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Deutsche Konsum REIT-AG

Annual General Meeting of Deutsche Konsum REIT-AG, Broderstorf

on Thursday, 11 March 2021, at 11:00 a.m. (CET)

Explanation of the Management Board on agenda item 6

With regard to the exclusion of the subscription right, the Management Board submits the following report pursuant to § 203 (2) in conjunction with § 186 (4) AktG as follows:

"Under Agenda Item 6, it is proposed to the Annual General Meeting to create a new Authorised Capital 2021/I in the total amount of EUR 17,577,969.00 in place of the Authorised Capital 2020/I, which can be utilised until 10 March 2026. Upon utilisation of the Authorised Capital 2021/I, the shareholders shall generally be granted a subscription right. However, the Company shall retain the possibility 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 presented 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 the capital increase by whole amounts. The new shares excluded from the shareholders' subscription right as fractional shares will be realised either by sale on the stock exchange or otherwise in the best possible way for the Company.

b) The exclusion of subscription rights in the case of a capital increase against contributions in kind is intended to enable the Management Board, in suitable individual cases, to acquire companies, parts of companies or participations in companies (including increases in existing shareholdings) as well as claims against the Company and other assets eligible for contribution in exchange for shares in the Company 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 participations in the Company or for other assets eligible for contribution in connection with such an acquisition project, including claims against the Company, and offering new shares in

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the Company to a creditor of the Company in lieu of a cash payment to satisfy a claim or to acquire other assets eligible for contribution as a means of preserving liquidity.

Experience shows that owners of interesting acquisition targets often demand shares or a combination of shares and cash as consideration for the sale rather than cash. In the competition for attractive acquisitions, it can therefore be advantageous to offer a seller 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 with the exclusion of subscription rights against contributions in kind.

The possibility of transferring shares for the acquisition of companies, parts of companies or participations in companies, for the fulfilment of claims against the Company or for the acquisition of other assets eligible for contribution may also prove to be the more favourable liquidity-preserving means of financing for the Company compared to the provision of cash and is thus also in the interest of the shareholders.

The proposed authorisation enables the Management Board, with the consent 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 the use of this instrument is necessary and whether the value of the new shares is in reasonable proportion to the value of the company to be acquired, the participations in a company to be acquired or the other assets (including receivables) to be acquired. The issue price for the new shares shall be determined by the Management Board, taking into account the interests of the shareholders and the Company.

c) The possibility of a so-called simplified exclusion of subscription rights pursuant to § 186 (3) sentence 4 AktG serves the interest of the Company in achieving the best possible issue price when issuing the new shares. The possibility of excluding subscription rights provided for in § 186 (3) sentence 4 AktG enables the Management Board, with the consent of the Supervisory Board, to take advantage of opportunities that arise quickly and flexibly as well as cost-effectively according to the respective stock market situation. This achieves the best possible strengthening of equity in the interest of the Company and all shareholders. The issue amount that can be achieved through open market pricing can lead to a significantly higher inflow of funds than the placement of shares 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 additional new shareholder groups can be acquired domestically and abroad.

In the event of the utilisation of the Authorised Capital against cash contributions, the linking of the placement price to the stock exchange price, which may not be significantly lower, prevents a significant economic disadvantage for the shareholders excluded from the subscription right and limits the loss of influence for the shareholders.

When making use of the authorisation, the Management Board will endeavour to issue the new shares from the capital increase in a manner that is market-friendly. In particular, the Management Board will set any discount from the then applicable stock exchange price as low as possible according to 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 under exclusion of subscription rights have the option of acquiring the required number of shares on the stock exchange.

The shares issued under exclusion of subscription rights pursuant to § 186 (3) sentence 4 AktG may in total neither exceed 10 % of the share capital existing at the time of the entry of the Authorised Capital 2021/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 will ensure, in accordance with the legal interpretation of § 186 (3) sentence 4 AktG, that the interests of the shareholders are adequately safeguarded in the event of a utilisation of the Authorised Capital under exclusion of the shareholders from the subscription right, while the Company is given further room for manoeuvre in the interest 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 context. The factual advantages of such a foreign listing for the Company include, in particular, an expansion of the circle of its shareholders by gaining private and institutional investors through the introduction of its share 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 share, the Company expects in particular that it will be able to place new shares as a result. In particular, institutional investors from South Africa, who have a special interest in investing in real estate markets, have 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 serves in particular to open up such institutional investors. The development of international financial markets is also in the interest of the Company, as it has already regularly carried out capital measures in the past and would like to keep this option open in the future in the event and for the financing of any strategically suitable purchase opportunities that may arise. A possible secondary listing on a foreign stock exchange would therefore also enable the Company to place shares that the German market could no longer accept. The Company also considers it possible that such a secondary listing could make it easier to raise external funds and thus make future financing conditions more favourable. The strategic business concept pursued by the Company to expand the circle of its shareholders by attracting private or institutional investors through the listing of its shares on stock exchanges abroad requires that it creates additional shares and places them on the market. The granting of a subscription right is therefore ruled out for such a purpose. At the same time, the legitimate interests of the existing shareholders are protected by the fact that the possible number of new shares created in this context, from which the subscription right would be excluded, is limited to 3,500,000 shares. This limit takes into account the interests of the existing shareholders, as it limits a possible dilution from the outset. At the same time, it gives the Company sufficient room for manoeuvre in the interest of all shareholders to be able to successfully carry out a secondary listing abroad, if necessary.

e) Furthermore, the authorisation to exclude the subscription right in favour of the holders of bonds with warrants or creditors of convertible bonds issued or to be issued by the Company serves, on the one hand, the purpose of not having to reduce the option or conversion price in accordance with the so-called anti-dilution clauses in the event of subsequent share issues. Instead of this cost-intensive reduction, the Company shall have the option to grant dilution protection in the event of subsequent share issues by granting subscription rights to new shares. The holders of the bonds will thus be placed in the same position as if they were already shareholders. In order to be able to provide the bonds with such protection against dilution, the subscription rights of the shareholders 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 through conditional capital are not sufficient to fully service the conversion or option rights. This avoids the Company having to resort to any cash payment options that would burden liquidity in order to meet its obligations arising from the bonds with warrants or convertible bonds.

f) Finally, the subscription right may be excluded for the purpose of implementing a so-called Scrip Dividend, in the context of which the shareholders are offered to contribute their claim to payment of the dividend, which arose with the resolution on the appropriation of profits of the Annual General Meeting, optionally (in whole or in part) as a contribution in kind to the Company in exchange for the granting of new shares from the Authorised Capital 2021/I. This is intended to enable the Company to distribute a stock dividend on optimal terms. The distribution of a stock dividend may be effected as a rights issue, in particular in compliance with the provisions of § 186 (1) AktG (minimum subscription period of two weeks) and § 186 (2) AktG (announcement of the issue amount no later than three days prior to the expiry of the subscription period). In individual cases, depending on the capital market situation, it may be preferable to structure the distribution of a stock dividend in such a way that the Management Board offers all shareholders entitled to dividends new shares for subscription in exchange for the contribution of their dividend entitlement, in compliance with the general principle of equal treatment (§ 53a AktG), and thus economically grants the shareholders a subscription right, but legally excludes the shareholders' subscription right to new shares altogether. Such an exclusion of subscription rights enables the distribution of the stock dividend without the aforementioned restrictions of § 186 (1) and (2) AktG and thus on more flexible terms. In view of the fact that all shareholders will be offered the new shares and excess dividend amounts will be settled by cash payment of the dividend, an exclusion of subscription rights in such a case is justified and appropriate.

There are currently no concrete plans to utilise the Authorised Capital 2021/I. In the case of a concrete utilisation of the proposed authorisation for the Authorised Capital 2021/I, the Management Board will report on this to the Annual General Meeting. In any case, the Management Board will carefully examine whether the utilisation of the Authorised Capital 2021/I and the exclusion of shareholders' subscription rights are in the interest of the Company and its shareholders."

Potsdam, January 2021

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The Management Board