

Deutsche Industrie REIT-AG

Half-yearly financial report

of 2019/2020 financial year



1 October 2019 to 31 March 2020

D Deutsche
Industrie
REIT-AG

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Highlights

	01/10/2019- 31/03/2020	01/10/2018- 31/03/2019	Difference	%
Income statement (k€)				
Gross Rental income	18.715	10.516	8.199	78,0%
Net rental income	14.561	8.650	5.912	68,3%
Result from the revaluation of investment properties	2.238	0	2.238	
Finance result	-10.381	-2.842	-7.539	>100
Net income	3.640	4.675	-1.036	-22,2%
FFO	10.997	5.213	5.784	>100
FFO per share (€)	0,40	0,25	0,14	57,1%
Recurring costs ratio	11,7%	8,1%	3,6%	44,8%
	31/03/2020	30/09/2019	Difference	%
Balance sheet (k€)				
Investment properties	478.962	392.849	86.112	21,9%
Total assets	582.707	438.989	143.718	32,7%
Equity	272.160,7	181.463,2	90.697,5	50,0%
Total debt	302.783	250.749	52.033	20,8%
(net) Loan-to-Value (LTV)	46,1%	57,8%	-11,7%	-20,2%
EPRA NAV	271.952	181.671	90.281	49,7%
EPRA NAV per share undiluted (€)	9,33	7,74	1,59	20,5%
REIT metrics				
REIT equity ratio	56,8%	46,2%	10,6%	23,0%
Share information				
Shares issued	29.163.187	23.451.945	5.711.242	24,4%
<i>Average number of shares</i>	<i>27.758.783</i>	<i>20.670.395</i>	<i>7.088.388</i>	<i>34,3%</i>
Market cap in k€	452.029	403.373	48.656	12,1%
Share price XETRA (€)	15,50	17,20	-1,70	-9,9%
Real estate portfolio				
# Properties	62	29	33	>100
Commercial rental space in sqm	1.115.602	578.493	537.110	92,8%
Annualised In place rent in k€	40.327	19.413	20.914	>100
Occupancy commercial	89,5%	83,7%	5,8%	6,9%
WALT in years	4,7	4,1	0,7	16,5%
IPR commercial in €/sqm	3,30	3,26	0,04	1,2%
Market value in k€	471.922	202.183	269.739	>100
Rental yield	8,5%	9,6%	-1,1%	-11,2%

Letter to our shareholders

Dear shareholders,
Dear Sir or Madam,

in difficult times, we can nevertheless look back on a very successful first half of our current financial year 2019/2020. With our acquisitions, we were able to expand the size of our property portfolio again. In the meantime, the portfolio as of 31 March 2020 comprises 62 properties with a portfolio value of EUR 479 million. In addition, we have already notarised a further seven properties with an investment volume of EUR 45.7 million. We will continue to pursue our sustainable growth course.

With our capital increase carried out in November, we were able to gain new shareholders and once again demonstrate the confidence of the capital market in our business model. Despite high volatility in uncertain times, our share price held up comparatively well. In terms of external financing, we were able to win additional banks for new loans and, with the promissory note loan in March, we added another financing instrument.

Business development has been in line with our expectations so far, and we therefore confirm our forecast with an FFO of between EUR 23 million and EUR 25 million for the 2019/2020 financial year and an FFO run rate (annualised FFO without accrual effects) at the end of the 2019/2020 financial year of between EUR 27 million and EUR 29 million.

Despite the not yet foreseeable economic consequences of the Corona crisis, we believe Deutsche Industrie REIT-AG is well prepared and look to the future with confidence.

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

Best regards,



Rolf Elgeti
CEO



Sonja Petersen
CIO



René Bergmann
CFO

Interim management report for the first half of the financial year 2019/2020

1. Deutsche Industrie REIT-AG

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 commercial estates. These properties are usually more complex than pure logistics real estate and have a high local relevance.

The company was founded as Jägersteig Beteiligungs GmbH in November 2014. In October 2017, the name was changed to Deutsche Industrie Grundbesitz AG. At the beginning of 2018, the status of a REIT ("real estate investment trust") with the associated income tax exemption was obtained. Since then, the company is Deutsche Industrie REIT-AG.

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

2. Economic report

2.1. Overall economic development

According to an economic forecast published in March 2020 by the Kiel Institute for the World Economy (IfW), the global economy came under severe pressure at the beginning of 2020 as a result of the new corona virus and the measures adopted to contain it.¹

According to the IfW, the spread of the corona virus will also have a considerable impact on the German economy. The German economy would be hit in a situation in which it was just about to regain its footing after the downturn last year.² According to the Federal Statistical Office (Destatis), the gross domestic product (GDP) in the fourth quarter of 2019 had not increased further compared to the third quarter of 2019 – adjusted for price, seasonal and calendar effects. In the course of the year, however, after a buoyant start in the first quarter (+0.5%) and a decline in the second quarter (-0.2%), there would initially have been a slight recovery in the third quarter (+0.2%). In retrospect, this would result in a price-adjusted GDP growth of 0.6% for the whole of 2019 (also adjusted for calendar effects).³

According to the IfW, the concrete future economic damage caused by the corona virus can hardly be quantified at present, among other things because the further progress of the virus disease is uncertain, especially since the economic consequences depend to a large extent on the measures taken to contain the virus.⁴ The Bundesbank also sees Germany confronted with previously unknown challenges due to the rapidly spreading corona virus pandemic. The measures taken so far aim to contain the number of infections in such a way that the health system is not overburdened. However, they would also have a massive economic impact. The slide into a pronounced recession could not be prevented. An economic recovery will only begin once the danger of a pandemic has been effectively contained.⁵

¹ Source: Kiel Institute Economic Outlook No. 63 (2020/Q1) of 11 March 2020: Global economy in Spring 2020, p. 3

² Source: Kiel Institute Economic Outlook No. 65 (2020/Q1) of 11 March 2020: German economy in Spring 2020, p. 3

³ Source: Press release Destatis of 25 February 2020

⁴ Source: Kiel Institute Economic Outlook No. 65 (2020/Q1), *ibid.*, p. 3

⁵ Source: Deutsche Bundesbank: Monthly Report March 2020, p. 5

The leading economic research institutes (Project Group Joint Economic Forecast) ⁶ also assume in their spring report that the corona pandemic will trigger a serious recession in Germany. Economic output will shrink by 4.2 % in 2020. For the coming year, they predict a recovery and growth of 5.8%.⁷

The interest rate level in the eurozone is still at a historic low. On 16 March 2016, the European Central Bank (ECB) lowered the key interest rate by 5 basis points, so that the main refinancing rate was 0.00%.⁸ 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.



Photo: Oberding, Lohstraße

⁶ Project Group Joint Economic Forecast: German Institute for Economic Research (DIW Berlin), Halle Institute for Economic Research, ifo Institute – Leibniz Institute for Economic Research at the University of Munich in cooperation with the Swiss Economic Institute of ETH Zurich (KOF), Kiel Institute for the World Economy (IfW Kiel) and RWI – Leibniz Institute for Economic Research in cooperation with the Institute for Advanced Studies Vienna.

⁷ Press release of the Project Group Joint Economic Forecast of 8 April 2020.

⁸ Source: Handelsblatt, 16 March 2016: EZB-Entscheidung: Heute sinkt der Zins auf null.

2.2. Development on the commercial property market

In the period under review until the outbreak of the worldwide COVID-19 pandemic, Germany continued to be attractive to German and international investors as a real estate location and investment market. The transaction volume of commercial real estate in 2019 repeatedly increased to EUR 89.5 billion (2018: EUR 78.1 billion), thus achieving another record result. The transaction volume of the investment market as a whole was thus again well above the average of the last 15 years (EUR 50.9 billion).

The investment market for logistics and industrial properties reached a transaction volume of EUR 6.6 million sqm in 2019, which did not quite match the record level of the previous year, but was still roughly 5% above the average of the last five years and roughly 20% above the 10-year average.

In the first quarter of 2020, the transaction volume in the German commercial property investment market as a whole was around EUR 18.3 billion, exceeding the somewhat weak first quarter of the previous year 2019 by approx. 83%. This unusually strong development is due, among other things, to company takeovers and shareholdings and at least 20 large-volume individual transactions of over EUR 100 million. The quarterly average of the total transaction volume in Germany (EUR 19.51 billion) of the last 5 years was also exceeded in Q1 2020. In the commercial real estate asset class, logistics real estate repeatedly occupied third place in the first three months of the year with EUR 2.3 billion, behind office real estate (EUR 6.3 billion) and retail real estate (EUR 4.9 billion).

Turnover of logistics space in the eight most important logistics regions fell by 1.5% in the first quarter of 2020 compared with the first quarter of the previous year. In the rest of Germany outside these eight largest logistics regions, turnover rose by 12.5% and reached a new all-time high at the same time. In particular, the rest of Germany outside the primary logistics regions recorded strong growth of 30.7%.

The most relevant market observers (BNP, CBRE, Colliers, JLL) are forecasting continued strong demand for investments in logistics properties, particularly in the core product sector, but are unable to publish any reliable forecasts because of the ongoing COVID-19 pandemic.

2.3. The Share

At the beginning of the 2019/2020 financial year, the share price (opening price on 1 October 2019) was EUR 17.20. The lowest value for the half-year was EUR 14.90 on 17 December 2019, the highest price was reached on 17 February 2020 at EUR 22.40. Until the effects of the Corona crisis and the resulting distortions on the stock markets, the share price was always stable above EUR 20 on March 3, 2020, still at EUR 21.00, after which the price fell steadily in line with the general trend and closed on 31 March 2020 at 15.50 EUR.

The volume-weighted average price for the period was EUR 11.14 (financial year 2018/2019: EUR 8.74), the average daily trading volume increased to almost EUR 52,000 (financial year 2018/2019: EUR 18,000).



The free float (as defined by Deutsche Börse AG) was approximately 32% on the reporting date of 31 March 2020. The shareholder structure is characterised by institutional national and international investors with a predominantly long-term investment strategy.

Investor Relations

In order to maintain a transparent and continuous dialogue with existing and potential investors, DIR has constantly expanded its investor relations activities. It attended several investor conferences and was in direct contact with shareholders and investors at roadshows. Due to the restrictions imposed by the Corona crisis, however, various planned events had to be cancelled or took place as video or telephone conferences.

Analyst coverage of the DIR share

Berenberg Bank started reporting for the first time on 13.02.2020. The share is currently valued by three analysts as follows.

Date	Institute	Report	Analyst	Recommendation	Target price
14/02/2020	Baader Bank	Update	Andre Remke	"Add"	24.00 EUR
16/04/2020	Berenberg Bank	Update	Kai Klose	"buy"	23.00 EUR
19/02/2020	ODDO BHF	Update	Manuel Martin	"buy"	24.50 EUR

2.4. Business performance

Real estate portfolio

In the period under review, the portfolio grew due to further acquisitions. A total of 13 properties were transferred. In total, Deutsche Industrie therefore owned 62 properties as of 31 March 2020:

#	Properties	No. of commercial units	Total rental space in sqm	Commercial rental space in sqm	Annualised In place rent in k€	Occupancy commercial	WALT in years	IPR commercial in €/sqm	Current market value m€	Yield
49	Properties with transfer before 01/10/2019	1,200	1,149,376	933,435	33,174	88.9%	4.5	3.27	391,812	8.5%
13	Properties with transfer 01/10/2019 until 31/03/2020	193	263,367	182,167	7,153	92.6%	5.7	3.42	80,110	8.9%
62	Portfolio as of 31/03/2020	1,393	1,412,743	1,115,602	40,327	89.5%	4.7	3.30	471,922	8.5%
7	Properties with transfer after 31/03/2020	102	155,455	150,632	5,611	73.1%	3.6	4.02	45,650	12.3%
69	Proforma Portfolio	1,495	1,568,198	1,266,234	45,938	87.6%	4.6	3.37	517,572	8.9%

* The details of the current market values of the properties with transfer in the period under review correspond to the values reported in the balance sheet as of 30/09/2019 or, where no value appraisals are yet available, the purchase prices of the properties. The balanced acquisition-related costs are not included in the table above.



Photo: Barleben, Im Hasenwinkel

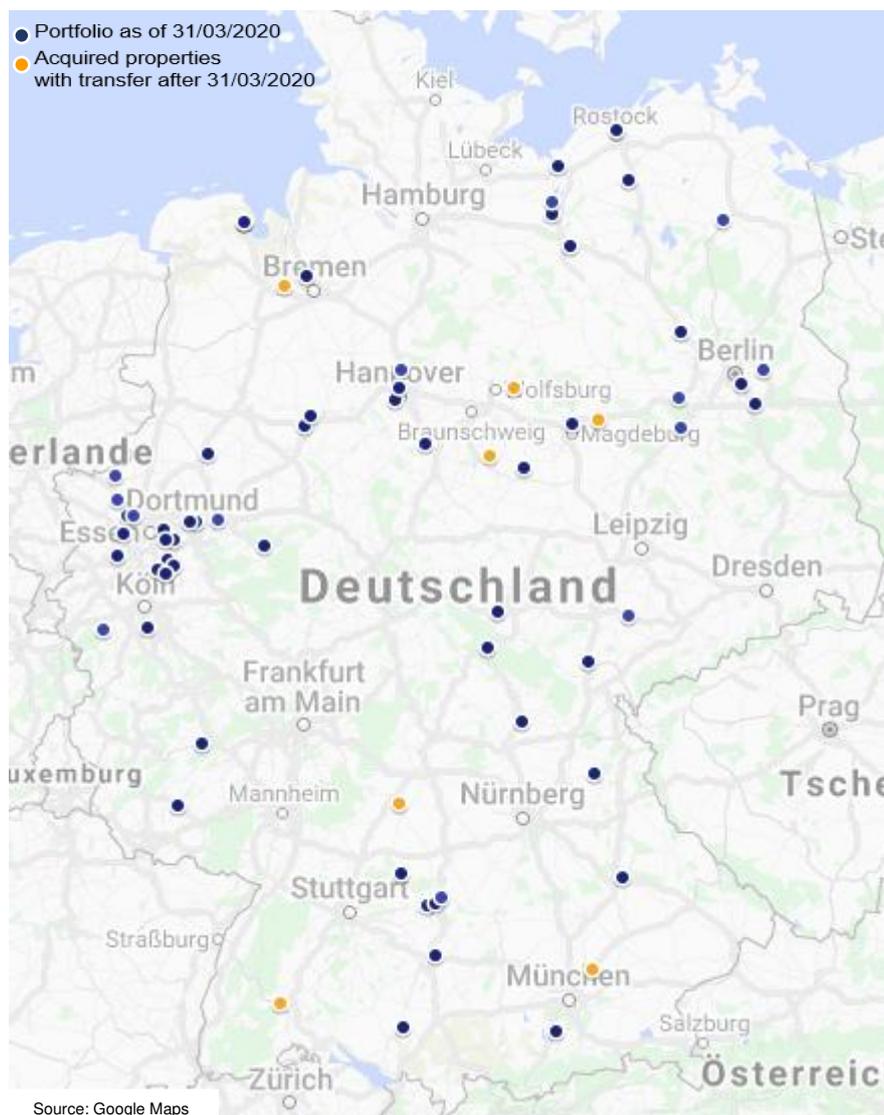
In addition, a total of seven further properties were acquired (reporting date 14 May 2020) for which purchase contracts were notarised and the transfer of ownership took place after the balance sheet date 31 March 2020 or has not yet taken place:

Taking into account all notarised properties, the total portfolio of Deutsche Industrie pro forma as of today consists of 69 properties with a commercial area of around 1,26 million sqm, annualised total rent of around EUR 45.9 million and a portfolio value of approx. EUR 517.6 million.



Photo: Dortmund, Westfaliastraße

The real estate portfolio is spread across the whole of Germany, with a focus on the more industrial west and the proximity to the ports in the north of the country. DIR is now represented in twelve federal states.



Federal State	Properties	Commercial space	Annualised rent	% of rent
North Rhine-Westphalia	23	342,799 sqm	12,258 k€	26.7%
Lower Saxony	8	269,102 sqm	8,098 k€	17.6%
Bavaria	6	121,909 sqm	7,579 k€	16.5%
Baden-Württemberg	7	182,208 sqm	6,856 k€	14.9%
Mecklenburg Western Pomerania	7	119,742 sqm	3,038 k€	6.6%
Brandenburg	5	46,512 sqm	2,245 k€	4.9%
Thuringia	4	57,150 sqm	1,682 k€	3.7%
Saxony-Anhalt	5	43,513 sqm	1,542 k€	3.4%
Rhineland Palatinate	1	20,905 sqm	1,036 k€	2.3%
Saarland	1	44,084 sqm	948 k€	2.1%
Bremen	1	9,496 sqm	428 k€	0.9%
Berlin	1	8,816 sqm	227 k€	0.5%
Total	69	1,266,234 sqm	45,938 k€	100.0%

Deutsche Industrie distinguishes between three categories in the use of the respective properties:

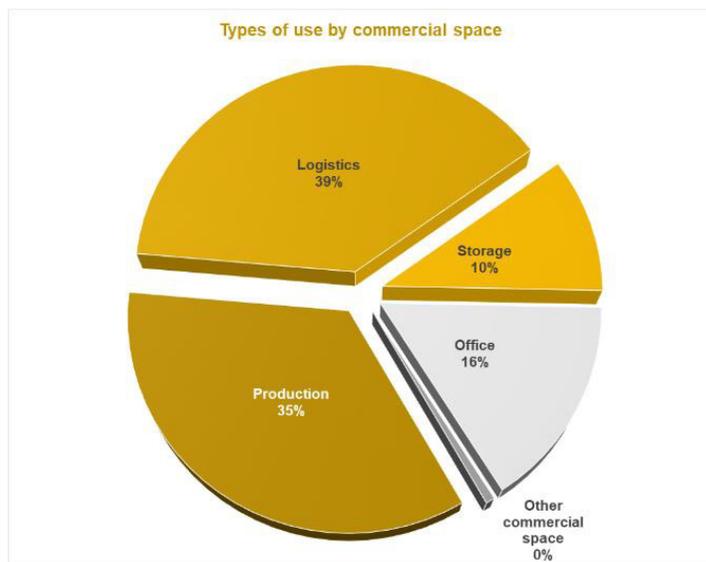
Logistics: These are building complexes already designed for the distribution of goods and commodities with the corresponding technical equipment.

Business parks: These usually consist of several different buildings with various uses ranging from storage to workshops, laboratories, offices and event areas.

Production and logistics: These properties are usually designed for a main manufacturing user and consist of the actual production areas as well as downstream warehouse/logistics, administrative and social areas.

Type	Properties	Total rental space	Commercial rental space	IPR p. sqm	Occupancy commercial	WALT	Annualised rent	% of rent	GAV	yield
Industrial park	15	373,391 sqm	350,333 sqm	4.54 €	76.2%	2.6	15,272 k€	33.2%	151,460 k€	10.1%
Logistics	21	409,959 sqm	384,880 sqm	3.56 €	92.5%	4.2	15,261 k€	33.2%	181,490 k€	8.4%
Production & logistics	33	784,848 sqm	531,022 sqm	2.59 €	91.5%	6.7	15,404 k€	33.5%	184,622 k€	8.3%
Total	69	1,568,198 sqm	1,266,234 sqm	3.37 €	87.6%	4.6	45,938 k€	100.0%	517,572 k€	8.9%

Inside the properties, the individual rental units consist of the following main usage types:



Logistics: larger areas, appropriate technical equipment

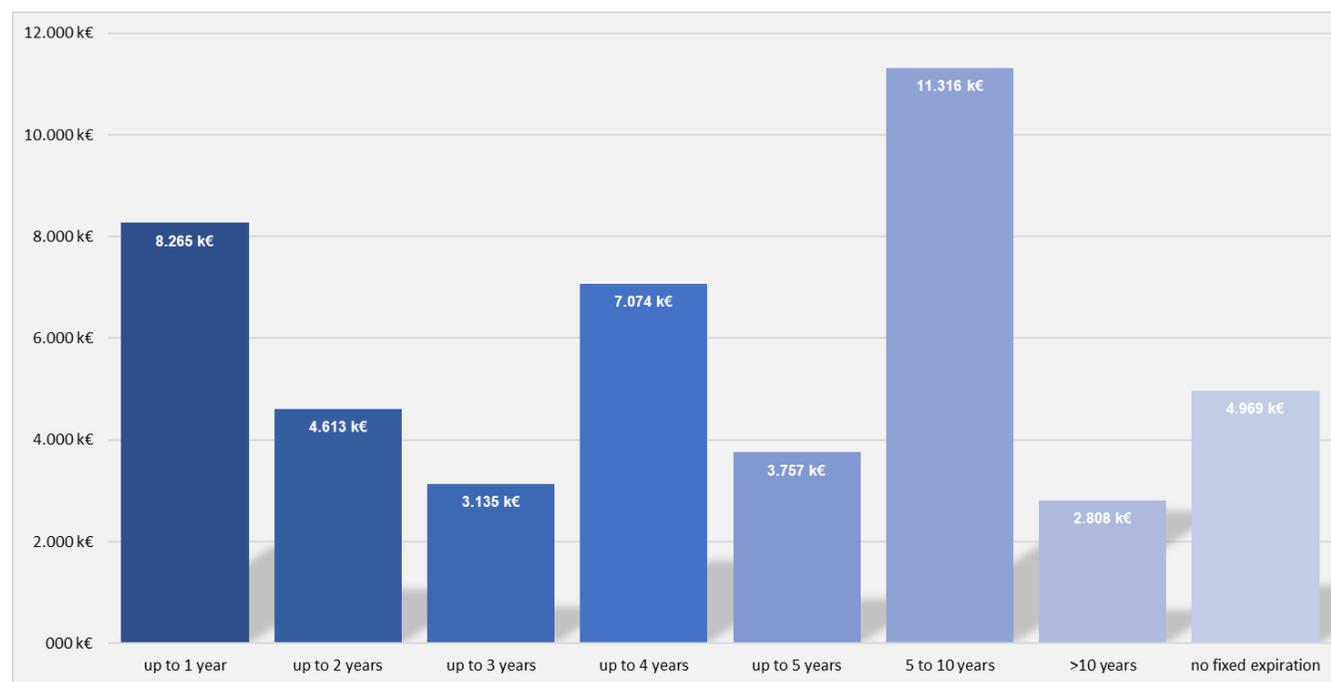
Storage: smaller to medium sized areas, simpler equipment

Office space: simple administration or training rooms including appropriate social rooms

production areas: halls, workshops

and other uses: e.g. open spaces, parking spaces, radio antennas, etc.

The weighted average lease term is 4.6 years and is divided on one hand into contracts with remaining terms of two to three years - typically many tenants in business parks - and on the other hand longer terms of more than 5 years, which are mostly found in production and logistics with a smaller number of tenants.



There are currently 480 tenants. They belong to more than 50 different sectors and are broadly diversified in terms of their economic branch, geographical focus, lease terms and usage profile. The 20 largest tenants account for slightly less than 50% of the total portfolio rent. Regarding the letting structure, the portfolio is divided as follows:

Tenant Category	Number of properties	Annualised Rent	% of rent	IPR p. sqm	Occupancy commercial	WALT
multi-tenant	19	16,888,874 k€	36.8%	4.70 €	69.7%	3.1
single tenant	30	16,190,636 k€	35.2%	2.87 €	99.2%	7.0
dominating major tenant	20	12,858,043 k€	28.0%	2.97 €	92.1%	3.4
Total	69	45,937,553 k€	100.0%	3.37 €	87.6%	4.6

Capital increase

In November 2019, the company executed a capital increase. A total of approximately 5.7 million shares were placed at a price of 16.25 per share, generating gross proceeds of approximately EUR 92.8 million. In addition to existing shareholders, one half of the new shares were placed to new shareholders. After deducting the costs of EUR 1.2 million, net proceeds of EUR 91.5 million remained. Until these funds were used for financing the acquisition, financial resources were invested in the framework of short-term financial planning.

Financing

In the first half of the 2019/2020 financial year, the company concluded nine loan agreements with various savings banks and cooperative banks with a total volume of EUR 53.1 million. The loans were secured, as is customary in the market, by first-ranking land charges and the assignment of rent and lease payment claims.

Lender	initial interest rates	Nominal Loan	Duration (years)	Fixed interest (years)	refinanced properties
Kreissparkasse Ostalb	1.47%	9,000,000 €	5.3	5.3	Essingen
Kreissparkasse Ostalb	1.75%	4,000,000 €	8.3	8.3	Aalen
Kreissparkasse Ostalb	1.75%	4,500,000 €	8.3	8.3	Westhausen
Sparkasse UnnaKamen	1.55%	3,900,000 €	17.2	9.7	Dortmund and Unna
Sparkasse Düren	1.45%	8,000,000 €	17.4	9.7	Düren
Berliner Sparkasse	1.46%	4,000,000 €	9.8	9.8	Altlandsberg
Berliner Volksbank	1.10%	4,100,000 €	18.0	9.8	Hannover
Berliner Volksbank	1.10%	6,400,000 €	18.0	9.8	Bocholt
Kreissparkasse St. Wendel	1.50%	9,240,000 €	14.8	9.8	Remscheid and Freisen
Total	1.45%	53,140,000 €	13.0	8.8	

In addition, DIR has taken out an unsecured borrower's note loan of EUR 10 million. The loan has a term of five years with an interest rate to be determined every six months, initially 2.25% p.a.

Annual General Meeting

The Company's Annual General Meeting was held in Berlin on 6 March 2020.

By resolution of the Annual General Meeting, the Supervisory Board was expanded from three to five members. Mrs. Cathy Bell-Walker and Mrs. Antje Lubitz were newly elected, the previous members Hans-Ulrich Sutter, Dr Dirk Markus and Achim Betz were reelected to the board. In addition, the Articles of Association were amended to allow the appointment of several deputy chairmen of the Supervisory Board.

In the constituent meeting of the Supervisory Board, which took place after the Annual General Meeting, Hans-Ulrich Sutter was re-elected Chairman of the Supervisory Board. Dr. Dirk Markus was elected First Deputy Chairman and Achim Betz Second Deputy Chairman.

The Annual General Meeting approved the payment of a dividend of EUR 0.16 per share for the 2018/2019 financial year, which was paid out to shareholders on March 11.

Furthermore, the activities of the Management Board and Supervisory Board were approved for their term of office in the 2018/19 financial year. DOMUS AG Wirtschaftsprüfungsgesellschaft/Steuerberatungsgesellschaft, Berlin, was again elected as auditor for the 2019/20 financial year. In addition, various minor amendments to the Articles of Association were adopted.

In addition, a new Authorized Capital 2020/I was created in the total amount of EUR 14,581,593.00, which can be used until 5 March 2025, and a resolution was passed to renew the authorisation to issue warrant-linked and/or convertible bonds with a total nominal value of up to EUR 150,000,000.00 and to increase Contingent Capital I up to EUR 14,581,593.00 with the option to exclude subscription rights.

More than 58% of the share capital was represented (share capital of the company at the time of the convening of the Annual General Meeting: EUR 29,163,187.00). All items on the agenda were resolved with the required majority.



Photo: Hannover, Wiesenauer Straße

3. Financial position, liquidity and financial performance

3.1. Financial position

The balance sheet total increased to TEUR 582,707.0 (30 September 2019: TEUR 438,989.1). This development resulted on the one hand from the growth of the property portfolio. Accordingly, investment properties were recorded at TEUR 478,961.5 as of 31 March 2020 (30/09/2019: TEUR 392,849.0). Further increases resulted from the rise in other financial assets to TEUR 26,946.4 (30/09/2019: TEUR 0.0) as a result of the investment of funds with terms of more than one year as well as the deposit of cash and cash equivalents as collateral for bank guarantees in connection with contractual obligations arising from ground lease contracts in the amount of TEUR 8,354.0. Other non-current assets consist solely of prepayments made for the acquisition of properties, and totalled TEUR 25,420.9, which is lower than the TEUR 38,886.2 recorded as of 30 September 2019.

The increase in other current assets to TEUR 48,931.7 (30/09/2019: 2,883.7) resulted from investments with a term of up to one year.

Analysis of other current assets:

TEUR	31/03/2020	30/09/2019
Receivables from shareholder loans	31,751.2	0.0
Receivables from other loans	14,187.6	0.0
Unfinished services after offsetting against advance payments received	496.6	619.2
Trust accounts	0.0	459.0
Tenant deposits	822.7	679.9
VAT receivables	678.0	514.2
Other	995.6	611.4
Other current assets	48,931.7	2,883.7

On the liabilities side, equity rose from TEUR 181,463.2 (30 September 2019) to TEUR 272,160.7 as of 31 March 2020, primarily due to the capital increase carried out in November, and liabilities to banks rose to TEUR 128,084.7 (30 September 2019: TEUR 67,526.5) as a result of new loans. The increase in liabilities from convertible bonds from TEUR 41,184.0 as of 30 September 2019 to TEUR 49,088.0 as of 31 March 2020 is based on the valuation at the stock exchange price on the balance sheet date (price on 30 September 2019 = 99.1; price on 31 March 2020 = 118). Other long-term liabilities consist almost exclusively of ground rents.

The EPRA NAV (Net Asset Value) is calculated as follows:

TEUR	31/03/2020	30/09/2019
Equity	272,160.7	181,463.2
NAV	272,160.7	181,463.2
Fair value of financial derivatives	-208.6	0.0
EPRA NAV	271,952.1	181,463.2
<i>No. of shares</i>	29,163,187	23,451,945
EPRA NAV per share	9.33	7.74

* also considers the dividend of EUR 0.16 per share paid on 11 March 2020.

The net LTV (loan-to-value) is derived as follows:

TEUR	31/03/2020	30/09/2019
Non-current financial liabilities		
Liabilities to banks	128,084.7	67,526.5
Liabilities from corporate bonds	120,344.6	117,904.0
Liabilities from convertible bonds	49,088.0	41,184.0
Other non-current liabilities	1,542.6	1,527.1
Current financial liabilities		
Liabilities to banks	5,265.3	3,956.9
Liabilities to other creditors	0.0	20,177.7
Other non-current financial assets	-26,946.4	0.0
Current financial assets		
Cash and cash equivalents	-237.3	-2,065.7
Trust accounts	378.6	-459.0
short-term loans	-44,836.6	0.0
Net debt	232,683.5	249,751.5
Investment properties	478,961.5	392,849.0
Advance payments on investment property	25,420.9	38,886.2
Non-current assets held for sale	0.0	435.0
Total Investment properties	504,382.4	432,170.2
Net LTV	46.1%	57.8%

3.2. Liquidity

The cash flow statement is as follows:

	H1 2019/2020	H1 2018/2019
Cash flow from operating activities	4,812.8	4,341.7
Cash flow from investing activities	-152,847.9	-89,190.0
Cash flow from financing activities	146,206.7	84,891.2
Change in cash and cash equivalents	-1,828.3	42.8
Cash and cash equivalents at the beginning of the period	2,065.7	117.1
Cash and cash equivalents at the end of the period	237.4	160.0

Cash flow from operating activities rose due to the higher operating management result, but was strongly negatively influenced by the payment of bank guarantees in connection with contractual obligations arising from ground leases in the amount of TEUR 8,354.0 (included in the item increase/decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities in the total amount of -9,195.3 TEUR)

Cash flow from investing activities was influenced above all by payments of TEUR -70,409.0 for investments in investment properties as well as payments of TEUR -83,543.3 for short-term financial investments.

The net cash inflow of TEUR 91,515.4 (H1 2018/2019: TEUR 48,471.8) from the capital increase and TEUR 64,653.9 (H1 2018/2019: TEUR 28,050.0) from borrowings had a major influence on cash flow from financing activities in the amount of TEUR 146,206.7 (H1 2018/2019: TEUR 84,891.2). A dividend of TEUR 4,666.1 (H1 2018/2019: TEUR -2,025.0) was paid out after the Annual General Meeting in March 2020

The company was always able to meet its payment obligations.

3.3. Financial performance

The financial performance of Deutsche Industrie developed as follows in the first half of 2019/2020:

TEUR	H1 2019/2020	H1 2018/2019
Net rental income	14,561.4	8,649.8
Other income	120.1	272.5
Result from the revaluation of investment properties	2,238.2	0.0
Administrative expenses	-2,899.1	-1,427.1
EBIT	14,020.6	7,495.2
Finance result	-10,381.0	-2,842.3
EBT	3,639.6	4,652.9
Other tax	-0.1	22.3
Net income	3,639.5	4,675.1

Net rental income rose to TEUR 14,561.4 k (H1 2018/2019: TEUR 8,649.8), which was mainly due to the substantial expansion of the property portfolio because of acquisitions. Accordingly, management expenses rose in parallel.

The valuation of all properties for the securities prospectus in connection with the capital increase in November 2019 resulted in a valuation result for certain properties that had already a transfer of ownership on the date of the prospectus (30.10.2019), but had to be balanced after 30/09/2019 and therefore in H1 2019/2020. The valuation result was TEUR 2,238.2 (H1 2018/2019: TEUR 0.0).

The increase in operating expenses of TEUR -2,899.1 (H1 2018/2019: TEUR -1,427.1) resulted mainly from increased depreciation and impairment charges due to the first-time valuation of financial assets based on the specific probability of default of the respective financial assets. This results in an impairment charge of TEUR -1,206.4 for H1-2019/2020.

The financial result of TEUR -10,381.0 (H1 2018/2019: TEUR -2,842.3) resulted from an increase in financial liabilities (loans and bonds), which correspond to the larger property portfolio, as well as higher interest income from financial investments and, above all, the valuation effect of TEUR -7,904.0 from the fair value measurement of the convertible bond.

The half-year result amounts to TEUR 3,639.5 (H1 2018/2019: TEUR 4,675.1), from which FFO (funds from operations) and aFFO (adjusted funds from operations) are derived as follows:

TEUR	H1 2019/2020	H1 2018/2019
Net income	3,639.5	4,675.1
Adjustment amortisation and depreciation	86.6	53.4
Adjustment revaluation of investment properties	-2,238.2	0.0
Adjustment revaluation result financial liabilities	7,904.0	0.0
Adjustment for special effects / non-cash expenses + income	1,283.7	226.2
Adjustment for one-off expenses/income	321.5	258.5
FFO	10,997.1	5,213.2
- Capex	-2,717.3	-2,609.4
aFFO	8,279.8	2,603.8

Non-cash expenses and income mainly include allocations and reversals of specific bad debt allowances and valuation adjustments for bond interest. The non-recurring effects include non-recurring expenses and income.

This results in FFO per share of EUR 0.40 for the current half-year (H1 2018/2019: EUR 0.25).

Further detailed information on the composition and amount of expenses and income is provided in the notes.

3.4. General statement on the economic situation of the company

Business development in the first half of the 2019/2020 financial year was successful and was hardly affected by the effects of the corona crisis. The basis for this was the acquisitions and the resulting increase in net rental income. Since some transfers of ownership did not take place until the second quarter of the financial year, the full rental income from these purchased properties will not be reflected in the earnings situation until the next few quarters.

4. Risk situation

Due to its business activities, DIR is exposed to operational and economic opportunities and risks. In the opinion of the Management Board, the risk situation has not changed significantly during the 2019/2020 financial year to date. In this respect, reference is made to the detailed presentation in the management report for the financial year ended 30 September 2019 in the section "Opportunities and risks report".

The overall and medium to long-term consequences of the current corona pandemic on the economy as well as on individual sectors and capital and transaction markets cannot be concretely assessed at present. So far, DIR estimates the impact on its own overall risk situation to be rather low due to its defensive business model.

5. Outlook and forecast

The following statements on DIR's future business performance 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, statements relating to the future entail a risk that the developments will not actually occur either in their tendency or their extent.

To date, a total of 23 tenants has been granted deferments of rent payments, in most cases for the months of April and May 2020, and in individual cases until December. The absolute volume of deferrals totals TEUR 1,636.8. No rent reductions or discounts have been granted so far, so that no direct effects on earnings need to be considered for the time being.

As expected, the first half of the 2019/2020 financial year was positive, which is reflected in the expansion of the portfolio and thus the improvement in all key performance indicators.

Based on the good half-year results and the acquisitions made, we confirm our forecast made in the first quarter and continue to expect an FFO of between EUR 23 million and EUR 25 million for the 2019/2020 financial year.

The FFO - run rate (annualised FFO without accrual effects) at the end of the financial year 2019/2020 is still expected to be between EUR 27 million and EUR 29 million.

As the macroeconomic impact of the Covid19 pandemic is difficult to estimate in the further course of the year, future adjustments of the forecast cannot be completely ruled out.

Rostock, 14 May 2020



Rolf Elgeti
CEO



Sonja Petersen
CIO



René Bergmann
CFO

**6. Interim Financial Statements for the period
1 October 2019 to 31 March 2020
of the financial year 2019/2020**

6.1. Balance sheet as of 31/03/2020

kEUR	Notes	31/03/2020	30/09/2019
ASSETS			
Non-current assets		532,629.0	432,788.9
Investment properties	(2.1)	478,961.5	392,849.0
Intangible assets		1.1	1.8
Property, plant and equipment		1,090.5	1,051.9
Derivative financial instruments		208.6	0.0
Other financial assets		26,946.4	0.0
Other non-current assets	(2,4)	25,420.9	38,886.2
Current assets		50,078.0	5,765.2
Trade and other receivables	(2.3)	909.0	815.9
Other current assets	(2.4)	48,931.7	2,883.7
Cash and cash equivalents		237.3	2,065.7
Non-current assets held for sale		0.0	435.0
Total assets		582,707.0	438,989.1
EQUITY AND LIABILITIES			
Equity		272,160.7	181,463.2
Issued share capital	(2.5)	29,163.2	23,451.9
Capital reserve	(2.5)	175,334.4	89,530.2
Other reserves	(2.5)	50.0	50.0
OCI (Other Comprehensive Income)	(2.5)	208.6	0.0
Retained earnings	(2.5)	67,404.5	68,431.1
Non-current liabilities	-	299,062.9	228,144.6
Liabilities to banks	(2.6)	128,084.7	67,526.5
Liabilities from corporate bonds	(2.9)	120,344.6	117,904.0
Liabilities from convertible bonds	(2.8)	49,088.0	41,184.0
Other non-current provisions		3.0	3.0
Other non-current liabilities	(2.10)	1,542.6	1,527.1
Current liabilities		11,483.4	29,381.2
Liabilities to banks	(2.10)	5,265.3	3,956.9
Liabilities to other creditors	(2.7)	0.0	20,177.7
Other current provisions		784.8	994.0
Trade payables		3,560.9	2,692.0
Other current liabilities		1,872.4	1,560.7
Total equity and liabilities		582,707.0	438,989.1

6.2. Statement of comprehensive income

kEUR	Notes	01/10/2019- 31/03/2020	01/10/2019- 31/12/2019	01/10/2018- 31/03/2019	01/01/2019- 31/03/2019
Gross Rental income		18,714.7	9,947.6	10,515.6	6,113.2
Income from operating and ancillary costs		3,750.7	1,612.2	2,062.5	955.8
Operating expenses		-7,904.0	-4,391.7	-3,928.3	-2,247.4
Net rental income	(3.1)	14,561.4	7,168.1	8,649.8	4,821.6
Net proceeds from the sale of investment properties		0.0	0.0	0.0	0.0
Other income	(3.2)	120.1	106.7	272.5	10.3
Result from the revaluation of investment properties	(3.3)	2,238.2	-27.0	0.0	0.0
Subtotal		16,919.7	7,247.8	8,922.3	4,831.9
Personnel expenses	(3.4)	-409.4	-201.9	-336.6	-176.4
Amortisation of intangible assets, depreciation of property, plant and equipment		-86.6	-39.6	-53.4	-28.8
Impairment loss of inventories and receivables		-1,206.4	254.8	-263.9	-173.0
Other administrative expenses	(3.5)	-1,196.7	-706.8	-773.2	-432.3
Administrative expenses		-2,899.1	-693.5	-1,427.1	-810.5
EBIT		14,020.6	6,554.3	7,495.2	4,021.4
Valuation result of financial liabilities		-7,904.0	-7,488.0	0.0	0.0
Interest income		1,651.9	1,315.2	24.9	16.5
Interest expense		-4,128.9	-2,013.0	-2,867.2	-1,586.2
Finance result	(3.6)	-10,381.0	-8,185.8	-2,842.3	-1,569.7
EBT		3,639.6	-1,631.5	4,652.9	2,451.6
Income tax		0.0	0.0	0.0	0.0
Other tax	(3.9)	-0.1	-0.1	22.3	-0.1
Net income		3,639.5	-1,631.6	4,675.1	2,451.5
Items not reclassified to profit/loss		0.0	0.0	0.0	0.0
Items reclassified to profit/loss		0.0	0.0	0.0	0.0
Total other comprehensive income		0.0	0.0	0.0	0.0
Total comprehensive income		3,639.5	-1,631.6	4,675.1	2,451.5
Earnings per share (in EUR)	(3.7)				
Undiluted result per share		0.13		0.23	
Diluted result per share		0.14		0.23	

6.3. Statement of changes in equity

kEUR	Issued share capital	Capital reserve	Other reserves	OCI	Retained earnings	Total equity
As at 01/10/2018	18,000.1	31,976.8	50.0	0.0	21,784.2	71,811.0
Period result	0.0	0.0	0.0	0.0	4,675.1	4,675.1
Other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0
Total comprehensive income	0.0	0.0	0.0	0.0	4,675.1	4,675.1
Cash capital increase/ - reduction	4,500.0	45,001.9	0.0	0.0	0.0	49,501.9
Contribution in kind	0.0	0.0	0.0	0.0	0.0	0.0
Addition / Withdrawal from reserves	0.0	0.0	0.0	0.0	0.0	0.0
cost of capital measures	0.0	-945.1	0.0	0.0	0.0	-945.1
Dividend distribution	0.0	0.0	0.0	0.0	0.0	0.0
As at 31/03/2020	22,500.1	76,033.5	50.0	0.0	31,134.5	129,718.0
As at 01/10/2019	23,451.9	89,530.2	50.0	0.0	68,431.1	181,463.2
Period result	0.0	0.0	0.0	0.0	3,639.5	3,639.5
Other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0
Total comprehensive income	0.0	0.0	0.0	0.0	3,639.5	3,639.5
Cash capital increase/ - reduction	5,711.2	87,096.4	0.0	0.0	0.0	92,807.7
Contribution in kind	0.0	0.0	0.0	0.0	0.0	0.0
Addition / Withdrawal from reserves	0.0	0.0	0.0	208.6	0.0	208.6
cost of capital measures	0.0	-1,292.2	0.0	0.0	0.0	-1,292.2
Dividend distribution	0.0	0.0	0.0	0.0	-4,666.1	-4,666.1
As at 31/03/2020	29,163.2	175,334.4	50.0	208.6	67,404.5	272,160.7

6.4. Cash flow statement

kEUR	H1-2019/2020	H1-2018/2019
	01/10/2019- 31/03/2020	01.10.2018- 30.06.2019
Net income	3,639.5	4,675.1
Interest expense/interest income	2,477.0	2,842.3
Depreciation, amortisation and write-down/ reversals of intangible assets, tangible assets and financial assets	86.6	53.4
Impairments on inventories and receivables	1,152.3	263.9
Gains / Losses from the revaluation of investment properties	-2,238.2	0.0
Profit/loss from the valuation of financial liabilities	7,904.0	
Increase / decrease in provisions	-209.2	-1,147.2
Income taxes paid	0.0	-2,583.2
Increase/decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	-9,195.3	-1,239.3
Increase/decrease in trade payables and other liabilities not attributable to investing or financing activities	1,196.1	1,476.6
Cash flow from operating activities	4,812.8	4,341.7
Proceeds from disposals of investment properties (less disposal costs)	435.0	0.0
Cash payments related to property investments	-70,409.0	-116,420.3
Cash payments related to other investments in intangible and tangible assets	-124.5	-249.5
Cash Outflow due to financial investments in the context of short-term financial management	-83,543.3	0.0
Received interests	793.9	538.9
Cash flow from investing activities	-152,847.9	-89,190.0
Cash proceeds from the issue of shares	5,711.2	4,500.0
Cash proceeds from capital increases	87,096.4	45,001.9
Costs related to capital increases	-1,292.2	-1,030.1
Cash inflow from loans	64,660.0	11,175.0
Amortisation of loans	-2,838.1	-495.6
Interests paid	-2,458.4	-285.1
Cash flow from financing activities	146,206.7	84,891.2
Change in cash and cash equivalents	-1,828.3	42.8
Cash and cash equivalents at the beginning of the period	2,065.7	117.1
Cash and cash equivalents at the end of the period	237.4	160.0

Notes

Selected notes to the interim financial report as of 31 March 2020

1. Accounting principles

1.1. General information

Deutsche Industrie REIT-AG (hereinafter also referred to as "Deutsche Industrie", "DIR" or "Company" for short) is a real estate company focusing on light industrial real estate in Germany with its registered seat in Rostock. The company has its headquarters at August-Bebel-Str. 68 in 14482 Potsdam. According to the Articles of Association, the object of the Company is the management of its own assets through the acquisition, management and sale of properties and equity interests; transactions requiring approval are excluded. Furthermore, the Company is entitled to take all measures that are directly or indirectly suitable for serving this corporate purpose. The Company is authorised to establish, acquire, lease or invest in similar or similar companies. It may also establish branch offices in Germany and abroad. Deutsche Industrie REIT-AG is registered in the commercial register of the Rostock Local Court under HRB 13964.

Since January 1, 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 focus is on activities that are geared towards long-term and sustainable value enhancement of the real estate portfolio. Compliance with the REIT criteria must always be observed.

1.2. Basics of preparing the individual financial statements

This half-yearly financial report of Deutsche Industrie REIT-AG ("Deutsche Industrie" or the "Company") as of March 31, 2020 was prepared in accordance with the provisions of Section 115 of the German Securities Trading Act (WpHG).

The abridged individual interim financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), as applicable in the EU, and in accordance with the regulations of IAS 34 ("Interim Financial Reporting"). In addition, the provisions of German Accounting Standard 16 (DRS 16 - Interim Reporting) have been considered.

The reporting period covers the first six months ("H1") of the 2019/2020 financial year. The balance sheet as at 30 September 2019 and the income statement for the period from 1 October 2018 to 31 March 2019 serve as comparative figures.

With the exception of the first-time application of IFRS 16, the accounting and valuation as well as the notes and disclosures in the individual interim financial statements have been prepared using the same accounting and valuation methods as those applied in the individual financial statements as of September 30, 2019. IFRS 16 was applied retrospectively in a modified form, with no first-time application effects to be allocated to retained earnings. There is no adjustment of comparative figures for the previous period and no disclosure of comparative information.

These condensed interim financial statements do not contain all the information required for annual financial statements and must therefore be read in conjunction with the single-entity financial statements as of September 30, 2019. The individual interim financial statements were prepared on a going concern basis and have not been audited or reviewed by an auditor.

These interim financial statements are prepared in euros (EUR). Unless otherwise indicated, all figures are presented in thousands of euros (TEUR). This may result in rounding differences. The income statement is prepared using the total cost method.

First-time adoption of IFRS 16 Leases

The first-time adoption of the new standard IFRS 16 does not have any material effect on the Company's accounting, as Deutsche Industrie primarily acts as a lessor of commercial rental properties and the accounting for lessors remains largely unaffected by IFRS 16. However, the new standard brings significant changes for lessees with operating leases, as the lessee is no longer classified as an operating or finance lease. There are no material effects for finance leases.

Leases are accounted for as rights of use and corresponding liabilities at the time when the leased asset is available for use by the Company. The leasing rates are divided into repayment and financing expenses. Finance expenses are recognised in the income statement over the term of the lease using the effective interest method, so that a constant periodic interest rate is applied to the residual amount of the lease liability for each period. The right of use is amortised on a straight-line basis over the shorter of the useful life of the asset and the lease term. When determining the term of the lease, extension options are considered, the exercise of which is sufficiently certain.

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

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

Payments for short-term leases or leases of low-value assets are recognised as expenses in the statement of comprehensive income on a straight-line basis. Deutsche Industrie has no such leases.

Lease payments are discounted at the lessee's incremental borrowing rate if the implicit interest rate underlying the lease cannot be determined. The incremental borrowing rate is the interest rate that the lessee would have to pay if it had to acquire or finance the underlying asset with external funds in similar circumstances.

The Company acts exclusively as a lessee of ground lease agreements. In the case of leaseholds previously recognized as finance leases under IAS 17, the carrying amount of the leased asset immediately prior to the first-time application of IFRS 16 is recognized under IAS 17 and the carrying amount of the lease liability under IAS 17 is recognized as the initial carrying amount of the right of use and the lease liability under IFRS 16. The valuation principles of the new leasing standard were only applied thereafter, but did not lead to any changes in valuation, as there are no residual value guarantees, variable leasing payments or similar. The rights of use from leasehold contracts continue to be reported in the balance sheet under non-current assets in the item investment properties. The corresponding lease liability is included in other current or non-current liabilities. For further information, please refer to section 2.11.

The retrospective application of IFRS 16 using the exemption option in IFRS 16.C8(b)(i) did not result in a first-time application effect to be recognised in retained earnings. There were also no effects in the balance sheet or the statement of comprehensive income as of October 1, 2019.

2. Notes to the balance sheet

2.1. Investment property

A valuation of the real estate portfolio is generally carried out annually on 30 June by an external and independent appraiser. The valuation at fair value is performed using internationally accepted valuation methods and is based on information provided by the Company, e.g. current rents, maintenance and administrative costs or the current vacancy rate, as well as assumptions made by the appraiser based on market data and assessed on the basis of his professional qualifications, e.g. future market rents, typical maintenance and administrative costs, structural vacancy rates or discount and capitalisation rates (Level 3 of the fair value hierarchy). For the valuation as of 31 March 2020, the principles were applied consistently as of 30 September 2019. In the measurement of initial recognition, acquisition or production costs and transaction costs are included. In subsequent measurement, value-enhancing measures are considered when measuring fair value.

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

In the period from 1 October 2019 to 31 March 2020, 13 properties with a volume of TEUR 81,157.0 (H1 2018/2019: TEUR 112,971.2) were transferred to the company and partially sold. As a result, the company's property portfolio as of 31 March 2020 comprised 62 objects with a fair value of TEUR 477,489.5 (30/09/2019: TEUR 391,770.0) plus ground leases of TEUR 1,472.0 (30/09/2019: TEUR 1,472.0), which were recognised as rights of use. Furthermore, value-enhancing measures were carried out, which were capitalised in the amount of TEUR 2,717.3. In addition, a purchase price of TEUR 21,200.0 was paid for a property. Valuation results of TEUR 2,238.2 (31 March 2018 TEUR 1,578.6) were recorded for investment properties during the first half of 2019/2020.

The following overview shows the development of investment property:

TEUR	31/03/2020	30/09/2019
Opening balance	392,849.0	168,242.2
+ Real estate purchases	81,157.0	184,565.9
+ Capitalisation of leased assets (finance leases)	0.0	186.8
+ Adjustment of book values for leasehold rights due to changed leasehold interest payments	0.0	33.6
- Disposal of carrying amount due to sale of properties	0.0	-627.0
- Reclassification according to IFRS 5	0.0	-435.0
+ Subsequent acquisition and production costs (capex)	2,717.3	3,273.4
- Book value disposal through sale of properties	0.0	57.0
+ Unrealised valuation gains or losses from fair value measurement (change in fair value)	2,238.2	37,552.1
Final balance	478,961.5	392,849.0

Of the investment property, properties with a carrying amount of TEUR 398,365.0 (30 September 2019: TEUR 298,955.0) were secured by mortgages or the assignment of rental income during the reporting year.

There are leasehold contracts under which the associated plots of land are developed with commercial real estate. Rights of use and leasing liabilities are balanced for the leasehold properties. The lower of the fair value and the present value of the minimum lease payments was used as a basis. The capitalised amount as of 31 March 2020 totalled TEUR 1,472.0 (30 September 2019: TEUR 1,472.0). The liability recognised as of 31 March 2020 totalled TEUR 1,519.4 (30/09/2019: TEUR 1,519.4). A revaluation of investment property is based on an external property valuation as of 30 June 2020. No adjustments were made in this area because the effects of ground lease contracts during the reporting year were immaterial.

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

TEUR	H1 2019/2020	H1 2018/2019
Gross rental income	18,714.8	10,515.6
Income from operating and ancillary costs	3,750.7	2,062.5
Operating expenses (maintenance, property management, ground taxes, etc.)	-7,903.9	-3,928.3
Total	14,561.6	8,649.8

2.2. Deferred taxes

Deferred tax assets and liabilities are recognised for temporary differences between the carrying amounts in the balance sheet and the tax base and the resulting future taxes. Due to the REIT status of the company since January 1, 2018, the company is exempt from both corporate income tax and trade tax. In this respect, no deferred taxes must be recognised at present.

2.3. Actual and deferred income tax assets and liabilities

The trade receivables are mainly from rentals and amounted to TEUR 909.0 as of March 31, 2020 (September 30, 2019: TEUR 815.9). This includes value adjustments of TEUR 391.6 (30/09/2019: TEUR 445.7).

2.4. Other non-current and current assets

Other non-current assets include prepayments made for acquired investment properties in the amount of TEUR 25,420.9 (30/09/2019: TEUR 38,886.2), for which the transfer of ownership had not taken place as of the balance sheet date, as well as long-term investments in acquired loan shares via Creditshelf in the amount of TEUR 18,592.4 (30/09/2019: TEUR 0.0) and collateral for guarantees for future leaseholds in the amount of TEUR 8,354.0 (30/09/2019: TEUR 0.0).

Deutsche Industrie enters into interest rate swaps to hedge interest rate risks arising from some loans with variable interest rates that have similar terms and conditions to the hedged item, including, but not limited to, the reference interest rate, payment dates, maturities and notional amount. The swaps therefore serve as hedging instruments and are accounted for as cash flow hedges. The swaps are measured at fair value without recognition through profit or loss and amounted to TEUR 208.0 as of the balance sheet date (30 September 2019: TEUR 0.0). The gain or loss on the effective portion of the interest rate swaps is recognised in profit or loss under finance costs.

Other current assets are comprised as follows:

TEUR	31/03/2020	30/09/2019
Receivables from shareholders including accrued interest	31,751.2	17.0
Short-term investment in acquired loan shares via Creditshelf	14,187.6	0.0
Tenant deposits	822.7	679.9
VAT receivables	678.0	514.2
Unfinished services after offsetting against advance payments received	496.6	619.2
Receivables from purchaser settlements	137.8	328.0
Other	857.8	266.4
Trust accounts	0.0	459.0
Total	48,931.7	2,883.7

In the 2019/2020 financial year, DIR invested surplus liquidity for the first time in the acquisition of loans, which are arranged through fintech Creditshef AG, Frankfurt. The loans have terms of three months to five years with a volume-weighted term of approximately 1.6 years and bear interest of between 5.75% and 12.0% p.a. Creditshef also charges a fee for credit processing and related services.

The receivables from the creditshef loans are measured at fair value on level three of the valuation hierarchy without affecting income. This is based on the invested amount less repayments to date, considering expected default rates. In the reporting period, impairments on the creditshef loans in the amount of TEUR 1,206.4 were recorded through the income statement.

No impairment losses were recorded on other financial assets.

2.5. Equity

The first half of the 2019/2020 financial year was characterised by the capital increase in November 2019. In total, the subscribed capital increased by EUR 5,711,242.00 to EUR 29,163,187.00 and the capital reserve by EUR 87,096,440.50 to EUR 182,066,845.69.

In addition, a dividend payment of TEUR 4,666.1 was made from the balance sheet profit.

For further information on the development of equity, please refer to the statement of changes in equity.

2.6. Liabilities to banks

The liabilities to banks are as follows:

TEUR	31/03/2020	30/09/2019
Non-current	128,084.7	67.526.5
Current	5,265.3	3.956.9
Total	133,350.0	71.483.4
Of which secured	133,350.0	71.483.4

Liabilities to banks have increased due to the raising of new secured bank loans, which are being used to build up the property portfolio. This was offset by current repayments.

2.7. Liabilities to other lenders

Liabilities to other lenders result from loans from shareholders and related parties with an agreed maximum basic term, which are subject to variable and constant repayment. Only interest is incurred on outstanding amounts.

There are shareholder loans of TEUR 0.0 (30/09/2019: TEUR 20,177.7)

2.8. Liabilities from convertible bonds

The liabilities from convertible bonds are composed as follows, considering the issue costs, and are classified as non-current:

Liabilities from convertible bonds	Maturity	31/03/2020		30/09/2019	
		Non-current	Current	Non-current	Current
convertible bonds TEUR 41,600.0 (nominal), 2.0% Coupon p.a.	11 June 2023	49,088.0	0.0	41,184.0	0.0
Total		49,088.0	0.0	41,184.0	0.0

On June 11, 2019, Deutsche Industrie issued a convertible bond with 416 partial bonds with a nominal value of EUR 100,000.00 each. The nominal amount of the bearer bonds amounts to TEUR 41,600.0. The convertible bonds are convertible into new or existing no-par value Deutsche Industrie bearer shares or can be repaid in cash. The convertible bonds carry interest at 2.0 % p.a. and mature on June 11, 2026. There is a put option that calls for the bonds to mature on June 11, 2023. The bond debtor must repay a bond after the creditor exercises the corresponding option on June 11, 2023 (the "option repayment date (put)") at 105 % of the nominal amount plus any interest accrued up to the option repayment date (put) (exclusively). As the contract term until June 11, 2026 represents only an extension option from an economic point of view, June 11, 2023 was taken as the due date.

The initial conversion price for no-par value bearer shares in the Company was EUR 18.50 per share. Due to the dividend payment on 11 March 2020, the conversion price was adjusted to EUR 18.3570 per share. This results in a total of 2,266.165 potential conversion shares as of 31 March 2020.

The non-current financial liability resulting from the issue of the convertible bond is shown in the balance sheet under convertible bonds.

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

TEUR	31/03/2020	30/09/2019
Book value	49,088.0	41,184.0
Of which change in fair value due to credit risk recognised directly in equity	0.0	0.0
Cumulative change in fair value due to credit risk	0.0	0.0
Amount which DIR is contractually obliged to pay to the holders of the convertible bond at Maturity	43,680.0	43,680.0
Difference between book value and amount to be paid for Maturity	-5,408.0	2,496.0

A valuation loss of TEUR 7,904.0 (H1 2018/2019 TEUR 0.0) was incurred in H1 2019/2020, which was reported in the valuation result of financial liabilities in the income statement.

2.9. Liabilities from corporate bonds

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

Liabilities from corporate bonds in TEUR	Maturity	31/03/2020		30/09/2019	
		Non-current	Current	Non-current	Current
Bond TEUR 118,000,000 (secured), 4.0% Coupon p.a.	30 August 2022	120,334.6	0.0	117,904.0	0.0
Total		120,334.6	0.0	117,904.0	0.0

In August 2017 the company issued a secured bond with a volume of EUR 60,000,000.00, divided into 600 bearer bonds with equal rights and a nominal value of EUR 100,000.00 each. In the 2017/2018 financial year the bond was increased by a total of TEUR 29,900. The nominal amount on 30 September 2018 totalled TEUR 89,900. The bond was increased by a further TEUR 28,100 on 22 February 2019, bringing the nominal value to TEUR 118,000, which is divided into 1,180 bonds. The bond bears interest at 4.0% p. a. and has a term until August 30, 2022. Interest is paid annually on August 30.

2.10. Other non-current and current liabilities

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

TEUR	31/03/2020	30/09/2019
Non-current leasing liabilities	1,516.7	1,516.7
Other non-current liabilities	25.9	10.4
Total other non-current liabilities	1,542.6	1,517.1
Rent deposits	821.5	729.2
Liabilities to tenants	492.1	469.6
Trust accounts	378.6	0.0
Incoming payments already received (relating to other periods)	99.2	300.8
Current leasing liabilities	2.7	2.6
Others	78.4	58.5
Total current other liabilities	1,872.5	1,560.7
Total	3,415.1	3,087.8

2.11. Leasing agreements

As part of the first-time application of IFRS 16, DIR as lessee balances rights of use and lease liabilities for leases. The company acts as a lessee of leasehold contracts, which, however, have already been reported under IAS 17 on the assets and liabilities side under investment property and other current and non-current liabilities. The application of IFRS 16 did not result in any valuation changes.

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

TEUR	31/03/2020	01/10/2019
Investment property	1,472.0	1,472.0
Total rights of use	1,472.0	1,472.0

The leasing liabilities are broken down as follows on the balance sheet date:

TEUR	31/03/2020	01/10/2019
Non-current leasing liabilities	1,516.7	1,516.7
Current leasing liabilities	2.7	2.7
Total leasing liabilities	1,519.4	1,519.4

The interest expenses from leasehold rights amount to TEUR 69.6.

3. Selected notes to the statement of comprehensive income

3.1. Net rental income

Net rental income consists of rental income and income from operating and ancillary costs, less operating expenses, and breaks down as follows:

TEUR	H1 2019/2020	H1 2018/2019
Gross rental income	18,714.8	10,515.6
Income from operating and ancillary costs	3,750.7	2,062.5
Total income	22,465.5	12,578.1
Maintenance	1,170.8	934.6
Recoverable operating and ancillary costs	4,843.0	1,883.0
Non-recoverable operating costs	1,890.2	1,110.7
Total property management expenses	7,904.0	3,928.3
Net rental income	14,561.5	8,649.8

The revenues are commercial rents from properties in Germany. The income from operating and ancillary costs does not include any own work performed by the company. Maintenance expenses relate to repairs and maintenance work.

Apportionable operating costs include non-recurring expenses of TEUR 909.9 from 2017 for acquired properties that could not be recognised until the current fiscal year because of the settlement with the previous owner. These expenses were already charged to tenants in the prior year.

Non-apportionable service charges include TEUR 1,048.1 of property management expenses (H1 2018/2019: TEUR 983.0).

3.2. Other operating income

Other operating income amounted to TEUR 120.1 in the reporting period (H1 2018/2019: TEUR 272.5). Other operating income primarily includes insurance compensation of TEUR 55.9 (H1 2018/2019: TEUR 267.5).

3.3. Valuation result of investment property

The valuation result includes the net valuation gains and losses from the fair value measurement of investment property as of the balance sheet date. The valuation result in H1 2019/2020 only includes the results of the valuation of part of the portfolio acquired in H1 2019/2020 as of 31 March 2020. The next valuation of the entire investment property portfolio will take place as of 30 June 2020 as planned.

3.4. Personnel expenses

The Company's personnel expenses in H1 2019/2020 amounted to approximately EUR 409.4 thousand (H1 2018/2019: EUR 336.6 thousand) and comprise four full-time employees, thereof two members of the Management Board (H1 2018/2019: two) and two full-time employees (H1 2018/2019: one). Additional services for the Company are provided by employees of Obotritia KGaA. A cost allocation is levied for these services, which is recorded under other administrative expenses. The increase in personnel expenses is mainly due to the increase in personnel provisions due to the inclusion of the long-term remuneration component.

3.5. Other administrative expenses

The other administrative expenses are as follows:

TEUR	H1 2019/2020	H1 2018/2019
Fees	560.0	279.7
Management fees	235.9	235.9
Legal, consulting and auditing expenses	223.4	170.1
Others	177.4	87.5
Total	1,196.7	773.2
thereof one-off expenses	160.4	258.5
Adjusted	1,036.3	514.7

Adjusted for special effects and one-time expenses, other operating expenses increased by TEUR 521.6, which is partly due to higher fees.

3.6. Financial result

The financial result has the following structure:

TEUR	H1 2019/2020	H1 2018/2019
Valuation result convertible bond	-7,904.0	0.0
Total valuation result financial liability	-7,904.0	0.0
thereof non-cash effective	-7,904.0	0.0
Interest income from shareholder loans	793.9	24.9
Interest income from credit support loans	858.0	0.0
Total interest income	1,651.9	24.9
thereof non-cash effective	793.9	24.9
Interest on corporate bonds	-2,440.6	-1,923.7
Interest on convertible bonds	-416.0	0.0
Interest expense from shareholder loans	-198.3	-656.9
Other interest expenses for loans to banks	-1,004.3	-217.4
Ground rents	-69.7	-69.2
Total interest expenses	-4,128.9	-2,867.2
thereof non-cash effective	-1,670.5	-1,923.7
Total	-10,381.0	-2,842.3

The decrease in the financial result is mainly due to the valuation loss of the convertible bond (see section 2.8).

3.7. Earnings per share

The earnings per share are as follows:

TEUR	H1 2019/2020	H1 2018/2019
Net profit for the period (undiluted)	3,639.5	4,675.1
Interest expenses on convertible bonds	416.0	-
Net profit for the period (diluted)	4,055.5	4,675.1
Average number of shares issued in the reporting period (undiluted)	27,758.8	20,670.4
Potential conversion shares	2,252.7	-
Average number of shares issued in the reporting period (diluted)	30,011.5	20,670.4
Earnings per share (EUR)		
undiluted	0.13	0.23
diluted	0.14	0.23

4. Other information Segment reporting

4.1 Segment reporting

The company is currently a one-segment company. Sales are generated exclusively with customers based in Germany in the commercial real estate segment. All properties are located in Germany, there is no differentiation of geographical areas in internal management, and there are no various services. The largest customer accounted for revenues of TEUR 1,279.7 in the first half of 2019/2020 (H1 2018/2019: TEUR 728.0).

4.2. Contingent liabilities and other financial commitments

The company has the following financial obligations from long-term contracts:

TEUR	H1 2019/2020	H1 2018/2019
Asset- and Property Management contracts	8,864.3	7,834.7
Contracts on management levies	353.9	471.9
Car leasing	12.0	13.6
Total	9,230.2	8,320.2
thereof up to 1 year	3,207.3	2,876.8
thereof over one year and up to five years (undiscounted)	6,022.9	5,443.4
thereof more than five years (undiscounted)	0.0	0.0

As of the balance sheet date 31 March 2020, the company has purchase price obligations from notarised purchase agreements for 7 properties. The total purchase price obligations amount to TEUR 45,650.0, of which TEUR 21,200.0 has already been paid to the seller.

There are no other contingent liabilities.

4.3. Transactions with related parties

The company maintains business relationships with related parties. These relationships essentially comprise financial services through the provision of short-term liquidity based on framework agreements as well as services.

The scope of transactions with related parties is shown below.

Deutsche Industrie is an affiliated company of Obotritia Capital KGaA, Potsdam. Obotritia Capital KGaA invoiced an apportionment of EUR 235.9 thousand (H1 2018/2019: EUR 235.9 thousand) for the use of business premises, office equipment and administrative personnel, including the activities of the Management Board, in the reporting period under the agency agreement concluded.

In an agreement dated 17 November 2014 and supplements 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 line of EUR 31 million to improve its liquidity position. The loan is paid out at the request of the company and is repayable at any time, but no later than the end of the contract term on 31 December 2024. Interest will be charged only on the outstanding amount; no additional interest will be charged on the loan. As of the balance sheet date 31/03/2020 there was a receivable of TEUR 31,751.2 (30/09/2019: liability of TEUR 20,177.8). The same contractual terms and conditions that apply to overpayments are applied to claims. A framework loan agreement dated 2 March 2017 was concluded for these cases. The interest rate is 8.0% and is calculated annually. On 28 August 2017, the 1st addendum was agreed to increase the credit line to EUR 61 million. Interest payments are deferred and are due at the latest upon termination of the loan. For the first half of 2019/2020, interest income of TEUR 858.0 (H1 2018/2019: TEUR 24.9) and interest expenses of TEUR 198.3 (H1 2018/2019: TEUR 656.9) were generated.

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 2-3% of the

net rental income received (plus VAT) per month, depending on the property. Expenses of TEUR 725.4 were incurred during the reporting period (H1 2018/2019: TEUR 513.7).

Furthermore, a management and consulting agreement exists with Elgeti Brothers GmbH, Berlin. The agreed remuneration amounts to 0.5% of the gross asset value of the company's properties per year, calculated based on the purchase prices and transaction costs, and is paid in quarterly discounts. Expenses totalled TEUR 983.0 for the reporting period (H1 2018/2019: TEUR 469.3).

In addition, the company invested short-term surplus liquidity for the first time in the acquisition of loans via Creditshelf AG, Frankfurt. Due to the size of the stake held by Obotritia Capital KGaA, Creditshelf AG must be classified as a related party. All transactions are carried out at normal market conditions. Interest income of TEUR 794.0 (H1 2018/2019: TEUR 0.0) was generated for the first half of 2019/2020. Creditshelf received TEUR 106.9 (H1 2018/2019: TEUR 0.0) from DIR in H1 2019/2020 as a commission for the acquisition of the loan.

The following receivables and liabilities exist in the balance sheet in respect of related parties:

TEUR	31/03/2020	30/09/2019
Other non-current assets		
Against Creditshelf AG	18,592.4	0.0
Other current assets		
Against shareholders (Obotritia Capital KGaA)	31,751.2	0.0
Against Creditshelf AG	14,187.6	0.0
Against other related companies	0.0	17.0
Liabilities to other lenders		
Against shareholders (Obotritia Capital KGaA)	0.0	20,177.82

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

4.4. Supervisory Board

In the reporting period, the Supervisory Board was composed as follows:

Name	Profession	Memberships in other supervisory bodies
<p>Hans-Ulrich Sutter Chairman of the Supervisory Board Dusseldorf, Germany</p> <p>Member and Chairman since March 2019</p>	<p>Business Graduate, Supervisory Board member</p>	<ul style="list-style-type: none"> • Deutsche Konsum REIT-AG, Broderstorf, (Chairman of the Supervisory Board), listed • TAG Colonia-Immobilien AG, Hamburg, (deputy Chairman of the Supervisory Board)
<p>Dirk Markus First deputy Chairman of the Supervisory Board London, United Kingdom</p> <p>Member und deputy Chairman since November 2017. First deputy Chairman of the Supervisory Board since 6. March 2020.</p>	<p>Entrepreneur Business economist</p> <p>AURELIUS Gruppe, Beteiligungsgesellschaft, Founder and CEO</p>	<ul style="list-style-type: none"> • Obotritia Capital KGaA, Potsdam, (Supervisory Board member)
<p>Achim Betz Second deputy Chairman of the Supervisory Board Nürtingen, Germany</p> <p>Member since November 2017. Second deputy Chairman of the Supervisory Board since 6. March 2020.</p>	<p>Certified public accountant, tax consultant, business graduate</p> <p>ba audit gmbh auditing company, Berlin (Managing Partner),</p> <p>BSF Treuhand GmbH auditing company, Stuttgart (Managing Partner)</p>	<ul style="list-style-type: none"> • Deutsche Konsum REIT-AG, Broderstorf, (First deputy Chairman of the Supervisory Board), listed • Deutsche Leibrenten Grundbesitz AG, Frankfurt am Main (deputy Chairman of the Supervisory Board) • Hevella Capital GmbH & Co. KGaA, Potsdam, (Chairman of the Supervisory Board) • NEXR Technologies SE (ex Staramba SE), Berlin (deputy chairman of the board), listed
<p>Cathy Bell-Walker Guildford, United Kingdom Member of the Supervisory Board since 6. March 2020</p>	<p>Lawyer, Partner, Allen & Overy LLP, London</p>	<ul style="list-style-type: none"> • - Deutsche Konsum REIT-AG, Broderstorf, listed
<p>Antje Lubitz Schulzendorf, Germany Member of the Supervisory Board since 6. March 2020</p>	<p>Real Estate Economist</p> <p>3PM Services GmbH, Berlin, managing director / shareholder,</p>	<ul style="list-style-type: none"> • - none

In the course of the elections to the Supervisory Board at the Annual General Meeting on 6 March 2020, the Supervisory Board was expanded to five members and the previous Supervisory Board members Hans-Ullrich Sutter, Dr. Dirk Markus and Achim Betz were re-elected and Cathy Bell-Walker and Antje Lubitz were newly elected to the Supervisory Board. Following the entry of the corresponding amendment to the Articles of Association in the commercial register, the Supervisory Board of Deutsche Industrie REIT-AG will thus consist of five persons.

At the constituent meeting of the Supervisory Board, which took place after the Annual General Meeting, Mr. Hans-Ulrich Sutter was confirmed as Chairman of the Supervisory Board. Dr. Dirk Markus was reappointed as first deputy chairman and Achim Betz as second deputy chairman.

The term of office of all Supervisory Board members ends at the end of the 2022 Annual General Meeting.

4.5. Management Board

In the period under review, the Management Board comprised the following members:

Name	Profession	Memberships in other supervisory boards within the meaning of Section 125 (1) sentence 5 of the German Stock Corporation Act (AktG)
Rolf Elgeti CEO Potsdam	Business Graduate	<ul style="list-style-type: none"> • TAG Immobilien AG, Hamburg, Germany (Chairman of the Supervisory Board) • Deutsche Leibrenten Grundbesitz AG, Frankfurt am Main, Germany (Chairman of the Supervisory Board) • creditshef Aktiengesellschaft, Frankfurt am Main, Germany (Chairman of the Supervisory Board) • NeXR Technologies SE (ex Staramba SE), Berlin, Germany (Chairman of the Board of Directors) • HLEE (Highlight Event and Entertainment) AG, Pratteln, Switzerland (Member of the Board of Directors) • Laurus Property Partner, Munich, Germany (Member of the Advisory Board) • Bankhaus Obotritia GmbH, Munich (Member of the Audit Committee)
Sonja Petersen (geb. Paffendorf) CIO Berlin	Business Graduate	<ul style="list-style-type: none"> • none
René Bergmann CFO Berlin	Businessman	<ul style="list-style-type: none"> • none

4.6. Significant events after the balance sheet date

The following significant events occurred after the balance sheet date that are not to be considered in the financial statements as of 31 March 2019:

The acquired property in Oberding had a transfer of ownership on April 1, 2020. The purchase price amounted to TEUR 21,200.0.

The company acquired six additional properties through notarised contracts. The annualised rent amounts to approximately TEUR 1,823.1 with an investment volume of roughly TEUR 24,450.0. The transfer of ownership is expected to take place during the third quarter of 2019/2020.

Rostock, 14 May 2020





Rolf Elgeti
CEO

Sonja Petersen
CIO

René Bergmann
CFO

Assurance of legal representatives

"We assure to the best of our knowledge that the financial statements as of 31 March 2020 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, 14 May 2020



Rolf Elgeti
CEO



Sonja Petersen
CIO



René Bergmann
CFO

Financial calendar

28 May 2020	EPRA Virtual Corporate Access Day
13 August 2020	9M 2019/2020 Interim statement
23 September 2020	Baader Investment Conference, Munich
18 December 2020	Publication of the annual report for the financial year 2019/2020

Publisher

The Management Board of the Deutsche Industrie REIT-AG

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Disclaimer

This quarterly statement 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.

