Deutsche Industrie REIT-AG

Annual Report 2018/2019

1 October 2018 to 30 September 2019

Deutsche Industrie REIT-AG

Highlights

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

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

Content

PICTURE:
Wildau, Chausseestr.

Letter to our shareholders

Dear Shareholders, Ladies and Gentlemen,

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

Real estate portfolio continued to grow strongly and increase in value

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

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

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

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

Successful capital measures and financings

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

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

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

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

Increases in key financial figures

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

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

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

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

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

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

Dividend payment

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

Positive outlook 2019/2020

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

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

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

Best regards,

Rolf Elgeti
Chief Executive Officer

Sonja Petersen
Chief Investment Officer

René Bergmann
Chief Financial Officer

Potsdam, December 2019

The share

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

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

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

DIR share price performance positive

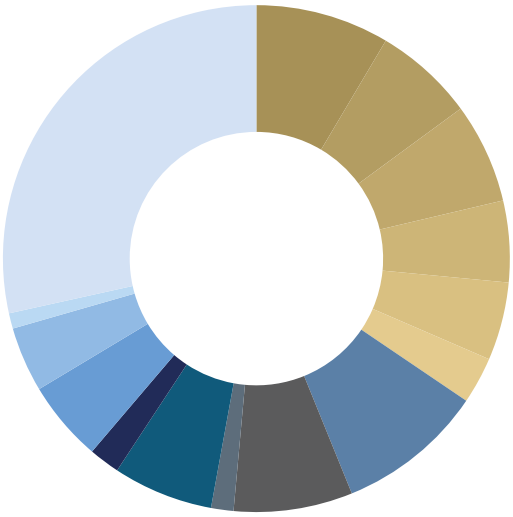
The positive price development in a volatile overall environment as well as the increased market capitalisation and trading volumes confirmed the acceptance of the DIR share on the capital market and the potential of the business model.

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

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

• **Deutsche Industrie REIT-AG – share price (XETRA)**

Shareholder structure



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

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

As of 30/09/2019*

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

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

Successful capital increases

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

Shareholders

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

Investor-Relations

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

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

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

Analyst coverage

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

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

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

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

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

PICTURE:
Regensburg, Donaustaufener Str.

Corporate Governance Report and Corporate Governance Statement

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

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

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

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

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

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

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

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

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

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

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

Rostock, 25 October 2019

For the Supervisory Board

Hans-Ulrich Sutter
Chairman of the Supervisory Board

For the Management Board

Rolf Elgeti
Chief Executive Officer (CEO)

2. Functioning of the Management Board and Supervisory Board

Management structure with three bodies

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

An essential element of corporate governance is the separation of corporate management and control. This is achieved through a clear division of tasks and responsibilities between the Management Board and the Supervisory Board. In addition, the Annual General Meeting is the third body. It enables shareholders to participate in the company's fundamental decisions.

The Management Board

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

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

The Management Board of Deutsche Industrie REIT-AG is appointed by the Supervisory Board in accordance with § 6 No. 2 of the Articles of Association. The Supervisory Board also determines the total number of members of the Management Board and whether there should be a Chairman or Spokesman. The members of the Management Board are appointed for a maximum of five years. Reappointments are permissible. The Supervisory Board has set a target of one third for the proportion of women on the Management Board for the period up to September 30, 2020. Further rules on diversity in the targets for the composition of the Management Board have not yet been laid down. The Company is of the opinion that the professional suitability and knowledge of the Company as prerequisites for the appointment are decisive.

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

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

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

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

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

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

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

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

The criteria for achieving the objectives are based on:

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

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

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

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

Consideration of women in filling management positions

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

The Supervisory Board

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

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

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

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

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

Mr. Hans-Ulrich Sutter is Chairman of the Supervisory Board and Dr. Dirk Markus Deputy Chairman. The term of office of all members of the Supervisory Board ends at the end of the Annual General Meeting which resolves on the discharge of the members of the Supervisory Board for the financial year ending 30 September 2019.

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

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

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

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

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

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

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

Cooperation between Management Board and Supervisory Board

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

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

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

Conflicts of interest

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

3. Essential corporate governance practices

Main features of compliance

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

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

Compliance management system

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

Organisation and controlling

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

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

Shareholders and Annual General Meeting

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

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

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

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

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

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

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

Stock option plans

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

Transparent reporting

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

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

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

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

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

Accounting and Auditing

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

The Annual General Meeting, which resolved on the financial year ended September 30, 2018, elected DOMUS AG Wirtschaftsprüfungsgesellschaft/Steuerberatungsgesellschaft as auditor for the financial year 2018/2019. DOMUS AG's audits are conducted in accordance with German auditing regulations as well as the standards for the proper auditing of financial statements laid down by the Institut der Wirtschaftsprüfer and the International Standards on Auditing. The Chairman of the Supervisory Board is immediately informed by the auditor of any reasons for exclusion or exemption as well as any inaccuracies in the

declaration of conformity that may have occurred during the audit. The auditor reports immediately to the Chairman of the Supervisory Board on all issues and events of importance to the Supervisory Board's duties that arise during the audit and is obliged to inform the Supervisory Board immediately of any grounds for disqualification or partiality that may arise.

Opportunity and risk management

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

Rostock, 2 December 2019

For the Supervisory Board

Hans-Ulrich Sutter
Chairman of the Supervisory Board

For the Management Board

Rolf Elgeti
Chief Executive Officer (CEO)

Report of the Supervisory Board

Dear Shareholders,

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

Cooperation between the Supervisory Board and the Executive Board

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

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

Attendance of Supervisory Board meetings

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

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

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

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

Focus of the Supervisory Board's meetings

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

At the meeting of 10 December 2018:

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

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

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

In the meeting of 04 June 2019

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

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

At the meeting of 13 August 2019:

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

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

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

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

Corporate Governance

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

Annual audit

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

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

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

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

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

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

1. the information in the report is correct,

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

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

Changes in the Supervisory Board

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

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

Rostock, December 2019

For the Supervisory Board

Hans-Ulrich Sutter
Chairman of the Supervisory Board

Composition of the Management Board and Supervisory Board

Management Board

Sonja Petersen
CIO
Ms. Petersen is responsible for the areas of acquisition and sales as well as asset and property management

Rolf Elgeti
CEO
Mr. Elgeti is responsible for Human Resources, Public Relations and Strategy

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

Supervisory Board

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

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

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

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

PICTURE:
Essingen, Streichhoffeld

Deutsche Industrie as a REIT

REIT is the abbreviation for "Real Estate Investment Trust". These are listed real estate corporations whose business purpose is long-term asset management and the sustainable achievement of rental income. As a result of their stock market listing, REITs have direct access to the capital markets and, therefore, so to speak, everlasting equity capital compared to real estate funds. In addition, real estate stocks represent a fungible investment vehicle for investors, enabling indirect real estate investments in various asset classes. Another key feature is the tax transparency of the REIT company, as no income tax is levied at company level and taxation at the investor level takes place downstream of the dividend distribution. In this respect, a REIT investment is equated to a direct investment in real estate for tax purposes.

A REIT therefore enables a broad range of investors to participate indirectly in equities through real estate. In particular, retail investors can thus participate in various real estate classes for which a direct investment in a property would not be considered due to the volume, lump risk and management requirements.

For decades, REITs have been characterised by high stability, profitability, dividend strength, and sustained appreciation, and have long been established

in developed investment markets such as the US, Canada, UK, France, Belgium, Singapore, Hong Kong and Japan.

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

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

PICTURE:
Rosengarten, Neue Str.

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

Furthermore, the listing in the “Regulated Market” on a German stock exchange ensures the highest level of transparency. For example, there are regular disclosure requirements such as quarterly reporting in German and English and mandatory participation in analyst and investor events.

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

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

The German Light Industrial Market

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

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

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

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

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

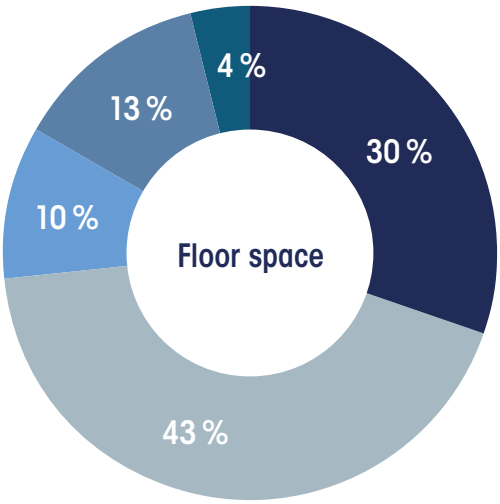
The light industrial market in Germany is relatively non-transparent compared to the other property classes. Since this asset class is slowly moving into the focus of investors, there is hardly any valid and comprehensive market data available.

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

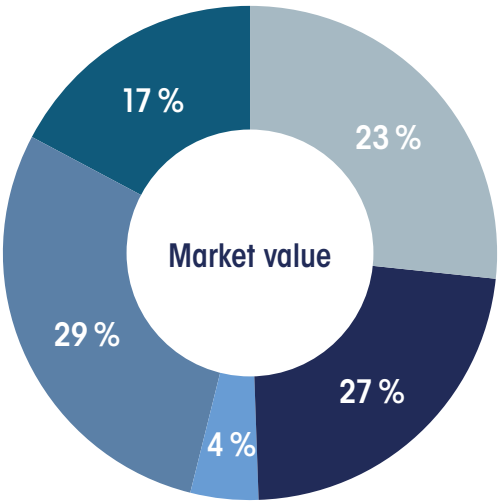
(Source of the data: Initiative Unternehmensimmobilien)

Floor space and market volume

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



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



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

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

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

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

The investment market

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

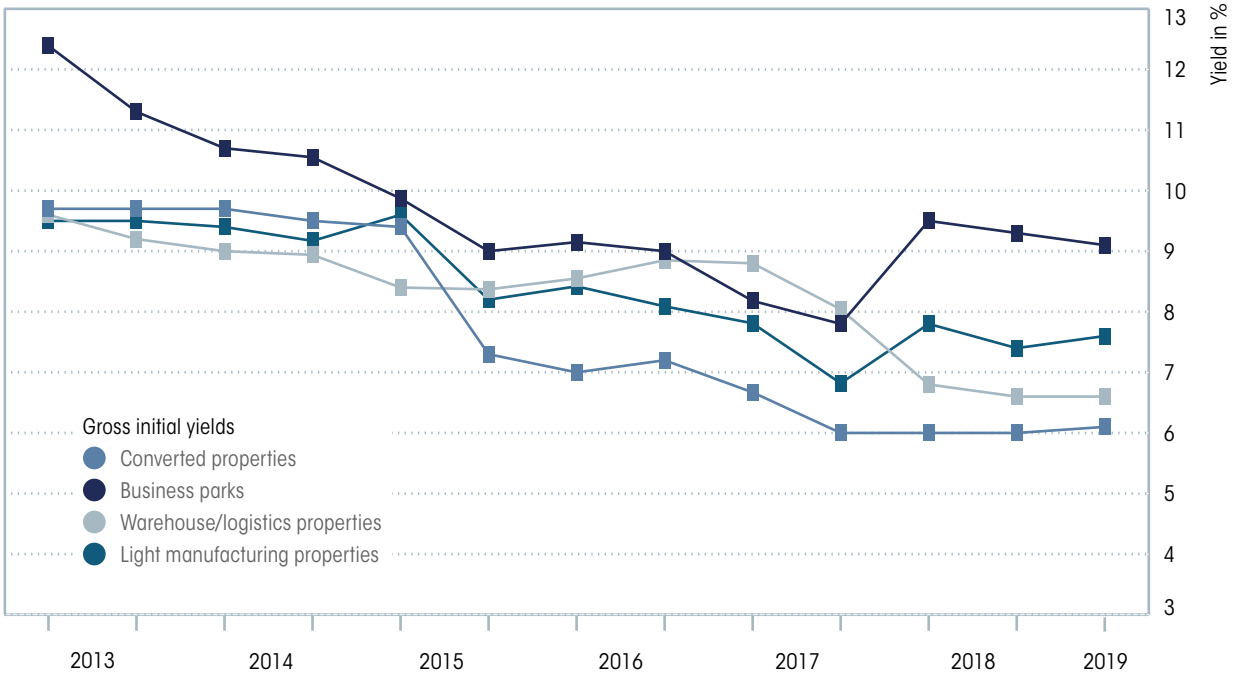
Even though business parks are the smallest category regarding to floor space and market value they represent the property category with the highest investment volume. In the period under review, business parks accounted for 36 % of the total volume. Production real estate accounted for around 25 % of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

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

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

Yield of Light Industrial estates

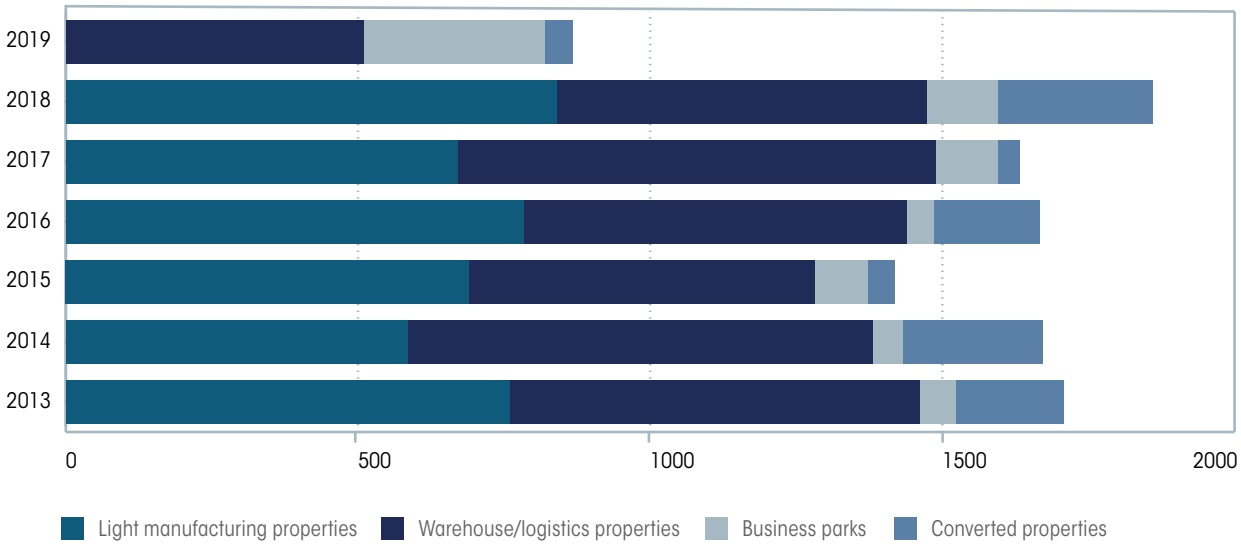
The gross initial yields of light industrial real estate have fallen sharply in recent years. Above all, the yields of transformation properties and industrial parks have fallen the most. The following chart shows the development of the average gross yield of the individual property types over the past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



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

Construcion volume

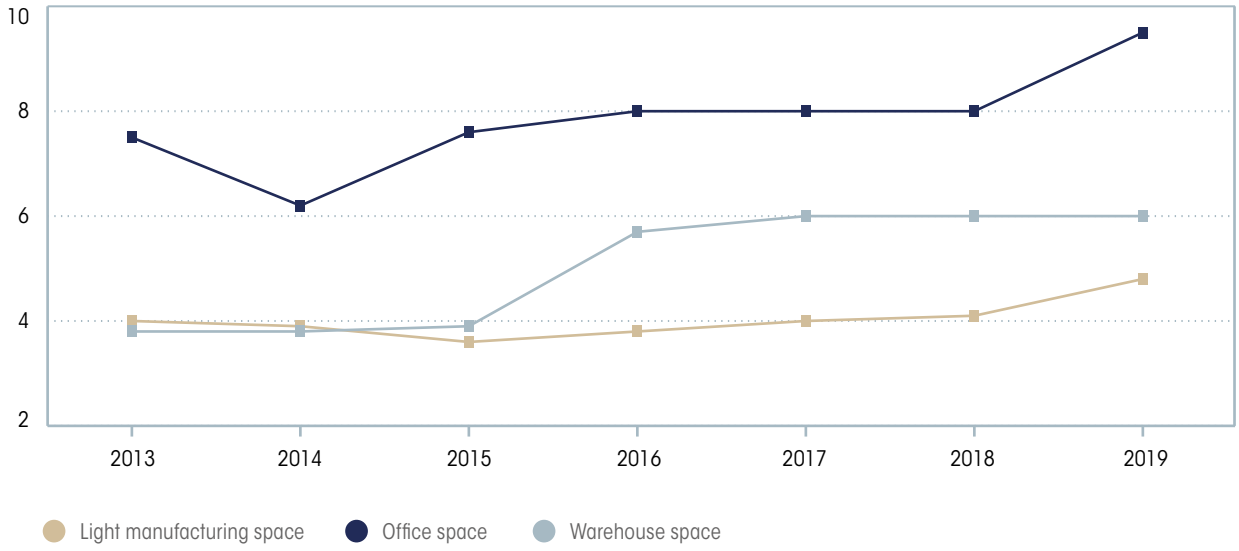
In relation to the amount of floor space, the volume of new construction in the Light-Industrial segment is relatively low. The average volume of completed space in Germany over the past seven years was 1.7 million sqm.



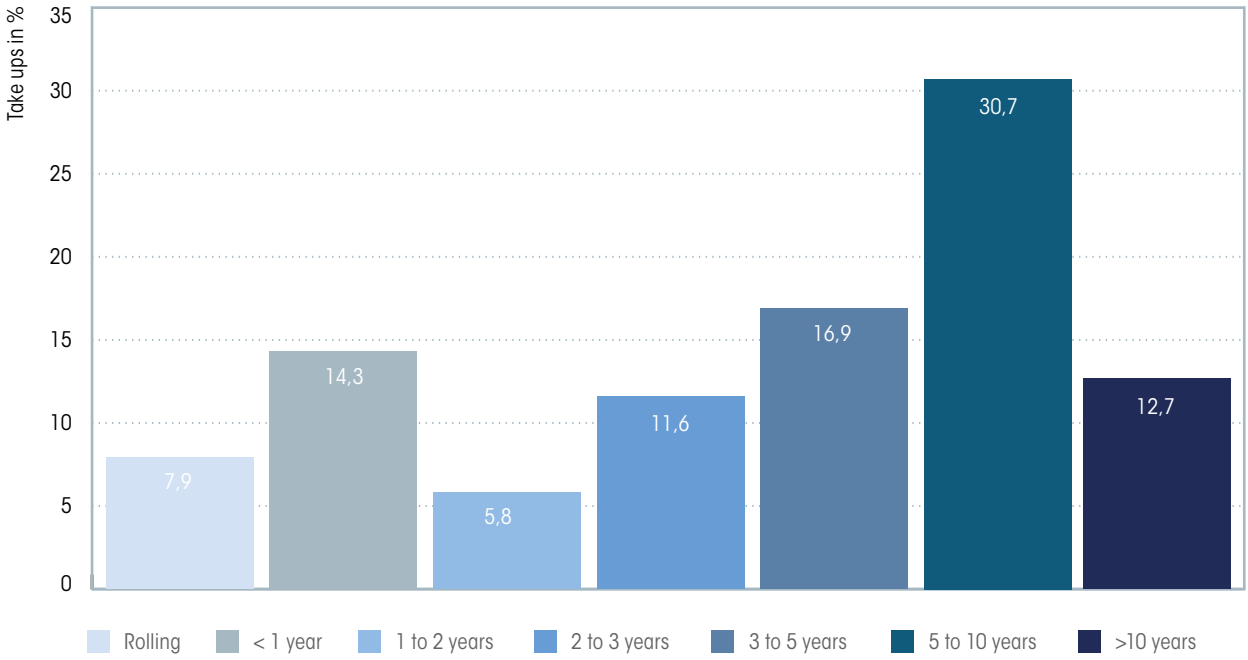
Production and warehouse properties have the highest new construction activity in recent years.

The Letting market

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



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



Take-ups

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

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

The Real Estate Portfolio

Portfolio overview

				Pro forma
	30/09/2017	30/09/2018	30/09/2019	15/11/2019
Properties	6	22	**49**	63
Commercial units	206	930	**1,205**	1,417
Total rental space in sqm	171,941	508,443	**1,105,419**	1,356,868
Commercial rental space in sqm	148,482	470,776	**918,916**	1,148,979
Annualised In place rent in k€	4,420	16,066	**33,141**	44,027
Vacancy commercial	85,6 %	84,9 %	**88,9 %**	88.2 %
Ocupancy commercial	4.4	3.9	**4.9**	4.8
IPR commercial in €/sqm	2.86	3.23	**3.34**	3.50
Market value	34,922	166,963	**391,812**	493,122
Rental yield	12.7 %	9.6 %	**8.5 %**	8.9 %

Our investment strategy

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

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

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

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

Growth and operational performance

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

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

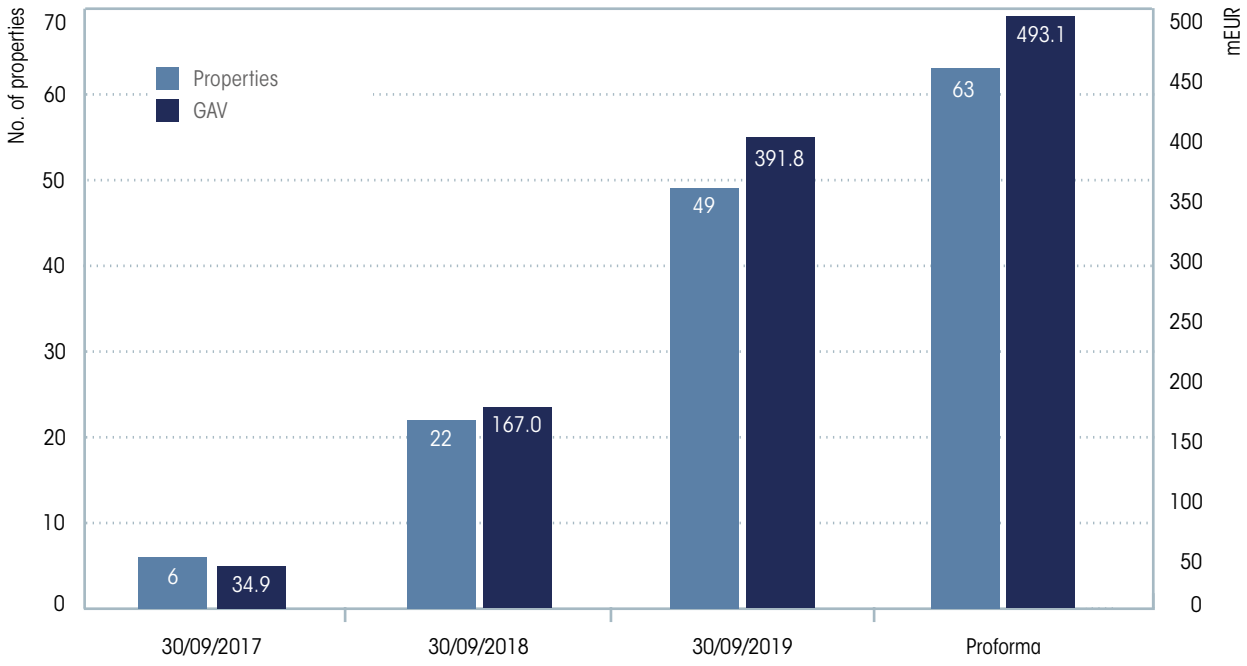
In addition, purchase agreements were notarised for 14 further properties with an investment volume of EUR 101.3 million for which the transfer of ownership took place or will take place after 30 September 2019

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

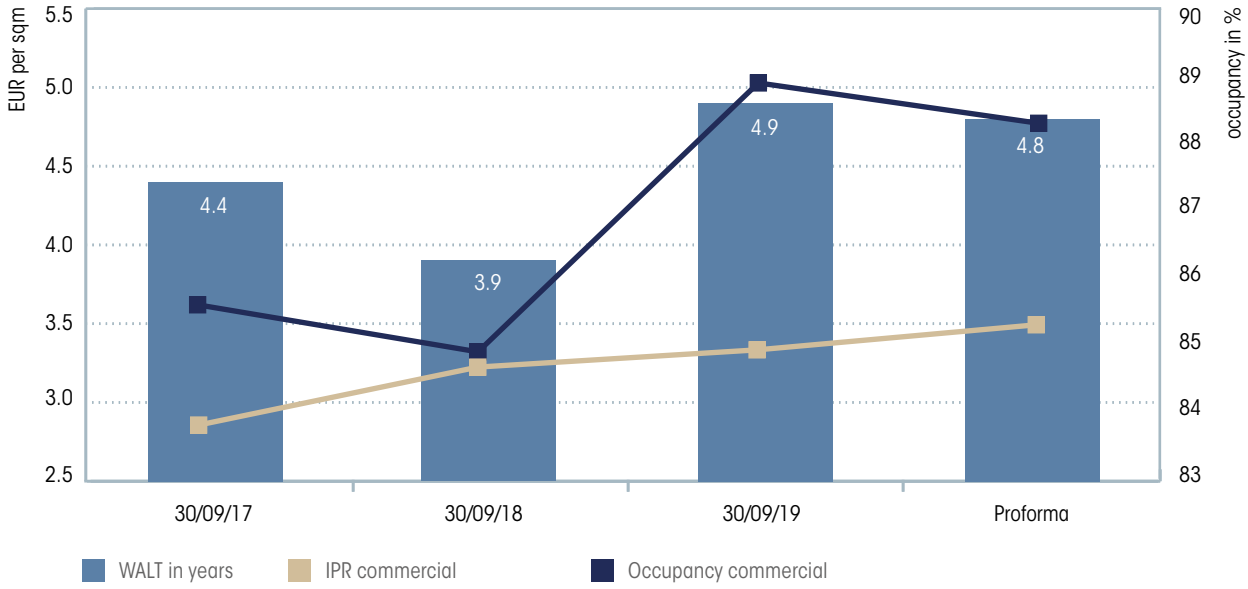
Taking into account all properties acquired and sold to date, the total portfolio of Deutsche Industrie pro forma consists of 63 properties with an annualised total rent of around EUR 44.0 million and a portfolio value of around EUR 493.1 million.

PICTURE:
Schwerin, Werksstr.

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



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



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

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

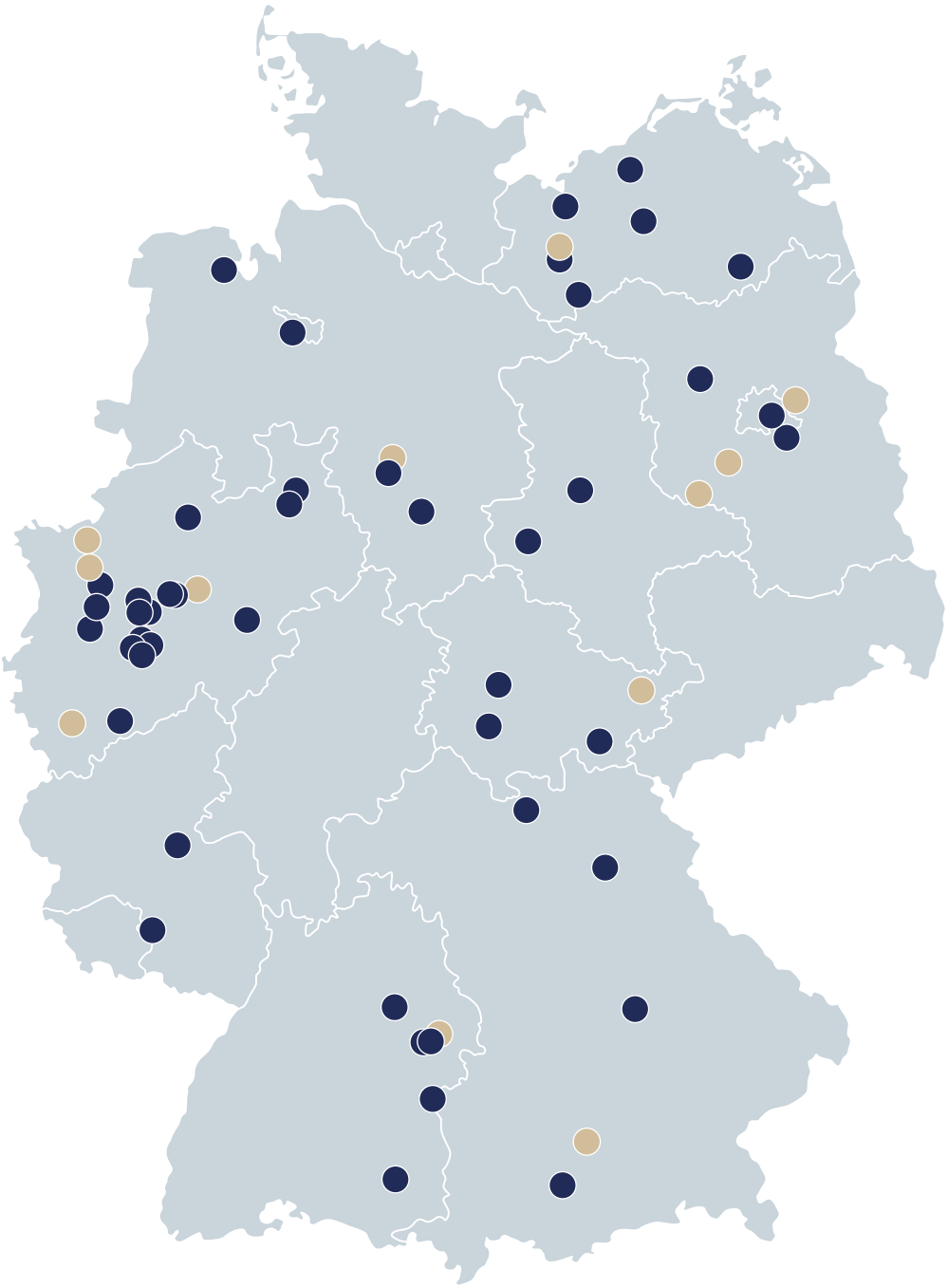
Regional allocation

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

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

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

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



Balanced portfolio as of 30 September 2019

Properties with transfer after 30/09/2019

Types of use

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

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

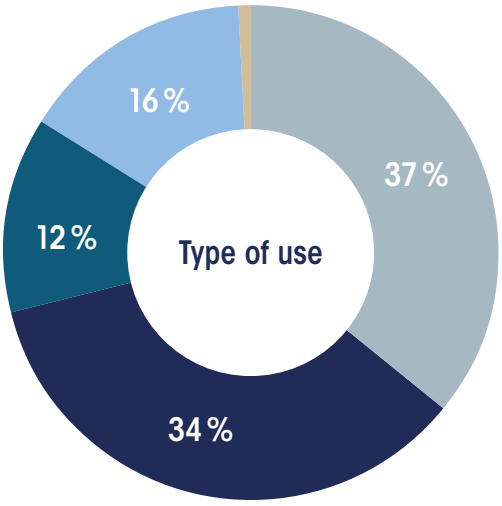
Industrial parks: These usually consist of several different buildings, with various uses ranging from storage to workshops, laboratories, offices and event areas. The tenant structure is small and fluctuation is higher, while tenants are mostly active locally. This enables higher rents, but can also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

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

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

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

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



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

Tenant mix

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

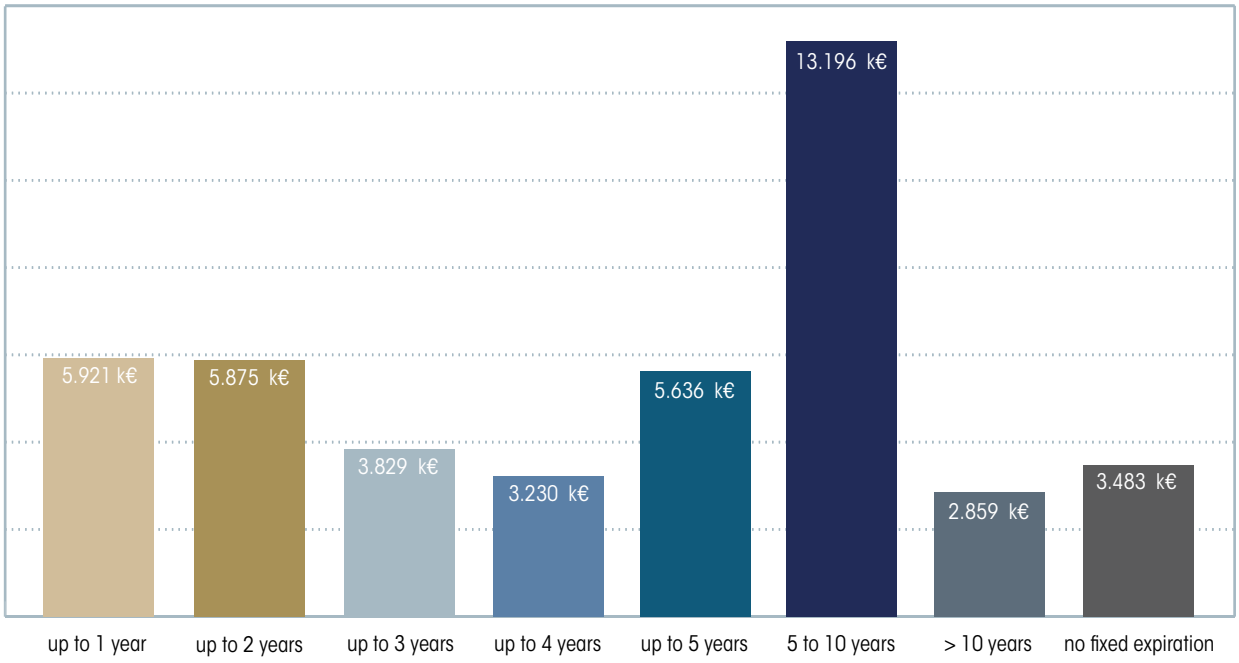
The ten largest tenants represent around one third of the rent, the other two thirds are rather small and widely spread. This has the advantage of highly solvent tenants from economically strong sectors on the one hand and the potential for rent increases in the more fluctuating part of the portfolio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

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

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

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

• Weighted Avarage Lease Term



Property valuation

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

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

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

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

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

7.6. The portfolio – property by property

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

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

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

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

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

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

Key figures according to EPRA

The European Public Real Estate Association EPRA

EPRA is a non-profit organisation based in Brussels that represents the interests of the European real estate industry and has developed standardised ratios that ensure a high level of comparability between real estate companies. Since June 2018, DIR has been a full member of EPRA and publishes the EPRA key figures according to Best Practice Recommendations (BPR) for the first time.

For the financial year 2018/2019 the EPRA figures are as follows:

EPRA Earnings

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

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

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

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

EPRA „Topped-up" NIY includes temporarily existing tenant incentives e.g. rent-free periods. Currently there are no material rent-free incentives at DIR.

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

EPRA cost ratio

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

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

EPRA NAV

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

- **The EPRA NAV per share as follows:**

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

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

kEUR (Diluted)	30/09/2019	2017/2018
Equity	182,295.2	71,811.0
No. of shares incl. conversion shares	31,411,835	18,000,056
EPRA NAV per share, EUR	**5.80**	**3.99**


babywalz

Table of contents

PICTURE:
Bad Waldsee, Steinstr.

1. Fundamentals of the Deutsche Industrie REIT-AG

1.1 Business model and strategy

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

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

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

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

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

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

1.2 Structure and controlling system

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

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

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

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

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

1.3 Research and Development

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

2. Economic report

2.1 Overall economic development

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

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

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

2.2 Development of the German Light Industrial real estate market

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

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

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

3 Source: Press release Destatis of 27 August 2019.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.3 Business performance

Development of the real estate portfolio

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

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

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

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

Increase in value of the real estate portfolio

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

Successful capital increases

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

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

New take up of debt financing

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

On 20 February, DIR increased its secured bond by EUR 28.1 million from EUR 89.9 million to EUR 118.0 million and sold it to an institutional investor in a private placement. The increased bond amount

was secured by land charges on the property in Bad Waldsee. The real estate bond is now divided into 1,180 equal bearer bonds of kEUR 100.0 each. The term began on 30 August 2017 and ends on 30 August 2022. Bondholders receive a fixed interest rate of 4.00 % p.a. until full repayment.

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

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

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

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

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

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

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

Convertible bond

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

The convertible bonds have a term of seven years, were placed at 97 % of their nominal value and bear interest at a coupon of 2 % p.a. The bonds are subject to a fixed interest rate. The initial conversion price is EUR 18.50, which corresponds to a conversion

premium of 28.47 % above the reference price (closing price of Deutsche Industrie shares on 4 June 2019).

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

Annual General Meeting

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

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

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

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

PICTURE:
Simmern, Argenthaler Str.

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

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

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

2.4 Financial position, liquidity and financial performance

Financial position

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

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

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

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

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

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

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

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

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

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

Liquidity

- **The cash flow statement is as follows:**

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

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

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

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

The Company was always able to meet its payment obligations.

Financial performance

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

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

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

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

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

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

- **The cost ratio for administrative expenses is as follows:**

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

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

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

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

TEUR	2018/2019	2017/2018
Jahresergebnis	48,671.9	13,714.3
Bereinigung Ertragssteuern	0.0	-1,261.3
Bereinigung Abschreibungen	115.5	14.1
Bereinigung Bewertungsergebnis Renditeliegenschaften	-37,552.1	-6,913.7
Bereinigung Verkaufsergebnis	-57.0	-585.8
Bereinigung Bewertungsergebnis finanzielle Verbindlichkeiten	832.0	0.0
Bereinigung zahlungsunwirksame Aufwendungen + Erträge	446.1	-132.3
Bereinigung Einmalaufwendungen/-erträge	431.2	502.8
FFO	**12,887.7**	**5,338.1**
- Capex	-3,273.4	-1,017.5
aFFO	**9,614.3**	**4,320.6**

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

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

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

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

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

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

Other non-financial performance indicators

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

3. Opportunities and Risk Report and Forecast Report

3.1 Opportunities and Risk Report

Risk management system of DIR

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

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

The risk management system used includes the following essential elements:

- a controlling and reporting system that can identify business failures at an early stage and communicating this to corporate governance
- a regular or event-related risk inventory
- the documentation of relevant risks for regular or event-related information of corporate governance
- a periodic, regular evaluation of the identified risks and the decision on possible countermeasures or the deliberate acceptance of manageable risks by the Management Board
- an internal control system (ICS), with elements such as the dual control principle and segregation of functions, designed to ensure accurate and complete financial reporting, ensuring a secure invoice receipt and disbursement process.

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

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

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

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

d. Risk management: Based on the decisions taken by the Management Board on the controlling measures, the identified, analysed and assessed risks are actively reacted at this stage.

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

- **The risks are assessed based on defined thresholds regarding the amount of damage and the probability of occurrence:**

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

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

General, strategic and market-specific risks

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

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

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

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

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

Company specific risks

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

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

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

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

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

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

In order to counteract this risk, DIR works with various banks and closely monitors the development of the financing market. Short-term financing options are also used in order to secure attractive long-term financing options through planned lease extensions.

There are also various risks regarding corporate liquidity. These can arise on the one hand as a result of possible rent losses. In addition, negative liquidity effects may arise in individual cases if leases cannot be extended and vacancy rates arise as a result. In addition, a breach of agreed ratios in loan agreements (covenants) may lead to a special termination of the lending bank and cause an unscheduled outflow of liquidity from the loan repayment.

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

Interest risks exist regarding the liabilities due for rollover or refinancing as well as planned loans for the financing of real estate portfolios. In order to hedge against adverse effects of changes in interest rates, DIR uses fixed interest rates for financing depending on the market situation and the assessment of market prospects. The direct impact of changes in the general interest rate level on the Company's performance on changes in cash flows is relatively small compared to the potential indirect effects of changes in the general interest rate level on real estate demand.

d. **Legal and litigation risks**
IIn the course of its business activities, DIR is exposed to the risk of legal disputes and (potential) warranty claims and claims for damages without being able to assert claims against third parties.

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

e. **Tax risks**
To maintain the REIT status, DIR must comply with the provisions of the REIT Act. Thus, the investment object, the investment volume as well as the business activity are restricted or influenced by the following regulations:

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

If the statutory requirements are not met, DIR risks losing the tax exemption. This can lead to certain after-taxation obligations.

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

Furthermore, the Company may be threatened with (criminal) payments for non-compliance with the provisions of the REIT Act. In addition, the Company is threatened with compensation claims by shareholders in the event of a loss of the REIT status due to at least a 15 % free float and/or a maximum participation rate of 10 %. Eligible are shareholders who own less than 3 % of the voting rights. The lack of practice in the application of the REIT Act by the competent supervisory and tax authorities could, in disputed individual cases, lead to a disadvantageous interpretation of the application of the law
or force the Company to adapt to the new legal situation.

Property-specific risks

a. **Investment risk of the individual property**
The economic success and further growth of the Company is decisively dependent on the selection and acquisition of suitable real estate. This involves the risk of incorrectly assessing or not recognising the structural, legal, economic and other burdens on the objects to be purchased. In addition, the assumptions made in relation to the earnings potential of the real estate may subsequently prove to be partially or fully inaccurate. In particular, misconceptions about the attractiveness of the property location and other factors relevant to the tenants ‘or buyers’ decisions could mean that the management of the property in question does not lead to the expected results.

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

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

In addition, the property holdings held by the Company may experience excessive wear and tear requiring earlier or to a greater extent than originally planned maintenance and revitalisation measures. In addition, it may also turn out that the structures have an initially unexpected recovery requirement, which leads to additional costs for the Company, without these initially corresponding to additional income.

In connection with these risks, but also due to other factors such as unexpected competitors in the immediate vicinity of the site, vacancies may increase and result in lower rental income combined with higher leasing expenses. In addition to adverse effects on the Company's ongoing operating income and expenses, these risks may adversely affect the valuation of the property held by DIR and therefore the Company's results.

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

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

c. **Letting risk**
There is a risk that changes in supply and demand on the letting market and deterioration in the competitiveness of individual properties in their respective local market conditions could have a direct negative impact on the rental income generated by DIR and the development of vacancies in the Company's real estate portfolio. In addition, this can incur additional costs that cannot be allocated to the tenants.

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

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

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

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

Internal controlling and risk management system regarding the accounting process

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

At least once a quarter, the Company receives object and portfolio information from its commissioned service providers according to its specifications, in which it is informed about important, contract-relevant and, if applicable, deviations from the planning. The evaluations are analysed and checked for plausibility and examined for identifiable risks. Recognised risks are assessed and included in the regular or ad hoc risk reporting to the Supervisory Board.

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

Other influences

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

Assessment of the overall risk

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

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

Chances of future development

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

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

3.2 Forecast report

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

Forecast for the 2019/2020 financial year

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

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

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

PICTURE:
Meerbusch, Fritz-Wendt-Str.

4. Remuneration report

Compensation system for the Supervisory Board

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

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

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

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

Remuneration system for the Management Board

Basic remuneration system

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

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

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

For the variable compensation, a compensation system was introduced for the 2017/2018 financial year, which is geared towards operational goals and which is

fundamentally based on a fixed calculation scheme, which includes short-term and long-term components.

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

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

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

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

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

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

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

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

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

Remuneration of the Management Board in fiscal year 2018/2019

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

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

kEUR	Rolf Elgeti CEO		Sonja Paffendorf CIO (seit 18/10/2017)				René Bergmann CFO (seit 01/09/2018)			
	2017/2018 (Current)	2018/2019 (Current)	2017/2018 (Current)	2018/2019 (Current)	2018/2019 (Min.)	2018/2019 (Max.)	2017/2018 (Current)	2018/2019 (Current)	2018/2019 (Min.)	2018/2019 (Max.)
Granted Remuneration										
Fixed remuneration	71.3	71.3	114.5	120.0	120.0	120.0	10.0	120.0	120.0	120.0
Fringe benefits	0.0	0.0	16.6	14.2	14.2	14.2	0.0	7.3	7.3	7.3
Total	**71.3**	**71.3**	**131.1**	**134.2**	**134.2**	**134.2**	**10.0**	**127.3**	**127.3**	**127.3**
STI	0.0	0.0	153.1	112.5	112.5	112.5	4.7	75.0	0.0	75.0
LTI	0.0	0.0	0.0	112.5	112.5	112.5	0.0	60.9	0.0	75.0
Total	**0.0**	**0.0**	**153.1**	**225.0**	**225.0**	**225.0**	**4.7**	**135.9**	**0.0**	**150.0**
Total remuneration	**71.3**	**71.3**	**284.2**	**359.2**	**359.2**	**359.2**	**14.7**	**263.2**	**127.3**	**277.3**
Related Remuneration										
Fixed remuneration	71.3	71.3	114.5	120.0			10.0	120.0		
Fringe benefits	0.0	0.0	16.6	14.2			0.0	7.3		
Total	**71.3**	**71.3**	**131.1**	**134.2**			**10.0**	**127.3**		
STI	0.0	0.0	50.0	112.5			0.0	56.3		
LTI	0.0	0.0	0.0	0.0			0.0	0.0		
Total	**0.0**	**0.0**	**50.0**	**112.5**			**0.0**	**56.3**		
Total remuneration	**71.3**	**71.3**	**181.1**	**246.7**			**10.0**	**183.6**		

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

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

5. Dependency report and overall assessment

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

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

PICTURE:
Bad Salzdetfurth, Teccenter

6. Information relevant for takeovers

pursuant to § 289a Abs. 1 HGB

Composition of share capital, voting rights and special rights

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

Shareholdings of 10 % or more of the voting rights

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

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

Authorised capital

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

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

Conditional capital

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

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

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

Amendments to the Articles of Association

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

Appointment and dismissal of Management Board members

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

7. Statement on Corporate Governance

pursuant to § 289f HGB.

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

Rostock, 06. December 2019
Deutsche Industrie REIT-AG

Rolf Elgeti
Chief Executive Officer

Sonja Petersen
Chief Investment Officer

René Bergmann
Chief Financial Officer

PICTURE:
Zella-Mehlis, Am Köhlersgehäu

Financial Statement

PICTURE:
Duisburg, Eisenbahnstraße

Balance sheet

as of 30/09/2019

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

Statement of comprehensive income

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

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

Cash flow statement

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

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

Statement of changes in equity

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

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

PICTURE:
Ronnenberg, Berliner Str./Chemnitzer Str.

Notes

Deutsche Industrie REIT-AG, Rostock

Notes for the financial year from 01.10.2018 – 30.09.2019

PICTURE:
Drei Gleichen, Dr.-Bube-Straße

1. General information

1.1. Die Deutsche Industrie REIT-AG

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

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

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

1.2. Basics of preparing the individual financial statements

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

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

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

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

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

dated financial statements. The financial statements were prepared under the going concern assumption.

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

1.3. Key discretionary decisions and estimates

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

- Regarding the properties held by the Company, the Management Board must decide at each balance sheet date whether these are held for long-term rental or appreciation or for sale. Depending on this decision, the properties are recognised in accordance with the principles for investment properties, as land held for sale with unfinished and finished buildings (inventories) or as non-current assets held for sale and measured at (amortised) cost or fair value in accordance with their classification.

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

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

The Company makes estimates and assumptions concerning the future. The derived estimates may of course differ from the later actual conditions. The estimates and assumptions that involve significant risk in the form of a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

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

- As part of the review of financial assets, the carrying amounts at which the other financial assets are recognised are compared with their fair values at the end of each financial year. The adequacy of the carrying amounts is assessed

based on the information available on the borrowers and written down on the basis of estimated default rates. In the event of foreseeable reductions in the fair values, corresponding write-downs are made to the carrying amounts in the balance sheet. The carrying amount of the financial assets reported under trade receivables amounted to kEUR 815.9 (previous year: kEUR 265.6) as of the balance sheet date and relates to receivables from tenants.

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

1.4. Application of IFRS in financial year 2018/2019

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

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

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

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

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

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

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

PICTURE:
Aalen, Ulmer Straße

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

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

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

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

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

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

1.5. Individual accounting and valuation principles

1.5.1. Principle

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

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

1.5.2. Investment property and real estate held for sale

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

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

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

Every year on 30 June, the real estate is revalued. Valuation is performed by an independent external expert using recognised valuation techniques such as

the discounted cash flow method. The experts have the appropriate professional qualifications and experience to carry out the assessment. The results of the appraisals are based on information provided by the Company. Thus, input factors such as the current tenant list, maintenance and administrative costs, vacancy data, as well as the assessor's assumptions, which are based on market data and are assessed on the basis of their professional qualifications, e.g. future market rents, typical maintenance and administration costs, structural vacancy rates or discount and capitalisation rates, are used in determining the fair value.

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

In contrast to the previous year, for sold properties the valuation result from the valuation at the selling price is shown in the disposal result in comparison to the fair value previously shown in the balance sheet, so that the entire valuation result is the result of the valuation gain plus the valuation result shown in the disposal result.

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

Investment properties are classified as held for sale if Deutsche Industrie decides to sell the properties concerned, these are available for sale immediately and it is expected that the sale project will be implemented within 12 months (IFRS 5). The valuation remains unchanged at the fair value.

1.5.3. Intangible assets

Individually acquired intangible assets are initially valued at acquisition or production cost. After initial recognition, intangible assets are carried at their acquisition or production cost and amortised on a straight-line basis over their respective useful lives of generally three years.

1.5.4. Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated amortisation and accumulated impairment losses. Depreciation is calculated using the straight-line method using the estimated useful lives of generally 3 to 10 years (factory and office equipment) or 30 to 50 years (real estate). The depreciation methods and useful lives are reviewed at the end of each fiscal year and adjusted if necessary. The carrying amounts of property, plant and equipment are tested for impairment as soon as there are indications that the book value exceeds the recoverable amount

1.5.5. Financial assets and liabilities

Classification of financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model under which the assets are held and the characteristics of their cash flows. A reclassification is only made if the business model for managing financial assets changes. IFRS 9 eliminates the existing categories of IAS 39 and contains three new classification categories for financial assets:

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

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

- Valued at amortized cost (AC)

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

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

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

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

Financial assets at fair value through equity:

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

Financial assets at fair value through income:

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

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

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

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

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

PICTURE:
Neubrandenburg, Augustastr.

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

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

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

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

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

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

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

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

There was no additional impairment requirement for the financial assets.

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

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

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

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

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

Embedded derivatives must be separated from their host contract if their economic characteristics and risks are not closely related to those of the host contract, if a comparable stand-alone instrument meets the definition of a derivative and if the combined instrument is not measured at fair value through profit or loss. If an embedded derivative is separated, the components are accounted for and measured separately in accordance with the applicable rules.

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

Valuation of financial liabilities
On initial recognition, liabilities are measured on the trade date at the fair value of the consideration received less transaction costs. After initial recognition, liabilities are measured at amortized cost using the effective interest method. The difference between the amount paid out (less transaction costs) and the repayment amount is recognised in the statement of comprehensive income over the term of the liability using the effective interest method.

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

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

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

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

1.5.6. Land with unfinished and finished buildings and other supplies

Land and buildings with work in progress and other inventories are valued at the lower of cost or net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the necessary selling expenses. Borrowing costs incurred in connection with the acquisition or production of land are capitalised if the conditions for this are met. The land with unfinished and finished buildings contain the real estate, which was assumed to be a resale at the time of purchase. If the intention to sell is discontinued, the investment properties are reclassified.

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

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

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

1.5.8. Liquid assets

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

1.5.9. Equity demarcation

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

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

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

At the time of issue, the fair value of the liability component is determined using market interest rates applicable to comparable non-convertible instru-

ments. This amount is accounted for as a financial liability based on amortised cost using the effective interest method until fulfilment of the instrument's conversion or maturity date. The determination of the equity component is made by subtracting the value of the liability component from the fair value of the entire instrument. The resulting value, less income tax effects, is recognised as part of equity and is not subsequently valued.

1.5.10. Other provisions

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

1.5.11. Revenue Recognition

According to IFRS 15, the amount of revenue corresponds to the consideration to which the company is contractually entitled. Revenue is recognized when control of an asset or service is transferred to the customer – the control concept thus replaces the previous risk and reward model. The five-step model is used to determine the amount and timing of revenue recognition:

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

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

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

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

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

PICTURE:
Lichtenfels, Bamberger Str.

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

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

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

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

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

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

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

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

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

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

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

1.5.12. Leasing

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

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

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

2. Notes to the balance sheet

2.1. Investment property

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

- **The development of investment properties is as follows:**

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

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

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

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

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

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

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

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

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

In the discounted cash flow method, future expected cash surpluses of an object are discounted to the valuation date using a market-specific, object-specific discount rate. While the payments regularly include net rents, the payments relate in particular to the management costs borne by the owner. The underlying detailed planning period is ten years. For the end of this period, a potential discounted disposal value (terminal value) of the Valuation Object is forecasted. This reflects the most likely realisable selling price less costs to sell. Methodically, the discounted deposit surpluses of the tenth year are capitalised with the so-called capitalisation interest rate as perpetuity. The sum of discounted cash flows and the discounted potential realisable value is the gross capital value of the valuation object, which, net of transaction costs, represents the fair value. In the case of a property, only limited rental and usability exists. For the most part, this property has indefinite rental agreements which can be terminated subject to the statutory deadline. For these existing tenancies, a lease term of 1 year is assumed. The market value is determined as the liquidation value for this object. The annual rent less management costs plus the land value, considering the exposure costs of the building stock, is discounted using the property-specific capitalisation interest rate.

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

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

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

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

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

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

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

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

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

2.2. Intangible assets

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

2.3. Property, plant and equipment

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

	Technical equipment	Vehicles	Operating and office equipment	Total
Acquisition cost				
01/10/2018	**873.1**	**19.2**	**35.0**	**927.3**
	(0.0)	**(0.0)**	**(0.0)**	**(0.0)**
Accrual	0.0	0,0	2.3	2.3
	(873.1)	927.3	(35,0)	(927,3)
Transfers	249.5	0,0	0,0	249.5
	(0.0)	(0.0)	(0.0)	(0.0)
Exit	0.0	0.0	0.0	0.0
	(0.0)	(0.0)	(0.0)	(0.0)
30/09/2019	**1,122.6**	**19.2**	**37.2**	**1,179.0**
	(873.1)	**19.2**	**(35.0)**	**(927.3)**
Accumulated amortisation				
01/10/2018	**7.3**	**1.2**	**4.6**	**13.1**
	(0.0)	**(0.0)**	**(0.0)**	**(0.0)**
Accrual	103.9	4.8	5.3	114.1
	(7.3)	(1.2)	(4.6)	(13.1)
Exit	0.0	0.0	0.0	0.0
	(0.0)	(0.0)	(0.0)	(0.0)
30/09/2019	**111.2**	**6.0**	**9.9**	**127.2**
	(7.3)	**(1.2)**	**(4.6)**	**(13.1)**
Net book value 30/09/2019	**1,011.4**	**13.2**	**27.3**	**1,051.9**
	(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. This results in a deferred tax result of kEUR 0.0 (previous year: kEUR 1,499.4).

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

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

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

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

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

2.5. Trade receivables

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

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

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

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

No impairment losses were recognised on other financial assets.

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

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

2.6. Other non-current and current assets

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

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

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

PICTURE:
Wismar, Am Westhafen

2.7. Liquid funds

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

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

2.8. Assets held for sale

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

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

2.9. Equity

2.9.1. Subscribed capital

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

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

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

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

Powers of the Management Board to issue new shares

Authorised capital

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

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

Conditional Capital

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

2.9.2. Capital reserve

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

2.9.3. Other reserves

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

2.9.4. Retained profit

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

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

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

2.10. Liabilities to banks

- Liabilities to banks are as follows:

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

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

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

2.11. Liabilities from corporate bonds

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

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

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

2.12. Liabilities from convertible bonds

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

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

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

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

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

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

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

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

2.13. Liabilities to other lenders

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

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

2.14. Other provisions

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

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

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

PICTURE:
Wolfratshausen, Pfaffenrieder Str.

2.15. Other non-current and current liabilities

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

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

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

2.16. Trade payables

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

3. Notes to the statement of comprehensive income

3.1. Net rental income

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

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

*Previous year disclosure changed by the application of IFRS 15

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

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

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

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

3.2. Net proceeds from the sale of investment properties

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

3.3. Other Company income

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

3.4. Result from the revaluation of investment properties

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

3.5. Personnel expenses

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

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

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

3.6. Impairment loss of inventories and receivables

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

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

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

For further information, see also section 2.5 Trade receivables.

3.7. Other administrative expenses

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

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

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

3.8. Finance result

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

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

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

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

3.9. Other taxes

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

3.10. Earnings per share

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

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

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4. Notes to the cash flow statement

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

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

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

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

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

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

5. Disclosures on financial instruments and fair value

5.1. Financial risk management

DIR's business exposes it to various financial risks. These risks mainly include default, liquidity and market risk (interest rate risk). Accordingly, there is a policy-based risk management system, which is managed by the Corporate Finance department. The scope of the financial policy is determined by the Management Board and monitored by the Supervisory Board.

5.1.1. Default risks

Default risk is defined as the risk of a loss if a business partner fails to meet its contractual payment obligations. These can essentially be tenants or banks. In order to counter this risk, DIR only enters into business relationships with creditworthy contracting parties and obtains appropriate collateral. For this purpose, the DIR uses available financial information to assess the creditworthiness of the business partners. The company's risk exposure is continuously monitored.

The company generally records value adjustments for expected defaults:

- Financial assets measured at amortized cost
- Debt instruments measured at fair value through equity
- and contract assets as well as receivables from leases.

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

- Debt instruments with a low credit risk at the balance sheet date, and
- Debt instruments for which the default risk has not increased significantly since initial recognition.

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

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

compared with the initial recognition. This applies irrespective of the extent of the change in the credit default risk in relation to the previous balance sheet date.

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

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

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

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

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

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

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

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

5.1.2. Liquidity and financing risk

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

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

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

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

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

The Company has access to credit facilities. The total amount not yet drawn amounts to approximately kEUR 0.0 (previous year: kEUR 17,255.6) as of the balance sheet date. The Company expects to be able to meet its liabilities from operating cash flows, the inflow of maturing financial assets and capital measures and existing credit lines at any time. In addition, there are estimated future cash outflows from interest on financial liabilities within one year of kEUR 8,754.8 (previous year: kEUR 3,915.9), more

than one but less than five years of kEUR 21,499.3 (previous year: kEUR 11,814.1) and after more than five years of kEUR 3,534.0 (previous year: kEUR 656.2). Future interest payments for leases are shown in 6.2.

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

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

Furthermore, DIR is fundamentally dependent on being able to obtain debt capital at appropriate conditions for the refinancing of its current business activities or for acquisitions. For example, crises on the international financial markets can make debt financing more difficult and then lead to liquidity problems. If, as a result, the debt service is no longer covered, lenders could force the realisation of real estate collateral, whereby emergency sales could lead to considerable financial disadvantages. In this respect, DIR continuously exploits favourable market conditions in order to orient its financing towards favourable and sustainable conditions.

This also applies to the (convertible) bonds issued.

5.1.3. Interest rate risk

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

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

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

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

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

5.2. Net results from financial instruments

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

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

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

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

5.3. Offsetting financial assets and liabilities

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

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

5.4. Capital management

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

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

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

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

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

- **Another key performance indicator is the loan-to-value, which represents the ratio of net financial liabilities to the value of the real estate assets. DIR aims for an LTV of between 50 and 55%:**

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

5.5. Valuation categories of financial instruments according to IFRS 9

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

Figures in kEUR	Category according to IAS 39	Book value according to IAS 39 as of 30/09/2018	Category according to IFRS 9	Book value according to IFRS 9 as of 01/10/2018	Difference
Financial assets					
Trade receivables	LaR[1]	265.6	AC[2]	265.6	0.0
Cash and cash equivalents	LaR	117.1	AC	117.1	0.0
Other financial assets	Afs – FV[3]	2,415.3	AC	2,415.3	0.0
Total financial assets		**2,798.0**		**2,798.0**	
Financial liabilities					
Liabilities to banks	FLaC[4]	11,825.6	AC	11,825.6	0.0
Liabilities to other creditors	FLaC	2,744.4	AC	2,744.4	0.0
Liabilities from corporate bonds	FLaC	89,686.2	AC	89,686.2	0.0
Liabilities from finance leases	FLaC	1,301.4	–	1,301.4	0.0
Trade payables	FLaC	491.3	AC	491.3	0.0
Other short-term liabilities	FLaC	929.2	AC	929.2	0.0
Total financial liabilities		**106,978.1**		**106,978.1**	

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

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

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

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

5.6. Fair value of assets and liabilities

IFRSs determine the fair value of various assets and liabilities.

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

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

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

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

Insofar as input factors of different levels are used, the fair value is assigned to the respective lower hierarchy level. The Company recognises reclassifications between different levels in principle as of the end of the reporting period in which the change occurred. In financial year 2018/2019, there were no reclassifications between the respective hierarchy levels.

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

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

The fair value of long-term assets or liabilities corresponds to the present value of the expected payments, considering maturity and risk-adjusted market interest rates, if no stock market price is available. Short-term trade receivables and other assets and cash and cash equivalents therefore approximate their fair values.

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

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

6. Other information

6.1. Contingent liabilities and other financial obligations

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

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

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

There are no other contingent liabilities.

6.2. Obligations under leases

Finance leasing as lessee

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

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

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

6.3. Transactions with related companies and persons

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

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

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

The scope of transactions with related parties is shown below:

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

By agreement dated 17 November 2014 and supplement dated 29 January 2015. 31 March 2016 and 1 March 2019. Obotritia Capital KGaA (formerly EAA Grundbesitz GmbH) granted the company a current account credit facility of EUR 31 million as a liquidity line to improve its liquidity position. The loan will be disbursed at the Company's request and must be repaid at any time. but no later than the end of the contract term on 31 December 2024. Interest will only be charged on the outstanding amount. no additional commitment interest will be charged. As of September 30. 2019. there was a liability of EUR 20.117.8 thousand (September 30. 2018: EUR 2.744.4 thousand). For overpayments. the same contractual terms and conditions are applied as for the utilisation. For these cases. a master loan agreement was concluded dated March 2. 2017. The interest rate is 8.0 % and is calculated annually. The interest payments are deferred and are due at the latest upon termination of the loan. Interest income of EUR 98.6 thousand (previous year: EUR 1.634.5 thousand) and interest expenses of EUR 1.064.2 thousand (previous year: EUR 80.3 thousand) were generated for the fiscal year.

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

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

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

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

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

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

6.4. Supervisory Board and Management

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

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

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

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

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

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

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

6.5. Consolidated Financial Statements

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

6.6. Fee of the auditor

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

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

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

6.7. Significant events after the balance sheet date

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

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

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

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

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

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

Rostock. 6 December 2019

Rolf Elgeti
Chief Executive Officer

Sonja Petersen
Chief Investment Officer

René Bergmann
Chief Financial Officer

Assurance of legal representatives

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

Rostock. 6 December 2019

Rolf Elgeti
Chief Executive Officer

Sonja Petersen
Chief Investment Officer

René Bergmann
Chief Financial Officer

Audit Opinion of the independent individual financial statements

To Deutsche Industrie REIT-AG, Rostock

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

Audit opinions

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

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

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

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

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

Basis for the judgments

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

Other Information

The legal representatives are responsible for the other information.

Other information includes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- we assess the overall presentation, structure and content of the individual financial statements, including disclosures and whether the financial statements present the underlying transactions

and events such that the individual financial statements are prepared in compliance with IFRSs as adopted by the EU and which, in accordance with § 315e (1) HGB (German Commercial Code), provides the German legal provisions in a manner that reflects the actual circumstances and conveys a picture of the net assets, financial position and results of operations of the Company.

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

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

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

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

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

Other legal and other legal requirements

Other information according to Article 10 EU-APrVO

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

Responsible auditor

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

Berlin, 11 December 2019

DOMUS AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

gez. Prof. Dr. Hillebrand
Auditor

gez. Fechner
Auditor

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

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

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

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

Deutsche Industrie REIT-AG
Potsdam, 17. December 2019

Rolf Elgeti
Chief Executive Officer

Sonja Petersen
Chief Investment Officer

René Bergmann
Chief Financial Officer

PICTURE:
Schortens, Olympiastr.

Financial Calendar

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

13/02/2020
Q1 2019/2020 Interim statement

06/03/2020
Annual general meeting

14/05/2020
H1 2019/2020 financial report

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

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

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

Publisher
Deutsche Industrie REIT-AG

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

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

Disclaimer
This financial report contains forward-looking statements. These are based on current estimates and are, therefore, subject to risks and uncertainties.
In this respect, the actual events may differ from the statements formulated here.
The report is also available in German. In doubtful questions, the German version is always authoritative.

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