Deutsche Industrie REIT-AG

Annual Report 2017/2018

1 October 2017 to 30 September 2018

Deutsche Industrie REIT-AG

Highlights

	01/10/17 – 30/09/18	01/01/17 – 30/09/17	Difference	%
Income statement (k€)				
Gross Rental income	10,260	2,306	7,954	>100
Net rental income	8,071	1,628	6,442	>100
Financial result	–1,337	–75	–1,263	>100
Net income	13,714	7,215	6,499	90.1
FFO	5,338	1,111	4,227	>100
FFO per share* (€)	0.37	1,111	3,210	>100
aFFO	4,321			
aFFO per share* (€)	0.30			
Earnings per share*	0.76			
Recurring costs ratio, %	11.8	18.8	–6.9	–36.9

	30/09/18	30/09/17	Difference	%
Balance sheet key figures (in k€)				
Investment properties	168,242	35,594	132,648	>100
Total assets	183,616	99,615	84,001	84.3
Equity	71,811	32,054	39,757	>100
Total debt	104,344	62,401	41,943	67.2
(net) Loan-to-Value (LTV). %	58.0	31.3	26.7	85.5
EPRA NAV	71,811	32,054	39,757	>100
EPRA NAV per share* (€)	3.99			
REIT metrics				
REIT equity ratio. %	42.7	90.1	–47.4	–52.6
Share* information				
shares issued	18,000,056			
Market cap	188,101			
share price XETRA (€)	10.45			
Portfolio key figures				
Number of assets	22	6	16	>100
Rental space (sqm)	508,443	171,941	336,502	>100
Annualized rent. (k€)	16,066	4,420	11,646	>100
Vacancy rate. %	15.1	13.3	1.8	13.5
WALT. years	3.9	3.7	0.2	5.4

Note: DIR has been a stock corporation since 18/10/2017 and listed since 07/12/2017.For this reason, the presentation of key figures per share for the previous year was waived.

Content

PHOTO:
Remscheid, Kippdorfstraße

1. Letter to our shareholders

Dear shareholders, Dear Sir or Madam,

Deutsche Industrie REIT-AG has successfully completed its first financial year as a listed company with strong growth and presents an annual report for the first time.

Growth strategy successfully implemented – Real estate portfolio grown strongly

In the financial year 2017/2018, the transfer of benefit and encumbrances of 17 commercial properties took place. In addition, seven additional properties with an investment volume of EUR 30.1 million were acquired in the financial year, while the transfer of benefits and encumbrances took place after 30 September 2018 or is expected to take place by January 2019.

Considering all properties acquired during the reporting period and one asset sold, on 30 September 2018 (proforma) the total portfolio of Deutsche Industrie consisted of 29 properties with an annualised total rent of around EUR 18.9 million and a portfolio value of approximately EUR 197.8 million. In the previous financial year, the company invested slightly more (EUR 102 million) than the targeted EUR 75-100 million for the purchase of Light Industrial real estate.

Successful growth is also reflected in financial figures and leads to a significant net income

Rental income reached EUR 10.3 million. Net rental income increased by EUR 6.4 million or 396% to EUR 8.1 million in the financial year due to the significantly increased real estate portfolio.

The regular valuation of the real estate portfolio as at 30/09/2018 led to a valuation result of EUR 6.9 million and already shows the value potential of the recently acquired real estate.

Due to the positive development in all areas, the net profit amounts to EUR 13.7 million.

The funds from operations (FFO) increased to EUR 5.3 million and are therefore within the guidance range of EUR 5 to 6 million. After deducting value-adding investments (Capex), the aFFO (adjusted funds from operations) amount to EUR 4.3 million.

In addition to two successful capital increases, the Company has also financed the development and expansion of its portfolio by taking out further loans and increasing the existing real estate bond. As a result, the Net LTV has increased from 31.3% to 58.0%.

As a result of the retained profit and the capital increases, equity increased to EUR 71.8 million as well as at the same time the EPRA NAV (net asset value), which amounted to EUR 3.99 per outstanding share as at 30 September 2018.

Business model also convinces the capital market

The traceable and efficient business model and the further growth prospects are rewarded by the capital market as well. Since the first day of trading on 7 December 2017, the share price has risen from EUR 4.82 (opening) to EUR 10.45 at the end of the financial year and has meanwhile reached a high of EUR 13.40.

The high demand for new shares in the context of the two equity raisings underlines this development additionally.

First dividend payment

The Executive Board plans to propose to the next Annual General Meeting the distribution of a dividend of 90% of the net profit for the year under commercial law for the financial year ending 30 September 2018. According to the HGB annual financial statements, the dividend will therefore amount to approximately EUR 1.82 million based on all dividend entitled shares. This proposal requires the approval of the Annual General Meeting.

Positive outlook 2018/2019

Based on the positive development in the last fiscal year, we expect a further dynamic expansion of the portfolio in the current period as well. The growth pipeline offers attractive acquisition opportunities with promising risk return profiles, which enable a significant portfolio expansion compared to the current portfolio size.

We would like to thank our shareholders, our employees and our service providers for their confidence in our sustainable growth.

Best regards,

Rolf Elgeti
CEO

Sonja Paffendorf
CIO

René Bergmann
CFO

Rostock, December 2018

2. The Stock

World political tensions continue to dominate the stock markets

In 2017, the stock markets still benefited from the well-performing global economy. In addition, the US tax reform passed at the end of 2017 promoted the good mood on the global stock markets at the end of the year. Thus, the DAX closed the stock market year 2017 with an increase of almost 13%. The MDAX rose by a good 18% and the SDAX by almost 25%.

At the beginning of 2018, global political tensions and the risks of a possible intensification of international trade conflicts were increasingly dominating the markets. In addition, government formation was an important topic in Germany. As the year progressed, sentiment deteriorated, among other things, as a result of Italian budgets and fears of disorderly Brexit. As a result, the DAX recorded a decline over the first nine months of 2018 and closed the month of September at 12,246 points (29 September 2017: 12,828 points).

DIR share stable in a volatile overall environment

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

In a worldwide troubled political and economic environment, the share of DIR performed well. At the end of the reporting period on 28 September 2018, it was 79% higher at EUR 10.45 than at the time of the first listing on 7 December 2017 (EUR 5.84).

The market capitalisation increased in the wake of the increased market price and due to successful capital increases to approx. EUR 190 million. As a result of the higher stock market value, the Company saw an increasing interest among both institutional investors and retail investors.

Share price performance of Deutsche Industrie REIT-AG

Key figures of the DIR share

EUR	30/09/2018
Number of shares issued in units	18,000,056
Closing price at the end of the financial year[1]	10.45
Market capitalisation in EUR million	rd. 190
Highest price during the financial year	11.10[2]
Lowest rate during the financial year	4.82[3]
Average Xetra daily volume in units[4]	TEUR 18

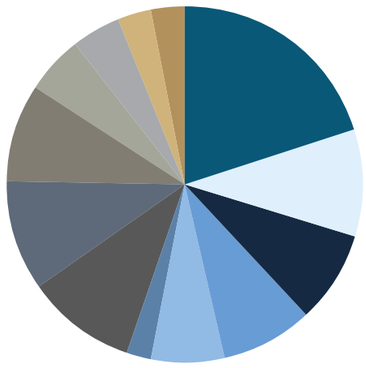
Successful capital increases

Since the first listing, the share capital and the number of shares increased by two capital increases. At the beginning of December 2017, the number of shares or share capital was 15,000,048. Following a capital increase by cash contribution in April 2018 (+1,500,004 ordinary shares) and a further capital increase in a private placement to institutional investors and existing shareholders (+1,500,004 ordinary shares) in September 2018, the number of shares or share capital amounts to 30/09/2018 to 18,000,056 or EUR 18,000,056.00.

Shareholders

The shareholder structure is characterised by institutional national and international investors with a predominantly long-term investment strategy. As of 30 September 2018, the free float (as defined by Deutsche Börse AG, subject to the provisions of the WpHG) was 32.6%.

Shareholder structure



- 9.66 % Obotritia Capital KGaA
- 8.33 % Obotritia Alpha Invest GmbH
- 8.33 % Obotritia Beta Invest GmbH
- 6.77 % Babelsberger Beteiligungs GmbH
- 2.19 % Försterweg Beteiligungs GmbH
- 10.00 % ALPHA 4 S.A.. SICAV-SIF
- 9.88 % Lotus AG
- 9.08 % Gert Purkert
- 5.35 % Parson GmbH
- 4.21 % Astrid Purkert
- 3.17 % Elisabeth Anna Auersperg-Breunner
- 2.91 % Management
- 20.14 % Remaining free float*

As of 20/09/2018

[1] Xetra closing price from 28/09/2018
[2] Variable price Xetra
[3] First price at the date of listing 07/12/2017
[4] in the financial year 2017/2018
Source: ARIVA.DE AG/EQS Group AG

* Free float according to definition of Deutsche Börse 32.6 %

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 § 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.

Investor-Relations

In order to conduct a transparent and continuous dialogue with existing and potential investors, DIR also initiated investor relations activities in 2018. She held one-on-one talks and presented the company at an international investor conference. Furthermore, in the 2017/2018 financial year, DIR was regularly present in major investor media for the first time, thereby increasing its perception on the capital markets.

Analyst coverage

In March 2018, the Baader Helvea launched the commentary of the Deutsche Industrie REIT-AG and updated the price target in September 2018. In July, the recording was made by Oddo BHF. Thus, there are currently two analyst covers of the DIR share.

Date	Institution	Report	Analyst	Recommendation	Target price
12/07/2018	ODDO BHF	Initiation	Thomas Effler	"Buy"	12.2 EUR
17/09/2018	Baader Helvea Equity Research	Update	Andre Remke	"Buy"	12.0 EUR

On the investor relations pages of the website you can find our capital market law compulsory disclosures, such as Ad hoc announcements, as well as financial reports and investor presentations for download.

The share of DIR at a glance:

As of	30/09/2018
ISIN	DE000A2G9LL1
Security Identification Number	A2G9LL
Ticker Symbol	JB7
First day of trading	07/12/2017
Number of shares	18,000,056
Share capital	EUR 18,000,056.00
Trading venues	XETRA, Frankfurt and Berlin
Market segment	Regulated Market

PHOTO:
Hattingen, Hufeisenstraße

3. Corporate Governance Report

The Management Board and the Supervisory Board of Deutsche Industrie REIT-AG (DIR) report below on the Company's corporate governance in accordance with § 3.10 of the German Corporate Governance Code (GCGC) and on corporate governance pursuant to § 289f German Commercial Code (HGB) (new version).

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

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

The Management Board and the Supervisory Board of Deutsche Industrie REIT-AG welcome and support the German Corporate Governance Code (GCGC) and its objectives. In accordance with § 161 (1) German Stock Corporation Act (AktG), they hereby declare that Deutsche Industrie REIT-AG complied and will also comply in the future with the recommendations of the Government Commission on the German Corporate Governance Code in the version of the Code of 7 February 2017, published in the Federal Gazette on 24 April 2017, with the following exceptions since the last Declaration of Conformity was issued on 6 November 2017:

Section 2.3.3 GCGC – Transmission of the Annual General Meeting using modern means of communication:
For reasons of cost, the Annual General Meeting will not be broadcast on the Internet. As this is a suggestion of the German Corporate Governance Code (and not a recommendation), which can be deviated from without disclosure, the company will not comment on this point in the future.

Section 4.1.3 GCGC – Compliance Management System:
The Company has not employed more than two employees since the last Declaration of Conformity. The Company currently employs one person. For this reason, the Management Board saw and sees no need to formulate and disclose formalised measures for compliance management and a so-called "whistle-blowing". The effort involved in setting up, implementing and maintaining formalised action systems was and is, in view of the size of the Company, not in any meaningful relation to the potential benefit gained.

Section 4.1.5 GCGC – Consideration of women in the appointment for management functions:
The Management Board did not and does not currently follow the recommendation to pay attention to diversity when filling management positions within the Company and, in particular, to aim for appropriate consideration of women. The Company had and currently has only employees without leadership function. Apart from the Management Board, there were and are no management positions in the Company and, therefore, the Company can currently not follow this recommendation for formal reasons. For this reason, the Company had and has set 0% as the target for women's participation in leadership positions for the period ending 30 September 2020. In the case of Deutsche Industrie, however, the decisive criterion when filling management positions is gender-independent the qualification and aptitude.

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 (1) Sentences 2 and 3 GCGC – Consideration of diversity and determination of targets for the proportion of women on the Management Board:
The Supervisory Board did not and does not currently follow the recommendation to appoint Diversity in the appointment of Management Board members respecting women, and in particular seeking appropriate consideration of women. 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 this reason, the company has set 0% as the target for women's participation in the Management Board for the period until 30 September 2020.

Section 5.1.3 GCGC – Rules of Procedure Supervisory Board:
In view of the company's still young and developing business activities, the Supervisory Board initially had no rules of procedure. All tasks were dealt with in plenary. Since the Supervisory Board has now adopted rules of procedure, this point has now been met.

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 (2) (3) (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.

Section 5.4.6 GCGC – Individualized disclosure of Supervisory Board compensation:
Remuneration of Supervisory Board members is paid exclusively in the form of a fixed base salary and without a variable component.

The remuneration of the individual members is as follows:

Chairman: EUR 10,000 p.a.
Deputy Chairman: EUR 7,500 p.a.
Regular member: EUR 5,000 p.a.

As the information on the compensation of the members of the Supervisory Board is provided in the remuneration report in the management report, no representation in the declaration of compliance will be made in the future.

Rostock, 5 November 2018

For the Supervisory Board

Dr. Maximilian Murawo
Chairman of the Supervisory Board

For the Management Board

Rolf Elgeti
CIO

The current Declarations of Conformity are published on our website http://www.deutsche-industrie-reit.de/en/, in the “Investor Relations” section under the menu items “Corporate Governance” and “Statement of compliance“.

3.2. Functioning of the Management Board and Supervisory Board

Management structure with three bodies

The Management Board and the Supervisory Board work together closely for the benefit of the Company to ensure responsible management.

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

The Management Board

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

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

The Management Board of Deutsche 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 allowed. The Supervisory Board has set a target of 0 % for the proportion of women in the Management Board for the period up to 30 September 2020. Nor should diversity rules be set in the objectives for the composition of the Management Board. The Company believes that the professional aptitude and knowledge of the Company are crucial for the appointment.

The Management Board of the German Industry REIT-AG consists of three persons: Mr. Rolf Elgeti (CEO), Mrs. Sonja Paffendorf (CIO) and Mr. René Bergmann (CFO).

The CEO, Mr. Rolf Elgeti, is responsible for Human Resources, Public Relations, Law/Compliance, and Strategy. The investment responsibility will be on the CIO, Ms. Sonja Paffendorf. The business segment of the CIO includes the areas of acquisition and sales as well as asset and property management. The CFO, Mr. René Bergmann, is responsible for accounting/controlling, financing and investor relations. All three board members also control and monitor the external service providers for their areas.

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

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

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

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

CEO Rolf Elgeti receives a overall annual remuneration of currently EUR 71.3 thousand. If the Supervisory Board of the Company should in future be convinced that an appropriate remuneration that takes into account the objectives of § 87 AktG requires the conclusion of further agreements, appropriate measures will be considered.

For their work in the Management Board, Ms. Paffendorf and Mr. Bergmann receive an annual fixed gross salary of currently KEUR 120.0 in cash. In addition, there is a variable remuneration component for these two Management Board members with target achievement criteria in accordance with the recommendations of § 4.2.5 of the DCGK.

Target achievement criteria 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 target achievement rate is redefined every year. The variable remuneration starts from a target achievement of at least 30% (including = 0 EUR). Overachievement will be capped at 150% per single target.

Half of the variable remuneration will be paid out in cash after the financial statements audited by the auditor are completed (in December of the year). The other half will be distributed after two further financial years, provided 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 of the 2017/2018 Financial Report.

Consideration of women in filling leadership positions
The Management Board does not follow the recommendation of § 4.1.5 GCGC to pay attention to diversity when filling management positions in the Company and to strive for appropriate consideration of women. The Company currently has only ten non-Management employees. Apart from the Management Board, there were no management positions in the Company and, therefore, the Company can currently not follow this recommendation for formal reasons. For this reason, the Company had and has set 0% as the target for women's participation in leadership positions for the period ending 30 September 2020. In the case of Deutsche Industrie, however, the decisive criterion when filling management positions is gender-independent the qualification and aptitude.

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

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

All Supervisory Board members are elected by the shareholders at the Annual General Meeting. At present, no representatives of employees are represented 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 diversity rules be set 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 30 September 2020. The Company believes the professional aptitude and the knowledge of the Company as prerequisites for the occupation of a position are crucial, so that the above-mentioned requirements are not expedient.

The Supervisory Board of Deutsche Industrie REIT-AG currently consists of three persons: Dr. Maximilian Murawo, Dr. Dirk Markus and Mr. Achim Betz.

Dr. Maximilian Murawo is Chairman of the Supervisory Board and Dr. Dirk Markus Deputy Chairman. The term of office of all Supervisory Board members 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.

So far, no committees have been formed due to the small number of members.

The determination of an age limit and a regular limit for affiliation to the Supervisory Board are waived. The Company believes the determination of an age limit and a regular limit on the length of service of the Supervisory Board is not relevant since the Company should also have access to the knowledge and experience of older persons over a longer period within the scope of the Management and Supervisory Board activities.

In the opinion of the Supervisory Board, all current members of the Supervisory Board are to be regarded as independent within the meaning of § 5.4.1 GCGC.

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

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

In accordance with the Articles of Association, the members of the Supervisory Board receive fixed compensation and reimbursements for out-of-pocket expenses. Detailed information on the remuneration of the Supervisory Board can be found in the Remuneration Report of the 2017/2018 Financial Report.

Further details on the work of the Supervisory Board can be found in the Report of the Supervisory Board, which is part of the 2017/2018 Annual Report.

Cooperation between the Management Board and the Supervisory Board
The Supervisory Board appoints the members of the Management Board, determines their respective total compensation and oversees their management. It also advises the Management Board on the management of the Company. The Supervisory Board approves the annual financial statements. Significant decisions of the Management Board require the approval of the Supervisory Board.

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

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

Conflicts of interest
Conflicts of interest of members of the Management and Supervisory Boards must be disclosed to the Supervisory Board without delay. In the 2017/2018 financial year, no conflicts of interest occurred.

3.3. 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 essential 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 as well as employees. Thus, compliance at DIR not only means complying with the law and the statutes, but also adhering to internal instructions and self-commitments to implement the values, principles and rules of responsible corporate governance in daily actions.

Compliance Management System
Currently, DIR employs one person. For this reason, the Management Board saw and sees no need to formulate and disclose formalised measures for compliance management and a so-called "whistle-blowing". The effort involved in setting up, implementing and maintaining formalised action systems was and is, in view of the size of the Company, not in any meaningful relation to the potential benefit gained.

Organisation and controlling
Deutsche Industrie REIT-AG is headquartered in Germany and is, therefore, subject to the provisions

of German stock corporation and capital markets law as well as the provisions of the Articles of Association.

Essentially, Deutsche Industrie REIT-AG manages the Company using the following key figures: EBIT, FFO, LTV, EPRA NAV and cash flow. Sustainable economic, social and environmental 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 within the scope of the legal and statutory provisions and hereby exercise their voting rights. Each share grants one vote.

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

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

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

The Annual General Meeting takes place within the first eight months of each financial year. The Annual General Meeting of Deutsche Industrie REIT-AG, which resolved on the financial year ended September 30, 2017, took place on November 6, 2017 in Berlin as a plenary meeting. 100% of the share capital was represented (share capital of the company at the time of convening the Annual General Meeting: 81,522 shares). All agenda items were decided unanimously.

Stock option plans

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

Transparent reporting

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

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

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

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

Accounting and auditing

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

The 2017 Annual General Meeting elected DOMUS AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft as the auditor for the financial year 2017/2018. DOMUS AG's audits following German auditing regulations laid down by the Institut der Wirtschaftsprüfer as well as the principles of proper auditing and the International Standards on Auditing. The Chairman of the Supervisory Board is immediately informed by the auditor of any grounds for exclusion or exemption as well as inaccuracies of the Declaration of Conformity that occurred during the audit. The auditor reports without delay all issues and events that arise during the audit and are relevant for the task of the Supervisory Board to the Chairman of the Supervisory Board and is required to inform the Supervisory Board promptly of any possible grounds for exclusion or bias.

Opportunity and risk management

An essential element of corporate governance is risk management to adequately and systematically counter the risks that Deutsche Industrie REIT-AG is exposed to. A comprehensive process was introduced that enables management to identify, assess and manage risks and opportunities in a timely manner. As a result, unfavourable developments and events become transparent at an early stage and can be analysed and managed in a targeted manner. Further information on risk management is contained in the opportunity and risk report of the annual financial statements 2017/2018.

Rostock, 5 November 2018

For the Supervisory Board

Dr. Maximilian Murawo
Chairman of the Supervisory Board

For the Management Board

Rolf Elgeti
CEO

4. Supervisory Board Report

Dear Shareholders
In the 2017/2018 financial year, the Supervisory Board of Deutsche Industrie REIT-AG duly performed the duties incumbent upon it by law, the Articles of Association and the rules of procedure.

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

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

Dr. Maximilian Murawo,
Chairman of the Supervisory Board

Meeting attendance of the Supervisory Boards
In total, six meetings of the Supervisory Board took place during the reporting period, one of which was held as a face-to-face meeting and five meetings were held as telephone conferences. In addition, decisions were taken by written procedure. Approvals of draft resolutions of the Management Board were made after examination of extensive documents and intensive discussion with the Management Board. Committees of the Supervisory Board did not exist during the reporting period.

No member of the Supervisory Board attended fewer than half of the meetings. Conflicts of interest of members of the Management and Supervisory Boards that must be disclosed to the Supervisory Board without delay did not arise.

The following overview shows the attendance of the members of the Supervisory Board in the financial year 2017/2018:

Name	7/12/2017 Telephone conference	15/1/2018 Telephone conference	27/2/2018 Telephone conference	10/4/2018 Telephone conference	17/5/2018 Face-to face meeting	22/8/2018 Telephone conference
Dr. Maximilian Murawo	x	x	x	x	x	x
Dr. Dirk Markus	x	x	x	x	x	x
Achim Betz	x	x	x	x	x	x

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

At the opening meeting on 7 December 2017, the Management Board reported on the successful IPO of the Company as part of a technical listing on the Berlin Stock Exchange and the simultaneous listing on the Frankfurt Stock Exchange and in the Xetra trading system. Furthermore, reports were made on the existing portfolio and other properties in the acquisition pipeline.

The meetings on 15 January 2018 and 10 April 2018 each concerned the precautionary approval of a special compensation proposed by the Management Board for the Management Board member Sonja Paffendorf, amounting to a total of EUR 50,000.00 for services that Ms. Paffendorf had provided before her appointment as a member of the Management Board (successful IPO of the Company and successful development of the existing portfolio).

At the meeting on 17 February 2018, the Management Board reported on the successful completion of the first quarter of the 2017/2018 financial year and the publication of the presentation and the interim report. Furthermore, the latest purchases in Wuppertal, Remscheid and Neustadt-Glewe were discussed. The acquisition pipeline proved to be consistently satisfactory. In addition, potential capital increase opportunities were presented in the current year.

On 3 April 2018 (basic resolution) and on 19 April 2018 (volume resolution), the Board of Management resolved to increase the share capital of the Company from EUR 15,000,048.00 by EUR 1,500,004.00 to EUR 16,500,052.00 by issuing 1,500,004 new no-par-value bearer shares with an imputed share in the share capital of EUR 1.00 each against cash contributions. The Supervisory Board approved the abovementioned resolutions by circulation on the same day, i.e. on 3 April 2018 and 19 April 2018. Upon registration of the implementation of the capital increase in the commercial register on 23 April 2018, the share capital was correspondingly increased.

During the Supervisory Board meeting on 17 May 2018, the planned publication of the half-yearly financial report H1 2017/2018 on 29 May 2018 was reported and the preliminary business figures discussed. The Management Board emphasised that the forecasts for the financial year may need to be adjusted upwards. The board gave a general overview of the current portfolio. In addition, the Management Board informed about the planned increase in the real estate bond by up to EUR 25 million. The Supervisory Board authorised the Management Board to increase the bond by resolution. In addition, the latest purchases of the German industrial REIT-AG were presented. Finally, the Supervisory Board adopted rules of procedure at the meeting.

At the meeting on 22 August 2018, the business development in the third quarter of 2017/2018 was explained in the context of interim report 9M 2017/2018. The Board presented the business figures

and these were discussed in plenary. In addition, the Management Board informed about the increase in the real estate bond by EUR 21.9 million to EUR 89.9 million and presented the planned loans. There was also an overview of the current portfolio and the real estate portfolio as of the reporting date. By resolution, the Management Board was expanded by one member: On 1 September 2018, René Bergmann was appointed CFO. In addition, a variable remuneration system was adopted and introduced for the members of the Management Board, Sonja Paffendorf and René Bergmann, the content and necessity of which was presented to the Supervisory Board outside of meetings in advance.

On 13 September 2018, the Management Board decided to increase the share capital from EUR 16,500,052.00 by EUR 1,500,004.00 to EUR 18,000,056.00 by issuing 1,500,004 new bearer shares, partially using authorised capital to increase the number of no-par-value shares with a notional share in the share capital of EUR 1.00 each against cash contributions. The Supervisory Board approved the resolutions of the Management Board (basic resolution and volume resolution) on 13 September 2018 in a circulation procedure. Upon registration of the implementation of the capital increase in the commercial register on 17 September 2018, the share capital was correspondingly increased.

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

Corporate Governance

The Management Board and the 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/ in the area of Corporate Governance Investor Relations / Corporate Governance as well as in the Annual Report 2017/2018.

Annual audit

The annual financial statements of Deutsche Industrie REIT-AG as of 30 September 2018 prepared by the Management Board and the management report of the Company were audited by the auditor appointed by the Annual General Meeting on 6 November 2017 and appointed by the Supervisory Board, DOMUS AG Wirtschaftsprüfungsgesellschaft/Steuerberatungsgesellschaft, Berlin, and provided with an unqualified audit opinion.

The annual financial statements of Deutsche Industrie REIT-AG and the management report of the Company as well as the auditors' reports were made available to all members of the Supervisory Board in due time. The auditors attended the Supervisory Board meeting on 10 December 2018, which confirmed the balance sheet, and reported on the significant results of their audit. This included his comments on the internal control system and risk management in relation to the accounting process. In addition, he was available to the members of the Supervisory Board for additional questions and information. The Supervisory Board approved the result of the audit of the annual financial statements and the management report of the Company after a detailed discussion.

The Supervisory Board carefully examined the annual financial statements and the management report of the Company, the proposal for the appropriation of profits and the auditors' reports. There are no objections. The Supervisory Board then approved the annual financial statements as of 30 September 2018 prepared by the Management Board. The annual financial statements are thus established.

Examination of the Report of the Management Board on Relationships with Affiliated Companies (dependent company report)

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

"After our dutiful examination and assessment, we confirm that

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

The 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 hearing on the dependency report and reported on the key findings of his audit. Following the final result of the Supervisory Board's review, the Supervisory Board agrees with the dependency report of the Management Board and the auditors' report and raises no objections to the final declaration of the Management Board contained in the dependency report.

Changes in the Supervisory Board

On 6 November 2017, the Annual General Meeting of Deutsche Industrie REIT-AG confirmed the previous three members of the Supervisory Board, Dr. Ing. Maximilian Murawo, Dr. Ing. Dirk Markus and Achim Betz in their office.

The Supervisory Board would like to thank the Management Board and employees for their commitment in the 2017/2018 financial year.

Rostock, December 2018

For the Supervisory Board

Dr. Maximilian Murawo
Chairman of the Supervisory Board

5. Composition of the Management Board

Rolf Elgeti, Chief Executive Officer (CEO)

Rolf Elgeti, born 1976 in Rostock, graduated with a degree in Business Administration in 1999 after studying in Mannheim and Paris. He began his career as an Equity Strategist in London, with UBS Warburg (1999 to 2000), Commerzbank (2000 to 2004) and was then appointed Chief Equity Strategist with ABN AMRO (2004 to 2007).

Alongside this, from 2003 he founded and managed various German real estate investment firms as an independent trader. Among other things, Mr. Elgeti worked independently as a real estate fund manager and founder of Elgeti Ashdown Advisers Ltd. until taking up the position of CEO and Chairman of TAG Immobilien AG.

During his time as Chairman of TAG Immobilien AG, he expanded the company to become one of Germany's biggest listed real estate companies, a member of the MDax.

In November 2014, Mr. Elgeti moved to the Supervisory Board of TAG, took over as Chairman of the Board and founded the investment company Obotritia Capital KGaA, which has its registered office in Potsdam. This was followed by the establishment of Deutsche Konsum REIT-AG, a listed company specialising in non-cyclical retail properties selling consumer goods and the founding of Deutsche Industrie REIT-AG.

In addition to his position as CEO of Deutsche Industrie REIT-AG, Mr. Elgeti also holds board and management positions and directorships in various other companies.

Sonja Paffendorf, Chief Investment Officer (CIO)

Sonja Paffendorf, born 1983 in Langenfeld, studied business administration at the European Business School (ebs) in Oestrich-Winkel, Germany, majoring in Real Estate Economics and International Management & Consulting. After obtaining her business administration degree (Dipl.-Kffr.) in 2007, she began her career at the construction company HOCHTIEF Solutions AG, division formart NRW, in the department for residential project development in Düsseldorf.

At formart NRW she was fully responsible for several residential development projects and was leading both internal and external project teams of up to 20 people. She then started working at Leighton Properties Pty Ltd. in the division for residential property development, in Sydney, Australia. She established a new section in the field of student housing for the locations Sydney, Melbourne and Brisbane and was also co-responsible for new land acquisitions for residential projects in the same locations.

Since September of 2015 Ms. Paffendorf has been working for Obotritia Capital KGaA. She started as being the head of acquisitions and project development and got promoted to the position of Chief Investment Officer in January of 2017. In this field of expertise she has been responsible for the strategic development and acquisition of the real estate portfolio of the Obotritia Capital KGaA and its subsidiaries in all asset classes (except retail), including the original Deutsche Industrie Grundbesitz AG company. She was appointed CIO of Deutsche Industrie Grundbesitz AG on 18th of October 2017.

René Bergmann, Chief Financial Officer (CFO)

Mr. René Bergmann, born 1970 in Berlin, started his professional career in a private property management company in Berlin after completing his training as a merchant in the real estate and housing industry.

In 1995 he joined GSW Immobilien AG in Berlin. After various operational activities, he helped develop and implement the company's portfolio management and worked as a portfolio manager for several years. As of 2010, he played a key role in the IPO project of GSW and helped set up the Investor Relations department, initially as a senior IR manager, later as head of IR and reporting directly to the CFO. After the takeover of GSW by Deutsche Wohnen AG, he joined Deutsche Wohnen in 2014 as Team Leader Portfolio Management.

René Bergmann has been working for the Deutsche Industrie REIT-AG since November 2017 as Director Finance he was responsible for the development of this area. He has been Chief Financial Officer (CFO) since September 1, 2018. His duties include equity and debt financing as well as accounting/controlling and IR.

6. What is a REIT?

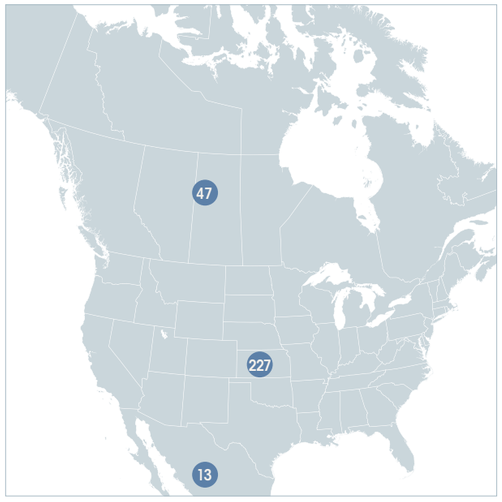
1. What is a REIT?

REIT is the abbreviation for "Real Estate Investment Trust". This refers to listed stock corporations whose business purpose is the long-term management of real estate and the sustainable achievement of rental income. Through their capital market access, REITs have with their shares a fungible investment tool for investors. An essential feature is the tax transparency of the company.

REITs already have their origins in the 1960s in the US and Canada. In Europe too, you can find a high number of REITs especially in Great Britain, France and Belgium.
They also exist in developed investment markets in Asia (Singapore, Hong Kong, Japan) and Australia. In particular, REITs are characterised by high stability, profitability, dividend strength and sustained increases in value and have, therefore, been established for decades.

- **Global REIT Map: Established real estate investment vehicle in developed investment areas**

North Amercia



Europe

Asia-Pacific

Australia: 56
Hong Kong: 12
New Zealand: 6
Japan: 58
Singapore: 36
Thailand: 36

Source: EPRA Global REIT survey

2. Why REIT?

A REIT enables a wide range of investors, and thus, also small investors, to participate indirectly in real estate through a share investment, for which a real estate direct investment is generally out of the question due to the high level of investment. Compared to traditional real estate funds, they are more fungible due to the stock exchange listing of their shares and more transparent due to publicity requirements. At the company level, REITs are exempt from income taxes (corporation tax and trade tax). The taxation of income will only take place downstream at the level of the shareholder with the dividend distribution. In this respect, investments in REIT companies are in the same tax position as a direct real estate investment.

3. Prerequisites for obtaining the REIT status

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

- Minimum equity of EUR 15 million,
- Listing in the regulated market of a German stock exchange,
- At least 15% free float,
- 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.

4. Advantages of a REIT

From our point of view, the German REIT criteria are business quality criteria. The defined minimum capital and the minimum capital ratio ensure a sustainable and strong equity base. Furthermore, the determination of a maximum shareholding of a single shareholder, a minimum free float rate and the stock market listing hedges the fungibility of the share. In this respect, shareholders are offered an indirect real estate investment after individual compilation into all asset classes.

Furthermore, the listing in the "regulated market" of a German stock exchange ensures maximum transparency. There are regular disclosure requirements and the ability to contact the Company's Investor Relations department.

And finally, the tax exemption of a REIT stock company also allows very streamlined administrative structures. For example, a separate tax department or the management of complex tax structures are not required and, thus, it ultimately results in higher dividends.

5. Previous significance of REITs in Germany

ith the creation of the REIT law in 2007, real estate allocation and industry professionalism in Germany was to be improved. The background was that a substantial real estate portfolio in Germany was not accessible to the broad investor market. These should be made available to the real estate and investor market directly, which is why the possibility of contribution to REIT companies has been created.

Exempted were existing residential real estate. The booming German housing investment market in the following years was initially covered by listed real estate portfolio holders, who often had high tax loss

carry forwards, which meant that tax payments could not be expected in the medium term. Due to the dynamic development of the residential real estate sector in recent years, these companies now increasingly come into the tax liability.

In this respect, the issue of tax exemption in the real estate sector is increasingly being raised, which could lead to a significant increase in new REITs in Germany over the next few years.

6. Deutsche Industrie as a REIT company

The REIT status fits in perfectly with the long-term and value-adding business model of DIR with a focus on high-yield German retail real estate. Furthermore, the simple structure of the company and the lean management platform generate high annual net profits, which are not taxed at DIR level, but at least 90% are distributed as dividends. Taxation takes place only downstream from the capital gains tax at the shareholder. In addition to current rental income, this also includes capital gains that are exempt from taxation and must be distributed as dividends. In this respect, DIR offers an interesting opportunity of investing in German retail and retail real estate for a wide range of investors.

PHOTO:
Neustadt-Glewe, Brauereistraße

7. The Real Estate Portfolio

7.1. Investment strategy

Deutsche Industrie REIT-AG invests sustainably in Light-Industrial real estate in Germany. In addition to the activities of warehousing and distribution of goods, Light Industrial also covers their administration and production. The asset class consists mainly of medium to large industrial and commercial park areas. The areas are usually more complex than pure logistics real estate and have a high local relevance.

The aim of the Company is to generate steady, sustainable and profit-oriented earnings growth through further acquisitions, ongoing investments in the Germany-wide real estate portfolio and strategic asset and property management. The focus is on good micro-locations with excellent infrastructure, excellent transport connections and local relevance. With an investment volume below the interest of large institutional investors and above private investors, Deutsche Industrie REIT-AG invests in a niche with an attractive opportunity/risk profile.

Due to the network of the managment and the already completed transactions, Deutsche Industrie has close and sometimes long-standing relationships with potential sellers of Light Industrial real estate. Usually these objects are not sold through public auctions, but only offered to a small audience or even exclusively.

So far, properties has been acquired throughout Germany and it is intended to continue to acquire throughout Germany. There is no primary focus on specific regions. In the opinion of the Company, an open requirement profile has the advantage that lucrative objects can also be acquired outside customary Light Industrial locations.

7.2. Development of the portfolio in the financial year 2017/2018

In the financial year 2017/2018, the transfer of benefits and encumbrances of 17 acquired commercial properties took place. On 30 September 2018, the real estate portfolio, taking into account a sale, comprises of 22 properties and is accounted for EUR 168.2 million.

In addition, during the reporting period, acquisition agreements were signed for seven further properties with an investment volume of EUR 30.1 million, at which the transfer of benefits and encumbrances took place after 30 September 2018 or will take place in the future.

With the sale of the property in Jena, a profit of EUR 0.6 million or 73% was achieved compared to the fair value recognised.

Taking into account all real estate acquired and sold in the reporting period, the total portfolio of Deutsche Industrie (proforma) consisted of 29 properties with an annualised total rent of around EUR 18.9 million and a portfolio value of approximately EUR 197.8 million on 30 September 2018.

The regular valuation of the real estate portfolio as at 30/09/2018 led to a valuation result of EUR 6.9 million and already shows the potential value of the recently acquired real estate.

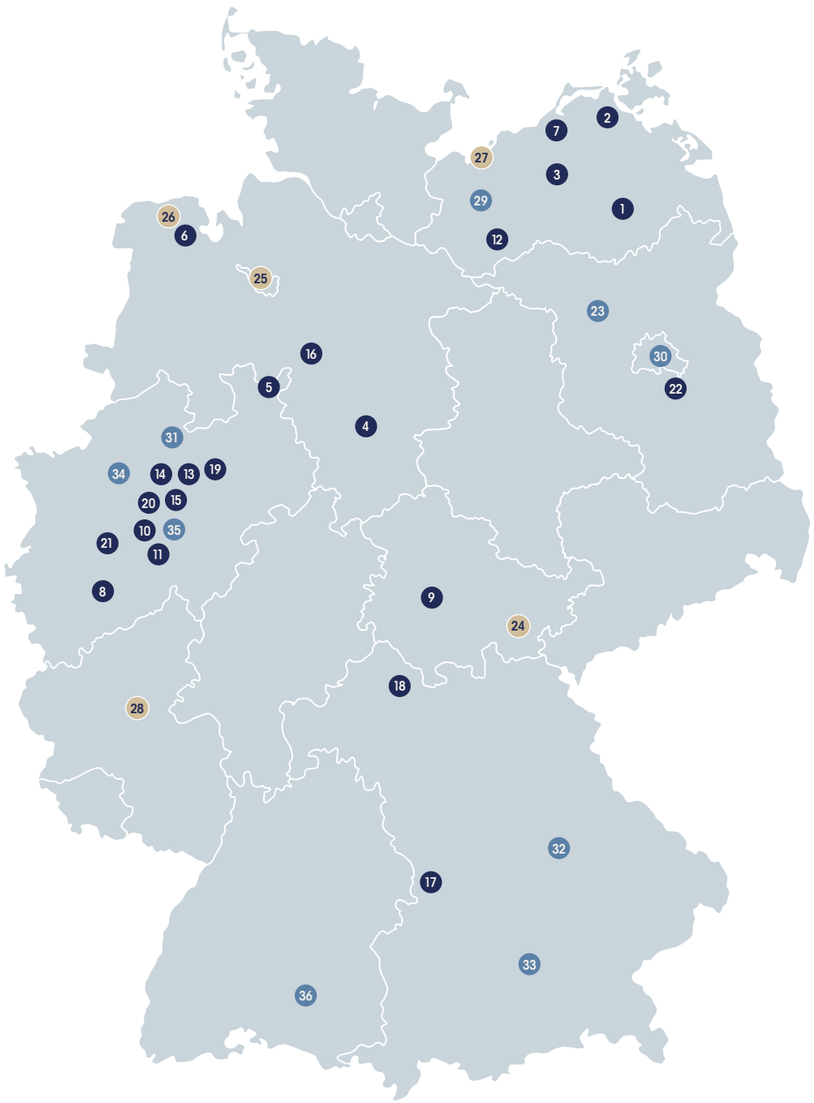
7.3. Geographical allocation

The real estate portfolio is spread all over Germany, with a focus on the more industrialised west and the proximity to the ports in the north of the country. Meanwhile, the DIR is represented in ten states.

Federal State	Properties	Rental space	Annualised rent	% of rent
Northrhine-Westphalia	13	187,192	7,122 TEUR	27.4%
Lower Saxony	4	206,829	5,742 TEUR	22.1%
Bavaria	4	69,070	3,474 TEUR	13.4%
Mecklenburg Western Pomerania	7	148,017	2,774 TEUR	10.7%
Baden-Württemberg	1	46,349	2,559 TEUR	9.9%
Thuringia	3	50,775	1,459 TEUR	5.6%
Brandenburg	2	37,330	1,105 TEUR	3.9 %
Rhineland Palatinate	1	21,824	1,000 TEUR	4.3%
Bremen	1	10,200	411 TEUR	1.6 %
Berlin	1	10,211	314 TEUR	1.2 %
Total	**37**	**787,797**	**25,961 TEUR**	**100.0 %**

Note:
Pro forma holdings: including notarised objects as of 6 November 2018, on which the transfer of ownership took place after 30 September 2018 or has not yet taken place.

PHOTO:
Dortmund, Hannöversche Straße



- Portfolio as at 30/09/2018
- Purchased real estate with transfer of ownership after 30/09/2018
- Purchased real estate so far no transfer of ownership

Note:
Pro forma holdings: including notarised objects as of 6 November 2018, on which the transfer of ownership took place after 30 September 2018 or has not yet taken place.

7.4. Types of use

When using the respective properties, Deutsche Industrie differentiates according to three object categories:

Logistics

These building complexes are already designed for the distribution of goods and have appropriate technical equipment, high loads and are usually suitable for trucks access roads at any time (24/7). These properties are typically used by single tenants or dominant tenants, who generally operate nationally.

Industrial parks

These usually consist of several different buildings, with various uses from storage to workshops, laboratories, offices to event space. The tenant structure is small and the turnover higher, while the tenants are mostly active locally. This allows higher rents, but also leads to longer marketing times and higher vacancies.

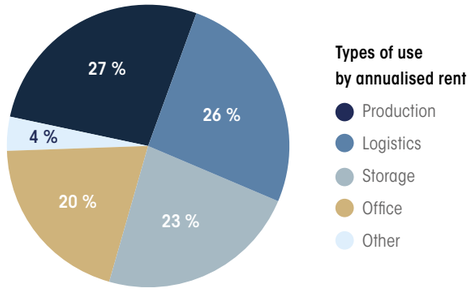
Production and logistics

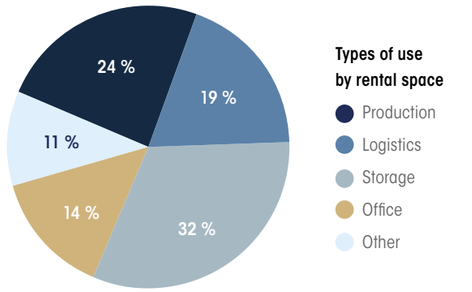
These objects are usually geared to one main producing user and, in addition to the actual production areas, also consist of downstream storage/logistics, administrative and social areas. Also, these properties are often rented to a larger tenant with typically longer lease term with an admixture of smaller secondary users.

The stock is relatively equally divided among these three categories in terms of rent achieved.

Within the objects, the individual rental units consist of the following main usage types:

- Logistics (larger areas, corresponding technical equipment)
- Storage (smaller to medium areas, simpler equipment)
- Office space (usually as simple administrative or training rooms including the corresponding social rooms)
- Production areas (halls, workshops)
- as well as other uses, e.g., open spaces, parking spaces, radio antennas and so on.





Type	Properties	Rental space	IPR p. sqm	Vacancy	WALT	Annualised rent	% of rent
Logistics	10	272,758	3.11 €	9.9 %	4.7	9,157 TEUR	**36.2 %**
Industrial park	10	251,182	3.67 €	24.0 %	3.5	8,421 TEUR	**33.2 %**
Production & logistics	16	244,515	2.81 €	5.8 %	6.4	7,752 TEUR	**30.6 %**
Total	36	768,455	**3.17 €**	13.2 %	4.9	25,329 TEUR	**100.0 %**

7.5. Tenant mix

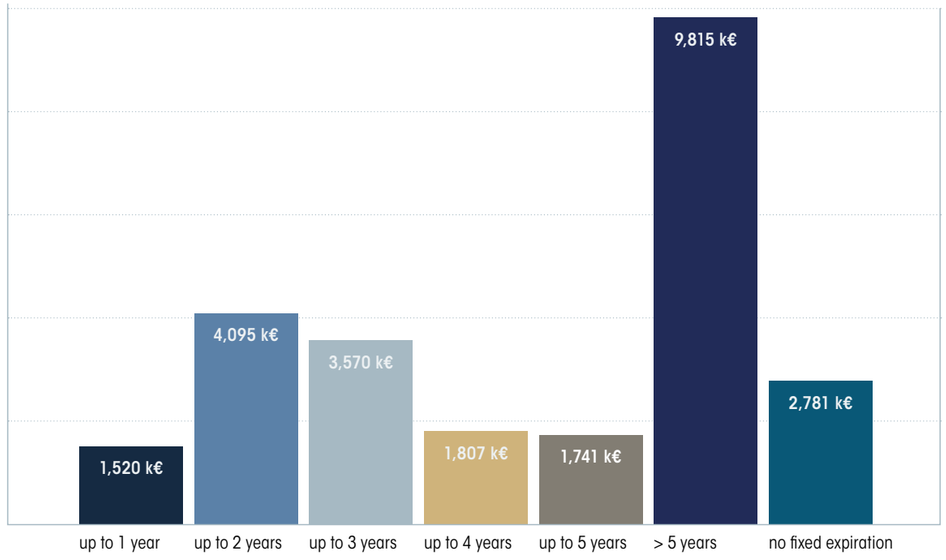
The more than 300 tenants belong to about 50 different industries and are broadly diversified in terms of economic sector, geographic location, lease duration and usage profile. When purchasing new properties as well as in the context of new and follow-up leases, care is taken to maintain and expand this diversity in order to avoid cluster risks and to maintain a more resilient tenant portfolio.

The ten largest tenants represent slightly more than half of the rent, the other half is rather fragmented and widely scattered. This has the advantage on the one hand of strong solvent tenants from economically strong industries and on the other hand of rent increase potential in the more fluctuating part of the portfolio

Tenant	Sector	% of rent
Aenova / Haupt Pharma	Pharmaceutical Industry	11.4 %
Versandhaus Walz GmbH	Online/Mail order seller	10.1 %
Otto (GmbH& Co KG)	Logistics	5.7 %
Bundesanstalt für Immobilienaufgaben	German Armed Forces / Customs	5.4 %
CompAir Drucklufttechnik	Compressed air systems	3.9 %
Veenendaal Schaumstoffwerk GmbH	Foam processing	3.4 %
Zwilling J A	Cuttlery	3.3 %
Laverana GmbH & Co. KG	Natural cosmetics	3.3 %
Nordex Energy GmbH	Wind power plants	3.0 %
Turbon Europe GmbH	Computer consumables	2.6 %
Top Ten Tenants		**52.2 %**
Top Twenty Tenants		**68.8 %**

Note:
Pro forma holdings: including notarised objects as of 6 November 2018, on which the transfer of ownership took place after 30 September 2018 or has not yet taken place.

The remaining lease term averages 4.9 years and is divided between contracts with remaining terms of two to three years - typically many tenants in industrial parks - and longer terms over 5 years, mostly in production and logistics with a lower number of tenants.



Total: 25,329 k€
WALT: 4.9 years

Note:
Pro forma holdings: including notarised objects as of 6 November 2018, on which the transfer of ownership took place after 30 September 2018 or has not yet taken place.

7.6. The Portfolio – Object by object

	Location	Category	Rental space	Annualised rent	IPR commercial	WALT	Occupancy	Fair value	Yield	Transfer
1	Neubrandenburg	Production & logistics	55,907 sqm	745 k€	1.70 €/sqm	7.4 Years	99 %	5100 k€	14.6%	01/01/2015
2	Stralsund	Production & logistics	3,235 sqm	36 k€	2.34 €/sqm	2.6 Years	28 %	553 k€	6.4%	01/07/2016
3	Güstrow	Production & logistics	6,130 sqm	90 k€	1.22 €/sqm	12.5 Years	100 %	690 k€	13.0%	22/03/2016
4	Bad Salzdetfurth	Industrial park	51,172 sqm	1,522 k€	3.39 €/sqm	2.2 Years	75 %	11,100 k€	13.7%	01/01/2017
5	Löhne	Logistics	47,518 sqm	1,949 k€	3.42 €/sqm	3.3 Years	100 %	18,200 k€	10.7%	01/05/2017
6	Schortens	Industrial park	95,327 sqm	3,256 k€	5.00 €/sqm	4.3 Years	55 %	38,100 k€	8.5%	30/11/2017
7	Rostock	Logistics	39,353 sqm	857 k€	2.02 €/sqm	2.4 Years	91 %	9,900 k€	8.7%	06/10/2017
8	Bornheim	Logistics	9,057 sqm	302 k€	2.87 €/sqm	2.3 Years	95 %	3,900 k€	7.7%	01/10/2017
9	Drei Gleichen	Logistics	24,004 sqm	600 k€	2.08 €/sqm	2.8 Years	100 %	3,600 k€	16.7%	07/03/2018
10	Wuppertal	Industrial park	10,010 sqm	566 k€	4.76 €/sqm	2.0 Years	98 %	6,250 k€	9.0%	01/05/2018
11	Remscheid	Industrial park	26,806 sqm	903 k€	3.19 €/sqm	0.7 Years	93 %	9,300 k€	9.7%	01/05/2018
12	Neustadt-Glewe	Production & logistics	12,050 sqm	155 k€	1.83 €/sqm	0.3 Years	63 %	2,100 k€	7.4%	21/02/2018
13	Dortmund	Industrial park	24,823 sqm	766 k€	2.80 €/sqm	4.6 Years	90 %	8,600 k€	8.9%	01/06/2018
14	Bochum	Industrial park	3,522 sqm	194 k€	4.78 €/sqm	7.5 Years	100 %	2,400 k€	8.1%	01/06/2018
15	Witten	Industrial park	10,986 sqm	339 k€	3.22 €/sqm	4.0 Years	100 %	3,500 k€	9.7%	01/06/2018
16	Ronnenberg	Production & logistics	30,099 sqm	854 k€	2.50 €/sqm	3.2 Years	93 %	9,700 k€	8.8%	01/08/2018
17	Elchingen	Production & logistics	3,258 sqm	161 k€	4.12 €/sqm	10.3 Years	100 %	1,950 k€	8.3%	28/06/2018
18	Lichtenfels	Production & logistics	16,356 sqm	854 k€	4.35 €/sqm	10.3 Years	100 %	9,690 k€	8.8%	28/06/2018
19	Meschede	Industrial park	6,563 sqm	186 k€	2.37 €/sqm	1.0 Years	100 %	1,900 k€	9.8%	01/06/2018
20	Hattingen	Industrial park	2,506 sqm	110 k€	3.64 €/sqm	3.3 Years	100 %	1,160 k€	9.5%	01/08/2018
21	Meerbusch	Logistics	13,380 sqm	660 k€	4.11 €/sqm	1.3 Years	100 %	6,540 k€	10.1%	01/09/2018
22	Wildau	Logistics	16,380 sqm	960 k€	5.10 €/sqm	1.9 Years	97 %	12,730 k€	7.5%	01/09/2018
	Total as of 30 September 2018		**508,443 sqm**	**16,066 k€**	**3.23 €/sqm**	**3.9 Years**	**85 %**	**166,963 k€**	**9.6%**	

	Location	Category	Rental space	Annualised rent	IPR commercial	WALT	Occupancy	Fair value	Yield	Transfer
23	Fehrbellin	Logistics	20,950 sqm	145 k€	28.00 €/sqm	1.7 Years	100 %	1,200 k€	12.1%	n.n.
24	Schleiz	Production & logistics	7,429 sqm	228 k€	2.55 €/sqm	6.9 Years	100 %	2,600 k€	8.8%	04/10/2018
25	Bremen	Production & logistics	10,200 sqm	411 k€	3.36 €/sqm	4.2 Years	100 %	3,670 k€	11.2%	01/10/2018
26	Schortens	Logistics	30,230 sqm	111 k€	1.02 €/sqm	2.3 Years	30 %	2,000 k€	5.5%	01/10/2018
27	Wismar	Production & logistics	11,874 sqm	313 k€	2.36 €/sqm	4.0 Years	100 %	3,400 k€	9.2%	01/10/2018
28	Simmern	Production & logistics	21,824 sqm	1,000 k€	3.82 €/sqm	8.8 Years	100 %	12,500 k€	8.0%	01/11/2018
29	Schwerin	Industrial park	19,467 sqm	578 k€	2.48 €/sqm	3.0 Years	100 %	5,450 k€	10.6%	n.n.
30	Berlin	Production & logistics	10,211 sqm	314 k€	2.78 €/sqm	4.3 Years	92 %	6,000 k€	5.2%	n.n.
31	Münster	Production & logistics	2,889 sqm	132 k€	3.81 €/sqm	5.3 Years	100 %	1,500 k€	8.8%	n.n.
32	Regensburg	Production & logistics	19,189 sqm	667 k€	2.82 €/sqm	5.3 Years	100 %	6,000 k€	11.1%	n.n.
33	Wolfratshausen	Production & logistics	30,267 sqm	1,792 k€	4.93 €/sqm	5.7 Years	100 %	17,700 k€	10.1%	n.n.
34	Dinslaken*	Production & logistics	3,596 sqm	0 k€	–	–	–	1,500 k€	–	n.n.
35	Solingen	Logistics	25,537 sqm	1,013 k€	3.41 €/sqm	1.8 Years	97 %	9,600 k€	10.6%	n.n.
36	Bad Waldsee	Logistics	46,349 sqm	2,559 k€	4.60 €/sqm	10.3 Years	100 %	28,150 k€	9.1%	n.n.
	Total - transfer after 30 September 2018		**26,0012 sqm**	**9,263 k€**	**3.62 €/sqm**	**6.5 Years**	**89 %**	**10,1270 k€**	**9.1%**	**n.n.**
	Proforma portfolio ytd		**768,455 sqm**	**25,329 k€**	**3.37 €/sqm**	**4.9 Years**	**86 %**	**268,233 k€**	**9.4%**	

* Forward deal with rental guarantee, rental income from 11/2020

Note:
Pro forma holdings: including notarised objects as of 6 November 2018, on which the transfer of ownership took place after 30 September 2018 or has not yet taken place.

Management Report

PHOTO:
Schortens, Olympiastraße

1. Fundamentals of Deutsche Industrie REIT-AG

1.1. Business Model, Strategy and Structure

Deutsche Industrie REIT-AG ("Deutsche Industrie", "DIR" or the "Company") was founded as Jägersteig Beteiligungs GmbH in November 2014. In October 2017, the name was changed to 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 is Deutsche Industrie REIT-AG.

Since 7 December 2017, the share has been listed in the regulated market of the Berlin Stock Exchange and in the unofficial regulated market of the Frankfurt Stock Exchange and therefore also in the XETRA.

The business activity of the Company focuses on the acquisition, leasing, administration and sale of Light Industrial real estate in Germany. "Light Industrial" is a generic term for a large number of different types of industrial businesses and, in addition to the activities of warehousing and distribution of commercial goods, also includes their administration and production. Typically, "Light Industrial Real Estate" is therefore a commercial property, logistics property (warehouses, transhipment halls, distribution halls and specialised warehouses) or industrial real estate used by commercial users in most cases for warehousing, packaging or smaller manufacturing.

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 leverage the current favourable financing terms available on the market to finance further property acquisitions.

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

- Acquisition of further Light Industrial real estate with appreciation potential;
- Exhausting existing appreciation potential through the development, modernisation or revitalisation of real estate;
- Active, strategic portfolio management to increase and improve the real estate portfolio as well as ongoing review of existing properties for added value in the overall portfolio;
- Taking advantage of the benefits of being a REIT-AG;

In terms of corporate law, DIR consists of a corporation that holds and reports on all real estate. This, as well as the REIT feature, enables the Company to have particularly streamlined administrative structures. In addition, the existing network, the many years of experience of the management and the flat structures help to achieve a high purchase 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 currently holds around 35 % of the shares together with its subsidiaries. DIR uses the business premises and the IT infrastructure as well as partially the staff of Obotritia, which will be passed on proportionately to the Company via an apportionment. DIR is required to prepare a dependency report in accordance with § 312 AktG for the period as a subsidiary of Obotritia KGaA.

1.2. Structure and control system

The control of DIR takes place, inter alia, based on the financial ratios: Initial Return, Funds from Operations (FFO), aFFO (Adjusted Funds from Operations), LTV (Loan to Value) and EPRA NAV (EPRA Net Asset Value), where the decisive control variable is the FFO. In addition, we consider the ratio of current administrative expenses, compared to rental income, as being another control parameter.

Non-financial performance indicators of DIR are vacancy rates as well as the average residual maturities of the WALT (Weighted Average Lease Term) leases at the individual object level and at the overall portfolio level. As a result of the acquisition of properties with higher vacancy rates and lower remaining lease contract terms, which are in line with the business model, these non-financial ratios are subject to significant fluctuations.

Furthermore, DIR has planning tools such as corporate planning and rolling liquidity planning, which are used to steer operational 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. Macroeconomic development

According to the Federal Statistical Office (Destatis), the German economy continues to grow, albeit more cautiously. Gross domestic product increased by 0.5% in the fourth quarter of 2017 and by 0.4% or 0.5% in the first two quarters of 2018 compared to the previous quarters[1]. According to the Bundesbank, gross domestic product could rise by 2.0% in 2018[2], and the upturn in Germany is likely to be fundamentally intact, not least because of the continuing strength of the domestic economy[3]. Economic uncertainties, however, are caused by the global trade dispute, the Brexit, a possible EU exit from Italy and the EU dispute over a common asylum and refugee policy.

The interest rate level in the eurozone is currently at a historic low. On 16 March 2016, the European Central Bank (ECB) lowered the key interest rate by 5 basis points, so that the main refinancing rate was 0.00%. 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[4].

2.2. Development on the German Light Industrial Real Estate Market

The Company specialises in the acquisition, leasing, management and sale of Light Industrial properties, which are essentially subdivided into commercial buildings, logistics properties (warehouses, transhipment halls, distribution halls and specialty warehouses) or industrial real estate used by commercial users in most cases for storage, packaging or as smaller production facilities. The market for Light Industrial real estate in Germany, which is thus delimited by the Company, is dominated by the submarket of logistics real estate, which is thus also of major importance for the business activities of the Company. In the following, therefore, the market for logistics real estate will be described in more detail.

Turnover of the European logistics market amounted to EUR 1,050 billion in 2017, with Germany accounting for the largest share of this at around 25 percent[5]. Apart from the geographically advantageous location in the centre of Europe with extensive motorway and rail network as well as an international leading position, German export surplus continues to favour the development of the logistics market.

Domestic consumer spending, which also has a direct impact on the logistics industry, increased from EUR 1,177.4 billion in 2000 to EUR 1,676.6 billion in 2017[6]. The transport of goods and parcels by courier, express and parcel services is forecast to increase from 2.8 billion to 5.0 billion parcels in ten years[7]. In addition, online retailing is expected to increase by 10% to 12% per annum and reach sales of EUR 80 billion by 2021[8]. In order to cope with increased private consumption and the increase in the delivery of goods, additional logistics space is needed throughout Germany.

However, one of the most important trends for society is the steadily increasing demand on the investment market for German Light Industrial real estate[9]. From the Company's point of view, this demand will continue and is expected to rise due to the historically low interest rates, the positive development of world trade, 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, production of goods and domestic trade.

In 2017, transactions in the German investment market for industrial and logistics real estate amounted to approximately EUR 8.7 billion. This corresponds to an increase of around 89% and a roughly 7-fold increase compared to the transaction volume of 2011 (EUR 1.2 bn). The market share of industrial and logistics real estate is approximately 15% of the total commercial real estate market[10].

The currently elevated price level could lead to further stockholders taking advantage of the good conditions in 2018 and considering disposing of their real estate[11].

2.3. Business Performance

In 2017, the Company changed the financial year from the calendar year to 01/10–30/09. This resulted in a short financial year for the annual financial statements for the period from 1 January 2017 to 30 September 2017. In addition, DIR grew strongly in the reporting period, which had a significant impact on income, finance and assets. The comparative figures presented below are therefore only of limited significance.

Development of the real estate portfolio

In the financial year 2017/2018, the transfers of benefit and encumbrances of 17 acquired commercial properties took place. Thus, the real estate portfolio recognised on 30 September 2018, considering a sale, comprises 22 properties and is accounted for at TEUR 168,242.2.

1 Source: Press release Destatis of 24 August 2018.

2 Source: Deutsche Bundesbank: Monthly Report June 2018, page 13.

3 Source: Deutsche Bundesbank: Monthly Report September 2018, page 5

4 Source: www.finanzen.net/leitzins/, last reviewed on 18 October 2018

5 Source: "Logistikumsatz und Beschäftigung", retrieved on 17 October 2018, available at https://www.bvl.de/service/zahlen-daten-fakten/umsatz-und-beschaeftigung, published by the Bundesvereinigung Logistik

6 Source: "Volkswirtschaftliche Gesamtrechnung – Inlandsproduktberechnung – Detaillierte Jahresergebnisse, 2017", published on 4 September 2018 by the Federal Statistical Office, p. 91

7 Source: "Logistics Real Estate Report 2016", published in March 2017 by Jones Lang LaSalle Real Estate, p. 13

8 Source: "Logistics Real Estate Report Germany | Full Year 2017", published in March 2018 by Jones Lang LaSalle Real Estate, p. 3

9 Source: "Logistics Market Germany – Property Report 2018", published by BNP Paribas Real Estate GmbH, p. 9

10 Source: "Industrial and Logistics Markets Overview 2017/18", published by Colliers International Deutschland Holding GmbH, p. 7

11 Source: "Logistics Real Estate Report Germany | Full Year 2017", published in March 2018 by Jones Lang LaSalle Real Estate, p. 16.

In addition, during the reporting period, purchase agreements were signed for seven further properties with an investment volume of TEUR 30,130 at which the transfers of benefits and encumbrances took place after 30 September 2018 or will still take place. Down payments have already been made for six properties.

With a purchase contract dated 28/05/2018, the property in Jena was sold for an sales price of. TEUR 1,350. The transfer of ownership was on 28 August 2018.

Considering all real estate acquired and sold during the reporting period, the total portfolio of Deutsche Industrie (proforma) consisted of 29 properties with an annualised total rent of around TEUR 18,853.0 and a portfolio value of approximately TEUR 197,783.0 on 30 September 2018.

Positive performance of the real estate portfolio
The regular real estate valuation as of 30 September 2018 by an external independent valuation expert resulted in a valuation result for the reported real estate of around TEUR 6,913.7.

Successful capital increases
On 23 April 2018, the Company successfully placed a capital increase against cash contribution using the existing Authorised Capital 2017 at a price of EUR 7.75 per share and issued 1,500,004 new shares. The gross issue proceeds amounted to TEUR 11,625.

In a further capital increase on 17 September 2018, a further 1,500,004 new shares were placed in a private placement to institutional investors and existing shareholders at a price of EUR 10.00 per new share. The Company thus received gross proceeds of TEUR 15,000.

Secured real estate loan
The Company issued a secured real estate bond with a total nominal amount of TEUR 89,900.0. The real estate bond is divided into 899 mutually equal and bearer bonds in the amount of TEUR 100.0 each. The term of the real estate bond with an original total nominal amount of TEUR 60,000.0 began on 30 August 2017. The real estate bond was raised on 13 October 2017 by an amount of TEUR 8,000.0 and on 13 July 2018 by an amount of TEUR 21,900. The term of the real estate bond ends on 30 August 2022. Bondholders will receive a fixed interest rate of 4.00% p.a. until full repayment. Interest payments are made on the 30th of August of each year.

Taking-up of new loan financing
On 14 November 2017, the Company concluded a loan agreement in the amount of TEUR 1,900.0 with VR-Bank eG to finance the property Ottostraße 91 in Bornheim. The loan, which has been firmly committed at a rate of 1.25% for five years, will be repaid in monthly annuities of EUR 9,895.83 and an initial repayment of 5.0%.

On 22 August 2018, the Company concluded a loan agreement in the amount of TEUR 7,950.0 with Sparkasse UnnaKamen to finance the properties in Dortmund, Bochum, Witten and Meschede. The loan, which has been firmly committed at a rate of 2.27% for ten years, is repaid in monthly annuities of EUR 48,163.75 and an initial repayment of 5.0%.

Change of legal form, IPO and obtaining REIT status
On 18 October 2017, the change of legal form of the Company into a stock corporation was registered with the commercial register of the Local Court of Rostock under HRB 13964.

On 6 December 2017, 15,000,048 ordinary bearer shares with no par value (no-par value shares) each with a pro rata amount of share capital of EUR 1.00 per share – with full dividend entitlement from 1 October 2017 – were admitted to the regulated market on the Berlin Stock Exchange.

The initial listing of the shares in the regulated market of the Berlin Stock Exchange and on the open market of the Frankfurt Stock Exchange took place on 7 December 2017. The opening price on XETRA was EUR 4.85.

The Company achieved the desired REIT status with the entry in the commercial register on 23 January 2018 and since then has been trading as Deutsche Industrie REIT-AG.

Annual General Meeting
On 6 November 2017, the Annual General Meeting of the Company took place in Potsdam. All proposed resolutions were adopted with the required majority.

Based on the resolution of the Annual General Meeting, entered in the Commercial Register on 16 November 2017, the Company's share capital was increased from its Company funds from EUR 81,522 by EUR 14,918,526 to EUR 15,000,048. The capital increase was made by issuing 14,918,526 new no-par-value bearer shares to the Company's shareholders with a pro rata amount of the share capital of EUR 1.00 per share.

Furthermore, the Management Board was authorised by resolution of the Annual General Meeting to increase the share capital with the approval of the Supervisory Board by 5 November 2022, once or several times by issuing new no-par-value bearer shares against contributions in cash and/or in kind by up to a total of EUR 7,500,024 (Authorised Capital 2017).

2.4. Financial performance, liquidity, and financial position

Financial performance
The financial performance of Deutsche Industrie developed as follows in the 2017/2018 financial year:

TEUR	2017/2018	2017
Net Rental income	8,070.7	1,628.1
Other operating income	147.4	7,256.2
Sales result investment properties	585.8	0.0
Valuation result	6,913.7	2,416.3
Operating expenses	–1,927.1	–466.6
EBIT	**13,790.5**	**10,834.1**
Financial result	–1,337.4	–74.7
EBT	**12,453.1**	**10,759.3**
Taxes	1,261.2	–3,544.4
Net income	**13,714.3**	**7,214.9**

In the financial year, the net rental income increased significantly by TEUR 6,442.6 or 396 % as a result of the acquisition-related significantly increased real estate portfolio. In line with this, the management expenses have increased accordingly. The real estate portfolio increased by 17 from 6, taking into account one disposal, to 22 properties. The transfers of benefits and encumbrances were made at acquisition at different times in the financial year.

The other operating income in the same period of the previous year was determined by a one-time effect, the sale of a share package with a result of TEUR 7,230 .

The sales result results from the sale of the property in Jena.

The result from valuation increased by TEUR 4,497.4 to TEUR 6,913.7 (previous year: TEUR 2,416.3). This was due to the newly acquired investment properties, above all the property in Schortens with a valuation result of TEUR 2,680.1.

Personnel expenses increased as a result of the first-time appointment of Management Board members and the hiring of additional employees as part of the expansion of the Company. The increase in operating expenses was mainly due to the costs of the capital increases, the initial charge for business transactions and the increased general administrative expenses.

The change in the financial result results from higher interest expenses due to new loans.

Due to the attainment of the REIT status in the current financial year and the accompanying tax exemption, the deferred taxes were reversed. This resulted in one-time income of TEUR 1,261.3.

The annual result amounts to TEUR 13,714.3 (previous year: TEUR 7,214.9) from which FFO derives as follows:

TEUR	2017/2018	2017
Net income	13,714.3	7,214.9
Adjustment of income taxes	–1,261.3	3,544.4
Adjustment for depreciation and amortisation	14.1	0.0
Adjustment of unrealised valuation result	–6,913.7	–2,416.3
Adjusted for sales results	–585.8	0.0
Adjustment for one-time and special effects	370.5	–7,232.1
FFO	**5,338.1**	**1,110.9**
– Capex	–1,017.5	0.0
aFFO	**4,320.6**	**1,110.9**

The one-time and special effects include, in addition to the expenses for the IPO, essentially the expenses for land charge orders.

Liquidity

Cash flow from operating activities amounted to TEUR 6,926.9 in the financial year (previous year: TEUR 849.3). The positive cash flow from operating activities is directly related to the increase in rental properties.

Cash flow from investing activities in the year under review amounted to TEUR –69,182.5 (previous year: TEUR –86,731.2) and consists mainly of the payment for the acquisition of investment properties of TEUR –119,466.6 (previous year: TEUR –41,447, 7) and the payment in connection with the granting of the loan to Obotritia Capital KGaA of TEUR +48,002.9 (previous year: TEUR –45,258.5).

The cash flow statement is as follows:

TEUR	2017/2018	2017
Cash flow from operating activities	6,926.9	849.3
Cash flow from investing activities	–69,182.5	–86,731.2
Cash flow from financing activities	62,349.3	85,880.9
Cash changes in cash and cash equivalents	93.7	–1.0
Cash and cash equivalents at the beginning of the period	23.4	24.4
Cash and cash equivalents at the end of the period	**117.1**	**23.4**

The cash flow from financing activities in the year under review amounted to TEUR 62,349.3 (previous year: TEUR 85,880.9) and mainly relates to proceeds from capital increases of TEUR 26,625.1 (previous year: TEUR 16,378.7) and the proceeds from the increase in the corporate bond of TEUR 29,766.5 (previous year: TEUR 59,809.0), which is offset by the payment for repayment of loans.

The Company was always able to meet its payment obligations.

Financial position

The balance sheet total increased by TEUR 84,000.9 to TEUR 183,616.0 (previous year: TEUR 99,615.1). The increase is mainly due to the increase in the real estate portfolio by TEUR 132,648.5 due to the acquisitions, which are offset by the reduction of the loan to Obotritia Capital, the capital increases, the increase in the corporate bond and the taking out of loans.

Current assets decreased by TEUR 43,196.2 to TEUR 3,260.3 (previous year: TEUR 46,456.5). The reduction mainly results from the loan repayment of the shareholder Obotritia Capital KGaA.

The Company's equity increased by TEUR 39,757.2 to TEUR 71,811.0 (30/09/2017: TEUR 32,053.8), reflecting the two capital increases and the positive annual result of TEUR 13,714.3 (30/09/2017: TEUR 7,214.9).

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

	30/09/2018	30/09/2017*
Equity (TEUR)	71,811.0	32,053.8
Number of shares at balance sheet date	18,000,056	
EPRA NAV per share, EUR*	3.99	

* the Company was a limited liability company on 30 September 2017, the conversion into an AG took place on 18 October 2017

Non-current liabilities increased by TEUR 37,755.3 to TEUR 102,031.6 (previous year: TEUR 64,276.3). This resulted in particular from the increase in the corporate bond and the taking-out of further bank loans.

Current liabilities increased by TEUR 6,488.4 to TEUR 9,773.4 (previous year: TEUR 3,285.0). This was due in particular to the lending from Obotritia Capital KGaA and the increase in other provisions.

The net LTV of the DIR as of September 30 is as follows:

TEUR	30/09/2018	30/09/2017
Financial liabilities to banks	11,042.5	2,083.6
Liabilities from corporate bonds	89,686.2	60,011.9
Current financial liabilities	3,615.2	305.1
Total liabilities	**104,343.9**	**62,400.6**
Less cash and cash equivalents	–117.1	–23.4
Less short-term loans	–144.7	–45,752.3
Net debt	**104,082.1**	**16,624.8**
Investment property	168,242.2	35,593.7
Prepayments for the acquisition of investment property	11,196.1	17,564.9
Total investment properties	**179,438.3**	**53,158.6**
Net-LTV	**58.0 %**	**31.3 %**

Overall, the net worth position of the Company is rated as good.

Overall statement by the Management Board on the economic situation and business performance

The financial year 2017/2018 was very positive for DIR. The property portfolio is growing strongly due to further acquisitions, as a result of which rental income has grown accordingly. At the same time, new leases and lease renewals improved the operating performance of the portfolio. In addition, the valuation gain in the annual real estate valuation has shown the existing appreciation potential.

In the past financial year 2017/2018, a rental result totaling TEUR 8,070.7 was achieved and the Company's own targets were met.

On the financing side, loans were taken up and the secured corporate bond increased and two capital measures successfully completed.

Overall, the FFO amounts to TEUR 5,338.1, which is within the forecast of EUR 5–6 million issued during the financial year.

The effects of the acquisitions will have an impact year-round from the new financial year 2018/2019. Therefore, the management of DIR sees the Company well positioned for further successful and profitable development.

Other non-financial performance indicators

The vacancy rate as of the balance sheet date was 15.1 % (30 September 2017: 13.3 %) and the WALT of the portfolio was 3.9 years as at the reporting date (30 September 2017: 3.7 years). Due to the very strong growth from 6 to 22 properties, the comparison with the previous year's figures is only of limited significance.

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 is capable of identifying 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 on the basis of defined thresholds with regard to the amount of damage and the probability of occurrence:

Extent of damage		mEUR			
	high	> 2.0	middle	Middle-high	high
	middle	1.0 to 2.0	middle-low	middle	middle-high
	low	< 1.0	low	middle-low	middle
			< 10 %	10 % to 50 %	> 50 %
			low	middle	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:

1. 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 revenues exclusively in Germany. In particular, a deterioration in national economic conditions, coupled with an increase in the number of unemployed, may negatively impact rent and price levels and adversely affect the creditworthiness of potential tenants and purchasers of real estate. This can have different regional effects, so that 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

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

The Management Board currently estimates these risks to be low overall, as the German economy is currently booming and expanding further, which has actually been reflected in the extension of a large number of leases at DIR. Furthermore, due to Germany's geographic advantageous location and the expected increase in logistics revenues, the risk of falling rents and lack of lease renewals is estimated to be low.

d Changes in the financing environment/ capital market

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

2. 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 also 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 has to 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 Personnel 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 Financial 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 with regard to 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 with regard to 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

In 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.

The Company has to implement the duties of the WpHG through the IPO. This results in higher organisational and information tasks that are inevitably associated with higher costs. This risk is countered by hiring an experienced IR manager.

e **Tax risks**
To maintain the REIT property, 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 in particular 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.

3. 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 time-frame, 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 control system and risk management system with regard to 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 on the basis of 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.

Einschätzung des Gesamtrisikos
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 course of DIR's business are based on the estimates of the Management Board. The assumptions made are currently considered realistic based on the information available. In principle, however, forward-looking statements involve a risk that developments will not actually occur in their tendency or magnitude.

Forecast for the financial year 2018/2019
In the financial year 2018/2019, DIR's operational focus will continue to be on efficient portfolio management and, above all, the further acquisition of Light Industrial real estate in accordance with the investment criteria. On the financing side, investments should be underpinned by market-driven lending and moderate capital measures.

Based on the current FFO of TEUR 5,338.1 (previous year: TEUR 1,110.9) and considering the real estate acquisitions made at different times as well as the expected FFO contributions of the already certified real estate purchases and further purchases, the Company expects a significant increase in FFO for the coming business year. Due to the dynamic development of the Company, which is also planned for the financial year 2018/2019, and the continued good growth prospects, there will continue to be a high demand for liquidity. For the coming financial year, the Company continues to expect significant inflows of liquidity due to its very good access to the banking, investor and capital markets.

4. Remuneration report

Remuneration system for the Supervisory Board

For each full financial year of their membership of the Supervisory Board, the members of the Supervisory Board receive a fixed cash compensation of TEUR 5.0 plus premiums for appropriate D&O insurance. The Chairman of the Supervisory Board receives double, the Deputy Chairman receives one and a half times this basic remuneration.

Committees have not been established and attendance fees are not granted. Variable compensation based on the success of the Company or other criteria will not be granted.

The remuneration of the Supervisory Board in the financial year amounted to TEUR 22.5 (2017: TEUR 0.0) plus expenses and value added tax and is distributed as follows:

Supervisory Board member	2017/2018 (TEUR)	2017 (TEUR)
Dr. Maximilian Murawo Chairman	10	0.0
Dr. Dirk Markus Vice Chairman	7.5	0.0
Achim Betz	5	0.0
Total	**22.5**	**0.0**

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 compensation for the 2017/2018 financial year

In view of the amendment to the German Corporate Governance Code in 2017, which recommends a multi-year, future-oriented assessment basis with regard to variable remuneration, on 22 August 2018 the Supervisory Board resolved to introduce a variable remuneration starting in the 2017/2018 financial year.

Target achievement criteria 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 and is for the financial year 2017/2018: for the goals
1. Share price and 3. EPRA NAV each 50% growth and for the target 2. FFO per share 100% growth.

The variable remuneration for 100% target achievement for the 2017/2018 financial year:

- For Sonja Paffendorf 150,000 EUR
- For René Bergmann 75,000 EUR

The variable remuneration starts from a target achievement of at least 30% (below = 0 EUR). Overachievement will be capped at 150% per single target. In this respect, the total variable remuneration component 2017/2018 can amount to a maximum of EUR 225,000 for Mrs. Paffendorf and 112,500 for Mr. Bergmann.

For the financial year 2018/2019, the degree of target achievement for all targets is 20% growth. The variable compensation for 100% target achievement is:

- For Sonja Paffendorf 150,000 EUR
- For René Bergmann 100,000 EUR

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

The values are calculated in relation to the previous year in relation to the VWAP (September) and the reporting date of 30 September (NAV) or the same period of the previous year (FFO) and are based on the IFRS financial statements.

Remuneration of the Management Board in the 2017/2018 financial year

The remuneration of the Management Board, which was paid in the past financial year (grants awarded), amounts to TEUR 370.2 (2017: TEUR 0.0). The amounts received by the Management Board in the past financial year, which also include special payments before the introduction of the compensation system, amount to TEUR 262.4 (2017: TEUR 0.0).

TEUR	Rolf Elgeti CEO		Sonja Paffendorf CIO (since 18/10/2017				René Bergmann CFO (since 1/9/2018)			
	2017 (Current)	2017/2018 (Current)	2017 (Current)	2017/2018 (Current)	2017/2018 (Min.)	2017/2018 (Max.)	2017 (Current)	2017/2018 (Current)	2017/2018 (Min.)	2017/2018 (Max.)
Granted remuneration										
Fixed remuneration	0.0	71.3	0.0	114.5	114.5	114.5	0.0	10.0	10.0	10.0
Fringe benefits	0.0	0.0	0.0	16.6	16.6	16.6	0.0	0.0	0.0	0.0
Total	**0.0**	**71.3**	**0.0**	**131.1**	**131.1**	**131.1**	**0.0**	**10.0**	**10.0**	**10.0**
STI	0.0	0.0	0.0	153.1	50.0	162.5	0.0	4.7	0.0	56.3
LTI	0.0	0.0	0.0	0.0	0.0	112.5	0.0	0.0	0.0	56.2
Total	**0.0**	**0.0**	**0.0**	**153.1**	**0.0**	**275.0**	**0.0**	**4.7**	**0.0**	**112.5**
Total remuneration	**0.0**	**71.3**	**0.0**	**284.2**	**181.1**	**406.1**	**0.0**	**14.7**	**10.0**	**122.5**
Related remuneration										
Fixed remuneration	0.0	71.3	0.0	114.5			0.0	10.0		
Fringe benefits	0.0	0.0	0.0	16.6			0.0	0.0		
Total	**0.0**	**71.3**	**0.0**	**131.1**			**0.0**	**10.0**		
STI	0.0	0.0	0.0	50.0			0.0	0.0		
LTI	0.0	0.0	0.0	0.0			0.0	0.0		
Total	**0.0**	**0.0**	**0.0**	**50.0**			**0.0**	**0.0**		
Total remuneration	**0.0**	**71.3**	**0.0**	**181.1**			**0.0**	**10.0**		

PHOTO:
Bad Salzdetfurth, Teccenter

5. Dependency Report and Overall Assessment

In the financial year 2017/2018, DIR was temporarily a company dependent on Obotritia Capital KGaA. In accordance with legal requirements, DIR Board of Directors prepared a report on relations with affiliated companies (dependent company report) for the period in which DIR was a company dependent on Obotritia Capital KGaA and finally stated in the following:

"In accordance with § 312 (3) AktG, we hereby declare that our Company in relations to affiliated companies at the will have one legal transaction in the 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 took place appropriate consideration. No action was taken or omitted at the initiative or in the interest of Obotritia Capital KGaA or its affiliates."

6. Takeover-relevant information

in accordance with § 289a (1) HGB

Composition of the share capital, voting rights and special rights

The share capital of the Company is divided into 18,000,056 no-par-value bearer shares. As of the balance sheet date, the Company holds no treasury shares. All shares have the same rights and obligations. Each share represents one vote in the Annual General Meeting. The shares may be freely transferred in accordance with the legal provisions applicable to bearer shares. No shares were issued with special rights conferring control powers. Insofar as employees are involved in the Company, they directly exercise their control right.

Shareholdings of 10 % or more of the voting rights

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

On 6 November 2017, the Annual General Meeting of Deutsche Industrie REIT-AG decided to authorise the Management Board of the Company to issue the Company's share capital once or several times by 5 November 2022, with the approval of the Supervisory Board, by up to EUR 7,500,024.00 to increase by issuing up to 7,500,024 new no-par-value bearer shares with a proportional amount of the share capital of the Company in the amount of EUR 1.00 per share (the "Authorised Capital 2017"). The capital increase may be carried out in full or in part in accordance with § 186 (5) AktG.

Amendments

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

Appointment and removal of members of the Management Board

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

7. Corporate Governance Statement

in accordance with § 289f HGB

The Management Board of Deutsche Industrie REIT-AG issued a declaration on corporate governance in accordance with § 289f HGB on 5 November 2018 and made it available on the website https://deutsche-industrie-reit.de in the Investor Relations section under Corporate Governance.

Rostock, 6 November 2018
Deutsche Industrie REIT-AG

Rolf Elgeti
CEO

Sonja Paffendorf
CIO

René Bergmann
CFO

PHOTO:
Bornheim, Ottostraße

Financial Statement

PHOTO:
Rostock, Handelsstraße

Balance sheet

as of 30/09/2018

TEUR	Notes	30/09/2018	30/09/2017
Assets			
Non-current assets		180,355.7	53,158.6
Investment properties	(2.1)	168,242.2	35,593.7
Intangible assets	(2.2)	3.2	0.0
Property, plant and equipment	(2.3)	914.2	0.0
Other non-current assets	(2.6)	11,196.1	17,564.9
Current assets		3,260.3	46,456.5
Trade and other receivables	(2.5)	265.6	2.1
Tax assets	(2.4)	0.0	132.6
Other current assets	(2.6)	2,877.6	46,298.4
Cash and cash equivalents	(2.7)	117.1	23.4
Total Assets		**183,616.0**	**99,615.1**
Equity and Liabilities			
Equity		71,811.0	32,053.8
Issued share capital	(2.8)	18,000.0	81.5
Capital reserve	(2.8)	31,976.8	23,852.4
Other reserves	(2.8)	50.0	50.0
OCI (Other Comprehensive Income)	(2.8)	0.0	0.0
Retained earnings	(2.8)	21,784.2	8,069.9
Non-current liabilities		102,031.6	64,276.3
Financial liabilities	(2.9)	11,042.5	2,083.6
Liabilities from corporate bonds	(2.11)	89,686.2	60,011.9
Other provisions	(2.12)	3.0	3.0
Other non-current liabilities	(2.13)	1,299.9	678.4
deferred tax liabilities	(2.4)	0.0	1,499.4
Current liabilities		9,773.4	3,285.0
Financial liabilities	(2.9)	870.8	305.1
Liabilities to other creditors	(2.10)	2,744.4	0.0
Other provisions	(2.12)	1,687.8	382.2
Trade payables	(2.14)	491.3	0.0
Income tax liabilities	(2.13, 2.4)	2,583.2	2,340.0
Other current liabilities	(2.13)	1,395.9	257.7
Total Equity and Liabilities		**183,616.0**	**99,615.1**

Statement of comprehensive income

For the financial year 01/10/2017–30/09/2018

TEUR	Notes	01/10/2017 – 30/09/2018	01/01/2017 – 30/09/2017
Total rental revenues		11,610.0	2,305.9
Gross Rental income	(3.1)	10,260.0	2,305.9
Operating expenses	(3.1)	–2,189.3	–677.7
Net rental income		**8,070.7**	**1,628.1**
Proceeds from disposal of properties	(3.2)	1,350.0	0.0
Expenses on the sale of properties	(3.2)	–764.2	0.0
Net proceeds from the disposal of properties	**(3.2)**	**585.8**	**0.0**
Other income	(3.3)	147.4	7,256.2
Net proceeds from the disposal of properties	**(3.4)**	**6,913.7**	**2,416.3**
Subtotal		**15,717.6**	**11,300.7**
Personnel expenses	(3.5)	–453.7	0.0
Amortisation of intangible assets, depreciation of property, plant and equipment	(2.2, 2.3)	–14.1	0.0
Impairment loss of inventories and receivables	(3.6)	–195.0	–16.5
Other operating expenses	(3.7)	–1,264.2	–450.1
EBIT		**13,790.5**	**10,834.1**
Interest income	(3.8)	1,634.5	501.0
Interest expense	(3.8)	–2,971.9	–575.8
EBT		**12,453.1**	**10,759.3**
Income tax	(2.4)	1,261.3	–3,544.4
Other tax	(3.9)	–0.1	0.0
Net income		**13,714.3**	**7,214.9**
Net income for the year as per income statement		**13,714.3**	**7,214.9**
Items not to be reclassified		0.0	0.0
Items to be reclassified			
Afs- financial instruments IAS 39 – Net change of FV		0.0	512.2
Afs- financial instruments IAS 39 – reclassification to P/L		0.0	–7,232.1
Tax effect		0.0	2,121.8
Subtotal		**0.0**	**–4,598.1**
Total other comprehensive income		**0.0**	**–4,598.1**
Total comprehensive income		**0.0**	**2,616.8**
Earnings per share (in EUR)			
Undiluted result per share		0.95	–
Diluted result per share		0.95	–

Cash flow statement

	TEUR	Notes	01/10/2017 – 30/09/2018	01/01/2017 – 30/09/2017
	Period result		13,714.3	7,214.9
+/–	Interest expense/interest income	(3.8)	1,337.4	74.7
+/–	Depreciation. amortisation and write-down/reversals of intangible assets. tangible assets and financial assets		14.1	0.0
+	Increase/decrease in inventories. trade receivables and other assets not attributable to investing or financing activities	(3.6)	195.0	16.5
–/+	Gains / Losses from the revaluation of investment properties n	(3.4)	–6,913.7	–2,416.3
–/+	Gains / Losses on disposal of investment properties	(3.2)	–585.8	0.0
–/+	Profit / loss on disposals of financial assets	(3.3)	0.0	–7,232.1
+/–	Increase / decrease in provisions	(2.12)	1,305.6	354.0
+/–	Income tax expense/-income effective	(2.4)	238.1	2,340.0
+/–	Deferred tax expenses / income	(2.4)	–1,499.4	1,204.4
+	Income taxes received	(2.4)	137.7	0.0
–	Income taxes paid	(2.4)	0.0	–390.4
–/+	Increase/decrease in inventories. trade receivables and other assets not attributable to investing or financing activities	(2.6)	–2,645.3	–268.4
+/–	Increase/decrease in trade payables and other liabilities not attributable to investing or financing activities	(2.13, 2.14)	1,628.9	–48.0
	Cashflow from operating activities		**6,926.9**	**849.3**
+	Cash receipts from disposal of investment properties (less cost)	(3.2)	1,309.5	0.0
–	Cash payments related to property investments	(2.1)	–119,466.6	–41,447.7
–	Cash payments related to other investments in intangible and tangible assets	(2.2, 2.3)	–931.6	0.0
–	Payments for investments in financial assets		0.0	–25.0
+	Cash Inflow due to financial investments in the context of short-term financial management	(2.6)	48,002.9	0.0
–	Cash Outflow due to financial investments in the context of short-term financial management	(2.6)	0.0	–45,258.5
+	Received interests	(3.8)	1,903.3	0.0
	Cashflow from investment activities		**–69,182.5**	**–86,731.2**
+	Cash proceeds from the issue of shares	(2.8)	3,000.0	56.5
+	Cash proceeds from capital increases	(2.8)	23,625.1	16,324.2
–	Costs related to capital increases		–582.1	–2.0
+	Cash inflow from issuing corporate bonds	(2.11)	29,900.0	60,000.0
–	Costs related to issuing corporate bonds	(2.11)	–133.5	–191.0
+	Cash inflow from loans	(2.9)	9,850.0	11,675.6
–	Costs related to the issuance of loans		–10.0	0.0
–	Amortisation of loans	(2.9)	–316.5	–1,624.8
–	Interests paid	(3.8)	–2,983.7	–357.6
	Cashflow from financing activities		**62,349.3**	**85,880.9**
	Change in cash and cash equivalents		93.7	–1.0
	Cash and cash equivalents at the beginning of the period	(2.7)	23.4	24.4
	Cash and cash equivalents at the end of the period	(2.7)	**117.1**	**23.4**

Statement of changes in equity

TEUR	Notes	Issued share capital	Capital reserve	Other reser-ves	OCI	Retained earnings	Total equity
As at 01/01/2017		**25.0**	**0.0**	**50.0**	**4,598.1**	**855,0**	**5,528.1**
Period result		0,0	0.0	0.0	0.0	7,214.9	7,214.9
Other comprehensive income		0,0	0.0	0.0	–4,598.1	0.0	–4,598.1
Total comprehensive income		**0,0**	**0.0**	**0.0**	**–4,598.1**	**7,214.9**	**2,616.8**
Cash capital increase/-reduction	(3.7.1)	56.5	16,324.2	0.0	0.0	0.0	16,380.7
Contribution in kind	(3.7.2)	0.0	7,530.2	0.0	0.0	0.0	7,530.2
Equity procurement costs (after income taxes)	(3.7)	0.0	–2.0	0.0	0.0	0.0	–2.0
As at 30/09/2017		81.5	**23,852.4**	**50.0**	**0.0**	**8,069.9**	**32,053.8**
As at 01/10/2017		81.5	**23,852.4**	**50.0**	**0.0**	**8,069.9**	**32,053.8**
Period result		0.0	0.0	0.0	0.0	13,714.3	13,714.3
Other comprehensive income		0.0	0.0	0.0	0.0	0.0	0.0
Total comprehensive income		0.0	0.0	0.0	0.0	13,714.3	13,714.3
Cash capital increase/-reduction	(2.8.1)	3,000.0	23,625.1	0.0	0.0	0.0	26,625.1
Contribution in kind	(2.8.2)	14,918.5	–14,918.5	0.0	0.0	0.0	0.0
Equity procurement costs (after income taxes)	(2.8)	0.0	–582.1	0.0	0.0	0.0	–582.1
As at 30/09/2018		**18,000.1**	**31,976.8**	**50.0**	**0.0**	**21,784.2**	**71,811.0**

PHOTO:
Bochum, Kantstraße

Notes

Deutsche Industrie REIT-AG, Rostock

Anhang für das Geschäftsjahr 01.10.2017 – 30.09.2018

PHOTO:
Drei Gleichen

1. Accounting principles

1.1. Deutsche Industrie REIT-AG

Deutsche Industrie REIT-AG (hereinafter also referred to as "DIR" 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 headquarters in Rostock. The registered office of the Company is August-Bebel-Str. 68 in 14482 Potsdam. According to the Articles of Association, the object of the Company is the management of own assets through the acquisition, administration and sale of real estate and participations; Licensed transactions are excluded. Furthermore, the Company is entitled to all measures which are suitable, directly or indirectly, for serving this corporate purpose. The Company is authorised to construct, acquire, lease or participate in similar companies. It may also establish branches in Germany and abroad. The DIR is registered in the commercial register of the Local Court of Rostock under HRB 13964.

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

The separate financial statements and management report of DIR as of 30 September 2018 were prepared on 6 November 2018. The Supervisory Board is expected to approve these separate financial statements at its meeting on 10 December 2018. The individual financial statements were prepared voluntarily on the basis of the stock exchange listing.

1.2. Basics of preparing the individual financial statements

The individual financial statements as of 30 September 2018 were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. In addition, the commercial law provisions of § 315e (1) HGB were applied analogously.

All relevant and mandatory standards and interpretations were considered.

The individual financial statements comprise the components 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 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 area of commercial real estate. All properties are located in Germany, in the internal control there is no distinction of the geographical areas; various services are not available. In 2017/2018, revenues amounted to TEUR 11,610.0 (previous year 2017: TEUR 2,305.9). In 2017/2018, the largest customers accounted for revenues of TEUR 1,456.1 (previous year: TEUR 606.7). All income and expenses as well as all assets and liabilities can be found in the overall financial statements. The annual financial statements were prepared under the going concern assumption of the Company.

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

Due to the short fiscal year 01/01/2017–30/09/2017, comparability with the previous year's figures is not given.

1.3. Key discretionary decisions and estimates

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

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

- The rental agreements and leaseholds concluded by the Company are classed as finance leases or operating leases. Further details are included in Note 6.2.

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 independent experts appointed for this purpose. The valuation is based on the discounted cash flow method, based on expected future cash inflows. Accordingly, factors such as future rental income and applicable interest rates are estimated by the Company in collaboration with the valuer, which directly affects the fair value of the investment properties. The fair values of the investment properties amounted to TEUR 168,242.2 at the balance sheet date (previous year: TEUR 35,593.7).

- As part of the review of financial assets, at the end of each financial year, the carrying amounts with which the other financial assets are recognised are compared with the fair values. The appropriateness of the valuations is assessed on the basis of the information available to the borrowers. In the event of foreseeable reductions in the fair values, appropriate impairments are made to the carrying amounts. The book value of the financial assets, which is reported in the trade receivables, amounted to TEUR 265.6 on the reporting date (previous year: TEUR 2.1) and relates to receivables from tenants. The valuation of receivables was adjusted in the financial year due to a refined age structure. The effect of this is shown in 2.5.

- Other provisions and contingent liabilities include estimates, e.g. to make various assumptions about the probability of occurrence and the amount of the claim. All information available at the time the balance sheet was prepared was taken into account. The total of other provisions amounts to TEUR 1,690.8 as of the reporting date (previous year: TEUR 385.2).

1.4. Application of IFRS in the 2017/2018 financial year

DIR continued to apply the accounting and valuation methods and disclosure requirements that were applied in the previous year as long as no new standards or interpretations were required to be applied.

The following new standards, changes 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
06/11/2017	Changes to IAS 12	Income taxes: clarifications	01/01/2017	None
06/11/2017	Changes to IAS 7	Cash flow statements: Indicative initiative	01/01/2017	None

PHOTO:
Neubrandenburg, Augustastraße

All mandatory new standards have no impact on the annual financial statements of DIR.

The following new standards, interpretations and changes to published standards, which were not yet mandatory for DIR in the 2017/2018 financial year, were not applied prematurely by the Company:

EUR Endorsement	Standard	Content	Initial application mandatory for financial years starting from	Effects on the financial statements of DIR
26/02/2018	Changes to IFRS 2	Classification and Measurement of Share-based Payment (Amendments to IFRS 2)	01/01/2018	None
14/03/2018	Changes to IAS 40	Transfers of investment properties	01/01/2018	Currently none
22/11/2016	IFRS 9	Financial instruments: classification and valuation of financial instruments	01/01/2018	No significant ones
03/11/2017	Changes to IFRS 4	IFRS 4 Insurance Contracts: Application of IFRS 9 and IFRS 4	01/01/2018	None
07/02/2018	Annual improvement project	Improvements 2014–2016	01/01/2017 / 01/01/2018	None
28/03/2018	IFRIC 22	Transactions in foreign currency and prepayments paid in advance	01/01/2018	None
22/09/2016	IFRS 15	Revenues from contracts with customers	01/01/2018	Changes in presentation
31/10/2017	Clarification to IFRS 15 (2016)	Revenues from contracts with customers: Clarification	01/01/2018	None
31/10/2017	IFRS 16	New standard „Leases"	01/01/2019	No significant ones
Not yet taken over	IFRS 17	New Standard „Insurance Contracts"	01/01/2021	None
22/03/2018	Changes to IFRS 9	Prepayment arrangements with negative compensation	01/01/2019	None
Not yet taken over	Changes to IAS 19	Plan changes, cuts or settlements	01/01/2019	None
Not yet taken over	Changes to IAS 40	Long-term investments in associates and joint ventures	01/01/2019	None
Not yet taken over	Annual improvement project	„Improvements to IFRSs 2015 – 2017 Cycle"	01/01/2019	None
Not yet taken over	IFRIC 23	Uncertainties regarding income tax treatment	01/01/2019	None
Not yet taken over	Changes to IAS 28	Long-term Interests in Associates and Joint Ventures	01/01/2019	None
Not yet taken over	Framework	Changes to the framework	01/01/2020	None

Accounting effects may arise from the newly applicable standards as follows:

IFRS 9 "Financial Instruments" supersedes the previous IAS 39 standard and revises the classification of financial instruments. In future, the classification will be dependent on the business model. In addition, hedge accounting will result in changes to the previously rigid designation of financial instruments. However, due to the simple structure of DIR's financial instruments, this is not expected to have a material impact. In addition, according to IFRS 9, expected losses on certain assets must already be anticipated and accounted for. This could result in an additional value adjustment expense, which is to be recognised directly in profit reserves upon initial application.

IFRS 15 ("Revenue from Contracts with Customers") replaces the previous IFRS requirements for revenue recognition IAS 18 and IAS 11. The new standard aims to standardise the model for revenue recognition in one standard.

The analysis of customer contracts as part of the introduction of IFRS 15 at the Company has also revealed, for the time being, that DIR is a principal in terms of incidental rental expenses and that the ancillary costs to be allocated to the tenants are to be presented as revenues, the corresponding management expenses are therefore reported as expenses within the rental result. Net rental income remains unaffected.

As a result of the change in presentation, the revenue, which corresponds to rental expenses, would increase by up to EUR 2.3 million compared with the presentation used until 30 September 2018 for the 2017/2018 financial year. The change in presentation has no effect on the financial control parameters of DIR.

IFRS 16 will reorganise the accounting for leases and will replace the previous IAS 17 standard. The core of the new regulation is that all leases must be recognised in the balance sheet in the form of rights of use and leasing liabilities to be depreciated in future. DIR does not expect the first-time adoption of IFRS 16 to have a material impact on its accounting because it acts as lessor of commercial real estate. Furthermore, according to IFRS 16, certain ancillary rental costs such as property tax and building insurance, which do not provide additional benefits to tenants, are classified as pure cost allocations and are therefore not covered by the new disclosure requirements of IFRS 15.

In addition, DIR does not expect the other published new standards and interpretations to have a significant accounting impact.

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 are 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 2017/2018 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 September, 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.

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

Non-derivative financial assets within the meaning of IAS 39 are classified as:

- Loans and receivables (LaR) or as
- available-for-sale financial assets (afs).

DIR holds no held-for-trading financial assets or held-to-maturity investments.

The Company determines the categorisation of its financial assets at initial recognition.

Spot transactions in non-derivative financial assets are recognised at the settlement date. Initial recognition is at fair value. The Company determines the categorisation of its financial assets at initial recognition.
A financial asset is derecognised when the power to dispose of contractual rights to cash flows from a financial asset no longer exists. The current trade receivables and other current assets as well as non-current receivables recognised in the Company's balance sheet are assigned to the loans and receivables category. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at amortised cost using the effective interest method less any impairment. An allowance is made if there is an objective substantive indication that the Company will not be able to recover the claims. The basis of this analysis is essentially the age structure of the assets, financial difficulties of the debtor or bankruptcy, as well as any concessions already required.

Available-for-sale financial assets essentially include investments or short-term investments without fixed payments that have not been allocated to any other category. After initial recognition, the asset is measured at fair value, if reliably determinable, with gains and losses recognised directly in other comprehensive income and recognised in equity in a separate reserve. If the fair value cannot be reliably determined, it is recognised at historical cost. Upon disposal of the asset or if an impairment is identified, the amount previously recognised in equity is recognised in the income statement. Write-ups of assets measured at fair value are made if the reasons for prior impairment no longer apply.

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 as long as 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. Financial liabilities

Upon initial recognition of liabilities, they are measured on the trade date at the fair value of the consideration received after deduction of transaction costs. After initial recognition, liabilities are measured at amortised cost using the effective interest method. Financial liabilities are derecognised when the obligations underlying this liability are met, cancelled or extinguished.

1.5.11. 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.

1.5.12. Revenue Recognition

Income is recognised when it is probable that the economic benefit will go to the Company and the amount of the income can be measured reliably.

Proceeds from the sale of real estate are recognised when the risks and rewards of ownership of the property have been transferred to the buyer (transfer of ownership, benefits and encumbrances of the property).

Rental income from investment property and real estate held as current assets, which are regularly leased when acquired or sold, is recognised on a straight-line basis over the term of the lease.

In addition, the rental income includes the effects of the settlement with the tenants of operating costs paid in previous years.

Interest income is realised pro rata temporis, considering the residual receivable and the effective interest rate over the remaining term.

1.5.13. 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 an acrimonial broker 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.

PHOTO:
Wuppertal, Am Brögel

2. Notes to the balance sheet

2.1. Investment property

In the 2017/2018 financial year, the transfer of ownership of 17 acquired investment properties and one sale took place. The property assets of DIR accounted for, as of 30 September 2018, thus include 22 properties with a fair value of TEUR 166,963.0 plus leasehold assets recognised as finance leases (TEUR 1,279.2).

• The development of investment properties is as follows:

Investment Properties	Commercial Properties	
In TEUR	2017/2018	2017
As of 01/10/ – 01/01/	**35,593.7**	**6,893.0**
+ Real estate purchases	124,818.0	25,604.3
+ Activation of leased assets (finance leases)	1,017.5	680.1
+ Subsequent acquisition and production costs	623.0	0.0
– Real estate sale	–723.7	0.0
+ Unrealised valuation result from fair value measurement	6,913.7	2,416.3
As of 30/09/	**168,242.2**	**35,593.7**

Of the investment property, real estate with a carrying amount of TEUR 124,640.0 (previous year: TEUR 33,621.7) was secured by real estate liens or by the assignment of rental income in the year under review.

There are leasehold contracts in which the associated properties are built on commercial real estate. The leasehold contracts are accounted for as finance leases. The capitalised amount as at 30/09/2018 amounts to TEUR 1,279.2 (30 September 2017: TEUR 671.7). The liability recognised as of 30 September 2018 amounts to TEUR 1,301.4 (30 September 2016: TEUR 679.4).

• The income statements include the following significant amounts for investment property:

Investment Properties in TEUR	2017/2018	2017
Rental income	10,260.0	2,305.9
Revaluation of investment properties	6,913.7	2,416.3
Operating expenses (maintenance expenses, property management, property taxes, etc.)	–2,189.3	–677.8
Total	**14.984.4**	**4.043.4**

The valuation by an external expert is carried out on the valuation date 30 September 2018, on the basis of the valuation parameters existing at that time. As in the previous year, the fair value was determined on the basis of internationally recognised valuation methods based on the discounted cash flow method.

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	
	2017/2018	2016/2017
Market rent increase p. a. (in %)	0.50 to 1.00	1.00
Maintenance costs p. a. (EUR/m²)	2.00 to 10.62	2.50 to 9.00
Non-recoverable operating costs p. a. (EUR/m²)	0.00 to 12.00	12.00 to 18.00
Administrative costs p. a. (% of annual gross profit)	1.00 to 4.02	1.00 to 1.50
Discount rate (%)	5.25 to 8.00	7.50 to 9.50
Capitalisation rate (%)	7.25 to 15.00	11.50 to 16.00

* without vacancy and marketing costs

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:

mEUR	30/09/2018		30/09/2017	
Change in the discount and capitalisation rate	+1 %	–1 %	+1 %	–1 %
Fair value of investment properties	–13.5	+11.1	–2.2	+2.5

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

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. The depreciation is linear.

	Technical equipment	Vehicles	Operating and office equipment	Sum
Acquisition cost				
01/10/2017	**0.0**	**0.0**	**0.0**	**0.0**
Accrual	873.1	19.2	35.0	927.3
Outflow	0.0	0.0	0.0	0.0
30/09/2018	**873.1**	**19.2**	**35.0**	**927.3**
Cumulative depreciation				
01/10/2017	0.0	0.0	0.0	0.0
Accrual	7.3	1.2	4.6	13.1
Outflow	0.0	0.0	0.0	0.0
30/09/2018	**7.3**	**1.2**	**4.6**	**13.1**
Residual book value 30/09/2017	**0.0**	**0.0**	**0.0**	**0.0**
Residual book value 30/09/2018	**865.8**	**18.0**	**30.4**	**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. Therefore, DIR does not currently have to recognise any deferred taxes.

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

- **Income taxes are composed in the income statements as follows:**

Income taxes in TEUR	2017/2018	2017
Actual taxes	–238.1	–2,340.0
Deferred taxes	1,499.4	–1,204.4
Total	**1,261.3**	**–3,544.4**

- **The reconciliation from the expected to the actual tax result is shown below:**

Actual tax result in TEUR	2017/2018	2017
Earnings before taxes (EBT after other taxes)	12,453.1	10,759.3
Expected tax result (31.575 %)	0.0	3,397.2
Reconciliation through tax effects on:		
Valuation of investment properties	0.0	–762.9
Tax-free circumstances	0.0	–166.7
Off the discount liabilities	0.0	–60.1
Taxes from transfer to tax exemption according to REITG	243.2	0.0
Tax refund earlier years	–5.1	0.0
other (trade tax additions and reductions)	0.0	–67.5
Actual tax result	**238.1**	**2,340.0**

The calculated tax rate for the financial year is 1.9 % (previous year: 21.7 %).

2.5. Trade receivables

• Trade receivables break down as follows:

Trade receivables in TEUR	30/09/2018	30/09/2017
Claims from rental	502.6	44.1
Individual value adjustment on receivables	–237.0	–42.0
Total	**265.6**	**2.1**

• The individual value adjustments on trade receivables developed as follows:

Individual value adjustment in TEUR	2017/2018	2017
Status as of 01/01/ – 01/10/	42.0	25.5
Consumption	—	—
Resolution	—	—
Accruals	195.0	16.5
Status as of 30/09/	**237.0**	**42.0**

Impairment losses (individual valuation allowances) of TEUR 195.0 on trade receivables were recognised in profit or loss in the financial year (previous year: TEUR 16.5). Impairment losses are included in the item "Impairment losses on inventories and receivables" in the profit and loss account, the reversals are recognised under other operating income. In the financial year, the assessment of impairment was more effectively graded due to the refinement of the age structure. This results in a TEUR 139.9 lower depreciation of receivables.

There were no impairments on other financial assets.

2.6. Other non-current and current assets

Other non-current assets include payments on account of TEUR 11,196.1 (previous year: TEUR 17,564.9) for investment properties where the transfer of benefits and encumbrances has not yet been undertaken at the balance sheet date.

• Other current assets are made up as follows:

Other current assets in TEUR	30/09/2018	30/09/2017
Trust Accounts	1,700.4	48.7
VAT claims	462.4	57.9
Deposit accounts	378.3	32.9
Claims from shareholder loans	0.0	45,258.4
Receivables from interest on shareholder loans	0.0	493.9
Receivables from affiliated companies	0.0	339.8
Receivables from companies with which a participation exists	144.7	0.0
Unfinished services after offsetting with advance payments received	0.0	15.4
Rest	191.8	51.4
Total	**2,877.6**	**46,298.4**

2.7. Liquid assets

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

2.8. Equity

2.8.1. Subscribed capital

The fully paid-in share capital of DIR amounts to TEUR 18,000.0 as of 30 September 2018 (previous year: TEUR 81.5) and is divided into 18,000,056 shares of EUR 1.00 each.

The Annual General Meeting on 6 November 2017 approved the capital increase from Company funds of EUR 81,522.00 by EUR 14,918,526.00 to EUR 15,000,048.00 by converting an amount of EUR 14,918,526.00 of the capital reserve into share capital. The capital increase was made by issuing 14,918,526 new no-par-value bearer shares to the Company's shareholders with a proportionate amount of the share capital of EUR 1.00 per share. The new shares are available to the shareholders at a ratio of 1: 183. Each existing no-par-value share thus accounts for 183 new shares.

Based on the authorisation of the Annual General Meeting on 6 November 2017 (Authorised Capital 2017), the capital stock was increased twice by EUR 1,500,004.00 each time by issuing new bearer no-par-value shares against cash contributions. By resolution of the Supervisory Board of 19 April and 13 September 2018, the share capital in the Articles of Incorporation was increased to EUR 18,000,056.00.

Powers of the Management Board to issue new shares
Authorised capital
The Management Board was authorised by the Annual General Meeting on 6 November 2017, to increase the Company's share capital until 5 November 2022, with the approval of the Supervisory Board by issuing new no-par-value bearer shares in cash or in kind once or several times up to a total of EUR 7,500,024.00 (Authorised Capital 2017). The authorised capital is still EUR 4,500,016.00.

2.8.2. Capital reserve
The capital reserve increased from TEUR 23,852.4 at the beginning of the financial year by TEUR 8,124.4 to TEUR 31,976.8 at the end of the financial year. The change included the increase from the cash capital increases in April and September 2018 of a total of TEUR 23,042.9 and the reduction of the capital reserve by conversion into capital stock of TEUR –14,918.5.

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

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

For the 2017/2018 financial year, the Management Board is planning a dividend proposal of 90% of the annual surplus according to HGB (equivalent to TEUR 1,820.0) in accordance with the REITG as well as the presentation of the remaining unappropriated profit to new account at the next Annual General Meeting. This proposal requires the approval of the Supervisory Board and the Annual General Meeting.

2.9. Liabilities to banks

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 collateral 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).

• Liabilities to banks are as follows:

TEUR	30/09/2018	30/09/2017
Non-current	11,042.5	2,083.6
Current	870.8	305.1
Total	**11,913.3**	**2,388.7**
Of which secured	11,913.3	2,388.7

2.10. Liabilities to other lenders

Liabilities to other lenders result from loans of Obotritia Capital KGaA with an agreed maximum basic maturity, which are subject to variable and permanent repayment. There is only interest on outstanding amounts.

There are loans to Obotritia Capital KGaA in the amount of TEUR 2,744.4 (30/09/2017: TEUR 0.0).

2.11. Liabilities from corporate bonds

On 30 August 2017, the Company issued a bond witha nominal value of EUR 100,000.00 each. The nominal amount of the bearer bonds amounts to TEUR 60,000.0. In the financial year, the bond was raised twice by a total of TEUR 29,900.0. The bond will carry 4.0% p.a. interest and has a term until 30 August 2022. The interest is paid annually on 30 August.

2.12. Other provisions

Since material 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.

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

Liabilities from bonds in TEUR	30/09/2018		30/09/2017	
	Long-term	Short-term	Long-term	Short-term
Bond TEUR 89,900	89,686.2	0.0	60,011.9	0.0

• The other provisions are made up as follows:

Other Provisions in TEUR	As of 30/09/2017	Consumption	Release	Addition	As of 30/09/2018
Legal, consulting and auditing costs	87.6	87.6	0.0	120.0	120.0
Provisions for retention	3.0	0.0	0.0	0.0	3.0
Pending invoices	294.6	271.6	23.0	1,567.8	1,567.8
Total	**385.2**	**359.2**	**23.0**	**1,687.8**	**1,690.8**

2.13. 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	30/09/2018	30/09/2017
Liabilities from finance leases	1,299.9	678.4
Total non-current other liabilities	**1,299.9**	**678.4**
Tax liabilities	2,583.2	0.0
Down payments received after offsetting with unfinished services	456.2	0.0
Deposits	415.9	32.9
Liabilities to tenants	337.6	25.9
Off-period incoming payment	0.0	197.9
Liabilities from finance leases	1.5	1.0
Rest	184.7	0.0
Total current other liabilities	**3,979.1**	**257.7**
Total	**5,279.0**	**936.1**

2.14. Accounts receivable trade

Trade payables amounted to TEUR 491.3 (2017: TEUR 0.0) as of the balance sheet date and mainly include TEUR 175.1 (2017: TEUR 0.0) of real estate transfer tax liabilities for property acquisitions and TEUR 226.6 (2017: TEUR 0.0) liabilities from repair and construction measures.

PHOTO:
Ronnenberg,
Berliner Straße/Chemnitzer Straße

3. Notes to the statement of comprehensive income

Due to the short financial year ending 30 September 2017 and the significantly lower business volume, the previous year's figures are not comparable.

3.1. Turnover and expenses from leasing

- The rental result is calculated from the rental income less management expenses and is as follows:

TEUR	2017/2018	2017
Gross rental income	10,260.0	2,305.9
Total proceeds	**10,260.0**	**2,305.9**
Maintenance	–841.9	–283.5
Contributable additional costs	–259.0	–100.8
Non-contributable additional costs	–1,088.4	–293.4
Total management expenses	**–2,189.3**	**–677.7**
Net rental income	**8,070.7**	**1,628.2**

The maintenance expenses relate to repairs and maintenance work.

Non-contributable additional costs include property management expenses of TEUR 813.4 (2017: TEUR 211.9).

The reimbursements of tenants for operating and ancillary costs were netted against the expenses.

3.2. Sales result investment properties

The Company sold the property in Jena in August 2018. After deduction of expenses from the sale of the investment property, this results in a result of TEUR 585.8 (2017: TEUR 0.0).

3.3. Other Company income

Other operating income in the financial year amounted to TEUR 147.4 (2017: TEUR 7,256.2) and mainly includes income from insurance compensation of TEUR 115.6 (2017: TEUR 24.1) and income from the reversal of provisions of TEUR 23.0 (2017: TEUR 0.0). In the previous year, TEUR 7,232.1 was attributable to the sale of the shares of Deutsche Industrie REIT-AG.

3.4. Total valuation result investment properties

The valuation result includes the net valuation gains and losses from the fair value measurement of the investment properties as at the balance sheet date by an external and independent expert.

3.5. Personnel expenses

Personnel expenses of the Company in the financial year 2017/2018 amounted to TEUR 453.7 (2017: TEUR 0.0) and comprises three full-time employees. Further services for the Company are provided by employees of Obotritia KGaA. For this purpose, a cost allocation is levied, which is recognised in other operating expenses.

The increase in personnel expenses resulted from the hiring of new employees to reflect the growth of the Company. Personnel expenses include TEUR 25.4 (previous year: TEUR 0.0) for social security contributions and pension costs.

As of 30 September 2018, three persons (30 September 2017 none) were directly employed by the Company. This included two board members and one employee.

- The impairments break down as follows:

Impairment losses in TEUR	2017/2018	2017
Addition to specific allowances for rental receivables	195.0	16.5
Impairment on receivables from other deliveries and services	0.0	0.0
Total	**195.0**	**16.5**

3.6. Impairment inventories and receivables

In the financial year, the assessment of impairment was more effectively graded due to the refinement of the age structure. This results in a TEUR 139.9 lower depreciation of receivables.

3.7. Other operating expenses

- The following overview shows the composition of significant other operating expenses:

TEUR	2017/2018	2017
Legal, consulting and auditing costs	573.2	449.8
Agency fees	353.9	0.0
Cost mortgages and liens	142.5	0.0
Supervisory Board remuneration	22.5	0.0
Rest	172.1	0,3
Total	**1,264.2**	**450.1**
thereof one-off expenses	381.0	173.2
Adjusted	**883.2**	**276.9**

3.8. Interest income

- The interest result has the following structure:

TEUR	2017/2018	2017
Interest income from shareholder loans	0.0	501.0
Other interest income	1,634.5	0.0
Total interest income	**1,634.5**	**501.0**
thereof not cash–effective	**223.7**	**501.0**
Interest on bonds	–2,704.5	–203.0
Interest expense from shareholder loans	0.0	–235.5
Other interest expenses	–199.4	–96.6
Ground rent	–68.0	–40.7
Total interest expenses	**–2,971.9**	**–575.8**
thereof not cash–effective	**–408.8**	**–218.2**
Total	**–1,337.4**	**–74.8**

The decrease in interest income is mainly due to the higher level of bond holdings, which corresponds to the growth in the real estate portfolio. For financial assets and financial liabilities that are not measured at fair value through profit or loss, the total interest income amounts to TEUR 1,634.5 (previous year: TEUR 501.0) and the total interest expense amounts to TEUR 2,971.9 (previous year: TEUR 575.8).

3.9. Other taxes

Other taxes amounted to TEUR 0.1 in the reporting period (previous year: TEUR 0.0). The real estate tax on investment properties is reported under rental expenses.

3.10. Earnings per share

- Earnings per share are as follows:

TEUR	2017/2018	2017
Profit for the period (undiluted)	13,714.3	7,214.9
Interest expenses on convertible bonds	–	–
Period result (diluted)	13,714.3	7,214.9
Average number of shares issued in the reporting period (undiluted)	14,511,150	–
Potential conversion shares	–	–
Average number of shares issued in the reporting period (diluted)	14,511,150	–
Earnings per share (EUR)		
Undiluted	0.95	–
Diluted	0.95	–

4. Notes to the cash flow statement

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

Cash flow from operating activities amounted to TEUR 6,926.9 in the financial year (previous year: TEUR 849.3). The positive cash flow from operations is directly related to the increase in rental properties, which will continue to improve in subsequent years.

Cash flow from investing activities in the year under review amounted to TEUR –69,182.5 (previous year: TEUR –86,731.2). The main investment activities of the Company in the reporting year include payments for the various real estate acquisitions in the amount of TEUR –119,466.6 (previous year: TEUR –41,447.7). Cash flow from financing activities amounted to TEUR 62,349.3 in the year under review (previous year: TEUR 85,880.9). In the year under review, the proceeds from capital increases of TEUR 26,043.0 (previous year: TEUR 16,378.7), the increase in the corporate bond of TEUR 29,766.5 (previous year: TEUR 59,809.0) as well as the proceeds from taking out loans from various banks for a total of TEUR 9,850.0 (previous year: TEUR 11,675.6) were significant. These payments were mainly offset by payments for the repayment of loans and interest payments of TEUR –3,300.2 (previous year: TEUR –1,982.4).

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

There are also trade accounts receivable from a large number of customers, so that only a low risk concentration exists. Existing receivables are regularly tested for their recoverability. Valuation adjustments are generally made on the basis of the age structure of the receivables.

The financial assets recognised in the financial statements, less any impairments, represent the maximum credit risk of the Company. However, collateral received is not taken into account. There are no overdue not impaired receivables.

5.1.2. Liquidity and financing risk

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

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

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

Remaining term at 30/09/2018 in TEUR	Due within 1 year	1 to 5 years	Over 5 years	Total
Liabilities to banks	870.8	3,348.0	7,694.5	11,913.3
Liabilities to other lenders	0.0	0.0	0.0	0.0
Liabilities from bonds	305.4	89,900.0	0.0	90,205.4
Liabilities from leasing	1.5	48.9	1,250.9	1,301.3
Liabilities from goods and services	491.3	0.0	0.0	491.3
Other current liabilities	3,977.6	0.0	0.0	3,977.6

Remaining term at 30/09/2017 in TEUR	Due within 1 year	1 to 5 years	Over 5 years	Total
Liabilities to banks	305.1	1,206.4	877.2	2,388.7
Liabilities to other lenders	0.0	0.0	0.0	0.0
Liabilities from bonds	203.8	60,000.0	0.0	60,203.8
Liabilities from leasing	1.0	5.1	673.3	679.4
Liabilities from goods and services	0.0	0.0	0.0	0.0
Other current liabilities	257.7	0.0	0.0	257.7

The Company may use credit lines. The total amount of the not yet used amount is approximately TEUR 17,255.6 at the balance sheet date (previous year: TEUR 20,000.0). The Company expects to be able to meet its liabilities from operating cash flows, from the inflow of maturing financial assets and capital measures as well as existing credit lines at all times. In addition, there are estimated future cash outflows from interest on financial liabilities of TEUR 3,915.9 (previous year: TEUR 2,476.3), of more than one but less than five years of TEUR 11,814.1 (previous year: TEUR 9,801.9) and after more than five years of TEUR 656.2 (previous year: TEUR 49.8). The future interest payments for leasing are shown in 6.2.

The reported financial assets have no fixed maturities and are therefore classified as current.

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

5.1.3. Interest rate risk

Due to the Company's business activities, there are financial risks associated with changes in interest rates, primarily financial liabilities. In the case of loans with variable interest rates and the reassessment of fixed-interest loan terms after the end of the fixed-interest period, the Company is exposed to the risk of higher interest payments (cash flow risks). To hedge these risks, the Company may, to the extent necessary, enter into derivative financial instruments to manage existing risks. These include interest rate swaps and, to a lesser extent, caps that minimise interest rate risk and interest rate sensitivity with rising interest rates. The Company has not currently implemented any interest rate hedging instruments. The Company does not contract or trade financial instruments, including derivative financial instruments, for speculative purposes. In addition, discussions will be held in good time with the financing partners in order to extend expiring fixed-interest periods in good time or to repay loans prematurely or to refinance them if necessary.

There are currently no loans with a variable interest rate that fluctuates depending on market developments.

If interest rates had been 1% higher (lower) in the reporting period, the annual result would have been TEUR 888.7 lower (2017: TEUR 99.5) or TEUR 900.9 higher (2017: TEUR 98.9).

5.1.4. Net results from financial instruments

• The net gains and losses from financial instruments are allocated to the respective IAS 39 valuation categories as follows:

30/09/2018	IAS 39 Category	Interest in TEUR	Impairment in TEUR	Valuation Results OCI in TEUR	Other in TEUR
Shares in companies with which an equity interest exists	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 claims	LaR	1,634.5	–195.0	0.0	0.0
Financial liabilities	FLaC	–2,971.9	0.0	0.0	0.0

30/09/2017	IAS 39 Category	Interest in TEUR	Impairment in TEUR	Valuation Results OCI in TEUR	Other in TEUR
Shares in affiliated companies	Afs-FV	0.0	0.0	512.2	0.0
Other financial assets	Afs-FV	0.0	0.0	0.0	0.0
Loans and claims	LaR	501.0	–16.5	0.0	0.0
Financial liabilities	FLaC	–575.8	0.0	0.0	0.0

5.1.5. Offsetting financial assets and liabilities

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

In the balance sheet as at 30/09/2018, receivables, usually in the line of business, from unbilled operating costs of TEUR 3,023.3 (30/09/2017: TEUR 953.8) with advance payments received from operating cost prepayments in the amount of TEUR 3,479.6 (30/09/2017: TEUR 938,4) were accounted for.

5.2. 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 provisions of the REIT Act, which require a minimum equity ratio of 45 %. Failure to comply with the minimum capital ratio will only get sanctioned in the third consecutive financial year in accordance with § 18 (4) REIT-G.

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

In TEUR	30/09/2018	30/09/2017
Equity	71,811.0	32,053.8
Total assets	183,616.0	99,615.1
Equity ratio in %	**39.1**	**32.2**

• 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 strives for an LTV in the range of 50 to 55 %:

In TEUR	30/09/2018	30/09/2017
Financial liabilities	104,343.9	60,317.0
less cash and current loans	–261.8	–45,775.8
Net financial liabilities	**104,082.1**	**16,624.8**
Investment properties	168,242.2	35,593.7
Prepayments on acquired investment properties	11,196.1	17,564.9
Total property assets	**179,438.3**	**53,158.6**
Loan-to-Value (LTV), %	**58.0**	**31.3**

5.3. 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 dare according to their quality in three levels:

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

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

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

Insofar as input factors of different levels are used, the fair value is assigned to the respective lower hierarchy level. The Company recognises reclassifications between different levels as at the end of the reporting period in which the change occurred. In financial year 2017/2018, there were no transfers between the respective hierarchy levels.

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

In TEUR	Valuation Hierarchy	30/09/2018	30/09/2017
Investment properties	Level 3	168,242.2	35,595.7
Total assets		**168,242.2**	**35,595.7**

- In addition, there are the following financial instruments, which are stated in the balance sheet at amortised cost:

30/09/2018	IAS 39 Category[4]	Carrying Amount in TEUR	Fair Value in TEUR	Valuation Hierarchy
Accounts receivable trade	LaR	265.6	265.6	Level 2
Other current assets	LaR	2,415.3	2,415.3	Level 2
Liquid assets	LaR	117.1	117.1	Level 2
Total assets		**2,798.0**	**2,798.0**	
Liabilities to banks	FLaC	11,825.6	11,794.5	Level 2
Liabilities to other lenders	FLaC	2,744.4	2,744.4	Level 2
Liabilities from bonds	FLaC	89,686.2	89,686.2	Level 2
Liabilities from leasing	FLaC	1,301.4	1,301.4	Level 2
Liabilities from goods and services	FLaC	491.3	491.3	Level 2
Other short-term liabilities	FLaC	929.2	929.2	Level 2
Total liabilities		**107,008.1**	**106,977.0**	

30/09/2017	IAS 39 Category[4]	Carrying Amount in TEUR	Fair Value in TEUR	Valuation Hierarchy
Forderungen aus Lieferungen und Leistungen	LaR	2.1	2.1	Level 2
Sonstige kurzfristige Vermögenswerte	LaR	46,225.1	46,225.1	Level 2
Liquide Mittel	LaR	23.4	23.4	Level 2
Summe Aktiva		**46,250.6**	**46,250.6**	
Liabilities to banks	FLaC	2,359.0	2,336.1	Level 2
Liabilities to other lenders	FLaC	0.0	0.0	Level 2
Liabilities from bonds	FLaC	60,011.9	60,011.9	Level 2
Liabilities from leasing	FLaC	679.4	679.4	Level 2
Other short-term liabilities	FLaC	197.9	197.9	Level 2
Total liabilities		**63,248.2**	**63,225.3**	

LaR: Loans and receivables; FLaC: Financial Liabilities at Cost

The fair value of non-current assets or liabilities corresponds to the present value of the expected payments, considering maturity and risk-adjusted market interest rates. Current trade receivables and other assets and cash and cash equivalents therefore approximate their fair values.

PHOTO:
Meschede, Am Steinbach

6. Other information

6.1. Contingent liabilities and other financial obligations

- As at the reporting date, the following significant financial obligations exist:

TEUR	30/09/2018	30/09/2017
Asset and property management contracts	4,384.4	857.9
Contracts management fees	589.9	0.0
Total	**4,974.3**	**857.9**
of which up to 1 year	1,722.5	257.0
of which over 1 to 5 years (undiscounted)	3,251.8	600.9
of which over five years (undiscounted)	0.0	0.0

There are no other contingent liabilities.

6.2. Leases

Minimum lease payments under operating leases as lessor

Long-term leases, which mainly relate to commercial tenants, include fixed future claims for minimum lease payments under long-term operating leases in the amount of TEUR 41,831.5 (previous year: TEUR 16,713.6). Of this total, TEUR 13,676.9 (previous year: TEUR 4,218.5) within one year, TEUR 19,922.3 (previous year: TEUR 7,076.6) between one and five years and TEUR 8,214.3 (previous year: TEUR 5,418.5) after more than five years are due. As a rule, leases for a fixed minimum period of up to thirteen years are customary. The tenants are sometimes entitled to extension options.

Finance leasing as lessee

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

in TEUR	Total	Up to 1 year	1 to 5 years	Over 5 years
Minimum lease payments 30/09/2018	5,753.2	101.4	405.7	5,246.1
of which interest payments	4,451.8	99.9	356.8	3,995.1
of which repayments	1,301.4	1.5	48.9	1,250.9
Minimum lease payments 30/09/2017	2,861.3	59.4	237.6	2,564.3
of which interest payments	2,181.9	58.4	232.5	1,891.0
of which repayments	679.4	1.0	5.1	673.3

The leasehold agreements have a remaining useful life of 55.2 years on average and are adjusted to agreed indexes by value assurance clauses. There were no index adjustments in the year under review. Furthermore, some extension options are available. Contingent rents were also not available.

6.3. Relationships with related entities

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:

As of 2018, DIR is no affiliate of Obotritia Capital KGaA, Potsdam anymore. For the use of business premises, the provision of office equipment and administrative staff including the activities of the Management Board, the shareholder Obotritia Capital KGaA charged a contribution of TEUR 353.9 (2017: TEUR 0.0) in the reporting period as part of the concluded agency agreement.

With a contract dated 17/11/2014 and the first addendum to the loan agreement of 29 January 2015, Obotritia Capital KGaA granted the Company a current account credit facility to improve its liquidity as a liquidity line. The loan is paid out at the request of the Company and must be repaid at the latest by the end of the contract period on 31/12/2024. Interest will be charged exclusively on the outstanding amount; provisioning fees will not be charged additionally. The interest rate is 8.0% and is calculated annually. The interest payments are deferred and are due at the latest upon termination of the loan. Collateral was not agreed. As of 31 March 2016, the second addendum to increase the loan facility to EUR 20 million was agreed. Overpayments are subject to the same terms and conditions that apply to the claim. For these cases, a loan framework agreement was signed on 2 March 2017. The interest rate is 8.0% and is calculated annually. With effect from 28 August 2017, the first addendum to increase the loan amount to EUR 61 million was agreed. The interest payments are deferred and are due at the latest upon termination of the loan. Interest income of TEUR 1,634.5 (previous year: TEUR 501.0) and interest expenses of TEUR 80.3 (previous year: TEUR 235.5) were generated for the financial year.

The receivables from other related entities reported as of 30 September 2018, include TEUR 100.00 (previous year: TEUR 314.8) for payments made by TecCenter Vermietungsgesellschaft mbH & Co. KG. The receivable from Obotritia Alpha Invest GmbH from the transfer of shares of TecCenter Vermietungsgesellschaft mbH & Co. KG, which was reported in the previous year (TEUR 25.0), was settled as of 30 September 2018.

There is a management agreement with GV Nordost Verwaltungsgesellschaft mbH, Rostock, on the property management of the real estate portfolio. The agreed remuneration amounts to 3% of the net rental income received (plus value added tax) per month. Expenses in the amount of TEUR 323.5 (previous year: TEUR 79.9) were incurred in the year under review.

There is also a management and consulting agreement with Elgeti Brothers GmbH, Berlin. The agreed remuneration amounts annually to 0.5% of the gross asset value of the Company's real estate, calculated on the basis of purchase prices and transaction costs, and is paid in quarterly discounts. In the year under review, expenses amounted to TEUR 489.9 (previous year: TEUR 132.0).

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

TEUR	30/09/2018	30/09/2017
Other current assets		
against Obotritia Capital KGaA	144.7	45,752.3
Other related companies	100.0	339.8
Liabilities versus other lenders		
against Obotritia Capital KGaA	2,744.4	0.0

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

6.4. Supervisory Board and Management

- **In the reporting period, the Supervisory Board consisted of the following persons:**

Name	Occupation	Memberships in other supervisory bodies
Dr. Maximilian Murawo Chairman Berlin	Lawyer	None
Dr. Dirk Markus Deputy Chairman	Economist	• Obotritia Capital KGaA, Potsdam (Member of the Supervisory Board), • Elk Fertighaus GmbH, Schrems (Member of the Supervisory Board)
Achim Betz Nürtingen	Auditor, Tax Consultant, business Graduate	• Deutsche Leibrenten Grundbesitz AG, Frankfurt am Main (Deputy Chairman of the Supervisory Board) • Deutsche Konsum REIT-AG, Rostock (Member of the Supervisory Board) • Best Audit GmbH Wirtschaftsprüfungsgesellschaft, Hannover (Managing Partner) • Hevella Capital GmbH & Co. KGaA, Potsdam, Chairman of the Supervisory Board • BSF Treuhand GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Managing Partner

The remuneration of the Supervisory Board in the financial year amounted to TEUR 22.5 (2017: TEUR 0.0) excluding VAT. Members of the Supervisory Board were granted no loans and advances; Likewise, no contingent liabilities were made 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
Rolf Elgeti Chairman 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 25 May 2018) • 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 29 June 2018) • Laurus Property Partner, München, Germany (Member of the Advisory Board) • Fair Value REIT-AG, München, Germany (until 30 November 2017, Chairman of the Supervisory Board)
Sonja Paffendorf Executive Officer CIO (since 18 October 2017) Berlin	Business Graduate	None
René Bergmann Executive Officer CFO (since 1 September 2018) Berlin	Business Man	None

The remuneration of the Chairman amounts to TEUR 71.3 for the 2017/2018 financial year (2017: TEUR 0.0). Remuneration is paid by Obotritia Capital KGaA because there is no employment contract between the Company and the Chairman. There are no additional grants or variable compensation.

In the financial year 2017/2018, the remuneration of the two other members of the Management Board totalled TEUR 298.9 in 2017 (2017: TEUR 0.0).

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 no longer included as a subsidiary in the consolidated financial statements of Obotritia Capital KGaA, Potsdam.

6.6. Fee of the auditor

The fee for the auditor DOMUS AG of TEUR 111.2 (2017: TEUR 75.0) for the financial year 2017/2018 includes fees plus statutory value added tax exclusively for audit services in the amount of TEUR 66.4 (2017: TEUR 50.0), other certification services of TEUR 43.6 (2017: TEUR 25.0) and other services in the amount of TEUR 1.2 (2017: TEUR 0.0). The other confirmation services relate to the granting of a comfort letter according to IDW PS 910 (TEUR 39.9) as well as the founding examination (TEUR 3.7).

6.7. Significant events after the balance sheet date

After the balance sheet date, the following material events occurred that are not to be considered in the financial statements as at 30/09/2018:

- With the transfer of benefits and encumbrances on 01/10/2018, the acquired properties in Bremen, Schortens and Wismar became the property of the Company. The investment volume was around EUR 8.95 million and generates an annualised rent of around TEUR 836.

- On 01/11/2018, the property in Simmern had the transfer of benefits and encumbrances. The purchase price of this property was EUR 12.1 million, the annualised rent approx. EUR 1.0 million.

- With notarial certification dated 11/10/2018, four properties were acquired in Berlin, Münster, Regensburg and Wolfratshausen. The purchase price for the four purchase agreements totalled EUR 31.2 million. Furthermore, an object in Dinslaken for EUR 1.5 million was acquired by notarised deeds dated 22 October 2018. On 29/10/2018 an object in Solingen with a purchase price of EUR 9.6 million was certified. In Bad Waldsee, a property was acquired on 05/11/2018, the purchase price is here at EUR 28.2 million. The transfer of benefits and encumbrances is expected to take place on 01 January 2019 or later.

- On the debt side, a loan agreement with Berliner Sparkasse of EUR 7.5 million was concluded on 22 October 2018 with a fixed interest rate of 10 years and an interest rate of 2.4%.

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

On 5 November 2018, 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 § 161 AktG. The declaration was made permanently available to the shareholders at https://deutsche-industrie-reit.de.

Rostock, 6 November 2018

Rolf Elgeti
CEO

Sonja Paffendorf
CIO

René Bergmann
CFO

Assurance of legal representatives

"We assure to the best of our knowledge that the financial statements as of 30 September 2018 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 November 2018

Rolf Elgeti
CEO

Sonja Paffendorf
CIO

René Bergmann
CFO

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 audited the individual financial statements of Deutsche Industrie REIT-AG, consisting of the balance sheet as at 30 September 2018, the statement of comprehensive income, the cash flow statement and the statement of changes in equity for the financial year from 1 October 2017 to 30 September 2018 and the notes, including a summary of significant accounting methods. In addition, we reviewed the management report of Deutsche Industrie REIT-AG for the financial year from 1 October 2017 to 30 September 2018.

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

- the accompanying individual financial statements comply with IFRS in all material respects as they are to be applied in the EU and with the supplementary provisions of German law pursuant to § 315e (1) HGB and give, in accordance with these provisions, a true and fair view of the assets and liabilities, of the Company as at 30 September 2018 and its results of operations for the financial year from 1 October 2017 to 30 September 2018 and

- overall, the accompanying management report gives a true picture of the state of the Company. In all material respects, this management report is consistent with the individual financial statements, complies with German statutory provisions and accurately presents the opportunities and risks of future development.

Pursuant to § 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 § 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 services 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, with the exception of 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 § 264 (2) sentence 3 HGB on the individual financial statements and the insurance pursuant to § 289 (1) sentence 5 HGB on the management report and

- the corporate governance declaration in accordance with § 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 disclosing matters relating to the continuation of business, if relevant. In addition, they are responsible for accounting for continuing operations on the basis of 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 on the basis of 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 on the basis of 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. On the basis of 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

On 6 November 2017, we were elected by the Annual General Meeting as the auditor of the annual financial statements. We were commissioned by the Supervisory Board on 11 July 2018. Since the financial year 2016, we have been working continuously as auditors of the annual financial statements of Deutsche Industrie REIT-AG.

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, 6 November 2018

DOMUS AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

signed Prof. Dr. Hillebrand
Auditor

signed 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, 2018, 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%	31/12/2017	22.2%	Yes
§ 11 (2)	No investor holds > 10% of the shares	30/09/2018	-	Yes
§ 12 (2a)	Immovable assets of at least 75% of all assets	30/09/2018	99.5%	Yes
§ 12 (3a)	At least 75% of the income is generated by immovable assets	30/09/2018	100%	Yes
§ 13	Dividend distribution of > 90% of year end result according to German GAAP	30/09/2018	90% planned	Yes
§ 14	Exclusion of real estate trading	30/09/2018	0.33%	Yes
§ 15	Equity of at least 45%	30/09/2018	42.7%	No
§ 19	Composition of income in terms of income subject to and not sucject to income tax	30/09/2018	n/a	yes

The free float rate on 31 December 2017 was communicated to the German Federal Financial Supervisory Authority (BaFin) on 2 February 2018. The statement by the Executive Board regarding compliance with the REIT criteria is subject to the auditor's approval, which is expected in January 2019.

Deutsche Industrie REIT-AG
Potsdam, 8. Dezember 2017

Rolf Elgeti
CEO

Sonja Paffendorf
CIO

René Bergmann
CFO

PHOTO:
Löhne, Dieselstraße

Financial Calendar

19/12/2018
Publication of the annual report for the financial year 2017/2018

14/02/2019
Q1 2018/2019 Interim statement

22/03/2019
Annual general meeting

15/05/2019
H1 2018/2019 financial report

15/08/2019
9M 2018/2019 Interim statement

23–26/09/2019
Baader Investment Conference, Munich

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/

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