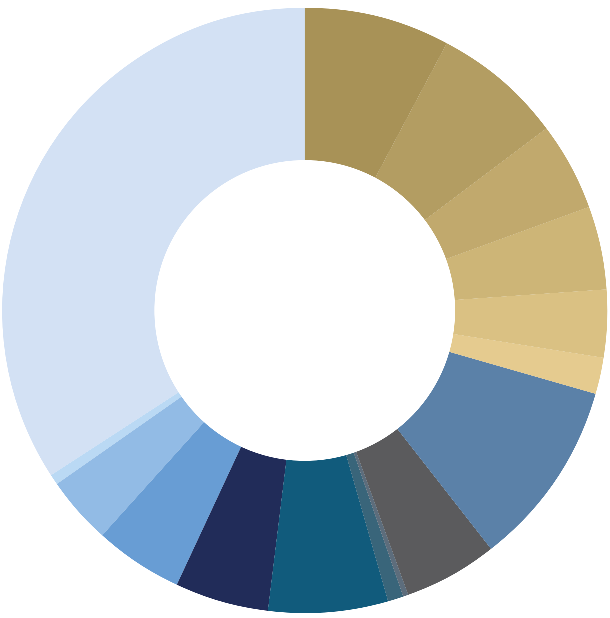
Capital increases

Within the 2019/2020 financial year, two capital increases resulted in a significant increase in both the capital stock and the number of shares. The first cash capital increase took place in November 2019 (+5,711,242 shares) followed by a second increase in June 2020 of 10% without subscription rights of the share capital (+2,916,318 shares), which increased the number of shares to the current value of 32,079,505.

Shareholder structure

The shareholder structure is characterised by institutional national and international investors with a predominantly long-term investment strategy. The free float (as defined by Deutsche Börse AG in compliance with the attribution regulations pursuant to the German Securities Trading Act (WpHG))amounted to 42.5% at the reporting date on September 30, 2020.

Shareholder structure



7.8%	Obotritia Capital KGaA
7.0%	Obotritia Alpha Invest GmbH
4.7%	Obotritia Beta Invest GmbH
4.4%	Babelsberger Beteiligungs GmbH
3.6%	Försterweg Beteiligungs GmbH
2.2%	Obotritia Delta Invest GmbH
29.7%	Total Obotritia-Group
9.8%	VBL
5.2%	Aurelius Growth Investments S.a.r.l.
0.2%	Lotus AG
0.9%	Olive Tree Invest GmbH
6.3%	attributable to Dirk Markus
6.2%	Parson GmbH
5.0%	Massachusetts Financial Services
4.7%	Gert Purkert
3.7%	Rocket Internet SE
0.5%	Rolf Elgeti
34.1%	Remaining free float

The percentages are based on voting rights notifications in accordance with Sections 33 et seq. WpHG of the named shareholders, or notifications of managers transactions pursuant to Art. 19 MAR as well as individual voluntary disclosures by some shareholders. The voting rights in each case relate to the number of total voting rights at the time of the notification. In addition, there is the possibility that the share of voting rights has changed since then without any obligation to notify within the respective thresholds.

Analyst Coverage

In February 2020, Berenberg Bank launched the coverage on which the DIR shares are valued by three separate analysts:

Date	Institute	Report	Analyst	Recommendation	Target Price
23/11/2020	Baader Bank	Update	Andre Remke	„Buy"	24.00 EUR
08/09/2020	Berenberg Bank	Update	Kai Klose	„Buy"	23.00 EUR
13/08/2020	ODDO BHF	Update	Manuel Martin	„Buy"	24.50 EUR

• **The DIR share at a glance:**

As of	30/09/2020
WKN	A2G9LL
ISIN	DE000A2G9LL1
Ticker Symbol	JB7
Listing date	07 December 2017
Number of shares	32,079,505
Nominal capital in EUR	EUR 32,079,505.00
Stock exchanges	XETRA, Frankfurt and Berlin
Market segment	Regulated market
Transparency level	Prime Standard

Investor Relations

To ensure a transparent and continuous dialogue with existing and potential investors the DIR continued to intensify their investor relation activities in 2019/2020. In doing so, the company managed to sustain more individual discussions and a greater representation at various conferences.

Furthermore, in the 2019/2020 financial year, the DIR often present in major investor media reports and was thus able to improve its perception of the company on the capital markets. On the Investor Relations pages of the website, interested parties can find information on capital market law mandatory notices, such as ad-hoc announcements, as well as financial reports and investor presentations available for download.

PICTURE:
Bad Oeynhausen, Unterer Sundern

Declaration on corporate governance and Corporate Governance Report

In the following, the Supervisory Board and the Management Board of Deutsche Industrie REIT-AG (DIR or the “Company”) report on the corporate governance of the company and on the management of the company in accordance with Section 289f of the German Commercial Code (HGB).

The current Declaration of Conformity of the Supervisory Board and the Management Board of Deutsche Industrie REIT-AG dated 23 October 2020 is reproduced first. This is followed by a description of the working methods of the Supervisory Board and Management Board and their composition. In addition, the corporate governance of the company is presented, and the diversity concept is discussed.

1. Declaration of Compliance of Deutsche Industrie REIT-AG with the German Corporate Governance Code (DCGK)

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

They hereby declare in accordance with section 161 (1) of the German Stock Corporation Act (Aktiengesetz) that Deutsche Industrie REIT-AG has complied with the recommendations of the Government Commission on the German Corporate Governance Code as amended on 7 February 2017 and published by the Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger) in the version of the Code dated 7 February 2017, published in the Federal Gazette on 24 April 2017, with the following exceptions, since the submission of the last declaration of compliance on 25 October 2019:

Section 4.1.3 DCGK - Compliance Management System:
The company has not employed more than six employees since the last declaration of compliance was issued. The Management Board therefore saw no need to draw up and disclose systems of measures in a formalised form for compliance management or a so-called “whistleblowing”. In view of the size of the company, the cost of setting up, implementing, and maintaining formalised systems of measures was and is disproportionate to the potential benefits.

Section 4.1.5 DCGK - Consideration of women in filling management positions:
The Management Board did not follow the recommendation that diversity should be taken into account when filling management positions in the company, and in particular that women should be given appropriate consideration. The company had and currently has only employees without management functions. Apart from the Management Board, there were no management positions to be filled in the company, which is why the company could not follow this recommendation for formal reasons. For this reason, the company had set 0% as the target figure for the participation of women in management positions for the period until 30 September 2020 and 0% as the target figure for the period until 30 September 2025. At Deutsche Industrie REIT-AG, however, the decisive criterion for filling management positions is qualification and suitability, irrespective of gender.

Section 4.2.1 Sentence 2 GCGC - Rules of Procedure for the Management Board:
There were no rules of procedure for the Management Board in the past year. The company believed this instrument would not contribute to the effectiveness of the Management Board in view of its small size.

Section 5.1.2 (1) Sentences 2 and 3; (2) Sentence 3 GCGC – Consideration of diversity, setting targets for the proportion of women on the Management Board and setting an age limit:
The Supervisory Board did not follow the recommendation to take diversity into account when appointing members of the Management Board. The company believed professional qualifications and knowledge of the company were decisive as prerequisites for appointment. However, the company has set a target of one-third for the period until 30 September 2020 for the participation of women on the Management Board, which is currently being met. By 30 September 2025, the company has set one third as the target figure for the participation of women on the Managing Board. For the reasons outlined above, an age limit for members of the Board of Management had not previously been set. By resolution of 10 September 2020, the Supervisory Board has now decided on an age limit for the Board of Management.

Section 5.3 DCGK - Formation of committees:
In view of its small number of members, the Supervisory Board had previously refrained from forming committees. In view of the continued low level of complexity and the transparent business model of Deutsche Industrie REIT-AG, it did not consider it necessary to form committees and devoted its entire attention to the issues at hand.

Section 5.4.1 (2), (3), (4) DCGK - Specification of objectives for the composition of the Supervisory Board, particularly with regard to diversity, and development of a competence profile as well as an age limit to be specified and a rule limit for membership of the Supervisory Board:
The Supervisory Board has not set any concrete objectives for its composition or developed a competence profile for the entire body. Nor have rules on diversity been laid down in the objectives for the composition of the supervisory board. The company believed professional qualifications and knowledge of the company were decisive as prerequisites for appointment, so that the aforementioned requirements were not conducive to achieving the objectives. For this reason, the company has set 0% for the period up to 30 September 2020 and 20% for the period up to 30 September 2025 as the target figure for the participation of women on the Supervisory Board. For these reasons, the company has not yet set an age limit or a standard limit for membership of the Supervisory Board. By resolution dated 10 September 2020, the Supervisory Board has now set an age limit of 80 years. As the GCGC in the version dated 16 December 2019, does not recommend a rule limit to be set for the length of service on the Supervisory Board, the company will not comment on this point in future.

The Management Board and the Supervisory Board of Deutsche Industrie REIT-AG further hereby declare in accordance with section 161 (1) of the German Stock Corporation Act (Aktiengesetz) that Deutsche Industrie REIT-AG has complied since the announcement with the recommendations of the Government Commission on the German Corporate Governance Code in the version dated 16 December 2019, published in the official section of the Federal Gazette on 20 March 2020, with the following exceptions and will comply with the recommendations in the future with the following exceptions:

Recommendation A.1 GCGC – Respect for diversity when filling management positions:
The Management Board does not currently follow the recommendation to take diversity into account when filling management positions in the company. The company currently only has employees without management functions. Apart from the Management Board, there are no management positions to be filled in the company, which is why the company cannot currently follow this recommendation for formal reasons.

Recommendation A.2 DCGK – Compliance Management System:
The company currently employs only six staff. The Management Board therefore sees no need to develop and disclose systems of measures in a formalised form for compliance management or a so-called "whistleblowing". In view of the size of the company, the cost of setting up, implementing, and maintaining formalised systems of measures has never been and is not in any reasonable proportion to the potential benefits.

Recommendation B.1 GCGC – Observance of diversity in the composition of the Management Board:
The Supervisory Board does not currently follow the recommendation to observe diversity when appointing Management Board members in the company. The company is of the opinion that professional qualifications and knowledge of the company are decisive as prerequisites for appointment, so that the above-mentioned requirements are not conducive to achieving the objective.

Recommendation B.2 DCGK – Long-term Succession planning by the Supervisory Board and Management Board:
In view of the current age of the members of the Management Board (37 to 50 years), the company does not consider long-term succession planning to be necessary at present.

Recommendations C.1 and C.2 GCGC – Specification of objectives for the composition of the Supervisory Board, in particular consideration of diversity and the development of a competence profile, and specification of an age limit for members of the Supervisory Board:
The Supervisory Board has not set any concrete objectives for its composition or developed a competence profile for the entire body and does not intend to set such objectives or develop a competence profile in the future. Nor have any rules on diversity in the objectives for the composition of the Supervisory Board been set or are to be set in the future. The company is of the opinion that the professional qualifications and knowledge of the company are sufficient as prerequisites for the appointment of members to the Supervisory Board, such that the aforementioned objectives are not conducive to achieving the objectives. For this reason, the company had set 0% as the target figure for the participation of women on the Supervisory Board for the period up to 30 September 2020, and has dispensed with setting an age limit for members of the Supervisory Board. By resolution of 10 September 2020, the Supervisory Board has now set a target of 20% for female participation in the Supervisory Board and an age limit of 80 years for the period up until 30 September 2025.

Recommendation C.5 DCGK – Supervisory Board mandates in non-group listed companies:
While the company assumes that Recommendation C.5 of the GCGC contains guidelines for the members of the company's Supervisory Board (and not for its Management Board), in view of the ambiguous wording, it is pointed out that Management Board member Rolf Elgeti holds more than two Supervisory Board mandates in non-group listed companies or in comparable supervisory bodies (also as Chairman of the Supervisory Board).

Recommendation on section D.II.2 GCGC – Supervisory Board committees:
In view of its small number of members, the Supervisory Board has so far refrained from forming committees and therefore does not follow recommendations D.2, D.3, D.4 and D.5 GCGC. In view of the continued low level of complexity and the transparent business model of Deutsche Industrie REIT-AG, it is not considered necessary to form committees in the future either and continues to devote its full attention to the issues at hand.

Recommendation D.13 GCGC – self-assessment of the Supervisory Board:
In view of the low complexity of the company and its business model, it was assumed that the legally required interval of Supervisory Board meetings and the regular meetings held without the Management Board, were adequate for the effective performance of its duties. To this extent, a formalised self-assessment system was dispensed with. By resolution dated 10 September 2020, the Supervisory Board has now introduced a formalised self-assessment system and will follow the recommendation in future.

Recommendations on Section G.I. of the GCGC – Remuneration of the Management Board:
Section G.I. of the GCGC contains new recommendations on the remuneration of the Management Board, which the current remuneration model of Deutsche Industrie REIT-AG does not fully comply with, as it has become outdated and dates back to the time before the announcement of the Government Commission on the German Corporate Governance Code in the version dated 16 December 2019. This includes the recommendations on the determination of the remuneration system (G.1), on the determination of the amount of the variable remuneration components (G.6, G.7, G.8, G.10 and G.11) and on benefits upon termination of contract (G.12, G.13 and G.14). The Supervisory Board and Management Board intend to make the recommendations the focus of the review of the 2020/2021 compensation system.

Recommendation G.3 GCGC – customary level of specific total remuneration:
The Supervisory Board is currently not carrying out a peer group comparison to assess the customary level of Management Board remuneration, as there is currently not a sufficient representation and therefore a lack of suitable comparable companies/REITs in Germany. Nevertheless, the Supervisory Board checks that the remuneration of the Board of Management is appropriate and customary by comparing it with national and international listed real estate companies in the broader sense.

Recommendation G.4 GCGC – Assessment of the customary level of Management Board remuneration within the company:
At present, the Supervisory Board does not determine the customary level of Management Board remuneration by establishing a relationship with senior management and the workforce, since firstly, due to the small size and low complexity of the company, there is currently no senior management level and secondly, the number of employees is too small to be able to make meaningful deductions.

Recommendation G.16 GCGC – crediting of remuneration when members of the Supervisory Board take on non-group supervisory board mandates:
The Supervisory Board does not follow the recommendation that, when members of the Management Board take on non-group supervisory board mandates, it should decide whether and to what extent remuneration from the respective supervisory board mandate should be credited. Based on past experience with the members of the Management Board and their dealings with non-group Supervisory Board mandates, it is not expected that non-group Supervisory Board mandates 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 independent of the recommendation, a decision on the crediting of remuneration from non-group Supervisory Board mandates is not necessary.

Rostock, 23 October 2020
For the Supervisory Board

Hans-Ulrich Sutter
Chairman of the Supervisory Board

For the Management Board

Rolf Elgeti
Chairman of the Management Board

PICTURE:
Remscheid, Rosentalstraße

The current declarations of compliance are published on our website https://www.deutsche-industrie-reit.de/, in the “Investor Relations” section under the menu items “Corporate Governance” and “Declaration of Compliance”.

2. Functioning of the Management Board and Supervisory Board

Management structure with three bodies

The Management Board and Supervisory Board work closely together for the benefit of the company to ensure responsible management and control of the company through good corporate governance.

An essential element of corporate governance is the separation of corporate management and corporate control. This is achieved 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, shareholders participate 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. In doing so, it is bound to the interests of the company with the aim of creating sustainable value. It develops the company’s strategic orientation, agrees it with the Supervisory Board and ensures its implementation. The Management Board also ensures that appropriate risk management and controlling systems are in place within the company.

The members of the Management Board are responsible for individual areas of responsibility, irrespective of their joint responsibility for the company. They work together as colleagues and keep each other informed of important events and measures in their areas of responsibility. The Management Board has not yet adopted rules of procedure.

The Management Board of Deutsche Industrie REIT-AG is appointed by the Supervisory Board in accordance with Article 6 No. 2 of the Articles of Association. The Supervisory Board also determines the total number of members on 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 permitted.

The Supervisory Board does not currently follow recommendation B.1 of the German Corporate Governance Code (DCGK) to take diversity into account when appointing members of the Management Board. The company is of the opinion that professional qualifications and knowledge of the company are sufficient as prerequisites for appointment, with the result that the above-mentioned requirements are not conducive to achieving the objectives.

However, the Supervisory Board set a target of one third for the proportion of women on the Management Board for the period up to 30 September 2020 and maintains this target, by resolution of 10 September 2020, for the period up to 30 September 2025. This target figure has been achieved in the past and is currently being achieved. No further rules on diversity in the targets for the composition of the Management Board have been defined to date.

The Management Board of Deutsche Industrie REIT-AG consists of three persons: Mr Rolf Elgeti (CEO), Ms Sonja Petersen (née Paffendorf) (CIO) and Mr René Bergmann (CFO). The Management Board contract of Mrs. Sonja Petersen (née Paffendorf) was extended for a further three years until 17 October 2023.

The CEO, Mr Rolf Elgeti, is responsible for Human Resources, Public Relations and Strategy. The CIO, Mrs. Sonja Petersen (née Paffendorf), is responsible for investment and asset management. The CFO, Mr René Bergmann, is responsible for the areas of accounting/controlling, financing and investor relations. All three Management Boards also manage and control external service providers for their respective areas.

The CVs of the members of the Management Board can be found at https://deutsche-industrie-reit.de/en/company/ceo/

The Supervisory Board and Management Board agree on annual targets, the achievement of which is regularly reviewed.

The Management Board is responsible for training and refresher courses.

In section B.2, the DCGK recommends that long-term succession planning should be carried out by the Supervisory Board. The DIR does not comply with this recommendation, as the company does not currently consider long-term succession planning to be necessary in view of the current age of the members of the Management Board (37 to 50 years).

The company had previously believed the professional qualifications and knowledge of the company were decisive as prerequisites for appointments, so that no age limit had been set for members of the Board of Management. In a resolution dated 10 September 2020, the Supervisory Board has now decided to set an age limit of 80 years for members of the Management Board.

A D&O insurance policy has been taken out for the members of the Management Board, considering Section 93 (2) of the German Stock Corporation Act (AktG).

The remuneration of the CEO, Rolf Elgeti, is currently paid in the form of fixed remuneration via a pay-as-you-go agreement with Obotritia Capital KGaA. The remuneration system for the Management Board members Sonja Petersen and René Bergmann is based on short and long-term remuneration incentives. Detailed information on the remuneration of the Management Board is provided in the remuneration report in the management report 2019/2020.

Section G.I. of the GCGC contains new recommendations on the remuneration of the Management Board, which the current remuneration model of Deutsche Industrie REIT-AG does not fully comply with, as it was agreed on prior to the announcement of the Government Commission on the German Corporate Governance Code in the version dated 16 December 2019. This applies to the recommendations on the determination of the remuneration system (G.1), the determination of the amount of the variable remuneration components (G.6, G.7, G.8, G.10 and G.11) and benefits upon termination of the contract (G.12 and G.13). Before the next annual shareholders' meeting, the supervisory board will pass a resolution in accordance with § 87a (1) of the German Stock Corporation Act (AktG) on the future remuneration system for the Management Board and submit it to the shareholders' meeting for approval in accordance with § 120a (1) of the German Stock Corporation Act (AktG).

Consideration of women when filling management positions

The Management Board does not currently follow recommendation A.1 of the German Corporate Governance Code (DCGK) to pay attention to diversity when filling management positions in the company. The company currently only has employees without management functions. Apart from the Management Board, there are no management positions to be filled in the company, which is why the company cannot currently follow this recommendation for formal reasons. Even if the company was and is of the opinion that Section 76 (4) AktG has no practical scope in this particular case due to the lack of management positions to be filled, the company had, purely as a precautionary measure for the period up to 30 September 2020 and currently maintains, by resolution of 10 September 2020 for the period up to 30 September 2025, 0% as the target for the participation of women in management positions. At Deutsche Industrie REIT-AG, however, the decisive criterion for filling management positions is qualification and suitability, irrespective of gender.

The Supervisory Board

The central tasks of the Supervisory Board are to advise and monitor the Management Board. The five-member Supervisory Board of Deutsche Industrie REIT-AG works based on rules of procedure which it has given itself. Overall, the members of the Supervisory Board have the knowledge, skills and professional experience required to properly perform their duties.

Proposals for resolutions and information on the subjects to be discussed are made available to the members of the Supervisory Board in good time before the respective meeting. By order of the Chairman of the Supervisory Board, resolutions may be passed outside meetings in individual cases. This option is occasionally used in urgent cases. In the event of a tied vote on resolutions, the Chairman of the Supervisory Board has the casting vote.

All members of the Supervisory Board are elected by the shareholders at the Annual General Meeting. There are currently no employee representatives on the Supervisory Board of Deutsche Industrie REIT-AG. In the opinion of the shareholder representatives on the Supervisory Board, all shareholder representatives are to be considered independent.

The Supervisory Board does not intend to set specific targets for its composition or to draw up a competence profile for the entire body. Nor is it intended to lay down rules on diversity in the objectives for the composition of the supervisory board. The company is of the opinion that professional qualifications and knowledge of the company are decisive as prerequisites for appointment, so that the aforementioned requirements are not conducive to achieving company objectives. For this reason, the company set 0% as the target for the participation of women on the Supervisory Board for the period up to 30 September 2020. This target figure was achieved during the relevant period; since 6 March 2020, the actual level of female participation has been 40%. By resolution of 10 September 2020, the Supervisory Board has now set 20% as the target figure for female participation on the Supervisory Board for the period until 30 September 2025. This target figure is currently also being met.

The Supervisory Board of Deutsche Industrie REIT-AG currently consists of five persons: Mr Hans-Ulrich Sutter, Dr Dirk Markus, Mr Achim Betz, Ms Cathy Bell-Walker and Ms Antje Lubitz.

Hans-Ulrich Sutter is Chairman of the Supervisory Board, Dr Dirk Markus is the first vice Chairman and Achim Betz is the second vice Chairman. The term of office of all members of the Supervisory Board expires at the end of the Annual General Meeting that resolves on the discharge of the members of the Supervisory Board for the financial year ending on 30 September 2024.

The CV‘s of the members of the Supervisory Board are published at https://www.deutsche-industrie-reit.de/en/ in the section “Company” under the menu item “Supervisory Board”.

In view of its small number of members, the Supervisory Board has so far refrained from forming committees and therefore does not follow recommendations D.2, D.3, D.4 and D.5 DCKG. In view of the continuing low level of complexity and the transparent business model of Deutsche Industrie REIT-AG, it does not consider it necessary to form committees in the future either and continues to devote its full attention to the issues at hand.

In the past, no age limit was set. The company was of the opinion that the specification of an age limit was not appropriate, as the knowledge and experience of older persons should also be available to the company over a longer period of time in the context of Management Board and Supervisory Board activities. In addition, professional qualifications and knowledge of the company should be decisive as prerequisites for filling the position. By resolution of 10 September 2020, the Supervisory Board has now set an age limit of 80 years for the Supervisory Board.

The Chairman of the Supervisory Board explains the activities of the Supervisory Board in his annual report and verbally at the Annual General Meeting.

The Supervisory Board regularly assesses the efficiency of its own performance of its duties during meetings held in person and by telephone. By resolution dated 10 September 2020, the Supervisory Board has now introduced a formalised self-assessment system, which will be applied in the current financial year. It will report on the manner and results in the next declaration on corporate governance.

A D&O insurance policy was taken out for the members of the DIR Supervisory Board in January 2018.

In accordance with the Articles of Association, the members of the Supervisory Board receive a fixed remuneration and reimbursement of cash expenses. Detailed information on the remuneration of the Supervisory Board is provided in the remuneration report in the management report 2019/2020.

The members of the Supervisory Board ensure that they have sufficient time to perform their duties. They are responsible for providing the necessary basic and advanced training. The company provides appropriate support to the members of the Supervisory Board during their inauguration and training and further training. All members of the supervisory board are given access to specialist literature and are reimbursed for the costs of attending seminars and webinars in which topics relevant to the work of the supervisory board are covered.

Further details of the work of the Supervisory Board can be found in the Report of the Supervisory Board, which is part of the Annual Report 2019/2020.

Cooperation between Management Board and Supervisory Board

The Supervisory Board appoints the members of the Management Board, determines their respective total remuneration and monitors their management of the company. It also advises the Management Board on the management of the company. The Supervisory Board approves the annual financial statements. Major decisions made by 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 kept regularly and continuously informed about business developments. Intensive and continuous communication between the Management Board and the Supervisory Board is the basis for efficient corporate management.

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

Conflicts of interest

Conflicts of interest of members of the Management Board and Supervisory Board must be disclosed to the Supervisory Board without delay. No conflicts of interest arose in the 2019/2020 financial year.

3. Essential corporate governance practices

Basic principles of compliance

Deutsche Industrie REIT-AG is committed to responsible management of the company with a focus on sustainable value creation. This includes cooperation in a spirit of trust between the Management Board and the Supervisory Board as well as between employees and a high level of transparency in reporting and corporate communications.

The main basis of Deutsche Industrie REIT-AG's business is to create, maintain and strengthen the trust of tenants, business partners, shareholders and other capital market participants and employees. Thus, compliance at DIR means not only adherence to legal principles and the Articles of Association, but also adherence to internal instructions and voluntary commitments to implement the values, principles, and rules of responsible corporate governance in daily operations.

Compliance management System

Currently, the DIR has only five employees (excluding the Management Board). The Management Board therefore saw and still sees no need to draw up and disclose systems of measures in a formalised form for compliance management and a so-called "whistle blowing". In view of the size of the company, the cost of setting up, implementing, and maintaining formalised systems of measures has never been and is not in any reasonable proportion to the potential benefits.

Organisation and Controlling

Deutsche Industrie REIT-AG has its registered office in Germany and is therefore subject to the provisions of German stock corporation and capital market law and the provisions of the Articles of Association.

Deutsche Industrie REIT-AG manages the company primarily based on the following key figures: EBIT, FFO, LTV, EPRA NAV and cash flow. Sustainable economic, social, and ecological aspects are considered.

Shareholders and Annual General Meeting

The shareholders of Deutsche Industrie REIT-AG exercise their rights before or during the Annual General Meetings to the extent permitted by law and the Articles of Association and exercise their voting rights. Each share grants one vote.

The Annual General Meeting is chaired by the Chairman of the Supervisory Board. Every shareholder is entitled to participate in the annual shareholders' meeting, to speak on the respective items on the agenda and to request information on company matters, insofar as this is necessary for the proper assessment of an item on the agenda. The shareholders' meeting decides on all tasks assigned to it by law.

Deutsche Industrie REIT-AG publishes the agenda of the annual general meeting and the reports and documents required for the annual general meeting on its website at: https://www.deutsche-Industrie.de/en/ in the section "Investor Relations" under the menu item "Annual General Meeting".

PICTURE:
Wedemark, Industriestraße

To make it easier for its shareholders to exercise their rights personally and to be represented by a proxy, the DIR appoints a representative to exercise voting rights in accordance with instructions. This representative can also be contacted during the Annual General Meeting.

The general meeting of shareholders takes place within the first eight months of each financial year.

The Annual General Meeting of Deutsche Industrie REIT-AG, which passed resolutions on the financial year ended 30 September 2019, was held in Berlin on 6 March 2020. The Annual General Meeting resolved to expand the Supervisory Board to five members and re-elected the previous Supervisory Board members Hans-Ulrich Sutter, Dr Dirk Markus and Achim Betz and elected Cathy Bell-Walker and Antje Lubitz as new members of the Supervisory Board.

It was also resolved to pay a dividend of EUR 0.16 per share for the 2018/2019 financial year.

Furthermore, the Management Board and Supervisory Board were approved for their term of office in the 2018/19 financial year. DOMUS AG Wirtschaftsprüfungsgesellschaft/Steuerberatungsgesellschaft, Berlin, was elected as auditor for the 2019/20 financial year. In addition, various minor amendments to the Articles of Association were approved. New Authorised Capital 2020 was created, and a resolution was passed on the creation of an authorisation to issue warrant-linked and/or convertible bonds with the option of excluding subscription rights.

Around 58 percent of the share capital was represented (share capital of the company at the time the Annual General Meeting was convened: EUR 29,163,187).

All the items on the agenda were approved by a large majority.

Stock option plans

Deutsche Industrie REIT-AG currently has no stock option programs or similar incentive systems.

Transparent reporting

Via its website, Deutsche Industrie REIT-AG ensures that shareholders and the interested public receive uniform, comprehensive, timely and simultaneous information on the economic situation and new facts. This information is available on the website at https://www.deutsche-Industrie-reit.de/en in the “Investor Relations” section.

Reporting on the financial performance and financial position is currently carried out in annual reports, quarterly announcements as well as in the half-yearly financial reports, which are available for download on the company’s website. Significant current information is published via Corporate News and ad hoc announcements and is also made available on the company’s website. In addition, transactions by management personnel and related parties are publicly disclosed as “Directors’ Dealings” in accordance with Article 19 MAR (Market Abuse Regulation) and are also available on the company’s website.

In accordance with Art. 18 MAR, prescribed insider lists are maintained, and the persons included in insider lists have been and are being informed of the resulting legal obligations and sanctions.

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

Accounting and Auditing

The annual financial statements of Deutsche Industrie REIT-AG are prepared in accordance with IFRS as applicable in the European Union. After preparation by the Management Board, the annual financial statements are examined and approved by the auditor and the Supervisory Board. The company aims to publish the annual financial statements within 90 days of the end of the financial year in accordance with the German Corporate Governance Code and to publish the mandatory financial information during the year (quarterly reports and the half-yearly financial report) within 45 days.

The annual general meeting of shareholders which passed a resolution on the financial year ended 30 September 2019, appointed DOMUS AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft as auditor for the 2019/2020 financial year. DOMUS AG's audits comply with German auditing regulations as well as the principles of proper auditing laid down by the Institut der Wirtschaftsprüfer (Institute of Auditors) and the International Standards on Auditing. The chairman of the supervisory board shall be informed immediately by the auditor of any reasons for exclusion or exemption and any inaccuracies in the declaration of compliance which arise during the audit. The auditor reports without delay to the Chairman of the Supervisory Board on all issues and incidents of importance to the duties of the Supervisory Board that arise during the audit and is obliged to inform the Supervisory Board immediately of any grounds for exclusion or impartiality that may arise.

Opportunity and risk management

A key element of corporate management is risk management to counter the risks to which Deutsche Industrie REIT-AG is exposed adequately and systematically. A comprehensive process has been introduced to enable management to identify, assess and control risks and opportunities in good time. To this extent, unfavourable developments and events become transparent at an early stage and can be analysed and dealt with in a targeted manner. Further information on risk management is contained in the opportunities and risks report in the management report 2019/2020.

Rostock, December 2020

For the Supervisory Board

Hans-Ulrich Sutter
Chairman of the Supervisory

For the Management Board

Rolf Elgeti
Chairman of the Management Board

Report of the Supervisory Board

Dear Shareholders,

In the 2019/2020 financial year, the Supervisory Board of Deutsche Industrie REIT-AG duly performed the duties incumbent on it under the law, the Articles of Association and the Rules of Procedure.

Cooperation between Supervisory Board and Management Board

The Supervisory Board continuously monitored and advised the Management Board in the management of the company. The Supervisory Board was directly involved in all decisions of fundamental importance to the company. The Board of Management fulfilled its duties to provide information and informed the Supervisory Board regularly, promptly and comprehensively, both in writing and verbally, about corporate planning, the course of business, strategic developments, the current situation of the company and the current occupancy rates.

The members of the Supervisory Board always had ample opportunity to critically examine the Management Board's proposed resolutions and to make their own suggestions. In particular, the members of the supervisory board discussed in detail and checked the plausibility of all business transactions of significance to the company on the basis of written and verbal reports from the management board. On several occasions the Supervisory Board dealt in detail with the risk exposure, liquidity planning and equity of the company. At the meeting for the balance sheet approval the Board of Management also reported to the Supervisory Board on the profitability of the company, and in particular on the return on equity. The Supervisory Board gave its approval for individual business transactions as required by law, the articles of association or the rules of procedure for the Board of Management.

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

Attendance of the Supervisory Board meetings

A total of nine meetings of the Supervisory Board were held in the period under review, of which two were face-to-face meetings, two were internet conferences and five were telephone conferences. In addition, resolutions were passed by written procedure. Resolution proposals submitted by the Board of Management were approved following examination of extensive documentation and intensive discussions with the Board of Management. No committee meetings of the Supervisory Board took place in the period under review. If deemed necessary, the Supervisory Board may meet without the Management Board.

No member of the Supervisory Board attended fewer than half of the meetings. There were no conflicts of interest amongst the members of the Management Board or the Supervisory Board. Any conflicts must be disclosed to the Supervisory Board without delay.

• **The following overview shows the attendance of the members of the Supervisory Board at meetings in the 2019/2020 financial year:**

Meeting		Hans-Ulrich Sutter	Dr. Dirk Markus	Achim Betz	Cathy Bell-Walker	Antje Lubitz
Date	Species	Chairman of the Supervisory Board	First Deputy Chairman of the Supervisory Board	Second Deputy Chairman of the Supervisory Board	Member of the Supervisory Board	Member of the Supervisory Board
					since 06.03.2020	since 06.03.2020
30/10/2019	Conference Call	x	x	x		
07/11/2019	Conference Call	x	x	x		
14/11/2019	Conference Call	x	x	x		
17/12/2019	Face-to-face meeting, Potsdam	x	x	x		
06/03/2020	Face-to-face meeting, Berlin	x	x	x	x (by telephone)	x
20/05/2020	Internet Conference	x	x	x	x	x
16/06/2020	Conference Call	x	x		x	x
17/06/2020	Conference Call	x	x		x	x
10/09/2020	Internet Conference	x	x	x	x	x

Key issues discussed by the Supervisory Board

The Supervisory Board's discussions at the individual meetings focused on the following key issues:

On 30 October 2019, the Supervisory Board approved the resolution put forward by the Board of Management on the same date to implement a capital increase with subscription rights against cash contributions. The subscription price was resolved on 7 November 2019 and the volume of this capital increase on 14 November 2020.

Meeting on 17 December 2019

- The auditor's report on the inspection of the annual financial statements for the 2018/2019 financial year and the audit of the dependency report

- Resolution on the approval of the audited financial statements for the 2018/2019 financial year, the proposal for the distribution of profits and the audited dependency report

- Resolution on the Report of the Supervisory Board for the 2018/2019 financial year

- Resolution on the variable remuneration for the members of the Board of Management Sonja Petersen and René Bergmann for the financial year 2018/2019 and the setting of targets for the variable remuneration for the financial year 2019/2020.

- Discussions on the agenda for the Annual General Meeting on 6 March 2020

- Management Board report business developments, the portfolio and successful acquisitions, the financing and the acquisition pipeline

- Resolution to offer Mrs. Sonja Petersen a contract extension and appointment to the Management Board for a further three years.

In accordance with the articles of association, the term of office of the previous members of the Supervisory Board ended at the end of the last Annual General Meeting. In accordance with the resolution of the Annual General Meeting on 6 March 2020, the Supervisory Board was expanded from three to five members. The previous members of the Supervisory Board, Mr. Hans-Ulrich Sutter, Dr. Dirk Markus and Mr. Achim Betz were re-elected to the Supervisory Board. Newly elected members are Ms Cathy Bell-Walker and Ms Antje Lubitz. The Supervisory Board was constituted on 6 March 2020, immediately after the Annual General Meeting. At the meeting, Mr Hans-Ulrich Sutter was re-elected unanimously as Chairman. Dr. Dirk Markus was unanimously elected as first vice Chairman. Achim Betz was unanimously elected as second vice Chairman.

Meeting on 20 May 2020

- Report of the Management Board for the first half of 2019/2020
- Report of the Management Board on the effects of the Corona crisis
- Presentation of completed and planned acquisitions
- Information on the financial situation of the company
- Consultation on the Declaration of Compliance 2020 with the German Corporate Governance Codex and other corporate governance issues

On 16 June 2020, the Supervisory Board approved the resolution of the Board of Management to implement a capital increase with exclusion of subscription rights. On 17 June 2020, the Supervisory Board approved the volume and the Board of Management's pricing proposal for this capital increase.

Meeting on 10 September 2020

- Report by the Management Board on business developments, acquisitions and financing, and expectations regarding the development of the results for the financial year
- Resolution on targetting 20% female representation on the Supervisory Board
- Resolution on setting a target of a one-third proportion of women on the Management Board
- Resolution on the setting of a standard age limit of 80 years for members of the Supervisory Board and Management Board
- Resolution on the adjustment of the rules of procedure of the Supervisory Board. The rules of procedure have since been published on the website https://www.deutsche-industrie-reit.de/ in the Investor Relations/Corporate Governance section.
- Presentation of the 2020 draft statement in compliance with the German Corporate Governance Codex and agreement to adopt it by circular resolution in October 2020

In addition, individual transactions requiring approval were approved by the Supervisory Board by circular resolution.

Corporate governance

The Management Board also reports on corporate governance at Deutsche Industrie REIT-AG on behalf of the Supervisory Board in the corporate governance declaration. This report is published on the company's website at https://www.deutsche-industrie-reit.de/ in the Investor Relations/Corporate Governance section and in the 2019/2020 Annual Report. The Management Board and the Supervisory Board repeatedly discussed the recommendations and proposals from the German Corporate Governance Code and issued a declaration of compliance in accordance with section 161 of the German Stock Corporation Act (AktG) on 23 October 2020.

Annual audit

The annual financial statements for Deutsche Industrie REIT-AG as of 30 September 2020 prepared by the Management Board, together with the management report of the company, were audited by the auditor appointed at the Annual General Meeting on 6 March 2020 and reviewed by the Supervisory Board, DOMUS AG Wirtschaftsprüfungsgesellschaft/Steuerberatungsgesellschaft, Berlin, and issued with an unqualified audit certificate.

The annual financial statements for Deutsche Industrie REIT-AG and the management report of the company as well as the auditor's reports were made available to all members of the Supervisory Board in good time. The auditor attended the Supervisory Board meeting on the 16 December 2020 for the approval of the financial statements and reported on the key findings of their audit at this meeting. This included his comments on the internal control system and risk management in relation to the accounting process. He was also available to the members of the Supervisory Board for additional questions and information. After a detailed discussion, the Supervisory Board approved the results of the audit of the annual financial statements and the management report of the company.

PICTURE:
Hannover, Wiesenauer Straße

The Supervisory Board carefully examined the annual financial statements and the management report of the company, the proposal for the appropriation of net profit and the audit reports of the auditor. No objections were raised. The Supervisory Board thereupon approved the annual financial statements prepared by the Board of Management for the year ended 30 September 2020. The annual financial statements were thereby finalised.

Assessment of the report of the Management Board on relations with affiliated companies (dependency report)
The Board of Management has prepared a report on relations with affiliated companies for the period of control in accordance with Article 312 of the German Stock Corporation Act and submitted it to the Supervisory Board. The report of the Board of Management on relations with affiliated companies was the subject of the audit by the auditors. The auditor issued the following opinion on the results of his audit:

“Based on our audit and assessment in accordance with professional standards, we confirm that

1. the factual information in the report is correct

2. consideration paid by the company for the legal transactions listed in the report was not inappropriately high.“

The audit report was also submitted to the Supervisory Board. The Supervisory Board examined both the dependency report of the Board of Management and the audit report of the auditors, and the auditors participated in the Supervisory Board’s negotiations on the dependency report and reported on the main findings of their audit. Following the final results of the review by the Supervisory Board, the Supervisory Board concurs with the dependency report of the Management Board and the audit report of the auditors and raises no objections to the final statement by the Management Board contained in the dependency report.

Personnel changes on the Management Board and Supervisory Boardt
There were no personnel changes in the Management Board in the period under review. The management contract of Ms. Sonja Petersen (née Paffendorf) was extended for a further three years until 17 October 2023.

At the Annual General Meeting on 6 March 2020, the Supervisory Board was expanded to five members. Ms Cathy Bell-Walker and Ms Antje Lubitz were newly voted onto the Supervisory Board. Furthermore, the decision was made to allow the election of several vice chairman to the Supervisory Board.

At the constituent meeting of the Supervisory Board held after the Annual General Meeting, Mr Hans-Ulrich Sutter was confirmed as Chairman of the Supervisory Board. Dr. Dirk Markus was elected as first vice chairman and Achim Betz as second vice chairman. The term of office of all members of the Supervisory Board expires with the conclusion of the Annual General Meeting that resolves on the discharge of the members of the Supervisory Board for the financial year ending on 30 September 2024.

The Supervisory Board would like to thank the Board of Management and the employees for their commitment and hard work in the 2019/2020 financial year.

Rostock, December 2020

For the Supervisory Board

Hans-Ulrich Sutter
Chairman of the Supervisory Board

Composition of the Management Board and Supervisory Board

Management Board

Sonja Petersen
CIO
Ms. Petersen 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, Public Relations and Strategy

René Bergmann
CFO
Mr. Bergmann is responsible for Corporate Finance, Accounting/ Controlling and Investor Relations

Supervisory Board

Hans-Ulrich Sutter
Chairman of the Supervisory Board
Business diploma, Düsseldorf

Dr. Dirk Markus
First Deputy Chairman of the Supervisory Board
MBA
CEO, Aurelius Group, London

Achim Betz
Second Deputy Chairman of the Supervisory Board
Business diploma
Public accountant, Auditor, Tax advisor, Nürtingen

Cathy Bell-Walker
Solicitor
Partner, Allen & Overy LLP, London

Antje Lubitz
Real Estate Economist
Managing Director
3PM Services GmbH, Berlin

The CVs of the members of the Management Board and Supervisory Board are published under https://deutsche-industrie-reit.de/en/company/ in the menu items "Management Board" respectively "Supervisory Board".

Deutsche Industrie 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, retail 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.

For decades, REITs have been characterised by high stability, profitability, dividend strength, and sustained appreciation, and have long been established

PICTURE:
Barleben, Im Hasenwinkel

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.

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 and mandatory participation in analyst and investor events.

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, DIR is an interesting, low-risk and attractive option on the capital market for investing in German Light Industrial properties.

The Acquisition Pipeline

It is the aim of the company to generate steady, sustainable and profit-oriented growth. This can be achieved with a balanced and regionally diversified real estate portfolio and with a focus on the German market.

DIR has a strong network and some longstanding relationships with potential sellers of Light Industrial real estate. As a result, the company receives a large number of attractive property offers. Mostly these assets are not sold through public auctions, but are only offered to a small audience or even exclusively.

For this reason, the acquisition process and the associated data management play a central role in the valuation of the properties as well as the basic market assessment. For this purpose, the acquisition team has developed and implemented its own efficient data collection for processing the offers. This extensive data allows the company to carry out systematic evaluations of the Light Industrial Real Estate market in Germany.

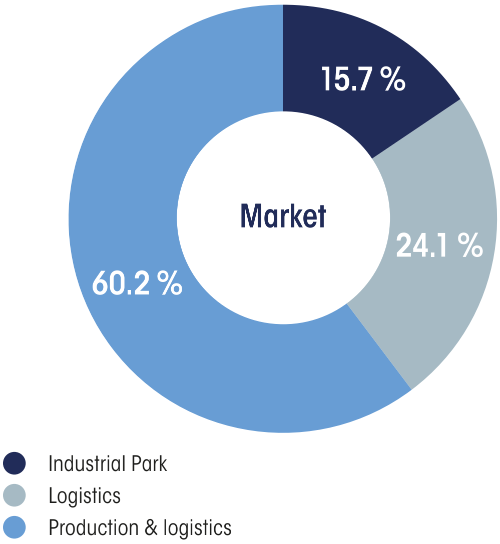
Structure of offers/Evaluation

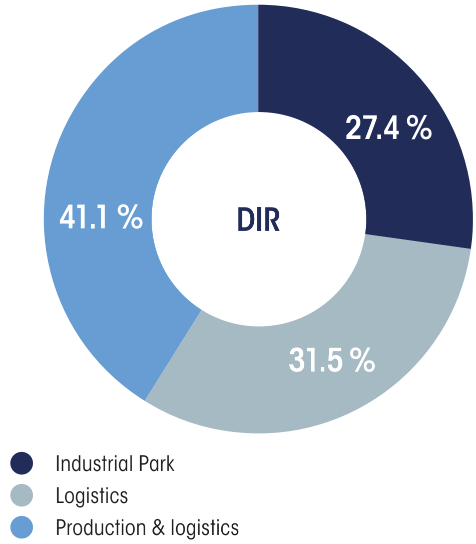
In the FY 2019/2020, the Company received 525 property offers with a total purchase price volume of approximately 3,278 € million. To ensure the validity of the evaluation, duplicates and incomplete offers were adjusted for the overall result. Offers are only considered if they provide, the basic information purchase price, rent and total floor space. The three classifications for the usage of the properties are: industrial park, logistics and production- & logistics, which are defined by the DIR as general categories.

Type	Offers	Percentage	Asking Price vol. in m€	Area in m²
Industrial Park	60	15.7 %	356.3	725,954
Logistics	82	24.1 %	545.5	834,541
Production & logistics	197	60.2 %	1,362.5	2,536,450
Total	**339**	**100.0 %**	**2,264.3**	**4,096,945**

The analysis shows an excess of offers of production & logistics real estate (> 60 %), subject to the significant market share of German corporate real estate. Despite the excess in offers for assets in production, DIR was also able to make balanced investments in industrial parks and logistics properties during the period under review.

Comparison of offers and DIR portfolio



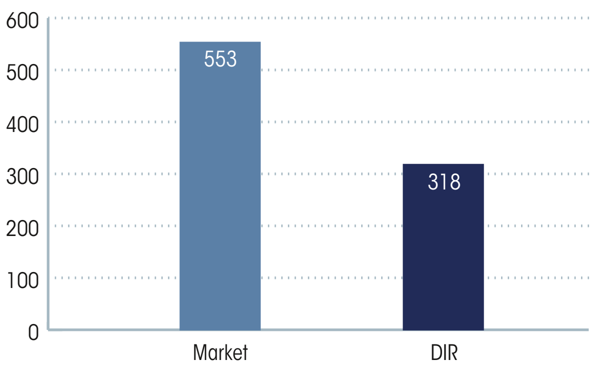


Based on the adjusted data, statements on average purchase prices and initial yields can be made which help the company to evaluate its own purchase criteria and acquisitions in the market context.

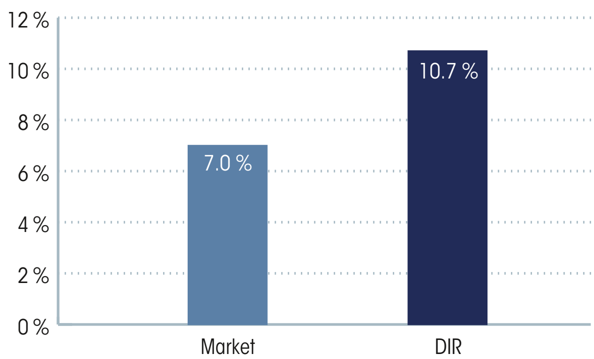
Type	Asking Price per m²	Yield	Multiple
Industrial Park	491	7.1 %	14.1
Logistics	654	6.6 %	15.1
Production & logistics	537	7.1 %	14.0
Total	**553**	**7.0 %**	**14.3**

The average price per square meter for Light Industrial properties is around 553 €/m², with an average initial yield of 7.0 %. DIR was able to buy at an average purchase price of 318 €/m² during the financial year, around 42 % below market levels. The average initial yield of 10.7 % was around 35 % above the market yield.

Asking price per m²



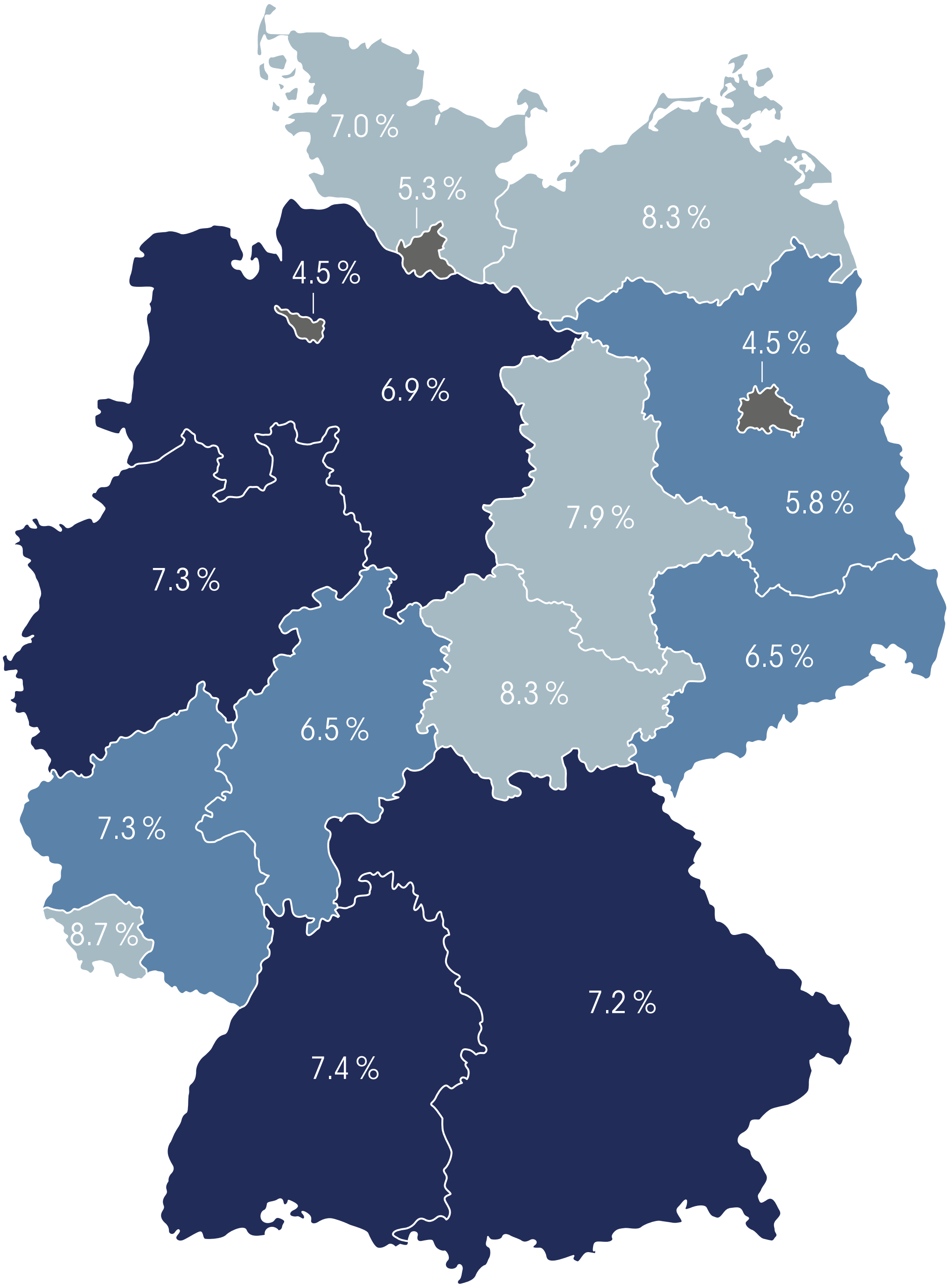
Yield



Regional Allocation

Overall, the regional distribution of the data evaluation is comparable with that of the DIR portfolio. The company invests in Light Industrial real estate throughout Germany, with a propensity towards investments in the West and Southwest (North Rhine-Westphalia, Baden-Württemberg and Bavaria), due to the strong local industrial sector. This observation can also be seen in the data analysis, in which the top 4 (North Rhine-Westphalia, Baden-Württemberg, Lower Saxony, Bavaria), account for 68.7 % of the total volume, representing a significant share of offers.

Federal State	Offers	Percentage	Asking Price vol. in m€	Multiple	Yield
North Rhine-Westphalia	91	23.9 %	540.1	13.7	7.3 %
Baden-Württemberg	44	15.9 %	359.2	13.5	7.4 %
Lower Saxony	43	15.6 %	353.2	14.4	6.9 %
Bavaria	30	13.4 %	303.9	13.8	7.2 %
Hesse	19	6.8 %	153.5	15.5	6.5 %
Saxony	29	6.3 %	141.9	15.5	6.5 %
Rhineland-Palatinate	16	3.5 %	78.6	13.7	7.3 %
Brandenburg	15	3.0 %	67.0	17.1	5.8 %
Schleswig-Holstein	9	2.5 %	56.3	14.3	7.0 %
Thuringia	12	2.2 %	50.1	12.7	7.9 %
Saxony-Anhalt	15	1.5 %	33.3	12.1	8.3 %
Mecklenburg-Western Pomerania	2	0.4 %	9.0	12.1	8.3 %
Saarland	1	0.1 %	1.4	11.5	8.7 %
Berlin	5	2.9 %	65.0	22.0	4.5 %
Bremen	6	1.4 %	22.2	22.2	4.5 %
Hamburg	2	0.8 %	18.7	19.0	5.3 %
Total	**339**	**100.0 %**	**2,264.3**	**14.3**	**7.0 %**



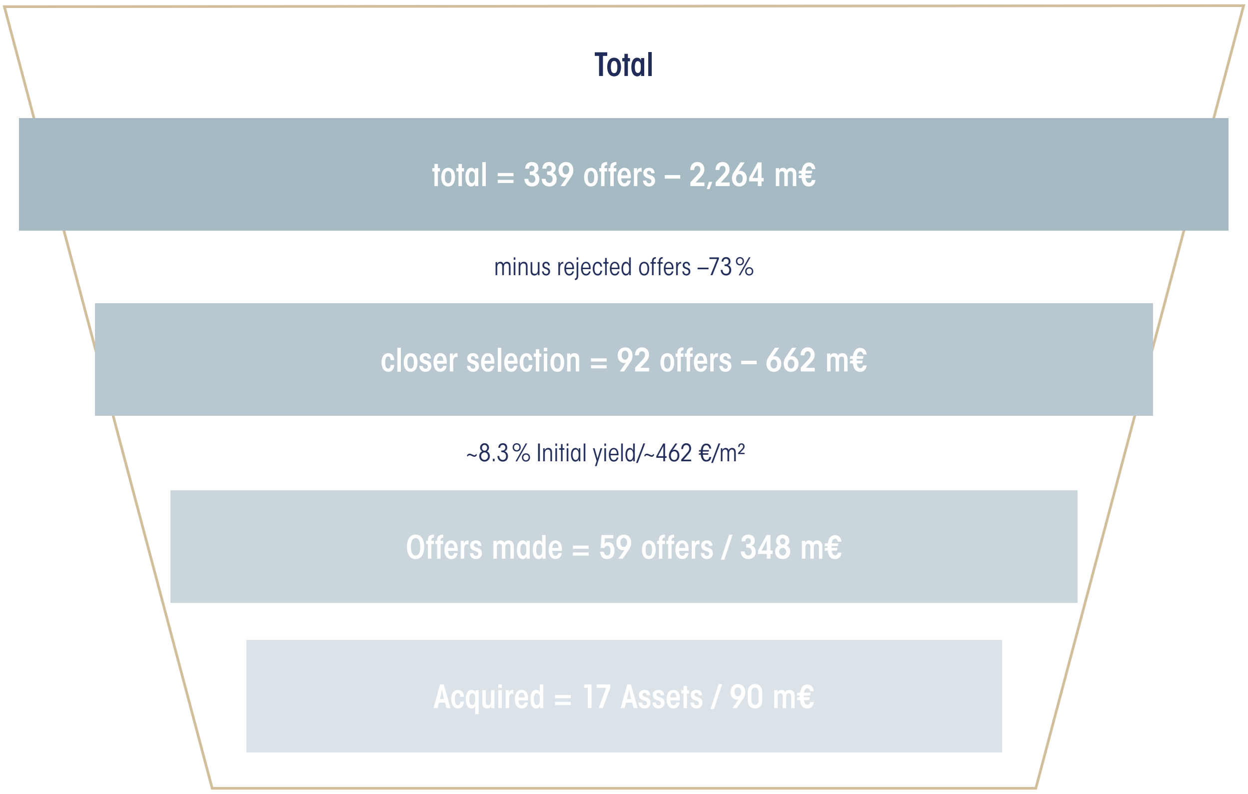
Among the most expensive regions are the city states of Berlin, Hamburg and Bremen, which have an average initial yield of less than five percent. This can be explained by the scarcity of offers in comparison to other regions and countries, while also maintaining similar rent levels to the rest of the properties in this asset class.

Acquisition Process

The acquisition process of the company is characterized by an opportunistic approach. Each offer goes through a structured analysis process in which opportunities and risks are weighed up and swift decisions on the attractiveness of the offer are made. Overall, DIR rejected 73 % of the total volume of offers because they did not meet the yield requirements. The main reasons for this were excessively high purchase prices, major maintenance requirements and unsustainable rental conditions.

A total of 92 properties with a volume of 662 € million were shortlisted in the financial year. These properties had an average initial yield – based on the expected purchase price – of around 8.3 %. DIR's purchase price offers were around 24 % below the expected price, which led to the purchase of the 17 properties acquired in the fiscal year. The properties purchased have an average initial yield of 10.2 %.

The acquisition pipeline is still strong and the company expects to purchase further attractive assets and to therefore continue its portfolio growth in the future.



PICTURE:
Düren, Kreuzauer Straße

The Real Estate Portfolio

Portfolio overview

	30/09/2018	30/09/2019	30/09/2020	Pro forma 07/12/2020
Properties	22	49	**69**	77
Commercial units	900	1,205	**1,528**	1,758
Total rental space in m²	508,443	1,105,419	**1,561,024**	1,720,881
Commercial rental space in m²	470,776	918,916	**1,229,072**	1,383,875
Annualised In place rent in € million	16.1	33.1	**44.5**	49.8
Ocupancy commercial	84.9 %	88.9 %	**85.1 %**	86.2 %
WALT in years	3.9	4.9	**5.0**	5.4
IPR commercial in €/m²	3.23	3.34	**3.47**	3.41
Market value in € million	167.0	391.8	**565.0**	617.5
Rental yield	9.6 %	8.5 %	**7.9 %**	8.1 %

Our investment strategy

Deutsche Industrie REIT-AG invests sustainably in Light Industrial real estate across Germany. Light industry includes storage, distribution of goods as well as management and production. This asset class consists mostly of medium to large industrial and commercial estates. These properties are usually more sophisticated than pure logistics real estate and have a high local relevance.

The objective of the company is to generate constant, sustainable and profit-oriented revenue growth by means of further acquisitions, ongoing investments in the real estate portfolio and strategic asset and portfolio management. In strategic terms, the company invests in good micro-locations which are infrastructurally well-connected and have a high local relevancy. By undertaking these investments the company aims to occupy a niche which is situated below the investment criteria of institutional investors and above the investments undertaken by private investors.

As a result of the network of the corporate management and the completed transactions, Deutsche Industrie has close and in some cases long-standing relationships with potential sellers of Light Industrial properties. In most cases, these properties are not sold through public auctions, but are only offered to a small audience or even exclusively.

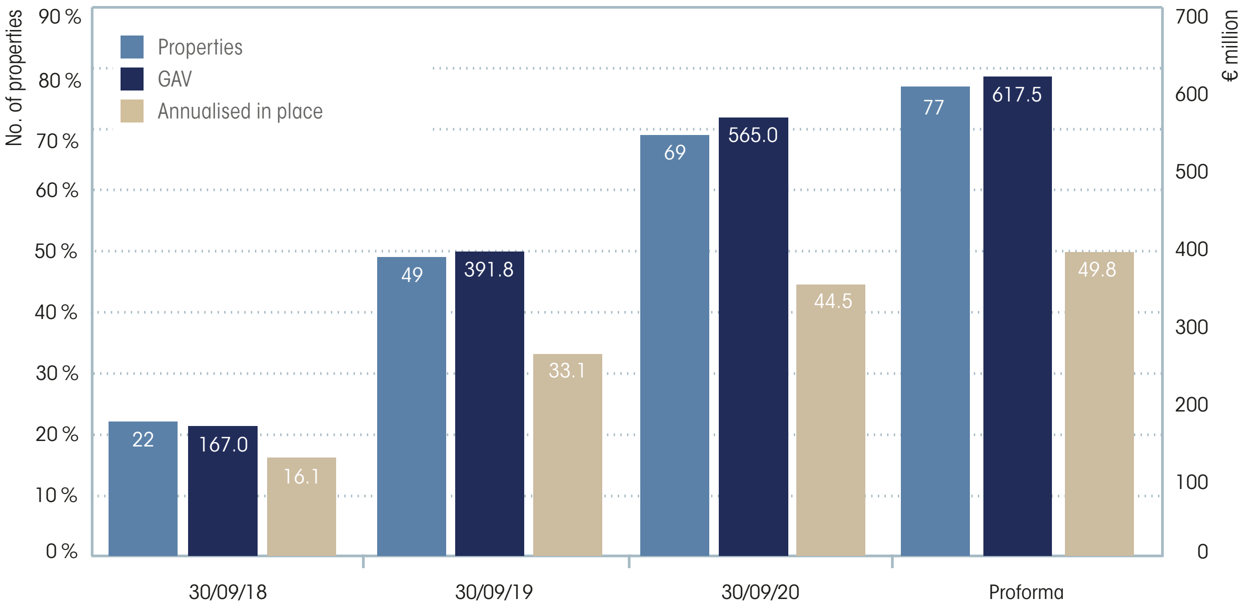
So far, properties have been acquired all over Germany and it is intended to continue acquiring properties throughout Germany. There is no focus on specific regions. It is the companys belief that having an wide range of requirements has the advantage that lucrative properties can be acquired outside the usual Light Industrial locations.

Growth and operational performance

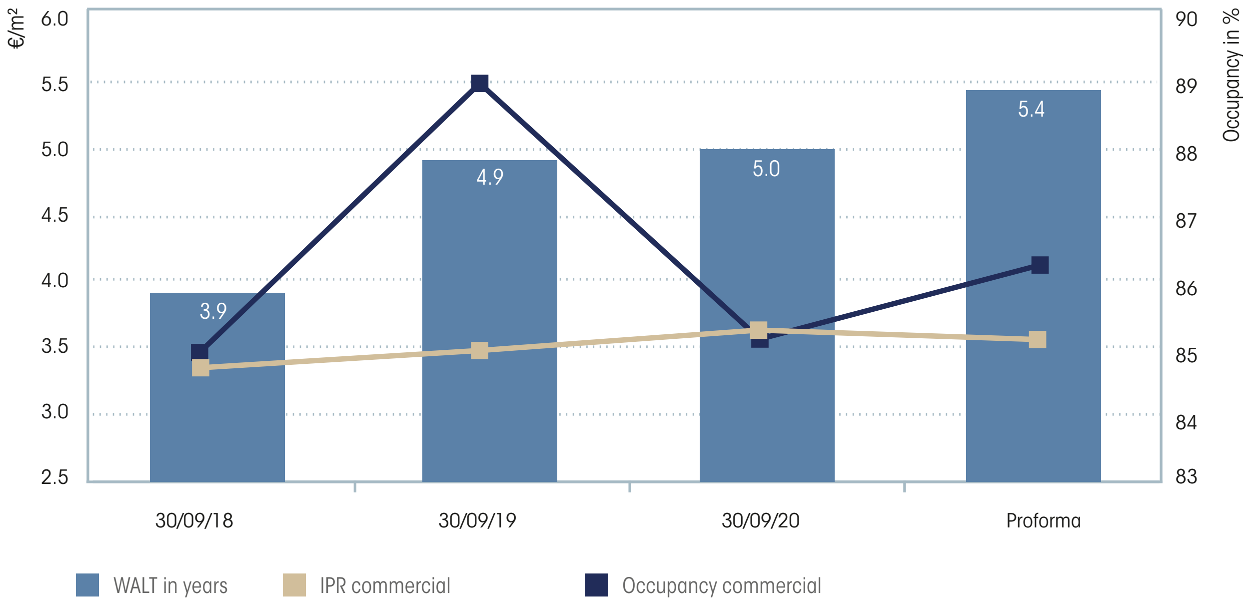
In the 2019/2020 financial year, the transfer of ownership for 20 acquired commercial properties took place. The property portfolio, reported as of 30 September 2020, therefore comprises 69 properties with a total area of 1.2 million m². The weighted average lease term (WALT) is 5.0 years, with an annualised in place rent of € 44.5 million. The portfolio is balanced at € 585.8 million (Including IFRS-effect of € 20.8 milllion out of leaseholds).

In addition, purchase agreements were notarised for eight further properties with an investment volume of € 52.6 million for which the transfer of ownership took place or will take place after 30 September 2020.

Taking into account all properties acquired and sold to date, the total portfolio of Deutsche Industrie pro forma consists of 77 properties with an annualised total rent of around € 49.8 million and a portfolio value of approx. € 617.5 million.



In addition to the growth in size, the key operating figures also developed well. In a comparison of the total portfolio as of the respective reporting date, rents per m² of commercial space and the weighted average lease term increased as well as the occupancy rate improved significantly.

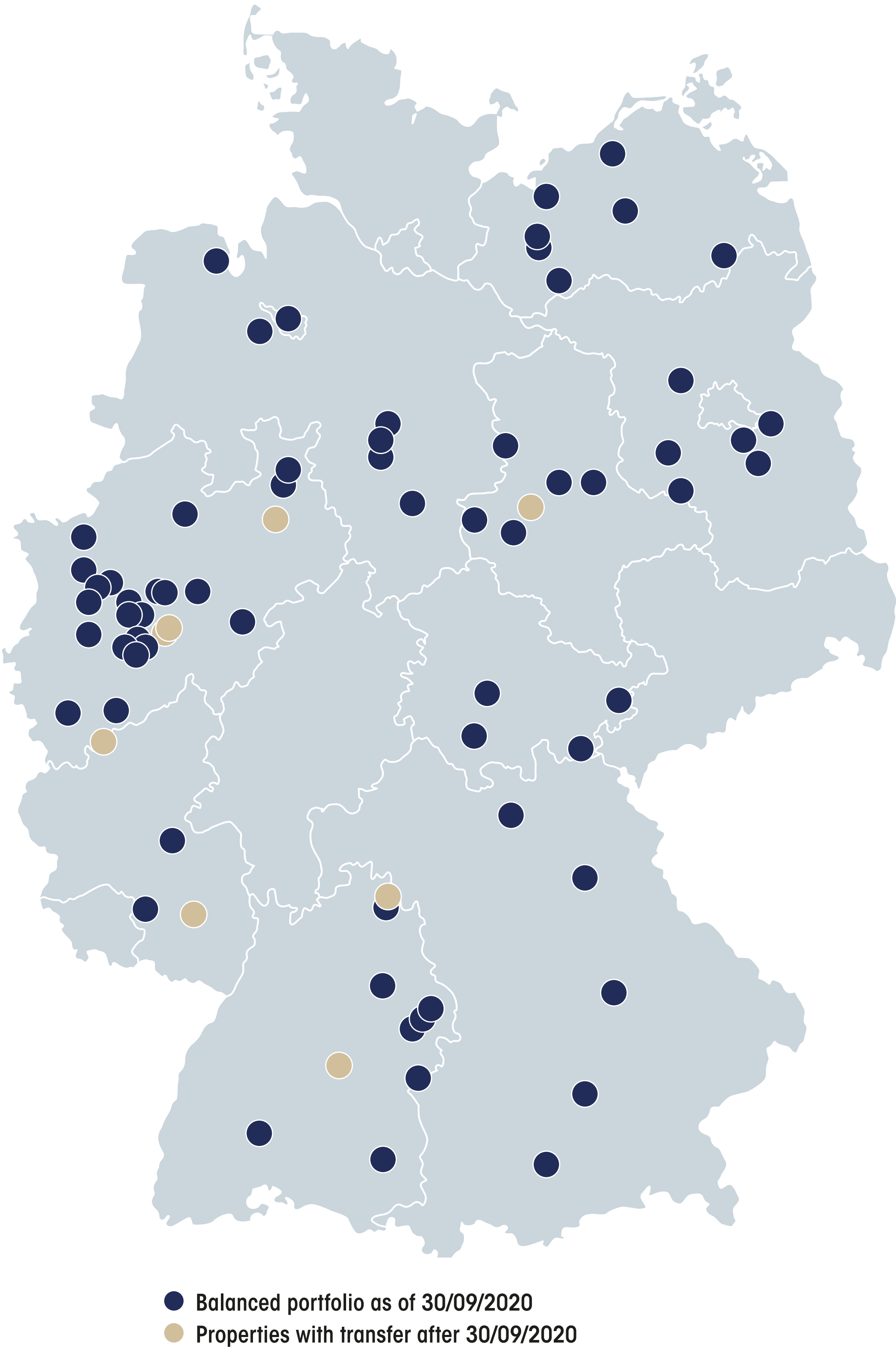


Regional allocation

The real estate portfolio is spread all over Germany with a focus on the more industrial south and west and due to proximity to the ports in the north of the country.

In the economically strong state of Baden-Wurttemberg, we were able to grow significantly through the acquisition of three additional properties. After North Rhine-Westphalia and Bavaria, the most important federal states for the company, Lower Saxony and Baden-Württemberg now follow in terms of rental income. In total, the portfolio is now spread across 69 locations in twelve federal states.

Federal State	Properties	Commercial space	Annualised rent	% of rent
North Rhine-Westphalia	23	318,443 m²	10.8 Mio. €	24.2 %
Bavaria	6	125,109 m²	7.7 Mio. €	17.3 %
Lower Saxony	8	265,255 m²	7.5 Mio. €	16.8 %
Baden-Wurttemberg	7	170,390 m²	7.2 Mio. €	16.2 %
Mecklenburg Western Pomerania	7	119,742 m²	3.3 Mio. €	7.4 %
Brandenburg	5	46,443 m²	2.2 Mio. €	5.0 %
Thuringia	4	56,779 m²	1.7 Mio. €	3.8 %
Saxony-Anhalt	5	43,611 m²	1.5 Mio. €	3.5 %
Rhineland Palatinate	1	20,905 m²	1.0 Mio. €	2.3 %
Saarland	1	44,084 m²	0.9 Mio. €	2.1 %
Bremen	1	9,496 m²	0.4 Mio. €	0.9 %
Berlin	1	8,816 m²	0.2 Mio. €	0.5 %
Total	**69**	**1,229,072 m²**	**44.5 Mio. €**	**100.0 %**


Balanced portfolio as of 30/09/2020
Properties with transfer after 30/09/2020

Types of use

Deutsche Industrie distinguishes between three types of property when it comes to the use of the respective objects:

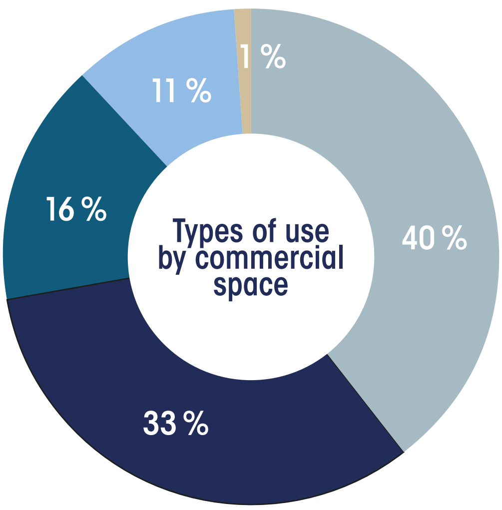
Logistics: These are building complexes that have been designed for the distribution of goods and merchandise, with the appropriate technical equipment, high load capacities and, in most cases, access suitable for trucks at any time (24/7). These properties are typically used by single tenants or dominant main tenants, who generally operate nationwide.

Industrial parks: These usually consist of several different buildings, with various uses ranging from storage to workshops, laboratories, offices and event areas. The tenant structure is small and fluctuations occur more regularly, the tenants also tend to be more locally active. This enables higher rents, but can also lead to longer marketing periods and higher vacancy rates.

Production and logistics: These properties are normally geared to a main production user and, in addition to the actual production areas, also consist of downstream warehouse/logistics, administrative and social areas. These properties, are also often let to a larger tenant with a typically longer lease term alongside additional smaller secondary users.

Type	Properties	Total rental space	Commercial rental space	IPR p. m²	Occupancy commercial	WALT	Annualised rent	% of rent	GAV	Yield
Industrial park	15	378,703 m²	353,513 m²	4.78 €	72.4 %	3.6	15.2 m€	34.2 %	161.0 m€	9.4 %
Logistics	21	409,322 m²	384,213 m²	3.42 €	84.3 %	4.9	13.4 m€	30.1 %	201.6 m€	6.6 %
Production & logistics	33	772,998 m²	491,346 m²	2.79 €	94.9 %	6.2	15.9 m€	35.7 %	202.4 m€	7.8 %
Total	**69**	**1,561,024 m²**	**1,229,072 m²**	**3.47 €**	**85.1 %**	**5.0**	**44.5 m€**	**100.0 %**	**565.0 m€**	**7.9 %**

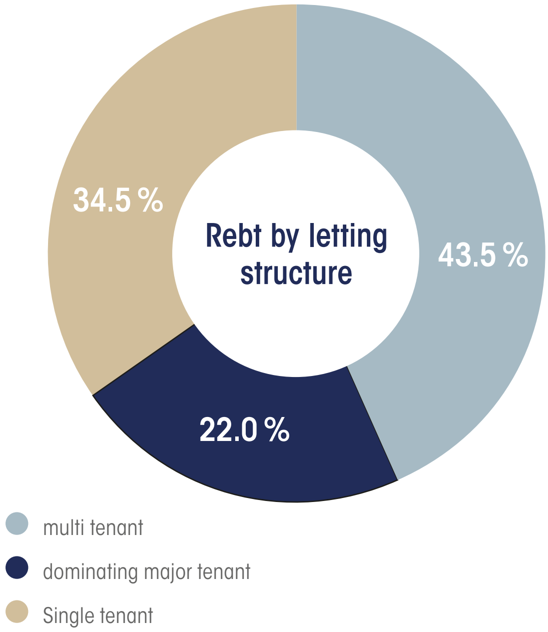
Within the properties, the individual tenancy units consist of the following main types of use:



493,721 m²	Logistics	larger areas, corresponding technical equipment
404,693 m²	Production	small to medium-sized areas, more simple equipment
190,620 m²	Office	mostly as simple administration or training rooms incl. corresponding social rooms
131,946 m²	Storage	halls, workshops
8,092 m²	Other commercial space	e. g. open spaces, parking, antennas, etc.
1,229,072 m²	**total**	

Tenant structure

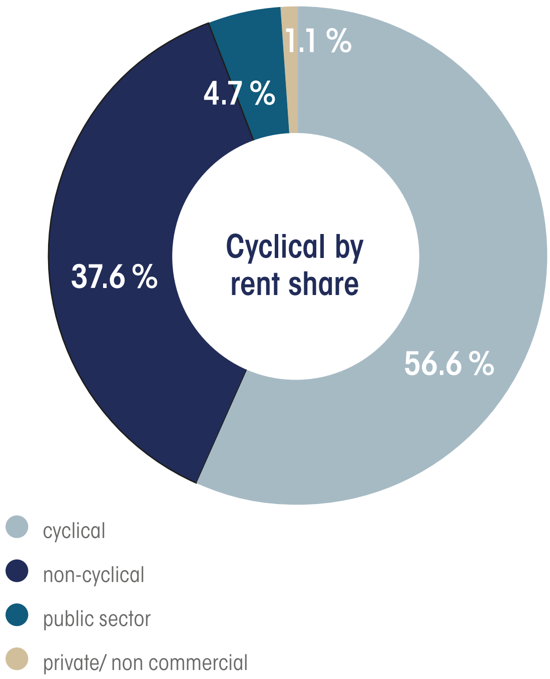
Weighted by the rental percentage of tenants in a property, the DIR classifies the rental structure of the tenant population per property location. The three specifications used are: Single tenant, dominating major tenant and a multiple tenant structure. The rental structure within the company's portfolio is diversified across all three types of tenants and is broken down as follows in proportion to the rent:



Letting structure	Number of properties	Annualised rent	% of rent	IPR p. m²	Occupancy commercial	WALT
multi tenant	22	19.4 m€	43.5 %	4.61 €	74.4 %	3.8
dominating major tenant	18	9.8 m€	22.0 %	2.75 €	86.3 %	4.5
single tenant	29	15.3 m€	34.5 %	3.06 €	95.3 %	6.5
Total	**69**	**44.5 m€**	**100.0 %**	**3.47 €**	**85.1 %**	**5.0**

Cyclicality

The tenants in the DIR portfolio are assigned to cyclicality types according to their economic sector or business segment. The company distinguishes between four different classifications, whose percentage of the total rent in the portfolio is as follows:



The company receives more than 40.0 % of its regular rental income from tenants in sectors that are hardly or only slightly exposed to economic fluctuations. One example is Aenova/ Haupt Pharma from the pharmaceutical industry with a current portfolio rental percentage of 6.3 %. The heterogeneous orientation cyclical and non-cyclical tenants enables the company to operate a risk-minimising operative rental management and to ensure a stable rental return independent of expected economic fluctuations.

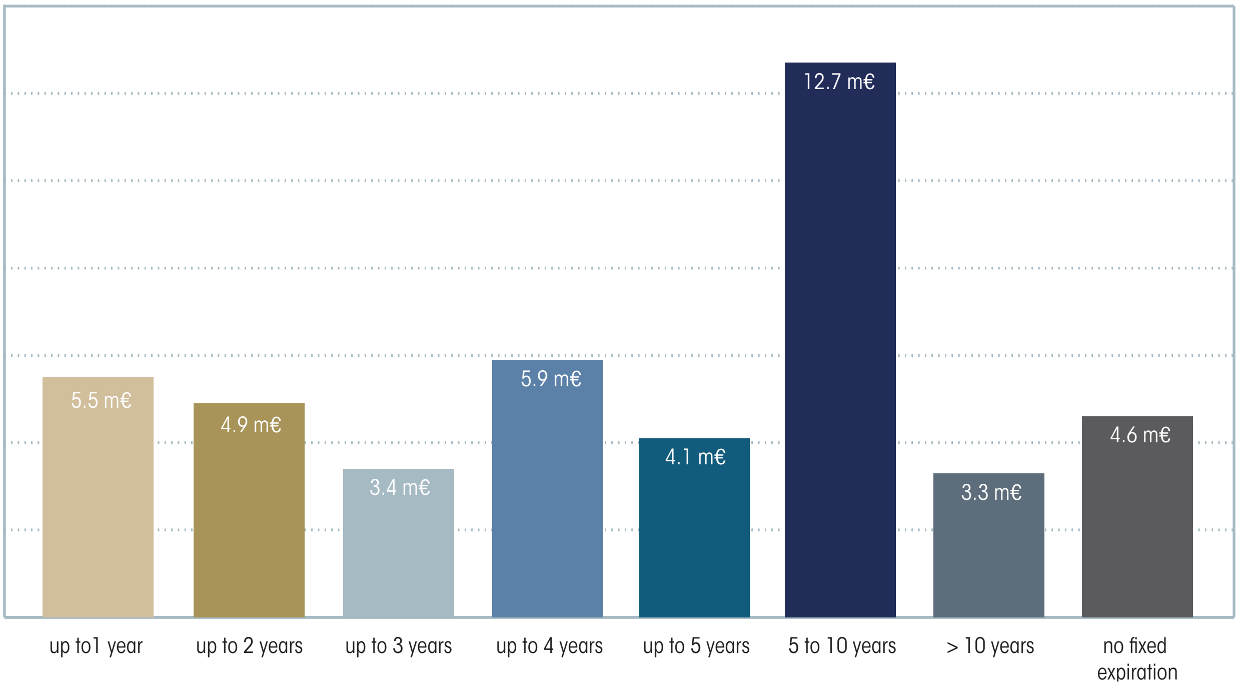
Tenant mix

The 484 tenants belong to some 54 different sectors and are widely diversified in terms of their economic sector, geographical orientation, lease terms and usage profile. When purchasing new properties and negotiating new and follow-up leases, it is important to maintain and expand this diversity in order to avoid cluster risks and maintain a more crisis-proof tenant portfolio.

The ten largest tenants represent less than 34 % of the rent, the other tenants representing more than 66 % are rather small and widely spread. This has the advantage of highly solvent tenants from economically strong sectors on the one hand while on the other hand leaving the potential for rent increases in the more fluctuating part of the portfolio.

Tenant	Sector	% of rent
Aenova / Haupt Pharma	Pharmaceutical Industry	6.3 %
Versandhaus Walz GmbH, Baby Walz	Online/Mail order seller	5.8 %
Lufthansa Group	Aerospace company	3.8 %
Gabo Stahl GmbH	Metalworking	3.5 %
DST Defence Service Tracks GmbH	Defence industry	3.4 %
Bundesanstalt für Immobilienaufgaben	German Armed Forces / public sector	2.8 %
Sihl GmbH	Printable materials	2.7 %
CompAir / Gardner Denver	Compressed air systems	2.3 %
Veenendaal Schaumstoffwerk GmbH	Foam products	2.0 %
Zwilling J.A. Henckels AG	Metalworking	2.0 %
Top Ten Tenants		**34.5 %**
Top Twenty Tenants	**484 tenants**	**49.3 %**

The weighted average lease term is 5.0 years and is divided between contracts with remaining terms of two to four years – typically many tenants in business parks – and longer terms of more than five years, mostly in production and logistics with a lower number of tenants.



Property valuation

As of 30 June 2020, the annual property valuation of the portfolio was carried out by an external appraiser.

The result was a significant revaluation of € 37.0 million. Therefore, the value of the balanced portfolio now amounts to € 585.8 million (including € 20.8 million IFRS adjustments for leasehold rights).

The reasons for the increase are mainly higher market prices, especially in logistics, as well as higher market rents and operational enhancements (vacancy reduction, rent increases and contract extensions) in the portfolio.

- **The valuation results as of 30/09/2020 for the various types of use are as follows:**

Type	Fair Value in m€	Fair Value per m² commercial space	Valuation change	Valuation change to purchase price	Yield
Industrial park	161.0	455.5	8.2%	28.3%	9.4%
Logistics	201.6	524.6	12.7%	36.9%	6.6%
Production & logistics	202.4	411.9	9.6%	21.6%	7.8%
Total	**565.0**	**459.7**	**10.3%**	**28.6%**	**7.9%**

The property valuation for this financial year was again carried out by the CBRE GmbH Berlin.

CapEx / maintenance

The planning and implementation of any CapEx measures, such as maintenance and upgrades, is carried out using a bottom-up approach. This enables the company to allocate financial resources directly and in a targeted and demand-oriented manner. The portfolio-wide management and monitoring of all CapEx measures is the responsibility of the commissioned asset management in consultation with the company. The planning and monitoring of the necessary measures implemented in this way enables targeted portfolio maintenance and safeguarding of the desired total return.

In line with the investment strategy, all purchase decisions are also examined for possible CapEx requirements prior to a purchase. Once these measures are determined, they are incorporated into the expected return of the acquisition decision and the negotiations with the seller party.

PICTURE:
Wesel, Schepersweg

The portfolio – property by property

	Properties	Type	No. of commercial units	Total rental space in m²	Commercial rental space in m²
1	Neubrandenburg, Augustastraße 30	Production & logistics	26	56,513	36,243
2	Güstrow, Glasewitzer Chaussee 31	Production & logistics	1	15,274	6,130
3	Bad Salzdetfurth, Teccenter 1	Industrial park	136	52,857	48,606
4	Löhne, Dieselstraße 7-9	Logistics	3	46,967	46,967
5	Schortens TCN, Olympiastraße 1	Industrial park	174	98,066	95,955
6	Rostock, Handelsstraße 3	Logistics	111	39,023	38,459
7	Bornheim, Ottostraße 91	Logistics	3	9,057	9,057
8	Drei Gleichen, Dr. Bube Str. 6	Logistics	1	24,004	24,004
9	Wuppertal, Am Brögel 1A - 23	Industrial park	65	10,109	9,251
10	Remscheid, Kippdorfstraße 6 - 24	Industrial park	191	27,021	26,594
11	Neustadt-Glewe, Brauereistraße 30 - 35	Production & logistics	5	11,081	10,932
12	Dortmund, Hannöversche Straße 22	Industrial park	40	24,776	20,777
13	Bochum, Kantstraße 10, 18-20	Industrial park	10	3,272	3,272
14	Witten, Rüsbergstr. 70	Industrial park	35	11,304	7,887
15	Ronnenberg, Berliner Str. 1-3	Production & logistics	5	31,099	30,099
16	Elchingen, Dieselstraße 10	Production & logistics	1	7,690	3,258
17	Lichtenfels, Bamberger Str. 58-60	Production & logistics	1	28,404	16,356
18	Meschede, Am Steinbach 8	Industrial park	4	6,563	6,563
19	Hattingen, Hufeisenstraße 6-8	Industrial park	5	2,580	2,580
20	Meerbusch, Fritz-Wendt-Str. 5	Logistics	4	13,380	13,380
21	Wildau, Chaussestraße 3	Logistics	89	16,808	14,307
22	Fehrbellin, An der Plantage 15	Logistics	1	2,700	1,400
23	Schleiz, Industriestraße 11	Production & logistics	1	5,929	5,929
24	Bremen, Am Heidbergstift 6	Production & logistics	14	9,903	9,496
25	Schortens II, Roffhausener Landstraße 18c	Logistics	29	29,909	29,909

Annualised In place rent in m€	Ocupancy commercial	WALT in years	IPR commercial in €/m²	Current market value m€	Yield	Quarter of transfer
0.7	98.0%	6.7	1.57	6.3	10.7%	Q1-2015
0.1	100.0%	10.5	1.22	0.8	11.4%	Q1-2016
1.7	74.9%	1.4	3.76	14.8	11.5%	Q1-2017
1.6	100.0%	5.8	2.76	21.7	7.2%	Q2-2017
3.6	61.0%	3.4	5.04	43.3	8.4%	Q1-2017/2018
1.1	96.6%	5.7	2.43	15.2	7.3%	Q1-2017/2018
0.3	100.0%	3.3	3.02	6.1	5.5%	Q1-2017/2018
0.6	100.0%	2.7	2.08	7.2	8.3%	Q2-2017/2018
0.4	76.7%	1.6	4.56	6.2	6.7%	Q3-2017/2018
0.9	82.9%	0.5	3.59	10.7	8.9%	Q3-2017/2018
0.3	100.0%	3.4	1.99	2.4	10.9%	Q2-2017/2018
0.8	84.7%	3.4	3.50	9.0	8.6%	Q3-2017/2018
0.2	100.0%	6.4	5.04	2.9	7.2%	Q3-2017/2018
0.4	91.1%	3.2	3.65	4.0	9.3%	Q3-2017/2018
0.8	89.7%	1.4	2.50	10.1	8.2%	Q4-2017/2018
0.2	100.0%	8.3	4.29	3.1	5.4%	Q3-2017/2018
0.9	100.0%	8.3	4.57	10.4	8.6%	Q3-2017/2018
0.2	100.0%	0.5	2.46	2.3	8.6%	Q3-2017/2018
0.1	100.0%	2.0	3.85	1.6	7.5%	Q4-2017/2018
0.2	19.8%	3.3	7.61	9.5	2.5%	Q4-2017/2018
1.0	96.2%	0.9	6.24	14.5	7.1%	Q4-2017/2018
0.1	100.0%	1.1	4.29	1.1	7.8%	Q2-2018/2019
0.2	100.0%	4.9	3.20	2.9	8.0%	Q1-2018/2019
0.4	100.0%	3.3	3.68	5.3	7.9%	Q1-2018/2019
0.2	29.3%	0.3	1.44	2.3	6.6%	Q1-2018/2019

	Properties	Type	No. of commercial units	Total rental space in m²	Commercial rental space in m²
26	Wismar, Am Westhafen 1-3c	Production & logistics	15	11,873	5,812
27	Simmern, Argenthaler Str. 11	Production & logistics	6	127,517	20,905
28	Schwerin, Werkstraße 710 - 714, 717 - 721	Industrial park	16	19,451	19,451
29	Berlin, Gradestraße, Britzer Damm	Production & logistics	7	10,034	8,816
30	Münster, Schleebrüggenkamp 15	Production & logistics	1	2,889	2,889
31	Regensburg, Donaustaufer Straße 378	Production & logistics	19	19,699	19,699
32	Wolfsratshausen, Pfaffenriederstraße 5 u. 7	Production & logistics	4	30,267	30,267
33	Dinslaken, Thyssenstraße 93	Production & logistics	38	4,768	3,259
34	Solingen, Nümmener Feld 10	Logistics	23	25,847	24,852
35	Bad Waldsee, Steinstraße 28	Logistics	3	46,350	46,350
36	Zella-Mehlis, Am Köhlersgehäu 6	Production & logistics	9	30,901	19,391
37	Schortens III, Roffhausener Landstraße 18c	Production & logistics	11	3,719	3,612
38	Duisburg, Eisenbahnstraße	Production & logistics	8	16,221	16,221
39	Halberstadt, Am Sülzegraben 17	Production & logistics	2	1,500	1,500
40	Remscheid, Rosentalstraße 22	Production & logistics	1	16,245	16,245
41	Remscheid, Víeringhausen 118	Production & logistics	1	35,490	11,933
42	Freisen, Industriegelände	Production & logistics	1	44,084	44,084
43	Essingen, Streichhoffeld 1 u. 3	Logistics	16	32,809	32,809
44	Aalen, Ulmer Straße 82-84	Production & logistics	8	9,711	9,711
45	Rosengarten, Neue Str. 1	Production & logistics	32	20,368	20,368
46	Dortmund, Westfaliastraße 187	Logistics	3	3,508	3,508
47	Barleben, Im Hasenwinkel 5	Production & logistics	2	35,411	10,400
48	Eschenbach, Gossenstraße 51	Production & logistics	3	6,834	6,510
49	Bad Oeynhausen, Unterer Sundern 11	Logistics	9	12,773	12,773
49	**Properties with transfer before 01/10/2019**		**1,193**	**1,152,557**	**908,775**

Annualised In place rent in m€	Ocupancy commercial	WALT in years	IPR commercial in €/m²	Current market value m€	Yield	Quarter of transfer
0.3	95.9%	2.7	2.84	3.9	8.1%	Q1-2018/2019
1.0	100.0%	6.8	4.16	14.0	7.5%	Q1-2018/2019
0.7	100.0%	4.0	2.84	7.2	9.3%	Q2-2018/2019
0.2	89.7%	2.3	2.39	5.5	4.2%	Q2-2018/2019
0.1	100.0%	3.3	3.81	1.9	7.1%	Q2-2018/2019
0.7	100.0%	3.3	2.75	8.2	8.1%	Q2-2018/2019
1.8	100.0%	3.3	4.93	24.4	7.3%	Q2-2018/2019
0.1	67.7%	1.6	3.54	1.5	6.8%	Q2-2018/2019
1.0	96.2%	2.7	3.65	16.5	6.3%	Q1-2018/2019
2.6	100.0%	8.3	4.60	33.5	7.6%	Q2-2018/2019
0.6	98.4%	6.7	2.61	7.6	8.1%	Q3-2018/2019
0.0	40.5%	1.8	1.68	0.3	10.1%	Q2-2018/2019
0.5	100.0%	8.3	2.57	7.4	6.8%	Q2-2018/2019
0.0	100.0%	7.3	2.33	0.4	9.9%	Q3-2018/2019
0.3	100.0%	4.3	1.63	5.4	5.9%	Q4-2018/2019
0.2	100.0%	4.3	1.64	4.2	5.5%	Q4-2018/2019
0.9	100.0%	4.3	1.79	13.2	7.2%	Q4-2018/2019
1.6	100.0%	5.3	3.92	20.8	7.5%	Q3-2018/2019
1.1	100.0%	7.9	9.41	9.4	11.7%	Q3-2018/2019
0.4	100.0%	0.0	1.73	4.5	9.4%	Q3-2018/2019
0.2	100.0%	1.3	5.71	3.1	7.8%	Q4-2018/2019
0.5	100.0%	8.8	4.13	6.5	7.9%	Q4-2018/2019
0.3	100.0%	8.3	3.42	3.6	7.3%	Q4-2018/2019
0.4	100.0%	3.8	2.55	4.0	9.9%	Q4-2018/2019
32.8	**88.6%**	**4.6**	**3.34**	**420.7**	**7.8%**	

	Properties	Type	No. of commercial units	Total rental space in m²	Commercial rental space in m²
50	Schwerin, Grevesmühlener Str. 18a	Logistics	2	7,715	2,715
51	Düren, Kreuzauer Str. 33	Production & logistics	2	77,111	40,850
52	Linthe, Kampaweg 1	Logistics	46	10,165	9,541
53	Altlandsberg, Seeberger Str. 10 (Hönower Chaussee 1)	Logistics	2	11,534	8,053
54	Westhausen, Dr.-Rudolf-Schieber-Str. 11, 13, 15	Industrial park	63	16,295	15,880
55	Hannover, Wiesenauer Straße 11, 13	Industrial park	18	27,572	24,396
56	Bocholt, Hindenburgstr. 19, Kaiser-Wilhelm-Str. 39, 41, 42	Logistics	4	12,900	12,692
57	Unna, Heinrich-Hertz-Str. 14, 18	Industrial park	18	6,869	6,693
58	Löbichau, Leedenstraße 3	Logistics	1	17,891	7,455
59	Wesel, Schepersweg 41-61	Industrial park	18	22,273	16,590
60	Kloster Lehnin, Damsdorfer Hauptstraße 36B	Logistics	3	13,142	13,142
61	Dinslaken, Lanterstr. 34	Production & logistics	1	22,243	3,610
62	Wedemark, Industriestraße 44	Logistics	15	20,637	20,637
63	Oberding, Lohstraße 22-28a	Industrial park	118	49,695	49,019
64	Mönchweiler, Am Fohrenwald 1	Production & logistics	10	29,093	29,093
65	Osterwieck Lüttgenröder Str. 4	Production & logistics	1	6,993	6,993
66	Hude, Heinrich-Dreyer-Str. 1	Production & logistics	6	15,441	12,041
67	Oebisfelde, Lunapark 2	Production & logistics	4	12,515	12,515
68	Stegelitz, Dammfeld 6	Logistics	2	12,203	12,203
69	Lauda-Königshofen, Bahnhofstraße 70 u. 100	Production & logistics	1	16,179	16,179
20	**Properties with transfer 01/10/2019 until 30/09/2020**		**335**	**408,467**	**320,297**
69	**Portfolio as of 30/09/2020**		**1,528**	**1,561,024**	**1,229,072**

Annualised In place rent in m€	Ocupancy commercial	WALT in years	IPR commercial in €/m²	Current market value m€	Yield	Quarter of transfer
0.2	100.0%	3.3	4.77	2.0	7.9%	Q1-2019/2020
1.2	100.0%	14.0	2.33	12.1	9.9%	Q1-2019/2020
0.1	47.7%	0.3	2.00	3.2	4.2%	Q1-2019/2020
0.5	100.0%	3.2	5.12	8.0	6.2%	Q1-2019/2020
0.7	71.9%	1.8	5.20	9.5	7.7%	Q1-2019/2020
0.8	72.9%	2.0	3.61	12.4	6.8%	Q1-2019/2020
0.6	100.0%	8.6	3.95	9.0	6.7%	Q1-2019/2020
0.6	99.8%	2.3	7.10	6.6	9.1%	Q2-2019/2020
0.2	100.0%	3.8	2.68	2.9	8.2%	Q2-2019/2020
0.1	5.2%	5.3	3.90	7.1	1.0%	Q1-2019/2020
0.5	100.0%	0.0	2.88	3.3	13.7%	Q2-2019/2020
0.2	100.0%	4.1	3.66	2.0	8.4%	Q1-2019/2020
0.0	0.0%	0.0	0.00	13.3	0.0%	Q2-2019/2020
3.9	78.2%	6.5	8.35	23.5	16.7%	Q3-2019/2020
0.4	45.5%	4.0	2.73	11.4	3.8%	Q3-2019/2020
0.3	100.0%	9.8	4.00	3.1	11.0%	Q4-2019/2020
0.3	94.4%	4.8	2.06	3.7	7.6%	Q4-2019/2020
0.2	100.0%	2.9	1.60	2.6	9.3%	Q4-2019/2020
0.4	100.0%	1.3	2.78	4.3	9.4%	Q4-2019/2020
0.4	100.0%	9.8	2.01	4.3	9.0%	Q4-2019/2020
11.7	**75.1%**	**6.1**	**3.94**	**144.3**	**8.1%**	
44.5	**85.1%**	**5.0**	**3.47**	**565.0**	**7.9%**	

	Properties	Type	No. of commercial units	Total rental space in m²	Commercial rental space in m²
70	Euskirchen, Adolf-Halstrick-Str. 6	Production & logistics	57	41,987	39,445
71	Oschersleben, Anderslebener Straße 159	Logistics	3	15,000	15,000
72	Grünsfeld, Industriestraße 2 u. 6	Production & logistics	2	3,244	3,244
73	Bielefeld, Gustav-Winkler-Str. 17	Logistics	4	12,655	12,655
74	Metzingen, James-Watt-Str. 9	Logistics	34	16,676	16,352
75	Sembach, Junkersstr. 10	Industrial park	15	12,263	10,963
76	Gevelsberg, Mühlenstr. 5, 29-31	Industrial park	111	25,627	24,739
77	Gevelsberg, Kölner Straße 64	Production & logistics	4	32,406	32,406
8	**Properties with transfer after 30/09/2020**		**230**	**159,857**	**154,803**
69	**Portfolio as of 30/09/2020**		**1,528**	**1,561,024**	**1,229,072**
77	**Proforma Portfolio**		**1,758**	**1,720,881**	**1,383,875**

PICTURE:
Löbichau, Leedenstraße

	Annualised In place rent in m€	Ocupancy commercial	WALT in years	IPR commercial in €/m²	Current market value m€	Yield	Quarter of transfer
	1.2	100.0%	10.0	2.38	10.5	11.5%	Q1-2020/2021
	0.4	100.0%	1.3	2.10	3.0	12.6%	Q1-2020/2021
	0.2	100.0%	0.0	4.78	1.2	16.2%	Q1-2020/2021
	0.4	89.1%	4.3	2.66	3.6	10.0%	Q1-2020/2021
	0.5	93.5%	8.3	2.66	5.5	9.4%	n.n.
	0.4	95.6%	12.8	3.39	4.8	9.1%	n.n.
	0.7	79.4%	4.5	2.79	7.0	10.3%	n.n.
	1.5	100.0%	10.3	3.92	17.0	9.0%	n.n.
	5.3	**94.8%**	**8.6**	**2.92**	**52.6**	**10.1%**	
	44.5	**85.1%**	**5.0**	**3.47**	**565.0**	**7.9%**	
	49.8	**86.2%**	**5.4**	**3.41**	**617.5**	**8.1%**	

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 June 2018, DIR has been a full member of EPRA and publishes the EPRA key figures according to Best Practice Recommendations (BPR) for the first time since the 2017/2018 financial year.

For the 2018/2019 financial year, DIR received the EPRA BPR Bronze Award for the first time for the EPRA reporting in its annual report.

For the financial year 2019/2020 the EPRA KPIs of DIR 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	2019/2020	2018/2019
Period result	50,820.5	48,671.9
– Valuation Result	–36,981.7	–37,552.1
– Sale result	0.0	–57.0
EPRA Earnings	**13,838.9**	**11,062.8**
EPRA Earnings per share, EUR	0.47	0.51

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

The EPRA initial net return is the annualised annual 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 tenant incentives e.g. rent-free periods. Currently there are no material rent-free incentives at DIR.

TEUR	2019/2020	2018/2019
Market value of investment properties	585,918.7	392,849.0
+ Transaction costs	37,805.0	28,169.8
Gross market value of investment properties	**623,624.7**	**421,018.8**
Annualised rental income	44,476.5	33,141.0
– Non-recoverable management costs	–8,895.3	–6,628.2
Annualised net rental income	**35,581.2**	**26,512.8**
+ Rent-free periods	0.0	0.0
Annualised „Topped-up" net rental income	**35,581.2**	**26,512.8**
EPRA initial net yield	**5.7 %**	**6.3 %**
EPRA „Topped-up" NIY	**5,7 %**	**6.3 %**

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	2019/2020	2018/2019
Expenses from property management	–9,495.7	–4,530.8
+ Personnel expenses	–854.2	–808.3
+ Other recurring operating expenses	–1,958.4	–1,161.7
– Other income	175.6	373.7
EPRA costs A incl. direct vacancy costs	**–12,132.6**	**–6,127.0**
– direct vacancy costs	–1,273.4	–454.1
EPRA costs B excl. direct vacancy costs	**–13,406.0**	**–6,581.1**
Rental income	40,781.3	25,481.2
EPRA cost ratio A	**29.8 %**	**24.0 %**
EPRA cost ratio B	**32.9 %**	**25.8 %**

EPRA vacancy rate

In contrast to pure vacancy, 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 at the balance sheet date. The estimated underlying market rents result from the real estate appraisals of the external and independent appraiser CBRE GmbH, Berlin. The increase of EPRA vacancy rate mainly results from a higher portion of vacant space in the portfolio which can be let at (higher) market rents.

TEUR	30/09/2020	30/09/2019
Estimated Rental Value of vacant space	5,927.5	2,329.8
Estimated rental value of the whole portfolio	45,645.6	34,346.1
EPRA vacancy rate	**13.0 %**	**6.8 %**

Like-for-Like portfolio

From a like-for-like perspective which means without the inclusion of acquisitions or disposals within the last financial year, the key figures of the property portfolio developed as follows:

TEUR	30/09/2020	30/09/2019	Diffe-rence
Net rent/m²/per month	3.34	3.34	–0.1 %
Vacancy (%)	11.4 %	11.1	2.2 %
WALT (years)	**4.6**	**4.9**	**– 7.0 %**

EPRA NAV / EPRA NNNAV

The EPRA NAV represents the long-term value of the Company as at the balance sheet date. In this respect, short-term valuation effects of financial instruments from hedging relationships or deferred tax effects are not taken into account and eliminated from equity.

The EPRA NAV per share (undiluted) as of 30 September 2020 is as follows:

TEUR	30/09/2020	30/09/2019
Equity	377,200.0	181,463.2
NAV	**377,200.0**	**181,463.2**
Fair value of financial derivatives	–491.4	0.0
EPRA NAV	**376,708.6**	**181,463.2**
No. of shares	32,079,505	23,451,945
EPRA NAV per share	**11.74**	**7.74**

The so-called EPRA NNNAV, on the other hand, depicts the short-term intrinsic value of the Company by disclosing hidden reserves and burdens and includes the shortterm valuation effects such as from interest hedges and deferred taxes.

The EPRA NNNAV is intended to represent the current net asset value of a real estate company, taking into account current market values for assets and liabilities.

The EPRA NNNAV per share on 30 September 2020 is as follows:

TEUR	30/09/2020	30/09/2019
EPRA NAV	**376,708.6**	**181,463.2**
Fair value of financial instruments	491.4	0.0
Deferred tax	0.0	0.0
EPRA NNNAV	**377,200.0**	**181,463.2**
EPRA NNNAV per share, EUR	**11.76**	**7.74**

New EPRA-NAV reporting standard

EPRA-NRV

The EPRA-Net Reinstatement Value (EPRA NRV) is part of the new EPRA reporting standard for the EPRA NAV. It aims to clarify the long-term net asset value of the portfolio. The EPRA-NRV is calculated by adjusting assets and liabilities for which no sustained increase in value is expected under normal circumstances, such as deferred taxes on valuation gains or the market-related change in financial derivatives. Again, costs which would be necessary to rebuild the company on the basis of its current financing and capital structure, such as acquisition costs or real estate transfer tax, are included in the key figure.

EPRA-NTA

EPRA Net Tangible Asset (EPRA-NTA) is based on the assumption that a company buys and sells properties, which is why deferred tax liabilities can be realised.

EPRA-NDV

It is in the interest of a company's shareholders to consider all liabilities in their entirety and the resulting company value in the event that company assets are sold and/or existing liabilities are not held until their maturity. The EPRA net disposal value (EPRA-NDV) is a key figure that provides information about the full amount of taxes, financial instruments and certain adjustments that are calculated on the basis of their liability, including the tax risk not shown in the balance sheet, after deduction of all resulting taxes. The EPRA-NDV should not be considered as a kind of „liquidation NAV", as the underlying fair values in many cases do not represent liquidation values as such.

TEUR		2019/2020					2018/2019			
		EPRA-NAV	EPRA- NRV	EPRA-NTA	EPRA-NDV		EPRA-NAV	EPRA- NRV	EPRA-NTA	EPRA-NDV
IFRS Equity attributable to shareholders		377,200.0	377,200.0	377,200.0	377,200.0		181,463.2	181,463.2	181,463.2	181,463.2
Number of shares outstanding		32,079,505	32,079,505	32,079,505	32,079,505		23,451,945	23,451,945	23,451,945	23,451,945
Undiluted NAV per share		**11.76 €**	**11.76 €**	**11.76 €**	**11.76 €**		**7.74 €**	**7.74 €**	**7.74 €**	**7.74 €**
minus fair value of financial derivatives		–491.4					0.0			
undiluted EPRA-NAV		376,708.6					181,463.2			
undiluted EPRA NAV per share		**11.74 €**					**7.74 €**			
Include / Exclude										
I) Hybrid instruments		8,736.0	8,736.0	8,736.0	8,736.0		1040.0	1040.0	1040.0	1040.0
Interest expense for convertible bond	832					208				
Valuation result for convertible bond	7,904					832				

TEUR	2019/2020				2018/2019			
	EPRA-NAV	EPRA- NRV	EPRA-NTA	EPRA-NDV	EPRA-NAV	EPRA- NRV	EPRA-NTA	EPRA-NDV
Diluted NAV	**385,936.0**	**385,936.0**	**385,936.0**	**385,936.0**	**182,503.2**	**182,503.2**	**182,503.2**	**182,503.2**
Include:								
II. a) Revaluation of IP (if IAS 40 cost option is used)		0.0	0.0	0.0		0.0	0.0	0.0
II. b) Revaluation of IPUC (if IAS 40 cost option is used)		0.0	0.0	0.0		0.0	0.0	0.0
II. c) Revaluation of other non-current investments		0.0	0.0	0.0		0.0	0.0	0.0
III.) Revaluation of tenant leases held as finance leases		0.0	0.0	0.0		0.0	0.0	0.0
IV.) Revaluation of trading properties		0.0	0.0	0.0		57.0	57.0	57.0
Diluted NAV at Fair Value	**385,936.0**	**385,936.0**	**385,936.0**	**385,936.0**	**182,503.2**	**182,560.2**	**182,560.2**	**182,560.2**
Exclude:								
V) Deferred tax in relation to fair value gains of IP		0.0	0.0			0.0	0.0	
VI) Fair value of financial instruments		–491.4	–491.4			0.0	0.0	
VII) Goodwill as a result of deferred tax		0.0	0.0	0.0		0.0	0.0	0.0
VIII. a) Goodwill as per the IFRS balance sheet			0.0	0.0			0.0	0.0
VIII. b) Intangibles as per the IFRS balance sheet			–3.4				–1.8	
Include:								
IX) Fair value of fixed interest rate debt				0.0				0.0
X) Revaluation of intangibles to fair value		0.0				0.0		
XI) Real estate transfer tax		0.0	0.0			0.0	0.0	
NAV	**385,936.0**	**385,444.6**	**385,441.2**	**385,936.0**	**182,503.2**	**182,560.2**	**182,558.5**	**182,560.2**
potential convertible shares	2,266,165.0	2,266,165.0	2,266,165.0	2,266,165.0	2,248,648.0	2,248,648.0	2,248,648.0	2,248,648.0
Fully diluted number of shares	34,345,670.0	34,345,670.0	34,345,670.0	34,345,670.0	25,700,593.0	25,700,593.0	25,700,593.0	25,700,593.0
NAV per share	**11.24 €**	**11.22 €**	**11.22 €**	**11.24 €**	**7.10 €**	**7.10 €**	**7.10 €**	**7.10 €**

Management Report

PICTURE:
Schwerin, Grevesmühlener Str.


WeGo
Systembaustoffe

1. Fundamentals of the Deutsche Industrie REIT-AG

1.1 Business model and strategy

Deutsche Industrie REIT-AG ("Deutsche Industrie", "DIR" or the "Company") was founded as Jägersteig Beteiligungs GmbH in November 2014. In October 2017, it was renamed Deutsche Industrie Grundbesitz AG. At the beginning of 2018, the status of a REIT ("Real Estate Investment Trust") was obtained with the associated income tax exemption. Since then the company has been called Deutsche Industrie REIT-AG.

The share has been listed on the regulated market of the Berlin Stock Exchange since 7 December 2017. Since 19 December 2018, the share has also been listed in the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) on the Frankfurt Stock Exchange and thus also in XETRA.

The company's business activities focus on the acquisition, leasing, management, and sale of Light Industrial real estate in Germany. "Light Industrial" is a generic term for many different types of industrial operations and includes not only the activities of storage and distribution of commercial goods but also their administration and production. Light Industrial real estate" is therefore typically commercial yards, logistics real estate (warehouses, transhipment halls, distribution halls and special warehouses) or industrial real estate, which is used by commercial users in most cases for storage, packaging or as smaller production facilities.

The company's goal is to generate steady, sustainable, and profit-oriented earnings growth through further acquisitions, ongoing investments in the property portfolio and strategic asset and property management. The company intends to invest throughout Germany with a focus on good micro-locations. In addition, the Company intends to take advantage of the favourable financing terms currently available on the market to finance further property acquisitions.

The Company intends to achieve its strategic goals with the following measures:

- Acquisition of further Light Industrial real estate with potential for value enhancement.
- Exploitation of available upside potential through rent increases, new lettings, and revitalisation of properties.
- Active, strategic portfolio management to expand and improve the real estate portfolio and the ongoing review of existing properties regarding their added value within the overall portfolio.
- Benefit from the advantages of the status as a REIT-AG.

1.2 Structure and controlling system

Under company law, DIR consists of a corporation that holds and accounts for all real estate. This and the REIT status enable the company to have particularly lean administrative structures. In addition, the existing network, the management's many years of experience and the lean structures help to achieve a high purchasing speed, which is advantageous in transaction processes.

The largest shareholder of DIR is currently Obotritia Capital KGaA ("Obotritia") with its personally liable partner Rolf Elgeti, which together with its subsidiaries held around 29.7% of the shares on 30 September 2020. DIR uses Obotritia's business premises and IT infrastructure and, to some extent, its staff, which is passed on to the company on a pro rata basis via a levy. DIR is obliged to prepare a dependency report for the period as a subsidiary of Obotritia KGaA in accordance with Section 312 of the German Stock Corporation Act (AktG).

The DIR is managed based on financial indicators such as initial yield (annualised net cold rent divided by purchase price), FFO (Funds From Operations), aFFO (adjusted Funds From Operations), LTV (Loan To Value) and EPRA NAV (EPRA Net Asset Value). The key performance indicator is the FFO. The calculations for LTV, EPRA-NAV, FFO and aFFO can be found in the tables contained in "2.4 Financial position, liquidity, and financial performance" for the respective key figures.

Non-financial control parameters of DIR are the annualised net cold rent, the occupancy rate, and the Weighted Average Lease Term (WALT) at individual property level and at the overall portfolio level. Due to the acquisition of properties with higher vacancy rates and short remaining lease terms in line with the business model, these non-financial indicators are subject to significant fluctuations.

DIR also has planning instruments such as corporate planning and rolling liquidity planning, which are used to control operational business development.

1.3 Research and development

As part of its business purpose, DIR does not carry out research and development activities and is not dependent on licences and patents.

2. Economic report

2.1 Macroeconomic development

Due to the weakness in industry and global trade, the global economic upturn slowed down towards the end of 2019.[1] Global economic activity came to an abrupt, albeit temporary, halt as a result of the COVID-19 pandemic and also resulting in lockdowns in many parts of the world. According to an economic forecast published in September 2020 by the Kiel Institute for the World Economy (IfW), economic performance in the first half of 2020 fell by almost 10% overall as a result of this exogenous shock: After an initial decline of 3% in the first quarter of 2020, global production plunged by a further 7% in the second quarter of 2020. After the lifting of the strict lockdowns in May 2020, a phase of recovery set in again by late summer 2020, leading to high global economic growth rate expectations for the third quarter of 2020.[2]

The COVID-19 pandemic also affected the German economy. The German economy had been just about to get back on track following the downturn in the previous year.[3] According to the Federal Statistical Office (Destatis), gross domestic product (GDP) in the second quarter of 2020 was down 9.7% on the first quarter of 2020 (adjusted for price, seasonal and calendar effects). The slump in the German economy was therefore much sharper than during the financial market and economic crisis of 2008/2009 (–4.7% in the first quarter of 2009) and thus the sharpest decline since quarterly GDP calculations for Germany began in 1970. In the first quarter of 2020 the German economy had already contracted by –2.0%. Economic output had remained unchanged in the fourth quarter of 2019 and in the third quarter of 2019, GDP had still risen by 0.3%.[4]

According to the Bundesbank, following the collapse in economic output in the first half of 2020 almost everywhere in the world, economic activity began to recover in the beginning of the second half of the year. Since an easing of the containment measures had been implemented at the end of April 2020, a certain normalisation had occurred in many countries. Nevertheless, there would still be a great danger of setbacks in the further course of the pandemic. The economic consequences of the corona pandemic and the extensive measures to contain it had also dominated events on the international financial markets in spring and summer 2020.[5]

According to IfW, gross domestic product can be expected to decline by 5.5% in the current year and rise by 4.8% in the coming year.[6]

The interest rate level in the eurozone remains at a historic low. On 16 March 2016, the European Central Bank (ECB) cut the key interest rate by 5 basis points, bringing the main refinancing rate to 0.00%.[7] This means that real estate companies such as Deutsche Industrie REIT-AG, which finance their portfolios to a large extent by borrowing, continue to enjoy fundamentally favourable conditions for financing their investments.

1 Kiel Economic Report No. 61 (2019/Q4) of 11 December 2019: World Economy. Winter 2019, page 2.
2 Kiel Economic Report No. 69 (2020/Q3) of 16 September 2020: World Economy. Autumn 2020, page 3.
3 Kiel Economic Report No. 65 (2020/Q1) of 11 March 2020: German Economy. Spring 2020, page 3.
4 Press Release Destatis of 25 August 2020.
5 Deutsche Bundesbank: Monthly Report. August 2020, pages 7-8, 10.
6 Kiel Economic Report. No. 71 (2020/Q3) of 16 September 2020: German Economy in Autumn 2020, page 3.
7 www.finanzen.net/leitzins/, last reviewed on 19. Oktober 2020.

2.2 Development of the German Light Industrial real estate market

The company specializes in the acquisition, rental, management and sale of Light Industrial real estate, which can be divided primarily into commercial yards, logistics real estate (warehouses, handling halls, distribution halls and special warehouses) and industrial real estate, which is used by commercial users in most cases for storage, packaging or as smaller production facilities. The market of Light Industrial real estate in Germany, thus defined by the company, is dominated by the submarket of logistics real estate, which is therefore also of major importance to the company's business activities. Therefore, the market for logistics real estate will be described in the following.

The last survey on the turnover of the European logistics market for 2018 was estimated at 1,120 € billion (approx. +6.7% compared to the previous year), forecasts predict a slight increase to 1,150 € billion (approx. +2.7% compared to 2018).[8] With a reported volume of around 279 € billion or 24.8 percent, Germany will probably again account for one of the largest shares in 2019.[9] For the year 2018, the total volume of logistics services in Germany was distributed relatively evenly, with around 51% of the total volume being provided by external logistics service providers. The remaining volume of approx. 49% was provided internally by logistics services from industry, trade, etc.[10] Apart from the geographically advantageous location in the centre of Europe with an extensive freeway and rail network and a continuing leading international position despite the current pandemic, the development of the logistics market as a whole continues to be favoured by the continuing German export surplus.[11]

In 2019, the share of employees in the manufacturing sector of the industrial sectors excluding construction was around 8.36 million.[12] Incoming orders in the industrial sector excluding construction fell by around 5.8% compared with the previous year, while price-adjusted gross domestic product also declined slightly by around 0.6% in the same period compared with the previous year's higher growth rate of around 1.3%.[13]

Domestic consumer spending, which has a direct and indirect impact on logistics and production revenues, rose to around 1,755.65 € billion in 2019, an increase of around 2.9% year-on-year.[14] Financial assets of private households increased by approx. 7.7% and the debt ratio by approx. 4.6% in the same period.[15] The dispatch of goods and parcels by courier, express and parcel services (CEP) have recorded a steep increase in consignment volumes and revenues in recent years. Despite the slight economic downturn and declining deliveries in the B2B business, a consignment volume increase of about 3.8% and a revenue increase of about 4.4% is reported for 2019 due to the continued steady growth of the B2C market.[16] In line with previous years, online trade sales repeatedly exceeded the previous year's result and grew by approx. 11.6% to around 72.6 € billion

8 „Market volume of the logistics markets in Europe in the years 2008 to 2018“, available on 27 November 2020 available at https://de.statista.com/statistik/daten/studie/204132/umfrage/volumen-des-logistikmarktes-in-europa published by Statista GmbH

9 „Logistics Revenues and Employment “, available on 28 October 2020, available at https://www.bvl.de/service/zahlen-daten-fakten/umsatz-und-beschaeftigung, published by the Federal Association for Logistics (BVL) e.V.

10 „Logistics 2020 – Structure and Value Shifts as a Challenge” available October 2020, published by Prof. Do. Christian Kille and Markus Meißner, p.16

11 „German Exports in 2019: +0,8 % for the year 2018“, available on 27 October 2020, available at https://www.destatis.de/DE/Presse/Pressemitteilungen/2020/02/PD20_039_51.html#:~:text=Allerdings%20verlor%20das%20Wachstum%20im,104%2C1%20Milliarden%20Euro%20importiert, published by Statista GmbH

12 „Number of People Employed in the Economic Sector in Germany in the Year 2019”, available on 27 October 2020, available at https://de.statista.com/statistik/daten/studie/1248/umfrage/anzahl-der-erwerbstaetigen-in-deutschland-nach-wirtschaftsbereichen/, published by Statista GmbH

13 „Deutsche Bundesbank - The German Economy at a glance “, available on 27 October 2020, available at https://www.bundesbank.de/resource/blob/810556/6cd4b11347fbcb91f13707d10db97ba6/mL/000-tabelle-deutsche-wirtschaft-data.pdf, published by Deutsche Bundesbank

14 ” Private Consumer Spending and Available Income, supplement to subject-matter series 18 – 2. quarter 2020” published on 10 October 2020 by the Statistical Bundesamt, p. 7

15 „Deutsche Bundesbank - The German Economy at a Glance”, available on 27 October 2020, available at https://www.bundesbank.de/resource/blob/810556/6cd4b11347fbcb91f13707d10db97ba6/mL/000-tabelle-deutsche-wirtschaft-data.pdf, published by Deutsche Bundesbank

16 „KEP Study 2019“ published in June 2020 by the Federal Association of Parcel and Express Logistics, p.19

in 2019. A further increase in sales of approx. 9.2% was already recorded for the first half of 2020.[17 18] In line with this sales trend, the B2C CEP market also experienced a further increase in the first half of 2020, with a growth forecast of 3.5% to 7.0% for 2020.[19] In order to cope with the rise in private consumption and the subsequent increase in deliveries of goods as well as the emerging rethinking of the entire supply chain, additional logistics space is likely to be increasingly required nationwide in the coming years.

In 2019, the German market for warehouse and logistics space achieved a turnover of approx. 6.9 million square meters, a drop of only approx. 7% on the previous all-time record year 2018.[20] By contrast, the overall result for the first three quarters of 2020 was 5.02 million square meters, only 5.0% down from the previous year. For 2020, the sub-market for warehouse and logistics space is expected to achieve a result of at least 6.0 million square meters and thus once again an end-of-year result above the ten-year average.[21]

However, one of the most important trends for the company in the future continues to be the steady demand on the investment market for German commercial real estate, which reached a historic high of around 70.8 € billion last year.[22] Despite the effects of the corona pandemic, the investment volume in the current year 2020 only declined moderately.[23] In the first three quarters of 2020, a new all-time high was recorded in the submarket segment of industrial and logistics real estate with a transaction volume of approx. 5.0 € billion.[24] From the company's point of view, the existing demand will continue and possibly increase further due to the continuation of the historically low interest rate level, the high demand for commercial real estate by international investors and the continued stable economic situation in Germany.

The market share of industrial and logistics real estate sales in the first three quarters of 2020 was also slightly higher than in the previous year, at approx. 12% of the total commercial real estate investment market.[25] The currently still high price level coupled with the economic impact of the pandemic could ultimately lead to a situation in which in 2020 real estate owners will have to increasingly consider selling their properties.

2.3 Business performance

Development of the real estate portfolio

The real estate portfolio continued to grow in the 2019/2020 financial year due to acquisitions. On 1 October 2019, the portfolio comprised 49 properties with a rentable commercial area of approx. 0.91 million m² and an annualised net cold rent of 33.1 € million. There was a transfer of ownership of 20 acquired properties. The property portfolio as of 30 September 2020 thus comprises 69 properties with a rentable commercial area of approx. 1.2 million m² and annualised net cold rent of 44.5 € million.

For the period under review the occupancy rate is 85.1% (30 September 2019: 88.9%) and the WALT of the portfolio is 5.0 years (30 September 2019: 4.9 years).

17 „https://www.bevh.org/presse/pressemitteilungen/details/vielbesteller-treiben-e-commerce-umsatz-in-2019-auf-neuen-hoechststand.html#:~:text=Im%20vierten%20Quartal%202019%20hat,erreichte%20mit%2022%2C3%20Mrd.>. (10/27/20)

18 „E-Commerce growth of 9.2% in the first half of 2020 – Permanently more E-Commerce for "Daily Needs"" available on 27 October 2020, available athttps://www.bevh.org/presse/pressemitteilungen/details/e-commerce-plus-von-92-prozent-im-1-halbjahr-2020-dauerhaft-mehr-e-commerce-beim-taeglichen-beda.html, published by the Federal Association for E-Commerce and Mail Order Sales in Germany

19 „KEP Study 2020" published in June 2020 by the Federal Association of Parcel and Express Logistics, p.23

20 "Property Report 2020 – Logistics Market in Germany" available on 27 October 2020, available at https://www.realestate.bnpparibas.de/marktberichte/logistikmarkt/deutschland-property-report, published by BNP Paribus Real Estate Holding GmbH

21 BNP Paribas Real Estate Holding GmbH. „At a Glance Q3 2020 - Logistics Market in Germany" available on 27 October 2020, available at https://www.realestate.bnpparibas.de/marktberichte/logistikmarkt/deutschland-at-a-glance, published by BNP Paribus Real Estate Holding GmbH

22 „German Investment Market" published in January 2020 by Savills Property Consulting GmbH, p.1

23 „Investment Q1 3 | 2020 | Germany" published in 2020 by Colliers German International GmbH, p.1

24 „Logistics Investment Q3 | 2020 | Deutschland" published 2020 by Colliers German International GmbH, p.1

25 „Investment Q1-3 | 2020 | Deutschland", published in 2020 by Colliers International Deutschland GmbH, p.1

Increase in value of the real estate portfolio

The annual property valuation of the portfolio was carried out by an external expert on 30 June 2020.

Taking incidental acquisition costs and subsequent construction costs (capex) into account, the valuation result was 37.0 € million.

Accordingly, the portfolio shown in the balance sheet now has a value of 585.8 € million (including IFRS adjustments for ground leases in the amount of 20.8 € million, of which 19.4 € million is attributable to Oberding). The value enhancement is mainly due to further increases in market prices, particularly in the logistics sector, as well as stable and further increasing market rents and operational improvements in the portfolio.

The property valuation was again carried out by CBRE GmbH, Berlin, this financial year.

Successful capital increases

In November 2019, the company implemented a capital increase. A total of approx. 5.7 million shares were placed at a price of 16.25 € per share, generating gross proceeds of approx. 92.8 € million. In addition to existing shareholders, half of the new shareholders participated in this capital measure. After deducting the costs of raising equity capital of 1.3 € million, net proceeds of 91.5 € million remained.

In June 2020, the company successfully carried out a capital increase from the authorised capital 2020/I. A total of approx. 2.9 million new bearer shares were placed in a private placement by way of an accelerated book building procedure at a price of 20.00 € per new share. The company's share capital thus increased from 29,163,187.00 € to 32,079,505.00 €. The statutory subscription rights of the company's shareholders were excluded.

The company received gross issue proceeds of 58.3 € million from the capital increase. Until these funds were used to finance acquisitions, liquid funds were invested as part of short-term financial planning.

Financing activities

In the past financial year 2019/2020, Deutsche Industrie concluded a total of eleven loan agreements with various savings banks and cooperative banks in the amount of 63.2 € million, which were also paid out in this financial year. The loans were secured, as is customary in the market, by first-ranking land charges and the assignment of rent and lease payment claims.

Lender	Initial interest rate	Loan nominal (TEUR)	Contractual term (years)	Contractual fixed interest rate (years)	Refinanced properties
Kreissparkasse Ostalb	1.47 %*	9,000	6	6	Essingen
Kreissparkasse Ostalb	1.75 %*	4,000	9	9	Aalen
Kreissparkasse Ostalb	1.75 %*	4,500	9	9	Westhausen
Sparkasse UnnaKamen	1.55 %	3,900	17.5	10	Dortmund und Unna
Sparkasse Düren	1.45 %	8,000	17.5	10	Düren
Berliner Sparkasse	1.46 %	4,000	10	10	Altlandsberg
Berliner Volksbank	1.10 %	4,100	18	10	Bocholt
Berliner Volksbank	1.10 %	6,400	18	10	Hannover
Kreissparkasse St. Wendel	1.50 %	9,240	14.8	10	Remscheid und Freisen
Sparkasse Hildesheim Goslar Peine	0.97 %*	8,670	10	10	Barleben, Osterwieck Oebisfelde, Stegelitz
Landessparkasse zu Oldenburg	1.20 %	1,410	10	10	Hude
Total	**1.27 %**	**63,220**	**12.7**	**9**	

*synthetic fixed interest rate (SWAP)

In addition, two loans with a volume of TEUR 4,400 were paid out in the 2019/2020 financial year, which were already concluded in the 2018/2019 financial year but are to be balanced in 2019/2020.

In addition, DIR has taken out an unsecured borrower's note loan in the amount of TEUR 10,000.0. The loan has a term of five years with an interest rate to be determined biannually, initially 2.25 % p. a.

Annual General Meeting

The company's Annual General Meeting was held in Berlin on 6 March 2020.

By resolution of the Annual General Meeting, the Supervisory Board was expanded from three to five members. Ms. Cathy Bell-Walker and Ms. Antje Lubitz became new members and the previous members Hans-Ulrich Sutter, Dr Dirk Markus and Achim Betz were re-elected to the Board. In addition, the Articles of Association were amended so that several Vice Chairmen of the Supervisory Board can also be appointed.

At the constituent meeting of the Supervisory Board, which took place after the Annual General Meeting, Mr. Hans-Ulrich Sutter was re-elected Chairman of the Supervisory Board. Dr Dirk Markus was elected First Vice Chairman and Achim Betz Second Vice Chairman.

The Annual General Meeting approved the payment of a dividend of 0.16 € per share for the 2018/2019 financial year, which was paid out to shareholders on 11 March.

Furthermore, the actions of the Management Board and Supervisory Board were approved for their term of office in the 2018/19 financial year. DOMUS AG Wirtschaftsprüfungsgesellschaft/Steuerberatungsgesellschaft, Berlin, were again elected as auditors for the 2019/20 financial year. Furthermore, various minor amendments to the Articles of Association were approved.

In addition, new Authorised Capital 2020/I was created amounting to 14,581,593.00 € in total, which can be utilised until 5 March 2025, and a resolution was passed to renew the authorisation to issue option and/or convertible bonds with a total nominal value of up to 150,000,000.00 € and to increase Contingent Capital I up to 14,581,593.00 € with the option to exclude subscription rights.

More than 58% of the share capital was represented (share capital of the company at the time of the convening of the Annual General Meeting: 29,163,187.00 €). All items on the agenda were passed with the required majority.

Influence of the Corona pandemic on business performance

The impact of the corona pandemic on DIR's business has so far been minimal. There have only been deferrals of EUR 1.8 million in rents, of which EUR 0.65 million had already been paid by 30 September 2020. Part of the deferrals, which have not yet been settled, was considered in the annual result under administrative expenses in the form of individual impairments.

No significant impact on the letting situation, the acquisition pipeline or other areas of property management is currently discernible.

2.4 Financial position, liquidity, and financial performance

Financial position

Total assets increased by TEUR 276,859.6 to TEUR 715,848.7 (previous year: TEUR 438,989.1). This resulted from growth through acquisitions, the revaluation of the property portfolio and the two capital increases. Investment property was carried at TEUR 585,819.7 as of 30 September 2020 (30 September 2019: TEUR 392,849.0). Other financial assets were carried at TEUR 22,949.2 (30 September 2019: TEUR 0.0). This relates to the share of financial assets with maturities of more than one year. There were also other non-current assets in the amount of TEUR 7,474.1 (previous year: TEUR 38,886.2), which represent advance payments for the acquisition of investment property.

Current assets increased to TEUR 98,073.5 (previous year: TEUR 5,765.2). This is primarily due to the higher level of other current assets amounting to TEUR 94,618.3 (30 September 2019: 2,883.7) because of financial investments with a term of up to one year.

The company's equity increased by TEUR 195,736.8 to TEUR 377,200.0 (30 September 2019: TEUR 181,463.2), which is due to the two capital increases amounting to TEUR 149,090.9 and the positive annual result of TEUR 50,820.5 (30 September 2019: TEUR 48,671.9), taking into account the dividend payment of TEUR –4,666.1 (30 September 2019: TEUR –2,025.0).

The EPRA NAV per share on 30 September 2020 is as follows:

	30/09/2020	30/09/2019
Equity (TEUR)	377,200.0	181,463.2
NAV	**377,200.0**	**181,463.2**
Fair Value of financial derivates	–491.4	0.0
EPRA NAV	**376,708.6**	**181,463.2**
Number of shares at the balance sheet date	32,079,505	23,451,945
EPRA NAV (€ per share) undiluted	**11.74**	**7.74**

A dilution from the convertible bond was not to be considered here, as no convertible bonds have been converted to date.

Non-current liabilities increased by TEUR 94,788.2 to TEUR 322,932.8 (previous year: TEUR 228,144.6). This was due to the increase in liabilities to banks to TEUR 134,664.2 (previous year: TEUR 67,526.5) because of new bank loans. Liabilities from convertible bonds increased to TEUR 49,088.0 (previous year: TEUR 41,184.0), which is solely due to the valuation on the reporting date. Other non-current liabilities increased by TEUR 19,585.3 due to the increase in liabilities from ground rents resulting from the acquisition of the property in Oberding.

Current liabilities fell by TEUR 13,665.4 to TEUR 15,715.9 (previous year: TEUR 29,381.3). While current liabilities to banks (interest) increased due to the higher loan portfolio and other current liabilities, liabilities to other lenders amounted to TEUR 0.0 as of 30 September 2020 (previous year: TEUR 20,177.7).

The development of financial liabilities and the Net Loan-to-value ratio (net LTV) is as follows:

TEUR	30/09/2020	30/09/2019
Non-current financial liabilities		
Liabilities to banks	134,664.2	67,526.5
Liabilities from corporate bonds	118,065.2	117,904.0
Liabilities from convertible bonds	49,088.0	41,184.0
Other non-current liabilities	21,112.4	1,527.1
Current financial liabilities		
Liabilities to banks	7,820.7	3,956.9
Liabilities to other creditors	0.0	20,177.7
Other non-current financial assets	–22,949.2	0.0
Current financial assets		
Cash and cash equivalents	–35.1	–2,065.6
Trust accounts	212.5	–459.0
Short-term loans	–87,928.5	0.0
Net debt	**220,050.2**	**249,751.6**
Investment properties	585,819.7	392,849.0
Advance payments on investment property	7,474.1	38,886.2
Non-current assets held for sale	0.0	435.0
Total Investment properties	**593,293.8**	**432,170.2**
Net LTV	**37.1 %**	**57.8 %**

In the LTV calculation, leasehold rights were included in the items investment property in the amount of TEUR 20,832.7 (previous year: TEUR 1,472.0) and other non-current liabilities in the amount of TEUR 21,050.1 (previous year: TEUR 1,516.7). Without this consideration, the LTV would have been 34.8 % (previous year: 57.6 %).

Liquidity

- **The cash flow statement is as follows:**

TEUR	2019/2020	2018/2019
Cash flow from operating activities	17,661.9	17,133.0
Cash flow from investing activities	–225,398.3	–198,002.9
Cash flow from financing activities	205,705.9	182,818.4
Change in cash and cash equivalents	–2,030.5	1,948.5
Cash and cash equivalents at the beginning of the period	2,065.6	117.1
Cash and cash equivalents at the end of the period	**35.1**	**2,065.6**

Cash flow from operating activities increased to TEUR 17,661.9 (previous year: TEUR 17,133.0). Overall, cash flow from operating activities would have been expected to increase in line with higher rental income. However, this was offset in the current year by a cash deposit of TEUR 8,354.0 for contractually owed bank guarantees from the ground lease contracts in Oberding.

The cash flow from investment activities in the year under review was TEUR –225,398.3 (previous year: TEUR –198,002.9) and includes mainly payments for properties purchased and payments for short-term financial investments.

The various financing measures carried out had an overall impact on cash flow from financing activities in the amount of TEUR 205,705.9 (previous year: TEUR 182,818.4). These were the cash inflows from the two capital increases and several loans taken out. These were offset by payments for debt service and dividends.

The company was always able to meet its payment obligations.

Financial performance

- **The financial performance of Deutsche Industrie developed as follows in the financial year under review:**

TEUR	2019/2020	2018/2019
Net rental income	31,285.7	20,950.4
Net proceeds from the sale of investment properties	0.0	57.0
Other income	175.6	373.7
Result from the revaluation of investment properties	36,981.7	37,552.1
Administrative expenses	–6,154.3	–2,725.3
EBIT	**62,288.7**	**56,207.9**
Finance result	–11,468.0	–7,558.1
EBT	**50,820.7**	**48,649.8**
Other tax	-0.2	22.1
Net income	**50,820.5**	**48,671.9**

Rental income increased primarily due to growth from acquired properties. Accordingly, management expenses also rose. Net rental income rose to approximately TEUR 31,285.7 (previous year: TEUR 20,950.4).

Other operating income of TEUR 175.6 (previous year: TEUR 373.7) is primarily due to insurance refunds.

The net income for the period was significantly influenced by the regular valuation of the property portfolio and the resulting positive valuation result of TEUR 36,981.7 (previous year: TEUR 37,552.1). The revaluation resulted from the increase in market values in the Logistics division, which was caused by the increased international demand for this segment. However, operating improvements (new lettings, reduction of vacancies and rent adjustments) and higher market rents also contributed to the value development.

The higher administrative expenses TEUR –6,154.3 (previous year: TEUR –2,725.3) are primarily the result of increased depreciation and impairment losses on rent receivables due to the larger portfolio as well as general bad debt allowances on creditshelf loans.

The cost ratio for general administrative expenses is as follows:

TEUR	2019/2020	2018/2019
Personnel expenses	–854.2	–808.3
Other administrative expenses	–2,578.2	–1,592.9
One-off effects	619.9	431.2
Adjusted administrative expenses	**–2,812.5**	**–1,970.0**
Gross Rental income	40,781.3	25,481.2
Recurring costs ratio	**6.9 %**	**7.7 %**

The financial result of TEUR –11,468.0 (previous year: TEUR –7,558.1) resulted from the increase in financial liabilities (loans), which correspond to the larger property portfolio, as well as significantly higher interest income and a valuation effect from the fair value measurement of the convertible bond and higher ground rents.

There are no income taxes due to the tax exemption for REIT companies.

• **The net income for the year amounts to TEUR 50,820.5 (previous year TEUR 48,671.9), from which FFO (funds from operations) and aFFO (adjusted funds from operations) are derived as follows:**

TEUR	2019/2020	2018/2019
Net income	50,820.5	48,671.9
Adjustment amortisation and depreciation	157.8	115.5
Adjustment revaluation of investment properties	–36,981.7	–37,552.1
Adjustment sales result of investment properties	0.0	-57.0
Adjustment revaluation result financial liabilities	7,904.0	832.0
Adjustment for special effects / non-cash expenses + income	2,125.0	446.1
Adjustment for one-off expenses/income	619.9	431.2
FFO	**24,645.5**	**12,887.6**
– Capex	–4,943.6	–3,273.4
aFFO	**19,701.9**	**9,614.2**

Non-cash expenses and income primarily include valuation adjustments from convertible bond interest and interest on the property bond. Non-recurring expenses/income primarily include expenses for land charges and expenses relating to other periods.

The investment costs (capex) comprise value-enhancing construction measures in several properties, of which TEUR 1,204.5 in the Dortmund Hannöversche Str. property (construction of a new warehouse) and TEUR 880.6 in the TCN Schortens property, including the construction of new company flats.

Overall statement by the Management Board on the economic situation and business performance

Following an already very successful financial year 2018/2019, the 2019/2020 financial year was also positive, despite the effects of the corona crisis. Once again, the real estate portfolio was significantly expanded through further acquisitions, which also led to a corresponding increase in rental income. In addition, the valuation gain from the property valuation again demonstrated the great potential for value enhancement of the portfolio. In terms of financing, loans were taken out at more favourable conditions and two capital measures were successfully implemented.

An FFO of TEUR 24,645.5 was generated during the 2019/2020 financial year, in-keeping with the projection of TEUR 23,000.0 to TEUR 25,000.0.

The effects of the acquisitions will be reflected throughout the year from the new 2019/2020 financial year onwards. The management of DIR therefore believes that the company is ideally positioned for further successful and profitable development.

3. Opportunities and Risk Report and Forecast Report

3.1 Opportunities and Risk Report

Risk management system of DIR
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 value of the company. 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 DIR risk management system comprises the regular systematic identification, analysis, evaluation, monitoring and control of significant risks by the company's Board of Management. In view of the clearly defined corporate structures and business processes, the degree of formalisation of the risk management system is low, but effective and appropriate. The close involvement of the Board of Management in major business operations and projects ensures ongoing monitoring of risks as they arise.

The risk management system used includes the following essential elements:

- a controlling and reporting system that can identify undesirable business developments at an early stage and communicate them to corporate governance
- a regular or event-related risk inventory
- the documentation of relevant risks for regular or event-related information of corporate governance
- 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, designed to ensure accurate and complete financial reporting, ensuring a secure invoice receipt and disbursement 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 control measures taken by the Board of Management, the identified, analysed and assessed risks are actively responded to during this stage.

e. Risk controlling: Risk controlling is the methodical and content-related planning, monitoring and control 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 based on defined thresholds regarding the amount of damage and the probability of occurrence:

Extent of damage	EUR million			
High	> 8.0	Medium	Medium-high	High
Medium	4.0 up to 8.0	Medium-low	Medium	Medium-high
Low	< 4.0	Low	Medium-low	Medium
		< 10 %	10 % up to 50 %	> 50 %
		Low	Medium	High
		Probability of occurrence		

DIR is exposed to the following risk categories or individual risks which, individually or collectively, may have a negative impact on the net assets, financial position and results of operations and the further economic development of the company:

General, strategic, and market-specific risks

a. **Political, legal, and social risks**
Since the business activities of DIR are regulated by legal frameworks for real estate, this could be affected by changes in 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 have an indirect impact on DIR.

Politically, Germany has dealt comparatively well with the onset of recession. Measures such as the short-time working allowance and the rent moratorium, which were quickly adopted and implemented, show the efficiency with which the German government, unlike many other European countries, actively steered against a severe economic downturn. Even if this is associated with short-term losses, it has been positively received by investors.

Although the German real estate submarkets are not as liquid as in other European countries, they are recovering unmistakably quickly from the critical economic effects, as was evident shortly after the lifting of the lockdown and shutdown. This means that the German Federal Republic remains one of the most attractive investment locations for global investors and capital due to its resilience and market stability.

b. **Economic risks**
So far, DIR has achieved its sales exclusively in Germany. 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 DIR can be affected here. Furthermore, the national economic situation may also depend considerably on international developments.

The global economy, and with it the German economy, has entered into recession, intensified by the SARS-CoV-2 pandemic. German economic output in 2020 will be significantly lower on average than in previous years. Both the Federal Ministry of Economics and Energy and the ifo-Institute expect the recovery to continue soon.

Management keeps itself constantly informed about the current macroeconomic situation and has the necessary expertise to identify changes in the macroeconomic environment, take any necessary measures and thus safeguard the company's earnings position.

c. **Industry risks in the Light Industrial sector**
The real estate sector is characterised by intense competition between the numerous providers. In this respect, there is a risk that competition will lead to increased price pressure and lower margins. This can also have a negative impact in various DIR locations if rental contracts are not renewed or rents are reduced.

Despite the state of emergency in 2020 in many areas of public life and in the economy, the current recession has not yet left a profound mark on the Light Industrial market. However, based on the current statistical data on the market for corporate real estate, the Management Board assumes that a not insignificant proportion of market activity was due to previously planned or already initiated planning. This means that the effects of the SARS-CoV-2 pandemic and the measures taken during it, may be reflected in the statistical market data or the Light Industrial sector in the future due to a time lag.

Due to Germany's geographically advantageous location and the expected increase in turnover in the logistics sector, the risk of significantly falling rents and the failure to extend rental agreements is considered manageable.

d. **Changes in the financing environment/capital market**
Of importance for the national demand for real estate is the development of interest rate levels 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 the cost of earnings.

The Board of Management considers the risk of interest rate increases to be low at present and for the new financial year. The main reason for this is the further intensification of monetary and fiscal policy by the ECB and the states in the wake of the SARS-CoV- 2 pandemic.

Company specific risks

a. **Risks due to the use of IT**
DIR uses all current and modern IT applications and is supported here by an external systems provider. In this context, there is a fundamental risk of total outages both at DIR and the service provider, which could lead to significant disruptions in the business. Furthermore, there is a risk of attacks on the systems of DIR and thus access of unauthorised persons to the data of DIR.

In order to counteract this, the service provider regularly carries out all necessary operational, administration and maintenance work, and assumes the contractual liability for this. All employees are also required to behave properly in the use of IT. The company has a clearly demarcated IT infrastructure from that of other affiliated companies. The DIR has IT roles and IT access and authorisation concepts.

Furthermore, with the decree on the mandatory application of the new General Data Protection Regulation (GDPR), companies were given the responsibility to protect user data. In concomitant with this, DIR must protect stored data against misuse or, in the case of misuse, to send an immediate notification to the persons concerned. In the case of infringements, fines may amount to up to 4 % of the annual turnover. DIR has installed an external professional data protection officer in good time for this purpose, who monitors these processes and is available for clarifying any areas of uncertainty. In addition, the data protection officer or data protection service provider implements and adheres to all measures necessary to comply with the DSGVO. The company does not believe that it is exposed to significantly higher IT risks than other companies in the industry.

b. **Human Resources risks**
Due to DIR’s lean personnel and administrative structure, there is a risk that qualified and high-performing employees and knowledge carriers leave the company and cannot be replaced within a reasonable time.

The company is pushing ahead with the establishment and expansion of management and personnel capacities with expertise to further minimise the personnel risk. In the past fiscal year 2019/2020, DIR hired two new employees, thereby expanding its capacities. The structure of the organisation and staffing levels will continue to be adapted to the growth of the company.

c. **Financing risks**
As part of its business, DIR is exposed to financing, liquidity, and interest rate risks.

Financing risks exist in so far as borrowing can either not take place or can only be carried out under unfavourable terms as a result of changes in company or market-related developments, which could have a negative impact on further acquisition financing and the earnings situation of DIR. Should this result in problems in servicing current loans, lenders could force-sell real estate collateral, and such distress sales could result in significant financial penalties for DIR.

To counter this risk, DIR works together with various credit institutions and closely monitors developments on the financing market. In doing so, it also makes use of short-term financing options to secure attractive long-term financing options through upcoming or planned lease extensions.

There are also various risks regarding corporate liquidity. These can arise on the one hand because of possible rent losses. In addition, negative liquidity effects may arise in individual cases if leases cannot be extended and vacancy rates arise as a result. In addition, a breach of agreed ratios in loan agreements (covenants) may lead to a special termination of the lending bank and cause an unscheduled outflow of liquidity from the loan repayment.

To avoid rent losses, the creditworthiness of the potential tenant is regularly checked in conjunction 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 likely covenant breach is recognised as early as possible and prevented by suitable measures.

Interest risks exist regarding the liabilities due for rollover or refinancing as well as planned loans for the financing of real estate portfolios. To hedge against adverse effects of changes in interest rates, DIR uses fixed interest rates for financing depending on the market situation and the assessment of market prospects. The direct impact of changes in the general interest rate level on the company’s performance in terms of changes in cash flows is relatively small compared to the potential indirect effects of changes in the general interest rate level on real estate demand. DIR's management follows developments on the capital markets and financing conditions are constantly monitored. Where necessary, measures are taken to optimise risk.

In addition, default risks also exist with regard to the interest-bearing cash and cash equivalents invested as part of the short-term liquidity management if the borrowers do not pay the principal for economic reasons. DIR counteracts this risk by only making investments with the best possible credit rating and by continuing to monitor existing investments on an ongoing basis to counteract any risks that may arise.

d. **Legal and litigation risks**

Through its business activities, DIR 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.

There are currently no other legal risks, from legal disputes, which could have a significant impact on the economic position of the company.

e. **Tax risks**

To maintain the REIT status, DIR 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 by the following regulations:

- Exclusion of the acquisition of domestic existing residential real estate
- Exclusion of the acquisition of shares in real estate corporations
- Exclusion of real estate trading
- Limitation of reserve formation

- Only minimal liquidity formation due to the minimum distribution of 90% of the annual net income according to commercial law

- Limitation of ancillary activities close to the property for third parties

- Minimum equity of 45% of immovable property

If the statutory requirements are not met, DIR risks losing the tax exemption. This can lead to certain after-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 with (criminal) payments for non-compliance with the provisions of the REIT Act. In addition, the company is threatened with compensation claims by shareholders in the event of a loss of the REIT status due to at least a 15% free float and/or a maximum participation rate of 10%. shareholders who own less than 3% of the voting rights are eligible. 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 a disadvantageous interpretation of the application of the law or force the company to adapt to the new legal situation.

Most of the REIT criteria under tax law can be achieved without difficulty due to the DIR business model. Compliance is ensured on an ongoing basis through permanent monitoring of the criteria and a stringent financing policy. The growth of DIR means that equity capital increases are carried out with less risk and less borrowing is required. Moreover, an infringement must have been committed in three consecutive financial years to lose the tax exemption. This legal requirement gives the company sufficient reaction time or room for reaction to take necessary countermeasures.

f. **Pandemic risks**
The outbreak and spread of a pandemic can lead to restrictions on the company's business activities.

The coronavirus (COVID-19 (Coronavirus SARS-CoV-2)), which first broke out in China at the end of 2019, developed into a global pandemic over the course of 2020. By the time of the risk report (Q4 2020), Germany had already gone through a nationwide lockdown and shutdown and has been in a partial lockdown again since November 2020. Furthermore, it cannot be ruled out that government measures to combat the pandemic may be extended or tightened.

Individual deferral agreements have been concluded with tenants whose business activities have been or are still being closed or partially restricted due to government regulations during the pandemic or due to the SARS-CoV-2 pandemic. These deferral agreements/receivables are monitored on an ongoing basis through active asset management and receivables controlling.

Property-specific risks

a. **Investment risk of the individual property**
The economic success and further growth of the company is decisively dependent on the selection and acquisition of suitable real estate. This involves the risk of incorrectly assessing or not recognising the structural, legal, economic, and other burdens on the objects 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, misconceptions about the attractiveness of the property location and other factors which may influence the tenants or buyer's perspective 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 object 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. The rental income risk, the rental situation and the need for refurbishment, maintenance, and modernisation of the properties in the portfolio are assessed in regular fixed meetings and as part of internal reporting.

b. **Inventory and valuation risks**
The company holds real estate holdings to achieve the most stable cash flows possible from the management of these holdings over a longer period. While the real estate is in the company's portfolio, it may manifest a variety of inventory and valuation risks that could cause the company to lose value. For example, the social structures of a location may deteriorate after the acquisition of real estate by DIR and, as a result, adversely affect letting activities and the achievable rental income.

In addition, the property portfolio held by the company may experience excessive wear and tear requiring maintenance and revitalisation measures earlier or to a greater extent than originally planned. In addition, it may also turn out that the structures have an initially unexpected recovery requirement, which leads to additional costs for the company, without initially receiving 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 combined with higher leasing expenses. In addition to adverse effects on the company's ongoing operating income and expenses, these risks may adversely affect the valuation of the property held by DIR and therefore the company's results.

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 real estate inventory and valuation risks for the respective locations are counteracted with the measures described under a).

In addition, as with all assets, there is the fundamental 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. The insurance values of DIR's portfolio properties are valued annually, and the insurance policies and scope of insurance are adjusted, as necessary.

c. **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 conditions could have a direct negative impact on the rental income generated by DIR and the development of vacancies in the Company's real estate portfolio. In addition, this can incur additional costs that cannot be allocated to the tenants.

These risks are countered by active asset and property management, which firstly 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. The letting risk and the letting situation in the portfolio are discussed in regular asset management and capex jours fixes. If maintenance, refurbishment, or modernisation measures are necessary for the prevailing letting situation, these are carried out professionally in accordance with the principle of cost/earnings ratio.

d. **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 their tight monitoring.

Uncertainties may also contribute to the construction risks regarding whether, when and under which 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 tenants 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 already being thoroughly examined in advance of individual construction measures.

Building projects or project developments are not crucial to the economic success of DIR, so the risk is limited. There are currently no properties under project development. The focus of DIR's core business is not on project development of real estate. Should project developments or construction projects be necessary during a property life cycle, the company will take appropriate measures.

e. **Environmental risk**
If contaminated sites and other building, soil and environmental damage are identified, the company could be obliged to take extensive and costly measures to eliminate them. As part of the purchase audit, the company carries out a systematic review of environmental aspects. To hedge against the risk, guarantees are obtained from the sellers and due diligence checks are carried out during the purchase process. In the process, environmental law risks, the existing environmental quality, environmental law issues and contaminated sites are analysed and evaluated. Where they exist, these are evaluated in the context of the company's existing purchase criteria or guidelines. The company also takes possible environmental risks such as contaminated sites into account with a sufficiently high safety discount when determining the purchase price.

Internal controlling and risk management system regarding the accounting process

The accounting-related internal control system at DIR 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 and in regular jours fixes, the company receives object and portfolio information from its commissioned service providers according to its specifications, in which it is informed about important, contract-relevant activities 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 DIR aims to reduce the risk of fundamental errors or inappropriate presentation of the net assets, financial position, and results of operations. For this purpose, the underlying data is regularly reflected on 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 and IFRS, as well as object and portfolio information. The accounting process is monitored by both service providers and the company through an effective 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. DIR was convinced of the technical, qualitative, and capacity-based 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, DIR has so far refrained from establishing an internal audit.

Other influences

In addition to the risks mentioned, there are general influences that are unpredictable and thus hardly controllable. 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 DIR.

Assessment of the overall risk

The Board of Management considers the overall risk situation to be manageable and has not changed in leaps and bounds compared to previous years. With regard to the individual risks mentioned above, we currently assess competition risk and financing risks from rising interest rates as well as risks from asset management as medium risks, although no significant new events and associated increases in risk occurred in the reporting year.

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

Chances of future development

DIR will further increase its cash flow from rentals through the acquisition of further high-yielding properties in the year under review. Furthermore, the reduced financing costs due to the refinancing of borrowed capital will contribute to increasing profitability and funds from operations (FFO).

Furthermore, the Management Board expects that DIR will increasingly be perceived as a reliable and long-term oriented real estate partner, which will result in better opportunities for extending lease agreements as well as acquisition opportunities for further properties. As a result of the increasing presence at capital market conferences and in investor media, the Management Board expects to see broader demand for DIR shares in the future and thus continued good access to sources of debt and equity.

PICTURE:
Eschenbach, Gossenstraße

3.2 Forecast report

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

Forecast for the 2020/2021 financial year

In the 2020/2021 financial year, DIR will continue to concentrate on efficient portfolio management and above all on the further acquisition of Light Industrial properties in accordance with the investment criteria. Acquisitions will be financed to a moderate extent by existing equity, borrowings in line with market conditions and, if necessary, by capital measures.

The development of the FFO as a key performance indicator for the company depends to a large extent on the size of the acquisitions and the associated increase in rental income. Based on planned acquisitions the company expects the FFO to increase to 32.0 € million to 34.0 € million for the coming financial year.

Due to the continued dynamic development of the company, planned for the 2020/2021 financial year and the continuing good growth prospects, there will continue to be a need for additional liquidity. For the coming financial year, the company assumes that there will be further inflows of sufficient liquidity due to the very good access to the banking, investor, and capital markets.

If the changed conditions resulting from the Corona pandemic continue to apply, management expects effects in the real estate business in terms of revenues, agreed rental contracts and net income, which cannot be reliably quantified at present.

4. Remuneration report

Compensation system for the Supervisory Board

The members of the Supervisory Board receive a fixed cash remuneration of TEUR 5.0 for each full financial year of their membership of the Supervisory Board plus the premiums for an appropriate directors' and officers' liability insurance policy (D&O insurance). The Chairman of the Supervisory Board receives double this basic remuneration, vice chairmen receive one and a half times this basic remuneration.

No committees were formed, and no attendance fees are paid. No variable remuneration based on the success of the company or other criteria is granted.

The remuneration of the Supervisory Board for the financial year amounted to TEUR 28.8 (previous year: TEUR 22.5) plus expenses and VAT and is distributed as follows:

Supervisory Board member	2019/2020 (TEUR)	2018/2019 (TEUR)
Dr Maximilian Murawo Chairman (until 22/03/2019)	0.0	4.7
Hans-Ulrich Sutter Chairman (from 22/03/2019)	10.0	5.3
Dr. Dirk Markus First Vice Chairman	7.5	7.5
Achim Betz Second Vice Chairman (from 06/03/2020)	6.3	5.0
Cathy Bell-Walker (from 06/03/2020)	2.5	0.0
Antje Lubitz (from 06/03/2020)	2.5	0.0
Total	**28.8**	**22.5**

Remuneration system for the Management Board

Basic remuneration system

The members of the Management Board of DIR receive non-performance-related basic remuneration in cash and performance-related variable remuneration in cash, which is based on short-term (Short-Term Incentive, STI) and long-term (Long-Term Incentive, LTI) targets.

The Chairman of the Management Board, Rolf Elgeti, is excluded from this remuneration system and receives a flat-rate annual remuneration of TEUR 71.3. The remuneration is paid by cost allocation by the shareholder Obotritia Capital KGaA, as there is no employment contract between the company and the Chairman of the Management Board.

The non-performance-related basic remuneration consists of the fixed annual salary, which is paid in twelve monthly installments. Some members of the Management Board use a company car, which is taxed as a non-cash benefit. No benefits other than other remuneration are granted. The contracts of the members of the Board of Management do not provide for any pension entitlements.

For variable compensation, a compensation system was introduced in fiscal year 2017/2018 that is geared to operating targets and is fundamentally based on a fixed calculation scheme that includes short-term and long-term components.

In the event of any other premature termination of the employment contract, the Executive Board contract of Ms Petersen contains a provision that payments may not exceed the value of two years' compensation (severance payment cap). In the event of a change of control, i.e. if one or more shareholders acting together acquire at least 30% of the voting rights in the DIR, she has the right to terminate her contract of employment with two months' notice (special right of termination). If this special right of termination is exercised, the company will pay a gross severance payment due at the time of departure in the amount of the outstanding remuneration under the employment contract, but not exceeding 150% of the severance payment cap. This provision does not apply to the other two members of the Management Board.

Variable remuneration for the 2019/2020 financial year

The criteria for achieving the objectives were taken as a basis:

1. Share price performance (weighting 30%)
   20% year-on-year growth (after elimination of the dividend paid in the financial year) based on the respective volume-weighted average price in September

2. FFO per share (weighting 40%)
   Growth of 20% compared to the same period last year

3. Development of EPRA NAV per share (weighting 30%)
   Growth of 25% (after elimination of the dividend paid in the financial year) compared to the respective reporting date of 30 September

The degree to which the objectives are achieved is redefined each year.

The variable remuneration for the 2019/2020 financial year is based on 100% target achievement:

- For Sonja Petersen: TEUR 150.0
- For René Bergmann: TEUR 125.0

The variable remuneration starts from a target achievement of at least 30% (including = EUR 0). In the event of overachievement, there is a cap of 150% for each individual target. To this extent, the total variable remuneration component in 2019/2020 can amount to a maximum of TEUR 225.0 for Ms Petersen and a maximum of TEUR 187.5 for Mr Bergmann.

Half of the variable remuneration will be paid in cash after the determination of the financial statements audited by the auditor (in December of the year). The other half will be paid out after two further financial years, provided that the target of 30% is achieved in each of the financial years.

The figures are calculated based on VWAP (September) or the balance sheet date of 30 September (NAV) or the comparable period of the previous year (FFO) and are based on the IFRS financial statements.

Remuneration of the Management Board in financial year 2019/2020

The remuneration of the Management Board, which was earned in the past financial year (benefits granted), amounts to TEUR 670.0 (previous year: TEUR 693.7). The amounts received by the Management Board in the past fiscal year amount to TEUR 518.3 (previous year: TEUR 501.6).

TEUR	Rolf Elgeti CEO		Sonja Petersen CIO				René Bergmann CFO			
	2018/2019 (Current)	2019/2020 (Current)	2018/2019 (Current)	2019/2020 (Current)	2019/2020 (Min.)	2019/2020 (Max.)	2018/2019 (Current)	2019/2020 (Current)	2019/2020 (Min.)	2019/2020 (Max.)
Granted Remuneration										
Fixed remuneration	71.3	71.3	120.0	120.0	120.0	120.0	120.0	120.0	120.0	120.0
Fringe benefits	0.0	0.0	14.2	12.4	12.4	12.4	7.3	7.1	7.1	7.1
Total	**71.3**	**71.3**	**134.2**	**134.4**	**134.4**	**134.4**	**127.3**	**127.1**	**127.1**	**127.1**
STI	0.0	0.0	112.5	92.5	0.0	112.5	75.0	77.1	0.0	93.7
LTI	0.0	0.0	112.5	92.5	0.0	112.5	60.9	77.1	0.0	93.8
Total	**0.0**	**0.0**	**225.0**	**185.0**	**0.0**	**225.0**	**135.9**	**154.2**	**0.0**	**187.5**
Total remuneration	**71.3**	**71.3**	**359.2**	**317.4**	**132.4**	**357.4**	**263.2**	**281.3**	**127.1**	**314.6**

Related Remuneration										
Fixed remuneration	71.3	71.3	120.0	120.0			120.0	120.0		
Fringe benefits	0.0	0.0	14.2	12.4			7.3	7.1		
Total	**71.3**	**71.3**	**134.2**	**132.4**			**127.3**	**127.1**		
STI	0.0	0.0	112.5	112.5			56.3	75.0		
LTI	0.0	0.0	0.0	0.0			0.0	0.0		
Total	**0.0**	**0.0**	**112.5**	**112.5**			**56.3**	**75.0**		
Total remuneration	**71.3**	**71.3**	**246.7**	**244.9**			**183.6**	**202.1**		

In addition to the above-mentioned variable remuneration, provisions of TEUR 351.8 were formed for possible bonuses with a long-term incentive effect, which are distributed among the members of the Board of Management as follows

Mr Rolf Elgeti TEUR 0.0
Mrs Sonja Petersen TEUR 220.0
Mr René Bergmann TEUR 131.8

5. Dependency report and overall assessment

In the 2019/2020 financial year, DIR was a company dependent on Obotritia Capital KGaA. In accordance with the statutory provisions, the Management Board of DIR, for the period during which DIR was a company dependent on Obotritia Capital KGaA, prepared a report on relationships with affiliated companies (dependency report) for the past financial year and made a final declaration in it:

"We hereby declare in accordance with Article 312 (3) of the *German Stock Corporation Act (AktG) that our company received appropriate consideration for each legal transaction listed in the above report on relations with affiliated companies according to the circumstances known to us at the time when the legal transactions were carried out. No measures were taken or omitted at the instigation of or in the interests of Obotritia Capital KGaA or its affiliated companies."*

PICTURE:
Kloster Lehnin, Damsdorfer Hauptstraße

6. Information relevant for takeovers

pursuant to § 289a Abs. 1 HGB

Composition of share capital, voting rights and special rights

As of 30 September 2020, the company's share capital is divided into 32,079,505 no-par-value bearer shares. As of the balance sheet date, the company holds no treasury shares. All shares carry the same rights and obligations. Each share represents one vote at 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 powers of control. Where employees hold shares in the company, they exercise their control rights directly.

Shareholdings of 10 % or more of the voting rights

No shareholder may directly hold 10 % or more of the shares or voting rights in accordance with Article 11 (4) REITG (maximum participation limit). If the maximum participation limit is exceeded, the shareholder concerned must prove the reduction in his direct participation in an appropriate form within two months of being requested to do so by the Management Board. According to the Articles of Association, a continued violation of the maximum participation limit can lead to a transfer of shares more than the maximum participation limit without compensation or to a compulsory withdrawal of these shares without compensation. At the balance sheet date, no shareholder held 10 % or more of the voting rights.

Authorisation of the Management Board to acquire treasury shares and issue new shares:

Authorised capital

On 6 March 2020, the Annual General Meeting of Deutsche Industrie REIT-AG resolved to authorise the Management Board of the company to increase the share capital of the company, with the approval of the Supervisory Board, on one or more occasions until 5 March 2025 by up to a total of EUR 14,581,593.00 (Authorised Capital 2020/I) by issuing new no-par value bearer shares against cash or non-cash contributions.

The new shares must be offered to shareholders for subscription. However, the Board of Management was authorized, with the consent of the Supervisory Board, to exclude the subscription rights of sharehol-ders in certain cases.

The Board of Management is authorised, with the consent of the Supervisory Board, to determine the further details of the capital increases and the conditions of the share issue, in particular the issue price.

Conditional capital

By resolution of the Annual General Meeting on 6 March 2020, the Board of Management was authorised, with the consent of the Supervisory Board, to issue bearer bonds with option or convertible bonds (collectively "bonds") with a total nominal amount of up to EUR 150,000,000.00 with or without a limited term to maturity on one or more occasions up to 5 March 2025. It was also authorised to grant or impose option rights/obligations on holders and creditors (collectively “owners”) of option bonds and conversion rights/obligations on owners of convertible bonds, for bearer shares of the company with a pro rata amount of the share capital of EUR 1.00 each, in accordance with the more detailed provisions of the bond terms and conditions. Further details can be found in the publication in the Federal Gazette.

The share capital is conditionally increased by up to EUR 14,581,593.00 by issuing up to 14,581,593 new no-par value bearer shares with entitlement to dividends from the beginning of the financial year in which they are issued (Conditional Capital I). The conditional capital increase will only be implemented to the extent that the option or conversion rights are exercised.

The Board of Management was authorised to determine the further details of the implementation of the conditional capital increase.

Changes 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 prescribed by the German Stock Corporation Act.

Appointment and dismissal of members of the Management Board

The Supervisory Board determines the number and appoints the full and deputy members of the Management Board, concludes the employment contracts and revokes appointments.

7. Statement on Corporate Governance

pursuant to § 289f HGB.

On 4 December 2020, the Management Board of Deutsche Industrie REIT-AG issued a corporate governance statement in accordance with Section 289f of the German Commercial Code (HGB) and made it available on the website https://deutsche-industrie-reit.de/en in the Investor Relations section under Corporate Governance.

Rostock, 7 December 2020
Deutsche Industrie REIT-AG

Rolf Elgeti	**Sonja Petersen**	**René Bergmann**
Chief Executive Officer	Chief Investment Officer	Chief Financial Officer

PICTURE:
Oberding, Lohstraße

Financial Statement

PICTURE:
Bocholt, Hindenburgstr.
Kaiser-Wilhelm-Str.


DHL

Balance sheet

as of 30 September 2020

TEUR	Notes	30/09/2020	30/09/2019
Assets			
Non-current assets		**617,775.2**	**432,788.9**
Investment properties	(2.1)	585,819.7	392,849.0
Intangible assets	(2.2)	3.4	1.8
Property, plant and equipment	(2.3)	1,037.4	1,051.9
Other financial assets	(2.5)	22,949.2	0.0
Derivative financial instruments	(2.6)	491.4	0.0
Other non-current assets	(2.7)	7,474.1	38,886.2
Current assets		**98,073.5**	**5,765.2**
Trade and other receivables	(2.4)	3,420.1	815.9
Other current assets	(2.7)	94,618.3	2,883.7
Cash and cash equivalents	(2.8)	35.1	2,065.6
Non-current assets held for sale		**0.0**	**435.0**
TOTAL ASSETS		**715,848.7**	**438,989.1**
Equity and liabilities			
Equity		**377,200.0**	**181,463.2**
Issued share capital	(2.9)	32,079.5	23,451.9
Capital reserve	(2.9)	229,993.6	89,530.2
Other reserves	(2.9)	50.0	50.0
OCI (Other Comprehensive Income)	(2.9)	491.4	0.0
Retained earnings	(2.9)	114,585.5	68,431.1
Non-current liabilities		**322,932.8**	**228,144.6**
Liabilities to banks	(2.10)	134,664.2	67,526.5
Liabilities from corporate bonds	(2.11)	118,065.2	117,904.0
Liabilities from convertible bonds	(2.12)	49,088.0	41,184.0
Other non-current provisions	(2.14)	3.0	3.0
Other non-current liabilities	(2.15)	21,112.4	1,527.1
Current liabilities		**15,715.9**	**29,381.3**
Liabilities to banks	(2.10)	7,820.7	3,956.9
Liabilities to other creditors	(2.13)	0.0	20,177.7
Other current provisions	(2.14)	1,542.8	994.0
Trade payables	(2.16)	2,043.6	2,692.0
Other current liabilities	(2.15)	4,308.8	1,560.7
TOTAL EQUITY AND LIABILITIES		**715,848.7**	**438,989.1**

Statement of comprehensive

income for the financial year from 1 October 2019 – 30 September 2020

TEUR	Notes	2019/2020	2018/2019
Total revenues		48,390.5	30,366.7
Gross Rental income	(3.1)	40,781.3	25,481.2
Income from operating and ancillary costs	(3.1)	7,174.2	4,258.5
Operating expenses	(3.1)	–16,669.8	–8,789.3
Net rental income		**31,285.7**	**20,950.4**
Proceeds from salel of investment properties	(3.2)	435.0	627.0
Expenses on sale of investment properties	(3.2)	–435.0	–627.0
Value change of the sold properties		0.0	57.0
Net proceeds from the sale of investment properties	**(3.2)**	**0.0**	**57.0**
Other income	(3.3)	175.6	373.7
Result from the revaluation of investment properties	**(3.4)**	**36,981.7**	**37,552.1**
Subtotal		**68,443.0**	**58,933.2**
Personnel expenses	(3.5)	–854.2	–808.3
Amortisation of intangible assets, depreciation of property, plant and equipment	(2.2, 2.3)	–157.8	–115.5
Impairment loss of inventories and receivables	(3.6)	–2,564.1	–208.6
Other administrative expenses	(3.7)	–2,578.2	–1,592.9
Administrative expenses		**–6,154.3**	**–2,725.3**
EBIT		**62,288.7**	**56,207.9**
Valuation result of financial liabilities	(3.8)	–7,904.0	–832.0
Interest income	(3.8)	5,473.2	98.6
Interest expense	(3.8)	–8,147.2	–6,824.7
Ground rents (Finance lease)	(3.8)	–890.0	0.0
Finance result		**–11,468.0**	**–7,558.1**
EBT		**50,820.7**	**48,649.8**
Other tax	(3.9)	–0.2	22.1
Net income		**50,820.5**	**48,671.9**

Net income for the year as per income statement		**50,820.5**	**48,671.9**
Items not reclassified to profit/loss		0.0	0.0
Items reclassified to profit/loss		491.4	0.0
Impairment of acquired loans		1,733.8	0.0
Change in fair value of acquired loans		–1,733.8	0.0
Cash flow hedge reserve		491.4	0.0
Total other comprehensive income		**491.4**	**0,0**
Total comprehensive income		**51,311.9**	**48,671.9**
Earnings per share (in €)			
Undiluted result per share		1.73	2.25
Diluted result per share e		1.73	2.08

Cash flow statement

	TEUR	Notes	2019/2020	2018/2019
	Net income		**50,820.5**	**48,671.9**
+/–	Interest expense/interest income	(3.8)	3,563.9	6,726.1
+/–	Depreciation. amortisation and write-down/ reversals of intangible assets, tangible assets and financial assets	(2.2, 2.3)	157.8	115.5
+	Impairments on inventories and receivables	(3.6)	2,564.1	208.7
–/+	Gains / Losses from the revaluation of investment properties	(3.4)	–36,981.7	–37,552.1
–/+	Profit/loss from the valuation of financial liabilities	(3.8)	7,904.0	832.0
–/+	Gains / Losses on disposal of investment properties	(3.2)	0.0	–57.0
+/–	Increase / decrease in provisions	(2.14)	548.8	–693.9
–	Income taxes paid	(2.18)	0.0	–2,583.2
–/+	Increase/decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	(2.7)	–13,009.1	–290.6
+/–	Increase/decrease in trade payables and other liabilities not attributable to investing or financing activities	(2.15, 2.16)	2,093.6	1,755.6
	Cash flow from operating activities		**17,661.9**	**17,133.0**
+	Proceeds from disposals of investment properties (less disposal costs)	(3.2)	435.0	627.0
–	Cash payments related to property investments	(2.1)	–104,973.7	–215,529.4
–	Cash payments related to other investments in intangible and tangible assets	(2.2, 2.3)	–132.0	–251.8
+	Cash Inflow due to financial investments in the context of short-term financial management	(2.7)	17,652.2	16,612.4
–	Cash Outflow due to financial investments in the context of short-term financial management	(2.7)	–140,306.4	0.0
+	Received interests	(3.8)	1,926.6	538.9
	Cashflow from investment activities		**–225,398.3**	**–198,002.9**

+	Cash proceeds from the issue of shares	(2.9)	8,627.6	5,451.9
+	Cash proceeds from capital increases	(2.9)	142,506.5	59,042.0
–	Costs related to capital increases		–2,043.1	–1,488.6
+	Cash inflow from issuing corporate bonds	(2.11)	0.0	28,100.0
–	Costs related to issuing corporate bonds	(2.11)	0.0	–101.1
+	Cash inflow from issuing convertible bonds	(2.12)	0.0	40,352.0
–	Costs related to issuing convertible bonds	(2.12)	0.0	–161.3
+	Cash inflow from loans	(2.10)	77,620.0	61,875.0
–	Costs related to the issuance of loans		–214.4	–42.5
–	Amortisation of loans	(2.10)	–6,448.3	–2,268.0
–	Interests paid	(3.8)	–8,762.8	–5,916.1
–	paid interests to landowner ground rent	(3.8)	–913.5	0.0
–	Paid dividends to shareholders		–4,666.1	–2,025.0
	Cash flow from financing activities		**205,705.9**	**182,818.4**
	Change in cash and cash equivalents		–2,030.5	1,948.5
	Cash and cash equivalents at the beginning of the period	(2.8)	2,065.6	117.1
	Cash and cash equivalents at the end of the period	**(2.8)**	**35.1**	**2,065.6**

Statement of changes in equity

TEUR	Issued share capital	Capital reserve	Other reserves	OCI	Retained earnings	Total equity
As at 01/10/2018	**18,000.0**	**31,976.8**	**50.0**	**0.0**	**21,784.2**	**71,811.0**
Period result	0.0	0.0	0.0	0.0	48,671.9	48,671.9
Total comprehensive income	**0.0**	**0.0**	**0.0**	**0.0**	**48,671.9**	**48,671.9**
Cash capital increase/ - reduction	5,451.9	59,042.0	0.0	0.0	0.0	64,493.9
cost of capital measures	0.0	–1,488.6	0.0	0.0	0.0	–1,488.6
Dividend distribution	0.0	0.0	0.0	0.0	–2,025.0	–2,025.0
As at 30/09/2019	**23,451.9**	**89,530.2**	**50.0**	**0.0**	**68,431.1**	**181,463.2**
As at 01/10/2019	**23,451.9**	**89,530.2**	**50.0**	**0.0**	**68,431.1**	**181,463.2**
Period result	0.0	0.0	0.0	0.0	50,820.5	50,820.
Other comprehensive income	0,0	0,0	0,0	491.4	0,0	491.4
Total comprehensive income	**0.0**	**0.0**	**0.0**	**491.4**	**50,820.5**	**51,311.9**
Cash capital increase/ - reduction	8,627.6	142,506.5	0.0	0.0	0.0	151,134.1
Addition / Withdrawal from reserves	0.0	0.0	0.0	0.0	0.0	0.0
cost of capital measures	0.0	–2,043.1	0.0	0.0	0.0	–2,043.1
Dividend distribution	0.0	0.0	0.0	0.0	–4,666.1	–4,666.1
As at 30/09/2020	**32,079.5**	**229,993.6**	**50.0**	**491.4**	**114,585.5**	**377,200.0**

Notes

Deutsche Industrie REIT-AG, Rostock

Notes for the financial year from 01/10/2019–30/09/2020

PICTURE:
Altlandsberg, Seeberger Straße

1. General information

1.1. Deutsche Industrie REIT-AG

Deutsche Industrie REIT-AG (hereinafter referred to as "DIR", "Company" or " Corporation"; until 17 October 2017 trading as Jägersteig Beteiligungs GmbH) is a real estate company focusing on Light Industrial real estate in Germany with its registered office in Rostock. According to the Articles of Association, the object of the Company is the management of its own assets through the acquisition, management and sale of properties and equity interests; transactions requiring approval are excluded. Furthermore, the Company is entitled to take all measures that are directly or indirectly suitable for serving this corporate purpose. The focus is on activities that are geared to the long-term and sustainable increase in value of the real estate portfolio. The Company is authorised to establish, acquire, lease, or invest in similar or similar companies. It may also establish branch offices in Germany and abroad. The DIR is registered in the Commercial Register of the Rostock Local Court under HRB 13964. The registered office is August-Bebel-Str. 68 in 14482 Potsdam.

The DIR share (ISIN DE000A2G9LL1) has been listed on the Berlin Stock Exchange since 7 December 2017. Since 1 January 2018, the company has had the status of a REIT (Real Estate Investment Trust) and is therefore exempt from income tax at company level. Since 19 December 2018, the shares have also been listed in the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) on the Frankfurt Stock Exchange and therefore also in XETRA.

The separate financial statements of DIR as of 30 September 2020 were prepared on 7 December 2020. The Supervisory Board is expected to approve these separate financial statements at its meeting on 16 December 2020. The IFRS individual financial statements were prepared voluntarily due to the stock exchange listing.

1.2. Basics of the preparation of the individual financial statements

The individual financial statements as of 30 September 2020 were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU at the reporting date. In addition, the provisions of Section 315e (1) of the German Commercial Code (HGB) were applied analogously.

All relevant standards and interpretations whose application was mandatory for the financial year were observed.

The reporting period covers the period from 1 October 2019 to 30 September 2020, with the balance sheet as of 30 September 2019 and the statement of comprehensive income for the period from 1 October 2018 to 30 September 2019 serving as comparative figures.

The individual financial statements comprise the balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the financial statements and are presented in euros (EUR). All amounts are generally shown in thousands of euros (TEUR) (exceptions are indicated), which may result in rounding differences.

The company is currently a one-segment company. Sales are generated exclusively with customers based in Germany in the commercial real estate segment.

All properties are located in Germany. In the internal management there is no differentiation of geographical areas. Other services are not available. In the year under review, sales revenues amounted to TEUR 41,216.3 (previous year: TEUR 26,108.2). In 2019/2020, the largest customer accounted for sales revenues of TEUR 2,799.4 (previous year: TEUR 2,559.5). All income and expenses as well as all assets and liabilities are reflected in the consolidated financial statements. The annual financial statements were prepared under the going concern assumption.

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

1.3. Key discretionary decisions and estimates

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

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

- In assessing the lease term, 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 lease term if there is sufficient certainty that they will be exercised. Further details are provided in section 1.5.12 and 6.2.

- There is also scope for discretion in determining the time of revenue recognition and whether DIR acts as principal or agent for operating and ancillary costs in accordance with IFRS 15. In accordance with IFRS 15 “Revenue from contracts with customers”, revenue is recognised when the customer receives control of the agreed goods and services. In the case of property sales, this occurs when the benefits and burdens are transferred. The company acts primarily as a principal in respect of operating and ancillary costs, as it provides the services itself and bears responsibility for their fulfilment. Please refer to section 1.5.11 for further explanations.

The company makes estimates and assumptions concerning the future. The estimates derived from these may naturally deviate from the actual circumstances at a later date. The fair value measurements of the company as of 30 September 2020 contain significant measurement uncertainties due to market fluctuations resulting from the corona pandemic. 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 entail a 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 fair values of investment properties are based on the findings of independent experts appointed for this purpose. Valuation is based on the discounted cash flow method, using expected future cash flows. Accordingly, factors such as future rental income and applicable interest rates are estimated by the Company in collaboration with the appraiser, which have a direct impact on the fair value of the investment properties. The fair values of the investment properties, including those reported in accordance with IFRS 5 amounted to TEUR 585,819.7 (previous year: TEUR 393,284.0) at the balance sheet date.

- As part of the review of financial assets, the carrying amounts (amortised cost or fair value) at which other financial assets are balanced are compared with their fair values at the end of each financial year. The appropriateness of the carrying amounts is assessed based on the information available about the borrowers and impairment losses are recognised based on estimated default rates. If there is a foreseeable reduction in the fair values, appropriate impairments are made to the carrying amounts. The carrying amount of financial assets reported under trade receivables, other current and non-current financial assets, and other current assets totalled TEUR 118,676.2 (previous year: TEUR 1,958.5) at the reporting date and relates to receivables from tenants, receivables from loans purchased from Creditshelf Service GmbH and receivables from loans to affiliated companies. The value adjustment table used in the previous year was adjusted in line with the new procedure for measuring impairment of trade receivables, which is described in section 1.5.5. The separate consideration of the main receivables shifts the distribution of receivables to the individual maturities. This allows a more precise measurement of the impairment. The maturity bands were adjusted in the 2019/2020 financial year. If the maturity bands of the previous period had been continued, the impairment would have been TEUR 98.4 higher.

- In the case of other provisions and contingent liabilities, various assumptions have to be made, e.g. regarding the probability of occurrence and the amount of utilisation. All information available at the time the balance sheet was prepared was considered. Other provisions amounted to TEUR 1,545.8 (previous year: TEUR 997.0) at the balance sheet date.

1.4. Application of IFRS in financial year 2019/2020

DIR has continued to apply the same accounting and valuation methods and disclosure requirements as in the previous year unless new standards or interpretations were required to be applied.

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

EU Endorsement	Standard	Content	Initial adoption manda-tory for financial years beginning on or after	Effects on the annual financial statements of DIR
31/10/2017	IFRS 16	New standard "Leases".	01/01/2019	No significant
22/03/2018	Amendments to IFRS 9	Early repayment arrangements with negative compensation	01/01/2019	None
23/10/2018	IFRIC 23	Uncertainties regarding the income tax treatment	01/01/2019	None
13/03/2019	Amendments to IAS 19	Plan amendments, curtailments, or settlements	01/01/2019	None
14/03/2019	Annual improvement project	„Improvements to IFRS 2015 – 2017 Cycle "	01/01/2019	None
08/02/2019	Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	01/01/2019	None

There were no effects from the mandatory application of the new standards in financial year 2019/2020.

The company acts as a lessee of leasehold contracts and a motor vehicle. Deutsche Industrie applies the modified retrospective method for all leased assets using the exemption option in IFRS 16.C8(b)(i), so that there is no first-time adoption effect to be recognised in retained earnings. For leaseholds previously balanced as finance leases under IAS 17, the carrying amount of the leased asset immediately prior to the first-time application of IFRS 16 was recognised under IAS 17 and the carrying amount of the lease liability under IAS 17 was recognised as the initial carrying amount of the right of use and the lease liability under IFRS 16. The measurement principles of the new leasing standard were only applied thereafter, but did not result in any changes in measurement, as there were no residual value guarantees, variable lease payments or similar. The rights of use under leasehold contracts continue to be reported in the balance sheet under non-current assets in the item investment property. The corresponding lease liability is included in other current or non-current liabilities.

In addition, Deutsche Industrie also acts as lessor for the motor vehicle which it has itself leased, since it has assigned it to Solitaire Verwaltungsgesellschaft mbH & Co. KG for use. The monthly leasing instalments paid by DIR are passed on in full to Solitaire, as are the (operating) costs associated with the vehicle, so that no costs arise from this for Deutsche Industrie.

For the first time, a right of use and a leasing liability were balanced for the leased vehicle, as this represents an operating lease under IAS 17. The right of use was disclosed under the balance sheet item property, plant, and equipment. The corresponding lease liability is included in current or non-current other financial liabilities. For further information please refer to Note 2.17.

• **The following new standards, interpretations, and amendments to published standards, the application of which was not yet mandatory for DIR in financial year 2019/2020, were not applied prematurely by the Company:**

EUR Endorsement	Standard	Content	Initial adoption mandatory for financial years beginning on or after	Effects on the annual financial statements of DIR
29/11/2019	Framework	Changes to the Framework	01/01/2020	No significant
21/04/2020	Amendments to IFRS 3	Business Combinations	01/01/2020	None
29/11/2019	Amendments to IAS 1 and IAS 8	Definition of Material	01/01/2020	No significant
15/01/2020	Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	01/01/2020	No significant
09/10/2020	Amendments to IFRS 16	Leases - COVID-19 19 rent deferrals	01/06/2020	No significant
Not yet adopted	IFRS 17	New standard "Insurance contracts "	01/01/2023	None
Not yet adopted	Amendments to IAS 1	Classification of liabilities	01/01/2022	No significant
Not yet adopted	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	None
Not yet adopted	Amendments to IFRS 4	Insurance policies	01/01/2020	None
Not yet adopted	Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform Phase 2	01/01/2020	No significant

In addition, DIR expects the other new standards and interpretations published to have no significant impact on the accounts.

1.5. Individual accounting and valuation principles

1.5.1. Principle

These financial statements are based on the going concern assumption. To the extent permissible, the valuation is predominantly based on amortised cost. An exception to this is the DIR credit-shelf loans and interest rate swaps, which are measured at fair value with no effect on income, and investment properties, which are voluntarily measured at fair value.

No changes to the accounting policies were made in financial year 2019/2020 except for the application of new standards.

1.5.2. Investment property and real estate held for sale

The DIR classifies property on initial recognition according to its intended use either as investment property (IAS 40), as inventory property (IAS 2) or as owner-occupied property in property, plant, and equipment (IAS 16). Property under leases with the Company as lessee is classified and balanced as investment property. Property that is highly likely to be sold within twelve months is disclosed as an asset held for sale (IFRS 5). As a rule, DIR only has investment property, as the business model is based on the long-term, sustainable leasing of the property.

Investment property is initially recognised at cost including incidental costs. In subsequent measurement, investment property is carried at fair value, which reflects market conditions on the balance sheet date. A gain or loss arising from changes in fair value is recognised in the statement of comprehensive income. If there is a change in fair value due to an existing purchase price, these effects are disclosed separately in net income from sales. Subsequent costs for the expansion and conversion of the property are considered if they contribute to an increase in the fair value of the property. Legal and consulting fees attributable to investment properties are also reported in net rental income. The properties are generally depreciated on a straight-line basis over useful lives of 5 to 53 years. The depreciation methods and useful lives are reviewed at the end of each financial year and adjusted if necessary.

According to the regulations of IFRS 13, the best possible use of an object must be assumed when measuring investment properties. Planned changes in use are therefore considered in the valuation provided that technical feasibility, legal admissibility, and financial feasibility are given.

A revaluation of the properties is carried out annually on 30 June. If there are significant changes in the input factors by the reporting date, appropriate adjustments are made. The value is determined by an independent external expert using recognised valuation methods such as the discounted cash flow method. The experts have the appropriate professional qualifications and experience to perform the valuation. The results of the appraisers are based on information provided by the Company. Input factors such as the current list of tenants, maintenance and administrative costs, vacancy data and assumptions made by the appraiser based on market data and assessed based on his professional qualifications, e.g., future market rents, typical maintenance and administrative costs, structural vacancy rates or discount and capitalisation interest rates, are included in the calculation of fair value.

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

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

Investment property is classified as held for sale if Deutsche Industrie decides to sell the property concerned if the property is available for immediate sale and if the sale is expected to be completed within twelve months from that date (IFRS 5). They are measured at fair value as before.

1.5.3. Intangible assets

Acquired intangible assets are initially recognised at cost. After initial recognition, intangible assets are carried at cost and amortised on a straight-line basis over their respective useful lives, generally three years.

1.5.4. Property, plant, and equipment

Property, plant, and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation was calculated using the straight-line method based on estimated useful lives of generally 3 to 10 years (factory and office equipment). Depreciation methods and useful lives are reviewed at the end of each financial year and adjusted if necessary. The carrying amounts of property, plant and equipment are reviewed for impairment as soon as there are indications that the carrying amount exceeds the recoverable amount.

1.5.5. Financial assets and liabilities

Classification of financial assets

IFRS 9 contains a classification and measurement approach for financial assets that reflects the business model within which the assets are held and the characteristics of their cash flows. A reclassification is only made if the business model used to manage financial assets changes. The three classification categories for financial assets are as follows:

- Fair value through other comprehensive income (FVtOCI) – not recognised in profit or loss at fair value with changes in value in other comprehensive income
- Measured at fair value through profit or loss (FVtPL) with changes in value in profit or loss recognised in profit or loss
- Valued at amortized cost (AC)

The Company measures its financial assets at amortised cost if two conditions are met:

- The financial asset is held within the framework of a business model whose objective is to hold financial assets to collect the contractual cash flows; and
- The terms of the contract result in cash flows that represent only principal and interest payments on the outstanding principal.

At DIR, the Amortized Cost (AC) measurement category includes, among other things, trust and deposit accounts, which represent payment balances due on demand, trade receivables and prepaid costs.

Financial assets at fair value through profit or loss:

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

This category includes loans acquired from DIR to private borrowers from Creditshelf Service GmbH. These serve the companies as short-term liquidity investments and are resold when liquidity is required and, if necessary, further loans are acquired later. The business model of holding and selling therefore applies here. In addition, cash flow hedges are measured at fair value through profit or loss. 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 irrespective of this. Where there is a concrete intention to sell and the conditions are met, a presentation is made in accordance with IFRS 5.

Financial assets measured at fair value through profit or loss:

- Assets that do not meet the criteria of the category “at amortised cost” or “at fair value through equity”.

DIR has no financial assets that fall into this measurement category or has chosen the fair value option.

Derivatives are initially recognised at fair value on the date a derivative transaction is entered into and are subsequently remeasured at fair value at the end of each reporting period. The accounting for changes in fair value in subsequent periods depends on whether the derivative is designated as a hedging instrument and, if so, on the nature of the underlying hedging relationship. In the reporting period, Deutsche Industrie used interest rate swaps for the first time which are balanced as derivatives within a hedging relationship.

Derivatives and hedging transactions

The interest rate swaps were designated by DIR to hedge a specific risk associated with the cash flows of assets and liabilities balanced and highly probable forecast transactions and therefore represent cash flow hedges. At the inception of the hedge relationship, the Company documents the economic relationship between the hedging instruments and the hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of the hedged items. The risk management objectives and strategies underlying the hedging instrument are also documented. The fair value of a hedging derivative is classified in full as a non-current financial asset or non-current financial liability if the remaining term of the underlying transaction is more than 12 months. If this is less than 12 months, it is classified as a current financial asset or current financial liability.

The fair value of interest rate swaps is determined as the present value of estimated future cash flows based on forward rates at the balance sheet date.

The effectiveness of hedging relationships is determined at the inception of the hedge and by regular prospective assessments to ensure that an economic relationship exists between the hedged item and the hedging instrument. Deutsche Industrie has entered into interest rate swaps with terms identical to those of the hedged items, such as reference interest rates, interest rate adjustment dates, payment dates, maturities, and nominal amounts. The Company does not hedge all of its loans, but only the loans with variable interest rates. During the financial year, all material contractual terms and conditions were identical, so that in each case there was an economic relationship between the underlying transaction and the hedging transaction.

Ineffectiveness of hedges with interest rate swaps is assumed for the following reasons:

- Adjustments for the default risk of the contracting parties to the interest rate swap that are not offset by changes in the value of the hedged loans
- Different contractual terms between interest rate swaps and secured loans

There was no ineffectiveness regarding interest rate swaps in the reporting year.

The effective portion of changes in the fair value of derivatives designated as hedging instruments in cash flow hedges is recognised in the hedging reserve for cash flow hedges as a component of equity. The gain or loss relating to the ineffective portion is recognised directly in profit or loss under other gains or losses.

Cumulative amounts recognised in equity are reclassified in the periods in which the hedged item affects profit or loss. The gain or loss on the effective portion of interest rate swaps that hedge borrowings at variable rates is included in finance costs in profit or loss in the period in which the interest expense on the hedged borrowings is incurred.

When a hedging instrument expires, is sold, or terminated or the hedging relationship no longer meets the criteria for hedge accounting, cumulative deferred hedging gains or losses and the deferred hedging costs remain in equity until the forecast transaction occurs and results in the recognition of a non-financial asset such as inventories. When the forecast transaction is no longer expected to occur, the cumulative hedging gains and losses and the deferred hedging costs recognised in equity are reclassified immediately to profit or loss.

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 paid on the trade date, plus or minus directly attributable transaction costs. Trade receivables that do not contain a significant financing component are initially recognised at the transaction price.

Financial assets measured at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income calculated using the effective interest method is reported under financial income. Any gain or loss, interest income, currency gains and losses and impairments arising from the derecognition of a financial asset are recognised in the income statement and reported separately.

For assets measured at fair value with no effect on profit or loss, changes in fair value and impairments are recognised in other comprehensive income, except for impairment losses or income and interest income, which are recognised in profit or loss. When the financial asset is derecognised, 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 entity shall assess whether there is objective evidence that a financial asset or group of financial assets is when:

- As a result of one or more events that occurred after the initial recognition of the asset (‘loss event’),
- There was objective evidence of impairment, and
- This loss event has an impact on the expected future cash flows of the financial asset that can be estimated reliably.

Impairment losses on financial assets are no longer recognised using the incurred-loss-model but using the expected-loss-model. This results in two valuation levels:

- Lifelong loan defaults: Expected credit losses due to possible default events over the entire term of a financial instrument
- 12-month loan defaults: Expected credit defaults 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 initial recognition and in estimating expected credit losses, the entity considers appropriate and reliable information that is relevant and readily obtainable without undue delay or expense. This includes quantitative and qualitative information and analyses based on the Company’s experience and forward-looking information.

Measurement according to the concept of life-long credit losses is to be applied if the credit risk of a financial asset has increased significantly since initial recognition on the balance sheet date; otherwise, measurement according to the concept of 12-month credit losses is to be applied. However, measurement under the lifelong loan loss concept must always be applied to trade receivables and contractual assets without a significant financing component.

Impairments are measured in the amount of the expected credit losses over the term of the loan. This does not apply to bank balances for which the default risk has not increased significantly since initial recognition. In this case, the allowance is measured in the amount of the expected 12-month credit loss. In the 2019/2020 financial year, the procedure for impairments of rent receivables was changed so that the assessment based on the age structure is now preceded by a separate consideration of material receivables. In this context, material rent receivables are assessed separately, written down on an individual basis and subsequently no longer included in the maturity analysis.

In the case of rent receivables, the main deferrals were already settled during the year. At the balance sheet date, there were only insignificant outstanding rent receivables due to Covid-19. As tenants in Deutsche Industrie are mainly logistics companies and are therefore only marginally affected by the effects of the Corona pandemic, there were no significant rent deferrals or defaults in the reporting period. The loans acquired were reviewed for increased default risks and adjusted where necessary.

For financial assets measured at fair value with no effect on income, the impairment loss was measured based on expected defaults. Please refer to section 5.1.1 Default risks for further details.

Offsetting of financial assets and liabilities
Financial assets and liabilities are offset and presented as a net amount in the balance sheet when the entity has a present legal right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

Classification of financial liabilities
The financial liabilities of DIR are generally measured at amortised cost. Financial liabilities in this category include liabilities to banks, liabilities to other lenders, liabilities from corporate bonds, trade payables and other current financial liabilities.

Composite financial instruments are classified as debt and equity components if the definition of an equity instrument is met.

Embedded derivatives must be separated from their host contract if their economic characteristics and risks are not closely related to those of the host contract if a comparable stand-alone instrument meets the definition of a derivative and if the compound 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 bond issued by DIR does not include an equity component in the balance sheet due to a cash settlement option on the part of DIR. Instead, the entire convertible bond is reported as a liability at fair value through profit or loss.

Valuation of financial liabilities
When liabilities are recognised initially, they are measured on the trade date at the fair value of the consideration received net of transaction costs. After initial recognition, liabilities are measured at amortised cost using the effective interest method. The difference between the amount paid out (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.

The convertible bond is measured at fair value through profit or loss. The portion of the changes in fair value that relates to its own default risk would be recognised in other comprehensive income. The DIR determines the number of changes in fair value attributable to the default risk by first determining the changes resulting from changes in market conditions that are significant to the market risk and then deducting this change from the total change in the fair value of the convertible bond. The changes in market conditions relevant to market risk include changes in the reference interest rate. Changes in the fair value of the embedded conversion right are considered when assessing changes in the fair value arising from market risk.

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

Financial liabilities are classified as current unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

1.5.6. Land with unfinished and finished buildings and other supplies

Land with unfinished and finished buildings and other inventories are measured at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and necessary selling expenses. Borrowing costs incurred in connection with the acquisition or construction of real estate are capitalized if the relevant conditions are met. Land with unfinished and finished buildings includes those properties for which resale was assumed at the time of acquisition. If the intention to sell is abandoned, the property is reclassified as investment property.

1.5.7. Income tax refund claims and liabilities as well as deferred taxes

Tax refund claims and tax liabilities are valued 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.

Since the DIR has the status of a REIT company since the beginning of 2018, it has since been exempted from income tax at Company level if the criteria of the REIT Act are complied with. In this respect, no deferred taxes are to be recognised for the period of the tax exemption. For this reason, the existing deferred tax assets and liabilities were reversed through profit or loss in the financial year.

1.5.8. Liquid assets

Cash and cash equivalents include cash on hand and bank balances with original maturity at the time of acquisition less than three months.

1.5.9. Equity demarcation

Debt and equity instruments are classified as financial liabilities or equity in accordance with the substance of the contractual agreement. An equity instrument is a contract that gives rise to 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 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 the 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. Income recognition

According to IFRS 15, the amount of revenue corresponds to the consideration to which the company is contractually entitled. Revenue is recognised when control over 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 service obligations
- Determination of the transaction price
- Allocation of the transaction price to separate service obligations
- Recognition of revenue upon fulfilment of individual service obligations

According to IFRS 15, a contract is an agreement between two or more parties that creates legally enforceable rights and obligations. The contract may be in writing, verbal or implied based on the entity's ordinary activities. In certain circumstances, several contracts must be combined.

The second step is to identify the individual performance obligations. 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 not necessary.

This is followed by the determination of the transaction price, which represents the consideration for the goods or services transferred. No variable components were identified in the DIR contracts. The period between the transfer of the goods or services to the customer does not usually exceed one year, so that the promised consideration does not need to be adjusted to the time value of money.

The fourth step is to allocate the transaction price to the identified service commitments based on their relative individual sale prices. The individual sale price is the price at which the company has sold the good or service individually to comparable customers in similar circumstances.

The warranties and guarantees contained in the contractual relationships do not constitute separate performance obligations, as they only assure the customer that the goods delivered, or services provided meet the contractually agreed specifications. Furthermore, there are no take-back, reimbursement or similar obligations.

In accordance with IFRS 15, sales revenues are recognised either on a time or date basis, depending on when the performance obligation is fulfilled, or the power of disposal is transferred to the customer.

The company concludes rental agreements, which essentially comprise net cold rent and operating costs. As a lease, the contractual component of net cold rent does not fall within the scope of IFRS 15 and is recognised as revenue on a straight-line basis over the term of the lease. The transaction price is therefore agreed in the lease agreements and does not contain any variable components or financing components. The rental payments are to be made monthly.

Proceeds from the sale of properties are recognised in the income statement at the time when control is transferred to the buyer. This is generally done by means of a change in the burden of benefits. Income from the sale of properties held for sale (IFRS 5-Properties) is recognised as revenue. The consideration is due upon transfer of the property.

According to IFRS 15, the distinction between principle and agent status is based on whether a contracting party has control over the service before transferring it to a customer. The indicators for this assessment, which must be considered in their entirety and not cumulatively, are the primary responsibility for the performance, the potential inventory risk of not being able to pass on costs and the pricing power for a service.

Deutsche Industrie REIT AG acts as the principle for the operating costs of the rental agreement based on the regulations of IFRS 15, as the company acquires the power of disposal over the goods and services and is thus under an obligation to perform towards the tenant.

Services that are invoiced as operating and ancillary costs according to the principal method are shown in the income statement without being netted against the corresponding revenues. Revenue is recognised when the service is rendered. Services rendered by third parties and charged to third parties are reported under revenues from rentals.

In accordance with IFRS 15, land taxes and building insurance do not represent separately identifiable service obligations that confer a definable benefit to the tenant. For these contract components, the agreed consideration is allocated to the other identified contract components based on their relative individual selling prices.

According to IFRS 15, a contractual liability must be recognised if the customer has fulfilled its contractual obligation before DIR has transferred control of the good or service. Due to the business model and the underlying terms of payment of the DIR, customers pay the consideration in the same time frame as the Company fulfils its contractual obligation, so that no contractual liability is recognised. The unconditional claim of Deutsche Industrie to the consideration to be paid is reported as a receivable.

In addition, no contractual assets are balanced, as DIR does not transfer goods or services to the customer before receiving the consideration.

1.5.12. Leasing

The new standard IFRS 16 leaves the accounting for lessors largely unaffected, but brings significant changes for lessees with operating leases, as the lessee no longer needs to classify the lease as an operating or finance lease. There are no material effects for finance leases.

Leases are balanced 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, extension options are considered, the exercise of which 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 in which the underlying asset would also be balanced. 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 Industrie has no 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 the lessee would have to pay if it had to acquire or finance the underlying asset with external funds in similar circumstances.

The company acts as a lessee of ground lease contracts and a motor vehicle. For the leaseholds previously balanced as finance leases under IAS 17, the carrying amount of the leased asset immediately prior to the initial adoption of IFRS 16 is recognised under IAS 17 and the carrying amount of the lease liability under IAS 17 is recognised as the initial carrying amount of the right of use and the lease liability under IFRS 16. The measurement principles of the new leasing standard were subsequently applied, but did not result in any changes in measurement, as there were no residual value guarantees, variable lease payments or similar. The rights of use under leasehold contracts continue to be reported in the balance sheet under non-current assets in the item investment property. The corresponding lease liability is included in other current or non-current liabilities.

In addition, Deutsche Industrie also acts as lessor for the vehicle leased by itself, as it has leased it to Solitaire Verwaltungsgesellschaft mbH & Co. KG for use. The monthly leasing instalments paid by DIR are passed on in full to Solitaire, as are the (operating) costs associated with the vehicle, so that no costs arise for Deutsche Industrie from this.

For the first time, a right of use and a leasing liability were balanced for the leased vehicle, as this constituted an operating lease under IAS 17. The right of use is disclosed under property, plant, and equipment. The corresponding lease liability is included in current or non-current other financial liabilities. For further information please refer to Note 2.17.

2. Notes to the balance sheet

2.1. Investment property

In the 2019/2020 financial year, there was a transfer of ownership of 20 acquired investment properties. As a result, the DIR real estate assets balanced as of 30 September 2020 comprise 69 properties with a fair value of TEUR 564,987.0 (previous year: TEUR 391,377.0) plus leasehold properties reported as rights of use in the amount of TEUR 20,832.7 (previous year: TEUR 1,472.0). In addition, there were value-enhancing measures that were capitalised in the amount of TEUR 4,943.6 (previous year: TEUR 3,273.4). The unrealised valuation result from fair value appraisal amounted to TEUR 36,981.7 (previous year: TEUR 37,552.1). Part of a property was sold after the reporting date. No cash-generating value was attributed to the section as of the balance sheet date, so that the fair value of the property after the sale of the section is not reduced significantly as a result. The buyer assigns a value to the section that independent market participants who only acquire this section would not pay, so that the previous fair value attributable to this section is retained in the valuation as of the reporting date. Accordingly, a presentation within the financial statements in accordance with IFRS 5 with an amount of TEUR 0 is not made separately as a zero line.

The development of investment properties is as follows:

In TEUR	2019/2020	2018/2019
Opening balance at 01.10.	392,849.0	168,242.2
+ Real estate purchases	131,443.3	184,565.9
+ Capitalisation of leaseholds and rights of use	19,589.9	186.8
+ Adjustment of book values for leaseholds due to changed ground rent payments	12.2	33.6
– Disposal of book value through sale of real estate	0.0	–627.0
– Reclassification in accordance with IFRS 5	0.0	–435.0
+ Subsequent acquisition and construction costs (Capex)	4,943.6	3,273.4
+ Valuation result of sold properties	0.0	57.0
+ Unrealised valuation gains or losses from fair value measurement (change in fair value)	36,981.7	37,552.1
Closing balance on the reporting date	**585,819.7**	**392,849.0**

In the year under review, investment property with a value of TEUR 464,660.0 (previous year: TEUR 298,955.0) was pledged as collateral for financial liabilities by way of land charges or the assignment of rental income.

There are leasehold contracts under which the related plots of land are developed with commercial real estate. Rights of use and leasing liabilities are balanced for the leasehold contracts. The capitalised amount as of 30 September 2020 is TEUR 20,832.7

(previous year: TEUR 1,472.0). As of 30 September 2020, the liability recognised amounts to 21,097.8 (previous year: TEUR 1,519.4).

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

Investment properties in TEUR	2019/2020	2018/2019
Gross rental income	40,781.3	25,481.2
Net gains/losses on valuation of investment properties	36,981.7	37,552.1
Net gains/losses on valuation of sold investment properties	0.0	57.0
Income from operating and ancillary costs	7,174.2	4,258.5
Operating expenses (maintenance expenses, property management, land taxes, etc.)	–16,669.8	–8,789.3
Total	**68,267.4**	**58,559.5**

The operating expenses attributable to vacant properties amount to TEUR 2,114.9 (previous year: TEUR 1,182.5). The calculation is based on the vacancy rate.

The valuation by an external independent appraiser is carried out as of the valuation date of 30 June 2020 based on the valuation parameters existing at that date. Purchased properties with transfers of ownership between 1 July and 30 September are initially recognised at cost and subsequently at the fair value determined as of 30 June (provided that the purchased properties could already be included in the valuation). Significant fluctuations in the value of the properties up to 30 September are considered where there are indications that this may be the case.

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

In the discounted cash flow method, expected future cash surpluses of a property are discounted to the valuation date using a market-oriented, property-specific discount rate (interest rate specific to inflation and growth). While receipts regularly comprise net rents, disbursements relate to the operating costs to be borne by the owner. The underlying detailed planning period is ten years. At the end of this period, a potential discounted sale value (terminal value) of the valuation property is forecast. This reflects the most likely selling price less costs to sell. The discounted net cash flows for the tenth year are capitalised as a perpetual annuity using the capitalisation interest rate. The sum of the discounted cash surpluses and the discounted potential disposal value results in the gross capital value of the valuation object, which, less transaction costs, gives the fair value.

• **The following overview shows the key assumptions used in the discounted cash flow method:**

Valuation parameters	Financial year	
	30/09/2020	**30/09/2019**
Market rent increase p.a. (in %)	1.50 to 2.00	1.50 to 2.00
Maintenance costs p.a. (EUR / m²)	0.00 to 30.00	0.00 to 7.00
Administrative costs p. a. (% of market rent, previous year % of gross annual income)	0.00 to 3.00	0.00 to 4.00
Discount rate (%)	4.70 to 9.20	5.50 to 11.75
Capitalisation rate (%)	4.30 to 10.50	4.15 to 9.75

All valuation parameters correspond to level 3 of the fair value hierarchy.

The assumptions used to value the properties were made by the independent appraiser based on his professional experience and are subject to uncertainty. If the discount and capitalisation rate is increased or decreased by 1.0%, the fair value is reduced or increased as follows:

	30/09/2020		30/09/2019	
Change in the discount and capitalisation rate	+1 %	–1 %	+1 %	–1 %
Fair value of investment properties (in € million)	–81.6	+113.2	–15.4	+22.1

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

As of 30 September 2020, DIR is entitled to fixed future minimum lease payments of TEUR 188,660.6 (previous year: TEUR 149,208.5) 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 30.09.2020	188,660.6	36,564.8	93,202.4	58,893.3
Minimum lease payments 30/09/2019	149,208.5	29,147.8	79,119.4	40,941.3

As a rule, rental agreements for fixed minimum periods of up to thirteen years are common. In some cases, tenants are entitled to extension options. These are not included here. There are no further claims to minimum lease payments. In the case of flats in the portfolio, there are generally rental agreements with a statutory period of notice of three months. In some cases, there are unlimited commercial leases with a statutory period of notice of three months. These result in annual rental income of TEUR 4,797.9. The number of residential properties is immaterial.

2.2. Intangible assets

Intangible assets include capitalised expenses for the creation of the website, which are amortised on a straight-line basis over three years, and a domain which is not amortised.

2.3. Property, plant, and equipment

Property, plant, and equipment includes the inventory of the Wildau property as well as a car and office equipment. The useful lives are between 3 and 10 years. Depreciation is calculated using the straight-line method.

	Technical equipment	Vehicles	Right of use of vehicle	Operating and office equipment	Total
Acquisition costs					
01/10/2019	1,122.6 (873.1)	19.2 (19.2)	12.9 (0.0)	37.2 (35.0)	1,191.9 (927.3)
Accrual	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	129.0 (2.3)	129.0 (2.3)
Transfers	0.0 (249.5)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (249.5)
Exit	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)
30/09/2020	**1,122.6** **(1,122.6)**	**19.2** **(19.2)**	**12.9** **(0.0)**	**166.2** **(37.2)**	**1,320.9** **(1,179.0)**
Accumulated amortisation					
01/10/2019	111.2 (7.3)	6.0 (1.2)	0.0 (0.0)	9.9 (4.6)	127.2 (13.1)
Accrual	112.3 (103.9)	4.8 (4.8)	3.0 (0.0)	36.3 (5.3)	156.4 (114.0)
Exit	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)
30/09/2020	**223.5** **(111.2)**	**10.8** **(6.0)**	**3.0** **(0.0)**	**46.2** **(9.9)**	**283.5** **(127.1)**
Residual book value 30/09/2020	**899.1** **(1,011.4)**	**8.4** **(13.2)**	**9.9** **(0.0)**	**120.0** **(27.3)**	**1,037.4** **(1,051.9)**

2.4. Trade receivables

Trade receivables consist primarily of rentals and are broken down as follows:

TEUR	30/09/2020	30/09/2019
Receivables from renting	4,532.5	1,212.8
Other accounts receivable from deliveries and services	4.7	48.8
Value adjustment on receivables	–1,117.1	–445.7
Total	**3,420.1**	**815.9**

In the reporting period, the procedure for impairment was changed so that the highest rent receivables were considered separately and, if necessary, specific valuation allowances were recognised, while the remaining receivables were subject to general valuation allowances depending on their due dates. The receivables for which specific valuation allowances were recognised were not included in the maturity analysis. The individually considered rent receivables of TEUR 2,474.0 resulted in an individual value adjustment of TEUR 950.8. In addition to the impairment on rent receivables, write-downs of TEUR 158.9 were recognised in the year under review.

- **Impairments on trade receivables due to default risks are as follows:**

Information 2019/2020 in TEUR	Individual review	< 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	2,474.0	1,649.6	194.2	194.4	17.4	7.5	4,537.1
Value adjustment	**950.8**	**0.0**	**48.6**	**97.2**	**13.0**	**7.5**	**1,117.1**

- **The impairments on trade receivables developed as follows:**

Individual value adjustments in TEUR	2019/2020	2018/2019
As of 01/10	445.7	237.0
Consumption	–	–
Resolution	–	–
Additions	671.4	208.7
As of 30/09	**1,117.1**	**445.7**

2.5. Other non-current financial assets

Other non-current financial assets include receivables from acquired loans in the amount of TEUR 14,595.2 (previous year: TEUR 0.0) and a guarantee in the amount of TEUR 8,354.0 (previous year: TEUR 0.0).

In the 2019/2020 financial year, DIR invested surplus liquidity for the first time in the acquisition of loans, which are arranged through Fintech Creditshelf AG, Frankfurt. The loans have terms of up to five years and bear interest of between 5.75% and 14.0% p.a. Creditshelf also charges a fee for credit processing and related services.

The receivable from the Creditshelf loans is measured at fair value on level three of the measurement hierarchy without affecting income. This is based on the invested amount less repayments to date, considering expected default rates.

• **The development of the Creditshelf loans in the reporting period is shown below:**

TEUR	2019/ 2020
Opening balance at 01/10	**0.0**
Acquisition of new loans	48,955.5
Amortisation	–15,125.5
Sale	–1,992.7
Change in fair value in other comprehensive income	–1,733.8
Offsetting accrued interest	–15.2
Accrued interest and charges	441.3
Closing balance on the reporting date	**30,529.6**

During the reporting period, impairment losses of TEUR 1,733.8 were recognised in the income statement on the Creditshelf loans.

• **The impairment on Creditshelf loans developed as follows in the reporting period:**

TEUR	30/09/2020
As of 01/10	**0.0**
Consumption	–
Resolution	–
Additions	**1,733.8**
As of 30/09	**1,733.8**

DIR acquired loans from Creditshelf for the first time in the year under review. The impairment was determined based on the expected 12-month credit loss.

No impairment losses were recognised on other financial assets.

2.6. Non-current derivative financial instruments

Deutsche Industrie uses interest rate swaps to hedge interest rate risks on loans with variable interest rates. These were recognised at the balance sheet date at their fair value, which corresponds to the present value of the swaps, resulting in financial assets of TEUR 491.4 (previous year: TEUR 0.0). For further information please refer to section 1.5.5 and section 5.1.3.

2.7. Other non-current and current assets

Other non-current assets exclusively include prepayments of TEUR 7,474.1 (previous year: TEUR 38,886.2) made on investment properties acquired for which the transfer of ownership had not yet taken place by the reporting date. They are allocated to non-current assets, as they belong to the non-current balance sheet item Investment Properties.

Other current assets are comprised as follows:

TEUR	30/09/2020	30/09/2019
Receivables from shareholder loans	71,994.1	0.0
Short-term investment in acquired loan parts via Creditshelf including receivables from affiliated companies included therein	15,934.4	0.0
Interest receivables from shareholder loans	3,020.0	0.0
Tenant deposits	1,358.5	679.9
VAT receivables	1,198.9	514.2
Receivables from purchaser settlements	103.8	328.0
Unfinished services after offsetting against advance payments received	70.4	619.2
Receivables from affiliated companies	0.0	17.0
Trust accounts	0.0	459.0
Other	938.2	266.4
Total	**94,618.3**	**2,883.7**

2.8. Liquid funds

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

The cash flow statement includes bank balances and cash on hand, considering current account liabilities. In this respect, cash and cash equivalents in the cash flow statement may differ from those disclosed in the balance sheet.

2.9. Equity

2.9.1. Subscribed Capital

The fully paid-up share capital of DIR on 30 September 2020 amounts to TEUR 32,079.5 (previous year: TEUR 23,451.9) and is divided into 32,079,505 no-par value bearer shares with equal voting rights, each with a par value of EUR 1.00.

Based on the authorisation granted by the Annual General Meeting on 22 March 2019 (Authorised Capital 2019/I), the share capital was increased by EUR 5,711,242.0 by issuing new no-par value bearer shares, each with a notional value of EUR 1.00 of the share capital of EUR 23,451,945.0 to EUR 29,163,187.0, in accordance with the resolution passed by the Supervisory Board on 30 October 2019. The shares were placed at a price of EUR 16.25, which generated gross proceeds of around EUR 92.8 million.

In addition, because of the authorisation granted by the Annual General Meeting on 6 March 2020 (Authorised Capital 2020/1), the share capital was increased on 19 June 2020 by EUR 2,916,318.0 from EUR 29,163,187.0 to EUR 32,079,505.0. For this purpose, 2,916,318 new no-par value bearer shares were issued, each representing EUR 1.00 of the share capital. The placement took place at an issue price of EUR 20.00 per share, resulting in gross issue proceeds of around EUR 58.3 million.

Powers of the Management Board to issue new shares

Authorised capital

Authorised Capital 2019/I was cancelled in the reporting period and replaced by Authorised Capital 2020/1.

New Authorised Capital 2020/1 was resolved at the Annual General Meeting on 6 March 2020. This authorised the Management Board to increase the share capital by up to EUR 14,581,593.00 until 5 March 2025. The Authorised Capital 2020/I as of 30 September 2020 amounts to EUR 11,665,275.00.

Conditional capital

The Management Board was authorised by the Annual General Meeting on 6 March 2020 to increase the share capital of the company on a contingent basis by up to EUR 14,581,593.00 to service option or convertible bonds (Contingent Capital 2020/I). The contingent capital 2019/I was cancelled in the reporting period.

2.9.2. Capital reserve

The capital reserve increased by TEUR 140,463.4 from TEUR 89,530.2 at the beginning of the financial year to TEUR 229,993.6 at the end of the financial year. The change includes the increase from the cash capital increases in November 2019 and June 2020.

2.9.3. Other reserves

Retained earnings of TEUR 50.0 have not changed

2.9.4. Retained profit

The development of this item is shown in the statement of changes in equity.

A dividend of TEUR 4,666.1 was paid for the 2018/2019 financial year, which corresponds to a dividend of EUR 0.16 per share.

2.10. Liabilities to banks

• **Liabilities to banks are as follows:**

TEUR	30/09/2020	30/09/2019
Non-current	134,664.2	67,526.5
Current	7,820.7	3,956.9
Total	**142,484.9**	**71,483.4**
Of which secured	132,484.9	71,483.4

Liabilities to banks have increased significantly due to the raising of new secured bank loans, which are being used to build up the property portfolio. This was offset by current repayments.

The repayment rates are generally between 5.0% and 9.05% p.a. The liabilities to banks are fully collateralised. The collateral provided was almost exclusively real estate liens in connection with the assignment of rent and lease receivables and, in one case, guarantees from related parties. These securities can only be realised by the banks after a material breach of the financing agreement (for example, in the event of a breach of financial covenants).

2.11. Liabilities from corporate bonds

• **The liabilities from bonds, considering the issue costs, are composed as follows:**

Liabilities from corporate bonds in TEUR	Maturity	30/09/2020		30/09/2019	
		long term	short term	long term	short term
Bond TEUR 118,000.0 (secured), 4.0% Coupon p.a.	30 August 2022	118,065.2	0.0	117,904.0	0.0
Total		**118,065.2**	**0.0**	**117,904.0**	**0.0**

In August 2017, the Company issued a secured bond with a volume of EUR 60,000,000.00, divided into 600 bearers, secured partial debentures with equal rights and a nominal value of EUR 100,000.00 each. In the 2017/2018 financial year, the bond was increased by a total of TEUR 29,900. The nominal amount on 30 September 2018 was TEUR 89,900.

On 22 February 2019, the bond was increased once again by TEUR 28,100, so that the nominal amount now stands at TEUR 118,000, divided into 1,180 partial debentures. The bond bears interest at 4.0% p.a. and has a term until 30 August 2022. Interest is paid annually on 30 August.

2.12. Liabilities from convertible bonds

• **The liabilities from convertible bonds are composed as follows, considering the issue costs, and are classified as long-term:**

Liabilities from convertible bonds in TEUR	Maturity	30/09/2020		30/09/2019	
		long term	short term	long term	short term
Convertible bond TEUR 41,600.0 (nominal), 2.0% Coupon p.a.	11 June 2023	49,088.0	0.0	41,184.0	0.0
Total		**49,088.0**	**0.0**	**41,184.0**	**0.0**

On 11 June 2019, Deutsche Industrie issued a convertible bond with 416 partial debentures with a nominal value of EUR 100,000.00 each. The nominal amount of the bearer bonds is TEUR 41,600.0. The convertible bonds bear interest at 2.0% p.a. and mature on 11 June 2026. There is a put option which provides for maturity on 11 June 2023. The bond debtor must repay a bond after the creditor has exercised the corresponding option on 11 June 2023 (the "option repayment date (put)") at 105% of the nominal amount plus any interest accrued up to the option repayment date (put) (exclusively). As the contract term until 11 June 2026 is only an extension option in economic terms, 11 June 2023 was taken as the due date. The initial conversion price for no-par value bearer shares in the Company was EUR 18.50 per share. The conversion price has been adjusted due to the dividend of EUR 0.16 per dividend-bearing share paid on 11 March 2020 and now amounts to EUR 18,3570. Following the adjustment of the conversion price, the convertible bonds are convertible into 2,266,165 new or existing no-par value Deutsche Industrie bearer shares or can be redeemed in cash.

The non-current financial liability resulting from the issue of the convertible bond is shown in the balance sheet under convertible bonds.

Change of control clauses contained in the convertible bonds could not be exercised in the reporting year.

• **The effects of changes in the default risk of the liability from convertible bonds are as follows:**

TEUR	2019/2020	2018/2019
Book value at 30/09	49,088.0	41,184.0
Of which change in fair value due to credit risk recognised directly in equity	0.0	0.0
Cumulative change in fair value due to credit risk	0.0	0.0
Amount which DIR is contractually obliged to pay to the holders of the convertible bond at Maturity	43,680.0	43,680.0
Difference between book value and amount to be paid for Maturity	–5,408.0	2,496.0

This resulted in a valuation loss of TEUR 7,904.0 (previous year: TEUR 832.0), which was recognised in profit or loss in the valuation result for financial liabilities.

2.13. Liabilities to other lenders

Liabilities to other lenders result from loans from Obotritia Capital KGaA and related parties with an agreed maximum basic term, which are subject to variable and constant repayment. Only interest is incurred on outstanding amounts.

There were no liabilities to Obotritia Capital KGaA at the balance sheet date (previous year: TEUR 20,177.8).

2.14. Other provisions

- **The other provisions are made up as follows:**

Other provisions in TEUR	As of 01/10/2019	Consumption	Release	Addition	As of 30/09/2020
Archiving	3.0	0.0	0.0	0.0	3.0
Legal, consultancy and auditing costs	180.5	172.7	7.8	165.0	165.0
Outstanding invoices	413.3	413.3	0.0	810.9	810.9
Other provisions	400.2	206.9	0.0	373.6	566.9
Total	**997.0**	**792.9**	**7.8**	**1,349.5**	**1,545.8**

As the main provisions are utilised in the short term, no discounting is applied for reasons of materiality.

In addition, there are no significant uncertainties regarding the timing or amount of utilisation.

2.15. Other non-current and current liabilities

Other non-current liabilities include lease obligations for leasehold rights for which DIR is the leaseholder and which are accounted for as finance leases. The corresponding assets are reported as investment properties.

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

TEUR	30/09/2020	30/09/2019
Liabilities from finance leases	21,060.0	1,516.7
Other non-current liabilities	52.4	10.4
Total other non-current liabilities	**21,112.4**	**1,527.1**
Advance payments received from acquired loans	632.8	0.0
Tenant deposits	1,425.5	729.2
Liabilities to tenants	1,845.4	469.6
Current liabilities from finance leases	47.6	2.6
Off-period incoming payment	95.8	300.8
Trust accounts	212.5	0.0
Other	49.2	58.5
Total other current liabilities	**4,308.8**	**1,560.7**
Tax liabilities	0.0	0.0
Total	**25,421.2**	**3,087.8**

As part of the initial adoption of IFRS 16, Deutsche Industrie, as a lessee, balances rights of use and lease liabilities for leases. The company acts as a lessee of leasehold contracts, which, however, were already reported under IAS 17 on the assets and liabilities side of the balance sheet under investment properties and other current and non-current liabilities. The application of IFRS 16 did not result in any changes in valuation.

2.16. Trade payables

Trade payables totalled TEUR 2,043.6 (previous year: TEUR 2,692.0) as of the balance sheet date, and primarily include TEUR 856.4 (previous year: TEUR 37.9) in liabilities from property management and TEUR 529.4 (previous year: TEUR 2,548.0) in land transfer tax liabilities for property additions.

2.17. Leasing

As part of the initial adoption of IFRS 16, Deutsche Industrie, as a lessee, balances rights of use and lease liabilities for leases. The company acts as a lessee of leasehold contracts, which, however, were already reported under IAS 17 on the assets and liabilities side of the balance sheet under investment properties and other current and non-current liabilities. The application of IFRS 16 did not result in any changes in valuation.

The company also leases a motor vehicle, for which a right of use and a leasing liability are now recognised.

The retrospective application of IFRS 16 using the exemption option in IFRS 16.C8(b)(i) did not result in a first-time adoption effect to be recognised in retained earnings. A right of use of TEUR 12.9 and a lease liability of the same amount were recognised. The transition effects result from the recognition of the leased vehicle in the balance sheet and are as follows at the date of initial application:

TEUR	30/09/2019	IFRS 16 initial adoption	01/10/2019
Non-current assets	432,788.9	12.9	432,801.8
-of which property, plant, and equipment	1,051.9	12.9	1,064.8
Total assets	**438,989.1**	**12.9**	**439,002.0**
Equity	**181,463.2**	**0.0**	**181,463.2**
Non-current liabilities	228,144.6	12.9	228,157.5
-of which other non-current liabilities	1,527.1	12.9	1,540.0
Total equity and liabilities	**438,989.1**	**12.9**	**439,002.0**

- **The reconciliation to the opening balance sheet value of the lease liability on 1 October 2019 is as follows:**

TEUR	2019/2020
Liabilities from short-term leases at 30/09/2019	2.6
Minimum lease payments (nominal value) of long-term finance lease liabilities at 30/09/2019	1,516.7
Leasing liabilities at 30/09/2019	**1,519.3**
IFRS 16 – First-time application effect on lease liabilities	12.9
Leasing liabilities at 01/10/2019	**1,532.2**

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

TEUR	30/09/2020	01/10/2019
Plant, operating and office equipment	9.9	12.9
Investment properties	20,832.7	1,472.0
Total rights of use	**20,842.6**	**1,484.9**

• **Leasing liabilities are broken down as follows as of the reporting date:**

TEUR	30/09/2020	01/10/2019
Non-current lease liabilities	21,060.0	1,529.6
Current lease liabilities	47.6	2.6
Total leasing liabilities	**21,107.6**	**1,532.2**

In the statement of comprehensive income, additional depreciation resulted from the amortisation of the right to use assets previously balanced as operating leases and additional interest expenses from the compounding of the lease liability. Depreciation of TEUR 3.0 is attributable to rights of use, while interest expenses from compounding leasing liabilities amount to TEUR 0.2.

2.18. Taxes and deferred taxes

DIR has had REIT status since 1 January 2018 and is therefore exempt from corporation and trade tax. Compliance with the criteria of the REIT Act is decisive for the tax exemption.

If the REIT criteria are met, existing temporary differences between IFRS and the tax balance sheet will not have any tax implications in future because of the income tax exemption. This results in a deferred tax result of TEUR 0.0 (previous year: TEUR 0.0).

PICTURE:
Remscheid, Rosentalstraße

3. Notes to the statement of comprehensive income

3.1. Net rental income

The rental income is made up of revenues from gross rental income and revenues from operating and ancillary costs, less operating expenses, and is as follows:

TEUR	2019/2020	2018/2019
Gross rental income	40,781.3	25,481.2
Revenues from operating and ancillary costs	7,174.2	4,258.5
Rental revenues	**47,955.5**	**29,739.7**
Maintenance	2,803.8	2,195.2
Recoverable operating and ancillary costs	9,211.5	3,755.3
Non-recoverable operating costs	4,654.5	2,838.8
- Thereof advertising costs	3,106.0	1,762.6
- Thereof administrative costs	1,180.9	817.4
- Thereof legal and consulting fees	52.5	19.6
- thereof vacancy costs	23.7	-58.7
- thereof other costs	291.4	297.9
Total operating expenses	**16,669.8**	**8,789.3**
Net rental income	**31,285.7**	**20,950.4**

Revenue relates almost exclusively to commercial rentals from properties in Germany. The income from operating and ancillary costs does not include any own work performed by the company. Maintenance expenses relate to repairs and maintenance work. In 2019/2020, value-enhancing maintenance measures in the amount of TEUR 4,943.6 (previous year: TEUR 3,273.4) were capitalised.

Operating and incidental costs include sales revenues of TEUR 4,392.0 (previous year: TEUR 3,587.3) in accordance with IFRS 15.

3.2. Net proceeds from the sale of investment properties

In the 2019/2020 financial year, a partial sale of the Wuppertal property took place, which was reported under investment properties held for sale in accordance with IFRS 5. The selling price amounted to TEUR 435.0 and a valuation result of TEUR 22.9 was achieved for this property.

3.3. Other Company income

Other operating income amounted to TEUR 175.6 (previous year: TEUR 373.7) in the financial year under review and primarily includes income from insurance compensation amounting to TEUR 159.6 (previous year: TEUR 340.5).

3.4. Result from the revaluation of investment properties

The valuation result includes the net valuation gains and losses from the fair value measurement of investment properties by an external and independent appraiser as of the balance sheet date. If sales contracts exist, the sales price agreed therein 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 company's personnel expenses amounted to TEUR 854.2 in the 2019/2020 financial year (previous year: TEUR 808.3). Further services for the company are provided by employees of Obotritia KGaA. A cost allocation is charged for these services, which is recognised under other operating expenses.

The increase in personnel expenses results from the hiring of new employees to reflect the growth of the company. Of the personnel expenses, TEUR 56.0 (previous year: TEUR 33.8) relate to social security contributions and pension expenses.

Nine people (previous year: four) were directly employed by the company at the balance sheet date. This included two members of the Board of Management, five salaried employees and two interns.

3.6. Impairment loss of inventories and receivables

• **The impairments break down as follows:**

Impairment loss in TEUR	2019/2020	2018/2019
Impairment of rent receivables	671.4	208.6
Write-down of rent receivables	158.9	0.0
Impairment on loans acquired	1,733.8	0.0
Total	**2,564.1**	**208.6**

During the reporting period, impairments of TEUR 1,733.8 were recognised in the income statement on the Creditshelf loans.

For further information, see also section 2.4 Trade receivables, section 2.5 Other non-current financial assets and section 2.7 Other non-current and current assets.

3.7. Other administrative expenses

The other administrative expenses are as follows:

TEUR	2019/2020	2018/2019
Legal, consultancy and auditing costs	678.4	362.4
Agency fees	507.4	471.9
Charges	769.9	262.7
Compensation	166.4	0.0
Appointment of mortgages	140.3	272.2
Remuneration of the Supervisory Board	27.5	28.1
Others	288.4	195.7
Total	**2,578.2**	**1,592.9**
thereof one-off expenses	619.9	431.2
Adjusted	**1,958.3**	**1,161.7**

Legal and consulting expenses primarily comprise the ongoing costs of external accounting and auditing fees and legal advice. Miscellaneous other operating expenses primarily include costs arising from the preparation of appraisals. Non-recurring expenses in the reporting period primarily comprise expenses for consulting costs in connection with a special project and costs for real estate liens. Adjusted for special effects and non-recurring expenses, other operating expenses rose by TEUR 796.6.

3.8. Finance result

• **The financial result has the following structure:**

TEUR	2019/2020	2018/2019
Valuation result of financial liabilities	–7,904.0	–832.0
Total valuation result	**–7,904.0**	**–832.0**
Interest income from shareholder loans	3,020.0	98.6
Interest income from Creditshelf loans	2,453.2	0.0
Other interest income	0.0	0.0
Total interest income	**5,473.2**	**98.6**
Interest on corporate bonds	–4,881.2	–4,400.0
Other interest expenses for loans to banks	–2,235.7	–877.3
Interest on convertible bonds	–832.0	–208.0
Interest expense from shareholder loans	–198.3	–1,064.2
Capital raising fees for liabilities measured at fair value	0.0	–161.3
Total interest expenses	**–8,147.2**	**–6,710.8**
Interest expense Leasing (ground rents)	–890.0	–113.9
Financial results	**–11,468.0**	**–7,558.1**
thereof non-cash	–3,718.3	–1,740.6

Of the interest income, TEUR 5,473.2 is attributable to financial instruments that are balanced using the effective interest method.

The valuation of financial liabilities in the amount of TEUR 7,904.0 (previous year: TEUR 832.0) results from the measurement of the convertible bond at fair value.

The increased interest result in the reporting period is due to interest income from acquired loans via Creditshelf and from loans issued to Obotritia Capital. For further information, please refer to section 6.3.

3.9. Other taxes

Other taxes in the reporting period amount to TEUR 0.2 (previous year: TEUR 0.0) and are exclusively vehicle taxes. The property tax payable on investment properties is reported under rental expenses.

3.10. Earnings per share

• **Earnings per share are as follows:**

TEUR	2019/2020	2018/2019
Net income for the period (undiluted)	**50,820.5**	**48,671.9**
Interest expense on convertible bonds	832.0	208.0
Valuation result financial liabilities	7,904.0	832.0
Net income for the period (diluted)	**59,556.5**	**49,711.9**
Average number of shares issued in the reporting period (undiluted)	29,297,634	21,619,034
Potential weighted conversion shares	2,258,412	2,248,480
Average number of shares issued in the reporting period (diluted)	31,556,046	23,867,514
Earnings per share (EUR)		
Undiluted	1.73	2.25
Diluted	1.73	2.08

The previous year's figures have been extended to include the valuation result of financial liabilities and thus the diluted earnings per share for the previous year have been adjusted. In the current financial year, the conversion has no dilutive effect. Diluted earnings per share are the same as undiluted earnings per share.

PICTURE:
Dortmund, Westfaliastraße

4. Notes to the cash flow statement

The cash flow statement was prepared using the indirect method for the operating part. A distinction was made between operating, investing, and financing activities. The cash and cash equivalents reported 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 in the course of 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 activities and cash flows from investing and financing activities.

Cash flow from operating activities amounted to TEUR 17,661.9 in the financial year (previous year: TEUR 17,133.0). The positive cash flow from operating activities is directly related to the increase in the portfolio of rental properties, which will continue to improve in the coming years.

The cash flow from investing activities in the reporting year was TEUR - 225,398.3 (previous year: TEUR - 198,002.9). The main investing activities of the company in the reporting year include payments for the various property acquisitions amounting to TEUR - 104,973.7 (previous year: TEUR - 215,529.4) as well as payments within the framework of short-term financial management amounting to TEUR - 140,306.4 (previous year: TEUR 0.0).

Cash flow from financing activities amounted to TEUR 205,705.9 in the reporting year (previous year: TEUR 182,818.4). The main factors in the reporting year were payments received from capital increases of TEUR 149,091.0 (previous year: TEUR 63,005.3) and payments received from loans taken out with various banks totalling TEUR 77,620.0 (previous year: TEUR 61,875.0). These inflows were mainly offset by outflows for the repayment of loans including interest payments totalling TEUR - 15,211.1 (previous year: TEUR 8,184.1) and dividends paid to shareholders totalling TEUR - 4,666.1 (previous year: TEUR - 2,025.0).

• **The opening balance of net financial liabilities as of 01 October 2019 can be reconciled to the closing balance as of 30 September 2020 as follows:**

TEUR	Liabilities to banks	Liabilities from convertible bonds	Liabilities from corporate bonds	Total
As of 01/10/2018	**11,913.3**	**0.0**	**89,686.2**	**101,599.5**
Inflows from the issue of corporate bonds	0.0	0.0	28,100.0	28,100.0
Costs from the issue of corporate bonds	0.0	0.0	–101.1	–101.1
Cash inflow from issuing corporate bonds	0.0	40,352.0	0.0	40,352.0
Costs related to issuing corporate bonds	0.0	0.0	0.0	0.0
Cash inflow from loans	61,875.0	0.0	0.0	61,875.0
Costs related to the issuance of loans	–42.5	0.0	0.0	–42.5
Amortisation of loans	–2,268.0	0.0	0.0	–2,268.0
Valuation result of financial liabilities	0.0	832.0	0.0	832.0
Interest expenses	877.3	208.0	4,400.0	5,485.3
Interest paid	–871.7	–208.0	–4,181.1	–5,260.8
As of 30/09/2019	**71,483.4**	**41,184.0**	**117,904.0**	**230,571.4**
As of 01/10/2019	**71,483.4**	**41,184.0**	**117,904,0.**	**230,571.4**
Inflows from the issue of corporate bonds	0.0	0.0	0.0	0.0
Costs from the issue of corporate bonds	0.0	0.0	0.0	0.0
Inflows from the issue of convertible bonds	0.0	0.0	0.0	0.0
Costs from the issue of convertible bonds	0.0	0.0	0.0	0.0
Inflows from the take-up of loans	77,620.0	0.0	0.0	77,620.0
Costs from the take-up of loans	–214.4	0.0	0.0	–214.4
Outflow for the amortisation of financial liabilities	–6,448.3	0.0	0.0	–6,448.3
Valuation result of financial liabilities	0.0	7,904.0	0.0	7,904.0
Interest expenses	2,235.7	832.0	4,881.2	7,948.9
Interest paid	–2,191.5	–832.0	–4,720.0	–7,743.5
As of 30/09/2020	**142,484.9**	**49,088.0**	**118,065.2**	**309,638.1**

5. Disclosures on financial instruments and fair value

5.1. Financial risk management

DIR's business exposes it to various financial risks. These risks mainly include default, liquidity, and market risk (interest rate risk). Accordingly, there is a policy-based risk management system, which is managed by the Corporate Finance department. 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 defined as the risk of a loss if a business partner fails to meet its contractual payment obligations. These can essentially be tenants or banks. To counter this risk, DIR only enters into business relationships with creditworthy contracting parties and obtains appropriate collateral. For this purpose, the DIR uses available financial information to assess the creditworthiness of the business partners. The company's risk exposure is continuously monitored.

The company generally records value adjustments for expected defaults:

- Financial assets measured at amortized cost
- Debt instruments measured at fair value through equity
- and contract assets as well as receivables from leases.

The Company measures the allowance for doubtful accounts by the amount of the expected losses over the lease 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 as at the balance sheet date, and
- Debt instruments for which the default risk has not increased significantly since initial recognition.

Value adjustments on trade receivables and contract assets as well as receivables from leases are generally considered based on expected credit losses over the term of the lease.

To determine whether there has been a significant increase in default risk since initial recognition and to estimate the expected default, appropriate and robust information that is available without unreasonable time and cost is used. This includes both quantitative and qualitative information and analyses based on experience and forward-looking information. The transfer from Level 1 of the impairment model according to IFRS 9 takes place if the credit default risk has increased significantly since initial recognition. The indicator for this is primarily that the contractual payments are more than 30 days overdue or the rating has deteriorated. A retransfer takes place if the credit default risk on the reporting 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 the credit default risk in relation to the previous reporting date.

The expected defaults are generally based on the difference between all contractual payments owed and all expected payments.

On each reporting date, a review is conducted to determine whether financial assets carried at amortised cost and debt instruments recognised at fair value through other comprehensive income have an impaired credit rating and, if so, whether their value needs to be adjusted. The credit quality of a financial asset is impaired if one or more events with an adverse effect on the expected future cash flows have occurred. Indicators include:

- Significant financial difficulties of the borrower
- A breach of contract such as default or overdue payment
- It is likely that the borrower will go into insolvency or restructuring proceedings
- makes concessions to the borrower for economic or legal reasons related to the borrower's financial difficulties, which would not otherwise be considered.

Existing rent receivables are reported in trade receivables and regularly reviewed for impairment. For measuring expected credit losses, rent receivables have been aggregated in trade receivables based on common credit risk characteristics and days past due. Impairments are generally carried out based on the age structure of the rent receivables, except for the highest rent receivables, which are considered individually and impaired if necessary. The expected loss rates are based on payment profiles of past sales and correspond to the historical defaults. An adjustment to these historical loss rates is made using current and forward-looking information on macroeconomic factors, thereby reflecting the ability of customers to pay the receivables. Impairment losses on trade receivables are included in impairment losses on receivables and inventories. The impairments are deducted from the financial asset.

Existing loan receivables are tested for impairment and any significant increase in value based on their expected probability of default. The underlying probability of default of the acquired loans is based on regular credit analyses of the service provider Creditshelf including the rating carried out there. Impairment losses on financial assets measured at fair value through other comprehensive income do not reduce the carrying amount of the asset but are recognised in other comprehensive income in the same way as changes in fair value.

Financial assets are derecognised after an appropriate assessment if they are no longer expected to be realisable. For individual assets, the impairment requirement provides for derecognition if they are more than 360 days past due.

The financial assets recognised in the financial statements less any impairments represent the maximum default risk of the company. Collateral received is not considered. Apart from the receivables that are up to 30 days overdue, there are no other receivables that have not been impaired. See also chapter 2.4 Receivables from deliveries and services.

5.1.2. Liquidity and financing risk

Liquidity risk is the risk that DIR will not be able to meet its payment obligations at a contractually agreed time.

To ensure liquidity, liquidity planning is carried out, which continuously compares the expected liquidity needs with the expected liquidity inflows. In doing so, DIR manages liquidity risks by maintaining adequate reserves and credit lines as well as through ongoing target/actual comparisons of projected and actual cash flows, considering the maturity profiles of receivables and liabilities.

The following tables show the contractual and undiscounted disbursements of the liabilities recognised in the balance sheet by residual maturity including accrued interest:

Remaining maturities as at 30/09/2020 in TEUR	Total	up to 1 year	1 to 5 years	over 5 years
Liabilities to banks	142,710.0	7,831.8	52,166.8	82,711.4
	(71,538.4)	(3,970.0)	(21,093.5)	(46,474.9)
Liabilities to other creditors[1]	0.0	0.0	0.0	0.0
	(20,177.7)	(0.0)	(20,177.7)	(0.0)
Liabilities from convertible bonds	43,727.9	0.0	43,727.9	0.0
	(43,727.9)	(0.0)	(43,727.9)	(0.0)
Liabilities from corporate bonds	118,397.2	0.0	118,397.2	0.0
	(118,397.2)	(0.0)	(118,397.2)	(0.0)
Liabilities from leasing	21,097.8	47.7	233.5	20,816.6
	(1,519.4)	(2.7)	(12.8)	(1,503.9)
Liabilities from trade payables	2,043.7	2,043.7	0.0	0.0
	(2,692.0)	(2,692.0)	(0.0)	(0.0)
Other non-current liabilities	52.4	0.0	52.4	0.0
	(10.3)	(0.0)	(10.3)	(0.0)
Other current liabilities	4,261.2	4,261.2	0.0	0.0
	(1,558.0)	(1,558.0)	(0.0)	(0.0)

1 Drawn credit line repayable at any time

The company can draw on credit lines. The total amount not yet utilised as of the balance sheet date is approximately TEUR 0.0 (previous year: TEUR 0.0). The company expects to be able to meet its liabilities at any time from operating cash flows, from the inflow of maturing financial assets and capital measures, and from the existing credit lines. In addition, there are estimated future cash outflows from interest on financial liabilities within one year of TEUR 7,886.3 (previous year: TEUR 6,987.6), of more than one but less than five years of TEUR 14,060.9 (previous year: TEUR 16,775.8) and after more than five years of TEUR 4,685.7 (previous year: TEUR 3,534.0). The future interest payments for leases are shown in 6.2.

The majority of loan agreements include obligations to comply with certain financial covenants. These usually include standard ratios such as the debt service coverage ratio (DSCR) or loan-to-value (LTV).

A breach of the agreed credit covenants could result in an early repayment obligation, which could affect liquidity in individual cases. As at the reporting date 30 September 2020, all covenants from loan and bond agreements were complied with.

The recognised financial assets are classified as either current or non-current according to their maturity.

Furthermore, DIR is fundamentally dependent on being able to obtain debt capital at appropriate conditions to refinance 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 covered, lenders could initiate forced realisations of real estate collateral, whereby distress sales could lead to significant financial disadvantages. In this respect, DIR continuously takes advantage of favourable market conditions to align its financing in a favourable and sustainable manner. This also applies to the (convertible) bonds issued.

5.1.3. Interest rate risk

Due to its business activities, DIR is exposed to interest rate risk. This exists for variable-rate loans and for the redefinition of conditions of fixed-rate loans after expiry of the fixed-rate period if higher interest payments result from interest rate increases by the ECB.

As of 30 September 2020, there are both fixed rate loans and floating rate loans.

For hedging purposes, DIR uses derivative financial instruments such as interest rate swaps or caps where necessary, which minimise the interest rate risk or interest rate sensitivity in the event of rising interest rates. The Company used interest rate swaps for the first time in the reporting year to hedge risks from variable interest rates. For this purpose, DIR enters into long-term loans at floating interest rates and swaps these into fixed interest rates via the interest rate swaps entered in parallel as part of micro-hedge accounting, which results in the recognition of interest expense at a fixed rate for the hedged floating rate loans. The interest payments to be made on the loans during the hedging period represent the hedged items and are recognised in profit or loss. Cash flow changes in the hedged items due to changes in the reference interest rate are offset by cash flow changes in the hedging instruments (interest rate swaps). The cash flows from the hedged items hedged in cash flow hedge accounting will occur until 2025 or 2028. The fixed interest rates of the swaps range from 0.05% to 0.2% p.a., while the floating interest rates of the loans correspond to the 3-month EURIBOR. The contractual premiums of the underlying transactions are between 1.42% and 1.55%. Payments from the interest rate swap transactions are made on the quarterly reporting date, so that the settlement dates coincide with the dates on which the interest on the underlying transactions is due. No derivatives are used for speculative purposes. The effectiveness of these hedging relationships is ensured by means of a critical term match.

• **Derivative financial instruments are reported in the following balance sheet items as of 30 September 2020:**

TEUR	30/09/2020	30/09/2019
Non-current derivative financial instruments		
Book value of interest rate swaps – held to hedge changes in cash flows	491.4	0.0
Total derivative financial instruments – assets	**491.4**	**0.0**

The Company's hedging reserves relate to the following hedging instruments:

TEUR	Interest rate swaps	Total hedging reserves
As of 01/10/2019	**0.0**	**0.0**
Change in fair value of hedging instruments recognised in other comprehensive income	491.4	491.4
Hedging costs deferred and recognised in other comprehensive income	0.0	0.0
Reclassified from other comprehensive income to profit and loss	0.0	0.0
Deferred taxes	0.0	0.0
Closing balance as at 30/09/2020	**491.4**	**491.4**

The effects of interest rate swaps on the financial position, liquidity and financial performance of the company are as follows:

TEUR	2019/2020
Book value (current and non-current assets)	491.4
Nominal amount	16,625.0
Due date	2025 or 2028
Hedging rate	100%
Change in fair value of outstanding hedging instruments in the reporting period	491.4
Change in value of the hedged item used to determine hedge effectiveness	–491.4
Weighted average hedge rate in the financial year	0.12%

The fair and nominal values of the total interest rate hedging contracts are as follows by residual maturity:

TEUR	< 1 year	1–5 years	> 5 years	Total
Fair values	0	191.7	299.7	491.4
Nominal values	875.0	9,800.0	5,950.0	16,625.0

In addition, the company is continuously in talks with its banking partners to extend expiring fixed-interest periods in good time or to redeem loans early or, if necessary, to reschedule them. In principle, forward loans can also be considered.

If interest rates had been 1% higher (lower) in the reporting period, the annual result would have been TEUR 3,060.7 lower (previous year: TEUR 1,728.9) or TEUR 3,026.5 higher (previous year: TEUR 1,710.0). The other result would have been TEUR 866.8 lower or TEUR 814.8 higher with a 1% higher (lower) interest rate.

5.2. Net results from financial instruments

• **The net gains and losses from financial instruments are distributed among the respective IFRS 9 measurement categories as follows:**

Information as at 30/09/2020 in TEUR	Interest income	Interest expenses	Impairment (in other expenses)	Other	Valuation result
Financial instruments valued at FVtOCI	2,453.3	0.0	1,733.8	–281.1	1,733.8
	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
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	3,020.0	0.0	830.3	0.0	0.0
	(0.0)	(0.0)	(208.1)	(0.0)	(0.0)
Derivatives financial assets in hedging relationships (cash flow hedge)	0.0	79.9	0.0	0.0	491.4
	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Net result from financial assets	**5,473.3**	**79.9**	**2,564.1**	**–281.1**	**–1,242.4**
	(0.0)	**(0.0)**	**(208.1)**	**(0.0)**	**(0.0)**
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	832.0	0.0	0.0	–7,904.0
	(0.0)	(208.0)	(0.0)	(0.0)	(–832.0)
Financial liabilities valued at AC	0.0	7,315.2	0.0	0.0	0.0
	(98.6)	(6,341.4)	(0.0)	(0.0)	(0.0)
Net result from financial liabilities	**(0.0)**	**8,147.2**	**0.0**	**0.0**	**–7,904.0**
	(98.6)	**(6,549.4)**	**(0.0)**	**(0.0)**	**(–832.0)**

The other result from assets measured at fair value through other comprehensive income includes fees for ongoing loan processing and servicing by Creditshelf. The valuation result of the FVtOCI category includes the amount reclassified to the income statement.

5.3. Offsetting financial assets and liabilities

Financial assets and liabilities are offset based on global netting agreements only 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 right to offset is not enforceable in the ordinary course of business, the global netting agreement creates only a contingent right to offset. In this case, the financial assets and liabilities are shown in the balance sheet at their gross amounts on the balance sheet date.

In the balance sheet as of 30 September 2020, receivables from unbilled operating costs of TEUR 5,973.4 (previous year: TEUR 7,396.2) were offset against advance payments received from operating cost prepayments of TEUR 5,903.0 (previous year: TEUR 7,089.5), as is customary in the industry.

5.4. Capital management

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

- **The equity ratio at the end of the financial year was as follows:**

in TEUR	30/09/2020	30/09/2019
Equity	377,200.0	181,463.3
Total assets	715,848.7	438.989.1
Equity ratio in %	**52.7**	**41.3**

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

in TEUR	30/09/2020	30/09/2019
Equity	377,200.0	181,463.3
Investment property/immovable property	585,819.7	392,849.0
Equity ratio in %	**64.4**	**46.2**

Another control parameter is the loan-to-value, which represents the ratio of net financial liabilities to the value of the recognised property assets. DIR aims to achieve a maximum LTV of 50% to 55% in the medium term. This is currently not being achieved, which offers scope for further borrowing:

in TEUR	30/09/2020	30/09/2019
Financial liabilities	330,750.4	252,265.8
minus other non-current financial assets	–22,949.2	0.0
minus cash and cash equivalents and current loans	–35.1	–2,065.7
minus current callable financial assets	–87,716.0	–459.0
Net financial liabilities	**220,050.1**	**249,741.1**
Investment properties	585,819.7	392,849.0
Prepayments on acquired investment properties	7,474.1	38,886.2
Non-current assets held for sale	0.0	435.0
Total property assets	**593,293.8**	**432,170.2**
Loan-to-Value (LTV) in %	**37.1%**	**57.8%**

PICTURE:
Dürren, Kreuzauer Straße

5.5. Valuation categories of financial instruments according to IFRS 9

- **An overview of the measurement categories of financial assets and liabilities according to IFRS 9 can be found in the following table:**

Figures in TEUR	Category according to IFRS 9	Book value as at 30/09/2020	AC	FVtPL	FVtOCI	IFRS 16	Fair value as at 30/09/2020	Valuation hierarchy
Financial assets								
Other non-current financial assets	FVtOCI	14,595.2 (0.0)	–	–	14,595.2 (0.0)	–	14,595.2 (0.0)	Level 3
Other non-current financial assets	AC	8,354.0 (0.0)	8,354.0 (0.0)	–	–	–	8,354.0 (0.0)	Level 2
Non-current derivative financial instruments	–	491.4 (0.0)	–	–	491.4 (0.0)	–	491.4 (0.0)	Level 2
Receivables from deliveries and services	AC	3,420.1 (815.9)	3,420.1 (815.9)	–	–	–	3,420.1 (815.9)	Level 2
Cash and cash equivalents	AC	35.1 (2,065.6)	35.1 (2,065.6)	–	–	–	35.1 (2,065.6)	Level 2
Other current assets	AC	76,372.5 (1,139.0)	76,372.5 (1,139.0)	–	–	–	76,372.5 (1,139.0)	Level 2
Other current assets	FVtOCI	15,934.4 (0.0)	–	–	15,934.4 (0.0)	,	15,934.4 (0.0)	Level 3
Total financial assets		**119,202.7** **(4,024.1)**	**88,181.7** **(4,024.1)**	**0.0** **(0.0)**	**31,021.0** **(0.0)**	**–**	**119,202.7** **(4,024.1)**	

Financial liabilities								
Liabilities to credit institutions	AC	142,484.9 (71,483.4)	142,484.9 (71,483.4)	–	–	–	143,600. (71,442.5)	Level 2
Liabilities to other lenders	AC	0.0 (20,177.8)	0.0 (20,177.8)	–	–	–	0.0 (20,177.8)	Level 2
Liabilities from convertible bonds	FVtPL	49,088.0 (41,184.0)	49,088.0 (41,184.0)	–	–	–	49,088.0 (41,184.0)	Level 1
Liabilities from corporate bonds	AC	118,065.2 (117,904.0)	118,065.2 (117,904.0)	–	–	–	122,720.0 (123,900.0)	Level 1
Liabilities from leases	–	21,107.6 (1,485.8)	–	–	–	21,107.6 (1,485.8)	21,107.6 (1,485.8)	Level 2
Liabilities from deliveries and services	AC	2,043.7 (2,692.0)	2,043.7 (2,692.0)	–	–	–	2,043.7 (2,692.0)	Level 2
Other non-current liabilities	AC	52.4 (10.3)	52.4 (10.3)	–	–	–	52.4 (10.3)	Level 2
Other current liabilities	AC	1,667.2 (729.2)	1,667.2 (729.2)	–	–	–	1,667.2 (729.2)	Level 2
Total financial liabilities		**334,509.0** **(255,666.5)**	**313,401.4** **(254,180.7)**	**0.0** **(0.0)**	**0.0** **(0.0)**	**21,107.6** **(1,485.8)**	**340,279.6** **(255,666.5)**	

5.6. Fair value of assets and liabilities

The IFRS determine the recognition of a fair value for various assets and liabilities.

The fair value is defined in IFRS 13 and is to be determined using valuation methods and input parameters that are as close to the market as possible. A valuation hierarchy divides the input data into three levels according to their quality:

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

If input factors of different levels are applied, the fair value is allocated to the lower hierarchy level. The company generally recognises reclassifications between different levels at the end of the reporting period in which the change occurred. In the 2019/2020 financial year and in the previous period, there were no reclassifications between the respective hierarchy levels.

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

in TEUR	Valuation hierarchy	30/09/2020	30/09/2019
Investment properties	Level 3	585,819.7	392,849.0
Acquired loans	Level 3	30,529.7	0.0
Derivative financial instruments	Level 2	491.4	0.0
Properties for sale	Level 1	0.0	435.0
Total assets		**616,840.7**	**393,284.0**
Convertible bond	Level 1	49,088.0	41,184.0
Total liabilities		**49,088.0**	**41,184.0**

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

The fair value of the acquired loans corresponds to the acquisition costs adjusted for repayments made, considering valuation adjustments based on credit-specific default probabilities, which are updated regularly.

6. Other information

6.1. Contingent liabilities and other financial obligations

As of the reporting date. the following significant financial obligations exist:

TEUR	30/09/2020	30/09/2019
Asset and property management contracts	8,483.0	7,834.7
Administrative levies contracts	507.3	471.9
Car leasing	10.4	13.6
Total	**9,000.7**	**8,320.2**
of which up to 1 year	3,055.9	2,876.8
of which between one and five years (undiscounted)	5,944.8	5,443.4
of which over five years (undiscounted)	0.0	0.0

As of the balance sheet date 30 September 2020, the company has purchase price obligations from notarised purchase agreements for four properties in the amount of TEUR 18,200.

There are no other contingent liabilities.

6.2. Obligations under leases

As the lessee of leasehold contracts, there are long-term leasing liabilities that lead to payments 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 30/09/2020	**78,360.7**	**1,710.3**	**6.841.1**	**69,809.3**
thereof interest payments	57,262.9	1,662.6	6.607.6	48,992.7
thereof repayments	21,097.8	47.7	233.5	20,816.6
Minimum lease payments 30/09/2019	**6,315.2**	**115.7**	**462.7**	**5,736.9**
thereof interest payments	4,795.8	113.0	449.9	4,232.9
thereof repayments	1,519.4	2.7	12.8	1,503.9

The leasehold contracts have a remaining useful life of 49.4 years on average and are adjusted to agreed indices through value protection clauses. In the reporting year, an index adjustment took place, as a result of which the book value of the leaseholds was increased by TEUR 12.2. This effect on the leasing liabilities and rights of use was recognised in the reporting period without affecting profit or loss. Furthermore, extension options exist in some cases. There were no contingent lease payments.

6.3. Transactions with related companies and persons

The companies and persons related to the company in accordance with IAS 24 comprise the following groups:

- Parent company.
- Other shareholders.
- Other related entities - 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 company maintains business relationships with related companies and persons. Essentially, these relationships comprise financial services through short-term liquidity provision based on concluded framework agreements as well as services.

The scope of transactions with related parties is shown below:

Deutsche Industrie is an affiliated company of Obotritia Capital KGaA, Potsdam. For the use of business premises, the provision of office equipment and administrative staff, including the activities of the Executive Board, Obotritia Capital KGaA charged a fee of TEUR 507.4 (previous year: TEUR 471.9) in the reporting period as part of the agency agreement concluded, including its first amendment dated 1 July 2020.

The Company has concluded reciprocal loan framework agreements with Obotritia Capital KGaA ("Obotritia Capital"). These reciprocal master loan agreements enable the Company and Obotritia Capital to provide loans to each other on an as-needed basis and have a maturity date of 31 December 2024 (for the master loan agreement under which Obotritia Capital may lend to the Company) and 31 December 2027 (for the master loan agreement under which the Company may lend to Obotritia Capital). However, both agreements can be terminated - notwithstanding the possibility of extraordinary termination - with a notice period of three months. Currently, the agreed maximum amount for loans granted by the Company to Obotritia Capital is EUR 80.0 million and for loans granted by Obotritia Capital to the Company is EUR 31.0 million. Interest of 8% p.a. is payable on the amount of the loan drawn down. Interest payments are deferred and are due at the latest upon termination of the loan. No collateral was agreed.

As of 30 September 2020, there was a receivable including interest of TEUR 75,014.1 (previous year: liability of TEUR 20,177.8). Interest income of TEUR 3,020.0 (previous year: TEUR 98.6) and interest expenses of TEUR 198.3 (previous year: TEUR 1,064.2) were generated for the financial year.

There is a management contract with GV Nordost Verwaltungsgesellschaft mbH, Rostock, for the property management of the real estate portfolio. The agreed remuneration amounts to 2% or 3% of the net rental income received (plus VAT) per month, depending on the property. Expenses of TEUR 1,062.5 (previous year: TEUR 705.7) were incurred in the reporting year.

Furthermore, there is a management and consulting contract with Elgeti Brothers GmbH, Berlin. The agreed remuneration amounts to 0.5% per annum of the gross asset value of the company's properties, calculated based on the acquisition prices and transaction costs, and is paid in quarterly instalments. In the reporting year, expenses amounted to TEUR 2,103.4 (previous year: TEUR 1,310.5).

A usage transfer agreement exists with Solitaire Verwaltungsgesellschaft mbH & Co. KG for the use of a motor vehicle with a term until 31 December 2023, resulting in annual lease payments of TEUR 3.1 net plus VAT. In addition, Solitaire undertakes to fully assume all costs associated with the vehicle (insurance, repairs, etc.).

Furthermore, DIR leases commercial space to Solitaire Verwaltungsgesellschaft mbH & Co. KG commercial space with an annual net rent of TEUR 31.0 and additionally three parking spaces free of charge. The lease is for an indefinite period and can be terminated at any time with a notice period of three months.

Furthermore, the Company invested short-term surplus liquidity in the amount of TEUR 48,955.5 in the acquisition of loans from Creditshelf Service GmbH, Frankfurt. Obotritia Capital KGaA holds shares in Creditshelf AG, so that this company and its subsidiary, Creditshelf Service GmbH, are to be classified as related parties. No loans defaulted during the reporting period. However, in view of the Corona pandemic, some borrowers have taken a bridging loan of TEUR 1,352.4, which was transferred directly to the Company for the repayments of the existing loans in the following months. The future instalments paid in advance to the company were considered as advance payments received. The impairment on the acquired loans in the amount of TEUR 1,733.8 is recognised in other comprehensive income, whereas the change in fair value in the amount of TEUR 1,733.8 is recognised in other comprehensive income. Creditshelf received TEUR 281.1 from Deutsche Industrie for ongoing loan processing and servicing.

In addition, Deutsche Industrie acquired loans from an affiliated company via the Creditshelf Service GmbH platform. In the reporting period, DIR acquired two loans with a total investment volume of TEUR 4,900.0. The interest rates are 10.00 % and 11.00 %. As at the balance sheet date, Deutsche Industrie has a receivable of TEUR 2,531.9 including interest. In the 2019/2020 business year, interest income from the loans in the amount of TEUR 307.8 and value adjustments in the amount of TEUR 90.0 were recognised.

The following receivables from and payables to related parties exist in the balance sheet:

TEUR	30/09/2020	30/09/2019
Other current assets		
against shareholders (Obotritia Capital KGaA)	75,014.1	0.0
Other related parties	2,535.4	17.0
Liabilities to other lenders		
against Obotritia Capital KGaA	0.0	20,177.8

No loans or advances were granted to related parties. 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 was composed as follows:**

Name	Occupation	Memberships in other supervisory bodies within the meaning of Section 125 (1) sentence 5 of the German Stock Corporation Act (AktG)
Hans-Ulrich Sutter Chairman of the Supervisory Board Member and Chairman since March 2019	Business graduate, Supervisory Board	• Deutsche Konsum REIT-AG, Broderstorf (Chairman of the Supervisory Board), listed on the stock exchange • TAG Colonia-Immobilien AG, Hamburg (Deputy Chairman of the Supervisory Board)
Dr. Dirk Markus First Deputy Chairman of the Supervisory Board Member and Deputy Chairman since October 2017, First Deputy Chairman of the Supervisory Board since 6 March 2020	Economist, CEO of Aurelius Group, London, United Kingdom	• Obotritia Capital KGaA, Potsdam (Member of the Supervisory Board)
Achim Betz Second Deputy Chairman of the Supervisory Board Member since October 2017, second Deputy Chairman of the Supervisory Board since 6 March 2020	Chartered accountant, tax consultant, business graduate ba audit GmbH Wirtschaftsprüfungsgesellschaft, Berlin (Managing Partner), BSF Treuhand GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart (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 Konsum REIT-AG, Rostock (First Deputy Chairman of the Supervisory Board), listed on the stock exchange • NEXR Technologies SE (formerly Staramba SE), Berlin (Vice-Chairman of the Board of Directors) • Bankhaus Obotritia GmbH, München (Member of the Audit Committee)
Cathy Bell-Walker Member of the Supervisory Board (since 06 March 2020)	Lawyer (Solicitor, England & Wales)	• Deutsche Konsum REIT-AG, Broderstorf (Member of the Supervisory Board since 5 March 2020), listed on the stock exchange
Antje Lubitz Member of the Supervisory Board (since 06 March 2020)	Real estate economist, 3PM Services GmbH, Berlin (Managing Director)	• None

The remuneration of the Supervisory Board for the financial year amounted to TEUR 28.8 (previous year: TEUR 22.5) excluding VAT. No loans or advances were granted to members of the Supervisory Board; likewise, no contingent liabilities were entered into in favour of Supervisory Board members.

- **In the reporting period, the Executive Board was composed as follows:**

Name	Occupation	Memberships in other supervisory bodies within the meaning of Section 125 (1) sentence 5 of the German Stock Corporation Act (AktG)
Rolf Elgeti Chief executive officer	Chief Executive Officer (CEO)	• TAG Immobilien AG, Hamburg, Germany (Chairman of the Supervisory Board) • Deutsche Leibrenten Grundbesitz AG, Frankfurt am Main, Germany (Chairman of the Supervisory Board) • creditshelf Aktiengesellschaft, Frankfurt am Main, Germany (Chairman of the Supervisory Board) • NEXR Technologies SE (formerly Staramba SE), Berlin, Germany (Chairman of the Board of Directors) • HLEE (Highlight Event and Entertainment AG, Pratteln, Switzerland) (Member of the Board of Directors) • Laurus Property Partner, Munich, Germany (Member of the Advisory Board) • Bankhaus Obotritia GmbH, Munich (Member of the Audit Committee)
Sonja Petersen (nee Paffendorf)	Chief Investment Officer (CIO)	• None
René Bergmann	Chief Financial Officer (CFO)	• None

The remuneration of the Chairman of the Executive Board for the 2019/2020 financial year amounts to TEUR 71.3 (previous year: TEUR 71.3). The remuneration is paid by Obotritia Capital KGaA as there is no employment contract between the company and the Chairman of the Executive Board. There are no other benefits or variable remuneration.

For details on the remuneration of the Supervisory Board and the Management Board, please refer to the remuneration report in the DIR management report.

6.5. Consolidated Financial Statements

DIR is included as a subsidiary in the consolidated financial statements of Obotritia Capital KGaA, Potsdam. The 2019/2020 annual financial statements are included in the consolidated financial statements of Obotritia Capital KGaA, Potsdam, for the largest and smallest group of companies, which are disclosed in the Federal Gazette.

6.6. Fee of the auditor

• **The auditor's fees in the past financial year were as follows:**

TEUR	30/09/2020	30/09/2019
Audit services for financial statements	94.3	93.1
Other certification services	77.6	63.2
Other services	5.6	5.4
Total	**177.5**	**161.7**
of which relating to other periods	29.1	18.1

The other certification services in 2019/2020 relate to the issuance of a comfort letter in accordance with IDW PS 910 (TEUR 73.4) and the audit in accordance with Section 1 (4) of the REIT Act as of 30 September 2018 and 30 September 2019 (TEUR 4.2). Fees unrelated to the accounting period are included from recalculations in the amount of TEUR 29.1 (previous year: TEUR 18.1).

6.7. Significant events after the balance sheet date

Between the balance sheet date and the time, the financial statements were prepared, four properties were transferred to the economic ownership of Deutsche Industrie. The investment volume was around EUR 18.2 million. The locations are Euskirchen, Oschersleben, Grünsfeld and Bielefeld.

In addition, purchase agreements were concluded for four properties totalling EUR 33.8 million. The properties are located in Metzingen, Sembach, Gevelsberg (Mühlenstr.) and Gevelsberg (Kölner Straße).

The company sold several undeveloped plots of land at the property in Mönchweiler, which had not yet been divided and were not necessary for management, to the municipality of Mönchweiler and to a private party in two notarised contracts dated 24 November 2020. The notarisation was also carried out without power of attorney for the buyers. The approval of the purchase agreements by the buyers is scheduled for 16.12.2020.

Two loan agreements totalling EUR 3.6 million were concluded with Berliner Volksbank to refinance the properties in Löbichau and Kloster Lehnin.

A loan agreement for EUR 2.5 million was concluded with VerbundVolksbank OWL eG to refinance the Bielefeld property.

6.8. Corporate Government Codex (Declaration on the German Corporate Governance Code pursuant to Art. 161 AktG)

On 23 October 2020, the Executive Board and Supervisory Board of Deutsche Industrie REIT-AG issued the current declaration of compliance with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG) and on 4 December 2020 the current corporate governance declaration. The declaration was made permanently available to shareholders at https://deutsche-industrie-reit.de.

Rostock, 7 December 2020

Rolf Elgeti	**Sonja Petersen**	**René Bergmann**
Chief Executive Officer	Chief Investment Officer	Chief Financial Officer

Assurance of legal representatives

"We assure to the best of our knowledge that, in accordance with the applicable accounting principles, the annual financial statements as at 30 September 2020 give a true and fair view of the net assets, financial position and results of operations of the Company and that the management report gives a true and fair view of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company."

Rostock, 7 December 2020

Rolf Elgeti	**Sonja Petersen**	**René Bergmann**
Chief Executive Officer	Chief Investment Officer	Chief Financial Officer

Audit Opinion of the independent individual financial statements

To Deutsche Industrie REIT-AG, Rostock

Note on the audit of the consolidated financial statements and the management report

Audit opinions

We have audited the individual financial statements of Deutsche Industrie REIT-AG, comprising the balance sheet as of 30 September 2020, the statement of comprehensive income, the cash flow statement and the statement of changes in equity for the financial year from 1 October 2019 to 30 September 2020 and the notes, including a summary of significant accounting policies. In addition, we have audited the management report of Deutsche Industrie REIT-AG for the financial year from 1 October 2019 to 30 September 2020. In accordance with German legal requirements, we have not audited the contents of the management report in the section “Other information” of our audit opinion.

In our opinion, based on the findings of the audit,

- the accompanying financial statements comply in all material respects with IFRSs as adopted by the EU, the additional requirements of German law pursuant to § 315e Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Company as of September 30, 2020 and of its results of operations for the financial year from October 1, 2019 to September 30, 2020 in accordance with these requirements, and

- The accompanying management report provides a suitable view of the Company‘s situation. In all material respects, this management report is consistent with the single-entity financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development.

Pursuant to Section 322 (3) Sentence 1 HGB, we declare that our audit has not led to any objections to the regularity of the individual financial statements and the management report.

Basis for the judgments

We examined the individual financial statements and the management report in accordance with section 317 HGB and the EU Auditors Ordinance (No. 537/2014, in the following, „EU-APrVO“) in accordance with the German principles of proper statutory audit as stated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under these rules and policies are further described in the section entitled „Auditor‘s Responsibility for the Audit of the Individual Financial Statements and the Management Report“. We are independent of the Company in accordance with the European and German commercial and professional regulations and fulfilled our other German professional obligations in accordance with these requirements. In addition, in accordance with Article 10 (2) (f) EU-APrVO, we declare that we did not perform any prohibited non-audit ser-vices under Article 5 (1) EU APrVO. We believe that the audit evidence we obtained is sufficient and appropriate to serve as a basis for our opinion on the individual financial statements and management report.

Other Information

The legal representatives are responsible for the other information. Other information includes: the following components of the management report which have not been audited in terms of content:

- the corporate governance statement referred to in the management report.

Our audit opinions on the individual financial statements and the management report do not extend to the other information and accordingly we do not give any opinion or any other form of audit conclusion.

In connection with our audit, we have a responsibility to read the other information and to evaluate whether the other information

- have material inconsistencies with the individual financial statements, the management report or our knowledge acquired during the audit, or

- otherwise appear to be significantly misrepresented.

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

The legal representatives are responsible for the preparation of the individual financial statements, which comply with the IFRS, as applicable in the EU, and the German statutory provisions to be applied in addition to § 315e paragraph 1 HGB in all material respects, and that, in accordance with these regulations, the individual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary to enable the preparation of financial statements that are free from material misstatement, whether intentional or unintentional.

In preparing the individual financial statements, the legal representatives are responsible for assessing the ability of the business to continue to operate. They also have responsibility for dis-closing matters relating to the continuation of business, if relevant. In addition, they are responsible for accounting for continuing operations based on the accounting policy, unless there is an intention to liquidate the Company or cease operations or there is no realistic alternative.

In addition, the legal representatives are responsible for the preparation of the management report, which as a whole conveys a true picture of the Company‘s situation, is in all material respects consistent with the individual financial statements, complies with German legal requirements and truly represents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) that they deemed necessary to enable the preparation of a management report in accordance with the applicable German statutory provisions, and sufficient appropriate evidence for the statements in the management report.

The Supervisory Board is responsible for overseeing the Company‘s accounting process for the preparation of the individual financial statements and the management report.

Responsibility of the auditor for the audit of the individual financial statements and the management report

Our objective is to obtain reasonable assurance as to whether the individual financial statements as a whole are free from material misstatement, whether intentional or unintentional, and whether the management report gives a true picture of the condition of the Company and complies with, in all material respects, the individual financial statements and is consistent with the findings of the audit, complies with German statutory requirements and accurately reflects the opportunities and risks of future development, and provides an audit opinion that includes our audit opinions on the individual financial statements and management report.

Sufficient security is a high degree of certainty, but no guarantee that an examination conducted in accordance with § 317 HGB and the EU-APrVO in compliance with the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) always reveals a material misrepresentation. Misrepresentations may result from breaches or inaccuracies and are considered material if they could reasonably be expected to influence, individually or collectively, the economic decisions of addressees made based on these financial statements and management report.

During the audit, we exercise due discretion and maintain a critical attitude. Furthermore,

- we identify and assess the risks of material misrepresentations, whether intentional or unintentional, in the individual financial statements and the management report, plan and perform audit work in response to such risks and obtain audit evidence that is adequate and appropriate to form the basis for our examination judgments. The risk that material misrepresentation will not be detected will be greater in the event of a breach than in the case of inaccuracies, as breaches may include fraudulent interactions, counterfeiting, intentional incompleteness, misrepresentations or overriding of internal controls.

- we gain an understanding of the internal control system relevant to the audit of the individual financial statements and the arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not with the aim of providing an opinion on the effectiveness of these systems.

- we assess the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimates and related disclosures made by the legal representatives.

- we draw conclusions about the appropriateness of the accounting policy used by the legal representatives in continuing operations and, on the basis of the audit evidence obtained, whether there is material uncertainty in relation to events or circumstances that have significant doubts about the Company's performance ability to continue to operate. If we conclude that there is material uncertainty, we are required to draw attention to the related disclosures in the individual financial statements and management report or, if unrated, to modify our respective opinion in the audit report. We draw our conclusions based on the audit evidence obtained up to the date of our audit opinion. However, future events or circumstances may mean that the Company can no longer continue its business activities.

- we assess the overall presentation, structure and content of the individual financial statements, including disclosures and whether the financial statements present the underlying transactions and events such that the individual financial statements are prepared in compliance with IFRSs as adopted by the EU and which, in accordance with § 315e (1) HGB (German Commercial Code), provides the German legal provisions in a manner that reflects the actual circumstances and conveys a picture of the net assets, financial position and results of operations of the Company.

- we assess the consistency of the management report with the individual financial statements, its legislation and the picture it conveys of the Company's situation.

- we conduct audits of the forward-looking statements presented by the legal representatives in the management report. Based on adequate and appropriate proof of audit, we particularly carry out the significant assumptions underlying the forward-looking statements of the legal representatives and assess the proper derivation of the forward-looking statements from these assumptions. We do not issue an independent opinion on the forward-looking statements and on the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statement.

Among other things, we discuss with the persons responsible for the supervision the planned scope and timing of the audit and significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

We make a statement to the persons responsible for the supervision that we complied with the relevant independence requirements and discuss with them all relationships and other matters that can reasonably be expected to affect our independence and the protective measures taken.

From the issues we discussed with the persons responsible for the supervision, we determine those matters that were most significant in the audit of the financial statements for the current period and are therefore the key audit matters. We describe these matters in the audit report, unless laws or other legal provisions exclude public disclosure of the facts.

Other legal and other legal requirements

Other information according to Article 10 EU-APrVO

We were elected as auditors by the Annual General Meeting on 6 March 2020. We were appointed by the Supervisory Board on 28 August 2020. We have been the uninterrupted auditors of the annual financial statements of Deutsche Industrie REIT-AG since fiscal year 2016.We declare that the audit opinions contained in this audit opinion are in accordance with the additional report to the Audit Committee pursuant to Article 11 EU-APrVO (audit report).

Responsible auditor

The auditor responsible for the audit is Mr. Torsten Fechner.

Berlin, 7 December 2020

DOMUS AG
Audit firm
Tax consultancy firm

sgd. Prof. Dr. Hillebrand
Auditor

sgd. Fechner
Auditor

Statement by the Executive Board regarding compliance with the requirements of the REITG

In connection with the publication of the annual financial statements as of September 30, 2020, the Executive Board declares compliance with the REIT criteria in accordance with the REIT Act (REITG) as follows:

REITG	Regulation	Date	DIR	REIT criteria fulfilled
§ 11 (1)	Freefloat of shares > 15 %	31/12/2019	32.2 %	Yes
§ 11 (2)	No investor holds > 10 % of the shares	30/09/2020	–	Yes
§ 12 (2a)	Immovable assets of at least 75 % of all assets	30/09/2020	82.6 %	Yes
§ 12 (3a)	At least 75 % of the income is generated by immovable assets	30/09/2020	85.2 %	Yes
§ 13	Dividend distribution of > 90 % of year end result according to German GAAP	30/09/2020	125.5 %	Yes
§ 14	Exclusion of real estate trading	30/09/2020	0.2 %	Yes
§ 15	Equity of at least 45 %	30/09/2020	64.4 %	Yes
§ 19 (3)	in conjunction with. § 19 a pre-encumbered entries	30/09/2020		None

The free float rate on 31 December 2019 was communicated to the German Federal Financial Supervisory Authority (BaFin) on 15 January 2020. The statement by the Executive Board regarding compliance with the REIT criteria is subject to the auditor's approval, which is expected in January 2021.

Deutsche Industrie REIT-AG
Potsdam, 7 December 2020

Rolf Elgeti
Chief Executive Officer

Sonja Petersen
Chief Investment Officer

René Bergmann
Chief Financial Officer

PICTURE:
Unna, Heinrich-Hertz-Str.

Financial Calendar

18/12/2020
Publication of the annual report for the financial year 2019/2020

11/02/2021
Q1 2020/2021 Interim statement

12/03/2021
Annual general meeting

12/05/2021
H1 2020/2021 Financial report

12/08/2021
Q3 2020/2021 Interim statement

16/12/2021
Publication of the annual report for the financial year 2020/2021

The financial calendar is constantly updated and can be found on our website at:
https://www.deutsche-industrie-reit.de/en/investor-relations/financial-calender/

Glossary

AFFO	FFO - Value-enhancing investments (Capex)
Annualised in-place rent	Contractual net cold rent p.a. for all units (includes also antennas, parking lots, open spaces, apartments etc.)
Commercial rental space	e.g. logistics, production, warehouse, office or similar without parking and other units (for example antennas, open spaces, apartments)
Commercial units	e.g. logistics, production, warehouse, office or similar without parking and other units (for example antennas, open spaces, apartments)
Cost Ratio	ratio between administrative expenses (after adjustment for one-off effects) and gross rental income
Coverage	Valuation of the company's share by external financial analysts and publication of investment recommendations
Current market value (Fair Value)	Value determined by means of market value appraisal or, where this is not yet available, the purchase price
Date of transfer	Transfer of ownership (benefits and encumbrances)
EBIT	operating income (sale& lease) excluding administration costs & depreciation before interest and income taxes
EBT	operating result (EBIT) + financial income excluding financial expenses (interest) before income tax
EPRA	The European Public Real Estate Association is a non-profit organization that represents the interests of European public real estate companies
EPRA NAV per share	Total equity modified according to EPRA guidelines divided by number of shares
FFO	Funds From Operation - Recurring and one-off adjusted result from the operation of the property portfolio
GAV	Gross Asset Value – Value of investment properties on the balance sheet
ICR	Interest coverage ratio, EBITDA divided by interest expenses, the ability of the company to pay the interest back based on the results of their operations
IPR commercial per m²	Rent of leased commercial units divided by space of leased commercial units
Light Industrial	Generic term for various types of companies in the industrial sector and includes activities of storage, distribution of commercial goods as well as their administration and production, commercial yards, logistics real estate (warehouses, transfer station, distribution halls and special warehouses) and industrial real estate (commercial storage, packaging and smaller production facilities)
Like-for-like	Periodic review of the economic development of the previous year's portfolio (adjusted for purchases and sales in the current year)
Net-LTV	Net loan-to-value – debt (financial liabilities minus cash) divided by GAV
Occupancy commercial	Rented commercial space divided by rentable (total) commercial space
Proforma-Portfolio	Portfolio including notarised properties with transfer of ownership after balance sheet date

Total rental space	Also contains ancillary areas such as open spaces, ancillary rooms (corridors, sanitary facilities, common areas), apartments, owner-occupied space (concierge or similar)
Valuation multiple	Information about the profitability of an investment - purchase price divided by annual market rent, inverse of initial return
WALT	Weighed average lease terms - only contracts with an agreed fixed term have been considered
Yield (Gross Initial)	net rent income divided by purchase price (excluding transfer costs)

Publisher
Deutsche Industrie REIT-AG

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Registry:
Registered Office: Rostock
Commercial register: HRB 13964
District court Rostock
Tax-No.: 046/111/05458
FA Potsdam

VAT-ID:
Umsatzsteuer-Identifikationsnummer according § 27a
Umsatzsteuergesetz: DE 303462302

Disclaimer
This financial report contains forward-looking statements. These are based on current estimates and are, therefore, subject to risks and uncertainties.
In this respect, the actual events may differ from the statements formulated here.
The report is also available in German. In doubtful questions, the German version is always authoritative.

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Deutsche Industrie REIT-AG

Annual Report 2020/2021

1 October 2020 to 30 September 2021

Deutsche Industrie REIT-AG

Key figures

	01/10/2020–30/09/2021	01/10/2019–30/09/2020	Difference	%
Income statement (TEUR)				
Gross Rental income	50,965	40,781	10,184	25.0%
Net rental income	40,010	31,286	8,725	27.9%
Result from the revaluation of investment properties	91,110	36,982	54,129	>100
EBIT	123,087	62,289	60,798	97.6%
Finance result	–3,270	–11,468	8,198	–71.5%
Net income	119,817	50,821	68,996	>100
FFO	33,602	24,646	8,956	36.3%
FFO per share (€)	1.05	0.84	0.21	24.5%
Recurring costs ratio	6.2%	6.9%	–0.7%	–9.5%

	30/09/2021	30/09/2020	Difference	%
Balance sheet (TEUR)				
Investment properties	814,097	585,820	228,277	39.0%
Total assets	927,453	715,849	211,605	29.6%
Equity	489,009	377,200	111,809	29.6%
Total debt	287,634	309,638	–22,004	–7.1%
(net) Loan-to-Value (LTV)	42.0%	37.1%	4.9%	13.2%
Ø Cost of debt	2.45%	2.60%	–0.2%	–5.8%
Ø Loan Duration (years)	6.7%	6.7%	0.0%	0.0%
EPRA NTA	489,655	385,441	104,214	27.0%
EPRA NTA per share diluted (€)	14.25	11.22	3.03	27.0%
EPRA NAV	488,826	376,709	112,117	29.8%
EPRA NAV per share undiluted (€)	15.24	11.74	3.50	29.8%
REIT metrics				
REIT equity ratio	59.5%	64.4%	–4.9%	–7.6%
Share information				
Shares issued	32,079,505	32,079,505	0	0.0%
Average number of shares 01/10 – 30/09	32,079,505	29,297,634	2,781,871	9.5%
Market cap in € million	561.4	574.2	22.5	4.2%
Share price XETRA (€)	17.50	17.90	0.70	4.2%
Real estate portfolio				
# Properties	88	69	19	27.5%
Commercial rental space in m²	1,577,343	1,229,072	348,271	28.3%
Annualised In place rent in € million	58.5	44.5	14.0	31.4%
Occupancy commercial	87.3%	85.1%	2.2%	2.6%
WALT in years	5.0	5.0	0.1	1.6%
IPR commercial in €/m²	3.46	3.47	–0.01	–0.3%
Market value in € million	795.9	565.0	230.9	40.9%
Rental yield	7.3%	7.9%	0.0	–6.7%

Content

PICTURE:
Rosenheim, Schlierseestraße

Letter to our shareholders

Dear Shareholders, Dear Ladies and Gentlemen,

Once again, an eventful year is coming to an end, which was also marked by corona-related circumstances. The economic consequences of this crisis continue and there is currently no end in sight. Regardless of the far-reaching effects, restrictions and challenges, however, our business model has proven to be stable and resistant. The management board looks back on a successful 2020/2021 financial year. We were able to continue to grow this year and increase our turnover and result.

Real estate portfolio expands and increases significantly in value

Due to our planned business development, we were able to achieve our goals. Our main growth factor was the acquisitions we made. Since the beginning of the financial year, 19 properties have been added to our portfolio with a purchase price volume of € 123.8 million and annualised rent of approx. € 12.5 million. In total, the portfolio consists of 88 properties as of 30 September 2021 and is balanced at just under € 814.1 million. In addition, there are five other properties with an investment volume of € 17.8 million, for which the transfer of ownership will not take place until after the balance sheet date. One property in Berlin was sold at lucrative conditions. Taking into account all properties purchased, the pro forma portfolio consists of 92 properties with an annualised total rent of around € 60.2 million and a portfolio value of approximately € 807.0 million.

Financing to strengthen liquidity

In the past financial year 2020/2021, Deutsche Industrie concluded a total of 21 contracts at attractive financing conditions with various institutions, including cooperative banks, savings banks, private banks, and an insurance company. The nominal total financing volume amounted to € 106.0 million.

Positive period result

Net rental income increased by 28% from just under € 31.3 million in the previous year to € 40.0 million in the 2020/2021 financial year. FFO (Funds From Operations) increased by 37% from € 24.6 million to € 33.6 million. Similarly, FFO per share increased by 25% from € 0.84 to € 1.05.

EPRA NTA per share increased by 27% from € 11.22 to € 14.25. The REIT equity ratio amounts to 60% and is thus significantly above the relevant value of 45%.

Outlook 2021/2022

After we paid a dividend of 0.09 € per share for the first time last year, this year shareholders were pleased to receive a dividend payment of 0.16 € per share. We intend to continue this positive development and plan to propose the distribution of a dividend of EUR 0.24 for the 2019/2020 financial year at the next Annual General Meeting.

The chapter of DIR's independent growth story is slowly coming to an end. We have initiated all the necessary steps for the merger with CTP.

The completion of CTP's offer will create a leading pan-European listed real estate group for logistics and corporate real estate with a combined portfolio of over € 7.2 billion and extensive project development activity for its own portfolio. For CTP, the transaction offers the opportunity to enter the German market, where CTP has not been present so far.

We intend to continue the development of the past years, with steady and sustainable growth, together with CTP in 2021/2022. In addition to manageable risks, the effects of the Corona crisis also offer additional opportunities that we can use and develop together.

On behalf of the entire DIR team, we would like to take this opportunity to thank you for the trust you have placed in us and for the good cooperation with our tenants, service providers and business partners.

With best regards

Rolf Elgeti
Chief Executive Officer

René Bergmann
Chief Financial Officer

Sonja Petersen
Chief Investment Officer

Potsdam in December 2021

The share

During the pandemic year 2020/2021

In the 2020/2021 financial year, the stock market experienced massive ups and downs. The fight against coronavirus and the hope of vaccines boosted the stock market. The stock market also benefited from an increase in government stimulus funding in the USA. The DAX closed the 2020 stock market year with a small gain of 3.5 %, and by 30/09/2021 (closing price: 15,260.7 points) had posted a gain of 11.2 % since the start of the year. Global economy was very much determined by the coronavirus in 2020 and thus the upswing in gross domestic product (GDP) ended after a ten-year slowdown, but there has been a steady upswing.

The second wave of the coronavirus pandemic, accompanied by a new lockdown, subsequently interrupted Germany's economic recovery. While new orders in the industrial sector had already been increasing again since the final quarter of 2020, the effect of pandemic restrictions was felt particularly in the service sector. The increase in share price volatility was also observed in other stocks from the real estate sector.

• **Deutsche Industrie REIT-AG – Share Price Performance (XETRA)**

DIR share holds its own in the crisis

DIR's share price was EUR 18.00 at the beginning of the 2020/2021 financial year (opening price on 01/10/2020) and EUR 17.50 at the end of the financial year (closing price on 30/09/2021). The lowest closing price of the fiscal year was observed on 22/12/2020, at EUR 14.90, and the highest closing price on 09/06/2021, at EUR 18.30. Since January 2021, the DIR share has been stable in a range of EUR 15.00 to EUR 18.00.

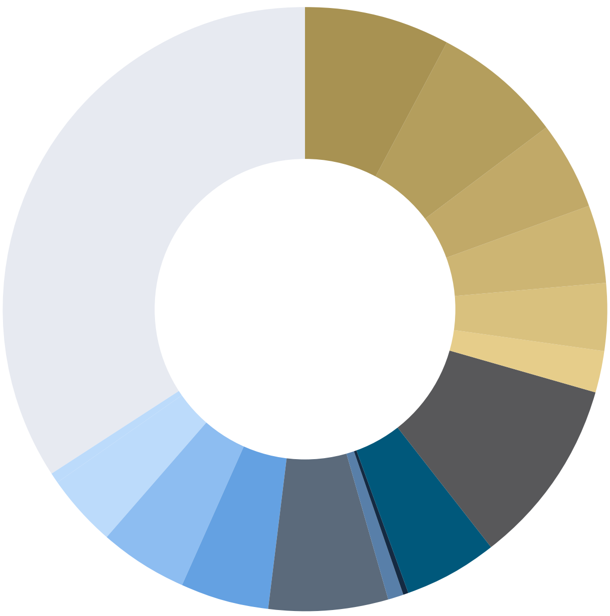
As of 30/09/2021, DIR's market capitalization was approximately EUR 561.4 million.

The average daily turnover in Xetra trading in the financial year 2020/2021 was EUR 110,502, almost the same as in the previous financial year (EUR 111,148).

Shareholders

The shareholder structure is characterized by institutional national and international investors with a predominantly long-term investment strategy. The free float (as defined by Deutsche Börse AG, taking into account the attribution rules pursuant to the German Securities Trading Act (WpHG)) was largely unchanged at 42.4 % as of the reporting date of 30/09/2021. This speaks for the loyalty of the shareholders to the DIR share over the years.

Shareholder Structure



7.8 %	Obotritia Capital KGaA
7.0 %	Obotritia Alpha Invest GmbH
4.7 %	Obotritia Beta Invest GmbH
4.4 %	Babelsberger Beteiligungs GmbH
3.6 %	Försterweg Beteiligungs GmbH
2.2 %	Obotritia Delta Invest GmbH
29.7 %	Total Obotritia-Gruppe
9.8 %	VBL
5.2 %	Aurelius Growth Investments S.a.r.l.
0.2 %	Lotus AG
0.9 %	Olive Tree Invest GmbH
6.3 %	attributed to Dirk Markus
6.2 %	Parson GmbH
5.0 %	Massachusetts Financial Services
4.7 %	Gert Purkert
3.7 %	Rocket Internet SE
0.5 %	Rolf Elgeti
0.1 %	TIVEN GmbH
34.1 %	Remaining free float

The percentages are based on voting rights notifications pursuant to §§ Sections 33 et seq. WpHG, or notifications of Directors' dealings pursuant to Art. 19 MAR and voluntary disclosures by some shareholders.

The proportion of voting rights relates in each case to the number of total voting rights at the time of notification. In addition, there is the possibility that the voting rights may have changed within the respective thresholds since then without a reporting obligation arising.

Analyst Coverage

In the past nine months of the financial year 2020/2021, three existing coverages by Berenberg Bank, Baader Bank and ODDO BHF were followed by the initiation of M.M. Warburg and Commerzbank. Jefferies followed in the course of the third quarter. The DIR share is now rated by six analysts as follows:

Date	Institute	Report	Analyst	Recommendation	Target Price
18/12/2020	Baader Bank	Update	Andre Remke	"Buy"	24.00 €
31/08/2021	Berenberg Bank	Update	Kai Klose	"Buy"	23.00 €
23/03/2021	Commerzbank	Initiation	Tom Carstairs	"Buy"	20.00 €
22/06/2021	Jefferies	Initiation	Thomas Rothäusler	"Hold"	19.00 €
12/08/2021	M.M. Warburg	Update	Simon Stippig	"Buy"	21.50 €
13/08/2021	ODDO BHF	Update	Manuel Martin	"Outperform"	24.50 €

Since 11 May 2021, Commerzbank has been cooperating in the equities area with the German – French financial group ODDO BHF and reducing its own capital markets business. At the same time, responsibility for analyst coverage will be transferred to ODDO BHF.

- **The DIR share at a glance:**

As of	30 September 2021
ISIN	DE000A2G9LL1
WKN	A2G9LL
Ticker Symbol	JB7
Listing date	07 December 2017
Number of shares	32,079,505
Nominal capital in EUR	EUR 32,079,505.00
Stock exchanges	XETRA, Frankfurt and Berlin
Market segment	Regulated market
Transparency level	Prime Standard

Investor Relations

In order to maintain a transparent and continuous dialog with existing and potential investors, DIR continued to intensify its investor relations activities in 2020/2021.

Individual meetings were held, and the company presented itself at various virtual conferences and investor days. DIR was also regularly featured in major investor media in the 2020/2021 financial year and was thus able to raise awareness on the capital markets and provide information in particular on the sale-and-leaseback financing model. On the Investor Relations pages of the website, interested parties can download mandatory capital market publications such as ad hoc announcements, financial reports and investor presentations. The financial calendar, which is updated regularly, can also be found in this section.

PICTURE:
Eisenach, Amrastraße

Declaration on corporate governance

In the following, the Supervisory Board and the Management Board of Deutsche Industrie REIT-AG (the "Company") report on the corporate governance of the Company and on the management of the Company pursuant to Section 289f of the German Commercial Code (HGB).

First, the current Declaration of Compliance of the Supervisory Board and the Management Board of Deutsche Industrie REIT-AG dated 22 October 2021 is reproduced. This is followed by a description of the working methods of the Supervisory Board and the Management Board and their composition. In addition, the corporate governance of the company is presented, and the diversity concept is discussed.

1. Declaration of Compliance of Deutsche Industrie REIT-AG with the German Corporate Governance Code (GCGC)

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

They hereby declare in accordance with section 161 (1) of the German Stock Corporation Act (Aktiengesetz) that Deutsche Industrie REIT-AG has complied with the recommendations of the Government Commission on the German Corporate Governance

Recommendation A.1 GCGC – Respect for diversity when filling management positions:
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 do not have any 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.

Recommendation A.2 GCGC – Compliance Management System:
The company currently employs only ten staff. The Management Board therefore sees no need to develop and publish a formalised system for compliance management or so-called "whistleblowing". In view of the size of the company, the cost of setting up, implementing, and maintaining formalised systems has not been and is not in any reasonable proportion to the potential benefits.

Recommendation B.1 GCGC – Observance of diversity in the composition of the Management Board:
The Supervisory Board does not currently follow the recommendation to observe diversity when appointing Management Board members in the company. The company is of the opinion that professional qualifications and knowledge of the company are decisive as prerequisites for appointment, so that the above-mentioned requirements are not conducive to achieving the objective.

Recommendation B.2 GCGC – Long-term Succession planning by the Supervisory Board and Management Board:
In view of the current age of the members of the Management Board (38 to 51 years), the company does not consider long-term succession planning to be necessary at present.

Recommendations C.1 and C.2 GCGC – Specification of objectives for the composition of the Supervisory Board, in particular consideration of diversity and the development of a competence profile:
The Supervisory Board has not set any concrete objectives for its composition or developed a competence profile for the entire committee and does not intend to set such objectives or develop a competence profile in the future. Nor have any rules on diversity in the objectives for the composition of the Supervisory Board except as set out below, been set or will be set in the future. The company is of the opinion that the technical qualifications and knowledge of the company are sufficient as prerequisites for the appointment of members to the Supervisory Board, such that the above-mentioned objectives are not conducive to achieving the objective. By resolution of 10 September 2020, the Supervisory Board set 20% as the target for female participation for the period until 30 September 2025.

Recommendation C.5 GCGC – Supervisory Board mandates in non-group listed companies:
While the company assumes that Recommendation C.5 of the GCGC contains guidelines for the members of the company's Supervisory Board (and not for its Management Board), in view of the ambiguous wording, please note that a member of the Management Board, Mr. Rolf Elgeti holds more than two Supervisory Board mandates in non-group listed companies or in comparable supervisory bodies (including as Chairman of the Supervisory Board).

Recommendation on section D.2 to D.5 GCGC – Supervisory Board committees:
In view of its small number of members, the Supervisory Board has so far refrained from forming committees and therefore does not follow recommendations D.2, D.3, D.4 and D.5 GCGC. However, Deutsche Industrie REIT-AG will elect an audit committee by the end of the year, which will start its work at the beginning of the next calendar year (2022). The company will therefore follow recommendations D.3 and D.4 in the future. In view of the continued low level of complexity and the transparent business model of Deutsche Industrie REIT-AG, the Supervisory Board does not consider it necessary to form further committees in the future and the entire Board will continue to devote its full attention to the issues at hand.

Recommendations on Section G.I. of the GCGC – Remuneration of the Management Board:
In the past, the remuneration model for the management board, which had developed over time and was implemented before the current German Corporate Governance Code was announced, the remuneration model did not yet comply with recommendations G.1, G.3, G.4, G.6, G.7, G.8 and G.10 to G.13. As already communicated in the update of the Declaration of Compliance of 24 March 2021, the company has now established a remuneration system for the management board that complies with the GCGC except for the points mentioned below.

Recommendation G.10 GCGC – Remuneration of the management board:
The remuneration system of the Management Board approved by the Annual General Meeting of the company on 12 March 2021 and confirmed by the Supervisory Board, does not provide for the variable remuneration components granted to a member of the Management Board to be predominantly invested in shares of the company or to be granted on a share-based basis, in deviation from item G.10 of the

GCGC. The company is of the opinion that the creation of an incentive by linking the value of the variable remuneration to the long-term development of the share price of the company is already sufficiently taken into account within the framework of the calculation of the variable remuneration and the conditions for payment. Thus, the development of the share price (in addition to the operating result and the net asset value of the company) represents an essential basis for the assessment of the variable remuneration. Moreover, the majority of the variable remuneration 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 remuneration in shares is not necessary to
set corresponding incentives. Service contracts already concluded in the past (which in part do not yet fully correspond to the remuneration system now established) shall continue to apply for the time being in accordance with § 26j EGAktG.

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 take on non-group supervisory board mandates, it should decide whether and to what extent remuneration from the respective supervisory board mandate should be taken into account . Based on the experience with the members of the Management Board and their dealings with non-group Supervisory Board mandates, it is not expected that non-group Supervisory Board mandates 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 on remuneration, which also exists independent of the recommendation, seen to be a decision on the crediting of remuneration from non-group Supervisory Board mandates is not necessary.

Rostock, 22 October 2021
For the Supervisory Board

Hans-Ulrich Sutter
Chairman of the Supervisory Board

For the Management Board

Rolf Elgeti
Chairman of the Management Board

PICTURE:
Oberding, Lohstraße

The current declarations of compliance are published on our website https://www.deutsche-industrie-reit.de/, in the “Investor Relations” section under the tab “Corporate Governance” and “Declaration of Compliance”.

2. Functioning of the Management Board and Supervisory Board

Management structure with three bodies

The Management Board and Supervisory Board work closely together for the benefit of the company to ensure responsible management and control of the company through good corporate governance.

An essential element of corporate governance is the separation of corporate management and corporate control. This is achieved through a clear division of tasks and responsibilities between the Management Board and the Supervisory Board. In addition, there is the Annual General Meeting, as a third body. Through this Annual General Meeting the shareholders are involved in making the fundamental decisions of the company.

The Management Board

The Management Board is responsible for managing the company and representing it in transactions with third parties. Due to this reason, it is bound to the interests of the company with the aim of creating sustainable value. It develops the company’s strategic orientation, agrees it with the Supervisory Board and ensures its implementation. The Management Board also ensures that appropriate risk management and controlling systems are in place within the company.

The members of the Management Board are responsible for individual areas of responsibility, irrespective of their joint responsibility for the company. They work together as colleagues and keep each other informed of important events and measures in their areas of responsibility. The Management Board has not yet adopted rules of procedure.

The Management Board of Deutsche Industrie REIT-AG is appointed by the Supervisory Board in accordance with Article 6 No. 2 of the Articles of Association. The Supervisory Board also determines the total number of members on 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 permitted.

The Supervisory Board does not currently follow recommendation B.1 of the German Corporate Governance Code (DCGK) to take diversity into account when appointing members of the Management Board. The company is of the opinion that professional qualifications and knowledge of the company are sufficient as prerequisites for appointment, with the result that the above-mentioned requirements are not conducive to achieving the objectives.

However, the Supervisory Board set a target of one third for the proportion of women on the Management Board for the period up to 30 September 2020 and maintains this target, by resolution of 10 September 2020, for the period up to 30 September 2025. This target figure has been achieved in the past and is currently being achieved. No further rules on diversity in the targets for the composition of the Management Board have been defined to date.

The Management Board of Deutsche Industrie REIT-AG consists of three persons: Mr Rolf Elgeti (CEO), Ms Sonja Petersen (née Paffendorf) (CIO) and Mr René Bergmann (CFO). The Management Board appointment of Mr René Bergmann was extended by a further three years until 31/08/2024.

The CEO, Mr Rolf Elgeti, is responsible for Human Resources, Public Relations and Strategy. The CIO, Mrs. Sonja Petersen (née Paffendorf), is responsible for investment and asset management. The CFO, Mr René Bergmann, is responsible for the areas of accounting/controlling, financing and investor relations. All three Management Boards also manage and control external service providers for their respective areas.

The CVs of the members of the Management Board can be found at https://deutsche-industrie-reit.de/en/company/ceo/

The Supervisory Board and Management Board agree on annual targets, the achievement of which is regularly reviewed.

The Management Board is responsible for training and refresher courses.

In section B.2, the DCGK recommends that long-term succession planning should be carried out by the Supervisory Board. The DIR does not comply with this recommendation, as the company does not currently consider long-term succession planning to be necessary in view of the current age of the members of the Management Board (38 to 51 years).

In a resolution dated 10 September 2020, the Supervisory Board has now decided to set an age limit of 80 years for members of the Management Board.

A D&O insurance policy has been taken out for the members of the Management Board, considering Section 93 (2) of the German Stock Corporation Act (AktG).

The remuneration of the CEO, Mr Rolf Elgeti, is currently paid in the form of fixed remuneration via a pay-as-you-go agreement with Obotritia Capital KGaA. The remuneration system for the Management Board members Ms Sonja Petersen and Mr René Bergmann is based on short and long-term remuneration incentives. Detailed information on the remuneration of the Management Board is provided in the remuneration report in the management report 2020/2021.

The Annual General Meeting of 12 March 2021 approved the resolution on the remuneration system of the Management Board adopted by the Supervisory Board pursuant to § 87a para. 1 of the German Stock Corporation Act (AktG). Subsequently, the Supervisory Board determined the remuneration system of the Management Board. Details of the Management Board's remuneration system can be found on the company's website (https://www.deutsche-industrie-reit.de/en/). 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 remuneration system now established) shall continue to apply for the time being.

Consideration of diversity when filling management positions

The Management Board does not currently follow recommendation A.1 of the German Corporate Governance Code (DCGK) to pay attention to diversity when filling management positions in the company. The company currently only has employees without management functions. Apart from the Management Board, there are no management positions to be filled in the company, which is why the company cannot currently follow this recommendation for formal reasons. Even if the company was and is of the opinion that Section 76 (4) AktG has no practical scope in this particular case due to the lack of management positions to be filled, the company had, purely as a precautionary measure for the period up to 30 September 2020 and currently maintains, by resolution of 10 September 2020 for the period up to 30 September 2025, 0% as the target for the participation of women in management positions. At Deutsche Industrie REIT-AG, however, the decisive criterion for filling management positions is qualification and suitability, irrespective of gender.

The Supervisory Board

The main tasks of the Supervisory Board are to advise and monitor the Management Board. The five-member Supervisory Board of Deutsche Industrie REIT-AG works based on rules of procedure which it has given itself. Overall, the members of the Supervisory Board have the knowledge, skills and professional experience required to properly perform their duties.

Proposals for resolutions and information on the subjects to be discussed are made available to the members of the Supervisory Board in good time before the respective meeting. By order of the Chairman of the Supervisory Board, resolutions may be passed outside meetings in individual cases. This option is occasionally used in urgent cases. In the event of a tied vote on resolutions, the Chairman of the Supervisory Board has the casting vote.

All members of the Supervisory Board are elected by the shareholders at the Annual General Meeting. There are currently no employee representatives on the Supervisory Board of Deutsche Industrie REIT-AG. In the opinion of the shareholder representatives on the Supervisory Board, all shareholder representatives are to be considered independent.

The Supervisory Board does not intend to set specific targets for its composition or to draw up a competence profile for the entire body. Nor is it intended to lay down rules on diversity in the objectives for the composition of the supervisory board. The company is of the opinion that professional qualifications and knowledge of the company are decisive as prerequisites for appointment, so that the aforementioned requirements are not conducive to achieving company objectives. For this reason, the company set 0% as the target for the participation of women on the Supervisory Board for the period up to 30 September 2020. This target figure was achieved during the relevant period; since 6 March 2020, the actual level of female participation has been 40%. By resolution of 10 September 2020, the Supervisory Board has now set 20% as the target figure for female participation on the Supervisory Board for the period until 30 September 2025. This target figure is currently also being met.

The Supervisory Board of Deutsche Industrie REIT-AG currently consists of five persons: Mr Hans-Ulrich Sutter, Dr Dirk Markus, Mr Achim Betz, Ms Cathy Bell-Walker and Ms Antje Lubitz.

Mr Hans-Ulrich Sutter is Chairman of the Supervisory Board, Dr Dirk Markus is the first vice Chairman and Mr Achim Betz is the second vice Chairman. The term of office of all members of the Supervisory Board expires at the end of the Annual General Meeting that resolves on the discharge of the members of the Supervisory Board for the financial year ending on 30 September 2024.

The CV's of the members of the Supervisory Board are published at https://www.deutsche-industrie-reit.de/en/ in the section "Company" under the tab "Supervisory Board".

In view of its small number of members, the Supervisory Board has so far refrained from forming committees and therefore does not follow recommendations

PICTURE:
Oschersleben, Anderslebener Straße

D.2, D.3, D.4 and D.5. However, Deutsche Industrie REIT-AG will elect an Audit Committee by the end of the year, which will start its work at the beginning of the next calendar year (2022). In view of the continuing low level of complexity and the transparent business model of Deutsche Industrie REIT-AG, it does not consider it necessary to form committees in the future either and continues to devote its full attention to the issues at hand.

By resolution of 10 September 2020, the Supervisory Board has now set an age limit of 80 years for the Supervisory Board.

The Chairman of the Supervisory Board explains the activities of the Supervisory Board in his annual report and verbally at the Annual General Meeting.

The Supervisory Board regularly assesses the efficiency of its own performance of its duties during meetings held in person and by telephone. By resolution dated 10 September 2020, the Supervisory Board has now introduced a formalised self-assessment system, which will be applied in the current financial year. It will report on the manner and results in the next declaration on corporate governance.

A D&O insurance policy was taken out for the members of the DIR Supervisory Board in January 2018.

In accordance with the Articles of Association, the members of the Supervisory Board receive a fixed remuneration and reimbursement of cash expenses. Detailed information on the remuneration of the Supervisory Board is provided in the remuneration report in the management report 2020/2021.

The members of the Supervisory Board ensure that they have sufficient time to perform their duties. They are responsible for providing the necessary basic and advanced training. The company provides appropriate support to the members of the Supervisory Board during their inauguration and further training. All members of the supervisory board are given access to specialist literature and are reimbursed for the costs of attending seminars and webinars in which topics relevant to the work of the supervisory board are covered.

Further details of the work of the Supervisory Board can be found in the Report of the Supervisory Board, which is part of the Annual Report 2020/2021.

Cooperation between Management Board and Supervisory Board

The Supervisory Board appoints the members of the Management Board, determines their respective total remuneration and monitors their management of the company. It also advises the Management Board on the management of the company. The Supervisory Board approves the annual financial statements. Major decisions made by 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 kept regularly and continuously informed about business developments. Intensive and continuous communication between the Management Board and the Supervisory Board is the basis for efficient corporate management.

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

Conflicts of interest

Conflicts of interest of members of the Management Board and Supervisory Board must be disclosed to the Supervisory Board without delay. No conflicts of interest arose in the 2019/2020 financial year.

3. Essential corporate governance practices

Basic principles of compliance

Deutsche Industrie REIT-AG is committed to responsible management of the company with a focus on sustainable value creation. This includes cooperation in a spirit of trust between the Management Board and the Supervisory Board as well as between employees and a high level of transparency in reporting and corporate communications.

The main basis of Deutsche Industrie REIT-AG's business is to create, maintain and strengthen the trust of tenants, business partners, shareholders and other capital market participants and employees. Thus, compliance at DIR means not only adherence to legal principles and the Articles of Association, but also adherence to internal instructions and voluntary commitments to implement the values, principles, and rules of responsible corporate governance in daily operations.

Compliance management System

Currently, the DIR has only ten employees (excluding the Management Board). The Management Board therefore still sees no need to draw up and disclose systems of measures in a formalised form for compliance management and a so-called "whistle blowing". In view of the size of the company, the cost of setting up, implementing, and maintaining formalised systems of measures has never been and is not in any reasonable proportion to the potential benefits.

Organisation and Controlling

Deutsche Industrie REIT-AG has its registered office in Germany and is therefore subject to the provisions of German stock corporation and capital market law and the provisions of the Articles of Association.

Deutsche Industrie REIT-AG manages the company primarily based on the following key figures: EBIT, FFO, LTV, EPRA NTA and cash flow. Sustainable economic, social, and ecological aspects are considered.

Shareholders and Annual General Meeting

The shareholders of Deutsche Industrie REIT-AG exercise their rights before or during the Annual General Meetings to the extent permitted by law and the Articles of Association and exercise their voting rights. Each share grants one vote.

The Annual General Meeting is chaired by the Chairman of the Supervisory Board. Every shareholder is entitled to participate in the annual shareholders' meeting, to speak on the respective items on the agenda and to request information on company matters, insofar as this is necessary for the proper assessment of an item on the agenda. The shareholders' meeting decides on all tasks assigned to it by law.

Deutsche Industrie REIT-AG publishes the agenda of the annual general meeting and the reports and documents required for the annual general meeting on its website at: https://www.deutsche-Industrie.de/en/ in the section "Investor Relations" under the sub-section "Annual General Meeting".

To make it easier for its shareholders to exercise their rights personally and to be represented by a proxy, the DIR appoints a representative to exercise voting rights in accordance with instructions. This representative can also be contacted during the Annual General Meeting.

The general meeting of shareholders takes place within the first eight months of each financial year.

The Annual General Meeting of Deutsche Industrie REIT-AG, which passed resolutions on the financial year ended 30 September 2019, was held in Berlin on 6 March 2020. The Annual General Meeting resolved to expand the Supervisory Board to five members and re-elected the previous Supervisory Board members Hans-Ulrich Sutter, Dr Dirk Markus and Achim Betz and elected Cathy Bell-Walker and Antje Lubitz as new members of the Supervisory Board.

It was also resolved to pay a dividend of EUR 0.16 per share for the 2018/2019 financial year.

Around 58 percent of the share capital was represented (share capital of the company at the time the Annual General Meeting was convened: EUR 29,163,187).

All the items on the agenda were approved by a large majority.

Stock option plans

Deutsche Industrie REIT-AG currently has no stock option programs or similar incentive systems.

Transparent reporting

Through its website, Deutsche Industrie REIT-AG ensures that shareholders and the interested public receive uniform, comprehensive, timely and simultaneous information on the economic situation and new facts. This information is available on the website at https://www.deutsche-Industrie-reit.de/en in the "Investor Relations" section.

Reporting on the financial performance and financial position is currently carried out in annual reports, quarterly announcements as well as in the half-yearly financial reports, which are available for download on the company's website. Significant current information is published via Corporate News and ad hoc announcements and this information is also made available on the company's website. In addition, transactions by management personnel and related parties are publicly disclosed as "Directors' Dealings" in accordance with Article 19 MAR (Market Abuse Regulation) and are also available on the company's website.

In accordance with Art. 18 MAR, prescribed insider lists are maintained, and the persons included in insider lists have been and are being informed of the resulting legal obligations and sanctions.

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

Accounting and Auditing

The annual financial statements of Deutsche Industrie REIT-AG are prepared in accordance with IFRS as applicable in the European Union. After preparation by the Management Board, the annual financial statements are examined and approved by the auditor and the Supervisory Board. The company aims to publish the annual financial statements within 90 days of the end of the financial year in accordance with the German Corporate Governance Code and to publish the mandatory financial information during the year (quarterly reports and the half-yearly financial report) within 45 days.

The annual general meeting of shareholders which passed a resolution on the financial year ended 30 September 2020, appointed DOMUS AG Wirtschaftsprüfungsgesellschaft/Steuerberatungsgesellschaft as auditor for the 2020/2021 financial year. DOMUS AG's audits comply with German auditing regulations as well as the principles of proper auditing laid down by the Institut der Wirtschaftsprüfer (Institute of Auditors) and the International Standards on Auditing. The chairman of the supervisory board shall be informed immediately by the auditor of any reasons for exclusion or exemption and any inaccuracies in the declaration of compliance which arise during the audit. The auditor reports without delay to the Chairman of the Supervisory Board on all issues and incidents of importance to the duties of the Supervisory Board that arise during the audit and is obliged to inform the Supervisory Board immediately of any grounds for exclusion or impartiality that may arise.

Opportunity and risk management

A key element of corporate management is risk management to counter the risks to which Deutsche Industrie REIT-AG is exposed adequately and systematically. A comprehensive process has been introduced to enable management to identify, assess and control risks and opportunities in good time. To this extent, unfavourable developments and events become transparent at an early stage and can be analysed and dealt with in a targeted manner. Further information on risk management is contained in the opportunities and risks report in the management report 2020/2021.

Rostock, November 2021

For the Supervisory Board

Hans-Ulrich Sutter
Chairman of the Supervisory

For the Management Board

Rolf Elgeti
Chairman of the Management Board

Report of the Supervisory Board

Dear Shareholders,

In the 2020/2021 financial year, the Supervisory Board of Deutsche Industrie REIT-AG duly performed the duties incumbent on it under the law, the Articles of Association and the Rules of Procedure.

Cooperation between Supervisory Board and Management Board

The Supervisory Board continuously monitored and advised the Management Board in the management of the company. The Supervisory Board was directly involved in all decisions of fundamental importance to the company. The Board of Management fulfilled its duties to provide information and informed the Supervisory Board regularly, promptly and comprehensively, both in writing and verbally, about corporate planning, the course of business, strategic developments, the current situation of the company and the current occupancy rates.

The members of the Supervisory Board always had ample opportunity to critically examine the Management Board's proposed resolutions and to make their own suggestions. In particular, the members of the supervisory board discussed in detail and checked the plausibility of all business transactions of significance to the company on the basis of written and verbal reports from the management board. On several occasions the Supervisory Board dealt in detail with the risk exposure, liquidity planning and equity of the company. At the meeting for the balance sheet approval the Board of Management also reported to the Supervisory Board on the profitability of the company, and in particular on the return on equity. The Supervisory Board gave its approval for individual business transactions as required by law, the articles of association or the rules of procedure for the Board of Management.

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 second deputy chairman of the Supervisory Board, Mr Achim Betz, fulfils all the requirements of § 100 para. 5 AktG in the field of auditing. The Chairman of the Supervisory Board, Mr Hans-Ulrich Sutter, fulfils all requirements in accordance with § 100 para. 5 AktG in the area of accounting.

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

Attendance of the Supervisory Board meetings

A total of four meetings of the Supervisory Board were held in the period under review. In addition, resolutions were passed by written procedure. Resolution proposals submitted by the Board of Management were approved following examination of extensive documentation and intensive discussions with the Board of Management. No committee meetings of the Supervisory Board took place in the period under review. If deemed necessary, the Supervisory Board may meet without the Management Board.

No member of the Supervisory Board attended fewer than half of the meetings. There were no conflicts of interest amongst the members of the Management Board or the Supervisory Board. Any conflicts must be disclosed to the Supervisory Board without delay.

• •The following overview shows the attendance of Supervisory Board members at meetings in the 2020/2021 financial year:

Meeting		Hans-Ulrich Sutter	Dr. Dirk Markus	Achim Betz	Cathy Bell-Walker	Antje Lubitz
Date	Type	Chairman of the Supervisory Board	First Deputy Chairman of the Supervisory Board	Second Deputy Chairman of the Supervisory Board	Member of the Supervisory Board	Member of the Supervisory Board
16/12/2020	Internet conference	x	x	x	x	x
24/03/2021	Internet conference	x	x	x	x	x
18/05/2021	Internet conference	x	x	x		x
13/08/2021	Internet conference	x	x	x	temporary	

Key issues discussed by the Supervisory Board

The Supervisory Board's discussions at the individual meetings focused on the following key issues:

Meeting on 16 December 2020

- The auditor's report on the audit of the annual financial statements for the financial year 2019/2020 and the audit of the dependency report.

- Resolution on the approval of the audited annual financial statements for the financial year 2019/2020, the proposal for the distribution of profits and the audited dependency report.

- Resolution on the report of the Supervisory Board for the financial year 2019/2020.

- Resolution on the variable remuneration for the members of the Management Board, Mrs. Sonja Petersen and Mr. René Bergmann for the financial year 2019/2020, the payment of the long-term variable remuneration component from the financial year 2017/2018 and the setting of targets for variable remuneration for the 2020/2021 financial year.

- Resolution on the revision of the remuneration system for the Management Board.

- Discussion on the agenda for the Annual General Meeting on 12 March 2021 as a virtual Annual General Meeting and the circular resolution to be passed to convene the Annual General Meeting.

- Report of the Management Board on the course of business, the portfolio and acquisitions made, financing and the acquisition pipeline.

Meeting on 24 March 2021

- Resolution on the determination of the remuneration system for the members of the Management Board pursuant to § 87a para. 2 AktG:

  The Annual General Meeting of the Company had approved the remuneration system of the Management Board proposed by the Supervisory Board on 12 March 2021. The Supervisory Board therefore established the remuneration system of the Management Board proposed and approved by the Annual General Meeting in accordance with § 87a para. 2 AktG.

- Resolution to supplement the Declaration of Compliance with the German Corporate Governance Code 2020 due to the approval of the remuneration system.

- Resolution to amend the Articles of Association.

- Report of the Management Board on the course of business.

Meeting on 18 May 2021
- Report of the Management Board during the first half of 2020/2021.

- Presentation of completed and planned acquisitions.

- Decision on individual financial transactions.

- Self-evaluation system of the Supervisory Board.

Meeting on 13 August 2021
- Report of the Management Board on the Course of Business.

- Decision on one financial transaction.

- Consultation on the formation of an audit committee.

- Appointment of the member of the Management Board – Mr. René Bergmann, who was also previously appointed to the Management Board from 1 September 2018 for a period of three years. The Supervisory Board decided to reappoint Mr. René Bergmann as a member of the Management Board (CFO) with effect from 1 September 2021 for a period of three years from the beginning of his term of office.

In addition, individual transactions requiring approval were approved by the Supervisory Board by circular resolution.

Corporate Governance
The Management Board also reports on corporate governance at Deutsche Industrie REIT-AG on behalf of the Supervisory Board in the corporate governance statement on the company's website at https://www.deutsche-industrie-reit.de/en/ in the Investor Relations/Corporate Governance section and in the 2020/2021 Annual Report. The Management Board and Supervisory Board have repeatedly discussed the recommendations and suggestions of the German Corporate Governance Code and issued a Declaration of Compliance in accordance with Section 161 of the German Stock Corporation Act (AktG) on 22 October 2021.

Annual audit
The annual financial statements of Deutsche Industrie REIT-AG as of 30 September 2021 prepared by the Management Board together with the management report of the Company were audited by the auditors appointed by the Annual General Meeting on 12 March 2021 and commissioned by the Supervisory Board, DOMUS AG Wirtschaftsprüfungsgesellschaft/Steuerberatungsgesellschaft, Berlin and issued an unconditional auditor's certificate.

The annual financial statements of Deutsche Industrie REIT-AG and the management report of the Company as well as the auditor's reports were made available to all members of the Supervisory Board in due time.

The auditor participated in the Supervisory Board meeting held on 13 December 2021 to approve the financial statements and reported on the main results of its audit. This also 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. After detailed discussion, the Supervisory Board approved the results of the audit of the annual financial statements and the management report of the company.

The Supervisory Board carefully examined the annual financial statements and the management report of the company, the proposal for the distribution of the balance sheet profit as well as the audit reports of the auditor. No objections were raised. The Supervisory Board then approved the annual financial statements prepared by the Management Board as of 30 September 2021. The annual financial statements are therefore formally adopted.

Assessment of the report of the Management Board on relations with affiliated companies (dependency report)
The Management Board has prepared a report on relations with affiliated companies for the period of control in accordance with § 312 AktG and submitted it to the Supervisory Board. The Management Board's report on relations with affiliated companies was the subject of the audit by the auditor.

The auditor issued the following audit opinion on the results of the audit:

„Based on our audit and assessment in accordance with professional standards, we confirm that.

1. the information in the report is correct,

2. consideration paid by the company for the legal transactions listed in the report was not inappropriately high. "

The audit report was also available to the Supervisory Board. The Supervisory Board examined both the dependency report of the Management Board and the audit report of the auditor, and the auditor participated in the Supervisory Board's discussion of the dependency report and reported on the main results of its audit. Following the result of the Supervisory Board's examination, the Supervisory Board agreed with the dependency report of the Management Board and the auditor's report and raised no objections to the final declaration of the Management Board contained in the dependency report.

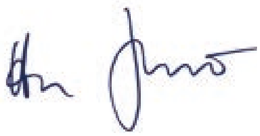
Personnel changes in the Management Board and Supervisory Board
There were no personnel changes in the Management Board and the supervisory board during the period under review.

Mr René Bergmann was reappointed to the Management Board for a period of three years until 31 August 2024.

The Supervisory Board thanks the Management Board and the employees for their commitment and hard work in the 2020/2021 financial year.

Potsdam, December 2021

For the Supervisory Board



Hans-Ulrich Sutter
Chairman of the Supervisory Board

Composition of the Management Board and Supervisory Board

Management Board

Sonja Petersen
CIO
Ms. Petersen 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, Public Relations and Strategy

René Bergmann
CFO
Mr. Bergmann is responsible for Corporate Finance, Accounting/ Controlling and Investor Relations

Supervisory Board

Hans-Ulrich Sutter
Chairman of the Supervisory Board
Business diploma, Düsseldorf

Dr. Dirk Markus
First Deputy Chairman of the Supervisory Board
MBA
Chairman of the Board of Directors, Aurelius Group, London

Achim Betz
Second Deputy Chairman of the Supervisory Board
Business diploma
Public accountant, Auditor, Tax advisor, Nürtingen

Cathy Bell-Walker
Solicitor
Partner, Allen & Overy LLP, London

Antje Lubitz
Real Estate Economist
Managing Director
3PM Services GmbH, Berlin

The CVs of the members of the Management Board and Supervisory Board are published at https://deutsche-industrie-reit.de/en/company/ in the sections “Management Board” respectively “Supervisory Board”.

Deutsche Industrie 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, retail 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.

For decades, REITs have been characterised by high stability, profitability, dividend strength, and sustained appreciation, and have long been established

PICTURE:
Schortens, Olympiastraße

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.

In this respect, the establishment 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 and mandatory participation in analyst and investor events.

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, DIR is an interesting, low-risk and attractive option on the capital market for investing in German Light Industrial properties.

The Acquisition Pipeline

It is the aim of the company to generate steady, sustainable and profit-oriented growth. This can be achieved with a balanced and regionally diversified real estate portfolio and with a focus on the German market.

DIR has a strong network and some longstanding relationships with potential sellers of Light Industrial real estate. As a result, the company receives a large number of attractive property offers. Mostly these assets are not sold through public auctions, but are only offered to a small audience or even exclusively.

For this reason, the acquisition process and the associated data management play a central role in the valuation of the properties as well as the basic market assessment. For this purpose, the acquisition team has developed and implemented its own efficient data collection for processing the offers. This extensive data allows the company to carry out systematic evaluations of the Light Industrial Real Estate market in Germany.

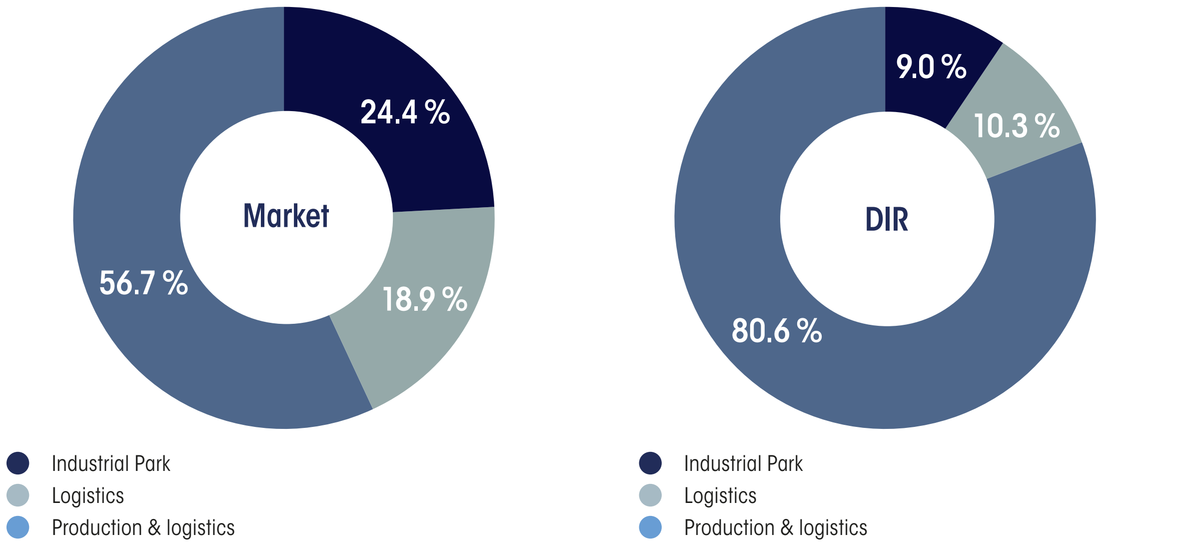
Structure of offers/Evaluation

In the FY 2020/2021, the Company received 504 property offers with a total purchase price volume of approximately 4,400 € million. To ensure the validity of the evaluation, duplicates and incomplete offers were adjusted for the overall result. Offers are only considered if they provide, the basic information like purchase price, rent and total floor space. The three classifications for the usage of the properties are: industrial park, logistics and production- & logistics, which are defined by the DIR as general categories.

Type	Offers	Percentage	Asking Price vol. in m€	Area in m²
Industrial Park	69	24.4 %	630.3	999,719
Logistics	58	18.9 %	488.9	631,806
Production & logistics	167	56.7 %	1,464.0	2,669,360
Total	294	100.0 %	2,583.2	4,300,884

The analysis shows an excess of offers of production & logistics real estate (> 55 %), subject to the significant market share of German corporate real estate. Despite the excess in offers for assets in production, DIR was also able to make balanced investments in industrial parks and logistics properties during the period under review.

Comparison of offers and DIR portfolio

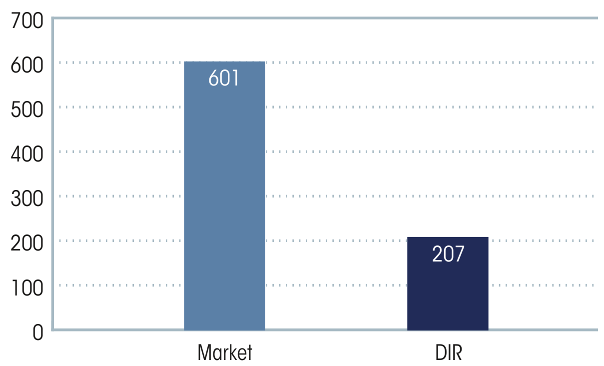


Based on the adjusted data, statements on average purchase prices and initial yields can be made which help the company to evaluate its own purchase criteria and acquisitions in the market context.

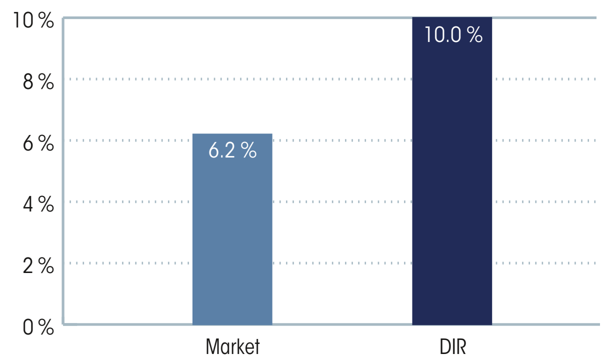
Type	Asking Price per m²	Yield	Multiple
Industrial Park	631	6.5 %	15.3
Logistics	774	5.8 %	17.2
Production & logistics	548	6.1 %	16.4
Total	**601**	**6.2 %**	**16.2**

The average price per square meter for Light Industrial properties is around 601 €/m², with an average initial yield of 6.2 %. DIR was able to buy at an average purchase price of 207 €/m² during the financial year, around 65 % below market levels. The average initial yield of 10.0 % was around 38 % above the market yield.

Asking price per m²



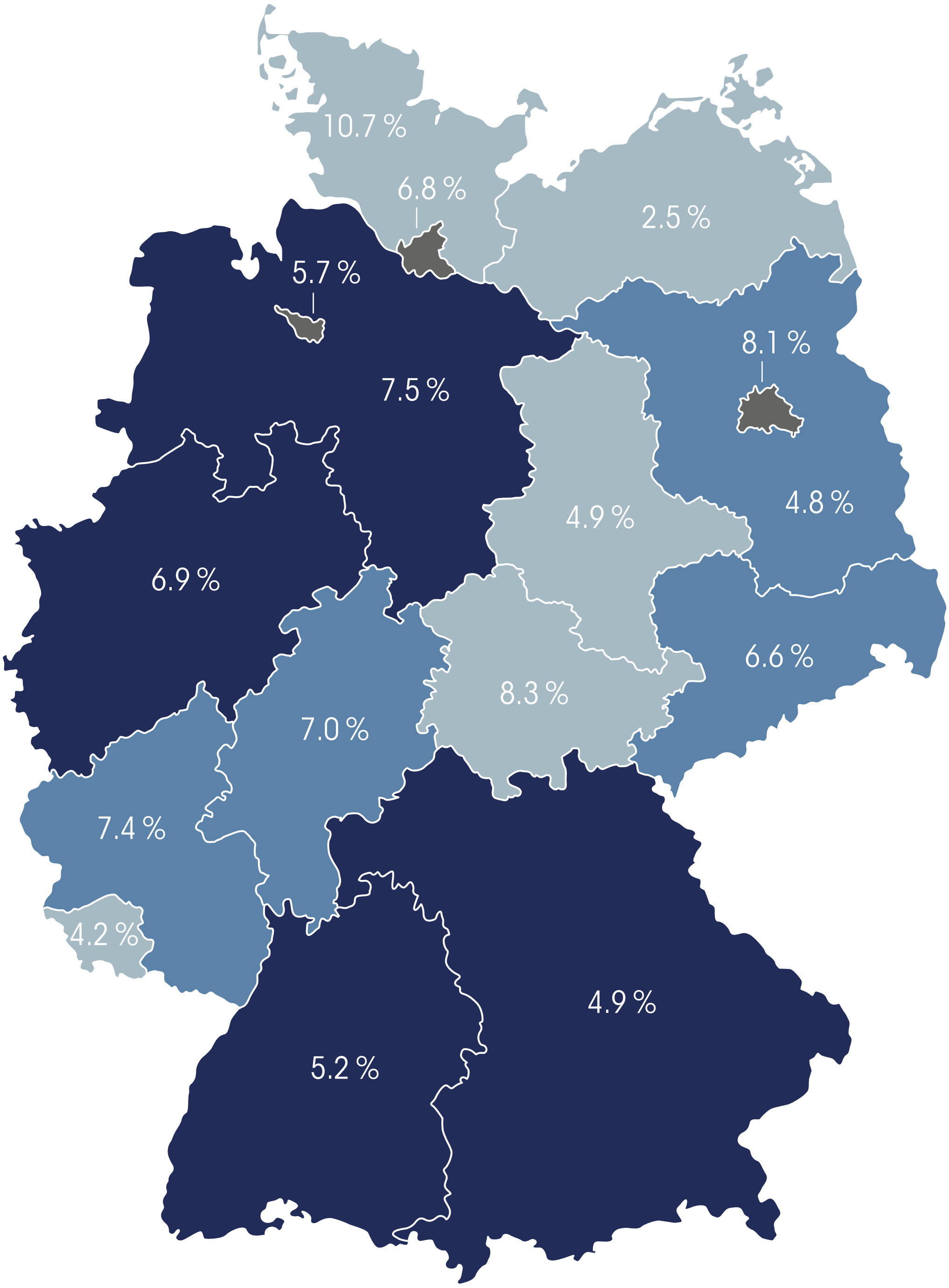
Yield



Regional Allocation

Overall. the regional distribution of the data evaluation is comparable with that of the DIR portfolio. The company invests in Light Industrial real estate throughout Germany, with a propensity towards investments in the West and Southwest (North Rhine-Westphalia. Baden-Württemberg and Bavaria). due to the strong local industrial sector. This observation can also be seen in the data analysis. in which the top 4 (North Rhine-Westphalia. Baden-Württemberg. Lower Saxony. Bavaria). account for 58.6% of the total volume, representing a significant share of offers. In total, 4 offers could not be assigned to a federal state.

Federal State	Offers	Percentage	Asking Price vol. in m€	Multiple	Yield
North Rhine-Westphalia	68	24.2%	456.8	14.4	6.%
Baden-Württemberg	43	14.9%	419.2	19.1	5.%
Bavaria	37	12.4%	422.5	20.3	4.9%
Lower-Saxony	21	7.2%	205.8	13.4	7.5%
Brandenburg	20	7.0%	193.1	20.9	4.8%
Saxony	19	6.5%	135.5	15.1	6.6%
Hesse	17	5.8%	122.9	14.3	7.%
Rhineland-Palatinate	15	5.2%	95.3	13.6	7.4%
Thuringia	14	4.8%	96.4	12.1	8.3%
Saxony-Anhalt	13	4.4%	110.7	20.3	4.9%
Mecklenburg-Western Pomerania	7	2.3%	18.3	40.	2.5%
Schleswig-Holstein	7	2.3%	27.0	9.3	10.7%
Saarland	3	1.0%	56.5	23.5	4.2%
Berlin	3	1.0%	5.7	12.3	8.1%
Bremen	2	0.7%	33.5	17.7	5.7%
Hamburg	1	0.3%	8.8	14.7	6.8%
Total	290	100.0%	2,408.6	16.5	6.1%



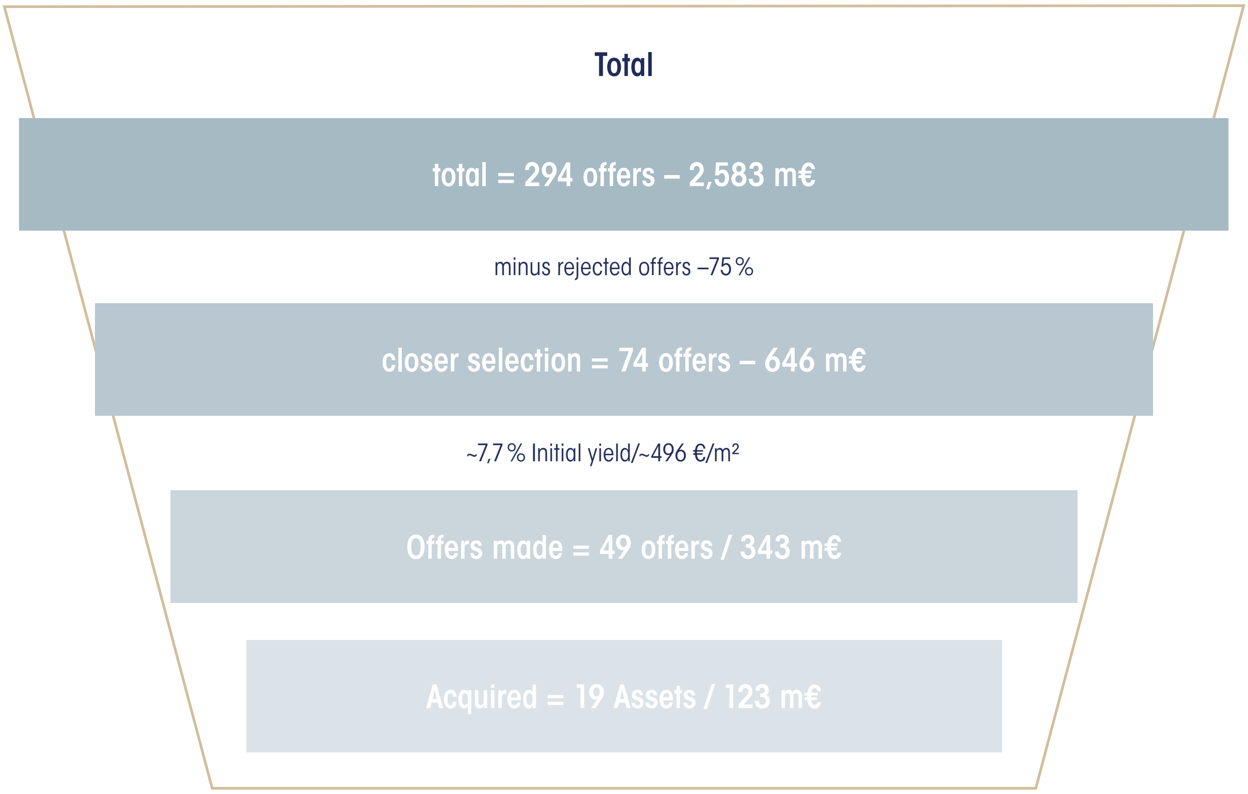
Among the most expensive regions are the city states of Hamburg and Bremen. which have an average initial yield of slightly above six percent. This can be explained by the scarcity of offers in comparison to other regions and countries. while also maintaining similar rent levels to the rest of the properties in this asset class.

Acquisition Process

The acquisition process of the company is characterized by an opportunistic approach. Each offer goes through a structured analysis process in which opportunities and risks are weighed up and swift decisions on the attractiveness of the offer are made. Overall, DIR rejected 75 % of the total volume of offers because they did not meet the yield requirements. The main reasons for this were excessively high purchase prices, major maintenance requirements and unsustainable rental conditions.

A total of 74 properties with a volume of 646 € million were shortlisted in the financial year. These properties had an average initial yield – based on the expected purchase price – of around 7.7 %. DIR's purchase price offers were around 25 % below the expected price, which led to the purchase of the 19 properties acquired in the fiscal year. The properties purchased have an average initial yield of 10.1 %.

The acquisition pipeline is still strong and the company expects to purchase further attractive assets and to therefore continue its portfolio growth in the future.



PICTURE:
Schleiz, Industriestraße

The Real Estate Portfolio

Portfolio overview

	30/09/2018	30/09/2019	30/09/2020	30/09/2021	Pro forma 16/12/2021
Properties	22	49	69	88	92
Commercial units	900	1,205	1,528	1,815	1,820
Total rental space in m²	508,443	1,105,419	1,561,024	2,188,855	2,243,383
Commercial rental space in m²	470,776	918,916	1,229,072	1,577,343	1,630,619
Annualised in place rent in € million	16.1	33.1	44.5	58.5	60.2
Ocupancy commercial	84.9 %	88.9 %	85.1 %	87.3 %	87.8 %
WALT in years	3.9	4.9	5.0	5.0	5.3
IPR commercial in €/m²	3.23	3.34	3.47	3.46	3.43
Market value in € million	167.0	391.8	565.0	795.9	807.0
Rental yield	9.6 %	8.5 %	7.9 %	13.6 %	7.5 %

Our investment strategy

Deutsche Industrie REIT-AG sustainably invests in German light industrial real estate. Light industrial includes storage, distribution of goods as well as management and production. This asset class consists mostly of medium to large industrial and commercials estates. These properties are usually more complex than pure logistics real estate and have a high level of local relevance.

The objective of the company is to generate constant, sustainable and profit-oriented revenue growth by means of additional acquisitions, ongoing investments in the real estate portfolio and strategic asset and portfolio management. In strategic terms, the company invests in good micro-locations which are infrastructurally well-connected and have a high local relevancy. These investments are made across Germany. By undertaking these investments, the company aims to occupy a niche which is situated below the investment criteria of institutional investors and above the investments undertaken by private investors.

As a result of the network of the corporate management and the transactions already completed, Deutsche Industrie has close and in some cases long-standing relationships with potential sellers of light industrial properties. In most cases, these properties are not sold at public auctions, but rather are only offered to a small audience or even exclusively.

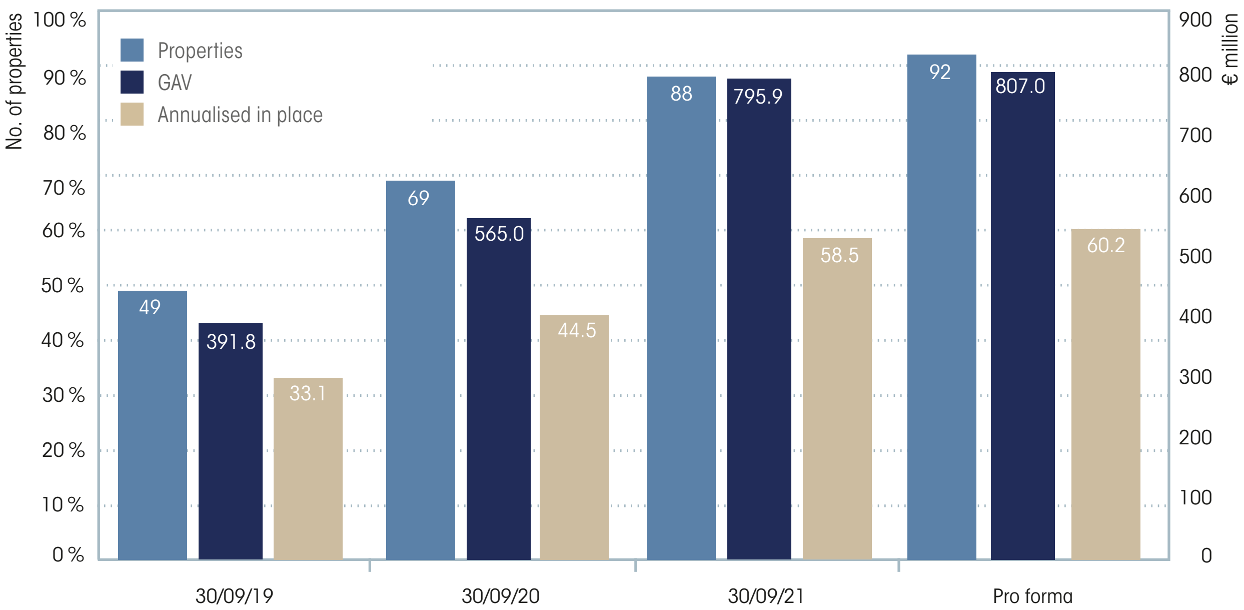
So far, properties have been acquired all over Germany and it is intended to continue acquiring properties throughout Germany. Here no focus is put on certain regions. According to the company, an open profile of requirements has the advantage that lucrative properties can also be acquired outside the usual light industrial locations.

Growth and operational performance

In the 2020/2021 financial year, the transfer of ownership for 19 acquired commercial properties took place. The property portfolio reported as of 30 September 2021 therefore comprises of 88 properties with a total area of 1.57 million m². The weighted average lease term (WALT) is 5.0 years, with an annualised in place rent of € 58.5 million. The portfolio is balanced at € 821.4 million (including IFRS-effect of € 24.8 milllion out of leaseholds and including the sold property balanced according to IFRS 5).

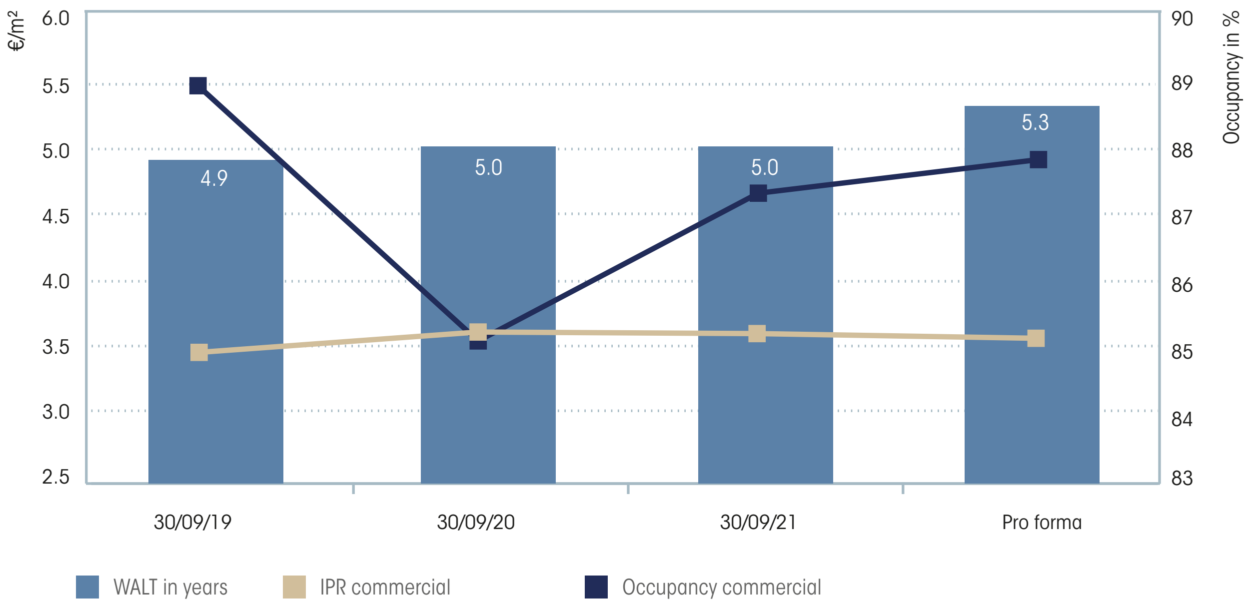
In addition, purchase agreements were notarised for 5 further properties with an investment volume of € 17.8 million for which the transfer of ownership took place or will take place after 30 September 2021.

Taking into account all properties acquired and sold to date, the total portfolio of Deutsche Industrie pro forma consists of 92 properties with an annualised total rent of around € 60.2 million and a portfolio value of around € 807.0 million.



In addition to the growth in size, there is also a stable year-on-year development in the key operating figures. The rents per m² of commercial space and the average remaining lease term (WALT) are almost identical to the previous year when compared to the total portfolio on the respective reporting date.

- The occupancy rate remains stable compared to the previous year.

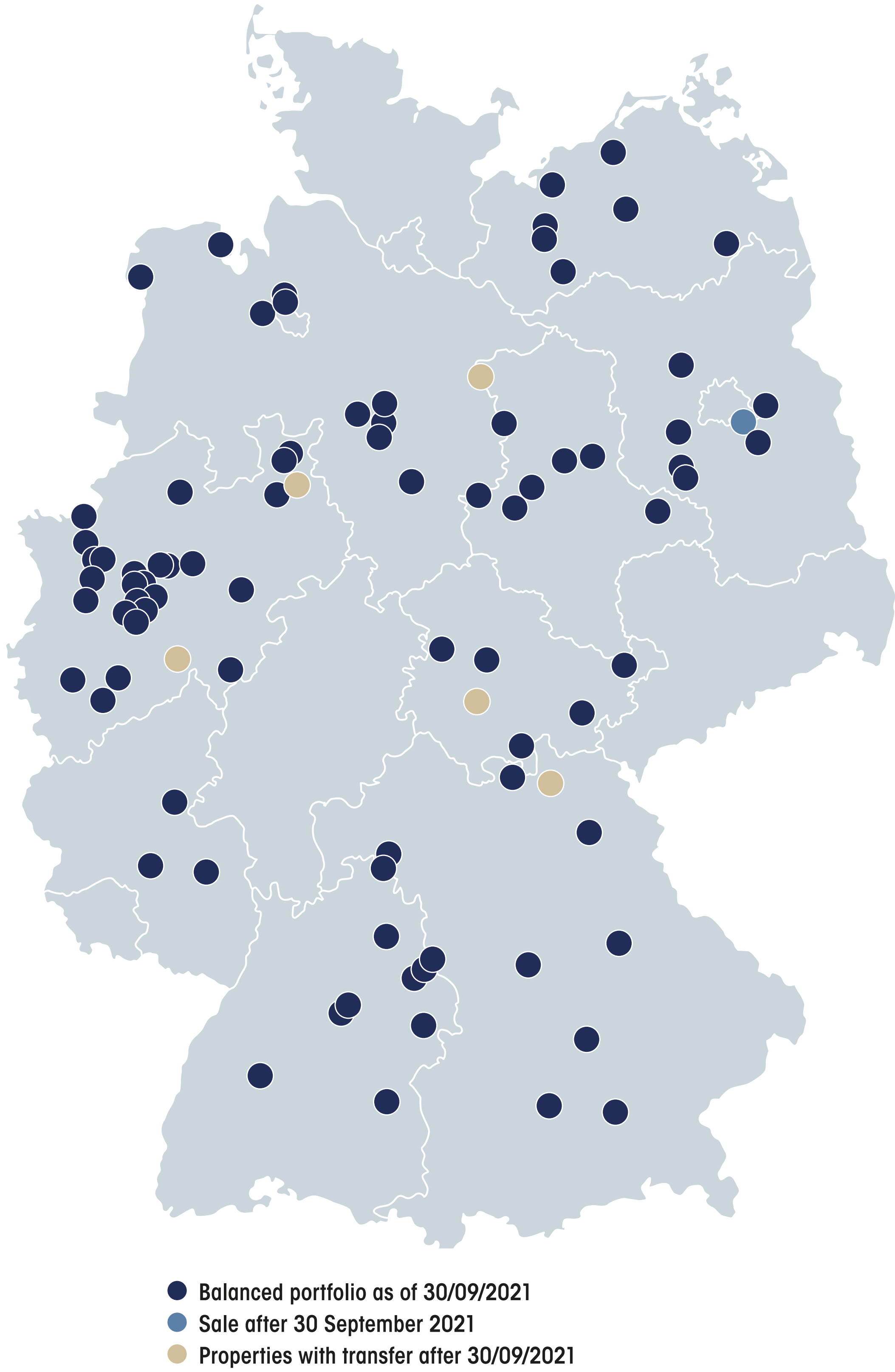


Regional allocation

The real estate portfolio is distributed all over Germany with a focus on the more industrial south and west, as well as the proximity to the ports in the north of the country.

Especially in the region of North Rhine-Westphalia, which is important for corporate real estate, five additional properties were purchased. In terms of rental income, North Rhine-Westphalia is followed by Lower Saxony and Bavaria. For DIR's locations in the 12 represented federal states, this results in annualised rent of EUR 58.5 m€ at 88 locations, of which more than 50 % of the rental share is generated from DIR's top 3 federal states.

Federal State	Properties	Commercial space	Annualised rent	% of rent
North Rhine-Westphalia	28	438,879 m²	16.4 m€	28.0 %
Lower Saxony	11	334,460 m²	10.8 m€	18.4 %
Bavaria	8	153,727 m²	9.2 m€	15.7 %
Baden-Wurttemberg	10	196,420 m²	8.3 m€	14.2 %
Mecklenburg Western Pomerania	7	119,787 m²	3.2 m€	5.6 %
Brandenburg	6	76,863 m²	3.2 m€	5.5 %
Thuringia	6	95,191 m²	2.6 m€	4.4 %
Saxony-Anhalt	7	68,411 m²	1.7 m€	2.9 %
Rhineland Palatinate	2	31,209 m²	1.5 m€	2.5 %
Saarland	1	44,084 m²	0.9 m€	1.6 %
Bremen	1	9,496 m²	0.4 m€	0.7 %
Berlin	1	8,816 m²	0.2 m€	0.4 %
Total	**88**	**1,577,343 m²**	**58.5 m€**	**100.0 %**


Balanced portfolio as of 30/09/2021
Sale after 30 September 2021
Properties with transfer after 30/09/2021

Types of use

Deutsche Industrie distinguishes between three types of property when it comes to the use of the respective objects:

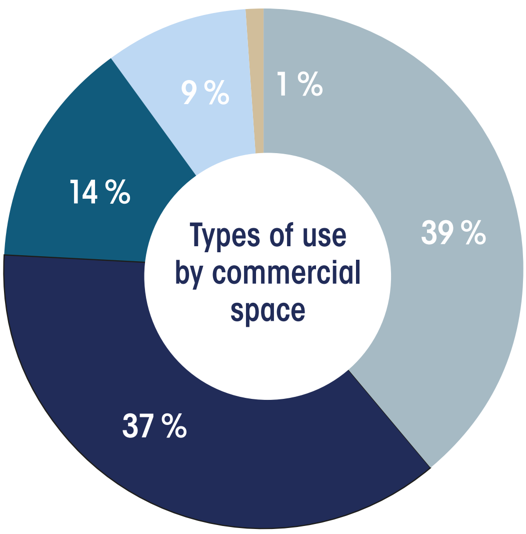
Logistics: These are building complexes that have already been designed for the distribution of goods and merchandise, with the appropriate technical equipment, high loads and, in most cases, access suitable for trucks at any time (24/7). These properties are typically used by single tenants or dominant main tenants, who generally operate nationwide.

Industrial parks: These usually consist of several different buildings with a variety of uses ranging from storage to workshops, laboratories, offices, and event areas. The tenant structure is small and fluctuation is higher, while tenants are mostly active locally. This enables higher rents, but it can also lead to longer marketing periods and higher vacancy rates.

Production and logistics: These properties are normally geared to a main production user and, in addition to the actual production areas, include downstream warehouse/logistics, administrative and social areas. These properties also, are often let to a larger tenant with a typically longer lease term and an addition of smaller secondary users.

Type	Properties	Total rental space	Commercial rental space	IPR p. m²	Occupancy commercial	WALT	Annualised rent	% of rent	GAV	Yield
Industrial park	17	422,144 m²	382,218 m²	4.66 €	73.2 %	4.0	16.3 m€	27.8 %	199.6 m€	8.1 %
Logistics	24	453,645 m²	424,523 m²	3.48 €	90.0 %	4.3	16.1 m€	27.6 %	242.7 m€	6.6 %
Production & logistics	47	1,313,066 m²	770,602 m²	2.99 €	92.8 %	6.1	26.1 m€	44.6 %	353.5 m€	7.4 %
Total	**88**	**2,188,855 m²**	**1,577,343 m²**	**3.46 €**	**87.3 %**	**5.0**	**58.5 m€**	**100.0 %**	**795.9 m€**	**7.3 %**

- **Within the properties, the individual tenancy units consist of the following main types of use:**



589,322 m²	Logistics	larger areas, corresponding technical equipment
147,761 m²	Production	small to medium-sized areas, more simple equipment
213,208 m²	Office	mostly as simple administration or training rooms incl. corresponding social rooms
617,478 m²	Storage	halls, workshops
9,574 m²	Other commercial space	e. g. open spaces, parking, antennas, etc.
1,577,343 m²	**total**	

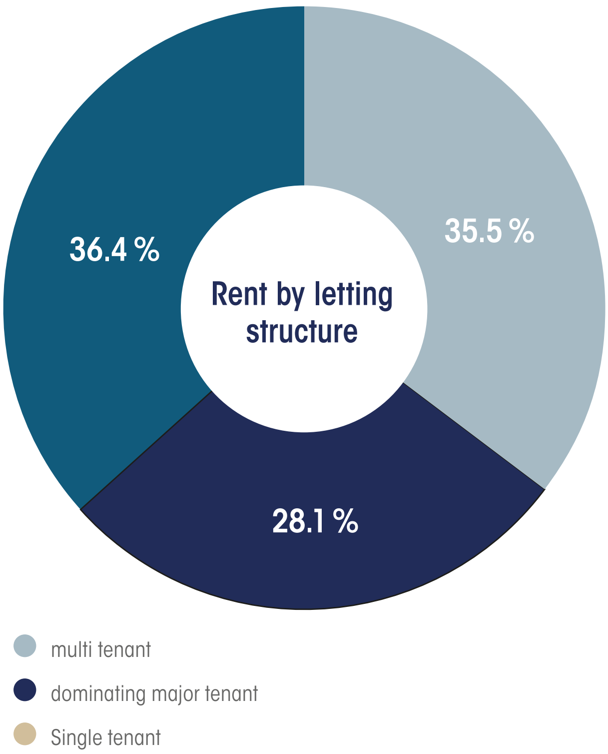
Tenant structure

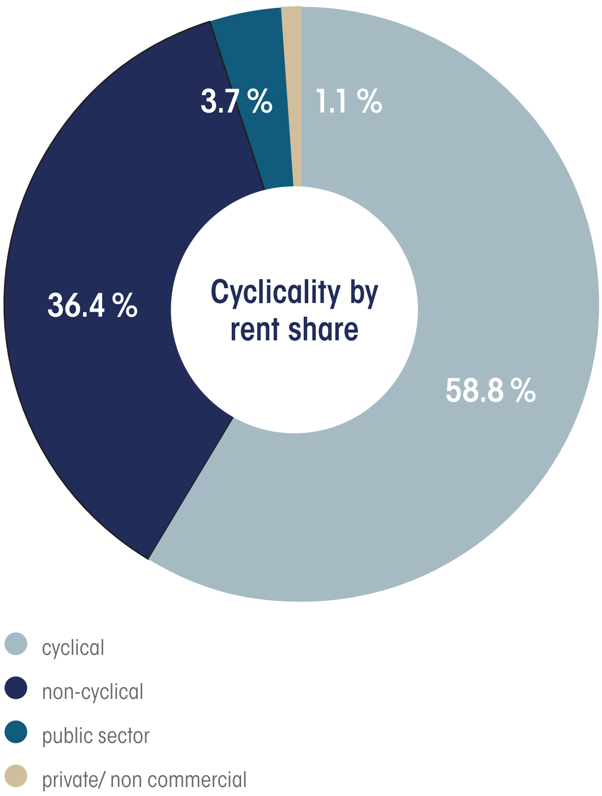
Weighted by the rental percentage of tenants in a property, the DIR classifies the rental structure of the tenant population per property location. Three characteristics are categorised: Single tenant, dominating major tenant and a multiple tenant structure. The rental structure of the company's portfolio is diversified across all three types of tenants and is broken down as follows in proportion to the rent:

Letting structure	Number of properties	Annualised rent	% of rent	IPR p. m²	Occupancy commercial	WALT
Multi tenant	23	20.7 m€	35.5 %	4.44 €	78.3 %	4.1
Dominating major tenant	25	16.5 m€	28.1 %	3.23 €	84.4 %	4.5
Single tenant	40	21.3 m€	36.4 %	3.01 €	96.7 %	6.3
Total	**88**	**58.5 m€**	**100.0 %**	**3.46 €**	**87.3 %**	**5.0**

Cyclicality

The tenants in the DIR portfolio are assigned to cyclicality types according to their economic sector or business segment. The company distinguishes between four different classifications, whose percentage of the total rent in the portfolio is as follows:





The company receives more than 36% of its current rental income from tenants in sectors that are hardly or only slightly affected by economic fluctuations. One example is Aenova / Haupt Pharma from the pharmaceutical industry with a current portfolio rental share of 4.8%. The heterogeneous orientation of cyclical and non-cyclical tenants enables the company to operate a risk-minimized, operative rental management and to achieve a stable rental return regardless of expected economic fluctuations.

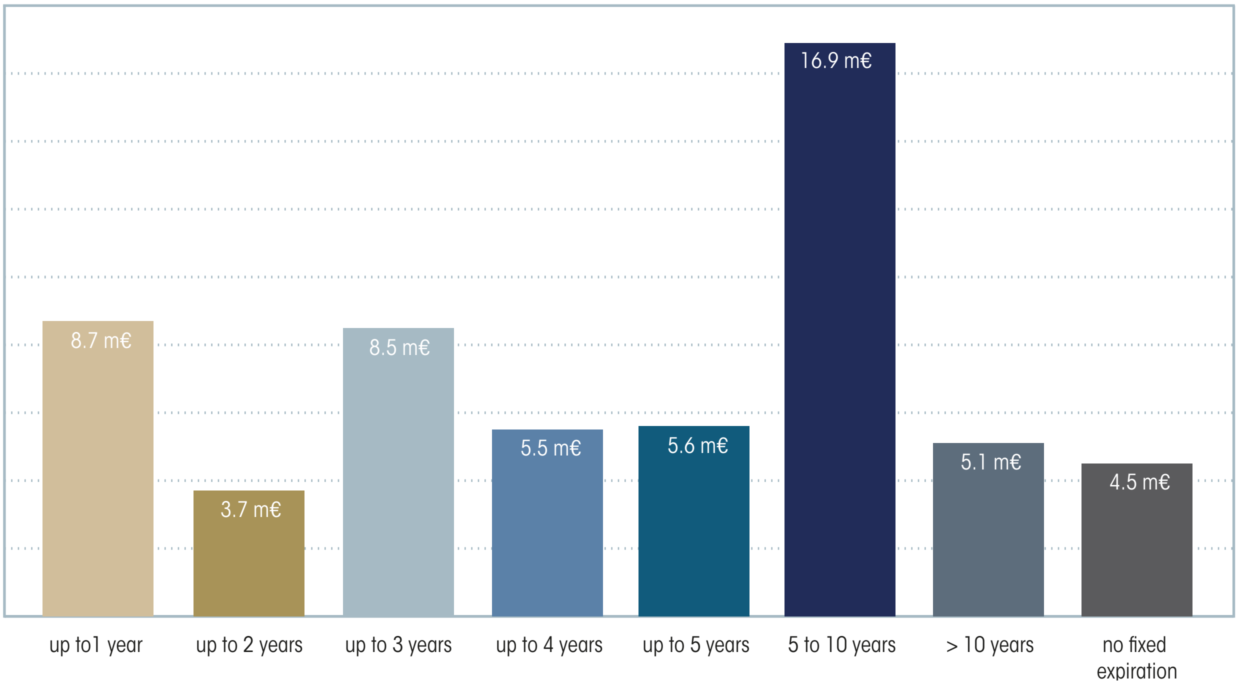
Tenant mix

A total of 659 tenants belong to approximately 58 different industries and are broadly diversified in terms of economic sector, geographical orientation, lease terms and utilization profile. Care is taken to maintain and expand this diversity both in the acquisition of new properties and in the context of new and follow-up leases in order to avoid possible cluster risks and to maintain a crisis-proof tenant portfolio.

The ten largest tenants represent slightly more than 27% of the rent, the other 73% are rather small and widely spread. This has the advantage of having strong, solvent tenants from economically strong sectors on the one hand and potential for rent increases in the more fluctuating part of the portfolio on the other.

Tenant	Sector	% of rent
Aenova / Haupt Pharma	Pharmaceutical Industry	4.8%
Versandhaus Walz GmbH, Baby Walz	Online/Mail order seller	4.4%
Lufthansa Group	Aerospace company	2.7%
Gabo Stahl GmbH	Metalworking	2.6%
DST Defence Service Tracks GmbH	Defence industry	2.6%
OWS Off-Shore Wind Solution GmbH	Renewable energies	2.2%
Bundesanstalt für Immobilienaufgaben	Public sector	2.1%
Sihl GmbH	Textile coating	2.1%
keeeper tableware GmbH	Paper Processing/Paperboard/Packaging	2.1%
CompAir / Gardner Denver	Compressed air technology	1.8%
Top Ten Tenants		**27.3%**
Top Twenty Tenants	659 Tenants in total	42.2%

The weighted average lease term is 5.0 years and is divided between contracts with remaining terms of two to four years – typically many tenants in business parks – and longer terms of more than five years, mostly in production and logistics with a fewer number of tenants.



Property valuation

As of 30 June 2021, the annual property valuation of the portfolio was carried out by external experts. The result was a significant revaluation of the portfolio in the amount of € 91.1 million. Accordingly, the value of the portfolio balanced on 30 September 2021 amounts to EUR 821.4 million (incl. IFRS adjustments for leaseholds in the amount of EUR 24.8 million and including the sold property balanced according to IFRS 5). The increase in values is mainly due to further increase in market prices, especially in the logistics sector, stable and steadily increasing market rents and operational improvements in the portfolio.

As of 30 September 2021, the valuation results for the various uses are as follows:

Valuation status	Fair Value in m€	Fair Value per m² commercial space	Valuation change	Development vs. purchase price	Multi	Yield
Industrial park	199.6 m€	522 €/m²	15.5 %	45.4 %	12.3	8.1 %
Logistics	242.7 m€	572 €/m²	13.6 %	52.3 %	15.0	6.6 %
Production & logistics	353.5 m€	458 €/m²	16.9 %	32.7 %	13.6	7.4 %
Result	**795.9 m€**	**505 €/m²**	**15.5 %**	**41.4 %**	**13.6**	**7.3 %**

For this financial year, the property valuation was again carried out by CBRE GmbH, Berlin.

The portfolio – property by property

	Properties	Type	No. of commercial units	Total rental space in m²	Commercial rental space in m²
1	Neubrandenburg, Augustastraße 30	Production & logistics	27	56,526	36,288
2	Güstrow, Glasewitzer Chaussee 31	Production & logistics	1	15,274	6,130
3	Bad Salzdetfurth, Teccenter 1	Industrial park	143	57,245	47,186
4	Löhne, Dieselstraße 7-9	Logistics	3	46,967	46,967
5	Schortens TCN, Olympiastraße 1	Industrial park	183	98,904	91,859
6	Rostock, Handelsstraße 3	Logistics	111	39,023	38,459
7	Bornheim, Ottostraße 91	Logistics	3	9,057	9,057
8	Drei Gleichen, Dr. Bube Str. 6	Logistics	1	24,004	24,004
9	Wuppertal, Am Brögel 1A - 23	Industrial park	68	10,109	9,470
10	Remscheid, Kippdorfstraße 6 - 24	Industrial park	192	27,189	26,715
11	Neustadt-Glewe, Brauereistraße 30 - 35	Production & logistics	5	11,081	10,932
12	Dortmund, Hannöversche Straße 22	Industrial park	40	24,813	20,814
13	Bochum, Kantstraße 10, 18-20	Industrial park	10	3,272	3,272
14	Witten, Rüsbergstr. 70	Industrial park	37	11,266	7,927
15	Ronnenberg, Berliner Str. 1-3	Production & logistics	11	30,951	29,951
16	Elchingen, Dieselstraße 10	Production & logistics	1	7,690	3,258
17	Lichtenfels, Bamberger Str. 58-60	Production & logistics	1	28,404	16,356
18	Meschede, Am Steinbach 8	Industrial park	4	6,563	6,563
19	Hattingen, Hufeisenstraße 6-8	Industrial park	5	2,580	2,580
20	Meerbusch, Fritz-Wendt-Str. 5	Logistics	4	13,380	13,380
21	Wildau, Chaussestraße 3	Logistics	89	17,769	14,307
22	Fehrbellin, An der Plantage 15	Logistics	1	4,530	1,400
23	Schleiz, Industriestraße 11	Production & logistics	1	7,275	7,275
24	Bremen, Am Heidbergstift 6	Production & logistics	14	9,903	9,496
25	Schortens II, Roffhausener Landstraße 18c	Logistics	29	30,066	30,066

Annualised In place rent in m€	Ocupancy commercial	WALT in years	IPR commercial in €/m²	Current market value m€	Yield	Quarter of transfer
0.7	98.8%	5.8	1.73	8.1	9.2%	Q1-2015
0.0	0.0%	0.0	0.00	0.3	0.0%	Q1-2016
1.8	74.8%	2.3	4.01	22.1	8.2%	Q1-2017
1.7	100.0%	4.8	3.05	22.6	7.6%	Q2-2017
3.9	67.0%	3.8	5.07	46.3	8.3%	Q1-2017/2018
1.1	96.0%	4.8	2.42	18.2	6.0%	Q1-2017/2018
0.4	100.0%	2.3	3.28	6.7	5.4%	Q1-2017/2018
0.6	100.0%	2.8	2.08	7.2	8.3%	Q2-2017/2018
0.5	83.5%	2.4	4.88	7.2	6.8%	Q3-2017/2018
0.9	79.8%	0.4	3.56	13.5	6.7%	Q3-2017/2018
0.3	100.0%	3.6	2.03	3.4	8.0%	Q2-2017/2018
0.8	76.6%	2.7	4.11	11.2	7.4%	Q3-2017/2018
0.2	100.0%	5.4	5.04	3.1	6.8%	Q3-2017/2018
0.4	99.1%	2.5	3.36	4.3	8.9%	Q3-2017/2018
1.0	84.1%	2.8	3.35	12.9	8.0%	Q4-2017/2018
0.2	100.0%	7.3	4.33	3.4	5.0%	Q3-2017/2018
0.9	100.0%	7.3	4.57	10.9	8.2%	Q3-2017/2018
0.2	97.2%	0.6	2.58	2.3	8.5%	Q3-2017/2018
0.1	100.0%	1.0	3.85	1.7	6.9%	Q4-2017/2018
0.9	100.0%	0.9	5.89	10.0	9.4%	Q4-2017/2018
1.1	96.5%	4.2	6.54	16.4	6.6%	Q4-2017/2018
0.1	100.0%	2.8	4.29	1.2	8.5%	Q2-2018/2019
0.2	100.0%	3.9	2.61	3.3	7.0%	Q1-2018/2019
0.4	100.0%	2.3	3.68	5.5	7.6%	Q1-2018/2019
0.2	30.8%	1.3	1.36	2.4	6.3%	Q1-2018/2019

	Properties	Type	No. of commercial units	Total rental space in m²	Commercial rental space in m²
26	Wismar, Am Westhafen 1–3c	Production & logistics	15	11,873	5,812
27	Simmern, Argenthaler Str. 11	Production & logistics	6	127,517	20,905
28	Schwerin, Werkstraße 710–714, 717–721	Industrial park	17	19,451	19,451
29	Berlin, Gradestraße, Britzer Damm	Production & logistics	7	10,034	8,816
30	Münster, Schleebrüggenkamp 15	Production & logistics	1	2,889	2,889
31	Regensburg, Donaustaufer Straße 378	Production & logistics	19	19,699	19,699
32	Wolfsratshausen, Pfaffenriederstraße 5 u. 7	Production & logistics	4	30,267	30,267
33	Dinslaken, Thyssenstraße 93	Production & logistics	38	5,223	3,259
34	Solingen, Nümmener Feld 10	Logistics	23	26,214	24,852
35	Bad Waldsee, Steinstraße 28	Logistics	3	46,350	46,350
36	Zella-Mehlis, Am Köhlersgehäu 6	Production & logistics	9	30,901	19,391
37	Schortens III, Roffhausener Landstraße 18c	Production & logistics	12	3,939	2,427
38	Duisburg, Eisenbahnstraße	Production & logistics	8	16,221	16,221
39	Halberstadt, Am Sülzegraben 17	Production & logistics	2	1,500	1,500
40	Remscheid, Rosentalstraße 22	Production & logistics	1	16,245	16,245
41	Remscheid, Víeringhausen 118	Production & logistics	1	35,490	11,933
42	Freisen, Industriegelände	Production & logistics	1	44,084	44,084
43	Essingen, Streichhoffeld 1 u. 3	Logistics	16	32,809	32,809
44	Aalen, Ulmer Straße 82-84	Production & logistics	8	9,711	9,711
45	Rosengarten, Neue Str. 1	Production & logistics	32	20,368	20,368
46	Dortmund, Westfaliastraße 187	Logistics	3	3,508	3,508
47	Barleben, Im Hasenwinkel 5	Production & logistics	2	35,411	10,400
48	Eschenbach, Gossenstraße 51	Production & logistics	3	6,834	6,510
49	Bad Oeynhausen, Unterer Sundern 11	Logistics	9	12,773	12,773
50	Schwerin, Grevesmühlener Str. 18a	Logistics	2	7,715	2,715
51	Düren, Kreuzauer Str. 33	Production & logistics	2	77,111	40,850

	Annualised In place rent in m€	Ocupancy commercial	WALT in years	IPR commercial in €/m²	Current market value m€	Yield	Quarter of transfer
	0.3	95.9%	1.9	2.91	4.4	7.3%	Q1-2018/2019
	1.0	100.0%	5.8	4.16	15.6	6.7%	Q1-2018/2019
	0.7	97.7%	5.0	2.85	7.8	8.4%	Q2-2018/2019
	0.2	89.7%	1.3	2.39	6.6	3.5%	Q2-2018/2019
	0.1	100.0%	2.3	3.81	1.9	7.1%	Q2-2018/2019
	0.7	100.0%	2.3	2.75	10.8	6.2%	Q2-2018/2019
	1.8	100.0%	2.3	4.93	25.6	7.0%	Q2-2018/2019
	0.2	90.0%	1.5	4.68	2.4	7.5%	Q2-2018/2019
	1.1	96.2%	1.7	3.71	18.6	5.7%	Q1-2018/2019
	2.6	100.0%	7.3	4.60	39.9	6.4%	Q2-2018/2019
	0.4	98.4%	1.4	1.60	8.0	4.7%	Q3-2018/2019
	0.0	70.4%	3.9	1.93	0.4	8.9%	Q2-2018/2019
	0.5	100.0%	7.3	2.57	8.1	6.2%	Q2-2018/2019
	0.0	100.0%	6.3	2.33	0.4	9.5%	Q3-2018/2019
	0.3	100.0%	3.3	1.63	6.0	5.3%	Q4-2018/2019
	0.2	100.0%	3.3	1.64	4.6	5.1%	Q4-2018/2019
	0.9	100.0%	3.3	1.79	14.5	6.5%	Q4-2018/2019
	1.6	100.0%	4.3	3.92	23.4	6.6%	Q3-2018/2019
	1.1	100.0%	6.9	9.41	11.1	9.9%	Q3-2018/2019
	0.4	100.0%	2.3	1.81	5.3	8.4%	Q3-2018/2019
	0.2	100.0%	0.3	5.71	3.7	6.6%	Q4-2018/2019
	0.5	100.0%	7.8	4.13	6.8	7.6%	Q4-2018/2019
	0.3	100.0%	7.3	3.42	3.8	7.0%	Q4-2018/2019
	0.4	100.0%	2.8	2.55	4.5	8.7%	Q4-2018/2019
	0.2	100.0%	2.3	4.77	2.3	6.6%	Q1-2019/2020
	1.2	100.0%	13.0	2.33	15.7	7.7%	Q1-2019/2020

»

	Properties	Type	No. of commercial units	Total rental space in m²	Commercial rental space in m²
52	Linthe, Kampaweg 1	Logistics	46	10,391	9,541
53	Altlandsberg, Seeberger Str. 10 (Hönower Chaussee 1)	Logistics	2	11,534	8,053
54	Westhausen, Dr.-Rudolf-Schieber-Str. 11, 13, 15	Industrial park	65	17,349	15,978
55	Hannover, Wiesenauer Straße 11, 13	Industrial park	24	27,281	24,105
56	Bocholt, Hindenburgstr. 19, Kaiser-Wilhelm-Str. 39, 41, 42	Logistics	4	12,900	12,692
57	Unna, Heinrich-Hertz-Str. 14, 18	Industrial park	18	6,852	6,676
58	Löbichau, Leedenstraße 3	Logistics	1	17,891	7,455
59	Wesel, Schepersweg 41-61	Industrial park	19	22,184	16,501
60	Kloster Lehnin, Damsdorfer Hauptstraße 36B	Logistics	3	13,142	13,142
61	Dinslaken, Lanterstr. 34	Production & logistics	1	22,243	3,610
62	Wedemark, Industriestraße 44	Logistics	5	20,633	20,559
63	Oberding, Lohstraße 22-28a	Industrial park	118	49,697	49,020
64	Mönchweiler, Am Fohrenwald 1	Production & logistics	11	30,211	28,763
65	Osterwieck Lüttgenröder Str. 4	Production & logistics	1	22,000	6,993
66	Hude, Heinrich-Dreyer-Str. 1	Production & logistics	6	16,741	12,041
67	Oebisfelde, Lunapark 2	Production & logistics	4	12,515	12,515
68	Stegelitz, Dammfeld 6	Logistics	2	12,203	12,203
69	Lauda-Königshofen, Bahnhofstraße 70 u. 100	Production & logistics	1	16,179	16,179
69	**Properties with transfer before 01/10/2020**		**1.559**	**1,589,923**	**1,223,484**
70	Euskirchen, Adolf-Halstrick-Str. 6	Production & logistics	31	87,200	40,971
71	Oschersleben, Anderslebener Straße 159	Logistics	3	15,000	15,000

	Annualised In place rent in m€	Ocupancy commercial	WALT in years	IPR commercial in €/m²	Current market value m€	Yield	Quarter of transfer
	0.2	63.1 %	0.0	2.00	3.4	5.0 %	Q1-2019/2020
	0.5	100.0 %	2.2	5.12	9.6	5.2 %	Q1-2019/2020
	0.4	42.7 %	1.2	5.10	9.5	4.6 %	Q1-2019/2020
	0.3	22.7 %	0.9	3.62	14.9	2.0 %	Q1-2019/2020
	0.6	100.0 %	7.8	3.95	10.9	5.5 %	Q1-2019/2020
	0.6	96.9 %	1.5	7.09	6.9	8.4 %	Q2-2019/2020
	0.2	100.0 %	3.1	2.68	3.2	7.5 %	Q2-2019/2020
	0.5	78.5 %	1.5	3.29	6.7	7.9 %	Q1-2019/2020
	0.5	100.0 %	0.0	2.88	3.5	13.1 %	Q2-2019/2020
	0.2	100.0 %	3.8	3.66	2.1	7.8 %	Q1-2019/2020
	0.9	93.3 %	4.3	3.75	16.2	5.3 %	Q2-2019/2020
	3.8	74.8 %	6.3	8.52	27.7	13.8 %	Q3-2019/2020
	0.6	51.9 %	4.3	3.12	13.5	4.2 %	Q3-2019/2020
	0.3	100.0 %	8.8	3.00	3.3	7.8 %	Q4-2019/2020
	0.3	94.4 %	3.8	2.06	3.8	7.7 %	Q4-2019/2020
	0.2	100.0 %	1.9	1.60	3.1	7.7 %	Q4-2019/2020
	0.0	0.0 %	0.0	0.00	4.2	0.0 %	Q4-2019/2020
	0.4	100.0 %	8.8	2.01	4.5	8.8 %	Q4-2019/2020
	46.0	**86.3 %**	**4.4**	**3.55**	**643.5**	**7.2 %**	
	1.2	100.0 %	8.8	2.44	14.4	8.3 %	Q1-2020/2021
	0.4	100.0 %	0.3	2.10	3.7	10.2 %	Q1-2020/2021

	Properties	Type	No. of commercial units	Total rental space in m²	Commercial rental space in m²
72	Grünsfeld, Industriestraße 2 u. 6	Production & logistics	2	3,244	3,244
73	Bielefeld, Gustav-Winkler-Str. 17	Logistics	12	12,656	12,370
74	Metzingen, James-Watt-Str. 9	Logistics	3	13,131	12,861
75	Sembach, Junkersstr. 10	Industrial park	26	13,484	10,304
76	Gevelsberg, Mühlenstr. 5, 29-31	Industrial park	116	23,905	23,797
77	Gevelsberg, Kölner Straße 64	Production & logistics	4	32,406	32,406
78	Sonneberg, An der Müß 42	Production & logistics	1	12,066	12,066
79	Emden, Am Freihafen 1	Production & logistics	12	130,573	41,924
80	Rosenheim, Schlierseestraße 4	Production & logistics	1	12,493	7,178
81	Schwanewede, Industriepark Brundorf 4	Production & logistics	2	17,494	7,342
82	Eichstätt, Industriestraße 20	Production & logistics	1	21,439	21,439
83	Treuenbrietzen, Leipziger Str. 109A	Production & logistics	1	31,456	30,420
84	Wittenberg, Möllensdorfer Str. 13A	Production & logistics	3	61,960	9,800
85	Eisenach, Amrastr. 5	Production & logistics	3	47,700	25,000
86	Wilnsdorf, Werkstraße 32	Production & logistics	1	24,424	10,581
87	Frickenhausen, Nürtinger Str. 47, 49, 51, 53, Kruppstr. 33	Production & logistics	8	10,409	10,156
88	Neustadt am Rübenberge, Eduard-Dyckerhoff-Str. 2	Production & logistics	26	27,892	27,000
19	**Properties with transfer 01/10/2020 until 30/09/2021**		**256**	**598,932**	**353,859**
88	**Portfolio as of 30/09/2021**		**1,815**	**2,188,855**	**1,577,343**
5	**Properties with transfer after 30/09/2021**		**12**	**64,561**	**62,092**
1	**Sale after 30/09/2021**		**7**	**10,034**	**8,816**
92	**Pro forma Portfolio**		**1,820**	**2,243,383**	**1,630,619**

Annualised In place rent in m€	Ocupancy commercial	WALT in years	IPR commercial in €/m²	Current market value m€	Yield	Quarter of transfer
0.2	100.0%	0.0	4.78	1.2	15.4%	Q1-2020/2021
0.4	88.9%	3.3	2.73	4.4	8.2%	Q1-2020/2021
0.5	98.2%	7.2	3.08	6.5	8.5%	Q2-2020/2021
0.4	95.3%	11.7	3.71	5.8	7.5%	Q2-2020/2021
0.7	86.1%	7.4	2.71	8.6	8.0%	Q2-2020/2021
1.5	100.0%	9.3	3.92	20.1	7.6%	Q2-2020/2021
0.5	100.0%	14.3	3.11	4.6	9.9%	Q2-2020/2021
2.0	99.3%	1.8	3.99	23.9	8.5%	Q4-2020/2021
0.7	100.0%	4.0	8.26	9.0	7.9%	Q3-2020/2021
0.4	100.0%	9.7	4.09	4.9	7.4%	Q3-2020/2021
0.9	100.0%	9.5	3.36	9.6	9.0%	Q3-2020/2021
0.9	100.0%	9.7	2.38	11.5	7.8%	Q3-2020/2021
0.2	100.0%	2.3	2.04	2.4	10.0%	Q3-2020/2021
0.7	100.0%	11.2	2.33	6.9	10.1%	Q4-2020/2021
0.3	100.0%	14.8	2.36	2.9	10.3%	Q4-2020/2021
0.5	100.0%	9.3	4.11	7.4	7.2%	Q4-2020/2021
0.0	0.2%	0.4	5.50	4.7	0.6%	Q3-2020/2021
12.5	**90.8%**	**7.4**	**3.17**	**152.4**	**8.2%**	
58.5	**87.3%**	**5.0**	**3.46**	**795.9**	**7.3%**	
1.9	**100.0%**	**11.3**	**2.46**	**17.8**	**10.8%**	
0.2	**89.7%**	**1.3**	**2.39**	**6.6***	**3.5%**	
60.2	**87.8%**	**5.3**	**3.43**	**807.0**	**7.5%**	

* The sold property was valued at € 6.6 million in the property valuation as at 30 June 2021. The sale was concluded after the balance sheet date, so the property was now balanced with the purchase price of € 7.3 million in accordance with IFRS 5.

Sale-and-Lease-Back

The sale-and-lease-back financing approach enables companies to improve their liquidity. This is a special form of leasing and stands for an asset-based financing model. In general, companies use its assets to free up capital. In the real estate sector, this refers to the property itself. The following functional principle illustrates the financing process: First, the company sells its commercial property to Deutsche Industrie REIT-AG and receives the proceeds from this transaction. The seller then rents the property back for a fixed term. This results in two lease agreements: a purchase agreement and a lease agreement.

This financing process has a number of advantages: the company realises the liquidity from its own fixed assets and thus does not need outside capital to invest in business and strategic development. The seller enjoys full freedom as to what is to be done with the proceeds from the property and only has to consider the accruing building rent as a liability.

Another advantage resulting from this financing model is by avoiding the need for outside capital, the company's equity ratio increases as does the prospect of being approved for a bank loan. From the tax perspective, the rent incurred can be partially deductible as a business expense.

Type of tenant	Number of properties	Annualised rent	% of rent	IPR p. m²	Occupancy commercial	WALT
Sale-and-Lease-Back-Tenants	18	10.7 m€	18.4 %	2.97 €/m²	96.8 %	9.0
All other tenants	70	47.7 m€	81.6 %	3.60 €/m²	85.0 %	4.1
Total	**88**	**58.5 m€**	**100.0 %**	**3.46 €/m²**	**87.3 %**	**5.0**

Furthermore, there is flexibility in agreeing on a desired rental period of between 10 and 15 years.

What are the other reasons for using the sale-and-lease-back financing model?

PICTURE:
Gevelsberg, Kölner Straße

- Succession - to support family businesses with succession solutions.

- Research and Development – in order to maintain reserves and capital inflows during difficult times, sale-and-lease-back offers an opportunity to free up capital for future projects.

- Corporate transactions - when acquiring a company, the buyer may want to develop a new customer and market segment, but only use the company's real estate and not acquire it directly.

- Restructuring projects – if a company is facing economic challenges, but Deutsche Industrie REIT-AG is at the same time convinced of a recovery, a sale-and-lease-back process is initiated.

What are the steps from the first meeting to the conclusion of the contract?

1. Initial discussion – agreement on the following details: size and lettable area of the company, purchase price expectations and the lease term and amount.

2. Preliminary offer – sending of meaningful documents and evidence of the interested party, including balance sheets and business reports; at the same time, a company valuation is carried out and a non-binding offer is prepared.

3. On-site inspection – providing a realistic impression of the condition of the building and its suitability for third-party use.

4. Final agreement & contract conclusion – if the previous offer is confirmed or adjusted, the purchase and rental contracts are drawn up, signed and notarized; if the documents are complete, the entire process takes just under four to six weeks.

Sale-and-lease-back properties are characterised in particular by a long WALT as well as long-term and value-protected cash flows.

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 June 2018, DIR has been a full member of EPRA and publishes the EPRA key figures according to Best Practice Recommendations (BPR) for the first time since the 2017/2018 financial year.

For the 2018/2019 financial year, DIR received the EPRA BPR Bronze Award for the first time for the EPRA reporting in its annual report.

For the financial year 2019/2020, DIR was awarded the EPRA BPR Gold Award and also received the EPRA BPR Most Improved Award.

FINANCIAL YEAR 2018/2019

FINANCIAL YEAR 2019/2020

For the financial year 2020/2021 the EPRA KPIs of DIR were 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	2020/2021	2019/2020
Period result	119,816.5	50,820.5
– Valuation Result	–91,110.4	–36,981.7
– Sale result	–1,884.4	0.0
EPRA Earnings	**26,821.7**	**13,838.9**
EPRA Earnings per share, EUR	0.84	0.47

EPRA net initial yield (EPRA NIY) and EPRA „Topped-up“ NIY

The EPRA initial net return is the annualised annual 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 tenant incentives e. g. rent-free periods. Currently there are no material rent-free incentives at DIR.

TEUR	2020/2021	2019/2020
Investment properties	814,097.0	585,918.7
Transaction costs	49,692.6	37,805.0
Gross market value of investment properties	**863,789.6**	**623,624.7**
Annualised In place rent	58,461.9	44,476.5
Non recoverable operating costs	–11,692.4	–8,895.3
Annualised net rental income	**46,769.5**	**35,581.2**
+ Rent-free periods	0.0	0.0
Annualised „Topped-up" net rental income	**46,769.5**	**35,581.2**
EPRA Net initial yield	**5.4 %**	**5.7 %**
EPRA „Topped-up" NIY	**5.4 %**	**5.7 %**

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	2020/2021	2019/2020
Operating expenses	–10,955.1	–9,495.7
Personnel expenses	–1,055.7	–854.2
Other recurring administrative expenses	–2,124.1	–1,958.4
Other income	185.3	175.6
EPRA costs A – including direct vacancy costs	**–13,949.6**	**–12,132.6**
Direct vacancy costs	–1,252.8	–1,273.4
EPRA costs B – excluding direct vacancy costs	**–15,202.4**	**–13,406.0**
Rental income	–50,965.4	40,781.3
EPRA cost ratio A	**27.4 %**	**29.8 %**
EPRA cost ratio B	**29.8 %**	**32.9 %**

EPRA vacancy rate

In contrast to pure vacancy, 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 at the balance sheet date. The estimated underlying market rents result from the real estate appraisals of the external and independent appraiser CBRE GmbH, Berlin. The increase of EPRA vacancy rate mainly results from a higher portion of vacant space in the portfolio which can be let at (higher) market rents.

TEUR	30/09/2021	30/09/2020
Estimated Rental Value of vacant space	8,225.5	5,927.5
Estimated rental value of the whole portfolio	57,606.5	45,645.6
EPRA vacancy rate	**14.3 %**	**13.0 %**

Like-for-Like portfolio

From a like-for-like perspective which means without the inclusion of acquisitions or disposals within the last financial year, the key figures of the property portfolio developed as follows:

TEUR	30/09/2021	30/09/2020	Diffe-rence
Net rent/m²/monthly basis	3.55	3.34	6.6 %
Vacancy (%)	13.7 %	11.4 %	20.5 %
WALT (years)	**4.4**	**4.6**	**–4.7 %**

Net asset values according to EPRA

EPRA-NRV

The EPRA-Net Reinstatement Value (EPRA NRV) is part of the new EPRA reporting standard for the EPRA NAV. It aims to clarify the long-term net asset value of the portfolio. The EPRA-NRV is calculated by adjusting assets and liabilities for which no sustained increase in value is expected under normal circumstances, such as deferred taxes on valuation gains or the market-related change in financial derivatives. Again, costs which would be necessary to rebuild the company on the basis of its current financing and capital structure, such as acquisition costs or real estate transfer tax, are included in the key figure.

EPRA-NTA

EPRA Net Tangible Asset (EPRA-NTA) is based on the assumption that a company buys and sells properties, which is why deferred tax liabilities can be realised.

EPRA-NDV

It is in the interest of a company's shareholders to consider all liabilities in their entirety and the resulting company value in the event that company assets are sold and/or existing liabilities are not held until their maturity. The EPRA net disposal value (EPRA-NDV) is a key figure that provides information about the full amount of taxes, financial instruments and certain adjustments that are calculated on the basis of their liability, including the tax risk not shown in the balance sheet, after deduction of all resulting taxes. The EPRA-NDV should not be considered as a kind of „liquidation NAV", as the underlying fair values in many cases do not represent liquidation values as such.

TEUR	2020/2021				2019/2020			
	EPRA-NAV	EPRA- NRV	EPRA-NTA	EPRA-NDV	EPRA-NAV	EPRA- NRV	EPRA-NTA	EPRA-NDV
IFRS Equity attributable to shareholders	489,008.8	489,008.8	489,008.8	489,008.8	377,200.0	377,200.0	377,200.0	377,200.0
Number of shares outstanding	32,079,505	32,079,505	32,079,505	32,079,505	32,079,505	32,079,505	32,079,505	32,079,505
Undiluted NAV per share	**15.24 €**	**15.24 €**	**15.24 €**	**15.24 €**	**11.76 €**	**11.76 €**	**11.76 €**	**11.76 €**
minus fair value of financial derivatives	–182.8				–491.4			
undiluted EPRA-NAV	488,826.0				376,708.6			
undiluted EPRA NAV per share	**15.24 €**				**11.74 €**			
Include / Exclude								
I) Hybrid instruments	832.0	832.0	832.0	832.0	8,736.0	8,736.0	8,736.0	8,736.0
Interest expense for convertible bond	832				832			
Valuation result for convertible bond	0				7904			
Diluted NAV	**489,840.8**	**489,840.8**	**489,840.8**	**489,840.8**	**385,936.0**	**385,936.0**	**385,936.0**	**385,936.0**

TEUR	2020/2021				2019/2020			
	EPRA-NAV	EPRA- NRV	EPRA-NTA	EPRA-NDV	EPRA-NAV	EPRA- NRV	EPRA-NTA	EPRA-NDV
Include:								
II. a) Revaluation of IP (if IAS 40 cost option is used)		0.0	0.0	0.0		0.0	0.0	0.0
II. b) Revaluation of IPUC (if IAS 40 cost option is used)		0.0	0.0	0.0		0.0	0.0	0.0
II. c) Revaluation of other non-current investments		0.0	0.0	0.0		0.0	0.0	0.0
III.) Revaluation of tenant leases held as finance leases		0.0	0.0	0.0		0.0	0.0	0.0
IV.) Revaluation of trading properties		0.0	0.0	0.0		0.0	0.0	0.0
Diluted NAV at Fair Value	**489,840.8**	**489,840.8**	**489,840.8**	**489,840.8**	**385,936.0**	**385,936.0**	**385,936.0**	**385,936.0**
Exclude:								
V) Deferred tax in relation to fair value gains of IP		0.0	0.0			0.0	0.0	
VI) Fair value of financial instruments		–182.8	–182.8			–491.4	–491.4	
VII) Goodwill as a result of deferred tax		0.0	0.0	0.0		0.0	0.0	0.0
VIII. a) Goodwill as per the IFRS balance sheet			0.0	0.0			0.0	0.0
VIII. b) Intangibles as per the IFRS balance sheet			–3.0				–3.4	
Include:								
IX) Fair value of fixed interest rate debt				0.0				0.0
X) Revaluation of intangibles to fair value		0.0				0.0		
XI) Real estate transfer tax		45,670.8	0.0			35,949.8	0.0	
NAV	**489,840.8**	**535,328.8**	**489,655.0**	**489,840.8**	**385,936.0**	**421,394.4**	**385,441.2**	**385,936.0**
potential convertible shares	2,284,198.7	2,284,198.7	2,284,198.7	2,284,198.7	2,266,165.0	2,266,165.0	2,266,165.0	2,266,165.0
Fully diluted number of shares	34,363,703.7	34,363,703.7	34,363,703.7	34,363,703.7	34,345,670.0	34,345,670.0	34,345,670.0	34,345,670.0
NAV per share	**14.25 €**	**15.58 €**	**14.25 €**	**14.25 €**	**11.24 €**	**12.27 €**	**11.22 €**	**11.24 €**

Management Report

PICTURE:
Grünsfeld, Industriestraße


EAS

1. Fundamentals of the Deutsche Industrie REIT-AG

1.1 Business model and strategy

Deutsche Industrie REIT-AG ("Deutsche Industrie", "DIR" or the "Company") was founded as Jägersteig Beteiligungs GmbH in November 2014. In October 2017, it was renamed Deutsche Industrie Grundbesitz AG. At the beginning of 2018, the status of a REIT ("Real Estate Investment Trust") was obtained with the associated income tax exemption. Since then, the company has been called Deutsche Industrie REIT-AG.

Since 7 December 2017, the share has been listed on the regulated market of the Berlin Stock Exchange. Since 19 December 2018, the share has also been listed in the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) on the Frankfurt Stock Exchange and thus also in XETRA.

The company's business activities focus on the acquisition, leasing, management, and sale of Light Industrial real estate in Germany. "Light Industrial" is a generic term for many different types of industrial operations and includes not only the activities of storage and distribution of commercial goods but also their administration and production. Therefore, Light Industrial real estate is typically commercial yards, logistics real estate (warehouses, transhipment halls, distribution halls and special warehouses) or industrial real estate, which is used by commercial users in most cases for storage, packaging or as smaller production facilities.

The company's goal is to generate steady, sustainable, and profit-oriented earnings growth through further acquisitions, ongoing investments in the property portfolio and strategic asset and property management. The company intends to invest throughout Germany with a focus on good micro-locations. In addition, the Company intends to take advantage of the favourable financing terms currently available on the market to finance further property acquisitions.

The Company intends to achieve its strategic goals with the following measures:

- Acquisition of additional Light Industrial real estate with potential for value enhancement.
- Exploitation of available upside potential through rent increases, new lettings, and revitalisation of properties.
- Active, strategic portfolio management to expand and improve the real estate portfolio and the ongoing review of existing properties regarding their added value within the overall portfolio.
- Benefit from the advantages of the status as a REIT-AG.

1.2 Structure and controlling system

Under company law, DIR consists of a corporation that holds and accounts for all real estate. Due to this and the REIT status the company can maintain particularly lean administrative structures. In addition, the existing network, the management's many years of experience and the lean structures contribute to achieve a high purchasing speed, which is advantageous in transaction processes.

The largest shareholder of DIR is currently Obotritia Capital KGaA ("Obotritia") with its personally liable partner Mr. Rolf Elgeti, which together with its subsidiaries held around 29.8 % of the shares on 30 September 2021. DIR uses Obotritia's business premises and IT infrastructure and, to some extent, its staff, which is passed on to the company on a pro rata basis through a levy. In accordance with Section 312 of the German Stock Corporation Act (AktG), DIR is obliged to prepare a dependency report for the period as a subsidary of Obotritia KgaA.

The DIR is managed based on financial indicators such as initial yield (annualised net cold rent divided by purchase price), FFO (Funds From Operations), aFFO (adjusted Funds From Operations), LTV (Loan To Value) and EPRA NAV (EPRA Net Asset Value). The key performance indicator is the FFO. The calculations for LTV, EPRA-NAV, FFO and aFFO can be found in the tables contained in "2.4 Financial position, liquidity, and financial performance" for the respective key figures.

Non-financial control parameters of DIR are the annualised net cold rent, the occupancy rate, and the Weighted Average Lease Term (WALT) at individual property level and at the overall portfolio level. These non-financial indicators are subject to significant fluctuations due to the acquisition of properties with higher vacancy rates and short remaining lease terms in line with the business model.

DIR also has planning instruments such as corporate planning and rolling liquidity planning, which are used to control operational business development.

1.3 Research and development

As part of its business purpose, DIR does not carry out research and development activities and is not dependent on licences and patents.

2. Economic report

2.1 Overall economic situation

The global economic cycle was characterised by significant movements during the reporting period. Despite the fact that the number of new coronavirus infections had increased sharply and containment measures had been tightened again in many countries, the global economy continued to recover in the following winter half-year following the strong increase in production in the summer of 2020, according to an economic report published in March 2021 by the Kiel Institute for the World Economy (IfW).[1] However, in the first half of 2021, the momentum of the global economic recovery significantly slowed down again as a result of new Covid 19 waves and supply chain issues.[2]

The coronavirus also had a decisive impact on the development of the German economy in 2020 and led to the largest decline in Gross Domestic Product (GDP) since the global financial crisis in 2009. This marked the end of a 10-year cycle of slow but steady recovery, especially in its final phase.[3] According to the Federal Statistical Office (Destatis), the German economy gradually recovered from the effects of the Corona pandemic in 2021. However, economic output was still 3.3 % below the pre-crisis level. Gross Domestic Product (GDP) rose by 1.6 % in the second quarter of 2021 compared to the first quarter of 2021 – adjusted for price, seasonal and calendar effects. The first quarter of 2021 had still recorded a decline of –2.0 % compared to the previous quarter.[4]

According to the Bundesbank, the recovery of the global economy gained momentum in the second quarter of 2021. The growth is particularly strong in the industrialised countries, which are making progress in combating the pandemic. However, due to the rapid spread of the delta variant of the coronavirus, new restrictions and setbacks in the recovery process could not be ruled out for the industrialised countries either. It is therefore important to continue with vaccination campaigns to limit the economic consequences of renewed waves of infection. According to the Bundesbank, the international financial markets were caught between economic recovery and the current assessment of the further course of the pandemic. At the same time, market participants' focus had shifted to the unexpectedly strong increase in inflation.[5]

The leading economic research institutes (Projektgruppe Gemeinschaftsdiagnose)[6] assumed in October 2021 that the German economy should return to normal capacity utilisation in the course of 2022. According to the institutes' forecast, the gross domestic product will increase by 2.4 % in 2021 and by 4.8 % in 2022. However, in the winter half-year 2021/2022 the recovery from spring 2021 is again likely to be slowed down due to low activity in the services sector and supply bottlenecks that are putting strain on the manufacturing output[7] and driving up the producer prices.[8] However, these impairments should gradually be overcome in 2022 so that normal capacity utilisation can be achieved again.[9]

1 Kiel Institute Economic Outlook No. 75 (2021/Q1) of 18 March 2021: World Economy Spring 2021, page 3.
2 Kiel Institute Economic Outlook No. 81 (2021/Q3) of 23 September 2021: World Economy Autumn 2021, page 3.
3 Press release Federal Statistical Office (Destatis) of 14 January 2021.
4 Press release Federal Statistical Office (Destatis) of 24 August 2021.
5 Deutsche Bundesbank: Monthly Report August 2021, pages 7 and 48.
6 Project Group Joint Economic Forecast: German Institute for Economic Research (DIW Berlin), ifo Institute – Leibniz Institute for Economic Research at the University of Munich e.V. in cooperation with the Swiss Economic Institute of ETH Zurich (KOF), 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.
7 Press release of the Project Group Joint Economic Forecast of 14 October 2021.
8 Deutsche Bundesbank, ibid., page 7.
9 Press release of the Project Group Joint Economic Forecast, ibid.

The interest rate level in the eurozone remains at a historic low. On 16 March 2016, the European Central Bank (ECB) cut the key interest rate by 5 basis points, bringing the main refinancing rate to 0.00%.[10] This means that real estate companies such as Deutsche Industrie REIT-AG, which finance their portfolios to a large extent by borrowing, continue to enjoy fundamentally favourable conditions for financing their investments.

2.2 Developments in the German Light Industrial Real Estate Market

The company specialises in acquisition, letting, management and sale of Light Industrial properties, which can essentially be divided into industrial yards, logistics properties (warehouses, transshipment halls, distribution halls and special warehouses) and industrial properties, which are mostly used by commercial users for storage, packaging or as smaller production facilities. The market for Light Industrial real estate in Germany, as defined by the Company, is dominated in particular by the submarket of logistics properties, which is therefore also of significant importance for the Company's business activities.

In the first half of 2021, the German real estate investment market achieved a total performance of approximately 23.5 € billion. Logistics properties, in particular, benefited from the corona pandemic. After a slight decline in transaction volume of warehouse, logistics and production properties since 2019, the value in the first half of 2021 was 23.52 € billion. The market share for logistics properties increased by 22% in the first half of the year alone. For the entire year, a transaction volume of around EUR 50 billion is expected for commercial real estate. Prime yields in the logistics real estate sector are also continuing to decline; in the first half of 2021, they were around 3.25%. Nevertheless, this property type is benefiting from the shift of many investors into solid asset classes.[11]

The German industrial and logistics property market recorded a take-up of around 3.88 million m² in the first six months of 2021, indicating an increase of around 28% compared to the same period in 2020. This result is around 16% above the average of the last five years and around 25% above the 10-year average. Turnover increased primarily through lettings, while owner-occupiers experienced a slight year-on-year decline.[12]

The attractiveness of the location, in particular, continues to have an impact on future new construction activity in peripheral regions. In the very central districts such as the Rhine-Ruhr conurbation and the southwest of the country, completions are slightly down. In contrast, a share of nearly 25% is expected for 2022 in peripheral locations such as Mecklenburg-Western Pomerania. The relationship between central locations and the periphery could thus change in the coming years in terms of the share of completions.

10 https://www.finanzen.net/zinsen/leitzins, last reviewed on 26 October 2021.

11 CBRE GmbH, Germany Logistics Market H1 2021: pp. 1-5.

12 Jones Lang Lasalle SE, Logistics and Industrial Market Overview - Germany H1 2021, p. 2 ff.

The secondary locations will attract the interest of investors as well as users in the future. Not only prime locations can already fulfil requirements for a real estate location, but so can the secondary locations if they can score points with suitable transport connections and accessibility to inhabitants. Although such investments are riskier for investors than for users, the peripheral locations will be in demand due to the continuous demand for space. The problem of labour density in sparsely populated regions can be countered in the long term by means of redensification in order to continue to create locations close to the end consumers.[13]

2.3 Business performance

Development of the real estate portfolio

The real estate portfolio continued to grow in the 2020/2021 financial year due to acquisitions. On 1 October 2020, the portfolio comprised 69 properties with a rentable commercial area of approx. 1.2 million m² and an annualised net cold rent of 44.5 € million. There was a transfer of ownership of 19 acquired properties and the property portfolio as of 30 September 2021 thus comprises 88 properties with a rentable commercial area of approx. 1.6 million m² and annualised net cold rent of 58.5 € million.

For the period under review the occupancy rate is 87.3 % (30 September 2020: 85.1 %) and the WALT of the portfolio is 5.0 years (30 September 2020: 5.0 years).

Increase in value of the real estate portfolio

The annual property valuation of the portfolio was carried out by an external expert on 30 June 2021. Taking incidental acquisition costs and subsequent construction costs (capex) into account, the valuation result was 91.1 € million.

Accordingly, the portfolio shown in the balance sheet now has a value of 821.4 € million (including IFRS adjustments for ground leases in the amount of 24.8 € million, therefore 4.5 € million for the property in Emden and 18.9 € million for the property in Oberding. The value enhancement is mainly due to further increase in market prices, particularly in the logistics sector, as well as stable and further increasing market rents.

The property evaluation for this financial year was again carried out by CBRE GmbH, Berlin.

Financing activities

In the past financial year 2020/2021, Deutsche Industrie concluded a total of 21 contracts for financing with various institutions, including Volksbanks, savings banks, private banks and an insurance company. The nominal total financing volume amounts to € 106.0 million. The bank loans taken out were secured, as is customary in the market, by first-ranking land charges and the assignment of rent and leasehold interest receivables.

In addition to bank loans, DIR also used other financing instruments. In two cases, these were unsecured promissory note loans in the amount of 10 € million each. In addition, an unsecured bond was issued with an insurance company on 9 June 2021. The bond volume amounts to 20 € million with a term of 10 years and an interest rate of 3.3 %. The average interest rate for the newly concluded financing is 1.84 %.

13 Bulwiengesa AG, Logistics and real estate 2021, pp. 16-23, 27-47, 54-91.

Annual General Meeting

On 12 March 2021, the Annual General Meeting of Deutsche Industrie REIT-AG was held as a virtual general meeting without the physical presence of the shareholders or their proxies.

The payment of a dividend of EUR 0.24 per no-par value share entitled to dividend from the net profit generated in the past financial year was approved by the Annual General Meeting. All members of the DIR Management Board and Supervisory Board were discharged for their term of office in the past financial year 2019/2020. The DOMUS AG, Wirtschaftsprüfungsgesellschaft/Steuerberatungsgesellschaft, Berlin, was elected as the Company's auditor for the current financial year 2020/2021.

Furthermore, a new Authorised Capital 2021/I was created and a resolution on the creation of an authorisation to issue bonds with warrants and/or convertible bonds with the option to exclude subscription rights was passed by the Annual General Meeting. For the first time, an authorisation to acquire and use treasury shares and an authorisation to use derivatives in connection with the acquisition of treasury shares were resolved.

In addition to an amendment of §20 of the Articles of Association to implement the second Shareholder Rights Directive (ARUG II), the remuneration system for the Management Board and Supervisory Board was also presented to and approved by the Annual General Meeting. With the introduction of the new remuneration system for members of the Management Board, the objective is to ensure appropriate remuneration that contributes to the business strategy and performance-oriented management of the Company and guarantees a sustainable increase in the Company's value.

The remuneration structure consists of a fixed basic remuneration, which is agreed upon depending on the tasks and performance of the respective Management Board member and is payable monthly. On the other hand, there is a short- and long-term variable remuneration component, which is linked to the development of the share price of the Company, the operating result and the net asset value.

In this year's Annual General Meeting, 54.4% of the share capital was represented. The Company's share capital at the time of convening the general meeting was EUR 32,079,505.00. All items on the agenda were passed with the required majority.

Impact of the Corona pandemic on business performance

The DIR looks back on a successful financial year 2020/2021 despite the COVID 19 pandemic. The economic consequences of this crisis continue and there is no end in sight at present.

However, despite the far-reaching impacts, constraints and challenges, the business model has proven to be extremely stable and resilient, with no major negative impacts to date.

2.4 Financial position, liquidity and financial performance

Financial Position

Total assets increased to TEUR 927,453.3 (previous year: TEUR 715,848.7). This resulted mainly from growth through acquisitions and the revaluation of the property portfolio. Investment properties were valued at TEUR 814,097.0 as of 30 September 2021 (30 September 2020: TEUR 585,819.7). Other financial assets were balanced at TEUR 11,548.6 (previous year TEUR 22,949.2). These represent the share of financial investments with a term of more than one year. Other changes on the assets side resulted from the decline in other non-current assets to TEUR 462.5 (previous year TEUR 7,474.1), this was due to advance payments made on newly acquired investment properties that have not yet been transferred by transfer of ownership.

Current assets fell to TEUR 88,792.5 (previous year: TEUR 98,073.5). The main reasons for this are lower receivables from rentals and acquired loans, an increased number of individual value adjustments on rent receivables and creditshelf loans, as well as lower receivables from shareholder loans and financial investments with terms of up to one year.

Non-current assets held for sale include TEUR 7,300.0 (previous year: TEUR 0.0) of properties held for sale, the remaining TEUR 2,863.3 are attributable to creditshelf loans.

The company's equity increased to TEUR 489,008.8 (30.09.2020: TEUR 377,200.0) due to the positive period result of TEUR 119,816.5 (30.09.2020: TEUR 50,820.5), taking into account the dividend payment of TEUR –7,699.1 (previous year TEUR –4,666.1).

A dilution from the convertible bond was not to be taken into account, as no convertible bonds have been converted to date.

The EPRA NAV per share as of 30 September 2021 is as follows.

	30/09/2021	30/09/2020
Equity (TEUR)	489,008.8	377,200.0
NAV	**489,008.8**	**377,200.0**
Fair Value of financial derivates	-182.8	–491.4
EPRA NAV	**488,826.0**	**376,708.6**
Number of shares	32,079,505	32,079,505
EPRA NAV per share	**15.24**	**11.74**

Non-current liabilities decreased to TEUR 302,016.0 (previous year: TEUR 322,932.8). This is mainly due to the reclassification of liabilities from corporate bonds to current liabilities (maturity less than 1 year). Non-current liabilities to banks increased to TEUR 207,057.0 (previous year: TEUR 134,664.2) as a result of new loans, which were simultaneously offset by current loan repayments. Other non-current liabilities increased by TEUR 4,735.3. These are almost exclusively capitalised ground rents and rent deposits received. The increase in liabilities from ground rents is due to the purchase of the property in Emden.

Current liabilities rose to TEUR 136,428.5 (previous year: TEUR 15,715.9). While current liabilities to Banks (interest) increased due to the higher loan portfolio and other current liabilities also increased, liabilities from corporate bonds amounted to TEUR 118,233.1 as of 30 September 2021 (previous year: TEUR 0.0). This increase results from the liability swap, which has a maturity date of 30 August 2022 (term less than 1 year).

- **The development of financial liabilities and the Net Loan-to-Value ratio (net LTV) is as follows:**

TEUR	30/09/2021	30/09/2020
Non-current financial liabilities		
Liabilities to Banks	207,057.0	134,664.2
Liabilities to other creditors	19,876.6	118,065.2
Liabilities from corporate bonds	49,088.0	49,088.0
Liabilities from convertible bonds	25,847.7	21,112.4
Current financial liabilities		
Liabilities to Banks	11,612.4	7,820.7
Liabilities from corporate bonds	118,233.1	0.0
Miscellaneous current financial liabilities	0.0	0.0
Other non-current financial assets	**–11,548.6**	**–22,949.2**
Current financial assets		
Cash and cash equivalents	–397.0	–35.1
Trust accounts	175.5	212.5
Lending via Creditshelf	–10,893.7	–15,934.4
Short-term loans	–63,844.7	–71,994.1
Net debt	**345,206.3**	**220,050.2**
Investment properties	814,097.0	585,819.7
Advance payments on investment property	462.5	7,474.1
Non-current assets held for sale	7,300.0	0.0
Total Investment properties	**821,859.4**	**593,293.8**
Net LTV	**42.0 %**	**37.1 %**

Liquidity

- **The cash flow statement is as follows:**

TEUR	2020/2021	2019/2020
Cash flow from operating activities	32,927.9	17,661.9
Cash flow from investing activities	–110,299.6	–225,398.3
Cash flow from financing activities	77,733.6	205,705.9
Change in cash and cash equivalents	361.9	–2,030.5
Cash and cash equivalents at the beginning of the period	35.1	2,065.6
Cash and cash equivalents at the end of the period	**397.0**	**35.1**

The cash flow from operating activities increased to TEUR 32,927.9 (previous year: TEUR 17,661.9).

Cash flow from investing activities was TEUR –110,299.6 (previous year: TEUR –225,398.3) in the reporting year and primarily includes payments for purchase objects as well as net payments from short-term financial investments. The various financing measures carried out had an overall impact of TEUR 77,733.6 (previous year: TEUR 205,705.7) on the cash flow. These were the cash inflows from several financing borrowings. This was mainly offset by payments for debt service, ground rent and dividends.

The company was able to meet its payment obligations at all times.

Financial performance

• **The financial performance of Deutsche Industrie developed as follows in the financial year under review:**

TEUR	2020/2021	2019/2020
Net rental income	40,010.4	31,285.7
Net proceeds from the sale of investment properties	1,884.5	0.0
Other income	185.3	175.6
Result from the revaluation of investment properties	91,110.4	36,981.7
Administrative expenses	–10,103.5	–6,154.3
EBIT	**123,087.0**	**62,288.7**
Finance result	–3,270.1	–11,468.0
EBT	**119,816.9**	**50,820.7**
Other tax	–0.4	–0.2
Net income	**119,816.5**	**50,820.5**

Rental income increased significantly due to the increase in number of acquired properties. Total property management expenses also rose in line with this. Operating expenses increased by TEUR 6,016.1 as of 30 September 2021 to TEUR -22,685.9 (previous year: TEUR -16,669.8). Among other things, this is the result of increase in maintenance costs due to increase in construction costs and severe weather events.

Net rental income rose to approximately TEUR 40,010.4 (previous year: TEUR 31,285.7).

Other income of TEUR 185.3 (previous year: TEUR 175.6) is primarily based on income from the reversal of provisions and other income unrelated to the accounting period.

The net income for the period was significantly influenced by the regular valuation of the property portfolio producing a positive Valuation Result of TEUR 91,110.4 (previous year: TEUR 36,981.7). The appreciation resulted in particular from the increase in market values in the logistics segment, due to the increased international demand for this segment. However, operational improvements (new lettings, concrete purchase offers and rent adjustments) as well as increased market rents also contributed to the value development.

The administrative expenses had increased to TEUR –10,103.5 (previous year: TEUR –6,154.3) mainly as a result of increased impairments on receivables.

• **The cost ratio for general administrative expenses is as follows:**

TEUR	2020/2021	2019/2020
Personnel expenses	–1,055.7	–854.2
Other administrative expenses	–2,791.7	–2,578.2
One-off effects	667.6	619.9
Adjusted administrative expenses	**–3,179.8**	**–2,812.5**
Gross Rental income	50,965.4	40,781.3
Recurring costs ratio	**6.2 %**	**6.9 %**

The primary reason for the increase in the financial result to TEUR –3,270.0 compared to the previous year (TEUR –11,467.9) resulted from the one-time Valuation Result of financial liabilities in the previous year, which amounted to TEUR –7,904.0 as of FY 2019/2020 and TEUR 0.0 as of FY 2020/2021. Furthermore, interest income from financial investments and the shareholder loan increased to TEUR 7,768.3 (FY 2019/2020: TEUR 5,473.2). The company's interest expense increased in line with the growth in the real estate portfolio. Interest expense from leases in the amount of TEUR –1,710.9 results from ground rents paid (FY 2019/2020: TEUR -889.8). The increase compared to the same period of the previous year is mainly due to the purchase of the property in Emden.

Income taxes are not incurred due to the tax exemption of REIT companies.

• **The net income for the period amounts to TEUR 119,816.5 (previous year TEUR 50,820.5), from which FFO (funds from operations) and aFFO (adjusted funds from operations) are derived as follows:**

TEUR	2020/2021	2019/2020
Net income	119,816.5	50,820.5
Adjustment amortisation and depreciation	234.3	157.8
Adjustment revaluation of investment properties	–91,110.4	–36,981.7
Adjustment sales result of investment properties	–1,876.8	0.0
Adjustment revaluation result financial liabilities	0.0	7,904.0
Adjustment for special effects / non-cash expenses + income	5,870.2	2,125.0
Adjustment for one-off expenses/income	667.6	619.9
FFO	**33,601.5**	**24,645.5**
– Capex	–5,401.1	–4,943.6
aFFO	**28,200.4**	**19,701.9**

Non-cash expenses and income mainly include valuation adjustments from interest expenses and interest on the real estate bond and allocations to or reversals of specific valuation allowances. Non-recurring expenses/income include non-recurring expenses and income such as costs for real estate lien securities and expenses unrelated to the accounting period.

The investment costs (capex) include value-enhancing construction measures in several properties.

For the financial year 2020/2021, DIR achieved FFO per share of EUR 1.05 (previous year 2019/2020: EUR 0.84), which corresponds to a percentage increase of 25 %.

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

Despite the effects of the Corona crisis, after an already successful 2019/2020 financial year, the 2020/2021 financial year was also positive. The real estate portfolio was once again expanded through additional acquisitions, which also led to a corresponding increase in rental income. In addition, the valuation gained from the real estate appraisal again showed the portfolio's great potential for value appreciation. In terms of financing, loans could be taken out at more favourable conditions.

In the past financial year 2020/2021, an FFO of TEUR 33,601.5 was achieved and the forecast of TEUR 32,000.0 to TEUR 34,000.0 was thus met.

The effects of the acquisitions made will have an impact in the new financial year 2021/2022. Therefore, the management of DIR believes that the company is optimally positioned for further successful and profitable development.

3. Opportunities and Risk Report and Forecast Report

3.1 Opportunities and Risk Report

Risk management system of DIR

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 value of the company. 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 counter measures in good time before significant damage occurs.

The DIR risk management system comprises the regular systematic identification, analysis, evaluation, monitoring and control of significant risks by the company's Board of Management. In view of the clearly defined corporate structures and business processes, the degree of formalisation of the risk management system is low, but effective and appropriate. The active involvement of the Board of Management in major business operations and projects ensures that the risks are continously monitored.

The risk management system used includes the following essential elements:

- a controlling and reporting system that can identify undesirable business developments at an early stage and communicate them to corporate governance.
- a regular or event-related risk inventory.
- the documentation of relevant risks for regular or event-related information of corporate governance.
- 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, designed to ensure accurate and complete financial reporting, ensuring a secure invoice receipt and disbursement 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 control measures taken by the Board of Management, the identified, analysed and assessed risks are actively responded during this stage.

e. Risk controlling: Risk controlling is the methodical and content related planning, monitoring and control of the risk management system carried out 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 based on defined thresholds regarding the amount of damage and the probability of occurrence:**

Extent of damage	EUR million			
High	> 10.0	Medium	Medium-high	High
Medium	5.0 up to 10.0	Medium-low	Medium	Medium-high
Low	< 5.0	Low	Medium-low	Medium
		< 10%	10% up to 50%	> 50%
		Low	Medium	High
		Probability of occurrence		

DIR is exposed to the following risk categories or individual risks which, individually or collectively, may have a negative impact on the net assets, financial position and results of operations and the further economic development of the company:

General, strategic, and market-specific risks

a. **Political, legal, and social risks**
Since the business activities of DIR are regulated by legal frameworks for real estate, this could be affected by changes in 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 have an indirect impact on DIR.

Similarly, restrictions due to political measures to combat pandemics could have an impact on tenants' business and negatively affect current rental payments.

Although German real estate submarkets are not as liquid as those in other European countries, they are clearly recovering quickly from critical economic effects, as made evident by the lifting of past lockdowns and shutdowns. This means that the German Federal Republic remains one of the most attractive investment locations for global investors and capital due to its resilience and market stability.

b. **Economic risks**

So far, DIR has achieved its sales exclusively in Germany. 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 could have different regional effects and may impact DIR. Furthermore, the national economic situation may also depend considerably on international developments.
Management keeps itself constantly informed about the current macroeconomic situation and has the necessary expertise to identify changes in the macroeconomic environment, take any necessary measures and thus safeguard the company's earnings position.

c. **Industry risks in the Light Industrial sector**

The real estate sector is characterised by intense competition between the numerous providers. In this respect, there is a risk that competition will lead to increased price pressure and lower margins. This can also have a negative impact in various DIR locations if rental contracts are not renewed or rents are reduced.

Despite the fact that SARS-CoV-2 containment regulations are still in place in much of public life and the economic sector, no deeper ramifications have yet been felt by the Light Industrial market. However, based on current statistical data on the corporate real estate market, the Management Board therefore assumes that a relatively insignificant part of the market activity was due to previously planned or already begun planning, or due to ongoing tenancies. This indicates that, due to a time lag, the effects of the SARS-CoV-2 pandemic and the measures taken during it may be reflected in statistical market data or the Light Industrial sector in the future. Due to Germany's geographically advantageous location and the expected increase in turnover in the logistics sector, the risk of significantly decreasing rents and the failure to extend rental agreements is considered manageable.

d. **Changes in the financing environment/capital market**

The development of interest rate levels in Germany is important for the national demand for real estate. 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 the cost of earnings.
The Management Board considers the risk of an interest rate increase to be manageable at present and in the new financial year. The main reason for this is the continued tighening of monetary and fiscal policies of the ECB and other central banks in the wake of the SARS-CoV-2 pandemic.

Company specific risks

a. **Risks due to the use of IT**

DIR makes use of all current and modern IT applications and is supported by an external systems provider. In this context, there is a fundamental risk of total outages both at DIR and the service provider, which could lead to significant disruptions in the business. Furthermore, there is a risk of attacks on the systems of DIR and thus access of unauthorised persons to the data of DIR.

In order to counteract this, the service provider regularly carries out all necessary operational, administration and maintenance work, and assumes the contractual liability for this. All employees are also required to behave responsibly in the use of IT. The company has a clearly demarcated IT infrastructure from that of other affiliated companies. The DIR has IT roles and IT access and authorisation concepts.
Furthermore, with the decree on the mandatory application of the new General Data Protection

Regulation (GDPR), companies were given the responsibility to protect user data. In concomitant with this, DIR must protect stored data against misuse or, in the case of misuse, send an immediate notification to the persons concerned. In the case of infringements, fines may amount to up to 4 % of the annual turnover. DIR has appointed an external professional data protection officer in good time for this purpose, who monitors these processes and is available for clarifying any areas of uncertainty. In addition, the data protection officer or data protection service provider implements and adheres to all measures necessary to comply with the DSGVO. The company does not believe that it is exposed to significantly higher IT risks than other companies in the industry.

b. **Human Resources risks**

Due to DIR's lean personnel and administrative structure, there is a risk that qualified and high-performing employees and knowledge carriers leave the company and cannot be replaced within a reasonable time.

The company is pushing ahead with the establishment and expansion of management and personnel capacities with expertise to further minimise the personnel risk. In the past fiscal year 2020/2021, DIR hired two new employees, thereby expanding its capacities. The structure of the organisation and staffing levels will continue to be adapted with the growth of the company.

c. **Financing risks**

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

Financing risks exist in so far as borrowing can either not take place or can only be carried out under unfavourable terms as a result of changes in company or market-related developments, which could have a negative impact on further acquisition financing and the earnings situation of DIR. Should this result in problems in servicing current loans, lenders could force-sell real estate collateral, and such distress sales could result in significant financial penalties for DIR.

To counter this risk, DIR works together with various credit institutions and closely monitors developments on the financing market. In doing so, it also makes use of short-term financing options to secure attractive long-term financing options through upcoming or planned lease extensions.

There are also various risks regarding corporate liquidity. These can arise on the one hand because of possible rent losses. In addition, negative liquidity effects may arise in individual cases if leases cannot be extended and vacancy rates arise as a result. In addition, a breach of agreed ratios in loan agreements (covenants) may lead to a special termination of the lending bank and cause an unscheduled outflow of liquidity from the loan repayment.

To avoid rent losses, the creditworthiness of the potential tenant is regularly checked in conjunction 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 likely covenant breach is recognised as early as possible and prevented by suitable measures.

Interest risks exist regarding the liabilities due for rollover or refinancing as well as planned loans for the financing of real estate portfolios. To hedge against adverse effects of changes in interest rates, DIR uses fixed interest rates for financing depending on the market situation and the assessment of market prospects. The direct impact of changes in the general interest rate level on the company's performance in terms of changes in cash flows is relatively small compared to the potential indirect effects of changes in the general interest rate level on real estate demand. DIR's management follows developments on the capital markets and financing conditions are constantly monitored. Measures are taken to optimize risk when necessary.

In addition, there are default risks with regard to the interest-bearing cash and cash equivalents invested as part of the short-term liquidity management if the borrowers would not be able to service the principal for economic reasons. DIR counteracts this risk by only making investments with the best possible credit rating and by continuing to monitor existing investments on an ongoing basis to counteract any risks that may arise.

d. **Legal and litigation risks**

In the course of its business activities, DIR is exposed to the risk of legal disputes as well as (potential) warranty claims and claims for damages without being able to assert claims against third parties itself. There are currently no other legal risks, in particular from legal disputes, which could have a significant influence on the economic situation of the Company.

As a result of the IPO, the company has to implement the obligations of the WpHG. This results in higher organisational and informational tasks which are inevitably associated with higher costs. If necessary, the company draws on the expertise of external and qualified service providers to implement these issues.

e. **Tax risks**

To maintain the REIT status, DIR 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 by the following regulations:

- Exclusion of the acquisition of domestic existing residential real estate
- Exclusion of the acquisition of shares in real estate corporations
- Exclusion of real estate trading
- Limitation of reserve formation
- Only minimal liquidity formation due to the minimum distribution of 90 % of the annual net income according to commercial law
- Limitation of ancillary activities close to the property for third parties
- Minimum equity of 45 % of immovable property

If the statutory requirements are not met, DIR risks losing the tax exemption. This can lead to certain after-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 with (criminal) payments for non-compliance with the provisions of the REIT Act. In addition, the company is threatened with compensation claims by shareholders in the event of a loss of the REIT status due to at least a 15 % free float and/or a maximum participation rate of 10 %. Shareholders who own less than 3 % of the voting rights are eligible. 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 a disadvantageous interpretation of the application of the law or force the company to adapt to the new legal situation.

Most of the REIT criteria under tax law can be achieved without difficulty due to the DIR business model. Through permanent review of the criteria and a stringent financing policy, continuous attention is paid to compliance with the criteria. The growth of DIR means that equity capital increases are carried out with less risk and less borrowing is required. Moreover, an infringement must have been committed in three consecutive financial years to lose the tax exemption. This legal requirement gives the company sufficient reaction time or room for reaction to take necessary countermeasures.

f. **Pandemic risks**
The outbreak and spread of a pandemic can lead to restrictions on the company's business activities.

For example, the government's intervention to combat the novel SARS-COV-2 virus, which has also been spreading in Germany since the beginning of 2020, has led to far-reaching effects on the business operations of companies, some of which have suffered significant losses in turnover due to imposed lockdowns and shutdowns as well as compliance with distance regulations, etc. In the opinion of the management board, DIR is only partially exposed to the risk of renewed lockdowns and shutdowns, as the majority of tenants are active in commercial sectors that are not or hardly affected by the regulations to contain the SARS-CoV-2 pandemic or these regulations can be implemented well without restrictions on business activities.

Individual deferral agreements have been concluded with tenants whose business activities have been or are still being closed or partially restricted due to government regulations due to the SARS-CoV-2 pandemic. These deferral agreements/ receivables are monitored on an ongoing basis through active asset management and receivables controlling.

Property-specific risks

a. Investment risk of the individual property
The economic success and further growth of the company is decisively dependent on the selection and acquisition of suitable real estate. This involves the risk of incorrectly assessing or not recognising the structural, legal, economic, and other burdens on the objects 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, misconceptions about the attractiveness of the property location and other factors which may influence the tenants or buyer's perspective 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 object 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. The rental income risk, the rental situation and the need for renovation, maintenance and modernisation of the properties in the portfolio are assessed and monitored in regular meetings and internal reports.

b. **Inventory and valuation risks**
The company holds real estate holdings to achieve the most stable cash flows possible from the management of these holdings over a longer period. While the real estate is in the company's portfolio, it may manifest a variety of inventory and valuation risks that could cause the company to lose value. For example, the social structures of a location may deteriorate after the acquisition of real estate by DIR and, as a result, adversely affect letting activities and the achievable rental income.

Furthermore, the property portfolios held by the Company may experience excessive wear and tear, which may require maintenance and revitalisation measures sooner or to a greater extent than originally planned. In addition, it may also turn out that the structural assets 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 combined with higher leasing expenses. In addition to adverse effects on the company's ongoing operating income and expenses, these risks may adversely affect the valuation of the property held by DIR and therefore the company's results.

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 real estate inventory and valuation risks for the respective locations are counteracted with the measures described under point a.
In addition, as with all assets, there is the fundamental 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. The insurance values of DIR's portfolio properties are assessed at regular intervals and the insurance policies and the scope of insurance are adjusted as required.

c. **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 conditions that could have a direct negative impact on the rental income generated by DIR and the development of vacancies in the Company's real estate portfolio. In addition, this can incur additional costs that cannot be allocated to the tenants.

These risks are countered by active asset and property management, which firstly 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.
The letting risk and the letting situation in the portfolio are discussed in regular asset management and capex jours fixes. If maintenance, refurbishment, or modernisation measures are necessary for the prevailing letting situation, these are carried out professionally in accordance with the principle of cost/earnings ratio.

d. **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 their tight monitoring.

Uncertainties may also contribute to the construction risks regarding whether, when and under which 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 tenants 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 already being thoroughly examined in advance of individual construction measures.

Building projects or project developments are not crucial to the economic success of DIR, so the risk is limited. There are currently no properties under project development. The focus of DIR's core business is not on project development of real estate. Should project developments or construction projects be necessary during a property life cycle, the company will take appropriate measures.

e. **Environmental risk**
If contaminated sites and other building, soil and environmental damage are identified, the company could be obliged to take extensive and costly measures to eliminate them. As part of the purchase audit, the company carries out a systematic review of environmental aspects. To hedge against the risk, guarantees are obtained from the sellers and due diligence checks are carried out during the purchase process. In the process, environmental law risks, the existing environmental quality, environmental law issues and contaminated sites are analysed and evaluated. Where they exist, these are evaluated in the context of the company's existing purchase criteria or guidelines. The company also takes possible

environmental risks such as contaminated sites into account with a sufficiently high safety discount when determining the purchase price.

Internal controlling and risk management system regarding the accounting process

The accounting-related internal control system at DIR 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 and in regular jours fixes, the company receives object and portfolio information from its commissioned service providers according to its specifications, in which it is informed about important, contract-relevant activities 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 DIR aims to reduce the risk of fundamental errors or inappropriate presentation of the net assets, financial position and results of operations. For this purpose, the underlying data is regularly reflected on analytically based on expected values. The service provider commissioned for significant parts of the company's accounting process provides detailed and continuous information on current business developments. 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

PICTURE:
Unna, Heinrich-Hertz-Straße

according to HGB and IFRS, as well as object and portfolio information. The accounting process is monitored by both service providers and the company through an effective internal control system that ensures the regularity of accounting and compliance with legal requirements. In particular, the clear allocation of responsibilities and controls in compliance with the dual control principle and the principle of segregation of duties, appropriate access regulations in the IT systems relevant to the financial statements and consideration of the identified and assessed risks should be mentioned here. For the determination of market values of real estate, the company invites external experts. DIR was convinced of the technical, qualitative, and capacity-based 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, DIR has so far refrained from establishing an internal audit.

Other influences

In addition to the risks mentioned, there are general influences that are unpredictable and thus hardly controllable. These include, for example, political changes, social influences, and risk factors such as natural disasters or terrorist attacks.

For example, the flood disaster in July in North Rhine-Westphalia affected the business activities of one of our tenants, prompting DIR to grant a rent deferral. There was no damage caused by natural hazards, buildings or floods, but it was not yet possible for the staff to resume business operations. The threshold value for environmental catastrophes, which was taken into account in accordance with risk management, was sufficiently assessed in the amount of the risk amount provided for this and has not been exceeded.

Risk-bearing capacity

The risk-bearing capacity calculation is used by DIR to analyse and monitor its maximum possible entrepreneurial risk exposure. The calculation determines the maximum amount of risk that the company can bear without jeopardising its continued existence. The maximum possible loss is the amount that can be covered by the company's available liquidity reserves. According to the result of the sustainability calculation, there are no risks that could endanger the continued existence of the company.

Assessment of the overall risk

The Board of Management considers the overall risk situation to be manageable and has not changed in leaps and bounds compared to previous years. With regard to the individual risks mentioned above, we currently assess competition risk and financing risks from rising interest rates as well as risks from asset management as medium risks, although no significant new events and associated increases in risk occurred in the reporting year.

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

Chances of future development

DIR will further increase its cash flow from rentals through the acquisition of further high-yielding properties in the year under review. Furthermore, the reduced financing costs due to the refinancing of borrowed capital will contribute to increasing profitability and funds from operations (FFO).

Furthermore, the Management Board expects that DIR will increasingly be perceived as a reliable and long-term oriented real estate partner, which will result in better opportunities for extending lease agreements as well as acquisition opportunities for further properties. As a result of the increasing presence at capital market conferences and in investor media, the Management Board expects to see broader demand for DIR shares in the future and thus continued good access to sources of debt and equity.

3.2 Forecast report

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

Forecast for the 2021/2022 financial year

On 26 October 2021, Deutsche Industrie REIT-AG ("DIR") and CTP N.V. ("CTP") signed an agreement in principle regarding the combination of both companies (Business Combination Agreement). In this context, CTP has announced its intention to make a voluntary public takeover offer to the shareholders of DIR for all the outstanding shares in DIR ("DIR Shares") in accordance with the provisions of the Securities Acquisition and Takeover Act, which at the same time fulfils the requirements of a delisting offer under the Stock Exchange Act ("Offer"). Subject to the determination of the minimum price by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) and the final terms set out in the offer document to be published, CTP intends to offer cash consideration in the amount of € 17.12 per DIR Share. As voluntary alternative consideration at the option of each accepting shareholder, CTP intends to offer five new shares in CTP ("Offer Shares") in exchange for four DIR Shares (representing 1.25 shares in CTP for each DIR Share tendered) ("Share Consideration"). The Offer will simultaneously satisfy the requirements of a delisting offer under the provisions of the Stock Exchange Act necessary for the revocation of the admission of the DIR Shares to trading on the regulated market of the Berlin Stock Exchange and the Frankfurt Stock Exchange (Prime Standard) ("Delisting"). The Offer will therefore not be subject to any closing conditions.

In the Agreement in Principle, DIR and CTP have set out their common understanding with regard to the economic and strategic background of the Transaction, the process of the Offer, the support in principle of the Management Board and Supervisory Board of DIR for the Offer and the common understanding with regard to the future business cooperation between the parties.

The Management Board and Supervisory Board of DIR welcome the Offer and intend to support it on the basis of the Agreement in Principle and within the scope of their legal obligations, subject to a review of the complete Offer Document and further conditions, and to recommend to the Shareholders that they accept it in exchange for the Share Consideration.

Completion of the Offer would create a leading pan-European listed real estate group for logistics and corporate real estate with a combined portfolio of approximately € 7.2 billion. For CTP, the transaction offers the opportunity to enter the German market, where CTP has not previously been present.

The transaction is expected to close in early 2022. Thereafter, CTP plans to merge DIR into CTP on a cross-border basis.

The offer is supported by approximately 56% of DIR shareholders, which include companies controlled by DIR's chairman, through various agreements with CTP, including irrevocable tender agreements and non-tender agreements.

DIR will continue to manage its properties as it has in the past until the merger with CTP. The financing and acquisition strategy and, if necessary, further strategic decisions will be closely coordinated with CTP.

Due to the circumstances described above, the issuing of a forecast for the 2021/2022 financial year is associated with greater uncertainty. Assuming that DIR would continue its business as usual, the Management Board expects FFO to increase to between € 40.0 million and € 44.0 million for the coming financial year.

PICTURE:
Bielefeld, Gustav-Winkler-Straße

4. Remuneration report

Compensation system for the Supervisory Board

The members of the Supervisory Board receive a fixed cash remuneration of TEUR 5.0 plus the premiums for an appropriate Directors' and Officers' liability insurance (D&O insurance) for each full financial year of their membership on the Supervisory Board. The Chairman of the Supervisory Board receives double, and the Deputy Chairmen receive one and a half times this basic remuneration.

Committees have not been established and attendance fees are not granted. Variable remuneration based on the success of the company or other criteria is not granted.

The remuneration of the Supervisory Board for the financial year amounted to TEUR 35.0 (previous year: TEUR 28.8) plus expenses and VAT and is distributed as follows:

Supervisory Board member	2020/2021 (TEUR)	2019/2020 (TEUR)
Hans-Ulrich Sutter Chairman (from 22/03/2019)	10.0	10.0
Dr Dirk Markus First Vice Chairman	7.5	7.5
Achim Betz Second Vice Chairman (from 06/03/2020)	7.5	6.3
Cathy Bell-Walker (from 06/03/2020)	5.0	2.5
Antje Lubitz (from 06/03/2020)	5.0	2.5
Total	**35.0**	**28.8**

Remuneration system for the Management Board

Basic remuneration system

The Management Board of DIR receive a non-performance-related basic remuneration in cash as well as a performance-related variable remuneration in cash, which is based on short-term (Short-Term Incentive, STI) and long-term (Long-Term Incentive, LTI) targets.

The Chairman of the Management Board, Mr Rolf Elgeti, is excluded from this remuneration system and receives a lump-sum annual remuneration of TEUR 85.5. The remuneration is paid by the shareholder Obotritia Capital KGaA as there is no employment contract between the company and the Chairman of the Management Board.

The non-performance-related basic remuneration consists of the fixed annual salary, which is paid in twelve monthly instalments. Some of the Management Board members use a company car, which is taxed as a non-cash benefit. No other benefits are granted as other remuneration. The Management Board contracts do not provide for pension entitlements.

For the variable remuneration, a remuneration system was introduced in the 2017/2018 financial year which is oriented towards operational goals and which is fundamentally based on a fixed calculation scheme that includes short-term and long-term components.

By resolution of the Supervisory Board on 16 December 2020, the remuneration system was adapted to the current recommendations of the GCGC with regard to the long-term variable remuneration component, which makes the variable remuneration of the Management Board even more long-term. The Management Board remuneration system was approved by the Annual General Meeting on 12 March 2021. In its meeting on 24 March 2021, the Supervisory Board resolved to set the Management Board remuneration system approved by the Annual General Meeting in accordance with section 87a (2) of the German Stock Corporation Act (AktG).

In the event of other premature termination of employment, Ms Petersen's Management Board contract contains the provision that payments may not exceed the value of two years' remuneration (severance payment cap). In the event of a change of control, i.e. if one or more shareholders acting jointly acquire at least 30% of the voting rights in DIR, she has the right to terminate her employment contract with two months' notice (special termination right). If this special termination right is exercised, the Company will pay a gross severance payment due at the time of termination in the amount of the remuneration outstanding under the service agreement, but not exceeding 150% of the severance payment cap. This provision does not exist for the other two Management Board members.

Variable remuneration for the 2020/2021 financial year

The target achievement criteria were based on:

1. Share price development (weighting 30%) growth of 20% (after elimination of the dividend paid in the financial year) compared to the previous year in relation to the respective volume-weighted average price in September).

2. FFO per share (weighting 40%) growth of 20% compared to the same period of the previous year

3. Development of EPRA NAV per share (weighting 30%) growth of 25% (after elimination of the dividend paid in the financial year) compared to the respective reporting date of 30 September. The degree of target achievement is determined each year.

The variable remuneration for 100% target achievement for the financial year 2020/2021 is as follows:

- For Ms Sonja Petersen: TEUR 150.0

- For Mr René Bergmann: TEUR 125.0

The variable remuneration starts from a target achievement of at least 30% (below = EUR 0). In the event of overachievement, a cap is set at 150% for each individual target. In this respect, the total variable remuneration component in 2020/2021 can amount to a maximum of TEUR 225.0 for Ms Petersen and TEUR 187.5 for Mr Bergmann.

The variable remuneration is paid at 45% according to the half of the variable remuneration is paid out in cash The variable remuneration is paid out in cash in December of the year. The other 55% will be distributed after three (previously two) further financial years, provided that the target achievement of 30% is achieved in each of the financial years.

The values are calculated in comparison to the previous year in relation to VWAP (September) or as on the reporting date of 30 September (NAV) or the comparable period of the previous year (FFO) and are based on the IFRS financial statements.

Remuneration of the Management Board in financial year 2020/2021

The remuneration of the Management Board earned in the past financial year (benefits granted) amounts to TEUR 589.3 (previous year: TEUR 670.0). The amounts received by the management board in the past financial year amount to TEUR 685.9 (previous year: TEUR 518.3).

TEUR	Rolf Elgeti CEO		Sonja Petersen CIO				René Bergmann CFO			
	2019/2020 (Current)	2020/2021 (Current)	2019/2020 (Current)	2020/2021 (Current)	2020/2021 (Min.)	2020/2021 (Max.)	2019/2020 (Current)	2020/2021 (Current)	2020/2021 (Min.)	2020/2021 (Max.)
Granted Remuneration										
Fixed remuneration	71.3	85.5	120.0	120.0	120.0	120.0	120.0	120.0	120.0	120.0
Fringe benefits	0.0	0.0	12.4	16.2	16.2	16.2	7.1	7.4	7.4	7.4
Total	**71.3**	**85.5**	**132.4**	**136.2**	**136.2**	**136.2**	**127.1**	**127.4**	**127.4**	**127.4**
STI	0.0	0.0	92.5	58.9	0.0	101.2	77.1	49.1	0.0	84.4
LTI	0.0	0.0	92.5	72.1	0.0	123.8	77.1	60.1	0.0	103.1
Total	**0.0**	**0.0**	**185.0**	**131.0**	**0.0**	**225.0**	**154.2**	**109.2**	**0.0**	**187.5**
Total remuneration	**71.3**	**85.5**	**317.4**	**267.2**	**136.2**	**361.2**	**281.3**	**236.6**	**127.4**	**314.9**
Related Remuneration										
Fixed remuneration	71.3	85.5	120.0	120.0			120.0	120.0		
Fringe benefits	0.0	0.0	12.4	16.2			7.1	7.4		
Total	**71.3**	**85.5**	**132.4**	**136.2**			**127.1**	**127.4**		
STI	0.0	0.0	112.5	91.7			75.0	57.6		
LTI	0.0	0.0	0.0	112.5			0.0	75.0		
Total	**0.0**	**0.0**	**112.5**	**204.2**			**75.0**	**132.6**		
Total remuneration	**71.3**	**85.5**	**244.9**	**340.4**			**202.1**	**260.0**		

In addition to the above-mentioned variable remuneration, provisions of TEUR 344.0 were made for possible bonuses with a long-term incentive effect, which are distributed among the members of the Management Board as follows:

Mr Rolf Elgeti TEUR 0.0
Ms Sonja Petersen TEUR 197.9
Mr René Bergmann TEUR 146.1

5. Dependency report and overall assessment

DIR was a dependent company of Obotritia Capital KGaA in the financial year 2020/2021. In accordance with the statutory provisions, the Management Board of DIR has prepared a report on the relationships with affiliated companies (dependent company report) for the past financial year for the period in which DIR was a dependent company of Obotritia Capital KGaA and declared it conclusively therein:

„We hereby declare in accordance with Article 312 (3) of the German Stock Corporation Act (AktG) that our company received appropriate consideration for each of the legal transactions listed in the above report on relationships with affiliated companies according to the circumstances known to us at the time at which the legal transactions were carried out. No measures were taken or omitted at the instigation of or in the interest of Obotritia Capital KGaA or its affiliated companies.“

PICTURE:
Wittenberg, Möllensdorfer Straße

6. Information relevant for takeovers

pursuant to § 289a Abs. 1 HGB

Composition of share capital, voting rights and special rights

As of 30 September 2021, the company's share capital is divided into 32,079,505 no-par value bearer shares. As of the balance sheet date, the company holds no treasury shares. All shares carry the same rights and obligations. Each share represents one vote at the Annual General Meeting. The shares may be freely transferred in accordance with the legal provisions applicable to bearer shares. No shares have been issued with special rights conferring powers of control. Insofar as employees hold shares in the company, they exercise their right of control directly.

Shareholdings of 10 % or more of the voting rights

No shareholder may directly hold 10% or more of the shares or voting rights in accordance with Section 11 (4) of the German REIT Act (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 being requested to do so by the Management Board. According to the Articles of Association, a continued violation of the maximum participation limit can lead to a transfer of the shares exceeding the maximum participation limit without compensation or to a compulsory withdrawal of these 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 treasury shares and issue new shares:

Authorised capital

The Annual General Meeting of Deutsche Industrie REIT-AG resolved on 12 March 2021 to authorise the Management Board of the Company, with the consent of the Supervisory Board, to increase the share capital of the Company on one or more occasions on or before 11 March 2026 by up to a total of EUR 16,039,752.00 (Authorised Capital 2021/I) by issuing new no-par value bearer shares against cash or non-cash contributions.

The new shares are to be offered to the shareholders for subscription. However, the Management Board was authorised, with the consent of the Supervisory Board, to exclude the shareholders' subscription rights in certain cases.

The Management Board is authorised, with the consent of the Supervisory Board, to determine the further details of the capital increases as well as the conditions of the share issue, in particular the issue price.

Conditional capital

By resolution of the Annual General Meeting of 12 March 2021, the Management Board was authorised, with the consent of the Supervisory Board, to issue bearer bonds with warrants or convertible bonds (collectively "Bonds") with a total nominal amount of up to EUR 150,000,000.00, with or without a limited term, on one or more occasions until 11 March 2026, and to grant the holders or to grant or impose upon the holders or creditors (together "Holders") of bonds with warrants, option rights or obligations as well as of convertible bonds conversion rights or obligations for bearer shares of the Company with a pro rata 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. Further details can be found in the publication in the Federal Gazette.

The share capital is conditionally increased by up to EUR 16,039,752.00 by issuing up to 16,039,752 new no-par value bearer shares with dividend rights from the beginning of the financial year in which they are issued (Conditional Capital I). The conditional capital increase will only be carried out to the extent that the option or conversion rights are exercised. The Management Board was authorised to determine the further details of the implementation of the conditional capital increase.

Changes to the Articles of Association

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

Appointment and dismissal of members of the Management Board

The Supervisory Board determines the number and appoints the ordinary members of the Management Board and the deputy members of the Management Board, concludes the employment contracts, and revokes the appointments.

7. Statement on Corporate Governance

pursuant to § 289f HGB.

The Management Board of Deutsche Industrie REIT-AG issued a corporate governance statement in accordance with Section 289f of the German Commercial Code (HGB) on 26 November 2021 and made it available on the website https://deutsche-industrie-reit.de in the Investor Relations section under the Corporate Governance segment.

Potsdam, 30 November 2021
Deutsche Industrie REIT-AG

Rolf Elgeti	**Sonja Petersen**	**René Bergmann**
Chief Executive Officer	Chief Investment Officer	Chief Financial Officer

PICTURE:
Sonneberg, An der Müß

Financial Statement

PICTURE:
Eichstaett, Industriestraße


B

Balance sheet

as of 30 September 2021

TEUR	Notes	30/09/2021	30/09/2020
Assets			
Non-current assets		**828,497.5**	**617,775.2**
Investment properties	(2.1)	814,097.0	585,819.7
Intangible assets	(2.2)	3.0	3.4
Property, plant and equipment	(2.3)	2,059.9	1,037.4
Derivative financial instruments	(2.6)	326.5	491.4
Other financial assets	(2.5)	11,548.6	22,949.2
Other non-current assets	(2.7)	462.5	7,474.1
Current assets		**88,792.5**	**98,073.5**
Trade and other receivables	(2.4)	1,547.1	3,420.0
Tax assets	(2.8)	308.2	0.0
Other current assets	(2.7)	86,540.2	94,618.3
Cash and cash equivalents	(2.9)	397.0	35.1
Non-current assets held for sale	**(2.10)**	**10,163.3**	**0.0**
TOTAL ASSETS		**927,453.3**	**715,848.7**
Equity and liabilities			
Equity		**489,008.8**	**377,200.0**
Issued share capital	(2.11)	32,079.5	32,079.5
Capital reserve	(2.11)	229,993.6	229,993.6
Other reserves	(2.11)	50.0	50.0
OCI (Other Comprehensive Income)	(2.11)	182.8	491.4
Retained earnings	(2.11)	226,702.9	114,585.5
Non-current liabilities		**302,016.0**	**322,932.8**
Liabilities to banks	(2.12)	207,057.0	134,664.2
Liabilities from corporate bonds	(2.13)	19,876.7	118,065.2
Liabilities from convertible bonds	(2.14)	49,088.0	49,088.0
Miscellaneous non-current financial liabilities		143.6	0.0
Other non-current provisions	(2.15)	3.0	3.0
Other non-current liabilities	(2.16)	25,847.7	21,112.4
Current liabilities		**136,428.5**	**15,715.9**
Liabilities to banks	(2.12)	11,612.4	7,820.7
Liabilities from corporate bonds		118,233.1	0.0
Other current provisions		1,406.0	1,542.8
Trade payables	(2.17)	1,409.0	2,043.7
Other current liabilities	(2.16)	3,768.0	4,308.8
TOTAL EQUITY AND LIABILITIES		**927,453.3**	**715,848.7**

Statement of comprehensive

Income for the financial year from 1 October 2020 – 30 September 2021

TEUR	Notes	2020/2021	2019/2020
Total revenues		64,622.5	48,390.5
Gross Rental income		50,965.4	40,781.3
Income from operating and ancillary costs		11,730.9	7,174.2
Operating expenses		–22,685.9	–16,669.8
Net rental income	**(3.1)**	**40,010.4**	**31,285.7**
Net proceeds from the sale of investment properties	**(3.2)**	**1,884.4**	**0.0**
Other income	**(3.3)**	**185.3**	**175.6**
Result from the revaluation of investment properties	**(3.4)**	**91,110.4**	**36,981.7**
Subtotal		**133,190.5**	**68,443.0**
Personnel expenses	(3.5)	–1,055.7	–854.2
Amortisation of intangible assets, depreciation of property, plant and equipment		–234.3	–157.8
Impairment loss of inventories and receivables	(3.6)	–6,021.8	–2,564.1
Other administrative expenses	(3.7)	–2,791.7	–2,578.2
Administrative expenses		**–10,103.5**	**–6,154.3**
EBIT		**123,087.0**	**62,288.7**
Valuation result of financial liabilities		0.0	–7,904.0
Interest income		7,768.3	5,473.2
Interest expense		–9,327.5	–8,147.2
Ground rents (Finance lease)		–1,710.9	–890.0
Finance result	(3.8)	**–3,270.1**	**–11,468.0**
EBT		**119,816.9**	**50,820.7**
Other tax	(3.9)	–0,4	–0,2
Net income		119,816.5	50,820.5
Net income for the year as per income statement		**119,816.5**	**50,820.5**
Items not reclassified to profit/loss		-308.6	491.4
Impairment of acquired loans		4,657.2	1,733.8
Change in fair value of acquired loans		–4,657.2	–1,733.8
Cash flow hedge reserve		–308.6	491.4
Total comprehensive income		**119,507.9**	**51,311.9**
Earnings per share (in €)	(3.10)		
Undiluted result per share		3.73	1.73
Diluted result per share e		3.51	1.73

Cash flow statement

	TEUR	Notes	01/10/2020–30/09/2021	01/10/2019–30/09/2020
	Net income		**119,816.5**	**50,820.5**
+/–	Interest expense/interest income	(3.8)	3,270.1	3,563.9
+/–	Depreciation. amortisation and write-down/ reversals of intangible assets, tangible assets and financial assets		189.7	157.8
+	Impairments on inventories and receivables	(3.6)	6,021.8	2,564.1
–/+	Gains / Losses from the revaluation of investment properties	(3.4)	–91,110.4	–36,981.7
–/+	Profit/loss from the valuation of financial liabilities		0.0	7.904,0
–/+	Gains / Losses on disposal of investment properties	(3.2)	–1,884.4	0.0
–/+	Gain / Loss on disposal of property, plant and equipment		7.7	0.0
+/–	Increase / decrease in provisions	(2.15)	–136.8	548.8
–	Income taxes paid	(2.8)	–308.2	0.0
–/+	Increase/decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	(3.6)	–1,459.8	–13,009.1
+/–	Increase/decrease in trade payables and other liabilities not attributable to investing or financing activities	(2.14, 2.15)	–1,478.3	2,093.6
	Cash flow from operating activities		**32,927.9**	**17,661.9**
+	Proceeds from disposals of investment properties (less disposal costs)	(3.2)	1,884.4	435.0
–	Cash payments related to property investments	(2.1)	–132,972.6	–104,973.7
+	Proceeds from disposals of tangible assets		10.2	0.0
–	Cash payments related to other investments in intangible and tangible assets	(2.3)	–1,090.2	–132.0
+	Cash Inflow due to financial investments in the context of short-term financial management	(2.11)	39,202.0	17,652.2
–	Cash Outflow due to financial investments in the context of short-term financial management	(2.11)	–19,095.0	–140,306.4
+	Received interests	(3.8)	1,761.6	1,926.6
	Cashflow from investment activities		**–110,299.6**	**–110,299.6**

+	Cash proceeds from the issue of shares	(2.13)	0.0	8,627.6
+	Cash proceeds from capital increases	(2.13)	0.0	142,506.5
–	Costs related to capital increases		0.0	–2,043.1
+	Cash inflow from issuing corporate bonds	(2.13)	20,000.0	0.0
–	Costs related to issuing corporate bonds	(2.13)	–35.0	0.0
+	Cash inflow from loans	(2.9)	86,046.0	77,620.0
–	Costs related to the issuance of loans		–380.9	–214.4
–	Amortisation of loans	(2.9)	–9,647.6	–6,448.3
–	Interests paid	(3.8)	–8,780.9	–8,762.8
–	paid interests to landowner ground rent		–1,768.9	–913.5
–	Paid dividends to shareholders		–7,699.1	–4,666.1
	Cash flow from financing activities		**77,733.6**	**205,705.9**
	Change in cash and cash equivalents		361.9	–2,030.5
	Cash and cash equivalents at the beginning of the period	(2.9)	35.1	2,065.6
	Cash and cash equivalents at the end of the period	**(2.9)**	**397.0**	**35.1**

PICTURE:
Metzingen, James-Watt-Straße

Statement of changes in equity

TEUR	Issued share capital	Capital reserve	Other reserves	OCI	Retained earnings	Total equity
As at 01/10/2019	**23,451.9**	**89,530.2**	**50.0**	**0.0**	**68,431.1**	**181,463.2**
Period result	0.0	0.0	0.0	0.0	50,820.5	50,820.5
Other comprehensive income	0.0	0.0	0.0	491.4	0.0	491.4
Total comprehensive income	**0.0**	**0.0**	**0.0**	**491.4**	**50,820.5**	**51,311.9**
Cash capital increase/ - reduction	8,627.6	142,506.5	0.0	0.0	0.0	151,134.1
cost of capital measures	0.0	–2,043.1	0.0	0.0	0.0	–2,043.1
Dividend distribution	0.0	0.0	0.0	0.0	–4,666.1	–4,666.1
As at 30/09/2020	**32,079.5**	**229,993.6**	**50.0**	**491.4**	**114,585.5**	**377,199.9**

TEUR	Issued share capital	Capital reserve	Other reserves	OCI	Retained earnings	Total equity
As at 01/10/2020	**32,079.5**	**229,993.6**	**50.0**	**491.4**	**114,585.5**	**377,200.0**
Period result	0.0	0.0	0.0	0.0	119,816.5	119,816.5
Other comprehensive income	0,0	0,0	0,0	–308.6	0.0	–308.6
Total comprehensive income	**0.0**	**0.0**	**0.0**	**182.8**	**119,816.5**	**119,507.9**
Addition / Withdrawal from reserves	0.0	0.0	0.0	0.0	0.0	0.0
Dividend distribution	0.0	0.0	0.0	0.0	–7,699.1	–7,699.1
As at 30/09/2021	**32,079.5**	**229,993.6**	**50.0**	**491.4**	**226,702.9**	**489,008.8**

NOTES

Deutsche Industrie REIT-AG, Rostock

Notes for the financial year from 01/10/2020–30/09/2021

PICTURE:
Neustadt am Rübenberge,
Eduard-Dyckerhoff-Straße

1. General information

1.1. The Deutsche Industrie REIT-AG

Deutsche Industrie REIT-AG (hereinafter referred to as “DIR” or “Company”) is a real estate company focusing on light industrial real estate in Germany with its registered office in Rostock. According to the Articles of Association, the objective of the Company is management of its own assets through the acquisition, management and sale of real estate and participations; transactions requiring approval are excluded. Furthermore, the company is entitled to take all measures which are directly or indirectly suitable to serve this corporate purpose. The focus is on activities that are geared towards the long-term and sustainable increase in the value of the real estate portfolio. The company is authorised to establish, acquire, lease, or invest in companies of the same or similar type. It may also establish its branches, both at home and abroad. DIR is registered in the Commercial Register of the Rostock District Court under HRB 13964. The registered office is in August-Bebel-Str. 68, 14482 Potsdam.

The DIR share (ISIN DE000A2G9LL1) has been listed on the Berlin Stock Exchange since 7 December 2017. Since 1 January 2018, the company has had the status of a REIT (Real Estate Investment Trust) and is thus exempted from income tax at company level. Since 19 December 2018, the share has also been listed in the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) on the Frankfurt Stock Exchange and thus also on XETRA.

The individual financial statements of DIR as of 30 September 2021 were prepared on 30 November 2021. The Supervisory Board is expected to approve these individual financial statements in its meeting on 13 December 2021. The IFRS individual financial statements were prepared voluntarily due to the stock exchange listing.

1.2. Basics of preparation of the individual financial statements

As of 30 September 2021, the individual financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU on the reporting date. In addition, the commercial law provisions of Section 315e (1) of the German Commercial Code (HGB) were applied analogously.

All relevant standards and interpretations whose application is mandatory for the financial year were taken into account.

The reporting period is covered from 1 October 2020 to 30 September 2021, with the Balance sheet as of 30 September 2020 and the Income statement for the period from 1 October 2019 to 30 September 2020 serving as comparative figures.

The individual financial statements comprise the Balance Sheet, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement and the Notes and are prepared in euros (EUR). All these amounts are generally represented in thousands of euros (TEUR) (exceptions are marked), which may result in rounding differences.

The company is currently a one-segment company. Turnover is generated exclusively with clients based in Germany in the commercial property sector. All the properties are located in Germany; no distinction is made between geographical areas in the internal management; various services do not exist. In the financial year, sales amounted to TEUR 52,891.6 (previous year: TEUR 41,216.3). The largest customer accounted for TEUR 2,799.4 (previous year: TEUR 2,799.4) in sales in 2020/2021. All income and expenses as well as all assets and liabilities are reflected in the overall financial statement. The annual financial statements were prepared under the assumption of going concern.

The Income statement was prepared using the nature of expense method.

1.3. Significant accounting judgments and estimates

Key discretionary decisions and estimates in applying the accounting policies, the Management Board has made the following judgements that have a significant effect on the amounts recognised in the individual financial statements:

- With respect to the properties held by the Company, the Management Board has to decide on each reporting date whether they are held for long-term rental or capital appreciation purposes or for sale. Depending on this decision, the properties are balanced according to 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 valued according to the classification at (amortised) cost or fair value.

- In assessing the lease term, the management considers all facts and circumstances that provide an economic incentive to exercise renewal options or not to exercise termination options. Resulting changes in the lease term are only included in the lease term if it is reasonably certain that they will be exercised. Further explanations can be found in chapters 1.5.12 and 6.2.

- There is also discretion in determining when revenue is recognised and whether DIR is the headmaster or agent for operating and ancillary costs under IFRS 15. Under IFRS 15 Revenue from Contracts with Customers, revenue is recognised when the customer obtains control of the agreed goods and services. In the case of land sales, this occurs with the transfer of ownership. The company acts predominantly as headmaster in the case of operating and ancillary costs, as it provides the services itself and bears the responsibility for their fulfilment. Please refer to Chapter 1.5.11 for further information.

The company makes estimates and assumptions concerning the future. The estimates derived from these may, by their very nature, differ from the actual circumstances that will occur in the future. The Company's fair value measurements as of 30 September 2021 contain significant valuation uncertainties due to market fluctuations resulting from the Corona pandemic. This environment does not invalidate the valuation but implies a significantly higher level of uncertainty than under normal market conditions. In view of this uncertainty, the Notes include a sensitivity analysis on the assumptions used in the valuation of the income properties. In addition, a sensitivity analysis was also performed for the acquired loans measured at fair value. The estimates and assumptions that have a significant risk of causing 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 the independent appraisers commissioned for this purpose. The valuation is based on the discounted cash flow method using expected future cash inflows. Accordingly, factors such as future rental income and applicable interest rates are estimated by the Company in cooperation with the appraiser that have a direct impact on the fair value of the investment properties. The fair values of the investment properties, including those reported in accordance with IFRS 5, amounted to TEUR 821,397.0 (previous year: TEUR 585,819.7) as of the reporting date.

- As part of the review of financial assets, the carrying amounts (amortised cost or fair value) at which the other financial assets are balanced, are compared with the fair values at the end of each financial year. The appropriateness of the valuations is assessed on the basis of the available information and value adjustments are made using estimated default rates. In the event of foreseeable reductions in the fair values, corresponding impairments are made to the balance sheet values. The carrying amount of financial assets, reported under Trade receivables, other current and non-current financial assets, and Other current assets, amounts to TEUR 99,764.0 (previous year: TEUR 118,676.2) as of the reporting date and relates to receivables from tenants, receivables held in the portfolio and receivables held for sale from loans acquired from creditshelf solutions GmbH (formerly creditshelf service GmbH) and receivables from loans to affiliated companies.

- Other non-current provisions and contingent liabilities require various assumptions to be made, e. g., with regard to the probability of occurrence and amount of utilisation. All information available at the time the balance sheet was prepared was taken into account. Other non-current provisions amounted to TEUR 1,409.0 (previous year: TEUR 1,545.8) as of the balance sheet date.

1.4. Application of IFRS in financial year 2020/2021

DIR has continued to apply the same accounting and valuation methods and disclosure requirements already applicable in the previous year, insofar as no new standards or interpretations were mandatory.

- **The following new standards, amendments to standards and new interpretations were applied by DIR for the first time in the reporting year:**

EU Endorsement	Standard	Content	Initial adoption mandatory for financial years beginning on or after	Effects on the annual financial statements of DIR
29/11/2019	Framework	Changes to the framework	01/01/2020	Not significant
21/04/2020	Amendments to IFRS 3	Business Combinations	01/01/2020	None
29/11/2019	Amendments to IAS 1 and IAS 8	Definition of Material	01/01/2020	Not significant
15/01/2020	Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	01/01/2020	Not significant
09/10/2020	Amendments to IFRS 16	Leases - Covid 19 Rental Deferrals	01/06/2020	Not significant

There were no effects from the mandatory application of the new standards in the financial year 2020/2021.

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

EUR Endorsement	Standard	Content	Initial adoption mandatory for financial years beginning on or after	Effects on the annual financial statements of DIR
Not yet adopted	Amendments to IAS 1	Disclosure of accounting and valuation principles	01/01/2023	Not significant
Not yet adopted	Amendments to IAS 8	Changes in estimates and errors	01/01/2023	Not significant
Not yet adopted	Amendments to IAS 12	Taxes on income and earnings - Deffered taxes	01/01/2023	Not significant
Not yet adopted	IFRS 17	New standard "Insurance contracts"	01/01/2023	None
Not yet adopted	Amendments to IAS 1	Classification of liabilities	01/01/2023	Not significant
30/08/2021	Amendments to IFRS 16	Leases - Covid 19 Lease deferrals after 30 June 2021	01/04/2021	Not significant
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	None
15/12/2020	Amendments to IFRS 4 – Application of IFRS 9	Insurance contracts	01/01/2021	None
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	Not significant

Beyond that, DIR does not expect the other published new standards and interpretations to have a material impact on the financial statements.

PICTURE:
Lichtenfels, Bamberger Straße

1.5. Individual accounting and valuation principles

1.5.1. Principle

These financial statements are based on the going concern assumption. As far as permissible, the valuation is predominantly based on amortised cost. Exceptions to this at DIR are the creditshelf loans and interest rate swaps in hedging relationships, which are measured at fair value without affecting profit or loss, and the investment properties, which are voluntarily measured at fair value.

Changes in accounting and valuation methods with the exception of the application of new standards and were not made in the financial year 2020/2021.

1.5.2. Investment properties and properties held for sale

DIR classifies property on initial recognition according to its intended use as either investment property (IAS 40), inventory property (IAS 2) or owner-occupied property in property, plant and equipment (IAS 16). Properties held under leases with the Company as lessee are classified and balanced as investment properties. Properties that are highly likely to be sold within twelve months are classified as assets held for sale (IFRS 5). As a rule, DIR only has investment properties, since according to the business model the properties are let on a long-term and sustainable basis.

Investment properties are initially recognised at cost including incidental costs. In subsequent valuations, investment properties are recognised at their fair values, which reflect the market conditions on the balance sheet date. A gain or loss from the change in fair value is recognised in the Income statement in the Valuation Result Investment properties. In the case of changes in fair value compared to the previously balanced value due to an existing purchase price, these effects are reported separately in the sales result. Subsequent costs for the extension and conversion of the property are taken into account insofar as they contribute to an increase in the fair value of the property. Legal and consulting costs attributable to the investment properties are also included in net rental income.

According to the regulations of IFRS 13, the best possible use of a property is to be assumed in the valuation of investment properties. Planned changes of use are therefore taken into account in the valuation, provided that the technical feasibility, legal admissibility and financial feasibility are given.

The properties are revalued annually on 30 June. If there are significant changes in the input factors up to the balance sheet date, corresponding adjustments are made. The valuation is carried out by an independent external appraiser using recognised valuation methods such as the discounted cash flow method. The experts have appropriate professional qualifications and experience to perform the valuation. The results of the appraisals are based on information provided by the Company. Thus, input factors such as the current tenant list, maintenance and property management fees, vacancy data, as well as assumptions made by the appraiser based on market data and assessed on the basis of his professional qualifications, e.g., future market rents, typified maintenance and property management fees, structural vacancy rates or discount and capitalisation rates, are included in the determination of the fair value.

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

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

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

1.5.3. Intangible assets

Intangible assets acquired are initially measured at cost. After initial recognition, intangible assets are carried at cost and amortised on a straight-line basis over their useful lives, generally three years.

1.5.4. Property, plant, and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using the straight-line method based on estimated useful lives of generally 3 to 13 years (office furniture and equipment). The depreciation methods and useful lives are reviewed at the end of each financial year and adjusted if necessary. The carrying amounts of property, plant and equipment are reviewed for impairment whenever there are indicators that the carrying amount exceeds the recoverable amount.

1.5.5. Financial assets and liabilities

Classification of financial assets

IFRS 9 contains a classification and measurement approach for financial assets that reflects the business model under which the assets are held and the characteristics of their cash flows. Reclassification only occurs if the business model for managing financial assets changes. The three classification categories for financial assets are as follows:

- Fair value through other comprehensive income (FVtOCI) measured at fair value through profit or loss.
- Measured at fair value through profit or loss (FVtPL)
- Measured at amortised cost (AC)

PICTURE:
Aalen, Ulmer Straße

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

- The financial asset is held within a business model whose objective is to hold financial assets to collect the contractual cash flows, and

- The contractual terms give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

At DIR, the Amortised Cost (AC) measurement category includes, among other things, escrow and deposit accounts, which represent payment balances due on demand, Trade and other receivables, and prepaid expenses.

Financial assets measured at fair value through other comprehensive income:

- Debt instruments for which the contractual cash flows are solely payments of principal and interest on the principal outstanding and that are held within a business model whose objective is to collect the contractual cash flows and sell the financial assets.

This category includes loans to private borrowers acquired by DIR from creditshelf solutions GmbH. These are used by the companies for short-term liquidity investment and are resold when liquidity is required and, if necessary, additional loans are acquired later. Thus, the business model of holding and selling applies here. In addition, cash flow hedges are measured at fair value without affecting profit or loss. As some of the loans have a remaining term of more than one year, they are allocated to non-current and current items accordingly. A short-term sale is possible irrespective of this. If there is a concrete intention to sell and the conditions are met, a presentation is made in accordance with IFRS 5.

Include financial assets at fair value through profit or loss:

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

DIR does not have any financial assets that fall into this measurement category or has elected the fair value option.

Derivatives are initially recognised at fair value on the day a derivative contract is entered and are subsequently remeasured at fair value at the end of each reporting period. The accounting for changes in fair value in subsequent periods depends on whether the derivative is designated as a hedging instrument and, if so, on the nature of the underlying hedging relationship. In the reporting period, Deutsche Industrie has interest rate swaps that are balanced as derivatives within a hedging relationship.

Derivatives and hedging transactions
The interest rate swaps have been designated by DIR as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions and are therefore cash flow hedges. At the inception of the hedge, the Company documents the economic relationship between the hedging instruments and the hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of the hedged items. The risk management objectives and strategies underlying the hedging instrument are also documented. The fair value of a hedging derivative is classified in full as a non-current financial asset or a non-current financial liability if the remaining maturity of the hedged item is greater than 12 months. If it is less than 12 months, it is classified as a current financial asset or a current financial liability.

The fair value of the interest rate swaps is determined as the present value of the estimated future cash flows based on the forward rates on the balance sheet date.

The effectiveness of hedging relationships is determined in each case at the beginning of the hedging relationship and through regular assessments to ensure that an economic relationship exists between the hedged item and the hedging instrument. Deutsche Industrie has entered into interest rate swaps that have identical terms to the hedged items, such as reference rate, repricing dates, payment dates, maturities and notional amounts. The Company does not hedge all of its loans, but only the loans with variable interest rates. During the financial year, all significant contractual terms and conditions in the respective hedging relationships formed were in agreement, so that there was an economic relationship between the underlying transaction and the hedging transaction in each case.

Ineffectiveness of hedges with interest rate swaps is assumed for the following reasons:

- Adjustments for the default risk of the parties to the interest rate swap that are not offset by changes in the value of the hedged loans.

- Different contractual terms between interest rate swaps and hedged loans

There was no ineffectiveness with regard to interest rate swaps in the reporting year.

The effective portion of changes in the fair value of derivatives designated as hedging instruments in cash flow hedges is recognised in the hedging reserve for cash flow hedges as a component of equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss under other gains or losses. Cumulative amounts recognised in equity are reclassified to profit or loss in the periods in which the hedged item affects profit or loss. The gain or loss on the effective portion of interest rate swaps hedging floating rate borrowings is recognised in finance costs in profit or loss in the period in which the interest expense on the hedged borrowings is incurred.

When a hedging instrument expires or is sold or terminated, or when the hedging relationship no longer meets the criteria for hedge accounting, cumulative deferred hedging gains or losses and deferred hedging costs remain in equity until the forecast transaction occurs and results in the recognition of a non-financial asset such as inventories. When the transaction is no longer expected to occur, the cumulative hedging gains or losses and deferred hedging costs that were recognised in equity are immediately reclassified to profit or loss.

Valuation of financial assets
On initial recognition, the Company measures a financial asset and a financial liability at the fair value of the consideration received or paid on the trade date, plus or minus directly attributable transaction costs. Trade and other receivables that do not have a significant financing component are initially measured at transaction price.

Financial assets measured at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income calculated using the effective interest method is reported under financial income. A gain or loss arising from the derecognition of a financial asset, interest income, currency gains and losses as well as impairments are recognised in the income statement and reported separately.

For assets measured at fair value through other comprehensive income, changes in fair value and impairment losses are recognised in other comprehensive income, except for impairment losses or gains and interest income, which are recognised in profit or loss. When the financial asset is derecognised, 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 shall assess whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment exists and an impairment loss is incurred if:

- As a result of one or more events that occurred after the initial recognition of the asset (“loss event”),

- There was objective evidence of impairment; and
- This loss event has an impact on the expected future cash flows of the financial asset that can be reliably estimated.

The impairment of financial assets is mapped using the expected-loss model. In principle, this results in two valuation levels:

- Lifetime credit losses: Expected credit losses due to possible default events over the entire life of a financial instrument.
- 12-month loan defaults: Expected credit losses due to possible default events within the next twelve months after the reporting date.

The impairment method is dependent on whether there has been a significant increase in credit risk. In assessing whether there has been a significant increase in the credit risk of a financial asset since initial recognition and in estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or time. This includes quantitative as well as qualitative information and analysis based on the Company's past experience and forward-looking information.

The lifetime credit loss approach shall be used if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition; otherwise, the 12-month credit loss approach shall be used. However, the lifetime credit loss concept measurement shall always be applied to Trade and other receivables and contractual assets without a significant financing component.

Impairments are measured at the amount of credit losses expected to be incurred over the life of the loan. Exceptions are impairments for bank balances for which the default risk has not increased significantly since initial recognition. Here, the impairment is measured in the amount of the expected 12-month credit loss. In the case of rent receivables, the assessment based on the age structure is preceded by a separate assessment for significant receivables. In this process, significant rent receivables are assessed separately, individually impaired, and subsequently no longer included in the maturity analysis.

In the case of rent receivables, the significant deferrals were already offset 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 Industrie are mainly logistics companies and were only marginally affected by the effects of the Corona pandemic, there were no significant rent deferrals or defaults in the reporting period. The acquired loans were reviewed for increased default risks and adjusted if necessary.

For the financial assets measured at fair value through other comprehensive income, the impairment loss was measured based on the expected defaults. For further information, please refer to chapter 5.1.1 Default risks.

Offsetting of financial assets and liabilities
Financial assets and liabilities are offset and presented as a net amount in the Balance Sheet when the entity has a present enforceable legal right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In the reporting period presented, DIR does not have any financial assets and liabilities that are offset in this way.

Classification of financial liabilities
DIR's financial liabilities are generally measured at amortised cost. Financial liabilities in this category include Liabilities to Banks, Liabilities to other creditors, Liabilities from corporate bonds, Trade payables and Other current financial liabilities.

For compound financial instruments, classification into liability and equity components is made to the extent that the definition of an equity instrument is met.

Embedded derivatives are separated from their host contract if their economic characteristics and risks are not closely related to those of the host contract, if a comparable stand-alone instrument would meet the definition of a derivative and if the compound instrument is not measured at fair value through profit or loss. When an embedded derivative is separated, the components are accounted for and measured separately in accordance with the applicable rules.

The convertible bond issued by DIR does not include an equity component for accounting purposes due to a cash settlement option on the part of DIR. Instead, the entire convertible bond is recognised as a liability at fair value through profit or loss.

Valuation of financial liabilities
On initial recognition, liabilities are measured at the fair value of the consideration received, net of transaction costs, on the trade date. After initial recognition, liabilities are measured at amortised cost using the effective interest method. The difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the liability using the effective interest method.

The convertible bond is measured at fair value through profit or loss. In doing so, the portion of the changes in fair value that relates to the entity's own credit risk would be recognised in other comprehensive income. DIR determines the amount of changes in fair value attributable to credit risk by first determining the variations due to changes in market conditions that are significant for market risk and then deducting that change from the total change in fair value of the convertible bond. The changes in market conditions that are significant for market risk include changes in the reference interest rate. Changes in the fair value of the embedded conversion right are taken into account when assessing changes in fair value from market risk.

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

Financial liabilities are classified as current if the Company does not have an unconditional right to defer settlement of the liability for 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 from the lowest 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 estimated costs necessary to make the sale. Borrowing costs incurred in connection with the acquisition or construction of land are capitalised if the conditions for this are met. Land with unfinished and finished buildings includes properties for which resale was already assumed at the time of acquisition. If the intention to sell is abandoned, the property is reclassified as investment property.

1.5.7. Income taxes and Deferred tax

Tax refund claims and tax liabilities are valued at the amount at which a refund or payment to the tax authorities is expected. This is based on the tax rates and tax laws applicable on the balance sheet date.

As DIR has had the status of a REIT company from the beginning of 2018, it has since then been exempt from income tax at company level as long as the criteria of the REIT Act are met. In this respect, no deferred taxes are to be balanced for the period of the tax exemption.

1.5.8. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and available bank balances with original maturities of less than three months at the date of acquisition.

1.5.9. Accrual of equity

Debt and equity instruments are classified as financial liabilities or equity according to the substance of the contractual arrangement. An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recognised at the proceeds received less directly attributable issue costs.

Issue costs are costs that would not have been incurred if the equity instrument had not been issued. Such costs of an equity transaction (e.g., costs incurred in connection with capital increases), less any related income tax benefits, are balanced as a deduction from equity and offset against the capital reserve without affecting profit or loss.

The components of a compound instrument issued by the company (e.g., a convertible bond) are recognised separately as a financial liability and as an equity instrument in accordance with the economic substance of the agreement, provided the requirements for an equity component are met.

At the time of issue, the fair value of the liability component is determined on the basis of the market interest rate applicable to comparable, non-convertible instruments. This amount is balanced as a financial liability on an amortised cost basis using the effective interest method until settlement on conversion or maturity of the instrument. The equity component is determined by subtracting the value of the liability component from the fair value of the entire instrument. The resulting value, net of income tax effects, is recognised as part of equity and is not subsequently measured.

1.5.10. Other non-current provisions

A provision is recognised when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation, despite uncertainties as to the amount or timing of the obligation. Other non-current provisions are measured for the amount that would reasonably be expected to be paid to settle the obligation at the reporting date or when the obligation is transferred to a third party. Risks and uncertainties are taken into account by applying appropriate methods of estimation, including probabilities of occurrence. Non-current provisions with a remaining term of more than one year are discounted if the interest effect is material.

1.5.11. Income recognition

According to IFRS 15, the amount of revenue corresponds to the consideration to which the company is contractually entitled. Revenue is 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
- Recognising revenue upon satisfaction of separate performance obligations

According to IFRS 15, a contract is an agreement between two or more parties that gives rise to legally enforceable rights and obligations. The contract may be written, oral or implied in accordance with the entity's customary business practices. Under certain circumstances, several contracts are to be combined.

The second step is to identify the individual performance obligations. A promise is a performance obligation whenever the good or service is distinct. In principle, a contract contains a performance obligation, so that the fourth step, the allocation of the transaction price to separate performance obligations, is not necessary.

This is followed by the determination of the transaction price, which is 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 the promised consideration does not need to be adjusted for the time value of money.

The fourth step is to allocate the transaction price to the identified performance obligations based on their relative stand-alone selling prices. The stand-alone selling price is the price at which the entity actually sold the good or service individually to similar customers in 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 services rendered comply with the contractually agreed specifications. There are no further take-back, refund or similar obligations.

Revenue is recognised in accordance with IFRS 15 either over time or at a specific point in time, depending therefore on when the performance obligation is fulfilled or control is transferred to the customer.

The company enters into rental agreements that essentially comprise the net cold rent and the operating costs. As a lease, the net cold rent component of the contract does not fall within the scope of IFRS 15 and is recognised as revenue on a straight-line basis over the term of the lease. The transaction price is agreed in the lease contracts and does not include any financing components. The rental payments are to be made monthly.

For approximately 56% of the net cold rents, the commercial leases are provided with value protection clauses that link the rents to the development of the consumer price index.

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

According to IFRS 15, the decisive factor for the distinction between headmaster and agent status is whether a contracting party has control over a service before it is transferred to a customer. The primary responsibility for the performance of the service, the potential inventory risk of not being able to pass on costs, and the pricing power for a service are the indicators for this assessment, which are considered in their entirety and do not have to be fulfilled cumulatively.

For the operating costs of the lease, Deutsche Industrie REIT AG acts as the headmaster due to the regulations of IFRS 15, as the company obtains the power of disposal over the goods and services and thus has the performance obligation towards the tenant.

Services charged as operating and ancillary costs in accordance with the headmaster method are shown in the income statement unnetted with the corresponding revenues. Revenue is recognised when the service is rendered. Services charged on to third parties are reported under turnover from letting.

According to IFRS 15, property taxes and building insurance do not represent separately identifiable performance obligations that provide the tenant with a definable benefit. For these contract components, the agreed consideration is allocated to the other identified contract components based on their relative stand-alone selling prices.

According to IFRS 15, a contract liability is recognised if the customer has fulfilled its contractual obligation before DIR has transferred control of the good or service. Due to the business model and the underlying payment terms of DIR, the customers pay the consideration in time with the fulfilment of the performance obligation by the company, so that no contract liability is to be recognised. Deutsche Industrie's unconditional right to the consideration to be paid is recognised as a receivable.

In addition, no contract assets are balanced as DIR does not transfer any goods or services to the customer before receiving the consideration.

1.5.12. Leases

Leases are balanced as a right of use and corresponding liability at the time the leased asset is available for use by the company. The lease payments 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 as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is amortised on a straight-line basis over the shorter of its useful life and the lease term. In determining the term of the lease, renewal options whose exercise is reasonably certain are taken into account.

Lease assets and liabilities are initially recognised at their present values. The lease liability comprises the present value of fixed lease payments, variable lease payments indexed to an index or interest rate, expected residual value payments, the exercise price of a reasonably certain purchase option and penalties for terminating the lease with reasonable certainty. The right-of-use asset is measured at cost, which comprises the amount of the initial measurement of the lease liability, any lease payments made at and before the date of origination, initial direct costs and estimated costs of dismantling or removing the leased asset.

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

Payments for short-term leases or leases of low-value assets are recognised as an expense in the Income statement on a straight-line basis. Deutsche Industrie does not have any such leases.

Lease payments are discounted at the lessee's incremental borrowing rate if the implicit interest rate underlying the lease is not determinable. The incremental borrowing rate is the rate the lessee would have to pay to acquire or finance the underlying asset with external funds in similar circumstances.

The Company acts as lessee of leasehold land, office space and two motor vehicles. The rights of use from leasehold contracts are reported in the Balance Sheet under Non-current assets in the item Investment properties. The corresponding lease liability is included in other current or non-current liabilities.

In addition, Deutsche Industrie also acts as lessor for its own leased motor vehicle, as it lets it to Solitaire Holding GmbH (formerly Solitaire Verwaltungsgesellschaft mbH & Co. KG) for its use. The monthly leasing instalments paid by DIR are charged in full to Solitaire, as are the (operating) costs associated with the vehicle, so that no costs result from this for Deutsche Industrie. The right of use is reported under the balance sheet item Property, plant and equipment. The corresponding lease liability is included in the current and non-current other financial liabilities. For further information, please refer to chapter 2.17.

2. Notes to the balance sheet

2.1. Investment properties

In the 2020/2021 financial year, the transfer of ownership of 19 acquired investment properties took place. In addition, partial sales of undeveloped land took place in the reporting period. As a result, DIR's real estate assets balanced on 30 September 2021 include 88 properties with a fair value of TEUR 789,262.1 (previous year: TEUR 564,987.0) plus the leaseholds balanced as rights of use in the amount of TEUR 24,834.9 (previous year: TEUR 20,832.7). Furthermore, there were value-increasing measures that were capitalised in the amount of TEUR 5,401.1 (previous year: TEUR 4,943.6). The unrealised Valuation Result from the fair value measurement was TEUR 91,110.4 (previous year: TEUR 36,981.7).

The development of investment properties is as follows:

In TEUR	2020/2021	2019/2020
Opening balance at 01.10.	585,819.7	392,849.0
+ Real estate purchases	134,576.7	131,443.3
+ Capitalisation of leaseholds and rights of use	4,483.6	19,589.9
+ Adjustment of book values for leaseholds due to changed ground rent payments	5.5	12.2
– Disposal of book value through sale of real estate	0.0	0.0
– Reclassification in accordance with IFRS 5	–7,300.0	0.0
+ Subsequent acquisition and construction costs (Capex)	5,401.1	4,943.6
+ Valuation result of sold properties	0.0	0.0
+ Unrealised valuation gains or losses from fair value measurement (change in fair value)	91,110.4	36,981.7
Closing balance on the reporting date	**814,097.0**	**585,819.7**

Of the investment properties, properties with a value of TEUR 650,420.0 (previous year: TEUR 464,660.0) were pledged as collateral for financial liabilities in the reporting year.

Leasehold contracts exist for which the associated land is developed with commercial properties.

Rights of use and lease liabilities are balanced for the leasehold contracts. The capitalised amount as of 30 September 2021 is TEUR 24,834.9 (previous year: TEUR 20,832.7). The accrued liability as of 30 September 2021 is TEUR 25,527.5 (previous year: TEUR 21,097.8).

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

Investment properties in TEUR	2020/2021	2019/2020
Gross rental income	50,965.4	40,781.3
Valuation Result from Investment Properties	91,110.4	36,981.7
Valuation Result from the Sale of Investment Properties	0.0	0.0
Revenues from the sale of investment properties	1,926.2	0.0
Expenses from the sale of investment properties	–41.7	0.0
Income from operating and ancillary costs	11,730.9	7,174.2
Administrative expenses (maintenance expenses, property management, property taxes, etc.)	–22,686.0	–16,669.8
Total	**133,005.2**	**68,267.4**

The operating expenses attributable to vacant properties amount to TEUR 2,114.9 (previous year: TEUR 1,182.5). The calculation is based on the vacancy rate.

The valuation by an external independent appraiser is carried out as of the valuation date of 30 June 2020 based on the valuation parameters existing at that date. Purchased properties with transfers of ownership between 1 July and 30 September are initially recognised at cost and subsequently at the fair value determined as of 30 June (provided that the purchased properties could already be included in the valuation). Significant fluctuations in the value of the properties up to 30 September are considered where there are indications that this may be the case.

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

In the discounted cash flow method, expected future cash surpluses of a property are discounted to the valuation date using a market-oriented, property-specific discount rate (interest rate specific to inflation and growth). While receipts regularly comprise net rents, disbursements related to the operating costs are to be borne by the owner. The underlying detailed planning period is ten years. At the end of this period, a potential discounted sale value (terminal value) of the valuation property is forecast. This reflects the most likely selling price less costs to sell. The discounted net cash flows for the tenth year are capitalised as a perpetual annuity using the capitalisation interest rate. The sum of the discounted cash surpluses and the discounted potential disposal value results in the gross capital value of the valuation object, which, less transaction costs, gives the fair value.

The following overview shows the main assumptions used in the discounted cash flow method:

Valuation parameters	Financial year	
	30/06/2021	30/06/2020
Market rent increase p. a. (in %)	1.80 to 2.00	1.50 to 2.00
Maintenance costs p. a. (EUR / m²)	0.00 to 10.00	0.00 to 30.00
Property management fees p. a. (% of market rent)	1.00 to 3.00	0.00 to 3.00
Discount rate (%)	4.30 to 9.50	4.70 to 9.20
Capitalisation rate (%)	3.80 to 10.40	4.30 to 10.50

All valuation parameters correspond to level 3 of the fair value hierarchy.

The assumptions used to value the properties were made by the independent appraiser based on his professional experience and are subject to uncertainty. An increase/decrease in the discount rate and capitalisation rate by 1.0 % reduces/increases the fair value as follows:

	30/09/2021		30/09/2020	
Change in the discount and capitalisation rate	+1 %	–1 %	+1 %	–1 %
Fair value of investment properties (in € million)	–121.1	+170.8	–81.6	+113.2

Corresponding effects result from the change in future rental income depending on rental income, vacancies and management and maintenance costs.

DIR is entitled to future minimum lease payments of TEUR 282,587.6 (previous year: TEUR 188,660.6) from its rental agreements with commercial tenants as of 30 September 2021. These are distributed as follows:

in TEUR	Total	Up to 1 year	1 to 5 years	Over 5 years
Minimum lease payments 30/09/2021	282,587.6	51,802.2	137,870.7	92,914.7
Minimum lease payments 30/09/2020	188,660.6	36,564.8	93,202.4	58,893.3

As a rule, tenancy agreements for fixed minimum periods of up to thirteen years are common. In some cases, tenants have renewal options. These are not taken into account here. There are no further claims to minimum lease payments. For flats in the portfolio, there are generally tenancy agreements with a statutory notice period of three months. In some cases, there are unlimited commercial leases with a statutory notice period of three months. These result in annual Gross rental income of TEUR 4,481.6. The number of residential properties is of minor importance.

2.2. Intangible assets

Intangible assets include capitalised expenses for the creation of the website, which are amortised on a straight-line basis over three years, and a domain, which is not amortised.

2.3. Property, plant, and equipment

Property, plant and equipment mainly includes a right of use for rented office space, a crane at the Emden property, inventory at the Wildau property, a car, two rights of use for cars and office equipment. The useful lives are between 3 and 13 years. Depreciation is linear.

	Right of use office space	Technical equipment	Vehicles	Right of use of vehicle	Operating and office equipment	Total
Acquisition costs						
01/10/2020	0.0 (0.0)	1,122.6 (1,122.6)	19.2 (19.2)	12.9 (12.9)	166.2 (37.2)	1,320.9 (1,191.9)
Accrual	157.1 (0.0)	0.0 (0.0)	0.0 (0.0)	26.9 (0.0)	65.3 (129.0)	249.3 (129.0)
Transfers	0.0 (0.0)	1,025.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	1,025.0 (0.0)
Exit	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)
30/09/2021	**157.1** **(0.0)**	**2,147.6** **(1,122.6)**	**19.2** **(19.2)**	**39.8** **(12.9)**	**196.5** **(166.2)**	**2,560.2** **(1,320.9)**
Accumulated amortisation						
01/10/2020	0.0 (0.0)	223.5 (111.2)	10.8 (6.0)	3.0 (0.0)	46.2 (9.9)	283.5 (127.2)
Accrual	34.9 (0.0)	144.3 (112.3)	4.8 (4.8)	9.7 (3.0)	40.1 (36.3)	233.8 (156.4)
Exit	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	–17.1 (0.0)	–17.1 (0.0)
30/09/2021	**34.9** **(0.0)**	**367.8** **(223.5)**	**15.6** **(10.8)**	**12.7** **(3.0)**	**69.2** **(46.2)**	**500.2** **(283.5)**
Residual book value 30/09/2021	**122.2** **(0.0)**	**1,779.8** **(899.1)**	**3.6** **(8.4)**	**27.1** **(9.9)**	**127.3** **(120.0)**	**2,060.0** **(1,037.4)**

2.4. Trade and other receivables

Trade and other receivables mainly consist of rentals and are made up as follows:

TEUR	30/09/2021	30/09/2020
Receivables from rentals	3,308.7	4,532.5
Other trade and other receivables	7.8	4.7
Impairment on receivables	–1,769.4	–1,117.1
Total	**1,547.1**	3,420.1

Within the scope of the impairment, individual rent receivables 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 impaired receivables were not included in the maturity analysis. The individually assessed rent receivables of TEUR 1,380.6 (previous year: TEUR 2,474.0) resulted in an individual value adjustment of TEUR 994.2 (previous year: TEUR 950.8). In addition to the impairments on rent receivables, write-offs of TEUR 350.1 (previous year: TEUR 158.9) were recognised in the reporting year.

- **Impairments on trade and other receivables due to default risks are as follows:**

Information 2020/2021 in TEUR	Individual review	< 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	1,380.6	535.1	385.0	647.7	52.2	315.9	3,316.5
	(2,474.0)	(1,649.6)	(194.2)	(194.4)	(17.4)	(7.5)	(4,537.1)
Value adjustment	**994.2**	**0.0**	**96.2**	**323.9**	**39.2**	**315.9**	**1,769.4**
	(950.8)	**(0.0)**	**(48.6)**	**(97.2)**	**(13.0)**	**(7.5)**	**(1,117.1)**

- **The impairments on trade and other receivables developed as follows:**

Individual value adjustments in TEUR	2020/2021	2019/2020
As of 01/10	**1,117.1**	445.7
Consumption	–	–
Dissolution	–	–
Additions	652.3	671.4
As of 30/09	**1,769.4**	1,117.1

2.5. Other non-current financial assets

Other non-current financial assets include receivables from acquired loans in the amount of TEUR 3,194.6 (previous year: TEUR 14,595.2) and a guarantee in the amount of TEUR 8,354.0 (previous year: TEUR 8,354.0).

In the financial year 2020/2021, DIR invested surplus liquidity in the acquisition of loans brokered via the fintech creditshelf AG, Frankfurt. The loans existing on the balance sheet date have terms of up to three years and bear interest of between 7.00 % and 14.0 % per annum. In addition, creditshelf charges a fee for loan processing and related services. A portion of the receivables from acquired loans was reclassified as assets held for sale in accordance with IFRS 5 as at the balance sheet date. For more detailed information, please refer to Chapter 2.10.

The receivable from creditshelf loans is measured at fair value on level three of the valuation hierarchy without affecting profit or loss. For this purpose, the invested amount less repayments to date is used, taking into account expected default rates.

• **The development of the creditshelf loans in the reporting period is as follows:**

TEUR	2020/ 2021	2019/2020
Opening balance at 01/10	**30,529.6**	**0.0**
Acquisition of new loans	19,095.0	48,955.5
Repayment	–25,210.4	–15,125.5
Sale	–5,842.2	–1,992.7
Change in fair value in other comprehensive income	**–4,657.2**	**–1,733.8**
Offsetting accrued interest	0.0	–15.2
Change in accrued interest	173.4	441.3
Closing balance at balance sheet date	**14,088.3**	**30,529.6**
• thereof non-current	–5,842.2	14,595.2
• of which short-term	–4,657.2	15,934.4
• of which held for sale	0.0	0.0

In the reporting period, two loans were defaulted and each of them was written off at the outstanding nominal amount including interest receivable (in total TEUR 84.3). In addition, other loans were not recoverable and were written off in the amount of TEUR 4,511.4 (previous year: TEUR 0.0) including outstanding interest. The write-off of interest receivables from these loans in the amount of TEUR 362.2 was recognised in profit or loss without affecting other comprehensive income. In the reporting period, expenses from impairments on creditshelf loans in the amount of TEUR 4,657.2 (previous year: TEUR 1,733.8) were recognised in profit or loss in other comprehensive income, which consisted of newly recognised impairments in the amount of TEUR 5,697.5 (previous year: TEUR 1,733.8), including specific valuation allowances on defaulted loans of TEUR 4,233.8 (previous year: TEUR 0.0 thousand) and reversals of impairment losses of TEUR1,040.3 (previous year: TEUR 0.0 thousand). The change in fair value of TEUR 4,657.2 (previous year: TEUR 1,733.8) was recognised in other comprehensive income. In the financial year, no borrowers made use of new bridging loans in view of the Corona pandemic (previous year: TEUR 1,352.4). The bridging loans from the previous year were transferred directly to the Company for the repayments of the existing loans in the financial year. The future instalments paid to the company in advance were taken into account during the year as advance payments received.

The impairment on creditshelf loans developed as follows in the reporting period:

TEUR	30/09/2021	30/09/2020
As of 01/10	1,733.8	0.0
Consumption	–	–
Resolution	–1,040.3	–
Additions	5,697.5	1,733.8
As of 30/09	**6,391.0**	**1,733.8**

The impairment of the acquired loans is determined on the basis of a rating carried out by creditshelf. Various rating levels are used, each of which is assigned a specific probability of default. The probability of default is the main unobservable input parameter and ranges from 1.0% to 26.82%. A corresponding full impairment was made for the defaulted loans. The quantitative rating results were assessed to determine whether the underlying financial statement data has sufficiently reflected current developments, in particular the Corona pandemic. If this was not the case, a qualitative adjustment of the rating was made. This resulted in an additional impairment of TEUR 1,177.9. If all loans active as of the balance sheet date had deteriorated or improved by one rating level, the value balanced and correspondingly the OCI as of the balance sheet date would have decreased by TEUR 4,341.1 or increased by TEUR 1,098.0. Of the loans on the assets side of the balance sheet amounting to TEUR 13,473.6 before accrued interest, loans with a fair value of TEUR 11,514.9 were subject to forbearance measures, such as extensions, follow-up loans or interim deferrals. The fully impaired loans were allocated to Level 3. Of the loans active as of the balance sheet date, TEUR 9,452.2 were allocated to Level 1, while the remainder were allocated to Level 2.

No impairments were made on other financial assets.

2.6. Non-current derivative financial instruments

Deutsche Industrie uses interest rate swaps to hedge interest rate risks on variable-rate loans. These were recognised at their fair value, which corresponds to the present value of the swaps, as of the balance sheet date, resulting in financial assets of TEUR 326.5 (previous year: TEUR 491.4). The swaps with a negative cash value were correspondingly reported as non-current financial liabilities in the amount of TEUR 143.6 (previous year: TEUR 0.0). The change in the fair value of the hedging instruments in the amount of TEUR -308.6 (previous year: TEUR 491.4) was recognised in other comprehensive income. For further information, please refer to chapter 1.5.5 and chapter 5.1.3.

2.7. Other non-current and current assets

Other non-current assets exclusively include advance payments on acquired investment properties in the amount of TEUR 462.5 (previous year: TEUR 7,474.1), for which the transfer of benefits and burdens had not yet taken place by the reporting date. They are allocated to Non-current assets, as they belong to the non-current balance sheet item Investment Properties.

Other current assets are composed as follows:

TEUR	30/09/2021	30/09/2020
Receivables from shareholder loans	63,844.7	71,994.1
Interest receivables from shareholder loans	8,576.5	3,020.0
Short-term investment in acquired loan parts via Creditshelf including receivables from affiliated companies included therein	8,030.4	15,934.4
Tenant deposits	2,629.9	1,358.5
Prepaid expenses	1,167.1	937.1
Work in progress after offsetting against advance payments received	1,151.6	70.4
Value added tax receivables	609.4	1,198.9
Receivables from purchaser settlements	9.9	103.8
Other	520.7	1.1
Total	**86,540.2**	94,618.3

A portion of the receivables from acquired loans was reclassified as assets held for sale in accordance with IFRS 5 as at the balance sheet date. For more information, please refer to chapter 2.10.

2.8. Income tax assets

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 308.2 (previous year: TEUR 0.0) were recognised as a receivable from the tax office.

2.9. Cash and cash equivalents

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

The cash flow statement contains bank and cash balances, taking into account current account liabilities. In this respect, the cash and cash equivalents in the cash flow statement may differ from the cash and cash equivalents shown in the balance sheet.

2.10. Non-current assets held for sale

The assets held for sale of TEUR 10,163.3 (previous year: TEUR 0.0) relate on the one hand to acquired loans that were sold to creditshelf solutions GmbH at the outstanding nominal amount less impairment by way of a purchase agreement dated 4 November 2021. The sale price amounts to TEUR 2,863.3 including interest and fee accruals outstanding at the time of sale. The other is a property sale with a purchase agreement dated 13 October 2021. The sale price amounts to TEUR 7,300.0.

2.11. Equity

2.11.1. Issued share capital

The fully paid-up share capital of DIR as of 30 September 2021 amounts to TEUR 32,079.5 (previous year: TEUR 32,079.5) and is divided into 32,079,505 no-par value bearer shares with equal voting rights, each with a par value of EUR 1.00.

Powers of the Management Board to issue new shares

Authorised capital
The Authorised Capital 2020/I was cancelled in the reporting period and replaced by the Authorised Capital 2021/I.

At the Annual General Meeting held on 12 March 2021, a new Authorised Capital 2021/I was approved. The Management Board was authorised to increase the share capital by up to EUR 16,039,752.00 until 11 March 2026. The Authorised Capital 2021/I amounts to EUR 16,039,752.00 as of 30 September 2021.

Conditional Capital
The Conditional Capital 2020/I was cancelled in the reporting period and replaced by the Conditional Capital 2021/I.

The Management Board was authorised by the Annual General Meeting on 12 March 2021 to conditionally increase the share capital of the Company by up to EUR 16,039,752.00 for the purpose of servicing bonds with warrants or convertible bonds (Conditional Capital 2021/I). The Conditional Capital 2021/I amounts to EUR 16,039,752.00 as of 30 September 2021.

2.11.2. Capital reserve

The Capital reserve remains unchanged at TEUR 229,993.6 (previous year: TEUR 229,993.6) at the end of the financial year.

2.11.3. Other reserves

The revenue reserves of TEUR 50.0 have not changed. The other reserves thus amount to TEUR 50.0 as of 30 September 2021 (previous year: TEUR 50.0).

2.11.4. Retained profit

The development of this item is shown in the statement of changes in equity.

A dividend of TEUR 7,699.1 was paid for the financial year 2019/2020, which corresponds to a dividend of EUR 0.24 per share.

2.12. Liabilities to Banks

• **Liabilities to Banks are as follows:**

TEUR	30/09/2021	30/09/2020
Non-current	207,057.1	134,664.2
Current	11,612.4	7,820.7
Sum	**218,669.5**	**142,484.9**
Of which secured	188,878.0	132,484.9

Liabilities to Banks increased significantly due to the taking out of new secured bank loans, which are used to build up the property portfolio. This was offset by ongoing repayments.

The repayment rates are generally between 3.99% and 9.40% p.a. Liabilities to Banks are fully collateralised with the exception of the promissory note loans. Collateral was nearly exclusively provided in the form of mortgages on real property in connection with the assignment of rent and leasehold interest receivables and, in two cases, guarantees from related parties. This collateral can only be realised by the credit institutions after a material breach of the financing agreement (for example, in the event of a breach of financial covenants).

2.13. Liabilities from corporate bonds

• **The liabilities from bonds incl. accrued interest are composed as follows, taking into account the issuing costs:**

Liabilities from corporate bonds in TEUR	Maturity	30/09/2021		30/09/2020	
		long term	short term	long term	short term
Bond TEUR 118,000.0 (secured), 4.0% Coupon p.a.	30 August 2022	0.0	118,065.2	118,065.2	0.0
Bond TEUR 20,000.00 (unsecured), 3.3% coupon p.a.	9 June 2031	19,876.6	0.0	0.0	0.0
Total		19,876.6	118,233.1	118,065.2	0.0

In August 2017, the company issued a secured bond with a volume of EUR 60,000,000.00, divided into 600 bearer bonds with equal rights, each with a nominal value of EUR 100,000.00. In the financial year 2017/2018, the bond was increased by a total of TEUR 29,900. The nominal amount on 30 September 2018 was TEUR 89,900. On 22 February 2019, the bond was further increased by TEUR 28,100, so that it now has a nominal amount of TEUR 118,000, divided into 1,180 partial bonds. The bond bears interest at 4.0% p.a. and matures on 30 August 2022. Interest is paid annually on 30 August.

In June 2021, Deutsche Industrie also issued an unsecured bond with an issue volume of EUR 20,000,000.00. The bond is divided into 200 bearer bonds with equal rights and a nominal value of EUR 100,000.00 each. The corporate bond matures on 9 June 2031 and bears interest at 3.3% p.a. The interest rate will be paid annually.

2.14. Liabilities from convertible bonds

Liabilities from convertible bonds incl. accrued interest are composed as follows, taking into account the issuing costs, and are classified as non-current:

Liabilities from convertible bonds in TEUR	Maturity	30/09/2021		30/09/2020	
		long term	short term	long term	short term
Convertible bond TEUR 41,600.0 (nominal), 2.0% Coupon p.a.	11 June 2023	49,088.0	0.0	49,088.0	0.0
Total		49,088.0	0.0	49,088.0	0.0

On 11 June 2019, Deutsche Industrie issued a convertible bond with 416 bonds with a nominal amount of EUR 100,000.00 each. The nominal amount of the bearer bonds is TEUR 41,600.0. The convertible bonds bear interest at 2.0% p.a. and mature on 11 June 2026. There is a put option which provides for maturity on 11 June 2023. The bond debtor must redeem a bond after the creditor has exercised the corresponding option on 11 June 2023 (the “put redemption date”) at 105% of the nominal amount plus any interest accrued (exclusively) up to the put redemption date. As the contractual term until 11 June 2026 is only an extension option from an economic point of view, 11 June 2023 was used as the maturity date. The initial conversion price for no-par value bearer shares of the Company was EUR 18.50 per share. The conversion price has been adjusted due to the dividend of EUR 0.24 per dividend-bearing share paid on 12 March 2021 and is now EUR 18.09. After the adjustment of the conversion price, the convertible bonds are convertible into 2,299,409 new or existing no-par value Deutsche Industrie bearer shares or can be redeemed in cash.

The long-term financial liability resulting from the issuance of the convertible bond is shown in the Balance Sheet under convertible bonds. In the event of the takeover by CTP, as explained in Chapter 6.7, the convertible bond would be redeemed in the short term.

Change of control clauses contained in the convertible bonds could not be exercised in the reporting year.

The effects of changes in the default risk of the liability from convertible bonds are as follows:

TEUR	2020/2021	2019/2020
Book value at 30/09	49,088.0	49,088.0
Therefore change in fair value due to default risk, recognised directly in equity	0.0	0.0
Cumulative change in fair value due to default risk	0.0	0.0
Amount contractually payable by DIR to convertible bond holders at maturity	43,680.0	43,680.0
Difference between carrying amount and amount payable at maturity	–5,408.0	–5,408.0

There was no Valuation Result in the reporting year (previous year: Valuation Loss of TEUR 7,904.0), which was recognised in profit or loss in the Valuation Result of financial liabilities.

2.15. Other non-current provisions

• **Other non-current provisions are made up as follows:**

Other provisions in TEUR	As of 01/10/2020	Consumption	Release	Addition	As of 30/09/2021
Archiving	3.0	0.0	0.0	0.0	3.0
Legal, consultancy and auditing costs	165.0	165.0	0.0	226.5	226.5
Outstanding invoices	810.9	720.9	90.0	680.0	680.0
Other provisions	566.9	361.5	0.0	294.0	499.4
Total	**1,545.8**	**1,247.4**	**90.0**	**1,200.6**	**1,409.0**

As the main provisions are used in the short term, they are not discounted for reasons of materiality. Furthermore, there are no material uncertainties regarding the timing or amount of the utilisation.

2.16. Other non-current and current liabilities

Other non-current liabilities include leasehold liabilities for which DIR 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	30/09/2021	30/09/2020
Long-term lease liabilities	25,581.3	21,060.0
Other non-current liabilities	266.4	52.4
Total other non-current liabilities	**25,847.7**	**21,112.4**
Rental deposits	2,489.8	1,425.5
Liabilities to tenants	753.6	1,845.4
Trust accounts	175.5	212.5
Deferred charges from acquired loans	126.3	0.0
Payments already received (relating to other periods)	108.1	95.8
Short-term leasing liabilities	100.0	47.6
Advance payments received from acquired loans	0.0	632.8
Other	14.7	49.2
Total current other liabilities	**3,768.0**	**4,308.8**
Total	**29,615.7**	**25,421.2**

2.17. Trade payables

Trade payables amount to TEUR 1,409.0 (previous year: TEUR 2,043.6) as of the balance sheet date and mainly include TEUR 919.8 (previous year: TEUR 529.4) in land transfer tax liabilities for property additions.

2.18. Leases

The Company acts as a lessee of leasehold contracts, which were reported under investment properties and other current and non-current liabilities. The Company also leases two motor vehicles and office space, the rights-of-use of which are recognised in Property, plant and equipment.

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

TEUR	30/09/2021	30/09/2020
Land and land rights with commercial buildings	122.2	0.0
Plant, operating and office equipment	27.1	9.9
Investment properties	24,834.9	20,832.7
Total rights of use	**24,984.2**	**20,842.6**

The leasing liabilities break down were as follows as of the reporting date:

TEUR	30/09/2021	30/09/2020
Non-current lease liabilities	25,581.3	21,060.0
Current lease liabilities	100.0	47.6
Total leasing liabilities	**25,681.3**	**21,107.6**

Depreciation on rights of use amounted to TEUR 44.6 (previous year: TEUR 3.0). Interest expenses from the compounding of leasing liabilities amount to TEUR 1.4 (previous year: TEUR 0.2).

3. Notes to the Income statement

3.1. Net rental income

• The net rental income is derived from the rental income and the income from operating and ancillary costs, less management expenses, and is as follows:

TEUR	2020/2021	2019/2020
Gross rental income	50,965.4	40,781.3
Revenues from operating and ancillary costs	11,730.9	7,174.2
Rental revenues	**62,696.3**	**47,955.5**
Maintenance	5,495.2	2,803.8
Recoverable operating and ancillary costs	11,158.9	9,211.5
Non-recoverable operating costs	6,031.9	4,654.5
• Thereof advertising costs	1,223.7	3,106.0
• Thereof administrative costs	4,346.0	1,180.9
• Thereof legal and consulting fees	71.8	52.5
• Thereof vacancy costs	29.5	23.7
• Thereof other costs	360.9	291.4
Total operating expenses	**22,686.0**	**16,669.8**
Net rental income	**40,010.4**	**31,285.7**

The sales revenues are almost exclusively commercial rents from properties in Germany. Income from operating and ancillary costs does not include any of the company's own services. Maintenance expenses relate to repairs and maintenance work. In 2020/2021, value-enhancing maintenance measures amounting to TEUR 5,401.1 (previous year: TEUR 4,943.6) were carried out.

The operating and ancillary costs include revenues in accordance with IFRS 15 in the amount of TEUR 7,283.7 (previous year: TEUR 4,392.0).

3.2. Income from the sale of investment properties

In the 2020/2021 financial year, several partial sales (undeveloped land) took place. The sales resulted in total sales proceeds of TEUR 1,884.4.

3.3. Other income

Other current income amounted to TEUR 185.3 in the financial year (previous year: TEUR 175.6) and mainly included income from the reversal of provisions in the amount of TEUR 90.0 (previous year: TEUR 7.8) and income unrelated to the accounting period in the amount of TEUR 86.5 (previous year: TEUR 0.0).

3.4. Valuation result from the revaluation of investment property

The Valuation Result includes the netted valuation gains and losses from the fair value measurement of the investment properties as at the balance sheet date by an external and independent appraiser. In the event that sales contracts exist, the sales price agreed therein was used as the fair value on level 1 of the valuation hierarchy, as this represents a better approximation of the market value.

3.5. Personnel expenses

Personnel expenses of the company amounted to TEUR 1,055.7 in the financial year 2020/2021 (previous year: TEUR 854.2). Further services for the company are provided by employees of Obotritia KGaA. A cost allocation is charged for this, which is recognised in other operating expenses.

The increase in Personnel expenses results from the hiring of new employees to accommodate the growth of the Company. Of the Personnel expenses, TEUR 138.0 (previous year: TEUR 56.0) are accounted for by social security contributions and pension expenses.

Ten people (previous year: nine) were directly employed by the company as of the balance sheet date. This included two members of the Management Board, seven employees and one trainee.

3.6. Impairment loss of inventories and receivables

- **The impairments are composed as follows:**

Impairment loss in TEUR	2020/2021	2019/2020
Impairments on rent receivables	652.3	671.4
Depreciation	350.1	158.9
Impairment of acquired loans	4,657.2	1,733.8
Impairment of acquired loans receivable	362.2	0.0
Total	**6,021.8**	**2,564.1**

In the reporting period, impairments on creditshelf loans of TEUR 4,657.2 (previous year: TEUR 1,733.8) were recognised in profit or loss, which consisted of newly recognised impairments of TEUR 5,697.5 (previous year: TEUR 1,733.8). TEUR 5,697.5 (previous year: TEUR 1,733.8), including individual value adjustments on defaulted loans in the amount of TEUR 4,233.8 (previous year: TEUR 0.0) and reversal of value adjustments in the amount of TEUR 1,040.3 (previous year: TEUR 0.0). In addition, interest receivables on loans for which specific valuation allowances were recognised in the amount of TEUR 362.2 (previous year: TEUR 0.0) were also subject to specific valuation allowances.

For further information, see also Chapter 2.4 Trade receivables, Chapter 2.5 Other non-current financial assets, and Chapter 2.7 Other non-current and current assets.

3.7. Other administrative expenses

• **Other administrative expenses are as follows:**

TEUR	2020/2021	2019/2020
Fees	693.7	769.9
Legal, consultancy and auditing costs	466.3	678.4
Charges	435.7	166.4
Agency fees	415.9	507.4
Appointment of mortgages	191.5	140.3
Remuneration of the Supervisory Board	35.0	27.5
Others	553.6	288.4
Total	**2,791.7**	**2,578.2**
thereof one-off expenses	754.1	619.9
Adjusted	**2,037.6**	**1,958.3**

Legal and consulting expenses mainly include the ongoing costs for external accounting and auditing costs as well as legal advice. The remaining other operating expenses mainly include costs from the preparation of expert opinions and expenses unrelated to the accounting period. The non-recurring expenses in the reporting period mainly include expenses for damages from purchase agreements. Adjusted for special effects and one-off expenses, other administrative expenses increased by TEUR 79.3 (previous year: TEUR 796.6).

PICTURE:
Wildau, Chausseestraße

3.8. Finance Result

• **The Finance Result has the following structure:**

TEUR	2020/2021	2019/2020
Valuation result of financial liabilities	0.0	–7,904.0
Total valuation result	0.0	–7,904.0
Interest income from shareholder loans	5,556.5	3,020.0
Interest income from Creditshelf loans	2,211.8	2,453.2
Other interest income	0.0	0.0
Total interest income	**7,768.3**	**5,473.2**
Interest on corporate bonds	–5,099.5	–4,881.2
Other interest expenses for loans to credit institutions	–3,396.0	–2,235.7
Interest on convertible bonds	–832.0	–832.0
Interest expense on shareholder loans	0.0	–198.3
Total interest expenses	**–9,327.5**	**–8,147.2**
Interest expense Leasing (ground rents)	–1,710.9	–890.0
Financial results	**–3,270.1**	**–11,468.0**
thereof non-cash	5,518.1	–3,718.3

Interest income of TEUR 7,768.3 (previous year: TEUR 5,473.2) is attributable to financial instruments that are balanced according to the effective interest method.

The increased Interest result in the reporting period is due to loans issued to Obotritia Capital. For further information, please refer to Chapter 6.3.

3.9. Other taxes

Other taxes amounted to TEUR 0.4 in the reporting period (previous year: TEUR 0.2) and are exclusively motor vehicle taxes. The property tax attributable to the investment properties is reported under rental expenses.

3.10. Earnings per share

- **Earnings per share are as follows:**

TEUR	2020/2021	2019/2020
Net income for the period (undiluted)	**119,816.5**	**50,820.5**
Interest expense on convertible bonds	832.0	832.0
Valuation result financial liabilities	0.0	7,904.0
Net income for the period (diluted)	**120,648.5**	**59,556.5**
Average number of shares issued in the reporting period (undiluted)	32,079,505	29,297,634
Potential weighted conversion shares	2,299,409	2,258,412
Average number of shares issued in the reporting period (diluted)	34,378,914	31,556,046
Earnings per share (EUR)		
Undiluted	3.73	1.73
Diluted	3.51	1.73

PICTURE:
Treuenbrietzen, Leipziger Straße

4. Notes to the cash flow statement

The cash flow statement was prepared using the indirect method with regard to the operating part. A distinction was made between current operating, investing, and financing activities. Cash and cash equivalents reported as at 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 have changed as a result of cash inflows and outflows during the financial year. In accordance with DRS 21/ IAS 7 ("Statements of Cash Flows"), a distinction is made between cash flows from operating activities and from investing and financing activities.

Cash flow from operating activities amounted to TEUR 32,927.9 in the financial year (previous year: TEUR 17,661.9). The positive cash flow from operating activities is directly related to the increase in the portfolio of rental properties, which will continue to improve in the coming years.

Cash flow from investing activities in the reporting year was TEUR -110,299.6 (previous year: TEUR –225,398.3). The main investing activities of the company in the reporting year include payments for the various property acquisitions amounting to TEUR –132,972.6 (previous year: TEUR –104,973.7) as well as payments within the framework of short-term financial disposition amounting to TEUR –19,095.0 (previous year: TEUR –140,306.4).

Cash flow from financing activities amounted to TEUR 77,733.6 in the reporting year (previous year: TEUR 205,705.9). Cash inflow from issuing corporate bonds of TEUR 20,000.0 (previous year: TEUR 0.0) and cash inflow from taking out loans from various banks totalling TEUR 86,046.0 (previous year: TEUR 77,620.0) were significant in the reporting year. These receipts were mainly offset by payments for the Amortisation of loans including interest payments totalling TEUR -18,428.5 (previous year: TEUR –15,211.1) and dividends paid to shareholders totalling TEUR –7,699.1 (previous year: TEUR –4,666.1).

• **The opening balance of net financial liabilities as on 1 October 2020 can be reconciled to the closing balance as of 30 September 2021 as follows:**

TEUR	Liabilities to banks	Liabilities from convertible bonds	Liabilities from corporate bonds	Total
As of 01/10/2019	**71,483.4**	**41,184.0**	**117,904.0**	**230,571.4**
Inflows from the issue of corporate bonds	0.0	0.0	0.0	0.0
Costs from the issue of corporate bonds	0.0	0.0	0.0	0.0
Cash inflow from issuing corporate bonds	0.0	0.0	0.0	0.0
Costs related to issuing corporate bonds	0.0	0.0	0.0	0.0
Cash inflow from loans	77,620.0	0.0	0.0	77,620.0
Costs related to the issuance of loans	-214.4	0.0	0.0	–214.4
Payments for the redemption of Total debt	–6,448.3	0.0	0.0	–6,448.3
Valuation result of financial liabilities	0.0	7,904.0	0.0	7,904.0
Interest expenses	2,235.7	832.0	4,881.2	7,948.9
Interest paid	–2,191.5	–832.0	–4,720.0	–7,743.5
As of 30/09/2020	**142,484.9**	**49,088.0**	**118,065.2**	**309,638.1**
As of 01/10/2020	**142,484.9**	**49,088.0**	**118,065.2**	**309,638.1**
Inflows from the issue of corporate bonds	0.0	0.0	20,000.0	20,000.0
Expenses from the issue of corporate bonds	0.0	0.0	–35.0	–35.0
Expenses from the issue of corporate bonds	0.0	0.0	–300.0	–300.0
Cash inflow from issuing convertible bonds	0.0	0.0	0.0	0.0
Expenses from the issue of convertible bonds	0.0	0.0	0.0	0.0
Cash inflow from loans	86,046.0	0.0	0.0	86,046.0
Costs from the issue of loans	–380.9	0.0	0.0	–380.9
Outflow for the amortisation of financial liabilities	–9,647.6	0.0	0.0	–9,647.6
Valuation result of financial liabilities	0.0	0.0	0.0	0.0
Interest expenses	3,396.0	832.0	5,099.5	9,327.5
Interests paid	–3,228.9	–832.0	–4,720.0	–8,780.9
As of 30/09/2021	**218,669.5**	**49,088.0**	**138,109.7**	**405,867.2**

5. Disclosures on financial instruments and fair value

5.1. Financial Risk Management

DIR is exposed to various financial risks through its business activities. These risks essentially include default risk, liquidity risk and market risk (interest rate risk). Accordingly, a policy-based risk management system is in place, which is managed by the Corporate Finance department. The framework 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 business partner fails to meet its contractual payment obligations. This can essentially be tenants, borrowers as well as Banks. To address this risk, DIR only enters business relationships with creditworthy contracting partners as a matter of principle. To do this, DIR uses available financial information to assess the creditworthiness of its business partners. The Company's risk exposure is monitored on an ongoing basis.

The Company generally recognises impairments for expected defaults for:

- Financial assets measured at amortised cost.
- debt instruments that are measured at fair value through other comprehensive income
- and contract assets and lease receivables.

The Company measures the impairment at the amount of the expected loss over the life of the asset, 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 risk of default has not increased significantly since initial recognition.

Impairments on trade and other receivables and contract assets and lease receivables are generally considered based on expected credit losses over the term.

Appropriate and robust information that is available without unreasonable time and cost is used to determine whether there has been a significant increase in the risk of default since initial recognition and to estimate the expected default. This includes both quantitative and qualitative information and analyses based on experience and forward-looking information. The transfer from Level 1 of the impairment model according to IFRS 9 takes place if the credit default risk has increased significantly since initial recognition. The indicator for this is primarily that the contractual payments are more than 30 days overdue or the rating has deteriorated. A retransfer takes place if the credit default risk on the reporting 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 the credit default risk in relation to the previous reporting date.

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.

On each reporting date, financial assets that are balanced at amortised cost and debt instruments that are balanced at fair value through other comprehensive income are reviewed to determine whether they have an impaired credit rating and may need to be written down. The credit quality of a financial asset is impaired if one or more events with an adverse effect on the expected future cash flows have occurred. Indicators include:

- Significant financial difficulty of the borrower
- A breach of contract such as default or delinquency
- It becomes likely that the borrower will enter insolvency or reorganisation proceedings
- Concessions made to the borrower for economic or legal reasons related to the borrower's financial difficulties that would not otherwise be considered.

Existing rent receivables are reported under Trade and other receivables and are regularly reviewed for impairment. For the purpose of measuring expected credit losses, rent receivables have been aggregated in Trade and other receivables on the basis of common credit risk characteristics and days past due. Impairments are generally carried out on the basis of the age structure of the rent receivables, except therefore for the highest rent receivables, which are considered individually and impaired if necessary. The expected loss rates are based on payment profiles of past sales and correspond to the historical defaults. An adjustment to these historical loss rates is made using current and forward-looking information on macroeconomic factors, taking into account the customers' ability to settle the receivables. Impairment losses on trade receivables are included in Impairment losses on inventories and receivables. The impairments are deducted from the financial asset.

Existing loan receivables are tested for impairment based on their expected probability of default and any significant increase in value. A significant increase is assumed if the rating deteriorates by at least one notch, insofar as the probability of default assigned to the current rating after deterioration is 1% or more. The underlying probability of default of the acquired loans is based on regular credit analyses of the service provider creditshelf including the rating carried out there. Impairment losses on financial assets measured at fair value through other comprehensive income do not reduce the carrying amount of the asset but are recognised in other comprehensive income in the same way as changes in fair value.

Financial assets are derecognised after an appropriate assessment if they are no longer expected to be realisable. For individual assets, the impairment requirement provides for derecognition if they are more than 360 days past due.

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. Apart from the receivables that are up to 30 days overdue, there are no other receivables that have not been impaired. See also chapter 2.4 Trade and other receivables.

5.1.2. Liquidity and Financing Risk

Liquidity risk is the risk that DIR will not be able to meet its payment obligations at a contractually agreed time.

To ensure liquidity, liquidity planning is carried out, which continuously compares the expected liquidity needs with the expected liquidity inflows. In doing so, DIR manages liquidity risks by maintaining adequate reserves and credit lines as well as through ongoing target/actual comparisons of projected and actual cash flows, taking into account the maturity profiles of receivables and liabilities.

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

Remaining maturities as at 30/09/2020 in TEUR	Total	up to 1 year	1 to 5 years	over 5 years
Liabilities to banks	219,108.4	11,627.5	121,342.7	86,138.2
	(142,710.0)	(7,831.8)	(52,166.8)	(82,711.4)
Liabilities to other creditors[1]	0.0	0.0	0.0	0.0
	(0.0)	(0.0)	(0.0)	(0.0)
Liabilities from convertible bonds	43,727.9	47.9	43,680.0	0.0
	(43,727.9)	(0.0)	(43,727.9)	(0.0)
Liabilities from corporate bonds	138,601.5	118,601.5	0.0	20,000.0
	(118,397.2)	(0.0)	(118,397.2)	(0.0)
Liabilities from leasing	25,700.9	100.0	644.2	24,956.7
	(21,097.8)	(47.7)	(233.5)	(20,816.6)
Liabilities from trade payables	1,409.1	1,409.1	0.0	0.0
	(2,043.7)	(2,043.7)	(0.0)	(0.0)
Other non-current liabilities	266.4	0.0	266.4	0.0
	(52.4)	(0.0)	(52.4)	(0.0)
Other current liabilities	3,668.0	3,668.0	0.0	0.0
	(4,261.2)	(4,261.2)	(0.0)	(0.0)

1 Drawn credit line repayable at any time

The company can draw on credit lines. The total amount not yet utilised as of the balance sheet date is approximately TEUR 0.0 (previous year: TEUR 0.0). The company expects to be able to meet its liabilities at any time from operating cash flows, from the inflow of maturing financial assets and capital measures, and from the existing credit lines. In addition, there are estimated future cash outflows from interest on financial liabilities within one year of TEUR 9,592.1 (previous year: TEUR 7,886.3), of more than one but less than five years of TEUR 14,138.3 (previous year: TEUR 14,060.9) and after more than five years of TEUR 9,055.6 (previous year: TEUR 4,685.7). The future interest payments for leases are shown in chapter 6.2.

Majority of the loan agreements include obligations to comply with certain financial covenants. These usually include standard ratios such as the debt service coverage ratio (DSCR) or loan-to-value (LTV).

A breach of the agreed credit covenants could result in an early repayment obligation, which could affect liquidity in individual cases. As of the reporting date 30 September 2021, all covenants from loan and bond agreements were complied with.

As a result of the takeover bid by CTP explained in Chapter 6.7, termination rights are triggered due to change of control clauses. However, based on the feedback and knowledge to date, it is not assumed that this option will be exercised. The amount that could be terminated in the short term as a result amounts to TEUR 223,302.3. In addition, the convertible bond would be redeemed in the short term upon completion of the transaction. In the breakdown of remaining terms, this is currently still shown in the non-current portion at TEUR 43,680.0.

The financial assets balanced are classified as either current or non-current according to their maturity.

Furthermore, DIR is fundamentally dependent on being able to obtain borrowed capital at appropriate conditions to refinance its current business activities or for acquisitions. For example, crisis in 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 covered, lenders could initiate forced realisations of real estate collateral, whereby distress sales could lead to significant financial disadvantages. In this respect, DIR continuously takes advantage of favourable market conditions to align its financing in a favourable and sustainable manner. This also applies to the (convertible) bonds issued.

5.1.3. Interest rate risk

Due to its business activities, DIR is exposed to interest rate risk. This exists in particular for variable-rate loans and for the redefinition of conditions of fixed-rate loans after expiry of the fixed-rate period if higher interest payments result from interest rate increases by the ECB.

As of 30 September 2021, there are both fixed rate loans and floating rate loans.

For hedging purposes, DIR uses derivative financial instruments such as interest rate swaps or caps, if necessary, to minimise the interest rate risk or interest rate sensitivity in the event of rising interest rates. During the year under review, the Company used interest rate swaps to hedge risks arising from variable interest rates. For this purpose, DIR enters into long-term borrowings at floating interest rates and swaps them into fixed interest rates via the interest rate swaps entered into in parallel as part of micro-hedge accounting, which results in the recognition of interest expense at a fixed rate for the hedged floating rate borrowings. The interest payments to be made on the loans during the hedging period represent the hedged items and are recognised in profit or loss. Cash flow changes in the hedged items due to changes in the reference interest rate are offset by cash flow changes in the hedging instruments (interest rate swaps). The cash flows from the underlying transactions hedged in cash flow hedge accounting will occur until 2030. The fixed interest rates of the swaps range from 0.04 % to 0.21 % p.a., while the floating interest rates of the loans correspond to the 3-month EURIBOR. The contractual premiums of the underlying transactions are between 0.82 % and 1.55 %. Payments from the interest rate swap transactions are made on the quarterly reporting date, so that the settlement dates coincide with the dates on which the interest on the underlying transactions is due. No derivatives are used for speculative purposes. The effectiveness of these hedging relationships is ensured through a critical term match.

• **As of 30 September 2021, derivative financial instruments are reported in the following balance sheet items depending on their present value:**

TEUR	30/09/2021	30/09/2020
Non-current derivative financial instruments		
Carrying amount Interest rate swaps – held for hedging cash flow changes	326.5	491.4
Total derivative financial instruments – assets	**326.5**	**491.4**
Carrying amount of interest rate swaps – held for hedging changes in cash flows	143.6	0.0
Total derivative financial instruments – liabilities	**143.6**	**0.0**

• **The Company's hedging reserves relate to the following hedging instruments:**

TEUR	Interest rate swaps	Total hedging reserves
As of 01/10/2020	**491.4** **(0.0)**	**491.1** **(0.0)**
Change in fair value of hedging instruments recognised in other comprehensive income	–308.6 (491.4)	–308.6 (491.4)
Hedging costs deferred and recognised in other comprehensive income	0.0 (0.0)	0.0 (0.0)
Reclassified from other comprehensive income to profit and loss	0.0 (0.0)	0.0 (0.0)
Deferred taxes	0.0 (0.0)	0.0 (0.0)
Closing balance as at 30/09/2021	**182.8** **(491.4)**	**182.8** **(491.4)**

PICTURE:
Mönchweiler, Am Fohrenwald

- **The effects of interest rate swaps on the net assets, financial position, and results of operations of the company are as follows:**

TEUR	2020/2021	2019/2020
Book value (current and non-current assets)	182.8	491.4
Nominal amount	37,330.0	16,625.0
Due date	2025, 2028, 2030	2025 or 2028
Hedging rate	100 %	100 %
Change in fair value of outstanding hedging instruments in the reporting period	–308.6	491.4
Change in value of the hedged item used to determine hedge effectiveness	308.6	–491.4
Weighted average hedge rate in the financial year	0.12 %	0.12 %

- **The fair and nominal values of the total interest rate hedging contracts are as follows by residual maturity:**

TEUR	< 1 year	1–5 years	> 5 years	Total
Fair values	0.0	105.7	77.2	182.8
	(0.0)	(191.7)	(299.7)	(491.4)
Nominal values	2,007.7	13,880.6	21,441.7	37,330.0
	(875.0)	(9,800.0)	(5,950.0)	(16,625.0)

In addition, the company is continuously in talks with its banking partners in order to extend expiring fixed-interest periods in good time or to redeem loans early or, if necessary, to reschedule them. In principle, forward loans can also be considered.

If interest rates had been 1 % higher (lower) in the reporting period, the Period result would have been TEUR 3,736.5 lower (previous year: TEUR 3,060.7) or TEUR 3,685.3 higher (previous year: TEUR 3,026.5). The other result would have been TEUR 334.6 higher (previous year: TEUR 866.8 lower) or TEUR 402.3 lower (previous year: TEUR 814.8 higher) with a 1 % higher (lower) interest rate.

5.2. Net results from financial instruments

• **The net gains and losses from financial instruments are distributed among the respective IFRS 9 measurement categories as follows:**

Information as at 30/09/2020 in TEUR	Interest income	Interest expenses	Impairment (in other expenses)	Other	Valuation result
Financial instruments valued at FVtOCI	2,453.3	0.0	1,733.8	–281.1	1,733.8
	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
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	3,020.0	0.0	830.3	0.0	0.0
	(0.0)	(0.0)	(208.1)	(0.0)	(0.0)
Derivatives financial assets in hedging relationships (cash flow hedge)	0.0	79.9	0.0	0.0	491.4
	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Net result from financial assets	**5,473.3**	**79.9**	**2,564.1**	**–281.1**	**–1,242.4**
	(0.0)	**(0.0)**	**(208.1)**	**(0.0)**	**(0.0)**
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	832.0	0.0	0.0	–7,904.0
	(0.0)	(208.0)	(0.0)	(0.0)	(–832.0)
Financial liabilities valued at AC	0.0	7,315.2	0.0	0.0	0.0
	(98.6)	(6,341.4)	(0.0)	(0.0)	(0.0)
Net result from financial liabilities	**(0.0)**	**8,147.2**	**0.0**	**0.0**	**–7,904.0**
	(98.6)	**(6,549.4)**	**(0.0)**	**(0.0)**	**(–832.0)**

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

5.3. Offsetting financial assets and liabilities

Financial assets and liabilities are offset on the basis of global netting agreements only 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 right to offset is not enforceable in the ordinary course of business, the global netting agreement creates only a contingent right to offset. In this case, the financial assets and liabilities are shown in the Balance Sheet at their gross amounts on the balance sheet date.

In the balance sheet as of 30 September 2021, receivables from unbilled operating costs of TEUR 8,602.6 (previous year: TEUR 5,973.4) were offset against advance payments received from operating cost prepayments of TEUR 7,450.9 (previous year: TEUR 5,903.0), as is customary in the industry.

5.4. Capital management

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

• **The equity ratio at the end of the financial year was as follows:**

in TEUR	30/09/2021	30/09/2020
Equity	489,008.8	377,200.0
Total assets	927,453.3	715,848.7
Equity ratio in %	**52.7**	**52.7**

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

in TEUR	30/09/2021	30/09/2020
Equity	489,008.8	489,008.8
Investment property/immovable property	821,397.0	585,819.7
Equity ratio in %	**59.5**	**64.4**

Another control parameter is the loan-to-value, which represents the ratio of net financial liabilities to the value of the balanced property assets. DIR is aiming for a maximum LTV of 50% to 55 % in the medium term. This is currently not being achieved, which offers scope for further borrowing:

in TEUR	30/09/2021	30/09/2020
Total debt	431,714.8	330,750.4
less other non-current financial assets	–11,548.6	–22,949.2
less cash and cash equivalents and current loans	–397.0	–35.1
less Trust accounts	175.5	212.5
less current receivables from acquired loans	–10,893.7	–15,934.4
less current loans receivable from Obotritia Capital	–63,844.7	–71,994.1
Net financial liabilities	**345,206.3**	**220,050.1**
Investment properties	814,097.0	585,819.7
Prepayments on acquired investment properties	462.5	7,474.1
Properties held for sale	7,300.0	0.0
Total investment properties	**821,859.5**	**593,293.8**
Loan-to-value (LTV) in %	**42.0 %**	**37.1 %**

5.5. Valuation categories of financial instruments in accordance with IFRS 9

- **An overview of the measurement categories of financial assets and liabilities according to IFRS 9 can be found in the following table:**

Figures in TEUR	Category according to IFRS 9	Book value as at 30/09/2020	AC	FVtPL	FVtOCI	IFRS 16	Fair value as at 30/09/2021	Valu-ation hierarchy
Financial assets								
Other non-current financial assets	FVtOCI	3,194.6 (14,595.2)	0.0 (0.0)	0.0 (0.0)	3,194.6 (14,595.2)	0.0 (0.0)	3,194.6 (14,595.2)	Level 3
Other non-current financial assets	AC	8,354.0 (8,354.0)	8,354.0 (8,354.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	8,354.0 (8,354.0)	Level 2
Non-current derivative financial instruments	–	326.5 (491.4)	0.0 (0.0)	0.0 (0.0)	326.5 (491.4)	0.0 (0.0)	326.5 (491.4)	Level 2
Assets held for sale	FVtOCI	2,863.3 (0.0)	0.0 (0.0)	0.0 (0.0)	2,863.3 (0.0)	0.0 (0.0)	2,863.3 (0.0)	Level 1
Trade and other receivables	AC	1,547.1 (3,420.1)	1,547.1 (3,420.1)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	1,547.1 (3,420.1)	Level 2
Cash and cash equivalents	AC	397.0 (35.1)	397.0 (35.1)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	397.0 (35.1)	Level 2
Other current assets	AC	75,051.0 (76,372.5)	75,051.0 (76,372.5)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	75,051.0 (76,372.5)	Level 2
Other current assets	FVtOCI	8,030.4 (15,934.4)	0.0 (0.0)	0.0 (0.0)	8,030.4 (15,934.4)	0.0 (0.0)	8,030.4 (15,934.4)	Level 3
Total financial assets		**99,763.9** **(119,202.7)**	**85,349.1** **(88,181.7)**	**0.0** **(0.0)**	**14,414.8** **(31,021.0)**	**0.0** **(0.0)**	**99,763.9** **(119,202.7)**	

PISTURE:
Euskirchen, Adolf-Halstrick-Straße

Financial liabilities								
Liabilities to banks	AC	218,669.5 (142,484.9)	218,669.5 (142,484.9)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	220,067.7 (143,600.8)	Level 2
Liabilities to other creditors	AC	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	Level 2
Liabilities from convertible bonds	FVtPL	49,088.0 (49,088.0)	49,088.0 (49,088.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	49,088.0 (49,088.0)	Level 1
Liabilities from corporate bonds	AC	138,109.7 (118,065.2)	138,109.7 (118,065.2)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	142,720.0 (122,720.0)	Level 1
Non-current derivative financial instruments	–	143.6 (0.0)	0.0 (0.0)	0.0 (0.0)	143.6 (0.0)	0.0 (0.0)	143.6 (0.0)	Level 2
Liabilities from leases	–	25,681.3 (21,107.6)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	25,681.3 (21,107.6)	25,681.3 (21,107.6)	Level 2
Trade payables	AC	1,409.1 (2,043.7)	1,409.1 (2,043.7)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	1,409.1 (2,043.7)	Level 2
Other non-current liabilities	AC	266.4 (52.4)	266.4 (52.4)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	266.4 (52.4)	Level 2
Other current liabilities	AC	2,665.3 (1,667.2)	2,665.3 (1,667.2)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	2,665.3 (1,667.2)	Level 2
Total financial liabilities		**436,032.9** **(334,509.0)**	**410,208.0** **(313,401.4)**	**0.0** **(0.0)**	**143.6** **(0.0)**	**25,681.3** **(21,107.6)**	**442,041.4** **(340,279.6)**	

5.6. Fair value of assets and liabilities

The IFRS determine the recognition of a fair value for various assets and liabilities.

The fair value is defined in IFRS 13 and is to be determined using valuation methods and input parameters that are as close to the market as possible. A valuation hierarchy divides the input data into three levels according to their quality:

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

Level 2 Inputs other than quoted prices included within Level 1 that 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

Where input factors of different levels are used, the fair value is assigned to the lower level of the hierarchy. The Company generally recognises reclassifications between levels at the end of the reporting period in which the change occurs. In the financial year, loans with a carrying amount of TEUR 2,863.3, which were previously reported under other current and non-current assets, were reclassified to assets held for sale and recognised there at a fair value of TEUR 2,863.3.

The assets and liabilities recognised at fair value in the Balance Sheet are as follows:

in TEUR	Valuation hierarchy	30/09/2021	30/09/2020
Investment properties	Level 3	814,097.0	585,819.7
Acquired loans	Level 3	11,225.0	30,529.7
Derivative financial instruments	Level 2	326.5	491.4
Acquired loans held for sale	Level 1	2,863.3	0.0
Properties held for sale	Level 1	7,300.0	0.0
Total assets		**835,811.8**	**616,840.7**
Convertible bond	Level 1	49,088.0	49,088.0
Derivative financial instruments	Level 2	143.6	0.0
Total liabilities and equity		**49,231.6**	**49,088.0**

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. Trade and other receivables and cash equivalents therefore approximate their fair values.

The fair value of the acquired loans corresponds to the acquisition costs adjusted for repayments made, taking into account valuation adjustments based on credit-specific default probabilities, which are updated regularly. As the sales price for the acquired loans represents a fair value on level 1 of the fair value hierarchy, this was used and a transfer from level 3 to level 1 was made.

6. Other information

6.1. Other information

- **The Company has the following financial obligations from long-term contracts:**

TEUR	30/09/2021	30/09/2020
Asset and property management contracts	9,633.0	8,483.0
Management fee contracts	476.9	507.3
Leasing of office space	125.5	0.0
Vehicle leasing	27.9	10.4
Total	**10,263.3**	**9,000.7**
thereof up to 1 year	4,228.6	3,055.9
thereof over one year to five years (undiscounted)	6,034.7	5,944.8
thereof over five years (undiscounted)	0.0	0.0

As of 30 September 2021, the company has purchase price obligations from notarised purchase agreements for four properties in the amount of TEUR 12,820.0.

There are no other contingent liabilities.

6.2. Obligations from leases

As the lessee of leasehold contracts, there are long-term leasing liabilities that lead to payments 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 30/09/2021	**85,865.3**	**1,964.4**	**7,857.8**	**76,043.1**
thereof interest payments	60,337.7	1,864.4	7,386.9	51,086.4
thereof repayments	25,527.5	100.0	470.8	24,956.7
Minimum lease payments 30/09/2020	**78,360.7**	**1,710.3**	**6,841.1**	**69,809.3**
thereof interest payments	57,262.9	1,662.6	6,607.6	48,992.7
thereof repayments	21,097.8	47.7	233.5	20,816.6

The leasehold contracts have a remaining useful life of 46.2 years on an average and are adjusted to agreed indices through value protection clauses. In the reporting year, an index adjustment took place, as a result of which the book value of the leaseholds was increased by TEUR 5.5. This effect on the leasing liabilities and rights of use was recognised in the reporting period without affecting profit or loss. Furthermore, extension options exist in some cases. There were no contingent lease payments.

6.3. Transactions with related parties

The companies and persons related to the company in accordance with IAS 24 comprise the following groups:

- Parent company
- Other shareholders
- Other related parties - these include the subsidiaries, joint ventures, and associates of the shareholders with at least significant influence as well as companies controlled by the management
- Members of the Management Board and Supervisory Board of the Company and the Management Board and Supervisory Board of the parent company and their close family members

The Company maintains business relationships with related parties. Essentially, these relationships comprise financial services through the short-term provision of liquidity on the basis of concluded framework agreements as well as services.

The scope of transactions with related parties is shown below:

Deutsche Industrie is a related company of Obotritia Capital KGaA, Potsdam. For the use of business premises, the provision of office equipment and administrative staff, including the activities of the Management Board, a charge of TEUR 415.9 (previous year: TEUR 507.4) was invoiced by Obotritia Capital KGaA in the reporting period as part of the business management agreement concluded, including its 1st addendum dated 01 July 2021.

The Company has concluded reciprocal master loan agreements with Obotritia Capital KGaA ("Obotritia Capital"). These reciprocal master loan agreements enable the Company and Obotritia Capital to provide loans to each other on an as-needed basis and have a maturity date of 31 December 2024 (for the master loan agreement under which Obotritia Capital may lend to the Company) and 31 December 2027 (for the master loan agreement under which the Company may lend to Obotritia Capital). However, both agreements can be terminated – notwithstanding the possibility of extraordinary termination – with a

notice period of three months. At present, the agreed maximum amount for loans granted by the Company to Obotritia Capital is EUR 88.0 million and for loans granted by Obotritia Capital to the Company is EUR 31.0 million. Interest of 8% p.a. is payable on the amount of the loan drawn down. Interest payments are deferred and are due at the latest upon termination of the loan. No collateral was agreed.

As of 30 September 2021, there was a receivable including interest of TEUR 72,421.1 (previous year: TEUR 75,014.1). Interest income of TEUR 5,556.5 (previous year: TEUR 3,020.0) and interest expenses of TEUR 0.0 (previous year: TEUR 198.3) were generated for the financial year.

There is a management contract with GV Nordost Verwaltungsgesellschaft mbH, Rostock, for the property management of the real estate portfolio. The agreed remuneration amounts to 2% or 3% of the net rental income received (plus VAT) per month, depending on the property. Expenses of TEUR 1,351.0 (previous year: TEUR 1,062.5) were incurred in the reporting year.

Furthermore, there is a management and consulting contract with Elgeti Brothers GmbH, Berlin. The agreed remuneration amounts to 0.5% per annum of the gross asset value of the company's properties, calculated on the basis of the acquisition prices and transaction costs, and is paid in quarterly instalments. In the reporting year, the expenses amounted to TEUR 2,737.8 (previous year: TEUR 2,103.4).

There is a usage transfer agreement with Solitaire Holding GmbH (formerly Solitaire Verwaltungsgesellschaft mbH & Co. KG) for a motor vehicle with a term until 31 December 2023, resulting in annual leasing payments of TEUR 3.1 net plus VAT. In addition, Solitaire undertakes to fully assume all costs associated with the vehicle (insurance, repairs, etc.).

Furthermore, DIR leases commercial space to Solitaire Holding GmbH (formerly Solitaire Verwaltungsgesellschaft mbH & Co. KG) with an annual net rent of TEUR 31.0 and additionally three parking spaces free of charge. The lease is for an indefinite period and can be terminated at any time with a notice period of three months.

A lease agreement was concluded with Diana Contracting GmbH on 1 October 2018. The Company has leased the partial area of the roof of the property Wismar, Am Westhafen, on which a photovoltaic system is located to Diana Contracting. The term of the contract ends on 31 December 2039. The annual rent is EUR 20.00 per kilowatt of installed PV system capacity, with a minimum of EUR 2,250. In the reporting period, this resulted in Gross rental income of TEUR 3.0 (previous year: TEUR 3.0).


PICTURE:
Stegelitz, Dammfeld

Furthermore, the company invested short-term surplus liquidity of TEUR 19,095.0 (previous year: TEUR 48,955.5) in the acquisition of loans from creditshelf solutions GmbH, Frankfurt. Due to the size of the stake held by Obotritia Capital KGaA, creditshelf AG and its subsidiary, creditshelf solutions GmbH, are to be classified as related parties. Deutsche Industrie sold loans with an outstanding nominal amount of TEUR 5,842.2 (previous year: TEUR 1,992.7) back to creditshelf in the financial year 2020/2021. For ongoing loan processing and servicing, creditshelf received TEUR 255.6 (previous year: TEUR 281.1) from Deutsche Industrie. Since 1 January 2021, creditshelf 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 tax exemption of the company, these taxes in the amount of TEUR 308.2 (previous year: TEUR 0.0) were recognised as a receivable from the tax office.

In addition, Deutsche Industrie acquired loans to Edeloptics GmbH (“Edeloptics”) via the creditshelf platform. Obotritia Capital exercises a controlling influence over Edeloptics so this can be classified as an affiliated company. In the reporting period, DIR acquired another loan to Edeloptics with a total investment volume of TEUR 2,500.0 (previous year: TEUR 4,900.0). Another loan from the previous year in the amount of TEUR 2,500.0 was repaid in full during the reporting period. The interest rate of the remaining loan is 10.00%. As of the balance sheet date, Deutsche Industrie has a receivable including interest of TEUR 2,456.7 (previous year: TEUR 2,531.9) from Edeloptics GmbH. In the 2020/2021 financial year, interest income from the loans in the amount of TEUR 250.0 (previous year: TEUR 307.8) and impairments in the amount of TEUR 88.8 (previous year: TEUR 90.0) were recognised.

In addition, there is a service agreement dated on 8 September 2021 between Deutsche Industrie and creditshelf AG in which Deutsche Industrie commissions creditshelf AG to analyse (potential) tenants. The remuneration is case-related based on the complexity of the case and is staggered at TEUR 1.5, TEUR 2.5 or TEUR 3.5 plus VAT. In the reporting year, the company had expenses of TEUR 7.1 (previous year: TEUR 0.0). The contract ends automatically with the provision of all contractual services and can be terminated at any time by either party with two weeks’ notice to the end of the month.

The balance sheet shows the following receivable and payable to related parties:

TEUR	30/09/2021	30/09/2020
Other current assets		
against shareholders (Obotritia Capital KGaA)	72,421.1	75,014.1
towards Edeloptics GmbH	2,456.7	2,531.9
towards Diana Contracting GmbH	0.0	3.5
Liabilities to other lenders		
against creditshelf solutions GmbH	126.3	84.8

Furthermore, Mr Rolf Elgeti has assumed directly enforceable guarantees totalling TEUR 2,550.0 (previous year: TEUR 2,550.0) for loans.

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

6.4. Supervisory Board and Management

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

Name	Occupation	Memberships in other supervisory bodies within the meaning of Section § 125 (1) sentence 5 of the German Stock Corporation Act (AktG)
Hans-Ulrich Sutter Chairman of the Supervisory Board Member and Chairman since March 2019	Retired, Member of other supervisory boards	• Deutsche Konsum REIT-AG, Broderstorf (Chairman of the Supervisory Board), listed company • TAG Colonia-Immobilien AG, Hamburg (Deputy Chairman of the Supervisory Board)
Dr. Dirk Markus First Deputy Chairman of the Supervisory Board Member and Deputy Chairman since October 2017, First Deputy Chairman of the Supervisory Board since 6 March 2020	Economist, Chairman of the Board of Directors of Aurelius Group, London, United Kingdom	• Obotritia Capital KGaA, Potsdam (Member of the Supervisory Board)
Achim Betz Second Deputy Chairman of the Supervisory Board Member since October 2017, second Deputy Chairman of the Supervisory Board since 6 March 2020	Chartered accountant, tax consultant, Diploma in Business Administration ba audit GmbH Wirtschaftsprüfungsgesellschaft, 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 Konsum REIT-AG, Broderstorf (First Deputy Chairman of the Supervisory Board), listed company • NeXR Technologies SE, Berlin (Vice-Chairman of the Board of Directors), listed company • Bankhaus Obotritia GmbH, München (Member of the Audit Committee)
Cathy Bell-Walker Member of the Supervisory Board since 6 March 2020	Lawyer (Solicitor, England & Wales), Allen & Overy LLP, London, United Kingdom	• Deutsche Konsum REIT-AG, Broderstorf (Member of the Supervisory Board since 5 March 2020), listed company
Antje Lubitz Member of the Supervisory Board since 6 March 2020	Real estate economist, 3PM Services GmbH, Berlin (Managing Director)	• None

The remuneration of the Supervisory Board for the financial year amounted to TEUR 35.0 (previous year: TEUR 28.8) excluding VAT. No loans or advances were granted to members of the Supervisory Board; likewise, no contingent liabilities were entered into in favour of Supervisory Board members.

• **In the reporting period, the Management Board composed of the following members:**

Name	Occupation	Memberships in other supervisory bodies within the meaning of Section 125 (1) sentence 5 of the German Stock Corporation Act (AktG)
Rolf Elgeti Chief executive officer	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 • Obotritia Hotel SE, Potsdam (Chairman of the Supervisory Board since 26 August 2020) • NeXR Technologies SE, Berlin (Chairman of the Board of Directors), listed company • 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 Board of Directors), listed company • Laurus Property Partner, Munich (Member of the Advisory Board) • Bankhaus Obotritia GmbH, Munich (Member of the Audit Committee)
Sonja Petersen (nee Paffendorf) Member of the Management Board	Chief Investment Officer (CIO)	• None
René Bergmann Member of the Management Board	Chief Financial Officer (CFO)	• None

The remuneration of the Chairman of the Management Board for the financial year 2020/2021 amounts to TEUR 85.5 (previous year: TEUR 71.3). The remuneration is paid by Obotritia Capital KGaA as there is no employment contract between the company and the Chairman of the Management Board. There are no other benefits or variable remuneration.

For details of Supervisory Board and Management Board remuneration, please refer to the Remuneration Report in the DIR Management Report.

6.5. Consolidated Financial Statements

DIR is included as a subsidiary in the consolidated financial statements of Obotritia Capital KGaA, Potsdam. The 2020/2021 annual financial statements will be included in the consolidated financial statements of Obotritia Capital KGaA, Potsdam, for the largest and smallest group of companies, which will be disclosed in the Federal Gazette.

Following the implementation of the transaction with CTP described in Chapter 6.7, Obotritia Capital no longer exercises a controlling influence over Deutsche Industrie. As a result, DIR would no longer be included as a subsidiary in the consolidated financial statements of Obotritia Capital KGaA.

6.6. Auditor’s fee

• **The auditor’s fees for the past financial year were as follows:**

TEUR	30/09/2021	30/09/2020
Audit services for financial statements	103.6	94.3
Other certification services	2.1	77.6
Other services	0.0	5.6
Total	**105.7**	**177.5**
Thereof relating to other periods	10.7	29.1

The other certification services in 2020/2021 relate to the audit in accordance with Section 1 (4) of the REIT Act as of 30 September 2020 (TEUR 2.1). Fees unrelated to the accounting period are included from recalculations in the amount of TEUR 10.7 (previous year: TEUR 29.1).

6.7. Significant events after the balance sheet date

Between the balance sheet date and the time, the financial statements were prepared, one property was transferred to the economic ownership of Deutsche Industrie. The investment volume was around EUR 1.9 million. The property is located in Lemgo.

In addition, a purchase agreement was concluded for a property in the amount of approximately EUR 5.0 million. The property is located in Wittingen.

On 13 October 2021, a purchase agreement in the amount of EUR 7.3 million was concluded for the sale of the property in Berlin-Britz. As the property had not yet been transferred to the buyer as of the balance sheet date, it was reclassified as assets held for sale in accordance with IFRS 5.

On 21 October 2021, Deutsche Industrie concluded a loan agreement in the amount of EUR 11.6 million with Volksbank Mittweida eG. The loan was used to finance a portfolio consisting of commercial properties in Treuenbrietzen, Wittenberg and Eisenach. The loan has an initial interest rate of 1.92 % with a term until 30 November 2038.

Furthermore, a loan in the amount of EUR 6.4 million was taken out with Austrian Anadi Bank AG for the property in Remscheid, Kippdorfstraße. The loan has an initial interest rate of 1.80 % and a term until 31 December 2026.

Furthermore, DIR concluded a purchase agreement with creditshelf solutions GmbH on the sale of individual loans dated 4 November 2021. The purchase price corresponds to the outstanding nominal amount including impairments as of 30 September 2021 and amounts to TEUR 2,863.3. As the loans had not yet been transferred to the buyer as at the balance sheet date, they were reclassified as assets held for sale in accordance with IFRS 5.

On 26 October 2021, Deutsche Industrie REIT-AG (“DIR”) and CTP N.V. (“CTP”) signed an agreement in principle on the merger of the two companies (Business Combination Agreement). In this context, CTP has announced its intention to make a voluntary public takeover offer to the shareholders of DIR for all outstanding shares in DIR (“DIR Shares”) in accordance with the provisions of the Securities Acquisition and Takeover Act, which at the same time fulfils the requirements of a delisting offer under the Stock Exchange Act (“Offer”). Subject to the determination of the minimum price by the German Federal

Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) and the final terms set out in the offer document to be published, CTP intends to offer cash consideration in the amount of EUR 17.12 per DIR Share. As voluntary alternative consideration at the option of each accepting shareholder, CTP intends to offer five new shares in CTP ("Offer Shares") in exchange for four DIR Shares (representing 1.25 shares in CTP for each DIR Share tendered) ("Share Consideration"). The Offer will simultaneously satisfy the requirements of a delisting offer under the provisions of the Stock Exchange Act necessary for the revocation of the admission of the DIR Shares to trading on the regulated market of the Berlin Stock Exchange and the Frankfurt Stock Exchange (Prime Standard) ("Delisting"). The Offer will therefore not be subject to any closing conditions.

In the Agreement in Principle, DIR and CTP have set out their common understanding with regard to the economic and strategic background of the Transaction, the process of the Offer, the support in principle of the Management Board and Supervisory Board of DIR for the Offer and the common understanding with regard to the future business cooperation between the parties.

The Management Board and the Supervisory Board of DIR welcome the Offer and intend to support it on the basis of the Agreement in Principle and within the scope of their legal obligations, subject to a review of the complete Offer Document as well as further conditions, and to recommend to the shareholders to accept it against the granting of the Share Consideration.

Completion of the Offer would create a leading pan-European listed real estate group for logistics and corporate real estate with a combined portfolio of approximately EUR 7.2 billion. For CTP, the transaction offers the opportunity to enter the German market, where CTP has previously not been present.

The transaction is expected to close in early 2022. Thereafter, CTP plans to merge DIR into CTP on a cross-border basis.

The offer is supported by approximately 56% of DIR's shareholders, which include companies controlled by DIR's chairman, through various agreements with CTP, including irrevocable tender agreements and non-tender agreements.

Upon completion of the Transaction, an agreement with the convertible bondholders entered into in connection therewith will also become effective. This will result in a charge to earnings and liquidity in the amount of EUR 18.4 million.

In addition, the delisting would entail the loss of the REIT status and thus the tax exemption. The consequence would be that deferred taxes would have to be formed again on existing temporary differences at the time of the termination of the tax exemption. As at 30 September 2021, the differences between the book values according to IFRS and the tax book values amounted to approximately EUR 211.6 million. The temporary differences mainly result from the fair value measurement of the properties according to IFRS and would lead to deferred tax liabilities.

Furthermore, the profits generated and not distributed during the period of tax exemption would be subject to subsequent taxation as a result of the regulations.

6.8. Corporate Governance Code (Declaration on the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act)

On 22 October 2021, the Management Board and Supervisory Board of Deutsche Industrie REIT-AG issued the current Declaration of Compliance with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG) and on 26 November 2021 the current Declaration on Corporate Governance. The declaration was made permanently available to the shareholders at https://deutsche-industrie-reit.de.

Potsdam, 30 November 2021

Rolf Elgeti
Chief Executive Officer

Sonja Petersen
Chief Investment Officer

René Bergmann
Chief Financial Officer

6.9. Assurance of legal representatives

"To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements as of 30 September 2021 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company."

Potsdam, 30 November 2021

Rolf Elgeti
Chief Executive Officer

Sonja Petersen
Chief Investment Officer

René Bergmann
Chief Financial Officer

Audit Opinion of the independent individual financial statements

To Deutsche Industrie REIT-AG, Rostock

Note on the audit of the consolidated financial statements and the management report

Audit Opinions

We have audited the individual financial statements of Deutsche Industrie REIT-AG, which comprise the Balance sheet as of 30 September 2021, the statements of comprehensive income, cash flows and changes in equity for the financial year from 1 October 2020 to 30 September 2021, and the financial statements notes, including a summary of significant accounting policies. We have also audited the management report of Deutsche Industrie REIT-AG for the financial year from 1 October 2020 to 30 September 2021. 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 opinion.

In our opinion, based on the findings of our audit, the consolidated financial statements are:

- The accompanying individual financial statements comply in all material respects with IFRSs as adopted by the EU and the additional requirements of German law pursuant to § 315e Abs. 1 HGB and give a true and fair view of the financial position of the Company as of 30 September 2021 and its financial performance for the financial year from 1 October 2020 to 30 September 2021 in accordance with these requirements.

- The accompanying management report as a whole provides an appropriate perspective of the Company’s position. In all material respects, this management report is consistent with the individual financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development.

In accordance with § 322 para. 3 sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any reservations concerning the correctness of the individual financial statements and the management report.

Basis for the audit opinions

We audited the individual financial statements and the management report in accordance with section 317 HGB and the EU Regulation on Auditors (No. 537/2014; hereinafter “EU-APrVO”) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under those regulations and standards is further described in the “Auditor’s responsibility for the audit of the individual financial statements and the management report” section of our audit opinion. We are independent of the Company in accordance with European law as well as German commercial law and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. In addition, we declare pursuant to Art. 10 (2) f) EU-APrVO that we have not performed any prohibited non-audit services according to Art. 5 (1) EU-APrVO. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the individual financial statements and the management report.

Other Information
The legal representatives or the Supervisory Board are responsible for the other information. The other information comprises the following components of the management report which have not been audited as to their content:

- The corporate governance statement referred to in the management report.

The other information also includes the other parts of the management report. The other information does not include the individual financial statements, the content of the audited management report and our audit opinion.

Our opinions on the individual financial statements and the management report do not cover the other information and, accordingly, we do not express an opinion or any other form of conclusion on them.

In connection with our audit, we were responsible for reading the other information and assessing whether the other information is

- materially inconsistent with the individual financial statements, the management report or our knowledge obtained during the audit or

- otherwise appears to be materially misstated.

Responsibility of the legal representatives and the Supervisory Board for the individual financial statements and the management report
Management is responsible for the preparation and fair presentation of these individual financial statements in accordance with IFRSs as adopted by the EU and the additional requirements of German law pursuant to § 315e Abs. 1 HGB and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Furthermore, management is responsible for such internal control as management considers it necessary to enable the preparation of individual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual financial statements, management is responsible for assessing the entity's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to going concern. Furthermore, they are responsible for balancing the accounts on the basis of the going concern principle, unless there is an intention to liquidate the company or to cease operations, or there is no realistic alternative to doing so.

Furthermore, management is responsible for the preparation of the management report, which as a whole provides a suitable perspective of the Company's position and is consistent in all material respects with the individual financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Furthermore, management is responsible for the preparations and measures (systems) that it has deemed necessary to enable the preparation of a management report in accordance with the applicable German legal requirements and to provide sufficient appropriate evidence for the statements made in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the individual financial statements and the management report.

Auditor's responsibility for the audit of the individual financial statements and the management report

Our objective is to obtain reasonable assurance about whether the individual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides a suitable view of the Company's position and is consistent, in all material respects, with the individual financial statements and the audit findings, complies with German legal requirements and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinion on the individual financial statements and the management report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with § 317 HGB and EU-APrVO and generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or collectively, they could reasonably be expected to influence the economic decisions of users taken on the basis of these individual financial statements and management report.

During the audit, we exercise professional judgement and maintain a critical attitude.

- Furthermore, we identify and assess the risks of material misstatement of the individual financial statements and management report, whether due to fraud or error, design 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. The risk of not detecting a material misstatement is higher in the case of non-compliance than in the case of misstatement, as non-compliance may involve fraud, forgery, intentional omissions, misleading representations or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the individual financial statements and the arrangements and actions relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those systems.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the going concern basis of accounting used by management and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual financial statements and the management report or, if such disclosures are inadequate, to modify our respective audit opinions. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Assess the overall presentation, structure and content of the individual financial statements, including the disclosures, and whether the individual financial statements represent the underlying transactions and events in a manner that the individual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with IFRSs as adopted by the EU and the additional requirements of German law pursuant to § 315e Abs. 1 HGB.

- Assess the consistency of the management report with the individual financial statements, its compliance with the law and the understanding of the Company's position given by it.

- Perform audit procedures on the forward-looking statements made by management in the management report. Based on sufficient appropriate audit evidence, we in particular verify the significant assumptions underlying the forward-looking statements made by management and evaluate the appropriateness of the information derived from these assumptions. We do not express an independent opinion on the forward-looking statements or the underlying assumptions. There is a significant unavoidable risk that future events could differ materially from the forward-looking statements.

We discuss with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any deficiencies in internal control that we identified during our audit.

We provide those charged with governance with a statement that we have complied with relevant independence requirements and discuss with them all relationships and other matters that may reasonably be thought to bear on our independence, and the safeguards that we have put in place.

From the matters discussed with those charged with governance, we determine those matters that were of most significance in the audit of the individual financial statements of the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure of the matter.

Other Statutory and other Legal Requirements

Report on the audit of the electronic reproductions of the individual financial statements and the management report prepared for the purpose of disclosure in analogous application of § 317 para. 3a HGB

Audit Opinion

We have performed a reasonable assurance engagement in accordance with § 317 para. 3a HGB to determine whether the reproductions of the individual financial statements and the management report (hereinafter also referred to as "ESEF documents") contained in the file "IFRS_30.9.2021_DIR.zip" (SHA256: de19cb6af88f9566a6fb41dd77d346ceaf-3645e11cd6e72813d11d332aa845f7) and prepared for disclosure purposes comply in all material respects with the requirements of § 328 para. 1 HGB on the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit only covers the conversion of the information in the individual 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 individual financial statements and the management report included in the above-mentioned file and prepared for the purpose of disclosure, comply in all material respects, with the requirements of § 328 paragraph 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 individual financial statements and the accompanying management report for the financial year from 1 October 2020 to 30 September 2021 contained in the preceding "Report on the audit of the individual financial statements and management report".

Basis for the audit opinion

We conducted our audit of the reproductions of the individual financial statements and the management report contained in the above-mentioned file in accordance with the section 317 (3a) HGB and in compliance with the IDW Auditing Standard: Audit of electronic reproductions of financial statements and management reports prepared for disclosure purposes in accordance with section 317 (3a) HGB (IDW PS 410 (10.2021)). Our responsibility thereafter is further described in the section "Auditor's Responsibility for the Audit of the ESEF Documents". Our auditing practice has complied with the quality assurance system requirements of the IDW Quality Assurance Standard: Requirements for Quality Assurance in the Auditing Practice (IDW QS 1) applied.

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 individual financial statements and the management report in accordance with § 328 para. 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 from material – intentional or unintentional – violations of the requirements of § 328 para. 1 HGB regarding the electronic reporting format.

The Supervisory Board is responsible for overseeing 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 non-compliance, whether due to fraud or error, with the requirements of section 328 (1) HGB. During the audit, we exercise professional judgement and maintain a critical attitude.

- Furthermore, we identify and assess the risks of material non-compliance with the requirements of section 328 (1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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 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 reporting date.

- We assess whether the ESEF documentation provides a consistent XHTML representation of the audited individual financial statements and the audited management report.

Other disclosures according to article 10 EU-APrVO

We were elected as auditors of the annual financial statements by the Annual General Meeting on 12 March 2021. We were appointed by the Supervisory Board on 23 September 2021. We have served as auditors of the annual financial statements of Deutsche Industrie REIT-AG without interruption since the financial year 2016.

We declare that the audit opinions contained in this audit report are consistent with the additional report to the Audit Committee pursuant to Art. 11 EU-Audit Regulation (Audit Report).

OTHER MATTERS - USE OF THE AUDIT OPINION

Our audit opinion should always be read in conjunction with the audited individual financial statements, the audited management report and the audited ESEF documentation. The individual financial statements and management report converted to the ESEF format - including the versions to be published in the Federal Gazette - are merely electronic reproductions of the audited individual 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.

AUDITOR IN CHARGE

Mr Torsten Fechner was responsible for the audit.

Berlin, 9 December 2021

DOMUS AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Prof. Dr. Hillebrand
German Public Auditor

Fechner
German Public Auditor

Statement by the Management Board regarding compliance with the requirements of the REITG

In connection with the publication of the annual financial statements as of September 30, 2021, the Management Board declares compliance with the REIT criteria in accordance with the REIT Act (REITG) as follows:

REITG	Regulation	Date	DIR	REIT criteria fulfilled
§ 11 (1)	Freefloat of shares > 15 %	31/12/2020	36.2 %	Yes
§ 11 (2)	No investor holds > 10 % of the shares	30/09/2021	–	Yes
§ 12 (2a)	Immovable assets of at least 75 % of all assets	30/09/2021	88.9 %	Yes
§ 12 (3a)	At least 75 % of the income is generated by immovable assets	30/09/2021	100.0 %	Yes
§ 13	Dividend distribution of > 90 % of year end result according to German GAAP	30/09/2021	109.1 %	Yes
§ 14	Exclusion of real estate trading	30/09/2021	0.3 %	Yes
§ 15	Equity of at least 45 %	30/09/2021	59.5 %	Yes
§ 19 (3)	in conjunction with. § 19 a pre-encumbered entries	30/09/2021		None

The free float rate on 31 December 2020 was communicated to the German Federal Financial Supervisory Authority (BaFin) on 11 January 2021. The statement by the Executive Board regarding compliance with the REIT criteria is subject to the auditor's approval, which is expected in January 2022.

Deutsche Industrie REIT-AG
Potsdam, 14 December 2021

Rolf Elgeti
Chief Executive Officer

Sonja Petersen
Chief Investment Officer

René Bergmann
Chief Financial Officer

PICTURE:
Lauda-Königshofen, Bahnhofstraße

Glossary

AFFO	FFO - Value-enhancing investments (Capex)
Annualised in-place rent	Contractual net cold rent p.a. for all units (includes also antennas, parking lots, open spaces, apartments etc.)
Asset management	In real estate asset management in particular, it is a matter of planning, implementing and monitoring measures that enable the value of the building to be maintained and increased.
Business park	Enclosed area in which companies own company buildings or rent real estate to use for their business purposes
Commercial rental space	e.g. logistics, production, warehouse, office or similar without parking and other units (for example antennas, open spaces, apartments)
Commercial units	e.g. logistics, production, warehouse, office or similar without parking and other units (for example antennas, open spaces, apartments)
Consumer price index	Monthly indicator published by the Federal Statistical Office, which serves as a means of tracking the price development of goods and services used by private households and showing the current depreciation of money (inflation).
Cost Ratio	ratio between administrative expenses (after adjustment for one-off effects) and gross rental income
Coverage	Valuation of the company's share by external financial analysts and publication of investment recommendations
Current market value (Fair Value)	Value determined by means of market value appraisal or, where this is not yet available, the purchase price
Date of transfer	Transfer of ownership (benefits and encumbrances)
EBIT	operating income (sale& lease) excluding administration costs & depreciation before interest and income taxes
EBT	operating result (EBIT) + financial income excluding financial expenses (interest) before income tax
EPRA	The European Public Real Estate Association is a non-profit organization that represents the interests of European public real estate companies
EPRA NAV per share	Total equity modified according to EPRA guidelines divided by number of shares
Equity ratio	Provides information on the percentage of equity in the total capital of the company
FFO	Funds From Operation - Recurring and one-off adjusted result from the operation of the property portfolio
Fixed assets	Objects that belong to a company permanently (for more than 12 months) and continuously serve the business purpose. Fixed assets are not intended for consumption or further processing.
GAV	Gross Asset Value – Value of investment properties on the balance sheet
ICR	Interest coverage ratio, EBITDA divided by interest expenses, the ability of the company to pay the interest back based on the results of their operations
IPR commercial per m²	Rent of leased commercial units divided by space of leased commercial units

Light Industrial	Generic term for various types of companies in the industrial sector and includes activities of storage, distribution of commercial goods as well as their administration and production, commercial yards, logistics real estate (warehouses, transfer station, distribution halls and special warehouses) and industrial real estate (commercial storage, packaging and smaller production facilities)
Like-for-like	Periodic review of the economic development of the previous year's portfolio (adjusted for purchases and sales in the current year)
Market value report	Expert opinion provides information on the value that can currently be achieved for a specific property on the market
Net-LTV	Net loan-to-value – debt (financial liabilities minus cash) divided by GAV
Occupancy commercial	Rented commercial space divided by rentable (total) commercial space
Private equity company	Companies that invest in other companies not listed on the stock exchange
Proforma-Portfolio	Portfolio including notarised properties with transfer of ownership after balance sheet date
Sale-and-Lease-Back	Asset-based financing model in which companies use their assets to free up capital
Total rental space	Also contains ancillary areas such as open spaces, ancillary rooms (corridors, sanitary facilities, common areas), apartments, owner-occupied space (concierge or similar)
Triple Net rental agreement	Insurance, taxes and maintenance of the roof and framework are not borne by the landlord in such a contract, instead the responsibility for these items lies with the tenants
Valuation multiple	Information about the profitability of an investment - purchase price divided by annual market rent, inverse of initial return
WALT	Weighed average lease terms - only contracts with an agreed fixed term have been considered
Yield (Gross Initial)	net rent income divided by purchase price (excluding transfer costs)

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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. The forward-looking statements are not to be understood as guarantees of the future developments and results mentioned therein. Rather, they are influenced a number of factors; they are based on assumptions and are subject to a variety of risks and uncertainties. These risk factors include, in particular, those mentioned in the risk section 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 Industrie REIT-AG.

The report is also available in German.
In case of doubt, the German version shall prevail.

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Deutsche Industrie Grundbesitz AG

Interim Balance Sheet as of 31 January 2022*

	TEUR
	31/1/2022
Total Assets	961,531
Non-current assets	844,888
Investment property	834,461
Property, plant & equipment	1,945
Intangible assets	3
Non-current financial derivatives	125
Non-current trade and other receivables	8,354
Current assets	116,643
Trade and other receivables	97,247
Cash and cash equivalents	9,213
Assets held for sale	10,183
Total Equity and liabilities	961,531
Equity	455,812
Share capital	32,080
Reserves	230,132
Retained earnings	193,600
Non-current liabilities	279,416
Non-current interest-bearing loans and borrowings from financial institutions	200,472
Liabilities from bonds	20,107
Non-current trade and other payables	26,425
Non-current financial derivatives	36
Deferred tax liability	32,376
Current liabilities	226,303
Current interest-bearing loans and borrowings from financial institutions	32,518
Liabilities from bonds and other financial liabilities	187,373
Trade and other payables	6,412

**The interim balance sheet as of 31 January 2022 should be read in conjunction with the DIG's last annual financial statements as of and for the year ended 30 September 2021 where the full accounting policies under EU-IFRS are disclosed*