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## **Deutsche Konsum REIT-AG**

Annual General Meeting of Deutsche Konsum REIT-AG, Broderstorf  
on Thursday, 5 March 2020 at 11:00 a.m. (CET)

### **Explanation of the Management Board on TOP 9**

**With regard to the exclusion of subscription rights, the Management Board submits the following report in accordance with § 203 (2) AktG in conjunction with § 186 (4) AktG:**

"Under agenda item 9 a proposal will be made to the Annual General Meeting to create new Authorised Capital 2020/I in place of Authorised Capital 2019/I in the amount of EUR 15,979,972.00, which can be utilised until 4 March 2025. When using the Authorised Capital 2020/I, shareholders should generally be granted subscription rights. However, the Company is to retain the option to exclude the subscription right in the six cases mentioned:

a) The authorisation to exclude the subscription right for fractional amounts serves to ensure that a practicable subscription ratio can be represented with regard to the amount of the respective capital increase. Without the exclusion of the subscription right for fractional amounts, the technical implementation of the capital increase and the exercise of the subscription right would be considerably more difficult, especially in the case of a capital increase by round amounts. The new shares excluded from the shareholders' subscription rights as free fractions will be realised either by sale on the stock exchange or in another manner in the best interest of the Company.

b) The exclusion of subscription rights in the event of a capital increase against contributions in kind is intended to enable the Management Board to acquire companies, parts of companies or interests in companies (including an increase in existing shareholdings) as well as receivables from the Company and other contributable assets in return for the transfer of shares in the Company in suitable individual cases, and to use such shares in the context of mergers. This opens up the possibility of both offering new shares in the Company to a seller as consideration for investments in companies or for other contributable assets in connection with such an acquisition project, including claims against the Company, and of offering new shares in the

Company to a creditor of the Company instead of a cash payment to satisfy a claim or to acquire other contributable assets in a manner that preserves liquidity.

Experience shows that owners of interesting acquisition targets often do not demand money as consideration for the sale, but shares or a combination of shares and money. In the competition for attractive acquisitions, advantages may therefore arise if a seller can be offered new shares in the Company as consideration. In order to be able to make use of such acquisition opportunities, the company must, if necessary, have the possibility to increase its capital against contributions in kind with the exclusion of subscription rights.

The possibility of transferring shares for the acquisition of companies, parts of companies or interests in companies, for the fulfilment of claims against the Company or for the acquisition of other contributable assets may also prove to be the more favourable, liquidity-conserving form of financing for the Company compared with cash contributions and is therefore also in the interest of the shareholders.

The proposed authorisation will enable the Management Board, with the approval of the Supervisory Board, to react flexibly and at short notice to such offers on the national or international market. The Management Board and the Supervisory Board will carefully examine in each individual case whether it is necessary to use this instrument and whether the value of the new shares is in reasonable proportion to the value of the company to be acquired, the interests in a company to be acquired or the other assets (including receivables) to be acquired. The issue price for the new shares is determined by the Management Board, taking into account the interests of the shareholders and the Company.

c) The option of so-called simplified exclusion of subscription rights in accordance with § 186 (3) sentence 4 AktG serves the interests of the Company in achieving the best possible issue price when issuing the new shares. The possibility of excluding subscription rights as provided for in § 186 (3) sentence 4 AktG enables the Management Board, with the approval of the Supervisory Board, to take advantage of opportunities arising from the prevailing stock market conditions quickly, flexibly and cost-effectively. In this way, the best possible strengthening of equity is achieved in the interests of the Company and all shareholders. The issue amount achievable through open market pricing can lead to a significantly higher inflow of funds than the share placement with subscription rights and thus to the greatest possible strengthening of equity. By dispensing with the time-consuming and costly processing of the subscription right, the equity capital requirement can be covered very promptly from market opportunities that arise at short notice, and new groups of shareholders can also be acquired at home and abroad.

In the event that the authorised capital is used in return for cash contributions, the fact that the placement price is tied to the stock market price, which may not be significantly lower, prevents

any significant economic disadvantage for the shareholders excluded from subscription rights and limits the loss of influence for the shareholders.

When making use of the authorisation, the Management Board will endeavor to ensure that the new shares from the capital increase are issued without impacting the market. In particular, the Management Board will keep any discount from the then applicable stock exchange price as low as possible in accordance with the market conditions prevailing at the time of the final determination of the issue price. Shareholders who wish to maintain their participation quota in the event of a capital increase with the exclusion of subscription rights have the opportunity to acquire the required number of shares on the stock exchange.

The shares issued under exclusion of subscription rights in accordance with § 186 (3) sentence 4 of the AktG may in total neither exceed 10% of the share capital existing at the time of the entry of the Authorised Capital 2020/I in the commercial register nor - if this amount is lower - 10% of the share capital existing at the time of the issue of the new shares.

Overall, this ensures that, in accordance with the legal assessment of § 186 (3) sentence 4 AktG, the interests of the shareholders are appropriately safeguarded when the authorised capital is utilised to the exclusion of shareholders' subscription rights, while at the same time providing the Company with further scope for action in the interests of all shareholders.

d) The exclusion of subscription rights for a possible secondary listing on a foreign stock exchange serves the interests of the Company in this regard. The material advantages of such a foreign listing for the Company include, in particular, an expansion of the circle of its shareholders by attracting private and institutional investors through the introduction of its shares on stock exchanges located abroad. In addition to the associated positive effects on the liquidity of the Company and a presumably lower volatility of the shares, the Company expects that this will enable it to place new shares to a particular extent. In particular, institutional investors from South Africa, who have a particular interest in investing in real estate markets, expressed a fundamental interest in investing in the Company. However, foreign institutional investors are regularly only permitted by law to acquire shares traded on a local stock exchange. A possible secondary listing therefore also serves in particular to attract such institutional investors. The development of international financial markets is also in the interests of the Company, as it has already carried out regular capital measures in the past and intends to keep this possibility open in the future in the event of and for financing strategically suitable purchase opportunities that may arise. In this context, a possible secondary listing on a foreign stock exchange would enable the Company to place such shares that the German market could no longer absorb. The Company also considers it possible that such a secondary listing could make it easier to raise external funds and thus make future financing terms more favourable. The economic strategic concept pursued by the Company, which is to expand the circle of its shareholders by attracting private or institutional investors through the introduction of its shares on stock exchanges located abroad,

requires that it create additional shares and place them on the market. The granting of a subscription right is therefore excluded for such a purpose. At the same time, the legitimate interests of existing shareholders are protected by the fact that the possible number of new shares created in this context, for which subscription rights would be excluded, is limited to 3,150,000 shares. This limit takes into account the interests of the existing shareholders, as it limits any dilution from the outset. At the same time, it provides the Company with sufficient room for manoeuvre in the interests of all shareholders to successfully carry out a secondary listing abroad if necessary.

e) Furthermore, the authorisation serves to exclude the subscription right in favor of the holders of bonds with warrants or creditors of convertible bonds that were or will be issued by the Company for the purpose of not having to reduce the option or conversion price in accordance with the so-called antidilution clauses in the event of subsequent share issues. Rather, instead of this cost-intensive reduction, the Company is to be given the opportunity to grant protection against dilution in subsequent share issues by granting subscription rights for new shares. The holders of the bonds are thus placed in the same position as if they were already shareholders. In order to provide the Bonds with such protection against dilution, the shareholders' subscription rights to the new shares must be excluded.

On the other hand, the exclusion of subscription rights is intended to ensure that the holders of bonds with warrants and creditors of convertible bonds can be granted as many shares as they are entitled to after exercising their option or conversion rights. This will be necessary in particular if the shares available via conditional capital are not sufficient to fully satisfy the conversion or option rights. This avoids the Company having to resort to possible cash payment options that burden its liquidity in order to meet its obligations arising from the bonds with warrants or convertible bonds.

f) Finally, the subscription right can be excluded for the purpose of a so-called stock dividend (also known as a scrip dividend), in the context of which the shareholders are offered to contribute their claim to payment of the dividend, which has arisen in accordance with the resolution on the appropriation of profits of the Annual General Meeting, to the Company at their discretion (in whole or in part) as a contribution in kind in return for the granting of new shares from the Authorised Capital 2019/I. This should enable the Company to distribute a stock dividend on optimal terms. The distribution of a stock dividend can be carried out as a subscription right issue in particular in compliance with the provisions of § 186 (1) of the AktG (minimum subscription period of two weeks) and § 186 (2) of the AktG (announcement of the issue price no later than three days before the end of the subscription period). In individual cases, however, depending on the capital market situation, it may be preferable to structure the distribution of a stock dividend in such a way that although the Management Board offers all shareholders entitled to dividends new shares for subscription against contribution of their dividend entitlement in compliance with the general principle of equal treatment (§ 53a AktG) and thus grants the shareholders a subscription right in economic terms, but legally excludes the

shareholders' subscription right to new shares altogether. Such an exclusion of subscription rights enables the distribution of stock dividends without the aforementioned restrictions of § 186 (1) and (2) of the AktG and thus at more flexible conditions. In view of the fact that the new shares will be offered to all shareholders and any excess dividend amounts will be settled in cash, an exclusion of subscription rights in such a case appears justified and appropriate.

There are currently no concrete plans to use the Authorised Capital 2020/I. In any case of a concrete utilisation of the proposed Authorised Capital 2020/I, the Management Board will report thereon to the Annual General Meeting of shareholders. The Management Board will in each case carefully examine whether the utilisation of the Authorised Capital 2020/I and the exclusion of the shareholders' subscription rights is in the interest of the Company and its shareholders. "

Potsdam, January 2020

Deutsche Konsum REIT-AG

The Management Board